

# September 2022 Quarterly Production Report

27 OCTOBER 2022

## Record first quarter operating performance in strong start to FY23

### Quarterly summary

- Total Recordable Injury Frequency Rate (TRIFR) improved to 1.7 at 30 September 2022, 15 per cent lower than 2.0 at 30 September 2021
- Updated industry leading decarbonisation roadmap, with US\$6.2 billion capital investment planned by 2030 to eliminate fossil fuel risks, saving an estimated US\$3 billion by 2030 and rising to annual savings of US\$818 million once fully implemented
- Iron ore shipments of 47.5 million tonnes (mt) in Q1 FY23 were four per cent higher than the prior comparable period and a record for a first quarter
- Average revenue of US\$87/dry metric tonne (dmt) for the quarter, realising 85 per cent of the average Platts 62% CFR Index
- C1 cost of US\$17.69/wet metric tonne (wmt), three per cent higher than the previous quarter with a focus on mitigating industry wide cost pressures, including fuel costs
- Cash of US\$3.3 billion (net debt of US\$2.8 billion) at 30 September 2022 after payment of the FY22 final dividend of US\$2.4 billion and capital expenditure of US\$653 million in the quarter
- Fortescue Future Industries (FFI) entered a collaboration with Tree Energy Solutions which aims to accelerate development of a green hydrogen and green energy import facility in Germany
- FFI and Incitec Pivot Limited (IPL) progressed planning for the conversion of IPL's Gibson Island ammonia facility to run on green hydrogen, commencing Front End Engineering Design
- FFI established a U.S. Technology Hub and announced partnership with the U.S. Department of Energy's National Renewable Energy Laboratory
- Guidance for FY23 shipments, C1 cost and capital expenditure remains unchanged.

Fortescue Executive Chairman, Dr Andrew Forrest AO said, "The Fortescue team has delivered a strong start to FY23 with record first quarter shipments of 47.5 million tonnes. Importantly, the team achieved our lowest Total Recordable Injury Frequency Rate of 1.7, demonstrating our continued commitment to look out for our mates on our journey to zero harm.

"Guided by our unique culture and Values, Fortescue is leading the green energy transition and setting record-breaking industry benchmarks. We are establishing the building blocks of a new, global renewable energy value chain spanning technology, manufacturing, green energy generation and distribution which will deliver significant returns to our shareholders.

"Last month at the United Nations General Assembly, Fortescue announced it would step beyond fossil fuels and lead heavy industry to achieve real zero emissions (Scope 1 and 2) across our iron

ore operations by 2030. We will save an estimated US\$3 billion by 2030 as a result, rising to annual savings of US\$818 million once fully implemented. Our roadmap outlines the technology, timetable, strategy and costings required to decarbonise profitably, avoid financial, commercial, environmental and social risk, and future-proof the business. We urge other emitters like us to follow.

“Business as usual is over. There has been a historic underinvestment in clean energy globally. The maintenance and subsidy of fossil fuels has a detrimental climatic impact and prolongs their prolific use. We are making the choice to turn off fossil fuels to provide stronger outcomes for our shareholders and better outcomes for the planet. The acceleration of the energy transition for the resources industry requires subsidies for green energy globally. This will be a core message we will take to COP27 next month to help enable other companies to join us.

“We remain committed to building thriving communities and creating sustainable business opportunities for First Nations people across Australia. This is evident through our industry leading Billion Opportunities program which has now awarded more than A\$4 billion in contracts and subcontracts to Aboriginal businesses since it was launched in 2011. Later this week we will mark the fifteenth anniversary of our Vocational Training and Employment Centre (VETC) program that has trained and placed in full time Fortescue employment more than 1,000 Aboriginal Australians.

“Against this backdrop of a strong performance for the first quarter, we are well positioned to meet our guidance, execute on our strategy and ensure all our stakeholders continue to benefit from Fortescue’s success.”

