ANNUAL INFORMATION FORM

For the year ended December 31, 2010

MARCH 31, 2011

TABLE OF CONTENTS

Page

GLOSSARY OF TERMS

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

"**ABCA**" means the *Business Corporations Act* (Alberta), together with any or all regulations promulgated thereunder, as amended from time to time.

"API" means a measure of the gravity or density of petroleum liquids expressed in terms of a scale devised by the American Petroleum Institute gravity (API), which measures how heavy or light a petroleum liquid is compared to water, and is used to compare the relative densities of petroleum liquids.

"BlackGold" means the BlackGold oil sands project acquired by the Corporation from KNOC on August 6, 2010, more fully described in Note 4 to the Corporation's audited consolidated financial statements for the year ended December 31, 2010 filed on www.sedar.com.

"**Breeze Trust No. 1**" means Harvest Breeze Trust No. 1, a trust established under the laws of the Province of Alberta, wholly owned by the Corporation.

"Breeze Trust No. 2" means Harvest Breeze Trust No. 2, a trust established under the laws of the Province of Alberta, wholly owned by the Corporation.

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

"COGE Handbook" means the Canadian Oil and Gas Evaluation Handbook prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum.

"Corporation" means Harvest Operations Corp.

"**Credit Facility**" means the $500 million revolving credit facility, as amended, provided by a syndicate of lenders to Harvest Operations as more fully described in Note 9 to the Corporation's audited consolidated financial statements for the year ended December 31, 2010 filed on www.sedar.com.

"**Debentures**" means, collectively, the 6.5% Debentures Due 2010, the 6.40% Debentures Due 2012, the 7.25% Debentures Due 2013, the 7.25% Debentures Due 2014 and the 7.50% Debentures Due 2015.

"**Debenture Indenture**" means, collectively (i) the trust indenture dated January 29, 2004 among Harvest Operations and Valiant Trust Company, as trustee, providing for the issue of Debentures, as supplemented by the, second supplemental indenture dated August 2, 2005 in respect of the third supplemental indenture dated November 22, 2006 in respect of the 7.25% Debentures Due 2013, the fourth supplemental indenture dated February 1, 2007 in respect of the 7.25% Debentures Due 2014 and the fifth supplemental indenture dated April 25, 2008 in respect of the 7.50% Debentures Due 2015; and (ii) the trust indenture dated January 15, 2003 between VERT and Computershare Trust Company of Canada as trustee, providing for the issue of Debentures, as supplemented by the first supplemental indenture dated October 20, 2005 in respect of the 6.40% Debentures Due 2012.

"**Debenture Trustee**" means, as applicable: (i) Valiant Trust Company in its capacity as the trustee in respect of the 7.25% Debentures Due 2013, 7.25% Debentures Due 2014, and 7.50% Debentures Due 2015; and (ii) Computershare Trust Company of Canada in its capacity as the trustee in respect of the 6.40% Debentures Due 2012.

"**6.50% Debentures Due 2010**" means the 6.50% convertible unsecured subordinated Debentures of the Corporation due December 31, 2010.

"6.40% Debentures Due 2012" means the 6.40% convertible unsecured subordinated Debentures of the Corporation due October 31, 2012, which were assumed by the Corporation from VERT on February 3, 2006 pursuant to the plan of arrangement under the ABCA by which the Corporation merged with VERT.

"**7.25% Debentures Due 2013**" means the 7.25% convertible unsecured subordinated Debentures of the Corporation due September 30, 2013.

"**7.25% Debentures Due 2014**" means the 7.25% convertible unsecured subordinated Debentures of the Corporation due February 28, 2014.

"**7.50% Debentures Due 2015**" means the 7.50% convertible unsecured subordinated Debentures of the Corporation due May 31, 2015.

"**Downstream**" means the Corporation's petroleum refining and marketing segment operating under the North Atlantic trade name, comprised of a medium gravity sour crude hydrocracking refinery with a 115,000 bbls/d nameplate capacity and a marketing division with 55 gasoline outlets, 3 commercial cardlock locations, a retail heating fuels business and a commercial and wholesale petroleum products business, all located in the Province of Newfoundland and Labrador.

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

"**GLJ**" means GLJ Petroleum Consultants Ltd., independent oil and natural gas reservoir engineers of Calgary, Alberta.

"**Gross**" means:

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

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

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

"Harvest Board" means the board of directors of Harvest Operations.

"Harvest" and **"Harvest Operations"** means Harvest Operations Corp., a corporation amalgamated under the laws of the Province of Alberta.

"**Independent Reserve Evaluators**" means McDaniel and GLJ, who evaluated the crude oil, natural gas liquids and natural gas reserves of Harvest and the Operating Subsidiaries as at December 31, 2010, in accordance with the standards contained in the COGE Handbook and the reserve definitions and other requirements contained in NI 51-101.

"**KNOC**" means Korea National Oil Corporation.

"**KNOC Acquisition**" means the purchase by KNOC Canada of all of the issued and outstanding trust units of the Trust for total consideration of approximately $1.8 billion and the assumption of approximately $2.3 billion of debt.

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

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

"**McDaniel**" means McDaniel & Associates Consultants Ltd., independent oil and natural gas reservoir engineers of Calgary, Alberta.

"**Net**" means:

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

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

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

"**NI 51-101**" means National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities.

"**North Atlantic**" means North Atlantic Refining Limited, a private company, and all wholly owned subsidiaries of North Atlantic.

"**Note Indenture**" means the trust indenture made as of October 4, 2010 between U.S. Bank National Association as trustee thereunder and Harvest Operations, providing for the issuance of the 6⅞% Senior Notes.

"**NYSE**" means the New York Stock Exchange.

"**Operating Subsidiaries**" means, collectively, Redearth Partnership (prior to September 30, 2010), Breeze Resource Partnership, Breeze Trust No. 1, Breeze Trust No. 2, and Hay River Partnership, each (other than Redearth Partnership with respect to which the Corporation held a 60% interest prior to its dissolution) a direct or indirect wholly-owned subsidiary of the Corporation, and "Operating Subsidiary" means any of them.

"**Person**" includes an individual, a body corporate, a trust, a union, a pension fund, a government and a governmental agency.

"**Production**" means, with respect to the Upstream operations the produced petroleum, natural gas and natural gas liquids attributed to the Properties and with respect to the Downstream operations, the production of refined petroleum products at the Refinery.

"**Properties**" means the working, royalty or other interests of Harvest and the Operating Subsidiaries in any petroleum and natural gas rights, tangibles and miscellaneous interests, including properties which may be acquired by Harvest and the Operating Subsidiaries from time to time.

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

"**Refinery**" means the 115,000 barrel per day medium gravity sour crude hydrocracking refinery located in the Province of Newfoundland and Labrador, owned by North Atlantic, which is described in "Downstream Business".

"**Reserve Report**" means, collectively, the reports prepared by the Independent Reserve Evaluators evaluating the crude oil, natural gas liquids and natural gas reserves of Harvest and the Operating Subsidiaries as at December 31, 2010, in accordance with the standards contained in the COGE Handbook and the reserve definitions and other requirements contained in NI 51-101.

"**Reserve Value**" means, for any petroleum and natural gas property at any time, the present worth of all of the estimated pre-tax cash flow net of capital expenditures from the proved plus probable reserves shown in the Reserve Report for such property, discounted at 10% and using forecast price and cost assumptions.

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

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

"**Special Resolution**" means a resolution proposed to be passed as a special resolution at a meeting of Unitholders (including an adjourned meeting) duly convened for the purpose and held in accordance with the provisions of the Trust Indenture at which two or more holders of at least 10% of the aggregate number of Trust Units then outstanding are present in person or by proxy and passed by the affirmative votes of the holders of not less than 66⅔% of the Trust Units represented at the meeting and voted on a poll upon such resolution.

"**Supply and Offtake Agreement**" or "**SOA**" means the supply and offtake agreement dated October 19, 2006 and as amended October 12, 2009 entered into between North Atlantic and Vitol Refining, S.A., the terms of which are summarized under the "Downstream Business – Supply and Offtake Agreement".

"**Tax Act**" means the *Income Tax Act* (Canada) and the regulations thereunder.

"Trust" means Harvest Energy Trust.

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

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

"**Trust Unit Awards Incentive Plan**" means the former trust unit awards incentive plan of the Trust, which ceased to be effective following completion of the KNOC Arrangement.

"**Trust Unit Rights**" means the rights to purchase Trust Units at specified exercise prices issued by the Trust under the Trust Unit Rights Incentive Plan.

"**Trust Unit Rights Incentive Plan**" means the former trust unit rights incentive plan of the Trust, which ceased to be effective following completion of the KNOC Arrangement.

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

"**TSX**" means the Toronto Stock Exchange.

"**Unit Awards**" means unit awards to receive Trust Units, issued by the Trust under the Unit Award Incentive Plan.

"**Upstream**" means Harvest's petroleum and natural gas segment, consisting of the exploitation, production and subsequent sale of petroleum, natural gas and natural gas liquids in Alberta, Saskatchewan and British Columbia.

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

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

“**Working Interest**” means an undivided interest held by a party in an oil and/or natural gas or mineral lease granted by a Crown or freehold mineral owner, which interest gives the holder the right to "work" the property (lease) to explore for, develop, produce and market the lease substances but does not include, among other things, a royalty, overriding royalty, gross overriding royalty, net profits interest or other interest that entitles the holder thereof to a share of production or proceeds of sale of production without a corresponding right or obligation to "work" the property.

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

ABBREVIATIONS

Oil and Natural Gas Liquids

bbl	Barrel
bbls	barrels
Mbbls	thousand barrels
bbls/d	barrels per day
MMbbls	million barrels
NGLs	natural gas liquids

Natural Gas

Mcf	thousand cubic feet
MMcf	million cubic feet
Bcf	billion cubic feet
Mcf/d	thousand cubic feet per day
MMcf/d	million cubic feet per day
MMBTU	million British Thermal Units
GJ	gigajoule

Other

AECO	Carlyle/Riverstone Global Energy and Power Fund's natural gas storage facility located at Suffield, Alberta
ASP	alkaline surfactant polymer
BOE	barrel of oil equivalent, using the conversion factor of 6 Mcf of natural gas being equivalent to one bbl of oil, unless otherwise specified. BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.
BOE/d	barrels of oil equivalent per day
EOR	enhanced oil recovery
MBOE	thousand barrels of oil equivalent
MMBOE	million barrels of oil equivalent
OOIP	original oil in place
WTI	West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma for crude oil of standard grade
ºAPI	The measure of the density or gravity of liquid petroleum products derived from a specific gravity
MW	megawatts of electrical power
3D	three dimensional
Darcies	the measure of permeability (being the ease with which a single fluid will flow through connected pore space when a pressure gradient is applied)
Porosity	the measure of the fraction of pore space of a reservoir
$000	thousands of dollars
$millions	millions of dollars

CONVERSIONS

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

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

EXCHANGE RATE INFORMATION

All dollar amounts set forth in this Annual Information Form are expressed in Canadian dollars, except where otherwise indicated. References to Canadian dollars, Cdn$, C$ or $ are to the currency of Canada and references to U.S. dollars or US$ are to the currency of the United States.

The following table sets forth for each period indicated, the average, high, low and end of period noon buying rates in New York for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York (the "noon buying rate"). Such rates are set forth as U.S. dollars per $1.00 and are the inverse of the rates quoted by the Federal Reserve Bank of New York for Canadian dollars per US$1.00.

	Year Ended December 31, 2010.		
	2010	2009	2008
High	1.0054	0.9716	1.0289
Low	0.9307	0.7692	0.7711
Period End	1.0054	0.9555	0.8166
Average	0.9706	0.8706	0.9332

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this Annual Information Form and documents incorporated by reference herein, constitute forward-looking statements. These statements relate to future events and future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those included in the forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. Harvest believes the expectations reflected in these forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in, or incorporated by reference into, this Annual Information Form should not be unduly relied upon. These statements speak only as of the date of this Annual Information Form or as of the date specified in the documents incorporated by reference into this Annual Information Form, as the case may be.

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

- expected financial performance in future periods;
- expected increases in revenue attributable to development and production activities;
- estimated capital expenditures;
- competitive advantages and ability to compete successfully;
- intention to continue adding value through drilling and exploitation activities;
- emphasis on having a low cost structure;
- intention to retain a portion of cash flows to repay indebtedness and invest in further development of Harvest's properties;
- reserve estimates and estimates of the present value of Harvest's future net cash flows;
- methods of raising capital for exploitation and development of reserves;
- factors upon which to decide whether or not to undertake a development or exploitation project;
- plans to make acquisitions and expected synergies from acquisitions made;
- expectations regarding the development and production potential of petroleum and natural gas properties;
- treatment under government regulatory regimes including without limitation, environmental and tax regulation;

- overall demand for gasoline, low sulphur diesel, jet fuel, furnace oil and other refined products; and
- the level of global production of crude oil feedstocks and refined products.

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

- future oil and natural gas prices and differentials between light, medium and heavy oil prices;
- the cost of expanding Harvest's property holdings;
- the ability to obtain equipment in a timely manner to carry out development activities;
- the ability to market oil and natural gas successfully to current and new customers;
- the impact of increasing competition;
- the ability to obtain financing on acceptable terms;
- the ability to add production and reserves through development and exploitation activities; and
- the ability to produce gasoline, low sulphur diesel, jet fuel, furnace oil, and other refined products that meet customer specifications.

Some of the risks that could affect Harvest's future results and could cause results to differ materially from those expressed in forward-looking statements include:

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

Statements relating to "reserves" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitably produced in the future. Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this Annual Information Form and the documents incorporated by reference herein are expressly qualified by this cautionary statement. Except as required by law, Harvest Operations does not undertake any obligation to publicly update or revise any forward-looking statements and readers should also carefully consider the matters discussed under the heading "Risk Factors" in this Annual Information Form.

NON-GAAP MEASURES

Harvest uses certain financial reporting measures that are commonly used as benchmarks within the petroleum and natural gas industry. These measures are not defined under Canadian generally accepted accounting principles and should not be considered in isolation or as an alternative to conventional Canadian GAAP measures. Certain of these measures are not necessarily comparable to a similarly titled measure of another company. When these measures are used, they have been footnoted and the footnote to the applicable measure notes that the measure is "non-GAAP" and contains a description of how to reconcile the measure to the applicable financial statements. These measures should be given careful consideration by the reader.

The non-GAAP measures include: "operating netbacks", "gross margin", "earnings from operations", "cash contributions from operations", "cash from operations", "total debt", "total capitalization" and "EBITDA". "Operating netbacks" are always reported on a per BOE basis and used extensively in the Canadian energy sector for comparative purposes. "Operating netbacks" include "net revenue", operating expenses, and transportation and marketing expenses. "Gross margin" is commonly used in the refining industry to reflect the net funds received from the sale of refined products after considering the cost to purchase the feedstock and is calculated by deducting purchased products for resale and processing from total revenue. "Earnings from operations", "cash contributions from operations" and "cash from operations" are commonly used for comparative purposes in the petroleum and natural gas and refining industries to reflect operating results before items not directly related to operations. "Total debt", "total capitalization" and "EBITDA" are used to assist management in assessing liquidity and the Corporation's ability to meet financial obligations.

Unless otherwise specified, information in this Annual Information Form is as at the end of Harvest's most recently completed financial year, being the year ended December 31, 2010.

CORPORATE STRUCTURE

Harvest Operations, a taxable corporation

During the second quarter of 2010, pursuant to an internal reorganization, Harvest Energy Trust was dissolved and its wholly owned subsidiary, Harvest Operations Corp., was amalgamated with KNOC Canada, to continue operation as one corporation under the name Harvest Operations Corp. Prior to that (December 22, 2009) KNOC Canada (a wholly owned subsidiary of KNOC) purchased all of the Trust Units of the Trust. The carrying values of Harvest's assets and liabilities were determined from the existing carrying values of KNOC Canada's assets and liabilities and therefore reflect the fair values established through the KNOC Acquisition. KNOC Canada was incorporated on October 9, 2009 and did not have any results of operations or cash flows between October 9, 2009 and December 31, 2009, aside from capital contributions from KNOC to finance the KNOC Acquisition and cash used in the KNOC Acquisition.

Harvest Operations was incorporated under the ABCA on May 14, 2002. All of the issued and outstanding common shares of Harvest Operations are owned by KNOC. Harvest Operations manages the affairs of the other Operating Subsidiaries and North Atlantic, and is responsible for providing all of the technical, engineering, geological, land management, financial, administrative and commodity marketing services relating to Harvest's Upstream operations.

The head and principal office of Harvest is located at Suite 2100, 330 - 5th Avenue S.W., Calgary, Alberta T2P 0L4 while the registered office of Harvest Operations is located at Suite 4500, Bankers Hall East 855 – 2nd Street S.W., Calgary, Alberta T2P 4K7.

Subsidiaries

Each of the subsidiary entities identified below is a direct or indirect wholly-owned subsidiary of Harvest Operations (other than the Redearth Partnership for the period prior to September 2010, in respect of which Harvest Operations held a 60% interest).

Harvest Breeze Trust No. 1, a commercial trust

Breeze Trust No. 1 is an unincorporated commercial trust established under the laws of the Province of Alberta on July 8, 2004. Breeze Trust No. 1 is wholly owned by Harvest Operations Corp. and its assets consist of the intangible portion of direct ownership interests in petroleum and natural gas properties purchased from the Breeze Resources Partnership and the Hay River Partnership and a 99% interest in each of those partnerships.

Harvest Breeze Trust. No. 2, a commercial trust

Breeze Trust No. 2 is an unincorporated commercial trust established under the laws of the Province of Alberta on July 8, 2004. Breeze Trust No. 2 is wholly owned by Harvest Operations Corp. and its assets consist of a 1% interest in each of the Breeze Resources Partnership and the Hay River Partnership.

Breeze Resources Partnership, a general partnership

Breeze Resources Partnership (indirectly wholly-owned by the Harvest Operations) is a general partnership formed on June 30, 2004 under the laws of the Province of Alberta. Breeze Resources Partnership was acquired in September 2004. Its assets consist of the tangible portion of direct ownership interest in petroleum and natural gas properties located in east central Alberta and southern Alberta.

Hay River Partnership, a general partnership

Hay River Partnership (indirectly wholly-owned by Harvest Operations) is a general partnership formed on December 20, 2004 under the laws of the Province of Alberta. Hay River Partnership was acquired in August 2005. Its assets consist of the tangible portion of direct ownership interests in petroleum and natural gas properties located in northeastern British Columbia.

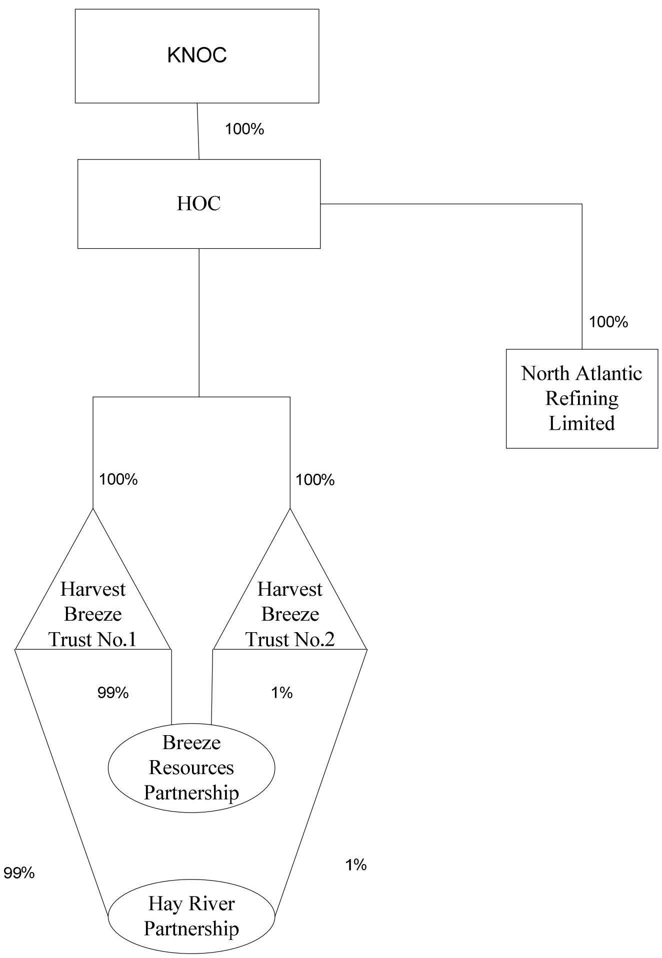
Redearth Partnership, a general partnership

Redearth Partnership is a general partnership formed on August 23, 2002 under the laws of the Province of Alberta. In June 2004, Harvest Operations acquired its 60% ownership interest in Redearth Partnership. Redearth Partnership's assets consist of direct ownership interest in properties located in north central Alberta. On September 30, 2010, Harvest Operations acquired the remaining 40% interest in Redearth Partnership, resulting in 100% ownership interest. As a result, the Redearth Partnership was dissolved and Harvest Operations became the owner of all the assets and assumed all of the liabilities of the Redearth Partnership.

North Atlantic Refining Limited, a taxable corporation

North Atlantic Refining Limited is a wholly owned subsidiary of Harvest Operations. North Atlantic's assets consist of the Refinery and related retail marketing assets. North Atlantic is responsible for providing the engineering, operations and administrative services related to Harvest's Downstream operations. The feedstock supply management and marketing of refined products has been contracted to Vitol Refining, S.A. pursuant to the Supply and Offtake Agreement.

The corporate structure including significant subsidiaries is set forth below. Harvest's remaining subsidiaries and partnerships did not have assets or sales and operating revenues which, in the aggregate, exceeded 20 percent of the total consolidated assets or total consolidated sales and operating revenues of Harvest as at and for the year ended December 31, 2010:



GENERAL DEVELOPMENT OF THE BUSINESS

The following is a description of the general development of Harvest's business over the last three financial years:

Year ended December 31, 2008

On July 24, 2008, Harvest acquired all of the issued and outstanding shares of a private corporation with production of approximately 390 bbl/d of light oil and 2,300 mcf/d of natural gas for cash consideration of $36.8 million.

On September 8, 2008, Harvest acquired petroleum and natural gas producing properties in the Peace River Arch area of northern Alberta with approximately 1,250 bbl/d of light oil and 3,900 mcf/d of natural gas for cash consideration of $130.8 million plus some minor property interests which produced approximately 85 BOE/d.

During 2008, Harvest's Upstream production averaged approximately 55,932 BOE/d comprised of approximately 50% light and medium oil, 22% heavy oil and 28% natural gas. Capital spending on internal development in the Upstream business aggregated to $271.3 million, while capital spending in the Downstream business totaled $56.2 million. For 2008, the daily throughput of feedstock for the Refinery averaged 103,497 bbls/d.

Year ended December 31, 2009

On June 15, 2009, Harvest and Pegasus Oil & Gas Inc. ("Pegasus") entered into a pre-acquisition agreement pursuant to which Harvest agreed to make an offer to purchase all of the outstanding shares of Pegasus in consideration for 0.015 of a Trust Unit for each Pegasus share. The total transaction value was composed of $4.6 million of Trust Units, $13.9 million of assumed Pegasus debt and $1.0 million of acquisition costs. Harvest completed the acquisition of 100% of the outstanding shares of Pegasus on August 12, 2009.

On October 21, 2009, Harvest and KNOC entered into a definitive arrangement agreement pursuant to which KNOC agreed to acquire the Trust in a transaction valued at approximately $4.1 billion (including debt) pursuant to a plan of arrangement under Section 193 of the ABCA. A special meeting of the holders of the outstanding Trust Units, Trust Unit Rights and Unit Awards to consider the KNOC Arrangement was held on December 15, 2009. A Special Resolution approving the KNOC Arrangement was passed by a majority vote of over 90% of such security holders. The KNOC Arrangement was subsequently approved by the Court of Queen's Bench of Alberta on December 16, 2009 and became effective on December 22, 2009, whereupon the Trust become an indirect wholly-owned subsidiary of KNOC.

Pursuant to the KNOC Arrangement, all of the issued and outstanding Trust Units were acquired by KNOC Canada for cash consideration of $10.00 per Trust Unit. In addition, all outstanding Trust Unit Rights and Unit Awards of Harvest were cancelled in exchange for a cash payment equal to, for each Trust Unit Right, the greater of $0.01 and the amount, if any, by which $10.00 exceeded the exercise price thereof and, for each Unit Award, $10.00 for each Trust Unit issuable on the exercise thereof. The Trust Units were subsequently delisted from both the TSX and the NYSE.

The Debentures and the 7⅞% Senior Notes continued as obligations of the Trust and Harvest Operations, as applicable, following completion of the KNOC Arrangement. See "General Description of Capital Structure." The outstanding Debentures remain listed on the TSX. See "Market for Securities".

Concurrent with closing of the KNOC Arrangement, KNOC purchased an additional 60 million Trust Units at $10 per unit. The $600 million of proceeds from this equity issue were used to repay approximately $600 million of then existing bank indebtedness. Harvest Operations entered into an amended $600 million credit facility with a syndicate of lenders.

During 2009, Harvest's Upstream production averaged approximately 51,646 BOE/d comprised of approximately 51% light and medium oil, 20% heavy oil and 29% natural gas. Capital spending on internal development in the Upstream business aggregated to $186.3 million, while capital spending in the Downstream business totaled $43.9 million. In the Downstream operations the Refinery averaged 83,939 bbls/d in 2009. A major planned turnaround was successfully completed during the second quarter, expanding the Downstream's hydrocracking capacity by an additional 1,000 barrels per stream-day.

Year ended December 31, 2010

As completion of the KNOC Arrangement constituted a "change of control" under the Debenture Indenture, the Trust was required to make, and did on January 19, 2010 make offers to purchase all outstanding Debentures for cash consideration equal to 101% of the principal amount thereof plus accrued and unpaid interest. As at March 4, 2010 all of the offers to purchase expired and the following redemptions were made: (a) $13.3 million principal amount was tendered in respect of the 6.50% Debentures Due 2010, leaving a principal balance of $23.8 million outstanding; (b) $67.8 million principal amount was tendered in respect of the 6.40% Debentures Due 2012, leaving a principal balance of $106.8 million outstanding; (c) $48.7 million principal amount was tendered in respect of the 7.25% Debentures Due 2013, leaving a principal balance of $330.5 million outstanding; (d) $13.2 million principal amount was tendered in respect of the 7.25% Debentures Due 2014, leaving a principal balance of $60.1 million outstanding; and (e) $13.4 million principal amount was tendered in respect of the 7.50% Debentures Due 2015, leaving a principal balance of $236.6 million outstanding. See "General Description of Capital Structure – Debentures and Debenture Indenture.

