

March 2023 Quarterly Production Report

24 APRIL 2023

Strong third quarter performance contributes to record nine month shipments

Summary

- Total Recordable Injury Frequency Rate (TRIFR) of 1.8 at 31 March 2023.
- Iron ore shipments of 46.3 million tonnes (mt) in Q3 FY23 contributed to record shipments for the nine months to 31 March 2023 of 143.1mt.
- Average revenue of US\$109/dry metric tonne (dmt), realising 87 per cent of the average Platts 62% CFR Index for the quarter.
- C1 cost of US\$17.73/wet metric tonne (wmt), two per cent higher than H1 FY23.
- Net debt of US\$2.1 billion at 31 March 2023, after payment of the interim dividend of US\$1.5 billion and capital expenditure of US\$681 million in the quarter.
- The first wet concentrate was produced from the Ore Processing Facility at the Iron Bridge Magnetite Project on 21 April 2023, ahead of being pumped to Port Hedland.
- Signed the Mining Convention for the Belinga Iron Ore Project in Gabon, with first mining planned in the second half of calendar 2023.
- Construction works completed at Fortescue Future Industries' (FFI) electrolyser manufacturing facility in Gladstone.
- Continued progress on FFI's priority projects in the USA, Australia, Brazil, Kenya and Norway.
- FFI secured renewable power with a Power Purchase Agreement with Statkraft, in Norway.
- Guidance for FY23 shipments, C1 cost and capital expenditure remains unchanged. Strong performance means the C1 cost is expected to be at the lower end of the range.

Fortescue Metals Chief Executive Officer, Fiona Hick, said "It's been another strong quarter for our core iron ore business which is a credit to the team and demonstrates our continued focus on safety, production and cost. We achieved record shipments for the nine months to 31 March of 143.1 million tonnes.

"On the Iron Bridge Magnetite Project, I am pleased to report that the first wet concentrate was produced on Friday. The team is very focussed on the safe commissioning and production ramp up.

"This is a significant milestone for Fortescue as Iron Bridge represents our entry into the highest grade segment of the iron ore market, providing an enhanced product range while also increasing production and shipping capacity. It demonstrates our strong track record of successfully delivering complex projects safely.

"Also reinforcing our commitment to investing in growth is the progress underway at the Belinga Iron Ore Project in Gabon. The Mining Convention was signed during the quarter, establishing the legal, fiscal and regulatory regimes for the Project, including an early stage mine development.

"Fortescue continues to advance its decarbonisation plan as we work towards eliminating emissions from our iron ore operations by 2030. Together with our strong balance sheet and focus on investing in growth, we are well placed to advance our transition to a global green metals and energy company and ensure all stakeholders continue to benefit from Fortescue's success."

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Operations

Production summary (m wmt)	Q3 FY23	Q2 FY23	Var (%)	Q3 FY22	Var (%)
Ore mined	50.3	60.0	(16)	51.6	(3)
Overburden removed	80.1	80.4	(0)	68.6	17
Ore processed	46.1	50.0	(8)	44.2	4
Ore shipped	46.3	49.4	(6)	46.5	(0)
C1 cost (US\$/wmt)	17.73	17.17	3	15.78	12

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

- Building on the record first half, Fortescue's strong operating performance continued in Q3 FY23 with mining, processing, rail and shipping combining to deliver shipments of 46.3mt.
- This contributed to shipments of 143.1mt in the nine months to 31 March 2023, three per cent higher than the prior corresponding period and a record.
- The C1 cost of US\$17.73/wmt in Q3 FY23 was three per cent higher than the previous quarter.
- Fortescue's Port Hedland operations were briefly suspended as a result of Tropical Cyclone Ilsa in April 2023. There were no injuries or significant damage reported.

