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**HARVEST OIL & GAS CORP.**

**1001 Fannin, Suite 300  
Houston, Texas 77002  
(713) 651-1144  
hvtog.com**

**Quarterly Report**  
For the period ending September 30, 2020

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## **INTRODUCTION**

The following information provides updates to the annual report on Form 10-K for the fiscal year ended December 31, 2019, which was filed with the Securities and Exchange Commission on April 14, 2020. Accordingly, this report does not contain all of the information required of an issuer for its initial disclosure obligations and should therefore be reviewed in conjunction with the annual report on Form 10-K for the fiscal year ended December 31, 2019 and any interim reports or updates provided since the fiscal year-end report.

## **ITEM 1. EXACT NAME OF THE ISSUER AND THE ADDRESS OF ITS PRINCIPAL EXECUTIVE OFFICES**

### **Issuer**

Harvest Oil & Gas Corp., a Delaware corporation, is an independent oil and natural gas company formed in 2018. As used herein, the terms “Harvest” or the “Company” refer to Harvest Oil & Gas Corp. and its consolidated subsidiaries as a whole or on an individual basis, depending on the context in which the statements are made.

### **Predecessor**

Harvest is the successor reporting company to EV Energy Partners, L.P. (the “Predecessor”) pursuant to Rule 15d-5 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). The Predecessor was publicly traded from September 2006 to June 2018 and was dissolved on June 4, 2018.

### **Principal Executive Offices**

Address: 1001 Fannin, Suite 300, Houston, Texas 77002

Telephone: (713) 651-1144

Facsimile: (713) 250-8004

Website: hvstog.com

## **ITEM 2. SHARES OUTSTANDING**

### **Reverse Stock Split**

On May 8, 2020, the Company effected a one-for-ten reverse stock split of its common stock. As a result of the reverse stock split, each 10 pre-split shares of common stock outstanding were automatically converted into one issued and outstanding share of common stock. Harvest did not issue any fractional shares in connection with the reverse stock split. Stockholders who would otherwise be entitled to receive a fractional share of common stock received a cash payment in lieu of such fractional shares. The reverse stock split reduced the total number of outstanding shares of common stock from 10,173,707 as of May 8, 2020 to 1,017,219. The total number of shares of common stock that the Company is authorized to issue was also reduced from 65,000,000 to 2,000,000 shares. The reverse stock split did not affect the par value of the Company’s common stock.

The number of warrants outstanding did not change; however, automatic adjustments pursuant to the terms of the warrant agreement prompted by the occurrence of the reverse stock split effected a reduction in the number shares of the Company’s common stock issuable upon the exercise of warrants in proportion to the reverse stock split ratio, with a similarly proportional increase in the exercise price of the warrants.

The number of shares granted or available for grant under the Company’s share-based compensation plan were proportionally adjusted to reflect the reverse stock split.

Harvest common stock began trading on the post-split adjusted basis at the market open on May 11, 2020 on the OTCQX U.S. Premium Marketplace.

Unless otherwise specified, all share and per share amounts in this Quarterly Report were retroactively adjusted for all periods presented to give effect to this reverse stock split.

The following table provides information for each class of securities authorized:

	<u>9/30/2020</u>	<u>12/31/2019</u> <sup>(1)</sup>	<u>12/31/2018</u> <sup>(1)</sup>
<b>Common Shares:</b>			
Number of shares authorized	2,000,000	65,000,000	65,000,000
Number of shares outstanding	1,022,272	10,183,467	10,042,468
Freely tradable shares (public float)	172,377	3,032,409	2,951,661
Number of beneficial holders owning at least 100 shares	50	95	67
Number of shareholders of record	132	287	317
<b>Warrants:</b>			
Number of warrants authorized	800,000	800,000	800,000
Number of warrants outstanding	800,000	800,000	800,000
Freely tradable warrants	794,961	794,961	794,961
Number of holders of record	294	309	316
<b>Preferred Stock:</b>			
Number of shares authorized	10,000,000	10,000,000	10,000,000
Number of shares outstanding	100,000	100,000	100,000
Freely tradable shares	—	—	—
Number of holders of record	3	3	3

<sup>(1)</sup> Amounts as of December 31, 2019 and 2018 have not been retroactively adjusted to give effect to the reverse stock split.

**ITEM 3. INTERIM FINANCIAL STATEMENTS**

**Harvest Oil & Gas Corp.**  
**Condensed Consolidated Balance Sheets**  
*(In thousands, except number of shares)*  
*(Unaudited)*

	<u>September 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 17,678	\$ 28,968
Restricted cash	10,000	10,000
Accounts receivable:		
Oil, natural gas and natural gas liquids revenues	7,867	14,075
Other	2,024	1,322
Derivative asset	2,127	6,231
Other current assets	322	277
Total current assets	<u>40,018</u>	<u>60,873</u>
Oil and natural gas properties, net of accumulated depreciation, depletion and amortization; September 30, 2020, \$0; December 31, 2019, \$15,066		
	—	114,031
Assets held for sale	102,084	316
Other assets	2,983	4,965
Total assets	<u>\$ 145,085</u>	<u>\$ 180,185</u>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 11,812	\$ 23,524
Other current liabilities	426	586
Total current liabilities	<u>12,238</u>	<u>24,110</u>
Asset retirement obligations	—	88,668
Liabilities held for sale	83,535	139
Other long-term liabilities	656	1,770
Commitments and contingencies (Note 10)		
Mezzanine equity	118	127
Stockholders' equity:		
Common stock – \$0.01 par value; 2,000,000 shares authorized; 1,027,760 shares issued and 1,022,272 shares outstanding as of September 30, 2020; 1,022,101 shares issued and 1,018,347 shares outstanding as of December 31, 2019	102	102
Additional paid-in capital	170,823	180,177
Treasury stock at cost – 5,488 shares at September 30, 2020; 3,754 shares at December 31, 2019	(631)	(562)
Retained earnings (accumulated deficit)	(121,756)	(114,346)
Total stockholders' equity	<u>48,538</u>	<u>65,371</u>
Total liabilities and equity	<u>\$ 145,085</u>	<u>\$ 180,185</u>

See accompanying notes to unaudited condensed consolidated financial statements.

**Harvest Oil & Gas Corp.**  
**Condensed Consolidated Statements of Operations**  
*(In thousands, except per share data)*  
*(Unaudited)*

	Three Months Ended September 30,	
	2020	2019
<b>Revenues:</b>		
Oil, natural gas and natural gas liquids revenues	\$ 7,478	\$ 22,870
Transportation and marketing-related revenues	—	379
Total revenues	<u>7,478</u>	<u>23,249</u>
<b>Operating costs and expenses:</b>		
Lease operating expenses	6,929	19,614
Cost of purchased natural gas	—	255
Dry hole and exploration costs	—	36
Production taxes	84	1,634
Accretion expense on obligations	—	1,995
Depreciation, depletion and amortization	—	1,367
General and administrative expenses	4,270	7,771
Impairment of oil and natural gas properties	1,093	16,325
Gain on sales of oil and natural gas properties	(16)	(661)
Total operating costs and expenses	<u>12,360</u>	<u>48,336</u>
Operating loss	(4,882)	(25,087)
<b>Other income (expense), net:</b>		
Gain (loss) on derivatives, net	(1,823)	5,718
Interest expense	(12)	(501)
Other income, net	473	341
Total other income (expense), net	<u>(1,362)</u>	<u>5,558</u>
Loss before income taxes	(6,244)	(19,529)
Income tax expense	—	—
Net loss	<u>\$ (6,244)</u>	<u>\$ (19,529)</u>
<b>Earnings per share:</b>		
Basic	<u>\$ (6.11)</u>	<u>\$ (19.28)</u>
Diluted	<u>\$ (6.11)</u>	<u>\$ (19.28)</u>
<b>Weighted average common shares outstanding:</b>		
Basic	<u>1,022</u>	<u>1,013</u>
Diluted	<u>1,022</u>	<u>1,013</u>

See accompanying notes to unaudited condensed consolidated financial statements.

**Harvest Oil & Gas Corp.**  
**Condensed Consolidated Statements of Operations**  
*(In thousands, except per share data)*  
*(Unaudited)*

	Nine Months Ended September 30,	
	2020	2019
<b>Revenues:</b>		
Oil, natural gas and natural gas liquids revenues	\$ 24,387	\$ 96,285
Transportation and marketing-related revenues	—	1,397
Total revenues	<u>24,387</u>	<u>97,682</u>
<b>Operating costs and expenses:</b>		
Lease operating expenses	22,628	64,568
Cost of purchased natural gas	—	969
Dry hole and exploration costs	1	75
Production taxes	369	5,277
Accretion expense on obligations	3,366	6,373
Depreciation, depletion and amortization	1,103	10,712
General and administrative expenses	12,332	20,794
Impairment of oil and natural gas properties	3,536	115,604
Gain on sales of oil and natural gas properties	<u>(368)</u>	<u>(679)</u>
Total operating costs and expenses	<u>42,967</u>	<u>223,693</u>
Operating loss	(18,580)	(126,011)
<b>Other income (expense), net:</b>		
Gain on derivatives, net	9,868	5,374
Interest expense	(38)	(3,335)
Gain on equity securities	—	4,593
Other income, net	1,340	3,168
Total other income (expense), net	<u>11,170</u>	<u>9,800</u>
Loss before income taxes	(7,410)	(116,211)
Income tax expense	—	—
Net loss	<u>\$ (7,410)</u>	<u>\$ (116,211)</u>
<b>Earnings per share:</b>		
Basic	\$ (7.27)	\$ (115.29)
Diluted	<u>\$ (7.27)</u>	<u>\$ (115.29)</u>
<b>Weighted average common shares outstanding:</b>		
Basic	1,020	1,008
Diluted	<u>1,020</u>	<u>1,008</u>

See accompanying notes to unaudited condensed consolidated financial statements.