## Operations

Production summary (m wmt)	Q1 FY23	Q4 FY22	Var (%)	Q1 FY22	Var (%)
Ore mined	54.8	59.2	(7)	60.8	(10)
Overburden removed	80.6	66.9	20	99.2	(19)
Ore processed	48.0	46.8	3	48.4	(1)
Ore shipped	47.5	49.5	(4)	45.6	4
C1 cost (US\$/wmt)	17.69	17.19	3	15.25	16

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

- The health, safety and wellbeing of the Fortescue family remains the Company’s highest priority. A continuous focus on safety contributed to an improvement in the Total Recordable Injury Frequency Rate (TRIFR) to 1.7 for the 12 months ending 30 September 2022, 15 per cent lower than 30 September 2021.
- In a strong start to FY23, mining, processing, rail and shipping combined to deliver record first quarter iron ore shipments of 47.5mt, four per cent higher than the prior comparable period. This reflects strong operating performance across the supply chain and availability of inventory.
- The C1 cost of US\$17.69/wmt was three per cent higher than the previous quarter, and 16 per cent higher than Q1 FY22, largely reflecting the price escalation of key input costs, including diesel and labour rates, partly offset by a lower AUD:USD exchange rate.

## Marketing

Product summary (m wmt)	Q1 FY23	(%)	Q4 FY22	(%)	Q1 FY22	(%)
West Pilbara Fines	3.7	8	3.3	7	3.7	8
Kings Fines	3.6	8	4.3	9	3.6	8
Fortescue Blend	20.5	43	20.8	42	20.0	44
Fortescue Lump	1.1	2	1.2	2	1.0	2
Super Special Fines	17.6	37	19.1	38	16.8	37
Other products	1.0	2	0.8	2	0.5	1
Total shipments	47.5	100	49.5	100	45.6	100

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

- Chinese crude steel production was 781mt in the nine months to 30 September 2022, a decrease of 3.4 per cent compared to the same period last year.
- Fortescue's average revenue of US\$87.43/dmt in Q1 FY23 represents a realisation of 85 per cent of the average Platts 62% CFR Index of US\$103.31/dmt (Q4 FY22: realisation of 78 per cent). The Platts 62% CFR Index decreased from US\$120.10/dmt on 30 June 2022 to US\$95.95/dmt on 30 September 2022.
- China portside sales by FMG Trading Shanghai Co. Ltd increased to 5.3mt in Q1 FY23, compared to 3.7mt in the prior comparable period.

## Financial position

- Fortescue's cash balance was US\$3.3 billion at 30 September 2022, compared to US\$5.2 billion at 30 June 2022.
- Cash outflows in Q1 FY23 included US\$2.4 billion for the FY22 final dividend and US\$653 million of capital expenditure.
- Gross debt was unchanged at US\$6.1 billion at 30 September 2022, and net debt was US\$2.8 billion (US\$0.9 billion at 30 June 2022).
- Fortescue's balance sheet is structured on low cost, investment grade terms while maintaining flexibility to support operations and fund future growth.

## Decarbonisation

- Fortescue continues to make significant progress to decarbonise, and on 20 September 2022 updated its world leading heavy industry decarbonisation strategy, aiming to eliminate fossil fuels and achieve real zero emissions (Scope 1 and 2) across its iron ore operations by 2030.
- Total capital investment of US\$6.2 billion is planned by 2030 to eliminate fossil fuel risk and reduce operating costs by US\$818 million per year. Additionally, cumulative operating cost savings of US\$3 billion are estimated by 2030 (refer to: *ASX Release, 20 September 2022*).
- When fully implemented, the strategy and associated investment will lead to the avoidance of 3mt of CO<sub>2</sub> equivalent emissions per annum and the displacement of approximately 700 million litres of diesel and 15 million GJ of gas per annum by 2030. This is in addition to the 78 million litres of diesel usage avoided at the Chichester Hub in FY22.
- Decarbonisation reduces Fortescue's operating cost risk profile via eliminating exposure to fossil fuel price volatility, the price and volume risk associated with relying on carbon offsets, as well as carbon tax regulator risk. Further, it de-risks gaining access to capital markets, and enables exposure to the growing pools of sustainability and green sources of capital.

