

Announcement to NZX

NZRC Throughput and Margins Report for September-October 2011

The Processing Fee for September-October 2011 of NZD 42.5 million was generated from a throughput of 7 million barrels for the two-month period. The average Gross Refinery Margin (GRM) generated was USD 6.97 per barrel with the average exchange rate for the two month period reported at USD/NZD 0.80.

Year to date

The Gross Refining Margin ¹⁾, on a year to date basis, averages USD 6.39 per barrel and the exchange rate USD/NZD 0.80.

Profit Forecast

Based on the financial results to date, Refining NZ forecasts a net profit after tax in the range \$43m-\$48million for the year ended 31 December 2011.

Historic Analysis

Five years history of Throughput, Margins and Processing Fees is attached as Appendix II and can also be found on the company's website www.nzrc.co.nz.

- 1) Gross Refining Margin is defined as the typical market value of the products produced minus the typical market value of the feedstock used, expressed per barrel of feedstock used. The margin incorporates the cost of the hydrocarbon used for fuel and incurred as process losses. This may not be compatible with margins expressed by some parties in which the fuel and loss is excluded.

Refining NZ

Port Marsden Highway, Ruakaka, Northland 0171, Private Bag 9024, Whangarei 0148, New Zealand
Telephone: +64 9 432 8311 Fax: +64 9 432 8035 Email: corporate@refiningnz.com www.refiningnz.com



Appendix I

**THE NEW ZEALAND REFINING COMPANY LIMITED
STOCK EXCHANGE RELEASE**

Throughput, Margin and Refining Income

		Totals	/bbl
Jan/Feb	Throughput	Barrels (mln)	6.7
	Gross Refining Margin	USD (mln)	43.8
	Interim Cap/Floor adjustment	USD/bbl	0.0
	USD Gross Refining Margin after Cap	USD (mln)	43.8
	USD Processing Fee	USD (mln)	30.7
	NZD Processing Fee billed to customers	NZD (mln)	40.2
	YTD Gross Refining Margin above Cap	USD (mln)	0.0
Mar/Apr	Throughput	Barrels (mln)	7.3
	Gross Refining Margin	USD (mln)	43.8
	Interim Cap/Floor adjustment	USD/bbl	0.0
	USD Gross Refining Margin after Cap	USD (mln)	43.8
	USD Processing Fee	USD (mln)	30.7
	NZD Processing Fee billed to customers	NZD (mln)	40.1
	YTD Gross Refining Margin above Cap	USD (mln)	0.0
May/Jun	Throughput	Barrels (mln)	7.1
	Gross Refining Margin	USD (mln)	49.8
	Interim Cap/Floor adjustment	USD/bbl	0.0
	USD Gross Refining Margin after Cap	USD (mln)	49.8
	USD Processing Fee	USD (mln)	34.8
	NZD Processing Fee billed to customers	NZD (mln)	43.2
	YTD Gross Refining Margin above Cap	USD (mln)	0.0
Jul/Aug	Throughput	Barrels (mln)	6.9
	Gross Refining Margin	USD (mln)	36.1
	Interim Cap/Floor adjustment	USD/bbl	0.0
	USD Gross Refining Margin after Cap	USD (mln)	36.1
	USD Processing Fee	USD (mln)	25.3
	NZD Processing Fee billed to customers	NZD (mln)	30.0
	YTD Gross Refining Margin above Cap	USD (mln)	0.0
Sept/Oct	Throughput	Barrels (mln)	7.0
	Gross Refining Margin	USD (mln)	48.6
	Interim Cap/Floor adjustment	USD/bbl	0.0
	USD Gross Refining Margin after Cap	USD (mln)	48.6
	USD Processing Fee	USD (mln)	34.0
	NZD Processing Fee billed to customers	NZD (mln)	42.5
	YTD Gross Refining Margin above Cap	USD (mln)	0.0

Refining NZ

Explanatory Note

Throughput Throughput is the amount of intake comprising of crude oil, residues, natural gas and blend stocks. Throughput is measured in barrels. One barrel equates to approximately 159 litres.

Gross Refining Margin

The Gross Refining Margin is calculated in USD and is the difference between the value of finished products and the cost of feedstocks for each customer.

The values assigned to the products use Singapore pricing adjusted for NZRC quality and the cost of getting those products to New Zealand

The values assigned to the feedstocks use notional market values adjusted for the cost of getting these feedstocks to New Zealand

The margin incorporates the cost of the hydrocarbon used for fuel and incurred as process losses.

Interim cap/floor adjustment

The Processing Agreements with our customers contain both Floor and Cap clauses. Both are calculated on a full calendar year basis.

The Floor is operative if the total Processing Fee billed to our customers falls below ~NZD118 million.

There is a Cap on the processing fee calculation when the USD Gross Refining Margin generated by any customer is in excess of USD9.00 per barrel on a year to date basis.

USD Gross Refining Margin After Cap

Is the Gross Refining Margin plus/minus any impacts of the Cap

USD Processing Fee

Is a calculation based on 70% of the USD Gross Refining Margin after adjustments for the Cap.

NZD Processing Fee billed to customers

The USD Processing Fee is converted into NZD and billed to customers as a NZD Processing Fee.

YTD Gross Refining Margin above Cap

NZRC can utilize this amount if the USD Gross Refinery Margin generated during the balance of the year falls below USD9.00 on a customer by customer basis.

The balance can not be carried over from one year to the next.

Because NZRC's processing fee is calculated on 70% of the Gross Refining Margin, only 70% of this amount can be considered a contingent asset.

Note

The above information relates to refinery operations only. Revenue from Pipeline and other activities is not included.

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Appendix II

The New Zealand Refining Company Limited

Stock Exchange Release

Intake/Production, Gross Refining Margin and Processing Fee

		2007	2008	2009	2010	2011
Jan/Feb	Barrels 000,s	6,067	6,400	5,900	7,009	6,652
	USD GRM per barrel	7.90	9.00	8.88	6.85	6.59
	NZD Processing Fee Billed	46,842	51,800	69,009	47,213	40,157
Mar/Apr	Barrels 000,s	5,750	6,600	6,100	6,764	7,251
	USD GRM per barrel	4.96	9.00	6.34	5.57	6.04
	NZD Processing Fee Billed	29,277	52,100	49,290	37,255	40,057
May/Jun	Barrels 000,s	6,199	6,500	6,500	6,387	7,057
	USD GRM per barrel	10.39	9.00	4.66	3.73	7.05
	NZD Processing Fee Billed	58,948	53,600	34,336	24,051	43,223
Jul/Aug	Barrels 000,s	5,978	6,300	6,800	6,824	6,853
	USD GRM per barrel	11.43	9.00	2.94	7.16	5.27
	NZD Processing Fee Billed	56,506	54,100	21,315	47,882	30,018
Sept/Oct	Barrels 000,s	6,510	6,500	5,400	5,305	6,978
	USD GRM per barrel	8.26	9.00	1.25	6.94	6.97
	NZD Processing Fee Billed	47,794	62,300	6,505	34,841	42,496
Nov/Dec	Barrels 000,s	6,363	6,800	7,200	6,663	-
	USD GRM per barrel	7.43	9.00	1.18	6.75	-
	NZD Processing Fee Billed	46,922	72,100	8,235	41,327	-
Total	Barrels 000,s	36,867	39,100	37,900	38,952	34,790
	USD GRM per barrel	8.14	9.00	4.16	6.17	6.39
	NZD Processing Fee Billed	286,289	346,000	188,690	232,569	195,950

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