



## Harvest Natural Resources Announces 2010 First Quarter Results

HOUSTON, May 7, 2010 /PRNewswire via COMTEX News Network/ -- Harvest Natural Resources, Inc. (NYSE: HNR) today announced 2010 first quarter earnings.

Harvest posted first quarter 2010 net income of \$24.6 million, or \$0.64 per diluted share, compared to a net loss of \$4.8 million, or \$0.15 per diluted share, for the 2009 first quarter.

The first quarter results include exploration charges of \$1.2 million, or \$0.03 per diluted share. Petrodelta, S.A. (Petrodelta), Harvest's Venezuelan affiliate, reported first quarter 2010 earnings of \$64.0 million, \$20.5 million net to Harvest's 32 percent equity interest, under International Financial Reporting Standards (IFRS). Included in Petrodelta's IFRS first quarter earnings is a gain on exchange rate resulting from a revaluation of assets and liabilities recorded by Petrodelta due to the Venezuela Bolivar/U.S. Dollar currency exchange rate devaluation announced by the Venezuelan government on January 8, 2010. After adjustments to Petrodelta's IFRS earnings, primarily to conform to U.S. GAAP, Harvest's 32 percent share of Petrodelta's earnings was \$30.7 million.

Excluding the effects of the Venezuelan devaluation and exploration charges, we estimate net income for the first quarter of 2010 would have been approximately \$7.8 million, or \$0.21 per diluted share.

Highlights for first quarter 2010 include:

- Petrodelta drilled and completed four successful development wells, produced approximately 2.0 million barrels of oil and sold 0.7 billion cubic feet (BCF) of natural gas. Petrodelta's average production rate during the first quarter was 21,867 barrels of oil per day (BOPD);
- Harvest completed the Bar F #1-20-3-2 (Bar F) well on the Antelope project in Utah in the Lower Green River and Upper Wasatch which produced initial rates of approximately 900 BOPD of 42 degree API oil commencing in late March. Through April, the well has produced in excess of 18,000 barrels of oil and 14.2 million cubic feet of gas. Installation of permanent production facilities for the well is currently in progress. Harvest's Board of Directors authorized a five-well Lower Green River/Upper Wasatch delineation and development drilling program expected to be conducted in the second half of 2010 to follow up on the Bar F well oil discovery;
- Drilling was completed on the partner-operated, eight-well Monument Butte Extension appraisal and development drilling program in the Green River formation in the southern portion of Harvest's Antelope land position. As of April 30, 2010, seven wells were producing 400 BOPD and 1.2 million cubic feet per day (MMCFD) of gas (net to Harvest). The eighth well has been completed and production is pending expansion of the fluid handling capacity in the surface production system. Based on the success of the initial eight-well program, the Board of Directors has authorized five additional Monument Butte Extension appraisal and development wells which are planned to be drilled beginning in the third quarter of 2010;
- Completed site preparation for the first of two new exploratory wells to be drilled consecutively at our Indonesian Budong-Budong oil prospect with a projected spud date late in the second quarter of 2010;
- In February 2010, the Company raised net proceeds of \$30 million from a Senior Convertible Notes offering.

Harvest President and Chief Executive Officer, James A. Edmiston, said, "The first quarter of 2010 was pivotal for Harvest as we made important progress in diversifying our asset base and strengthening our financial resources. In the United States, we completed our initial eight-well Monument Butte extension and development drilling program, which increased oil production from the southern part of our Antelope land position. In the northern part of the Antelope project area, we successfully completed the Bar F exploration well in the Lower Green River and Upper Wasatch oil zones and we are moving ahead with permanent production facilities while continuing to test the well. Based on the positive results of the Bar F well, the Board of Directors has authorized a five-well drilling program to further delineate and appraise our substantial acreage position in the area and we are optimistic about the potential for sustained development activity in this project area."

Edmiston continued, "We continue to be excited about the near-term catalysts in our international portfolio, including the commencement of drilling operations on two exploration wells on our onshore Budong-Budong prospect in Indonesia. After several delays, we expect to spud the first of the two wells late in the second quarter of this year."

Edmiston added, "Investor confidence in our assets, team and operating plans enabled us to raise thirty million dollars in February of 2010. These additional funds provide Harvest with the financial resources needed to help accelerate oil development drilling onshore in the United States and continue to advance our international prospects."

