ANNUAL INFORMATION FORM

For the year ended December 31, 2013

EFFECTIVE MARCH 28, 2014

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GLOSSARY OF TERMS

In this Annual Information Form ("AIF"), the following terms shall have the meanings set forth below, unless otherwise indicated.

"6.40% Debentures Due 2012" means the 6.40% convertible unsecured subordinated Debentures of the Corporation due October 31, 2012, which were assumed by the Corporation from VERT on February 3, 2006 pursuant to the plan of arrangement under the ABCA by which the Corporation merged with VERT.

"7.25% Debentures Due 2013" means the 7.25% convertible unsecured subordinated Debentures of the Corporation due September 30, 2013.

"7.25% Debentures Due 2014" means the 7.25% convertible unsecured subordinated Debentures of the Corporation due February 28, 2014.

"7.50% Debentures Due 2015" means the 7.50% convertible unsecured subordinated Debentures of the Corporation due May 31, 2015.

"6⅞% Senior Notes" means the US $500 million 6⅞% Senior Notes of the Corporation due October 1, 2017.

"2⅛% Senior Notes" means the US $630 million 2⅛% Senior Notes of the Corporation due May 14, 2018.

"ABCA" means the *Business Corporations Act* (Alberta), together with any or all regulations promulgated there under, as amended from time to time.

"BlackGold" means the BlackGold operating segment, with a core focus on the exploration and development of the BlackGold oil sands assets acquired from KNOC on August 6, 2010. See note 6 of the audited Consolidated Financial Statement for the year ended December 31, 2013, which is available on SEDAR at www.sedar.com for more information.

"Breeze Trust No. 1" means Harvest Breeze Trust No. 1, a trust established under the laws of the Province of Alberta, wholly owned by the Corporation.

"Breeze Trust No. 2" means Harvest Breeze Trust No. 2, a trust established under the laws of the Province of Alberta, wholly owned by the Corporation.

"COGE Handbook" means the Canadian Oil and Gas Evaluation Handbook prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum.

"Corporation" means Harvest Operations Corp.

"Credit Facility" means the $1 billion revolving credit facility, as amended, provided by a syndicate of lenders to Harvest Operations as more fully described in the "General Description of Capital Structure" section in this AIF.

"Debentures" means the 6.40% Debentures Due 2012, the 7.25% Debentures Due 2013, the 7.25% Debentures Due 2014 and the 7.50% Debentures Due 2015.

"Debenture Indenture" means (i) the trust indenture dated January 29, 2004 among Harvest Operations and Valiant Trust Company, as trustee, providing for the issue of Debentures, as supplemented by the third supplemental indenture dated November 22, 2006 in respect of the 7.25% Debentures Due 2013, in respect of the fourth supplemental indenture dated February 1, 2007 in respect of the 7.25% Debentures Due 2014 and in respect of the fifth supplemental indenture dated April 25, 2008 in respect of the 7.50% Debentures Due 2015 and (ii) the trust indenture dated January 15, 2003 between VERT and Computershare Trust Company of Canada as trustee, providing for the issue of Debentures, as supplemented by the first supplemental indenture dated October 20, 2005 in respect of the 6.40% Debentures Due 2012.

"Downstream" means the Corporation's petroleum refining and marketing segment operating under the North Atlantic trade name, comprised of a medium gravity sour crude hydrocracking refinery with a 115,000 bbls/d nameplate capacity and a marketing division with 52 gasoline outlets, 3 commercial card lock locations, a retail heating fuels business and a commercial and wholesale petroleum products business, all located in the Province of Newfoundland

and Labrador. See note 6 of the audited Consolidated Financial Statement for the year ended December 31, 2013, which is available on SEDAR at www.sedar.com for more information.

"Future Net Revenue" refers to the estimated net amount to be received with respect to the development and production of reserves computed by deducting, from estimated future revenues, estimated future royalty obligations, costs related to the development and production of reserves and abandonment and reclamation costs (corporate general and administrative expenses and financing costs are not deducted).

"GAAP" means generally accepted accounting principles.

"GLJ" means GLJ Petroleum Consultants Ltd., an independent oil and natural gas reserves evaluator of Calgary, Alberta.

"Harvest Board" means the board of directors of Harvest Operations.

"Harvest" and **"Harvest Operations"** mean Harvest Operations Corp., a corporation amalgamated under the laws of the Province of Alberta.

"Independent Reserves Evaluator" means GLJ, who evaluated the crude oil, natural gas liquids and natural gas reserves of Harvest and the Operating Subsidiaries as at December 31, 2013 in accordance with the standards contained in the COGE Handbook and the reserve definitions and other requirements contained in NI 51-101.

"IFRS" means International Financial Reporting Standards as issued by the International Accounting Standards Board.

"KNOC" means Korea National Oil Corporation.

"KNOC Canada" means KNOC Canada Ltd., a corporation incorporated under the laws of the Province of Alberta.

"MEC" means Macquarie Energy Canada Ltd.

"NI 51-101" means National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities.

"North Atlantic" means North Atlantic Refining Limited, as the context requires, and all wholly owned subsidiaries of North Atlantic.

"Note Indenture" means the trust indenture made as of October 4, 2010 between U.S. Bank National Association, as trustee, there under and Harvest Operations, providing for the issuance of the 6⅞% Senior Notes.

"Operating Subsidiaries" means Breeze Resource Partnership, Breeze Trust No. 1, Breeze Trust No. 2, and Hay River Partnership, each a direct or indirect wholly-owned subsidiary of the Corporation, and "Operating Subsidiary" means any one of them.

"Person" includes an individual, a body corporate, a trust, a union, a pension fund, a government and a governmental agency.

"Production" means, with respect to the Upstream operations the produced petroleum, natural gas and natural gas liquids attributed to the Properties and with respect to the Downstream operations, the production of refined petroleum products at the Refinery.

"Properties" means the working, royalty or other interests of Harvest and the Operating Subsidiaries in any petroleum and natural gas rights, tangibles and miscellaneous interests, including properties which may be acquired by Harvest and the Operating Subsidiaries from time to time.

"Refinery" means the 115,000 barrels per day medium gravity sour crude hydrocracking refinery located in the Province of Newfoundland and Labrador, owned by North Atlantic, which is described in "Downstream Business".

"Related Party Loans" means the 4.62% subordinated loan with Ankor E&P Holdings Corp., a wholly-owned subsidiary of KNOC, due on October 2, 2017 and the 5.3% subordinated loan with KNOC due December 30, 2018.

"Reserves Report" means collectively, the reports prepared by the Independent Reserves Evaluator evaluating the crude oil, natural gas liquids and natural gas reserves of Harvest and the Operating Subsidiaries as at December 31, 2013, in accordance with the standards contained in the COGE Handbook and the reserves definitions and other requirements contained in NI 51-101.

"Reserve Value" means for any petroleum and natural gas property at any time, the present worth of all of the estimated pre-tax cash flow net of capital expenditures from the Proved plus Probable reserves shown in the Reserves Report for such property, discounted at 10% and using forecast price and cost assumptions.

"Securities Act" means the Securities Act of 1933, as amended, enacted in the United States.

"Supply and Offtake Agreement" or **"SOA"** means the supply and offtake agreement dated October 19, 2006 and as amended October 12, 2009 entered into between North Atlantic and Vitol Refining, S.A. ("Vitol").

"Supply and Offtake Agreement (2011)" or **"SOA (2011)"** means the supply and offtake agreement dated October 11, 2011 and as amended on December 19, 2011, on April 19, 2012 and on July 23, 2012 entered into between North Atlantic and Macquarie Energy Canada Ltd., the terms of which are summarized under the "Downstream Business – Supply and Offtake Agreement".

"Trust" means Harvest Energy Trust.

"Trust Unit" means a trust unit of the Trust and, unless the context otherwise requires, means ordinary trust units of the Trust.

"Upstream" means Harvest's petroleum and natural gas segment, consisting of the exploitation, production and subsequent sale of petroleum, natural gas and natural gas liquids in Alberta, Saskatchewan and British Columbia. See note 6 of the audited Consolidated Financial Statement for the year ended December 31, 2013, which is available on SEDAR at www.sedar.com for more information.

"VERT" means Viking Energy Royalty Trust, a trust established under the laws of the Province of Alberta, wholly owned by the Trust.

"Working Interest" means an undivided interest held by a party in an oil and/or natural gas or mineral lease granted by a Crown or freehold mineral owner, which interest gives the holder the right to "work" the property (lease) to explore for, develop, produce and market the lease substances but does not include, among other things, a royalty, overriding royalty, gross overriding royalty, net profits interest or other interest that entitles the holder thereof to a share of production or proceeds of sale of production without a corresponding right or obligation to "work" the property.

ABBREVIATIONS AND CONVERSIONS

In this AIF, the following abbreviations have the meanings set forth below:

/d	Per day
AECO	AECO "C" hub price index for Alberta natural gas
^{o}API	The measure of the density or gravity of liquid petroleum products
Boe(1)	Barrel of oil equivalent on the conversion factor of 6 mcf of natural gas to one bbl of oil
bbl	Barrel
bbls	Barrels
Brent	Dated Brent, a benchmark for North Sea Brent blend crude oil
EOR	Enhanced oil recovery
GHG	Greenhouse gas
GJ	Gigajoule
H2S	Hydrogen sulfide gas
Mbbls	Thousand barrels
Mboe	Thousand barrels of oil equivalent
mcf	Thousand cubic feet
MMcf	Million cubic feet
NGLs	Natural gas liquids
NOx	The general oxides of nitrogen (NO, NO_2, N_2O_2, etc.)
RBOB	Reformulated blendstock for oxygenate blending

SAGD	Steam-assisted gravity drainage is an enhanced oil recovery technology for producing heavy crude oil and bitumen
SOx	The general oxides of sulfur (SO_2, SO_3, etc.)
WTI	West Texas Intermediate, the reference price in U.S. dollars at Cushing, Oklahoma for crude oil of standard grade
$000	Thousands of dollars

(1) Boes may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

GENERAL INFORMATION

Unless otherwise specified, information contained in this AIF is dated December 31, 2013. The date of this discussion is March 28, 2014.

This AIF contains forward looking information and non-GAAP measures. Readers are cautioned that the AIF should be read in conjunction with the “Non-GAAP Measures” and “Forward-Looking Information” sections at the end of this form.

All dollar amounts set forth in this AIF are expressed in Canadian dollars, except where otherwise indicated. References to Canadian dollars, Cdn$, C$ or $ are to the currency of Canada and references to U.S. dollars or US$ are to the currency of the United States.

The Bank of Canada noon-day Canadian to US dollar exchange rates for Cdn$1.00 were:

(US$)	**December 31**	**Average**	**High**	**Low**
2013	0.9402	0.9710	1.0164	0.9348
2012	1.0051	1.0004	1.0299	0.9599
2011	0.9833	1.0110	1.0583	0.9430

CORPORATE STRUCTURE

Harvest Operations Corp.

During the second quarter of 2010, pursuant to an internal reorganization, Harvest Energy Trust was dissolved and its wholly owned subsidiary, Harvest Operations Corp., was amalgamated with KNOC Canada, to continue as one corporation under the name Harvest Operations Corp.

Harvest Operations was incorporated under the ABCA on May 14, 2002. All of the issued and outstanding common shares of Harvest Operations are owned by KNOC. Harvest Operations manages the affairs of the Operating Subsidiaries and North Atlantic and is responsible for providing all of the technical, engineering, geological, land management, financial, administrative and commodity marketing services relating to the Corporation’s operations.

The head and principal office of Harvest is located at Suite 2100, 330 - 5th Avenue S.W., Calgary, Alberta T2P 0L4 while the registered office of Harvest Operations is located at Suite 4500, Bankers Hall East 855 – 2nd Street S.W., Calgary, Alberta T2P 4K7.

Description of Subsidiaries

Each of the entities identified below is a material, direct or indirect wholly-owned subsidiary of Harvest Operations at December 31, 2013.

Harvest Breeze Trust No. 1

Breeze Trust No. 1 is an unincorporated commercial trust established under the laws of the Province of Alberta on July 8, 2004. Breeze Trust No. 1 is wholly-owned by Harvest Operations Corp. and its assets consist of the intangible portion of direct ownership interests in petroleum and natural gas properties purchased from the Breeze Resources Partnership and the Hay River Partnership. Harvest Breeze Trust No. 1 has a 99% interest in each of the Breeze Resources Partnership and the Hay River Partnership.

Harvest Breeze Trust. No. 2

Breeze Trust No. 2 is an unincorporated commercial trust established under the laws of the Province of Alberta on July 8, 2004. Breeze Trust No. 2 is wholly-owned by Harvest Operations Corp. and its assets consist of a 1% interest in each of the Breeze Resources Partnership and the Hay River Partnership.

Breeze Resources Partnership

Breeze Resources Partnership (indirectly wholly-owned by Harvest Operations) is a general partnership formed on June 30, 2004 under the laws of the Province of Alberta. Breeze Resources Partnership was acquired in September 2004. Its assets consist of the tangible portion of direct ownership interest in petroleum and natural gas properties located in east central Alberta and southern Alberta.

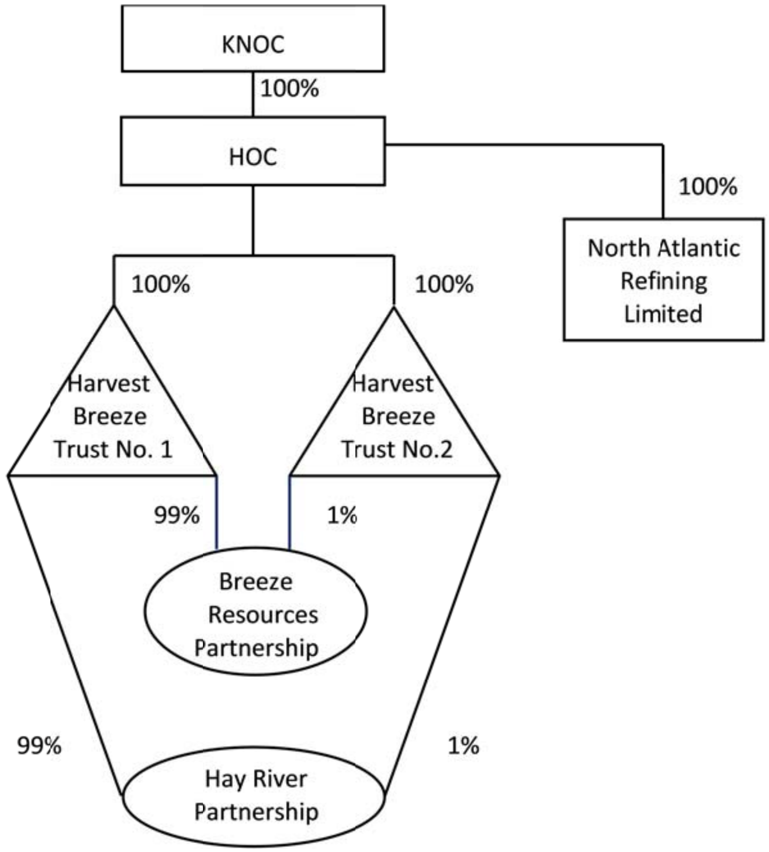
Hay River Partnership

Hay River Partnership (indirectly wholly-owned by Harvest Operations) is a general partnership formed on December 20, 2004 under the laws of the Province of Alberta. Hay River Partnership was acquired in August 2005. Its assets consist of the tangible portion of direct ownership interests in petroleum and natural gas properties located in north eastern British Columbia.

North Atlantic Refining Limited

North Atlantic Refining Limited was incorporated under the laws of the Province of Newfoundland and Labrador on November 17, 1986. North Atlantic is a wholly owned subsidiary of Harvest Operations, with assets consisting of the Refinery and related retail marketing assets. North Atlantic is responsible for providing the engineering, operations and administrative services related to downstream operations.

The corporate structure including significant subsidiaries is set forth below. Harvest's remaining subsidiaries and partnerships did not have assets or sales and operating revenues which, in the aggregate, exceeded 20 percent of the total consolidated assets or total consolidated sales and operating revenues of Harvest as at and for the year ended December 31, 2013:



GENERAL DEVELOPMENT OF THE BUSINESS

The following is a description of the general development of Harvest's business over the last three financial years:

Developments in 2013

On March 14, 2013, Harvest entered into a US$400 million senior unsecured credit facility. The facility was irrevocably and unconditionally guaranteed by KNOC. Draws under the facility were made for an aggregate US$390 million, to fund the early redemptions of the 7.25% Debentures Due 2013 and 7.25% Debentures Due 2014 on April 2, 2013 and April 15, 2013, respectively. Both series of debentures were redeemed at par with the total redemption payment, including all accrued and unpaid interest up to the respective redemption dates, being $1,002.978 per $1,000 principal amount for the 7.25% Debentures Due 2013 and $1,006.5547 per $1,000 principal amount for the 7.25% Debentures Due 2014.

On May 14, 2013, Harvest issued US$630 million of senior unsecured notes due May 14, 2018 with a coupon rate of 2⅛%. The notes were unconditionally and irrevocably guaranteed by KNOC. The proceeds were used to repay the senior unsecured credit facility and to early redeem, at par, the 7.50% Debentures Due 2015 on June 13, 2013. The total redemption payment, including all accrued and unpaid interest up to the redemption date, was $1,002.67 per $1,000 principal amount.

On October 18, 2013, Harvest increased the borrowing capacity of the Credit Facility from $800.0 million to $1.0 billion and extended the Credit Facility maturity date by one year to April 30, 2017.

On December 30, 2013 Harvest entered into a five-year $200 million subordinated loan facility with KNOC at a fixed interest rate of 5.3% per annum and borrowed $80.0 million thereunder. On February 28, 2014, Harvest borrowed an additional $80.0 million under the subordinated loan facility.

During 2013, Harvest disposed of certain non-core producing properties in west central Saskatchewan and Alberta for the total proceeds of approximately $173.9 million. The transactions resulted in a gain of $33.9 million, which has been recognized in the consolidated statements of comprehensive loss.

During 2013, Harvest recognized an impairment charge of $458.9 million against its Downstream's property, plant and equipment ("PP&E") due to lower than expected crack spreads and increased regulatory costs. Harvest also recorded an impairment charge of $24.1 million against its Upstream's PP&E relating to certain gas properties in Southern Alberta due to reserves write-down at year-end.

Developments in 2012

On May 30, 2012, Harvest amended certain aspects of its BlackGold oil sands project engineering, procurement and construction ("EPC") contract, including revising the compensation terms from a lump sum price to a cost reimbursable price and conferring greater Harvest control over project execution.

On July 31, 2012, Harvest extended the Credit Facility by one year to April 30, 2016.

On August 1, 2012, Harvest completed the exchange offer of up to US$500 million in aggregate principal amount of 6⅞% Senior Notes due 2017 registered under the Securities Act for the same aggregate principal amount of its outstanding original 6⅞% Senior Notes due 2017, and 100% of the original notes were tendered.

On August 16, 2012, Harvest entered into a subordinated loan agreement with Ankor E&P Holdings Corp. ("ANKOR"), a 100% owned subsidiary of KNOC, to borrow US$170 million at a fixed interest rate of 4.62% per annum.

On September 19, 2012, Harvest redeemed the outstanding 6.40% Debentures Due 2012 for $106.8 million.

During 2012, Harvest disposed of certain non-core producing properties in Alberta and Saskatchewan for the proceeds of $88.5 million. The transactions resulted in a gain of $30.3 million, which has been recognized in the consolidated statements of comprehensive loss.

During 2012, Harvest recognized impairment charges of $535.5 million and $21.8 million against its Downstream's and Upstream's assets respectively due to expectation of continued unfavourable refining margin and natural gas prices.

Developments in 2011

On February 28, 2011, Harvest closed the acquisition of the assets of Hunt Oil Company of Canada Inc. and Hunt Oil Alberta Inc. (collectively "Hunt"). KNOC provided $505 million of equity to fund the acquisition with a total of $511 million paid for the acquisition.

On April 29, 2011 Harvest renewed and extended the $500 million Credit Facility for an additional two years to April 30, 2015.

In October 2011, the SOA with Vitol was terminated and replaced with the SOA (2011) with MEC.

On December 16, 2011, the Credit Facility was further amended to increase the capacity of the facility from $500 million to $800 million.

GENERAL BUSINESS DESCRIPTION

Harvest is a significant operator in Canada's energy industry with three operating segments: Upstream, BlackGold and Downstream. Harvest's Upstream and BlackGold oil and gas business is complemented by its long-life refining business that focuses on the safe and efficient operation of a medium gravity sour-crude refinery located in the Province of Newfoundland and Labrador and the associated retail and marketing operations.

Harvest's shareholder, KNOC, is a leading international oil and gas exploration and production company wholly owned by the Government of Korea. As at December 31, 2013, Harvest's net proved reserves represented approximately 31% of KNOC's consolidated crude oil and natural gas reserves and resources. Additionally, Harvest's crude oil and natural gas production represented approximately 24% of KNOC's consolidated 2013 petroleum and natural gas production.

Upstream

In the Upstream operations, Harvest employs a disciplined approach to acquiring, developing and operating large resource-in-place producing properties using best-in-class technologies. Harvest's Upstream operations are principally located in the Western Canadian Sedimentary Basin and material areas include Hay River, Red Earth, West Central Alberta, East Central Alberta, Deep Basin, Heavy Oil and Saskatchewan Light Oil. For detailed description of these properties see NI 51-101F1 form for the year ended December 31, 2013, which is filed separately on SEDAR at www.sedar.com. Harvest has a high degree of operational control as it is the operator on properties that generate the majority of Harvest's production. The Corporation believes that this "hands on" approach allows it to better manage capital expenditures and accumulate institutional expertise in its operating regions. Upstream conducts its operations under the following business strategies:

Maximize Value and Production from Existing Properties

Harvest intends to use its technological expertise to enhance the long-term value of Harvest's existing western Canadian assets with proven development strategies. The Corporation uses infill and step-out drilling to develop the potential of its assets. Included among the drilling techniques is horizontal drilling which is typically about 95% of the wells drilled. The Corporation has implemented numerous EOR projects within its existing asset base, utilizing water floods and polymer floods to enhance the performance of its assets. Harvest is currently experimenting with new nano-particle technology from China as an alternative, lower-cost, method of enhanced oil recovery compared to conventional polymer floods.

Increase Operating Netbacks

Harvest has traditionally focused on optimizing the operating costs and the sales portfolio to increase the operating netback and thereby extend the life and increase the value of its proved reserves. Harvest's ongoing cost reduction initiatives include continuous improvements to water handling, disposal alternatives, contracting for volume discounts on well servicing and purchased materials. Marketing initiatives contribute to achieving the highest well head price and include identifying new market opportunities, diversifying Harvest's customer base, blending crude oil to capture market arbitrage and developing enhanced revenue generating commercial activities. Harvest intends to maintain a disciplined and rigorous approach to cost control as the Corporation continues to operate its business.

Establishing New Core Areas Through Exploration

Harvest intends to use its geological and engineering expertise to establish new core areas through exploration activities. Exploration may be carried out in new areas or new formations in Harvest's existing asset base. Opportunities will be pursued on the basis of their net present value and the ability to establish a meaningful area for ongoing development.

Re-balancing Asset Portfolio

Harvest continuously assesses its portfolio of assets to identify any non-core and non-strategic properties. Based on the market conditions and specific circumstances, Harvest may dispose, farm-out or exchange those properties. For non-core properties that are slated for disposition, active marketing initiatives are taken to facilitate the transactions. Proceeds received from dispositions may be used to repay debt or other financial commitments, which will provide Harvest with greater flexibility to redeploy the capital sources when needed towards core assets development and exploration efforts.

Product and Marketing Arrangements

Harvest produces crude oil (light, medium and heavy), natural gas, natural gas liquids and associated products from its reserves. For a breakdown of revenues by product type, please see page 12 of the Management's Discussion and Analysis for the year ended December 31, 2013, which is available on SEDAR at www.sedar.com.

Crude Oil and NGLs

Harvest's crude oil and NGL production is marketed to a diverse portfolio of intermediaries and end users with the majority of the oil contracts existing on a 30-day continuously renewing basis and the NGL contracts are on one-year terms. These commodities typically receive the prevailing monthly market prices. Harvest has a small number of condensate purchase contracts required for blending heavy oil to meet pipeline specifications; these are a combination of one-year and monthly spot contracts both related to the prevailing monthly market price.

Harvest received an average sales price, excluding the effects of commodity price risk management contracts, of $85.38/bbl for light and medium crude oil, $74.37/bbl for heavy crude oil and $57.44/bbl for NGLs for the year ended December 31, 2013.

Natural Gas

Approximately 90% of Harvest's natural gas production is currently being sold at the prevailing daily spot market price in Western Canada. A vast majority of the remaining 10% of production receives Chicago based prices via two transportation contracts under which gas is shipped to the United States. A marginal 0.1% of production is dedicated to aggregator contracts, which are reflective of market prices and are under contract until 2015.

Harvest received an average sales price, excluding the effects of commodity price risk management contracts, of $3.46/mcf for natural gas for the year ended December 31, 2013.

