



FY24 Full Year Results

Investor and Analyst Call Transcript

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TRANSCRIPTION

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[START OF TRANSCRIPT]

Operator: Thank you for standing by and welcome to the Fortescue FY24 Full Year Results call.

All participants are in a listen only mode. There will be a presentation followed by a question and answer session. If you wish to ask a question, you will need to press the star key followed by the number one on your telephone keypad. In the interests of time, we ask that you please limit to two questions per person. If you would like to ask further questions, please requeue.

I would now like to hand the conference over to Mr Dino Otranto, Fortescue Metals CEO. Please go ahead.

Dino Otranto: Thank you very much. Hello everyone and welcome to Fortescue's Annual Results presentation. Joining me today in Perth is Mark Hutchinson, Fortescue Energy Chief Executive Officer, and Apple Paget, Chief Financial Officer.

For those who have participated in our calls before, you would know about our program called CEO for a Day, where we have aspiring leaders work with our leadership team to learn about the business. I'm thrilled to welcome a true Fortescue legend, Angus Lane, a Drill Operator at Eliwana, who joins us for CEO for a Day.

Angus is a proud Badimaya Yamtaji Walpriiri Warramungu and Arrerntte man. He joined Fortescue through our Vocational Training and Employment Centre program, or VTEC, in January last year. Since completing VTEC, Angus has become an integral member of our Eliwana Drill and Blast team and I've been fortunate enough to see Angus in action while visiting site only a few weeks ago. We're really fortunate to have you here with us mate, welcome.

Angus Lane: Good morning, thank you Dino for having me. I look forward to what CEO for a Day has in store for me today and I am keen to see what goes on.

Dino Otranto: Thanks Angus. Our full year result builds on a strong operational performance that we shared at our Quarterly results only a few weeks ago. We achieved full year shipments of 191.6 million tonnes while maintaining our industry leading cost position with a hematite C1 of US\$18.24 per tonne.

Most importantly, we did this safely, with our lowest ever Total Recordable Injury Frequency Rate (TRIFR) for Metals of 1.3 – a 28 per cent improvement from the prior year. A truly amazing result.

This coming year we're aiming to build on this performance with FY25 guidance for total shipments of 190 million to 200 million tonnes, which includes 5 million to 9 million tonnes from Iron Bridge.

In our financial results, which Apple will talk to in detail shortly, our operating performance and focus on cost discipline contributed to the third highest earnings and second highest free cash flow in the Company's history. Reflecting this strong performance, our commitment to delivering shareholder returns, the Board has declared a final dividend of A\$0.89 per share. This, along with our interim dividend, equates to total dividends of A\$1.97, which is a payout ratio of 70 per cent of full year net profit after tax (NPAT) and represents distributions to shareholders of A\$6.1 billion.

We continued to advance our Metals portfolio during the financial year, with first ore from our Flying Fish deposit at Eliwana and at the Hall Hub at Christmas Creek. We also ramped up commissioning of Iron Bridge, our most innovative iron ore project yet. Despite some challenges with the Raw Water Pipeline, we've had a strong start to FY25 and full production capacity is still targeted for the September Quarter next year.

On exploration, we advanced drilling and studies on various near mine and greenfield development opportunities, and that's within our portfolio of over 13 billion tonnes of Hematite Mineral Resources.

Outside of Australia, we successfully completed early-stage mining from the Belinga Iron Ore Project in Gabon, with the focus now firmly on exploration drilling and studies.

Globally, we have an exciting exploration pipeline with programs underway in Argentina, Peru and Brazil, amongst others.

Turning to Green Metals which we see as a significant growth opportunity to rethink the entire iron and steel value chain and develop a new, green industry here in Australia. Just a few weeks ago, we commenced works on our US\$50 million Green Metal Project at Christmas Creek, which marked a new milestone in our mission to build a green metal supply chain.

We're aiming to produce more than 1,500 tonnes per annum of a higher than 95 per cent green metal with first production anticipated next calendar year.

Moving to sustainability, which has been at the heart of Fortescue since our founding 21 years ago. As we accelerate commercial decarbonisation of industry rapidly, profitably and globally, it will be our pathway to success in the future.

Today we released our annual reporting suite, which includes our Sustainability Report and outlines our commitment to giving back to the communities in which we operate.

