REFINING NZ

Marsden Point Terminal Proposal

Investor Presentation

July 2021


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Introduction

Refining NZ proposes to convert the Marsden Point site to a fuel import terminal, changing its name to Channel Infrastructure

Presenting today

Simon Allen
Chairman

- Joined the Board in 2014
- Over 30 years experience in capital markets
- Significant Directorship experience including Insurance Australia Group Limited, NZX Limited and Crown Infrastructure Partners Limited.

Naomi James
CEO

- Joined in April 2020
- 13 years previous executive experience in oil & gas, steel and iron ore industries
- Most recently Executive Vice President of Midstream Infrastructure at Santos

Denise Jensen
CFO

- Joined Refining NZ in 2005 and was appointed CFO in 2009
- 30 years experience in professional services and executive leadership roles

Agenda

- Strategic Review
- Terminal Proposal
- Investment Highlights
- Comparison to Simplified Refinery
- Shareholder approval
- Questions

Optimal business model to maximise “through the cycle” returns to shareholders

Strategic review context

- Significant decline in GRM, exacerbated by COVID-19
- Refinery returns consistently below cost of capital
- Highly consultative process, including customers, Government and other stakeholders

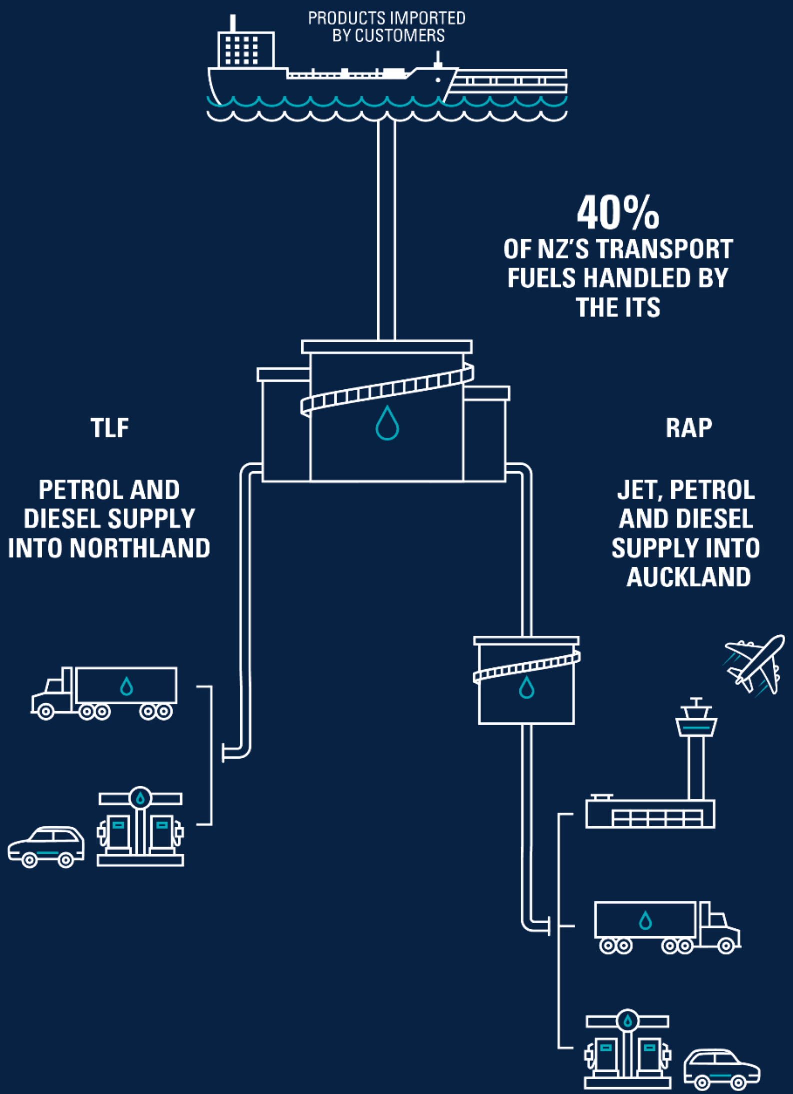
Case for change

- Structural oversupply in refining capacity
- Refinery is globally subscale with increasing energy costs impacting competitiveness
- Decarbonisation of the New Zealand economy
- Customer preference for import supply chain

