

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

As at (millions of Canadian dollars)	Notes	June 30, 2015	December 31, 2014
Assets			
Current assets			
Accounts receivable	12	\$ 78.1	\$ 89.8
Inventories		0.7	2.6
Prepaid expenses		11.4	13.9
Risk management contracts	12	3.6	1.9
		93.8	108.2
Non-current assets			
Deferred income tax asset	15	500.0	382.5
Exploration and evaluation assets	8	64.8	62.1
Property, plant and equipment	7	3,972.8	4,109.9
Investments in joint ventures	9	136.7	75.8
Goodwill		345.4	353.1
		5,019.7	4,983.4
Total assets		\$ 5,113.5	\$ 5,091.6
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	12, 14	\$ 186.4	\$ 370.2
Current portion of provisions	13	46.9	37.3
Related party loan	11,12, 21	151.4	—
Risk management contracts	12	2.7	1.2
		387.4	408.7
Non-current liabilities			
Long-term debt	10, 12	2,285.7	1,916.8
Related party loans	11,12, 21	423.5	396.5
Long-term liability	12, 14	53.6	61.5
Non-current provisions	13	740.5	773.3
		3,503.3	3,148.1
Total liabilities		\$ 3,890.7	\$ 3,556.8
Shareholders' equity			
Shareholder's capital		3,860.8	3,860.8
Contributed surplus		10.5	10.3
Deficit		(2,648.2)	(2,337.7)
Accumulated other comprehensive income	19	(0.3)	1.4
Total shareholder's equity		1,222.8	1,534.8
Total liabilities and shareholder's equity		\$ 5,113.5	\$ 5,091.6

Commitments [Note 20]

Subsequent events [Note 10]

The accompanying notes are an integral part of these consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (UNAUDITED)

(millions of Canadian dollars)	Notes	Three months ended June 30		Six months ended June 30	
		2015	2014	2015	2014
Petroleum and natural gas sales		\$ 143.0	\$ 295.0	\$ 269.4	\$ 582.7
Royalties		(12.2)	(50.9)	(25.3)	(87.2)
Income (loss) from joint ventures	9	(10.1)	0.2	(16.0)	0.2
Revenues and other income		120.7	244.3	228.1	495.7
Expenses					
Operating		69.9	81.4	143.4	169.9
Transportation and marketing		1.7	7.4	2.9	13.6
General and administrative		14.3	16.1	33.3	33.0
Depletion, depreciation and amortization	7	98.9	110.2	197.3	219.7
Exploration and evaluation	8	3.7	0.4	4.6	9.1
Losses (Gains) on disposition of assets	8	5.8	(2.1)	5.3	(1.4)
Finance costs	16	38.1	24.9	61.7	49.1
Risk management contracts gains	12	(4.4)	(1.3)	(1.9)	(2.0)
Foreign exchange losses (gains)	17	(22.5)	(51.6)	117.0	4.6
Impairment on property, plant and equipment	7	70.7	—	94.2	—
Income (loss) from continuing operations before		(155.5)	58.9	(429.7)	0.1
Current income tax expense	15	5.3	—	5.1	—
Future income tax expense (recovery)	15	(73.8)	13.8	(124.3)	7.1
Net income (loss) from continuing operations		(87.0)	45.1	(310.5)	(7.0)
Net loss from discontinued operations	6	—	(69.8)	—	(14.9)
Net loss		\$ (87.0)	\$ (24.7)	\$ (310.5)	\$ (21.9)
Other comprehensive loss ("OCL")					
<i>Items that may be reclassified to net income</i>					
Gains (losses) on designated cash flow hedges,	12, 19	(1.4)	4.1	(1.7)	(3.1)
Gains (losses) on foreign currency translation		—	14.0	—	(1.5)
<i>Items that will not be reclassified to net income</i>					
Actuarial losses, net of tax		—	(2.9)	—	(3.9)
Comprehensive loss		\$ (88.4)	\$ (9.5)	\$ (312.2)	\$ (30.4)

The accompanying notes are an integral part of these consolidated financial statements.

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
(UNAUDITED)**

<i>(millions of Canadian dollars)</i>	Notes	Shareholder's Capital	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income (Loss) ("AOCI")	Total Shareholder's Equity
Balance at December 31, 2014		\$ 3,860.8	\$ 10.3	\$ (2,337.7)	\$ 1.4	\$ 1,534.8
Losses on derivatives designated as cash flow hedges, net of tax	19	—	—	—	(1.7)	(1.7)
Shareholder loan	21	—	0.2	—	—	0.2
Net loss		—	—	(310.5)	—	(310.5)
Balance at June 30, 2015		\$ 3,860.8	\$ 10.5	\$ (2,648.2)	\$ (0.3)	\$ 1,222.8
Balance at December 31, 2013		\$ 3,860.8	\$ 4.3	\$ (1,893.2)	\$ (32.7)	\$ 1,939.2
Losses on derivatives designated as cash flow hedges, net of tax		—	—	—	(3.1)	(3.1)
Losses on foreign currency translation		—	—	—	(1.5)	(1.5)
Actuarial losses, net of tax		—	—	—	(3.9)	(3.9)
Shareholder loan		—	6.0	—	—	6.0
Net loss		—	—	(21.9)	—	(21.9)
Balance at June 30, 2014		\$ 3,860.8	\$ 10.3	\$ (1,915.1)	\$ (41.2)	\$ 1,914.8

The accompanying notes are an integral part of these consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

		Six months ended June 30	
(millions of Canadian dollars)	Notes	2015	2014
Cash provided by (used in)			
Operating Activities			
Net loss		\$ (310.5)	\$ (21.9)
Items not requiring cash			
Loss (income) from joint ventures	9	16.0	(0.2)
Depletion, depreciation and amortization	7	197.3	226.7
Accretion of decommissioning and environmental remediation liabilities	13, 16	10.3	11.6
Unrealized gains on risk management contracts	12	(2.6)	(2.5)
Unrealized losses on foreign exchange	6, 17	116.1	1.4
Unsuccessful exploration and evaluation cost	8	4.6	8.6
Losses (Gains) on disposition of assets		5.3	(1.6)
Deferred income tax (recovery) expense	15	(124.3)	8.1
Impairment on property, plant and equipment	7	94.2	—
Other non-cash items		17.3	7.6
Settlement of decommissioning and environmental remediation liabilities	13	(7.4)	(3.6)
Change in non-cash working capital	18	(71.4)	24.0
Cash from (used in) operating activities		\$ (55.1)	\$ 258.2
Financing Activities			
Credit facility (repayment) borrowings, net	10	266.4	(66.1)
Repayment of promissory note		—	(6.1)
Borrowings from related party loans		148.5	120.0
Cash from financing activities		\$ 414.9	\$ 47.8
Investing Activities			
Additions to property, plant and equipment	7	(187.4)	(286.7)
Additions to exploration and evaluation assets	8	(0.5)	(10.3)
Property dispositions, net of acquisitions		31.7	36.1
Corporate acquisition, net of cash acquired	5	(34.9)	—
Investment in joint ventures	9	(76.7)	—
Change in non-cash working capital	18	(92.0)	(45.1)
Cash used in investing activities		\$ (359.8)	\$ (306.0)
Change in cash		—	—
Cash, at beginning of the period		—	—
Cash, at end of the period		\$ —	\$ —
Interest paid		\$ 17.4	\$ 33.4

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and six months ended June 30, 2015 and 2014

(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

1. Nature of Operations and Structure of the Company

Harvest Operations Corp. ("Harvest" or the "Company") is an energy company in the business of the exploration, development, and production of crude oil, bitumen, natural gas and natural gas liquids in western Canada. Harvest has two reportable segments: Upstream and BlackGold oil sands. For further information regarding these reportable segments, see note 4.

