



2003 - 2023

WE ARE FORTESCUE

THE POWER OF NOW

20 YEAR  
ANNIVERSARY

FY23  
ANNUAL  
REPORT

# The driving force for our green future

## Our Values will never change

Fortescue's unique Values drive our performance in a way that sets us apart from others

### Culture

Fortescue is a values-based business with a strong, differentiated culture. We believe that by leveraging the unique culture of our greatest asset, our people, we will achieve our stretch targets

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**Safety**

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**Family**

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**Empowerment**

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**Frugality**

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**Stretch targets**

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**Integrity**

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**Enthusiasm**

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**Courage and  
determination**

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**Generating  
ideas**

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**Humility**

# CONTENTS

To view the full suite of reports

FY23 Climate Change Report



FY23 Sustainability Report



FY23 Corporate Governance Statement



Scan the QR code for more information:



|    |  |     |
|----|--|-----|
| 01 | Overview                                   | 05  |
| 02 | Operating and financial review             | 28  |
| 03 | Ore Reserves and Mineral Resources         | 47  |
| 04 | Our approach to sustainability             | 57  |
| 05 | Corporate governance                       | 62  |
| 06 | Our approach to climate change             | 65  |
| 07 | Directors' report<br>  Remuneration report | 70  |
| 08 | Financial report                           | 109 |
| 09 | Corporate directory                        | 172 |

## Important note

This report should be read in its entirety, together with the Forward Looking Statement Disclaimer at the back of this report.

## Acknowledgement of Country

Fortescue acknowledges the First Nations people of the lands upon which we live and work. We acknowledge their rich cultures and their continuing connection to land, waters and community. We are proud to work, partner and engage with First Nations people. We pay our respects to the culture and people, their Elders and leaders, past, present and emerging.

## Colour Inspiration



The Fortescue journey by artist Bobbi Lockyer.

The Kariyarra, Ngarluma, Nyul Nyul and Yawuru artist and designer created a vibrant painting that reflects our journey.

The colours used throughout the report are inspired by this painting.

In its short history, Fortescue has accomplished what was judged as impossible: to build a company from a start-up to a global leader in metals and energy

**2003**  
**THE DREAM BEGINS**



**2004**  
Cloudbreak identified



**2005**  
S&P/ASX 200 index



**2006**  
Port Hedland ground-breaking



**2007**  
First iron ore sales agreement with Baosteel  
Mining commenced at Cloudbreak



**2014**  
Kings Valley project opened at Solomon



**2015**  
Anderson Point Berth 5 completion  
Fortescue River Gas Pipeline completion



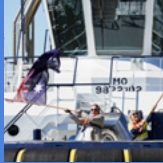
**2017**  
Expansion of autonomous haulage to Chichester Hub



**2018**  
1 billion tonnes of ore shipped



**2019**  
Opening of Judith Street Harbour in Port Hedland  
First sod turn for Eliwana project



**REAL ZERO**

Real Zero refers to no fossil fuels and no offsets.

We have a costed plan to decarbonise our Australian terrestrial iron ore operations in the Pilbara by 2030. At the time of this report, Fortescue has identified the solutions it plans to adopt to eliminate approximately 90% of terrestrial Scope 1 and 2 emissions from its Australian iron ore operations. We are actively working to identify solutions for the final approximately 10%.

We are also finalising our plan for how to eliminate Fortescue’s remaining Scope 1 and 2 emissions from across our operations, including Fortescue Energy.

From FY24 onwards, Fortescue will no longer buy voluntary carbon offsets unless required by law, as offsets have been shown to be troubled by extensive concerns about quality, lack of additionality and an inability to deliver real reductions in emissions.

Through Fortescue Energy, we are also going to give the world an alternative to fossil fuels.



**2008**

First ore on ship



**2010**

Christmas Creek expanded



**2011**

Solomon construction begins



**2012**

Autonomous haulage begins at Solomon



**2013**

Firetail opened at Solomon



## THE JOURNEY CONTINUES

**2020**

New FMG office in Shanghai  
Fortescue Hive, Integrated Operations Centre opens



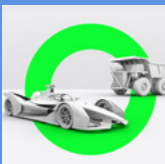
**2021**

Research and Development Facility established at Hazelmere



**2022**

Acquisition of Fortescue WAE  
First ore in processing plant at Iron Bridge



**2022**

Construction commences on the Green Energy Manufacturing Centre in Gladstone, Queensland  
Target set to achieve Real Zero, Scope 1 and 2 emissions from our Australian terrestrial iron ore operations by 2030



**2023**

Iron Bridge celebrates first ore on ship  
First ore loaded to train and delivered to Port at Belinga Iron Ore Project in Gabon  
Fortescue celebrates 20th Anniversary



Important note: Renewable technology supply chains are not yet zero emission. Fortescue is committed to working towards decarbonising the full supply chain.

# FY23 Highlights

Iron ore shipped

**192.0**

million tonnes

C1 cost

**US\$17.54**

/wet metric tonne

Cash on hand

**US\$4.3**

billion

Net debt

**US\$1.0**

billion

Underlying net profit  
after tax

**US\$5.5**

billion

Total global  
economic contribution

**A\$26.3**

billion



2023

## Iron Bridge achieves first production

Fortescue has produced first concentrate at the Concentrate Handling Facility in Port Hedland for our Iron Bridge Magnetite Project.



# EXECUTIVE CHAIRMAN'S MESSAGE

2023 has been the year of convincing observations



**“Forty years ago, Professor James Hansen at NASA wrote that policy wouldn’t change ‘until convincing observations of the global warming are in hand’.”**

ANDREW FORREST

We have seen the highest ocean temperatures on record. The lowest levels of Antarctic Sea ice ever observed and at time of writing, sea ice that should have been the size of Western Australia not replaced as usual during the Antarctic winter.

The hottest June on record, peaking at 1.69°C above pre industrial era and our hottest year. July 2023 was also the hottest month on record, over 1.5°C warmer on average than in pre-industrial times. Work has had to stop in parts of China and New York was shrouded in orange smoke as a record area of Canada burned.

Over the next five years, the world has a 66 per cent chance of passing 1.5°C for one or all years. These scenes are already our new normal and the higher temperatures rise, the worse they will become.

We sit at the tipping point of global warming and global mindsets – one that will see decarbonisation shift abruptly from a “nice to have” to essential to our existence.

Fortescue chose to lead the world through our unique decarbonisation and green energy strategy and expansion into new, global iron ore markets.

In June 2023, our Belinga project delivered first ore on train – just four months after the convention was signed. This massive project will one day be among the largest iron ore mines in the world and will complement our Australian operations, enhancing our blended products and opening new global markets.



## Concentrate Handling Facility

In May, Fortescue also launched its first high-grade magnetite project, Iron Bridge, with a maiden concentrate grade of over 68% far exceeding our target of 67%.

Fortescue has also made some extraordinary achievements in 2023 accelerating towards our 2030 Real Zero target to eliminate fossil fuels from our mine sites and provide global customers with a fully green iron ore product.

In June, our first battery electric haul truck arrived at Christmas Creek. Roadrunner brings several firsts, including the ability to fast-charge in 30 minutes and capacity to regenerate power as it drives downhill.

Later this year we will have our first hydrogen fuel cell haul truck prototype on site for similar testing.

In May, our retrofitted locomotive, nicknamed Locommonia, arrived at Solomon to undergo field tests. Our 75 metre-long Green Pioneer, which could be the world's first ammonia-fuelled industrial ship, is set to complete final tests in coming months.

This four-stroke diesel engine has been modified to run on green ammonia and it has taken our team just one year to develop.

The shipping and fertiliser industries alone will be huge markets for green ammonia. In March, Fortescue Future Industries joined forces with the Government of Kenya to commence development of a major 300MW green ammonia and green fertiliser project, powered by a geothermal field.

In March, we also announced a pilot plant that can process iron ore into green iron at low temperatures using just electricity – no coal. It could revolutionise the steel industry, which currently emits 11 per cent of global CO<sub>2</sub>.



Global partnerships, particularly with China and India, will be key to our success. China, with its highly developed robotics and automation, is where electrolyser production could come down the cost curve significantly as it enters the era of machines making machines.

Australia, once the green laggard, is now ahead of the curve with a A\$2 billion financial package for green hydrogen launched in May that will see it leapfrog other countries.

According to the latest report by Deloitte, the green hydrogen market is forecast to exceed the value of liquid natural gas by 2030. Up to 85 billion tonnes of CO<sub>2</sub> could be saved by 2050 through by the hydrogen industry – roughly twice global emissions in 2021.

Renewable energy and green hydrogen are set to play a very big part of our overall earnings in the future. But change takes a huge amount of courage.

We have new horizons, new possibilities, new markets – and new competitors. The next five years will not be easy, but they will cement Fortescue's position as a world leader and the global provider of green metals, green energy and green solutions.



Roadrunner

- Overview
- Operating and financial review
- Ore Reserves and Mineral Resources
- Our approach to sustainability
- Corporate governance
- Our approach to climate change
- Directors' report | Remuneration Report
- Financial report
- Corporate directory



# MESSAGE FROM FORTESCUE METALS CEO



**“Demand for green iron ore, green steel and critical minerals such as copper, lithium and rare earths is soaring. Demand for steel alone is set to rise over 60 per cent in the next 25 years.”**

DINO OTRANTO

## Twenty years ago, Fortescue was created to address a gap in the marketplace

China was developing at a massive and unprecedented pace in human history and needed iron ore.

Today, we are the world's fourth largest iron ore producer, valued at more than A\$60 billion. Since 2013, our loyal shareholders have received over A\$32 billion in dividends.

I intend to build on this foundation to realise the opportunity ahead for green metals and green energy.

This strong foundation is evident through Fortescue's operating excellence, which continues to drive strong results across our key metrics of safety, production and cost.

This year, Fortescue again delivered record shipments of 192 million tonnes, achieving the top end of market guidance. Importantly, we achieved this safely, maintaining a Total Recordable Injury Frequency Rate of 1.8.

We see a new, significant and unprecedented market growing.

Demand for green iron ore, green steel and critical minerals such as copper, lithium and rare earths is soaring. Demand for steel alone is set to rise over 60 per cent in the next 25 years.



Solomon Mine Ore Processing Facility

- Overview
- Operating and financial review
- Ore Reserves and Mineral Resources
- Our approach to sustainability
- Corporate governance
- Our approach to climate change
- Directors' report | Remuneration Report
- Financial report
- Corporate directory

We have always moved ahead of the markets. Twenty years ago, Fortescue started out as a low-grade producer. With Eliwana and Solomon, we transitioned into mid-grade. In 2023, we have added for the first time a high-grade, premium iron ore magnetite product to our portfolio.

Iron Bridge is Fortescue's most innovative iron ore project. Surpassing expectations with an iron ore grade of over 68% on its first run, Iron Bridge will ultimately be Australia's largest magnetite project – and, once we connect it to Pilbara renewable energy, Australia's first magnetite project to operate using renewable energy by 2030.

In addition to the value opportunity of magnetite is the Belinga high-grade hematite project in Gabon, on the west coast of central Africa. We loaded first ore to train in June 2023 which keeps us on track to deliver the first shipment of iron ore from Gabon by the end of 2023 – less than a year after the signing of the Mining Convention. Studies continue to advance potential designs of a large-scale development.

In 2023, Fortescue continued to make progress towards decarbonising the steel production process and helping to address our customers emissions, evident through partnerships such as our Memorandum of Understanding with the world's largest steelmaker, China Baowu Steel Group Corporation, to work together on reducing emissions associated with iron and steelmaking.

We are also positioning ourselves for success in critical minerals, which are essential to electric vehicles, batteries, magnets, wind turbines, solar panels, electrolyzers and energy efficient technologies like LEDs. Demand for these minerals is set to grow.

It is through these innovations and efficiencies that Fortescue is positioned well and we will continue to apply this in everything we do as we transition from being an iron ore business into a global metals and green energy company.



**Iron Bridge  
Project**

# MESSAGE FROM FORTESCUE ENERGY CEO



**“The reason the world stares at climate change and does nothing, is because it doesn’t know what to do. The world needs a solution to fossil fuels. That’s us. That’s green hydrogen.”**

**MARK HUTCHINSON**

**We are in climate change today.  
We are at 1.5°C now.  
Not 2050, it's now**

Over the past 50 years we have completely trashed the planet. I hear people talking about "saving the planet". The planet will be just fine without us. It's humankind that needs to be saved. But what is wrong with the world? They see it. They hear it. They feel it. But the world does nothing.

The only way we can reverse climate change is to stop fossil fuels now. Every day we continue to release more emissions into the atmosphere, the worse the situation will get. Beyond 1.5°C we have no idea what will happen. No one has any idea.

The reason the world stares at climate change and does nothing, is because it doesn't know what to do. The world needs a solution to fossil fuels. That's us. That's green hydrogen.

We are the butterfly effect, because when we show the world that we can make green hydrogen at scale, the world will banish fossil fuels forever.

Fortescue's prescient decision to lead business towards the green 'light on the hill' was validated in 2023 by a landslide of climate policies signalling a global rush towards green hydrogen and its derivatives.

This time last year there were no major green energy incentives in place globally.

**Fortescue's first prototype battery electric truck, Roadrunner, onsite in the Pilbara**





**Gladstone Electrolyser Manufacturing Facility**

Today, the USA has the US\$370 billion Inflation Reduction Act, which provides up to US\$3 per kilogram of production tax credits to green hydrogen manufacturers. Australia has the recent A\$2 billion Hydrogen Headstart package focused on green hydrogen. In June, the European Union signed into law its Delegated Act on green hydrogen.

Our products will be essential to decarbonising the ‘toughest third’ of emissions – steel production, long haul flights, global shipping, fertilisers. Green hydrogen will also play an essential role in energy storage and firming power as countries continue to focus on energy security.

In 2023, Fortescue has prioritised certain green energy projects in response to growing global demand. We are focused on our target of bringing up to five of these projects to Final Investment Decision (FID).

In the United States, we have announced our first major move following the passage of the Inflation Reduction Act, investing US\$24 million to acquire a 100 per cent interest in the Phoenix Hydrogen Hub.

The Hub is a proposed green hydrogen project located in Arizona, with Phase One planned to be an 80MW electrolyser and liquefaction facility, capable of producing up to 12,000 tonnes of liquified green hydrogen annually.

In Norway, we have secured a second power agreement in the Bremanger Municipality for our planned 300MW green hydrogen and green ammonia facility in Holmaneset.

Meanwhile in Australia, we are aiming to open our A\$114 million Green Energy Manufacturing Centre in Gladstone, Queensland by early 2024, which will produce electrolysers.

Lastly, in the UK, we are driving forward an advanced batteries and electric powertrain manufacturing facility to enable decarbonisation of haul trucks, trains and other heavy industry equipment.

The green energy and green hydrogen market has the potential to create significant growth for Fortescue. The latest report by Deloitte<sup>1</sup> estimates that green hydrogen alone will be worth more than liquid natural gas by 2030.

Private equity investment in clean hydrogen grew 460 per cent, from less than \$1 billion to \$5 billion between 2019 and 2022. Climate investments in general will reach US\$9 to \$12 trillion annually by 2030, according to McKinsey<sup>2</sup>.

The demand for fossil fuel free energy is here – and Fortescue is leading the way. As a first mover, we will benefit first and create greater value for you, our valued shareholders.

**Science and Research team, Balcatta Research and Development Facility**



<sup>1</sup><https://www.deloitte.com/global/en/about/press-room/new-deloitte-report-emerging-green-hydrogen-market.html>

<sup>2</sup><https://www.mckinsey.com/capabilities/sustainability/our-insights/climate-investing-continuing-breakout-growth-through-uncertain-times>

# OUR BOARD

Fortescue has a talented and diverse Board committed to enhancing and protecting the interests of shareholders and other stakeholders and fulfilling a strong governance role



**Dr Andrew Forrest AO**  
Executive Chairman



**Mark Barnaba AM CitWA**  
Lead Independent Director/  
Deputy Chair



**Elizabeth Gaines**  
Executive Director and  
Global Ambassador Fortescue



**Lord Sebastian Coe CH, KBE**  
Non-Executive Director



**Penny Bingham-Hall**  
Non-Executive Director



**Dr Jean Baderschneider**  
Non-Executive Director



**Yifei Li**  
Non-Executive Director



**The appointment and reappointment of directors is intended to maintain and enhance the overall quality of the Board through a composition that reflects a diversity of skills, ethnicity, experience, gender and age.**

The primary driver for the Board in seeking new directors is skills and experience that are relevant to the needs of the Board in discharging its responsibilities to shareholders. All new Board members benefit from a comprehensive induction process that supports their understanding of Fortescue's business.

Fortescue's policy is to assess all potential Board candidates without regard to race, gender, age, physical ability, sexuality, nationality, religious beliefs, or any other factor not relevant to their competence and performance.

There is also a range of support given to Board members that enables them to stay strongly connected to Fortescue, its culture and Values.

This includes:

- Opportunities for significant contribution to the annual strategy setting process conducted with executive and senior management.
- Regular briefings from executive and senior management regarding all major business areas, tailored site visits and annual site tours to operations.
- Visits to meet with key customers that strengthen their understanding of the Company's key markets.
- Regular formal and informal opportunities for the directors to meet with management and staff.

The Board has established committees to assist in the execution of its duties and to ensure that important and complex issues are given appropriate consideration. The primary committees of the Board are the Remuneration

and People Committee, the Audit, Risk Management and Sustainability Committee, the Nomination Committee and the Finance Committee.

Each committee has a non-executive Chair and operates under its own Charter which has been approved by the Board.

Directors are expected to act independently and ethically and comply with all relevant requirements of the *Corporations Act 2001*, ASX Listing Rules and the Company's Constitution.

Fortescue actively promotes ethical and responsible decision-making through its Values and Code of Conduct and Integrity that embodies these Values.

The Board and each of its committees have established a process to evaluate their performance annually. The process is based on a formal questionnaire covering a range of performance topics. The process is managed by the Company Secretary under the direction of the Lead Independent Director. The most recent review was undertaken in July 2023.

The results and recommendations from the evaluation of the Board and committees are reported to the full Board for further consideration and action, where required.

At the date of this report, the Board has five non-executive directors and two executive directors, being Dr Andrew Forrest AO, Fortescue's Executive Chairman, and Ms Elizabeth Gaines, Executive Director and Global Ambassador Fortescue. The Board believes that an appropriate mix of non-executive and executive directors is beneficial to its role and provides strong operational and financial insights to support the business.



## Dr Andrew Forrest AO

### Executive Chairman

Executive Chairman and Founder of Fortescue, Munderoo Foundation, and Tattarang

Dr Andrew Forrest AO is a global business leader and philanthropist. Through Fortescue, Tattarang and Munderoo Foundation, Dr Forrest is dedicated to leading the world to address the climate crisis and step beyond fossil fuels through green metals and green energy.

Fortescue, a US\$40 billion listed natural resources company, is developing major green energy and green metals projects across the world. Fortescue has developed some of the world's most efficient and low-cost mining infrastructure and is the only heavy industry company globally with a fully costed plan to reach Real Zero emissions – elimination of fossil fuels and offsets – from its Australian iron ore operations by 2030.

Squadron, a wholly owned portfolio company of Tattarang, is Australia's largest renewable energy owner, operator and developer and will build one third of the Australian Government's target to source 82 per cent of its power from renewables by 2030. With dozens of projects in the pipeline, Squadron will deliver more than 20 gigawatts of firmed renewable energy, most of which will be in this decade.

Renewable technologies are facing an urgent critical mineral shortage, particularly in nickel, lithium and copper. Dr Forrest's Wyloo Metals, a wholly owned portfolio company of Tattarang, seeks to accelerate strategic metal supply globally and is developing three of the best nickel sulphide belts in the world outside of Russia.

While Dr Forrest believes that some challenges can only be met through business, led by responsible government – for example, global warming – the philanthropy, Munderoo Foundation, that he established in 2001, through an endowment that now exceeds AU\$7.6 billion, focuses on radical solutions to human rights, ocean health, Indigenous disparity and equality for women and girls.

Dr Forrest is a highly active supporter of Ukraine and has led the Ukraine Development Fund alongside BlackRock. He has a PhD in Marine Ecology, serves as an IUCN Patron of Nature and was appointed an Officer of the Order of Australia for distinguished service to philanthropy, mining, employment, and sustainable foreign investment. In 2016, he served as a Councillor of the Global Citizen Commission, which was charged by the UN to modernise the 1948 Universal Declaration of Human Rights.

In 2013, Dr Forrest was appointed by the Australian Government Department of the Prime Minister and Cabinet to lead the country's response to tackling indigenous disparity, leading to the Forrest Review's publication in 2014. Dr Forrest is also Co-Chair of the Australia-China Senior Business Leaders' Forum and a Board Member for the Boao Forum.

### Committee memberships:

Nomination Committee (Member) and Finance Committee (Member)

## Mark Barnaba AM CitWA

### Lead Independent Director / Deputy Chairman

Deputy Chairman since November 2017; Lead Independent Director since November 2014; Non-Executive Director since February 2010

Mr Barnaba is an Independent Director with a broad range of international experience in finance, commerce and natural resources. He has extensive and particularly diverse experience at board level in both the for-profit and non-profit sectors. He is currently a member of the Board (and Chairman of the Audit Committee) of the Reserve Bank of Australia and the Deputy Chairman and Lead Independent Director at Fortescue. In 2015, Mr Barnaba was named a Member of the General Division of the Order of Australia for significant service to the investment banking and financial sector, to business education and to sporting and cultural organisations.

Mr Barnaba also chairs the Hospital Benefit Fund (HBF) Investment Committee. Mark is also a member of the Board of The Centre for Independent Studies. He has previously chaired several publicly listed Australian companies within the mining and infrastructure sectors along with chairing non-profits including the State Theatre Company of Western Australia and AFL club, the West Coast Eagles.

In his previous career, Mr Barnaba founded, led and sold two companies - GEM Consulting and Azure Capital (both independent corporate advisory firms which provide financial, corporate and strategic advice to public and private organisations in the Asia-Pacific region). He also held several senior executive roles at Macquarie Group (one being the Chairman and Global Head of the Natural Resources Group). He previously worked at McKinsey & Company in their London, Johannesburg and Sydney offices.

Mr Barnaba was the Inaugural Chairman of the University of Western Australia Business School Board from 2002 to 2020 and serves as an Adjunct Professor in Finance. He holds a Bachelor of Commerce (First Class Honours and University Medal) from the University of Western Australia, an MBA from Harvard Business School (Baker Scholar) and has an Honorary Doctor of Commerce from the University of Western Australia. He has lived in Australia, the United States, Italy, the United Kingdom and South Africa and is married with two children.

### Committee memberships:

Audit, Risk Management and Sustainability Committee (Chair), Nomination Committee (Member), Remuneration and People Committee (Member) and Finance Committee (Chair)

## OUR BOARD

## Elizabeth Gaines

### Executive Director and Global Ambassador

Former Chief Executive Officer/Managing Director from February 2018 to August 2022. Former Executive Director from February 2017 to August 2022 and July 2023 to current. Former Non-Executive Director from February 2013 to February 2017 and September 2022 to June 2023

Ms Gaines led Fortescue as Chief Executive Officer and Managing Director from February 2018 to August 2022, after joining the Executive team as Chief Financial Officer in February 2017.

A highly experienced business leader, Ms Gaines has extensive international experience in all aspects of financial and commercial management. Ms Gaines has significant experience in the resources sector and exposure to the impact of the growth in Asian economies, particularly China, on the Australian business environment and economy as well as a deep understanding of all aspects of financial and commercial management at a senior executive level in both listed and private companies. Ms Gaines has extensive exposure to the drive to transition to green energy and has been a key driver of the goal to decarbonise Fortescue's mining operations by 2030.

Elizabeth is a part time Executive Director and Global Ambassador for Fortescue. She is a Non-Executive Director and Deputy Chair of Greatland Gold PLC, a Non-Executive Director of the Victor Chang Cardiac Research Institute and a Non-Executive Director and Deputy Chair of the West Coast Eagles (AFL) Football Club.

Ms Gaines was ranked second in the 2019 Fortune Magazine's Businessperson of the Year and in 2020 the Chamber of Minerals and Energy of Western Australia awarded her the 'Women in Resources Champion' at the annual Women in Resources Awards. In 2020, Ms Gaines was awarded Joint Australian Business Person of the Year by the Australian Financial Review.

Ms Gaines is a former Chief Executive Officer of Helloworld Limited and Heytesbury Pty Limited and has previously held Non-Executive Director roles with Nine Entertainment Co. Holdings Limited, NEXTDC Limited, Mantra Group Limited and ImpediMed Limited.

Ms Gaines holds a Bachelor of Commerce from Curtin University, a Master of Applied Finance from Macquarie University and an Honorary Doctorate of Commerce from Curtin University. She is a Fellow of Chartered Accountants Australia and New Zealand, and a member of the Australian Institute of Company Directors and Chief Executive Women.

#### Committee memberships:

Remuneration and People Committee (Member) and Finance Committee (Member)

## Lord Sebastian Coe CH, KBE

### Non-Executive Director

Non-Executive Director since February 2018

Lord Coe is currently a Non-Executive Director of the Vitality Group of health and life insurance companies. In 2017, he became Chancellor of Loughborough University having previously served as Pro Chancellor of the University.

Based in Monaco, Lord Coe is the Non-Executive Chairman of CSM Sport and Entertainment, within the Chime Communications group as well as Non-Executive Director of Vitality Health Ltd and Allwyn Entertainment AG. He was elected President of the International Association of Athletics Federations in 2015 (now World Athletics) where he is driving significant governance reforms through the organisation and its 214 Member Federations around the world. He is currently serving his second term as President. He was elected as a member of the International Olympic Committee in 2020, and became a director of the British Olympic Association at that time, having previously served as Chairman of the British Olympic Association from 2012 to 2016.

Lord Coe previously served as Chairman of the Organising Committee for the London 2012 Olympic Games and Paralympic Games. He was a member of the British athletics team at the 1980 and 1984 Olympic Games where he won two gold and two silver medals, as well as breaking twelve world records.

In 1992, Lord Coe became a Member of Parliament and during his political career served as a Government Whip and then Private Secretary to William Hague, Leader of the Opposition and Leader of the Conservative Party. He was appointed to The House of Lords in 2000 having resigned in 2022.

#### Committee memberships:

Nomination Committee (Chair), Remuneration and People Committee (Member)

## Dr Jean Baderschneider

### Non-Executive Director

Non-Executive Director since January 2015

A highly regarded leader in both business and civil society, Dr Baderschneider brings 35 years of extensive international experience in procurement, strategic sourcing and supply chain management along with a deep understanding of high-risk operations and locations and complex partnerships.

Dr Baderschneider retired from ExxonMobil in 2013 where she was Vice-President of Global Procurement. During her 30-year career, she was responsible for operations all over the world, including Africa, South America, the Middle East and Asia.

A past member of the Board of Directors of the Institute for Supply Management and the Executive Board of the National Minority Supplier Development Council, Dr Baderschneider also served on the boards of The Center of Advanced Purchasing Studies and the Procurement Council of both The Conference Board and the Corporate Executive Board.

Dr Baderschneider is the President of the Board of Trustees of The President Lincoln's Cottage and a member of the Abraham Lincoln National Council of Ford's Theatre. In addition, she is on the Board of Directors of the Nizami Ganjavi International Center, the Board of Directors of the McCain Institute and is a Commissioner on the United Nations and Liechtenstein's Financial Sector Commission on Modern Slavery. With over 15 years of experience working on anti-human trafficking efforts globally, she served on the Board of Directors of Polaris, Made in a Free World and Verite and is currently a Founding Board member and Chair of the Global Fund to End Modern Slavery.

Dr Baderschneider was a Presidential appointee to the US Department of Commerce's National Advisory Council on Minority Business Enterprises and is a past recipient of Cornell's Jerome Alpern Award and Nomi Network's Corporate Social Responsibility Award. She holds a Masters Degree from the University of Michigan and a PhD from Cornell University.

### Committee memberships:

Audit, Risk Management and Sustainability Committee (Member)

## Penny Bingham-Hall

### Non-Executive Director

Non-Executive Director since November 2016

Ms. Bingham-Hall has over 30 years' experience in senior executive and non-executive roles in large ASX listed companies. She is a Non-Executive Director of Dexus Property Group, Supply Nation and the Crescent Foundation. Ms. Bingham-Hall is also Chair of Vocus Group, Taronga Conservation Society Australia and the Advisory Committee of the Climate Governance Initiative Australia.

Ms. Bingham-Hall has worked in the construction, infrastructure, mining and property industries across Australia and the Asian region. She has a particular interest in environmental sustainability, workplace safety and indigenous employment. Prior to becoming a company director, Ms. Bingham-Hall was Executive General Manager, Strategy at Leighton Holdings (now CIMIC) - Australia's largest construction, mining services and property group. As part of the leadership team at Leighton she had responsibilities across the group's Australian and Asian operations.

She is a former director of BlueScope Steel Limited, Australia Post, Port Authority of NSW and Macquarie Specialised Asset Management. Ms Bingham-Hall was also chair of the NSW Freight and Logistics Advisory Council and Deputy Chair and Life Member of the Tourism & Transport Forum.

Ms. Bingham-Hall has a Bachelor of Arts degree in Industrial Design, is a Fellow of the Australian Institute of Company Directors, a Senior Fellow of the Financial Services Institute of Australasia and a member of Chief Executive Women and Corporate Women Directors.

### Committee memberships:

Audit, Risk Management and Sustainability Committee (Member), Remuneration and People Committee (Chair)\* and Finance Committee (Member)

\*Effective 1 July 2023

## OUR BOARD

### Yifei Li

#### Non-Executive Director

Non-Executive Director since August 2022

Ms Yifei Li is the President of the QiBin Foundation and currently serves on the board of BlackRock China and is a Global Trustee of the Rockefeller Foundation.

Ms Li was an Independent Board member of GAVI (The Global Alliance for Vaccines and Immunisation) from 2012 to 2018 and was formerly the Country Chair for Man Group in China, one of the world's largest hedge fund managers.

Before joining Man Group, Ms Li had over 18 years of senior management experience, having successfully led the expansion of several multinational companies in China, including Viacom, MTV networks and VivaKi of Publicis Group.

Ms Li has a Bachelor of Law degree from the Foreign Affairs College in Beijing and an M.A. in International Relations from Baylor University in the United States

### Cameron Wilson

#### Company Secretary

Mr Wilson was appointed Company Secretary in February 2018, bringing over 25 years' mining industry experience across the gold, nickel, coal and mineral sands sectors.

Mr Wilson holds a Bachelor of Laws from the University of Western Australia and is a Graduate of the Australian Institute of Company Directors

### Gemma Tually

#### Joint Company Secretary

Ms Tually, Fortescue's General Counsel, was appointed Joint Company Secretary in February 2023.

Ms Tually holds a Bachelor of Laws from the University of Western Australia and master's degrees from the University of Queensland and New York University

# LEADERSHIP TEAM

Fortescue's Leadership team is accountable for the safety of our people, upholding the Values and acting with integrity and honesty



**Dino Otranto**  
Chief Executive Officer,  
Fortescue Metals



**Mark Hutchinson**  
Chief Executive Officer,  
Fortescue Energy



**Christine Morris**  
Chief Financial Officer,  
Fortescue Metals



**Deborah Caudle**  
Chief Financial Officer,  
Fortescue Energy

## THE LEADERSHIP TEAM

### Dino Otranto

#### Chief Executive Officer, Fortescue Metals

Dino has been Fortescue Metal's CEO since August 2023. Prior to that, he was Fortescue's Chief Operating Officer iron ore. With twenty years' experience in the resources industry, spanning a range of commodities and operations across the globe, Dino brings significant operational, technical and financial expertise and a strong focus on safety, values and employee engagement.

Dino is leading Fortescue's successful metals business through a period of rapid growth, including the implementation of large-scale decarbonisation technologies along with the development of a new mining operation in Gabon, Africa.

Prior to joining Fortescue, Dino held the role of COO at Vale Base Metals, leading their North American, European and Asian nickel and copper businesses, which encompasses a global network of underground and open pit mines, smelters, refineries, power stations, port and rail infrastructure.

Dino holds a Bachelor of Engineering (Chemical) and a Bachelor of Science (Chemistry) from Curtin University and a Graduate Diploma of Finance from the Financial Services Institute of Australasia.

### Mark Hutchinson

#### Chief Executive Officer, Fortescue Energy

Mark Hutchinson commenced with Fortescue Energy in July 2022 and became Global Chief Executive Officer (CEO) in August 2022.

Mark's focus as CEO is to drive growth in Fortescue Energy, Fortescue's green hydrogen and green technology business. In 2023, the team will accelerate its target of up to five green hydrogen projects to Final Investment Decision.

Mark brings extensive business and leadership experience at a senior executive level, having held various roles at GE over a 25 year career, the two most recent as President and Chief Executive Officer China and Europe. In these roles Mark led the efforts to strengthen GE's operations across China and Europe and developed and executed a shared growth strategy for all the GE businesses which helped to drive significant growth, year on year. He also led the integration of Alstom's power and grid businesses into GE following its €12.35 billion acquisition.

A highly experienced international business leader with a passion for Environmental, Social and Governance (ESG), Mark sits on the Board of Alpha International and has previously held a Board position at World Wide Generation Limited, and Non-Executive Director roles at Bluescope Steel Limited, Mission Australia, Allianz Australia Insurance Limited and Alpha Australia.

## THE LEADERSHIP TEAM

### Christine Morris

#### Chief Financial Officer, Fortescue Metals

Christine Morris joined Fortescue Metals as Chief Financial Officer in July 2023. She has thirty years of financial experience in energy, media, telecommunications, accounting, manufacturing and technology.

Prior to Fortescue, Christine served as CFO of Maersk Drilling in Copenhagen, Denmark. She has also been CFO of BJ Services, an oilfield services company, and spent seven years at Halliburton in various senior finance roles. She was appointed director of the board of DOF ASA in 2023, a business that provides integrated offshore services to the energy industry.

Christine has a successful track record in aligning financial and corporate strategy and leading the finance divisions of global organisations. She also has extensive international capital markets experience across multiple industries, having structured and raised capital for public and private entities. Christine has a Bachelor of Science in Mathematics, a Master of Science in Actuarial Sciences and an MBA from the Graduate School of Business at Stanford University.

### Deborah Caudle

#### Chief Financial Officer, Fortescue Energy

Deborah Caudle is joining the Company in September 2023 as Chief Financial Officer of Fortescue Energy.

Deborah has over 24 years experience in the mining and metals sector. She was Acting CFO of copper and nickel miner OZ Minerals prior to BHP's A\$9.6 billion acquisition of the ASX100 company in May 2023 and joins Fortescue from BHP, where she held the role of Finance Executive overseeing integration activities.

Deborah previously held senior roles with Société Générale Corporate and Investment Banking and Barclays Investment Banking, where she gained a wealth of international experience providing advisory, structuring and financing solutions in the mining and metals sector with a focus on acquisition finance, project finance, debt capital markets and sustainability finance.

(She started her career as a process engineer with BHP in the Pilbara.)

Deborah holds a Bachelor of Metallurgical Engineering (Physical Metallurgy) from the University of UNSW, a Master of Business Administration from The University of Queensland and is a Graduate of the Australian Institute of Company Directors.

Overview

Operating and financial review

Our Reserves and Mineral Resources

Our approach to sustainability

Corporate governance

Our approach to climate change

Directors' report  
| Remuneration Report

Financial report

Corporate directory

# ABOUT FORTESCUE

Fortescue is both a proud West Australian company and the number 1 integrated green technology, energy and metals company

Since our founding twenty years ago, Fortescue has become one of the world's largest producers of iron ore – globally recognised for its world leading approach to building low-cost, large-scale infrastructure. We are the number 1 integrated green technology, energy and metals company.

Since Fortescue's first commercial shipment of 180,000 tonnes of iron ore departed from Port Hedland, Western Australia to China in May 2008, Fortescue has remained a major, integral supplier of iron ore to the Chinese steel industry. Fortescue is now shipping at an annual rate of over 190 million tonnes with more than 1.9 billion tonnes of iron ore delivered to its customers since 2008.

Our iron ore operations include three hematite mining hubs in the Pilbara and our Iron Bridge magnetite mine. Our three hubs are connected by 760 kilometres of rail to Herb Elliott Port and the Judith Street Harbour towage infrastructure in Port Hedland. We have also just delivered first ore to ship for our high grade magnetite project, Iron Bridge. Fortescue operates eight purpose-built 260,000 tonne capacity ore carriers.

Fortescue is unique within the heavy industry: we are committed to reducing our emissions to Real Zero by 2030 across our Australian terrestrial mining operations – eliminating fossil fuels by developing local renewable power and replacing our existing equipment with battery electric and green hydrogen models.

We also have a net zero Scope 3 emissions target by 2040. Around 98 per cent of those emissions arise from crude steel manufacturing. We are supporting the development



of technologies that will help enable our customers to make green steel, without coal, from the full spectrum of Fortescue's iron ore products.

For our size and scale, there is no other mining company in the world that is taking the action we are to eliminate emissions.

The Fortescue group is a top 10 ASX listed company. Fortescue has two divisions – Metals and Energy. They work together for Fortescue as a whole, to ensure allocation of resources is prioritised across the divisions. Our Metals team focuses on our Australian and global iron ore deposits, exploration into new fields and the development of green iron technologies for future use.

Fortescue Energy comprises Fortescue Future Industries (FFI), Fortescue Hydrogen Systems and Fortescue WAE, focuses on meeting urgent global demand for green energy, aviation fuels, green fertilisers and green shipping fuels. In 2023, the energy business focused on bringing projects to Final Investment Decision.

Fortescue always strives to empower the communities we operate in and deliver positive social and economic change through training, employment and business development opportunities.

This is evident through initiatives such as our Billion Opportunities program which has awarded more than A\$4.6 billion in contracts to First Nations businesses since it was established in 2011.





# OUR OPERATIONS

As one of the world's largest producers of iron ore, Fortescue's wholly owned and integrated operations in the Pilbara include the Chichester, Solomon and Western mining hubs



## SAFETY

**1.8<sup>1</sup>**

TOTAL RECORDABLE  
INJURY FREQUENCY RATE



## PRODUCTION

**192.0 mt**

IRON ORE SHIPPED



## C1 COST

**US\$17.54/wmt**

<sup>1</sup> Fortescue Metals

**Our mining infrastructure is connected to the five berth Herb Elliott Port and Judith Street Harbour towage facility in Port Hedland.**



## Iron Bridge

Iron Bridge signifies Fortescue's entry into the high grade segment of the iron ore market, providing an enhanced product range while also increasing annual production and shipping capacity. Located 145km south of Port Hedland, Iron Bridge is Fortescue's first magnetite operation and incorporates the North Star and Glacier Valley magnetite ore bodies.

Unlike Fortescue's hematite operations, Iron Bridge produces a wet concentrate product which is transported to Port Hedland through a 135km specialist slurry pipeline where dewatering and materials handling occurs.

In coming years, low-cost power will be delivered to Iron Bridge through Fortescue's investment in the Pilbara Energy Connect project, which includes energy transmission line infrastructure, solar gas hybrid generation and associated battery storage solution.

Iron Bridge is an unincorporated joint venture between FMG Magnetite Pty Ltd (69 per cent) and Formosa Steel IB Pty Ltd (31 per cent).

## Chichester Hub

Our Chichester Hub in the Chichester Ranges includes the Cloudbreak and Christmas Creek mines and has an annual production capacity of approximately 100 million tonnes per annum (mtpa) from three ore processing facilities (OPFs).

The Christmas Creek OPF infrastructure has previously been upgraded to include a Wet High Intensity Magnetic Separator to recover high-grade iron from the finer ore fed through the OPF. Cloudbreak utilises 20km of relocatable conveyors that can be adjusted and relocated to any new mining areas to offset the increase in costs.

Currently, this conveyor infrastructure helps to otherwise offset a fleet increase and helps manage our product strategy, while being cost-efficient and, when powered by renewable energy in the future, reducing greenhouse gas emissions. Our Chichester Hub is also home to a 60MW solar farm which powers Fortescue's daytime operations at Cloudbreak and Christmas Creek, displacing around 100 million litres of diesel every year.

## Solomon Hub

The Solomon Hub in the Hamersley Ranges is located 60km north of Tom Price and 120km to the west of the Chichester Hub. It comprises the Firetail, Kings Valley and Queens Valley mines which together have a production capacity of 65 to 70mtpa. The expansion to Queens Valley has enabled continued production of the Kings Fines product. Solomon represents a valuable source of production, enabling the blend of higher iron grade Firetail ore with ore from Eliwana and the Chichester Hub to create Fortescue's Blend product.



## Western Hub

Fortescue's mine at Eliwana commenced operations in December 2020 and includes a 30mtpa dry OPF and 143km of rail linking the mine to the Hamersley rail line. Together with its innovative low profile designed OPF and dual stacker reclaimer, Eliwana has the capacity to direct load onto trains up to 9,000 tonnes per hour. Eliwana is now producing at an annualised rate of 30mt, contributing to our low cost status and providing greater flexibility to capitalise on market dynamics.

## Hedland operations

Fortescue wholly owns and operates purpose-built rail and port facilities. The efficient design and layout, optimal berthing configuration and ongoing innovation to increase productivity make Herb Elliott Port an efficient bulk port operation. The port has five operating berths and we have been granted approval to increase the licensed throughput capacity of Herb Elliott Port from 175mtpa to 210mtpa.

Our Judith Street Harbour towage infrastructure and fleet of tugs provide safe and reliable towage services that maximise the efficiency of our operations. Designed to complement the port infrastructure, the fleet of eight 260,000 tonne capacity Fortescue Ore Carriers delivers approximately 10 per cent of our shipping requirements, while improving load rates and efficiencies and reducing operating costs. Fortescue's shipping fleet completes our mine to market iron ore value chain.

## Integrated Operations Centre

Our Fortescue Hive is a purpose-built Integrated Operations Centre in Perth that opened in 2020 and includes Planning, Operations and Mine Control teams, together with Port, Rail, Shipping and Marketing teams. In FY23, the Hive was expanded to include Iron Bridge control. The Hive operates 24 hours a day, seven days a week to deliver improved safe, reliable, efficient and commercial outcomes.

## Belinga Iron Ore Project, Gabon

The Belinga Iron Ore Project in Gabon is Fortescue's first iron ore project outside of Australia.

In February 2023, Fortescue, through its incorporated joint venture company, Ivindo Iron SA, successfully signed a Mining Convention with the Government of Gabon. This governs all legal, fiscal and regulatory regimes for the project. Further legislation is proposed to be enacted during FY24 to give further effect to the above arrangements. First ore was trained to port in June 2023 and we are on track for first shipment by the end of calendar year 2023.

The Belinga project opens growth opportunities for Fortescue throughout Africa. Every indication we have shows the project has the potential to be significant scale and high-grade. Studies continue to advance potential designs of a large-scale development.

Fortescue was founded on the belief that communities should thrive as a result of our success. The investments in the Belinga Iron Ore Project will bring infrastructure and economic opportunities that will benefit national and local communities, including through creating jobs, engaging local businesses and providing training opportunities.

Ivindo Iron is the operating entity for the Belinga project and Fortescue has a 72 per cent indirect interest in the company.

## Critical minerals and iron ore exploration

Fortescue started as an exploration company, and we still firmly believe that early stage exploration is the key to unlocking significant value.

In FY23, Fortescue's exploration activities included:

- Continued iron ore exploration in the Pilbara, with resource definition drilling in the Eastern Hamersley and a focus on Nyidinghu and Mindy South and regional exploration across the Pilbara with a focus in the Western Hub
- Exploration activity primarily focused on early-stage target generation for copper-gold in the Paterson region in Western Australia
- Additional exploration activity for copper is progressing in South Australia, New South Wales and Queensland.

## International exploration

Our world class exploration capability is driving future growth as we target global opportunities and commodities that support decarbonisation, electrification of the transport sector and broader opportunities, with a focus on copper, lithium and rare earths. Fortescue has an established presence in Latin America, including Argentina, where we currently hold tenements prospective for copper-gold.



Fortescue also holds tenements for critical minerals in Brazil, Chile and Peru where exploration is ongoing. Fortescue has a 25.4 per cent stake in TSX listed Alta Copper Corp. and we support the advancement of the Cañariaco project in Peru. In Kazakhstan, a range of copper targets are being progressed to drilling while work in Portugal is focused on development of lithium opportunities.

## Fortescue Energy

Fortescue Energy is our global green energy business. Its focus is on producing commercial scale of green energy and green hydrogen, including derivatives such as green ammonia, to accelerate global decarbonisation of heavy industry, aviation, shipping and fertilisers. We have industry-leading targets to decarbonise Fortescue's mining sites by 2030 for its Australian terrestrial emissions while achieving net zero Scope 3 emissions by 2040.

We have dozens of green energy and green hydrogen projects under investigation globally and plans to bring projects to Final Investment Decision in 2023.

Currently, our focus is on five key regions:

- Phoenix, USA. Across the US, we are actively developing several potential green hydrogen projects including near Phoenix, Arizona.
- Gibson Island, Australia. With Incitec Pivot Limited, a proposed 550MW green hydrogen and green ammonia facility is currently in the front end engineering design (FEED) stage.
- Nakuru county, Kenya. A proposed, up to 300MW, steam-to-fertiliser facility utilising geothermal steam from the Olkaria region in Nakuru county is currently in the pre-feasibility stage. The project is aimed at the production of green fertiliser for domestic use in Kenya, with the Government of Kenya as the sole off-taker.
- Holmaneset, Norway. A proposed 300MW green ammonia facility is currently in the pre-feasibility stage with renewable energy secured via a long-term conditional Power Purchase Agreement with Statkraft to support our operational plans.
- Pecem, Brazil. A proposed green hydrogen and green ammonia facility at the Port of Pecem, Ceará, is in the pre-feasibility phase.

In addition to the above, we have a number of other exciting opportunities that are being progressed and are expected to be developed and ready for final investment decision during 2024.

Other developments in FY23:

- Construction works completed at our electrolyser manufacturing facility, the Green Energy Manufacturing Centre, in Gladstone, Queensland. Further fit-out of the facility, including the automated production line and testing facilities, has now commenced
- Completion of the R&D Perth Innovation Centre
- Launch of the Colorado Innovation Centre in the USA.

## Decarbonisation

Fortescue released its decarbonisation roadmap in September 2022, which aims to reduce operating costs by eliminating expenditure in diesel, natural gas and offsets. Fortescue is leading the market in terms of its response to customer, community and investor expectations to reduce and eliminate carbon emissions from its operations.

In executing our roadmap, we are using well-established technologies and, in some cases, using those technologies in new ways. We believe battery electric, green hydrogen and green ammonia will all be critical, and we are taking practical steps to apply the best solution to each different situation.

## Zero-emission trucks, trains and ships

- In FY23, Fortescue deployed our first prototypes on site. In June, our first battery electric haul truck arrived at Christmas Creek. Roadrunner brings several surface mining firsts, including the ability to fast-charge in 30 minutes and capacity to store regenerated power as it drives downhill.
- Fortescue's hydrogen fuel cell electric truck will be delivered to Christmas Creek in FY24.
- A prototype Offboard Power Unit (to power the Liebherr Electric Excavator previously delivered to site) and a prototype 3MW Fast Charger have also been transported to Christmas Creek to continue commissioning and site-based testing.
- In May 2023, our dual-fuel ammonia-powered locomotive arrived at Solomon to undergo field tests. Commissioning of the locomotive is being completed in readiness for mainline trials in FY24. We are continuing to explore the development of a world-first Infinity Train which would use gravitational energy to recharge its battery electric systems without any additional charging requirements.
- In FY23, Fortescue Energy continued to develop a dual-fuel ammonia powered ship engine. In the second half of calendar year 2023, it will undergo its first sea trials onboard the 75 metre Green Pioneer.

## Green iron and green steel

The global interest in green iron and green steel is growing rapidly. As part of our commitment to achieving our Scope 3 emissions target, we are working with our customers to reduce their carbon emissions. For example, in FY23, Fortescue announced a Memorandum of Understanding with China Baowu, Fortescue's largest customer and the largest steelmaker in the world, to work together on reducing emissions associated with iron and steelmaking.

We are also conducting R&D to develop technologies needed to decarbonise the iron used to make steel. In FY23, we developed a pilot installation capable of converting iron ore to green iron without coal, with several patent applications filed. The process uses low-temperature electrolysis, which can be powered using renewable electricity and offers a potential pathway to enable the full spectrum of Fortescue's iron ore products to be converted into green iron.

## Renewable power on our mining sites

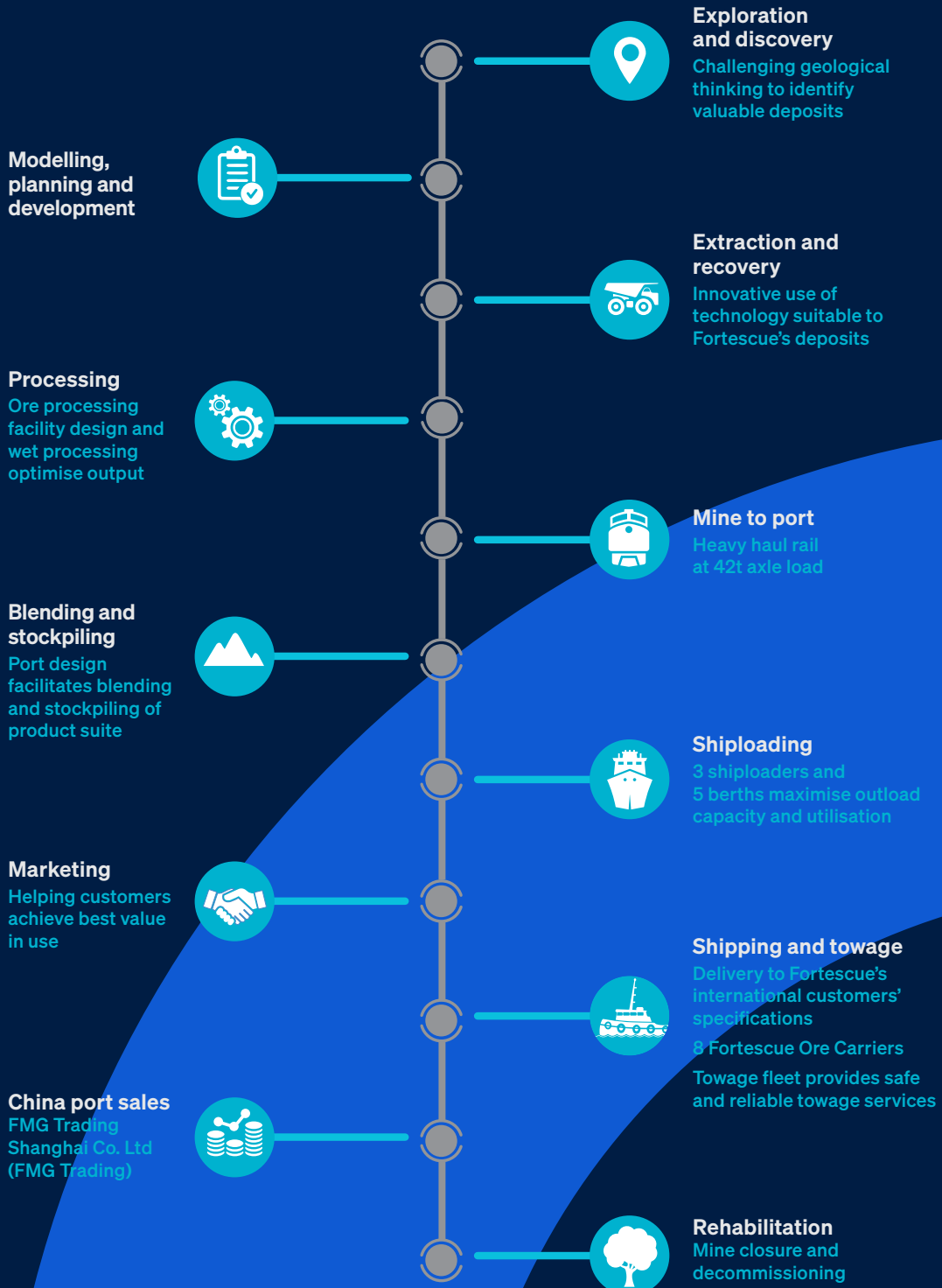
The Pilbara Energy Connect (PEC) project, together with the Chichester Solar Gas Hybrid Project, will deliver 25 per cent of our stationary energy requirements from solar power by FY25. The project will enable renewable electricity generated at any of Fortescue's sites to move between our operations in Port Hedland, Iron Bridge, Cloudbreak, Christmas Creek, Solomon and Eliwana, via over 500km of transmission lines.

The following project milestones were achieved in FY23:

- **North Star Junction to Port Hedland:** 98km of transmission lines and a 220kV substation now constructed.
- **North Star Junction:** construction of a 100MW solar plant underway, with commissioning in 2024.
- **Solomon to Eliwana:** Board approval was received for construction of 132km of transmission line and a 220kV substation scheduled to start this year.
- **Lambda to Cloudbreak and Christmas Creek:** Board approval has been received, with procurement underway and construction of 111km of transmission lines and two 220kV substations to start in 2024.

The project complements the Chichester Solar Gas Hybrid Project, which was completed in 2021 and provides up to 100 per cent of Christmas Creek's and Cloudbreak's daytime energy needs, displacing around 100 million litres of diesel every year.

# IRON ORE VALUE CHAIN



- Overview
- Operating and financial review
- Ore Reserves and Mineral Resources
- Our approach to sustainability
- Corporate governance
- Our approach to climate change
- Directors' report | Remuneration Report
- Financial report
- Corporate directory

# OPERATING AND FINANCIAL REVIEW

02

2023



Fortescue partners  
with Liebherr  
to develop battery  
electric mining  
haul trucks



# KEY PERFORMANCE INDICATORS



## SAFETY

1.8<sup>1</sup>

TOTAL RECORDABLE INJURY FREQUENCY RATE



## PRODUCTION

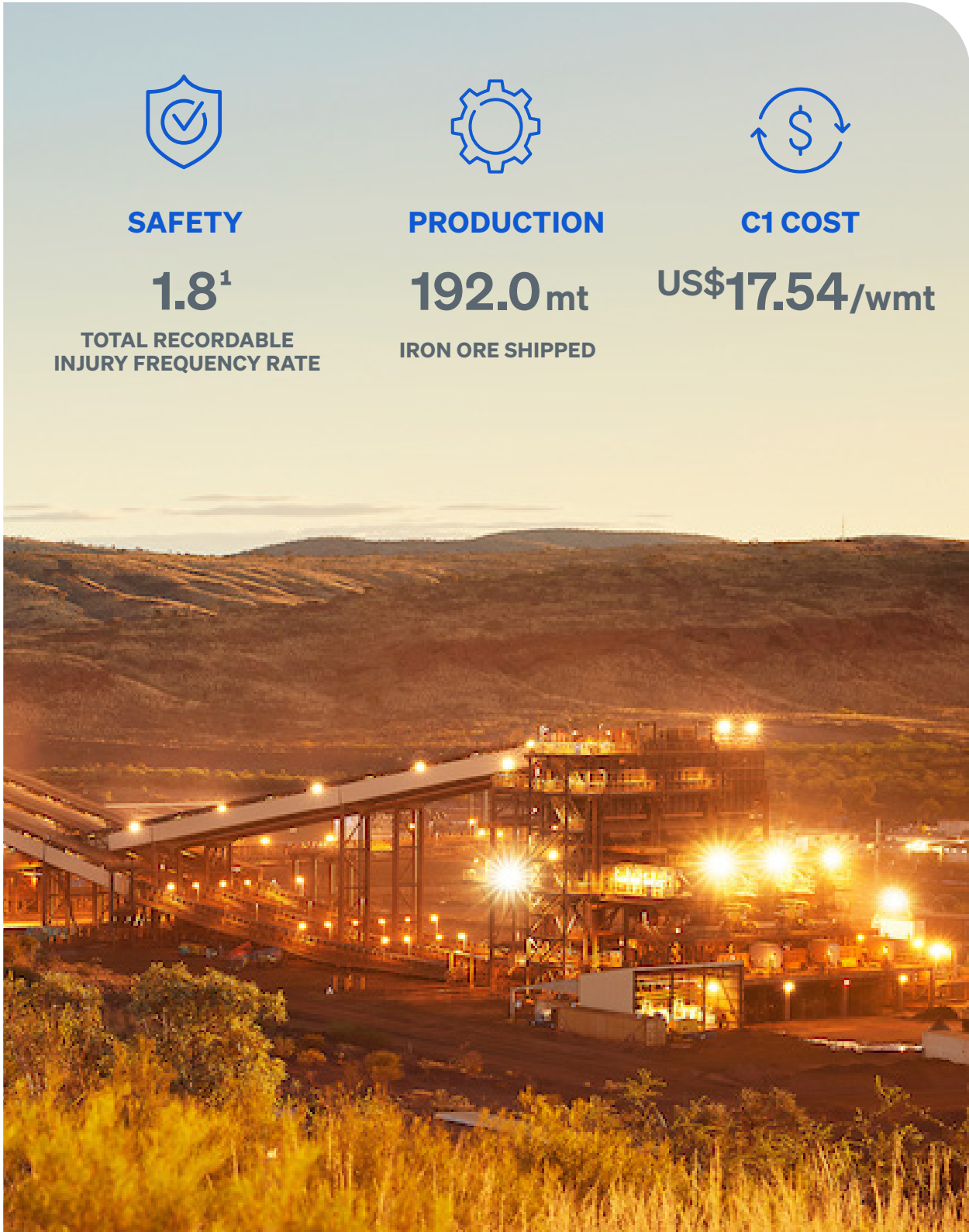
192.0 mt

IRON ORE SHIPPED



## C1 COST

US\$17.54/wmt



<sup>1</sup> Fortescue Metals

# SAFETY



The health, safety and wellbeing of the Fortescue family is our number one priority and our focus remains on ensuring everyone goes home safely after every shift

Each day, everyone at Fortescue is empowered to take control and look out for their mates and themselves. The Company is committed to providing a safe working environment for all employees and contractors to ensure we become a global leader in safety.

Fortescue Metals' rolling 12-month Total Recordable Injury Frequency Rate (TRIFR) is 1.8 at 30 June 2023.

## Safety culture

Guided by the Fortescue Values of Safety and Family, Fortescue is committed to continuing to improve safety performance across the following areas:

- Strengthening safety leadership through specific action plans to address the priorities identified by the annual company-wide People Experience Survey (Safety Excellence and Culture Survey).

- The continued reduction of the workplace injury and fatality risk profile through frontline designed and implemented safety improvement opportunities.
- Taking a data driven approach to prioritise safety risks by using data analytics to focus and monitor safety performance.
- Continuing to improve the physical and mental health of our team members.

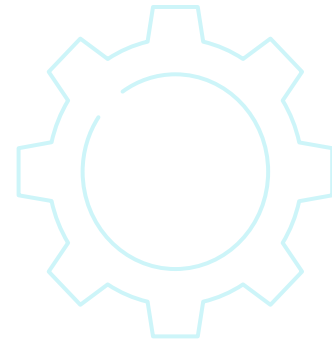
Fortescue continues to implement a number of initiatives to enhance the safety, culture and mental health of people working at the Company's operations and workplaces as a result of feedback from its Workplace Integrity Review.





# FORTESCUE METALS

Record shipping and production output reflecting optimisation and consistency across the value chain



| (million tonnes)       | 2023 | 2022 | Movement % |
|------------------------|------|------|------------|
| Overburden removed     | 323  | 315  | 3          |
| Ore mined              | 218  | 229  | (5)        |
| Ore processed          | 192  | 189  | 2          |
| Shipments <sup>1</sup> | 192  | 189  | 2          |
| Ore sold               | 192  | 189  | 2          |

Pilbara Hematite operations only. During the period, 1.4mt of ore was mined at Iron Bridge.

<sup>1</sup> Volume references are based on wet metric tonnes. Product is shipped with approximately 8 to 9 per cent moisture.

Fortescue achieved record annual shipments of 192mt through consistent performance from existing operations.

Ore mining decreased in FY23 to 218mt (FY22: 229mt). Increasing strip ratio (FY23: 1.5x, FY22 1.4x) reflects the sequence of ore and waste mining and was consistent with both the annual and Life of Mine plan and development of new mining areas. Development work continues within Western Hub at Flying Fish and at the Chichester Hub with Garden and Hall. Development of these areas to optimise systems capacity aligns with Fortescue's product strategy while also managing operating and capital costs.

