

Record third quarter operating performance contributes to strong cashflow generation and upgraded guidance for full year shipments

Quarterly summary

- Total Recordable Injury Frequency Rate (TRIFR) of 1.8 for the 12 months to 31 March 2022, an 18 per cent improvement on 2.2 at 31 March 2021
- Iron ore shipments of 46.5 million tonnes (mt) for Q3 FY22, 10 per cent higher than Q3 FY21, contributing to record shipments for the nine months to 31 March 2022 of 139.5mt
- Average revenue of US\$100/dry metric tonne (dmt) representing revenue realisation of 70 per cent of the Platts 62% CFR Index for the quarter (68 per cent in Q2 FY22)
- C1 cost of US\$15.78/wet metric tonne (wmt), three per cent higher than the previous quarter
- Net debt of US\$2.4 billion at 31 March 2022 after payment of the interim dividend of US\$2.0 billion and capital expenditure of US\$830 million in the quarter
- Successful completion of US\$1.5 billion offering of Senior Notes on 7 April 2022, including Fortescue's inaugural US\$800 million Green Senior Note issue
- Completed the acquisition of Williams Advanced Engineering for US\$221 million and announced the development of the zero emission Infinity Train
- Fortescue Future Industries (FFI) commenced construction of the Green Energy Manufacturing Centre in Gladstone, Queensland and continued to advance a portfolio of projects and technologies
- Based on the strong operating performance in the nine months to 31 March 2022, guidance for FY22 shipments is upgraded to 185 - 188mt (previously 180 - 185mt)
- Guidance for FY22 C1 cost is revised to US\$15.75 - US\$16.00/wmt (previously US\$15.00 - US\$15.50/wmt)
- Guidance for FY22 capital expenditure (excluding FFI) is amended to US\$3.0 - US\$3.2 billion (previously US\$3.0 - US\$3.4 billion)
- The Iron Bridge Magnetite project capital estimate has been revised to US\$3.6 - US\$3.8 billion (previously US\$3.3 billion – US\$3.5 billion).

Fortescue Chief Executive Officer, Elizabeth Gaines, said "Fortescue's excellent operating performance continues to drive strong results, with shipments of 46.5mt in the third quarter contributing to record shipments in the nine months to 31 March 2022. This strong performance is underpinned by the successful delivery and ramp up of the Eliwana project, and execution of our integrated operations and marketing strategy, resulting in the upgrade to FY22 shipment guidance to 185 - 188mt.

“We maintain a strong focus on safety and a commitment to zero harm, with TRIFR improving to 1.8 in the 12 months to 31 March 2022. This was a particularly pleasing performance while managing the ongoing challenges resulting from COVID-19, with Fortescue successfully mitigating potential disruptions to our operations in the quarter by maintaining a comprehensive COVID-19 management plan to safeguard team members and communities through investment in business continuity planning.

“Fortescue’s transition to a vertically integrated green energy and resources company continues to gain momentum. During the quarter, Fortescue completed the acquisition of Williams Advanced Engineering (WAE), providing Fortescue with critical technology and expertise in high-performance battery systems and electrification, with key integration activities well advanced. Together with Fortescue Future Industries, WAE will develop the Infinity Train, the world’s first regenerating battery electric iron ore train, eliminating diesel and the associated CO₂ emissions from Fortescue’s iron ore trains.

“Building on our commitment to integrate sustainability into all aspects of our operations, Fortescue successfully completed its inaugural green financing offering in April 2022, with proceeds to be applied to decarbonisation initiatives as we deliver on achieving carbon neutrality by 2030.

“Against the backdrop of a record performance in our iron ore business and our focus on decarbonisation and green energy, Fortescue is well placed to finish the financial year strongly, as we continue to meet demand from our customers and deliver on our strategic priorities,” Ms Gaines said.

Operations

Production summary (m wmt)	Q3 FY22	Q2 FY22	Var (%)	Q3 FY21	Var (%)
Ore mined	51.6	57.2	(10)	53.6	(4)
Overburden removed	68.6	79.8	(14)	69.2	(1)
Ore processed	44.2	49.2	(10)	44.6	(1)
Ore shipped	46.5	47.5	(2)	42.3	10
C1 cost (US\$/wmt)	15.78	15.31	3	14.90	6

Volume references are based on wet metric tonnes (wmt). Product is shipped with approximately nine per cent moisture.