Harvest is a wholly owned subsidiary of Korea National Oil Corporation ("KNOC"). The Company is incorporated and domiciled in Canada. Harvest's principal place of business is located at 1500, 700 – 2nd Street SW, Calgary, Alberta, Canada T2P 2W1.

2. Basis of Presentation

These condensed interim consolidated financial statements have been prepared in accordance with the International Accounting Standard ("IAS") 34 – "Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The interim consolidated financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the annual Consolidated Financial Statements as at and for the year ended December 31, 2014, which were prepared in accordance with IFRS.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on August 13, 2015.

Basis of Measurement

The condensed interim consolidated financial statements have been prepared on the historical cost basis except for held-for-trading financial assets and derivative financial instruments, which are measured at fair value.

Functional and Presentation Currency

In these condensed interim consolidated financial statements, unless otherwise indicated, all dollar amounts are expressed in Canadian dollars, which is the Company's functional currency. All references to US\$ are to United States dollars.

Use of Estimates and Judgment

Significant estimates and judgment used in the preparation of the financial statements are described in note 5 of the annual Consolidated Financial Statements as at and for the year ended December 31, 2014.

3. Significant Accounting Policies

These condensed interim consolidated financial statements follow the same accounting principles and methods of application as those disclosed in note 4 of the Company's annual Consolidated Financial Statements as at and for the year ended December 31, 2014.

There were no new or amended standards issued during the three and six months ended June 30, 2015 that are applicable to Harvest in future periods. A description of additional accounting pronouncements that will be adopted by Harvest in future periods can be found in note 3 of the Audited Consolidated Financial Statements for the year ended December 31, 2014.

4. Segment Information

Harvest's operating segments are determined based on information regularly reviewed for the purposes of decision making, allocating resources and assessing operational performance by Harvest's chief operating decision makers. The Company's reportable segments are:

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- Upstream Operations, which consists of exploration, development, production and subsequent sale of petroleum, natural gas and natural gas liquids in western Canada.
- BlackGold Oil Sands, which is an in-situ oil sands project located near Conklin, Alberta. Phase 1 of the project is designed to produce 10,000 barrels of bitumen per day. The project is currently in the pre-commissioning phase.

Harvest's Downstream segment was sold during 2014 and has been classified as discontinued operations (see note 6).

	Three months ended June 30					
	Upstream		BlackGold		Total	
	2015	2014	2015	2014	2015	2014
Petroleum and natural gas sales	\$ 143.0	\$ 295.0	\$ —	\$ —	\$ 143.0	\$ 295.0
Royalties	(12.2)	(50.9)	—	—	(12.2)	(50.9)
Loss (income) from joint ventures	(10.1)	0.2	—	—	(10.1)	0.2
Revenues and other income	120.7	244.3	—	—	120.7	244.3
Expenses						
Operating	65.6	81.4	4.3	—	69.9	81.4
Transportation and marketing	1.7	7.4	—	—	1.7	7.4
General and administrative	12.9	16.1	1.4	—	14.3	16.1
Depletion, depreciation and amortization	98.8	110.2	0.1	—	98.9	110.2
Exploration and evaluation	3.7	0.4	—	—	3.7	0.4
Losses (Gains) on disposition of assets	5.8	(2.1)	—	—	5.8	(2.1)
Risk management contracts gains	(4.4)	(1.3)	—	—	(4.4)	(1.3)
Impairment and other charges	70.7	—	—	—	70.7	—
Operating (loss) income	\$ (134.1)	\$ 32.2	\$ (5.8)	\$ —	\$ (139.9)	\$ 32.2
Finance costs					38.1	24.9
Foreign exchange gains					(22.5)	(51.6)
Current income tax expense					5.3	-
Future income tax expense (recovery)					(73.8)	13.8
Net (loss) income from continuing operations					(87.0)	45.1
Net loss from discontinued operations					—	(69.8)
Net loss	\$ (87.0)	\$ (24.7)				

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	Six months ended June 30					
	Upstream		BlackGold		Total	
	2015	2014	2015	2014	2015	2014
Petroleum and natural gas sales	\$ 269.4	\$ 582.7	\$ —	\$ —	\$ 269.4	\$ 582.7
Royalties	(25.3)	(87.2)	—	—	(25.3)	(87.2)
Loss (income) from joint ventures	(16.0)	0.2	—	—	(16.0)	0.2
Revenues and other income	228.1	495.7	—	—	228.1	495.7
Expenses						
Operating	138.0	169.9	5.4	—	143.4	169.9
Transportation and marketing	2.9	13.6	—	—	2.9	13.6
General and administrative	31.9	33.0	1.4	—	33.3	33.0
Depletion, depreciation and amortization	197.1	219.7	0.2	—	197.3	219.7
Exploration and evaluation	4.6	9.1	—	—	4.6	9.1
Losses (Gains) on disposition of assets	5.3	(1.4)	—	—	5.3	(1.4)
Risk management contracts gains	(1.9)	(2.0)	—	—	(1.9)	(2.0)
Impairment on property, plant and equipment	94.2	—	—	—	94.2	—
Operating (loss) income	\$ (244.0)	\$ 53.8	\$ (7.0)	\$ —	\$ (251.0)	\$ 53.8
Finance costs					61.7	49.1
Foreign exchange losses					117.0	4.6
Current income tax expense					5.1	—
Future income tax expense (recovery)					(124.3)	7.1
Net loss from continuing operations					(310.5)	(7.0)
Net loss from discontinued operations					—	(14.9)
Net loss					\$ (310.5)	\$ (21.9)

	Three months ended June 30					
	Upstream		BlackGold		Total	
	2015	2014	2015	2014	2015	2014
Capital Additions						
Additions to PPE	\$ 48.3	\$ 57.6	\$ 3.8	\$ 49.2	\$ 52.1	\$ 106.8
Additions to E&E	0.1	4.0	—	—	0.1	4.0
Property dispositions, net of acquisitions	(58.0)	(90.4)	—	—	(58.0)	(90.4)
Net capital additions (disposals)	\$ (9.6)	\$ (28.8)	\$ 3.8	\$ 49.2	\$ (5.8)	\$ 20.4

