For the three and nine month periods ended September 30, 2004	Harvest Energy Trust 2004 Quarterly Report to Unitholders	Q3

Harvest Energy Trust Announces Third Quarter 2004 Results

Calgary, November 11, 2004 (TSX: HTE.UN) – Harvest Energy Trust ("Harvest") today announced its unaudited operating and financial results for the three and nine month periods ended September 30, 2004.

Highlights:

- Completed the EnCana property acquisition of $526.0 million on September 2, 2004 increasing production to approximately 37,500 BOE/d. Proved plus Probable (P+P) reserves and Reserve Life Index (RLI) increased to approximately 103.4 mmBOE and 7.5, respectively. As a result of this transaction, Harvest also diversified its product mix by increasing its natural gas production weighting to approximately 14%;
- Successfully integrated the Storm assets into Harvest's operations for the first full quarter, contributing to 40% of the average production growth from the second quarter;
- Declared distributions of $0.60 per Trust Unit for the three months ended September 30, 2004, representing a third quarter payout ratio of 41%. At a distribution rate of $0.20 per Trust Unit per month, Harvest anticipates a fourth quarter 2004 payout ratio of less than 40%;
- Cash flow from operations of $44.5 million or $1.50 per weighted average Trust Unit outstanding for the three month period ended September 30, 2004, compared to $17.2 million ($0.99 per Trust Unit) in the second quarter and $16.8 million ($1.35 per Trust Unit) during the same period in 2003;
- Net income of $5.2 million and $5.7 million in the three and nine month periods ended September 30, 2004 are net of $19.7 million and $29.4 million, respectively, of non-cash mark-to-market losses on derivative contracts which do not qualify for hedge accounting;
- Sales volume averaged 24,759 BOE/d for the three month period ended September 30, 2004, a 62% increase over the previous quarter, and a 118% increase over the same period in the previous year. The exit rate for the third quarter was approximately 37,500 BOE/d;
- Development activities and cost reduction initiatives in core areas continued through the third quarter, reflected in capital expenditures of approximately $13.2 million ($0.44 per weighted average Trust Unit outstanding). The goal of the development program is to add cash flow, production and reserves, providing stability for future distributions;
- Closed an equity and a convertible debenture financing in August, for $175 million and $100 million, respectively to help fund the EnCana property acquisition;
- Subsequent to the end of the quarter, closed a US$250 million, 7-year senior note financing to create additional financial flexibility and used those proceeds to substantially repay bank and bridge credit facilities.
- Harvest will be conducting a conference call and Webcast about its third quarter 2004 results at 9:00 a.m. Mountain time (11:00 a.m. Eastern time) on November 12th, 2004. Details regarding this call and Webcast are included later in this release and are also available on Harvest's website at www.harvestenergy.ca.

Third Quarter Financial and Operational Summary

($000's, except per BOE and per Trust Unit amounts)

	Three months ended September 30			Nine months ended September 30		
FINANCIAL	**2004**	2003	% Change	**2004**	2003	% Change
		(Restated)			*(Restated)*	
Revenue, net of royalties	**$ 85,424**	$ 24,706	246%	**$ 169,650**	$ 69,362	145%
Hedging loss	**(16,457)**	(3,525)	367%	**(37,761)**	(15,821)	139%
Cash flow from operations[2]	**44,459**	16,758	165%	**77,988**	32,795	138%
Per Trust Unit, basic[2]	**1.50**	1.35	11%	**3.69**	2.88	28%
Per Trust Unit, diluted[2]	**1.22**	1.31	-7%	**2.80**	2.79	0%
Net income	**5,166**	5,488	-6%	**5,696**	9,813	-42%
Per Trust Unit, basic	**0.07**	0.44	-84%	**nil**	0.86	100%
Per Trust Unit, diluted	**0.07**	0.43	-84%	**nil**	0.84	100%
Distributions	**18,434**	7,403	149%	**39,740**	19,833	100%
Distributions per Trust Unit, declared	**0.60**	0.60	0%	**1.80**	1.80	0%
Payout ratio[2]	**41%**	44%		**51%**	60%	
Capital expenditures (excluding acquisitions)	**13,182**	9,041	46%	**33,822**	34,012	-1%
Net debt (excluding commodity derivatives)[2]	**403,372**	9,740	4041%	**403,372**	9,740	4041%
Weighted average Trust Units outstanding, basic	**29,669,282**	12,385,722	140%	**21,143,221**	11,383,042	86%
Trust Units outstanding, end of period	**36,874,829**	12,522,889	194%	**36,874,829**	12,522,889	194%
OPERATING						
Average daily sales volume						
Crude oil and natural gas liquids (bbl/d)	**22,774**	11,131	105%	**17,475**	9,560	83%
Natural gas (mcf/d)	**11,909**	1,453	720%	**5,049**	1,165	333%
Total (BOE/d)	**24,759**	11,373	118%	**18,317**	9,754	88%
Production exit rate (BOE/d)	**37,500**	11,600	223%	**37,500**	11,600	223%

Note 1: Natural gas converted to barrel of oil equivalent (BOE) on a 6:1 basis
Note 2: Each of these measures is considered a non-GAAP measure. The impact on readers should be reviewed in the "Certain Financial Reporting Measures" section of this MD&A.

Third Quarter Message to Unitholders

The highlight of the third quarter 2004 was Harvest's successful acquisition of $526 million of producing assets from EnCana. The acquisition was financed through the issuance of $175 million of Trust Units, $100 million of convertible debentures, $70 million under a bank bridge facility and the balance of the purchase price was funded by drawing down on the Trust's revolving credit facility.

Following the closing of the acquisition on September 2, Harvest's production and reserves essentially doubled, resulting in a third quarter exit rate of approximately 37,500 BOE/d, an increase of 95% from the June 30, 2004 exit rate. In addition to providing approximately 19,000 BOE/d of production and 57.8 mmBOE of proved plus probable reserves, this transaction increased Harvest's Reserve Life Index (RLI) to 7.5. These assets also included Harvest's first significant natural gas property, at Crossfield, increasing our natural gas production weighting to approximately 14%. The addition of the EnCana properties is also expected to provide Harvest with stronger netbacks, reduced operating costs and reduced royalty rates going forward. This transaction is accretive to cash flow, net asset value, production per unit, and reserves per unit. The integration of the assets and personnel with Harvest's systems has been substantially completed, with technical reviews and priorities being established for fourth quarter and 2005 capital projects. Readers should note that the Trust's third quarter 2004 results only reflect operating results of the EnCana assets from the closing date of September 2, 2004 to the end of the period. The fourth quarter of 2004 will reflect the first full quarter of operating results from the EnCana assets.

The Trust completed the acquisition of Storm Energy Ltd. through a Plan of Arrangement on June 30, 2004. Harvest acquired Storm for approximately $189.2 million including assumed net debt of approximately $65.0 million (refer to Note 5 of the unaudited consolidated financial statements for September 30, 2004 for the purchase price allocation). The third quarter of 2004 was Harvest's first full operating quarter including the Storm Energy properties. The Storm assets have performed consistently with expectations and contributed approximately 40% of the Trust's average production growth from the second quarter. The Storm assets are primarily situated in Harvest's North Central Alberta core area and offer strong netbacks and primarily light gravity crude oil production. Integration of the Storm properties into Harvest's operations continued throughout the third quarter. As part of this integration, technical reviews were conducted for fourth quarter 2004 and 2005 development drilling and optimization projects in North Central Alberta.

Harvest expects its full year 2004 capital program to be approximately $50 million, with the focus on adding production and reserves as well as improving operating efficiencies. Development capital invested during the third quarter totaled $13.2 million and was focused on drilling in Southeast Saskatchewan and East Central Alberta. Seven oil wells were drilled in Saskatchewan and five oil wells in Alberta, with a success rate of 100%. Additional water disposal projects in Hayter were commissioned with the goal of further reducing operating costs in future quarters.

Based on Harvest's incremental production from its 2004 acquisition activity, combined with its existing base of production, additional volumes from development, and natural production declines, Harvest anticipates the following:

	Fourth Quarter 2004 Estimate	**Full Year 2004 Estimate**
Average Production Volumes (BOE/d)	37,000 - 38,000	22,500 - 23,500
Royalties (% of revenue, before hedging)	16.0% – 16.5%	16.5 % - 17.0%
Operating costs ($/BOE)	$7.50 - $8.00	$8.50 - $9.00

Harvest's expected low payout ratio of approximately 40% in the fourth quarter provides additional cash flow to fund debt repayment, ongoing property enhancement programs, and possible future acquisitions.

The Board of Directors of Harvest Operations Corp. will continue to evaluate distributions on a regular basis.

All references are to Canadian dollars unless otherwise indicated. Natural gas volumes recorded in thousand cubic feet ("mcf") are converted to barrels of oil equivalent ("BOE") using the ratio of six (6) thousand cubic feet to one (1) barrel of oil ("bbl"). BOE's may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 mcf:1 bbl is based on an energy equivalent conversion method primarily applicable at the burner tip and does not represent a value equivalent at the wellhead.

Forward-Looking Information

This third quarter report contains forward-looking information and estimates with respect to Harvest. This information addresses future events and conditions, and as such involves risks and uncertainties that could cause actual results to differ materially from those contemplated by the information provided. These risks and uncertainties include but are not limited to, factors intrinsic in domestic and international politics and economics, general industry conditions including the impact of environmental laws and regulations, imprecision of reserve estimates, fluctuations in commodity prices, interest rates or foreign exchange rates and stock market volatility. The information and opinions concerning the Trust's future outlook are based on information available as at November 11, 2004.

Management's Discussion and Analysis

Management's discussion and analysis ("MD&A") of Harvest Energy Trust's ("Harvest" or the "Trust") financial condition and results of operations should be read in conjunction with Harvest's audited consolidated financial statements and accompanying notes for the year ended December 31, 2003 as well as our unaudited consolidated financial statements and notes for the nine months ended September 30, 2004.