## **EXPLORATION AND PRODUCTION PROGRAMS**

### **Venezuela**

During the three months ended March 31, 2010, Petrodelta drilled and completed four successful development wells, produced approximately 2.0 million barrels of oil and sold 0.7 BCF of natural gas. Petrodelta produced an average of 21,867 BOPD during the three months ended March 31, 2010. Production for the quarter was affected approximately 1,500 BOPD due to various operational issues and the delay in contracting a second drilling rig and a workover rig.

Petrodelta shareholders intend that the company be self-funding and rely on internally-generated cash flow to fund operations. On February 4, 2010, Petrodelta's Board of Directors endorsed a capital budget of \$205 million for Petrodelta's 2010 business plan. The budget includes utilizing two rigs to drill both development and appraisal wells to maintain production capacity and to appraise the substantial resource bases in the El Salto Field and the presently non-producing Isleno Field. Currently, Petrodelta has one drilling rig operating in the Temblador Field. A second drilling rig has been contracted and is expected to commence operations late in the second quarter. Also, Petrodelta is currently seeking a workover rig which it expects to have under contract during the second quarter of 2010.

During the three months ended March 31, 2010, Petrodelta started the engineering work for expanded production facilities to handle the expected production from the development and appraisal wells projected to be drilled this year.

### **United States - Antelope**

Operations activities in our Antelope prospect in Duchesne County, Utah are focused on three projects: the Mesaverde Gas Exploration and Appraisal Project, the Lower Green River/Upper Wasatch Oil Delineation and Development Project, and the Monument Butte Extension Appraisal and Development Project.

#### **Mesaverde Gas Exploration and Appraisal Project**

The Mesaverde Gas Exploration and Appraisal Project (Mesaverde) is targeted to explore for and develop oil and natural gas from multiple reservoir intervals in the Mesaverde formation in the Uintah Basin of northeastern Utah in Duchesne and Uintah Counties. Operational activities during the three months ended March 31, 2010 included completion of the initial testing activities on the Mesaverde horizons in the deep natural gas test well, the Bar F, that commenced drilling on June 15, 2009. The Bar F was drilled to a total depth of 17,566 feet and an extended production test of the Mesaverde has been completed. Testing was focused on the evaluation of the natural gas potential of the Mesaverde tight gas reservoir over a prospective interval from 14,000 to 17,400 feet. Completion activities consisted of hydraulic fracturing of eight separate reservoir intervals in the Mesaverde and multiple extended flow tests of the individual fractured intervals, along with a flow test of the commingled eight intervals. Gas was tested at flow rates of 1.5 to 2 MMCFD from selected intervals. While the results to date have not definitively determined the commerciality of a stand-alone development of the Mesaverde in the current gas price environment, we believe these results indicate progress toward that commerciality determination and that the Mesaverde reservoir remains potentially prospective over a portion of our land position. Drilling costs incurred to drill and test the Mesaverde gas have been suspended pending further future evaluation of the Mesaverde potential on our land position.

#### **Lower Green River/Upper Wasatch Oil Delineation and Development Project**

A second project has also been pursued in the Bar F exploration well. After completion of the initial testing program on the Mesaverde deep gas as described above, we moved uphole in the same well to test multiple oil bearing intervals at depths from 8,200 feet to 9,500 feet in the Lower Green River and Upper Wasatch formations. Operational activities during the three months ended March 31, 2010 included preparing the well for the oil zone tests, hydraulic fracturing of six separate oil bearing intervals, and conducting flow testing of the fractured intervals. Results of the testing have been positive and we believe the results indicate that we have made a commercial oil discovery in the Lower Green River and Upper Wasatch formations. The well has been flowing naturally on extended test since March 24, 2010, with initial rates of approximately 900 BOPD of 42 degree API oil. As of April 30, 2010, the well had produced in excess of 18,000 gross barrels of oil since the commencement of the flow test, with the oil being sold in the Salt Lake City, Utah market. Work is currently in progress to design and install permanent production facilities to enable the well to be placed on permanent production during the second quarter of 2010.