Strategic review outcome

- Simplify refining operations to maintain cash neutral operations at the Fee Floor in 2021
- Proposed conversion to import terminal operations in 2022, with substantial progress made with customers on commercial framework

Marsden Point Terminal Proposal



Note: The TLF and Wiri Terminal end-delivery points do not form part of the Import Terminal System (ITS) assets owned by Refining NZ.

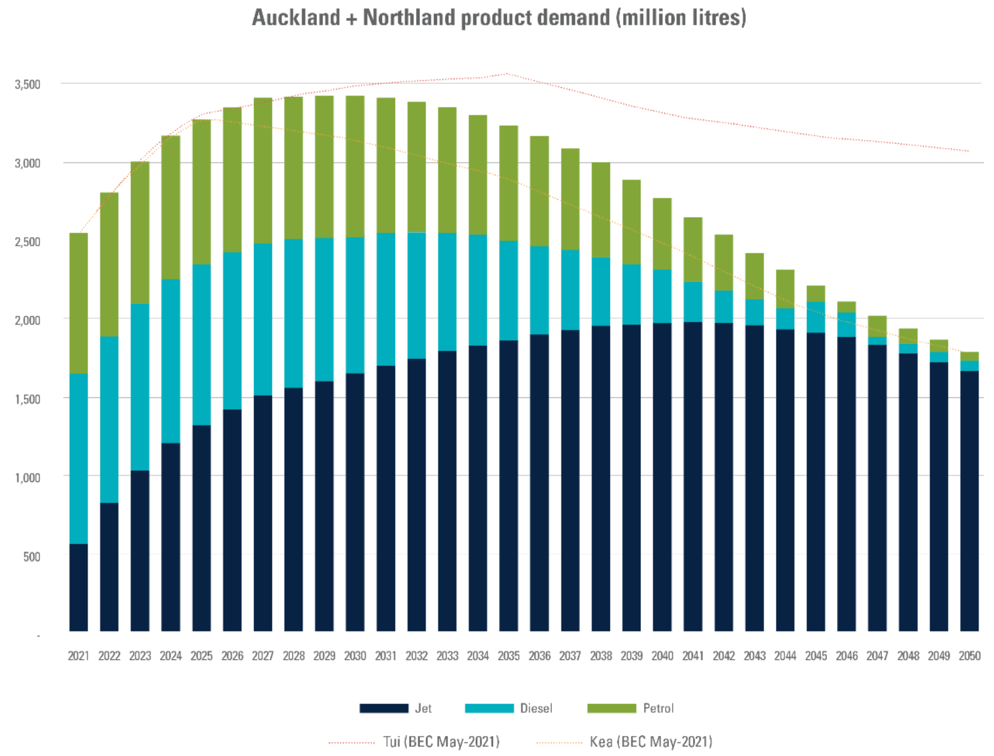
- 177 hectares of land
- 35 year resource consent
- Deep harbour and jetty access
- Large electricity and gas connections
- Proximity to NZ's largest population base

Critical infrastructure delivering more stable earnings through long term customer agreements

- ✓ Ownership of critical and highly efficient infrastructure
- ✓ Long term customer contracts
- ✓ Projected stable earnings, cash flow and dividends
- ✓ Supporting decarbonisation of New Zealand’s economy
- ✓ Focussed growth strategy