Certain Financial Reporting Measures

The Trust has used certain measures of financial reporting that are commonly used as benchmarks within the oil and natural gas industry in the following MD&A discussion. These measures include: Cash flow from operations, Net Debt, Payout Ratio and Operating Netbacks per BOE. These measures are not defined under Canadian generally accepted accounting principles ("GAAP") and should not be considered in isolation or as an alternative to conventional GAAP measures. Certain of these measures are not necessarily comparable to a similarly titled measure of another company or trust. When these measures are used, they are defined as "non-GAAP" and should be given careful consideration by the reader. Specifically, management uses Cash flow from operations or cash flow (before changes in non-cash working capital) to analyze operating performance and leverage. Cash flow as presented is not intended to represent operating cash flow or operating profits for the period nor should it be viewed as an alternative to cash flow from operating activities, net earnings or other measures of financial performance calculated in accordance with Canadian GAAP. All references to cash flow throughout this report are based on cash flow before changes in non-cash working capital.

Trust Overview

Harvest Energy Trust is an oil and natural gas royalty trust, which focuses on the operation of high quality mature properties. The Trust employs a disciplined approach to the oil and natural gas production business, whereby it acquires high working interest, large resource-in-place, mature, producing properties and employs "best practice" technical and field operational practices to extract maximum value. These operational practices include: diligent hands-on management to maintain and maximize production rates, the application of technology and selective capital investment to maximize reservoir recovery, enhancing operational efficiencies to control and reduce expenses, and unique marketing arrangements complemented by corporate hedging strategies to effectively manage cash flow. The Trust has operations in four core areas: North Central Alberta, East Central Alberta, Southern Alberta and Southeast Saskatchewan.

Industry Overview

	Three month period ended Sept. 30			Nine month period ended Sept. 30		
Prices	**2004**	2003	% Change	**2004**	2003	% Change
West Texas Intermediate crude oil (US$ per barrel)	**$ 43.88**	$ 30.20	45%	**$ 39.11**	$ 30.99	26%
Edmonton light crude ($ per barrel)	**56.32**	40.94	38%	**50.83**	44.33	15%
Lloyd blend crude oil ($ per barrel)	**40.87**	29.53	38%	**36.74**	32.90	12%
Bow river blend crude oil ($ per barrel)	**41.55**	30.50	36%	**37.70**	33.80	12%
AECO natural gas ($ per mcf)	**6.15**	5.96	3%	**6.29**	6.70	-6%
Alberta Power Pool electricity price ($ per MWh)	**54.33**	62.59	-13%	**54.43**	67.75	-20%
Canadian / U.S. dollar exchange rate (C$)	**1.307**	1.380	-5%	**1.328**	1.429	8%
Bank of Canada interest rate	**2.31%**	3.21%	-28%	**2.44%**	3.25%	-25%

The benchmark price of WTI crude oil has the greatest impact on Harvest's revenues because the majority of the Trust's production is crude oil. Foreign exchange also has an impact on Harvest's revenues as it affects the realized revenues in Canadian dollars for oil sales which are denominated in U.S. dollars. Following the EnCana acquisition, Harvest's natural gas weighting increased from 2% to approximately 14%, thus increasing the impact of fluctuations in AECO natural gas spot prices on revenues.

The strengthening of the Canadian versus the U.S. dollar and slightly wider differentials for Canadian crude tempered the effects of the generally higher worldwide price of crude oil on Harvest's revenues. The overall average increase in WTI prices of approximately 45% in the third quarter relative to the same period in 2003, was slightly offset by the 5% increase in the value of the Canadian dollar relative to the U.S. dollar. The Edmonton light crude oil price, which is the posted price for light oil delivered to Edmonton, rose 38% during the third quarter of 2004 relative to the same period of 2003, and contributed to the increased revenues Harvest realized for the period.

The differential between heavy and light crude oil continued to widen in the third quarter, primarily due to a lack of refinery capacity in the US Midwest, which is the export destination point for the majority of Canadian heavy crude. In addition, increased competition from foreign heavy and sour production being delivered into the North American market also contributed to the softening of prices for heavy crude in general. The proportionally higher demand for light versus heavy oil products also negatively affected the differentials.

Given Harvest's historically higher production weighting to medium and heavy crude oil, the Trust has been exposed to swings in world oil prices (WTI) and light to medium/heavy differentials. However, the assets from the Storm acquisition increased our light oil component in the third quarter to approximately 37% of Harvest's total production which has lessened this impact. Exit production for the third quarter of 2004 was 50% light and medium gravity crude oil, 34% heavy oil and 16% natural gas and NGL's. This compares to 44% light and medium gravity crude, 53% heavy crude and 3% natural gas and NGL's in the third quarter of 2003. This diversification reduces Harvest's exposure to WTI prices and heavy oil differentials and increases our exposure to North American natural gas prices.

The average Alberta Electricity System Operator (AESO) electricity price decreased in the third quarter of 2004 by approximately 13% over the same period in 2003. Events during the month of July 2003 versus 2004 were the leading factors in this decrease. In 2003, July brought high temperatures and many days with multiple large generators off-line putting extreme strain on the province's ability to supply power leading to an average electricity spot market price of $87.91/MWh. By comparison, July 2004 saw milder temperatures and more generation capacity resulting in an average electricity spot market price of $56.55/MWh. Demand growth in the third quarter continued at its 2004 pace of approximately 4% over 2003. Third quarter 2004 natural gas prices increased by 3% compared to 2003, however; this increase was not reflected in higher power prices due to higher availability of coal fired generators.

Summary of Quarterly Results

(Restated - Refer to note 3 of the consolidated financial statements)

	2004			2003			
Financial	**Q3**	Q2	Q1	Q4	Q3	Q2	Q1
Revenue, net of royalties	**$ 85,424**	$ 44,752	$ 39,473	$ 33,577	$ 24,706	$ 21,352	$ 23,308
Hedging loss	**16,457**	12,249	9,055	3,103	3,525	3,727	8,570
Operating expense	**18,993**	13,600	13,674	12,984	9,661	6,596	6,804
Net operating income	**$ 49,974**	$ 18,903	$ 16,744	$ 17,490	$ 11,520	$ 11,029	$ 7,934
Net income (loss)	**5,166**	1,594	(1,065)	6,134	5,673	1,063	3,468
Per Trust Unit, basic	**0.07**	0.02	(0.13)	0.38	0.45	0.09	0.33
Per Trust Unit, diluted	**0.07**	0.02	(0.13)	0.37	0.44	0.09	0.31
Cash flow from operations[1]	**44,459**	17,160	14,839	13,115	16,759	9,547	6,489
Per Trust Unit, basic[1]	**1.50**	0.99	0.87	0.81	1.35	0.84	0.62
Per Trust Unit, diluted[1]	**1.22**	0.78	0.68	0.79	1.31	0.82	0.60
Sales Volumes							
Crude oil (bbl/d)	**22,397**	14,775	14,626	14,497	11,054	9,371	8,034
Natural gas liquids (bbl/d)	**377**	141	50	70	77	67	43
Natural gas (mcf/d)	**11,909**	2,249	915	1,744	1,453	1,161	875
Total (BOE/d)	**24,759**	15,291	14,829	14,858	11,373	9,632	8,223

Note 1: This is a non-GAAP measure as referred to in the "Certain Financial Reporting Measures" section of this MD&A.

The above table highlights Harvest's performance for the third quarter of 2004, and the preceding quarters following the Trust's Initial Public Offering in December of 2002.

Financial

Net revenues have trended higher since the first quarter of 2003, attributable to increasing production volumes and a strengthening commodity price environment. Production related to the Storm assets is reflected for all of the third quarter of 2004, and production from the EnCana assets is reflected from September 2 until September 30, 2004.

Net income includes both cash and non-cash items. The non-cash items, including depletion, depreciation and accretion (DD&A), future income taxes, foreign exchange, and unrealized gain or loss on derivatives can cause the net income to vary significantly. As demonstrated in the Summary of Quarterly Results table, net income has not reflected the same trend as net revenues or cash flows due to the inclusion of unrealized mark-to-market gains and losses on the remaining future portion of derivative contracts.

Cash flow from operations has demonstrated a steady upward trend, with the exception of a substantial non-recurring foreign exchange gain realized in the third quarter of 2003.

Sales Volumes

Harvest's production consists of light, medium and heavy crude oil, natural gas liquids, and natural gas from properties located in North Central Alberta, East Central Alberta, Southern Alberta and Southeastern Saskatchewan. Sales volumes, on a barrel of oil equivalent (BOE) basis, averaged 24,759 BOE/d and 18,317 BOE/d for the three and nine and month periods ended September 30, 2004, respectively. This compares to average production of 15,291 BOE/d in the second quarter of 2004, and 11,373 BOE/d and 9,754 BOE/d for the same periods in 2003. Higher 2004 average production in the third quarter compared to the second quarter is due to the increased volumes associated with the Storm and EnCana acquisitions, as well as successful development and optimization work centered in Southeast Saskatchewan and East Central Alberta.

Compared to the third quarter of 2003, higher production primarily reflects the impact of the items noted above. These acquisitions also resulted in the change to the production mix noted below.

