Harvest Energy Trust

First Quarter 2005 Financial and Operational Summary

The table below provides a summary of Harvest's financial and operating results for the three month period ended March 31, 2005 and 2004. Our complete consolidated financial statements with accompanying notes and our Management's Discussion and Analysis (MD&A) are available on the "Financial Information - Quarterly Reports" section of Harvest's website (www.harvestenergy.ca) and will be filed shortly on SEDAR (www.sedar.com).

($000's, except where noted)	Three months ended March 31		
FINANCIAL	**2005**	2004	Change
Revenue, net of royalties	**109,931**	39,298	180%
Net loss[5]	**(43,070)**	(2,250)	(1,814%)
Per Trust Unit, basic[5]	**$ (1.02)**	$ (0.13)	(685%)
Per Trust Unit, diluted[5]	**$ (1.02)**	$ (0.13)	(685%)
Funds flow from operations[4,5]	**52,687**	13,734	284%
Per Trust Unit, basic[4,5]	**$ 1.25**	$ 0.80	56%
Per Trust Unit, diluted[4,5]	**$ 1.19**	$ 0.67	78%
Distributions per Trust Unit, declared[6]	**$ 0.60**	$ 0.60	0%
Distributions declared	**36,126**	10,325	250%
Payout ratio[2,4]	**48%**	75%	(36%)
Capital asset additions (excluding acquisitions)	**23,223**	10,157	129%
Acquisitions	**4,659**	1,854	151%
Net debt (excluding derivative contracts)[3,4]	**421,612**	87,640	381%
Weighted average Trust Units outstanding, basic	**42,134,156**	17,130,519	146%
Weighted average Trust Units outstanding, diluted	**42,531,735**	17,560,713	142%
Trust Units outstanding, end of period	**43,114,827**	17,281,528	149%
Trust Units fully diluted[7], end of period	**46,172,372**	22,559,539	105%
OPERATING			
Daily sales volumes[9]			
Light oil (bbl/d)	**9,943**	5,053	97%
Medium oil (bbl/d)	**5,671**	4,150	37%
Heavy oil (bbl/d)	**14,473**	5,423	167%
Natural gas liquids (bbl/d)	**780**	50	1460%
Natural gas (mcf/d)	**27,114**	915	2863%
Total (BOE/d)[1]	**35,386**	14,829	139%
OPERATING NETBACK[4] ($/BOE)			
Revenues	**40.76**	35.19	16%
Realized loss on derivative contracts	**(5.93)**	(6.71)	(12%)
Royalties	**(6.25)**	(6.07)	3%
As a percent of revenue (%)	**15.3%**	17.3%	(11%)
Operating expense[8]	**(8.54)**	(10.13)	(16%)
Operating netback[4]	**20.04**	12.28	63%

Note 1 Natural gas converted to barrel of oil equivalent (BOE) on a 6:1 basis.
Note 2 Ratio of distributions, excluding special distribution, to funds flow from operations.
Note 3 Net debt is bank debt, senior notes, equity bridge notes, convertible debentures and any working capital deficit excluding the current portion of derivative contracts and the accounting liability related to our Trust Unit incentive plan.
Note 4 These are non-GAAP measures; please refer to "Certain Financial Reporting Measures" included in our MD&A.
Note 5 Prior year restated to reflect adoption of new accounting standards with respect to exchangeable shares and financial instruments. See Note 2 to the Consolidated Financial Statements.
Note 6 As if the Trust Unit was held throughout the period.
Note 7 Fully diluted Units differ from diluted Units for accounting purposes. Fully diluted includes Trust Units outstanding as at March 31 plus the impact of the conversion or exercise of exchangeable shares, Trust Unit rights and convertible debentures if converted at March 31.
Note 8 Includes realized gain on electricity derivative contracts of $0.05 and $0.15 for the first quarter of 2005 and 2004, respectively.
Note 9 Harvest classifies its oil production as light, medium and heavy according to NI 51-101 guidance.

Harvest Energy Trust

First Quarter Message to Unitholders

During the first quarter of 2005, we focused on the continued development and exploitation of our properties, including drilling and optimization efforts in our four core areas. Specific attention was placed on those assets acquired in the North Central and Southern Alberta areas in 2004.

Funds flow from operations totaled $52.7 million in the first quarter, and distributions declared represent a payout ratio of 48%. Throughout 2005, we expect our payout ratio to average between 40% and 50%, with the retained funds flow being deployed to finance our capital program and repay debt.

We anticipate that the remainder of our 2005 capital program will be deployed relatively equally throughout the last three quarters of 2005. Our budget includes drilling approximately 83 gross wells (70 net) during the year, with 19 planned in East Central, 19 in North Central, 27 in Southern Alberta and 18 in Southeast Saskatchewan.

In the first quarter, development capital expenditures totaled $23.2 million, of which drilling represented $13.7 million (59%). Although the availability of equipment and drilling services was somewhat limited during the first quarter of 2005, Harvest remained active and drilled 15 net wells; 2 in East Central Alberta, 3 in North Central Alberta, 4 in Southern Alberta and 6 in Southeast Saskatchewan with an overall success rate of 88%.

Harvest remains active in the review and analysis of acquisition opportunities. We successfully concluded a few minor asset transactions during the quarter, resulting in acquisition expenditures of approximately $4.7 million. These minor acquisitions have contributed to higher working interests, as well as increased ownership and control in existing properties to facilitate future development opportunities. We will continue to evaluate acquisition opportunities based on their potential to create value for our Unitholders, and will only pursue transactions that contribute to achieving this goal. We are well positioned both financially and operationally to take advantage of opportunities as they arise.

For 2005, we continue to anticipate that the results from our capital program, offset by natural production declines, will result in average daily production volumes between 34,000 and 36,000 BOE/d for the year. We anticipate royalties as a percentage of revenue before hedging to be between 15% and 17%. Operating expenses per BOE should average between $7.75 and $8.50, despite a slightly elevated amount in the first quarter due to workover activity.

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.

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.

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, 2004 as well as our unaudited consolidated financial statements and notes for the three months ended March 31, 2005. Certain comparative figures have been reclassified to conform with the current period presentation.

Forward-Looking Information

This first 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 May 11, 2005.

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: Funds flow from operations, Net Operating Income, Net Debt, Payout Ratio and Operating Netbacks. 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 Funds flow from operations (previously referred to as cash flow from operations) which represents funds flow from operations before changes in non-cash working capital, to analyze operating performance and leverage. Funds flow should not 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 funds flow throughout this report are based on funds flow before changes in non-cash working capital.

Trust Overview and Strategy

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 funds flow. The Trust has operations in four core areas: North Central Alberta, East Central Alberta, Southern Alberta and Southeast Saskatchewan.

Summary of Historical Quarterly Results

	2005	(Restated - Refer to note 2 of the consolidated financial statements) 2004				(Restated) 2003		
Financial	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue, net of royalties	**$ 109,931**	$ 106,964	$ 85,096	$ 44,461	$ 39,298	$ 33,575	$ 24,706	$ 21,350
Operating expense	**(27,348)**	(25,725)	(19,538)	(14,306)	(13,873)	(13,335)	(10,271)	(6,790)
Net operating income[1]	**$ 82,583**	$ 81,239	$ 65,558	$ 30,155	$ 25,425	$ 20,240	$ 14,435	$ 14,560
Net income (loss)[3]	**(43,070)**	11,600	1,740	151	(2,250)	5,495	5,488	1,064
Per Trust Unit, basic[2,3]	**(1.02)**	0.29	0.06	0.01	(0.13)	0.30	0.44	0.09
Per Trust Unit, diluted[2,3]	**(1.02)**	0.27	0.06	0.01	(0.13)	0.29	0.43	0.09
Funds flow from operations[1,3,4]	**52,687**	52,870	41,267	15,839	13,734	13,699	16,758	9,546
Per Trust Unit, basic[1,3]	**1.25**	1.31	1.42	0.91	0.80	0.85	1.35	0.84
Per Trust Unit, diluted[1,3]	**1.19**	1.18	1.12	0.78	0.67	0.82	1.31	0.82
Sales Volumes								
Crude oil (bbl/d)	**30,087**	30,992	22,397	14,775	14,626	14,497	11,054	9,371
Natural gas liquids (bbl/d)	**780**	1,309	377	141	50	70	77	67
Natural gas (mcf/d)	**27,114**	28,338	11,909	2,249	915	1,744	1,453	1,161
Total (BOE/d)	**35,386**	37,024	24,759	15,291	14,829	14,858	11,373	9,632

Note 1 This is a non-GAAP measure as referred to in the "Certain Financial Reporting Measures" section of this MD&A.
Note 2 The sum of the interim periods does not equal the total per year amount as there were large fluctuations in the weighted average number of Trust Units outstanding in each individual quarter.
Note 3 Restated 2004 to reflect adoption of EIC 151 "Exchangeable Shares" and amended CICA handbook Section 3860 "Financial Instruments – Disclosure and Presentation". See Changes in Accounting Policies for further discussion.
Note 4 Funds flow from operations now includes interest on convertible debentures and equity bridge notes. Previously this was part of funds flow from financing activities.

The above table highlights Harvest's performance for the first quarter of 2005, and the preceding 7 quarters. The net loss reported for the three month period ended March 31, 2005 is entirely due to the change in the fair value of our outstanding derivative contacts of $70.7 million.

Net revenues and net operating income have trended higher over the eight quarters shown above, with the most significant increases occurring in the third and fourth quarters of 2004. The revenue increase since the second quarter of 2003 is primarily attributable to increasing production volumes and a strong commodity price environment through 2004 and for the first quarter of 2005. The two acquisitions completed in 2004, which closed in June and September, were the most significant reasons for the increase in production volumes, revenue and funds flow since the second quarter of 2004.

Net income reflects both cash and non-cash items. Changes in non-cash items, including depletion, depreciation and accretion (DD&A), unrealized foreign exchange, unrealized gains and losses on derivative contracts, Trust Unit right compensation expense and future income taxes can cause net income to vary significantly. However, these items do not impact the funds flow available for distribution to Unitholders, and therefore we believe net income may be a less meaningful measure of performance for Harvest. Due primarily to the inclusion of unrealized mark-to-market gains and losses on derivative contracts, net income (loss) has not reflected the same trend as net revenues or funds flow. The net loss for the first quarter of 2005 is due primarily to mark-to-market losses on derivatives recorded as an expense on the income statement. Mark-to-market losses arise from changes in the fair values of the derivative contracts in the period. We ceased hedge accounting for all of our derivative instruments in October 2004.

Funds flow from operations is a very important measure for a royalty trust because it represents the source for cash distributions to Unitholders. Internal funds flow also finances capital expenditures which are used to replace reserves, leading to sustainability. Our low payout ratio is a key competitive advantage in creating future sustainability. Excluding the substantial non-recurring foreign exchange gain realized in the third quarter of 2003, our funds flow from operations has demonstrated a strengthening trend. Funds flow can be impacted by factors outside of management's control such as commodity prices and currency exchange rates. We strive to mitigate the impact of these factors by using hedging (generally referred to herein as 'derivatives' or 'derivative contracts') on a portion of our transactions to establish a fixed floor for future commodity prices and currency exchange rates.

