Harvest OPERATIONS CORP.

ANNUAL INFORMATION FORM
(AMENDED)

See accompanying Notice to Readers dated May 30th, 2012 for a description of changes from the original Annual Information Form filed on March 30, 2012

For the year ended December 31, 2011

EFFECTIVE MARCH 30, 2012

(Re-filed on May 30, 2012 for certain immaterial corrections)

NOTICE TO READERS

Amended Annual Information Form
for the year ended December 31, 2011

Following is the amended Annual Information Form (the "Amended AIF") of Harvest Operations Corp. for the year ended December 31, 2011. The Amended AIF corrects certain minor errors in information contained in the copy of the Annual Information Form that was previously filed with applicable securities regulatory authorities in Canada on March 30, 2012 (the "Original AIF"), which is available electronically at www.sedar.com. **None of the changes are material.** For ease of reference, following is a brief description of each correction.

Reference	**Correction**
Page 18; *"Overview of Refinery Operations: Refined Products"*	The Original AIF disclosed the percentage of Total Liquid Yield to be of feedstock volume. The Amended AIF corrects the Total Liquid Yield to be a percentage of throughput volume. The Amended AIF also includes a note to the Refined Products table regarding the calculation of throughput volume.
Page 49; *"Directors and Officers of Harvest Operations: Robert A. Pearce"*	The Original AIF disclosed Robert A. Pearce's position with Harvest Operations, as treasurer since September 2012. Mr. Pearce has held the position since 2011. This has been corrected in the Amended AIF.
Page 77; *"Principal Producing Properties at December 31, 2011: Deep Basin"*	The Original AIF disclosed the production for the Deep Basin properties in 2011 was listed at 8,868 boe/d. The Amended AIF corrects the 2011 production for the Deep Basin properties to 3,666 boe/d.
Page 79; *"Properties with No Attributed Reserves"*	The Original AIF disclosed the headings for tables of "Properties with No Attributed Reserves" as being quantified in acres. The Amended AIF corrects the heading of the tables to hectares reflecting the values presented in the tables.

DATED: May 30th, 2012

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GLOSSARY OF TERMS

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

Certain other terms used herein but not defined herein are defined in NI 51-101 and, unless the context otherwise requires, shall have the same meanings as in NI 51-101.

"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 6⅞% Senior Notes of the Corporation due October 1, 2017.

"7⅞% Senior Notes" means the 7⅞% Senior Notes of the Corporation due October 15, 2011.

"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 oil sands project acquired by the Corporation from KNOC on August 6, 2010, more fully described in Note 26 of the Corporation's audited consolidated financial statements for the year ended December 31, 2011 filed on www.sedar.com.

"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.

"Canadian GAAP" means accounting principles generally accepted in Canada.

"Corporation" means Harvest Operations Corp.

"Credit Facility" means the $800 million revolving Credit Facility, as amended, provided by a syndicate of lenders to Harvest Operations as more fully described in Note 10 of the Corporation's audited consolidated financial statements for the year ended December 31, 2011 filed on www.sedar.com.

"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.

"Debenture Trustee" means as applicable: (i) Valiant Trust Company in its capacity as the trustee in respect of the 7.25% Debentures Due 2013, 7.25% Debentures Due 2014 and 7.50% Debentures Due 2015; and (ii) Computershare Trust Company of Canada in its capacity as the trustee 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 55 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.

"Farmout" means an agreement whereby a third party agrees to pay for all or a portion of the drilling of a well on one or more of the Properties in order to earn an interest therein, with an Operating Subsidiary retaining a residual interest in such Properties.

"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).

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

"Gross" means:

(a) in relation to Harvest and the Operating Subsidiaries' interest in production and reserves, its "Corporation gross reserves", which are Harvest and the Operating Subsidiaries' interest (operating and non-operating) share before deduction of royalties and without including any royalty interest of Harvest and the Operating Subsidiaries;

(b) in relation to wells, the total number of wells in which Harvest and the Operating Subsidiaries have an interest; and

(c) in relation to properties, the total area of properties in which Harvest and the Operating Subsidiaries have an interest.

"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 Evaluators" means McDaniel and GLJ, who evaluated the crude oil, natural gas liquids and natural gas reserves of Harvest and the Operating Subsidiaries as at December 31, 2011 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 Acquisition" means the purchase by KNOC Canada of all of the issued and outstanding trust units of the Trust for total consideration of approximately $1.8 billion and the assumption of approximately $2.3 billion of debt.

"KNOC Arrangement" means the plan of arrangement for the KNOC Acquisition implemented pursuant to Section 193 of the ABCA involving, among others, the Trust, Harvest Operations, KNOC Canada, KNOC and the holders of Trust Units, which became effective on December 22, 2009.

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

"McDaniel" means McDaniel & Associates Consultants Ltd., independent oil and natural gas reserves evaluators of Calgary, Alberta.

"Net" means:

(a) in relation to Harvest and the Operating Subsidiaries' interest in production and reserves, Harvest and the Operating Subsidiaries' interest (operating and non-operating) share after deduction of royalties obligations, plus Harvest and the Operating Subsidiaries' royalty interest in production or reserves;

(b) in relation to wells, the number of wells obtained by aggregating Harvest and the Operating Subsidiaries' working interest in each of its gross wells; and

(c) in relation to Harvest and the Operating Subsidiaries' interest in a property, the total area in which Harvest and the Operating Subsidiaries have an interest multiplied by the working interest owned by Harvest and the Operating Subsidiaries.

"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.

"NYSE" means the New York Stock Exchange.

"Operating Subsidiaries" means Redearth Partnership (prior to September 30, 2010), 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.

"Purchase and Sale Agreement" means the purchase and sale agreement dated August 22, 2006 between the Corporation and Vitol Refining Group B.V. providing for the purchase of the outstanding shares of North Atlantic and the entering into of the Supply and Offtake Agreement.

"Redearth Partnership" means the general partnership formed on August 23, 2002 under the laws of the Province of Alberta. In September 2010 Harvest acquired 100% ownership interest, thereafter, Redearth Partnership was dissolved and Harvest Operations became the owner of all the assets and assumed all of the liabilities of the Redearth Partnership.

"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".

"Reserves Report" means collectively, the reports prepared by the Independent Reserves Evaluators evaluating the crude oil, natural gas liquids and natural gas reserves of Harvest and the Operating Subsidiaries as at December 31, 2011, 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.

"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 December 19, 2011 entered into between North Atlantic and Macquarie Energy Canada Ltd. ("MEC") the terms of which are summarized under the "Downstream Business – Supply and Offtake Agreement".

"Trust" means Harvest Energy Trust.

"Trust Indenture" means the fifth amended and restated trust indenture dated May 20, 2008 between the Trustee and Harvest Operations, as amended on December 22, 2009 pursuant to the KNOC Arrangement.

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

"Trustee" means 1496965 Alberta Ltd in its capacity as trustee of the Trust.

"TSX" means the Toronto Stock Exchange.

"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.

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

"Viking" means Viking Holdings Inc., a corporation incorporated under the laws of the Province of Alberta that formerly acted as administrator of VERT, which amalgamated with Harvest Operations on July 1, 2006.

"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 Annual Information Form, the following abbreviations have the meanings set forth below:

/d	Per day
3-D	Three dimensional
AECO	AECO "C" hub price index for Alberta natural gas
^{o}API	The measure of the density or gravity of liquid petroleum products
boe	Barrel of oil equivalent, using the conversion factor of 6 mcf of natural gas being equivalent to one bbl of oil, unless otherwise specified. 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
bbl	Barrel
bbls	Barrels
EOR	Enhanced oil recovery
GJ	Gigajoule
H2S	Hydrogen sulfide gas
Mbbls	Thousand barrels
Mboe	Thousand barrels of oil equivalent
mcf	Thousand cubic feet
MMboe	Million barrels of oil equivalent
MMcf	Million cubic feet
NGLs	Natural gas liquids
SAGD	Steam-assisted gravity drainage is an enhanced oil recovery technology for producing heavy crude oil and bitumen
WTI	West Texas Intermediate, the reference price in U.S. dollars at Cushing, Oklahoma for crude oil of standard grade
$000	Thousands of dollars
$millions	Millions of dollars

The following table sets forth certain conversions between Standard Imperial Units and the International System of Units (or metric units):

To Convert From	To	Multiply By
mcf	cubic metres	28.174
cubic metres	cubic feet	35.494
bbls	cubic metres	0.159
feet	metres	0.305
metres	feet	3.281
miles	kilometres	1.609
kilometres	miles	0.621
acres	hectares	0.405
hectares	acres	2.471

GENERAL INFORMATION

Unless otherwise specified, information in this Annual Information Form is as at the end of Harvest's most recently completed financial year, being the year ended December 31, 2011. The date of this discussion is March 30, 2012.

All dollar amounts set forth in this Annual Information Form 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 following table sets forth for each period indicated, the average, high, low and end of period noon buying rates in New York for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York. Such rates are set forth as U.S. dollars per $1.00 and are the inverse of the rates quoted by the Federal Reserve Bank of New York for Canadian dollars per US$1.00:

(US$)	December 31	Average	High	Low
2009	0.9555	0.8757	0.9716	0.7692
2010	1.0054	0.9709	1.0054	0.9278
2011	0.9833	1.0110	1.0583	0.9430

Forward-Looking Statements

Certain statements contained in this Annual Information Form 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 Annual Information Form should not be unduly relied upon. These statements speak only as of the date of this Annual Information Form or as of the date specified in the documents incorporated by reference into this Annual Information Form, as the case may be.

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

- expected financial and operational performance in future periods;
- expected increases in revenue, net income and cash flows attributable to development and production activities;
- estimated capital expenditures;
- competitive advantages and ability to compete successfully;
- intention to continue adding value through drilling and exploitation activities, and capital projects;
- emphasis on having a low cost structure;
- intention to retain a portion of cash flows to repay indebtedness and invest in further development of Harvest's properties;
- reserves estimates and estimates of the present value of Harvest's future net cash flows;
- methods of raising capital for exploitation and development of reserves and other capital projects;
- future sources of funding, debt levels and availability of committed credit facilities;
- factors upon which to decide whether or not to undertake a capital project;
- plans to make acquisitions and dispositions, and expected synergies from acquisitions made;
- possible commerciality of exploration and development projects;
- expectations regarding the development and production potential of petroleum and natural gas properties;
- expected timing, cost and associated impact of facility turnaround and maintenance;

- treatment under government regulatory regimes including without limitation, environmental and tax regulation;
- ultimate recoverability of the Corporation's assets;
- overall demand for gasoline, low sulphur diesel, jet fuel, furnace oil and other refined products; and
- the level of global production of crude oil feedstocks and refined products.

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

- future oil and natural gas prices and differentials between light, medium and heavy oil prices;
- the ability to maintain Harvest's operations;
- the cost of expanding Harvest's property holdings;
- the ability to obtain equipment in a timely manner to carry out development activities;
- the ability to market oil and natural gas successfully to current and new customers;
- the impact of increasing competition;
- the ability to obtain financing on acceptable terms;
- 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 risks that could affect Harvest's future results and could cause results to differ materially from those expressed in forward-looking statements include:

- the volatility of commodity prices, including the differential between the price of light, medium and heavy oil;
- the uncertainty of estimates of petroleum and natural gas reserves;
- the impact of competition;
- the impact of technology on operations and developments of Harvest's assets;
- difficulties encountered in the integration of acquisitions;
- difficulties encountered during the drilling for and production of petroleum and natural gas;
- difficulties encountered in delivering petroleum and natural gas to commercial markets;
- foreign currency fluctuations;
- the uncertainty of Harvest's ability to attract capital;
- changes in, or the introduction of new, government laws and regulations relating to the petroleum and natural gas business including without limitation, tax, royalty and environmental law and regulation;
- costs associated with developing and producing petroleum and natural gas;
- compliance with environmental and tax regulations;
- liabilities stemming from accidental damage to the environment;
- loss of the services of any of Harvest's senior management or directors;
- adverse changes in the economy generally;
- labour and material shortages;
- the volatility of refining gross margins including the price of feedstocks as well as the prices for refined products; and
- the stability of the Refinery throughput performance.

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 Annual Information Form and documents incorporated by reference herein are expressly qualified by this cautionary statement. Except as required by law, Harvest Operations does not undertake any obligation to publicly update or revise any forward-looking statements and readers should also carefully consider the matters discussed under the heading "RISK FACTORS" in this Annual Information Form.

Adoption of International Financial Reporting Standards

Effective January 1, 2011, the Corporation commenced reporting under IFRS. Please refer to Notes 2 and 27 of Harvest's consolidated financial statements as of and for the year ending December 31, 2011 for complete disclosure of the transition. Financial information relating to years ending December 31, 2010 and 2011 presented in this Annual Information Form has been prepared in accordance with IFRS. Financial information before 2010 has not been restated.

Non-GAAP Measures

Harvest uses certain financial reporting measures that are commonly used as benchmarks within the petroleum and natural gas industry hereinafter referred to as "non-GAAP" such as: "cash contribution", "operating netbacks", "operating netback prior to/after hedging", "operating income (loss)", "gross margin (loss)", "total debt", "total financial debt", "total capitalization", "EBITDA", "secured debt to annualized EBITDA", "total debt to annualized EBITDA", "secured debt to total capitalization", "total debt to total capitalization" and "interest coverage ratio". These non-GAAP measures do not have standardized meanings and are therefore unlikely to be comparable to similar measures used by others. When these measures are used within this Annual Information Form, please refer to the definition/reconciliation for non-GAAP measures that can be found in the Management's Discussion and Analysis for the year ended December 31, 2011. These measures should be given careful consideration by the reader.

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 other 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 subsidiary entities identified below is a direct or indirect wholly-owned subsidiary of Harvest Operations.

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.

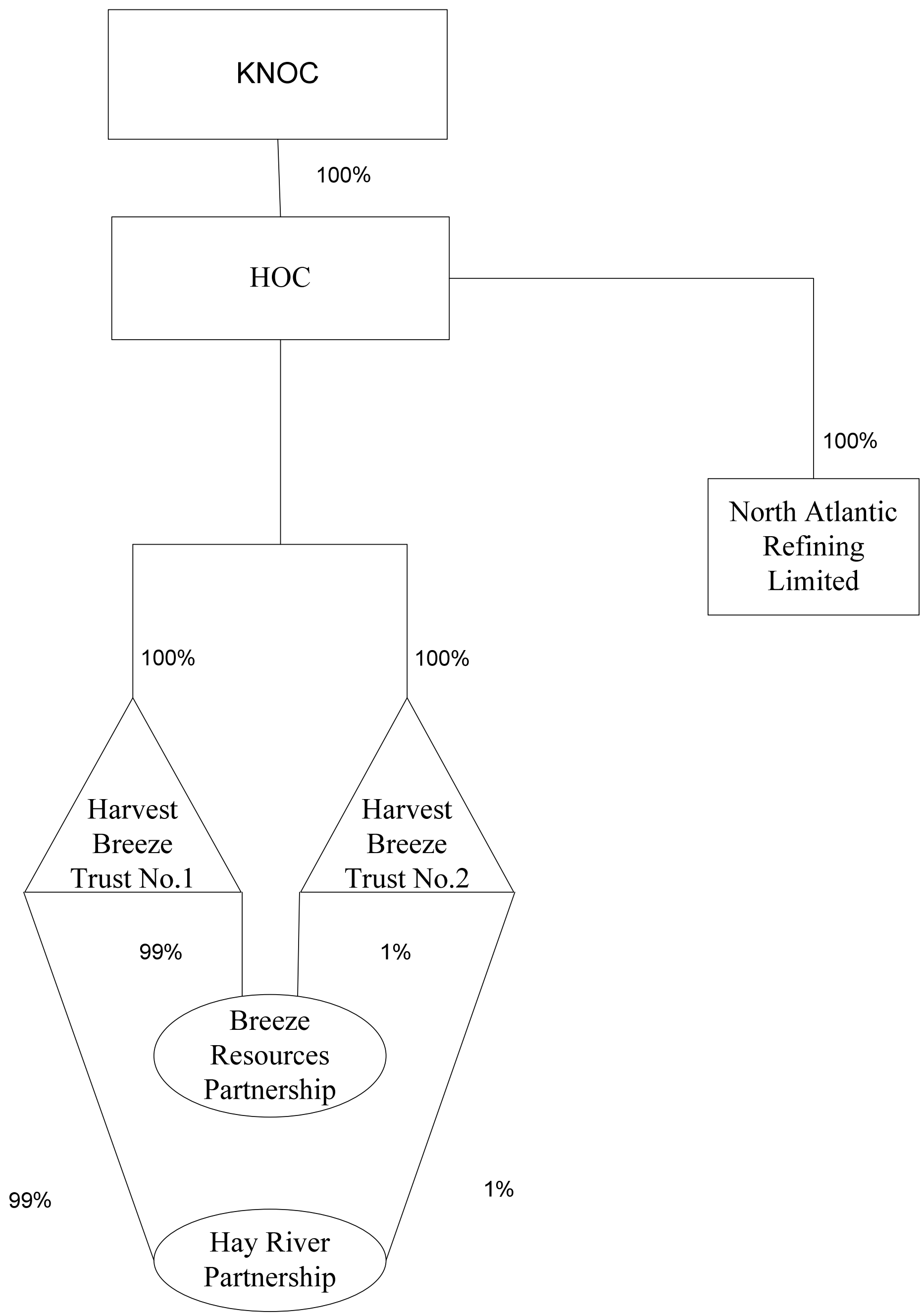
Hay River Partnership

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 is a wholly owned subsidiary of Harvest Operations. North Atlantic's assets consist 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, 2011:



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 2009(1)

On April 1, 2009 Harvest Operations closed the disposition of non-operated interests in the Pembina area for $20 million.

On June 1, 2009 Harvest Operations raised $43 million with the disposition natural gas interests in Channel Lake.

On June 4, 2009, the Trust raised $120.2 million of net proceeds with the issuance of 17,330,000 Trust Units and applied the net proceeds to reduce bank borrowings.

On August 12, 2009 Harvest Operations completed the acquisition of Pegasus Oil & Gas Inc. ("Pegasus"). The total transaction value included $4.6 million of Trust Units, $13.9 million of assumed Pegasus debt and $1.0 million of acquisition costs.

On October 12, 2009, North Atlantic renewed and extended its existing SOA with Vitol.

Pursuant to the KNOC Arrangement (which became effective on December 22, 2009) in which KNOC acquired all of the outstanding Trust Units for cash consideration of $10.00 per Trust Unit and the Trust became an indirect wholly-owned subsidiary of KNOC. The transaction value was approximately $4.1 billion including $2.3 billion of the Trust's debt. The Trust Units were subsequently delisted from both the TSX and the NYSE.

Concurrent with closing of the KNOC Arrangement, the Trust issued an additional 60 million Trust Units at $10 per unit to KNOC. The $600 million of proceeds from the equity issue repaid approximately $600 million of bank debt. Harvest entered into an amended $600 million credit facility with a syndicate of lenders.

(1) Financial amounts for 2009 and prior years were prepared under previous Canadian GAAP and have not been restated to IFRS.

Developments in 2010

On January 19, 2010 as completion of the KNOC Arrangement constituted a "change of control" under the Debenture Indenture, the Trust was required to make offers to purchase all outstanding Debentures. As at March 4, 2010, all of the offers to purchase had expired and a total of $156.4 million principal amount was tendered, leaving a principal balance of $757.8 million outstanding.

On January 20, 2010, under a similar "change of control" provision under the 7⅞% Senior Notes Indenture the Trust made an offer to purchase all outstanding 7⅞% Senior Notes. On February 16, 2010, that offer expired with US$40.4 million principal amount having been tendered in acceptance of the offer, leaving a principal balance of US$209.6 million outstanding.

The Trust issued $466 million of equity to KNOC on January 29, 2010. The funds were used to reduce bank debt incurred to finance in advance the change-of-control offers to holders of the tendered Debentures and 7⅞% Senior Notes.

On March 3, 2010, Harvest Operations closed an acquisition for $31.0 million for certain petroleum and natural gas assets.

On April 30, 2010, Harvest amended and extended the Credit Facility with a new maturity date of April 30, 2013, under which the available capacity was reduced from $600 million to $500 million.

On May 1, 2010, a corporate reorganization was completed, to effectively convert in from an investment trust to a corporate issuer. The Trust was dissolved and Harvest Operations Corp. was amalgamated with KNOC Canada Ltd., to continue as one corporation under the name Harvest Operations Corp.

On August 6, 2010, Harvest completed the acquisition of BlackGold from KNOC for $374 million, which was paid for through the issuance of additional equity to KNOC.

In August 2010, Harvest signed a $311 million engineering, procurement and construction ("EPC") contract for phase 1 of BlackGold.

On September 30, 2010 Harvest acquired upstream petroleum and natural gas assets in northern Alberta and north eastern British Columbia that complement existing Harvest assets. These assets were purchased from a third party for $146.2 million.

On September 17, 2010, Harvest Operations issued an Offer To Purchase And Consent Solicitation Statement (the "Offer") to purchase all of the outstanding 7⅞% Senior Notes and solicit consent for amendments of the related indenture. Harvest Operations offered US$983.50 for each US$1,000 principal amount of notes tendered; in addition, for consent to the amendments of the indenture a payment of US$20.00 was offered for each US$1,000 principal amount of notes tendered by September 30, 2010. On October 4, 2010, all conditions of the tender offer were met and Harvest Operations accepted the offer and redeemed US$178.3 million of the US$209.6 million principal amount outstanding for total consideration of $179.0 million. On October 19, 2010, Harvest Operations redeemed the remaining US$31.3 million senior notes at par under the terms of the amended indenture.

Concurrently with the Offer, Harvest completed an offering of US$500 million principal amount of 6⅞% Senior Notes for net cash proceeds of US$484.6 million. The 6⅞% Senior Notes are unsecured, incur interest payments semi-annually on April 1 and October 1 each year, mature on October 1, 2017 and are unconditionally guaranteed by all of the Corporation's wholly-owned subsidiaries that guarantee the Credit Facility and every future restricted subsidiary that guarantees certain debt

On December 14, 2010, Harvest signed a purchase and sale agreement to purchase the assets of Hunt Oil Company of Canada Inc. and Hunt Oil Alberta Inc. (collectively "Hunt").

Developments in 2011

On February 28, 2011, Harvest closed the acquisition of Hunt assets. 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 successfully renewed and extended the $500 million Credit Facility for an additional two years to April 30, 2015.