The average daily sales volumes by product were as follows:

	Three month period ended September 30, 2004		Three month period ended September 30, 2003	
Light crude oil (Bbls/d)	**9,087**	**37%**	-	0%
Medium crude oil (Bbls/d)	**5,416**	**22%**	5,044	44%
Heavy crude oil (Bbls/d)	**7,894**	**32%**	6,010	53%
Total oil (Bbls/d)	**22,397**	**90%**	11,054	97%
Natural gas liquids (Bbls/d)	**377**	**2%**	77	1%
Total oil and natural gas liquids (Bbls/d)	**22,774**	**92%**	11,131	98%
Natural gas (mcf/d)	**11,909**	**8%**	1,453	2%
Total oil equivalent (6:1 BOE/d)	**24,759**	**100%**	11,373	100%

	Nine month period ended September 30, 2004		Nine month period ended September 30, 2003	
Light crude oil (Bbls/d)	**6,461**	**35%**	-	0%
Medium crude oil (Bbls/d)	**4,553**	**25%**	4,300	44%
Heavy crude oil (Bbls/d)	**6,271**	**34%**	5,192	53%
Total oil (Bbls/d)	**17,285**	**94%**	9,492	97%
Natural gas liquids (Bbls/d)	**190**	**1%**	68	1%
Total oil and natural gas liquids (Bbls/d)	**17,475**	**95%**	9,560	98%
Natural gas (mcf/d)	**5,049**	**5%**	1,165	2%
Total oil equivalent (6:1 BOE/d)	**18,317**	**100%**	9,754	100%

Harvest's September 30, 2004 exit rate was approximately 37,500 BOE/d, an increase of 95% over the second quarter exit rate of 19,200 BOE/d and a 223% increase over the third quarter 2003 exit rate of 11,600 BOE/d. The increase compared to the previous quarter can primarily be attributed to the production acquired in the EnCana acquisition, while the increase relative to the same quarter in 2003 is also attributable to the Storm and Carlyle acquisitions.

Revenues

Revenues net of hedging losses and before royalties were $85.7 million in the third quarter 2004; 110% higher than the second quarter 2004 revenues of $40.8 million and 243% higher than the $25.0 million realized for the same period in 2003.

For the nine months ended September 30, 2004, revenues net of hedging losses and before royalties increased 159% to $164.9 million compared to $63.6 million in the same period in 2003. Higher net revenues in the first nine months of 2004 compared to the same period in the previous year are the result of Harvest's higher production volumes coupled with higher average commodity prices year-to-date in 2004 compared to 2003. The average market price of WTI in the three and nine month periods ended September 30, 2004 was U.S.$43.88/BOE and U.S.$39.11/BOE, respectively. Harvest's corporate realized prices for the three and nine months ended September 30, 2004 were $44.83/BOE and $40.53/BOE compared to $38.13/BOE realized in the previous quarter, and $27.27/BOE and $29.82/BOE for the same periods in 2003.

The following is a breakdown of Harvest's average prices before hedging, by product, for the three and nine month periods ended September 30, 2004 and 2003.

	Three month period ended September 30, 2004	Three month period ended September 30, 2003	**Nine month period ended September 30, 2004**	Nine month period ended September 30, 2003
Product prices:				
Light oil ($/bbl)	**$ 53.46**	$ -	**$ 46.52**	$ -
Medium oil ($/bbl)	**43.54**	30.45	**39.89**	32.05
Heavy oil ($/bbl)	**37.64**	24.26	**35.67**	27.80
Natural gas liquids ($/bbl)	**45.69**	23.80	**37.37**	29.93
Natural gas ($/mcf)	**6.22**	6.17	**5.83**	6.71
BOE ($/BOE)	**$ 44.83**	$ 27.27	**$ 40.53**	$ 29.82

Operating Netbacks

The following is a summary of Harvest's operating netbacks:

	(Amounts expressed are $/BOE)			
	Three month period ended September 30, 2004	Three month period ended September 30, 2003	**Nine month period ended September 30, 2004**	Nine month period ended September 30, 2003
Sales price	**$ 44.83**	$ 27.27	**$ 40.53**	$ 29.82
Hedging loss	**7.22**	3.37	**7.52**	5.94
Realized price	**37.61**	23.90	**33.01**	23.88
Royalties, net	**7.33**	3.66	**6.58**	3.77
Royalties, percent of sales price	**16.4%**	13.4%	**16.2%**	12.6%
Operating costs	**8.34**	9.23	**9.22**	8.66
Operating Netback[1]	**$ 21.94**	$ 11.01	**$ 17.21**	$ 11.45

Note 1: Operating netbacks per BOE are a non-GAAP measure; please refer to the "Certain Financial Reporting Measures" section earlier in this MD&A

Third quarter netbacks in 2004 were 61% higher than the $13.59 realized in the second quarter, primarily due to higher netback production from the Storm assets in North Central Alberta and the recently purchased EnCana assets. Higher average commodity prices, and the effect of operating cost reduction projects at several of Harvest's properties also contributed to stronger netbacks in the third quarter of 2004. Operating netbacks of $21.94/BOE and $17.21/BOE realized in the three and nine month periods ended September 30, 2004 were 99% and 50% higher than the same periods in the previous year.

Harvest anticipates a slight reduction in average royalty rates and operating costs in the fourth quarter with the integration of a full three months of results associated with the EnCana properties.

Royalties

The higher net royalties, as a percent of revenues before hedging losses, in the third quarter compared to the second quarter (15.7%) of 2004 are primarily attributable to the impact of the higher royalty rates on the Storm properties, which Harvest acquired on June 30, 2004. Higher net royalty percentages in the three and nine months ended September 30, 2004 compared to the same periods in 2003 are due to the change in Harvest's royalty structure as the result of the addition of the higher royalty burdened Carlyle properties acquired in the fourth quarter of 2003.

Royalties as a percentage of revenues are expected to decline in future quarters due to lower royalty rates associated with the properties acquired from EnCana.

Operating Expenses

The $0.89/BOE decrease in operating expenses during the third quarter of 2004 compared to the third quarter of 2003 reflects the lower per BOE operating costs associated with the recent acquisitions and operating cost reduction projects completed in 2004.

During the third quarter of 2004, approximately 35% of Harvest's operating costs related to the consumption of electricity. Management has utilized fixed price electricity contracts to mitigate electricity price risk within Alberta. For the fourth quarter, Harvest anticipates realizing further benefits from its electricity hedges (with approximately 29 MWh of its estimated Alberta electricity usage hedged at an average price of $45.25 per MWh) and capital expenditures of approximately $4.9 million in fiscal 2004 being dedicated to power efficiency projects.

The third quarter 2004 operating cost figure of $8.34/BOE is in line with Harvest's performance goals set out in the December 31, 2003 MD&A. Further efficiencies realized from the Harvest capital program coupled with additional production volumes from the Storm and EnCana asset purchases are expected to reduce the overall 2004 average unit operating expenses to approximately $8.50 - $9.00/BOE. In addition, the impact of lower operating cost production associated with the EnCana assets will further reduce consolidated operating costs per BOE in the fourth quarter.

General and Administration Expenses

The portion of general and administration expenses ("G&A") charged against income in the third quarter 2004 totaled $2.5 million ($1.10/BOE) compared to $2.0 million ($1.43/BOE) in the previous quarter, and $0.6 million ($0.54/BOE) for the same period in 2003. For the nine month period ended September 30, 2004, general and administrative expense totaled $6.0 million ($1.21/BOE) compared to $2.1 million ($0.78/BOE) for the same period in 2003.

The 23% decrease in G&A on a per BOE basis quarter over quarter is the result of increased production volumes, somewhat offset by increased staff and system expenses and approximately $0.4 million related to unit appreciation right expenses as the result of adopting the new CICA recommendations on stock based compensation. Harvest's G&A/BOE charged against income is anticipated to decrease due to anticipated economies of scale following the Storm and EnCana acquisitions.

During the three and nine month periods ended September 30, 2004, $0.7 million and $1.8 million of G&A were capitalized with regards to field enhancement and acquisition activities, while $0.2 million and $0.7 million were capitalized for the respective periods in 2003.

Interest Expense and Amortization of Deferred Financing Charges

Interest expense and amortization of deferred financing charges in the third quarter of 2004 were $3.5 million compared to $1.0 million for the previous quarter and $1.2 million for the third quarter in 2003. For the nine month periods ended September 30, 2004 and 2003, interest expense and amortization of deferred financing charges were $5.8 million and $3.4 million, respectively. The increase in the third quarter of 2004 is due to interest costs associated with bank debt used to partially finance the Storm and EnCana acquisitions. Interest expense will increase further in the fourth quarter due to a full three months of costs associated with EnCana related debt and also the higher interest rate associated with the senior notes issued in October to repay outstanding bank debt (see Note 15 to the unaudited consolidated financial statements).

Depletion, Depreciation and Accretion

Harvest's depletion, depreciation, and accretion expense totaled $28 million compared to $12.8 million for the previous quarter, and was $53 million for the nine month period ended September 30, 2004. This compares to $9.7 million in the third quarter of 2003, and $24.3 million for the nine month period in 2003.

For the three and nine month periods ended September 30, 2004, the total depletion, depreciation and accretion expense primarily consists of: crude oil and natural gas properties depletion and depreciation of $24.4 million and $44.1 million; depletion of capitalized asset retirement costs of $2.4 million and $6 million; and approximately $1.2 million and $2.9 million for accretion on the asset retirement obligation. The depletion rate for oil and natural gas properties was approximately $10.67/BOE and $8.76/BOE for the three and nine months ended September 30, 2004, respectively, and is based on the costs of the oil and natural gas properties purchased, capital expenditures incurred, capitalization of general and administrative expenses and the long-lived asset retirement costs. For the three and nine month periods ended September 30, 2004, Harvest's depletion rate is higher compared to the same periods in 2003. This increase in the depletion rate in 2004 is attributable to the Storm properties acquired in the second quarter of 2004, the purchase price for which reflected both the higher value netback for those properties, as well as an increase for accounting purposes arising from the future income tax liability associated with that acquisition.

For the three and nine month periods ending September 30, 2003 respectively, the total depletion, depreciation and accretion expense primarily consists of: crude oil and natural gas properties depletion and depreciation of $8.0 million and $20.1 million; depletion of capitalized asset retirement costs of $1.2 million and $1.8 million; and approximately $0.5 million and $1.2 million for accretion on the asset retirement obligation. The depletion rate for oil and natural gas properties was approximately $7.68/BOE and $7.58/BOE, respectively.