Revenues

	Three months ended March 31		
	2005	2004	Change
Oil and natural gas sales ($/BOE)	**$ 40.76**	$ 35.19	16%
Royalty expense ($/BOE)	**(6.25)**	(6.07)	3%
Net revenues ($/BOE)	**$ 34.51**	$ 29.12	19%
Net revenues ($ millions)	**$ 109.9**	$ 39.3	180%

Our net revenue is impacted by production volumes, commodity prices, currency exchange rates and royalty rates. Due to the two significant acquisitions completed during the latter half of 2004, which increased production volumes compared to the first quarter of 2004, and a crude oil price environment that has remained robust for the past 3 quarters, our net revenues in the three month period ending March 31, 2005 increased 180% over the same period in 2004. Changes in realized prices, volumes and royalty rates are discussed separately below. The impact of our hedging activities on current and future periods' income is discussed under "Derivative Contracts".

Sales Volumes

First quarter 2005 sales volumes averaged 35,386 BOE/d and were 139% higher than the 14,829 BOE/d realized in the three month period ended March 31, 2004. This increase in production is due to the volumes associated with properties acquired in June and September 2004, as well as successful development and optimization work across all four of our core areas.

Compared to the first quarter of 2004, at which time we were 99% crude oil and only 1% natural gas, we have successfully diversified our product mix. In the first quarter of 2005, our production was approximately 13% natural gas, 2% natural gas liquids, with crude oil decreasing to approximately 85%. Our 2004 acquisitions significantly contributed to our more diversified production mix, added two more core areas in North Central Alberta and Southern Alberta and enhanced our existing East Central Alberta core area.

The average daily sales volumes by product were as follows:

	Three months ended March 31			
	2005		2004	
Light oil (Bbls/d)	**9,943**	**28%**	5,053	34%
Medium oil (Bbls/d)	**5,671**	**16%**	4,150	28%
Heavy oil (Bbls/d)	**14,473**	**41%**	5,423	37%
Total oil (Bbls/d)	**30,087**	**85%**	14,626	99%
Natural gas liquids (Bbls/d)	**780**	**2%**	50	0%
Total oil and natural gas liquids (Bbls/d)	**30,867**	**87%**	14,676	99%
Natural gas (mcf/d)	**27,114**	**13%**	915	1%
Total oil equivalent (BOE/d)	**35,386**	**100%**	14,829	100%

We anticipate that daily production volumes will average between 34,000 to 36,000 BOE/d for the year and we will maintain a production weighting consistent with the first quarter.

Realized Commodity Prices

The following table provides a breakdown of our first quarter 2005 and 2004 average commodity prices by product type before realized losses on derivative contracts.

	Three months ended March 31		
	2005	2004	Change
Product prices:			
Light oil ($/bbl)	**$ 55.81**	$ 41.09	36%
Medium oil ($/bbl)	**39.50**	36.44	8%
Heavy oil ($/bbl)	**31.67**	28.79	10%
Natural gas liquids ($/bbl)	**36.00**	35.00	3%
Natural gas ($/mcf)	**6.53**	5.46	20%
BOE ($/BOE)	**$ 40.76**	$ 35.20	16%

During the first three months of 2005, our realized commodity prices increased relative to the same period in 2004. Revenues were impacted by realized losses on commodity derivative contracts totaling $18.7 million, higher than the $8.9 million loss realized in the first quarter of 2004. This is primarily due to a 42% higher average WTI oil price in the first quarter of 2005 relative to the same period in 2004. Given that the majority of commodity derivative contracts that we currently have in place through 2005 provide firm floors with upside participation, we anticipate that these structures will enable us to realize oil prices that are closer to spot price levels during 2005 than would have been the case with our 2004 hedging instruments which were primarily swaps and collars. The table below provides an example of the impact of Harvest's 2005 commodity derivative contracts in light of varying WTI oil price levels. This data is designed to provide readers with directional information only.

Oil Price Scenario ($U.S.)	Harvest Average WTI Oil Price After Hedging ($U.S.)
$25.00 WTI	$31.96
$55.00 WTI	$48.76
$75.00 WTI	$65.37

At the time of writing, we have entered into oil price derivative contracts on approximately 75% of our 2005 net crude oil production, and approximately 59% of our estimated 2006 net crude oil production. The majority of the 2005 and 2006 commodity derivative contracts that we have in place provide a fixed crude oil floor price, while retaining the ability to participate in upward price appreciation. Examples of such contracts include 'indexed puts' and 'participating swaps', and additional information on these and other commodity derivative contracts can be found in the "Derivative Contracts" section of this MD&A.

	Three months ended March 31		
Benchmarks	**2005**	2004	Change
West Texas Intermediate crude oil (US$ per barrel)	**$ 49.91**	$ 35.25	42%
Edmonton Par light crude ($ per barrel)	**61.56**	45.68	35%
Lloyd blend crude oil ($ per barrel)	**37.32**	33.22	12%
Bow river blend crude oil ($ per barrel)	**39.03**	34.74	12%
AECO natural gas ($ per mcf)	**6.52**	6.44	1%
U.S. / Canadian dollar exchange rate	**1.227**	1.318	(7%)
Bank of Canada interest rate	**2.75%**	2.72%	1%

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 oil prices are predominantly based on U.S. dollar prices. Following the significant property acquisition completed in September 2004, Harvest's natural gas weighting increased from 1% to approximately 13%, increasing the impact of fluctuations in AECO natural gas spot prices on revenues.

A stronger Canadian dollar versus the U.S. dollar and slightly wider differentials for heavy crude versus WTI tempered the effects that higher worldwide prices of crude oil had on our revenues during the first quarter of 2005. The price of WTI was approximately 42% higher in the first quarter 2005 relative to the same period in 2004 but was offset by a 7% higher value of the Canadian dollar relative to the U.S. dollar.

The differential between heavy and light crude oil continued to fluctuate in the first quarter 2005 but narrowed from the levels experienced in the fourth quarter of 2004. The historically wide differentials are primarily due to the current strong demand for gasoline and lighter oil products. The demand for these products tends to increase the price of lighter crude oil relative to heavy and medium crude. An increase in the supply of foreign heavy and sour crude from the Middle East has also contributed to heavy crude price softening in general.

The outages at certain Canadian oil sands plants pushed prices for heavy crude blending components higher, which also had a negative impact on our netbacks. It is anticipated that this impact will be mitigated once these oil sands plants come back on-stream in the next few months. To a large part, the historically high prices that have been set for WTI have been caused by demand for light oil products outpacing the capacity of refineries to produce those products. If demand falters and light oil prices fall as a result, we would not expect heavy crude prices to drop as quickly or on a dollar for dollar basis with light prices, thereby reducing the differential for heavy crude. We believe the worst of the impact of wide differentials has already been experienced.

The assets from the two significant acquisitions completed in 2004 significantly increased our product diversification to include more natural gas and light oil in our portfolio. This diversification reduces Harvest's outright exposure to heavy oil differentials and increases our exposure to North American natural gas prices.

Royalties

Our first quarter 2005 net royalties, as a percentage of revenues before hedging losses, were lower at approximately 15% compared to 17% in the first quarter of 2004 and approximately 17% in the fourth quarter 2004. This is primarily attributable to the impact of the lower royalty rate properties acquired in September 2004. The Saskatchewan government recently changed its legislation to make its resource surcharge applicable to trusts producing oil and gas in the province, effective April 1, 2005. The surcharge is 3.6% of gross resource revenues (2% for production from wells drilled subsequent to October 2002). We estimate the blended rate applied to Harvest's Saskatchewan properties to be approximately 3.2% and with Saskatchewan revenues making up 20% of the total for Harvest, we anticipate royalty rates increasing to approximately 16% for the remainder of the year.

Operating Expenses

	Three months ended March 31		
($ per BOE)	**2005**	2004	Change
Operating expense	**$ 8.59**	$ 10.28	(16%)
Realized gains on electricity derivative contracts	**(0.05)**	(0.15)	(67%)
Net operating expense	**$ 8.54**	$ 10.13	(16%)

The $1.59/BOE decrease in operating expenses, net of gains on electricity contracts, during the first quarter of 2005 compared to the first quarter of 2004 reflects the lower cost assets we purchased in 2004, as well as the effect of operating cost reduction projects completed in 2004.

The first quarter operating cost figure of $8.54/BOE is in line with our performance goals set out in the December 31, 2004 MD&A. A combination of extremely cold weather for several weeks in January as well as extensive workovers completed during the quarter resulted in Harvest incurring higher than anticipated operating costs on a per BOE basis for the period. However, further efficiencies as a result of our ongoing capital program coupled with higher production volumes relative to 2004 are expected to keep the overall 2005 average unit operating expenses per BOE between $7.75 – $8.50.

During the first quarter of 2005, approximately 20% 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. In addition, a new coal-fired generator, Genesee #3, has been brought on-stream in the province of Alberta and will provide both increased price stability and likely lower Alberta Electric System Operator (AESO) prices through 2005. Our electricity hedges (approximately 85% of our estimated Alberta electricity usage is hedged at an average price of $47.71 per MWh) will help further moderate the impact of cost swings, as will realizing the benefits of capital projects undertaken in 2004 dedicated to power efficiency projects.

	Three month period ended March 31		
Benchmark Price	**2005**	2004	Change
Alberta Power Pool electricity price ($ per MWh)	**$ 45.90**	$ 48.83	(6%)

General and Administration Expenses

	Three months ended March 31		
($millions except per BOE)	**2005**	2004	Change
G&A	**$ 3.3**	$ 1.2	175%
Per BOE ($/BOE)	**1.02**	0.89	15%
Unit right compensation expense	**2.2**	0.2	1000%
Per BOE ($/BOE)	**0.70**	0.13	438%
Total G&A	**$ 5.5**	$ 1.4	293%
Per BOE ($/BOE)	**$ 1.72**	$ 1.02	69%

General and administration expenses ("G&A") charged against income in the first quarter of 2005 totaled $5.5 million ($1.72/BOE) compared to $1.4 million ($1.02/BOE) in the same quarter in 2004.

The significant increase in G&A in the first quarter of 2005 is a result of a modification made to our Unit Incentive Rights Plan in the fourth quarter of 2004, resulting in a prospective change in accounting for Unit appreciation rights (UARs). In previous quarters, UARs were valued at the date they were granted using a mathematical option valuation model and an expense was charged to G&A based on that valuation. Following the prospective accounting change, we now value vested UARs at the difference between exercise price and market price at each reporting period end to determine the related liability at the end of the period. Changes in the assumptions used in determining this liability, such as our Trust Unit price, the exercise price and the number of UARs vested at each accounting period will cause this liability to fluctuate and the difference is reflected as an expense on the consolidated statement of income.

