



Second Quarter Report 2018

For the three month period
ended June 30, 2018



MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited condensed interim consolidated financial statements of Harvest Operations Corp. ("Harvest", "we", "us", "our" or the "Company") for the three and six months ended June 30, 2018 and the audited consolidated financial statements and MD&A for the year ended December 31, 2017. The information and opinions concerning the future outlook are based on information available at August 2, 2018.

In this MD&A, all dollar amounts are expressed in Canadian dollars unless otherwise indicated. Tabular amounts are in millions of dollars, except where noted.

Natural gas volumes are converted to barrels of oil equivalent ("boe") using the ratio of six thousand cubic feet ("mcf") of natural gas to one barrel of oil ("bbl"). Boes may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf to 1 bbl is based on an energy equivalent conversion method primarily applicable at the burner tip and does not represent a value equivalent at the wellhead. In accordance with Canadian practice, petroleum and natural gas revenues are reported on a gross basis before deduction of Crown and other royalties.

Additional information concerning Harvest, including its audited annual consolidated financial statements and Annual Information Form ("AIF") can be found on SEDAR at www.sedar.com.

ADVISORY

This MD&A contains non-GAAP measures and forward-looking information about our current expectations, estimates and projections. Readers are cautioned that the MD&A should be read in conjunction with the "Non-GAAP Measures" and "Forward-Looking Information" sections at the end of this MD&A.



MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL AND OPERATING HIGHLIGHTS

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
Conventional				
Petroleum and natural gas sales	88.8	80.5	174.0	166.0
Daily sales volumes (boe/d) ⁽¹⁾	25,027	26,324	25,209	26,772
Deep Basin Partnership				
Daily sales volumes (boe/d)	3,988	6,519	3,985	6,828
Harvest's share of daily sales volumes (boe/d) ⁽³⁾	3,309	5,380	3,305	5,634
Average realized price ⁽²⁾				
Oil and NGLs (\$/bbl)	63.34	45.49	57.78	46.62
Gas (\$/mcf)	1.28	3.03	1.77	3.00
Operating netback prior to hedging(\$/boe) ⁽³⁾	15.87	13.04	15.12	13.81
Operating loss ⁽³⁾	(22.8)	(33.5)	(42.3)	(50.2)
Cash contribution from operations ⁽³⁾	25.1	14.7	49.4	42.9
Capital expenditures	6.9	4.9	30.7	24.5
Property dispositions, net ⁽⁴⁾	(0.5)	—	(0.4)	—
Net wells drilled	0.4	0.6	6.6	2.7
Oil Sands				
Capital expenditures	36.9	0.1	59.7	0.2
Pre-operating loss ⁽³⁾	(1.9)	(3.5)	(3.6)	(6.9)
NET LOSS	(75.0)	(26.5)	(163.0)	(57.3)

(1) Excludes volumes from Harvest's equity investment in the Deep Basin Partnership.

(2) Excludes the effect of derivative contracts designated as hedges.

(3) This is a non-GAAP measure; please refer to "Non-GAAP Measures" in this MD&A.

(4) This represents the historical cost of oil and gas assets disposed net of accumulated depreciation and depletion.

REVIEW OF OVERALL PERFORMANCE

Harvest is an energy company with a petroleum and natural gas business focused on the exploration, development and production of assets in western Canada ("Conventional") and an in-situ oil sands project in northern Alberta ("Oil Sands"). Harvest is a wholly owned subsidiary of Korea National Oil Corporation ("KNOC"). Our earnings and cash flow from operations are largely determined by the realized prices for our crude oil and natural gas production.

Conventional

- Petroleum and natural gas sales for the three and six months ended June 30, 2018 increased by \$8.3 million and \$8.0 million, respectively, over the same periods in 2017 as a result of an increase in average realized sales prices, partially offset by decreased sales volumes.
- Sales volumes for the three and six months ended June 30, 2018 decreased by 1,297 boe/d and 1,563 boe/d, respectively, as compared to the same periods in 2017. These decreases were primarily due to natural declines, partially offset by additional volumes resulting from asset optimization and revitalization projects, and new wells.
- Harvest's share of Deep Basin Partnership ("DBP") volumes for the three and six months ended June 30, 2018 decreased by 2,071 boe/d and 2,329 boe/d, respectively, as compared to the same periods in 2017. These decreases were primarily due to natural declines.
- Operating loss for the three and six months ended June 30, 2018 was \$22.8 million and \$42.3 million, respectively (2017 - \$33.5 million and \$50.2 million, respectively). The decreases in operating loss from 2017 were primarily due to increased revenues and decreased depreciation, depletion and amortization, partially offset by increased operating expenses.
- Capital expenditures totaled \$6.9 million and \$30.7 million for the three and six months ended June 30, 2018, respectively, and were primarily related to drilling and completion, and asset optimization and revitalization projects. During the three months ended June 30, 2018, Harvest rig released one gross (0.4 net) partner operated horizontal well in the Rocky Mountain House area. During the six months ended June 30, 2018, Harvest rig released eleven gross wells (6.6 net). The wells drilled included three (2.0 net) horizontal wells in the Royce area, two (1.0 net) partner operated horizontal wells in the Rocky Mountain House area, five (2.7 net) partner operated horizontal wells in the Deep Basin area and one horizontal well in the Loon area.
- Operating netback per boe prior to hedging for the three months ended June 30, 2018 was \$15.87, an increase of \$2.83 from the same period in 2017. Operating netback per boe prior to hedging for the six months ended June 30, 2018 was \$15.12, an increase of \$1.31 from the same period in 2017. These increases were mainly due to an increase in petroleum and natural gas sales prices per boe, partially offset by an increase in operating expenses per boe.
- Cash contributions from Harvest's Conventional operations for the three and six months ended June 30, 2018 was \$25.1 million and \$49.4 million, respectively (2017 - \$14.7 million and \$42.9 million, respectively). The increases in cash contributions for the three and six months ended June 30, 2018 were mainly due to an increase in revenues, partially offset by an increase in operating expenses.

Oil Sands

- Capital expenditures for the three and six months ended June 30, 2018 were \$36.9 million and \$59.7 million, respectively, (2017 - \$0.1 million and \$0.2 million, respectively) and mainly related to facility expenditures relating to construction and commissioning costs on the central processing facility ("CPF"). During the quarter, Harvest injected first steam into the well pairs of its Oil Sands project.
- Pre-operating losses for the three and six months ended June 30, 2018 were \$1.9 million and \$3.6 million, respectively (2017 - \$3.5 million and \$6.9 million, respectively). Pre-operating losses decreased as compared to the same periods in 2017 as a result of an increase in expenses being capitalized in the current periods due to the recommencement of capital activities.

Corporate

- On May 1, 2018, Harvest issued US\$397.5 million 4.2% senior notes for net proceeds of US\$395.8 million. The 4.2% senior notes are unsecured and mature on June 1, 2023, with interest payable semi-annually. The notes are unconditionally and irrevocably guaranteed by KNOC. On May 11, 2018, Harvest entered into an agreement to borrow \$300 million through a five year term loan at a variable rate. The term loan is guaranteed by KNOC and contains no financial covenants. On May 11, 2018, the loan was fully drawn. Proceeds from the senior notes and term loan were used to repay the 2 $\frac{1}{8}$ % senior notes that matured and were repaid on May 14, 2018. On May 15, 2018, Harvest entered into an interest rate swap agreement that results in an all-in fixed interest rate of 3.971% for the duration of the term.
- The weakening of the Canadian dollar against the U.S. dollar for the three months ended June 30, 2018 resulted in net unrealized foreign exchange losses of \$4.1 million (2017 - \$48.8 million net gains) which is primarily related to the translation of Harvest's U.S. dollar denominated debt into Canadian dollars. The weakening of the Canadian dollar against the U.S. dollar for the six months ended June 30, 2018 resulted in net unrealized foreign exchange losses of \$53.4 million (2017 - \$62.5 million net gains) which is primarily related to the translation of Harvest's U.S. dollar denominated debt into Canadian dollars.
- Harvest's net change to the credit facility during the three and six months ended June 30, 2018 was \$57.5 million and \$87.9 million net borrowing, respectively (2017 - \$16.2 million and \$465.8 million net borrowing, respectively). The net borrowing for the three and six months ended June 30, 2018 was primarily related to borrowings to finance capital additions and operations. At June 30, 2018, Harvest had \$283.6 million drawn under the credit facility (December 31, 2017 - \$190.6 million) excluding letters of credit of \$14.0 million (December 31, 2017 - \$14.9 million). As at June 30, 2018, the term loan facilities had an outstanding balance of \$800 million (December 31, 2017 - \$500 million).



MANAGEMENT'S DISCUSSION AND ANALYSIS

CONVENTIONAL

Summary of Financial and Operating Results

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
FINANCIAL				
Petroleum and natural gas sales	88.8	80.5	174.0	166.0
Royalties	(8.8)	(11.2)	(17.3)	(19.5)
Revenues and other income	80.0	69.3	156.7	146.5
Expenses				
Operating	41.3	35.5	80.4	74.1
Transportation and marketing	4.5	2.5	7.7	5.5
Operating netback after hedging ⁽¹⁾	34.2	31.3	68.6	66.9
General and administrative	8.9	9.3	18.1	18.8
Depreciation, depletion and amortization	43.7	52.3	87.3	90.6
Loss from joint ventures	3.8	6.8	6.9	10.7
Unrealized derivative contract (gains) losses ⁽²⁾	0.9	(1.0)	1.7	(0.3)
Gain on onerous contract	—	(1.3)	—	(1.7)
Gains on disposition of assets	(0.3)	(1.3)	(3.1)	(1.0)
Operating loss ⁽¹⁾	(22.8)	(33.5)	(42.3)	(50.2)
Capital asset expenditures	6.9	4.9	30.7	24.5
Property dispositions, net ⁽⁴⁾	(0.5)	—	(0.4)	—
OPERATING				
Light to medium oil (bbl/d)	4,666	3,890	4,532	4,052
Heavy oil (bbl/d)	6,314	7,324	6,596	7,364
Natural gas liquids (bbl/d)	3,055	2,828	3,071	3,146
Natural gas (mcf/d)	65,955	73,685	66,059	73,259
Total (boe/d) ⁽³⁾	25,027	26,324	25,209	26,772

(1) This is a non-GAAP measure; please refer to "Non-GAAP Measures" in this MD&A.

(2) Derivative contract losses include the settlement amounts for power derivative contracts and Harvest's top-up obligation to KERR. See "Risk Management, Financing and Other" section of this MD&A for details.

(3) Excludes volumes from Harvest's equity investment in the Deep Basin Partnership.

(4) This represents the historical cost of oil and gas assets disposed net of accumulated depreciation and depletion.

Commodity Price Environment

	Three Months Ended June 30			Six Months Ended June 30		
	2018	2017	Change	2018	2017	Change
West Texas Intermediate ("WTI") crude oil (US\$/bbl)	67.88	48.29	41%	65.37	50.10	30%
West Texas Intermediate crude oil (\$/bbl)	87.59	64.91	35%	83.49	66.89	25%
Edmonton Light Sweet crude oil (\$/bbl)	80.58	61.93	30%	76.29	62.95	21%
Western Canadian Select ("WCS") crude oil (\$/bbl)	62.83	49.99	26%	55.80	49.82	12%
AECO natural gas daily (\$/mcf)	1.18	2.78	(58%)	1.63	2.74	(41%)
U.S. / Canadian dollar exchange rate	0.775	0.744	4%	0.783	0.749	5%
Differential Benchmarks						
EDM differential to WTI (\$/bbl)	7.01	2.98	135%	7.20	3.94	83%
EDM differential as a % of WTI	8.0%	4.6%	74%	8.6%	5.9%	46%
WCS differential to WTI (\$/bbl)	24.76	14.92	66%	27.69	17.07	62%
WCS differential as a % of WTI	28.3%	23.0%	23%	33.2%	25.5%	30%

For the three and six months ended June 30, 2018, the average WTI benchmark price increased 41% and 30%, respectively, as compared to the same periods in 2017. The average Edmonton Light Sweet crude oil price ("Edmonton Light") for the three and six months ended June 30, 2018, increased 30% and 21%, respectively, compared to the same periods in 2017 due to an increase in the WTI price and a strengthening of the U.S. dollar against the Canadian dollar, which was partially offset by a widening of the Edmonton Light differential.

Heavy oil differentials fluctuate based on a combination of factors including the level of heavy oil production and inventories, pipeline and rail capacity to deliver heavy crude to U.S. and offshore markets and the seasonal demand for heavy oil. The 26% and 12% increases in the WCS price for the three and six months ended June 30, 2018, respectively, as compared to the same periods in 2017 were primarily due to an increase in the WTI price and a strengthening of the U.S. dollar against the Canadian dollar, which was partially offset by a widening of the WCS differential.

Harvest's realized natural gas price is referenced to the AECO hub, which decreased by 58% and 41%, respectively, for the three and six months ended June 30, 2018 as compared to the same periods in 2017.

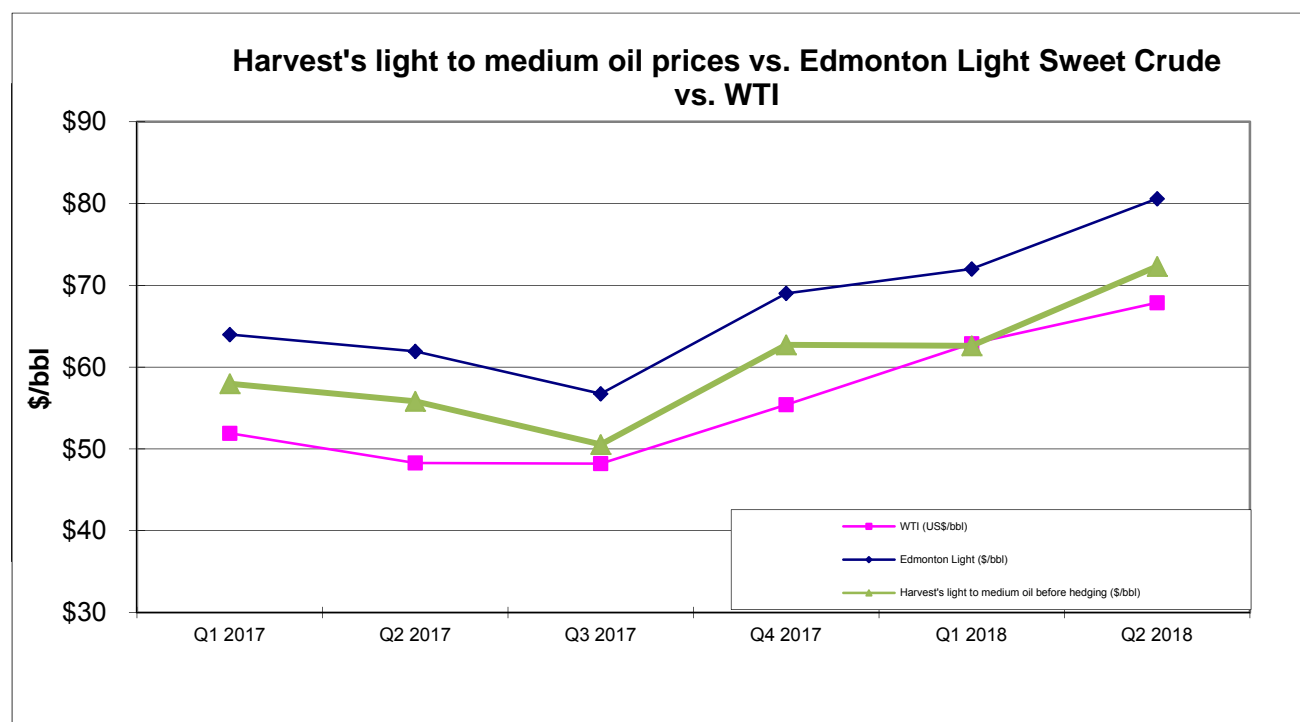
Realized Commodity Prices

	Three Months Ended June 30			Six Months Ended June 30		
	2018	2017	Change	2018	2017	Change
Light to medium oil (\$/bbl)	72.31	55.82	30%	67.63	54.37	24%
Heavy oil prior to hedging (\$/bbl)	65.48	47.90	37%	57.59	48.69	18%
Natural gas liquids (\$/bbl)	45.23	25.00	81%	43.66	31.78	37%
Natural gas (\$/mcf)	1.28	3.03	(58%)	1.77	3.00	(41%)
Average realized price prior to hedging (\$/boe) ⁽¹⁾	39.82	33.59	19%	38.21	34.26	12%
Light to medium oil after hedging (\$/bbl) ⁽²⁾	64.87	55.82	16%	63.74	54.37	17%
Heavy oil after hedging (\$/bbl) ⁽²⁾	64.04	47.90	34%	56.90	48.69	17%
Average realized price after hedging (\$/boe) ⁽¹⁾⁽²⁾	38.07	33.59	13%	37.33	34.26	9%