In April 2011, Vitol provided notice to Harvest to terminate the existing SOA at the end of October 2011.

On October 11, 2011 the SOA (2011) was signed with MEC to supply feedstocks and purchase certain finished products from North Atlantic, effective November 1, 2011.

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

Potential Acquisitions

Harvest continues to evaluate potential acquisitions of all types of petroleum and natural gas and other energy-related assets as part of its ongoing acquisition program. Harvest is normally in the process of evaluating several potential acquisitions at any one time, which individually or together could be material. Except as otherwise disclosed herein, at the date hereof, Harvest has not reached an agreement on the price or terms of any potential material acquisitions and cannot predict whether any current or future opportunities will result in one or more acquisitions for Harvest.

GENERAL BUSINESS DESCRIPTION

Harvest is a significant operator in Canada's energy industry offering stakeholders exposure to an integrated structure with Upstream (exploration, development and production of crude oil, bitumen and natural gas) and Downstream (refining and marketing of distillate, gasoline and fuel oil) segments. Harvest's Upstream oil and gas production is complemented by our 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, 2011, Harvest's gross proved reserves represented approximately 39% of KNOC's consolidated crude oil and natural gas reserves and resources. Additionally, Harvest's crude oil and natural gas production represented 29% of KNOC's consolidated 2011 petroleum and natural gas production.

Upstream Operations Summary

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 properties are described in Appendix A-1. 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. Please see page 11 of the Management's Discussion and Analysis for the year ended December 31, 2011, which is available on SEDAR at www.sedar.com for a breakdown of revenues by product type.

Business Strategies, Policies and Practices

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 80% 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.

Increase Operating Netbacks

Harvest has traditionally focused on reducing the operating costs and optimizing 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 grow its business.

Establishing New Core Areas Through Exploration

Harvest intends to use its expertise in finding, developing and operating to establish new core areas for development. Opportunities will be pursued on the basis of their net present value and the ability to establish a meaningful area for ongoing development.

Acquire Properties with Operational and Development Opportunities

Harvest will continue to selectively acquire properties and once acquired, focus on improving resource recovery, reducing costs and extending reserve life, thereby creating additional value for its stakeholders. Harvest will continue to evaluate future acquisitions on the basis of their potential returns and net present value.

BlackGold

Harvest signed an EPC contract in 2010 for phase 1 of BlackGold. The Corporation is engaging in an active drilling program under which the drilling of 30 wells (15 well pairs) are expected to be completed between now and the end of 2012. Other near-term activities include completion of the detailed engineering work, site preparation and the commencement of module fabrication. While work continues on phase 1, phase 2 of the project, which is targeted to increase production capacity to 30,000 bbl/d, is in the regulatory approval process. BlackGold faces similar cost and schedule pressures as other oil sands projects, including shortage of skilled labour, rising costs, and logistics issues surrounding module transportation. As a result of these pressures, Harvest is discussing the EPC contract terms with the contractor and considering options to execute the project and manage cost increases; phase 1 production is now expected in 2014.

Marketing Arrangements

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 $85.67/bbl for light and medium crude oil, $69.71/bbl for heavy crude oil and $67.92/bbl for NGLs for the year ended December 31, 2011.

Natural Gas

Approximately 87% of Harvest's natural gas production is currently being sold at the prevailing daily spot market price in Western Canada. 9% receives a Chicago based price, resulting from transportation contracts held on Alliance; a liquid rich gas pipeline which moves hot gas from Western Canada to Eastern markets. The remaining 4% 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 contracts, of $3.83/mcf for natural gas for the year ended December 31, 2011.

Competitive Conditions, Seasonality, and Trends

Competitive conditions are described under the “Risk Factors” section of this Annual Information Form. 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.

Human Resources

At December 31, 2011, Harvest’s Upstream operations had 496 permanent employees, 23 temporary employees and 29 secondees from KNOC. The Corporation also engages a number of contractors and service providers.

Environment, Health and Safety Policies and Practices

Harvest takes an active role in the Canadian Association of Petroleum Producers (“CAPP”) Responsible Canadian Energy (“RCE”) program that is an association-wide performance reporting program designed to track progress of the CAPP membership in environmental, health, safety, and social performance.

In 2011, Harvest continued to take steps to build on its existing environmental, health and safety (“EH&S”) management systems using the RCE framework for continuous improvement. This included formalizing the environment and regulatory components of the EH&S management system. Component improvements included creating a process for identifying potential high impact spill locations as well as a formalized risk process for classifying historical spill sites so that annual environmental budgets can be allocated appropriately. It is expected that in 2012 all components of the environment and regulatory portions of the EH&S management system will be formalized which will improve overall environmental performance.

In 2011, Harvest spent $22.1 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 2011, Harvest had 310 active (operated) reclamation sites with 40 of these sites being submitted to regulators for reclamation certification. In addition, Harvest completed 46 surface well abandonments which will add to the number of active reclamation sites in 2012.

Enhancements to the health and safety program in 2011 included Harvest formalizing its Contractor Engagement Program for evaluating and approving third party contractors that work at Harvest sites. As a result Harvest outperformed the industry average with regard to contractor incident statistics. Additional improvements included the implementation of health and safety committees within each of the key functional groups at Harvest and revisions to the hazard identification and risk assessment processes. Finally, emergency response plans underwent the required annual review which included revising critical information within the plans and the providing training to key response personnel at Harvest.

Harvest met all regulatory compliance obligations in 2011 including the submission of the annual National Pollutant Release Inventory ("NPRI"), the BC Greenhouse Gas ("GHG") 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 ("IOGC") required environmental audits. In addition, Harvest continued to be diligent with its Fugitive Emission Management Program, with leak detection testing conducted at 559 facilities. All repairable emission sources detected were repaired representing a reduction in GHG emissions and savings in fuel gas usage. In late 2011/early 2012, Harvest continued to improve on its GHG inventory with the initiation of the use of an on-line database that will improve data collection and reporting accuracy, as well as ensuring continued compliance with provincial regulatory bodies.

Downstream Operations Summary

Harvest's Downstream business, operating under the North Atlantic trade name, 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 55 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. The daily sales volume of North Atlantic's retail and wholesale marketing division averages over 12,000 barrels. For the year ended December 31, 2011, the Refinery's yield was 32% (2010 - 31%) for gasoline and related products, 41% (2010 - 36%) distillates and 25% (2010 – 31%) high sulphur fuel oil ("HSFO").

Business Strategies, Policies and Practices

Harvest has identified de-bottlenecking and reliability projects at the Refinery which are anticipated to increase throughput capacity, improve the yield of distillate products, enhance feedstock receiving and storage facilities, and improve process heating design and combustion technologies and improve plant reliability. In 2011, North Atlantic has made considerable progress toward the completion of these de-bottlenecking and reliability projects and in 2011 commissioned new heat exchangers for the platformer and naptha hydrotreater units. Harvest believes the completion of these projects will enhance the profitability and operational flexibility of the Refinery and North Atlantic will continue to evaluate similar opportunities for further improvement.

Overview of Refinery Operations

The Refinery's crude oil and other feedstocks are waterborne cargos originating primarily from the Middle East, Russia and South America. The Refinery produces gasoline, ultra low sulphur diesel, jet fuel, furnace oil, and HSFO. Approximately 10-15% of North Atlantic's refined products are sold in the Province of Newfoundland and Labrador while approximately 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, New York City and in 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 unberthing tankers.

Refinery Feedstock

Crude oil and other feedstocks are delivered to the Refinery via waterborne cargos. 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 country of origin of the feedstock has been as follows:

	2011	2010
	(Mbbls)	(Mbbls)
Iraq	20,938	21,456
South America	-	2,978
Russia	1,460	5,884
Other	1,844	1,124
Total Feedstock	**24,242**	**31,442**

Refined Products

Over the past two years, the Refinery has sold the following refined products:

	2011	2010
	(Mbbls)	(Mbbls)
Gasoline products	9,309	10,838
Distillate products	11,073	13,188
High sulphur fuel oil ("HSFO")	6,679	10,195
Total Products	**27,061**	**34,221**
Total Liquid Yield (as a % of throughput volume)[1]	**98%**	**98%**

(1) Based on production volumes after adjusting for changes in inventory held for resale.

Please see page 19 of the Management's Discussion and Analysis for the year ended December 31, 2011, which is available on SEDAR at www.sedar.com for a breakdown of total refinery sales by product type.

Supply and Offtake Agreements

SOA (2011)

North Atlantic entered into the SOA (2011) on October 11, 2011 upon the termination of the SOA. 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.

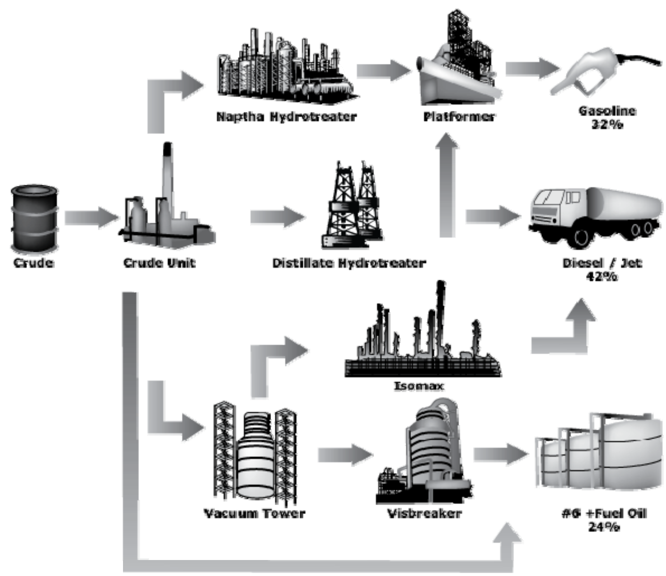
Pursuant to the SOA (2011), North Atlantic, in consultation with MEC, requests a certain slate of crude oil and other feedstocks and MEC is obligated to provide the feedstocks in accordance with the request and the other provisions of the SOA (2011). The SOA (2011) includes a feedstock transfer pricing 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 to 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 an evergreen 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 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).

Refinery Processing

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



Operations Reliability

Improving the reliability of the Refinery operations is a major focus for the Corporation with significant capital expenditures and a change in maintenance philosophy. 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 business segments: retail gasoline, retail heating fuels, commercial, wholesale and bunkers. 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 subject to regulation under the *Petroleum Products Act*

(Newfoundland), administered by the Public Utilities Board. Under this act, the Pricing Commissioner has the authority to set the maximum wholesale and retail prices that a wholesaler and a retailer may charge and to determine the minimum and maximum mark-up between the wholesale price to the retailer and the retail price to the consumer in the Province of Newfoundland and Labrador. The wholesale and retail prices of petroleum products are adjusted weekly based on the New York Harbour benchmark price for these products.

Retail Gasoline Business

North Atlantic's retail gasoline business operates 55 retail gasoline stations (including 39 locations branded as "North Atlantic" and 10 locations branded as "Home Town"; a secondary brand for small market areas and the remaining 6 locations unbranded) and 3 commercial cardlock locations. Most locations include a convenience store which is independently operated, except for 7 branded locations, which are fully operated by North Atlantic and 1 franchise locations which is referred to as "Orange Store." In 2011, the volume of gasoline sold at these retail locations represented a market share of approximately 23% of the Newfoundland market. The major competitors in the Newfoundland market are Irving Oil, Imperial Oil and Ultramar.

Retail Heating Fuels Business

North Atlantic's retail heating fuels business delivers furnace oil and propane to approximately 20,000 residential heating and commercial customers throughout Newfoundland with about 75% of the demand for furnace oil, and 24% for propane.

Commercial Business

North Atlantic delivers distillates, jet fuel, propane and heating oil to commercial heating, marine, aviation, trucking and construction industries from seven storage terminals.

Wholesale Business

North Atlantic provides distillates, jet fuel and propane to a number of wholesale customers from both its wharf and truck rack facilities.

Bunker Business

North Atlantic sells bunker fuel to crude oil and refined product vessels at its wharf facilities.

Employees and Labour Relations

The Downstream operations has approximately 440 full-time employees, of whom 67% are unionized, and 34 part-time employees, of which 97% 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 the fourth collective agreement expires March 31, 2013. See "*Risk Factors*" within this Annual Information Form.

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 covers substantially all employees and their surviving spouses. At December 31, 2011, the pension plan and other benefit plan obligations exceeded the pension plan and other benefit plan assets by approximately $26.0 million. For additional information, refer to Note 21 in the audited consolidated financial statements for the year ended December 31, 2011 filed on SEDAR at www.sedar.com.

Environment, Health and Safety Policies and Practices

The Downstream operations has an active and comprehensive Integrated Management System to promote the integration of safety, health and environmental awareness into the Refinery and related businesses. The Refinery is continuing to benefit from previous Workplace Health, Safety and Compensation Commission audits and claims history with workers' compensation assessment rates reduced again for the ninth consecutive year. In 2011, the Refinery was in compliance with Provincial Air Quality and Federal Effluent Regulations.

CASH FLOW RISK MANAGEMENT

Harvest's operational results and financial condition are dependent on the prices received for petroleum and natural gas production. Petroleum and natural gas prices have fluctuated widely during recent years and are determined by supply and demand factors, which are influenced by weather, geopolitical and general economic conditions. Any 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 price risk management contracts to reduce volatility in its cash flows. Harvest's cash flow risk management strategies are financially integrated, reflecting that the commodity price risk of its Upstream cash flows from producing crude oil is partially financially offset partially by its requirement to purchase crude oil feedstock for the Downstream even though the crude oil produced by the Upstream does not physically flow to the Refinery in Newfoundland. As a result, Harvest's 2012 cash flows at risk relates to approximately a net short position of 72,448 bbls/d of crude oil, 4,117 bbls/d of NGLs, 107,760 bbls/d of refined product price exposure and 100,346 mcf/d of western Canadian natural gas price exposure.

Harvest uses electricity price swap contracts to manage some of its electricity price risk exposures relating to its electricity consumption. Harvest has also entered into crude oil swap contracts to reduce the volatility of cash flows from a portion of its forecasted sales. The Corporation limits its financial hedge counterparties to lenders in the syndicated Credit Facility as the security provided under the Credit Facility will extend to the price risk management contracts. This eliminates the requirement for margin calls and the pledging of collateral 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

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. Crude oil exporters are also entitled to enter into export contracts with terms not exceeding one year in the case of light crude oil and two years in the case of heavy crude oil, provided that an order approving such exports has been obtained from the National Energy Board of Canada (the "NEB"). Any crude oil export to be made pursuant to a contract of longer duration (to a maximum of 25 years) requires an exporter to obtain an export license from the NEB and the issuance of such license requires the approval of the Governor in Council.

Natural gas exported from Canada is subject to regulation by the NEB and the Government of Canada. Exporters are free to negotiate prices and other terms with purchasers, provided that the export contracts must continue to meet certain other criteria prescribed by the NEB and the Government of Canada. Natural gas exports for a term of less than 2 years or for a term of 2 to 20 years (in quantities of not more than 30,000 m^3/day) must be made pursuant to an NEB order. Any natural gas export to be made pursuant to a contract of longer duration (to a maximum of 25 years) or a larger quantity requires an exporter to obtain an export license from the NEB and the issuance of such license requires the approval of the Governor in Council.

The governments of Alberta, British Columbia and Saskatchewan also regulate the volume of natural gas that may be removed from those provinces for consumption elsewhere based on such factors as reserves availability, transportation arrangements and market considerations.

Pipeline Capacity

Pipeline capacity is an important consideration and may significantly impact the oil and natural gas industry if a considerable imbalance exists between pipeline capacity and export nominations. If there is a significant shortfall of export capacity, it will result in oil and gas being unable to get to market which will result in discounted pricing and/or shut-in production. Conversely, if the basin has a significant amount of excess export capacity it can make transportation more expensive, which will also have a negative effect to the netback.

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 its New Royalty Framework (the “NRF”) effective January 1, 2009. Conventional oil royalties are set by a single sliding rate formula containing separate elements that account for oil price and well production, with royalty rates ranging up to 50% (40% effective January 2011). Natural gas royalties are also set by a single sliding rate formula, with royalty rates ranging from 5% to 50% (36% effective January 2011). Oil sands base royalty rates start at 1%, of gross revenue, and increase for every dollar when oil is priced above $55 per barrel to a maximum of 9% when oil prices reach $120 Cdn per barrel. Once the oil sands project has recovered specified allowed costs, the royalty rate will range from 25% to 40% of net operating income.

On April 10, 2008, the Government introduced two new royalty programs for the development of deep oil and natural gas reserves. A five-year oil program for exploratory wells over 2,000 meters will provide royalty adjustments up to $1 million or 12 months of royalty offsets, whichever comes first, while a natural gas deep drilling program (the "NGDDP") for wells deeper than 2,500 meters will create a sliding scale of royalty credit according to depth of up to $3,750/meter. Modifications to the NGDDP were announced on May 27, 2010 and include adjusting the vertical depth requirement to 2,000 metres and making the program an on-going feature of the Alberta royalty regime.

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 NRF. 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 will be allowed to select transitional royalty rates effective January 1, 2011 and wells that have selected the transitional royalty rates will have the option to switch to the new rates effective January 1, 2011.

On March 3, 2009, the Government announced a new three-point stimulus plan and extended the plan to two years on June 25, 2009. The Drilling Royalty Credit for new conventional oil and natural gas wells is a two-year program effective for wells spud on or after April 1, 2009. It will provide a $200 per-metre-drilled royalty credit, with the maximum credit determined on a sliding scale based on the individual Corporation's total Alberta-based, 2008 Crown oil and gas production. The New Well Royalty Rate is also effective April 1, 2009 for new conventional oil and natural gas wells. It will provide a maximum 5% royalty rate for the first 12 months of production, up to a maximum of 50,000 barrels of oil or 500 million cubic feet of natural gas per well, to all new wells that begin producing conventional oil or natural gas between April 1, 2009 and March 31, 2011 (announced as a permanent feature of the Alberta royalty regime on May 27, 2010). The third point is an abandonment and reclamation fund which will provide $30 million to be invested by the Orphan Well Association to abandon and reclaim old well sites where there is no legally responsible or financially able party available.

On May 27, 2010, in addition to announcing changes to existing programs, 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.

On January 28, 2011, the Minister of Energy, Ron Liepert, announced that the Alberta Government had accepted the recommendations of the Regulatory Enhancement Task Force, including the proposal to consolidate a variety of upstream oil and gas regulatory functions into the authority of a single regulator. These changes are intended to streamline the approval process for projects, resulting in more consistency, less duplication and greater certainty to the regulatory regime in Alberta.

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 a reference price, which is the greater of the amount obtained by the producer and a prescribed minimum price. 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.

On June 19, 2007, a new orphan oil and gas well and facility program was introduced, 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.

On May 27, 2010, the Government of Saskatchewan announced an incentive to encourage increased natural gas exploration and production in the province. The volume-based incentive establishes a maximum Crown royalty rate of 2.5 per cent and a freehold production tax rate of zero per cent on the first 25 million cubic metres of natural gas produced from every horizontal gas well drilled between June 1, 2010 and March 31, 2013.

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 price-sensitive, using a "select price" as a parameter in the royalty rate formula. When the reference price, being the greater of the producer price or the Crown set posted minimum price ("PMP"), is below the select price, the royalty rate is fixed. The rate increases as prices increase above the select price. The Government of British Columbia determines the producer prices by averaging the actual selling prices for gas sales with shared characteristics for each company minus applicable costs. If this price is below the PMP, the PMP will be the price of the gas for royalty purposes.

Natural gas is classified as either "conservation gas" or "non-conservation gas". There are three royalty categories applicable to non-conservation gas, which are dependent on the date on which title was acquired from the Crown and on the date on which the well was drilled. 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.

In May 2008, the Government of British Columbia introduced the Net Profit Royalty Program to stimulate development of high risk and high cost natural gas and oil resources in British Columbia that are not economic under other royalty programs. The program allows for the calculation of royalties based on the net profits of a particular project and is governed under the Net Profit Royalty Regulation, which came into effect in May 2008.

On August 6, 2009, the Province of British Columbia announced an Oil and Gas Stimulus package providing for a one-year, two per cent royalty rate for all natural gas wells drilled in a 10 month window (September 2009 - June 2010), an increase of 15 per cent in the existing royalty deductions for natural gas deep drilling, and a qualification of horizontal wells drilled between 1,900 and 2,300 metres into the Deep Royalty Credit Program. An additional $50 million was allocated in the fall of 2009 for the Infrastructure Royalty Credit Program to stimulate investment in oil and gas roads and pipelines.

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.

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 and 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. As most refinery operating costs are relatively fixed, the goal 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.

Global investment in refining capacity has been more significant in the Far East as weak refining margins in the United States and Europe have not supported investments to expand capacity. The effects of refinery closures in Europe and the United States Atlantic Coast are yet to be determined.

Strong 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

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. In addition, such legislation requires that well and facility sites are abandoned and reclaimed to the satisfaction of provincial authorities. 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.

The Canadian Government has indicated its commitment to reduce GHG emissions and will be making changes to environmental legislation for criteria air contaminants but has provided no specific target guidelines or policies that relate to the oil and gas industry. Such legislation could have potentially adverse effects on both Harvests' Upstream and Downstream financial results. Harvest will participate in the discussion of any initiatives whether at a Federal or Provincial government level 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.

In 2002, the Government of Canada ratified the Kyoto Protocol which calls for Canada to reduce its GHG emissions to specified levels. On April 26, 2007, the Government of Canada released its Action Plan to Reduce Greenhouse Gases and Air Pollution (the "Action Plan") which includes a regulatory framework for air emissions. This Action Plan is to regulate the fuel efficiency of vehicles and the strengthening of energy standards for a number of energy-using products. On March 10, 2008, the Government of Canada released "Turning the Corner", outlining additional details to implement their April 2007 commitment to cut GHG emissions by an absolute 20% by 2020. "Turning the Corner" sets out a framework to establish a market price for carbon emissions and sets up a carbon emission trading market to provide incentives for Canadians to reduce their GHG emissions. In addition, the regulations include new measures for oil sands developers that require an 18% reduction from 2006 levels by 2010 for existing operations and for oil sands operations commencing in 2012, a carbon capture and storage capability. There is no mention of targeting reductions for unintentional fugitive emissions for conventional producers. Companies will be able to choose the most cost effective way to meet their emissions reduction targets from in-house reductions, contributions to time-limited technology funds, domestic emissions trading and the United Nations' Clean Development Mechanism. Companies that have already reduced their GHG emissions prior to 2006 will have access to a limited one-time credit for early adoption. Giving the evolving nature of the debate related to climate change and the control of GHGs and resulting requirements, and the lack of detail in the Government of Canada's announcement, it is not possible to assess the impact of the requirements on our operations and financial performance.