Our Board of Directors has authorized a five-well Lower Green River/Upper Wasatch delineation and development drilling program (Lower Green River/Upper Wasatch) which is planned to take place beginning in the third quarter of 2010 at a capital cost of \$13.5 million (net to Harvest). This five-well program would further delineate and appraise the extent of the Lower Green River/Upper Wasatch discovery made in the Bar F, and is also expected to establish additional production from the Lower

Green River/Upper Wasatch reservoirs in at least some of the five appraisal wells. The Lower Green River and Upper Wasatch formations are productive in the Altamont/Bluebell oil field approximately six miles north of the Bar F well. During the three months ended March 31, 2010, we incurred \$2.0 million in lease acquisition, drilling, completion and testing activities. We plan to develop an estimate of reserves accessed by the Bar F well during second quarter of 2010, incorporating the results of the flow testing and initial phases of permanent production operation of the well.

#### Monument Butte Extension Appraisal and Development Project

The Monument Butte Extension Appraisal and Development Project (Monument Butte Extension) was initiated with an eight-well appraisal and development drilling program to produce oil and natural gas from the Green River formation on the southern portion of our Antelope land position. The Monument Butte Extension is non-operated and we hold a 43 percent working interest in the initial eight wells. The parties participating in the wells formed a 320 acre AMI which contained the initial eight drilling locations. Operational activities during the three months ended March 31, 2010 on the Monument Butte Extension focused on drilling and completion activities on the original eight-well program. As of March 31, 2010, all eight wells have been drilled. As of April 30, 2010, seven of the eight wells are currently on production. The remaining well has been completed and production is pending expansion of the fluid handling capacity in the surface production system to accommodate the unexpectedly high fluid production volumes from the eight-well program. As of April 30, 2010, the seven producing wells have produced 52,000 barrels of oil (net to Harvest). The seven wells combined are currently producing 400 BOPD (net to Harvest). During the three months ended March 31, 2010, we incurred \$2.4 million in well costs. There is no remaining 2010 budget for the initial eight-well program.

Our Board of Directors has authorized five additional Monument Butte Extension appraisal and development wells planned to be drilled beginning in the third quarter of 2010. The estimated gross drilling and completion cost per well is \$0.9 million, and Harvest will have an approximate 32 percent working interest in the five wells. This five-well expansion program is a follow up to the successful completion of the initial eight-well program that was drilled in late 2009 and early 2010. The expansion is planned to occur on acreage immediately adjacent to the initial eight-well program. The 2010 budget for this five well program is \$4.5 million (gross).

#### **Budong-Budong Project, Indonesia (Budong PSC)**

Two drill sites were selected in 2009. Operational activities during the three months ended March 31, 2010 focused on well planning, construction for the two test well sites, mobilization of rig and ancillary equipment to the first drill site, and purchase of drilling equipment. It is expected that the first of two exploration wells will spud late in the second quarter of 2010. In accordance with the farm-in agreement, we expect to fund 100 percent of the well expenditures to earn our 47 percent working interest up to a cap of \$10.7 million; thereafter, we will pay in proportion to our working interest. During the three months ended March 31, 2010, we incurred \$2.3 million for well planning, construction and drilling equipment, and \$0.5 million for seismic data processing and reprocessing. The remaining 2010 budget for the Budong PSC is \$12.1 million. Contingent on the successful results of the two exploratory test wells and availability of funds, this 2010 budget could be increased by an additional \$13.1 million.

#### **Dussafu Project - Gabon (Dussafu PSC)**

Operational activities during the three months ended March 31, 2010 focused on maturation of prospect inventory and well planning. Subject to drilling rig availability, we expect to drill an exploration well in the fourth quarter of 2010. During the three months ended March 31, 2010, we incurred \$0.4 million in well planning and \$0.1 million for seismic data processing and reprocessing. The remaining 2010 budget for the Dussafu Project is \$1.7 million. Contingent on rig availability, successful results from the exploration well and availability of funds, this budget could be increased by an additional \$17.9 million.

#### **Oman (Block 64 EPSA)**

Operational activities during the three months ended March 31, 2010 include the continued compilation of existing data over two prospect areas of approximately 1,000 square kilometers and geological studies to determine drillable prospects. Well planning is expected to commence in 2010 for exploration drilling in 2011. During the three months ended March 31, 2010, we incurred \$0.3 million for seismic data processing and reprocessing. The remaining 2010 budget for the Block 64 EPSA is \$2.5 million.