The indenture, pursuant to which the 7⅞% Senior Notes was issued, contained a similar "change of control" provision. Accordingly, on January 20, 2010, Harvest Operations made an offer to purchase all outstanding 7⅞% Senior Notes for cash consideration of 101% of the principal amount thereof plus accrued and unpaid interest. On February 16, 2010, that offer expired with US$40.4 million principal amount having been tendered in acceptance of the offer, leaving a principal balance of US$209.6 million outstanding.

In early 2010, Harvest issued an incremental $466 million of equity to KNOC Canada, which was used to further reduce bank debt in advance of the required change-of-control offers to holders of the 7⅞% Senior Notes and Debentures.

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

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

On May 1, 2010, an internal reorganization was completed so as to effectively convert from an investment trust issuer to a corporate issuer, pursuant to which the Trust was dissolved and the wholly owned subsidiary and manager of the Trust, Harvest Operations Corp., was amalgamated with KNOC Canada to continue as one corporation under the name Harvest Operations Corp. The recorded amounts of Harvest Operation's assets and liabilities were determined from the existing carrying values of KNOC Canada's assets and liabilities.

On August 6, 2010, Harvest completed the acquisition of the BlackGold oil sands project from KNOC for $374 million, which was paid for through the issuance of additional equity to KNOC. BlackGold is located in northeastern Alberta. The project has Energy Resource Confirmation Board ("ERCB") approval for a Phase 1 production of 10,000 bbls/d and an application in process for a Phase 2 expansion that would increase production to 30,000 bbl/d. The project will utilize steam assisted gravity drainage ("SAGD"), an established in situ technology that uses horizontal drilling. First oil is expected in early 2013. Form 51-102F4 was not filed for this acquisition as the conditions were not met under National Instrument 51-102.

Additionally in 2010, Harvest Operations acquired the remaining 40% interest in Redearth Partnership and other Properties for total cash consideration of $146.2 million. As a result of the acquisition, $161.3 million was added to property, plant and equipment, $7.4 million to asset retirement obligations and $7.7 million to future income tax liability.

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

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

During 2010, Harvest's Upstream production averaged approximately 49,397 boe/d comprised of approximately 54% light and medium oil, 19% heavy oil and 27% natural gas. Capital spending on internal development in the Upstream business aggregated to $404 million, while capital spending in the Downstream business totalled $71.2 million. In the Downstream operations the Refinery averaged 86,142 bbls/d in 2010.

Recent Developments

On December 14, 2010 Harvest signed a purchase and sale agreement to purchase the assets of Hunt Oil Company of Canada, Inc. and Hunt Oil Alberta, Inc. (collectively "Hunt") for a price of $525 million. The agreement for the transaction, which closed on February 28, 2011, contains a mechanism that allows for a subsequent $25 million payment in the event that Canadian natural gas prices exceed certain pre-determined levels over the next two years. The Hunt assets in West Central Alberta include interests in a third-party operated gas plant that has experienced outages, which then has resulted in reduced production in certain oil and gas properties. Hunt has agreed to reimburse Harvest for costs associated with restoring production as well as make payments for any lost production incurred between October 1, 2010 and the earlier of the date when production is resumed or October 31, 2011. KNOC, subsequent to December 31, 2010, has provided $505 million of equity to fund the acquisition.

GENERAL BUSINESS DESCRIPTION

Overview

Harvest is an oil and gas producer with upstream and downstream operations and is a wholly owned subsidiary of the state-owned KNOC. The Corporation's crude oil and natural gas business focuses on the operation and further development of its oil-focused assets in western Canada, including its recently acquired oil sands project. Harvest's refining and marketing business focuses on the safe and efficient operation of the medium gravity sour-crude refinery located in the Province of Newfoundland and Labrador and the associated retail and marketing operations. At December 31, 2010, Harvest's Upstream and Downstream operations had 435 and 444 full-time employees respectively. The Company also engages a number of contractors and service providers.

As of December 31, 2010, the Corporation had estimated net proved reserves and net probable reserves of approximately 203.5 MMboe and 180.0 MMboe respectively. The discounted future net revenue after deduction of taxes (discounted at 10%) of the net proved reserves and net probable reserves were approximately $2.86 billion and $1.18 billion respectively. The proved reserves and probable reserves are comprised of approximately 86% and 94% crude oil and natural gas liquids respectively. The majority of the Corporation's cash flow is generated by the Upstream operations which accounted for 100% of the consolidated cash flow before corporate expenses for the year ended December 31, 2010.

Established in 1979, KNOC is a leading international oil and gas exploration and production company wholly owned by the Government of Korea with current credit ratings of A (Stable) from S&P and A1 (Stable) from Moody's. KNOC's founding principle is to secure oil supplies for the nation of Korea by exploring for and developing oilfields and holding petroleum reserves. Since its inception, KNOC has invested in petroleum development in Korea and 24 additional countries as of December 2010, with the acquisition of Harvest's business representing KNOC's single largest investment. As at December 31, 2010, Harvest's net proved reserves represented approximately 30% of KNOC's consolidated crude oil and natural gas reserves and resources and for year ended December 31, 2010, Harvest's crude oil and natural gas production represented 35% of KNOC's consolidated crude oil and natural gas production.

Business Strategies, Policies & Practices

Maximize Value and Production from Existing Properties

Harvest intends to use its technological expertise to enhance the long-term value of Harvest's existing western Canadian assets with proven development strategies. The Corporation uses infill and stepout drilling to develop the potential of its assets. Included among the drilling techniques is horizontal drilling which is typically about 80% of the wells drilled. Completion techniques are appropriate for the reservoir but include multistage fracturing when it can be used economically to develop reservoirs. The Corporation has implemented numerous EOR projects within its existing asset base, utilizing water floods and polymer floods. Going forward Harvest anticipates applying polymer, water and other EOR techniques to enhance the performance of its assets.

Increase Operating Netbacks

Harvest has traditionally focused on reducing the operating costs and optimizing the sales portfolio to increase the operating netback and thereby extend the life and increase the value of the proved reserves. Harvest's ongoing cost reduction initiatives include continuous improvements to water handling and disposal alternatives and contracting for volume discounts on well servicing and purchased materials. Marketing initiatives contribute to achieving the highest well head price and include identifying new market opportunities, diversifying Harvest's customer base, blending crude oil to capture market arbitrage, and developing enhanced revenue generating commercial activities. Harvest intends to maintain a disciplined and rigorous approach to cost control as the Corporation continues to grow its business.

Establishing New Core Areas Through Exploration

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

Acquire Properties with Operational and Development Opportunities

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

Optimize Downstream Operations through Identified Projects

Harvest has identified de-bottlenecking projects at the Refinery which are anticipated to increase throughput capacity, improve the yield of distillate products, enhance feedstock receiving and storage facilities and improve process heating design and combustion technologies. In 2010, Harvest has made considerable progress toward the completion of these de-bottlenecking projects. Harvest believes the completion of these projects will enhance the profitability and operational flexibility of the Refinery and Harvest will continue to evaluate similar opportunities for further improvement.

Cash Flow Risk Management

Harvest utilizes price risk management to reduce volatility in its cash flows. Harvest's cash flow risk management strategies are financially integrated, reflecting that the commodity price risk of its cash flows from producing crude oil in western Canada, which is financially offset partially by its requirement to purchase crude oil feedstock for the Downstream operations even though the crude oil produced in western Canada does not physically flow to the Refinery in Newfoundland. As a result, Harvest's 2011 cash flows at risk is comprised of approximately net 34,600 bbls/d of refined product price exposure, 66,800 bbls/d of refined product crack spread exposure and 88,500 mcf/d of western Canadian natural gas price exposure.

Harvest uses electricity price swap contracts to manage some of its electricity price risk exposures relating to its electricity consumption. Harvest has also entered into crude oil swap contracts to reduce the volatility of cash flows from a portion of its forecasted sales. The Corporation limits its financial hedge counterparties to lenders in the syndicated Credit Facility as the security provided under the Credit Facility will extend to the price risk management contracts. This eliminates the requirement for margin calls and the pledging of collateral as well as enables the negotiation of a more limited number of events of default which limits the potential that these contracts could exacerbate credit concerns.

UPSTREAM BUSINESS
STATEMENT OF RESERVES DATA

The statement of reserves data and other oil and natural gas information set forth below (the "Statement") is dated March 25, 2011. The effective date of the Statement is December 31, 2010 and the preparation date of the Statement is March 25, 2011.

Disclosure of Reserves Data

Harvest retained qualified, Independent Reserves Evaluators to evaluate and prepare reports on 100% of Harvest's crude oil and natural gas reserves as of December 31, 2010. Harvest's reserves were evaluated by McDaniel (who evaluated approximately 20% of Harvest's total proved plus probable reserves), and GLJ (who evaluated approximately 80% of Harvest's total proved plus probable reserves). All of Harvest's reserves were evaluated using the price and cost assumptions of McDaniel as at January 1, 2011.

The Statement summarizes the crude oil, natural gas liquids and natural gas reserves of Harvest and the Operating Subsidiaries and the net present values of future net revenue for these reserves using forecast prices and costs. The Reserve Report has been prepared by the Independent Reserve Evaluators in accordance with the standards contained in the COGE Handbook and the reserve definitions and other requirements contained in NI 51-101. Additional information not required by NI 51-101 has been presented to provide continuity and additional information which Harvest believes is important to the readers of this information. Harvest engaged the Independent Reserve Evaluators to provide an evaluation of proved and proved plus probable reserves and no attempt was made to evaluate possible reserves.

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

Disclosure provided herein in respect of BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

It should not be assumed that the estimates of future net revenues presented in the tables below represent the fair market value of the reserves. There is no assurance that the forecast prices and costs assumptions will be attained and variances could be material. The recovery and reserve estimates of Harvest and the Operating Subsidiaries' crude oil, natural gas liquids and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil, natural gas and natural gas liquid reserves may be greater than or less than the estimates provided herein.

Reserves Data (Forecast Prices and Costs) – December 31, 2010

SUMMARY OF OIL AND NATURAL GAS RESERVES
AND NET PRESENT VALUES OF FUTURE NET REVENUE
as of December 31, 2010
FORECAST PRICES AND COSTS

	OIL AND NATURAL GAS RESERVES							
	LIGHT AND MEDIUM OIL[1]		HEAVY OIL[1]		BITUMEN		NATURAL GAS	
RESERVES CATEGORY	Gross (Mbbls)	Net (Mbbls)	Gross (Mbbls)	Net (Mbbls)	Gross (Mbbls)	Net (Mbbls)	Gross (MMcf)	Net (MMcf)
PROVED								
Developed Producing	56,228	50,280	30,040	26,675	0	0	164,401	144,912
Developed Non-Producing	980	803	1,686	1,383	0	0	11,350	10,061
Undeveloped	11,184	9,644	3,753	3,000	93,604	77,068	27,035	22,434
TOTAL PROVED	68,392	60,727	35,479	31,058	93,604	77,068	202,786	177,407
PROBABLE	25,624	22,571	15,896	13,051	165,640	130,733	80,274	69,802
TOTAL PROVED PLUS PROBABLE	94,016	83,298	51,375	44,109	259,244	207,801	283,060	247,209

	OIL AND NAURAL GAS RESERVES (CONT'D)			
	NATURAL GAS LIQUIDS		Total Oil Equivalent	
RESERVES CATEGORY	Gross (Mbbls)	Net (Mbbls)	Gross (MBOE)	Net (MBOE)
PROVED				
Developed Producing	5,835	4,300	119,504	105,405
Developed Non-Producing	371	276	4,929	4,139
Undeveloped	576	463	113,624	93,914
TOTAL PROVED	6,782	5,039	238,056	203,458
PROBABLE	2,797	2,059	223,337	180,047
TOTAL PROVED PLUS PROBABLE	9,579	7,098	461,393	383,505

RESERVES CATEGORY	NET PRESENT VALUES OF FUTURE NET REVENUE BEFORE INCOME TAXES DISCOUNTED AT (%/year) [(2)] 0% ($M)	5% ($M)	10% ($M)	15% ($M)	20% ($M)
PROVED					
Developed Producing	4,315,961	3,153,110	2,521,033	2,118,403	1,837,918
Developed Non-Producing	161,181	111,465	85,018	68,453	57,048
Undeveloped	2,598,076	1,235,166	629,714	316,160	134,129
TOTAL PROVED	7,075,218	4,499,741	3,235,765	2,503,016	2,029,095
PROBABLE	6,826,562	3,122,084	1,655,126	966,661	600,096
TOTAL PROVED PLUS PROBABLE	13,901,780	7,621,825	4,890,891	3,469,677	2,629,191

RESERVES CATEGORY	NET PRESENT VALUES OF FUTURE NET REVENUE AFTER INCOME TAXES DISCOUNTED AT (%/year) [(2)] 0% ($M)	5% ($M)	10% ($M)	15% ($M)	20% ($M)
PROVED					
Developed Producing	3,847,714	2,869,337	2,329,507	1,981,024	1,735,267
Developed Non-Producing	120,513	84,081	64,906	52,931	44,716
Undeveloped	2,028,177	952,274	467,755	212,714	62,468
TOTAL PROVED	5,996,404	3,905,692	2,862,168	2,246,669	1,842,451
PROBABLE	5,089,221	2,285,543	1,181,004	665,351	392,641
TOTAL PROVED PLUS PROBABLE	11,085,625	6,191,235	4,043,172	2,912,020	2,235,092

TOTAL FUTURE NET REVENUE
(UNDISCOUNTED)
as of December 31, 2010
FORECAST PRICES AND COSTS

RESERVES CATEGORY	REVENUE ($M)	ROYALTIES ($M)	OPERATING COSTS ($M)	DEVELOP-MENT COSTS ($M)	WELL ABANDON-MENT COSTS ($M)	FUTURE NET REVENUE BEFORE INCOME TAXES(2) ($M)	INCOME TAXES	FUTURE NET REVENUE AFTER INCOME TAXES(2)
Proved Reserves	18,022,404	2,698,247	6,205,263	1,819,551	224,125	7,075,218	1,078,814	5,996,403
Proved Plus Probable Reserves	36,838,774	6,369,872	11,926,524	4,335,919	304,570	13,901,780	2,816,156	11,085,624

FUTURE NET REVENUE
BY PRODUCTION GROUP
as of December 31, 2010
FORECAST PRICES AND COSTS

RESERVES CATEGORY	PRODUCTION GROUP	FUTURE NET REVENUE BEFORE INCOME TAXES (discounted at 10%/year) ($M) (2)	UNIT VALUE ($/bbl or $/mcf)
Proved Reserves	Light and Medium Crude Oil (including solution gas and associated by-products)	1,225,160	26.09
	Heavy Crude Oil (including solution gas and associated by-products)	1,186,722	25.22
	Non-conventional Heavy Oil	385,656	5.00
	Associated and Non-Associated Natural Gas (including associated by-products)	430,908	2.66
	Non-conventional Oil & Gas Activities	7,318	2.05
		3,235,764	9.60
Proved Plus Probable Reserves	Light and Medium Crude Oil (including solution gas and associated by-products)	1,562,672	24.07
	Heavy Crude Oil (including solution gas and associated by-products)	1,553,817	23.71
	Non-conventional Heavy Oil	1,185,010	5.70
	Associated and Non-Associated Natural Gas (including associated by-products)	579,371	2.55
	Non-conventional Oil & Gas Activities	10,021	2.04
		4,890,891	8.57

1. The reserves attributable to Harvest's Hay River property, which is an area that produces medium gravity crude oil (average 24° API), are subject to a heavy oil royalty regime in British Columbia and would be required, under NI 51-101, to be classified as heavy oil for that reason. Harvest has presented Hay River reserves as medium gravity crude in the reserve tables above as they would otherwise be classified in this

fashion were it not for the lower rate royalty regime applied in British Columbia. If the Hay River reserves were included in the heavy crude oil category, it would increase the gross heavy oil reserves and reduce the light/medium oil reserves by the following amounts: Proved Developed Producing: 11.4 MMbbl, Proved Undeveloped: 5.8 MMbbl, Total Proved: 17.2 MMbbl, Probable: 5.5 MMbbl and Proved plus Probable: 22.7 MMbbl, and would increase the net heavy oil reserves and reduce the light/medium oil reserves by the following amounts: Proved Developed Producing: 9.9 MMbbl, Proved Undeveloped: 4.9 MMbbl, Total Proved: 14.8 MMbbl, Probable: 4.9 MMbbl, and Proved plus Probable: 19.7 MMbbl.

2. Columns may not add due to rounding.

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

Reserve Categories

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

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

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

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

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

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

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

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

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

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

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

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

Levels of Certainty for Reported Reserves

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

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

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

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

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

Forecast Prices and Costs – January 1, 2011

Forecast prices and costs are those:

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

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

The forecast cost and price assumptions assume increases in wellhead selling prices and take into account inflation with respect to future operating and capital costs. Crude oil and natural gas benchmark reference pricing, inflation and exchange rates utilized in the Reserve Report, based on McDaniel's then current forecasts at the date of the Report, were as follows:

SUMMARY OF PRICING AND INFLATION RATE ASSUMPTIONS
as of January 1, 2011
FORECAST PRICES AND COSTS

	OIL					NATURAL GAS	NATURAL GAS LIQUIDS	INFLATION RATES [6]	U.S./ CAN EXCHANGE RATE[7]
Year Forecast	WTI Crude Oil[1] ($US/ bbl)	Edmonton Light Crude Oil[2] ($Cdn/ bbl)	Alberta Heavy Crude Oil[3] ($Cdn/ bbl)	Alberta Bow River Hardisty Crude Oil[4] ($Cdn/ bbl)	Sask Cromer Medium Crude Oil[5] ($Cdn/ bbl)	Alberta AECO Spot Price ($Cdn/ GJ)	Edmonton Cond. and Natural Gasolines ($Cdn/ bbl)	(%/Year)	($US/$Cdn)
2011	85.0	84.2	66.7	72.8	77.2	4.25	88.2	2.0	0.975
2012	87.7	88.4	68.7	75.0	80.4	4.90	90.4	2.0	0.975
2013	90.5	91.8	68.6	75.1	82.5	5.40	93.9	2.0	0.975
2014	93.4	94.8	70.8	77.5	85.2	5.90	96.9	2.0	0.975
2015	96.3	97.7	73.0	80.0	87.9	6.35	99.9	2.0	0.975
2016	99.4	100.9	75.4	82.5	90.7	6.75	103.1	2.0	0.975
2017	101.4	102.9	76.9	84.2	92.5	7.10	105.2	2.0	0.975
2018	103.4	104.9	78.4	85.9	94.3	7.40	107.2	2.0	0.975
2019	105.4	107.0	80.0	87.5	96.2	7.60	109.3	2.0	0.975
2020	107.6	109.2	81.6	89.3	98.2	7.75	111.6	2.0	0.975
2021	109.7	111.3	83.2	91.1	100.1	7.85	113.7	2.0	0.975
2022	111.9	113.6	84.9	92.9	102.1	8.05	116.1	2.0	0.975
2023	114.1	115.8	86.6	94.7	104.1	8.20	118.3	2.0	0.975
2024	116.4	118.1	88.3	96.7	106.2	8.40	120.7	2.0	0.975
2025	118.8	120.6	90.1	98.6	108.4	8.50	123.2	2.0	0.975
Thereafter	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	2.0	0.975

Notes:

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

Weighted average historical prices realized by Harvest and the Operating Subsidiaries for the year ended December 31, 2010, were $4.21/mcf for natural gas, $58.83/bbl for natural gas liquids, $71.09/bbl for light/medium oil, and $59.94/bbl for heavy oil.

3. Future Development Costs

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

	Forecast Prices and Costs ($M)	
Year	Proved Reserves	Proved Plus Probable Reserves
2011	$436,538	$501,489
2012	$286,116	$424,146
2013	$52,534	$266,268
2014	$14,703	$412,287
2015	$62,983	$141,931
Thereafter	$966,676	$2,589,798
Total Undiscounted	**$1,819,551**	**$4,335,919**
Total Discounted at 10%	$967,442	$1,953,191

Future development costs will be funded through cash flow and the Corporation's Credit Facility.

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

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

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

Reconciliations of Changes in Reserves

RECONCILIATION OF
OPERATING SUBSIDIARIES COMPANY GROSS
BY PRINCIPAL PRODUCT TYPE
FORECAST PRICES AND COSTS

	LIGHT AND MEDIUM OIL			HEAVY OIL			BITUMEN		
FACTORS	Gross Proved (Mbbl)	Gross Probable (Mbbl)	Gross Proved Plus Probable (Mbbl)	Gross Proved (Mbbl)	Gross Probable (Mbbl)	Gross Proved Plus Probable (Mbbl)	Gross Proved (Mbbl)	Gross Probable (Mbbl)	Gross Proved Plus Probable (Mbbl)
31-Dec-09	61,873	25,162	87,035	37,182	17,914	55,096	0	0	0
Extensions/ Improved Recovery	5,128	2,510	7,635	1,931	217	2,149	0	0	0
Technical Revisions	4,023	(3,782)	243	(277)	(2,236)	(2,513)	0	0	0
Discoveries	0	0	0	0	0	0	0	0	0
Acquisitions	6,143	1,735	7,878	0	0	0	93,604	165,641	259,245
Dispositions	0	0	0	0	0	0	0	0	0
Production	(8,775)	0	(8,775)	(3,356)	0	(3,356)	0	0	0
31-Dec-10	68,392	25,625	94,016	35,480	15,895	51,376	93,604	165,641	259,245

	ASSOCIATED AND NON-ASSOCIATED NATURAL GAS			NATURAL GAS LIQUIDS			TOTAL (BOE)		
FACTORS	Gross Proved (MMcf)	Gross Probable (MMcf)	Gross Proved Plus Probable (MMcf)	Gross Proved (Mbbl)	Gross Probable (Mbbl)	Gross Proved Plus Probable (Mbbl)	Gross Proved (MBOE)	Gross Probable (MBOE)	Gross Proved Plus Probable (MBOE)
31-Dec-09	206,537	79,559	286,096	6,830	2,819	9,649	140,308	59,155	199,463
Extensions/ Improved Recovery	9,208	4,403	13,610	292	90	382	8,886	3,550	12,434
Technical Revisions	194	(8,273)	(8,079)	416	(158)	258	4,194	(7,555)	(3,359)
Discoveries	0	0	0	0	0	0	0	0	0
Acquisitions	15,977	4,586	20,563	186	47	233	102,596	168,187	270,783
Dispositions	0	0	0	0	0	0	0	0	0
Production	(29,131)	0	(29,131)	(942)	0	(942)	(17,928)	0	(17,928)
31-Dec-10	202,785	80,275	283,059	6,782	2,798	9,580	238,056	223,337	461,393

Note:
(1) Columns may not add due to rounding.

Additional Information Relating to Reserves Data

Undeveloped Reserves

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

As at January 1, 2011, Harvest has a total of 118.4 MMBOE (93.6 MMBOE associated with BlackGold of gross reserves that are classified as proved non-producing. Of these non-producing reserves approximately 96% are undeveloped reserves. The balance are developed non-producing reserves which would be wells that were not producing as at December 31, 2010 and are eligible to be brought on production given economics and production information as at January 1, 2011. Substantially all of the undeveloped reserves are based on Harvest's then current 2011 budget and long range development plans for the major assets noted elsewhere in this document. Excluding BlackGold's bitumen reserves, approximately 65% of these reserves are expected to be developed within the next two years. The remaining undeveloped reserves are expected be developed over the next five years, which in most cases is due to processing facility capacity restrictions. The capital cost has been taken into account for these programs in the estimated future net revenue.

TIMING OF INITIAL UNDEVELOPED
RESERVES ASSIGNMENT

		Gross Reserves First Attributed by Year				
PRODUCT TYPE	Units	Prior	2008	2009	2010	Total
Proved Undeveloped						
Light and Medium Crude Oil	Mbbl	3,447	65	417	2,891	6,820
Heavy Crude Oil	Mbbl	7,318	3,663	429	1,326	12,736
Natural Gas	MMcf	28,723	(2,840)	1,337	3,787	31,007
Natural Gas Liquids	Mbbl	444	6	22	148	621
Bitumen	Mbbl	0	0	0	93,604	93,604
Total Oil Equivalent	MBOE	15,996	3,261	1,091	98,600	118,948
Probable Undeveloped						
Light and Medium Crude Oil	Mbbl	9,730	(48)	1,410	2,604	13,696
Heavy Crude Oil	Mbbl	10,035	(1,179)	492	1,512	10,860
Natural Gas	MMcf	27,040	(3,260)	2,148	9,491	35,419
Natural Gas Liquids	Mbbl	990	93	41	177	1,301
Bitumen	Mbbl	0	0	0	165,640	165,640
Total Oil Equivalent	MBOE	25,262	(1,677)	2,302	171,514	197,400

Notes:

(1) Hay River reserves are considered to be heavy crude oil for this analysis.

(2) First attributed volumes include additions during the year and do not include revisions to previous undeveloped reserves.

Significant Factors or Uncertainties

Information in this Annual Information Form 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 Corporation's future outlook are based on information available at March 25, 2011.

Important economic factors that should be taken into consideration that may affect particular components of the reserve data include: oil pricing, power costs and operating expenses.

Oil and Gas Wells

The following table sets forth the number of wells in which Harvest held a working interest as at December 31, 2010:

	Oil Wells				Natural Gas Wells			
	Producing		Non-Producing		Producing		Non-Producing	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Alberta	3280	2423	1752	1223	1442	506	1090	389
British Columbia	189	173	104	74	47	7	57	6
Saskatchewan	1071	884	506	409	12	7	46	41
Total	4540	3480	2362	1706	1501	520	1193	436

	Service Wells			
	Active		Suspended	
	Gross	Net	Gross	Net
Alberta	703	503	207	115
British Columbia	164	164	13	3
Saskatchewan	171	145	22	11
Total	1038	812	242	129

Note:

(1) "Gross Wells" are wells in which Harvest has an interest (operating or non-operating).
(2) "Net Wells" are Harvest's interest share of the gross wells (operating or non-operating).

Exploration and Development Activities

The following table sets forth the number of exploratory and development wells which Harvest completed during its 2010 financial year:

	Exploratory Wells		Development Wells	
	Gross	Net	Gross	Net
Oil Wells	12	10.6	139	118.1
Gas Wells	5	4.4	9	3.2
Service Wells	0	0	5	5
Dry Holes	1	0.1	0	0
Total Wells	18	15.1	153	126.3

Note:

(1) "Gross Wells" are wells in which Harvest has an interest (operating or non-operating).
(2) "Net Wells" are Harvest's interest share of the gross wells (operating or non-operating).

For a discussion of Harvest's exploration and development activities refer to the "2010 Capital Expenditures Plan" section under "Other Upstream Information".