Future income taxes

Future income taxes for the three month period ended September 30, 2004 and 2003 are comprised of approximately $9.8 million and $3.7 million in recoveries, respectively. Future income taxes for the nine month periods ended September 30, 2004 and 2003 are comprised of approximately $14 million and $3.9 million in recoveries, respectively. The increase in future income tax recovery year over year is mainly due to the increase in non-cash derivative contract losses. The assets purchased in the EnCana acquisition will not have an effect on future income tax balances.

Asset Retirement Obligation

Year-over-year the Trust's asset retirement obligation (ARO) has increased by $54.2 million mainly driven by the acquisitions of Storm and the EnCana assets. Quarter-over-quarter obligations increased by $46.2 million in 2004, driven entirely by the EnCana asset acquisition.

Liquidity and Capital Resources

The Trust's capital investment and operational enhancement programs, as well as current financial commitments are expected to be supported by cash flow from operations net of cash distributions.

For the three and nine month periods ended September 30, 2004, the Trust's cash flow from operations was $44.5 million and $78.0 million, compared to $16.8 million and $32.8 million for the same periods in 2003. Net income for the three and nine month periods ended September 30, 2004 was $5.2 million and $5.7 million, compared to net income of $5.5 million and $9.8 million for the same periods in 2003. In the previous quarter, cash flow from operations was $17.2 million and net income was $1.6 million.

The Trust's net debt (working capital plus demand loan) at September 30, 2004 was $403 million not including the current portion of commodity derivative contracts, which is a substantial increase from net debt of $53.6 million as at December 31, 2003. The increase is primarily the result of the Plan of Arrangement with Storm and the $526 million acquisition of properties from EnCana. As described in Note 15 to the third quarter consolidated financial statements, a majority of the convertible debentures outstanding at September 30, 2004 have already converted to units and we anticipate there will not be a significant balance remaining outstanding at the end of 2004.

Harvest's plan is to utilize cash flows, net of cash distributions and capital expenditures, to repay the remaining outstanding bank debt. Following the issuance of the senior notes and partial repayment of outstanding bank debt, Harvest has net bank debt of approximately $100 million currently outstanding. After payment of cash distributions and providing for an anticipated capital program of $70 to $90 million in 2005, Harvest should have sufficient retained cash flow to settle its outstanding bank debt before the end of 2005. Should Harvest make a significant property acquisition during that period of time, and depending on how such an acquisition is financed, debt levels would likely increase; however, Harvest's intent is to maintain an average debt to cash flow ratio below 2 times on a go forward basis.

During the third quarter of 2004, the Trust declared $18.4 million in distributions payable to Unitholders; $0.20 per Trust Unit for each of July, August and September 2004. This compares to $11.0 million declared in the second quarter of 2004 and $7.4 million in the same period of the previous year. The higher amount reflects units issued in August to partially finance the EnCana acquisition as well as the conversion of convertible debentures throughout the period.

Of the distributions paid in the third quarter, $3.9 million were reinvested into the Trust by unitholders through the issue of 248,188 Trust Units under the Distribution Reinvestment Plan ("DRIP"). This reflects 21% participation under the DRIP. The Trust will continue to declare its distributions monthly, and consistent with the preceding 23 months, the Trust has declared a November distribution payable December 15, 2004 of $0.20 per Trust Unit. Future distributions will continue to be financed with cash flow from operations. Harvest anticipates its payout ratio, which is the ratio of distributions to cash flow from operations, to be approximately 40% for the fourth quarter of 2004. This low payout ratio will provide Harvest significant flexibility in servicing its outstanding debt and financing capital and acquisition activities.

A breakdown of the Trust's outstanding Trust Units and potentially dilutive elements are as follows:

	As at September 30, 2004	As at June 30, 2004
Trust Units outstanding	36,874,829	20,228,860
Exchangeable shares outstanding(1)	552,972	600,587
Trust Unit rights outstanding(2)	1,230,225	1,168,100
9% Convertible debentures(3)	$ 24,915,000	$ 57,795,000
8% Convertible debentures(4)	$ 71,219,000	-

(1) Exchangeable into Trust Units at the election of the holder at any time. Using the exchange ratio in effect on November 15, 2004 of 1.05604, the exchangeable shares outstanding as at September 30, 2004 would represent approximately 583,961 Trust Units
(2) Exercisable at an average price of $8.22 per Trust Unit as at September 30, 2004; $6.62 per Trust Unit as at June 30, 2004; and $6.39 per Trust Unit as at March 31, 2004
(3) Each debenture in this series has a face value of $1,000 and is convertible, at the option of the holder at any time, into Trust Units at a price of $14.00 per Trust Unit. If Debenture holders converted all outstanding debentures in this series at September 30, 2004 an additional 1,779,643 Trust Units would be issuable.

(4) Each debenture in this series has a face value of $1,000 and is convertible, at the option of the holder at any time, into Trust Units at a price of $16.25 per Trust Unit. If Debenture holders converted all outstanding debentures in this series at September 30, 2004 an additional 4,382,708 Trust Units would have been issuable.

Capital Expenditures

Development capital expenditures, excluding the Plan of Arrangement with Storm and the acquisition of the EnCana properties, totaled $13.2 million for the three month period ended September 30, 2004, resulting in year to date development capital expenditures of $33.8 million. This compares to $8.6 million in the previous quarter, and $9.0 million in the third quarter of 2003. The capital expenditures were dedicated to ongoing optimization and development of existing assets.

Excluding acquisitions, Harvest continues to expect full year 2004 development capital expenditures of approximately $50 million, and will be focused on production, reserve additions, and operating efficiency programs. Harvest continues to review capital for the fourth quarter and may reallocate funds to properties acquired in the EnCana acquisition, but does not anticipate a material increase to this figure.

Future Liquidity Requirements

From time to time the Trust may require external financing, through both debt and equity, to further its business plan of maintaining production, reserves and distributions through acquisitions and capital expenditures. Harvest's ability to obtain the necessary financing is subject to external factors including, but not limited to, fluctuations in equity and commodity markets, economic downturns and interest and foreign exchange rates. Adverse changes in these factors could require Harvest's Management to alter the current business plan of the Trust.

As a result of the EnCana asset acquisition, Harvest's bank credit facilities increased to a total of $440 million. The credit facilities were used to finance the EnCana acquisition, for general corporate purposes and to refinance Harvest's existing revolving credit facility. However, subsequent to the end of the quarter on October 7, 2004, Harvest announced an issuance of US$250 million in 7⅞% senior notes due 2011. Proceeds from the issuance of the senior notes were used to repay the outstanding $70 million bank bridge facility and partially repay the revolving credit facility. The bank lending group has revised the amount of Harvest's credit facility to $325 million, leaving approximately $225 million undrawn at present. Dependent upon market conditions, the Trust may draw under this facility, or complete additional financings in the form of convertible debentures or Trust Units to expand the capital program or to finance additional acquisitions. The Trust also has access to and may utilize bridge financing, similar to that used in 2003, if required.

The Trust anticipates that following the EnCana acquisition, cash flow generated from operating activities will be sufficient for the Trust to pay unitholder distributions, service debt, and carry out the anticipated optimization and development capital expenditures currently contemplated.

Contractual Obligations

The Trust has entered into the following contractual obligations:

	Maturity			
Annual Contractual Obligation ($ thousands)	Less than 1 year	Years 1 - 3	Years 4 - 5	After 5 Years
Product transportation agreements	35	39	25	-
Operating and premise leases	325	755	755	-

As at September 30, 2004 Harvest Operations Corp. has entered into physical and financial contracts for production with average deliveries of approximately 10,575 barrels per day for the balance of 2004, 16,033 barrels per day in 2005 and 3,750 barrels per day in 2006. Harvest has also entered into financial contracts to minimize its exposure to fluctuating electricity prices and the US / Canadian dollar exchange rate. Please see Note 12 to the consolidated financial statements for further details.

Critical Accounting Policies

The Management of the Trust is required to make estimates and assumptions that affect the reported amounts of assets and liabilities when applying Canadian generally accepted accounting principles. Certain accounting policies have been deemed critical by Management in the preparation of the financial results of the Trust. These critical accounting policies are described in the Trust's first quarter report MD&A and include accounting policies related to oil and natural gas operations, the asset retirement obligation and the Trust's unit incentive plan.

Changes in Accounting Policies

Note 2 to the consolidated financial statements describes changes to accounting policies in 2004, including the adoption of the CICA's recommendations related to oil and natural gas accounting, asset retirement obligations and financial instruments.

Transactions with Related Parties

See Note 14 to the consolidated financial statements for a description of related party transactions reflected during the period ended September 30, 2004.

Risk Management Activities

All of Harvest's risk management activities are carried out under policies approved by the Board of Directors. Harvest intends to execute its business plan to create value for unitholders by paying stable monthly distributions and views its risk management activities as a key component of achieving this objective.

Under Harvest's risk management policy, management enters into crude oil based financial and physical contracts to mitigate the risk of price volatility for its expected production. Management also enters into electricity price based swaps to assist in maintaining stable operating costs. Finally, as a further means to manage revenue risks, management has entered into foreign exchange contracts to minimize the effect of adverse foreign exchange fluctuations of the Canadian dollar against the U.S. dollar. Collectively these contracts had a mark to market unrealized loss of $47.1 million as at September 30, 2004. Please refer to Note 12 in the Consolidated Financial Statements for further information.