Ore processing is an annual record at 192mt. This achievement reflects consistent performance and reliability through existing OPFs. Fortescue has a combination of both wet and dry OPFs across its operations aligning with the characteristics of the ore bodies.

Fortescue's record shipments of 192mt was 3mt above the previous record set in FY22 (189mt). The record shipping reflects stable and consistent performance from all operations achieving planned production output combined with leveraging available inventory within the value chain. Fortescue's ore carriers continue to perform, shipping 18.9mt in FY23 (18.9mt in FY22).

Sales via Fortescue's wholly owned Chinese sales entity, FMG Trading Shanghai was 16.7mt in FY23 (FY22: 18.5mt sold). This entity allows Fortescue to improve iron ore sales channels through the direct supply of products to Chinese customers in smaller volumes in renminbi, directly from regional ports.

## Marketing and product strategy

Fortescue's integrated operations and customer-focused marketing strategy underpins the Company's ongoing strong market penetration, with a product portfolio that meets customer requirements and maximises value. While China remains Fortescue's core focus, representing more than 50 per cent of global steel production, the Company continues to explore sales to other markets.

## Innovation and technology

Fortescue has led the way globally in embracing automation at its operations. Fortescue maintains its position as a leader in autonomous haulage, with over 190 trucks operating across the Solomon and Chichester hubs.

The introduction of automation has not only contributed to a safer working environment for our team members, it has also underpinned significant productivity and efficiency improvements.

The Company continues to look for other opportunities for automation and artificial intelligence to drive greater efficiency across the business, including the use of data to predict outcomes and optimise performance, the expansion of autonomy to fixed plant and non-mining equipment and the application of relocatable conveyor technology.

## Decarbonisation

In September 2022, we updated our heavy industry decarbonisation strategy, aiming to eliminate fossil fuel use and achieve real zero terrestrial emissions (Scope 1 and 2) across our Australian iron ore operations by 2030.

Consistent with our disciplined approach to capital allocation, Fortescue's Board approved US\$6.2 billion investment in our decarbonisation roadmap, which is expected to reduce operating costs while future proofing our business against carbon regulatory risk.

As part of the investment, we intend to deploy an additional 2-3 GW of renewable energy generation and battery storage, in addition to the estimated incremental costs associated with green mining fleet and locomotives.

Fortescue remains committed to our stated intent to achieve net zero Scope 3 emissions by 2040 (announced in October 2021), addressing emissions across our entire global value chain, including crude steel manufacturing which accounts for 98 per cent of our Scope 3 emissions.

The acquisition of Fortescue WAE was completed in 2022. Fortescue WAE, a leading provider of high-performance battery and electrification technologies, is an important acquisition that enables us to accelerate the decarbonisation of its mining fleet as well as establish a new business growth opportunity.

Fortescue is making significant progress on our decarbonisation initiatives, enabled through Fortescue Energy.

The key milestones on our journey to step beyond fossil fuels achieved during FY23 include:

- First delivery of a battery electric haul truck prototype to Christmas Creek for site-based testing.
- We have further refined a hydrogen-powered haul truck, as well as retrofitted a locomotive engine to run partly on ammonia, with the locomotive deployed at Christmas Creek in May 2023.
- We have successfully modified a diesel ship engine to run on green ammonia and we plan to carry out first sea trials later this year on board the Green Pioneer.

This builds on the progress that has already been made to decarbonise our iron ore operations:

- Chichester Solar Gas Hybrid Project which displaces around 100 million litres of diesel per annum.
- Investment in the Pilbara Energy Connect program which is estimated to provide 25 per cent of stationary daytime energy across our mining operations through solar power.
- Partnering with Liebherr for the development and supply of green mining haul trucks.

Key considerations for our pathway to decarbonise include technology and development, future equipment acquisition and potential regulatory changes. Future changes to Fortescue's decarbonisation strategy may impact key estimates and changes to asset carrying values.



## Projects

### Iron Bridge

The Iron Bridge magnetite mine, when operating at full capacity, is projected to deliver 22mt per annum of high-grade, low-impurity 67% Fe magnetite concentrate. Iron Bridge is an unincorporated joint venture between FMG Magnetite Pty Ltd (69 per cent), and Formosa Steel IB Pty Ltd (31 per cent).

Iron Bridge commenced production of high-grade magnetite concentrate during the last quarter of FY23 and first concentrate was loaded on ship on 24 July 2023.

Iron Bridge represents a strategic investment for Fortescue and its joint venture partner. It enables Fortescue's entry into the high-grade segment of the iron ore market, providing an enhanced product range while also increasing annual production and shipping capacity.

### Belinga Iron Ore Project, Gabon

The Belinga Iron Ore Project in Gabon is Fortescue's first iron ore project outside of Australia.

In February 2023, Fortescue, through its incorporated joint venture company, Ivindo Iron SA, successfully signed a Mining Convention with the Government of Gabon. This governs all legal, fiscal and regulatory regimes for the project. Further legislation is proposed to be enacted during FY24 to give further effect to the above arrangements. First ore was trained to port in June 2023 and we are on track for first shipment by the end of calendar year 2023.

The Belinga project opens growth opportunities for Fortescue throughout Africa. Every indication we have shows the project has the potential to be significant scale and high-grade. Studies continue to advance potential designs of a large-scale development.

Fortescue was founded on the belief that communities should thrive as a result of our success. The investments in the Belinga Iron Ore Project will bring infrastructure and economic opportunities that will benefit national and local communities, including through creating jobs, engaging local businesses and providing training opportunities.

Ivindo Iron is the operating entity for the Belinga project and Fortescue has a 72 per cent indirect interest in the company.

## Exploration

Fortescue began as an exploration company and today our iron ore tenements remain key to maintaining mine life and sustaining product quality in our core iron ore business.

Fortescue holds the largest tenement portfolio in the Pilbara region of Western Australia. The resources in both the Western Hub and Eastern Hamersley include significant amounts of high iron content bedded iron ore, adding dry, low-cost tonnes to Fortescue's product suite.

Iron ore exploration activity in the Pilbara during FY23 included resource definition drilling in the Eastern Hamersley, with a focus on the program at Mindy South and Nyidinghu, along with regional exploration programs including Wyloo North in the Western Hub and White Knight which is located west of Cloudbreak.

In the critical minerals portfolio, Fortescue is ramping up exploration activities with a key focus on copper, rare earths and lithium.

Exploration for Australian copper-gold portfolio continues with drilling programs underway, including the Isdell projects in the Patterson Province of Western Australia. Early stage target generation activities were also completed across the South Australian and New South Wales projects while tenements for copper and lithium were pegged in Queensland.

International exploration include drilling programs across project areas in Argentina, Chile, Brazil and Kazakhstan.

# FORTESCUE ENERGY



Fortescue Energy is comprised of Fortescue Future Industries, Fortescue Hydrogen Systems and Fortescue WAE. Our global green energy business is committed to producing green electrons and green molecules (including green hydrogen, green ammonia, and other green derivatives) from renewable sources to support global decarbonisation efforts.

Leading the green industrial revolution, we are developing technology solutions for hard-to-decarbonise industries. Fortescue has industry-leading targets to eliminate fossil fuels on its mine sites by 2030 and achieve net zero Scope 3 emissions by 2040.

## Green energy

We have multiple green energy and green hydrogen projects under development globally and a target to bring up to five projects to final investment decision in 2023. Focus is currently on five key regions:

- **Phoenix, USA.** Across the US, we are actively developing several potential green hydrogen projects including near Phoenix, Arizona.
- **Gibson Island, Australia.** With Incitec Pivot Limited, a proposed 550MW green hydrogen and green ammonia facility is currently in the front end engineering design (FEED) stage.
- **Nakuru county, Kenya.** A proposed, up to 300MW, steam-to-fertiliser facility utilising geothermal steam from the Olkaria region in Nakuru county is currently in the pre-feasibility stage. The project is aimed at the production of green fertiliser for domestic use in Kenya, with the Government of Kenya as the sole off-taker.
- **Holmaneset, Norway.** A proposed 300MW green ammonia facility is currently in the pre-feasibility stage with renewable energy secured via a long-term conditional Power Purchase Agreement with Statkraft to support our operational plans.
- **Pecem, Brazil.** A proposed green hydrogen and green ammonia facility at the Port of Pecem, Ceará, is in the pre-feasibility stage.



## Green industry and Fortescue WAE

Together with Fortescue WAE, we are developing the technology to deliver high performance battery systems to power our mining and rail fleets.

Key achievements in FY23 include:

- First delivery of a battery electric haul truck prototype to Christmas Creek for site-based testing.
- Fortescue WAE is working on the delivery of a world-leading, regenerating battery electric iron ore train.
- We have further refined a hydrogen-powered haul truck, as well as retrofitted a locomotive engine to run partly on ammonia, with the locomotive deployed at Christmas Creek in May 2023.
- We have successfully modified a diesel ship engine to run on green ammonia and we plan to carry out first sea trials later this year on board the Green Pioneer.
- We plan to expand our operations to include two new facilities in the United Kingdom, one in Kidlington and the other in Banbury. The Kidlington facility will focus on prototype development of power systems for multiple green mobility applications. The Banbury facility will focus on manufacturing heavy industry, zero-emission battery modules and fully assembled power systems.

## Green steel

The global interest in green iron and green steel is growing rapidly globally. As part of our commitment to achieving our Scope 3 emissions target, we are working with our customers to reduce their carbon emissions. For example, in FY23, Fortescue announced a Memorandum of Understanding with China Baowu, Fortescue's largest customer and the largest steelmaker in the world, to work together on reducing emissions associated with iron and steelmaking.

We are also conducting R&D to develop technologies needed to decarbonise the iron used to make steel. In FY23, we developed a pilot installation capable of converting iron ore to green iron without coal, with several patent applications filed. The process uses low-temperature electrolysis, which can be powered using renewable electricity and offers a potential pathway to enable the full spectrum of Fortescue's iron ore products to be converted into green iron.

## Green technology

Leveraging Fortescue's long history of adopting leading edge technology, we are setting the pace for innovation in the green energy space. We have a growing portfolio of technology assets which will support the decarbonisation efforts of our operations and create new revenue streams for our business.

Construction works were completed at our electrolyser manufacturing facility, the Green Energy Manufacturing Centre, in Gladstone, Queensland. Further fit-out of the facility, including the automated production line and testing facilities, has now commenced. This facility has an initial output capacity of 2GW.

We completed the R&D Perth Technology Innovation Centre and opened its Colorado Technology Innovation Centre in the USA, which will tap into the US talent pool and innovation ecosystem.

Together with Siemens Energy, we announced the commencement of work on a new ammonia cracker prototype. Using our Metal Membrane Technology, developed in partnership with the CSIRO, the cracker is part of the green hydrogen supply chain.

# FINANCIAL RESULTS

## FINANCIAL PERFORMANCE

During the year ended 30 June 2023, Fortescue delivered an underlying net profit after tax of US\$5,522 million and underlying earnings per share of 180 US cents

Financial performance reflects record shipments of 192.0mt combined with strong price realisation through the market cycle. Fortescue's approach to an integrated operations and marketing strategy combined with strong cost management to maximise margins has substantially mitigated inflationary pressures in labour, materials and energy markets which remain a key exposure risk. The strength of operating performance

and a continued focus on productivity and efficiency has supported the underlying EBITDA margin strength.

Financial performance during the year ended 30 June 2023 was impacted through the US\$726 million post tax impairment expense of Iron Bridge. The impairment expense reflects inflationary cost pressures increasing operating costs, increase in discount rates and the timing of project ramp-up.

| Key metrics   | 2023         | 2022   |
|---|--------------|--------|
| Revenue, US\$ millions  | 16,871       | 17,390 |
| Underlying EBITDA <sup>1</sup> , US\$ millions                    | 9,963        | 10,561 |
| <b>Net profit after tax, US\$ millions</b>                        | <b>4,796</b> | 6,197  |
| <b>Earnings per share, US cents</b>                               | <b>156</b>   | 201    |
| <b>Earnings per share, AUD cents</b>                              | <b>231</b>   | 277    |
| Impairment expense after tax, US\$ millions                       | 726          | -      |
| <b>Underlying net profit after tax, US\$ millions<sup>2</sup></b> | <b>5,522</b> | 6,197  |
| <b>Underlying earnings per share, US cents</b>                    | <b>180</b>   | 201    |
| <b>Underlying earnings per share, AUD cents</b>                   | <b>267</b>   | 277    |
| <b>Average realised price, US\$/dmt<sup>3</sup></b>               | <b>95</b>    | 100    |
| <b>C1 costs, US\$/wmt</b>   | <b>17.54</b> | 15.91  |
| <b>Underlying EBITDA margin, US\$/dmt (excl Fortescue Energy)</b> | <b>60</b>    | 63     |
| <b>Key ratios</b>   |              |        |
| Underlying EBITDA margin, %                                       | 59           | 61     |
| Return on equity, on underlying earnings, %                       | 31           | 35     |

<sup>1</sup> Refer to page 40 for the reconciliation of underlying EBITDA to the financial metrics reported in the financial statements under Australian Accounting Standards.

<sup>2</sup> The term 'Underlying NPAT' refers to results adjusted for the removal of significant non-cash and non-recurring items. Fortescue has one expense in this category being the US\$726 million post tax impairment expense on the Iron Bridge Cash Generating Unit.

<sup>3</sup> Dry metric tonnes

## Financial performance

### Segment reporting

For FY23, the scope of the operating segments has been modified following the changes in management responsibilities in 2023. Energy segment now includes Fortescue WAE which was formerly included in the Metals segment. Accordingly, the comparative period 30 June 2022 below has been restated to reflect the change in segment structure.

Fortescue's operating segments are described below:

- **Metals:** Exploration, development, production, processing, sale and transportation of iron ore, and the exploration for other minerals.

- **Energy:** Undertaking activities in the development of green electricity, green hydrogen and green ammonia projects.

Corporate includes cash, debt and tax balances which are managed at a group level, together with other corporate activities. Corporate is not considered an operating segment and includes activities that are not allocated to other operating segments.

The consolidated, Metals and Energy results for the year ended 30 June 2023 are provided below and further reported on page 116 in the financial report.

| US\$m             | Note <sup>1</sup> | Metals |        | Energy |       | Corporate |       | Consolidated |        |
|-------------------|-------------------|--------|--------|--------|-------|-----------|-------|--------------|--------|
|                   |                   | 2023   | 2022   | 2023   | 2022  | 2023      | 2022  | 2023         | 2022   |
| Revenue           | 3                 | 16,764 | 17,364 | 107    | 26    | –         | –     | 16,871       | 17,390 |
| Underlying EBITDA |                   | 10,545 | 11,158 | (617)  | (396) | 35        | (201) | 9,963        | 10,561 |

<sup>1</sup> Notes to the accompanying financial statements.



## Financial performance

### REVENUE

|   | Note <sup>1</sup> | 2023          | 2022          |
|---|-------------------|---------------|---------------|
| Total iron ore revenue, US\$ millions                         | 3                 | 15,318        | 15,393        |
| Total shipping revenue, US\$ millions                         | 3                 | 1,356         | 1,919         |
| Manufacturing and engineering services revenue, US\$ millions | 3                 | 106           | 26            |
| Other revenue, US\$ millions                                  | 3                 | 91            | 52            |
| <b>Operating sales revenue, US\$ millions</b>                 |                   | <b>16,871</b> | <b>17,390</b> |
| Shipments, million wmt  |                   | 192           | 189           |
| Ore sold <sup>2</sup> , million wmt                           |                   | 192           | 189           |
| Average 62% Fe CFR Platts Index, US\$/dmt                     |                   | 110           | 138           |
| <b>Average realised price, US\$/dmt</b>                       |                   | <b>95</b>     | <b>100</b>    |

<sup>1</sup> Notes to the accompanying financial statements.

<sup>2</sup> Our wholly owned trading entity maintains some inventory at Chinese ports and ore sold versus shipments reflects the timing differences that may occur between shipments and sales to external customers.

Fortescue's record shipments for the year ended 30 June 2023 were 3.0mt above FY22 at 192.0mt (FY22: 189.0mt), and were partially offset by a five per cent decrease in realised price to US\$95/dmt (FY22: US\$100/dmt). The Platts 62% CFR index averaged US\$110/dmt in FY23 which is a decrease of 21 per cent over the prior year (FY22: US\$138/dmt).

The factors influencing realised prices in FY23 include:

- Lower index prices for iron ore compared to the prior year, due to prevailing iron ore supply and demand during FY23.
- Strong demand for Fortescue products, with inventory levels at ports in China remaining low.
- Sustained low steel margins in China, which supported demand for Fortescue products from steelmakers.
- Robust steel production in China, despite weak real estate sector metrics, with relatively low visible steel inventory.
- Limited scrap availability in China, which supported demand for iron ore.
- Actual and anticipated government policy support in China intended to support economic growth in CY22 and CY23.



## Financial performance

### PRODUCTION COSTS

The reconciliation of C1 costs and total delivered costs to customers to the financial metrics reported in the financial statements under Australian Accounting Standards is set out below.

|  | Note <sup>1</sup> | 2023         | 2022  |
|--|-------------------|--------------|-------|
| Mining and processing costs, US\$ millions                 | 5                 | 2,856        | 2,539 |
| Rail costs, US\$ millions                                  | 5                 | 266          | 243   |
| Port costs, US\$ millions                                  | 5                 | 251          | 219   |
| <b>C1 costs, US\$ million</b>                              |                   | <b>3,373</b> | 3,001 |
| Ore sold, million wmt                                      |                   | 192          | 189   |
| <b>C1 costs, US\$/wmt</b>                                  |                   | <b>17.54</b> | 15.91 |
| Shipping costs, US\$ millions                              | 5                 | 1,455        | 1,976 |
| Government royalty <sup>2</sup> , US\$ millions            | 5                 | 1,124        | 1,130 |
| Administration expenses, US\$ millions                     | 6                 | 288          | 204   |
| <b>Shipping, royalty and administration, US\$ millions</b> |                   | <b>2,867</b> | 3,310 |
| Ore sold, million wmt                                      |                   | 192          | 189   |
| <b>Shipping, royalty and administration, US\$/wmt</b>      |                   | <b>15</b>    | 18    |
| <b>Total delivered cost, US\$/wmt</b>                      |                   | <b>33</b>    | 33    |
| <b>Total delivered cost, US\$/dmt</b>                      |                   | <b>35</b>    | 36    |

<sup>1</sup> Notes to the accompanying financial statements.

<sup>2</sup> Fortescue pays 7.5 per cent government royalty for the majority of its iron ore products, with a concession rate of five per cent applicable to beneficiated fines.

C1 costs averaged US\$17.54/wmt for the year, 10 per cent higher compared to the prior period. The increase in C1 costs reflects market inflationary pressures, including:

- Labour cost pressures reflecting significant demand for skilled labour across the resources industry.
- Increase in underlying base price of maintenance materials reflecting global supply chain constraints as production attempts to return to post COVID-19 levels.
- Increase in energy and fuels costs.

Other factors influencing C1 cost performance were movements in exchange rates, with the AUD to USD averaging 0.67 in FY23 compared to 0.73 in FY22 as well as the strip ratio increasing to 1.5x in FY23 from 1.4x FY22.

Total delivered costs were further impacted by a 33 per cent decrease in the shipping index between FY22 and FY23.

Fortescue has actively managed cost increases through the cycle while also utilising the capacity in the value chain to generate record shipments. Fortescue focuses on maximising margins and underlying EBITDA throughout the market cycle through our operating and marketing strategy. Cost management continues to be a focus, but inflationary pressures remain a risk.

## Financial performance

### UNDERLYING EBITDA

Underlying EBITDA, defined as earnings before interest, tax, depreciation and amortisation, exploration, development and other expenses, and impairment expense, is used as a key measure of the Company's financial performance. During FY23, Fortescue's operations generated underlying EBITDA of US\$9,963 million (FY22: US\$10,561 million). The reconciliation of Underlying EBITDA to the financial metrics reported in the financial statements under Australian Accounting Standards is presented below.

|  | Note <sup>1</sup> | 2023<br>US\$m | 2022<br>US\$m |
|--|-------------------|---------------|---------------|
| Operating sales revenue                                  | 3                 | 16,871        | 17,390        |
| Cost of sales excluding depreciation and amortisation    | 5                 | (6,109)       | (6,175)       |
| Net foreign exchange gain/(loss)                         | 4,6               | 48            | (103)         |
| Administration expenses                                  | 6                 | (288)         | (204)         |
| Research expenditure                                     | 6                 | (553)         | (354)         |
| Other income   | 4,6               | 2             | 1             |
| Share of (loss)/profit from equity accounted investments | 23 (c)            | (8)           | 6             |
| <b>Underlying EBITDA</b>                                 |                   | <b>9,963</b>  | 10,561        |
| Finance income   | 7                 | 149           | 14            |
| Finance expenses   | 7                 | (275)         | (174)         |
| Depreciation and amortisation                            | 5,6               | (1,744)       | (1,528)       |
| Exploration, development and other expenses              | 6                 | (170)         | (27)          |
| Impairment expense                                       | 6                 | (1,037)       | –             |
| Income tax expense                                       | 14 (a)            | (2,090)       | (2,649)       |
| <b>Net profit after tax</b>                              |                   | <b>4,796</b>  | 6,197         |
| <b>Underlying net profit after tax</b>                   |                   | <b>5,522</b>  | 6,197         |

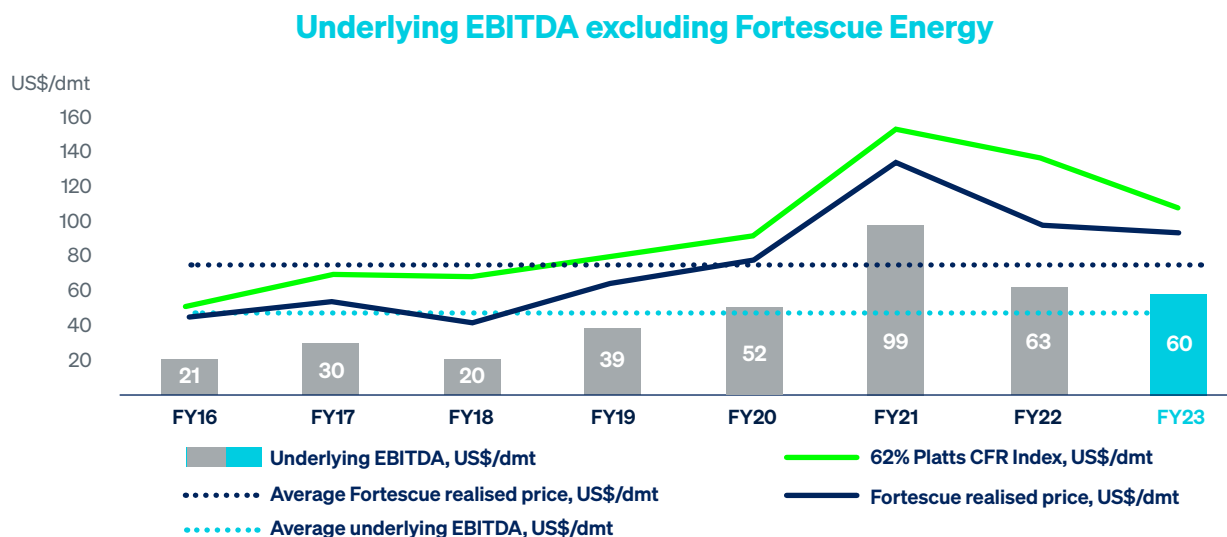
<sup>1</sup> Notes to the accompanying financial statements.

The key factors contributing to the six per cent decrease in underlying EBITDA from the prior period were:

- Five per cent reduction in realised iron ore price to US\$95/dmt (FY22: US\$100/dmt) reflecting reduction in the iron ore index.
- Two per cent increase in sales volumes to 192mt in FY23 from 189mt in FY22.
- Ten per cent increase in C1 cost to US\$17.54/wmt in FY23 from US\$15.91/wmt in FY22.
- Decrease in shipping costs to US\$1,455 million in FY23 from US\$1,976 million in FY22, reflecting movements in the shipping index.
- US\$199 million increase in research expenses, predominantly related to Fortescue Energy activities.

The underlying EBITDA of US\$9,963 million for FY23 represents a margin of 59 per cent (63 per cent or US\$60/dmt excluding Fortescue Energy). As illustrated in the chart below, Metals has been maintaining strong underlying EBITDA margins through market cycles, demonstrating the commitment to and focus on productivity, efficiency and innovation.

## UNDERLYING EBITDA (CONTINUED)



### Other income/Other expenses

Other income (US\$50 million) predominantly reflects the favourable foreign currency exchange movements.

Other expenses reflect the movement in equity accounted investments, and the write-off of exploration and development expenditure.

### Impairment expense

At 30 June 2023, an impairment expense of US\$1,037 million was recognised for the Iron Bridge Cash Generating Unit (CGU) (post tax US\$726 million). The impairment expense reflects inflationary cost pressures, increase in discount rates and timing of project ramp-up. Key details of the Iron Bridge impairment is within note 12(a) of the financial statements.

### Depreciation, interest and tax

Key non-operating matters forming part of the financial result include:

- Depreciation and amortisation of US\$1,744 million is up 14 per cent on the prior period (FY22: US\$1,528 million) as a result of the commissioning of assets and an increase in production compared to FY22.
- Net finance expenses of \$126 million for FY23 (US\$160 million in FY22), reflecting interest income of US\$149 million.
- Income tax expense for FY23 of US\$2,090 million represents an effective tax rate of 30.4 per cent (FY22: US\$2,649 million, effective tax rate of 30 per cent). Income tax expense has decreased in line with underlying financial performance and reflects the Iron Bridge impairment.

# FINANCIAL POSITION AND CAPITAL MANAGEMENT

| <b>Key metrics</b>        | <b>Note<sup>1</sup></b> | <b>2023<br/>US\$m</b> | <b>2022<br/>US\$m</b> |
|---------------------------|-------------------------|-----------------------|-----------------------|
| Borrowings                | 9                       | 4,587                 | 5,348                 |
| Lease liabilities         | 9                       | 734                   | 755                   |
| <b>Total debt</b>         |                         | <b>5,321</b>          | 6,103                 |
| Cash and cash equivalents | 9                       | 4,287                 | 5,224                 |
| <b>Net debt</b>           |                         | <b>1,034</b>          | 879                   |
| <b>Equity</b>             | <b>9</b>                | <b>17,998</b>         | 17,345                |
| <b>Key ratios</b>         |                         |                       |                       |
| Gearing, %                |                         | 23                    | 26                    |
| Net gearing, %            |                         | 5                     | 5                     |

<sup>1</sup>Notes to the accompanying financial statements.

## DEBT AND LIQUIDITY

### Debt

Fortescue's balance sheet includes low-cost debt which is at investment-grade terms. The debt capital structure allows optionality and flexibility to fund future growth.

### Revolving credit facility

The revolving credit facility of US\$1,025 million remains undrawn at 30 June 2023. On 5 October 2022, the Company completed an amendment to the facility's reference rate, other repayment terms remained unchanged. The revolving credit facility was indexed to London Interbank Offered Rate (LIBOR) and under the amendment the reference rate changed to the Secured Overnight Financing Rate (SOFR).

### Syndicated term loans

An amendment and restatement of the existing syndicated term loan was completed on 5 October 2022. The amendment included replacement of the reference rate of LIBOR with the SOFR, other repayment terms remain unchanged.

An additional syndicated term loan facility was executed in December 2022 to the value of US\$500 million, being available to draw until December 2023. If drawn, interest would accrue based on a variable rate linked to SOFR plus a fixed margin, with the principal due at maturity date of June 2027. This syndicated term loan facility was undrawn as at 30 June 2023.

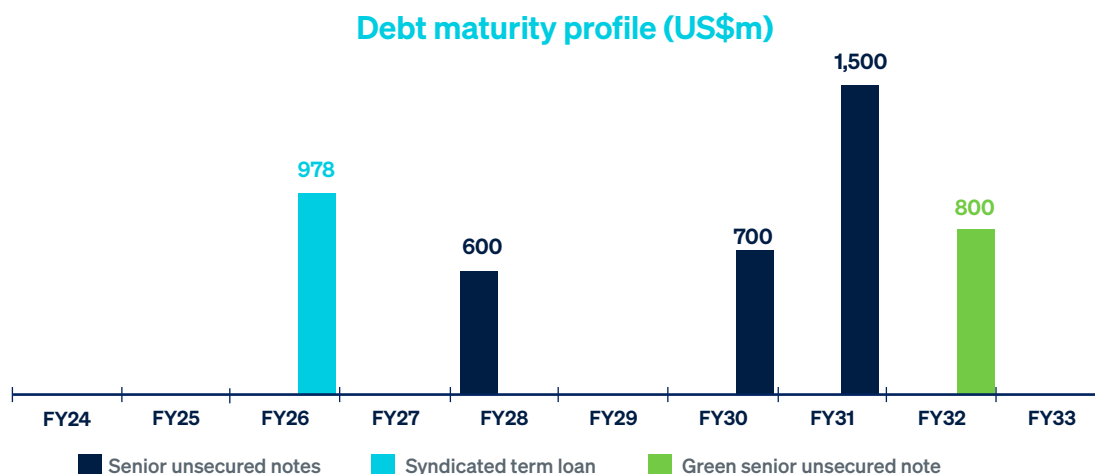
## Financial position and capital management

### Debt (continued)

#### Senior unsecured notes

In May 2023, Fortescue repaid its US\$750 million 2024 senior unsecured notes from cash on hand.

The Company's debt maturity profile at 30 June 2023 is set out in the table below. Fortescue has no financial maintenance covenants across all instruments.



#### Green Bond

##### Eligible Project allocation

The net proceeds from the US\$800m inaugural Green Bond are to be applied to Eligible Green Projects pursuant to Fortescue's Sustainability Financing Framework. These green projects will be used to fund Fortescue's decarbonisation. The allocation across eligible project categories is in the table below.

Fortescue has allocated US\$414 million (FY22: US\$305m) in net proceeds from the issuance of its Green Bond as at 30 June 2023 to Eligible Green Projects as defined within the Sustainability Financing Framework. Fortescue is responsible for the completeness, accuracy, and validity of the information and metrics presented below.

| Eligible Project <sup>1</sup>              | Eligible Category    | Region         | Cumulative spend at |                    |
|--|----------------------|----------------|---------------------|--------------------|
|  |                      |                | 30 June 2023 US\$m  | 30 June 2022 US\$m |
| Fortescue WAE battery systems <sup>2</sup> | Energy storage       | UK / Australia | 205                 | 205                |
| Pilbara Generation Project                 | Renewable energy     | Australia      | 76                  | 20                 |
| Pilbara Transmission Project               | Renewable energy     | Australia      | 60                  | 51                 |
| Green Fleet Energy Hub                     | Clean transportation | Australia      | 58                  | 24                 |
| Battery Electric Locomotives               | Clean transportation | Australia      | 15                  | 5                  |
| <b>Total allocated</b>                     |                      |                | <b>414</b>          | <b>305</b>         |
| Total unallocated                          |                      |                | 386                 | 495                |

<sup>1</sup> Represents cumulative, incurred spend to date. Basis of preparation: Eligible Projects outlined above have been determined in accordance with Fortescue's Sustainability Financing Framework (as announced on 9 November 2021) which is available on Fortescue's website. Transmission projects are apportioned based on the percentage of the network powered by renewable energies. The amount attributable to Fortescue WAE was based on forecast revenue at acquisition.

<sup>2</sup> Represents investment in the development of Fortescue WAE battery storage solutions in countries including the UK and Australia.

## Financial position and capital management

### Eligible Project details

**Fortescue WAE battery systems:** The acquisition of Fortescue WAE enables us to accelerate the decarbonisation of its mining fleet as well as establish a new business growth opportunity.

**Pilbara Generation Project:** The solar generation component of the energy generation from Fortescue's Pilbara Energy Connect project. This comprises the installation of a 100MW solar photovoltaic (PV) array.

**Pilbara Transmission Project:** The transmission of solar generated energy from Fortescue's Pilbara Energy Connect Project (this excludes any transmission from gas fired energy generation).

**Green Fleet Energy Hub:** The Green Fleet Energy Hub includes the development of a 1.5MW Hydrogen Refuelling Station at Christmas Creek to power 10 hydrogen passenger coaches and associated infrastructure.

**Battery Electric Locomotives:** The decarbonisation of our rail operations with the purchase of two battery electric locomotives, and research into the development of the Infinity Train.

### Liquidity

At 30 June 2023, Fortescue had US\$5,812 million of liquidity available including US\$4,287 million of cash on hand, US\$1,025 million available under the revolving credit facility and US\$500 million on the undrawn syndicated term loan. Total debt of US\$5,321 million, inclusive of US\$734 million of lease liabilities, represents gross gearing of 23 per cent.

Cash generated from operations of US\$10,016 million was five per cent lower than the prior period, largely as a result of lower underlying EBITDA.

Net cash flows from operations include net interest payments of US\$205 million (FY22: US\$202 million) and income tax paid of US\$2,379 million (FY22: US\$3,667 million).

Capital expenditure and investments including joint operations and Fortescue Energy investments was US\$3,181 million for the financial year (FY22: US\$3,074 million) reflecting ongoing expenditure on growth projects including Iron Bridge and the Belinga project, and acquisitions within Fortescue Energy.

| Cash flows  | 2023<br>US\$m | 2022<br>US\$m |
|---|---------------|---------------|
| <b>Cash generated from operations</b>   | <b>10,016</b> | 10,515        |
| Net cash flows from operating activities                                      | 7,432         | 6,646         |
| Capital expenditure and investments (including joint operations) <sup>1</sup> | (3,181)       | (3,074)       |
| <b>Free cash flow</b>   | <b>4,251</b>  | 3,572         |

<sup>1</sup> Capital expenditure (including joint operations) comprises cash payments for property, plant and equipment and the acquisition of investments.

## Financial position and capital management

### Dividends and shareholder returns

In September 2022, Fortescue paid a fully franked final dividend of 121 Australian cents per share for the financial year ended 30 June 2022.

On 15 February 2023, Fortescue declared a fully franked interim dividend of 75 Australian cents per share, paid in March 2023.

For the year ended 30 June 2023, Fortescue generated underlying earnings of 180 US cents per share (FY22: 201 US cents per share). On 28 August 2023, the Directors declared a fully franked final dividend of 100 Australian cents per share for the financial year ended 30 June 2023. Total dividends of 175 Australian cents for the current period represents a payout ratio of 65 per cent of underlying net profit after tax, in line with the Company's policy of maintaining a payout ratio of between 50 and 80 per cent.

|   | 2023       | 2022       |
|---|------------|------------|
| Underlying net profit after tax <sup>1</sup> , US\$ millions    | 5,522      | 6,197      |
| Underlying earnings per share, US cents per share               | 180        | 201        |
| Underlying earnings per share, AUD cents per share <sup>2</sup> | 267        | 277        |
| Return on equity <sup>3</sup> , %                               | 31         | 35         |
| Interim dividend, AUD cents per share                           | 75         | 86         |
| Final dividend, AUD cents per share                             | 100        | 121        |
| <b>Total dividend, AUD cents per share</b>                      | <b>175</b> | <b>207</b> |
| Dividend payout ratio, %  | 65         | 75         |

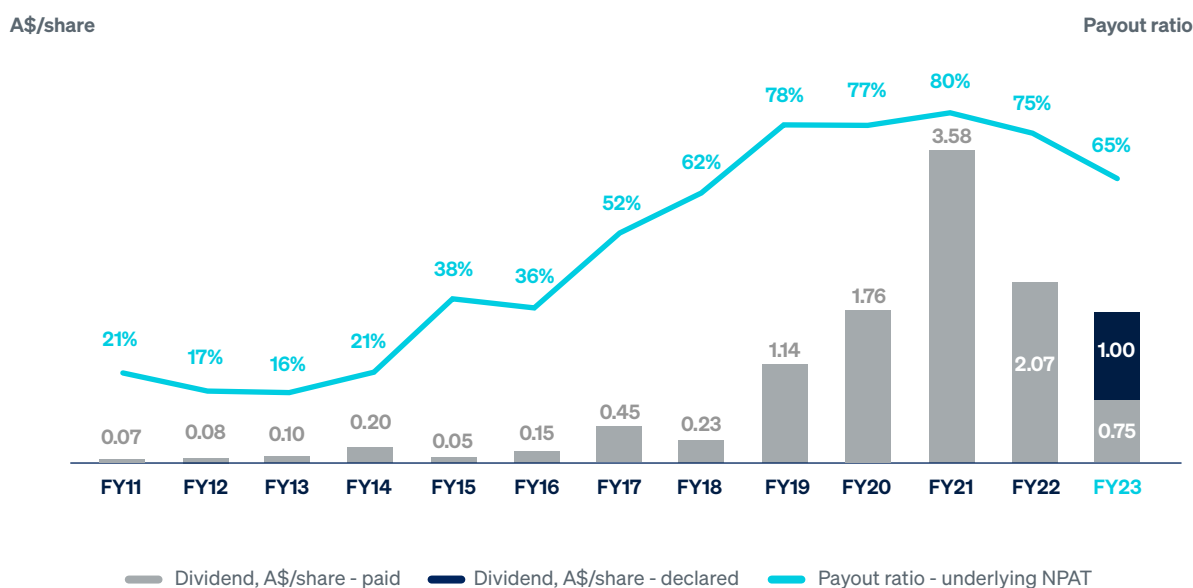
<sup>1</sup> Underlying net profit after tax is calculated as statutory net profit after tax adjusted to add back the US\$726 million post tax impairment expense on the Iron Bridge CGU which is considered a significant non-cash and non-recurring item.

<sup>2</sup> Australian dollar earnings per share is calculated by translating the US dollar earnings per share at the average exchange rate for the period of AUD:USD 0.6737 (FY22: AUD:USD 0.7259).

<sup>3</sup> Return on equity has been calculated on an underlying basis.

Total dividends declared for the current period represents a payout ratio of 65 per cent of underlying net profit after tax, in line with the Company's guidance of maintaining a payout ratio between the 50 to 80 per cent range.

### Dividends declared and payout ratios



## Financial position and capital management

### Share buy-back scheme

In 2018, Fortescue announced the establishment of an on-market share buy-back program of up to A\$500 million which was extended in October 2020 for an unlimited duration. The maximum number of shares which can be bought back is determined periodically by the Company's 10/12 limit, being that a company cannot buy back more than 10 per cent of its voting shares within the span of any 12 month period.

Fortescue retains the option to undertake an on-market share buy-back. During FY23, Fortescue acquired none of its own shares on market under the share buy-back program.





# ORE RESERVES AND MINERAL RESOURCES

03

2023

Iron Ore  
Shipped  
192.0mt



## Ore Reserves and Mineral Resources

Reporting is grouped by operating and development properties and includes both hematite and magnetite deposits.

Hematite Ore Reserves total 1.87 billion tonnes (bt) of dry product at an average iron (Fe) grade of 57.4%. Combined Hematite Mineral Resources total 13.37bt (dry in-situ) at an average Fe grade of 56.8%.

Magnetite Ore Reserves total 843 dry in-situ million tonnes (mt) at an average mass recovery of 29.9% for a 67.3% Fe grade product. Magnetite Mineral Resources total 6.5bt (dry in-situ) at an average mass recovery of 22.7%.

Operating property Ore Reserves and Mineral Resources have all been reported and classified in accordance with the guidelines of the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Accordingly, the information in these sections should be read in conjunction with the respective explanatory Mineral Resource and Ore Reserve information (Fortescue ASX release dated 26 August 2022).

Development property Mineral Resources have been reported and classified in accordance with the JORC Code. The development property Mineral Resources are detailed in Fortescue ASX releases dated 26 August 2022, 27 August 2021, 21 August 2020, 23 August 2019, 17 August 2018, 18 August 2017, 8 January 2015 and 20 May 2014, which include supporting technical data.

Magnetite Mineral Resources have been reported and classified in accordance with the JORC Code. The Mineral Resources quoted in this report should be read in conjunction with the supporting technical information contained in the corresponding ASX release dated 26 August 2022.

The Ore Reserve and Mineral Resource estimation processes followed internally are well established and are subject to systematic internal peer review, including calibration against operational outcomes. Independent technical reviews and audits are undertaken on an as-required basis as part of Fortescue's risk management process.

In addition to routine internal audits and peer review, auditing of the Ore Reserve and Mineral Resource estimates is addressed as a sub-set of the annual internal audit plan approved by the Board Audit and Risk Management and Sustainability Committee (ARMSC). Specific auditing of the Ore Reserve process was performed in 2011, 2013, 2015, 2016, 2017, 2019, 2021, 2022 and 2023. These audits were managed by Fortescue's internal audit service provider with external technical subject experts. The 2015, 2016, 2017, 2019, 2021, 2022 and 2023 Ore Reserves audits were carried out by independent external technical consultants. In addition, specific auditing of Mineral Resource models was undertaken in 2015, 2016, 2017, 2018, 2019, 2020, 2022 and 2023.

The ARMSC also monitors the Ore Reserve and Mineral Resource status and recommends it to the Board for approval. The annual Ore Reserve and Mineral Resource updates are a prescribed activity within the annual Corporate Planning Calendar that includes a schedule of regular Executive engagement meetings to approve assumptions and guide the overall process.

Tonnage and quality information contained in the following tables have been rounded and as a result the figures may not add up to the totals quoted.

## Ore Reserves Operating Properties – Hematite

The combined Chichester, Solomon, and Western Hub Hematite Ore Reserves for 2023 are estimated to total 1,866mt at an average Fe grade of 57.4%.

The Ore Reserve is quoted as of 30 June 2023 and is inclusive of ore and product stockpiles at mines. Product stockpiles at port have been excluded from contributing to Ore Reserves. The proportion of higher confidence Proved Ore Reserve has decreased slightly to 994mt (from 1,018mt in 2022) after accounting for the production depletion and ongoing in-fill drilling.

The Chichester Hub (Cloudbreak and Christmas Creek deposits) contains 985mt at an average Fe grade of 57.2%, a net decrease of 93mt primarily due to depletion. Proved Ore Reserve constitutes 57.6% of the Chichester Ore Reserve, an increase of 1.4% as compared to 2022 Ore Reserves as reported in 2022. While the Cloudbreak and Christmas Creek deposits are quoted separately for historical reasons, they effectively represent a single deposit with ore generally directed to the most proximal of the three available ore processing facilities (OPFs).

The Ore Reserve estimate for the Solomon Hub is 668mt at an average Fe grade of 56.9%, a minor decrease of 14mt after accounting for depletion and increase in mineral resource tonnes, along with pit design modifications. Proved Ore Reserves comprise 37% of the tonnage in the total Solomon Reserve, an increase of about 6% as compared to 2022 Ore Reserves.

The Ore Reserve for the Western Hub (Eliwana and Flying Fish) deposit is estimated to be 213mt at an average Fe grade of 59.4%. The contribution (tonnes and grades) of the Western Hub alone has reduced, resulting in a net decrease of 14mt reflecting depletion, exclusion of areas as a result of heritage management. Proved Ore Reserves comprise 83% of the tonnage in the total Western Hub Ore Reserve, which is a minor decrease of 2% as compared to 2022 Ore Reserves.

The 2023 Hematite Ore Reserve estimates were subject to comprehensive review and update addressing:

- Ore depletion as a result of sales (decrease).
- Exclusions of sites of heritage significance, permanent infrastructures (OPF, tailings storage facility etc) and tenement boundaries.
- Revision of ore loss and dilution factors based on 12 months of operational history at all mines.
- Revision to the processing response through all OPFs based on updated metallurgical test work and operational history.
- Re-optimisation of mine geometries to maximise the benefit of changes to the resource base resulted in improvement to the economic viability of extracting ore.
- A revised Life of Mine (LOM) plan that addresses the listed items and incorporates the latest information on long term product strategy, including the Western Pilbara Fines 60.3% Fe product and Fortescue Lump.

## Ore Reserves Operating Properties – Hematite

|   | 30 JUNE 2023        |             |                           |  |              |            | 30 JUNE 2022        |             |                           |  |              |            |
|---|---------------------|-------------|---------------------------|--|--------------|------------|---------------------|-------------|---------------------------|--|--------------|------------|
|   | Product tonnes (mt) | Iron Fe %   | Silica SiO <sub>2</sub> % | Alumina Al <sub>2</sub> O <sub>3</sub> % | Phos P %     | LOI %      | Product tonnes (mt) | Iron Fe %   | Silica SiO <sub>2</sub> % | Alumina Al <sub>2</sub> O <sub>3</sub> % | Phos P %     | LOI %      |
| <b>Cloudbreak</b>   |                     |             |                           |  |              |            |                     |             |                           |  |              |            |
| Proved  | 270                 | 57.6        | 5.12                      | 2.82                                     | 0.056        | 8.1        | 291                 | 57.6        | 5.15                      | 2.69                                     | 0.055        | 7.8        |
| Probable  | 91                  | 56.6        | 5.57                      | 3.12                                     | 0.056        | 8.4        | 99                  | 56.7        | 5.66                      | 2.88                                     | 0.061        | 8.0        |
| <b>Total</b>  | <b>361</b>          | <b>57.3</b> | <b>5.23</b>               | <b>2.89</b>                              | <b>0.056</b> | <b>8.2</b> | <b>389</b>          | <b>57.3</b> | <b>5.28</b>               | <b>2.74</b>                              | <b>0.057</b> | <b>7.9</b> |
| <b>Christmas Creek</b>                                    |                     |             |                           |  |              |            |                     |             |                           |  |              |            |
| Proved  | 297                 | 57.2        | 5.96                      | 2.63                                     | 0.052        | 7.9        | 316                 | 57.0        | 6.27                      | 2.89                                     | 0.046        | 7.9        |
| Probable  | 327                 | 57.2        | 6.05                      | 2.91                                     | 0.054        | 7.7        | 373                 | 57.2        | 6.08                      | 3.08                                     | 0.050        | 7.6        |
| <b>Total</b>  | <b>624</b>          | <b>57.2</b> | <b>6.01</b>               | <b>2.78</b>                              | <b>0.053</b> | <b>7.8</b> | <b>688</b>          | <b>57.1</b> | <b>6.17</b>               | <b>2.99</b>                              | <b>0.048</b> | <b>7.7</b> |
| <b>Sub-total Chichester Hub</b>                           |                     |             |                           |  |              |            |                     |             |                           |  |              |            |
| Proved  | 568                 | 57.4        | 5.55                      | 2.72                                     | 0.054        | 8.0        | 606                 | 57.3        | 5.74                      | 2.80                                     | 0.050        | 7.9        |
| Probable  | 418                 | 57.0        | 5.95                      | 2.96                                     | 0.055        | 7.9        | 471                 | 57.1        | 6.00                      | 3.04                                     | 0.052        | 7.7        |
| <b>Total</b>  | <b>985</b>          | <b>57.2</b> | <b>5.72</b>               | <b>2.82</b>                              | <b>0.054</b> | <b>7.9</b> | <b>1,078</b>        | <b>57.2</b> | <b>5.85</b>               | <b>2.90</b>                              | <b>0.051</b> | <b>7.8</b> |
| <b>Firetail</b>   |                     |             |                           |  |              |            |                     |             |                           |  |              |            |
| Proved  | 16                  | 59.3        | 5.61                      | 2.20                                     | 0.127        | 6.9        | 2                   | 58.9        | 6.51                      | 2.70                                     | 0.133        | 5.5        |
| Probable  | 35                  | 58.5        | 6.37                      | 2.60                                     | 0.116        | 7.1        | 62                  | 58.8        | 5.90                      | 2.44                                     | 0.117        | 6.7        |
| <b>Total</b>  | <b>51</b>           | <b>58.7</b> | <b>6.13</b>               | <b>2.47</b>                              | <b>0.119</b> | <b>7.0</b> | <b>64</b>           | <b>58.9</b> | <b>5.92</b>               | <b>2.44</b>                              | <b>0.117</b> | <b>6.6</b> |
| <b>Kings and Queens</b>                                   |                     |             |                           |  |              |            |                     |             |                           |  |              |            |
| Proved  | 233                 | 56.7        | 6.80                      | 2.95                                     | 0.080        | 8.9        | 215                 | 56.4        | 6.63                      | 2.69                                     | 0.078        | 9.5        |
| Probable  | 383                 | 56.8        | 6.90                      | 2.91                                     | 0.082        | 8.8        | 402                 | 56.8        | 6.52                      | 2.86                                     | 0.080        | 8.8        |
| <b>Total</b>  | <b>616</b>          | <b>56.7</b> | <b>6.86</b>               | <b>2.93</b>                              | <b>0.081</b> | <b>8.8</b> | <b>618</b>          | <b>56.7</b> | <b>6.56</b>               | <b>2.80</b>                              | <b>0.079</b> | <b>9.0</b> |
| <b>Sub-total Solomon Hub</b>                              |                     |             |                           |  |              |            |                     |             |                           |  |              |            |
| Proved  | 249                 | 56.8        | 6.74                      | 2.91                                     | 0.082        | 8.8        | 218                 | 56.5        | 6.63                      | 2.69                                     | 0.078        | 9.4        |
| Probable  | 419                 | 56.9        | 6.86                      | 2.89                                     | 0.084        | 8.6        | 464                 | 57          | 6.44                      | 2.81                                     | 0.085        | 8.5        |
| <b>Total</b>  | <b>668</b>          | <b>56.9</b> | <b>6.81</b>               | <b>2.89</b>                              | <b>0.084</b> | <b>8.7</b> | <b>682</b>          | <b>56.9</b> | <b>6.50</b>               | <b>2.77</b>                              | <b>0.083</b> | <b>8.8</b> |
| <b>Western Hub</b>  |                     |             |                           |  |              |            |                     |             |                           |  |              |            |
| Proved  | 177                 | 59.4        | 5.01                      | 2.72                                     | 0.115        | 6.6        | 194                 | 60.1        | 4.63                      | 2.58                                     | 0.125        | 6.1        |
| Probable  | 36                  | 59.3        | 4.71                      | 2.62                                     | 0.069        | 6.9        | 33                  | 60.2        | 4.21                      | 2.40                                     | 0.080        | 6.5        |
| <b>Total</b>  | <b>213</b>          | <b>59.4</b> | <b>4.96</b>               | <b>2.70</b>                              | <b>0.107</b> | <b>6.6</b> | <b>227</b>          | <b>60.1</b> | <b>4.57</b>               | <b>2.56</b>                              | <b>0.118</b> | <b>6.1</b> |
| <b>Total Ore Reserves Operating Properties – Hematite</b> |                     |             |                           |  |              |            |                     |             |                           |  |              |            |
| Proved  | 994                 | 57.6        | 5.74                      | 2.77                                     | 0.072        | 7.9        | 1,018               | 57.6        | 5.71                      | 2.73                                     | 0.071        | 7.9        |
| Probable  | 872                 | 57.1        | 6.33                      | 2.91                                     | 0.070        | 8.2        | 969                 | 57.2        | 6.15                      | 2.91                                     | 0.069        | 8.0        |
| <b>Total</b>  | <b>1,866</b>        | <b>57.4</b> | <b>6.02</b>               | <b>2.83</b>                              | <b>0.071</b> | <b>8.1</b> | <b>1,986</b>        | <b>57.4</b> | <b>5.92</b>               | <b>2.82</b>                              | <b>0.070</b> | <b>7.9</b> |

### Notes in reference to table

- The diluted mining models used to report the 2023 Ore Reserves are based on regional Mineral Resource models completed in 2016 for Christmas Creek, 2016 for Cloudbreak, 2021 for Firetail, 2019 for Queens, 2017 for Kings, 2019 for Kutayi and 2019 for Eliwana. The regional models for the operating sites were updated for local pit areas as infill drilling is completed, with updates included through to 2023.
- Diluted mining models are validated by reconciliation against historical production.
- Ore Reserves are inclusive of ore stockpiles at the mines which total approximately 62.7mt on dry product basis.
- The Chichester Ore Reserve is inclusive of the Cloudbreak, Christmas Creek and Kutayi BID deposits. Selected Christmas Creek Ore Reserves will be directed to the Cloudbreak OPF to optimise upgrade performance and optimise Cloudbreak and Christmas Creek OPF utilisation.
- The Western Hub Ore Reserve is inclusive of the Eliwana and Flying Fish deposits.
- As part of Fortescue's ongoing review process, areas of heritage significance (where appropriate) have been excluded from the Ore Reserves.
- Due to opportunistic blending and stockpiling, the Ore Reserve is not reported at a fixed cut-off and Ore Reserves are reported above a range of ROM Fe cut-off grades from 52% Fe to 54% Fe depending on the grade tonnage profile available from various deposits to meet the product quality specifications.

## Ore Reserves Operating Properties – Magnetite

The 2023 Ore Reserves for Magnetite are from Iron Bridge. Ore Reserves for the project total 843mt at an average mass recovery of 29.9% for a 67.3% Fe grade product. The Ore Reserves are quoted as at 30 June 2023, on a dry in-situ tonnes basis prior to processing.

The Mineral Resource model for Iron Bridge was developed by Snowden Mining Industry Consultants in conjunction with Fortescue's internal technical team during February and March 2022.

The Ore Reserves estimate was developed in May and June 2023 by the Iron Bridge technical team on the basis of the 2022 resource model using detailed information on mining, geotechnical and metallurgical processing parameters and latest cost assumptions, aligned with the proposed operations strategy.

Within North Star mining pits, mining within 100m of the Pilbara Leaf Nosed Bat (PLNB) cave identified as Cave 13

is prohibited by the current Stage 2 Ministerial Approval (Condition 10) until such time it can be demonstrated that ground disturbing activity in the area maintains the viability of population of PLNB. Primary environmental approvals for the Glacier Valley are in progress and currently with state and commonwealth regulators. At this stage, neither of the above is expected to have a material impact on Ore Reserves as plans have been developed and action underway to address each of the points. As part of the mine scheduling process, appropriate access delays have been applied to ore inventory in North Star mining pit within 100m of PLNB cave and Glacier Valley mining area to model the timeframe required for approvals.

The Ore Reserves have been estimated from Measured and Indicated Mineral Resources from within the North Star, Eastern Limb and Glacier Valley mining areas. All Magnetite Ore Reserves are classified as Probable Reserves due to the lack of full-scale production history, as no sales have occurred for magnetite as at 30 June 2023 and adjusted for any depletion in the prior 12-month period.

## Ore Reserves Operating Properties – Magnetite

|  | JUNE 2023           |                     |                     |                   |                                   |  | JUNE 2022           |                     |                     |                   |                                   |  |
|--|---------------------|---------------------|---------------------|-------------------|-----------------------------------|--|---------------------|---------------------|---------------------|-------------------|-----------------------------------|--|
|  | In-situ tonnes (mt) | DTR mass recovery % | Product tonnes (mt) | Product Iron Fe % | Product Silica SiO <sub>2</sub> % | Product Alumina Al <sub>2</sub> O <sub>3</sub> % | In-situ tonnes (mt) | DTR mass recovery % | Product tonnes (mt) | Product Iron Fe % | Product Silica SiO <sub>2</sub> % | Product Alumina Al <sub>2</sub> O <sub>3</sub> % |
| <b>North Star and Eastern Limb</b>                         |                     |                     |                     |                   |                                   |  |                     |                     |                     |                   |                                   |  |
| Proved   | -                   | -                   | -                   | -                 | -                                 | -  | -                   | -                   | -                   | -                 | -                                 | -  |
| Probable   | 640                 | 30                  | 194                 | 67.1              | 5.6                               | 0.3  | 642                 | 30                  | 193                 | 67.1              | 5.6                               | 0.3  |
| <b>Total</b>   | <b>640</b>          | <b>30</b>           | <b>194</b>          | <b>67.1</b>       | <b>5.6</b>                        | <b>0.3</b>                                       | <b>642</b>          | <b>30</b>           | <b>193</b>          | <b>67.1</b>       | <b>5.6</b>                        | <b>0.3</b>                                       |
| <b>Glacier Valley</b>                                      |                     |                     |                     |                   |                                   |  |                     |                     |                     |                   |                                   |  |
| Proved   | -                   | -                   | -                   | -                 | -                                 | -  | -                   | -                   | -                   | -                 | -                                 | -  |
| Probable   | 203                 | 29                  | 58                  | 68.0              | 4.5                               | 0.2  | 202                 | 28                  | 57                  | 68.0              | 4.5                               | 0.2  |
| <b>Total</b>   | <b>203</b>          | <b>29</b>           | <b>58</b>           | <b>68.0</b>       | <b>4.5</b>                        | <b>0.2</b>                                       | <b>202</b>          | <b>28</b>           | <b>57</b>           | <b>68.0</b>       | <b>4.5</b>                        | <b>0.2</b>                                       |
| <b>Total Ore Reserves Operating Properties – Magnetite</b> |                     |                     |                     |                   |                                   |  |                     |                     |                     |                   |                                   |  |
| Proved   | -                   | -                   | -                   | -                 | -                                 | -  | -                   | -                   | -                   | -                 | -                                 | -  |
| Probable   | 843                 | 30                  | 252                 | 67.3              | 5.4                               | 0.3  | 844                 | 30                  | 250                 | 67.3              | 5.4                               | 0.3  |
| <b>Total</b>   | <b>843</b>          | <b>30</b>           | <b>252</b>          | <b>67.3</b>       | <b>5.4</b>                        | <b>0.3</b>                                       | <b>844</b>          | <b>30</b>           | <b>250</b>          | <b>67.3</b>       | <b>5.4</b>                        | <b>0.3</b>                                       |

### Notes in reference to table

- All current magnetite Ore Reserves fall within the Iron Bridge Joint Venture. As per the Iron Bridge project agreements, Fortescue owns 69% of the reported Total Magnetite Ore Reserve estimates within the Iron Bridge Joint Venture.
- Magnetite Ore Reserves are derived from Measured and Indicated Mineral Resources reported within a defined pit design.
- Magnetite Ore Reserves are based on Mass Recovery expressed as a 17% Davis Tube Recovery (DTR) cut-off.
- Magnetite Ore Reserves are reported on an in-situ dry-tonnage basis.
- Tonnage information has been rounded and as a result the figures may not add up to the totals quoted.
- As part of Fortescue's ongoing review process, areas of heritage significance (where appropriate) have been excluded from the Ore Reserves.

## Mineral Resources Operating Properties – Hematite

Mineral Resources for the operating properties, including the Chichester, Solomon and Western Hubs, are stated on a dry in-situ tonnage basis. The Mineral Resources, including stockpiles, are quoted inclusive of Ore Reserves.

As at 30 June 2023, the total Mineral Resource for the Chichester, Solomon and Western Hub is estimated to be 5,091mt at an average Fe grade of 56.2%, a decrease of 75mt over that stated in the prior year. There was no change in the proportion of higher confidence Measured and Indicated Mineral Resources (68%).

The Chichester Hub Mineral Resource is estimated to be 2,233mt at an average Fe grade of 56.3%, with 80% of the

tonnage in the Measured and Indicated Mineral Resource categories.

The Solomon Hub Mineral Resource is estimated to be 1,959mt at an average Fe grade of 55.3%, with 67% of the tonnage in the Measured and Indicated Mineral Resource categories.

The Western Hub Mineral Resource is estimated to be 900mt at an average Fe grade of 57.9%, with 40% of the tonnage in the Measured and Indicated Mineral Resource categories.

As part of Fortescue's ongoing review process, areas of heritage significance (where appropriate) have been excluded from the Mineral Resources.