The increase in cash G&A, excluding UAR expense, is the result of increased production volumes, and associated higher staff and system expenses. For 2005, we anticipate that Harvest's cash G&A/BOE will average between $0.90 - $1.00/BOE, before UAR expense.

Interest Expense

	Three months ended March 31				
		2005		2004	Change
($millions)				*(restated)*	
Interest on short term debt	**$**	**1.3**	$	0.7	86%
Interest on long term debt		**6.5**		0.9	622%
Amortization of deferred charges - short term debt		**1.2**		0.7	71%
Amortization of deferred charges - long term debt		**0.4**		0.1	300%
Total interest expense	**$**	**9.4**	$	2.4	292%

Interest on short term debt in the first quarter of 2005 totaled $1.3 million and relates to the interest paid on our outstanding bank debt. The interest on long term debt totaled $6.5 million in the first quarter, $6.0 million of which pertains to our U.S.$250 million senior notes, issued in October 2004. These notes provide Harvest with a long-term (Oct 15, 2011 maturity), fixed interest rate (7.875%) source of debt, a natural hedge to currency exchange rates, and are non-callable for four years. Harvest is one of the few energy trusts to have accessed the U.S. debt market, and we believe it significantly improves our capital structure relative to our peers. With the senior notes, we are not subject to annual borrowing base reviews and therefore are not at risk of reduced borrowing capacity based on volatile commodity prices. The remaining $500,000 of long term interest expense relates to our convertible debentures. Previously, we had recorded the interest incurred on our convertible debentures as a charge to accumulated income rather than net income. As a result of changes in accounting standards that came into effect for the first quarter of 2005, we now reflect this as interest expense in net income. This change is discussed further under "New Accounting Policies".

Our first quarter total interest expense and amortization of deferred charges of $9.4 million is higher than the $2.4 million reflected in the first quarter of 2004. The increase in total interest expense is due to interest costs associated with higher bank debt and the senior notes used to partially finance the June and September 2004 acquisitions.

Interest expense is expected to decline slightly through 2005 as the outstanding bank debt is repaid and convertible debentures continue to convert into Trust Units.

Depletion, Depreciation and Accretion (DD&A)

	Three months ended March 31				
($millions except per BOE)		**2005**		2004	Change
Depletion and depreciation	**$**	**36.5**	$	9.5	284%
Depletion of capitalized asset retirement costs		**2.8**		1.8	56%
Accretion on asset retirement obligation		**2.3**		0.8	188%
Total depletion, depreciation and accretion	**$**	**41.6**	$	12.1	244%
Per BOE ($/BOE)	**$**	**13.05**	$	8.98	45%

Our first quarter depletion, depreciation, and accretion expense totaled $41.6 million ($13.05/BOE) compared to $12.1 million ($8.98/BOE) for the same quarter in 2004. Relative to the first quarter of 2004, our higher DD&A is primarily attributable to the significant acquisitions completed from June to September 2004, and reflects the higher netback production acquired. We anticipate full year 2005 DD&A rates to range between $12 and $14 / BOE.

Foreign Exchange Losses and Gains

Foreign exchange gains and losses are attributable to the effect of changes in the value of the Canadian dollar relative to the U.S. dollar on our U.S. dollar denominated senior notes, as well as any U.S. dollar deposits and cash balances. Our senior notes, which were issued in October 2004, reduce our net exposure to fluctuations in foreign exchange rates by offsetting the impact of fluctuations on net oil prices realized. We have entered into a currency exchange put option for calendar 2005, on U.S. $8.33 million per month at $1.20 Canadian / U.S. to provide a further hedge against foreign exchange volatility.

During the first quarter of 2005, the Canadian dollar was somewhat less volatile against the U.S. dollar compared to the prior period, resulting in a foreign exchange loss of $2.1 million, compared to a foreign exchange gain of $7.1 million in the fourth quarter of 2004. This also compares to a small foreign exchange gain recorded in the first quarter of 2004.

Derivative Contracts

All of our hedging activities are carried out pursuant to policies approved by the Board of Directors of Harvest Operations Corp. Management intends to facilitate stable, long-term monthly distributions by reducing the impact of volatility in commodity prices. As part of our risk management policy, management utilizes a variety of derivative instruments (including swaps, options and collars) to manage commodity price, foreign currency and interest rate exposures. These instruments are commonly referred to as 'hedges' but may not receive hedge treatment for accounting purposes. Management also enters into electricity price and heat rate based derivatives to assist in maintaining stable operating costs. We reduce our exposure to credit risk associated with these financial instruments by only entering into transactions with financially sound, credit worthy counterparties.

When there is a high degree of correlation between the price movements in a derivative financial instrument and the item designated as being 'hedged' and management documents the effectiveness of this relationship, we may employ hedge accounting. Effective January 1, 2004, we implemented CICA Accounting Guideline 13, "Hedging Relationships" (AcG-13), which addresses the identification, designation and effectiveness of financial contracts for the purpose of applying 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 then tested to ensure they remain sufficiently effective in order to continue hedge accounting. As of October 1, 2004, we ceased to apply hedge accounting to our derivative contracts. As a result, from October 1, 2004 all of our derivatives are marked-to-market with the resulting gain or loss reflected in earnings for the reporting period. The mark-to-market valuation represents the amount that would be required to settle the contract on the period end date. Collectively our contracts had a mark-to-market unrealized non-cash loss position on the balance sheet of $86.1 million as at March 31, 2005. Please refer to Note 10 in the consolidated financial statements for further information. The difference between this value and the amount at December 31, 2004 of $15.4 million is reflected as an unrealized loss in the first quarter.

The following table provides a reconciliation of the changes in Harvest's mark-to-market position on its derivative contracts between periods.

($millions)	**As at March 31, 2005**	As at December 31, 2004
Opening mark-to-market position	**(15.4)**	-
Unrealized loss on outstanding derivative contracts[1]	**(75.3)**	(27.9)
Unrealized gain on outstanding derivative contracts[1]	**4.6**	12.5
Closing mark-to-market position	**(86.1)**	(15.4)

Note 1 *Excludes amortization of deferred charges (gain) recorded upon adoption of mark-to-market accounting and reflected in unrealized gains and losses on derivative contracts on the statement of income.*

We determine the value of our derivative contracts using prices from actively quoted markets, and where we are unable to obtain quoted prices, we use widely accepted valuation models.

In the first three months of 2005, we recorded a realized loss on commodity derivative contracts of $18.7 million, and an unrealized loss of $74.7 million for a total loss of $93.4 million. The realized loss portion reflects the effective cost of our hedges on production during this period. Realized derivative contract losses in 2005, assuming similar commodity price levels, are expected to be lower than those experienced in 2004 as the majority of our hedged volumes utilize contracts which provide a firm floor but allow for participation in strengthening commodity prices. The volume of our production hedged with swaps and collars that have fixed price ceilings has greatly diminished for 2005 and is nil for 2006.

The table below provides a summary of gains and losses on derivative contracts:

	Three months ended March 31, 2005				Three months ended March 31, 2004
($thousands)	Oil	Currency	Electricity	Total	Total
Unrealized (losses) / gains on derivative contracts	(72,312)	(3,047)	4,607	(70,752)	-
Realized (loss) / gain on derivative contracts	(19,731)	840	166	(18,725)	(8,857)
Amortization of deferred charges relating to derivative contracts	(4,361)	-	-	(4,361)	(5,490)
Amortization of deferred gains relating to derivative contracts	-	-	445	445	-
Total (losses) / gains on derivative contracts	(96,404)	(2,207)	5,218	(93,393)	(14,347)

Prepaid Expenses and Deposits

Our prepaid expenses and deposit accounts include $38.3 million of amounts which are held on margin for counterparties to our derivative contracts.

Deferred Charges and Deferred Gains

The deferred charges asset balance on the balance sheet is comprised of two main components: deferred financing charges and deferred assets related to the discontinuation of hedge accounting. The deferred financing charges relate primarily to the issuance of the senior notes and bank debt and are amortized over the life of the corresponding debt.

Deferred charges

($thousands)	As at March 31, 2005				As at December 31, 2004			
	On Dis-continuation of Hedge Accounting	**Financing Costs**	**Discount on Senior Notes**	**Total**	On Dis-continuation of Hedge Accounting	Financing Costs (restated)	Discount on Senior Notes	Total
Opening Balance	10,759	12,781	2,000	25,540	-	1,989	-	1,989
Additions	-	504	-	504	25,705	20,971	2,075	48,751
Transferred to unit issue costs	-	(265)	-	- - (265)	-	(5,721)	-	- - (5,721)
Amortization	(4,361)	(1,647)	(74)	(6,082)	(14,946)	(4,458)	(75)	(19,479)
Closing Balance	6,398	11,373	1,926	19,697	10,759	12,781	2,000	25,540

We discontinued the use of hedge accounting for all of our derivative financial instruments effective October 1, 2004. For contracts where hedge accounting had previously been applied, a deferred charge and a deferred gain was recorded equal to the fair value of the contracts at the time hedge accounting was discontinued, and a corresponding amount was recorded as a derivative contracts asset or liability. The deferred amount is recognized in income in the period in which the underlying transaction is recognized.

At March 31, 2005, the deferred gain remaining on the balance sheet was $1.7 million, all of which related to discontinuing hedge accounting. For the three month period ended March 31, 2005, $4.4 million of the deferred charge and $445,000 of the deferred gain has been amortized and recorded in gains and losses on derivative contracts. At March 31, 2005, a $6.4 million deferred charge and a $1.7 million deferred gain is remaining relating to the balances initially set up upon discontinuation of hedge accounting.

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 that acquired business. In June 2004, we completed a Plan of Arrangement with Storm Energy Ltd., and acquired certain oil and natural gas producing properties in North Central Alberta for total consideration of $192.2 million. This transaction has been accounted for using the purchase price method, and resulted in Harvest recording goodwill of $43.8 million in 2004. This goodwill balance will be assessed annually for impairment or more frequently if events or changes in circumstances occur that would reasonably be expected to reduce the fair value of the acquired business to a level below its carrying amount.

Future Income Taxes

Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities of our corporate operating subsidiaries for financial reporting purposes and the related income tax balances. Future income taxes arise, for example, as depletion and depreciation expense recorded against capital assets differs from claims against related tax pools. Future income taxes also arise when tax pools associated with assets acquired are different from the purchase price recorded for accounting purposes. We recorded a recovery of future income taxes for the three month period ended March 31, 2005 of $26.0 million, compared to a $2.6 million recovery for the same period last year. The significant increase in the future income tax recovery reflects the large loss before taxes and non-controlling interest.