Harvest's environmental compliance is governed by various statutes including: Alberta's Environmental Protection and Enhancement Act, British Columbia's Environmental Assessment Act, Saskatchewan's Environmental Assessment Act, and Newfoundland's Environmental Protection Act.

Alberta

In 2007, the Government of Alberta introduced the Climate Change and Emissions Management Amendment Act which intends to reduce GHG emissions intensity from large emitting facilities. On January 24, 2008, the Government of Alberta announced their plan to reduce projected emissions in the province by 50% under the new climate change plan by 2050. This will result in reductions of 14% below 2005 levels. The Government of Alberta stated they will form a government-industry council to determine a go-forward plan for implementing technologies, which will significantly reduce greenhouse gas emissions by capturing air emissions from industrial sources and locking them permanently underground in deep rock formations.

On April 5, 2011, the Government of Alberta released their draft of the Lower Athabasca Regional Plan ("LARP"), which was developed as part of the land-use framework under the Alberta Land Stewardship Act. The draft was subsequently updated on August 29, 2011 based on feedback and consultation received from stakeholders. 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. Based on a preliminary assessment, the proposed new conservation areas do not appear to affect Harvest. The LARP is currently awaiting approval by the legislature.

British Columbia

The Province of British Columbia intends to reduce its GHG emissions to 33% below 2007 levels by 2020 and has set interim targets of 6% below 2007 levels by 2012 and 18% below 2007 levels by 2016 and, accordingly, has implemented the Greenhouse Gas Reduction Targets Act. The Crown is obligated to report every second year on the amount of reductions achieved in the province, although there is no mechanism in place to measure compliance nor is there any consequence for failing to reach the target. 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.

Saskatchewan

On May 11, 2009, the Province of Saskatchewan introduced Bill 95, an Act Respecting the Management and Reduction of Greenhouse Gases and Adaptation to Climate Change. The new legislation will establish a provincial plan for reducing GHG emissions to meet provincial targets and promote investments in low-carbon technologies. The Province has indicated that it intends to enter into an equivalency agreement with the federal government to achieve equivalent environmental outcomes under provincial regulation.

On June 22, 2011, the government announced its new Upstream Petroleum Industry Associated Gas Conservation Standards, which are designed to reduce emissions from the flaring and venting of associated gas. The standards establish a specified limit for the amount of natural gas that can be flared and vented from an oil well or associated facility. If that limit is exceeded, the producer is required to conserve and store the associated gas for their own use or sale. The standards will come into effect July 1, 2012 for new wells and facilities licensed on or after that date, and July 1, 2015 for existing wells and facilities. Harvest does not anticipate material compliance costs as we currently have infrastructure in place to conserve gas in most of our operated areas in Saskatchewan.

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 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, in collaboration with the Conference of New England Governors and Eastern Canadian Premiers, has committed to reduce regional GHG emissions to 1990 levels by 2010, to reduce regional GHG emissions to 10% below 1990 levels by 2020; and to reduce regional GHG emissions to 75-85% below 2001 levels by 2050.

RISK FACTORS

Both the Upstream and Downstream operations are conducted in the same business environment as most other operators in the respective businesses. The risk factors set forth below have been separated into those applicable to Upstream operators, those applicable to Downstream operators and those applicable to Harvest's structure.

Risks Related to the Upstream Operations

Prices received for petroleum and natural gas have fluctuated widely in recent years and are also impacted by volatility in the Canadian/U.S. currency exchange ratio.

Cash flow from the Upstream operations is dependent on the prices received from the sale of petroleum and natural gas production. Prices for petroleum, natural gas and natural gas liquids have fluctuated widely during recent years and are determined by supply and demand factors beyond the Corporation's control, including weather, general economic conditions, conditions in other petroleum producing regions, market uncertainty, the availability of alternative fuel sources, actions of the Organization of Petroleum Exporting Countries ("OPEC"), the price of foreign imports of petroleum and natural gas, concern over climate changes or GHG emissions and government regulations. Oil prices received from production in Canada also reflect changes in the Canadian/U.S. currency exchange rate. A decline in petroleum and/or natural gas prices or an increase in the Canadian/U.S. currency exchange rate could have a material adverse effect on the Corporation's cash from operating activities and financial condition as well as funds available for the development of its petroleum and natural gas reserves.

Any prolonged period of low petroleum and natural gas prices could result in a material reduction of Harvest's operating and financial results, production revenue, reserves and overall value and may lead to a decision by the Corporation to suspend or reduce production. Any such suspension or reduction of production would result in a corresponding substantial decrease in revenues and earnings and could materially impact Harvest's ability to meet its debt servicing obligations and could expose the Corporation to significant additional expense as a result of any future long-term contracts. If production was not suspended or reduced during such period, the sale of the petroleum and natural gas products produced by Harvest at such reduced prices would lower its revenues.

Harvest conducts an assessment of the carrying value of its assets to the extent required by IFRS. If petroleum and/or natural gas prices decline, the carrying value of Harvest's assets could be subject to downward revision and the Corporation's earnings could be adversely affected. The substantial volatility in petroleum prices over recent years has affected the profitability of the oil and gas industry and Harvest. Although transitioning to IFRS Harvest did not incur any impairment charges to the petroleum and natural gas assets in 2011, there can be no assurance that further declines in petroleum and natural gas prices or other circumstances will not result in such impairment charges at some future dates.

The differential between light oil and heavy oil compounds the fluctuations in benchmark oil prices.

At the end of 2011, Harvest's production was approximately 43% light and medium gravity crude oil, 16% heavy oil, 9% NGLs and 32% natural gas. Processing and refining heavy oil is more expensive than processing and refining light oil and accordingly, producers of heavy oil receive lower prices for their production. The differential between light oil and heavy oil has fluctuated widely during recent years and when compounded with the fluctuations in the benchmark prices for light oil, the result is a substantial increase in the volatility of heavy oil prices. An increase in the heavy oil differential usually results in Harvest receiving lower prices for heavy oil and could have a material adverse effect on the Corporation's cash from operating activities and financial condition as well as funds available for the development of the Corporation's petroleum and natural gas reserves. The heavy oil price differential is normally the result of the seasonal supply and demand for heavy oil, pipeline constraints and heavy oil processing capacity of refineries, all of which are beyond Harvest's control.

The operation of petroleum and natural gas properties involves a number of operating and natural hazards which may result in blowouts, environmental damage and other unexpected and/or dangerous conditions against which Harvest may not be insured or that may result in damages in excess of existing insurance coverage.

The operation of petroleum and natural gas wells involves a number of operating and natural hazards which may result in blowouts, explosions, fire, gaseous leaks, migration of harmful substances, spills, environmental damage and other unexpected and/or dangerous conditions resulting in damage to Harvest's assets and potentially assets of third parties. In addition, all of Harvest's operations are subject to all of the risks normally incident to the transportation, processing and storing of petroleum, natural gas and other related products, drilling and completion of petroleum and natural gas wells, and the operation and development of petroleum and natural gas properties, including encountering unexpected formations or pressures, premature declines of reservoir pressure or productivity, blowouts, equipment failures and other accidents, sour gas releases, uncontrollable flows of petroleum, natural gas or well fluids, adverse weather conditions, pollution and other environmental risks. Harvest's corporate EH&S manual has a number of specific policies to minimize the risk of environmental contamination, 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.

If the third party 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 there from, 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 may be acquired.

Harvest is subject to risks related to deregulation of electrical power systems and the volatility of electrical power prices.

A portion of Harvest's operating expenses are electrical power costs. 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 recently, 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 Saskatchewan, the Saskatchewan power system is regulated and as such, electrical power costs are not subject to significant volatility. However, there can be no certainty that the Saskatchewan power system will not deregulate in the future.

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 such were the case, 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.

The markets for petroleum and natural gas 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 petroleum and natural gas from its wells depends upon numerous factors beyond the Corporation's control, including:

- the availability of capacity to refine heavy oil;
- the availability of natural gas processing capacity;
- the availability of pipeline capacity;
- the availability of diluents to blend with heavy oil to enable pipeline transportation;
- the price of oilfield services;
- the accessibility of remote areas to drill and subsequently service wells and facilities; and
- the effects of inclement weather.

Because of these factors, Harvest may be unable to market all of the petroleum or natural gas it is capable of producing or to obtain favorable prices for the petroleum and natural gas it produces.

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 Evaluators are complex estimates and the actual production and ultimate reserves recovered from the Corporation's properties may differ from the estimates prepared by the independent reserves evaluators. There are numerous uncertainties inherent in estimating quantities of petroleum and natural gas reserves, including many factors beyond the Corporation's control. The reserves data in this Annual Information Form represents estimates only. In general, petroleum and natural gas reserves and the future net cash flows are based upon a number of variable factors and assumptions, such as product prices, future operating and capital costs, historical production from the properties 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 petroleum 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, taxes and development and operating expenditures with respect to the Corporation's reserves may vary from such estimates, and such variances could be material.

Estimates with respect to reserves and resources that may be developed and produced in the future are often based upon volumetric calculations, probabilistic methods and upon analogy to similar types of reserves or resources, rather than upon 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 Independent Reserves Evaluators 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 as estimated by the Independent Reserves Evaluators 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 were based, in part, on engineering and economic assessments made by the independent reserves evaluators in the related reserves report. 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 prices of oil, natural gas and natural gas liquids, 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 petroleum and natural gas may change from those anticipated at the time of making such acquisitions. In addition, 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.

Absent capital reinvestment or acquisition and development, production levels from petroleum and natural gas properties and reserves , and cash generated, 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 oil, natural gas and natural gas liquids reserves. Accordingly, absent additional capital investment from other sources, production levels and reserves attributable to Harvest's properties will decline.

Harvest's future petroleum and natural gas reserves and production, and therefore Harvest's cash flows, will be highly dependent on the Corporation's success in exploiting its resource base and acquiring additional reserves. Without reserves additions through acquisition or 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 developing or acquiring additional reserves on terms that meet its investment objectives.

Harvest may be adversely affected by changes in income and capital tax laws, government incentive programs and regulations relating to the petroleum and natural gas industry.

There can be no assurance that income and capital tax laws, government incentive programs and regulations relating to the petroleum and natural gas industry, such as environmental and operating regulations, will not change in a manner which adversely affects the Corporation.

Harvest will be responsible for abandonment and reclamation costs which may be substantial.

Harvest will be responsible for compliance with terms and conditions of environmental and regulatory approvals and all laws and regulations regarding the abandonment and reclamation of the surface leases, wells, facilities and pipelines at the end of their economic life as well as those for any future expansions. Abandonment and reclamation costs may be substantial. 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 abandonment and reclamation costs since they will be a function of regulatory requirements at the time and the value of the salvaged equipment may be more or less than the abandonment and reclamation costs. 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 "Appendix A-1: Other Upstream Business Information; *Additional Information Concerning Abandonment and Reclamation Costs*."

Harvest's operating cash flows will be directly affected by the applicable royalty regime.

Harvest is currently required to pay a royalty to the Governments of the Provinces of British Columbia, Alberta and Saskatchewan on Harvest's petroleum and natural gas production. These royalty regimes may be amended or supplemented from time to time. To the extent that royalty regimes are sensitive to commodity prices, the impact on Harvest of any such regime, or any amendment thereto, cannot be accurately predicted.

Harvest will be subject to risks related to BlackGold.

The development of BlackGold requires substantial capital investment to develop the asset. 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. Such cost overruns and schedule delays have the potential to affect the Corporation's future financial position and cash flows.

As is the case with any large scale, technically complex project, the ongoing development of BlackGold subjects Harvest to risks associated with scheduling delays and unforeseen technical challenges. Working with a variety of vendors and suppliers, that in some cases are transporting materials across great distances, increases the risk of delays. During the third quarter of 2010, Harvest signed an EPC contract with a third party to build required facilities at the BlackGold project site, including the central processing facility. To the extent that the third party fails to perform its duties as expected, risk remains that design objectives may be not be achieved and production may be reduced and/or delayed.

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 proposed expansion phase of the BlackGold project is in the application stage and remains subject to approval by provincial regulators. The delay of such approval could impact Harvest's ability and/or timing of reaching the targeted production of 30,000 bbl/d.

Industry competition

There is strong competition relating to all aspects of the petroleum and natural gas industry. The Upstream operations actively compete for capital, skilled personnel, undeveloped land, acquisitions, access to drilling rigs, service rigs and other equipment, access to processing facilities and pipeline and refining capacity, and in all other aspects of the Upstream operations with a substantial number of other petroleum and natural gas organizations, many of which may have greater technical and financial resources than us. Some of those organizations carry on a more diverse set of petroleum and natural gas related operations and market petroleum and other products on a world-wide basis and as such have greater and more diverse resources on which to draw.

Risks Related to Harvest's Downstream Operations

The market prices for crude oil and refined products have fluctuated significantly, the direction of the fluctuations may be inversely related and the relative magnitude may be different, resulting in volatile refining margins.

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 price 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 and refined products, 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;
- concern over climate change or GHG emissions;
- actions of the OPEC;
- government regulations including changes in fuel specifications required by environmental and other laws;
- 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.

The Downstream operations are also sensitive to refined products margins. In addition to the factors above, margin volatility is also impacted by numerous conditions including: labour, maintenance, electricity, chemicals and other inputs, unplanned production disruptions due to equipment failure, power disruptions and other factors including weather. As a result, it can be reasonably expected that Downstream results will fluctuate over time and from period to period. Harvest conducts an assessment of the carrying value of its assets to the extent required by IFRS. If refined product margins decline, the carrying value of Harvest's Downstream assets could be subject to downward revision and the Corporation's earnings could be adversely impacted. Although Harvest did not incur any impairment charges to its Downstream assets in 2011, there can be no assurance that further decline in refined product margins will not result in such impairment charges at some future dates.

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. Harvest's Upstream operations does not produce crude oil that can be economically transported to the Refinery and, as a result, the Refinery purchases all of its crude oil feedstock at prices that fluctuate with worldwide market conditions and this could significantly impact Harvest's earnings and cash flows. Harvest 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 Harvest's business and results of operations, as well as its financial condition and cash from operating activities.

Harvest purchases approximately 250,000 megawatt hours of electrical power from Newfoundland and Labrador Hydro, a provincial crown corporation. A substantial proportion of Newfoundland and Labrador Hydro's electricity is generated by hydroelectric power, a relatively inexpensive source compared to fossil fuel generators. The Refinery's cost of electrical power has remained relatively constant, averaging $0.043 per kilowatt hour in 2011. 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.

The prices for crude oil and refined products are generally based in U.S. dollars while Harvest's operating costs are denominated in Canadian dollars, which introduces currency exchange rate exposure.

The prices for crude oil and refined products are generally based on market prices in U.S. dollars while Harvest's Downstream operating costs and capital expenditures are primarily in Canadian dollars. Fluctuations in the exchange rates between the U.S. and Canadian dollar result in currency exchange rate exposure. Although this currency exchange rate exposure may be hedged, there can be no assurance that a currency exchange rate risk management program will effectively cover all of Harvest's exposure.

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 90% of its refined products via water borne vessels including very large crude carriers. In addition to environmental risks of handling such vessels discussed below, Harvest could experience a disruption in the supply of crude oil because of accidents, 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, over 67% of its crude oil feedstock has been from sources in the Middle East. The Corporation does not maintain 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 process 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) prior to expiration or does not agree to renew the SOA (2011) upon expiration, Harvest's business could be adversely affected.

Under the SOA (2011), the Refinery receives all of its feedstock from MEC and sells almost all of the refined product produced to MEC. If MEC terminates the SOA (2011) prior to expiration or does not agree to renew the SOA (2011) upon expiration, 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 of feedstock to the Refinery and the sale of the Refinery's refined products. No assurance can be given that Harvest will be able either to 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, 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 North Atlantic's crude oil feedstock pursuant to the SOA (2011) and Harvest enters into price risk management contracts to reduce exposure to adverse fluctuations in the prices of crude oil and refined products. Accordingly, should Harvest's creditworthiness or the creditworthiness of MEC deteriorate, crude oil producers and suppliers as well as financial counterparties may change their view on contracting with us for the supply of crude oil and/or price risk management contracts, respectively, and induce them to shorten the payment terms or require additional credit support, such as letters of credit. Due to the large dollar amount of credit associated with the volume of crude oil purchases and long-term price risk management contracts, 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. In addition, if the price of crude oil increases significantly, the credit requirements to purchase enough crude oil to operate the Refinery at full capacity will also increase. 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 Refinery is a single train integrated interdependent facility which could experience a major shutdown caused by an accident or by severe weather and these potential disruptions may reduce or eliminate Harvest's cash flow.

The Refinery is a single train integrated and interdependent facility which could experience a major accident, be damaged by severe weather or other natural disaster or otherwise be forced to shutdown. A shutdown of one part of the Refinery could significantly impact the production of refined products and may reduce, and even eliminate, cash flow. Any one or more of the Refinery's processing units may require a planned turnaround or encounter unexpected downtime for maintenance or 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.

Harvest's refining operations are adjacent to environmentally sensitive coastal waters, and are subject to hazards and similar risks such as fires, explosions, spills and mechanical failures, any of which may result in personal injury, damage to Harvest's property and/or the property of others along with significant other liabilities in connection with a discharge of materials.

Harvest's refining operations, including the transportation of and storage of crude oil and refined products, are subject to hazards and inherent risks typical of similar operations 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. Currently, the Corporation has the opportunity and intends to consider opportunities to grow its business through the reconfiguration and enhancement of its Refinery assets with a suite of expansion or debottlenecking projects. However, if unanticipated costs occur or revenues decrease as a result of lower refining margins, operating difficulties or other matters, there may not be sufficient capital to enable us to fund all required capital and operating expenses. There can be no assurance that cash generated by Harvest's Operations or funding available from debt financings will be available to meet its capital and operating requirements.

The operation of refineries and related storage tanks is inherently subject to spills, discharges or other releases of petroleum or hazardous substances. If any of these events had previously occurred, or occurs, in the future in connection with any of Harvest's storage tanks, or in connection with any facilities to which the Corporation sends wastes or byproducts for treatment or disposal, other than events for which the Corporation are indemnified, 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 caused by contamination from releases and spills. The penalties and clean-up costs that the Corporation may have to pay for releases or spills, or the amounts that the Corporation may have to pay to third parties for damage to their property, could be significant and the payment of these amounts could have a material adverse effect on the Corporation's business and results of operations, as well as its financial condition and cash from operating activities.

Harvest 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 us to the provisions of Canadian federal laws and the laws of the Province of Newfoundland and Labrador. Among other things, these laws require us to demonstrate Harvest's capacity to respond to a "worst case discharge" to a maximum 10,000 metric tonne oil spill. Harvest'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 fire fighting 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. In addition, Harvest has contracted the Eastern Canada Response Corporation to supplement Harvest's resources. 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.

Harvest has in the past operated service stations with underground storage tanks and currently operates 55 retail gasoline stations and three 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.

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 Corporation 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.

Refinery 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.

The Downstream operations and related properties are subject to extensive federal, provincial and local environmental and health and safety regulations governing, among other things, the generation, 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 refineries, environmental laws and regulations have raised operating costs and required significant capital investments at the Refinery. Harvest believes that the Refinery is materially compliant with existing laws and regulatory requirements. However, material expenditures could be required in the future for the Refinery to comply with evolving environmental, health and safety laws, regulations or requirements that may be adopted or imposed in the future.

The Refinery operates under permits issued by the federal and provincial governments and these permits must be renewed periodically. The federal and provincial governments may make operating requirements more stringent which may require additional spending.

In addition, new environmental laws and regulations, new interpretations of existing laws and regulations, increased governmental enforcement or other developments could require us to make unanticipated expenditures in the Downstream operations. Many of these laws and regulations are becoming increasingly stringent, and the cost of compliance with these requirements can be expected to increase over time. Harvest is not able to predict the impact of new or changed laws or regulations or changes in the ways that such laws or regulations are administered, interpreted or enforced. The requirements to be met, as well as the technology and length of time available to meet those requirements, continue to develop and change. 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.

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, 2011, 67% full-time employees and 97% 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.

The Refinery is subject to operational risks that include severe weather, access to skilled labour, availability of materials, competing projects and equipment failures which may cause a refinery shutdown or a reduction in production thereby reducing or eliminating Harvest's cash flow.

The operation of the refinery requires physical access for people and equipment on a regular basis which could be affected by weather, accidents, government regulations or third party actions. Skilled labour is necessary to run our operations and there is a risk that we may have difficulty in sourcing skilled labour which could lead to increased operating and capital costs. There are risks and uncertainties affecting construction or planned maintenance schedules and costs, including the availability of materials, equipment, qualified personnel, impacts of competing projects drawing on the same resources during the same time period; and the potential for disruptions to operations and construction projects. Accordingly, actual costs can be materially different from estimates and could have a material adverse effect on our costs, results of operations and cash flows. In addition, maintenance activities may not improve operational performance or the output of related facilities and construction projects may not deliver anticipated results.

Risks Related to Harvest's Structure

Debt Service and Repayment

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. Any indebtedness of Harvest or of restricted subsidiaries which is owed to a restricted subsidiary is subordinate to payments to lenders pursuant to the Credit Facility, under subordination agreements between the lenders and the restricted subsidiaries.

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 is permitted to borrow funds to finance the purchase of assets, incur capital expenditures, repay other obligations and finance working capital. Variations in interest rates could result in significant changes in the amount required to be applied to debt service.

Interest and principal amounts payable pursuant to the 6⅞% Senior Notes are payable in U.S. dollars. Harvest is permitted to borrow funds under the Credit Facility in U.S. dollars and would be required to settle interest and principal amounts in the same currency. Variations in the Canadian/U.S. currency exchange rate could result in a significant increase in the amount of the interest and principal payments under the Credit Facility and the 6⅞% Senior Notes.

