

REFINING NZ
Your Energy Hive

OFFER OF SUBORDINATED NOTES

INVESTOR PRESENTATION
NOVEMBER 2018

Arranger and Joint Lead Manager:

FNZC

Joint Lead Managers:



FORSYTH BARR

DISCLAIMER

This presentation has been prepared by The New Zealand Refining Company Limited ("Refining NZ") in relation to the offer ("Offer") of unsecured, subordinated debt securities issued by Refining NZ ("Subordinated Notes"). The Offer will be made under the simplified disclosure Product Disclosure Statement dated 20 November 2018 ("PDS") in accordance with the Financial Markets Conduct Act 2013 ("FMCA").

Information

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Investments in the Subordinated Notes are an investment in Refining NZ and may be affected by the on-going performance, financial position, solvency of Refining NZ, together with the risks identified in the PDS.

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Not an offer

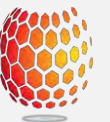
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PRESENTING TODAY



SIMON ALLEN
CHAIRMAN

Over 30 years commercial experience in the New Zealand and Australian Capital Markets.

Chair of Crown Fibre Holdings Limited, and a Director of IAG New Zealand and a Trustee of the Antarctic Heritage Trust.



MIKE FUGE
CHIEF EXECUTIVE

CEO (appointment effective 27 August 2018).

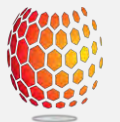
Previously held leadership roles with Royal Dutch Shell, Genesis Energy and Pacific Hydro.



DENISE JENSEN
CFO, COMPANY SECRETARY

Joined Refining NZ in 2005.

Chartered Accountant and a Member of the Northland DHB.



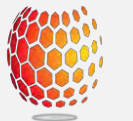
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An aerial photograph of an industrial facility, likely a refinery or chemical plant, situated along a coastline. The facility features numerous large, cylindrical storage tanks and various industrial structures. The surrounding area includes a beach, a road, and a body of water. In the background, there are green hills and a clear blue sky. A large, semi-transparent orange hexagon is overlaid on the center of the image, containing the text "OVERVIEW OF THE OFFER".

**OVERVIEW
OF THE OFFER**

OVERVIEW OF THE OFFER

Issuer	The New Zealand Refining Company Limited (“Refining NZ”)
Subordinated Notes	Unsecured, subordinated notes (“Subordinated Notes”)
Issue Size	Up to \$75,000,000
Purpose of the Offer	Net proceeds of the Offer will be used to repay a portion of Refining NZ’s existing bank debt. This will provide Refining NZ with diversification of funding sources and greater financial flexibility
Term	Approximately 15 years (1 March 2034), with Election Dates five years (1 March 2024) and 10 years (1 March 2029), after the First Interest Payment Date. Able to be called annually starting from 1 March 2024.
Interest	Fixed at the Initial Interest Rate until the first Election Date Subsequent Interest Rates to be set via Election Process First short interest payment to the initial subscriber
Interest deferral	Refining NZ has the ability to defer interest at its discretion, and is likely to defer in certain circumstances as set out in the key terms of this offer (discussed later in this presentation)
Dividend stopper	Refining NZ will not be able to pay any dividend or make any other payments on or with respect to Shares, other securities or indebtedness ranking equally with or subordinate to the Subordinated Notes until all unpaid Deferred Interest is paid, without obtaining an Extraordinary Resolution of the Subordinated Noteholders
Quotation	NZX Debt Market under the ticker NZR010
Joint Lead Managers	FNZC, ANZ Bank New Zealand Limited, Bank of New Zealand, Forsyth Barr Limited



**BUSINESS
SUMMARY**

OVERVIEW OF REFINING NZ



Only
oil
refinery
in New Zealand

Established 1961

396 employees

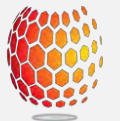
200 contractors

Listed on the

NZX with a market capitalisation
of ~NZ\$735 million^[1]

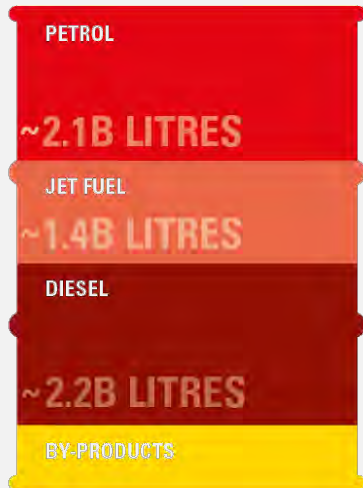
Operates the **multi-product
pipeline** supplying Auckland

Processes crude oil on behalf of
BP, Mobil and Z Energy
(who are shareholders) to produce
petrol, diesel, jet fuel, bitumen and other
by-products (a “tolling” operation); and
to import some finished product



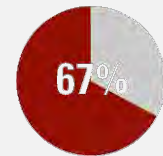
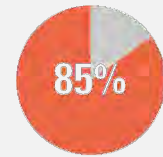
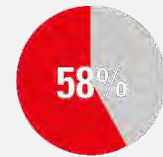
KEY INFRASTRUCTURE ASSET

ANNUAL PRODUCTION



6.5B LITRES
ANNUAL OUTPUT

% NZ FUEL DEMAND



70%
ANNUAL SUPPLY TO NZ FUEL DEMAND

Supplies

70% of the country's refined fuel products

Supplies **All** of Auckland Airport's jet fuel demand via the Refinery to Auckland pipeline

BOARD AND SENIOR MANAGEMENT



DEBI BOFFA



RICCARDO
CAVALLO



LINDIS JONES



CHAIRMAN
SIMON ALLEN



VANESSA
STODDART



PAUL ZEALAND



MARK TUME



JAMES MILLER



CHIEF EXECUTIVE
MIKE FUGE



CHIEF PEOPLE
AND CAPABILITY
OFFICER
JOE AKARI



ENGINEERING
MANAGER
ROB BAXTER



REFINING
MANAGER
PETER GUBB



CHIEF
FINANCIAL
OFFICER
DENISE JENSEN



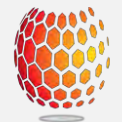
COMMUNICATIONS
AND EXTERNAL
AFFAIRS
GREG MCNEILL



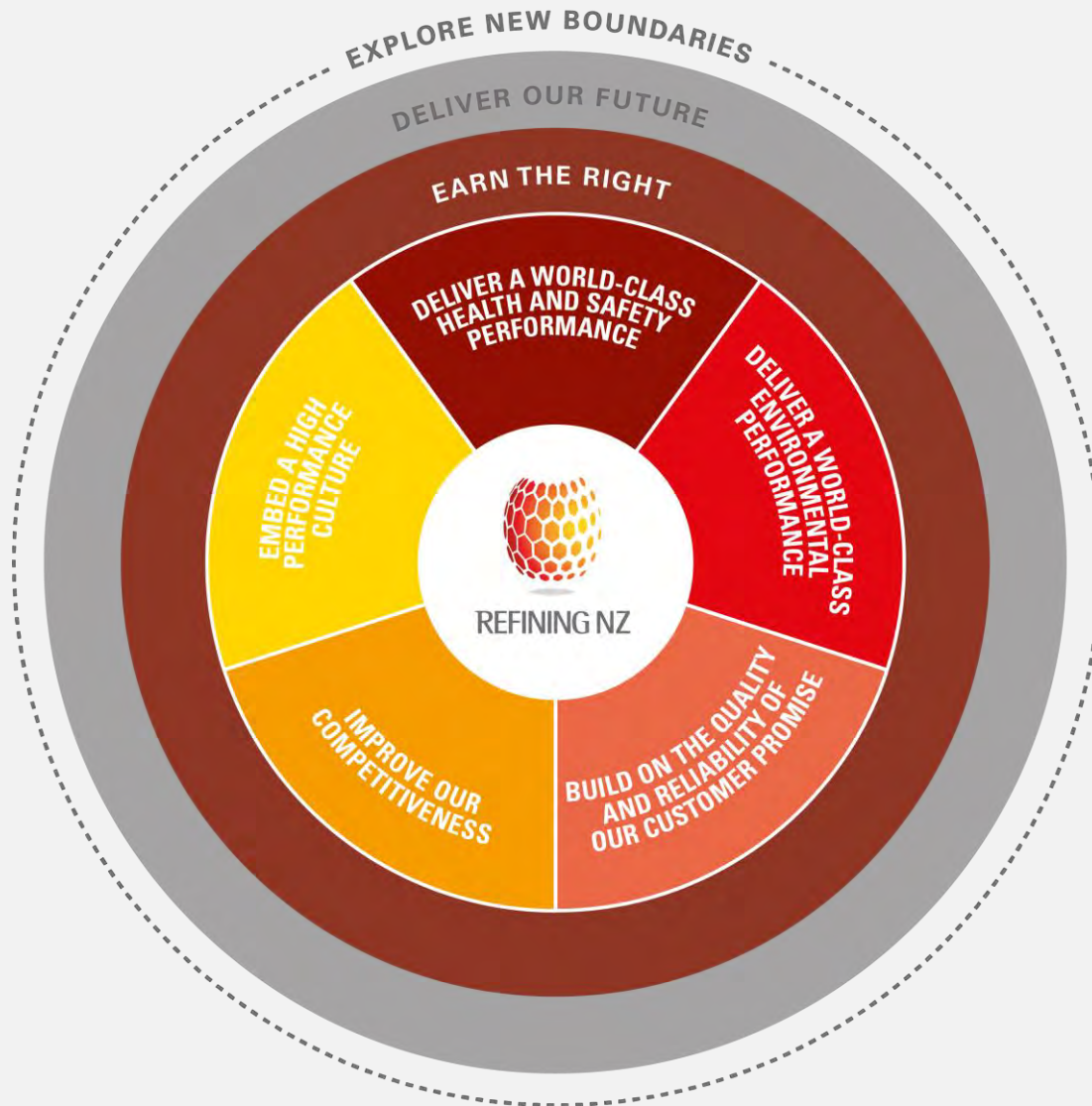
SUPPLY CHAIN
AND BUSINESS
OPTIMISATION
MANAGER
KEVIN STILL



CHIEF
DEVELOPMENT
OFFICER
JULIAN YOUNG



OUR STRATEGY

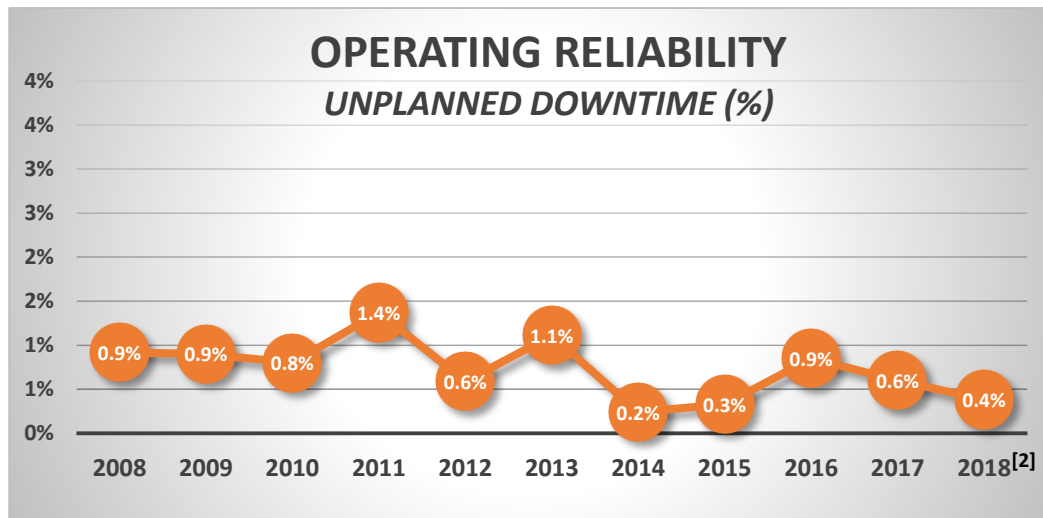


- Delivering the core business, “Earns the Right to Deliver our Future and Explore New Boundaries”
- Five key strategies to “Earn the Right”
 - Safety and wellbeing is a core value. We have robust management systems in place to help keep our people safe and the refinery running
 - We understand our responsibility to minimise the impact of our operations and have invested ~\$24 million in environmental projects since 2014
 - Our customer value proposition is based on price, quality and reliability
 - We maintain a relentless focus on ways to produce more high-value products from every barrel processed
 - Culture, shared values and the development of our people are core to our business

CONTINUED INVESTMENT IN WORLD-CLASS RELIABILITY

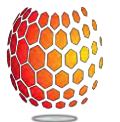


- The refinery produces high quality products to earn a premium against Singapore benchmarks and has a location freight advantage
- History of investment:
 - Capital projects to deliver volume growth and increased profitability
 - Energy saving projects to improve competitiveness
- Well managed plant with plant reliability
- Potential opportunities identified to reduce costs and increase margins



[1] Te Mahi Hou was the project name given to the Company's \$425 million investment in its petrol making plant, a Continuous Catalytic Reformer, successfully commissioned in Q4/2015

[2] Year to date 30 June 2018, excluding extended shutdown

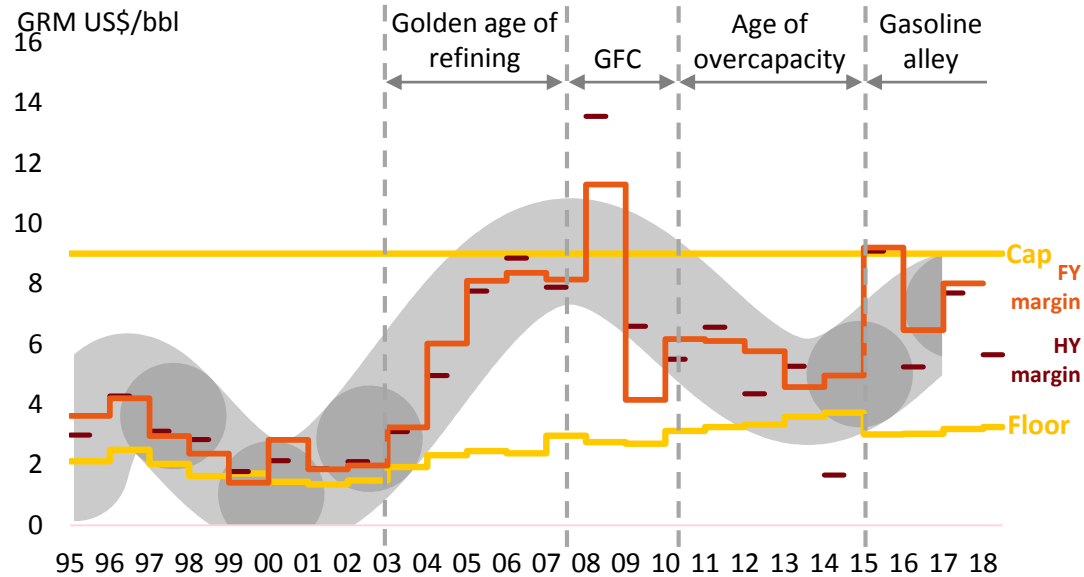


SIGNIFICANT MAINTENANCE SHUTDOWN COMPLETED



- Total Refinery Shutdown completed in June 2018:
 - One-in-fifteen year event
 - Major re-life of the plant
 - Complex brownfield retrofits
 - Hydrogen Manufacturing Unit
 - Mid-section replacement – High Vacuum Unit
- Financial
 - \$107 million capital invested
 - ~\$60 million 1H18 processing fee impact