#### **LIQUIDITY AND CAPITAL RESOURCES**

We ended the first quarter of 2010 with a cash balance of approximately \$44.1 million. As previously announced, we closed a Senior Convertible Notes offering on February 17, 2010, which raised \$32.0 million with net proceeds to Harvest of approximately \$30.0 million. The notes bear interest at 8.25 percent and are initially convertible into 175.2234 shares of common stock per \$1,000 principal amount, equivalent to a conversion price of approximately \$5.71 per share, subject to adjustment. The notes mature on March 1, 2013. This capital raise provides us with additional financial resources for executing our diversification and growth plan in 2010.

## Non-GAAP Financial Measures

In this press release, Petrodelta's EBITDA disclosure is not presented in accordance with accounting principals generally accepted in the United States (GAAP) and Petrodelta's financials are not intended to be used in lieu of GAAP presentations of net income or cash flows from operating activities. EBITDA is presented because we believe it provides additional information with respect to both the performance of our fundamental business activities as well as our ability to meet our future capital expenditures and working capital requirements. We also believe that financial analysts commonly use EBITDA to analyze Petrodelta's performance. Although we present selected items that we consider in evaluating our performance, you should also be aware that the items presented do not represent all items that affect comparability between the periods presented. Variations in our operating results are also caused by changes in volumes, prices, exchange rates and numerous other factors. These types of variations are not separately identified in this release, but will be discussed, as applicable, in management's discussion and analysis of operating results in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2010.

A reconciliation of EBITDA to net income and cash flows from operating activities for the periods presented is included in the tables attached to this release.

## Conference call

Harvest will hold a conference call at 10:00 a.m. Central Daylight Time on Friday, May 7, 2010, during which management will discuss Harvest's 2010 first quarter results. The conference leader will be James A. Edmiston, President and Chief Executive Officer. To access the conference call, dial 719-457-2658 or 888-455-2265, five to ten minutes prior to the start time. At that time you will be asked to provide the conference number, which is 6215427. A recording of the conference call will also be available for replay at 719-457-0820, passcode 6215427, through May 14, 2010.

## About Harvest Natural Resources

Harvest Natural Resources, Inc., headquartered in Houston, Texas, is an independent energy company with principal operations in Venezuela, producing and exploration assets in the United States, exploration assets in Indonesia, West Africa, China and Oman and business development offices in Singapore and the United Kingdom. For more information visit the Company's website at [www.harvestnr.com](http://www.harvestnr.com).

This press release may contain projections and other forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. They include estimates and timing of expected oil and gas production, oil and gas reserve projections of future oil pricing, future expenses, planned capital expenditures, anticipated cash flow and our business strategy. All statements other than statements of historical facts may constitute forward-looking statements. Although Harvest believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Actual results may differ materially from Harvest's expectations as a result of factors discussed in Harvest's 2009 Annual Report on Form 10-K and other public filings.

### CONTACT:

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HARVEST NATURAL RESOURCES, INC.  
CONSOLIDATED BALANCE SHEETS  
(in thousands, unaudited)

| March 31, | December 31, |
|-----------|--------------|
| -----     | -----        |
| 2010      | 2009         |
| ----      | ----         |