**Harvest Oil & Gas Corp.**  
**Condensed Consolidated Statements of Cash Flows**  
*(In thousands)*  
*(Unaudited)*

	Nine Months Ended	
	September 30,	
	2020	2019
<b>Cash flows from operating activities:</b>		
Net loss	\$ (7,410)	\$ (116,211)
Adjustments to reconcile net loss to net cash flows provided by operating activities:		
Accretion expense on obligations	3,366	6,373
Depreciation, depletion and amortization	1,103	10,712
Share-based compensation cost	987	2,184
Cash dividends paid on share-based compensation	(412)	—
Impairment of oil and natural gas properties	3,536	115,604
Gain on sales of oil and natural gas properties	(368)	(679)
Gain on equity securities	—	(4,593)
Gain on derivatives, net	(9,868)	(5,374)
Cash settlements of derivative contracts	13,971	17,483
Other	—	1,571
Changes in operating assets and liabilities:		
Accounts receivable	3,526	21,637
Other current assets	(45)	1,909
Accounts payable and accrued liabilities	(7,994)	(4,061)
Other, net	707	(2,531)
Net cash flows provided by operating activities	<u>1,099</u>	<u>44,024</u>
<b>Cash flows from investing activities:</b>		
Additions to oil and natural gas properties	(1,507)	(2,096)
Reimbursements related to oil and natural gas properties	—	2,124
Proceeds from sale of oil and natural gas properties	(581)	111,575
Proceeds from sale of equity securities	—	51,675
Other	—	38
Net cash flows provided by (used in) investing activities	<u>(2,088)</u>	<u>163,316</u>
<b>Cash flows from financing activities:</b>		
Repayment of long-term debt borrowings	—	(115,000)
Purchase of treasury stock	(69)	(295)
Dividends	(10,223)	—
Other	(9)	(10)
Net cash flows used in financing activities	<u>(10,301)</u>	<u>(115,305)</u>
Increase (decrease) in cash, cash equivalents and restricted cash	(11,290)	92,035
Cash, cash equivalents and restricted cash – beginning of period	38,968	6,313
Cash, cash equivalents and restricted cash – end of period	<u>\$ 27,678</u>	<u>\$ 98,348</u>

See accompanying notes to unaudited condensed consolidated financial statements.

**Harvest Oil & Gas Corp.**  
**Condensed Consolidated Statements of Stockholders' Equity**  
*(In thousands)*  
*(Unaudited)*

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Treasury Stock</u>	<u>Retained Earnings (Accumulated Deficit)</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>				
Balance, December 31, 2018	1,004	\$ 100	\$ 249,717	\$ (247)	\$ 23,969	\$ 273,539
Net loss	—	—	—	—	(35,775)	(35,775)
Share-based compensation	—	—	61	—	—	61
Balance, March 31, 2019	1,004	100	249,778	(247)	(11,806)	237,825
Net loss	—	—	—	—	(60,907)	(60,907)
Share-based compensation	—	—	637	—	—	637
Restricted shares vested	9	1	(1)	—	—	—
Purchase of treasury stock	(1)	—	—	(167)	—	(167)
Balance, June 30, 2019	1,012	101	250,414	(414)	(72,713)	177,388
Net loss	—	—	—	—	(19,529)	(19,529)
Share-based compensation	—	—	1,421	—	—	1,421
Restricted shares vested	7	1	(1)	—	—	—
Purchase of treasury stock	(1)	—	—	(128)	—	(128)
Balance, September 30, 2019	<u>1,018</u>	<u>\$ 102</u>	<u>\$ 251,834</u>	<u>\$ (542)</u>	<u>\$ (92,242)</u>	<u>\$ 159,152</u>

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Treasury Stock</u>	<u>Retained Earnings (Accumulated Deficit)</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>				
Balance, December 31, 2019	1,018	\$ 102	\$ 180,177	\$ (562)	\$ (114,346)	\$ 65,371
Net income	—	—	—	—	5,969	5,969
Share-based compensation	—	—	337	—	—	337
Treasury stock at cost	(1)	—	—	(55)	—	(55)
Balance, March 31, 2020	1,017	102	180,514	(617)	(108,377)	71,622
Net loss	—	—	—	—	(7,135)	(7,135)
Share-based compensation	—	—	253	—	—	253
Restricted shares vested	6	—	—	—	—	—
Treasury stock at cost	(1)	—	—	(13)	—	(13)
Other	—	—	14	—	—	14
Balance, June 30, 2020	1,022	102	180,781	(630)	(115,512)	64,741
Net loss	—	—	—	—	(6,244)	(6,244)
Share-based compensation	—	—	397	—	—	397
Restricted shares vested	—	—	—	—	—	—
Treasury stock at cost	—	—	—	(1)	—	(1)
Dividends	—	—	(10,223)	—	—	(10,223)
Other	—	—	(132)	—	—	(132)
Balance, September 30, 2020	<u>1,022</u>	<u>\$ 102</u>	<u>\$ 170,823</u>	<u>\$ (631)</u>	<u>\$ (121,756)</u>	<u>\$ 48,538</u>

See accompanying notes to unaudited condensed consolidated financial statements.

**Harvest Oil & Gas Corp.**  
**Notes to Unaudited Condensed Consolidated Financial Statements**

**NOTE 1. ORGANIZATION AND NATURE OF BUSINESS**

**Nature of Operations**

Harvest Oil & Gas Corp., a Delaware corporation, is an independent oil and natural gas company. As used herein, the terms “Harvest” or the “Company” refer to Harvest Oil & Gas Corp. and its consolidated subsidiaries as a whole or on an individual basis, depending on the context in which the statements are made.

The Company operates one reportable segment engaged in the development and production of oil and natural gas properties, and all of its operations are located in the United States. In order to maximize shareholder value, the Company divested significant assets during 2019 and 2020. This included the divestiture of the Appalachia Basin assets, which represented substantially all of Harvest’s remaining oil and gas assets, and the Company intends to divest all of its remaining oil and gas assets. The Company intends to undertake the process of winding-up and returning capital to its shareholders, which will include an analysis of the net cash available for distribution to its shareholders and the amount of net cash that must be retained to satisfy the Company’s ongoing liabilities during the winding-up process. As of September 30, 2020, the oil and natural gas properties of Harvest were located in the Appalachian Basin (which includes the Utica Shale), the Barnett Shale and the Permian Basin.

On October 23, 2020, the Company closed the sale of its oil and natural gas properties in the Appalachia Basin (the “Appalachia Divestiture”). See Note 4 for additional information.

**Basis of Presentation**

Given the significant costs and resource demands of being a public company, the Company decided to deregister its common stock under the Exchange Act. By deregistering under the Exchange Act, Harvest’s obligations to file reports with the Securities and Exchange Commission (“SEC”) (including periodic reports, proxy statements, and tender offer statements) were terminated, and Harvest is no longer subject to Exchange Act reporting obligations. Harvest’s common stock continues to be quoted and trade on the OTCQX. Although Harvest currently intends to continue to provide the financial information required by the OTC Markets Group to allow for public quotation of its common stock on the OTCQX, there is no assurance it will continue to do so.

The Company’s unaudited condensed consolidated financial statements included herein have been prepared pursuant to the Alternative Reporting Standard: OTCQX U.S. and OTCQB Disclosure Guidelines. Accordingly, certain information and disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) have been condensed or omitted. The Company believes that the presentations and disclosures herein are adequate to make the information not misleading. The unaudited condensed consolidated financial statements reflect all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the interim periods. The results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for the full year. These interim financial statements should be read in conjunction with the audited consolidated financial statements and the related notes included in Harvest’s Annual Report on Form 10–K for the year ended December 31, 2019.

Unless otherwise specified, all share and per share amounts in these condensed consolidated financial statements and notes related thereto were retroactively adjusted for all periods presented to give effect to the reverse stock split. Please see Note 12 for additional information.

All intercompany accounts and transactions have been eliminated in consolidation. In the Notes to Unaudited Condensed Consolidated Financial Statements, all dollar and share amounts in tabulations are in thousands of dollars and shares, respectively, unless otherwise indicated.

## Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company bases its estimates and judgments on historical experience and on various other assumptions and information that are believed to be reasonable under the circumstances. Estimates and assumptions about future events and their effects cannot be perceived with certainty and, accordingly, these estimates may change as new events occur, as more experience is acquired, as additional information is obtained and as the Company's operating environment changes. While Harvest believes that the estimates and assumptions used in the preparation of the unaudited condensed consolidated financial statements are appropriate, actual results could differ from those estimates.

## New Accounting Standards

No new accounting pronouncements issued or effective during the nine months ended September 30, 2020 have had or are expected to have a material impact on the unaudited condensed consolidated financial statements other than those disclosed in Harvest's Annual Report on Form 10-K for the year ended December 31, 2019.

## Subsequent Events

The Company evaluated subsequent events for appropriate accounting and disclosure through the date these unaudited condensed consolidated financial statements were issued.

