Harvest Oil and Gas Corp.

Unaudited Financial Statements
For the Year Ended December 31, 2021

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

	December 31, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 15,341	$ 16,314
Accounts receivable:		
Oil, natural gas and natural gas liquids revenues	624	3,280
Other	2,061	973
Current note receivable	—	9,001
Other current assets	1,634	734
Total current assets	19,660	30,302
Assets held for sale	66	1,031
Long-term note receivable	—	13,426
Other assets	1,063	2,100
Total assets	$ 20,789	$ 46,859
Liabilities And Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 746	$ 7,583
Asset retirement obligations	152	234
Other current liabilities	—	35
Total current liabilities	898	7,852
Liabilities held for sale	64	1,029
Other long–term liabilities	466	548
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	147,959	161,304
Treasury stock at cost – 6,344 shares	(657)	(657)
Retained earnings (accumulated deficit)	(128,043)	(123,319)
Total stockholders’ equity	19,361	37,430
Total liabilities and equity	$ 20,789	$ 46,859

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, 2021	Year Ended December 31, 2020
Oil, natural gas and natural gas liquids revenues	$ 33	$ 26,259
Operating costs and expenses:		
Lease operating expenses	—	23,692
Production taxes	—	346
Accretion expense on obligations	—	3,366
Depreciation, depletion and amortization	—	1,103
General and administrative expenses	3,392	15,099
Impairment of oil and natural gas properties	—	3,757
Impairment of long-term assets	314	—
Asset retirement obligation expenses	674	—
Gain on sales of oil and natural gas properties	340	(952)
Total operating costs and expenses	4,720	46,411
Operating loss	(4,687)	(20,152)
Other income (expense), net:		
Gain on derivatives, net	—	9,610
Interest expense	—	(39)
Interest income	1,563	531
Loss on early termination of note receivable	(1,600)	—
Other income, net	—	1,175
Total other income, net	(37)	11,277
Loss before income taxes	(4,724)	(8,875)
Income tax benefit	—	—
Net loss	$ (4,724)	$ (8,875)
Earnings (loss) per share – Basic and Diluted	$ (4.57)	$ (8.69)
Weighted average common shares outstanding – Basic and Diluted	1,033	1,021

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.

Harvest is the successor to EV Energy Partners, L.P. (the "Predecessor"). The Predecessor was a publicly held Delaware limited partnership formed in 2006. The Predecessor was publicly traded from September 2006 to June 2018 when it was dissolved. On April 2, 2018, the Predecessor and 13 affiliated debtors (collectively, the "Debtors") each filed Chapter 11 proceedings under the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). On May 17, 2018, the Bankruptcy Court entered an order confirming the Plan. On June 4, 2018, the Debtors' plan of reorganization (the "Plan") became effective in accordance with its terms. In accordance with the Plan, the Predecessor's equity was cancelled, the Predecessor transferred all of its assets and operations to Harvest, the Predecessor was dissolved and Harvest became the successor reporting company to EVEP pursuant to Rule 15d-5 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). For additional information, see the audited consolidated financial statements and related notes included in Harvest's Annual Report on Form 10-K for the year ended December 31, 2019, filed with the Securities and Exchange Commission on April 4, 2020.

Given the significant costs and resource demands of being a public company, the Company decided to deregister its common stock in accordance with the Exchange Act. 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. 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.

Since the Plan became effective, the Company has divested virtually all of its oil and gas properties. 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.

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, 2021, the Company had federal net operating loss ("NOL") carryforwards of approximately $210 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 $49.1 million and $48.0 million as of December 31, 2021 and 2020, 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, 2021 and 2020, 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 4 for discussion of subsequent receipts of receivables and Note 11 for discussion of subsequent distributions to owners.

Note 3. Recent Divestitures

In August 2020, the Company sold 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 year ended December 31, 2020 related to this sale. The sale of the remaining oil and gas properties in Michigan are closed in January 2021 for a de minimis amount of consideration.

In October 2020, the Company closed on the sale of substantially all of its oil and natural gas properties in the Appalachia Basin for a purchase price of $21.895 million, subject to customary purchase price adjustments, and made a senior secured seller loan to the buyer to fund the purchase price. The Company recognized a gain of $0.6 million during the year ended December 31, 2020 related to this sale. See Note 5 for additional discussion of the repayment of the senior secured loan by the buyer.

Note 4. Receivables

Accounts receivable consists of the following:

	December 31, 2021	December 31, 2020
Oil, natural gas and natural gas liquids revenues	$ —	$ 2,259
Purchase price adjustment due from buyer of oil and natural gas properties	624	766
Receivables due from EnerVest Group related to Services Agreement	2,061	1,228
Total	$ 2,685	$ 4,253

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

(Amounts in thousands, except per share data)

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 management fee was 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 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.

