HARVEST OIL & GAS CORP.

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Quarterly Report

For the period ending June 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

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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 will 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:

	6/30/2020	12/31/2019 (1)	12/31/2018 (1)
Common Shares:			
Number of shares authorized	2,000,000	65,000,000	65,000,000
Number of shares outstanding	1,022,066	10,183,467	10,042,468
Freely tradable shares (public float)	172,259	3,032,409	2,951,661
Number of beneficial holders owning at least 100 shares	53	95	67
Number of shareholders of record	132	287	317
Warrants:			
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
Preferred Stock:			
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

(1) 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)

	June 30, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 30,928	$ 28,968
Restricted cash	10,000	10,000
Accounts receivable:		
Oil, natural gas and natural gas liquids revenues	8,105	14,075
Other	2,366	1,322
Derivative asset	7,756	6,231
Other current assets	540	277
Total current assets	59,695	60,873
Oil and natural gas properties, net of accumulated depreciation, depletion and amortization; June 30, 2020, $0; December 31, 2019, $15,066	—	114,031
Assets held for sale	111,625	316
Other assets	3,723	4,965
Total assets	$ 175,043	$ 180,185
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 15,677	$ 23,524
Other current liabilities	443	586
Total current liabilities	16,120	24,110
Asset retirement obligations	—	88,668
Liabilities held for sale	92,822	139
Other long–term liabilities	1,242	1,770
Commitments and contingencies (Note 10)		
Mezzanine equity	118	127
Stockholders’ equity:		
Common stock – $0.01 par value; 2,000,000 shares authorized; 1,027,511 shares issued and 1,022,066 shares outstanding as of June 30, 2020; 1,022,101 shares issued and 1,018,347 shares outstanding as of December 31, 2019	102	102
Additional paid-in capital	180,781	180,177
Treasury stock at cost – 5,445 shares at June 30, 2020; 3,754 shares at December 31, 2019	(630)	(562)
Retained earnings (accumulated deficit)	(115,512)	(114,346)
Total stockholders’ equity	64,741	65,371
Total liabilities and equity	$ 175,043	$ 180,185

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 June 30,	
	2020	**2019**
Revenues:		
Oil, natural gas and natural gas liquids revenues	$ 7,440	$ 30,129
Transportation and marketing–related revenues	—	458
Total revenues	7,440	30,587
Operating costs and expenses:		
Lease operating expenses	7,463	21,754
Cost of purchased natural gas	—	315
Dry hole and exploration costs	1	—
Production taxes	132	1,450
Accretion expense on obligations	1,603	2,168
Depreciation, depletion and amortization	514	4,373
General and administrative expenses	4,131	6,653
Impairment of oil and natural gas properties	837	73,151
Gain on sales of oil and natural gas properties	(415)	(5)
Total operating costs and expenses	14,266	109,859
Operating loss	(6,826)	(79,272)
Other income (expense), net:		
Gain (loss) on derivatives, net	(966)	16,430
Interest expense	(12)	(1,315)
Other income, net	669	2,965
Total other income (expense), net	(309)	18,080
Loss before income taxes	(7,135)	(61,192)
Income tax benefit	—	285
Net loss	$ (7,135)	$ (60,907)
Earnings per share:		
Basic	$ (7.00)	$ (60.52)
Diluted	$ (7.00)	$ (60.52)
Weighted average common shares outstanding:		
Basic	1,019	1,006
Diluted	1,019	1,006

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)

	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Revenues:		
Oil, natural gas and natural gas liquids revenues	$ 16,909	$ 73,415
Transportation and marketing–related revenues	—	1,018
Total revenues	16,909	74,433
Operating costs and expenses:		
Lease operating expenses	15,699	44,954
Cost of purchased natural gas	—	714
Dry hole and exploration costs	1	39
Production taxes	285	3,643
Accretion expense on obligations	3,366	4,378
Depreciation, depletion and amortization	1,103	9,345
General and administrative expenses	8,062	13,023
Impairment of oil and natural gas properties	2,443	99,279
Gain on sales of oil and natural gas properties	(352)	(18)
Total operating costs and expenses	30,607	175,357
Operating loss	(13,698)	(100,924)
Other income (expense), net:		
Gain (loss) on derivatives, net	11,691	(344)
Interest expense	(26)	(2,834)
Gain on equity securities	—	4,593
Other income, net	867	2,827
Total other income (expense), net	12,532	4,242
Loss before income taxes	(1,166)	(96,682)
Income tax expense	—	—
Net loss	$ (1,166)	$ (96,682)
Earnings per share:		
Basic	$ (1.15)	$ (96.17)
Diluted	$ (1.15)	$ (96.17)
Weighted average common shares outstanding:		
Basic	1,018	1,005
Diluted	1,018	1,005