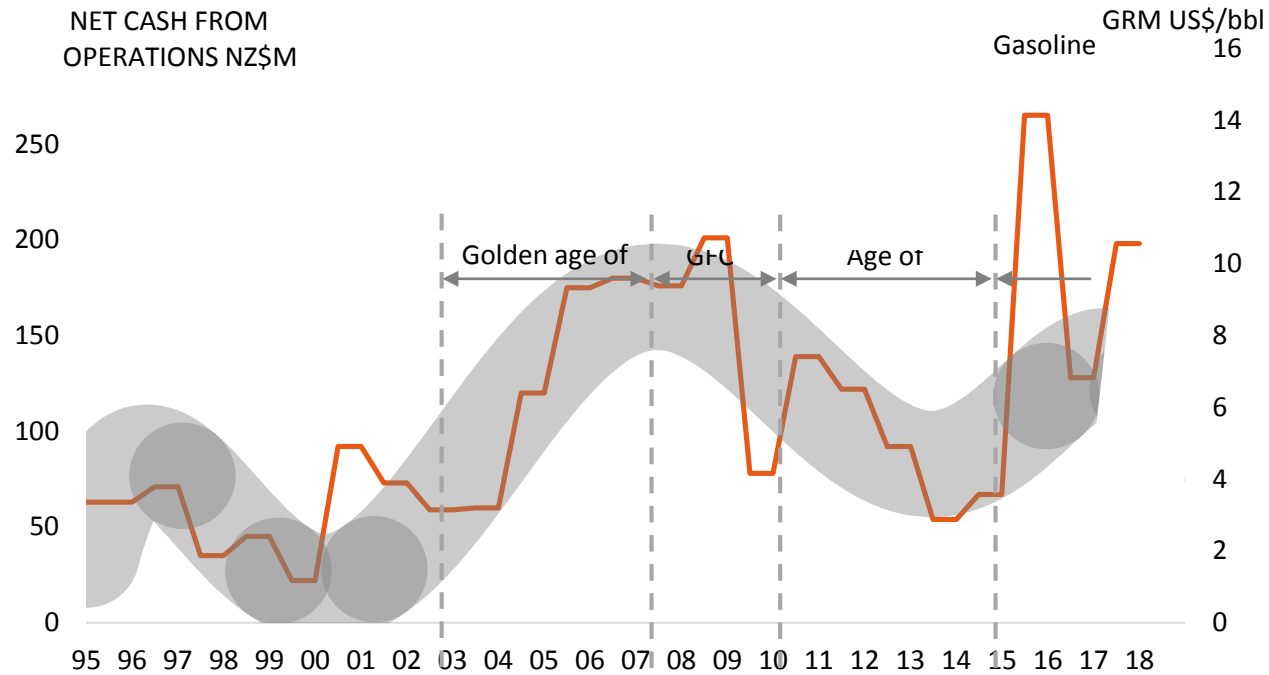
PROCESSING AGREEMENTS



Processing Agreements

- “Evergreen” contracts in place since 1995, which continue unless:
 - renegotiated or terminated by mutual consent, or
 - by a customer on one year’s notice.
- Determines processing fees based on feedstocks processed and products produced
- Aligns interests of the company and its customers
- **Processing fee based on gross refining margin**
 - Linked to global refining margins to ensure international competitiveness
 - Contains a Fee Floor and a Margin Cap. Floor invoked twice since 1995
- **Regular, independent reviews to ensure “fair and reasonable” to all shareholders**

STRONG CASH GENERATION



- Average annual cash from operations of ~\$135 million over last 10 years
- Cash flow has funded two significant capital projects:
 - 2015 Te Mahi Hou \$425 million^[1]
 - 2009 Point Forward \$191 million^[2]
- Dividends paid of \$409 million over last 10 years

[1] Te Mahi Hou was the project name given to the Company's \$425 million investment in its petrol making plant, a Continuous Catalytic Reformer. Total investments of \$425 million includes front end engineering and capitalised interest

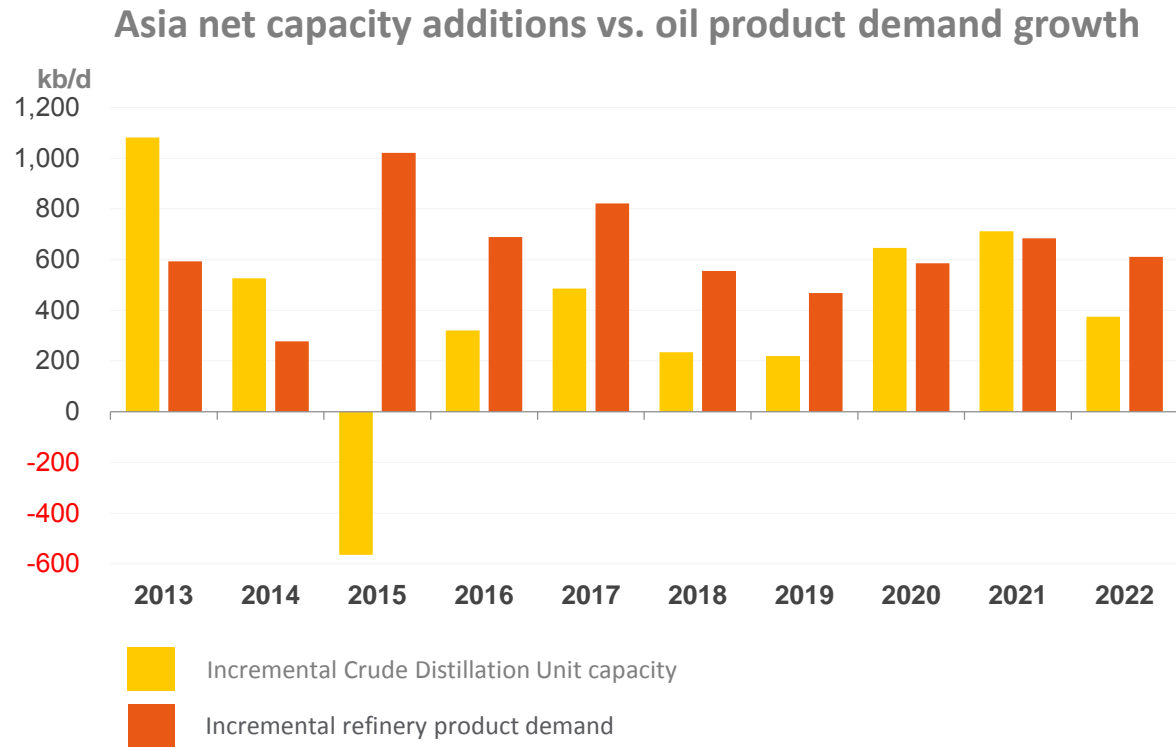
[2] Point Forward Project debottlenecked the refinery's number 1 Crude Distilling Unit, increasing the units' throughput capacity. The refinery now has a processing capacity of around 135,000 barrels per day

OWNER OF CRITICAL FUEL DISTRIBUTION INFRASTRUCTURE



- **170km Refinery to Auckland pipeline:**
 - Critical distribution asset supplying growing Auckland market
 - Transports 52% of New Zealand's fuel demand
 - Supplies all of Auckland Airport's jet fuel
 - RNZ charges a fee per barrel transported
- **Increasing pipeline capacity:**
 - Three stage project delivering additional 15% capacity (two stages complete; stage 3 in engineering development)
 - Longer-term, additional 40% capacity increase considered possible

GROWTH IN ASIA PACIFIC FUEL DEMAND SUPPORTS RNZ MARGINS



Source: FACTS Global Energy (July 2018)

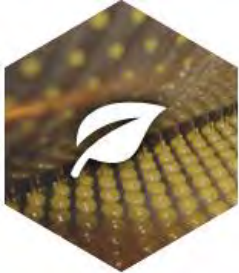
- Refining margins are driven by fuel demand and refining capacity
- Fuel demand expected to outpace refinery capacity additions for the foreseeable future
- Refining capacity additions and retirements “locked in” to early 2020s
- Caveat - IMO^[1] switch from high sulphur fuel oil to low sulphur fuel oil for ships’ bunkers in 2020

GROWTH FOCUS

Near Term



PIPELINE
CAPACITY



SULPHUR
FORMING

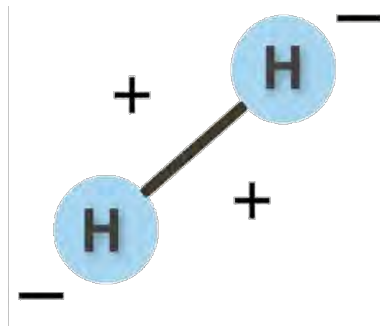


DREDGING

Longer term

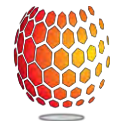


BIO-FUELS



HYDROGEN

- RNZ constantly identifies projects to improve margins and efficiency
- **History of successful short payback projects** (hydrogen optimisation, additional nitrogen storage, variable speed drive on a key compressor in 1H18)
- **Three projects under development to support margin growth in the near term**
- **RNZ sees opportunities to grow even in a carbon constrained world**
 - Energy savings can be significant^[1]
 - Bio and hydrogen fuels will have a future

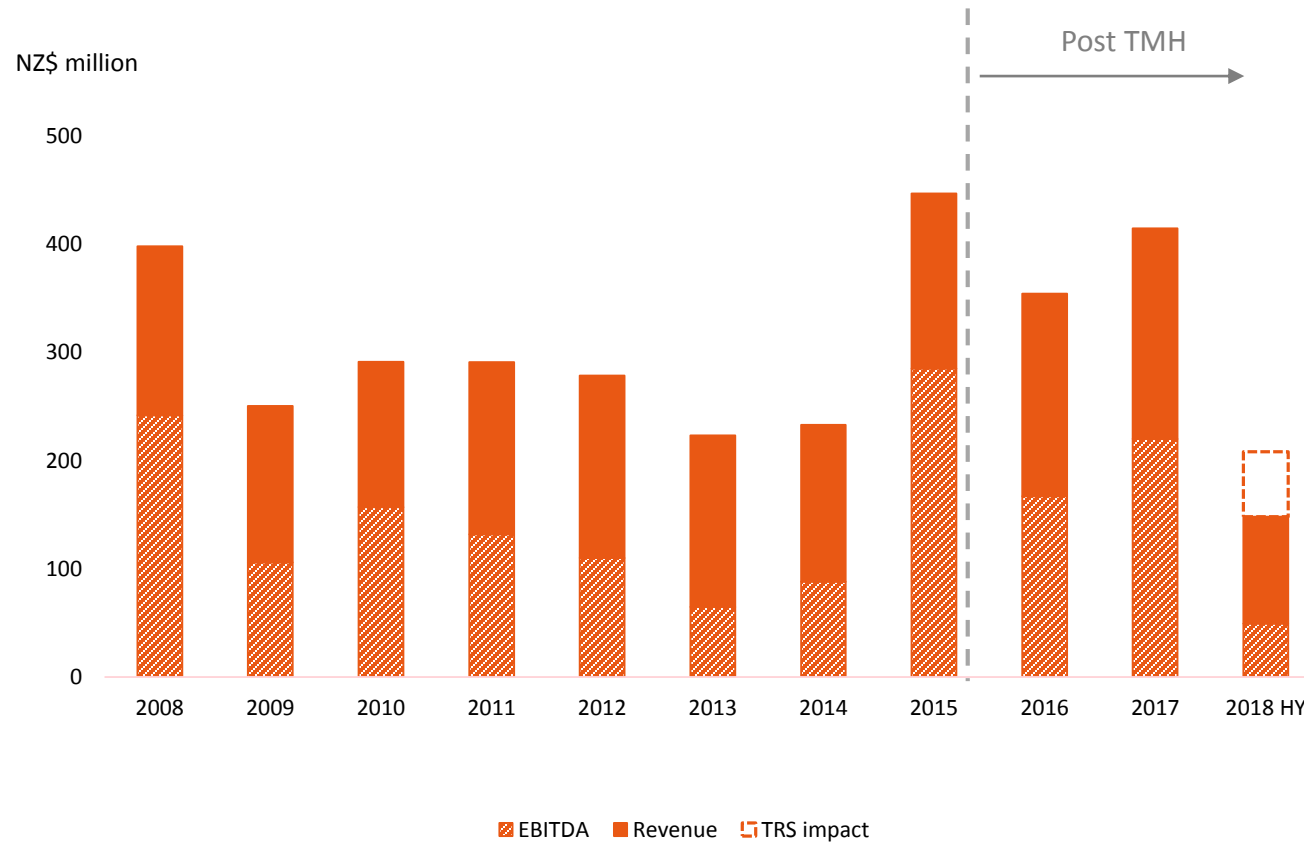




**FINANCIAL
OVERVIEW**

PROVEN RECORD OF STRONG RESULTS

EBITDA AND REVENUE



- Strong macro continues
- Revenue and EBITDA uplifts in the recent 4 years
- TMH commissioned in November 2015
- 1H2018 impacted by Total Refinery Shutdown (TRS)

PROVEN RECORD OF STRONG RESULTS

(Group)	HY2018 \$M	FY2017 \$M	FY2016 \$M
Refining revenue	119	364	307
Distribution and other revenue	29	51	47
Cash costs	(99)	(194)	(187)
EBITDA	49	221	167
Depreciation and disposal costs	(46)	(96)	(87)
Net finance costs	(7)	(14)	(16)
Income tax	1	(32)	(17)
Net profit after income tax	(3)	79	47

- **FY17 Refining revenue +19%**
 - GRM: US\$8.02 (FY16: US\$6.47)
 - Unplanned downtime FY17: 0.6% (FY16: 0.85%)
- **One-off pipeline costs** (\$6m in FY17 and \$2m in HY18)
- **FY17 EBITDA +32%**
- **HY18 EBITDA TRS impact ~\$60m**

- **FY17 NPAT +65%**

CASH GENERATIVE BUSINESS

(Group)	HY2018 \$M	FY2017 \$M	FY2016 \$M
Operating activities	35	198	128
Investing activities	(110)	(95)	(81)
Free Cash Flow^[1]	(75)	103	47
Borrowings	102	(49)	19
Dividends	(38)	(38)	(72)
Net decrease in cash and cash equivalents	(11)	(16)	(6)

- Strong refining margins led to **55%** uplift in FY17 operating cash flow
- Although HY18 margins impacted by TRS^[2], margin fundamentals remained strong
- Investment in:
 - Growth projects – HY18: \$10m, FY17: \$16m
 - Maintenance shutdown (incl. catalysts) in HY18 – \$98m
- Financing:
 - Debt temporarily increased due to TRS^[2]
 - Dividends of \$56m paid for FY17
- Recently revised dividend policy of **80%** of free cash flow^[3]

[1] Net Cash from Operating Activities less capital spend

[2] Total Refinery Shutdown

[3] For our dividend policy refer to www.refiningnz.com/investor-centre/dividends/

ROBUST BALANCE SHEET

(Group)	HY2018 \$M	FY2017 \$M	FY2016 \$M
Cash and cash equivalents	7	18	2
Other current assets ^[1]	113	160	145
Current assets	120	178	147
Non-current assets^[2]	1,230	1,155	1,143
Assets	1,350	1,333	1,290
Bank borrowings	50	-	69
Other current liabilities ^[3]	153	195	155
Current liabilities	203	195	224
Bank borrowings	222	170	150
Other non-current liabilities ^[4]	173	175	164
Non-current liabilities	395	345	314
Liabilities	598	540	538
Net assets / Equity	752	793	752

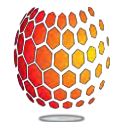
- Low working capital requirements as a ‘toll refiner’
- Current assets and liabilities include excise duty (2018: \$96m, 2017: \$130m, 2016: \$106m)
- Net tangible assets per security **\$2.41** (2017: \$2.54, 2016: \$2.43)
- Net gearing of 26% in HY18 due to TRS, and 16% in FY17 (long-term target gearing **~20%**)
- Current debt/2017 EBITDA: 1.2x (2017: 0.8x)

