June 2024 Quarterly Production Report

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TRANSCRIPTION

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[START OF TRANSCRIPT]

Operator: Thank you for standing by and welcome to the Fortescue June 2024 Quarterly Production Report briefing. 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 1 on your telephone keypad. I would now like to hand the conference over to Dino Otranto, Fortescue Metals CEO. Please go ahead.

Dino Otranto: Thank you for joining us today for Fortescue's June Quarterly Production Results. I'm joining you from Shanghai, and on the line we have our Energy CEO, Mark Hutchinson, and recently appointed Group CFO, Apple Paget. We're also joined by Shelley Robertson who has been appointed Chief Operating Officer.

So as you would have seen last week, we announced that we would be simplifying our structure and removing leadership layers to ensure we remain lean and impactful. Having gone through a considerable period of growth over the past few years, it's important that we continually evolve. There will be impacts across all levels of the business to deliver cost efficiencies and remove complexity. We're doing everything we can to support those impacted by these changes.

Turning to today's production report where you can see we've had an outstanding quarter. Iron ore shipments were a record 53.7 million tonnes which was 10 per cent higher than the June quarter last year. This incredible result contributed to 191.6 million tonnes for FY24, and demonstrated our unique culture and values in action with an incredible recovery following the ore car derailment in late December 2023.

No other company would have pulled off what we were able to do. The team rallied together and went on a war footing to deliver a phenomenal result. More importantly, we have achieved this while maintaining our laser focus on safety, with our Total Recordable Injury Frequency Rate improving to 1.3 for the financial year. This is a significant achievement and shows a 28 per cent improvement from FY23.

On Iron Bridge, commissioning activities continue to progress. Raw water availability has improved at the Wet Plant, with an innovative water management strategy focusing on banking water. This capital efficient option may mitigate the need to replace the high pressure section of the raw water pipeline previously discussed and is a great example of the team using brains over balance sheet.

We've had a really strong start to FY25 at Iron Bridge, with 0.4 million tonnes of Concentrate already shipped and another vessel being loaded as we speak. Ramp up to full production capacity is still expected in the September Quarter 2025. As you've read in the release, our FY25 guidance for total shipments is in the range of 190 to 200 million tonnes, which includes five to nine million tonnes from Iron Bridge.

Turning to an update on the market, where I've been in China all week meeting with potential partners and steel mills on the opportunities for Australia and China to partner on green iron. Pivoting to producing green iron metal is the next step for us and we see a massive potential in building a green iron industry out of Australia, supplying China.

Some announcements we've heard this week, from next year, all coal-fired power plants in China will begin their initial low carbon transformation as part of the Government's commitment to halve emissions from coal-fired power plants by 2027. By the end of the decade, this will mean all coal power units will be capable of co-firing more than 10 per cent green ammonia – an incredible leap forward. Hutch will talk a bit about the numbers on what that involves a bit later.

During the quarter, Premier Li visited our green technology and test facility in Perth, which marked a historic moment in our two-decade long business relationship with China. I not only remain confident on the outlook for steel demand and iron ore, but I'm excited for how we will continue to work with China as we decarbonise our value chain.

On exploration, we're committed to pursuing opportunities in Australia and globally, with capital expenditure for exploration and studies totalling US$83 million during the quarter. In Gabon, after successfully completing early stage mining and exporting product from the Belinga Iron Ore Project, the focus is moving to exploration defining the huge potential of this ore body.

Turning to decarbonisation, where we've made considerable progress in delivering on our Real Zero by 2030 target, without the use of voluntary carbon offsets. Our 100 megawatt solar farm at North Star Junction is now partially operational, and once fully commissioned, will reduce our emissions by up to 180,000 tonnes of carbon dioxide equivalent every year. That's the same as taking 60,000 cars off the road.

Our hydrogen powered haul truck prototype also operated on hydrogen for the first time and will soon undergo site-based commissioning and testing. The learnings from this will help inform our future fleet of zero emissions trucks that we're delivering with Liebherr.

