Heritage
PETROLEUM
COMPANY LIMITED
AND ITS SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

(Presented in Thousands of Trinidad and Tobago Dollars)

Heritage's Nine Month Results for the period 1 October 2020 to 30 June 2021

Chairman's Report for the period 1 October 2020 to 30 June 2021

Financial Performance

For the nine months ended 30 June 2021, Heritage Petroleum Company Limited and its subsidiaries (Heritage) continue to deliver strong results from our operations.

Revenue for the period was $4.9 billion vs $3.2 billion in 2020, reflecting the continued increase in production and Brent prices which averaged $58/bbl for the year to date. This increase is representative of improved market conditions as COVID-19 restrictions across the world are slowly being eased. As a result of both our production increase and better Brent pricing our profit has increased to $1.2 billion as compared to $0.7 billion for the same period in 2020.

There has been strong cash generation from operations of $2 billion and cash balances stand at $1.7 billion. Heritage's contribution, in the form of taxes, levies and royalties to the Government, was $606 million for the 9-month period. Additionally, Heritage has continued to meet all the debt payment obligations of Trinidad Petroleum Holdings Limited (TPHL) inherited from Petrotrin.

Production

Despite the challenges of the pandemic in managing the operations of the business, we continue to grow production. Production is key for the company and Heritage continues to focus on activities that sustain existing production while exploiting new reserves through in-house drilling and workover programmes as well as with our key partnerships. Heritage has grown production by 7.3% for the period to 41.6 thousand bopd vs 38.7 thousand bopd when compared to production for the comparable nine-month period in 2020.

Heritage's reserve replacement strategy has been successful and we have arrested the decline in production and reserves with our Field Revitalisation, Enhanced Oil Recovery and workover programmes. We have rebuilt the inventory of workover and drilling opportunities and in 2022, we will be pursuing an aggressive drilling campaign both on Land and Offshore. Our focus is on progressing new reserve pools which is a key element of our strategic growth agenda.

Heritage continues to focus on value adding projects and increasing our operating efficiency as part of our overall strategy to operate a safe, profitable and sustainable business.

COVID-19 and work from home

Like many other organizations, Heritage has had to cope with the impact of COVID-19 on its day-to-day operations which has meant transitioning to remote working arrangements. We have had to create 'isolation bubbles' for the operations team working in the fields and offshore to reduce COVID-19 spread. Even so, we have continued to deliver our ongoing projects all whilst ensuring the highest standards of health, safety and well-being are maintained for our employees and our community.

ESG Agenda

Heritage is committed to supporting the aims of the national commitments aligned to the Paris Agreement and to contribute to the UN Sustainable Development Goals on climate change as part of our Environment, Social and Governance (ESG) strategic agenda. Heritage continues to focus on GHG improvements and supports the Cabinet-appointed Carbon Capture Utilisation and Sequestration (CCUS) Committee.

We are committed to developing our first Annual Sustainability Report in May 2022 in accordance with the Global Reporting Initiative (GRI). Taking on the challenge of our first sustainability report has created both momentum and tremendous opportunities. It affords us the chance to determine our goals, reflect on what we have achieved and how we will improve.

We continue to work with our fenceline communities providing much-needed assistance for those impacted by the onset of COVID-19 through food hamper distributions and donations of computer equipment to secondary school students. We have also partnered with community-based organisations (CBOs) to distribute 20,000 seedlings as a part of our 'Here we Grow' programme to encourage home gardening and households to eat what they grow.

As we move forward, I would like to thank the Management and Staff of the company for their continued commitment to the company and to Trinidad and Tobago.

Michael A.A. Quamina
Chairman

Statement of Management's Responsibilities

Management is responsible for the following:

- Preparing and fairly presenting the accompanying summary consolidated financial statements of Heritage Petroleum Company Limited and its subsidiaries (the "Company") which comprise the summary consolidated statement of financial position as at 30 June 2021, the summary consolidated statement of comprehensive income, summary consolidated changes in equity and summary consolidated statement of cash flows for the nine-months ended 30 June 2021, and a summary of significant accounting policies and other explanatory information;

- Ensuring that the company keeps proper accounting records;

- Selecting appropriate accounting policies and applying them in a consistent manner;

- Implementing, monitoring and evaluating the system of internal control that assures security of the company's assets, detection/prevention of fraud, and the achievement of company operational efficiencies.