## NOTE 2. REVENUE

Revenue from contracts with customers includes the sale of oil, natural gas and natural gas liquids production (recorded in "Oil, natural gas and natural gas liquids revenues" in the unaudited condensed consolidated statements of operations) and gathering and transportation revenues (recorded in "Transportation and marketing-related revenues" in the unaudited condensed consolidated statements of operations).

The following table disaggregates revenue by significant product and service type:

	Three Months Ended September 30,	
	2020	2019
Oil	\$ 3,928	\$ 7,856
Natural gas <sup>(1)</sup>	3,684	11,713
Natural gas liquids <sup>(1)(2)</sup>	(134)	3,301
Oil, natural gas and natural gas liquids revenues	7,478	22,870
Transportation and marketing-related revenues	—	379
Total revenues <sup>(2)</sup>	\$ 7,478	\$ 23,249

	Nine Months Ended September 30,	
	2020	2019
Oil	\$ 11,479	\$ 25,365
Natural gas <sup>(1)</sup>	12,821	52,055
Natural gas liquids <sup>(1)(2)</sup>	87	18,865
Oil, natural gas and natural gas liquids revenues	24,387	96,285
Transportation and marketing-related revenues	—	1,397
Total revenues <sup>(2)</sup>	\$ 24,387	\$ 97,682

- (1) The Company recognizes wet gas revenues, which are recorded net of transportation, gathering and processing expenses, partially as natural gas revenues and partially as natural gas liquids revenues based on the end products after processing occurs. For the three months ended September 30, 2020, there were no wet gas revenues. During the nine months ended September 30, 2020, wet gas revenues were \$0.2 million which were recognized as natural gas liquids revenues. For the three months ended September 30, 2019, wet gas revenues were \$0.3 million which were recognized as natural gas liquids revenues. During the nine months ended September 30, 2019, wet gas revenues were \$4.1 million which were recognized as \$1.5 million of natural gas revenues and \$2.6 million of natural gas liquids revenues.
- (2) Natural gas liquids revenues for the three and nine months ended September 30, 2020 include a prior period adjustment of \$0.3 million. Excluding this prior period adjustment for the three and nine months ended September 30, 2020, natural gas liquids revenues would have been \$0.1 million and \$0.4 million, respectively, and total revenues would have been \$7.8 million and \$24.7 million, respectively.

### **Contract Balances**

Customers are invoiced once the Company's performance obligations have been satisfied. Payment terms and conditions vary by contract type, although terms generally include a requirement of payment within 30 days. There are no significant judgments that significantly affect the amount or timing of revenue from contracts with customers. Accordingly, the Company's product sales contracts do not give rise to material contract assets or contract liabilities.

Accounts receivable are primarily from purchasers of oil, natural gas and natural gas liquids. As of September 30, 2020 and December 31, 2019, the Company had receivables of \$7.9 million and \$14.1 million, respectively, due from purchasers of oil, natural gas and natural gas liquids. This industry concentration could affect overall exposure to credit risk, either positively or negatively, because the Company's purchasers may be similarly affected by changes in economic, industry or other conditions. The Company routinely assesses the financial strength of its customers and bad debts are recorded based on an account-by-account review specifically identifying receivables that the Company believes may be uncollectible after all means of collection have been exhausted, and the potential recovery is considered remote. As of September 30, 2020 and December 31, 2019, the Company did not have any reserves for doubtful accounts.

### **Performance Obligations**

The Company applies the optional exemptions in Topic 606 and does not disclose consideration for remaining performance obligations with an original expected duration of one year or less or for variable consideration related to unsatisfied performance obligations.

### **NOTE 3. SHARE-BASED COMPENSATION**

During the nine months ended September 30, 2020, the Company did not grant any shares of restricted stock under the Company's 2018 Omnibus Incentive Plan (the "2018 Plan"). During the nine months ended September 30, 2020, 2,736 shares were forfeited. Approximately 36 thousand shares remain available for grant under the 2018 Plan as of September 30, 2020.

The Company recognized compensation cost related to outstanding restricted stock units of \$0.4 million and \$1.0 million for the three and nine months ended September 30, 2020, respectively. The Company recognized compensation cost related to outstanding restricted stock units of \$1.4 million and \$2.1 million for the three and nine months ended September 30, 2019, respectively. These costs are included in "General and administrative expenses" in the unaudited condensed consolidated statements of operations.

As of September 30, 2020, there was \$0.8 million of total unrecognized compensation cost related to unvested time-based restricted stock units and unvested restricted stock units with vesting subject to probable future events, which was expected to be recognized over a weighted average period of 0.6 years.

In October 2019 and August 2020, the Company paid dividends to the holders its common stock; see Note 12 for additional information. In accordance with the terms of the 2018 Plan, the Company paid dividends of \$0.4 million during

the nine months ended September 30, 2020 for restricted stock units that vested during that same time frame. As of September 30, 2020 and December 31, 2019, the Company recognized an accrual of \$0.4 million and \$0.7 million, respectively, for unpaid dividends on outstanding restricted stock units expected to vest as of those dates. These accrued liabilities are included in “Accounts payable and accrued liabilities” on the condensed consolidated balance sheets and were payable upon the vesting of those restricted stock unit awards.

On October 23, 2020, as a result of the Appalachia Divestiture, which constituted a sale of substantially all of the Company’s assets, all of the unvested shares as of that date vested immediately, and the remaining accrued dividends for those unvested shares were paid.

### **Series A Preferred Stock**

The Company estimated the fair value of the 21,000 shares of the 8% Cumulative Nonparticipating Redeemable Series A Preferred Stock (the “Series A Preferred Stock”) as of September 30, 2019 at \$0.2 million. The redemption amount of these shares of Series A Preferred Stock is \$0.2 million. The 21,000 shares of Series A Preferred Stock vested during June 2019. During the nine months ended September 30, 2019, the Company recognized \$65 thousand of compensation cost related to the Series A Preferred Stock. These costs are included in “General and administrative expenses” in the unaudited condensed consolidated statement of operations.

On October 23, 2020, as a result of the Appalachia Divestiture, which constituted a sale of substantially all of the Company’s assets, the Series A Preferred Stock were redeemed for \$0.2 million.

### **NOTE 4. DIVESTITURES**

In July 2019, the Company entered into a definitive agreement to sell substantially all of its interests in the Barnett Shale to a third party. In September and December of 2019, the Company closed on the sale of substantially all of the properties in the Barnett Shale for total cash consideration of \$68.9 million, net of preliminary purchase price adjustments. The sale of the remaining oil and gas properties in the Barnett Shale are expected to close during 2020 for total consideration of less than \$0.1 million, subject to purchase price adjustments. The Company recognized an impairment of \$0.1 million for these remaining properties during the nine months ended September 30, 2020. As of September 30, 2020, the remaining oil and gas properties in the Barnett Shale were classified as assets held for sale; less than \$0.1 million of the assets held for sale and less than \$0.1 million of the asset retirement obligations classified as liabilities related to assets held for sale in the unaudited condensed consolidated balance sheet were attributable to these unsold properties.

In September 2019, the Company closed on the sale of certain oil and natural gas properties in the Mid-Continent area to a third party for total cash consideration of \$4.9 million, net of purchase price adjustments. The Company recognized a gain of \$0.2 million during the nine months ended September 30, 2020 related to this sale.

In October 2019, the Company entered into a definitive agreement to sell all of its interest in the Permian Basin. In December 2019, the Company closed on the sale of substantially all of its oil and natural gas properties in the Permian Basin for total cash consideration of \$2.5 million, net of purchase price adjustments. The Company recognized impairment expense of \$0.6 million during the nine months ended September 30, 2020 related to this sale. The sale of the remaining oil and gas properties in the Permian Basin closed in November 2020 for a de minimis amount of consideration. The Company recognized impairment expense of \$0.1 million during the nine months ended September 30, 2020 related to the remaining oil and gas properties held for sale as of September 30, 2020. As of September 30, 2020, the remaining oil and gas properties in the Permian Basin were classified as assets held for sale; less than \$0.1 million of assets held for sale and less than \$0.1 million of the asset retirement obligations classified as liabilities related to assets held for sale in the unaudited condensed consolidated balance sheet were attributable to these unsold properties.

In November 2019, the Company closed on the sale of all of its oil and natural gas properties in the Monroe Field in Northern Louisiana for total consideration due to the buyer of \$0.2 million, net of preliminary purchase price adjustments. The Company recognized impairment expense of \$0.2 million during the nine months ended September 30, 2020 related to this sale.

In August 2020, the Company closed on the sale of substantially all of its Michigan oil and natural gas properties for total cash consideration of \$0.1 million, net of preliminary purchase price adjustments. The Company recognized impairment expense of \$2.5 million during the nine months ended September 30, 2020 related to this sale. The sale of the remaining oil and gas properties in Michigan are expected to close in 2020 for a de minimis amount of consideration. As of September 30, 2020, the remaining oil and gas properties in Michigan were classified as assets held for sale; \$1.0 million of assets held for sale and \$1.0 million of the asset retirement obligations classified as liabilities related to assets held for sale in the unaudited condensed consolidated balance sheet were attributable to these unsold properties.

