



Heritage

PETROLEUM
COMPANY LIMITED
AND ITS SUBSIDIARIES



UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

(Presented in Thousands of Trinidad and Tobago Dollars)

Chairman's Statement for the period 1 October 2021 to 31 December 2021

Heritage Petroleum Company Limited (Heritage) has generated significant value with strong earnings through the implementation of our strategy in Quarter 1 2022. This was achieved by way of efficient cost management bolstered by favourable conditions on the international market. Unfortunately, we still remain challenged to meet full expectations with respect to production, but we are frontally addressing this challenge by way of an aggressive drilling, workover and Enhanced Oil Recovery (EOR) programme.

The Heritage team continues to build on learnings from the 2021 fiscal year and is focused on deferral management and production, while we continue to deal with challenges posed by a mature asset base, increased costs, and delays as a result of the volatile global supply chain.

Heritage has also made some significant strides in redesigning its organisation with the objective of improving operational capability, engineering assurance, drilling and major project execution. To deliver on our growth agenda, we recognised the need for an organisation focused on building capability and driving efficiency through functional excellence.

Financial Performance

Revenue for the 1st Quarter of FY2022 was \$2 billion. This is an improvement of over 68% when compared to the same quarter in 2021 and is driven by improved prices obtained on the international market which were 75%

higher than the previous year. The cause of the price increase was due primarily to increasing demand as global economies continued to emerge from the effects of the COVID-19 pandemic.

Effective cost management, coupled with improved market conditions, has enabled the company to generate profit before tax of \$0.5 billion, which is 84% higher than the previous comparable period in the prior year. Moreover, cash balances stood at \$1.9 billion and cash flows generated from operating activities were \$1.2 billion. With our strategy to increase production firmly in focus, the company:

- Invested \$46 million in our Forward Drilling and Workover programmes, Asset Integrity, Technology and Infrastructure programmes;
- Contributed \$912 million in taxes, royalties and levies to the Government of Trinidad and Tobago related to the quarter; and
- Settled all debt obligations across the Trinidad Petroleum Holdings Limited Group.

Production

The safe delivery of production from what is a mature asset continues to be the major focus of the company as we prepare our organisation for increased activity with the arrival of the offshore rig in tandem with pursuing our workover, land drilling and EOR programmes.

ESG

Along with the company's financial performance, Heritage's ESG (Environment, Social, Governance) agenda is also a source of pride. We made significant strides in the preparation of our first ESG Report which has since been published in July 2022, to showcase our various programmes and initiatives aligned to the United Nation's (UN) Sustainability Development Goals (SDGs). Heritage maintains heavy focus on protecting the environment, building community capacity, supporting economic development, and empowering future leaders.

We continue to place special emphasis on our fenceline communities through a dynamic Corporate Social Responsibility (CSR) strategy with programmes such as the Heritage Education Resource Opportunity (HERO), Here We Grow Agriculture Programme and donations to the Pointe-à-Pierre Wildfowl Trust and other community-based programmes and initiatives.

In closing, I wish to thank the Board of Directors and Executive Leadership and Staff for their continued commitment to deliver such positive results. We never lose sight of the fact, that all that we do at Heritage is for the benefit of our people and our country.

Michael Quamina
Chairman



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UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

(Presented in Thousands of Trinidad and Tobago Dollars)



INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

(Presented in thousands of Trinidad and Tobago dollars)

