

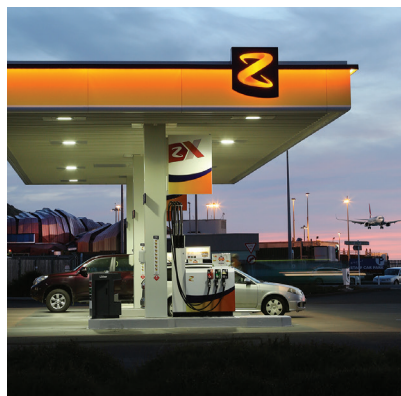
20 August 2018



Z Energy Indicative Terms Sheet

For the offer of fixed rate bonds

six year bonds maturing on
3 September 2024



Joint Lead Managers

DeutscheCRAIGS

 FORSYTH BARR



Important Notice

This Indicative Terms Sheet sets out the key terms of the offer (**Offer**) by Z Energy Limited (**Z** or **Issuer**) of up to \$100,000,000 (with the ability to accept oversubscriptions of up to a further \$25,000,000 at the Issuer's discretion) of fixed rate bonds (**Bonds**) maturing on 3 September 2024.

The Bonds will be issued under the master trust deed dated 11 August 2010 (as amended from time to time) (**Trust Deed**) as modified and supplemented by the supplemental trust deed dated 20 August 2018 (**Supplemental Trust Deed**) entered into between Z and Trustees Executors Limited (**Supervisor**). The Trust Deed and the Supplemental Trust Deed are together the **Trust Documents**. Unless the context otherwise requires, capitalised terms used in this Indicative Terms Sheet have the same meaning given to them in the Trust Documents.

Investors should refer to the Trust Documents for the full terms of the Bonds.

The offer of Bonds by Z is made in reliance upon the exclusion in clause 19 of schedule 1 of the Financial Markets Conduct Act 2013 (**FMCA**).

The offer contained in this Indicative Terms Sheet is an offer of bonds that have identical rights, privileges, limitations and conditions (except for the interest rate and maturity date) as:

- Z's bonds maturing on 15 November 2019, which have a fixed interest rate of 6.50 per cent per annum and are currently quoted on the NZX Debt Market under the ticker code ZEL030;
- Z's bonds maturing on 1 November 2021, which have a fixed interest rate of 4.01 per cent per annum and are currently quoted on the NZX Debt Market under the ticker code ZEL040; and
- Z's bonds maturing on 1 November 2023, which have a fixed interest rate of 4.32 per cent per annum and are currently quoted on the NZX Debt Market under the ticker code ZEL050,

(together the **Existing Bonds**).

Accordingly, the Bonds are the same class as the Existing Bonds for the purposes of the FMCA and the Financial Markets Conduct Regulations 2014.

Z is subject to a disclosure obligation that requires it to notify certain material information to NZX Limited (**NZX**) for the purpose of that information being made available to participants in the market. That information can be found by visiting www.nzx.com/companies/ZEL.

The Existing Bonds are the only debt securities of Z that are currently quoted and in the same class as the Bonds.

Investors should look to the market price of the Existing Bonds referred to above to find out how the market assesses the returns and risk premium for those bonds.

Key terms of the Bonds

Issuer	Z Energy Limited (Z)
Description	<p>The Bonds will constitute unsubordinated, secured obligations of the Issuer and rank equally with each other and with the Issuer's existing unsubordinated, secured series of bonds.</p> <p>Bondholders, United States Private Placement (USPP) note holders and Z's banks share the same security over the Guarantors' (as described under Guarantors below) assets on an equal ranking basis. These groups rank behind security held by some of the Issuer's suppliers over crude oil products and refined fuel products, and their proceeds, in each case to the extent that the supplier has not received payment of the purchase price for them, and behind statutorily preferred creditors.</p>
Guarantee	The Bonds will be fully and unconditionally guaranteed by the Guarantors. This guarantee is secured over all assets of the Guarantors, except for certain excluded assets.
Purpose	Z will use the net proceeds of the Offer for the refinance of some of its existing debt funding, principally in relation to Z's ZEL020 bonds which matured on 15 August 2018 and for general corporate purposes.
Credit Rating	The Bonds will be unrated.
Offer Amount	The offer is for up to \$100,000,000 (with the ability to accept oversubscriptions of up to a further \$25,000,000 at the Issuer's discretion).
Maturity Date	Tuesday, 3 September 2024
Issue Price	\$1.00 per bond.
Opening Date	Monday, 20 August 2018
Closing Date	11:00am on Friday, 24 August 2018
Rate Set Date	Friday, 24 August 2018
Issue Date	Monday, 3 September 2018
Interest Rate	<p>The Interest Rate applicable to the Bonds will be the sum of the Issue Margin and the Base Rate. However, Z has agreed the Interest Rate will not be lower than the Minimum Interest Rate.</p> <p>The Interest Rate applicable to the Bonds will be announced by Z via the NZX on or shortly after the Rate Set Date.</p>
Minimum Interest Rate	4.00 per cent per annum.
Indicative Issue Margin	1.50 – 1.60 per cent per annum.