Ownership of critical and highly efficient infrastructure

- Primarily supplying Auckland and Northland fuel requirements, which make up 40% of New Zealand fuel demand
  - On current forecasts, the RAP will meet Auckland's future fuel demand
- RAP supplies all of the jet fuel distributed to Auckland International Airport (AIA)
  - Jet fuel is expected to recover to 'pre-COVID-19' levels and then continue to grow with links to GDP and wealth metrics
  - Tourism expected to underpin long-term asset utilisation
- New Zealand's largest transport fuels storage capacity
  - 180 million litre capacity
  - Potential for up to 100 million litres of additional private storage

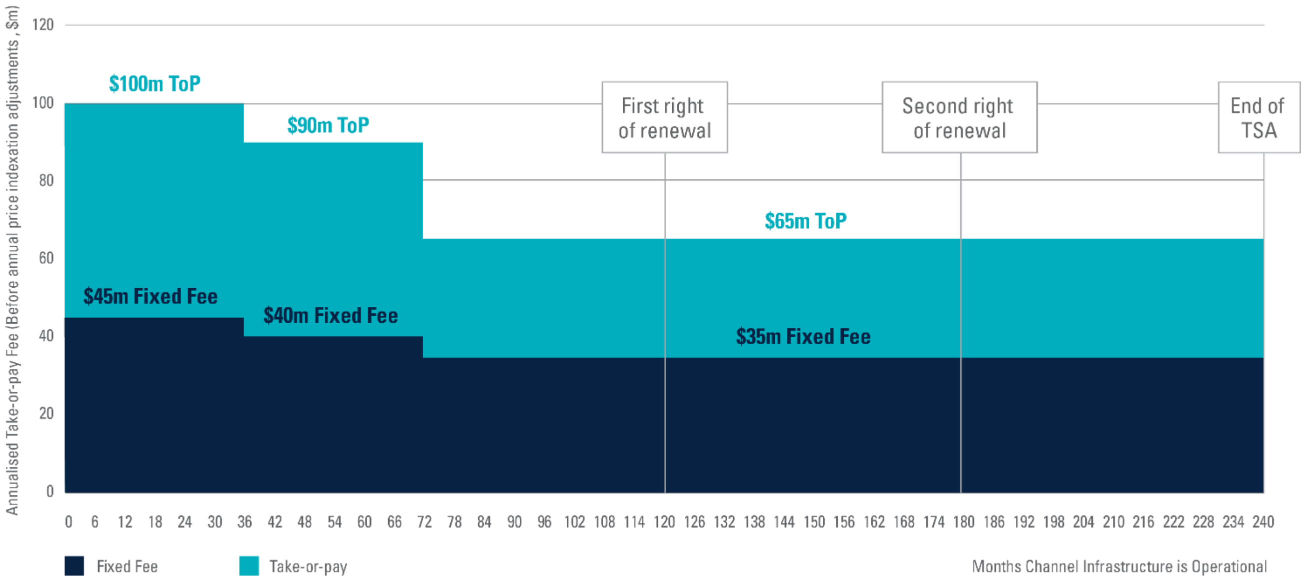


Based on Hale & Twomey's forecast, issued in January 2021, which reflects a faster transition away from fossil fuels than previously expected, now factoring in New Zealand's commitment to zero net greenhouse gas emissions by 2050. The Hale & Twomey forecast reflects a change in consumer sentiment and actions attributable to COVID-19. Further growth and sustained demand for jet fuel is expected to underpin long-term ITS utilisation, in contrast to a long-term decline, initially in petrol and then diesel. The Hale & Twomey forecasts are for fossil fuels only and make no assumptions on biofuel substitution. The Business New Zealand Energy Council (BEC) Tui and Kea scenario implied year on year growth rates have been applied to anticipated Auckland+Northland petrol and diesel volumes from 2023 (Hale & Twomey) and to jet from 2026 (to accommodate Covid-19 jet demand recovery)

Long term customer contracts

- 10-year initial term with 2 x 5-year options to renew (at customer option)
- Combination of fixed and throughput-based fees for shared terminal capacity:
    - Incentivises customer utilisation of infrastructure
    - Fixed fees expected to largely cover cash costs
    - PPI-based inflation of all fees
- Minimum take-or-pay commitments, supporting debt funding of initial conversion costs and allowing for recovery in jet fuel demand
- Additional revenue opportunities through private storage
- Potential for third party access to unutilised RAP capacity after first 3 years of initial term