Our economic contribution totalled A\$27.5 billion this year in payments to employees, suppliers, shareholders and governments. We're also proud to be Australia's third highest taxpayer, contributing A\$6.1 billion in corporate taxes and State royalties. We continue to see the benefits of initiatives such as our Billion Opportunities Program, where only a few weeks ago, we celebrated more than A\$5 billion in contracts awarded to around 200 First Nations businesses since it was launched, with only one, in 2011.

Through our Vocational Training and Employment Centre initiative, more than 1,500 First Nations Australians have been employed with Fortescue. My mate Angus here is only but one of them.

Through our diversity and inclusion plan, we're building a workforce that reflects the communities in which we live. There continues to be steady growth in gender equality, with females holding 24 per cent of total roles and 37 per cent of senior leadership roles. Our ambition now is to increase gender diversity to reflect 40:40:20, where 40 per cent of our roles are held by women, 40 per cent are held by men and the remaining 20 per cent are represented by any gender. Our First Nations workforce is also growing with First Nations Australians comprising about 15 per cent of our Pilbara workforce.

Turning to decarbonisation, where we remain resolutely committed to meeting our Real Zero target by 2030. Doing this will see us eliminate fossil fuels from our operations without any reliance on carbon offsets. Momentum is strong with several milestones achieved during the financial year, and we're well on track to meet our commitment by 2030. This includes, this year the commissioning of our gaseous and liquid hydrogen plant at Christmas Creek, which is the largest of its kind in Australia. We also tested our battery electric haul truck prototype, Roadrunner, at our Green Energy Hub, and a few weeks ago we were there to launch our hydrogen battery electric truck to undergo similar testing in the Pilbara.

And we're only just getting started. Our mission is to accelerate commercial decarbonisation of industry rapidly, profitably and globally.

On that note, I'm going to hand over to Hutch for an update on the energy business.

Mark Hutchinson: Thanks Dino and great to be speaking with you all today. Fortescue has always been at the forefront of innovation, and this has set us up for success for the past 21 years and now the decarbonisation of our mining operations seeing us lead the world once again.

The Energy team is building on this pedigree, and creating a portfolio that's ambitious and develops complementary capabilities across the entire green energy value chain.

Our Green Energy team is very much focussed on green electrons and molecule production. Fortescue Zero is delivering battery power systems and developing green technology critical to reduce emissions. We're also looking at green financing through Fortescue Capital, and it's these three that pieces together as an

integrated approach that allows us to be efficient and innovative, but also having the ability to adapt quickly and respond to shifting market conditions.

Let's look at Fortescue Zero first. Technology is key to everything that we're doing. That's why we've established Fortescue Zero – evolving the original Williams Advanced Engineering into a team now tasked with engineering, testing, manufacturing and, most importantly, commercialising our green technologies.

These products have been born from the Formula E racetrack and developed in house by our global team of engineers. The power systems, fast chargers, DCDC convertors and other solutions that we've adapted for our own mining applications, also we believe have significant additional commercialisation opportunities.

But when we think about technology, we think about hardware and software. We've recently signed a multi-year deal with Jaguar Land Rover to use Fortescue's cutting-edge battery intelligence software, Elysia, in its first-generation electric vehicles.

We have a need to use these products ourselves and that is our real advantage. That is what really sets us apart. This is also the message that comes loud and clear from our first customers.

We've officially opened our Gladstone Electrolyser Manufacturing Centre in Queensland earlier this year and we have started selling our PEM electrolyser systems.

Let's turn to Energy projects. This year we have reached some incredible milestones. We've turned the soil at the site of the Arizona Hydrogen in the United States, one of the first green energy projects awarded a Final Investment Decision (FID) by our Board.

Our Liquid Green Hydrogen production facility is on track to start construction this financial year and begin production in 2026.

Our second FID project, the Gladstone PEM50 Project, is in Queensland. It will operate alongside our Electrolyser Manufacturing Centre and use Fortescue's own PEM technology to produce up to 22 tonnes of green hydrogen per day. Production is expected to begin in 2025.

Fortescue is committed to green hydrogen and its derivatives, however as I said before, our financial discipline always comes first, and we are only focused on delivering those projects which are economically viable.

The green hydrogen market globally is still developing and currently the cost of power in many countries is too high. What we won't do is give up. When power costs are prohibitive, we'll work to bring those costs down. Longer term, we totally believe that green hydrogen is what the world ultimately needs and that is why we continue to maintain a significant portfolio of potential projects.

