

For the three
months ended
September 30, 2003



Harvest Energy Trust

2003 Quarterly Report to Unitholders

Q3

Harvest Energy Trust Announces Third Quarter 2003 Results

Calgary, November 18, 2003 – Harvest Energy Trust ("Harvest") (TSX: HTE.UN) today announced its unaudited operating and financial results for the three and nine month periods ended September 30, 2003.

Third Quarter Highlights

- Distributions of \$0.60 per trust unit;
- Cash flow from operations of \$16.8 million or \$1.35 per trust unit, for the three month periods ended September 30, 2003; After adjusting cash flow from operations for the non-recurring foreign exchange gain of \$6.3 million, cash flow from operations would have been \$10.5 million and the payout ratio would have been 71%;
- Sales volume averaged 11,373 BOE/d for the three month period ended September 30, 2003, an increase of 18% from the second quarter;
- Harvest continued its development activities in its core areas with capital expenditures of approximately \$10.1 million resulting in an exit rate of 11,600 BOE/d at September 30, 2003; and
- Harvest announced the signing of an agreement to acquire predominantly light oil properties in the Carlyle area of Southeastern Saskatchewan. Harvest closed the Carlyle acquisition on October 16, 2003, representing incremental production of approximately 5,200 BOE/d, for a closing price of approximately \$80 million.

Third Quarter Financial and Operational Highlights

Financial	Three months ended September 30, 2003
<i>(\$000's except per BOE and per trust unit amounts)</i>	
Revenue, before hedging	\$28,538
Revenue, net of hedging	\$25,013
Hedging Loss	\$3,525
Cash flow from operations	\$16,759
Cash flow from operations per trust unit	\$1.35
Cash flow from operations adjusted for non-recurring items	\$10,449
Cash flow from operations adjusted for non-recurring items per trust unit	\$0.84
Net income	\$5,751
Net income per trust unit, basic	\$0.46
Distributions paid	\$7,403
Payout ratio – adjusted for non-recurring items	71%
Capital expenditures	\$10,099
Net debt	\$9,739*

*Prior to giving effect to \$33.5 million of Equity Bridge Notes outstanding at September 30, 2003.

Financial	Three months ended
<i>(\$000's except per BOE and per trust unit amounts)</i>	September 30, 2003
Declared distributions to unitholders	\$7,460
Declared distributions per trust unit	\$0.60
Weighted average trust units outstanding, basic	12,385,722
Trust units outstanding at the end of the period	12,522,889

Operating and Reserves	Three months ended	Nine months ended
<i>(Natural gas converted to barrel of oil equivalent BOE on a 6:1 basis)</i>	September 30, 2003	September 30, 2003
Average daily sales volumes		
Crude oil and natural gas liquids (Bbls/d)	11,131	9,560
Natural gas (mcf/d)	1,453	1,165
Total (BOE/d)	11,373	9,754
Production exit rate (BOE/d)	11,600	11,600

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 unaudited interim consolidated financial statements for the three and nine month periods ended September 30, 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. 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 November 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 11,373 BOE/d and 9,754 BOE/d in the three and nine month periods ended, respectively.

Average Sales Volumes

	Three Month Period		Nine Month Period	
	Ended September 30, 2003		Ended September 30, 2003	
Medium oil (Bbls/d)	5,044	44%	4,300	44%
Heavy oil (Bbls/d)	6,010	53%	5,192	53%
Total oil (Bbls/d)	11,054	97%	9,492	97%
Natural gas liquids (Bbls/d)	77	1%	68	1%
Total oil and natural gas liquids (Bbls/d)	11,131	98%	9,560	98%
Natural gas (mcf/d)	1,453	2%	1,165	2%
Total oil equivalent (6:1 BOE/d)	11,373	100%	9,754	100%

Harvest exited September 30, 2003 with a higher daily production rate of approximately 11,600 BOE/d, which reflects the impact of the ongoing development and optimization activities during the quarter. Harvest anticipates further production growth in the balance of 2003 due to the oil and natural gas property acquisition in Southeastern Saskatchewan and the continuing development and optimization program.

