Harvest Natural Resources Announces 2011 Second Quarter Results

HOUSTON, Aug. 9, 2011 /PRNewswire/ -- Harvest Natural Resources, Inc. (NYSE: HNR) today announced 2011 second quarter earnings and provided an operational update.

Harvest reported second quarter earnings of approximately $90.1 million, or $2.24 per diluted share, compared to a loss of $296,000, or $0.01 per diluted share, for the same period last year. The second quarter results include exploration charges of $4.7 million, or $0.12 per diluted share, and a loss on the extinguishment of debt of $9.7 million, or $0.24 per diluted share. Also during the second quarter, the Company reported income from discontinued operations of $99.2 million , or $2.47 per diluted share, for revenue, expenses and gain recognized related to the sale of the Utah assets. Adjusted for exploration charges, loss on extinguishment of debt, gain from the sale of the Utah assets and the income related to the discontinued operations, second quarter 2011 earnings would have been $5.3 million, or $0.13 per diluted share.

Petrodelta reported earnings during the second quarter of $47.3 million, $15.1 million net to Harvest's 32 percent interest, under International Financial Reporting Standards (IFRS). After adjustments to Petrodelta's IFRS earnings, primarily to conform to U.S. GAAP, Harvest's 32 percent share of Petrodelta's earnings was $14.2 million.

Highlights for the second quarter of 2011 include:

Venezuela

- Oil production from Petrodelta averaged 30,680 barrels of oil per day (BOPD), an increase of 42 percent over the same period in 2010. The current production rate from Petrodelta is approximately 35,000 BOPD;
- During the three months ended June 30, 2011, Petrodelta drilled and completed four development wells and one water injection well;
- Initial production (IP) rates for the Temblador (TT-80) and El Salto (ELS-36) wells were approximately 3,200 BOPD each; the highest IP rates recorded since the beginning of the drilling campaign in 2008;
- Currently, Petrodelta is operating two drilling rigs and one workover rig. Petrodelta expects to take possession of a third drilling rig in late August 2011;

United States

- Completed sale of Utah assets on May 17, 2011 and received $217.8 million, $205 million net of transaction related costs and estimated taxes; achieving a return on investment of 138% with a project cycle time of 3 years;

Indonesia

- The Karama-1 (KD-1) well spud on June 20, 2011, and is the second of two planned exploration wells located in the Budong-Budong Block, onshore West Sulawesi;
- The KD-1 well will be drilled to test a thrusted surface anticline with stacked Miocene and Eocene targets to a planned total measured depth of approximately 10,800 feet;
- After setting 13 3/8" casing at 3,227 feet on July 21, 2011, the rig substructure and derrick were temporarily moved to remediate settling on the drilling pad. Drilling is expected to recommence on August 11, 2011;
- Geological and geophysical studies continue on the Lariang basin to mature an LG appraisal well and further exploration prospects;

Gabon

- Harvest announced that it has encountered oil in the Dussafu Ruche Marin-1 (DRM-1) exploration well drilled in the Dussafu Marin PSC, in the offshore waters of Gabon, West Africa;
- DRM-1 well reached a vertical depth of 9,953 feet within the Upper Dentale Formation. Log evaluation, pressure data

and samples indicate that Harvest has discovered approximately 60 feet of pay in a 90 foot oil column within its primary objective, the Gamba Formation;

- Subsequently the DRM-1 well has been deepened to reach a true vertical depth subsea (TVDSS) of 11,355 feet to test the prospectivity of the Middle and Lower Dentale Formations. Log evaluation, pressure data and a fluid sample indicate that Harvest has discovered a second oil accumulation with approximately 35 feet of oil pay within the secondary objective of the Middle Dentale Formation;
- The Gamba discovery has been appraised by drilling two sidetracks to test the lateral extent and structural elevation of the Gamba reservoir under a salt ridge;
- The first sidetrack (DRM-1ST1) 0.75 miles to the southwest was drilled to a total depth (TD) in the Upper Dentale of 11,562 feet (9,428 feet TVDSS) and found 19 feet of oil pay in the Gamba reservoir;
- The second sidetrack (DRM-1 ST2) 0.5 miles to the northwest of the original DRM-1 was drilled to a TD in the Upper Dentale of 10,615 feet (9,429 feet TVDSS) and found 40 feet of oil pay in the Gamba reservoir;
- The well will be suspended pending further exploration and development activities;