Properties with No Attributed Reserves

The following table sets out Harvest's undeveloped land holdings as at December 31, 2010.

	Undeveloped Acres	
	Gross	Net
Alberta	582,775	407,522
British Columbia	194,847	100,294
Saskatchewan	93,643	79,038
Total	871,245	586,855

	Undeveloped Acres for which rights expire within one year	
	Gross	Net
Alberta	82,219	57,301
British Columbia	52,399	24,958
Saskatchewan	16,009	11,866
Total	150,627	94,125

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

Production Estimates

The following table sets forth the volume of production from the Corporation's gross reserves estimated for 2011 as found in the Reserve Report:

	2011 Production Forecast				
	Light and Medium Oil (bbl/d)	Heavy Oil (bbl/d)	Natural Gas (Mcf/d)	Natural Gas Liquids (bbls/d)	Total (BOE/d)
Proved Producing	15,262	16,880	74,678	2,516	47,090
Proved Developed Non-Producing	303.1	1060.7	2,609	127.6	1,162
Proved Undeveloped	2,313	3557.6	2,578	82.1	3,807
Total Proved	16,617	19,339	79,817	2,724	51,967
Total Probable	1,317	1,077	5,068	169.7	3,407
Total Proved Plus Probable	17,934	20,416	84,885	2,894	55,374

Note: Hay River is included as Heavy Oil in this table

OTHER UPSTREAM BUSINESS INFORMATION

Oil and Natural Gas Properties

Harvest and the Operating Subsidiaries' portfolio of significant properties is discussed below. Reserve amounts discussed are gross reserves and are stated at December 31, 2010 based on forecast prices and cost assumptions.

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

2010 Historical Production by Material Property

Material Property	Light, Medium and Heavy Crude Oil (bbls/d)	Natural gas (Mcf/d)	NGL (bbls/d)	Average Daily Production (BOE/d)
Hay River	5,849	2,561	20	6,296
Markerville	671	17,321	606	4,164
Rimbey	415	15,788	944	3,990
Southeast Saskatchewan	3,424	278	10	3,480
Lloydminster Heavy Oil	2,751	795	0	2,883
Red Earth	2,731	79	55	2,799
Suffield	2,374	542	25	2,489
Hayter	2,140	312	11	2,203
Peace River Arch	1,090	6,090	70	2,175
Bellshill Lake	1,940	947	45	2,143
Wainwright	1,910	2	0	1,910
Crossfield	29	7,735	395	1,713
Other	8,005	28,434	409	13,152
Total	**33,329**	**80,884**	**2,590**	**49,397**

Principal Producing Properties at December 31, 2010

Hay River*:* Hay River was acquired by Harvest on August 2, 2005 and is located approximately 125 miles NW of Grande Prairie in north-eastern British Columbia. In 2010, Hay River produced 5,849 bbl/d of medium gravity 24° API crude oil and 2.6 mmcf /day of natural gas from the Bluesky Formation located at a depth of approximately 450m. Produced emulsion is processed at the central emulsion processing facility with the clean oil transported via pipeline to sales points. Natural gas produced in conjunction with the oil is processed at the central facility and is either re-injected into the reservoir for pressure maintenance, or sold through a sales gas pipeline connected to the facility. Hay River is a winter only access area in that drilling operations can only be undertaken when the ground is frozen (typically between late November and late March). The Hay River medium gravity oil production is priced at a discount to the Edmonton Light oil benchmark, contributing to stronger netbacks when compared to other similar gravity crudes. Harvest has a 100% working interest in this operated property. In 2010, Harvest drilled 10 wells including 5 producing horizontal wells and 5 water source and water injection wells with a total capital expenditure of $36 million. Since 2007, Harvest has focused on increasing water injection into the producing Bluesky Formation to improve overall production and recovery of oil from the reservoir. A gas plant constructed in 2007 was commissioned in the spring of 2008 to eliminate flaring at the site and to manage production of associated gas. Connection of commercial power to the site was also completed in 2008 which allowed for optimization of the production in the field.

Markerville*:* The Markerville area is located approximately 35 kilometres southwest of Red Deer, Alberta. Harvest is the operator for a majority of the production in the area and has a working interest varying from 50% to 90% in the majority of the area's wells. Markerville averaged 4,164 boe/d (69% natural gas) for the 12 months ending December 31, 2010. The area offers multi-zone potential with a number of producing horizons. The Pekisko Formation, at a well depth of approximately 2,200 metres, contains sweet natural gas along with associated liquids. The formation is developed using both vertical and horizontal wells. The Edmonton sands are a tight gas reservoir located at a depth of approximately 800 metres that contains sweet natural gas that is developed exclusively with vertical wells. Harvest also has a 25% to 50% working interest in Leduc Pinnacle Reef formations that produce light oil and associated natural gas. In 2010, the Corporation had capital expenditures of $11.4 million to drill 4 gross wells targeting the Ellerslie (light oil) formation. Harvest has ownership in various pipelines, compressors, and gas processing facilities that service the wells in this area.

Rimbey: The Rimbey area is located approximately 50 miles NW of Red Deer. In 2010, the Rimbey area produced 3,990 boe/d (approximately 66% natural gas) from various formations including the Rock Creek, Viking, Ostracod, and Cardium. Harvest's working interest in this area ranges from 25% to 100%. In 2010, Harvest drilled 24 gross wells for a total expenditure of $41 million. One specific area of focus was the Cardium formation where Harvest drilled 12 horizontal wells with multi-staged fracture completions pursuing both light oil and natural gas. Gas produced from this area is generally transported on company owned and third party owned infrastructure to five company owned compression facilities at Wilson Creek and Rose Creek, Willesden Green and Ferrier as well as third party gas processing facilities.

Southeast Saskatchewan: The southeast Saskatchewan properties are located approximately 110 miles southeast of Regina. Production from southeast Saskatchewan averaged 3,480 bbl/d of average 33° API crude oil in 2010, primarily produced from the Tilston and Souris Valley Formations of Mississippian age. Harvest has an average working interest of over 90% in this primarily operated property. In 2010, Harvest drilled 20 gross (19.5 net) wells, primarily horizontal development and infill wells, into defined pools for a total expenditure of $27 million. Fluid produced from the area is processed at the 100% owned Hazelwood facility and is pipeline connected to the Enbridge system. Harvest has extensive proprietary 3D seismic coverage of these properties, which offers control of the opportunity and will be used to identify further opportunities on and off Harvest's land base.

Lloydminster Heavy Oil: Harvest has various working interests in this area, which is located near the town of Lloydminster, Alberta. Production of 12° to 15° API heavy crude oil is from Cretaceous aged sandstone formations within the Mannville group. Production averaged 2,883 boe/d (95% oil) in 2010. Harvest drilled 29 gross (26.8 net) wells in 2010 with total capital expenditures of $27.9 million. The majority of the wells drilled were horizontal in the Lloydminster formation. Production from the area's wells is processed at a central processing facility with solution gas conservation and then trucked to Harvest's Bellshill Lake pipeline terminal sales point. Future plans include downspacing the pool with additional horizontal wells and assessing the potential impact of water injection for pressure maintenance and enhanced recovery.

Red Earth: Production in 2010 from Red Earth averaged 2,799 boe/d (98% oil) with an average oil quality of 37° to 39° API from the Devonian Slave Point, Granite Wash and Gilwood Formations. Harvest increased its working interest in this area to over 90% following the acquisition of a 40% interest in the Red Earth partnership in the fall of 2010. In 2010, Harvest drilled 36 gross (30.5 net) wells with total capital expenditures of $70.4 million. A majority of the drilling was horizontal wells in the Slave Point formation using multi-staged fracture completions. Future development at Red Earth may include downspace drilling in the Slave Point G pool, application of horizontal well technology as well as potential water injection to increase the recovery factor in a number of smaller Slave Point pools by offsetting production decline. Harvest has an extensive seismic database in the Red Earth area that was instrumental in the discovery of a new oil pool in the area and that will assist Harvest's plans to infill drill its identified Granite Wash and Slave Point pools.

Suffield: Suffield is located 160 miles SE of Calgary and is located on the site of the Canadian Forces Base Suffield. Production from this region averaged 2,489 boe/d of primarily heavy oil in 2010, with average API gravity of 11 to 18° from the Upper Mannville Glauconitic Formation. Harvest has an average 99% working interest in this operated property. Fluid produced from the area is processed at three emulsion processing facilities located at Caen, Lark and Batus with clean oil transported via pipeline to sales points. In 2010, Harvest drilled 6 gross (6 net) horizontal wells, undertook upgrades to its water injection systems and installed a polymer flood pilot at its Caen field for a total expenditure of $15.7 million. By increasing injection and using chemical enhancements such as polymers, Harvest believes the ultimate recovery of oil will be increased. Future development at Suffield may include step-out, extension and infill drilling in the established pools. Pool optimization and enhanced recovery projects will target increased water injection into under-injected reservoirs that have not received adequate pressure maintenance as well as the introduction of polymer flooding to further enhance sweep efficiencies.

Hayter: Harvest acquired the Hayter property in November, 2002. Production in 2010 averaged approximately 2,140 bbl/d of 14° to 15° API oil, producing from the Lower Cretaceous Cummings/Dina Formation. Harvest has an average 94% working interest in this operated property. Emulsion produced from the wells is processed at one of two central processing facilities and then transported via pipeline to sales points. In 2010, Harvest had capital expenditures of $6.6 million to drill 2 gross (1.8 net) wells to pursue heavy oil in the Sparky formation as well as complete upgrades to the infrastructure as part of ongoing production optimization. Future development at Hayter may include additional infill and step-out drilling, as well as enhanced oil recovery projects. Harvest has identified the Hayter area as being amenable for enhanced recovery and will undergo additional testing of enhanced oil recovery techniques. Operating expense reduction projects such as low pressure water disposal wells, horizontal disposal wells, and battery optimization are ongoing.

Peace River Arch: Production from the Peace River Arch area in 2010 averaged approximately 2,175 boepd (53% weighted to liquids. The major asset within the Peace River Arch area is the Cecil asset which produces 24-26API oil from the Charlie Lake formation. Harvest has working interests that vary from 40-100% and operates approximately 25% of the producing wells with an average 100% working interest.

Bellshill Lake*:* Harvest holds an average 98% working interest in this area, including a 100% working interest in the Bellshill Lake Ellerslie Unit as well as working interests ranging from 6.5% to 100% in non-unit leases located next to the unit, all of which are operated by Harvest. Production consists of 26° to 28° API oil produced from the Ellerslie and Dina formations, totalling 2,143 boe/d in 2010 and weighted 93% towards oil and liquids. The unit and area comprises 707 gross wells, of which 580 are producing oil wells. The majority of these wells are tied-in to one central facility consisting of an oil processing facility, a water injection plant and a gas processing facility. Oil is transported to market via Gibson's pipeline and the gas is sold on the spot market.

Wainwright*:* Harvest acquired the Wainwright properties in September, 2004. Production in 2010 from this pool averaged approximately 1,910 boe/d of 22° to 24° API medium gravity oil, produced from the Cretaceous Upper Manville Sparky Formation. Harvest has an average 99% working interest in these operated properties. In 2009, Harvest completed the construction and start-up of a polymer flood pilot. Production in 2010 was virtually identical to 2009 which Harvest attributes in part to the impact of the pilot. Harvest will continue to evaluate the performance of the pilot and consider expansion in the future. Total expenditures for 2010 were $11.0 million.

Crossfield*:* Crossfield is located approximately 20 miles NW of Calgary. Production in 2010 from this region was primarily natural gas (75%) with some liquids and averaged approximately 1,713 boe/d from the Lower Cretaceous Basal Quartz Formation. Harvest has an average 75% working interest in this operated and non-operated property. In 2010, Harvest applied horizontal well technology with multi-staged fracture completions to both the Basal Quartz and the Ellerslie formations and drilled four gross (3.5 net) wells as well as infrastructure upgrades to facilitate re-direction of produced gas to a third party processing facility, for a total expenditure of $24.4 million. Harvest continues to evaluate opportunities to downspace and drill additional locations at Crossfield based on the application of multi-stage fractured horizontal wells.

BlackGold Oil Sands: Harvest acquired BlackGold in 2010. Regulatory approval for the first phase of development (estimated 10,000 bpd) was received in February, and construction began in the fall. Total expenditures in 2010 were $21.5 million to undertake the site preparation and preliminary facility and infrastructure construction.

Capital Expenditures

The following table summarizes capital expenditures (net of incentives and net of certain proceeds, including capitalized general and administrative expenses) related to Harvest's activities for the year ended December 31, 2010:

Property acquisition costs	($millions)
Conventional Oil & Gas	
Proved properties	176.3
Undeveloped properties	23.8
Total property acquisition costs	200.1
Exploration costs	-
Development costs	359.2
Total Conventional Oil & Gas Capital Expenditures	559.3
Oil Sands	
Capital Asset Additions	21.1
Total Capital Expenditures	580.4

2011 Capital Expenditure Plan

Harvest's expected total capital spending on its oil and natural gas properties for 2011 is expected to be approximately $690 million. The primary areas of focus for Harvest's capital program during 2011 are the following:

- BlackGold – Expenditures of approximately $240 million to complete construction of the infrastructure and central processing facility as well initiating the drilling of 10 horizontal well pairs and 12 observation and monitoring wells;

- Hay River – Expenditures of approximately $71 million to drill 34 producing multi-leg horizontal oil wells and water injection wells as well as upgrading the processing infrastructure;

- Red Earth – Drill 47 gross light oil wells for a net expenditure of $80 million with up to 40 multistage fractured horizontal wells for the Slave Point Formation;

- Markerville/Rimbey – Drill 17 gross wells targeting the Cardium (light oil) Ellerslie (light oil) and Ostracod (liquids rich natural gas) formations for an expenditure of $27 million;

- Kindersley, Saskatchewan – Drill 23 multistage fractured horizontal wells into the Viking Formation for a total expenditure of $26 million;

- Lloydminster and Suffield Heavy Oil – Drill 29 gross wells for a total expenditure of $23 million; and

- Various Areas – Expenditures of approximately $54 million to pursue production optimization including pump upsizing, facility debottlenecking and zonal recompletion.

Incremental Exploitation and Development Potential

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

- Implementation or optimization of enhanced waterfloods in selected pools such as Hay River Bellshill Lake and Kindersley resulting in increased production and recovery;

- Increasing water handling and water disposal capacity at key fields such as Hayter, Suffield and Bellshill Lake to add incremental oil volumes. This includes additional use of free water knock-outs and additional disposal wells;

- De-bottlenecking existing fluid handling facilities and surface infrastructure;

- Optimizing field oil cut management through the shut-in of select wells and increased total fluid from offset higher oil cut wells. Shut-in wells would be available for restart as oil cuts vary;

- Uphole completions of bypassed or untested reserves in existing wellbores, including recompletion of existing shut-in wells to access undrained reserves;

- Selected infill and step-out development drilling opportunities for various proven targets generally defined by 3D seismic;

- Numerous exploratory opportunities defined by seismic from which value might be extracted by sale, Farmout or joint venture;

- Opportunity to increase recovery factors in established pools using available and evolving enhanced recovery technologies such as Alkaline Surfactant Polymer flooding at Wainwright and Suffield, carbon dioxide injection at Bashaw and acid gas or solvent injection at Hayter; and

- Utilizing multistage fracture technology in horizontal wells to increase oil recovery from tight oil and gas formations at Red Earth (Slave Point Formation), Crossfield (Basal Quartz), Kindersley (Viking), Rimbey (Cardium) and SE Saskatchewan (Bakken).

Marketing Arrangements

Crude Oil and Natural Gas Liquids (NGLs)

Harvest's crude oil and NGL production is marketed to a diverse portfolio of intermediaries and end users with the majority of the oil contracts existing on a 30 day continuously renewing basis and the NGL contracts on one year terms. Both commodities receive the prevailing monthly market prices. Harvest has a small number of condensate purchase contracts, required for blending heavy oil to meet pipeline specifications, that are a combination of one year and monthly spot contracts both at the prevailing monthly price.

Harvest received an average sales price, excluding the effects of commodity price risk management contracts, of $71.09/bbl for its light and medium crude oil, $59.94/bbl for its heavy crude oil and $58.83/bbl for its NGLs for the year ending December 31, 2010.

Natural Gas

Approximately 95% of Harvest's natural gas production is currently being sold at the prevailing daily spot market price in Alberta. The remaining 5% of production is dedicated to aggregator contracts, which are reflective of market prices and are under contract until 2015.

Harvest received an average sales price, excluding the effects of commodity price risk contracts, of $4.21/mcf for its natural gas for the year ending December 31, 2010.

Additional Information Concerning Abandonment and Reclamation Costs

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

Period	Abandonment & Reclamation costs (undiscounted and inflated at 1.7%) ($000)	Abandonment & Reclamation costs (discounted at 10% and inflated at 1.7%) ($000)
Total as at December 31, 2010	1,227,134	313,253
Anticipated to be paid in 2011	16,148	14,680
Anticipated to be paid in 2012	16,653	13,763
Anticipated to be paid in 2013	14,103	10,596

Harvest estimates the costs to abandon and reclaim all of its shut in and producing wells, pipelines and facilities. No estimate of salvage value is netted against the estimated cost. Harvest's model for estimating the amount and timing of future abandonment and reclamation expenditures was created on an operating area level. Estimated expenditures for each operating area are based on the Energy Resources Conservation Board (ERCB) methodology from 2005 which details the cost of abandonment and reclamation costs in eight specific geographic regions. The ERCB estimates are then inflated based on actual projects costs done to date to more accurately reflect current costs to abandon and reclaim wells and facilities. Each region was assigned an average cost per well to abandon and reclaim the wells in that area. The yearly costs that will be incurred for producing wells are based on a schedule provided by the Independent Reserve Evaluators. The yearly costs that will be incurred for suspended wells are based on ERCB D-13 guidelines. Facility abandonment and reclamation costs are scheduled to be incurred in the year following the end of the reserves life of its associated reserve. Abandonment and reclamation costs have been estimated over a 50 year period.

The number of net wells for which the Independent Reserve Evaluators estimated that Harvest would incur downhole abandonment costs is 5933.1 wells (Proved plus Probable).

Abandonment costs (excluding salvage values) associated with wells to which reserves were attributed, were deducted by the Independent Reserve Evaluators in estimating future net revenue in the Reserve Report. The estimated future undiscounted expense related to wells, facilities and pipelines, which were not deducted by the Independent Reserve Evaluators, are $1,013.7 million ($258.3 million discounted at 10%). The nature of these expenses are not expected to change the anticipated costs for the next three years, as they will not be incurred until the end of a field's reserve life profile.

Production History

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

Average Daily Production Volumes	2010				
	Q1	Q2	Q3	Q4	Total
Light & Medium Oil (bbls/d) [1]	24,487	24,874	22,886	24,079	24,077
Heavy Oil (bbls/d)	9,250	9,090	9,235	9,433	9,253
Total Oil (bbls/d)	33,737	33,964	32,121	33,512	33,330
NGL (bbls/d)	2,816	2,334	2,465	2,736	2,587
Natural Gas(Mcf/d)	81,752	79,797	79,147	82,837	80,881
Total Daily Production (BOE/d)	50,178	49,597	47,777	50,054	49,397

Total Sales Production	2010				
	Q1	Q2	Q3	Q4	Total
Light and Medium Oil (bbls) (1)	2,203,771	2,263,500	2,105,477	2,215,221	8,787,969
Heavy Oil (bbls)	832,521	827,169	849,659	867,834	3,377,183
Total Oil (bbls)	3,036,292	3,090,669	2,955,136	3,083,055	12,165,152
NGL (bbls)	253,428	212,416	226,776	251,726	944,346
Natural Gas (Mcf)	7,357,667	7,261,499	7,281,563	7,620,991	29,521,720
Total Production (BOE)	4,515,996	4,513,334	4,395,519	4,604,952	18,029,801

Average Sales Prices Received	2010				
	Q1	Q2	Q3	Q4	Total
Light & Medium oil ($/bbl) (1)	74.35	68.78	67.71	73.44	71.09
Heavy Oil ($/bbl)	65.98	56.51	58.52	58.82	59.94
Total Oil ($/bbl)	72.06	65.49	65.07	69.33	68.00
NGL ($/bbl)	59.89	60.68	53.85	60.69	58.83
Natural Gas ($/Mcf)	5.13	4.17	3.74	3.81	4.21
Total BOE ($/BOE)	60.17	54.41	52.71	56.03	55.85

Royalties Paid	2010				
	Q1	Q2	Q3	Q4	Total
Light & Medium Oil ($000) (1)	19,861	26,235	21,658	24,312	92,066
Heavy Oil ($000)	9,630	8,821	7,740	8,992	35,183
Natural gas & NGL's ($000)	12,265	6,145	4,300	4,798	27,507
Total BOE ($000)	41,756	41,201	33,698	38,102	154,757
Light & Medium Oil ($/bbl) (1)	9.01	11.59	10.29	10.97	10.48
Heavy Oil ($/bbl)	11.57	10.66	9.11	10.36	10.42
Natural gas & NGL's ($/BOE)	8.29	4.32	2.99	3.15	4.69
Total BOE ($/BOE)	9.25	9.13	7.67	8.27	8.58

Operating Expenses(2)	2010				
	Q1	Q2	Q3	Q4	Total
Light & Medium Oil ($000) (1)	36,479	35,398	32,589	38,613	143,079
Heavy Oil ($000)	12,575	15,973	13,736	14,779	57,063
Natural gas & NGL's ($000)	15,199	16,957	17,038	16,257	65,451
Total BOE ($000)	64,253	68,328	63,363	69,649	265,593
Light & Medium Oil ($/bbl) (1)	16.55	15.64	15.48	17.43	16.28
Heavy Oil ($/bbl)	15.10	19.31	16.17	17.03	16.90
Natural gas & NGL's ($/BOE)	10.27	11.92	11.83	10.68	11.16
Total BOE ($/BOE)	14.23	15.14	14.42	15.12	14.73

Netback Received(3)	2010				
	Q1	Q2	Q3	Q4	Total
Light & Medium Oil ($/bbl) (1)	48.79	41.55	41.94	45.04	44.33
Heavy Oil ($/bbl)	39.31	26.54	33.24	31.43	32.62
Natural gas & NGL's ($/BOE)	17.24	14.10	12.57	15.29	14.82
Total BOE ($/BOE)	36.69	30.14	30.62	32.64	32.54

Notes:

(1) Medium oil production includes production from Harvest's Hay River property. The crude oil from this property has an average API of 24^{o} (medium grade); however, it benefits from a heavy oil royalty regime and therefore, would be classified as heavy oil according to NI 51-101.
(2) Before gains or losses on commodity derivatives.
(3) Netbacks are calculated by subtracting royalties and operating expenses before gains or losses on commodity derivatives and transportation expenses.

Potential Acquisitions

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

Tax Horizon

Harvest currently has $3.5 billion of tax pools to shelter its taxable income. Harvest anticipates that there will be no income tax liability payable prior to 2015. Harvest's future capital spending will further delay the tax horizon while a strengthening of commodity prices beyond that anticipated by the forward curve would result in tax pools being utilized earlier and the tax horizon accelerated. However, providing guidance on the timing of future cash income taxes is difficult in an industry with highly volatile commodity prices and significant fluctuations in the level of capital spending, both of which impact the tax horizon.

Environment, Health and Safety Policies and Practices

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

In 2010, Harvest took steps to build on its existing environmental, health and safety (EH&S) management systems using the RCE framework for continuous improvement. This included conducting a third party assessment of Harvest's existing environmental management systems and identifying areas of process improvement. In 2011, Harvest expects to build and formalize the environment and regulatory components of the EH&S management system. Improvements to the health and safety program included the implementation of a formalized system for evaluating and approving third party contractors that are solicited to work at Harvest sites. Additional improvements included the launch of a newly designed online safety orientation system, and a formal process to verify and document worker competence pertaining to critical work procedures.

In 2010, as part of Harvest's Fugitive Emission Management Program, leak detection testing was conducted at 278 facilities. All emission sources detected were repaired representing a reduction in greenhouse gas emissions (GHGs). Also, in 2010 Harvest continued to improve on its GHG inventory as well ensuring compliance with provincial regulatory bodies, including preparation for the new British Columbia GHG Reporting Regulation that was released in January 2010.

In 2010, Harvest spent $9.4 million on the management and retirement of environmental liabilities which included restoration of spill sites, remediation of sites with historical contamination, and the reclamation of abandoned well sites and access roads. In 2010, Harvest had 295 active (operated) reclamation sites with 38 of these sites being submitted to regulators for reclamation certification. It is expected that in 2011, Harvest will have 325 active reclamation sites with the goal of submitting approximately 48 for reclamation certification.

Impact of Volatility in Commodity Prices

Harvest's operational results and financial condition will be dependent on the prices received for petroleum and natural gas production. Petroleum and natural gas prices have fluctuated widely during recent years and are determined by supply and demand factors, which are influenced by weather, geopolitical and general economic conditions. Any decline in petroleum and natural gas prices could have an adverse effect on Harvest's financial condition. Harvest mitigates such price risk through closely monitoring the various commodity markets and establishing commodity price risk management programs, as deemed necessary, to provide stability to its cash flows.

A summary of financial and physical contracts in respect of price risk management activities can be found in Note 16 to Harvest's consolidated financial statements for the year ended December 31, 2010 and under the heading "Cash Flow Risk Management" in Harvest's management's discussion and analysis for the year ended December 31, 2010, both of which are filed on SEDAR at www.sedar.com. Both Note 16 of Harvest's audited consolidated financial statements for the year ended December 31, 2010 and the "Corporate" discussion in Harvest's management's discussion and analysis for the year ended December 31, 2010 are incorporated herein by reference.

Industry Conditions

The petroleum and natural gas industry is subject to extensive controls and regulations governing its operations (including land tenure, exploration, development, production, refining, transportation and marketing) imposed by legislation enacted by various levels of government and with respect to pricing and taxation of petroleum and natural gas by agreements among the governments of Canada, Alberta, British Columbia and Saskatchewan, all of which should be carefully considered by investors in the petroleum and gas industry. It is not expected that any of these controls or regulations will affect Harvest's operations in a manner materially different than they would affect other petroleum and natural gas entities of similar size. All current legislation is a matter of public record and Harvest is unable to predict what additional legislation or amendments may be enacted. Outlined below are some of the principal aspects of legislation, regulations and agreements governing the petroleum and natural gas industry.

Competitive Conditions, Seasonality, and Trends

Competitive conditions are described under the "RISK FACTORS" section of this Annual Information Form. The exploitation and development of oil and natural gas reserves is dependent on physical access to production areas. Seasonal weather conditions, including freeze-up and break-up, affect such access. The seasonal accessibility increases competition for equipment and human resources during those periods.