Revenue

Revenues, before royalties, totaled \$28.5 million and \$79.4 million, which was the result of average realized prices of \$27.22 and \$29.66 per barrel for oil and natural gas liquids and \$4.94 and \$6.28 per mcf for natural gas during the three and nine month periods ended September 30, 2003 respectively. The overall impact of Harvest's hedging program is an approximate decrease of \$3.37 and \$5.94 per BOE of production, for the three and nine month periods ended respectively. Harvest plans to continue with its current hedging strategy, and has approximately 10,000 Bbls/d of production hedged for the balance of 2003 at an approximate average price of \$30.00 Cdn per barrel.

Operating Netbacks

The following is a summary of Harvest's operating netbacks for the periods ended September 30, 2003:

	(\$/BOE)	
	Three month period ended September 30, 2003	Nine month period ended September 30, 2003
Market price	27.27	29.82
Hedging loss	3.37	5.94
Realized price	23.90	23.88
Royalties, net	3.66	3.77
Operating costs	9.23	8.66
Netback	11.01	11.45

Royalty Expense

Harvest paid net royalties of \$3.8 million and \$10 million in the three and nine month periods ended or approximately \$3.66/BOE and \$3.77/BOE, respectively. The net royalty amount for the three month period ended is comprised of \$2.7 million in freehold royalties and freehold mineral tax, \$1.1 million in crown royalties, \$0.2 million in gross overriding royalties and \$0.1 million in royalty income received. The net royalty amount for the nine month period ended is comprised of \$6.8 million in freehold royalties and freehold mineral tax, \$3.2 million in crown royalties, \$0.4 million in gross overriding royalties and \$0.3 million in royalty income received.

Operating Expenses

Harvest's operating expenses were \$9.7 million and \$23 million for the three and nine month periods ended or approximately \$9.23 and \$8.66 per BOE, respectively. Substantially all of the entity's properties are operated by Harvest. The significant portions of Harvest's operating costs are electricity (60%) and maintenance (15%). For the remainder of 2003, Harvest has approximately 48% of its current electricity usage hedged at an average price of \$45.10 per MWh.

General and Administration Expenses

General and administrative expenses totaled \$0.6 million or \$0.54 per BOE for the three month period ended, and \$2.1 million or \$0.78 per BOE for the nine month period ended. During the three and nine month periods ended, \$0.2 million and \$0.7 million, respectively, of general and administrative costs were capitalized with respect to field enhancement and acquisition activities. Third quarter general and administrative expenditures have been reduced by recoveries related to the capital expenditure program during the third quarter.

Interest Expense and Amortization of Deferred Financing Charges

Interest expense and deferred financing charges amounted to \$1.2 million and \$3.4 million in the three and nine month periods ended, respectively. The amortization of deferred financing charges associated with fees to secure bank lending facilities amounted to \$0.8 million and \$1.6 million for the three and nine month periods ended, respectively.

Depletion, Depreciation and Amortization and Future Site Reclamation Expenses

Harvest's depletion, depreciation, and amortization and site restoration provision totaled \$9.3 million and \$22.8 million and for the three and nine month periods ended, respectively. This balance is comprised of oil and natural gas properties depletion and depreciation of \$8 million and \$20.1 million, approximately \$28,000 and \$78,000 for depreciation of office furniture and equipment, and \$1.3 million and \$2.7 million for future abandonment and site restoration costs, respectively. The depletion rate for oil and natural gas properties was approximately \$7.68 and \$7.58 per BOE for the three and nine month periods ended respectively, 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 \$1.21 and \$1.00 per BOE rate for the three and nine month periods ended, respectively, used to provide for future site reclamation costs is founded on an ultimate net future expenditure of approximately \$18.8 million. The depreciation of office furniture and equipment and leasehold improvement costs has been calculated on a straight-line basis of 20% to 50%.

Income Taxes

Income taxes for the three and nine month periods ended are comprised of approximately \$86,000 and \$138,000 in large corporation tax and a \$3.6 million and \$3.3 million future income tax expense, respectively. 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 and nine month periods ended September 30, 2003, consolidated cash flow from operations was \$16.8 million and \$32.8 million, and net income was \$5.8 million and \$10.7 million, respectively.

Cash flow from operations per trust unit is calculated and disclosed by the Trust, as it is a widely accepted measure of financial performance used by analysts and investors to compare oil and natural gas producing companies. Cash flow from operations per trust unit is not defined under Canadian generally accepted accounting principles (“GAAP”) and should not be considered in isolation or as an alternative to conventional GAAP measurements. Harvest’s measure of cash flow from operations is not necessarily comparable to a similarly titled measure of another company or trust.