Oman

- Exploration drilling is scheduled to commence late in the fourth quarter of 2011 with two wells planned on two large structures with combined mean prospective resources of 2.45 trillion cubic feet (TCF) of gas with 100 million barrels (MMBBLS) condensate. In the upside case this could rise to 4.4 TCF of gas with 185 MMBBLS of condensate;
- Tendering process initiated to contract a drilling rig and oil field services and materials;
- Thirteen prospects and leads have been evaluated for the Barik Miqrat and Amin reservoirs with total mean prospective resources of 8.9 TCF of gas with 350 MMBBLS of condensate and upside (P10) of 17.7 TCF of gas with 730 MMBBLS of condensate;

Corporate

- Paid off $60.0 million bridge loan on May 17, 2011. Reduced outstanding debt to $32.0 million.

Harvest President and Chief Executive Officer, James A. Edmiston, said: "In the second quarter, the company saw significant progress across all its assets. Petrodelta set production records with production up 40 percent year on year and 7 percent above the previous quarter. Further, cash from operations at Petrodelta was up 18 percent over the prior quarter in spite of the effects of the new Windfall Profits Tax. With the arrival of the third drilling rig in late August, we expect this impressive production growth to continue."

"In Gabon, we announced the Gamba oil discovery in our Ruche Marin 1 well and subsequently drilled two sidetracks to delineate the structure, both of which found oil as well. The significance of this discovery and the appraisal sidetracks is that it sets the company on a course toward a future development of the Ruche discovery, the two pre-existing discoveries, Moubenga and Walt Whitman, and further nearby structures which have been substantially de-risked as a result of the information gained in drilling the Ruche well."

"In Indonesia, we are progressing, after remedial work to the drilling pad, toward the primary targets in the KD-1 well on the Budong-Budong block. And finally, in Oman, we have begun procurement activities for the end of year drilling of two wells to test two large gas-condensate structures on our Qarn Alam block."

Venezuela

During the three months ended June 30, 2011, Petrodelta produced approximately 2.8 MMBBLS of oil and sold 0.4 billion cubic feet (BCF) of natural gas; the average daily oil production was 30,680 barrels of oil per day (BOPD), an increase of 42 percent over the same period in 2010 and an increase of 7 percent over the previous quarter. Cash from Operations for the quarter was $58.0 million, or $30.48 per barrel of oil equivalent, with average prices for the quarter of $101.72 per barrel.

During the second quarter of 2011, Petrodelta drilled and completed five wells, four of which were development wells drilled in the Uracoa, El Salto and Temblador Fields and one water injection well drilled in the Uracoa Field. Currently, Petrodelta is operating two drilling rigs and one workover rig. Petrodelta expects to take possession of a third drilling rig in late August 2011.

Petrodelta completed facilities at PDVSA's EPM transfer point for the El Salto field. Completion of the facilities has enabled Petrodelta to increase production from the El Salto field and deliver oil production via pipeline. Petrodelta is continuing additional infrastructure enhancement projects in El Salto and Temblador.

On April 18, 2011, the Venezuelan government published in the Official Gazette, the Law Creating a Special Contribution on