	Notes	December 2021 \$ (Unaudited)	September 2021 \$ (Audited)
Assets			
Non-current assets			
Oil and gas properties and exploration and evaluation assets		3,923,435	4,013,896
Other property, plant and equipment and intangible assets		655,785	659,026
Right of use assets		45,192	7,497
Other non-current financial assets		52,355	35,317
Cash in escrow		296,706	290,446
Deferred tax assets		1,738,979	1,739,394
		<u>6,712,452</u>	<u>6,745,576</u>
Current assets			
Inventories	7	462,699	317,162
Trade and other receivables		406,726	524,468
Due from related parties	8 (b)	2,483,895	1,933,908
Other current financial assets		4,508	7,196
Income taxes recoverable		177	177
Restricted cash - debt service reserve	13 (b)	177,699	177,276
Short-term investment		156,909	156,284
Cash and cash equivalents	9	1,906,257	2,070,986
		<u>5,598,870</u>	<u>5,187,457</u>
Assets held for sale		<u>301,019</u>	<u>300,314</u>
		<u>5,899,889</u>	<u>5,487,771</u>
Total assets		<u>12,612,341</u>	<u>12,233,374</u>

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

(Presented in thousands of Trinidad and Tobago dollars)
(continued)

	Notes	December 2021 \$ (Unaudited)	September 2021 \$ (Audited)
Equity attributable to owners of the parent			
<i>Capital and reserves</i>			
Stated capital		-	-
Retained earnings		3,299,489	3,110,904
Consolidated reserve		(237,366)	(237,366)
Currency translation differences		(150,690)	(148,479)
		<u>2,911,433</u>	<u>2,725,059</u>
Non-controlling interests		(60,477)	(60,456)
Total equity		<u>2,850,956</u>	<u>2,664,603</u>
Non-current liabilities			
Decommissioning provision	10	4,667,427	4,608,446
Lease liabilities		45,947	7,103
Trade and other payables		46,221	34,953
Deferred tax liabilities		2,331,507	2,339,417
		<u>7,091,102</u>	<u>6,989,919</u>
Current liabilities			
Trade and other payables		957,643	723,463
Lease liabilities		2,779	1,853
Due to related parties	8 (b)	551,697	520,778
Current tax liabilities		319,755	495,940
Borrowings		321,538	321,139
		<u>2,153,412</u>	<u>2,063,173</u>
Liabilities directly associated with the assets held for sale		516,871	515,652
		<u>2,670,283</u>	<u>2,578,825</u>
Total liabilities		<u>9,761,385</u>	<u>9,568,744</u>
Total equity and liabilities		<u>12,612,341</u>	<u>12,233,347</u>

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

On 22 April 2022, the Board of Directors of Heritage Petroleum Company Limited authorised these consolidated financial statements for issue.

Director

Director



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(Presented in Thousands of Trinidad and Tobago Dollars)



INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED 31 DECEMBER 2021

(Presented in thousands of Trinidad and Tobago dollars)

	Notes	31 December 2021 \$ (Unaudited)	31 December 2020 \$ (Unaudited)
Revenue from contracts with customers	11	1,981,246	1,178,077
Cost of sales		(1,405,706)	(783,793)
Gross profit		575,540	394,284
Other operating income		17,919	5,706
Administrative expenses		(40,391)	(57,378)
Operating profit		553,068	342,612
Net finance costs		(48,940)	(68,143)
Profit before taxation		504,128	274,469
Income tax expense	12	(315,564)	-
Profit for the period		188,564	274,469
Other comprehensive income			
<i>Items that would not be reclassified to profit or loss</i>			
Currency translation differences		(2,211)	5,834
Total comprehensive income for the period		186,353	280,303
Profit attributable to:			
Equity holders of the parent		188,585	274,463
Non-controlling interests		(21)	6
		<u>188,564</u>	<u>274,469</u>
Total comprehensive income attributable to:			
Equity holders of the parent		186,374	280,159
Non-controlling interests		(21)	144
		<u>186,353</u>	<u>280,303</u>

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE MONTHS ENDED 31 DECEMBER 2021

(Presented in thousands of Trinidad and Tobago dollars)