We have advanced green energy projects including Holmaneset in Norway and Pecém in Brazil. Both of these projects have been awarded Early Investment Decisions to begin the Front End Engineering Design process. We also have a pipeline of projects in Morocco, Oman, Egypt and Jordan, which will follow next. There is plenty to be excited about and we are focused on making business decisions that make sense economically, commercially that deliver the best results to our shareholders.

Let's now turn to Apple who will look at the financials.

Apple Paget: Thanks, Hutch, and big hello to everyone. It's a privilege to present a summary of our financials and as you can see from our disclosures today, we have reported a clean and transparent set of results. Our FY24 revenue increased by 8 per cent to US\$18.2 billion in line with the increase in realised prices. This flowed through to EBITDA, up 7 per cent to US\$10.7 billion.

The EBITDA margin was 59 per cent and the Metals segment EBITDA was US\$65 per tonne. For those following the webcast, you can see from this slide that Fortescue has continued to generate strong margins through the cycle. The average EBITDA in the past five years is over US\$60 per tonne.

The next slide is the year-on-year reconciliation of underlying net profit after tax, with the waterfall showing all the moving parts. Two comments to make here. Firstly, the increase in depreciation and amortisation expense. This relates to the lagged impacts of several years of higher sustaining capex together with the commissioning of new assets and in particular, Iron Bridge, which transitioned to operations in August last year.

Secondly, the higher income tax expense reflects the higher statutory earnings before tax, as well as a higher effective tax rate, where the main drivers of the increase were the impact of the non-deductible nature of our overseas operations, as well as prior period adjustments. Net profit after tax of US\$5.7 billion was the third highest earnings in Fortescue's history, and this contributed to a return of capital of 31 per cent.

Moving to cash flows, net operating cash flow increased to US\$7.9 billion, and free cash flow increased by 18 per cent on the prior year to US\$5.1 billion, our second highest ever. This was after capital expenditure of US\$2.9 billion, comprising US\$2.6 billion in Metals and US\$317 million in the Energy segment, with some further detail on this slide. As reported at our Quarterly last month, our balance sheet is in great shape. Cash on hand at 30 June 2024 was US\$4.9 billion, noting this is inclusive of approximately US\$1.8 billion for the final dividend, which will be paid next month, and gross debt of US\$5.4 billion.

You can see our robust credit metrics on this slide, with debt to EBITDA of 0.5 times and gross gearing of 22 per cent. Fortescue's capital allocation framework continues to prioritise maintaining a strong balance sheet, together with capital returns to shareholders from investing in growth. Our dividend policy is to payout 50 to 80 per cent of net profit, and as you've heard, the Board today declared a final dividend per share of A\$0.89.

This takes the FY24 total dividend per share to A\$1.97. This represents a fully franked dividend yield of more than 10 per cent on today's share price.

In closing, you can see we have achieved strong financial results in FY24. Through a focus on operating excellence, and cost and capital discipline, we will continue to deliver benefits to all our stakeholders. I will now hand back to our operator, Darcy for Q&A, where we welcome your questions.

Operator: Thank you. If you wish to ask a question, please press star 1 on your telephone and wait for your name to be announced. If you wish to cancel your request, please press star 2. If you're on a speakerphone, please pick up the handset to ask your question. In the interests of time we ask that you limit to two questions per person. If you would like to ask further questions you may rejoin the queue by pressing star 1 again.

Your first question comes from Rahul Anand from Morgan Stanley. Please go ahead.

Rahul Anand: (Morgan Stanley) Hi, Dino and team. Thanks for the call. The first one I guess is for Apple. Apple, I just wanted to touch on that depreciation number - you did mention that in your introductory comments as well - driven by the higher Iron Bridge depreciation. That was something that perhaps myself and the market were a bit behind on.

Can you give a bit of colour on how we should be modelling this going forward? You are still spending a fair bit of capex in FY25, so if I look at FY25 and beyond then into FY26, does that mean that the depreciation still needs to be significantly higher than where we are currently, just for modelling purposes. Thanks.