Extraordinary Prices and Exorbitant Prices in the International Hydrocarbons Market (amended Windfall Profits Tax). The amended Windfall Profits Tax establishes a special contribution for extraordinary prices to the Venezuelan government of 20 percent to be applied to the difference between the price fixed by the Venezuela budget for the relevant fiscal year (set at $40 per barrel for 2011) and $70 per barrel. The amended Windfall Profits Tax also establishes a special contribution for exorbitant prices to the Venezuelan government of (1) 80 percent when the average price of the Venezuelan Export Basket (VEB) exceeds $70 per barrel but is less than $90 per barrel; (2) 90 percent when the average price of the VEB exceeds $90 per barrel but is less that $100 per barrel; and (3) 95 percent when the average price of the VEB exceeds $100 per barrel. The amended Windfall Profits Tax caps the royalty paid on production at $70 per barrel. It is not clear from the drafting of the amended Windfall Profits Tax how the $70 cap on royalty barrels will be applied to royalties paid in-kind. Petrodelta pays royalties in-kind and has not applied the $70 cap to its royalty barrels as doing so may overstate earnings. Until further guidance is issued, Petrodelta will continue applying the current sales price to its royalty barrels. Also, the amended Windfall Profits Tax considers that an exemption of this tax could be granted by MENPET for the incremental production of projects and grass root developments until the specific investments are recovered. This exemption has to be considered and approved in a case by case basis by MENPET. We believe several of the fields operated by Petrodelta may qualify for the exemption from the amended Windfall Profits Tax. We are waiting for clarification from MENPET on the definitions of incremental production and grass roots developments, as well as guidance on the process for applying for the exemption. There is still a lack of clarity on several issues.

UNITED STATES - Antelope Project - Utah

On May 17, 2011, the Company completed the sale of its oil and gas assets in Utah's Uinta Basin to an affiliate of Newfield Exploration Company (Newfield). We received cash proceeds of approximately $217.8 million which reflects increases to the purchase price for customary adjustments and deductions for transaction related costs. The sale has an effective date of March 1, 2011. The net proceeds from the sale are estimated to be $205.0 million after deductions for transaction related costs and estimated taxes.

Bank of America Merrill Lynch served as the Company's financial advisor in connection with the transaction. This transaction is part of the Company's ongoing process of exploring strategic alternatives announced in September of 2010.

EXPLORATION DRILLING ACTIVITIES

Indonesia

Budong-Budong PSC - Indonesia

The Lariang-1 (LG-1) well spud on January 6, 2011, and was the first of two planned exploration wells located in the Budong-Budong Block, onshore West Sulawesi. The well was drilled to a depth of 5,311 feet and encountered multiple oil and gas shows within the secondary Miocene objective. Wireline logs and samples of reservoir fluids confirmed the presence of hydrocarbons, trap and seal thus greatly de-risking the exploration potential of the license. The high formation pressures and control difficulties required the use of more casing strings at shallower depths than were originally planned. At a depth of 5,300 feet, losses of heavy drilling mud into the formation were encountered which, when coupled with the very high formation pressures, led to the decision to discontinue operations and plug and abandon the well for safety reasons on April 8, 2011. The primary Eocene targets had not yet been reached, as the well was planned for a total measured depth of approximately 7,200 feet.

The KD-1 well spud on June 20, 2011 and is the second of two planned exploration wells located in the Budong-Budong Block, onshore West Sulawesi. The KD-1 well will be drilled to test a thrusted surface anticline with stacked Miocene and Eocene targets to a planned total measured depth of approximately 10,800 feet.

After setting 13 3/8" casing at 3,227 feet on July 21, 2011, the rig substructure and derrick were temporarily moved to remediate settling on the drilling pad. Drilling is expected to recommence on August 11, 2011.

Harvest owns a 64.4 percent non-operated working interest in the Budong-Budong Block PSC.

Gabon West Africa

Dussafu Project - Gabon (Dussafu PSC)

On June 13, 2011, the Company announced that it has encountered oil in the wildcat well DRM-1 drilled in the Dussafu Marin PSC, in the offshore waters of Gabon, West Africa. The well spud on April 28, 2011 and was drilled to test the potential of the pre-salt Gamba and Dentale Formations.

Drilled with the Transocean Sedneth 701 semi-submersible drilling unit in 380 feet of water, the DRM-1 well reached a vertical

depth of 9,953 feet within the Upper Dentale Formation. Log evaluation, pressure data and samples indicate that Harvest has discovered approximately 60 feet of pay in a 90 foot oil column within its primary objective, the Gamba Formation.

