For the three months ended March 31, 2004	Harvest Energy Trust 2004 Quarterly Report to Unitholders	Q1

Harvest Energy Trust Announces First Quarter 2004 Results

Calgary, May 14, 2004 (TSX: HTE.UN) – Harvest Energy Trust ("Harvest") today announced its unaudited operating and financial results for the three and nine month periods ended March 31, 2004.

First Quarter Highlights

- Distributions of $0.60 per trust unit;
- Cash flow from operations of $14.8 million or $0.87 per trust unit, for the three month periods ended March 31, 2004, an increase of 8.4% from the fourth quarter of 2003 and a 129% increase for the same period last year;
- Sales volume averaged 14,829 BOE/d for the three month period ended March 31, 2004, an 80% increase over the same period last year;
- Harvest continued its development activities in its core areas with capital expenditures of approximately $12.0 million resulting in an exit rate of 15,200 BOE/d at March 31, 2004; and
- Harvest announced the signing of an agreement to acquire 4,200 BOE/d of predominantly light oil properties in the Red Earth area of North Central Alberta through a Plan of Arrangement with Storm Energy Ltd. Harvest expects to close the Red Earth acquisition in June 2004, for consideration of approximately $189 million.

First Quarter Financial and Operational Summary

Financial	**Three months ended March 31**		
($000's except per BOE and per trust unit amounts)	**2004**	**2003**	**% Change**
Revenue, before hedging	47,500	26,230	81%
Revenue, net of hedging	38,445	17,660	118%
Realized hedging loss	9,055	8,570	6%
Cash flow from operations	14,839	6,489	129%
Cash flow from operations per trust unit, basic	$0.87	$0.62	40%
Net income (loss)	(1,065)	3,469	(131%)
Net income (loss) per trust unit, basic	($0.06)	$0.33	(118%)
Distributions declared	10,325	6,024	71%
Distributions declared per trust unit	$0.60	$0.60	-
Payout ratio	69%	93%	(25%)
Capital expenditures	12,011	5,892	104%
Net debt	28,657	22,068	(30%)
Weighed average trust units outstanding, basic	17,179,955	10,387,522	65%
Trust units outstanding at the end of the period	17,281,528	11,114,938	55%

Operating and Reserves	Three months ended March 31		
	2004	**2003**	**% Change**
Average daily sales volumes			
Crude oil and natural gas liquids (Bbls/d)	14,676	8,077	82%
Natural gas (mcf/d)	915	875	5%
Total (BOE/d)	**14,829**	**8,223**	**80%**
Production exit rate (BOE/d)	15,200	8,600	77%

(Natural gas converted to barrel of oil equivalent BOE on a 6:1 basis)

Management's Discussion and Analysis

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

Forward-Looking Information

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

Certain Financial Reporting Measures

The Trust has used certain measures of financial reporting that are commonly used as benchmarks within the oil and natural gas production industry in the following MD&A discussion. The measures discussed are widely accepted measures of performance and value within the industry, and are used by analysts and investors to compare and evaluate oil and natural gas producing entities. These measures are not defined under Canadian generally accepted accounting principles ("GAAP") and should not be considered in isolation or as an alternative to conventional GAAP measures. Certain of these measures are not necessarily comparable to a similarly titled measure of another company or trust. When these measures are used, they are defined as "non-GAAP" and should be given careful consideration by the reader.

Trust Overview

Harvest Energy Trust is an oil and natural gas royalty trust, which focuses on the operation of high quality, mature properties. The Trust employs a conservative approach to the oil and natural gas production business, whereby it acquires high working interest, mature producing properties and employs distinct management techniques. These techniques include diligent, hands-on management to maintain and maximize production rates, application of technologies and selective capital investment to maximize reservoir recovery, enhancing operational efficiencies to control and reduce expenses, unique marketing arrangements and corporate hedging techniques to effectively manage cash flow. The Trust has operations in the Provost region of Eastern Alberta and in the Carlyle region of Southeastern Saskatchewan

Industry Overview

Prices	(average for the three month period ended) March 31, 2004	March 31, 2003	% Change
West Texas intermediate crude oil (US$ per barrel)	$ 35.25	$ 33.80	4%
Edmonton light crude ($ per barrel)	45.68	50.96	(10%)
Lloyd blend crude oil ($ per barrel)	33.22	38.48	(14%)
Bow river blend crude oil ($ per barrel)	34.74	39.70	(12%)
AECO natural gas ($ per mcf)	6.44	8.44	(24%)
Alberta Power Pool electricity price ($ per MWh)	48.83	83.91	(42%)
U.S. / Canadian dollar exchange rate (US$)	1.318	1.510	(13%)
Bank of Canada bank rate	2.72%	3.08%	(12%)

The average price for world crude oil increased period over period, with the North American benchmark West Texas Intermediate crude oil price averaging U.S. $35.25 in the first three months of 2004, in comparison with U.S. $33.80 for the same period in 2003, primarily due to increased international demand, low inventory levels and geo-political uncertainty. With continued geo-political uncertainty in the Middle East and strong demand for crude oil, particularly for gasoline, robust commodity prices are expected to persist through the remainder of 2004.

The exchange rate trend between the U.S. and Canadian dollars showed an increase in the value of the Canadian dollar in 2003. During the three months ended March 31, 2004 relative to the corresponding period of 2003 the average U.S. / Canadian dollar exchange rate increased in value by approximately 12.7%. Recently, due to growing employment levels and anticipation in increases in interest rates in the U.S., the value of the Canadian dollar has retreated. Significantly volatility is anticipated over the remainder of 2004.

Even though the price of WTI in U.S. dollars has increased period on period, crude prices in Canadian dollar terms suffered primarily as a result of the strengthening of the Canadian versus the U.S. dollar. The overall average price increase in the price of WTI was approximately 4.3%, was mitigated by the 12.7% increase in the value of the Canadian dollar relative to the U.S. dollar. This is evidenced by the 10.4% decrease in the average price received for Edmonton light (posted price for light oil delivered to Edmonton) during the first quarter of 2004 relative to the same period of 2003.

The differential between heavy and light crude oil is locally recognized in the pricing of Lloyd and Bow River blend crude prices. Quarter on quarter these differentials widened slightly in Canadian dollar terms.

The average Alberta Electricity System Operator (AESO) electricity price decreased approximately 42% over the same period in 2003. The decrease is due to a combination of factors, including: the 24% decrease in the average AECO natural gas prices, reduction in demand loads as a result of winter weather conditions and electrical generation facilities that were under maintenance in the first quarter of 2003 were in production in 2004.

