



Summary Consolidated Financial Statements for the period ended 30 September 2022

Chairman's Statement Audited Financials for the year ended 30 September 2022

Heritage Petroleum Company Limited ("Heritage") continues to perform well with a track record of solid financial and operational performance. The Company is fulfilling its strategic mandate to *Stabilize, Strengthen* and *Optimize* the national hydrocarbon assets that have been entrusted to us. Heritage's 2022 results affirm a trend of safe operations, strong financial performance, and a replenished resource base, all of which create a stable platform to manage a mature reserve pool. This 2022 performance has been delivered even while there has been an intense programme with respect to asset integrity management and careful management of the Company's unique legacy challenges. Importantly, Heritage's responsible fiscal management has allowed the organization to meet its operational expenses and deliver on its capital investment programme. Further, the Company has also met all of its additional financial obligations, inclusive of taxes to the government and legacy loan repayments.

Financial Performance

Revenue for the year increased by 49% to \$10.2 billion (2021: \$6.8 billion) driven by a higher crude price on the international market, US\$97/bbl (2021: US\$62/bbl). As a result, profit for the year was \$1.11 billion, an increase of 63% vs 2021 results of \$0.7 billion.

Cash generated from operating activities before Petroleum Profits Tax was \$5.4 billion, which was higher than the prior year of \$3.2 billion, an increase of 69%. This performance allowed the Company to:

- Invest \$484 million in production growth, and invest in integrity expenditure, infrastructure, and an Information Technology capital programme. (2022: \$498 million)
- Pay \$4.5 billion in royalties, levies and taxes to the Government of the Republic of Trinidad and Tobago. This is up from \$2.0 billion in 2021, an increase of 125%
- Meet the inherited debt obligations of the Trinidad Petroleum Holdings Limited (TPHL) Group of Companies.

Reserves and Production

The reserve replacement ratio has been over 100% for the last three years and was 124% in 2022 which is the industry first quartile. The reserves to production ratio has increased from 7.3 years in 2019 to 9.2 years in 2022.

Crude production for the year was 39,028 bop/d which was down by 4.5% from the prior year (41,239 bop/d).

The delivery of the production growth agenda has been constrained by:

- Global supply chain disturbances in 2022 due to the continued impacts of the Covid-19 pandemic;

- Inflationary pressure; and
- Exploration and Production projects in Guyana and Suriname have reduced the availability of integrated drilling services – resulting in higher drilling costs and delayed drilling schedules.

Refinancing

The TPHL Group completed the second refinancing of its Long-Term Senior Secured Debt effective 12 May 2022, and the refinanced debt, which to date has been held at TPHL, has now been moved to Heritage.

ESG Commitment

Heritage's second fully assured Environmental, Social and Governance (ESG) Report covering the fiscal year October 2021 to September 2022, was published via the Company's corporate channels on 14 April 2023.

Building on the momentum gained, and key learnings from the first reporting process, Heritage has carefully built out a wider narrative of continuous improvement and commitment to driving sustainable operations. This includes the embedding of our Operating Management System (OMS) into the business lines and carefully structured management of operating risk through our Enterprise Risk Management process.

Heritage has introduced a biodiversity and ecosystem management procedure and has completed the ISO 14001:2015 Audit to quantify our ESG risk and put mitigations in place in response to these environmental issues.

Social Responsibility

Importantly, Heritage continues to be an important contributor in Trinidad and Tobago through our volunteering and sponsorship programmes. Over the last four years, Heritage has significantly invested time and resources in impactful and sustainable social programmes with special emphasis on the people who live in our surrounding communities.

With a total spend of \$8.5 million in social programmes since inception, Heritage's social investment strategy leverages employee volunteerism, donations, and sponsorship initiatives in programmes that empower future leaders, build community capacity, focus on education, food security and promote environmental sustainability.

Looking Forward

Production is the lifeblood of our Company and although we have been successful in mitigating a 7-9% field decline in the offshore and onshore fields through drilling and production optimization, well interventions and implementation of secondary recovery methods, we still have work to do to


increase production in a sustainable manner. Our 2023-2025 multi-year forward drilling programme is in progress, with a 15-well offshore and onshore drilling campaign being undertaken in 2023. At present, there are 21 rigs operating across our production leases involved in drilling, well servicing, workovers, and swabbing – all operated by local service providers. We are also implementing a plan for bringing inactive onshore and offshore wells back into production.

