The New Zealand Refining Company Limited
Special Meeting of Shareholders
Friday 6th August 2021 at 11:00am
Held at World Cup Lounge East Room, Level 4, South Stand, Eden Park, Reimers Ave, Kingsland, Auckland and virtually via the Lumi online platform.

Chairman Simon Allen Speech

Ladies and gentlemen, thank you all for coming today or dialling in online. It is great to see such a high-level of engagement at this important milestone in the Company's history.

Before we take you through the details regarding Refining NZ's proposal to convert the Marsden Point site into a dedicated fuel import terminal, it is worth us reflecting on our journey to reach this point.

Over the past 16-months, the Company has undertaken a strategic review to determine the optimal operating model for the business.

Throughout this process, we have always maintained that our priorities were to realise full value for the Company's assets and deliver more sustainable returns 'through the cycle', and to support our workforce, and the wider community through what will be a significant change to the Company's operations.

It is to this that I would first like to turn. Over the past 16-months as we have undertaken our strategic review, and over the Refinery's 60-years of operations, it is the dedication and commitment of our people that has made the business what it is today. I know that change is always difficult, and that this time has been unsettling for many and the Board want to put on record our thanks to the whole team for your commitment to maintaining safe operations, and continuing to deliver for our customers and our shareholders throughout this process. Thank you.

The context for our Strategic Review included a significant fall in Gross Refining Margins at the end of 2019 which was further exacerbated by COVID-19 from early 2020, and below cost of capital returns from the refinery over the previous 10 years.

The initial phase of the review involved a comprehensive assessment of the alternative refinery and import terminal models and engagement with key stakeholders including Customers and Government.

There were four key factors underpinning the need for change:

First of all, forecasts prepared by independent expert market commentators indicates that it could be several years before a rebalancing of regional transport fuels supply and demand results in a meaningful recovery in GRM.

Second, the structural challenges to the competitiveness of the refinery due to its relatively small scale and higher cost of operating in New Zealand. These costs include significant increases in electricity and gas costs, as well as costs of coastal shipping around New Zealand,

Thirdly, the expected increasing exposure of the refinery model over time, as a significant carbon emitter, as New Zealand takes steps to decarbonise its economy, and

Last of all, the strong preference of refinery Customers - who have made Fee Floor subsidy payments amounting to around $118 million in the 18 months ended 30 June 2021. All three customers are in favour of a switch to an import terminal model.

The initial outcome of the Strategic Review announced in June 2020, was to simplify refinery operations in the short-term to maintain cash neutral operations at the Fee Floor, and in parallel explore with Customers the commercial case for converting to an import terminal.

The simplified refinery was implemented from January 2021 and has provided the Company, and our workforce, time to plan for a potential change, and negotiate with customers to find the right long-term solution – without destroying shareholder value or being under pressure to conclude negotiations quickly.

Over this period of change at the Refinery, our workforce, some of whom I know are watching today, have continued to work incredibly hard to ensure the safe operation of the refinery. I want to reiterate the commitment the Company has to supporting our employees through this transition as they have done for our company for so many years.

The Board recognises that financial returns to shareholders have not been satisfactory for some years. We committed to delivering on the outcomes of the strategic review, to realise full value for the Company's assets and deliver more sustainable returns 'through the cycle' while continuing to support secure, competitive fuel supply for the country and a fair and well managed transition for employees and other Stakeholders. By setting up the Company for a positive future, we can acknowledge the past, while building a New Zealand infrastructure company that will remain a vital member of our community.

The detailed Proposal that we presented to you a few weeks ago, and the subject of today's special meeting, will make the most of the highly strategic assets that the Company holds at Marsden Point.

Your Independent Directors unanimously agree that now is the right time to make the change to Channel Infrastructure.

Channel Infrastructure will:

- Utilise the deep-water harbour and jetty infrastructure of Marsden Point to import refined fuel, owned by our customers. This will replace the crude oil that our customers import today for refining.
- Fuel would be stored at the Marsden Point site in existing tanks at what would be the largest fuel terminal in New Zealand.
- We will continue quality fuel testing services both at the Marsden Point site and around New Zealand, through our IPL business.
- Fuel from Marsden Point would be distributed primarily to the Auckland and Northland markets through the 170-kilometre Refinery to Auckland Pipeline and the truck loading facility located adjacent to the Marsden Point site.

Our new business model will enable Channel Infrastructure to make the most of our strategic Marsden Point site, only part of which is required for import terminal operations. This site has great potential for future repurposing which makes greater use of this strategic site, generates jobs and economic activity for the Northland region and increased returns for our shareholders.

The Channel Infrastructure business will be very different from the business we have today. It will be one that is set up to be resilient and sustainable into the future.

Our aspiration is to be New Zealand's leading fuel infrastructure company:

- leveraging our existing capabilities as a safe and reliable operator,
- delivering value through transformation, by reducing our cost of capital and realising the strategic value of our infrastructure,
- and with opportunities to grow in the future, leveraging the capabilities and assets we have across a broader base.