- Ensuring that the system of internal control operated effectively during the reporting period;

- Producing reliable financial reporting that comply with laws and regulations, including the Companies Act; and

- Using reasonable and prudent judgement in the determination of estimates.

In preparing these summary consolidated financial statements, management utilised the International Financial Reporting Standards and specifically, International Accounting Standard 34 Interim Reporting, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Management affirms that it has carried out its responsibilities as outlined above.

Chief Financial Officer
10 September 2021

Arlene Chow
Chief Executive Officer
10 September 2021

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UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

(Presented in Thousands of Trinidad and Tobago Dollars)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021
(Presented in thousands of Trinidad and Tobago dollars)

	Notes	30 June 2021 $ (Unaudited)	30 September 2020 $ (Audited)
Assets			
Non-current assets			
Oil and gas properties and exploration and evaluation assets		5,398,567	4,705,432
Other property, plant and equipment and intangible assets		688,497	673,611
Right of use assets		5,819	6,531
Investment in associate		–	2,148
Other non-current financial assets		28,149	33,203
Cash in escrow		285,036	267,098
Deferred tax assets		2,316,623	1,843,293
		8,722,691	7,531,316
Current assets			
Inventories	7	342,274	310,010
Trade and other receivables		683,441	325,079
Due from related parties	8	1,554,507	128,854
Other current financial assets		9,896	13,525
Income taxes recoverable		148,657	148,991
Restricted cash - debt service reserve	14	177,293	177,692
Short-term investment		156,042	156,239
Cash and cash equivalents	9	1,701,768	1,100,731
		4,773,878	2,361,121
Assets held for sale		313,403	304,130
		5,087,281	2,665,251
Total assets		13,809,972	10,196,567

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021
(Presented in thousands of Trinidad and Tobago dollars)
(continued)

	Notes	30 June 2021 $ (Unaudited)	30 September 2020 $ (Audited)
Equity			
Equity attributable to owners of the parent			
Capital and reserves			
Stated capital		–	–
Retained earnings		3,621,746	2,428,067
Consolidated reserve		(237,366)	(237,366)
Currency translation differences		(115,847)	(116,671)
		3,268,533	2,074,030
Non-controlling interests		(60,347)	(60,370)
Total equity		3,208,186	2,013,660
Liabilities			
Non-current liabilities			
Decommissioning provision		5,828,904	5,221,640
Lease liabilities		4,450	5,988
Deferred tax liabilities		2,288,066	1,814,672
		8,121,420	7,042,300
Current liabilities			
Trade and other payables		693,059	615,930
Lease liabilities		1,615	1,615
Due to related parties	8	616,047	197,961
Income tax liabilities		296,635	–
Borrowings		321,159	321,540
Decommissioning provision		3,553	3,561
		1,932,068	1,140,607
Liabilities directly associated with the assets held for sale		548,298	–
		2,480,366	1,140,607
Total liabilities		10,601,786	8,182,907
Total equity and liabilities		13,809,972	10,196,567

These interim condensed consolidated financial statements were authorized for issue on 10 September 2021.

Director ....

Director ....

Heritage PETROLEUM COMPANY LIMITED AND ITS SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

(Presented in Thousands of Trinidad and Tobago Dollars)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE NINE MONTHS ENDED 30 JUNE 2021

(Presented in thousands of Trinidad and Tobago dollars)