	Six months ended June 30					
	Upstream		BlackGold		Total	
	2015	2014	2015	2014	2015	2014
Capital Additions						
Additions to PPE	\$ 104.5	\$ 185.6	\$ 64.6	\$ 91.4	\$ 169.1	\$ 277.0
Additions to E&E	0.5	10.3	—	—	0.5	10.3
Corporate acquisition	48.6	—	—	—	48.6	—
Property dispositions, net of acquisitions	(58.5)	(92.5)	—	—	(58.5)	(92.5)
Net capital additions	\$ 95.1	\$ 103.4	\$ 64.6	\$ 91.4	\$ 159.7	\$ 194.8

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	Total Assets		PP&E		E&E		Goodwill	
June 30, 2015								
Upstream	\$	3,613.7	\$	2,473.1	\$	64.8	\$	345.4
BlackGold		1,499.8		1,499.7		—		—
Total	\$	5,113.5	\$	3,972.8	\$	64.8	\$	345.4
December 31, 2014								
Upstream	\$	3,656.8	\$	2,675.3	\$	62.1	\$	353.1
BlackGold		1,434.8		1,434.6		—		—
Total	\$	5,091.6	\$	4,109.9	\$	62.1	\$	353.1

5. Business Combination

On February 27, 2015, Harvest acquired all of the issued and outstanding common shares of Hunt Oil Company of Canada, Inc. ("Hunt"). Hunt was a private oil and gas company with operations immediately offsetting Harvest's lands and production in the Deep Basin area of Alberta.

The acquisition was accounted for as a business combination. The provisional fair values of identifiable assets and liabilities as at the date of acquisition were:

Consideration			
Cash		\$	36.8
			36.8
Fair value of net assets acquired			
Cash		\$	2.2
Accounts receivable			1.0
Prepaid expenses			0.2
Property, plant and equipment			41.9
Exploration and evaluation assets			6.7
Accounts payable and accrued liabilities			(4.4)
Decommissioning liability			(3.2)
Deferred income tax liability			(7.6)
		\$	36.8

The above amounts are estimates made by management at the time of the preparation of these condensed interim consolidated financial statements based on information then available. Amendments may be made as amounts subject to estimates are finalized.

These condensed interim consolidated financial statements incorporate the results of operations of Hunt from February 27, 2015. For the six months ended June 30, 2015, the assets acquired contributed \$0.9 million of revenues and \$0.5 million to revenues less operating and transportation expenses. If the acquisition had been completed on the first day of 2015, Harvest's revenues for the six months ended June 30, 2015 would have been \$0.5 million higher and revenues less operating and transportation expenses would have been \$0.3 million higher.

6. Discontinued Operations

On November 13, 2014, Harvest disposed of its wholly owned Downstream segment. Results of Downstream have been presented as discontinued operations for the comparative periods. Downstream operations included the purchase and refining of crude oil at a medium gravity sour crude oil hydrocracking refinery, and the sale of the refined products to commercial, wholesale and retail customers.

	Three months ended June 30, 2014	Six months ended June 30, 2014
Refined products sales	\$ 1,120.4	\$ 2,233.8
Expenses		
Purchased products for resale and processing	1,103.8	2,111.8
Operating	57.7	126.3
Transportation and marketing	2.2	3.9
General and administrative	0.2	0.3
Depletion, depreciation and amortization	3.4	7.0
Gains on disposition of assets	—	(0.2)
Operating loss from discontinued operations	\$ (46.9)	\$ (15.3)
Finance costs	0.4	0.8
Foreign exchange losses (gains) ⁽¹⁾	21.8	(2.2)
Loss before income tax from discontinued operations	\$ (69.1)	\$ (13.9)
Income tax expense	0.7	1.0
Net loss from discontinued operations	\$ (69.8)	\$ (14.9)

⁽¹⁾ For the three and six months ended June 30, 2014, Downstream recognized an unrealized foreign exchange loss of \$21.4 million and gain of \$2.3 million, respectively.

The following table summarizes the components of the discontinued operations cash flows:

	Three months ended June 30, 2014	Six months ended June 30, 2014
Cash flow used in operating activities	\$ (83.8)	\$ (7.7)
Cash flow from financing activities	85.6	23.5
Cash flow used in investing activities	(1.8)	(15.8)
Total cash inflow (outflow)	\$ —	\$ —

7. Property, Plant and Equipment ("PP&E")

	Upstream	BlackGold	Total
Cost:			
As at December 31, 2013 ⁽¹⁾	\$ 5,272.3	\$ 1,138.8	\$ 6,411.1
Additions	386.2	283.5	669.7
Property acquisitions	3.1	0.2	3.3
Disposals	(500.2)	—	(500.2)
Change in decommissioning liabilities	116.6	12.1	128.7
Transfer from E&E	7.2	—	7.2
As at December 31, 2014	\$ 5,285.2	\$ 1,434.6	\$ 6,719.8
Additions	104.5	64.6	169.1
Corporate acquisition	41.9	—	41.9
Disposals, net of property acquisitions	(132.6)	—	(132.6)
Change in decommissioning liabilities	1.3	0.7	2.0
As at June 30, 2015	\$ 5,300.3	\$ 1,499.9	\$ 6,800.2

Accumulated depletion, depreciation, amortization and impairment losses:

As at December 31, 2013 ⁽¹⁾	\$ 2,106.1	\$ —	\$ 2,106.1
Depreciation, depletion and amortization	435.2	—	435.2
Disposals	(199.0)	—	(199.0)
Impairment	267.6	—	267.6
As at December 31, 2014	\$ 2,609.9	\$ —	\$ 2,609.9
Depreciation, depletion and amortization	197.1	0.2	197.3
Disposals	(74.0)	—	(74.0)
Impairment	94.2	—	94.2
As at June 30, 2015	\$ 2,827.2	\$ 0.2	\$ 2,827.4

Net Book Value:

As at June 30, 2015	\$ 2,473.1	\$ 1,499.7	\$ 3,972.8
As at December 31, 2014	\$ 2,675.3	\$ 1,434.6	\$ 4,109.9

⁽¹⁾ The total carrying amount of property, plant and equipment excludes the Downstream segment.

General and administrative costs directly attributable to PP&E addition activities of \$3.6 million and \$8.4 million have been capitalized during the three and six months ended June 30, 2015 (2014 – \$4.5 million and \$9.8 million). Borrowing costs relating to the development of BlackGold assets have been capitalized within PP&E during the three and six months ended June 30, 2015 in the amount of \$nil and \$9.7 million, respectively (2014 – \$7.9 million and \$15.1 million), at a weighted average interest rate of 4.4% (2014 – 4.8% and 4.7%). PP&E additions also include non-cash additions relating to the BlackGold deferred payment of \$0.8 million (December 31, 2014 – \$1.6 million) (see note 14).