Access to External Capital Resources

There is a risk that the Corporation will not be able to meet the covenants associated with its indebtedness, repay all or part of its indebtedness, or refinance all or part of its indebtedness on commercially reasonable terms. The occurrence of any one of these events may have a significant adverse effect on the Corporation's ability to access external capital resources. As well, to the extent that external capital, including debt financing, from banks or other creditors, becomes limited, unavailable or available on less economic terms, Harvest's ability to fund the necessary capital investments to maintain, develop, and/or expand its petroleum and/or natural gas reserves, continue construction on its BlackGold assets and to debottleneck its refinery operations will be impaired.

Reliance on Management of Harvest Operations

Holders of securities of Harvest will be dependent on the management of Harvest Operations 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 Operations should not invest in the Corporation.

Re-assessment of Prior Years' Income Tax Returns

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.

In January 2009 Canada Revenue Agency issued a Notice of Reassessment to the Trust and to Harvest Sask Energy Trust ("HSET") in respect of their 2002 through 2004 taxation years, claiming past taxes, interest and penalties totalling $6.2 million for the Trust and $1.2 million for HSET. The CRA adjusted the Trust's and HSET's taxable income to include their net profits interest royalty income on an accrual basis, whereas the tax returns filed by the Trust and HSET had reported this revenue on a cash basis. A Notice of Objection was filed with CRA requesting the adjustments to an accrual basis be reversed followed by Notices of Appeal filed by the Trust and HSET in the Tax Court of Canada with respect to tax years 2003 and 2004. On January 25, 2011, CRA indicated that they will not pursue the original reassessments, and CRA and each of HSET and the Trust have since agreed, pursuant to minutes of settlement, to the issuances of new reassessments to reverse the effect of the original reassessments, to resolve all outstanding issues relating thereto, and to deal with other adjustments not related to the original reassessment.

Risk Management Activities

The nature of Harvest's operations results in exposure to fluctuations in commodity prices, interest rates and foreign exchange rates. The Corporation monitors its exposure to such fluctuations and, where deemed appropriate, utilizes derivative financial instruments and physical delivery contracts to help mitigate the potential impact of declines in crude oil, natural gas and refined product prices, changes in interest rates and foreign exchange rates. 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 petroleum, 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.

To the extent that Harvest engages in these risk management activities, Harvest will be subject to counterparty risk.

GENERAL DESCRIPTION OF CAPITAL STRUCTURE

The outstanding securities of Harvest consist of common shares, senior notes and convertible debentures. A bank Credit Facility is also in place.

The authorized capital 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 "Market for Securities" and "General Development of the Business; *Developments in 2009*."

On October 4, 2010 Harvest issued the 6⅞% Senior Notes, which are governed by the terms and conditions of the Note Indenture. The notes are issued by Harvest Operations and guaranteed by the subsidiaries who guarantee the Credit Facility.

The Debentures continue to be outstanding obligations of Harvest and are governed by the terms and conditions of the Debenture Indentures. Under the completion of the KNOC Arrangement, an automatic adjustment to the conversion privilege occurred for each outstanding series of Debentures such that the Debentures are no longer convertible into Trust Units.

As a result of the internal reorganization during 2010, Harvest Operations became the parent entity of the Operating Subsidiaries, and in accordance with the provisions of the Debenture Indenture, as the parent entity it assumed the Trust's obligations under the Debentures.

As at December 31, 2011 Harvest Operations had an $800 million Credit Facility in place.

6⅞% Senior Notes and the Note Indenture

The following is a summary of the material attributes and characteristics of the Note Indenture (and references below to “Notes” refer to the 6⅞% Senior Notes), a copy of which is filed as a Material Contract on SEDAR (www.sedar.com):

Payment upon Redemption

Prior to maturity, the 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 Notes at any time in the event that certain changes affecting Canadian withholding taxes occur.

Covenants

There are covenants restricting, among other things, certain transactions for 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. Notwithstanding the interest coverage ratio limitation, the incurrence of additional secured indebtedness may not exceed the greater of $1.0 billion and 15% of total assets as outlined in the limitation on liens covenant. In addition, the covenants under the Note Indenture limit the amount of restricted payments, including dividends to Harvest’s shareholders.

Registration Rights

The Notes have not been registered under the U.S. Securities Act of 1933 or the securities laws of any other jurisdiction. Harvest has entered into a Registration Rights Agreement. The Registration Rights Agreement provides that unless the Exchange Offer would not be permitted by applicable law or Securities and Exchange Commission (“SEC”) policy, Harvest Operations and the subsidiary guarantors will:

(1) file an Exchange Offer Registration Statement with the SEC on or prior to 45 days after the filing deadline (the “Filing Date”), as specified in the SEC’s rules and regulations, for Harvest’s Form 20-F for the fiscal year ended December 31, 2011;

(2) use their commercially reasonable efforts to have the Exchange Offer Registration Statement declared effective by the SEC on or prior to 105 days after the Filing Date; and

(3) following effectiveness of the Exchange Offer Registration Statement,
    (a) commence the Exchange Offer; and
    (b) issue Exchange Notes in exchange for all Notes tendered prior thereto in the Exchange Offer.

Debentures and the Debenture Indenture

The following is a summary of the material attributes and characteristics of the Debentures. This summary does not include a description of all of the terms of each series of Debentures, and reference should be made to the relevant trust indenture for the series of Debenture filed at www.sedar.com for a complete description of such terms.

General

The principal amount and interest of the Debentures is payable in lawful money of Canada.

The following table sets forth key information for each series of outstanding Debentures as at the date of this Annual Information Form:

Series of Debentures	Semi-Annual Payment Dates	Maturity Date	Current Redemption Price % of Par
6.40% Debentures Due 2012	April 30, October 31	October 31, 2012	100%
7.25% Debentures Due 2013	March 31 and September	September 30, 2013	100%
7.25% Debentures Due 2014	February 28 and August 31	February 28, 2014	100%
7.50% Debentures Due 2015	May 31 and November 30	May 31, 2015	105%

The Debentures are direct obligations of the Corporation and are not secured by any mortgage, pledge, hypothec or other charge and will be subordinated to other liabilities of the Corporation as described under "Subordination." The Debenture Indenture will not restrict the Corporation from incurring additional indebtedness for borrowed money or from mortgaging, pledging or charging its properties to secure any indebtedness.

Conversion Privilege

In accordance with the provisions of the Debenture Indenture, the completion of the KNOC Arrangement resulted in an automatic adjustment to the conversion privilege under each outstanding series of Debentures. The Debentures are no longer convertible into Trust Units. They are convertible into the same cash consideration (based on the acquisition price under the KNOC Arrangement of $10.00 per unit) that a holder of Debentures would have received under the KNOC Arrangement had the holder converted their Debentures into former Trust Units immediately prior to the effective time of the KNOC Arrangement. Accordingly, in the event of a valid exercise of the conversion right by a holder of Debentures, the holder will now receive, in lieu of the number of Trust Units that would have been issuable prior to the effective time of the KNOC Arrangement, a cash payment in an amount equal to $10.00 for each such Trust Unit that would otherwise have been issued at such time. Based on the conversion price of each outstanding series of Debentures, a holder who converts any Debentures now will receive, in exchange for their converted Debentures, a cash payment that is less than the principal amount converted and it is assumed that no investor would exercise their conversion option.

Redemption and Purchase

The Debentures may be redeemed at the Corporation's option in whole or in part prior to their respective maturity dates. The current redemption price (as a percentage per value) for each series of Debentures is shown in the table above. The Corporation has the right to purchase the Debentures in the market, by tender or by private contract.

Payment upon Redemption or Maturity

On redemption or at maturity, Harvest will repay the indebtedness represented by the Debentures by paying to the Debenture Trustee in lawful money of Canada an amount equal to the aggregate Redemption Price of the outstanding Debentures which are to be redeemed or the principal amount of the outstanding Debentures which have matured, as the case may be, together with accrued and unpaid interest thereon. Any accrued and unpaid interest thereon will be paid in cash.

Subordination

The payment of principal and interest on the Debentures is subordinated in right of payment to the prior payment in full of all of Harvest's senior indebtedness, including the 6⅞% Senior Notes discussed above and effectively subordinated to claims of creditors of the Corporation's subsidiaries.

Debentures May Be Issued in Series and Rank Pari Passu

The Debentures may be issued in one or more series with each series established by a supplement to the Debenture Indenture specifying, among other things, any limit to the aggregate principal amount of the Debentures of the series to be issued, the date or dates on which the principal of the Debentures of the series is payable, the rate or rates at which the Debentures of the series shall bear interest, the right, if any, of Harvest to redeem Debentures of the series and the period or periods and price therefore.

All issued and outstanding Debentures of the Corporation are direct unsecured obligations of the Corporation with each series of Debentures ranking *pari passu* with all other series of Debentures of the Corporation and each Debenture of a series ranking *pari passu* with each Debenture of the same series of Debentures.

Covenants

The Debenture Indenture contains customary covenants and provisions, including covenants with respect to limitations on certain transactions, payment of principal, premium and interest, covenants and provisions governing mergers, consolidation and asset sales, change of control and a covenant limiting distributions to the equity holder if the Harvest Board has actual knowledge that the paying of the distribution on the payment date will result in an event of default. In addition, the Debenture Indenture provides that the Corporation may not issue additional Debentures of equal ranking if the principal amount of all issued and outstanding Debentures exceeds 25% of Harvest's total market capitalization (as defined in the Debenture Indenture) after the issuance of such additional Debentures.

Offers for Debentures

The Debenture Indenture contains provisions to the effect that if an offer is made for the Debentures which is a take-over bid for Debentures within the meaning of the *Securities Act* (Alberta) and not less than 90% of the Debentures (other than Debentures held at the date of the take-over bid by, or on behalf of, the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Debentures held by the holders of Debentures who did not accept the offer on the terms offered by the offeror.

Credit Facility

The Credit Facility is a secured covenant-based $800 million credit facility with a syndicate of ten financial institutions and includes an accordion feature that permits the Corporation to increase the size of the facility to $1.0 billion without lender consent if the Corporation is able to secure additional capacity from an existing or new lender(s).

Harvest continues to pay a floating interest rate plus a risk premium that changes based on the ratio of the Corporation's drawn amount of debt to earnings before interest, taxes, depletion, amortization and other non-cash items ("EBITDA") as more fully defined below. As a result of two amendments of the agreement for the Credit Facility during 2011, pursuant to amending agreements dated April 29, 2011 and December 16, 2011; the minimum applicable margin under the Credit Facility for LIBOR or BA based loans was decreased to 160 bps, as long as Harvest's drawn amount of Senior Debt to EBITDA ratio remains below or equal to one. In addition, the Credit Facility requires standby fees on undrawn amounts. As at December 31, 2011, $358.9 million was drawn on the Credit Facility plus $8.7 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:

(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 to 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 bases for permitted distributions include those based on Total Debt to EBITDA ratio not exceeding 2.5:1 after any such distribution or in amounts less than EBITDA minus capital expenditures by Harvest and its restricted subsidiaries;

(d) Subject to the following quarterly financial covenants:

(1) Senior Debt to EBITDA of 3.0 to 1.0 or less;

(2) Total Debt to EBITDA of 3.5 to 1.0 or less;

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

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

Note: in the above, "Senior Debt" includes letters of credit, bank debt and guarantees and "Total Debt" consists of Senior Debt, the 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, amortization and other;

(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 drawn under the Credit Facility, the 6⅞% Senior Notes, the Debentures and shareholders' equity, all as reported in Harvest's consolidated balance sheet in accordance with IFRS.

With respect to these financial covenants, Harvest's December 31, 2011 financial ratios were as follows:

- Senior Debt to EBITDA of 0.73 to 1.0;
- Total Debt to EBITDA of 2.72 to 1.0;
- Senior Debt to Capitalization of 10%; and
- Total Debt to Capitalization of 36%.

CREDIT RATINGS

Harvest Operations is 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 corporate ratings are "BB-" from S&P and Ba2 from Moody's. The 6⅞% Senior Notes are rated "BB-" by S&P and Ba1 by Moody's. Harvest's shareholder, KNOC is rated with credit ratings of A (Stable) by S&P and A1 (Stable) by Moody's.

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. A rating of Ba1 or Ba2 by Moody's is within the fifth highest of nine categories and is assigned to debt securities which are considered non-investment grade speculative and are subject to substantial credit risk. 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.

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. An entity with debt rated BB- by S&P is regarded as having speculative characteristics as it 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. 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.

MARKET FOR SECURITIES

Harvest's publicly traded Trust Units were delisted from both the TSX and the NYSE shortly after the December 22, 2009 completion of the KNOC Arrangement. The following common shares have been issued to KNOC:

Outstanding at October 8, 2009	-
October 9, 2009 shares issued on incorporation at $1 per share	1
December 22, 2009 shares issued at $10.00 per share for the KNOC Acquisition	242,268,801
Outstanding at December 31, 2009	242,268,802
January 29, 2010 shares issued for cash at $10.00 per share	46,567,852
August 4, 2010 shares issued to fund the BlackGold acquisition at $10.00 per share	37,416,913
August 20, 2010 shares issued for cash at $10.00 per share	4,700,000
October 4, 2010 shares issued for cash at $10.00 per share	712,880
October 25, 2010 shares issued for cash at $10.00 per share	3,868,600
Outstanding at December 31, 2010	335,535,047
February 28, 2011 shares issued to KNOC for Hunt acquisition at $10.00 per share	50,543,602
Outstanding at December 31, 2011	386,078,649

The Debentures are listed and traded on the TSX under the symbols "HTE.DB.D" for the 6.40% Debentures Due 2012, "HTE.DB.E" for the 7.25% Debentures Due 2013, "HTE.DB.F" for the 7.25% Debentures Due 2014 and "HTE.DB.G" for the 7.50% Debentures Due 2015.

6.40% Debentures Due 2012 (HTE.DB.D)

The following table sets forth the high, low and closing trading prices and the aggregate trading volume of the 6.40% Debentures Due 2012 as reported by the TSX for the periods indicated:

2011	High	Low	Close	Volume Traded
January	$ 102.75	$ 101.50	$ 102.25	367,000
February	$ 102.25	$ 101.03	$ 102.00	724,000
March	$ 102.09	$ 101.18	$ 101.85	795,000
April	$ 101.80	$ 101.30	$ 101.50	270,000
May	$ 102.11	$ 101.15	$ 102.11	613,000
June	$ 102.25	$ 101.20	$ 101.20	730,000
July	$ 102.11	$ 101.01	$ 102.11	122,000
August	$ 101.75	$ 100.00	$ 100.96	1,043,000
September	$ 101.00	$ 100.46	$ 101.00	685,000
October	$ 101.50	$ 99.90	$ 101.50	247,000
November	$ 101.25	$ 100.80	$ 101.25	133,000
December	$ 101.50	$ 100.50	$ 101.30	935,000
2012				
January	$ 101.75	$ 101.26	$ 101.50	646,000
February	$ 101.70	$ 100.55	$ 101.00	541,000
March 1-23	$ 101.50	$ 100.74	$ 101.31	438,000

7.25% Debentures Due 2013 (HTE.DB.E)

The following table sets forth the high, low and closing trading prices and the aggregate trading volume of the 7.25% Debentures Due 2013 as reported by the TSX for the periods indicated:

2011	High	Low	Close	Volume Traded
	$ 103.99	$ 102.30	$ 103.25	2,489,000
February	$ 103.50	$ 102.60	$ 102.67	1,558,000
March	$ 103.50	$ 102.60	$ 103.50	5,666,500
April	$ 103.50	$ 102.71	$ 102.91	1,207,000
May	$ 103.20	$ 102.85	$ 103.07	1,138,000
June	$ 103.20	$ 102.25	$ 102.90	2,666,000
July	$ 102.95	$ 102.10	$ 102.95	1,615,200
January	$ 102.95	$ 101.70	$ 102.15	984,000
September	$ 102.00	$ 100.25	$ 100.50	1,395,500
October	$ 102.00	$ 99.00	$ 101.50	4,808,000
November	$ 102.00	$ 101.11	$ 101.11	2,348,000
December	$ 102.10	$ 101.11	$ 102.00	1,317,000
2012				
January	$ 102.99	$ 101.80	$ 102.50	1,036,000
February	$ 103.00	$ 102.28	$ 102.55	1,064,000
March 1-23	$ 103.00	$ 102.25	$ 102.45	2,481,000

7.25% Debentures Due 2014 (HTE.DB.F)

The following table sets forth the high, low and closing trading prices and the aggregate trading volume of the 7.25% Debentures Due 2014 as reported by the TSX for the periods indicated:

2011	High	Low	Close	Volume Traded
January	$ 104.00	$ 103.00	$ 104.00	297,000
February	$ 104.00	$ 103.28	$ 103.74	1,965,000
March	$ 103.99	$ 102.50	$ 103.75	586,000
April	$ 104.00	$ 103.50	$ 103.99	471,000
May	$ 104.00	$ 103.54	$ 103.96	444,000
June	$ 103.97	$ 102.95	$ 103.50	191,000
July	$ 103.75	$ 103.00	$ 103.00	257,000
August	$ 103.00	$ 102.50	$ 102.70	194,000
September	$ 102.98	$ 102.00	$ 102.00	3,033,000
October	$ 102.25	$ 100.00	$ 101.05	323,000
November	$ 102.30	$ 101.05	$ 101.25	5,266,000
December	$ 102.70	$ 101.31	$ 102.50	294,000
2012				
January	$ 102.98	$ 101.74	$ 102.97	1,597,000
February	$ 103.40	$ 102.35	$ 102.99	2,654,000
March 1-23	$ 103.99	$ 102.99	$ 103.99	1,342,000

7.50% Debentures Due 2015 (HTE.DB.G)

The following table sets forth the high, low and closing trading prices and the aggregate trading volume of the 7.50% Debentures Due 2015 as reported by the TSX for the periods indicated:

2011	High	Low	Close	Volume Traded
January	$ 106.00	$ 105.00	$ 106.00	3,211,000
February	$ 106.50	$ 105.50	$ 105.90	10,521,000
March	$ 106.20	$ 105.70	$ 105.70	10,542,000
April	$ 106.20	$ 105.50	$ 105.60	610,000
May	$ 106.00	$ 105.25	$ 105.30	786,000
June	$ 105.35	$ 104.60	$ 105.00	4,497,600
July	$ 105.15	$ 104.50	$ 104.99	926,100
August	$ 104.99	$ 104.00	$ 104.60	5,018,000
September	$ 104.55	$ 103.25	$ 103.50	730,000
October	$ 103.75	$ 102.50	$ 103.25	5,221,000
November	$ 103.90	$ 103.00	$ 103.50	4,087,000
December	$ 104.54	$ 103.10	$ 103.75	5,738,000
2012				
January	$ 105.45	$ 104.10	$ 104.41	1,126,500
February	$ 105.45	$ 104.30	$ 105.45	1,904,000
March 1-23	$ 105.45	$ 104.55	$ 105.00	1,440,000

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 the date hereof are set out in the table below. Information is also presented with respect to officers who resigned during the year ended December 31, 2011. Directors are elected or appointed yearly at the annual meeting and the terms of office of all directors expire at the next following annual meeting.

Name and Jurisdiction of Residence	Position with Harvest Operations	Principal Occupation
Dr. Seong-Hoon Kim Seoul, South Korea	Director, Chairman since January 2010.	Dr. Kim is currently a director and the Senior Executive Vice President of KNOC. He has held the position of Executive Vice President for New Ventures & Business Exploration as well as other senior management positions within the New Ventures and Exploration division of KNOC.
William A. Friley Jr. Alberta, Canada	Director from 2006 to 2009 and reappointed in January 2010.	Mr. Friley is the President and Chief Executive Officer of Telluride Oil and Gas Ltd., President of Skyeland Oils Ltd., and Chairman of TimberRock Energy Corporation. He is also a Director of OSUM Oil Sands Corp. and a Director of SilverStar Energy Services and Advanced Flow Technologies Inc. Prior to this he acted as President and Chief Executive Officer of Triumph Energy Corporation (a publicly traded oil and natural gas company). Mr. Friley is a previous Director of Mustang Resources Inc. (a publicly traded oil and natural gas company) and a past Chair of Canadian Association of Petroleum Producers.
J. Richard Harris Alberta, Canada	Director since January 2010.	Mr. Harris is an independent oil and gas consultant in Calgary, Alberta. He was previously the President of four Canadian publicly traded oil and gas companies and has served on the boards of nine other energy and energy service related companies. He was a member of the Alberta Securities Commission's Oil and Gas Securities Taskforce that led to the completion of National Instrument 51-101 and he served on the Commission's Reserve Advisory Committee until his retirement from the Committee in 2005. Mr. Harris is a member of several industry societies and holds the designations of Professional Geologist in Canada and Certified Petroleum Geologist and Certified Professional Geological Scientist in the United States.
Chang-Seok Jeong Seoul, South Korea	Director since January 2012.	Mr. Jeong became a Board Member of Harvest in January 2012. He is currently Executive Vice President of the America Group at KNOC. Mr. Jeong has 26 years of experience at KNOC and has worked in the Vietnam Office, Asia & Europe Production Department and the Overseas E&P Department as a General Manager & Managing Director. He earned a Bachelor's degree in Petroleum Engineering and Master's degree in Petroleum Engineering, both from Seoul National University.

Name and Jurisdiction of Residence	Position with Harvest Operations	Principal Occupation
Chang-Koo Kang Alberta, Canada	Chief Financial Officer since January 2012; Director since January 2010.	Mr. Kang is a corporate financial specialist and currently the Chief Financial Officer at Harvest. Prior thereto, he was the Vice President of KNOC's Finance Management Department. Prior to this, he held the position of Finance Team Senior Manager at KNOC. Mr. Kang has worked on financings for the merger and acquisition of PetroTech Peruana S.A., Peru, Harvest Operations Corp., and Sumble JSC, Kazakhstan. He holds a Bachelor's degree in accounting from Pusan National University and graduated with an MBA from Sogang Business School, Sogang University, Korea.
William D. Robertson Alberta, Canada	Director from 2008 to 2009 and reappointed in January 2010.	Mr. Robertson is a Fellow Chartered Accountant and retired Partner of Price Waterhouse Coopers LLP where he acted as lead oil and gas specialist. He is currently a director of Inter Pipeline Fund and Argent Energy. Mr. Robertson has served on the CIM Petroleum Society Standing Committee on Reserve Definitions, the Alberta Securities Commission Financial Advisory Committee, the working sub-committee of the Alberta Securities Commission Taskforce of Oil and Gas Reporting, and the Council of the Institute of Chartered Accounts of Alberta.
Brant Sangster Alberta, Calgary	Director since November 2010.	Mr. Sangster is currently a director of Canadian Oil Sands Limited, Inter Pipeline Fund, and Titanium Corporation. Mr. Sangster enjoyed a 25-year career as a senior executive with Petro-Canada, where he was responsible for managing the corporation's oil sands businesses. Prior to this, Mr. Sangster held various strategic planning and operating positions with Imperial Oil Ltd.
Kang Hyun Shin Seoul, South Korea	Director since November 2010.	Mr. Shin is currently KNOC's Vice President of Petroleum Marketing. Prior to this he acted as the Senior Manager for KNOC's Legal Team as well as the Senior Manager for the KNOC's Management Planning Team and the Senior Manager for the Strategic Planning Team. Mr. Shin holds an M.A. of Public Administration from the Graduate School of Public Administration, Seoul National University in South Korea.