Apple Paget: Thanks, Rahul. That's a very good question. As I did mention, the FY24 reflects a bit of a catch-up after several years of higher sustaining capex, as well as Iron Bridge transitioned into operations in August, so we do have that almost full year impact in FY24. We componentise assets and apply the appropriate methodology, which includes units of production or a straight-line over its useful life. In the case of Iron Bridge, the majority of assets being plant and infrastructure are depreciated on a straight-line basis over its useful life.

Now, Rahul, you asked about what will happen in the future. For FY25 we don't specifically guide on depreciation, but you can anticipate this to be broadly in line with FY24, with increases aligned with any elevated capex spend.

Rahul Anand: (Morgan Stanley) Got it, okay. Second question, perhaps a simpler one on payouts. You obviously paid out a bit higher in terms of your payout ratio. You're right at the 70 per cent mark which is the top end of your range. If you look out into the future, we're in a market where iron ore is obviously weaker in terms of pricing, but then on top of that you also have realisations coming off. How do you think about your capex spend in the future-facing business? Is there any flexibility left in that business, and then if there is or isn't, how does that impact your payout expectations into the future?

Apple Paget: Thanks, Rahul. That's a very good question. I think the first note to say is that we do have a capital allocation framework which prioritises returning back to the shareholders with a payout ratio of 50 to 80 per cent. We do strike a balance between returning back to shareholders, whilst focusing on those capex requirements and future growth. We have paid a significant dividend payout ratio, but it is to note a matter for the Board and all considerations will be factored into it.

Operator: Thank you. Your next question comes from Glyn Lawcock from Barrenjoey. Please go ahead.

Glyn Lawcock: (Barrenjoey) Good morning, everyone. Just a clarification, sorry, Apple. If you look at the second half D&A, if you annualise that, it's actually 14 per cent up. Is it just high in the second half because strong units of production in iron ore? I'm just trying to understand why it doesn't step up 14 per cent if you annualise the second half.

Apple Paget: All I can say is, there a huge catch-up of the higher sustaining capex, and you do have the full half of the Iron Bridge that has gone through, so you have to take into account not just units of production but the useful life, and the guidance around the depreciation would be per our policy in Note 23. You should view it all on a full-year basis.

Glyn Lawcock: (Barrenjoey) Okay. That's fine. Then maybe just a question for you, Hutch, if I could. Is there any early indication you can give us on the size of the capex for Norway and Brazil? I wasn't even going to try and pronounce the names of the projects. Is it similar to orders of magnitude of the projects that were FID'd in FY24?

Mark Hutchinson: Holmaneset is in Norway, and Pecem is in Brazil. Look, I think the way to think about this is - and we're working hard on getting these projects to the next phase and we'll provide more information late in the year, early next year as they come through the system and if the Board approves them. The way to look at it is - they're both ammonia projects. Holmaneset is roughly 200,000 tonnes of ammonia and circa low-US\$1 billion mark from a capex perspective, so that should give you some idea.

Now, the intention is that we would get going on the Project, we would bring bank debt in at some stage, probably at financial close at 50 to 60 per cent, and then we'd sell down some of the equity. The intention wouldn't be to ever spend that all ourselves with our capital. That project actually also has a grant from the European Commission, if you remember, for €200 million, so that goes against the capex.

Then Pecem is roughly three times the size of that, to give you some indication. Those projects - we're working on very hard. They will be the next projects that you'll see and as soon as they come through the system and they get Board approval, we'll give you more information on them.

Operator: Thank you. Your next question comes from Jon Bishop from Jarden. Please go ahead.

Jon Bishop: (Jarden) Good morning. Thanks for taking my questions. My first question is just around your green hydrogen strategy. I think Hutch, you called out electricity costs being currently too high to make the widespread adoption of green hydrogen challenging at the moment globally. I guess the irony we're being exposed to real time, is the escalation in electricity prices on the east coast of Australia due to the move away from baseload fossil fuel generation electricity to renewables. I'm wondering what are your thoughts on how this is realistically bridged to ever make green hydrogen costs competitive?

Mark Hutchinson: Great question. On our journey in the green hydrogen space, I think we've learned a lot over the last couple of years, and the power cost is obviously very, very important. That's why if you look at our first projects, we focus very much on hydro. The cost of power is relatively low, and it's fully firm as well, so there's certain advantages with those projects based on the power baseload.