The corresponding per Trust Unit and per BOE figures are as follows:

	Three month period ended			Nine month period ended		
	September 30, 2003			September 30, 2003		
	Per Trust Unit		Per boe	Per Trust Unit		Per boe
Basic	Diluted	Basic		Diluted		
Cash flow from operations	\$1.35	\$1.31	\$16.02	\$2.88	\$2.79	\$12.32
Net income	\$0.46	\$0.45	\$5.50	\$0.94	\$0.91	\$4.01

The cash flow from operations amounts are higher than anticipated due to the extinguishment of U.S. denominated debt and the realization of the foreign exchange gain on this instrument.

Capital Expenditures

Capital expenditures totaled \$10.1 million and \$48.5 million in the three and nine month periods ended, respectively, including non-cash charges. The expenditures during these periods primarily consist of the acquisition of oil and natural gas producing properties in Eastern Alberta, that complement Harvest’s current operations and production.

Subsequent to the end of the quarter, on October 16, 2003 Harvest closed the purchase of oil and natural gas producing properties in Southeastern Saskatchewan through its wholly owned subsidiary, Harvest Operations Corp. This asset purchase is anticipated to add approximately 5,200 BOE/d in production, for an approximate consideration of \$80.0 million.

Capitalization and Financial Resources

As at September 30, 2003, the demand loan payable was approximately \$2.8 million, compared to a balance of \$45.3 million of demand loan payable as at December 31, 2002. The demand loan denominated in U.S. dollars was extinguished on September 30, 2003, with the funds received from the debt and equity bridge note facilities. The debt and equity bridge note facilities outstanding as at September 30, 2003 were \$25 million and \$33.5 million, respectively.

The working capital balance as at September 30, 2003 was \$18.1 million, excluding the demand loan and bridge note payable. This is in comparison to working capital of \$10.7 million as at December 31, 2002. The difference of \$7.4 million is primarily due to an increase in cash and short-term investments, resulting from the timing of the receipt of the debt and equity bridge note facilities in the latter part of the third quarter. These funds were subsequently used as a portion of the financing of the acquisition of the Southeastern Saskatchewan properties.

Distributions

During the first half of 2003, Harvest paid distributions of \$0.20 per month. Of the distributions declared and paid in the first nine months of 2003, approximately 39% were reinvested by unitholders through Harvest's distribution reinvestment plan. This resulted in a net cash distributions paid during the first nine months of \$12.4 million. The Trust anticipates the 2003 distributions will likely be 40% taxable, and a 60% 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

	September 30, 2003		December 31, 2002
Assets	<i>(Unaudited)</i>		<i>(Audited)</i>
Current assets			
Cash and short-term investments	\$ 17,403,711	\$	4,502,947
Accounts receivable	14,496,072		13,577,870
Prepaid expenses and deposits	6,759,342		534,573
	38,659,125		18,615,390
Deferred financing charges, net of amortization	1,173,593		2,209,792
Future income tax	4,593,313		1,272,000
Property, plant and equipment, net <i>[Note 2]</i>	99,943,318		71,631,507
	\$ 144,369,349	\$	93,728,689
Liabilities and Unitholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	\$ 17,850,114	\$	5,640,175
Cash distributions payable	2,504,578		1,862,500
Accrued interest payable	218,904		389,349
Demand loan <i>[Note 2]</i>	2,825,000		45,286,396
Bridge note payable <i>[Note 3]</i>	25,000,000		-
	48,398,596		53,178,420
Site restoration provision	3,074,185		544,178
	51,472,781		53,722,598
Unitholders' equity			
Unitholders' capital <i>[Note 5]</i>	66,094,529		36,727,997
Equity bridge notes <i>[Note 4]</i>	33,500,000		-
Accumulated income	15,598,172		5,136,093
Contributed surplus	41,728		4,500
Accumulated cash distributions	(22,337,861)		(1,862,500)
	92,896,568		40,006,090
	\$ 144,369,349	\$	93,728,689

Subsequent events [Note 10]

See accompanying notes to consolidated financial statements.