Subsequently the DRM-1 well was deepened to reach a TVDSS of 11,355 feet to test the prospectivity of the Middle and Lower Dentale Formations. Log evaluation, pressure data and a fluid sample indicate that Harvest discovered a second oil accumulation with approximately 35 feet of oil pay within the secondary objective of the Middle Dentale Formation.

The Gamba discovery has been appraised by drilling two appraisal sidetracks to test the lateral extent and structural elevation of the Gamba reservoir underneath the thick salt ridge. The first sidetrack (DRM-1ST1) 0.75 miles to the southwest was drilled to a TD in the Upper Dentale of 11,562 feet, (9,428 feet TVDSS) and found 19 feet of oil pay in the Gamba reservoir.

The second sidetrack (DRM-1ST2) 0.5 miles to the northwest of the original DRM-1 wellbore was drilled to a TD in the Upper Dentale of 11,562 feet, (9,428 feet TVDSS) and found 40 feet of oil pay in the Gamba reservoir. Following completion of the drilling operations in the second sidetrack, the well will be suspended for possible future use and the rig demobilized.

Initial oil in place volume for the Gamba reservoir is estimated to be in the order of 30 - 40 MMBBLS.

The well will be suspended pending further exploration and development activities. The Ruche well information will be used to refine the 3-D seismic depth model and improve our understanding for predicting Gamba structure under the salt and defining potential resources in the nearby satellite structures for future drilling targets. Reservoir and concept engineering studies will now start with the aim of evaluating the commerciality of the discovered oil at Ruche, as well as the two previous oil discoveries in the Walt Whitman and Moubenga wells.

Harvest operates the Dussafu PSC, holding a 66.667 percent interest.

Oman

Block 64 EPSA

A comprehensive work program aimed at evaluating the prospectivity and maturing drillable prospects has been completed and included 1,185 square kilometers of PSDM 3D seismic reprocessing and technical studies. The resulting PreSDM seismic data has improved the understanding of highly prospective salt-supported structures. The culmination of this work has been the recognition of considerable prospectivity, and high-grading of prospects with stacked Paleozoic reservoirs in large tilted fault blocks. Thirteen prospects and leads have been identified in the license with combined mean prospective resources of 8.9 TCF of gas and 350 MMBBLS of condensate.

The first two prospects to be drilled are Mafraq South, with mean prospective resources of 255 million barrels of oil equivalent (MMBOE), and the Al Ghubar North with mean prospective resources of 254 MMBOE.

Mafraq South (MFS-A): The Mafraq structure is a large salt-supported high with stacked reservoir targets in the Barik, Miqrat and Amin reservoirs in both the footwall and hanging wall fault blocks comprising four segments (north, west, south and east). Mean prospective resources of the entire Greater Mafraq fault blocks is approximately 2.5 TCF of gas and 93 MMBBLS of condensate with an upside of 4.3 TCF of gas and 169 MMBBLS of condensate. Mean prospective resources in the South segment total 1.25 TCF of gas with 46 MMBBLS of condensate. The MFS-A well will be drilled to 3,300 meters TVDSS to test coincident fault bounded dip closure at all three reservoir levels. The geological chance of success for a discovery in the Barik is estimated to be 28 percent. The dry hole cost for the well is estimated to be $8.45 million.

Al Ghubar North (AGN-A): This structure is a northeast-southwest trending fault block with stacked reservoir targets in the Barik, Miqrat and Amin Formations. Mean prospective resources of 960 BCF of gas and 54 MMBBLS of condensate in the Barik and 241 BCF of gas in the Miqrat have been calculated for the Al Ghubar North segment. In the (P10) upside case, the prospect could contain prospective resources of 2.23 TCF of gas and 102 MMBBLS of condensate. The well will be drilled to 3,140 meters TVDSS to test coincident fault bounded dip closure at the three reservoir levels. The geological chance of success for a discovery in the Barik is estimated to be 23 percent. The dry hole cost for the well is estimated to be $8.11 million.

Well planning and procurement of long lead items began in April 2011 in anticipation of spudding the first of the two exploratory wells in late 2011. The tendering process has been initiated to contract a drilling rig and other drilling services and materials.