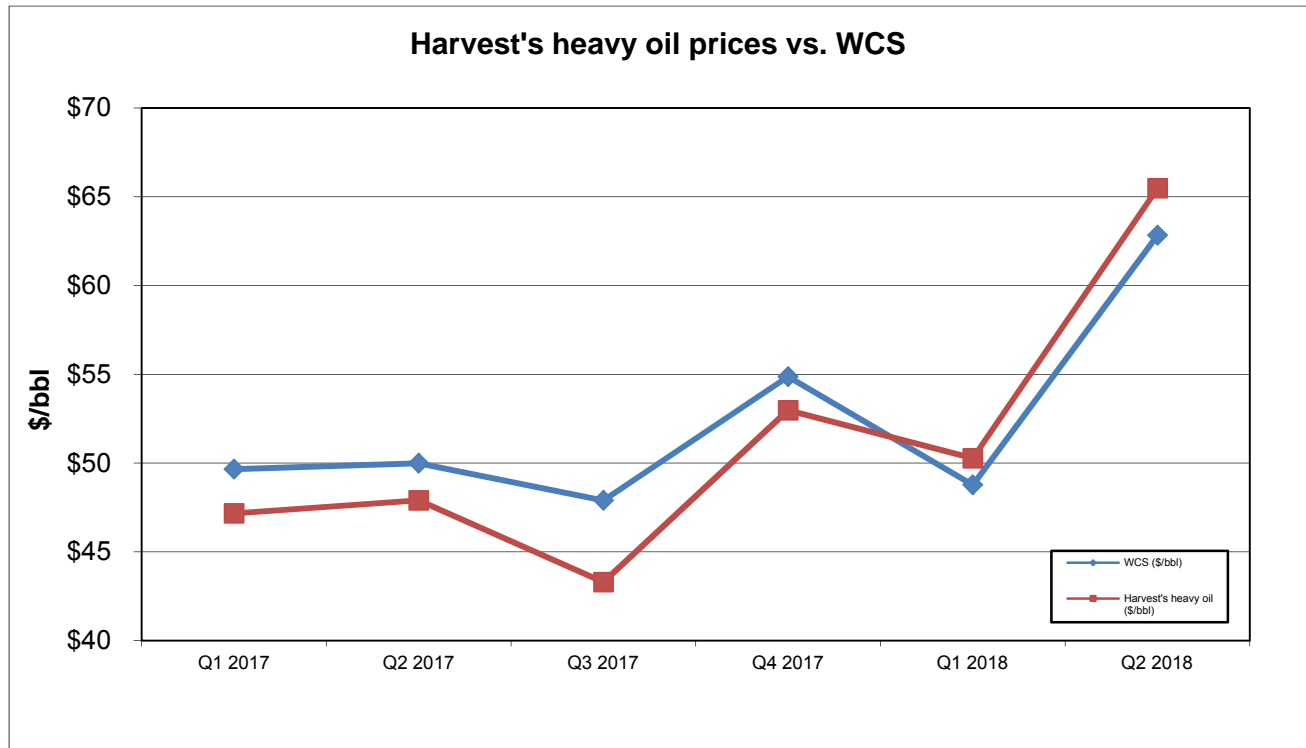
(1) Inclusive of sulphur revenue.

(2) Inclusive of the realized losses from contracts designated as hedges. Foreign exchange swaps and power contracts are excluded from the realized price.

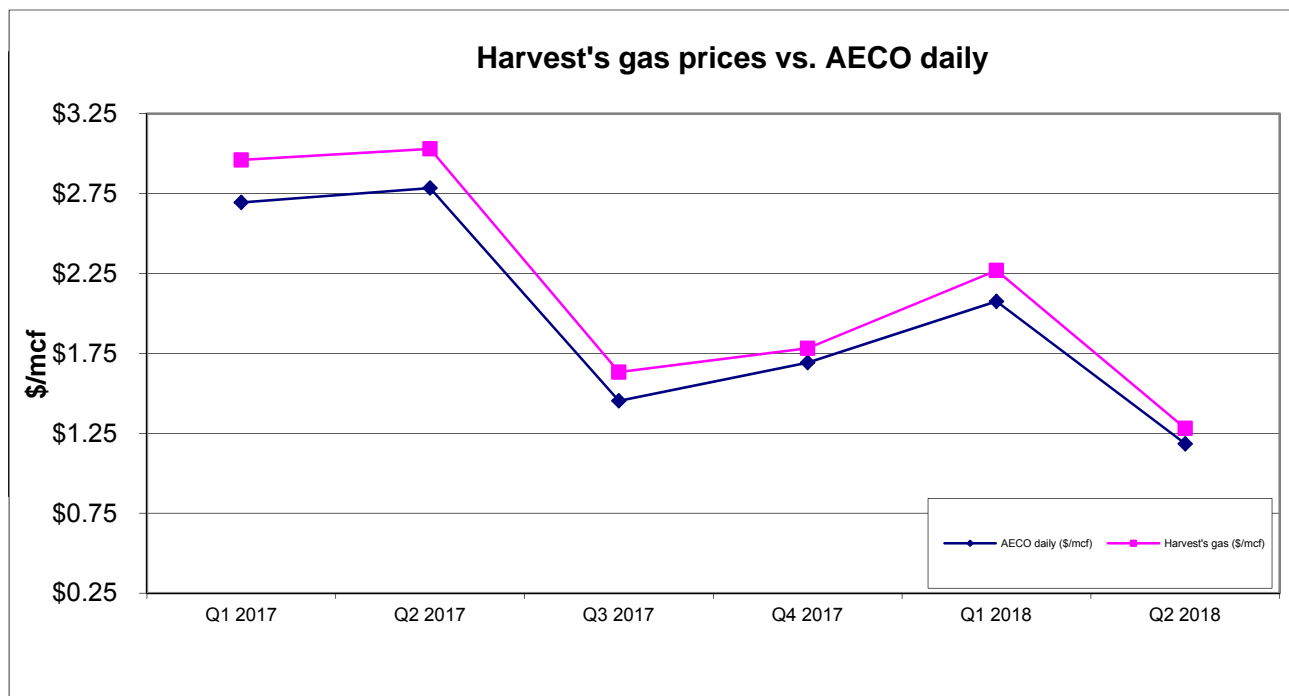
For the three and six months ended June 30, 2018, Harvest's realized price for light to medium oil increased by more than the Edmonton Light benchmark. This is primarily the result of fluctuations in the selling price differentials on certain properties during the period.



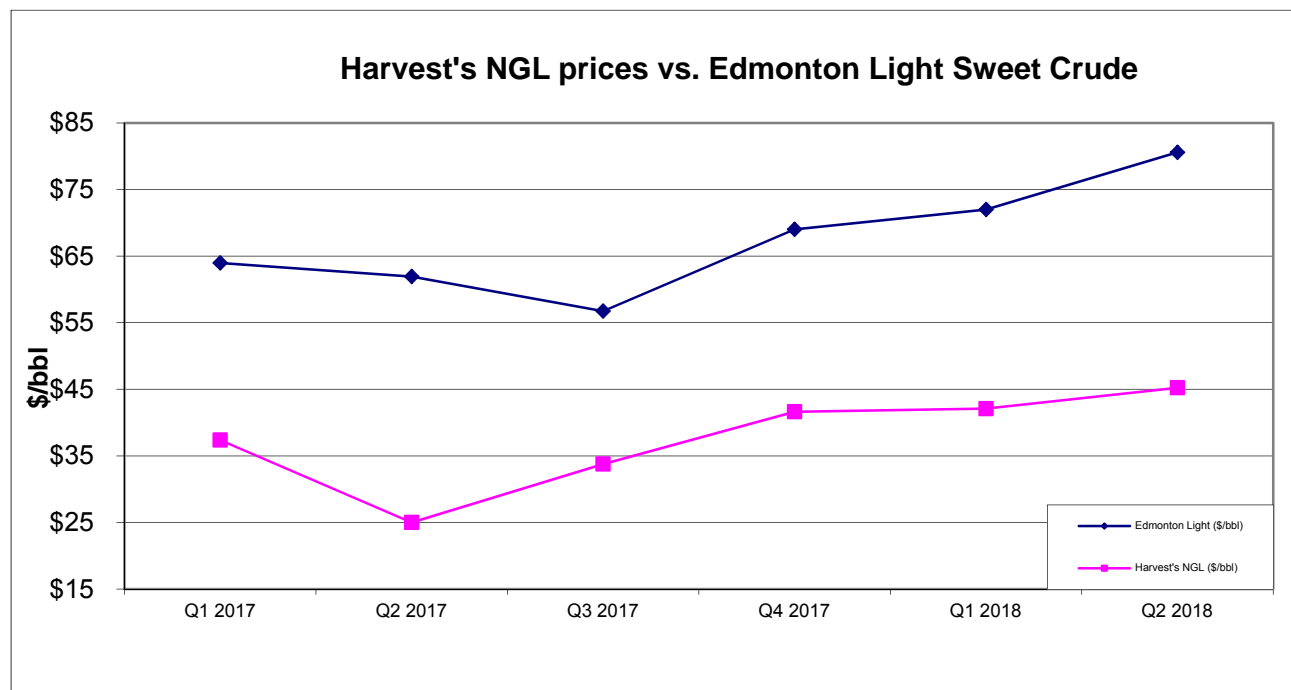
During the three and six months ended June 30, 2018, Harvest's realized price for heavy oil increased by more than the WCS benchmark price. This was primarily the result of a portion of Harvest's heavy oil production being sold at a discount to the Edmonton Light benchmark, which increased at a higher ratio than the WCS benchmark.



For the three and six months ended June 30, 2018, Harvest's realized natural gas prices fluctuated relatively consistent with the AECO benchmark.



Harvest's realized natural gas liquids prices for the three and six months ended June 30, 2018 increased by more than its benchmark price, Edmonton Light Sweet Crude. This is primarily due to the impact of a third party operator adjusting their NGL allocations to Harvest for prior periods of production in the comparative periods.



In order to partially mitigate the risk of fluctuating cash flows due to natural gas and heavy oil pricing volatility, Harvest will periodically enter into Mixed Sweet Blend ("MSW"), WCS and AECO derivative contracts. During the three and six months ended June 30, 2018, Harvest had MSW derivative contracts in place for a portion of its light oil production, and WCS derivative contracts in place for a portion of its heavy oil production.

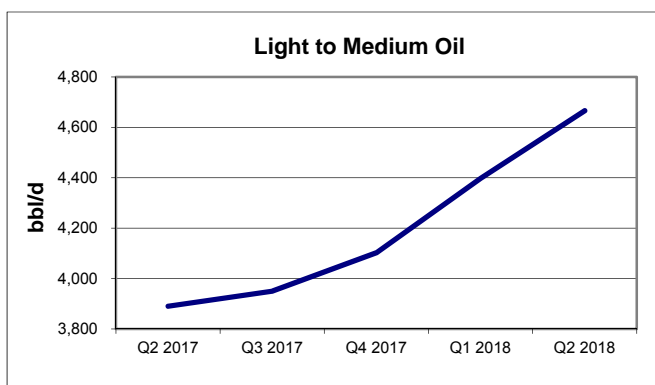
The impact from MSW hedges on Harvest's realized light to medium oil price for the three and six months ended June 30, 2018 were a hedging loss of \$7.44 per boe and \$3.89 per boe, respectively (2017 - \$nil and \$nil, respectively). The impact from WCS hedges on Harvest's realized heavy oil price for the three and six months ended June 30, 2018 were a hedging loss of \$1.44 per boe and \$0.69 per boe, respectively (2017 - \$nil and \$nil, respectively). For the same periods in 2017, Harvest did not have any oil or gas derivative contracts in place. Harvest had no natural gas derivative contracts in place during the three and six months ended June 30, 2018 and 2017.

Please see "Cash Flow Risk Management" section in this MD&A for further discussion with respect to the cash flow risk management program, and derivative contracts Harvest has entered into.

Sales Volumes

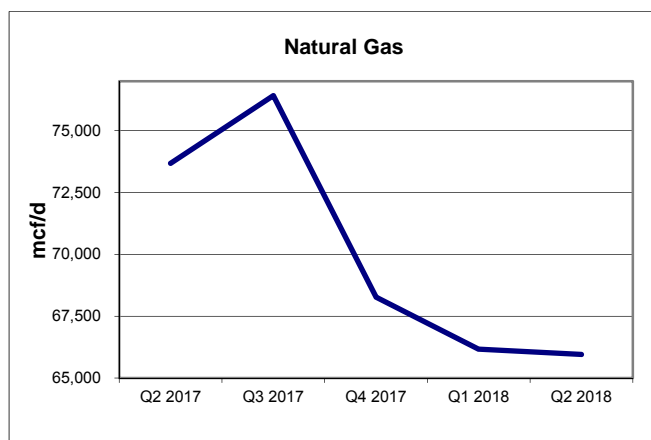
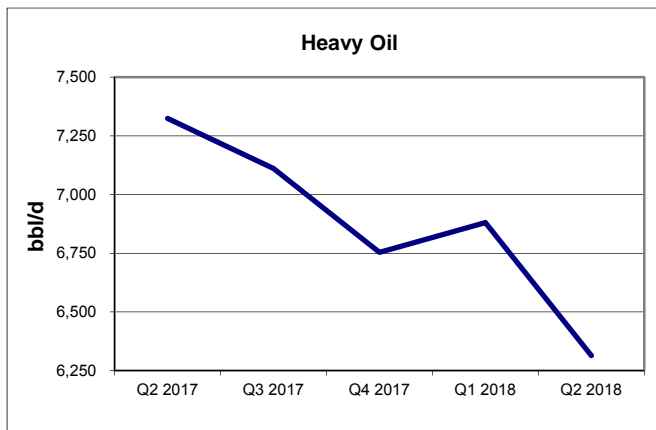
	Three Months Ended June 30				
	2018		2017		% Volume Change
	Volume	Weighting	Volume	Weighting	
Light to medium oil (bbl/d)	4,666	19%	3,890	15%	20%
Heavy oil (bbl/d)	6,314	25%	7,324	28%	(14%)
Natural gas liquids (bbl/d)	3,055	12%	2,828	11%	8%
Total liquids (bbl/d)	14,035	56%	14,042	54%	0%
Natural gas (mcf/d)	65,955	44%	73,685	46%	(10%)
Total oil equivalent (boe/d)	25,027	100%	26,324	100%	(5%)

	Six Months Ended June 30				
	2018		2017		% Volume Change
	Volume	Weighting	Volume	Weighting	
Light to medium oil (bbl/d)	4,532	18%	4,052	15%	12%
Heavy oil (bbl/d)	6,596	26%	7,364	28%	(10%)
Natural gas liquids (bbl/d)	3,071	12%	3,146	12%	(2%)
Total liquids (bbl/d)	14,199	56%	14,562	55%	(2%)
Natural gas (mcf/d)	66,059	44%	73,259	45%	(10%)
Total oil equivalent (boe/d)	25,209	100%	26,772	100%	(6%)



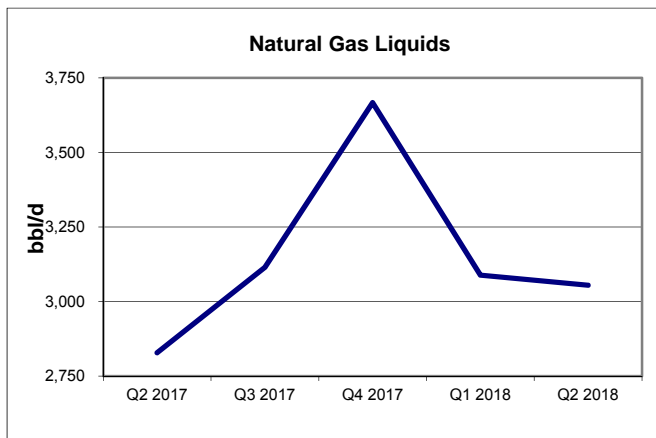
Harvest's average daily sales of light to medium oil increased 20% in the second quarter of 2018 as compared to the same period in 2017. This increase was mainly due to production from new wells drilled in the Royce and Loon Lake areas, partially offset by natural declines.

Heavy oil sales for the second quarter of 2018 decreased 14% as compared to the same period in 2017 mainly due to natural declines, partially offset by asset optimization and revitalization projects.



Natural gas sales during the second quarter of 2018 decreased 10% as compared to the same period in 2017. The decrease since Q2 2017 is primarily the result of natural declines and a portion of Harvest's Deep Basin wells entering a deep cut facility, resulting in higher liquids but lower gas volumes. Declines over the first two quarters of 2018 were partially offset by Harvest's participation in new wells in the Rocky Mountain House and Deep Basin areas.

Natural gas liquids sales for the second quarter of 2018 increased by 8% from the same period in 2017, primarily as a result of Deep Basin wells entering a deep cut facility resulting in higher natural gas liquids and lower gas production, partially offset by natural declines. Natural declines over the first two quarters of 2018 were partially offset by Harvest's participation in new wells in the Rocky Mountain House and Deep Basin areas.