Harvest Energy Trust

Consolidated Statement of Income and Accumulated Income

(Unaudited)

	Three Months Ended September 30, 2003	Nine Months Ended September 30, 2003
Revenue		
Oil and natural gas sales	\$ 28,537,957	\$ 79,407,339
Hedging loss	(3,525,083)	(15,821,359)
Royalty income	172,866	342,999
Royalty expense	(4,005,183)	(10,387,959)
	21,180,557	53,541,020
Expenses		
Operating	9,660,960	23,061,371
Interest and amortization of deferred finance charges	1,195,737	3,386,465
General and administrative	566,941	2,086,594
Site restoration and reclamation	1,270,878	2,654,682
Depletion, depreciation and amortization	8,032,971	20,181,186
Foreign exchange gain	(1,825,596)	(5,313,053)
	18,901,891	46,057,245
Income before taxes	2,278,666	7,483,775
Taxes		
Large corporation tax	86,267	137,805
Future tax expense	(3,558,837)	(3,321,313)
Net income for the period	5,751,236	10,667,283
Interest on equity bridge notes <i>[Note 4]</i>	(205,205)	(205,205)
Accumulated income, beginning of period	10,052,141	5,136,094
Accumulated income, end of period	\$ 15,598,172	\$ 15,598,172
Income per trust unit, basic	\$ 0.46	\$ 0.94
Income per trust unit, diluted	\$ 0.45	\$ 0.91

See accompanying notes to consolidated financial statements.

Harvest Energy Trust

Consolidated Statement of Cash Flows

(Unaudited)

	Three Months Ended September 30, 2003	Nine Months Ended September 30, 2003
Cash provided by (used in)		
Operating Activities		
Net income for the period	\$ 5,751,236	\$ 10,667,283
Items not requiring cash		
Depletion, depreciation and amortization	8,032,971	20,181,186
Site restoration and reclamation	1,270,878	2,654,682
Foreign exchange (gain) loss	4,484,284	996,827
Amortization of finance charges	765,702	1,578,652
Future tax expense	(3,558,837)	(3,321,313)
Unit based compensation	12,273	37,228
Cash flow from operations	16,758,507	32,794,545
Change in non-cash working capital <i>[Note 8]</i>	7,345,126	6,448,729
	24,103,633	39,243,274
Financing Activities		
Issue of trust units, net of costs	(165,084)	13,631,097
Issue of trust units under the distribution reinvestment plan, net of costs	2,986,398	7,385,435
Issue of bridge note payable <i>[Note 3]</i>	25,000,000	25,000,000
Issue of equity bridge notes <i>[Note 4]</i>	33,500,000	33,500,000
Increase in demand loan	8,485,253	41,864,318
Repayment of demand loan	(57,126,666)	(86,683,848)
Repayment of promissory note payable	(850,000)	(850,000)
Financing costs	(542,453)	(542,453)
Cash distributions	(7,402,864)	(19,833,283)
Change in non-cash working capital balances related to financing activities <i>[Note 8]</i>	57,068	642,078
	3,941,652	14,113,344
Investing Activities		
Additions to property, plant and equipment	(9,040,735)	(34,011,837)
Acquisition of a private company <i>[Note 2]</i>	-	(3,000,000)
Change in non-cash working capital balances related to investing activities <i>[Note 8]</i>	(2,781,448)	(3,444,017)
	(11,822,183)	(40,455,854)
Increase in cash and short-term investments	16,223,102	12,900,764
Cash and short-term investments, beginning of period	1,180,609	4,502,947
Cash and short-term investments, end of period	\$ 17,403,711	\$ 17,403,711
Cash interest payments	\$ 741,709	\$ 1,687,054
Cash tax payments	\$ 91,034	\$ 137,805
Cash distributions per unit <i>[Note 5]</i>	\$ 0.60	\$ 1.74

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. These interim consolidated financial statements follow the same significant accounting policies as described and used in the annual report of the Trust for the period from formation on July 10, 2002 to December 31, 2002 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. Acquisition of a private company

On June 1, 2003, the Trust acquired all of the common shares and the Net Profit Interest of a private company. Total consideration paid by the Trust was \$10.1 million, and consisted of the issuance of 625,000 trust units at a price of \$10.00 per trust unit [Note 5], \$3 million in cash and an \$850,000 unsecured demand promissory note that bears interest at 10% per annum effective June 27, 2003. The acquisition has been accounted for using the purchase price method.

The following summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition. The Company has not yet completed its final calculation of the assets acquired and liabilities assumed and therefore, the purchase price allocation maybe subject to change.

