



Heritage

PETROLEUM
COMPANY LIMITED
AND ITS SUBSIDIARIES

Summary Consolidated Financial Statements for the year ended 30th September 2020

Chairman's Report

Heritage and its Subsidiaries' (Heritage) 2020 results are of course set against the backdrop of the COVID-19 pandemic, which has disrupted every aspect of life as we know it.

Revenue for the 12 months of 2020 was \$4.7 billion vs \$5.4 billion for the 10-month period in 2019. This was as a consequence of substantially lower prices on the international market for our crude.

It is important to recollect that during 2020, the price of West Texas Intermediate traded at a negative price for the first time in history, reaching as low as negative US\$37.63 with Brent also trading at below US\$20 per barrel. Despite these historically low prices, Heritage was able to respond quickly and strategically by lowering its operating costs and deferring discretionary projects, implementing storage as opposed to the sale of crude oil – which avoided the loss of hundreds of millions of dollars in the worst part of the price decline – and resuming sales when the oil price recovered.

Consequently, Profit for the year 2020 nevertheless exceeded \$1 billion, compared to \$1.4 billion for the 10-month period in 2019 when our realized prices averaged in excess of US\$61 vs a realized price of \$46.21 in 2020.

Despite operating in a lower oil price environment, Heritage has:

- Funded \$500 million of its capital programme in Drilling and Workovers, Asset Integrity and Infrastructure and Technology Upgrades;
- Replaced 165% of Reserves;
- Steadily continued growing production;
- Settled all debt obligations; and
- Contributed \$905 million in taxes, royalties and levies to the Government of Trinidad and Tobago.

Under the circumstances, we consider this to be a very commendable performance in extremely difficult circumstances. I conclude by publicly thanking the Management and Staff for their hard work and continued commitment to what is an extremely critical national venture.

Michael Quamina
Chairman

Independent Auditor's Report

To the Shareholder of Heritage Petroleum Company Limited and its subsidiaries

Report on the Audit of the Summary Consolidated Financial Statements

Opinion

The summary consolidated financial statements, which comprise the summary consolidated statement of financial position as at 30 September 2020, the summary consolidated statement of comprehensive income, summary consolidated statement of changes in equity and summary consolidated statement of cash flows for the year then ended and related notes, are derived from the audited consolidated financial statements of Heritage Petroleum Company Limited and its subsidiaries (the "Group") for the year ended 30 September 2020.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, on the basis described in Note 2. In addition to the summary consolidated financial statements and our auditor's report thereon, the summary consolidated financial statements contains other information that consists of the Chairman's report.

Our opinion on the summary consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so consider whether the other information is materially inconsistent with the summary consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Summary Consolidated Financial Statements

The summary consolidated financial statements do not contain all the disclosures required by the International Financial Reporting Standards (IFRS). Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and auditor's report thereon.

The summary consolidated financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited consolidated financial statements.

The Audited Consolidated Financial Statements and Our Report Thereon

We expressed an unmodified opinion on the audited consolidated financial statements in our report dated 14 June 2021. That report also includes:

- A *Material Uncertainty Related to Going Concern* section that draws attention to Note 2 in the audited consolidated financial statements. These events or conditions, as set forth in Note 2 of the audited consolidated financial statements, indicate that a material uncertainty exists. These matters are addressed in Note 2 of the summary consolidated financial statements.
- An *Other Matter* section which states the audited consolidated financial statements of Heritage Petroleum Company Limited for the year ended 30 September 2019, were audited by another auditor who expressed an unqualified opinion on those statements on 23 April 2020.

Responsibilities of Management for the Summary Consolidated Financial Statements

Management is responsible for the preparation of the summary consolidated financial statements in accordance with IFRSs.

Auditor's Responsibilities for the Audit of the Summary Consolidated Financial Statements

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures which were conducted in accordance with International Standards on Auditing (ISA) 810 (Revised), "Engagements to Report on Summary Financial Statements".