Revenues

Sales Revenue by Product

	Three Months Ended June 30			Six Months Ended June 30		
	2018	2017	Change	2018	2017	Change
Light to medium oil sales after hedging ⁽¹⁾	27.5	19.8	39%	52.3	39.9	31%
Heavy oil sales after hedging ⁽¹⁾	36.8	31.9	15%	67.9	64.9	5%
Natural gas sales	7.7	20.3	(62%)	21.2	39.7	(47%)
Natural gas liquids sales	12.6	6.4	97%	24.3	18.1	34%
Other ⁽²⁾	4.2	2.1	100%	8.3	3.4	144%
Petroleum and natural gas sales	88.8	80.5	10%	174.0	166.0	5%

(1) Inclusive of the effective portion of realized losses from crude oil contracts designated as hedges.

(2) Inclusive of sulphur revenue and miscellaneous income.

Harvest's revenue is subject to changes in sales volumes, commodity prices, currency exchange rates and hedging activities. Total petroleum and natural gas sales increased for the three and six months ended June 30, 2018, as compared to 2017, is primarily due to an increase in the average realized sales price, partially offset by a decrease in sales volumes.

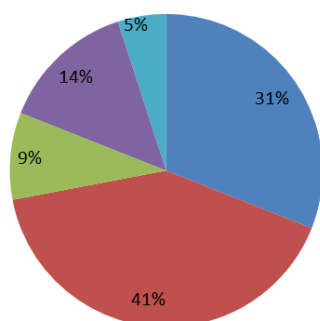
Sulphur revenue for the three and six months ended June 30, 2018 represented \$2.1 million and \$4.6 million, respectively, of the total in other revenues (2017 - \$2.0 million and \$3.4 million, respectively).

Revenue by Product Type as % of Total Revenue

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
Light to medium oil sales after hedging	31%	25%	30%	24%
Heavy oil sales after hedging	41%	40%	39%	39%
Natural gas sales	9%	25%	12%	24%
Natural gas liquids sales	14%	8%	14%	11%
Other	5%	2%	5%	2%
Total Sales Revenue	100%	100%	100%	100%

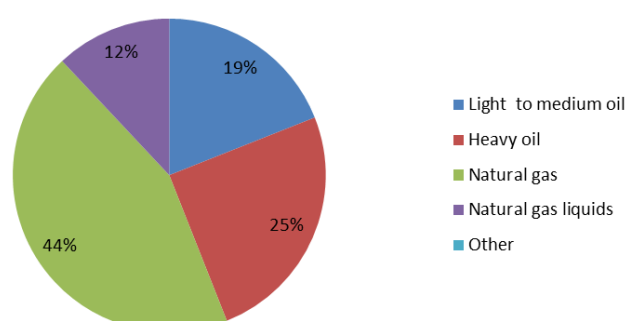
Sales Revenue by Product

(Three months ended June 30, 2018)



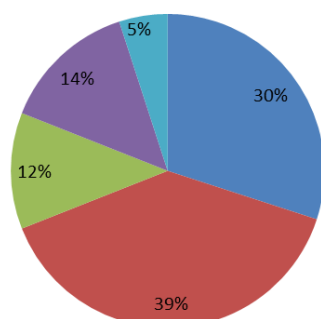
Sales Volumes by Product

(Three months ended June 30, 2018)



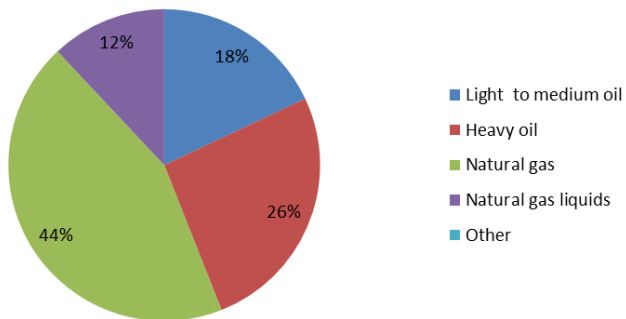
Sales Revenue by Product

(Six months ended June 30, 2018)



Sales Volumes by Product

(Six months ended June 30, 2018)



Harvest's product mix on a volumetric basis is slightly weighted heavier towards crude oil and natural gas liquids than natural gas. Revenue contribution is more heavily weighted to crude oil and natural gas liquids as shown by the charts above. Revenue contributions by product for the three and six months ended June 30, 2018 has fluctuated in comparison to the same periods of 2017 as a result of changes in commodity prices, particularly a decrease in realized gas prices.

Royalties

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
Royalties	8.8	11.2	17.3	19.5
Royalties as a percentage of revenue	9.9%	13.9%	9.9%	11.7%

Harvest pays Crown, freehold and overriding royalties to the owners of mineral rights from which production is generated. These royalties vary for each property and product, and Crown royalties are based on various sliding scales dependent on incentives, production volumes and commodity prices.

For the three and six months ended June 30, 2018, royalties as a percentage of gross revenue averaged 9.9% and 9.9%, respectively, (2017 - 13.9% and 11.7%). The decrease in royalties as a percentage of gross revenue on the three and six month basis was primarily the result of the comparative periods' results including a revision in gas cost allowances.

Operating Expense

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
Operating expense	41.3	35.5	80.4	74.1
Operating expense (\$/boe)	18.13	14.82	17.61	15.28

Operating expenses for the three months ended June 30, 2018 increased by \$5.8 million as compared to the same period in 2017. This increase is primarily the result of an increase in administration fees and orphan fund levy to the Alberta Energy Regulator, increased power costs resulting from increased utility rates, and increased property taxes. Operating expenses for the six months ended June 30, 2018 increased by \$6.3 million as compared to the same period in 2017. This increase is primarily the result of an increase in administration fees for Alberta's orphan fund levy, increased power costs resulting from increased utility rates, and an increase in repairs and maintenance and well servicing resulting from cold weather issues in the first quarter of 2018.

Operating expense on a per barrel basis increased by 22% to \$18.13 per boe and 15% to \$17.61 per boe, respectively, for the three and six months ended June 30, 2018, when compared to the same periods in 2017, mainly due to lower sales volumes and increased operating expenses.



MANAGEMENT'S DISCUSSION AND ANALYSIS

Transportation and Marketing Expense

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
Transportation and marketing expense	4.5	2.5	7.7	5.5
Transportation and marketing expense (\$/boe)	1.97	1.06	1.69	1.14

Transportation and marketing expenses relate primarily to the cost of delivery of natural gas and natural gas liquids, as well as trucking crude oil to pipeline or rail receipt points. Transportation and marketing expense in the three and six months ended June 30, 2018 increased by \$2.0 million and \$2.2 million, respectively in comparison to the same periods in 2017. This was primarily the result of increased unutilized delivery charges.

Operating Netback⁽¹⁾

	Three Months Ended June 30			Six Months Ended June 30		
(\$/boe)	2018	2017	Change	2018	2017	Change
Petroleum and natural gas sales prior to hedging ⁽²⁾	39.82	33.59	19%	38.21	34.26	12%
Royalties	(3.85)	(4.67)	18%	(3.79)	(4.03)	6%
Operating expenses	(18.13)	(14.82)	(22%)	(17.61)	(15.28)	(15%)
Transportation and marketing	(1.97)	(1.06)	(86%)	(1.69)	(1.14)	(48%)
Operating netback prior to hedging ⁽¹⁾	15.87	13.04	22%	15.12	13.81	9%
Hedging (loss) gain ⁽³⁾	(1.75)	—	(100%)	(0.88)	—	(100%)
Operating netback after hedging ⁽¹⁾	14.12	13.04	8%	14.24	13.81	3%

(1) This is a non-GAAP measure; please refer to "Non-GAAP Measures" in this MD&A.

(2) Excludes miscellaneous income not related to oil and gas production.

(3) Includes the settlement amounts for crude oil and power contracts.

For the three and six months ended June 30, 2018, operating netback after hedging was \$14.12 per boe and \$14.24 per boe, respectively, representing an 8% decrease and 3% increase, respectively, compared to the same periods in 2017. The decrease in the three month period was mainly due to increased operating expense and hedging loss, partially offset by higher sales prices. The increase in the six month period was mainly due to an increase in sales prices, partially offset by an increase in operating expense, and hedging loss.



MANAGEMENT'S DISCUSSION AND ANALYSIS

General and Administrative ("G&A") Expenses

	Three Months Ended June 30			Six Months Ended June 30		
	2018	2017	Change	2018	2017	Change
Gross G&A expenses	9.8	10.0	(2%)	20.0	20.6	(3%)
Capitalized G&A and recoveries	(0.9)	(0.7)	29%	(1.9)	(1.8)	6%
Net G&A expenses	8.9	9.3	(4%)	18.1	18.8	(4%)
Net G&A expenses (\$/boe)	3.89	3.86	1%	3.97	3.89	2%

For the three and six months ended June 30, 2018, G&A expenses net of capitalized G&A were relatively consistent with the comparative periods.

On a per boe basis, G&A expenses for the three and six months ended June 30, 2018, were relatively consistent with the comparative periods.

Harvest does not have a stock option program, however there is a long-term incentive program which is a cash settled plan that has been included in the G&A expenses.

Depletion, Depreciation and Amortization ("DD&A") Expense

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
DD&A expense	43.7	52.3	87.3	90.6
DD&A expense (\$/boe)	19.14	21.87	19.12	18.68

DD&A expense for the three months ended June 30, 2018 decreased by \$8.6 million as compared to the same period in 2017, mainly due to lower sales volumes and reduced DD&A rate per boe. DD&A expense for the six months ended June 30, 2018 decreased by \$3.3 million, respectively as compared to the same period in 2017, mainly due to lower sales volumes, partially offset by an increase in DD&A rate per boe.

For the three months ended June 30, 2018, DD&A per boe decreased as compared to the same period in the prior year. This is primarily the result of reserve additions in the fourth quarter of 2017, which reduced DD&A on a comparative basis for the current period. For the six months ended June 30, 2018, DD&A per boe increased as compared to the same period in the prior year. This was mainly due to the impact of decommissioning liability adjustments in the comparative period, and impairment reversals recorded in the fourth quarter of 2017, which increased Harvest's depletable base for 2018.

Capital Expenditures

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
Drilling and completion	1.8	2.7	19.8	11.8
Well equipment, pipelines and facilities	4.8	1.5	10.4	10.1
Land and seismic	—	—	0.1	—
Geological and geophysical	—	—	—	0.7
Corporate	0.1	—	0.1	0.3
Other	0.2	0.7	0.3	1.6
Total additions excluding acquisitions	6.9	4.9	30.7	24.5

Total capital expenditures were higher for the three and six months ended June 30, 2018 compared to 2017 mainly due to increased capital activity for the current year as a result of the drilling and completion of new wells, and the addition of capital expenditures related to well equipment, pipeline, and facilities.

During the three months ended June 30, 2018, Harvest rig released one gross (0.4 net) partner operated horizontal well in the Rocky Mountain House area. During the six months ended June 30, 2018, Harvest rig released eleven gross wells (6.6 net). The wells drilled included three (2.0 net) horizontal wells in the Royce area, two (0.9 net) partner operated horizontal wells in the Rocky Mountain House area, five (2.7 net) partner operated horizontal wells in the Deep Basin area and one horizontal well in the Loon area.

During the three and six months ended June 30, 2018, Harvest's net undeveloped land additions were 478 acres and 3,197 acres, respectively (2017 – nil acres and 9,095 acres, respectively), and there were 964 acres and 1,211 acres, respectively, of net undeveloped land dispositions (2017 - nil acres and nil acres, respectively).

Decommissioning Liabilities

Harvest's Conventional decommissioning liabilities at June 30, 2018 were \$649.5 million (December 31, 2017 - \$646.3 million) for future remediation, abandonment, and reclamation of Harvest's oil and gas properties. The total of the decommissioning liabilities is based on management's best estimate of costs to remediate, reclaim, and abandon wells and facilities. The increase in the balance as at June 30, 2018 is mainly due to accretion and additions, partially offset by costs incurred in the period. The costs will be incurred over the operating lives of the assets with the majority being at or after the end of reserve life. Please refer to the "Contractual Obligations and Commitments" section of this MD&A for the payments expected for each of the next five years and thereafter in respect of the decommissioning liabilities.

Investments in Joint Ventures

Harvest has investments in Deep Basin Partnership ("DBP") and HK MS Partnership ("HKMS") joint ventures with KERR Canada Co. Ltd. ("KERR") which are accounted for as equity investments. Harvest derives its income or loss from these investments based upon Harvest's share in the change of the net assets of the joint ventures. Harvest's share of the change in the net assets does not directly correspond to its ownership interest because of contractual preference rights to KERR and changes based on contributions made by either party during the year. For the three and six months ended June 30, 2018, Harvest recognized a loss of

\$3.8 million and \$6.9 million, respectively (\$6.8 million and \$10.7 million, respectively) from its investment in the DBP and HKMS joint ventures.

Below is an overview of the operational and financial highlights of the DBP and HKMS joint ventures for the three and six months ended June 30, 2018. Unless otherwise noted, the following discussion relates to 100% of the joint venture results.

Deep Basin Partnership

DBP was established for the purposes of exploring, developing and producing from certain oil and gas properties in the Deep Basin area in Northwest Alberta. During the three and six month periods ended June 30, 2018, Harvest made various contributions to DBP that resulted in an increase in its ownership percentage as reflected in the table below.

	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017
Harvest's ownership interest	82.98%	82.88%	82.59%	82.55%	82.52%
KERR's ownership interest	17.02%	17.12%	17.41%	17.45%	17.48%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

As at June 30, 2018, the fair value of Harvest's top-up obligation to KERR, related to a minimum rate of return commitment was estimated as \$35.2 million (December 31, 2017 - \$33.4 million).

At June 30, 2018, Harvest received a total of \$17.0 million (December 31, 2017 - \$17.0 million) in distributions from DBP from inception of the joint venture.

	Three Months Ended June 30			Six Months Ended June 30		
	2018	2017	Change	2018	2017	Change
Natural gas liquids (\$/bbl)	68.76	51.13	34%	64.77	53.24	22%
Natural gas (\$/mcf)	1.38	3.17	(56%)	1.86	3.13	(41%)
Average realized price(\$/boe)	23.88	28.37	(16%)	25.09	28.98	(13%)

For the three and six months ended June 30, 2018, average realized prices for natural gas liquids increased 34% and 22%, respectively, over the same periods in the prior year as a result of increases in benchmark prices.

For the three and six months ended June 30, 2018, average realized prices for natural gas decreased 56% and 41%, respectively, over the same periods in the prior year as a result of a drop in its benchmark price.

	Three Months Ended June 30			Six Months Ended June 30		
	2018	2017	Change	2018	2017	Change
Natural gas (mcf/d)	17,759	27,740	(36%)	17,707	28,832	(39%)
Natural gas liquids (bbl/d)	1,024	1,893	(46%)	1,031	2,020	(49%)
Light to medium oil (bbl/d)	4	2	100%	3	3	0%
Total (boe/d)	3,988	6,519	(39%)	3,985	6,828	(42%)
Harvest's share (boe/d) ⁽¹⁾	3,309	5,380	(38%)	3,305	5,634	(41%)

(1) This is a non-GAAP measure; please refer to "Non-GAAP Measures" in this MD&A.

Total sales volumes for the three months ended June 30, 2018 decreased by 2,531 boe/d as compared to the same period in 2017. This decrease was primarily due to natural declines. Total sales volumes for the six months ended June 30, 2018 decreased by 2,843 boe/d primarily due to natural declines, which was partially offset by the addition of one well (0.6 net) that was tied-in during the first quarter of 2018.

	Three Months Ended June 30			Six Months Ended June 30		
	2018	2017	Change	2018	2017	Change
Revenues ⁽¹⁾	9.7	15.7	(38%)	18.6	33.1	(44%)
Depletion, depreciation and amortization	(4.2)	(12.0)	(65%)	(8.2)	(25.0)	(67%)
Operating and transportation expenses	(10.9)	(12.3)	(11%)	(20.7)	(22.4)	(8%)
Finance costs	(0.7)	(0.7)	—	(1.4)	(1.4)	—
Net loss ⁽²⁾	(6.1)	(9.3)	(34%)	(11.7)	(15.7)	(25%)

(1) Revenue is presented net of royalties.

(2) Balances represent 100% share of the DBP.

The lower sales revenues for the three and six months ended June 30, 2018 reflect reduced sales volumes and lower natural gas prices.

Operating and transportation expenses for the three and six months ended June 30, 2018 were \$30.03 per boe and \$28.65 per boe, respectively, an increase of \$9.26 and \$10.49 per boe, respectively, from the same periods in 2017. These increases were primarily the result of production decreases as operating expenses do not vary materially with production given DBP's contractual arrangement with HKMS described below.

Depletion for the three and six months ended June 30, 2018 were \$11.66 per boe and \$11.42 per boe, respectively (2017 - \$20.26 per boe and \$20.21 per boe). The decrease in depletion per boe for the three and months ended June 30, 2018 was mainly the result of impairments recorded in the fourth quarter of 2017 which decreased the asset base for depletion in 2018, as well as due to capital and reserve additions from new wells in 2018.

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
Drilling and completion	4.1	0.8	16.4	6.7
Well equipment, pipelines and facilities	0.3	—	1.1	1.9
Total ⁽¹⁾	4.4	0.8	17.5	8.6

(1) Balances represent 100% share of the DBP.