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Cash flows from operating activities:		
Net loss	$ (1,166)	$ (96,682)
Adjustments to reconcile net loss to net cash flows provided by operating activities:		
Accretion expense on obligations	3,366	4,378
Depreciation, depletion and amortization	1,103	9,345
Share-based compensation cost	590	763
Cash dividends paid on share-based compensation	(394)	—
Impairment of oil and natural gas properties	2,443	99,279
Gain on sales of oil and natural gas properties	(352)	(18)
Gain on equity securities	—	(4,593)
(Gain) loss on derivatives, net	(11,691)	344
Cash settlements of derivative contracts	10,167	3,525
Other	—	1,218
Changes in operating assets and liabilities:		
Accounts receivable	2,986	14,066
Other current assets	(263)	1,369
Accounts payable and accrued liabilities	(4,097)	(1,532)
Other, net	569	(2,382)
Net cash flows provided by operating activities	3,261	29,080
Cash flows from investing activities:		
Additions to oil and natural gas properties	(520)	(1,794)
Reimbursements related to oil and natural gas properties	—	2,069
Proceeds from sale of oil and natural gas properties	(704)	41,458
Proceeds from sale of equity securities	—	51,675
Other	—	26
Net cash flows provided by (used in) investing activities	(1,224)	93,434
Cash flows from financing activities:		
Repayment of long–term debt borrowings	—	(115,000)
Purchase of treasury stock	(68)	(167)
Other	(9)	(10)
Net cash flows used in financing activities	(77)	(115,177)
Increase in cash, cash equivalents and restricted cash	1,960	7,337
Cash, cash equivalents and restricted cash – beginning of period	38,968	6,313
Cash, cash equivalents and restricted cash – end of period	$ 40,928	$ 13,650

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Treasury Stock	Retained Earnings (Accumulated Deficit)	Total Stockholders' Equity
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

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Treasury Stock	Retained Earnings (Accumulated Deficit)	Total Stockholders' Equity
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

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 intends to divest all of its remaining assets or enter into a sale or merger of the Company. The Company intends to undertake the process of winding-up and returning capital to its shareholders in the event that a sale of its remaining assets is completed, 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. In addition, the Company is reviewing options to reduce its overall cost structure to more closely align with its asset base. As of June 30, 2020, the oil and natural gas properties of Harvest are located in the Appalachian Basin (which includes the Utica Shale), Michigan, the Barnett Shale and the Permian Basin.

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 and "go dark." By going dark, 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 other new accounting pronouncements issued or effective during the six months ended June 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 June 30,	
	2020	**2019**
Oil	$ 2,995	$ 8,076
Natural gas [(1)]	4,338	16,541
Natural gas liquids [(1)]	107	5,512
Oil, natural gas and natural gas liquids revenues	7,440	30,129
Transportation and marketing–related revenues	—	458
Total revenues	$ 7,440	$ 30,587

	Six Months Ended June 30,	
	2020	**2019**
Oil	$ 7,551	$ 17,509
Natural gas [(1)]	9,137	40,342
Natural gas liquids [(1)]	221	15,564
Oil, natural gas and natural gas liquids revenues	16,909	73,415
Transportation and marketing–related revenues	—	1,018
Total revenues	$ 16,909	$ 74,433

[(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 June 30, 2020, there were no wet gas revenues. During the six months ended June 30, 2020, wet gas revenues were $0.2 million which were recognized as natural gas liquids revenues. For the three months ended June 30, 2019, wet gas revenues were $0.5 million which were recognized as natural gas liquids revenues. During the six months ended June 30, 2019, wet gas revenues were $3.8 million which were recognized as $1.5 million of natural gas revenues and $2.3 million of natural gas liquids revenues.

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 June 30, 2020 and December 31, 2019, the Company had receivables of $8.1 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 June 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 six months ended June 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 six months ended June 30, 2020, 2,736 shares were forfeited. Approximately 36 thousand shares remain available for grant under the 2018 Plan as of June 30, 2020.