In July 2020, the Company signed an equity purchase agreement (the “Appalachia EPA”) to sell its oil and natural gas properties in the Appalachia Basin for a purchase price of \$20.5 million. In October 2020, the Appalachia EPA was amended to, among other things, increase the purchase price to \$21.895 million and put in place a senior secured seller note to fund the purchase price. The transaction closed in October 2020 for total consideration of \$21.895 million, subject to customary purchase price adjustments. As of September 30, 2020, the Appalachia Basin oil and natural gas properties were classified as assets held for sale; \$100.9 million of assets held for sale and \$82.4 million of asset retirement obligations classified as liabilities related to assets held for sale in the unaudited condensed consolidated balance sheet were then attributable to these unsold properties.

**NOTE 5. RISK MANAGEMENT**

The Company’s business activities expose it to risks associated with changes in the market price of oil, natural gas and natural gas liquids. In addition, the Credit Facility (as defined below in Note 8) exposes the Company to risks associated with changes in interest rates. As such, future earnings are subject to fluctuation due to changes in the market prices of oil, natural gas and natural gas liquids and interest rates. The Company uses derivatives to reduce its risk of volatility in the prices of oil, natural gas and natural gas liquids. The Company policies do not permit the use of derivatives for speculative purposes.

The Company has elected not to designate any of its derivatives as hedging instruments. Accordingly, changes in the fair value of derivatives are recorded immediately to operations as “Gain (loss) on derivatives, net” in the unaudited condensed consolidated statements of operations.

During the nine months ended September 30, 2020, in conjunction with the divestitures of oil and natural gas properties, the Company terminated certain of its derivatives, which resulted in the receipt of a cash settlement of \$1.1 million. The natural gas derivatives terminated included 47.6 MBbbls of oil swaps, 1,833.0 MMBBtus of natural gas swaps and 80.5 MBbbls of natural gas liquids swaps for the periods between January and December 2020.

As of September 30, 2020, the Company had entered into derivatives with the following terms:

<b>Period Covered</b>	<b>Hedged Volume</b>	<b>Weighted Average Fixed Price</b>
<b>Oil (MBbbls):</b>		
Swaps - October 2020 to December 2020	98.4	\$ 60.50
<b>Natural Gas (MMMBtus):</b>		
Swaps - October 2020 to December 2020	1,748.0	\$ 2.65
<b>Natural Gas Liquids (MBbbls):</b>		
Swaps - October 2020 to December 2020	7.8	\$ 21.08

On October 23, 2020, in conjunction with the Appalachia Divestiture, the Company terminated all of its remaining derivatives, which resulted in the receipt of a cash settlement of \$1.5 million. The natural gas derivatives terminated included 98.4 MBbbls of oil swaps, 1,159.0 MMBBtus of natural gas swaps and 7.8 MBbbls of natural gas liquids swaps for the periods between October and December 2020. As of October 23, 2020, the Company no longer has any outstanding derivatives.

The following table sets forth the fair values and classification of the Company's outstanding derivatives:

	Gross Amount of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Assets Presented in the Consolidated Balance Sheet
As of September 30, 2020:			
Current derivative asset	\$ 2,127	\$ —	\$ 2,127
As of December 31, 2019:			
Current derivative asset	\$ 6,231	\$ —	\$ 6,231

The Company has entered into master netting arrangement with its counterparties. The amounts above are presented on a net basis in the unaudited condensed consolidated balance sheets when such amounts are with the same counterparty. In addition, the Company has recorded accounts payable and receivable balances related to settled derivatives that are subject to the master netting agreements. These amounts are not included in the above table; however, under the master netting agreements, the Company has the right to offset these positions against forward exposure related to outstanding derivatives.

#### NOTE 6. FAIR VALUE MEASUREMENTS

The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value. Level 1 refers to fair values determined based on quoted prices in active markets for identical assets or liabilities. Level 2 refers to fair values determined based on quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration. Level 3 refers to fair values determined based on the Company's own assumptions used to measure assets and liabilities at fair value.

#### Recurring Basis

The following table presents the fair value hierarchy for the Company's assets and liabilities that are required to be measured at fair value on a recurring basis:

	Fair Value Measurements at the End of the Reporting Period			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of September 30, 2020:				
Assets:				
Oil, natural gas and natural gas liquids derivatives	\$ 2,127	\$ —	\$ 2,127	\$ —
As of December 31, 2019:				
Assets:				
Oil, natural gas and natural gas liquids derivatives	\$ 6,231	\$ —	\$ 6,231	\$ —

The Company's derivatives consist of over-the-counter contracts which are not traded on a public exchange. As the fair value of these derivatives is based on inputs using market prices obtained from independent brokers or determined using quantitative models that use as their basis readily observable market parameters that are actively quoted and can be

validated through external sources, including third party pricing services, brokers and market transactions, the Company has categorized these derivatives as Level 2. The Company values these derivatives using the income approach with inputs such as the forward curve for commodity prices based on quoted market prices and prospective volatility factors related to changes in the forward curves and yield curves based on money market rates and interest rate swap data, such as forward LIBOR curves. Estimates of fair value have been determined at discrete points in time based on relevant market data. Furthermore, fair values are adjusted to reflect the credit risk inherent in the transaction, which may include amounts to reflect counterparty credit quality and/or the effect of the Company's creditworthiness. These assumed credit risk adjustments are based on published credit ratings, public bond yield spreads and credit default swap spreads. There were no changes in valuation techniques or related inputs in the nine months ended September 30, 2020.

### Nonrecurring Basis

	Fair Value Measurements				Total Losses
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Nine Months Ended September 30, 2019:					
Long-lived assets held and used	\$ 9,371	\$ —	\$ —	\$ 9,371	\$ 11,657

### Long-lived Assets Held and Used

During the three and nine months ended September 30, 2020, the Company did not recognize any impairment expense related to oil and natural gas properties that were held and used as of September 30, 2020. During the three and nine months ended September 30, 2019, the Company incurred impairment charges of \$11.7 million to write down oil and natural gas properties that were held and used to their fair value. Of the \$11.7 million impairment, \$8.1 million related to oil and natural gas properties in the Permian Basin and \$3.6 million related to oil and natural gas properties in the Mid-Continent area. These impairment charges were included in earnings during the period indicated.

The fair values were determined using the income approach and were based on the expected present value of the future net cash flows from reserves. Significant Level 3 assumptions associated with the calculation of discounted cash flows used in the impairment analysis included estimates of future prices, production costs, development expenditures, anticipated production, appropriate risk-adjusted discount rates and other relevant data.

### Long-lived Assets Sold or Held For Sale

During the three and nine months ended September 30, 2020, the Company recognized an impairment expense of \$0.1 million and \$0.2 million, respectively, related to proved oil and natural gas properties in the Barnett Shale and the Permian Basin that were held for sale as of September 30, 2020. During the three and nine months ended September 30, 2020, the Company recognized an impairment expense of \$0.7 million and \$2.5 million, respectively, related to proved oil and natural gas properties in Michigan, which were sold during 2020. Also, during the three and nine months ended September 30, 2020, the Company recognized an impairment expense of \$0.3 million and \$0.8 million related to proved oil and natural gas properties in Monroe, the Barnett Shale and the Permian Basin, which were all sold during 2019.

During the three and nine months ended September 30, 2019, the Company recognized impairment expense of \$3.2 million and \$75.3 million, respectively, related to proved oil and natural gas properties in the Barnett Shale, which were sold or held for sale as of September 30, 2019. During the three and nine months ended September 30, 2019, the Company also recognized an impairment credit of \$0.2 million and expense of \$27.0 million, respectively, related to proved oil and natural gas properties in the San Juan Basin and the Mid-Continent area, which were sold during April 2019. During the both the three and nine months ended September 30, 2019, the Company recognized impairment expense of \$1.6 million related to proved oil and natural gas properties in the Monroe Field, which were held for sale as of September 30, 2019.

The fair values of the oil and natural gas properties sold were determined using the transaction price of the then pending transactions. The fair value of the oil and natural gas properties held for sale as of September 30, 2020 were determined using the transaction price for the pending transaction.

### Financial Instruments

The estimated fair values of the Company’s financial instruments have been determined at discrete points in time based on relevant market information. The Company’s financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, derivatives and long-term debt. The carrying amounts of the Company’s financial instruments other than long-term debt approximate fair value because of the short-term nature of the items. Derivatives are recorded at fair value (see above).

The carrying value of debt outstanding under the Credit Facility (as defined in Note 8) approximated fair value because the credit facility’s variable interest rate resets frequently and approximates current market rates available to the Company.

### NOTE 7. ASSET RETIREMENT OBLIGATIONS

The Company records an asset retirement obligation (“ARO”) and capitalizes the asset retirement cost in oil and natural gas properties in the period in which the retirement obligation is incurred based upon the fair value of an obligation to perform site reclamation, dismantle facilities or plug and abandon wells. After recording these amounts, the ARO is accreted to its future estimated value using an assumed cost of funds and the additional capitalized costs are depreciated on a unit-of-production basis. The changes in the aggregate ARO are as follows:

ARO as of December 31, 2019	\$ 89,970
Accretion expense	3,366
Settlements and divestitures	(9,287)
Liabilities held for sale	(83,396)
ARO as of September 30, 2020	<u>\$ 653</u>

As of September 30, 2020 and as of December 31, 2019, \$0.7 million and \$1.3 million, respectively, of ARO was classified as current and is included in “Accounts payable and accrued liabilities” in the unaudited condensed consolidated balance sheets, respectively.