	Note	31 December 2021 \$ (Unaudited)	31 December 2020 \$ (Unaudited)
Operating activities			
Profit before tax		504,128	274,469
Adjustments to reconcile profit to net cash from operating activities:			
Depreciation, depletion and amortization		146,779	134,809
Finance cost - unwinding of decommissioning provision		48,143	68,028
Finance cost - leases		465	-
Finance income		-	(437)
Supplemental petroleum tax		315,662	-
Operating profit before working capital changes		1,015,177	476,869
Decrease in trade and other receivables		117,742	111,198
Increase in inventory		(145,537)	(23,228)
Change in cash in escrow		(6,260)	(6,641)
Increase in due from related parties		(33,251)	(36,590)
Increase/(decrease) in due to related parties		30,919	(14,546)
Increase in trade and other payables		245,448	41,897
Cash flows generated from operating activities		1,224,238	548,959
Taxes paid		(814,838)	-
Net cash generated from operating activities		409,400	548,959
Investing activities			
Repayment on advances		2,688	3,385
Proceeds from assets held for sale		-	307,246
Investment in held for sale assets		-	(133,969)
Investment in financial assets		(17,038)	-
Purchase of oil and gas properties and exploration and evaluation assets		(35,123)	(44,544)
Purchase of other property, plant and equipment and intangible assets		(11,359)	(14,704)
Net cash used in investing activities		(60,832)	117,414
Financing activities			
Cash payment on leases		(1,018)	-
Net movement in related parties		(516,736)	(401,646)
Net cash used in financing activities		(517,754)	(401,646)
Currency translation differences relating to cash and cash equivalents		4,457	8,239
Net (decrease)/increase in cash and cash equivalents		(169,186)	264,727
Cash and cash equivalent at the beginning of the period		2,070,986	1,100,731
Cash and cash equivalents, at end of period	9	1,906,257	1,373,697

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED 31 DECEMBER 2021

(Presented in thousands of Trinidad and Tobago dollars)

	Stated capital \$	Retained earnings \$	Consolidation reserve \$	Currency translation \$	Non- controlling interests \$	Total \$
Unaudited period ended 31 December 2021						
Balance at 1 October 2021	-	3,110,904	(237,366)	(148,479)	(60,456)	2,664,603
Profit for the year	-	188,585	-	-	(21)	188,564
Other comprehensive loss for the year	-	-	-	(2,211)	-	(2,211)
Total comprehensive income/(loss) for the year	-	188,585	-	(2,211)	(21)	186,353
Balance as at 31 December 2021	-	3,299,489	(237,366)	(150,690)	(60,477)	2,850,956
Unaudited period ended 31 December 2020						
Balance at 1 October 2020	-	2,428,067	(237,366)	(116,671)	(60,370)	2,013,660
Profit for the year	-	274,463	-	-	6	274,469
Other comprehensive income for the year	-	-	-	5,696	138	5,834
Total comprehensive income for the year	-	274,463	-	5,696	144	280,303
Balance as at 31 December 2020	-	2,702,530	(237,366)	(110,975)	(60,226)	2,293,963

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 DECEMBER 2021

(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 31 December 2021 consists of Point Fortin LNG Exports Limited (PFLE).

(b) Investment in subsidiaries

The Group's subsidiaries as at 31 December 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 three months ended 31 December 2021 have been prepared in accordance with IAS 34 Interim Financial Reporting. The Heritage 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 2021.

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 finances being available for the continuing working capital requirements of 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 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.



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(Presented in thousands of Trinidad and Tobago dollars)

2. Basis of presentation (continued)

Going concern (continued)

Heritage (as well as Paria and Guaracara) is a Guarantor of the parent company's, (TPHL's), senior secured and unsecured debt obligations. Collectively, Heritage, 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 been working on a plan to address such defaults with the Lenders by applying for waivers and consents or considering a refinancing that would address these issues. Management has recently concluded a Request for Proposal (RFP) process as part of the TPHL Group Refinancing currently being undertaken. The refinancing is expected to be completed within twelve months of the approval of these consolidated financial statements. The Company believes that these waivers and consents will be granted by the Lenders as part of this refinancing. The Loan Parties already have 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 these consolidated financial statements either independently or as part of a refinancing.

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 2021.