Competitive Conditions, Seasonality, and Trends

Competitive conditions and trends are described under the “Industry Conditions – Upstream” and “Risk Factors” sections of this AIF. The exploitation and development of petroleum and natural gas reserves is dependent on physical access to production areas. Seasonal weather conditions, including freeze-up and break-up, affect such access. The seasonal accessibility increases competition for equipment and human resources during those periods.

Environment, Health and Safety Policies and Practices (“EH&S”)

Harvest commits to conducting its operations in a manner that protects the health and safety of employees, contractors and the public, and minimizing environmental impact. Harvest’s EH&S policy is designed with a primary objective to comply with industry and jurisdictional regulatory requirements. There are various components in the EH&S policies, with the core environmental components focused on prevention, remediation and reclamation of environmental impact to land, water and air. See “Environmental Regulation” section of this AIF for discussion of specific regulatory requirement. The Health and Safety components are focused on proactive measures reducing risk and eliminating hazards to employees, contractors, subcontractors and the public. Harvest is committed to an injury free workplace.

Harvest takes an active role in the Canadian Association of Petroleum Producers (“CAPP”) Responsible Canadian Energy (“RCE”) program. The RCE is an association-wide performance reporting program designed to track progress of the CAPP membership in environmental, health, safety, and social performance. In particular, it is a commitment by Harvest to continuously improve on parameters such as reducing injuries, decreasing air emissions, re-using and recycling of water, and minimizing our environmental footprint and impact on the land. Harvest, in comparison to other Upstream producers are below industry average on Total Recordable Injury Frequency, NOx and SOx emissions, and gas venting per BOE produced. Harvest is working towards improving the Corporation’s performance on water usage and decreasing our spill frequency for 2014. These improvement efforts are not expected to materially impact Harvest’s operations or operating results.

The majority of Harvest environmental expenditures relate to site remediation and asset retirement from its land use. In 2013, Harvest spent $19.6 million on the management and retirement of environmental obligations which included retirement of wells and facilities, restoration of spill sites, remediation of sites with historical contamination, and the reclamation of abandoned well sites and access roads. In 2013, Harvest had 348 active reclamation sites. Harvest received 17 reclamation certificates in 2013. In addition, Harvest completed 92 surface well abandonments which will add to the number of active reclamation sites in 2014. Efforts towards other aspects of environmental protection and controls, such as water usage, waste management, air monitoring and emission reporting are not material.

In 2013, Harvest continued to take steps to build on its existing EH&S management systems using the RCE framework for continuous improvement. This included initiating a process to formalize the environment and regulatory components of the EH&S management system. Completion of this process is expected by the end of 2014 and will result in an overall improvement in environmental stewardship and performance. The costs associated with this initiative are not expected to be material.

As part of the Certificate of Recognition (“COR”) maintenance requirements, in 2013 the health and safety management system underwent its second audit in the COR process. Third party auditors evaluated the system on a set of predetermined criteria. The results of the audit were shared with Harvest Board and to all staff via quarterly newsletter. Areas where opportunities for improvement exist that were identified in the audit will be reviewed and action plans developed based on risk exposure to the organization. The EH&S department and Procurement group are continuing to develop and improve on our Contractor Engagement & Management System. As required, the Corporate Emergency Response Plan underwent annual review which included revising critical information within the plans and ongoing training of key response personnel at Harvest. Mandated full scale exercises were conducted in various areas of operations and information gathered during and post exercise was used to improve the Harvest Operations Corp. Incident Command System.

Harvest met all regulatory compliance obligations in 2013 including the submission of the annual National Pollutant Release Inventory, the BC Greenhouse Gas Inventory, the annual Facility Approval summary reports, the inventory of all benzene emissions from Glycol Dehydrators, the annual Caribou Protection Plans and completion of all Indian and Oil and Gas required environmental audits. In addition, Harvest continued to be diligent with its Fugitive Emission Management Program, with leak detection testing conducted at all required facilities. All repairable emission sources detected were repaired representing a reduction in GHG emissions and savings in fuel gas usage. Harvest has incurred immaterial compliance costs associated with these various programs and regulations.

Human Resources

At December 31, 2013, Harvest's Upstream operations (including BlackGold's employees) had 488 permanent employees, 11 temporary employees and 31 KNOC employees. The Corporation also engages a number of contractors and service providers.

BlackGold

The BlackGold segment focuses on the exploration, development and ultimately the production of in-situ oil sands located near Conklin, Alberta. BlackGold will use SAGD technology that includes horizontal well pairs and energy efficient thermal stimulation to liberate bitumen from the oil sands and minimize land disturbance. Phase 1 of the project is anticipated to produce 10,000 bbl/d with first steam expected in 2014. The scope of Phase 1 includes the drilling of 77 SAGD injector-producer well pairs over the life of Phase 1 and the construction of a central processing facility ("CPF"). Phase 2 of the project is targeted to expand the CPF and increase output to 30,000 bbl/d and was approved by the provincial regulators in 2013.

BlackGold completed drilling of its initial 15 SAGD well pairs in 2012 and will perform the well completions in the second half of 2014 when the CPF is nearing completion to be ready to commence steam injection by the end of 2014. Construction of the CPF is well underway. The overall project was approximately 92% completed by the end of 2013. Commissioning is targeted for the fourth quarter of 2014. Steam injection and thermal stimulation will typically take several months before material bitumen production begins. In 2014, BlackGold will focus on completing the CPF construction, preparing for commissioning and recruiting for the operations team. For additional information regarding the 2014 capital expenditure plan for BlackGold, please refer to NI 51-101F1 Statement of Reserves Data and Other Oil and Gas Information for the year ended December 31, 2013, which is available on SEDAR at www.sedar.com.

The construction of the CPF is conducted under an EPC contract. Expected total costs under the EPC contract have been revised upwards to approximately $650 million, due to increased costs as a result of labor shortages, inclement weather and a revised completion schedule. Under the EPC contract, a maximum of approximately $101 million of the EPC costs will be paid in equal installments, without interest, over 10 years commencing on the completion of the EPC work in 2014.

Downstream

Harvest's Downstream business, operating under the name North Atlantic Refining Limited, is composed of a medium gravity sour crude oil hydrocracking refinery with a 115,000 barrels per stream day nameplate capacity, and a marketing division with 52 gasoline outlets, 3 commercial cardlock locations, a retail heating fuels business and a commercial and wholesale petroleum products business, all located in the Province of Newfoundland and Labrador.

Refinery Operations

The Refinery's crude oil and other feedstocks are waterborne cargos originating from outside of Canada. Typically, there are approximately 20 days of crude oil feedstock in tankage at the Refinery to mitigate the effects of any supply disruptions. During the last two years, the region of origin of the feedstock has been as follows:

Region	2013 (Mbbls)	2012 (Mbbls)
Middle East	24,517	33,571
South American	499	480
Russian	1,445	1,449
North American	5,462	-
Other	3,876	2,328
Total Feedstock	**35,799**	**37,828**

The Refinery produces ultra-low sulphur gasoline and diesel, jet fuel, furnace oil, and high sulphur fuel oil (“HSFO”). During 2013, approximately 10%-20% (2012 – 10%-15%) of North Atlantic’s refined products are sold in the Province of Newfoundland and Labrador while approximately 80%-90% (2012 – 85%-90%) is export cargos sold to MEC under the SOA (2011). Such cargos are shipped by MEC to U.S. east coast markets such as Boston and New York City and are also shipped to Europe, or farther abroad, when economics justify the increased shipping charge. The Refinery has a transportation advantage as a result of its ice-free, deep water docking facility and it has approximately seven million barrels of tankage, including six 575,000 barrel crude tanks. These enable the receipt of crude oil transported on very large crude carriers which typically result in lower per barrel transportation charges. North Atlantic’s dock facilities are used for off-loading refinery feedstocks and for loading refined products. The dock facilities handle approximately 220 vessels each year, with North Atlantic owning and operating two tugboats to assist with berthing and un-berthing tankers.

Refinery Products and Supply and Offtake Agreements

During the year ended December 31, 2013, the Refinery’s yield was 31% (2012 - 31%) for gasoline and related products, 37% (2012 – 40%) for distillates and 29% (2012 – 27%) for HSFO. For a breakdown of total feedstock costs by type and total refinery sales by product type, please see page 21 of the Management’s Discussion and Analysis for the year ended December 31, 2013, which is available on SEDAR at www.sedar.com.

SOA (2011)

The SOA (2011) provides that the ownership of substantially all crude oil and other feedstocks and refined product inventories at the Refinery be retained by MEC and that MEC be granted the exclusive right and obligation to provide crude oil feedstock and other feedstocks for delivery to the Refinery as well as the exclusive right and obligation to purchase virtually all refined products produced by the Refinery for export. The SOA (2011) also provides that MEC will receive a time value of money ("TVM") amount associated with the purchase of crude oil and other feedstocks and sale of refined products as the SOA (2011) requires that MEC retain ownership of the crude oil and other feedstocks until delivered through the inlet flange to the Refinery as well as immediately take title to the refined products as they are delivered by the Refinery through the inlet flange to designated storage tanks. Further, the SOA (2011) provides North Atlantic with the opportunity to share the incremental profits and losses resulting from the sale of products beyond the U.S. east coast markets.

Pursuant to the SOA (2011), North Atlantic, in consultation with MEC, requests a certain slate of crude oil and other feedstocks and MEC is obligated to provide the feedstocks in accordance with the request. The SOA (2011) includes a feedstock transfer pricing formula that aggregates the pricing for the feedstocks purchased as correlated to published future contract settlement prices, the cost of transportation from the source of supply to the Refinery and the settlement cost or proceeds for related operational price risk management contracts. The purpose of these operational price risk management contracts is to convert the fixed price of crude oil and other feedstock purchases to floating prices for the period from the purchase date through to the date the refined products are sold by North Atlantic to allow "matching" of feedstock purchases to refined product sales.

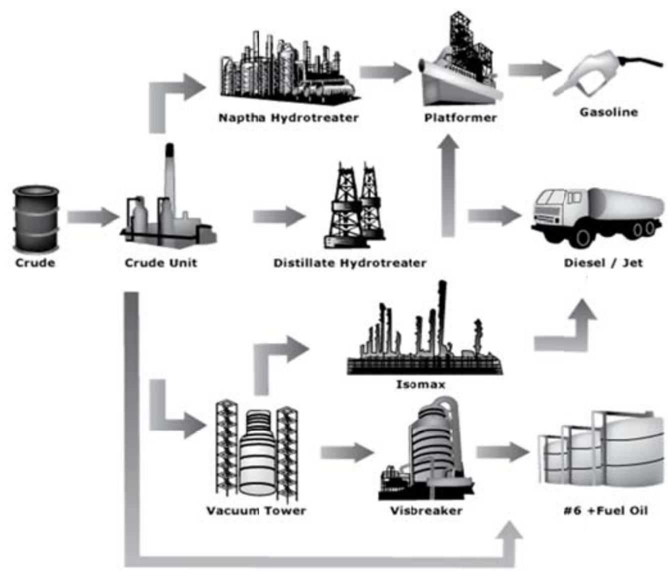
The SOA (2011) requires that MEC purchase and lift all refined products produced by the Refinery, except for certain excluded refined products to be marketed by North Atlantic in the local Newfoundland market, and provides a product purchase pricing formula that aggregates a price based on the current Boston and New York City markets, less the costs of transportation, insurance, port fees, inspection charges and similar costs incurred by MEC, plus the TVM component.

The SOA (2011) is a successive one-year term agreement with an initial one-year term and may be terminated by either party at any time thereafter by providing notice of termination no later than six months prior to the desired termination date, or if the Refinery is sold in an arm's length transaction, upon 30 days of notice prior to the desired termination date. Further, the SOA (2011) may be terminated upon the continuation for more than 180 days of a delay in performance due to force majeure but prior to the recommencing of performance. Upon termination of the agreement or the right and obligation to provide feedstocks, North Atlantic has the option to purchase or arrange for another feedstock supplier to purchase the feedstocks and refined product inventories in designated tanks at the prevailing prices as stipulated under the SOA (2011).

On April 19, 2012 and subsequently on July 23, 2012 the SOA (2011) was amended to allow the Refinery to purchase from MEC certain additional petroleum products, additives and feedstock that was not previously included in the SOA (2011), to permit delivery method of feedstock and feedstock additives in addition to ex-ship delivery and to amend the Annex B "Designated Tank".

Refinery Processing and Operations Reliability

The following is a simplified schematic of the primary process flow of the Refinery:



Improving the reliability of the Refinery operations is a major focus for the Corporation. North Atlantic's maintenance philosophy has evolved to one that emphasizes long-term solutions to reliability issues through the conduct of rigorous analysis regarding the root cause of reliability issues. Of particular note, North Atlantic has developed an advanced Equipment Integrity Program whereby remaining equipment life calculations are utilized to determine equipment turnaround schedules with the intent that equipment is repaired or replaced before failure occurs.

Marketing Division

North Atlantic's marketing division (the "Marketing Division") is headquartered in St. John's, Newfoundland and is composed of five businesses: retail gasoline (with 52 retail stations, including 40 locations branded as "North Atlantic", 7 locations branded as "Home Town" and 5 unbranded locations, and 3 commercial cardlock locations), retail heating fuels, commercial, wholesale and bunkers. Most retail locations include a convenience store which is independently operated, except for 10 branded locations, which are fully operated by North Atlantic and 4 franchise locations which are referred to as "Orangestore." In 2013, the volume of gasoline sold at these retail locations represented a market share of approximately 28% of the Newfoundland market. The 2013 daily sales volume of North Atlantic's marketing division averaged over 13,000 barrels of refined products, including gasoline, furnace oil, heating oil, propane, jet fuel, and bunker fuel. Customers include both wholesalers and end-users. The major competitors in the Newfoundland market are Irving Oil, Imperial Oil and Ultramar.

Since 2001, the sales price of residential home heating fuels and automotive gasoline and diesel fuel sold for consumption within the Province of Newfoundland and Labrador is regulated under the Petroleum Products Act (Newfoundland), administered by the Public Utilities Board.

Competitive Conditions, Seasonality, and Trends

Competitive conditions and trends are described under the "Industry Conditions – Downstream" and "Risk Factors" sections of this AIF. The refinery business is cyclical and volatile. Cyclicality occurs when periods of tight supply, resulting in increased prices and profit margins, are followed by periods of capacity expansion, resulting in oversupply and declining prices and profit margins. Volatility occurs as a result of changes in supply and demand for products, changes in energy prices, and changes in various other economic conditions around the world. Seasonality can impact product margins as customer demand levels increase or decrease as a result of the change in seasons. The Refinery operational cycle is tied to its major maintenance schedule where generally a partial plant outage is planned for every two years and a full plant outage is planned for every six years.

Environment, Health and Safety Policies and Practices

Downstream's EH&S policy is to comply with, or exceed, regulations relevant to the industry and to fully cooperate with the regulatory bodies. Downstream operations have an active and comprehensive Integrated Management System to promote the integration of safety, health and environmental awareness into the Refinery and related businesses. The key components of the system are core elements applicable to most large industries, and include safety, process safety, environmental and health. It also includes a Continuous Improvement Management System that guides the development and improvement of these elements. The system has assisted in reducing the refinery injury rate. In 2013 the refinery achieved a Lost Time Injury Frequency of 0.19 compared to an Industry Achieved of 0.20, as published by Bureau of Labour Statistics 2012.

Downstream has been issued a new Certificate of Approval from the Provincial Government's Department of Environment and as well, has signed off on a new Compliance Agreement as part of the certificate renewal. As a consequence of this new agreement, certain atmospheric storage tanks are required to recertify within a specified time period and, as such, these cost comprise a significant portion of Downstream's forecasted capital expenditure for the next three years. The timing of the recertification of each tank will be completed so as not to interrupt the operations of the refinery resulting in minimum additional operational costs.

Employees and Labour Relations

The Downstream operations has approximately 437 full-time employees, of whom 67% are unionized, and 12 part-time employees, of which 100% are unionized and represented by the United Steel Workers of America in four collective bargaining agreements. North Atlantic has a history of good relations with its unions, which is evidenced by the lack of any work stoppage at the Refinery. One of the collective bargaining agreements expires December 31, 2014, two collective agreements expire March 31, 2015 and one other collective agreement expires March 31, 2016. See "Risk Factors" within this AIF.

North Atlantic maintains a number of benefit programs for its employees including basic life insurance and accidental death and dismemberment insurance, extended healthcare and dental coverage, as well as a defined benefit and defined contribution pension plan. Also North Atlantic provides certain post-retirement health care benefits which cover substantially all employees and their surviving spouses. At December 31, 2013, the pension plan and other benefit plan obligations exceeded the pension plan and other benefit plan assets by approximately $6.8 million. For additional information, refer to Note 26 in the audited Consolidated Financial Statements for the year ended December 31, 2013 filed on SEDAR at www.sedar.com.

CASH FLOW RISK MANAGEMENT

Harvest's liquidity and financial condition are highly dependent on the prices received for its petroleum and natural gas production, among other factors. Petroleum and natural gas prices have fluctuated widely during recent years. Any material decline in petroleum and natural gas prices could have an adverse effect on Harvest's financial condition. Harvest mitigates such price risk through closely monitoring the various commodity markets and establishing commodity price risk management programs, as deemed necessary, to provide stability to its cash flows. Harvest utilizes commodity price risk management contracts to reduce volatility in its cash flows.

At times, Harvest also enters into foreign currency exchange contracts to mitigate its exposures to the U.S. dollar from its U.S. denominated transactions. Commodity and foreign currency derivative contracts may be combined in a hedging strategy, when appropriate. The Corporation limits its financial hedge counterparties to lenders in its Credit Facility. Security provided under the Credit Facility extends to the price risk management contracts, eliminating the requirement for margin calls or the posting of letters of credit as well as enabling the negotiation of a more limited number of events of default which limits the potential that these contracts could exacerbate credit concerns.

INDUSTRY CONDITIONS

The petroleum and natural gas industry is subject to extensive controls and regulations governing its operations (including land tenure, exploration, development, production, refining, refined product specification, emissions, transportation and marketing) imposed by legislation enacted by various levels of government and with respect to pricing and taxation of petroleum and natural gas by agreements among the governments of Canada, Alberta, British Columbia, Saskatchewan, and Newfoundland all of which should be carefully considered by investors in the petroleum and gas industry. It is not expected that any of these controls or regulations will affect Harvest's operations in a manner materially different than they would affect other petroleum and natural gas entities of similar size. All current legislation is a matter of public record and Harvest is unable to predict what additional legislation or amendments may be enacted. Outlined below are some of the principal aspects of legislation, regulations and agreements governing the petroleum and natural gas industry.

Upstream and BlackGold

Pricing and Marketing – Petroleum, Natural Gas and Associated Products

In the provinces of Alberta, British Columbia and Saskatchewan, petroleum, natural gas and associated products are generally sold at market based prices. It is common to sell on an index, which is published on a daily and/or monthly basis. These indices are generated from calculations that consider volume-weighted-industry-reported purchase and sales transactions. They are generated at various sales points and are reflective of the current value of the specific commodity, adjusted for quality and location differentials. While these indices tend to directionally track benchmark prices (i.e. WTI crude oil at Cushing, Oklahoma or natural gas at Henry Hub, Louisiana), some variances can occur due to specific market imbalances. These relationships to industry reference prices can change on a monthly or daily basis depending on the supply-demand fundamentals at each location as well as other non-related market changes such as the value of the Canadian dollar.

Although the market ultimately determines the price of crude oil and natural gas, producers are entitled to negotiate sales contracts directly with purchasers. Crude oil prices are primarily based on worldwide supply and demand. The specific price depends in part on quality, prices of competing fuels, distance to market, the value of refined products, the supply/demand balance and other contractual terms. Natural gas prices are calculated at the sale points, such as the wellhead, the outlet of a gas processing plant, on a gas transmission system such as the Alberta "NIT" (Nova Inventory Transfer), at a storage facility, at the inlet to a utility system or at the point of receipt by the consumer. Accordingly, the price for natural gas is dependent upon such producer's own arrangements. As natural gas is also traded on trading platforms such as the Natural Gas Exchange, Intercontinental Exchange or the New York Mercantile Exchange in the United States, spot and future prices can also be influenced by supply and demand fundamentals on these platforms.

Pipeline Capacity

Although pipeline expansions are ongoing, the apportionment of capacity on pipeline systems can occur from time-to-time, due to pipeline and downstream operating problems, affecting the ability to market crude oil and natural gas. Most of the current apportionments, however, are due to significant demand which far exceeds current pipeline capacity. Oil and natural gas producers in North America and, particularly in Western Canada, currently receive discounted prices for their production relative to international prices, due to constraints on the ability to transport and sell such products to international markets.

Provincial Royalties and Incentives

In addition to federal regulation, each province has legislation and regulations which govern land tenure, royalties, production rates, environmental protection and other matters. The royalty regime is a significant factor in the profitability of crude oil, natural gas liquids, sulphur and natural gas production. Royalties payable on production from lands other than Crown lands are determined by negotiations between the mineral owner and the lessee, although production from such lands is also subject to certain provincial taxes and royalties. Crown royalties are determined by governmental regulation and are generally calculated as a percentage of the value of the gross production. The rate of royalties payable generally depends in part on prescribed reference prices, well productivity, geographical location, field discovery date, method of recovery and the type or quality of the petroleum product produced. Other royalties and royalty-like interests are from time to time carved out of the Working Interest owner's interest through non-public transactions. These are often referred to as overriding royalties, gross overriding royalties, net profits interests or net carried interests.

From time to time, the federal and provincial governments in Canada have established incentive programs which have included royalty rate reductions (including for specific wells), royalty holidays and tax credits for the purpose of encouraging oil and natural gas exploration or enhanced planning projects. However, the trend in recent years has been to eliminate these types of programs in favour of long-term programs which enhance predictability for producers. If applicable, oil and natural gas royalty holidays and reductions would reduce the amount of Crown royalties paid by oil and gas producers to the provincial governments.

Alberta

The Government of Alberta (the "Government") implemented the Alberta Royalty Framework ("ARF") effective January 1, 2011. Royalty rates for conventional oil and natural gas under the ARF are determined based on a sliding scale incorporating separate variables to account for production volumes and market prices. The maximum royalty payable for conventional oil is 40% and for natural gas is 36%. Oil sands base royalty rates start at 1%, of gross revenue, and increase for every dollar when WTI is priced above $55 per barrel to a maximum of 9% when WTI prices reach Cdn$120 per barrel or higher. Once the oil sands project has recovered specified allowed costs, the royalty payable is the higher of the gross revenue royalty based on the gross revenue royalty rate (between 1%-9%) or the net revenue royalty based on the net revenue royalty rate (between 25% to 40%). The ARF has retained the Natural Gas Deep Drilling Program (the "NGDDP") and the Deep Oil Exploratory Well (the "DOEW") Program with the intention to encourage the development of deeper, higher cost oil and gas reserves by offering royalty relief or credits to qualifying wells. The DOEW program is a five year program which ended on December 31, 2013 while the NGDDP is a permanent feature.

In November 2008, the Government announced the introduction of a five year program, the Transitional Royalty Plan (the "TRP"), which offers companies drilling new natural gas or conventional deep oil wells (between 1,000 and 3,500 meters) a one-time option, on a well-by-well basis, to reduced royalty rates for new wells for a maximum period of five years to December 31, 2013 after which all wells convert to the ARF. To qualify for this program, wells must be drilled between November 19, 2008 and December 31, 2013. This program was amended on May 27, 2010 such that no new wells were allowed to select transitional royalty rates effective January 1, 2011 and wells that have selected the transitional royalty rates had the option to switch to the new rates effective January 1, 2011.

On March 17, 2011, the Government approved the New Well Royalty Regulation providing the permanent implementation of a formerly temporary royalty program which provides for a maximum 5% royalty rate for eligible new wells for the first 12 production months or until the regulated volume cap is reached. In addition, the Government implemented certain initiatives intended to stimulate investment in emerging resources and technologies. In particular, the Government implemented the Horizontal Oil and Gas New Well Royalty Rates, retroactive to wells that commence drilling on or after May 1, 2010, to provide upfront royalty adjustments to new horizontal wells. Qualifying oil wells will receive a maximum royalty rate of 5 percent for all products with volume and production month limits set according to the depth of the well. Qualifying gas wells will also receive a maximum royalty rate of 5 percent for all products for 18 producing months, with a volume limit of 500 million cubic feet of gas equivalent production.

Saskatchewan

In Saskatchewan, the amount payable as a Crown royalty or freehold production tax in respect of crude oil depends on the type, value, quantity produced in a month and vintage. Crude oil type classifications are “heavy oil”, “southwest designated oil” or “non-heavy oil other than southwest designated oil”. Vintage categories applicable to each of the three crude oil types are old, new, third tier and fourth tier. Crude oil rates are also price sensitive and vary between the base royalty rates of 5% for all fourth tier oil to 20% for old oil. Marginal royalty rates, applied to the portion of the price that is above the base price, are 30% for all fourth tier oil to 45% for old oil.

The royalty payable on natural gas is determined by a sliding scale based on the vintage of the gas, type of gas production, quantity of gas produced in a month, and the provincial average gas price for the month. As an incentive for the marketing of natural gas produced in association with oil, a lower royalty rate is assessed than the royalty payable on non-associated natural gas. The rates and vintage categories of natural gas are similar to oil.