As at the end of the first quarter of 2015, the BlackGold oil sands central processing facility was mechanically completed, however, no depletion expense was incurred for the three and six months ended June 30, 2015 as Harvest uses the unit-of-production method and the BlackGold assets currently have no production.

PP&E impairment expense for the three and six months ended June 30, 2015 was \$70.7 million and \$94.2 million respectively (2014 - \$nil). During the first quarter of 2015, Harvest recognized an impairment loss of \$23.5 million against its Upstream PP&E in the South Oil cash generating unit to reflect lower forecasted oil prices and underperforming assets, which resulted in lower estimated future cash flows. The recoverable amount was based on the assets' value-in-use, estimated using the net present value of proved plus probable reserves discounted at a pre-tax rate of 10% and the forecast commodity prices noted below. The recoverable amount for the South Oil CGU was \$18.5 million. A 200 bps increase in the discount rate would result in an additional impairment of approximately \$0.7

million. A 10% decrease in the forward oil price estimate would result in an additional impairment of approximately \$8.0 million.

The following forecast commodity prices were used:

Year	WTI Crude Oil (\$US/bbl)	Edmonton Light Crude Oil		US\$/Cdn\$ Exchange Rate
		(\$Cdn/bbl)		
2015 (9 months)	55.00	61.25		0.800
2016	67.50	74.55		0.825
2017	72.50	79.41		0.850
2018	77.50	85.29		0.850
2019	82.50	91.18		0.850
Thereafter ⁽¹⁾	+2%/year	+2%/year		0.850

⁽¹⁾ Represents the average escalation percentage in each year after 2019 to the end of reserve life

During the second quarter of 2015, Harvest recognized an impairment loss of \$70.7 million (2014 – \$nil) against Upstream PP&E relating to the West Alberta Gas (\$33.7 million, 2014 - \$nil), South Alberta Gas (\$5.4 million, 2014 - \$nil) and East Central Oil (\$31.6 million, 2014 - \$nil) cash generating units ("CGU"). The impairment in the West Alberta Gas and South Alberta Gas was triggered primarily by a decline in gas prices while the impairment in the East Central Oil CGU was triggered by increase in estimated capital costs in the Bellshill area. The recoverable amounts were estimated at the assets' fair value less cost to sell ("FVLCS"), based on the net present value of pre-tax cash flows from oil and gas reserves estimated by an independent reserve evaluator and the estimated fair value of undeveloped land.

A 200 bps increase in the discount rate would result in an additional impairment of approximately \$24.7 million on the West and South Alberta Gas CGUs combined and \$11.1 million on the East Central Alberta Oil CGU. A 10% decrease in the forward commodity price estimates would result in an additional impairment of approximately \$30.9 million on the West and South Alberta Gas CGUs, collectively and \$28.7 million on the East Central Alberta Oil CGU.

In calculating the net present value of cash flows from oil and gas reserves, Harvest used a pre-tax discount rate of 10% for the West Alberta Gas and East Central Oil CGUs and 8% for South Alberta Gas and the following forecast commodity prices were used:

Year	WTI Crude Oil (\$US/bbl)	Edmonton Light Crude Oil		US\$/Cdn\$ Exchange Rate
		(\$Cdn/bbl)	AECO Gas (\$Cdn/Mmbtu)	
2015 (6 months)	61.25	71.56	3.13	0.800
2016	67.50	75.76	3.30	0.825
2017	70.00	76.47	3.50	0.850
2018	75.00	82.35	3.79	0.850
2019	80.00	88.24	3.99	0.850
2020	85.00	94.12	4.20	0.850
2021	90.00	100.00	4.40	0.850
2022	91.90	101.36	4.61	0.850
2023	93.73	103.38	4.80	0.850
2024	95.61	105.46	4.89	0.850
Thereafter ⁽¹⁾	+2%/year	+2%/year	+2%/year	0.850

⁽¹⁾ Represents the average escalation percentage in each year after 2024 to the end of reserve life

On May 1, 2015, Harvest closed the disposition of certain non-core oil and gas assets in Eastern Alberta for the total of \$28.4 million in net proceeds. Together with other insignificant dispositions of Upstream assets, Harvest

recognized a loss of \$5.8 million and \$5.3 million for the three and six months ended June 30, 2015 respectively (2014 - \$2.1 million and \$1.4 million gain, respectively) relating to the de-recognition of PP&E, E&E, goodwill and decommissioning and environmental liabilities.

8. Exploration and Evaluation Assets ("E&E")

As at December 31, 2013	\$	59.4
Additions		22.3
Property acquisitions		3.1
Disposition		(6.1)
Unsuccessful E&E costs		(9.4)
Transfer to property, plant and equipment		(7.2)
As at December 31, 2014	\$	62.1
Additions		0.5
Corporate acquisition		6.7
Acquisition, net of disposition		0.1
Unsuccessful E&E costs		(4.6)
As at June 30, 2015	\$	64.8

The Company determined certain E&E costs to be unsuccessful and not recoverable, which were expensed as follows, together with pre-licensing expenses.

	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
Pre-licensing costs	\$ —	\$ —	\$ —	\$ 0.5
Unsuccessful E&E costs	3.7	0.4	4.6	8.6
E&E expense	\$ 3.7	\$ 0.4	\$ 4.6	\$ 9.1

9. Investments in Joint Ventures

	June 30, 2015	December 31, 2014
Deep Basin Partnership ("DBP")	\$ 69.0	\$ 49.2
HK MS Partnership ("HKMS")	67.7	26.6
Investments in joint ventures	\$ 136.7	\$ 75.8

The following table shows the movement in the investments in joint ventures account during the period:

	DBP	HKMS
Balance as at December 31, 2013	\$ —	\$ —
Initial investment on April 23, 2014	54.9	—
Additional investments in joint ventures	—	26.7
Share of loss from investments in joint ventures	(4.6)	(0.1)
Distributions received from joint ventures	(2.3)	—
Dilution gain recognized on disposal of assets	1.2	—
Balance as at December 31, 2014	\$ 49.2	\$ 26.6
Additional investments in joint ventures	37.9	39.3
Share of income (loss) from investments in joint ventures	(18.3)	2.3
Distributions received from joint ventures	—	(0.5)
Dilution gain recognized on disposal of assets	0.2	—
Balance as at June 30, 2015	\$ 69.0	\$ 67.7

Deep Basin Partnership

During the six months ended June 30, 2015, Harvest contributed \$37.9 million into DBP to fund the initial multi-year development program, increasing Harvest's ownership interest in DBP to 79.30% as at June 30, 2015 and diluting KERR Canada Co. Ltd.'s ("KERR's") ownership interest to 20.70% (December 31, 2014 – 77.81% and 22.19%, respectively).