Base Rate

The mid-market rate for an interest rate swap of a term matching the period from the Issue Date to the Maturity Date as calculated by the Arranger in consultation with Z, according to market convention, with reference to Bloomberg page ICNZ4 (or any successor page) on the Rate Set Date and expressed on a quarterly basis (rounded to two decimal places, if necessary, with 0.005 being rounded up).

Interest Payment Dates

Quarterly in arrear in four equal payments on 3 December, 3 March, 3 June and 3 September of each year, until and including the Maturity Date. The first Interest Payment Date is scheduled to be 3 December 2018.

If an Interest Payment Date is not a Business Day, the due date for the payment will be the following Business Day and no adjustment will be made to the amount payable as a result of the delay in payment.

Firm Brokerage

0.75 per cent on firm allocations.

Such amounts will be distributed as appropriate to Primary Market Participants and approved financial intermediaries.

Interest to Registered Holder

Interest paid on the Bonds will be paid to the person who is the registered holder on the relevant Record Date.

Clause 6.4 of the Trust Deed does not apply in respect of the Bonds.

Record Date

In respect of determining an entitlement to be paid interest, a date no less than 10 days prior to the relevant Interest Payment Date, provided that if this is not a Business Day, the Record Date shall be the preceding Business Day.

Business Day

A day (other than a Saturday or a Sunday) on which registered banks are open for general banking business in Auckland and Wellington, and on which NZX is open for trading.

Minimum Application Amount

The minimum application amount is \$5,000, with multiples of \$1,000 thereafter.

Minimum Holding

Bonds with an aggregate principal amount of \$5,000.

Financial Covenant

The ratio of Total Debt (which excludes working capital drawings) to EBITDA of the Z Energy Group shall not exceed the lower of (i) 4.0x or (ii) the equivalent ratio for Z's bank facilities at the relevant time plus 0.5 (being as at the date of this Indicative Terms Sheet 3.5x (3.0 + 0.5)). The financial covenant will be tested on 30 September 2018 and following that date, every six months, each on a rolling 12 month basis.

No Event of Default will occur unless the covenant is breached on two successive test dates.

Guarantors

Any member of the Z Energy Group (being the Issuer and its subsidiaries) that from time to time guarantees, and gives security for, Z's bank debt is obliged to guarantee the Bonds. The current Guarantors are the Issuer and Z Energy 2015 Limited.

The Total Tangible Assets and EBITDA of the Guarantors must comprise at least 95 per cent of the Z Energy Group's Total Tangible Assets and EBITDA. This is the same guarantor coverage ratio agreed with the banks. If the banks agree to a change to the guarantor coverage ratio for the bank debt, then the guarantor coverage ratio in the Trust Documents will change accordingly, upon two Z directors certifying the new ratio to the Supervisor.

Distribution Stopper

While a breach of the financial covenant continues, or any event of default under the Trust Documents or Z's bank facilities is continuing, no distributions may be declared or made by any Guarantor to a non-Guarantor.

Prior Ranking Security for Working Capital

The security structure is intended to give preference to the Issuer's suppliers in respect of crude oil products and refined fuel products they have supplied, and their proceeds, in each case that have not been paid for. After this, Bondholders, USPP note holders and banks rank equally.

Indemnity

Under the Supplemental Trust Deed the Supervisor receives the benefit of an indemnity from each Bondholder for any amount for which the Supervisor is liable under certain provisions of the Security Trust Deed in respect of the Bonds (**Indemnified Amount**). In practice, Z expects this would only occur if the Supervisor was unable to recover such amounts from Z's assets. Each Bondholder's liability under this indemnity is limited to the same proportion of the Indemnified Amount as the principal amount held by it bears to the total principal amount of the Bonds.

Who may Apply for Bonds

All of the Bonds are reserved for subscription by clients of the Joint Lead Managers, institutional investors and other Primary Market Participants invited to participate in the bookbuild.

There will be no public pool for the Bonds.

Retail investors should contact a Joint Lead Manager, their financial adviser or any Primary Market Participant for details on how they may acquire Bonds. You can find a Primary Market Participant by visiting www.nzx.com/services/market-participants

Each investor's financial adviser will be able to advise them as to what arrangements will need to be put in place for the investors to trade the Bonds including obtaining a common shareholder number (CSN), an authorisation code (FIN) and opening an account with a Primary Market Participant as well as the costs and timeframes for putting such arrangements in place.

ISIN

NZZELD0060L4

NZX Quotation

Z will take any necessary steps to ensure that the Bonds are quoted on the NZX Debt Market immediately after issue. Application has been made to the NZX for permission to quote the Bonds on the NZX Debt Market and all the requirements of the NZX relating thereto that can be complied with on or before the distribution of this Indicative Terms Sheet have been duly complied with. However, NZX accepts no responsibility for any statement in this Indicative Terms Sheet. NZX is a licensed market operator and the NZX Debt Market is a licensed market under the FMCA.