Name and Jurisdiction of Residence	Position with Harvest Operations	Principal Occupation
Kyungluck Sohn Seoul, South Korea	Director since November 2010; Chief Financial Officer until January 2012.	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, and in the Offshore Rig Operations department from May 2006 to December 2008. Mr. Sohn has also held positions as an Administration Manager with the Ulsan Gas Terminal, as a Financing Manager and Information Manager in the Petroleum Information department and a Marketing Manager in the Offshore Rig Operations department. Prior to these roles, he held a senior position in the Procurement department of Hyundai Heavy Industry Co., Ltd for four years. He holds a Business Management degree from the Busan National University in South Korea.
Myunghuhn Yi Alberta, Canada	President & Chief Executive Officer since January 2012; Director since December 2010.	Mr. Yi became President and Chief Executive Officer of Harvest Operations in January 2012 and joined Harvest's Board in November 2010. Prior to joining Harvest, he was the Executive Vice President for the Americas Group, as well as President of ANKOR E&P Holdings Corporation in the USA. Mr. Yi has 23 years of experience at KNOC and has worked in Domestic Continental Shelf Development, the Overseas E&P Department, and the Ulsan Branch of the Petroleum Stockpile Department. He earned a bachelor's degree in Petroleum Engineering at Seoul National University and Master's degree of Petroleum Engineering in Hanyang University.
John E. Zahary Alberta, Canada	Director since 2008; President & Chief Executive Officer until January 2012.	John Zahary, a Professional Engineer with extensive senior management experience in the upstream and integrated oil and natural gas industry, is President and Chief Executive Officer of Sunshine Oil Sands Ltd. From February 3, 2006 to January 20, 2012, he was Harvest's President & Chief Executive Officer. Prior to the merger of Harvest and Viking Energy in February 2006, Mr. Zahary had been President & Chief Executive Officer of Viking since April 2004. Mr. Zahary is a past Director and past President of the Alberta Chamber of Resources, past Governor and Officer of the Canadian Association of Petroleum Producers, and Chairman of the western Canada Rhodes Scholarship Selection Committee as well as other business and volunteer involvements. Mr. Zahary holds a B.Sc. in Mechanical Engineering from the University of Calgary and a M.Phil. in Management from the University of Oxford.

Name and Jurisdiction of Residence	Position with Harvest Operations	Principal Occupation
Robert A. Pearce Alberta, Canada	Chief Operating Officer since January 2012; Vice President, Corporate Development September 2011 to January 2012 and Treasurer since September 2011	Mr. Pearce has over 25 years of varied technical and business experience in the areas of corporate development, general management, debt and equity finance, strategy and planning. Prior to joining Harvest he was the Chief Financial Officer of a junior company developing a new oil sands extraction technology. He was Chief Executive Officer and co-founder of North West Upgrading where he led a team developing an independent upgrader/refiner to service Alberta's growing oil sands sector. He served as Treasurer of PanCanadian Energy, was an energy investment banker for several years, and has held various for profit and not-for-profit director positions. Mr. Pearce has an undergraduate degree in Geological Engineering and an MBA in Finance.
Brian Kwak Alberta, Canada	Deputy Chief Operating Officer, Upstream and Vice President, Global Technology Research Centre	In December 2012, Mr. Kwak was appointed Deputy Chief Operating Officer, Upstream and Vice President, Global Technology Research Centre. From January 2010 until December 2011 Mr. Kwak was Deputy Chief Operating Officer, Upstream and Vice President, BlackGold of Harvest Operations. From November 2006 to January 2010 he was Manager, Subsurface of KNOC Canada and from August 2005 to November 2006 was Manager, Offshore Drilling Rig of KNOC. Prior to this, he acted as the Deputy Manager, Exploration of Cuulong Joint Operating Company in Vietnam. Mr. Kwak holds a M. Sc and B. Sc Geology.
Jongwoo Kim Alberta, Canada	Chief Strategy Officer & Corporate Secretary	Mr. Kim is the Chief Strategy Officer and Corporate Secretary of Harvest Operations. Prior to this, Mr. Kim was the Vice President, Business Planning and Corporate Secretary at Harvest. Before joining Harvest, he held various positions at KNOC over a 17-year period. His previous role with KNOC was acting as the Merger and Acquisition Team Lead. Mr. Kim holds a Master of Science in Finance graduate degree from the Daniel's College of Business, University of Denver.
Patrick BH An Alberta, Canada	Vice President, BlackGold since December 2011.	Mr. An has over 20 years experience in project management, engineering execution of oil and gas facilities development projects and operations of the oil and gas production assets including interfacing with commercial, sub-surface, operations groups, liaisons with partner and third party operating companies, government regulators and legislative bodies. Prior to joining Harvest he was Senior Manager of Production Assets in the Middle East and CIS from 2009 to 2011 and BlackGold project from 2007 to 2008 in KNOC. He holds a B.Sc. in Mechanical Engineering.
Gary Boukall Alberta, Canada	Vice President, Geosciences	Mr. Boukall is the Vice President, Geosciences of Harvest Operations. From December 2002 to March 2007 he held various positions with Harvest Operations including Chief Geologist, Manager of Geology and Manager of Geosciences. Mr. Boukall is a professional Geologist.

Name and Jurisdiction of Residence	Position with Harvest Operations	Principal Occupation
Les Hogan Alberta, Canada	Vice President, Land	On December 3, 2007, Mr. Hogan was appointed Vice President, Land of Harvest Operations. From June 2002 to November 2007 he held various positions including Vice President Land and Community Affairs at Pioneer Natural Resources Canada.
Phil Reist Alberta, Canada	Vice President, Controller	On March 16, 2007, Mr. Reist was appointed Vice President, Controller of Harvest Operations. From February 2006 to March 2007 he was Controller of Harvest Operations and from September 2005 to February 2, 2006 he was Controller of Viking. Prior to this Mr. Reist was Vice President, Controller of Penn West Petroleum Ltd. Mr. Reist is a Chartered Accountant.
James Sheasby Alberta, Canada	Vice President, Engineering	On March 16, 2007 Mr. Sheasby was appointed to Vice President, Engineering of Harvest Operations. From February 2006 to March, 2007 he was Manager, Engineering of Harvest Operations. Prior to this, he was the Manager, Engineering of Viking and the Vice President, Engineering of Hygait Resources. Mr. Sheasby is a Professional Engineer.
Neil Sinclair Alberta, Canada	Vice President, Operations	On March 16, 2007, Mr. Sinclair was appointed Vice President, Operations of Harvest Operations. From February 2006 to March 2007 he was Manager, Operations of Harvest Operations and from June 2004 to February 2006 he was the Manager, Operations of Viking.
Dean Beacon Alberta, Canada	Former Vice President, Treasurer (until September 2011).	On March 5, 2010, Mr. Beacon was appointed Vice President in addition to his existing role as Treasurer of Harvest Operations since 2007. Previously, Mr. Beacon held various senior management positions within the corporate finance, risk management and treasury departments within the Canadian banking industry as well as with oil and gas companies such as TransCanada Pipe Lines and Talisman Energy.
Robert Morgan Alberta, Canada	Former Chief Operating Office – Upstream (until July 2011).	Prior to acting as Harvest's Chief Operating Officer – Upstream, Mr. Morgan was Vice President, Operations and Corporate Development of Viking from June 2004 to February 2006. Mr. Morgan is a professional engineer.

As at December 31, 2011, 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.

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
Dr. Seong-Hoon Kim				Chair
William A. Friley		✓		✓
J. Richard Harris	✓	Chair		
Chang-Seok Jeong				✓
Chang-Koo Kang			✓	
William Robertson	Chair			✓
Brant Sangster	✓		Chair	
Kang Hyun Shin			✓	
Kyungluck Sohn				✓
Myunghuhn Yi		✓	✓	
John E. Zahary				

Notes:

- As of January 13, 2012, Mr. Myunghuhn Yi was appointed to the Upstream, Reserves, Safety and Environment Committee, replacing Mr. John Zahary.
- As of January 13, 2012, Mr. Chang-Koo Kang and Mr. Myunghuhn Yi were appointed to the Downstream Operations, Safety and Environment Committee, replacing Mr. Kyungluck Sohn and Mr. John Zahary.
- As of January 13, 2012, Mr. Chang-Seok Jeong and Mr. Kyungluck Sohn were appointed to the Compensation and Corporate Governance Committee, replacing Mr. Myunghuhn Yi and Mr. Chang-Koo Kang.
- As of December 2, 2011, Mr. William Robertson was appointed the Compensation and Corporate Governance Committee.
- As of January 13, 2012, Chang-Seok Jeong was appointed to the Harvest Board.

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 "B". The members of the Audit Committee are J. Richard Harris, Brant Sangster and William D. Robertson.

Composition of the Audit Committee

The Harvest Board has determined that each member of the Audit Committee is an "independent" director and "financially literate" in accordance with National Instrument 52-110. In considering criteria for the determination of financial literacy, the Harvest Board looked at the ability to read and understand a balance sheet, an income statement and cash flow statement of a public company as well as the director's past experience in reviewing or overseeing the preparation of financial statements.

Relevant Education and Experience

Name (Director Since)	Principal Occupation & Biography
Mr. J. Richard Harris (January 2010) <u>Other Canadian Public Board of Director Memberships</u> None	Mr. Harris is an independent oil and gas consultant in Calgary. He was previously the President of four Canadian public oil and gas companies and has served on the boards of nine other oil and gas service companies. Mr Harris was also a member of the Alberta Securities Commission's Oil and Gas Securities Taskforce that led to the completion of National Instrument 51-101 and he served on the Commission's Reserve Advisory Committee until his retirement from the Committee in 2005. Mr. Harris is a member of several industry societies and holds the designations of Professional Geologist in Canada and Certified Petroleum Geologist and Certified Professional Geological Scientist in the United States.
Mr. Brant Sangster (January 2010) <u>Other Canadian Public Board of Director Memberships</u> Canadian Oil Sands Ltd. Inter Pipeline Fund Titanium Corporation Inc.	Mr. Sangster is currently a director of Canadian Oil Sands Limited, Inter Pipeline Fund, and Titanium Corporation. Mr. Sangster enjoyed a 25-year career as a senior executive with Petro-Canada, where he was responsible for managing the corporation's oil sands businesses. Prior to this, Mr. Sangster held various strategic planning and operating positions with Imperial Oil Ltd.
Mr. William D. Robertson (January 2010) <u>Other Canadian Public Board of Director Memberships</u> Inter Pipeline Fund	Mr. Robertson is a Fellow Chartered Accountant and was formerly the lead oil and gas specialist at Price Waterhouse and PriceWaterhouseCoopers in Calgary. After enjoying a 36-year career with the firm, Mr. Robertson retired from practice in 2002. Prior to this, he served on the CIM Petroleum Society Standing Committee on Reserve Definitions, the Financial Advisory Committee of the Alberta Securities Commission, the working sub committee of the Alberta Securities Commission on Oil and Gas Reporting and the Council of the Institute of Chartered Accountants of Alberta. Mr. Robertson graduated with a Bachelor of Commerce degree from the University of Alberta.

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. 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

Ernst & Young LLP, Chartered Accountants ("E&Y") was first appointed as the auditor of the Corporation on August 11, 2011 to fill the vacancy resulting from the former auditor's resignation. E&Y was re-appointed on November 1, 2011 for the fiscal year 2011. Prior to August 11, 2011, KPMG LLP Chartered Accountants ("KPMG") was the auditor of the Corporation. For more information, please see the Change of Auditor Notice dated August 16, 2011 filed on SEDAR at www.sedar.com.

The aggregate fees billed by Harvest's external auditor in the last two fiscal years for audit services are as follows:

For the year ended December 31	KPMG[1] 2011	E&Y[2] 2011	**Total 2011**	Total[3] 2010
Audit Fees[4]	337,000	561,500	**898,500**	585,000
Audit-Related Fees[5]	137,000	71,000	**208,000**	375,000
Tax Fees[6]	5,100	41,073	**46,173**	-
All Other Fees[7]	-	795	**795**	-
Total	479,100	674,368	**1,153,468**	960,000

(1) Includes fees billed by KPMG for the fiscal year ended December 31, 2011 up to the appointment of E&Y on August 11, 2011.
(2) Includes fees billed by E&Y for the fiscal year ended December 31, 2011 beginning after the appointment of E&Y on August 11, 2011.
(3) Includes fees billed by KPMG for the fiscal year ended December 31, 2010.
(4) Represents the aggregate fees of the Corporation's auditors for audit services in respect of the financial year.
(5) 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 and debt offerings in 2010.
(6) Represents the aggregate fees billed for tax compliance, tax advice and tax planning in respect of the financial year.
(7) Represents the aggregate fees billed for products and services provided by the Corporation's auditors other than those services reported under "Audit Fees", "Audit Related Fees" and "Tax Fees".

EXECUTIVE COMPENSATION

Compensation and Corporate Governance Committee[1]

The Compensation and Corporate Governance Committee of the Harvest Board consists of Dr. Seong-Hoon Kim (Chairman of the Committee), Kyungluck Sohn, Chang-Seok Jeong, William A. Friley Jr. and William Robertson. The Compensation and Corporate Governance Committee, which is responsible for establishing and overseeing the administration of Harvest's compensation program, periodically reviews the corporation's compensation policy with respect to its executive officers. For additional information on the mandate of the Compensation and Corporate Governance Committee as it pertains to executive compensation, see Section 7 of "Corporate Governance Disclosure" within this Annual Information Form.

(1) As of January 2012, Mr. Chang-Seok Jeong and Mr. Kyungluck Sohn were appointed to the Compensation and Corporate Governance Committee, replacing Mr. Myunghuhn Yi and Mr. Chang-Koo Kang.

Compensation Discussion & Analysis

Compensation Strategy

The compensation structure of Harvest consists of salary, benefits, short-term incentive programs and long-term incentive programs. With respect to salaries and benefits, the objective of Harvest's compensation philosophy is to set aggregate executive salaries and benefits at competitive levels, relative to individual skill sets, expertise and oil and gas industry. The Compensation and Corporate Governance Committee reviews the completion of operational metrics, strategic objectives and the financial performance of Harvest within industry of similarly sized oil and gas companies, to determine what performance level has been achieved. Harvest has adopted a strong commitment to a "pay for performance" philosophy throughout the organization and this approach will be reflected in appropriate differentiation in annual grants of short-term incentives and long-term incentives provided to individual members of the executive team. Further, Harvest considers carefully the mix between short-term compensation and long-term compensation granted to the executive with particular concern for the retention features of any long-term incentives granted as well as the alignment of the interests of the executives to those of the security holders. All components of executive compensation including base salary, benefits, short-term incentives and long-term incentives are reviewed annually by the Compensation and Corporate Governance Committee to ensure that the above-stated objectives of the plan are met.

Harvest's compensation structure includes a short-term incentive plan which offers performance-based incentives relative to the achievement of certain annual objectives. The plan is based on the premise of "pay for performance," where performance is measured on a comparable basis within industry. The short-term incentives are paid annually and are based on an evaluation of Harvest's prior year performance.

Comparisons are made to performance targets specific to corporate operational goals as well as to performance metrics relative to industry comparison. The performance metrics are weighted and considered relative to the Harvest's fundamental goal of value creation for its stakeholders. The Committee has the discretion to adjust the final performance factors when considering other qualitative factors relative to building longer-term value. Included among the performance metrics used to determine the annual short-term incentive are performance relative to the oil and gas industry, and execution of strategic and operational goals and long-term value creation.

Harvest's compensation plan for the Named Executive Officers ("NEOs") consists of a combination of base salary, short-term incentives and long-term incentives. The Compensation and Corporate Governance Committee, when making such salary, bonus and other incentive determinations, takes into consideration individual salaries, bonuses and benefits paid to executives of other similarly sized Canadian conventional oil and natural gas companies with a view to ensuring that such overall compensation packages are competitive. Such information is obtained from the annual Canadian oil and gas industry salaries and benefits survey prepared by Mercer Human Resource Consulting ("Mercer"), a firm of independent consultants that regularly reviews compensation practices in Canada.

The compensation of NEOs at Harvest is comprised of the following components: base salary, short-term incentives and long-term incentives. These three components support Harvest's long-term sustainability strategy and the following objectives:

- alignment of executive and stakeholder'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;
- support of retention of key executives for leadership succession.

CEO Compensation

The compensation for the President and Chief Executive Officer ("CEO") is set annually by the Harvest Board. Salary, short-term incentives and long-term incentives (defined below) are determined based on both comparable compensation in the marketplace, as published by Mercer, and individual performance against set objectives.

The Compensation and Corporate Governance Committee reviewed the CEO's performance in 2011 against several specific corporate and individual goals and objectives. These included goals relating to financial returns, asset quality, production and reserve levels on an absolute basis, refining output, operating and administrative costs, reserves replacement costs, recycle ratios, oil refining margins, balance sheet strength, and employee and organizational culture issues. In addition, performance was 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 was reviewed on both a stand-alone basis and relative to other oil and gas entities, where applicable. Based on the review, the CEO's salary, bonus, short-term incentive and long-term incentive compensation were determined accordingly.

Other than the performance measures described above, the Compensation and Corporate Governance Committee has not established additional strict predetermined quantitative performance criteria linked to the setting of the CEO's salary level or the payment of short-term incentives.

The committee also reviewed the performance of the other NEOs in relation to similar goals in their respective areas of responsibility and determined their salaries, bonuses, short-term incentive and long-term incentive compensation accordingly.

Elements of Compensation

Base Salaries

Base salaries for employees (including the NEOs) are determined with reference to comparable marketplace salaries, as published by Mercer. Harvest's base salary structure is competitive with similar sized Canadian oil and natural gas companies and is targeted at the median of Mercer. In addition to the information published by Mercer, the amount of base salaries is further adjusted based on an overall determination of Harvest's and the individual's performance. The Compensation and Corporate Governance Committee has not established additional strict predetermined quantitative performance criteria linked to the setting of salary levels.

Short-Term Incentive Program

The methodology for determining awards under the short term incentive program does not exclusively or directly use corporate performance goals and results in setting individual awards, but these (including the metrics applied to the long term incentives determination) are considered along with individual performance, and the determination also depends on the application of subjective judgment.

Cash bonuses awarded to the NEOs for the short term incentive program are shown in the "Summary Compensation Table" under "Annual Incentive Plans".

Long-Term Incentive Program

All employees (including the NEOs) are eligible to participate in Harvest's long term incentive program, which is designed to reward individual and corporate performance in the form of deferred cash payments. These payments are subject to the achievement of the Corporation's key performance indicators. In the Upstream business, Harvest uses the following metrics as part of the assessment of corporate performance for the purpose of determining long term incentive payments: production volume, finding, development and acquisition costs on a per boe basis, earnings before interest, taxes, depreciation and amortization ("EBITDA"), operating and transportation costs on a per boe basis, and safety (lost time injury frequency). In the Downstream business, Harvest uses the following metrics as part of the assessment of corporate performance for the purposes of determining long term incentive payments: sales volume, EBITDA, non-fuel operating costs on a per boe basis and safety (lost time injury frequency). Amounts were based on these measures being met and the degree to which they were met along with individual performance.

Highlights of the corporate achievement are noted below:

- Delivery of a cash contribution(1) from Upstream operations of $661 million versus $532 million in 2010;
- Investment of $733 million in Upstream capital asset additions plus $505 million in net property and business acquisitions, resulting in net overall additions of more than 214% over 2010;
- Strong production performance despite challenges imposed by third-party pipeline failures;
- Strong health and safety performance in both Upstream and Downstream parts of the business;
- Maintenance and enhancement of Harvest's presence in capital markets including expansion of the Credit Facility; and
- Enhancement of Harvest's corporate presence under the equity ownership of KNOC in the active and competitive market in the Canadian oil and gas industry.

(1) These are non-GAAP measures. Upstream cash contribution is Upstream cash from operating activities of $663 million (2010 - $514 million) less changes in Upstream non-cash working capital of $24 million (2010 - $2 million) and the addition of settlements of decommissioning liabilities of $22 million (2010 - $20 million). Please also refer to "Non-GAAP Measures" section for further details.

KNOC Employee Compensation

KNOC has seconded employees to Harvest. 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 the seconded employees with salaries and benefits as determined by KNOC. Secondee 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.

Compensation Summary

The Compensation and Corporate Governance Committee believes that long-term stakeholder value is enhanced by compensation based upon corporate performance achievements. Through the elements of compensation described above, a significant portion of the compensation for all employees, including the NEOs, is based on corporate performance as well as industry-competitive pay practices. It is the view of the Compensation and Corporate Governance Committee and of the Harvest Board that the compensation granted to the corporation's executive team was consistent with the desired objectives. The industry in which Harvest operates has highly competitive compensation practices and it is a significant challenge to attract and retain qualified senior executives. One of the competitive advantages of Harvest is that it possesses a highly skilled and effective senior management team.