Pricing and Marketing – Petroleum, Natural Gas and Associated Products

In the provinces of Alberta, British Columbia and Saskatchewan, petroleum, natural gas and associated products are generally sold at market index based prices. These indices are generated at various sales points depending on the commodity and are reflective of the current value of the commodity adjusted for quality and location differentials. While these indices tend to directionally track industry benchmark prices (i.e. West Texas Intermediate crude oil at Cushing, Oklahoma or natural gas at Henry Hub, Louisiana), some variances can occur due to specific market imbalances. These relationships to industry reference prices can change on a monthly or daily basis depending on the supply-demand fundamentals at each location as well as other non-related market changes such as the value of the Canadian dollar and the cost of transporting the commodity to the pricing point of the particular index.

Although the market ultimately determines the price of crude oil and natural gas, producers are entitled to negotiate sales contracts directly with purchasers. Crude oil prices are primarily based on worldwide supply and demand. The specific price depends in part on quality, prices of competing fuels, distance to market, the value of refined products, the supply/demand balance and other contractual terms. Crude oil exporters are also entitled to enter into export contracts with terms not exceeding one year in the case of light crude oil and two years in the case of heavy crude oil, provided that an order approving such exports has been obtained from the National Energy Board of Canada (the "NEB"). Any crude oil export to be made pursuant to a contract of longer duration (to a maximum of 25 years) requires an exporter to obtain an export license from the NEB and the issuance of such license requires the approval of the Governor in Council.

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

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

Pipeline Capacity

Although pipeline expansions are ongoing, pipeline capacity is an important consideration and may impact the oil and natural gas industry by limiting the ability to export oil and natural gas. If Western Canada is short export capacity it will result in oil and gas being unable to get to market which will result in discounted pricing. That said, if the basin is overly long export capacity it can make transportation more expensive, which will also have a negative effect to the netback.

Provincial Royalties and Incentives

In addition to federal regulation, each province has legislation and regulations which govern land tenure, royalties, production rates, environmental protection and other matters. The royalty regime is a significant factor in the profitability of crude oil, natural gas liquids, sulphur and natural gas production. Royalties payable on production from lands other than Crown lands are determined by negotiations between the mineral owner and the lessee, although production from such lands is also subject to certain provincial taxes and royalties. Crown royalties are determined by governmental regulation and are generally calculated as a percentage of the value of the gross production. The rate of royalties payable generally depends in part on prescribed reference prices, well productivity, geographical location, field discovery date, method of recovery and the type or quality of the petroleum product produced. Other royalties and royalty-like interests are from time to time carved out of the Working Interest owner's interest through non-public transactions. These are often referred to as overriding royalties, gross overriding royalties, net profits interests or net carried interests.

From time to time, the federal and provincial governments in Canada have established incentive programs which have included royalty rate reductions (including for specific wells), royalty holidays and tax credits for the purpose of encouraging oil and natural gas exploration or enhanced planning projects. However, the trend in recent years has been to eliminate these types of programs in favour of long-term programs which enhance predictability for producers. If applicable, oil and natural gas royalty holidays and reductions would reduce the amount of Crown royalties paid by oil and gas producers to the provincial governments.

Alberta

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

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

In November 2008, the Government announced the introduction of a five year program of Transitional Royalty Plan (the "TRP") which offers companies drilling new natural gas or conventional deep oil wells (between 1,000 and 3,500 meters) a one-time option, on a well-by-well basis, to reduced royalty rates for new wells for a maximum period of five years to December 31, 2013 after which all wells convert to the NRF. To qualify for this program, wells must be drilled between November 19, 2008 and December 31, 2013. This program was amended on May 27, 2010 such that no new wells will be allowed to select transitional royalty rates effective January 1, 2011 and wells that have selected the transitional royalty rates will have the option to switch to the new rates effective January 1, 2011.

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

On May 27, 2010, in addition to announcing changes to existing programs, the Government implemented the Horizontal Oil and Gas New Well Royalty Rates, retroactive to wells that commence drilling on or after May 1, 2010, to provide upfront royalty adjustments to new horizontal wells. Qualifying oil wells will receive a maximum royalty rate of 5 percent for all products with volume and production month limits set according to the depth of the well. Qualifying gas wells will also receive a maximum royalty rate of 5 percent for all products for 18 producing months, with a volume limit of 500 million cubic feet of gas equivalent production.

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

Saskatchewan

In Saskatchewan, the amount payable as a Crown royalty or freehold production tax in respect of crude oil depends on the type, value, quantity produced in a month and vintage. Crude oil type classifications are “heavy oil”, “southwest designated oil” or “non-heavy oil other than southwest designated oil”. Vintage categories applicable to each of the three crude oil types are old, new, third tier and fourth tier. Crude oil rates are also price sensitive and vary between the base royalty rates of 5% for all fourth tier oil to 20% for old oil. Marginal royalty rates, applied to the portion of the price that is above the base price, are 30% for all fourth tier oil to 45% for old oil.

The royalty payable on natural gas is determined by a sliding scale based on a reference price, which is the greater of the amount obtained by the producer and a prescribed minimum price. As an incentive for the marketing of natural gas produced in association with oil, a lower royalty rate is assessed than the royalty payable on non-associated natural gas. The rates and vintage categories of natural gas are similar to oil.

On June 19, 2007, a new orphan oil and gas well and facility program was introduced, solely funded by oil and gas companies to cover the cost of cleaning up abandoned wells and facilities where the owner cannot be located or has gone out of business. The program is composed of a security deposit, based upon a formula considering assets of the well and the facility licensee against the estimated cost of decommissioning the well and facility once it is no longer producing, and an annual levy assessed to each licensee.

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

British Columbia

The British Columbia royalty regime for oil is dependent on age and production. Oil is classified as "old", "new" or "third tier" and a separate formula is used to determine the royalty rate depending on the classification. The rates are further varied depending on production. Lower royalty rates apply to low productivity wells and third tier oil to reflect the increased cost of exploration and extraction. There is no minimum royalty rate for oil.

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

Natural gas is classified as either "conservation gas" or "non-conservation gas". There are three royalty categories applicable to non-conservation gas, which are dependent on the date on which title was acquired from the Crown and on the date on which the well was drilled. The base royalty rate for non-conservation gas ranges from 9% to 15%. A lower base royalty rate of 8% is applied to conservation gas. However, the royalty rate may be reduced for low productivity wells.

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

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

Land Tenure

Crude oil and natural gas located in western Canada is owned predominantly by the respective provincial governments. Provincial governments grant rights to explore for and produce oil and natural gas pursuant to leases, licences and permits for varying terms from 2 years and on conditions set forth in provincial legislation including requirements to perform specific work or make payments. Oil and natural gas located in such provinces can also be privately owned and rights to explore for and produce such oil and natural gas are granted by lease on such terms and conditions as may be negotiated.

Environmental Regulation

The oil and natural gas industry is subject to environmental regulations pursuant to a variety of provincial and federal legislation. Such legislation provides for restrictions and prohibitions on the release or emission of various substances produced in association with certain oil and gas industry operations. In addition, such legislation requires that well and facility sites be abandoned and reclaimed to the satisfaction of provincial authorities. Compliance with such legislation can require significant expenditures and a breach of such requirements may result in suspension or revocation of necessary licenses and authorizations, civil liability for pollution damage, and the imposition of material fines and penalties.

In Alberta, environmental compliance is governed by the Alberta Environmental Protection and Enhancement Act. In British Columbia, environmental compliance is governed by the Environmental Assessment Act and in Saskatchewan by the Environmental Assessment Act.

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

The Province of British Columbia intends to reduce its GHG emissions to 33% below 2007 levels by 2020 and has set interim targets of 6% below 2007 levels by 2012 and 18% below 2007 levels by 2016 and, accordingly, has implemented the Greenhouse Gas Reduction Targets Act. The Crown is obligated to report every second year on the amount of reductions achieved in the province, although there is no mechanism in place to measure compliance nor is there any consequence for failing to reach the target. A carbon tax was implemented on the purchase or use of fossil fuels within the Province of British Columbia, starting at $10/ton on July 1, 2008 and rising by $5 per year to $30/ton in 2012. Fuel sellers are required to pay a security equal to the tax payable on the final sale to end purchasers, and end purchasers are required to pay the tax. Fuel sellers collect carbon tax at the time fuel is sold at retail to the end purchaser. Carbon capture and storage is required for all new coal-fired electricity generation facilities and a 0.4% levy tax has been implemented at the consumer level on electricity, natural gas, grid propane and heating oil that goes towards establishing the Innovative Clean Energy Fund.

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

The Canadian Government has indicated its commitment to reduce greenhouse gas emissions and will be making changes to environmental legislation for criteria air contaminants and renewable fuels but has provided no specific target guidelines or policies that relate to the oil and gas industry. Such legislation could have potentially adverse effects on both Harvest's upstream and downstream financial results. Harvest will participate in the discussion of any initiatives whether at a Federal or Provincial government level, and will be able to determine if there is any financial impact once guidelines are established. On an ongoing basis, Harvest continues to undertake projects that reduce emission of greenhouse gases, such as evaluating the injection of carbon dioxide into oil reservoirs and the further capture of fugitive emissions in our field operations as part of our annual capital program.

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

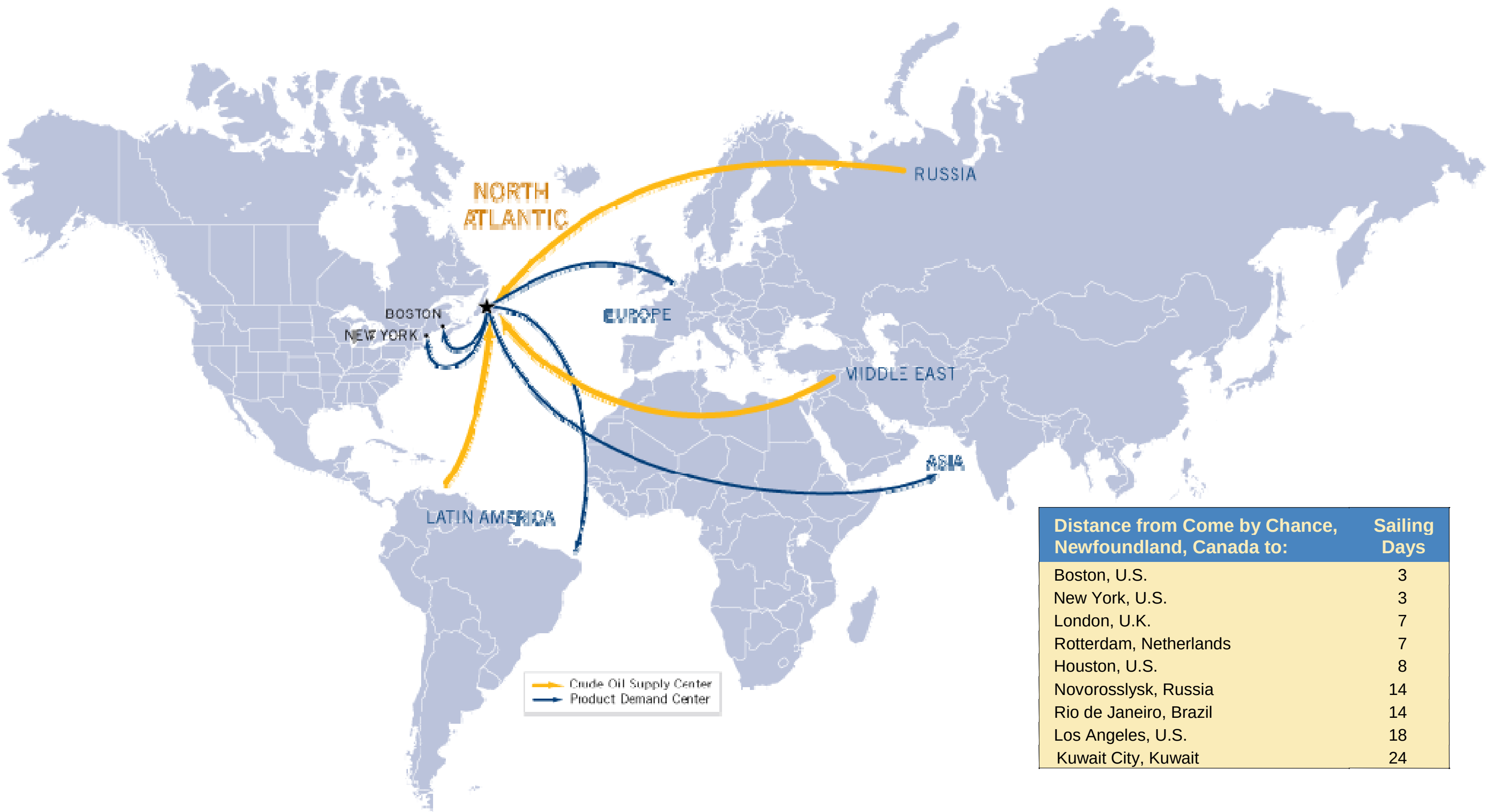
DOWNSTREAM BUSINESS

Harvest's Downstream business, operating under the North Atlantic trade name, is composed of a medium gravity sour crude oil hydrocracking refinery with a 115,000 barrels per stream day nameplate capacity, and a marketing division with 55 gasoline outlets, 3 commercial cardlock locations, a retail heating fuels business and a commercial and wholesale petroleum products business, all located in the Province of Newfoundland and Labrador. The daily sales volume of Harvest's retail and wholesale marketing division averages over 14,000 barrels. For the year ended December 31, 2010, the Refinery's yield was 32% (2009 - 35%) for gasoline and related products, 37% (2009 - 40%) distillates and 31% (2009 – 25%) high sulphur fuel oil ("HSFO").

Overview of Refinery Operations

The Refinery's crude oil and other feedstocks are waterborne cargos originating primarily from Iraq, Russia and Venezuela. The Refinery produces high quality gasoline, ultra low sulphur diesel, jet fuel, and furnace oil, and HSFO. Approximately 10-15% of Harvest's refined products are sold in the Province of Newfoundland and Labrador while approximately 85-90% are export cargos sold, under the SOA, in U.S. east coast markets, such as Boston, New York City, and Europe or farther abroad when economics justify the increased shipping charge. The Refinery enjoys a significant transportation advantage as a result of its ice-free, deep water docking facility and it has approximately seven million barrels of tankage, including six 575,000 barrel crude tanks enabling the receipt of crude oil transported on very large crude carriers which typically result in significantly lower per barrel transportation charges. North Atlantic's dock facilities are used for off-loading refinery feedstocks and for loading refined products. The dock facilities handle approximately 220 vessels each year with North Atlantic owning and operating two tugboats to assist with berthing and unberthing tankers.

The following map illustrates the Refinery's proximity to the key Atlantic crude oil and product shipping lanes.



Distance from Come by Chance, Newfoundland, Canada to:	Sailing Days
Boston, U.S.	3
New York, U.S.	3
London, U.K.	7
Rotterdam, Netherlands	7
Houston, U.S.	8
Novorosslysk, Russia	14
Rio de Janeiro, Brazil	14
Los Angeles, U.S.	18
Kuwait City, Kuwait	24

Refinery Feedstock

Crude oil and other feedstocks are delivered to the Refinery via waterborne cargos. Typically, there are approximately 20 days of crude oil feedstock in tankage at the Refinery to mitigate the effects of any supply disruptions. During 2010, the country of origin of the feedstock has been as follows:

	2010	2009	2008
	(Mbbls)	(Mbbls)	(Mbbls)
Iraq	21,456	18,098	21,218
Venezuela	2,978	4,690	7,102
Russia	5,884	5,816	5,973
Other	1,124	2,033	3,586
Total Feedstock	**31,442**	**30,637**	**37,879**
As % of nameplate capacity	**75%**	**73%**	**90%**

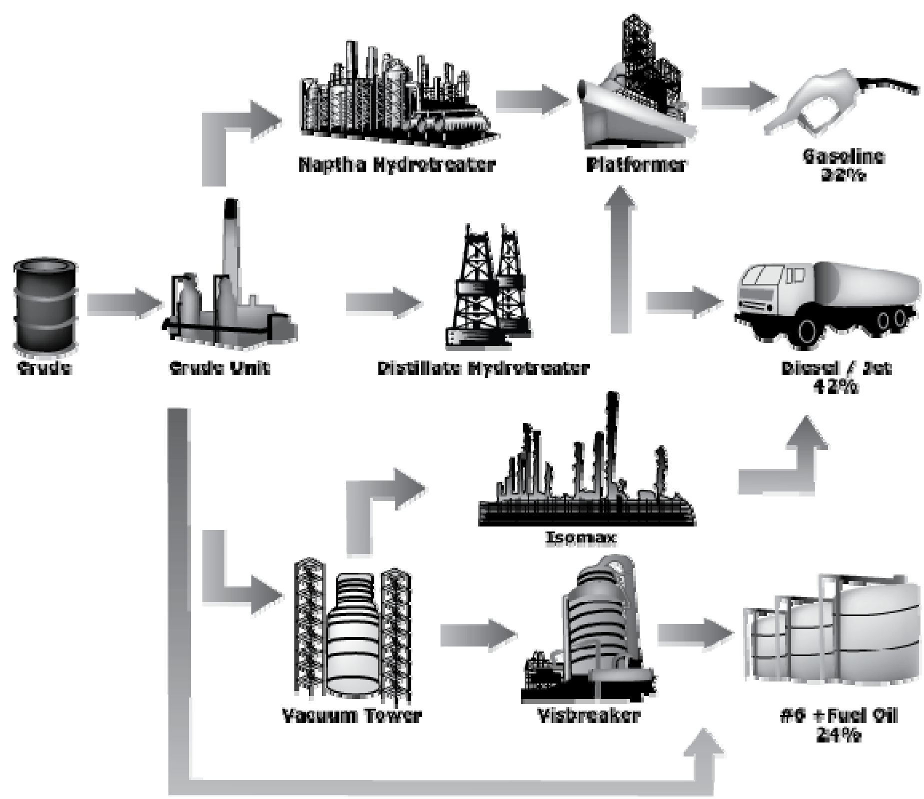
Refined Products

Over the past three years, the Refinery has produced the following refined products:

	2010	2009	2008
	(Mbbls)	(Mbbls)	(Mbbls)
Gasoline products	9,877	10,499	12,068
Distillate products	11,339	12,196	15,668
High sulphur fuel oil("HSFO")	9,657	7,538	9,952
Total Products	30,873	30,233	37,688
Total Liquid Yield (as a % of feedstock)	98%	99%	100%

Refinery Processing

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



Operations Reliability

Improving the reliability of the Refinery has been a major focus with significant capital expenditures and a change in maintenance philosophy. Harvest's maintenance philosophy has evolved to one that emphasizes long-term solutions to reliability issues through the conduct of rigorous analysis regarding the root cause of reliability issues. Of particular note, Harvest has developed an advanced Equipment Integrity Program whereby remaining equipment life calculations are utilized to determine equipment turnaround schedules with the intent that equipment is repaired or replaced before failure occurs.

Supply and Offtake Agreement

Concurrent with the acquisition of North Atlantic by Harvest in 2006, North Atlantic entered into a Supply and Offtake Agreement (the "SOA") with Vitol Refining S.A. ("Vitol"), and this agreement was amended and extended October 12, 2009; effective November 1, 2009. The SOA provides that the ownership of substantially all crude oil and other feedstocks and refined product inventories at the Refinery be retained by Vitol and that Vitol be granted the exclusive right and obligation to provide crude oil feedstock and other feedstocks for delivery to the Refinery as well as the exclusive right and obligation to purchase virtually all refined products produced by the Refinery for export. The SOA also provides that Vitol will receive a time value of money amount (the "TVM") reflecting the cost of financing the working capital associated with the purchase of crude oil and other feedstocks and sale of refined products, as the SOA requires that Vitol retain ownership of the crude oil and other feedstocks until delivered through the inlet flange to the Refinery as well as immediately take title to the refined products as they are delivered by the Refinery through the inlet flange to designated storage tanks. Further, the SOA provides North Atlantic with the opportunity to share the incremental profits and losses resulting from the sale of products beyond the U.S. east coast markets.

Pursuant to the SOA, Harvest, in consultation with Vitol, request a certain slate of crude oil and other feedstocks and Vitol is obligated to provide the feedstocks in accordance with the request. The SOA includes a feedstock transfer pricing formula that aggregates the pricing for the feedstocks purchased as correlated to published future contract settlement prices, the cost of transportation from the source of supply to the Refinery and the settlement cost or proceeds for related operational price risk management contracts plus a marketing fee. The purpose of these operational price risk management contracts is to convert the fixed price of crude oil and other feedstock purchases to floating prices for the period from the purchase date through to the date the refined products are sold to North Atlantic to allow "matching" of feedstock purchases to refined product sales, thereby mitigating the gross margin risk between the time feedstocks are purchased and the time refined products are sold.

The SOA requires that Vitol purchase and lift all refined products produced by the Refinery, except for certain excluded refined products to be marketed by North Atlantic in the local Newfoundland market, and provides a product purchase pricing formula that aggregates a price based on the current Boston and New York City markets less the costs of transportation, insurance, port fees, inspection charges and similar costs incurred by Vitol, plus the TVM component.

The SOA is effective until November 1, 2011 and may be terminated by either party at any time thereafter by providing notice of termination no later than six months prior to the desired termination date or if the refinery is sold in an arm's length transaction, upon 30 days notice prior to the desired termination date. Further, the SOA may be terminated upon the continuation for more than 180 days of a delay in performance due to force majeure but prior to the recommencing of performance. Upon termination of the entire agreement or the right and obligation to provide feedstocks, North Atlantic will be required to purchase the related feedstocks and refined product inventories, respectively, at the prevailing market prices.

Vitol is an indirect wholly-owned subsidiary of the Vitol Group, a privately owned worldwide marketer of crude oil providing oil trading and marketing services to upstream producers through to downstream retailers of petroleum products. The Vitol Group is one of the largest independent gasoline traders in the world. With headquarters in Rotterdam, the Netherlands and Geneva Switzerland, with trading entities in Houston, London, Bahrain and Singapore the Vitol Group has 24 hour coverage of all the world's oil markets. In the crude oil sector, the Vitol Group has developed a worldwide reputation as a reliable business partner.

Marketing Division

Harvest's marketing division (the "Marketing Division") is headquartered in St. John's, Newfoundland and is composed of five business segments: retail gasoline, retail heating fuels, commercial, wholesale and bunkers. Since 2001, the sales price of residential home heating fuels and automotive gasoline and diesel fuel sold for consumption within the Province of Newfoundland and Labrador is subject to regulation under the *Petroleum Products Act* (Newfoundland), administered by the Public Utilities Board. Under this act, the Pricing Commissioner has the authority to set the maximum wholesale and retail prices that a wholesaler and a retailer may charge and to determine the minimum and maximum mark-up between the wholesale price to the retailer and the retail price to the consumer in the Province of Newfoundland and Labrador. The wholesale and retail prices of petroleum products are adjusted weekly based on the New York Harbour benchmark price for these products.

Retail Gasoline Business

Harvest's retail gasoline business operates 55 retail gasoline stations and 3 commercial cardlock locations with 42 locations branded as "North Atlantic" and 11 locations branded as "Home Town" (a secondary brand for small market areas) with the remaining five locations unbranded. Most locations include a convenience store which is independently operated, except for six branded locations, which are fully operated by North Atlantic and referred to as "Orange Stores." In 2010, the volume of gasoline sold at these retail locations represented a market share of approximately 20% of the Newfoundland market. The major competitors in the Newfoundland market are Irving Oil, Imperial Oil and Ultramar.

Retail Heating Fuels Business

Harvest's retail heating fuels business delivers furnace oil and propane to approximately 20,000 residential heating and commercial customers throughout Newfoundland with about 75% of the demand for furnace oil, 24% for propane and 1% for kerosene.

Commercial Business

North Atlantic delivers distillates, jet fuel, propane and No. 6 fuel oil to commercial heating, marine, aviation, trucking and construction industries from seven storage terminals.

Wholesale Business

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

Bunker Business

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

Employees and Labour Relations

The Downstream operations have approximately 444 full-time employees of which 66% are unionized and approximately 37 part-time employees of which 95% are unionized and represented by the United Steel Workers of America in four collective bargaining agreements. North Atlantic has had a history of good relations with its union which is evidenced by the lack of any work stoppage at the Refinery. One of the collective bargaining agreements expired December 31, 2010, two collective agreements expires March 31, 2011 and the fourth collective agreement expires March 31, 2012. See "*Risk Factors*".

Harvest maintain a number of benefit programs for its employees including basic life insurance and accidental death and dismemberment insurance, extended healthcare and dental coverage, as well as a defined benefit and defined contribution pension plans and Harvest provide certain post retirement health care benefits which cover substantially all employees and their surviving spouses. At December 31, 2010, the pension plan and other benefit plan obligations exceeded the pension plan and other benefit plan assets by approximately $20.4 million. For additional information, refer to Note 15 in the audited consolidated financial statements for the year ended December 31, 2010 filed on SEDAR at www.sedar.com.

Environment, Health and Safety Policies and Practices

The Downstream business has an active and comprehensive Integrated Management System to promote the integration of safety, health and environmental awareness into the Refinery and related businesses. The Refinery is continuing to benefit from previous Workplace Health, Safety and Compensation Commission audits and claims history with workers' compensation assessment rates reduced again for the eighth consecutive year. In 2010, the Refinery was in compliance with Provincial Air Quality and Federal Effluent Regulations.

Industry Conditions

The petroleum refining industry is subject to extensive controls and regulations governing its operations (including marine transportation, product specifications, refining emissions and market pricing) imposed by legislation enacted by various levels of government all of which should be carefully considered by investors. It is not expected that any of these controls or regulations will affect the Downstream operations in a manner materially different than they would affect other petroleum refining entities of similar size. All current legislation is a matter of public record and Harvest is unable to predict what additional legislation or amendments may be enacted.

An oil refinery is a manufacturing facility that uses crude oil and other feedstocks as a raw material and produces a variety of refined products. The actual mix of refined products from a particular refinery varies according to the refinery's processing units, the specific refining process utilized and the nature of the feedstocks. The refinery processing units generally perform one of three functions: separating different types of hydrocarbons in crude oil, converting the separated hydrocarbons into more desirable or higher value products, or chemically treating the products to remove unwanted elements and components such as sulphur, nitrogen and metals. Refined products are typically differing grades of gasoline, diesel fuel, jet fuel, furnace oil and heavier fuel oil.

Refining is primarily a margin based business in which the feedstocks and the refined products are commodities. Both crude oil and refined products in each regional market react to a different set of supply/demand and transportation pressures and refiners must balance a number of competing factors in deciding what type of crude oil to process, what kind of equipment to invest in and what range of products to manufacture. As most refinery operating costs are relatively fixed, the goal is to maximize the yield of high value refined products and to minimize crude oil and other feedstock costs. The value and yield of refined products are a function of the refinery equipment and the characteristics of the crude oil feedstock, while the cost of feedstock depends on the type of crude oil. The refining industry depends on its ability to earn an acceptable rate of return in its marketplace where prices are set by international as well as local markets.