Asset integrity continues to be a major focus in 2023 and \$245.7 million in investment has been planned to preserve our ability to access wells, platforms, and other facilities to sustain our production. The focus on production growth also involves progressing reserves and resources by reprocessing existing seismic data for both onshore and offshore fields to de-risk existing prospects as well as adding new wells on the forward drilling program. Several partnership growth options are also currently under advanced consideration.

The aforementioned refinancing of the Long-Term Debt in 2022 has also allowed Heritage to remove some very onerous loan covenants as well as extend the tenor of the loans. Further, Heritage has been able to amass cash reserves over the last few years which has enabled the Company to focus on deleveraging while still investing in production growth and asset integrity projects.

With a robust track record of performance behind us, we do face some significant headwinds in 2023 and beyond. These are primarily due to developments in the regional and global economy. Most obvious are the lower oil and gas prices coupled with supply chain inflationary pressures specific to the oil and gas industry but also include the impact of the global energy transition. As we look ahead, we will remain vigilant and nimble to ensure our performance remains robust while we adapt to the changing global dynamics of the industry. Our strategy remains simple – "get the oil out of the ground as safely, swiftly and economically as possible".

Heritage continues to be a significant and proud contributor to the national economy, and I sincerely thank the hardworking and competent energy professionals at Heritage who have all worked diligently to deliver these results.



Michael A. A. Quamina S.C.
 Chairman



Heritage

PETROLEUM
COMPANY LIMITED
AND ITS SUBSIDIARIES



Summary Consolidated Financial Statements for the period ended 30 September 2022 (continued)

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 2022, 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 2022.

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.

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 28 April 2023 in accordance with International Standards on Auditing ("ISA"s). The report also includes the communication of Key Audit Matters ("KAMs").

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 Responsibility 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
11 May 2023

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2022

(Presented in thousands of Trinidad and Tobago dollars)

	2022 \$	2021 \$
Assets		
Non-current assets		
Oil and gas properties and exploration and evaluation assets	4,527,884	4,013,896
Other property, plant and equipment and intangible assets	685,837	659,026
Right of use assets	37,302	7,497
Other non-current financial assets	7,428	35,317
Due from related parties	9,534,921	-
Cash in escrow	314,287	290,446
Deferred tax assets	1,757,203	1,739,394
	<u>16,864,862</u>	<u>6,745,576</u>
Current assets		
Inventories	328,467	317,162
Trade and other receivables	517,050	524,468
Due from related parties	1,050,470	1,933,908
Other current financial assets	27,445	7,196
Income taxes recoverable	3,294	177
Restricted cash - debt service reserve	177,198	177,276
Short-term investment	13,062	156,284
Cash and cash equivalents	2,041,852	2,070,986
	<u>4,158,838</u>	<u>5,187,457</u>
Assets held for sale	-	300,314
	<u>4,158,838</u>	<u>5,487,771</u>
Total assets	<u>21,023,700</u>	<u>12,233,347</u>
Equity attributable to owners of the parent		
Capital and reserves		
Stated capital	-	-
Retained earnings	3,627,163	3,110,904
Consolidated reserve	(237,366)	(237,366)
Currency translation differences	(157,593)	(148,479)
	<u>3,232,204</u>	<u>2,725,059</u>
Non-controlling interests	(63,444)	(60,456)
Total equity	<u>3,168,760</u>	<u>2,664,603</u>
Non-current liabilities,		
Borrowings	60,632	34,953
Decommissioning provision	5,429,905	4,608,446
Lease liabilities	39,180	7,103
Borrowings	6,280,722	-
Deferred tax liabilities	2,467,403	2,339,417
	<u>14,277,842</u>	<u>6,989,919</u>
Current liabilities		
Trade and other payables	933,833	723,463
Lease liabilities	1,067	1,853
Due to related parties	949,362	520,778
Income tax liability	593,000	495,940
Dividend proposed	600,000	-
Borrowings	499,836	321,139
	<u>3,577,098</u>	<u>2,063,173</u>
Liabilities directly associated with the assets held for sale	-	515,652
	<u>3,577,098</u>	<u>2,578,825</u>
Total liabilities	<u>17,854,940</u>	<u>9,568,744</u>
Total equity and liabilities	<u>21,023,700</u>	<u>12,233,347</u>

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

On 11 May 2023, the Board of Directors of Heritage Petroleum Company Limited authorised these summary consolidated financial statements for issue.