Stellar Energy Advisors Limited have been retained to market and seek a partner to fund the drilling of these wells in exchange for equity in the license, via a farmout.

Harvest operates the Block 64 EPSA, holding an 80 percent interest.

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 June 30, 2011.

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 Tuesday, August 9, 2011, during which management will discuss Harvest's 2011 second quarter results. The conference leader will be James A. Edmiston, President and Chief Executive Officer. To access the conference call, dial 800-723-6575 or 785-830-1997, five to ten minutes prior to the start time. At that time you will be asked to provide the conference number, which is 9236641. A recording of the conference call will also be available for replay at 719-457-0820, passcode 9236641, through August 13, 2011.

The conference call will also be transmitted over the internet through the Company's website at www.harvestnr.com. To listen to the live webcast, enter the website fifteen minutes before the call to register, download and install any necessary audio software. For those who cannot listen to the live broadcast, a replay of the webcast will be available beginning shortly after the call and will remain on the website for approximately 90 days.

About Harvest Natural Resources:

Harvest Natural Resources, Inc., headquartered in Houston, Texas, is an independent energy company with principal operations in Venezuela, exploration assets in the United States, 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.

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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 2010 Annual Report on Form 10-K and other public filings.

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

	June 30, 2011	December 31, 2010
ASSETS:		
CURRENT ASSETS:		

Cash and cash equivalents	$ 136,032	$ 58,703
Restricted cash	7,323	-
Accounts and notes receivable, net		
Oil and gas revenue receivable	-	1,907
Dividend receivable - equity affiliate	12,200	-
Joint interest and other	7,203	2,325
Notes receivable	3,335	3,420
Advances to equity affiliate	2,002	1,706
Assets held for sale	-	88,774
Prepaid expenses and other	1,732	4,793
Total current assets	169,827	161,628
OTHER ASSETS	2,499	2,477
INVESTMENT IN EQUITY AFFILIATES	310,351	287,933
PROPERTY AND EQUIPMENT, net	61,094	36,206
TOTAL ASSETS	$ 543,771	$ 488,244
LIABILITIES AND EQUITY:		
CURRENT LIABILITIES:		
Accounts payable, trade and other	$ 11,373	$ 3,205
Accounts payable - carry obligation	3,617	8,395
Accrued expenses	14,622	15,087
Liabilities held for sale	-	663
Accrued Interest	880	896
Income taxes payable	5,585	72
Total current liabilities	36,077	28,318
OTHER LONG-TERM LIABILITIES	1,133	1,834
LONG-TERM DEBT	32,000	81,237
COMMITMENTS AND CONTINGENCIES	-	-
EQUITY:		
STOCKHOLDERS' EQUITY:		
Common stock and paid-in capital	231,120	230,763
Retained earnings	232,404	141,584
Treasury stock	(65,925)	(65,543)
Total Harvest stockholders' equity	397,599	306,804
Noncontrolling Interest	76,962	70,051
Total Equity	474,561	376,855
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 543,771	$ 488,244

HARVEST NATURAL RESOURCES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands except per share amounts, unaudited)

	Three months Ended June 30,	
	2011	2010

EXPENSES:		
Depreciation and amortization	$ 119	$ 142
Exploration expense	4,650	1,491
General and administrative	6,742	5,829
Taxes other than on income	307	198
	11,818	7,660
LOSS FROM OPERATIONS	(11,818)	(7,660)
OTHER NON-OPERATING INCOME (EXPENSE)		
Investment earnings and other	240	140
Interest expense	(1,704)	(688)
Loss on extinguishment of debt	(9,682)	-
Other non-operating expenses	(244)	-
Loss on exchange rates	(32)	(24)
	(11,422)	(572)
LOSS FROM CONSOLIDATED COMPANIES CONTINUING OPERATIONS BEFORE INCOME TAXES	(23,240)	(8,232)
Income tax expense (benefit)	260	152
LOSS FROM CONSOLIDATED COMPANIES CONTINUING OPERATIONS	(23,500)	(8,384)
Net income from unconsolidated equity affiliates	17,899	8,915
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	(5,601)	531
DISCONTINUE OPERATIONS		
Income from discontinued operations	480	803
Gain on sale of assets	103,933	-
Income tax expense on gain	(5,200)	-
Income from discontinued operations	99,213	803
NET INCOME	93,612	1,334
Less: Net Income Attributable to Noncontrolling Interest	3,562	1,630
NET INCOME (LOSS) ATTRIBUTABLE TO HARVEST	$ 90,050	$ (296)