Transfers

Bondholders are entitled to sell or transfer their Bonds at any time subject to the terms of the Trust Documents and applicable securities laws and regulations. Z may decline to register a transfer of Bonds for the reasons set out in the Trust Documents.

NZX has provided Z with approval under Listing Rule 11.1.5 to enable Z to decline to accept or register a transfer of Bonds if the transfer would result in the transferor or the transferee holding or continuing to hold Bonds with a Principal Amount of less than \$5,000 (if not zero) or if the transfer is not in multiples of \$1,000.

NZX Debt Market Ticker Code

ZEL060

Expected Date of Initial Quotation on the NZX Debt Market

4 September 2018

Selling Restrictions

It is a term of the offer of Bonds that the following selling restrictions apply.

The Bonds may only be offered for sale or sold in New Zealand in conformity with all applicable laws and regulations in New Zealand. No Bonds may be offered for sale or sold in any other country or jurisdiction except with the prior consent of Z and in conformity with all applicable laws and regulations of that country or jurisdiction and the selling restrictions contained in this Indicative Terms Sheet.

This Indicative Terms Sheet may not be published, delivered or distributed in or from any country or jurisdiction except under circumstances which will result in compliance with all applicable laws and regulations in that country or jurisdiction and the selling restrictions contained in this Indicative Terms Sheet.

By applying for the Bonds, each Bondholder agrees to indemnify Z, the Supervisor, the Arranger, the Organising Participant and the Joint Lead Managers in respect of any loss, cost, liability or expense sustained or incurred by as a result of the breach by the Bondholder of the selling restrictions set out above.

Arranger and Organising Participant

Westpac Banking Corporation (ABN 33 007 457 141) (acting through its New Zealand branch) (**Westpac**).

Joint Lead Managers

Deutsche Craigs Limited, Forsyth Barr Limited and Westpac.

Registrar

Link Market Services Limited

Supervisor

Trustees Executors Limited

Security Trustee

Bank of New Zealand

Governing Law

New Zealand

NZX Waivers

NZX has granted Z a waiver in relation to Listing Rule 5.2.3 to enable Z to apply for quotation on the NZX Debt Market even though the Bonds may not initially be held by at least 100 members of the public holding at least 25% of the Bonds issued. The waiver has been granted for a period of six months from the quotation date of the Bonds. The effect of the waiver from Listing Rule 5.2.3 is that initially the Bonds may not be widely held and there may be reduced liquidity in the Bonds.

NZX has also granted Z a waiver from NZX Debt Market Listing Rule 7.11.1 to allow allotment of the Bonds to occur within six business days after the Closing Date.

The dates set out in this Indicative Terms Sheet are indicative only and are subject to change. Z has the right in its absolute discretion and without notice to close the Offer early, to extend the Closing Date (subject to the Listing Rules), accept late applications or to choose not to proceed with the offer. If the Closing Date is changed, other dates (such as the Issue Date, the Maturity Date and the Interest Payment Dates) may be changed accordingly.

Other Information

Copies of the Trust Documents are available at Z's website at www.z.co.nz/retailbondissue2018.

Any internet site addresses provided in this Indicative Terms Sheet are for reference only and, except as expressly stated otherwise, the content of any such internet site is not incorporated by reference into, and does not form part of, this Indicative Terms Sheet.

You should seek qualified independent financial and taxation advice before deciding to invest. In particular, you should consult your tax advisor in relation to your specific circumstances. You will also be personally responsible for ensuring compliance with relevant laws and regulations applicable to you (including any required registrations).

For further information regarding Z, visit www.nzx.com/companies/ZEL.

Contact details

Issuer

Z Energy Limited
3 Queens Wharf
Wellington 6011

Registrar

Link Market Services Limited
Level 11, Deloitte Centre
80 Queen Street
Auckland 1010
PO Box 91976
Auckland 1142

Arranger, Organising Participant

Westpac Banking Corporation
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Westpac on Takutai Square
Level 8, 16 Takutai Square
Auckland 1010
0800 942 822

Joint Lead Managers

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Level 36, Vero Centre
48 Shortland Street
Auckland 1010
0800 226 263

Forsyth Barr Limited

Level 23, Lumley Centre
83 Shortland Street
Auckland 1010
0800 367 227

Westpac Banking Corporation

(ABN 33 007 457 141) (acting through its New Zealand branch)
Westpac on Takutai Square
Level 8, 16 Takutai Square
Auckland 1010
0800 942 822

Supervisor

Trustees Executors Limited
Level 5
10 Customhouse Quay
Wellington 6011

Security Trustee

Bank of New Zealand
Level 6, Deloitte Centre
80 Queen Street
Auckland 1010
0800 284 017

Legal advisors to Z

Chapman Tripp
Level 17
10 Customhouse Quay
Wellington 6011