Also, in partnership with Liebherr, we are working on developing and validating a fully integrated Autonomous Haulage Solution, which we're aiming to be the first to operate in zero emissions vehicles globally. To decarbonise mining, you need a system solution, so this new operating system which integrates Fleet Management System and energy management will be a game changer for us in reducing our carbon emissions.

Now on that note, I'm going to hand over to Hutch. Thank you.

Mark Hutchinson: Great. Thanks, Dino. So the decarbonisation technology that we just talked about from Fortescue Zero has helped to create everything we do. These green technologies will decarbonise Fortescue first, but we’re also selling the same solutions and products to other industries who also need to eliminate emissions.

What really sets Fortescue apart is we know the system; we know the play, because we are a huge operator ourselves. This is our real advantage. This is the message that came from the first customers to purchase our hydrogen production systems from our electrolyser manufacturing centre in Gladstone, Queensland. Our teams have delivered on a stretch target to sign three contracts for the sale of our electrolyser systems by the end of the financial year.

But as we think about technology, we not only think about hardware but also software. We have also signed a multi-year deal with JLR to use Fortescue's cutting edge battery intelligence software, Elysia, in its next generation electronic vehicles.

This technology is born from the Formula E racetrack, which we adapted to our zero emission haul trucks and we believe has significant additional commercialisation opportunities for the future. I want to make a big shout out as well to our team who are technical partners for the JLR Racing Team, who last weekend secured both the Formula E Teams Championship and the Manufacturer's Trophy for that year's series.

The innovations in efficiency, in the performance and durability are being transferred to every aspect of our business. This is incredibly valuable for us.

So let's talk about Green Energy Projects. I want to make it really clear, Fortescue is steadfast in our commitment to green hydrogen.

However, our financial discipline always comes first. We will never do projects that are not economically viable. As the green hydrogen market develops around the world, it is really clear that the cost of green power, which is obviously the way you start with green hydrogen, has to be in the US$30 range to make projects viable.

Therefore, where the power costs are not at this level, we will work steadfastly with those economies to help bring down the cost of electricity by producing electrons. For example, we will consider opportunities to produce electrons from our portfolio in West Australia and Queensland.

Longer term, we totally believe that green hydrogen is what the world ultimately needs. That is why we will continue to maintain a significant portfolio of projects. We are realistic about the pace of the current global energy transition and that is why our initial focus is on four green hydrogen projects across Australia, the United States, Norway, and Brazil.

Following a Final Investment Decision in November 2023, the PEM50 Project and the Arizona Hydrogen Project are progressing. Arizona Hydrogen is being developed in a disciplined manner ahead of the clarity on the application of 45V.

Our other advanced Green Energy Projects are Holmaneset in Norway and Pecem in Brazil, with the Pecem Project advancing to feasibility phase, including commitments of Front End Engineering Design process. We also have projects in Morocco, Oman, Egypt, and Jordan which will follow those first projects.

This is a new market and we've achieved incredible milestones during FY24. We're so excited about the opportunity ahead of us and remain focused on making business decisions that make sense commercially and deliver the best value for our shareholders. On that note, I'll hand to Apple. Thank you.

Apple Paget: Thanks, Hutch, and hi everyone. It is again my pleasure to share some details on the financial performance, where we remain focused on the key value drivers for the business. Starting on revenue, the Pilbara Hematite average revenue was US$92 per tonne, representing a realisation of 82 per cent of the average Platts 62 Index over the quarter.

While demand for Fortescue's products remains strong, the average realisation moderated in the quarter, reflecting the temporary change in product mix as a result of the recovery plan, the timing of sales, and response to market conditions.

The FY24 average revenue was US$103 per tonne, at an 86 per cent realisation of the Platts 62 Index.

Turning to Iron Bridge, our Concentrate achieved revenue of US$127 a tonne or 101 per cent of the Platts 65 Index in the quarter, and US$137 a tonne or 104 per cent realisation of the full year.

Moving to costs, our Pilbara Hematite C1 was US$18.53 per tonne, down 2 per cent on the prior quarter. C1 for FY24 was US$18.24 per tonne, in line with our market guidance. As you've heard from Dino, we remain focused on driving cost efficiencies, and that includes leveraging technology and innovation to drive productivity and mitigate mine plan driven cost escalation.

