

21 July 2021

NZX Announcement

Operational Update for May/June 2021

HIGHLIGHTS

- Excellent personal health and safety performance continued with no recordable injuries.
- RAP volumes were similar to March/April, with a slight recovery in jet volumes since the Australia/New Zealand travel bubble was opened in mid-April.
- Processing Fee revenue was NZ\$23.5 million, including Fee Floor payments of NZ\$2.9 million.
- June's net debt closed at NZ\$230.2 million, reflecting the simplified refinery's cash neutral operations at the Fee Floor.
- A Special Meeting of Refining NZ shareholders will be held on 6 August 2021 for shareholders to consider and vote on the Import Terminal Proposal.

COMMENTARY

Refining NZ's excellent personal health and safety performance continued with no recordable injuries. The Company reported an environmental non-compliance that occurred on nine occasions and acted promptly to prevent further reoccurrence.

RAP throughputs at 2.5 Mbbls were higher than the same period last year and c.75% compared to the same period in 2019, due to the lower jet fuel demand at Auckland International Airport. Jet fuel volumes still remain low at c.40% of pre-COVID levels since the Australia/New Zealand travel bubble was opened in mid-April. Combined petrol and diesel RAP throughput for May/June was similar to the comparable period in 2019.

The May/June GRM was US\$4.07/bbl, generating processing fee revenue of NZ\$20.6 million, prior to Fee Floor top ups of NZ\$2.9 million. Singapore Dubai complex margins for the May/June period averaged negative US\$2.62/bbl impacted by on-going COVID-19 demand destruction. Refining NZ's GRM uplift over the Singapore margin was US\$6.69/bbl driven primarily by lower prices for crudes processed relative to Dubai crude and the low fuel-oil make.

June's net debt closed at NZ\$230.2 million¹ reflecting cash neutral operations at the Fee Floor. The Company remains on track to deliver cash neutral operations across the full year.

¹ Cash neutral excludes Strategic Review restructuring and implementation costs.

A Special Meeting of Refining NZ shareholders will be held on 6 August 2021 for shareholders to consider and vote on the Import Terminal Proposal, following Refining NZ reaching in principle agreement with bp and Z Energy earlier this year on key commercial terms, including price. Negotiations with Mobil are ongoing on the basis of those terms. A copy of the Notice of Special Meeting, Explanatory Booklet and Independent Appraisal Report in connection with the Import Terminal Proposal are available on the Company's website www.refiningnz.com.

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OPERATIONAL DATA

Appendix I 2021		May/Jun 2021	May/Jun 2020	FY 2021	FY 2020
Health, Safety & Environment					
LTI	#	0	0	0	0
LTIF	#/200,000hrs	-	-	-	-
TRC	#	0	0	0	0
TRCF	#/200,000hrs	-	-	-	-
Tier I Process Safety Events	#	0	0	2	0
Tier II Process Safety Events	#	0	0	0	0
Releases outside of consent	#	9	1	9	5
Refining					
Brent Crude Oil Price	US\$/bbl	70.9	34.5	64.9	41.7
Exchange Rate	US\$/NZ\$	0.72	0.63	0.72	0.65
Operational availability	%	99.8	99.0	92.3	98.2
Unplanned process downtime	%	0.0	34.0	0.0	23.2
Refining throughput	Mbbl	5.17	3.87	13.05	29.88
Gross Refining Margin	US\$/bbl	4.07	4.59	3.19	1.63
Gross Refining Margin (including Fee Floor/Margin Cap)	US\$M	24.0	20.9	71.3	131.6
Processing Fee (including Fee Floor/Margin Cap)	US\$M	16.8	14.6	49.9	92.1
Processing fee (including Fee Floor/Margin Cap)	NZ\$M	23.5	23.3	69.6	141.6
Distribution					
RAP throughput	Mbbl	2.5	2.0	7.1	14.7

Notes:

- 1) The information provided in this announcement excludes Revenue from other activities.
- 2) The Processing Fee results reported in this announcement are subject to change due to post announcement price updates and independent audit.
- 3) A five-year history of Throughput, Margins and Processing Fees is attached below.
- 4) Refer to the explanatory notes/glossary for a definition of terms.