The Government of Saskatchewan provides a number of volume incentive programs to encourage oil and gas exploration and development in Saskatchewan. For example, a maximum royalty rate of 2.5% for Crown production and a maximum production tax rate of 0% for freehold production are applied to qualifying incentive volumes on newly drilled oil wells and exploratory gas wells.

British Columbia

The British Columbia royalty regime for oil is dependent on age and production. Oil is classified as "old", "new" or "third tier" and a separate formula is used to determine the royalty rate depending on the classification. The rates are further varied depending on production. Lower royalty rates apply to low productivity wells and third tier oil to reflect the increased cost of exploration and extraction. There is no minimum royalty rate for oil.

The British Columbia natural gas royalty regime is determined by a sliding scale formula based on a reference price, which is the greater of the average net price obtained by the producer and a posted minimum price. Natural gas is classified as either "conservation gas" or "non-conservation gas". For non-conservation gas, the royalty rate is dependent on the date on which title was acquired from the Crown and on the date on which the well was drilled and may also be impacted by the select price, a parameter used in the royalty rate formula to account for inflation. The base royalty rate for non-conservation gas ranges from 9% to 15%. A lower base royalty rate of 8% is applied to conservation gas. However, the royalty rate may be reduced for low productivity wells.

The Government of British Columbia also maintains a number of royalty programs such as the Deep Royalty Credit Program, Net Profit Royalty Program, and the Infrastructure Royalty Credit Program. These programs offer either royalty credit or royalty reduction and are intended to stimulate development of British Columbia’s natural gas low productivity wells.

Land Tenure

Crude oil and natural gas located in western Canada is owned predominantly by the respective provincial governments. Provincial governments grant rights to explore for and produce oil and natural gas pursuant to leases, licences and permits for varying terms and on conditions set forth in provincial legislation including requirements to perform specific work or make payments. Oil and natural gas located in such provinces can also be privately owned and rights to explore for and produce such oil and natural gas are granted by lease on such terms and conditions as may be negotiated.

Alberta Regulatory Enhancement Project

The Regulatory Enhancement Project started in 2010 with the goal of creating a regulatory system that delivers clarity, predictability, certainty and efficiency. In December 2012, the Responsible Energy Development Act was passed with the intention to create a single regulator for upstream oil, gas, oil sands and coal projects in Alberta. In June 2013, the Alberta Energy Regulator (“AER”) was created. The AER assumed the regulatory functions of the former Energy Resources Conservation Board and in November 2013, the AER assumed the public land and geophysical jurisdiction responsibilities from the Environment and Sustainable Resource Development ("ESRD"). The AER is expected to assume all responsibilities under the environmental and water jurisdictions from the ESRD by spring 2014.

Downstream

An oil refinery is a manufacturing facility that uses crude oil and other feedstocks as a raw material and produces a variety of refined products. The actual mix of refined products from a particular refinery varies according to the refinery's processing units, the specific refining process utilized and the nature of the feedstocks. The refinery processing units generally perform one of three functions: separating different types of hydrocarbons in crude oil, converting the separated hydrocarbons into more desirable or higher value products or chemically treating the products to remove unwanted elements and components such as sulphur, nitrogen and metals. Refined products are typically differing grades of gasoline, diesel fuel, jet fuel, furnace oil and heavier fuel oil. Refining is primarily a margin based business in which the feedstocks and the refined products are commodities. Both crude oil and refined products in each regional market react to a different set of supply/demand and transportation pressures. The prices for crude oil and refined products can fluctuate differently. In addition, the timing of the relative movement of the prices rarely matches. Feedstock are sourced and priced weeks before manufacturing and selling the refined products. Price level changes during the period between sourcing the feedstock and selling the refined products could have a significant impact to the refining business. As such, refiners must balance a number of competing factors in deciding what type of crude oil to process, what kind of equipment to invest in and what range of products to manufacture.

Due to logistics constraints and uneconomic transportation costs, the Refinery does not process crude oil produced by the Upstream. Downstream purchases all of the crude oil it processes. Downstream operates in similar industry conditions and competitive conditions as other independent refiners. As most refinery operating costs are relatively fixed, the goal of independent refines is to maximize the yield of high value refined products and to minimize crude oil and other feedstock costs. The value and yield of refined products are a function of the refinery equipment and the characteristics of the crude oil feedstock, while the cost of feedstock depends on the type of crude oil. The refining industry depends on its ability to earn an acceptable rate of return in its marketplace where prices are set by international as well as local markets.

Demand for refined oil products has shifted as the pace of economic recovery in the United States and Europe has been uneven compared to Asian economies. Demand in Asia, led by China and India, shows the most robust growth. Gasoline demand in the United States continues to be weak while gasoline demand is rising in Latin America, most notably Mexico and Brazil. Demand for diesel has been supportive in the United States and Europe and rising across Asia and Latin America.

Growing global demand for refined products and tight supplies of crude oil have increased prices significantly and encouraged oil production. Advances in production techniques, which resulted in more natural gas and light sweet crude oil, combined with lagging pipeline capacity to take Canadian crude oil to market, have created pricing disparities in the market crudes. Social unrest and political tensions in the Middle East add more uncertainty. The result is narrowing quality differentials for sour crudes as the emerging Asian economies fulfill their requirements. Global investment in refining capacity has been more significant in the Far East as weak refining margins in the United States Atlantic Coast and Europe have not supported investments to expand capacity. Refinery runs in the Atlantic basin have declined in recent years after peaking in 2005-2007, but they are expected to slowly resume growth with increases in the U.S. and Latin America more than offsetting declines in Europe. However, the projected growth in crude production is greater than the increase in refinery runs. As a result, a sizeable crude surplus will likely develop within the region, and crude will be forced to seek markets elsewhere, primarily in the rapidly growing countries in Asia. Crude prices will likely be lower in the Atlantic Basin than in Asia-Pacific. Similarly, product prices may be lower in the Atlantic Basin and in Asia-Pacific, which may encourage export activities.

ENVIRONMENTAL REGULATION

The oil and natural gas industry is subject to environmental regulations pursuant to a variety of provincial and federal legislation. Such legislation provides for restrictions and prohibitions on the release or emission of various substances produced in association with certain oil and gas industry operations. Environmental assessments and approvals are required before initiating most new larger projects or changes to existing operations. In addition, such legislation requires that well and facility sites are abandoned and reclaimed to the satisfaction of provincial authorities, and in most instances, any liability associated with the sites remains with the company. Compliance with such legislation can require significant expenditures and a breach of such requirements may result in suspension or revocation of necessary licenses and authorizations, civil liability for pollution damage and the imposition of material fines and penalties. It is expected that future changes to environmental regulations, including air pollutants and GHG, water usage and land use planning, will impose further requirements on companies operating in the energy industry. As such, Harvest expects that its future capital and operating costs for environmental protection and controls will likely increase. Harvest cannot predict the changes that could be made to environmental regulations and the resulting financial impact. Given any future regulations will be imposed to the industry as a whole, Harvest believes that any cost increases relating to environmental protection or compliance will not materially impact Harvest's competitive position. Harvest has assessed the impact from the existing environmental laws and regulations of jurisdictions in which Harvest operates, and provides a summary on the significant ones below.

Climate Change

Federal

In December 2011, the Canadian Federal government announced that it would not commit to the requirements set by the Kyoto Protocol. Instead the government has endorsed the Durban Platform, a negotiation framework for a new international climate change agreement to include all emitters, for completion by 2015 and implementation by 2020. Canada also remains committed to reduce its GHG emissions by 17% below 2005 levels by 2020 under the Copenhagen Accord.

In March 2008, the federal government released an updated regulatory framework for air emissions entitled Turning the Corner: Regulatory Framework for Industrial Greenhouse Gas Emissions. This framework proposes mandatory emission intensity reduction obligations on a sector by sector basis. To date, only transportation and coal-fired electricity sector regulations have been developed. In line with the United States, Canada has adopted a renewable fuels standard mandating an average of 5% renewable content in gasoline and 2% renewable content for diesel and heating oil. It is uncertain as to when the oil and gas industry sector targets will be developed. Harvest will continue to monitor the Federal GHG regulatory changes and will be able to determine if there is any financial impact once guidelines are established. On an ongoing basis, Harvest continues to undertake projects that reduce emission of GHGs such as evaluating the injection of carbon dioxide into oil reservoirs and the further capture of fugitive emissions in our field operations as part of our annual capital program.

Alberta

In 2007, the Government of Alberta introduced the Climate Change and Emissions Management Amendment Act which provides a framework for managing GHG emissions by reducing specified gas emissions to an amount that is equal to or less than 50% of 1990 levels by December 31, 2020. The regulations include the Specified Gas Emitter Regulations ("SGER') and the Specified Gas Reporting Regulation ("SGRR") which imposes GHG limits and emission reporting requirements. The SGER applies to facilities in Alberta that have produced 100,000 or more tonnes of GHG emissions in 2003 or any subsequent year and requires emission intensity (i.e. quantity of GHG emissions per unit of production) reductions from intensity baselines. The SGRR imposes GHG emission reporting requirements on facilities that have GHG emissions of 50,000 tonnes or more in a year. Harvest currently does not have any facilities exceeding these thresholds. However, with the commissioning of the BlackGold SAGD facility in late 2014, it is expected this facility will trigger the requirements of both the SGRR and the SGER. For new facilities, the required reduction from its baseline is phased in by annual 2% increments beginning in the fourth year of commercial operation until an annual 12% reduction requirement is reached, and once reached such 12% reduction must be maintained over time.

Currently, there are three methods for companies to comply with the emission intensity reduction requirements: 1) improve emission intensity at the facility; 2) purchase emission offset credits in the open market; and/or 3) purchase fund credits by contributing to the Alberta Climate Change and Emission Management Fund run by the Alberta government. Historically the cost for 1 tonne of CO_2e (carbon dioxide equivalent) is set at $15/tonne. The SGER will expire in September 2014. The Government of Alberta has indicated that the regulation will likely be renewed and is currently considering revisions to the regulation. As the BlackGold SAGD facility will not be operational until late 2014, Harvest will continue to monitor for changes to the regulation and will assess the compliance costs accordingly.

British Columbia

Under the Greenhouse Gas Reduction Targets Act, the Province of British Columbia is legislated to reduce its GHG emissions to 33% below 2007 levels by 2020 and 80% by 2050. Interim reduction targets of 6% by 2012 and 18% by 2016 will help guide and measure progress.

A carbon tax was implemented on the purchase or use of fossil fuels within the Province of British Columbia, starting at $10/ton on July 1, 2008 and rising by $5 per year to $30/ton in 2012. Fuel sellers are required to pay a security equal to the tax payable on the final sale to end purchasers and end purchasers are required to pay the tax. Fuel sellers collect carbon tax at the time fuel is sold at retail to the end purchaser. Carbon capture and storage is required for all new coal-fired electricity generation facilities and a 0.4% levy tax has been implemented at the consumer level on electricity, natural gas, grid propane and heating oil that goes towards establishing the Innovative Clean Energy Fund.

In 2008, the Province of British Columbia introduced the Greenhouse Gas Reduction (*Cap and Trade)* Act ("Cap and Trade") which authorizes hard caps on greenhouse gas emissions. Any British Columbia facilities emitting 10,000 tonnes or more of carbon dioxide equivalent emissions must report its GHG emission annually and those reporting operations with emissions of 25,000 tonnes or greater are required to have the emissions reports verified by a third party.

Harvest currently has a facility in British Columbia that exceeds the threshold for reporting. In 2013, the cost to Harvest to comply with the Cap and Trade Act was approximately $75,000 which included the GHG inventory and third party verification as required by the regulation. It is expected this will be an annual cost to comply with this regulation, however, there may be additional costs required to meet future reduction targets which have not been yet set by the Province of British Columbia.

Saskatchewan

The Management and Reduction of Greenhouse Gases Act received Royal Asset in Saskatchewan in May 2010, however is still waiting final proclamation. The legislation will establish a provincial plan for reducing GHG emissions to meet provincial targets. The Province has also indicated that it intends to enter into an equivalency agreement with the federal government to achieve equivalent environmental outcomes with respect to GHG compliance. Harvest will continue to monitor the GHG regulatory requirements in Saskatchewan and meet all regulatory compliance expectations.

Newfoundland

The Federal Renewable Fuel Regulations were published in the Canada Gazette, April 10, 2010. At that time an exemption was provided for the addition of ethanol to gasoline sold in Newfoundland and Labrador and on June 20, 2011 a further exemption was provided for the requirements for renewable content in diesel fuel and heating distillate oil sold in Newfoundland and Labrador. These exemptions, while in place, benefit our Downstream operations by providing relief from the Federal Renewable Fuel Regulations.

In 2011, the Government of Newfoundland and Labrador published its Climate Change Action Plan. The Province has not established any regulations pertaining to the Climate Change Action Plan but has indicated its intention to introduce GHG Regulations and seek equivalency agreement with the Federal Government; hence, Harvest is unable to determine the impact to the Refinery business.

Land Use

In response to Alberta's growth over the past 10 years, the government commenced a comprehensive initiative to develop a new land-use system for the province. The government released the Land-use Framework for Alberta in December 2008. This Land-use Framework called for the development of seven regional plans which will become the governing land-use policy for each region. In August 2012, the Government of Alberta approved the Lower Athabasca Regional Plan ("LARP"). The LARP outlines management frameworks for protecting, monitoring, evaluating and reporting air, surface water and groundwater quality by setting strict environmental limits. In addition, conservation areas will increase by approximately 16% to a total of 22% of the region's land base. The proposed new conservation areas do not appear to affect Harvest. Harvest will comply with all regulatory requirements associated with the LARP framework in which it operates and meet the requirements outlined in the LARP- Related Application requirements set out recently by the AER.

The second plan now underway is the South Saskatchewan Regional Plan ("SSRP") which is currently in draft stage but the government is in final stages of collecting feedback by February 28, 2014. The regional plan will create new conservation areas, establish environmental limits, protect water supply and provide clarity about land use and access. The final SSRP framework is set to be released in April 2014. Based on a preliminary assessment, the proposed new conservation area appears to have minimal to no effect on Harvest.

Hydraulic Fracturing

In early 2012, the Canadian Association of Petroleum Producers ("CAPP") announced new Canada-wide hydraulic fracturing operating practices. Hydraulic fracturing is the process of pumping a fluid or gas under pressure down a well which causes the surrounding rock to crack or fracture. The proliferation of fracturing in recent years has raised concerns about environmental impact including water quality and supply. Harvest has adopted the practices which include disclosure of fracture fluid additives to the public, developing risk assessment and management plans, conducting baseline groundwater testing, ensuring proper wellbore construction prior to fracturing, water use management planning and safe fluid transport, handling, storage and disposal.

In May 2013, the AER released *Directive 83 – Hydraulic Fracturing Notification Submission Procedure* effective August 21, 2013, which sets out the requirements for managing subsurface integrity associated with hydraulic fracturing operations. The Directive will also require all fracturing operations to submit a Hydraulic Fracturing Notification Submission Form to the AER for each well license or well pad.

Species at Risk Act

In April 2012, Environment Canada ("EC") announced that it will be adding 18 species to the Species at Risk Act ("SARA") due to increased pressure and threats that put these species at risk of extirpation or extinction. It is expected the impacts of the addition of these species to Harvest's operation to be low given the relatively small portion of species range covered in the area of application. Harvest will continue to assess and monitor wildlife impacts for existing and new operations and ensure it meets the setback requirements as outlined in SARA for each individual species.

As of November 18, 2013, EC introduced an Emergency Protection Order for the Greater Sage-Grouse. The order targets crown lands and federally owned lands but not private lands. A recent review shows no Harvest areas of interest fall within the designated areas.

Water Supply

In October 2012, the Saskatchewan government released their 25 Year Saskatchewan Water Security Plan. The intent of the plan is to ensure the sustainability and quality of Saskatchewan surface and groundwater supplies while protecting drinking water supplies from the source to the tap. The plan outlines seven goals: Sustainable Supplies, Drinking Water Safety, Protection of Water Resources, Safe and Sustainable Dams, Flood and Drought Damage Reduction, Adequate Data, Information and Knowledge and Effective Governance and Engagement. Alberta government also has the Water for Life initiative since 2003 which goals are to ensure safe and secure drinking water, healthy aquatic ecosystems and reliable quality water supplies for a sustainable economy. However, no regulations pertaining to the water usage have been established under these initiatives yet. Harvest will continue to monitor these plans as new acts and regulations are developed as a result of these overall plans.

Oil Sands Monitoring Plan

On February 3, 2012, the Government of Alberta and the Government of Canada released the Joint Canada-Alberta Implementation Plan for Oil Sands Monitoring (the "Monitoring Plan"). The Monitoring Plan is designed to provide an improved understanding of the cumulative environmental impact of oil sands development and will increase air, water, land and biodiversity monitoring in the oil sands region. The Monitoring Plan is expected to be phased in over a three-year period and is expected to be fully implemented in 2015. The total cost to the industry is estimated to be approximately $50 million per year. Upon the commissioning of BlackGold, it is expected that Harvest will be contributing to the funding of the Monitoring Plan.

Abandonment and Reclamation

In Alberta, the AER maintains a Licensee Liability Rating ("LLR") program to ensure abandonment and reclamation cost of oil and gas wells, facilities and pipelines are covered by the industry. The AER requires oil and gas operators to post financial security deposits to cover the abandonment and reclamation costs in the event a licensee defaults on its obligations. In March 2013, the AER updated the LLR program to address concerns that the previous LLR program significantly underestimated abandonment and reclamation liabilities of AER licensees. Effective May 1, 2013, the AER increased the security deposit and will require 248 licensees to post financial security of $297 million over a three year period. Harvest does not expect to be subject to a security deposit.

On June 19, 2007, a new orphan oil and gas well and facility program was introduced in Saskatchewan, solely funded by oil and gas companies to cover the cost of cleaning up abandoned wells and facilities where the owner cannot be located or has gone out of business. The program is composed of a security deposit, based upon a formula considering assets of the well and the facility licensee against the estimated cost of decommissioning the well and facility once it is no longer producing, and an annual levy assessed to each licensee.

Renewable Fuel Standards

Under the Energy Independence and Security Act of 2007, the United States Environmental Protection Agency issued the Renewable Fuel Standard program that mandates the total volume of renewable transportation fuel sold or introduced in the U.S. and require refiners to blend renewable fuels such as ethanol and advanced biofuels with their gasoline. The mandate requires the volume of renewable fuels blended into finished petroleum products to increase over time until 2022. To the extent refineries do not blend renewable fuels into their finished products, they must purchase credits, referred to as Renewable Identification Numbers (“RINs”), in the open market. A RIN is a number assigned to each gallon of renewable fuel produced or imported into the United States.

Harvest’s realized prices from RBOB gasoline and ultra-low sulphur diesel (“ULSD") sold in the U.S. market includes RINs costs to meet regulatory requirements. During 2013, the cost of RINs increased substantially over the previous year averaging approximately US$2.50/bbl for RBOB gasoline and US$3.00/bbl for ultra-low sulphur products as compared to US$0.75/bbl and US$0.55/bbl for RBOB and ULSD respectively in 2012.

RISK FACTORS

Risks Associated with Commodity Prices

Prices received for Upstream production fluctuate significantly. Volatile differentials compound the commodity price risk.

Harvest’s Upstream operations are highly sensitive to crude oil prices given its oil-weighted portfolio of assets. Similar to other western Canadian oil producers, Harvest has been negatively impacted by the discounted price of WTI to other international benchmarks, such as Brent. New pipelines between Cushing, OK and the Gulf Coast and higher levels of crude being railed directly to the Gulf Coast have served to reduce the bottleneck of crude oil at the Cushing, OK hub, which was traditionally the main driver for WTI differentials to Brent. The recent discounted WTI price in relation to Brent have resulted from a bottleneck of light crude oil at the Gulf Coast with limited ability of the Gulf Coast refineries to process increased amounts of light crude oil and because of export restrictions on U.S. crude oil to international markets other than Canada. The forecast WTI discounts will likely continue to encourage rail shipments of light sweet crude from the Bakken formation. Favorable crude oil transportation economics could provide incentive to continue expanding rail capacity to the U.S. East and West coasts and to expand exports from the U.S. Gulf Coast to Canada. These expansions would provide additional outlets for rising U.S. and western Canadian crude oil production. However, light sweet crude oil supply to the U.S. Gulf Coast may still exceed take-away capacity in the near future. As a result, larger price discounts for U.S. crude oil production versus alternate world crudes, such as greater WTI discounts to Brent, may be needed to encourage Gulf Coast refiners to process the increased supplies. In addition to the WTI – Brent discount, Harvest has been experiencing wide and volatile differentials between the selling price it receives for its light oil and heavy oil production and WTI. Heavy oil generally receives lower market prices than light crude due to quality differences. However, the light oil and heavy oil price differential widened significantly in the past two years, primarily due to supply and demand imbalances caused by growing U.S. light crude oil production, bottlenecks at the Gulf Coast refineries and pipeline constraints between Canada and the U.S. There is continuous pressure on the price spread between light and heavy crudes to discourage displacing heavier crudes with increasing volumes of light crude. The magnitudes of the future differentials are uncertain. As approximately 60% of Upstream's crude oil production is in heavy oil, continued widening of these differentials could have a significant negative impact on Harvest.

Even though the prices Harvest receives for its Upstream crude oil (and natural gas) production are referenced to U.S. dollar benchmark prices, Harvest receives the majority of its revenues in Canadian dollars. As such, Harvest's Upstream revenue is impacted by changes in the Canadian/U.S. currency exchange rates. The strengthening of the Canadian dollar could have a material adverse effect on the Corporation's revenue and cash from operating activities.

Any prolonged period of low commodity prices, especially oil prices, could result in deterioration of Harvest's liquidity and profitability, which may lead to a decision by Harvest to suspend production and/or to curtail development projects. Suspension of production could result in a corresponding substantial decrease in revenues and earnings, which in turn could materially impact Harvest's liquidity. Harvest could also be exposed to significant additional expense as a result of failure to meet certain commitments relating to development and production activities. Furthermore, low commodity prices could also lead to reserve write-downs and impairment of oil and gas assets.

The Downstream refining margins fluctuate significantly, reflecting the volatility experienced in both the feedstock costs and refined products prices.

The Downstream earnings and cash flows from refining and wholesale and retail marketing operations are dependent on a number of factors including fixed and variable expenses (including the cost of crude oil and other feedstocks) and the prices at which Harvest are able to sell refined products. In recent years, the market prices for crude oil and refined products have fluctuated substantially. These prices depend on a number of factors beyond Harvest's control, including the supply and demand for crude oil, refined products, renewable fuels and RINs, which are subject to, among other things:

- changes in the global demand for crude oil and refined products;
- the level of foreign and domestic production of crude oil and refined products and their price;
- threatened or actual terrorist incidents, acts of war, and other worldwide political conditions in both crude oil producing and refined product consuming regions;
- the availability of crude oil and refined products and the infrastructure to transport crude oil and refined products;
- supply and operational disruptions including accidents, weather conditions, hurricanes or other natural disasters;
- actions of other crude oil producing regions, such as OPEC;
- government regulations including changes in fuel specifications required by environmental and other laws, such as the RINs requirements;
- local factors including market conditions and the operations of other refineries in the markets in which Harvest competes; and
- the development and marketing of competitive alternative fuels.

Generally, fluctuations in the price of gasoline and other refined products are correlated with fluctuations in the price of crude oil; however, the prices for crude oil and prices for refined products can fluctuate in different directions as a result of worldwide market conditions. Further, the timing of the relative movement in prices as well as the magnitude of the change could significantly influence refining margins as could price changes occurring during the period between purchasing crude oil feedstock and selling the respective refined products. The Refinery purchases all of its crude oil feedstock at prices that fluctuate with worldwide market conditions and this could significantly impact Downstream's earnings and cash flows. The Refinery also purchases refined products from third parties for sale to its customers and price changes during the period between purchasing and selling these products could also have a material adverse effect on Downstream's business and results of operations, as well as its financial condition and cash from operating activities.

It can be reasonably expected that Downstream results will fluctuate over time and from period to period. Any prolonged period of low refining margins could result in deterioration of Harvest's liquidity and profitability, which may lead to a decision by the Corporation to suspend refinery operation and/or to curtail development projects. Suspension of operation could result in a corresponding substantial decrease in revenues and earnings, which in turn could materially impact Harvest's liquidity. Declining refining margins and/or unfavorable refining margin outlook could also lead to impairment of Harvest's Downstream assets and the Corporation's earnings could be adversely impacted (such as the impairment charge recorded in 2013 for Harvest's Downstream assets). There can be no assurance that further decline in refined product margins will not result in additional impairment charges at some future dates.

Power expenses form a significant portion of Harvest's operating costs. Harvest is subject to risks associated with changes in electricity prices.

As a result of the deregulation of the electrical power system in Alberta, electrical power prices have been set by the market based on supply and demand and electrical power prices in Alberta have been volatile. To mitigate the Corporation's exposure to the volatility in electrical power prices, it may enter into fixed priced forward purchase contracts for a portion of the Corporation's electrical power consumption in Alberta. In respect of the operations in British Columbia, Saskatchewan, Newfoundland and Labrador, the power systems are regulated and as such, electrical power costs are not subject to significant volatility. However, there can be no certainty that these power systems will not deregulate in the future.