### ASSETS:

|  |           |           |
|--|-----------|-----------|
| -----                                      |           |           |
| CURRENT ASSETS:                            |           |           |
| Cash and cash equivalents                  | \$44,115  | \$32,317  |
| Restricted Cash                            | 1,000     | -         |
| Accounts and notes receivable, net         |           |           |
| Oil and gas revenue receivable             | 2,459     | 166       |
| Joint interest and other                   | 1,099     | 8,047     |
| Notes receivable                           | 3,304     | 3,265     |
| Advances to equity affiliate               | 3,861     | 4,927     |
| Prepaid expenses and other                 | 1,864     | 2,214     |
|  | -----     | -----     |
| Total current assets                       | 57,702    | 50,936    |
| OTHER ASSETS                               | 7,746     | 3,613     |
| INVESTMENT IN EQUITY AFFILIATES            | 272,356   | 233,989   |
| PROPERTY AND EQUIPMENT, net                | 71,675    | 60,241    |
|  | -----     | -----     |
| TOTAL ASSETS                               | \$409,479 | \$348,779 |
|  | =====     | =====     |
|  |           |           |
| LIABILITIES AND EQUITY:                    |           |           |
| -----                                      |           |           |
| CURRENT LIABILITIES:                       |           |           |
| Revenue and royalty payable                | \$134     | \$-       |
| Accounts payable, trade and other          | 2,101     | 696       |
| Accrued expenses                           | 9,591     | 10,253    |
| Accrued Interest                           | 308       | 4,691     |
| Income taxes payable                       | 600       | 1,090     |
|  | ---       | -----     |
| Total current liabilities                  | 12,734    | 16,730    |
| LONG-TERM DEBT                             | 32,000    | -         |
| ASSET RETIREMENT OBLIGATION                | 79        | 50        |
| COMMITMENTS AND CONTINGENCIES              | -         | -         |
| EQUITY:                                    |           |           |
| STOCKHOLDERS' EQUITY:                      |           |           |
| Common stock and paid-in capital           | 214,585   | 213,732   |
| Retained earnings                          | 150,834   | 126,244   |
| Treasury stock                             | (65,494)  | (65,383)  |
|  | -----     | -----     |
| Total Harvest stockholders' equity         | 299,925   | 274,593   |
| Noncontrolling Interest                    | 64,741    | 57,406    |
|  | -----     | -----     |
| Total Equity                               | 364,666   | 331,999   |
|  | -----     | -----     |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$409,479 | \$348,779 |
|  | =====     | =====     |
| -----                                      |           |           |

(in thousands except per share amounts, unaudited)

|  | Three months Ended March<br>31, |              |
|--|---------------------------------|--------------|
|  | -----<br>2010<br>----           | 2009<br>---- |
| REVENUE:   |                                 |              |
| Oil sales  | \$2,784                         | \$-          |
| Gas sales  | 340                             | -            |
|  | 3,124                           | -            |
|  | -----                           | ---          |
| EXPENSES:  |                                 |              |
| Lease operating costs  | 126                             | -            |
| Production taxes   | 119                             | -            |
| Depletion, depreciation, and amortization                      | 566                             | 69           |
| Exploration expense  | 1,246                           | 972          |
| General and administrative                                     | 5,416                           | 6,467        |
| Taxes other than on income                                     | 300                             | 317          |
|  | ---                             | ---          |
|  | 7,773                           | 7,825        |
|  | -----                           | -----        |
| LOSS FROM OPERATIONS   | (4,649)                         | (7,825)      |
|  | -----                           | -----        |
| OTHER NON-OPERATING INCOME (EXPENSE)                           |                                 |              |
| Investment earnings and other                                  | 131                             | 358          |
| Interest expense   | (416)                           | -            |
| Loss on exchange rate  | (1,527)                         | (27)         |
|  | (1,812)                         | 331          |
|  | -----                           | ---          |
| NET LOSS BEFORE INCOME TAXES                                   | (6,461)                         | (7,494)      |
| Income tax expense (benefit)                                   | (19)                            | 889          |
|  | -----                           | ---          |
| NET LOSS FROM CONSOLIDATED COMPANIES                           | (6,442)                         | (8,383)      |
| Net income from unconsolidated equity<br>affiliates            | 38,367                          | 4,410        |
| NET INCOME (LOSS)  | 31,925                          | (3,973)      |
| Less: Net Income Noncontrolling Interest                       | 7,335                           | 803          |
|  | -----                           | -----        |
| NET INCOME (LOSS) ATTRIBUTABLE TO HARVEST                      | \$24,590                        | \$(4,776)    |
|  | =====                           | =====        |
| NET INCOME (LOSS) ATTRIBUTABLE TO HARVEST<br>PER COMMON SHARE: |                                 |              |
| Basic  | \$0.74                          | \$(0.15)     |
| Diluted  | \$0.64                          | \$(0.15)     |
|  | -----                           | -----        |
| Weighted average shares outstanding:                           |                                 |              |
| Basic  | 33.3                            | 32.9         |
| Diluted  | 39.1                            | 32.9         |
|  | -----                           | -----        |

HARVEST NATURAL RESOURCES, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(in thousands, unaudited)

