Harvest Natural Resources Announces 2009 Fourth Quarter and Year-End Results

HOUSTON, March 16, 2010 /PRNewswire via COMTEX News Network/ -- Harvest Natural Resources, Inc. (NYSE: HNR) today announced 2009 fourth quarter and year-end earnings.

Harvest posted fourth quarter net income of $5.1 million, or $0.15 per diluted share, compared to a net loss of $16.8 million, or $0.51 per share, for the 2008 fourth quarter. For the year ending December 31, 2009, Harvest's net loss was $3.1 million, or $0.09 per share, compared with a net loss of $21.5 million, or $0.63 per share, for 2008.

The fourth quarter results include exploration charges of $2.5 million, or $0.07 per diluted share. For the year, Harvest incurred exploration charges of $7.8 million, or $0.24 per share. Petrodelta, S.A. (Petrodelta), Harvest's Venezuelan affiliate, reported fourth quarter earnings of $48.8 million, $15.6 million net to Harvest's 32 percent equity 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 $13.0 million, a 56 percent increase over the prior quarter. For the year ending December 31, 2009, Petrodelta reported earnings of $143.3 million, or $45.9 million net to Harvest's 32 percent equity interest, under IFRS. After adjustments to Petrodelta's IFRS, primarily to conform to U.S. GAAP, Harvest's 32 percent share of Petrodelta's earnings was $32.6 million, a 14 percent increase over 2008.

Highlights for 2009 include:

- Petrodelta's self-funded drilling program drilled and completed 14 successful development wells and one new appraisal well, which increased oil production to 7.8 million barrels of oil equivalent (MMBOE), a 42 percent increase from the prior year and a 10 percent increase from mid-year. Petrodelta's average production rate during 2009 was 21,464 barrels of oil per day (BOPD);
- Drilled two new appraisal wells in the El Salto Field in Venezuela, of which one is producing and the other is waiting on permits for testing and production, proving-up new reserves and increasing recovery estimates, which increased total proved, probable and possible reserves to 224.3 MMBOE net to HNR, a 69 percent increase from the prior year;
- Drilled the Bar F exploration test well on the Antelope project in Utah and commenced an extensive testing program on the well. Currently, a potentially commercial oil discovery in the Lower Green River and Wasatch formations is being tested;
- In December, Harvest commenced production from the 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. Six wells are currently on production and produced at a combined average gross production rate of 1,959 BOPD and approximately 2 million cubic feet of gas per day (MMCFD) for the first thirteen days of March 2010. Cumulative gross oil production from the project from commencement through March 13, 2010 is approximately 101,000 barrels;
- Began site preparation for the two new exploratory wells at our Indonesian Budong-Budong oil prospect for a projected spud date that has been delayed to the second quarter of 2010;
- Progressed our technical evaluation of our Dussafu oil prospect in Gabon to identify a number of prospective targets in the sub-salt section for drilling later this year;
- In February 2010, raised net proceeds of $30 million from a Senior Convertible Notes offering; and
- Reduced general and administrative expenses to $23.5 million, a 16 percent reduction from the prior year and 19 percent lower than 2007.

Harvest President and Chief Executive Officer, James A. Edmiston, said, "Despite one of the most challenging business environments in recent memory, Harvest achieved several key milestones in the Company's growth strategy. The success of Petrodelta's development and appraisal drilling program demonstrates the robust economics and potential of our Venezuelan business and the El Salto and Temblador fields, in particular. We expect to continue growing production over the next several years with internally generated cash flow."

Edmiston continued, "Our Antelope land position in Utah is the source of several exciting opportunities. In late 2009 and early 2010, we completed drilling in our first joint venture to develop shallow oil wells in the Monument Butte Extension project. This eight-well project with Newfield Exploration as operator extended the known limits of the established Monument Butte oil field located adjacent to the southern end of our land position. The production results of this program have significantly exceeded our pre-drill expectations, and the wells in the program represent some of the best wells in the entire Monument Butte field. The oil and gas production and cash flow from this project improves our operating cash flow and we plan to pursue additional

drilling opportunities in the area this year. We also completed drilling and commenced an extensive testing program on our Bar F exploration well in the Antelope project. Overall, drilling, logging and testing results to date have confirmed our technical view that the deep Mesaverde section contains significant natural gas resources and the Green River and Upper Wasatch sections may hold significant volumes of oil and gas correlative to the Greater Altamont and Bluebell fields immediately to the north."