### NOTE 8. LONG-TERM DEBT

The following table presents the consolidated debt obligations at the dates indicated:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>
Credit Facility	\$ —	\$ —

In October 2019, the Company entered into a new \$10.0 million revolving credit facility with Regions Bank (the “Credit Facility”). The Credit Facility matured on October 4, 2020. The Company did not renew the Credit Facility. Borrowings under the Credit Facility were secured by cash collateral which is included as “Restricted cash” on the unaudited condensed consolidated balance sheets as of September 30, 2020 and December 31, 2019. The Company could use borrowings under the Credit Facility for acquiring and developing oil and natural gas properties, working capital purposes and general corporate purposes. The Company also could use up to \$2.0 million of available borrowing capacity for letters of credit, prior to its termination in July 2020.

The terms of the Credit Facility did not require any repayments of amounts outstanding until maturity in October 2020. Borrowings under the Credit Facility bore interest based upon the London Interbank Offered Rate plus 100 bps.

## NOTE 9. LEASES

The Company recognizes right of use assets and lease liabilities for certain commitments related to real estate, vehicles and field equipment. The Company determines if an arrangement is a lease at inception. Operating lease right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Contracts with lease terms less than 12 months are not recorded on the unaudited condensed consolidated balance sheet, but instead are disclosed as short-term lease cost.

During the normal course of business, Harvest leases office space, vehicles, IT equipment and field equipment. The Company's leases have remaining lease terms of 1 year to 3 years, some of which include options to renew. The exercise of lease renewal options is at the Company's sole discretion. The Company's lease agreements do not contain any residual value guarantees or restrictive covenants.

As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The Company used the incremental borrowing rate on January 1, 2019 for operating leases that commenced prior to that date.

Operating leases are included in other assets, other current liabilities and other long-term liabilities on the unaudited condensed consolidated balance sheets as of September 30, 2020 and December 31, 2019. Operating lease right of use assets and lease liabilities included on the unaudited condensed consolidated balance sheets were as follows:

	September 30, 2020	December 31, 2019
Other assets	\$ 563	\$ 1,036
Other current liabilities	426	586
Other long-term liabilities	137	450
Total operating lease liabilities	<u>\$ 563</u>	<u>\$ 1,036</u>
Weighted average remaining lease term (in years)	1.4	1.9
Weighted average discount rate	5.8%	5.8%

During the three and nine months ended September 30, 2020, the Company paid \$0.5 million and \$1.6 million, respectively, of lease cost. During the three and nine months ended September 30, 2019, the Company paid \$0.8 million and \$2.8 million, respectively, of lease cost. Furthermore, during the three and nine months ended September 30, 2020, the Company recognized lease cost, net of reimbursements from other working interest owners, of \$0.1 million and \$0.4 million, respectively, for operating leases and \$0.3 million and \$1.0 million, respectively, for short-term leases. During the three and nine months ended September 30, 2019, the Company recognized lease cost, net of reimbursements from other working interest owners, of \$0.2 million and \$0.6 million, respectively, for operating leases and \$0.5 million and \$1.8 million, respectively, for short-term leases. The lease cost for operating leases and short-term leases is included in "Lease operating expenses" on the Company's unaudited condensed consolidated statement of operations.

## NOTE 10. COMMITMENTS AND CONTINGENCIES

On June 4, 2018, Harvest entered into a Services Agreement (the "Services Agreement") with EnerVest, Ltd. and EnerVest Operating (together, the "EnerVest Group"). Pursuant to the Services Agreement, the EnerVest Group provides certain administrative, management, operating and other services and support (the "Services") to Harvest. In addition, the EnerVest Group also provides Harvest with sufficient office space, equipment and office supplies pursuant to the Services Agreement. The Services Agreement covers the people EnerVest Group employs who provide direct support to the Company's operations; however, the Services Agreement does not cover the four full-time employees of Harvest which include the Chief Executive Officer and the Chief Financial Officer. The management fee is subject to an annual

redetermination by agreement of the parties and will also be adjusted for acquisitions or divestitures over \$5 million. The initial term of the Services Agreement will continue through December 31, 2020.

In October 2019, the EnerVest Group informed Harvest that there are approximately \$4.1 million of uncollectible accounts receivable from third party working interest owners in oil and natural gas properties where Harvest owns a significant working interest. The EnerVest Group believes that Harvest may be responsible for these accounts receivable because the EnerVest Group was unable to collect them. The costs related to these receivables were primarily incurred over the last eight years and were paid by the EnerVest Group as the contract operator for such properties. Harvest has performed a preliminary assessment of its obligations with respect to these amounts and has communicated to the EnerVest Group that it believes that the amounts are not currently owed by Harvest to the EnerVest Group. Accordingly, Harvest has determined that the amount of its obligations with respect to these uncollectible accounts receivable is not estimable at this time and has not accrued any losses with respect to the EnerVest Group’s uncollectible accounts receivable as of September 30, 2020 and December 31, 2019.

In August 2018, the Company was notified by the Office of Natural Resources Revenue (“ONRR”) of potential underpayments of royalties related to certain leases for the period of 2009 through 2018. The Company has submitted amended royalty filings for the period of 2009 to 2018, pursuant to which Harvest has an additional liability of approximately \$5.2 million. This amount has been paid upon ONRR review and concurrence with the accuracy of royalties per the amended filings. The Company paid \$4.3 million of the total liability during the three months ended September 30, 2020. The Company recognized an accrual of \$0.9 million and \$5.2 million for the estimated liability for the period of 2009 to 2018 as of September 30, 2020 and December 31, 2019, respectively. Subsequently, during October 2020, ONRR concurred with and Harvest paid the remaining amount of \$0.9 million.

The Company is involved in other disputes or legal actions arising in the ordinary course of business. The Company does not believe the outcome of other such disputes or legal actions will have a material effect on its unaudited condensed consolidated financial statements. No amounts, other than as described above, were accrued as of September 30, 2020 or December 31, 2019.

**NOTE 11. INCOME TAXES**

The Company is a corporation subject to federal and state income taxes. Tax obligations of the Company are recorded as “Income taxes” in the unaudited condensed consolidated statements of operations.

The Company’s income tax provision consists of the following:

	<b>Three Months Ended September 30,</b>	
	<b>2020</b>	<b>2019</b>
Current tax position:		
Federal	\$ —	\$ —
State	—	—
Total income tax provision	<u>\$ —</u>	<u>\$ —</u>
	<b>Nine Months Ended September 30,</b>	
	<b>2020</b>	<b>2019</b>
Current tax position:		
Federal	\$ —	\$ —
State	—	—
Total income tax provision	<u>\$ —</u>	<u>\$ —</u>

Management assesses the available positive and negative evidence to estimate whether it is more likely than not that sufficient future taxable income will be generated to realize the Company’s deferred tax assets. In making this determination, Management considers all available positive and negative evidence and makes certain assumptions.

Management considers, among other things, its deferred tax liabilities, the overall business environment, its historical earnings and losses, current industry trends and its outlook for future years. Due to significant negative evidence, the Company has established a full valuation allowance against its net deferred tax assets of \$46.0 million as of December 31, 2019. As of September 30, 2020, the Company continued to record a full valuation allowance against its net deferred tax assets. The Company will continue to assess the valuation allowance against deferred tax assets considering all available information obtained in future reporting periods.

## **NOTE 12. EARNINGS PER SHARE AND STOCKHOLDERS' EQUITY**

### **Reverse Stock Split**

On May 8, 2020, the Company effected a one-for-ten reverse stock split of its common stock. As a result of the reverse stock split, each 10 pre-split shares of common stock outstanding were automatically converted into one issued and outstanding share of common stock. Harvest did not issue any fractional shares in connection with the reverse stock split. Stockholders who would otherwise have been entitled to receive a fractional share of common stock received a cash payment in lieu of such fractional shares. The reverse stock split reduced the total number of outstanding shares of common stock from 10,173,707 as of May 8, 2020 to 1,017,219. The total number of shares of common stock that the Company is authorized to issue was also reduced from 65,000,000 to 2,000,000 shares. The reverse stock split did not affect the par value of the Company's common stock.

The number of warrants outstanding did not change; however, automatic adjustments pursuant to the terms of the warrant agreement prompted by the occurrence of the reverse stock split effected a reduction in the number shares of the Company's common stock issuable upon the exercise of warrants in proportion to the reverse stock split ratio, with a similarly proportional increase in the exercise price of the warrants from \$30.48 to \$304.80.

The number of shares granted or available for grant under the Company's share-based compensation plan were proportionally adjusted to reflect the reverse stock split.

### **Dividends**

In October 2019, the Company paid a dividend of \$7.00 per share on a pre-split basis to the holders of record of its common stock as of the close of business on October 18, 2019. In August 2020, the Company declared and paid a dividend of \$10.00 per share (the "August 2020 Dividend") to the holders of record of its common stock as of the close of business on August 17, 2020.

Additionally, in November 2020, the Company declared a dividend of \$10.00 per share (the "November 2020 Dividend") to the holders of record of its common stock as of the close of business on November 23, 2020 to be paid on November 30, 2020.

Per the terms of the Warrant Agreement entered into on June 4, 2018, the August 2020 Dividend and the November 2020 Dividend were classified as Special Dividends. As a result, there was a reduction to the warrant exercise price of \$10.00 to \$294.80, effective August 18, 2020, and there will be a reduction to the warrant exercise price of \$10.00 to \$284.80, effective November 24, 2020.