	Amount
Property, plant & equipment	\$ 15,180,670
Working capital, net	(2,281,160)
Bank debt	(2,799,510)
	<u>\$ 10,100,000</u>

3. Bridge note payable

On September 29, 2003, the Trust entered into a bridge note agreement with a corporation controlled by a director of Harvest Operations Corp., which provides for advances of up to \$25 million. Under the terms of the agreement, interest is paid quarterly in arrears and is calculated daily at a fixed rate of 10% per annum. The outstanding principal portion and all accrued and unpaid interest on the bridge note agreements is due and payable in full on January 1, 2005. Security has been provided in the form of a fixed and floating debenture on the Trust's net profit interest (“NPI”). As at September 30, 2003, there was \$25 million drawn on the bridge note payable, and accrued interest of \$13,699.

4. Equity bridge note

On July 28, 2003, the Trust entered into two equity bridge note agreements, which provide for advances in aggregate of up to \$40 million. The terms and conditions are identical for both agreements, which is comprised of a \$30 million agreement with a corporation controlled by a director of Harvest Operations Corp., and a \$10 million agreement with a director of Harvest Operations Corp.

Under the terms of the agreements, interest is paid quarterly in arrears and is calculated daily at a fixed rate of 10% per annum. The Trust has the option to settle the quarterly interest payments with cash or the issue of trust units. If the Trust elects to issue trust units, the number of trust units to be issued to settle a quarterly payment shall be the equivalent to the quarterly payment amount divided by 90% of the most recent ten-day weighted average trading price.

The Trust also has the option to repay the principal amounts outstanding at any time. If the Trust chooses to partially repay the outstanding principal amount, such payment is to be made in cash. If the Trust elects to repay the full principal amount plus the accrued quarterly payment at maturity, the Trust then has the option to settle its obligation with cash or with the issue of trust units. The terms to settle with units is the same as with the interest option described above. The outstanding principal portion and all accrued and unpaid interest on the equity bridge note agreements is due and payable in full on January 1, 2005. Security has been provided in the form of a fixed and floating debenture on the Trust's NPI. The equity bridge lenders may demand payment of the full amount if specified events of default under the equity bridge note agreements occur. On September 29, 2003, the equity bridge note agreements were amended to extend the uses permitted under the previous agreements, to include repayment of bank debt. As at September 30, 2003, there was \$33.5 million drawn on the equity bridge notes, and accrued interest of \$205,205 which is a charge to unitholders' equity and not included in income. This amount was settled with a cash payment subsequent to the period end.

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, 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
Acquisitions (iii)	825,000	8,350,000
Distribution reinvestment plan issuance (iv)	735,389	7,385,435
Share issue costs	—	(1,518,903)
As at, September 30, 2003	12,522,889	\$ 66,094,529

(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 May 27, 2003, the Trust issued 200,000 trust units at a price of \$10.50 per trust unit, for consideration of the purchase of a crude oil producing property.

On June 27, 2003, the Trust issued 625,000 trust units at a price of \$10.00 per trust unit, for partial consideration of the purchase of a private company. [Note 2].

(iv) 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
January	January 31, 2003	February 17, 2003	79,208	\$	794,650
February	February 28, 2003	March 17, 2003	73,230		780,223
March	March 31, 2003	April 15, 2003	96,019		907,805
April	April 30, 2003	May 15, 2003	98,535		925,662
May	May 31, 2003	June 16, 2003	103,059		990,697
June	June 30, 2003	July 15, 2003	104,425		989,718
July	July 31, 2003	August 15, 2003	92,818		989,612
August	August 29, 2003	September 15, 2003	88,095		1,007,068
As at, September 30, 2003			735,389	\$	7,385,435

(c) Per trust unit information

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

	Three Months Ended September 30, 2003	Nine Months Ended September 30, 2003
Weighted average trust units outstanding, basic	12,385,722	11,383,042
Effect of trust unit rights	391,972	360,157
Weighted average trust units outstanding, diluted	12,777,694	11,743,199

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
Outstanding, December 31, 2002	787,500	\$ 7.80
Granted, January 24, 2003	32,500	10.21
Granted, February 14, 2003	34,500	10.75
Granted, July 15, 2003	12,500	10.18
Granted, July 17, 2003	7,500	10.20
Granted, July 18, 2003	11,000	10.30
Reduction in exercise price due to distributions	-	(1.80)
As at, September 30, 2003	885,500	\$ 6.32

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

Under CICA Handbook section 3870 “Stock-based Compensation and Other Stock-based payments”, the Trust has chosen not to recognize compensation expense when trust unit rights are granted to employees and directors under the trust unit incentive plan with no cash settlement features. The fair value of trust unit rights issued to directors, officers and employees has been determined using a binomial option pricing model. The binomial model has been utilized by the Trust as it allows the calculation 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 the date of vesting.