Capital expenditures of \$4.4 million and \$17.5 million, respectively, for the three and six months ended June 30, 2018 were primarily related to three new wells (2.1 net) rig released in the first half of 2018.

HKMS Partnership

HKMS was established for owning and operating a gas plant in the Deep Basin area in Northwest Alberta. During the three and six month periods ended June 30, 2018, Harvest made various contributions to HKMS that resulted in an increases in its ownership percentage as reflected in the table below.

MANAGEMENT'S DISCUSSION AND ANALYSIS

	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017
Harvest's ownership interest	68.14%	68.09%	70.47%	70.44%	70.28%
KERR's ownership interest	31.86%	31.92%	29.53%	29.56%	29.72%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

At June 30, 2018, Harvest received a total of \$48.1 million (December 31, 2017 - \$40.2 million) in distributions from HKMS from inception of the joint venture.

	Three Months Ended June 30			Six Months Ended June 30		
	2018	2017	Change	2018	2017	Change
Revenues	6.5	7.7	(16%)	13.2	14.7	(10%)
Operating expenses and other	(0.6)	(1.6)	(0.6)	(1.3)	(2.6)	(50%)
Depreciation and amortization	(0.9)	(0.9)	—	(1.7)	(1.7)	—
Finance costs	(4.3)	(4.8)	(10%)	(8.6)	(9.6)	(10%)
Net (loss) income ⁽¹⁾	0.7	0.4	75%	1.6	0.8	100%

(1) Balances represent 100% share of the HKMS.

The Gas Processing Agreement between HKMS and DBP ensures that HKMS receives an 18% internal rate of return on capital deployed over the term of the contract, which equates to a minimum monthly capital fee that is currently at \$1.9 million. This capital fee is accounted for as revenue for HKMS and an operating expense for DBP. In addition, HKMS also generates revenue from charging an operating fee to recover operating expenses incurred. For the three and six months ended June 30, 2018, the partnership generated revenues of \$6.5 million and \$13.2 million, respectively (2017 - \$7.7 million and \$14.7 million).

Operating expenses of the facility are recovered through charging an operating fee to the users. For the three and six months ended June 30, 2018, the partnership operating expenses were \$0.6 million and \$1.3 million, respectively, (2017 - \$1.6 million recovery and \$2.6 million expense). Operating expenses decreased over the comparative periods as a result of lower sales volumes.

Depreciation has been calculated on a straight-line basis over a 30 year useful life. For the three and six months ended June 30, 2018, the partnership depreciation expense were \$0.9 million and \$1.7 million, respectively (2017 - \$0.9 million and \$1.7 million).

Finance costs mainly represent an accounting charge resulting from the partner's contributions being classified as liabilities, as a result of the Gas Processing Agreement guaranteed returns. For the three and six months ended June 30, 2018, the partnership finance costs were \$4.3 million and \$8.6 million, respectively (2017 - \$4.8 million and \$9.6 million).

See note 6 of the June 30, 2018 unaudited condensed interim consolidated financial statements for discussion of the accounting implications of these joint ventures.

OIL SANDS
Pre-operating Results

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
Expenses				
Pre-operating	1.8	3.0	3.4	5.7
General and administrative	0.1	0.4	0.1	0.9
Depreciation and amortization	—	0.1	0.1	0.3
Pre-Operating loss ⁽¹⁾	(1.9)	(3.5)	(3.6)	(6.9)

(1) This is a non-GAAP measure; please refer to "Additional GAAP Measures" in this MD&A.

For the three and six months ended June 30, 2018, Harvest recognized a pre-operating loss of \$1.9 million and \$3.6 million (2017 - \$3.5 million and \$6.9 million), respectively. The pre-operating losses decreased as compared to the same periods in 2017 as a result of some of the expenses being capitalized in the current period due to the recommencement of capital activities.

Capital Expenditures

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
Well equipment, pipelines and facilities	28.9	0.1	48.2	0.2
Drilling and completion	0.2	—	0.2	—
Other ⁽¹⁾	7.8	—	11.3	—
Total Oil Sands capital expenditures	36.9	0.1	59.7	0.2

(1) This includes capitalized general and administration and operating expenses incurred to bring the CPF to its intended use.

On December 21, 2017, Harvest announced its decision to re-sanction and complete construction of its 10,000 bbl/d BlackGold facility. The capital expenditures for the three and six months ended June 30, 2018, mainly related to construction activities and pre-commissioning costs. During the quarter, Harvest injected first steam into the well pairs of its Oil Sands project.

Decommissioning Liabilities

Harvest's Oil Sands decommissioning liabilities at June 30, 2018 was \$51.1 million (December 31, 2017 - \$50.5 million) relating to the future remediation, abandonment, and reclamation of the steam assisted gravity drainage ("SAGD") wells and CPF. The increase in balance as at June 30, 2018 is mainly due to accretion. Please see the "Contractual Obligations and Commitments" section of this MD&A for the payments expected for each of the next five years and thereafter in respect of the decommissioning liabilities.

Project Development

Harvest has been developing its Oil Sands CPF under the engineering, procurement and construction ("EPC") contract. Initial drilling of 30 SAGD wells (15 well pairs) was completed and more SAGD wells will be drilled in the future to compensate for the natural decline in production of the initial well pairs and maintain the Phase 1 design production capacity of 10,000 bbl/d. During the first quarter of 2015, construction had been substantially completed, including the building of the CPF plant site, well pads, and connecting pipelines but activities were suspended with the decline in bitumen pricing. Construction activities were recommenced in the fourth quarter of 2017 with more optimistic bitumen pricing forecasts. Formal commissioning began on

May 21, 2018, and first steam into the well pairs commenced June 19, 2018. Plans are to initially steam 12 of the 15 well pairs.

Since inception, Harvest has incurred over \$1 billion of costs on this project which was originally acquired in 2010. This amount includes certain Phase 2 pre-investment costs which are expected to improve the capital efficiency over the project lifecycle. Under the EPC contract, \$94.9 million of the EPC costs will be paid in equal installments, without interest, over 10 years. Payments commenced during the second quarter of 2015 with two payments made on April 30, 2015. Harvest withheld the third, fourth, and fifth deferred payments due April 30, 2016, April 30, 2017, and April 20, 2018 as it is in process of conducting a comprehensive audit of costs and expenses incurred by the Contractor in connection with the work. The liability is considered a financial liability and is initially recorded at fair value, which is estimated as the present value of all future cash payments discounted using the prevailing market rate of interest for similar instruments. As at June 30, 2018, Harvest recognized a liability of \$70.4 million (December 31, 2017 - \$69.4 million) using a discount rate of 4.5% (December 31, 2017 - 4.5%).

As Harvest uses the unit of production method for depletion and the Oil Sands assets currently have no production, no depletion on the Oil Sands property, plant and equipment has been recorded. Minor depreciation has been recorded during the three and six months ended June 30, 2018 on administrative assets.

RISK MANAGEMENT, FINANCING AND OTHER

Cash Flow Risk Management

The Company at times enters into natural gas, crude oil, electricity, interest rate and foreign exchange contracts to reduce the volatility of cash flows from some of its forecast sales, purchases, and interest payments and when allowable, will designate these contracts as hedges. Harvest's crude oil price swaps mitigate crude oil price risk by fixing a certain dollar price per barrel on certain crude oil volumes. Harvest periodically enters into foreign exchange swaps to mitigate currency exchange risk by swapping the U.S. dollar notional value of U.S. dollar denominated borrowings back to Harvest's functional currency, the Canadian dollar. During 2018, Harvest entered into crude oil swaps and has also entered into an interest rate swap to exchange its floating interest rate on a term loan facility to a fixed rate of interest.

The following is a summary of Harvest's risk management contracts outstanding as at June 30, 2018:

Contracts Designated as Hedges

Contract Quantity	Type of Contract	Term/Expiry	Contract Price	Fair Value of liability
\$300 Million	Interest rate swap	May 2023	2.821%	5.6
880 bbl/d	MSW price swap	July - December 2018	CDN \$71.75/bbl	2.1
1,166 bbl/d	MSW price swap	July - December 2018	CDN \$70.73/bbl	3.3
900 bbl/d	MSW price swap	July 2018	CDN \$71.90/bbl	0.2
1,175 bbl/d	MSW price swap	July - December 2018	CDN \$73.00/bbl	2.8
500 bbl/d	MSW price swap	July - September 2018	CDN \$77.50/bbl	0.4
487 bbl/d	WCS price swap	July - December 2018	CDN \$52.85/bbl	1.2
300 bbl/d	WCS price swap	July 2018	CDN \$59.75/bbl	0.1
100 bbl/d	WCS price swap	July - September 2018	CDN \$59.90/bbl	0.1
				\$ 15.8

Harvest periodically enters into U.S. dollar currency swap transactions related to LIBOR borrowings, which results in a reduction of interest expense paid on Harvest's borrowings on its credit facility. As a result of these transactions, Harvest's effective interest rate for borrowings under the credit facility for the three and six months ended June 30, 2018 was 2.2% and 2.2%, respectively (2017 – 1.6% and 1.5%, respectively).

Contracts Designated as Hedges Subsequent to June 30, 2018

Contract Quantity	Type of Contract	Term/Expiry	Contract Price
\$290 Million	Foreign exchange swap	August 2018	\$1.31 CDN/US

Three Months Ended June 30										
Realized (gains) losses recognized in:	2018					2017				
	Crude Oil	Currency	Interest	Top-Up Obligation	Total	Crude Oil	Interest	Currency	Top-Up Obligation	Total
Revenues	4.0	—	—	—	4.0	—	—	—	—	—
Finance costs	—	—	0.4	—	0.4	—	—	—	—	—
Derivative contract gains ⁽¹⁾	—	—	—	—	—	—	—	(1.9)	—	(1.9)
Unrealized (gains) losses recognized in:										
OCI, before tax	5.4	—	5.3	—	10.7	—	—	—	—	—
Derivative contract (gains) losses ⁽¹⁾	—	—	—	0.9	0.9	—	—	12.7	(0.9)	11.8

Six Months Ended June 30										
Realized (gains) losses recognized in:	2018					2017				
	Crude Oil	Currency	Interest	Top-Up Obligation	Total	Crude Oil	Interest	Currency	Top-Up Obligation	Total
Revenues	4.0	—	—	—	4.0	—	—	—	—	—
Finance costs	—	—	0.4	—	0.4	—	—	—	—	—
Derivative contract (gains) losses ⁽¹⁾	—	3.2	—	—	3.2	—	—	(0.8)	—	(0.8)
Unrealized (gains) losses recognized in:										
OCI, before tax	8.6	—	5.3	—	13.9	—	—	—	—	—
Derivative contract (gains) losses ⁽¹⁾	—	(5.1)	—	1.7	(3.4)	—	—	12.2	(0.3)	11.9

(1) Derivative contract (gains) losses are the result of foreign exchange hedges that have been entered into in order to eliminate foreign exchange fluctuations on Harvest's US dollar denominated LIBOR borrowings. Harvest enters into U.S. dollar denominated LIBOR borrowings instead of other Canadian denominated borrowing options in order to realize lower interest rates on its revolving credit facility. During a portion of the first quarter of 2018, Harvest did not designate these financial instruments as a hedging relationship. The offsetting foreign exchange (gains) losses resulting from this relationship were therefore classified as realized and unrealized (gains) losses on foreign exchange during this period. Refer to "Currency Exchange" in this MD&A for further details.

Finance Costs

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
Credit facility ⁽¹⁾	1.9	2.2	3.3	5.9
Term loan facility - due 2020 ⁽¹⁾	3.3	3.3	6.5	4.9
Term loan facility - due 2023 ⁽¹⁾	1.8	—	1.8	—
6 $\frac{7}{8}$ % senior notes	—	7.0	—	13.9
2 $\frac{1}{8}$ % senior notes ⁽¹⁾	2.8	6.0	8.3	11.8
2 $\frac{1}{3}$ % senior notes ⁽¹⁾	1.7	1.8	3.4	3.6
3% senior notes ⁽¹⁾	5.5	—	11.0	—
4.2% senior notes ⁽¹⁾	4.0	—	4.0	—
Amortization of deferred finance charges and other	0.3	0.5	0.9	1.2
Interest and other financing charges	21.3	20.8	39.2	41.3
Accretion of decommission and environmental remediation liabilities	3.9	3.9	7.9	7.8
Accretion of long-term liability	0.6	0.6	1.0	1.1
Total finance costs	25.8	25.3	48.1	50.2

(1) Includes guarantee fee to KNOC.

Currency Exchange

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
Realized losses on foreign exchange	20.4	2.1	17.5	1.1
Unrealized (gains) losses on foreign exchange	4.1	(48.8)	53.4	(62.5)
Total (gains) losses on foreign exchange	24.5	(46.7)	70.9	(61.4)

Currency exchange gains and losses are attributed to the changes in the value of the Canadian dollar relative to the U.S. dollar on the U.S. dollar denominated 6 $\frac{7}{8}$ %, 2 $\frac{1}{8}$ %, 2 $\frac{1}{3}$ %, 3% and 4.2% senior notes and on any U.S. dollar denominated monetary assets or liabilities. For the three months ended June 30, 2018, the Canadian dollar had weakened compared to the US dollar resulting in an unrealized foreign exchange loss of \$4.1 million (2017 - \$48.8 million gain). For the six months ended June 30, 2018 the Canadian dollar had weakened, leading to an unrealized foreign exchange loss of \$53.4 million (2017 - \$62.5 million gain). Harvest recognized realized foreign exchange losses of \$20.4 million and \$17.5 million for the three and six months ended June 30, 2018 (2017 - \$2.1 million loss and \$1.1 million gain) on settlement of U.S. dollar denominated transactions including the repayment of 2 $\frac{1}{8}$ % senior notes which resulted in a \$19.7 million realized loss.

Income Taxes

For the three and six months ended June 30, 2018, Harvest did not record a deferred income tax recovery (2017 - \$nil and \$nil, respectively). Harvest's deferred income tax asset will fluctuate from time to time to reflect changes in the temporary differences between the book value and tax basis of assets and liabilities. The principal sources of temporary differences relate to the Company's property, plant and equipment, decommissioning liabilities and the unclaimed tax pools.

Related Party Transactions

The following provides a summary of the related party transactions between Harvest and KNOC for the three and six months ended June 30, 2018:

	Transactions					
	Three Months Ended		Six Months Ended		Accounts Payable as at	
	June 30		June 30		June 30	December 31
	2018	2017	2018	2017	2018	2017
G&A Expenses						
KNOC ⁽¹⁾	0.1	0.1	0.2	0.2	0.5	0.3
Finance costs						
KNOC ⁽²⁾	3.0	2.4	6.7	4.9	2.9	2.9

⁽¹⁾ Amounts relate to the payments to KNOC for secondees salaries.

⁽²⁾ Charges from KNOC for the irrevocable and unconditional guarantee they provided on Harvest's senior notes, the credit facility and term loan. A guarantee fee of 52 basis points per annum is charged by KNOC on the 2½% senior notes, 37 basis points per annum on the 2¼%, 3% and 4.2% senior notes. A guarantee fee of 37 basis points per annum is charged by KNOC on the credit facility and term loans.

The Company identifies its related party transactions by making inquiries of management and the Board of Directors, reviewing KNOC's subsidiaries and associates, and performing a comprehensive search of transactions recorded in the accounting system. Material related party transactions require the Board of Directors' approval. Also see note 6, "Investment in Joint Ventures" in the June 30, 2018 unaudited condensed interim consolidated financial statements for details of related party transactions with DBP and HKMS.

CAPITAL RESOURCES

The following table summarizes Harvest's capital structure and provides the key financial ratios defined in the credit facility agreement.

	June 30, 2018	December 31, 2017
Credit facility ⁽¹⁾⁽³⁾	283.6	190.6
Term loan facility - due 2020 ⁽¹⁾	500.0	500.0
Term loan facility - due 2023 ⁽¹⁾	300.0	—
4.2% senior notes (US\$397.5 million) ⁽¹⁾⁽²⁾	522.0	—
2½% senior notes (US\$630 million) ⁽¹⁾⁽²⁾	—	792.0
2¼% senior notes (US\$195.8 million) ⁽¹⁾⁽²⁾	257.1	246.1
3% senior notes (US\$485.0 million) ⁽¹⁾⁽²⁾	637.0	609.7
	2,499.7	2,338.4
Shareholder's deficit		
458,766,467 common shares issued	(349.3)	(172.4)
	2,150.4	2,166.0

⁽¹⁾ Excludes capitalized financing fees

⁽²⁾ Face value converted at the period end exchange rate

⁽³⁾ Excludes letters of credit in the amount of \$14.0 million at June 30, 2018 (December 31, 2017 - \$14.9 million)

Harvest's primary objective in its management of capital resources is to have access to capital to fund its financial obligations as well as future operating and investing activities. Harvest prepares annual operational and capital budgets, which are updated as necessary depending on varying factors including current and

forecast commodity prices, production levels, the success of the capital expenditures program and other general industry conditions. Harvest monitors its capital structure and makes adjustments according to market conditions to remain flexible while meeting these objectives. Accordingly, Harvest may adjust its capital spending programs, issue equity, issue new debt or repay existing debt.