## Mineral Resources Operating Properties – Hematite

|                                 | 30 JUNE 2023        |             |                           |  |              |                        | 30 JUNE 2022        |             |                           |  |              |                        |
|---------------------------------|---------------------|-------------|---------------------------|--|--------------|------------------------|---------------------|-------------|---------------------------|--|--------------|------------------------|
|                                 | In-situ tonnes (mt) | Iron Fe %   | Silica SiO <sub>2</sub> % | Alumina Al <sub>2</sub> O <sub>3</sub> % | Phos P %     | Loss on ignition LOI % | In-situ tonnes (mt) | Iron Fe %   | Silica SiO <sub>2</sub> % | Alumina Al <sub>2</sub> O <sub>3</sub> % | Phos P %     | Loss on ignition LOI % |
| <b>Cloudbreak</b>               |                     |             |                           |  |              |                        |                     |             |                           |  |              |                        |
| Measured                        | 478                 | 57.0        | 5.71                      | 3.25                                     | 0.057        | 8.2                    | 493                 | 57.0        | 5.78                      | 3.26                                     | 0.057        | 8.2                    |
| Indicated                       | 191                 | 56.0        | 6.34                      | 3.52                                     | 0.057        | 8.2                    | 198                 | 55.9        | 6.66                      | 3.45                                     | 0.058        | 8.1                    |
| Inferred                        | 83                  | 55.7        | 5.84                      | 3.80                                     | 0.069        | 9.1                    | 68                  | 55.7        | 6.28                      | 3.90                                     | 0.063        | 8.6                    |
| <b>Total</b>                    | <b>751</b>          | <b>56.6</b> | <b>5.88</b>               | <b>3.38</b>                              | <b>0.059</b> | <b>8.3</b>             | <b>759</b>          | <b>56.6</b> | <b>6.05</b>               | <b>3.37</b>                              | <b>0.058</b> | <b>8.2</b>             |
| <b>Christmas Creek</b>          |                     |             |                           |  |              |                        |                     |             |                           |  |              |                        |
| Measured                        | 502                 | 56.7        | 6.37                      | 3.20                                     | 0.051        | 8.0                    | 515                 | 56.6        | 6.54                      | 3.16                                     | 0.050        | 7.9                    |
| Indicated                       | 620                 | 56.2        | 6.58                      | 3.62                                     | 0.052        | 7.9                    | 650                 | 56.2        | 6.56                      | 3.63                                     | 0.052        | 7.8                    |
| Inferred                        | 360                 | 55.7        | 6.75                      | 3.79                                     | 0.055        | 7.9                    | 364                 | 55.7        | 6.78                      | 3.78                                     | 0.055        | 7.9                    |
| <b>Total</b>                    | <b>1,482</b>        | <b>56.2</b> | <b>6.55</b>               | <b>3.52</b>                              | <b>0.052</b> | <b>7.9</b>             | <b>1,529</b>        | <b>56.2</b> | <b>6.60</b>               | <b>3.51</b>                              | <b>0.052</b> | <b>7.9</b>             |
| <b>Sub-total Chichester Hub</b> |                     |             |                           |  |              |                        |                     |             |                           |  |              |                        |
| Measured                        | 980                 | 56.8        | 6.05                      | 3.23                                     | 0.054        | 8.1                    | 1,008               | 56.8        | 6.17                      | 3.21                                     | 0.053        | 8.1                    |
| Indicated                       | 810                 | 56.1        | 6.52                      | 3.60                                     | 0.053        | 8.0                    | 848                 | 56.1        | 6.58                      | 3.59                                     | 0.053        | 7.9                    |
| Inferred                        | 443                 | 55.7        | 6.58                      | 3.79                                     | 0.058        | 8.1                    | 432                 | 55.7        | 6.70                      | 3.80                                     | 0.056        | 8.0                    |
| <b>Total</b>                    | <b>2,233</b>        | <b>56.3</b> | <b>6.33</b>               | <b>3.47</b>                              | <b>0.054</b> | <b>8.0</b>             | <b>2,288</b>        | <b>56.3</b> | <b>6.42</b>               | <b>3.46</b>                              | <b>0.054</b> | <b>8.0</b>             |
| <b>Firetail</b>                 |                     |             |                           |  |              |                        |                     |             |                           |  |              |                        |
| Measured                        | 30                  | 58.2        | 6.48                      | 2.66                                     | 0.123        | 7.0                    | 9                   | 57.4        | 7.40                      | 3.71                                     | 0.119        | 6.1                    |
| Indicated                       | 92                  | 56.8        | 8.01                      | 3.01                                     | 0.125        | 7.0                    | 126                 | 57.4        | 7.33                      | 2.85                                     | 0.124        | 7.1                    |
| Inferred                        | 56                  | 55.1        | 8.27                      | 4.24                                     | 0.109        | 7.9                    | 73                  | 55.9        | 7.73                      | 3.90                                     | 0.111        | 7.6                    |
| <b>Total</b>                    | <b>178</b>          | <b>56.5</b> | <b>7.84</b>               | <b>3.34</b>                              | <b>0.119</b> | <b>7.3</b>             | <b>207</b>          | <b>56.9</b> | <b>7.48</b>               | <b>3.25</b>                              | <b>0.119</b> | <b>7.2</b>             |
| <b>Kings and Queens</b>         |                     |             |                           |  |              |                        |                     |             |                           |  |              |                        |
| Measured                        | 424                 | 55.2        | 8.00                      | 3.40                                     | 0.080        | 9.0                    | 379                 | 55.2        | 7.85                      | 3.26                                     | 0.08         | 9.3                    |
| Indicated                       | 765                 | 55.3        | 8.21                      | 3.33                                     | 0.083        | 8.8                    | 785                 | 55.3        | 8.12                      | 3.36                                     | 0.084        | 8.8                    |
| Inferred                        | 591                 | 54.9        | 8.67                      | 3.82                                     | 0.076        | 8.2                    | 609                 | 54.8        | 8.77                      | 3.74                                     | 0.076        | 8.3                    |
| <b>Total</b>                    | <b>1,780</b>        | <b>55.1</b> | <b>8.31</b>               | <b>3.51</b>                              | <b>0.080</b> | <b>8.7</b>             | <b>1,773</b>        | <b>55.1</b> | <b>8.29</b>               | <b>3.47</b>                              | <b>0.080</b> | <b>8.8</b>             |

## Mineral Resources Operating Properties – Hematite – continued

|  | 30 JUNE 2023        |             |                           |  |              |                        | 30 JUNE 2022        |             |                           |  |              |                        |
|--|---------------------|-------------|---------------------------|--|--------------|------------------------|---------------------|-------------|---------------------------|--|--------------|------------------------|
|  | In-situ tonnes (mt) | Iron Fe %   | Silica SiO <sub>2</sub> % | Alumina Al <sub>2</sub> O <sub>3</sub> % | Phos P %     | Loss on ignition LOI % | In-situ tonnes (mt) | Iron Fe %   | Silica SiO <sub>2</sub> % | Alumina Al <sub>2</sub> O <sub>3</sub> % | Phos P %     | Loss on ignition LOI % |
| <b>Sub-total Solomon Hub</b>                                   |                     |             |                           |  |              |                        |                     |             |                           |  |              |                        |
| Measured   | 454                 | 55.4        | 7.90                      | 3.35                                     | 0.083        | 8.8                    | 388                 | 55.2        | 7.84                      | 3.27                                     | 0.081        | 9.3                    |
| Indicated  | 857                 | 55.4        | 8.19                      | 3.30                                     | 0.087        | 8.6                    | 911                 | 55.6        | 8.01                      | 3.29                                     | 0.089        | 8.6                    |
| Inferred   | 647                 | 54.9        | 8.63                      | 3.85                                     | 0.079        | 8.2                    | 682                 | 55          | 8.66                      | 3.76                                     | 0.08         | 8.3                    |
| <b>Total</b>   | <b>1,959</b>        | <b>55.3</b> | <b>8.27</b>               | <b>3.49</b>                              | <b>0.084</b> | <b>8.5</b>             | <b>1981</b>         | <b>55.3</b> | <b>8.2</b>                | <b>3.44</b>                              | <b>0.084</b> | <b>8.6</b>             |
| <b>Western Hub</b>   |                     |             |                           |  |              |                        |                     |             |                           |  |              |                        |
| Measured   | 279                 | 58.8        | 5.5                       | 2.83                                     | 0.111        | 6.7                    | 262                 | 59.1        | 5.34                      | 2.72                                     | 0.122        | 6.5                    |
| Indicated  | 82                  | 58.4        | 5.9                       | 2.88                                     | 0.076        | 6.8                    | 73                  | 58.6        | 5.97                      | 2.62                                     | 0.082        | 6.6                    |
| Inferred   | 539                 | 57.4        | 6.4                       | 3.54                                     | 0.095        | 7.0                    | 562                 | 57.6        | 6.32                      | 3.48                                     | 0.094        | 7.0                    |
| <b>Total</b>   | <b>900</b>          | <b>57.9</b> | <b>6.09</b>               | <b>3.26</b>                              | <b>0.098</b> | <b>6.9</b>             | <b>897</b>          | <b>58.1</b> | <b>6.01</b>               | <b>3.19</b>                              | <b>0.101</b> | <b>6.8</b>             |
| <b>Total Mineral Resources Operating Properties – Hematite</b> |                     |             |                           |  |              |                        |                     |             |                           |  |              |                        |
| Measured   | 1,712               | 56.8        | 6.45                      | 3.20                                     | 0.071        | 8.0                    | 1,659               | 56.8        | 6.43                      | 3.15                                     | 0.071        | 8.1                    |
| Indicated  | 1,750               | 55.9        | 7.31                      | 3.42                                     | 0.071        | 8.2                    | 1,832               | 55.9        | 7.27                      | 3.40                                     | 0.072        | 8.2                    |
| Inferred   | 1,629               | 56.0        | 7.35                      | 3.73                                     | 0.078        | 7.8                    | 1,676               | 56.0        | 7.37                      | 3.68                                     | 0.078        | 7.8                    |
| <b>Total</b>   | <b>5,091</b>        | <b>56.2</b> | <b>7.03</b>               | <b>3.44</b>                              | <b>0.073</b> | <b>8.0</b>             | <b>5,166</b>        | <b>56.2</b> | <b>7.03</b>               | <b>3.41</b>                              | <b>0.074</b> | <b>8.0</b>             |

### Notes in reference to table

- Chichester Hub Mineral Resources are quoted above a cut-off of 53.5% Fe and Solomon Hub and Western Hub Mineral Resources are quoted above a cut-off grade of 51.5% Fe.
- The Measured Mineral Resource estimate includes mine stockpiles totalling approximately 74mt.
- Mineral Resources are reported inclusive of Ore Reserves.
- Tonnage information has been rounded and as a result the figures may not add up to the totals quoted.
- The Western Hub Mineral Resource is inclusive of the Eliwana and Flying Fish deposits.

## Mineral Resources Development Properties – Hematite

Updates have been announced for all reporting hubs in the development properties Mineral Resources as a result of exploration drilling. Updated estimates for the White Knight and Mount Lewin deposits in the Greater Chichester Hub have resulted in an increase of 128mt. An updated estimate at the Wyloo North deposit in the Greater Western Hub has resulted in an increase of 10mt. Updated estimates at the Mindy South and Triton deposits and estimates for the new Panhandle, Earendil, Indabiddy, Prairie Heights and McPhee Creek deposits in the Pilbara Other Hub have resulted in an increase of 374mt. Areas identified as containing sites of

heritage significance have been excluded from reporting at deposits across all hubs. This update is an overall decrease of 101mt to the development properties Mineral Resources and is reported in accordance with the JORC Code as identified in the Fortescue ASX releases when each Mineral Resource was announced.

As of 30 June 2023, the total Mineral Resource for development properties, which excludes and is additional to the operating properties, is estimated to be 8,281mt at an average Fe grade of 57.1%. This comprises 562mt for the Greater Chichester deposits, 2,051mt for the Greater Solomon deposits, 1,969mt for the Greater Western deposits, 2,214mt for the Nyidinghu deposit and 1,486mt for the Pilbara Other deposits.

## Mineral Resources Development Properties – Hematite

|  | 30 JUNE 2023        |             |                           |  |              |                        | 30 JUNE 2022        |             |                           |  |              |                        |
|--|---------------------|-------------|---------------------------|--|--------------|------------------------|---------------------|-------------|---------------------------|--|--------------|------------------------|
|  | In-situ tonnes (mt) | Iron Fe %   | Silica SiO <sub>2</sub> % | Alumina Al <sub>2</sub> O <sub>3</sub> % | Phos P %     | Loss on ignition LOI % | In-situ tonnes (mt) | Iron Fe %   | Silica SiO <sub>2</sub> % | Alumina Al <sub>2</sub> O <sub>3</sub> % | Phos P %     | Loss on ignition LOI % |
| <b>Greater Chichester</b>  |                     |             |                           |  |              |                        |                     |             |                           |  |              |                        |
| Measured   | -                   | -           | -                         | -  | -            | -                      | -                   | -           | -                         | -  | -            | -                      |
| Indicated  | -                   | -           | -                         | -  | -            | -                      | -                   | -           | -                         | -  | -            | -                      |
| Inferred   | 562                 | 56.0        | 7.42                      | 3.70                                     | 0.061        | 7.2                    | 433                 | 56.4        | 7.10                      | 3.77                                     | 0.058        | 7.0                    |
| <b>Total</b>   | <b>562</b>          | <b>56.0</b> | <b>7.42</b>               | <b>3.70</b>                              | <b>0.061</b> | <b>7.2</b>             | <b>433</b>          | <b>56.4</b> | <b>7.10</b>               | <b>3.77</b>                              | <b>0.058</b> | <b>7.0</b>             |
| <b>Greater Solomon</b>   |                     |             |                           |  |              |                        |                     |             |                           |  |              |                        |
| Measured   | -                   | -           | -                         | -  | -            | -                      | -                   | -           | -                         | -  | -            | -                      |
| Indicated  | 254                 | 56.6        | 6.70                      | 3.45                                     | 0.083        | 8.3                    | 254                 | 56.6        | 6.70                      | 3.45                                     | 0.082        | 8.3                    |
| Inferred   | 1,796               | 56.8        | 6.89                      | 3.73                                     | 0.082        | 7.3                    | 2,162               | 56.8        | 6.88                      | 3.76                                     | 0.082        | 7.3                    |
| <b>Total</b>   | <b>2,051</b>        | <b>56.8</b> | <b>6.87</b>               | <b>3.69</b>                              | <b>0.082</b> | <b>7.4</b>             | <b>2,416</b>        | <b>56.8</b> | <b>6.86</b>               | <b>3.72</b>                              | <b>0.082</b> | <b>7.4</b>             |
| <b>Greater Western</b>   |                     |             |                           |  |              |                        |                     |             |                           |  |              |                        |
| Measured   | -                   | -           | -                         | -  | -            | -                      | -                   | -           | -                         | -  | -            | -                      |
| Indicated  | 99                  | 59.1        | 5.33                      | 2.45                                     | 0.162        | 7.1                    | 99                  | 59.1        | 5.32                      | 2.45                                     | 0.162        | 7.1                    |
| Inferred   | 1,870               | 56.8        | 6.12                      | 2.98                                     | 0.082        | 9.0                    | 1,860               | 56.7        | 6.03                      | 2.99                                     | 0.081        | 9.1                    |
| <b>Total</b>   | <b>1,969</b>        | <b>56.9</b> | <b>6.08</b>               | <b>2.95</b>                              | <b>0.086</b> | <b>8.9</b>             | <b>1,960</b>        | <b>56.8</b> | <b>5.99</b>               | <b>2.96</b>                              | <b>0.085</b> | <b>9.0</b>             |
| <b>Nyidinghu</b>   |                     |             |                           |  |              |                        |                     |             |                           |  |              |                        |
| Measured   | 22                  | 59.7        | 3.49                      | 2.08                                     | 0.141        | 8.1                    | 22                  | 59.7        | 3.53                      | 2.09                                     | 0.141        | 8.1                    |
| Indicated  | 963                 | 57.9        | 4.56                      | 3.09                                     | 0.150        | 8.6                    | 963                 | 57.9        | 4.57                      | 3.09                                     | 0.150        | 8.6                    |
| Inferred   | 1,228               | 57.2        | 5.03                      | 3.39                                     | 0.148        | 8.8                    | 1,476               | 57.2        | 5.09                      | 3.35                                     | 0.145        | 8.8                    |
| <b>Total</b>   | <b>2,214</b>        | <b>57.5</b> | <b>4.81</b>               | <b>3.25</b>                              | <b>0.148</b> | <b>8.7</b>             | <b>2,461</b>        | <b>57.5</b> | <b>4.87</b>               | <b>3.24</b>                              | <b>0.147</b> | <b>8.7</b>             |
| <b>Pilbara Other</b>   |                     |             |                           |  |              |                        |                     |             |                           |  |              |                        |
| Measured   | -                   | -           | -                         | -  | -            | -                      | -                   | -           | -                         | -  | -            | -                      |
| Indicated  | -                   | -           | -                         | -  | -            | -                      | -                   | -           | -                         | -  | -            | -                      |
| Inferred   | 1,486               | 57.6        | 6.34                      | 2.65                                     | 0.106        | 7.9                    | 1,112               | 57.9        | 6.51                      | 2.56                                     | 0.111        | 7.5                    |
| <b>Total</b>   | <b>1,486</b>        | <b>57.6</b> | <b>6.34</b>               | <b>2.65</b>                              | <b>0.106</b> | <b>7.9</b>             | <b>1,112</b>        | <b>57.9</b> | <b>6.51</b>               | <b>2.56</b>                              | <b>0.111</b> | <b>7.5</b>             |
| <b>Total Mineral Resources Development Properties – Hematite</b> |                     |             |                           |  |              |                        |                     |             |                           |  |              |                        |
| Measured   | 22                  | 59.7        | 3.49                      | 2.08                                     | 0.141        | 8.1                    | 22                  | 59.7        | 3.53                      | 2.09                                     | 0.141        | 8.1                    |
| Indicated  | 1,317               | 57.7        | 5.03                      | 3.11                                     | 0.138        | 8.5                    | 1,317               | 57.7        | 5.04                      | 3.11                                     | 0.138        | 8.4                    |
| Inferred   | 6,942               | 57.0        | 6.28                      | 3.23                                     | 0.097        | 8.1                    | 7,043               | 57.0        | 6.24                      | 3.28                                     | 0.098        | 8.1                    |
| <b>Total</b>   | <b>8,281</b>        | <b>57.1</b> | <b>6.07</b>               | <b>3.21</b>                              | <b>0.104</b> | <b>8.2</b>             | <b>8,382</b>        | <b>57.1</b> | <b>6.04</b>               | <b>3.25</b>                              | <b>0.104</b> | <b>8.1</b>             |

### Notes in reference to table

- The Greater Chichester Mineral Resource includes the Investigator, White Knight and Mount Lewin deposits.
- The Greater Solomon Mineral Resource includes the Serenity, Sheila Valley, Mount MacLeod, Cerberus, Stingray and Raven deposits.
- The Greater Western Mineral Resource includes the Flying Fish South, Vivash, Cobra, Lora, Zorb, Farquhar, Elevation, Boolgeeda CID and Wyloo North deposits.
- The Pilbara Other Mineral Resource includes the Fig Tree, Mindy South, Triton, Wonmunna, Panhandle, Earendil, Indabiddy, Prairie Heights and McPhee Creek deposits.
- Development property Mineral Resources are reported above a range of cut-off grades from 50% Fe to 56% Fe depending on the geological domain. Details of the cut-offs were provided when each Mineral Resource was first announced.
- Tonnage information has been rounded and as a result the figures may not add up to the totals quoted.

## Mineral Resources Operating Properties – Magnetite

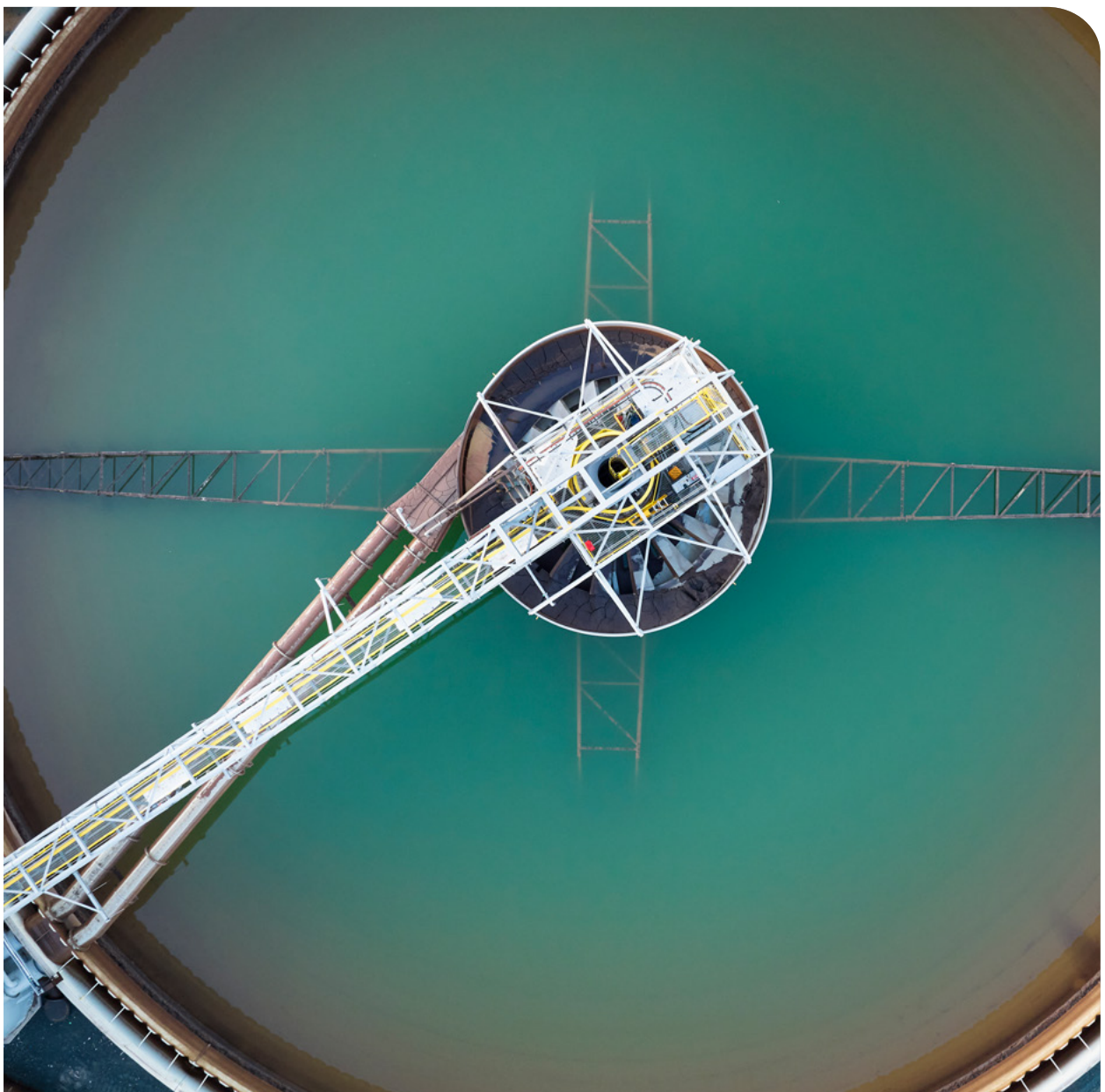
The Mineral Resource model for the North Star, Eastern Limb, West Star and Glacier Valley deposits (69% Fortescue) was completed by Snowden Mining Industry Consultants in 2022 and remains largely unchanged. A group of heritage sites in the southern portion of the Glacier Valley area have been excluded from the Mineral Resource using engineered shapes to account for the pit slope.

The Mineral Resource for the South Star deposit was updated to incorporate additional drilling that was conducted in 2023. The South Star deposit is located along strike and to the south of Glacier Valley across two tenements, E45/4025 and E45/3084. One of these

tenements, E45/4025, is held by Fortescue through its wholly owned subsidiary FMG Pilbara Pty Ltd. The drilling program undertaken during 2023 across E45/3084 and E45/4025 tenements, has increased the South Star Mineral Resource to 1,204mt (from 898mt in 2022) at 22.4% mass recovery, reported above a 9% mass recovery cut-off.

All magnetite Mineral Resources are reported within a high revenue factor pit shell (US\$200/t) to constrain the reportable resource to mineralisation that has reasonable prospects for economic extraction by open-pit mining and has been adjusted for depletion of mined tonnes.

As of 30 June 2023, the total magnetite Mineral Resource is estimated to be 6,475mt (from 6,184mt in 2022) at an average mass recovery of 22.7%, reported above a 9% mass recovery cut-off.





## Mineral Resources Operating Properties – Magnetite

|   | 30 JUNE 2023        |                  |                              |                     |                   |                                   |  |                     | 30 JUNE 2022     |                              |                     |                   |                                   |  |  |  |
|---|---------------------|------------------|------------------------------|---------------------|-------------------|-----------------------------------|--|---------------------|------------------|------------------------------|---------------------|-------------------|-----------------------------------|--|--|--|
|   | In-situ tonnes (mt) | FMG proportion % | FMG attributable tonnes (mt) | DTR mass recovery % | In-situ Iron Fe % | In-situ Silica SiO <sub>2</sub> % | In-situ Alumina Al <sub>2</sub> O <sub>3</sub> % | In-situ tonnes (mt) | FMG proportion % | FMG attributable tonnes (mt) | DTR mass recovery % | In-situ Iron Fe % | In-situ Silica SiO <sub>2</sub> % | In-situ Alumina Al <sub>2</sub> O <sub>3</sub> % |  |  |
| <b>North Star and Eastern Limb (M45/1226)</b>                   |                     |                  |                              |                     |                   |                                   |  |                     |                  |                              |                     |                   |                                   |  |  |  |
| Measured  | 256                 | 69               | 177                          | 25.7                | 31.2              | 41.4                              | 2.9  | 260                 | 69               | 179                          | 25.2                | 31.3              | 41.4                              | 2.9  |  |  |
| Indicated   | 780                 | 69               | 538                          | 24.6                | 30.2              | 41.3                              | 2.7  | 764                 | 69               | 527                          | 24.6                | 30.2              | 41.3                              | 2.7  |  |  |
| Inferred  | 2,274               | 69               | 1,569                        | 23.8                | 29.8              | 41.7                              | 2.9  | 2,300               | 69               | 1,587                        | 23.8                | 29.8              | 41.7                              | 2.9  |  |  |
| <b>Total</b>  | <b>3,310</b>        | <b>69</b>        | <b>2,284</b>                 | <b>24.2</b>         | <b>30.0</b>       | <b>41.6</b>                       | <b>2.8</b>                                       | <b>3,324</b>        | <b>69</b>        | <b>2,294</b>                 | <b>24.1</b>         | <b>30.0</b>       | <b>41.6</b>                       | <b>2.8</b>                                       |  |  |
| <b>Glacier Valley (M45/1244 &amp; M45/1226)</b>                 |                     |                  |                              |                     |                   |                                   |  |                     |                  |                              |                     |                   |                                   |  |  |  |
| Measured  | 54                  | 69               | 38                           | 25.4                | 35.1              | 39.2                              | 1.6  | 54                  | 69               | 37                           | 25.4                | 35.0              | 39.3                              | 1.6  |  |  |
| Indicated   | 284                 | 69               | 196                          | 23.7                | 33.1              | 39.1                              | 1.7  | 272                 | 69               | 188                          | 23.7                | 33.1              | 39.2                              | 1.7  |  |  |
| Inferred  | 1,020               | 69               | 704                          | 19.4                | 31.5              | 40.0                              | 2.2  | 1,033               | 69               | 712                          | 19.4                | 31.5              | 40.0                              | 2.2  |  |  |
| <b>Total</b>  | <b>1,359</b>        | <b>69</b>        | <b>938</b>                   | <b>20.5</b>         | <b>32.0</b>       | <b>39.8</b>                       | <b>2.0</b>                                       | <b>1,359</b>        | <b>69</b>        | <b>938</b>                   | <b>20.5</b>         | <b>32.0</b>       | <b>39.8</b>                       | <b>2.0</b>                                       |  |  |
| <b>West Star (M45/1226)</b>                                     |                     |                  |                              |                     |                   |                                   |  |                     |                  |                              |                     |                   |                                   |  |  |  |
| Measured  | -                   | -                | -                            | -                   | -                 | -                                 | -  | -                   | -                | -                            | -                   | -                 | -                                 | -  |  |  |
| Indicated   | -                   | -                | -                            | -                   | -                 | -                                 | -  | -                   | -                | -                            | -                   | -                 | -                                 | -  |  |  |
| Inferred  | 602                 | 69               | 416                          | 20.3                | 28.0              | 43.9                              | 3.4  | 602                 | 69               | 416                          | 20.3                | 28.0              | 43.9                              | 3.4  |  |  |
| <b>Total</b>  | <b>602</b>          | <b>69</b>        | <b>416</b>                   | <b>20.3</b>         | <b>28.0</b>       | <b>43.9</b>                       | <b>3.4</b>                                       | <b>602</b>          | <b>69</b>        | <b>416</b>                   | <b>20.3</b>         | <b>28.0</b>       | <b>43.9</b>                       | <b>3.4</b>                                       |  |  |
| <b>South Star (E45/3084)</b>                                    |                     |                  |                              |                     |                   |                                   |  |                     |                  |                              |                     |                   |                                   |  |  |  |
| Measured  | -                   | -                | -                            | -                   | -                 | -                                 | -  | -                   | -                | -                            | -                   | -                 | -                                 | -  |  |  |
| Indicated   | -                   | -                | -                            | -                   | -                 | -                                 | -  | -                   | -                | -                            | -                   | -                 | -                                 | -  |  |  |
| Inferred  | 398                 | 69               | 275                          | 24.3                | 31.4              | 41.4                              | 0.7  | 302                 | 69               | 208                          | 25.9                | 32.3              | 40.9                              | 0.6  |  |  |
| <b>Total</b>  | <b>398</b>          | <b>69</b>        | <b>275</b>                   | <b>24.3</b>         | <b>31.4</b>       | <b>41.4</b>                       | <b>0.7</b>                                       | <b>302</b>          | <b>69</b>        | <b>208</b>                   | <b>25.9</b>         | <b>32.3</b>       | <b>40.9</b>                       | <b>0.6</b>                                       |  |  |
| <b>South Star (E45/4025)</b>                                    |                     |                  |                              |                     |                   |                                   |  |                     |                  |                              |                     |                   |                                   |  |  |  |
| Measured  | -                   | -                | -                            | -                   | -                 | -                                 | -  | -                   | -                | -                            | -                   | -                 | -                                 | -  |  |  |
| Indicated   | -                   | -                | -                            | -                   | -                 | -                                 | -  | -                   | -                | -                            | -                   | -                 | -                                 | -  |  |  |
| Inferred  | 806                 | 100              | 806                          | 21.5                | 32.0              | 40.4                              | 0.9  | 596                 | 100              | 596                          | 20.7                | 32.2              | 40.3                              | 1.1  |  |  |
| <b>Total</b>  | <b>806</b>          | <b>100</b>       | <b>806</b>                   | <b>21.5</b>         | <b>32.0</b>       | <b>40.4</b>                       | <b>0.9</b>                                       | <b>596</b>          | <b>100</b>       | <b>596</b>                   | <b>20.7</b>         | <b>32.2</b>       | <b>40.3</b>                       | <b>1.1</b>                                       |  |  |
| <b>Total Mineral Resources Operating Properties – Magnetite</b> |                     |                  |                              |                     |                   |                                   |  |                     |                  |                              |                     |                   |                                   |  |  |  |
| Measured  | 311                 | -                | 215                          | 25.6                | 31.9              | 41.0                              | 2.6  | 314                 | -                | 217                          | 25.3                | 31.9              | 41.0                              | 2.6  |  |  |
| Indicated   | 1,064               | -                | 734                          | 24.4                | 31.0              | 40.8                              | 2.4  | 1,037               | -                | 715                          | 24.4                | 31.0              | 40.8                              | 2.4  |  |  |
| Inferred  | 5,100               | -                | 3,769                        | 22.2                | 30.4              | 41.4                              | 2.3  | 4,833               | -                | 3,519                        | 22.2                | 30.4              | 41.4                              | 2.4  |  |  |
| <b>Total</b>  | <b>6,475</b>        | <b>-</b>         | <b>4,718</b>                 | <b>22.7</b>         | <b>30.6</b>       | <b>41.3</b>                       | <b>2.3</b>                                       | <b>6,184</b>        | <b>-</b>         | <b>4,451</b>                 | <b>22.7</b>         | <b>30.6</b>       | <b>41.3</b>                       | <b>2.4</b>                                       |  |  |

### Notes in reference to table

- Magnetite Mineral Resources are reported above a 9% mass recovery cut-off, based on Davis Tube Recovery (DTR) test work.
- Oxide mineralisation above 9% mass recovery comprises approximately 7% of the total Mineral Resource tonnage.
- Magnetite Mineral Resources are reported within a high revenue factor pit shell (US\$200/t) to constrain the resource to mineralisation that has reasonable prospects for economic extraction by open-pit mining.
- Mineral Resources are reported on a dry, in situ tonnage basis.
- Mineral Resources are reported inclusive of Ore Reserves.
- Figures have been rounded and as a result may not add up to the totals quoted.

## Competent Persons Statement

The detail in this report that relates to Hematite Mineral Resources is based on information compiled by Mr Stuart Robinson, Mr Nicholas Nitschke, Ms Erin Retz, Mr Stuart Badock, Ms Suzanne Caron and Mr John Graindorge, full-time employees and shareholders of Fortescue. Each provided technical input for Mineral Resource estimations.

The detail in this report that relates to the Magnetite Mineral Resources is based on information compiled by Mr John Graindorge, a full-time employee and shareholder of Fortescue. Mr Graindorge provided technical input for Mineral Resource estimations.

The detail in this report that relates to Hematite Ore Reserves is based on information compiled by Mr Santhosh Mulky and Mr Michael Fisher, full-time employees and shareholders of Fortescue.

Estimated Magnetite Ore Reserves for the Iron Bridge project for fiscal year 2023 were compiled by Mr Felex Wibowo and Mr Mudit Tandon, full-time employees and shareholders of Fortescue.

Mr Robinson is a Fellow of, and Mr Nitschke, Ms Retz, Mr Badock, Ms Caron, Mr Mulky, Mr Fisher, Mr Wibowo, Mr Tandon and Mr Graindorge are Members of the Australasian Institute of Mining and Metallurgy. Mr Graindorge is also a Chartered Professional (Geology).

Mr Robinson, Mr Nitschke, Ms Retz, Mr Badock, Ms Caron, Mr Mulky, Mr Fisher, Mr Wibowo, Mr Tandon and Mr Graindorge have sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

Mr Robinson, Mr Nitschke, Ms Retz, Mr Badock, Ms Caron, Mr Mulky, Mr Fisher, Mr Wibowo, Mr Tandon and Mr Graindorge consent to the inclusion in this report of the matters based on this information in the form and context in which it appears.



# OUR APPROACH TO SUSTAINABILITY

04

2023

Sustainability is  
critical to the  
future success of  
our company



## Sustainability is critical to the future success of our Company and we integrate it into all aspects of our business

As Fortescue transitions to the number 1 integrated green technology, energy and metals company, our commitment to sustainability expands with us.

We are focused on achieving leading practice and ensuring that communities continue to benefit from our growth and development as we take a global leadership role in addressing climate change and supporting the transition to green energy on a global scale.

Our sustainability commitments are developed in collaboration with our stakeholders and aim to create value for our investors, ensure the health and safety of our employees, protect the environment and empower the communities in which we operate.

Sustainability is integrated into our decision-making and strategic and risk management processes. Compliance with all relevant legislation and obligations, including those that govern health, safety and environment, is the absolute minimum standard to which we operate.

Our unique culture and Values form the base of our sustainability framework, which incorporates specific policies, objectives and targets.



## Sustainability governance

Good governance is critical to strong sustainability performance, and our Board is responsible for the oversight of all sustainability matters, receiving regular updates through the Audit, Risk Management and Sustainability Committee (ARMSC). Key outcomes for ARMSC in FY23 include:

- endorsement of the revised Environment Policy
- endorsement of the FPIC Position Statement
- endorsement of the revised Human Rights Policy.

Operationally, sustainability is managed by our Chief Executive Officers with support from our executive Sustainability Committee that meets at least quarterly to oversee all sustainability matters. In FY23, this Committee approved site specific water targets for two operating mine hubs at Eliwana and Solomon. Our Sustainability team coordinates the implementation of our sustainability strategy, related policies and targets across the business.

The Sustainability Committee works to ensure continuous improvement and that the sustainability strategy, related policies and targets are embedded throughout our business. Our sustainability strategy outlines commitments and targets and provides implementation guidance. The early identification and assessment of sustainability matters alerts Fortescue to potential risks and opportunities and enables the planning of mitigation and optimisation strategies. These assessments may result in amendments to a project or avoidance if the risk of proceeding is found to be too high.

## Materiality

Material topics are those that may have a significant impact on our ability to achieve our commitments and targets. These topics are identified through an annual assessment process that considers risks and opportunities, external stakeholder views, our internal subject matter expertise and third-party due diligence. The assessment involves a cycle of research, identification, prioritisation, validation and review.

During FY23, our materiality assessment considered the following:

- sustainability initiatives and targets
- corporate risk assessments and audits
- policies, standards and guidelines
- results of internal and external stakeholder engagement
- media and investor interest and feedback
- material topics identified by peers, sustainability leaders and materiality analysis
- benchmarking and environmental, social and governance assessments.

Priorities were informed by internal and external stakeholder engagement. Materiality was validated by subject leaders and the Sustainability Committee, with 12 topics determined to be material within three sustainable development pillars: People, Planet and Process. We have aligned our approach to sustainability with the United Nations Sustainable Development Goals (SDGs) and will continue to work with our host governments as they strive to meet these goals.



## Risk-based approach to sustainability

Sustainability risks are considered within our material risk exposures, as reported in the FY23 Corporate Governance Statement, as well as within functional risk assessment processes by business area, project and facility.

The Fortescue Risk Management Framework consists of a Risk Management Policy and a Risk Management Standard. In FY23, we revised our risk matrix, where we define likelihood and consequence criteria to ensure risks are considered consistently across the Company. The risk matrix includes criteria aligned with a number of our material topics, including:

- economic contribution (addressed under financial impact criteria)

In FY24, we will commence a double materiality assessment in accordance with the requirements of the GRI standards. The double materiality process requires a company to judge materiality from two perspectives:

- 1) “the extent necessary for an understanding of the company’s development, performance and position” and “in the broad sense of affecting the value of the company”
- 2) environmental and social impact of the company’s activities on a broad range of stakeholders.

It is expected that this process will continue to evolve our material topics, ensuring that our focus remains on the topics which are most relevant to our business, society and the environment.

- employee safety and wellbeing (addressed under health and safety)
- climate action, protecting biodiversity and protecting water resources (addressed under environment criteria)
- respecting human rights, respecting heritage and culture and building thriving communities (addressed under social/community/heritage criteria)
- business integrity (addressed under reputation and brand, as well as legal and compliance criteria).

Ensuring sustainability risks are adequately considered in our functional risk assessments is an area of focus for Fortescue.

# MEASURING OUR PERFORMANCE



## Employee safety and wellbeing

**OBJECTIVE:** To be global leaders in safety

**TARGET:** Achieve zero fatalities

Fatalities

FY23 | 0  
FY22 | 1  
FY21 | 0

**OBJECTIVE:** To be global leaders in safety

**TARGET:** Reduce our injury risk profile by 15 per cent

Injury risk profile reduction (Fortescue Metals)

FY23 | 22%  
FY22 | 21%

**OBJECTIVE:** To be global leaders in safety

**TARGET:** Maintain TRIFR below the global resources industry lowest quartile

TRIFR (Fortescue Metals)

FY23 | 1.8  
FY22 | 1.8  
FY21 | 2.0

**OBJECTIVE:** To be global leaders in safety

**TARGET:** TRIFR not exceeding 4.0

TRIFR (FFI)

FY23 | 0.0  
FY22 | 0.7

## Female employment and development

**OBJECTIVE:** Increase the number of female employees to be reflective of general society

**TARGET:** Year on year increase in female employment

Female employment

FY23 | 23%  
FY22 | 23%  
FY21 | 21%

**OBJECTIVE:** Increase gender diversity in FFI

**TARGET:** Increase female employment in FFI >38 per cent

Female employment in FFI

FY23 | 34%  
FY22 | 34%

**OBJECTIVE:** Provide opportunities for female employees to move into leadership positions

**TARGET:** Year on year increase in female employment in leadership roles

Females in leadership roles (Manager and above)

FY23 | 26%  
FY22 | 24%  
FY21 | 25%

## First Nations Australians employment and development

**OBJECTIVE:** Increase the number of First Nations Australian employees to be reflective of general society

**TARGET:** Year on year increase in our First Nations Australian employment rate

First Nations Australian employment in Australian workforce

FY23 | 10%  
FY22 | 10%  
FY21 | 10%

**OBJECTIVE:** Increase the number of First Nations Australian employees to be reflective of general society

**TARGET:** Year on year increase in the First Nations Australian employment rate in Pilbara operations

First Nations Australian employment in Pilbara operations

FY23 | 16%  
FY22 | 15%  
FY21 | 14%

**OBJECTIVE:** Provide opportunities for First Nations Australian people to move into leadership positions

**TARGET:** Year on year increase in the First Nations Australian employment rate in leadership roles

First Nations Australian leadership roles

FY23 | 4%  
FY22 | 4%  
FY21 | 4%

## Respecting heritage and culture

**OBJECTIVE:** Work together with Indigenous people to manage First Nations heritage responsibly and sustainably

**TARGET:** Annually, ensure no impact to First Nations heritage without consultation with and consent from First Nations people

Significant heritage incidents

FY23 | 0  
FY22 | 0  
FY21 | 1

## Building thriving communities

**OBJECTIVE:** Create economic opportunities for First Nations businesses through local procurement, business development, mentoring and capacity-building opportunities

**Target:** Annually, achieve a spend of 10 per cent with First Nations businesses

Spend with Aboriginal businesses

FY23 | 5%  
FY22 | 5%  
FY21 | 5%



### Protecting biodiversity

**OBJECTIVE:** To take responsibility for Fortescue's disturbance by protecting biodiversity in the regions where we operate

**TARGET:** Achieve a net positive impact on biodiversity

#### FY23 progress:

- 0 significant environmental incidents
- Ongoing implementation of our environmental management system
- A\$4.7m invested in research and conservation programs
- Progressing TNFD pilots for a number of our projects and operations

**OBJECTIVE:** To take responsibility for Fortescue's disturbance by protecting biodiversity in the regions where we operate

**TARGET:** Achieve zero significant environmental incidents

#### Significant environmental incidents

|      |   |
|------|---|
| FY23 | 0 |
| FY22 | 0 |
| FY21 | 0 |

### Building circularity

**OBJECTIVE:** To reduce waste generation through prevention, reduction, recycling and reuse

**TARGET:** Recycle more than 80 per cent of our non-mineralised waste volumes at our operating sites, excluding tyres and concrete waste

#### Waste recycled

|      |     |
|------|-----|
| FY23 | 81% |
| FY22 | 83% |
| FY21 | 87% |

### Protecting water resources

**OBJECTIVE:** Use water responsibly by improving water use efficiency and minimising water loss through surface water discharge and evaporation

**TARGET:** Set public, site-specific water management targets for each of our operating mines by FY23

#### Operating mine sites with site-specific targets

- FY23: Eliwana and Solomon mine sites targets set
- FY19: Chichester Hub (Christmas Creek and Cloudbreak mines) targets set

**OBJECTIVE:** Use water responsibly by improving water use efficiency and minimising water loss through surface water discharge and evaporation

**TARGET:** Annually, ensure at least 80 per cent of water abstracted at the Cloudbreak and Christmas Creek mine sites is used for operational requirements or beneficial environmental purposes

#### Progress

|      |     |
|------|-----|
| FY23 | 96% |
| FY22 | 99% |
| FY21 | 98% |

**OBJECTIVE:** Use water responsibly by improving water use efficiency and minimising water loss through surface water discharge and evaporation

**TARGET:** Pilot the Minerals Council of Australia Water Accounting Framework at Eliwana, in line with the ICMM Water Stewardship Framework, in FY24, to provide a catchment-wide view of water flows, uses and quality.

#### Progress

- FY23: New target set in FY23. Progress to be reported in FY24.

**OBJECTIVE:** Use water responsibly by improving water use efficiency and minimising water loss through surface water discharge and evaporation

**TARGET:** Complete a site-wide water resource efficiency assessment for Solomon in FY24 to inform long term water efficiency planning.

#### Progress

- FY23: New target set in FY23. Progress to be reported in FY24.

### Closure and rehabilitation

**OBJECTIVE:** Ensure the closure of our mines and key infrastructure areas is undertaken in a planned approach, with appropriate financial provisioning in place

**TARGET:** Closure plans to be in place for each major operational site

#### Closure plans in place

|      |      |
|------|------|
| FY23 | 100% |
| FY22 | 100% |
| FY21 | 100% |



### Business integrity

**OBJECTIVE:** To ensure our Values reflect ethical conduct and respect and are embedded in the business

**TARGET:** Annually, ensure ethical conduct is maintained by a targeted program, including leadership development, training, performance assessments and remuneration

#### Employees attending advanced anti-bribery and corruption training

|      |     |
|------|-----|
| FY23 | 766 |
| FY22 | 863 |
| FY21 | 264 |

### Economic contribution

**Objective:** Deliver value to our communities through strategic social investment

**Target:** Allocate funding according to priorities set in the community investment strategy

#### Social investment

|      |                  |
|------|------------------|
| FY23 | A\$101.8 million |
| FY22 | A\$77.4 million  |
| FY21 | A\$63.2 million  |

Progress against our targets for climate action is reported in the FY23 Climate Change Report which is available on our website at [www.fortescue.com](http://www.fortescue.com)

Our FY23 Modern Slavery Statement will be published in December 2023. Progress against our targets for respecting human rights is reported in the FY22 Modern Slavery Statement which is available on our website at [www.fortescue.com](http://www.fortescue.com)

**2023**



**Fortescue is aiming to achieve Real Zero emissions (Scope 1 and 2) across our Australian terrestrial iron ore operations by 2030**





# OVERVIEW OF GOVERNANCE



Good corporate governance is critical to the long-term, sustainable success of Fortescue

Good governance is the collective responsibility of the Board of Directors (the Board) and across all levels of management. Fortescue seeks to adopt leading practice and contemporary governance standards and apply these in a manner consistent with our culture and Values.

Fortescue supports the intent of the 4th Edition of the Australian Securities Exchange (ASX) Corporate Governance Council's Corporate Governance Principles and Recommendations (Principles and Recommendations). Unless otherwise disclosed, Fortescue has reported against the requirements of the Principles and Recommendations.

The cornerstones of our corporate governance are:

## Transparency

Being clear and unambiguous about our structure, operations and performance, both externally and internally, and maintaining a genuine dialogue with, and providing insight to, stakeholders and the market generally.

## Integrity

Developing and maintaining a corporate culture committed to ethical behaviour and compliance with the law.

## Empowerment

Everyone at Fortescue is empowered to make decisions that support our objectives and are in the best interests of stakeholders. Management and employees are encouraged to be innovative and strategic in making decisions that align with our risk appetite and are undertaken in a manner consistent with corporate expectations and standards.

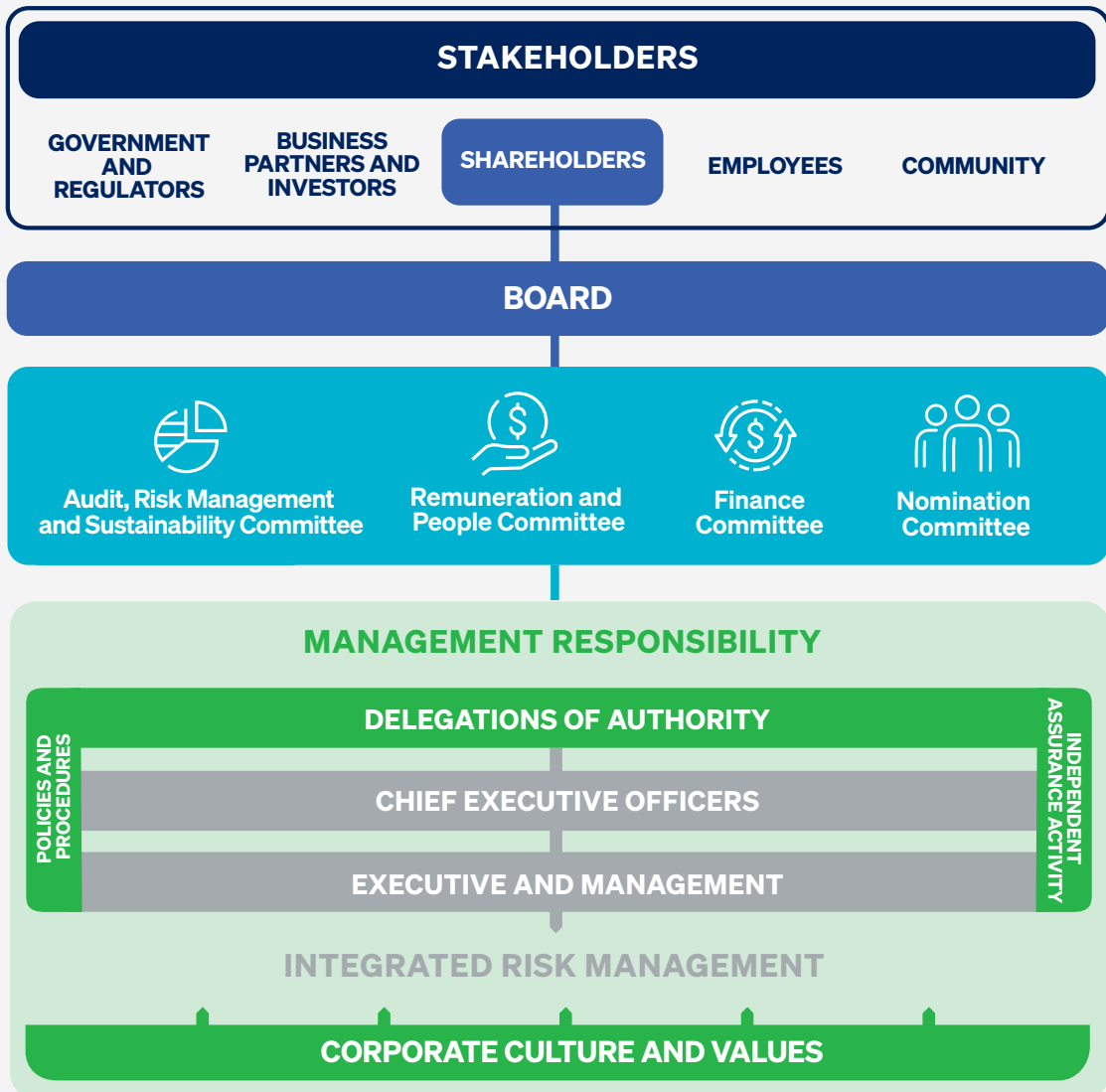
## Corporate accountability

Ensuring that there is clarity of decision-making, with processes in place to authorise the right people to make effective and efficient decisions with appropriate consequences when these processes are not followed.

## Stewardship

Developing and maintaining a company wide recognition that Fortescue is managed for the benefit of its shareholders, taking into account the interests of other stakeholders.

## GOVERNANCE FRAMEWORK

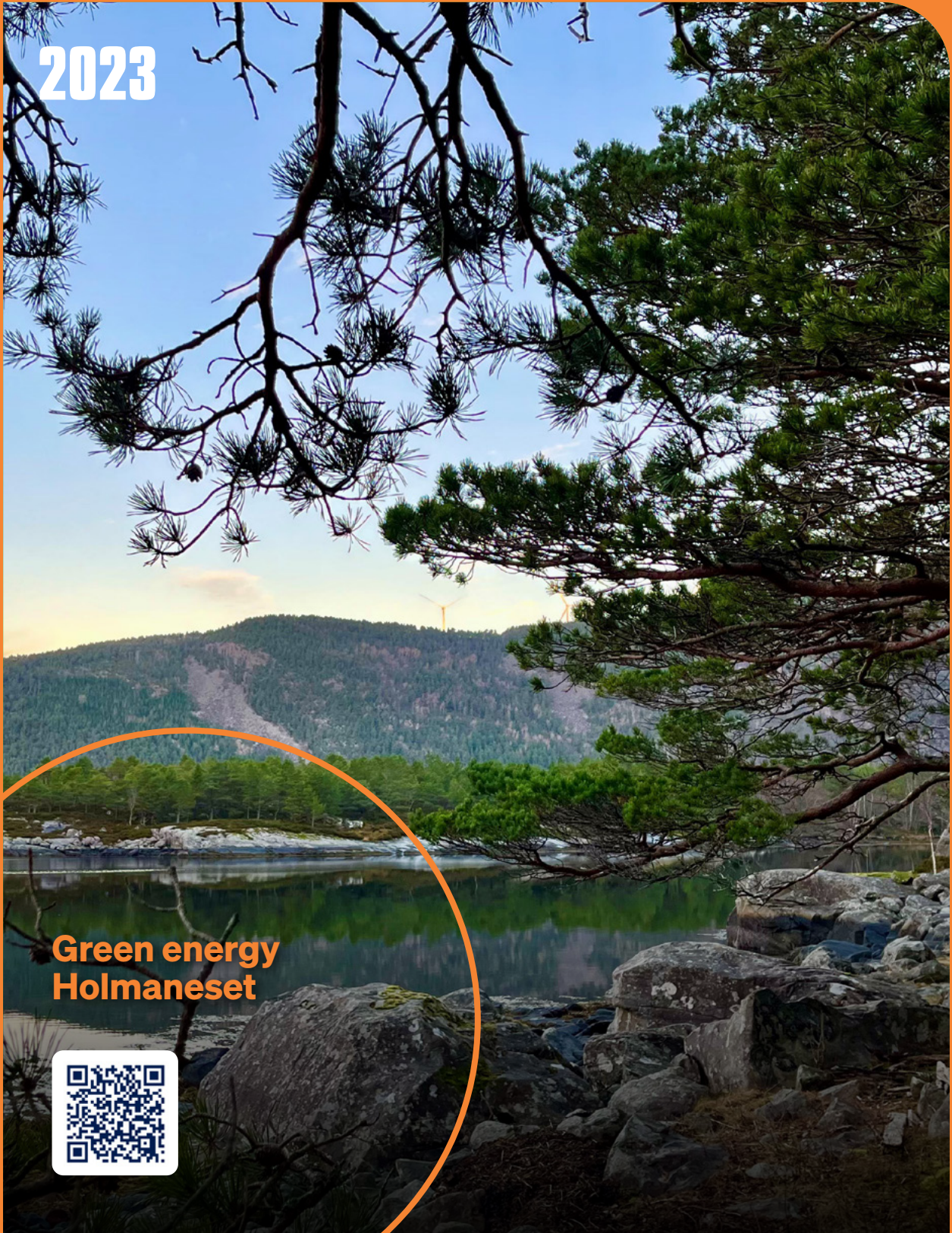


# OUR APPROACH TO CLIMATE CHANGE

06

2023

**Green energy  
Holmaneset**



# OUR EMISSIONS



**This year, we are putting our Company's emissions at the outset of this report, in an effort to be completely transparent about the greenhouse gases we emit. The remainder of this report will outline how we plan to reduce our emissions**

Fortescue emits more than 2.5 million tonnes of carbon dioxide equivalent (CO<sub>2</sub>-eq) into the atmosphere every year. Customers of our iron ore – primarily steel mills located in Asia – emit a further 261.5 million tonnes of CO<sub>2</sub>-eq annually.

This report outlines our Board approved US\$6.2 billion plan to achieve Real Zero profitably, which means the elimination of Scope 1 and 2 emissions by 2030 by eliminating the use of fossil fuels from our Australian terrestrial iron ore operations. We are dedicated to doing this without using voluntary carbon offsets from FY24 onwards for Scope 1 and 2 emissions. At the time of this report, Fortescue has identified the solutions it plans to adopt to eliminate approximately 90% of terrestrial Scope 1 and 2 emissions from its Australian iron ore operations. We are actively working to identify solutions for the final approximately 10%.

We also have separate targets to eliminate emissions from our marine vessels by 2030 and achieve Net Zero Scope 3 emissions by 2040. We are presently developing our plans to meet these targets.

Scope 1 emissions are direct emissions from sources owned or controlled by an entity. Scope 2 refers to emissions associated with the production of electricity, heat, or steam purchased by an entity. Scope 3 refers to all other indirect emissions associated with activities or facilities not owned or controlled by the entity.<sup>1,2</sup>



In general, when we refer to emissions, we refer to all greenhouse emissions, reported in the unit of tonnes of CO<sub>2</sub>-eq. This is defined as the amount of CO<sub>2</sub> that would cause the same temperature rise, over a given time period, as an emitted amount of greenhouse gas or mixture of greenhouse gases.<sup>3</sup>

Stepping beyond fossil fuels and voluntary carbon offsets helps reduce our exposure to regulatory, reputational and supply chain risk, while potentially generating significant operating cost savings.

In FY23, gas and diesel cost Fortescue over US\$560 million, while voluntary offsets cost US\$6.2 million.

Eliminating our emissions could also bring greater value to our shareholders, enabling us to enter the growing market for zero-emissions power systems, commercialise our green technologies and enable access to sustainable finances.

## Scope 1 and 2 emissions

In FY23, total gross Scope 1 and 2 emissions from our Australian iron ore operations and Fortescue marine vessels, which consist of eight ore carriers and nine tugboats that operate under Fortescue's operational control in Port Hedland, were 2.55 million tonnes CO<sub>2</sub>-eq.

Our Scope 1 emissions consisted of 2.2 million tonnes of CO<sub>2</sub>-eq in FY23, while our Scope 2 emissions from power purchases were lower, at 0.35 million tonnes of CO<sub>2</sub>-eq.

Of our FY23 Scope 1 mining operations emissions:

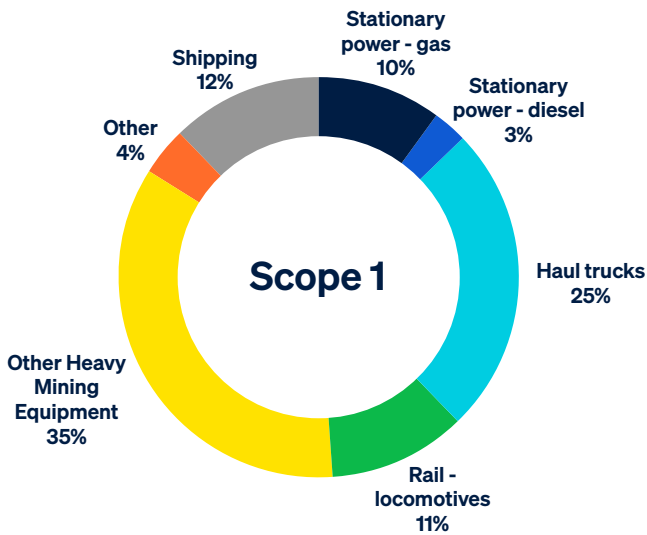
- 35% came from other Heavy Mobile Equipment (HME; diesel)
- 25% originated from our mining haul trucks (diesel)
- 13% came from stationary power (gas, diesel)
- 12% originated from marine vessels under our exclusive control (heavy marine fuel oil)
- 11% came from our rail operations (diesel)
- 4% came from other sources

<sup>1</sup> [https://www.ipcc.ch/site/assets/uploads/2018/02/ipcc\\_wg3\\_ar5\\_annex-i.pdf](https://www.ipcc.ch/site/assets/uploads/2018/02/ipcc_wg3_ar5_annex-i.pdf)

<sup>2</sup> Under the Greenhouse Gas Protocol Accounting standards, we use the 'Operational Control' boundary method.

<sup>3</sup> [https://www.ipcc.ch/sr15/chapter/glossary/#:~:text=CO2%20equivalent%20\(CO2,or%20a%20mixture%20of%20GHGs.](https://www.ipcc.ch/sr15/chapter/glossary/#:~:text=CO2%20equivalent%20(CO2,or%20a%20mixture%20of%20GHGs.)