	Notes	Nine months ended 30 June 2021 $ (Unaudited)	Nine months ended 30 June 2020 $ (Unaudited)
Revenue from contracts with customers	11	4,859,628	3,212,564
Cost of sales		(2,912,455)	(2,076,749)
Gross profit		1,947,173	1,135,815
Other operating income		2,647	16,783
Gain on disposal	13	4,642	–
Administrative expenses		(278,696)	(278,150)
Operating profit		1,675,766	874,448
Net finance costs		(186,062)	(200,698)
Profit before taxation		1,489,704	673,750
Income tax expense	12	(296,136)	–
Profit for the period		1,193,568	673,750
Other comprehensive income			
Items that would not be reclassified to profit or loss			
Currency translation differences		958	(10,007)
Total comprehensive income for the period		1,194,526	663,743
Profit attributable to:			
Equity holders of the parent		1,193,679	673,760
Non-controlling interests		(111)	(10)
		1,193,568	673,750
Total comprehensive income attributable to:			
Equity holders of the parent		1,194,392	663,743
Non-controlling interests		134	–
		1,194,526	663,743

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE NINE MONTHS ENDED 30 JUNE 2021

(Presented in thousands of Trinidad and Tobago dollars)

	Notes	Nine months ended 30 June 2021 $ (Unaudited)	Nine months ended 30 June 2020 $ (Unaudited)
Operating activities			
Profit before tax		1,489,704	673,750
Adjustments to reconcile profit to net cash from operating activities:			
Depreciation, depletion and amortisation		381,730	412,409
Gain on disposal	13	(4,642)	–
Finance cost – unwinding of decommissioning provision		185,112	203,152
Finance cost – leases		325	318
Finance income		(154)	(5,179)
Operating profit before working capital changes		2,052,075	1,284,450
(Increase)/decrease in trade and other receivables		(358,362)	62,504
Increase in inventory		(32,264)	(152,456)
Change in cash in escrow		(17,938)	(16,283)
Increase in due from related parties		(95,894)	(47,212)
Increase/(decrease) in due to related parties		398,544	(77,532)
Increase in trade and other payables		77,130	61,987
Cash flows generated from operating activities		2,023,291	1,115,458
Income taxes paid		–	(150,450)
Net cash generated from operating activities		2,023,291	965,008
Investing activities			
Repayment on advances		9,265	–
Proceeds from assets held for sale	13	307,246	–
Investment in assets held for sale		(280,727)	–
Investment in financial assets		–	(47,695)
Change in investment in associates		2,148	–
Purchase of oil and gas properties and exploration and evaluation assets		(87,841)	(324,216)
Purchase of other property, plant and equipment and intangible assets		(62,854)	(4,736)
Net cash used in investing activities		(112,763)	(376,647)
Financing activities			
Cash payment on leases		(1,863)	–
Change in debt service reserve		399	(1,049)
Advances for prepaid borrowing costs		(644)	–
Net movement in related parties		(1,310,217)	(883,547)
Net cash used in financing activities		(1,312,325)	(884,596)
Currency translation differences relating to cash and cash equivalents		2,834	(7,710)
Net increase in cash and cash equivalents		598,203	(296,235)
Cash and cash equivalent at the beginning of the period		1,100,731	990,257
Cash and cash equivalents, at end of period	9	1,701,768	686,312

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 JUNE 2021
(Presented in thousands of Trinidad and Tobago dollars)

	Stated capital $	Retained earnings $	Consolidation reserve $	Currency translation $	Non-controlling interests $	Total $
Unaudited Period ended 30 June 2021						
Balance at 1 October 2020	–	2,428,067	(237,366)	(116,671)	(60,370)	2,013,660
Profit for the period	–	1,193,679	–	–	(111)	1,193,568
Other comprehensive profit for the period	–	–	–	824	134	958
Total comprehensive income for the period	–	1,193,679	–	824	23	1,194,526
Balance as at 30 June 2021	**-**	**3,621,746**	**(237,366)**	**(115,847)**	**(60,347)**	**3,208,186**
Unaudited Period ended 30 June 2020						
Balance at 1 October 2019	–	1,410,519	(237,366)	(110,866)	(60,567)	1,001,720
Profit for the period	–	673,760	–	–	(10)	673,750
Other comprehensive loss for the period	–	–	–	(10,007)	–	(10,007)
Total comprehensive income for the period	–	673,760	–	(10,007)	(10)	663,743
Balance as at 30 June 2020	**-**	**2,084,279**	**(237,366)**	**(120,873)**	**(60,577)**	**1,665,463**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 JUNE 2021 (UNAUDITED)
(Presented in thousands of Trinidad and Tobago dollars)