[1] Include Trade and other receivables, Derivative financial instruments, and Inventories

[2] Include Property, plant and equipment, Intangibles and Inventories

[3] Include Trade and other payables, Income tax payable, Finance lease liabilities, Employee benefits and Derivative financial instruments

[4] Includes Deferred tax liabilities, Employee benefits, Restoration provision, Derivative financial instruments and Finance lease liabilities

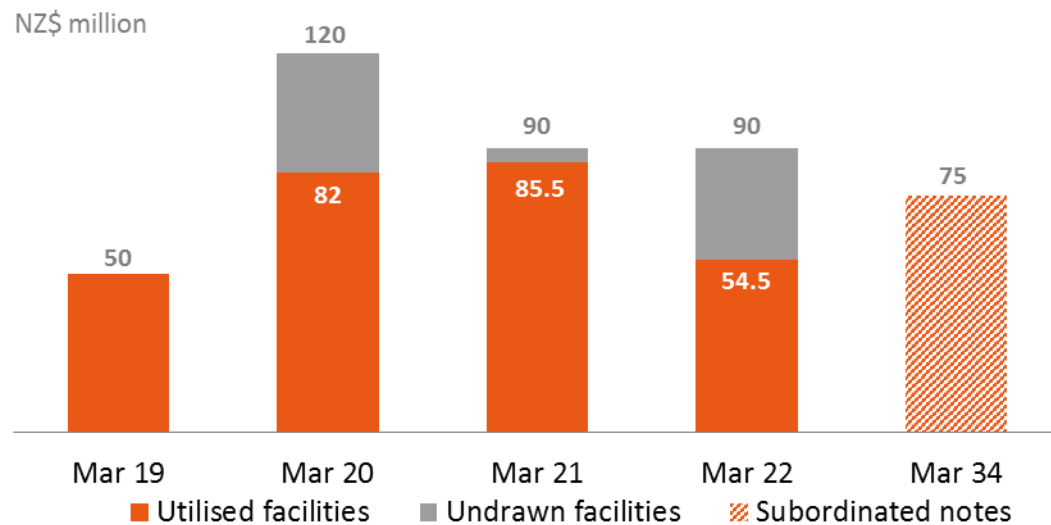


An aerial photograph of an industrial facility, likely a refinery or chemical plant, featuring numerous large cylindrical storage tanks and complex piping. The facility is situated along a coastline with a sandy beach and turquoise water. In the background, there are green hills and a large body of water under a clear blue sky. A semi-transparent orange hexagon with a white border is overlaid on the center of the image, containing the text "SUBORDINATED NOTE OFFER".

**SUBORDINATED
NOTE OFFER**

PURPOSE OF THE OFFER

Debt Profile Following Subordinated Note Issue



- Seeking to raise up to \$75 million of Subordinated Notes
- Net proceeds to be used to pay down a portion of existing bank debt
- Achieving:
 - Diversification of funding – 27.5% of drawn debt^[1] from non-bank funding
 - Extended tenor – weighted average debt facilities maturity 4.3 years^[2] (from 1.9 years)
- Increased flexibility following Subordinated Note issue

[1] Total bank borrowings at 30 June 2018: \$272 million

[2] Based on Subordinated Note maturity on 1 March 2034 and calculated as of Issue Date

KEY TERMS

Summary

Detail

Issuer

The New Zealand Refining Company Limited

Description

Unsecured, subordinated notes

Offer Amount

Up to \$75,000,000

Term

Approximately 15 years, maturing on 1 March 2034 if not Redeemed prior to that date

Election Dates

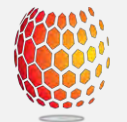
5 years (1 March 2024) and 10 years (1 March 2029) after the First Interest Payment Date

Interest Rate

The Subordinated Notes will pay a fixed rate of interest until the first Election Date.

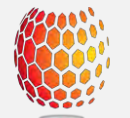
Paid semi-annually in arrear (to fit with bi-monthly Processing Fee cycle)

First (short) interest payment to the initial subscriber



KEY TERMS (CONTINUED)

Summary	Detail
Election Process	<p>No less than 30 Business Days prior to an Election Date, Refining NZ will provide notice of its election to either:</p> <ul style="list-style-type: none">• Redeem the Subordinated Notes on the Election Date; or• Run an Election Process and offer New Conditions. <p>If Refining NZ runs an Election Process, Subordinated Noteholders will be able to choose to hold some or all of their Subordinated Notes on the New Conditions or elect that Refining NZ Redeem some or all of their Subordinated Notes</p>
Early Redemption	<p>The Subordinated Notes will be Redeemed prior to the Maturity Date:</p> <ul style="list-style-type: none">• at Refining NZ's election on an Election Date or on an Anniversary Date;• at Refining NZ's election if a Tax Event occurs;• following an Event of Default at the option of the Supervisor, or if directed by an Extraordinary Resolution of Subordinated Noteholders; or• at the option of an individual Subordinated Noteholder after a Change of Control Event or after an Election Process.
Minimum Application Amount	\$5,000 and multiples of \$1,000 thereafter
Brokerage	0.75% brokerage plus 0.50% commitment fee
Early Bird Interest	Payable at the Interest Rate
Quotation	NZX Debt Market under the ticker code NZR010
Credit Rating	Refining NZ and the Subordinated Notes are unrated



INTEREST DEFERRAL

Summary

Detail

Interest Deferral

Refining NZ may defer the payment of interest at any time at its discretion.

For the avoidance of doubt payment of interest is likely to be deferred if:

1. Refining NZ's operating revenue from processing fees for that interest period is at the pro rata floor level set in the Processing Agreements; or
2. Refining NZ customer has terminated or given notice of termination of its Processing Agreement with Refining NZ (and no replacement customer has been found).

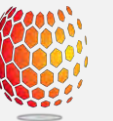
Payment of interest will be deferred if:

1. An event of default (however defined in any agreement for borrowed money indebtedness) is continuing with respect to any borrowed money indebtedness of Refining NZ; or
2. Refining NZ is insolvent.

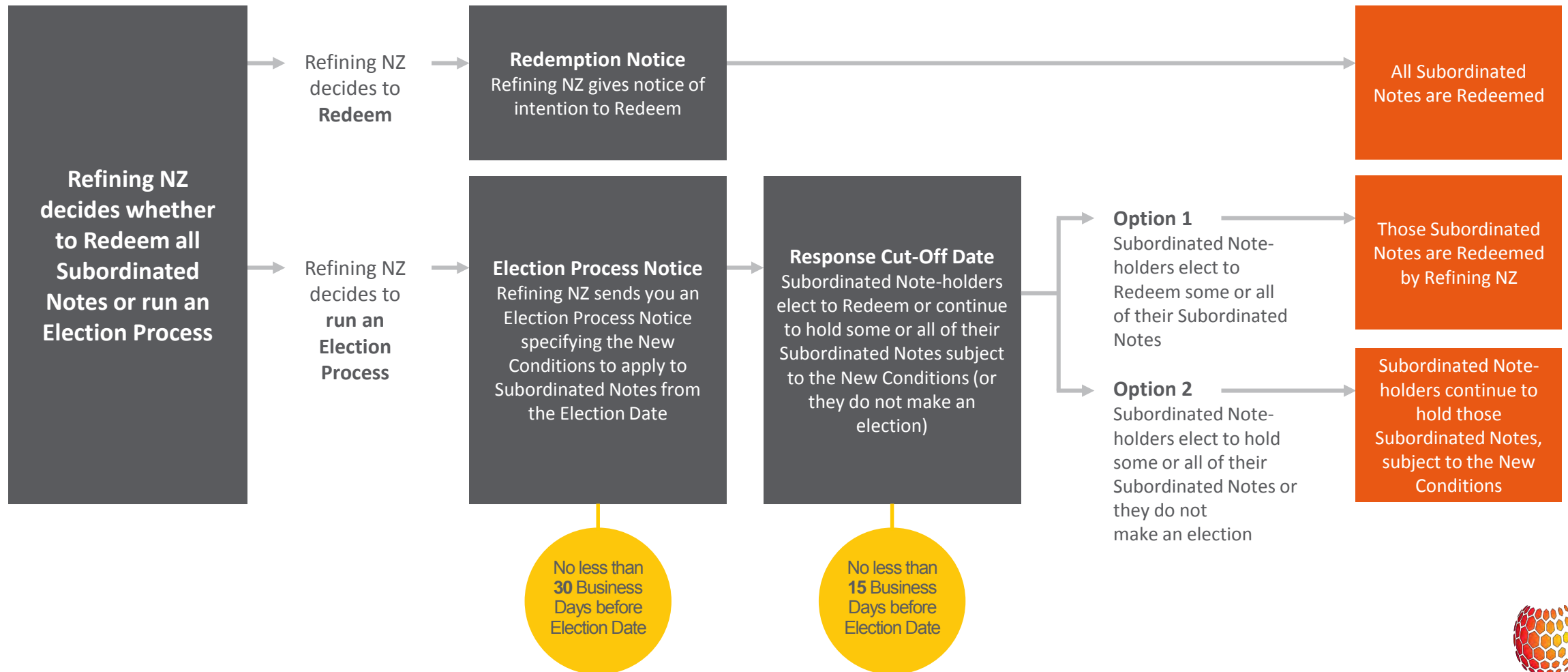
Any deferred interest will accrue interest on it at the Interest Rate until paid.

Dividend Stopper

Refining NZ will not be able to pay any dividend or make any other payments on or with respect to Shares, other securities or indebtedness ranking equally with or subordinate to the Subordinated Notes until all unpaid Deferred Interest is paid, without obtaining an Extraordinary Resolution of the Subordinated Noteholders.



ELECTION PROCESS

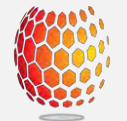


KEY DATES

Minimum interest rate and indicative issue margin announced	On or about 26 November 2018
Rate Set Date	29 November 2018
Opening Date	30 November 2018
Closing Date	12 December 2018
Issue Date and Allotment Date	14 December 2018
Expected date of initial quotation and trading of the Subordinated Notes on the NZX Debt Market	17 December 2018
Interest Payment Dates	1 March and 1 September each year [1]
First Interest Payment Date	1 March 2019
Election Dates	1 March 2024 and 1 March 2029
Maturity Date	1 March 2034 [2]

[1] If any date on which interest payment is due to be made is not a Business Day, payment shall instead be made on the next Business Day. Interest payments may be deferred at Refining NZ's discretion, as described in the PDS.

[2] The Subordinated Notes may Redeem before the Maturity Date in some circumstances, as described in the PDS





Q&A



REFINING NZ
Your Energy Hive

PRODUCT DISCLOSURE STATEMENT

OFFER OF UNSECURED,
SUBORDINATED NOTES BY
THE NEW ZEALAND REFINING
COMPANY LIMITED

Issued by: The New Zealand Refining Company Limited,
20 November 2018.

Arranger: First NZ Capital Securities Limited

Joint Lead Managers: First NZ Capital Securities Limited, ANZ Bank
New Zealand Limited, Bank of New Zealand, Forsyth Barr Limited

This document gives you important information about this investment to help you decide whether you want to invest. There is other useful information about this offer on www.business.govt.nz/disclose.

The New Zealand Refining Company Limited has prepared this document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial adviser to help you to make an investment decision.



1 KEY INFORMATION SUMMARY

1.1 WHAT IS THIS?

This is an offer (**Offer**) of unsecured and subordinated notes (**Subordinated Notes**). The Subordinated Notes are debt securities issued by The New Zealand Refining Company Limited (**Refining NZ**). You give Refining NZ money, and in return Refining NZ promises to pay you interest and repay the money at the end of the term. If Refining NZ runs into financial trouble, you might lose some or all of the money you invested.

1.2 ABOUT THE REFINING NZ GROUP

Refining NZ operates New Zealand's only oil refinery processing a wide range of imported crude oil on behalf of its customers, to produce high quality transport fuels, petrol, diesel, jet fuel as well as bitumen for roading and other products.

Refining NZ supplies around 70% of New Zealand's fuel demand and also operates a multi-product pipeline, to transport refined product from the Refinery to Auckland, New Zealand's largest market.

Refining NZ is listed on the NZX Main Board and, as at the date of this product disclosure statement (**PDS**), is a NZX top 50 listed company with a market capitalisation as at 19 November 2018 of \$735 million.

The **Refining NZ Group** consists of Refining NZ and the following two wholly-owned subsidiaries:

- The New Zealand Refining Nominees Limited which is a custodian trustee company that manages the investments and moneys belonging to the New Zealand Refining Company Pension Fund (a registered Superannuation Scheme); and
- Independent Petroleum Laboratory Limited which operates New Zealand's largest fuel testing laboratory and provides testing services to the refinery, local and international customers and government agencies.

1.3 PURPOSE OF THIS OFFER

The proceeds of this Offer are expected to be applied towards repaying a portion of Refining NZ's existing bank debt and paying any associated costs of the Offer. See section 4 of this PDS (*Purpose of the Offer*) for further detail.

1.4 KEY TERMS OF THE OFFER

Issuer	The New Zealand Refining Company Limited
Description of the Subordinated Notes	Unsecured, subordinated notes. See section 5 of this PDS (<i>Key features of the Subordinated Notes</i>) for more information.
Offer amount	Up to \$75,000,000.
Term	Approximately 15 years maturing on the Maturity Date (1 March 2034) if not Redeemed prior to that date.
Election Date	5 years (1 March 2024) and 10 years (1 March 2029) after the First Interest Payment Date.
Anniversary Date	Each anniversary of the First Interest Payment Date falling after the first Election Date (1 March 2024) other than the second Election Date (1 March 2029).
Interest Rate	The Subordinated Notes will pay a fixed rate of interest until the first Election Date. The Initial Interest Rate will be no lower than a minimum interest rate announced by Refining NZ via NZX prior to the Rate Set Date. The Initial Interest Rate will be set at the sum of the Swap Rate plus the Issue Margin, subject to a minimum interest rate. The Issue Margin will be determined by Refining NZ in conjunction with the Joint Lead Managers following a Bookbuild process where certain parties will lodge bids for the Subordinated Notes. The minimum interest rate and indicative Issue Margin will be announced on or about 26 November 2018. The Initial Interest Rate will be announced by Refining NZ via NZX on or about the Rate Set Date. The Interest Rate may change following an Election Date to a new rate as notified in an Election Process Notice. See section 5 of this PDS (<i>Key features of the Subordinated Notes</i>) for more information.
Interest Payment Dates	Subject to the paragraph below, interest will be paid semi-annually in arrear on 1 March and 1 September each year (or if that day is not a Business Day, the next Business Day) until and including the Maturity Date, with the First Interest Payment Date being 1 March 2019. The first (short) interest payment will be made to the initial subscriber. Early bird interest will also be paid on application money received in respect of accepted applications. It will not be paid if application monies are returned to you for any reason. It will be paid as soon as practicable, and, in any event, within five Business Days of the Issue Date. More information on how early bird interest is calculated can be found in section 3 of this PDS (<i>Terms of the Offer</i>).