I would make a general comment, is as we look around the world, where you're competing with an economy which is decarbonising, you really have an issue competing with increase in power costs, until that economy decarbonises, and they have excess power. Australia is probably a good example of that. You look on the east coast, we're still going through a decarbonisation process, the costs of power will change over time once the economy decarbonises and there'll be excess power available for export, which is really what green hydrogen is. I look at the Australian market, there's definitely a long-term market, it's going to take some time to adjust, but it does mean that there are opportunities outside the NEM if we get the power costs down.

Jon Bishop: (Jarden) Okay. Thank you. That's excellent. Just a second question, slightly related. I think you've flagged at the front of your release today your US\$6.2 billion decarbonisation plan. That number was released in 2022. Do you still feel it's contemporary or should the market really be looking to adjust for inflation that all of your peers have called out over the last two years?

Dino Otranto: Thanks, Jon. Dino here. We're steadfast in the US\$6.2 billion and we're working hard with technology providers and also our own technology to ensure that we're well within that and on track.

Mark Hutchinson: I would just add on that, Jon, also. There's many companies taking a different position to their targets. We are absolutely steadfast in our targets, and we will achieve them by 2030.

Operator: Thank you. Your next question comes from Lyndon Fagan from J.P. Morgan. Please go ahead.

Lyndon Fagan: (J.P. Morgan) Good morning. Dino, you called out the green iron project, US\$50 million and starting up relatively soon. I'm wondering, can you expand a bit more on your vision for green iron and I guess is there any room in the medium-term capital expenditure budget for any material spend on green iron?

Dino Otranto: Thanks, Lyndon. The short answer is, watch this space. The longer answer is we are really doubling down on green iron. What's become quite evident in China, although a lot of reporting around the

structural change potentially of China's market, but one thing that's coming out is their insatiable demand for green products.

I think Australia is uniquely positioned for its next boom beyond commodities, but green commodities, and that's why we're putting so much effort into our Green Iron Plant in Christmas Creek. Within 12 months we will show the world that it is possible to make green iron metal, so 95 per cent plus pig iron that is in granules out of Pilbara-based iron ores, with hydrogen as a reducing agent derived from the sun, and in the future the wind. Within a year, you will see us making further announcements around what the next stage of green iron development in Australia or around the world could look like.

Apple Paget: I'll just add further to what Dino was saying, Lyndon. As you rightly pointed out, the US\$50 million that's in our guidance under iron and iron ore projects of US\$150 million for FY25, and we do want to note our strong balance sheet capacity for projects, which includes green iron.

Lyndon Fagan: (J.P. Morgan) Thanks. Just a quick follow-up, just further on the Brazil and Norway hydrogen projects, or I guess you're now calling them ammonia projects. I'm wondering if you are able to give us a broad capital intensity, even a range to think about in how we should be looking at those projects from a capex perspective? Thanks.

Mark Hutchinson: As I mentioned before, I think the way to think about this is 200,000 tonnes of ammonia; on Holmaneset that's the production we believe on the Phase 1 of the project, will be capex circa low US\$1 billion-ish mark. As I said before, we do have a grant from the European Commission which is going to help us with that. You can look at Pecem being three times the size of that, roughly. As I mentioned, the intent is for us to get going with these projects through to Financial Close. We'll then bring some debt in, 50 to 60 per cent, and then we'll look to sell down part of the equity over time. So, it's not all going to be on balance sheet.

Operator: Thank you. Your next question comes from Rob Stein from Macquarie. Please go ahead.

Rob Stein: (Macquarie) Hi team. Thanks for the opportunity. Just a question on Real Zero. I understand you're not going to be pursuing offsets, understand that you're going to be trying to reduce carbon at a rate that's quite aggressive compared to where the safeguard threshold may lie. With those safeguard mechanism credit units that you may generate in that process, are you going to surrender those straight up, i.e. not trade them and not retain them for future use, et cetera? Then I've got a follow-up, thank you.

Dino Otranto: It's a good question, Rob, around trading the ACCUs. First prize is actually getting to Real Zero. We're getting a lot of support from the Government around safeguard, Hydrogen Headstart funding. Andy, on the trading of the ACCUs at this stage?

Andrew Driscoll: I was just going to suggest that we're exploring all options there, Rob, and finding what's the best outcome. But yes, maybe let me take that on notice and I'll come back offline.

Dino Otranto: Good question.