1. Corporate Information

Heritage Petroleum Company Limited ("Heritage") was incorporated in the Republic of Trinidad and Tobago on 5 October 2018. Heritage is primarily engaged in exploration, development, production and marketing of crude oil. The sole shareholder is Trinidad Petroleum Holdings Limited (TPHL). The ultimate parent is the Government of the Republic of Trinidad and Tobago (GORTT). The registered office is 9 Queen's Park West, Port of Spain, Trinidad and Tobago, West Indies. Heritage Petroleum Company Limited and its consolidated subsidiaries ("the Group") operate in Trinidad and Tobago and the United Kingdom.

Prior to Heritage's formation, its exploration and production activities were conducted by a related party, Petroleum Company of Trinidad and Tobago Limited (Petrotrin). Petrotrin undertook a restructuring in 2018 and by virtue of the Miscellaneous Provisions (Heritage Petroleum Company Limited, Paria Fuel Trading Company Limited (Paria), Guaracara Refining Company Limited (Guaracara) Vesting) Bill, 2018 ('Vesting Act"); effective 1 December 2018, Petrotrin's assets relative to exploration and production (E&P), were vested in Heritage Petroleum Company Limited. Petrotrin's assets related to terminalling and refinery operations were vested to Paria and Guaracara respectively. The associated decommissioning and dismantlement obligations in respect of E&P, terminalling and refining operations were also transferred to the respective entities. As a result, Heritage's opening assets and liabilities originated as a result of the above, with the corresponding liability due to Petrotrin. The carrying amounts of the assets and liabilities were accounted for using the predecessor values method because they arose from a common-control transaction. The ultimate ownership of Heritage is with Corporation Sole, the same as before the restructuring described above.

(a) *Investment in Associate*

The Group's associate as at 30 June 2021 consists of Point Fortin LNG Exports Limited (PFLE).

(b) *Investment in Subsidiaries*

The Group's subsidiaries as at 30 June 2021 consists of Trinidad and Tobago Marine Petroleum Company Limited (Trintomar) and Trinidad Northern Areas (TNA). On 30 October 2020, Trinidad Northern Areas Limited (TNA) was struck off the Companies Register.

2. Basis of presentation

The interim condensed consolidated financial statements for the nine months ended 30 June 2021 have been prepared in accordance with IAS 34 Interim Financial Reporting. The Group has prepared the interim condensed consolidated financial statements on the basis that it will continue to operate as a going concern.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 30 September 2020.

Going Concern

The interim condensed consolidated financial statements have been prepared on a going concern basis, which assumes the Group will be able to meet its legal and financial obligations. The validity of the going concern basis is dependent on finance being available for the continuing working capital requirements for the Group in the foreseeable future, being at least twelve months from the date of approval of the interim condensed consolidated financial statements.

The ongoing operations of the Group is dependent on its ability to utilise effectively its cash reserves and the directors recognize that the continuing operations of the Group requires the optimisation of planned activities to preserve cash.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 30 JUNE 2021 (UNAUDITED)

(Presented in thousands of Trinidad and Tobago dollars)

2. Basis of presentation (continued)

Going Concern (continued)

The Group (as well as Paria and Guaracara) is a Guarantor of the parent company's, (TPHL's), senior secured and unsecured debt obligations. Collectively, the Group, TPHL, Paria and Guaracara are the Loan Parties.

TPHL and the Guarantors are currently in default of certain covenants of the Credit Agreement and Indenture.

The directors and management have been advised that the Loan Parties, in consultation with the Administrative Agent of the Lenders, have approved a plan to address such defaults with the Lenders as part of the TPHL Group refinancing currently being undertaken and is expected to be completed within twelve months of the approval of the consolidated financial statements for the year ended 30 September 2020. In November 2020, the Loan Parties worked with the Lenders to successfully execute a waiver for similar previous events of default under the Credit Agreement. With this recent precedent, combined with the positive nature of discussions between the Loan Parties and the Lenders to date, the directors and management are of the view that there is a strong likelihood that the execution of the waivers for the current events of default, is expected within twelve months of the approval of audited consolidated financial statements for the year ended 30 September 2020.