The following table summarizes the risk management activities undertaken by the Trust, the volumes hedged and the associated unrecognized mark to market gains and losses as at September 30, 2004:

	Maturity		
	2004	2005	2006
Volumes Hedged			
West Texas intermediate crude oil price based swaps (bbls/d)	3,825	1,033	-
West Texas intermediate crude oil price based collars (bbls/d)	5,500	4,000	-
West Texas intermediate crude oil price based options (bbls/d)	1,250	11,000	3,750
Lloyd blend crude oil price based swaps (bbls/d)	4,500	-	-
Alberta electricity price based swaps (MW)	25	25	30
Electricity heat rate (GJ/M Wh)	-	5	-
Canadian / U.S. dollar based swap (U.S. $ million)	3	-	-

	Maturity		
	2004	2005	2006
Mark to Market Gains (Losses) ($ thousands)			
West Texas intermediate crude oil price based swaps	(9,075)	(10,759)	-
West Texas intermediate crude oil price based collars	(8,328)	(12,027)	-
West Texas intermediate crude oil price based options	(415)	(11,326)	(1,294)
Lloyd blend crude oil price based swaps	2,933	-	-
Alberta electricity price based swaps	582	1,483	352
Electricity heat rate	-	111	-
Canadian / U.S. dollar put option	679	-	-
	(13,624)	(32,518)	(942)

Taxability of Cash Distributions paid to Canadian Resident Unitholders

Harvest has declared and paid distributions of $0.20 per Trust Unit for each month to date in 2004. Harvest anticipates that cash distributions will be highly taxable this year and in 2005.

Key Performance Indicators and 2004 Outlook

We have indicated guidance on fourth quarter 2004 and full year 2004 numbers elsewhere in this MD&A.

Harvest plans to continue with its business plan of acquiring and operating high quality, mature crude oil and natural gas properties that can be enhanced through operational and exploitation techniques. Harvest also plans to continue to identify new areas in the Western Canadian sedimentary basin that can provide the required growth and stability for sustainable distributions and growth in net asset value per unit.

It is important to note that any future guidance provided are based upon management's current expectations. The ultimate results may vary, perhaps materially.

Sensitivities

The table below indicates the impact of changes in key variables on several financial measures of Harvest. The figures in this table are based on the units outstanding as at September 30, 2004 and our existing hedging program, and are provided for directional information only.

	Variable				
	WTI price/bbl	Heavy Oil LLB differential/bbl	Crude Oil production	Canadian bank prime rate	Foreign exchange Cdn. / U.S.
Assumption	$40.00 US	$15.00 US	36,000 bbl/d	4.25%	1.21
Change (plus or minus)	$1.00 US	$1.00 US	1,000 bbl/d	1.00%	0.01
Annualized impact on:					
Cash flow from operations ($000's)	$7,700	$7,200	$8,100	$500	$2,600
Per Trust Unit, basic	$0.18	$0.17	$0.19	$0.01	$0.06
Per Trust Unit, diluted	$0.17	$0.16	$0.18	$0.01	$0.06
Payout ratio	1.6%	1.5%	1.3%	0.1%	0.5%

Third Quarter 2004 Conference Call and Webcast

Harvest will be conducting a conference call and Webcast for interested analysts, brokers, investors and media representatives about its third quarter 2004 results at 9:00 a.m. Mountain time (11:00 a.m. Eastern time) on November 12th, 2004.

Callers may dial 1-888-789-0089 (international callers or Toronto local dial 416-695-9753) a few minutes prior to start and request the Harvest conference call. The call also will be available for replay by dialing 1-866-518-1010 (international callers or Toronto local dial 416-695-5275). No passcode is required.

Webcast listeners are invited to go to the Financial Information – Quarterly Reports page of the Harvest Energy website at www.harvestenergy.ca for the live Webcast and/or a replay of the Webcast.

Harvest Energy Trust is a Calgary-based energy trust actively managed to deliver stable monthly cash distributions to its Unitholders through its strategy of acquiring, enhancing and producing crude oil, natural gas and natural gas liquids. Harvest Trust Units are traded on the Toronto Stock Exchange (TSX) under the symbol "HTE.UN". Please visit Harvest's website at www.harvestenergy.ca for additional corporate information and recent corporate presentations.

Investor & Media Contacts:

Jacob Roorda President	**Corporate Head Office:** Harvest Energy Trust 1900, 330 – 5th Avenue S.W. Calgary, AB T2P 0L4 Canada
David J. Rain Vice President & CFO	**Phone: (403) 265-1178** **Toll Free: (866) 666-1178**
Cindy Gray Investor Relations & Communications Advisor gray@harvestenergy.ca	Fax: (403) 265-3490 **Email: information@harvestenergy.ca** **Website: www.harvestenergy.ca**

ADVISORY: Certain information regarding Harvest Energy Trust and its subsidiaries including management's assessment of future plans and operations, may constitute forward-looking statements under applicable securities law and necessarily involve risks associated with oil and natural gas exploration, production, marketing and transportation such as loss of market, volatility of prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers and ability to access sufficient capital from internal and external sources; as a consequence, actual results may differ materially from those anticipated in the forward-looking statements.

Harvest Energy Trust

Consolidated Balance Sheets
(thousands of dollars)

				(Restated, Note 3)
		September 30, 2004		December 31, 2003
Assets		***(Unaudited)***		*(Audited)*
Current assets				
Accounts receivable	**$**	**56,024**	$	19,168
Prepaid expenses and deposits		**15,272**		12,131
		71,296		31,299
Deferred financing charges, net of amortization		**4,116**		1,989
Future income taxes		**-**		12,609
Property, plant and equipment *[Notes 3, 4 and 5]*		**965,028**		210,543
Goodwill *[Note 5]*		**29,576**		-
	$	**1,070,016**	$	256,440
Liabilities and Unitholders' Equity				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**65,741**	$	18,083
Cash distributions payable		**7,371**		3,422
Current portion of commodity derivative contracts *[Note 12]*		**23,333**		-
Bank debt *[Notes 6 and 15]*		**401,556**		63,349
		498,001		84,854
Long term portion of commodity derivative contracts *[Note 12]*		**6,063**		-
Asset retirement obligation *[Note 3]*		**96,200**		42,009
Future income taxes *[Note 5]*		**19,129**		-
		619,393		126,863
Unitholders' equity				
Unitholders' capital *[Notes 8 and 15]*		**392,356**		117,407
Exchangeable shares *[Notes 9 and 15]*		**8,167**		-
Equity bridge notes *[Notes 7 and 14]*		**10,000**		25,000
Convertible debentures *[Notes 11 and 15]*		**91,821**		-
Accumulated income		**19,558**		19,478
Contributed surplus		**1,008**		239
Accumulated cash distributions		**(72,287)**		(32,547)
		450,623		129,577
	$	**1,070,016**	$	256,440

Subsequent events [Note 15]
Commitments and contingencies [Note 16]
See accompanying notes to consolidated financial statements.

Harvest Energy Trust

Consolidated Statements of Income and Accumulated Income
(Unaudited)
(thousands of dollars, except per Trust Unit amounts)

	Three Months Ended September 30 2004	Three Months Ended September 30 2003	Nine Months Ended September 30 2004	Nine Months Ended September 30 2003
		(Restated, Note 3)		*(Restated, Note 3)*
Revenue				
Oil and natural gas sales	**$ 102,124**	$ 28,538	**$ 202,681**	$ 79,407
Royalty expense, net	**(16,700)**	(3,832)	**(33,031)**	(10,045)
Hedging loss	**(16,457)**	(3,525)	**(37,761)**	(15,821)
Mark to market loss on commodity derivative contracts *[Note 12]*	**(19,664)**	-	**(29,396)**	-
	49,303	21,181	**102,493**	53,541
Expenses				
Operating	**18,993**	9,661	**46,267**	23,061
General and administrative	**2,504**	567	**6,049**	2,087
Interest	**3,037**	430	**3,919**	1,807
Amortization of deferred finance charges	**507**	766	**1,845**	1,579
Depletion, depreciation and accretion	**28,062**	9,744	**53,002**	24,275
Foreign exchange gain (loss)	**724**	(1,825)	**(565)**	(5,313)
	53,827	19,343	**110,517**	47,496
Income (loss) before taxes	**(4,524)**	1,838	**(8,024)**	6,045
Taxes				
Large corporation tax	**120**	86	**256**	138
Future income tax expense (recovery)	**(9,810)**	(3,736)	**(13,976)**	(3,906)
Net income for the period	**5,166**	5,488	**5,696**	9,813
Interest on equity bridge notes *[Notes 7 and 14]*	**(466)**	(205)	**(658)**	(205)
Interest on convertible debentures *[Note 11]*	**(2,726)**	-	**(4,958)**	-
Accumulated income, beginning of period	**17,584**	9,157	**19,478**	4,832
Accumulated income, end of period	**$ 19,558**	$ 14,440	**$ 19,558**	$ 14,440
Net income per Trust Unit *[Notes 8, 9 and 10]*				
Income per Trust Unit, basic	**$ 0.07**	$ 0.44	**$ -**	$ 0.86
Income per Trust Unit, diluted	**$ 0.07**	$ 0.43	**$ -**	$ 0.84

See accompanying notes to consolidated financial statements.