### FY23 Scope 1 iron ore emissions

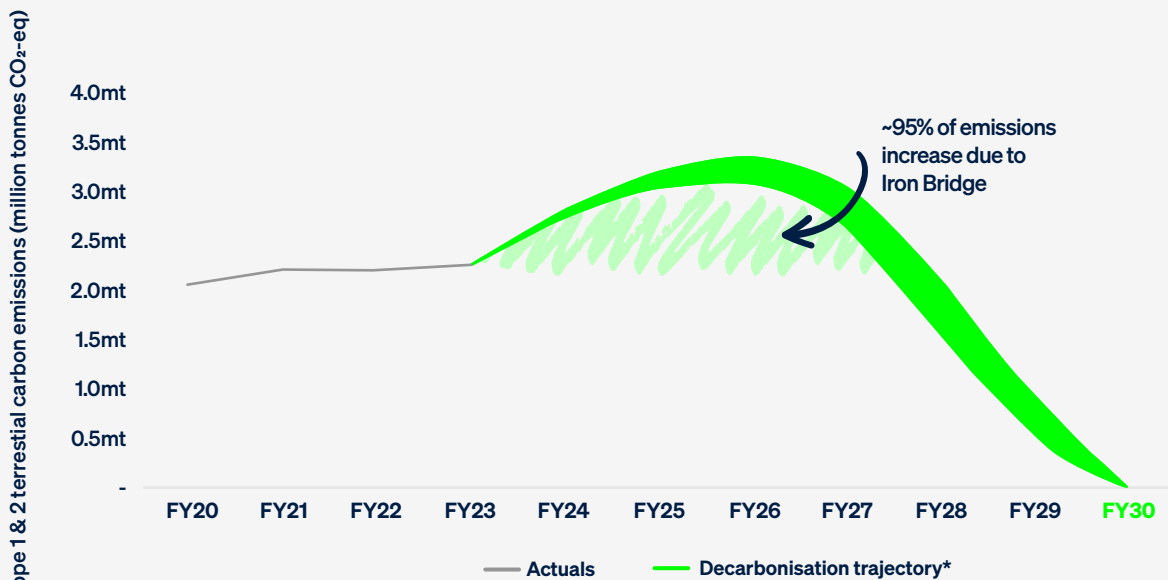


In working towards eliminating our emissions, we are developing and evaluating the following solutions:

- Stationary power: wind and solar, grid scale batteries, demand response and reserve power provided by a green fuel such as green ammonia
- Ore carriers: green ammonia or green methanol
- Tugs: battery-hybrid vessels using green ammonia and/or green hydrogen
- Rail: battery electric, including our Infinity Train solution and/or green ammonia
- Haul trucks and other Heavy Mobile Equipment: powered by batteries, trailing cables from the power grid or green hydrogen fuel cells.

As part of our plan to achieve Real Zero terrestrial emissions across our Australian iron ore operations by 2030, we forecast that our Scope 1 and 2 emissions in the Pilbara will initially rise out to FY26 before they begin to fall. This initial rise will occur due to production at Iron Bridge scaling up to hit nameplate capacity.

### Fortescue's projected emissions pathway to Real Zero for Australian iron ore operations (Scope 1 and 2 terrestrial emissions)



\*Our emissions are forecast to fall within the shaded range based on our current decarbonisation plan and modelling. It is subject to various factors beyond our control, including those set out in this report and our FY23 Annual Report.

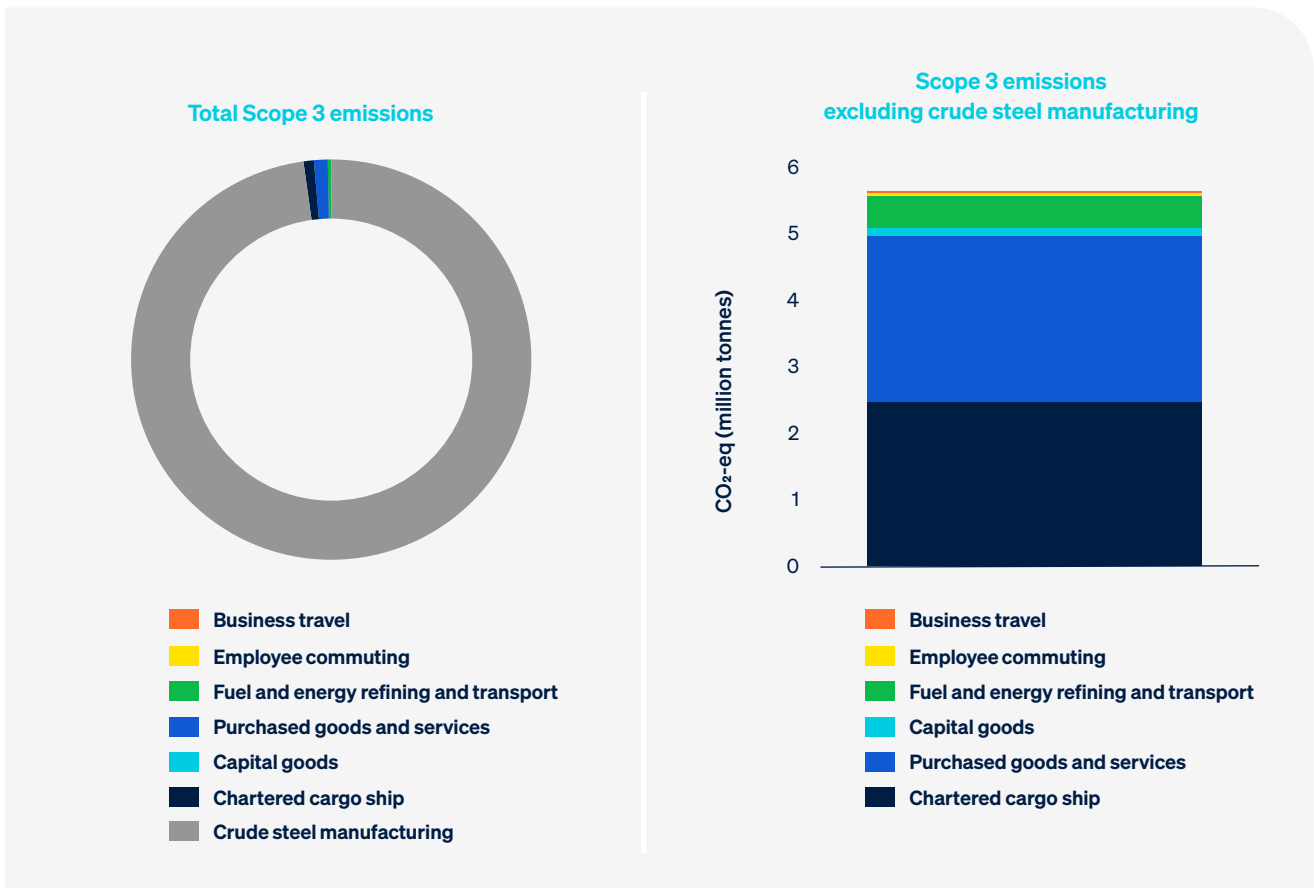
Emissions are forecast to fall from FY26 onwards as renewable power capacity substantially increases and we begin to deploy a zero-emission mobile fleet across our Pilbara operations.

At the time of this report, Fortescue has identified the solutions it plans to adopt to eliminate approximately 90% of terrestrial Scope 1 and 2 emissions from its Australian iron ore operations. We are actively working to identify solutions for the final approximately 10%.

Fortescue's use of renewable energy in the Pilbara continues to rise:

- Since FY19, renewable energy use has risen from less than 1 gigawatt hour (GWh) to 145.7 GWh in FY23
- Since FY22, renewable energy consumption has risen 58 GWh
- Today, renewable energy comprises 20% of the electricity we purchase for our Pilbara iron ore operations

In FY23 we also surrendered 336,833 tonnes in CO<sub>2</sub>-eq of offsets to meet our previous commitment to a 3% year-on-year net reduction in our emissions. As stated earlier, in FY24 we will no longer purchase voluntary carbon offsets for Scope 1 and 2 emissions, instead focusing our efforts on actual emission elimination. We will replace our 3% target by committing interim financial spend to deliver our decarbonisation pathway to Real Zero.



### Scope 3

Our Scope 3 emissions in FY23 (267.61 million tonnes of CO<sub>2</sub>-eq) were 5% higher than in FY22. This increase in Scope 3 emissions was caused primarily by a rise in the amount of iron ore shipped, from 189 million tonnes in FY22 to 192 million tonnes in FY23.

Scope 3 emissions are those that fall within our value chain but are outside our operational control, including those generated during the shipping of our products in non-Fortescue vessels and iron and steel production.<sup>4</sup>

By far the largest source of Fortescue’s Scope 3 emissions is the steelmaking process, which accounts for 98% of our Scope 3 emissions or 261.5 million tonnes CO<sub>2</sub>-eq. Steelmaking generates significant emissions due to its current reliance on coking and thermal coal, however new approaches that use renewable electricity and green hydrogen to produce green steel are under development by Fortescue and other businesses.

The next largest sources of Scope 3 emissions in FY23 were chartered cargo shipping (2.78 million tonnes CO<sub>2</sub>-eq) and purchased goods and services (2.5 million tonnes CO<sub>2</sub>-eq).

Key drivers for the change in Scope 3 emissions between FY23 and FY22 were:

- Changes in estimation methodologies for purchased goods and services, capital goods, and shipping (see Section 13 for detail)
- Greater production of iron ore
- Changes in our product mix and destination markets

<sup>4</sup> Our Scope 3 estimates are informed by the international GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard. In accordance with this guidance, estimates for quantified Scope 3 emissions that were determined to be material are provided in the data tables.

## GHG emissions data from FY20 – FY23

| GHG EMISSIONS DATA  | FY23   | FY22    | FY21    | FY20 |
|---|--------|---------|---------|------|
| <b>Scope 1 and Scope 2 emissions (million tonnes CO<sub>2</sub>-e)</b>            |        |         |         |      |
| Total Gross Scope 1 and 2 emissions   | 2.55   | 2.55    | 2.56    | 2.43 |
| Total Gross Scope 1 emissions   | 2.2    | 2.21    | 2.40    | 2.27 |
| Gross Scope 1 shipping emissions  | 0.26   | 0.31    | 0.32    | 0.34 |
| Gross Scope 1 emissions (excl shipping)   | 1.94   | 1.91    | 2.08    | 1.93 |
| Gross Scope 2 emissions   | 0.35   | 0.33    | 0.16    | 0.16 |
| Total Net Scope 1 and 2 emissions   | 2.21   | 2.28    | 2.36    | 2.43 |
| Emission reduction through offsets  | 0.34   | 0.26    | 0.20    | -    |
| Emissions intensity in electricity generation (CO <sub>2</sub> /mt ore processed) | 3.31   | 3.32    | 3.50    | 3.49 |
| <b>Energy consumed</b>  |        |         |         |      |
| Diesel consumption (million litres)   | 633    | 634     | 700     | 641  |
| Natural gas consumption (PJ)  | 4.1    | 3.4     | 3.6     | 3.6  |
| Other (PJ)  | 0.4    | 0.6     | 0.5     | 0.4  |
| Non-renewable electricity purchased (GWh)   | 567    | 494     | 260     | 260  |
| Renewable electricity purchased (GWh)   | 145.7  | 87.7    | 0.7     | 0.4  |
| Total net energy consumed (PJ)  | 31.5   | 30.6    | 32.0    | 29.7 |
| <b>Scope 3 emissions (million tonnes CO<sub>2</sub>-e)</b>                        |        |         |         |      |
| Crude steel manufacturing   | 261.46 | 250.37  | 242.83  | -    |
| Chartered cargo shipping  | 2.86** | 3.16*   | 2.96*   | -    |
| Purchased good and services   | 2.50   | 2.07    | 1.84    | -    |
| Capital goods   | 0.12   | 0.27    | 0.52    | -    |
| Fuel and energy refining and transport  | 0.50   | 0.12    | 0.12    | -    |
| Employee commuting  | 0.03   | 0.10    | 0.06    | -    |
| Business travel   | 0.03   | 0.03    | 0.02    | -    |
| Upstream leased assets  | 0.11   | -       | -       | -    |
| Total gross Scope 3 emissions   | 267.61 | 256.14* | 248.34* | -    |

A dash (-) indicates where data has not been reported in previous years.

\*Restated numbers, reasoning detailed in section Shipping Emissions Methodology Changes

\*\*FY23 value of 2.86mt includes less than 0.08mt of non-chartered cargo vessel upstream transportation and distribution emissions in addition to the chartered cargo shipping emissions of 2.78mt

# DIRECTORS' REPORT

07

2023

First ore loaded to train at Belinga Iron Ore Project in Gabon





# DIRECTORS' REPORT

AT 30 JUNE 2023

## Directors

The Directors of Fortescue in office during the year and until the date of this report, their qualifications, experience and directorships held in listed companies at any time during the last three years, are set out on pages 13 to 18.

The Directors' meetings, including meetings of the Company's Board of Directors and of each Board committee held during the year ended 30 June 2023 and the number of meetings attended by each Director are shown in section 2.3 of the Corporate Governance Statement<sup>1</sup>.

The relevant interests of each Director in the shares and share rights issued by Fortescue as notified by the Directors to the Australian Securities Exchange in accordance with section 205G(1) of the *Corporations Act 2001*, at the date of this report are as follows:

| Director                               | Ordinary shares | Share rights |
|--|-----------------|--------------|
| Dr A Forrest AO                        | 1,131,365,000   | -            |
| M Barnaba AM                           | 40,300          | -            |
| E Gaines                               | 341,294         | 204,627      |
| Dr J Baderschneider                    | 138,000         | -            |
| Lord S Coe CH, KBE                     | 5,000           | -            |
| P Bingham-Hall                         | 59,861          | -            |
| J Morris OAM (resigned 30 June 2023)   | -               | -            |
| Dr Y Zhang (resigned 22 November 2022) | -               | -            |
| L Yifei (appointed 22 August 2022)     | -               | -            |

<sup>1</sup>FY23 Corporate Governance Statement is available on Fortescue's website at [www.fortescue.com](http://www.fortescue.com)

The remuneration of Directors and Key Management Personnel are detailed in the Remuneration Report on pages 74 to 108.

## Directors' Report

For the year ended 30 June 2023

### Operating and financial review

Fortescue's principal activities during the year were exploration, development, production, processing and sale of iron ore, and the transition to become the number 1 integrated green technology, energy and metals company.

The overview of Fortescue's operations, including a discussion of strategic priorities and outlook, key aspects of operating and financial performance and key business risks are contained in the following sections of the Annual Report: Overview on pages 5 to 27, Operating and Financial Review on pages 28 to 46 and Corporate Governance Statement<sup>1</sup> section 4 Risk Management.

### Dividends

|  | 2023             |
|--|------------------|
| <b>Profit</b>  | <b>US\$m</b>     |
| Net profit after tax   | 4,796            |
| Underlying net profit after tax  | 5,522            |
| <b>Declared and paid during the year:</b>  | <b>A\$ cents</b> |
| Final ordinary dividend for the year ended 30 June 2022 – paid in September 2022       | 121              |
| Interim ordinary dividend for the year ended 30 June 2023 – paid in March 2023         | 75               |
| Total – declared and paid during the year  | 196              |
| <b>Declared since the end of the financial year:</b>                                   |                  |
| Final ordinary dividend for the year ended 30 June 2023 – to be paid in September 2023 | 100              |

### Environmental regulation and compliance

Fortescue is committed to minimising the environmental impacts of its operations, with an appropriate focus placed on continuous monitoring of environmental matters and compliance with environmental regulations.

The details of Fortescue's environmental performance including compliance with the relevant environmental legislation are presented in Fortescue's FY23 Sustainability Report<sup>2</sup>.

### Greenhouse gas emissions and energy

Fortescue complies with the Australian Government's *National Greenhouse and Energy Reporting Act 2007* (Cth) and recognises its responsibility to actively improve energy use and minimise greenhouse gas emissions to reduce its contribution to climate change and impact on the environment.

The details of greenhouse gas emissions and energy strategy, compliance and reporting are presented in Fortescue's FY23 Sustainability Report<sup>2</sup>.

### Shares under option

As at the date of this report, there were no unissued ordinary shares under options, nor were there any ordinary shares issued during the year ended 30 June 2023 as a result of the exercise of options.

### Company Secretary

Cameron Wilson and Gemma Tually are Company Secretaries of Fortescue. Details of their qualifications and experience are set out on page 18 of this report.

<sup>1</sup> FY23 Corporate Governance Statement is available on Fortescue's website at [www.fortescue.com](http://www.fortescue.com)

<sup>2</sup> FY23 Sustainability Report is available on Fortescue's website at [www.fortescue.com](http://www.fortescue.com)

## Directors' Report

For the year ended 30 June 2023

### Directors' and Officers' indemnities and insurance

Fortescue has paid premiums to insure the Directors and Officers of Fortescue.

The liabilities insured are legal costs that may be incurred in defending civil proceedings that may be brought against the Officers in their capacity as Officers of Fortescue, and any other payments arising from liabilities incurred by the Officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the Officers or the improper use by the Officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to Fortescue.

It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities. Conditions of the policy also preclude disclosure to third parties of the amount paid for the policy.

### Non-audit services

Fortescue may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor has relevant expertise and experience and where the auditor's independence is not compromised.

Details of the amounts paid or payable to the auditor PricewaterhouseCoopers Australia and related entities for audit and non-audit services provided during the year are set out in note 19 to the financial statements.

The Board of Directors has considered the position and, in accordance with advice received from the Audit, Risk Management and Sustainability Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* and did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit, Risk Management and Sustainability Committee to ensure they do not impact the impartiality and objectivity of the auditor.
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

The auditor's independence declaration, as required under section 307C of the *Corporations Act 2001*, is set out on page 166 and forms part of this report.

### Future developments

The Overview section set out on pages 5 to 27 and the Operating and Financial Review section set out on pages 28 to 46 of this Annual Report, provide an indication of the Group's likely developments and expected results. In the opinion of the Directors, disclosure of any further information about these matters and the impact on Fortescue's operations could result in unreasonable prejudice to the Group and has not been included in this report.

### Significant changes in state of affairs

There have been no significant changes in the state of affairs of Fortescue, other than those disclosed in this report.

### Proceedings on behalf of the Group

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of Fortescue, or to intervene in any proceedings to which Fortescue is a party, for the purposes of taking responsibility on behalf of Fortescue for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

### Rounding of amounts

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that instrument to the nearest million dollars, unless otherwise stated.

### Events occurring after the reporting period

On 28 August 2023, the Directors declared a final dividend of 100 Australian cents per ordinary share payable in September 2023.

This report has been made in accordance with a resolution of the Directors.



**Dr Andrew Forrest AO**

Executive Chairman

Dated in Perth this 28th day of August 2023.

## Directors' Report

For the year ended 30 June 2023

# REMUNERATION REPORT

## CONTENTS

|   |     |
|---|-----|
| From the Remuneration and People Committee Chair  | 75  |
| 1. Introduction and FY23 Key Management Personnel | 78  |
| 2. Remuneration snapshot                          | 79  |
| 3. Business performance                           | 82  |
| 4. Remuneration outcomes                          | 85  |
| 5. Incentive plan operation                       | 94  |
| 6. Executive contract terms                       | 100 |
| 7. Non-Executive Director remuneration            | 101 |
| 8. Remuneration governance                        | 102 |
| 9. Statutory disclosures                          | 103 |

# FROM THE REMUNERATION AND PEOPLE COMMITTEE CHAIR

Dear Shareholders,

It is a privilege to have been appointed Chair of the People & Remuneration Committee, and on behalf of the Directors of Fortescue, I am pleased to present the Remuneration Report (the Report) for Fortescue for the year ended 30 June 2023 (FY23). I would also like to take this opportunity to thank Jenn Morris for her dedication over the last six and a half years as a Non-Executive Director and the past four years as Chair of the Committee.

## FY23 Fortescue performance

FY23 was another year of record operational performance for Fortescue coupled with several firsts for the business, all while achieving an industry-leading safety performance. These achievements are further reflected in the exceptional results achieved across our key operations and in our financial and strategic measures.

This year saw the first high-grade magnetite production at Iron Bridge delivering first-run grade of over 68% Fe. This achievement was the culmination of years of dedication from over 20,000 people to deliver the highly complex and innovative project. Our ongoing commitment to the long-term sustainability of our iron ore business was further strengthened through progress in Gabon at the Belinga Iron Ore Project. During FY23 we saw the signing of the Mining Convention, successful early-stage exploration and first ore delivered to port. These remarkable achievements place Fortescue on track to deliver first shipment of iron ore from Gabon by the end of calendar year 2023.

There were also significant advancements against our commitment to reach real zero Scope 1 and 2 terrestrial emissions across our Australian iron ore operations by 2030. This includes delivery of the first prototype battery system designed for zero-emissions battery electric haul trucks and live testing of zero-emissions vehicles at our Christmas Creek site. Fortescue remains well positioned to profitably decarbonise our operations and transition to the number 1 integrated green technology, energy and metals company.

These results were delivered despite significant market pressures, including higher than forecast inflation and ongoing skills shortages.

Fortescue's delivery of another year of consistent, reliable and sustainable performance would not have been possible without the hard work and commitment of the entire Fortescue team. The Board remain incredibly grateful to the entire workforce and thank them for once again delivering these outstanding results. The wellbeing and safety of our people remains a key focus area, with a diverse and inclusive workplace aligned to our Values at the core of our success. In FY23, we continued to progress a number of actions through our ongoing Workplace Integrity Review including a range of initiatives to enhance physical and personal safety. To ensure Fortescue continues to deliver on its strategic commitments, the business underwent organisational change throughout the year. The impact to employees was reflected in the results of the People Experience Survey, with the Net Promoter Score dropping 10 points compared to the FY22 result. The Executive team are working through the feedback received and are committed to acting on it. However, it is pleasing to report that overall employee turnover of 9% continues to be well below industry benchmarks.

Please refer to Section 3 of the Report for further business performance highlights.

## Senior Leadership changes

During FY23 we announced changes to our senior leadership, with Elizabeth Gaines transitioning from CEO to a Non-Executive Director and commencing a new role as Global Ambassador for the Fortescue Group. Elizabeth Gaines transitioned to Executive Director position in July 2023. Mark Hutchinson was appointed CEO of FFI in August 2022, subsequently becoming CEO Fortescue Energy, and has already delivered a number of significant milestones.

Following the departure of Ian Wells as CFO, we announced the appointment of Christine Morris to the role of CFO of Fortescue Metals. Christine commenced with Fortescue in July 2023. We were also pleased to announce the appointment of Deborah Caudle as CFO of Fortescue Energy, commencing in September 2023.

These appointments complement the existing leadership team and ensure Fortescue has the talent in place to deliver on the critical next phase of our business.

In February 2023, Fiona Hick was appointed CEO of Fortescue Metals. In August 2023 Fiona departed as CEO. Dino Otranto was appointed.

## FY23 remuneration outcomes

Our remuneration framework is designed to be competitive in attracting and retaining the best talent, while also aligning with shareholder expectations by setting challenging stretch targets when rewarding for performance.

As our business continues to evolve, and in listening to feedback from our shareholders, we made two changes to our incentive framework for FY23.

Firstly, changes have been made to the FFI Long Term Incentive Plan (LTIP) structure to ensure it remains strategically aligned to the whole business. For the FY23 LTIP performance period, the independent valuation metric has been removed with the weighting redistributed between Total Shareholder Return and Emissions Elimination & Strategic Measures.

Secondly, the cliff-vesting approach to determining Executive and Senior Staff Incentive Plan (ESSIP) outcomes for our Metals business has been replaced with a sliding scale methodology with vesting outcomes at threshold, target and stretch levels of performance, aligned to the approach taken for FFI in FY22.

The Board maintains a holistic view of performance when assessing outcomes. Consideration is given to what the Board determines to be a fair outcome in the circumstances, taking account of what was delivered by executives, how it was delivered in alignment with Fortescue's Values and the experience and expectations of shareholders.

A summary of performance and the link to remuneration outcomes is set out in the Report.

## Fixed remuneration

To remain competitive in a tight market for talent and aligned with benchmarks, a three per cent increase was applied to eligible Key Management Personnel (KMP) total fixed remuneration (TFR) levels effective 1 July 2022 as outlined in section 4. The remuneration of the new CEOs was set with reference to peers and aligned with the previous CEO remuneration.

## FY23 ESSIP

The Board set aggressive stretch targets for the FY23 ESSIP to drive business operations, financial performance, and maximise shareholder value.

FY23 ESSIP performance conditions included operational, people and culture, and individual KPIs. Overall, the FY23 ESSIP outcomes for the CEO and other KMP ranged from 85.0 per cent to 88.6 per cent of target.

Section 4 of the Report provides further detail regarding the targets and their achievement.

## FY21 LTIP

Vesting of the FY21 LTIP is assessed over a three year performance period from 1 July 2020 to 30 June 2023 against combined Return on Equity (ROE), Total Shareholder Return (TSR) and strategic measures aligned with the Company's long-term objectives.

The performance conditions for the FY21 LTIP were tested and vested at 100 per cent based on outstanding TSR and ROE performance and partial progress against challenging strategic measures.

Aligned with the LTIP Maximum Value Limit, a 50 per cent cap was applied to the grant price of \$14.15, resulting in 96.6 per cent of the awards vesting.

## Special recognition awards

In recognition of the exceptional performance and contributions throughout their tenures, the Board approved special recognition payments of A\$1.976m for Elizabeth Gaines and A\$1.0m for Ian Wells. The Board determined these values given their respective significant and transformative achievements during their time with Fortescue. Under Elizabeth's leadership as CEO, Fortescue generated record earnings for shareholders, continued to drive improvement in our safety outcomes and increased shipments of iron ore, including during the Covid-19 pandemic. During her tenure, Fortescue also made significant progress in ESG, autonomy and advanced technology, positioning Fortescue as one of the most efficient iron ore companies in the world. As CFO and during his 12 years in the finance team at Fortescue, Ian ensured Fortescue's balance sheet remained strong and market leading shareholder returns were delivered through several volatile market cycles and the pandemic. Elizabeth will continue to participate in the FY21 and FY22 LTIP on a pro-rata basis as previously approved by shareholders. Ian has not retained any ongoing eligibility to participate in unvested long-term incentives. Neither Elizabeth nor Ian will receive any award under the FY23 ESSIP.

### FY24 remuneration changes

Our executive remuneration framework remains under review as our operating model and strategy continue to evolve. Looking forward to FY24, we will look to continue to drive the link between variable remuneration and our decarbonisation journey for all employees across our business.

We will also look to streamline our ESSIP scorecards and LTIP measures across the Metals and Energy businesses for FY24.

A market increase of four per cent for executives' fixed remuneration is planned for FY24 in line with the broader employee annual salary review to ensure remuneration remains competitive against market peers.

I invite you to read our Report and trust you will find it outlines the links between our strategy, culture, performance and executive remuneration outcomes.

On behalf of the Directors, we look forward to welcoming you and receiving your feedback at our 2023 AGM.

Yours sincerely,

**Penny Bingham-Hall**

Remuneration and People Committee Chair



# 1. INTRODUCTION AND FY23 KEY MANAGEMENT PERSONNEL

## This report outlines the remuneration arrangements for Fortescue's Key Management Personnel (KMP)

KMP are defined as 'those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity'. Within this Remuneration Report reference to Executives includes Executive Directors and Other KMP.

The information provided in this Remuneration Report has been prepared in accordance with requirements under the *Corporations Act 2001* and Australian Accounting

Standards. This report forms part of the Directors' Report and unless otherwise indicated the following sections have been audited in accordance with section 308 (3c) of the *Corporations Act 2001*. Certain non-IFRS financial information, including C1 cost, underlying EBITDA, underlying return on equity, sustaining capital expenditure and TSR, is presented throughout this report and where included has not been subject to audit.

All Executives are paid in Australian dollars. The value of remuneration is presented in US dollars in line with the rest of the Annual Report. To assist with readability, remuneration values are also presented in Australian dollars, with the conversion rate used clearly disclosed.

## The KMP of the Group for FY23 were:

| Name   | Position                                       | Time as KMP                     |
|--|--|---------------------------------|
| <b>Non-Executive Directors</b>                     |  |                                 |
| Mark Barnaba AM                                    | Deputy Chair and Lead Independent Director     | Full year                       |
| Dr Jean Baderschneider                             | Non-Executive Director                         | Full year                       |
| Penny Bingham-Hall                                 | Non-Executive Director                         | Full year                       |
| Lord Sebastian Coe CH, KBE                         | Non-Executive Director                         | Full year                       |
| Jennifer Morris OAM                                | Non-Executive Director                         | Full year                       |
| Dr Ya-Qin Zhang                                    | Non-Executive Director                         | Part year to 22 November 2022   |
| Li Yifei   | Non-Executive Director                         | Part year from 22 August 2022   |
| Elizabeth Gaines                                   | Non-Executive Director                         | Part year from 1 September 2022 |
| <b>Executive Directors</b>                         |  |                                 |
| Dr Andrew Forrest AO                               | Executive Chairman                             | Full year                       |
| Elizabeth Gaines                                   | Chief Executive Officer and Executive Director | Part year to 31 August 2022     |
| <b>Other Key Management Personnel (Executives)</b> |  |                                 |
| Fiona Hick <sup>3</sup>                            | CEO Fortescue Metals                           | Part year from 27 February 2023 |
| Mark Hutchinson <sup>1</sup>                       | CEO Fortescue Energy                           | Part year from 4 August 2022    |
| Dino Otranto <sup>2</sup>                          | COO Fortescue Metals                           | Full year                       |
| Julie Shuttleworth                                 | CEO Fortescue Future Industries                | Part year to 4 August 2022      |
| Ian Wells  | Chief Financial Officer                        | Part year to 31 January 2023    |

<sup>1</sup> Mark Hutchinson was appointed to the role of CEO Fortescue Future Industries subsequently becoming CEO Fortescue Energy.

<sup>2</sup> In August 2023 it was announced that Dino Otranto had been appointed to the role of CEO Fortescue Metals.

<sup>3</sup> In August 2023 Fiona Hick departed as CEO Fortescue Metals.

In June 2023 it was announced that Jennifer Morris had resigned as Non-Executive Director with her last working day being 30 June 2023. It was also announced that Elizabeth Gaines would transition from her Non-Executive Director position into an Executive Director position reporting directly to the Executive Chairman effective 1 July 2023.

In June 2023 it was announced that Christine Morris had been appointed to the role of Chief Financial Officer for Fortescue Metals. Christine commenced with the business in July 2023.

In August 2023 it was announced that Deborah Caudle has been appointed to the role of Chief Financial Officer for Fortescue Energy, commencing in September 2023.

There have been no other changes to KMP after the reporting date.



# 2. REMUNERATION SNAPSHOT

## Remuneration strategy principles

OUR VALUES DRIVE OUR REWARD STRATEGY, WHICH SEEKS TO:



Build a high performance oriented culture that supports the achievement of our strategic vision



Attract, retain, and motivate employees by providing market competitive fixed remuneration and incentives

### Drive the right culture and encourage high levels of share ownership

Ensure the alignment of employee and shareholder interests.

### Market competitive remuneration

Attract and retain key talent with remuneration competitive against relevant comparable companies.

### Performance and outperformance focus

Provide fair reward in line with individual and company achievements.

### Fit for purpose

Include flexibility to reflect clear linkage to business strategy and the cyclical nature of the industry without constraint by market practice.

### Strategic alignment

Support delivery of long-term business strategy and growth aspirations.

### Shareholder and executive alignment

Reward sustained performance and deliver awards aligned with shareholder returns.

**We are Fortescue**

Safety

Family

Empowerment

Frugality

Stretch targets

Integrity

Enthusiasm

Courage and determination

Generating ideas

Humility

## REMUNERATION FRAMEWORK COMPONENTS

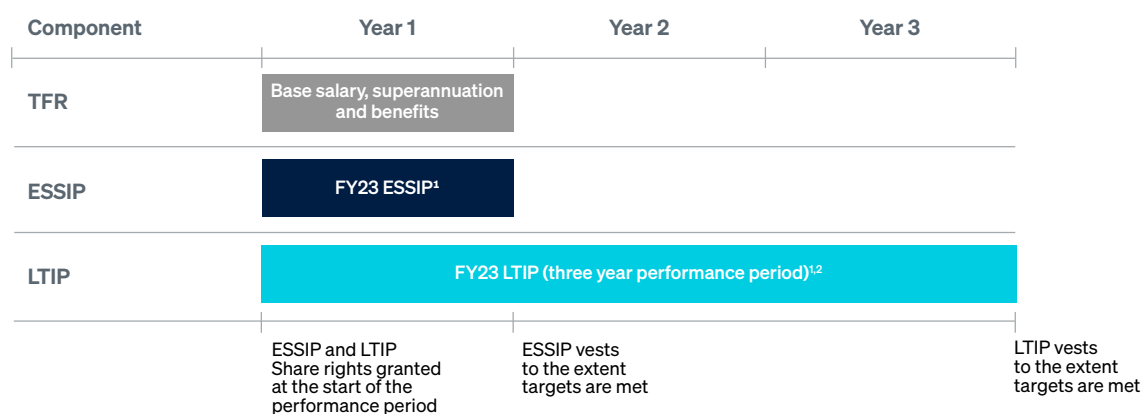
**Our remuneration framework is designed to support Fortescue's Values and to bring to life our remuneration strategy**

|   | Fixed component  | Variable / At risk   |   |
|---|--|--|---|
|   | Total Fixed Remuneration (TFR)   | ESSIP  | LTIP  |
| <b>Purpose</b>                                    | Market competitive remuneration to attract and retain executives. Comprises base salary, superannuation and salary sacrifice benefits. | Annual variable incentive opportunity that provides awards against short-term stretch objectives.  | Long-term incentive opportunity focused on growth strategy, long-term priorities and alignment with shareholder value creation over a three year performance period.  |
| <b>Link to Values and remuneration strategy</b>   | Supports the execution of business strategy based on role, qualifications, experience, accountability and responsibility.              | <ul style="list-style-type: none"> <li>A minimum of 50% is granted as share rights at the start of the financial year to create immediate shareholder alignment.</li> <li>Performance is assessed against a balanced scorecard.</li> <li>Targets set at stretch levels to promote outperformance.</li> </ul> | <ul style="list-style-type: none"> <li>Share rights are granted at the start of the performance period with value realised at time of vesting.</li> <li>Vesting is subject to achievement of stretch performance targets under multiple measures.</li> <li>Share rights are exposed to movement in share price over the three years ensuring strong correlation with shareholder returns.</li> <li>A Maximum Value Limit of 50% of share price growth from the grant price applies at vesting.</li> </ul> |
| <b>FY23 Approach: Fortescue Metals</b>            | Benchmarked annually against comparator group at median or above for outstanding performance.  | <b>Performance measure breakdown</b><br><br><ul style="list-style-type: none"> <li>Operations (60%) – Safety, cost, production, cashflow and revenue</li> <li>People and culture (20%)</li> <li>Individual KPIs (20%)</li> </ul>   | <b>Performance measure breakdown</b><br><br><ul style="list-style-type: none"> <li>Total Shareholder Return (33%)</li> <li>Return on Equity (33%)</li> <li>Key strategic measures (34%)</li> </ul>  |
| <b>FY23 Approach: Fortescue Future Industries</b> | Comparators: ASX 25, ASX 50 and resources companies in the ASX 100.  | <b>Performance measure breakdown</b><br><br><ul style="list-style-type: none"> <li>FFI team measures (80%) – Safety, projects, decarbonisation, Green Industry</li> <li>People and culture (10%)</li> <li>Individual KPIs (10%)</li> </ul>   | <b>Performance measure breakdown</b><br><br><ul style="list-style-type: none"> <li>Total Shareholder Return (40%)</li> <li>Emissions reduction and strategic measures (60%)</li> </ul>  |

**MINIMUM SHAREHOLDING REQUIREMENT**  
 CEO: 200% of TFR, CEO direct reports: 100% of TFR, NEDs: 100% of annual base fee

### The framework visualised

The following diagram sets out the remuneration structure and the delivery timing for the CEO and other KMP.

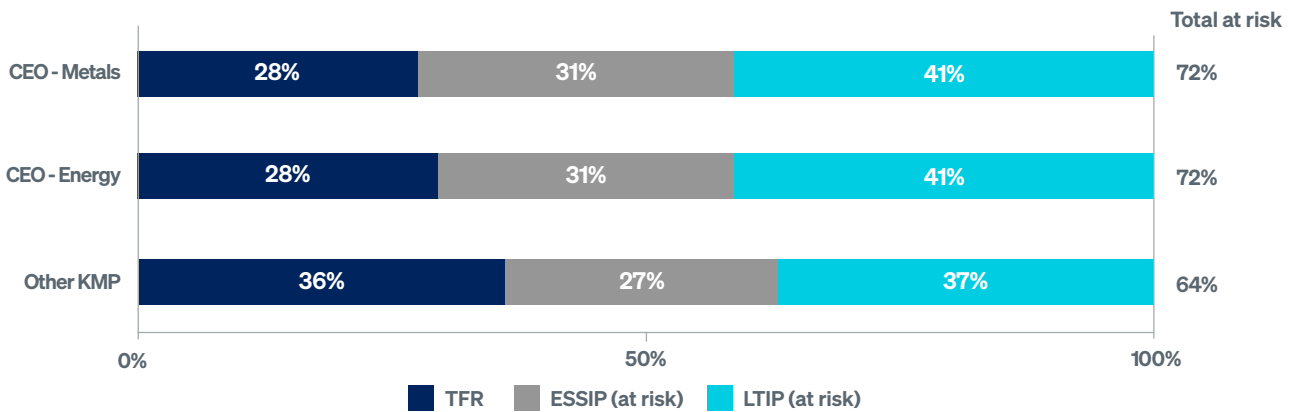


<sup>1</sup>All awards under the ESSIP and LTIP, both vested and unvested, are subject to malus/clawback (as relevant), Board discretion, and the Director and Executive Shareholding Policy.

<sup>2</sup>Awards under the LTIP are subject to the Maximum Value Limit.

## Remuneration mix

The chart below shows the remuneration mix for superior performance where stretch targets have been met for Fortescue Metals and Fortescue Energy CEOs, and other KMP.



## FY23 Remuneration Outcomes

### FY23 ESSIP vesting outcomes – Metals



Awards made in relation to the FY23 Metals ESSIP reflect achievement of:

- Operating and financial performance
- Consistent, strong safety performance
- Partial achievement of people and culture objectives

### FY23 vesting outcomes – FFI



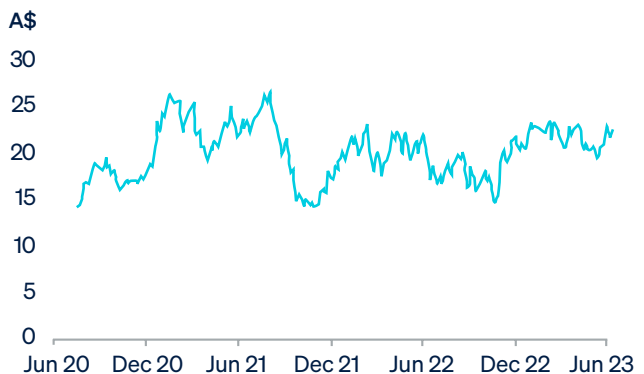
Awards made in relation to the FY23 FFI ESSIP reflect achievement of:

- Operating and financial performance
- Progress against decarbonisation objectives
- Maturation of projects portfolio
- Partial achievement of people and culture objectives

### FY21 LTIP vesting outcomes

| Measure                         | Weighting % | Result %        | Vesting %    |
|---------------------------------|-------------|-----------------|--------------|
| TSR                             | 33          | 94th percentile | 134.5        |
| ROE                             | 33          | 46              | 150          |
| Strategic measures              | 34          | 5.4 out of 15   | 31.3         |
| <b>Total</b>                    |             |                 | <b>104.5</b> |
| Capped at                       |             |                 | 100          |
| % of award vesting <sup>1</sup> |             |                 | 96.6         |

### Share price over the last 3 years (A\$/share)



<sup>1</sup>The Maximum Value Limit on the LTIP award means that executives may only benefit from 50 per cent growth in the share price from the initial grant value. For the FY21 LTIP, 96.6 per cent of the award has vested based on share price growth from a grant price of A\$14,1462 per share to a vest price of A\$21,9714.

## Special recognition awards

As a result of their significant contribution to Fortescue as outlined in the Chair Letter, the Board approved one-off special recognition awards of A\$1,976,000 for Elizabeth Gaines and A\$1,000,000 for Ian Wells in FY23.

### 3. BUSINESS PERFORMANCE

Fortescue delivered strong performance across many of our stretch safety, production and financial targets in FY23. These achievements were thanks to the dedicated efforts of the entire Fortescue team and are underpinned by our unique culture and Values and our strong focus on cost management and operating excellence.

The health, safety and wellbeing of all of our people is engrained in our culture and at the centre of everything we do, as reflected in our safety performance for the year. In the 12 months to 30 June 2023, our TRIFR for our Metals business was maintained at 1.8. While this is an outstanding and industry-leading result, we are committed to continually improving our safety culture and working towards achieving zero harm across all our workplaces.

Operating performance delivered record results in FY23 with iron ore shipments of 192.0mt, representing Fortescue's highest ever annual shipment and achieving the top end of market guidance. The first shipment of magnetite from our Iron Bridge operations was achieved in July. While this achievement was later than planned, commissioning is underway and a transition to operational production is anticipated to be achieved in Q1 FY24. Iron Bridge delivers diversification in Fortescue's offering through a high-grade product and increases production capacity. This, coupled with our progress in Gabon through the Belinga Iron Ore Project, demonstrates our ongoing commitment to the long term sustainability of our business.

C1 cost in FY23 was US\$17.54/wmt, a 10 per cent increase on the C1 cost in FY22. C1 cost continues to be impacted by significant cost pressures, including external inflationary factors impacting diesel, labour rates, energy and other input costs. Despite these challenges, Fortescue maintains our industry-leading cost position and our sustaining capital expenditure was slightly below target.

Fortescue's financial performance for the year was underpinned by consistent operating performance, strong customer demand, record shipments and an optimised product mix to deliver underlying net profit after tax of US\$5,522m. This represents a decrease of 11 per cent on FY22, largely as a result of a reduction in price realisations reflecting the iron ore index.

Progress was made throughout FY23 in our plan to decarbonise Fortescue's operations against our target for Scope 1 and 2 emissions across our Australian iron ore operations. Notable achievements included the live testing of a battery electric haul truck prototype at our Christmas Creek site using innovative battery technology developed by Fortescue WAE. We were also able to test on our rail network a retrofitted locomotive capable of running on dual fuel with ammonia.

More broadly across the Energy business, we progressed a number of key projects including the expansion of Fortescue WAE's battery powertrain operations in the UK and completion of the construction phase of the Gladstone electrolyser manufacturing facility in Queensland. Significant advancements were also made against our global portfolio of green energy projects and in deepening relationships with offtake customers around the world.

Looking forward, we are focused on delivering against our growth strategy to the benefit of all our stakeholders. With our investments in growth through Iron Bridge, Belinga and the Fortescue Energy portfolio, we are well placed to be the number 1 integrated green technology, energy and metals company and ensure our stakeholders continue to benefit from Fortescue's success.

## SAFETY

1.8<sup>1</sup>

TOTAL RECORDABLE INJURY FREQUENCY RATE

## COST

US\$17.54/wmt

## REVENUE

US\$16,871m

## PRODUCTION

192.0mt

## SUSTAINING CAPEX

US\$1,211m

## CULTURE

+25<sup>1</sup>

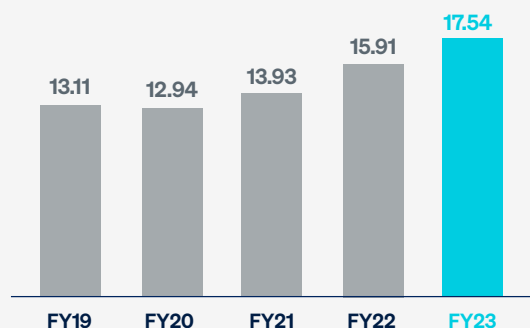
FORTESCUE EMPLOYEE NET PROMOTER SCORE

<sup>1</sup>Fortescue Metals

The following graphs show our Group performance against key financial measures in FY23:

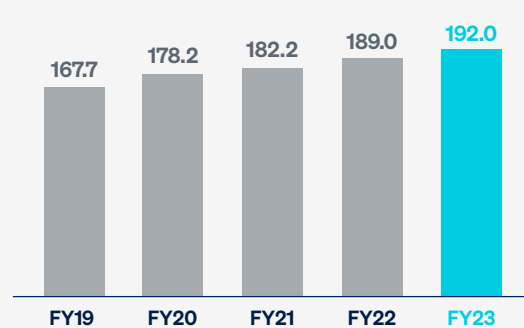
### Cost

US\$/wmt



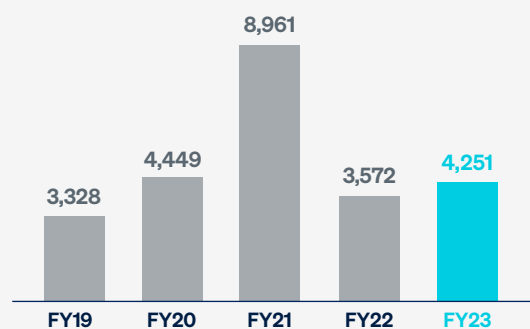
### Production

wmt



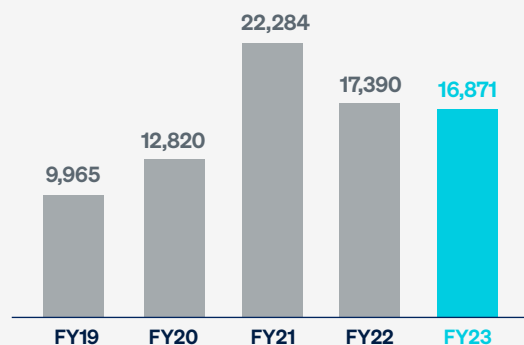
### Free cash flow

US\$m

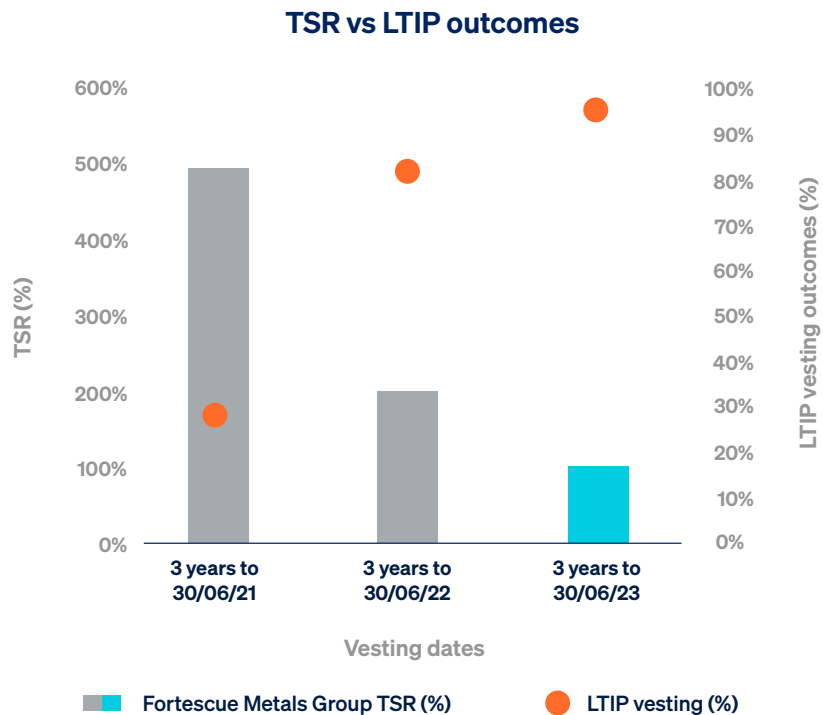
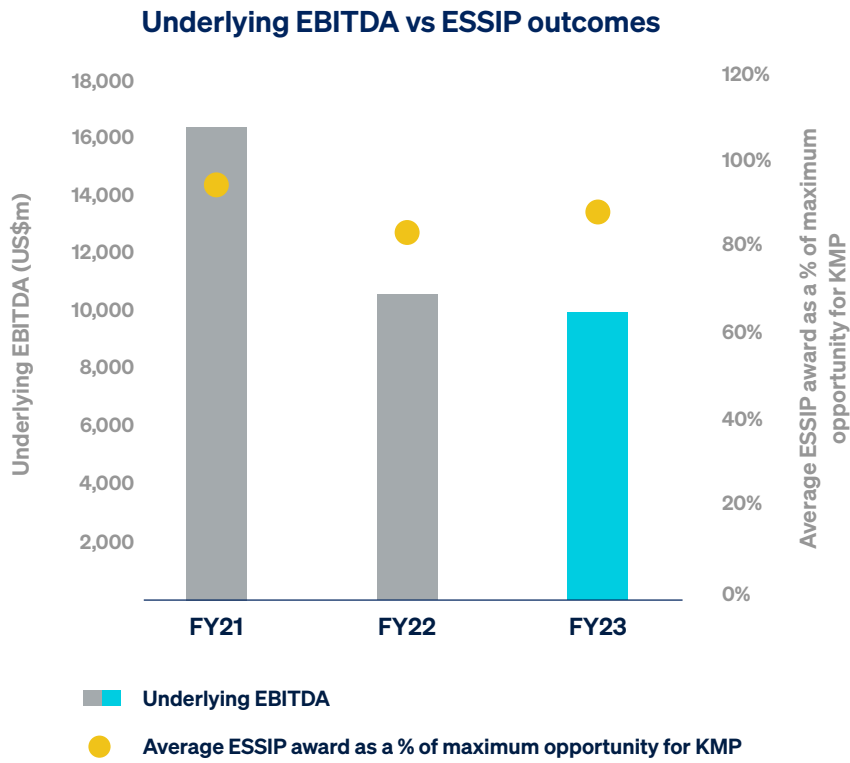


### Revenue

US\$m



The graphs below shows Fortescue's EBITDA vs ESSIP outcomes and TSR vs LTIP outcomes over the last three years.



The value for LTIP vesting outcomes in the chart above reflect the application of the LTIP Maximum Value Limit which reduced overall vesting significantly in 2021 due to the 442% increase in the share price over the three years prior. The actual performance outcome for FY21, FY22 and FY23 was 100%.

## a. Five year Group performance

Fortescue continues to deliver operational and financial improvements across the business. Our performance against key financial measures for FY23 and the five years FY19 to FY23 (inclusive) are set out below.

|                          |  |                                    |                          |
|--------------------------|--|------------------------------------|--------------------------|
| <b>UNDERLYING EBITDA</b> | <b>UNDERLYING NET PROFIT AFTER TAX</b> | <b>UNDERLYING RETURN ON EQUITY</b> | <b>DIVIDENDS</b>         |
| <b>US\$9.96bn</b>        | <b>US\$5.5bn<sup>1</sup></b>           | <b>33%<sup>2</sup></b>             | <b>A\$1.75 per share</b> |

|  | 2023            | 2022            | 2021   | 2020   | 2019  |
|--|-----------------|-----------------|--------|--------|-------|
| Total tonnes shipped (wmt)                           | 192.0           | 189.0           | 182.2  | 178.2  | 167.7 |
| Revenue (US\$m)                                      | 16,871          | 17,390          | 22,284 | 12,820 | 9,965 |
| Underlying EBITDA (US\$m)                            | 9,963           | 10,561          | 16,375 | 8,375  | 6,047 |
| Net profit after tax (US\$m)                         | 4,796           | 6,197           | 10,295 | 4,735  | 3,187 |
| Underlying net profit after tax (US\$m) <sup>1</sup> | 5,522           | 6,197           | 10,349 | 4,746  | 3,187 |
| Underlying return on equity (%)                      | 33 <sup>2</sup> | 38 <sup>2</sup> | 67     | 40     | 31    |
| Gearing (book value of debt/debt + equity)           | 23              | 26              | 19     | 28     | 27    |
| Dividends declared (A\$ per share)                   | 1.75            | 2.07            | 3.58   | 1.76   | 1.14  |
| Share price at 30 June (A\$)                         | 22.18           | 17.53           | 23.34  | 13.85  | 9.02  |
| Change in share price (A\$)                          | 4.65            | (5.81)          | 9.49   | 4.83   | 4.63  |
| Change in share price (%)                            | 27              | (25)            | 69     | 54     | 105   |

<sup>1</sup> Underlying net profit after tax refers to results adjusted for the removal of significant non-cash and non-recurring items.

<sup>2</sup> Underlying return on equity, excluding Fortescue Energy costs.

## 4. REMUNERATION OUTCOMES

As reported in Section 3, Fortescue has again delivered strong, consistent results against the majority of our key targets for FY23, underpinned by our Values based culture and the commitment of the entire Fortescue team.

### a. FY23 fixed remuneration changes

A market review of KMP fixed remuneration was undertaken as part of Fortescue's broader annual salary review process. As a result of that review, and in order to remain competitive against peers in a tight market for talent, the Board approved the below increases to KMP fixed remuneration.

| KMP                   | % Increase | TFR A\$   |
|-----------------------|------------|-----------|
| <b>Executives</b>     |            |           |
| <b>E Gaines</b>       | N/A        | 2,080,000 |
| <b>F Hick</b>         | N/A        | 2,080,000 |
| <b>M Hutchinson</b>   | N/A        | 2,000,000 |
| <b>D Otranto</b>      | 3          | 1,287,500 |
| <b>J Shuttleworth</b> | 3          | 1,103,336 |
| <b>I Wells</b>        | 3          | 1,124,549 |

Where increases were awarded, they were effective from 1 July 2022 and remain aligned with external benchmarks. Fiona Hick and Mark Hutchinson's remuneration was set

on commencement in February 2023 and August 2022 respectively, aligned with previous CEO remuneration, and therefore didn't receive the 3% increase.

### b. FY23 ESSIP performance outcomes

Fortescue's short term incentive arrangements are designed to focus executives on both 'what' must be achieved (financial targets), as well as 'how' it should be achieved (non-financial targets and individual KPIs). Our ESSIP operations, people and culture, and individual KPIs have direct and quantifiable impacts on the Company.

Historically Fortescue has used a cliff-vesting approach for the ESSIP. Based on the success experienced with a sliding scale approach for FFI in FY22, and in response to shareholder feedback, a sliding scale approach has now been adopted for the Fortescue Metals ESSIP. Stretch targets are set in line with our culture and Values, with outcomes for threshold and on-target levels of performance also set. The outcome is determined by the Board after applying significant rigour to ensure our strong record of outperformance is maintained.

Further details of the Fortescue Metals and FFI ESSIP approaches, scorecards and performance outcomes are included on the following pages.

## FORTESCUE METALS FY23 SCORECARD

The ESSIP performance objectives and outcomes in FY23 for Fortescue Metals are shown below.

### Company wide operations and people and culture measures

The table below illustrates the operations and people and culture measures which apply consistently to the CEO Fortescue Metals, and COO Fortescue Metals during FY23. The outcome was 68.6 per cent out of a maximum of 80 per cent with the remaining of 20 per cent allocated to individual KPIs.

| Measure                         | Weighting | Detail  | Stretch target                         | Assessed outcome   | Commentary  |  |
|---------------------------------|-----------|---|--|--------------------|---|--|
| <b>Operations – 60%</b>         |           |   |  |                    |   |  |
| <b>Safety<sup>1</sup></b>       | 12        | Metals TRIFR  | Not more than 1.8                      | Achieved           | TRIFR of 1.8 maintained. 22% reduction in Injury risk profile achieved over the year.   |  |
|                                 |           | Injury risk profile   | 15% reduction                          |                    |   |  |
|                                 |           | Fatality hurdle applies   |  |                    |   |  |
| <b>Production</b>               | 12        | Total iron ore shipped  | 192.0mt                                | Exceeded           | Record shipments of 192.0mt delivered in FY23.  |  |
| <b>C1 cost</b>                  | 12        | Achieve C1 cost   | No more than A\$25.00/wmt (US\$ 18.25) | Partially achieved | The FY23 C1 cost was A\$25.82, slightly above the target level resulting in a partial achievement of this measure.  |  |
| <b>Cash flow</b>                | 12        | Sustaining capital expenditure  | No more than A\$1,854m (US\$1,353m)    | Exceeded           | A\$1,792m (US\$1,211m) sustaining capital expenditure for the full year was lower than the stretch target.  |  |
| <b>Revenue</b>                  | 12        | EBITDA margin (EBITDA/Total Revenue) <sup>2</sup>   | >59.3%                                 | Exceeded           | A number of the revenue targets are market sensitive and therefore specific targets have not been disclosed. Overall, the revenue measure has been achieved <ul style="list-style-type: none"> <li>• Full year EBITDA margin of 63%</li> <li>• 120.8mt of Fortescue high value product shipped</li> <li>• 16.4mt allocated to FMG Trading Shanghai in FY23</li> </ul> |  |
|                                 |           | Ship higher value product volumes   |  |                    |   |  |
|                                 |           | Allocate a portion of product direct to Fortescue's wholly owned Chinese trading subsidiary |  |                    |   |  |
| <b>People and Culture – 20%</b> |           |   |  |                    |   |  |
| <b>People and culture</b>       | 20        | Measured through the People Experience Survey as well as Board assessment:                  |  | Partially achieved | Achievement of the People and Culture measures was as follows:  |  |
|                                 |           | Participation rate  | >90%                                   |                    |   | Survey participation rate: 91%                         |
|                                 |           | Net promoter score  | >+34                                   |                    |   | Net promotor score: +25                                |
|                                 |           | Female employment rate  | >24%                                   |                    |   | Female employment rate: 21.6% (Fortescue Metals only)  |
|                                 |           | Indigenous employment rate  | >16%                                   |                    |   | Indigenous employment rate: 15.8% (Pilbara operations) |

<sup>1</sup> In the event of a fatality, no award is made for the safety KPI.

<sup>2</sup> EBITDA margin excludes Fortescue Energy costs.

The non-IFRS financial information included in the table above has not been subject to audit.



## Individual KPIs

The table below illustrates the individual KPIs which are customised by role for the CEO, and COO Fortescue Metals and make up a 20 per cent weighting. Outcomes for the CEO and COO were 20 per cent out of a maximum of 20 per cent.

| Role                        | Stretch target   | Assessed outcome | Commentary   |
|-----------------------------|--|------------------|--|
| <b>Fortescue Metals CEO</b> | Identify opportunities to improve productivity and sustained cost improvement across Fortescue Metals operations. Review and implement Metals leadership team structure and consolidate Group functions in consultation with CEO Fortescue Energy. Establish relationships and build networks through broad engagement across investment community, customers, industry, and Government. Deliver safe and efficient commencement of operations at Iron Bridge. | Achieved         | <p>Cost saving opportunities identified, endorsed by the Board and embedded in FY24 budget.</p> <p>Operating model review completed. Various key leadership appointments made during the year, aligned with revised operating model.</p> <p>Safety performance at Iron Bridge exceeded targets for the year, and first concentrate produced and ramp up progressing well.</p>  |
| <b>COO Fortescue Metals</b> | Identify opportunities to improve productivity and sustained cost improvement across Fortescue Metals operations. Ensure safe and cost effective delivery of operations. Deliver the first battery electric haul truck developed by the Green Fleet team in conjunction with Fortescue WAE and Liebherr to one Fortescue site. Lead delivery of Major Projects portfolio.  | Achieved         | <p>Record shipments of 192.0mt delivered in FY23, maintaining industry leading safety performance and cost position.</p> <p>Assumed leadership of Major Projects portfolio, which included Iron Bridge production in addition to engineering and services, with significant progress made in restoring construction schedule.</p> <p>First battery electric haul truck delivered to Christmas Creek and testing undertaken in June 2023.</p> |



## FORTESCUE FUTURE INDUSTRIES FY23 SCORECARD

The table below illustrates the ESSIP performance objectives and achievement outcomes for the Fortescue Energy CEO during FY23. The outcome was 75 per cent out of a maximum of 90 per cent.

| Measure                    | Weighting | Detail  | Stretch target                     | Assessed outcome   | Commentary  |
|----------------------------|-----------|---|------------------------------------|--------------------|---|
| <b>Team measures - 90%</b> |           |   |                                    |                    |   |
| <b>Safety<sup>1</sup></b>  | 10        | FFI TRIFR<br><br>Fatality hurdle applies  | Not more than 4.0                  | Achieved           | FFI's 12 month TRIFR was 0, significantly exceeding the stretch target.   |
| <b>People</b>              | 10        | Female employment rate  | >38%                               | Not Achieved       | The female employment rate at the end of FY23 was 33.6%.  |
| <b>Financial</b>           | 15        | Operating expenditure   | No more than US\$700M <sup>2</sup> | Exceeded           | Full year operating expenditure was US\$438M.   |
| <b>Decarbonisation</b>     | 15        | Live testing of zero emission vehicles/ equipment at Christmas Creek  |                                    | Achieved           | Equipment was delivered to site and testing undertaken in June 2023.  |
| <b>Green Industry</b>      | 15        | Detailed design complete for 3 core products<br><br>Financial approval achieved for 2 additional main global manufacturing facilities |                                    | Achieved           | Detailed design completed for a number of core products including PEM Electrolyser and various components of the first Liebherr T264 truck. Significant progress made against design of other products including the Fast Charger.<br><br>During FY23, financial approval was received for additional main global manufacturing facilities in the UK and USA. |
| <b>Projects</b>            | 25        | 3 projects enter FID, supported by a funding solution   |                                    | Partially achieved | Significant progress made against global portfolio of opportunities, marketing and funding capability and capacity, and project investment decision making.   |

<sup>1</sup> In the event of a fatality, no award is made for the safety KPI.