Port of Spain,
TRINIDAD:
14 June 2021



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Summary Consolidated Financial Statements for the year ended 30th September 2020 (continued)

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2020

(Presented in thousands of Trinidad and Tobago dollars)

	2020 \$	2019* \$
Assets		
Non-current assets		
Oil and gas properties and exploration and evaluation assets	4,705,432	5,255,662
Other property, plant and equipment and intangible assets	673,611	706,637
Right of use assets	6,531	-
Investment in associate	2,148	1,414
Other non-current financial assets	33,203	-
Cash in escrow	267,098	220,909
Deferred tax assets	1,843,293	1,313,266
	<u>7,531,316</u>	<u>7,497,888</u>
Current assets		
Inventories	310,010	372,777
Trade and other receivables	325,079	291,420
Due from related parties	128,854	1,477,381
Other current financial assets	13,525	-
Income taxes recoverable	148,991	177
Restricted cash - debt service reserve	177,692	176,048
Short-term investment	156,239	149,907
Cash and cash equivalents	1,100,731	990,257
	<u>2,361,121</u>	<u>3,457,967</u>
Assets held for sale	304,130	-
	<u>2,665,251</u>	<u>3,457,967</u>
Total assets	<u>10,196,567</u>	<u>10,955,855</u>
Equity attributable to owners of the parent		
Capital and reserves		
Stated capital	-	-
Retained earnings	2,428,067	1,410,519
Consolidated reserve	(237,366)	(237,366)
Currency translation differences	(116,671)	(110,866)
	<u>2,074,030</u>	<u>1,062,287</u>
Non-controlling Interests	(60,370)	(60,567)
Total equity	<u>2,013,660</u>	<u>1,001,720</u>
Non-current liabilities		
Provisions	5,221,640	5,070,297
Lease liabilities	5,988	-
Deferred tax liabilities	1,814,672	1,313,266
	<u>7,042,300</u>	<u>6,383,563</u>
Current liabilities		
Trade and other payables	615,930	543,671
Lease liabilities	1,615	-
Due to related parties	197,961	2,702,508
Borrowings	321,540	320,794
Provisions	3,561	3,599
	<u>1,140,607</u>	<u>3,570,572</u>
Total liabilities	<u>8,182,907</u>	<u>9,954,135</u>
Total equity and liabilities	<u>10,196,567</u>	<u>10,955,855</u>

*Certain amounts presented here for 2019 do not correspond to the previously reported 2019 summary consolidated financial statements and reflect adjustments made as detailed in Note 2.

On 11 June 2021, the Board of Directors of Heritage Petroleum Company Limited authorised these summary consolidated financial statements for issue.

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2020

(Presented in thousands of Trinidad and Tobago dollars)

	Year ended 30 September 2020 \$	Ten months ended 30 September 2019 \$
Revenue from contracts with customers	4,739,793	5,398,209
Cost of sales	(3,117,817)	(3,555,835)
Gross profit	1,621,976	1,842,374
Other operating income	16,492	13,821
Impairment on oil and gas properties and exploration and evaluation assets	(9,011)	(82,894)
Impairment on assets held for sale	(184,935)	-
Administrative expenses	(186,660)	(79,088)
Operating profit	1,257,862	1,694,213
Share of profit of associates accounted for using the equity method, net of tax	734	977
Net finance costs	(266,697)	(284,995)
Profit before taxation	991,899	1,410,195
Taxation expense	25,961	-
Profit for the period	1,017,860	1,410,195
Other comprehensive income		
<i>Items that would not be reclassified to profit or loss</i>		
Currency translation differences	(5,920)	(111,093)
Total comprehensive income for the period	<u>1,011,940</u>	<u>1,299,102</u>
Profit attributable to:		
Equity holders of the parent	1,017,548	1,410,519
Non-controlling interests	312	(324)
	<u>1,017,860</u>	<u>1,410,195</u>
Total comprehensive income attributable to:		
Equity holders of the parent	1,011,743	1,299,653
Non-controlling interests	197	(551)
	<u>1,011,940</u>	<u>1,299,102</u>

 Director:
  Director:



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Summary Consolidated Financial Statements for the year ended 30th September 2020 (continued)

**SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2020**
(Presented in thousands of Trinidad and Tobago dollars)

	Stated Capital	Retained Earnings	Consolidation Reserve	Currency Translation	Non Controlling Interest	Total
	\$	\$	\$	\$	\$	\$
Year ended 30 September 2020						
Balance at 1 October 2019	-	1,410,519	(237,366)	(110,866)	(60,567)	1,001,720
Profit for the year	-	1,017,548	-	-	312	1,017,860
Other comprehensive loss for the year	-	-	-	(5,805)	(115)	(5,920)
Total comprehensive income/(loss) for the year	-	1,017,548	-	(5,805)	197	1,011,940
Balance as at 30 September 2020	-	2,428,067	(237,366)	(116,671)	(60,370)	2,013,660
Year ended 30 September 2019						
Balance at 1 December 2018	-	-	-	-	-	-
Acquisition of subsidiary with non-controlling interest	-	-	(237,366)	-	(60,016)	(297,382)
Profit/(loss) for the ten-month period	-	1,410,519	-	-	(324)	1,410,195
Other comprehensive loss for the ten-month period	-	-	-	(110,866)	(227)	(111,093)
Total comprehensive income/(loss) for the ten-month period	-	1,410,519	-	(110,866)	(551)	1,299,102
Balance as at 30 September 2019	-	1,410,519	(237,366)	(110,866)	(60,567)	1,001,720

**SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**
(Presented in thousands of Trinidad and Tobago dollars)

	Year ended 30 September 2020 \$	Ten months ended 30 September 2019* \$
Operating activities		
Profit before taxation	991,899	1,410,195
Adjustments to reconcile profit to net cash from operating activities:		
Depreciation, depletion and amortisation	542,333	583,477
Impairment on oil and gas properties	9,011	82,894
Impairment on assets held for sale	184,935	-
Change in decommissioning provision	(74,665)	(72,794)
Finance cost – unwinding of decommissioning provision	268,602	290,818
Finance cost – leases	424	-
Finance income	(6,332)	-
Write-off of property, plant and equipment	-	4,359
Increase in trade and other receivables	(33,659)	(155,275)
Decrease in inventory	62,767	148,505
Change in cash in escrow	(46,189)	(16,944)
Increase in due from related parties	(74,364)	(53,839)
(Decrease)/increase in related parties	(63,666)	200,604
Increase in trade and other payables	72,259	482,103
	1,833,355	2,904,103
Income taxes paid	(150,450)	-
Net cash generated from operating activities	1,682,905	2,904,103
Net cash used in investing activities	(547,418)	(344,229)
Net cash used in financing activities	(1,019,929)	(1,560,838)
Currency translation differences relating to cash and cash equivalents	(5,084)	(8,779)
Net increase in cash and cash equivalents	115,558	999,036
Cash and cash equivalent at the beginning of the period	990,257	-
Cash and cash equivalents, at end of period	1,100,731	990,257

*Certain amounts presented here for 2019 do not correspond to the previously reported 2019 summary consolidated financial statements and reflect adjustments made as detailed in Note 2.

**NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**
(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 September 2020 consists of Point Fortin LNG Exports Limited (PFLE).

(b) Investment in Subsidiaries

The Group’s subsidiaries as at 30 September 2020 consists of Trinidad and Tobago Marine Petroleum Company Limited (Trintomar) and Trinidad Northern Areas (TNA).



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Summary Consolidated Financial Statements for the year ended 30th September 2020 (continued)

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020 (CONTINUED)

(Presented in thousands of Trinidad and Tobago dollars)

2. Basis of presentation

Management has prepared a full set of consolidated financial statements in accordance with the International Financial Reporting Standards but has summarized it by disclosing the consolidated statement of financial position, consolidated statement of comprehensive income, changes in equity and cash flows for the year ended 30 September 2020 and selected notes to the summary consolidated financial statements comprising certain significant accounting policies and other explanatory information. The summary consolidated financial statements are expressed in thousands of Trinidad and Tobago Dollars. The full set of the audited consolidated financial statements are available at <http://trinidadpetroleum.co.tt/investor-relations/financial-statements/>.

The summary consolidated financial statements have been extracted from the audited consolidated financial statements for the year ended 30 September 2020 and do not include the accounting policies notes that are contained in the audited consolidated financial statements.

Going Concern

The audited 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 audited consolidated financial statements.

The ongoing operations of the Group are 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.

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 audited consolidated financial statements. 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.

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.

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. 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 31 May 2021			
Interest	134,768	253,979	388,747
Principal	361,128	140,239	501,367
Total	495,896	394,218	890,114

The Group reports payments made to the Lenders as 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.

Restatement

Within the 2019 summary consolidated statement of cashflows, there were some reclassifications adjustments required to conform with the requirements of IAS 7 – *Statement of Cashflows*. This is outlined in detail below. Additionally, the 2019 comparative cash and cash equivalents was adjusted to exclude restricted cash in relation to the debt service reserve.