On May 1, 2018, Harvest issued US\$397.5 million 4.2% senior notes for net proceeds of US\$395.8 million. The 4.2% senior notes are unsecured and mature on June 1, 2023, with interest payable semi-annually. The notes are unconditionally and irrevocably guaranteed by KNOC. On May 11, 2018, Harvest entered into an agreement to borrow \$300 million through a five year term loan at a variable rate. The term loan is guaranteed by KNOC and contains no financial covenants. On May 11, 2018, the loan was fully drawn. Proceeds from the senior notes and term loan were used to repay the 2½% senior notes that matured and were repaid on May 14, 2018. On May 15, 2018, Harvest entered into an interest rate swap agreement that results in an all-in fixed interest rate of 3.971% for the duration of the term.

Harvest is a significant subsidiary for KNOC in terms of production and reserves. KNOC has directly and indirectly invested and provided financial support to Harvest since 2009 and as at the date of preparation of this management discussion and analysis, it is the Company's expectation that such support will continue. KNOC strategically oversees its allocation of equity and debt capital based on group needs and opportunities. KNOC maintains hands-on involvement in the day-to-day management of cash flows and determines equity needs and debt borrowings for the longer term. KNOC guarantees the interest and principal of the Company's Credit Facility, Term Loans and Senior Notes. The Company's capital structure and liquidity needs are met through cash generated from operations, proceeds from asset dispositions, joint arrangements, borrowings under the credit facility, long-term debt issuances and capital injections by KNOC.

LIQUIDITY

The Company's liquidity needs are met through the following sources: cash generated from operations, proceeds from asset dispositions, joint arrangements, borrowings under the credit facility, related party loans, long-term debt issuances and capital injections by KNOC. Harvest's primary uses of funds are operating expenses, capital expenditures, and interest and principal repayments on debt instruments.

Cash flows generated in operating activities for the three months ended June 30, 2018 was \$5.4 million (2017 - \$8.5 million used in operations). The increase as compared to the second quarter of 2017 is mainly a result of an increase in cash contribution from operations. Cash generated in operating activities for the six months ended June 30, 2018 was \$3.6 million (2017 - \$1.4 million). The increase for the six month period is mainly the result of changes in an increase in cash contribution from operations, partially offset by a decrease in changes in non-cash working capital. For analysis of changes in cash contributions from operations, refer to below.

Cash contributions from Harvest's Conventional operations for the three and six months ended June 30, 2018 were \$25.1 million and \$49.4 million, respectively (2017 - \$14.7 million and \$42.9 million). The increases in cash contributions for the three and six months ended June 30, 2018 were mainly due to an increase in revenues.

Harvest funded capital expenditures for the three and six months ended June 30, 2018 of \$43.8 million and \$90.4 million, respectively (2017 - \$4.9 million and \$24.5 million) with the borrowings under both the credit facility and term loans.

Harvest's net change to the credit facility was \$57.5 million and \$87.9 million net drawings, respectively, during the three and six months ended June 30, 2018 (\$16.2 million net drawings and \$465.8 million net repayments).

Harvest had a working capital deficiency of \$154.2 million as at June 30, 2018, as compared to a \$918.3 million deficiency at December 31, 2017. The working capital deficiency at December 31, 2017 included the 2½% senior notes which were repaid on May 14, 2018. Harvest's working capital, excluding senior notes, is expected to fluctuate from time to time, and will be funded from cash flows from operations and borrowings from the credit facility managing the collection and payment of accounts receivables and accounts payables respectively and using the proceeds from possible sale of assets, as required. Refer to "Capital Resources" section of this MD&A for further discussion of Harvest's liquidity management of senior notes.

Harvest ensures its liquidity through the management of its capital structure, seeking to balance the amount of debt and equity used to fund investment in each of our operating segments. The Company continually monitors its credit facility terms and actively takes steps, such as reducing borrowings, increasing capitalization, amending or renegotiating credit facility terms as and when required.

In response to improvements in the commodity price environment for crude oil, Harvest has begun to reinvest in a conservatively budgeted drilling program, targeting specified core areas of development. In addition, Harvest has re-commenced construction activities on its Oil Sands project during the fourth quarter of 2017.

Contractual Obligations and Commitments

Harvest has recurring and ongoing contractual obligations and estimated commitments entered into in the normal course of operations. As at June 30, 2018, Harvest has the following significant contractual obligations and estimated commitments:

	Payments Due by Period				
	1 year	2-3 years	4-5 years	After 5 years	Total
Debt repayments ⁽¹⁾	—	1,040.7	1,153.1	—	2,193.8
Debt interest payments ^{(1) (2)}	75.3	123.9	79.5	—	278.7
Purchase commitments ⁽³⁾	38.2	19.3	19.0	72.1	148.6
Operating leases	7.8	16.4	15.1	16.2	55.5
Firm processing commitments	11.2	21.6	21.1	19.2	73.1
Firm transportation agreements	22.2	37.9	24.1	31.1	115.3
Employee benefits ⁽⁴⁾	0.8	0.4	—	—	1.2
Decommissioning and environmental liabilities ⁽⁵⁾	18.1	107.9	44.2	1,027.6	1,197.8
Total	173.6	1,368.1	1,356.1	1,166.2	4,064.0

(1) Assumes constant foreign exchange rate.

(2) Assumes interest rates as at June 30, 2018 will be applicable to future interest payments.

(3) Relates to the Oil Sands deferred payment under the EPC contract (see "Oil Sands Oil Sands" section of this MD&A for details) and the top-up obligation to KERR.

(4) Relates to the long-term incentive plan payments.

(5) Represents the undiscounted obligation by period cash flow.

Environmental Initiatives Impacting Harvest

On January 1, 2017, the Government of Alberta implemented an economy wide carbon emissions tax. The tax was set at \$20 per tonne for 2017 and increased to \$30 per tonne on January 1, 2018. In addition, as part of the Climate Leadership Plan, the Government of Alberta implemented an oil sands emission production cap of 100 megatonnes a year, and have a plan to phase out of coal-fired power production by 2030, and initiated a program to reduce methane gas emissions by 45% from Alberta's oil and gas operations by the year 2025. Harvest anticipates these initiatives will result in an increase in the cost of operating its properties located in Alberta.

Off Balance Sheet Arrangements

See "Investments in Joint Ventures" section in this MD&A and note 6, "Investment in Joint Ventures" in the June 30, 2018 unaudited condensed interim consolidated financial statements.

SUMMARY OF QUARTERLY RESULTS

The following table and discussion highlights the second quarter of 2018 results relative to the preceding 7 quarters:

	2018		2017				2016	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
FINANCIAL								
Revenue, Conventional	80.0	76.7	75.3	63.4	69.3	77.2	84.4	65.8
Net loss from operations ⁽¹⁾	(75.0)	(88.0)	(207.3)	(17.6)	(26.5)	(30.8)	(162.5)	(106.9)
Operating netback prior to hedging, Conventional (\$/boe) ⁽²⁾	15.87	14.35	15.04	10.84	13.04	14.61	15.97	13.16
OPERATIONS								
Daily sales volumes (boe/d), Conventional	25,027	25,394	25,902	26,912	26,324	27,226	26,589	30,051
Realized price prior to hedging (\$/boe), Conventional	39.82	36.60	35.15	27.80	33.59	34.91	37.06	28.03

(1) Includes Conventional and Oil Sands segments

(2) This is a non- GAAP measure; please refer to "Non-GAAP Measures" in this MD&A.

The quarterly revenues and cash from operating activities are mainly impacted by the Conventional sales volumes, realized prices and operating expenses, which are the primary drivers of Harvest's operating netback prior to hedging. Significant items that impacted Harvest's quarterly revenues include:

- Total revenues were highest in the fourth quarter of 2016, as a result of increased realized commodity prices and lowest in the third quarter of 2017 due to reduced commodity prices and low sales volumes.
- The declines in Conventional sales volumes from the third quarter of 2016 to the fourth quarter of 2016 were mainly due to a capital program that was insufficient to offset declines in production. Harvest began reinvesting in the drilling of new wells in the fourth quarter of 2016, resulting in an increase in volumes for the first quarter of 2017, which have shown a natural decline to the second quarter of 2018 partially offset by new wells and asset optimization and revitalization projects.

Net loss reflects both cash and non-cash items. Changes in non-cash items include deferred income tax, DD&A expense, accretion of decommissioning and environmental remediation liabilities, accretion of onerous contracts, impairment of long-lived assets, unrealized foreign exchange gains and losses, and unrealized gains and losses on derivative contracts impact net loss from period to period. For these reasons, the net loss may not necessarily reflect the same trends as revenues or cash from operating activities, nor is it expected to. Significant items that impacted net loss include:

- Net loss in the fourth quarter of 2017 includes a \$100.3 million impairment of goodwill, and a loss from joint-ventures of \$64.5 million primarily resulting from a \$52.9 million impairment in DBP.
- Net loss in the fourth quarter of 2016 includes a \$17.4 million write off of exploration and evaluation assets, and \$51.8 million of unrealized foreign exchange losses on the Company's U.S. denominated debt.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Harvest has identified the following areas where significant estimates and judgments are required. Further information on the basis of preparation and significant accounting policies and estimates can be found in the notes to the audited consolidated financial statements for the year ended December 31, 2017. Since the December 31, 2017 consolidated financial statements, Harvest has adopted the following IFRS accounting standards:

New Standards Adopted

Harvest adopted IFRS 15 with a date of initial application as of January 1, 2018. Harvest used the cumulative effect method to adopt the new standard. Under this method, prior years' financial statements have not been restated and the cumulative effect on net earnings of the application of IFRS 15 to revenue contracts in progress at January 1, 2018 is nil. Management reviewed its revenue streams and major contracts with customers using the IFRS 15 five step model and there were no material changes to net earnings or timing of revenue recognized or in the gross vs net presentation.

On July 24, 2014, the IASB issued IFRS 9 "Financial Instruments" to replace IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting. No changes were introduced for the classification and measurement of financial liabilities, except for the recognition of changes in own credit risk in other comprehensive income for liabilities designated at fair value through profit or loss. IFRS 9 is effective for years beginning on or after January 1, 2018. Harvest did not have any material changes in the measurement and carrying values of the Company's financial instruments as a result of the adoption of IFRS 9.

RECENT ACCOUNTING PRONOUNCEMENTS**Future Accounting Policy Changes**

In January 2016, the IASB issued IFRS 16 "Leases" to replace IAS 17 "Leases". IFRS 16 requires lessees to recognize most leases on the statement of financial position using a single recognition and measurement model. IFRS 16 will be effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if the entity is also applying IFRS 15. IFRS 16 will be applied by Harvest on January 1, 2019. Harvest is currently evaluating the impact on its consolidated financial statements. IFRS 16 is required to be adopted either retrospectively or using a modified retrospective approach. Although the transition approach on adoption has not yet been determined, it is anticipated that the adoption of IFRS 16 will have a material impact on Harvest's financial statements.

OPERATIONAL AND OTHER BUSINESS RISKS FOR CONTINUING OPERATIONS

Harvest's operational and other business risks remain unchanged from those discussed in the annual MD&A and AIF for the year ended December 31, 2017 as filed on SEDAR at www.sedar.com.

CHANGES IN REGULATORY ENVIRONMENT

Harvest's regulatory environment remains unchanged from that discussed in the annual MD&A and AIF for the year ended December 31, 2017 as filed on SEDAR at www.sedar.com.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Harvest is required to comply with National Instrument 52-109 "Certification of Disclosure in Issuers' Annual and Interim Filings". The certificate requires that Harvest disclose in the interim MD&A any significant changes or material weaknesses in Harvest's internal control over financial reporting that occurred during the period that have materially affected, or are reasonably likely to materially affect Harvest's internal controls over financial reporting. In connection with the adoption of IFRS 9 and IFRS 15, Harvest has established additional controls over financial reporting, as necessary, in regards to financial instruments and revenue contracts that fall within the scope of this new guidance. Harvest confirms that no other significant changes, and no weaknesses, were identified in Harvest's internal controls over financial reporting during the three and six months ended June 30, 2018, as described in the annual MD&A for the year ended December 31, 2017 as filed on SEDAR at www.sedar.com.

Because of its inherent limitations, disclosure controls and procedures and internal control over financial reporting may not prevent or detect misstatements, errors or fraud. Control systems, no matter how well conceived or operated, can provide only reasonable, but not absolute, assurance that the objectives of the control systems are met.

NON-GAAP MEASURES

Throughout this MD&A, Harvest uses certain terms or performance measure commonly used in the oil and natural gas industry that are not defined under IFRS (hereinafter also referred to as "GAAP"). These non-GAAP measures do not have any standardized meaning prescribed by IFRS and therefore may not be comparable with the calculation of similar measures of other companies. The data presented is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These non-IFRS measures should be read in conjunction with the Company's audited consolidated financial statements and the accompanying notes. The determination of the non-GAAP measures have been illustrated throughout this MD&A, with reconciliations to IFRS measures and/or account balances, except for cash contribution (deficiency) which is shown below.

BOE presentation

Boe means barrel of oil equivalent. All boe conversions in this MD&A are derived by converting gas to oil at the ratio of six thousand cubic feet ("Mcf") of natural gas to one barrel ("Bbl") of oil. Boe may be misleading, particularly if used in isolation. A Boe conversion rate of 1 Bbl : 6 Mcf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio of oil compared to natural gas based on currently prevailing prices is significantly different than the energy equivalency ratio of 1 Bbl : 6 Mcf, utilizing a conversion ratio of 1 Bbl : 6 Mcf may be misleading as an indication of value.

"Operating income (loss)" and "pre-operating loss" is a non-GAAP measure which Harvest uses as a performance measure to provide comparability of financial performance between periods excluding non-operating items. Harvest also uses this measure to assess and compare the performance of its operating segments. The amounts disclosed in the MD&A reconcile to segmented information in the financial statements.

"Operating netbacks" is calculated on a per boe basis and include revenues, operating expenses, transportation and marketing expenses, and realized gains or losses on derivative contracts. Operating netback is utilized by Harvest and others to analyze the operating performance of its oil and natural gas assets.

"Operating netbacks prior to hedging" is calculated on a per boe basis and presents Harvest's operating netback, as defined above, prior to realized commodity hedging gains or losses. Operating netback prior to hedging is utilized by Harvest and others in conjunction with operating netbacks after hedging to analyze the performance of its oil and natural gas assets.

"Operating netbacks after hedging" is calculated on a per boe basis and presents Harvest's operating netback, as defined above, after realized commodity hedging gains or losses. Operating netback after hedging is utilized by Harvest and others in conjunction with operating netbacks prior to hedging to analyze the performance of its oil and natural gas assets.



MANAGEMENT'S DISCUSSION AND ANALYSIS

“Cash contribution (deficiency) from operations” is calculated as operating income (loss) adjusted for non-cash items. The measure demonstrates the ability of each segment of Harvest to generate the cash from operations necessary to repay debt, make capital investments, and fund the settlement of decommissioning and environmental remediation liabilities. Cash contribution (deficiency) from operations represents operating income (loss) adjusted for non-cash expense items within: operating, general and administrative, exploration and evaluation, depletion, depreciation and amortization, gains on disposition of assets, derivative contracts gains or losses, impairment and other charges, and the inclusion of cash interest, realized foreign exchange gains or losses and other cash items not included in operating income (loss). The measure demonstrates the ability of Harvest's Conventional segment to generate cash from operations and is calculated before changes in non-cash working capital. The most directly comparable additional GAAP measure is operating income (loss). Operating income (loss) as presented in the notes to Harvest's consolidated financial statements is reconciled to cash contribution (deficiency) from operations below.

“Harvest's share of daily sales volume” represents DBP's total daily production times Harvest's quarterly economic interest in DBP. This is used by Harvest and others in assessing the performance of Harvest's investment in DBP to determine Harvest's total daily production.