Summary of Quarterly Results

	2004	*(Restated - Refer to note 3 of the consolidated financial statements)* 2003			
Financial	Q1	Q4	Q3	Q2	Q1
Revenue, net of royalties and hedging	$ 30,418	$ 30,474	$ 21,181	$ 17,622	$ 14,738
Operating expense	13,674	12,984	9,661	6,596	6,804
Net operating income	$ 16,744	$ 17,490	$ 11,520	$ 11,026	$ 7,934
Net income (loss)	(1,065)	6,134	5,673	1,063	3,468
Per trust unit, basic	(0.06)	0.38	0.45	0.09	0.33
Per trust unit, diluted	(0.06)	0.37	0.44	0.09	0.31
Per BOE	(0.79)	4.49	5.42	1.21	4.69
Cash flow from operations	14,839	13,115	16,759	9,547	6,489
Per trust unit, basic (non GAAP)	0.87	0.81	1.35	0.84	0.62
Per trust unit, diluted (non GAAP)	0.84	0.79	1.31	0.82	0.60
Per BOE	11.00	9.59	16.02	11.12	8.77
Sales Volumes					
Crude oil (bbl/d)	14,626	14,497	11,054	9,371	8,034
Natural gas liquids (bbl/d)	50	70	77	67	43
Natural gas (mcf/d)	915	1,744	1,453	1,161	875
Total (BOE/d)	14,829	14,858	11,373	9,632	8,223

Sales Volumes

Harvest's production consists of light, medium and heavy crude oil, natural gas liquids, and natural gas from properties located in East Central Alberta and Southeastern Saskatchewan. Sales volumes, on a barrel of oil equivalent, averaged 14,829 BOE/d, in comparison to 8,223 BOE/d for the three month period ended March 31, 2004 and 2003, respectively. The increased average production in the first quarter of 2004, when compared to the first quarter of 2003, reflects the impact of acquisitions completed in the last three calendar quarters of 2003 and the ongoing optimization and development programs conducted by Harvest on its oil and natural gas properties.

The average production for the first three months of 2004 of 14,829 BOD/d is slightly lower than the 14,858 recorded in the fourth quarter of 2004. This is due to natural production declines, extremely cold weather related

field outages and equipment failure and weather related delays in the performance of the planned optimization and development activities planned to maintain or increase production during the first three months of 2004.
The average daily sales volumes by product were as follows:

	Three month period ended March 31, 2004		Three month period ended March 31, 2003	
Light crude oil (Bbls/d)	**5,053**	**34%**	-	0%
Medium crude oil (Bbls/d)	**4,150**	**28%**	3,181	39%
Heavy crude oil (Bbls/d)	**5,423**	**37%**	4,853	59%
Total oil (Bbls/d)	**14,626**	**99%**	8,034	98%
Natural gas liquids (Bbls/d)	**50**	**0%**	43	1%
Total oil and natural gas liquids (Bbls/d)	**14,676**	**99%**	8,077	98%
Natural gas (mcf/d)	**915**	**1%**	875	2%
Total oil equivalent (6:1 BOE/d)	**14,829**	**100%**	8,223	100%

Harvest exited March 31, 2004 with a daily production rate of approximately 15,200 BOE/d, a 76% increase over the exit rate of 8,627 BOE/d for the period ended March 31, 2003.

The average production rate of 14,829 BOE/d is about the same as the expectations imbedded within the 2004 performance goal of 15,000 – 15,500 BOE/d average disclosed in the MD&A for December 31, 2003. On April 19, 2004 Harvest announced the acquisition of Storm Energy Ltd. ("Storm") via a plan of arrangement. Assuming that this transaction is completed prior to the end of June 2004, Harvest anticipates that 2004 production will increase by approximately 2,000 BOE/d and thus average 17,000 – 17,500 BOE/d.

Revenues

Revenues net of hedging loss and before royalties totaled $38.4 million and $17.7 million which was the result of the Harvest average realized prices of $35.20 and $35.44 per barrel of oil equivalent for the periods ended March 31, 2004 and 2003, respectively. The relative similarity in realized prices period over period is somewhat misleading, as the overall, higher priced, corporate quality (API gravity) of crude increased substantially quarter over quarter offset by a decrease in the overall benchmark for Canadian crude.

	Three month period ended March 31, 2004		Three month period ended March 31, 2003	
Product prices:				
Light oil ($/bbl)	**$**	**41.09**	$	-
Medium oil ($/bbl)		**36.44**		41.60
Heavy oil ($/bbl)		**28.79**		31.16
Natural gas liquids ($/bbl)		**35.00**		39.00
Natural gas ($/mcf)		**5.46**		7.05
BOE ($/BOE)	**$**	**35.20**	$	35.44

Operating Netbacks

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

	(Amounts are expressed on a $ per barrel of oil equivalent)	
	Three month period ended March 31, 2004	Three month period ended March 31, 2004
Market price	**$35.20**	$35.44
Realized hedging loss	**6.71**	11.58
Realized price	**28.49**	23.86
Royalties, net	**5.95**	3.95
Operating costs	**10.13**	9.19
Netback	**$12.41**	$10.72

Harvest paid net royalties of $8.0 million and $2.9 million during the period ended March 31, 2004 and 2003, or approximately $5.95 per BOE and $3.95 per BOE, respectively. The net royalty amount for the three month period ended March 31, 2004 is comprised of $4.8 million in freehold royalties and freehold mineral tax, $3.0 million in crown royalties and $1.2 million in gross overriding royalties net of $1.0 million in royalty income received. In comparison, the net royalty amount for the three month period ended March 31, 2003 was comprised of $2.1 million in freehold royalties and freehold mineral tax, $0.7 million in crown royalties and $0.2 million in gross overriding royalties net of $0.1 million in royalty income received. The net realized royalty percentage with respect to revenue has increased to 16.9% versus 11.1% over the prior year's quarter. This is due to the change in Harvest's royalty structure as the result of the addition of the higher royalty burdened Saskatchewan properties.

Harvest's operating expenses were $13.7 million and $6.8 million or approximately $10.13 and $9.19 per BOE for the three month periods ended March 31, 2004 and 2003, respectively. The $0.94 per BOE ($10.13 less $9.19) year over year increase in unit operating expenses reflects the cost associated with incremental medium and heavy oil production and the addition of the higher per unit operating costs properties in Saskatchewan.

Approximately 40% of Harvest's respective operating costs are related to the consumption of electricity in the first quarter of 2004. Management has utilized fixed price delivery contracts to mitigate electricity price risk within Alberta. For the remainder of fiscal year 2004 Harvest anticipates realizing further benefits from its electricity hedges with approximately 25 MWh of its estimated Alberta electricity hedged at an average price of $45.34 per MWh.