Edmiston added, "Outside of the United States and Venezuela, we are poised to advance the development of two of our exploration projects this year. The operator in Indonesia, after numerous delays, is now preparing two drilling sites at our Budong-Budong oil prospect and plans to begin drilling our first well in the second quarter of this year. Further, we expect to drill our first exploratory well in our Dussafu block in Gabon late this year. In 2009, we grew reserves and production through the drill bit and as a result, emerged from a challenging year as a stronger company. Our successful capital raise in February gives us additional financial resources for executing our growth and diversification plan in 2010."

EXPLORATION AND PRODUCTION PROGRAMS

Venezuela

During 2009, Petrodelta drilled and completed 14 development wells and one appraisal well. The company drilled an additional appraisal well which is waiting on permits for testing and production. Petrodelta produced approximately 7.8 million barrels of oil, an increase of 42 percent over the previous year. Petrodelta also sold 4.4 billion cubic feet of natural gas, a decrease of 59 percent from 2008. The average sales price for Petrodelta's crude oil production was $57.62 per barrel, 31 percent lower than 2008, and the average sales price received for natural gas remains contractually fixed at $1.54 per thousand cubic feet. Petrodelta's average production rate during 2009 was 21,464 BOPD.

Petrodelta's shareholders have approved a $205 million capital budget for 2010, which is intended to be self-funding, to expand the company's drilling program and install infrastructure for increasing production. The drilling program has experienced a temporary delay.

Highlights of the Ryder Scott Reserve Report as of December 31, 2009 (Venezuela) include:

- Combined proved, probable and possible reserves net to Harvest increased by approximately 69 percent to 224.3 MMBOE at December 31, 2009 from 132.4 MMBOE at December 31, 2008. By category and net to Harvest, proved, probable and possible reserves increased by approximately 7 percent, 38 percent and 126 percent, respectively.
- Proved reserves volumes net to Harvest increased approximately 7 percent to 46.3 MMBOE at December 31, 2009 from 43.3 MMBOE at December 31, 2008. Proved reserves of the El Salto Field alone increased 43 percent. Approximately 82 percent of the proved reserves are oil and condensate with 25 percent being developed.
- The after tax present value of proved reserves net to Harvest and discounted at 10 percent increased by approximately 260 percent to $400 million at December 31, 2009.

For more information regarding our oil and gas reserves, see our 2009 Form 10K.

United States - Antelope

Operations activities in our Antelope prospect in Duchesne County, Utah are focused on two projects, the Monument Butte Extension shallow oil drilling and the Bar F exploration drilling project targeted at assessment of both deep Mesaverde gas and shallower Green River and Wasatch oil potential.

Monument Butte Extension Appraisal and Development Drilling Project

Our Monument Butte Extension project consisted of an eight-well appraisal and development drilling program targeting oil production from the Green River formation on the southern portion of our Antelope land position, adjacent to the established Monument Butte oil field. The Monument Butte Extension project is operated by Newfield Exploration with Harvest holding a 43 percent working interest. As of March 13, 2010, eight wells have been drilled. Six wells are currently on production. The remaining two wells have been completed and are expected to be placed on production in the very near future. The average combined gross production rate for the six wells for the first thirteen days of March 2010 is 1,959 BOPD and approximately 2 MMCFD. Results of the program to date have significantly exceeded our initial expectations for production rates and gross drilling and completion costs of approximately $800,000 to $900,000 per well are generally in line with pre-drilling estimates. We are working with our partner to assess the potential for expanding this project in 2010. Our 2010 budget for this project is $1.1 million and could be increased to $4.6 million contingent on the outcome of our evaluation of results and negotiations with our partners.