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:

Expected volatility	23.3%
Risk free interest rate	3.5%
Expected life of the trust unit rights	4 years
Estimated annual distributions per unit	\$2.40

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 as follows:

		Three Months Ended September 30, 2003	Nine Months Ended September 30, 2003
Net income	As reported	\$5,751,236	\$10,667,283
	Pro forma	\$5,317,606	\$9,522,447
Income per unit - basic	As reported	\$0.46	\$0.94
	Pro forma	\$0.43	\$0.84
Income per unit - diluted	As reported	\$0.45	\$0.91
	Pro forma	\$0.42	\$0.81

During the three and nine month periods ended, the Trust has recognized \$12,273 and \$37,228 respectively 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.

7. 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 September 30, 2003, that have fixed future sales prices:

Swaps	Term	Price per Barrel	Mark to Market Gain (Loss)
Swaps based on West Texas Intermediate			
1,000 Bbls/d	October through December 2003	Cdn. \$36.63	\$23,972
1,510 Bbls/d	January through March 2004	U.S. \$23.23	(\$786,285)
1,300 Bbls/d	January through March 2004	U.S. \$24.33	(\$507,925)
500 Bbls/d	January through December 2004	U.S. \$24.12	(\$603,370)
500 Bbls/d	January through December 2004	U.S. \$24.25	(\$572,214)
1,430 Bbls/d	April through June 2004	U.S. \$22.93	(\$664,575)
1,200 Bbls/d	April through June 2004	U.S. \$25.50	(\$758,654)
1,380 Bbls/d	July through September 2004	U.S. \$22.70	(\$592,472)
500 Bbls/d	July through September 2004	U.S. \$24.56	(\$102,307)
1,325 Bbls/d	October through December 2004	U.S. \$22.54	(\$528,585)
500 Bbls/d	October through December 2004	U.S. \$24.03	(\$109,459)
500 Bbls/d	January through December 2005	U.S. \$24.00	(\$309,139)
1,100 Bbls/d	January through March 2005	U.S. \$22.38	(\$404,432)
1,030 Bbls/d	April through June 2005	U.S. \$22.18	(\$381,430)

Swaps based on the Lloydminster Blend Crude differential

2,000 Bbls/d	January through December 2004	U.S. (\$7.75)	\$390,644
1,000 Bbls/d	January through December 2004	U.S. (\$8.20)	(\$20,371)

Collars	Term	Price per Barrel	Mark to Market Gain (Loss)
500 Bbls/d	October through December 2003	Cdn. \$35.50 – 37.35	\$45,106
1,000 Bbls/d	January through December 2004	U.S. \$23.00 – 27.95	\$0
1,000 Bbls/d	January through December 2004	U.S. \$25.00 – 28.25	\$0

Sold Put	Term	Price per Barrel	Mark to Market Gain (Loss)
500 Bbls/d	January through December 2004	Short put Cdn. \$15.50	(\$21,569)
1,000 Bbls/d	January through December 2004	Short put Cdn. \$18.00	(\$119,830)
1,000 Bbls/d	January through December 2004	Short put Cdn. \$18.00	(\$119,830)

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 diluents 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 September 30, 2003

Swaps	Term	Price per Megawatt	Mark to Market
			Gain (Loss)
5MW	January through December 2003	Cdn \$46.30	\$129,168
5MW	January through December 2004	Cdn \$46.00	\$65,880
5MW	January through December 2004	Cdn. \$46.00	\$65,880
5MW	January through December 2004	Cdn. \$45.50	\$87,840
5MW	January through December 2005	Cdn \$43.00	\$38,544
9.75MW	April 2003 through March 2006	Cdn \$44.50	\$712,577

Swaps	Term	Price per Megawatt	Mark to Market
			Gain (Loss)
5MW	January through December 2005	8.40 GJ/MWh	\$45,289

At September 30, 2003 the net mark-to-market unrealized loss for all the financial derivative contracts entered into by Harvest Operations was approximately \$4,973,581. 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 September 30, 2003, this amount totaled \$5,076,910 and is recorded in the prepaid expense and deposits balance.