Demand for refined oil products has significantly increased in recent years due to the industrialization of countries such as China, India and Brazil. Demand for gasoline and diesel continues to rise due to rising transportation usage. In the United States, demand for gasoline continues to be volatile. In Europe, diesel demand continues to strengthen, continuing to outgrow its production capability. Over the long-term, refining margins and crude oil prices are typically correlated as both are driven by the demand for refined petroleum products.

Global investment in refining capacity has been restrained as weak refining margins have not supported investment in either capacity increases at existing refineries or the construction of new refineries.

In addition to the global tightening of the refined product supply/demand balance, global crude oil supply has become heavier and higher in sulphur content. The incremental production from most OPEC countries and many other export producers has tended to be sour crude, containing more sulphur, while incremental crude oil production from Canada, Venezuela and Mexico has been both heavy and sour. Because global refining capacity is largely configured to process the higher gravity and lower sulphur crude oil, lower gravity and more-sour crude oil has increasingly been sold at a discount to the lighter and sweeter crude oil. At the same time, refiners have turned to lighter and sweeter crude oil as feedstocks to meet the lower sulphur fuel specifications in North America and

Europe resulting in a greater discount for sour crude oil. Notwithstanding the widening quality differentials, the higher prices paid for all crude oil has accelerated the development of heavier gravity and higher sulphur crude oil production.

RISK FACTORS

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

Risks Related to the Upstream Operations

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

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

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

Harvest conducts an assessment of the carrying value of its assets to the extent required by Canadian GAAP. If crude oil and/or natural gas prices decline, the carrying value of Harvest's assets could be subject to downward revision and the Corporation's earnings could be adversely affected. The substantial volatility in crude oil prices over recent years has affected the profitability of the oil and gas industry and Harvest. Although under Canadian GAAP Harvest did not incur any "ceiling test" write downs of the oil and gas assets or impairment charges to other assets in 2010, there can be no assurance that further declines in crude oil prices or other circumstances will not result in such "ceiling test" write downs or impairment charges at some future date.

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

At the end of 2010, Harvest's production was approximately 54% light and medium gravity crude oil, 19% heavy oil and 27% natural gas. Processing and refining heavy oil is more expensive than processing and refining light oil and accordingly, producers of heavy oil receive lower prices for their production. The differential between light oil and heavy oil has fluctuated widely during recent years and when compounded with the fluctuations in the benchmark prices for light oil, the result is a substantial increase in the volatility of heavy oil prices. An increase in the heavy oil differential usually results in us receiving lower prices for Harvest's heavy oil and could have a material adverse effect on the Corporation's cash from operating activities and financial condition as well as funds available for the development of the Corporation's petroleum and natural gas reserves. The heavy oil price differential is normally the result of the seasonal supply and demand for heavy oil, pipeline constraints and heavy oil processing capacity of refineries, all of which are beyond Harvest's control.

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

The operation of oil and natural gas wells involves a number of operating and natural hazards which may result in blowouts, explosions, fire, gaseous leaks, migration of harmful substances, spills, environmental damage and other unexpected and/or dangerous conditions resulting in damage to Harvest's assets and potentially assets of third parties. In addition, all of Harvest's operations are subject to all of the risks normally incident to the transportation, processing and storing of crude oil, natural gas and other related products, drilling and completion of crude oil and natural gas wells, and the operation and development of crude oil and natural gas properties, including encountering unexpected formations or pressures, premature declines of reservoir pressure or productivity, blowouts, equipment failures and other accidents, sour gas releases, uncontrollable flows of crude oil, natural gas or well fluids, adverse weather conditions, pollution and other environmental risks. Harvest's corporate EH&S manual has a number of specific policies to minimize the risk of environmental contamination, including emergency response should an incident occur. If areas of higher risk are identified, Harvest will undertake to analyze and recommend changes to reduce the risk including replacement of specific infrastructure. Harvest employs prudent risk management practices and maintains liability insurance in amounts consistent with industry standards. In addition, business interruption insurance has been purchased for selected facilities. The Corporation may become liable for damages arising from such events against which it cannot insure, which it may elect not to insure or that may result in damages in excess of existing insurance coverage. Costs incurred to repair such damage or pay such liabilities will reduce Harvest's cash flow. The occurrence of a significant event against which the Corporation is not fully insured could have a material adverse effect on Harvest's financial position.

If the third party operators of Harvest's joint venture properties fail to perform their duties properly, production may be reduced and proceeds from the sale of production may be negatively impacted.

Continuing production from a property and to a certain extent, the marketing of production therefrom, are largely dependent upon the capabilities of the operator of the property. To the extent the operator fails to perform its duties properly, production may be reduced and proceeds from the sale of production from properties operated by third parties may be negatively impacted. Although Harvest maintains operative control over the majority of its properties, there is no guarantee that the Corporation will remain operator of such properties or that the Corporation will operate other properties that may be acquired.

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

A portion of Harvest's operating expenses are electrical power costs. As a result of the deregulation of the electrical power system in Alberta, electrical power prices have been set by the market based on supply and demand and recently, electrical power prices in Alberta have been volatile. To mitigate the Corporation's exposure to the volatility in electrical power prices, it may enter into fixed priced forward purchase contracts for a portion of the Corporation's electrical power consumption in Alberta. In respect of the operations in Saskatchewan, the Saskatchewan power system is regulated and as such, electrical power costs are not subject to significant volatility. However, there can be no certainty that the Saskatchewan power system will not deregulate in the future.

Defects in title may defeat Harvest's claims to certain properties.

Although title reviews will generally be conducted on the properties in accordance with industry standards, such reviews do not guarantee or certify that a defect in title may not arise to defeat Harvest's claim to certain properties. If such were the case, Harvest's entitlement to the production and reserves associated with such properties could be jeopardized, which could have a material adverse effect on the Corporation's financial condition and results of operations.

The markets for petroleum and natural gas depend upon available capacity to refine crude oil and process natural gas, pipeline capacity to transport the products to customers, and other factors beyond the Corporation's control.

Harvest's ability to market petroleum and natural gas from its wells depends upon numerous factors beyond the Corporation's control, including:

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

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

The reservoir and recovery information in reserve reports are estimates and actual production and recovery rates may vary from the estimates and the variations may be significant.

The reserve and recovery information contained in the Reserve Report prepared by the Independent Reserve Evaluators (the "Reserve Report") are complex estimates and the actual production and ultimate reserves recovered from the Corporation's properties may differ from the estimates prepared by the independent reserve engineering evaluators. There are numerous uncertainties inherent in estimating quantities of crude oil and natural gas reserves, including many factors beyond the Corporation's control. The reserves data in this Annual Information Form represents estimates only. In general, estimates of economically recoverable crude oil and natural gas reserves and the future net cash flows are based upon a number of variable factors and assumptions, such as product prices, future operating and capital costs, historical production from the properties and the assumed effects of regulation by governmental agencies (including regulations related to royalty payments), all of which may vary considerably from actual results. All such estimates are to some degree uncertain, and classifications of reserves are only attempts to define the degree of uncertainty involved. For these reasons, estimates of the economically recoverable crude oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues expected therefrom, prepared by different engineers or by the same engineers at different times, may vary substantially. Harvest's actual production, revenues, taxes and development and operating expenditures with respect to the Corporation's reserves may vary from such estimates, and such variances could be material.

Estimates with respect to reserves and resources that may be developed and produced in the future are often based upon volumetric calculations, probabilistic methods and upon analogy to similar types of reserves or resources, rather than upon actual production history. Estimates based on these methods generally are less reliable than those based on actual production history. Subsequent evaluation of the same reserves or resources based upon production history will result in variations, which may be material, in the estimated reserves or resources.

The Reserve Value of Harvest's Properties as estimated by Independent Reserve Evaluators is based in part on cash flows to be generated in future years as a result of future capital expenditures. The reserve value of the properties as estimated by the Independent Reserve Evaluators may not be realized to the extent that such capital expenditures on the properties do not achieve the level of success assumed in such engineering reports.

Prices paid for acquisitions are based in part on reserve report estimates and the assumptions made in preparing the reserve report are subject to change as well as geological and engineering uncertainty.

The prices paid for acquisitions were based, in part, on engineering and economic assessments made by the independent reserve engineering evaluators in the related reserve report. These assessments include a number of material assumptions regarding such factors as recoverability and marketability of crude oil, natural gas and natural gas liquids, future prices of oil, natural gas and natural gas liquids, operating costs, future capital expenditures and royalties and other government levies which will be imposed over the producing life of the reserves. Many of these factors are subject to change and are beyond Harvest's control. In particular, the prices of and markets for petroleum and natural gas may change from those anticipated at the time of making such acquisitions. In addition, all engineering assessments involve a measure of geological and engineering uncertainty which could result in lower production and reserves than those currently attributed to Harvest's properties.

Absent capital reinvestment, production levels from petroleum and natural gas properties will decline over time and absent commodity price increases, cash generated from operating these assets will also decline.

Harvest's cash from operating activities, absent commodity price increases or cost effective acquisition and development activities of properties, will decline over time in a manner consistent with declining production from typical oil, natural gas and natural gas liquids reserves. Accordingly, absent additional capital investment from other sources, production levels and reserves attributable to Harvest's properties will decline.

Harvest's future oil and natural gas reserves and production, and therefore Harvest's cash flows, will be highly dependent on the Corporation's success in exploiting its resource base and acquiring additional reserves. Without reserve additions through acquisition or development activities, Harvest's reserves and production will decline over time as reserves are produced. There can be no assurance that Harvest will be successful in developing or acquiring additional reserves on terms that meet its investment objectives.

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

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

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

Harvest will be responsible for compliance with terms and conditions of environmental and regulatory approvals and all laws and regulations regarding the abandonment and reclamation of the surface leases, wells, facilities and pipelines at the end of their economic life as well as those for any future expansions. Abandonment and reclamation costs may be substantial. A breach of such legislation and/or regulations may result in the imposition of fines and penalties, including an order for cessation of operations at the site until satisfactory remedies are made. It is not possible to accurately predict the abandonment and reclamation costs since they will be a function of regulatory requirements at the time and the value of the salvaged equipment may be more or less than the abandonment and reclamation costs. In addition, in the future Harvest may determine it prudent or may be required by applicable laws, regulations or regulatory approvals to establish and fund one or more reclamation funds to provide for payment of future abandonment and reclamation costs. See "Business—Other Upstream Business Information—Additional Information Concerning Abandonment and Reclamation Costs."

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

Harvest is currently required to pay a royalty to the Governments of the Provinces of British Columbia, Alberta and Saskatchewan on Harvest's oil and natural gas production. These royalty regimes may be amended or supplemented from time to time. For example, the Province of Alberta implemented a new royalty regime effective January 1, 2009 and a program for royalty adjustments for new horizontal wells in 2010. To the extent that royalty regimes are sensitive to commodity prices, the impact on Harvest of any such regime, or any amendment thereto, cannot be accurately predicted.

Harvest will be subject to risks related to the BlackGold Oil Sands Project.

The development of the BlackGold oil sands project requires substantial capital investment to develop the asset. While Harvest makes every effort to properly and accurately forecast capital and operating expenditures, the possibility remains that capital cost overruns or schedule delays will occur as a result of fluctuating market conditions and unexpected challenges. Such cost overruns and schedule delays have the potential to affect the Corporation's future financial position and cash flows.

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

The BlackGold project is subject to government regulation. The initial phase of the project, targeting production of 10,000 bbl/d, has been approved by provincial regulators. The proposed expansion phase of the BlackGold project is in the application stage and remains subject to approval by provincial regulators. The delay of such approval could impact Harvest's ability and/or timing of reaching the targeted production of 30,000 bbl/d.

Industry competition

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

Risks Related to Harvest's Downstream Operations

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

The Downstream earnings and cash flows from refining and wholesale and retail marketing operations are dependent on a number of factors including fixed and variable expenses (including the cost of crude oil and other feedstocks) and the price at which Harvest are able to sell refined products. In recent years, the market prices for crude oil and refined products have fluctuated substantially. These prices depend on a number of factors beyond Harvest's control, including the supply and demand for crude oil and refined products, which are subject to, among other things:

- changes in the global demand for crude oil and refined products;
- the level of foreign and domestic production of crude oil and refined products and their price;
- threatened or actual terrorist incidents, acts of war, and other worldwide political conditions in both crude oil producing and refined product consuming regions;
- the availability of crude oil and refined products and the infrastructure to transport crude oil and refined products;
- supply and operational disruptions including accidents, weather conditions, hurricanes or other natural disasters;
- concern over climate change or GHG emissions;
- actions of the OPEC;
- government regulations including changes in fuel specifications required by environmental and other laws;
- local factors including market conditions and the operations of other refineries in the markets in which Harvest competes; and
- the development and marketing of competitive alternative fuels.

The Downstream operations are also sensitive to refined products margins. In addition to the factors above, margin volatility is also impacted by numerous conditions including: labor, maintenance, electricity, chemicals and other inputs, unplanned production disruptions due to equipment failure, power disruptions and other factors including weather. It is expected that all of these and other factors will continue to impact Downstream margins for the foreseeable future. As a result, it can be reasonably expected that Downstream results will fluctuate over time and from period to period.

Generally, fluctuations in the price of gasoline and other refined products are correlated with fluctuations in the price of crude oil; however, the prices for crude oil and prices for refined products can fluctuate in different directions as a result of worldwide market conditions. Further, the timing of the relative movement in prices as well as the magnitude of the change could significantly influence refining margins as could price changes occurring during the period between purchasing crude oil feedstock and selling refined products manufactured from the feedstock. Harvest does not produce crude oil that can be economically transported to the Refinery and, as a result, purchase all of its crude oil feedstock at prices that fluctuate with worldwide market conditions and this could significantly impact Harvest's earnings and cash flows. Harvest also purchases refined products from third parties for sale to its customers and price changes during the period between purchasing and selling these products could also have a material adverse effect on Harvest's business and results of operations, as well as its financial condition and cash from operating activities.

Harvest purchases approximately 250,000 megawatt hours of electrical power from Newfoundland and Labrador Hydro, a provincial crown corporation. A substantial proportion of Newfoundland and Labrador Hydro's electricity is generated by hydroelectric power, a relatively inexpensive source compared to fossil fuel generators. The Refinery's cost of electrical power has remained relatively constant averaging $0.0415 per kilowatt hour in 2010. Electricity prices have been and will continue to be affected by supply and demand for service in both local and regional markets and continued price increases could also have a material adverse effect on Harvest's business and results of operations, as well as its financial condition and the cash from operating activities.

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

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

Crude oil feedstock is delivered to the Refinery via waterborne vessels which could experience delays in transporting supplies due to weather, accidents, government regulations or third party actions.

The Refinery receives all of its crude oil and other feedstocks and its customers lift approximately 90% of its refined products via water borne vessels including very large crude carriers. In addition to environmental risks of handling such vessels discussed below, Harvest could experience a disruption in the supply of crude oil because of accidents, governmental regulation or third party actions. A prolonged disruption in the availability of vessels to deliver crude oil to the Refinery and/or to deliver refined products to market would have a material adverse effect on Harvest's business and results of operations, as well as the financial condition and cash from operating activities.

Since Harvest's acquisition of North Atlantic, over 68% of its crude oil feedstock has been from sources in the Middle East. The Corporation does not maintain supply commitments with any of its crude oil producers. To the extent that crude oil producers reduce the volume of crude oil produced as a result of declining production or competition or otherwise, the business, financial condition and results of operations may be adversely affected to the extent that the Corporation is not able to find a substantial amount and similar type of crude oil. Further, the Corporation has no control over the level of development in the fields that currently produce the crude oil it process at the Refinery nor the amount of reserves underlying such fields, the rate at which production will decline or the production decisions of the producers which are affected by, among other things, prevailing and projected crude oil prices, demand for crude oil, geological considerations, government regulation and the availability and cost of capital.

If Vitol terminates the SOA prior to expiration or does not agree to renew the SOA upon expiration, Harvest's business could be adversely affected.

Under the SOA, the Refinery receives all of its feedstock from Vitol and sells almost all of the refined product produced to Vitol. If Vitol terminates the SOA prior to expiration or does not agree to renew the SOA upon expiration, Harvest would seek to enter into a similar agreement with another party that has a similar credit profile or expertise to that of Vitol's. If Harvest were unable to enter into such a replacement agreement, it would be required to enter into separate agreements for the supply of feedstock to the Refinery and the sale of the Refinery's refined products. No assurance can be given that Harvest will be able either to enter into an agreement similar to the SOA with another party or to enter into agreements with a number of different parties to replicate the economics of the SOA. If the SOA were terminated and Harvest was unable to enter into replacement agreements, revenues and cash flows from the Refinery would likely decrease, which could have a material adverse affect on Harvest's business.

Harvest is relying on the creditworthiness of Vitol for Harvest's purchase of feedstock and should their creditworthiness deteriorate, crude oil suppliers may restrict the sale of crude oil to Vitol

Vitol purchases Harvest's crude oil feedstock pursuant to the SOA and Harvest enters into price risk management contracts to reduce exposure to adverse fluctuations in the prices of crude oil and refined products. Accordingly, should Harvest's creditworthiness or the creditworthiness of Vitol deteriorate, crude oil producers and suppliers as well as financial counterparties may change their view on contracting with us for the supply of crude oil and/or price risk management contracts, respectively, and induce them to shorten the payment terms or require additional credit support, such as letters of credit. Due to the large dollar amount of credit associated with the volume of crude oil purchases and long-term price risk management contracts, any imposition of more burdensome payment terms may have a material adverse effect on Harvest's financial liquidity which could hinder its ability to purchase sufficient quantities of crude oil to operate the Refinery at full capacity. In addition, if the price of crude oil increases significantly, the credit requirements to purchase enough crude oil to operate the Refinery at full capacity will also increase. A failure to operate the Refinery at full capacity could have an adverse material effect on its business and results of operations, as well as its financial condition and cash from operating activities.

The Refinery is a single train integrated interdependent facility which could experience a major accident, be damaged by severe weather or otherwise be forced to shutdown which may reduce or eliminate Harvest's cash flow.

The Refinery is a single train integrated and interdependent facility which could experience a major accident, be damaged by severe weather or other natural disaster, or otherwise be forced to shut down. A shutdown of one part of the Refinery could significantly impact the production of refined products and may reduce, and even eliminate, cash flow. Any one or more of the Refinery's processing units may require a planned turnaround or encounter unexpected downtime for maintenance or repair and the time required to complete the work may take longer than anticipated. There are no assurances that the Refinery will produce refined products in the quantities or at the cost anticipated, or that it will not cease production entirely in certain circumstances, which could have a material adverse effect on Harvest's business and results of operations, as well as its financial condition and cash from operating activities.

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

Harvest's refining operations, including the transportation of and storage of crude oil and refined products, are subject to hazards and inherent risks typical of similar operations such as fires, natural disasters, explosions, spills and mechanical failure of the equipment or third-party facilities, any of which can result in personal injury claims as well as damage to Harvest's properties and the properties of others. While Harvest carries property, casualty and business interruption insurance, the Corporation does not maintain insurance coverage against all potential losses, and could suffer losses for uninsurable or uninsured risks or in amounts in excess of existing insurance coverage. The occurrence of an event that is not fully covered by insurance could have a material adverse effect on Harvest's business and results of operations, as well as its financial condition and cash from operating activities. Currently, the Corporation has the opportunity and intends to consider opportunities to grow its business through the reconfiguration and enhancement of its Refinery assets with the suite of expansion or debottlenecking projects. However, if unanticipated costs occur or the revenues decrease as a result of lower refining margins, operating difficulties or other matters, there may not be sufficient capital to enable us to fund all required capital and operating expenses. There can be no assurance that cash generated by Harvest's operations or funding available from debt financings will be available to meet its capital and operating requirements.

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

Harvest operates in environmentally sensitive coastal waters where tanker operations are closely regulated by federal, provincial and local agencies and monitored by environmental interest groups. Transportation of crude oil and refined products over water involves inherent risk and subjects us to the provisions of Canadian federal laws and the laws of the Province of Newfoundland and Labrador. Among other things, these laws require us to demonstrate Harvest's capacity to respond to a "worst case discharge" to a maximum 10,000 metric tonne oil spill. Harvest's marine division manages vessel traffic to the Refinery and works with regulatory authorities on measures to prevent and mitigate the risk of oil spills and other marine related matters. The marine division has two tugboats to assist in berthing and unberthing tankers at Harvest's dock with one tugboat equipped with fire fighting capability. The tugboat operations have a safety management system certified under the International Safety Management Code and are also certified under the International Ship and Port Security Code. In addition, Harvest has contracted with the Eastern Canada Response Corporation to supplement Harvest's resources. However, there may be accidents involving tankers transporting crude oil or refined products, and response services may not respond in a manner to adequately contain a discharge and Harvest may be subject to a significant liability in connection with a discharge.

Harvest has in the past operated service stations with underground storage tanks and currently operates 55 retail gasoline stations and three commercial cardlock locations with underground storage tanks in the Province of Newfoundland and Labrador. Harvest is required to comply with provincial regulations governing such storage tanks in the Province of Newfoundland and Labrador and compliance with these requirements can be costly. The operation of underground storage tanks also poses certain other risks, including damages associated with soil and groundwater contamination. Leaks from underground storage tanks which may occur at one or more of Harvest's service stations, or which may have occurred at previously operated service stations, may impact soil or groundwater and could result in fines or civil liability. While Harvest maintains insurance in respect of such risks, there are no assurances that such insurance will be adequate to fully compensate for any liability Harvest may incur if such risks were to occur.

The production of aviation fuels subjects us to liability should contaminants in the fuel result in aircraft engines being damaged and/or aircraft accidents.

The Corporation produces aviation fuels, which involves inherent risks and subjects it to the provisions of Canadian federal laws. Harvest's product quality assurance programs are extensive; however, these procedures may not be sufficient to detect and prevent contaminants from entering into the aviation fuels which could result in aircraft engines being damaged and/or aircraft accidents. While the Corporation maintains insurance in respect of such risks, there are no assurances that such insurance will be adequate to fully compensate for any liability the Corporation may incur if such risks were to occur.

Refinery operations are subject to environmental regulation pursuant to local, provincial and federal legislation and require us to obtain and maintain regulatory approvals. A breach of such legislation may subject us to substantial liability and result in the imposition of fines as well as higher operating standards that may increase costs.

The Downstream operations and related properties are subject to extensive federal, provincial and local environmental and health and safety regulations governing, among other things, the generation, storage, handling, use and transportation of petroleum and hazardous substances, the emission and discharge of materials into the environment, waste management and characteristics and composition of gasoline and diesel fuels. If the Corporation fails to comply with these regulations, it may be subject to administrative, civil and criminal proceedings by governmental authorities as well as civil proceedings by environmental groups and other entities and individuals. A failure to comply, and any related proceedings, including lawsuits, could result in significant costs and liabilities, penalties, judgments against us or governmental or court orders that could alter, limit or stop the operations.

Consistent with the experience of other Canadian refineries, environmental laws and regulations have raised operating costs and required significant capital investments at the Refinery. Harvest believes that the Refinery is materially compliant with existing laws and regulatory requirements. However, material expenditures could be required in the future for the Refinery to comply with evolving environmental, health and safety laws, regulations or requirements that may be adopted or imposed in the future.

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

In addition, new environmental laws and regulations, new interpretations of existing laws and regulations, increased governmental enforcement or other developments could require us to make unanticipated expenditures in the Downstream Operations. Many of these laws and regulations are becoming increasingly stringent, and the cost of compliance with these requirements can be expected to increase over time. Harvest is not able to predict the impact of new or changed laws or regulations or changes in the ways that such laws or regulations are administered, interpreted or enforced. The requirements to be met, as well as the technology and length of time available to meet those requirements, continue to develop and change. To the extent that the costs associated with meeting any of these requirements are substantial and not adequately provided for, there could be a material adverse effect on Harvest's business and results of operations as well as its financial condition and cash from operating activities.

Harvest is presently subject to litigation and investigations with respect to the use of methyl tertiary butyl ether ("MTBE") and the delivery of contaminated sulphur and although indemnified by the previous owner, with respect to the MTBE litigation, there is no assurance that such indemnity will be sufficient to offset Harvest's costs and liabilities. Harvest may become involved in further litigation or other proceedings, or may be held responsible in any existing or future litigation or proceedings, the costs of which could be material.

Collective bargaining agreements with Harvest's employees and the United Steel Workers of America with respect to the Downstream operations may not prevent a strike or work stoppage and future agreements may result in an increase in operating costs.

As of December 31, 2010, Harvest had approximately 444 full-time employees and 37 part-time employees in the Downstream operations of which approximately 66% and 95%, respectively, are represented by the United Steel Workers of America pursuant to collective bargaining agreements. One collective agreement expired at the end of 2010 and although Harvest was able to negotiate a new three year contract in late 2007, the Corporation may not be able to renegotiate future collective agreements on satisfactory terms, or at all, which may result in an increase in operating costs. In addition, the existing collective agreements may not prevent a strike or work stoppage in the future, and any such work stoppage could have a material adverse effect on the Downstream business and Harvest's results of operations as well as the financial condition and cash from operating activities.

Risks Related to Harvest's Structure

Debt Service and Repayment

As of February 28, 2011, Harvest has indebtedness of approximately $15 million under the Credit Facility. In addition, letters of credit have been issued to third parties totalling approximately $2.9 million on behalf of Harvest Operations to secure services for its Upstream operations. The principal amount outstanding under the 6⅞% Senior Notes is $US 500 million, and semi-annual interest payments of approximately $17.2 million are payable April 1 and October 1. The principal amount of Debentures outstanding total $737 million. Interest is paid semi-annually on the dates prescribed by the applicable trust indenture for each series of Debentures.

Under the Credit Facility, Harvest Operations and certain subsidiaries of Harvest Operations (designated as restricted subsidiaries) have provided the lenders security over all of the assets of Harvest Operations and of the restricted subsidiaries, excluding the BlackGold assets. If an event of default (as defined under the Credit Facility) has occurred the lenders may demand repayment and exercise rights under the security, including sale of the secured assets. Certain payments by Harvest or the restricted subsidiaries are prohibited upon an event of default. Any indebtedness of Harvest or of restricted subsidiaries which is owed to a restricted subsidiary is subordinate to payments to lenders pursuant to the Credit Facility, under subordination agreements between the lenders and the restricted subsidiaries.