Our FY25 C1 cost guidance is US$18.50 to US$19.75 per tonne and that is as an Australian dollar exchange rate of $0.68 which compares to $0.66 in FY24.

On Iron Bridge, Fortescue's proportional share of operating costs before royalties and shipping is anticipated at US$500 million in FY25.

Returning to FY24, capital expenditure and investments for the full year was US$2.9 billion, which was slightly below the revised guidance range, largely related to timing of spend.

Guidance for FY25 Metals capex is US$3.2 billion to US$3.8 billion. Some comments to make on this, relative to FY24 – there is an increase in fleet replacement, which accounts for around one third of total sustaining and hub development capital guidance, there is a step up in the decarbonisation investment, in line with our strategy to achieve Real Zero by 2030. As well as the rephasing of FY24 spend.

We also provide guidance for Energy, with capex of US$500 million and net operating costs of US$700 million. So that is the operating costs after external revenue and includes administration expenses for the segment. The expenditure is a rough split 60/40 between Green Energy Projects and Fortescue Zero. In Projects, feasibility studies are ramping up for Holmaneset and Pecem, as you've heard. Fortescue Zero includes decarbonisation related opex and green technology research and development.

Fortescue continues to generate strong free cashflow and the balance sheet is in great shape. Cash on hand was US$4.9 billion at 30 June 2024 and gross debt of US$5.4 billion, meaning net debt of US$0.5 billion.

The full set of FY24 financial results will be disclosed next month. Our focus on the key value drivers, coupled with a strong balance sheet and disciplined capital allocation framework, means Fortescue is strongly positioned for FY25 and beyond.

On that note, we will now move to the Q&A part of the call.

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 interest of time, we ask that you please limit yourself 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 with Morgan Stanley. Please go ahead.

Rahul Anand: (Morgan Stanley) Hi, morning, team. Thanks for the call. Two questions from me. First one on your capex guidance for FFI or Energy capital business into next year. Just noting that you mentioned that you've right sized the business and obviously there's been an update in terms of your hydrogen targets for the medium term which has been publicised in the papers obviously.

I just wanted to understand what is the right number that we should be using on a go forward basis beyond FY25? Because despite that right sizing and the departure of that long term target, you're still seeing the capex/opex combined number rise year on year. So just trying to get a feel for how we should think about cash and this expenditure going forward.

The second one is around strip ratios. So basically, you had a 1.5 times strip ratio in the fourth quarter. Your guidance from FY24 to FY28 sits at 1.7. I just wanted to get a feel for when you see yourself going to that 1.7 type number. What type of an impact that has on your cost, and whether FY25 guidance is baking that in? Thanks.

Apple Paget: Thanks, Rahul. I'll take your first question. We have guided on the Fortescue Energy capex which is US$500 million. It is going to be roughly a third split between approved FID, Fortescue Zero, and other Green Energy Projects.

In terms of what we're looking at going forward, we're not going to guide specifically on that but that will be dependent on approved FIDs.

Rahul Anand: (Morgan Stanley) Okay, and perhaps we switch to strip in that case?

Dino Otranto: Yes, Rahul, Dino here. Look, you're right. We've previously guided that strip ratio is increasing over the midterm. I hope you acknowledge that the guidance we've given for costs more than builds with some of that, with some of the cost out measures that we're taking, and also looking at more productivity measures around our mines to minimise that impact. If you back calculate, it was about 1.6 for last year.

Operator: Your next question comes from James Redfern with Bank of America. Please go ahead.

James Redfern: (Bank of America) Good morning, Dino and Mark and Apple. Well done on the record June quarter. Two questions please. The first one is just on the C1 cost guidance that was just touched upon. So if we take the midpoint of guidance for FY25, it represents a five per cent increase on FY24, which also rose four per cent versus FY23.

So, I just was wondering, the C1 cost guidance for FY25, up 5 per cent roughly, is that due to high strip cost that we just touched on or are you still seeing labour pressures? Thank you.