MANAGEMENT'S DISCUSSION AND ANALYSIS

	Three Months Ended June 30					
	Conventional		Oil Sands		Total	
	2018	2017	2018	2017	2018	2017
Operating loss	(22.8)	(33.5)	(1.9)	(3.5)	(24.7)	(37.0)
Adjustments:						
Loss from joint ventures	3.8	6.8	—	—	3.8	6.8
Operating, non-cash	—	0.1	—	—	—	0.1
General and administrative, non-cash	(0.2)	(7.4)	—	—	(0.2)	(7.4)
Depletion, depreciation and amortization	43.7	52.3	—	0.1	43.7	52.4
Gains on disposition of assets	(0.3)	(1.3)	—	—	(0.3)	(1.3)
Unrealized derivative contract (gains) losses	0.9	(1.0)	—	—	0.9	(1.0)
Gain on onerous contract	—	(1.3)	—	—	—	(1.3)
Cash contribution (deficiency) from operations	25.1	14.7	(1.9)	(3.4)	23.2	11.3
Inclusion of items not attributable to segments:						
Net cash interest expense					(20.4)	(19.5)
Realized derivative contract gains					0.1	1.9
Realized foreign exchange losses from operations					(0.7)	(2.1)
Consolidated cash contribution from (used in) operations					2.2	(8.4)
Other non-cash items					0.6	(2.3)
Change in non-cash working capital					2.6	2.2
Cash from (used in) operating activities					5.4	(8.5)

	Six Months Ended June 30					
	Conventional		Oil Sands		Total	
	2018	2017	2018	2017	2018	2017
Operating loss	(42.3)	(50.2)	(3.6)	(6.9)	(45.9)	(57.1)
Adjustments:						
Loss from joint ventures	6.9	10.7	—	—	6.9	10.7
Operating, non-cash	—	0.1	—	—	—	0.1
General and administrative, non-cash	(1.1)	(5.3)	—	—	(1.1)	(5.3)
Depletion, depreciation and amortization	87.3	90.6	0.1	0.3	87.4	90.9
Gains on disposition of assets	(3.1)	(1.0)	—	—	(3.1)	(1.0)
Unrealized derivative contract (gains) losses	1.7	(0.3)	—	—	1.7	(0.3)
Gain on onerous contract	—	(1.7)	—	—	—	(1.7)
Cash contribution (deficiency) from operations	49.4	42.9	(3.5)	(6.6)	45.9	36.3
Inclusion of items not attributable to segments:						
Net cash interest					(37.1)	(38.5)
Realized derivative contract gains (losses)					(3.2)	0.8
Realized foreign exchange gains (losses) from operations					2.2	(1.1)
Consolidated cash contribution from (used in) operations					7.8	(2.5)
Other non-cash items					(2.5)	(2.8)
Change in non-cash working capital					(1.7)	6.7
Cash from operating activities					3.6	1.4

FORWARD-LOOKING INFORMATION

This MD&A highlights significant business results and statistics from the consolidated financial statements for the three and six months ended June 30, 2018 and the accompanying notes thereto. In the interest of providing Harvest's lenders and potential lenders with information regarding Harvest, including the Company's assessment of future plans and operations, this MD&A contains forward-looking statements that involve risks and uncertainties.

Such risks and uncertainties include, but are not limited to: risks associated with conventional petroleum and natural gas operations; risks associated with the construction of the oil sands project; the volatility in commodity prices, interest rates and currency exchange rates; risks associated with realizing the value of acquisitions; general economic, market and business conditions; changes in environmental legislation and regulations; the availability of sufficient capital from internal and external sources; and, such other risks and uncertainties described from time to time in regulatory reports and filings made with securities regulators. The impact of any one risk, uncertainty or factor on a particular forward-looking statement is not determinable with certainty as these factors are interdependent, and management's future course of action would depend on the assessment of all information at that time. Please also refer to "Operational and Other Business Risks" in this MD&A and "Risk Factors" in the Annual Information Form for detailed discussion on these risks.

Forward-looking statements in this MD&A include, but are not limited to: commodity prices, price risk management activities, acquisitions and dispositions, capital spending and allocation of such to various projects, reserve estimates and ultimate recovery of reserves, potential timing and commerciality of Harvest's capital projects, the extent and success rate of Conventional and Oil Sands drilling programs, the ability to achieve the maximum capacity from the Oil Sands central processing facilities, availability of the credit facility, access and ability to raise capital, ability to maintain debt covenants, debt levels, recovery of long-lived assets, the timing and amount of decommission and environmental related costs, income taxes, cash from operating activities, regulatory approval of development projects and regulatory changes. For this purpose, any statements that are contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Forward-looking statements often contain terms such as "may", "will", "should", "anticipate", "expect", "target", "plan", "potential", "intend", and similar expressions.

All of the forward-looking statements in this MD&A are qualified by the assumptions that are stated or inherent in such forward-looking statements. Although Harvest believes that these assumptions are reasonable based on the information available to us on the date such assumptions were made, this list is not exhaustive of the factors that may affect any of the forward-looking statements and the reader should not place an undue reliance on these assumptions and such forward-looking statements. The key assumptions that have been made in connection with the forward-looking statements include the following: that the Company will conduct its operations and achieve results of operations as anticipated; that its development plans and sustaining maintenance programs will achieve the expected results; the general continuance of current or, where applicable, assumed industry conditions; the continuation of assumed tax, royalty and regulatory regimes; the accuracy of the estimates of the Company's reserve volumes; commodity price, operation level, and cost assumptions; the continued availability of adequate cash flow and debt and/or equity financing to fund the Company's capital and operating requirements as needed; and the extent of Harvest's liabilities. Harvest

believes the material factors, expectations and assumptions reflected in the forward-looking statements are reasonable, but no assurance can be given that these factors, expectations and assumptions will prove to be correct.

Although management believes that the forward-looking information is reasonable based on information available on the date such forward-looking statements were made, no assurances can be given as to future results, levels of activity and achievements. Therefore, readers are cautioned not to place undue reliance on forward-looking statements as the plans, intentions or expectations upon which the forward-looking information is based might not occur. Forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

ADDITIONAL INFORMATION

Further information about us can be accessed under our public filings found on SEDAR at www.sedar.com or at www.harvestenergy.ca. Information can also be found by contacting our Investor Relations department at (403) 265-1178 or at 1-866-666-1178.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

As at (millions of Canadian dollars)	Notes	June 30, 2018	December 31, 2017
Assets			
Current assets			
Accounts receivable		\$ 41.2	\$ 48.4
Prepaid expenses and other		10.7	6.4
		51.9	54.8
Non-current assets			
Deferred income tax asset		711.5	711.5
Exploration and evaluation assets		13.3	13.3
Property, plant and equipment	5	2,323.2	2,319.3
Investments in joint ventures	6	13.6	17.0
		3,061.6	3,061.1
Total assets		\$ 3,113.5	\$ 3,115.9
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		\$ 169.9	\$ 157.8
Taxes payable		1.0	3.7
Derivative contracts	9	15.8	5.1
Current portion of provisions	10	19.4	15.0
Current portion of long-term debt	7	-	791.5
		206.1	973.1
Non-current liabilities			
Long-term debt	7, 9	2,487.9	1,538.7
Long-term liability	9, 11	78.7	85.6
Non-current provisions	10	690.1	690.9
		3,256.7	2,315.2
Total liabilities		\$ 3,462.8	\$ 3,288.3
Shareholder's deficit			
Shareholder's capital		4,593.3	4,593.3
Contributed surplus		11.3	11.3
Deficit		(4,940.0)	(4,777.0)
Accumulated other comprehensive loss	18	(13.9)	—
Total shareholder's deficit		(349.3)	(172.4)
Total liabilities and shareholder's deficit		\$ 3,113.5	\$ 3,115.9

Commitments [Note 17]

Subsequent event [Note 9]

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (UNAUDITED)

<i>(millions of Canadian dollars)</i>	Notes	Three months ended June 30		Six months ended June 30	
		2018	2017	2018	2017
Petroleum and natural gas sales	12	\$ 88.8	\$ 80.5	\$ 174.0	\$ 166.0
Royalties		(8.8)	(11.2)	(17.3)	(19.5)
Revenues		80.0	69.3	156.7	146.5
Expenses					
Operating		43.1	38.5	83.8	79.8
Transportation and marketing		4.5	2.5	7.7	5.5
General and administrative		9.0	9.7	18.2	19.7
Depletion, depreciation and amortization	5	43.7	52.4	87.4	90.9
Loss from joint ventures	6	3.8	6.8	6.9	10.7
Gain on disposition of assets	5	(0.3)	(1.3)	(3.1)	(1.0)
Finance costs	13	25.8	25.3	48.1	50.2
Derivative contract loss (gain)	9	0.9	9.9	(0.2)	11.1
Foreign exchange loss (gain)	14	24.5	(46.7)	70.9	(61.4)
Gain on onerous contract	10	—	(1.3)	—	(1.7)
Net loss from operations		(75.0)	(26.5)	(163.0)	(57.3)
Other comprehensive loss ("OCL")					
<i>Items that may be reclassified to net income</i>					
Loss on designated cash flow hedges, net of tax	18	(10.7)	—	(13.9)	—
Comprehensive loss		\$ (85.7)	\$ (26.5)	(176.9)	\$ (57.3)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
(DEFICIT) (UNAUDITED)**

<i>(millions of Canadian dollars)</i>	Notes	Shareholder's Capital	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income (Loss) ("AOCI")	Total Shareholder's Equity (Deficit)
Balance at December 31, 2016		\$ 4,593.3	\$ 5.5	\$ (4,494.8)	\$ —	\$ 104.0
Net loss		—	—	(57.3)	—	(57.3)
Shareholder cash contribution		—	5.8	—	—	5.8
As at June 30, 2017		\$ 4,593.3	\$ 11.3	\$ (4,552.1)	\$ —	\$ 52.5
Balance at December 31, 2017		\$ 4,593.3	\$ 11.3	\$ (4,777.0)	\$ —	\$ (172.4)
Net loss		—	—	(163.0)	—	(163.0)
Loss on designated hedges	18	—	—	—	(13.9)	(13.9)
As at June 30, 2018		\$ 4,593.3	\$ 11.3	\$ (4,940.0)	\$ (13.9)	\$ (349.3)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

		Six months ended June 30	
(millions of Canadian dollars)	Notes	2018	2017
Cash provided by (used in)			
Operating Activities			
Net loss		\$ (163.0)	\$ (57.3)
Items not requiring cash			
Loss from joint ventures	6	6.9	10.7
Depletion, depreciation and amortization	5	87.4	90.9
Non-cash finance costs	10, 13	11.0	11.7
Unrealized loss (gain) on derivative contracts	9	(3.4)	11.9
Unrealized loss (gain) on foreign exchange	14	53.4	(62.5)
Gain on disposition of assets	5	(3.1)	(1.0)
Gain on onerous contract	10	—	(1.7)
Other non-cash items		0.8	(5.6)
Realized foreign exchange loss on senior notes repayment		19.7	—
Settlement of decommissioning and environmental remediation liabilities	10	(4.4)	(2.4)
Change in non-cash working capital	15	(1.7)	6.7
Cash from operating activities		\$ 3.6	\$ 1.4
Financing Activities			
Credit facility borrowing (repayment), net	7	87.9	(465.8)
Issuance of senior notes	7	512.2	—
Repayment of senior notes	7	(811.7)	—
Borrowings from term loan	7	298.8	499.2
Senior notes transaction costs	7	(3.8)	—
Capital contribution		—	5.8
Change in non-cash working capital	15	—	(5.8)
Cash from financing activities		\$ 83.4	\$ 33.4
Investing Activities			
Additions to property, plant and equipment	5	(90.4)	(24.7)
Property dispositions, net	5	2.6	0.5
Investment in joint ventures	6	(10.6)	(20.4)
Distributions received from joint ventures	6	7.9	16.0
Change in non-cash working capital	15	3.5	(6.2)
Cash used in investing activities		\$ (87.0)	\$ (34.8)
Change in cash		—	—
Cash, at beginning of the period		—	—
Cash, at end of the period		\$ —	\$ —
Interest paid		\$ 37.2	\$ 38.5

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and six months ended June 30, 2018 and 2017

(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

1. Nature of Operations and Structure of the Company

Harvest Operations Corp. ("Harvest", "HOC" or the "Company") is an energy company in the business of the exploration, development, and production of crude oil, bitumen, natural gas and natural gas liquids in western Canada. Harvest has two reportable segments, Conventional and Oil Sands. For further information regarding these reportable segments, see note 4.

Harvest is a wholly owned subsidiary of Korea National Oil Corporation ("KNOC"). The Company is incorporated and domiciled in Canada. Harvest's principal place of business is located at 1500, 700 – 2nd Street SW, Calgary, Alberta, Canada T2P 2W1.

2. Basis of Presentation

These condensed interim consolidated financial statements have been prepared in accordance with the International Accounting Standard ("IAS") 34 – "Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These financial statements are condensed as they do not include all of the information required by IFRS for annual financial statements and therefore should be read in conjunction with Harvest's audited consolidated financial statements for the year ended December 31, 2017.

The condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on August 2, 2018.

Basis of Measurement

The condensed interim consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments, which are measured at fair value.

Functional and Presentation Currency

In these condensed interim consolidated financial statements, unless otherwise indicated, all dollar amounts are expressed in Canadian dollars, which is the Company's functional currency. All references to US\$ are to United States dollars.

Use of Estimates and Judgment

Significant estimates and judgment used in the preparation of the financial statements are described in note 5 of the annual consolidated financial statements as at and for the year ended December 31, 2017. There have been no significant changes to the use of estimates or judgments since December 31, 2017.

3. Significant Accounting Policies

These condensed interim consolidated financial statements follow the same accounting principles and methods of application as those disclosed in note 4 of the Company's annual consolidated financial statements as at and for the year ended December 31, 2017, with the exception of the 'Revenue Recognition' and 'Financial Instruments' policies which are amended below.

IFRS 15:

Harvest adopted IFRS 15 with a date of initial application as of January 1, 2018. Harvest used the cumulative effect method to adopt the new standard. Under this method, prior years' financial statements have not been restated and the cumulative effect on net earnings of the application of IFRS 15 to revenue contracts in progress at January 1, 2018 is nil. Management reviewed its revenue streams and major contracts with customers using the IFRS 15 five step model and there were no material changes to net earnings or timing of revenue recognized or in the gross vs net presentation. Refer to note 12 for more information including additional disclosure as required under IFRS 15.

The following accounting policy is applicable from January 1, 2018:

Revenue Recognition Policy

Revenues from the sale of crude oil, natural gas and natural gas liquids are measured based on the consideration specified in contracts with customers. Harvest recognizes revenue when it transfers control of the product to the buyer and collection is reasonably assured. This is generally considered to occur when legal title to the product passes to customers, which is when it is physically transferred to the pipeline or other transportation method agreed

upon. Revenues are recognized on a monthly basis, based on the completion of the performance obligations. The nature of each of its performance obligations, including roles of third parties and partners, are evaluated to determine if the Company acts as a principal, and therefore recognizes revenue on a gross basis, or as an agent, and therefore recognizes revenue on a net basis. The Company acts as the principal when it controls the product delivered before the control passes to its customer. Revenues from processing activities are recognized over time as processing occurs, and generally billed monthly.

IFRS 9:

Harvest adopted IFRS 9 with a date of initial application as of January 1, 2018, this is the date in which all IFRS 9 classification and measurement is required to be implemented. The Company retrospectively adopted the standard and elected not to restate comparative information. There were no material changes in the measurement and carrying values of the Company's financial instruments as a result of the adoption. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI"); or fair value through profit or loss ("FVTPL"). IFRS 9 eliminates the previous IFRS 39 categories of 'held to maturity investments, loans and receivables and other financial liabilities' and 'available for sale financial assets'. The classification of financial assets under IFRS 9 is based on the business model in which a financial asset is managed and the nature of its contractual cash flow characteristics. Embedded derivatives are not separated if the host contract is a financial asset within the scope of IFRS 9; the entire hybrid contract is assessed for classification and measurement.

IFRS 9 replaces the 'incurred credit loss model' in IAS 39 with an 'expected credit loss' model. The new impairment model applies to financial assets measured at amortized cost, a lease receivable, a contract asset or a loan commitment and a financial guarantee contract. Under IFRS 9, credit losses are recognized earlier than under IAS 39; it is no longer necessary for a credit event to have occurred before credit losses are recognised. See Note 13 of the Company's annual consolidated financial statements as at and for the year ended December 31, 2017 for additional disclosure on the Company's credit risk.

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 as at January 1, 2018 for each class of the Company's financial assets and financial liabilities. The Company has no contract assets or financial instruments measured at FVOCI.

Financial Instrument	Measurement Category	
	IAS 39	IFRS 9
Cash and cash equivalents	Fair value on a recurring basis	Amortised cost
Accounts receivable	Amortised cost	Amortised cost
Accounts payable and accrued liabilities	Amortised cost	Amortised cost
Long-term debt	Amortised cost	Amortised cost
Long-term liability		
Top-up obligation ⁽¹⁾	Fair value	FVTPL
Blackgold liability	Amortised cost	Amortised cost
Derivative contracts	Fair value	FVTPL

⁽¹⁾ Harvest's Top-up obligation is a derivative financial liability

The following accounting policy is applicable from January 1, 2018:

Financial Instruments Policy

Harvest recognizes financial assets and financial liabilities, including derivatives, on the consolidated statements of financial position when the Company becomes a party to the contract. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or when the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized from the consolidated financial statements when the liability is extinguished either through settlement of or release from the obligation of the underlying liability.

Financial assets, financial liabilities and derivatives are measured at fair value on initial recognition. Measurement in subsequent periods depends on the financial instrument's classification, as described below.

- **Amortized cost**
A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of the cash flows; and all contractual cash flows represent only principal and interest on that principal. All financial liabilities are measured at amortized cost using the effective interest method except for liabilities incurred for the purposes of selling or repurchasing in the short-term liabilities, if they are held-for trading and those that meet the definition of a derivative.