Three months Ended March 31,

|  | 2010     | 2009      |
|--|----------|-----------|
|  | ---      | ---       |
| Cash Flows From Operating  |          |           |
| Activities:  |          |           |
| Net Income (Loss)  | \$31,925 | \$(3,973) |
| Adjustments to reconcile net income (loss) to net cash used in operating activities: |          |           |
| Depletion, depreciation and amortization   | 566      | 69        |
| Amortization of debt financing costs   | 108      | -         |
| Net income from unconsolidated equity affiliate                                      | (38,367) | (4,410)   |
| Non-cash compensation related charges  | 853      | 1,154     |
| Changes in operating assets and liabilities:   |          |           |
| Accounts and notes receivable  | 4,616    | 162       |
| Advances to equity affiliate   | 1,066    | (180)     |
| Prepaid expenses and other   | 350      | 104       |
| Revenue and royalty payable  | 134      | -         |
| Accounts payable   | 1,405    | 265       |
| Accrued expenses   | 793      | (2,779)   |
| Accrued Interest   | (4,383)  | -         |
| Income taxes payable   | (490)    | 881       |
| -----  |          |           |
| Net Cash Used In Operating Activities  | (1,424)  | (8,707)   |
| -----  |          |           |
| Cash Flows From Investing  |          |           |
| Activities:  |          |           |
| Additions of property and equipment  | (13,495) | (7,067)   |
| Increase in restricted cash  | (1,000)  | (1,735)   |
| Investment costs   | (1,656)  | (531)     |
| -----  |          |           |
| Net Cash Used In Investing Activities  | (16,151) | (9,333)   |
| -----  |          |           |
| Cash Flows From Financing  |          |           |
| Activities:  |          |           |
| Net proceeds from issuances of common stock  | -        | 69        |
| Proceeds from issuance of long-term debt   | 32,000   | -         |
| Financing costs  | (2,627)  | (785)     |
| -----  |          |           |
| Net Cash Provided by (Used In) Financing Activities                                  | 29,373   | (716)     |
| -----  |          |           |
| Net Increase (Decrease) in Cash  | 11,798   | (18,756)  |
| Cash and Cash Equivalents at Beginning of Period                                     | 32,317   | 97,165    |
| Cash and Cash Equivalents at End of Period   | \$44,115 | \$78,409  |
| -----  | =====    | =====     |

PETRODELTA, S. A.  
STATEMENTS OF OPERATIONS  
(in thousands except per BOE and per share amounts, unaudited)

|   | Three months Ended |              | Three months Ended |              |
|---|--------------------|--------------|--------------------|--------------|
|   | -----              |              | -----              |              |
|   | March 31, 2010     |              | March 31, 2009     |              |
|   | -----              |              | -----              |              |
| Barrels of oil sold                         | 1,968              |              | 1,725              |              |
| MCF of gas sold                             | 660                |              | 1,414              |              |
| Total BOE                                   | 2,078              |              | 1,961              |              |
| Total BOE -Net<br>of 33% Royalty            | 1,385              |              | 1,307              |              |
| <br>Average price/<br>barrel                | <br>\$71.90        |              | <br>\$40.60        |              |
| Average price/<br>mcf                       | \$1.54             |              | \$1.54             |              |
|   | \$                 | \$/BOE - net | \$                 | \$/BOE - net |
|   | ---                | -----        | ---                | -----        |
| REVENUES:                                   |                    |              |                    |              |
| Oil sales                                   | \$141,502          |              | \$70,029           |              |
| Gas sales                                   | 1,018              |              | 2,183              |              |
| Royalties                                   | (47,427)           |              | (24,787)           |              |
|   | 95,093             | 68.66        | 47,425             | 36.28        |
|   | -----              | -----        | -----              | -----        |
| EXPENSES:                                   |                    |              |                    |              |
| Operating expenses                          | 11,192             | 8.08         | 11,716             | 8.96         |
| Depletion,<br>depreciation,<br>amortization | 8,608              | 6.22         | 7,688              | 5.88         |
| General and<br>administrative               | 1,368              | 0.99         | 2,225              | 1.70         |
| Windfall profits<br>tax                     | 1,251              | 0.90         | -                  | -            |
| Taxes other than<br>on income               | 2,353              | 1.70         | 3,071              | 2.35         |
|   | 24,772             | 17.89        | 24,700             | 18.89        |
|   | -----              | -----        | -----              | -----        |
| INCOME FROM<br>OPERATIONS                   | 70,321             | 50.77        | 22,725             | 17.39        |
|   | -----              | -----        | -----              | -----        |
| Gain on exchange<br>rate                    | 118,716            | 85.72        | -                  | -            |
| Investment<br>Earnings and<br>Other         | 2,894              | 2.09         | 2                  | -            |
|   | -----              | -----        | ---                | ---          |
| Income before<br>income tax                 | 191,931            | 138.58       | 22,727             | 17.39        |