Rob Stein: (Macquarie): Yes, because if you're generating those credit units and then you're trading them to others to effectively offset their emissions, one could argue that it's not really Real Zero, so you'd have to probably surrender them. I was just thinking about how you would think through that process.

I guess another question around how your carbon neutrality in broader terms in your hydrogen projects and the like, and trading green ammonia, are you factoring in green premiums to your IRRs for those projects and the thresholds? We've seen some of the competitors' sanction or buy ammonia projects and having to consider premiums to I guess get threshold internal rates of return. Just wondering how you're thinking through that.

Mark Hutchinson: I think our view is there will be a premium eventually for green hydrogen, green ammonia, and we're building part of that in. We're working very hard on offtake and seeing where the market lands on this, but yes, there are some premiums built into that.

Apple Paget: Just to add to what Hutch says, as with all modelling, we do have a base case, and we do stretch it on the high case and the low case as well.

Mark Hutchinson: Just the other comment here is, if you look at the European assets and you look at particularly RED III on some of the penalties that will come through as a result of that, you can almost add that to the price of grey and you end up where we think the pricing of green products is going to land.

Dino Otranto: Rob, can I just come back to the first question. I wanted to make sure we have on record that we are going after Real Zero in our decarbonisation plan. There will be no transferable mechanisms that we're going to put in place at all. That's why we moved away from net zero to Real Zero.

Rob Stein: (Macquarie) Yes, I just wanted some confirmation of that, because there's a lot of questions around how that safeguard mechanism market will work, and I was just wondering whether you were going to be a seller into that market or whether effectively by retiring those credits that market would be tighter and make it harder for others to get to their commitments.

Dino Otranto: Yes, understood. Thanks.

Operator: Thank you. Your next question comes from David Coates from Bell Potter. Please go ahead.

David Coates: (Bell Potter) Good morning, team. Thanks for the opportunity to ask a question. Just a broad one on the Energy division, so probably one for you, Hutch. When would we maybe expect to see more details on individual projects in terms of capex, operating costs and so on? That's my question.

Mark Hutchinson: We've had two projects through FID at the moment, and we've released some details around those. That's kind of our Phase 1 approach. They're smaller projects we're getting going, we're

learning from them. Then I'd say the Norway project and Brazil will be next - you'll see those next. We'll give you details once we've gone through the Board process.

Then the third phase behind there, is the work we're doing in places like Morocco and Oman, which are probably bigger phased projects. So, we have a clear line of sight to what the pipeline's going to be over the next few years. As the projects reach the maturity that we get approval, we'll give you more information.

Operator: Thank you. Your next question comes from Kaan Peker from RBC. Please go ahead.

Kaan Peker: (RBC) Morning Dino, Mark, Apple and team. One for Dino and one for Mark. Maybe on Iron Bridge, I know the asset had a pretty good finish to FY25. If you could maybe provide an update over the first couple of months of FY25, how it's going? I'll circle back with the second.

Dino Otranto: Short answer, Kaan – actually really good start to FY25. Hence it will remain unchanged with our September Quarter ramp up.

Kaan Peker: (RBC) Thank you. Maybe following up on Glyn and Lyndon's question, it seems like from their questions, there's probably about US\$2 to US\$2.5 billion of capex – of FMG share prior to equity sell down over the next 12 to 18 months on the Energy projects. Is that a rough ballpark figure?

Mark Hutchinson: No, I think it's going to be less than that. We gave guidance this year for US\$500 million of capex in these projects, which is consistent with last year. So, it's going to be less than that. The intention in these projects is to get in and sell down some of the equity before we actually spend all the capex on the projects. So, given the guidance given before, you get an idea of what they might cost over the next three to four to five years. But we won't be using the balance sheet for all those projects. Blending, in our perspective, will get you so far down the track. But really, the ultimate goal - because you still need to blend with that really high-grade product, similar to our Iron Bridge product for instance. We don't see the global volumes of that higher grade at the right cost point, that is competitive to the hematite position that we have in Australia.

Apple Paget: Just to reiterate, Kaan, that all Energy projects in the pipeline will be subject to FID.

Operator: Thank you. Your next question comes from Lachlan Shaw from UBS. Please go ahead.

Lachlan Shaw: (UBS) Morning team. Thanks very much for your time. Maybe can I start with just a clarification related to Chichester and around the new hubs, Flying Fish and Hall Hub. What's the expected impact of those on product quality across the portfolio? I'll come back with a second question. Thank you.