We can reflect on The New Zealand Refining Company's 60-years of refining oil for New Zealand with pride, as today, we look to open a new chapter: As Channel Infrastructure NZ Limited with a vision to be New Zealand's leading independent fuel infrastructure company.

I will now pass over to Naomi to talk through the proposal in more detail.

CEO Naomi James Speech

Thank you, Simon and Kia ora koutou katoa, once again it is great to be with you all.

Channel Infrastructure, as the name says, will be an infrastructure business and a very different one to the refinery business we have today.

Why Channel? Because our infrastructure **channels the energy required to meet New Zealand's fuel requirements.**

This will be a business with infrastructure that is critical to New Zealand over the long-term and that has customer contracts underpinning infrastructure utilisation, stable earnings and a return to dividends. It's also a company that will play a key role in decarbonising New Zealand and with a focused strategy to grow and diversify in the future.

What is not changing with our proposed new business is our commitment to safe and reliable operations, delivered by our highly-capable workforce, and the Company's long-term commitment to Northland.

We have a very proud 60-year history to acknowledge today. That history would not have been possible without the dedication of our people over the past 60-years. As CEO, I am proud to lead a team that, despite the challenges we have faced as a business in recent years, have continued to come to work every day, and remain focused on delivering safe operations to ensure we can meet the needs of our customers, and ultimately, keep New Zealand's fuel supply chain operating.

At the same time as we acknowledge this past, we look to the future, and what is required to set this Company up for the next 60-years as a strong and sustainable business, that continues to meet the energy needs of New Zealand into the future.

Channel Infrastructure's primary business immediately following the commencement of terminal operations would be owning, operating, and maintaining the Import Terminal System.

The Marsden Point terminal would have capacity to meet Auckland's forecast fuel demands, and it is the only supply route for jet fuel to Auckland International Airport where – in a normal, pre-COVID year – around 75% of all NZ inbound and outbound flights occur. This means that Channel Infrastructure would be critically linked to the country's largest expected export earner – tourism – underpinning long-term asset utilisation.

What the Hale & Twomey forecasts on this slide highlight is predicted strong growth and sustained demand for jet fuel, based on a recovery to pre-COVID levels and a return to historic growth trends linked to GDP and wealth trends.

Decarbonisation of heavy transport and aviation is expected to take longer and to continue to require liquid fuels, whether that's sustainable aviation fuels or other biofuels, which provides opportunity for our infrastructure to continue to play the critical role it does today, into the future.

Over the past year, our team has been working hard to negotiate a commercial framework for the provision of import terminal services with our Customers, which will ensure that our shareholders receive fair value from our critical infrastructure, while providing a competitive supply chain to our customers.

As you will have seen in the detailed Conversion proposal booklet, independent appraiser Grant Samuel have concluded that the commercial terms negotiated with customers for the proposed import terminal are fair to Non-Customer Shareholders.

The Terminal Services Agreements will be long-term agreements, with an initial ten-year term, providing Customers with two rights of renewal for a further 5 years' each.
The fees are a combination of fixed and variable throughput fees incentivising utilisation, with fixed fees expected to largely cover the cash costs of operating the terminal.

You will see that the take or pay component over the first six years is set at between $90 million and $100 million – this is an important aspect of the commercial arrangements as it enables us to debt-fund the estimated transition costs of c.$200 - $220 million over 5 to 6 years, while allowing time for a recovery in jet demand to occur post COVID-19.

Customers have sought additional private storage capacity, in addition to the shared terminal capacity. This could be up to 100 million litres of additional storage capacity across our existing customer base, which would be priced on a value accretive basis.

These commercial terms reflect the in-principle agreements reached with Z Energy and bp, which form the basis of ongoing negotiations with Mobil. We are working to conclude a binding agreement with all 3 customers, including Mobil, before a final investment decision is taken around the end of Q3.

The long-term contracts, together with the cost profile of the import terminal business and tax losses, are expected to deliver stable earnings, cash flow and dividends.

Based on the Hale & Twomey forecasts and the commercial terms I have just talked through, the aggregate fees payable by Customers for the shared terminal capacity are expected to average around $95 million per annum in real terms across the initial 10-year term.

In addition to the shared terminal revenue, Channel Infrastructure would earn revenue from its IPL business and from the Wiri terminal lease until 2025, as well as from any private storage services.

Group operating expenses are expected to be in the order of $35 million per annum, including IPL.

Group capital expenditure is expected to range from $5-10 million per annum, meaning a strong conversion of EBITDA into free cash flow.

With tax losses generated from the write-off of refining assets, Channel Infrastructure is expected to have tax losses of $400 to $450 million after conversion, which are expected to offset future income tax liabilities for a number of years. These tax losses will continue to be available to offset future taxable income so long as:

- We satisfy the shareholder continuity test, or
- If at any time we breach the shareholder continuity test, for the five years following that we satisfy the business continuity test.