KERR's preferred partnership units provide KERR certain preference rights, including a put option right exercisable after 10.5 years, whereby KERR could cause DBP to redeem all its preferred partnership units for consideration equal to its initial contribution plus a minimum after-tax internal rate of return of two percent. If DBP does not have sufficient funds to complete the redemption obligation and after making efforts to secure funding, whether via issuing new equity, entering into a financing arrangement or selling assets, the partnership can cash-call Harvest to meet such obligation (the "top-up obligation"). This top-up obligation is accounted for by Harvest at fair value through profit and loss and is estimated using a probabilistic model of the estimated future cash flows of the DBP (level 3 fair value inputs). The cash flow forecast is based on management's internal assumptions of the volumes, commodity prices, royalties, operating costs and capital expenditures specific to the DBP. As at June 30, 2015, the fair value of the top-up obligation was estimated as \$nil, therefore, no top-up obligation was recorded by Harvest (December 31, 2014 - \$nil).

HK MS Partnership

During the six months ended June 30, 2015, Harvest contributed \$38.8 million, net of cash distribution received, into HKMS to complete the construction of the gas processing facility, increasing its ownership interest to 68.55% as at June 30, 2015 and diluting KERR's ownership interest to 31.45% (December 31, 2014 – 53.76% and 46.24%, respectively).

The following tables summarize the financial information of the DBP and HKMS joint ventures:

	June 30, 2015		December 31, 2014	
	DBP	HKMS	DBP	HKMS
Cash and cash equivalents	\$ —	\$ —	\$ 1.7	\$ —
Other current assets	22.2	15.8	51.7	0.6
Total current assets	\$ 22.2	\$ 15.8	\$ 53.4	\$ 0.6
Non-current assets	208.9	101.0	170.7	79.0
Total assets ⁽¹⁾	\$ 231.1	\$ 116.8	\$ 224.1	\$ 79.6
Current liabilities	\$ 32.3	\$ 4.7	\$ 46.4	\$ 13.6
Non-current financial liabilities	127.0	107.2	125.5	61.4
Other non-current liabilities	4.1	4.7	4.2	4.7
Total liabilities ⁽¹⁾	\$ 163.4	\$ 116.6	\$ 176.1	\$ 79.7
Net assets (liabilities) ⁽¹⁾	\$ 67.7	\$ 0.2	\$ 48.0	\$ (0.1)

⁽¹⁾ Balances represent 100% share of DBP and HKMS.

	Three months ended June 30			
	2015		2014 ⁽²⁾	
	DBP	HKMS	DBP	HKMS
Revenues	\$ 9.6	\$ 6.4	\$ 3.4	\$ —
Depletion, depreciation and amortization	(13.6)	(0.8)	(2.1)	—
Operating expenses and other	(8.0)	(0.5)	(0.3)	—
Finance costs	(0.7)	(4.3)	(0.6)	—
Net loss ⁽¹⁾	\$ (12.7)	\$ 0.8	\$ 0.4	\$ —

⁽¹⁾ Balances represent 100% share of DBP and HKMS.

⁽²⁾ For the period ended April 23, 2014 to June 30, 2014.

Six months ended June 30					
	2015		2014 ⁽²⁾		
	DBP	HKMS	DBP	HKMS	
Revenues	\$ 12.1	\$ 7.8	\$ 3.4	\$ —	
Depletion, depreciation and amortization	(17.9)	(1.4)	(2.1)	—	
Operating expenses and other	(11.1)	(1.0)	(0.3)	—	
Finance costs	(1.4)	(5.1)	(0.6)	—	
Net loss ⁽¹⁾	\$ (18.3)	\$ 0.3	\$ 0.4	\$ —	

⁽¹⁾ Balances represent 100% share of DBP and HKMS.

⁽²⁾ For the period ended April 23, 2014 to June 30, 2014.

The following table summarizes 100% of DBP's contractual obligations and estimated commitments as at June 30, 2015:

	Payments Due by Period				
	1 year	2-3 years	4-5 years	After 5 years	Total
Preferred distribution liability payments	\$ 5.6	\$ —	\$ —	\$ 127.0	\$ 132.6
Firm processing commitment	22.8	45.5	45.5	87.2	201.0
Decommissioning and environmental liabilities ⁽¹⁾	—	—	0.4	10.3	10.7
Total	\$ 28.4	\$ 45.5	\$ 45.9	\$ 224.5	\$ 344.3

⁽¹⁾ Represents the undiscounted obligation by period.

The following table summarizes 100% of HKMS's contractual obligations and estimated commitments as at June 30, 2015:

	Payments Due by Period				
	1 year	2-3 years	4-5 years	After 5 years	Total
Decommissioning and environmental liabilities ⁽¹⁾	\$ —	\$ —	\$ —	\$ 14.8	\$ 14.8
Total	\$ —	\$ —	\$ —	\$ 14.8	\$ 14.8

⁽¹⁾ Represents the undiscounted obligation by period.

Related party transactions

Deep Basin Partnership

As the operator of the DBP assets, Harvest collects revenues and pays expenses on behalf of DBP. In addition, as managing partner, Harvest charges DBP for marketing fees and general and administrative expenses. For the three and six months ended June 30, 2015, Harvest charged DBP marketing fee of \$0.2 million and \$0.3 million, respectively (2014 - \$nil) and general and administrative recovery of \$0.2 million and expense of \$0.3 million, respectively (2014 - \$0.3 million for both periods). As at June 30, 2015, \$12.7 million remains outstanding in due to DBP (December 31, 2014 - \$3.8 million).

A cash call payable of \$nil million is also outstanding to DBP as at June 30, 2015 relating to the estimated drilling and completion costs to be incurred on behalf of the DBP (December 31, 2014 - \$44.4 million).

HK MS Partnership

As the managing partner, Harvest incurs expenditures relating to the construction of the midstream facility on behalf of HKMS. In addition, Harvest also charged HKMS general and administrative recovery of \$0.1 million and expense \$0.1 million for the three and six months ended June 30, 2015 (2014 - \$nil). As at June 30, 2015, the balance of \$9.9 million remains outstanding in due from HKMS (December 31, 2014 - \$0.6 million).

10. Long-Term Debt

		June 30, 2015		December 31, 2014
Credit facility	\$	884.8	\$	617.6
6 $\frac{7}{8}$ % senior notes due 2017 (US\$500 million)		617.3		572.0
2 $\frac{1}{8}$ % senior notes due 2018 (US\$630 million)		783.6		727.2
Long-term debt outstanding	\$	2,285.7	\$	1,916.8

Credit facility

On April 22, 2015, Harvest amended its \$1 billion syndicated revolving credit facility and replaced it with a \$940 million revolving credit facility that matures on April 30, 2017, with a syndicate of eight financial institutions. On July 15, 2015 Harvest secured a \$60 million commitment from a new lender to increase the borrowing capacity of the new facility to \$1 billion. The facility is secured by KNOC's guarantee (up to \$1.0 billion) and by a first floating charge over all of the assets of Harvest and its material subsidiaries. Under the amended credit facility, applicable interest and fees will be based on a margin pricing grid based on the credit ratings of KNOC. The financial covenants under the previous credit facility were deleted and replaced with a new covenant: Total Debt to Capitalization ratio of 70% or less.