The $10.13 per BOE figure for the first quarter of 2004 is in line with Harvest's performance goals set out in the December 31, 2003 MD&A. The impact of the further efficiencies realized from the Harvest capital program and additional production from the Storm purchase is an anticipated reduction in the overall 2004 average operating expenses to approximately $9.75 - $10.25 per BOE.

General and Administration Expenses

The portion of general and administrative expenditures charged against income totaled $1.6 million or $1.15 per BOE for the three month period ended March 31, 2004, in comparison to $0.7 million or $0.99 per BOE for the three month period ended March 31, 2003. The increase in general and administrative expenses on a per BOE basis quarter over quarter, is the direct result of approximately $0.2 million in expenses related to unit appreciation right expenses, as the result of adoption of the new CICA HB section on stock based compensation, and additional staff and systems required to operate a growing enterprise. The impact on Harvest of the Storm transaction on general and administrative expenses charged against income is anticipated to be a decrease to about $1.00 per BOE for the 2004 calendar year due to anticipated economies of scale.

During the respective periods ended March 31, 2004 and 2003, $0.6 million and $0.2 million of general and administrative costs were capitalized with regards to field enhancement and acquisition activities. The development and optimization opportunities associated with the properties to be added through the Storm transaction will mean that the 2004 capitalized general and administrative expenditures will total nearly $2.4 million.

Interest Expense and Amortization of Deferred Financing Charges

Interest expense and deferred financing charges amounted to $1.3 million and $1.1 million for the period ended March 31, 2004 and 2003, respectively.

Depletion, Depreciation and Accretion

Harvest's depletion, depreciation, and accretion totaled $12.1 million and $6.2 million for the three month periods ended March 31, 2004 and 2003, respectively. This balance is primarily comprised of crude oil and natural gas properties depletion and depreciation of $9.5 million and $5.2 million, depletion of capitalized asset retirement costs of $1.8 million and $0.7 million and approximately $0.8 million and $0.3 million for accretion on the asset retirement obligation for the periods ended March 31, 2004 and 2003, respectively. The depletion rate for oil and natural gas properties was approximately $8.98 and $7.50 per BOE for the respective periods, and is based on the costs of the oil and natural gas properties purchased, capital expenditures incurred, capitalization of general and administrative expenses and the long-lived asset retirement costs.

Future taxes

Future tax recoveries for the three month period ended March 31, 2004 and 2003 ended are comprised of approximately $2.6 million and $1.1 million, respectively. Other than large corporations tax, neither the Trust nor its operating subsidiaries are expected to pay cash taxes in 2004.

The anticipated value of the tax pools associated with the Storm transaction will be less than the net assets acquired.

This will result in a decrease in the future tax recovery currently recorded and disclosed as an asset on Harvest's balance sheet. The precise impact has not been determined as Harvest, Storm and our advisors are reviewing various alternatives associated with the contemplated transaction. Nonetheless, following completion of the Storm transaction, other than an increase in large corporation tax, neither the Trust nor its operating subsidiaries anticipate paying cash income taxes in 2004.

Liquidity and Capital Resources

The Trust's capital investment and operational enhancement programs, as well as current financial commitments are expected to be supported by cash flow generated by operations, bank credit facilities and unitholder reinvestment of distributions paid to the Trust through the distribution reinvestment plan.

The Trust's cash flow from operations and net loss for the three month period ended March 31, 2004 was $14.8 million and $1.1 million, in comparison to cash flow from operations and net income of $6.5 million and $3.5 million respectively, for the corresponding period ended 2003. The net loss of $1.1 million recorded in the first quarter of 2004 includes a $5.5 million non-cash loss ($3.5 million loss after tax) relating to mark to market accounting on certain commodity derivative contracts as required under the new hedge accounting standard. The net income before the non-cash charges was $1.4 million ($0.14 per weighted average trust unit outstanding). There was no impact on cash flow from operations as a result of this change.

As at March 31, 2004 and December 31, 2003 the Trust had working capital, excluding the demand loan, of $7.0 million and $6.5 million respectively.

The Trust's net debt (working capital plus demand loan) at March 31, 2004 was $28.7 million, which is a decrease of $24.9 million in comparison to net debt of $53.6 million as at December 31, 2003. The decrease is primarily the result of the issue of convertible debentures on January 29, 2004, from which the Trust received gross proceeds of $60 million and approximately $57.3 million net of issue costs. Funds from this financing was utilized to repay the $25 million balance of the equity bridge notes issued in the fourth quarter of 2003 with the $32.3 million balance being applied to the demand loan and working capital.

During the first quarter of 2004, the Trust declared $10.3 million in distributions payable to unitholders; $0.20 per trust unit for each of January, February and March 2004. Of the distributions paid, $1.2 million was reinvested into the Trust by unitholders through the issue of 94,844 trust units under the Trust Unitholders' Distribution Reinvestment Plan ("DRIP"). This reflects 12% participation under the DRIP. The Trust anticipates maintaining this distribution rate of $0.20 per trust unit per calendar month in 2004. The distributions will be financed with cash flow generated by operations

Capital Expenditures

Capital expenditures totaled $12.0 million for the three month period ended March 31, 2004, in comparison to $5.9 million for the same period ended 2003. During both periods, the capital expenditures were dedicated to ongoing optimization and development of existing assets.

Excluding the Storm acquisition Harvest anticipates 2004 capital expenditures of approximately $35 million for the year ending December 31, 2004. The $189 million Storm purchase is currently anticipated to lead to an increase in capital spending of approximately $7.0 million. Thus following completion of the Storm transaction, the anticipated total 2004 optimization and development expenditures will be increased to about $42 million.

Capital Fund

The Trust maintains a notional Capital Fund to ensure that funds derived from cash flow are available for future acquisitions and capital spending. As the Capital Fund is a notional item, the fund is not specifically segregated in the financial statements. The Capital Fund balance is calculated as follows: prior period ending balance plus cash flow from operations and amounts financed with net proceeds from equity issues, less distributions declared payable to unitholders and other equity charges (such as interest on Equity Bridge Notes and convertible debentures) less capital and acquisition expenditures. The Trust does not segregate the Capital Fund nor is a liability recorded in the consolidated financial statements. The Trust's policy is to retain and contribute up to 50% of cash flow as contributions to the notional Capital Fund.

At March 31, 2004 the Capital Fund balance was $10.9 million which has been applied to reduce bank debt.

Reclamation Fund

Site restoration involves the surface clean up and reclamation of well sites and field production facilities. In addition, certain plant facilities will require decommissioning, which involves dismantling facilities and reclamation of theses properties. Harvest's total estimated future costs, net of related salvage values, are $35.2 million.