Summary Compensation Table

The following table sets forth for the year ended December 31, 2011 information concerning the compensation paid to Harvest's CEO, Chief Financial Officer ("CFO") and the next three most highly compensated executive officers (or the three most highly compensated individuals acting in a similar capacity) other than the CEO and CFO at December 31, 2011 whose total compensation for the year so ended was more than $150,000 (each a NEO):

Name and Principal Position	Year	Salary ($)	Non-Equity Incentive Plan Compensation ($): Annual Incentive Plans(2)	Non-Equity Incentive Plan Compensation ($): Long-term Incentive Plans(5)	All Other Compensation(3)(7)	Total Compensation ($)
John Zahary(1)(4) Chief Executive Officer	2011	418,000	270,000	462,027	68,936	1,218,963
	2010	418,000	271,700	485,591	75,753	1,251,044
	2009	380,000	310,000	nil	1,471,544	2,161,544
Kyungluck Sohn, Chief Financial Officer(4)(6)	2011	154,004	37,440	nil	113,856	305,300
	2010	147,230	33,558	nil	109,451	290,239
	2009	nil	nil	nil	nil	nil
Neil Sinclair Vice President, Operations	2011	235,621	60,000	130,594	43,189	469,404
	2010	231,000	60,060	126,649	33,300	451,009
	2009	192,501	60,800	nil	153,731	407,032
Phil Reist Vice President, Controller	2011	235,043	60,000	120,253	31,522	446,818
	2010	231,000	60,060	116,906	30,157	438,123
	2009	189,538	60,800	nil	141,744	392,083
Les Hogan Vice President, Land	2011	223,840	55,000	114,521	39,742	433,103
	2010	219,451	57,057	111,061	31,623	419,192
	2009	192,501	60,800	nil	144,173	397,474

(1) Harvest Operations has entered into an employment agreement with Mr. Zahary.
(2) The above amounts were paid to each NEO shortly after the end of the fiscal year.
(3) Includes the employer's contributions to each NEOs savings plan (equal to 10% of salary) and other taxable benefits.
(4) Mr. Zahary and Mr. Sohn are directors of Harvest Operations, but did not receive compensation for their services as directors.
(5) One third of the compensation for the 2011 long-term incentive plan was paid in 2012; one third will be paid in 2013, with the remainder to be paid in 2014. Half of the compensation for the 2010 long-term incentive plan was paid in 2011, with the remainder to be paid in 2012.
(6) Mr. Sohn participates in the KNOC employee compensation program but does not participate in Harvest's incentive programs, as he was, during 2011, a secondee to Harvest Operations from KNOC.
(7) As completion of the KNOC Arrangement constituted a "change of control", Mr. Zahary became entitled to receive a payment based on his then current annual base salary and prior year bonuses. Mr. Zahary received a payment of $927,750 in 2009.

The following table discloses the type of perquisites that were reported for each NEO with a value greater than 25% of "All other compensation" disclosed above for the year ended December 31, 2011:

NEO	Type of Perquisite	Value ($)	Percentage of All Other Compensation
John Zahary	Contributions to Savings Plan	41,800	61%
Kyungluck Sohn	Living Allowance	49,024	43%
	Rent	47,049	41%
Neil Sinclair	Contributions to Savings Plan	23,562	55%
Phil Reist	Contributions to Savings Plan	23,504	75%
Les Hogan	Contributions to Savings Plan	22,384	56%

The total cash compensation (salary plus annual bonus) paid to the CEO, CFO and the next three most highly compensated executive officers whose total compensation was more than $150,000, calculated as a percentage of annual cash flow from operations was 0.31%, 0.41% and 0.42% for 2011, 2010 and 2009 respectively.

Termination and Change of Control Benefits

Current Arrangements

Harvest had an executive employment agreement with Mr. Zahary (former President and Chief Executive Officer), which terminated in early 2012 with Mr. Zahary's resignation. The agreement provides that, in the event of termination of employment without cause, the executive shall be entitled to receive a cash payment equal to a multiple of the executive's total monthly compensation based on (i) his then annual base salary, (ii) an amount equal to 20% of base salary for loss of benefits 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 any amount that the executive may be entitled to receive under any long-term incentive plan of Harvest Operations. The agreed multiple is 15 months of total monthly compensation plus one additional month for each full or partial year of service under the agreement (commencing December 22, 2009) to a maximum of 18 months.

If the employment of any of Mr. Zahary is terminated for cause or in the event of permanent disability (within the meaning of the employment agreement), or if any such executive shall voluntarily resign his employment, the executive 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 other payment for loss of employment.

The following table discloses the estimated payments that would have been made to each of the identified Named Executive Officers pursuant to their respective employment agreements if their employment had been terminated on December 31, 2011 without cause.

	Estimated Termination Payment
John Zahary	$ 1,556,331

Compensation of Directors

The independent directors of Harvest Operations Corp., were paid an annual retainer of $30,000, as well as $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. 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, 2011. The non-independent directors received no compensation for carrying out their duties as directors.

Name	Fees Earned ($)
William A. Friley	39,000
J. Richard Harris	46,000
William Robertson	42,500
Brant Sangster	45,000

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 entitled "Disclosure of Corporate Governance Practices" within Form 58-101F1 Disclosure (which is set out below in italics).

Harvest Operations is managed by the Harvest Board (the "Board"), which 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 four (4) directors of Harvest Operations are independent:

William A. Friley Jr.

J. Richard Harris

William D. Robertson

Brant Sangster

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

Dr. Seong-Hoon Kim is the Senior Executive Vice President & Executive Board Member of KNOC.

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.

Kang Hyun Shin is the Vice President of the Petroleum Marketing Department for KNOC.

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

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

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

John E. Zahary was President & Chief Executive Officer of Harvest Operations prior to January 20, 2012 and is now a non-executive director.

(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.*

That majority of the directors are not independent. The Board facilitates the exercise of judgment in carrying out its responsibilities by having non-restricted access to information regarding the Corporation and by the ability of the directors to engage and seek input from outside advisors at the expense of the Corporation. Also, independent directors have the option of meeting without non-independent directors or management present at the end of each board meeting. All of the board meetings in financial year 2011 included such 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
William Robertson	Inter Pipeline Fund
Brant Sangster	Canadian Oil Sands Limited
	Inter Pipeline Fund
	Titanium Corporation
John E. Zahary	Waldron Energy Corporation
	Wavefront Technology Solutions

(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.*

In accordance with the mandate of the Board as well as the mandate of each of the Audit Committee, the Compensation and Corporate Governance Committee, the Upstream Reserves, Safety and Environment Committee, and the Downstream Operations, Safety and Environment Committee, 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 that the independent directors can 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 Dr. Seong-Hoon Kim, the Chairman of the Board, is not independent. As the Chairman, Dr. Kim provides overall leadership to the Board. Independent directors are included on every committee of the Board including the Audit Committee, the Compensation and Corporate Governance Committee, the Upstream Reserves, Safety and Environment Committee, and the Downstream Operations, Safety, and Environment Committee.

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 committees is an independent director. The Chairman communicates with all directors and committee chairs to co-ordinate input from directors and optimize the effectiveness of the Board and its committees. The Chairman communicates regularly with the CEO to ensure that the Board receives adequate and regular updates on all issues important to the direction of Harvest. 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
Seong-Hoon Kim, Chairman	5 out of 5 (100%)	2 out of 2 (100%)
William Friley	4 out of 5 (80%)	5 out of 6 (83%)
J. Richard Harris	5 out of 5 (100%)	9 out of 9 (100%)
Chang-Koo Kang	3 out of 5 (60%)	1 out of 2 (50%)
William D. Robertson	5 out of 5 (100%)	5 out of 5 (100%)
Brant Sangster	5 out of 5 (100%)	9 out of 9 (100%)
Kang Hyun Shin	4 out of 5 (80%)	4 out of 4 (100%)
Kyungluck Sohn	5 out of 5 (100%)	4 out of 4 (100%)
Myunghuhn Yi	5 out of 5 (100%)	2 out of 2 (100%)
John Zahary	5 out of 5 (100%)	8 out of 8 (100%)

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 C 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 developed a written position description for the Chair of the Board. Formal written position descriptions for the chairs of Board committees have not been developed. The Board has not yet developed such position descriptions in part given that the roles, responsibilities and functions of the committees themselves have been comprehensively defined in the terms of reference which have been developed for each such 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 Compensation and Corporate Governance Committee has the mandate to develop, for approval by the Board, 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. From time to time, Harvest organizes guest seminars for the benefit of its directors related to various relevant topics.

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. In addition, the Board has adopted a code of ethics specifically applicable to its senior officers. 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 each 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 2011 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 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 responsibility for proposing new nominees to the Board falls within the mandate of the Compensation and Corporate Governance Committee. New candidates for nomination to the Board are identified and selected having regards to the strengths and constitution of the Board members and the perception of the Compensation and Corporate Governance Committee of 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.*

The Compensation and Corporate Governance Committee has the responsibility of proposing new nominees to the Board. Independent board member candidates are considered from recommendations made by management, existing independent board members and other knowledgeable and local stakeholders. Candidates are considered based on their experience and ability to contribute at the time of their appointment and in the future to the Board and Corporation.

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

The Compensation and Corporate Governance Committee, which has the responsibility for proposing new nominees to the Board, also assists the Board in matters pertaining to its approach to governance issues, the organization and composition of the Board, the organization and conduct of board meetings, and the effectiveness of the Board in performing and fulfilling its responsibilities.

In addition to any other duties and authorities delegated to it by the Board from time to time, the Compensation and Corporate Governance Committee has the authority and responsibility for each of the following matters:

- annually reviewing the mandates of the Board and its committees and recommending to the Board such amendments to those mandates as the Compensation and Corporate Governance Committee believes are necessary or desirable;
- considering and, if thought fit, approving requests from directors or committees of directors of the engagement of special advisors from time to time;
- making recommendations to the Board as to which directors should be classified as "independent directors", "related" directors or "unrelated" directors pursuant to any such report or circular;
- reviewing on a periodic basis the composition of the Board and ensuring that an appropriate number of independent directors sit on the Board, analyzing the needs of the Board and recommending nominees who meet such needs;
- assessing, at least annually, the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual directors, including considering the appropriate size of the Board;
- recommending suitable candidates for nominees for election or appointment as directors, and recommending the criteria governing the overall composition of the Board and governing the desirable individual characteristics for directors;
- as required, overseeing the development, for approval by the Board, an orientation and education program for new recruits to the Board;
- acting as a forum for concerns of individual directors in respect of matters that are not readily or easily discussed in a full Board meeting, including the performance of management or individual members of management or the performance of the Board or individual members of the Board;

- developing and recommending to the Board for approval and periodically review structures and procedures designed to ensure that the Board can function effectively and independently;
- reviewing annually the Compensation and Corporate Governance Committee's Mandate and Terms of Reference;
- reviewing and considering the engagement at the expense of Harvest Operations of professional and other advisors by any individual director when so requested by any such director;
- establishing, reviewing and updating periodically a Code of Business Conduct and Ethics (the "Code") and ensuring that management has established a system to monitor compliance with this code; and
- reviewing management's monitoring of Harvest Operations compliance with the Code.

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 Annual Information Form for information regarding compensation of the directors.

Compensation of Officers

Please refer to the "Executive Compensation" section on of this Annual Information Form 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.*

Although the Compensation and Corporate Governance Committee ("Compensation Committee") is not composed entirely of independent directors the non-independent directors are not members of the Corporation's management and are not seconded to or have any other relationship with Harvest. The non-independent directors of the Compensation 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 Committee shall not include management directors as members. The mandate of the Compensation 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 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 Annual Information Form 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.*

The Compensation and Corporate Governance Committee has not engaged any advisors during 2011 to assist in developing compensation for Harvest's directors and officers other than relying on the market compensation information published by Mercer.

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 J. Richard Harris, John Zahary and William A. Friley Jr. The Upstream Reserves, Safety and Environment Committee's responsibilities include reviewing the annual evaluation reports on Harvest's oil and gas reserves, periodically reviewing the qualifications, experience and independence of the consulting reserves evaluating firms reporting on Harvest's oil and natural gas reserves and meeting with the engineers employed or otherwise retained by those who prepare such reports. The Upstream Reserves, Safety and Environment Committee is also responsible for monitoring Harvest's performance in the areas of safety and environmental stewardship and providing strategic direction in those areas when required.

At December 31, 2011 the Downstream Operations, Safety and Environment Committee was comprised of Brant Sangster, Kang Hyun Shin, Kyungluck Sohn, and John Zahary. The Downstream Operations, Safety and Environment Committee's responsibilities include oversight and due diligence with respect to the Downstream business' health, safety and environmental matters. It is this committee's obligation to review, report and make recommendations to the Board on the development and implementation of the policies, standards and practices of Harvest with respect to oil refining, marketing and other activities related to North Atlantic.

9. Assessments

(a) *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 Compensation and Corporate Governance Committee is responsible for reviewing the effectiveness of the Board as a whole and its committees and the contribution and effectiveness of each individual director. The Compensation and Corporate Governance Committee, which includes the Chairman of the Board, assesses the performance of each director, each committee and the Board as a whole on a regular basis. The Compensation and Corporate Governance Committee also annually reviews the need to recruit and recommend new candidates to fill vacancies on the Board giving consideration to their competencies, skills and personal qualities with a view of improving the overall effectiveness of the Board. The Compensation and Corporate Governance Committee then recommends to the Board the nominees for election at each annual meeting.

The Compensation and Corporate Governance Committee also develops and reviews the Corporation's approach to corporate governance matters and reviews, develops and recommends to the Board for approval, procedures designed to ensure that the Board can function independently of management.

CONFLICTS OF INTEREST

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 (see "Risk Factors"). 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.

Circumstances may arise where members of the Harvest Board serve as directors or officers of corporations which are in competition with the interests of Harvest Operations. No assurances can be given that opportunities identified by such Harvest Board members will be provided to Harvest Operations.

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, 2011, 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.

North Atlantic is party to a claim brought by the State of New Hampshire against numerous defendants for an unspecified amount of damages. This claim relates to alleged contamination of ground water from the use of the gasoline additive methyl tertiary butyl ether ("MTBE"), The State of New Hampshire v. Amerada Hess Corp. et al, Docket No. 03-C-0550 (Merrimack County). The plaintiff is also asserting collective and joint liability against all defendants. The proceeding is still at a preliminary stage with trial, currently scheduled to commence October 5, 2012, and it is premature to assess the substance of the plaintiff's claims against North Atlantic. However, the State of New Hampshire Superior Court has recently rendered (March 2, 2012) a favourable decision which grants summary judgment in favour of North Atlantic, dismissing all claims against it because of lack of personal jurisdiction over North Atlantic. The order of the Court becomes final on expiry of the appeal period unless an appeal is filed by the plaintiff, and New Hampshire has only one level of appeal, the New Hampshire Supreme Court. Barring appeal, the claim would be fully dismissed against North Atlantic based on the Superior Court order and judgment. No amounts are accrued in the consolidated financial statements in respect of this matter. In addition, Harvest received an indemnity from Vitol in respect of this contingent liability under the Purchase and Sale Agreement.

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, 2011 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, 2011.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed below, or elsewhere in this Annual Information Form, 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 6, 2010, Harvest closed the acquisition of BlackGold assets from KNOC for $374 million, representing the fair value of the oil and gas assets acquired as determined by an independent valuation. The acquisition amount was paid for by the issuance of shares in the Corporation to KNOC.

AUDITORS

Ernst & Young LLP, Chartered Accountants, have been appointed auditor of Harvest.

TRANSFER AGENT AND REGISTRAR

Computershare Trust Company of Canada at its principal offices in Calgary, Alberta and Toronto, Ontario is the transfer agent and registrar of the 6.40% Debentures Due 2012.

Valiant Trust Company, at its principal offices in Calgary, Alberta, is the transfer agent and registrar of the 7.25% Debentures Due 2013, 7.25% Debentures Due 2014, and 7.50% Debentures Due 2015.

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 Debenture Indenture;
2. the Note Indenture;
3. Amended and Restated Credit Agreement dated April 30, 2010, as amended; and
4. the Supply and Offtake Agreement (2011).

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 McDaniel and GLJ, the Independent Reserves Evaluators, Ernst & Young LLP and KPMG LLP. As at the date hereof, none of the principals of McDaniel and GLJ as a group, directly or indirectly, owned more than 1% of any class of securities of the Corporation.

Ernst & Young LLP, Chartered Accountants, 1000, 440 – 2nd Avenue, S.W., Calgary, Alberta, T2P 5E9 is the auditor of Harvest as of and for the year ended December 31, 2011. Ernst & Young LLP is independent in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

KPMG LLP, Chartered Accountants, 2700, 205 – 5th Avenue S.W., Calgary, Alberta, T2P 4B9 was the auditor of Harvest as of and for the year ended December 31, 2010 and at the IFRS transition date of January 1, 2010. KPMG LLP is independent in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

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, 2011 and Harvest’s management’s discussion and analysis for the year ended December 31, 2011 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.

APPENDIX A-1

FORM 51-101 F1 STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

Presentation of Harvest Operations' Natural Gas and Petroleum Reserves and Production Information

Disclosure of Reserves Data

Harvest retained qualified Independent Reserves Evaluators to evaluate and prepare reports on 100% of Harvest's crude oil and natural gas reserves as of December 31, 2011. Harvest's reserves were evaluated by McDaniel who evaluated approximately 17% of Harvest's total proved plus probable reserves, and GLJ who evaluated approximately 83% of Harvest's total proved plus probable reserves. All of Harvest's reserves were evaluated using the price and cost assumptions of McDaniel as at January 1, 2012. No attempt was made to evaluate possible reserves.

The following reserves data and associated tables summarize the reserves of crude oil, natural gas liquids and natural gas and the net present values of future net revenues associated with Harvest and the Operating Subsidiaries reserves as evaluated in the reports prepared by McDaniel and GLJ (the "Reserves Report"), based on forecast price assumptions presented in accordance with the standards contained in the COGE Handbook and the reserves definitions and other requirements contained in NI 51-101.

The tables summarize the data contained in the Reserves Report and as a result, may contain slightly different numbers than those reports due to rounding. Additional information not required by NI 51-101 has been presented to provide continuity and additional information which Harvest believes is important to the readers of this information.

All of Harvest and the Operating Subsidiaries' reserves are in Canada and, specifically, in the provinces of Alberta, British Columbia and Saskatchewan.

Reserves Categories

The crude oil, natural gas liquids and natural gas reserves estimates presented in the Reserves Report are based on the definitions and guidelines contained in the COGE Handbook. A summary of those definitions are set forth below.

"**Reserves**" are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, from a given date forward, based on

- analysis of drilling, geological, geophysical and engineering data;
- the use of established technology; and
- specified economic conditions.

Reserves are classified according to the degree of certainty associated with the estimates.

(a) **"Proved reserves"** are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

(b) **"Probable reserves"** are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

Other criteria that must also be met for the categorization of reserves are provided in the COGE Handbook.

Each of the reserves categories (proved and probable) may be divided into developed and undeveloped categories:

(a) **"Developed reserves"** are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing.

(b) **"Developed producing reserves"** are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.

(c) **"Developed non-producing reserves"** are those reserves that either have not been on production, or have previously been on production, but are shut-in, and the date of resumption of production is unknown.

(d) **"Undeveloped reserves"** are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable) to which they are assigned.

In multi-well pools it may be appropriate to allocate total pool reserves between the developed and undeveloped categories or to subdivide the developed reserves for the pool between developed producing and developed non-producing. This allocation should be based on the estimator's assessment as to the reserves that will be recovered from specific wells, facilities and completion intervals in the pool and their respective development and production status.

Levels of Certainty for Reported Reserves

The qualitative certainty levels referred to in the definitions above are applicable to individual reserve entities (which refers to the lowest level at which reserves calculations are performed) and to reported reserves (which refers to the highest level sum of individual entity estimates for which reserves are presented). Reported reserves should target the following levels of certainty under a specific set of economic conditions:

a) at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated proved reserves; and

b) at least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable reserves.

A qualitative measure of the certainty levels pertaining to estimates prepared for the various reserves categories is desirable to provide a clearer understanding of the associated risks and uncertainties. However, the majority of reserves estimates will be prepared using deterministic methods that do not provide a mathematically derived quantitative measure of probability. In principle, there should be no difference between estimates prepared using probabilistic or deterministic methods.

Additional clarification of certainty levels associated with reserves estimates and the effect of aggregation is provided in the COGE Handbook.

Description of Price and Cost Assumptions

"Forecast prices and costs" means future prices and costs that are:

a) generally accepted as being a reasonable outlook of the future; and

b) if, and only to the extent that, there are fixed or presently determinable future prices or costs to which the Corporation is legally bound by a contractual or other obligation to supply a physical product, including those for an extension period of a contract that is likely to be extended, those prices or costs rather than the prices or costs referred to in paragraph (a).

Description of Exploration & Development Wells and Costs

"Development costs" means costs incurred to obtain access to reserves and to provide facilities for extracting, treating, gathering and storing the crude oil and natural gas from the reserves. More specifically, development costs including applicable operating costs of support equipment and facilities and other costs of development activities are costs incurred to:

a) Gain access to and prepare well locations for drilling, including surveying well locations for the purpose of determining specific development drilling sites, clearing ground, draining, road building and relocating public roads, gas lines and power lines, to the extent necessary in developing the reserves;

b) Drill and equip development wells, development type stratigraphic test wells and service wells, including the costs of platforms and of well equipment such as casing, tubing, pumping equipment and wellhead assembly;

c) Acquire, construct and install production facilities such as flow lines, separators, treaters, heaters, manifolds, measuring devices and production storage tanks, natural gas cycling and process plants, and central utility and waste disposal systems; and

d) Provide improved recovery systems.

"Development well" means a well drilled inside the established limits of an oil and gas reservoir, or in close proximity to the edge of the reservoir, to the depth of a stratigraphic horizon known to be productive.

"Exploration costs" means costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have prospects that may contain oil and natural gas reserves, including costs of drilling exploratory wells and exploratory type stratigraphic test wells. Exploration costs may be incurred both before acquiring the related property (sometime referred to in part as "prospecting costs") and after acquiring the property. Exploration costs, which include applicable operating costs of support equipment and facilities and other costs of exploration activities, are:

a) Costs of topographical, geochemical, geological and geophysical studies, rights of access to properties to conduct those studies and salaries and other expenses of geologists, geophysical crew and others conducting those studies (collectively sometimes referred to as "geological and geophysical costs");

b) Costs of carrying and retaining unproved properties, such as delay rentals, taxes (other than income and capital taxes) on properties, legal costs for title defence and the maintenance of land and lease records;

c) Dry hole contributions and bottom hole contributions;

d) Costs of drilling and equipping exploratory wells; and

e) Costs of drilling exploratory type stratigraphic test wells.

"Exploratory Well" means a well that is not a developmental well, a service well or a stratigraphic test well.