At June 30, 2015, Harvest had \$888.4 million drawn under the credit facility (December 31, 2014 - \$620.7 million). The carrying value of the credit facility includes \$3.6 million of deferred financial fees at June 30, 2015 (December 31, 2014 - \$3.1 million). For the three and six months ended June 30, 2015, interest charges on the credit facility borrowings aggregated to \$4.6 million and \$10.0 million (2014 - \$6.5 million and \$13.0 million), reflecting an effective interest rate 2.09% and 2.43%, respectively (2014 - 3.5% for both periods).

11. Capital Structure

Harvest considers its capital structure to be its long term debt, related party loans, and shareholder's equity.

		June 30, 2015		December 31, 2014
Credit facility ⁽¹⁾	\$	888.4	\$	620.7
6 $\frac{7}{8}$ % senior notes (US\$500 million) ⁽¹⁾⁽²⁾		624.5		580.1
2 $\frac{1}{8}$ % senior notes (US\$630 million) ⁽¹⁾⁽²⁾		786.9		730.9
Related party loans (US\$290 million and CAD\$200 million) ⁽³⁾		562.2		397.2
	\$	2,862.0	\$	2,328.9
Shareholder's equity		1,222.8		1,534.8
	\$	4,084.8	\$	3,863.7

⁽¹⁾ Excludes capitalized financing fees.

⁽²⁾ Face value converted at the period end exchange rate.

⁽³⁾ As at December 31, 2014, related party loans comprised of US\$170 million and CAD\$200 million.

Harvest's primary objective in its management of capital resources is to have access to capital to fund its financial obligations as well as future operating and capital activities. Harvest monitors its capital structure and makes adjustments according to market conditions to remain flexible while meeting these objectives. Accordingly, Harvest may adjust its capital spending programs, issue equity, issue new debt or repay existing debt.

Harvest evaluates its capital structure using the same financial covenant ratio as the ones externally imposed under the Company's credit facility. Harvest was in compliance with all debt covenants at June 30, 2015.

	Covenant	June 30, 2015	December 31, 2014
Total debt ⁽¹⁾ to capitalization ⁽²⁾	70% or less	57%	n/a

⁽¹⁾ Total debt was amended on April 22, 2015 (see note 10) and includes letters of credit of \$17.5 million, credit facility of \$884.8 million, guarantees of \$nil, risk management contracts liabilities of \$2.7 million, senior notes of \$1.4 billion, related party loans with maturity

date prior to April 30, 2017 of \$151.4 million plus an incremental net amount representing the implied redemption obligation owed to KERR by the Deep Basin Partnership of \$106.9 million.

- (2) Capitalization was amended on April 22, 2015 (see note 10) and includes total debt, related party loans with a maturity date after April 30, 2017, and shareholder's equity. The calculation of capitalization also included the following: (i) \$223.4 million representing 50% of impairment charges and unrealized gains and losses on foreign exchange hedge transactions disclosed in the December 31, 2014 annual consolidated financial statements of Harvest and (ii) \$47.1 million representing 50% of impairment charges and unrealized gains and losses on foreign exchange hedge transactions incurred during the first six months of 2015. The maximum amount under clause (ii) cannot exceed \$100 million.

12. Financial Instruments

(a) Fair Values

Financial instruments of Harvest consist of cash, accounts receivable, accounts payable and accrued liabilities, borrowings under the credit facility, risk management contracts, senior notes, related party loans and long term liability. Cash and risk management contracts are the only financial instruments that are measured at fair value on a recurring basis. Harvest classifies the fair value of these transactions according to the following hierarchy based on the amount of observable inputs used to value the instrument:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

	June 30, 2015		Fair Value Measurements	
	Carrying Value	Fair Value	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)
Financial Assets				
<u>Loans and Receivables Measured at Cost</u>				
Accounts receivable	\$ 78.1	\$ 78.1	\$ —	\$ 78.1
<u>Held for Trading</u>				
Fair value of risk management contracts	3.6	3.6	—	3.6
Total Financial Assets	\$ 81.7	\$ 81.7	\$ —	\$ 81.7
Financial Liabilities				
<u>Held for Trading</u>				
Fair value of risk management contracts	\$ 2.7	\$ 2.7	\$ —	\$ 2.7
<u>Measured at Amortized Cost</u>				
Accounts payable and accrued liabilities	186.4	186.4	—	186.4
Credit Facility	884.8	888.4	—	888.4
6% senior notes	617.3	577.7	—	577.7
2% senior notes	783.6	790.6	790.6	—
Related party loans	575.0	530.8	—	530.8
Long-term liability	52.2	52.2	—	52.2
Total Financial Liabilities	\$ 3,102.0	\$ 3,028.8	\$ 790.6	\$ 2,238.2

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	December 31, 2014		Fair Value Measurements	
	Carrying Value	Fair Value	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)
Financial Assets				
<u>Loans and Receivables Measured at Cost</u>				
Accounts receivable	\$ 89.8	\$ 89.8	\$ —	\$ 89.8
<u>Held for Trading</u>				
Fair value of risk management contracts	1.9	1.9	—	1.9
Total Financial Assets	\$ 91.7	\$ 91.7	\$ —	\$ 91.7
Financial Liabilities				
<u>Held for Trading</u>				
Fair value of risk management contracts	\$ 1.2	\$ 1.2	\$ —	\$ 1.2
<u>Measured at Amortized Cost</u>				
Accounts payable and accrued liabilities	370.2	370.2	—	370.2
Credit facility	617.6	620.7	—	620.7
6 $\frac{7}{8}$ % senior notes	572.0	561.9	—	561.9
2 $\frac{1}{8}$ % senior notes	727.2	727.2	727.2	—
Related party loans	396.5	367.9	—	367.9
Long-term liability	61.5	47.6	—	47.6
Total Financial Liabilities	\$ 2,746.2	\$ 2,696.7	\$ 727.2	\$ 1,969.5

b) Risk Management Contracts

The Company at times enters into natural gas, crude oil, electricity and foreign exchange contracts to reduce the volatility of cash flows from some of its forecast sales and purchases, and when allowable, will designate these contracts as cash flow hedges. These derivative contracts are entered for periods consistent with the underlying hedged transactions. Under hedge accounting, the effective portion of the unrealized gains and losses is included in OCL. When the hedged item is settled, the related effective portion of the realized gains and losses is removed from AOCI and included in petroleum and natural gas sales (see note 19). The ineffective portion of the unrealized and realized gains and losses are recognized in the consolidated statement of comprehensive loss.