Asset Retirement Obligation (ARO)

In connection with a property acquisition or development expenditure, we record the discounted fair value of the ARO as a liability in the year in which an obligation to reclaim and restore the related asset is incurred, which is generally when the related well or facility is created or acquired. Our ARO costs are capitalized as part of the carrying amount of the related assets, and are depleted and depreciated over our estimated net proved reserves. ARO estimates are adjusted at the end of each period to reflect the impact of the passage of time on the discounted present value as well as changes in the estimated future funds flow that make up the obligation.

Our asset retirement obligation has increased by approximately $2.0 million in 2005 mainly due to future retirement cost estimates associated with current drilling activity and the accretion of the asset retirement obligation.

Non-Controlling Interest

At March 31, 2005, we have recorded a non-controlling interest amount on our consolidated balance sheet for $3.4 million. The non-controlling interest arises as a result of adopting the guidance from the Emerging Issues Committee ("EIC") of the Canadian Institute of Chartered Accountants EIC 151 "Exchangeable Securities Issued by Subsidiaries of Income Trusts" (see "New Accounting Policies – Exchangeable Shares"). This EIC requires that when shares are issued by a subsidiary of a trust, and they are exchangeable into Units of the trust, they should be classified as either non-controlling interest or equity. EIC 151 requires, among other things, that the exchangeable shares not be transferable to third parties in order to be classified as equity. As the exchangeable shares issued by Harvest Operations Corp. do not meet the criteria to be considered equity of the Trust, they have been classified as non-controlling interest. Previously, they had been recorded as part of the equity of the Trust.

The exchangeable shares were originally issued by Harvest Operations Corp. as partial consideration for the purchase of a corporate entity in 2004. The exchangeable shares rank equally with the Trust Units and participate in distributions through an increase in the exchange ratio applied to the exchangeable shares when they are converted to Trust Units.

Over time, the exchangeable shares will continue to be converted into Trust Units and the non-controlling interest on the balance sheet will be eliminated. The non-controlling interest on the balance sheet represents the book value of the remaining exchangeable shares plus the accumulated earnings or loss of the Trust attributed to those exchangeable shares. The non-controlling interest on the income statement represents the current period loss attributed to the non-controlling interest holders during the period. The total net loss attributed to non-controlling interest for the three months ended March 31, 2005 was $495,000.

Liquidity and Capital Resources

Our drilling and operational enhancement programs, as well as current financial commitments, are expected to be financed from funds flow from operations (see "Certain Financial Reporting Measures" in this MD&A). Our cash distributions to Unitholders are financed solely from funds flow from operations. In the first quarter of 2005, our distribution payout ratio of 48% (calculated by dividing distributions to Unitholders by funds flow from operations) resulted in excess funds flow available for our capital expenditure programs. We anticipate that sufficient funds flow from operations in 2005 will be available to finance our planned capital development program, expected distributions of $0.20 per Unit per month and still leave us with sufficient funds to repay a portion of outstanding bank debt. Given the significant amount of oil price hedges we have in place, we believe that our funds flow in 2005 will exceed cash distributions as well as our budgeted capital expenditures under most WTI price scenarios. It is also important to note that to the extent our Unitholders elect to receive distributions in the form of Trust Units rather than cash under our Distribution Reinvestment Plan (DRIP), this further reduces net cash outlays. During the first quarter of 2005, DRIP participation was approximately 19%.

The table below provides an analysis of our debt structure, including some key debt ratios. We believe that the current capital structure is appropriate given our low payout ratio, the significant hedges in place, and the long term to maturity of the majority of our debt. As noted above, we intend to use funds flow after distributions and capital expenditures to repay bank debt this year.

($ millions)		**As at March 31, 2005**		As at December 31, 2004	Change
Bank debt	**$**	**103.7**	$	75.5	37%
Working capital deficit (surplus) excluding bank debt[2]		**(3.6)**		27.8	113%
Senior notes		**302.4**		300.5	1%
Convertible debentures		**19.1**		25.8	(26%)
Net debt obligations	**$**	**421.6**	$	429.6	(2%)
Annualized quarterly funds flow[1]	**$**	**210.8**	$	211.5	(0%)
Trailing net debt to funds flow (times)		**2.0**		2.0	-

Note 1 *Reflects realized hedging losses which were significant in the first quarter given the nature of our oil price hedges. Our hedges in 2005 are primarily instruments which do not place a cap on WTI price realizations.*

Note 2 *Excludes current portion of derivative contracts assets and liabilities and Trust Unit incentive plan liability.*

Since inception, we have communicated our intention to pursue a strategy that will allow us to sustain at least $0.20 per Unit per month in distributions. During the first quarter of 2005, the Trust declared $25.4 million in distributions payable to Unitholders; $0.20 per Trust Unit for each of January, February and March 2005. This is the same per Unit level paid to Unitholders in the first quarter of 2004 ($9.1 million). We also declared a special distribution relating to undistributed 2004 taxable income of $10.7 million. The higher level of distributions paid in the first quarter of 2005 reflects the increased number of Trust Units outstanding compared to the first quarter of 2004.

Harvest's payout ratio, which is the ratio of distributions to funds flow from operations, remains among the lowest in the trust sector. We reported a 48% payout ratio in the first quarter of 2005, compared to 75% in the same period in 2004. We anticipate that our payout ratio will range between 40% and 50% during 2005, assuming a $0.20 distribution and commodity prices consistent with those realized in the first quarter. This low payout ratio will provide Harvest significant flexibility in financing capital and acquisition activities and servicing our outstanding debt. Reducing our debt helps position us to take advantage of any future acquisition opportunities.

Of the total first quarter 2005 distributions, the Distribution Reinvestment Plan ("DRIP") accounted for 19% of total distributions, or $4.8 million represented by 209,000 Trust Units. Harvest's DRIP enables Unitholders to reinvest their cash distributions back into Harvest Units, rather than receive the amount paid in cash. Management anticipates that during 2005, the DRIP will remain at or near the first quarter level. Should the percentage participation in our DRIP decrease, we will need to use a larger amount of funds flow to pay monthly distributions.

Payments to U.S. Unitholders are subject to 15% Canadian withholding tax, which applies to the taxable portion of the distribution. After consulting with our U.S. tax advisors, we are of the view that our distributions are "qualified dividends" under the Jobs and Growth Tax Relief Reconciliation Act of 2003. These dividends are eligible for the reduced tax rate applicable to long-term capital gains. However, the distributions may not be qualified dividends in certain circumstances, depending on the holder's personal situation (i.e. if an individual holder does not meet a holding period test). Where the distributions do not qualify, they should be reported as ordinary dividends. U.S. and other non-resident Unitholders are urged to consult independent legal advice on how their distributions should be treated for tax purposes.

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. Our 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.

Harvest's bank lending group has set the amount of our credit facility to $325 million, leaving approximately $220 million undrawn at the end of the first quarter 2005. 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 2004, or issue additional senior notes, if required.

A breakdown of our outstanding Trust Units and potentially dilutive elements is as follows:

		As at March 31, 2005		As at December 31, 2004
Market price of Trust Units at end of period ($/unit)		**24.70**		22.95
Trust Units outstanding		**43,114,827**		41,788,500
Exchangeable shares outstanding[1]		**244,812**		455,547
Trust Units represented by Exchangeable shares		**269,753**		485,003
Total market value of Trust Units at end of period[2] ($millions)	**$**	**1,072**	$	970
9% Convertible debentures[3], face value	**$**	**9,262,000**	$	10,700,000
8% Convertible debentures[4], face value	**$**	**9,941,000**	$	15,159,000
Trust Unit rights outstanding[5]		**1,500,450**		1,117,725
Total Trust Units, diluted[6]		**46,172,372**		45,088,376

Note 1 *Exchangeable shares are exchangeable into Trust Units at the election of the holder at any time. The exchange ratio in effect on March 31, 2005 was 1.08991:1, and on December 31, 2004 was 1.06466:1. As a result of the special distribution, the exchange ratio was increased to 1.10188 effective April 15, 2005. This revised exchange ratio was used to determine Trust Units represented by Exchangeable shares.*

Note 2 *Including Trust Units outstanding and assuming exchange of all exchangeable shares.*

Note 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 $13.85 per Trust Unit. If Debenture holders converted all outstanding debentures in this series at March 31, 2005 and December 31, 2004, an additional 668,736 (reflects impact of special distribution on conversion price) and 764,286 Trust Units would be issuable, respectively. For accounting purposes the convertible debentures are recorded at a discount to reflect the implied interest rate on issuance.*

Note 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 $16.07 per Trust Unit. If Debenture holders converted all outstanding debentures in this series at March 31, 2005 and December 31, 2004, an additional 618,606 (reflects impact of special distribution on conversion price) and 932,862 Trust Units would be issuable, respectively. For accounting purposes the convertible debentures are recorded at a discount to reflect the implied interest rate on issuance.*

Note 5 *Exercisable at an average price of $13.47 per Trust Unit as at March 31, 2005, and $10.09 per Trust Unit as at December 31, 2004.*

Note 6 *Fully diluted Units differ from diluted Units for accounting purposes. Fully diluted includes Trust Units outstanding as at March 31, 2005 or December 31, 2004 plus the impact of the conversion of exercise of exchangeable shares, Trust Unit rights and convertible debentures if completed at March 31, 2005 or December 31, 2004.*

($millions)		As at March 31, 2005		As at December 31, 2004	% Change
Total market capitalization[1]	**$**	**1,071.6**	$	970.2	10%
Net debt		**421.6**		429.6	(2%)
Enterprise value (total capitalization)[2]	**$**	**1,493.2**	$	1,399.8	7%
Net debt as a percentage of enterprise value (%)		**28%**		31%	24%

Note 1Reflects conversion of exchangeable shares into Trust Units.

Note 2 *Enterprise value as presented does not have any standardized meaning prescribed by Canadian GAAP and therefore it may not be comparable with the calculation of similar measures for other entities. Total capitalization is not intended to represent the total funds we have received from equity and debt.*

The decrease in net debt as at March 31, 2005 compared to the year ended December 31, 2004 is primarily the result of the conversion of our convertible debt to equity. Of the convertible debentures outstanding at March 31, 2005, approximately $1.5 million have converted into Units through May 4, 2005 and we anticipate continued conversions through 2005.

Contractual Obligations

Our contractual obligations have not changed significantly from those disclosed in the MD&A and financial statements for the year ended December 31, 2004.

Off Balance Sheet Arrangements

We have a number of immaterial operating leases in place on moveable field equipment, vehicles and office space. The leases require periodic lease payments and are recorded as either operating costs or G&A. We also finance our annual insurance premiums, whereby a portion of the annual premium is deferred and paid monthly over the balance of the term.

Related Party Transactions

A corporation controlled by one of our directors sublets office space from us and we provide administrative services to that corporation on a cost recovery basis. See Note 12 to the Consolidated Financial Statements.

Capital Asset Expenditures

Development capital expenditures, excluding minor property acquisitions totaled $23.2 million for the three month period ended March 31, 2005. This compares to $10.2 million in the first quarter of 2004. The increase is due to several factors, including higher drilling activity, and additional well workovers and optimization activities.