Electricity prices have been and will continue to be affected by supply and demand for service in both local and regional markets and continued price increases could also have a material adverse effect on Harvest's business and results of operations, as well as its financial condition and the cash from operating activities.

Risks Associated with Upstream Operations

The Upstream operations are subject to a number of operational risks and natural hazards.

The Upstream business includes the drilling and completion of wells, the construction of associated infrastructures, the operations of crude oil and natural gas wells, equipment and facilities, the transportation, processing and storing of petroleum products, and the reclamation and abandonment of properties. These activities are subject to operational and natural hazards such as blowouts, explosions, fire, flooding, gaseous leaks, equipment failures, migration of harmful substances, spills, adverse weather conditions, environmental damage, trespass, malicious acts, unexpected accidents, natural disasters and other dangerous conditions. These incidents could result in damage to Harvest's assets, operational interruptions, suspension of development activities, personal injury or death.

Harvest's corporate EH&S manual has a number of specific policies to minimize the occurrence of incidents, including emergency response should an incident occur. If areas of higher risk are identified, Harvest will undertake to analyze and recommend changes to reduce the risk including replacement of specific infrastructure. Harvest employs prudent risk management practices and maintains liability insurance in amounts consistent with industry standards. In addition, business interruption insurance has been purchased for selected facilities. The Corporation may become liable for damages arising from such events against which it cannot insure, which it may elect not to insure or that may result in damages in excess of existing insurance coverage. Costs incurred to repair such damage or pay such liabilities would reduce Harvest's cash flow. The occurrence of a significant event against which the Corporation is not fully insured could have a material adverse effect on Harvest's financial position, operating results and cash flows.

The Upstream's exploration and development activities may not yield anticipated production, and the associated cost outlay may not be recovered.

The Upstream's exploration and development activities may not yield the intended production or the associated costs to meet production targets may exceed the cash flows from such production. Either case could result in adverse impact to Harvest's future financial condition, cash flows and operating results. There are risks and uncertainties around the ability to commercially produce oil or gas reserves, to meet target production levels, and to complete the activities on schedule and on budget. Seismic data and other exploration technologies Harvest uses do not provide conclusive proof prior to drilling a well that crude oil or natural gas is present or may be produced economically. Even if production is present, Harvest may not be able to achieve or sustain production targets should reservoir production decline sooner than expected. The costs of drilling, completing and tying-in wells are often uncertain, and drilling activities may be extended, delayed or cancelled due to many factors, including but not limited to:

- inability to access drilling locations;
- failure to secure materials, equipment and qualified personnel to perform the activities;
- increased costs of oilfield services;
- delay caused by extreme weather conditions;
- changes in economic conditions, such as commodity prices;
- encountering unexpected formations or pressures;
- blowouts, wellbore collapse, equipment failures and other accidents;
- craterings and sour gas releases;
- accidents and equipment failures;
- uncontrollable flows of oil, natural gas or well fluids; and
- environmental risks.

The markets for crude oil, natural gas and related products depend upon available capacity to refine crude oil and process natural gas, pipeline capacity to transport the products to customers, and other factors beyond the Corporation's control.

Harvest's ability to market its production depends upon numerous factors beyond the Corporation's control, including:

- the availability of capacity to refine crude oil;
- the availability of natural gas processing capacity, including liquids fractionation;
- the availability of pipeline capacity;
- the availability of diluents to blend with heavy oil to enable pipeline transportation;
- the effects of inclement weather and;
- changes in regulations.

In the past couple of years, producers are increasingly utilizing rail as an alternative transportation method. Following some major rail accidents, the Transportation Safety Board of Canada and the U.S. National Transportation Board have recommended additional regulations for railway tank cars carrying oil and gas products. Recommendations include the imposition of higher standards for all DOT-111 tank cars carrying crude oil and the increased auditing of shippers to ensure they properly classify hazardous materials and have adequate safety plans in place. It is expected that more stringent regulations will be put in place to govern rail transportation, which may reduce the ability of railway lines to alleviate pipeline capacity issues and increase rail transportation costs.

Because of these factors, Harvest may be unable to market all of the crude oil, natural gas and related products it is capable of producing or to obtain favorable prices for its production.

Absent capital reinvestment or acquisition and development, production levels and cash flows from crude oil and natural gas properties will decline over time.

Harvest's cash from operating activities, absent commodity price increases or cost effective acquisition and development activities of properties, will decline over time in a manner consistent with declining production from typical crude oil and natural gas reserves. Accordingly, absent additional capital investment from other sources, production levels and reserves attributable to Harvest's properties will decline.

Harvest's future reserves and production, and therefore Harvest's cash flows, will be highly dependent on the Corporation's access to acquisition, exploration and development capital and success in exploiting its resource base and acquiring additional reserves. Without reserves additions through acquisition or exploration and development activities, Harvest's reserves and production will decline over time as reserves are produced. There can be no assurance that Harvest will be successful in exploring for developing or acquiring additional reserves on terms that meet its investment objectives. Also, Harvest may not have sufficient capital resources to invest in acquisition and development activities.

If the Operators of Harvest's joint venture properties fail to perform their duties properly, production may be reduced and proceeds from the sale of production may be negatively impacted.

Continuing production from a property and, to a certain extent, the marketing of production are largely dependent upon the capabilities of the Operator of the property. To the extent the Operator fails to perform its duties properly, production may be reduced and proceeds from the sale of production from properties operated by third parties may be negatively impacted. Although Harvest maintains operative control over the majority of its properties, there is no guarantee that the Corporation will remain the Operator of such properties or that the Corporation will operate other properties that it may acquire.

Defects in title may defeat Harvest's claims to certain properties.

Although title reviews will generally be conducted on the properties in accordance with industry standards, such reviews do not guarantee or certify that a defect in title may not arise to defeat Harvest's claim to certain properties. If Harvest claims to certain properties are defeated, Harvest's entitlement to the production and reserves associated with such properties could be jeopardized, which could have a material adverse effect on the Corporation's financial condition and results of operations.

Risks Associated with Reserve Estimates

The reservoir and recovery information in reserves reports are estimates and actual production and recovery rates may vary from the estimates and the variations may be significant.

The reserves and recovery information contained in the Reserves Report prepared by the Independent Reserves Evaluator are complex estimates and the actual production and ultimate reserves recovered from the Corporation's properties may differ. There are numerous uncertainties inherent in estimating quantities of crude oil and natural gas reserves, including many factors beyond the Corporation's control. The reserves data, as disclosed in NI 51-101F1 on SEDAR at www.sedar.com, represents estimates only. In general, crude oil and natural gas reserves and the future net cash flows are based upon a number of variable factors and assumptions, such as commodity prices, future operating and capital costs, historical production from the properties, initial production rates, production decline rates, infrastructure availability and the assumed effects of regulation by governmental agencies (including regulations related to royalty payments), all of which may vary considerably from actual results. All such estimates are to some degree uncertain, and classifications of reserves are only attempts to define the degree of uncertainty involved. For these reasons, estimates of the economically recoverable crude oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues expected there from, prepared by different evaluators or by the same evaluators at different times, may vary substantially. Harvest's actual production, revenues, royalties, taxes, operating expenditures, abandonment costs and development costs with respect to the Corporation's reserves may vary from such estimates, and such variances could be material.

Harvest's proved and probable reserves include undeveloped reserves that require additional capital to bring them on stream. Reserves may be recognized when plans are in place to make the required investments to convert these undeveloped reserves to producing. Circumstances such as a prolonged decline in commodity prices or poorer than expected results from offsetting (Harvest's or Industry's) drilling activities could cause a change in the development plans, which could lead to a material change in the reserve estimates.

Estimates with respect to reserves and resources that may be developed and produced in the future are sometimes based upon volumetric calculations, probabilistic methods and upon analogy to similar types of reserves or resources, rather than simply extrapolating actual production history. Estimates based on these methods generally are less reliable than those based on actual production history. Subsequent evaluation of the same reserves or resources based upon production history will result in variations, which may be material, in the estimated reserves or resources.

The Reserve Value of Harvest's properties, as estimated by the Independent Reserves Evaluator, is based in part on cash flows to be generated in future years as a result of future capital expenditures. The Reserves Value of the properties may not be realized to the extent that such capital expenditures on the properties do not achieve the level of success assumed in such engineering reports.

Prices paid for acquisitions are based in part on reserves report estimates and the assumptions made in preparing the reserves report are subject to change as well as geological and engineering uncertainty.

The prices paid for acquisitions are based, in part, on engineering and economic assessments made by Independent Reserves Evaluator in related reserves reports. These assessments include a number of material assumptions regarding such factors as recoverability and marketability of crude oil, natural gas and natural gas liquids, future commodity prices, operating costs, future capital expenditures and royalties and other government levies which will be imposed over the producing life of the reserves. Many of these factors are subject to change and are beyond Harvest's control. In particular, the prices of and markets for crude oil and natural gas may change from those anticipated at the time of making such acquisitions. In addition, as discussed above, all engineering assessments involve a measure of geological and engineering uncertainty which could result in lower production and reserves than those currently attributed to Harvest's properties.

Risks Associated with Downstream Operations

The Refinery is a single train integrated interdependent facility which could experience a major shutdown caused by an accident or by severe weather. These potential disruptions may reduce or eliminate Harvest's cash flow.

The Refinery is a single train integrated and interdependent facility which could be forced to shut down, partially or in full, by an accident in one of the units, fire, leakages, spills, extreme weather conditions, other natural disaster, or other unplanned incidents. A shutdown of one part of the Refinery could significantly impact the production of refined products and may reduce, and even eliminate, cash flows. Any one or more of the Refinery's processing units may encounter unexpected downtime for repair and the time required to complete the work may take longer than anticipated. There are no assurances that the Refinery will produce refined products in the quantities or at the cost anticipated, or that it will not cease production entirely in certain circumstances, which could have a material adverse effect on Harvest's business and results of operations, as well as its financial condition and cash from operating activities. An extremely severe incident could result in permanent damage beyond repair, which could lead to curtailment of operations.

Harvest's Downstream operations are subject to hazards which may result in personal injury, damage to Harvest's property and/or the property of others along with significant liabilities.

Harvest's Downstream operations, including the operation of the refinery, terminals, marine division, pipelines, storage tanks, and other distribution facilities and service stations, are subject to hazards and inherent risks such as fires, natural disasters, explosions, spills and mechanical failure of the equipment or third-party facilities, any of which can result in personal injury claims as well as damage to Harvest's properties and the properties of others. While Harvest carries property, casualty and business interruption insurance, the Corporation does not maintain insurance coverage against all potential losses, and could suffer losses for uninsurable or uninsured risks or in amounts in excess of existing insurance coverage. The occurrence of an event that is not fully covered by insurance could have a material adverse effect on Harvest's business and results of operations, as well as its financial condition and cash from operating activities, as the Corporation could be liable for all costs and penalties associated with their remediation under federal, provincial and local environmental laws or common law, and could be liable for property damage to third parties. In addition, unanticipated costs or reduced operating income may be resulted from any of these incidents, which may further impact Harvest's profitability and liquidity.

Downstream operates in environmentally sensitive coastal waters where tanker operations are closely regulated by federal, provincial and local agencies and monitored by environmental interest groups. Transportation of crude oil and refined products over water involves inherent risk and subjects North Atlantic to the provisions of Canadian federal laws and the laws of the Province of Newfoundland and Labrador. Among other things, these laws require North Atlantic to demonstrate its capacity to respond to a "worst case discharge" to a maximum 10,000 metric tonne oil spill. Harvest has contracted the Eastern Canada Response Corporation to supplement Harvest's resources to achieve this response capacity. However, there may be accidents involving tankers transporting crude oil or refined products, and response services may not respond in a manner to adequately contain a discharge and Harvest may be subject to a significant liability in connection with a discharge. Downstream's marine division manages vessel traffic to the Refinery and works with regulatory authorities on measures to prevent and mitigate the risk of oil spills and other marine related matters. The marine division has two tugboats to assist in berthing and unberthing tankers at Harvest's dock with one tugboat equipped with firefighting capability. The tugboat operations have a safety management system certified under the International Safety Management Code and are also certified under the International Ship and Port Security Code.

Harvest has in the past operated service stations with underground storage tanks and currently operates 52 retail gasoline stations and 3 commercial cardlock locations with underground storage tanks in the Province of Newfoundland and Labrador. Harvest is required to comply with provincial regulations governing such storage tanks in the Province of Newfoundland and Labrador and compliance with these requirements can be costly. The operation of underground storage tanks also poses certain other risks, including damages associated with soil and groundwater contamination. Leaks from underground storage tanks which may occur at one or more of Harvest's service stations, or which may have occurred at previously operated service stations, may impact soil or groundwater and could result in fines or civil liability. While Harvest maintains insurance in respect of such risks, there are no assurances that such insurance will be adequate to fully compensate for any liability Harvest may incur if such risks were to occur.

Harvest continues to evaluate various business opportunities pertaining to the Downstream business, the outcome of the evaluation is uncertain.

Opportunities include, but not limited to, introduction of joint venture partners, disposition in whole or in part of the Downstream segment, and various options for future operations. An outcome or recommendation arising out of this evaluation has not been determined to date. These opportunities provide a wide spectrum of economic scenarios. Some of the opportunities may include third parties' involvement, which create higher level of uncertainties on the economic outcome because third parties' may use significantly different assumptions from Harvest's when evaluating the Downstream business. The end-decision may lead to changes in the Downstream's operations that deviate from Harvest's current intended use of the asset. As such, the ultimate recoverability of Downstream's asset is subject to risks and uncertainties.

The Refinery is subject to regular major maintenance or turnarounds, where a significant portion or the entire Refinery may be shut down. Similar to any large scale maintenance projects, the project may not complete on time or on budget, which may materially impact Harvest's cash flows and operating results.

The Refinery carries out various scales of major maintenance and turnarounds, some of which require complete shut-down. While Harvest makes every effort to properly plan and execute the scheduled maintenance, the possibility remains that capital cost overruns or schedule delays will occur as a result of fluctuating market conditions and unexpected challenges, including the availability, scheduling and costs of materials and qualified personnel; the complexities around the integration and management of contractors, subcontractors, staff and supplies; and severe weather conditions. The Refinery is a complicated facility with many integrated and interdependent components. As such, unforeseeable complications may occur or additional work may be identified during major maintenance projects that required more time and effort to complete. Any cost overruns, schedule delays and resulting additional down days may cause material adverse effect to Harvest's cash flows and operating results.

Crude oil feedstock is delivered to the Refinery via waterborne vessels which could experience delays in transporting supplies due to weather, accidents, government regulations or third party actions.

The Refinery receives all of its crude oil and other feedstocks and its customers lift approximately 80- 90% of its refined products via water borne vessels including very large crude carriers. In addition to environmental risks of handling such vessels discussed above, Harvest could experience a disruption in the supply of crude oil because of accidents, extreme weather conditions, governmental regulation or third party actions. A prolonged disruption in the availability of vessels to deliver crude oil to the Refinery and/or to deliver refined products to market would have a material adverse effect on Harvest's business and results of operations, as well as the financial condition and cash from operating activities.

Since Harvest's acquisition of North Atlantic, approximately 70% of its crude oil feedstock has been from sources in the Middle East. The Corporation does not maintain long term supply commitments with any of its crude oil producers. To the extent that crude oil producers reduce the volume of crude oil produced as a result of declining production or competition or otherwise, the business, financial condition and results of operations may be adversely affected to the extent that the Corporation is not able to find a substantial amount and similar type of crude oil. Further, the

Corporation has no control over the level of development in the fields that currently produce the crude oil it processes at the Refinery nor the amount of reserves underlying such fields, the rate at which production will decline or the production decisions of the producers which are affected by, among other things, prevailing and projected crude oil prices, demand for crude oil, geological considerations, government regulation and the availability and cost of capital.

If MEC terminates the SOA (2011), Harvest's business could be adversely affected.

Under the SOA (2011), MEC sells all of the Refinery's feedstock and purchases almost all of the refined products produced. If MEC terminates the SOA (2011), Harvest would seek to enter into a similar agreement with another party that has a similar credit profile and expertise to that of MEC's. If Harvest were unable to enter into such a replacement agreement, it would be required to enter into separate agreements for the supply and financing of feedstock to the Refinery and the sale of the Refinery's refined products. No assurance can be given that Harvest will be able to either enter into an agreement similar to the SOA (2011) with another party or to enter into agreements with a number of different parties to replicate the economics of the SOA (2011). If the SOA (2011) were terminated and Harvest was unable to enter into replacement agreements, working capital requirements would likely increase and revenues and cash flows from the Refinery would likely decrease, which could have a material adverse effect on Harvest's business.

Harvest is relying on the creditworthiness of MEC for Harvest's purchase of feedstock and should their creditworthiness deteriorate, crude oil suppliers may restrict the sale of crude oil to MEC.

MEC purchases crude oil feedstock from third parties to supply North Atlantic pursuant to the SOA (2011). Should the creditworthiness of MEC deteriorate third party crude oil suppliers may reduce the sale volume to MEC, shorten the payment terms or require additional credit support. MEC may pass on additional costs to Harvest, which then may increase Downstream's feedstock costs. If MEC fails to secure sufficient amount of feedstock supplies, the Refinery operations may be disrupted. Due to the large dollar amount of credit associated with the volume of crude oil purchases, any imposition of more burdensome payment terms may have a material adverse effect on Harvest's financial liquidity which could hinder its ability to purchase sufficient quantities of crude oil to operate the Refinery at full capacity. A failure to operate the Refinery at full capacity could have an adverse material effect on its business and results of operations, as well as its financial condition and cash from operating activities.

The production of aviation fuels subjects us to liability should contaminants in the fuel result in aircraft engines being damaged and/or aircraft accidents.

The Refinery produces aviation fuels, which involves inherent risks and subjects it to the provisions of Canadian federal laws. Harvest's product quality assurance programs are extensive; however, these procedures may not be sufficient to detect and prevent contaminants from entering into the aviation fuels which could result in aircraft engines being damaged and/or aircraft accidents. While the Corporation maintains insurance in respect of such risks, there are no assurances that such insurance will be adequate to fully compensate for any liability the Corporation may incur if such risks were to occur.

Collective bargaining agreements with North Atlantic's employees and the United Steel Workers of America with respect to the Downstream operations may not prevent a strike or work stoppage and future agreements may result in an increase in operating costs.

As of December 31, 2013, 67% full-time employees and 100% of part-time employees in the Downstream operations are represented by the United Steel Workers of America pursuant to collective bargaining agreements. Upon the expiry of existing collective agreements, the Corporation may not be able to renegotiate future collective agreements on satisfactory terms, or at all, which may result in an increase in operating costs. In addition, the existing collective agreements may not prevent a strike or work stoppage in the future, and any such work stoppage could have a material adverse effect on the Downstream business and Harvest's results of operations as well as the financial condition and cash from operating activities.

Risks Associated with BlackGold Oil Sands Project

Harvest is subject to certain risks associated with the project execution and the commissioning of the SAGD operations.

Each stage of the BlackGold EPC project is subject to execution risks that are inherent in similar projects, such as failure to properly design the project scope and engineering details, difficulties around the procurement and fabrication of key modules and components, failure to carry out construction as planned, and inability to meet performance targets upon commissioning and project start-up.

The development of the BlackGold assets requires substantial capital investment. While Harvest makes every effort to properly and accurately forecast capital and operating expenditures, the possibility remains that capital cost overruns or schedule delays will occur as a result of fluctuating market conditions and unexpected challenges, including but not limited to:

- The availability, scheduling and costs of materials and qualified personnel;
- The complexities around the integration and management of contractors, subcontractors, staff and supplies;
- Design and construction errors;
- Changes in project scope;
- The ability to obtain the necessary regulatory approvals in various stages of the project;
- Logistic issues relating to the transportation of modules across great distances;
- The availability of auxiliary infrastructures in place to support the project;
- The impact from changing government regulations and public scrutiny over oil sands development; and
- Severe weather conditions.

In May 2012, Harvest amended certain aspects of its BlackGold EPC contract, including revising the compensation terms from a lump sum price to a cost reimbursable price. As such, any cost overruns and schedule delays could have the potential to affect the Corporation's future financial position and cash flows.

BlackGold is subject to government regulation. The initial phase of the project, targeting production of 10,000 bbl/d, has been approved by provincial regulators. The expansion phase of the BlackGold project which increases target production to 30,000 bbl/d was approved by provincial regulatorsin 2013.

Harvest's estimates of performance and recoverable volumes from this project are based primarily on sample reservoir data, the results of core drilling and industry performance from other SAGD operations in similar reservoirs. Actual performance and operating results may be different as there can be no certainty that the existing and future SAGD wells will achieve or maintain the planned production rates or steam-to-oil ratio. The inability to achieve anticipated results could be due to one or all of design, facility or reservoir performance, or the presence of problematic geological features. As such, additional drilling, construction of new facilities, modification of existing facilities and additional operating expenses may be required to maintain optimal production levels. Harvest may encounter operational issues unanticipated thus far as BlackGold is Harvest's first SAGD project. Operating costs may vary considerably from expectation as they are impacted by various factors, including but not limited to, the amount and cost of labor to operate the project, the cost of diluent, catalyst and chemicals, the cost of natural gas and electricity, reliability of the facilities, repair and maintenance costs, etc. Transportation costs may be higher than planned as Harvest may depend, to a large degree, on third party facilities and infrastructure to move its bitumen. There is no assurance that Harvest will have the most cost-effective market access. Failure to meet performance targets may adversely impact Harvest's financial conditions, operating results, cash flows and ultimate recoverability of the project.

Risks Associated with Harvest's Capital Resources

Harvest must meet certain ongoing financial and operating covenants; failure to do so may result in debt repayment and consequently adverse effect on Harvest's cash flows.

Under the Credit Facility, Harvest and certain subsidiaries of Harvest Operations (designated as restricted subsidiaries) have provided the lenders security over all of the assets of Harvest Operations and of the restricted subsidiaries, excluding the BlackGold assets. If an event of default (as defined under the Credit Facility) has occurred the lenders may demand repayment and exercise rights under the security, including sale of the secured assets. Certain payments by Harvest or the restricted subsidiaries are prohibited upon an event of default. Harvest must meet certain ongoing financial and other covenants under each of the Credit Facility and the Note Indenture (respecting the 6⅞% Senior Notes). The covenants include customary provisions and restrictions related to Harvest Operations and the restricted subsidiaries' operations and activities, and are described further for each of the Credit Facility and the Note Indenture in the "General Description of Capital Structure" section. Harvest reviews the covenants regularly based on historical financial results. If the Corporation does not comply with the covenants, repayments could be required. Though Harvest continually monitors compliance with all of its covenants, there is no assurance that Harvest will be able comply with the financial and other covenants of its Credit Facility and Note Indenture or meet repayment requirements to or refinance such obligations if a default occurs. This could result in adverse effect on Harvest's financial condition and liquidity.

Harvest current debt level and financial commitments may negatively impact the business.

Harvest's current debt levels and financial commitments may limit its financial and operating flexibility, which could have significant and adverse consequences to the business, including:

- an increased sensitivity to adverse economic and industry conditions;
- a limited ability to fund future working capital and capital expenditures, engage in future acquisitions or development activities, or to otherwise fully realize the value of assets or opportunities, because a substantial portion of the cash flows are required to service debt and other obligations;
- a limited ability to plan for, or react to, industry trends; and
- an uncompetitive position relative to Harvest's competitors whose debt and financial commitment levels are lower.

Harvest's ability to raise capital resources is subject to various risks. Failure to access future financing may result in severe liquidity issues.

Harvest's ability to raise capital resources is subject to certain risks, including disruptions in international credit markets, collapses of sovereign financial systems, global economy downturns, overall oil and gas industry conditions, credit rating downgrades, and intense competition from other debt/equity issuers. To the extent that new sources of financing becomes limited, unavailable or available on unfavorable terms, the Corporation's ability to make capital investments, maintain existing assets, meet financing commitments, repay debt may be constrained, and, as a result Harvest's business, operating results and financial conditions may be materially impacted.

Harvest is exposed to exchange rate risks from its U.S dollar denominated debts and to interest rate risks from its floating-rate debts.

Harvest's borrowings under its 6⅞% Senior Notes, 2⅛% Senior Notes, Related Party Loan with Ankor and LIBOR based loans and the related interest charges are denominated in U.S. dollars. The Downstream's functional currency is US dollars. As such, material adverse changes to the exchange rates between Canadian dollar and the U.S. dollar could negatively impact Harvest's financial conditions, cash flows and operating results.

Harvest is also exposed to interest rate risks on its Credit Facility borrowings as interest rates are determined in relation to floating market rates. Furthermore, the Corporation is exposed to interest rate risk when maturing debt is refinanced, or when new debt capital is raised. Significant increase to interest rates could result in reduced future profitability and liquidity. Increased interest rates could also cause capital projects to become uneconomical and might lead to suspension of such projects. Ultimate recoverability of capital assets may be impaired from higher interest rates.

Harvest engages in various risk management activities using derivative instruments, which inherently are subject to risks and uncertainties.