Dino Otranto: Thanks. Flying Fish is at our Western Hub area, so that's near Eliwana. The key reason for bringing that into the portfolio is exactly the reason you ask around product strategy. We remain unchanged in terms of the total suite. The Hall Hub is a supporter for our Fortescue Blend product.

Lachlan Shaw: (UBS) Got it. Thank you. That's helpful. Then just a second question. Just on a, I guess, green hydrogen and ammonia and the offtake around that. There's clearly a lot of policy support in the jurisdictions. There's been a lot of momentum with projects, MOUs et cetera. But to be clear, can you just help us understand the precise critical path factors to getting some of those commercial offtake deals in place? Is it price, is it funding, is it demand? What are actually the key roadblocks that we should look for to get more confidence in the strategy? Thank you.

Mark Hutchison: That's a good question. I'll start with the Government side first. I mean there's been plenty of announcements – these policies have got to turn into law. The IRA is a good example of that. We're still somewhat in a bit of limbo about the definition. That's not going to change until probably after the election and it might depend on who gets in that determines what happens and the definition there.

The same with other places around the world. It's just making sure that the legislation gets locked in. So, I think watching that space is going to be important. Buyers are also looking at those markets to see what happens. We're in discussions with buyers on the demand side.

They're watching to see what happens on the government support side as well. It's really trying to land the planes based on that. So, I think the demand is there, our belief is there. Price is probably the critical issue. There are some indications - actually if you look at H2Global, the first tranche that came out a few weeks ago. That gives you some indication of where the market will probably be.

So, understanding where the price lands, I think's going to be important. That's what's - on the demand side - what the customers are looking at as well.

Operator: Thank you. Your next question comes from Guangsheu Zhang from Guotai Junan Futures. Please go ahead.

Guangsheu Zhang: (Guotai Junan Futures) Morning Dino and team. My first question is on the shipments guidance – I noticed that the guidance for FY25, the range between the upper and lower range now is wider, especially for the lower end. It's now even lower as compared to FY24. So, what are the risk factors the Company is considering by announcing the guidance in this way? I will follow up on second question later.

Dino Otranto: Thanks. I mean again, I wouldn't read too much into it. As we've expanded our production profile over the years, our guidance was extremely tight. Now we've also bought in the Iron Bridge product. If you look at the midpoint of it of 195 million tonnes, it's forecasting to be another record year for FY25.

Guangsheu Zhang: (Guotai Junan Futures) Okay. Thanks for that. My second question is also on the Green Metal Project. My understanding is that the capacity expected from this Project is actually coming from the existing production capacity of Chichester Hub. I'm just wondering, in the future if the Company decides to scale up or expand the project and is the strip ratio of this project defers from the existing one at Chichester Hub, how will that overall production number be affected?

Dino Otranto: It's a really great question. As you can imagine, our vision is in the longer term, to convert all our iron ore into green iron metal. Which when you do the maths, it will account for about 100 million tonnes circa or a bit more of our Hematite operations. Which actually means you get a lot of rail and port capacity back. So, it gives you a lot of options to then, do you then ramp up your Hematite in the balance? Or other options. No, it certainly does give you flexibility in your flow sheet.

Operator: Thank you. Your next question comes from Anthony Barich from S&P Global. Please go ahead.

Anthony Barich: (S&P Global) Hi. Just wondering about the whole green iron thing. You mentioned how you're doubling down on that. Could you flesh out a bit more about the demand there, and there was some comments around, we've got the cash - a strong cash balance there for growth in green iron. What are you referring to there? Like developing, I know you literally just said, we can convert all our iron ore. So, is that what you're referring to there, or are you talking about potentially making more green iron plants in Australia or Africa or somewhere else?

Dino Otranto: All of the above, Anthony, is actually our options. But when we say doubling down, our focus is making sure our Christmas Creek Green Iron facility is working. We're actually testing a number of different paths in green iron, so a higher grade iron metal out of Australia in its first instance.

But again, as Hutch spoke about before, the key to green iron is actually renewable energy costs. So, we are also looking around the world where our renewable energy costs

Hence the importance of using our own ores, our low to mid grade sector, in creating a 95 per cent plus green iron product. Which uses no coal in its reduction process.