"Service Well" means a well drilled or completed for the purpose of supporting production in an existing field. Wells in this class are drilled for the following specific purposes; gas injection (natural gas, propane, butane or flue gas), water injection, steam injection, air injection, salt water disposal, water supply for injection, observation or injection for combustion.

Statement of Reserves Data

This statement of reserves data and other oil and natural gas information (the "Statement") is based on evaluations prepared by McDaniel and GLJ contained in their respective reports dated January 31, 2012 and January 26, 2012, with an effective date of December 31, 2011. The information regarding reserves in the Statement was prepared March 25, 2012.

The future net revenue numbers presented throughout this Statement, whether calculated without discount or using a discount rate, are estimated values and do not represent fair market value of the reserves. Actual crude oil, natural gas and natural gas liquid reserves may be greater than or less than the estimates provided herein. There is no assurance that the forecast price and cost assumptions will be attained and variances could be material.

The following tables detail the aggregate gross and net reserves of the Corporation, as at December 31, 2011, using forecast prices and costs as well the aggregate net present value ("NPV") of future net revenue attributable to the reserves estimated using forecast prices and costs, calculated without discount and using discount rates of 5%, 10%, 15% and 20%:

Summary of Oil & Gas Reserves
As of December 31, 2011
Forecast Prices and Costs

	Light and Medium Oil(1)		Heavy Oil(1)		Bitumen	
Reserves Category	Gross (Mbbls)	Net (Mbbls)	Gross (Mbbls)	Net (Mbbls)	Gross (Mbbls)	Net (Mbbls)
Proved						
Developed Producing	51,098	45,411	34,727	31,068	0	0
Developed Non-Producing	1,282	1,083	1,334	1,097	0	0
Undeveloped	9,632	8,267	3,175	2,619	93,604	77,068
Total Proved	62,012	54,762	39,235	34,785	93,604	77,068
Probable	25,867	22,555	16,817	14,125	165,640	130,733
Total Proved + Probable	87,878	77,317	56,052	48,910	259,245	207,801

	Natural Gas		Natural Gas Liquids		Total Oil Equivalent	
Reserves Category	Gross (MMcf)	Net (MMcf)	Gross (Mbbls)	Net (Mbbls)	Gross (Mboe)	Net (Mboe)
Proved						
Developed Producing	247,044	220,285	11,314	8,211	138,313	121,406
Developed Non-Producing	24,133	21,506	821	641	7,460	6,407
Undeveloped	62,373	55,579	2,002	1,647	118,809	98,864
Total Proved	333,550	297,370	14,138	10,499	264,581	226,675
Probable	148,195	131,121	7,383	5,430	240,405	194,685
Total Proved + Probable	481,745	428,491	21,521	15,929	504,987	421,372

(1) The reserves attributable to Harvest's Hay River property, which is an area that produces medium gravity crude oil (average 24° API), are subject to a heavy oil royalty regime in British Columbia and would be required, under NI 51-101, to be classified as heavy oil for that reason. Harvest has presented Hay River reserves as medium gravity crude in the reserves tables above as they would otherwise be classified in this fashion were it not for the lower rate royalty regime applied in British Columbia. If the Hay River reserves were included in the heavy crude oil category, it would increase the gross heavy oil reserves and reduce the gross light/medium oil reserves by the following amounts: Proved Developed Producing: 12.2 MMbbl (10.8 MMbbl net), Proved Undeveloped: 5.0 MMbbl (4.1 MMbbl net), Total Proved: 17.2 MMbbl (14.9 MMbbl net), Probable: 5.9 MMbbl (5.4MMbbl net) and Proved plus Probable: 23.1 MMbbl (20.3 MMbbl net).

Summary of Net Present Values of Future Net Revenue
As of December 31, 2011
Forecast Prices and Costs
Before Income Taxes Discounted at (%/Year)

Reserves Category	0% ($M)	5% ($M)	10% ($M)	15% ($M)	20% ($M)	NPV 10%/boe ($/boe)
Proved						
Developed Producing	4,905,647	3,732,958	3,047,357	2,594,219	2,271,529	22.03
Developed Non-Producing	212,078	150,226	116,476	95,080	80,227	15.61
Undeveloped	2,906,978	1,361,704	693,835	353,254	157,201	5.84
Total Proved	8,024,702	5,244,887	3,857,668	3,042,553	2,508,956	14.58
Probable	7,595,451	3,556,719	1,935,971	1,162,785	743,229	8.05
Total Proved + Probable	15,620,154	8,801,606	5,793,639	4,205,338	3,252,185	11.47

Summary of Net Present Values of Future Net Revenue
As of December 31, 2011
Forecast Prices and Costs
After Income Taxes Discounted at (%/Year)

Reserves Category	0% ($M)	5% ($M)	10% ($M)	15% ($M)	20% ($M)
Proved					
Developed Producing	4,434,708	3,423,961	2,829,568	2,433,431	2,148,757
Developed Non-Producing	158,981	112,719	87,924	72,371	61,646
Undeveloped	2,244,759	1,033,134	502,990	228,584	68,561
Total Proved	6,838,448	4,569,814	3,420,482	2,734,386	2,278,964
Probable	5,662,896	2,603,091	1,380,453	799,490	485,886
Total Proved + Probable	12,501,345	7,172,906	4,800,934	3,533,876	2,764,850

The following tables provide (i) a breakdown of various elements of undiscounted future net revenue attributable to proved reserves and proved plus probable reserves of the Corporation, and (ii) the future net revenue by production group in each reserves category:

Total Future Net Revenue
(Undiscounted)
As of December 31, 2011
Forecast Prices and Costs

Reserves Category ($ Millions)	Revenue	Royalties	Operating Costs	Development Costs	Well Abandonment Costs	Future Net Revenue Before Income Taxes	Income Taxes	Future Net Revenue After Income Taxes
Proved	20,098,805	3,036,200	6,772,030	2,034,120	231,751	8,024,702	1,186,255	6,838,448
Proved + Probable	40,529,769	7,069,375	12,647,994	4,878,236	314,032	15,620,154	3,118,676	12,501,345

Future Net Revenue
By Production Group
As of December 31, 2011
Forecast Prices and Costs

Reserves Category	Production Group	Before Income Taxes (discounted at 10%/year) $M	Unit Value $/bbl or $/mcf
Proved Reserves	Light and Medium Crude Oil(1) (including solution gas and associated by-products)	1,202,586	$28.78
	Heavy Crude Oil(1) (including solution gas and associated by-products)	1,429,745	$28.22
	Non-conventional Heavy Oil (including Bitumen and BlackGold)	434,290	$4.64
	Associated and Non-Associated Natural Gas (including associated by-products)	787,030	$2.57
	Non-conventional Oil & Gas Activities (including coal bed methane)	4,017	$1.29
		3,857,668	**$7.78**
Proved + Probable Reserves	Light and Medium Crude Oil(1) (including solution gas and associated by-products)	1,537,858	$25.78
	Heavy Crude Oil(1) (including solution gas and associated by-products)	1,852,134	$26.19
	Non-conventional Heavy Oil (including Bitumen and BlackGold)	1,288,430	$4.97
	Associated and Non-Associated Natural Gas (including associated by-products)	1,109,647	$2.47
	Non-conventional Oil & Gas Activities (including coal bed methane)	5,570	$1.29
		5,793,639	**$6.88**

(1) The reserves attributable to Harvest's Hay River property, which is an area that produces medium gravity crude oil (average 24° API), are subject to a heavy oil royalty regime in British Columbia and would be required, under NI 51-101, to be classified as heavy oil for that reason. Harvest has presented Hay River reserves as medium gravity crude in the reserves tables above as they would otherwise be classified in this fashion were it not for the lower rate royalty regime applied in British Columbia. If the Hay River reserves were included in the heavy crude oil category, it would increase the gross heavy oil reserves and reduce the gross light/medium oil reserves by the following amounts: Proved Developed Producing: 12.2 MMbbl (10.8 MMbbl net), Proved Undeveloped: 5.0 MMbbl (4.1 MMbbl net), Total Proved: 17.2 MMbbl (14.9 MMbbl net), Probable: 5.9 MMbbl (5.4MMbbl net) and Proved plus Probable: 23.1 MMbbl (20.3 MMbbl net).

Forecast Prices and Costs – January 1, 2012

Forecast prices and costs are those:

(a) generally acceptable as being a reasonable outlook of the future; and

(b) if, and only to the extent that, there are fixed or presently determinable future prices or costs to which Harvest and the Operating Subsidiaries are legally bound by a contractual or other obligation to supply a physical product, including those for an extension period of a contract that is likely to be extended, those prices or costs rather than the prices and costs referred to in paragraph (a).

The forecast cost and price assumptions assume increases in wellhead selling prices and take into account inflation with respect to future operating and capital costs. A complete listing of the forecast is available on the McDaniel's website at: http://www.mcdan.com/pricing_forecasts.html. Crude oil and natural gas benchmark reference pricing, inflation and exchange rates utilized in the Reserves Report, based on McDaniel's then current forecasts at the date of the Reserves Report, were as follows:

Summary of Pricing and Inflation Rate Assumptions
as of January 1, 2012
Forecast Prices and Costs

			Oil			Natural Gas	Natural Gas Liquids	Inflation Rates[6]	US/CAN Exchange Rate[7]
Year	WTI Crude Oil[1]	Edmonton Light Crude Oil[2]	Alberta Heavy Crude Oil[3]	Alberta Bow River Hardisty Crude Oil[4]	Sask Cromer Medium Crude Oil[5]	Alberta AECO Spot Price	Edmonton Cond. and Natural Gasolines		
	$US/ bbl	$Cdn/ bbl	$Cdn/ bbl	$Cdn/ bbl	$Cdn/ bbl	$Cdn/ GJ	$Cdn/ bbl	%/year	$US/$Cdn
2012	97.50	99.00	74.00	82.00	91.00	3.50	106.00	2.0	0.975
2013	97.50	99.00	74.00	82.00	91.00	4.20	104.10	2.0	0.975
2014	100.00	101.50	75.90	84.10	93.30	4.70	104.60	2.0	0.975
2015	100.80	102.30	76.50	84.70	94.10	5.10	105.50	2.0	0.975
2016	101.70	103.20	77.10	85.50	94.90	5.55	106.40	2.0	0.975
2017	102.70	104.20	77.90	86.30	95.80	5.90	107.50	2.0	0.975
2018	103.60	105.10	78.60	87.10	96.60	6.25	108.50	2.0	0.975
2019	104.50	106.00	79.20	87.80	97.50	6.45	109.40	2.0	0.975
2020	105.40	106.90	79.90	88.60	98.30	6.70	110.40	2.0	0.975
2021	107.60	109.20	81.60	90.40	100.30	6.85	112.80	2.0	0.975
2022	109.70	111.30	83.20	92.20	102.30	6.95	115.00	2.0	0.975
2023	111.90	113.50	84.80	94.00	104.30	7.05	117.20	2.0	0.975
2024	114.10	115.80	86.50	95.90	106.40	7.20	119.60	2.0	0.975
2025	116.40	118.10	88.20	97.80	108.50	7.40	122.00	2.0	0.975
2026	118.80	120.50	90.10	99.80	110.80	7.55	124.50	2.0	0.975
Thereafter	+2%/year	+2%/year	+2%/year	+2%/year	+2%/year	+2%/year	+2%/year	2.0	0.975

(1) West Texas Intermediate at Cushing Oklahoma 40 degrees API/0.5% sulphur.
(2) Edmonton Light Sweet 40 degrees API, 0.3% sulphur.
(3) Heavy crude oil 12 degrees API at Hardisty Alberta (after deduction of blending costs to reach pipeline quality).
(4) Bow River at Hardisty Alberta (Heavy stream).
(5) Midale Cromer crude oil 29 degrees API, 2.0% sulphur.
(6) Inflation rates for forecasting prices and costs.
(7) Exchange rates used to generate the benchmark reference prices in this table.

Weighted average historical prices prior to hedging realized by Harvest and the Operating Subsidiaries for the year ended December 31, 2011, were $3.83/mcf for natural gas, $67.92/bbl for natural gas liquids, $85.67/bbl for light/medium oil, and $69.71/bbl for heavy oil.

Reconciliation of Changes in Reserves

Reconciliation
By Principal Product Type
Forecast Prices and Cost

	Light and Medium Oil			Heavy Oil			Bitumen		
FACTORS	Gross Proved (Mbbl)	Gross Probable (Mbbl)	Gross Proved Plus Probable (Mbbl)	Gross Proved (Mbbl)	Gross Probable (Mbbl)	Gross Proved Plus Probable (Mbbl)	Gross Proved (Mbbl)	Gross Probable (Mbbl)	Gross Proved Plus Probable (Mbbl)
31-Dec-10[(1)]	61,460	23,618	85,078	42,449	17,915	60,363	93,604	165,640	259,245
Extensions/ Improved Recovery	1,796	742	2,538	853	980	1,906	0	0	0
Technical Revisions	2,106	(1,617)	489	1,207	(2,064)	(857)	0	0	0
Discoveries	2,067	1,772	3,838	72	0	0	0	0	0
Acquisitions	1,652	1,375	3,027	0	0	0	0	0	0
Dispositions	0	0	0	0	0	0	0	0	0
Production	(7,068)	(23)	(7,091)	(5,346)	(15)	(5,361)	0	0	0
31-Dec-11	62,012	25,867	87,878	39,235	16,817	56,052	93,604	165,640	259,245

	Associated and Non-Associated Natural Gas			Natural Gas Liquids			Total (boe)		
FACTORS	Gross Proved (MMcf)	Gross Probable (MMcf)	Gross Proved Plus Probable (MMcf)	Gross Proved (Mbbl)	Gross Probable (Mbbl)	Gross Proved Plus Probable (Mbbl)	Gross Proved (Mboe)	Gross Probable (Mboe)	Gross Proved Plus Probable (Mboe)
31-Dec-10[(1)]	202,877	80,294	283,171	6,784	2,798	9,772	238,109	223,353	461,653
Extensions/ Improved Recovery	38,170	24,729	62,271	1,363	90	2,188	10,374	5,934	17,010
Technical Revisions	2,937	(13,017)	(10,080)	632	4,457	378	4,434	(1,393)	(1,670)
Discoveries	0	0	628	0	8	0	2,139	1,780	3,943
Acquisitions	130,709	56,248	186,956	7,241	33	11,093	30,677	10,782	45,279
Dispositions	(126)	(26)	(152)	(8)	0	(9)	(29)	(4)	(34)
Production	(41,017)	(33)	(41,050)	(1,873)	(2)	(1,901)	(21,123)	(45)	(21,194)
31-Dec-11	333,550	148,195	481,745	14,138	7,383	21,521	264,581	240,405	504,987

(1) Closing balance from 2010 does not match the opening balance in 2011. In preparing the 2010 reserves tables the actual production was different than that estimated by the Independent Reserves Evaluators. The update for this production was incorrectly accounted for by adjusting the 2010 closing balance.

Additional Information Relating to Reserves Data

Undeveloped Reserves

Proved and probable undeveloped reserves have been estimated in accordance with procedures and standards contained in the COGE Handbook.

As at January 1, 2012, Harvest has a total of 126.3 MMboe (93.6 MMboe associated with BlackGold) of gross reserves that are classified as proved non-producing. Of these non-producing reserves approximately 94% are undeveloped reserves. The balance are developed non-producing reserves which would be wells that were not producing as at December 31, 2011 and are eligible to be brought on production given economics and production information as at January 1, 2012. Substantially all of the undeveloped reserves are based on Harvest's 2011 budget and long range development plans for the major assets noted elsewhere in this document. Excluding BlackGold's bitumen reserves, approximately 22% of these reserves are expected to be developed within the next two years. The remaining undeveloped reserves are expected be developed over the next five years, which in most cases is due to processing facility capacity restrictions. The capital cost has been taken into account for these programs in the estimated future net revenue.

Timing of Initial Undeveloped Reserves Assignment

			Gross Reserves First Attributed by Year				
Reserves Category	Production Group	Units	Prior	2009	2010	2011	Total[1]
Proved Undeveloped							
	Light and Medium Crude Oil	Mbbl	3,512	417	2,891	552	7,372
	Heavy Crude Oil	Mbbl	10,981	429	1,326	1,295	14,031
	Natural Gas	MMcf	25,883	1,337	3,787	40,600	71,607
	Natural Gas Liquids	Mbbl	0	22	148	1,521	1,692
	Bitumen	Mbbl	0	0	93,604	0	93,604
	Total Oil Equivalent	Mboe	18,807	1,091	98,600	10,135	128,633
Probable Undeveloped							
	Light and Medium Crude Oil	Mbbl	9,682	1,410	2,604	976	14,672
	Heavy Crude Oil	Mbbl	8,856	492	1,512	591	11,451
	Natural Gas	MMcf	23,780	2,148	9,491	34,565	69,984
	Natural Gas Liquids	Mbbl	1,083	41	177	2,684	3,985
	Bitumen	Mbbl	0	0	165,640	0	165,640
	Total Oil Equivalent	Mboe	23,584	2,301	171,514	10,011	207,412

(1) The "Total" column does not include yearly technical revisions, dispositions that have been detailed in the "Reconciliation By Product Type" table. The first attributed volumes include only additions during the year.

Notes: Hay River reserves are considered to be heavy crude oil for this analysis.

Future Development Costs

The following table sets forth development costs deducted in the estimation of Harvest and the Operating Subsidiaries' future net revenue attributable to the reserves categories noted below:

	Forecast Prices and Costs ($M)	
Year	Proved Reserves	Proved Plus Probable Reserves
2012	493,225	642,545
2013	264,174	521,802
2014	84,935	268,073
2015	68,269	458,322
2016	17,038	104,620
Thereafter	1,106,479	2,882,874
Total Undiscounted	**2,034,120**	**4,878,236**
Total Discounted at 10%	1,045,211	2,192,172

Future development costs will be funded through cash flow from operating activities and the Credit Facility.

Estimated future downhole costs related to a property have been taken into account by the Independent Reserves Evaluators in determining reserves that should be attributed to a property and in determining the aggregate future net revenue there from. No allowance was made; however, for reclamation of well sites or the abandonment and reclamation of any facilities. See "Appendix A-1: Other Upstream Business Information; *Additional Information Concerning Abandonment and Reclamation Costs*" for more information.

a. The forecast price and cost assumptions assume the continuance of current laws and regulations.

b. The extent and character of all factual data supplied to the Independent Reserves Evaluators were accepted by the Independent as represented. No field inspection was conducted.

Other Upstream Business Information

Oil and Natural Gas Properties

Harvest and the Operating Subsidiaries' portfolio of significant properties are discussed below.

In general, the properties include major oil accumulations which benefit from active pressure support due to an underlying regional aquifer. Generally, the properties have predictable decline rates with costs of production and oil price key to determining the economic limits of production. Harvest Operations is actively engaged in cost reduction, production and reserves replacement optimization efforts directed at reserves addition through extending the economic life of these producing properties beyond the limits used in the Reserves Report and developing new proven reserves previously not evaluated by the Independent Reserves Evaluators. The estimates of reserves and future net revenue for individual properties may not reflect the same confidence levels as estimates of reserves and future net revenue for all properties, due to the effects of aggregation.

Principal Producing Properties at December 31, 2011

Hay River

Hay River was acquired by Harvest on August 2, 2005 and is located approximately 125 miles north west of Grande Prairie in north-eastern British Columbia. In 2011, Hay River produced 5,243 boe/d (95% oil) of medium gravity 24^{o} API crude oil and natural gas from the BlueSky Formation located at a depth of approximately 350 metres. Produced emulsion is processed at the central emulsion processing facility with the clean oil transported via pipeline to sales points. Natural gas produced in conjunction with the oil is processed at the central facility and is either re-injected into the reservoir for pressure maintenance or sold through a sales gas pipeline connected to the facility. Hay River is a winter only access area in that drilling operations can only be undertaken when the ground is frozen (typically between late November and late March). The Hay River medium gravity oil production is priced at a discount to the Edmonton Light oil benchmark, contributing to stronger netbacks when compared to other similar gravity crudes. Harvest has a 100% working interest in this operated property. In 2011, Harvest drilled 44 gross wells, including 28 gross producing dual leg horizontal wells and 16 water source and water injection wells, and established new infrastructure with a total capital expenditure of $78 million. Since 2007, Harvest has focused on increasing water injection into the producing BlueSky Formation to improve overall production and recovery of oil from the reservoir. A gas plant constructed in 2007 was commissioned in the spring of 2008 to eliminate flaring at the site and to manage production of associated gas. Connection of commercial power to the site was also completed in 2008 which allowed for optimization of the production in the field. In 2011, Harvest drilled its first Gething Source well that will improve reservoir management practices.

Red Earth

Red Earth is located 300 miles north west of Edmonton, Alberta. Production in 2011 from Red Earth averaged 4,027 boe/d (99% oil) with an average oil quality of 37° to 39° API from the Slave Point, Granite Wash and Gilwood Formations. Harvest increased its working interest in this area to over 90% following the acquisition of the remaining 40% interest in the Redearth Partnership in the fall of 2010 and has been actively adding to its land base through Crown land sales. In 2011, Harvest drilled 38 gross wells with total capital expenditures, including roads and pipelines, of $110 million. A majority of the drilling was made up of horizontal wells in the Slave Point Formation using multi-staged fractured completions. Future development at Red Earth may include downspace drilling in the Slave Point Formation, application of horizontal well technology as well as potential water injection to increase the recovery factor in a number of smaller Slave Point pools by offsetting production decline. Harvest has an extensive seismic database in the Red Earth area that was instrumental in the discovery of new Gilwood and Granite Wash oil pools in the area and placement of Slave Point horizontal wells.

West Central Alberta

West Central Alberta is comprised of properties west of Highway 2, south of Edmonton and north of Calgary. This is primarily a liquids rich natural gas producing area for the Corporation with some oil production. Properties for this area were added through acquisition over the last several years with the most recent being Hunt in 2011. Production for 2011 for the area is 15,265 boe/d (62% gas). Major properties in this area include Caroline (Beaverhill Lake liquids rich 50% H_2S gas), Crossfield (Ellerslie oil and Basal Quartz), Markerville (Pekisko, Edmonton Sands, Cardium and Glauconite and Ellerslie) and Rimbey (Glauconite, Ostracod, Notikewin and Cardium). All new liquids rich gas production and oil production are from stage stimulated horizontal wells except for a highly prolific vertical gas play in the Glauconite. In 2011, Harvest participated in 43 gross wells for a total capital expenditure $107 million.