As of December 31, 2009, five wells had been drilled and two wells were producing. Proved reserves attributable to this development, net to Harvest are approximately 0.4 MMBOE at December 31, 2009. The after tax present value of proved reserves net to Harvest and discounted at 10 percent is approximately $4.7 million at December 31, 2009. Drilling and

production performance of the project in the period after December 31, 2009 indicate the likelihood that the reported December 31, 2009 reserve numbers significantly understate the potential of the eight well project.

Bar F Exploration Drilling Project

During 2009 with Harvest as operator, the Bar F # 1-20-3-2 deep test well was drilled to a total depth of 17,566 feet and a production testing program is in progress. The well was targeted to explore for and develop oil and natural gas from multiple reservoir horizons in the Uintah Basin, Utah. Initial testing was focused on the evaluation of the productive potential of the Mesaverde tight gas reservoir over a prospective interval from 14,000 to 17,400 feet. Eight separate zones have been hydraulically fractured and multiple extended flow tests have been performed. We have tested flow rates of 1.5 to 2 MMCFD from selected intervals in the well. These tests have not conclusively determined the commercial potential of stand-alone Mesaverde development in the current gas price environment.

We have also initiated testing of multiple oil bearing intervals at depths from 8,200 feet to 9,500 feet in the Lower Green River and Upper Wasatch formations in the Bar F well. We have hydraulically fractured six zones, and flow testing is currently in progress. The objective of the oil testing program is to determine whether the oil bearing zones will demonstrate flow rates capable of commercial production in stand-alone vertical wells targeted to develop these reservoirs.

Results to date indicate a potential oil discovery in the Green River and Wasatch formations. We have tested 41 degree API crude oil from the uppermost horizon in the well at an average rate of 300 BOPD for an approximately 24 hour flow period with a flowing surface pressure in excess of 2200 psi. After drilling out plugs installed to isolate the remaining fractured zones, additional testing will be conducted over the entire oil bearing interval over the next few weeks.

We are currently evaluating our plans for follow-up drilling to the Bar F. We anticipate the likelihood of conducting an active appraisal and development drilling program in the second half of 2010. Our 2010 budget for the Antelope Bar F program is $5.7 million, although that budget could increase to $33.0 million contingent on the final test results and the magnitude of the 2010 appraisal and development drilling program.

Indonesia - Budong-Budong

In 2009, we completed interpretation of 2-D seismic data and began the process of preparing two locations for test wells. After numerous delays, the operator is close to mobilizing the drilling rig and associated equipment to the first location and plans to commence drilling operations in the second quarter of 2010. Harvest will fund 100 percent of the well expenditures up to a cap $10.7 million to earn our 47 percent working interest. Costs above that threshold will be shared proportionately with our partner. Our 2010 budget for the Budong-Budong project is $14.9 million, although that budget could increase to include appraisal drilling, depending on the well results.

Gabon - Dussafu Marin

The focus of operations in 2009 was reprocessing and interpretation of 2-D seismic data and pre-stack depth reprocessing of 3-D seismic data, which resulted in improved imaging and target identification. As a result of the improved imaging, we have matured the prospect inventory and identified several prospective targets in the sub-salt section in the Gamba and Syn-rift plays. These plays are commercially productive in the nearby Etame, Lucina and M'Bya fields. Subject to rig availability, we plan to drill an exploration well in the Dussafu prospect in the fourth quarter of 2010. The 2010 budget for the Dussafu PSC is $2.2 million, although this budget could be increased to $20.1 million contingent on rig availability and drilling results.

Oman - Block 64

We secured an Exploration, Production and Sharing Agreement (EPSA) with Oman for the Al Ghubar/Qarn Alam license (Block 64). The block covers 955,600 acres located in the gas and condensate rich Ghaba Salt Basin located near the established Barik, Saih Rawl and Saih Nihayda gas and condensate fields. We have a 100 percent working interest in the block during the exploration phase with an obligation to drill two wells over a three-year period with a funding commitment of $22.0 million. If natural gas is discovered, then our partner, Petroleum Development of Oman, has the option to back-in to a 20 percent interest. We are currently compiling and analyzing existing data to identify drillable prospects. In 2010, we expect to complete well planning in preparation of drilling the first well in 2011. The 2010 budget for this project is $2.8 million with additional contingent funds of $1.9 million.