<sup>2</sup> Excludes expenditure associated with decarbonisation.

The non-IFRS financial information included in the table above has not been subject to audit.

## Individual KPIs

The table below illustrates the individual KPIs for the Fortescue Energy CEO and carry a 10 per cent weighting.

| Role                        | Stretch target  | Assessed outcome | Commentary  |
|-----------------------------|---|------------------|---|
| <b>Fortescue Energy CEO</b> | Identify opportunities to improve productivity and sustained cost improvement. Review and develop effective operating model, including global portfolio of projects and investment decision making process. Consolidate Group functions in consultation with Metals CEO. Deliver the first battery electric haul truck developed by the Green Fleet team in conjunction with Fortescue WAE and Liebherr to one Fortescue site. Finalise integration of Fortescue WAE. | Achieved         | <p>Cost saving opportunities identified, endorsed by the Board and embedded in FY24 budget.</p> <p>Review of operating model complete including prioritisation of global portfolio of green energy projects with a number progressing towards final investment decision.</p> <p>Effective Government, customer and community engagement globally has ensured high levels of brand awareness and engagement with potential customers.</p> <p>First battery electric haul truck delivered to Christmas Creek and testing undertaken in June 2023.</p> <p>Integration of Fortescue WAE complete including organisation structure, leadership appointments and operating model.</p> |



Overview

Operating and financial review

Ore Reserves and Mineral Resources

Our approach to sustainability

Corporate governance

Our approach to climate change

Directors' report  
| Remuneration Report

Financial report

Corporate directory

## FY23 ESSIP cash and shares outcomes

The table below details the maximum ESSIP cash and share awards against the actual outcomes for FY23.

| FY23                      | TFR       | Maximum ESSIP opportunity (% of TFR) | Weighting in shares (%) <sup>1</sup> | Maximum ESSIP cash opportunity | Maximum ESSIP shares opportunity | ESSIP outcome % | Total ESSIP cash awarded | Nominal value of ESSIP vested rights <sup>2</sup> |                                   | Nominal total ESSIP value <sup>2</sup> |                                   |
|---------------------------|-----------|--------------------------------------|--------------------------------------|--------------------------------|----------------------------------|-----------------|--------------------------|---|-----------------------------------|--|-----------------------------------|
|                           |           |                                      |                                      |                                |                                  |                 |                          | Share price at grant A\$16.9669                   | Share price at vesting A\$21.9714 | Share price at grant A\$16.9669        | Share price at vesting A\$21.9714 |
|                           |           |                                      |                                      |                                |                                  |                 |                          | US\$  |                                   |  |                                   |
| F Hick <sup>3</sup>       | 474,742   | 112.5                                | 100                                  | -                              | 46,853                           | 89              | -                        | 474,334   | 614,243                           | 474,334                                | 614,243                           |
| M Hutchinson <sup>3</sup> | 1,339,079 | 112.5                                | 50                                   | 757,856                        | 66,305                           | 85              | 644,178                  | 644,170   | 834,171                           | 1,288,348                              | 1,478,349                         |
| D Otranto                 | 867,324   | 75                                   | 100                                  | -                              | 56,912                           | 89              | -                        | 576,162   | 746,105                           | 576,162                                | 746,105                           |
| I Wells <sup>4</sup>      | 444,746   | 75                                   | 50                                   | 284,082                        | 24,854                           | n/a             | -                        | -   | -                                 | -                                      | -                                 |

Remuneration values have been translated from Australian dollars to US dollars using an average exchange rate of 0.67365.

| FY23                      | TFR       | Maximum ESSIP opportunity (% TFR) | Weighting in shares (%) <sup>1</sup> | Maximum ESSIP cash opportunity | Maximum ESSIP shares opportunity | ESSIP outcome % | Total ESSIP cash awarded | Nominal Value of ESSIP vested rights <sup>2</sup> |                                   | Nominal total ESSIP value <sup>2</sup> |                                   |
|---------------------------|-----------|-----------------------------------|--------------------------------------|--------------------------------|----------------------------------|-----------------|--------------------------|---|-----------------------------------|--|-----------------------------------|
|                           |           |                                   |                                      |                                |                                  |                 |                          | Share price at grant A\$16.9669                   | Share price at vesting A\$21.9714 | Share price at grant A\$16.9669        | Share price at vesting A\$21.9714 |
|                           |           |                                   |                                      |                                |                                  |                 |                          | A\$   |                                   |  |                                   |
| F Hick <sup>3</sup>       | 704,731   | 112.5                             | 100                                  | -                              | 46,853                           | 89              | -                        | 704,126   | 911,813                           | 704,126                                | 911,813                           |
| M Hutchinson <sup>3</sup> | 1,987,796 | 112.5                             | 50                                   | 1,125,000                      | 66,305                           | 85              | 956,250                  | 956,238   | 1,238,286                         | 1,912,488                              | 2,194,536                         |
| D Otranto                 | 1,287,500 | 75                                | 100                                  | -                              | 56,912                           | 89              | -                        | 855,284   | 1,107,556                         | 855,284                                | 1,107,556                         |
| I Wells <sup>4</sup>      | 660,203   | 75                                | 50                                   | 421,706                        | 24,854                           | n/a             | -                        | -   | -                                 | -                                      | -                                 |

Elizabeth Gaines was not eligible to participate in the FY23 ESSIP and as such has not been included in the above tables.

Julie Shuttleworth's invitation to participate in the ESSIP was based on her Global Growth role, and not in her capacity as KMP, and as such has not been included in the above tables.

<sup>1</sup> Participant's elected weighting in shares (minimum 50 per cent of the total award) divided by the strike price used to determine the number of share rights granted being the VWAP of Fortescue shares traded over the first five days of the plan year (A\$16.9669).

<sup>2</sup> Nominal value of ESSIP vested rights is non-IFRS financial information and has not been subject to audit.

<sup>3</sup> TFR and ESSIP values for F Hick and M Hutchinson are pro-rated based on commencement on 27 February 2023 and 4 August 2022 respectively.

<sup>4</sup> TFR and ESSIP values for I Wells are reflective of pro-rata period served as CFO to 31 January 2023, ESSIP rights were lapsed as a result of I Wells resignation.

### c. FY21 LTIP performance outcomes

Each LTIP performance measure has a minimum performance hurdle for vesting with increasing levels applicable to each individual measure. There is an ability to earn up to 150 per cent of any individual measure by achieving stretch performance; however, the overall cap for the LTIP is 100 per cent of the maximum number of share rights granted.

The FY21 LTIP was tested over the period from 1 July 2020 to 30 June 2023. The Company has achieved the performance measures shown in the table below.

| FY21 LTIP Performance Outcomes                                     |             |                 |                 |            |                        |
|--|-------------|-----------------|-----------------|------------|------------------------|
| Measure  | Weighting % | Threshold       | Result          | Achieved % | Weighted achievement % |
| TSR  | 33          | 60th percentile | 94th percentile | 134.5      | 44.4                   |
| ROE  | 33          | 15%             | 46%             | 150.0      | 49.5                   |
| Strategic measures   | 34          | 5 out of 15     | 5.4 out of 15   | 31.3       | 10.6                   |
| FY21 LTIP vesting outcome  | 100         |                 |                 |            | 104.5                  |
| <b>Overall outcome capped at 100%</b>                              |             |                 |                 |            | <b>100</b>             |
| <b>% of award vesting after application of Maximum Value Limit</b> |             |                 |                 |            | <b>96.6</b>            |

As previously noted, the terms of the FY21 LTIP include a Maximum Value Limit on the vested value of the LTIP to prevent executives receiving a windfall gain as a result of growth in Fortescue's share price over the allocation value of the award.

The cap has been determined and applied as follows:

*Base FY21 LTIP Award x 150% = FY21 LTIP Maximum Value Limit*

*FY21 LTIP Maximum Value Limit / VWAP at vesting = Maximum number of Performance Rights that may vest.*

The following table is an example calculation showing how the Maximum Value Limit is applied.

|   |              |
|---|--------------|
| FY21 Performance Rights granted   | 100,000      |
| VWAP at the start of the LTIP performance period                                | A\$14,1462   |
| FY21 LTIP value at grant  | A\$1,414,620 |
| Value cap   | 150%         |
| LTIP Maximum Value Limit (Base LTIP Award x 150%)                               | A\$2,121,930 |
| VWAP at the end of the LTIP performance period                                  | A\$21,9714   |
| Maximum FY21 LTIP Performance Rights (Maximum LTIP Value Limit divided by VWAP) | 96,576       |

The calculation results in 96.6 per cent of the rights awarded at the beginning of the performance period vesting for all LTIP participants.

| Performance measure and objective   | Result          | Proportion of award vested % | Comment  |
|---|-----------------|------------------------------|--|
| <b>TSR (33%)</b>  |                 |                              |  |
| In line with the Company's approach to setting stretch targets, the Board determined that a vesting schedule more aggressive than standard market (local and global) practice was required to align executive reward for this performance measure with superior shareholder returns.<br><br>The vesting criteria: <ul style="list-style-type: none"> <li>• threshold at the 60th percentile, resulting in 25% of rights vesting;</li> <li>• target at the 80th percentile, resulting in 100% of rights vesting; and</li> <li>• stretch at the 100th percentile, resulting in 150% of rights vesting.</li> </ul> | 94th percentile | 134.5                        | Fortescue achieved a TSR of 102.2% and ranking at the 94th percentile achieving result between target and stretch for this measure.  |
| <b>ROE (33%)</b>  |                 |                              |  |
| The vesting criteria: <ul style="list-style-type: none"> <li>• threshold was set at 15%, resulting in 25% of rights vesting;</li> <li>• target was set at 20%, resulting in 100% of rights vesting; and</li> <li>• 150% of rights will vest for greater than 30%.</li> </ul>  | 46%             | 150                          | Fortescue's ROE performance exceeded the ROE stretch target performance hurdle of 30% achieving an average ROE over the three year period of 46%.  |
| <b>Strategic measures (34%)</b>   |                 |                              |  |
| Strategic measures  | 5.4 out of 15   | 31.3                         | Progress has been made in Fortescue's overall business strategy.   |
| <b>Iron Bridge:</b> First Ore on Ship (FOOS) achieved for Iron Bridge in March 2022 and all project finance step-downs completed in accordance with the Project Funding commissioning requirements.   |                 | Not achieved                 | First ore on ship not achieved in FY23.  |
| <b>Pilbara Energy Connect (PEC):</b> project successfully constructed and implemented with 25-30% of stationary energy sourced from renewables and a pathway identified to achieve a 26% reduction in emissions from existing operations from 2020 levels, by 2030. The pathway to include a mobile fleet solution and other initiatives subject to Board approval.   |                 | Achieved                     | Transmission line component of original PEC complete. Decarbonisation pathway to real zero developed, exceeding original target of 26% reduction.  |
| <b>FFI:</b> Establish FFI with governance and funding structures identified to achieve the following, subject to Board approval; Establish a 'proof of concept' H-H project in established hydropower markets such as Australia or New Zealand; Convert as a minimum one of the international opportunities identified on the 2020 H-H global trip from a Deed of Agreement to defined project and supporting agreements (covering tax, risk management and royalties) with an agreed business case and funding identified to deliver on an international H-H project.  |                 | Not achieved                 | FFI strategy has evolved significantly since the KPI was established, deprioritising hydropower.   |
| <b>Iron Ore Growth:</b> Subject to Board approval, grow through exploration and/or acquisition of iron ore resources to sustain mine life and develop a pipeline of growth opportunities for the iron ore operations.   |                 | Achieved                     | Acquisition of Mindy South and commencement of mining in Gabon   |
| <b>Copper:</b> Develop a pipeline of projects and exploration targets for South America (or elsewhere if approved by the Board) with the aim of creating a world leading copper producing hub for Fortescue.  |                 | Partly Achieved              | Portfolio of copper exploration options has increased across Argentina, Chile, Peru, Kazakhstan, and Australia. Beyond copper, rare earth elements options secured in Brazil.  |
| <b>Heritage:</b> Maintain relationships with native title partners and continue to adopt a strategy of avoiding sites of significant cultural heritage value whilst at the same time securing approvals to achieve mine plan objectives and adhering to the requirements of the Aboriginal Heritage Act.  |                 | Achieved                     | Fortescue has continued to follow the strategy of avoiding sites of significant cultural heritage.<br><br>Industry-leading approaches to access inventory, e.g. co-management plans with TO groups, have been developed. |

## d. Actual remuneration paid (non-IFRS)

The following tables show the nominal remuneration value realised by the individual and includes fixed remuneration, cash incentives and the nominal value of equity at the time the share rights vest or shares are awarded:

### US\$

| Name                        | Fixed remuneration <sup>1</sup> | FY23 ESSIP cash paid | Nominal value of FY23 ESSIP vested rights <sup>2,3</sup> | Nominal value of FY21 LTIP vested rights <sup>4,5</sup> | Other payment | Nominal total remuneration earned in FY23 |
|-----------------------------|---------------------------------|----------------------|--|---|---------------|---|
| E Gaines <sup>6</sup>       | 233,532                         | -                    | -  | 2,325,251   | 1,331,132     | 3,889,915                                 |
| F Hick                      | 474,742                         | -                    | 614,243  | -   | -             | 1,088,985                                 |
| M Hutchinson                | 1,339,079                       | 644,178              | 834,171  | -   | -             | 2,817,428                                 |
| D Otranto                   | 867,324                         | -                    | 746,105  | -   | -             | 1,613,429                                 |
| J Shuttleworth <sup>7</sup> | 69,931                          | -                    | -  | 772,260   | -             | 842,191                                   |
| I Wells <sup>8</sup>        | 444,746                         | -                    | -  | -   | 673,650       | 1,118,396                                 |

Remuneration values have been translated from Australian dollars to US dollars using an average exchange rate of 0.67365 except for the FY21 LTIP which has been translated at 0.71546, which is the three year average exchange rate to reflect the LTIP performance period.

### A\$

| Name                        | Fixed remuneration <sup>1</sup> | FY23 ESSIP cash paid | Nominal value of FY23 ESSIP vested rights <sup>2,3</sup> | Nominal value of FY21 LTIP vested rights <sup>4,5</sup> | Other payment | Nominal total remuneration earned in FY23 |
|-----------------------------|---------------------------------|----------------------|--|---|---------------|---|
| E Gaines <sup>6</sup>       | 346,667                         | -                    | -  | 3,250,009   | 1,976,000     | 5,572,676                                 |
| F Hick                      | 704,731                         | -                    | 911,813  | -   | -             | 1,616,544                                 |
| M Hutchinson                | 1,987,796                       | 956,250              | 1,238,286  | -   | -             | 4,182,332                                 |
| D Otranto                   | 1,287,500                       | -                    | 1,107,556  | -   | -             | 2,395,056                                 |
| J Shuttleworth <sup>7</sup> | 103,809                         | -                    | -  | 1,079,389   | -             | 1,183,198                                 |
| I Wells <sup>8</sup>        | 660,203                         | -                    | -  | -   | 1,000,000     | 1,660,203                                 |

<sup>1</sup> Fixed remuneration includes cash salary, paid leave and superannuation.

<sup>2</sup> FY23 ESSIP share rights granted at the beginning of the performance period at a VWAP of A\$16.9669.

<sup>3</sup> FY23 ESSIP vested rights awarded have a nominal value based on A\$21.9714 being the five day VWAP at the beginning of FY24. The increase in share price over the respective performance period has resulted in an unrealised increase in equity value to KMP in respect to this plan.

<sup>4</sup> FY21 LTIP share rights granted at the beginning of the performance period at a VWAP of A\$14.1462.

<sup>5</sup> FY21 LTIP vested rights awarded have a nominal value based on A\$21.9714 being the five day VWAP at the beginning of FY24. The increase in share price over the respective performance periods has resulted in an unrealised increase in equity value to KMP in respect to these plans.

<sup>6</sup> Elizabeth Gaines served as CEO up to 31 August 2022, the fixed remuneration value in the above table reflects actual remuneration paid up to this date. Elizabeth retained eligibility to participate in the FY21 LTIP on a pro-rata basis up to 31 August 2022. The Board awarded Elizabeth a special recognition award on cessation to recognise her significant achievements with Fortescue over her tenure, this value is shown in the Other payment column.

<sup>7</sup> Julie Shuttleworth ceased to be a KMP on 4 August 2022, her fixed remuneration and LTIP value have been pro-rated to reflect this date.

<sup>8</sup> Ian Wells served as CFO up to 31 January 2023, the fixed remuneration value in the above table reflects the actual remuneration paid up to this date. Ian did not retain any ongoing eligibility to participate in the LTIP. The Board awarded Ian a special recognition award on cessation to recognise his significant achievements with Fortescue over his tenure, this value is shown in the Other payment column.

## 5. INCENTIVE PLAN OPERATION

The purpose of the ESSIP and LTIP is to incentivise and reward key Fortescue Executives (including KMP) for achieving annual stretch Company and individual performance objectives that drive shareholder value.

### a. ESSIP

Below we have set out the key terms of the ESSIP for FY23 (noting differences, where applicable, between Fortescue Metals and FFI plans):

| Element  | Description  |                  |     |  |  |
|--|--|------------------|-----|--|--|
| <b>Delivery</b>  | <p>At the start of the performance period, participants elect the portion of award they wish to receive in rights with the remaining award to be delivered as cash. The plan allows Executives to elect to receive up to 100% of awards in equity (a minimum of 50% must be elected to be received by way of share rights).</p> <p>Each share right, if vested, entitles the participant to an ordinary share in Fortescue for nil consideration.</p>  |                  |     |  |  |
| <b>Performance period</b>  | One year (i.e. 1 July to 30 June).   |                  |     |  |  |
| <b>Valuing awards</b>  | <p>The number of ESSIP share rights are calculated based on the VWAP of Fortescue shares traded over the first five trading days of the performance period. As such:</p> <ul style="list-style-type: none"> <li>• If the share price at the time of vesting is higher, Executives will receive higher value per share right.</li> <li>• If the share price at the time of vesting is lower, the value to Executives is decreased.</li> </ul> <p>The value of share rights is therefore aligned with shareholder interests from the beginning of the performance period as executives receive value consistent with share price movements.</p>  |                  |     |  |  |
| <b>Performance measures</b>  | <p>The Board continues to recognise the importance of focusing on operational and strategic targets with people and culture also being a key driver of success.</p> <p>In FY23, the Board set a number of challenging targets for Fortescue Metals and FFI (noted below).</p> <p>The Board determined the relative weighting and mix of performance objectives for KMP and Executives to deliver long term sustainable shareholder value.</p> <p>Further details of performance measures for FY23 are disclosed at Section 4 above.</p> <table border="1"> <thead> <tr> <th>FORTESCUE METALS</th> <th>FFI</th> </tr> </thead> <tbody> <tr> <td> <p>The Board set a number of challenging targets in respect to operations, including production, safety, cost and revenue across all operating and support functions:</p> <ul style="list-style-type: none"> <li>• The operational measures were chosen as they represent the key drivers of financial performance (underlying EBITDA) of the Company and provide a framework for delivering long term shareholder value, irrespective of the iron ore price.</li> <li>• The inclusion of a people and culture metric recognises the importance of supporting the Company's differentiated culture underpinned by its core Values, which is fundamental to corporate success.</li> <li>• Individual KPIs focus on critical objectives and are set at stretch levels of performance with measures and weightings aligned to the individual's ability to influence outcomes such as the delivery of a project and business expansion.</li> </ul> </td> <td> <p>The Board set a number of challenging targets specific to FFI business including safety, delivery of projects in Australia and globally, as well as decarbonisation and green industry across all operating and support functions:</p> <ul style="list-style-type: none"> <li>• The measures were chosen as they represent the key drivers of financial performance of FFI and provide a framework for delivering long term shareholder value.</li> <li>• The inclusion of a people and culture metric recognises the importance of supporting a culture which is fundamental to success in Australia and globally.</li> <li>• Similar to Fortescue Metals, individual KPIs focus on critical objectives and are set at stretch levels of performance with measures and weightings aligned to the individual's ability to influence outcomes such as the delivery of a project and business expansion.</li> </ul> </td> </tr> </tbody> </table> | FORTESCUE METALS | FFI | <p>The Board set a number of challenging targets in respect to operations, including production, safety, cost and revenue across all operating and support functions:</p> <ul style="list-style-type: none"> <li>• The operational measures were chosen as they represent the key drivers of financial performance (underlying EBITDA) of the Company and provide a framework for delivering long term shareholder value, irrespective of the iron ore price.</li> <li>• The inclusion of a people and culture metric recognises the importance of supporting the Company's differentiated culture underpinned by its core Values, which is fundamental to corporate success.</li> <li>• Individual KPIs focus on critical objectives and are set at stretch levels of performance with measures and weightings aligned to the individual's ability to influence outcomes such as the delivery of a project and business expansion.</li> </ul> | <p>The Board set a number of challenging targets specific to FFI business including safety, delivery of projects in Australia and globally, as well as decarbonisation and green industry across all operating and support functions:</p> <ul style="list-style-type: none"> <li>• The measures were chosen as they represent the key drivers of financial performance of FFI and provide a framework for delivering long term shareholder value.</li> <li>• The inclusion of a people and culture metric recognises the importance of supporting a culture which is fundamental to success in Australia and globally.</li> <li>• Similar to Fortescue Metals, individual KPIs focus on critical objectives and are set at stretch levels of performance with measures and weightings aligned to the individual's ability to influence outcomes such as the delivery of a project and business expansion.</li> </ul> |
| FORTESCUE METALS   | FFI  |                  |     |  |  |
| <p>The Board set a number of challenging targets in respect to operations, including production, safety, cost and revenue across all operating and support functions:</p> <ul style="list-style-type: none"> <li>• The operational measures were chosen as they represent the key drivers of financial performance (underlying EBITDA) of the Company and provide a framework for delivering long term shareholder value, irrespective of the iron ore price.</li> <li>• The inclusion of a people and culture metric recognises the importance of supporting the Company's differentiated culture underpinned by its core Values, which is fundamental to corporate success.</li> <li>• Individual KPIs focus on critical objectives and are set at stretch levels of performance with measures and weightings aligned to the individual's ability to influence outcomes such as the delivery of a project and business expansion.</li> </ul> | <p>The Board set a number of challenging targets specific to FFI business including safety, delivery of projects in Australia and globally, as well as decarbonisation and green industry across all operating and support functions:</p> <ul style="list-style-type: none"> <li>• The measures were chosen as they represent the key drivers of financial performance of FFI and provide a framework for delivering long term shareholder value.</li> <li>• The inclusion of a people and culture metric recognises the importance of supporting a culture which is fundamental to success in Australia and globally.</li> <li>• Similar to Fortescue Metals, individual KPIs focus on critical objectives and are set at stretch levels of performance with measures and weightings aligned to the individual's ability to influence outcomes such as the delivery of a project and business expansion.</li> </ul>   |                  |     |  |  |



| Element                      | Description  |                     |                      |                     |                 |                 |     |           |               |    |                              |               |    |        |                |     |         |                  |     |
|------------------------------|--|---------------------|----------------------|---------------------|-----------------|-----------------|-----|-----------|---------------|----|------------------------------|---------------|----|--------|----------------|-----|---------|------------------|-----|
|                              | <b>FORTESCUE METALS AND FFI</b>  |                     |                      |                     |                 |                 |     |           |               |    |                              |               |    |        |                |     |         |                  |     |
| <b>Target setting</b>        | <p>Fortescue Metals and FFI set challenging ESSIP stretch targets and use a sliding scale for each individual objective with vesting available for threshold, target and stretch levels of performance. The sliding scale does not apply to safety objectives which are either met or not met. When deliberating on performance outcomes, the Board considers the level of achievement against targets and may approve a stretch award on each KPI to reflect the degree of performance by the business. While each individual KPI has the opportunity to achieve stretch levels of performance, the overall outcome is capped at 100%.</p> <table border="1"> <thead> <tr> <th>Performance Level</th> <th>% of Target Achieved</th> <th>% of Target Awarded</th> </tr> </thead> <tbody> <tr> <td>Below threshold</td> <td>&lt; 90% of Target</td> <td>Nil</td> </tr> <tr> <td>Threshold</td> <td>90% of Target</td> <td>10</td> </tr> <tr> <td>Between threshold and target</td> <td>95% of Target</td> <td>50</td> </tr> <tr> <td>Target</td> <td>100% of Target</td> <td>100</td> </tr> <tr> <td>Stretch</td> <td>≥ 120% of Target</td> <td>150</td> </tr> </tbody> </table> <p style="text-align: center;">Outcomes between performance levels are calculated on a linear basis.</p>   | Performance Level   | % of Target Achieved | % of Target Awarded | Below threshold | < 90% of Target | Nil | Threshold | 90% of Target | 10 | Between threshold and target | 95% of Target | 50 | Target | 100% of Target | 100 | Stretch | ≥ 120% of Target | 150 |
| Performance Level            | % of Target Achieved   | % of Target Awarded |                      |                     |                 |                 |     |           |               |    |                              |               |    |        |                |     |         |                  |     |
| Below threshold              | < 90% of Target  | Nil                 |                      |                     |                 |                 |     |           |               |    |                              |               |    |        |                |     |         |                  |     |
| Threshold                    | 90% of Target  | 10                  |                      |                     |                 |                 |     |           |               |    |                              |               |    |        |                |     |         |                  |     |
| Between threshold and target | 95% of Target  | 50                  |                      |                     |                 |                 |     |           |               |    |                              |               |    |        |                |     |         |                  |     |
| Target                       | 100% of Target   | 100                 |                      |                     |                 |                 |     |           |               |    |                              |               |    |        |                |     |         |                  |     |
| Stretch                      | ≥ 120% of Target   | 150                 |                      |                     |                 |                 |     |           |               |    |                              |               |    |        |                |     |         |                  |     |
| <b>Board discretion</b>      | <p>Awards under the ESSIP are at all times subject to the Board's discretion. When deliberating on performance outcomes, the Board follows a rigorous assessment process including:</p> <ul style="list-style-type: none"> <li>• The degree of stretch in the measures and targets and the context in which the targets were set</li> <li>• The level of achievement against the stretch targets</li> <li>• The operating environment over the performance period and management's ability to respond to unforeseen events (e.g. cyclones, floods, fire, pandemic)</li> <li>• Financial performance and shareholder value generated</li> <li>• Global competitiveness and level of improvement compared to global peers during the period</li> <li>• The level of improvement across key business drivers on the prior year</li> <li>• Any other relevant under or over performance or other criteria not stated above.</li> </ul> <p>In circumstances where performance against stretch targets is not accurately reflected in the level of achievement against stretch targets (whether under or over), the Board may exercise its discretion to increase or decrease the vesting level of the incentive and therefore the value awarded. This exercise of discretion and the reasons for it, will be clearly communicated in our Remuneration Report.</p> |                     |                      |                     |                 |                 |     |           |               |    |                              |               |    |        |                |     |         |                  |     |



## b. LTIP

The LTIP operates under the Performance Rights Plan Rules as approved by Shareholders at the Company's Annual General Meeting on 9 November 2021.

Below we have set out the key terms of the LTIP for FY23:

| Element                                   | Description   |                               |  |     |  |                               |  |                               |  |  |                                |  |                                |  |                        |  |  |  |                              |  |  |
|---|---|-------------------------------|--|-----|--|-------------------------------|--|-------------------------------|--|--|--------------------------------|--|--------------------------------|--|------------------------|--|--|--|------------------------------|--|--|
| <b>Delivery</b>                           | <b>Share rights</b><br>Each share right entitles Executives (subject to achievement of the performance conditions) to one fully paid ordinary share in Fortescue for nil consideration.   |                               |  |     |  |                               |  |                               |  |  |                                |  |                                |  |                        |  |  |  |                              |  |  |
| <b>Performance period</b>                 | Three years   |                               |  |     |  |                               |  |                               |  |  |                                |  |                                |  |                        |  |  |  |                              |  |  |
| <b>Performance measures – summary</b>     | <p>The relative weighting between financial and strategic measures provides the ability to assess performance across a cyclical market. The inclusion of strategic measures is deliberate to ensure alignment between short and long-term value creation by ensuring long-term value is not compromised.</p> <table border="1"> <thead> <tr> <th colspan="2">FORTESCUE METALS</th> <th colspan="2">FFI</th> </tr> <tr> <th colspan="2">Performance measure breakdown</th> <th colspan="2">Performance measure breakdown</th> </tr> </thead> <tbody> <tr> <td></td> <td>Total Shareholder Return (33%)</td> <td></td> <td>Total Shareholder Return (40%)</td> </tr> <tr> <td></td> <td>Return on Equity (33%)</td> <td></td> <td>Emissions Reduction and Strategic Measures (60%)</td> </tr> <tr> <td></td> <td>Key Strategic Measures (34%)</td> <td></td> <td></td> </tr> </tbody> </table> <p>Each LTIP performance measure has a minimum performance hurdle for vesting with increasing levels applicable to each individual measure. There is an ability to earn up to 150% of any individual measure by achieving stretch performance. Each individual measure contributes to the overall result with vested rights awarded based on the aggregate of the measures.</p> <p>Vesting between performance levels is calculated on a linear basis with the stretch element considered together with the achievement of all performance measures and subject to the aggregate performance cap. While each individual performance measure includes stretch targets, with a relative contribution on any individual measure of up to 150%, the overall cap for the LTIP is 100% of the maximum number of share rights granted.</p>                                    | FORTESCUE METALS              |  | FFI |  | Performance measure breakdown |  | Performance measure breakdown |  |  | Total Shareholder Return (33%) |  | Total Shareholder Return (40%) |  | Return on Equity (33%) |  | Emissions Reduction and Strategic Measures (60%) |  | Key Strategic Measures (34%) |  |  |
| FORTESCUE METALS                          |   | FFI                           |  |     |  |                               |  |                               |  |  |                                |  |                                |  |                        |  |  |  |                              |  |  |
| Performance measure breakdown             |   | Performance measure breakdown |  |     |  |                               |  |                               |  |  |                                |  |                                |  |                        |  |  |  |                              |  |  |
|   | Total Shareholder Return (33%)  |                               | Total Shareholder Return (40%)                   |     |  |                               |  |                               |  |  |                                |  |                                |  |                        |  |  |  |                              |  |  |
|   | Return on Equity (33%)  |                               | Emissions Reduction and Strategic Measures (60%) |     |  |                               |  |                               |  |  |                                |  |                                |  |                        |  |  |  |                              |  |  |
|   | Key Strategic Measures (34%)  |                               |  |     |  |                               |  |                               |  |  |                                |  |                                |  |                        |  |  |  |                              |  |  |
| <b>Performance and vesting conditions</b> | <p align="center"><b>FORTESCUE METALS AND FFI</b></p> <p><b>Relative TSR performance measure</b></p> <p>Relative TSR is a measure of the performance of the Company's shares over a three year period against the ASX 100 Resources Index. It combines share price appreciation and dividends paid to show the total return to the shareholder expressed as a percentage. Relative TSR hurdles are valuable because the Company needs to outperform a peer group of participants to receive any reward and therefore, is aligned to relative market performance.</p> <p>The comparator group for the FY23 grant comprises the companies in the ASX 100 Resources Index. The ASX 100 Resources Index has been chosen as the comparator group because this is a transparent market indicator, includes Fortescue's ASX listed commodity market peers and represents the peer group that Fortescue competes with for investment.</p> <p>When formulating the vesting schedule for the TSR performance measure, the Board considered both local and international market practice. In line with the Company's approach to setting stretch targets, the Board determined that a vesting schedule more aggressive than standard market practice was required in order to align executive reward for this performance measure with superior shareholder returns. The vesting criteria for both threshold and target have been set at the 60th percentile and 80th percentile (respectively), higher than standard market practice. The plan also provides for a premium grant of awards (subject to the cap described above) where Fortescue delivers the market leading total shareholder return over the performance period. The TSR vesting schedule is as follows:</p> |                               |  |     |  |                               |  |                               |  |  |                                |  |                                |  |                        |  |  |  |                              |  |  |

| Element   | Description  |                                   |                               |
|---|--|-----------------------------------|-------------------------------|
| Performance and vesting conditions (continued)  | <b>FORTESCUE METALS</b>  |                                   |                               |
|   | <b>FFI</b>   |                                   |                               |
|   | <b>LTIP TSR target and vesting schedule</b>  |                                   |                               |
|   | Performance  | Average TSR                       | Portion of tranche that vests |
|   | Below threshold  | Below the 60th percentile         | Nil                           |
|   | Threshold  | At the 60th percentile            | 25% of share rights vest      |
|   | Target   | At the 80th percentile            | 100% of share rights vest     |
|   | Stretch  | At the 100th percentile           | 150% of share rights vest     |
|   | Vesting between performance levels is calculated on a linear basis with the stretch element considered together with the achievement of all performance measures and subject to the aggregate performance cap.   |                                   |                               |
|   | The Board acknowledge that a relative TSR hurdle can result in unintended outcomes. The intent is to ensure no windfall gains or undue penalty. In the event that absolute TSR is negative, but the relative TSR hurdle is achieved, the Board will consider overall performance and circumstances and may, at its absolute discretion, reduce the level of vesting or determine that no award will be made in respect to the TSR measure. |                                   |                               |
| <b>FORTESCUE METALS</b>   |  |                                   |                               |
| <b>FFI</b>  |  |                                   |                               |
| <b>ROE performance measure</b>  | The ROE performance measure does not apply to the FFI LTIP grant.  |                                   |                               |
| ROE has been used as a measure in Fortescue's LTIP for some time now and measures how effectively management is using Fortescue's assets to create profits. |  |                                   |                               |
| The ROE vesting schedule is as follows:   |  |                                   |                               |
| <b>LTIP ROE target and vesting schedule</b>   |  |                                   |                               |
| Performance   | ROE  | Portion of tranche that vests     |                               |
| Below threshold   | <25%   | Nil                               |                               |
| Threshold   | 25%  | 25 per cent of share rights vest  |                               |
| Target  | 30%  | 100 per cent of share rights vest |                               |
| Stretch   | >35%   | 150 per cent of share rights vest |                               |

Overview

Operating and financial review

Ore Reserves and Mineral Resources

Our approach to sustainability

Corporate governance

Our approach to climate change

Directors' report  
| Remuneration Report

Financial report

Corporate directory

| Element  | Description   |                                   |                               |                 |    |                 |                |   |                                  |                                   |                                |                                   |                              |  |                                   |           |
|--|---|-----------------------------------|-------------------------------|-----------------|----|-----------------|----------------|---|----------------------------------|-----------------------------------|--------------------------------|-----------------------------------|------------------------------|--|-----------------------------------|-----------|
| <b>Performance and vesting conditions</b>  | <b>FORTESCUE METALS</b>   |                                   |                               |                 |    |                 |                |   |                                  |                                   |                                |                                   |                              |  |                                   |           |
|  | <b>FFI</b>  |                                   |                               |                 |    |                 |                |   |                                  |                                   |                                |                                   |                              |  |                                   |           |
|  | <b>Strategic Measures</b>   |                                   |                               |                 |    |                 |                |   |                                  |                                   |                                |                                   |                              |  |                                   |           |
|  | <b>Emissions Reduction and Strategic Measures</b>   |                                   |                               |                 |    |                 |                |   |                                  |                                   |                                |                                   |                              |  |                                   |           |
|  | Strategic measures are aimed at directing performance toward the achievement of the Company's long-term strategic objectives and not focusing on annual short-term goals. The strategic objectives devised by the Board specifically relate to key milestones and objectives that are fundamental to the Company's sustainability, continuing development and growth and delivery of shareholder value.   |                                   |                               |                 |    |                 |                |   |                                  |                                   |                                |                                   |                              |  |                                   |           |
|  | In line with the recommendations of the Remuneration and People Committee, the LTIP performance measures comprise strategic measures with associated key performance indicators for the Company aimed at directing performance towards the Company's long-term objectives.  |                                   |                               |                 |    |                 |                |   |                                  |                                   |                                |                                   |                              |  |                                   |           |
|  | The strategic measures for the FY23 grant are set out below.  |                                   |                               |                 |    |                 |                |   |                                  |                                   |                                |                                   |                              |  |                                   |           |
|  | <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #A0A0A0;">Strategic measures</th> <th style="background-color: #A0A0A0;">Fortescue Metals</th> <th style="background-color: #A0A0A0;">FFI</th> </tr> </thead> <tbody> <tr> <td></td> <td>Decarbonisation</td> <td>Green industry</td> </tr> <tr> <td></td> <td>Green iron</td> <td>Mobile fleet and stationary power</td> </tr> <tr> <td rowspan="3"><b>Targets with respect to</b></td> <td>Belinga iron ore development</td> <td>Financials (CAPEX &amp; revenue)</td> </tr> <tr> <td rowspan="2">Access to inventory/<br/>iron ore resources</td> <td>Projects</td> </tr> <tr> <td>Diversity</td> </tr> </tbody> </table>   | Strategic measures                | Fortescue Metals              | FFI             |    | Decarbonisation | Green industry |   | Green iron                       | Mobile fleet and stationary power | <b>Targets with respect to</b> | Belinga iron ore development      | Financials (CAPEX & revenue) | Access to inventory/<br>iron ore resources | Projects                          | Diversity |
|  | Strategic measures  | Fortescue Metals                  | FFI                           |                 |    |                 |                |   |                                  |                                   |                                |                                   |                              |  |                                   |           |
|  |   | Decarbonisation                   | Green industry                |                 |    |                 |                |   |                                  |                                   |                                |                                   |                              |  |                                   |           |
|  | Green iron  | Mobile fleet and stationary power |                               |                 |    |                 |                |   |                                  |                                   |                                |                                   |                              |  |                                   |           |
| <b>Targets with respect to</b>   | Belinga iron ore development  | Financials (CAPEX & revenue)      |                               |                 |    |                 |                |   |                                  |                                   |                                |                                   |                              |  |                                   |           |
|  | Access to inventory/<br>iron ore resources  | Projects                          |                               |                 |    |                 |                |   |                                  |                                   |                                |                                   |                              |  |                                   |           |
|  |   | Diversity                         |                               |                 |    |                 |                |   |                                  |                                   |                                |                                   |                              |  |                                   |           |
| Whether a strategic objective has been achieved is measured at the end of the three-year performance period on an outcome basis (and subject to Board discretion) with vesting as follows:   |   |                                   |                               |                 |    |                 |                |   |                                  |                                   |                                |                                   |                              |  |                                   |           |
| <b>LTIP strategic measure target and vesting schedule</b>  |   |                                   |                               |                 |    |                 |                |   |                                  |                                   |                                |                                   |                              |  |                                   |           |
| <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #A0A0A0;">Performance</th> <th style="background-color: #A0A0A0;">Score</th> <th style="background-color: #A0A0A0;">Portion of tranche that vests</th> </tr> </thead> <tbody> <tr> <td>Below threshold</td> <td>&lt;5</td> <td>Nil</td> </tr> <tr> <td>Threshold</td> <td>5</td> <td>25 per cent of share rights vest</td> </tr> <tr> <td>Target</td> <td>10</td> <td>100 per cent of share rights vest</td> </tr> <tr> <td>Stretch</td> <td>15</td> <td>150 per cent of share rights vest</td> </tr> </tbody> </table> | Performance   | Score                             | Portion of tranche that vests | Below threshold | <5 | Nil             | Threshold      | 5 | 25 per cent of share rights vest | Target                            | 10                             | 100 per cent of share rights vest | Stretch                      | 15   | 150 per cent of share rights vest |           |
| Performance  | Score   | Portion of tranche that vests     |                               |                 |    |                 |                |   |                                  |                                   |                                |                                   |                              |  |                                   |           |
| Below threshold  | <5  | Nil                               |                               |                 |    |                 |                |   |                                  |                                   |                                |                                   |                              |  |                                   |           |
| Threshold  | 5   | 25 per cent of share rights vest  |                               |                 |    |                 |                |   |                                  |                                   |                                |                                   |                              |  |                                   |           |
| Target   | 10  | 100 per cent of share rights vest |                               |                 |    |                 |                |   |                                  |                                   |                                |                                   |                              |  |                                   |           |
| Stretch  | 15  | 150 per cent of share rights vest |                               |                 |    |                 |                |   |                                  |                                   |                                |                                   |                              |  |                                   |           |
| <b>Board discretion</b>  | <p>The LTIP is subject at all times to the Board's absolute discretion.</p> <p>The terms of the FY21 LTIP include a Maximum Value Limit, which caps the number of share rights that will vest in circumstances where there has been a significant increase in share price over the performance period. The Maximum Value Limit baseline is 50% share price growth over the performance period noting that the Board may approve higher levels of vesting when considering Company performance and/or any other fact, event or circumstance that may impact the outcomes of the LTIP. In determining the level of the Maximum Value Limit to be applied, the Board will have consideration to any perceived windfall gain in Fortescue's share price, influenced in part by iron ore prices outside the control of management.</p> |                                   |                               |                 |    |                 |                |   |                                  |                                   |                                |                                   |                              |  |                                   |           |

### c. General terms applying to equity awards

The occurrence of particular events may affect the grant and vesting of the ESSIP and LTIP equity awards. The table below outlines how these awards may be addressed, noting that the Board at all times maintains an overriding and absolute discretion with respect to the incentive plans:

| Element  | ESSIP   | LTIP   |
|--|---|--|
| <b>What happens on cessation of employment</b> | <p>Unless the Board exercises its discretion under the ESSIP rules, unvested performance rights will be forfeited on cessation for individuals who leave during the year (i.e. before 30 June).</p> <p>Individuals who commence during the year will have awards under the ESSIP pro-rated based on service during the performance period.</p>  | <p>Unless the Board exercises its discretion under the LTIP rules, unvested performance rights will be forfeited on cessation for individuals who leave during the year (i.e. before 30 June).</p> |
| <b>Malus and Clawback Policy</b>               | <p>Fortescue operates a Malus and Clawback Policy which applies to both the ESSIP and LTIP. The Policy will be initiated where in the opinion of the Board:</p> <ul style="list-style-type: none"> <li>a Participant has engaged in fraud, dishonesty or gross misconduct, breached his or her obligations to the Group or there is a material misstatement of financial information</li> <li>an Award, which would not have otherwise vested, vests or may vest as a result of the fraud, dishonesty or breach of obligations of any other person</li> <li>circumstances have occurred that result in an unfair benefit being obtained by any Participant.</li> </ul> <p>The Board's discretion, with respect to the operation of the Policy, is considered standard market practice and an appropriate mechanism to ensure the Board has sufficient flexibility to respond to changing or unexpected circumstances (should they arise).</p> |  |
| <b>Change of control</b>                       | <p>The performance period end date will generally be brought forward to the date of the change of control and awards will vest over this shortened period, subject to ultimate Board discretion.</p>  |  |



## 6. EXECUTIVE CONTRACT TERMS

KMP are employed on a rolling basis with no specified fixed term. KMP are required to provide written notice of six months (as specified in their individual service agreement) to terminate their employment. Contractual termination benefits for KMP comply with the limits set by the *Corporations Act 2001*.

KMP are remunerated on a TFR basis inclusive of superannuation and allowances. The table below details the remuneration details for KMP for FY23:

| A\$ | Position   | Executive                   | TFR (A\$) <sup>1</sup> | Maximum ESSIP opportunity |           | Maximum LTIP opportunity |           | Nominal value of total remuneration package at maximum opportunity A\$ |
|-----|------------|-----------------------------|------------------------|---------------------------|-----------|--------------------------|-----------|--|
|     |            |                             |                        | % of TFR                  | A\$       | % of TFR                 | A\$       |  |
|     | CEO        | E Gaines <sup>2</sup>       | 2,080,000              | 112.5                     | 2,340,000 | 150                      | 3,120,000 | 7,540,000  |
|     | CEO Metals | F Hick <sup>3</sup>         | 2,080,000              | 112.5                     | 2,340,000 | 150                      | 3,120,000 | 7,540,000  |
|     | CEO Energy | M Hutchinson <sup>4</sup>   | 2,000,000              | 112.5                     | 2,250,000 | 150                      | 3,000,000 | 7,250,000  |
|     | COO Metals | D Otranto                   | 1,287,500              | 75                        | 965,625   | 100                      | 1,287,500 | 3,540,625  |
|     | CEO FFI    | J Shuttleworth <sup>5</sup> | 1,103,336              | 75                        | 827,502   | 100                      | 1,103,336 | 3,034,174  |
|     | CFO        | I Wells <sup>6</sup>        | 1,124,549              | 75                        | 843,412   | 100                      | 1,124,549 | 3,092,510  |

<sup>1</sup> Includes superannuation and allowances. TFR is reviewed annually by the Remuneration and People Committee.

<sup>2</sup> E Gaines was CEO up to 31 August 2022.

<sup>3</sup> F Hick commenced as CEO Metals on 27 February 2023 and departed on 27 August 2023.

<sup>4</sup> M Hutchinson commenced as CEO FFI (subsequently Fortescue Energy) on 4 August 2022.

<sup>5</sup> J Shuttleworth was CEO FFI up to 4 August 2022.

<sup>6</sup> I Wells was CFO up to 31 January 2023.



# 7. NON-EXECUTIVE DIRECTOR REMUNERATION

## a. Non-Executive Director remuneration policy and fees

Fortescue's policy on Non-Executive Director remuneration requires that Non-Executive Director fees are:

- Not 'at risk' to reflect the nature of their responsibilities and safeguard their independence; and
- Market competitive with fees set at levels comparable with Non-Executive Director remuneration of comparable companies.

The maximum aggregate remuneration payable to Non-Executive Directors is A\$4.5 million, which was approved by shareholders at the Annual General Meeting on 22 November 2022.

Most Non-Executive Directors receive fees for both Board and Committee membership (the exception being the Executive Chairman, who has elected to forgo all Board fees). The payment of additional fees for serving on a Committee recognises the additional time commitment required by Non-Executive Directors who serve on a Committee.

| Position  | Fee A\$ effective 1 June 2022 |
|---|-------------------------------|
| Board Executive Chairman <sup>1</sup>                             | -                             |
| Deputy Chair and Lead Independent Director                        | 1,265,000 <sup>2</sup>        |
| Non-Executive Director  | 230,000                       |
| Audit, Risk Management and Sustainability Committee (ARMSC) Chair | 65,000                        |
| ARMSC Member  | 30,000                        |
| Remuneration and People Committee (RPC) Chair                     | 65,000                        |
| RPC Member  | 30,000                        |
| Finance Sub-Committee Member                                      | 12,000                        |
| FFI Board Fee   | 184,000                       |
| Nomination Committee Member                                       | -                             |

<sup>1</sup>The Executive Chairman of the Board has elected to forego Directors fees and receives no form of remuneration.

<sup>2</sup>Inclusive of Committee membership fees.

Non-Executive Directors do not receive retirement benefits, nor do they participate in any incentive programs of the Company.

## b. Exertion payment – Elizabeth Gaines

To recognise the additional work, time and travel commitment associated with the Global Ambassador role, in addition to her day-to-day Board and Committee duties, the Board approved a one-off exertion cash payment to Elizabeth Gaines of A\$794,836. As disclosed to the market in June 2023, Elizabeth has transitioned to an Executive Director position effective from 1 July 2023 to better reflect the requirements of the role.

## c. Non-executive Director Salary Sacrifice Share Rights Plan

Non-Executive Directors may choose to sacrifice a portion or all of their base fees (excluding Committee fees and Company superannuation contributions) to be used to acquire vested rights to Fortescue shares under the Non-Executive Director Salary Sacrifice Share Rights Plan.

Shares, to the gross value of the amount salary sacrificed, are purchased on market twice a year following the announcement of Fortescue's half and full year results in February and August.

The VWAP at the time of purchase is used to determine the number of vested rights to be allocated to Non-Executive Directors. Vested rights may be exercised at any time, up to 15 years from date of grant.

Shares will be held by Pacific Custodians (as Trustee) until the vested rights are exercised into shares. Vested rights and shares acquired under this Plan are not subject to performance conditions because they are issued in lieu of salary which would otherwise be payable to the relevant Non-Executive Director.

# 8. REMUNERATION GOVERNANCE

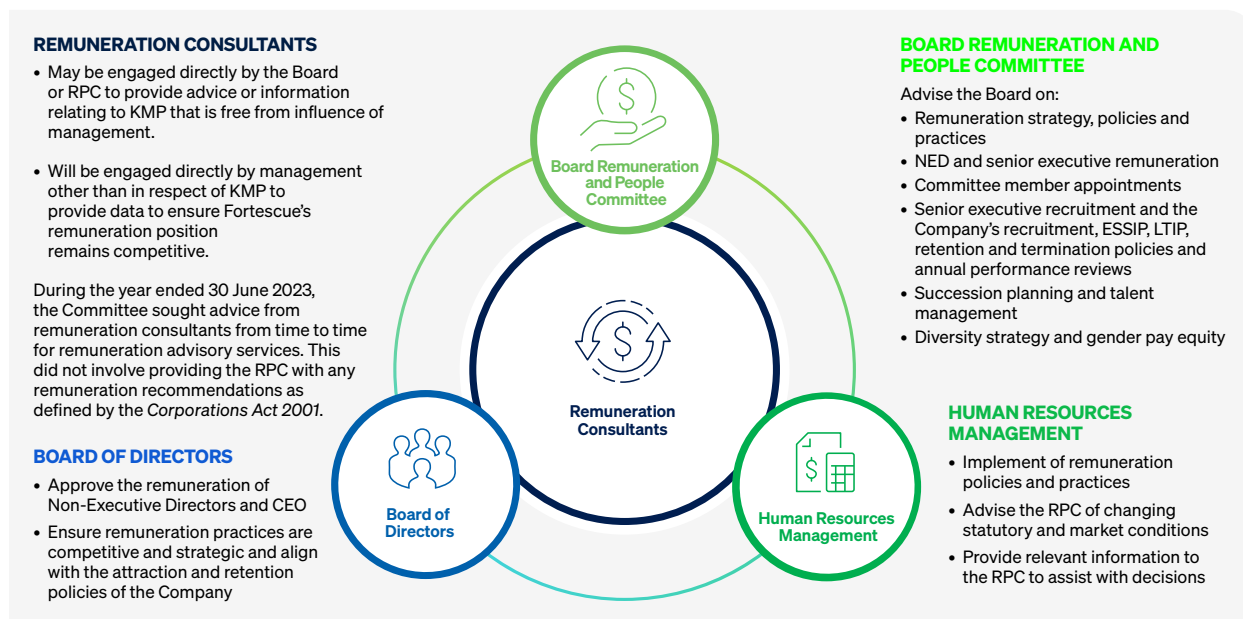
Fortescue believes that robust governance is critical to underpinning the effectiveness of the remuneration strategy.

## a. Remuneration and People Committee

The Remuneration and People Committee (RPC) operates under a Board-approved Charter. The purpose of the RPC is to provide assistance and recommendations to the Board to ensure that it is able to fulfil its responsibilities.

The RPC in FY23 consisted solely of Non-Executive Directors. The Chief Executive Officers and others may be invited to attend all or part of meetings by the RPC Chair as required but have no vote on matters before the RPC.

A copy of the RPC Charter is available from the Corporate Governance section of our website at [www.fortescue.com](http://www.fortescue.com)



## b. Minimum shareholding conditions

All Directors and employees are encouraged to own Fortescue shares and the Company enables employee participation as a shareholder through short and long-term incentives, salary sacrifice and dividend reinvestment programs.

A minimum shareholding policy applies to Directors and Executives to support a long-term focus and further strengthen alignment with shareholders. The minimum shareholding required is as follows:

|                          |  |
|--------------------------|--|
| Non-Executive Directors: | 100 per cent of annual base fee          |
| CEO <sup>1</sup> :       | 200 per cent of total fixed remuneration |
| Other Executive KMP:     | 100 per cent of total fixed remuneration |

<sup>1</sup> Applies to Fortescue Metals and Fortescue Energy CEOs.

Participants are required to meet their respective minimum shareholding within a reasonable timeframe, generally within five years from the effective date of the policy, or the date of their appointment, if later. The Directors' and Executives' Shareholding Policy can be accessed from the Corporate Governance section of our website at [www.fortescue.com](http://www.fortescue.com)

## c. Board discretion

The Committee and the Board consider it critical that they are able to exercise full and appropriate discretion in order to ensure that remuneration outcomes for Executives appropriately reflect the performance of individuals, the Group, and meet the expectations of shareholders.



## d. Securities Trading Policy

Fortescue's Securities Trading Policy provides guidance on how Company securities may be dealt with. The Securities Trading Policy details acceptable and unacceptable periods for trading in Company Securities including detailing potential civil and criminal penalties for misuse of confidential information.

Fortescue's Securities Trading Policy provides guidance on acceptable transactions in dealing in the Company's various securities, including shares, debt notes and options.

The policy also sets out a specific governance approach for how the Chairman and Directors can deal in Company Securities. The Company's Securities Trading Policy can be accessed from the Corporate Governance section of our website at [www.fortescue.com](http://www.fortescue.com)

# 9. STATUTORY DISCLOSURES

Statutory remuneration disclosures are prepared in accordance with Australian Accounting Standards and include share based payments expensed during the financial year, calculated in accordance with AASB 2 *Share based payments*. The estimated fair value for ESSIP and LTIP performance rights was determined using an option pricing model as disclosed in note 18 of the Financial Report.

## a. Executive remuneration

Statutory remuneration differs significantly from actual remuneration paid to executives due to the accounting treatment of share-based payments. For details of remuneration actually paid to the Chief Executive Officers and Executives in FY23 refer to Section 4. The tables below include statutory remuneration disclosures for FY23 and FY22. Disclosures are provided in USD and AUD.

| US\$   |                             | Short-term employee benefits |                                |                    |                       | Post employment benefits | Long-term employee benefits           | Share-based payments |                  | Total statutory remuneration |           |
|--|-----------------------------|------------------------------|--------------------------------|--------------------|-----------------------|--------------------------|---------------------------------------|----------------------|------------------|------------------------------|-----------|
|  |                             | Cash salary and fees         | ESSIP cash value for plan year | Other cash payment | Non-monetary benefits | Superannuation           | Accrued annual and long service leave | ESSIP share value    | LTIP share value | Total                        |           |
| <b>Executive Director</b>                          |                             |                              |                                |                    |                       |                          |                                       |                      |                  |                              |           |
|  | E Gaines <sup>1</sup>       | FY23                         | 230,444                        | -                  | 1,331,132             | 19,230                   | 3,088                                 | 15,718               | -                | 123,764                      | 1,723,376 |
|  |                             | FY22                         | 1,490,012                      | 708,555            | 725,950               | 3,202                    | 19,964                                | 88,975               | 409,630          | 1,351,985                    | 4,798,273 |
| <b>Other Key Management Personnel of Fortescue</b> |                             |                              |                                |                    |                       |                          |                                       |                      |                  |                              |           |
|  | F Hick <sup>2</sup>         | FY23                         | 465,850                        | -                  | -                     | 329                      | 8,892                                 | 42,911               | 596,312          | 415,859                      | 1,530,153 |
|  |                             | FY22                         | -                              | -                  | -                     | -                        | -                                     | -                    | -                | -                            | -         |
|  | M Hutchinson <sup>3</sup>   | FY23                         | 1,320,924                      | 644,178            | -                     | 24,579                   | 18,154                                | 101,767              | 760,843          | 460,164                      | 3,330,609 |
|  |                             | FY22                         | -                              | -                  | -                     | -                        | -                                     | -                    | -                | -                            | -         |
|  | D Otranto                   | FY23                         | 848,799                        | -                  | -                     | 623                      | 18,525                                | 35,692               | 680,519          | 304,560                      | 1,888,718 |
|  |                             | FY22                         | 608,669                        | 216,098            | -                     | 6,346                    | 14,973                                | 26,898               | 135,746          | 109,141                      | 1,117,871 |
|  | J Shuttleworth <sup>4</sup> | FY23                         | 68,327                         | -                  | -                     | -                        | 1,603                                 | 6,639                | -                | 28,636                       | 105,205   |
|  |                             | FY22                         | 760,528                        | -                  | 373,864               | -                        | 17,109                                | 59,570               | 435,796          | 520,638                      | 2,167,505 |
|  | I Wells <sup>5</sup>        | FY23                         | 431,965                        | -                  | 673,650               | 7,711                    | 12,780                                | 63,732               | -                | (441,199)                    | 748,639   |
|  |                             | FY22                         | 775,628                        | -                  | 381,124               | 3,202                    | 17,109                                | 58,187               | 316,239          | 488,552                      | 2,040,041 |

Remuneration values have been translated from Australian dollars to US dollars using an average exchange rate of 0.72595 for FY22 and 0.67365 for FY23.

## a. Executive remuneration (continued)

| A\$  |      | Short-term employee benefits |                                |                    |                       | Post employment benefits | Long-term employee benefits                        | Share-based payments |                  | Total statutory remuneration |
|--|------|------------------------------|--------------------------------|--------------------|-----------------------|--------------------------|--|----------------------|------------------|------------------------------|
|  |      | Cash salary and fees         | ESSIP cash value for plan year | Other cash payment | Non-monetary benefits | Superannuation           | Accrued annual and long service leave <sup>3</sup> | ESSIP share value    | LTIP share value | Total                        |
| <b>Executive Director</b>                          |      |                              |                                |                    |                       |                          |  |                      |                  |                              |
| E Gaines <sup>1</sup>                              | FY23 | 342,083                      | -                              | 1,976,000          | 28,546                | 4,583                    | 23,333   | -                    | 183,721          | 2,558,266                    |
|  | FY22 | 2,052,500                    | 976,038                        | 1,000,000          | 4,411                 | 27,500                   | 122,564  | 564,268              | 1,862,366        | 6,609,647                    |
| <b>Other Key Management Personnel of Fortescue</b> |      |                              |                                |                    |                       |                          |  |                      |                  |                              |
| F Hick <sup>2</sup>                                | FY23 | 691,532                      | -                              | -                  | 488                   | 13,199                   | 63,700   | 885,195              | 617,322          | 2,271,435                    |
|  | FY22 | -                            | -                              | -                  | -                     | -                        | -  | -                    | -                | -                            |
| M Hutchinson <sup>3</sup>                          | FY23 | 1,960,847                    | 956,250                        | -                  | 36,486                | 26,949                   | 151,069  | 1,129,434            | 683,091          | 4,944,126                    |
|  | FY22 | -                            | -                              | -                  | -                     | -                        | -  | -                    | -                | -                            |
| D Otranto  | FY23 | 1,260,000                    | -                              | -                  | 925                   | 27,500                   | 52,983   | 1,010,196            | 452,104          | 2,803,708                    |
|  | FY22 | 838,445                      | 297,676                        | -                  | 8,741                 | 20,625                   | 37,052   | 186,991              | 150,342          | 1,539,872                    |
| J Shuttleworth <sup>4</sup>                        | FY23 | 101,429                      | -                              | -                  | -                     | 2,380                    | 9,856  | -                    | 42,509           | 156,173                      |
|  | FY22 | 1,047,632                    | -                              | 515,000            | -                     | 23,568                   | 82,058   | 600,312              | 717,182          | 2,985,752                    |
| I Wells <sup>5</sup>                               | FY23 | 641,231                      | -                              | 1,000,000          | 11,446                | 18,972                   | 94,606   | -                    | (654,938)        | 1,111,317                    |
|  | FY22 | 1,068,432                    | -                              | 525,000            | 4,411                 | 23,568                   | 80,153   | 435,621              | 672,983          | 2,810,168                    |

<sup>1</sup> Elizabeth Gaines served as Executive Director up to 31 August 2022 before transitioning to a Non-Executive Director position. The values in the above table for FY23 reflect remuneration up to that date. On leaving the business Elizabeth Gaines was awarded a special recognition award to reflect her significant achievements and contributions during her tenure.

<sup>2</sup> Fiona Hick commenced as CEO Fortescue Metals on 27 February 2023 and departed on 27 August 2023.

<sup>3</sup> Mark Hutchinson was appointed to the role of CEO FFI on 4 August 2022 becoming KMP from that date.

<sup>4</sup> Julie Shuttleworth ceased to be a KMP from 4 August 2022. The values in the above table for FY23 reflect remuneration up to that date.

<sup>5</sup> I Wells ceased to be a KMP from the date of his cessation of employment on 31 January 2023. The values in the above table for FY23 reflect remuneration up to that date. On leaving the business Ian Wells was awarded a special recognition award to reflect his significant achievements and contributions during his tenure.