Director

Director



Summary Consolidated Financial Statements for the period ended 30 September 2022 (continued)

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2022

(Presented in thousands of Trinidad and Tobago dollars)

	2022 \$	2021 \$
Revenue from contracts with customers	10,160,394	6,827,022
Cost of sales	<u>(6,612,570)</u>	<u>(4,419,031)</u>
Gross profit	3,547,824	2,407,991
Other operating income	433,079	27,545
Impairment on oil and gas properties and exploration and evaluation assets	(68,436)	(58,769)
Administrative expenses	<u>(211,477)</u>	<u>(179,390)</u>
Operating profit	3,700,990	2,197,377
Share of loss of associates accounted for using the equity method, net of tax	-	(357)
Net finance costs	<u>(441,819)</u>	<u>(241,965)</u>
Profit before taxation	3,259,171	1,955,055
Income tax expense	<u>(2,145,900)</u>	<u>(1,272,374)</u>
Profit for the period	1,113,271	682,681
Other comprehensive income		
<i>Items that would not be reclassified to profit or loss</i>		
Currency translation differences	<u>(9,114)</u>	<u>(31,738)</u>
Total comprehensive income for the period	<u>1,104,157</u>	<u>650,943</u>
Profit attributable to:		
Equity holders of the parent	1,116,259	682,837
Non-controlling interests	<u>(2,988)</u>	<u>(156)</u>
	<u>1,113,271</u>	<u>682,681</u>
Total comprehensive income attributable to:		
Equity holders of the parent	1,107,145	651,029
Non-controlling interests	<u>(2,988)</u>	<u>(86)</u>
	<u>1,104,157</u>	<u>650,943</u>

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

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2022

(Presented in thousands of Trinidad and Tobago dollars)

	2022 \$	2021 \$
Operating activities		
Profit before tax	3,259,171	1,955,055
Adjustments to reconcile profit to net cash from operating activities:		
Depreciation, depletion and amortization	423,446	493,789
Impairment on oil and gas properties	68,436	58,769
(Gain)/loss on disposal	(412,343)	349
Change in decommissioning provision	93,443	(19,752)
Finance cost - unwinding of decommissioning provision	192,614	240,287
Finance cost - leases	2,081	540
Finance income	(202)	(415)
Dividend income	(60)	-
Interest expense on borrowings	78,641	-
Working capital changes		
Supplemental petroleum tax	1,472,732	293,626
Decrease/(increase) in trade and other receivables	7,418	(199,389)
Increase in inventory	(11,305)	(7,152)
Increase in cash in escrow	(23,841)	(23,348)
Increase in due from related parties	(192,250)	(127,644)
Increase in due to related parties	226,595	379,893
Increase in trade and other payables	<u>236,049</u>	<u>142,486</u>
Cash flows generated from operating activities	5,420,625	3,187,094
Taxes paid	<u>(3,414,513)</u>	<u>(293,626)</u>
Net cash generated from operating activities	<u>2,006,112</u>	<u>2,893,468</u>
Net cash used in investing activities	<u>(302,041)</u>	<u>(186,434)</u>
Net cash used in financing activities	<u>(1,728,350)</u>	<u>(1,736,122)</u>
Currency translation differences relating to cash and cash equivalents	(4,855)	(657)
Net (decrease)/increase in cash and cash equivalents	(24,279)	970,912
Cash and cash equivalent at the beginning of the period	<u>2,070,986</u>	<u>1,100,731</u>
Cash and cash equivalents, at end of period	<u>2,041,852</u>	<u>2,070,986</u>