- It establishes a significant new green growth opportunity by producing a carbon free iron ore product and through the commercialisation of decarbonisation technologies.
- The Science Based Targets Initiative (SBTi) will verify and audit Fortescue's emissions reduction.

## Fortescue Future Industries

- Fortescue Future Industries (FFI) is taking a global leadership position in green energy and technology and is committed to producing zero-carbon green hydrogen.
- Key developments during the quarter include:
  - On 5 October 2022, entered a global strategic collaboration with energy infrastructure developer Tree Energy Solutions which aims to accelerate the development of a world leading green hydrogen and green energy import facility in Germany
  - On 7 October 2022, FFI and Incitec Pivot Limited (IPL) progressed planning for the conversion of IPL's Gibson Island ammonia facility to run on green hydrogen to its final stages, with the commencement of Front End Engineering Design as well as executing a framework agreement to govern the project through to a Final Investment Decision
  - Establishment of the Colorado Technology Hub to expand FFI's U.S. presence and strengthen its position as a leading global developer of green energy technology. Additionally, FFI partnered with the U.S. Department of Energy's National Renewable Energy Laboratory to create green jobs in America and advance green hydrogen production and technologies
  - Agreement with Deutsche Bahn to cooperate on research investigating green hydrogen and ammonia gas fuels in rail applications
  - In the lead up to Egypt hosting the 2022 United Nations Climate Change Conference (COP27), signed an agreement to conduct studies with a view to developing green hydrogen production in the Arab Republic of Egypt.
- FFI's FY23 anticipated expenditure comprises US\$500 - US\$600 million of operating expenditure and US\$230 million of capital expenditure.

## Iron Bridge

- The Iron Bridge Magnetite Project will deliver 22mt per annum of high grade 67% Fe magnetite concentrate, with first production scheduled for the March 2023 quarter.
- During the quarter, the Project achieved key milestones, including:
  - The final module ship from China was unloaded at Port Hedland, and all remaining critical path items delivered to site
  - Energised the 220 kilometre transmission line from Solomon to Iron Bridge providing commissioning power to site from the existing Solomon Power Station
  - Commenced commissioning of Dry Processing Line A primary and secondary crushing and ancillary equipment, together with commissioning the associated electrical switch rooms and supply systems
  - Continued progress on the installation of the concentrate and return water pipelines across excavation, welding and laying
  - Completed the structural concrete installation at the Concentrate Handling Facility at Port Hedland, with civil, structural and mechanical works progressing.
- The Project capital estimate is unchanged at US\$3.6 - US\$3.8 billion, with Fortescue's share US\$2.7 - US\$2.9 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 Q1 FY23 was US\$61 million.
- Iron ore exploration in the Pilbara included resource definition drilling in the Eastern Hamersley with a focus on the program at Nyidinghu and Mindy South, along with the regional exploration programs focused in the Western Hub including Wyloo North.
- Exploration activity on the Australian copper-gold portfolio included data acquisition of geophysical datasets on the projects in South Australia.
- International exploration included drilling programs in Argentina and Kazakhstan, as well as exploration activities over several project areas including the Belinga Project in Gabon, together with activity in Peru, Chile and Brazil.

## FY23 guidance

- Iron ore shipments of 187 - 192mt, including approximately 1mt from Iron Bridge (100 per cent basis)
- 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.

Authorised for lodgement by:  
Cameron Wilson  
Company Secretary

## Contacts

### Media contact:

Nicole Hamer, Principal Communications

E: [media@fortescue.com](mailto:media@fortescue.com)

M: +61 439 996 023

### Investor Relations contact:

Andrew Driscoll, GM Investor Relations

E: [investorrelations@fmgl.com.au](mailto:investorrelations@fmgl.com.au)

P: +61 8 9230 1647

## Reporting calendar

Event	Date
Annual General Meeting	22 November 2022
December Quarterly Production Report	25 January 2023
H1 FY23 Results	15 February 2023
March Quarterly Production Report	27 April 2023