The Company recognized compensation cost related to outstanding restricted stock units of $0.3 million and $0.6 million for the three and six months ended June 30, 2020, respectively. The Company recognized compensation cost related to outstanding restricted stock units of $0.6 million and $0.7 million for the three and six months ended June 30, 2019, respectively. These costs are included in "General and administrative expenses" in the unaudited condensed consolidated statements of operations.

As of June 30, 2020, there was $1.0 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 is expected to be recognized over a weighted average period of 0.9 years. As of June 30, 2020, there was also $0.2 million of total unrecognized compensation cost related to unvested restricted stock units with vesting subject to future events, which will not be recognized until those future events are probable.

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 June 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 three and six months ended June 30, 2019, the Company recognized $27 thousand and $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.

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 $69.0 million, net of preliminary purchase price adjustments. The Company recognized a credit to impairment expense of $0.3 million during the six months ended June 30, 2020 related to this sale. 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 six months ended June 30, 2020. As of June 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 six months ended June 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 six months ended June 30, 2020 related to this sale. The sale of the remaining oil and gas properties in the Permian Basin is expected to close during 2020 for total consideration of $0.1 million, subject to purchase price adjustments. As of June 30, 2020, the remaining oil and natural gas properties in the Permian Basin were classified as held for sale; $0.2 million of the assets held for sale and $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 six months ended June 30, 2020 related to this sale.

In March 2020, the Company signed a purchase and sale agreement to sell all of its Michigan oil and natural gas properties for a purchase price of $4.8 million, subject to an adjustment based on the value of certain derivative contracts and other customary purchase price adjustments. Due to the significant decline in commodity prices as a result of COVID-19, the Company terminated the purchase and sale agreement and entered into a new agreement with a purchase price of $0.3 million. As a result, the Company recognized impairment expense of $1.8 million during the six months ended June 30, 2020. The transaction closed on August 4, 2020. As of June 30, 2020, the Michigan oil and natural gas properties were classified as assets held for sale; $10.5 million of assets held for sale and $10.2 million of 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, subject to customary purchase price adjustments. The consideration will consist of $14.5 million of cash and a $6.0 million note. The transaction is expected to close in August 2020. As of June 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 $83.1 million of 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.

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 six months ended June 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 MBbls of oil swaps, 1.0 MMBtus of natural gas swaps and 80.5 MBbls of natural gas liquids swaps for the periods between January and December 2020.

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

Period Covered	**Hedged Volume**	**Weighted Average Fixed Price**
Oil (MBbls):		
Swaps - July 2020 to December 2020	196.9	$ 60.50
Natural Gas (MMMBtus):		
Swaps - July 2020 to December 2020	5,152.0	$ 2.68
Natural Gas Liquids (MBbls):		
Swaps - July 2020 to December 2020	15.6	$ 21.08

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 June 30, 2020:			
Current derivative asset	$ 7,756	$ —	$ 7,756
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 June 30, 2020:				
Assets:				
Oil, natural gas and natural gas liquids derivatives	$ 7,756	$ —	$ 7,756	$ —
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 six months ended June 30, 2020.

Nonrecurring Basis

Long-lived Assets Held and Used

During the three and six months ended June 30, 2020, the Company did not recognize any impairment expense related to oil and natural gas properties that were held and used as of June 30, 2020. During the three and six months ended June 30, 2019, the Company did not recognize any impairment expense related to oil and natural gas properties that were held and used.

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 six months ended June 30, 2020, the Company recognized an impairment expense of $0.3 million and $1.9 million related to proved oil and natural gas properties in Michigan and the Barnett Shale that were held for sale as of June 30, 2020. Also, during both the three and six months ended June 30, 2020, the Company recognized an impairment expense of $0.5 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 six months ended June 30, 2019, the Company recognized impairment expense of $72.1 million related to proved oil and natural gas properties in the Barnett Shale, which were held for sale as of June 30, 2019. During the three and six months ended June 30, 2019, the Company also recognized an impairment expense of $1.1 million and $27.2 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.

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 June 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
Liabilities held for sale	(92,683)
ARO as of June 30, 2020	$ 653

As of June 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:

	June 30, 2020	December 31, 2019
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 will mature on October 4, 2020 but may be renewed for an additional one-year term by mutual agreement between the Company and the lender. Borrowings under the Credit Facility are secured by cash collateral which is included as “Restricted cash” on the unaudited condensed consolidated balance sheets as of June 30, 2020 and December 31, 2019. The Company may 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 may use up to $2.0 million of available borrowing capacity for letters of credit. As of June 30, 2020, the Company had a $0.1 million letter of credit outstanding.

