21 September 2021

NZX Announcement

Operational Update for July/August 2021

HIGHLIGHTS

- Excellent personal health and safety performance continued with no recordable injuries.
- RAP volumes were lower than May/June, due to the Level 4 lockdown in August and the closure of the Australia/New Zealand travel bubble.
- Processing Fee revenue was NZ$23.9 million, including Fee Floor payments of NZ$7.1 million.
- August's net debt closed at NZ$230 million, reflecting the simplified refinery's cash neutral operations at the Fee Floor.
- In-principle agreement reached with all three customers, with shareholder and lenders consent to the import terminal conversion secured.
- Refining NZ is working to finalise Terminal Services Agreements with customers in October which would enable a conversion to occur in the first half of 2022.

COMMENTARY

Refining NZ's excellent personal health and safety performance continued with no recordable injuries.

RAP throughputs at 2.4 Mbbls were higher than the same period last year but c.29% lower compared to the same period in 2019, due to the lower jet fuel demand at Auckland International Airport and lower petrol and diesel demand following the Level 4 lockdown which commenced on 17 August. Jet fuel volumes fell to c.36% of pre-COVID levels in July/August, down from c.40% in May/June, following the closure of the Australia/New Zealand bubble. Since the commencement of Level 4 lockdown, petrol and diesel RAP volumes have averaged c.30% and c.50% of pre-COVID levels, respectively.

The July/August GRM was US$2.96/bbl, generating processing fee revenue of NZ$16.7 million, prior to Fee Floor subsidy payments of NZ$7.1 million. Singapore Dubai complex margins for the July/August period averaged negative US$2.54/bbl, impacted by on-going COVID-19 demand destruction. Refining NZ's GRM uplift over the Singapore margin was US$5.49/bbl driven primarily by lower prices for crudes processed relative to Dubai crude and the low fuel-oil make.

August's net debt closed at NZ$230 million reflecting cash neutral operations at the Fee Floor. The Company remains on track to deliver cash neutral[1] operations across the full year.

Refining NZ has now reached in-principle agreement with Mobil, the third and final customer, on key commercial terms for a potential import terminal operation at Marsden Point. The Company has also secured shareholder and lender consents and is close to completing the detailed planning to be ready for a final investment decision by the Refining NZ Board. Finalisation of Terminal Services Agreements with

[1] Cash neutral excludes Strategic Review restructuring and implementation costs.

customers is now the key remaining step ahead of a final investment decision. Refining NZ is working to finalise agreements with customers in October, which would enable conversion to occur in the first half of 2022.

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OPERATIONAL DATA

Appendix I 2021		Jul/Aug 2021	Jul/Aug 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	#	0	2	9	5
Refining					
Brent Crude Oil Price	US$/bbl	72.9	44.1	66.9	41.7
Exchange Rate	US$/NZ$	0.70	0.66	0.71	0.65
Operational availability	%	100.0	99.6	94.2	98.2
Unplanned process downtime	%	0.0	81.2	0.0	23.2
Refining throughput	Mbbl	5.64	1.77	18.70	29.88
Gross Refining Margin	US$/bbl	2.96	-4.18	3.12	1.63
Gross Refining Margin (including Fee Floor/Margin Cap)	US$M	23.8	22.3	95.1	131.6
Processing Fee (including Fee Floor/Margin Cap)	US$M	16.7	15.6	66.6	92.1
Processing fee (including Fee Floor/Margin Cap)	NZ$M	23.9	23.7	93.5	141.6
Distribution					
RAP throughput	Mbbl	2.4	2.1	9.5	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	5,644
	RNZ USD GRM per barrel [1]	8.87	6.86	7.10	-4.18	2.96
	Singapore Dubai Complex GRM	4.70	2.57	3.23	-2.46	-2.54
	Uplift vs. Singapore Dubai Complex [3]	4.17	4.29	3.87	-1.73	5.49
	NZD Processing Fee (million) [2]	63.6	54.3	56.2	23.7	23.9
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**	**18,696**
	USD GRM per barrel [1]	**8.02**	**6.31**	**5.34**	**1.63**	**3.12**
	NZD Processing Fee (million) [2]	**328.9**	**258.7**	**242.0**	**141.6**	**93.5**

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.