Annualised Fixed Fee and ToP Fee over initial contract term



Projected stable earnings, cash flow and dividends

Commentary

- **Revenue** from shared terminal capacity, IPL laboratory testing services, Wiri terminal lease (until 2025) and any Private Storage services (to be priced on a value accretive basis)
- **Group operating expenses** expected to be in the order of $35 million p.a. (including IPL)
- **Strong conversion of EBITDA into free cash flow:**
    - Stabilised capital expenditure expected to be in the order of $5-10 million p.a.; and
    - Material tax losses expected from conversion to offset future income tax liabilities; estimated at $400-$450 million[1] (subject to Income Tax legislation)
- **Dividends are expected to recommence 1-2 years after conversion:**
    - Initial conversion costs of $200 to $220 million spread over 5-6 years[2]
    - Initial period of deleveraging to reduce leverage below 4.5x Net Debt/EBITDA
    - Dividend pay-out ratio of 60-70% of Free Cash Flow[4]

Example EBITDA calculations

- Assuming revenue of:
    - $95 million – expected average fees for shared terminal capacity over initial 10-year term
    - $10 million – other revenue
- Private storage and other revenue opportunities would be incremental

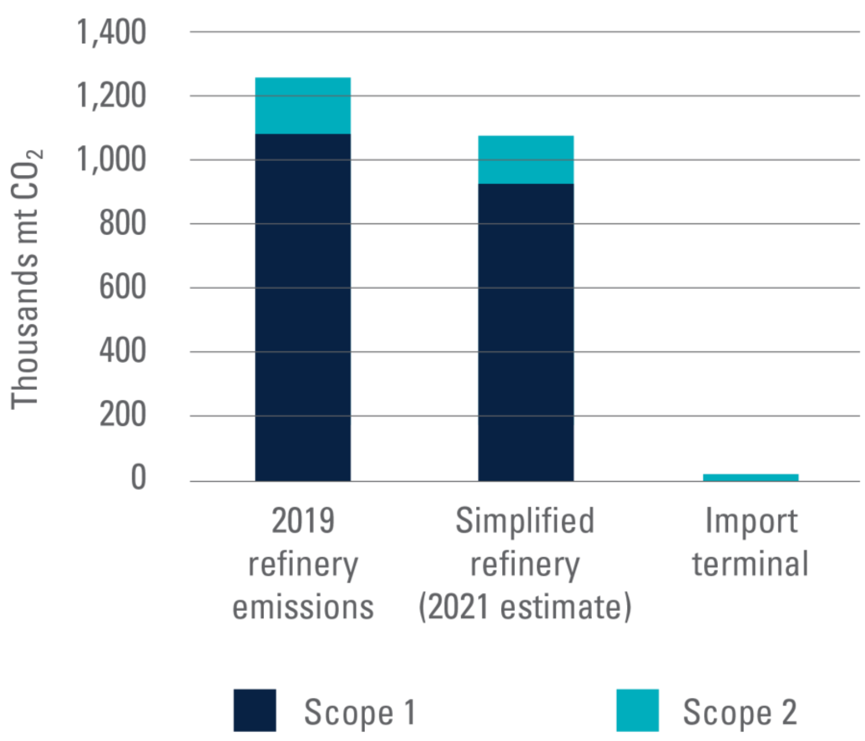
EBITDA (GROUP) (IN REAL TERMS)	$MILLION
Shared terminal revenue	**95**
Other revenue	
- Laboratory testing services	**4**
- Wiri lease[3]	**6**
Operating expenses	**(35)**
EBITDA	**70**