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 that are unrelated to the occurrence and continuance of the FS Default, including, making certain investments in Petrotrin, which payments constitute restricted payments. These actions have triggered defaults and/or events of defaults under the Credit Agreement.

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 2021 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 2021 and 2022 as follows:

	Credit Agreement \$	Indenture \$	Total \$
Payments in 2021			
Interest	267,238	459,898	727,136
Principal	749,658	140,044	889,702
Total	1,016,896	599,942	1,616,838
Payments made since			
1 October 2021			
to 31 March 2022			
Interest	128,531	242,871	371,402
Principal	390,736	70,057	460,793
Total	519,267	312,928	832,195

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 2021, 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.



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(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 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.

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.

COVID-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued COVID-19-Related Rent Concessions - amendment to IFRS 16 Leases

The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the COVID-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021.

However, the Group has not received COVID-19-related rent concessions but plans to apply the practical expedient if it becomes applicable within allowed period of application.

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 2021.

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 Parent'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, potential investors, lenders of TPHL and associated parties and its employees.

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

Acquisitions and disposals:

During the three months ended 31 December 2021, the Group acquired assets with a cost of \$35,123 (30 September 2021: \$164,517).

6. Other property, plant and equipment and intangible assets

Acquisitions and disposals:

During the three months ended 31 December 2021, the Group acquired assets with a cost of \$11,359 (30 September 2021: \$66,016).

	31 December 2021 (Unaudited)	30 September 2021 (Audited)
7. Inventories	\$	\$
Crude oil	407,292	254,650
Natural gas	145,029	228
Materials and supplies	-	143,112
Provision for obsolescence	(89,622)	(80,828)
	<u>462,699</u>	<u>317,162</u>

During the three month period ended 31 December 2021, \$8,794 (30 September 2021: \$34,348) 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 31 December 2021 and 30 December 2020.



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8. Related party disclosures (continued)

	Three months ended 31 December 2021	Three months ended 31 December 2020
	\$ (Unaudited)	\$ (Unaudited)
a. Trade and financing transactions with related parties		
Trinidad Petroleum Holdings Limited (TPHL)	454,121	371,068
The Guaracara Refining Company Limited	267	544
Paria Fuel Trading Company Limited	15,862	15,498
Petroleum Company of Trinidad and Tobago Limited (Petrotrin)	27,021	13,664
	<u>497,271</u>	<u>400,774</u>

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:

	31 December 2021	30 September 2021
	\$ (Unaudited)	\$ (Audited)
(i) Due from related parties		
Trinidad Petroleum Holdings Limited	2,119,724	1,659,844
Petroleum Company of Trinidad and Tobago Limited	74,422	17,566
Paria Fuel Trading Company Limited	383	390
The Guaracara Refining Company Limited	193	193
The Government of the Republic of Trinidad and Tobago (GORTT)		
- Value Added Tax refundable	<u>289,173</u>	<u>255,915</u>
	<u>2,483,895</u>	<u>1,933,908</u>

	31 December 2021	30 September 2021
	\$ (Unaudited)	\$ (Audited)
(ii) Due to related parties		
Paria Fuel Trading Company Limited	10,623	15,631
The Guaracara Refining Company Limited	77	297
The Government of the Republic of Trinidad and Tobago (GORTT)		
- Royalties	216,321	160,504
- Production taxes	42,450	28,684
- Supplemental petroleum taxes	<u>282,226</u>	<u>315,662</u>
	<u>551,697</u>	<u>520,778</u>

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 Sewage Authority (WASA) and Trinidad and Tobago Electricity Commission (T&TEC).

9. Cash and cash equivalents

Cash and cash equivalents are comprised of the following:

	31 December 2021 (Unaudited) \$	30 September 2021 (Audited) \$
Cash and cash equivalents	<u>1,906,257</u>	<u>2,070,986</u>

10. Decommissioning provision

The decommissioning provision as at 31 December 2021 has been estimated using existing technology, at current prices using an escalation rate of 2% (30 September 2021: 2%) and discounted at rates between 2.19% and 4.18% (30 September 2021: 2.19% and 4.18%) based on the United States Treasury risk free rates.