## b. Non-Executive Director remuneration

The remuneration of NEDs for the year ended 30 June 2023 and 30 June 2022 is detailed below.

| US\$                       |      | Base fees | Committee fees | Other benefits | Superannuation | Total   |
|----------------------------|------|-----------|----------------|----------------|----------------|---------|
| Dr A Forrest AO            | FY23 | -         | -              | -              | -              | -       |
|                            | FY22 | -         | -              | -              | -              | -       |
| M Barnaba AM               | FY23 | 833,642   | -              | -              | 18,525         | 852,167 |
|                            | FY22 | 788,563   | -              | -              | 19,964         | 808,527 |
| Dr J Baderschneider        | FY23 | 154,940   | 144,161        | -              | -              | 299,101 |
|                            | FY22 | 147,138   | 133,692        | -              | -              | 280,830 |
| P Bingham-Hall             | FY23 | 140,831   | 44,086         | -              | 18,525         | 203,442 |
|                            | FY22 | 133,247   | 34,927         | -              | 17,578         | 185,752 |
| Lord S Coe CH, KBE         | FY23 | 154,940   | -              | -              | -              | 154,940 |
|                            | FY22 | 147,138   | -              | -              | -              | 147,138 |
| E Gaines <sup>1</sup>      | FY23 | 126,310   | 32,950         | 535,441        | 15,438         | 710,139 |
|                            | FY22 | -         | -              | -              | -              | -       |
| J Morris OAM               | FY23 | 141,829   | 58,582         | -              | 18,525         | 218,936 |
|                            | FY22 | 133,385   | 52,543         | -              | 19,296         | 205,224 |
| Li Yifei                   | FY23 | 172,945   | -              | -              | -              | 172,945 |
|                            | FY22 | -         | -              | -              | -              | -       |
| Dr C Zhiqiang <sup>2</sup> | FY23 | -         | -              | -              | -              | -       |
|                            | FY22 | 96,890    | -              | -              | -              | 96,890  |
| Dr Y Zhang                 | FY23 | 64,558    | -              | -              | -              | 64,558  |
|                            | FY22 | 147,138   | -              | -              | -              | 147,138 |

Remuneration values have been translated from Australian dollars to US dollars using an average exchange rate of 0.72595 for FY22 and 0.67365 for FY23.

| A\$                        |      | Base fees | Committee fees | Other benefits | Superannuation | Total     |
|----------------------------|------|-----------|----------------|----------------|----------------|-----------|
| Dr A Forrest AO            | FY23 | -         | -              | -              | -              | -         |
|                            | FY22 | -         | -              | -              | -              | -         |
| M Barnaba AM               | FY23 | 1,237,500 | -              | -              | 27,500         | 1,265,000 |
|                            | FY22 | 1,086,250 | -              | -              | 27,500         | 1,113,750 |
| Dr J Baderschneider        | FY23 | 230,000   | 214,000        | -              | -              | 444,000   |
|                            | FY22 | 202,683   | 184,162        | -              | -              | 386,845   |
| P Bingham-Hall             | FY23 | 209,056   | 65,444         | -              | 27,500         | 302,000   |
|                            | FY22 | 183,548   | 48,112         | -              | 24,214         | 255,874   |
| Lord S Coe CH, KBE         | FY23 | 230,000   | -              | -              | -              | 230,000   |
|                            | FY22 | 202,683   | -              | -              | -              | 202,683   |
| E Gaines <sup>1</sup>      | FY23 | 187,501   | 48,913         | 794,836        | 22,917         | 1,054,167 |
|                            | FY22 | -         | -              | -              | -              | -         |
| J Morris OAM               | FY23 | 210,538   | 86,962         | -              | 27,500         | 325,000   |
|                            | FY22 | 183,738   | 72,378         | -              | 26,581         | 282,697   |
| Li Yifei                   | FY23 | 256,728   | -              | -              | -              | 256,728   |
|                            | FY22 | -         | -              | -              | -              | -         |
| Dr C Zhiqiang <sup>2</sup> | FY23 | -         | -              | -              | -              | -         |
|                            | FY22 | 133,467   | -              | -              | -              | 133,467   |
| Dr Y Zhang                 | FY23 | 95,833    | -              | -              | -              | 95,833    |
|                            | FY22 | 202,683   | -              | -              | -              | 202,683   |

<sup>1</sup> Elizabeth Gaines commenced as a Non-Executive Director on 1 September 2022. The values in the above table for FY23 reflect remuneration from that date. Elizabeth transitioned to an Executive Director role effective July 2023.

<sup>2</sup> Dr Cao Zhiqiang resigned on 25 February 2022.

### c. Details of performance grants to Executive Directors

There were no performance rights granted to Executive Directors in FY23.

### d. Details of share-based payments relating to LTIP

The following table provides details of the number of share rights granted under the LTIP during the financial years ended 30 June 2021 to 30 June 2023. The value of the rights has been determined using the grant date fair value.

| LTIP Plan                         | Grant date | Performance period  | No. share rights granted | Value per share right granted <sup>1</sup> |       | Value of rights granted at grant date |           | % Performance achieved | % Vested | No. Vested         | Forfeited / lapsed |
|-----------------------------------|------------|---------------------|--------------------------|--|-------|---------------------------------------|-----------|------------------------|----------|--------------------|--------------------|
|                                   |            |                     |                          | US\$                                       | A\$   | US\$                                  | A\$       |                        |          |                    |                    |
| <b>E Gaines<sup>1</sup></b>       |            |                     |                          |  |       |                                       |           |                        |          |                    |                    |
| FY21                              | 11/11/2020 | 1/7/20 to 30/6/23   | 212,072                  | 7.55                                       | 10.34 | 1,601,639                             | 2,192,824 | 100%                   | 69.7%    | 147,920            | 64,152             |
| FY22                              | 9/11/2021  | 1/7/21 to 30/6/2024 | 132,338                  | 6.23                                       | 8.42  | 824,466                               | 1,114,286 |                        |          | Determined 2024    | 80,874             |
| FY23                              | -          | -                   | -                        | -  | -     | -                                     | -         | -                      | -        | -                  | -                  |
| <b>F Hick</b>                     |            |                     |                          |  |       |                                       |           |                        |          |                    |                    |
| FY21                              | -          | -                   | -                        | -  | -     | -                                     | -         | -                      | -        | -                  | -                  |
| FY22                              | -          | -                   | -                        | -  | -     | -                                     | -         | -                      | -        | -                  | -                  |
| FY23                              | 3/04/2023  | 1/7/22 to 30/6/2025 | 143,452                  | 8.76                                       | 12.91 | 1,256,640                             | 1,851,965 |                        |          | Determined in 2025 |                    |
| <b>M Hutchinson</b>               |            |                     |                          |  |       |                                       |           |                        |          |                    |                    |
| FY21                              | -          | -                   | -                        | -  | -     | -                                     | -         | -                      | -        | -                  | -                  |
| FY22                              | -          | -                   | -                        | -  | -     | -                                     | -         | -                      | -        | -                  | -                  |
| FY23                              | 7/12/2022  | 1/7/22 to 30/6/2025 | 176,814                  | 7.80                                       | 11.59 | 1,379,149                             | 2,049,274 |                        |          | Determined in 2025 |                    |
| <b>D Otranto</b>                  |            |                     |                          |  |       |                                       |           |                        |          |                    |                    |
| FY21                              | -          | -                   | -                        | -  | -     | -                                     | -         | -                      | -        | -                  | -                  |
| FY22                              | 22/11/2021 | 1/7/21 to 30/6/2024 | 48,602                   | 6.76                                       | 9.28  | 328,550                               | 451,027   |                        |          | Determined in 2024 |                    |
| FY23                              | 7/12/2022  | 1/7/22 to 30/6/2025 | 75,883                   | 8.03                                       | 11.93 | 609,340                               | 905,284   |                        |          | Determined in 2025 |                    |
| <b>J Shuttleworth<sup>2</sup></b> |            |                     |                          |  |       |                                       |           |                        |          |                    |                    |
| FY21                              | 18/11/2020 | 1/7/20 to 30/6/23   | 72,812                   | 7.55                                       | 10.34 | 549,901                               | 752,876   | 100%                   | 96.6%    | 70,319             | 2,493              |
| FY22                              | 23/05/2022 | 1/7/21 to 30/6/2024 | 45,437                   | 8.95                                       | 12.70 | 406,661                               | 577,050   |                        |          | Determined in 2024 |                    |
| FY23                              | 7/12/2022  | 1/7/22 to 30/6/2025 | 65,028                   | 7.80                                       | 11.59 | 507,218                               | 753,675   |                        |          | Determined in 2025 |                    |
| <b>I Wells<sup>3</sup></b>        |            |                     |                          |  |       |                                       |           |                        |          |                    |                    |
| FY21                              | 11/11/2020 | 1/7/20 to 30/6/23   | 74,225                   | 7.55                                       | 10.34 | 560,572                               | 767,487   | -                      | -        | -                  | 74,225             |
| FY22                              | 22/11/2021 | 1/7/21 to 30/6/2024 | 46,319                   | 6.76                                       | 9.28  | 313,116                               | 429,840   | -                      | -        | -                  | 46,319             |
| FY23                              | 7/12/2022  | 1/7/22 to 30/6/2025 | 66,278                   | 8.03                                       | 11.93 | 532,212                               | 790,697   | -                      | -        | -                  | 66,278             |

<sup>1</sup> Elizabeth Gaines remains eligible to participate in the FY21 and FY22 LTIP on a pro-rata basis. The vesting outcome of 69.7% reflects the lapsing of a pro-rata proportion of rights on cessation of employment and application of the LTIP Maximum Value Limit.

<sup>2</sup> Julie Shuttleworth ceased to be KMP effective 4 August 2022. The values shown above are the full grants and have not been pro-rated to reflect actual time served as KMP. Julie is no longer in a role classified as KMP.

<sup>3</sup> Ian Wells did not remain eligible to participate in any outstanding LTIP grants and as such all unvested performance rights lapsed.

## e. KMP share rights

Share rights granted under the ESSIP at the beginning of FY23 (granted at the VWAP for Fortescue shares traded over the first five trading days of the performance year) based on the participants election of performance rights (ranging from a minimum of 50 per cent up to a maximum of 100 per cent). Share rights granted under the LTIP at the beginning of FY21 which vested in FY23 are shown below. The ultimate value of these share rights to the Executives will reflect either an improvement or decline in the Company's share price over the performance period. The adoption of this approach is specifically to ensure that awards made to Executives have a value which reflects sustainable value of shareholder's investment in the Company. The last column details the actual number of share rights that vested on actual performance.

### FY21 LTIP and FY23 ESSIP share rights movement

| Executive             | Share rights granted | Share rights lapsed | Share rights forfeited | Share rights vested |
|-----------------------|----------------------|---------------------|------------------------|---------------------|
| <b>E Gaines</b>       |                      |                     |                        |                     |
| FY23 ESSIP            | -                    | -                   | -                      | -                   |
| FY21 LTIP             | 212,072              | 64,152              | -                      | 147,920             |
| <b>F Hick</b>         |                      |                     |                        |                     |
| FY23 ESSIP            | 46,853               | 5,353               | -                      | 41,500              |
| FY21 LTIP             | -                    | -                   | -                      | -                   |
| <b>M Hutchinson</b>   |                      |                     |                        |                     |
| FY23 ESSIP            | 66,305               | 9,946               | -                      | 56,359              |
| FY21 LTIP             | -                    | -                   | -                      | -                   |
| <b>D Otranto</b>      |                      |                     |                        |                     |
| FY23 ESSIP            | 56,912               | 6,503               | -                      | 50,409              |
| FY21 LTIP             | -                    | -                   | -                      | -                   |
| <b>J Shuttleworth</b> |                      |                     |                        |                     |
| FY23 ESSIP            | -                    | -                   | -                      | -                   |
| FY21 LTIP             | 72,812               | 2,493               | -                      | 70,319              |
| <b>I Wells</b>        |                      |                     |                        |                     |
| FY23 ESSIP            | 24,854               | 24,854              | -                      | -                   |
| FY21 LTIP             | 74,225               | 74,225              | -                      | -                   |

### Share rights movement in FY23

Non-Executive Directors do not participate in Fortescue's incentive plans and do not hold unvested share rights. The movement during the reporting period in the number of options and share rights over ordinary shares in the Company held directly, indirectly or beneficially, by each of the KMP, including their related parties is as follows:

| FY23   | Balance at the start of the year | Granted | Exercised / converted | Forfeited / lapsed | Other <sup>1</sup> | Balance at the end of the year | Vested | Unvested | Not exercisable |
|--|----------------------------------|---------|-----------------------|--------------------|--------------------|--------------------------------|--------|----------|-----------------|
| <b>Executive Director</b>                          |                                  |         |                       |                    |                    |                                |        |          |                 |
| E Gaines   | 696,022                          | -       | (286,654)             | (204,741)          | -                  | 204,627                        | -      | 204,627  | 204,627         |
| <b>Other Key Management Personnel of Fortescue</b> |                                  |         |                       |                    |                    |                                |        |          |                 |
| F Hick   | -                                | 190,305 | -                     | -                  | -                  | 190,305                        | -      | 190,305  | 190,305         |
| M Hutchinson                                       | -                                | 243,119 | -                     | -                  | -                  | 243,119                        | -      | 243,119  | 243,119         |
| D Otranto  | 63,514                           | 132,795 | (12,626)              | (2,286)            | -                  | 181,397                        | -      | 181,397  | 181,397         |
| J Shuttleworth                                     | 261,151                          | -       | (118,068)             | (24,834)           | (118,249)          | -                              | -      | -        | -               |
| I Wells  | 264,107                          | 91,132  | (117,794)             | (237,445)          | -                  | -                              | -      | -        | -               |

<sup>1</sup> Negative amounts reflect the number held at the date of ceasing to be a KMP.

## f. KMP shareholdings

The numbers of shares in the Company held during the financial year by each Director and KMP, including their related parties, are set out below:

| FY23   | Held at<br>1 July 2022 | Received on<br>conversion<br>of rights | Issued | Purchases | Sales     | Transfers | Other <sup>1</sup> | Held at<br>30 June 2023 |
|--|------------------------|--|--------|-----------|-----------|-----------|--------------------|-------------------------|
| <b>Non-executive Directors of Fortescue</b>        |                        |  |        |           |           |           |                    |                         |
| M Barnaba AM                                       | 40,300                 | -                                      | -      | -         | -         | -         | -                  | 40,300                  |
| Dr J Baderschneider                                | 138,000                | -                                      | -      | -         | -         | -         | -                  | 138,000                 |
| P Bingham-Hall                                     | 56,038                 | -                                      | -      | 3,823     | -         | -         | -                  | 59,861                  |
| Lord S Coe CH, KBE                                 | -                      | -                                      | -      | 5,000     | -         | -         | -                  | 5,000                   |
| J Morris OAM                                       | 18,943                 | -                                      | -      | 2,233     | -         | -         | (21,176)           | -                       |
| Li Yifei   | -                      | -                                      | -      | -         | -         | -         | -                  | -                       |
| E Gaines   | 341,294                | 286,654                                | -      | -         | (286,654) | -         | -                  | 341,294                 |
| Dr Y Zhang   | 12,000                 | -                                      | -      | -         | -         | -         | (12,000)           | -                       |
| <b>Executive Chairman</b>                          |                        |  |        |           |           |           |                    |                         |
| Dr A Forrest AO                                    | 1,131,365,000          | -                                      | -      | -         | -         | -         | -                  | 1,131,365,000           |
| <b>Other Key Management Personnel of Fortescue</b> |                        |  |        |           |           |           |                    |                         |
| F Hick   | -                      | -                                      | -      | -         | -         | -         | -                  | -                       |
| M Hutchinson                                       | -                      | -                                      | -      | 114       | -         | -         | 19,000             | 19,114                  |
| I Wells  | 774,961                | 117,794                                | -      | -         | (117,794) | -         | (774,961)          | -                       |
| D Otranto  | 128                    | 12,626                                 | -      | 250       | (12,626)  | -         | -                  | 378                     |
| J Shuttleworth                                     | 951,212                | 118,068                                | -      | 23        | -         | -         | (1,069,303)        | -                       |

<sup>1</sup> Negative amounts reflect the number held at the date of ceasing to be a KMP.



# FINANCIAL REPORT

08

2023



**Fortescue is working  
to establish the  
building blocks of a  
new global renewable  
energy value chain**



## CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2023

|   | Note  | 2023<br>US\$m | 2022<br>US\$m |
|---|-------|---------------|---------------|
| Operating sales revenue   | 3     | 16,871        | 17,390        |
| Cost of sales   | 5     | (7,817)       | (7,649)       |
| <b>Gross profit</b>   |       | <b>9,054</b>  | 9,741         |
| Other income  | 4     | 53            | 11            |
| Other expenses  | 6     | (2,087)       | (752)         |
| <b>Operating profit</b>   |       | <b>7,020</b>  | 9,000         |
| Finance income  | 7     | 149           | 14            |
| Finance expenses  | 7     | (275)         | (174)         |
| Share of (loss) / profit from equity accounted investments                            | 23(c) | (8)           | 6             |
| <b>Profit before tax</b>  |       | <b>6,886</b>  | 8,846         |
| Income tax expense  | 14(a) | (2,090)       | (2,649)       |
| <b>Net profit after tax</b>   |       | <b>4,796</b>  | 6,197         |
| <b>Net profit is attributable to:</b>   |       |               |               |
| Equity holders of the Company   |       | 4,798         | 6,197         |
| Non-controlling interest  |       | (2)           | -             |
| <b>Net profit after tax</b>   |       | <b>4,796</b>  | 6,197         |
|   | Note  | Cents         | Cents         |
| <b>Earnings per share attributable to the ordinary equity holders of the Company:</b> |       |               |               |
| Basic earnings per share  | 8     | 156.0         | 201.4         |
| Diluted earnings per share  | 8     | 155.7         | 201.0         |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2023

|   | 2023<br>US\$m | 2022<br>US\$m |
|---|---------------|---------------|
| <b>Net profit after tax</b>   | <b>4,796</b>  | 6,197         |
| <b>Other comprehensive income:</b>  |               |               |
| <i>Items that may be reclassified to profit or loss in subsequent periods, net of tax:</i>      |               |               |
| Exchange differences on translation of foreign operations                                       | 52            | 21            |
| <i>Items that will not be reclassified to profit or loss in subsequent periods, net of tax:</i> |               |               |
| Gain/(loss) on investments taken to equity  | 4             | (2)           |
| <b>Other comprehensive income, net of tax</b>   | <b>56</b>     | 19            |
| <b>Total comprehensive income for the period, net of tax</b>                                    | <b>4,852</b>  | 6,216         |
| <b>Total comprehensive income for the period attributable to:</b>                               |               |               |
| Equity holders of the Company   | 4,854         | 6,216         |
| Non-controlling interest  | (2)           | -             |
| <b>Total comprehensive income for the period, net of tax</b>                                    | <b>4,852</b>  | 6,216         |

The above consolidated income statement and consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

|   | Note  | 2023<br>US\$m | 2022<br>US\$m |
|---|-------|---------------|---------------|
| <b>ASSETS</b>   |       |               |               |
| <b>Current assets</b>   |       |               |               |
| Cash and cash equivalents   | 9(b)  | 4,287         | 5,224         |
| Trade and other receivables                                       | 10(a) | 520           | 468           |
| Inventories   | 10(c) | 1,189         | 1,084         |
| Other current assets  |       | 89            | 123           |
| <b>Total current assets</b>                                       |       | <b>6,085</b>  | <b>6,899</b>  |
| <b>Non-current assets</b>   |       |               |               |
| Trade and other receivables                                       |       | 16            | 24            |
| Inventories   | 10(c) | 458           | 469           |
| Property, plant and equipment                                     | 12(a) | 20,974        | 20,650        |
| Intangible assets   | 12(b) | 299           | 257           |
| Investments accounted for using the equity method                 | 23(c) | 260           | 70            |
| Financial assets at fair value through other comprehensive income |       | 77            | -             |
| Other non-current assets  |       | 49            | 6             |
| <b>Total non-current assets</b>                                   |       | <b>22,133</b> | <b>21,476</b> |
| <b>Total assets</b>   |       | <b>28,218</b> | <b>28,375</b> |
| <b>LIABILITIES</b>  |       |               |               |
| <b>Current liabilities</b>  |       |               |               |
| Trade and other payables  | 10(b) | 1,482         | 1,484         |
| Borrowings and lease liabilities                                  | 9(a)  | 165           | 173           |
| Provisions  | 13    | 445           | 396           |
| Deferred income   | 10(d) | 71            | 80            |
| Current tax payable   | 14(c) | 304           | 284           |
| <b>Total current liabilities</b>                                  |       | <b>2,467</b>  | <b>2,417</b>  |
| <b>Non-current liabilities</b>                                    |       |               |               |
| Borrowings and lease liabilities                                  | 9(a)  | 5,156         | 5,930         |
| Provisions  | 13    | 1,063         | 889           |
| Deferred income   | 10(d) | 28            | 21            |
| Deferred tax liabilities  | 14(d) | 1,506         | 1,773         |
| <b>Total non-current liabilities</b>                              |       | <b>7,753</b>  | <b>8,613</b>  |
| <b>Total liabilities</b>  |       | <b>10,220</b> | <b>11,030</b> |
| <b>Net assets</b>   |       | <b>17,998</b> | <b>17,345</b> |
| <b>EQUITY</b>   |       |               |               |
| Contributed equity  | 9(d)  | 1,044         | 1,053         |
| Reserves  |       | 170           | 109           |
| Retained earnings   |       | 16,775        | 16,175        |
| <b>Equity attributable to equity holders of the Company</b>       |       | <b>17,989</b> | <b>17,337</b> |
| Non-controlling interest  |       | 9             | 8             |
| <b>Total equity</b>   |       | <b>17,998</b> | <b>17,345</b> |

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Overview

Operating and  
financial review

Ore Reserves and  
Mineral Resources

Our approach to  
sustainability

Corporate governance

Our approach to  
climate change

Directors' report  
| Remuneration Report

Financial report

Corporate directory

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2023

|  | Note        | 2023<br>US\$m  | 2022<br>US\$m |
|--|-------------|----------------|---------------|
| <b>Cash flows from operating activities</b>                                    |             |                |               |
| Cash receipts from customers   |             | 16,849         | 17,603        |
| Payments to suppliers and employees  |             | (6,833)        | (7,088)       |
| Cash generated from operations   |             | 10,016         | 10,515        |
| Interest received  |             | 144            | 12            |
| Interest paid  |             | (349)          | (214)         |
| Income tax paid  |             | (2,379)        | (3,667)       |
| <b>Net cash inflow from operating activities</b>                               | <b>9(c)</b> | <b>7,432</b>   | 6,646         |
| <b>Cash flows from investing activities</b>                                    |             |                |               |
| Payments for property, plant and equipment - Fortescue                         |             | (1,959)        | (2,005)       |
| Payments for property, plant and equipment - joint operations                  |             | (942)          | (798)         |
| Proceeds from disposal of plant and equipment                                  |             | 51             | 4             |
| Receipt of settlement (2022: acquisition) of subsidiary purchase consideration | 22          | 4              | (210)         |
| Receipt of contributions from non-controlling interest                         |             | 11             | -             |
| Payments for acquisition of equity accounted investments                       |             | (221)          | (49)          |
| Purchase of financial assets   |             | (59)           | (12)          |
| <b>Net cash outflow from investing activities</b>                              |             | <b>(3,115)</b> | (3,070)       |
| <b>Cash flows from financing activities</b>                                    |             |                |               |
| Proceeds from borrowings   |             | -              | 1,900         |
| Repayment of borrowings  |             | (760)          | -             |
| Repayment of lease liabilities   |             | (138)          | (134)         |
| Finance costs paid   |             | (30)           | (28)          |
| Dividends paid   |             | (3,922)        | (6,699)       |
| Purchase of shares by employee share trust                                     |             | (151)          | (138)         |
| <b>Net cash outflow from financing activities</b>                              |             | <b>(5,001)</b> | (5,099)       |
| Net decrease in cash and cash equivalents                                      |             | (684)          | (1,523)       |
| Cash and cash equivalents at the beginning of the period                       |             | 5,224          | 6,930         |
| Effects of exchange rate changes on cash and cash equivalents                  |             | (253)          | (183)         |
| <b>Cash and cash equivalents at the end of the period</b>                      | <b>9(b)</b> | <b>4,287</b>   | 5,224         |

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2023

|  | Attributable to equity holders of the Company |                |                         |               | Non-controlling interest US\$m | Total equity US\$m |
|--|---|----------------|-------------------------|---------------|--------------------------------|--------------------|
|  | Contributed equity US\$m                      | Reserves US\$m | Retained earnings US\$m | Total US\$m   |                                |                    |
| <b>Balance at 1 July 2021</b>                                | 1,105   | 46             | 16,576                  | 17,727        | 8                              | 17,735             |
| Net profit after tax   | -   | -              | 6,197                   | 6,197         | -                              | 6,197              |
| Other comprehensive income                                   | -   | 19             | -                       | 19            | -                              | 19                 |
| <b>Total comprehensive income for the period, net of tax</b> | -   | 19             | 6,197                   | 6,216         | -                              | 6,216              |
| <b>Transactions with owners:</b>                             |   |                |                         |               |                                |                    |
| Purchase of shares under employee share plans                | (137)   | -              | -                       | (137)         | -                              | (137)              |
| Employee share awards vested                                 | 85  | (85)           | -                       | -             | -                              | -                  |
| Equity settled share-based payment transactions              | -   | 128            | -                       | 128           | -                              | 128                |
| Dividends declared   | -   | -              | (6,596)                 | (6,596)       | -                              | (6,596)            |
| Other  | -   | 1              | (2)                     | (1)           | -                              | (1)                |
| <b>Balance at 30 June 2022</b>                               | 1,053   | 109            | 16,175                  | 17,337        | 8                              | 17,345             |
| <b>Balance at 1 July 2022</b>                                | <b>1,053</b>                                  | <b>109</b>     | <b>16,175</b>           | <b>17,337</b> | <b>8</b>                       | <b>17,345</b>      |
| Net profit after tax   | -   | -              | 4,798                   | 4,798         | (2)                            | 4,796              |
| Other comprehensive income                                   | -   | 56             | -                       | 56            | -                              | 56                 |
| <b>Total comprehensive income for the period, net of tax</b> | -   | <b>56</b>      | <b>4,798</b>            | <b>4,854</b>  | <b>(2)</b>                     | <b>4,852</b>       |
| <b>Transactions with owners:</b>                             |   |                |                         |               |                                |                    |
| Purchase of shares under employee share plans                | (151)   | -              | -                       | (151)         | -                              | (151)              |
| Employee share awards vested                                 | 142   | (142)          | -                       | -             | -                              | -                  |
| Equity settled share-based payment transactions              | -   | 148            | -                       | 148           | -                              | 148                |
| Acquisition of non-controlling interest                      | -   | -              | -                       | -             | (8)                            | (8)                |
| Contributions from non-controlling interests                 | -   | -              | -                       | -             | 11                             | 11                 |
| Dividends declared   | -   | -              | (4,199)                 | (4,199)       | -                              | (4,199)            |
| Other  | -   | (1)            | 1                       | -             | -                              | -                  |
| <b>Balance at 30 June 2023</b>                               | <b>1,044</b>                                  | <b>170</b>     | <b>16,775</b>           | <b>17,989</b> | <b>9</b>                       | <b>17,998</b>      |

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Overview

Operating and financial review

Ore Reserves and Mineral Resources

Our approach to sustainability

Corporate governance

Our approach to climate change

Directors' report | Remuneration Report

Financial report

Corporate directory

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

### Basis of preparation

|                         |     |
|-------------------------|-----|
| 01 Basis of preparation | 115 |
|-------------------------|-----|

### Financial performance

|  |     |
|--|-----|
| 02 Segment information                 | 116 |
| 03 Operating sales revenue             | 118 |
| 04 Other income                        | 118 |
| 05 Cost of sales                       | 118 |
| 06 Other expenses                      | 119 |
| 07 Finance income and finance expenses | 119 |
| 08 Earnings per share                  | 119 |

### Capital management

|                                       |     |
|---------------------------------------|-----|
| 09 Capital management                 | 120 |
| 9(a) Borrowings and lease liabilities | 121 |
| 9(b) Cash and cash equivalents        | 123 |
| 9(c) Cash flow information            | 123 |
| 9(d) Contributed equity               | 124 |
| 9(e) Dividends                        | 125 |
| 10 Working capital                    | 125 |
| 10(a) Trade and other receivables     | 125 |
| 10(b) Trade and other payables        | 126 |
| 10(c) Inventories                     | 126 |
| 10(d) Deferred income                 | 127 |
| 11 Financial risk management          | 127 |
| 11(a) Market risk                     | 127 |
| 11(b) Credit risk                     | 129 |
| 11(c) Liquidity risk                  | 130 |
| 11(d) Fair values                     | 131 |

### Key balance sheet items

|  |     |
|--|-----|
| 12 Property, plant and equipment and intangible assets | 132 |
| 12(a) Property, plant and equipment                    | 132 |
| 12(b) Intangible assets                                | 135 |
| 13 Provisions  | 136 |

### Taxation

|   |     |
|---|-----|
| 14 Taxation   | 137 |
| 14(a) Income tax expense  | 137 |
| 14(b) Prima facie income tax expense reconciliation               | 137 |
| 14(c) Reconciliation of income tax expense to current tax payable | 138 |
| 14(d) Deferred tax assets and liabilities                         | 138 |
| 14(e) Unrecognised tax losses and tax credits                     | 139 |

### Unrecognised items

|  |     |
|--|-----|
| 15 Commitments and contingencies               | 140 |
| 16 Events occurring after the reporting period | 140 |

### Other

|   |     |
|---|-----|
| 17 Related party transactions                   | 141 |
| 18 Share-based payments                         | 142 |
| 19 Remuneration of auditors                     | 144 |
| 20 Deed of cross guarantee                      | 145 |
| 21 Parent entity financial information          | 146 |
| 22 Business combination                         | 147 |
| 23 Interests in other entities                  | 148 |
| 24 Summary of significant accounting policies   | 150 |
| 25 Critical accounting estimates and judgements | 163 |

## BASIS OF PREPARATION

### 01 Basis of preparation

The financial statements cover the consolidated group comprising Fortescue Metals Group Ltd (the Company) and its subsidiaries, together referred to as Fortescue or the Group. The Company is a for-profit company limited by shares and incorporated in Australia, whose shares are publicly traded on the Australian Stock Exchange.

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), including Australian Interpretations, and the *Corporations Act 2001*.

#### (a) Compliance with IFRS

The financial statements of the Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

#### (b) Historical cost convention

The financial statements have been prepared under the historical cost convention, except for certain financial instruments, which have been measured at fair value.

#### (c) Functional and presentation currency

The financial statements are presented in United States dollars, which is the Group's reporting currency and the functional currency of the Company and the majority of its significant subsidiaries.

#### (d) Critical accounting estimates

The preparation of financial statements requires management to use estimates, judgements and assumptions. Application of different assumptions and estimates may have a significant impact on Fortescue's net assets and financial results. Estimates and assumptions are reviewed on an ongoing basis and are based on the latest available information at each reporting date. Actual results may differ from the estimates.

The areas involving a higher degree of judgement and complexity, or areas where assumptions are significant to the financial statements are:

- Iron ore reserve estimates
- Exploration and evaluation expenditure - recoverable amount
- Development expenditure - recoverable amount
- Property, plant and equipment - recoverable amount
- Rehabilitation estimates
- Revenue
- Joint arrangements
- Fair value measurement of financial assets.

The accounting estimates and judgements applied to these areas are disclosed in note 25.

#### (e) Rounding of amounts

All amounts in the financial statements have been rounded to the nearest million dollars, except as indicated, in accordance with the ASIC Corporations Instrument 2016/191.

## Notes to the consolidated financial statements

For the year ended 30 June 2023

# FINANCIAL PERFORMANCE

## 02 Segment information

Fortescue's chief operating decision-makers are identified as the Chief Executive Officer of Fortescue Metals and the Chief Executive Officer of Fortescue Energy, and its segments are identified based on the internal reports that are reviewed and used by the Chief Executive Officers in assessing performance and determining the allocation of resources. The following operating segments have been identified:

- **Metals:** Exploration, development, production, processing, sale and transportation of iron ore, and the exploration for other minerals.
- **Energy:** Undertaking activities in the global development of green electricity, green hydrogen and green ammonia projects. FFI is included within the Energy segment.

The scope of the operating segments has been modified following the changes in management responsibilities in 2023. Energy segment now includes WAE Technologies Ltd (Fortescue WAE, formerly Williams Advanced Engineering Ltd) which was previously included in the Metals segment. Accordingly, the comparative period 30 June 2022 in (a) and (b) below has been restated to reflect the change in segment structure.

Corporate includes cash, debt and tax balances which are managed at a Group level, together with other corporate activities. Corporate is not considered to be an operating segment and includes activities that are not allocated to other operating segments.

Transfer prices between segments are set on an arm's length basis in a manner similar to transactions with third parties. Where segment revenue, expenses and results include transfers between segments, those transfers are eliminated on consolidation and are not considered material.

### (a) Underlying EBITDA

Fortescue uses underlying EBITDA defined as earnings before interest, tax, depreciation and amortisation, exploration, development and other expenses, and impairment expense, as a key measure of its financial performance. The reconciliation of underlying EBITDA to the net profit after tax is presented below. The segment information is prepared in conformity with the Group's accounting policies.

|                                    | Note  | Metals        |               | Energy        |               | Corporate     |               | Consolidated  |               |
|------------------------------------|-------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                                    |       | 2023<br>US\$m | 2022<br>US\$m | 2023<br>US\$m | 2022<br>US\$m | 2023<br>US\$m | 2022<br>US\$m | 2023<br>US\$m | 2022<br>US\$m |
| Revenue from external customers    | 3     | 16,764        | 17,364        | 107           | 26            | –             | –             | 16,871        | 17,390        |
| <b>Underlying EBITDA</b>           |       | <b>10,545</b> | <b>11,158</b> | <b>(617)</b>  | <b>(396)</b>  | <b>35</b>     | <b>(201)</b>  | <b>9,963</b>  | <b>10,561</b> |
| Depreciation and amortisation      | 5,6   |               |               |               |               |               |               | (1,744)       | (1,528)       |
| Finance income                     | 7     |               |               |               |               |               |               | 149           | 14            |
| Finance expense                    | 7     |               |               |               |               |               |               | (275)         | (174)         |
| Exploration, development and other | 6     |               |               |               |               |               |               | (170)         | (27)          |
| Impairment expense                 | 6     |               |               |               |               |               |               | (1,037)       | –             |
| Income tax expense                 | 14(a) |               |               |               |               |               |               | (2,090)       | (2,649)       |
| <b>Net profit after tax</b>        |       |               |               |               |               |               |               | <b>4,796</b>  | <b>6,197</b>  |

## Notes to the consolidated financial statements

For the year ended 30 June 2023

# FINANCIAL PERFORMANCE

## 02 Segment information (continued)

### (b) Segment assets and liabilities

|                | Metals        |               | Energy        |               | Corporate     |               | Consolidated  |               |
|----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                | 2023<br>US\$m | 2022<br>US\$m | 2023<br>US\$m | 2022<br>US\$m | 2023<br>US\$m | 2022<br>US\$m | 2023<br>US\$m | 2022<br>US\$m |
| Segment assets | 22,748        | 22,327        | 819           | 453           | 4,651         | 5,595         | 28,218        | 28,375        |

### (c) Geographical information

Fortescue operates predominantly in the geographical location of Australia, and this is the location of the vast majority of the Group's assets. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

|   | 2023<br>US\$m | 2022<br>US\$m |
|---|---------------|---------------|
| <b>Revenues from external customers</b> |               |               |
| China                                   | 15,015        | 15,290        |
| Other                                   | 1,856         | 2,100         |
|   | <b>16,871</b> | <b>17,390</b> |

### (d) Major customer information

Revenue from the two largest customers amounted to US\$1,793 million and US\$1,206 million respectively (2022: US\$1,807 million and US\$1,279 million), arising from the sale of iron ore and the related shipment of product.

## Notes to the consolidated financial statements

For the year ended 30 June 2023

### FINANCIAL PERFORMANCE

#### 03 Operating sales revenue

|   | 2023<br>US\$m | 2022<br>US\$m |
|---|---------------|---------------|
| Iron ore revenue  | 15,482        | 16,227        |
| Provisional pricing adjustments - iron ore                  | (164)         | (834)         |
| <b>Total iron ore revenue<sup>1</sup></b>                   | <b>15,318</b> | 15,393        |
| Shipping revenue  | 1,386         | 1,858         |
| Provisional pricing adjustments - shipping revenue          | (30)          | 61            |
| <b>Total shipping revenue<sup>1</sup></b>                   | <b>1,356</b>  | 1,919         |
| Manufacturing and engineering services revenue <sup>2</sup> | 106           | 26            |
| Other revenue <sup>3</sup>                                  | 91            | 52            |
| <b>Operating sales revenue</b>                              | <b>16,871</b> | 17,390        |

<sup>1</sup>Certain sales contracts are provisionally priced at the initial revenue recognition (bill of lading) date, with the final settlement price based on a pre-determined quotation period. Operating sales revenue from these contracts each comprise two parts:

- (i) Iron ore revenue and shipping revenue recognised at the bill of lading date at current prices; and
- (ii) Provisional pricing adjustments which represent any difference between the revenue recognised at the bill of lading date and the final settlement price.

Shipping revenue and the provisional pricing adjustments to shipping revenue are recognised over the period during which the shipping service has been provided.

<sup>2</sup>Manufacturing and engineering services revenue are recognised on a percentage of completion basis.

<sup>3</sup>Other revenue includes towage services provided by Fortescue which is recognised as performed.

#### 04 Other income

|                           | 2023<br>US\$m | 2022<br>US\$m |
|---------------------------|---------------|---------------|
| Net foreign exchange gain | 48            | -             |
| Other                     | 5             | 11            |
|                           | <b>53</b>     | 11            |

#### 05 Cost of sales

|  | 2023<br>US\$m | 2022<br>US\$m |
|--|---------------|---------------|
| Mining and processing costs                  | 2,856         | 2,539         |
| Rail costs                                   | 266           | 243           |
| Port costs                                   | 251           | 219           |
| Shipping costs                               | 1,455         | 1,976         |
| Government royalty                           | 1,124         | 1,130         |
| Depreciation and amortisation                | 1,708         | 1,474         |
| Manufacturing and engineering services costs | 76            | 20            |
| Other operating expenses                     | 81            | 48            |
|  | <b>7,817</b>  | 7,649         |

Total employee benefits expense included in cost of sales, research expenditure and administration expenses is US\$1,711 million (2022: US\$1,433 million).



## Notes to the consolidated financial statements

For the year ended 30 June 2023

# FINANCIAL PERFORMANCE

## 06 Other expenses

|  | 2023<br>US\$m | 2022<br>US\$m |
|--|---------------|---------------|
| Administration expenses                    | 288           | 204           |
| Research expenditure <sup>1</sup>          | 553           | 354           |
| Impairment expense <sup>2</sup>            | 1,037         | –             |
| Exploration, development and other         | 170           | 27            |
| Depreciation and amortisation              | 36            | 54            |
| Fair value change in financial instruments | 3             | 10            |
| Net foreign exchange loss                  | –             | 103           |
|  | <b>2,087</b>  | <b>752</b>    |

<sup>1</sup> Research expenditure comprises of FFI research expenditures.

<sup>2</sup> Impairment expense relates to the impairment of the Iron Bridge CGU as described in note 12(a).

## 07 Finance income and finance expenses

|  | 2023<br>US\$m | 2022<br>US\$m |
|--|---------------|---------------|
| <b>Finance income</b>                                |               |               |
| Interest income                                      | 149           | 14            |
|  | <b>149</b>    | <b>14</b>     |
| <b>Finance expenses</b>                              |               |               |
| Interest expense on borrowings and lease liabilities | 228           | 150           |
| Loss on early debt redemption                        | 2             | –             |
| Other  | 45            | 24            |
|  | <b>275</b>    | <b>174</b>    |

## 08 Earnings per share

| (a) Earnings per share  | 2023<br>cents | 2022<br>cents |
|---|---------------|---------------|
| Basic   | 156.0         | 201.4         |
| Diluted   | 155.7         | 201.0         |
| (b) Reconciliation of earnings used in calculating earnings per share   | US\$m         | US\$m         |
| Net profit attributable to the ordinary equity holders of the Company used in calculating basic and diluted earnings per share      | 4,798         | 6,197         |
| (c) Weighted average number of shares used as denominator   | Number        | Number        |
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share                          | 3,075,997,351 | 3,076,669,539 |
| <b>Adjustments for calculation of diluted earnings per share:</b>   |               |               |
| Potential ordinary shares   | 5,793,933     | 6,284,729     |
| Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share | 3,081,791,284 | 3,082,954,268 |

### (d) Information on the classification of securities

Share rights granted to employees under the Fortescue incentive plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. Details relating to the share rights are set out in note 18.

Overview

Operating and financial review

Ore Reserves and Mineral Resources

Our approach to sustainability

Corporate governance

Our approach to climate change

Directors' report  
Remuneration Report

Financial report

Corporate directory

## Notes to the consolidated financial statements

For the year ended 30 June 2023

### CAPITAL MANAGEMENT

#### 09 Capital management

Fortescue's capital management policy supports its strategic objectives and provides a framework to maintain a strong capital structure to deliver consistent returns to its shareholders as well as invest in future developments and expansion of the business.

Fortescue's capital includes total equity and net debt. Net debt is defined as borrowings and lease liabilities less cash and cash equivalents.

|  | Note | 2023<br>US\$m | 2022<br>US\$m |
|--|------|---------------|---------------|
| Borrowings   | 9(a) | 4,587         | 5,348         |
| Lease liabilities                                    | 9(a) | 734           | 755           |
| Cash and cash equivalents                            | 9(b) | (4,287)       | (5,224)       |
| <b>Net debt</b>                                      |      | <b>1,034</b>  | <b>879</b>    |
| Equity attributable to equity holders of the Company |      | 17,989        | 17,337        |
| Non-controlling interest                             |      | 9             | 8             |
| <b>Total equity</b>                                  |      | <b>17,998</b> | <b>17,345</b> |

Capital management involves a continuous process of:

- Evaluating capital requirements against the risks arising from Fortescue's activities and its operating environment
- Raising, refinancing and repaying debt
- Development, maintenance and implementation of the dividend policy.

Fortescue has developed target ranges for a number of financial indicators. These indicators include gearing, net gearing, debt to underlying EBITDA and interest coverage ratio, and are monitored together with a number of other financial and non-financial indicators. Target ranges for the financial ratios may vary upon the investment and commodity cycles. During periods of intensive investment, for example expansion programs or a commodity downturn, the capital management policy contemplates interim ratio levels returning to a targeted longer term level. Interim levels acknowledge and consider the requirements, in certain circumstances, for remedial actions to be taken.

As per previous disclosures, Fortescue has a share buy-back program in place that is an important part of the capital management strategy. The program was put in place in 2018 and was extended in October 2020 for an unlimited duration.

## Notes to the consolidated financial statements

For the year ended 30 June 2023

# CAPITAL MANAGEMENT

## 09 Capital management (continued)

### (a) Borrowings and lease liabilities

|   | 2023<br>US\$m | 2022<br>US\$m |
|---|---------------|---------------|
| Senior unsecured notes                                    | 36            | 41            |
| Green senior unsecured notes                              | 14            | 15            |
| Syndicated term loan                                      | 9             | 10            |
| Lease liabilities   | 106           | 107           |
| <b>Total current borrowings and lease liabilities</b>     | <b>165</b>    | <b>173</b>    |
| Senior unsecured notes                                    | 2,774         | 3,519         |
| Green senior unsecured notes                              | 788           | 787           |
| Syndicated term loan                                      | 966           | 976           |
| Lease liabilities   | 628           | 648           |
| <b>Total non-current borrowings and lease liabilities</b> | <b>5,156</b>  | <b>5,930</b>  |
| <b>Total borrowings and lease liabilities</b>             | <b>5,321</b>  | <b>6,103</b>  |

#### (i) Senior unsecured and green senior unsecured notes

In May 2023, Fortescue repaid its US\$750 million 2024 senior unsecured notes from its cash on hand.

As at 30 June 2023, the Company had the following senior unsecured notes on issue:

| Date of issue  | Date of maturity | Non-call period | Face value<br>US\$m | Carrying value<br>US\$m | Coupon rate % | Currency |
|----------------|------------------|-----------------|---------------------|-------------------------|---------------|----------|
| September 2019 | September 2027   | 8 years         | 600                 | 605                     | 4.500%        | USD      |
| March 2021     | April 2031       | 10 years        | 1,500               | 1,503                   | 4.375%        | USD      |
| April 2022     | April 2030       | 8 years         | 700                 | 702                     | 5.875%        | USD      |
| April 2022     | April 2032       | 10 years        | 800                 | 802                     | 6.125%        | USD      |
|                |                  |                 | <b>3,600</b>        | <b>3,612</b>            |               |          |

Fortescue's listed debt instruments are classified as level 1 financial instruments in the fair value hierarchy with their fair values based on quoted market prices at the end of the reporting period. Refer to note 11(d).

#### (ii) Syndicated term loan

The syndicated term loan matures in June 2026, and as at 30 June 2023 had a carrying value of US\$975 million (30 June 2022: US\$986 million) with a coupon rate linked to Secured Overnight Financing Rate (SOFR) plus a fixed margin. The reference rate was amended from LIBOR to SOFR on 5 October 2022; other repayment terms remain unchanged. The facility has principal repayment of 1 per cent per annum with early repayment of the facility at Fortescue's option without penalty.

An additional syndicated term loan facility was executed in December 2022 to the value of US\$500 million, being available to draw until December 2023. If drawn, interest would accrue based on a variable rate linked to SOFR plus a fixed margin, with the principal due at maturity date of June 2027. This syndicated term loan facility was undrawn as at 30 June 2023.

## Notes to the consolidated financial statements

For the year ended 30 June 2023

### CAPITAL MANAGEMENT

#### 09 Capital management (continued)

##### (a) Borrowings and lease liabilities (continued)

###### (iii) Revolving credit facility

The revolving credit facility has a maturity date on 28 July 2025, until which date, the US\$1,025 million facility remains undrawn at 30 June 2023 and 30 June 2022. On 5 October 2022, the Company completed a single amendment to the facility's reference rate, other repayment terms remained unchanged. The revolving credit facility was indexed to LIBOR and under the amendment, the reference rate changed to SOFR. If drawn, interest accrues based on a variable rate linked to SOFR plus a fixed margin and is payable at the end of the interest period selected (either one, two, three or six months), with the principal due at maturity.

###### (iv) Lease liabilities

The Group enters into contractual arrangements for the leases of mining equipment, vehicles, buildings and other assets. Typically, the duration of these contracts is for periods of between 2 and 5 years, some of which include extension options and are recognised within lease liabilities.

|  | 2023<br>US\$m | 2022<br>US\$m |
|--|---------------|---------------|
| Expense relating to short-term leases  | 176           | 195           |
| Expense relating to leases of low-value assets that are not shown above as short-term leases     | 4             | 2             |
| Expense relating to variable lease payments not included in the measurement of lease liabilities | 133           | 101           |
| Future cash flows from leases not yet commenced  | 58            | 61            |

###### (v) Summary of movements in borrowings and lease liabilities

|                                | Senior<br>unsecured<br>notes<br>US\$m | Green senior<br>unsecured<br>notes<br>US\$m | Syndicated<br>term loan<br>US\$m | Lease<br>liabilities<br>US\$m | Total<br>US\$m |
|--------------------------------|---------------------------------------|---|----------------------------------|-------------------------------|----------------|
| Balance at 1 July 2021         | 2,855                                 | –   | 587                              | 810                           | 4,252          |
| Additions                      | 700                                   | 800   | 400                              | 141                           | 2,041          |
| Interest expense               | 144                                   | 11  | 22                               | 50                            | 227            |
| Payments                       | (132)                                 | –   | (22)                             | (206)                         | (360)          |
| Transaction costs              | (7)                                   | (9)   | (1)                              | –                             | (17)           |
| Foreign exchange gain          | –                                     | –   | –                                | (40)                          | (40)           |
| Balance at 30 June 2022        | 3,560                                 | 802   | 986                              | 755                           | 6,103          |
| Additions                      | –                                     | –   | –                                | 139                           | 139            |
| Interest expense               | 173                                   | 50  | 59                               | 58                            | 340            |
| Payments                       | (925)                                 | (50)  | (66)                             | (201)                         | (1,242)        |
| Transaction costs              | 2                                     | –   | (4)                              | –                             | (2)            |
| Foreign exchange gain          | –                                     | –   | –                                | (17)                          | (17)           |
| <b>Balance at 30 June 2023</b> | <b>2,810</b>                          | <b>802</b>                                  | <b>975</b>                       | <b>734</b>                    | <b>5,321</b>   |

Information about Fortescue's exposure to interest rate risk and foreign exchange rate risk is disclosed in note 11.

## Notes to the consolidated financial statements

For the year ended 30 June 2023

# CAPITAL MANAGEMENT

## 09 Capital management (continued)

### (b) Cash and cash equivalents

|                     | 2023<br>US\$m | 2022<br>US\$m |
|---------------------|---------------|---------------|
| Cash at bank        | 2,693         | 2,636         |
| Short term deposits | 1,594         | 2,588         |
|                     | <b>4,287</b>  | 5,224         |

Cash and cash equivalents do not have any restrictions by contractual or legal arrangements.

### (c) Cash flow information

#### Reconciliation of net profit after tax to net cash inflow from operating activities

|   | 2023<br>US\$m | 2022<br>US\$m |
|---|---------------|---------------|
| Net profit after tax                              | 4,796         | 6,197         |
| Depreciation and amortisation                     | 1,744         | 1,528         |
| Impairment expense                                | 1,037         | –             |
| Exploration, development and other                | 170           | 27            |
| Share-based payment expense                       | 148           | 128           |
| Net unrealised foreign exchange loss              | 6             | 248           |
| Rehabilitation expenditure                        | (22)          | (8)           |
| Depreciation in inventory                         | 31            | 97            |
| Equity accounted investments                      | 15            | (16)          |
| Other non-cash items                              | (103)         | (135)         |
| <b>Working capital adjustments:</b>               |               |               |
| Decrease in payables                              | (1)           | (407)         |
| (Increase) / decrease in receivables              | (60)          | 277           |
| Increase in inventories                           | (94)          | (330)         |
| Increase in other assets                          | (18)          | (4)           |
| (Decrease) / increase in deferred income          | (2)           | 13            |
| Increase in provisions                            | 72            | 49            |
| Decrease in income taxes payable                  | (20)          | (1,076)       |
| (Decrease) / increase in deferred tax liabilities | (267)         | 58            |
| <b>Net cash inflow from operating activities</b>  | <b>7,432</b>  | 6,646         |

Overview

Operating and  
financial review

Ore Reserves and  
Mineral Resources

Our approach to  
sustainability

Corporate governance

Our approach to  
climate change

Directors' report  
| Remuneration Report

Financial report

Corporate directory

**Notes to the consolidated financial statements**

For the year ended 30 June 2023

**CAPITAL MANAGEMENT****09 Capital management (continued)****(d) Contributed equity***(i) Share capital*

|   | Issued<br>shares     | Treasury<br>shares | Contributed<br>equity | Issued<br>shares | Treasury<br>shares | Contributed<br>equity |
|---|----------------------|--------------------|-----------------------|------------------|--------------------|-----------------------|
|   | Number               | Number             | Number                | US\$m            | US\$m              | US\$m                 |
| At 1 July 2021                                | 3,078,964,918        | (1,660,510)        | 3,077,304,408         | 1,195            | (90)               | 1,105                 |
| Purchase of shares under employee share plans | –                    | (10,861,898)       | (10,861,898)          | –                | (137)              | (137)                 |
| Employee share awards vested                  | –                    | 10,097,122         | 10,097,122            | –                | 85                 | 85                    |
| At 30 June 2022                               | 3,078,964,918        | (2,425,286)        | 3,076,539,632         | 1,195            | (142)              | 1,053                 |
| Purchase of shares under employee share plans | –                    | (12,941,756)       | (12,941,756)          | –                | (151)              | (151)                 |
| Employee share awards vested                  | –                    | 12,288,513         | 12,288,513            | –                | 142                | 142                   |
| <b>At 30 June 2023</b>                        | <b>3,078,964,918</b> | <b>(3,078,529)</b> | <b>3,075,886,389</b>  | <b>1,195</b>     | <b>(151)</b>       | <b>1,044</b>          |

*(ii) Issued shares*

Issued shares are fully paid and entitle the holders to one vote per share and the rights to participate in dividends. Ordinary shares participate in the proceeds on winding up of the Company in proportion to the number of shares held.

*(iii) Treasury shares*

Movements in treasury shares represent acquisition of the Company's shares on market and allocation of shares to the Company's employees from the vesting of awards and exercise of rights under the employee share-based payment plans.

*(iv) Share buy-back program*

During the period, the Company acquired none of its own shares on market under the share buy-back program, which was extended on 10 October 2020 for an unlimited duration. The maximum number of shares which can be bought back is determined periodically by the Company's 10/12 limit, being that a company cannot buy back more than 10 per cent of its voting shares within the span of any 12-month period.

## Notes to the consolidated financial statements

For the year ended 30 June 2023

# CAPITAL MANAGEMENT

## 09 Capital management (continued)

### (e) Dividends

#### (i) Dividends paid during the year

|  | 2023<br>US\$m | 2022<br>US\$m |
|--|---------------|---------------|
| Final fully franked dividend for the year ended 30 June 2022: A\$1.21 per share (30 June 2021: A\$2.11 per share)                | 2,591         | 4,712         |
| Interim fully franked dividend for the half-year ended 31 December 2022: A\$0.75 per share (31 December 2021: A\$0.86 per share) | 1,608         | 1,884         |
|  | <b>4,199</b>  | <b>6,596</b>  |

#### (ii) Dividends declared and not recognised as a liability

|   | 2023<br>US\$m | 2022<br>US\$m |
|---|---------------|---------------|
| Final fully franked dividend: A\$1.00 per share (2022: A\$1.21 per share) | 1,975         | 2,591         |

#### (iii) Franking credits

|  | 2023<br>A\$m | 2022<br>A\$m |
|--|--------------|--------------|
| Franking credit account balance at the end of the financial year at 30% (2022: 30%)                | 6,183        | 5,346        |
| Franking credits that will arise from the payment of current tax payable as at the end of the year | 431          | 376          |
| Franking debits that will arise from the payment of the final dividend for the year                | (1,320)      | (1,597)      |
|  | <b>5,294</b> | <b>4,125</b> |

## 10 Working capital

### (a) Trade and other receivables

|                                  | 2023<br>US\$m | 2022<br>US\$m |
|----------------------------------|---------------|---------------|
| Trade debtors                    | 331           | 362           |
| GST receivables                  | 68            | 35            |
| Other receivables                | 121           | 71            |
| <b>Total current receivables</b> | <b>520</b>    | <b>468</b>    |

Overview

Operating and  
financial review

Ore Reserves and  
Mineral Resources

Our approach to  
sustainability

Corporate governance

Our approach to  
climate change

Directors' report  
| Remuneration Report

Financial report

Corporate directory

## Notes to the consolidated financial statements

For the year ended 30 June 2023

### CAPITAL MANAGEMENT

#### 10 Working capital (continued)

##### (a) Trade and other receivables (continued)

Iron ore trade receivables with embedded derivatives for provisional pricing are measured at fair value through profit or loss under AASB 9 *Financial Instruments*. The remaining trade and other receivables are recognised at amortised cost using the effective interest method, less an allowance for impairment.

The Group applies the expected credit loss model to all receivables not held at fair value through profit or loss. A provision for doubtful receivables is established based on the expected credit loss model and reviewed on an ongoing basis. Expected credit losses on trade and other receivables held at amortised cost are insignificant and no provision has been recognised at 30 June 2023 (2022: nil).

The carrying value of the receivables approximates their fair value. Information about Fortescue's exposure to foreign currency risk, interest rate risk and price risk pertaining to the trade and other receivables balances is disclosed in note 11.

Disclosures relating to receivables from related parties are set out in note 17.

##### (b) Trade and other payables

|                               | 2023<br>US\$m | 2022<br>US\$m |
|-------------------------------|---------------|---------------|
| Trade payables                | 984           | 927           |
| Royalty accrual               | 346           | 378           |
| Other payables                | 152           | 179           |
| <b>Total current payables</b> | <b>1,482</b>  | 1,484         |

##### (c) Inventories

|  | 2023<br>US\$m | 2022<br>US\$m |
|--|---------------|---------------|
| Iron ore stockpiles                              | 786           | 705           |
| Warehouse stores, materials and work in progress | 403           | 379           |
| <b>Total current inventories</b>                 | <b>1,189</b>  | 1,084         |
| Iron ore stockpiles                              | 458           | 469           |
| <b>Total non-current inventories</b>             | <b>458</b>    | 469           |

Iron ore stockpiles, warehouse stores, materials and work in progress are stated at cost. Inventories expensed through cost of sales, including depreciation, during the year ended 30 June 2023 amounted to US\$5,157 million (2022: US\$4,495 million). During the year, inventory write-offs of US\$35 million (2022: US\$15 million) were recognised in relation to specific items of warehouse stores and materials that were identified as obsolete.



## Notes to the consolidated financial statements

For the year ended 30 June 2023

# CAPITAL MANAGEMENT

## 10 Working capital (continued)

### (d) Deferred income

|   | 2023<br>US\$m | 2022<br>US\$m |
|---|---------------|---------------|
| Deferred revenue - Iron ore sales                         | 61            | 55            |
| Deferred revenue - Manufacturing and engineering services | 10            | 25            |
| <b>Total current deferred income</b>                      | <b>71</b>     | <b>80</b>     |
| Deferred revenue - Infrastructure                         | 21            | 21            |
| Deferred income - Government grants                       | 7             | -             |
| <b>Total non-current deferred income</b>                  | <b>28</b>     | <b>21</b>     |

## 11 Financial risk management

Fortescue is exposed to a range of financial risks, including market risk, credit risk and liquidity risk. Fortescue has established a risk management framework that provides a structured approach to the identification and control of risks across the business, sets the appropriate risk tolerance levels and incorporates active management of financial risks. The risk management framework has been approved by the Board of Directors, through the Audit, Risk Management and Sustainability Committee. The day-to-day management responsibility for execution of the risk management framework has been delegated to the Metals CEO and Metals CFO. Periodically, the Metals CFO reports to the Audit, Risk Management and Sustainability Committee on risk management performance, including management of financial risks.

The key elements of financial risk are further explained below.

### (a) Market risk

Market risk arises from Fortescue's exposure to commodity price risk and the use of interest bearing and foreign currency financial instruments. It is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in iron ore (commodity price risk), interest rates (interest rate risk) or foreign exchange rates (foreign currency exchange risk).

#### (i) Commodity price risk

Fortescue is exposed to commodity price risk, as its iron ore sales are predominantly subject to prevailing market prices. Fortescue does not directly influence market prices of iron ore and manages the commodity price risk through a focus on improving its cash margins and strengthening its corporate balance sheet through refinancing and early debt repayments.

The majority of Fortescue's iron ore sales contracts are structured on a provisional pricing basis, with the final sales price determined using the iron ore price indices on or after the vessel's arrival to the port at discharge. The estimated consideration in relation to the provisionally priced contracts is marked to market using the spot iron ore price at the end of each reporting period, with the impact of the iron ore price movements recorded as provisional pricing adjustments to revenue. At 30 June 2023, Fortescue had 2.6 million tonnes of iron ore sales (2022: 2.4 million tonnes) that remained subject to provisional pricing, with the final price to be determined in the following financial year.

A three per cent movement in the realised iron ore price on these provisionally priced sales would have an impact on the Group's profit of US\$6 million (2022: 10 per cent movement would have an impact on the Group's profit of US\$18 million), before the impact of taxation. This analysis assumes all other factors, including the foreign currency exchange rates, are held constant.

## Notes to the consolidated financial statements

For the year ended 30 June 2023

### CAPITAL MANAGEMENT

#### 11 Financial risk management (continued)

##### (a) Market risk (continued)

##### (ii) Interest rate risk

The Group's interest rate risk arises from variable rates on the syndicated term loan, the revolving credit facility to the extent it is drawn, and the lease liabilities relating to the ore carriers. Changes in rates applicable to the short-term deposits forming part of cash and cash equivalents also give rise to interest rate risk.

Fortescue's policy is to reduce interest rate risk over the cash flows on its long-term debt funding through the use of fixed rate instruments whenever appropriate.

