Harvest Energy Trust – News Release

(HTE.UN – TSX)

HARVEST ENERGY TRUST ANNOUNCES FIRST QUARTER 2003 RESULTS, EASTERN ALBERTA PROPERTIES ACQUISITION AND CONFIRMS DISTRIBUTION GUIDANCE

MAY 29, 2003

Calgary, May 29, 2003 (TSX: HTE.UN) – Harvest Energy Trust ("Harvest") today announced its unaudited operating and financial results for the first quarter 2003, the acquisition of certain Eastern Alberta properties and distribution guidance.

FIRST QUARTER HIGHLIGHTS

- Sales volume averaged 8,223 BOE/d;
- Cash flow from operations during Q1 was $0.62 per trust unit after hedging losses ($1.45 per trust unit prior to hedging losses);
- Distributions of $0.60 per trust unit;
- Successfully drilled eight horizontal wells in Hayter; Proceeding with follow-up eight well drilling program in Q2;
- Completed a financing of 1.5 million Special Warrants at $10.00 each for gross proceeds of $15 million; and
- Subsequent to the end of the quarter on April 11, 2003 acquired the Killarney property adding 925 BOE/d of production and on May 28, 2003 entered into an agreement to acquire the Eastern Alberta properties, set out below.

EASTERN ALBERTA PROPERTIES ACQUISITION HIGHLIGHTS

- Acquiring 1,350 BOE/d of production and 1.454 million BOE of established reserves on favourable terms ($9,800 per BOE/d and $9.08 per BOE);
- Accretive to cash flow per trust unit in 2003;
- Similar operating characteristics to existing assets in Eastern Alberta; and
- Further ownership consolidation in the Killarney property, acquired in April 2003.

DISTRIBUTION GUIDANCE

Harvest confirms that subject to monthly review and approval by the Board of Directors of Harvest Operations Corp. Harvest intends to continue to distribute $0.20 per trust unit per month. Although the recent acquisitions are accretive to cash flow per trust unit, additional cash flow derived from the acquired properties will be used to fund Harvest's ongoing property enhancement program and acquisition strategy.

FIRST QUARTER FINANCIAL AND OPERATIONAL SUMMARY

Financial *($000's except per BOE and per trust unit amounts)*	**Three months ended March 31, 2003**
Net revenue, before hedging	$23,307
Net revenue, net of hedging	$14,738
Hedging Loss	$8,570
Cash flow from operations	$6,489
Cash flow from operations per trust unit	$0.62
Net income	$3,736
Net income per trust unit	$0.36
Capital expenditures	$5,893
Net debt	$22,351

Financial *($000's except per BOE and per trust unit amounts)*	**Three months ended March 31, 2003**
Declared distributed to unitholders	$6,024
Declared distributions per trust unit	$0.60
Weighed average trust units outstanding	10,387,522
Trust units outstanding at the end of the period	11,114,938

Operating and Reserves *(Natural gas converted to barrel of oil equivalent (BOE) on a 6:1 basis)*	**Three months ended March 31, 2003**	**Period ended December 31, 2002**
Average daily sales volumes		
Crude oil and natural gas liquids (Bbls/d)	8,077	4,203
Natural gas (mcf/d)	875	624
Total (BOE/d)	**8,223**	**4,307**
Production exit rate (BOE/d)	8,600	8,610

EASTERN ALBERTA PROPERTIES ACQUISITION

Harvest announces that its wholly owned subsidiary, Harvest Operations Corp., has entered into an agreement to purchase oil and natural gas producing properties in the Amisk, Czar, Hayter and Killarney fields for consideration of approximately $13 million subject to final adjustments. The acquisition is expected to close prior to June 15, 2003.

The acquisition will be financed through the issuance of 625,000 trust units, a cash payment of $6 million and the assumption of certain liabilities. Debt outstanding following closing of this acquisition is expected to be approximately $49 million, or approximately 1.1 times annualized cash flow pro forma this acquisition.