Interest deferral	<p>Refining NZ may defer the payment of interest at any time at its discretion. For the avoidance of doubt, payment of interest is likely to be deferred if:</p> <ol style="list-style-type: none"> (1) Refining NZ's operating revenue from processing fees for that interest period is at the pro rata fee floor level set under the Processing Agreements; or (2) a Refining NZ customer has terminated or given notice of termination of its Processing Agreement with Refining NZ (and no replacement customer has been found); and <p>payment of interest will be deferred if:</p> <ol style="list-style-type: none"> (1) an event of default (however defined in any agreement for borrowed money indebtedness) is continuing with respect to any borrowed money indebtedness of Refining NZ; or (2) Refining NZ is insolvent. <p>Any deferred interest (Deferred Interest) will accrue interest on it at the Interest Rate (compounding on each Interest Payment Date) until all unpaid Deferred Interest is paid. Refining NZ will not be able to pay any dividend or make any other payments on or with respect to Shares, other securities or indebtedness ranking equally with or subordinate to the Subordinated Notes until all unpaid Deferred Interest is paid, without obtaining an Extraordinary Resolution of the Subordinated Noteholders.</p> <p>Any Deferred Interest (including any interest thereon) will be added to the Principal Amount on Redemption (other than where outlined below).</p> <p>See section 5 of this PDS (<i>Key features of the Subordinated Notes</i>) for more information.</p> <p>For further information on processing fee arrangements refer to section 5 (<i>Key features of the Subordinated Notes</i>) and section 6 (<i>Risks of investing</i>) of this PDS.</p>
Election Process	<p>No less than 30 Business Days prior to an Election Date, Refining NZ will provide notice of its election to either:</p> <ul style="list-style-type: none"> • Redeem your Subordinated Notes on the Election Date; or • run an Election Process and offer New Conditions. <p>If Refining NZ runs an Election Process, you will be able to choose to hold your Subordinated Notes subject to the New Conditions or elect for Refining NZ to Redeem your Subordinated Notes by paying you an amount equal to the Principal Amount of the Subordinated Notes plus Deferred Interest plus accrued but unpaid interest (Redemption Amount).</p> <p>The New Conditions may modify the conditions applying to the Subordinated Notes (including for example the Interest Rate) but may not change the Maturity Date or Election Dates.</p>
Early Redemption	<p>The Subordinated Notes will be Redeemed by Refining NZ prior to the Maturity Date:</p> <ul style="list-style-type: none"> • at Refining NZ's election on an Election Date or on an Anniversary Date; • at Refining NZ's election if a Tax Event occurs; • following an Event of Default, at the option of the Supervisor who must exercise that option if directed to by an Extraordinary Resolution of Subordinated Noteholders; • at the option of an individual Subordinated Noteholder after a Change of Control Event; or • at the option of an individual Subordinated Noteholder, after an Election Process offering New Conditions. <p>See section 5 of this PDS (<i>Key features of the Subordinated Notes</i>) for more information.</p>
Further payments, fees or charges	<p>Refining NZ will pay brokerage to market participants in respect of the Offer.</p> <p>You are not required to pay any additional brokerage or any other fee or charges to Refining NZ to purchase the Subordinated Notes. However, you may have to pay brokerage to the firm from whom you receive an allocation of Subordinated Notes or for the transfer of Subordinated Notes.</p> <p>Additionally, taxes may be deducted from interest payments on the Subordinated Notes. See section 7 of this PDS (<i>Tax</i>) for further details.</p>
Opening Date	30 November 2018
Closing Date	12 December 2018
Minimum application amount	\$5,000 and multiples of \$1,000 thereafter.

1.5 NO GUARANTEE

The Subordinated Notes are not guaranteed by any member of the Refining NZ Group or any other person. Refining NZ is solely responsible for repayment of the securities.

1.6 HOW YOU CAN GET YOUR MONEY OUT EARLY

You may require that Refining NZ Redeems your Subordinated Notes following an Election Process offering New Conditions or following a Change of Control Event. There are also certain triggers that will allow Refining NZ to Redeem your Subordinated Notes early. See section 5 of this PDS (*Key features of the Subordinated Notes*) for further details.

Refining NZ intends to quote these Subordinated Notes on the NZX Debt Market. This means you may be able to sell them on the NZX Debt Market before the end of their term if there are interested buyers. If you sell your Subordinated Notes, the price you get will vary depending on factors such as the financial condition of the Refining NZ Group and movements in market interest rates. You may receive less than the full amount that you paid for them.

1.7 HOW THE SUBORDINATED NOTES RANK FOR REPAYMENT

On a liquidation of Refining NZ, each Subordinated Note will be a subordinated obligation of Refining NZ, ranking:

- ahead of Shareholders and holders of other subordinated securities that, by their terms, rank after the Subordinated Notes;
- equally with other Subordinated Notes, and any other subordinated securities that, by their terms, rank equally with the Subordinated Notes; and
- behind all other claims on Refining NZ (including bank borrowing, trade creditors and other unsubordinated debt) except as described above.

More information on how the Subordinated Notes rank is in section 5 of this PDS (*Key features of the Subordinated Notes*).

1.8 NO SECURITY

The Subordinated Notes are not secured against any of Refining NZ's assets.

1.9 KEY RISKS AFFECTING THIS INVESTMENT

Investments in debt securities have risks. A key risk is that Refining NZ does not meet its commitments to repay you or pay you interest (credit risk). Section 6 of this PDS (*Risks of investing*) discusses the main factors that give rise to the risk. You should consider if the credit risk of these debt securities is suitable for you.

The interest rate for these Subordinated Notes should also reflect the degree of credit risk. In general, higher returns are demanded by investors from businesses with higher risk of defaulting on their commitments. You need to decide whether the Offer is fair.

Refining NZ considers that the most significant risk factors are:

SINGLE REFINERY SITE / CONCENTRATION OF OPERATIONS

Refining NZ operates a single refinery at Marsden Point. The single site, creates a risk in that Refining NZ would not be able to redirect operations to another location in the case of disruption at the site for any reason, which could have a negative impact on Refining NZ's financial position and potentially its creditworthiness.

CUSTOMER CONCENTRATION

Over 93% of Refining NZ's total operating revenue comes from three customers and 92% comes from four individual Processing Agreements with those three customers. If any of these Processing Agreements were terminated, and no new customers were found, then this would have a significant impact on Refining NZ's financial position and potentially its creditworthiness.

EMISSIONS TRADING SCHEME

Following the expiry of the Negotiated Greenhouse Agreement on 31 December 2022, Refining NZ will face the prospect of full exposure to the New Zealand Emissions Trading Scheme (NZ ETS) via a charge on Refining NZ's direct and indirect CO₂ emissions. As Refining NZ's operations are energy intensive, full exposure to the NZ ETS could significantly reduce Refining NZ's competitiveness and ultimately its financial viability.

This summary does not cover all of the risks of investing in the Subordinated Notes. You should also read section 6 (*Risks of investing*) and section 5 of this PDS (*Key features of the Subordinated Notes*).

1.10 NO CREDIT RATING

Refining NZ's creditworthiness has not been assessed by an approved rating agency. This means that Refining NZ has not received an independent opinion of its capability and willingness to repay its debts from an approved source.

1.11 WHERE YOU CAN FIND OTHER MARKET INFORMATION ABOUT REFINING NZ

This is a short-form offer document that Refining NZ is permitted to make because these Subordinated Notes rank in priority to existing quoted financial products of Refining NZ. The existing quoted financial products are ordinary shares in Refining NZ which are traded on the NZX Main Board. Refining NZ is subject to a disclosure obligation that requires it to notify certain material information to the NZX for the purpose of that information being made available to participants in the market. Refining NZ's page on the NZX website, which includes information made available under the disclosure obligation referred to above, can be found at www.nzx.com/companies/NZR.

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LETTER FROM THE CHAIRMAN



Dear Investor,

On behalf of Refining NZ's Board I am pleased to offer you an opportunity to invest in the Subordinated Notes which will be issued by The New Zealand Refining Company Limited.

Refining NZ is a key player in New Zealand's energy market operating New Zealand's only oil refinery. The Company currently supplies around 70% of New Zealand's fuel demand and also operates a multi-product pipeline, to transport refined product from the Refinery to Auckland, New Zealand's largest market.

The Company maintains its aspiration to be the fuel manufacturing and supply partner of choice for New Zealand. To achieve that aim, we adopt strategies intended to deliver a world class health, safety and environmental performance and to deliver quality products to our customers. The Company also continues to pursue a series of growth initiatives that seek to both grow revenue and contribute to the ongoing competitiveness and sustainability of our refining business. A culture of high performance underpins all that we do.

Refining NZ achieved a strong result in 2017 through continued operational reliability, ability to capitalise on healthy margins, quality fuel production and a well-developed culture of teamwork amongst our staff and contractors.

In the first half of 2018, the Company completed a total refinery shutdown – a one in fourteen year event – to carry out inspection and maintenance activities, re-life two major pieces of equipment and to replace catalyst.

While the shutdown impacted upon the Company's 2018 first half year results, it is a key investment for the future to continue to deliver safe and reliable operations. The refinery is now back to running at full capacity and has enjoyed strong throughput and margins since the shutdown.

Refining NZ generates revenue from processing fees from its customers, which are influenced by global petroleum product and crude oil prices. As these prices can be subject to fluctuation, the Board of Refining NZ is seeking to raise up to \$75 million of Subordinated Notes to give Refining NZ more financial flexibility, and a stronger balance sheet should global prices move unfavourably. The net proceeds of the Offer will be used to repay existing bank debt, and will also provide Refining NZ with diversification of funding sources.

There are risks associated with this Offer that may affect your returns and repayment of your investment in the Subordinated Notes. An overview of these risks is set out in this Product Disclosure Statement. You should read this before deciding whether to invest in the Subordinated Notes.

I encourage you to seek financial, investment or other advice from a qualified professional adviser as you take time to consider this offer.

On behalf of Refining NZ's Board, I welcome your involvement in this offer and your support of Refining NZ.

Simon Allen
Chairman



KEY DATES AND OFFER PROCESS

The intended key dates of the Offer are as follows:

Minimum interest rate and indicative Issue Margin announced	On or about 26 November 2018.
Rate Set Date	29 November 2018.
Opening Date	30 November 2018.
Closing Date	12 December 2018.
Issue Date and Allotment Date	14 December 2018.
Expected date of initial quotation and trading of the Subordinated Notes on the NZX Debt Market	17 December 2018.
Interest Payment Dates	1 March and 1 September in each year. ¹
First Interest Payment Date	1 March 2019.
Election Dates	1 March 2024 and 1 March 2029.
Anniversary Dates	Each anniversary of the First Interest Payment Date, falling after the first Election Date (1 March 2024) other than the second Election Date (1 March 2029).
Maturity Date	1 March 2034. ²

¹ If any date on which interest payment is due to be made is not a Business Day, payment shall instead be made on the next Business Day. Interest payments may be deferred at Refining NZ's discretion, as described in this PDS.

² The Subordinated Notes may be Redeemed before the Maturity Date in some circumstances, as described in this PDS.

The timetable is indicative only and subject to change. Refining NZ may, in its absolute discretion and without notice, vary the timetable (including by opening or closing the Offer early, accepting late applications and extending the Closing Date).

If the Closing Date is extended, the Rate Set Date, the Issue Date, the expected date of initial quotation and trading of the Subordinated Notes on the NZX Debt Market, the Interest Payment Dates, the Election Dates and the Maturity Date may also be extended. Any such changes will not affect the validity of any applications received.

Refining NZ reserves the right to cancel the Offer and the issue of the Subordinated Notes, in which case all application monies received will be refunded (without interest) as soon as practicable.

2.1 WHO MAY APPLY UNDER THE OFFER?

The Offer will be open to institutional investors and members of the public who are resident in New Zealand. The Offer is not open to any director, executive officer or senior manager of a company in the Refining NZ Group or to any other Related Party. More information about these restrictions can be found in section 8 of this PDS (*Selling restrictions*).

All of the Subordinated Notes offered under the Offer have been reserved for subscription by clients of the Joint Lead Managers, Primary Market Participants and other approved financial intermediaries, invited to participate in the Bookbuild.

There will be no public pool for the Subordinated Notes.

If you wish to invest in the Subordinated Notes you should contact your usual authorised financial adviser or a Primary Market Participant for details as to how you may acquire the Subordinated Notes. You can find a Primary Market Participant by visiting www.nzx.com/investing/find-a-participant.



3 TERMS OF THE OFFER

Issuer	The New Zealand Refining Company Limited
Description of the Subordinated Notes	Unsecured, subordinated notes. See section 5 of this PDS (<i>Key features of the Subordinated Notes</i>) for more information.
Offer amount	Up to \$75 million.
Issue price	\$1.00 per Subordinated Note, being the Principal Amount of each Subordinated Note.
Term	Approximately 15 years maturing on the Maturity Date (1 March 2034) if not Redeemed prior to that date.
Election Dates	5 years (1 March 2024) and 10 years (1 March 2029) after the First Interest Payment Date.
Anniversary Date	Each anniversary of the First Interest Payment Date, falling after the first Election Date (1 March 2024) other than the second Election Date (1 March 2029).
Interest Rate	<p>The Subordinated Notes will pay a fixed rate of interest until the first Election Date. The Initial Interest Rate will be set at the sum of the Swap Rate plus the Issue Margin, but will be no lower than the minimum interest rate.</p> <p>The Issue Margin will be determined by Refining NZ in conjunction with the Joint Lead Managers following a Bookbuild process where certain parties will lodge bids for the Subordinated Notes.</p> <p>The minimum interest rate and indicative Issue Margin will be announced on or about 26 November 2018. The Initial Interest Rate will be announced by Refining NZ via NZX on or about the Rate Set Date.</p> <p>The Interest Rate may change following an Election Date to a new rate as notified in an Election Process Notice. See section 5 of this PDS (<i>Key features of the Subordinated Notes</i>) for more information.</p>
Interest Payment Dates	<p>Subject to the below, semi-annually in arrear on 1 March and 1 September each year (or if that day is not a Business Day, the next Business Day) until and including the Maturity Date, with the First Interest Payment Date being 1 March 2019. The first (short) interest payment will be made to the initial subscriber.</p> <p>Early bird interest will also be paid on application money received in respect of accepted applications. It will not be paid if application monies are returned to you for any reason. It will be paid as soon as practicable, and, in any event, within five Business Days of the Issue Date.</p>
Interest deferral	<p>Refining NZ may defer the payment of interest at any time at its discretion. For the avoidance of doubt, payment of interest is likely to be deferred if:</p> <ol style="list-style-type: none"> (1) Refining NZ's operating revenue from processing fees for that interest period is at the pro rata fee floor level set under the Processing Agreements; or (2) Refining NZ customer has terminated or given notice of termination of its Processing Agreement with Refining NZ (and no replacement customer has been found); and <p>payment of interest will be deferred if:</p> <ol style="list-style-type: none"> (1) an event of default (however defined in any agreement for borrowed money indebtedness) is continuing, with respect to any borrowed money indebtedness of Refining NZ; or (2) Refining NZ is insolvent. <p>Any Deferred Interest will accrue interest on it at the Interest Rate (compounding on each Interest Payment Date) until all unpaid Deferred Interest is paid. Refining NZ will not be able to pay any dividend or make any other payments on or with respect to Shares, other securities or indebtedness ranking equally with or subordinate to the Subordinated Notes until all unpaid Deferred Interest is paid, without obtaining an Extraordinary Resolution of the Subordinated Noteholders.</p> <p>Any Deferred Interest (including any interest thereon) will be added to the Principal Amount on Redemption (other than where outlined below). See section 5 of this PDS (<i>Key features of the Subordinated Notes</i>) for more information.</p> <p>For further information on processing fee arrangements refer to section 5 (<i>Key features of the Subordinated Notes</i>) and section 6 (<i>Risks of investing</i>) of this PDS.</p>