Subsequent to December 21, 2021, EnerVest Group paid $1.5 million of the amount due under the Services Agreement.

Note 5. Note Receivable

Notes receivable consists of the following:

	December 31,	
	2021	**2020**
Current note receivable	$ —	$ 9,001
Long-term note receivable	—	13,426
Total	$ —	$ 22,427

As discussed in Note 3, the divesture of certain properties in Appalachia was funded with a $21.895 million two-tranche senior secured seller note (the "Note Receivable"), which was held by EV Properties, L.P., a wholly-owned subsidiary of Harvest. The Note Receivable is subject to customary covenants and includes a reduction of principal of $1.6 million, as amended, provided full repayment Note Receivable was completed within one year from the original closing date of the divestiture.

The Company recognized interest income of $328 and $24 paid-in-kind during the year ended December 31, 2021 and 2020, respectively.

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.

Note 6. Assets and Liabilities Held for Sale

As of December 31, 2021, 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.

(Amounts in thousands, except per share data)

Note 7. Other Assets and Other Long-Term Liabilities

Other Assets includes the cash surrender value of a life insurance policy regarding a former employee of $0.9 million and $1.3 million, as of December 31, 2021 and 2020, respectively. The Company is required 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, 2021 and 2020 are included in long-term liabilities.

Note 8. Payables

Accounts payable and accrued liabilities consisted of the following:

	December 31,	
	2021	2020
General and administrative expenses	$ 508	$ 3,021
Purchase price adjustment due to buyer of oil and natural gas properties	—	2,844
Lease operating expenses	116	1,311
Production and ad valorem taxes	—	250
Other	122	157
Total	$ 746	$ 7,583

Note 9. Asset Retirement Obligations

The changes in the aggregate ARO are as follows:

ARO as of December 31, 2019	$ 89,970
Accretion expense	3,366
Settlements and divestitures	(92,211)
Liabilities held for sale	(891)
ARO as of December 31, 2020	234
Revisions	674
Settlements	(756)
ARO as of December 31, 2021	$ 152

As of December 31, 2021, and 2020, all ARO was classified as current. The remaining $0.2 million of ARO as of December 31, 2021, relates to uneconomic wells in the Appalachia Basin that the Company is currently in the process of plugging and abandoning.

Note 10. Commitments and Contingencies

Uncollectible Accounts Receivable Contingency

The Company has previously reported a contingency that existed as a result of a notice provided by the EnerVest Group regarding approximately $4.1 million of uncollectible accounts receivable from third-party working interest owners that the EnerVest Group believed was owed by Harvest. The EnerVest Group subsequently increased this amount by approximately $1.6 million. On October 13, 2021, Harvest and the EnerVest Group executed a Settlement Agreement and Mutual Release resolving the matter for $1.4 million, which was structured as an offset to amounts due from the EnerVest Group related to the Services Agreement.

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, 2021, or December 31, 2020.

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 2022.

Note 11. Stockholders' Equity and Earnings (Loss) Per Share

Warrants

In June 2018, the Company issued Warrants to purchase up to 800,000 shares of the Company's common stock, exercisable for a five year period commencing on June 4, 2018 at an exercise price of $37.48 per warrant. After special dividends and stock splits, the exercise price of the warrants was adjusted to $284.80.

The Warrants were terminated and stopped trading in April 2021.

Earnings (Loss) Per Share

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

(Amounts in thousands, except per share data)

	Year Ended December 31,	
	2021	2020
Net loss available to common stockholders	$ (4,724)	$ (8,875)
Weighted average common shares outstanding:		
Basic	1,033	1,021
Dilutive effect of potential common shares	—	—
Diluted	1,033	1,021
Earnings (loss) per share:		
Basic	$ (4.57)	$ (8.69)
Diluted	$ (4.57)	$ (8.69)
Antidilutive restricted stock shares (1)	—	—
Antidilutive warrants (2)	213	800

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

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

Distributions

After filing a 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:

	Year Ended December 31,	
	2021	2020
Distribution per share	$ 13.00	$ 20.00

Subsequent to December 21, 2021, the Company made an additional distribution of $5.50 per share. As of April 30, 2022, the Company has made cumulative distributions of $39.5 million for 2020, 2021 and 2022.

Note 12. Other Supplemental Information

Supplemental cash flows and noncash transactions were as follows:

	Year Ended December 31, 2021	Year Ended December 31, 2020
Non–cash transactions:		
Loss on early retirement of note receivable	$ (1,600)	$ —
Note receivable proceeds from sale of oil and natural gas properties (1)	—	21,895

(1) Relates to the sale of oil and natural gas properties in Appalachian Basin.