Harvest must meet certain ongoing financial and other covenants under each of the Credit Facility and the Note Indenture (respecting the 6⅞% Senior Notes). The covenants include customary provisions and restrictions related to Harvest Operations' and the restricted subsidiaries' operations and activities, and are described further for each of the Credit Facility and the Note Indenture in the "General Description of Capital Structure" section.

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

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

Access to External Capital Resources

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

Reliance on Management of Harvest Operations

Holders of securities of Harvest will be dependent on the management of Harvest Operations in respect of the administration and management of all matters relating to Harvest and the Operating Subsidiaries and the Properties. Investors who are not willing to rely on the management of Harvest Operations should not invest in the Corporation.

Re-assessment of Prior Years' Income Tax Returns

From time to time, Harvest Operations may take steps to organize its affairs in a manner that minimizes taxes and other expenses payable with respect to the operation of the Corporation and the Operating Subsidiaries. Harvest's prior years' income tax and royalty filings are subject to reassessment by government entities. The reassessment of previous filings may result in additional income tax expenses, royalties, interest and penalties which may adversely affect the Corporations cash flows, results from operation and financial position.

In January 2009 Canada Revenue Agency issued a Notice of Reassessment to the Trust and to Harvest Sask Energy Trust ("HSET") in respect of their 2002 through 2004 taxation years, claiming past taxes, interest and penalties totaling $6.2 million for the Trust and $1.2 million for HSET. The CRA adjusted the Trust's and HSET's taxable income to include their net profits interest royalty income on an accrual basis, whereas the tax returns filed by the

Trust and HSET had reported this revenue on a cash basis. A Notice of Objection was filed with CRA requesting the adjustments to an accrual basis be reversed followed by Notices of Appeal filed by the Trust and HSET in the Tax Court of Canada with respect to tax years 2003 and 2004. On January 25, 2011, CRA indicated that they will not pursue the original reassessments, and CRA and each of HSET and the Trust have since agreed, pursuant to minutes of settlement, to the issuances of new reassessments to reverse the effect of the original reassessments, to resolve all outstanding issues relating thereto, and to deal with other adjustments not related to the original reassessment.

Risk Management Activities

The nature of Harvest's operations results in exposure to fluctuations in commodity prices, interest rates and foreign exchange rates. The Corporation monitors its exposure to such fluctuations and, where deemed appropriate, utilizes derivative financial instruments and physical delivery contracts to help mitigate the potential impact of declines in crude oil, natural gas and refined product prices, changes in interest rates and foreign exchange rates. The utilization of derivative financial instruments may introduce significant volatility into Harvest's reported net earnings, comprehensive income and cash flows. The terms of our various hedging agreements may limit the benefit to the Corporation of commodity price increases or changes in interest rates and foreign exchange rates. The Corporation may also suffer financial loss because of hedging arrangements if:

- Harvest is unable to produce oil, natural gas or refined products to fulfill delivery obligations;
- Harvest is required to pay royalties based on market or reference prices that are higher than hedged prices; or
- counterparties to the hedging agreements are unable to fulfill their obligations under the hedging agreements.

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

Adoption of International Financial Reporting Standards

Effective January 1, 2011, Harvest is required to adopt the International Financial Reporting Standards ("IFRS") which may result in materially different reported financial results and may require amendments to its credit agreements to reflect the changes in accounting principles. As of the date of this Annual Information Form, Harvest is in the process of finalizing accounting policy changes under IFRS and is unable to quantify the impact IFRS will have on its financial statements.

INTEREST PAID TO HOLDERS OF CONVERTIBLE DEBENTURES

The following table sets forth the interest rate and semi-annual payment dates for each series of outstanding Debentures.

Series of Debentures	Rate	Semi-Annual Payment Dates	Maturity Date
6.50% Debentures Due 2010	6.50%	June 30 and October 31	December 31, 2010[(1)]
6.40% Debentures Due 2012	6.40%	April 30 and October 31	October 31, 2012
7.25% Debentures Due 2013	7.25%	March 31 and September 30	September 30, 2013
7.25% Debentures Due 2014	7.25%	February 28 and August 31	February 28, 2014
7.50% Debentures Due 2015	7.50%	May 31 and November 30	May 31, 2015

Note:

(1) Harvest settled its payment obligations on maturity by repayment in cash.

GENERAL DESCRIPTION OF CAPITAL STRUCTURE

The outstanding securities of Harvest consist of the common shares, senior notes and convertible debentures.

The authorized capital consists of an unlimited number of common shares and an unlimited number of preferred shares issuable in series. All of the outstanding common shares are held by KNOC. See "Structure of Harvest Operations" and "General Development of the Business – Year ended December 31, 2010."

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

The Debentures continue to be outstanding obligations of Harvest and are governed by the terms and conditions of the Debenture Indenture. Under the completion of the KNOC Arrangement, an automatic adjustment to the conversion privilege occurred for each outstanding series of Debentures such that the Debentures are no longer convertible into Trust Units. See "General Description of Capital Structure – Debentures and the Debenture Indenture – Conversion Privilege".

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

As at December 31, 2010 Harvest Operations had a $500 million Credit Facility in place.

6⅞% Senior Notes and the Note Indenture

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

Payment upon Redemption

Prior to maturity, the Notes are redeemable at a redemption price equal to 100% of the principal amount of the Notes being redeemed, plus a make-whole redemption premium and accrued and unpaid interest to the redemption date. Harvest may also redeem the Notes at any time in the event that certain changes affecting Canadian withholding taxes occur.

Covenants

There are also covenants restricting, among other things, certain transactions for the sale of assets, and the incurrence of additional indebtedness if such issuance would result in an interest coverage ratio, as defined in the Note Indenture, of less than 2.0 to 1. Notwithstanding the interest coverage ratio limitation, the incurrence of additional secured indebtedness may not exceed the greater of $1.0 billion and 15% of total assets as outlined in the limitation on liens covenant. In addition, the covenants under the Note Indenture limit the amount of restricted payments, including dividends to Harvest's shareholders, should the defined leverage ratio be greater than 2.50 to 1.

Registration Rights

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

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

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

(3) following effectiveness of the Exchange Offer Registration Statement,

(a) commence the Exchange Offer; and

(b) issue Exchange Notes in exchange for all Notes tendered prior thereto in the Exchange Offer.

Debentures and the Debenture Indenture

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

General

Each series of Debentures specify a maturity date, an interest rate, the terms of the conversion privilege and the redemption terms, if any. The principal amount and interest of the Debentures is payable in lawful money of Canada.

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

Conversion Privilege

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

Redemption and Purchase

The Debentures may be redeemed at the Corporation's option in whole or in part prior to their respective maturity dates. The redemption price for each series of Debentures for the first redemption period is equal to $1,050 per $1,000 principal amount of Debentures and for the second redemption period is equal to $1,025 per $1,000 principal amount of Debentures period. After the second redemption period, all of the Debentures may be redeemed at par. In the case of redemption of less than all of a series of Debentures, the Debentures to be redeemed will be selected by the Debenture Trustee on a pro rata basis or in such other manner as the Debenture Trustee deems equitable, subject to the consent of the TSX. The Corporation has the right to purchase the Debentures in the market, by tender or by private contract.

Payment upon Redemption or Maturity

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

Subordination

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

Debentures May Be Issued in Series and Rank Pari Passu

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

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

Covenants

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

Offers for Debentures

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

Credit Facility

The Credit Facility is a secured covenant-based $500 million credit facility with a syndicate of financial institutions and includes an accordion feature that permits the Corporation to increase the size of the facility from $500 million to $1.0 billion without lender consent if the Corporation is able to secure additional capacity from an existing or new lender(s).

Harvest continues to pay a floating interest rate plus a risk premium that changes based on the ratio of the Corporation's drawn amount of debt to earnings before interest, taxes, depletion, amortization and other non-cash items ("EBITDA") as more fully defined below. The minimum rate charged on the Credit Facility is 200 bps over bankers' acceptance rates as long as Harvest's drawn amount of debt to EBITDA ratio remains below or equal to one. In addition, the Credit Facility requires standby fees on undrawn amounts. As at December 31, 2010, $14 million was drawn on this facility.

In addition to the standard representations, warrants and covenants commonly contained in a credit facility, the Credit Facility agreement contains the following covenants:

(a) An aggregate limitation of $25 million on financial assistance and/or capital contributions to parties other than those included in the first floating security interest;

(b) A limitation to carrying on business in countries that are not members of the Organization for Economic Cooperation and Development;

(c) A limitation on the payment of distributions to shareholders of an amount greater than EBITDA minus capital expenditures by Harvest and its restricted Subsidiaries; and

(d) Subject to the following quarterly financial covenants:

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

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

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

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

(and in the above, "Senior Debt" includes letters of credit, bank debt and guarantees and "Total Debt" consists of Senior Debt, the Notes and the Debentures)

A copy of the Credit Facility agreement (including amendments thereto) are filed as Material Contracts on SEDAR at www.sedar.com.

For purposes of determining the financial covenants, the following terms are defined in the Credit Facility agreement:

(a) EBITDA is the aggregate of the past four quarters Net Earnings plus:

(1) interest and financing charges;

(2) future income tax expense;

(3) depletion, depreciation, amortization and other;

(4) unrealized gains/losses on risk management contracts;

(5) unrealized currency exchange gains/losses; and

(6) non-cash unit based compensation expense.

(b) Capitalization is the aggregate of the amounts drawn under the Credit Facility, the 6⅞% Senior Notes, the Debentures and shareholders' equity, all as reported in Harvest's consolidated balance sheet in accordance with Canadian GAAP.

With respect to these financial covenants, Harvest's December 31, 2010 financial ratios were as follows:

- Senior Debt to EBITDA of 0.06 to 1.0;
- Total Debt to EBITDA of 2.39 to 1.0;
- Senior Debt to Capitalization of 1%; and
- Total Debt to Capitalization of 31%.

Credit Ratings

Harvest Operations is rated by both Standard and Poor's, a division of the McGraw-Hill Companies Inc. ("S&P"), and Moody's Investors Services Inc. ("Moody's"). Harvest's corporate ratings are "BB-" from S&P and Ba2 from Moody's. The 6⅞% Senior Notes are rated "BB-" by S&P and Ba1 by Moody's. All ratings have a stable outlook. Credit ratings are intended to provide investors with an independent measure of credit quality of any issue of securities. Credit ratings are not recommendations to purchase, hold or sell the debt securities inasmuch as such ratings do not comment as to market price or suitability for a particular investor. Any rating may not remain in effect for any given period of time, or may be revised or withdrawn entirely by a rating agency in the future, if in its judgment circumstances so warrant.

Moody's credit ratings are on a rating scale that ranges from Aaa to C, which represents the range from highest to lowest quality of such securities rated. A rating of Ba1 or Ba2 by Moody's is within the fifth highest of nine categories and is assigned to debt securities which are considered non-investment grade speculative and are subject to substantial credit risk. Moody's applies numerical modifiers 1, 2 and 3 in each generic rating classification from Aa through Caa. The modifier 1 indicates that the issue ranks in the higher end of its generic rating category, the modifier 2 indicates a mid-range ranking and the modifier 3 indicates that the issue ranks in the lower end of its generic rating category. A Moody's rating outlook is an opinion regarding the likely direction of a rating over the medium term.

S&P's credit ratings are on a rating scale that ranges from AAA to D, which represents the range from highest to lowest quality of such securities rated. An entity with debt rated BB- by S&P is regarded as having speculative characteristics as it faces major ongoing uncertainties and exposure to adverse business, financial or economic conditions which could lead to the issuer having inadequate capacity to meet its financial commitments. The ratings from AA to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories. An S&P rating outlook assesses the potential direction of a long-term credit rating over the intermediate term. In determining a rating outlook, consideration is given to any changes in the economic and/or fundamental business conditions.

MARKET FOR SECURITIES

Prior to the KNOC Acquisition of all of the outstanding Trust Units pursuant to the KNOC Arrangement, the Trust Units were listed and traded on the TSX and the NYSE under the trading symbols "HTE.UN" (TSX) and "HTE" (NYSE), respectively. The Trust Units were delisted from both the TSX and the NYSE shortly after the December 22, 2009 completion of the KNOC Arrangement. The following common shares were issued to KNOC:

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

The Debentures are listed and traded on the TSX under the symbols "HTE.DB.B" for the 6.50% Debentures Due 2010, "HTE.DB.D" for the 6.40% Debentures Due 2012, "HTE.DB.E" for the 7.25% Debentures Due 2013, "HTE.DB.F" for the 7.25% Debentures Due 2014 and "HTE.DB.G" for the 7.50% Debentures Due 2015.

6.50% Debentures Due 2010 (HTE.DB.B)

The following table sets forth the high, low and closing trading prices and the aggregate trading volume of the 6.50% Debentures Due 2010 as reported by the TSX for the periods indicated.

2010	High	Low	Close	Volume
January	$ 101.55	$ 101.00	$ 101.25	1,979,000
February	$ 101.50	$ 100.00	$ 101.11	2,449,000
March	$ 101.64	$ 101.00	$ 101.01	1,348,000
April	$ 102.25	$ 100.75	$ 102.25	746,000
May	$ 102.00	$ 101.00	$ 101.20	156,000
June	$ 101.60	$ 100.09	$ 101.30	1,084,000
July	$ 101.80	$ 100.50	$ 101.70	1,060,000
August	$ 101.68	$ 101.01	$ 101.25	613,000
September	$ 101.27	$ 101.10	$ 101.10	3,329,000
October	$ 101.27	$ 100.80	$ 100.80	297,000
November	$ 100.75	$ 100.40	$ 100.40	529,000
December	$ 100.20	$ 100.00	$ 100.00	537,000

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

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

2010	High	Low	Close	Volume
January	$ 101.50	$ 100.65	$ 101.00	23,953,000
February	$ 101.45	$ 101.00	$ 101.20	16,967,000
March	$ 101.50	$ 101.10	$ 101.13	7,250,000
April	$ 101.40	$ 101.00	$ 101.10	6,272,000
May	$ 101.50	$ 100.00	$ 101.20	934,000
June	$ 101.25	$ 100.01	$ 101.14	589,000
July	$ 101.34	$ 100.22	$ 101.03	1,660,000
August	$ 101.59	$ 100.82	$ 101.01	1,797,000
September	$ 101.99	$ 100.55	$ 101.30	10,633,000
October	$ 102.00	$ 100.81	$ 102.00	460,000
November	$ 102.33	$ 100.85	$ 100.85	539,000
December	$ 101.45	$ 100.60	$ 101.40	887,000
2011				
January	$ 102.75	$ 101.50	$ 102.25	367,000
February	$ 102.25	$ 101.03	$ 102.00	724,000

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

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

2010	High	Low	Close	Volume
January	$ 102.00	$ 100.50	$ 101.70	51,420,000
February	$ 102.25	$ 101.50	$ 102.05	23,562,000
March	$ 103.50	$ 101.75	$ 102.52	29,180,200
April	$ 103.25	$ 102.10	$ 102.60	37,567,000
May	$ 102.95	$ 100.00	$ 101.00	29,359,000
June	$ 101.20	$ 100.50	$ 101.00	32,819,000
July	$ 102.00	$ 100.82	$ 102.00	14,726,000
August	$ 102.80	$ 101.90	$ 102.80	8,218,000
September	$ 103.00	$ 102.28	$ 102.75	4,762,000
October	$ 103.50	$ 102.02	$ 103.19	4,511,000
November	$ 103.20	$ 102.20	$ 102.70	12,274,000
December	$ 102.70	$ 102.20	$ 102.60	4,692,000
2011				
January	$ 103.99	$ 102.30	$ 103.25	2,489,000
February	$ 103.50	$ 102.60	$ 102.67	1,558,000

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

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

2010	High	Low	Close	Volume
January	$ 102.50	$ 101.50	$ 101.70	8,523,000
February	$ 107.50	$ 101.00	$ 102.00	2,777,000
March	$ 103.50	$ 102.00	$ 103.50	5,050,000
April	$ 104.00	$ 102.40	$ 102.75	6,647,000
May	$ 103.10	$ 101.70	$ 102.00	2,201,000
June	$ 102.00	$ 101.25	$ 101.50	1,536,000
July	$ 102.50	$ 101.26	$ 102.50	2,016,000
August	$ 103.00	$ 102.40	$ 103.00	1,522,000
September	$ 105.00	$ 102.90	$ 103.40	2,236,000
October	$ 103.50	$ 103.00	$ 103.45	1,074,000
November	$ 103.45	$ 103.01	$ 103.40	1,053,000
December	$ 103.40	$ 102.45	$ 103.10	2,677,000
2011				
January	$ 104.00	$ 103.00	$ 104.00	297,000
February	$ 104.00	$ 103.28	$ 103.74	1,673,000

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

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

2010	High	Low	Close	Volume
January	$ 104.00	$ 102.50	$ 103.50	24,768,000
February	$ 103.90	$ 102.50	$ 103.51	12,764,000
March	$ 106.50	$ 103.00	$ 105.00	6,638,000
April	$ 105.00	$ 104.00	$ 104.50	18,642,000
May	$ 104.75	$ 101.00	$ 102.00	61,354,500
June	$ 102.50	$ 101.00	$ 101.75	5,765,000
July	$ 104.00	$ 101.75	$ 104.00	8,472,000
August	$ 104.00	$ 102.75	$ 104.00	4,256,000
September	$ 104.50	$ 103.51	$ 104.30	18,824,000
October	$ 105.50	$ 104.50	$ 105.20	19,116,000
November	$ 105.50	$ 104.75	$ 105.00	3,002,500
December	$ 105.35	$ 105.00	$ 105.15	16,538,000
2011				
January	$ 106.00	$ 105.00	$ 106.00	3,211,500
February	$ 106.50	$ 105.50	$ 105.90	10,547,000

DIRECTORS AND OFFICERS OF HARVEST OPERATIONS

The names, jurisdiction of residence, present positions and offices with Harvest Operations and principal occupations during the past five years of the directors and executive officers of Harvest Operations as at the date hereof are set out in the table below. Directors are elected or appointed yearly at the annual meeting and the terms of office of all directors expire at the next following annual meeting.

Name and Jurisdiction of Residence	Position with Harvest Operations	Principal Occupation
Dr. Seong-Hoon Kim [4] Seoul, South Korea	Director, Chairman since January, 2010.	Dr. Kim is currently a director and the Senior Executive Vice President of KNOC. He has held the position of Executive Vice President for New Ventures & Business Exploration as well as other senior management positions within the New Ventures and Exploration division of KNOC.
William A. Friley Jr.[2][4] Alberta, Canada	Director from 2006 to 2009 and reappointed in January, 2010.	Mr. Friley is the President and Chief Executive Officer of Telluride Oil and Gas Ltd., President of Skyeland Oils Ltd., and Chairman of TimberRock Energy Corporation. He is also a Director of OSUM Oil Sands Corp. and a Director of SilverStar Energy Services and Advanced Flow Technologies Inc. Prior to this he acted as President and Chief Executive Officer of Triumph Energy Corporation (a publicly traded oil and natural gas company). Mr. Friley is a previous Director of Mustang Resources Inc. (a publicly traded oil and natural gas company) and a past Chair of Canadian Association of Petroleum Producers.
J. Richard Harris[1][2] Alberta, Canada	Director since January, 2010.	Mr. Harris is an independent oil and gas consultant in Calgary, Alberta. He was previously the President of four Canadian publicly traded oil and gas companies and has served on the boards of nine other energy and energy service related companies. He was a member of the Alberta Securities Commission's Oil and Gas Securities Taskforce that led to the completion of National Instrument 51-101 and he served on the Commission's Reserve Advisory Committee until his retirement from the Committee in 2005. Mr. Harris is a member of several industry societies and holds the designations of Professional Geologist in Canada and Certified Petroleum Geologist and Certified Professional Geological Scientist in the United States.
Chang-Koo Kang[4] Seoul, South Korea	Director since January, 2010.	Mr. Kang is currently the Vice President of KNOC's Finance Management Department. Prior to this, he was the Senior Manager of KNOC's Finance Team. He has helped finance KNOC's merger and acquisition of PetroTech Peruana S.A., Peru, Harvest Energy, and Sumble JSC, Kazakhstan while in office.
William D. Robertson[1] Alberta, Canada	Director from 2008 to 2009 and reappointed in January, 2010.	Mr. Robertson is a Fellow Chartered Accountant and retired Partner of PricewaterhouseCoopers LLP where he acted as lead oil and gas specialist. He is currently a director of Inter Pipeline Fund and Cinch Energy Corp. Mr. Robertson has served on the CIM Petroleum Society Standing Committee on Reserve Definitions, the Alberta Securities Commission Financial Advisory Committee, the working sub-committee of the Alberta Securities Commission Taskforce of Oil and Gas Reporting, and the Council of the Institute of Chartered Accounts of Alberta.
Brant Sangster[1] [3] Alberta, Calgary	Director since November, 2010.	Mr. Sangster is currently a director of Canadian Oil Sands Limited, Inter Pipeline Fund, and Titanium Corporation. Mr. Sangster enjoyed a 25-year career as a senior executive with Petro-Canada, where he was responsible for managing the company's oil sands businesses. Prior to this, Mr. Sangster held various strategic planning and operating positions with Imperial Oil Ltd.

Name and Jurisdiction of Residence	Position with Harvest Operations	Principal Occupation
Kang Hyun Shin(3) Seoul, South Korea	Director since November, 2010.	Mr. Shin is currently KNOC's Vice President of Petroleum Marketing. Prior to this he acted as the Senior Manager for KNOC's Legal Team as well as the Senior Manager for the KNOC's Management Planning Team and the Senior Manager for the Strategic Planning Team. Mr. Shin holds an M.A. of Public Administration from the Graduate School of Public Administration, Seoul National University in South Korea.
Kyungluck Sohn(3) Alberta, Canada	Chief Financial Officer since February, 2010; Director since November, 2010.	Mr. Sohn is currently the Chief Financial Officer of Harvest Operations. Prior to this he was a Vice President of KNOC, in the Finance Management Department in 2009 and in the Offshore Rig Operations department from May 2006 to December 2008. Mr. Sohn also held positions in KNOC as Administration Manager in the Ulsan Gas Terminal, Financing Manager and Information Manager in the Petroleum Information department and Marketing Manager in the Offshore Rig Operations department. Prior to these roles, he held a senior position in the Procurement department of Hyundai Heavy Industry Co., Ltd for four years. Mr. Sohn holds a Business Management degree from the Busan National University in South Korea.
Myunghuhn Yi(4) Seoul, South Korea	Director since December, 2010.	Mr. Yi is currently the Executive Vice President for KNOC's America Group. Prior to this, he acted as KNOC's General Manager & Managing Director for the USA office and the Executive Vice President for Domestic Exploration and Production.
John E. Zahary(2) (3) Alberta, Canada	President & Chief Executive Officer, Director since 2008(4)	Mr. Zahary has been the President & Chief Executive Officer of Harvest Operations since February 2006. From 2004 to 2006 he acted as President and Chief Executive Officer of Viking and prior thereto was President of Petrovera Resources. Mr. Zahary holds a BSc. in Mechanical Engineering from the University of Calgary and an M.Phil in Management from the University of Oxford.
Rob Morgan Alberta, Canada	Chief Operating Officer – Upstream	Mr. Morgan is Harvest Operations' Chief Operating Officer – Upstream. Prior thereto, he was Vice President, Operations and Corporate Development of Viking from June 2004 to February 2006. Mr. Morgan is a professional engineer.
Brad Aldrich(5) Missouri, USA	Chief Operating Officer – Downstream	Mr. Aldrich is Harvest Operations' Chief Operating Officer – Downstream. From 2006 to 2007 he was President & Chief Operating Officer of Changing World Technologies and from 2005 to 2006 was Vice President of Thermodyne Holdings Corp. Prior to this, he was Vice President, Production Yukos Oil Company.
Brian Kwak Alberta, Canada	Deputy Chief Operating Officer – Upstream & Vice President, Oil sands	On January 19, 2010, Mr. Kwak was appointed Deputy Chief Operating Officer, Upstream and Vice President, Oil sands of Harvest Operations. From November, 2006 to January, 2010 he was Manager, Subsurface of KNOC Canada and from August, 2005 to November, 2006 was Manager, Offshore Drilling Rig of KNOC. Prior to this, he acted as the Deputy Manager, Exploration of Cuulong Joint Operating Company in Vietnam. Mr. Kwak holds a M. Sc and B. Sc Geology.
Gary Boukall Alberta, Canada	Vice President, Geosciences	Mr. Boukall is the Vice President, Geosciences of Harvest Operations. From December, 2002 to March, 2007 he held various positions with Harvest Operations including Chief Geologist, Manager of Geology and Manager of Geosciences. Mr. Boukall is a professional Geologist.

Name and Jurisdiction of Residence	Position with Harvest Operations	Principal Occupation
James Sheasby Alberta, Canada	Vice President, Engineering	On March 16, 2007 Mr. Sheasby was appointed to Vice President, Engineering of Harvest Operations. From February, 2006 to March, 2007 he was Manager, Engineering of Harvest Operations. Prior to this, he was the Manager, Engineering of Viking and the Vice President, Engineering of Hygait Resources. Mr. Sheasby is a Professional Engineer.
Neil Sinclair Alberta, Canada	Vice President, Operations	On March 16, 2007, Mr. Sinclair was appointed Vice President, Operations of Harvest Operations. From February, 2006 to March 2007 he was Manager, Operations of Harvest Operations and from June, 2004 to February, 2006 he was the Manager, Operations of Viking.
Phil Reist Alberta, Canada	Vice President, Controller	On March 16, 2007, Mr. Reist was appointed Vice President, Controller of Harvest Operations. From February, 2006 to March, 2007 he was Controller of Harvest Operations and from September, 2005 to February 2, 2006 he was Controller of Viking. Prior to this Mr. Reist was Vice President, Controller of Penn West Petroleum Ltd. Mr. Reist is a Chartered Accountant.
Les Hogan Alberta, Canada	Vice President, Land	On December 3, 2007, Mr. Hogan was appointed Vice President, Land of Harvest Operations. From June, 2002 to November, 2007 he held various positions including Vice President Land and Community Affairs at Pioneer Natural Resources Canada.
Dean Beacon Alberta, Canada	Vice President, Treasurer	On March 5, 2010 Mr. Beacon was appointed Vice President in addition to his existing role as Treasurer of Harvest Operations since 2007. Previously, Mr. Beacon held various senior management positions within the corporate finance, risk management and treasury departments within the Canadian banking industry as well as with oil and gas companies such as TransCanada Pipe Lines and Talisman Energy.
Jongwoo Kim Alberta, Canada	Chief Strategy Officer & Corporate Secretary	Mr. Kim has recently been appointed the Chief Strategy Officer and Corporate Secretary of Harvest Operations. Prior to this, since January 2010, Mr. Kim was the VP, Business Planning and Corporate Secretary at Harvest. Before joining Harvest, he held various positions at KNOC over a 17 year period. His previous role with KNOC was acting as the Merger and Acquisition Team Lead. Mr. Kim holds a Master of Science in Finance graduate degree from the Daniel's College of Business, University of Denver.