- Fair value through other comprehensive income ("FVTOCI")
A financial asset shall be measured at FVTOCI if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and the contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payment of Principal and Interest ("SPPI") on the principal amount outstanding.
- Fair value through profit or loss ("FVTPL")
All financial assets that do not meet the definition of being measured at amortized cost or FVTOCI are measured at FVTPL, this includes all derivative financial assets. A financial liability is classified as measured at FVTPL if it is held-for-trading, a derivative, or designated as FVTPL on initial recognition. For financial assets and liabilities, the Company may make an irrevocable election to designate an asset at FVTPL. If the election is made it is irrevocable, meaning that asset, liability, or group of financial instruments must be recorded at FVTPL until that asset, liability or group of financial instruments are derecognized.

Financial assets and liabilities are offset and the net amount is reported on the balance sheet when there is a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Commodity contracts that are entered into and continue to be held for the purpose of the receipt or delivery of commodity in accordance with the Company's expected purchase, sale or usage fall within the normal purchase or sale exemption and are accounted for as executory contracts.

IFRS 16:

In January 2016, the IASB issued IFRS 16 "Leases" to replace IAS 17 "Leases". IFRS 16 requires lessees to recognize most leases on the statement of financial position using a single recognition and measurement model. IFRS 16 will be effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if the entity is also applying IFRS 15. IFRS 16 will be applied by Harvest on January 1, 2019. Harvest is currently evaluating the impact on its consolidated financial statements. IFRS 16 is required to be adopted either retrospectively or using a modified retrospective approach. Although the transition approach on adoption has not yet been determined, it is anticipated that the adoption of IFRS 16 will have a material impact on Harvest's financial statements.

4. Segment Information

Harvest's operating segments are determined based on information regularly reviewed for the purposes of decision making, allocating resources and assessing operational performance by Harvest's chief operating decision makers. The Company's reportable segments are:

- Conventional, which consists of exploration, development, production and subsequent sale of petroleum, natural gas and natural gas liquids in western Canada.
- Oil Sands, which is the BlackGold oil sands project located near Conklin, Alberta. Phase 1 of the project is designed to produce 10,000 barrels of bitumen per day. Harvest recommenced construction activities on Phase 1 in the fourth quarter of 2017. During the second quarter of 2018 Harvest began initial steam injection activities.

	Three months ended June 30					
	Conventional		Oil Sands		Total	
	2018	2017	2018	2017	2018	2017
Petroleum and natural gas sales	\$ 88.8	\$ 80.5	\$ —	\$ —	\$ 88.8	\$ 80.5
Royalties	(8.8)	(11.2)	—	—	(8.8)	(11.2)
Revenues	80.0	69.3	—	—	80.0	69.3
Expenses						
Operating	41.3	35.5	1.8	3.0	43.1	38.5
Transportation and marketing	4.5	2.5	—	—	4.5	2.5
General and administrative	8.9	9.3	0.1	0.4	9.0	9.7
Depletion, depreciation and amortization	43.6	52.3	0.1	0.1	43.7	52.4
Gains on disposition of assets	(0.3)	(1.3)	—	—	(0.3)	(1.3)
Derivative contracts loss (gain) ⁽¹⁾	0.9	(1.0)	—	—	0.9	(1.0)
Gain on onerous contract	—	(1.3)	—	—	—	(1.3)
Loss from joint ventures	3.8	6.8	—	—	3.8	6.8
Operating/Pre-operating loss	\$ (22.7)	\$ (33.5)	\$ (2.0)	\$ (3.5)	\$ (24.7)	\$ (37.0)
Finance costs					25.8	25.3
Foreign exchange loss (gain)					24.5	(46.7)
Derivative contract losses ⁽¹⁾					—	10.9
Net Loss	\$ (75.0)	\$ (26.5)				

⁽¹⁾ Relates to realized and unrealized losses on foreign exchange swaps and commodity hedges. See note 9 – Financial Instruments.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

	Six months ended June 30					
	Conventional		Oil Sands		Total	
	2018	2017	2018	2017	2018	2017
Petroleum and natural gas sales	\$ 174.0	\$ 166.0	\$ —	\$ —	\$ 174.0	\$ 166.0
Royalties	(17.3)	(19.5)	—	—	(17.3)	(19.5)
Revenues	156.7	146.5	—	—	156.7	146.5
Expenses						
Operating	80.4	74.1	3.4	5.7	83.8	79.8
Transportation and marketing	7.7	5.5	—	—	7.7	5.5
General and administrative	18.1	18.8	0.1	0.9	18.2	19.7
Depletion, depreciation and amortization	87.3	90.6	0.1	0.3	87.4	90.9
Gains on disposition of assets	(3.1)	(1.0)	—	—	(3.1)	(1.0)
Derivative contracts loss (gain) ⁽¹⁾	1.7	(0.3)	—	—	1.7	(0.3)
Gain on onerous contract	—	(1.7)	—	—	—	(1.7)
Loss from joint ventures	6.9	10.7	—	—	6.9	10.7
Operating/Pre-operating loss	\$ (42.3)	\$ (50.2)	\$ (3.6)	\$ (6.9)	\$ (45.9)	\$ (57.1)
Finance costs					48.1	50.2
Foreign exchange (gains) losses					70.9	(61.4)
Derivative contract losses (gains) ⁽¹⁾					(1.9)	11.4
Net loss					(163.0)	(57.3)

⁽¹⁾ Relates to realized and unrealized losses on foreign exchange swaps and commodity hedges. See note 9 – Financial Instruments.

	Three months ended June 30					
	Conventional		Oil Sands		Total	
	2018	2017	2018	2017	2018	2017
Capital Additions						
Additions to PP&E	\$ 6.9	\$ 4.9	\$ 36.9	\$ 0.1	\$ 43.8	\$ 5.0
PP&E & E&E acquisitions, net of dispositions	(0.5)	0.2	—	—	(0.5)	0.2
Net capital additions	\$ 6.4	\$ 5.1	\$ 36.9	\$ 0.1	\$ 43.3	\$ 5.2

	Six months ended June 30					
	Conventional		Oil Sands		Total	
	2018	2017	2018	2017	2018	2017
Capital Additions						
Additions to PP&E	\$ 30.7	\$ 24.5	\$ 59.7	\$ 0.2	\$ 90.4	\$ 24.7
PP&E acquisitions, net of dispositions	(0.4)	0.2	—	—	(0.4)	0.2
Net capital additions	\$ 30.3	\$ 24.7	\$ 59.7	\$ 0.2	\$ 90.0	\$ 24.9

	Investments in Joint Ventures	PP&E	E&E	Total Assets
December 31, 2017				
Conventional	\$ 17.0	\$ 1,305.4	\$ 13.3	\$ 2,102.0
Oil Sands	—	1,013.9	—	1,013.9
Total	\$ 17.0	\$ 2,319.3	\$ 13.3	\$ 3,115.9
June 30, 2018				
Conventional	\$ 13.6	\$ 1,249.7	\$ 13.3	\$ 2,040.1
Oil Sands	—	1,073.5	—	1,073.4
Total	\$ 13.6	\$ 2,323.2	\$ 13.3	\$ 3,113.5

5. Property, Plant and Equipment ("PP&E")

	Conventional	Oil Sands	Total
Cost:			
As at December 31, 2017	\$ 4,979.3	\$ 1,506.3	\$ 6,485.6
Additions	30.7	59.7	90.4
Acquisitions, net of disposals	(0.4)	—	(0.4)
Change in decommissioning liabilities	1.3	—	1.3
As at June 30, 2018	\$ 5,010.9	\$ 1,566.0	\$ 6,576.9

Accumulated depletion, depreciation and amortization:

As at December 31, 2017	\$ 3,673.9	\$ 492.4	\$ 4,166.3
Depreciation, depletion and amortization	87.3	0.1	87.4
As at June 30, 2018	\$ 3,761.2	\$ 492.5	\$ 4,253.7

Net Book Value:

As at December 31, 2017	\$ 1,305.4	\$ 1,013.9	\$ 2,319.3
As at June 30, 2018	\$ 1,249.7	\$ 1,073.5	\$ 2,323.2

General and administrative costs directly attributable to PP&E addition activities of \$2.2 million and \$3.8 million have been capitalized during the three and six months ended June 30, 2018 (2017 - \$1.0 million and \$2.1 million). No borrowing costs relating to the development of Oil Sands assets have been capitalized within PP&E during the three and six months ended June 30, 2018 and 2017.

At June 30, 2018, the Oil Sands assets of \$1.1 billion (December 31, 2017 – \$1.0 billion) were excluded from the asset base subject to depreciation, depletion and amortization. No depletion expense was incurred for the three and six months ended June 30, 2018 and 2017, as Harvest uses the unit-of-production depletion method and the Oil Sands assets currently have not commenced production.

During the three and six months ended June 30, 2018, Harvest recognized gains on disposals of non-core assets of \$0.3 million and \$3.1 million respectively (June 30, 2017 - \$1.3 million and \$1.0 million) relating to the de-recognition of PP&E and decommissioning liabilities.

6. Investment in Joint Ventures

	June 30, 2018	Ownership Interest	December 31, 2017	Ownership Interest
Deep Basin Partnership ("DBP")	\$ (32.8)	82.98%	\$ (39.4)	82.59%
HK MS Partnership ("HKMS")	46.4	68.14%	56.4	70.47%
Investments in joint ventures	\$ 13.6		\$ 17.0	

	DBP	HKMS	Total
As at December 31, 2017	\$ (39.4)	\$ 56.4	\$ 17.0
Additional investments	18.3	(6.9)	11.4
Share of income (loss)	(11.7)	4.8	(6.9)
Distributions	—	(7.9)	(7.9)
As at June 30, 2018	\$ (32.8)	\$ 46.4	\$ 13.6

The following tables summarize the financial information of the DBP and HKMS joint ventures:

	June 30, 2018		December 31, 2017	
	DBP	HKMS	DBP	HKMS
Cash and cash equivalents	\$ 0.1	\$ —	\$ 0.1	\$ —
Other current assets	13.4	6.7	22.6	14.3
Total current assets	\$ 13.5	\$ 6.7	\$ 22.7	\$ 14.3
Non-current assets	109.9	222.4	94.2	96.1
Total assets ⁽¹⁾	\$ 123.4	\$ 229.1	\$ 116.9	\$ 110.4
Current liabilities	\$ 15.8	\$ 0.8	\$ 17.4	\$ 2.4
Non-current financial liabilities	137.3	221.0	136.0	102.3
Other non-current liabilities	5.3	4.7	5.1	4.6
Total liabilities ⁽¹⁾	\$ 158.4	\$ 226.5	\$ 158.5	\$ 109.3
Net assets ⁽¹⁾	\$ (35.0)	\$ 2.6	\$ (41.6)	\$ 1.1

⁽¹⁾ Balances represent 100% share of DBP and HKMS

	Three months ended June 30			
	2018		2017	
	DBP	HKMS	DBP	HKMS
Revenues	\$ 9.7	\$ 6.5	\$ 15.7	\$ 7.7
Depletion, depreciation and amortization	(4.2)	(0.9)	(12.0)	(0.9)
Operating expenses and other	(10.9)	(0.6)	(12.3)	(1.6)
Finance costs	(0.7)	(4.3)	(0.7)	(4.8)
Net income (loss) ⁽¹⁾	\$ (6.1)	\$ 0.7	\$ (9.3)	\$ 0.4

⁽¹⁾ Balances represent 100% share of DBP and HKMS

Six months ended June 30					
	2018		2017		
	DBP	HKMS	DBP	HKMS	
Revenues	\$ 18.6	\$ 13.2	\$ 33.1	\$ 14.7	
Depletion, depreciation and amortization	(8.2)	(1.7)	(25.0)	(1.7)	
Operating expenses and other	(20.7)	(1.3)	(22.4)	(2.6)	
Finance costs	(1.4)	(8.6)	(1.4)	(9.6)	
Net income (loss) ⁽¹⁾	\$ (11.7)	\$ 1.6	\$ (15.7)	\$ 0.8	

⁽¹⁾ Balances represent 100% share of DBP and HKMS

The following table summarizes 100% of DBP's contractual obligations and estimated commitments as at June 30, 2018:

	Payments Due by Period				
	1 year	2-3 years	4-5 years	After 5 years	Total
Preferred distribution liability payments	\$ —	\$ —	\$ —	\$ 156.0	\$ 156.0
Firm processing commitment	23.2	46.4	46.4	19.3	135.3
Decommissioning and environmental liabilities ⁽¹⁾	—	0.1	—	12.9	13.0
Total	\$ 23.2	\$ 46.5	\$ 46.4	\$ 188.2	\$ 304.3

⁽¹⁾ Represents the undiscounted obligation by period.

As at June 30, 2018, Harvest's top-up obligation related to the preferred distribution liability payments was estimated as \$35.2 million (December 31, 2017 - \$33.4 million), using a discount rate of 12% (December 31, 2017 - 12%). This top-up obligation has been included in the derivative contract losses in the statement of comprehensive loss and in the long-term liability at June 30, 2018 (see note 11 – Long-Term Liability). This top-up obligation is accounted for by Harvest at fair value through profit and loss and is estimated using a probabilistic model of the estimated future cash flows of DBP (level 3 fair value inputs). The cash flow forecast is based on management's internal assumptions of the volumes, commodity prices, royalties, operating costs and capital expenditures specific to DBP. There have been no changes to significant inputs of this calculation since December 31, 2017.

The following table summarizes 100% of HKMS's contractual obligations and estimated commitments as at June 30, 2018:

	Payments Due by Period				
	1 year	2-3 years	4-5 years	After 5 years	Total
Decommissioning and environmental liabilities ⁽¹⁾	\$ —	\$ —	\$ —	\$ 13.2	\$ 13.2
Total	\$ —	\$ —	\$ —	\$ 13.2	\$ 13.2

⁽¹⁾ Represents the undiscounted obligation by period.

Related party transactions

Deep Basin Partnership

As the operator of the DBP assets, Harvest has collected revenues and paid expenses on behalf of DBP. In addition, as managing partner, Harvest charges DBP for marketing fees and general and administrative expenses. For the three and six months ended June 30, 2018, Harvest charged DBP a marketing fee of \$0.2 million and \$0.4 million (2017 - \$0.2 million and \$0.4 million) and general and administrative expenses of \$0.3 million and \$0.6 million (2017 - \$0.2 million and \$0.3 million). As at June 30, 2018, \$10 million remains outstanding to DBP from Harvest (December 31, 2017 - \$14.4 million).

HKMS Partnership

Harvest charged HKMS general and administrative expenses of \$0.1 million and \$0.2 million for the three and six months ended June 30, 2018 (2017 - \$0.1 million for both periods). As at June 30, 2018, \$1.7 million remains outstanding to HKMS from Harvest (December 31, 2017 - \$0.5 million).

7. Long-Term Debt

	June 30, 2018	December 31, 2017
Credit Facility	\$ 282.9	\$ 189.7
Term Loan due 2020	499.6	499.5
Term Loan due 2023	298.8	-
2½% senior notes due 2018 (US\$630 million)	-	791.5
2½% senior notes due 2021 (US\$195.8 million)	256.9	245.9
3% senior notes due 2022 (US\$485 million)	631.4	603.6
4.2% senior notes due 2023 (US\$397.5 million)	518.3	-
Long-term debt outstanding	\$ 2,487.9	\$ 2,330.2
Less current portion	-	(791.5)
Non-current long-term debt	\$ 2,487.9	\$ 1,538.7

On May 1, 2018, Harvest issued US\$397.5 million 4.2% senior notes for net proceeds of US\$395.8 million. The 4.2% senior notes are unsecured and mature on June 1, 2023, with interest payable semi-annually on June 1 and December 1 of each year. The notes are unconditionally and irrevocably guaranteed by KNOC. A guarantee fee of 0.37% per annum of the principal balance is payable to KNOC semi-annually. Proceeds from these notes were used to repay the 2½% senior notes that matured on May 14, 2018.

On May 11, 2018, Harvest entered into an agreement with a Japanese based bank to borrow \$300 million through a five year term loan at a variable rate. To manage the risks associated with the variable interest component of the term loan due 2023 Harvest entered into new risk management contracts, see note 9 – Financial Instruments. The term loan is guaranteed by KNOC and contains no financial covenants. A guarantee fee of 0.37% per annum of the principal balance is payable to KNOC semi-annually. On May 11, 2018 the loan was fully drawn. Proceeds from this term loan were used to repay the 2½% senior notes that matured on May 14, 2018.

On May 14, 2018, Harvest repaid the 2½% senior notes.

For the three and six months ended June 30, 2018, interest charges on the credit facility borrowings aggregated to \$1.9 million and \$3.2 million respectively (2017 - \$2.1 million and \$4.9 million), reflecting an effective interest rate of 2.98% and 2.79% (2017 – 2.0% and 1.8%). These effective interest rates exclude the impact of the U.S. dollar currency swap transactions related to LIBOR borrowings, which result in a reduction of interest expense paid on Harvest's borrowings related to its credit facility. See note 9 – Financial Instruments.

8. Shareholder's Capital & Capital Structure

Harvest considers its capital structure to be its credit facility, term loans, senior notes and shareholder's deficit.