Despite rising asset costs, we are continuing to review opportunities within the acquisition market. We successfully transacted several minor asset acquisitions during the quarter. These transactions included land and minor working interest acquisitions, both of which contribute to Harvest's development strength and presence in our core areas.

At the time of writing, we have identified approximately 300 potential drilling locations for Harvest, and anticipate further additions to this list as we continue to develop our properties. In 2005, we plan to drill 70 net wells and will continue to be active in analyzing potential acquisition opportunities. In the event the acquisition market becomes too expensive and Harvest cannot create value by purchasing assets, we have a healthy drilling inventory for at least two years.

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 March 31, 2005 and our existing hedging program, and are provided for directional information only.

	Variable				
	WTI Price/bbl	Heavy Oil Price differential/bbl	Crude Oil Production	Canadian Bank Prime Rate	Foreign Exchange Rate Cdn. / U.S.
Assumption	$40.00 U.S.	$15.00 U.S.	35,000 bbl/d	4.25%	1.21
Change (plus or minus)	$1.00 U.S.	$1.00 U.S.	1,000 bbl/d	1%	0.01
Annualized impact on:					
Funds flow from operations ($000's)	$4,300	$6,200	$12,010	$750	$2,100
Per Trust Unit, basic	$0.10	$0.14	$0.27	$0.02	$0.05
Per Trust Unit, diluted	$0.10	$0.14	$0.27	$0.02	$0.05
Payout ratio	1.4%	2.1%	4.2%	0.3%	0.7%

As noted above, our commodity price risk management program can reduce sensitivities due to the oil price derivatives executed under our risk management program. Those contracts in place as at March 31, 2005 are summarized in the table below. The prices shown for collars, indexed puts and participating swaps are floor prices. The nature of the indexed puts and participating swaps allow us to participate in positive price movements above these levels, while providing fixed price realizations if the market price drops below the floor price.

	2005			2006		
	Volume (bbls/d)		Pricing ($/bbl)	Volume (bbls/d)		Pricing ($/bbl)
WTI Crude Oil Swaps	841	$	23.26	-		-
WTI Crude Oil Collars	3,831	$	28.13	-		-
WTI Indexed Put Contracts	18,500	$	35.95	3,719	$	34.00
WTI Participating Swaps	-		-	11,271	$	39.73

Critical Accounting Policies and Critical Accounting Estimates

Our critical accounting policies and estimates are substantially the same as those presented in our 2004 annual MD&A.

Impact on Net Income of Change in Accounting Policies

The implementation of new accounting policies in 2005 as discussed below resulted in changes to the accounting treatment for exchangeable shares, convertible debentures and the equity bridge notes. As a result, we have restated previously reported annual and quarterly net income. The restatements were required per the transitional provisions of the respective accounting standards.

The following table illustrates the impact of the new accounting policies on annual net income and net income per Unit for periods which have been presented for comparative purposes and were impacted by the restatements.

($ thousands)	Year Ended December 31, 2004
Net income before change in accounting policies[1]	18,231
Increase (decrease) in net income:	
Interest expense[2]	(6,765)
Non-controlling interest[3]	(225)
Net income after change in accounting policies	11,241
Net income per Trust Unit, as reported	
Basic	0.47
Diluted	0.45
Net income per Trust Unit, as restated	
Basic	0.45
Diluted	0.43

The following table illustrates the impact of the new accounting policies on quarterly net income (loss) and net income (loss) per Unit for periods which have been presented for comparative purposes:

	2004			
($ thousands)	Q4	Q3	Q2	Q1
Net Income (loss) before change in accounting policies[1]	12,536	5,166	1,594	(1,065)
Increase (decrease) in net income:				
Interest expense[2]	(751)	(3,386)	(1,443)	(1,185)
Non-controlling interest[3]	(185)	(40)	-	-
Net income (loss) after change in accounting policies	11,600	1,740	151	(2,250)
Net income (loss) per Trust Unit, as reported				
Basic	0.29	0.07	0.02	(0.13)
Diluted	0.28	0.07	0.02	(0.13)
Net income (loss) per Trust Unit, as restated				
Basic	0.29	0.06	0.01	(0.13)
Diluted	0.27	0.06	0.01	(0.13)

Note 1 *This represents net income as reported before retroactive restatement for changes in accounting policies.*

Note 2 *Adoption of the amendment to CICA Handbook Section 3860 "Financial Instruments – Disclosure and Presentation" resulted in the convertible debentures and equity bridge notes being classified as debt whereas previously they were classified as equity. In addition, the interest expense relating to these instruments was required to be charged against net income rather than directly to accumulated income. Also, the deferred financing charges associated with the convertible debentures are now reflected separately in deferred charges on the balance sheet and amortized to income over the term of the debt; previously they were applied as a reduction to the outstanding balance.*

Note 3 *Adoption of EIC 151 "Exchangeable Securities Issued by Subsidiaries of Income Trusts", resulted in the exchangeable shares being classified as minority interest and the income attributed to minority interest holders being applied against net income.*

New Accounting Policies

Financial Instruments

On January 1, 2005, the Trust retroactively adopted the amendment to the Canadian Institute of Chartered Accountants ("CICA") handbook section 3860 "Financial Instruments". These changes require that fixed-amount contractual obligations that can be settled by issuing a variable number of equity instruments be classified as liabilities. The convertible debentures and the equity bridge notes previously issued by the Trust have characteristics that meet the noted criteria and we have retroactively accounted for these instruments as debt and reflected related interest costs as interest expense in the statement of income.

Exchangeable Shares

On January 19, 2005, the CICA issued EIC-151 "Exchangeable Securities Issued by Subsidiaries of Income Trusts" that states that equity interests held by third parties in subsidiaries of an income trust should be reflected as either non-controlling interest or debt in the consolidated balance sheet unless they meet certain criteria. EIC-151 requires that the shares be non-transferable in order to be classified as equity. The exchangeable shares issued by Harvest Operations Corp. are transferable and, in accordance with EIC-151, have been reclassified to non-controlling interest on the consolidated balance sheet. In addition, a portion of consolidated income or loss before non-controlling interest is reflected as a reduction to such income or loss in the Trust's consolidated statement of income. Prior periods have been retroactively restated.

Variable Interest Entities ("VIEs")

In June 2003, the CICA issued Accounting Guideline 15 "Consolidation of Variable Interest Entities" ("AcG-15"). AcG-15 defines VIEs as entities in which either: the equity at risk is not sufficient to permit that entity to finance its activities without additional financial support from other parties; or equity investors lack voting control, an obligation to absorb expected losses or the right to receive expected residual returns. AcG-15 harmonizes Canadian and U.S. GAAP and provides guidance for companies consolidating VIEs in which it is the primary beneficiary. The guideline is effective for all annual and interim periods beginning on or after November 1, 2004. We have performed a review of entities in which Harvest has an interest and have determined that we do not have any variable interest entities at this time.

Recent Canadian Accounting and Related Pronouncements

In an effort to harmonize Canadian GAAP with U.S. GAAP, the Canadian Accounting Standards Board has recently issued new Handbook sections:

- 1530, Comprehensive Income;
- 3855, Financial Instruments – Recognition and Measurement; and
- 3865, Hedges.

Under these new standards, all financial assets should be measured at fair value with the exception of loans, receivables and investments that are intended to be held to maturity and certain equity investments, which should be measured at cost. Similarly, all financial liabilities should be measured at fair value when they are held for trading or they are derivatives. Gains and losses on financial instruments measured at fair value will be recognized in the income statement in the periods they arise with the exception of gains and losses arising from:

- financial assets held for sale, for which unrealized gains and losses are deferred in other comprehensive income until sold or impaired; and
- certain financial instruments that qualify for hedge accounting.

Sections 3855 and 3865 make use of the term "other comprehensive income". Other comprehensive income comprises revenues, expenses, gains and losses that are excluded from net income. Unrealized gains and losses on qualifying hedging instruments, unrealized foreign exchange gains and losses, and unrealized gains and losses on financial instruments held for sale will be included in other comprehensive income and reclassified to net income when realized. Comprehensive income and its components will be a required disclosure under the new standard. These standards are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2006. As we do not apply hedge accounting to any of our derivative instruments, we do not expect these pronouncements to have a significant impact on our consolidated financial results other than as it relates to unrealized foreign exchange gains and losses.

Non-Monetary Transactions

The AcSB has approved revisions to Section 3830, Non-Monetary Transactions, that require all non-monetary transactions to be measured at fair market value unless:

- the transaction lacks commercial substance;
- the transaction is an exchange of production or property held for sale in the ordinary course of business for production or property to be sold in the same line of business to facilitate sales to customers other than the parties to the exchange;
- neither the fair value of the assets or services received nor the fair value of the assets or services given up is reliably measurable; or
- the transaction is a non-monetary, non-reciprocal transfer to owners that represents a spin-off or other form of restructuring or liquidation.

The new requirements apply to non-monetary transactions, initiated in periods beginning on or after January 1, 2006. Earlier adoption is permitted as of the beginning of a period beginning on or after July 1, 2005. We do not expect the adoption of this section will have any material impact on our results of operations or financial position.

Operational and Other Business Risks

Our operational and other business risks are substantially the same as those presented in our 2004 annual MD&A.

Key Performance Indicators and Outlook

We have indicated guidance on full year 2005 performance measures 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 support sustainable distributions and growth in net asset value per Unit.

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

Additional information on Harvest Energy Trust, including our most recently filed Annual Information Form and annual report, can be accessed from SEDAR at www.sedar.com or from our website at www.harvestenergy.ca.

Harvest Energy Trust
Consolidated Balance Sheets
(thousands of Canadian dollars, except per Trust Unit amounts)

				(Restated, Note 2)
		March 31, 2005		December 31, 2004
Assets				
Current assets				
Accounts receivable	**$**	**61,676**	$	44,028
Current portion of derivative contracts *[Note 10]*		**5,582**		8,861
Prepaid expenses and deposits		**39,868**		3,014
		107,126		55,903
Deferred charges *[Note 10]*		**19,697**		25,540
Long term portion of derivative contracts *[Note 10]*		**1,475**		3,710
Capital assets		**907,139**		918,397
Goodwill		**43,832**		43,832
	$	**1,079,269**	$	1,047,382
Liabilities and Unitholders' Equity				
Current liabilities				
Accounts payable and accrued liabilities *[Note 3]*	**$**	**101,773**	$	76,251
Cash distribution payable		**8,530**		8,358
Current portion of derivative contracts *[Note 10]*		**55,267**		27,927
Bank debt		**103,665**		75,519
		269,235		188,055
Deferred gains *[Note 10]*		**1,732**		2,177
Long term portion of derivative contracts *[Note 10]*		**37,898**		-
Convertible debentures *[Notes 2 and 9]*		**19,134**		25,750
Senior notes		**302,400**		300,500
Asset retirement obligation *[Note 4]*		**92,009**		90,085
Future income tax		**8,632**		34,671
		731,040		641,238
Non-controlling interest *[Notes 1,2 and 8*]		**3,436**		6,895
Unitholders' equity				
Unitholders' capital *[Note 6]*		**490,303**		465,524
Equity component of convertible debentures *[Note 9]*		**77**		116
Accumulated (loss) income		**(12,351)**		30,719
Accumulated distributions		**(133,236)**		(97,110)
		344,793		399,249
	$	**1,079,269**	$	1,047,382

Commitments, contingencies and guarantees [Note 13]

See accompanying notes to these consolidated financial statements.