The terms of the Credit Facility do not require any repayments of amounts outstanding until maturity in October 2020. Borrowings under the Credit Facility bear 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 June 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:

	June 30, 2020	December 31, 2019
Other assets	$ 682	$ 1,036
Other current liabilities	443	586
Other long-term liabilities	239	450
Total operating lease liabilities	$ 682	$ 1,036
Weighted average remaining lease term (in years)	1.6	1.9
Weighted average discount rate	5.8%	5.8%

During the three and six months ended June 30, 2020, the Company paid 0.5 million and $1.1 million, respectively, of lease cost. During the three and six months ended June 30, 2019, the Company paid $1.0 million and $2.0 million, respectively, of lease cost. Furthermore, during the three and six months ended June 30, 2020, the Company recognized lease cost, net of reimbursements from other working interest owners, of $0.2 million and $0.3 million, respectively, for operating leases and $0.3 million and $0.7 million, respectively, for short-term leases. During the three and six months ended June 30, 2019, the Company recognized lease cost, net of reimbursements from other working interest owners, of $0.2 million and $0.4 million, respectively, for operating leases and $0.6 million and $1.3 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 June 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 will be paid upon ONRR review and concurrence with the accuracy of royalties per the amended filings. The Company recognized an accrual for the estimated liability for the period of 2009 to 2018 as of June 30, 2020 and December 31, 2019. Subsequently, during July 2020, ONRR concurred with and Harvest paid a portion of the total amount totaling $2.7 million; the remaining amount of $2.5 million is still expected to be paid upon ONRR review.

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 June 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:

	Three Months Ended June 30,	
	2020	**2019**
Current tax position:		
Federal	$ —	$ (261)
State	—	(24)
Total income tax provision	$ —	$ (285)

	Six Months Ended June 30,	
	2020	**2019**
Current tax position:		
Federal	$ —	$ —
State	—	—
Total income tax provision	$ —	$ —

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 June 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

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.

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.

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 June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net loss available to common stockholders	$ (7,135)	$ (60,907)	$ (1,166)	$ (96,682)
Weighted average common shares outstanding:				
Basic	1,018,666	1,006,390	1,018,160	1,005,324
Dilutive effect of potential common shares	—	—	—	—
Diluted	1,018,666	1,006,390	1,018,160	1,005,324
Earnings per share:				
Basic	$ (7.00)	$ (60.52)	$ (1.15)	$ (96.17)
Diluted	$ (7.00)	$ (60.52)	$ (1.15)	$ (96.17)
Antidilutive restricted stock shares (1)	7,326	24,198	7,326	24,198
Antidilutive warrants (2)	800,000	800,000	800,000	800,000

(1) 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.

(2) 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:

	Six Months Ended June 30,	
	2020	2019
Supplemental cash flows information:		
Cash paid for interest	$ —	$ 1,119
Cash paid for reorganization items [1]	—	472

(1) 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.

	June 30, 2020	June 30, 2019
Non–cash transactions:		
Costs for additions to oil and natural gas properties in accounts payable and accrued liabilities	$ 60	$ 22

Accounts payable and accrued liabilities consisted of the following:

	June 30, 2020	December 31, 2019
San Juan royalties	$ 5,000	$ 5,000
Lease operating expenses	2,973	4,894
General and administrative expenses	3,002	2,550
Due to contract operator	1,539	4,809
Current portion of ARO	653	1,302
Costs for additions to oil and natural gas properties	60	287
Production and ad valorem taxes	57	2,453
Other	2,393	2,229
Total	$ 15,677	$ 23,524

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 June 30, 2020, our oil and natural gas properties are located in the Appalachian Basin (which includes the Utica Shale), Michigan, 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 intend to divest all of our remaining assets or enter into a sale or merger of the Company. The Company intends to undertake the process of winding-up and returning capital to its shareholders in the event that a sale of its remaining assets is completed, 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. In addition, we are reviewing options to reduce our overall cost structure to more closely align with our asset base.

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

Our overall operating plan includes regular reviews of our asset base and cost structure to maximize cash flow. We intend to divest all of our remaining assets or enter into a sale or merger of the Company.