TPHL and the Guarantors, through their quarterly compliance reporting process have kept the Administrative Agent of the lenders apprised of these recent "events of default". The Board and management working jointly with the Administrative Agent of the Lenders have agreed and approved a plan to address these "events of default" as part of the current TPHL Group refinancing process being undertaken which is expected to be completed within twelve months of the approval of the audited consolidated financial statements for the year ended 30 September 2020.

The current defaults can be divided in three different groups.

First, failure by TPHL to deliver its audited consolidated financial statements for the period ended 30 September 2019, which triggered an event of default under the Credit Agreement and a default under the Indenture (the "FS Default").

Second, the Loan Parties have performed certain actions as part of their operations that are not permitted to be performed during the period in which a default or event of default has occurred and has continued to occur. Such actions include, but are not limited to, incurring capital expenditures relating to exploration and for the development of proved, undeveloped reserves and making investments in Petrotrin for the payment of interest in respect of Petrotrin's short-term debt. Because the Loan Parties have performed such actions during the FS Default, other defaults and/or events of defaults have been triggered under the Credit Agreement and/or the Indenture.

Third, the Loan Parties have failed to comply with certain other covenants under the Credit Agreement and the Indenture that are unrelated to the occurrence and continuance of the FS Default, including, but not limited to, maintaining certain required financial ratios during the fiscal quarters ended 30 September 2020 and 31 December 2020 and paying certain insurance costs on behalf of Petrotrin, which payments constitute restricted payments. These actions have triggered defaults and/or events of defaults under the Credit Agreement and/or the Indenture.

In addition, an event of default under the Credit Agreement may, under certain circumstances, trigger an event of default under the Indenture. Similarly, a default under the Indenture may under certain circumstances trigger an event of default under the Credit Agreement.

Under the Indenture, a default resulting from the failure to comply with the covenants thereunder (other than a payment default) is not an "event of default" until the Trustee (at the direction of Holders holding more than 50% in aggregate principal amount of the Notes) or the Holders holding more than 25% in aggregate principal amount of the Notes then outstanding notifies the Group (and in the case of such notice by Holders, the Group and the Trustee) of the default and the Group does not cure such default within the time specified after receipt of such notice. No such Notice of Default has been received by the Group as of the approval date of the audited consolidated financial statements for the year ended 30 September 2020 and the approval date of these interim condensed consolidated financial statements. However, an event of default exists under the Indenture's cross-default provision resulting from the events of default existing under the Credit Agreement.

Notwithstanding the above, (i) the consent of Lenders holding more than 50% of the aggregate principal amount of the Loans is still required to accelerate the Loans under the Credit Agreement, and (ii) the Holders holding more than 25% in aggregate principal amount of the Notes then outstanding still need to direct the Trustee to, in which case the Trustee by written notice to the Group, or the Required Holders by written notice to the Group and the Trustee may, declare the principal and accrued and unpaid interest on all the Notes to be due and payable. Upon such a declaration, such principal and interest shall be due and payable immediately. It is important to note that no such consent on the part of the Lenders or direction on the part of the Holders has occurred.

Additionally, only the voting creditors holding more than 50% of the aggregate principal of the claims outstanding (i.e., combined exposure of loans and bonds) shall be entitled to enforce on the collateral.

It should be noted that none of the events of default under the Credit Agreement or Indenture are debt service or payment related defaults, as the Group on behalf of TPHL continues to make all interest and principal payments under the terms of the Credit Agreement and the Indentures during 2020 and 2021 as follows:

	Credit agreement $	Indenture $	Total $
Payments in 2020			
Interest	323,647	467,187	790,834
Principal	–	140,239	140,239
Total	323,647	607,426	931,073
Payments made since 1 October 2020 to 30 June 2021			
Interest	191,531	348,307	539,838
Principal	554,317	139,923	694,240
Total	745,848	488,230	1,234,078

The Group reports payments made to the Lenders as an increase in amounts due from related party TPHL.