|                 |          |       |          |        |
|-----------------|----------|-------|----------|--------|
| Current income  |          |       |          |        |
| tax expense     | 85,420   | 61.68 | 9,786    | 7.48   |
| Deferred income |          |       |          |        |
| tax expense     |          |       |          |        |
| (benefit)       | 42,464   | 30.66 | (4,083)  | (3.12) |
|                 |          | ----- |          | -----  |
| NET INCOME      | 64,047   | 46.24 | 17,024   | 13.03  |
| Adjustment to   |          |       |          |        |
| reconcile to    |          |       |          |        |
| reported Net    |          |       |          |        |
| Income from     |          |       |          |        |
| Unconsolidated  |          |       |          |        |
| Equity          |          |       |          |        |
| Affiliate:      |          |       |          |        |
| Deferred income |          |       |          |        |
| tax expense     |          |       |          |        |
| (benefit)       | (32,989) |       | 5,001    |        |
|                 | -----    |       | -----    |        |
| Net income      |          |       |          |        |
| equity          |          |       |          |        |
| affiliate       | 97,036   |       | 12,023   |        |
| Equity interest |          |       |          |        |
| in              |          |       |          |        |
| unconsolidated  |          |       |          |        |
| equity          |          |       |          |        |
| affiliate       | 40%      |       | 40%      |        |
| -----           | ---      |       | ---      |        |
| Income before   |          |       |          |        |
| amortization of |          |       |          |        |
| excess basis in |          |       |          |        |
| equity          |          |       |          |        |
| affiliate       | 38,814   |       | 4,809    |        |
| Amortization of |          |       |          |        |
| excess basis in |          |       |          |        |
| equity          |          |       |          |        |
| affiliate       | (334)    |       | (311)    |        |
| Conform         |          |       |          |        |
| depletion       |          |       |          |        |
| expense to GAAP | (113)    |       | 703      |        |
| Net income from |          |       |          |        |
| unconsolidated  |          |       |          |        |
| equity          |          |       |          |        |
| affiliate       | \$38,367 |       | \$5,201  |        |
| -----           | -----    |       | -----    |        |
| Non-GAAP        |          |       |          |        |
| Financial       |          |       |          |        |
| Measures:       |          |       |          |        |
| Reconcile NET   |          |       |          |        |
| INCOME as       |          |       |          |        |
| reported under  |          |       |          |        |
| IFRS to         |          |       |          |        |
| adjusted        |          |       |          |        |
| EBITDA:         |          |       |          |        |
| NET INCOME      | \$64,047 | 46.24 | \$17,024 | 13.03  |
| Add back non-   |          |       |          |        |
| cash items:     |          |       |          |        |
| Depletion,      |          |       |          |        |
| depreciation    |          |       |          |        |
| and             |          |       |          |        |
| amortization    | 8,608    | 6.22  | 7,688    | 5.88   |

|   |                   |                |                   |                |
|---|-------------------|----------------|-------------------|----------------|
| Deferred income<br>tax expense<br>(benefit)   | 42,464            | 30.66          | (4,083)           | (3.12)         |
| Adjustments for<br>non-recurring<br>items - Gain<br>on exchange<br>rates, net of<br>tax | (65,274)          | (47.13)        | -                 | -              |
| CASH FROM<br>OPERATIONS   | 49,845            | 35.99          | 20,629            | 15.79          |
| Investment<br>earnings and<br>other   | (2,894)           | (2.09)         | (2)               | -              |
| Current income<br>tax expense   | 31,978            | 23.09          | 9,786             | 7.48           |
| Adjusted EBITDA<br>(IFRS)   | \$78,929<br>===== | 56.99<br>===== | \$30,413<br>===== | 23.27<br>===== |

SOURCE Harvest Natural Resources, Inc.

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