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

				(Restated, Note 2)
		Three Months Ended March 31, 2005		Three Months Ended March 31, 2004
Revenue				
Oil and natural gas sales	**$**	**129,826**	$	47,495
Royalty expense		**(19,895)**		(8,197)
		109,931		39,298
Expenses				
Operating		**27,348**		13,873
General and administrative		**5,469**		1,379
Interest on short term debt		**2,491**		1,448
Interest on long term debt		**6,871**		1,000
Depletion, depreciation and accretion		**41,567**		12,116
Foreign exchange loss (gain)		**2,119**		(68)
Gains and losses on derivative contracts *[Note 10]*		**93,393**		14,347
		179,258		44,095
Loss before taxes and non-controlling interest		**(69,327)**		(4,797)
Taxes				
Large corporations tax		**277**		16
Future income tax recovery		**(26,039)**		(2,563)
Net loss before non-controlling interest		**(43,565)**		(2,250)
Non-controlling interest *[Notes 1, 2 and 8]*		**(495)**		-
Net loss	**$**	**(43,070)**	**$**	(2,250)
Accumulated income, beginning of period		**30,719**		19,478
Accumulated (loss) income, end of period	**$**	**(12,351)**	$	17,228
Net loss per trust unit, basic *[Note 6]*	**$**	**(1.02)**	$	(0.13)
Net loss per trust unit, diluted *[Note 6]*	**$**	**(1.02)**	$	(0.13)

See accompanying notes to these consolidated financial statements.

Harvest Energy Trust
Consolidated Statements of Cash Flows
(thousands of Canadian dollars, except per Trust Unit amounts)

		Three Months Ended March 31, 2005		*(Restated, Note 2)* Three Months Ended March 31, 2004
Cash provided by (used in)				
Operating Activities				
Net loss for the period	**$**	**(43,070)**	$	(2,250)
Items not requiring cash				
Depletion, depreciation and accretion		**41,567**		12,116
Unrealized foreign exchange loss (gain)		**2,110**		(68)
Amortization of finance charges		**1,647**		826
Unrealized loss on derivative contracts		**74,669**		5,490
Non-cash interest expense		**78**		-
Future tax recovery		**(26,039)**		(2,563)
Non-controlling interest		**(495)**		-
Non-cash unit right compensation expense		**2,220**		183
		52,687		13,734
Settlement of asset retirement obligation		**(501)**		(64)
Change in non-cash working capital *[Note 11]*		**(48,694)**		(269)
		3,492		13,401
Financing Activities				
Trust unit issue costs		**(88)**		(72)
Repayment of equity bridge notes *[Notes 5 and 12]*		**-**		(25,000)
Issuance of convertible debentures *[Note 9]*		**-**		60,000
Issue costs for convertible debentures		**-**		(2,667)
Financing costs		**(504)**		-
Borrowings (repayment) of bank debt, net		**28,146**		(24,651)
Cash distributions		**(20,446)**		(9,055)
Change in non-cash working capital *[Note 11]*		**5,679**		286
		12,787		(1,159)
Investing Activities				
Additions to capital assets		**(23,223)**		(10,157)
Property acquisitions		**(4,659)**		(1,854)
Change in non-cash working capital *[Note 11]*		**11,603**		224
		(16,279)		(11,787)
Increase in cash and short-term investments		-		455
Cash (bank indebtedness), beginning of period		**-**		(3,274)
Cash (bank indebtedness), end of period	**$**	**-**	$	(2,819)
Cash interest payments	**$**	**1,338**	$	1,368
Cash tax payments	**$**	**71**	$	16
Cash distributions declared per trust unit	**$**	**0.60**	$	0.60

See accompanying notes to these consolidated financial statements.

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, 2004 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, its wholly owned subsidiaries and its proportionate interest in a partnership with a third party.

a) Convertible debentures

The Trust presents its convertible debentures in their debt and equity component parts, where applicable, as follows:

(i) The debt component represents the total discounted present value of the semi-annual interest obligations to be satisfied by cash and the principal payment due at maturity, using the rate of interest that would have been applicable to a non-convertible debt instrument of comparable term and risk at the date of issue. Typically, this results in a lower accounting value assigned to the debt component of the convertible debentures compared to the principal amount due at maturity. The debt component amount presented on the balance sheet increases over the term of the relevant debenture to the full face value of the outstanding debentures. The difference is reflected as increased interest expense with the result that adjusted interest expense reflects the effective yield of the debt component of the convertible debenture.

(ii) The equity component of the convertible debentures is presented under "Unitholders' Equity" in the consolidated balance sheets. The equity component represents the value ascribed to the conversion right granted to the holder, which remains a fixed amount over the term of the debentures. Upon conversion of the debentures into units by the holders, a proportionate amount is transferred to Unitholders' capital.

b) Non-controlling interest

Non-controlling interest represents the exchangeable shares issued by a subsidiary of the Trust to third parties which are ultimately exchangeable for units of the Trust. These exchangeable shares were issued as partial consideration for the acquisition of Storm Energy Ltd. in 2004. Non-controlling interest on the consolidated balance sheet is recognized based on the fair value of the exchangeable shares on issuance together with a portion of the Trust's accumulated earnings attributable to the non-controlling interest generated subsequent to their issuance. Net income is reduced for the portion of earnings attributable to the non-controlling interest. As the exchangeable shares are converted to Trust Units, the non-controlling interest on the consolidated balance sheet is reduced on a pro-rata basis together with a corresponding increase in Unitholders' capital.

2. Changes in accounting policy

a) Financial Instruments

On January 1, 2005, the Trust retroactively adopted the amendment to the Canadian Institute of Chartered Accountants ("CICA") handbook section 3860 "*Financial Instruments – Disclosure and Presentation*" ("Section 3860"). These changes require that fixed-amount contractual obligations that can be settled by issuing a variable number of equity instruments be classified as liabilities. The convertible debentures and the equity bridge notes previously issued by the Trust have characteristics that meet the noted criteria.

Convertible debentures

The principal of the convertible debentures may be redeemed, at the option of the Trust on or after a predetermined date, and may, at the option of the Trust be redeemed through the issuance of units. The number of units issued varies depending on the weighted average market price of the units for the preceding 20 consecutive trading days, five days prior to the settlement date.

The convertible debentures also have an option that allows the holder to convert the debentures into a fixed number of units. In accordance with CICA handbook section 3860, the convertible debentures have been reclassified from equity to long term debt with a portion, representing the value of the equity conversion feature, remaining in equity.

Equity bridge notes

Under the terms of the equity bridge notes, the interest and principal may have, at the option of the Trust, been repaid in Trust Units. The number of Trust Units issued would have been dependent on the market value of the units at the time of issue. As at March 31, 2005 and December 31, 2004 there were no equity bridge notes payable. However, for the three month period ended March 31, 2004 and the year ended December 31, 2004 interest payments had been made related to these notes. In accordance with the amended CICA handbook section 3860, these notes would have been classified as debt rather than equity. The interest associated with these notes has been reflected in these consolidated financial statements as a direct charge to income rather than to equity as it was previously classified.

b) Exchangeable shares

On January 19, 2005, the CICA issued EIC-151 "*Exchangeable Securities Issued by Subsidiaries of Income Trusts*" ("EIC-151") that states that equity interests held by third parties in subsidiaries of an income trust should be reflected as either non-controlling interest or debt in the consolidated balance sheet unless they meet certain criteria. EIC-151 requires that the shares be non-transferable in order to be classified as equity. The exchangeable shares issued by Harvest Operations Corp. are transferable and, in accordance with EIC-151, have been reclassified to non-controlling interest on the consolidated balance sheet. In addition, a provision for non-controlling interest is reflected on the consolidated statement of income. Prior periods have been retroactively restated.

(Tabular amounts in thousands of Canadian dollars, except where noted)

c) Impact of changes in accounting policy

Balance sheet	**As reported December 31, 2004**	**Change upon adoption of CICA 3860**	**Change upon adoption of EIC -151**	**As restated December 31, 2004**
Deferred charges	$ 24,507	$ 1,033	$ -	$ 25,540
Convertible debentures-debt	-	25,750	-	25,750
Non-controlling interest	-	-	6,895	6,895
Unitholders' capital	465,131	335	58	465,524
Exchangeable shares	6,728	-	(6,728)	-
Convertible debentures-equity	24,696	(24,580)	-	116
Accumulated income	31,416	(472)	(225)	30,719

Income statement	**Three months ended March 31, 2004**
Interest on long-term debt - as reported	$ -
Add: interest on convertible debentures	918
Add: amortization of deferred financing costs	82
Interest on long-term debt – as restated	$ 1,000

Income statement	**Three months ended March 31, 2004**
Interest on short-term debt – as reported	$ 519
Add: interest on equity bridge notes	185
Add: amortization of deferred financing costs(1)	744
Interest on short-term debt – as restated	$ 1,448

(1) Previously classified as finance charges

Net loss and loss per unit	**Three months ended March 31, 2004**
Net loss – as reported	$ (1,065)
Add: amortization of deferred financing charges	(82)
Add: interest on equity bridge loan	(185)
Add: interest on convertible debentures	(918)
Net loss – as restated	$ (2,250)

Loss per unit	**Three months ended March 31, 2004**
Basic as reported	(0.13)
Basic as restated	(0.13)
Diluted as reported	(0.13)
Diluted as restated	(0.13)

(Tabular amounts in thousands of Canadian dollars, except where noted)

3. Accounts payable and accrued liabilities

		March 31, 2005		December 31, 2004
Trade accounts payable	$	21,039	$	13,697
Accrued interest		11,673		5,993
Trust unit incentive plans		12,347		9,774
Premium on derivative contracts		4,003		4,500
Accrued closing adjustments on asset acquisition		2,447		13,546
Other accrued liabilities		48,372		27,139
Large corporations tax payable		1,892		1,602
	$	101,773	$	76,251

4. 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 its asset retirement obligation is approximately $336 million, the majority of which will be settled between 2015 and 2023. A credit-adjusted risk-free rate of 10 percent was used to calculate the fair value of the asset retirement obligation on the consolidated balance sheet.