Risk management contracts (gains) losses recorded to income include the ineffective portion of the gains or losses on the derivative contracts designated as cash flow hedges, the gains or losses on the derivatives that were not designated as hedges and the gains or losses subsequent to the discontinuation of hedge accounting on the previously designated derivatives:

Three months ended June 30						
	2015			2014		
	Realized gains	Unrealized losses	Total	Realized losses	Unrealized gains	Total
Power	\$ (0.9)	\$ (3.7)	\$ (4.6)	\$ 0.9	\$ (2.1)	\$ (1.2)
Crude Oil	—	—	—	—	(0.2)	(0.2)
Currency	0.2	—	0.2	0.1	—	0.1
	\$ (0.7)	\$ (3.7)	\$ (4.4)	\$ 1.0	\$ (2.3)	\$ (1.3)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended June 30								
2015					2014			
	Realized losses	Unrealized losses	Total		Realized losses	Unrealized gains	Total	
Power	\$ 0.5	\$ (2.6)	\$ (2.1)		\$ 0.5	\$ (2.5)	\$ (2.0)	
Currency	0.2	—	0.2		—	—	—	
	\$ 0.7	\$ (2.6)	\$ (1.9)		\$ 0.5	\$ (2.5)	\$ (2.0)	

The following is a summary of Harvest's risk management contracts outstanding at June 30, 2015:

Contracts Designated as Hedges

Contract Quantity	Type of Contract	Term	Contract Price	Fair value Assets/(Liabilities)
4,000 bbls/day	WCS price swap	July - Dec 2015	US\$44.65/bbl	\$ (1.9)
26,800 GJ/day	AECO swap	July - Dec 2015	\$2.92/GJ	1.4
				\$ (0.5)

Contracts Not Designated as Hedges

Contract Quantity	Type of Contract	Term	Contract Price	Fair value Assets/(Liabilities)
35 MWh	AESO power swap	July - Dec 2015	\$47.07/MWh	\$ 1.4

13. Provisions

	Upstream	BlackGold	Total
Decommissioning liabilities at December 31, 2013 ⁽¹⁾	\$ 709.4	\$ 34.3	\$ 743.7
Liabilities incurred	8.0	4.2	12.2
Settled during the period	(13.8)	—	(13.8)
Revisions (change in discount rate, estimated timing and costs)	108.6	7.9	116.5
Disposals	(80.9)	—	(80.9)
Accretion	20.7	1.1	21.8
Decommissioning liabilities at December 31, 2014	\$ 752.0	\$ 47.5	\$ 799.5
Environmental remediation at December 31, 2014	7.6	—	7.6
Other provisions at December 31, 2014	3.5	—	3.5
Less current portion	(37.3)	—	(37.3)
Balance at December 31, 2014	\$ 725.8	\$ 47.5	\$ 773.3
Decommissioning liabilities at December 31, 2014	\$ 752.0	\$ 47.5	\$ 799.5
Liabilities incurred	1.6	0.7	2.3
Corporate acquisition	3.2	—	3.2
Settled during the period	(7.4)	—	(7.4)
Revisions (change in estimated timing and costs)	(0.7)	0.4	(0.3)
Disposals	(29.3)	—	(29.3)
Accretion	8.8	0.6	9.4
Decommissioning liabilities at June 30, 2015	\$ 728.2	\$ 49.2	\$ 777.4
Environmental remediation at June 30, 2015	6.5	—	6.5
Other provisions at June 30, 2015	3.5	—	3.5
Less current portion	(46.9)	—	(46.9)
Balance at June 30, 2015	\$ 691.3	\$ 49.2	\$ 740.5

(1) The total decommissioning liabilities excludes the Downstream segment.

Harvest estimates the total undiscounted amount of cash flows required to settle its decommissioning and environmental remediation liabilities to be approximately \$1.4 billion at June 30, 2015 (December 31, 2014 - \$1.4 billion), which will be incurred between 2015 and 2075. A risk-free discount rate of 2.3% (December 31, 2014 - 2.3%) and inflation rate of 1.7% (December 31, 2014 - 1.7%) were used to calculate the fair value of the decommissioning and environmental remediation liabilities.

14. Long-Term Liability

Under the BlackGold oil sands engineering, procurement and construction ("EPC") contract, \$94.9 million of EPC costs will be paid in equal installments, without interest, over 10 years commencing on the completion of the EPC work. The first two installments were paid on April 30, 2015. As at June 30, 2015, a liability of \$60.3 million (December 31, 2014 - \$77.8 million) remains outstanding of which \$9.5 million (December 31, 2014 - \$19.0 million) is payable within a year and has been included with accounts payable and accrued liabilities.

Also included in long-term liability and other is an accrual related to Harvest's long term incentive program of \$1.3 million (December 31, 2014 - \$2.7 million) as well as deferred credits of \$1.4 million (December 31, 2014 - \$nil).

15. Income Tax

During the second quarter of 2015, the Government of Alberta enacted an increase in the corporate income tax rate from 10% to 12% effective July 1, 2015. This increase to the tax rate resulted in an additional deferred income tax recovery of \$28.3 million, which was recorded in the second quarter of 2015.

16. Finance Costs

	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
Interest and other financing charges	\$ 32.5	\$ 27.1	\$ 61.1	\$ 52.9
Accretion of decommissioning and environmental remediation liabilities	5.6	5.7	10.3	11.3
Less: interest capitalized	-	(7.9)	(9.7)	(15.1)
	\$ 38.1	\$ 24.9	\$ 61.7	\$ 49.1

17. Foreign Exchange

	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
Realized losses (gains) on foreign exchange	\$ 0.3	\$ (1.3)	\$ 0.9	\$ 0.9
Unrealized losses (gains) on foreign exchange	(22.8)	(50.3)	116.1	3.7
	\$ (22.5)	\$ (51.6)	\$ 117.0	\$ 4.6

18. Supplemental Cash Flow Information

	Six months ended June 30	
	2015	2014
Source (use) of cash:		
Accounts receivable	\$ 12.7	\$ (36.0)
Prepaid expenses	2.7	2.6
Inventories	1.9	(35.9)
Accounts payable and accrued liabilities	(188.3)	59.3
Net changes in non-cash working capital	(171.0)	(10.0)
Changes relating to operating activities	(71.4)	24.0
Changes relating to investing activities	(92.0)	(45.1)
Reclass of long-term liability to accounts payable	(7.6)	9.5
Add: Other non-cash changes	—	1.6
	\$ (171.0)	\$ (10.0)