Dividend Stopper	Refining NZ will not be able to pay any dividend or make any other payments on or with respect to Shares, other securities or indebtedness ranking equally with or subordinate to the Subordinated Notes until all unpaid Deferred Interest is paid, without obtaining an Extraordinary Resolution of the Subordinated Noteholders.
Interest payments and entitlement	<p>Payments of interest on Interest Payment Dates (other than for the First Interest Payment Date) will be of equal semi-annual amounts. Any other payment of interest on the Subordinated Notes (including for the First Interest Payment Date, early bird interest and Deferred Interest), will be calculated on the basis of an actual/actual day count convention basis as follows:</p> $\text{Amount of interest payment} = \frac{A}{B} \times \frac{\text{Interest Rate}}{2} \times C$ <p>Where:</p> <p>A = the actual number of days elapsed since the last Interest Payment Date (or, if there has been no Interest Payment Date, the Issue Date or, in respect of early bird interest, the date on which the application money is received).</p> <p>B = the actual number of days in the period from the last Interest Payment Date to (and including) the next Interest Payment Date (or, if there has been no Interest Payment Date, 182.5).</p> <p>C = the number of Subordinated Notes you hold.</p> <p>On each Interest Payment Date (other than the First Interest Payment Date), interest will be paid to the person registered as the Subordinated Noteholder as at the record date immediately preceding that Interest Payment Date. On the First Interest Payment Date, interest will be paid to the initial subscriber.</p> <p>The record date for each Interest Payment Date is 5.00pm on the date that is 10 Business Days before the relevant Interest Payment Date. If the record date falls on a day which is not a Business Day, the record date will be the immediately preceding Business Day.</p>
Election Process	<p>No less than 30 Business Days prior to an Election Date, Refining NZ will provide notice of its election to either:</p> <ul style="list-style-type: none"> • Redeem your Subordinated Notes on the Election Date; or • run an Election Process and offer New Conditions. <p>If Refining NZ runs an Election Process, you will be able to choose to hold some or all of your Subordinated Notes subject to the New Conditions or for Refining NZ to Redeem some or all of your Subordinated Notes for the Redemption Amount.</p> <p>The New Conditions may modify the conditions applying to the Subordinated Notes (including for example the Interest Rate) but may not change the Maturity Date or Election Dates.</p>
Redemption election	<p>No less than 30 Business Days prior to an Anniversary Date, Refining NZ may provide notice of its election to Redeem all (but not some) of the Subordinated Notes on the Anniversary Date by paying Subordinated Noteholders a cash amount equal to the greater of:</p> <ol style="list-style-type: none"> (1) the Redemption Amount; and (2) the volume weighted average (excluding interest) price of the Subordinated Notes for the 20 Business Days preceding the relevant Anniversary Date, plus accrued interest.
Ranking	<p>On a liquidation of Refining NZ, each Subordinated Note, together with any deferred and unpaid interest, will be a subordinated obligation of Refining NZ, ranking:</p> <ul style="list-style-type: none"> • ahead of Shareholders and holders of other subordinated securities that, by their terms, rank after the Subordinated Notes; • equally with other Subordinated Notes, and any other subordinated securities that, by their terms, rank equally with the Subordinated Notes; and • behind all claims on Refining NZ (including bank borrowing, trade creditors and other unsubordinated debt) except as described above. <p>More information on how the Subordinated Notes rank is in section 5 of this PDS (<i>Key features of the Subordinated Notes</i>).</p>

Early Redemption

The Subordinated Notes will be Redeemed by Refining NZ prior to the Maturity Date:

- at Refining NZ's election on an Election Date or an Anniversary Date;
- at Refining NZ's election if a Tax Event occurs;
- following an Event of Default, at the option of the Supervisor who must exercise that option if directed to by an Extraordinary Resolution of Subordinated Noteholders;
- at the option of an individual Subordinated Noteholder after a Change of Control Event; or
- at the option of an individual Subordinated Noteholder, after an Election Process offering New Conditions.

See section 5 of this PDS (*Key features of the Subordinated Notes*) for more information.

Change of Control Event

In summary and as explained further in clauses 1.2 and 8 of the Supplemental Trust Deed, a Change of Control Event occurs if one or more of the following occur:

- (1) an offer is made to acquire all or some of the Shares and the offer is, or becomes, unconditional and all regulatory approvals have been obtained and the offeror (and its associates) holds or controls more than 50% of the voting rights of Refining NZ; or
- (2) any other circumstance or event arises which results in a person (and its associates) holding or controlling more than 50% of the voting rights of Refining NZ.

If a Change of Control Event occurs, Subordinated Noteholders may require Refining NZ to Redeem the Subordinated Notes at the greater of:

- (1) Redemption Amount; and
 - (2) the volume weighted average (excluding interest) price of the Subordinated Notes for the 20 Business Days preceding the Change of Control Event, plus accrued interest.
-

Tax Event

In summary and as explained further in clauses 1.2 and 8 of the Supplemental Trust Deed, a Tax Event will occur if there has been, or there will be, a change in New Zealand law applying after the Issue Date, as a result of which:

- any interest payable on the Subordinated Notes, including interest which has been deferred, is not, or will not be, fully deductible for the purposes of New Zealand income tax; or
- Refining NZ would be, or is likely to be, exposed to any other adverse tax consequences in relation to the Subordinated Notes.

If a Tax Event occurs, Refining NZ may elect to Redeem all of the Subordinated Notes for the Redemption Amount.

Events of Default

If an Event of Default occurs and is continuing, the Supervisor may in its discretion, and must upon being directed to do so by an Extraordinary Resolution of Subordinated Noteholders, declare the Subordinated Notes to be redeemable at the Redemption Amount.

The Events of Default are set out in clause 9 of the Supplemental Trust Deed and are summarised in section 5 of this PDS (*Key features of the Subordinated Notes*).

Opening Date	30 November 2018.
Closing Date	12 December 2018.
Refunds	<p>If Refining NZ does not accept your application (whether because of late receipt or otherwise) or accepts it in part, all or the relevant balance of your application money received will be repaid to you as soon as practicable and, in any event, within 10 Business Days of the Issue Date.</p> <p>No interest will be paid on refunds.</p>
Minimum application amount	\$5,000 and multiples of \$1,000 thereafter.
How to apply	<p>Application instructions are set out in section 12 of this PDS (<i>How to apply</i>). An application form is attached at the back of this PDS.</p> <p>Refining NZ reserves the right to refuse all or any part of any application for Subordinated Notes under the Offer without giving a reason.</p>
No underwriting	The Offer is not underwritten.
Brokerage	<p>Refining NZ will pay brokerage to market participants in respect of the Offer. You are not required to pay any additional brokerage or any other fee or charges to Refining NZ to purchase the Subordinated Notes. However, you may have to pay brokerage to the firm from whom you receive an allocation of Subordinated Notes, or for the transfer of Subordinated Notes.</p>
Further payments, fees or charges	<p>Taxes or Approved Issuer Levy may be deducted from interest payments on the Subordinated Notes. You will also be required to indemnify Refining NZ if it becomes liable to make any payment of, or on account of, tax payable by you. See section 7 of this PDS (<i>Tax</i>) for more information.</p>
Quotation	<p>Application has been made to NZX for permission to quote the Subordinated Notes on the NZX Debt Market and all the requirements of NZX relating to that quotation that can be complied with on or before the date of distribution of this PDS have been duly complied with. However, the Subordinated Notes have not yet been approved for trading and NZX accepts no responsibility for any statement in this PDS. NZX is a licensed market operator, and the NZX Debt Market is a licensed market, under the FMCA.</p> <p>NZX ticker code NZR010 has been reserved for the Subordinated Notes.</p>
Transfer restrictions / NZX approval and waivers	<p>Refining NZ may decline to accept or register a transfer of the Subordinated Notes if the transfer would result in the transferor or the transferee holding or continuing to hold Subordinated Notes with a Principal Amount of less than \$5,000 (if not zero) or if the transfer is not in multiples of \$1,000.</p> <p>This restriction on transfer has been approved by the NZX under Listing Rule 11.1.5.</p>
Selling restrictions	The Offer is subject to certain selling restrictions and you will be required to indemnify certain people if you breach these. More information on this can be found in section 8 of this PDS (<i>Selling restrictions</i>).
Governing law	New Zealand.
Trust Documents	<p>The terms of the Subordinated Notes and other key terms of the Offer are set out in the Master Trust Deed, as supplemented by the Supplemental Trust Deed. You should read these documents. Copies may be obtained from the Disclose Register at www.companiesoffice.govt.nz/disclose.</p>
Supervisor	The New Zealand Guardian Trust Company Limited.
Securities Registrar	Computershare Investor Services Limited.

4 PURPOSE OF THE OFFER

The proceeds of this Offer are expected to be applied towards repaying existing bank debt and paying any associated costs of the Subordinated Note Offer. The Offer will also provide Refining NZ with diversification of funding sources and greater financial flexibility. This will not change, irrespective of the total amount that is raised.

The Offer is not underwritten and is not conditional on raising a minimum amount.

5 KEY FEATURES OF THE SUBORDINATED NOTES

A number of the key features of the Subordinated Notes are described in section 3 of this PDS (*Terms of the Offer*). The other key features of the Subordinated Notes are described below.

5.1 RANKING

RANKING ON A LIQUIDATION

On a liquidation of Refining NZ, each Subordinated Note, together with any deferred and unpaid interest, constitutes unsecured, subordinated debt obligations of Refining NZ, ranking:

- ahead of Shareholders and holders of other subordinated securities that, by their terms, rank after the Subordinated Notes;
- equally with other Subordinated Notes, and any other subordinated securities that, by their terms, rank equally with the Subordinated Notes; and
- behind all claims on Refining NZ (including bank borrowing, trade creditors and other unsubordinated debt), except as described above.

The diagram on page 13 summarises the ranking of the Subordinated Notes on a liquidation of Refining NZ. In the event of a liquidation of Refining NZ, the actual priority amounts may differ. The table only includes information about the liabilities and equity of Refining NZ. It does not include information about any other member of the Refining NZ Group.



DIAGRAM SHOWING RANKING OF THE SUBORDINATED NOTES¹

Ranking	Ranking on Liquidation	Type of Liability/Equity	Amount
Higher ↑ ↓ Lower	Liabilities that rank in priority to the Subordinated Notes	These liabilities comprise: <ul style="list-style-type: none"> Bank borrowing. Unsubordinated liabilities not referred to above (including liabilities preferred by law³ (for example, Inland Revenue and employee entitlements), trade creditors and other unsubordinated debt). 	\$197 million ² \$326.5 million ^{4,5,6}
	Liabilities that rank equally with the Subordinated Notes (including the Subordinated Notes)	Subordinated Notes Other subordinated liabilities that rank equally with the Subordinated Notes	\$75 million² NIL
	Liabilities that rank below the Subordinated Notes		NIL
Lower	Equity ⁷	Shares, reserves and retained earnings.	\$749.9 million

¹ Amounts shown are indicative. They are based on the financial position of Refining NZ as at 30 June 2018, and are adjusted to reflect the changes in the value of assets and liabilities that Refining NZ reasonably expects to result from the issue of the Subordinated Notes. Amounts are subject to rounding adjustments.

² For the purposes of these calculations an issue size of \$75,000,000 of Subordinated Notes has been assumed. If the issue size is less than \$75,000,000, less bank debt would be repaid from the issuance of the Subordinated Notes. This would mean that the liabilities that rank in priority to the Subordinated Notes would accordingly be higher than what is shown above and the value of the Subordinated Notes would decrease.

³ There are typically other preferred or secured claims which arise when a company is liquidated which are not possible to foresee and cannot therefore be quantified.

⁴ This value includes approximately \$96,217,000 of excise duty that Refining NZ pays on behalf of its customers. An equivalent amount is included on Refining NZ's balance sheet as a receivable. Accordingly, on a liquidation of Refining NZ, it is expected that the liquidator would have a claim against Refining NZ's customers for a similar amount.

⁵ This value includes approximately \$121,790,000 of deferred tax liabilities. Depending on the circumstances at the time of a liquidation some or all of these liabilities may not be payable.

⁶ This value includes approximately \$18,332,000 of liabilities in respect of the defined benefit pension plan. In the event of the liquidation of Refining NZ, the actual liability will depend on the amount certified by the actuary of the defined benefit pension plan at that time as being the amount required to be paid by Refining NZ to ensure that all beneficiaries under the defined benefit pension plan receive full payment of any benefits or pensions to which they are entitled.

⁷ The amount of equity stated above includes an amount in relation to Refining NZ's existing quoted financial products (i.e. Refining NZ's shares).

RESTRICTIONS ON BORROWING OR GRANTING SECURITY

After the issue of the Subordinated Notes, Refining NZ may (without the consent of Subordinated Noteholders) borrow money or otherwise incur liabilities from time to time that:

- rank equally with the Subordinated Notes on a liquidation of Refining NZ. This may include, for example, further subordinated notes issued by Refining NZ; or
- rank in priority to the Subordinated Notes on a liquidation of Refining NZ. This may include, for example, secured or unsecured and unsubordinated liabilities of Refining NZ, bank borrowing and other liabilities preferred by law.

The terms of the Subordinated Notes do not limit the ability of Refining NZ to borrow further money or grant security.

However, certain terms contained in Refining NZ's other funding documents do currently limit its ability to borrow. In particular, Refining NZ has entered into a Negative Pledge Deed in which it has agreed to comply with a number of covenants. Each of Refining NZ's banks has been granted the benefit of the Negative Pledge Deed (although neither you nor the Supervisor have the benefit of the Negative Pledge Deed and the covenants in it may be amended or waived by the relevant bank lenders and Refining NZ does not have to consult or notify you or the Supervisor of any actual or potential amendments or waivers under the Negative Pledge Deed).

The Negative Pledge Deed currently contains a senior interest cover ratio (the ratio of Negative Pledge Deed EBITDA (NPD EBITDA) to Interest Expense for the Refining NZ Group) which is to be not less than 4.0 times, a total interest cover ratio

(the ratio of NPD EBITDA to Total Interest Expense for the Refining NZ Group) which is to be not less than 2.0 times and a gearing ratio (the ratio of bank debt to the sum of bank debt and shareholder equity for Refining NZ) which is required to be not greater than 45%. The senior interest cover ratio and total interest cover ratio are tested semi-annually and are only breached if they are not met on two consecutive test dates. The gearing ratio is tested at all times. Although these are not direct restrictions on incurring further indebtedness, Refining NZ would not be able to incur additional indebtedness if the additional interest payments would result in a breach of the senior interest cover ratio or the total interest cover ratio or the additional debt would result in a breach of the gearing ratio.

For this purpose "NPD EBITDA" is defined in the Negative Pledge Deed and means gross revenue in any period (excluding equity accounted gains or losses, extraordinary gains or losses, capital gains or losses and unrealised gains or losses arising from any derivative transaction) less all operating expenses for that period (excluding from operating expenses depreciation, amortisation, interest expense, other non-cash charges, and income tax expenses in each case for that period).

For the purpose of calculating the senior interest cover ratio in the Negative Pledge Deed "Interest Expense" includes the majority of interest on debt but does not include any interest or Deferred Interest paid with respect to the Subordinated Notes or similar instruments. For the purpose of calculating the total interest cover ratio in the Negative Pledge Deed "Total Interest Expense" is the "Interest Expense" plus any interest or Deferred Interest paid with respect to the Subordinated Notes or similar instruments.

5.2 ELECTION PROCESS

No later than 30 Business Days prior to each Election Date, Refining NZ will provide notice of its election to either:

- Redeem your Subordinated Notes on the Election Date; or
- run an Election Process offering New Conditions.

If Refining NZ runs an Election Process, Refining NZ will send you an Election Process Notice giving you two options:

- Option 1: keep some or all of your Subordinated Notes subject to the New Conditions. The New Conditions may modify the conditions applying to the Subordinated Notes (including, for example, the Interest Rate) but Refining NZ may not change the Maturity Date or Election Dates; or
- Option 2: for Refining NZ to Redeem some or all of your Subordinated Notes for cash for the Redemption Amount.

