

June 2023 Quarterly Production Report

27 JULY 2023

Record full year shipments of 192mt

Summary

- Continued focus on safety contributed to a Total Recordable Injury Frequency Rate (TRIFR) of 1.8 in the 12 months to 30 June 2023 (FY23).
- Iron ore shipments of 48.9 million tonnes (mt) in Q4 FY23 contributed to record shipments of 192.0 million tonnes for FY23, achieving the top end of market guidance.
- Average revenue of US\$96/dry metric tonne (dmt) in Q4 FY23, realising 87 per cent of the Platts 62% CFR Index, and average revenue of US\$95/dmt in FY23.
- Industry leading cost position maintained with a C1 cost of US\$17.57/wet metric tonne (wmt) in Q4 FY23 and 17.54/wmt in FY23.
- Strong cashflow generation contributed to a cash balance of US\$4.3 billion and net debt of US\$1.0 billion at 30 June 2023, compared to net debt of US\$2.1 billion at 31 March 2023.
- Iron Bridge commenced production of high grade magnetite concentrate during the quarter and the first concentrate was loaded on ship on 24 July 2023.
- First ore was mined and loaded on train at the Belinga Iron Ore Project in Gabon, with the first shipment expected by the end of the calendar year.
- Continued progress on decarbonisation with the first battery electric haul truck prototype delivered to the Christmas Creek site for testing in the Pilbara operating conditions.
- Celebrated the Company's 20th anniversary in July 2023, and announced Fortescue Metals and Fortescue Future Industries (FFI) would move to one brand "Fortescue", to represent being a unified global green metals and energy company.
- Fortescue will operate with two divisions - Metals and Energy. Fortescue Energy will consist of FFI and WAE Technologies.
- In July 2023, the acquisition of the Phoenix Hydrogen Hub in the United States was approved.
- In July 2023, FFI's Holmaneset Project in Norway was selected by the European Commission as a beneficiary of its Clean Technology Fund.
- Expansion of the WAE battery and electric power train production operations in the United Kingdom, with announcement of a new facility in Banbury, Oxfordshire.
- FY24 guidance for total shipments of 192 - 197mt, including approximately 7mt from Iron Bridge (100 per cent basis) and C1 cost for Pilbara hematite of US\$18.00 - US\$19.00/wmt.

Fortescue Metals Chief Executive Officer, Fiona Hick, said "The Fortescue team has delivered outstanding results for the June quarter, with iron ore shipments of 48.9 million tonnes, contributing to our highest ever annual shipments of 192 million tonnes, achieving the top end of shipments guidance. We did this while maintaining our strong focus on safety, which is a core Value, with a TRIFR of 1.8 for the year.

“Fortescue recently celebrated several milestones, including first magnetite concentrate production from Iron Bridge. Iron Bridge is a large and complex project, and its successful construction is a true demonstration of our Values. I want to thank everyone who has been involved. It signifies Fortescue’s entry into the high grade iron ore market segment which enables us to provide our customers with an enhanced product offering.

“The Belinga Iron Ore Project in Gabon continues to make strong progress with the first ore loaded on train and delivered to port during the quarter, less than six months from when the Mining Convention was signed. Geological mapping and sampling programs continue to show that this Project has the potential to be significant scale and high iron grade, and we have a major exploration drilling campaign underway.

“Building on another year of record performance, our guidance for FY24 is for total shipments in the range of 192 - 197 million tonnes. Our hematite operations are performing strongly and we are focused on delivering growth through the safe and efficient ramp up of Iron Bridge, unlocking the potential of Belinga and decarbonising our iron ore operations. We will continue to invest in green metals, green energy and green technologies, supported by our strong balance sheet and disciplined capital allocation.”

Operations

Production summary (m wmt)	FY23	FY22	Var (%)	Q4 FY23	Vs Q3 FY23 (%)	Vs Q4 FY22 (%)
Ore mined	217.9	228.8	(5)	52.7	5	(11)
Overburden removed	322.7	314.6	3	81.6	2	22
Ore processed	192.4	188.7	2	48.2	5	3
Ore shipped	192.0	189.0	2	48.9	6	(1)
C1 cost (US\$/wmt)	17.54	15.91	10	17.57	(1)	2

Pilbara hematite operations. Volume references are based on wet metric tonnes (wmt). Product is shipped with 8-9 per cent moisture.

- Fortescue’s strong operating performance continued in Q4 FY23 with mining, processing, rail and shipping combining to deliver shipments of 48.9mt.
- This contributed to record full year shipments of 192.0 mt, two per cent higher than FY22 and achieving the top end of market guidance.
- FY23 represents the fourth consecutive year of record shipments, reflecting strong performance across the entire supply chain and ongoing focus on productivity gains.
- Continued focus on cost management contributed to C1 cost of US\$17.57/wmt in Q4 FY23, one per cent lower than the previous quarter.
- C1 cost of US\$17.54/wmt in FY23 achieved the lower end of market guidance at the guided exchange rate (AUD:USD 0.70).
- FY24 C1 cost guidance for Pilbara hematite is US\$18.00 - US\$19.00/wmt. Guidance is based on an assumed FY24 average exchange rate of AUD:USD 0.68 and anticipates some increase in labour rates, as well as mine plan driven impacts.
- Fortescue, through its joint venture company Ivindo Iron, made significant progress in the early stage mine development at the Belinga Iron Ore Project in Gabon. The first ore was mined, loaded on train and delivered to the Owendo Mineral Port in Libreville during the quarter. The first shipment from the port is expected this calendar year.