In order to mitigate the impact of lower prices on our cash flows, we are a party to derivatives. Although we have entered into derivative contracts covering a portion of our future production through December 2020, a sustained lower price environment would result in lower prices for unprotected volumes and reduce the prices at which we can enter into derivative contracts for additional volumes in the future. We have mitigated, but not eliminated, the potential effects of changing prices on our cash flows from operations for 2020.

Prices for oil, natural gas and natural gas liquids have significantly declined since December 31, 2019. These lower prices could affect our business in numerous ways, including, a negative impact on the Company's revenues, earnings and cash flows in 2020 and future years and a decrease in proved reserves and possible impairments of the Company's remaining oil and natural gas properties.

Our focus and efforts are impacted by depressed market conditions during the first half of 2020. Crude oil has experienced near term downward pressure as a result of softer demand from the growing impact of the COVID-19 related crisis. Compounding the impact from COVID-19, at a meeting in Vienna on March 6, 2020, the alliance between Russia and OPEC on production cuts broke down as both sides were unable to reach an agreement over how much to restrict production in order to stabilize crude oil prices. As a result, Saudi Arabia subsequently announced that it would significantly increase production and cut the prices at which it sells crude oil. Those actions and the potential reactions by other oil exporting countries contributed to a sudden and precipitous drop in global crude prices. On April 12, 2020, the alliance between Russia and OPEC came to an agreement to reduce production and will reconvene on June 10, 2020 to determine whether further reductions are necessary. It is not clear at this point what impact these production cuts will have on global crude prices. We anticipate further market and commodity price volatility for the remainder of 2020 as a result of the events described above. We will continue to evaluate our operating plan and derivatives strategy in light of these events.

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 June 30,		Six Months Ended June 30,	
	2020	**2019**	**2020**	**2019**
Oil, natural gas and natural gas liquids revenues:				
Oil	$ 2,995	$ 8,076	$ 7,551	$ 17,509
Natural gas	4,338	16,541	9,137	40,342
Natural gas liquids	107	5,512	221	15,564
Total	$ 7,440	$ 30,129	$ 16,909	$ 73,415
Production data:				
Oil (MBbls)	105	146	206	324
Natural gas (MMcf)	2,676	7,131	5,361	15,506
Natural gas liquids (MBbls)	7	369	13	853
Total (MMcfe)	3,351	10,222	6,675	22,571
Average sales price per unit:				
Oil (per Bbl)	$ 28.48	$ 55.13	$ 36.73	$ 53.96
Natural gas (per Mcf)	1.62	2.32	1.70	2.60
Natural gas liquids (per Bbl)	14.68	14.95	16.43	18.25
Total (per Mcfe)	2.22	2.95	2.53	3.25
Expenses and other:				
Lease operating expenses	$ 7,463	$ 21,754	$ 15,699	$ 44,954
Cost of purchased natural gas	—	315	—	714
Dry hole and exploration costs	1	—	1	39
Production taxes	132	1,450	285	3,643
Accretion expense on obligations	1,603	2,168	3,366	4,378
Depreciation, depletion and amortization	514	4,373	1,103	9,345
General and administrative expenses	4,131	6,653	8,062	13,023
Impairment of oil and natural gas properties	837	73,151	2,443	99,279
Gain on sales of oil and natural gas properties	415	5	352	18
Gain (loss) on derivatives, net	(966)	16,430	11,691	(344)
Interest expense	12	1,315	26	2,834
Gain on equity securities	—	—	—	4,593
Other income, net	669	2,965	867	2,827
Net income (loss)	$ (7,135)	$ (60,907)	$ (1,166)	$ (96,682)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Average unit cost per Mcfe:				
Production costs:				
Lease operating expenses	$ 2.23	$ 2.13	$ 2.35	$ 1.99
Production taxes	0.04	0.14	0.04	0.16
Total	2.27	2.27	2.39	2.15
Depreciation, depletion and amortization	0.15	0.43	0.17	0.41
General and administrative expenses	1.23	0.65	1.21	0.58

Three Months Ended June 30, 2020 Compared with the Three Months Ended June 30, 2019

Net loss for the three months ended June 30, 2020 was $7.1 million compared with a loss of $60.9 million for the three months ended June 30, 2019. The significant factors in this change were a $72.3 million decrease in impairment of oil and natural gas properties and a $14.3 million decrease in lease operating expenses, partially offset by a $23.1 million decrease in revenues and a $17.4 million unfavorable change in gain on derivatives.