Properties Highlights:

- Current production of 1,350 BOE; The majority of the production is derived from the Amisk and Czar properties ($9,800 per BOE/d);
- Established reserves as determined by McDaniel & Associates, of 1.454 million BOE ($9.08 per BOE);
- Accretive to cash flow per trust in 2003;
- Similar operating characteristics and situated in close proximity to Harvest's core operating area in Eastern Alberta, enabling operating efficiencies;
- Similar reservoir characteristics to Harvest's existing properties; High quality, mature production from large original-oil-in-place supported by an active natural water drive;
- Property consolidation through the acquisition of an incremental 20% working interest in a portion of the Killarney property, acquired in April, 2003, bringing interest to 83% in this portion;
- Property enhancement from production optimization to yield incremental production and reduce operating expenses;
- Production from this property is medium gravity at 19º API gravity; and
- Trust units outstanding following the acquisition will be approximately 12.1 million.

2003 OUTLOOK

Combining the incremental performance for the production from these properties and Harvest's 2003 existing base of production, Harvest expects its last three quarters of 2003 to be:

	Last 9 months of 2003	12 months of 2003
Average Production	10,600 BOE/d	10,000 BOE/d
Average Royalty Rate	14%	13%
Operating Expenses	$9.00 per BOE	$9.04 per BOE
Payout Ratio	70%	75%

FIRST QUARTER MESSAGE TO UNITHOLDERS

The first quarter of 2003 was active for Harvest with the commencement of the first development drilling program and the ongoing optimization of field operations. Results were in-line with expectations except for two items that impacted operational and financial performance. Specifically, Harvest experienced higher operating expenses than had originally been expected as a result of higher electrical power costs in Alberta. Electrical power costs were driven primarily by the high natural gas prices experienced during the quarter. On average, power costs represent approximately 60% of Harvest's total operating expenses. As a result of higher than expected power cost Harvest's operating expenses were $1.3 million (22%) higher than originally forecast for the first quarter. All other components of operating expenses have remained, on the whole, in line with expectations.

Base levels of production from Harvest's assets is essentially in-line with expectations. However, due to seasonal weather delays in implementing our capital spending program (primarily drilling at the Hayter property) Harvest's first quarter production was 4% lower than originally expected. Consequently, cash flow was $0.7 million lower than expectation.

These effects resulted in cash flow from operations of $6.8 million, which was approximately $2 million lower than originally expected.

Harvest has continued to build elements into its risk management strategy to mitigate the impact of potential swings in future electrical power costs and oil pricing through the execution of several favourable power hedges and crude oil sales hedges. (For a detailed description see the Notes to the Financial Statements, attached). Furthermore, the full positive impact of the first quarter drilling program and the closing of the Killarney acquisition are now being felt. Further positive production and cash flow performance are anticipated from the closing of the Eastern Alberta properties acquisition. Combining these effects, the payout ratio for cash flow for the last three quarters is anticipated to average approximately 70%.

As described above, Harvest anticipates significant improvements in operating and payout performance as the balance of the year unfolds. We remain committed to a strategy of maintaining the distribution rate of $0.20 per trust unit per month, while continuing to deploy retained cash flow into ongoing property enhancement and additional property acquisitions.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

Management's discussion and analysis ("MD&A") of Harvest Energy Trust's financial condition and results of operations should be read in conjunction with Harvest's unaudited interim consolidated financial statements for the three month period ended March 31, 2003 and the audited consolidated financial statements and MD&A for the period from July 10 (date of formation) to December 31, 2002.

Forward-Looking Information

The following discussion contains forward-looking information with respect to Harvest Energy Trust ("Harvest" or the "Trust"). 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. The information and opinions concerning the Trust's future outlook are based on information available at May 2003.

Sales Volumes

Harvest's production consists of medium and heavy oil, natural gas liquids, and natural gas from properties located in East Central Alberta. Sales of oil and natural gas averaged 8,223 BOE/d in the three month period ended March 31, 2003.

Average Sales Volumes

Medium oil	3,181 Bbls/d	38%
Heavy oil	4,853 Bbls/d	59%
Total oil	8,034 Bbls/d	97%
Natural gas liquids	43 Bbls/d	1%
Total oil and natural gas liquids	8,077 Bbls/d	98%
Natural gas	875 mcf/d	2%
Total oil equivalent (6:1)	8,223 BOE/d	100%

Harvest exited March 31, 2003 with a daily production rate of 8,627 BOE/d, which reflects the impact of the ongoing development and optimization activities. Harvest anticipates further production growth in the balance of 2003 due to oil and natural gas property acquisitions and the continuing development and optimization program.