In addition, the directors have obtained a letter of financial support from its ultimate Parent, GORTT, which can be called upon if needed to meet its legal and financial obligations as they fall due.

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 September 2020, except for the adoption of new standards effective as of 1 January 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2021, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Amendments to IFRS 3: Definition of a Business - The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 30 JUNE 2021 (UNAUDITED)

(Presented in thousands of Trinidad and Tobago dollars)

2. Basis of presentation (continued)

New standards, interpretations and amendments adopted by the Group (continued)

Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform - The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the Group's interim condensed consolidated financial statements as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8: Definition of Material - The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the Group's interim condensed consolidated financial statements.

Conceptual Framework for Financial Reporting issued on 29 March 2018 - The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the interim condensed consolidated financial statements of the Group.

3. Summary of Significant accounting policies

The principal accounting policies applied in the preparation of these interim condensed consolidated financial statements are consistent with those disclosed in the audited consolidated financial statements as at and for the year ended 30 September 2020.

4. Functional and presentation currency

Items included in the interim condensed consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates ("the functional currency"). The United States dollar is the Group's functional currency. The interim condensed consolidated financial statements are presented in Trinidad and Tobago dollars, rounded to the nearest thousand, which is the Group's presentation currency. The Group's main stakeholders are the Government of the Republic of Trinidad and Tobago, the Ministry of Finance, The Ministry of Energy and Energy Industries and its employees.

5. Oil and gas properties and exploration and evaluation assets and other property, plant and equipment

Acquisitions and disposals:

During the nine months ended 30 June 2021, the Group acquired assets with a cost of $87,841 (30 June 2020: $324,216). Assets transferred to held for sale as at 30 June 2021 were $29,614 (30 June 2020: nil).

6. Other property, plant and equipment and intangible assets

Acquisitions and disposals:

During the nine months ended 30 June 2021, the Group acquired assets with a cost of $62,854 (30 June 2020: $4,736).

7. Inventories	**30 June 2021 (Unaudited) $**	**30 September 2020 (Audited) $**
Crude oil	271,770	221,358
Natural gas	7,446	–
Materials and supplies	151,490	151,437
Provision for obsolescence	(88,432)	(62,785)
	342,274	310,010

During the nine months period ended 30 June 2021, $25,647 (30 June 2020: $29,097) was recognised as an expense for the write down of inventories. This is recognised in cost of sales.

8. Related party disclosures

The following table provides the total amount of transactions that have been entered into with related parties, as well as balances with related parties as at 30 June 2021 and 30 September 2020.

a. Trade and financing transactions with related parties	**Nine months ended 30 June 2021 $ (Unaudited)**	**Nine months ended 30 June 2020 $ (Unaudited)**
Trinidad Petroleum Holdings Limited (TPHL)	189,031	133,125
The Guaracara Refining Company Limited	6,162	–
Paria Fuel Trading Company Limited	6,172	9,383
Petroleum Company of Trinidad and Tobago Limited (Petrotrin)	7,339	15,454
	208,704	157,962

b. Outstanding balances arising from sales/purchases of goods and services

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

(i) Due from related parties	**30 June 2021 $ (Unaudited)**	**30 September 2020 $ (Audited)**
Trinidad Petroleum Holdings Limited	1,277,758	–
Petroleum Company of Trinidad and Tobago Limited	52,001	–
Paria Fuel Trading Company Limited	358	386
The Guaracara Refining Company Limited	192	171
The Government of the Republic of Trinidad and Tobago (GORTT) - Value added Tax Refundable	224,198	128,297
	1,554,507	128,854

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(Presented in Thousands of Trinidad and Tobago Dollars)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 30 JUNE 2021 (UNAUDITED)

(Presented in thousands of Trinidad and Tobago dollars)

8. Related party disclosures (continued)

b. Outstanding balances arising from sales/purchases of goods and services (continued)