Harvest Energy Trust

Consolidated Statements of Cash Flows *(Unaudited)*
(thousands of dollars, except per Trust Unit amounts)

	Three Months Ended September 30		Nine Months Ended September 30	
	2004	**2003**	**2004**	**2003**
		(Restated, Note 3)		*(Restated, Note 3)*
Cash provided by (used in)				
Operating Activities				
Net income for the period	**$ 5,166**	$ 5,488	**$ 5,696**	$ 9,813
Items not requiring cash				
Depletion, depreciation and accretion	**28,062**	9,744	**53,002**	24,275
Foreign exchange	**492**	4,484	**1,256**	997
Amortization of deferred finance charges	**507**	766	**1,845**	1,579
Mark to market loss on commodity derivative contracts *[Note 12]*	**19,664**	-	**29,396**	-
Future income tax recovery	**(9,810)**	(3,736)	**(13,976)**	(3,906)
Unit based compensation	**378**	12	**769**	37
Cash flow from operations	**44,459**	16,758	**77,988**	32,795
Site restoration and reclamation expenditures	**(154)**	-	**(307)**	-
Change in non-cash working capital *[Note 13]*	**(9,093)**	7,345	**(12,405)**	6,449
	35,212	24,103	**65,276**	39,244
Financing Activities				
Issue of Trust Units, net of costs	**166,063**	(165)	**165,932**	13,631
Issue of Trust Units under the distribution reinvestment plan, net of costs *[Note 8]*	**3,883**	2,986	**7,063**	7,385
Issue of bridge note payable	**-**	25,000	**-**	25,000
Issue of equity bridge notes *[Notes 7 and 14]*	**5,000**	33,500	**30,000**	33,500
Repayment of equity bridge notes *[Notes 7 and 14]*	**(20,000)**	-	**(45,000)**	-
Interest on equity bridge notes	**(466)**	-	**(658)**	-
Issuance of convertible debentures, net of costs	**95,500**	-	**152,834**	-
Interest on convertible debentures	**(2,726)**	-	**(4,958)**	-
Increase in bank debt	**350,800**	8,485	**624,065**	41,864
Repayment of bank debt	**(93,763)**	(57,127)	**(344,294)**	(86,684)
Repayment of promissory note payable	**-**	(850)	**-**	(850)
Financing costs	**(3,951)**	(542)	**(3,973)**	(542)
Cash distributions	**(18,434)**	(7,403)	**(39,740)**	(19,833)
Change in non-cash working capital *[Note 13]*	**5,451**	57	**5,841**	642
	487,357	3,941	**547,112**	14,113
Investing Activities				
Additions to property, plant and equipment	**(13,182)**	(9,041)	**(33,822)**	(34,012)
Acquisitions	**(513,815)**	-	**(588,815)**	(3,000)
Change in non-cash working capital *[Note 13]*	**4,428**	(2,781)	**10,249**	(3,444)
	(522,569)	(11,822)	**(612,388)**	(40,456)
Increase in cash and short-term investments	**-**	16,223	**-**	12,901
Cash, beginning of period	**-**	1,181	**-**	4,503
Cash, end of period	**$ -**	$ 17,404	**$ -**	$ 17,404
Cash interest payments	**$ 1,654**	$ 742	**$ 4,375**	$ 1,687
Cash tax payments	**$ 461**	$ 91	**$ 527**	$ 138
Cash distributions declared per unit	**$ 0.60**	$ 0.60	**$ 1.80**	$ 1.80

See accompanying notes to consolidated financial statements.

Harvest Energy Trust
Notes to Consolidated Financial Statements
September 30, 2004
(tabular amounts in thousands of dollars, except Trust Unit and per Trust Unit amounts)

1. Significant accounting policies

These interim consolidated financial statements of Harvest Energy Trust (the "Trust") have been prepared by management in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies, if any, as at the date of the financial statements and the reported amounts of revenues and expenses during the period. In the opinion of management, these financial statements have been prepared within reasonable limits of materiality. Except as noted below, these interim consolidated financial statements follow the same significant accounting policies as described and used in the consolidated financial statements of the Trust for the year ended December 31, 2003 and should be read in conjunction with that report. Certain comparative figures have been reclassified to conform to the current period's presentation.

These consolidated financial statements include the accounts of Harvest Energy Trust and its wholly owned subsidiaries.

2. Changes in accounting policy

a) Full cost accounting guideline

Effective January 1, 2004, the Trust has adopted the CICA Accounting Guideline 16 "Oil and Gas Accounting – Full Cost". The changes under the new guideline include modifications to the ceiling test and depletion and depreciation calculations. There were no changes to the net income, property plant and equipment or any other financial statement amounts as a result of the implementation of this guideline.

b) Asset retirement obligation

Effective January 1, 2004, the Trust has adopted the CICA Handbook standard for accounting for its asset retirement obligation. The new standard requires the Trust to record the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development, and normal use of the assets. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and depleted and depreciated using the unit of production method over estimated gross proved reserves. Subsequent to the initial measurement of the asset retirement obligation, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation.

c) Financial instruments

Effective January 1, 2004, the Trust has implemented CICA Accounting Guideline 13 "Hedging Relationships". This guideline addresses the identification, designation and effectiveness of financial contracts for the purpose of application of hedge accounting. Under this guideline, financial derivative contracts must be designated to the underlying revenue or expense stream that they are intended to hedge, and tested to ensure they remain sufficiently effective. For transactions that do not qualify as designated hedges, the Trust applies a fair value method of accounting by initially recording an asset or liability, and recognizing changes in the fair value of the derivative instruments in income. [Note 12]

d) Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the fair value for accounting purposes of the net identifiable assets and liabilities of the acquired business [Note 5]. The goodwill balance is assessed for impairment annually at year-end, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The test for impairment is carried out by the comparison of the carrying amount to the fair value of the reporting entity. If the fair value of the consolidated Trust is less than the book value, impairment is measured by allocating the fair value of the consolidated Trust to the identifiable assets and liabilities at their fair values. The excess of this allocation is the fair value of goodwill. Any excess of the book value of goodwill over this implied fair value is the impairment amount. Impairment is charged to income in the period in which it occurs. Goodwill is stated at cost less impairment and is not amortized.

3. Asset retirement obligation

The Trust's asset retirement obligation results from net ownership interests in petroleum and natural gas assets including well sites, gathering systems and processing facilities. The Trust estimates the total undiscounted amount of cash flows required to settle its asset retirement obligation is approximately $182 million which will be incurred between 2004 and 2023. The majority of the costs will be incurred between 2015 and 2021. A credit-adjusted risk-free rate of 7.5 percent was used to calculate the fair value of the asset retirement obligation.

A reconciliation of the asset retirement obligation is provided below:

	Three months ended September 30	
Asset retirement obligation	2004	2003
Balance, beginning of period	$ 50,007	$ 27,655
Liabilities incurred in the period	45,134	-
Liabilities settled in the period	(154)	-
Accretion expense	1,213	500
Balance, end of period	$ 96,200	$ 28,155

	Nine months ended September 30		Year ended
Asset retirement obligation	2004	2003	December 31, 2003
Balance, beginning of period	$ 42,009	$ 15,566	$ 15,566
Liabilities incurred in the period	51,611	11,406	25,175
Liabilities settled in the period	(307)	-	(577)
Accretion expense	2,887	1,183	1,845
Balance, end of period	$ 96,200	$ 28,155	$ 42,009

The effect of the change in accounting policy [Note 2] has been recorded retroactively with restatement of prior periods as follows:

Balance sheet	As at December 31, 2003
Asset retirement costs, included in property, plant and equipment	$ 35,166
Asset retirement obligation	42,009
Site restoration provision	(4,321)
Future income taxes	1,024
Accumulated income	(1,498)

Income statement	Three months ended September 30, 2003	Nine months ended September 30, 2003
Accretion expense	$ 500	$ 1,183
Depletion and depreciation on asset retirement costs	1,211	2,911
Site restoration and reclamation	(1,271)	(2,655)
Future income tax expense (recovery)	(179)	(585)
Net earnings change	(261)	(854)
Basic net earnings change per Trust Unit	(0.02)	(0.08)
Diluted net earnings change per Trust Unit	(0.02)	(0.08)

4. Acquisitions

On September 2, 2004, the Trust purchased oil and gas producing properties from EnCana Corporation for cash consideration of approximately $526 million. In conjunction with the acquisition of these properties, the Trust issued approximately $175.2 million in subscription receipts which were converted into 12,166,666 Trust Units upon completion of the purchase [Note 8], and $100 million in 8% convertible unsecured subordinated debentures [Note 11]. The balance of the acquisition cost was funded with a new credit facility arrangement [Note 6]. In association with the purchase, an asset retirement obligation in the amount of $45.1 million was recorded [Note 3]. The Trust has not yet finalized the statements of adjustments and therefore, the acquisition cost may be subject to change.

5. Plan of Arrangement with Storm Energy Ltd.

On June 30, 2004, the Trust completed a Plan of Arrangement with Storm Energy Ltd. (“Storm”). Under this plan, the Trust acquired certain oil and natural gas producing properties for total consideration of approximately $189.2 million. This amount consisted of the issuance of 2,720,837 Trust Units at a price of $14.77 per unit [Note 8], the issuance of 600,587 exchangeable shares [Note 9], $75 million in cash, the assumption of approximately $58.5 million in debt and a working capital deficit of $6.7 million. This transaction has been accounted for using the purchase price method.

The following summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition. The Trust has not yet completed its final calculation of the assets acquired and liabilities assumed and therefore, the purchase method of accounting may be subject to change.

		Amount
Property, plant & equipment	$	211,829
Goodwill		29,576
Working capital, deficiency		(6,669)
Bank debt		(58,472)
Asset retirement obligation		(6,477)
Future income taxes		(45,734)
	$	124,053
Consideration for the acquisition:		
Cash	$	75,000
Issuance of Trust Units		40,183
Issuance of exchangeable shares		8,870
	$	124,053

6. Bank debt

On September 1, 2004, Harvest Operations Corp. entered into an amended credit agreement with a syndicate of Canadian chartered banks and the Alberta Treasury Branches. This facility consists of a $355 million production loan, a $15 million operating loan, a $70 million equity bridge facility and a U.S. $18.8 million mark to market credit to be used for financial instrument hedging. The term of the facility is to June 29, 2005. The facility permits drawings in Canadian or U.S. dollars, and includes bankers acceptances, LIBOR and letters of credit. Outstanding balances bear interest at rates ranging from 0% to 2.25% above the applicable Canadian or U.S. prime rate depending upon the type of borrowing and the debt to annualized cash flow ratio. The debt is secured by a $750 million debenture with a floating charge over all of the assets of the Corporation, and a guarantee by the Trust and its subsidiaries. Under the terms of this credit agreement, the equity bridge facility was provided to assist in the closing of the EnCana asset acquisition [Note 4]. This facility matures on June 1, 2005, and outstanding balances under this facility bear interest at progressive rates of 3% to 8% above the applicable Canadian prime rate. The equity bridge facility is to be repaid with the net proceeds of any debt or equity financing completed subsequent to its issuance. Distributions to the Trust's unitholders, and payments on the Equity Bridge notes [Note 7], and the convertible debentures [Note 11] are subordinate to the bank debt. The credit facility agreement includes certain restrictive covenants, including a working capital ratio as defined under the agreement, of at least one to one and a requirement that Harvest not hedge more than 75% of its net after royalty production. See note 15.