	June 30, 2018	December 31, 2017
Credit facility ⁽¹⁾⁽²⁾	\$ 283.6	\$ 190.6
Term Loan due 2020 ⁽¹⁾	500.0	500.0
Term Loan due 2023 ⁽¹⁾	300.0	—
2½% senior notes (US\$630 million) ⁽¹⁾⁽³⁾	—	792.0
2½% senior notes (US\$195.8 million) ⁽¹⁾⁽³⁾	257.1	246.1
3% senior notes (US\$485 million) ⁽¹⁾⁽³⁾	637.0	609.7
4.2% senior notes (US\$397.5 million) ⁽¹⁾⁽³⁾	522.0	—
	\$ 2,499.7	\$ 2,338.4
Shareholder's deficit	(349.3)	(172.4)
	\$ 2,150.4	\$ 2,166.0

(1) Excludes capitalized financing fees.

(2) Excludes letters of credit issued in the amount of \$14.0 million at June 30, 2018 (December 31, 2017 - \$14.9 million).

(3) Face value converted at the period end exchange rate.

Harvest's primary objective in its management of capital resources is to have access to capital to fund its financial obligations as well as future operating and capital activities. Harvest prepares annual operational and capital budgets, which are updated as necessary depending on varying factors including current and forecast commodity prices, production levels, the success of the capital expenditures program and other general industry conditions. Harvest monitors its capital structure and makes adjustments according to market conditions to remain flexible while meeting these objectives. Accordingly, Harvest may adjust its capital spending programs, issue equity, issue new debt or repay existing debt.

Harvest is a significant subsidiary for KNOC in terms of production and reserves. KNOC has directly and indirectly invested and provided financial support to Harvest since 2009 and as at the date of preparation of these financial statements, it is the Company's expectation that such support will continue. KNOC strategically oversees its allocation of equity and debt capital based on group needs and opportunities. KNOC maintains hands-on involvement in the day-to-day management of cash flows and determines equity needs and debt borrowings for the longer term. KNOC guarantees the interest and principal of the Company's credit facility, term loans and senior notes. The Company's capital structure and liquidity needs are met through cash generated from operations, proceeds from asset dispositions, joint arrangements, borrowings under the credit facility, long-term debt issuances and capital injections by KNOC. Harvest evaluates its capital structure using the same financial covenants as the ones under the Company's debt commitments.

9. Financial Instruments

a) Fair Values

Financial instruments of Harvest consist of accounts receivable, accounts payable and accrued liabilities and other, borrowings under the credit facility, derivative contracts, senior notes, term loan and long term liability. Derivative contracts are the only financial instruments that are measured at fair value on a recurring basis. Harvest classifies the fair value of these transactions according to the following hierarchy based on the amount of observable inputs used to value the instrument:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

At June 30, 2018, all financial instruments are level 2, except for the 3% senior notes, which are level 1 and \$35.2 million of the long-term liability (relating to the top-up obligation to DBP), which is level 3. At December 31, 2017, all financial instruments were level 2, except for the 2½% and 3% senior notes, which were at level 1 due to the frequency and volume of trades. All of the senior notes are traded on the Singapore Stock Exchange. Also see note 6 – Investment in Joint Ventures and note 11 – Long-Term Liability.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

	June 30, 2018		December 31, 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Liabilities				
<u>Fair value through profit or loss</u>				
Derivative contracts	\$ 15.8	\$ 15.8	\$ 5.1	\$ 5.1
Long-term liability	35.2	35.2	33.4	33.4
<u>Amortised Cost</u>				
Credit Facility	282.9	283.6	189.7	190.6
Term Loan due 2020	499.6	500.0	499.5	500.0
Term Loan due 2023	298.8	300.0	—	—
2½% senior notes	-	-	791.5	791.2
2½% senior notes	256.9	247.8	245.9	238.4
3% senior notes	631.4	616.2	603.6	603.0
4.2% senior notes	518.3	529.6	—	—
Long-term liability	43.5	29.2	41.7	34.9
Total Financial Liabilities	\$ 2,582.4	\$ 2,557.4	\$ 2,410.4	\$ 2,396.6

b) Derivative Contracts

The Company at times enters into natural gas, crude oil, electricity and foreign exchange contracts to reduce the volatility of cash flows from some of its forecast sales and purchases.

Harvest periodically enters into U.S. dollar currency swap transactions related to LIBOR borrowings. This results in a reduction of interest expense paid on Harvest's borrowings related to its credit facility. As a result of these transactions, Harvest's effective interest rate for borrowings under the credit facility for the three and six months ended June 30, 2018 were lowered to 2.23% and 2.21%, respectively (2017 - 1.6% and 1.5%). Also see note 7 – Long-Term Debt for effective interest rates before the effect of these swaps.

To manage the risk associated with the variable component of the Term Loan – Due 2023, Harvest entered into an interest rate swap contract during the six months ended June 30, 2018. As the result of this transaction the company has effectively fixed the interest rate on \$300 million of the loan at approximately 3.971% for the term of the loan.

Derivative contracts (gains) losses recorded to income include the gains or losses on derivatives that were designated as hedges:

	Three months ended June 30					
	2018			2017		
	Realized losses	Unrealized losses	Total	Realized losses	Unrealized losses (gains)	Total
Foreign exchange	—	—	—	—	—	—
Derivative contract	—	—	—	(1.9)	12.8	10.9
Top-up obligation (note 6)	—	0.9	0.9	—	(1.0)	(1.0)
	\$ —	\$ 0.9	\$ 0.9	\$ (1.9)	\$ 11.8	\$ 9.9

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended June 30						
	2018			2017		
	Realized losses	Unrealized losses (gains)	Total	Realized losses	Unrealized losses (gains)	Total
Foreign exchange	3.2	—	3.2	—	—	—
Derivative contract	—	(5.1)	(5.1)	(0.8)	12.2	11.4
Top-up obligation (note 6)	—	1.7	1.7	—	(0.3)	(0.3)
	\$ 3.2	\$ (3.4)	\$ (0.2)	\$ (0.8)	\$ 11.9	\$ 11.1

Contracts Designated as Hedges

Contract Quantity	Type of Contract	Term	Contract Price	Fair value of liability at June 30, 2018
\$300 million	Interest rate swap	July 2018 - May 2023	2.821%	5.6
880 bbl/d	MSW price swap	July - December 2018	CDN \$71.75/bbl	2.1
1,166 bbl/d	MSW price swap	July - December 2018	CDN \$70.73/bbl	3.3
900 bbl/d	MSW price swap	July - June 2018	CDN \$71.90/bbl	0.2
1,175 bbl/d	MSW price swap	July - December 2018	CDN \$73.00/bbl	2.8
500 bbl/d	MSW price swap	July - September 2018	CDN \$77.50/bbl	0.4
487 bbl/d	WCS price swap	July - December 2018	CDN \$52.85/bbl	1.2
300 bbl/d	WCS price swap	July - June 2018	CDN \$59.75/bbl	0.1
100 bbl/d	WCS price swap	July - September 2018	CDN \$59.90/bbl	0.1
				\$ 15.8

Contracts Designated as Hedges Subsequent to June 30, 2018

Contract Quantity	Type of Contract	Term	Contract Price
\$290 million	Foreign exchange swap	August 2018	\$1.31 CDN/US

10. Provisions

	Conventional	Oil Sands	Head Office operating lease	Total
As at December 31, 2017	\$ 646.3	\$ 50.5	\$ 9.1	\$ 705.9
Liabilities incurred	1.1	—	—	1.1
Acquisition	0.2	—	—	0.2
Settled during the period	(4.4)	—	(0.7)	(5.1)
Disposals	(1.0)	—	—	(1.0)
Accretion	7.3	0.6	0.5	8.4
As at June 30, 2018	\$ 649.5	\$ 51.1	\$ 8.9	\$ 709.5
Current portion as at December 31, 2017	\$ 13.5	\$ —	\$ 1.5	\$ 15.0
Non-current provisions as at December 31, 2017	632.8	50.5	7.6	690.9
As at December 31, 2017	\$ 646.3	\$ 50.5	\$ 9.1	\$ 705.9
Current portion as at June 30, 2018	\$ 18.1	\$ —	\$ 1.3	\$ 19.4
Non-current provisions as at June 30, 2018	631.4	51.1	7.6	690.1
As at June 30, 2018	\$ 649.5	\$ 51.1	\$ 8.9	\$ 709.5

(1) Conventional includes balance of both decommissioning liabilities and environmental liability.

(2) Oil Sands includes balance of decommissioning liability.

(3) Head office includes provision related to operating lease.

Harvest estimates the total undiscounted amount of cash flows required to settle its decommissioning and environmental remediation liabilities to be approximately \$1.2 billion at June 30, 2018 (December 31, 2017 – \$1.2 billion), which will be incurred between 2018 and 2077. A risk-free discount rate of 2.26% (December 31, 2017 – 2.26%) and inflation rate of 1.50% (December 31, 2017 – 1.50%) were used to calculate the carrying value of the decommissioning and environmental remediation liabilities.

At June 30, 2018, Harvest recognized an onerous contract provision of \$8.9 million (December 31, 2017 - \$9.1 million), relating to a Head Office operating lease agreement ending on August 31, 2025. The provision represents the present value of the difference between the future lease payments that Harvest is obligated to make under the non-cancellable operating lease agreement and sublease recoveries discounted at a credit adjusted rate of 12% (December 31, 2017 – 12%), specific to the liability. Nil gain was recorded from changes in the discount rate during the three and six months ended June 30, 2018 (2017 - \$1.3 million and \$1.7 million gain).

11. Long-Term Liability

		June 30, 2018	December 31, 2017
BlackGold liability ⁽¹⁾	\$	70.4 \$	69.4
Less: current portion of BlackGold liability ⁽¹⁾		(38.0)	(28.5)
Deferred rent and other ⁽²⁾		11.1	11.3
Top-up obligation ⁽³⁾		35.2	33.4
	\$	78.7 \$	85.6

⁽¹⁾ Calculated using a discount rate of 4.5% at the six months ended June 30, 2018 and December 31, 2017. The current portion of the liability has been included with accounts payable and accrued liabilities. Harvest withheld the third, fourth and fifth deferred payments due April 30, 2018, 2017 and 2016 as it is in process of conducting a comprehensive audit of costs and expenses incurred by the Contractor in connection with the work.

⁽²⁾ Includes deferred credits and an accrual related to Harvest's long term incentive program.

⁽³⁾ See note 6 – Investment in Joint Ventures.

12. Revenue

Harvest sells its production pursuant to variable price contracts. The transaction price for variable priced contracts is based on the commodity price, adjusted for quality, location or other factors, whereby each component of the pricing formula can be either fixed or variable, depending on the contract terms. Under the contracts, Harvest is required to deliver a fixed or variable volume of crude oil, natural gas liquids or natural gas to the contract counterparty. Revenue is recognized when performance obligation is satisfied – specified volume or unit of production is delivered to the contract counterparty. The amount of revenue recognized is based on the agreed transaction price, whereby any variability in revenue relates specifically to Harvest's efforts to transfer production, and therefore the resulting revenue is allocated to the production delivered in the period during which the variability occurs.

Crude oil, natural gas and natural gas liquids are mostly sold under contracts of varying price and volume terms of up to one year. Revenues are typically collected on the 25th day of the month following production.

The following table presents Harvests' petroleum and natural gas sales disaggregated by revenue source for the conventional segment:

		Three months ended June 30			Six months ended June 30	
		2018	2017		2018	2017
Light to medium oil sales after hedging ⁽¹⁾	\$	27.5 \$	19.8	\$	52.3 \$	39.9
Heavy oil sales after hedging ⁽¹⁾		36.8	31.9		67.9	64.9
Natural gas sales after hedging ⁽¹⁾		7.7	20.3		21.2	39.7
Natural gas liquids sales		12.6	6.4		24.3	18.1
Other ⁽²⁾		4.2	2.1		8.3	3.4
Petroleum and natural gas sales	\$	88.8 \$	80.5	\$	174.0 \$	166.0

⁽¹⁾ Inclusive of the realized losses from contracts designated as hedges. Foreign exchange swaps are not included in the realized price.

⁽²⁾ Inclusive of sulphur revenue.

Included in accounts receivable at June 30, 2018 is \$32.3 million (June 30, 2017 – \$28.5 million for June 2017 sales) of accrued oil and gas sales related to June 2018 sales. The increase in the amount of accrued revenue is related primarily to the increase in oil price.

13. Finance Costs

	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Interest and other financing charges ⁽¹⁾	\$ 21.3	\$ 20.8	\$ 39.2	\$ 41.4
Accretion of decommissioning and environmental remediation liabilities (note 10)	3.9	3.9	7.9	7.7
Accretion of BlackGold long-term liability (note 11)	0.6	0.6	1.0	1.1
	\$ 25.8	\$ 25.3	\$ 48.1	\$ 50.2

⁽¹⁾ Includes \$0.3 million and \$0.6 million of accretion on the onerous contract during the three and six months ended June 30, 2018 (three and six months ended June 30, 2017 – \$0.3 million and \$0.5 million). For the six months ended June 30, 2017 includes \$0.6 million of a loss on extinguishment on the \$1.0 billion credit facility. See note 7- Long Term Debt and note 10 – Provisions.

14. Foreign Exchange

	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Realized loss on foreign exchange	\$ 20.4	\$ 2.1	\$ 17.5	\$ 1.1
Unrealized loss (gain) on foreign exchange	4.1	(48.8)	53.4	(62.5)
	\$ 24.5	\$ (46.7)	\$ 70.9	\$ (61.4)

15. Supplemental Cash Flow Information

	Six months ended June 30	
	2018	2017
Source (use) of cash:		
Accounts receivable	\$ 7.2	\$ 5.0
Prepaid expenses, long-term deposit and other	(4.3)	(3.6)
Accounts payable and accrued liabilities	12.1	4.3
Net changes in non-cash working capital	\$ 15.0	\$ 5.7
Changes relating to operating activities	\$ (1.7)	\$ 6.7
Changes relating to financing activities	—	(5.8)
Changes relating to investing activities	3.5	(6.2)
Reclass of long-term liability to accounts payable	9.5	9.7
Add: Other non-cash changes	3.7	1.3
	\$ 15.0	\$ 5.7

16. Related Party Transactions

	Three months ended June 30		Six months ended June 30		Accounts Payable as at	
	2018	2017	2018	2017	June 30, 2018	December 31, 2017
G&A Expenses						
KNOC ⁽¹⁾	\$ 0.1	\$ 0.1	\$ 0.2	\$ 0.2	\$ 0.5	\$ 0.3
Finance costs						
KNOC ⁽²⁾	\$ 3.0	\$ 2.4	\$ 6.7	\$ 4.9	\$ 2.9	\$ 2.9

⁽¹⁾ Amounts relate to payments to KNOC for secondees salaries.

⁽²⁾ Charges from KNOC for the irrevocable and unconditional guarantee they provided on Harvest's 2¼%, 2½%, 3% and 4.2% senior notes, the credit facility and term loan. A guarantee fee of 37 basis points per annum on the 2½%, 3% and 4.2% senior notes and 52 basis points on the 2¼% senior notes. A guarantee fee of 37 basis points per annum continues to be charged by KNOC on the credit facility and term loan. See note 7 – Long Term Debt.

17. Commitments

The following is a summary of Harvest's estimated commitments as at June 30, 2018:

	Payments Due by Period				
	1 year	2-3 years	4-5 years	After 5 years	Total
Purchase commitments ⁽¹⁾	\$ 38.2	\$ 19.3	\$ 19.0	\$ 72.1	\$ 148.6
Operating leases	7.8	16.4	15.1	16.2	55.5
Firm processing commitments	11.2	21.6	21.1	19.2	73.1
Firm transportation agreements	22.2	37.9	24.1	31.1	115.3
Employee benefits ⁽²⁾	0.8	0.4	—	—	1.2
Total ⁽³⁾	\$ 80.2	\$ 95.6	\$ 79.3	\$ 138.6	\$ 393.7

⁽¹⁾ Relates to BlackGold oil sands project commitment and the DBP top-up obligation (see note 6 - Investment in Joint Ventures).

⁽²⁾ Relates to the long-term incentive plan payments.

⁽³⁾ See note 7 - Long Term Debt, note 8 – Shareholder's Capital & Capital Structure and note 16 – Related Party Transactions for Harvest's debt obligations.

18. Accumulated Other Comprehensive Income ("AOCI")

	Designated Cash Flow Hedges, Net of Tax		Total
As at December 31, 2017	\$ —	\$ —	\$ —
Gains on derivatives designated as cash flow hedges, net of tax	(13.9)		(13.9)
As at June 30, 2018	\$ (13.9)	\$ —	\$ (13.9)

The following table summarizes the impacts of the cash flow hedges on the OCI.

	Three months ended June 30				Six months ended June 30			
	After-tax		Pre-tax		After-tax		Pre-tax	
	2018	2017	2018	2017	2018	2017	2018	2017
Losses re-classified from OCL	\$ 4.0	\$ —	\$ 4.0	\$ —	\$ —	\$ —	\$ —	\$ —
Losses recognized in OCL	(14.7)	—	(14.7)	—	(13.9)	—	(13.9)	—
Total	\$ (10.7)	\$ —	\$ (10.7)	\$ —	\$ (13.9)	\$ —	\$ (13.9)	\$ —