# Harvest Oil and Gas Corp.

## Unaudited Financial Statements
## For the Year Ended December 31, 2022

# Harvest Oil & Gas Corp.
# Unaudited Consolidated Balance Sheets
*(In thousands, except per share data)*

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 10,338 | $ 15,341 |
| Accounts receivable | 202 | 2,685 |
| Other current assets | 943 | 1,634 |
| Total current assets | 11,483 | 19,660 |
| Assets held for sale | 111 | 66 |
| Other assets | 742 | 1,063 |
| Total assets | $ 12,346 | $ 20,789 |
| **Liabilities And Equity** | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | $ 284 | $ 746 |
| Asset retirement obligations | 175 | 152 |
| Total current liabilities | 459 | 898 |
| Liabilities held for sale | 64 | 64 |
| Other long–term liabilities | 466 | 466 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Common stock – $0.01 par value; 2,000,000 shares authorized; 1,032,885 shares issued and 1,026,541 shares outstanding | 102 | 102 |
| Additional paid-in capital | 142,313 | 147,959 |
| Treasury stock at cost – 6,344 shares | (657) | (657) |
| Retained earnings (accumulated deficit) | (130,401) | (128,043) |
| Total stockholders' equity | 11,357 | 19,361 |
| Total liabilities and equity | $ 12,346 | $ 20,789 |

See accompanying notes to consolidated financial statements.

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

| | Year Ended December 31, 2022 | Year Ended December 31, 2021 |
|---|---|---|
| Oil, natural gas and natural gas liquids revenues | $ — | $ 33 |
| Operating costs and expenses: | | |
| General and administrative expenses | 717 | 3,392 |
| Loss on sales of oil and natural gas properties | 830 | 340 |
| Total operating costs and expenses | 1,547 | 4,720 |
| Operating loss | (1,547) | (4,687) |
| Other income (expense), net: | | |
| Interest income | — | 1,563 |
| Loss on early termination of note receivable | — | (1,600) |
| Other expense, net | (811) | — |
| Total other income, net | (811) | (37) |
| Loss before income taxes | (2,358) | (4,724) |
| Income tax benefit | — | — |
| Net loss | $ (2,358) | $ (4,724) |
| Earnings (loss) per share – Basic and Diluted | $ (2.28) | $ (4.57) |
| Weighted average common shares outstanding – Basic and Diluted | 1,033 | 1,033 |

See accompanying notes to consolidated financial statements.

# Harvest Oil & Gas Corp.
# Notes to Unaudited Consolidated Financial Statements
*(Amounts in thousands, except per share data)*

## Note 1. Organization and Nature of Business

Harvest Oil & Gas Corp. (the "Company" or "Harvest"), a Delaware corporation, previously operated as an independent oil and gas company. On January 26, 2021, Harvest filed a Certificate of Dissolution with the Secretary of State of the State of Delaware. The Company is currently winding down its business and operations and is in the process of returning capital to its shareholders, subject to an analysis of the net cash available for distribution to its shareholders after any net cash that must be retained to satisfy the Company's ongoing liabilities during the winding-up process. 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.

Given the significant costs and resource demands of being a public company, the Company decided to deregister its common stock in accordance with the Securities Exchange Act of 1934, as amended (the "Exchange Act"). On May 15, 2020, Harvest filed a Form 15 with the Securities and Exchange Commission (the "SEC") to voluntarily deregister its common stock and suspend its reporting obligations 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.

After deregistration from the SEC, Harvest's common stock was quoted and traded on the OTCQX until January 8, 2021, after which Harvest's common stock was quoted and traded on the OTC PINK Market until September 27, 2021. Harvest's common stock is now trading on the OTC Expert Market. Although Harvest currently provides financial information for the benefit of its shareholders, there is no assurance it will continue to do so.

The Company has divested virtually all of its oil and gas properties over the past several years. This included the divestiture of the Company's Appalachia Basin assets, which represented substantially all of Harvest's remaining oil and gas assets when they were sold in October 2020. The Company intends to divest all of its minimal remaining oil and gas assets.