Oil, natural gas and natural gas liquids revenues for the three months ended June 30, 2020 totaled $7.4 million, a decrease of $22.7 million compared with the three months ended June 30, 2019. This decrease in revenues was the result of a decrease of $13.7 million related to decreased oil, natural gas and natural gas liquid production primarily related to the divestiture of oil and gas properties and a decrease of $9.0 million primarily related to lower oil, natural gas and natural gas liquids prices.

Lease operating expenses for the three months ended June 30, 2020 decreased $14.3 million compared with the three months ended June 30, 2019 as the result of a decrease of $15.3 million due to decreased production primarily caused by divestitures of oil and gas properties, partially offset by an increase of $1.0 million due to a higher unit cost per Mcfe. Lease operating expenses were $2.23 per Mcfe in the three months ended June 30, 2020 compared with $2.13 per Mcfe in the three months ended June 30, 2019.

Depreciation, depletion and amortization for the three months ended June 30, 2020 decreased $3.9 million compared with the three months ended June 30, 2019. This decrease was primarily a result of a decrease of $2.8 million due to lower unit cost per Mcfe, combined with a decrease of $1.1 million from decreased production. Depreciation, depletion and amortization was $0.15 per Mcfe in the three months ended June 30, 2020 compared with $0.43 per Mcfe in the three months ended June 30, 2019.

General and administrative expenses for the three months ended June 30, 2020 totaled $4.1 million, a decrease of $2.5 million compared with the three months ended June 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 $1.23 per Mcfe in the three months ended June 30, 2020 compared with $0.65 per Mcfe in the three months ended June 30, 2019.

During the three months ended June 30, 2020, we incurred proved property impairment of $0.8 million related to proved oil and natural gas properties and no leasehold impairment charges. Of the proved property impairment during the three months ended June 30, 2020, $0.3 million related to properties located in Michigan, which were held for sale as of June 30, 2020, and $0.5 million related to properties located in Monroe, the Barnett Shale and the Permian Basin, which were sold in 2019. During the three months ended June 30, 2019, we incurred proved property impairment of $73.2 million related to proved oil and natural gas properties and no leasehold impairment charges. Of the proved property impairment during the three months ended June 30, 2019, $72.1 million related to properties located in the Barnett Shale, which was held for sale as of June 30, 2019, $0.6 million related to properties located in the San Juan Basin, which were sold during April 2019, and $0.5 million related to properties located in the Mid-Continent area, which were also sold in April 2019.

Loss on derivatives, net was $1.0 million for the three months ended June 30, 2020 compared with a gain on derivatives, net of $16.4 million for the three months ended June 30, 2019. This change was attributable to changes in future oil and natural gas prices. The 12-month forward price at June 30, 2020 for oil averaged $39.83 per Bbl compared with $29.87 at March 31, 2020, and the 12-month forward prices at June 30, 2020 for natural gas averaged $2.32 per MMBtu compared with $2.16 at March 31, 2020. The 12-month forward price at June 30, 2019 for oil averaged $57.51 per Bbl compared with $60.18 at March 31, 2019, and the 12-month forward prices at June 30, 2019 for natural gas averaged $2.45 per MMBtu compared with $2.85 at March 31, 2019.

Interest expense for the three months ended June 30, 2020 decreased $1.3 million compared with the three months ended June 30, 2019. This change was a result of a lower weighted average long-term debt balance.

Six Months Ended June 30, 2020 Compared with the Six Months Ended June 30, 2019

Net loss for the six months ended June 30, 2020 was $1.2 million compared with a loss of $96.7 million for the six months ended June 30, 2019. The significant factors in this change were a $96.8 million decrease in impairment of oil and natural gas properties, a $29.3 million decrease in lease operating expenses and a $12.0 million favorable change in loss on derivatives, partially offset by a $57.5 million decrease in revenues.

Oil, natural gas and natural gas liquids revenues for the six months ended June 30, 2020 totaled $16.9 million, a decrease of $56.5 million compared with the six months ended June 30, 2019. This decrease in revenues was the result of a decrease of $35.4 million related to decreased oil, natural gas and natural gas liquid production primarily related to the divestiture of oil and gas properties and a decrease of $21.1 million primarily related to lower oil, natural gas and natural gas liquids prices.