The Corporation monitors its exposure to commodity prices, interest rates and foreign exchange rates and, where deemed appropriate, utilizes derivative financial instruments and physical delivery contracts to help mitigate such risks. The utilization of derivative financial instruments may introduce significant volatility into Harvest's reported net earnings, comprehensive income and cash flows. The terms of our various hedging agreements may limit the benefit to the Corporation of commodity price increases or changes in interest rates and foreign exchange rates. The Corporation may also suffer financial loss because of hedging arrangements if:

- Harvest is unable to produce crude oil, natural gas or refined products to fulfill delivery obligations;
- Harvest is required to pay royalties based on market or reference prices that are higher than hedged prices; or
- Counterparties to the hedging agreements are unable to fulfill their obligations under the hedging agreements.

Risks Associated with General Business

Harvest may be adversely affected by changes in laws and regulations relating to the crude oil and natural gas industry.

Harvest's operations could be impacted by changes in federal, provincial and municipal laws and regulations relating to the crude oil and natural gas and refining industry, including but not limiting to, royalty regimes, income and capital tax laws, land tenure, government incentive programs, production rates controls, safety programs and environmental acts. Changes in laws, regulations and policies could lead to direct reduction in revenue and cash flows, and/or additional compliance costs. Significant adverse changes could also result in suspension of Harvest's exploration, development and production of its oil and gas reserves or impact operations of its refinery. Government laws and regulations could be complex and subject to misinterpretation. Non-compliance may lead to significant penalties and fines, loss of licenses and permits or legal claims, all could have material effect to Harvest's financial condition, results of operations and cash flows.

Harvest's operations are subject to environmental regulation pursuant to local, provincial and federal legislation and require us to obtain and maintain regulatory approvals. A breach of such legislation may subject us to substantial liability and result in the imposition of fines as well as higher operating standards that may increase costs.

Harvest's operations and related properties are subject to extensive federal, provincial and local environmental and health and safety regulations governing, among other things, the production, processing, storage, handling, use and transportation of petroleum and hazardous substances, the emission and discharge of materials into the environment, waste management and characteristics and composition of gasoline and diesel fuels. If the Corporation fails to comply with these regulations, it may be subject to administrative, civil and criminal proceedings by governmental authorities as well as civil proceedings by environmental groups and other entities and individuals. A failure to comply, and any related proceedings, including lawsuits, could result in significant costs and liabilities, penalties, judgments against us or governmental or court orders that could alter, limit or stop the operations.

Consistent with the experience of other Canadian oil and gas and refining businesses, environmental laws and regulations have raised operating costs and at times required significant capital investments in our assets. Harvest believes that its operations are materially compliant with existing laws and regulatory requirements. However, material expenditures could be required in the future to comply with evolving environmental, health and safety laws, regulations or requirements that may be adopted or imposed in the future.

Harvest operates under permits issued by the federal and provincial governments and these permits may be renewed periodically. The federal and provincial governments may make operating requirements more stringent which may require additional spending. To the extent that the costs associated with meeting any of these requirements are substantial and not adequately provided for, there could be a material adverse effect on Harvest's business and results of operations as well as its financial condition and cash from operating activities.

Harvest's abandonment and reclamation obligations may increase due to changes in environmental laws and regulations.

Harvest is responsible for compliance with terms and conditions of environmental and regulatory approvals and all laws and regulations regarding the abandonment and reclamation of its surface leases, wells, facilities and pipelines and refinery and terminal operations at the end of their economic life as well as those for any future expansions. A breach of such legislation and/or regulations may result in the imposition of fines and penalties, including an order for cessation of operations at the site until satisfactory remedies are made. It is not possible to accurately predict the timing and the amount of the abandonment and reclamation costs due to uncertainties around numerous factors, such as regulatory requirements at the time, future labor and material costs, the extent of contamination at the site, future technology and the value of the salvaged equipment. Any adverse changes to any of these factors could result in additional costs to Harvest, which could impact Harvest's cash flows and financial conditions. In addition, in the future Harvest may determine it prudent or may be required by applicable laws, regulations or regulatory approvals to establish and fund one or more reclamation funds to provide for payment of future abandonment and reclamation costs. See NI 51-101F1 filing for "Other Upstream Business Information and *Additional Information Concerning Abandonment and Reclamation Costs"* on SEDAR at www.sedar.com.

Harvest is subject to income tax assessments and re-assessment, which may result in unfavorable tax consequences.

From time to time, Harvest Operations may take steps to organize its affairs in a manner that minimizes taxes and other expenses payable with respect to the operation of the Corporation and the Operating Subsidiaries. Harvest's prior years' income tax and royalty filings are subject to reassessment by government entities. The reassessment of previous filings may result in additional income tax expenses, royalties, interest and penalties which may adversely affect the Corporations cash flows, results from operation and financial position.

Harvest faces strong competition in various aspects of its operations, which may create constraints and negative impact to Harvest's operations.

There is strong competition relating to all aspects of the crude oil and natural gas industry. Harvest actively competes for capital, skilled personnel, new sources of crude oil and natural gas reserves, access to drilling rigs, service rigs and other equipment, access to processing facilities and pipeline and refining capacity, new customers or marketing channels, and access to lower priced feedstocks for the Refinery with a substantial number of other crude oil and natural gas organizations, many of which may have greater technical and financial resources than Harvest. In areas where access and operations can only be conducted during limited times of the year due to weather or government regulations, the competition for resources is even more intense. Constraints resulted from such competition may lead to increased cost outlay and suspension of operational and development activities, which could negatively impact Harvest's financial conditions, operating results and cash flows.

Harvest's operations and performances are heavily reliant on key personnel.

Holders of securities of Harvest will be dependent on the management of Harvest in respect of the administration and management of all matters relating to Harvest and the Operating Subsidiaries and the properties. Investors who are not willing to rely on the management of Harvest should not invest in the Corporation. In addition, the loss of key management could have an adverse effect on the Corporation. The competition for qualified personnel in Alberta and Newfoundland is intense, and there can be no assurance that Harvest will be able to continue to retain or attract the necessary personnel for the continuance of development and operation of the Corporation's business.

Harvest is subject to credit risks in its normal course of business.

Harvest enters into contractual relationships with various counterparties, the majority of which are from or related to the oil and gas and refining industry. If such counterparties do not fulfil their contractual obligations or settle their liabilities to the Corporation, the Corporation may suffer losses, may have to proceed on a sole risk basis, may have to forgo opportunities or may have to relinquish leases. While the Corporation maintains a risk management system that limits exposures to any one counterparty, losses due to the failure by counterparties to fulfil their contractual obligations may adversely affect Harvest's financial condition and liquidity.

GENERAL DESCRIPTION OF CAPITAL STRUCTURE

The outstanding securities of Harvest as at December 31, 2013 consisted of common shares, the 6⅞% Senior Notes and the 2⅛% Senior Notes. Harvest's capital structure included these outstanding securities, the Credit Facility and the Related Party Loans. The Debentures were also in place at December 31, 2012.

The authorized capital of Harvest consists of an unlimited number of common shares and an unlimited number of preferred shares issuable in series. All of the outstanding common shares are held by KNOC. See note 14 of the audited Consolidated Financial Statements for the year ended December 31, 2013 filed on SEDAR at www.sedar.com.

6⅞% Senior Notes and the Note Indenture

The following is a summary of the material attributes and characteristics of the Note Indenture, a copy of which is filed as a Material Contract on SEDAR at www.sedar.com:

The 6⅞% Senior Notes mature on October 1, 2017. Interests on the 6⅞% Senior Notes are paid semi-annually in arrears on October 1st and April 1st of each year. The 6⅞% Senior Notes are unsecured senior obligations of the Corporation and rank equally with future unsecured senior indebtedness. Prior to maturity, the 6⅞% Senior Notes are redeemable at a redemption price equal to 100% of the principal amount of the notes being redeemed plus a make-whole redemption premium and accrued and unpaid interest to the redemption date. Harvest may also redeem the 6⅞% Senior Notes at any time in the event that certain changes affecting Canadian withholding taxes occur.

Covenants

There are covenants restricting, among other things, the sale of assets and the incurrence of additional indebtedness if such issuance would result in an interest coverage ratio, as defined in the Note Indenture, of less than 2.0 to 1. In addition to debt permitted under the interest coverage ratio limitation, the incurrence of additional indebtedness may be permitted under other incurrence tests or baskets. One provision allows Harvest's incurrence of indebtedness under the Credit Facility or other future bank debt in an aggregate principal amount not to exceed the greater of $1.0 billion or 15% of total assets. In addition, the covenants under the Note Indenture limit the amount of restricted payments, including dividends to Harvest's shareholders.

Registration

On August 1, 2012 the Corporation completed the exchange of its initial unregistered 6⅞% Senior Notes for notes that have been registered under the U.S. Securities Act of 1933, as amended.

2⅛% Senior Notes

The following is a summary of the material attributes and characteristics of the Fiscal Agency, a copy of which is filed as a Material Contract on SEDAR at www.sedar.com:

The 2⅛% Senior Notes were issued on May 14, 2013 and mature on May 14, 2018. Interests on the 2⅛% Senior Notes are paid semi-annually in arrears on May 14 and November 14 of each year. The 2⅛% Senior Notes are unsecured senior obligations of the Corporation and rank equally with its existing and future unsecured senior indebtedness. KNOC have fully, unconditionally and irrevocably guaranteed the 2⅛% Senior Notes. The notes are not redeemable prior to maturity except upon the occurrence of certain events related to tax law. Upon the occurrence of a Change in Control, each holder of the 2⅛% Senior Notes will have the right to require the Corporation to redeem all or any part of such holder's 2⅛% Senior Notes at a redemption price equal to 100% of the principal amount thereof plus accrued and unpaid interest. The 2⅛% Senior Notes are listed on the Singapore Exchange.

Debentures and the Debenture Indenture

On April 2 and April 15, 2013, respectively, Harvest early redeemed the 7.25% Debentures Due 2013 and the 7.25% Debentures Due 2014. Both series of debentures were redeemed at par with the total redemption payment, including all accrued and unpaid interest up to the respective redemption dates being $1,002.9794 per $1,000 principal amount for the 7.25% Debentures Due 2013 and $1,006.5547 per $1,000 principal amount for the 7.25% Debentures Due 2014.

On June 13, 2013, Harvest early redeemed the 7.50% Debentures Due 2015 at par with the total redemption payment, including all accrued and unpaid interest up to the respective redemption dates being $1,002.6712 per $1,000 principal amount.

Credit Facility

The Credit Facility is a secured covenant-based $1 billion revolving credit facility that matures on April 30, 2017, with a syndicate of eleven financial institutions.

Harvest pays a floating interest rate plus a margin that changes based on the ratio of the Corporation's Senior Debt, as defined in the Credit Facility's agreement (see details below), to earnings before interest, taxes, depletion, amortization and other non-cash items ("EBITDA") as more fully defined below. As at December 31, 2013, $788.5 million was drawn on the Credit Facility plus $13.3 million of letters of credit.

In addition to the standard representations, warrants and covenants commonly contained in a credit facility, the Credit Facility agreement contains the following covenants, among others:

(a) An aggregate limitation of $25 million on financial assistance and/or capital contributions to parties other than those included in the first floating security interest;

(b) A limitation on carrying on business in countries that are not members of the Organization for Economic Cooperation and Development;

(c) A limitation on the payment of distributions to shareholders except for permitted distributions. The basis for permitted distributions include allowed distributions based on the Total Debt to EBITDA ratio not exceeding 2.5:1 after any such distribution, and allowed aggregate distributions for the most recent fiscal quarters (including the amount of the proposed distribution) in amounts less than EBITDA minus capital expenditures during the most recent four fiscal quarters by Harvest and its restricted subsidiaries. As well there is a provision for other allowed distributions provided that the aggregate of distributions made thereunder since April 29, 2011 is not to exceed $150,000,000; this basis for distribution is further subject to compliance with certain ratios after cumulative distributions of $100,000,000; and

(d) Financial compliance covenants are as follows (compliance is certified quarterly for the relevant quarter or the fiscal year, as applicable):

(1) Effective April 1, 2013[(1)]: EBITDA to Interest Expense of 2.50 to 1.0 or greater;

(2) Senior Debt[(2)] to EBITDA of 3.0 to 1.0 or less;

(3) Senior Debt[(2)] to Capitalization of 50% or less; and

(4) Total Debt to Capitalization of 55% or less.

[(1)]The EBITDA to Interest expense ratio was added effective April 1, 2013, under an amendment to the Credit Facility agreement and the Total Debt to EBITDA ratio was removed pursuant to the amendment.

[(2)]In the above, "Senior Debt" includes letters of credit, drawdowns from the Credit Facility and guarantees and "Total Debt" consists of Senior Debt, the 6⅞% Senior Notes, the 2⅛% Senior Notes and the Debentures.

For purposes of determining the financial covenants, the following terms are defined in the Credit Facility agreement:

(a) EBITDA is the aggregate of the past four quarters Net Earnings plus:

(1) interest and financing charges;

(2) future income tax expense;

(3) depletion, depreciation and amortization;

(4) unrealized gains/losses on risk management contracts;

(5) unrealized currency exchange gains/losses; and

(6) other non-cash items.

(b) Capitalization is the aggregate of the amounts of Total Debt, Related Party Loans and shareholders' equity, all as reported in Harvest's consolidated balance sheet in accordance with IFRS, less equity for the BlackGold project.

(c) Interest Expense includes capitalized interest.

For additional information regarding Credit Facility's covenants refer to note 12(a) in the audited Consolidated Financial Statement for the year ended December 31, 2013 filed on SEDAR at www.sedar.com.

Related Party Loans

On August 16, 2012 the Corporation entered into a subordinated loan agreement with ANKOR to borrow US$170 million at a fixed interest rate of 4.62% per annum. The Corporation may, at its sole discretion, repay the principal in whole or part without premium or penalty, together with all accrued interest at any time during the term of the agreement. There are no scheduled payments of principal or interest under the agreement prior to the maturity of the loan on October 2, 2017.

On December 30, 2013, Harvest entered into a subordinated loan facility agreement with KNOC to borrow up to $200 million at a fixed interest rate of 5.3% per annum. The full principal and accrued interest is payable on December 30, 2018. At December 31, 2013, Harvest had drawn $80 million under the loan facility.

The Related Party Loans are unsecured and subordinated to the Credit Facility and the 6⅞% and 2⅛% Senior Notes, and contain no restrictive covenants. For purposes of the Corporation's Credit Facility covenant requirements, the Related Party Loans are excluded from the "Total Debt" amount but included in the "Total Capitalization" amount.

CREDIT RATINGS

Harvest's senior notes are rated by both Standard and Poor's, a division of the McGraw-Hill Companies Inc. ("S&P"), and Moody's Investors Services Inc. ("Moody's"). Harvest's 6⅞% Senior Notes were rated "BB- (Negative)" by S&P and "Ba3 (Negative)" by Moody's, and the 2⅛% Senior Notes, issued in 2013, were rated "A+ (Stable)" by S&P and "A1 (Stable)" by Moody's. See "General Description of Capital Structure" in this AIF for a summary description of the senior notes.

Credit ratings are intended to provide investors with an independent measure of credit quality of any issue of securities. Credit ratings are not recommendations to purchase, hold or sell the debt securities inasmuch as such ratings do not comment as to market price or suitability for a particular investor. Any rating may not remain in effect for any given period of time, or may be revised or withdrawn entirely by a rating agency in the future, if in its judgment circumstances so warrant.

Moody's credit ratings are on a rating scale that ranges from Aaa to C, which represents the range from highest to lowest quality of such securities rated. Moody's applies numerical modifiers 1, 2 and 3 in each generic rating classification from Aa through Caa. The modifier 1 indicates that the issue ranks in the higher end of its generic rating category, the modifier 2 indicates a mid-range ranking and the modifier 3 indicates that the issue ranks in the lower end of its generic rating category. A Moody's rating outlook is an opinion regarding the likely direction of a rating over the medium term. A rating of Ba3 on the 6⅞% Senior Notes by Moody's is the third highest of eleven categories assigned to securities which are considered speculative grade and are subject to substantial credit risk. A rating of A1 by Moody for the 2⅛% Senior Notes is the fifth highest of ten in the investment grade category and is considered to be upper medium grade and of low credit risk.

S&P's credit ratings are on a rating scale that ranges from AAA to D, which represents the range from highest to lowest quality of such securities rated. The ratings from AA to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories. An S&P rating outlook assesses the potential direction of a long-term credit rating over the intermediate term. In determining a rating outlook, consideration is given to any changes in the economic and/or fundamental business conditions. A rating of BB- by S&P for the 6⅞% Senior Notes is within the third highest of eleven categories assigned to securities which are considered speculative grade as the issuer faces major ongoing uncertainties and exposure to adverse business, financial or economic conditions which could lead to the issuer having inadequate capacity to meet its financial commitments. A rating of A+ by S&P for the 2⅛% Senior Notes is the fifth highest of ten in the investment grade category. An obligor rated "A" has strong capacity to meet its financial commitments but more susceptible to the adverse effects of changes in circumstances and economics condition than obligators in higher-rated categories.

Harvest pays both S&P and Moody's an annual fee for its corporate ratings service. In addition, Harvest paid both S&P and Moody's a fee for the rating of the 2⅛% Senior Notes in 2013. Other than the mentioned fees, Harvest has not made any payments to the credit rating agencies in the past two years for any other services.

Risks and uncertainties related to our credit ratings and their possible impacts are discussed more fully in the section titled "Risk Factors" under the section titled "Risk Associated with Harvest's Capital Resources".

MARKET FOR SECURITIES

6⅞% Senior Notes Due 2015

The 6⅞% Senior Notes are not traded on any exchanges. The following sets forth the high, low and closing trading prices and aggregate trading volume of the 6⅞% Senior Notes, as reported by Bloomberg for the periods indicated:

2013	High US$	Low US$	Close US$	Volume Traded
January	110.750	110.750	110.750	870
February	110.875	110.000	110.875	5,295
March	112.125	111.000	111.750	4,500
April	112.625	112.000	112.000	22,410
May	114.000	112.000	112.500	11,300
June	113.300	111.500	111.500	9,604
July	111.620	111.000	111.500	5,150
August	110.000	108.654	108.754	4,750
September	108.500	107.000	107.435	17,765
October	108.250	107.000	108.250	7,150
November	108.500	108.500	108.500	1,000
December	108.750	108.377	108.625	3,300

2⅛% Senior Notes Due 2018

The 2⅛% Senior Notes are registered on the Singapore Exchange (the "SGX"). The following sets forth the high, low and closing trading prices and aggregate trading volume of the 2⅛% Senior Notes, as reported by the SGX for the periods indicated:

2013	High US$	Low US$	Close US$	Volume Traded
January	N/A	N/A	N/A	N/A
February	N/A	N/A	N/A	N/A
March	N/A	N/A	N/A	N/A
April	N/A	N/A	N/A	N/A
May	151.89	128.15	147.61	16,000
June	218.89	155.20	185.47	8,520
July	187.17	140.11	140.11	12,750
August	140.99	125.31	125.31	3,380
September	140.42	131.44	131.44	3,000
October	N/A	N/A	N/A	N/A
November	134.45	116.95	116.95	3,800
December	104.47	99.67	104.48	1,500

Harvest's shares are not publicly traded, and at March 28, 2014, 386.1 million common shares have been issued to KNOC.

DIRECTORS AND OFFICERS OF HARVEST OPERATIONS

The names, jurisdiction of residence, present positions and offices with Harvest Operations and principal occupations during the past five years of the directors and executive officers of Harvest Operations as at December 31, 2013 are set out in the table below. Directors are elected or appointed yearly by Shareholder's resolution for the ensuing year or until their successors are elected or appointed.

Name and Jurisdiction of Residence	Position with Harvest Operations	Principal Occupation(s) and Other Relevant Experiences
Allan Buchignani Alberta, Canada	Director since May 2013	Mr. Buchignani is an accomplished executive with extensive experience in operations, strategic planning, P&L management and team building. Since 2009, he has acted as a consultant utilizing his leadership and business experience to advise management teams. From 2001 to 2009, Mr. Buchignani held senior positions with ENMAX Corporation and ENMAX Power Corporation. He has been a member of the STARS, Stoker Resources Ltd. and Furry Creek Power Ltd. boards.
Randall Henderson Alberta, Canada	Director since May 2013	Mr. Henderson is a senior finance executive and corporate director who has consulted to the boards of directors and executive management teams of both publicly -traded and private entities since 2005. He is President of Henderson Corporate Financial Consulting Inc. Mr. Henderson has been a director and chairman of the audit committees of Cortex Business Solutions Inc. since 2010 and PGNX Capital Corp. since 2008.

Name and Jurisdiction of Residence	Position with Harvest Operations	Principal Occupation(s) and Other Relevant Experiences
Chang-Seok Jeong Seoul, South Korea	Director since January 2012 and appointed Chairman of the Board in August 2013	Mr. Jeong has been Executive Vice President of Production Group at KNOC since January 2012. Mr. Jeong worked in the Vietnam Office, Asia & Europe Production Department and the Overseas E&P Department as a General Manager & Managing Director from 2009 to 2011.
Chang-Koo Kang Alberta, Canada	Director since January 2010; Chief Financial Officer since January 2012	Mr. Kang was the Vice President of KNOC's Finance Management Department form January 2010 to December 2011. Prior to this, he held the position of Finance Team Senior Manager at KNOC from 2007.
Richard Kines Alberta, Canada	Director since May 2013	Mr. Kines currently consults in senior financial executive roles. He has over 35 years of business experience in the upstream and downstream sectors of the oil and gas industry. From 2002 to 2012 Mr. Kines served as Vice President of Finance and Chief Financial Officer at Connacher Oil and Gas Limited.
Kyungluck Sohn Seoul, South Korea	Director since November 2010	Mr. Sohn is the Vice President, Finance Management Department at KNOC. He was the Chief Financial Officer of Harvest from February 16, 2010 to January 13, 2012. Mr. Sohn served as a Vice President of KNOC's Finance Management department in 2009.
Eugene Synn Seoul, South Korea	Director since August 2013	Mr. Synn is currently a director and Special Advisor of KNOC. Prior thereto, he was the Executive Vice President for Exploration Group & Director of Dana Petroleum plc. from 2012 to 2013 and the Executive Vice President for Europe & Africa Group from 2010 to 2012. Prior to this, he held the Vice President for New Venture & Exploration from 2006 to 2010.
Myunghuhn Yi Alberta, Canada	Director since December 2010; President & Chief Executive Officer since January 2012	Mr. Yi was the Executive Vice President for the Americas Group, as well as President of ANKOR E&P Holdings Corporation in the USA from May 2008 to January 2012.
Leslie G. Hogan[(1)] Alberta, Canada	Chief Operating Officer since November 2012	Previous to his appointment as Chief Operating Officer in November 2012, Mr. Hogan was Harvest's Vice President, Land since December 2007.
Yongseok Kim Alberta, Canada	Deputy Chief Operating Officer since December 2012	Mr. Kim held the position of General Manager, Operations Excellence Team from March 2012 to December 2012. Before joining Harvest, he held the position of VP Engineering at Ankor USA from 2008 to February 2012.

Name and Jurisdiction of Residence	Position with Harvest Operations	Principal Occupation(s) and Other Relevant Experiences
Piljong Sung Alberta, Canada	Chief Strategy Officer & Corporate Secretary since August 2013	Mr. Sung is currently the Chief Strategy Officer of Harvest. Prior thereto, he was a Senior Manager of Exploration & Production Auditing Team from 2007 to 2013 at KNOC.
Patrick BH An Alberta, Canada	Vice President, BlackGold since December 2011	Prior to joining Harvest Mr. An was Senior Manager of Production Assets in the Middle East and the Commonwealth of Independent States from 2009 to 2011 at KNOC.
Gary Boukall Alberta, Canada	Vice President, Geosciences since 2007	From December 2002 to March 2007, Mr. Boukall held various positions with Harvest Operations including Chief Geologist, Manager of Geology and Manager of Geosciences.
Phil Reist Alberta, Canada	Vice President, Controller since 2007	Mr. Reist was Controller of Harvest Operations from February 2006 to March 2007.
Doug Reynolds Alberta, Canada	Vice President, Land since November 2012 and Vice President, Land and New Business Development since December 2013	Mr. Reynolds joined Harvest Operations in April 2011 as Manager, Land Negotiations. Before joining Harvest, he held various senior level managerial positions, including President of his own land consulting company from October 2010 to March 2011. Mr. Reynolds was also Founder, President & CEO and Board Member of his own private oil and gas company, Northern Hunter Energy Inc. from September 2006 to April 2010.
Richard Suffron Alberta, Canada	Vice President, Operations since November 2012	Mr. Suffron joined Harvest Operations in 2007 as the Production Engineering Manager.
Grant Ukrainetz Alberta, Canada	Vice President, Treasurer since February 2013	Prior to joining Harvest in 2012 as Treasurer, Mr. Ukrainetz was Treasurer then VP Corporate Development at Connacher Oil and Gas Limited from 2006 to 2012.
Kim Urban Alberta, Canada	Vice President, Acquisitions and Divestitures and Joint Ventures since December 2013	Ms. Urban has worked for Harvest for over 5 years and was appointed Vice President, Acquisitions & Dispositions and Joint Ventures in December 2013. Prior to her promotion, she held the positions of Director, Acquisitions & Divestitures and Joint Ventures and Manager, Acquisitions & Divestitures.
Doug Walker Alberta, Canada	Vice President, Engineering since November 2012	Mr. Walker joined Harvest in August 2010 as Area Manager, Peace River Arch and SE Saskatchewan. Prior to joining Harvest, Mr. Walker was the North West and West Central Alberta Team Leader at Provident Energy from 2007 to 2010. Mr. Walker's prior industry experience includes technical, business and senior management positions with Noise Solutions, Stellarton Energy, Jordan Petroleum and Gulf Canada Resources.