(ii) Due to related parties	**30 June 2021 $ (Unaudited)**	**30 September 2020 $ (Audited)**
Petroleum Company of Trinidad and Tobago Limited	52,417	51,991
Paria Fuel Trading Company Limited	46,389	15,279
Trinidad Petroleum Holdings Limited	24,201	5,085
The Guaracara Refining Company Limited	9,026	1,804
The Government of the Republic of Trinidad and Tobago (GORTT)		
- Royalties	165,510	102,091
- Taxes other than income taxes	318,504	21,711
	616,047	197,961

Taxes other than income taxes includes petroleum levy, petroleum impost and supplemental petroleum taxes. The Group's supplemental petroleum taxes (SPT) waiver expired during the third quarter of the financial year therefore the increase in taxes is attributable to SPT payable for the period April 2021 to June 2021.

The Group also transacts in the normal course of business with other government owned entities such as Telecommunications Services of Trinidad and Tobago Limited (TSTT), Water and Sewerage Authority (WASA) and Trinidad and Tobago Electricity Commission (T&TEC).

9. Cash and cash equivalents

Cash and cash equivalents are comprised of the following:

	30 June 2021 (Unaudited) $	**30 September 2020 (Audited) $**
Cash at bank and in hand	1,701,768	1,100,731

10. Decommissioning provision

The decommissioning provision as at 30 June 2021 has been estimated using existing technology, at current prices using an escalation rate of 2.25% (30 September 2020: 2%) and discounted at rates between 2.16% and 4.16% (30 September 2020: 3.75% and 5.13%) based on the United States Treasury risk free rates.

11. Revenue from contracts with customers	**Nine months ended 30 June 2021 $ (Unaudited)**	**Nine months ended 30 June 2020 $ (Unaudited)**
Crude oil sales	4,347,234	2,950,611
Natural gas sales	353,571	124,151
Royalty income	148,023	131,184
Natural gas liquid sales	10,800	6,618
	4,859,628	3,212,564

12. Income tax expense

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense for the nine month period in the interim condensed consolidated statement of comprehensive income are:

	Nine months ended 30 June 2021 $ (Unaudited)	**Nine months ended 30 June 2020 $ (Unaudited)**
Petroleum profit taxes	255,764	–
Unemployment levy	40,372	–
Income tax expense	296,136	–

As at 30 June 2021, there was as a significant increase in capital allowances associated with assets acquired on December 2018 expiring during 2021. Assets acquired prior to January 2020 attracted capital allowances at a rate of 50%/30%/20% compared to assets acquired from 1 January 2020 which only attracted capital allowances at 20% per annum. Based on this change in the rate of capital allowance, chargeable profits increased significantly during the financial period 2021 resulting in higher taxes payable.

13. Assets held for sale

The Group entered into a Sale and Purchase Agreement for 100% of its interest in Block 3A with NGC Caribbean Investments Limited (a related party). The transaction was completed on 31 December 2020. On 30 December 2020, the full consideration of US$45,576 (TT equivalent $307,246) was received in full and final settlement.

Block 3A (gain on disposal)	(4,642)

The Group entered into discussions with a related party for the sale of 100% of its interest in the Colibri Development (comprising NCMA 4 and Block 22). The Board has approved the inclusion of the Group's interest in NCMA Block 9 and its interest in PFLE for the sale with NCMA 4 and Block 22; subject to Government and regulatory approvals.

The Colibri Development assets (comprising NCMA 4 and Block 22), non-producing blocks, PFLE (marketing company) and NCMA 1 - Block 9 assets and related decommissioning obligation, a producing asset, were classified as assets held for sale at their carrying amounts in the interim condensed consolidated statement of financial position at 30 June 2021.