Notes:

(1) Member of the Audit Committee.
(2) Member of the Upstream Reserves, Safety & Environment Committee.
(3) Member of the Downstream Operations, Safety & Environment Committee.
(4) Member of the Compensation and Corporate Governance Committee.
(5) Brad Aldrich held the Chief Operating Officer – Downstream position from 2006 to March 24, 2011.

As at December 31, 2010, none of the directors and executive officers of Harvest Operations and their associates and affiliates, directly or indirectly, beneficially owned, controlled or directed any of the outstanding shares.

EXECUTIVE COMPENSATION

Compensation and Corporate Governance Committee

The Compensation and Corporate Governance Committee of the Harvest Board consists of Dr. Seong-Hoon Kim (Chairman of the Committee), Chang-Koo Kang, Myunghuhn Yi, and William A. Friley Jr. The Compensation and Corporate Governance Committee, which is responsible for establishing and overseeing the administration of Harvest's compensation program, periodically reviews the corporation's compensation policy with respect to its executive officers. For additional information on the mandate of the Compensation and Corporate Governance Committee as it pertains to executive compensation, see Section 7 of the section entitled "Corporate Governance Disclosure".

Compensation Discussion & Analysis

Compensation Strategy

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

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

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

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

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

- alignment of executive and stakeholder's interests;

- attraction and retention of highly qualified individuals by remaining competitive with Harvest's peers;
- focus on performance by rewarding executives for the achievement of business objectives and financial results;
- support of retention of key executives for leadership succession.

CEO Compensation

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

In particular, the Compensation and Corporate Governance Committee considered a group of industry peers, including the following listed companies, for which comparison was most relevant. In determining this group, the Committee placed emphasis on daily oil and gas production volumes, which provide a reasonable measure of the competitor's size, and those peers with which Harvest competes for individual talent within the oil & gas industry.

2010 Group of Industry Peers

- Advantage Oil & Gas Ltd.
- ARC Resources Ltd.
- Baytex Energy Corp.
- Bonavista Energy Corp.
- Crescent Point Energy Corp.
- Enerplus Corp.
- NAL Energy Corp.
- Paramount Resources Ltd.
- Pengrowth Energy Corp.
- Penn West Exploration
- Trilogy Energy Corp.
- Vermilion Energy Inc.

The Compensation and Corporate Governance Committee reviewed the CEO's performance in 2010 against several specific corporate and individual goals and objectives. These included goals relating to financial returns, asset quality, production and reserve levels on an absolute basis, refining output, operating and administrative costs, reserve replacement costs, recycle ratios, oil refining margins, balance sheet strength, and employee and organizational culture issues. In addition, performance was assessed against specific goals concerning safety and environment issues, corporate governance, staff development, and involvement and leadership within industry and the community. Performance in these areas was reviewed on both a stand-alone basis and relative to other oil and gas entities, where applicable. Based on the review, the CEO's salary, bonus, short-term incentive and long-term incentive compensation were determined accordingly.

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

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

Elements of Compensation

Base Salaries

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

Short-Term Incentive Program

In the Upstream business, Harvest uses the following metrics to assess performance: production volume, finding, development and acquisition costs on a per BOE basis, earnings before interest, taxes, depreciation and amortization (EBITDA), operating and transportation costs on a per BOE basis, and safety (lost time injury frequency). In the Downstream business, Harvest uses the following metrics to assess performance: sales volume, EBITDA, non-fuel operating costs on a per BOE basis and safety (lost time injury frequency). Bonuses were based on these measures being met and the degree to which they were met along with individual performance assessment.

Cash bonuses were awarded to the individuals included in the "Summary Compensation Table" below based on their leadership of the business resulting in:

- Delivery of a cash contribution from upstream operations of $532 million versus $443 million on a pro-forma basis in 2009;
- Investment of $404 million in upstream capital asset additions plus $176 million in net property and business acquisitions (before consideration of the BlackGold purchase from KNOC or the announced acquisition for $525 million at the end of the year which closed in 2011) resulting in net overall additions of more than 350% over 2009 on a pro-forma basis;
- Management through an active year of credit facility refinancings, senior note offering refinancing including the issuance in October 2010 of US$500 million of 6⅞% Senior Notes and equity issues totaling approximately $930 million;
- Maintenance and enhancement of Harvest's presence in capital markets; and
- Enhancement of Harvest's corporate presence under the equity ownership of KNOC in the active and competitive market in the Canadian oil and gas industry.

Long-Term Incentive Program

All employees (including the Named Executive Officers) are eligible to participate in Harvest's long-term incentive program, which is designed to reward individual and corporate performance in the form of deferred cash payments. These payments are subject to the achievement of the Corporation's key performance indicators as discussed above. The value of the award may also consider individual performance and the competitive industry environment.

KNOC Employee Compensation

KNOC has seconded employees to Harvest. These individuals do not participate in Harvest's short and long term incentive plans nor do they receive salaries based on Harvest's salary structure. Pursuant to an agreement with KNOC, Harvest will compensate the seconded employees with salaries and benefits as determined by KNOC. Secondee compensation is comprised of a base salary, bonus and other employee benefits as determined by KNOC's personnel policy. Harvest complies with all withholding, remittance and reporting requirements in Canada, in respect of any remuneration paid to the seconded employees. Compensation is differentiated based on an annual performance assessment.

Summary

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

Summary Compensation Table

The following table sets forth for the year ended December 31, 2010 information concerning the compensation paid to Harvest's CEO, Chief Financial Officer ("CFO") and the next three most highly compensated executive officers (or the three most highly compensated individuals acting in a similar capacity) other than the CEO and CFO at December 31, 2010 whose total compensation for the year so ended was more than $150,000 (each a "Named Executive Officer" or "NEO" and collectively the "Named Executive Officers" or "NEOs").

					Non-equity incentive plan compensation ($)			
Name and principal position	**Year**	**Salary ($)**	**Unit-based awards[2] ($)**	**Option-based awards[3] ($)**	**Annual incentive plans[4]**	**Long-term incentive plans[7]**	**All other compensation[5] [9]**	**Total compensation ($)**
John Zahary[1][6] Chief Executive Officer	2010	418,000	nil	nil	271,700	485,591	75,753	1,251,044
	2009	380,000	nil	nil	310,000	nil	1,471,544	2,161,544
	2008	380,000	68,000	134,000	325,000	nil	58,202	965,202
Kyungluck Sohn, Chief Financial Officer[6][8]	2010	147,230	nil	nil	33,558	nil	109,451	290,239
	2009	nil	nil	nil	nil	nil	nil	nil
	2008	nil	nil	nil	nil	nil	nil	nil
Robert Morgan[1] Chief Operating Officer, Upstream	2010	224,862	nil	nil	121,306	189,475	30,832	566,475
	2009	240,000	nil 54,400	nil	157,000	nil	867,502	1,264,502
	2008	240,000		87,100	165,000	nil	58,834	550,934
Phil Reist Vice President, Controller	2010	231,000	nil	nil	60,060	116,906	30,157	438,123
	2009	189,538	nil	nil	60,800	nil	141,744	392,083
	2008	185,000	34,000	33,500	70,000	nil	71,511	394,011
Neil Sinclair Vice President, Operations	2010	231,000	nil	nil	60,060	126,649	33,300	451,009
	2009	192,501	nil 34,000	nil	60,800	nil	153,731	407,032
	2008	185,010		33,500	70,304	nil	35,171	323,985

Notes:

(1) Harvest Operations has entered into employment agreements with Mr. Zahary and Mr. Morgan. Please see the section below entitled "Termination and Change of Control Benefits - Employment Contracts" for further details.

(2) Unit-based awards consisted of Unit Awards granted pursuant to the Trust Unit Award Incentive Plan, which was calculated using the binomial lattice methodology. This plan ceased in the year ended December 31, 2009.

(3) Option-based awards consisted of Incentive Rights issued pursuant to the Trust Unit Rights Incentive Plan. The method of calculation and the assumptions used are the same as those used by the Trust in calculating its liability under this plan in its consolidated financial statements for the year ended December 31, 2009 filed on www.sedar.com.

(4) The above amounts were paid to each Named Executive Officer shortly after the end of the fiscal year.

(5) Includes the employer's contributions to each Named Executive Officer's savings plan (equal to 10% of salary) and other taxable benefits.

(6) Mr. Zahary and Mr. Sohn are directors of Harvest Operations, but did not receive compensation for their services as directors.

(7) Half of the compensation for the 2010 long-term incentive plan was paid in 2011, with the remainder to be paid in 2012.

(8) Mr. Sohn participates in the KNOC employee compensation program, but does not participate in Harvest's incentive programs, as he is a secondee to Harvest Operations from KNOC.

(9) As completion of the KNOC Arrangement constituted a "change of control", each of Mr. Zahary and Mr. Morgan became entitled to receive a payment based on his then current annual base salary and prior year bonuses. Mr. Zahary and Mr. Morgan received a payment of $927,750 and $555,750 respectively in 2009.

The following table discloses the type of perquisites that were reported for each NEO with a value greater than 25% of "All other compensation" disclosed above for the year ended December 31, 2010.

NEO	Type of Perquisite	Value ($)	Percentage of All Other Compensation
John Zahary	Vacation Pay	23,385	31%
	Contributions to Savings Plan	41,917	55%
Kyungluck Sohn	Living Allowance	57,347	52%
	Rent	52,104	48%
Rob Morgan	Contributions to Savings Plan	22,634	73%
Phil Reist	Contributions to Savings Plan	23,100	77%
Neil Sinclair	Contributions to Savings Plan	23,100	69%

The total cash compensation (salary plus annual bonus) paid to the CEO, CFO and the next three most highly compensated executive officers whose total compensation was more than $150,000, calculated as a percentage of annual cash flow from operations was 0.41%, 0.42% and 0.33% for 2010, 2009 and 2008 respectively.

Termination and Change of Control Benefits

Current Arrangements

Of the above NEOs, Harvest has entered into an executive employment agreement with each of Mr. Zahary (President and Chief Executive Officer) and Mr. Morgan (Chief Operating Officer - Upstream). Each such agreement provides that, in the event of termination of employment without cause, the executive shall be entitled to receive a cash payment equal to a multiple of the executive's total monthly compensation based on (i) his then annual base salary, (ii) an amount equal to 20% of base salary for loss of benefits and (iii) an amount equal to the average annual bonus payments made in the two prior years (or the last annual bonus or a reasonable estimate thereof if only one bonus year or no bonus year has been completed, as the case may be), plus any amount that the executive may be entitled to receive under any long-term incentive plan of Harvest Operations. The agreed multiple is 15 months of total monthly compensation plus one additional month for each full or partial year of service under the agreement (commencing December 22, 2009) to a maximum of 18 months.

If the employment of any of Messrs. Zahary or Morgan is terminated for cause or in the event of permanent disability (within the meaning of the employment agreement), or if any such executive shall voluntarily resign his employment, the executive shall be entitled to receive payment of any earned but unpaid base salary, but shall not be entitled to receive any bonus, severance or termination pay or other payment for loss of employment.

The following table discloses the estimated payments that would have been made to each of the identified Named Executive Officers pursuant to their respective employment agreements if their employment had been terminated on December 31, 2010 without cause.

	Estimated Termination Payment
John Zahary	$ 1,608,229
Rob Morgan	$ 876,209
Total	$ 2,484,438

Compensation of Directors

The independent directors of Harvest Operations Corp., were paid an annual retainer of $30,000, as well as $1,000 for each Board meeting attended, $1,000 for each committee meeting attended (if on a date different from a Board meeting date) and each such director was entitled to reimbursement for expenses incurred in carrying out his duties as director. Where applicable, retainer fees were pro-rated for a partial year's service.

The following table sets forth all compensation provided to the independent directors of Harvest Operations for the most recently completed financial year, December 31, 2010. The non-independent directors received no compensation for carrying out their duties as directors.

Name	Fees earned ($)	Annual Retainer[(2)] ($)	Total compensation ($)
Dennis Balderston[(1)]	$13,000	$29,178	$42,178
William A. Friley	$9,000	$29,178	$38,178
J. Richard Harris	$16,000	$29,178	$45,178
William Robertson	$11,000	$29,178	$40,178
Brant Sangster	$1,000	$2,384	$3,384

Notes:

(1) As at December 31, 2010 Mr. Balderston resigned from the Harvest Board of Directors.

(2) Mssrs. Balderston, Friley, Harris, and Robertson were paid an annual retainer fee that was prorated from January 11, 2010 until December 31, 2010. Mr. Sangster was paid a retainer fee that was prorated from December 3, 2010 until December 31, 2010.

CORPORATE GOVERNANCE DISCLOSURE

National Instrument 58-101 entitled "Disclosure of Corporate Governance Practices" ("**NI 58-101**") and the TSX requires listed companies to provide, on an annual basis, the corporate governance disclosure that is prescribed by NI 58-101.

The prescribed corporate governance disclosure for Harvest is that contained in Form 58-101F1 which is attached to NI 58-101 ("**Form 58-101F1 Disclosure**").

Harvest Operations is managed by the Harvest Board (the "Board"), which is responsible for the overall stewardship and governance of the corporation. The Board has put in place standards and benchmarks by which that responsibility can be measured.

Set out below is a description of Harvest's corporate governance practices as at the date hereof, relative to the Form 58-101F1 Disclosure (which is set out below in italics).

1. Harvest Board

(a) *Disclose the identity of directors who are independent.*

The Harvest Board has determined that the following four (4) directors of Harvest Operations are independent:

William A. Friley Jr.

J. Richard Harris

William D. Robertson

Brant Sangster

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

Dr. Seong-Hoon Kim is not independent. He is the Senior Executive Vice President & Executive Board Member of KNOC.

Chang-Koo Kang is not independent. He is the Vice President, Finance Management Department for KNOC.

Kang Hyun Shin is not independent. He is the Vice President of the Petroleum Marketing Department for KNOC.

Kyungluck Sohn is not independent. He is the Chief Financial Officer of Harvest Operations.

Myunghuhn Yi is not independent. He is the Executive Vice President for the Americas Group for KNOC.

John E. Zahary is not independent. He is the President & Chief Executive Officer of Harvest Operations

(c) *Disclose whether or not a majority of directors is independent. If a majority of directors is not independent, describe what the Harvest Board does to facilitate its exercise of independent judgement in carrying out its responsibilities.*

The Board facilitates the exercise of judgment in carrying out its responsibilities by having non-restricted access to information regarding the Corporation and by the ability of the directors to engage and seek input from outside advisors at the expense of the Corporation. Also, independent directors have the option of meeting without non-independent directors or management present at the end of each Board meeting. All of the Board meetings in financial year 2010 included such an in-camera session.

(d) *If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.*

The following directors of Harvest Operations are presently directors of other issuers that are reporting issuers (or the equivalent):

Name of Director	Name of Other Issuer
William D. Robertson	Cinch Energy Corp. Inter Pipeline Fund
Brant Sangster	Canadian Oil Sands Limited Inter Pipeline Fund Titanium Corp.
John Zahary	Wavefont Technology Solutions Inc. Waldron Energy Corp.

(e) *Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the Harvest Board does to facilitate open and candid discussion among its independent directors.*

In accordance with the mandate of the Harvest Board as well as the mandate of each of the Audit Committee, the Compensation and Corporate Governance Committee, the Upstream Reserves, Safety and Environment Committee, and the Downstream Reserves, Safety and Environment Committee, at the end of or during each Board or Committee meeting, as applicable, the members of management of Harvest Operations and KNOC who are present at such meeting may be asked to leave the meeting in order that the independent directors can discuss any necessary matters without management of Harvest Operations and KNOC being present.

(f) *Disclose whether or not the chair of the Harvest Board is an independent director. If the Harvest Board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the Harvest Board has neither a chair that is independent nor a lead director that is independent, describe what the Harvest Board does to provide leadership for its independent directors.*

The Harvest Board has determined that Dr. Seong-Hoon Kim, the Chairman of the Harvest Board, is not independent. As the Chairman, Dr. Kim provides overall leadership to the Harvest Board. Independent directors are included on every committee of the Harvest Board including the Audit Committee, the Compensation and Corporate Governance Committee, the Upstream Reserves, Safety and Environment Committee, and the Downstream Operations, Safety, and Environment Committee. In the case of the Audit Committee, the Upstream Reserves, Safety and Environment Committee, and the Downstream Operations, Safety and Environment Committee, the chairman of each of the committees is an independent director. The Chairman communicates with all directors and committee chairs to co-ordinate input from directors and optimize the effectiveness of the Harvest Board and its committees. The Chairman communicates regularly with the Chief Executive Officer to ensure that the Harvest Board receives adequate and regular updates on all issues important to the direction of Harvest. Independent directors are encouraged to communicate with the Chairman and the Chief Executive Officer.

(g) *Disclose the attendance record of each director for all Harvest Board meetings held since the beginning of the issuer's most recently completed financial year.*

The attendance record of each of the directors of Harvest Operations is as follows:

Name of Director	Harvest Board Meetings Attended	Committee Meetings Attended
Seong-Hoon Kim, Chairman	7 out of 7(100%)	1 out of 1 (100%)
Dennis Balderston	7 out of 7(100%)	8 out of 9 (88%)
William Friley	4 out of 7 (57%)	5 out of 6 (83%)
J. Richard Harris	7 out of 7(100%)	11 out of 11 (100%)
Heong Geon Im	7 out of 7(100%)	1 out of 1 (100%)
Chang-Koo Kang	5 out of 7 (71%)	0 out of 1 (0%)
William D. Robertson	7 out of 7(100%)	6 out of 6 (100%)
Brant Sangster	1 out of 1(100%)	NA
Kang Hyun Shin	1 out of 1(100%)	NA
Kyungluck Sohn	1 out of 1(100%)	1 out of 1 (100%)
John Zahary	7 out of 7(100%)	6 out of 6 (100%)

Note: All of the above meetings included an *in camera* session without members of management present.

2. Harvest Board Mandate

Disclose the text of the Harvest Board's written mandate. If the Harvest Board does not have a written mandate, describe how the Harvest Board delineates its role and responsibilities.

The mandate of the Harvest Board is attached as Appendix E hereto.

3. Position Descriptions

(a) *Disclose whether or not the Harvest Board has developed written position descriptions for the chair and the chair of each Harvest Board committee. If the Harvest Board has not developed written position descriptions for the chair and/or the chair of each Harvest Board committee, briefly describe how the Harvest Board delineates the role and responsibilities of each such position.*

The Harvest Board has developed a written position description for the Chair of the Harvest Board. Formal written position descriptions for the chairs of Harvest Board committees have not been developed. The board has not yet developed such position descriptions in part given that the roles, responsibilities and functions of the committees themselves have been comprehensively defined in the terms of reference which have been developed for each such committee. As well, there is some delineation of the roles and responsibilities of the chairs within the committees' terms of reference, which expressly address certain procedural and communication responsibilities that are obligations of the Chair. These include presiding at meetings and approving agendas. In practice, the board has looked to the leadership role of each committee chair as including any responsibilities required to facilitate the effective operation and management of the committee and the interactions of the committee with management, the board and other board committees, and also to manage the process of identifying and bringing forward for committee consideration matters which are within the committee's mandate.

(b) *Disclose whether or not the Harvest Board and CEO have developed a written position description for the CEO. If the Harvest Board and the CEO have not developed such a position description, briefly describe how the Harvest Board delineates the role and responsibilities of the CEO.*

The Harvest Board has developed a position description for the President and Chief Executive Officer of Harvest Operations.

4. Orientation and Continuing Education

(a) *Briefly describe what measures the Harvest Board takes to orient new directors regarding: (i) the role of the Harvest Board, its committees and its directors; and (ii) the nature and operation of the issuer's business.*

The Compensation and Corporate Governance Committee has the mandate to develop for approval by the Harvest Board, an orientation and education program for new Harvest Board members in order to ensure that new directors are familiarized with Harvest's business, including Harvest's field operations, management, administration, policies and plans, and the procedures of the Harvest Board. When a new director is appointed to the Harvest Board and/or one of its committees the director is provided with copies of Harvest's most recent Annual Report, Quarterly Report and Annual Information Form as well as a copy of the Harvest Board Mandate and relevant Committee Mandates.

(b) *Briefly describe what measures, if any, the Harvest Board takes to provide continuing education for its directors. If the Harvest Board does not provide continuing education, describe how the Harvest Board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.*

Harvest Operations encourages directors to attend, enrol or participate in courses and/or seminars dealing with financial literacy, corporate governance and related matters and has agreed to pay the cost of such courses and seminars. From time to time, Harvest organizes guest seminars for the benefit of its directors related to various relevant topics.

5. Ethical Business Conduct

(a) *Disclose whether or not the Harvest Board has adopted a written code for the directors, officers and employees. If the Harvest Board has adopted a written code:*

(i) *disclose how a person or company may obtain a copy of the code;*

The Harvest Board has adopted a code of ethics applicable to all members of Harvest Operations, including directors, officers and employees. In addition, the Harvest Board has adopted a code of ethics specifically applicable to its senior officers. Each director, officer and employee of Harvest Operations has been provided with a copy of the applicable code of ethics. In addition, a copy of each code of ethics has been filed on SEDAR at www.sedar.com.

(ii) *Describe how the Harvest Board monitors compliance with its code, or if the Harvest Board does not monitor compliance, explain whether and how the Harvest Board satisfies itself regarding compliance with its code; and*

The Harvest Board monitors compliance with the codes of ethics by requiring each of the officers and employees of Harvest Operations to affirm in writing on hiring and annually thereafter their compliance with the applicable code of ethics.

(iii) *Provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.*

There have been no material change reports filed since the beginning of the 2010 financial year that pertain to any conduct of a director or executive officer that constitutes a departure from the Corporation's code of ethics.

(b) *Describe any steps the Harvest Board takes to ensure directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest.*

In accordance with the *ABCA*, directors who are a party to or are a director or an officer of a person who is a party to a material contract or material transaction or a proposed material contract or proposed material transaction are required to disclose the nature and extent of their interest and not to vote on any resolution to approve the contract or transaction. In certain cases, an independent committee may be formed to deliberate on such matters in the absence of the interested party.

(c) *Describe any other steps the Harvest Board takes to encourage and promote a culture of ethical business conduct.*

The Harvest Board has also adopted a "Whistleblower Policy" wherein employees of Harvest Operations are provided with a mechanism by which they can raise concerns in a confidential and anonymous manner

6. Nomination of Directors

(a) *Describe the process by which the Harvest Board identifies new candidates for Harvest Board nomination.*

The responsibility for proposing new nominees to the Harvest Board falls within the mandate of the Compensation and Corporate Governance Committee. New candidates for nomination to the Harvest Board are identified and selected having regards to the strengths and constitution of the Harvest Board members and the perception of the Compensation and Corporate Governance Committee of the needs of Harvest.

(b) *Disclose whether or not the Harvest Board has a nominating committee composed entirely of independent directors. If the Harvest Board does not have a nominating committee composed entirely of independent directors, describe what steps the Harvest Board takes to encourage an objective nomination process.*

The Compensation and Corporate Governance Committee, which has the responsibility for proposing new nominees to the Harvest Board, is comprised of Dr. Seong-Hoon Kim, Myunghuhn Yi, Chang-Koo Kang and William A. Friley Jr., who is an independent director. Independent board member candidates are considered from recommendations made by management, existing independent board members and other knowledgeable and local stakeholders. Candidates are considered based on their experience and ability to contribute at the time of their appointment and in the future to the Harvest board and Corporation.

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

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

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

- annually reviewing the mandates of the Harvest Board and its committees and recommending to the Harvest Board such amendments to those mandates as the Compensation and Corporate Governance Committee believes are necessary or desirable;

- considering and, if thought fit, approving requests from directors or committees of directors of the engagement of special advisors from time to time;

- making recommendations to the Harvest Board as to which directors should be classified as "independent directors", "related" directors or "unrelated" directors pursuant to any such report or circular;

- reviewing on a periodic basis the composition of the Harvest Board and ensuring that an appropriate number of independent directors sit on the Harvest Board, analyzing the needs of the Harvest Board and recommending nominees who meet such needs;

- assessing, at least annually, the effectiveness of the Harvest Board as a whole, the committees of the Harvest Board and the contribution of individual directors, including considering the appropriate size of the Harvest Board;

- recommending suitable candidates for nominees for election or appointment as directors, and recommending the criteria governing the overall composition of the Harvest Board and governing the desirable individual characteristics for directors;

- as required, overseeing the development, for approval by the Harvest Board, an orientation and education program for new recruits to the Harvest Board;

- acting as a forum for concerns of individual directors in respect of matters that are not readily or easily discussed in a full Harvest Board meeting, including the performance of management or individual members of management or the performance of the Harvest Board or individual members of the Harvest Board;

- developing and recommending to the Harvest Board for approval and periodically review structures and procedures designed to ensure that the Harvest Board can function effectively and independently;

- reviewing annually the Compensation and Corporate Governance Committee's Mandate and Terms of Reference;

- reviewing and considering the engagement at the expense of Harvest Operations of professional and other advisors by any individual director when so requested by any such director;

- establishing, reviewing and updating periodically a Code of Business Conduct and Ethics (the "Code") and ensuring that management has established a system to monitor compliance with this code; and

- reviewing management's monitoring of Harvest Operations compliance with the Code.

7. Compensation

(a) *Describe the process by which the Harvest Board determines the compensation for the issuer's directors and officers.*

Compensation of Directors

The Compensation and Corporate Governance Committee reviews annually the form and amount of compensation to ensure that such compensation reflects the responsibilities and risks of being an effective director. The Compensation and Corporate Governance Committee benchmarks directors' compensation against compensation received by directors in similar positions. The Harvest Board will set director compensation based upon recommendations from this committee.

Please see “Executive Compensation – Compensation of Directors” in this Annual Information Form for information regarding compensation of the directors.

Compensation of Officers

Please refer to the Executive Compensation section of this Annual Information Form for a discussion of the process by which the Harvest Board determines the compensation for Harvest’s officers.