### Distributions

After filing its Certificate of Dissolution, the Company is currently winding down its business and operations and is in the process of returning capital to its shareholders, subject to 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. Since filing the Certificate of Dissolution, the Company has made the following distributions per share:

*(Amounts in thousands, except per share data)*

| | Year Ended December 31, | |
|---|---|---|
| | 2022 | 2021 |
| Distribution per share | $ 5.50 | $ 13.00 |

Subsequent to December 31, 2022, the Company made an additional distribution of $3.75 per share on January 17, 2023. As of June 1, 2023, the Company has made cumulative distributions of $42.25 per share or $43.3 million for 2020, 2021, 2022 and 2023.

## Note 2. Summary of Significant Accounting Policies

### Basis of Presentation

The Company's consolidated financial statements included herein are consistent with accounting principles generally accepted in the United States of America ("GAAP"). The financial statements contain selected disclosures, but do not contain all the information required by annual financial statements prepared in accordance with GAAP.

This information contained herein is provided for informational purposes only and is not intended to substitute for obtaining professional accounting, tax, or financial advice. All investors should consider such factors in consultation with a professional advisor of their choosing when deciding if an investment is appropriate. Although reasonable and appropriate measures to maintain the timeliness and accuracy of the financial information included herein, the financial data provided has been neither reviewed nor audited and may contain errors, omissions or misstatements.

All intercompany accounts and transactions have been eliminated in consolidation.

### Use of Estimates

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 consolidated financial statements are appropriate, actual results could differ from those estimates.

### Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less at the time of purchase to be cash equivalents. All of its cash and cash equivalents are maintained with major financial institutions in the United States.

**Asset Retirement Obligations**

An asset retirement obligation ("ARO") represents the future abandonment costs of tangible assets, such as wells, service assets, and other facilities. The Company recorded an ARO and capitalized the asset retirement cost in oil and natural gas properties in the period in which the retirement obligation was 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 was accreted to its future estimated value using an assumed cost of funds and the additional capitalized costs were depreciated on a unit–of–production basis. If the ARO is settled for an amount other than the recorded amount, a gain or loss is recognized.

**Income Taxes**

The Company is a corporation subject to federal and state income taxes. Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Potential uncertain tax positions are assessed and, if required, an estimate and accrual is established for such amounts.

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. As of December 31, 2022, the Company had federal net operating loss ("NOL") carryforwards of approximately $212 million, which can be carried forward indefinitely, and state NOLs of $40.0 million, which will expire in varying amounts beginning in 2028. Due to significant negative evidence, the Company has established a full valuation allowance against its net deferred tax assets of $51.5 million and $49.1 million as of December 31, 2022 and 2021, respectively.

The Company's tax returns are subject to periodic audits by the various jurisdictions in which the Company operates. These audits can result in adjustments of taxes due or adjustments of the NOL carryforwards that are available to offset future taxable income.

In addition, the Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. As of December 31, 2022 and 2021, the Company has no uncertain tax positions, and no amounts were incurred for income tax uncertainties or interest and penalties. The Company is currently not aware of any issues under review that could result in significant payments, accruals or material deviation from its position.

*(Amounts in thousands, except per share data)*

**Earnings (loss) per Share**

Basic earnings (loss) per share is computed by dividing net earnings attributable to stockholders by the weighted average number of shares outstanding during the period. Diluted earnings (loss) per share is computed by adjusting the average number of shares outstanding for the dilutive effect, if any, of potential common shares. The Company uses the treasury stock method to determine the dilutive effect.

**Subsequent Events**

The Company evaluated subsequent events for appropriate accounting and disclosure through the date these consolidated financial statements were issued. Subsequent events are disclosed throughout the notes to the financial statements. See Note 1 for discussion of a distribution to owners in the amount of $3.75 per share or $3.8 million on January 17, 2023.