The Board of Directors has established a notional fund to ensure that cash is available to carry out the future site restoration and reclamation work. This fund is notional and the fund is not specifically segregated in the financial statements. The amounts allocated under the fund restrict the utilization of the borrowing base under Harvest's bank credit facilities. The amount currently being accrued is $250,000 per month less actual site restoration and reclamation expenditures incurred. The monthly accrual amount is reviewed annually by Management and the Board of Directors and is adjusted as required.

Future Liquidity Requirements

Harvest intends to continue with its plan to optimize current production with the use of the Capital Fund. From time to time the Trust may require external financing, through both debt and equity, to maintain its business plan of growing through acquisitions and capital expenditures. Access to Harvest obtaining the necessary financing is subject to external factors including, but not limited to, fluctuations in equity and commodity markets, economic downturns and interest and foreign exchange rates. Adverse changes in these factors could require Harvest's Management to alter the current business plan of the Trust.

Harvest anticipates a significant increase in its bank credit facilities or bank calculated borrowing base, based upon the performance of Harvest's existing asset base and the incremental lending value resulting from soon to be acquired Storm assets. The incremental borrowing capacity combined with the issue of trust units elected by Storm shareholders and the assumed Storm working capital is expected to be sufficient to close the $189 million Storm transaction. However, dependent upon market conditions, the Trust will consider additional equity issues in the form of convertible debentures or trust units to strengthen the balance sheet, expand the capital program or to finance additional acquisitions. The Trust currently has access to and may also utilize bridge financing, similar to that used in 2003, if required.

Following the Storm purchase the Trust anticipates that the remaining borrowing capacity, cash flow generated from operating activities and funds from the DRIP will be sufficient for the Trust to pay unitholder distributions of $0.20 per trust unit per month, pay the interest obligations associated with the convertible debentures at the end of May 2004 and November 2004 and carry out the anticipated optimization and development plan currently contemplated.

Off-Balance Sheet Arrangements

The Trust has a number of non-material operating leases attributable to moveable field equipment and vehicles. These leases require periodic lease payments and are recorded as operating costs. The Trust also finances its corporate insurance requirements, whereby a portion of the annual premium is deferred and paid monthly over the balance of the term.

Contractual Obligations

The Trust has entered into the following contractual obligations:

	Maturity			
Annual Contractual Obligation ($ thousands)	Less than 1 year	Years 1 - 3	Years 4 - 5	After 5 Years
Product transportation agreements	35	39	25	-
Operating and premise leases	275	646	646	-

At March 31, 2004, the Trust also had $35.6 million of bank debt outstanding related to short term borrowing through its revolving credit facility and approximately $3.3 million in letters of credit issued primarily to electricity suppliers.

As at March 31, 2004 Harvest Operations Corp. has entered into physical and financial contracts for production with average deliveries of approximately 9,700 barrels per day for the balance of 2004 and 2,800 barrels per day in 2005. Harvest has also entered into financial contracts to minimize its exposure to fluctuating electricity prices and the US / Canadian dollar exchange rate. Please see Note 8 in the Consolidated Financial Statements for further details.

The Trust has entered into a number of insignificant contractual obligations under operating leases and normal course oil and natural gas business relationships. All of these agreements are cancelable on a month to month basis, and do not require additional payment upon defeasance.

Critical Accounting Policies

The Management of the Trust is required to make estimates and assumptions that affect the reported amounts of assets and liabilities when applying Canadian generally accepted accounting principles. The following is a discussion of the accounting policies that are deemed critical by Management in the preparation of the financial results of the Trust.

Oil and Natural Gas Accounting

The Trust follows the Canadian Institute of Chartered Accountants guideline for the full cost method of accounting for the oil and natural gas industry. All costs of acquiring oil and natural gas properties and related exploration and development costs, including overhead charges directly related to these activities, are capitalized and accumulated in one cost center. The maintenance and repairs are charged against income, and renewals and enhancements that extend the economic life of the capital assets are capitalized. Any gains or losses are not recognized on disposition of oil and natural gas properties unless that disposition would alter the rate of depletion by 20% or more. The provision for depletion and depreciation of petroleum and natural gas assets is calculated on the unit-of-production method, based on proved reserves before royalties as estimated by independent petroleum engineers. The basis used for the calculation of the provision is the capitalized costs of petroleum and natural gas assets plus the estimated future development costs of proved undeveloped reserves. Reserves are converted to equivalent units on the basis of six thousand cubic feet of natural gas to one barrel of oil. The reserve estimates used in these calculations can have a significant impact on the net income, and any revision in this estimate could result in a material change to depletion and depreciation expense. In addition, a downward revision of this reserve estimate could require an additional charge against income as a result of the ceiling test calculation prescribed under this guideline. Note 2 to the Consolidated Financial Statements discloses the application of this accounting policy by Harvest.

Asset retirement obligation

The Trust provides for the cost of future site restoration and reclamation based on estimates by Management. These estimates are applied against earnings and to the asset retirement obligation liability account over the expected service life of the underlying assets. Management estimates the expected future costs to abandon and environmentally restore a well or battery site under specific environmental legislation and regulations. These estimates are characteristically difficult to assess due to their expected timing and associated costs at that future date. Due to this estimation, any upward revision of these expected costs or revisions in timing could adversely affect the amount being charged to income. Further details regarding the Trust's asset retirement obligation is disclosed in Note 2 and Note 3 of the Consolidated Financial Statements. Note 2 to the Consolidated Financial Statements discloses the application of this accounting policy by Harvest.

Trust unit incentive plan

The Trust has established a trust unit incentive plan whereby the Trust is authorized to grant to directors, officers, employees, consultants and other service personnel non-transferable rights to purchase trust units. The initial exercise price of rights granted under the plan is equal to the closing market price on the date immediately prior to the date the rights are granted and the maximum term of each right is not to exceed five years. The exercise price of the rights is adjusted downwards from time to time based upon the cash distributions made on the trust units subject to a specific return as outlined in the Trust Units Rights Incentive Plan. Under GAAP the Trust records a compensation expense based on the binomial model of valuation. The binomial model has been utilized by the Trust as it allows for the estimation of the fair value of a trust unit right with a decreasing exercise price, based on the distributions paid from the date of issue to date of exercise. Management is required to make certain assumptions and estimates when applying the binomial model. Further details regarding the Trust's trust unit incentive plan and assumptions and estimates used are included in the Note 6 of the Consolidated Financial Statements.