HISTORICAL INFORMATION - REFINING

Appendix II 2021		2017	2018	2019	2020	2021
Jan/Feb	Barrels 000's	7,160	7,011	6,963	6,909	4,429
	RNZ USD GRM per barrel ¹⁾	6.58	7.54	4.88	1.04	3.48
	Singapore Dubai Complex GRM	3.42	3.37	-0.32	-1.58	-1.56
	Uplift vs. Singapore Dubai Complex ³⁾	3.16	4.17	5.20	2.62	5.04
	NZD Processing Fee (million) ²⁾	45.9	50.8	34.9	23.0	22.6
Mar/Apr	Barrels 000's	5,140	6,958	7,312	4,656	3,451
	RNZ USD GRM per barrel ¹⁾	9.35	6.82	6.63	0.67	1.50
	Singapore Dubai Complex GRM	3.02	3.75	0.75	0.19	-1.99
	Uplift vs. Singapore Dubai Complex ³⁾	6.33	3.07	5.88	0.48	3.50
	NZD Processing Fee (million) ²⁾	48.1	45.8	50.1	23.7	23.5
May/Jun	Barrels 000's	7,755	3,910	6,945	3,867	5,171
	RNZ USD GRM per barrel ¹⁾	7.63	0.18	4.36	4.59	4.07
	Singapore Dubai Complex GRM	2.90	2.02	0.17	-3.78	-2.62
	Uplift vs. Singapore Dubai Complex ³⁾	4.73	-1.84	4.19	8.37	6.68
	NZD Processing Fee (million) ²⁾	58.4	0.7	32.2	23.3	23.5
Jul/Aug	Barrels 000's	7,511	7,615	7,419	1,766	
	RNZ USD GRM per barrel ¹⁾	8.87	6.86	7.10	-4.18	
	Singapore Dubai Complex GRM	4.70	2.57	3.23	-2.46	
	Uplift vs. Singapore Dubai Complex ³⁾	4.17	4.29	3.87	-1.73	
	NZD Processing Fee (million) ²⁾	63.6	54.3	56.2	23.7	
Sept/Oct	Barrels 000's	6,816	7,639	7,245	6,219	
	RNZ USD GRM per barrel ¹⁾	9.31	7.09	6.16	1.15	
	Singapore Dubai Complex GRM	4.73	2.47	3.55	-1.64	
	Uplift vs. Singapore Dubai Complex ³⁾	4.58	4.62	2.61	2.79	
	NZD Processing Fee (million) ²⁾	62.2	57.8	49.3	23.3	
Nov/Dec	Barrels 000's	7,342	7,307	6,803	6,459	
	RNZ USD GRM per barrel ¹⁾	6.83	6.53	2.62	3.24	
	Singapore Dubai Complex GRM	3.67	1.80	-1.55	-1.54	
	Uplift vs. Singapore Dubai Complex ³⁾	3.16	4.73	4.16	4.78	
	NZD Processing Fee (million) ²⁾	50.7	49.2	19.2	24.6	
Total	Barrels 000's	41,724	40,440	42,687	29,876	13,052
	USD GRM per barrel ¹⁾	8.02	6.31	5.34	1.63	3.19
	NZD Processing Fee (million) ²⁾	328.9	258.7	242.0	141.6	69.6

1) Excludes Fee Floor/Cap adjustment

2) Includes Fee Floor/Cap adjustment

3) RNZ uplift vs. Singapore Dubai Complex GRM is in USD per barrel

EXPLANATORY NOTES/GLOSSARY

Gross Refining Margin (excluding Fee Floor/Margin Cap)

The Gross Refining Margin is calculated in USD as the difference between the value of products and the cost of feedstock for each refining customer. The value of products use Singapore quoted prices adjusted for New Zealand quality and the cost of importing those products to New Zealand.

Feedstocks are valued using the notional market values adjusted for the cost of getting the feedstock to the refinery. The Gross Refining Margin incorporates the cost of hydrocarbon used as fuel and incurred as process losses.