Revenue

Revenues, before royalties, totaled $26.230 million during the three month period ended March 31, 2003, which was the result of average realized prices of $35.07 per barrel for oil and natural gas liquids and $9.38 per mcf for natural gas. The overall impact of Harvest's hedging program is an approximate decrease in revenue of $11.58 per BOE of production. Harvest plans to continue with its current hedging strategy, and based on projected production has approximately 70% of the balance of 2003 hedged at an average WTI based price of $35.09 Cdn per barrel.

Operating Netbacks

The following is a summary of Harvest's operating netbacks for the three month period ended March 31, 2003.

	($/BOE) March 31, 2003
Market price	$35.44/BOE
Hedging loss	$11.58/BOE
Selling price	$23.86/BOE
Royalties, net	$3.95/BOE
Operating costs	$9.19/BOE
Netback	$10.72/BOE

Royalty Expense

Harvest paid net royalties of $2.923 million in the three month period ended March 31, 2003 or approximately $3.95 per BOE. The net royalty amount is comprised of $1.709 million in freehold royalties, $1.145 million in crown royalties and mineral taxes and $0.125 million in gross overriding royalties. The balance relates to $0.056 million in royalty income received.

Operating Expenses

Harvest's operating expenses were $6.804 million in the three month period ended March 31, 2003, or approximately $9.19 per BOE. Substantially all of the entity's properties are operated by Harvest. The significant portions of Harvest's operating costs were electricity (65%) and maintenance (14%). During the three month period ended March 31, 2003, electricity costs increased significantly due to market fluctuations. For the remainder of 2003, Harvest has approximately 50% of its current electricity usage hedged at an average price of $45.11 per MWh, which is anticipated to reduce the overall electricity expense.

General and Administration Expenses

General and administrative expenses totaled $0.887 million or $1.20 per BOE for the three month period ended March 31, 2003. Of this amount, $0.731 million or $0.99 per BOE was charged against income with the balance in the amount of $0.156 million or $0.21 per BOE of general and administrative costs were capitalized with respect to field enhancement and acquisition activities.

Interest Expense and Amortization of Deferred Financing Charges

Interest expense and deferred financing charges amounted to $1.112 million in the three month period ended March 31, 2003. Interest charges were $0.706 million, while amortized deferred financing charges associated with fees to secure bank lending facilities amounted to $0.406 million. The deferred financing charges will be amortized on a straight-line basis over the life of the bank credit facility.

Depletion, Depreciation and Amortization and Future Site Reclamation Expenses

Harvest's depletion, depreciation, and amortization and site restoration provision totaled $5.777 million for the three month period ended March 31, 2003. This balance is comprised of oil and natural gas properties depletion and depreciation of $5.188 million, $0.024 for depreciation of office furniture and equipment, and $0.565 million for future abandonment and site restoration costs. The depletion rate for oil and natural gas properties was approximately $7.01 per BOE and is based on the costs of the oil and natural gas properties purchased, capital expenditures incurred and capitalization of general and administrative expenses. The $0.76 per BOE rate used to provide for future site reclamation costs is founded on an ultimate future expenditure of approximately $9.214 million estimated by management and an independent third party. The depreciation of office furniture and equipment has been calculated on a straight-line basis of 10% to 33%.

Effective January 1, 2003, the Board of Directors of Harvest Operations has approved a proposed amendment to the Net Profit Interest Agreement dated September 27, 2002, removing the requirement to maintain cash in a segregated reclamation fund. The cash requirements for future site restoration and abandonment will now be funded through an allocation of a portion of the Trust's borrowing base. As at March 31, 2003, Harvest had internally allocated approximately $0.600 million of the current facility outstanding. Harvest determined that this amendment was more in line with trust unitholders interests, as the money previously segregated for the reclamation fund could be applied to outstanding debt and reduce overall interest expense.

Income Taxes

Income taxes for the three month period ended March 31, 2003 are comprised of $0.020 in large corporation tax and a $0.920 million future income tax recovery. Other than large corporations tax, neither the Trust nor its operating subsidiary are expected to pay cash taxes in 2003.