Marketing

Product summary (m wmt)	Q3 FY23	(%)	Q2 FY23	(%)	Q3 FY22	(%)
West Pilbara Fines	4.4	9	3.9	8	3.8	8
Kings Fines	3.6	8	4.1	8	3.9	8
Fortescue Blend	19.7	42	21.0	43	20.7	45
Fortescue Lump	2.2	5	1.5	3	1.1	2
Super Special Fines	16.4	36	17.8	36	17.0	37
Other products	0.0	0	1.0	2	0.0	0
Total shipments	46.3	100	49.4	100	46.5	100

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

- Chinese crude steel production reached 262mt in the first quarter of calendar 2023, an increase of six per cent compared to the same period last year.
- Fortescue's average revenue of US\$108.57/dmt in Q3 FY23 represents a realisation of 87 per cent of the average Platts 62% CFR Index of US\$125.50/dmt.
- China portside sales by FMG Trading Shanghai Co. Ltd (FTS) was 4.3mt in Q3 FY23, contributing to sales of 13.6mt in the nine months to 31 March 2023.

Financial position

- Fortescue's cash balance was US\$4.0 billion at 31 March 2023, unchanged from 31 December 2022.
- Cash outflows in Q3 FY23 included payment of the FY23 interim dividend of US\$1.5 billion and total capital expenditure of US\$681 million.
- Gross debt was unchanged at US\$6.1 billion at 31 March 2023, and net debt remained unchanged at US\$2.1 billion.
- Fortescue's balance sheet is structured on low cost investment grade terms. The Company continues to proactively manage its debt maturity profile and optimise its debt capital structure.

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Fortescue Future Industries

- FFI is taking a global leadership position in green energy and products.
- Key developments during the quarter include:
 - Construction works completed at the electrolyser manufacturing facility in Gladstone, Queensland. Further fit out of the facility, including the automated production line and testing facilities, will commence soon.
 - Advanced the Norwegian Holmaneset Project, completing a location scoping study and commencing a Zoning Plan process, providing the potential for the development of a 300MW green hydrogen and green ammonia facility. Renewable power was secured by entering a long-term Power Purchase Agreement with Statkraft.
 - Signed an Investment Support and Implementation Agreement with the Government of Kenya, which outlines a commercial framework for the potential development of a 300MW green ammonia and fertiliser facility, including government support for the critical resources, infrastructure and offtake.

Iron Bridge

- The first wet concentrate was produced from the Ore Processing Facility at the Iron Bridge Magnetite Project on 22 April 2023, ahead of being pumped to Port Hedland. Iron Bridge will deliver 22mt per annum of high grade 67% Fe magnetite concentrate.
- During the quarter, the Project achieved key milestones, including:
 - Load commissioning of Crushing Circuit A, including the commissioning of the Coarse Ore Stockpile Stacker.
 - Completion of Dry Plant Circuit A and continued construction on Dry Plant Circuit B, together with continued commissioning activities in the Wet Plant.
 - Continued progress on the installation and testing of the concentrate and return water pipelines, with welding completed and pipelines buried.
 - Water testing was conducted on the Concentrate Handling Facility at Port Hedland ahead of first production.
- The Project capital estimate is unchanged at approximately US\$3.9 billion, with Fortescue's share approximately US\$3.0 billion.
- Iron Bridge is an Unincorporated Joint Venture between FMG Magnetite Pty Ltd (69 per cent) and Formosa Steel IB Pty Ltd (31 per cent).

Minerals exploration

- Total exploration and studies capital expenditure in Q3 FY23 was US\$71 million.
- Iron ore exploration in the Pilbara included resource definition drilling in the Eastern Hamersley with a focus on Nyidinghu and Mindy South, along with the regional exploration programs in the Western Hub.
- Activity at the Belinga Iron Ore Project in Gabon focused on preparation for the upcoming drilling program.
- Exploration activity on the Australian copper portfolio included project generation activities in South Australia and New South Wales.
- International exploration included five drilling programs across Argentina, Chile and Brazil, as well as exploration activities over several project areas in the Latin America region including Peru, as well in Kazakhstan.

FY23 guidance

- Iron ore shipments of 187 - 192mt
- C1 cost for hematite of US\$18.00 - US\$18.75/wmt
- Capital expenditure (excluding FFI) of US\$2.7 - US\$3.1 billion
- FFI's FY23 anticipated expenditure comprises US\$500 - US\$600 million of operating expenditure and US\$230 million of capital expenditure.

Guidance is based on an assumed FY23 average exchange rate of AUD:USD 0.70.

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