Changes in Accounting Policies

Asset retirement obligation

The Effective January 1, 2004 the Trust has adopted the CICA Handbook standard for accounting for asset retirement obligation. The new standard requires the Trust to record the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development, and the normal use of the assets. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and depleted and depreciated using a unit of production method over estimated gross proved reserves. Subsequent to the initial measurement of the asset retirement obligations, the obligations are adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The Trust has retroactively applied this standard, and restated prior periods presented for comparability purposes, refer to Note 3 of the Consolidated Financial Statements for specific changes in respect of the application of this accounting standard.

Oil and Natural Gas Accounting

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

Changes in Accounting Standards

Note 2 to the Consolidated Financial Statements describes Harvest's application of each of the accounting standards discussed below. The following is a list of changes to accounting standards that will affect the financial reporting of the Trust in the upcoming year as at April 2004:

Asset retirement obligation

The CICA has issued a new Handbook section 3110 "Accounting for Asset Retirement Obligation" which requires that entities recognize the liability associated with the fair value of future site reclamation and abandonment costs in the financial statements at the time when the liability is incurred. The new standard is effective for fiscal years beginning on or after January 1, 2004, with earlier adoption encouraged. The Trust has elected to adopt this standard in the upcoming fiscal year.

Full cost accounting guideline

In September 2003 the CICA issued Accounting Guideline 16 "Oil and Gas Accounting – Full Cost". The guideline replaces Accounting Guideline 5 "Full Cost Accounting in the Oil and Gas Industry" and is effective for fiscal years beginning on or after January 1, 2004, with earlier adoption encouraged. Under the new guideline the definition for proved and probable reserves has been changed to comply with the new reserve definitions under the recently issued National Instrument 51-101 "Standards of Disclosure for Oil and Gas Activities" issued by the Canadian Securities Administrators. These changes include modifications to the ceiling test calculation, additional disclosure within the notes to the financial statements and changes in accounting for disposals of properties other than by sale. The Trust has elected to adopt this standard in the upcoming fiscal year.

Hedging

In December 2001 the CICA issued Accounting Guideline 13 "Hedging Relationships" that provides guidance on the identification, designation, documentation and measurement of the effectiveness of hedging relationships for the purposes of applying hedge accounting. This guideline is effective for fiscal years beginning on or after July 1, 2003. The Trust has implemented the requirements of this guideline, and determined that its applicable hedges were deemed to be effective as at January 1, 2004. Under the new accounting guideline, certain commodity derivatives entered into do not qualify as effective hedges and are subject to fair value accounting. The commodity derivative contracts that do not qualify are "three-way hedges", whereby crude oil price collars are purchased in conjunction with the sale of an "out of the money" put option to reduce the cost of entering into the contract. Although this contract forms an integral part of the commodity risk management portfolio of the Trust, it does not qualify as a hedge under the new guideline.

Transactions with Related Parties

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

A director of Harvest Operations Corp., owns 4,500 of the convertible debentures issued on January 29, 2004.

A corporation controlled by a director of Harvest Operations sublets office space and is provided administrative services at fair market value.

Risk Management Activities

All of Harvest's risk management activities are carried out under policies approved by the Board of Directors. Harvest intends to execute its business plan to create value for unitholders by paying stable monthly distributions.

As at March 31, 2004 Harvest Operations Corp. had entered into physical and financial contracts for production with a current delivery of approximately 9,700 barrels per day for the balance of 2004 and 2,800 barrels per day in 2005. Harvest has also entered into financial swap and collared contracts for WTI crude oil, LLB differential, US / Canadian dollar exchange rate, electricity and natural gas heat rate, collectively these contracts had a mark to market unrealized loss of $23.1 million as at March 31, 2004. Please refer to Note 8 in the Consolidated Financial Statements for further information.

The following table summarizes the risk management activities undertaken by the Trust, the volumes hedged and the associated unrecognized mark to market gains and losses as at March 31, 2004:

	Maturity		
	2004	2005	2006
Volumes Hedged			
West Texas intermediate crude oil price based swaps (bbls/d)	4,110	785	-
West Texas intermediate crude oil price based collars (bbls/d)	5,500	1,744	-
Lloyd blend crude oil price based swaps (bbls/d)	4,500	-	-
Alberta electricity price based swaps (MW)	25	15	3
Electricity heat rate (GJ/MWh)	-	5	-
Canadian / U.S. dollar based swap (Cdn $ million)	3	-	-
Mark to Market Gains (Losses) ($ thousands)			
West Texas intermediate crude oil price based swaps	(12,886)	(3,934)	-
West Texas intermediate crude oil price based collars	(10,364)	(462)	-
Lloyd blend crude oil price based swaps	1,488	-	-
Alberta electricity price based swaps	1,371	807	208
Electricity heat rate	-	(156)	-
Canadian / U.S. dollar put option	807	-	-
	(19,584)	(3,745)	208

Under Harvest's risk management policy Management enters into crude oil based financial and physical contracts to mitigate the risk of price volatility for its expected production. Management also enters into electricity price based swaps to assist in maintaining stable operating costs. Finally, as a further means to manage revenue risks, Management has entered into foreign exchange contracts to minimize the effect of adverse foreign exchange fluctuations of the Canadian dollar against the U.S. dollar.

Taxability of Cash Distributions paid to Unitholders

Harvest has declared distributions of $0.20 per trust unit in each month of the first quarter of 2004, and anticipates that this rate of distribution will continue throughout the balance of the year. Cash distributions are comprised of a return of capital portion (tax deferred) and a return on capital portion (taxable). Harvest anticipates that between 10% and 25% of the distributions will be a return of capital in 2004.

Key Performance Indicators and 2004 Outlook

Based upon current operations and assuming the successful completion of the Storm transaction prior to the end of the second quarter, the following table provides guidance in respect to 2004 and relative performance for the past year:

	Results Q1 2004	Performance Goals 2004	Results 2003
Daily production (BOE/d)	14,829	16,750 - 17,500	11,040
Average Royalty Rate, net	16.9%	16% - 18%	13.8%
Operating expense ($/BOE)	$10.13	$9.75 - $10.25	$8.94

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

It is important to note that the above figures are estimates based upon Management's current expectations. The ultimate results may vary, perhaps materially.

The table below indicates the impact of changes of key variables on Harvest's cash flow and distributions including the impacts of the hedging program.