Marketing

Product summary (m wmt)	FY23	(%)	FY22	(%)	Q4 FY23	(%)
West Pilbara Fines	16.4	9	15.0	8	4.4	9
Kings Fines	15.4	8	15.0	8	4.0	8
Fortescue Blend	81.8	43	83.1	44	20.6	42
Fortescue Lump	7.2	4	3.6	2	2.4	5
Super Special Fines	69.3	36	70.0	37	17.5	36
Other products	2.0	1	2.3	1	0.0	0
Total shipments	192.0	100	189.0	100	48.9	100

Timing differences may occur between shipments and sales as FMG Trading holds inventory at Chinese ports.

- Fortescue's average revenue of US\$96.34/dmt in Q4 FY23 represents a realisation of 87 per cent of the average Platts 62% CFR Index of US\$110.98/dmt.
- Fortescue's average revenue for FY23 was US\$94.74/dmt, representing a realisation of 86 per cent of the average Platts 62% CFR Index of US\$109.60/dmt.
- China portside sales were 3.1mt in Q4 FY23, contributing to full year sales of 16.7mt.

Iron Bridge

- Iron Bridge commenced production of high grade magnetite concentrate during the quarter, and the first concentrate was loaded on ship at Port Hedland on 24 July 2023.
- Commissioning activities are progressing well, while managing disruptions that included Tropical Cyclone Ilsa and a defect in the process water pond that required remedial works. All concentrate produced to date has been at or above 67% Fe specification.
- The process water pond remedial work disrupted commissioning of the Wet Plant for six weeks and has now been completed. Commissioning activities continued in the dry circuit, pipelines, and concentrate handling facility at Port Hedland.
- Reflecting the updated commissioning schedule, the Project is anticipated to transition to operational production in mid-August 2023.
- In line with the schedule, the completion of construction of Dry Circuit B remains on track for September 2023.
- FY24 shipments are anticipated at approximately 7mt (100 per cent basis) and the ramp up to full production capacity of 22mt per annum is expected within 24 months.
- Iron Bridge's FY24 operating expenditure excluding shipping and royalties is anticipated to be approximately US\$400 million (Fortescue's share).
- Iron Bridge is an Unincorporated Joint Venture between FMG Magnetite Pty Ltd (69 per cent) and Formosa Steel IB Pty Ltd (31 per cent).

Minerals exploration

- Total exploration and studies capital expenditure in Q4 FY23 was US\$52 million and in FY23 was US\$233 million.
- Iron ore exploration in the Pilbara included resource definition drilling in the Eastern Hamersley with a focus on Nyidinghu and Mindy South, along with the regional exploration programs Pilbara wide.
- Activity at the Belinga Iron Ore Project in Gabon focused on the drilling program which began in the quarter where both diamond and reverse circulation drilling programs are underway.
- Other exploration activity in Australia focused on the copper project portfolio, which included project generation activities in South Australia, where geophysical data processing and modelling is being finalised for drill testing of targets in Q2 FY24.
- International exploration included drilling programs across project areas in Argentina, Chile, Brazil and Kazakhstan.

Fortescue Energy

- Fortescue Energy is Fortescue's global green energy division and comprises Fortescue Future Industries and WAE Technologies.
- The first battery electric haul truck prototype was delivered to the Christmas Creek site for testing in Pilbara operating conditions.
- Expansion of WAE's battery and electric power train production operations in the United Kingdom with a facility in Oxfordshire to focus on the production of a wide range of zero-emission products for the off-road sector, including trucks and trains.
- Progressed a study with Channel Infrastructure into the production of synthetic Sustainable Aviation Fuel (eSAF) at Marsden Point, New Zealand. If feasible, will be one of the first at-scale projects to produce eSAF – an alternate to biomass feedstock-based fuels.
- In July 2023, Holmaneset green hydrogen and green ammonia project in Norway was selected by the European Commission as a beneficiary of its Clean Technology Fund. Details to be finalised with the European Climate, Infrastructure and Environment Executive Agency.
- In July 2023, acquired the Phoenix Hydrogen Hub in the United States. Phase one of the Project proposes an 80MW electrolyser and liquefaction facility, capable of producing up to 12,000 tonnes per annum of liquefied green hydrogen.
- FFI's FY23 preliminary unaudited operating expenditure was approximately US\$440 million, exclusive of expenditure incurred on behalf of Fortescue Metals for decarbonisation.

Financial position

- Fortescue's cash balance increased to US\$4.3 billion at 30 June 2023, from US\$4.0 billion at 31 March 2023.
- Gross debt decreased to US\$5.3 billion at 30 June 2023, from US\$6.1 billion at 31 March 2023 following early redemption of the US\$750 million 2024 Senior Unsecured Notes.
- Total capital expenditure and investments for the quarter was US\$967 million and for FY23 was US\$3.2 billion. Q3 FY23 total capital expenditure and investments was US\$833 million.
- The financial data is presented on a preliminary unaudited basis.

FY24 guidance

- Iron ore shipments of 192 - 197mt, including approximately 7mt for Iron Bridge (100 per cent basis)
- C1 cost for Pilbara hematite of US\$18.00 - US\$19.00/wmt
- Capital expenditure (excluding FFI) of US\$2.8 - US\$3.2 billion, inclusive of:
 - Sustaining and hub development: US\$1.9 - US\$2.1 billion
 - Exploration and studies: US\$300 million
 - Iron Ore Projects (Iron Bridge and Belinga): US\$300 million
 - Decarbonisation: US\$300 - US\$500 million
- FFI operating expenditure of US\$400 - US\$500 million and capital expenditure and investments of approximately US\$300 million.

Guidance is based on an assumed FY24 average exchange rate of AUD:USD 0.68.

Authorised for lodgement by:
Cameron Wilson
Company Secretary

Contacts

Media contact:

Fortescue Media

E: media@fortescue.com

M: 1800 134 442

Investor Relations contact:

Grant Moriarty

E: investorrelations@fmgl.com.au

P: +61 8 9230 1647