Lease operating expenses for the six months ended June 30, 2020 decreased $29.3 million compared with the six months ended June 30, 2019 as the result of a decrease of $37.4 million due to decreased production primarily caused by divestitures of oil and gas properties, partially offset by an increase of $8.1 million due to a higher unit cost per Mcfe. Lease operating expenses were $2.35 per Mcfe in the six months ended June 30, 2020 compared with $1.99 per Mcfe in the six months ended June 30, 2019.

Depreciation, depletion and amortization for the six months ended June 30, 2020 decreased $8.2 million compared with the six months ended June 30, 2019. This decrease was primarily a result of a decrease of $5.6 million due to lower unit cost per Mcfe, combined with a decrease of $2.6 million from decreased production. Depreciation, depletion and amortization was $0.17 per Mcfe in the six months ended June 30, 2020 compared with $0.41 per Mcfe in the six months ended June 30, 2019.

General and administrative expenses for the six months ended June 30, 2020 totaled $8.1 million, a decrease of $5.0 million compared with the six months ended June 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 $1.21 per Mcfe in the six months ended June 30, 2020 compared with $0.58 per Mcfe in the six months ended June 30, 2019.

During the six months ended June 30, 2020, we incurred proved property impairment of $2.4 million related to proved oil and natural gas properties and no leasehold impairment charges. Of the proved property impairment during the six months ended June 30, 2020, $1.8 million related to properties located in Michigan, which were held for sale as of June 30, 2020, $0.5 million related to properties located in Monroe, the Barnett Shale and the Permian Basin, which were sold in 2019, and $0.1 million related to properties located in the Barnett Shale, which were held for sale as of June 30, 2020. During the six months ended June 30, 2019, we incurred proved property impairment of $99.3 million related to proved oil and natural gas properties and no leasehold impairment charges. Of the proved property impairment during the six months ended June 30, 2019, $72.1 million related to properties located in the Barnett Shale, which was held for sale as of June 30, 2019, $25.6 million related to properties located in the San Juan Basin, which were sold during April 2019, and $1.6 million related to properties located in the Mid-Continent area, which were also sold in April 2019.

Gain on equity securities was $4.6 million for the six months ended June 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 $11.7 million for the six months ended June 30, 2020 compared with a loss on derivatives, net of $0.3 million for the six months ended June 30, 2019. This change was attributable to changes in future oil and natural gas prices. The 12-month forward price at June 30, 2020 for oil averaged $39.83 per Bbl compared with $59.03 at December 31, 2019, and the 12-month forward prices at June 30, 2020 for natural gas averaged $2.32 per MMBtu compared with $2.28 at December 31, 2019. The 12-month forward price at June 30, 2019 for oil averaged $57.51 per Bbl compared with $47.09 at December 31, 2018, and the 12-month forward prices at June 30, 2019 for natural gas averaged $2.45 per MMBtu compared with $2.85 at December 31, 2018.

Interest expense for the six months ended June 30, 2020 decreased $2.8 million compared with the six months ended June 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 and fund capital expenditures, principally for the development of our oil and natural gas properties.

Also, in October 2019, we paid a dividend of $7.00 per share to the holders of record of our common stock as of the close of business on October 18, 2019. Additionally, in August 2020, we declared a dividend of $10.00 per share (the "August 2020 Dividend") to the holders of record of our common stock as of the close of business on August 17, 2020 to be paid on August 24, 2020.

We divested significant assets during 2019 and intend to divest all of our remaining assets or enter into a sale or merger of the Company. In addition, we are reviewing options to reduce our overall cost structure to more closely align with our asset base. The Company intends to undertake the process of winding-up and returning capital to its shareholders in the event that a sale of its remaining assets is completed, 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. There can be no assurance that we will be successful in the near-term in divesting our remaining assets or merging the Company and the outcome of our cost-cutting efforts is still being developed.

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 June 30, 2020, we had approximately $40.8 million of liquidity between our borrowing capacity under the Credit Facility and cash on hand. As of August 14, 2020, we had approximately $38.1 million of liquidity between the Credit Facility and cash on hand, and approximately $27.8 million of liquidity between the Credit Facility and cash on hand, as adjusted for the payment of the August 2020 Dividend. During the six months ended June 30, 2020, we incurred $0.3 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. We will continue monitoring the commodity price environment and expect to retain the financial flexibility to adjust plans in response to market conditions as needed.