LIQUIDITY AND CAPITAL RESOURCES

We ended 2009 with a cash balance of approximately $32.3 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 2009 Form 10-K.

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 Time on Tuesday, March 16, 2010, during which management will discuss Harvest's 2009 fourth quarter and year-end results. The conference leader will be James A. Edmiston, President and Chief Executive Officer. To access the conference call, dial 800-946-0712 or 719-325-2361, five to ten minutes prior to the start time. At that time you will be asked to provide the conference number, which is 6924463. A recording of the conference call will also be available for replay at 719-457-0820, passcode 6924463, until March 26, 2010.

The Company intends to file its 2009 Form 10-K with the Securities and Exchange Commission on Tuesday, March 16, 2010. A copy of the Form 10-K will be available on the Company's website at www.harvestnr.com.

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 web site 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 web site 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, producing and exploration assets in the United States, exploration assets in Indonesia, West Africa and 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.

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

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

	December 31,	
	2009	2008
ASSETS:		

CURRENT ASSETS:		
Cash and cash equivalents	$32,317	$97,165
Accounts and notes receivable, net	11,478	11,570
Advances to equity affiliate	4,927	3,732
Prepaid expenses and other	2,214	3,964
Total current assets	50,936	116,431
OTHER ASSETS	3,613	3,316
INVESTMENT IN EQUITY AFFILIATES	233,989	218,982
PROPERTY AND EQUIPMENT, net	60,241	23,537
TOTAL ASSETS	$348,779	$362,266
LIABILITIES AND EQUITY:		
CURRENT LIABILITIES:		
Accounts payable, trade and other	$696	$1,662
Accrued expenses	10,253	12,241
Advance from equity affiliate	-	20,750
Accrued Interest	4,691	4,691
Income taxes payable	1,090	77
Total current liabilities	16,730	39,421
ASSET RETIREMENT OBLIGATION	50	-
EQUITY:		
STOCKHOLDERS' EQUITY:		
Common stock and paid-in capital	213,732	209,259
Retained earnings	126,244	129,351
Treasury stock	(65,383)	(65,368)
Total Harvest stockholders' equity	274,593	273,242
Noncontrolling Interest	57,406	49,603
Total Equity	331,999	322,845
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$348,779	$362,266

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

	Three months Ended December 31,		Twelve months Ended December 31,	
	2009	2008	2009	2008
REVENUE:				
Oil Sales	$160	$-	$160	$-
Gas Sales	21		21	

	181	-	181	-
EXPENSES:				
Depletion, depreciation, amortization and impairment	154	60	436	201
Dry hole costs	-	10,828	-	10,828
Exploration expense	2,509	7,350	7,824	16,402
General and administrative	2,889	7,881	21,854	27,215
Taxes other than on income	260	301	1,026	(206)
	5,812	26,420	31,140	54,440
LOSS FROM OPERATIONS	(5,631)	(26,420)	(30,959)	(54,440)
OTHER NON-OPERATING INCOME (EXPENSE)				
Gain on financing transactions	-	-	-	3,421
Investment earnings and other	234	659	1,085	3,663
Interest expense	(5)	11	(5)	(1,730)
	229	670	1,080	5,354
NET LOSS BEFORE INCOME TAXES	(5,402)	(25,750)	(29,879)	(49,086)
Income tax expense	37	(56)	1,182	25
NET LOSS FROM CONSOLIDATED COMPANIES	(5,439)	(25,694)	(31,061)	(49,111)
Net income from unconsolidated equity affiliates	13,981	11,049	35,757	34,576
NET INCOME (LOSS)	8,542	(14,645)	4,696	(14,535)
Less: Net Income Noncontrolling Interest	3,467	2,154	7,803	6,929
NET INCOME (LOSS) ATTRIBUTABLE TO HARVEST NATURAL RESOURCES, INC.	$5,075	$(16,799)	$(3,107)	$(21,464)
NET INCOME (LOSS) PER COMMON SHARE:				
Basic	$0.15	$(0.51)	($0.09)	($0.63)
Diluted	$0.15	$(0.51)	($0.09)	($0.63)
Weighted average shares outstanding:				
Basic	33.2	32.9	33.1	34.1
Diluted	33.5	32.9	33.1	34.1

