



REFINING NZ
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INDICATIVE TERMS SHEET

FOR AN OFFER OF UP TO
\$75,000,000 OF UNSECURED,
SUBORDINATED NOTES



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The indicative terms sheet (**Terms Sheet**) should be read together with the product disclosure statement (**PDS**) dated 20 November 2018 for the offer of unsecured, subordinated notes (**Subordinated Notes**) by The New Zealand Refining Company Limited (the **Offer**). The PDS is available at www.business.govt.nz/disclose and can also be obtained from the Joint Lead Managers or your usual financial adviser. Investors must obtain and read a copy of the PDS before they apply for Subordinated Notes.

Capitalised terms used but not defined in the Terms Sheet have the meaning given to them in the PDS.

Issuer	The New Zealand Refining Company Limited (the Issuer or Refining NZ).
Instrument	Unsecured, subordinated notes.
Offer amount	Up to \$75,000,000.
Target Investors	The Offer is open to investors resident in New Zealand and certain institutional investors.
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.
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).
Purpose of the Offer	To enable Refining NZ to repay a portion of existing bank debt and pay any associated costs of the Offer. The Offer will also provide Refining NZ with diversification of funding sources and greater financial flexibility.
Ranking of the Subordinated Notes	The Subordinated Notes will be unsecured and will rank equally with all other Subordinated Notes and behind all indebtedness of Refining NZ, other than indebtedness expressed to be equal with or subordinated to the Subordinated Notes.
Interest Rate	<p>The Subordinated Notes will pay a fixed rate of interest until the first Election Date.</p> <p>The Initial Interest Rate will be set at the sum of the Swap Rate plus the Issue Margin, subject to a 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.</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>If Refining NZ runs an Election Process, a new Interest Rate may be set via that process.</p>
Indicative Issue Margin	The Indicative Issue Margin will be announced via the NZX on or about the 26 November 2018.
Swap Rate	The mid-market swap rate from a period equal to the period from the Issue Date to the First Interest Payment Date, as calculated by Refining NZ in conjunction with the Joint Lead Managers on the Rate Set Date.
Interest Payment Dates	Interest shall be paid semi-annually in arrear on 1 March and 1 September in each year, with the First Interest Payment Date being 1 March 2019. The first (short) interest payment will be made to the initial subscriber.
Interest Deferral	<p>Refining NZ may defer interest at any time at its discretion.</p> <p>For the avoidance of doubt, Refining NZ is likely to defer interest in the event that:</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>Refining NZ will defer interest in the event that:</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 of any borrowed money indebtedness of Refining NZ; or (2) Refining NZ is insolvent. <p>Any Deferred Interest will also accrue interest at the Interest Rate compounding on each following Interest Payment Date until paid.</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 the Subordinated Notes on the Election Date; or • run an Election Process offering New Conditions. <p>If Refining NZ runs an Election Process, Noteholders can either:</p> <ul style="list-style-type: none"> • elect to continue to hold some or all of their Subordinated Notes subject to the New Conditions; or • elect for Refining NZ to Redeem some or all of their Subordinated Notes for cash at the Redemption Amount. <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> <p>Noteholders who do not respond to an Election Notice will be deemed to have accepted the New Conditions.</p>
Dividend Stopper	<p>Refining NZ will not be able to pay any dividend or make any other payments on or with respect to Shares or other securities or indebtedness ranking equally with or subordinate to the Subordinated Notes if and for so long as there is any unpaid or Deferred Interest, without obtaining an Extraordinary Resolution of the Subordinated Noteholders.</p>
Redemption Amount	<p>Principal Amount of the Subordinated Notes plus any Deferred Interest plus accrued but unpaid interest.</p>
Change of Control Event	<p>The occurrence of one or more of the following:</p> <ul style="list-style-type: none"> • an offer is made which would result in the offeror (and its associates) holding or controlling more than 50% of the voting rights of Refining NZ and the offer has been accepted, becomes 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. <p>If a Change of Control Event occurs then Noteholders have the right to elect that Refining NZ must Redeem all of their Subordinated Notes at the greater of:</p> <ul style="list-style-type: none"> • the Redemption Amount; or • the volume weighted average (excluding interest) price of the Subordinated Notes for the 20 Business Days preceding the date on which the Change of Control Event occurs plus accrued interest.
Tax Event	<p>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:</p> <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. <p>If a Tax Event occurs, Refining NZ may elect to Redeem all of your Subordinated Notes at the Redemption Amount.</p>
Redemption Election on Anniversary Date	<p>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 at the greater of:</p> <ul style="list-style-type: none"> • the Redemption Amount; and • the volume weighted average (excluding interest) price of the Subordinated Notes for the 20 Business Days preceding the relevant Anniversary date, plus accrued interest.
Events of Default	<p>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 due and payable at the Redemption Amount if one of the following Events of Default occurs:</p> <ul style="list-style-type: none"> • Refining NZ fails to pay the amount payable on Redemption when due, and that breach is not fully remedied within 10 days of the due date for payment; • Refining NZ fails to comply with the Dividend Stopper; or • an Insolvency Event of Refining NZ occurs. <p>A failure to pay interest that has been deferred is not an Event of Default.</p>
Listing	<p>NZX Debt Market.</p>

Early Bird Interest	Interest will be paid calculated on a daily basis at the Interest Rate on application money in respect of accepted applications from and including the date that application money is received into the bank account for the Offer until but excluding the Issue Date (“Early Bird Interest”). Early Bird Interest will be paid as soon as practicable and in any event within 5 Business Days of the Issue Date.
Refining NZ’s right to purchase Notes on a Redemption	For the avoidance of doubt, at any time that Refining NZ redeems the Subordinated Notes, instead of redeeming the Subordinated Notes, it may elect to purchase the Subordinated Notes itself (or by its nominated purchaser).

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).

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.