Apple Paget: Thanks, James. I'll take that question. Look, the C1 guidance has increased with respect to - or in comparison to last year. The increase versus FY24 does include an impact in FX which was $0.66 in FY24 versus the $0.68 for FY25 which we've mentioned. It does result in about a $0.40 impact to C1.

There is also, as Dino just mentioned, the impact of mine plan driven escalation in light strip of ratio. But in true Fortescue spirit, we remain absolutely resolute in keeping our costs low while maintaining safety. We also continue to innovate and implement technology solutions to drive down our costs.

James Redfern: (Bank of America) Okay, thanks, Apple. Second question maybe for Dino given that you're in Shanghai. We've seen iron ore prices down 30 per cent since the start of this year. Just wondering what your customers and other contacts in China that you're talking to are thinking in saying about the iron ore market and steel production for China for this year and next year please.

Dino Otranto: Yes, thanks. It's primarily why we're here engaging with our customers. It's clear you're seeing a change in the makeup of the market, with property, which has historically been overrepresented, now being balanced by spending and infrastructure and decarbonisation and clean energy transformation.

Some of the announcements that we've already talked about, is really spurring a bunch of investment in green ammonia production, wind farms, which was a surprise to me on the upside. But if you look at our portfolio mix and the strategy that we have, we really are a counter-cyclic product strategy in all cycles of the market in terms of steel mill margins. Our product is in great demand, we have no issues with liquidity, our customers are happy with the reliability of our service, and also the consistency of the volumes that we are suppling. Thanks.

Operator: Your next question is from Paul Young with Goldman Sachs. Please go ahead.

Paul Young: (Goldman Sachs) Morning Dino and team. Dino, can I ask a question about the asset health of the hematite business and specifically around product quality and mine depletion, noting that first of all, just on the product mix with Super Special Fines stepped down materially, I mean you’re obviously pedalling hard to hit at the bottom end of the guidance in the quarter, it was a great result from a shipments perspective, but how do you see the Super Special Fines as part of the mix in 2025? Then also, is this the year that you actually have to do some work around offsetting the depletion of Firetail, the 20 million tonne per annum Firetail project?

Dino Otranto: Yes, thanks first off Paul for acknowledging that we hit bottom end of guidance there. It was a really, really great quarter and part of that, yes, we did pull on the Super Special lever in terms of the recovery plan. So you will see that start to normalise back into 2025 to more consistent product splits that you’d expect from us. Again, our customers over here were okay with that plan for Q4 and happy with where we’re at going into FY25.

Paul Young: (Goldman Sachs) Yes thanks Dino. Then Firetail and I’ve also got a question on the water at Iron Bridge as well, but can you just comment on Firetail and replacement of that project?

Dino Otranto: Yes, so as we’ve guided in mid-term, we don’t see any major new hub developments coming in. Our near-mine exploration activities, particularly around Solomon and the broader Western Hub continue to demonstrate on the upside for us. As you know, we continue to use Firetail in the mix for a little bit longer that maybe as planned.

Paul Young: (Goldman Sachs) So, just on the water strategy here, Dino, I see you’re commenting around banking of water, so I presume, correct me if I’m wrong, running the pipeline as hard as you can when it’s operational, to fill the raw water dam and also, I presume the tailings dam to pull from that. Correct me if I’m wrong there, but when you do bank all that water, what is your capacity then? How long can you actually run the plant for when you bank that water?

Dino Otranto: So it's not just the banking of the water, we've refined our maintenance strategies as well in terms of our availabilities to align with it. So, there's no real linear answer, Paul, to that. It does actually ebb and flow, but in the overall balance, we're more than comfortable. We've now got enough water to satisfy the requirements of the ramp up. We've got over a gigalitre of water bank availability and we have, on full rates, the annual consumption of 20 gigalitres requirement, so we've got more than enough in the bank.

Operator: Your next question comes from Jon Bishop with Jarden Group Australia. Please go ahead.