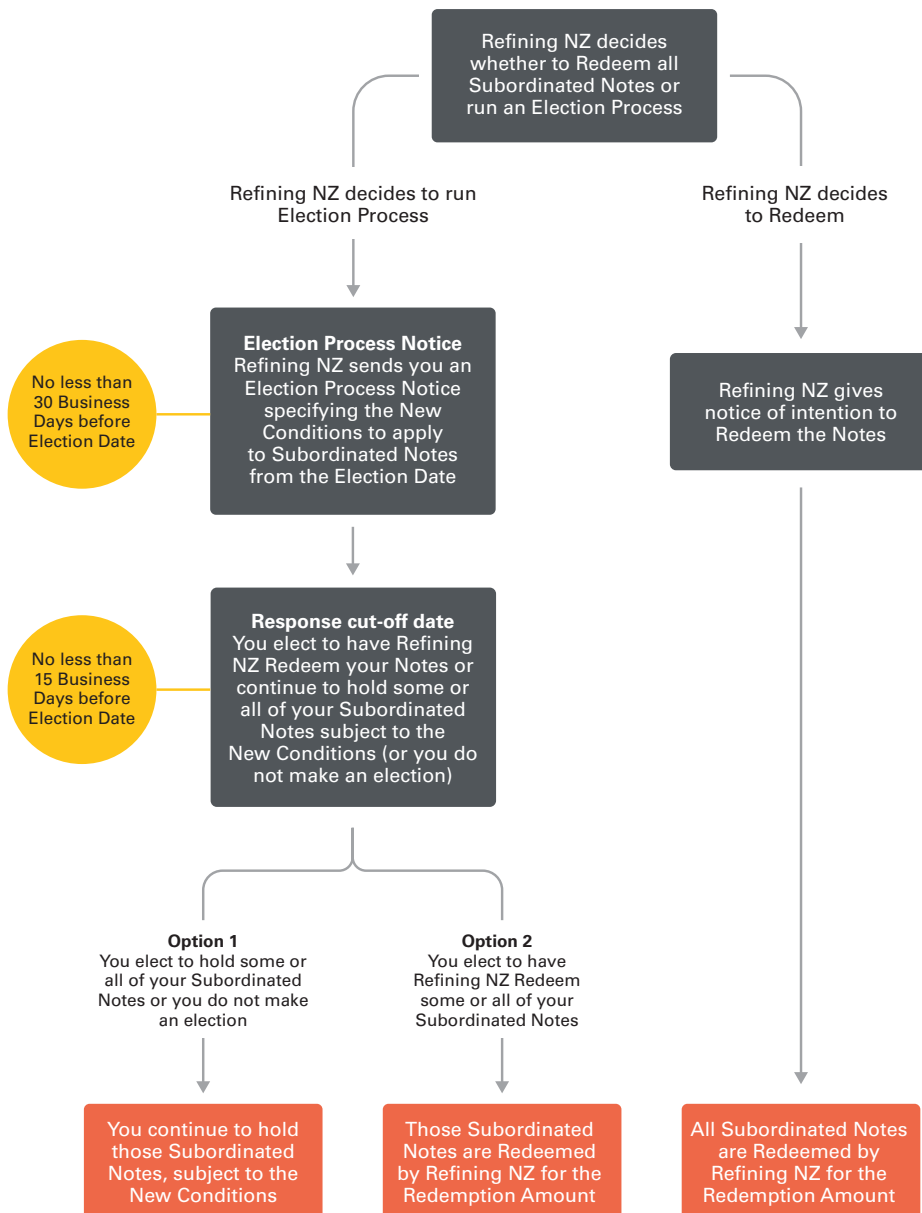
To initiate an Election Process, Refining NZ will, on a date no later than 30 Business Days prior to an Election Date, issue an Election Process Notice to all Eligible Holders that will include the New Conditions of the Subordinated Notes that will apply from the Election Date.

You will then need to make your decision and respond to the Election Process Notice within the period, ending not less than 15 Business Days prior to the relevant Election Date, as specified by Refining NZ in the Election Process Notice.

If you do not respond to the Election Process Notice, you will be deemed to have accepted the New Conditions and you will continue to hold those Subordinated Notes, subject to the New Conditions.

Ineligible Holders will not receive an Election Process Notice. Rather, Ineligible Holders will have their Subordinated Notes Redeemed by Refining NZ on the Election Date.

The diagram below summarises the Election Process.



5.3 DEFERRAL OF INTEREST

Refining NZ may defer the payment of interest at any time at its discretion. For the avoidance of doubt, Refining NZ is likely to defer interest if:

- (1) Refining NZ's operating revenue from processing fees for that interest period is at the pro rata fee floor level set under the Processing Agreements; or
- (2) Refining NZ customer has terminated or given notice of termination of its Processing Agreement with Refining NZ (and no replacement customer has been found); and

Refining NZ will defer interest if:

- (1) an event of default (however defined in any agreement for borrowed money indebtedness) is continuing with respect to any borrowed money indebtedness of Refining NZ; or
- (2) Refining NZ is insolvent.

Any Deferred Interest will accrue interest on it at the Interest Rate (compounding on each Interest Payment Date) until paid. Any Deferred Interest (including any interest thereon) will be added to the Principal Amount on Redemption.

The Processing Agreements with Refining NZ's customers contain a fee floor clause. If the year-to-date processing fee revenue is below the pro-rata fee floor then Refining NZ's customers make a pro-rata fee floor payment to Refining NZ. This is paid back should the fee floor be exceeded in the coming months of that calendar year.

The fee floor, currently NZ\$134 million, is subject to annual Producers Price Index (PPI) based escalation. The fee floor limits the downside in the refining margin and USD/NZD exchange rate (both of which are key factors in calculating the processing fee).

Over the past 23 years, since the inception of the Processing Agreements in 1995, the customers have paid the fee floor twice, namely for:

- the full twelve months in 1999, and
- the six months ended 30 June 2014. (With improved margins in the second half of 2014, the fee floor was then repaid to the customers in the six months ended 31 December 2014.)

5.4 DIVIDEND STOPPER

Refining NZ will not be able to pay any dividend or make any other payments on or with respect to Shares, other securities or indebtedness ranking equally with or subordinate to the Subordinated Notes until all unpaid Deferred Interest is paid, without obtaining an Extraordinary Resolution of the Subordinated Noteholders.

5.5 TAX EVENT

Refining NZ may choose to Redeem all the Subordinated Notes for the Redemption Amount if a Tax Event occurs.

Broadly, a Tax Event will occur if there has been, or there will be, a change in New Zealand law applying after the Issue Date, as a result of which:

- any interest payable on the Subordinated Notes, including interest which has been deferred, is not, or will not be, fully deductible for the purposes of New Zealand income tax; or

- Refining NZ would be, or is likely to be, exposed to any other adverse tax consequences in relation to the Subordinated Notes.

See clauses 1.2 and 8 of the Supplemental Trust Deed for a more detailed description of Tax Event.

If Refining NZ chooses to Redeem the Subordinated Notes in these circumstances, it will announce this via NZX together with the date set for Redemption (which must be at least 30 calendar days and not more than 60 calendar days after such announcement).

5.6 EVENT OF DEFAULT

If an Event of Default occurs under the Trust Deed, the Supervisor may in its discretion, and must upon being directed to do so by an Extraordinary Resolution of Subordinated Noteholders, declare that the Subordinated Notes are to be redeemable by Refining NZ at the Redemption Amount.

The Events of Default in the Trust Deed are:

- Refining NZ fails to pay the amount payable on Redemption when due and that breach is not remedied within 10 calendar days of the due date for payment;
- Refining NZ fails to comply with the Dividend Stopper; or
- an Insolvency Event occurs in respect of Refining NZ.

5.7 CHANGE OF CONTROL EVENT

Subordinated Noteholders may choose to Redeem their Subordinated Notes before the Maturity Date if a Change of Control Event occurs. A Change of Control Event occurs if one or more of the following occur:

- an offer is made which would result in the offeror (including its associates) holding or controlling more than 50% of the voting rights of Refining NZ, and the offer has been accepted, become unconditional and all regulatory approvals have been obtained; or
- any other circumstance or event arises which results in a person (and its associates) holding or controlling more than 50% of the voting rights of Refining NZ.

In the Change of Control Event Notice, Refining NZ will set:

- the last date on which Subordinated Noteholders may make an election to Redeem their Subordinated Notes, which must be at least 14 calendar days after the date of the Change of Control Event Notice; and
- the date of Redemption, which must be no more than 31 calendar days after the date of the Change of Control Event Notice.

If a Subordinated Noteholder elects to Redeem their Subordinated Notes then the Subordinated Notes will be Redeemed for the greater of:

- (1) the Redemption Amount; and
- (2) the volume weighted average (excluding interest) price of the Subordinated Notes for the 20 Business Days preceding the Change of Control Event, plus accrued interest.

5.8 REDEMPTION

The Subordinated Notes will be Redeemed on the Maturity Date unless:

- Refining NZ elected to Redeem the Subordinated Notes on an Election Date or an Anniversary Date;
- Refining NZ has Redeemed the Subordinated Notes following a Tax Event;
- the Supervisor requested that Refining NZ Redeem the Subordinated Notes following an Event of Default;
- an individual Subordinated Noteholder requested that Refining NZ Redeem the Subordinated Notes following a Change of Control Event; or
- an individual Subordinated Noteholder requested that Refining NZ Redeem the Subordinated Notes after an Election Process offering New Conditions,

in each case, prior to the Maturity Date. If the Subordinated Notes are Redeemed on the Maturity Date, Refining NZ will Redeem the Subordinated Notes by paying the Redemption Amount of the Subordinated Notes.

5.9 REDEMPTION ELECTION ON ANNIVERSARY DATE

No less than 30 Business Days prior to an Anniversary Date, Refining NZ may, at its sole discretion, provide notice of its election to Redeem all (but not some) of the Subordinated Notes. If Refining NZ elects to Redeem the Subordinated Notes on an Anniversary Date, Refining NZ will pay Subordinated Noteholders the greater of:

- (1) the Redemption Amount; and
- (2) the volume weighted average (excluding interest) price of the Subordinated Notes for the 20 Business Days preceding the relevant Anniversary Date, plus accrued interest.

5.10 OTHER RELEVANT INFORMATION ABOUT THE TRUST DEED

The Trust Deed also contains a number of other provisions, including provisions relating to:

- the role of the Supervisor and the powers and duties of the Supervisor (noting that the powers of the Supervisor are limited and need to be considered in the context of the conditions of the Subordinated Notes, including the subordinated nature of the Subordinated Notes, the right of Refining NZ to defer interest in its discretion, the limited rights of Subordinated Noteholders and the limited Events of Default under the Trust Deed);
- the process for replacement of the Supervisor;
- the right of the Supervisor to be indemnified;
- the payment of fees, expenses and other amounts owing to the Supervisor (including those amounts owing to the Supervisor are, on a default, paid from the proceeds of enforcement before payments to Subordinated Noteholders);
- holding meetings of Subordinated Noteholders;
- the process for Subordinated Noteholders to sell or transfer their Subordinated Notes (including that such sales and transfers are subject to the terms of the Trust Deed and applicable securities laws, in particular that transfers that would result in the transferee holding Subordinated Notes with an aggregate principal amount of less than \$5,000, or in an amount that is not a multiple of \$1,000, will not be allowed); and
- the process for amending the Trust Deed. To summarise, the Trust Deed can be amended:
 - with the consent of the Supervisor;
 - by the Financial Markets Authority under section 109 of the FMCA; or
 - under section 22(7) or 37(6) of the Financial Markets Supervisors Act 2011 or any other enactment.

The Supervisor must only consent to an amendment if:

- the amendment is approved by an extraordinary resolution of the holders of the debt securities (or each class of holders that is or may be adversely affected by the amendment or replacement); or
 - the Supervisor is satisfied that the amendment or replacement does not have a material adverse effect on the Subordinated Noteholders.
- You should read clause 19 of the Master Trust Deed for further information.

You are not entitled to enforce any of your rights or remedies under the Trust Deed directly against Refining NZ unless the Supervisor fails to enforce such rights or remedies within a reasonable period after having become bound to do so in accordance with the Trust Deed. The only circumstance in which the Subordinated Notes can be declared Redeemable for a default are the specific Events of Default (see the information under the heading “Events of Default” for further information).

6 RISKS OF INVESTING

6.1 INTRODUCTION

This section describes the following potential key risk factors:

- general risks associated with an investment in the Subordinated Notes; and
- significant specific risks relating to Refining NZ's creditworthiness.

Key risks outlined in this section are based on an assessment of the probability of a risk occurring and potential impact (individually or in combination with other key risks) at the date of this PDS. There is no guarantee or assurance that key risks will not change, alter in their significance or that other risks will not emerge.

Where practicable, Refining NZ seeks to implement risk mitigation strategies to minimise exposure to some of the risks outlined below. However, there can be no assurance that these risk mitigation strategies will fully protect Refining NZ from all or any risks.

Investors should carefully consider these risk factors (together with the other information in this PDS and on the Disclose Register) before deciding to invest in the Subordinated Notes. This summary does not cover all of the risks of investing in the Subordinated Notes.

Before making any investment decision it is important that investors consider the suitability of an investment in the Subordinated Notes in light of their own individual risk profile for investments, investment objectives and personal circumstances (including financial and taxation issues). The risks described in this section do not take account of the personal circumstances, financial position or investment requirements of any particular person other than Refining NZ. You can seek the advice of a financial adviser to help you make an investment decision.

6.2 GENERAL RISKS

An investment in the Subordinated Notes is subject to the following general risks.

GENERAL RISKS RELATED TO THE INSOLVENCY OF REFINING NZ

If Refining NZ becomes insolvent, there may be a shortfall of funds to pay all amounts ranking ahead of and equally with the Subordinated Notes. If this occurs, this would result in you not receiving a full return of the Principal Amount and/or any interest due and unpaid at that time.

Please refer to section 5 of this PDS (*Key features of the Subordinated Notes*) for more information on the ranking of the Subordinated Notes in the event of the insolvency of Refining NZ.

GENERAL RISKS RELATED TO THE MARKET FOR THE SUBORDINATED NOTES

If Subordinated Noteholders wish to sell their Subordinated Notes before the Maturity Date:

- **Market price:** The price at which Subordinated Noteholders are able to sell their Subordinated Notes may be less than the amount they paid for the Subordinated Notes. The price of the Subordinated Notes may be affected by a number of factors, both dependent on, or independent of, Refining NZ's creditworthiness. Independent factors may include the time remaining to the Maturity Date, the outstanding aggregate Principal Amount of the Subordinated Notes, the level of demand for the Subordinated Notes offered for sale in the secondary market from time to time, any legal restrictions limiting demand for Subordinated Notes, the availability of comparable securities, the level, direction and volatility of market interest rates and market conditions generally. For example, if market interest rates go up, the market value of the Subordinated Notes would typically be expected to go down and vice versa.
- **Liquidity:** The Subordinated Noteholders may be unable to sell their Subordinated Notes at all due to lack of demand or because the Subordinated Notes cease to be listed on the NZX Debt Market. There can be no assurance that a secondary market for the Subordinated Notes will develop or of the liquidity of such a market. In the absence of a liquid secondary market for the Subordinated Notes, Subordinated Noteholders may not be able to sell their Subordinated Notes readily or at prices that will enable them to realise a yield comparable to that of similar instruments, if any, within a developed secondary market. Even following the development of a secondary market, and depending on market conditions and other factors, Subordinated Noteholders seeking to sell relatively small or relatively large amounts of Subordinated Notes may not be able to do so at prices comparable to those that may be available to other Subordinated Noteholders.