Cash Flow and Income

For the three month period ended March 31, 2003, consolidated cash flow from operations and net income were $6.489 million ($8.77 per BOE) and $3.736 million ($5.05 per BOE), respectively. The corresponding per trust unit figures are $0.62 (diluted – $0.60) and $0.36 (diluted $0.34).

Capital Expenditures

Capital expenditures totaled $5.893 million in the first three months of 2003. These expenditures have been almost entirely dedicated to the ongoing optimization program of Harvest's properties acquired in 2002. We anticipate this program to be substantially completed during the third quarter of 2003, with an overall estimated cost of $13.1 million.

Subsequent to the end of the quarter, on April 11, 2003 Harvest closed the purchase of the Killarney properties in Eastern Alberta through its wholly owned subsidiary, Harvest Operations Corp. discussed herein This asset purchase added approximately 925 BOE/d in production, and was purchased for consideration of $13.2 million.

On May 26, 2003, Harvest entered into an agreement to purchase oil and natural gas producing properties, through its wholly owned subsidiary Harvest Operations Corp. The asset purchase will add approximately 1,350 BOE/d in production, and will be purchased for total consideration of approximately $13 million consisting of cash and approximately 625,000 trust units. The purchase is anticipated to close during the second quarter.

Capitalization and Financial Resources

As at March 31, 2003, bank debt was approximately $24.748 million and unamortized deferred financing costs were $1.803 million, compared to balances of $45.286 million of bank debt and $2.210 million of deferred financing charges as at December 31, 2002.

The working capital balance as at March 31, 2003 was $2.397 million, which resulted in an overall net debt of $22.351 million. The decrease of $12.337 million in net debt from December 31, 2002 is due to the trust unit offering on February 4, 2003 and the favourable results of the foreign exchange rate with regard to the U.S. dollar based facility. The impact of both of these factors is partially offset by the debt utilized in financing the expenditures for Harvest's optimization program.

On February 4, 2003, Harvest issued 1.5 million special warrants for net proceeds of $13.6 million, which were subsequently exercised into trust units on March 7, 2003. An additional 150,000 warrants outstanding at December 31, 2003 were exercised into trust units on a one-for-one basis for net proceeds of $150,000.

Distributions

During the first quarter of 2003, Harvest paid distributions of $0.20 per month. Of the distributions declared in 2003, approximately 40% were reinvested by unitholders through Harvest's distribution reinvestment plan. This resulted in a net cash distributions paid during the quarter of $4.388 million. The Trust anticipates the 2003 distributions will likely be 45% taxable, and a 55% return of capital to Unitholders. Additional oil and natural gas property acquisitions may change the taxability of the distributions.

Harvest Energy Trust
Consolidated Balance Sheets

		March 31, 2003		December 31, 2002
Assets		***(Unaudited)***		*(Audited)*
Current assets				
Cash and short-term investments	**$**	**1,765,571**	$	4,502,947
Accounts receivable		**12,430,193**		13,577,870
Prepaid expenses and deposits *[Note 4]*		**1,517,955**		534,573
		15,713,719		18,615,390
Deferred financing charges, net of amortization		**1,803,316**		2,209,792
Future income tax		**2,211,856**		1,272,000
Property, plant and equipment, net		**72,311,989**		71,631,507
	$	**92,040,880**	$	93,728,688
Liabilities and Unitholders' Equity				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**9,760,545**	$	5,593,405
Cash distributions payable		**2,222,988**		1,862,500
Accrued interest payable		**1,039,747**		389,349
Large corporation taxes payable		**10,526**		46,771
		13,033,806		7,892,025
Long term debt		**24,747,675**		45,286,396
Site restoration provision		**1,109,521**		544,178
		38,891,002		53,722,598
Unitholders' equity				
Unitholders' capital *[Note 2]*		**52,146,773**		36,727,997
Accumulated income		**8,872,252**		5,136,093
Contributed surplus		**17,182**		4,500
Accumulated cash distributions		**(7,886,329)**		(1,862,500)
		53,149,878		40,006,090
	$	**92,040,880**	$	93,728,688

Subsequent events [Note 7]

See accompanying notes to consolidated financial statements.