(1) On March 20, 2014, Mr. Leslie G. Hogan resigned as Chief Operating Officer, effective March 31, 2014.

As at December 31, 2013, none of the directors and executive officers of Harvest Operations and their associates and affiliates, directly or indirectly, beneficially owned, controlled or directed any of the outstanding shares of Harvest Operations. Directors and officers of Harvest Operations may, from to time, be involved with the business and operations of other oil and gas issuers, in which case a conflict may arise. Properties will not be acquired from officers or directors of Harvest Operations or persons not at arm's length with such persons at prices which are greater than fair market value, nor will properties be sold to officers or directors of Harvest Operations or persons not at arm's length with such persons at prices which are less than fair market value in each case as established by an opinion of an independent financial advisor and approved by the independent members of the Harvest Board. Any such conflicts shall be resolved in accordance with the procedures and requirements of the relevant provisions of the ABCA, including the duty of such directors and officers to act honestly and in good faith with a view to the best interests of Harvest.

Committees of the Board of Directors

Name of Director	Audit Committee	Upstream Reserves, Safety & Environment Committee	Downstream Operations, Safety & Environment Committee	Compensation and Corporate Governance Committee
Allan Buchignani	✓	Chair		
Randall Henderson	Chair			✓
Chang-Seok Jeong				Chair
Chang-Koo Kang			✓	
Richard Kines	✓	✓	Chair	
Kyungluck Sohn				✓
Eugene Synn				✓
Myunghuhn Yi		✓	✓	

Notes:

- On January 25, 2013, Mr. Brian Kwak resigned as Vice President Global Technology Research Centre ("GTRC").
- On February 28, 2013, Mr. Kang Hyun Shin resigned as a director.
- On April 5, 2013, Mr. Brant Sangster resigned as a director removing himself as Chairs of the Audit Committee and Downstream Operations, Safety & Environment Committee.
- On April 17, 2013, Mr. William A. Friley resigned as a director removing himself as Chair of the Upstream Reserves, Safety & Environment Committee.
- Messrs. Leslie G. Hogan and Mark E. Tysowski served as directors from April 18, 2013 to May 6, 2013.
- On May 8, 2013, Mr. Randall Henderson was appointed as Chair of the Audit Committee and Messrs. Allan Buchignani and Richard Kines were appointed members of the Audit Committee. Mr. Henderson was also appointed to the Compensation and Corporate Governance Committee. Mr. Buchignani was appointed as Chair of the Upstream Reserves, Safety and Environment Committee and Mr. Richard Kines was appointed as a member to the Upstream Reserves, Safety and Environment Committee. Mr. Richard Kines was appointed as Chair of the Downstream Operations, Safety and Environment Committee.
- On July 31, 2013 Mr. Hong Geun Im resigned as director removing himself as Chairman of the Harvest Board and Chair of the Compensation and Corporate Governance Committee.
- On August 9, 2013, Mr. Jongwoo Kim resigned as Chief Strategy Officer & Corporate Secretary.
- As of August 28, 2013, Mr. Chang-Seok Jeong was appointed Chairman of the Harvest Board and Chair of the Compensation and Corporate Governance Committee. Mr. Eugene Synn was appointed as a member of the Compensation and Corporate Governance Committee.
- In February 2014, Mr. Taeheon Jang was appointed Acting Vice President, Global Technology & Research Centre.

Audit Committee Information

Audit Committee Mandate and Terms of Reference

The Mandate and Terms of Reference of the Audit Committee of the Harvest Board is attached hereto as Appendix "A". The members of the Audit Committee are Messrs. Randall Henderson, Allan Buchignani and Richard Kines.

Composition of the Audit Committee

The Harvest Board has determined that each member of the Audit Committee is "financially literate" in accordance with National Instrument 52-110. In considering criteria for the determination of financial literacy, the Harvest Board looked at the director's ability to read and understand a set of financial statements of a public oil and gas company that is comparable to Harvest in size and nature of business as well as the director's past experience in reviewing or overseeing the preparation of financial statements.

The Harvest Board has also determined that Messrs. Henderson, Buchignani and Kines are "independent" in accordance with National Instrument 52-110.

Relevant Education and Experience

Name (Director Since)	Principal Occupation & Biography
Randall Henderson (May 2013) <u>Other Canadian Public Board of Director Memberships</u> Cortex Business Solutions Inc. PGNX Capital Corp.	Mr. Henderson is a senior finance executive and corporate director who consults to the Board of Directors and executive management teams of both publicly -traded and private entities. He is President of Henderson Corporate Financial Consulting Inc. and a director and chairman of the audit committees of Cortex Business Solutions Inc. and PGNX Capital Corp. Since 2001, Mr. Henderson has served in either a full-time or consulting capacity as the Chief Financial Officer of several significant public and private entities. In 2003, he was nominated for Canada's CFO of the Year Award. He is a member of the Canadian Institute of Chartered Accountants (CICA) and is an executive leadership program alumnus of the Stanford Business School of Stanford University. In 2008, he was awarded the Corporate Finance (CF) designation by the CICA. In 2009, he successfully completed the Directors Education Program offered by the Institute of Corporate Directors of Canada and was awarded its designation of ICD.D.
Allan Buchignani (May 2013) <u>Other Canadian Public Board of Director Memberships</u> N/A	Mr. Buchignani is an accomplished executive with extensive experience in operations, strategic planning, P&L management and team building. Currently, he acts as a consultant utilizing his leadership and business experience to advise management teams. From 2001 to 2009, Allan held senior positions with ENMAX Corporation and ENMAX Power Corporation. He has been a member of the STARS, Stoker Resources Ltd. and Furry Creek Power Ltd. boards. He holds a Bachelor of Science degree in Mechanical Engineering from Washington State University and is a Registered Professional Engineer. In addition, he has completed the Institute of Corporate Directors Designation and the Institute of Corporate Directors Financial Literacy Program.

Richard Kines (May 2013) Other Canadian Public Board of Director Memberships N/A	Mr. Kines is a senior financial executive with over 35 years of business experience in the upstream and downstream sectors of the oil and gas industry, the oil and gas services industry, merchant banking and public accounting service sector in domestic and internal arenas. Over the past 25 years he has served as a Vice President of Finance and / or Chief Financial Officer with public and private companies. Mr. Kines is a graduate of the Institute of Corporate Directors, a Chartered Accountant and holds a Bachelor of Commerce degree from the University of Saskatchewan.

Pre-Approval of Policies and Procedures

All non-audit or special services performed by any independent accountants must be first approved by the Audit Committee. All remuneration provided to the Corporation's auditor and any independent accountants are also approved by the Audit Committee. Management presents to the Audit Committee at least quarterly a report of all services performed or to be performed by the independent accountants. The Audit Committee has delegated authority to the Chair of the Audit Committee to preapprove any permitted services, including the fees and terms of the proposed services, by the independent accountants if such services are set to be commenced before the next Audit Committee meetings. All pre-approvals granted by the Audit Committee Chair must be presented to the full Audit Committee at its next meeting. Prior to granting of any pre-approval, the Audit Committee or its Chair, as the case may be, must be satisfied that the performance of the services in question will not compromise the independences of the independent accountants. The Corporation’s auditor meets with the Audit Committee, without management present, at least annually and more often at the request of either the Audit Committee or the auditor.

External Auditor Service Fees

The aggregate fees billed by Harvest’s external auditors, KPMG LLP (“KPMG”) and formerly Ernst & Young LLP (“EY”) in the last two fiscal years for audit services are as follows:

	KPMG(1)	**EY**(2)	**Total**	EY
For the year ended December 31	**2013**	**2013**	**2013**	2012
Audit Fees(3)	**600,000**	**97,000**	**697,000**	682,000
Audit-Related Fees(4)	**47,000**	**180,375**	**227,375**	105,000
Tax Fees(5)	**319,501**	**127,224**	**446,725**	54,225
Executive Compensation – Related Fees(6)	**-**	**-**	**-**	41,074
All Other Fees(7)	**11,611**	**26,285**	**37,896**	3,395
Total	**978,112**	**430,884**	**1,408,996**	885,694

(1) Includes fees billed by KPMG for the fiscal year ended December 31, 2013 beginning after the appointment of KPMG on October 15, 2013.
(2) Includes fees billed by EY during 2013 for the fiscal year ended December 31, 2012 and December 31, 2013 up to the appointment of KPMG on October 15, 2013.
(3) Represents the aggregate fees of the Corporation’s auditors for audit services in respect of the financial year and $97,000 relating to the fiscal year ended December 31, 2012.
(4) Represents the aggregate fees billed for assurance and related services by the Corporation’s auditors that are related to the performance of audit or review of the Corporation’s financial statements and are not included under “Audit Fees” and are primarily composed of services related to the Corporation’s interim financial statements.
(5) Represents the aggregate fees billed for tax compliance, tax advice and tax planning in respect of the financial year.
(6) Please see “Executive Compensation - Compensation Consultant” section of this AIF.
(7) Represents the EY online subscription and the assessment fee billed by The Canadian Public Accountability Board (“CPAB”) per the National Instrument 52-108 Auditor Oversight mandate for reporting issuers to have an audit completed by a CPAB participant firm.

EXECUTIVE COMPENSATION

Compensation and Corporate Governance Committee

The Compensation and Corporate Governance Committee (“CCGC”) is responsible for establishing and overseeing the administration of Harvest’s compensation program. The CCGC approves and makes recommendations to the Board in respect of compensation and human resources issues relating to directors, executive officers and employees of Harvest as well as senior officer succession and development. Specific responsibilities of the CCGC relating to executive compensation are documented in the CCGC Mandate and listed below:

- to review the compensation philosophy and remuneration policy for employees of Harvest and to recommend to the Board changes to improve Harvest's ability to recruit, retain and motivate employees;
- establish the goals and objectives of the CEO and annually review the performance of the CEO relative to the corporate goals and objectives for the purpose of determining the compensation of the CEO and evaluate the CEO’s performance in light of those corporate goals and objectives.
- annually review and approve the recommendations of the CEO concerning overall compensation and other conditions of employment of the Corporation’s officers and employees, satisfy itself that the overall compensation is in accordance with the business plans of the Corporation and with generally accepted compensation levels with comparable companies. The committee may recommend approval to the Boards based on the committee’s discretion; and
- assist the Board in connection with issues relating to succession planning, including appointing, training and monitoring the development and performance of the senior officers of Harvest.

Details relating to the composition of the CCGC are disclosed under “Directors and Officers of Harvest Operations” within this AIF. The members of the CCGC have the skills and knowledge required to make decisions on the suitability of the Corporation’s compensation policies and practices by virtue of their experience as senior officers or directors of public and private companies. For discussion regarding the independence of each CCGC members, see Section 7 of "Corporate Governance Disclosure" within this AIF.

Compensation Discussion & Analysis

Compensation Strategy

The compensation strategy discussion in this section applies to all Harvest’s executives except for the CEO and the CFO. For information regarding the CEO’s and the CFO’s compensation, see “CEO’s Compensation “and “KNOC Employee Compensation” sections herein.

Harvest’s executive compensation structure consists of base salary, benefits and perquisites, and short-term incentive and long-term incentive amounts. These components support Harvest’s long-term sustainability strategy and the following objectives:

- alignment of executive and shareholder’s interests;
- attraction and retention of highly qualified individuals by remaining competitive with Harvest’s peers;
- focus on performance by rewarding executives for the achievement of business objectives and financial results; and
- support of retention of key individuals for leadership succession.

Harvest has adopted a strong commitment to a "pay for performance" philosophy throughout the organization and this approach is reflected in the appropriate differentiation in annual grants of short-term incentive and long-term incentive amounts provided to individual members of the executive team. Harvest believes that employees at more senior levels have a greater degree of influence on both departmental and organizational performance. As a result, a greater portion of Harvest’s executives’ total compensation is comprised of incentive payments which are more performance weighted. The CCGC reviews regularly the compensation structure of executive compensation, including the components and the mix of such components, to ensure that the abovementioned objectives are met.

- Base salaries, benefits and perquisites are intended to provide fixed compensation that reflects Harvest's compensation philosophy to set aggregate executive salaries and benefits at competitive levels, relative to individual skill sets, expertise and the oil and gas industry. The key objective is to attract and retain highly qualified executives.
- Short and long-term incentive payments are cash awards that are performance based, and intended to align with the shareholder's interests.
- Short-term incentives amounts, expressed as a percentage of base salaries, are measured on corporate and individual performance. The short-term incentives payments are made at the beginning of each year and are determined based on the prior year performance of Harvest and the individual executives.
- In contrast to the measures applied for the short-term incentives awards, the determination of long-term incentive awards places more emphasis on the Corporation's performance (achievement of business objectives and financial results) than individual performance. Annual awards under the long-term incentive program are granted in respect of the performance for the previous calendar year. Long-term incentives are subject to a three-year vesting period for the objective of talent retention.

The CCGC, when making compensation determinations, takes into consideration the compensation amount, elements and structure paid to executives of other similarly sized oil and gas companies with a view to ensuring that Harvest's overall compensation packages are competitive. The CCGC utilizes compensation information from annual participation in the Mercer Total Compensation Survey ("MTCS") for the Energy Sector (Canada) published by Mercer Canada ("Mercer"). The MTCS provides a comprehensive perspective on the energy industry reward levels in Canada for any size of organization in any sector of the industry. Mercer, and its parent organization Mercer Global, are leaders in consulting in the area of human resources. Please see appendix C for the peer groups that participated in the MTCS.

CEO Compensation

The compensation for the President and Chief Executive Officer ("CEO") includes base salary, benefits and perquisite, and annual cash bonus. Base salary is reviewed by the CCGC from time to time and may be adjusted at the discretion of the Committee. An annual cash bonus is determined by the Harvest Board. Base salary, benefits and perquisites provide the CEO fixed compensation at competitive levels, relative to individual skill sets, expertise and the oil and gas industry. The key objective is to attract and retain top talent. The annual bonus of the CEO is closely tied to the Corporation's performance against specific goals and objectives, which is assessed by the CCGC. These goals and objectives provide alignment between the CEO's compensation and the shareholder's interests, and include performance measures such as financial returns, asset quality, production and reserve levels on an absolute basis, refining output, operating and administrative costs, oil refining margins, balance sheet strength, and employee and organizational culture issues. In addition, performance is assessed against specific goals concerning safety and environment issues, corporate governance, staff development, and involvement and leadership within industry and the community. Performance in these areas is reviewed on both a stand-alone basis and relative to other oil and gas entities, where applicable. While there are performance measures in place, the CCGC has not established strict predetermined quantitative performance criteria that are linked to the setting of the CEO's salary level or the payment of annual bonus. Similar to the other executives' compensation, the determination of the CEO's salary and annual bonus also takes into consideration of compensation information from the annual MTCS.

KNOC Employee Compensation

Harvest's human resources include secondees assigned by KNOC. These individuals do not participate in Harvest's short and long-term incentive plans nor do they receive salaries based on Harvest's salary structure. Pursuant to an agreement with KNOC, Harvest will compensate these employees with salaries and benefits as determined by KNOC. KNOC employee compensation is comprised of a base salary, bonus and other employee benefits as determined by KNOC's Personnel Policy. Harvest complies with all withholding, remittance and reporting requirements in Canada, in respect of any remuneration paid to the seconded employees. Compensation is differentiated based on an annual performance assessment performed by KNOC. Harvest's Chief Financial officers, Chang-Koo Kang, is renumerated under this structure.

Elements of Compensation

The discussion in this section is applicable to all Harvest executives except for the CEO and the CFO. For information regarding the CEO's and the CFO's compensation, see "CEO's Compensation" and "KNOC Employee Compensation" sections herein. The incentive programs (short-term and long-term) are available to all permanent employees of the Upstream and BlackGold segments, except for KNOC secondees, and the following discussion of incentives describes the programs generally and with the respect to the executives specifically, as applicable.

Base Salaries

Base salaries for the executives are determined with reference to comparable marketplace salaries, as published by Mercer. To be competitive with peer companies, Harvest sets base salary levels at the median of the MTCS for the relevant roles and responsibilities. In addition to the information published by Mercer, base salaries are further adjusted based on an overall determination of Harvest's and the individual's performance. The individual's skill set, experience and expertise are also considered. The CCGC has not established additional strict predetermined quantitative performance criteria linked to the setting of salary levels.

Short-Term Incentive Program

At the end of each year, a short-term incentive pool is established by the CCGC after careful consideration of the corporate performance, market information from the MTCS and other qualitative factors. To assess corporate performance, comparisons are made to performance metrics specific to corporate operational goals and relative to industry comparison. The annual pool is shared by all eligible employees, including the executives. Individuals' performances are factored into the allocation process.

Executives' performance is evaluated annually by the CEO, CFO or COO, depending on the direct reporting relationships, based on subjective goals and measures. Recommendations on executives' salary adjustments and short-term incentives are presented to the CCGC, together with their performance evaluations. The CCGC reviews such recommendations and makes compensation decisions accordingly. As further discussed under "CCGC's Use of Discretion" the CCGC has not established strict predetermined quantitative performance criteria linked to the value of short-term incentives. Bonuses for individuals are also compared with the MTCS information, to ensure the awards are competitive with Harvest's peers.

Long-Term Incentive Program

Each eligible employee is granted an annual long-term incentive payment target, expressed as a percentage of base salary. The target set for each employee reflects the individual's roles, responsibilities, skill sets, expertise, relevant experience and past performance. The executives' targets are set at higher levels so that a larger portion of their compensation is performance-based, compared to that for employees. The CCGC determines an annual adjustment factor up to a maximum of 100%, which is applied to every employee's target to calculate the long-term incentive awards. The awards vest over three years, with one-third of the award vesting on the grant date and each of the next two anniversaries of the grant date. Effective for the 2012 year, the long-term incentive program was modified, such that awards will have a grant date of March 1st. The vesting date for the remaining portions of the 2010 and 2011 awards remains January 1st. The modification provides the CCGC with a longer period between the year-end and the grant date so that the CCGC has more complete information to assess corporate performance.

The CCGC considers, among many things, the achievement of certain performance metrics, when making decisions about the adjustment factor. The performance metrics are selected to align with the goals and objectives approved by the shareholder and are subject to change year over year. For 2012, Harvest assessed the following performance metrics as part of the corporate performance review: Upstream production, reserves, finding, development and acquisition costs on a per boe basis ("F&D costs"), Upstream EBITDA, Upstream operating costs on a per boe basis, and Upstream safety (lost time injury frequency). For 2013, the new metrics that were approved by the shareholder include Upstream revenue, seismic spending, and operating income, while F&D costs and Upstream EBITDA will no longer be considered as key metrics. In addition to corporate performance, the CCGC also takes into consideration the competitive industry environment, peers' compensation information from the MTCS, historical corporate performance of Harvest, achievements of other financial and business strategies, and other relevant qualitative factors. The CCGC has not established any formulae to link the performance metrics to the annual adjustment factor, which therefore is subject to the CCGC's discretion.

CCGC's Use of Discretion

The determination of Harvest's executive compensation requires significant judgment from the CCGC and involves thorough annual performance assessments, taking into account many internal and external factors. The CCGC uses a list of performance metrics to assess the Corporation's performance, but without direct linkages between those metrics and the amount of compensation. The performance metrics are tools to establish some preliminary premises for overall corporate performance assessment. The CCGC believes that making compensation decisions solely using set formulae and weightings could lead to consequences that are not aligned with the shareholder's interests and long-term goals. As well, the strict use of formulae and weightings of KPI achievement would operate against the ability to consider useful internal and external factors, such as but not limited to, market compensation data, changes in general business conditions, and any unforeseeable events encountered during a given year. This annual corporate performance assessment forms the basis for recommendations and decisions with respect to both the short-term incentive pool and the long-term incentive adjustment factor.

2013 corporate performance highlights:

- Upstream production was 52,473 boe/d for 2013, a decrease of 6,854 boe/d from 2012 and 1,027 boe/d below original guidance due to dispositions of non-core assets, natural declines, and third party processing facilities constraints;
- Upstream revenue before royalties was $1,102 million in 2013, a $92 million decrease from 2012 due to lower production, partially offset by increased realized prices;
- Upstream's average operating costs was $18.05/boe, an increase of $1.51/boe from 2012 and an increase of $1.05/boe from the original guidance primarily due to incurring similar amount of fixed costs over decreased production;
- Upstream's general and adiminstrative expenses were $68 million for 2013, a $3 million increase from 2012, due to higher consulting fees;
- Total proved plus probable reserves was 463.2 mmboe at December 31, 2013, as compared to 493.8 mmboe at December 31, 2012. Additions through drilling amounted to 9.3 mmboe;
- Upstream spent $14 million on geological and geophysical activities, an increase of $5 million from 2012;
- Upstream operating loss was $17 million in 2013, an increase of $4 million from 2012 mainly due to lower revenue, partially offset by lower operating expenses and lower depreciation, depletion and amortization;
- Downstream's average throughput volume decreased by 5,274 bbl/d from 2012 mainly due to more operational outages. Compared against original guidance, 2013 average throughput volume increased by 4,481 bbl/d primarily due to the deferral of a scheduled turnaround to 2014;
- Downstream's refining margin[(1)] was US$1.07/bbl, a decrease of US$3.80/bbl from 2012 due to lower product crack spreads and poorer yield mix;
- Downstream's average operating and purchased energy expense was $5.90/bbl, a decrease of $0.51/bbl from 2012 and a $1.1/bbl decrease from guidance, as a result of a higher consumption of internally produced fuel combined with lower power prices;
- Downstream's operating loss was $691 million, an increase of $11 million, reflecting lower refining margins, partially offset by a lower impairment charge against its property, plant and equipment and lower purchased energy expense.
- Strong health and safety performance in both Upstream and Downstream parts of the business; and
- Maintenance and enhancement of Harvest's capital structure including: the extension of the Credit Facility to April 30, 2017 and increase the Credit Facility commitment amount to $1 billion, the early

redemptions of Harvest's 7.25% Debentures Due 2013, 7.25% Debentures Due 2014 and the 7.50% Debentures Due 2015 in conjunction with the issuance of the lower interest bearing 2.125% Senior Notes, and the new $200 million subordinated loan facility agreement with KNOC.

(1) Please also refer to "Non-GAAP Measures" section for further details.

Compensation Summary

The following table sets forth for the year ended December 31, 2013 information concerning the compensation paid to the Named Executive Officers ("NEO") as defined under the National Instrument 51-102F6 Statement Of Executive Compensation:

Name and Principal Position	Year	Salary ($)	Non-Equity Incentive Plan Compensation ($)		All Other Compensation[(2)]	Total Compensation ($)
			Annual Incentive Plans[(1)]	Long-term Incentive Plans		
Myunghuhn Yi Chief Executive Officer[(3)]	2013	249,256	156,070	Nil	65,730	471,056[(4)]
	2012	205,956	Nil	Nil	44,398	250,354[(5)]
	2011	Nil	Nil	Nil	Nil	Nil
Chang-Koo Kang Chief Financial Officer[(3)]	2013	69,469	9,025	Nil	319,946	398,440
	2012	50,768	7,966	Nil	337,122	395,856
	2011	Nil	Nil	Nil	Nil	Nil
Les Hogan[(6)] Chief Operating Officer	2013	290,000	145,000	115,573	51,600	602,173
	2012	236,329	61,800	Nil	38,372	336,501
	2011	223,840	55,000	114,521	39,742	433,103
Phil Reist VP, Controller	2013	232,366	59,750	104,309	35,232	431,657
	2012	239,000	59,750	Nil	36,307	335,057
	2011	235,043	60,000	120,253	31,522	446,818
Richard Suffron VP, Operations	2013	227,000	57,000	81,289	41,453	406,742
	2012	214,292	56,750	Nil	35,968	307,010
	2011	200,625	40,000	78,694	33,896	353,215

(1) The annual incentive plan amounts were paid during the year except for Messrs. Hogan, Reist and Suffron's annual incentive plan amounts, which were paid shortly after the end of the fiscal year.
(2) Includes benefits like living, vehicle and housing allowances, the payment of income taxes, contributions to a savings plan and other benefits.
(3) Mr. Yi and Mr. Kang are directors of Harvest Operations, but did not receive compensation for their services as directors.
(4) Mr. Yi received a housing allowance perquisite in the amount of $48,000 in 2013, which comprised 73% of the total perquisites earned by Mr. Yi in the year.
(5) Mr. Kang received a perquisite relating to the payment of income taxes in the amount of $194,424 in 2013, which comprised 61% of the total perquisites earned by Mr. Kang in the year.
(6) On March 20, 2014, Mr. Hogan resigned as Chief Operating Officer, effective March 31, 2014.

The total cash compensation (salary plus annual bonus) paid to the CEO, CFO and the NEOs, calculated as a percentage of annual cash flow from operations was 0.75%, 0.16% and 0.31% for 2013, 2012 and 2011 respectively.