Fortescue's variable rate financial assets and liabilities at the end of the financial year are summarised below:

|                           | Note | 2023<br>US\$m | 2022<br>US\$m |
|---------------------------|------|---------------|---------------|
| Cash and cash equivalents | 9(b) | 2,693         | 2,636         |
| Syndicated term loan      | 9(a) | (975)         | (986)         |
| Lease liabilities         |      | (294)         | (320)         |
|                           |      | <b>1,424</b>  | 1,330         |

Management analyses the Group's interest rate exposure on a regular basis by simulating various scenarios which take into consideration refinancing, renewal of existing positions, alternative financing options and hedging.

A change of 50 basis points in interest rates in variable instruments would have an impact on the Group's profit of US\$7 million (2022: a change of 100 basis points would impact profit by US\$13 million), before the impact of taxation.

This analysis assumes that all other factors remain constant, including foreign currency rates.

##### (iii) Foreign currency exchange risk

Fortescue operates in Australia with a significant portion of its operating costs and capital expenditure incurred and paid in Australian dollars and, as such, is exposed to the movements in the Australian dollar exchange rate.

Fortescue's risk management policy is to target specific levels at which to convert United States dollars to Australian dollars by entering into either spot or short-term forward exchange contracts or structured foreign currency option arrangements (i.e. collars) to fix a portion of the Group's Australian dollar exposure to within a Board-approved range. The Group has not applied hedge accounting to any of these contracts during the year.

## Notes to the consolidated financial statements

For the year ended 30 June 2023

# CAPITAL MANAGEMENT

## 11 Financial risk management (continued)

### (a) Market risk (continued)

#### (iii) Foreign currency exchange risk (continued)

The carrying amounts of the financial assets and liabilities denominated in Australian dollars and Chinese Yuan (CNY) (expressed in US dollars), are set out below:

|                                    | AUD denominated |               | CNY denominated |               |
|------------------------------------|-----------------|---------------|-----------------|---------------|
|                                    | 2023<br>US\$m   | 2022<br>US\$m | 2023<br>US\$m   | 2022<br>US\$m |
| <b>Financial assets</b>            |                 |               |                 |               |
| Cash and cash equivalents          | 945             | 1,506         | 436             | 218           |
| Trade and other receivables        | 201             | 83            | -               | -             |
| Other financial assets             | 72              | 10            | -               | -             |
| <b>Total financial assets</b>      | <b>1,218</b>    | <b>1,599</b>  | <b>436</b>      | <b>218</b>    |
| <b>Financial liabilities</b>       |                 |               |                 |               |
| Borrowings and lease liabilities   | 392             | 390           | -               | -             |
| Trade and other payables           | 891             | 858           | 13              | 71            |
| Current tax payable                | 304             | 284           | -               | -             |
| <b>Total financial liabilities</b> | <b>1,587</b>    | <b>1,532</b>  | <b>13</b>       | <b>71</b>     |

A change of two per cent in the Australian dollar exchange rate would have a net impact on the Group's profit of US\$7 million (2022: a change of two per cent would have an impact of US\$1 million), before the impact of taxation. A change of two per cent in the Chinese Yuan exchange rate would have a net impact on the Group's profit of US\$8 million (2022: a change of two per cent would have an impact of US\$2 million), before the impact of taxation. This analysis assumes that all other variables, including interest rates and iron ore price, remain constant.

### (b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to Fortescue and is managed on a consolidated basis. Credit risk arises from cash and cash equivalents, deposits with banks, and financial institutions and receivables from customers.

Contracts for iron ore sales allow for pricing mechanisms in which the price can be finalised over multiple periods. On this basis, the Group does not consider in the first instance that the ageing of receivables is an indicator of risk of default, rather an indication of the contractual terms and conditions agreed within the sales contract.

The Group's exposure to customer credit risk for trade receivables other than iron ore trade receivables is influenced mainly by the individual characteristics of each customer. Contracts for iron ore sales are completed under a Letter of Credit. New customers are analysed individually for creditworthiness, taking into account credit ratings where available, previous trading experience and other factors. In monitoring customer credit risk, customers are assessed individually by their debtor ageing profile. Monitoring of receivable balances on an ongoing basis minimises the exposure to bad debts. Historically, bad debt write-offs have been insignificant.

At 30 June 2023, the Group had US\$2 million (2022: US\$4 million) of trade receivables which have not been settled within the normal terms and conditions agreed with the customer. The Group applies a forward-looking expected credit loss model. To measure the expected credit losses, these trade receivables have been grouped based on shared credit risk characteristics. Fortescue allocates each group of trade receivables to a credit risk grade based on data that is determined to be predictive of the risk of loss including but not limited to external ratings and available press information about customers. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit rating definitions from agencies. The Group assesses expected credit losses by considering the risk of default modified for credit enhancements such as letters of credit obtained. On this basis the resulting expected credit loss on trade receivables is not material.

## Notes to the consolidated financial statements

For the year ended 30 June 2023

### CAPITAL MANAGEMENT

#### 11 Financial risk management (continued)

##### (b) Credit risk (continued)

Fortescue has not recognised any bad debt expense from trading counterparties in the years ended 30 June 2023 and 30 June 2022.

The exposure to the credit risk from cash and short-term deposits held in banks is managed by the Group's treasury department and monitored by the Metals CFO. Fortescue minimises the credit risks by holding funds with a range of financial institutions with credit ratings approved by the Board.

##### (c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. Fortescue manages liquidity risk by maintaining adequate cash reserves and banking facilities, by continuously monitoring actual and forecast cash flows and by matching the maturity profiles of its assets and liabilities.

The table below analyses Fortescue's financial liabilities into relevant maturity groupings based on the period to the contracted maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

|                               | Less than<br>6 months<br>US\$m | 6 to 12<br>months<br>US\$m | 1 to 2<br>years<br>US\$m | 2 to 5<br>years<br>US\$m | Over<br>5 years<br>US\$m | Total<br>contractual<br>cash flows<br>US\$m | Carrying<br>amount<br>US\$m |
|-------------------------------|--------------------------------|----------------------------|--------------------------|--------------------------|--------------------------|---|-----------------------------|
| <b>30 June 2022</b>           |                                |                            |                          |                          |                          |   |                             |
| Trade and other payables      | 1,768                          | -                          | -                        | -                        | -                        | 1,768                                       | 1,768                       |
| Borrowings                    | 144                            | 134                        | 1,014                    | 1,581                    | 4,247                    | 7,120                                       | 5,348                       |
| Lease liabilities             | 58                             | 57                         | 142                      | 152                      | 346                      | 1,108                                       | 755                         |
| Lease expenditure commitments | 82                             | 78                         | 204                      | 243                      | 501                      | 1,108                                       |                             |
| Effect of discounting         | (24)                           | (21)                       | (62)                     | (91)                     | (155)                    | -   |                             |
|                               | 1,970                          | 191                        | 1,156                    | 1,733                    | 4,593                    | 9,996                                       | 7,871                       |
| <b>30 June 2023</b>           |                                |                            |                          |                          |                          |   |                             |
| Trade and other payables      | 1,786                          | -                          | -                        | -                        | -                        | 1,786                                       | 1,786                       |
| Borrowings                    | 146                            | 136                        | 265                      | 2,167                    | 3,475                    | 6,189                                       | 4,587                       |
| Lease liabilities             | 59                             | 56                         | 98                       | 203                      | 318                      | 1,119                                       | 734                         |
| Lease expenditure commitments | 89                             | 84                         | 149                      | 320                      | 477                      | 1,119                                       |                             |
| Effect of discounting         | (30)                           | (28)                       | (51)                     | (117)                    | (159)                    | -   |                             |
|                               | 1,991                          | 192                        | 363                      | 2,370                    | 3,793                    | 9,094                                       | 7,107                       |

Management monitors rolling forecasts of the Group's cash and overall liquidity position on the basis of expected cash flows.

## Notes to the consolidated financial statements

For the year ended 30 June 2023

# CAPITAL MANAGEMENT

## 11 Financial risk management (continued)

### (d) Fair values

The carrying amounts and estimated fair values of all the Group's financial instruments recognised in the financial statements are materially the same, with the exception of Fortescue's listed debt instruments. The senior unsecured notes are classified as level 1 financial instruments in the fair value hierarchy, with their fair values based on quoted market prices at the end of the financial year, as outlined below.

|                              | 2023           |            | 2022           |            |
|------------------------------|----------------|------------|----------------|------------|
|                              | Carrying value | Fair value | Carrying value | Fair value |
|                              | US\$m          | US\$m      | US\$m          | US\$m      |
| Senior unsecured notes       | 2,810          | 2,504      | 3,560          | 3,145      |
| Green senior unsecured notes | 802            | 760        | 802            | 730        |

The Group enters into derivative financial instruments (foreign currency options and commodity swap contracts) with various counterparties, principally financial institutions with investment-grade credit ratings. It also recognises trade receivables in relation to its provisionally priced iron ore sales contracts at fair value. All derivatives and provisionally priced iron ore trade receivables are valued using valuation techniques which employ the use of market observable inputs, such as foreign exchange spot and forward rates, yield curves of the respective currencies, interest rate curves and forward rate curves of the underlying commodity. Accordingly, these instruments are classified as Level 2. Refer to note 10(a) for the fair value of provisionally priced iron ore trade receivables as at 30 June 2023.

For all fair value measurements and disclosures, the Group uses the following levels to categorise the method used:

**Level 1:** the fair value is calculated using quoted prices in active markets for identical assets and liabilities.

**Level 2:** the fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

**Level 3:** inputs for the asset or liability that are not based on observable market data.

For financial instruments that are carried at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no transfers between levels during the year.

## Notes to the consolidated financial statements

For the year ended 30 June 2023

## KEY BALANCE SHEET ITEMS

## 12 Property, plant and equipment and intangible assets

## (a) Property, plant and equipment

|   | Plant and equipment<br>US\$m | Land and buildings<br>US\$m | Exploration and evaluation<br>US\$m | Assets under development<br>US\$m | Development<br>US\$m | Right of use assets          |                             | Total<br>US\$m |
|---|------------------------------|-----------------------------|-------------------------------------|-----------------------------------|----------------------|------------------------------|-----------------------------|----------------|
|   |                              |                             |                                     |                                   |                      | Plant and equipment<br>US\$m | Land and buildings<br>US\$m |                |
| <b>Net carrying value</b>                                       |                              |                             |                                     |                                   |                      |                              |                             |                |
| At 1 July 2021  | 10,117                       | 641                         | 653                                 | 3,214                             | 3,823                | 837                          | 102                         | 19,387         |
| Transfers of assets   | 671                          | 10                          | (29)                                | (749)                             | 43                   | -                            | -                           | (54)           |
| Additions   | 4                            | -                           | 139                                 | 2,696                             | -                    | 121                          | 20                          | 2,980          |
| Disposals and write-offs  | (6)                          | -                           | (5)                                 | (3)                               | (2)                  | (19)                         | -                           | (35)           |
| Depreciation  | (1,115)                      | (67)                        | -                                   | -                                 | (278)                | (117)                        | (12)                        | (1,589)        |
| Changes in restoration and rehabilitation estimate <sup>1</sup> | -                            | -                           | -                                   | -                                 | (37)                 | -                            | -                           | (37)           |
| Other   | -                            | -                           | -                                   | (1)                               | (1)                  | -                            | -                           | (2)            |
| At 30 June 2022   | 9,671                        | 584                         | 758                                 | 5,157                             | 3,548                | 822                          | 110                         | 20,650         |
| Cost  | 19,052                       | 1,199                       | 758                                 | 5,157                             | 5,668                | 1,285                        | 137                         | 33,256         |
| Accumulated depreciation  | (9,381)                      | (615)                       | -                                   | -                                 | (2,120)              | (463)                        | (27)                        | (12,606)       |
| <b>Net carrying value</b>                                       |                              |                             |                                     |                                   |                      |                              |                             |                |
| At 1 July 2022  | 9,671                        | 584                         | 758                                 | 5,157                             | 3,548                | 822                          | 110                         | 20,650         |
| Transfers of assets   | 1,662                        | 85                          | (2)                                 | (2,083)                           | 267                  | -                            | -                           | (71)           |
| Additions   | 11                           | 1                           | 159                                 | 2,831                             | -                    | 85                           | 56                          | 3,143          |
| Disposals and write-offs  | (46)                         | -                           | (100)                               | -                                 | -                    | -                            | -                           | (146)          |
| Depreciation  | (1,224)                      | (59)                        | -                                   | -                                 | (298)                | (142)                        | (16)                        | (1,739)        |
| Impairment expense  | -                            | -                           | -                                   | (1,037)                           | -                    | -                            | -                           | (1,037)        |
| Changes in restoration and rehabilitation estimate <sup>1</sup> | -                            | -                           | -                                   | -                                 | 171                  | -                            | -                           | 171            |
| Other   | -                            | -                           | -                                   | 8                                 | (5)                  | -                            | -                           | 3              |
| <b>At 30 June 2023</b>  | <b>10,074</b>                | <b>611</b>                  | <b>815</b>                          | <b>4,876</b>                      | <b>3,683</b>         | <b>765</b>                   | <b>150</b>                  | <b>20,974</b>  |
| Cost net of impairment  | 20,679                       | 1,285                       | 815                                 | 4,876                             | 6,101                | 1,370                        | 193                         | 35,319         |
| Accumulated depreciation  | (10,605)                     | (674)                       | -                                   | -                                 | (2,418)              | (605)                        | (43)                        | (14,345)       |

<sup>1</sup> Refer to note 13(a) for movements in the restoration and rehabilitation provision.

Transfers of assets were made between the categories of property, plant and equipment, intangible assets, exploration and evaluation, development expenditure and right of use assets.

During the year, geology work in Ecuador tenements was put on standby while commercial prioritisation of exploration projects take place. For the year ended 30 June 2023, management determined these tenements are no longer prospective and US\$63 million was written-off for the exploration and evaluation assets.

## KEY BALANCE SHEET ITEMS

### 12 Property, plant and equipment and intangible assets (continued)

#### (a) Property, plant and equipment (continued)

In accordance with the Accounting Standards and internal policies, the Group is required to assess at each reporting date whether there is any indication that its assets may be impaired. In considering impairment, assets are grouped together based on their capability of producing independent cash inflows and are referred to as Cash Generating Units (CGUs). Management has identified the Group has two CGUs; (i) Pilbara Operations comprising existing mining operations, inclusive of Port and Rail; and (ii) Fortescue's assets attributable to its share of the Iron Bridge Unincorporated Joint Venture (Iron Bridge CGU). The carrying amount of each CGU is compared to the CGU's recoverable amount with an impairment loss recognised for the amount by which an assets' carrying amount exceeds its recoverable amount.

During the financial year, the cumulative effect of the events below occurred which management assessed as indicators of impairment in relation to the Iron Bridge CGU:

- An increase in the forecast production costs reflecting a combination of inflationary pressures consistent with that experienced within the industry over the period;
- Increase in discount rates reflecting the increase in the risk-free rate over the period; and
- The extension of the project ramp up to name plate production volumes.

Accordingly, an impairment assessment was completed for the Iron Bridge CGU. In assessing impairment, the Group is required to determine the recoverable amount as the higher of the value in use, being the net present value of expected future cashflows of the CGU in its current condition, and the fair value less cost of disposal (FVLCD). The Group has used the FVLCD approach to assess the recoverable amount of the Iron Bridge CGU.

The FVLCD is based on discounted cashflows using market-based exchange rates, commodity prices, expected pricing premiums, estimated quantities of recoverable resources, production levels, operating costs and capital requirements, and the cost of its eventual disposal, based on CGU budgets and latest Life of Mine (LoM) plans. Where appropriate, the fair value has included probability weighted scenarios in calculating inputs. These cash flows were discounted using a nominal post-tax discount rate that reflected current market assessments of the time value of money and the risks specific to the CGU.

Production outputs, recoverability of resources and operating and capital costs are based on both LoM plans and internal budgets. Mine closure and rehabilitation is based on a combination of internal estimates on disturbance (based on LoM) and independent experts' estimates on fixed infrastructure decommissioning.

The determination of FVLCD for the Iron Bridge CGU is considered to be Level 3 fair value measurements as they are derived from valuation techniques that include inputs that are not based on observable market data. As a result of the recoverable amount analysis, an impairment expense of US\$1,037 million was recognised for the Iron Bridge CGU.

## Notes to the consolidated financial statements

For the year ended 30 June 2023

### KEY BALANCE SHEET ITEMS

#### 12 Property, plant and equipment and intangible assets (continued)

##### (a) Property, plant and equipment (continued)

The table below summarises the key assumptions for the Iron Bridge CGU FVLCD assessment and how they have been determined:

|                                      |  |
|--------------------------------------|--|
| <b>Price for Iron Bridge product</b> | Published third-party forecast prices available for the 65% Fe Index are used as the basis for future Iron Bridge product pricing, with a grade adjustment to 67% Fe, and incorporates an additional long-term premium to reflect product value and increasing demand for energy efficient magnetite product. The pricing is calculated using probability weighted scenarios including any premiums expected.  |
| <b>Operating cost</b>                | Operating cost for the ramp up period is based on a Board approved budget. Upon reaching nameplate capacity, the model estimates a life of mine operating cost excluding shipping and State government royalties of approximately US\$45/wmt (real) attributable to Fortescue (net of fees for port and power services).   |
| <b>Production output</b>             | Board approved ramp up is assumed to be at nameplate capacity of 22mt (wet) for FY26. Production volumes are based on detailed life of mine plans factoring in current resources and reserves, recoverable quantities of ore, environmental and heritage factors.  |
| <b>Exchange rates AUD/USD</b>        | Long term exchange rate of 0.74 is derived with reference to analyst consensus which involves market analysis including equity analyst estimates and internal management estimates.  |
| <b>Discount rates</b>                | In calculating FVLCD, a post-tax nominal discount rate of 9.5% was applied to the post tax cash flows. The discount rate is impacted by the risk-free rate and other benchmark interest rates. The discount rate takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on its interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. |

##### Summary of impairment:

The carrying amount of the Iron Bridge CGU was US\$3,468 million prior to impairment, the recoverable amount was calculated to be US\$2,431 million calculated on a FVLCD method. An impairment expense of US\$1,037 million has been recognised at 30 June 2023 reflecting the differences between the carrying amount and the recoverable amount. The post tax impact of the impairment assessment was US\$726 million.

##### Sensitivity:

The Iron Bridge CGU is highly sensitive to Iron Bridge product prices, changes in discount rate and foreign exchange rate and changes in operating costs. Changes in the key assumptions will impact the recoverability of the CGU. Changes in production ramp up cannot be quantified separately given the interrelationship of various assumptions.

Sensitivities are below:

| Sensitivity scenario                                | Impact (US\$m) |
|---|----------------|
| US\$5/dmt movement in Iron Bridge product price     | 568            |
| 0.5% change in discount rate                        | 150            |
| AUD 1 cent movement in the AUD to USD exchange rate | 101            |
| 1% movement on operating costs                      | 71             |



## Notes to the consolidated financial statements

For the year ended 30 June 2023

### KEY BALANCE SHEET ITEMS

#### 12 Property, plant and equipment and intangible assets (continued)

##### (b) Intangible assets

|   | Note | Goodwill<br>US\$m | Other<br>intangible<br>assets<br>US\$m | Total<br>US\$m |
|---|------|-------------------|--|----------------|
| <b>Net carrying value</b>                       |      |                   |  |                |
| At 1 July 2021                                  |      | -                 | 10                                     | 10             |
| Additions                                       |      | -                 | 30                                     | 30             |
| Transfers                                       |      | -                 | 54                                     | 54             |
| Acquisition of a subsidiary                     | 22   | 199               | -                                      | 199            |
| Amortisation                                    |      | -                 | (36)                                   | (36)           |
| <b>At 30 June 2022</b>                          |      | <b>199</b>        | <b>58</b>                              | <b>257</b>     |
| Cost  |      | 199               | 239                                    | 438            |
| Accumulated amortisation                        |      | -                 | (181)                                  | (181)          |
| <b>Net carrying value</b>                       |      |                   |  |                |
| At 1 July 2022                                  |      | 199               | 58                                     | 257            |
| Transfers                                       |      | -                 | 71                                     | 71             |
| Additions                                       |      | -                 | 25                                     | 25             |
| Disposals                                       |      | -                 | (14)                                   | (14)           |
| Adjustment to subsidiary purchase consideration | 22   | (4)               | -                                      | (4)            |
| Amortisation                                    |      | -                 | (36)                                   | (36)           |
| <b>At 30 June 2023</b>                          |      | <b>195</b>        | <b>104</b>                             | <b>299</b>     |
| Cost  |      | 195               | 321                                    | 516            |
| Accumulated amortisation                        |      | -                 | (217)                                  | (217)          |

In considering impairment, the goodwill recognised from the acquisition of Fortescue WAE by Fortescue is allocated to the CGUs expected to benefit from Fortescue WAE's battery electric technology. Fortescue has allocated the goodwill to its Pilbara Operations CGU reflecting the electrification of its mining and rail fleet.

The Group has considered the recoverability of the goodwill in respect to current and forecast financial performance of the Pilbara Operations CGU and note no indications the goodwill needs to be impaired.

**Notes to the consolidated financial statements**

For the year ended 30 June 2023

**KEY BALANCE SHEET ITEMS****13 Provisions**

|                                     | <b>2023<br/>US\$m</b> | <b>2022<br/>US\$m</b> |
|-------------------------------------|-----------------------|-----------------------|
| Employee benefits                   | 441                   | 370                   |
| Restoration and rehabilitation      | 4                     | 26                    |
| <b>Total current provisions</b>     | <b>445</b>            | 396                   |
| Employee benefits                   | 4                     | 3                     |
| Restoration and rehabilitation      | 1,059                 | 886                   |
| <b>Total non-current provisions</b> | <b>1,063</b>          | 889                   |

**(a) Provision for restoration and rehabilitation**

Movements in the provision for restoration and rehabilitation during the financial year are set out below:

|  | <b>2023<br/>US\$m</b> | <b>2022<br/>US\$m</b> |
|--|-----------------------|-----------------------|
| At 1 July  | 912                   | 958                   |
| Changes in restoration and rehabilitation estimate     | 171                   | (37)                  |
| Unwinding of discount                                  | 2                     | (1)                   |
| Payments for restoration and rehabilitation activities | (22)                  | (8)                   |
| <b>At 30 June</b>                                      | <b>1,063</b>          | 912                   |

The provision for restoration and rehabilitation has been made in full for all disturbed areas at the reporting date based on current cost estimates for rehabilitation and infrastructure removal, discounted to their present value based on expected timing of future cash flows.

Payments for restoration and rehabilitation activities exclude ongoing rehabilitation performed as part of normal operations.

## Notes to the consolidated financial statements

For the year ended 30 June 2023

### TAXATION

#### 14 Taxation

For the year ended 30 June 2023, Fortescue continues to be a signatory to the Board of Taxation's voluntary Tax Transparency Code (TTC). The TTC recommends a number of additional tax disclosures to be publicly available, in two separate parts. The Part A disclosure requirements are addressed in this note.

##### (a) Income tax expense

|  | Consolidated group |               |
|--|--------------------|---------------|
|  | 2023<br>US\$m      | 2022<br>US\$m |
| Current tax  | 2,360              | 2,591         |
| Deferred tax   | (270)              | 58            |
| <b>Income tax expense in the consolidated income statement</b> | <b>2,090</b>       | <b>2,649</b>  |

##### (b) Prima facie income tax expense reconciliation

Fortescue operates in a number of jurisdictions and pays income taxes accordingly. The Company's effective corporate income tax rate is reflective of the statutory corporate income tax rates in each jurisdiction. The majority of the Group's taxes are paid in Australia consistent with the location of its mining operations. The Australian Group includes Fortescue's wholly owned Australian entities.

For the year ended 30 June 2023, the Group's global effective tax rate was 30.4 per cent. This is in line with the Australian corporate tax rate of 30 per cent.

|  | Consolidated<br>group 2023<br>US\$m | Australian group<br>2023<br>US\$m | Consolidated<br>group 2022<br>US\$m | Australian group<br>2022<br>US\$m |
|--|-------------------------------------|-----------------------------------|-------------------------------------|-----------------------------------|
| Profit before income tax expense                                     | 6,886                               | 6,992                             | 8,846                               | 8,732                             |
| Tax at the Australian tax rate of 30 per cent<br>(2022: 30 per cent) | 2,066                               | 2,098                             | 2,654                               | 2,620                             |
| Research and development   | (8)                                 | (8)                               | (3)                                 | (3)                               |
| Adjustments in respect of income tax<br>expense of prior periods     | (11)                                | (11)                              | (1)                                 | (1)                               |
| Foreign exchange variations and other<br>transactions adjustments    | (1)                                 | (1)                               | (31)                                | (31)                              |
| Tax impact of overseas jurisdiction                                  | 64                                  | 13                                | 12                                  | 16                                |
| Non-deductible expenditure   | 31                                  | 31                                | 32                                  | 32                                |
| Share-based payments   | (20)                                | (20)                              | (16)                                | (16)                              |
| Other  | (31)                                | (33)                              | 2                                   | 9                                 |
| <b>Income tax expense</b>  | <b>2,090</b>                        | <b>2,069</b>                      | <b>2,649</b>                        | <b>2,626</b>                      |
| Effective tax rate   | 30.4%                               | 29.6%                             | 29.9%                               | 30.1%                             |

## Notes to the consolidated financial statements

For the year ended 30 June 2023

### TAXATION

#### 14 Taxation (continued)

##### (c) Reconciliation of income tax expense to current tax payable

|   | Consolidated group |               |
|---|--------------------|---------------|
|   | 2023<br>US\$m      | 2022<br>US\$m |
| Income tax expense in the consolidated income statement       | 2,090              | 2,649         |
| Deferred tax (expense) / benefit                              | 270                | (58)          |
|   | 2,360              | 2,591         |
| Current tax payable at 1 July                                 | 284                | 1,468         |
| Tax payments made to tax authorities <sup>1</sup>             | (2,336)            | (3,672)       |
| Impact of foreign exchange on income tax payable <sup>2</sup> | (4)                | (103)         |
| <b>Current tax payable at 30 June</b>                         | <b>304</b>         | <b>284</b>    |

<sup>1</sup> In Australia, Fortescue pays pay as you go (PAYG) instalments based on a set rate, as advised by the Australian Taxation Office. This rate has been varied to more accurately reflect estimated tax liabilities.

<sup>2</sup> Fortescue's income tax payments are made in the local currency of the country where taxes are due, being predominantly Australian dollars.

##### (d) Deferred tax assets and liabilities

Deferred tax assets and liabilities represent the difference between the carrying value of assets and liabilities compared to their income tax base. Deferred tax assets and liabilities are measured at the relevant tax rates enacted for the reporting period. Fortescue's main operations are in Australia and therefore the main taxable income arises in Australia. The Company's major deferred tax assets and liabilities also arise in Australia, predominantly relating to capital investments in the Pilbara region.

|                                     | Consolidated group |                |
|-------------------------------------|--------------------|----------------|
|                                     | 2023<br>US\$m      | 2022<br>US\$m  |
| Deferred tax assets                 | 790                | 721            |
| Deferred tax liabilities            | (2,296)            | (2,494)        |
| <b>Net deferred tax liabilities</b> | <b>(1,506)</b>     | <b>(1,773)</b> |

## Notes to the consolidated financial statements

For the year ended 30 June 2023

### TAXATION

#### 14 Taxation (continued)

##### (d) Deferred tax assets and liabilities (continued)

Composition of and movements in deferred tax assets and liabilities during the year are set out below:

|   | Deferred tax assets |               | Deferred tax liabilities |               | Charged / (credited) to the income statement |               |
|---|---------------------|---------------|--------------------------|---------------|--|---------------|
|   | Consolidated group  |               | Consolidated group       |               | Consolidated group                           |               |
|   | 2023<br>US\$m       | 2022<br>US\$m | 2023<br>US\$m            | 2022<br>US\$m | 2023<br>US\$m                                | 2022<br>US\$m |
| <b>Temporary differences arising from</b> |                     |               |                          |               |  |               |
| Exploration expenditure                   | –                   | –             | (192)                    | (177)         | 15   | 26            |
| Development                               | –                   | –             | (668)                    | (592)         | 76   | (97)          |
| Property, plant and equipment             | –                   | –             | (1,218)                  | (1,514)       | (296)  | 109           |
| Inventories                               | –                   | –             | (218)                    | (203)         | 15   | 32            |
| Foreign exchange losses / (gains)         | 29                  | –             | –                        | (8)           | (37)   | –             |
| Provisions                                | 447                 | 387           | –                        | –             | (60)   | (4)           |
| Other financial liabilities               | 246                 | 257           | –                        | –             | 11   | 19            |
| Other items <sup>1</sup>                  | 68                  | 77            | –                        | –             | 6  | (27)          |
|   | <b>790</b>          | 721           | <b>(2,296)</b>           | (2,494)       | <b>(270)</b>                                 | 58            |

<sup>1</sup> Deferred tax asset of US\$3 million in 30 June 2023 and nil in 2022 was recognised in equity.

##### (e) Unrecognised tax losses and tax credits

At 30 June 2023, the Group had income tax losses of US\$145 million (2022: US\$20 million) and tax credits of US\$2 million (2022: nil), in respect of which no deferred tax asset has been recognised. The Group recognises the benefit of tax losses only to the extent of anticipated future taxable income or gains in relevant jurisdictions. Of the US\$145 million of tax losses, US\$21 million expires not later than 10 years and US\$7 million expires later than 10 years and not later than 20 years. The remaining tax losses and tax credits do not expire.

**Notes to the consolidated financial statements**

For the year ended 30 June 2023

**UNRECOGNISED ITEMS****15 Commitments and contingencies***(i) Capital commitments*

|                            | <b>2023<br/>US\$m</b> | <b>2022<br/>US\$m</b> |
|----------------------------|-----------------------|-----------------------|
| Within one year            | 728                   | 528                   |
| Between one and five years | 373                   | 437                   |
| Later than five years      | –                     | –                     |
| <b>Total commitments</b>   | <b>1,101</b>          | <b>965</b>            |

*(ii) Contingent assets and liabilities*

On 26 August 2022, Fortescue joined the Native Title Compensation Claim proceedings brought by the Yindjibarndi Ngurra Aboriginal Corporation (YNAC) against the State of Western Australia in the Federal Court of Australia. At the date of this report, there is no present indication of the quantum of compensation sought in the proceedings. The Court has issued a timetable for the proceedings which includes several hearings. The first hearing (for opening submissions and on-country evidence) commenced in August 2023 and the final hearing (for closing submission) will be in October 2024.

Fortescue remains open to negotiating a Land Access Agreement to the benefit of all Yindjibarndi people on similar terms to the agreements it has in place with other native title groups in the region.

Fortescue had no material contingent assets or contingent liabilities at 30 June 2023 or at the date of this report. Fortescue occasionally receives claims arising from its activities in the normal course of business. It is expected that any liabilities arising from such claims would not have a material effect on the Group's operating results or financial position.

**16 Events occurring after the reporting period**

On 28 August 2023, the Directors declared a final dividend of 100 Australian cents per ordinary share payable in September 2023.

## Notes to the consolidated financial statements

For the year ended 30 June 2023

### OTHER

#### 17 Related party transactions

##### (a) Subsidiaries and joint operations

Interests in significant subsidiaries and joint operations are set out in note 23.

##### (b) Key management personnel remuneration

|                              | 2023<br>US\$'000 | 2022<br>US\$'000 |
|------------------------------|------------------|------------------|
| Short-term employee benefits | 8,673            | 7,868            |
| Share-based payments         | 2,929            | 3,768            |
| Long-term employee benefits  | 266              | 234              |
| Post-employment benefits     | 134              | 126              |
|                              | <b>12,002</b>    | <b>11,996</b>    |

Detailed information about the remuneration received by each key management person is provided in the remuneration report on pages 74 to 108.

##### (c) Transactions and balances with joint operations partners

|  | 2023<br>US\$'000 | 2022<br>US\$'000 |
|--|------------------|------------------|
| <b>Transactions with joint operations partners</b> |                  |                  |
| Other revenue                                      | 4,342            | 2,204            |
| Heavy mobile equipment rental expense              | 1,675            | 30,360           |
| Goods and services recharged                       | 1,714            | –                |
| Purchase of heavy mobile equipment                 | –                | 89,114           |
| <b>Balances at 30 June</b>                         |                  |                  |
| Other receivables - current                        | 138,282          | 126,186          |
| Trade and other payables - current                 | 8                | 108,121          |

##### (d) Transactions with personally related entities

Key management personnel of the Group hold or have held positions in other companies (personally related entities) where it is considered they control or significantly influence the financial or operating policies of those entities. Transactions with those entities during the year amounted to US\$12 million (2022: US\$9 million). There were no amounts owed by the Group to personally related entities at 30 June 2023 (2022: US\$8 million).

## Notes to the consolidated financial statements

For the year ended 30 June 2023

### OTHER

#### 18 Share-based payments

##### (a) Employee share rights plans

During the year ended 30 June 2023, Fortescue issued 1,179,558 (2022: 604,499) short term share rights and 2,019,419 (2022: 1,198,293) long term share rights to employees and senior executives, convertible to one ordinary share per right. The short term rights vest over one year, and the long term rights vest over three years.

|                                     | 2023<br>Number   | 2022<br>Number |
|-------------------------------------|------------------|----------------|
| Outstanding at 1 July               | 7,084,421        | 12,347,830     |
| Share rights granted                | 3,198,977        | 1,802,792      |
| Share rights forfeited or lapsed    | (1,192,508)      | (3,733,567)    |
| Share rights converted or exercised | (1,881,397)      | (3,332,634)    |
| <b>Outstanding at 30 June</b>       | <b>7,209,493</b> | 7,084,421      |

The weighted average fair value of share rights granted during the year ended 30 June 2023 and 2022 are presented below:

|                         | Metals            |                   | Energy            |                   |
|-------------------------|-------------------|-------------------|-------------------|-------------------|
|                         | 2023<br>A\$/right | 2022<br>A\$/right | 2023<br>A\$/right | 2022<br>A\$/right |
| Short term share rights | 20.20             | 14.69             | 20.04             | 20.22             |
| Long term share rights  | 12.05             | 9.17              | 11.59             | 12.70             |

The estimated fair value of the short term share rights was determined using a binomial option pricing model and the estimated fair value of the long term share rights was determined using a combination of analytical approaches, binomial tree and Monte Carlo simulation. The fair value estimation takes into account the exercise price, the effective life of the right, the impact of dilution, the share price at grant date, expected price volatility of the underlying share, the effect of additional market conditions, the expected dividend yield, estimated share conversion factor and the risk free interest rate for the term of the right.

The weighted average inputs used to determine the fair value of share rights granted during the year ended 30 June 2023 and 2022 were:

|                            | Metals |       | Energy |       |
|----------------------------|--------|-------|--------|-------|
|                            | 2023   | 2022  | 2023   | 2022  |
| Share price, A\$           | 21.28  | 15.65 | 21.17  | 20.71 |
| Exercise price, A\$        | –      | –     | –      | –     |
| Volatility, %              | 41     | 41    | 41     | 41    |
| Effective life, years      | 1.93   | 2.16  | 1.90   | 1.40  |
| Dividend yield, %          | 7.5    | 8.4   | 7.5    | 8.8   |
| Risk free interest rate, % | 3.1    | 0.6   | 3.1    | 2.1   |



## Notes to the consolidated financial statements

For the year ended 30 June 2023

### OTHER

#### 18 Share-based payments (continued)

##### (a) Employee share rights plans (continued)

Details of Metals share rights outstanding at 30 June 2023 are presented in the following table:

|                              | Metals         |                                |   |                            |                    |            |
|------------------------------|----------------|--------------------------------|---|----------------------------|--------------------|------------|
|                              | Exercise price | Balance at the end of the year | Vested and exercisable at the end of the year | Remaining contractual life | Vesting conditions |            |
|                              | A\$            | Number                         | Number  | Years                      | Market             | Non-market |
| Short term share rights 2016 | –              | 38,641                         | 38,641  | 7.5                        | –                  | Yes        |
| Short term share rights 2017 | –              | 71,942                         | 71,942  | 8.3                        | –                  | Yes        |
| Short term share rights 2018 | –              | 44,307                         | 44,307  | 9.5                        | –                  | Yes        |
| Short term share rights 2019 | –              | 269,553                        | 269,553                                       | 10.5                       | –                  | Yes        |
| Short term share rights 2020 | –              | 171,999                        | 171,999                                       | 11.5                       | –                  | Yes        |
| Short term share rights 2021 | –              | 83,139                         | 83,139  | 12.5                       | –                  | Yes        |
| Short term share rights 2022 | –              | 54,688                         | 54,688  | 13.5                       | –                  | Yes        |
| Short term share rights 2023 | –              | 804,520                        | –   | 14.5                       | –                  | Yes        |
| Long term share rights 2016  | –              | 181,360                        | 181,360                                       | 7.5                        | Yes                | Yes        |
| Long term share rights 2017  | –              | 125,759                        | 125,759                                       | 8.3                        | Yes                | Yes        |
| Long term share rights 2018  | –              | 172,178                        | 172,178                                       | 9.5                        | Yes                | Yes        |
| Long term share rights 2019  | –              | 67,491                         | 67,491  | 10.5                       | Yes                | Yes        |
| Long term share rights 2020  | –              | 1,182,822                      | 1,182,822                                     | 11.5                       | Yes                | Yes        |
| Long term share rights 2021  | –              | 956,888                        | –   | 12.5                       | Yes                | Yes        |
| Long term share rights 2022  | –              | 616,406                        | –   | 13.5                       | Yes                | Yes        |
| Long term share rights 2023  | –              | 1,264,837                      | –   | 14.5                       | Yes                | Yes        |
|                              |                | <b>6,106,530</b>               | <b>2,463,879</b>                              |                            |                    |            |

Details of Energy share rights outstanding at 30 June 2023 are presented in the following table:

|                              | Energy         |                                |   |                            |                    |            |
|------------------------------|----------------|--------------------------------|---|----------------------------|--------------------|------------|
|                              | Exercise price | Balance at the end of the year | Vested and exercisable at the end of the year | Remaining contractual life | Vesting conditions |            |
|                              | A\$            | Number                         | Number  | Years                      | Market             | Non-market |
| Short term share rights 2022 | –              | 10,959                         | 10,959  | 13.5                       | –                  | Yes        |
| Short term share rights 2023 | –              | 350,184                        | –   | 14.5                       | –                  | Yes        |
| Long term share rights 2022  | –              | 146,899                        | –   | 13.5                       | Yes                | Yes        |
| Long term share rights 2023  | –              | 594,921                        | –   | 14.5                       | Yes                | Yes        |
|                              |                | <b>1,102,963</b>               | <b>10,959</b>                                 |                            |                    |            |

Overview

Operating and financial review

Ore Reserves and Mineral Resources

Our approach to sustainability

Corporate governance

Our approach to climate change

Directors' report  
Remuneration Report

Financial report

Corporate directory

**Notes to the consolidated financial statements**

For the year ended 30 June 2023

**OTHER****18 Share-based payments (continued)****(b) Employee expenses**

Total expenses arising from share-based payments transactions recognised during the period as part of employee benefit expense were as follows:

|                             | <b>2023<br/>US\$m</b> | <b>2022<br/>US\$m</b> |
|-----------------------------|-----------------------|-----------------------|
| Share-based payment expense | 148                   | 128                   |

**19 Remuneration of auditors**

|   | <b>2023<br/>US\$'000</b> | <b>2022<br/>US\$'000</b> |
|---|--------------------------|--------------------------|
| <b>PricewaterhouseCoopers Australia</b>                       |                          |                          |
| <b>Audit and other assurance services</b>                     |                          |                          |
| Audit and review of financial statements                      | 1,546                    | 1,084                    |
| Other assurance services                                      | 368                      | 1,359                    |
| <b>Total audit and assurance services</b>                     | <b>1,914</b>             | <b>2,443</b>             |
| <b>Other services</b>   |                          |                          |
| Consulting services   | 117                      | 117                      |
| <b>Total remuneration of PricewaterhouseCoopers Australia</b> | <b>2,031</b>             | <b>2,560</b>             |
| <b>Network firms of PricewaterhouseCoopers Australia</b>      |                          |                          |
| <b>Audit and other assurances</b>                             |                          |                          |
| Audit and review of financial statements                      | 709                      | 555                      |
|   | <b>709</b>               | <b>555</b>               |
| <b>Total auditors' remuneration</b>                           | <b>2,740</b>             | <b>3,115</b>             |

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## OTHER

### 20 Deed of cross guarantee

Fortescue Metals Group Ltd and certain of its subsidiaries are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly owned entities have been relieved from the requirement to prepare a financial report and Directors' report under ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 issued by the Australian Securities and Investments Commission.

#### Holding entity

- Fortescue Metals Group Ltd

#### Group entities

- FMG Pilbara Pty Ltd
- Chichester Metals Pty Ltd
- FMG Resources (August 2006) Pty Ltd
- International Bulk Ports Pty Ltd
- The Pilbara Infrastructure Pty Ltd
- FMG Solomon Pty Ltd
- FMG Nyidinghu Pty Ltd
- FMG Procurement Services Pty Ltd
- Pilbara Gas Pipeline Pty Ltd
- Pilbara Marine Pty Ltd
- Pilbara Power Pty Ltd
- FMG JV Company Pty Ltd
- FMG Ashburton Pty Ltd
- Pilbara Mining Alliance Pty Ltd
- Fortescue Services Pty Ltd
- FMG Personnel Pty Ltd
- FMG Personnel Services Pty Ltd
- FMG Resources Pty Ltd
- CSRP Pty Ltd
- FMG Training Pty Ltd
- Fortescue Green Technologies Pty Ltd
- WAE Technologies HoldCo Pty Ltd (formerly Fortescue Green Fleet Pty Ltd)
- FMG Exploration Pty Ltd
- W Hub Pty Ltd
- IRBR Pty Ltd

#### (a) Consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position and consolidated statement of changes in equity

The consolidated income statement, consolidated statement of other comprehensive income and consolidated statement of changes in equity for the year ended 30 June 2023 along with the consolidated statement of financial position at 30 June 2023 for the closed group represented by the above companies are materially the same as that of the Group.

## Notes to the consolidated financial statements

For the year ended 30 June 2023

### OTHER

#### 21 Parent entity financial information

##### (a) Summary financial information

|  | 2023<br>US\$m | 2022<br>US\$m |
|--|---------------|---------------|
| Current assets <sup>1</sup>                    | 15            | 30            |
| Non-current assets <sup>1</sup>                | 10,467        | 10,276        |
| <b>Total assets</b>                            | <b>10,482</b> | 10,306        |
| Current liabilities                            | 345           | 312           |
| Non-current liabilities                        | 675           | 459           |
| <b>Total liabilities</b>                       | <b>1,020</b>  | 771           |
| <b>Net assets</b>                              | <b>9,462</b>  | 9,535         |
| Contributed equity                             | 1,044         | 1,053         |
| Reserves                                       | 122           | 116           |
| Retained earnings                              | 8,296         | 8,366         |
| <b>Total equity</b>                            | <b>9,462</b>  | 9,535         |
| Profit for the year                            | 4,130         | 7,745         |
| <b>Total comprehensive income for the year</b> | <b>4,130</b>  | 7,745         |

<sup>1</sup> During the year, the 2022 comparative information was restated to reclassify investments in subsidiaries of US\$1,723 million from current to non-current assets.

The parent entity's financial information has been prepared using the same basis, including the accounting policies, as the consolidated financial information, except as outlined below:

- Investments in subsidiaries, associates and joint operations have been accounted for at cost, less accumulated impairment losses in the balance sheet.
- Profit for the year includes dividends received from subsidiaries of US\$4,028 million (2022: US\$6,493 million).

##### (b) Guarantees entered into by the parent entity

The parent entity is a party to the following guarantee:

- Deed of cross guarantee, as described in note 20.
- Guarantee to an unrelated party in relation to leases entered into by a subsidiary of the Group, which is not a party to the deed of cross guarantee described in note 20.

No liabilities were recognised by the parent entity or the Group in relation to these guarantees.

##### (c) Contingent liabilities of the parent entity

The parent entity is a party to the legal proceedings disclosed in note 15(ii) but otherwise did not have any contingent liabilities at 30 June 2023 or 30 June 2022.

## Notes to the consolidated financial statements

For the year ended 30 June 2023

### OTHER

#### 22 Business combination

##### Prior year acquisition of Fortescue WAE

On 28 February 2022, WAE Technologies HoldCo Pty Ltd (formerly Fortescue Green Fleet Pty Ltd), a wholly owned subsidiary of Fortescue Metals Group Ltd, acquired 100% of the United Kingdom-based WAE Technologies Ltd (formerly Williams Advanced Engineering Ltd), for a total purchase consideration of US\$191 million.

Total cash outflow in prior year 2022 to acquire Fortescue WAE, net of cash acquired, was as follows:

|  | 2022<br>US\$m |
|--|---------------|
| <b>Outflow of cash to acquire subsidiary, net of cash acquired</b> |               |
| Cash consideration   | 191           |
| Repayment of borrowings  | 28            |
|  | 219           |
| Less: Balances acquired  |               |
| Cash   | (9)           |
| <b>Net outflow of cash-investing activities</b>                    | <b>210</b>    |

The purchase price accounting for Fortescue WAE has been finalised during the period. The Group received US\$4 million from previous owners arising from working capital adjustment reducing the purchase consideration, with a corresponding decrease in goodwill to US\$195 million (initial goodwill recognised at 30 June 2022: US\$199 million).

## Notes to the consolidated financial statements

For the year ended 30 June 2023

### OTHER

#### 23 Interests in other entities

##### (a) Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following significant subsidiaries, in accordance with the accounting policy described in note 24(a)(i):

|                                       | Country of incorporation | Class of shares | Equity holding |        |
|---------------------------------------|--------------------------|-----------------|----------------|--------|
|                                       |                          |                 | 2023 %         | 2022 % |
| <b>Metals Segment</b>                 |                          |                 |                |        |
| Chichester Metals Pty Ltd             | Australia                | Ordinary        | 100            | 100    |
| FMG International Pte Ltd             | Singapore                | Ordinary        | 100            | 100    |
| FMG International Shipping Pte Ltd    | Singapore                | Ordinary        | 100            | 100    |
| FMG Insurance Singapore Pte Ltd       | Singapore                | Ordinary        | 100            | 100    |
| FMG Iron Bridge (Aust) Pty Ltd        | Australia                | Ordinary        | 100            | 99.6   |
| FMG Magnetite Pty Ltd                 | Australia                | Ordinary        | 100            | 99.6   |
| FMG Pilbara Pty Ltd                   | Australia                | Ordinary        | 100            | 100    |
| The Pilbara Infrastructure Pty Ltd    | Australia                | Ordinary        | 100            | 100    |
| Pilbara Marine Pty Ltd                | Australia                | Ordinary        | 100            | 100    |
| Pilbara Power Pty Ltd                 | Australia                | Ordinary        | 100            | 100    |
| Karribi Developments Pty Ltd          | Australia                | Ordinary        | 100            | 100    |
| FMG Air Pty Ltd                       | Australia                | Ordinary        | 100            | 100    |
| FMG Procurement Services Pty Ltd      | Australia                | Ordinary        | 100            | 100    |
| Pilbara Housing Services Pty Ltd      | Australia                | Ordinary        | 100            | 100    |
| FMG Autonomy Pty Ltd                  | Australia                | Ordinary        | 100            | 100    |
| Pilbara Iron Ore Pty Ltd              | Australia                | Ordinary        | 100            | 100    |
| Pilbara Energy Company Pty Ltd        | Australia                | Ordinary        | 100            | 100    |
| Pilbara Energy (Generation) Pty Ltd   | Australia                | Ordinary        | 100            | 100    |
| FMG Solomon Pty Ltd                   | Australia                | Ordinary        | 100            | 100    |
| FMG Resources (August 2006) Pty Ltd   | Australia                | Ordinary        | 100            | 100    |
| FMG Trading Shanghai Co., Ltd         | China                    | Ordinary        | 100            | 100    |
| FMG Hong Kong Shipping Ltd            | Hong Kong                | Ordinary        | 100            | 100    |
| FMG Exploration Pty Ltd               | Australia                | Ordinary        | 100            | 100    |
| FMG Resources Pty Ltd                 | Australia                | Ordinary        | 100            | 100    |
| FMG International Exploration Pte Ltd | Singapore                | Ordinary        | 100            | 100    |
| Argentina Fortescue S.A.U.            | Argentina                | Ordinary        | 100            | 100    |
| Ivindo Iron SA                        | Gabon                    | Ordinary        | 72             | –      |

## Notes to the consolidated financial statements

For the year ended 30 June 2023

### OTHER

#### 23 Interests in other entities (continued)

##### (a) Subsidiaries (continued)

|  | Country of incorporation | Class of shares | Equity holding |        |
|--|--------------------------|-----------------|----------------|--------|
|  |                          |                 | 2023 %         | 2022 % |
| <b>Energy Segment</b>  |                          |                 |                |        |
| Fortescue Future Industries Pty Ltd                                      | Australia                | Ordinary        | 100            | 100    |
| WAE Technologies HoldCo Pty Ltd (formerly Fortescue Green Fleet Pty Ltd) | Australia                | Ordinary        | 100            | 100    |
| WAE Technologies Ltd (formerly Williams Advanced Engineering Ltd)        | United Kingdom           | Ordinary        | 100            | 100    |
| FFI USA Investments Inc.   | USA                      | Ordinary        | 100            | -      |
| MIH2 Pty Ltd   | Australia                | Ordinary        | 100            | 100    |
| Australian Fortescue Future Industries Pty Ltd                           | Australia                | Ordinary        | 100            | 100    |
| Gladstone Fortescue Future Industries Pty Ltd                            | Australia                | Ordinary        | 100            | 100    |
| Netherlands Fortescue Future Industries Holdings B.V.                    | Netherlands              | Ordinary        | 100            | -      |
| Australian Fortescue Future Industries Holdings Pty Ltd                  | Australia                | Ordinary        | 100            | 100    |
| Argentina Fortescue Future Industries SA                                 | Argentina                | Ordinary        | 100            | 100    |

Entities not included in the list of significant subsidiaries are deemed immaterial in relation to the Group.

##### (b) Joint operations

The consolidated financial statements incorporate Fortescue's share in the assets, liabilities and results of the following principal joint operations, in accordance with the accounting policy described in note 24(a)(iii).

| Joint operations          | Country of incorporation | Holding entity        | Principal activities  | Participating interest % |      |
|---------------------------|--------------------------|-----------------------|---|--------------------------|------|
|                           |                          |                       |   | 2023                     | 2022 |
| Iron Bridge Joint Venture | Australia                | FMG Magnetite Pty Ltd | Development of magnetite assets and production of magnetite concentrate | 69                       | 69   |

##### (c) Investments accounted for using the equity method

The Group also holds interests in a number of individually immaterial joint ventures and an associate that are accounted for using the equity method.

|  | Associates |       | Joint ventures |       | Total |       |
|--|------------|-------|----------------|-------|-------|-------|
|  | 2023       | 2022  | 2023           | 2022  | 2023  | 2022  |
|  | US\$m      | US\$m | US\$m          | US\$m | US\$m | US\$m |
| Aggregate carrying amount as at 30 June    | 119        | 14    | 141            | 56    | 260   | 70    |
| Aggregate amounts of the Group's share of: |            |       |                |       |       |       |
| Profit/(loss) from operations              | -          | 9     | (8)            | (3)   | (8)   | 6     |

## Notes to the consolidated financial statements

For the year ended 30 June 2023

### OTHER

#### 24 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below.

##### (a) Principles of consolidation

###### (i) Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries, being the entities controlled by the Company. Control exists when the Group is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intercompany balances and transactions, including unrealised profits and losses arising from intra-group transactions, have been eliminated in full. Subsidiaries are consolidated from the effective date of acquisition to the effective date of disposal.

The acquisition method of accounting is used to account for the Group's business combinations. Identifiable assets acquired and liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred and included in administration expenses.

The excess of the consideration transferred over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

###### (ii) Associates

Associates are all entities where the Group holds significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Associates are entities where the Group holds less than 20% of the voting rights, but has determined that it has significant influence over those entities due to the Group having representation on the Board of directors and participation in decisions over the relevant activities of those entities.

Investments in associates are accounted for using the equity method of accounting (see (iv) below), after initially being recognised at cost.

###### (iii) Joint arrangements

A joint arrangement is an arrangement when two or more parties have joint control. Joint control exists when the parties agree contractually to share control over the activities that significantly affect the entity's returns (relevant activities), and the decisions about relevant activities require the unanimous consent of the parties sharing joint control.

Joint arrangements are classified as either joint operations or joint ventures, based on the contractual rights and obligations between the parties to the arrangement.



OTHER

24 Summary of significant accounting policies (continued)

(a) Principles of consolidation (continued)

Joint operations

If the contractual arrangement specifies a right to the assets and the obligations for the liabilities for the parties, the arrangement is classified as joint operation. The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenue and expenses.

These have been incorporated in the financial statements under the appropriate headings. Details of the joint operations are set out in note 23(b).

To support operations and construction projects of some of the joint operations, Fortescue and other parties to the joint arrangements are required, from time to time, to contribute funds in the form of cash calls, in proportion to their respective interests in the joint arrangements. These funds, if contributed by the parties to the joint arrangements in different financial years, may give rise to deferred joint venture contribution assets or liabilities.

Joint ventures

If the contractual arrangement grants the parties the right to the arrangement's net assets, it is classified as a joint venture. Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position.

(iv) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 24(q).

(b) Employee share trust

The Group has formed a trust to administer its employee share schemes. The trust is consolidated as the substance of the relationship is that the trust is controlled by the Group. Shares held by the share trust are disclosed as treasury shares and deducted from contributed equity.

(c) Foreign currency translation

Transactions in foreign currencies have been converted at rates of exchange at the date of those transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange of the reporting date, with the resulting gains and losses recognised in the income statement, except as set out below:

- For qualifying cash flow hedges, the gains and losses arising on foreign currency translations are deferred in other comprehensive income.
- Translation differences on site rehabilitation provisions are capitalised as part of the development assets.
- Gains and losses on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

## Notes to the consolidated financial statements

For the year ended 30 June 2023

### OTHER

#### 24 Summary of significant accounting policies (continued)

##### (d) Revenue recognition

The Group is principally engaged in the business of producing iron ore and providing related freight/shipping services. Revenue is measured at the amount the Group expects to be entitled to in exchange for those goods or services and is recognised at the point at which control of the goods or services is transferred to the customer.

##### (i) Sale of products

Revenue from the sale of products is recognised when control has passed to the customer, no further work or processing is required by the Group, the quantity and quality of the products have been determined with reasonable accuracy, the price can be reasonably estimated and collectability is reasonably assured.

The above conditions are generally satisfied when title passes to the customer, typically on the bill of lading date when iron ore is delivered to the vessel, or alternatively on collection for port sales.

Revenue is recorded at the invoiced amounts. However, the shipping service represents a separate performance obligation, and is recognised separately from the sale of iron ore over the period during which the shipping service has been provided, along with any associated shipping costs.

Fortescue's iron ore sales contracts, which also include shipping services, may provide for provisional pricing of sales at the time the product is delivered to the vessel with final pricing determined using the relevant price indices on or after the vessel's arrival at the port of discharge. Under AASB 9 the receivable asset is measured at fair value through profit and loss.

##### (ii) Services revenue

Revenue from the provision of towage services is recognised in the accounting period in which the services are rendered, and revenue from manufacturing and engineering services are recognised on a percentage of completion basis.

##### (iii) Interest income

Interest income is accrued using the effective interest rate method.

##### (e) Deferred income

Deferred income represents payments collected but not earned at the end of the reporting period. These payments are recognised as revenue when the performance obligations are satisfied.

Where deferred income is considered to contain a financing component and if the period of time between the receipt of the upfront cash and the satisfaction of the future performance obligations is greater than 1 year, an interest charge of the upfront amount will be recognised.

##### (f) Income tax

The income tax expense for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction. Income tax on the profit or loss for the period comprises current and deferred tax.

Current income tax charge is calculated on the basis of the taxation laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Current income tax represents the expected tax payable on the taxable income for the year and any adjustments to tax payable in respect to previous years.

Where the amount of tax payable or recoverable is uncertain, a provision is established based on the Group's understanding of applicable tax law at the time. Settlement of these matters may result in changes to current and deferred income tax if the settlement differs from the provision.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts (subject to the Pillar Two disclosure exception noted below).

However, the deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither the accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for future deductible temporary differences and carry forward of unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

OTHER

24 Summary of significant accounting policies (continued)

**(f) Income tax (continued)**

Deferred tax assets and liabilities are offset when there is a legal right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the Group has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In a future year, the Group is expected to be subject to the Base Erosion and Profit Shifting (BEPS) Pillar Two rules which seek to ensure a 15% minimum tax rate is paid by large multinational groups in each global jurisdiction in which they operate. Although the Australian Government has committed to implementing these rules for financial years starting on or after 1 January 2024, the relevant legislation has not yet been substantively enacted. In this regard, the International Accounting Standards Board released amendments to IAS 12 *Income Taxes* relating to Pillar Two in May 2023. Consistent with these amendments, in relation to the current year, the Group has applied the mandatory exception to recognising and disclosing information about deferred tax assets and liabilities relating to Pillar Two income taxes.

Fortescue and its wholly owned Australian controlled entities have implemented the tax consolidation legislation at 1 July 2002, namely the FMG tax consolidated group, and are therefore taxed as a single entity from that date. FMG Iron Bridge (Aust) Pty Ltd and its wholly owned Australian controlled entities have implemented the tax consolidation legislation as at 28 September 2011, namely the FMG Iron Bridge tax consolidated group, and are therefore taxed as a single entity from that date. On 1 July 2022, the FMG Iron Bridge tax consolidated group merged with the FMG tax consolidated group, and are therefore taxed as a single entity from this date.

The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

In addition to its own current and deferred tax amounts, the head entity of the group also recognises the current tax liabilities, or assets, and the deferred tax assets it has assumed from unused tax losses and unused tax credits from controlled entities in the tax consolidated group.

**(g) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, short-term deposits and other short-term highly liquid investments that are subject to an insignificant risk of changes in value, and are readily convertible to known amounts of cash.

**(h) Trade and other receivables**

Trade receivables other than iron ore sales receivables and other receivables are recognised at amortised cost using the effective interest method, less an allowance for impairment. Trade receivables with embedded derivatives for provisional pricing are measured at fair value through profit and loss under AASB 9.

The collectability of trade and other receivables is reviewed on a monthly basis. Uncollectable amounts for iron ore sales trade receivables are considered in the measurement of fair value through the income statement under AASB 9. Trade and other receivables that are measured at amortised cost are determined using the expected credit loss model. Total receivables which are known to be uncollectable are written off by reducing the carrying amount directly. Significant financial difficulties of the customer, probability that the customer will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the receivable may not be collected. The amount of the impairment allowance is the difference between the receivable's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment allowance is recognised in the income statement within administration expenses. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other administration expenses.

**(i) Accrued income**

Accrued income primarily relates to the Group's rights to consideration for work performed but not billed at the reporting date. The accrued income is transferred to trade receivables in accordance with contractual terms with the customer, when the rights have become unconditional.

Payments from customers are received based on a billing schedule / milestone basis, as established in the contract.

## Notes to the consolidated financial statements

For the year ended 30 June 2023

### OTHER

#### 24 Summary of significant accounting policies (continued)

##### (i) Inventories

Warehouse stores and materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost for raw materials and stores is determined as the purchase price. Cost of work in progress comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

For partly processed and saleable iron ore, cost is based on the weighted average cost method and includes:

- Materials and production costs, directly attributable to the extraction, processing and transportation of iron ore to the existing location.
- Production and transportation overheads.
- Depreciation of property, plant and equipment used in the extraction, processing and transportation of iron ore.

Iron ore stockpiles represent iron ore that has been extracted and is available for further processing or sale. Quantities are assessed primarily through internal and third party surveys. Where there is an indication that inventories are obsolete or damaged, these inventories are written down to net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Iron ore stockpiles classified as non-current assets reflect stockpiles which are not expected to be utilised within the next 12 months, with the net realisable value calculated on a discounted cashflow basis.