8. Change in non-cash working capital

	Three Months Ended September 30, 2003	Nine Months Ended September 30, 2003
Changes in non-cash working capital items:		
Accounts receivable	\$ 1,728,332	\$ (82,019)
Prepaid expenses and deposits	(4,360,789)	(6,195,004)
Accounts payable and accrued liabilities	7,787,060	9,498,951
Cash distributions payable	57,068	642,078
Accrued interest payable	(590,925)	(170,445)
Large corporation taxes payable	-	(46,771)
	<u>\$ 4,620,746</u>	<u>\$ 3,646,790</u>
Changes relating to operating activities	\$ 7,345,126	\$ 6,448,729
Changes relating to financing activities	57,068	642,078
Changes relating to investing activities	(2,781,448)	(3,444,017)
	<u>\$ 4,620,746</u>	<u>\$ 3,646,790</u>

9. Related party transactions

A director and a corporation controlled by a director of Harvest Operations Corp., have advanced \$60.5 million to the Trust during the period ended September 30, 2003. *[Notes 3 & 4]*

A corporation controlled by a director of Harvest Operations Corp. exercised a warrant to purchase 150,000 trust units for proceeds of \$150,000 on January 24, 2003. *[Note 5]*

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

10. Subsequent events

On October 1, 2003, Harvest Energy Trust repaid \$11 million of the bridge loan payable plus accrued interest.

On October 3, 2003, Harvest Operations Corp. entered into a \$15 million interim bank facility and subsequently paid \$2,902,990 in borrowings and unpaid interest to terminate the demand loan. Borrowings under the interim facility bear interest at the banks prime rate plus one-half percent.

On October 15, 2003, the Trust paid the \$0.20 per trust unit distribution announced on September 16, 2003, for unitholders' of record as at September 30, 2003. The distribution paid consisted of \$1,476,228 in cash and 89,578 trust units issued for \$1,028,349 on the reinvestment of distributions pursuant to the Distribution Reinvestment and Optional Unit Purchase Plan.

On October 16, 2003, Harvest Operations Corp. entered into an \$89 million bank facility with a chartered Canadian bank syndicate. The facility bears interest at rates ranging from 0.25% to 1.5% above prime rate, and is dependent upon the Trust's debt to cash flow ratio. The borrowing base is reduced monthly by \$4.5 million commencing January 31, 2004. A portion of this facility was used to repay the \$15 million interim bank facility.

On October 16, 2003, the Trust closed the acquisition of the Carlyle properties in Southeastern Saskatchewan for an estimated purchase price of \$80 million.

On October 16, 2003, the Trust closed an issue of 4,312,500 trust units at a price of \$12.00 per trust unit for gross proceeds of approximately \$51.8 million.

On October 17, 2003, the Trust issued 73,400 additional trust unit rights to employees of Harvest Operations Corp. The average exercise price of the rights granted was \$12.19. 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. All of the trust unit rights outstanding vest equally over the next four years on their anniversary date, and are subject to Board of Directors approval.

On October 23, 2003, the Trust announced a cash distribution of \$0.20 per trust unit to the unitholders of record on October 31, 2003. The distribution was paid on November 15, 2003 and consisted of \$2,338,364 in cash and 88,256 trust units issued for \$1,046,229 on the reinvestment of distributions pursuant to the Distribution Reinvestment and Optional Unit Purchase Plan.

On October 27, 2003, Harvest Operations Corp. purchased an average rate U.S. dollar put option with a strike price of 1.3333, for a premium of \$2 million. The notional amount of the option is U.S. \$3 million per month, and has a term from November 1, 2003 to December 31, 2004. The contract is settled monthly on the last business day of each month.

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 September 30, 2003, that have fixed future sales and purchase prices:

Trade Date	Swap	Term	Price per Barrel
Swaps based on the Lloydminster Blend Crude differential			
October 10, 2003	500 Bbls/d	January through December 2004	U.S. (\$7.90)
Trade Date	Collar	Term	Price per Barrel
October 16, 2003	2,500 Bbls/d	October through December 2003	U.S. \$24.00 - \$30.45
October 16, 2003	2,500 Bbls/d	January through December 2004	U.S. \$22.00 - \$28.10

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