**Note 3. Receivables**

Accounts receivable consists of the following:

| | December 31, | |
|---|---|---|
| | **2022** | **2021** |
| Purchase price adjustment due from buyer of oil and natural gas properties | $ 202 | $ 624 |
| Receivables due from EnerVest Group related to Services Agreement | — | 2,061 |
| Total | $ 202 | $ 2,685 |

In June 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 provided certain administrative, management, operating and other services and support (the “Services”) to Harvest. In addition, the EnerVest Group also provided Harvest with sufficient office space, equipment and office supplies pursuant to the Services Agreement. The Services Agreement covered the people EnerVest Group employed who provide direct support to the Company’s operations; however, the Services Agreement did not cover the full-time employees of Harvest. The initial term of the Services Agreement continued through December 31, 2020. In March 2021, the Company entered into a Second Amendment to Services Agreement with the EnerVest Group with an effective date of January 1, 2021 to extend the Services Agreement through April 30, 2021 for a fee of $0.4 million.

*(Amounts in thousands, except per share data)*

## Note 4. Assets and Liabilities Held for Sale

As of December 31, 2022, the remaining oil and natural gas properties, which Harvest intends to divest or plug and abandon, were located in the Appalachia Basin and the Barnett Shale. Additionally, the Company intends to divest its minority interest in a pipeline located in Michigan.

## Note 5. Other Assets and Other Long-Term Liabilities

Other Assets includes the cash surrender value of a life insurance policy of a former employee of $0.7 million and $0.9 million, as of December 31, 2022 and 2021, respectively. A subsidiary of the Company is obligated to maintain this policy for the remainder of the former employee's life. The remaining expected obligations for premium payments under that policy of $0.5 million as of both December 31, 2022 and 2021 are included in long-term liabilities.

## Note 6. Payables

Accounts payable and accrued liabilities consisted of the following:

| | December 31, | |
|---|---|---|
| | **2022** | **2021** |
| General and administrative expenses | $ 162 | $ 508 |
| Lease operating expenses | — | 116 |
| Other | 122 | 122 |
| Total | $ 284 | $ 746 |

## Note 7. Asset Retirement Obligations

The changes in the aggregate ARO are as follows:

| | |
|---|---|
| ARO as of December 31, 2020 | $ 234 |
| Settlements and divestitures | 674 |
| Liabilities held for sale | (756) |
| ARO as of December 31, 2021 | 152 |
| Revisions | 55 |
| Settlements | (32) |
| ARO as of December 31, 2022 | $ 175 |

As of December 31, 2022, and 2021, all ARO was classified as current. The remaining $0.2 million of ARO as of December 31, 2022, relates to uneconomic wells in the Appalachia Basin that the Company is currently in the process of plugging and abandoning.

*(Amounts in thousands, except per share data)*

## Note 8. Commitments and Contingencies

### Uncollectible Accounts Receivable Contingency

On October 13, 2021, Harvest and the EnerVest Group executed a Settlement Agreement and Mutual Release resolving a disputed matter relating to uncollectable accounts receivable from third-party working interest owners for $1.4 million, which was structured as an offset to amounts due from the EnerVest Group related to the Services Agreement. As of December 31, 2022 and 2021, the Company did not have any uncollectible accounts receivable.

### Other

The Company is involved in various legal actions arising in the ordinary course of business. The Company does not believe the outcome such legal actions will have a material effect on its consolidated financial statements. No amounts, other than as described above, were accrued as of December 31, 2022, or December 31, 2021.

The Company is also subject to certain state and local tax audits, purchase price settlements and other potential obligations in connection with assets that were sold in recent years. While the Company does not, at the current time, expect any such obligations will have a material effect on its consolidated financial statements, some of the matters are still expected to remain unresolved through at least the end of 2023.

## Note 9. Other Supplemental Information

Supplemental cash flows and noncash transactions were as follows:

| | Year Ended December 31, | |
|---|---|---|
| | 2022 | 2021 |
| Non–cash transactions: | | |
| Loss on early retirement of note receivable | $ — | $ (1,600) |

The divesture of certain properties in Appalachia in 2020 was funded with a $21.9 million two-tranche senior secured seller note (the “Note Receivable. On September 30, 2021, the Note Receivable was fully repaid, which at the time of its repayment totaled $15.6 million, including accrued interest. The $1.6 million reduction in principal upon early repayment is included in other expenses on the statement of operations.