	Three months ended 31 December 2021	Three months ended 31 December 2020
	\$ (Unaudited)	\$ (Unaudited)
11. Revenue from contracts with customers		
Crude oil sales	1,827,484	1,091,836
Natural gas sales	79,485	54,091
Royalty income	71,142	30,773
Natural gas liquid sales	<u>3,135</u>	<u>1,377</u>
	<u>1,981,246</u>	<u>1,178,077</u>

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 three-month period in the interim condensed consolidated statement of comprehensive income are:

	Three months ended 31 December 2021	Three months ended 31 December 2020
	\$ (Unaudited)	\$ (Unaudited)
Petroleum profit taxes	293,605	-
Unemployment levy	29,454	-
Deferred tax credit	<u>(7,495)</u>	<u>-</u>
Income tax expense	<u>315,564</u>	<u>-</u>

As at 31 December 2021, there was 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. Commitments and contingencies

	31 December 2021 (Unaudited) \$	30 September 2021 (Audited) \$
a) Capital commitments		
Authorised and contracted for and not provided for in the consolidated financial statements	<u>7,693</u>	<u>36,454</u>



Heritage

PETROLEUM
COMPANY LIMITED
AND ITS SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

(Presented in Thousands of Trinidad and Tobago Dollars)



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 DECEMBER 2021

(Presented in thousands of Trinidad and Tobago dollars)

13. 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 31 December 2021, the principal balance outstanding on Tranche A was US\$305,706 (TT\$2,067,339). The interest rate as at 31 December 2021 was 6.703%.
- 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 31 December 2021, the principal balance outstanding on Tranche B was US\$157,635 (TT\$1,066,009). The interest rate as at 31 December 2021 was 6.703%.

(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 31 December 2021, the principal balance outstanding on these Notes was US\$570,265 (TT\$3,856,417).

(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 31 December 2021, the principal balance outstanding on these Notes was US\$10,369 (TT\$70,120).

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:

	31 December 2021 \$	30 September 2021 \$
	(Unaudited)	(Audited)
Restricted cash - debt service reserve		
Opening amount as at 1 October	177,276	177,692
Change	423	(416)
Closing amount	177,699	177,276

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 31 December 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 31 December 2021 for a twelve-month period is a principal balance of US\$353,485 (TT\$2,390,442) and interest of US\$76,385 (TT\$516,554).

14. Assets held for sale

Heritage received net cash proceeds of US\$2,400 equivalent (TT\$16,207) on 28 December 2021 representing a one-time Petroleum Production Bonus cash payment arising from the Reserve Asset Sale of Heritage's Participating Interest in Block 3(a) that was sold on 30 December 2020.

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), PFLE and NCMA 1 - Block 9 and related decommissioning obligation. These assets were classified as held for sale at their carrying amounts in the interim condensed consolidated statement of financial position at 31 December 2021.

The liabilities are directly associated with assets held for sale relates to the NCMA - BLK 9 a producing asset in the interim condensed consolidated statement of financial position at 31 December 2021.

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.

15. Subsequent events

On 18 April 2022, the Board of Directors of Heritage approved the intercompany transfer of the amount receivable by the Company from the Petroleum Company of Trinidad and Tobago Limited (Petrotrin) (See Note 8 (b)) to Trinidad Petroleum Holdings Limited (TPHL) effective 31 March 2022.

Further, Heritage proposed that the Board of Directors declare a final dividend for FY 2021, an interim dividend for the half year ended 31 March 2022 and a special dividend ahead of the financial year end to distribute to its shareholder TPHL, the assurance process for which is currently being addressed by the Board of Directors and regulatory authorities. It is intended that the dividends will be distributed over a period of 12 months from the 13 April 2022, the date of approval of the 30 September 2021 audited consolidated financial statements.