Harvest Energy Trust

Consolidated Statement of Income and Accumulated Income
(Unaudited)

		Three Months Ended March 31, 2003
Revenue		
Oil and gas sales	$	26,230,056
Hedging loss		(8,569,683)
Royalty income		55,774
Royalty expense		(2,978,415)
		14,737,732
Expenses		
Operating		6,804,423
Interest and amortization of deferred finance charges		462,137
Interest on long-term debt		650,398
General and administrative		730,812
Site restoration and reclamation		565,343
Depletion and depreciation		5,212,142
Foreign exchange gain		(2,503,722)
		11,921,533
Income before taxes		2,816,199
Taxes		
Large corporation tax		19,897
Future tax recovery		(939,856)
Net income for the period		3,736,158
Accumulated income, beginning of period		5,136,094
Accumulated income, end of period	$	8,872,252
Income per trust unit, basic *[Note 3]*	$	0.36
Income per trust unit, diluted *[Note 3]*	$	0.34

See accompanying notes to consolidated financial statements.

Harvest Energy Trust

Consolidated Statement of Cash Flows
(Unaudited)

		Three Months Ended March 31, 2003
Cash provided by (used in)		
Operating Activities		
Net income for the period	$	3,736,158
Items not requiring cash		
Depletion, depreciation and amortization		5,212,142
Site restoration and reclamation		565,343
Foreign exchange gain		(2,503,722)
Amortization of finance charges		406,476
Future tax recovery		(939,856)
Unit based compensation		12,682
Cash flow from operations		6,489,223
Change in non-cash working capital *[Note 5]*		2,089,877
		8,579,100
Financing Activities		
Issue of trust units, net of costs		13,843,903
Issue of trust units under the distribution reinvestment plan, net of costs		1,574,873
Issuance of long-term debt		5,631,425
Repayment of long-term debt		(23,666,424)
Cash distributions		(5,663,341)
Change in non-cash working capital balances related to financing activities *[Note 5]*		650,398
		(7,629,166)
Investing Activities		
Additions to property, plant and equipment		(5,892,624)
Change in non-cash working capital balances related to investing activities *[Note 5]*		2,205,314
		(3,687,310)
Decrease in cash and short-term investments		(2,737,376)
Cash and short-term investments, beginning of period		4,502,947
Cash and short-term investments, end of period	$	1,765,571
Cash interest payments	$	55,662
Cash tax payments	$	36,245
Cash distributions per unit	$	0.55

See accompanying notes to consolidated financial statements.

1. Significant Accounting Policies

These interim consolidated financial statements of 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. The interim consolidated financial statements follow the same significant accounting policies as described and used in the annual report of the Trust for the year ended December 31, 2002 and should be read in conjunction with that report.

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

2. 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, 2002	9,312,500	$ 36,727,997
Exercise of warrants (i)	150,000	150,000
Special warrant exercise (ii)	1,500,000	15,000,000
Distribution reinvestment plan issuance (iii)	152,438	1,574,873
Share issue costs	–	(1,306,097)
As at, March 31, 2003	11,114,938	$ 52,146,773

(i) On January 24, 2003, 150,000 trust units were issued to a corporation controlled by a director of Harvest Operations on the exercise of a warrant. The $150,000 in proceeds was added to working capital.

(ii) On March 7, 2003, 1,500,000 special warrants were exercised into trust units. The special warrants were issued on February 4, 2003 for $13,700,000 net of a 5% underwriters' fee and approximately $550,000 of issues costs.

(iii) On January 15, 2003, the Trust announced a cash distribution of $0.20 per trust unit to the unitholders of record on January 31, 2003. The distribution was paid on February 17, 2003. On February 17, 2003, 79,208 trust units were issued for $794,650 on the reinvestment of distributions pursuant to the Distribution Reinvestment and Optional Unit Purchase Plans.

On February 8, 2003, the Trust announced a cash distribution of $0.20 per trust unit to the unitholders of record on February 28, 2003. The distribution was paid on March 17, 2003. On March 17, 2003, 73,230 trust units were issued for $780,223 on the reinvestment of distributions pursuant to the Distribution Reinvestment and Optional Unit Purchase Plans.