Operator: Thank you. Your next question comes from Jon Bishop with Jarden. Please go ahead.

Jon Bishop: (Jarden) Sorry, being a bit greedy here and asking you another question. In terms of your hydrogen fuel cell technology, you're talking about testing a prototype at the moment. Is it a realistic solution for your HME replacement haulage requirements for your 2028 target?

I mean, I guess what I'm calling out here is that the current quantities of hydrogen required by the vehicle versus your daily production rates at the moment, it's only equivalent to maybe half a day's usage out of that truck.

Dino Otranto: Jon, really good question. I always try and clear up a few myths of the technology in the future. At its base, all HME in the future - and we're already seeing that with diesel powered variants now - will have electric motors driving the wheels and electric power system. So, think of it as a Prius, right?

Then it's what you plug into that is based on the area that you're operating. In the past, you've been constrained by getting diesel to the mine site. In the future, with hydrogen fuel cells, battery electric and also

green fuel in combustion engines, they will all be paired with an electric powered drive system, similar to the trucks we are developing.

But what is unique about a decarb future is, some mines, which were uneconomic in the past, we're now relooking at the economics of those mine sites because they are potentially in areas where the costs of producing the renewable energy is already now at a price point where you can convert that into hydrogen or directly into battery electric.

Then on the use case, it's a little bit like towing your boat or your caravan with your electric car at the moment – you're not going to get a hell of a lot of range. You tow that with a hydrogen fuel cell, the torque and recharge rates of your battery electric car go up. So, you actually have enough energy to tow those loads. It's the same application that we're solving in mine sites.

So, you can't think linear anymore. The future – you have so many different options based on the energy profile and the equipment profile in your mines that you operate.

Mark Hutchinson: Just adding to that as well if I can Dino, the way we look at the technology here is it's very much looking at how we decarbonise our own operations, but we're also looking at how we commercialise this to others. So, we always have that in mind as we do our prototypes.

Dino Otranto: Maybe just to finish that, for our operations in the Pilbara, we have committed to a full battery electric truck, but we are developing the hydrogen fuel cell equivalent for other use cases around the world. But for our application, where the solar direct to electrons into the truck is the best economic case for us.

Operator: Thank you. Your next question comes from Glyn Lawcock from Barrenjoey. Please go ahead.

Glyn Lawcock: (Barrenjoey) Thanks Dino. Just a quick one for you. Your peers have called out that they've been putting a few more tonnes on the ground at the ports in China to enable blending. I was just wondering if you've done similar over the course of FY24 and to what quantum if you have? Thanks.

Dino Otranto: No, that's not the case for us. We have noticed some of our peers putting 10 million or more for blending opportunities. No, that's not our position Glyn.

Glyn Lawcock: (Barrenjoey) Okay, and just your overall sense of the market at the moment?

Dino Otranto: Good question. Obviously, in the market we've seen some uncertainty with demand and stronger supply coming on and then we've seen a modest recent price uptick. We've seen some tonnes already starting to come out of the market, predominantly from India. So, our view is yes, the market is going through a transformation.

We are very encouraged though by diversification and the robustness of the Chinese market and for us, again, the demand upside for green products is much, much higher than we expected. I'll give you an anecdote. When I was there a few weeks ago, the Chinese Government made an announcement that 10 per

cent of all coal-fired boiler feed stock will actually be ammonia. Now if you do the numbers, China burns two billion tonnes of thermal coal a year, 10 per cent of that by mass is 300 million tonnes of ammonia. That's nearly 50 million tonnes of hydrogen to get to that ammonia amount.

So, you just have to look at the actual investment in transforming a huge industry like that and the train has definitely left the station in this, Glyn.

Operator: Thank you. That is all the time we have for questions today. I'll now hand back to Mark Hutchinson for closing remarks.

Mark Hutchinson: Thanks very much, and really thank you for joining us today. I'd really like to take this opportunity though to thank the more than 15,000 team members in our team globally. We really are a global Fortescue family, and our strong performance this year would not have been possible without their dedication, and commitment to achieve our stretch targets every day. So, as we continue this exciting phase of growth in Fortescue's journey, our work will always be underpinned by our unique culture and values, so we look forward to speaking to you very soon. Thanks again.

Operator: Thank you. That does conclude our conference for today. Thank you for participating, you may now disconnect.

[END OF TRANSCRIPT]