Due to these factors the Subordinated Notes may not be readily saleable, their value may fluctuate over time and such fluctuations may be significant and could result in losses to a Subordinated Noteholder who wishes to sell Subordinated Notes prior to the Maturity Date.

6.3 SPECIFIC RISKS RELATING TO REFINING NZ'S CREDITWORTHINESS

Refining NZ considers that the following circumstances are those which could significantly affect, either individually or in combination, the Refining NZ Group's future financial position and financial performance, and therefore significantly increase the risk that Refining NZ may default on its obligations under the Subordinated Notes.

SINGLE REFINERY SITE / CONCENTRATION OF OPERATIONS

Refining NZ operates a single refinery at Marsden Point, near the entrance to the Whangarei harbour. The single site, creates a risk in that Refining NZ would not be able to redirect operations to another location, in the event that, for any reason, production was disrupted at the refining site or at the jetty (marine terminal), where crude cargoes are delivered to and refined product is shipped from.

In particular, the following initiating events could cause a disruption to Refining NZ's operations at Marsden Point:

1. High hazard industry – failure of pipelines and vessels

Refining NZ operates in a high hazard industry; oil refining and pipeline activities involve the operation of pipes, vessels and catalysts which are subjected to high pressures and high temperatures. The unanticipated failure of refining plant and equipment, catalysts or the Refinery to Auckland pipeline (RAP) may result in a business disruption and, in the case of a product release, to remediation costs which could ultimately affect Refining NZ's financial position and potentially its creditworthiness.

Refining NZ has adopted a range of preventative barriers using well established engineering, inspection, cyber security and process safety techniques, to deliver what it believes are robust and reliable world class management systems. The focus is to achieve continued process safety, maintain and improve reliability and integrity, and optimise operating costs and plant availability.

2. Marine operations

The risks associated with the marine operations are that:

- a crude or product tanker could hit and cause damage to the jetty rendering it inoperable,
- a shipping accident could result in a port blockage; and
- the discharge of oil tankers and loading of product tankers at the jetty may cause pollution resulting in a significant disruption to Refining NZ's business, together with remediation costs and fines, all of which could affect Refining NZ's financial position and creditworthiness.

All operations at Refining NZ's marine terminal are required to be carried out in accordance with recommendations of the International Safety Guide for Oil Tankers and Terminals on the safe handling at the terminals and on tankers of crude oil and petroleum products and the Whangarei harbour is controlled by the Harbour Master.

3. Natural perils – earthquake and tsunami

Asset damage and business interruption resulting from an earthquake or a tsunami could potentially result in a significant impact on Refining NZ's financial position and creditworthiness.

- Earthquake – An earthquake of strong magnitude could render Refining NZ's high pressure plant and equipment, tanks and the RAP unsafe to operate, resulting in a business disruption. In 2007, New Zealand's Institute of Geological and Nuclear Sciences (GNS) reported that the Refinery is located in New Zealand's lowest seismicity region, Northland. Accordingly, the likelihood of a large scale earthquake at Marsden Point would appear to be lower than elsewhere in New Zealand – although it remains a possibility.
- Tsunami – The location of the Refinery at the entrance to the Whangarei harbour means that it is vulnerable to the risk of a tsunami; flooding of the site could result in asset damage and business disruption. A 2013 study by GNS reported that the Northland coastline in the vicinity of the Marsden Point Refinery could expect to experience a 3.8 – 6.2 metre tsunami (16th to 84th percentile) in a 500 year return period. The Refinery is situated 4.3 metres above mean sea level and is protected by a headland at the harbour entrance and a fore-dune barrier of between 6 to 12 metres. As a further risk mitigation, all structures on site are designed to withstand significant lateral loads.

Refining NZ maintains Material Damage and Business Interruption insurance for property damage and consequential business interruption as a mitigation of these risks.

CUSTOMER CONCENTRATION

Over 93% of Refining NZ's total operating revenue comes from three customers and 92% is derived from four individual Processing Agreements which have been in place since 1995. The Processing Agreements are long term "evergreen" contracts which continue unless renegotiated or terminated by mutual consent or by a customer on one year's notice. If any of these Processing Agreements were terminated, and no new customers were found, then this would have a significant impact on the financial position of Refining NZ and potentially its creditworthiness. Similarly, the loss of a Processing Agreement could result in Refining NZ having to defer interest in respect of the Notes due to a decrease in operating revenue (see section 5 of this PDS (*Key features of the Notes*) for further information).

Refining NZ's response is to continue to invest in growth projects, with a view to sustaining and growing the refining margin and RAP throughput, so as to be able to provide a cost-competitive and a reliable supply of quality products.

GLOBAL OIL MARKET COMMODITY PRICE RISK (REFINING MARGINS) AND FOREIGN EXCHANGE

If Refining NZ's operating revenue from processing fees is at the pro rata fee floor level set under the Processing Agreements for a sustained period, the reduced operational cash flows could impact on Refining NZ's financial position and potentially its creditworthiness.

However, it is expected that, over time, markets would correct the circumstances leading to the fee floor being triggered.

CHANGES IN DEMAND FOR FUELS

Refining NZ supplies around 58% of NZ's petrol demand, 85% of its jet fuel and 67% of its diesel (overall, around 70% of NZ's demand for fuels).

Demand for petrol and diesel may decline for a number of reasons, including engine technology becoming more fuel efficient and/or substitution with electric technology and/or price. A materially lower demand for these products as a result of these changes could have a significant effect on Refining NZ's financial position and potentially its creditworthiness.

Refining NZ believes it is well placed to continue supplying at current rates even if demand reduces, because Refining NZ's expectation is that imported product would be displaced first.

REGULATORY CHANGE

Refining NZ is subject to the risk of regulatory change which could have an impact on Refining NZ's financial position and potentially its creditworthiness.

Regional Plan

A new Regional Plan is being developed by the Northland Regional Council (NRC) which takes a wide reaching look at the use of the region's water, soil, air and the coast, all of which are relevant to Refining NZ's resource consents for its operation. Sea level rise, as a consequence of climate change, is a recognised issue and could have a bearing on the Policy developed out of the Plan. We are actively engaged with the Regional Plan changes and will look to contribute to the Policy development. Upon renewal of its resource consent in 2022, it is possible that there will be a tightening of the conditions which could have a significant impact for the Company that may require further investment, impacting profitability and potentially the Company's creditworthiness.

Marine and Coastal Area Act 2011

Under the Marine and Coastal Area Act 2011, iwi, hapū and whānau were able to apply either to the High Court or directly to the Crown for the recognition of either or both a) Customary Marine Title (CMT) and b) Protected Customary Rights (PCR) in a common marine and coastal area.

Applications are now either before the Courts or are the subject of direct consultation with the Crown. There are 24 applications applying to Popouwhenua (that is, the Marsden Point Site).

A CMT grants a Resource Management Act permission right which allows the group to give or decline permission, on any grounds, for activities for which a resource consent is sought in the area covered by the CMT. Refining NZ would be required to consult a CMT holder about any new resource consent application, or a consent that is up for renewal with the title owner having the right to refuse consent. Separately, recognition of a PCR means that local authorities cannot grant resource consents for other activities that would have more than a minor adverse effect on that right.

Additional conditions attached to, or non-renewal of, consents that are integral to Refining NZ's License to Operate, could have a significant impact, including further investment requirements, impacting profitability and in the worst case the Company's continued operations.

EMISSIONS TRADING SCHEME

In April 2003, Refining NZ and the Crown entered into a Negotiated Greenhouse Agreement (NGA) which commits Refining NZ to a reduction pathway of its Energy Intensity Index as defined in Solomon Associates' *Fuels Refinery Performance Analysis*. Following the expiry of the NGA on 31 December 2022, Refining NZ will face the prospect of full exposure to the New Zealand Emissions Trading Scheme (NZ ETS) via a charge on Refining NZ's direct and indirect CO₂ emissions. As Refining NZ's operations are energy intensive, full exposure to the NZ ETS could significantly reduce the Company's competitiveness and ultimately Refining NZ's financial viability.

The alternative is for Refining NZ to be recognised under the Climate Change Response Act (CCRA) as an "Emissions Intensive and Trade-Exposed Industry" (EITE). Refining NZ is in dialogue with Government and its officials to include Refining NZ in the NZ ETS as EITE post 2023, to benefit from a partial free CO₂ emissions allocation.

This PDS does not cover all the risks of investing in the Subordinated Notes.

7 TAX

The returns on Subordinated Notes will be affected by taxes. The information in this section is based on the law in force in New Zealand at the date of this PDS. The information does not constitute taxation advice to any Subordinated Noteholder, is general in nature and limited to consideration of New Zealand taxation impacts only.

7.1 RESIDENT WITHHOLDING TAX

If you are resident in New Zealand for tax purposes or you otherwise receive payments of interest on the Subordinated Notes that are subject to the Resident Withholding Tax (RWT) rules, Refining NZ will deduct RWT at the relevant rate from interest paid or credited to you unless you provide Refining NZ or the Securities Registrar a valid certificate of exemption from RWT on or before the record date for the relevant payment.

7.2 APPROVED ISSUER LEVY

If you are not a resident of New Zealand for tax purposes and the interest you receive is subject to the Non-Resident Withholding Tax (NRWT) rules, Refining NZ will deduct Approved Issuer Levy (AIL) in lieu of deducting NRWT, unless you elect for NRWT to be deducted or AIL is not applicable under the law.

Refining NZ will apply a zero rate of AIL, if possible. Otherwise, AIL will be deducted at the standard rate of 2% from the interest payment. If the AIL regime or rate changes in the future, Refining NZ reserves the right not to deduct AIL and deduct NRWT instead.

You may request that Refining NZ deducts NRWT from interest payments to you instead of applying the AIL regime. In this event, or in the event that the AIL regime does not apply, NRWT will be deducted from interest paid to you at the applicable rate. In the case of a Subordinated Note that is held jointly by a New Zealand resident Subordinated Noteholder and a non-resident Subordinated Noteholder, NRWT will be deducted from interest paid in respect of the Subordinated Note at the applicable RWT rate. See the Trust Deed for further details.

The rate at which deductions are made from the interest paid to you (i.e. for RWT, AIL or NRWT) will be determined based on the information that you provide to us (or the Securities Registrar) in the Application Form or otherwise.

7.3 INDEMNITY

If, in respect of any of your Subordinated Notes, Refining NZ becomes liable to make any payment of, or on account of, tax payable by you, then you will be required to indemnify Refining NZ in respect of such liability. Any amounts paid by Refining NZ in relation to any such liability may be recovered from you by withholding the amount from further payments to you in respect of Subordinated Notes. See the Trust Deed for further details.

7.4 GENERAL

Tax has significant consequences. There may be other tax consequences from acquiring or disposing of the Subordinated Notes, and otherwise from the maturity, redemption, purchase or cash settlement of the Subordinated Notes, including under New Zealand's "financial arrangements" rules.

If you have any queries relating to the tax consequences of the investment, you should obtain professional taxation advice on those consequences.

8 SELLING RESTRICTIONS

You may only offer for sale or sell any Subordinated Note in conformity with all applicable laws and regulations in any jurisdiction in which it is offered, sold or delivered. The Offer is not open to any director, executive officer or senior manager of a company in the Refining NZ Group or to any other Related Party.

Refining NZ has not taken and will not take any action which would permit a public offering of Subordinated Notes, or possession or distribution of any offering material in respect of the Subordinated Notes, in any country or jurisdiction where action for that purpose is required (other than New Zealand).

Any information memorandum, disclosure statement, circular, advertisement or other offering material in respect of the Subordinated Notes may only be published, delivered or distributed in compliance with all applicable laws and regulations (including those of the country or jurisdiction in which the material is published, delivered or distributed).

8.1 INDEMNITY

By subscribing for Subordinated Notes, each investor agrees to indemnify, among others, Refining NZ, the Supervisor, the Arranger and the Joint Lead Managers and their respective directors, officers, employees and agents in respect of any loss, cost, liability or damages suffered as a result of an investor breaching the selling restrictions referred to in this section.



9 WHO IS INVOLVED

	Name	Role
Issuer	Refining NZ	Issuer of the Subordinated Notes.
Supervisor	The New Zealand Guardian Trust Company Limited	Holds certain covenants on trust for the benefit of the Subordinated Noteholders, including the right to enforce Refining NZ's obligations under the Subordinated Notes.
Organising Participant	First NZ Capital Securities Limited	Has responsibilities to NZX in relation to the quotation of the Subordinated Notes.
Arranger	First NZ Capital Securities Limited	Provide advice and assistance to Refining NZ in arranging the Offer.
Joint Lead Managers	First NZ Capital Securities Limited, ANZ Bank New Zealand Limited, Bank of New Zealand and Forsyth Barr Limited.	Assist with the Bookbuild for the Offer and with the marketing and distribution of the Offer. Except as described above, the Joint Lead Managers are not otherwise involved in the Offer. This PDS does not constitute a recommendation by the Joint Lead Managers or any of their respective directors, officers, partners, employees, agents or advisers to purchase any Subordinated Notes. None of the Joint Lead Managers and their respective directors, officers, partners, employees, agents or advisers have independently verified the content of this PDS (other than First NZ Capital Securities Limited in its capacity as Arranger).
Securities Registrar	Computershare Investor Services Limited	Maintains register of Subordinated Noteholders.
Solicitors to Issuer	MinterEllisonRuddWatts	Provides legal advice to Refining NZ in respect of the Offer.
Solicitors to Supervisor	Bell Gully	Provides legal advice to the Supervisor in respect of the Offer.

10 HOW TO COMPLAIN

Complaints about the Subordinated Notes can be directed to:

The New Zealand Refining Company Limited

Company Secretary
Marsden Point
Whangarei

Phone: +64 9 432 5100

Email: corporate@refiningnz.com

Postal: Private Bag 9024
Whangarei 0148

The New Zealand Guardian Trust Company Limited

Manager, Corporate Trusts
Level 6, 191 Queen Street
Auckland

Phone: +64 9 909 5100

Email: ct-auckland@nzgt.co.nz

Postal: PO Box 274
Shortland Street
Auckland 1140

The Supervisor is a member of an external, independent dispute resolution scheme operated by Financial Services Complaints Limited (FSCL) and approved by the Ministry of Consumer Affairs.

If the Supervisor has not been able to resolve your issue, you can refer the matter to:

Financial Services Complaints Limited

Complaint Investigation Officer
Financial Services Complaints Limited
Level 4, 101 Lambton Quay
Wellington 6011

Phone: 0800 347 257

Email: info@fsc.org.nz

Postal: PO Box 5967
Wellington 6145

The scheme will not charge a fee to any complainant to investigate or resolve a complaint.

Complaints may also be made to the Financial Markets Authority through their website www.fma.govt.nz.



WHERE YOU CAN FIND MORE INFORMATION

Further information relating to Refining NZ and the Subordinated Notes is available on the online offer register maintained by the Companies Office known as 'Disclose'. The Disclose Register can be accessed at www.business.govt.nz/disclose. A copy of the information on the Disclose Register is also available on request to the Registrar of Financial Service Providers at registrar@fspr.govt.nz.

The information contained on the Disclose Register includes copies of the Trust Deeds.

Refining NZ is subject to disclosure obligations in respect of its shares listed on the NZX that requires it to notify certain material information to the NZX for the purpose of that information being made available to the market. Refining NZ's page on the NZX website, which includes information made available under the disclosure obligations referred to above, is available at www.nzx.com/companies/NZR.

The information contained on the NZX website includes market announcements made by Refining NZ.

Further information on the Subordinated Notes can also be found at www.refiningnz.com/investor-centre/notes.

In addition, further information required to be given by Refining NZ under the Trust Deed may be requested from Refining NZ by emailing corporate@refiningnz.com. No fee will be charged for such information.