Jon Bishop: (Jarden Australia) Good morning and thanks for the opportunity. Just citing recent press articles and I guess intuitively noting the lack of obvious crossover operationally between your Energy and Metals groups would suggest to me that the bulk of your flagged cuts will occur at the corporate level. So, I'm just wondering was there a dollar amount that drove that 700-odd number of jobs affected and therefore what's the obvious or the approximate split between operating cost impact and overhead? As my follow up, can I ask how the Board ranks dividends in dollar terms relative to the Company's decarb and green tech aspirations please?

Dino Otranto: Sure, thanks I'll kick the first one off. So the answer is, no, we didn't back calculate a certain dollar number that we had to achieve. Fortescue has always maintained the leanest structure possible to make sure we are competitive and the leading C1 iron ore player in the market and that was no different this time. One slight difference was we did look at areas where we had a crossover and duplication of corporate functions across Metals and Energy, and you're right in calling out that those unfortunately were some of the roles that are impacted. In terms of its impact to C1, the majority of the effects or the cuts that we've made are looking at our bottom line. Hutch, maybe hand back to you for the second one.

Mark Hutchinson: Yes, I would just say that we looked across both Energy and Metals and also this is global, so this is a mix from both sides of the business. But it's really looking at how we streamline the operations between the two of us.

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

Kaan Peker: (RBC) Morning Dino, Mark, Apple and team. Congrats on the volumes of the hematite operations, again appears to be running very well. I mean this sounds like a sizeable inventory unwind. Can we talk through how much of that inventory is expected to be rebuilt over Q1 and how that looks into 2025?

Dino Otranto: Yes, thanks Kaan. I wouldn't read too much into it mate, we did draw down some stocks from the Chichester mining complex. We will see that rebalance, it's largely immaterial.

Kaan Peker: (RBC) Sure okay. Then maybe on the FY25 sustaining and hub development US$2 billion to US$2.3 billion, I think Apple suggested that it was one third or a part of it was fleet replacement. Can we just provide a bit more detail around where exactly that's going?

Apple Paget: Yes, sure. You're right, our guidance is US$2 billion to US$2.3 billion, overall the Fortescue Metals capex of US$3.2 billion to US$3.8 billion. Look, as we have flagged in the prior quarter, capital is lumpy and as you've mentioned, it is a third around replacement and we are now in the period where the fleet replacement cycle ramps up, which is perfectly and totally in line with our detailed road map. But it will, I assume and I will say that the fleet replacement will ramp up over the next couple of years.

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

Lachlan Shaw: (UBS) Morning Dino and team, thanks for your time. Maybe if I can just start off with price realisations across both hematite and Iron Bridge. I just wanted to understand with the hematite, the 82 per cent, is that purely reflective of portfolio or are you also seeing, I guess, pressure in the market? Then similarly for the Iron Bridge Concentrate as well? I'll come back with my second question.

Dino Otranto: Yes, no worries. I mean with the recovery plan, as I mentioned before, we had an overweight position on SS which flowed through to realisations for the quarter. So, Iron Bridge continues to get very good premium, well very good Index against 65 Platts in any case, so we're really, really happy with the placement of Iron Bridge. It's been emphasised here in our trip, people want more of Iron Bridge as soon as we can get it, so that's our challenge.

Lachlan Shaw: (UBS) Great, thank you. Then just switching across to Energy and just the opex and capex guidance there, still seems reasonably steady year on year and I'm just wondering how we should think about that in the context of the narrowing of the focus and the slowing of the project pipeline, maybe a bit more colour around that piece, thank you.

Mark Hutchinson: Maybe I'll kick off here and I'll hand to Apple. But look I think we've got four projects we're focusing on, so they're going to require capex over the next couple of years and that reflects in the plan for this coming year. So as those projects move along, there's obviously going to be significant amount of capex over the next few years and then we have other projects coming through the system as well. Apple?

Apple Paget: Thank you very much Lachlan and yes, the opex guidance is relatively unchanged year on year. I'll start by saying that the simplified One Fortescue structure does create a lean and efficient team, resulting in savings across the board, including in Energy. But do bear in mind that there is the energy opex component, which is around the decarb ramping up about now, but it will reduce over time and that tech spend including R&D. As I've mentioned before, there is that rough 64/40 split between Green Energy Projects and Fortescue Zero.