14. Commitments and contingencies

a) Capital commitments	**30 June 2021 (Unaudited) $**	**30 September 2020 (Audited) $**
Authorised and contracted for and not provided for in the consolidated financial statements	61,104	67,613

Heritage
PETROLEUM
COMPANY LIMITED
AND ITS SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

(Presented in Thousands of Trinidad and Tobago Dollars)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 30 JUNE 2021 (UNAUDITED)

(Presented in thousands of Trinidad and Tobago dollars)

14. Commitments and contingencies (continued)

b) Guarantees

Heritage is a Guarantor on parent company, TPHL's senior secured and unsecured debt obligations comprising (Note 2):

(i) US$603,000 Senior Secured Term Loan facility made up of a Tranche A and Tranche B with varying interest rates and principal repayment dates.

- Tranche A comprises a US$388,000 loan with a three (3) years tenor maturing 15 June 2022. Interest on this tranche is at US 3-month LIBOR plus step-up margins at different intervals and payable quarterly in arrears, commencing 15 September 2019. Principal will be amortised quarterly at five percent (5%) beginning 15 June 2021, with the remaining balance payable at maturity. As at 30 June 2021, the principal balance outstanding on Tranche A was US$344,506 (TT$2,324,505). The interest rate as at 30 June 2021 was 6.11888%.

- Tranche B comprises a US$215,000 loan with a seven (7) years tenor maturing on 15 June 2026. Interest on this tranche is at US 3-month LIBOR plus a margin and payable quarterly on the respective Tranche A interest payment dates. Equal principal amortisations are scheduled from 15 December 2020 and continue quarterly until maturity date. As at 30 June 2021, the principal balance outstanding on Tranche B was US$176,340 (TT$1,189,830). The interest rate as at 30 June 2021 was 6.61888%.

(ii) US$570,265 9.75% Senior Secured Notes. Interest on these Notes is payable quarterly in arrears, commencing 15 September 2019 and the principal balance is due at maturity on 15 June 2026. As at 30 June 2021, the principal balance outstanding on these Notes was US$570,265 (TT$3,847,777).

(iii) 6.00% amortising Senior Unsecured Notes which mature on 8 May 2022. Principal amortisation and interest on these Notes are payable semi-annually in arrears on 8 May and 8 November respectively. As at 30 June 2021, the principal balance outstanding on these Notes was US$20,737 (TT$139,923).

As a guarantor on TPHL's Senior secured loan Heritage is also required to comply with the following other obligations:

i. Senior lenders have a first priority security interest under New York law and/or Trinidad and Tobago law as applicable over certain of the Group's assets including equipment and fixtures, inventory and receivables.

ii. Heritage is required to maintain a Debt Service Reserve Account with a Bank, which at any date of determination must satisfy a Reserve Requirement consisting of interest and senior secured creditor fees if any that is scheduled to become due and payable on the senior secured obligations during the three (3) consecutive months succeeding such date of determination. The balance in this account is shown below:

Restricted cash - debt service reserve	30 June 2021 $ (Unaudited)	30 September 2020 $ (Audited)
Opening amount as at 1 October	177,692	176,048
Transfer	–	1,644
Exchange rate difference	(399)	–
Closing amount	177,293	177,692

iii. At least 70% of Heritage's net revenues from the sale of Product must be paid into a Collection Account held with a Bank and there are no restrictions over use of these funds except in the case of collateral event of default under the Master Collateral and Intercreditor Agreement. As at 30 June 2021, there has been no collateral event of default.

iv. The Group is also subject to a number of negative covenants, including restrictions on the Group's ability to create liens, limitations on additional indebtedness, dividends and/or restricted payments, asset sales and sale and leaseback transactions, limitations surrounding capital expenditure and investments, transactions with Affiliates (including Petrotrin), negative pledges and conditions for mandatory prepayments.

v. The Group's contractual cashflow subsequent to 30 June 2021 for a twelve-month period is a principal balance of US$402,653,900 (TT$2,716,866,925) and interest of US$87,838,700 (TT$592,682,844).

15. Subsequent events

The commercial terms of the sale of the Group's interest in NCMA 4 and Block 22, Block 9 and the Group's shares in PFLE, were formalized in July 2021. The Group is presently negotiating a Sale and Purchase Agreement (SPA) with the buyer with a view to completing the divestment at 31 October 2021.