	Three months Ended			
	June 30, 2011		June 30, 2010	
NET INCOME (LOSS) ATTRIBUTABLE TO HARVEST PER COMMON SHARE:	Basic	Dilutive	Basic	Dilutive
Income from continuing operations	(9,163)	(9,163)	(1,099)	(1,099)
Discontinued operations	99,213	99,213	803	803
Net income attributable to Harvest	90,050	90,050	(296)	(296)
Weighted average common shares outstanding	34,039	34,039	33,399	33,399
Effect of dilutive shares		6,162	-	-
Weighted average common shares including dilutive effect	34,039	40,201	33,399	33,399
Per Share:				
Loss from continuing operations	$ (0.27)	$ (0.23)	$ (0.03)	$ (0.03)
Discontinued operations	$ 2.92	$ 2.47	$ 0.02	$ 0.02
Net income (loss) attributable to Harvest	$ 2.65	$ 2.24	$ (0.01)	$ (0.01)

HARVEST NATURAL RESOURCES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands except per share amounts, unaudited)

	Six months Ended June 30,	
	2011	2010
EXPENSES:		
Depreciation and amortization	$ 243	$ 243

Exploration expense	5,839	2,737
General and administrative	13,068	10,846
Taxes other than on income	656	498
	19,806	14,324
LOSS FROM OPERATIONS	(19,806)	(14,324)
OTHER NON-OPERATING INCOME (EXPENSE)		
Investment earnings and other	385	271
Interest expense	(3,916)	(1,104)
Loss on extinguishment of debt	(9,682)	-
Other non-operating expenses	(675)	-
Loss on exchange rates	(43)	(1,551)
	(13,931)	(2,384)
LOSS FROM CONSOLIDATED COMPANIES CONTINUING OPERATIONS		
BEFORE INCOME TAXES	(33,737)	(16,708)
Income tax expense (benefit)	482	133
LOSS FROM CONSOLIDATED COMPANIES CONTINUING OPERATIONS	(34,219)	(16,841)
Net income from unconsolidated equity affiliates	36,003	47,282
NET INCOME FROM CONTINUING OPERATIONS	1,784	30,441
DISCONTINUED OPERATIONS		
Income (loss) from discontinued operations	(2,786)	2,818
Gain on sale of assets	103,933	-
Income tax expense on gain	(5,200)	-
Income from discontinued operations	95,947	2,818
NET INCOME	97,731	33,259
Less: Net Income Attributable to Noncontrolling Interest	6,911	8,965
NET INCOME ATTRIBUTABLE TO HARVEST	$ 90,820	$ 24,294

	Six Months Ended			
	June 30, 2011		June 30, 2010	
NET INCOME ATTRIBUTABLE TO HARVEST PER COMMON SHARE:	Basic	Dilutive	Basic	Dilutive
Income (loss) from continuing operations	(5,127)	(5,127)	21,476	21,476
Discontinued operations	95,947	95,947	2,818	2,818
Net income attributable to Harvest	90,820	90,820	24,294	24,294
Weighted average common shares outstanding	33,992	33,992	33,337	33,337
Effect of dilutive shares	-	5,841	-	4,038
Weighted average common shares including dilutive effect	33,992	39,833	33,337	37,375
Per Share:				
Income (loss) from continuing operations	$ (0.15)	$ (0.13)	$ 0.64	$ 0.57
Discontinued operations	$ 2.82	$ 2.41	$ 0.09	$ 0.08
Net income attributable to Harvest	$ 2.67	$ 2.28	$ 0.73	$ 0.65