Termination and Change of Control Benefits

Harvest has entered into an executive employment agreement with Mr. Yi, CEO effective March 5, 2012. The agreement provides that, in the event of termination following the first year of employment, other than in the case of disability, but including for cause termination or resignation of Mr. Yi, he shall be entitled to a cash payment equal to the sum of his monthly base salary and 1/12 of his average annual bonus, multiplied by the number of completed years of employment. Under this agreement, completed years of employment are calculated to include fractional years.

The estimated termination payment for Mr. Yi at December 31, 2013 was $61,474.

If the employment of Mr. Yi is terminated due to a permanent disability (within the meaning of the employment agreement), he shall be entitled to receive payment of any earned but unpaid base salary, but shall not be entitled to receive any bonus, severance or termination pay or any other form of compensation for loss of employment.

Harvest has also entered into an executive employment agreement with Mr. Hogan, COO, effective November 8, 2012. The agreement provides that, in the event of termination of employment without cause, Mr. Hogan shall be entitled to receive a cash payment equal to a multiple of his total monthly compensation, where total monthly compensation is calculated as 1/12 of the aggregate of (i) his then annual base salary, (ii) an amount equal to 20% of annual base salary for loss of benefits and contribution to the savings plan and (iii) an amount equal to the average annual bonus payments made in the two prior years (or the last annual bonus or a reasonable estimate thereof if only one bonus year or no bonus year has been completed, as the case may be), plus the amount Mr. Hogan's long-term incentive plan related to prior years and unpaid as of the date of the termination, which vest upon termination on the last day actively work. Following completion of one year of employment under this agreement, the agreed multiple is 15 with an increment of one for each full or partial year of service under the agreement to a maximum of 18.

The estimated termination payment for Mr. Hogan at December 31, 2013 without cause was $679,473.

If the employment of Mr. Hogan is terminated for cause or in the event of permanent disability (within the meaning of the employment agreement), or if he voluntarily resigns his employment, he would be entitled to receive payment of any earned but unpaid base salary and accrued vacation, but would not be entitled to receive any bonus, severance or termination pay or any other payment for loss of employment. On March 20, 2014, Mr. Hogan resigned as Harvest's Chief Operating Officer, effective March 31, 2014.

Compensation of Directors

The independent directors of Harvest Operations Corp. were paid an annual retainer of $32,000. Committee chairmen were paid an annual retainer of $35,000, except for the audit committee chairman who was paid $37,000. In addition, the independent directors were paid $1,000 for each board meeting attended and $1,000 for each committee meeting attended. If an independent director attended two meetings on the same date, the independent director received $500 for the second meeting. The committee chairmen were paid $1,500 for each committee meeting attended. Independent directors are also eligible to receive an annual cash bonus of $10,000, which is not performance-based. Each such director was entitled to reimbursement for expenses incurred in carrying out his duties as director.

The following table sets forth all compensation provided to the independent directors of Harvest Operations for the most recently completed financial year ended December 31, 2013. The non-independent directors received no compensation for carrying out their duties as directors.

Name	Fees Earned ($)
Allan Buchignani	38,089
Randall Henderson	42,401
Richard Kines	43,089
William A. Friley(1)	33,594
Brant Sangster(2)	36,718

(1) On April 5, 2013, Mr. Brant Sangster resigned as a director removing himself as Chairs of the Audit Committee and Downstream Operations, Safety & Environment Committee.

(2) On April 17, 2013, Mr. William A. Friley resigned as a director removing himself as Chair of the Upstream Reserves, Safety & Environment Committee.

CORPORATE GOVERNANCE DISCLOSURE

Set out below is a description of Harvest's corporate governance practices as at the date hereof, relative to the National Instrument 58-101 — *Disclosure of Corporate Governance Practices* within Form 58-101F1 Disclosure (which is set out below in italics).

Harvest Board (the "Board") supervises the management of Harvest Operations' business and affairs and is responsible for the overall stewardship and governance of the Corporation. The Board has put in place standards and benchmarks by which that responsibility can be measured.

1. Harvest Board

(a) *Disclose the identity of directors who are independent.*

The Board has determined that the following three directors of Harvest Operations are independent:

Mr. Allan Buchignani

Mr. Randall Henderson

Mr. Richard Kines

(b) *Disclose the identity of directors who are not independent, and describe the basis for that determination.*

Mr. Chang Seok Jeong is the Executive Vice President for the Production Group for KNOC.

Mr. Kyungluck Sohn is the Vice President, Finance Management Department for KNOC and was the Chief Financial Officer of Harvest Operations prior to January 13, 2012.

Mr. Eugene Synn is a Special Advisor for KNOC.

Mr. Myunghuhn Yi is President & Chief Executive Officer of Harvest Operations.

Mr. Chang-Koo Kang is the Chief Financial Officer of Harvest Operations.

(c) *Disclose whether or not a majority of directors is independent. If a majority of directors is not independent, describe what the Board does to facilitate its exercise of independent judgement in carrying out its responsibilities.*

The majority of the directors are not independent. The Board facilitates the exercise of judgment in carrying out its responsibilities by having unrestricted access to information regarding the Corporation and by providing directors the ability to engage and seek input from outside advisors at the expense of the Corporation. Also, independent directors have the option to meet without non-independent directors or management present at the end of each board meeting. All of the board meetings in financial year 2013 included an in-camera session.

(d) *If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.*

The following directors of Harvest Operations are presently directors of other issuers that are reporting issuers (or the equivalent):

Name of Director	Name of Other Issuer
Mr. Randall Henderson	Cortex Business Solutions Inc.
	PGNX Capital Corp.

(e) *Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the Board does to facilitate open and candid discussion among its independent directors.*

The independent directors do not hold regular scheduled meetings at which non-independent directors and members of management are not in attendance. To facilitate open and candid discussion among its independent directors, break-out sessions are allowed according to board and committee mandates. At the end of, or during each board or committee meeting, as applicable, the members of management of Harvest Operations and KNOC who are present at such meeting may be asked to leave the meeting in order for the independent directors to discuss any necessary matters without management of Harvest Operations and KNOC being present.

(f) *Disclose whether or not the chair of the Board is an independent director. If the Board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the Board has neither a chair that is independent nor a lead director that is independent, describe what the Board does to provide leadership for its independent directors.*

The Board has determined that Mr. Chang-Seok Jeong, the Chairman of the Board, is not independent. As the Chairman, Mr. Jeong provides overall leadership to the Board. Independent directors are included as members of every committee of the Board.

In the case of the Audit Committee, the Upstream Reserves, Safety and Environment Committee, and the Downstream Operations, Safety and Environment Committee, the chairman of each of the committee is an independent director. The Chairman of the Board communicates with all directors and committee chairs to co-ordinate input from directors and optimize the effectiveness of the Board and its committees. Independent directors are encouraged to communicate with the Chairman and the CEO.

(g) *Disclose the attendance record of each director for all Board meetings held since the beginning of the issuer's most recently completed financial year.*

The attendance record of each of the directors of the Board is as follows:

Name of Director	Board Meetings Attended	Committee Meetings Attended
Mr. Chang-Seok Jeong, Chairman	4 out of 4 (100%)	2 out of 2 (100%)
Mr. Allan Buchignani(1)	2 out of 3 (67%)	6 out of 7 (86%)
Mr. Randall Henderson(1)	3 out of 3 (100%)	6 out of 6 (100%)
Mr. Richard Kines(1)	3 out of 3 (100%)	10 out of 10 (100%)
Mr. Chang-Koo Kang(2)	4 out of 4 (100%)	6 out of 6 (100%)
Mr. Kyungluck Sohn	0 out of 4 (0%)	0 out of 2 (0%)
Mr. Eugene Synn(1)	0 out of 2(0%)	0 out of 1 (0%)
Mr. Myunghuhn Yi	4 out of 4 (100%)	6 out of 7 (86%)

(1) Messrs. Allan Buchignani, Randall Henderson, Richard Kines and Eugene Synn were appointed to the Board and various Committees during 2013. Their attendances reflect all meetings held since their appointments.

(2) Mr. Chang-Koo Kang removed himself from the Audit Committee in May 2013. His committee meeting attendance reflects all meetings including the Audit Committee meeting up to May 2013.

Note: All of the above meetings included an *in-camera* session without members of management present.

2. Harvest Board Mandate

Disclose the text of the Board's written mandate. If the Board does not have a written mandate, describe how the Board delineates its role and responsibilities.

The mandate of the Harvest Board is attached as Appendix B hereto.

3. Position Descriptions

(a) *Disclose whether or not the Board has developed written position descriptions for the chair and the chair of each Board committee. If the Board has not developed written position descriptions for the chair and/or the chair of each Board committee, briefly describe how the Board delineates the role and responsibilities of each such position.*

The Board has not yet developed such position descriptions in part given that the roles, responsibilities and functions of the Board and committees themselves have been comprehensively defined in the terms of reference which have been developed for the Board and each committee. As well, there is some delineation of the roles and responsibilities of the chairs within the committees' terms of reference, which expressly address certain procedural and communication responsibilities that are obligations of the chair. These include presiding at meetings and approving agendas. In practice, the Board has looked to the leadership role of each committee chair as including any responsibilities required to facilitate the effective operation and management of the committee and the interactions of the committee with management, the Board and other board committees, and also to manage the process of identifying and bringing forward for committee consideration matters which are within the committee's mandate.

(b) *Disclose whether or not the Board and CEO have developed a written position description for the CEO. If the Board and the CEO have not developed such a position description, briefly describe how the Board delineates the role and responsibilities of the CEO.*

The Board has developed a position description for the President and CEO of Harvest Operations.

4. Orientation and Continuing Education

(a) *Briefly describe what measures the Board takes to orient new directors regarding: (i) the role of the Board, its committees and its directors; and (ii) the nature and operation of the issuer's business.*

The Board has the mandate to support an orientation and education program for new Board members in order to ensure that new directors are familiarized with Harvest's business, including Harvest's field operations, management, administration, policies and plans, and the procedures of the Board. When a new director is appointed to the Board and/or one of its committees the director is provided with copies of Harvest's most recent Annual Report, Quarterly Report and Annual Information Form as well as a copy of the Board Mandate and relevant Committee Mandates.

(b) *Briefly describe what measures, if any, the Board takes to provide continuing education for its directors. If the Board does not provide continuing education, describe how the Board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.*

Harvest Operations encourages directors to attend, enrol or participate in courses and/or seminars dealing with financial literacy, corporate governance and related matters and has agreed to pay the cost of such courses and seminars.

5. Ethical Business Conduct

(a) *Disclose whether or not the Board has adopted a written code for the directors, officers and employees. If the Board has adopted a written code:*

(i) Disclose how a person or company may obtain a copy of the code;

The Board has adopted a code of ethics applicable to all members of Harvest Operations, including directors, officers and employees. Each director, officer and employee of Harvest Operations has been provided with a copy of the applicable code of ethics. In addition, a copy of code of ethics has been filed on SEDAR at www.sedar.com.

(ii) Describe how the Board monitors compliance with its code, or if the Board does not monitor compliance, explain whether and how the Board satisfies itself regarding compliance with its code; and

The Board monitors compliance with the codes of ethics by requiring each of the officers and employees of Harvest Operations to affirm in writing on hiring and annually thereafter their compliance with the applicable code of ethics.

(iii) Provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.

There have been no material change reports filed since the beginning of the 2013 financial year that pertain to any conduct of a director or executive officer that constitutes a departure from the Corporation's code of ethics.

(b) *Describe any steps the Board takes to ensure directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest.*

In accordance with the ABCA, directors who are a party to, or are a director of, or an officer of a party to a material contract or material transaction or a proposed material contract or proposed material transaction are required to disclose the nature and extent of their interest and not to vote on any resolution to approve the contract or transaction. In certain cases, an independent committee may be formed to deliberate on such matters in the absence of the interested party.

(c) *Describe any other steps the Board takes to encourage and promote a culture of ethical business conduct.*

The Board has also adopted a "Whistleblower Policy" wherein employees of Harvest Operations are provided with a mechanism by which they can raise concerns in a confidential and anonymous manner.

6. Nomination of Directors

(a) *Describe the process by which the Board identifies new candidates for Board nomination.*

The Board does not have a formal process established to identify new candidates for Board nomination. Among other things, the Board will consider nominees presented by the shareholder and management. New candidates for nomination to the Board are identified and selected having regard to the strengths and composition of the existing Board and the needs of Harvest.

(b) *Disclose whether or not the Board has a nominating committee composed entirely of independent directors. If the Board does not have a nominating committee composed entirely of independent directors, describe what steps the Board takes to encourage an objective nomination process.*

Harvest does not have a nominating committee nor has the Board delegated the process of Board nomination to any committee.

(c) *If the Board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.*

Not applicable.

7. Compensation

(a) *Describe the process by which the Board determines the compensation for the issuer's directors and officers.*

Compensation of Directors

The Compensation and Corporate Governance Committee reviews annually the form and amount of compensation to ensure that such compensation reflects the responsibilities and risks of being an effective director. The Compensation and Corporate Governance Committee benchmarks directors' compensation against compensation received by directors in similar positions. The Board will set director compensation based upon recommendations from this committee.

Please see “Executive Compensation; *Compensation of Directors*” of this AIF for information regarding compensation of the directors.

Compensation of Officers

Please refer to the “Executive Compensation” section on of this AIF for a discussion of the process by which the Board determines the compensation for Harvest’s officers.

(b) *Disclose whether or not the Board has a compensation committee composed entirely of independent directors. If the Board does not have a compensation committee composed entirely of independent directors, describe what steps the Board takes to ensure an objective process for determining such compensation.*

The Compensation and Corporate Governance Committee is not composed entirely of independent directors, but the non-independent directors are not members of the Corporation’s management and are not seconded to nor do they have any other relationship with Harvest. The non-independent directors of the Compensation and Corporate Governance Committee are executive officers or directors of Harvest’s sole shareholder and parent corporation KNOC. These individuals are considered under the provisions of the National Instrument to have a material relationship with Harvest, without the necessity to apply the test of material relationship as a relationship which could, in the view of the Board, reasonably interfere with the exercise of a committee member's independent judgment.

The Board, has developed certain requirements, (included within comprehensive and specific terms of reference for the compensation committee), which are designed to ensure an objective process for determining compensation. The terms of reference expressly provide that the Compensation and Corporate Governance Committee shall not include management directors as members. The mandate of the Compensation and Corporate Governance Committee requires the establishment of goals and objectives for the President and CEO of Harvest and annually reviews the performance of the President and CEO relative to such goals and objectives to determine compensation and evaluate performance in light of such goals and objectives. The Compensation and Corporate Governance Committee may also retain, at Harvest's expense, persons with special expertise and obtain independent advice to assist in fulfilling its responsibilities. Please see "Executive Compensation" of this AIF for further discussion.

(c) *If the Board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.*

The Compensation and Corporate Governance Committee is responsible to the Board for reviewing matters relating to the human resource policies, employee retention and short and long-term compensation of the directors, officers and employees of Harvest and its subsidiaries in the context of the budget and business plan of Harvest Operations.

(d) *If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.*

Harvest Operation has not retained any compensation consultant or advisor since the beginning of 2013.

8. Other Harvest Board Committees

If the Board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.

In addition to the Audit Committee, and the Compensation and Corporate Governance Committee, the Board has also appointed an Upstream Reserves, Safety and Environment Committee and a Downstream Operations, Safety and Environment Committee.

The Upstream Reserves, Safety and Environment Committee is comprised of Messrs. Allan Buchignani (Chairman), Richard Kines and Myunghuhn Yi. The Upstream Reserves, Safety and Environment Committee's primary objectives are as follows:

- To assist directors in meeting their responsibilities (especially for accountability) in respect of Harvest meeting its legal, industry and community obligations pertaining to Upstream Matters;
- To assist directors in meeting their responsibilities in respect of Harvest establishing appropriate health, safety, and environmental policies and procedures for Upstream Business and maintaining management systems to implement such policies and monitor compliance; and
- To assist directors in meeting their responsibilities in respect of certain responsibilities of the Board that may be delegated to it in accordance with NI 51-101.

More specific responsibilities of the committee include reviewing Upstream's internal control systems, strategies and policies, reviewing and approving the appointment of the independent reserves evaluating firms reporting on Harvest's oil and natural gas reserves, reviewing procedures relating to the disclosure of information with respect to oil and gas activities, including procedures for complying with NI 51-101 disclosure requirements, reviewing the reserves data and Harvest's procedures for providing information to the evaluators, meeting with management and the evaluators retained to perform procedures as outlined in NI 51-101F3, and reviewing and recommending to the Board for approval the content and filing of the annual statement of reserves data and other reports required under NI 51-101. The Upstream Reserves, Safety and Environment Committee is also responsible for ensuring compliance on a quarterly basis with all applicable laws and regulations and Harvest's policies with respect to EH&S matters, reviewing the findings from regulatory agencies and external consultants, and providing strategic direction in those areas when required.

The Downstream Operations, Safety and Environment Committee is comprised of Messrs. Richard Kines (Chairman), Chang-Koo Kang, and Myunghuhn Yi, with the primary objectives as follows:

- To assist directors in meeting their responsibilities in respect of Harvest meeting its legal, industry and community obligations pertaining to Downstream matters; and
- To assist directors in meeting their responsibilities in respect of Harvest establishing appropriate Downstream matters policies and procedures and maintaining management systems to implement such policies and monitor compliance.

The Downstream Operations, Safety and Environment Committee's specific responsibilities include reviewing Downstream's internal control systems, strategies and policies, evaluating and monitoring the operational performance and efficiency of the Downstream business, recommending to the Board any changes considered necessary or advisable to practices and other operational matters related to improvement or maintenance of performance or efficiency, and reviewing and reporting to the Board on compliance with all applicable laws, regulations and policies as well as on findings under significant reports of regulatory agencies, external EH&S consultants or auditors and corrective measures taken to address issues and risks, an on reviews of environmental implications of major undertaking.

9. Assessments

Disclose whether or not the Board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the Board satisfies itself that the Board, its committees, and its individual directors are performing effectively.

The Chairman of the Board actively participates in and oversees the administration of the annual evaluation of performance and effectiveness of the Board, Board Committees, all individual Directors, and Committee Chairs (other than the Board Chair).

CONFLICTS OF INTEREST

As of the date hereof, Harvest is not aware of any existing or potential material conflict of interest between Harvest or its subsidiaries and any directors or officers of Harvest or Harvest's subsidiaries.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

There are no legal proceedings which the Corporation or any subsidiary of the Corporation is or was a party to, or that any of their property is or was the subject of during the year ended December 31, 2013, nor are there any proceedings known to Harvest to be contemplated that involve a claim for damages exceeding ten per cent of Harvest's current assets.

There were no penalties or sanctions imposed against the Corporation or any subsidiary of the Corporation by a court relating to securities legislation or by a securities regulatory authority during the year ended December 31, 2013 or any other penalties or sanctions imposed by a court or regulatory body against the Corporation or any subsidiary of the Corporation that would likely be considered important to a reasonable investor in making an investment decision. No settlement agreements were entered into by the Corporation or any subsidiary of the Corporation with a court relating to securities legislation or with a securities regulatory authority during the year ended December 31, 2013.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed below, or elsewhere in this AIF, no director or executive officer of Harvest Operations, no person that beneficially owns, or controls or directs, directly or indirectly more than 10% of the shares of Harvest Operations or of, as applicable in prior years, the Trust Units and no known associate or affiliate of, any such person, had or has had material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Trust or the Corporation, as applicable.

On August 16, 2012, Harvest entered into a subordinated loan agreement with Ankor E&P Holdings Corp., a 100% owned subsidiary of KNOC, to borrow US$170 million at a fixed interest rate of 4.62% per annum.

On December 30, 2013, Harvest entered into a subordinated loan facility agreement with KNOC, the sole owner of Harvest, under which Harvest could borrow up to $200 million at a fixed interest rate of 5.3% per annum. As of December 31, 2013, $80 million was drawn from the facility.

AUDITORS

KPMG LLP, Chartered Accountants, have been appointed auditors of Harvest on October 15, 2013.

TRANSFER AGENT AND REGISTRAR

Citigroup Global Markets Deutschland AG, at its principal office in Frankfurt, Germany, is the registrar of the 2⅛% Senior Notes Due 2018.

Citibank, London Branch, at its principal office in Dublin 1, Island, is the Fiscal Agent of the 2⅛% Senior Notes Due 2018.

The Depository Trust Company, at its principal offices in New York, New York, is the transfer agent and registrar of the 6⅞% Senior Notes Due 2017.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only material contracts entered into by the Corporation within the most recently completed financial year, or before the most recently completed financial year but still in effect, are the following:

1. The Fiscal Agency Agreement, Notation of Guarantee and the Global Note (see the Related Party Loans description in the General Description of Capital Structure section of this AIF)
2. the Note Indenture (see Debentures and the Debenture Indenture description in the General Description of Capital Structure section of this AIF);
3. Amended and Restated Credit Agreement dated April 30, 2010, as amended by amending agreements dated December 17, 2010, April 29, 2011, December 16, 2011, June 29, 2012, July 31, 2012, March 12, 2013 and October 18, 2013 (see the Credit Facility description in the General Description of Capital Structure section of this AIF); and
4. the Supply and Offtake Agreement (2011) (see SOA 2011 discussion in the Downstream portion of General Business Description section of this AIF).

INTERESTS OF EXPERTS

There is no person or company whose profession or business gives authority to a statement made by such person or company and who is named as having prepared or certified a report, valuation, statement or opinion described or included in a filing, or referred to in a filing, made under National Instrument 51-102 by the Corporation during, or related to, the Corporation's most recently completed financial year other than GLJ, the Independent Reserves Evaluator, Ernst & Young LLP and KPMG LLP. As at the date hereof, none of the principals of GLJ as a group, directly or indirectly, owned more than 1% of any class of securities of the Corporation.

KPMG LLP, Chartered Accountants, 2700, 205 – 5th Avenue S.W., Calgary, Alberta, T2P 4B9, is the auditor of Harvest as of and for the year ended December 31, 2013. KPMG LLP is independent in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta and within the meaning of the applicable rules and regulations of the United States Securities and Exchange Commission and the Public Company Accounting Oversight Board (United States).

Ernst & Young LLP, Chartered Accountants, 1000, 440 – 2nd Avenue S.W., Calgary, Alberta, T2P 5E9, was the auditor of Harvest as of and for the year ended December 31, 2012. Ernst & Young LLP was independent in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta and within the meaning of the applicable rules and regulations of the United States Securities and Exchange Commission and the Public Company Accounting Oversight Board (United States) during the period when Ernst & Young LLP held office of Harvest's independent auditor.

In addition, none of the aforementioned persons or companies, nor any director, officer or employee of any of the aforementioned persons or companies, is or is expected to be elected, appointed or employed as a director, officer or employee of the Corporation or of any associate or affiliate of the Corporation.

ADDITIONAL INFORMATION

Additional financial information is provided in Harvest's audited consolidated financial statements and notes thereto for the year ended December 31, 2013 and Harvest's Management's Discussion and Analysis for the year ended December 31, 2013 which may be found on SEDAR at www.sedar.com.

For further information, please visit Harvest's website at www.harvestenergy.ca, email investor@harvestenergy.ca or call our toll free line at 1-866-666-1178.

Forward-Looking Statements

Certain statements contained in this AIF and documents incorporated by reference herein, constitute forward-looking statements. These statements relate to future events and future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those included in the forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as: "budget", "outlook", "forecast", "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. Harvest believes the expectations reflected in these forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in, or incorporated by reference into, this AIF should not be unduly relied upon. These statements speak only as of the date of this AIF or as of the date specified in the documents incorporated by reference into this AIF, as the case may be.

In particular, this AIF, and the documents incorporated by reference herein, contains forward-looking statements pertaining to:

- expected financial and operational performance in future periods, including but not limited to, production volumes, refinery throughput volumes, royalty rates, operating costs, commodity prices, general and administrative costs, refinery utilization rates and results from its price risk management activities;
- expected increases in revenue, net income and cash flows attributable to development and production activities;
- expectations regarding the development and production potential of Upstream and BlackGold properties;
- reserves estimates, ultimate recoverability of reserves and estimates of the present value of Harvest's future net cash flows;

- estimated capital expenditures and the sources of funding;
- factors upon which to decide whether or not to undertake a capital project;
- future sources of funding, debt levels and availability of committed credit facilities;
- future allocation of funding to various activities;
- plans to make acquisitions and dispositions, and expected synergies from acquisitions made;
- possible financial and operational impact from planned dispositions;
- possible commerciality of exploration and development projects;
- the ability to achieve the maximum capacity from the BlackGold central processing facilities;
- expected timing, cost and associated impact of facility turnaround and maintenance;
- treatment under government regulatory regimes including without limitation, royalty, environmental and tax regulations;
- ultimate recoverability, either from intended use or from sale, of the Harvest's assets;
- competitive advantages and ability to compete successfully; and
- global demand and supply of crude oil, natural gas, bitumen, refined products and other related products.