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

	Three months Ended December 31,		Twelve months Ended December 31,	
	2009	2008	2009	2008
Cash Flows From Operating Activities:				
Net Income (loss)	$8,542	$(14,645)	$4,696	$(14,535)

Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depletion, depreciation and amortization	154	60	436	201
Dry hole costs	-	10,828	-	10,828
Asset Retirement Obligation	-	-		-
Gain on financing transactions	-	-	-	(3,421)
Net income from unconsolidated equity affiliate	(13,981)	(11,049)	(35,757)	(34,576)
Non-cash compensation related charges	982	2,000	4,087	6,061
Dividends received from unconsolidated equity affiliate	-	-	-	72,530
Changes in operating assets and liabilities:				
Accounts and notes receivable	96	(573)	92	548
Advances to equity affiliate	(522)	(496)	(1,195)	12,620
Prepaid expenses and other	551	(2,653)	(1,055)	(5,632)
Commodity hedging contract	-	-		
Accounts payable	(213)	1,397	(966)	(2,957)
Accounts payable, related party	-	-	-	(10,093)
Advance from equity affiliate	-	20,750	-	20,750
Accrued expenses	(6,792)	291	(6,296)	(1,073)
Accrued Interest	-	(25)	-	(445)
Income taxes payable	14	(100)	1,013	(426)
Net Cash Provided By (Used In) Operating Activities	(11,169)	5,785	(34,945)	50,380
Cash Flows From Investing Activities:				
Additions of property and equipment	(5,326)	(9,078)	(28,022)	(26,317)
Investment in equity affiliate	-	(2,161)	-	(2,161)
Decrease in restricted cash	-	-	-	6,769
Investment costs	(209)	(205)	(581)	(1,346)
Net Cash Used In Investing Activities	(5,535)	(11,444)	(28,603)	(23,055)
Cash Flows From Financing Activities:				
Net proceeds from issuances of common stock	164	220	386	1,565
Purchase of treasury stock	-	(1,023)	-	(29,416)
Payments on notes payable	-	-	-	(7,211)
Financing costs	(132)	(152)	(1,686)	(1,075)
Dividends paid to noncontrolling interest	-	(14,506)	-	(14,864)
Net Cash Used In Financing Activities	32	(15,461)	(1,300)	(51,001)
Net Increase (Decrease) in Cash	(16,672)	(21,120)	(64,848)	(23,676)
Cash and Cash Equivalents at Beginning of Period	48,989	118,285	97,165	120,841
Cash and Cash Equivalents at End				

of Period	$32,317	$97,165	$32,317	$97,165

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

	Three months Ended December 31,	
	2009	2008
Barrels of oil sold	2,165	1,562
MCF of gas sold	764	1,636
Total BOE	2,292	1,835
Total BOE - Net of 33.33% Royalty	1,528	1,223
Average price/barrel	$70.00	$46.57
Average price/mcf	$1.54	$1.54

	$	$/BOE - net (1)	$	$/BOE - net (1)
REVENUES:				
Oil sales	$151,559		$72,746	
Gas sales	1,170		2,514	
Royalties	(54,377)		(32,833)	
	98,352	64.37	42,427	34.69
EXPENSES:				
Operating expenses	6,732	4.41	13,469	11.01
Workovers	-	-	10,870	8.89
Depletion, depreciation, amortization	9,951	6.51	8,034	6.57
General and administrative	(1,812)	(1.19)	11,952	9.77
Windfall profits tax	882	0.58	-	
Taxes other than on income	(2,789)	(1.83)	(10,629)	(8.69)
	12,964	8.48	33,696	27.55
INCOME FROM OPERATIONS	85,388	55.89	8,731	7.14
Investment Earnings and Other	(3,617)	(2.37)	(2,329)	(1.91)
Income before income tax	81,771	53.52	6,402	5.23
Current income tax expense	37,417	24.49	9,163	7.49
Deferred income tax (benefit)	(4,402)	(2.88)	(27,089)	(22.15)
NET INCOME	48,756	31.91	24,328	19.89
Adjustment to reconcile to reported Net Income from Unconsolidated Equity Affiliate:				
Deferred income tax benefit	6,418		9,839	
Net income equity affiliate	42,338		14,489	