19. Accumulated Other Comprehensive Income ("AOCI")

	Foreign Currency Translation Adjustment	Designated Cash Flow Hedges, Net of Tax	Actuarial Loss, Net of Tax	Total
Balance at December 31, 2013	\$ (34.2)	\$ 0.1	\$ 1.4	\$ (32.7)
Reclassification to net income of gains on cash flow hedges	—	(2.1)	—	(2.1)
Gains on derivatives designated as cash flow hedges, net of tax	—	3.4	—	3.4
Actuarial loss, net of tax	—	—	(5.7)	(5.7)
Transfer of cumulative actuarial loss to deficit	—	—	4.3	4.3
Losses on foreign currency translation	(9.9)	—	—	(9.9)
Reclassification of cumulative foreign currency translation to loss from discontinued operations	44.1	—	—	44.1
Balance at December 31, 2014	\$ —	\$ 1.4	\$ —	\$ 1.4
Reclassification to net income of gains on cash flow hedges	—	0.2	—	0.2
Losses on derivatives designated as cash flow hedges, net of tax	—	(1.9)	—	(1.9)
Balance at June 30, 2015	\$ —	\$ (0.3)	\$ —	\$ (0.3)

The following table summarizes the impacts of the cash flow hedges on the OCL:

	Three months ended June 30				Six months ended June 30			
	After-tax		Pre-tax		After-tax		Pre-tax	
	2015	2014	2015	2014	2015	2014	2015	2014
Losses reclassified from OCL to revenues	\$ 0.5	\$ 3.8	\$ 0.7	\$ 5.2	\$ 0.2	\$ 8.3	\$ 0.2	\$ 11.5
Gains (losses) recognized in OCL	(1.9)	0.3	(2.6)	0.4	(1.9)	(11.4)	(2.6)	(15.8)
Total	\$ (1.4)	\$ 4.1	\$ (1.9)	\$ 5.6	\$ (1.7)	\$ (3.1)	\$ (2.4)	\$ (4.3)

The Company expects the \$0.3 million after-tax accumulated loss reported in AOCI (\$0.5 million pre-tax) related to the natural gas and crude oil cash flow hedges to be released to net income within the next six months.

20. Commitments

The following is a summary of Harvest's contractual obligations and estimated commitments as at June 30, 2015:

	Payments Due by Period				
	1 year	2-3 years	4-5 years	After 5 years	Total
Debt repayments ⁽¹⁾	\$ 149.9	\$ 2,512.1	\$ 200.0	\$ —	\$ 2,862.0
Debt interest payments ^{(1) (2)}	83.7	164.6	58.3	—	306.6
Purchase commitments ⁽³⁾	11.4	33.0	33.0	35.5	112.9
Operating leases	7.2	15.9	14.5	38.5	76.1
Firm processing commitments	18.5	36.8	30.8	77.1	163.2
Firm transportation agreements	26.2	56.7	44.2	67.8	194.9
Employee benefits ⁽⁴⁾	1.5	2.4	—	—	3.9
Decommissioning and environmental liabilities ⁽⁵⁾	38.5	49.1	45.5	1,132.9	1,266.0
Total	\$ 336.9	\$ 2,870.6	\$ 426.3	\$ 1,351.8	\$ 4,985.6

⁽¹⁾ Assumes constant foreign exchange rate.

⁽²⁾ Assumes interest rates as at June 30, 2015 will be applicable to future interest payments.

⁽³⁾ Relates to the BlackGold deferred payment under the EPC contract (see "BlackGold Oil Sands" section of this MD&A for details), revised estimated capital costs for the Bellshill area (see "Impairment of Property, Plant & Equipment" section of this MD&A for details) and a drilling contract.

⁽⁴⁾ Relates to the long-term incentive plan payments.

⁽⁵⁾ Represents the undiscounted obligation by period.

21. Related Party Transactions

a) Related party loans

On April 2, 2015, Harvest entered into an US\$171 million loan agreement with KNOC, repayable within a year from the date of the first drawing which is on April 10, 2015, at an interest rate of 4.7% per annum. The principal and all accrued interest are payable on April 10, 2016. As at June 30, 2015, the carrying value of this loan was \$151.4 million included \$149.9 million (US\$120 million) principal and \$1.6 million interest accrual.

On December 30, 2013, Harvest entered into a subordinated loan agreement with KNOC to borrow up to \$200 million at a fixed interest rate of 5.3% per annum. The full principal and accrued interest is payable on December 30, 2018. As at June 30, 2015, Harvest had drawn \$200 million from the loan agreement (December 31, 2014 - \$200 million). The loan amount was recorded at fair value on initial recognition by discounting the future cash payments at the rate of 7% which is considered the market rate applicable to the liability. As at June 30, 2015, the carrying value of the KNOC loan was \$191.2 million (December 31, 2014 - \$191.2 million). The difference between the fair value and the loan amount was recognized in contributed surplus. For the three and six months ended June 30, 2015, interest expense of \$3.4 million and \$6.8 million was recorded (2014 - \$2.4 million and \$4.0 million) and \$10.8 million of interest payable remained outstanding as at June 30, 2015 (December 31, 2014 - \$4.9 million).

On August 16, 2012, Harvest entered into a subordinated loan agreement with ANKOR to borrow US\$170 million at a fixed interest rate of 4.62% per annum. The principal balance and accrued interest is payable on October 2, 2017. At June 30, 2015, Harvest's related party loan from ANKOR included \$212.3 million (December 31, 2014 - \$197.2 million) of principal and \$8.3 million (December 31, 2014 - \$3.1 million) of accrued interest. Interest expense was \$2.4 million and \$4.9 million for the three and six months ended June 30, 2015 (2014 - \$2.1 million and \$4.3 million).

The related party loans are unsecured and the loan agreements contain no restrictive covenants.

b) Other related party transactions

	Transactions				Balance Outstanding			
	Three months ended		Six months ended		Accounts receivable as at		Accounts payable as at	
	June 30		June 30		June 30,	December 31,	June 30,	December 31,
	2015	2014	2015	2014	2015	2014	2015	2014
G&A Expenses								
KNOC ⁽¹⁾	\$ (0.8)	\$ (0.8)	\$ (2.6)	\$ (1.9)	\$ 0.1	\$ 0.5	\$ 1.4	\$ 3.7
Finance costs								
KNOC ⁽²⁾	\$ 1.1	\$ 1.0	\$ 2.2	\$ 2.0	\$ —	\$ —	\$ 0.6	\$ 2.7

⁽¹⁾ Global Technology and Research Centre ("GTRC") is used as a training and research facility for KNOC. Amounts relate to the reimbursement from KNOC for general and administrative expenses incurred by the GTRC. Also included is Harvest's reimbursement to KNOC for secondees salaries paid by KNOC on behalf of Harvest.

⁽²⁾ Charges from KNOC for the irrevocable and unconditional guarantee they provided on Harvest's 2½% senior notes. A guarantee fee of 52 basis points per annum is charged by KNOC.