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

	Six months Ended June 30,	
	2011	2010
Cash Flows From Operating Activities:		
Net income	$ 97,731	$ 33,259
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depletion, depreciation and amortization	1,053	1,825

Impairment of long-lived assets	4,707	-
Amortization of debt financing costs	530	329
Amortization of discount on debt	816	-
Gain on sale of property and equipment	(103,933)	
Loss on early extinguishment of debt	7,533	
Net income from unconsolidated equity affiliate	(36,003)	(47,282)
Share-based compensation-related charges	2,673	1,844
Changes in operating assets and liabilities:		
Accounts and notes receivable	(2,887)	3,115
Advances to equity affiliate	(296)	2,730
Prepaid expenses and other	3,061	263
Accounts payable	8,168	2,474
Accrued expenses	(2,469)	(7)
Accrued Interest	(418)	(3,723)
Other liabilities	(701)	370
Income taxes payable	5,513	(353)
Net Cash Used In Operating Activities	(14,922)	(5,156)
Cash Flows From Investing Activities:		
Proceeds from sale of property and equipment	217,833	-
Additions of property and equipment	(28,067)	(23,913)
Additions to assets held for sale	(31,742)	-
Proceeds from sale of equity affiliate	1,385	-
Increase in restricted cash	(7,323)	(1,000)
Investment costs	(62)	(36)
Net Cash Provided by (Used In) Investing Activities	152,024	(24,949)
Cash Flows From Financing Activities:		
Net proceeds from issuances of common stock	416	115
Proceeds from issuance of long-term debt	-	32,000
Payments of long-term debt	(60,000)	-
Financing costs	(189)	(2,818)
Net Cash Provided by (Used In) Financing Activities	(59,773)	29,297
Net Increase (Decrease) in Cash	77,329	(808)
Cash and Cash Equivalents at Beginning of Period	58,703	32,317
Cash and Cash Equivalents at End of Period	$ 136,032	$ 31,509

PETRODELTA, S. A.

STATEMENTS OF OPERATIONS

(in thousands except per BOE and per share amounts, unaudited)

	Three months Ended June 30, 2011		Three months Ended June 30, 2010	
Barrels of oil sold	2,782		1,955	
MCF of gas sold	440		663	
Total BOE	2,855		2,066	
Total BOE - Net of 33% Royalty	1,904		1,377	
Average price/barrel	$ 101.72		$69.55	
Average price/mcf	$1.54		$1.54	
	$	$/BOE - net	$	$/BOE - net
REVENUES:				
Oil sales	$ 282,975		135,964	
Gas sales	679		1,022	

Royalties	(96,214)		(46,391)	
	187,440	98.45	90,595	65.79
EXPENSES:				
Operating expenses	18,684	9.81	10,632	7.72
Workovers	7,021	3.69	-	-
Depletion, depreciation, amortization	13,231	6.95	9,770	7.09
General and administrative	3,782	1.99	2,641	1.92
Windfall profits tax	65,345	34.32	1,664	1.21
	108,063	56.76	24,707	17.94
INCOME FROM OPERATIONS	79,377	41.69	65,888	47.85
Gain on exchange rate	-	-	1,938	1.40
Interest earnings and other	185	0.09	(13)	-
Interest expense	(3,146)	(1.65)	(1,328)	(0.97)
Income before income tax	76,416	40.13	66,485	48.28
Current income tax expense (benefit)	31,618	16.60	52,656	38.24
Deferred income tax expense (benefit)	(2,513)	(1.32)	5,118	3.71
NET INCOME	47,311	24.85	8,711	6.33
Adjustment to reconcile to reported Net Income from	-			
Unconsolidated Equity Affiliate:				
Deferred income tax expense (benefit)	1,176		(14,499)	
Net income equity affiliate	46,135		23,210	
Equity interest in unconsolidated equity affiliate	40%		40%	
Income before amortization of excess basis in equity affiliate	18,454		9,284	
Amortization of excess basis in equity affiliate	(452)		(322)	
Conform depletion expense to GAAP	(216)		(47)	
Net income from unconsolidated equity affiliate	$ 17,786		$ 8,915	