7. Equity bridge notes

On January 26 and 29, 2004, the Trust repaid the two equity bridge notes outstanding in the amounts of $7.4 million and $17.6 million, respectively. During the nine months ended September 30, 2004, the Trust also paid the accrued and outstanding interest in the amount of $1,521,407.

On June 29 and July 9, 2004, the Trust drew $25 million and $5 million respectively, under the equity bridge note agreement. This agreement is with a corporation controlled by a director of Harvest Operations Corp, respectively. On August 11, 2004 the Trust repaid $20 million of this balance with proceeds from subscription receipts issued [Note 8]. Interest in respect of the equity bridge notes accrues at 10% per annum and is a charge to unitholders' equity and is not included in income.

8. Unitholders' capital

(a) Authorized

The authorized capital consists of an unlimited number of Trust Units.

(b) Issued

	Number of units		Amount
As at December 31, 2003	17,109,006	$	117,407
Unit appreciation rights exercise (i)	6,250		57
Storm Plan of Arrangement (ii)	2,720,837		40,183
Convertible debenture conversions (iv)	157,497		2,163
Distribution reinvestment plan issuance (vi)	235,270		3,180
Trust Unit issue costs	-		(131)
As at June 30, 2004	20,228,860	$	162,859
Unit appreciation rights exercise (i)	62,500		238
Conversion of subscription receipts (iii)	12,166,666		175,200
Convertible debenture conversions (iv)	4,119,719		61,703
Exchangeable share retraction (v)	48,896		703
Distribution reinvestment plan issuance (vi)	248,188		3,883
Trust Unit issue costs	-		(12,230)
As at September 30, 2004	36,874,829	$	392,356

(i) During the nine month period ended September 30, 2004, 68,750 Trust Unit appreciation rights were exercised, for proceeds of $294,500.

(ii) On June 30, 2004, 2,720,837 Trust Units were issued under the Plan of Arrangement with Storm Energy Ltd. [Note 5]

(iii) On September 2, 2004, the subscription receipts issued on August 10, 2004 were converted into Trust Units in connection with the closing of the EnCana asset purchase. [Note 4]

(iv) During the nine month period ended September 30, 2004, 35,085 9% convertible debentures and 28,781 8% convertible debentures were converted at the option of the holders, into 4,277,216 Trust Units and $987,847 in accrued interest and fractional units. [Note 11]

(v) During the period ended September 30, 2004, 47,615 exchangeable shares were retracted at the option of the holder, and converted into 48,896 Trust Units. [Note 9]

(vi) For the nine month period ended September 30, 2004, 483,458 Trust Units in the amount of $7.1 million were issued under the distribution reinvestment plan ("DRIP").

(c) Per Trust Unit information

The following table summarizes the Trust Units used in calculating income per Trust Unit:

	Three months ended September 30	
	2004	2003
Weighted average Trust Units outstanding	29,058,490	12,385,722
Weighted average exchangeable shares outstanding	610,792	-
Weighted average Trust Units outstanding, basic	29,669,282	12,385,722
Effect of Trust Unit appreciation rights	641,893	391,972
Weighted average Trust Units outstanding, diluted	30,311,175	12,777,694

	Nine months ended September 30	
	2004	2003
Weighted average Trust Units outstanding	20,938,137	11,383,042
Weighted average exchangeable shares outstanding	205,084	-
Weighted average Trust Units outstanding, basic	21,143,221	11,383,042
Effect of Trust Unit appreciation rights	570,771	360,157
Weighted average Trust Units outstanding, diluted	21,713,992	11,743,199

The income (loss) per Trust Unit is calculated on the basis of net income available to the Trust unitholder, and as such deducts the interest on the equity bridge notes and convertible debentures in the numerator of the calculation.

9. Exchangeable shares

(a) Authorized

Harvest Operations Corp. is authorized to issue an unlimited number of exchangeable shares without nominal or par value.

(b) Issued

Exchangeable shares, series 1

	Number		Amount
Storm Plan of Arrangement (i)	600,587	$	8,870
Shareholder retractions	(47,615)	$	(703)
As at September 30, 2004	552,972	$	8,167

(i) On June 30, 2004, 600,587 exchangeable shares, series 1 were issued at $14.77 per exchangeable share as partial consideration for the Plan of Arrangement with Storm [Note 5]. The exchangeable shares had an exchange ratio of 1:1.04703 as at October 15, 2004.

The exchangeable shares, series 1 can be converted at the option of the holder at any time into Trust Units. The number of Trust Units issued to the holder upon conversion is based upon the applicable exchange ratio at that time. The exchange ratio is calculated monthly and adjusts to account for distributions paid to unitholders during the period that the exchangeable shares are outstanding. The exchangeable shares are not eligible to receive distributions. The exchangeable shares that have not been converted by the holder, may be redeemed by Harvest Operations Corp. at any date subsequent to June 30, 2006 until June 30, 2009, at which time all remaining exchangeable shares in this series will be redeemed. Harvest Operations Corp. also has the option to convert up to

20% of the initial amount of the exchangeable shares outstanding annually in the first 90 days of each calendar year, and may also redeem all of the exchangeable shares if the aggregate amount outstanding is less than 500,000.

10. Trust Unit incentive plan

A Trust Unit incentive plan has been established whereby the Trust is authorized to grant non-transferable rights to purchase Trust Units to directors, officers, consultants, employees and other service providers to an aggregate of 1,487,250 Trust Units. The initial exercise price of rights granted under the plan is equal to the closing market price on the date immediately prior to the date the rights are granted and the maximum term of each right is not to exceed five years. The exercise price of the rights is adjusted downwards from time to time based upon the cash distributions made on the Trust Units if the minimum distribution rate is met. The following summarizes the Trust Units reserved for issuance under the Trust Unit incentive plan:

	Trust Unit rights	Weighted average exercise price
As at December 31, 2003	1,065,150	$ 6.86
Granted	370,700	15.66
Cancelled	(83,375)	(5.36)
Exercised for Trust Units	(111,000)	(3.80)
Exercised for cash	(11,250)	(6.81)
Average reduction in exercise price due to distributions	-	(1.26)
As at September 30, 2004	1,230,225	$ 8.22

All of the Trust Unit rights outstanding vest equally over four years from their issuance date.

For purposes of estimating fair value disclosures below, the fair value of each Trust Unit right has been estimated on the grant date using the following weighted-average assumptions:

	September 30	
	2004	2003
Expected volatility	23.3%	23.3%
Risk free interest rate	4.0%	3.5%
Expected life of the Trust Unit rights	4 years	4 years
Estimated annual distributions per unit	$2.40	$2.40

For the purposes of pro forma disclosures, the estimated fair value of all of the Trust Unit rights issued prior to December 31, 2002 is amortized to expense over the vesting periods. The Trust's pro forma net income and per Trust Unit amounts would have been accounted for as follows:

		(Restated, Note 3)		(Restated, Note 3)	
		Three months ended September 30		Nine months ended September 30	
		2004	2003	2004	2003
Net income	As reported	$5,166	$5,488	$5,696	$9,813
	Pro forma	$4,783	$5,055	$4,548	$8,668
Income (loss) per unit - basic	As reported	$0.00	$0.44	$0.07	$0.86
	Pro forma	($0.05)	$0.41	$0.05	$0.76
Income (loss) per unit - diluted	As reported	$0.00	$0.43	$0.07	$0.84
	Pro forma	($0.05)	$0.40	$0.05	$0.74

During the three and nine month periods ended September 30, the Trust has recognized $0.4 million and $0.8 million in 2004 and $12,000 and $37,000 in 2003 respectively, in compensation expense related to Trust Unit rights and included it in general and administrative expense in the consolidated statement of income and accumulated income.

11. Convertible debentures

On January 29, 2004, the Trust closed an issue of 60,000 9% convertible unsecured subordinated debentures due May 31, 2009. Interest on the debentures is payable semi-annually in arrears in equal installments on May 31 and November 30 in each year, commencing May 31, 2004. The debentures are convertible into fully paid and non-assessable Trust Units at the option of the holder at any time prior to the close of business on the earlier of May 31, 2009 and the business day immediately preceding the date specified by the Trust for redemption of the Debentures, at a conversion price of $14.00 per Trust Unit plus a cash payment for accrued interest and in lieu of any fractional Trust Units resulting on the conversion. The debentures may be redeemed by the Trust at its option in whole or in part subsequent to May 31, 2007, at a price equal to $1,050 per debenture between June 1, 2007 and May 31, 2008 and at $1,025 per debenture between June 1, 2008 and May 31, 2009. Any redemption will include accrued and unpaid interest at such time when completed. The Trust may also elect to redeem the debentures upon maturity with the issue of Trust Units at a price equal to 95% of the weighted average trading price for the preceding 20 consecutive trading days, 5 days prior to settlement date. Under both redemption options, the Trust may elect to pay both the debenture and accrued interest in the form of Trust Units.