[1] On 31 December 2020 the Company had tax losses amounted to c.$55 million, with an expectation that a similar quantum could be generated prior to the commencement of import terminal services. The write-off of refinery assets on or after the Services Effective Date is expected to generated tax losses of $300-$350 million.
[2] In addition, demolition costs of $50 to $60 million are expected to be incurred, with timing yet to be determined (having regard to site repurposing and not expected to be required within 10 years of terminal commencement).
[3] Wiri Terminal lease expires 2025 with assets reverting to customer ownership
[4] Free Cash Flow means adjusted net cash from operations less maintenance capital

Supporting decarbonisation of New Zealand's economy

- Significant contribution to New Zealand's decarbonisation:
    - circa 98% reduction in Scope 1 and 2 CO2 emissions[5] of over 1 million tonnes per annum
    - Approximately 85% reduction in required electricity supply and no natural gas requirements
- Participate in decarbonisation of transport fuels and energy through repurposing of the Marsden Point site with options including the import, storage or production of biofuels, including sustainable aviation fuel
- Potential to develop shovel ready Maranga Ra solar project

Scope 1 and 2 emissions



[5] Compared to current CO2 emissions.

Focussed growth strategy – Marsden Point as an energy hub

Flexibly developing Marsden Point as an energy hub for the north of New Zealand

- Strategic fuel storage[6]
- Growth in electricity
- Other imports
- Transition to future fuels – biofuels, SAF and hydrogen imports, production, storage

Leveraging independent operator capabilities across a broader asset base

- Specialist infrastructure owner and operator
- Reduced cost of capital
- Operational synergies

[6] In light of Refining NZ's potential conversion from a refinery to a fuel import terminal, MBIE commissioned Hale & Twomey to prepare advice on how this potential change might impact fuel security risks and the options for mitigating these risks. These reports are available at www.mbie.govt.nz/building-and-energy/energy-and-natural-resources/energy-generation-and-markets/liquid-fuel-market/oil-security-in-new-zealand/

Fundamental change in business risk profile and an expected near-term return to dividends

CHANNEL INFRASTRUCTURE WOULD PROVIDE:

✓ **Significantly lower earnings volatility**	• Relatively stable earnings with a fixed fee component, take-or-pay protection and lower operating expenses • Removes significant exposure to refining margins and US$ exchange rate
✓ **Sustainable earnings and return to dividends**	• Future earnings will primarily be a function of changes in fuel demand and any value-added services. The proposed fixed and variable fee structure incentivises utilisation. • Ability of the refinery to generate cash and pay dividends is dependent on a recovery in GRM and the level of refinery utilisation by Customers
✓ **Lower operational risk and capital intensity**	• Lower operational risk with less complex and hazardous operations • Significantly reduced on-going maintenance capex requirements
✓ **Reduced energy cost and carbon exposure**	• Lower direct carbon emissions and opportunities to participate in decarbonisation of transport fuels • Significantly reduced exposure to high costs of electricity and gas in New Zealand

Now is the right time to make this change

In the opinion of Independent Adviser, Grant Samuel:

- “Maintaining the Simplified Refinery until 2035 would be a sub-optimal outcome for Refining NZ and its shareholders”
- “The transition to an Import Terminal is fair to the Non-Customer Shareholders of Refining NZ”

The Independent Directors unanimously recommend that shareholders vote ‘yes’:

Resolution 1: Change in nature of business and major transaction

- A special resolution that requires the approval of **75%** of the votes cast
- All shareholders are entitled to vote

Resolution 2: Provision of import terminal services

- An ordinary resolution that requires the approval of 50% of the votes cast
- All shareholders are entitled to vote, except each of the Customers and their associated persons

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- Proxy forms must be received by the Share Registrar or online votes cast by **11.00am on Wednesday 4 August 2021**
- Shareholders can also attend the meeting at **11.00am on Friday 6 August 2021** at Eden Park, Reimers Avenue, Auckland or attend virtually and vote on the day

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If shareholders vote yes to the proposal, subject to negotiation of binding agreements with customers and other conditions, it is expected that the Marsden Point site could be converted and operating as an import terminal by mid-2022

Questions

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