- Fortescue’s Total Recordable Injury Frequency Rate (TRIFR) was 1.8 for the 12 months to 31 March 2022, an 18 per cent improvement on 2.2 at 31 March 2021.
- Fortescue’s comprehensive COVID-19 risk management plan and business continuity measures remain in place to safeguard Fortescue team members and communities.
- Building on the record first half, Fortescue’s strong operating performance continued in Q3 FY22 with mining, processing, rail and shipping combining to deliver shipments of 46.5mt, 10 per cent higher than Q3 FY21.
- Strong operating performance across the supply chain, together with the successful integration of Eliwana, contributed to record shipments in the nine months to 31 March 2022 of 139.5mt.
- The C1 cost of US\$15.78/wmt in Q3 FY22 was three per cent higher than the previous quarter and six per cent higher than Q3 FY21. Strong volumes and an ongoing focus on cost management were offset by market inflation across key input costs, including diesel, other consumables and labour rates.
- Guidance for FY22 C1 cost is increased to US\$15.75 - US\$16.00/wmt (previously US\$15.00 - US\$15.50/wmt), reflecting updated crude oil price assumptions and AUD:USD exchange rate.

Marketing

Product summary (m wmt)	Q3 FY22	(%)	Q2 FY22	(%)	Q3 FY21	(%)
West Pilbara Fines	3.8	8	4.3	9	4.4	10
Kings Fines	3.9	8	3.1	7	3.7	9
Fortescue Blend	20.7	45	21.6	45	15.0	35
Fortescue Lump	1.1	2	0.8	2	3.6	9
Super Special Fines	17.0	37	17.2	36	12.6	30
Other products	0.0	0	0.5	1	3.0	7
Total shipments	46.5	100	47.5	100	42.3	100

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

- Chinese crude steel production was 243mt in the first quarter of calendar 2022, a decrease of 10.5 per cent compared to the same period last year. Restrictions relating to COVID-19 have impacted logistics and steel demand, with an expectation that policy settings in China will support steel demand and production in CY22.
- Fortescue's average revenue of US\$99.52/dmt in Q3 FY22 represents revenue realisation of 70 per cent of the average Platts 62% CFR Index of US\$141.60/dmt (68 per cent in Q2 FY22). The Platts 62% CFR Index was US\$158.30/dmt at 31 March 2022, compared to US\$119.00/dmt at 31 December 2021.
- China portside sales by FMG Trading Shanghai Co. Ltd were 4.6mt in Q3 FY22, with sales of 13.4mt in the nine months ending 31 March 2022.

Financial position

- Fortescue's cash balance was US\$2.2 billion at 31 March 2022, compared to US\$2.9 billion at 31 December 2021.
- Cash outflows in Q3 FY22 include payment of the FY22 interim dividend of US\$2.0 billion and capital expenditure of US\$830 million, which includes the acquisition of Williams Advanced Engineering for US\$221 million.
- Gross debt was unchanged at US\$4.6 billion at 31 March 2022, and net debt was US\$2.4 billion (US\$1.7 billion at 31 December 2021).
- Fortescue completed a US\$1.5 billion offering of Senior Notes on 7 April 2022. The offering included a US\$800 million Senior Green Note, Fortescue's inaugural green bond issue, with the use of proceeds to be applied to decarbonisation initiatives.