Non-GAAP Financial Measures:

Reconcile NET INCOME as reported under IFRS to adjusted EBITDA:				
NET INCOME	$ 47,311	24.85	$ 8,711	6.33
Add back non-cash items:				
Depletion, depreciation and amortization	13,231	6.95	9,770	7.09
Pension liability, net of tax	-	-	-	-
Deferred income tax expense (benefit)	(2,513)	(1.32)	41,118	29.86
Special Charges, net of tax	-	-	(969)	(0.70)
CASH FROM OPERATIONS	58,029	30.48	58,630	42.58
Investment earnings and other	(185)	(0.09)	13	-
Interest expense	3,146	1.65	1,328	0.97
Current income tax expense	31,618	16.60	16,656	12.10
Adjusted EBITDA (IFRS)	$ 92,608	48.64	$ 76,627	55.65

PETRODELTA, S. A.

STATEMENTS OF OPERATIONS

(in thousands except per BOE and per share amounts, unaudited)

	Six months Ended June 30, 2011	Six months Ended June 30, 2010

Barrels of oil sold	5,365		3,923	
MCF of gas sold	910		1,323	
Total BOE	5,517		4,144	
Total BOE - Net of 33% Royalty	3,678		2,762	
Average price/barrel	$94.98		$70.73	
Average price/mcf	$1.54		$1.54	
	$	$/BOE - net	$	$/BOE - net
REVENUES:				
Oil sales	$ 509,588		$ 277,466	
Gas sales	1,405		2,040	
Royalty	(173,529)		(94,377)	
	337,464	91.75	185,129	67.03
EXPENSES:				
Operating expenses	32,966	8.96	20,675	7.49
Workovers	13,496	3.67	-	-
Depletion, depreciation and amortization	25,718	6.99	18,377	6.65
General and administrative	2,852	0.78	6,058	2.19
Windfall profits tax	92,471	25.14	2,915	1.06
	167,503	45.54	48,025	17.39
INCOME FROM OPERATIONS	169,961	46.21	137,104	49.64
Gain on exchange rate	-	-	120,654	43.68
Investment earnings and other	352	0.09	2,881	1.04
Interest expense	(4,418)	(1.20)	(2,223)	(0.80)
Income before income tax	165,895	45.10	258,416	93.56
Current income tax expense	84,961	23.10	138,076	49.99
Deferred income tax expense (benefit)	(28,275)	(7.69)	47,582	17.23
NET INCOME	109,209	29.69	72,758	26.34
Adjustment to reconcile to reported Net Income from Unconsolidated Equity Affiliate:				
Deferred income tax expense (benefit)	19,739		(47,488)	
Net income equity affiliate	89,470		120,246	
Equity interest in unconsolidated equity affiliate	40%		40%	
Income before amortization of excess basis in equity affiliate	35,788		48,098	
Amortization of excess basis in equity affiliate	(873)		(656)	
Conform depletion expense to GAAP	(297)		(160)	
Net income from unconsolidated equity affiliate	$ 34,618		$ 47,282	

Non-GAAP Financial Measures:

Reconcile NET INCOME as reported under IFRS to adjusted EBITDA:				
NET INCOME	$ 109,209	29.69	$ 72,758	26.34
Add back non-cash items:				
Depletion, depreciation and amortization	25,718	6.99	18,377	6.65
Deferred income tax expense (benefit)	(28,275)	(7.69)	83,582	30.26
Special Charges, net of tax	-	-	(66,243)	(23.98)
CASH FROM OPERATIONS	106,652	28.99	108,474	39.27
Investment earnings and other	(352)	(0.09)	(2,881)	(1.04)

Interest expense	4,418	1.20	2,223	0.80
Current income tax expense	84,961	23.10	48,634	17.61
Adjusted EBITDA (IFRS)	$ 195,679	53.20	$ 156,450	56.64

SOURCE Harvest Natural Resources, Inc.

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