Long–term Debt

Our Credit Facility will mature on October 4, 2020 but may be renewed for a one-year term by mutual agreement between the Company and the lender. Borrowings under the Credit Facility are secured by cash collateral. As of June 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 June 30, 2020, we had $30.9 million of cash and short–term investments, which included $0.6 million of short-term investments. With regard to our short–term investments, we invest in money market accounts with major financial institutions.

Also, at June 30, 2020, we had restricted cash of $10.0 million which is restricted as cash collateral to secure our borrowings under the Credit Facility.

Counterparty Exposure

All of our derivative contracts as of June 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 June 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:

	Six Months Ended June 30,	
	2020	**2019**
Operating activities	$ 3,261	$ 29,080
Investing activities	(1,224)	93,434
Financing activities	(77)	(115,177)

Operating Activities

Cash flows from operating activities provided $3.3 million and $29.1 million in the six months ended June 30, 2020 and 2019, respectively. The significant factors in the change were $57.5 million of lower revenues during 2020 and a $15.3 million unfavorable change in working capital, partially offset by a $29.3 million decrease in lease operating expenses, a $6.6 million increase in cash settlements of derivatives, a $4.8 million decrease in cash general and administrative expenses and a $3.4 million decrease in production taxes.

Investing Activities

During the six months ended June 30, 2020, we spent $0.5 million for additions to our oil and natural gas properties and returned $0.7 million of proceeds from the sale of oil and natural gas properties as a result of purchase price adjustments. During the six months ended June 30, 2019, we spent $1.8 million for additions of oil and natural gas properties, received $51.7 million in proceeds from the sale of equity securities, received $41.5 million in proceeds from the sale of oil and natural gas properties and received $2.1 million from reimbursements related to oil and natural gas properties.

Financing Activities

During the six months ended June 30, 2020, we repurchased $0.1 million of treasury shares. During the six months ended June 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 June 30, 2020, we have entered into off-balance sheet arrangements in the form of letters of credit which totaled $0.1 million.

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;
- our pending asset sales;
- 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 pending asset sales, 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;
- our inability to control our contract operator, EnerVest Operating, outside of the parameters of the Services Agreement;
- our need to make accretive acquisitions or substantial capital expenditures to maintain our asset base;
- 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;
- discovery, acquisition, development and replacement of reserves;
- 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, except for the following:

The excess supply of oil and natural gas resulting from the reduced demand caused by the COVID-19 pandemic and the effects of actions by, or disputes among or between, oil and natural gas producing countries may result in transportation and storage constraints, reduced production and shut-in of our wells, any of which would adversely affect our business, financial condition, cash flows and results of operations.

The recent worldwide outbreak of COVID-19, the uncertainty regarding the impact of COVID-19 and various governmental actions taken to mitigate the impact of COVID-19, have resulted in an unprecedented decline in demand for oil and natural gas. At the same time, the decision by Saudi Arabia in March 2020 to drastically reduce export prices and increase oil production followed by curtailment agreements among OPEC and other countries such as Russia further increased uncertainty and volatility around global oil supply-demand dynamics. There remains significant uncertainty regarding the future actions of OPEC and other countries, such as Russia, related to oil price and supply production controls. To the extent that the outbreak of COVID-19 continues to negatively impact demand and OPEC members and other oil exporting nations fail to implement production cuts or other actions that are sufficient to support and stabilize commodity prices, we expect there to be excess supply of oil and natural gas for a sustained period. This excess supply could, in turn, result in transportation and storage capacity constraints in the United States, the Appalachian Basin, Michigan, the Barnett Shale and the Permian Basin. If, in the future, our transportation or storage arrangements become constrained, we may incur significant operational costs if there is an increase in price for services or we may be required to shut-in or curtail production or flare our natural gas. If we were required to shut-in wells, we might also be obligated to pay certain demand charges for gathering and processing services and firm transportation charges for pipeline capacity we have reserved. Further, any prolonged shut-in of our wells may result in decreased well productivity once we are able to resume operations, and any cessation of drilling and development of our acreage could result in the expiration, in whole or in part, of our leases. All of these impacts resulting from the confluence of the COVID-19 pandemic and the price war between Saudi Arabia and Russia may adversely affect our business, financial condition, cash flows and results of operations. We anticipate further market and commodity price volatility for the remainder of 2020 as a result of the events described above.

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: August 19, 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: August 19, 2020

/s/ RYAN STASH
Ryan Stash
Vice President and Chief Financial Officer