Sensitivities

	Variable				
	WTI price/bbl	Heavy Oil LLB differential/bbl	Crude Oil production	Canadian bank prime rate	Foreign exchange Cdn. / U.S.
Assumption	$32.00 US	$9.50 US	16,900 bbl/d	4.25%	1.34
Change (plus or minus)	$1.00 US	$1.00 US	1,000 bbl/d	1.00%	0.01
Cash flow from operations ($000's)	$2,500	$1,900	$6,100	$990	$1,100
Per trust unit, basic	$0.13	$0.10	$0.32	$0.05	$0.06
Per trust unit, diluted	$0.12	$0.10	$0.31	$0.05	$0.06
Payout ratio	2.0%	1.5%	5.0%	0.8%	0.9%

Harvest Energy Trust

Consolidated Balance Sheets

(thousands of dollars)

	March 31, 2004	(Restated, Note 3) December 31, 2003
Assets	***(Unaudited)***	*(Audited)*
Current assets		
Accounts receivable	**$ 13,696**	$ 19,168
Prepaid expenses and deposits	**19,309**	12,131
	33,005	31,299
Deferred financing charges, net of amortization	**1,245**	1,989
Future income tax	**15,172**	12,609
Property, plant and equipment *[Note 3]*	**211,236**	210,543
	$ 260,658	$ 256,440
Liabilities and Unitholders' Equity		
Current liabilities		
Bank indebtedness	**$ 2,819**	$ 3,274
Accounts payable and accrued liabilities	**18,714**	17,186
Accrued interest payable	**1,061**	232
Cash distributions payable	**3,456**	3,422
Demand loan	**35,611**	60,075
Equity bridge interest payable *[Notes 4 and 10]*	**-**	665
	61,661	84,854
Commodity derivative contracts *[Note 8]*	**5,491**	-
Asset retirement obligation *[Note 3]*	**42,744**	42,009
	109,896	126,863
Unitholders' equity		
Unitholders' capital *[Note 5]*	**119,527**	117,407
Equity bridge notes *[Notes 4 and 10]*	**-**	25,000
Convertible debentures *[Note 7]*	**56,374**	-
Accumulated income	**17,311**	19,478
Contributed surplus	**422**	239
Accumulated cash distributions	**(42,872)**	(32,547)
	150,762	129,577
	$ 260,658	$ 256,440

Subsequent events [Note 11]

Commitments and contingencies [Note 12]

See accompanying notes to consolidated financial statements.

Approved by the Board of Directors:

Director Director

Harvest Energy Trust

Consolidated Statement of Income and Accumulated Income

(Unaudited)

(thousands of dollars, except per trust unit amounts)

		Three Months Ended March 31, 2004		*(Restated, Note 3)* Three Months Ended March 31, 2003
Revenue				
Oil and natural gas sales	**$**	**47,500**	$	26,230
Royalty expense, net		**(8,027)**		(2,922)
Hedging loss		**(9,055)**		(8,570)
Mark to market loss of commodity derivative contracts *[Note 8]*		**(5,491)**		-
		24,927		14,738
Expenses				
Operating		**13,674**		6,804
General and administrative		**1,554**		731
Interest		**519**		651
Finance charges and amortization of deferred finance charges		**744**		462
Depletion, depreciation and accretion		**12,116**		6,229
Foreign exchange gain		**(68)**		(2,503)
		28,539		12,374
Income (loss) before taxes		**(3,612)**		2,364
Taxes				
Large corporation tax		**16**		20
Future tax expense		**(2,563)**		(1,125)
Net income (loss) for the period		**(1,065)**		3,469
Interest on equity bridge notes *[Note 4]*		**(185)**		-
Interest on convertible debentures *[Note 7]*		**(917)**		-
Accumulated income, beginning of period		**19,478**		5,136
Accumulated income, end of period	**$**	**17,311**	$	8,605
Net income (loss) per trust unit *[Notes 5 and 6]*				
Income (loss) per trust unit, basic	**$**	**(0.06)**	$	0.33
Income (loss) per trust unit, diluted	**$**	**(0.06)**	$	0.32

See accompanying notes to consolidated financial statements.

Harvest Energy Trust

Consolidated Statement of Cash Flows

(Unaudited)

(thousands of dollars, except per trust unit amounts)

	Three Months Ended March 31, 2004	*(Restated, Note 3)* Three Months Ended March 31, 2003
Cash provided by (used in)		
Operating Activities		
Net income (loss) for the period	$ **(1,065)**	$ 3,469
Items not requiring cash		
Depletion, depreciation and accretion	**12,116**	6,229
Foreign exchange (gain) loss	**(68)**	(2,503)
Amortization of finance charges	**745**	406
Mark to market loss of commodity derivative contracts *[Note 8]*	**5,491**	-
Future tax recovery	**(2,563)**	(1,125)
Unit based compensation	**183**	13
Cash flow from operations	**14,839**	6,489
Site restoration and reclamation expenditures	**(64)**	-
Change in non-cash working capital *[Note 9]*	**(270)**	2,090
	14,505	8,579
Financing Activities		
Issue of trust units, net of costs	**(72)**	13,844
Issue of trust units under the distribution reinvestment plan, net of costs *[Note 5]*	**1,235**	1,575
Repayment of equity bridge notes *[Notes 4 and 10]*	**(25,000)**	-
Interest on equity bridge notes	**(850)**	-
Issuance of debentures, net of costs	**57,331**	-
Increase in demand loan	**27,500**	5,631
Repayment of demand loan	**(52,151)**	(23,666)
Cash distributions	**(10,290)**	(5,663)
Change in non-cash working capital balances related to financing activities *[Note 9]*	**34**	650
	(2,263)	(7,629)
Investing Activities		
Additions to property, plant and equipment	**(12,011)**	(5,892)
Change in non-cash working capital balances related to investing activities *[Note 9]*	**224**	2,205
	(11,787)	(3,687)
Increase (decrease) in cash and short-term investments	**455**	(2,737)
Cash (bank indebtedness), beginning of period	**(3,274)**	4,503
Cash (bank indebtedness), end of period	$ **(2,819)**	$ 1,766
Cash interest payments	$ **518**	$ 56
Cash tax payments	$ **16**	$ 36
Cash distributions declared per unit	$ **0.60**	$ 0.60

See accompanying notes to consolidated financial statements.

1. Significant accounting policies

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

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

2. Changes in accounting policy

a) Full cost accounting guideline

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

b) Asset retirement obligation

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

c) Financial instruments

Effective January 1, 2004, the Trust has implemented CICA Accounting Guideline 13 "Hedging Relationships". This guideline addresses the identification, designation and effectiveness of financial contracts for the purpose of application of hedge accounting. Under this guideline, financial derivative contracts must be designated to the underlying revenue or expense stream that they are intended to hedge, and tested to ensure they remain sufficiently effective. For transactions that do not qualify as designated hedges, the Trust applies a fair value method of accounting by initially recording an asset or liability, and recognizing changes in the fair value of the derivative instruments in income. *[Note 8]*

3. Asset retirement obligation

The Trust's asset retirement obligations result from net ownership interests in petroleum and natural gas assets including well sites, gathering systems and processing facilities. The Trust estimates the total undiscounted amount of cash flows required to settle its asset retirement obligations is approximately $77 million which will be incurred between 2004 and 2019. The majority of the costs will be incurred between 2015 and 2019. A credit-adjusted risk-free rate of 7.5 percent was used to calculate the fair value of the asset retirement obligations.