## Earnings Per Share

The following sets forth the calculation of earnings per share retroactively adjusted to reflect the reverse stock split, for the periods indicated (in thousands, except number of shares and per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net loss available to common stockholders	\$ (6,244)	\$ (19,529)	\$ (7,410)	\$ (116,211)
Weighted average common shares outstanding:				
Basic	1,022,196	1,013,130	1,019,515	1,007,955
Dilutive effect of potential common shares	—	—	—	—
Diluted	1,022,196	1,013,130	1,019,515	1,007,955
Earnings per share:				
Basic	\$ (6.11)	\$ (19.28)	\$ (7.27)	\$ (115.29)
Diluted	\$ (6.11)	\$ (19.28)	\$ (7.27)	\$ (115.29)
Antidilutive restricted stock shares <sup>(1)</sup>	5,195	16,960	5,195	16,960
Antidilutive warrants <sup>(2)</sup>	800,000	800,000	800,000	800,000

<sup>(1)</sup> Amount represents unvested restricted stock shares as of the end of the period that are excluded from the diluted net earnings per share calculations because of their antidilutive effect.

<sup>(2)</sup> Amount represents warrants to purchase common stock that are excluded from the diluted net earnings per share calculations because of their antidilutive effect.

## NOTE 13. OTHER SUPPLEMENTAL INFORMATION

Supplemental cash flows and noncash transactions were as follows:

	Nine Months Ended September 30,	
	2020	2019
Supplemental cash flows information:		
Cash paid for interest	\$ —	\$ 1,119
Cash paid for reorganization items <sup>(1)</sup>	—	472

<sup>(1)</sup> Relates to the reorganization during 2018. See Harvest's Annual Report on Form 10-K for the year ended December 31, 2019 for additional information.

	September 30, 2020	September 30, 2019
Non-cash transactions:		
Costs for additions to oil and natural gas properties in accounts payable and accrued liabilities	\$ 7	\$ 282

Accounts payable and accrued liabilities consisted of the following:

	<b>September 30, 2020</b>	<b>December 31, 2019</b>
General and administrative expenses	\$ 4,142	\$ 2,550
Lease operating expenses	2,988	4,894
San Juan royalties	731	5,000
Production and ad valorem taxes	675	2,453
Current portion of ARO	653	1,302
Due to contract operator	314	4,809
Costs for additions to oil and natural gas properties	7	287
Other	2,302	2,229
<b>Total</b>	<b>\$ 11,812</b>	<b>\$ 23,524</b>

## **ITEM 4. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our unaudited condensed consolidated financial statements and related notes thereto included in this Quarterly Report, as well as Harvest's (as defined below) Annual Report on Form 10-K for the year ended December 31, 2019.*

### **OVERVIEW**

Harvest Oil & Gas Corp. is an independent oil and natural gas company. As used herein, the terms "Harvest", the "Company", "we", "our" or "us" refer to Harvest and its consolidated subsidiaries as a whole or on an individual basis, depending on the context in which the statements are made.

We operate one reportable segment engaged in the development and production of oil and natural gas properties, and all of our operations are located in the United States. As of September 30, 2020, our oil and natural gas properties were located in the Appalachian Basin (which includes the Utica Shale), the Barnett Shale and the Permian Basin. As of December 31, 2019, we had estimated net proved reserves of 5.6 MMBbls of oil, 118.0 Bcf of natural gas and 0.7 MMBbls of natural gas liquids, or 155.8 Bcfe.

In order to maximize shareholder value, we divested significant assets during 2019 and 2020, including the divestiture of the Appalachia Basin assets, which represented substantially all of Harvest's remaining oil and gas assets. We intend to divest all of our remaining assets. The Company intends to undertake the process of winding-up and returning capital to its shareholders, which will include an analysis of the net cash available for distribution to its shareholders and the amount of net cash that must be retained to satisfy the Company's ongoing liabilities during the winding-up process.

### **Current Developments**

See Note 4 of the Notes to Unaudited Condensed Consolidated Financial Statements included under "Item 3. Interim Financial Statements" contained in to this report.

### **Our Operating Plan and Strategy**

With the completion of the divestiture of the Appalachia Basin assets, we intend to undertake the process of winding-up and returning capital to our shareholders.

In order to mitigate the impact of lower prices on our cash flows, we were a party to derivatives, which covered a portion of our future production through December 2020. We mitigated, but did not eliminate, the potential effects of changing prices on our cash flows from operations for 2020. On October 23, 2020, in conjunction with the Appalachia Divestiture, we terminated all of our remaining derivatives. For additional information, see Note 5 of the Notes to Unaudited Condensed Consolidated Financial Statements included under "Item 3. Interim Financial Statements" contained in to this report.

## RESULTS OF OPERATIONS

The following tables summarize certain of the results of operations and period-to-period comparisons for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Oil, natural gas and natural gas liquids revenues:				
Oil	\$ 3,928	\$ 7,856	\$ 11,479	\$ 25,365
Natural gas	3,684	11,713	12,821	52,055
Natural gas liquids <sup>(1)</sup>	(134)	3,301	87	18,865
Total	\$ 7,478	\$ 22,870	\$ 24,387	\$ 96,285

Production data:				
Oil (MBbls)	102	145	307	470
Natural gas (MMcf)	2,261	6,259	7,621	21,765
Natural gas liquids (MBbls)	9	316	23	1,169
Total (MMcfe)	2,927	9,025	9,601	31,596

Average sales price per unit:				
Oil (per Bbl)	\$ 38.56	\$ 54.02	\$ 37.34	\$ 53.98
Natural gas (per Mcf)	1.63	1.87	1.68	2.39
Natural gas liquids (per Bbl) <sup>(1)</sup>	(14.68)	10.46	3.85	16.14
Total (per Mcfe)	2.56	2.53	2.54	3.05

Expenses and other:				
Lease operating expenses	\$ 6,929	\$ 19,614	\$ 22,628	\$ 64,568
Cost of purchased natural gas	—	255	—	969
Dry hole and exploration costs	—	36	1	75
Production taxes	84	1,634	369	5,277
Accretion expense on obligations	—	1,995	3,366	6,373
Depreciation, depletion and amortization	—	1,367	1,103	10,712
General and administrative expenses	4,270	7,771	12,332	20,794
Impairment of oil and natural gas properties	1,093	16,325	3,536	115,604
Gain on sales of oil and natural gas properties	16	661	368	679
Gain (loss) on derivatives, net	(1,823)	5,718	9,868	5,374
Interest expense	12	501	38	3,335
Gain on equity securities	—	—	—	4,593
Other income, net	473	341	1,340	3,168
Net loss	\$ (6,244)	\$ (19,529)	\$ (7,410)	\$ (116,211)

Average unit cost per Mcfe:				
Production costs:				
Lease operating expenses	\$ 2.37	\$ 2.17	\$ 2.36	\$ 2.04
Production taxes	0.03	0.18	0.04	0.17
Total	2.40	2.35	2.40	2.21
Depreciation, depletion and amortization	—	0.15	0.11	0.34
General and administrative expenses	1.46	0.86	1.28	0.66

<sup>(1)</sup> Natural gas liquids revenues for the three and nine months ended September 30, 2020 include a prior period adjustment of \$0.3 million. Excluding this prior period adjustment for the three and nine months ended September 30, 2020, natural gas liquids revenues would have been \$0.1 million and \$0.4 million, respectively, and the natural gas liquids price per barrel would have been \$16.32 and \$16.38, respectively.

### Three Months Ended September 30, 2020 Compared with the Three Months Ended September 30, 2019

Net loss for the three months ended September 30, 2020 was \$6.2 million compared with a loss of \$19.5 million for the three months ended September 30, 2019. The significant factors in this change were a \$15.2 million decrease in impairment of oil and natural gas properties, a \$12.7 million decrease in lease operating expenses, partially offset by a \$15.8 million decrease in revenues.

Oil, natural gas and natural gas liquids revenues for the three months ended September 30, 2020 totaled \$7.5 million, a decrease of \$15.4 million compared with the three months ended September 30, 2019. This decrease in revenues was the result of a decrease of \$13.2 million related to decreased oil, natural gas and natural gas liquid production primarily related to the divestiture of oil and gas properties, a decrease of \$1.9 million primarily related to lower oil and natural gas prices, and a decrease of \$0.3 million related to a prior period adjustment for natural gas liquids. Excluding the prior period adjustment, natural gas liquids and total revenues for the three months ended September 30, 2020 would have reflected the following:

Natural gas liquids revenues	\$	149
Total oil, natural gas and natural gas liquids revenues		7,761
Average sales price per unit:		
Natural gas liquids (per Bbl)	\$	16.32
Total (per Mcfe)		2.65

Lease operating expenses for the three months ended September 30, 2020 decreased \$12.7 million compared with the three months ended September 30, 2019 as the result of a decrease of \$13.3 million due to decreased production primarily caused by divestitures of oil and gas properties, partially offset by an increase of \$0.6 million due to a higher unit cost per Mcfe. Lease operating expenses were \$2.37 per Mcfe in the three months ended September 30, 2020 compared with \$2.17 per Mcfe in the three months ended September 30, 2019.

Depreciation, depletion and amortization for the three months ended September 30, 2020 decreased \$1.4 million compared with the three months ended September 30, 2019. This decrease was primarily the result of the divestitures of oil and gas properties.

General and administrative expenses for the three months ended September 30, 2020 totaled \$4.3 million, a decrease of \$3.5 million compared with the three months ended September 30, 2019. This decrease is primarily the result of lower fees paid under the Services Agreement (as defined below under “Contractual Obligations”) with the EnerVest Group and lower stock based compensation expense. General and administrative expenses were \$1.46 per Mcfe in the three months ended September 30, 2020 compared with \$0.86 per Mcfe in the three months ended September 30, 2019.