East Central Alberta

This area mainly encompasses legacy oil properties from the Saskatchewan/Alberta border to Alberta Highway 2 and properties south of the city of Edmonton. Working interest in these properties is over 90%. In 2011, the average production was 8,868 boe/d (88% oil) and is primarily oil from 18^{o} to 32^{o} API. The Corporation's largest polymer flood in Wainwright is in this group along with large legacy properties such as Bellshill, Provost and Bashaw. This area is largely a focus of EOR and optimization of current wells and facilities. In 2011, the Corporation participated in 3 gross wells for a total capital expenditure of $3.5 million.

Deep Basin

The Deep Basin is a new area to the Corporation in 2011 and was acquired from Hunt. Deep Basin is located to the south of the city of Grande Prairie in northwest Alberta. Production for 2011 was 3,666 boe/d (84% gas). Legacy production is from vertical wells completed in multiple zones (Falher, Cardium, Cadotte, Cadomin, BlueSky, Dunvegan, and Gething) and comingled together. Recent activity has been focused on drilling high rate 5 to 15 mcf/d stage stimulated horizontal wells in the Falher Formation, which has liquids content between 50 and 100 barrels per mcf. In 2011, Harvest participated in 5 gross wells for a net cost of $27 million.

Heavy Oil

Harvest has various working interests in this area, which is located near the town of Lloydminster on both the Alberta and Saskatchewan side of the border and down into Southern Alberta near the city of Medicine Hat. Major properties in this group include Suffield (Glauconite), Maidstone (Sparky and Waseca), Lloyd (Lloydminster), and Hayter (Dina/Cummings and Sparky). Production is 12° to 15° API heavy crude oil from Cretaceous aged sandstone Formations within the Mannville group. Production averaged 8,211 boe/d (96% oil) in 2011. Harvest drilled 42 gross wells in 2011 with total net capital expenditures of $41.2 million. The majority of the wells drilled were horizontal in the Lloydminster Formation or the Glauconite. Production from the area's wells is processed at a central processing facility with solution gas conservation and then trucked to third party sales points, except for Hayter and Suffield which are pipeline connected. Future plans include downspacing pools with additional horizontal wells and assessing the potential impact of water injection for pressure maintenance and enhanced recovery. This area also contains EOR potential. By increasing injection and using chemical enhancements such as polymers, Harvest believes the ultimate recovery of oil will be increased. Pool optimization and EOR projects will target increased water injection into under-injected reservoirs that have not received adequate pressure maintenance as well as the expansion of the existing Suffield polymer flood to further enhance sweep efficiencies.

Saskatchewan Light Oil

This area includes Harvest's assets in south eastern Saskatchewan towards the Manitoba border as well as production near the City of Kindersley in western Saskatchewan, near the Alberta border. The Kindersley assets are produced from staged fractured horizontal wells in the Viking Formation. The SE Saskatchewan properties are located approximately 110 miles southeast of Regina with production from the non-stage stimulated horizontal wells in Tilston and Souris Valley Formations of Mississippian age. Both of these properties contain high netback light 34° to 39° API oil. Production in 2011 was 4,120 boe/d (96% oil). In 2011, Harvest participated in 43 gross wells with a total net capital expenditure of $64 million.

BlackGold

Harvest acquired 100% working interest of BlackGold in 2010 from KNOC. The area is located in north-eastern Alberta near Conklin and is in close proximity to a number of major oil sands developments. The BlackGold oil sands project continued to progress through 2011. During the fourth quarter of 2011, Harvest began drilling the surface holes for the first SAGD well pairs which are expected to be finished in early 2012. In 2011, Harvest invested a total of $101.2 million in the BlackGold oil sands project for engineering and procurement and drilling of 12 observation wells as well as the construction of the central processing facility and well pads. Other near-term activities include completion of the detailed engineering work, site preparation and the commencement of major equipment fabrication. While work continues on phase 1, phase 2 of the project, which is targeted to increase production capacity to 30,000 bbl/d, is in the regulatory approval process. The BlackGold project faces similar cost and schedule pressures as other oil sand projects, including shortage of skilled labour, rising costs, and logistics issues surrounding module transportation; phase 1 production is now expected to start in 2014.

Oil and Gas Wells

The following table sets forth the number of wells in which Harvest held a working interest as at December 31, 2011:

	Oil Wells				Natural Gas Wells				Service Wells			
	Producing		Non-Producing		Producing		Non-Producing			Active		Suspended
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Alberta	3,287	2,489	1,212	862	2,205	814	814	313	589	479	557	346
British Columbia	437	259	101	40	77	89	89	36	249	166	119	53
Saskatchewan	1,087	887	526	430	12	51	51	44	102	93	89	67
Total	4,811	3,635	1,839	1,332	2,294	954	954	393	940	738	765	466

Properties with No Attributed Reserves

The following tables set out Harvest's undeveloped land holdings as at December 31, 2011:

	Undeveloped Land (Hectares)	
	Gross	Net
Alberta	312,555	217,138
British Columbia	128,202	79,853
Saskatchewan	36,627	32,938
Total	477,384	329,929

	Undeveloped Hectares with Rights Expiring Within One Year	
	Gross	Net
Alberta	34,269	28,295
British Columbia	25,683	20,433
Saskatchewan	7,297	7,216
Total	67,249	55,944

Harvest conducts ongoing development activity to retain land that would otherwise expire. As a result of this activity, the actual land holdings that will expire within one year may be less than indicated above.

Additional Information Concerning Abandonment and Reclamation Costs

The following table sets forth information respecting future abandonment and reclamation costs for the Upstream surface leases, wells, facilities and pipelines which are expected to be incurred by Harvest and for the periods indicated:

	Abandonment & Reclamation Costs (undiscounted and inflated at 1.7%) ($000s)	Abandonment & Reclamation Costs (discounted at 10% and inflated at 1.7%) ($000s)
Period		
Total as at December 31, 2011	1,417,303	238,588
Anticipated to be paid in 2012	12,782	11,620
Anticipated to be paid in 2013	41,966	34,683
Anticipated to be paid in 2014	17,023	12,789

Harvest estimates the costs to abandon and reclaim all of its shut-in and producing wells, pipelines and facilities. No estimate of salvage value is netted against the estimated cost. Harvest's model for estimating the amount and timing of future abandonment and reclamation expenditures was created on an operating area level. Estimated expenditures for each operating area are based on the Energy Resources Conservation Board (ERCB) methodology from 2005 which details the cost of abandonment and reclamation costs in eight specific geographic regions. The ERCB estimates are then inflated based on actual projects costs done to date to more accurately reflect current costs to abandon and reclaim wells and facilities. Each region was assigned an average cost per well to abandon and reclaim the wells in that area. The yearly costs that will be incurred for producing wells are based on a schedule provided by the Independent Reserves Evaluators. The yearly costs that will be incurred for suspended wells are based on ERCB D-13 guidelines. Facility abandonment and reclamation costs are scheduled to be incurred in the year following the end of the reserves life of its associated reserves. Abandonment and reclamation costs have been estimated over a 60 year period.

The number of net wells for which the Independent Reserves Evaluators estimated that Harvest would incur downhole abandonment costs is 5,141 wells (proved plus probable) at December 31, 2011.

Abandonment costs (excluding salvage values) associated with wells to which reserves were attributed, were deducted by the Independent Reserves Evaluators in estimating future net revenue in the Reserves Report. The estimated future undiscounted expense related to wells, facilities and pipelines, which were not deducted by the Independent Reserves Evaluators, are $1,103.0 million ($167.5 million discounted at 10%). The nature of these expenses are not expected to change the anticipated costs for the next three years, as they will not be incurred until the end of a field's reserves life profile.

Tax Horizon

Harvest anticipates that there will be no cash income tax payable prior to 2016. However, this estimate is highly sensitive to variables such as commodity prices, production and the timing of future capital spending. If commodity prices were to strengthen beyond the levels anticipated by the forward market, our tax pools would be utilized more quickly and the Corporation may be required to pay cash income taxes sooner than anticipated.

Capital Expenditures

The following table summarizes capital expenditures (net of incentives and net of certain proceeds, including capitalized general and administrative expenses) related to Upstream activities for the year ended December 31, 2011:

($ millions)	Oil & Gas Capital Expenditures (Excluding Oil Sands)	Oil Sands Capital Expenditures	Total Capital Expenditures(1)
Property acquisition costs(2)			
Proved properties	495	-	495
Unproved properties	19	-	19
Total property acquisition costs	514	-	514
Exploration costs	51	-	51
Development costs	579	101	680
Total	1,144	101	1,245

(1) Total capital expenditures exclude costs related to corporate assets of $2.2 million.
(2) Property acquisition costs include business and property acquisitions and exclude proceeds received from dispositions of $8.7 million.

Exploration and Development Activities

The following table sets forth the number of exploratory and development wells completed during 2011:

	Exploratory Wells		Development Wells	
	Gross	Net	Gross	Net
Oil Wells	15	14.0	163	145.0
Gas Wells	1	1.0	37	20.8
Service Wells	3	3.0	25	25.0
Dry Holes	7	5.5	0	0
Total Wells	26	23.5	225	190.8

2012 Capital Expenditure Plan

Harvest's expected total capital spending on its oil and natural gas properties for 2012 is expected to be approximately $650 million. The primary areas of focus for Harvest's Upstream capital program during 2012 are the following:

- BlackGold – Expenditures of approximately $215 million to fund module assembly, facility construction and an active drilling program in which 30 gross wells (15 SAGD well pairs) are currently underway;
- Hay River – Drill 30 gross producing multi-leg horizontal oil wells and water injection wells as well as upgrading the processing infrastructure and drilling and tying-in source water wells to facilitate better reservoir management for an expenditure of $63 million;
- Red Earth – Drill 19 gross light oil wells and establish pipeline infrastructure for emulsion gathering and EOR upside for a net expenditure of $85 million with up to 18 gross multistage fractured horizontal wells for the Slave Point Formation;
- West Central/Rimbey – Drill 15 gross wells targeting the Cardium oil/gas/NGL stage stimulated horizontal wells, Ellerslie light oil vertical wells and Glauconitic (liquids rich natural gas) stage stimulated horizontal wells for an expenditure of $52 million;
- Kindersley, Saskatchewan – Drill 17 gross multistage fractured horizontal wells and build infrastructure for pressure maintenance into the Viking Formation for a total expenditure of $26 million;
- Deep Basin Area – Drill 8 gross Falher horizontal stage fractured liquids rich natural gas wells plus install debottlenecking infrastructure for a total expenditure of $51 million;
- Southeast Saskatchewan Area – Drill 12 gross horizontal light oil wells into the Souris Valley and Tilston Formations for a total expenditure of $20 million;
- Lloydminster Heavy Oil – Drill 25 gross wells (primarily horizontal wells) into the Lloydminster and Waseca Formations for a total expenditure of $26 million;
- Suffield and Wainwright – Expand and continue to inject polymer into the two existing EOR floods for a total expenditure of $22 million; and
- Various Areas – Expenditures of approximately $33 million to exploration projects which includes drilling, seismic and land purchases and $60 million to pursue production optimization including pump upsizing, facility debottlenecking and zonal recompletion.

Incremental Exploitation and Development Potential

Management of Harvest Operations has identified numerous development opportunities, many of which provide the potential for capital investment and incremental production beyond that identified in the Reserves Report. Opportunities being considered include:

- Implementation or optimization of enhanced water floods beyond the two polymer floods previously mentioned in selected pools such as Suffield, Hay River, Red Earth, Cecil and Kindersley resulting in increased production and recovery;
- Increasing water handling and water disposal capacity at key fields such as Hayter, Suffield and Bellshill Lake to add incremental oil volumes. This includes additional use of free water knock-outs and additional disposal wells;
- De-bottlenecking existing fluid handling facilities and surface infrastructure;
- Uphole completions of bypassed or untested reserves in existing wellbores, including recompletion of existing shut-in wells to access undrained reserves;
- Selected infill and step-out development drilling opportunities for various proven targets generally defined by 3-D seismic;

- Numerous exploratory opportunities defined by seismic from which value might be extracted by sale, Farmout or joint venture;
- Management of dry gas portfolio to shut-in wells currently with low gas netbacks due to falling gas prices to preserve reserves to be produced at a time when gas prices improve; and
- Utilizing multistage fractured technology in horizontal wells to increase oil recovery from tight oil and gas formations at Red Earth (Slave Point Formation), Crossfield (Basal Quartz and Ellerslie Formations), Kindersley (Viking Formation), Deep Basin (Falher Formation) and Rimbey/West Central Area (Cardium, Glauconite, Viking, Ostracod, Notikewin, Wilrich Formations).

Production Estimates

The following table sets forth the volume of production from the Corporation's gross reserves estimated for 2012 as found in the Reserves Report:

2012 Production Forecast
Gross

	Light and Medium Oil	Heavy Oil	Natural Gas	Natural Gas Liquids	Total
	bbl/d	bbl/d	mcf/d	bbl/d	boe/d
Proved Producing	16,437	16,928	112,925	5,238	57,424
Proved Developed Non-Producing	212	490	8,965	276	2,472
Proved Undeveloped	860	1,705	10,617	369	4,704
Total Proved	17,509	19,123	132,507	5,883	64,600
Total Probable	2,500	908	16,339	579	6,710
Total Proved Plus Probable	20,009	20,031	148,846	6,462	71,310

Note: Hay River is included as heavy oil in this table

Production History

The following tables summarize certain information in respect of production, product prices received, royalties paid, operating expenses and resulting netback for the periods indicated below:

Average Daily Production Volumes

	2011				
	Q1	Q2	Q3	Q4	Total
Light & Medium Oil (bbls/d) [1]	25,523	22,294	23,621	26,106	24,380
Heavy Oil (bbl/d)	9,038	8,559	8,825	9,521	8,992
Total Oil (bbl/d)	34,561	30,853	32,446	35,627	33,372
NGLs (bbl/d)	3,455	5,937	5,392	5,440	5,062
Natural Gas(mcf/d)	91,888	111,291	124,259	121,547	112,360
Total Daily Production (boe/d)	53,331	55,338	58,548	61,324	57,161

Total Sales Production

	2011				
	Q1	Q2	Q3	Q4	Total
Light and Medium Oil (bbl) [1]	2,297,101	2,028,716	2,173,097	2,401,709	8,900,623
Heavy Oil (bbl)	813,399	778,889	811,924	875,918	3,280,130
Total Oil (bbl)	3,110,500	2,807,605	2,985,021	3,277,627	12,180,753
NGLs (bbl)	310,969	540,233	496,071	500,474	1,847,747
Natural Gas (mcf)	8,269,926	10,127,483	11,431,803	11,182,327	41,011,539
Total Production (boe)	4,799,790	5,035,752	5,386,393	5,641,822	20,863,757

Average Sales Prices Received

	2011				
	Q1	Q2	Q3	Q4	Total
Light & Medium oil ($/bbl) (1)(2)	78.69	94.08	80.43	89.90	85.67
Heavy Oil ($/bbl)	61.51	74.84	62.84	79.28	69.71
Total Oil ($/bbl)	74.20	88.74	75.65	87.06	81.37
NGLs ($/bbl)	69.32	79.87	67.51	70.14	67.92
Natural Gas ($/mcf)	3.83	4.12	3.97	3.42	3.83
Total ($/boe) (2)	59.19	66.73	57.85	64.61	62.13

Royalties Paid

	2011				
	Q1	Q2	Q3	Q4	Total
Light & Medium Oil ($000) (1)	26,753	30,859	31,043	36,017	124,672
Heavy Oil ($000)	6,941	8,419	7,294	8,374	31,028
NGLs ($000)	1,998	10,934	5,304	7,518	25,754
Natural gas ($000)	166	6,348	3,355	4,129	13,998
Total ($000)	35,858	56,560	46,996	56,038	195,452
Light & Medium Oil ($/bbl) (1)	11.65	15.21	14.29	15.00	14.01
Heavy Oil ($/bbl)	8.53	10.81	8.98	9.56	9.45
NGLs (S/bbl)	6.43	20.24	10.69	15.02	13.94
Natural gas ($/boe)	0.12	3.76	1.76	2.22	2.05
Total ($/boe)	7.47	11.23	8.72	9.93	9.37

Operating Expenses(2)

	2011				
	Q1	Q2	Q3	Q4	Total
Light & Medium Oil ($000) (1)	48,766	41,401	44,593	48,555	183,315
Heavy Oil ($000)	16,697	15,672	16,330	19,473	68,172
NGLs ($000)	809	6,217	6,252	6,009	19,287
Natural gas ($000)	17,323	19,025	20,946	22,388	79,682
Total ($000)	83,595	82,315	88,121	96,425	350,456
Light & Medium Oil ($/bbl) (1)	21.23	20.41	20.52	20.22	20.60
Heavy Oil ($/bbl)	20.53	20.12	20.11	22.23	20.78
NGLs ($/boe)	2.60	11.51	12.60	12.01	10.44
Natural Gas ($/boe)	12.57	11.27	10.99	12.01	11.66
Total ($/boe)	17.42	16.35	16.36	17.09	16.80

Netback Received[(3)(4)]

	2011				
	Q1	Q2	Q3	Q4	Total
Light & Medium Oil ($/bbl) [(1)]	45.81	58.46	45.62	54.68	51.06
Heavy Oil ($/bbl)	32.45	43.91	33.75	47.49	39.47
NGLs ($/bbl)	60.29	48.12	44.22	43.11	43.54
Natural Gas ($/boe)	10.29	9.68	11.04	6.28	9.25
Total ($/boe)	34.30	39.15	32.77	37.59	35.96

(1) Medium oil production includes production from Harvest's Hay River property. The crude oil from this property has an average API of 24° (medium grade); however, it benefits from a heavy oil royalty regime and therefore, would be classified as heavy oil according to NI 51-101.

(2) Before gains or losses on risk management contracts.

(3) Netbacks are calculated by subtracting royalties and operating expenses before gains or losses on risk management contracts and transportation expenses.

(4) These are non-GAAP measures. Please refer to "Non-GAAP Measures" section of this Annual Information Form.

2011 Historical Production by Material Property

Material Property	Light, Medium & Heavy Crude Oil bbl/d	Natural Gas mcf/d	NGLs bbl/d	Average Daily Production boe/d
Hay River	4,734	2,985	12	5,243
Red Earth	3,957	72	58	4,027
West Central Alberta	1,959	56,440	3,899	15,265
East Central Alberta	7,598	6,391	205	8,868
Deep Basin	22	18,562	550	3,666
Heavy Oil	7,803	2,196	42	8,211
Saskatchewan Light Oil	3,940	899	30	4,120
Other	3,359	24,815	266	7,761
TOTAL	33,372	112,360	5,062	57,161

APPENDIX A-2

FORM 51-101 F2: REPORT ON RESERVES DATA BY INDEPENDENT QUALIFIED RESERVES EVALUATORS

To the board of directors of Harvest Operations Corp. (the "Corporation"):

1. We have evaluated the Corporation's reserves data as at December 31, 2011. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2011, estimated using forecast prices and costs.

2. The reserves data are the responsibility of the Corporation's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.

We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook (the "COGE Handbook") prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute on Mining, Metallurgy & Petroleum (Petroleum Society).

3. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with the principles and definitions presented in the COGE Handbook.

4. The following table sets forth the estimated future net revenue (before deductions of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs, and calculated using a discount rate of 10 percent, included in the reserves data of the Corporation evaluated by us for the year ended December 31, 2011. This table also identifies the respective portions thereof that we have evaluated and reported on to the Corporation's Management and board of directors:

			Net Present Value of Future Net Revenue (Before Income Taxes, 10% Discount Rate)($M)			
Independent Qualified Reserves Evaluator or Auditor	Preparation Date of Evaluation Report	Location of Reserves	Audited	Evaluated	Reviewed	Total
McDaniel and Associates Consultants Ltd.	January 31, 2012	Canada	-	1,804,621	-	1,804,621
GLJ Petroleum Consultants Ltd.	January 26, 2012	Canada	-	3,989,018	-	3,989,018
Totals				5,793,639		5,793,639

5. In our opinion, the reserves data respectively evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook.

6. We have no responsibility to update our reports referred to in paragraph 4 for events and circumstances occurring after their respective preparation dates.

7. Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

Executed as to our reports referred to above:

(Signed) "P.A.Welch", P.Eng
McDaniel & Associates Consultants Ltd.
Calgary, Alberta, Canada

January 31, 2012

(Signed) "Myron J. Hladyshevsky", P.Eng
GLJ Petroleum Consultants Ltd.
Calgary, Alberta, Canada

March 23, 2012

APPENDIX A-3

FORM 51-101 F3: REPORT OF MANAGEMENT AND DIRECTORS ON RESERVES DATA AND OTHER INFORMATION

Management of Harvest Operations Corp. (the “Corporation”) is responsible for the preparation and disclosure of information with respect to the Corporation’s oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data, which are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2011, estimated using forecast prices and costs.

Independent qualified reserves evaluators have evaluated the Corporation’s reserves data. The report of the independent qualified reserves evaluators is presented above in Appendix A-2.

The Upstream Reserves, Safety & Environment Committee (the "RSE Committee") of the board of directors of the Corporation has:

(a) reviewed the Corporation’s procedures for providing information to the independent qualified reserves evaluators;

(b) met with the independent qualified reserves evaluators to determine whether any restrictions affected the ability of the independent qualified reserves evaluators to report without reservation; and

(c) reviewed the reserves data with management and the independent qualified reserves evaluators.

The RSE Committee has reviewed the Corporation’s procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The board of directors has, on the recommendation of the RSE Committee, approved:

(a) the content and filing with securities regulatory authorities of Form 51-101F1 containing the reserves data and other oil and gas information;

(b) the filing of Form 51-101F2 which is the report of the independent qualified reserves evaluators on the reserves data; and

(c) the content and filing of this report.

Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

(*Signed*) “Myunghuhn Yi”
Myunghuhn Yi
President & CEO

(*Signed*) "Robert A Pearce"
Rob Pearce
Chief Operating Officer

(*Signed*) "J. Richard Harris"
J. Richard Harris
Director and Chairman of the RSE Committee

(*Signed*) "William A. Friley Jr."
William A. Friley Jr.
Director and Member of the RSE Committee

March 25, 2012

APPENDIX B

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 C

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

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