A reconciliation of the asset retirement obligations is provided below:

Asset retirement obligations	Three month period ended March 31, 2004	Three month period ended March 31, 2003	Year ended December 31, 2003
Balance, beginning of period	$ 42,010	$ 15,566	$ 15,566
Liabilities incurred in the period	-	-	25,176
Liabilities settled in the period	(64)	-	(577)
Accretion expense	798	292	1,845
Balance, end of period	$ 42,744	$ 15,858	$ 42,010

The effect of this change in accounting policy *[Note 2]* has been recorded retroactively with restatement of prior periods. The effect of the adoption is presented below as increases (decreases):

Balance sheet		As at December 31, 2003
Asset retirement costs, included in property, plant and equipment	$	35,166
Asset retirement obligations		42,009
Site restoration provision		(4,899)
Future income tax		1,024
Retained earnings	$	(1,498)

Income statement		Three month period ended March 31, 2003
Accretion expense	$	292
Depletion and depreciation on asset retirement costs		726
Site restoration and reclamation		(565)
Future tax recovery		(184)
Net earnings change		(269)
Basic net earnings per share		(0.03)
Diluted net earnings per share	$	(0.02)

4. Equity bridge note

On January 26 and 29, 2004, the Trust repaid the two equity bridge note agreements outstanding in the amounts of $7.4 million and $17.6 million, respectively. During the month, the Trust also paid the accrued and outstanding interest in the amount $850.

5. Unitholders' capital

(a) Authorized

The authorized capital consists of an unlimited number of trust units.

(b) Issued

	Number of units		Amount
As at, December 31, 2003	17,109,006	$	117,407
Trust unit issue (i)	71,428		957
Unit appreciation rights exercise (ii)	6,250		57
Distribution reinvestment plan issuance (iii)	94,844		1,235
Share issue costs	-		(129)
As at, March 31, 2004	17,281,528	$	119,527

(i) On March 15, 2004, 1,000 convertible debentures were converted at the option of the holder, into 71,428 trust units and $11 in accrued interest and fractional units. *[Note 7]*

(ii) On March 17, 2004, 6,250 trust unit appreciation rights were exercised, for proceeds of $57.

(iii) The following table summarizes the issuance of trust units under the distribution reinvestment plan (“DRIP”):

Distribution Month	Record Date	Payment Date	Trust units issued under DRIP		Amount
As at, December 31, 2003			1,009,006	$	10,638
December	December 31, 2003	January 15, 2004	54,761		719
January	January 31, 2004	February 16, 2004	15,103		185
February	February 27, 2004	March 15, 2004	24,980		331
As at, March 31, 2004			1,103,850	$	11,873

(c) Per trust unit information

The following table summarizes the trust units used in calculating income per trust unit:

	Three Months Ended March 31, 2004	Three Months Ended March 31, 2003
Weighted average trust units outstanding, basic	17,130,519	10,387,522
Effect of trust unit rights	430,194	221,767
Weighted average trust units outstanding, diluted	17,560,713	10,609,289

6. Trust unit incentive plan

A trust unit incentive plan has been established whereby the Trust is authorized to grant non-transferable rights to purchase trust units to directors, officers, consultants, employees and other service providers to an aggregate of 1,121,000 trust units. The initial exercise price of rights granted under the plan is equal to the closing market price on the date immediately prior to the date the rights are granted and the maximum term of each right is not to exceed five years. The exercise price of the rights is adjusted downwards from time to time based upon the cash distributions made on the trust units if the minimum distribution rate is met. The following summarizes the trust units reserved for issuance under the trust unit incentive plan:

	Trust unit rights		Weighted average exercise price
As at, December 31, 2003	1,065,150	$	6.86
Granted	25,700		13.54
Cancelled	(15,875)		(8.59)
Exercised in trust units	(6,250)		(5.20)
Exercised in cash	(5,000)		(7.62)
Average reduction in exercise price due to distributions	-		(0.59)
As at, March 31, 2004	1,063,725	$	6.39

All of the trust unit rights outstanding vest equally over the next four years on their anniversary date.

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

	Three Months Ended March 31, 2004	Three Months Ended March 31, 2003
Expected volatility	23.3%	27.5%
Risk free interest rate	4.06%	3.00%
Expected life of the trust unit rights	4 years	4 years
Estimated annual distributions per unit	$2.40	$2.40

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

			(Restated, Note 3)
		Three Months Ended March 31, 2004	Three Months Ended March 31, 2003
Net income	As reported	($1,066)	$3,469
	Pro forma	($1,449)	$3,035
Income per unit - basic	As reported	($0.06)	$0.33
	Pro forma	($0.07)	$0.29
Income per unit - diluted	As reported	($0.06)	$0.32
	Pro forma	($0.08)	$0.28

During the three month periods ended, the Trust has recognized $183 and $13 respectively in compensation expense and included it in general and administrative expense in the consolidated statement of income and accumulated income.

7. **Convertible debentures**

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

The impact of the convertible debentures on the diluted earnings per share calculation was anti-dilutive for the three month period ended March 31, 2004, and not included in the calculation.
On March 15, 2004, 1,000 convertible debentures were converted at the option of the holder, into 71,428 trust units and $11 in accrued interest and fractional units.

