NZX Release

24 January 2022

Operational Update for November - December 2021

HIGHLIGHTS

- Excellent personal and process safety performance continued with no recordable injuries or Tier 1 or 2 process safety events.
- RAP volumes were c.12% lower than the same period last year due to Auckland's lockdowns and border restrictions for most of the period.
- Processing Fee revenue was NZ$23.6 million including Fee Floor adjustments, NZ$27.2 million prior to adjustments.
- December's net debt closed at NZ$184 million, following the equity raise in December of c.$48.5m. The Company continues to operate cash neutral operations at the Fee Floor.
- Finalised long-term agreements with customers for the provision of import terminal services and satisfied lender conditions precedent for conversion funding and lender consents.
- Refinery run-down plans and upgrades to terminal facilities are underway in preparation for the conversion of the Marsden Point site from refinery to import terminal operations from April 2022.

COMMENTARY

Refining NZ's excellent personal and process safety performance continued with no recordable injuries or Tier 1 or 2 process safety events.

RAP throughput of 2.3 Mbbls was c.12% lower than the same period last year. This was primarily due to a reduction in petrol demand caused by the Auckland border only opening in mid-December 2021 compared to the COVID Level 1 restrictions that applied in November/December 2020. By year end, petrol volumes had recovered close to pre-COVID levels and diesel volumes were above pre-COVID levels. The international border closure continues to impact jet fuel demand significantly, with demand for the period at c.30% of pre-COVID levels.

The November/December GRM was US$4.99/bbl, generating processing fee revenue (before Fee Floor adjustments) of NZ$27.2 million, or NZ$23.6 million after Fee Floor adjustments to repay Fee Floor payments from earlier in the year. Singapore Dubai complex margins for the November/December period averaged US$0.56/bbl, impacted by the uncertainty around the Omicron COVID-19 variant. Refining NZ's GRM uplift over the Singapore margin was US$4.42/bbl, impacted by the export of jet fuel, petrol and fuel oil during the period to help manage stocks, following reduced New Zealand product demand.

The Company has delivered cash neutral operations across the full year, including Strategic Review restructuring and implementation costs, with December net debt closing at NZ$184 million (compared to $230 million as at 31 October 2021) following the equity raise of approximately $48.5m. The equity raising was successfully completed as a $39 million underwritten placement and a $9.5 million Share Purchase Plan, and will enable the Company to pursue complementary growth through private storage services.

In November, the Company finalised long-term agreements with its three existing customers (bp, Mobil, Z Energy) for the provision of import terminal services and the Board made the Final Investment Decision to proceed with the conversion and a name change to Channel Infrastructure NZ Limited (NZX:CHI) to align with the commencement of import terminal operations from April 2022. The Company has also satisfied the conditions precedent to lender consents and conversion funding. Refinery run-down plans and upgrades to terminal facilities are underway in preparation for the conversion of the Marsden Point site from refinery to import terminal operations.

As previously announced, this will be the final bi-monthly Operational Update. The Company will provide quarterly updates on the conversion project through 2022, with the first quarterly report in April 2022.

- ENDS-

Authorised by:
Chris Bougen
General Counsel and Company Secretary

Media Contact:
Laura Malcolm
Communications Advisor
communications@refiningnz.com
+64 (0)21 0236 3297

About Channel Infrastructure NZ

Channel Infrastructure's vision is to be New Zealand's leading independent fuel infrastructure company. It will utilise the deep-water harbour and jetty infrastructure of Marsden Point to import refined fuel, owned by its customers. Fuel will be stored at the Marsden Point site in existing tanks at what will be the largest fuel terminal in New Zealand, with 180 million litres of shared capacity, plus dedicated private storage and capacity to provide additional storage. Channel Infrastructure will continue to provide quality fuel testing services both at the Marsden Point site and around New Zealand~~,~~ through its subsidiary, Independent Petroleum Laboratory Limited.

Fuel from Marsden Point will be distributed on behalf of Channel Infrastructure's customers primarily to the Auckland and Northland markets, which make up around 40% of New Zealand's fuel demand, through the 170-kilometre Refinery to Auckland Pipeline (the RAP) and the truck loading facility (the TLF) located adjacent to the Marsden Point site.

Conversion to an import terminal will reduce the Company's direct CO_2 emissions by almost one million tonnes per annum, delivering around a third of the Governments' first Emissions Reduction Budget[1]. The RAP continues to provide the lowest carbon emissions option for delivering fuel to New Zealand's largest market – Auckland.

Refining NZ has been the country's only oil refinery since it was established in 1961. In response to a significant decline in refining margins because of excess refining capacity in the Asian region, Refining NZ initiated a strategic review of the business in April 2020, to determine the optimal future business model and capital structure for the Company's future. This review included extensive engagement with a range of stakeholders including customers and Government regarding potential options for ongoing refinery operations and the potential conversion to import terminal operations.

For more information on Channel Infrastructure, please visit: https://www.refiningnz.com/what-is-channel-infrastructure/

[1] Reference: Transitioning to a low-emissions and climate-resilient future: emissions reduction plan discussion document (https://environment.govt.nz/publications/emissions-reduction-plan-discussion-document/). The Company's emissions are expected to reduce by c. 3.5MT over the 2022 -2025 budget period.

OPERATIONAL DATA

Appendix I 2021		**Nov/Dec 2021**	Nov/Dec 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	#	1	2	10	5
Refining					
Brent Crude Oil Price	US$/bbl	77.8	46.3	70.7	41.7
Exchange Rate	US$/NZ$	0.69	0.70	0.71	0.65
Operational availability	%	98.7	99.6	95.7	98.2
Unplanned process downtime	%	1.5	1.7	0.3	23.2
Refining throughput	Mbbl	5.38	6.46	29.21	29.88
Gross Refining Margin	US$/bbl	4.99	3.24	3.73	1.63
Gross Refining Margin (including Fee Floor/Margin Cap)	US$M	23.3	24.5	142.1	131.6
Processing Fee (including Fee Floor/Margin Cap)	US$M	16.3	17.2	99.5	92.1
Processing fee (including Fee Floor/Margin Cap)	NZ$M	23.6	24.6	140.6	141.6
Distribution					
RAP throughput	Mbbl	2.3	2.6	13.4	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	5,136
	RNZ USD GRM per barrel 1)	9.31	7.09	6.16	1.15	4.62
	Singapore Dubai Complex GRM	4.73	2.47	3.55	-1.64	0.70
	Uplift vs. Singapore Dubai Complex 3)	4.58	4.62	2.61	2.79	3.92
	NZD Processing Fee (million) 2)	62.2	57.8	49.3	23.3	23.5
Nov/Dec	Barrels 000's	7,342	7,307	6,803	6,459	5,382
	RNZ USD GRM per barrel 1)	6.83	6.53	2.62	3.24	4.99
	Singapore Dubai Complex GRM	3.67	1.80	-1.55	-1.54	0.56
	Uplift vs. Singapore Dubai Complex 3)	3.16	4.73	4.16	4.78	4.42
	NZD Processing Fee (million) 2)	50.7	49.2	19.2	24.6	23.6
Total	**Barrels 000's**	**41,724**	**40,440**	**42,687**	**29,876**	**29,214**
	USD GRM per barrel 1)	**8.02**	**6.31**	**5.34**	**1.63**	**3.73**
	NZD Processing Fee (million) 2)	**328.9**	**258.7**	**242.0**	**141.6**	**140.6**

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.