During the three months ended September 30, 2020, we incurred proved property impairment of \$1.1 million related to proved oil and natural gas properties and no leasehold impairment charges. Of the proved property impairment during the three months ended September 30, 2020, \$0.7 million related to properties located in Michigan, which were sold during August 2020; \$0.3 million related to properties located in the Barnett Shale, which were sold in 2019; and \$0.1 million related to properties located in the Permian Basin, which were held for sale as of September 30, 2020. During the three months ended September 30, 2019, we incurred proved property impairment of \$16.3 million related to proved oil and natural gas properties and no leasehold impairment charges. Of the proved property impairment during the three months ended September 30, 2019, \$8.1 million related to properties located in the Permian Basin; \$3.6 million related to properties located in the Mid-Continent area; \$3.0 million related to properties located in the Barnett Shale, Mid-Continent area and the San Juan Basin, which were sold during the nine months ended September 30, 2019; and \$1.6 million related to properties located in the Monroe Field, which were held for sale as of September 30, 2019.

Loss on derivatives, net was \$1.8 million for the three months ended September 30, 2020 compared with a gain on derivatives, net of \$5.7 million for the three months ended September 30, 2019. This change was attributable to changes in future oil and natural gas prices. The 12-month forward price at September 30, 2020 for oil averaged \$41.47 per Bbl

compared with \$39.83 at June 30, 2020, and the 12-month forward prices at September 30, 2020 for natural gas averaged \$2.84 per MMBtu compared with \$2.32 at June 30, 2020. The 12-month forward price at September 30, 2019 for oil averaged \$52.88 per Bbl compared with \$57.51 at June 30, 2019, and the 12-month forward prices at September 30, 2019 for natural gas averaged \$2.39 per MMBtu compared with \$2.45 at June 30, 2019.

Interest expense for the three months ended September 30, 2020 decreased \$0.5 million compared with the three months ended September 30, 2019. This change was a result of a lower weighted average long-term debt balance.

### **Nine Months Ended September 30, 2020 Compared with the Nine Months Ended September 30, 2019**

Net loss for the nine months ended September 30, 2020 was \$7.4 million compared with a loss of \$116.2 million for the nine months ended September 30, 2019. The significant factors in this change were a \$112.1 million decrease in impairment of oil and natural gas properties, a \$41.9 million decrease in lease operating expenses, a \$9.6 million decrease in depreciation, depletion and amortization, an \$8.5 million decrease in general and administrative expenses and a \$4.9 million decrease in production taxes, partially offset by a \$73.3 million decrease in revenues.

Oil, natural gas and natural gas liquids revenues for the nine months ended September 30, 2020 totaled \$24.4 million, a decrease of \$71.9 million compared with the nine months ended September 30, 2019. This decrease in revenues was the result of a decrease of \$48.6 million related to decreased oil, natural gas and natural gas liquid production primarily related to the divestiture of oil and gas properties, a decrease of \$23.0 million primarily related to lower oil and natural gas prices, and a decrease of \$0.3 million related to a prior period adjustment for natural gas liquids. Excluding the prior period adjustment, natural gas liquids and total revenues for the nine months ended September 30, 2020 would have reflected the following:

Natural gas liquids revenues	\$	370
Total oil, natural gas and natural gas liquids revenues		24,670
Average sales price per unit:		
Natural gas liquids (per Bbl)	\$	16.38
Total (per Mcfe)		2.57

Lease operating expenses for the nine months ended September 30, 2020 decreased \$41.9 million compared with the nine months ended September 30, 2019 as the result of a decrease of \$44.9 million due to decreased production primarily caused by divestitures of oil and gas properties, partially offset by an increase of \$3.0 million due to a higher unit cost per Mcfe. Lease operating expenses were \$2.36 per Mcfe in the nine months ended September 30, 2020 compared with \$2.04 per Mcfe in the nine months ended September 30, 2019.

Depreciation, depletion and amortization for the nine months ended September 30, 2020 decreased \$9.6 million compared with the nine months ended September 30, 2019. This decrease was primarily the result of the divestitures of oil and gas properties, combined with a lower unit cost per Mcfe. Depreciation, depletion and amortization was \$0.11 per Mcfe in the nine months ended September 30, 2020 compared with \$0.34 per Mcfe in the nine months ended September 30, 2019.

General and administrative expenses for the nine months ended September 30, 2020 totaled \$12.3 million, a decrease of \$8.5 million compared with the nine months ended September 30, 2019. This decrease is primarily the result of lower fees paid under the Services Agreement (as defined below under “Contractual Obligations”) with the EnerVest Group, lower accounting fees and lower stock based compensation expense. General and administrative expenses were \$1.28 per Mcfe in the nine months ended September 30, 2020 compared with \$0.66 per Mcfe in the nine months ended September 30, 2019.

During the nine months ended September 30, 2020, we incurred proved property impairment of \$3.5 million related to proved oil and natural gas properties and no leasehold impairment charges. Of the proved property impairment during the nine months ended September 30, 2020, \$2.5 million related to properties located in Michigan, which were sold during August 2020; \$0.8 million related to properties located in Monroe, the Barnett Shale and the Permian Basin, which were

sold in 2019; and \$0.2 million related to properties located in the Barnett Shale and the Permian Basin, which were held for sale as of September 30, 2020. During the nine months ended September 30, 2019, we incurred proved property impairment of \$115.6 million related to proved oil and natural gas properties and no leasehold impairment charges. Of the proved property impairment during the nine months ended September 30, 2019, \$75.3 million related to properties located in the Barnett Shale, which were sold or held for sale as of September 30, 2019; \$25.3 million related to properties located in the San Juan Basin, which were sold during April 2019; \$8.1 million related to properties located in the Permian Basin, which were held and used as of September 30, 2019; \$3.6 million related to properties in the Mid-Continent area, which were held and used as of September 30, 2019; \$1.6 million related to properties located in the Monroe Field, which were held for sale as of September 30, 2019; and \$1.7 million related to properties in the Mid-Continent area, which were also sold in April 2019.

Gain on equity securities was \$4.6 million for the nine months ended September 30, 2019. The gain is attributable to the changes in the share price of the common stock of Magnolia prior to the sale in January 2019.

Gain on derivatives, net was \$9.9 million for the nine months ended September 30, 2020 compared with a gain on derivatives, net of \$5.4 million for the nine months ended September 30, 2019. This change was attributable to changes in future oil and natural gas prices. The 12-month forward price at September 30, 2020 for oil averaged \$41.47 per Bbl compared with \$59.03 at December 31, 2019, and the 12-month forward prices at September 30, 2020 for natural gas averaged \$2.84 per MMBtu compared with \$2.28 at December 31, 2019. The 12-month forward price at September 30, 2019 for oil averaged \$52.88 per Bbl compared with \$47.09 at December 31, 2018, and the 12-month forward prices at September 30, 2019 for natural gas averaged \$2.39 per MMBtu compared with \$2.85 at December 31, 2018.

Interest expense for the nine months ended September 30, 2020 decreased \$3.3 million compared with the nine months ended September 30, 2019. This change was a result of a lower weighted average long-term debt balance.

## **LIQUIDITY AND CAPITAL RESOURCES**

Our sources of cash primarily consist of proceeds from divestitures of certain oil and natural gas properties and net cash flows generated from operations. For additional information about our pending asset sales, please see Note 4 of the Notes to Unaudited Condensed Consolidated Financial Statements included under “Item 3. Interim Financial Statements” contained herein to this report. We have used our cash proceeds from divestitures to fully repay outstanding borrowings under our credit facility, pay dividends to our shareholders and fund capital expenditures, principally for the development of our oil and natural gas properties.

In October 2019, we paid a dividend of \$7.00 per share on a pre-split basis to the holders of record of our common stock as of the close of business on October 18, 2019. In August 2020, we declared and paid a dividend of \$10.00 per share to the holders of record of our common stock as of the close of business on August 17, 2020. Additionally, in November 2020, we declared a dividend of \$10.00 per share to the holders of record of our common stock as of the close of business on November 23, 2020 to be paid on November 30, 2020.

We divested significant assets during 2019 and 2020. This included the divestiture of the Appalachia Basin assets, which represented substantially all of Harvest’s remaining oil and gas assets, and we intend to divest all of our remaining oil and gas assets. The Company intends to undertake the process of winding-up and returning capital to its shareholders, which will include an analysis of the net cash available for distribution to its shareholders and the amount of net cash that must be retained to satisfy the Company’s ongoing liabilities during the winding-up process.

We believe that cash on hand, proceeds from sales of assets and net cash flows generated from operations will be adequate to fund our capital budget and satisfy our liquidity needs. As of September 30, 2020, we had approximately \$27.7 million of liquidity between our borrowing capacity under the Credit Facility and cash on hand. As of November 13, 2020, we had approximately \$27.8 million of liquidity. During the nine months ended September 30, 2020, we incurred \$1.2 million for facility and workover operations. For the remainder of 2020, we plan to incur \$0.0 million to \$0.5 million of capital expenditures for facility and workover operations, which we expect to fund primarily from cash on hand, sales of assets and net cash flows generated from operations.

## Long-term Debt

Our Credit Facility matured on October 4, 2020, and we did not renew it. Borrowings under the Credit Facility were secured by cash collateral. As of September 30, 2020, we had no borrowings outstanding.