##### (j) Financial assets

Fortescue classifies its financial assets into the following categories: those to be measured subsequently at fair value, being through either other comprehensive income or through profit and loss, and those that are to be held at amortised cost.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

##### (i) Financial assets held at amortised cost

The Group classifies its financial assets as held at amortised cost only if the asset is held within a business model with the objective to collect the contractual cash flows, and the contractual terms give rise to cash flows that are solely payments of principal and interest. The classification of financial assets held at amortised cost applies to Fortescue's loans and receivables. These debt instruments are initially measured at fair value and subsequently carried at amortised cost. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. At the end of each reporting period, loans and receivables are reviewed for impairment.

##### (ii) Financial assets held at fair value through other comprehensive income (FVOCI)

The Group's classification of financial assets held at fair value through other comprehensive income applies to equity investments where the Group has made the irrevocable election to present the fair value gains or losses on revaluation of the asset in other comprehensive income. This election can be made for each investment; however, it is not applicable to equity investments which are held for trading. These assets are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. These instruments are recognised at fair value, with changes in fair value being recognised directly in other comprehensive income.

##### (iii) Financial assets held at fair value through profit or loss (FVPL)

This category comprises trade receivables including the quotation period for the sale of iron ore, derivatives (unless designated as effective hedging instruments) and equity investments which are held for trading or where the FVOCI election has not been applied. They are carried on the statement of financial position at fair value with changes in fair value or dividend income recognised in profit or loss with any associated changes in fair value recognised in the income statement. The receivables relating to quotation period for the sale of iron ore are recorded as trade receivables.

OTHER

24 Summary of significant accounting policies (continued)

**(k) Financial liabilities**

**(i) Trade payables**

Trade and other payables are initially recognised at fair value and subsequently carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid.

**(ii) Borrowings**

Borrowings are initially recognised at fair value of the consideration received, less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method.

Borrowings are derecognised when the contractual obligations are discharged, cancelled or expire, or when the terms of an existing borrowing are substantially modified. Any difference between the carrying amount of a derecognised liability and the carrying amount of the new liability is recognised in the income statement.

**(l) Property, plant and equipment**

**(i) Recognition and measurement**

Each class of property, plant and equipment is stated at historical cost less, where applicable, any accumulated depreciation and impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

The cost of self-constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing an asset to a working condition ready for its intended use. Assets under construction are recognised in assets under development. Upon commissioning, which is the date when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management, the assets are transferred into property, plant and equipment or development assets, as appropriate.

Cost may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Borrowing costs related to the acquisition or construction of qualifying assets are capitalised. Costs required for dismantling and rehabilitation are included in rehabilitation estimates. Further information on rehabilitation is in note 24(p).

When separate parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of the equipment.

Gains and losses arising on disposal of property, plant and equipment are recognised in the income statement and determined by comparing proceeds from the sale of the assets to their carrying amount.

**(ii) Subsequent costs**

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with these subsequent costs will flow to Fortescue and the cost of the item can be measured reliably. Ongoing repairs and maintenance are recognised as an expense in the income statement during the financial period in which they are incurred.

**(iii) Depreciation**

Depreciation of assets, other than land which is not depreciated, is calculated using the straight-line method or units of production method, net of residual values, over estimated useful lives. Depreciation commences on the date when an asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Assets acquired under leases are depreciated over the shorter of the individual asset's useful life and the lease term.

**Straight-line method**

Where the useful life is not linked to the quantities of iron ore produced, assets are generally depreciated on a straight-line basis. The estimated useful lives for the principal categories of property, plant and equipment depreciated on a straight-line basis are as follows:

- Buildings 20 to 40 years
- Rolling stock 25 to 30 years
- Plant and equipment 2 to 20 years
- Rail and port infrastructure assets 40 to 50 years.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period with the effect of any changes in estimate accounted for on a prospective basis.

**Units of production method**

Where the useful life of an asset is directly linked to the extraction of iron ore from a mine, the asset is depreciated using the units of production method.

The units of production method is an amortised charge proportional to the depletion of the estimated proven and probable reserves at the mines.

## Notes to the consolidated financial statements

For the year ended 30 June 2023

### OTHER

#### 24 Summary of significant accounting policies (continued)

##### (l) Property, plant and equipment (continued)

###### (iv) Exploration and evaluation expenditure

Exploration and evaluation activities involve the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Exploration and evaluation expenditure incurred is accumulated and capitalised in respect of each identifiable area of interest, and carried forward to the extent that:

- Rights to tenure of the identifiable area of interest are current.
- At least one of the following conditions is also met:
  - (i) The expenditure is expected to be recouped through the successful development of the identifiable area of interest, alternatively by its sale; or
  - (ii) Where activities in the identifiable area of interest have not, at the reporting date, reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and activities in, or in relation to, the area of interest, are continuing.

Exploration and evaluation assets are reviewed at each reporting date for indicators of impairment and tested for impairment where such indicators exist. If the test indicates that the carrying value might not be recoverable, the asset is written down to its recoverable amount. These charges are recognised within exploration, development and other expenses in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from exploration and evaluation expenditure to development expenditure.

###### (v) Development expenditure

Development expenditure includes capitalised exploration and evaluation costs, pre-production development costs, development studies and other expenditure pertaining to that area of interest. Costs related to surface plant and equipment and any associated land and buildings are accounted for as property, plant and equipment.

Development costs are accumulated in respect of each separate area of interest. Costs associated with commissioning new assets in the period before they are capable of operating in the manner intended by management are capitalised. Development costs incurred after the commencement of production are capitalised to the extent they are expected to give rise to a future economic benefit.

When an area of interest is abandoned or the Directors decide that it is not commercially or technically feasible, any accumulated cost in respect of that area is written off in the financial period that the decision is made. Each area of interest is reviewed at the end of each accounting period and the accumulated costs written off to the income statement to the extent that they will not be recoverable in the future.

Amortisation of development costs capitalised is charged on a unit of production basis over the life of estimated proven and probable reserves at the mines.

##### (m) Stripping costs

###### (i) Development stripping costs

Overburden and other mine waste materials are often removed during the initial development of a mine in order to access the mineral deposit. This activity is referred to as development stripping and the directly attributable costs, inclusive of an allocation of relevant overhead expenditure, are capitalised as development costs.

Capitalisation of development stripping costs ceases and amortisation of those capitalised costs commences upon commercial extraction of ore.

Amortisation of capitalised development stripping costs is determined on a unit of production basis for each area of interest.

Development stripping costs are considered in combination with other assets of an operation for the purpose of undertaking impairment assessments.

OTHER

24 Summary of significant accounting policies (continued)

(m) Stripping costs (continued)

(ii) Production stripping costs

Overburden and other mine waste materials continue to be removed throughout the production phase of the mine. This activity is referred to as production stripping, and the associated costs charged to the income statement, as operating cost, except when all three criteria below are met:

- Production stripping activity provides improved access to the specific component of the ore body, and it is probable that economic benefit arising from the improved access will be realised in future periods.
- The Group can identify the component of the ore body for which access has been improved.
- The costs relating to the production stripping activity associated with that component can be measured reliably.

If all of the above criteria are met, production stripping costs resulting in improved access to the identified component of the ore body are capitalised as part of development asset and are amortised over the life of the component of the ore body.

The determination of components of the ore body is individual for each mine. The allocation of costs between production stripping activity and the costs of ore produced is performed using relevant production measures, typically strip ratios.

Changes to the mine design, technical and economic parameters affecting life of the components and strip ratios are accounted for prospectively.

(n) Intangible assets

The Group capitalises amounts paid for the acquisition of identifiable intangible assets, such as software, licenses, trademarks and patents, where it is considered they will contribute to future periods through revenue generation or reductions in cost. The cost of intangible assets acquired in a business combination are recognised at fair value at the acquisition date. Following initial recognition, intangible assets are carried at cost less amortisation and any impairment losses. Intangible assets with finite lives are amortised on a straight-line basis over their useful lives and tested for impairment whenever there is an indication that they may be impaired. The amortisation period and method is reviewed at each financial year end.

(i) Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset only when the Group can demonstrate all of the following:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale.
- Its intention to complete and its ability and intention to use or sell the asset.
- How the asset will generate future economic benefits
- The availability of resources to complete the asset.
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses.

Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

(ii) Goodwill

Goodwill is measured as described in note 24(a)(i). Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

## Notes to the consolidated financial statements

For the year ended 30 June 2023

### OTHER

#### 24 Summary of significant accounting policies (continued)

##### (o) Leases

The Group enters into contractual arrangements for the leases of mining equipment, vehicles, buildings and other assets. The nature of these arrangements can be lease contracts or service contracts with embedded assets. Typically, the duration of these contracts is for periods of between two and five years, some of which include extension options.

Leases are recognised on the statement of financial position as a right of use asset, representing the lessee's entitlement to the benefits of the identified asset over the lease term, and a lease liability representing the lessee's obligation to make the lease payments. Each lease payment is allocated between its liability and finance cost component. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The right of use asset is amortised on a straight-line basis over the shorter of the useful life of the asset and lease term. When the right of use asset is used in the extraction, processing and transportation of ore, depreciation is included in inventory.

Liabilities arising from contractual arrangements which contain leases are initially measured at the present value of the future lease payments. These payments include the present value of fixed payments prescribed in the contract; variable lease payments based on an index or prescribed rate; amounts expected to be payable by the lessor under residual value guarantees; and exercise price of a purchase option if it is reasonably certain that the option will be exercised.

Right of use assets are initially measured at the amount of the initial lease liability plus any lease payments at or before commencement date less incentives received, plus any initial direct costs, and any costs required for dismantling and rehabilitation. Right of use assets are subsequently measured at cost less any accumulated depreciation and accumulated impairment losses, and any adjustment for remeasurement of the lease liability. Lease liabilities are subsequently measured at present value, adjusted for any variations to the underlying contract terms.

Lease payments are discounted using the interest rate implicit in the lease. If this rate cannot be determined, the Group's incremental borrowing rate is used, which is the rate which the Group would have to pay to borrow the funds necessary to obtain an asset of a similar value in a similar economic environment over a similar term and security.

Payments for short-term leases and low value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are for a period of 12 months or less and contracts involving low value assets typically comprise small items of IT hardware and minor sundry assets.

##### (p) Rehabilitation provision

Provisions are recognised when Fortescue has a present legal or constructive obligation as a result of past events. It is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

The mining, extraction and processing activities of Fortescue give rise to obligations for site rehabilitation. Rehabilitation obligations include decommissioning of facilities, removal or treatment of waste materials, land rehabilitation and site restoration.

The extent of work required and the associated costs are estimated using current restoration standards and techniques. Provisions for the cost of each rehabilitation program are recognised at the time that environmental disturbance occurs. Rehabilitation provisions are initially measured at the expected value of future cash flows required to rehabilitate the relevant site, discounted to their present value using Australian Government bond market yields that match, as closely as possible, the timing of the estimated future cash outflows. The judgements and estimates applied for the estimation of the rehabilitation provisions are discussed in note 25(e).

When provisions for closure and rehabilitation are initially recognised, the corresponding cost is capitalised into the cost of mine development assets, representing part of the cost of acquiring the future economic benefits of the operation. The capitalised cost of closure and rehabilitation activities is recognised within development assets and is amortised based on the units of production method over the life of the mine. The value of the provision is progressively increased over time as the effect of discounting unwinds, creating an expense recognised in finance costs.

At each reporting date, the rehabilitation liability is remeasured to account for any new disturbance, updated cost estimates, inflation, changes to the estimated reserves and lives of operations, new regulatory requirements, environmental policies and revised discount rates. Changes to the rehabilitation liability are added to or deducted from the related rehabilitation asset and amortised accordingly.



OTHER

24 Summary of significant accounting policies (continued)

**(q) Impairment of non-financial assets**

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group conducts an internal review of asset values bi-annually, which is used as a source of information to assess for any indications of impairment. External factors, such as changes in expected future prices, costs and other market factors are also monitored to assess for indications of impairment. If any such indication exists, an estimate of the asset's recoverable amount is calculated, being the higher of fair value less direct costs to sell and the asset's value in use. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties.

Fair value for mineral assets is generally determined using independent market assumptions to calculate the present value of the estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects, and its eventual disposal. These cash flows are discounted using an appropriate discount rate to arrive at a net present value of the asset.

Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and its eventual disposal, discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Value in use is determined by applying assumptions specific to the Group's continued use and does not take into account future development.

In testing for indications of impairment and performing impairment calculations, assets are considered as collective groups and referred to as cash generating units. Cash generating units are the smallest identifiable groups of assets and liabilities that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Impaired assets are reviewed at each reporting date whether there is any indication that an impairment recognised in prior periods may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is estimated and may result in a reversal of impairment loss. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss.

**(r) Finance costs**

Finance costs principally represent interest expense and are recognised as incurred except when associated with major projects involving substantial development and construction periods. In addition, finance costs include losses arising on derecognition of finance liabilities at above their carrying value, unwinding of the discount on provisions and bank charges.

Interest expense and other borrowing costs directly attributable to major projects are added to the cost of the project assets until such time as the assets are substantially ready for their intended use or sale. Where funds are used to finance an asset form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings during the construction period.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

**(s) Employee benefits**

**(i) Wages and salaries and annual leave**

Liabilities for wages and salaries recognised in trade and other payables, and non-monetary benefits and annual leave recognised in provisions that are expected to be settled within 12 months of the reporting date, are classified as current liabilities in respect of employee services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

**(ii) Long service leave**

The liability for long service leave is recognised in provisions and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, probability of employee departures and periods of service.

Expected future payments are discounted using market yields at the reporting date on Australian Government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows. The liability for long service leave for which settlement within 12 months of the reporting date cannot be deferred is recognised in the current provision. The liability for long service leave for which settlement can be deferred beyond 12 months from the reporting date is recognised in the non-current provision.

## Notes to the consolidated financial statements

For the year ended 30 June 2023

### OTHER

#### 24 Summary of significant accounting policies (continued)

##### (t) Share-based payments

Share-based remuneration benefits are provided to employees under Fortescue's share rights plan, as set out in note 18.

The fair value of rights is measured at grant date and is recognised as an employee benefits expense over the period during which the employees become unconditionally entitled to the rights, with a corresponding increase in equity.

The fair value at grant date is determined using an option pricing model that takes into account the exercise price, the term of the right, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the effect of additional market conditions, the expected dividend yield and the risk free interest rate for the term of the right.

The fair value of the rights granted is measured to reflect expected market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability). Non-market vesting conditions are included in assumptions about the number of rights that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of rights that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

##### (u) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Company, on or before the end of the reporting period but not distributed at the end of the reporting period.

##### (v) Earnings per share

###### (i) Basic earnings per share

Basic earnings per share is calculated by dividing net profit after tax attributable to the ordinary shareholders by the weighted average number of ordinary shares on issue during the financial year.

###### (ii) Diluted earnings per share

Diluted earnings per share is calculated by dividing net profit after tax attributable to the ordinary shareholders by the weighted average number of ordinary shares on issue during the financial year, after adjusting for the effects of all potential dilutive ordinary shares that were outstanding during the financial year.

##### (w) Goods and Services Tax (GST) and other taxes on consumption

Revenues, expenses and assets are recognised net of the amount of associated consumptive tax, except where the amount of consumptive tax incurred is not recoverable from the taxation authority. In these circumstances the consumptive tax is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of consumptive tax. The net amount of consumptive tax recoverable from, or payable to, the taxation authority is included as a current asset or liability in the statement of financial position.

Cash flows are presented in the cash flow statement on a gross basis, except for the consumptive tax component of investing and financing activities, which is disclosed as an operating cash flow.

##### (x) Derivative financial instruments

From time to time, the Group holds derivative financial instruments to hedge its foreign currency and commodity price risk exposures. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

##### (y) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in profit or loss as other income over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and they are credited to profit or loss as other income on a straight-line basis over the expected lives of the related assets.

##### (z) Comparatives

Where applicable, certain comparatives have been adjusted to conform with current year presentation.

# Notes to the consolidated financial statements

For the year ended 30 June 2023

## OTHER

### 24 Summary of significant accounting policies (continued)

#### (aa) New accounting standards and interpretations

##### (i) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 July 2022 and have been adopted by the Group:

| Accounting standard  | Description of change  |
|--|--|
| AASB 2020-3<br>Amendments to<br>Australian Accounting<br>Standards – Annual<br>Improvements<br>2018–2020 and Other<br>Amendments (AASB<br>3, AASB 9, AASB 116 &<br>AASB 137) | <ul style="list-style-type: none"><li>• AASB 9 <i>Financial Instruments</i> – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.</li><li>• AASB 3 <i>Business Combinations</i> – updates the references to the Conceptual Framework for Financial Reporting and adds an exception for the recognition of liabilities and contingent liabilities within the scope of AASB 137 <i>Provisions, Contingent Liabilities and Contingent Assets</i> and Interpretation 21 <i>Levies</i>. The amendments also confirm that contingent assets should not be recognised at the acquisition date.</li><li>• AASB 116 <i>Property, Plant and Equipment (PP&amp;E)</i> – prohibits an entity from deducting from the cost of an item of PP&amp;E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is ‘testing whether the asset is functioning properly’ when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity’s ordinary activities.</li><li>• AASB 137 – clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.</li></ul> <p>These amendments had no impact on the consolidated financial statements of the Group.</p> |

## Notes to the consolidated financial statements

For the year ended 30 June 2023

### OTHER

#### 24 Summary of significant accounting policies (continued)

##### (aa) New accounting standards and interpretations (continued)

##### (ii) New accounting standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2023 reporting period. Those that are applicable to Fortescue, and which may have an effect on the Group's accounting policies, financial position or performance are disclosed below. These standards and interpretations have not been early adopted.

| Accounting standard   | Description of change   | Application date                                   |
|---|---|--|
| AASB 2020-1<br><i>Amendments to Australian Accounting Standards—Classification of Liabilities as Current or Non-current</i>   | This amendment to AASB 101 <i>Presentation of Financial Statements</i> clarifies the requirements for classifying liabilities as current or non-current. They must be applied retrospectively in accordance with the normal requirements in AASB 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> .   | Standard: 1 January 2024<br><br>Group: 1 July 2024 |
| AASB 2021-2<br><i>Amendments to Australian Accounting Standards—Disclosure of Accounting Policies and Definition of Accounting Estimates</i>                          | The AASB amended AASB 101 to require entities to disclose their <i>material</i> rather than their <i>significant</i> accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the AASB also amended AASB Practice Statement 2 <i>Making Materiality Judgements</i> to provide guidance on how to apply the concept of materiality to accounting policy disclosures.<br><br>The amendment to AASB 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period. | Standard: 1 January 2023<br><br>Group: 1 July 2023 |
| AASB 2014-10<br><i>Amendments to Australian Accounting Standards: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture</i>           | The AASB has made limited scope amendments to AASB 10 <i>Consolidated Financial Statements</i> and AASB 128 <i>Investments in Associates and Joint Ventures</i> . The amendments clarify the accounting treatment for sales or contribution of assets between an investor and their associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in AASB 3 <i>Business Combinations</i> ).  | Standard: 1 January 2023<br><br>Group: 1 July 2023 |
| AASB 2015-10<br><i>Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128</i>   | Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively.  | Standard: 1 January 2025<br><br>Group: 1 July 2025 |
| AASB 2017-5 and AASB 2021 -7<br><i>Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections</i> |   |  |

OTHER

25 Critical accounting estimates and judgements

The preparation of the consolidated financial statements requires management to make judgements and estimates and form assumptions that affect how certain assets, liabilities, revenue, expenses and equity are reported. At each reporting period, management evaluates its judgements and estimates based on historical experience and on other factors it believes to be reasonable under the circumstances, the results of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Fortescue has identified the following critical accounting policies where significant judgements and estimates are made by management in the preparation of these financial statements.

**(a) Iron ore reserve estimates**

Iron ore reserves are estimates of the amount of product that can be economically and legally extracted from Fortescue's current mining tenements. In order to calculate ore reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates. Estimating the quantity and grade of ore reserves requires the size, shape and depth of ore bodies or fields to be determined by analysing geological data such as drilling samples. This requires complex and difficult geological judgements and calculations to interpret the data.

As economic assumptions used to estimate reserves change and as additional geological data is generated during the course of operations, estimates of reserves may vary from period to period. Changes in reported reserves may affect Fortescue's financial results and financial position in a number of ways, including the following:

- Asset carrying values may be affected due to changes in estimated future cash flows.
- Depreciation and amortisation charges in the income statement may change where such charges are determined by the units of production method, or where the useful economic lives of assets change.
- The carrying value of deferred tax assets may change due to changes in estimates of the likely recovery of tax benefits.

**(b) Exploration and evaluation expenditure - recoverable amount**

Fortescue's accounting policy for exploration and evaluation expenditure results in expenditure being capitalised for an area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. This policy requires management to make certain estimates as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised the expenditure under the policy, a judgement is made that recovery of the expenditure is unlikely, the relevant capitalised amount will be written off to the income statement.

**(c) Development expenditure - recoverable amount**

Development activities commence after commercial viability and technical feasibility of the project is established. Judgement is applied by management in determining when a project is commercially viable and technically feasible. In exercising this judgement, management is required to make certain estimates and assumptions as to future events. If, after having commenced the development activity, a judgement is made that a development asset is impaired, the relevant capitalised amount will be written off to the income statement.

## Notes to the consolidated financial statements

For the year ended 30 June 2023

### OTHER

## 25 Critical accounting estimates and judgements (continued)

### (d) Property, plant and equipment – recoverable amount

The determination of FVLCD and value in use requires management to make estimates about expected production and sales volumes, commodity prices, reserves (see 'iron ore reserve estimates' above), operating costs, rehabilitation costs and future capital expenditure. Management also considers the impact of material climate-related risks, both transitional and physical, on estimates of future costs and useful lives of assets. Changes in circumstances may alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be impaired and the impairment would be charged to the income statement.

#### (i) Iron Bridge CGU – recoverable amount

The Group has used the FVLCD approach to assess the recoverable amount of the Iron Bridge CGU (refer to note 12(a)). The FVLCD is based on discounted cashflows using market-based exchange rates, commodity prices, expected pricing premiums, estimated quantities of recoverable resources, production levels, operating costs and capital requirements, and the cost of its eventual disposal, based on CGU budgets and latest Life of Mine (LoM) plans. Where appropriate, the fair value has included probability weighted scenarios in calculating inputs. These cash flows were discounted using a nominal post-tax discount rate that reflected current market assessments of the time value of money and the risks specific to the CGU.

Production outputs, recoverability of resources and operating and capital costs are based on both LoM plans and internal budgets. Mine closure and rehabilitation is based on a combination of internal estimates on disturbance (based on LoM) and independent experts estimates on fixed infrastructure decommissioning.

### (e) Rehabilitation estimates

Fortescue's accounting policy for the recognition of rehabilitation provisions requires significant estimates including the magnitude of possible works required for the removal of infrastructure and of rehabilitation works, future cost of performing the work, the inflation and discount rates and the timing of cash flows. These uncertainties may result in future actual expenditure differing from the amounts currently provided.

### (f) Revenue

#### (i) Revenue from iron ore sales

The transaction price at the date control passes for sales made subject to the provisional pricing mechanism is estimated with reference to quoted index prices. For sales where the final settlement price is yet to be determined, the value of this revenue is adjusted by considering tonnes subject to price finalisation at the end of the period and applying the closing spot rate.

#### (ii) Revenue from engineering services

Revenue from engineering services is recognised over time, as the services are provided to the customer, based on costs incurred for work performed to date as a percentage of total estimated costs under the contract or amounts billed as a percentage of the contract value. Judgements made that could have a significant effect on the financial report and estimates with a risk of adjustment in the next year are as follows:

- Determination of stage of completion
- Estimation of total contract revenue and contract costs
- Estimation of project completion date.

### (g) Joint arrangements

Judgement is required to determine when the Group has joint control, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Group has determined that the relevant activities for its joint arrangements relate to the operating and capital decisions of the arrangement, such as the approval of the capital expenditure program for each year. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries (refer to note 24(a)).

Judgement is also required to classify a joint arrangement as either a joint operation or joint venture. Classifying the arrangement requires the Group to assess its rights and obligations arising from the arrangement. Specifically, it considers:

- The structure of the joint arrangement – whether it is structured through a separate vehicle
- When the arrangement is structured through a separate vehicle, the Group also considers the rights and obligations arising from:
  - the legal form of the separate vehicle
  - the terms of the contractual arrangement
  - other facts and circumstances (when relevant).

This assessment often requires significant judgement, and a different conclusion on joint control, and also whether the arrangement is a joint operation or joint venture, may materially impact the accounting.

### (h) Fair value measurement of financial assets

When the fair values of financial assets recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

# DIRECTORS' DECLARATION

## DR ANDREW FORREST AO

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 109 to 164 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the consolidated entity's financial position at 30 June 2023 and of its performance for the year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 20 will be able to meet any obligations or liabilities to which they are, or may become, subject to and by virtue of the deed of cross guarantee described in note 20.

Note 1(a) confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declaration by the Chief Executive Officers and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors.



**Dr Andrew Forrest AO**

Executive Chairman

Dated in Perth this 28th day of August 2023.

## Auditor's independence declaration

For the year ended 30 June 2023



### Auditor's Independence Declaration

As lead auditor for the audit of Fortescue Metals Group Ltd for the year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Fortescue Metals Group Ltd and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Chris Dodd', is written over a light blue horizontal line.

**Chris Dodd**  
**Partner**  
**PricewaterhouseCoopers**

**Perth**  
**28 August 2023**

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**PricewaterhouseCoopers, ABN 52 780 433 757**

Brookfield Place, 125 St Georges Terrace, PERTH WA 6000, GPO Box D198, PERTH WA 6840  
T: +61 8 9238 3000, F: +61 8 9238 3999, [www.pwc.com.au](http://www.pwc.com.au)

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## Independent auditor's report

For the year ended 30 June 2023



### Independent auditor's report

To the members of Fortescue Metals Group Ltd

### Report on the audit of the financial report

#### Our opinion

In our opinion:

The accompanying financial report of Fortescue Metals Group Ltd (the Company) and its controlled entities (together the Group or Fortescue) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended, and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2023
- the consolidated income statement for the year then ended
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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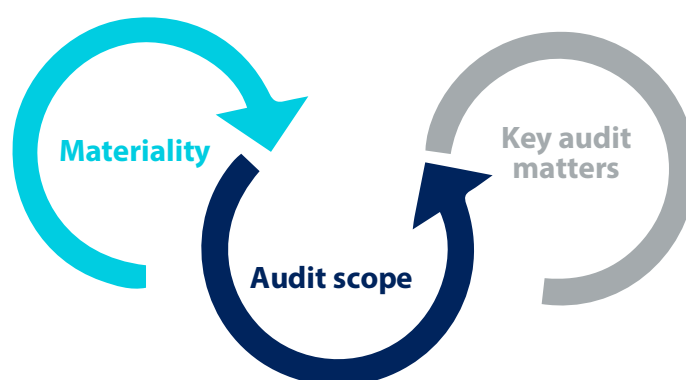
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## Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



### Materiality

- For the purpose of our audit we used overall Group materiality of US\$495 million, which represents approximately 5% of the Group's weighted average profit before tax for the current and previous two years, adjusting for infrequently occurring items, including impairment expense recognised in the current year.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose adjusted Group profit before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. We applied a three year weighted average to address potential volatility in the calculation of materiality that arises from iron ore price fluctuations between years.
- We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

### Audit Scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- The primary activity of the Group is the operation of integrated iron ore mining operations and infrastructure comprising various iron ore mines in the Pilbara region of Western Australia, a rail network and port facilities in Port Hedland. Additionally, the Group is developing and acquiring green energy technologies and projects through the activities of the Fortescue Energy operating segment. Our audit procedures were predominantly performed in Perth, where many of the Corporate and Group Operations functions are centralised. This was supported by visits to Fortescue's mining operations.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit, Risk Management and Sustainability Committee.

| Key audit matter  | How our audit addressed the key audit matter   |
|---|--|
| <p><b>Impairment assessment of the Iron Bridge Cash Generating Unit (CGU)</b><br/><i>Refer to note 12 and 25(d)</i></p> <p>In accordance with Australian Accounting Standards and internal policies, Fortescue is required to assess at each reporting date whether there is any indication that its assets may be impaired. During the financial year, it was determined that indicators of impairment existed in relation to their Iron Bridge CGU. Accordingly, an impairment assessment was completed which resulted in an impairment expense of US\$1,037 million being recognised in other expenses.</p> <p>The recoverable amount of the CGU was determined using the higher of value in use (being the net present value of expected future cash flows of the CGU in its current condition) and the fair value less cost of disposal ('Fair Value'). The Group has used the Fair Value methodology.</p> <p>The Group prepared a discounted cash flow model in determining the recoverable amount of the CGU which involved the estimation of several assumptions as described in note 25(d).</p> <p>The impairment assessment of the Iron Bridge CGU was a key audit matter given the significance of the CGU assets to the consolidated statement of financial position and the level of judgement involved in forming the estimates used in determining the recoverable amount and whether an impairment is required.</p> | <p>We performed the following audit procedures, amongst others, over the impairment assessment of the Iron Bridge CGU:</p> <ul style="list-style-type: none"> <li>• We developed our understanding of the process by which the cash flow forecasts were prepared to assess the recoverable amount of the CGU.</li> <li>• We have assessed the mathematical accuracy and logic of the discounted cash flow model and have assessed whether the methodology utilised to determine the recoverable amount was consistent with Australian Accounting Standards.</li> <li>• We have assessed the reasonableness of the CGU by determining whether the included assets, liabilities and cash flows are directly attributable to the CGU, and in line with our knowledge of the Group's operations and in accordance with Australian Accounting Standards.</li> <li>• We have evaluated the Group's historical ability to forecast future cash flows by comparing budgets with reported actual results for the past year.</li> <li>• We assessed the appropriateness of the significant assumptions used, including assessing: <ul style="list-style-type: none"> <li>- The forecasted product price assumptions, by comparing them to analysis performed by external parties, and comparing them to economic and industry forecasts</li> <li>- Whether the operating cost forecasts are consistent with the most up-to-date budgets and life of mine; and</li> <li>- The discount rate used, by assessing the cost of capital for the Group, assisted by PwC valuations experts, and comparing the rate to market data and industry research.</li> </ul> </li> <li>• We have assessed the reasonableness of the disclosures made in the financial report against the requirements of Australian Accounting Standards.</li> </ul> |

| Key audit matter  | How our audit addressed the key audit matter   |
|---|--|
| <p><b>Operating sales revenue – iron ore and shipping revenue</b><br/><i>Refer to note 3 and 25(f)</i></p> <p>The Group recognised iron ore revenue of US\$15,318 million and shipping revenue of US\$1,356 million for the year ended 30 June 2023.</p> <p>Fortescue's sales contracts may be provisionally priced at the initial revenue recognition (bill of lading) date, with the final settlement price based on a pre-determined quotation period. Operating sales revenue from these contracts each comprise two parts:</p> <ul style="list-style-type: none"> <li>(i) Iron ore revenue and shipping revenue recognised at the bill of lading date at current prices; and</li> <li>(ii) Provisional pricing adjustments which represent any difference between the revenue recognised at the bill of lading date and the final settlement price.</li> </ul> <p>This is a key audit matter given the significance of iron ore and shipping revenue to the consolidated income statement. These factors combine to make this area a key audit matter.</p> | <p>We performed the following audit procedures, amongst others, over iron ore and shipping revenue:</p> <ul style="list-style-type: none"> <li>• We performed tests on a sample basis of IT systems and key controls involved in the calculation of iron ore and shipping revenue, including provisional pricing adjustments to revenue.</li> <li>• We performed analytical procedures over iron ore and shipping revenue, including provisional pricing adjustments. We compared revenue recognised with relevant external price indices and external data over Fortescue's shipped tonnes.</li> <li>• For a sample of sales contracts open at balance date, we inspected the sales contracts and assessed key terms of the sale including the volume of sales and duration of any quotation period.</li> <li>• Compared journal entries to supporting documentation for a selection based on risk, including those posted at period-end which impact iron ore and shipping revenue.</li> <li>• For a sample of sales contracts with provisional pricing adjustments recorded during the year, we confirmed that the provisional pricing adjustments were appropriately presented within the financial statements by reconciling the separately recorded amounts to invoices.</li> </ul>  |
| <p><b>Restoration and rehabilitation obligations</b><br/><i>Refer to note 13 and 25(e)</i></p> <p>The Group recognised provisions for restoration and rehabilitation obligations of US\$1,063 million as at 30 June 2023.</p> <p>This is a key audit matter as the calculation of these provisions requires judgement by the Group in estimating the magnitude of possible works required for the removal of infrastructure and rehabilitation activities, the future cost of performing the work, when rehabilitation activities will take place, and the economic assumptions such as inflation and discount rates applied to future liabilities.</p> <p>The judgement required by the Group to estimate such costs is made in circumstances where there has been limited restoration and rehabilitation activity or historical precedent against which to benchmark estimates of future costs. These factors combine to make this area a key audit matter.</p>   | <p>To assess the Group's restoration and rehabilitation obligations, we performed the following audit procedures, amongst others:</p> <ul style="list-style-type: none"> <li>• Developed an understanding of how the Group identified the relevant methods, assumptions, and sources of data, that are appropriate for developing the closure plans and associated cost estimates in the context of the Australian Accounting Standards.</li> <li>• Developed an understanding of the relevant control activities associated with developing the closure plans and associated cost estimates.</li> <li>• We checked the mathematical accuracy of calculations underlying the rehabilitation obligations on a sample basis, and whether the timing of cash flows within the calculations were consistent with latest life of mine plans.</li> <li>• Assessed whether the discount rates used in the rehabilitation calculations were reasonable by comparing them to market data.</li> <li>• Compared significant assumptions used in the closure plans and associated cost estimates to other similar costs in the business or external data where appropriate.</li> <li>• We assessed provision movements in the year relating to restoration and rehabilitation obligations to determine whether they were consistent with our understanding of the Group's operations and associated rehabilitation plans.</li> </ul> |



## Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon through our opinion on the financial report. We have issued a separate opinion on the remuneration report and a limited assurance conclusion on the Green Bond Eligible Project allocation included in pages 43 to 44 of the operating and financial review section of the annual report.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf). This description forms part of our auditor's report.

## Report on the remuneration report

### Our opinion on the remuneration report

We have audited the remuneration report included in pages 74 to 108 of the directors' report for the year ended 30 June 2023.

In our opinion, the remuneration report of Fortescue Metals Group Ltd for the year ended 30 June 2023 complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers'.

**PricewaterhouseCoopers**

A handwritten signature in black ink that reads 'Chris Dodd'.

**Chris Dodd**  
Partner

**Perth**  
**28 August 2023**

# CORPORATE DIRECTORY

09

2023



The unique  
Values driving  
performance



## TOP 20 HOLDERS OF ORDINARY SHARES AT 21 AUGUST 2023

| Rank | Name  | Shares number        | % of issued capital |
|------|---|----------------------|---------------------|
| 1    | HSBC Custody Nominees (Australia) Limited       | 1,482,035,717        | 48.13               |
| 2    | J P Morgan Nominees Australia Pty Limited       | 406,988,264          | 13.22               |
| 3    | Valin Investments (Singapore) Pte Ltd           | 228,007,497          | 7.41                |
| 4    | Tattarang Pty Ltd                               | 117,580,521          | 3.82                |
| 5    | Citicorp Nominees Pty Limited                   | 105,987,655          | 3.44                |
| 6    | Emichrome Pty Ltd                               | 93,045,000           | 3.02                |
| 7    | BNP Paribas Noms Pty Ltd                        | 40,912,996           | 1.33                |
| 8    | Valin Resources Investments (Singapore) Pte Ltd | 37,876,216           | 1.23                |
| 9    | National Nominees Limited                       | 26,253,495           | 0.85                |
| 10   | Pacific Custodians Pty Limited                  | 16,843,421           | 0.55                |
| 11   | Citicorp Nominees Pty Limited                   | 15,711,741           | 0.51                |
| 12   | Pacific Custodians Pty Limited                  | 15,710,557           | 0.51                |
| 13   | BNP Paribas Nominees Pty Ltd ACF Clearstream    | 14,157,242           | 0.46                |
| 14   | HSBC Custody Nominees (Australia) Limited       | 11,554,788           | 0.38                |
| 15   | Invia Custodian Pty Limited                     | 8,244,951            | 0.27                |
| 16   | Citicorp Nominees Pty Limited                   | 5,653,649            | 0.18                |
| 17   | BNP Paribas Nominees Pty Ltd                    | 4,659,448            | 0.15                |
| 18   | Merrill Lynch (Australia) Nominees Pty Limited  | 4,119,589            | 0.13                |
| 19   | HSBC Custody Nominees (Australia) Limited       | 4,062,741            | 0.13                |
| 20   | Mr John William Cunningham                      | 4,000,000            | 0.13                |
|      |   | <b>2,643,405,488</b> | <b>85.85</b>        |

### Substantial holders

| Rank | Name  | Shares number | % of issued capital |
|------|---|---------------|---------------------|
| 1    | Tattarang Pty Ltd, Minderoo Foundation Limited, Nicola Margaret Forrest and John Andrew Henry Forrest | 1,131,365,000 | 36.74               |
| 2    | Hunan Valin Iron and Steel Group Company  | 267,395,477   | 8.68                |
| 3    | The Capital Group Companies, Inc  | 244,454,405   | 7.94                |

| Range             | Shareholders number |
|-------------------|---------------------|
| 1 to 1,000        | 109,639             |
| 1,001 to 5,000    | 42,697              |
| 5,001 to 10,000   | 8,120               |
| 10,001 to 100,000 | 5,652               |
| 100,001 and Over  | 289                 |
| <b>Total</b>      | <b>166,397</b>      |

### Unmarketable parcels

There were **3,750** members holding less than a marketable parcel of share in the Company.

To: The Board of Directors of Fortescue Metals Group Ltd

## Independent Limited Assurance Report on identified Subject Matter Information in Fortescue Metals Group Ltd's FY23 Annual Report

The Board of Directors of Fortescue Metals Group Ltd engaged us to perform an independent limited assurance engagement in respect of the Eligible Project Cumulative Spend as at 30 June 2023 (the 'Subject Matter Information'), as listed in Fortescue Metals Group Ltd (the Company) and its controlled entities' (together the Group) FY23 Annual Report.

### Subject Matter Information and Criteria

We assessed the Subject Matter Information against the Criteria. The Subject Matter Information needs to be read and understood together with the Criteria. The Subject Matter Information is set out in the table below.

**Table 1 – Subject Matter Information**

| Eligible Project              | Eligible Category    | Cumulative Spend as at 30 June 2023<br>US\$m |
|-------------------------------|----------------------|--|
| Fortescue WAE battery systems | Energy storage       | 205  |
| Pilbara Generation Project    | Renewable energy     | 76   |
| Pilbara Transmission Project  | Renewable energy     | 60   |
| Green Fleet Energy Hub        | Clean transportation | 58   |
| Battery Electric Locomotives  | Clean transportation | 15   |
| <b>Total allocated</b>        |                      | <b>414</b>                                   |

The Criteria used by Fortescue Metals Group Ltd to prepare the Subject Matter Information is the basis of preparation set out on pages 43 to 44 of the Operating and financial review in the Fortescue FY23 Annual Report (the 'Criteria').

The maintenance and integrity of Fortescue Metals Group Ltd's website is the responsibility of the Group's management; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the reported Subject Matter Information or Criteria when presented on Fortescue Metals Group Ltd's website.

Our assurance conclusion is with respect to the Subject Matter Information as at 30 June 2023, and does not extend to any other information included in, or linked from, the Fortescue FY23 Annual Report including any images, audio files or videos.

### Responsibilities of Management

The Group's management is responsible for the preparation of the Subject Matter Information in accordance with the Criteria. This responsibility includes:

- determining appropriate reporting topics and selecting or establishing suitable criteria for measuring, evaluating and preparing the underlying Subject Matter Information;
- ensuring that those criteria are relevant and appropriate to Fortescue Metals Group Ltd and the intended users; and
- designing, implementing and maintaining systems, processes and internal controls over information relevant to the evaluation or measurement of the Subject Matter Information, which is free from material misstatement, whether due to fraud or error, against the Criteria.

### Our independence and quality control

We have complied with the ethical requirements of the Accounting Professional and Ethical Standard Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) relevant to assurance engagements, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Australian Standard on Quality Management ASQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements*, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

#### PricewaterhouseCoopers, ABN 52 780 433 757

Brookfield Place, 125 St Georges Terrace, PERTH WA 6000, GPO Box D198, PERTH WA 6840  
T: +61 8 9238 3000, F: +61 8 9238 3999, www.pwc.com.au

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## Our responsibilities

Our responsibility is to express a limited assurance conclusion based on the procedures we have performed and the evidence we have obtained.

Our engagement has been conducted in accordance with the Australian Standard on Assurance Engagements (ASAE 3000) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*. That standard requires that we plan and perform this engagement to obtain limited assurance about whether anything has come to our attention to indicate that the Subject Matter Information has not been prepared as at 30 June 2023, in all material respects, in accordance with the Criteria.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance opinion.

In carrying out our limited assurance engagement we:

- made inquiries of the persons responsible for the Subject Matter Information;
- obtained an understanding of the process for collecting and reporting the Subject Matter Information and obtaining supporting evidence to assess the eligibility of the project against the Group's Sustainability Financing Framework (as announced on 9 November 2021);
- obtained supporting evidence to assess the allocation of green bonds proceeds to eligible projects;
- performed limited substantive testing on a selective basis of the Subject Matter Information to assess that data had been appropriately measured, recorded, collated and reported; and
- considered the disclosure and presentation of the Subject Matter Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

## Inherent limitations

Inherent limitations exist in all assurance engagements due to the selective testing of the information being examined. It is therefore possible that fraud, error or non-compliance may occur and not be detected. A limited assurance engagement is not designed to detect all instances of non-compliance of the Subject Matter Information with the Criteria, as it is limited primarily to making enquiries of the Group's management and applying analytical procedures.

Additionally, non-financial data may be subject to more inherent limitations than financial data, given both its nature and the methods used for determining, calculating and estimating such data. The precision of different measurement techniques may also vary. The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, evaluation and measurement techniques that can affect comparability between entities and over time.

The limited assurance conclusion expressed in this report has been formed on the above basis.

## Our limited assurance conclusion

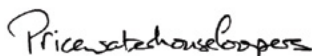
Based on the procedures we have performed, as described under 'Our responsibilities' and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Subject Matter Information as at 30 June 2023, has not been prepared, in all material respects, in accordance with the Criteria.

## Use and distribution of our report

We were engaged by the board of directors of Fortescue Metals Group Ltd to prepare this independent assurance report having regard to the criteria specified by the Group and set out in the basis of preparation set out on pages 43 to 44 of the Operating and financial review in the Fortescue FY23 Annual Report. This report was prepared solely for Fortescue Metals Group Ltd to assist the directors in responding to their governance responsibilities by obtaining an independent assurance report in connection with the Subject Matter Information.

We accept no duty, responsibility or liability to anyone other than Fortescue Metals Group Ltd in connection with this report or to Fortescue Metals Group Ltd for the consequences of using or relying on it for a purpose other than that referred to above. We make no representation concerning the appropriateness of this report for anyone other than Fortescue Metals Group Ltd and if anyone other than Fortescue Metals Group Ltd chooses to use or rely on it they do so at their own risk.

This disclaimer applies to the maximum extent permitted by law and, without limitation, to liability arising in negligence or under statute and even if we consent to anyone other than Fortescue Metals Group Ltd receiving or using this report.



**PricewaterhouseCoopers**



**Chris Dodd**  
Partner

**Perth**  
**28 August 2023**

## GLOSSARY

### Australian Accounting Standards

Australian Accounting Standards are developed, issued and maintained by the Australian Accounting Standards Board, an Australian Government agency under the *Australian Securities and Investments Commission Act 2001*.

### ASX

Australian Securities Exchange.

### Beneficiation

Beneficiation is a process whereby ore is pulverised into fine particles and the higher grade material is separated, often magnetically, from the gangue (waste).

### bt

Billion tonnes.

### C1 Costs

Operating costs of mining, processing, rail and port on a per tonne basis, including allocation of direct administration charges and production overheads.

### CFR

A delivery term that indicates that the shipment price includes the cost of goods, freight costs and marine costs associated with a particular delivery.

### Chichester Hub

Fortescue's mining hub with two operating iron ore mines, Cloudbreak and Christmas Creek.

### CID

Channel Iron Deposit.

### CO<sub>2</sub>-eq

Not all greenhouse gases warm the atmosphere equally. Some gases have a greater global warming potential, or warming effect, than carbon dioxide. To account for this, the term CO<sub>2</sub>-eq is used and means that greenhouse gases other than carbon dioxide have been converted to the equivalent amount of CO<sub>2</sub>. This provides for a single, uniform means of measuring emissions reductions for multiple greenhouse gases.

### Contractors

Non-Fortescue employees, working with the Company to support specific business activities.

### Corporations Act

*Corporations Act 2001* of the Commonwealth of Australia.

### Direct employees

Total number of employees including permanent, fixed term and part-time. Does not include contractors.

### dmt

Dry metric tonne.

### Fe

The chemical symbol for iron.

### FFI

Fortescue Future Industries Pty Ltd.

### FIFO

Fly-in fly-out is defined as circumstances of work where the place of work is sufficiently isolated from the worker's place of residence to make daily commute impractical.

### Fortescue

Fortescue Metals Group Limited (ACN 002 594 872) and its subsidiaries.

### Fortescue blend

A blend of ore from Christmas Creek and Firetail mines, with an iron grade of 58.2% Fe.

### Fortescue River Gas Pipeline

A 270 kilometre gas pipeline which delivers natural gas from the Dampier to Bunbury Pipeline to the main power station in the Solomon Hub.

### FY

Refers to a financial year, end 30 June.

### Gearing

Debt / (debt + equity).

### Green ammonia

Ammonia is widely used to make fertiliser, but most ammonia today is made from fossil fuels. Green ammonia, in contrast, 100 per cent renewable. One way to make green ammonia is via the Haber Bosch process. Green hydrogen and nitrogen that has been extracted from the air are reacted together during a process powered by renewable electricity to produce green ammonia, or NH<sub>3</sub>.

### Green hydrogen

Green hydrogen is hydrogen produced via electrolysis of water. Electrolysis splits the water molecule into its constituents, hydrogen and oxygen. The process must be powered by renewable electricity for the hydrogen to be defined as green.

### Green iron

Iron ore that has been converted into iron (a) without the use of coal or any other fossil fuel and (b) using renewable electricity and, in some cases, green hydrogen.

### Green iron ore

Iron ore that has been mined without the use of fossil fuels, i.e. using haul trucks and other equipment that runs on battery-electric or green hydrogen based technologies.

### Green metals

Metals mined using renewable energy. Critical minerals are not inherently green unless they are mined in this way.

### Green metallic iron

Metallic iron made through the reduction of iron ore using 100% renewable energy and no fossil fuels.

### Green shipping fuels

Shipping fuels made without using fossil fuels, such as green ammonia.

### Green steel

Steel made using green iron, powered by 100% renewable energy.

### Ha

Hectares.

### Hematite

An iron ore compound with an average iron content of between 57% and 63% Fe. Hematite deposits are typically large, close to the surface and mined via open pits.

### Indigenous Land Use Agreement (ILUA)

Statutory agreement between a native title group and others about the use of land and waters.

### Indicated Mineral Resource

An 'Indicated Mineral Resource' is that part of a Mineral Resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, and is sufficient to assume geological and grade (or quality) continuity between points of observation where data and samples are gathered. An Indicated Mineral Resource has a lower level of confidence than that applying to a Measured Mineral Resource and may only be converted to a Probable Ore Reserve.

### Inferred Mineral Resource

An 'Inferred Mineral Resource' is that part of a Mineral Resource for which quantity and grade (or quality) are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade (quality) continuity. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

An Inferred Mineral Resource has a lower level of confidence than that applying to an Indicated Mineral Resource and must not be converted to an Ore Reserve. It is reasonably expected that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration.

### International Financial Reporting Standards

International Financial Reporting Standards (IFRS) is a single set of accounting standards, developed and maintained by the International Accounting Standards Board with the intention of those standards being capable of being applied on a globally consistent basis.

### IUCN

International Union for Conservation of Nature.

### JORC Code

The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 Edition, each prepared by the Joint Ore Reserves Committee of the Australian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Mineral Council of Australia, as amended or supplemented from time to time.

### Kings CID Fines

Fortescue's standalone product produced from Channel Iron Deposit Ore from its Kings Valley mine in the Solomon Hub, with an iron content of 57.3% Fe.

### KMP

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

### Magnetite

An iron ore compound that is typically a lower grade ore than hematite iron ore because of a lower iron content.

Magnetite ore requires significant beneficiation to form a saleable concentrate. After beneficiation, Magnetite ore can be pelletised for direct use as a high-grade raw material for steel production.

### Measured Mineral Resource

A 'Measured Mineral Resource' is that part of a Mineral Resource for which quantity, grade (or quality) densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, and is sufficient to confirm geological and grade (or quality) continuity between points of observation where data and samples are gathered. A Measured Mineral Resource has a higher level of confidence than that applying to either an Indicated Mineral Resource or an Inferred Mineral Resource. It may be converted to a Proved Reserve or under certain circumstances to a Probable Ore Reserve.

### mt

Million tonnes.

### mtpa

Million tonnes per annum.

### Net gearing

$(\text{Debt} - \text{cash}) / (\text{debt} - \text{cash} + \text{equity})$ .

### NPAT

Net profit after tax.

### OPF

Ore Processing Facility.

### Pilbara

The Pilbara region in the north-west of Western Australia.

### Pilbara Energy Connect (PEC)

Fortescue's energy generation and transmission program of works.

### Probable Ore Reserve

As defined in the JORC Code, the economically mineable part of an Indicated Resource, and in some circumstances, a Measured Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.

### Proved Ore Reserve

As defined in the JORC Code, the economically mineable part of a Measured Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.

### Real zero

Real Zero means the elimination of greenhouse gas emissions from our use of, or reliance on, fossil fuels and replacement fuels (e.g. green ammonia), wherever possible without using offsets.

### Reserves or Ore Reserves

As defined in the JORC Code, the economically mineable part of a Measured Resource and/or an Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore reserves are subdivided in order of increasing confidence into Probable Ore Reserves and Proved Ore Reserves. Where capitalised, this term refers to Fortescue's estimated reserves.

### Resources or Mineral Resources

As defined in the JORC Code, a concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quantity and quality that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral resources are subdivided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories. Where capitalised, this term refers to Fortescue's estimated Mineral Resources.

### Senior executive

Leadership position title of Director or Group Manager.

### Solomon Hub

A mining hub with Firetail, Kings Valley and Queens Valley mines.

### Super Special Fines

Fortescue's iron ore product from the Chichester Hub, with an iron content of 56.4% Fe.

### Sustainable Aviation Fuels (SAFs)

A wide range of aviation fuels including biofuels (e.g. waste cooking oil), hydrogen and synthetic hydrocarbons. Not all SAFs are sustainable or zero-emission.

### TRIFR

Total recordable injury frequency rate per million hours worked, comprising lost time injuries, restricted work and medical treatments.

### Total global economic contribution

Payments that contribute to the global economy including payments to suppliers, employees (salaries and wages), governments (taxes and royalties), shareholders and investors (dividends and debt repayments).

### Underlying EBITDA

Underlying EBITDA is defined as earnings before interest, tax, depreciation and amortisation, exploration, development and other expenses.

### Underlying EBITDA margin

Underlying EBITDA / operating sales revenue.

### Underlying net profit after tax

Net profit after tax (NPAT) adjusted for results adjusted for the removal of significant non-cash and non-recurring items.

### VTEC

Vocational Training and Employment Centre.

### Western Hub

The Western Hub includes the Eliwana mine.

### wmt

Wet metric tonne.

### Zero emission vehicles

Zero emissions, when used to describe vehicles, means that the vehicle's exhaust does not produce greenhouse gas.

# DISCLAIMER

Our report contains certain statements which may constitute “forward-looking statements”. Words that may indicate a forward-looking statement include words such as “intend”, “aim”, “ambition”, “commitment”, “aspiration”, “project”, “anticipate”, “likely”, “estimate”, “plan”, “believes”, “expects”, “may”, “should”, “could”, “will”, “forecast”, “target”, “set to” or similar expressions.

Examples of forward-looking statements include: our projected and expected production and performance levels; our plans for major projects including investment decisions; our expectations regarding future demand for certain commodities; the assumptions and conclusions in our climate change related statements and strategies; and our plan to achieve Real Zero as described in this report.

Any forward-looking statements in this report reflect the expectations held at the date of this document. Such statements are only predictions and are subject to inherent risks and uncertainties which could cause actual decisions, results, values, achievements or performance to differ materially from those expressed or implied in any forward-looking statement. Forward-looking statements are based on assumptions regarding Fortescue’s present and future business strategies and the future conditions in which Fortescue expects to operate. Forward-looking statements are also based on management’s current expectations and reflect judgments, assumptions and information available as at the date of this report. Actual and future events may vary materially from the forward-looking statements made (and the conclusions and assumptions on which the forward-looking statements were based) because events and actual circumstances frequently do not occur as forecast and future results are subject to known and unknown risks such as changes in market conditions and regulations.

Some of the various factors that could cause Fortescue’s actual results, achievements or performance to differ from those in forward-looking statements include: geopolitical and political uncertainty; trade tensions between major economies; the impacts of climate change; supply chain availability and shortages; the impacts of technological advancements including but not limited to the viability, availability, scalability and cost-effectiveness of technologies

that can be used to decarbonise our business; our ability to profitably produce and transport minerals and/or metals extracted to applicable markets; the availability of skilled personnel to help us decarbonise and grow our businesses; new ore resource levels, including the results of exploration programmes and/or acquisitions; inadequate estimates of ore resources and reserves; our ability to successfully execute and/or realise value from acquisitions and divestments; our ability to raise sufficient funds for capital investment; disruption to strategic partnerships; damage to Fortescue’s relationships with communities and governments; labour unrest; our ability to attract and retain requisite skilled people; declines in commodity prices; adverse exchange rate movements; delays or overruns in projects; change in tax and other regulations; cybersecurity breaches; the impacts of water scarcity; natural disasters; the ongoing impacts of the COVID-19 pandemic; safety incidents and major hazard events; and increasing societal and investor expectations, including those regarding environmental, social and governance considerations.

Accordingly, forward-looking statements must be considered in light of the above factors, and others, and Fortescue cautions against undue reliance on such statements. Recipients should rely on their own independent enquiries, investigations and advice regarding information contained in this report. Fortescue makes no representation, guarantee, warranty or assurance, express or implied, as to the accuracy or likelihood of the forward-looking statements or any outcomes expressed or implied in any forward-looking statements contained in this report being achieved or proved to be correct.

Except as required by applicable regulations or by law, Fortescue disclaims any obligation or undertaking to publicly update or review any forward-looking statements, whether as a result of new information or future events. Past performance cannot be relied on as a guide to future performance.

## CONTACT DETAILS

### Fortescue Australia

Level 2, 87 Adelaide Terrace  
East Perth, WA 6004  
T: +61 8 6218 8888  
F: +61 8 6218 8880  
E: [fortescue@fortescue.com](mailto:fortescue@fortescue.com)  
[www.fortescue.com](http://www.fortescue.com)

### Fortescue VTEC and Community office

1B/2 Byass Street  
South Hedland, WA 6722  
T: +61 8 9158 5800  
F: +61 8 6218 8880  
E: [hedlandcommunity@fortescue.com](mailto:hedlandcommunity@fortescue.com)  
[vtec@fortescue.com](mailto:vtec@fortescue.com)

### Australian Business Number

ABN 57 002 594 872

### Auditor

PwC  
Level 15, 125 St Georges Terrace  
Perth, WA 6000  
[www.pwc.com.au](http://www.pwc.com.au)

### Securities Exchange listings

Fortescue Metals Group Limited  
shares are listed on the Australian  
Securities Exchange (ASX)  
ASX Code: FMG

### Fortescue Share Registry

Link Market Services Limited  
Level 12, QV1 Building  
250 St Georges Terrace  
Perth, WA 6000  
Locked Bag A14  
Sydney South, NSW 1235  
T: 1300 733 136 (within Australia)  
T: +61 2 8280 7603 (International)  
F: +61 2 9287 0309  
[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

### Fortescue Shanghai, China

Unit 3, Floor 15 No. 1366 Lujiazui Ring  
Road Pudong New Area Shanghai, P.R  
China

### Singapore

FMG International  
The Central  
8 Eu Tong Sen St  
24-91 Singapore 059818

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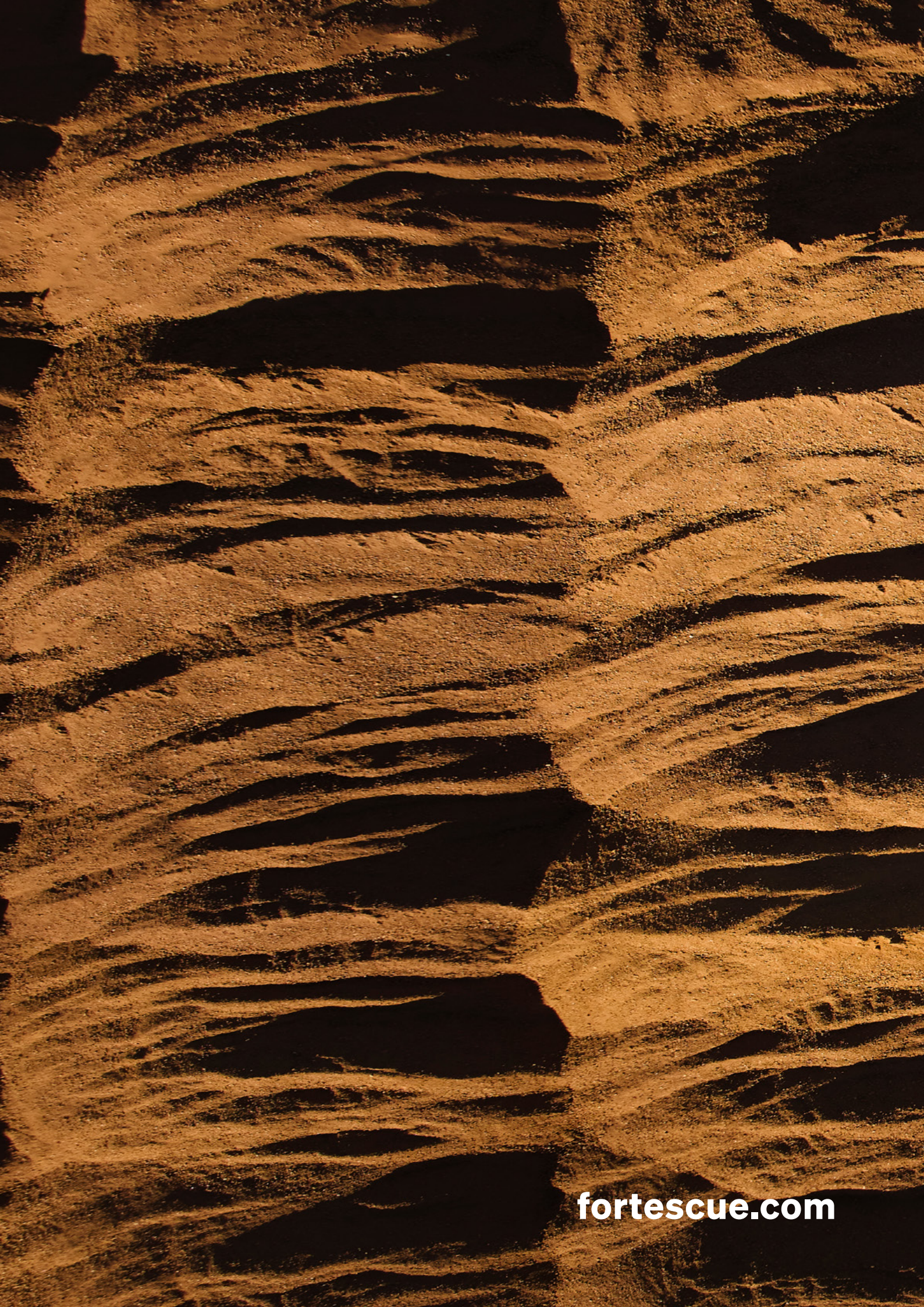
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# Celebrating 20 years of Fortescue

Over our short history, Fortescue has gone from a start-up to being one of the world's largest producers of iron ore. As we look ahead to the next 20 years in our journey to become the number 1 integrated green technology, energy and metals company, we acknowledge our West Australian roots and thank those who have contributed, and continue to contribute, to Fortescue's success.

[fortescue.com](https://www.fortescue.com)



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