On August 10, 2004, the Trust closed an issue of 100,000 8% convertible unsecured subordinated debentures due September 30, 2009, for gross total proceeds of $100 million. Interest on the debentures is payable semi-annually in arrears in equal installments on March 31 and September 30 in each year, commencing March 31, 2005. The debentures are convertible into fully paid and non-assessable Trust Units at the option of the holder at any time prior to the close of business on the earlier of September 30, 2009 and the business day immediately preceding the date specified by the Trust for redemption of the Debentures, at a conversion price of $16.25 per Trust Unit plus a cash payment for accrued interest and in lieu of any fractional Trust Units resulting on the conversion. The debentures may be redeemed by the Trust at its option in whole or in part subsequent to September 30, 2007, at a price equal to $1,050 per debenture between October 1, 2007 and September 30, 2008 and at $1,025 per debenture between October 1, 2008 and September 30, 2009. Any redemption will include accrued and unpaid interest at such time when completed. The Trust may also elect to redeem the debentures upon maturity with the issue of Trust Units at a price equal to 95% of the weighted average trading price for the preceding 20 consecutive trading days, 5 days prior to settlement date. Under both redemption options, the Trust may elect to pay both the debenture and accrued interest in the form of Trust Units. This convertible debenture issuance ranks pari-passu with the outstanding debentures issued on January 29, 2004.

The following table summarizes the issuance and subsequent conversions of the convertible debentures:

	9% Series			8% Series			Total	
	Number of debentures		Amount	Number of debentures		Amount		
January 29, 2004 issuance	60,000	$	60,000				$	60,000
August 10, 2004 issuance				100,000	$	100,000		100,000
Converted for Trust Units (i)	(35,085)		(35,085)	(28,781)		(28,781)		(63,866)
Convertible debenture issue costs	-		(1,108)	-		(3,205)		(4,313)
As at September 30, 2004	24,915	$	23,807	71,219	$	68,014	$	91,821

(i) During the nine month period ended September 30, 2004, 35,085 and 28,781 convertible debentures were converted at the option of the holders, into 2,506,056 and 1,771,130 Trust Units and $766,904 and $220,943 in accrued interest and fractional units for the 9% and 8% series, respectively.

12. Financial instruments

The Trust uses oil sales contracts and derivative financial instruments to mitigate the effect of fluctuations in commodity prices. The following is a summary of the oil sales contracts with price swap or collar features as at September 30, 2004, that have fixed future sales prices:

Daily Quantity	Term	Price per Barrel (Note 1)		Mark to Market Gain (Loss)
Commodity swap contracts based on West Texas Intermediate				
500 Bbls/d	October through December 2004	U.S. $24.12 ($15.50)	$	(1,035)
3,325 Bbls/d	October through December 2004	U.S. $25.24		(8,040)
500 Bbls/d	January through December 2005	U.S. $24.00		(4,829)
1,100 Bbls/d	January through March 2005	U.S. $22.38		(3,153)
1,030 Bbls/d	April through June 2005	U.S. $22.18		(2,777)
Commodity swap contracts based on the Lloydminster Blend Crude differential				
4,500 Bbls/d	October through December 2004	U.S. ($7.82)	$	2,933
Commodity collar contracts based on West Texas Intermediate				
2,500 Bbls/d	October through December 2004	U.S. $22.00 – 28.10	$	(3,994)
3,000 Bbls/d	October through December 2004	U.S. $25.19 – 29.40 ($18.88)		(4,334) (i)
2,500 Bbls/d	January through June 2005	U.S. $28.40 – 32.25 ($21.80)		(8,150) (i)
1,500 Bbls/d	July though December 2005	U.S. $28.17 – 32.10 ($22.33)		(3,877) (i)
2,000 Bbls/d	January though December 2005	U.S. $28.00 – 42.00		- (i)

Note 1 Harvest has sold put options at the average price denoted in parenthesis, for the same volumes as the associated commodity contracts. The counterparty may exercise these options if the respective index falls below the specified price on a monthly settlement basis.

Commodity option contracts based on West Texas Intermediate				
Daily Quantity	Term	Price per Barrel	Mark to Market Gain (Loss)	
1,250 Bbls/d	October through December 2004 - long put	U.S. $24.00	$ (415)	(i)
11,000 Bbls/d	January through December 2005 - long put	U.S. $33.18	3,135	(i)
4,352 Bbls/d	January through December 2005 - short call	U.S. $32.73	(24,172)	(i)
4,352 Bbls/d	January through December 2005 - long call	U.S. $42.73	9,711	(i)
7,500 Bbls/d	January through June 2006 - long put	U.S. $34.00	1,801	(i)
3,750 Bbls/d	January through June 2006 - short call	U.S. $34.00	(6,591)	(i)
3,750 Bbls/d	January through June 2006 - long call	U.S. $44.00	3,496	(i)

The following is a summary of electricity price hedging physical and financial swap contracts entered into by Harvest Operations Corp. to fix the cost of future electricity usage as at September 30, 2004:

Commodity swap contracts based on electricity prices			
Quantity	Term	Price per Megawatt	Mark to Market Gain (Loss)
15MW	October through December 2004	Cdn $45.83	$ 350
5MW	January through December 2005	Cdn $43.00	453
9.75MW	October 2004 through March 2006	Cdn $44.50	1,393
10MW	January through December 2005	Cdn $52.20	101
10MW	January through December 2006	Cdn $48.50	22
10MW	January through December 2006	Cdn $48.00	66
10MW	April through December 2006	Cdn $46.50	32

Commodity swap contracts based on electricity heat rate			
Swaps	Term	Price	Mark to Market Gain (Loss)
5MW	January through December 2005	8.40 GJ/MWh	$ 111

Foreign Currency Contracts			
Monthly Contract Amount	Term	Contract Rate	Mark to Market Gain
U.S. $3 million	October through December 2004	1.3333 Cdn / U.S.	$ 679

At September 30, 2004 the net mark-to-market unrealized loss for all the financial derivative contracts entered into by Harvest Operations Corp. was approximately $47.1 million. Harvest Operations Corp. has provided deposits to some counterparties for a portion of its financial derivative contracts, based on the mark-to-market value of those contracts at the end of the trading day. As at September 30, 2004, the amounts deposited totaled $15.3 million and are recorded in the prepaid expenses and deposits balance.

Upon the implementation of the CICA Accounting Guideline 13, the Trust recorded a liability and a corresponding unrealized mark to market loss of $5.5 million. As at September 30, 2004, the mark to market loss is $29.4 million. The realized losses on all derivative contracts are included in the period in which they are incurred. All contracts not being accounted for as hedges are marked with an (i).

13. Change in non-cash working capital

	Three months ended September 30		Nine months ended September 30	
	2004	2003	2004	2003
Changes in non-cash working capital items:				
Accounts receivable	$ (23,167)	$ 1,728	$ (36,856)	$ (82)
Prepaid expenses and deposits	(620)	(4,360)	(3,141)	(6,195)
Accounts payable and accrued liabilities	21,740	7,196	47,658	9,282
Cash distributions payable	3,325	57	3,949	642
	$ 1,278	$ 4,621	$ 11,610	$ 3,647
Changes relating to operating activities	$ (9,093)	$ 7,345	$ (12,405)	$ 6,449
Changes relating to financing activities	5,451	57	5,841	642
Changes relating to investing activities	4,428	(2,781)	10,249	(3,444)
Add: Non cash changes	492	-	7,925	-
	$ 1,278	$ 4,621	$ 11,610	$ 3,647

14. Related party transactions

A director and a corporation controlled by a director of Harvest Operations Corp. issued $30 million and were repaid $45 million under the equity bridge note during the nine month period ended September 30, 2004. The Trust paid $1,521,407 of the total interest accrued and payable during the year. [Note 7]

A corporation controlled by a director of Harvest Operations Corp. sublets office space and is provided administrative services by Harvest Operations Corp. on a cost recovery basis.

15. Subsequent events

On October 14, 2004, Harvest Operations Corp. closed an agreement to sell, on a private placement basis in the United States, US$250 million of senior notes due October 15, 2011. The senior notes are unsecured and unsubordinated and bear interest at an annual rate of 7 7/8% and were sold at a price of 99.3392% of their principal amount. The senior notes are unconditionally guaranteed by the Trust and all of its wholly-owed subsidiaries. The Trust used the net proceeds of the offering to repay in full Harvest's bank bridge facility and partially repay outstanding balances under Harvest's revolving credit facility. Harvest's syndicate of lenders has reduced the amount of the production loan which may be drawn to $310 million, from $355 million, as a result of the issuance of the senior notes.

Subsequent to September 30, 2004, 12,436 and 53,915 convertible debentures were converted at the option of the holders, into 888,282 and 3,317,840 Trust Units and $0.4 million and $0.8 million in accrued interest and fractional units for the 9% and 8% series respectively, leaving $29.8 million face value of convertible debentures outstanding as at November 5, 2004.

Subsequent to September 30, 2004, 5,697 exchangeable shares were converted into 5,965 Trust Units, leaving 547,275 exchangeable shares outstanding as at November 5, 2004.

Subsequent to September 30, 2004, 158,500 Trust Unit appreciation rights were exercised, for proceeds of $2,978,788.

The following is a summary of the Trust distributions announced and paid subsequent to September 30, 2004:

Distribution Month	Record Date	Payment Date	Trust units issued under DRIP	Total Amount of Distribution
September	September 30, 2004	October 15, 2004	93,160	$ 7,375
October	October 31, 2004	November 15, 2004		8,163

Note: The Trust Units to be distributed under the DRIP for the October distribution have not yet been determined.

16. Commitments and contingencies

From time to time, the Trust is involved in litigation or has claims sought against it in the normal course of business operations. Management of the Trust is not currently aware of any claims or actions that would materially affect the Trust's reported financial position or results from operations.

The Trust has letters of credit outstanding in the amount of approximately $5 million, related to electricity infrastructure usage. These letters are provided by the Trust's lenders under the availability of the demand loan. The letters expire throughout 2004 and 2005, and are expected to be renewed as required.