Equity interest in unconsolidated equity affiliate	40%	40%
Income before amortization of excess basis in equity affiliate	16,935	5,796
Amortization of excess basis in equity affiliate	(363)	(290)
Conform depletion expense to GAAP	(285)	4,307
Reserve for interest receivable (net of tax)	-	2,428
Net income from unconsolidated equity affiliate	$16,287	$12,241

Non-GAAP Financial Measures:

Reconcile NET INCOME as reported under IFRS to adjusted EBITDA:				
NET INCOME	$48,756	31.91	$24,328	19.89
Add back non-cash:				
Depletion, depreciation and amortization	9,951	6.51	8,034	6.57
Pension Liability	(8,346)	(5.46)	-	-
Deferred income tax (benefit)	(4,402)	(2.88)	(27,089)	(22.15)
CASH FROM OPERATIONS	45,959	30.08	5,273	4.31
Investment earnings and other	3,617	2.37	2,329	1.91
Current income tax expense	37,417	24.49	9,163	7.49
Adjusted EBITDA (IFRS)	$86,993	56.94	$16,765	13.71

	Twelve months Ended December 31,	
	2009	2008
Barrels of oil sold	7,835	5,505
MCF of gas sold	4,397	10,700
Total BOE	8,568	7,288
Total BOE - Net of 33.33% Royalty	5,712	4,859
Average price/barrel	$57.62	$83.22
Average price/mcf	$1.54	$1.54

	$	$/BOE - net (1)	$	$/BOE - net (1)
REVENUES:				
Oil sales	$451,473		$458,113	
Gas sales	6,778		16,506	
Royalties	(156,799)		(168,790)	

	301,452	52.77	305,829	62.94
EXPENSES:				
Operating expenses	48,311	8.46	52,946	10.90
Workovers	-	-	24,663	5.08
Depletion, depreciation, amortization	33,666	5.89	25,509	5.24
General and administrative	9,746	1.71	5,974	1.23
Windfall profits tax	882	0.15	56,377	11.60
Taxes other than on income	-	-	-	-
	92,605	16.21	165,469	34.05
INCOME FROM OPERATIONS	208,847	36.56	140,360	28.89
Investment Earnings and Other	(3,617)	(0.63)	(2,329)	(0.48)
Income before income tax	205,230	35.93	138,031	28.41
Current income tax expense	105,868	18.53	69,374	14.28
Deferred income tax (benefit)	(43,922)	(7.68)	(52,560)	(10.82)
NET INCOME	143,284	25.08	121,217	24.95
Adjustment to reconcile to reported Net Income from Unconsolidated Equity Affiliate:				
Deferred income tax benefit	38,516		34,827	
Net income equity affiliate	104,768		86,390	
Equity interest in unconsolidated equity affiliate	40%		40%	
Income before amortization of excess basis in equity affiliate	41,907		34,556	
Amortization of excess basis in equity affiliate	(1,356)		(1,155)	
Conform depletion expense to GAAP	183		2,533	
Reserve for interest receivable (net of tax)			-	
Net income from unconsolidated equity affiliate	$40,734		$35,934	

Non-GAAP Financial Measures:

Reconcile NET INCOME as reported under IFRS to adjusted EBITDA:				
NET INCOME	$143,284	25.08	$121,217	24.95
Add back non-cash:				
Depletion, depreciation and amortization	33,666	5.89	25,509	5.24
Pension Liability	7,209	1.26	-	-
Deferred income tax (benefit)	(43,922)	(7.68)	(52,560)	(10.82)
CASH FROM OPERATIONS	140,237	24.55	94,166	19.37
Investment earnings and other	3,617	0.63	2,329	0.48
Current income tax expense	105,868	18.53	69,374	14.28

Adjusted EBITDA (IFRS)	$249,722	43.71	$165,869	34.13
	========	=====	========	=====

(1) $/BOE costs are now calculated on a net 33.33% royalty basis.

SOURCE Harvest Natural Resources, Inc.

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