For additional information about our credit facility, such as interest rates, please see Note 8 of the Notes to Unaudited Condensed Consolidated Financial Statements included under “Item 3. Interim Financial Statements” contained herein to this report.

## Cash and Short-term Investments

At September 30, 2020, we had \$17.7 million of cash and no short-term investments. With regard to short-term investments, we previously invested in money market accounts with major financial institutions.

Also, at September 30, 2020, we had restricted cash of \$10.0 million which is restricted as cash collateral to secure our borrowings under the Credit Facility. As the Credit Facility matured on October 4, 2020, this cash was no longer restricted as of that date.

## Counterparty Exposure

All of our derivative contracts as of September 30, 2020 were with a major financial institution who was also a lender under the Credit Facility. Should this financial counterparty not perform, we may not realize the benefit of some of our derivative contracts and we could incur a loss. As of September 30, 2020, our counterparty has performed pursuant to its derivative contracts.

## Cash Flows

Cash flows provided by (used in) type of activity were as follows:

	Nine Months Ended September 30,	
	2020	2019
Operating activities	\$ 1,099	\$ 44,024
Investing activities	(2,088)	163,316
Financing activities	(10,301)	(115,305)

### *Operating Activities*

Cash flows from operating activities provided \$1.1 million and \$44.0 million in the nine months ended September 30, 2020 and 2019, respectively. The significant factors in the change were \$73.3 million of lower revenues during 2020 and a \$24.0 million unfavorable change in working capital, partially offset by a \$41.9 million decrease in lease operating expenses and a \$7.3 million decrease in cash general and administrative expenses.

### *Investing Activities*

During the nine months ended September 30, 2020, we spent \$1.5 million for additions to our oil and natural gas properties and returned \$0.6 million of proceeds from the sale of oil and natural gas properties as a result of purchase price adjustments. During the nine months ended September 30, 2019, we spent \$2.1 million for additions of oil and natural gas properties, received \$111.6 million in proceeds from the sale of oil and natural gas properties, received \$51.7 million in proceeds from the sale of equity securities, and received \$2.1 million from reimbursements related to oil and natural gas properties.

## *Financing Activities*

During the nine months ended September 30, 2020, we paid \$10.2 million in dividends and we repurchased \$0.1 million of treasury shares. During the nine months ended September 30, 2019, we repaid \$115.0 million of long-term debt borrowings.

### **Off-Balance Sheet Arrangements**

In the normal course of business, we may enter into off-balance sheet arrangements that give rise to off-balance sheet obligations. As of September 30, 2020, we did not have any off-balance sheet arrangements.

### **Contractual Obligations**

On June 4, 2018, we entered into the Services Agreement with the EnerVest Group. Pursuant to the Services Agreement, the EnerVest Group provides certain administrative, management, operating and other services and support to us. In addition, the EnerVest Group also provides us with sufficient office space, equipment and office supplies pursuant to the Services Agreement. The Services Agreement covers the people EnerVest Group employs who provide direct support to our operations; however, the Services Agreement does not cover the four full-time employees of Harvest which include our Chief Executive Officer and Chief Financial Officer. The management fee is subject to an annual redetermination by agreement of the parties and will also be adjusted for acquisitions or divestitures over \$5 million. The initial term of the Services Agreement will continue through December 31, 2020.

We have various other contractual obligations in the normal course of our operations. Except as described above there have been no material changes to the disclosure since year-end 2019.

### **FORWARD-LOOKING STATEMENTS**

This Quarterly Report contains forward-looking statements (each a “forward-looking statement”). These forward-looking statements may relate to, among other things, the following:

- our business strategy and plans, and future capital expenditures, including plans to optimize the value of our assets and plans to return capital to shareholders;
- the sale of our remaining assets;
- our future financial and operating performance and results;
- our estimated net proved reserves, PV-10 value and standardized measure;
- the effects of asset and property dispositions or acquisitions on our cash position and levels of indebtedness;
- costs of developing our properties and conducting other operations;
- our cash flows, liquidity and capital availability;
- market prices;
- our financial strategy;
- our production volumes;
- environmental liabilities;

- our ability to access the capital markets;
- our future derivative activities; and
- our plans and forecasts.

We have based these forward-looking statements on our current assumptions, expectations and projections about future events.

The words “anticipate,” “believe,” “ensure,” “expect,” “if,” “intend,” “estimate,” “project,” “forecasts,” “predict,” “outlook,” “aim,” “will,” “could,” “should,” “would,” “may,” “likely”, and similar expressions, and the negative thereof, are intended to identify forward-looking statements. These statements discuss future expectations, contain projections of results of operations or of financial condition or state other “forward-looking” information. We do not undertake any obligation to update or revise publicly any forward-looking statements, except as required by law. These statements also involve risks and uncertainties that could cause our actual results or financial condition to materially differ from our expectations in this Quarterly Report including, but not limited to:

- risks relating to the sale of our remaining assets, including risks relating to the consummation of such sales in accordance with their terms or at all;
- our inability to maintain relationships with suppliers, customers, employees and other third parties during our winding-up process;
- our inability to control our contract operator, EnerVest Operating, outside of the parameters of the Services Agreement;
- the existence of unanticipated liabilities and problems related to acquired or divested businesses or properties;
- the potential for additional impairments due to continuing or future declines in oil, natural gas and natural gas liquids prices;
- risks relating to any of our unforeseen liabilities;
- fluctuations in prices of oil, natural gas and natural gas liquids and the length of time commodity prices remain depressed;
- significant disruptions in the financial markets;
- future capital requirements and availability of financing;
- uncertainty inherent in estimating our reserves;
- risks associated with drilling and operating wells;
- liquidity and cash flows and their adequacy to fund our ongoing operations;
- consequences of changes we have made or may make from time to time in the future, to our capital expenditures budget, including the impact of those changes on our production levels, reserves, results of operations and liquidity;
- changes in the financial condition of counterparties;

- timing and amount of future production of oil, natural gas and natural gas liquids;
- availability of drilling and production equipment;
- marketing of oil, natural gas and natural gas liquids;
- developments in oil and natural gas producing countries;
- competition;
- general economic conditions;
- public health crisis, such as the worldwide COVID-19 outbreak beginning in early 2020, which could impact economic conditions;
- governmental regulations;
- activities taken or non-performance by third parties, including suppliers, contractors, operators, transporters and purchasers of our production and counterparties to our derivative financial instrument contracts;
- hedging decisions, including whether or not to enter into derivative financial instruments;
- actions of third party co-owners of interest in properties in which we also own an interest; and
- fluctuations in interest rates and the value of the US dollar in international currency markets.

All of our forward-looking information is subject to risks and uncertainties that could cause actual results to differ materially from the results expected. Although it is not possible to identify all factors, these risks and uncertainties include the risk factors and the timing of any of those risk factors identified in the “Risk Factors” section included in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2019.

Our revenues, operating results, financial condition and ability to borrow funds or obtain additional capital depend substantially on prevailing prices for oil, natural gas and natural gas liquids. Declines in prices may materially adversely affect our financial condition, liquidity, ability to obtain financing and operating results. Lower prices also may reduce the amount of oil, natural gas or natural gas liquids that we can produce economically. A decline in prices could have a material adverse effect on the estimated value and estimated quantities of our reserves, our ability to fund our operations and our financial condition, cash flows, results of operations and access to capital. Historically, prices and markets have been volatile, with prices fluctuating widely, and they are likely to continue to be volatile.

## **ITEM 5. LEGAL PROCEEDINGS**

We are involved in disputes or legal actions arising in the ordinary course of business. We do not believe the outcome of such disputes or legal actions will have a material adverse effect on our unaudited condensed consolidated financial statements.

## **ITEM 6. DEFAULTS UPON SENIOR SECURITIES**

None.

## **ITEM 7. OTHER INFORMATION**

### **Risk Factors**

Our business faces many risks. Any of the risks discussed elsewhere in this Quarterly Report and our SEC filings could have a material impact on our business, financial position or results of operations. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also impair our business operations. There have been no material changes with respect to the risk factors disclosed in Harvest Oil & Gas Corp.'s Annual Report on Form 10-K for the year ended December 31, 2019 and in our Quarterly Report for the period ended June 30, 2020.

### **Deregistration of Harvest Common Stock**

On May 15, 2020, Harvest filed a Form 15 with the SEC to voluntarily deregister its common stock and suspend its reporting obligations under the Exchange Act. As a result of the deregistration, the Company is no longer required to file reports under the Exchange Act.

## **ITEM 8. EXHIBITS**

**Description of the Appalachia EPA.** The description of the Appalachia EPA contained in Note 4 of the Notes to Unaudited Condensed Consolidated Financial Statements included under “Item 3. Interim Financial Statements” of this report is incorporated herein by reference.

Further, the Company’s exhibits are incorporated by reference from the Company’s Annual Report on Form 10-K for the year ended December 31, 2019.

## ITEM 9. CERTIFICATIONS

I, Michael E. Mercer, certify that:

- 1 I have reviewed this quarterly disclosure statement of Harvest Oil & Gas Corp.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: November 17, 2020

/s/ MICHAEL E. MERCER

Michael E. Mercer  
President and Chief Executive Officer

I, Ryan Stash, certify that:

- 1 I have reviewed this quarterly disclosure statement of Harvest Oil & Gas Corp.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: November 17, 2020

/s/ RYAN STASH

Ryan Stash  
Vice President and Chief Financial Officer