With respect to forward-looking statements contained in this AIF and the documents incorporate by reference herein, Harvest has made assumptions regarding, among other things:

- future oil and natural gas prices and differentials among light, medium and heavy oil prices;
- future refining margins, including but not limited to refined product prices, feedstock prices, sour crude differentials, freight costs, RINs costs, and yield mix;
- Harvest's ability to conduct its operations and achieve results of operations as anticipated;
- Harvest's ability to achieve the expected results from its development plans and sustaining maintenance programs;
- the costs and time required to complete the BlackGold project;
- the continued availability of adequate cash flow and debt and/or equity financing to fund Harvest's capital and operating requirements as needed;
- Harvest's ability to obtain financing with favorable terms;
- the general continuance of current or, where applicable, assumed industry conditions;
- the general continuation of assumed tax, royalty and regulatory regimes;
- the accuracy of the Corporation's reserves;
- the ability to obtain equipment in a timely manner to carry out development and other capital activities;
- the ability to market oil and natural gas successfully to current and new customers;
- the cost of expanding Harvest's property holdings;
- the impact of increasing competition;
- the ability to add production and reserves through development and exploitation activities; and
- the ability to produce gasoline, low sulphur diesel, jet fuel, furnace oil, and other refined products that meet customer specifications.

Some of the significant risks and uncertainties that could affect Harvest's future results and could cause results to differ materially from those expressed in forward-looking statements include but is not limited to:

- volatilities of commodity prices, especially the prices differential between light oil and heavy oil and the refining margins;
- uncertainties in the estimation of reserves;
- costs associated with developing and producing Upstream and BlackGold reserves, and operating Downstream business;
- outages and disruptions to Harvest's operations due to operational issues, severe weather conditions, accidents or natural hazards;
- difficulties encountered to complete and commission the BlackGold project;
- difficulties encountered in delivering Upstream and Downstream products to commercial markets;
- difficulties encountered during the drilling for and production of crude oil, natural gas, bitumen and other related products;

- difficulties encountered in the integration of acquisitions;
- uncertainties around realizing the value of acquisitions;
- uncertainties around Harvest's ability to attract capital;
- interest rate and foreign currency fluctuations;
- non-performance risks associated with Harvest's counterparties;
- changes in, or the introduction of new, government laws and regulations relating to the crude oil and natural gas business including without limitation, tax, royalty and environmental law and regulation;
- the extent and timing of decommissioning liabilities and environmental remediation obligations;
- liabilities stemming from accidental damage to the environment;
- adverse changes in the economy generally, such as global demand and supply for commodities;
- the impact of technology on operations and developments of Harvest's assets;
- loss of the services of any of Harvest's senior management or directors;
- the impact of competition; and
- labour and material shortages.

Statements relating to "reserves" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitably produced in the future. Readers are cautioned that the foregoing lists of assumptions and factors are not exhaustive. The forward- looking statements contained in this AIF and documents incorporated by reference herein are expressly qualified by this cautionary statement. Readers should also carefully consider the matters discussed under the heading "RISK FACTORS" in this AIF.

Additional GAAP Measures

Harvest uses "operating income (loss)", an additional GAAP measure that is not defined under IFRS hereinafter also referred to as "GAAP". The measure is commonly used for comparative purposes in the petroleum and natural gas and refining industries to reflect operating results before items not directly related to operations. Harvest uses this measure to assess and compare the performance of its operating segments.

Non-GAAP Measures

Throughout this document, the Corporation has referred to certain measures of financial performance that are not specifically defined under GAAP such as "operating netbacks, "EBITDA", "refining margin", "total debt", "senior debt to EBITDA", "EBITDA to interest expense", "total debt to EBITDA", and "total debt to capitalization".

"Operating netbacks" are reported on a per boe basis and used extensively in the Canadian energy sector for comparative purposes. "Operating netbacks" include revenues, operating expenses, transportation and marketing expenses, and realized gains or losses on risk management contracts. "Refining margin" is commonly used in the refining industry to reflect the net funds received from the sale of refined products after considering the cost to purchase the feedstock and is calculated by deducting purchased products for resale and processing from total revenue. "Total debt", "total capitalization", and "EBITDA" are used to assist management in assessing liquidity and the Corporation's ability to meet financial obligations. "Senior debt to EBITDA", "total debt to EBITDA", "EBITDA to interest expense" and "total debt to capitalization" are terms defined in Harvest's Credit Facility agreement for the purpose of calculation of the Corporation's financial covenants. The non-GAAP measures do not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures used by other issuers. The non-GAAP measures do not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures used by other issuers. The determination of the non-GAAP measures and reconciliations to IFRS measures and/or account balances is included in the Corporation's Management's Discussion and Analysis for the year ended December 31, 2013 which is available on SEDAR at www.sedar.com.

APPENDIX A - HARVEST OPERATIONS AUDIT COMMITTEE MANDATE AND TERMS OF REFERENCE

Role and Objective

The Audit Committee (the "Committee") is a committee of the board of directors (the "Board") of Harvest Operations Corp. ("HOC") to which the Board has delegated its responsibility for oversight of the nature and scope of the annual audit, management's reporting on internal accounting standards and practices, financial information and accounting systems and procedures, financial reporting and statements and recommending, for approval of the Board, the audited financial statements, interim financial statements and other mandatory disclosure releases containing financial information. The primary objectives of the Committee with respect to HOC and its subsidiaries, (hereinafter collectively referred to as "Harvest") are as follows:

1. to assist directors meet their responsibilities (especially for accountability) in respect of the preparation and disclosure of the financial statements of Harvest and related matters;
2. to ensure that Harvest complies with all applicable laws, regulations, rules, policies and other requirements of governments, regulatory agencies and stock exchanges relating to financial reporting and disclosure;
3. to enhance that Harvest's accounting functions are performed in accordance with a system of internal controls designed to capture and record properly and accurately all of the financial transactions;
4. to provide better communication between directors and external auditor(s);
5. to enhance the external auditor's independence;
6. to increase the credibility and objectivity of financial reports; including that such reports are accurate within a reasonable level of materiality and present fairly Harvest's financial position and performance in accordance with generally accepted accounting principles consistently applied; and
7. to strengthen the role of the outside directors by facilitating in depth discussions between directors on the Committee, management and external auditor(s).

Membership of Committee

1. The Committee shall be comprised of at least three (3) directors of Harvest Operations, none of whom are members of management of Harvest Operations and all of whom are "unrelated directors" (as such term is used in the Report of the Toronto Stock Exchange on Corporate Governance in Canada) and "independent" (as such term is used in Multilateral Instrument 52-110 – Audit Committees ("MI 52-110") unless the Board shall have determined that the exemption contained in Section 3.6 of MI 52-110 is available and has determined to rely thereon.
2. All of the members of the Committee shall be "financially literate" (as defined in MI 52-110) unless the Board shall determine that an exemption under MI 52-110 from such requirement in respect of any particular member is available and has determined to rely thereon in accordance with the provisions of MI 52-110.
3. Unless otherwise designated by the Board, the members of the Committee shall elect a Chairman from among the members and the Chair shall preside at all meetings of the Committee.

Mandate and Responsibilities of Committee

1. It is the responsibility of the Committee to oversee the work of the external auditor(s), including resolution of disagreements between management and the external auditor(s) regarding financial reporting.
2. It is the responsibility of the Committee to satisfy itself on behalf of the Board with respect to Harvest's Internal Control Systems:
    - identifying, monitoring and mitigating business risks; and

- ensuring compliance with legal, ethical and regulatory requirements.

3. It is a primary responsibility of the Committee to review the annual and interim financial statements of Harvest and related management's discussion and analysis ("MD&A") prior to their submission to the Board for approval. The process should include but not be limited to:
   - reviewing changes in accounting principles and policies, or in their application, which may have a material impact on the current or future years' financial statements;
   - reviewing significant accruals, reserves or other estimates such as the ceiling test calculation;
   - reviewing accounting treatment of unusual or non-recurring transactions;
   - ascertaining compliance with covenants under loan agreements;
   - reviewing disclosure requirements for commitments and contingencies;
   - reviewing adjustments raised by the external auditor(s), whether or not included in the financial statements;
   - reviewing unresolved differences between management and the external auditor(s); and
   - obtain explanations of significant variances with comparative reporting periods.
4. The Committee is to review the financial statements, prospectuses, MD&A, annual information forms and all public disclosure containing audited or unaudited financial information (including, without limitation, annual and interim press releases and any other press releases disclosing earnings or financial results) before release and prior to Board approval. The Committee must be satisfied that adequate procedures are in place for the review of Harvest's disclosure of all other financial information and shall periodically access the accuracy of those procedures.
5. With respect to the appointment of external auditor(s) by the Board, the Committee shall:
   - recommend to the Board the external auditor(s) to be nominated;
   - recommend to the Board the terms of engagement of the external auditor(s), including the compensation of the auditor(s) and a confirmation that the external auditor(s) shall report directly to the Committee;
   - on an annual basis, review and discuss with the external auditor(s) all significant relationships such auditor(s) have with the Harvest to determine the auditor(s)' independence;
   - when there is to be a change in auditor(s), review the issues related to the change and the information to be included in the required notice to securities regulators of such change; and
   - review and pre-approve any non-audit services to be provided to Harvest by the external auditor(s) and consider the impact on the independence of such auditor(s). The Committee may delegate to one or more independent members the authority to pre–approve non–audit services, provided that the member report to the Committee at the next scheduled meeting such pre–approval and the member comply with such other procedures as may be established by the Committee from time to time.
6. Review with external auditor(s) (and internal auditor if one is appointed by Harvest) their assessment of the internal controls of Harvest, their written reports containing recommendations for improvement, and management's response and follow-up to any identified weaknesses. The Committee shall also review annually with the external auditor(s) their plan for their audit and, upon completion of the audit, their reports upon the financial statements of Harvest and its subsidiaries.
7. The Committee shall review risk management policies and procedures of Harvest (i.e. hedging, litigation and insurance).
8. The Committee shall establish a procedure for:
   - the receipt, retention and treatment of complaints received by Harvest regarding accounting, internal accounting controls or auditing matters; and

- the confidential, anonymous submission by employees of Harvest of concerns regarding questionable accounting or auditing matters.

9. The Committee shall review and approve Harvest's hiring policies regarding partners and employees and former partners and employees of the present and former external auditor(s) of Harvest.
10. The Committee shall have the authority to investigate any financial activity of Harvest. All employees of Harvest are to cooperate as requested by the Committee.
11. The Committee may retain persons having special expertise and/or obtain independent professional advice to assist in filling their responsibilities at the expense of Harvest without any further approval of the Board.
12. The Committee shall review the Committee mandate and subsequent revisions periodically, and recommend to the Board for approval.

Meetings and Administrative Matters

1. At all meetings of the Committee every question shall be decided by a majority of the votes cast. In case of an equality of votes, the Chairman of the meeting shall not be entitled to a second or casting vote.
2. The Chair shall preside at all meetings of the Committee, unless the Chair is not present, in which case the members of the Committee present shall designate from among the members present the Chair for purposes of the meeting.
3. A quorum for meetings of the Committee shall be a majority of its members, and the rules for calling, holding, conducting and adjourning meetings of the Committee shall be the same as those governing the Board unless otherwise determined by the Committee or the Board.
4. Meetings of the Committee should be scheduled to take place at least four times per year and at such other times as the Chair of the Committee may determine necessary. Minutes of all meetings of the Committee shall be taken. The Chief Financial Officer shall attend meetings of the Committee, unless otherwise excused from all or part of any such meeting by the Chairman.
5. The Committee shall meet with the external auditor(s) at least once per year (in connection with the preparation of the year-end financial statements) and at such other times as the external auditor(s) and the Committee consider appropriate.
6. Agendas, approved by the Chair, shall be circulated to Committee members along with background information on a timely basis prior to the Committee meetings.
7. The Committee may invite such officers, directors and employees of the Corporation as it may see fit from time to time to attend at meetings of the Committee and assist thereat in the discussion and consideration of the matters being considered by the Committee.
8. At the discretion of the Committee, the members of the Committee shall meet in private session (in camera) with the external auditor(s), management and with Committee members as required.
9. Following each meeting, the Committee will report to the Board. Upon request, copies of the materials of such Committee meeting should be provided at the next Board meeting after a meeting is held (these may still be in draft form).
10. Minutes of the Committee will be recorded and maintained and circulated to directors who are not members of the Committee or otherwise made available at a subsequent meeting of the Board upon request.
11. The Committee may retain persons having special expertise and/or obtain independent professional advice to assist in fulfilling its responsibilities at the expense of Harvest.
12. Any members of the Committee may be removed or replaced at any time by the Board and shall cease to be a member of the Committee as soon as such member ceases to be a director. The Board may fill vacancies on the Committee by appointment from among its members. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all its powers so long as a quorum remains.

Subject to the foregoing, each member of the Committee shall hold such office until the Committee is reconstituted by the Board.

Any issues arising from these meetings that bear on the relationship between the Board and management should be communicated to the Chairman of the Board by the Committee Chair.

APPENDIX B - HARVEST OPERATIONS MANDATE OF THE HARVEST BOARD

The Board of Directors of Harvest Operations Corp. is responsible for the stewardship of the Harvest Operations Corp. ("HOC") and its subsidiaries. In discharging its responsibility, the Board will exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances and will act honestly and in good faith with a view to the best interests of Harvest. In general terms, the Board will:

A. in consultation with the President and Chief Executive Officer of Harvest, define the principal objective(s) of Harvest;

B. supervise the management of the business and affairs of Harvest with the goal of achieving Harvest's principal objective(s) as defined by the Board;

C. discharge the duties imposed on the Board by applicable laws; and

D. for the purpose of carrying out the foregoing responsibilities, take all such actions as the Board deems necessary or appropriate.

Without limiting the generality of the foregoing, the Board will perform the following duties:

Strategic Direction, Operating, Capital and Financial Plans

1. require Management to present annually to the Board a longer range strategic plan and a shorter range business plan for Harvest's business, which plans must:
   (a) be designed to achieve Harvest's principal objectives,
   (b) identify the principal strategic and operational opportunities and risks of Harvest's business, and
   (c) be approved by the Board as a pre-condition to the implementation of such plans;
2. review progress towards the achievement of the goals established in the strategic, operating and capital plans;
3. identify the principal risks of Harvest's business and take all reasonable steps to ensure the implementation of the appropriate systems to manage these risks;
4. approve the annual operating and capital plans;
5. approve acquisitions and dispositions in excess of a pre-determined limit;
6. approve the establishment of credit facilities;
7. approve issuances of additional equity or other securities to the public; and
8. monitor Harvest's progress towards its goals, and to revise and alter its direction through management in light of changing circumstances.

Management and Organization

1. monitor overall human resources policies and procedures, including compensation and succession planning;
2. approve the dividend policy of Harvest;
3. appoint the President and Chief Executive Officer and determine the terms of the President and Chief Executive Officer's employment with Harvest and monitor the President and Chief Executive Officer's performance against a set of mutually agreed corporate objectives directed at maximizing shareholder value;
4. in consultation with the President and Chief Executive Officer, develop a clear mandate and position description for the President and Chief Executive Officer, which includes a delineation of management's authority and responsibility in conducting Harvest's business;

5. in consultation with the President and Chief Executive Officer, appoint all officers of Harvest and approve the terms of each officer's employment with Harvest;
6. delegate the authority to the Compensation and Corporate Governance Committee on annual overall compensations including STI and LTI for the management, each senior officer and employees, based on Compensation and Corporate Governance Committee ’s evaluation of the performance of the Corporation and management including each senior officer;
7. develop a process that adequately provides for succession planning, including, the appointing, training and monitoring of senior management;
8. approve any proposed significant change in the management organization structure of Harvest;
9. in consultation with the President and Chief Executive Officer, review and maintain the Disclosure Policy for Harvest; and
10. generally provide advice and guidance to management.

Finances and Controls

1. use reasonable efforts to ensure that Harvest maintains appropriate systems to manage the risks of Harvest's business;
2. monitor the appropriateness of Harvest's capital structure;
3. ensure that the financial performance of Harvest is properly reported to shareholders, other security holders and regulators on a timely and regular basis;
4. in consultation with the President and Chief Executive Officer, establish the ethical standards to be observed by all officers and employees of HOC and use reasonable efforts to ensure that a process is in place to monitor compliance with those standards;
5. require that the President and Chief Executive Officer institute and monitor processes and systems designed to ensure compliance with applicable laws by HOC and its officers and employees;
6. require that the President and Chief Executive Officer institute, and maintain the integrity of, internal control and information systems, including maintenance of all required records and documentation;
7. review and approve material contracts to be entered into by Harvest;
8. review and approve a firm of chartered accountants to be appointed as Harvest's auditor(s); and
9. take all necessary actions to gain reasonable assurance that all financial information made public by Harvest (including Harvest's annual and quarterly financial statements) is accurate and complete and represents fairly Harvest's financial position and performance.

Governance

1. in consultation with the Chairman of the Board, develop a position description for the Chairman of the Board;
2. facilitate the continuity, effectiveness and independence of the Board by, amongst other things:
   (a) selecting from nominees made by the shareholder for election to the Board;
   (b) appointing a Chairman of the Board who is not a member of management;
   (c) appointing from amongst the directors an audit committee and such other committees of the Board as the Board deems appropriate and in compliance with corporate governance regulations;
   (d) defining the mandate of each committee of the Board;
   (e) provide comprehensive orientation to new directors of the Board; and
   (f) establishing a system to enable any director to retain an outside adviser having special expertise and/or obtain independent professional advice to assist in fulfilling their responsibilities at the expense of Harvest;

3. review and approve annually the adequacy and form of the compensation of directors.

Delegation

1. the Board may delegate its duties to and receive reports and recommendations from any committee of the Board.

Meetings

1. the Board shall meet at least four times per year and/or as deemed appropriate by the Board Chair;
2. minutes of each meeting shall be prepared;
3. the President and Chief Executive Officer or his/her designate(s) may be present at all meetings of the Board;
4. Vice-Presidents and such other staff as appropriate to provide information to the Board shall attend meetings at the invitation of the Board;
5. at the end of each meeting, members have the option to meet without management directors and management present; and
6. at the end of each meeting, independent members have the option to meet without non-independent directors present.

APPENDIX C – 2013 MERCER TOTAL COMPENSATION SURVEY PARTICIPANTS: CANADIAN EXPLORATION & PRODUCTION AND FULLY INTEGRATED

Access Pipeline, Inc.
Advantage Oil & Gas, Ltd.
Agrium, Inc.
Alberta Electric System Operator
Alberta Energy Regulator
Alberta Innovates - Technology Futures
Alberta Utilities Commission
Alliance Pipeline
AltaGas Utilities, Inc.
AltaGas, Ltd.
AltaLink Management, Ltd.
Altex Energy Ltd.
Anderson Energy, Ltd.
Angle Energy, Inc.
Apache Canada, Ltd.
ARC Resources, Ltd.
Arcis Seismic Solutions Corp.
AREVA Resources Canada, Inc.
Arsenal Energy, Inc.
ATCO Electric
ATCO Energy Solutions
ATCO Gas
ATCO Group
ATCO Pipelines
ATCO Power Canada, Ltd.
Athabasca Oil Sands Corp.
Autopro Automation Consultants, Ltd.
Aux Sable Canada
Baker Hughes Canada Company
Bankers Petroleum, Ltd.
Baytex Energy Corp
Bellatrix Exploration, Ltd.
BHP Billiton Canada, Inc.
Birchcliff Energy, Ltd.
Black Swan Energy, Ltd.
Bonavista Energy Corporation
BP Canada Energy Group ULC
Brookfield Renewable Power
Calfrac Well Services, Ltd.
Calmena Energy Services, Inc.
Cameco Corporation
Canada-Newfoundland and Labrador Offshore Petroleum Board
Canadian Association of Petroleum Producers (CAPP)
Canadian Energy Pipeline Association
Canadian Natural Resources, Ltd.
Canadian Oil Sands Limited
CanElson Drilling, Inc.
CanEra Energy Corporation
Canexus Corp.
Capital Power Corporation
CEDA International Corporation
Cenovus Energy, Inc.
CF Chemicals, Ltd.
C-FER Technologies (1999), Inc.
CGG Canada
Chevron Canada Resources
Chinook Energy, Inc.
City of Kitchener
City of Medicine Hat
Coalspur Mines (Operations), Ltd.
Compton Petroleum Corporation
Computer Modelling Group, Ltd.
Connacher Oil and Gas Limited
ConocoPhillips Canada
Core Laboratories Canada Ltd.
Corex Resources, Ltd.
Crescent Point Energy Corp.
Crew Energy, Inc.
Det Norske Veritas (Canada) Ltd.
Devon Canada Corporation
Direct Energy Marketing Ltd.
Dover Operating Corp.
Dow Chemical Canada, Inc.
Emera Energy, Inc.
Emerson Process Management
Enbridge, Inc.
EnCana Corporation
Enerplus Corp.
ENMAX Corporation
Ensign Energy Services
EOG Resources Canada, Inc.
EPCOR Utilities, Inc.
ExxonMobil Canada
Federated Co-operative, Ltd. - Co-op Refinery Complex

Ferus, Inc.
Fortis Inc. - FortisBC Energy, Inc.
FortisAlberta, Inc.
FT Services
Gear Energy, Ltd.
Gibson Energy ULC
Gran Tierra Energy, Inc.
Grizzly Oil Sands ULC
Halliburton Group Canada
Harvard Energy
Harvest Operations Corp.
Hunt Oil Company Canada
Husky Energy, Inc.
Imperial Oil
Indian Oil and Gas Canada
Inter Pipeline Fund - Pipeline Management, Inc.
Ivanhoe Energy, Inc.
Japan Canada Oil Sands Limited
Journey Energy Inc.
Keyera Corp.
Kiewit Energy Canada
Kinder Morgan Canada, Inc.
Koch Oil Sands Operating ULC
Kulczyk Oil Ventures, Inc.
Laricina Energy, Ltd.
Lightstream Resources Ltd
Long Run Exploration Ltd.
Mako Hydrocarbons, Ltd. - MKE Canada, Ltd.
Mancal Energy, Inc.
MEG Energy
MEGlobal Canada, Inc.
Mosaic Energy, Ltd.
Murphy Oil Company, Ltd.
Nabors Canada
NAL Resources Management Limited
Nalcor Energy
National Energy Board
Newalta Corporation
Nexen, Inc.
Niska Gas Storage Partners, LLC
North West Redwater Partnership
Northern Blizzard Resources, Inc.
NOVA Chemicals Corporation
Nova Scotia Power, Inc.
NuVista Energy, Ltd.
OMERS Energy Services LP
Ontario Power Generation
OptaSense
O'Rourke Engineering, Ltd.
Osum Oil Sands Corp.
Pace Oil & Gas, Ltd.
Packers Plus Energy Services, Inc.
Painted Pony Petroleum, Ltd.
Paramount Resources
Parex Resources, Inc.
Pembina Pipeline Corporation
Pengrowth Energy Corporation
Penn West Exploration
Perpetual Energy, Inc.
Petrobank Energy and Resources, Ltd.
PetroKazakhstan Overseas Services Inc.
Peyto Exploration & Development Corp.
Plains Midstream Canada
Polar Star Canadian Oil & Gas, Inc.
Precision Drilling Corporation
Progress Energy Canada Ltd.
Propak Systems, Ltd.
Quicksilver Resources Canada, Inc.
Regent Resources, Ltd.
Rife Resources, Ltd.
Rock Energy, Inc.
Rowan Companies, Inc.
Sabre Energy Ltd.
Saipem Canada, Inc.
Sanjel Canada Ltd.
SaskEnergy, Inc.
SaskPower
Sasol Canada Holdings Limited
Savanna Energy Services Corp.
Saxon Energy Services, Inc.
SBM Nova Scotia Contractors, Inc.
Schlumberger Canada
Secure Energy Services, Inc.
SemCAMS
Seven Generations Energy, Ltd.
ShawCor, Ltd.
Shell Canada Limited
Sherritt International Corporation - Oil & Gas Division
Signalta Resources Limited
Sinopec Daylight Energy Ltd.
Southern Pacific Resource Corporation
Spectra Energy Transmission
Standard Land Company, Inc.
Stantec Consulting, Ltd.
Statoil Canada, Ltd.
Storm Resources, Ltd.

Suncor Energy, Inc.
Sunshine Oilsands, Ltd.
Superior Plus Corp. - Superior Gas Liquids
Surge Energy, Inc.
SW Resources
Syncrude Canada, Ltd.
Talisman Energy, Inc.
TAQA North, Ltd.
Tarpon Energy Services, Ltd.
Tartan Canada Corporation
Teck Resources Limited
Teine Energy, Ltd.
TORC Oil & Gas, Ltd.
Toronto Hydro Corporation
Total E&P Canada
TransAlta Corporation
TransCanada Corporation
Trican Well Service, Ltd.
Trident Exploration Corp
Trilogy Energy Corporation
Trinidad Drilling, Ltd.
Tundra Oil & Gas, Ltd.
Twin Butte Energy, Ltd.
United Hydrocarbon International Corp.
URS Flint
US Oil Sands, Inc.
Velvet Energy, Ltd.
Veresen, Inc.
Vermilion Energy, Inc.
Weatherford Canada Partnership
WesternZagros Resources, Ltd.
Williams Energy (Canada), Inc.
WorleyParsons Canada Services, Ltd.
Zargon Oil & Gas, Ltd.
Zedi, Inc.