With conversion costs of $200 to $220 million spread over 5-to 6-years, we expect to recommence dividends 1- to 2-years following conversion, after deleveraging to below 4.5x EBITDA. And the Board proposes a pay-out ratio of 60-70% of free cash flow to achieve a leverage target of 3-4 times EBITDA within 5-years after conversion consistent with an investment grade rated entity.

Throughout the strategic review process, we have been necessarily conscious of the global movement towards, and New Zealand's focus on, reducing carbon emissions, with the emergence of new challenges and opportunities expected in the transition to low-carbon transport fuels over time.

A conversion to an import terminal would deliver a significant contribution to New Zealand's decarbonisation and 2030 emission reduction commitments, reducing Marsden Point Scope 1 and 2 emissions by around 98% or almost 1-million tonnes per annum.

There would also be a significant reduction in the site's electricity requirements and we would have no ongoing requirement for gas, significantly reducing Channel Infrastructure's exposure to the electricity and gas costs and demand on these constrained markets.

We believe there will be opportunities for Channel Infrastructure to continue to contribute to the decarbonisation of transport fuels and energy in the future through repurposing of the Marsden Point site.

We are open to all options for the Marsden Point site, and we are currently investigating options such as the import, storage or production of biofuels, including sustainable aviation fuel, and hydrogen. We are also looking at the development of the Maranga Ra solar project, potentially in combination with a battery or firming solution, which would also help Channel Infrastructure reduce or completely eliminate its Scope 2 emissions and exposure to electricity costs.

Finally, I wanted to spend some time today, talking through the focused growth strategy for Channel Infrastructure, which as you can see has two parts. Our focus right now is very much on preparing for a safe and well managed transition to import terminal operations, beyond which we see a number of opportunities for growth.

We want to flexibly develop Marsden Point as an energy hub for the north of New Zealand in partnership with our community, and for the benefit of our community and our shareholders. This presents the Company with a range of opportunities, from near-term ones involving fuel storage, growth in electricity and potentially other imports, as well as longer term opportunities with the transition to future fuels, such as biofuels, sustainable aviation fuel, and hydrogen imports, production and storage.

The second part of our growth platform is the opportunity to leverage our independent operator capabilities across a broader asset base. Using our capabilities as an infrastructure owner and operator, a cost of capital which should be lower than our customers, and opportunities for operational synergies across multiple terminals around New Zealand, we expect there to be opportunity for value accretive acquisitions.

Across both areas of growth, we will have a very disciplined approach to investment to deliver above cost of capital returns on our infrastructure investments, underpinned by contracts with the users of that infrastructure – as you have seen from us in the terms of the long-term contracts we are recommending to shareholders today.

As you can see, our new business has much potential to continue playing an important role in meeting New Zealand's energy needs, now and into the future.

The terminal business model has a number of advantages:

- Much less earnings volatility, with exposure to refining margins and FX removed.
- Sustainable earnings underpinned by long-term contracts, delivering cash flow and an ability to return to dividends.
- Lower operational risk and capital intensity, with cash costs at less than 50% of expected average revenue over the initial 10-year term.
- And lower carbon exposure, both costs of direct carbon emissions, exposure to the electricity and gas markets and opportunities to participate as transport fuels decarbonise over time.

We know that a transition from refinery to import terminal is a question of when not if, and based on the terms negotiated with customers, we believe now is the right time to make this transition.

Shareholders, it is in this context that I wanted to once again reaffirm the process that we have undertaken over the past 16-months to reach this point. When we commenced our strategic review in April 2020, I said that every option was on the table other than the status quo. Through this time, we have engaged with a broad range of stakeholders, including our Customers, the Government, our employees and unions, Iwi partners, our local community and you our shareholders, about the best approach for the future of our business. As you have seen and heard from us today, we did this to ensure that we found a sustainable plan for the long-term future of our company.

I know that a number of our shareholders are also members of the Northland community and employees and that the transition to import terminal operations will involve significant change, particularly for our highly capable workforce, who have been committed to operating the refinery safely and to a high standard over many years.

I want to reiterate our commitment to supporting our workforce through this transition and continuing to work with the members of the Refinery Transition Working Group, including central Government, Northland councils and regional development authority, Iwi and unions, to put in place the plans needed to support this transition.

Finally, I wanted to take a moment to update you on our site remediation plans, which as you know we take extremely seriously. We were recently granted a 35-year resource consent to continue operating a heavy-industrial site at Marsden Point. The conditions of our consent include strict protections to maintain the high environmental standards that we have in place at Marsden Point. For many of our team based up at Marsden

Point, this is their community too, so we have a strong personal commitment to preserving and protecting the natural environment around us.

We believe this is the best plan for the future of our company. The Board, our management team, and I personally am absolutely committed to working with all of our stakeholders through the changes we have ahead, so that the company has a long-term sustainable plan for the future and we support our people impacted by these changes to find and develop their plans for the future.

I will now hand back to Simon to talk to the Independent Appraisal Report and Independent Directors recommendation.