(b) *Disclose whether or not the Harvest Board has a compensation committee composed entirely of independent directors. If the Harvest Board does not have a compensation committee composed entirely of independent directors, describe what steps the Harvest Board takes to ensure an objective process for determining such compensation.*

Although the Compensation and Corporate Governance Committee (“compensation committee) is not composed entirely of independent directors, the non—independent directors are not members of management of the Corporation and are not seconded to or have any other relationship with Harvest, but rather are executive officers or directors of Harvest’s sole shareholder and parent corporation, KNOC. These individuals are therefore considered under the provisions of the national instrument to have a material relationship with Harvest, without the necessity therefore to apply the test of material relationship as a relationship which could, in the view of the Harvest’s board of directors, reasonably interfere with the exercise of a committee member’s independent judgment. The Harvest Board, in view of the deemed non-independence of three of the compensation committee members, has developed certain requirements, included within comprehensive and specific terms of reference for the compensation committee, which are designed to ensure an objective process for determining compensation. The terms of reference expressly provide that the compensation committee shall not include management directors as members. The mandate of the compensation committee, among other things, requires the establishment of goals and objectives for the President and CEO of Harvest and requires it to annually review the performance of the President and CEO relative to such goals and objectives to determine compensation and evaluate performance in light of such goals and objectives. The compensation committee may also retain, at Harvest's expense, persons with special expertise and obtain independent advice to assist in fulfilling its responsibilities. Please see "Executive Compensation" in this Annual Information Form for further discussion.

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

The Compensation and Corporate Governance Committee is responsible to the Harvest Board for reviewing matters relating to the human resource policies, employee retention and short and long-term compensation of the directors, officers and employees of Harvest Operations and its subsidiaries in the context of the budget and business plan of Harvest Operations.

(d) *If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.*

The Compensation and Corporate Governance Committee has not engaged any advisors during 2010 to assist in developing compensation for Harvest's directors and officers other than relying on the market compensation information published by Mercer.

8. Other Harvest Board Committees

If the Harvest Board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.

In addition to the Audit Committee, the Compensation and Corporate Governance Committee, the Harvest Board has also appointed an Upstream Reserves, Safety and Environment Committee and a Downstream Operations, Safety and Environment Committee.

The Upstream Reserves, Safety and Environment Committee is comprised of J. Richard Harris, John Zahary and William A. Friley Jr. The Upstream Reserves, Safety and Environment Committee's responsibilities include reviewing the annual evaluation reports on Harvest's oil and gas reserves, periodically reviewing the qualifications, experience and independence of the consulting engineering firms reporting on Harvest's oil and natural gas reserves and meeting with the engineers employed or otherwise retained by those who prepare such reports.

The Upstream Reserves, Safety and Environment Committee is also responsible for monitoring Harvest's performance in the areas of safety and environmental stewardship and providing strategic direction in those areas when required. The Downstream Operations, Safety and Environment Committee is comprised of Brant Sangster, Kang Hyun Shin, Kyungluck Sohn, and John Zahary. The Downstream Operations, Safety and Environment Committee's responsibilities include oversight and due diligence with respect to the Downstream business' health, safety and environmental matters. It is this committee's obligation to review, report and make recommendations to the Board on the development and implementation of the policies, standards and practices of Harvest with respect to oil refining, stockpiling, marketing and other activities related to North Atlantic.

9. Assessments

(a) *Disclose whether or not the Harvest Board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the Harvest Board satisfies itself that the Harvest Board, its committees, and its individual directors are performing effectively.*

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

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

CONFLICTS OF INTEREST

Directors and officers of Harvest Operations may, from to time, be involved with the business and operations of other oil and gas issuers, in which case a conflict may arise (see "Risk Factors"). Properties will not be acquired from officers or directors of Harvest Operations or persons not at arm's length with such persons at prices which are greater than fair market value, nor will Properties be sold to officers or directors of Harvest Operations or persons not at arm's length with such persons at prices which are less than fair market value in each case as established by an opinion of an independent financial advisor and approved by the independent members of the Harvest Board.

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

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

There are no legal proceedings which the Corporation or any subsidiary of the Corporation is or was a party to, or that any of their property is or was the subject of during the year ended December 31, 2010, nor are there any proceedings known to Harvest to be contemplated that involve a claim for damages exceeding ten per cent of Harvest's current assets, other than methyl tertiary butyl ether ("MTBE") proceedings against North Atlantic in *The State of New Hampshire versus Amerada Hess Corp. et al*, one of more than 100 MTBE product liability litigation cases that have been consolidated for pre-trial purposes in this matter. The plaintiffs seek relief for alleged contamination of ground water from the various defendants' use of the gasoline additive MTBE. Although the plaintiffs have not made a particular monetary demand, they are asserting collective and joint liability against all defendants. All consolidated law suits are at a preliminary stage and, accordingly, it is too early in the legal process to reach any conclusion regarding the ability of the State of New Hampshire to properly assert jurisdiction over North Atlantic in the lawsuit or to reach any conclusions regarding the substance of the plaintiffs' claims. Accordingly, the evaluation of the risk of liability to North Atlantic is not determinable at this time and no amounts are accrued in the combined financial statements in respect of this matter. In addition, Harvest received an indemnity under the Purchase and Sale Agreement from the vendor of the shares of North Atlantic, Vitol Refining Group B.V., in respect of this contingent liability.

There were no penalties or sanctions imposed against the Corporation or any subsidiary of the Corporation by a court relating to securities legislation or by a securities regulatory authority during the year ended December 31, 2010 or any other penalties or sanctions imposed by a court or regulatory body against the Corporation or any subsidiary of the Corporation that would likely be considered important to a reasonable investor in making an investment decision. No settlement agreements were entered into by the Corporation or any subsidiary of the Corporation with a court relating to securities legislation or with a securities regulatory authority during the year ended December 31, 2010.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed below or elsewhere in this Annual Information Form, no director or executive officer of Harvest Operations, no person that beneficially owns, or controls or directs, directly or indirectly more than 10% of the Shares of Harvest Operations or of, as applicable in prior years, the Trust Units and no known associate or affiliate of, any such person, had or has had material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Trust or the Corporation , as applicable.

On August 6, 2010, Harvest closed the acquisition of BlackGold assets from KNOC for $374 million, representing the fair value of the oil and gas assets acquired as determined by an independent valuation. The acquisition amount was paid for by the issuance of shares in the Corporation to KNOC.

AUDITORS

KPMG LLP, Chartered Accountants, have been appointed auditor of Harvest.

TRANSFER AGENT AND REGISTRAR

Valiant Trust Company, at its principal offices in Calgary, Alberta, is the transfer agent and registrar of the 7.25% Debentures Due 2013, 7.25% Debentures Due 2014, and 7.50% Debentures Due 2015. The transfer agent and registrar of the 6.40% Debentures Due 2012 is Computershare Trust Company of Canada at its principal offices in Calgary, Alberta and Toronto, Ontario.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only material contracts entered into by the Corporation within the most recently completed financial year, or before the most recently completed financial year but still in effect, are the following:

1. the Debenture Indenture;

2. the Note Indenture;

3. Amended and Restated Credit Agreement dated April 30, 2010 relating to the Credit Facility; and

4. the Supply and Offtake Agreement.

Copies of each of these documents have been filed on SEDAR at www.sedar.com.

INTERESTS OF EXPERTS

There is no person or company whose profession or business gives authority to a statement made by such person or company and who is named as having prepared or certified a report, valuation, statement or opinion described or included in a filing, or referred to in a filing, made under National Instrument 51-102 by the Corporation during, or related to, the Corporation's most recently completed financial year other than McDaniel and GLJ, the Independent Reserve Engineering Evaluators and KPMG LLP, the Corporation's auditors. As at the date hereof, none of the principals of McDaniel and GLJ as a group, directly or indirectly, owned more than 1% of any class of securities of the Corporation and KPMG LLP has advised Harvest's Audit Committee that they are independent with respect to the Corporation within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

In addition, none of the aforementioned persons or companies, nor any director, officer or employee of any of the aforementioned persons or companies, is or is expected to be elected, appointed or employed as a director, officer or employee of the Corporation or of any associate or affiliate of the Corporation.

ADDITIONAL INFORMATION

Additional financial information is provided in Harvest's audited consolidated financial statements and notes thereto for the year ended December 31, 2010 and Harvest's management's discussion and analysis for the year ended December 31, 2010 which may be found on SEDAR at www.sedar.com.

APPENDIX A

REPORT OF MANAGEMENT AND DIRECTORS ON RESERVES DATA AND OTHER INFORMATION

Management of Harvest Operations Corp. (the "Company") are responsible for the preparation and disclosure of information with respect to the Company's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data, which are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2010, estimated using forecast prices and costs.

Independent qualified reserves evaluators have evaluated the Company's reserves data. The report of the independent qualified reserves evaluators are presented below.

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

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

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

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

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

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

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

(c) the content and filing of this report.

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

(signed) "John Zahary"
John Zahary
President & CEO

(signed) "Rob Morgan"
Rob Morgan
COO, Upstream

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

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

March 25, 2011

APPENDIX B

REPORT ON RESERVES DATA BY INDEPENDENT QUALIFIED RESERVES EVALUATORS

To the Board of directors of Harvest Operations Corp. (the "Company"):

1. We have evaluated the Company 's reserves data as at December 31, 2010. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2010, estimated using forecast prices and costs.

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

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

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

4. The following table sets forth the estimated future net revenue (before deductions of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs, and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated by us for the year ended December 31, 2010. This table also identifies the respective portions thereof that we have evaluated and reported on to the Company's Management and Board of directors.

			Net Present Value of Future Net Revenue (Before Income Taxes, 10% Discount Rate)($M)			
Independent Qualified Reserves Evaluator or Auditor	Preparation Date of Evaluation Report	Location of Reserves	Audited	Evaluated	Reviewed	Total
McDaniel and Associates Consultants Ltd.	February 7, 2011	Canada	-	1,585,958	-	1,585,958
GLJ Petroleum Consultants Ltd.	January 28, 2011	Canada	-	3,304,932	-	3,304,932
Totals				4,890,890		4,890,890

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

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

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

Executed as to our reports referred to above:

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

February 7, 2010

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

February 15, 2010

APPENDIX C

HARVEST OPERATIONS AUDIT COMMITTEE INFORMATION

Audit Committee Mandate and Terms of Reference

The Mandate and Terms of Reference of the Audit Committee of the Harvest Board is attached hereto as Appendix "D". The members of the Audit Committee are J. Richard Harris, Brant Sangster and William D. Robertson.

Composition of the Audit Committee

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

Relevant Education and Experience

Name (Director Since)	Principal Occupation & Biography
Mr. J. Richard Harris (January 2010) <u>Other Canadian Public Board of Director Memberships</u> None	Mr. Harris is an independent oil and gas consultant in Calgary. He was previously the President of four Canadian public oil and gas companies and has served on the boards of nine other oil and gas service companies. Mr Harris was also a member of the Alberta Securities Commission's Oil and Gas Securities Taskforce that led to the completion of National Instrument 51-101 and he served on the Commission's Reserve Advisory Committee until his retirement from the Committee in 2005. Mr. Harris is a member of several industry societies and holds the designations of Professional Geologist in Canada and Certified Petroleum Geologist and Certified Professional Geological Scientist in the United States.
Mr. Brant Sangster (January 2010) <u>Other Canadian Public Board of Director Memberships</u> Canadian Oil Sands Ltd. Inter Pipeline Fund Titanium Corporation Inc.	Mr. Sangster joined Harvest's Board of Directors in November, 2010, bringing with him nearly 35 years of experience in the energy industry. Mr. Sangster enjoyed a 25-year career as a senior executive with Petro-Canada, where he was responsible for managing the company's oil sands businesses. Prior to this, Mr. Sangster held various strategic planning and operating positions with Imperial Oil Ltd. Mr. Sangster currently serves on the Board of Directors of Canadian Oil Sands Ltd., Titanium Corporation Inc., and Inter Pipeline Fund. He holds a B.Sc. in Chemical Engineering from Dalhousie University.
Mr. William D. Robertson (January 2010) <u>Other Canadian Public Board of Director Memberships</u> Inter Pipeline Fund Cinch Energy Corp.	Mr. Robertson is a Fellow Chartered Accountant and was formerly the lead oil and gas specialist at Price Waterhouse and PriceWaterhouseCoopers in Calgary. After enjoying a 36-year career with the firm, Mr. Robertson retired from practice in 2002. Prior to this, he served on the CIM Petroleum Society Standing Committee on Reserve Definitions, the Financial Advisory Committee of the Alberta Securities Commission, the working sub committee of the Alberta Securities Commission on Oil and Gas Reporting and the Council of the Institute of Chartered Accountants of Alberta. Mr. Robertson graduated with a Bachelor of Commerce degree from the University of Alberta.

Pre-Approval of Policies and Procedures

All non-audit or special services performed by any independent accountants must be first approved by the Audit Committee. All remuneration provided to the Corporation's auditor and any independent accountants are also approved by the Audit Committee. The Corporation's auditor meets with the Audit Committee, without management present, at least annually and more often at the request of either the Audit Committee or the auditor.

External Auditor Service Fees

Audit Fees

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

	2010	**2009**
Audit Fees[(1)]	690,000	945,000
Audit-Related Fees[(2)]	270,000	33,000
Tax Fees	-	-
All Other Fee[(3)]	-	-
Total	960,000	978,000

(1) Represents the aggregate fees of the Corporation's auditors for audit services in respect of the financial year and interim periods.

(2) Represents the aggregate fees billed for assurance and related service by the Corporation's auditors that are reasonable related to the performance of audit or review of the Corporation's financial statements and are not included under "Audit Fees" and are primarily composed of services related to the Corporation's debt offerings and adoption of IFRS

(3) Represents the aggregate fees billed for products and services provided by the Corporation's auditors other than those services reported under "Audit Fees", "Audit Related Fees" and "Tax Fees"

APPENDIX D

HARVEST OPERATIONS AUDIT COMMITTEE MANDATE AND TERMS OF REFERENCE

Role and Objective

The Audit Committee (the "Committee") is a committee of the board of directors (the "Board") of Harvest Operations Corp. ("HOC") to which the Board has delegated its responsibility for oversight of the nature and scope of the annual audit, management's reporting on internal accounting standards and practices, financial information and accounting systems and procedures, financial reporting and statements and recommending, for approval of the Board, the audited financial statements, interim financial statements and other mandatory disclosure releases containing financial information. The primary objectives of the Committee with respect to HOC and its subsidiaries, (hereinafter collectively referred to as "Harvest") are as follows:

1. to assist directors meet their responsibilities (especially for accountability) in respect of the preparation and disclosure of the financial statements of Harvest and related matters;

2. to ensure that Harvest complies with all applicable laws, regulations, rules, policies and other requirements of governments, regulatory agencies and stock exchanges relating to financial reporting and disclosure;

3. to enhance that Harvest's accounting functions are performed in accordance with a system of internal controls designed to capture and record properly and accurately all of the financial transactions;

4. to provide better communication between directors and external auditor(s);

5. to enhance the external auditor's independence;

6. to increase the credibility and objectivity of financial reports; including that such reports are accurate within a reasonable level of materiality and present fairly Harvest's financial position and performance in accordance with generally accepted accounting principles consistently applied; and

7. to strengthen the role of the outside directors by facilitating in depth discussions between directors on the Committee, management and external auditor(s).

Membership of Committee

1. The Committee shall be comprised of at least three (3) directors of Harvest Operations, none of whom are members of management of Harvest Operations and all of whom are "unrelated directors" (as such term is used in the Report of the Toronto Stock Exchange on Corporate Governance in Canada) and "independent" (as such term is used in Multilateral Instrument 52-110 – Audit Committees ("MI 52-110") unless the Board shall have determined that the exemption contained in Section 3.6 of MI 52-110 is available and has determined to rely thereon.

2. All of the members of the Committee shall be "financially literate" (as defined in MI 52-110) unless the Board shall determine that an exemption under MI 52-110 from such requirement in respect of any particular member is available and has determined to rely thereon in accordance with the provisions of MI 52-110.

3. Unless otherwise designated by the Board, the members of the Committee shall elect a Chairman from among the members and the Chair shall preside at all meetings of the Committee.

Mandate and Responsibilities of Committee

1. It is the responsibility of the Committee to oversee the work of the external auditor(s), including resolution of disagreements between management and the external auditor(s) regarding financial reporting.

2. It is the responsibility of the Committee to satisfy itself on behalf of the Board with respect to Harvest's Internal Control Systems:

- identifying, monitoring and mitigating business risks; and

- ensuring compliance with legal, ethical and regulatory requirements.

3. It is a primary responsibility of the Committee to review the annual and interim financial statements of Harvest and related management's discussion and analysis ("MD&A") prior to their submission to the Board for approval. The process should include but not be limited to:

- reviewing changes in accounting principles and policies, or in their application, which may have a material impact on the current or future years' financial statements;

- reviewing significant accruals, reserves or other estimates such as the ceiling test calculation;

- reviewing accounting treatment of unusual or non-recurring transactions;

- ascertaining compliance with covenants under loan agreements;

- reviewing disclosure requirements for commitments and contingencies;

- reviewing adjustments raised by the external auditor(s), whether or not included in the financial statements;

- reviewing unresolved differences between management and the external auditor(s); and

- obtain explanations of significant variances with comparative reporting periods.

4. The Committee is to review the financial statements, prospectuses, MD&A, annual information forms and all public disclosure containing audited or unaudited financial information (including, without limitation, annual and interim press releases and any other press releases disclosing earnings or financial results) before release and prior to Board approval. The Committee must be satisfied that adequate procedures are in place for the review of Harvest's disclosure of all other financial information and shall periodically access the accuracy of those procedures.

5. With respect to the appointment of external auditor(s) by the Board, the Committee shall:

- recommend to the Board the external auditor(s) to be nominated;

- recommend to the Board the terms of engagement of the external auditor(s), including the compensation of the auditor(s) and a confirmation that the external auditor(s) shall report directly to the Committee;

- on an annual basis, review and discuss with the external auditor(s) all significant relationships such auditor(s) have with the Harvest to determine the auditor(s)' independence;

- when there is to be a change in auditor(s), review the issues related to the change and the information to be included in the required notice to securities regulators of such change; and

- review and pre-approve any non-audit services to be provided to Harvest by the external auditor(s) and consider the impact on the independence of such auditor(s). The Committee may delegate to one or more independent members the authority to pre–approve non–audit services, provided that the member report to the Committee at the next scheduled meeting such pre–approval and the member comply with such other procedures as may be established by the Committee from time to time.

6. Review with external auditor(s) (and internal auditor if one is appointed by Harvest) their assessment of the internal controls of Harvest, their written reports containing recommendations for improvement, and management's response and follow-up to any identified weaknesses. The Committee shall also review annually with the external auditor(s) their plan for their audit and, upon completion of the audit, their reports upon the financial statements of Harvest and its subsidiaries.

7. The Committee shall review risk management policies and procedures of Harvest (i.e. hedging, litigation and insurance).

8. The Committee shall establish a procedure for:

   - the receipt, retention and treatment of complaints received by Harvest regarding accounting, internal accounting controls or auditing matters; and

   - the confidential, anonymous submission by employees of Harvest of concerns regarding questionable accounting or auditing matters.

9. The Committee shall review and approve Harvest's hiring policies regarding partners and employees and former partners and employees of the present and former external auditor(s) of Harvest.

10. The Committee shall have the authority to investigate any financial activity of Harvest. All employees of Harvest are to cooperate as requested by the Committee.

11. The Committee may retain persons having special expertise and/or obtain independent professional advice to assist in filling their responsibilities at the expense of Harvest without any further approval of the Board.

12. The Committee shall review the Committee mandate and subsequent revisions periodically, and recommend to the Board for approval.

Meetings and Administrative Matters

1. At all meetings of the Committee every question shall be decided by a majority of the votes cast. In case of an equality of votes, the Chairman of the meeting shall not be entitled to a second or casting vote.

2. The Chair shall preside at all meetings of the Committee, unless the Chair is not present, in which case the members of the Committee present shall designate from among the members present the Chair for purposes of the meeting.

3. A quorum for meetings of the Committee shall be a majority of its members, and the rules for calling, holding, conducting and adjourning meetings of the Committee shall be the same as those governing the Board unless otherwise determined by the Committee or the Board.

4. Meetings of the Committee should be scheduled to take place at least four times per year and at such other times as the Chair of the Committee may determine necessary. Minutes of all meetings of the Committee shall be taken. The Chief Financial Officer shall attend meetings of the Committee, unless otherwise excused from all or part of any such meeting by the Chairman.

5. The Committee shall meet with the external auditor(s) at least once per year (in connection with the preparation of the year end financial statements) and at such other times as the external auditor(s) and the Committee consider appropriate.

6. Agendas, approved by the Chair, shall be circulated to Committee members along with background information on a timely basis prior to the Committee meetings.

7. The Committee may invite such officers, directors and employees of the Corporation as it may see fit from time to time to attend at meetings of the Committee and assist thereat in the discussion and consideration of the matters being considered by the Committee.

8. At the discretion of the Committee, the members of the Committee shall meet in private session (in camera) with the external auditor(s), management and with Committee members as required.

9. Following each meeting, the Committee will report to the Board. Upon request, copies of the materials of such Committee meeting should be provided at the next Board meeting after a meeting is held (these may still be in draft form).

10. Minutes of the Committee will be recorded and maintained and circulated to directors who are not members of the Committee or otherwise made available at a subsequent meeting of the Board upon request.

11. The Committee may retain persons having special expertise and/or obtain independent professional advice to assist in fulfilling its responsibilities at the expense of Harvest.

12. Any members of the Committee may be removed or replaced at any time by the Board and shall cease to be a member of the Committee as soon as such member ceases to be a director. The Board may fill vacancies on the Committee by appointment from among its members. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all its powers so long as a quorum remains. Subject to the foregoing, each member of the Committee shall hold such office until the Committee is reconstituted by the Board.

13. Any issues arising from these meetings that bear on the relationship between the Board and management should be communicated to the Chairman of the Board by the Committee Chair.

APPENDIX E

HARVEST OPERATIONS

MANDATE OF THE HARVEST BOARD

The Board of Directors (the "Board") of Harvest Operations Corp. is responsible for the stewardship of the Harvest Operations Corp. (“HOC”) and its subsidiaries. In discharging its responsibility, the Board will exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances and will act honestly and in good faith with a view to the best interests of Harvest. In general terms, the Board will:

A. in consultation with the President and Chief Executive Officer of Harvest, define the principal objective(s) of Harvest;

B. supervise the management of the business and affairs of Harvest with the goal of achieving Harvest’s principal objective(s) as defined by the Board;

C. discharge the duties imposed on the Board by applicable laws; and

D. for the purpose of carrying out the foregoing responsibilities, take all such actions as the Board deems necessary or appropriate.

Without limiting the generality of the foregoing, the Board will perform the following duties:

Strategic Direction, Operating, Capital and Financial Plans

1. require Management to present annually to the Board a longer range strategic plan and a shorter range business plan for Harvest’s business, which plans must:

    (a) be designed to achieve Harvest’s principal objectives,

    (b) identify the principal strategic and operational opportunities and risks of Harvest's business, and

    (c) be approved by the Board as a pre-condition to the implementation of such plans;

2. review progress towards the achievement of the goals established in the strategic, operating and capital plans;

3. identify the principal risks of Harvest's business and take all reasonable steps to ensure the implementation of the appropriate systems to manage these risks;

4. approve the annual operating and capital plans;

5. approve acquisitions and dispositions in excess of a pre-determined limit;

6. approve the establishment of credit facilities;

7. approve issuances of additional equity or other securities to the public;

8. monitor Harvest's progress towards its goals, and to revise and alter its direction through management in light of changing circumstances;

Management and Organization

1. monitor overall human resources policies and procedures, including compensation and succession planning;

2. approve the dividend policy of Harvest;

3. appoint the President and Chief Executive Officer and determine the terms of the President and Chief Executive Officer's employment with Harvest and monitor the President and Chief Executive Officer's performance against a set of mutually agreed corporate objectives directed at maximizing shareholder value;

4. in consultation with the President and Chief Executive Officer, develop a clear mandate and position description for the President and Chief Executive Officer, which includes a delineation of management's authority and responsibility in conducting Harvest's business;

5. in consultation with the President and Chief Executive Officer, appoint all officers of Harvest and approve the terms of each officer's employment with Harvest;

6. delegate the authority to the Compensation and Corporate Governance Committee on annual overall compensations including STI and LTI for the management, each senior officer and employees, based on Compensation and Corporate Governance Committee's evaluation of the performance of the Corporation and management including each senior officer;

7. develop a process that adequately provides for succession planning, including, the appointing, training and monitoring of senior management;

8. approve any proposed significant change in the management organization structure of Harvest;

9. in consultation with the President and Chief Executive Officer, review and maintain the Disclosure Policy for Harvest;

10. generally provide advice and guidance to management;

Finances and Controls

11. use reasonable efforts to ensure that Harvest maintains appropriate systems to manage the risks of Harvest's business;

12. monitor the appropriateness of Harvest's capital structure;

13. ensure that the financial performance of Harvest is properly reported to shareholders, other security holders and regulators on a timely and regular basis;

14. in consultation with the President and Chief Executive Officer, establish the ethical standards to be observed by all officers and employees of HOC and use reasonable efforts to ensure that a process is in place to monitor compliance with those standards;

15. require that the President and Chief Executive Officer institute and monitor processes and systems designed to ensure compliance with applicable laws by HOC and its officers and employees;

16. require that the President and Chief Executive Officer institute, and maintain the integrity of, internal control and information systems, including maintenance of all required records and documentation;

17. review and approve material contracts to be entered into by Harvest;

18. review and approve a firm of chartered accountants to be appointed as Harvest's auditor(s);

19. take all necessary actions to gain reasonable assurance that all financial information made public by Harvest (including Harvest's annual and quarterly financial statements) is accurate and complete and represents fairly Harvest's financial position and performance;

Governance

20. in consultation with the Chairman of the Board, develop a position description for the Chairman of the Board;

21. facilitate the continuity, effectiveness and independence of the Board by, amongst other things,

    (a) selecting from nominees made by the shareholder for election to the Board,

    (b) appointing a Chairman of the Board who is not a member of management;

    (c) appointing from amongst the directors an audit committee and such other committees of the Board as the Board deems appropriate and in compliance with corporate governance regulations,

    (d) defining the mandate of each committee of the Board,

    (e) provide comprehensive orientation to new directors of the Board; and

    (f) establishing a system to enable any director to retain an outside adviser having special expertise and/or obtain independent professional advice to assist in fulfilling their responsibilities at the expense of Harvest;

22. review and approve annually the adequacy and form of the compensation of directors.

Delegation

23. The Board may delegate its duties to and receive reports and recommendations from any committee of the Board.

Meetings

24. The Board shall meet at least four times per year and/or as deemed appropriate by the Board Chair;

25. Minutes of each meeting shall be prepared;

26. The President and Chief Executive Officer or his/her designate(s) may be present at all meetings of the Board;

27. Vice-Presidents and such other staff as appropriate to provide information to the Board shall attend meetings at the invitation of the Board.

28. At the end of each meeting, members have the option to meet without management directors and management present

29. At the end of each meeting, independent members have the option to meet without non-independent directors present