Iron Bridge

- The Iron Bridge Magnetite project will deliver 22mt per annum of high grade 67% Fe magnetite concentrate. Iron Bridge is a strategic investment that enables Fortescue to provide an enhanced product range and increase its production and shipping capacity.
- During the quarter, the Project achieved key milestones, including:
 - Five module ships unloaded at Port Hedland, taking the total of the Project to date to 14 of 21 module ships
 - Mechanical installation of Primary Crusher A is well advanced
 - Continued progress on both the concentrate and return water pipeline installation as well as the raw water pipeline

- Completion of earthworks for the Concentrate Handling Facility (CHF) at Port Hedland
- Award of the mechanical and electrical works contract at the CHF.
- The Project has made significant progress while managing the challenges associated with the impact of COVID-19, supply chain constraints and market inflation.
- COVID-19 related labour constraints including isolation and absenteeism together with a tight labour market have contributed to workforce levels being significantly below the Project workforce plan for the March quarter. Other factors include ongoing supply chain issues, higher installation and construction costs, as well as escalation in logistics and shipping costs, which have been further exacerbated by the recent lockdowns in China.
- The capital estimate for the Project has been revised to US\$3.6 - US\$3.8 billion (previously US\$3.3 - US\$3.5 billion), subject to Iron Bridge Joint Venture approval. Fortescue's share of the capital estimate is revised to US\$2.7 - US\$2.9 billion (previously US\$2.5 - US\$2.7 billion).
- The Iron Bridge Magnetite project represents a compelling investment for the Joint Venture partners given its low capital intensity and competitive operating cost structure. The strong demand for this high value in use product is expected to attract a premium to the Platts 65% CFR Index and will extend Fortescue's product range to the high grade market segment.
- Fortescue continues to proactively manage COVID-19 and prioritise critical path work to minimise the impact on schedule. First production is now planned for the March 2023 quarter, from the previous guidance of December 2022.
- Iron Bridge is an Unincorporated Joint Venture between FMG Magnetite Pty Ltd (69 per cent) and Formosa Steel IB Pty Ltd (31 per cent).

Fortescue Future Industries

- Fortescue Future Industries (FFI) is taking a global leadership position in green energy and green technology and is committed to producing zero-carbon green hydrogen.
- During the quarter FFI achieved the following:
 - Commenced construction of the Green Energy Manufacturing Centre in Gladstone, Queensland. The first stage development is an electrolyser manufacturing facility with initial capacity of two gigawatts per annum and investment of up to US\$83 million
 - Entered a Memorandum of Understanding to partner with E.ON, one of Europe's largest operators of energy networks and energy infrastructure, to supply up to five million tonnes per annum of green, renewable hydrogen to Europe by 2030
 - Established a working alliance with Airbus to facilitate the decarbonisation of the aviation industry through the supply of green hydrogen.
- FFI's FY22 anticipated expenditure is unchanged at US\$400 - US\$600 million, inclusive of US\$100 - US\$200 million of capital expenditure and US\$300 - US\$400 million of operating expenditure.

Exploration

- Total exploration and studies capital expenditure for Q3 FY22 was US\$42 million.
- Iron ore exploration in the Pilbara included target and resource definition drilling in the Western Hub and Eastern Hamersley with a focus on the program at Mindy South and South Star.
- Exploration activity on the Australian copper-gold portfolio included target generation from utilising geophysical datasets gathered through the first half of the financial year, with a focus on the Paterson and Rudall projects in Western Australia. A drilling program at Vulcan South on the Tasman Resources Joint Venture project in South Australia continues.

- International activities include drilling programs in Argentina and exploration activities over several project areas in Chile, Brazil and Ecuador.

FY22 guidance

- Iron ore shipments of 185 - 188mt (previously 180 - 185mt)
- C1 cost of US\$15.75 - US\$16.00/wmt (previously US\$15.00 - US\$15.50/wmt)
- Capital expenditure (excluding FFI) of US\$3.0 - US\$3.2 billion (previously US\$3.0 - US\$3.4 billion).

Guidance for C1 cost and capital expenditure is based on an assumed FY22 average exchange rate of AUD:USD 0.73 (previously AUD:USD 0.72).

Authorised for lodgement by:
Cameron Wilson
Company Secretary

Contacts

Media contact:

Nicole Hamer, Senior Communications Specialist

E: mediarelations@fmgl.com.au

M: +61 439 996 023

Investor Relations contact:

Andrew Driscoll, GM Investor Relations

E: investorrelations@fmgl.com.au

P: +61 8 9230 1647

Reporting calendar

Event	Date
June Quarterly Production Report	28 July 2022
FY22 Results	29 August 2022
September Quarterly Production Report	27 October 2022
Annual General Meeting	22 November 2022