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



Summary Consolidated Financial Statements for the period ended 30 September 2022 (continued)

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2022

(Presented in thousands of Trinidad and Tobago dollars)

	Stated Capital	Retained Earnings	Consolidation Reserve	Currency Translation Differences	Non-Controlling Interests	Total
	\$	\$	\$	\$	\$	\$
Year ended 30 September 2022						
Balance at 1 October 2021	-	3,110,904	(237,366)	(148,479)	(60,456)	2,664,603
Profit for the year	-	1,116,259	-	-	(2,988)	1,113,271
Other comprehensive loss for the year	-	-	-	(9,114)	-	(9,114)
Total comprehensive income/(loss) for the year	-	1,116,259	-	(9,114)	(2,988)	1,104,157
Dividend proposed	-	(600,000)	-	-	-	(600,000)
Balance as at 30 September 2022	-	3,627,163	(237,366)	(157,593)	(63,444)	3,168,760
Year ended 30 September 2021						
Balance at 1 October 2020	-	2,428,067	(237,366)	(116,671)	(60,370)	2,013,660
Profit for the year	-	682,837	-	-	(156)	682,681
Other comprehensive income/(loss) for the year	-	-	-	(31,808)	70	(31,738)
Total comprehensive income for the year	-	682,837	-	(31,808)	(86)	650,943
Balance as at 30 September 2021	-	3,110,904	(237,366)	(148,479)	(60,456)	2,664,603

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

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2022

(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.

The Group's subsidiary as at 30th September 2022 consists of Trinidad and Tobago Marine Petroleum Company Limited (Trintomar).

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 summary consolidated statement of financial position, summary consolidated statement of comprehensive income, summary consolidated changes in equity and summary consolidated statement of cash flows for the year ended 30 September 2022 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 2022 and do not include the accounting policies notes that are contained in the audited consolidated financial statements.

Going concern

Subsequent to 30 September 2022, a non-compliance event with a negative covenant in the Credit Agreement triggered an Event of Default ("EOD") under this Agreement for the reporting period ended 31 December 2022. This EOD relates to the non-compliance with certain financial ratios. In addition, the Borrower 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.

It should be noted that the EOD under the Credit Agreement were not debt service or payment related defaults, as the Group continues to make all interest and principal payments under the terms of the Credit Agreement.

The Directors and management have addressed such defaults by applying to the Lenders for waivers and certain permanent amendments to the Credit Agreement which were all granted on 24 March 2023. These summary consolidated financial statements have therefore been prepared on the going concern basis.

In addition, the Directors have obtained a letter of financial support from its ultimate shareholder, that is the Government of the Republic of Trinidad and Tobago which can be called upon if needed to meet its legal and financial obligations as they fall due.



Heritage

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AND ITS SUBSIDIARIES



Summary Consolidated Financial Statements for the period ended 30 September 2022 (continued)

3. Statement of compliance

These summary consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The consolidated financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

4. Functional and presentation currency

Items included in the summary 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 summary 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 and its employees.

5. Use of estimates and judgements

The preparation of the summary consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements, estimates and assumptions are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

6. Summary of Significant accounting Policies

The principal accounting policies applied in the preparation of these summary consolidated financial statements are consistent with those disclosed in the audited consolidated financial statements as at and for the year ended 30 September 2022.

7. Subsequent events

- The letter of credit established to meet Heritage's 15% share of its abandonment liability with respect to its TSP Joint Interest was increased to US\$23,203 equivalent (TT\$156,540) effective 31 December 2022.
- The Guarantor Paria, failed to comply with certain covenants to maintain certain required financial ratios for the fiscal quarter ended 31 December 2022, which triggered an Event of Default under the Credit Agreement.
- In December 2022, the amount of TT\$600,000 in relation to proposed dividends were settled between Heritage and its parent company TPHL by setting off the declared dividends against the intercompany receivable.
- Subsequent to year end, crude prices have averaged US\$73/barrel up to March 2023 compared to US\$94/barrel for the 12 months ended 30 September 2022.
- In 2023, the subsidiary Trintomar received letters of forgiveness from NGC and Petrotrin for its shareholders' loan for the full value of the loan.