(c) Per unit information

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

Three months ended March 31, 2003	
Weighted average trust units outstanding, basic	10,387,522
Effect of trust unit rights	221,767
Weighted average trust units outstanding, diluted	10,609,289

The income for the diluted income per trust unit determined includes the effect of $133,061 on trust unit distributions.

3. 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 875,000 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**
Outstanding, December 31, 2002	787,500	$ 7.80
Granted, January 24, 2003	32,500	10.21
Granted, February 14, 2003	34,500	10.75
Reduction in exercise price due to distributions	-	(0.60)
As at, March 31, 2003	854,500	$ 7.42

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

For the purposes of pro forma disclosures, the estimated fair value 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:

Net income	As reported	$3,716,158
	Pro forma	$3,281,929
Income per unit - basic	As reported	$0.36
	Pro forma	$0.32
Income per unit - diluted	As reported	$0.34
	Pro forma	$0.30

During the three month period, the Trust has recognized $12,682 in compensation expense and included it in general and administrative expense in the consolidated statement of income and accumulated income, for trust unit rights issued to non-employees.

4. 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, 2003, that have fixed future sales prices:

Swaps	Term	Price per Barrel	Mark to Market Gain (Loss)
1,000 Bbls/d	April through June 2003	Cdn $37.59	($433,015)
1,000 Bbls/d	July through September 2003	Cdn $37.10	($217,149)
1,000 Bbls/d	October through December 2003	Cdn $36.63	($144,714)
200 Bbls/d	April through June 2003	U.S. $24.39	($126,068)
1,510 Bbls/d	January through March 2004	U.S. $23.23	($446,315)
1,300 Bbls/d	January through March 2004	U.S. $24.33	($197,333)
1,430 Bbls/d	April through June 2004	U.S. $22.93	($376,106)
1,200 Bbls/d	April through June, 2004	U.S. $25.50	($580,372)
1,380 Bbls/d	July through September 2004	U.S. $22.70	($344,861)
500 Bbls/d	July through September, 2004	U.S. $24.56	$764
1,325 Bbls/d	October through December 2004	U.S. $22.54	($298,873)
500 Bbls/d	October through December, 2004	U.S. $24.03	($11,937)
500 Bbls/d	January through December, 2004	U.S. $24.12	($44,419)
1,100 Bbls/d	January through March 2005	U.S. $22.38	($233,188)
1,030 Bbls/d	April through June 2005	U.S. $22.18	($241,924)

Sold Put	Term	Price per Barrel	Mark to Market Gain (Loss)
500 Bbls/d	January through December 2004	Cdn $15.00	($90,115)

Collars	Term	Price per Barrel	Mark to Market Gain (Loss)
500 Bbls/d	April through June 2003	Cdn $35.00 – 39.60	($125,053)
500 Bbls/d	July through September 2003	Cdn $35.40 – 38.40	($48,774)
500 Bbls/d	October through December 2003	Cdn $35.50 – 37.35	($39,237)

The Trust has also entered into a physical contract to deliver 6,000 Bbls/d of Lloydminster blend crude oil to the vendor of the property until December 31, 2003. This requires the Trust to purchase approximately 1,000 Bbls/d of diluent to blend with its production to meet the oil quality requirements at the delivery point. Under the contract, the Trust is paid a price equal to the NYMEX calendar WTI price less a fixed differential of U.S. $8.23 per Bbl, such price not to be less than U.S. $14.40 per Bbl or greater than U.S. $17.24 per Bbl.

The following is a summary of electricity price hedging swap contracts entered into by Harvest Operations to fix the cost of future electricity usage as at March 31, 2003:

Swaps	Term	Price per Megawatt	Mark to Market Gain (Loss)
5 MW.h	January through December 2003	Cdn $46.30	$64,020
5 MW.h	January through December 2004	Cdn $46.00	($15,330)
9.75 MW.h	April 2003 through March 2006	Cdn $44.50	$65,700

At March 31, 2003 the net mark-to-market unrealized loss for all the financial derivative contracts entered into by Harvest Operations Corp. was approximately $3,884,299. Harvest Operations Corp. has provided a deposit to the counterparties with some 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, 2003, this amount totaled $1,262,626 and is recorded in the prepaid expense and deposits balance.