A reconciliation of the asset retirement obligations is provided below:

		Three months ended March 31, 2005		Three months ended March 31, 2004		Year ended December 31, 2004
Balance, beginning of period	$	90,085	$	42,009	$	42,009
Revision of estimates		-		-		(8,704)
Liabilities incurred		131		-		53,488
Liabilities settled		(501)		(64)		(929)
Accretion expense		2,294		798		4,221
Balance, end of period	$	92,009	$	42,743	$	90,085

5. Equity bridge notes

No equity bridge notes were outstanding at March 31, 2005. 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. At that time, the Trust also settled accrued and outstanding interest in the amount of $850,300.

6. Unitholders' capital

(a) Authorized

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

(b) Issued

	Number of units (000s)		Amount (restated)
As at December 31, 2003	**17,109**	**$**	**117,407**
Issued pursuant to corporate acquisition	2,721		40,183
Conversion of subscription receipts	12,167		175,200
Convertible debenture conversions-9% series	3,521		49,287
Convertible debenture conversions-8% series	5,221		84,226
Equity component of convertible debenture conversions-9% series	-		14
Equity component of convertible debenture conversions-8% series	-		632
Exchangeable share retraction	152		2,200
Distribution reinvestment plan issuance	752		12,553
Unit appreciation rights exercise	145		721
Trust unit issue costs	-		(16,899)
As at December 31, 2004	**41,788**	**$**	**465,524**
Convertible debenture conversions-9% series	103		1,438
Convertible debenture conversions-8% series	321		5,182
Equity component of convertible debenture conversions-9% series	-		-
Equity component of convertible debenture conversions-8% series	-		39
Exchangeable share retraction	229		2,964
Distribution reinvestment plan issuance	209		4,761
Special distribution	465		10,748
Trust unit issue costs	-		(353)
As at March 31, 2005	**43,115**	**$**	**490,303**

On February 28, 2005, the Trust declared a special distribution to be made to unitholders' on April 15, 2005. The special distribution will be paid in units, with each unitholder of record on March 31, 2005 receiving 0.01098 of a Trust Unit per Trust unit held on that date. Although this special distribution is deemed payable as at December 31, 2004, for tax purposes, pursuant to the terms of Harvest's trust indenture, it has been reflected in the financial statements in the period it was formally declared by the Board of Directors of Harvest Operations Corp. As a result, at March 31, 2005, unitholders' capital was increased by $10.7 million with a corresponding increase to accumulated distributions as a result of the special distribution.

(c) Per Trust Unit information

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

Net income adjustments:

	Three Months Ended March 31, 2005	**Three Months Ended March 31, 2004**
Net loss, basic	(43,070)	(2,250)
Non-controlling interest	(495)	-
Net loss, diluted[(1)]	(43,565)	(2,250)

Weighted average Trust Unit adjustments

Number of units (000s)	**Three Months Ended March 31, 2005**	Three Months Ended March 31, 2004
Weighted average Trust Units outstanding, basic	42,134,156	17,130,519
Effect of exchangeable shares	397,579	-
Weighted average Trust Units outstanding, diluted[1]	42,531,735	17,130,519

Note 1 Weighted average Trust Units, diluted does not include the impact of the conversion of the debentures as the impact would be anti-dilutive. Total units excluded amount to 1,537,871 (4,266,979 – March 31, 2004). Weighted average Trust Units, diluted does not include the impact of the Trust Unit appreciation rights as the impact would be anti-dilutive. Total Units excluded were 699,350 (430,194 – March 31, 2004).

7. Trust Unit incentive plan

As at March 31, 2005, a total of 1,500,450 unit appreciation rights were outstanding under the Trust Unit incentive plan at an average exercise price of $13.47. This represents 3.5% of the total Trust Units outstanding.

For the three months ended March 31, 2005, the Trust incurred non-cash compensation costs of 2.6 million (183,000 - March 31, 2004). $2.2 million ($183,000 - March 31, 2004) of this amount was expensed and reflected as general and administrative costs in the statement of income, and $353,000 (nil – March 31, 2004) of costs associated with personnel whose compensation is reflected in capital asset costs was capitalized.

The following summarizes the Trust Units reserved for issuance under the Trust Unit incentive plan:

	Three months ended March 31, 2005		Year ended December 31, 2004	
	Number of Unit Appreciation Rights	**Weighted Average Exercise Price**	Number of Unit Appreciation Rights	Weighted Average Exercise Price
Outstanding, beginning of period	1,117,725	$ 11.92	1,065,150	$ 9.04
Granted	390,600	24.91	445,600	16.47
Exercised	(2,750)	12.11	(253,750)	8.30
Cancelled	(5,125)	15.45	(139,275)	10.91
Outstanding before exercise price reductions	1,500,450	15.29	1,117,725	11.92
Exercise price reductions	-	(1.82)	-	(1.83)
Outstanding, end of period	1,500,450	$ 13.47	1,117,725	$ 10.09
Exercisable before exercise price reductions	220,863	$ 9.07	206,688	$ 8.89
Exercise price reductions	-	(3.09)	-	(2.64)
Exercisable, end of period	220,863	$ 5.98	206,688	$ 6.25

(Tabular amounts in thousands of Canadian dollars, except where noted)

The following table summarizes information about unit appreciation rights outstanding at March 31, 2005.

		Outstanding			Exercisable	
Exercise Price before price reductions	**Exercise Price net of price reductions**	**Number Outstanding at March 31, 2005**	**Exercise Price net of price reductions[a]**	**Remaining Contractual Life (Years)[a]**	**Number Exercisable at March, 31, 2005**	**Exercise Price net of price reductions [a]**
$8.00 - 10.21	$4.71 - $7.39	509,000	$ 4.80	2.7	164,625	$ 4.78
$10.30 - $13.15	$7.51 - $11.11	199,750	9.72	3.5	50,688	9.28
$13.35 - $17.95	$11.50 -$17.00	286,600	13.97	4.2	5,550	11.72
$18.55 - $25.68	$17.68 - $25.41	505,100	23.40	4.8	-	n/a
$8.00 - $25.68	$4.71 - $25.41	1,500,450	$ 13.47	3.8	220,863	$ 5.98

[a] *Based on weighted average unit appreciation rights outstanding*

Prior to December 31, 2004, the Trust utilized the fair value method to account for its unit rights plan. The fair value of each Trust Unit right was estimated on the grant date using the following assumptions.

	Three Months Ended March 31, 2004
Expected volatility	23%
Risk free interest rate	4.0%
Expected life of the trust unit rights	4 years
Estimated annual distributions per unit	$2.40

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

		(Restated Note 2) Three Months Ended March 31, 2004
Net loss	As reported	($2,250)
	Pro forma	($2,633)
Loss per unit – basic	As reported	($0.13)
	Pro forma	($0.15)
Loss per unit – diluted	As reported	($0.13)
	Pro forma	($0.15)

(Tabular amounts in thousands of Canadian dollars, except where noted)

Unit Award Incentive Plan

At March 31, 2005 10,930 units were outstanding under the Unit Award Incentive Plan. The Trust recorded compensation expense of $38,000 for the three months ended March 31, 2005 (nil – March 31, 2004) related to this plan.

Number	**Three Months Ended March 31, 2005**	Year ended December 31, 2004
Outstanding, beginning of period	**10,662**	-
Granted	**-**	15,000
Adjusted for distributions	**268**	662
Cancelled	**-**	(5,000)
Outstanding, end of period	**10,930**	10,662

8. Exchangeable shares

(a) Authorized

Harvest Operations Corp., a wholly-owned subsidiary of the Trust, is authorized to issue an unlimited number of exchangeable shares without nominal or par value.

(b) Issued

Exchangeable shares, series 1 (Number)	**Three Months ended March 31, 2005**	Year Ended December 31, 2004
Outstanding, beginning of period	455,547	-
Issued pursuant to corporate acquisition	-	600,587
Shareholder retractions	(210,735)	(145,040)
Outstanding, end of period	244,812	455,547
Exchange ratio at end of period(1)	1:1.08991	1:1.06466

(1) As a result of declaring the special distribution the exchange ratio increased to 1.10188 to be in effect after April 15, 2005.

The Trust retroactively applied EIC-151 "Exchangeable Securities Issued by a Subsidiary of an Income Trust" in the first quarter of 2005. The non-controlling interest on the consolidated balance sheet consists of the fair value of the exchangeable shares upon issuance plus the accumulated earnings attributable to such non-controlling interest less conversions to date. On the consolidated statement of income the non-controlling interest represents the share of net income attributable to the non-controlling interest based on the Trust Units issuable for exchangeable shares in proportion to total Trust Units issued and issuable at each period end.

(Tabular amounts in thousands of Canadian dollars, except where noted)

The following is a summary of the non-controlling interest:

		March 31, 2005		December 31, 2004
Non-controlling interest, beginning of period	**$**	**6,895**	$	-
Issue of exchangeable shares		**-**		8,870
Exchanged for Trust Units		**(2,964)**		(2,200)
Current period (loss) income attributable to non-controlling interest		**(495)**		225
Non-controlling interest, end of period	**$**	**3,436**	$	6,895
Accumulated (loss) income attributable to non-controlling interest	**$**	**(270)**	$	225

9. Convertible debentures

The following is a summary of the terms of the Trust's outstanding series of convertible debentures

Issue date	**Interest rate**	**Original face value**	**Conversion price[a]**	**Maturity**	**Earliest redemption date**
January 29, 2004	9%	60 million	$14.00 per trust unit	May 31, 2009	May 31, 2007
August 10, 2004	8%	100 million	$16.25 per trust unit	September 30, 2009	September 30, 2007

(a) Subsequent to March 31, 2005, the conversion price for the $60 million debenture and the $100 million debenture changed as a result of the special distribution. The conversion price changed to $13.85 and $16.07, respectively.

As at January 1, 2005, the Trust adopted the amended CICA Handbook Section 3860 relating to the classification of liabilities that may be settled with a variable number of equity instruments such as Trust Units. The adoption has resulted in the convertible debentures being classified as debt rather than equity, with a small portion remaining in equity representing the value associated with the conversion feature. As the debentures are converted, a portion of the debt and equity amounts are transferred to Unitholders' capital. The debt balance associated with the convertible debentures accretes over time to the amount owing on maturity, and such increases in the debt balance are reflected as non-cash interest expense in the statement of income.

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**		**Amount**
January 29, 2004 issuance	60,000	$	60,000	-		-	$	60,000
August 10, 2004 issuance	-		-	100,000	$	100,000		100,000
Portion allocated to equity	-		(17)	-		(745)		(762)
Accretion of non-cash interest expense	-		2	-		23		25
Converted into Trust Units	(49,300)		(49,287)	(84,841)		(84,226)		(133,513)
As at December 31, 2004	10,700	$	10,698	15,159	$	15,052	$	25,750
Accretion of non-cash interest expense	-		-	-		4		4
Converted into Trust Units	(1,438)		(1,438)	(5,218)		(5,182)		(6,620)
As at March 31, 2005	9,262	$	9,260	9,941	$	9,874	$	19,134

(Tabular amounts in thousands of Canadian dollars, except where noted)

The following table summarizes the reclassification of the equity portion to Unitholders' capital:

		9% Series Equity Value		**8% Series Equity Value**		**Total**
January 29, 2004 issuance	$	17	$	-	$	17
August 10, 2004 issuance		-		745		745
Converted into Trust Units		(14)		(632)		(646)
As at December 31, 2004	$	3	$	113	$	116
Converted into Trust Units		-		(39)		(39)
As at March 31, 2005	$	3	$	74	$	77

10. Financial instruments

The Trust is exposed to market risks resulting from fluctuations in commodity prices, foreign exchange rates and interest rates in the normal course of operations.