Typically, Refining NZ has an uplift over the Singapore complex margins of around USD 3.00 to 4.00 per barrel. The value of the uplift varies due to fluctuations in freight rates, product quality premium, crude market premium and operational performance. Product quality premium are the cost differentials between products made to New Zealand quality and products made to the quality that applies to quoted prices in Singapore. Crude market premium are the cost differences between the crude types actually processed at Refining NZ and Dubai (used as basis for the Singapore complex margins). Refining NZ's crude diet comprises of crudes that price off Dubai as well as crudes that price off different markers such as Brent. The fluctuations of these price markers relative to each other impact the uplift.

Margin Cap/Fee Floor Adjustment

The processing agreements with our customers contain both Floor and Margin Cap clauses, both effective over a full calendar year.

The Fee Floor is the minimum Processing Fee due, for a calendar year, up to a current maximum of NZD140.5 million. If the year-to-date Processing Fee is below the pro-rata Fee Floor, then an interim pro-rata Fee Floor payment is made by the Customers. Should the Processing Fee exceed the Fee Floor in future months any pro-rata Fee Floor payments that have been made are repaid to the Customers.

The Margin Cap limits the Gross Refining Margin for each customer to a maximum of USD9.00 per barrel over the calendar year. Should the Gross Refining Margin fall below the Cap in future months any pro-rata Cap reductions that have been made are repaid by the Customers.

The Cap and the Floor are subject to year-to-date adjustments.

Any balance remaining at the end of the year cannot be carried over to the next year.

Processing Fee (after Fee Floor/Margin Cap)

The Processing Fee is 70% of the Gross Refining Margin after any adjustment for the Margin Cap or Fee Floor. The Processing Fee is paid by our customers in NZD.

RAP throughput

RAP throughput is the volume of refined products, comprising gasoline, jet fuel, and diesel that are delivered via the Refinery to Auckland Pipeline (RAP) to the Wiri oil terminal.

Refining throughput

Refining throughput is the volume of feedstock intake, comprising crude oil, residues, natural gas and blendstock, measured in barrels. One barrel equates to approximately 159 litres.

Turnaround

A scheduled outage of one or more process units, planned well in advance and typically occurring in cycles of 2 years or more, for the purpose of significant mechanical inspection and repair

EXPLANATORY NOTES/GLOSSARY (continued)

LTI (Lost time injuries) and LTIF (Lost time injury frequency)

Lost time injuries refer to fatalities, permanent disabilities or time lost from work.

Lost time injury frequency refers to the number of lost time injuries over a rolling 12-month period, per 200,000 hours worked.

TRC (Total recordable cases) and TRCF (Total recordable case frequency)

Total recordable cases refer to lost time injuries, medical treatment, and restricted work cases.

Total recordable case frequency refers to the number of recordable injuries over a rolling 12-month period, per 200,000 hours worked.

Tier 1 Process Safety Event (API 754)

A tier 1 Process Safety Event (PSE) is an unplanned or uncontrolled release of any material, including non-toxic and non-flammable, from a process which results in one or more of the following: A LTI and/or fatality; a fire or explosion resulting in greater than or equal to \$100,000 of direct cost to the company; a release of material greater than the threshold quantities given in Table 1 of API 754 in any one-hour period; an officially declared community evacuation or community shelter-in-place.

Tier 2 Process Safety Event (API 754)

A tier 2 Process Safety Event (PSE) is an unplanned or uncontrolled release of any material, including non-toxic and non-flammable, from a process which results in one or more of the following: A recordable injury; a fire or explosion resulting in greater than or equal to \$2,500 of direct cost to the company; a release of material greater than the threshold quantities given in Table 2 of API 754 in any one-hour period.

Operational availability

Operational availability is the percent of time available for manufacturing after subtracting maintenance and regulatory/process downtimes.

Unplanned process downtime

A unit downtime is “planned” if the refinery is aware of and has scheduled that unit outage in the previous year. Unplanned process downtime is the weighted average of unplanned downtime across all process units.