5. Change in non-cash working capital

Changes in non-cash working capital items:		
Accounts receivable	$	1,147,677
Prepaid expenses		(983,381)
Accounts payable and accrued liabilities		4,167,140
Accrued interest payable		650,398
Large corporation taxes payable		(36,245)
	$	4,945,589
Changes relating to operating activities	$	2,089,877
Changes relating to financing activities		650,398
Changes relating to investing activities		2,205,314
	$	4,945,589

6. Related party transactions

As at March 31, 2003, an electricity swap contract [Note 4] was secured by a guarantee facilitated by a director of Harvest Operations Corp., for which the counterparty is compensated.

7. Subsequent events

On April 11, 2003, the Trust acquired a crude oil producing property, through its wholly owned subsidiary Harvest Operations Corp., for a cash amount of $13.2 million.

On April 15, 2003, the Trust paid the $0.20 per trust unit distribution announced on March 18, 2003. The distribution paid consisted of $1,315,183 in cash and 96,019 trust units issued for $907,805 on the reinvestment of distributions pursuant to the Distribution Reinvestment and Optional Unit Purchase Plan.

On April 15, 2003, the Trust announced a cash distribution of $0.20 per trust unit to the unitholders of record on April 30, 2003. The distribution will be paid consisted of $1,316,529 in cash and 98,535 trust units issued for $925,662 on the reinvestment of distributions pursuant to the Distribution Reinvestment and Optional Unit Purchase Plan.

On May 13, 2003, Harvest Operations Corp. entered into an electricity purchase agreement whereby 5 MW per hour will be provided at a price of $46.00 per MW from January 1, 2004 to January 1, 2005, and $43.00 per MW from January 1, 2005 to January 1, 2006.

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, 2003, that have fixed future sales and purchase prices:

Trade Date	Swap	Term	Price per Barrel
April 9, 2003	500 Bbls/d	January through December 2005	USD $24.00
May 16, 2003	2,000 Bbls/d	January through December 2004	Calendar month WTI less $7.75 per Bbl

Trade Date	Put	Term	Price per Barrel
May 19, 2003	1,000 Bbls/d	January through December 2004	USD $23.00
May 19, 2003	1,000 Bbls/d	January through December 2004	USD $18.00

Trade Date	Call	Term	Price per Barrel
May 19, 2003	1,000 Bbls/d	January through December 2004	USD $27.95

In connection with the May 16, 2003 swap, Harvest Operations Corp. is required to provide the counterparty with 2,600 to 3,000 Bbls/d at the market price at the time of the sale plus USD $0.35 per Bbl, from January through December 2004. The actual volume sold at any given period, is at the option of Harvest Operations Corp.

On May 27, 2003, the Trust acquired a crude oil producing property, through its wholly owned subsidiary Harvest Operations Corp., for consideration of 200,000 trust units.

On May 28, 2003, the Board of Directors approved the purchase of oil and natural gas producing properties, through its wholly owned subsidiary Harvest Operations Corp., for total consideration of approximately $13 million consisting of cash and approximately 625,000 trust units. The purchase is anticipated to close during the second quarter.

8. Comparative figures

Certain comparative figures have been reclassified to conform to the current period’s presentation.

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 medium and heavy gravity crude oil properties in East Central Alberta, and its hands on operating strategy underpin Harvest’s objective to deliver superior economic returns to Unitholders. Harvest’s strategy is to retain up to 50% of its Cash Available for Distribution for capital reinvestment in the form of existing property enhancement and new property acquisitions while maintaining a high rate of cash distributions. Harvest currently operates approximately 99% of its production, enabling it to pursue additional asset growth through property optimization and enhancement.

A part of Harvest’s financial strategy is to retain up to 50% of its Cash Available for Distribution for capital reinvestment in the form of existing property enhancement and new property acquisitions while maintaining a high rate of cash distributions. Based upon Management’s expectations for production levels and operating performance of existing assets, current commodity markets coupled with Harvest’s hedging program and the impact of the rising Canadian dollar, Harvest estimates that its payout ratio for 2003 will be approximately 75%. Harvest currently operates approximately 99% of its production, enabling it to pursue additional asset growth through property optimization and enhancement.

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
TSE Symbol: HTE.UN

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