(a) Interest Rate Risk

The Trust is exposed to interest rate risk on its bank debt. All of the Trust's other debt has fixed interest rates.

(b) Credit Risk

Substantially all accounts receivable are due from customers in the oil and natural gas industry and are subject to normal industry credit risks. Concentration of credit risk is mitigated by having a broad customer base, which includes a significant number of companies engaged in joint operations with the Trust. The Trust periodically assesses the financial strength of its partners and customers, including parties involved in marketing or other commodity arrangements. The carrying value of accounts receivable reflects management's assessment of the associated credit risks.

(c) Foreign Exchange Rate Risk

The Trust is exposed to the risk of changes in the Canadian/US dollar exchange rate on sales of commodities that are denominated in US dollars or directly influenced by US dollar benchmark prices. In addition, the Trust's senior notes are denominated in US dollars (US$250 million). These notes act as an economic hedge to help offset the impact of exchange rate movements on commodity sales during the year. As at March 31, 2005 the full balance of the notes is still outstanding and is not repayable until October 15, 2011. Interest is payable semi-annually on the notes in US dollars.

(d) Commodity Risk Management

The Trust uses fixed price oil sales contracts and derivative financial instruments to manage its commodity price exposure. Under the terms of some of the derivative instruments, the Trust is required to provide security from time to time based on the underlying market value of those contracts. The Trust is also exposed to counterparty risk for these derivative contracts. This risk is managed by diversifying the Trust's derivative portfolio among a number of counterparties and by dealing with large investment grade institutions.

(Tabular amounts in thousands of Canadian dollars, except where noted)

The following is a summary of the oil sales price derivative contracts as at March 31, 2005.

Daily Quantity	Term	Price per Barrel ($U.S.)		Mark to Market Gain (Loss)
Oil price swap contracts based on West Texas Intermediate				
500 bbl/d	April through December 2005	$24.00	$	(5,168)
1,030 bbl/d	April through June 2005	$22.18	$	(3,899)
50% Participating swap contracts based on West Texas Intermediate				
8,750 bbl/d	January – December 2006	$38.16 [(b)]	$	(28,761)
5,000 bbl/d	July – December 2006	$45.17[(b)]	$	(2,675)
Oil price collar contracts based on West Texas Intermediate				
2,500 bbl/d	April through June 2005	$28.40 – 32.25 ($21.80)	$	(5,774) [(a)]
1,500 bbl/d	July through December 2005	$28.17 – 32.10 ($22.33)	$	(8,270) [(a)]
2,000 bbl/d	April through December 2005	$28.00 – 42.00	$	(8,652)

(a) The Trust 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.

(b) This price is a floor. The Trust realizes this price plus 50% of the difference between spot price and this price.

Daily Quantity	Term	Type	Price per Bbl ($U.S.)		Mark to Market Gain (Loss)
4,000 bbl/d	April - December 2005	Long Put	$30.00	$	20
1,972 bbl/d	April - December 2005	Short Call	$30.00		(17,304)
1,972 bbl/d	April - December 2005	Long Call	$40.00		10,975
7,000 bbl/d	April - December 2005	Long Put	$35.00[(2)]	$	(88)
2,380 bbl/d	April - December 2005	Short Call	$35.00		(17,016)
2,380 bbl/d	April - December 2005	Long Call	$45.00		9,685
7,500 bbl/d	April - December 2005	Long Put	$40.00	$	646
3,675 bbl/d	April - December 2005	Short Call	$40.00		(20,452)
3,675 bbl/d	April - December 2005	Long Call	$50.00		10,030
7,500 bbl/d	January - June 2006	Long Put	$34.00	$	237
3,750 bbl/d	January - June 2006	Short Call	$34.00		(17,285)
3,750 bbl/d	January - June 2006	Long Call	$44.00		10,586

(1) Each group of a long put, short call and a long call reflect an "indexed put option". These series of puts and calls serve to fix a floor price while retaining upward price exposure on a portion of price movements above the floor price.

(2) Harvest pays a premium of U.S.$1.00 per Bbl on 7,000 Bbl/d for each month in which WTI exceeds U.S.$50.00/Bbl.

(Tabular amounts in thousands of Canadian dollars, except where noted)

The following is a summary of electricity price physical and financial swap contracts entered into by Harvest to fix the cost of future electricity usage as well as a put option related to the US/Canadian dollar exchange rate as at March 31, 2005:

Swap contracts based on electricity prices

Weighted Average Quantity	Term	Average Price per Megawatt	Mark to Market Gain	
24.8 MWH	April through December 2005	Cdn $47.43	$	3,836
29.9 MWH	January through December 2006	Cdn $47.51		1,475

Swap contracts based on electricity heat rate

Quantity	Term	Heat Rate	Mark to Market Gain	
5 MW	April through December 2005	8.40 GJ/MWh	$	293

Foreign currency contracts

Monthly Contract Amount	Term	Contract Rate	Mark to Market Gain	
U.S. $8.33 million	April through December 2005	1.20 Cdn / US	$	1,453

At March 31, 2005, the net unrealized loss position reflected on the balance sheet for all the financial derivative contracts outstanding at that date was approximately $86.1 million.

For the three months ended March 31, 2005, the total unrealized loss recognized in the statement of income was $74.7 million ($5.5 million - March 31, 2004). The realized losses on all derivative contracts are included in the period in which they are incurred. Both of these amounts are reflected in gains and losses on derivative contracts on the statement of income.

At October 1, 2004, the Trust discontinued hedge accounting for all of its derivative financial instruments. For those contracts where hedge accounting had previously been applied, a deferred charge or gain was recorded equal to the fair value of the contracts at the time hedge accounting was discontinued with a corresponding amount recorded in the derivative contracts balance. The deferred charge or gain is subsequently recognized in income in the period in which the underlying transaction is recognized.

For the three months ended March 31, 2005, $4.4 million ($5.5 – three months ended March 31, 2004) of the deferred charge and $445,000 (nil - March 31, 2004) of the deferred gain has been amortized and recorded in gains and losses on derivative contracts in the statement of income. At March 31, 2005, $6.4 million ($10.8 million – December 31, 2004) and $1.7 million ($2.2 million – December 31, 2004) has been recorded as a deferred charge and a deferred gain, respectively on the balance sheet, relating to derivatives.

(Tabular amounts in thousands of Canadian dollars, except where noted)

Deferred charges - asset	**Three Months Ended March 31, 2005**	Year Ended December 31, 2004
Balance, beginning of period	**$ 25,540**	$ 1,989
Deferred charge related to derivative contracts recorded upon adoption of AcG-13	**-**	5,490
Deferred charge related to derivative contracts recorded upon discontinuing hedge accounting	**-**	20,215
Discount on senior notes	**-**	2,075
Financing costs incurred	**504**	20,971
Financing costs transferred to share issue costs on conversion of debentures	**(265)**	(5,721)
Amortization of deferred charges related to derivative contracts(1)	**(4,361)**	(14,946)
Amortization of deferred financing costs(2)	**(1,721)**	(4,533)
Balance, end of period	**$ 19,697**	$ 25,540

Deferred gains - liability	**Three Months Ended March 31, 2005**	Year Ended December 31, 2004
Balance, beginning of period	**$ 2,177**	$ -
Deferred gains related to derivative contracts recorded upon discontinuing hedge accounting	**-**	2,527
Amortization of deferred gains related to derivative contracts(1)	**(445)**	(350)
Balance, end of period	**$ 1,732**	$ 2,177

(1) Recorded within gains and losses on derivative contracts.
(2) Recorded within interest expense on long-term debt and short-term debt.

(Tabular amounts in thousands of Canadian dollars, except where noted)

11. Change in non-cash working capital

		Three Months Ended March 31, 2005		Three Months Ended March 31, 2004
Changes in non-cash working capital items:				
Accounts receivable	**$**	**(17,648)**	$	5,472
Current portion of derivative contracts assets		**3,279**		-
Prepaid expenses and deposits		**(36,854)**		(7,178)
Accounts payable and accrued liabilities		**25,522**		1,692
Cash distribution payable		**172**		34
Current portion of derivative contracts liabilities		**27,340**		-
	$	**1,811**	$	20
Changes relating to operating activities	**$**	**(48,694)**	$	(269)
Changes relating to financing activities		**5,679**		286
Changes relating to investing activities		**11,603**		224
Add: Non cash changes		**33,223**		(221)
	$	**1,811**	$	20

12. Related party transactions

A director and a corporation controlled by a director of Harvest Operations Corp., were repaid $25 million under the equity bridge notes during the three month period ended March 31, 2004. The Trust also paid $850,300 of accrued interest during the year. [Note 5]

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

13. Commitments, contingencies and guarantees

From time to time, the Trust is involved in litigation or has claims brought 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.

In the normal course of operations, management may also enter into certain types of contracts that require the Trust to indemnify parties against possible third party claims, particularly when these contracts relate to purchase and sale agreements. The terms of such contracts vary and generally a maximum is not explicitly stated; as such the overall maximum amount of the obligations cannot be reasonably estimated. Management does not believe payments, if any, related to such contracts would have a material affect on 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 Harvest Operations' lenders pursuant to its secured senior credit facility. These letters expire throughout 2005, and are expected to be renewed as required.

(Tabular amounts in thousands of Canadian dollars, except where noted)

Following is a summary of the Trust's contractual obligations and commitments as at March 31, 2005:

	Remaining Payments Due by Period				
	2005	**2006 – 2007**	**2008 – 2009**	**Thereafter**	**Total**
Debt repayments [1]	$ 103,665	-	-	$ 302,400	$ 406,065
Operating leases	400	$ 2,869	$ 2,869	956	7,094
Total contractual obligations	$ 104,065	$ 2,869	$ 2,869	$ 303,356	$ 413,159

(1) Includes long-term and short-term debt. Assumes that the outstanding convertible debentures either exchange at holders' option for units or are redeemed for units at the Trust's option.

Investor & Media Contacts:

Contacts	Corporate Head Office
Jacob Roorda President	**Corporate Head Office:** Harvest Energy Trust 2100, 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** Fax: (403) 265-3490
Cindy Gray Investor Relations & Communications Advisor gray@harvestenergy.ca	**Email: information@harvestenergy.ca** **Website: www.harvestenergy.ca**