HOW TO APPLY

There is no public pool for the Subordinated Notes. This means you can only apply for Subordinated Notes through a Primary Market Participant or approved financial intermediary. You must return a completed Application Form (with payment) to the office of the Primary Market Participant or financial intermediary in time to enable it to be forwarded to the Securities Registrar before 5.00pm on the Closing Date.

An application cannot be withdrawn or revoked by the applicant once it has been submitted.

Additional instructions on how to apply for Subordinated Notes are set out with the Application Form contained at the back of this PDS.



CONTACT INFORMATION

Issuer

The New Zealand Refining Company Limited
Marsden Point
Whangarei

Phone: +64 9 432 5100

Email: corporate@refiningnz.com

Postal: Private Bag 9024
Whangarei 0148

Securities Registrar

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna
Auckland 0622

Phone: +64 9 488 8777

Email: corporateactions@computershare.co.nz

Postal: Private Bag 92119
Auckland 1142

GLOSSARY

\$	New Zealand dollars.
Anniversary Date	Each anniversary of the First Interest Payment Date falling after the first Election Date (1 March 2024) other than the second Election Date (1 March 2029).
Application Form	The application form contained at the back of this PDS relating to the Offer.
Arranger	First NZ Capital Securities Limited.
Bookbuild	The process expected to take place on 29 November 2018 whereby certain parties lodge bids for Subordinated Notes and, on the basis of those bids, Refining NZ and the Joint Lead Managers will determine the Issue Margin used to determine the Initial Interest Rate.
Business Day	A day (other than a Saturday or Sunday) on which registered banks are generally open for business in Auckland and Wellington, except that in the context of the Listing Rules it means a day on which the NZX Debt Market is open for trading.
Closing Date	12 December 2018.
Deferred Interest	Means any interest deferred by Refining NZ in accordance with clause 5.3 of the Supplemental Trust Deed.
Disclose Register	The online offer register maintained by the Companies Office known as 'Disclose.'
Dividend Stopper	Means each event set out in clause 5.6 of the Supplemental Trust Deed; which are summarised in section 5 of this PDS (<i>Key features of the Subordinated Notes</i>).
Election Date	5 years (1 March 2024) and 10 years (1 March 2029) from the First Interest Payment Date.
Election Process	Means the election process summarised in section 5 of this PDS (<i>Key features of the Subordinated Notes</i>) under that heading.
Election Process Notice	Means the notice given by Refining NZ to Noteholders to initiate an election process.
Eligible Holder	Means, in respect of an Election Process, all Subordinated Noteholders other than Ineligible Holders.
Event of Default	Means each event set out in clause 9 of the Master Trust Deed, which are summarised in section 5 of this PDS (<i>Key features of the Subordinated Notes</i>).
Extraordinary Resolution	Means a resolution passed with the support of Subordinated Noteholders holding not less than 75% of the aggregate Principal Amount of Subordinated Notes held by those persons voting.
First Interest Payment Date	1 March 2019.
FMCA	Financial Markets Conduct Act 2013.
Ineligible Holders	Means, in summary, a Subordinated Noteholder: <ul style="list-style-type: none"> • whose address in the register for the Subordinated Notes is a place outside New Zealand; or • who Refining NZ believes may not be resident in New Zealand, and where Refining NZ is not satisfied that the laws of the country in which Refining NZ believes the Subordinated Noteholder is resident, permit the participation by the Subordinated Noteholder in the Election Process.
Initial Interest Rate	The initial rate of interest per annum payable on the Principal Amount of the Subordinated Notes as announced by Refining NZ through NZX on or about 29 November 2018.
Inland Revenue	The New Zealand Inland Revenue Department.
Interest Payment Dates	1 March and 1 September, in each year (or if that day is not a Business Day, the next Business Day) until and including the Maturity Date, with the First Interest Payment Date being 1 March 2019.
Insolvency Event	Has the meaning given to that term in clause 1.2 of the Supplemental Trust Deed.
Interest Rate	Means: <ol style="list-style-type: none"> until the first Election Date, the Initial Interest Rate; and following the first Election Date, the interest rate notified in the most recent Election Process Notice.
Issue Date	14 December 2018.
Issue Margin	The margin determined by Refining NZ in conjunction with the Joint Lead Managers following the Bookbuild for the Offer.
Joint Lead Managers	First NZ Capital Securities Limited, ANZ Bank New Zealand Limited, Bank of New Zealand, and Forsyth Barr Limited.
Listing Rules	The listing rules applying to the NZX Debt Market, as amended from time to time.

Master Trust Deed	The master trust deed dated 20 November 2018 between Refining NZ and the Supervisor pursuant to which certain debt securities may be issued (as amended or supplemented from time to time).
Maturity Date	1 March 2034.
Negative Pledge Deed	The negative pledge deed originally dated 22 July 2003 (as amended and/or amended and restated from time to time) entered into by Refining NZ.
New Conditions	The terms and conditions for the Subordinated Notes following an Election Process.
NZX	NZX Limited.
NZX Debt Market	The debt security market operated by NZX.
NZX Main Board	The equity security market operated by NZX.
Offer	The offer of Subordinated Notes made by Refining NZ under this PDS.
Opening Date	30 November 2018.
Organising Participant	First NZ Capital Securities Limited.
PDS	This product disclosure statement for the Offer dated 20 November 2018.
Processing Agreement	Each processing agreement entered into between Refining NZ and one of its customers.
Primary Market Participant	Has the meaning given to that term in the NZX Participant Rules as amended from time to time.
Principal Amount	\$1.00 per Subordinated Note.
Rate Set Date	29 November 2018.
Redemption	Means: <ul style="list-style-type: none"> • the redemption of your Subordinated Notes by Refining NZ; or • the purchase of your Subordinated Notes by Refining NZ (or its nominated purchaser) if Refining NZ elects to purchase instead of redeem the Subordinated Notes. Redeem, Redeemed, Redeeming and Redemption have corresponding meanings.
Redemption Amount	The Principal Amount of the Subordinated Notes plus Deferred Interest plus accrued but unpaid interest.
Refining NZ or Issuer	The New Zealand Refining Company Limited.
Refining NZ Group	Refining NZ and all of its Subsidiaries, at that date.
Related Party	Has the meaning given to that term in the NZX Main Market / Debt Market Listing Rules as amended from time to time.
Securities Registrar	Computershare Investor Services Limited.
Share	An ordinary share in Refining NZ.
Shareholder	A holder of a Share.
Subordinated Noteholder or you	A person whose name is entered in the Register as a holder of a Subordinated Note.
Subordinated Notes	The notes constituted and issued pursuant to the Trust Deed and offered pursuant to this PDS.
Subsidiaries	Has the meaning given to that term in the Financial Markets Conduct Regulations 2014.
Supervisor	The New Zealand Guardian Trust Company Limited or such other supervisor as may hold office as supervisor under the Trust Deed from time to time.
Supplemental Trust Deed	The supplemental trust deed dated 20 November 2018 between Refining NZ and the Supervisor constituting and setting out the terms of the Subordinated Notes (as amended or supplemented from time to time).
Swap Rate	Means the mid-market swap rate from a period equal to the period from the Issue Date to the first Election Date, as calculated by Refining NZ in conjunction with the Joint Lead Managers on the Rate Set Date.
Tax Event	Broadly, a Tax Event will occur if there has been, or there will be, a change in New Zealand law applying after the Issue Date, as a result of which: <ul style="list-style-type: none"> • any interest payable on the Subordinated Notes, including interest which has been deferred, is not, or will not be, fully deductible for the purposes of New Zealand income tax; or • Refining NZ would be, or is likely to be, exposed to any other adverse tax consequences in relation to the Subordinated Notes.
Trust Deed	The Master Trust Deed and where the context requires, includes the Supplemental Trust Deed.

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SUBORDINATED NOTE APPLICATION FORM

Chris Lee & Partners Ltd
Po Box 1633
Paraparaumu Beach

This Application Form (**Application Form**) is issued with the product disclosure statement dated 20 November 2018 (**PDS**) for an offer of Subordinated Notes by The New Zealand Refining Company Limited (**Refining NZ**) to members of the public who are resident in New Zealand and certain institutional investors (**Offer**).

You should read the PDS in full before completing this Application Form. A copy of the PDS and other useful information about the Offer may also be obtained from www.business.govt.nz/disclose. Capitalised terms used in this Application Form have the meanings given to them in the PDS.

The Closing Date for the Offer is expected to be 12 December 2018. Refining NZ may, in its absolute discretion, and without notice, vary the timetable (including by opening or closing the Offer early). Refining NZ may also cancel the Offer at any time before the Subordinated Notes are issued.

Please complete this Application Form and arrange with your financial adviser for your Application Form and payment to be received by the Registrar, Computershare Services Limited, by 5.00pm on 12 December 2018.

PLEASE PRINT IN BLOCK LETTERS

A. APPLICANT DETAILS			
First Name(s):		Last Name:	
First Name(s):		Last Name:	
First Name(s):		Last Name:	
Corporate Name, Trust or <On Account> (if applicable):			
Postal Address:			
Phone Number:	Mobile:	Daytime:	

B. COMMON SHAREHOLDER NUMBER (CSN)
If you currently have a CSN or Holder Number, please enter it here: <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
Your details on this Application Form must match the details on your CSN. Otherwise, if you do not have a CSN, leave the boxes blank and you will be allocated a new CSN and Authorisation code (FIN) if your application is accepted.

C. ELECTRONIC CORRESPONDENCE
To enable Refining NZ to provide you with your investor correspondence in relation to your holding of Subordinated Notes electronically, please complete your email address below. If you do not provide an email address, investor correspondence will be mailed to you at the postal address provided on this Application Form.
Email: _____

D. APPLICATION PAYMENT – IMPORTANT
Applications must be accompanied by payment in full, in New Zealand currency based on \$1.00 per Subordinated Note. Applications must be for a minimum of \$5,000 and, thereafter, in multiples of \$1,000 . Refining NZ may accept or reject all or part of this application without giving reason.
Principal amount of Subordinated Notes applied for (at an issue price of \$1.00 per Subordinated Note): NZ\$ <input type="text"/>

Please make payment by only ONE of the options below by ticking the appropriate box (✓)

<input type="checkbox"/>	Option 1: Direct Debit	Direct debits allow Refining NZ or its agent to deduct money from your nominated bank account as payment for the amount of Subordinated Notes applied for (or any lesser amount determined by Refining NZ) on the date the Application Form is received by the Registrar or any day after that day. If you wish to make payment by this method, please complete your account details below. By signing this Application Form, the signatory agrees that Refining NZ, or its agent, is authorised to direct debit the bank account in accordance with the terms specified in the PDS. Name of Bank: _____ Name of Account: _____ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> Bank/Branch Account No. Suffix
<input type="checkbox"/>	Option 2: Cheque	Please find attached my/our cheque made payable to "Refining NZ Subordinated Note Offer" and crossed "Not Transferable".
<input type="checkbox"/>	Option 3: NZClear System	Payment by NZClear members as arranged with the Registrar (authorised institutional investors only). I/we have supplied my/our account details under Section E on the following page for the purpose of direct crediting any future interest paid by Refining NZ. NZClear Mnemonic: _____

J. CERTIFICATE OF NON-REVOCATION OF POWER OF ATTORNEY

(Complete this section if you are acting on behalf of the Applicant on this Application Form for whom you have power of attorney)

I,		(full name)
of		(place and country of residence),
		(occupation),

CERTIFY

That by deed dated		(date of instrument creating the power of attorney),
of		(place and country of residence of donor*),
		(full name of person/body corporate which granted the power of attorney**)
appointed me		(his/her/its) attorney;

THAT I have executed the application for Subordinated Notes printed on this Application Form under that appointment and pursuant to the powers thereby conferred on me; and

THAT I have not received notice of any event revoking the power of attorney (***)and to the best of my knowledge and belief no such notice has been received by

_____ (full name of body corporate holding power of attorney) or by any employee or agent of that body corporate).

Signed at:		this		day of		(month/year)
Signature of agent:						

* If donor is a body corporate, state place of registered office or principal place of business of donor and, if that is not in New Zealand, state the country in which the principal place of business is situated.

** If donor is a body corporate, state place of registered office or principal place of business of donor and, if that is not in New Zealand, state the country in which the principal place of business is situated.

*** Include if donor is a body corporate.

K. CERTIFICATE OF NON-REVOCATION OF AGENCY

(Complete this section if you are acting as Agent on behalf of the Applicant on this Application Form)

I,		(full name)
of		(place and country of residence),
		(occupation),

CERTIFY

That by deed dated		(date of instrument creating the agency),
		(full name of person/body corporate which appointed you as agent*)
appointed me		(his/her/its) agent;

THAT I have executed the application for Subordinated Notes printed on this Application Form under that appointment and pursuant to the powers thereby conferred on me; and

THAT I have not received notice of any event revoking my appointment as agent.

Signed at:		this		day of		(month/year)
Signature of agent:						

* If donor is a body corporate, state place of registered office or principal place of business of donor and, if that is not in New Zealand, state the country in which the principal place of business is situated.

I. TERMS AND CONDITIONS

By submitting this Application Form, I/we agree that I/we:

- (a) have received, read and understood the PDS;
- (b) agree to subscribe for Subordinated Notes upon and subject to the terms and conditions of the PDS, this Application Form and the Trust Deed, the information in connection with the Offer lodged on the Disclose Register and this Application Form and I/we agree to be bound by the provisions thereof;
- (c) declare that all details and statements made by me/us in this Application Form are complete and accurate;
- (d) certify that, where information is provided by me/us in this Application Form about another person, I/we are authorised by such person to disclose the information to Refining NZ and the Registrar and to give authorisation;
- (e) acknowledge that this Application Form was distributed with the PDS;
- (f) acknowledge that an application cannot be withdrawn or revoked by the applicant once it has been submitted;
- (g) acknowledge that Refining NZ reserves the right to decline any application, in whole or in part, without giving any reason and may decide not to accept any application whatsoever; and
- (h) acknowledge that the Offer is only made in New Zealand and to overseas institutional investors and by applying for the Subordinated Notes, I/we agree to indemnify, among others, Refining NZ, the Supervisor, the Joint Lead Managers and their respective directors, officers, employees and agents in respect of any loss, cost, liability or expense sustained or incurred by any of them as a result of me/us breaching that warranty or the selling restrictions applicable to the Offer of Subordinated Notes which can be found in the PDS.

This Application Form, the Offer and any contract arising out of its acceptance are each governed by New Zealand law. Under the Anti-Money Laundering and Countering Financing of Terrorism Act 2009, you may be required to produce evidence of your identity. I/we agree that my/our financial adviser may provide Refining NZ and its agents any information it has received (in connection with this Offer or previously) to satisfy any such obligations.

The information in this Application Form is provided to enable Refining NZ and the Registrar to consider and process your application, and to administer your investment, and to help enable Refining NZ or the Registrar to comply with (or determine what it needs to do to comply with) any applicable laws, rules or regulations in New Zealand or any other country or the requirements of any governmental, judicial or regulatory entity or authority in any jurisdiction. By signing this Application Form, you authorise Refining NZ and the Registrar to disclose information in situations where Refining NZ or the Registrar are required or permitted to do so by any applicable law or by a governmental, judicial or regulatory entity or authority in any jurisdiction. Personal information provided by you will be held by Refining NZ and the Registrar at their respective addresses shown in section 13 (*Contact information*) of the PDS or at such other place as is notified upon request. This information will be used for the purpose of managing your investment. If you are an individual under the Privacy Act 1993, you have the right to access and correct any of your personal information. You can also access your information on the Computershare website (www.investorcentre.com/nz). You will be required to enter your CSN and Authorisation code (FIN).