8. **Financial instruments**

The Trust uses oil sales contracts and derivative financial instruments to mitigate the effect of fluctuations in commodity prices on prices realized. The following is a summary of the oil sales contracts with price swap or collar features as at March 31, 2004, that have fixed future sales prices:

Commodity swap contracts based on West Texas Intermediate				
Daily Quantity	Term	Price per Barrel (Note 1)		Mark to Market Gain (Loss)
500 Bbls/d	April through December 2004	U.S. $24.12 ($15.50)	$	(1,784)
1,500 Bbls/d	April through December 2004	U.S. $28.02		(3,243)
2,630 Bbls/d	April through June 2004	U.S. $24.10		(3,398)
1,880 Bbls/d	July through September 2004	U.S. $23.19		(2,346)
1,825 Bbls/d	October through December 2004	U.S. $22.95		(2,115)
500 Bbls/d	January through December 2005	U.S. $24.00		(1,634)
1,100 Bbls/d	January through March 2005	U.S. $22.38		(1,212)
1,030 Bbls/d	April through June 2005	U.S. $22.18		(1,088)
Commodity swap contracts based on the Lloydminster Blend Crude differential				
4,500 Bbls/d	April through December 2004	U.S. ($7.85)	$	1,488
Commodity collar contracts based on West Texas Intermediate				
2,500 Bbls/d	April through December 2004	U.S. $22.00 – 28.10	$	(5,337)
3,000 Bbls/d	April through December 2004	U.S. $25.79 – 30.05 ($19.31)		(5,027)
2,500 Bbls/d	January through June 2005	U.S. $28.40 – 32.25 ($21.80)		(276)
1,000 Bbls/d	July though December 2005	U.S. $27.75 – 30.65 ($22.00)		(186)

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

The following is a summary of electricity price hedging swap contracts entered into by Harvest Operations Corp. to fix the cost of future electricity usage as at March 31, 2004:

Commodity swap contracts based on electricity prices			
Quantity	Term	Price per Megawatt	Mark to Market Gain (Loss)
15MW	April through December 2004	Cdn $45.83	$957
5MW	January through December 2005	Cdn $43.00	$186
9.75MW	April 2004 through March 2006	Cdn $44.50	$1,243

Commodity swap contracts based on electricity heat rate			
Swaps	Term	Price	Mark to Market Gain (Loss)
5MW	January through December 2005	8.40 GJ/MWh	($156)

Foreign Currency Contracts			
Monthly Contract Amount	Term	Contract Rate	Mark to Market Gain
U.S. $3 million	April through December 2004	1.3333 Cdn / U.S.	$ 807

At March 31, 2004 the net mark-to-market unrealized loss for all the financial derivative contracts entered into by Harvest Operations Corp. was approximately $23.1 million. Harvest Operations Corp. has provided deposits to some counterparties for a portion of its financial derivative contracts, based on the mark-to-market value of those contracts at the end of the trading day. As at March 31, 2004, the amounts deposited totaled $19.2 million and are recorded in the prepaid expense and deposits balance.

Upon the implementation of the CICA Accounting Guideline 13, the Trust recorded a liability and a corresponding unrealized mark to market loss of $5.5 million.

9. Change in non-cash working capital

	Three Months Ended March 31, 2004	Three Months Ended March 31, 2003
Changes in non-cash working capital items:		
Accounts receivable	$ 5,472	$ 1,148
Prepaid expenses and deposits	(7,178)	(983)
Accounts payable and accrued liabilities	1,528	4,167
Cash distributions payable	34	650
Accrued interest payable	829	(36)
Equity bridge interest payable	(665)	-
	$ 20	$ 4,946
Changes relating to operating activities	$ (270)	$ 2,090
Changes relating to financing activities	34	651
Changes relating to investing activities	224	2,205
Add: Non cash changes	32	-
	$ 20	$ 4,946

10. Related party transactions

A director and a corporation controlled by a director of Harvest Operations Corp., were repaid $25 million under the equity bridge note during the three month period ended March 31, 2004. The Trust paid $850 of the total interest accrued and payable during the year. *[Note 4]*

A director of Harvest Operations Corp., owns 4,500 of the convertible debentures issued on January 29, 2004. *[Note 7]*

A corporation controlled by a director of Harvest Operations Corp. sublets office space and is provided administrative services at fair market value.

11. Subsequent events

On April 12, 2004, Harvest Operations Corp. sold forward U.S.$4.4 million to be settled for Cdn.$5.9 million on May 25, 2004. On the same date, Harvest Operations Corp. sold forward U.S.$10.4 million settled for Cdn.$13.8 million on April 26, 2004. The purpose of these transactions was to fix the Canadian dollar equivalent on oil and natural gas revenues that will be paid to Harvest Operations Corp. in U.S. dollars by the purchaser.

On April 19, 2004, the Trust announced a plan of arrangement with Storm Energy Ltd. ("Storm"), whereby the Trust will acquire all of the outstanding shares of Storm for approximately $189 million, including assumed net debt of approximately $64 million. The shareholders of Storm will be asked to approve the plan of arrangement at a special meeting to be held in June 2004.

On April 28, 2004, Harvest Operations Corp. sold forward U.S.$8 million to be settled for Cdn.$11 million on May 25, 2004.

On May 6, 2004, 24,000 trust unit appreciation rights were granted to employees of Harvest Operations Corp., with an exercise price of $15.08.

On May 11, 2004, $100 of the convertible debentures issued on January 29, 2004 were converted into 7,142 trust units. In conjunction with this conversion, the Trust also paid an approximate total of $3 in cash for accrued interest and in lieu of fractional units.

The following is a summary of the oil sales contracts with price swap or collar features that were entered into by Harvest Operations Corp. subsequent to March 31, 2004, that have fixed future sales and purchase prices:

Commodity collar contracts based on West Texas Intermediate			
Trade Date	Collar	Term	Price per Barrel
April 28, 2004	500 Bbls/d	July through December 2005	U.S. $29.00 – 35.00 ($23.00)

The following is a summary of the Trust distributions announced and paid subsequent to March 31, 2004:

Distribution Month	Record Date	Payment Date	Trust units issued under DRIP	Total Amount of Distribution
March	March 31, 2004	April 15, 2004	21,825	3,456
April	April 30, 2004	May 17, 2004		3,461
May	May 31, 2004	June 15, 2004		

Note: The trust units to be distributed under the DRIP for the April distribution have not yet been determined.
The amount to be distributed and the allocation to the DRIP for the May distribution have not yet been determined.

12. Commitments and contingencies

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

The Trust has letters of credit outstanding in the amount of approximately $3.3 million, related to electricity infrastructure usage. These letters are provided by the Trust's lenders under the availability of the demand loan. The letters expire throughout 2004, and are expected to be renewed as required.

Harvest Energy Trust is a Calgary based oil and natural gas trust that strives to deliver stable monthly cash distributions to its Unitholders through its strategy of acquiring, enhancing and producing crude oil, natural gas and natural gas liquids. Harvest's assets, comprised of high quality light, medium and heavy gravity crude oil properties in East Central Alberta and South East Saskatchewan, and its hands on operating strategy underpin Harvest's objective to deliver superior economic returns to Unitholders.

For further information, please contact either:

Jacob Roorda, President or David M. Fisher, Vice President, Finance

Harvest Energy Trust
1900, 330 – 5th Avenue S.W.
Calgary, AB T2P 04
Canada

Telephone: (403) 265-1178
Facsimile: (403) 265-3490
Email address: information@harvestenergy.ca
Website: www.harvestenergy.ca
TSE Symbol: HTE.UN