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

Robert Stein: (Macquarie Group) Hi guys, so just a quick one on strategy now, so the big announcement last week around pivoting away from hydrogen, here we see that there's still a focus in the short term on hydrogen projects but you were, in the announcement last week, refocusing on renewables. Can I just ask a question on the capex and the opex in specific terms? How much of that is being allocated to hydrogen projects and how much of that is being allocated to renewable projects? I've got a follow up, thank you.

Mark Hutchinson: Yes, thanks Rob. We're not pivoting away from green hydrogen, I've made that clear. We did say where there are economies where the price of power is too high, we will focus on the electrons and Australia is a good example of that. But we will continue to progress or projects around the world. I think you've seen over the last couple of years we've really focused in from a very wide angle looking at projects everywhere. I think we have a pretty good clue now where the projects need to be developed, which of them are multi phased, and that's going to be the plan going forward. We're not pivoting away though. On the capex, I'll hand to Apple.

Apple Paget: Thanks Rob, but I'll just go to the comment of you've got the operating and capital expenditure guidance, and we're not providing granular details of every item.

Robert Stein: (Macquarie Group) So the follow-up question then is on the US$500 million of capex and the US$700 million of opex, how much of that is being allocated to electrons, and how much of that is being allocated to hydrogen molecules, if you put it in those terms?

Mark Hutchinson: I'd say at the moment, it's a bit early to tell. Most of it is focused on the green hydrogen projects and as we see opportunities on the green electrons, we'll take them through the Board. But it's too early to say at this stage.

Operator: Your next question comes from Paul McTaggart with Citi. Please go ahead.

Paul McTaggart: (Citi) Morning. So, Dino I just wanted to follow up on moisture content at Iron Bridge, which was evident even when we did the site visit in the early days. So exactly what's going on there? I recall you were talking about drawing out stockpiles with additional effort. Have things normalised? What caused the problem? How should we think about this going forward? I had a follow-up question redundancies, the 700-odd jobs that was quoted in the press, where will the cost for those redundancies be seen? Are they going to be taken as exceptionals or are they going to go through your opex line?

Dino Otranto: Yes, great questions, Paul. I'm going to let Apple defer on to the cost treatment. But let me start with Iron Bridge in terms of the moisture. I guess I'm happy to report that the plant is now producing as per design and under the total moisture limit. So that's one of the key risks that we'd worked through and credit again to the Iron Bridge team for getting that in place. The way we got to that was through a number of different ways, but essentially getting our filters to work as per design. Apple, cost treatment.

Apple Paget: Yes, thanks. It is exceptional and it will be under the other expenses in our financials.

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

Lyndon Fagan: (J.P. Morgan) Good morning everyone. Dino, I just wanted to check in on Gabon. You were talking a pretty big scale project there potentially in the longer term. Are you still thinking 50 million to 60 million tonnes plus? I mean does the market need that? Just trying to get a sense of how confident you are about delivering on something like that. Then the second question I had was just simply, what is the US$700 million of opex in Energy going towards? Can you give us some sort of split on that? That'd be great, thanks.

Dino Otranto: Thanks Lyndon. I'll tackle the first one. Look Gabon is still absolutely on track. As I've mentioned before, the more we drill, the better and bigger this ore body gets. What's actually been surprising here in the visit to China, most of the mills here are aware of the project and are very excited in terms of the grade that has potential, also anticipation of partnership opportunities. So, I'm going to head home with a wind in the sail around Gabon. We certainly see the potential, but it's good to see the market reflecting it as well. On the opex, hand over to Hutch.

Mark Hutchinson: Yes, thanks. Look the opex is a mix between really getting ready for our decarb, it's the technology investment for Fortescue Zero and our electrolyser business and also our projects, which are moving through a process to get to FID. So a part of that goes into opex before it flips into capex.

Apple Paget: Thanks Hutch, and I'll probably chime in a little bit more, Lyndon. I don't know if you heard me earlier, but that US$700 million, as a reminder, that's operating costs after external revenue which does include some admin expenses for the segment. That split is roughly 60/40 between Green Energy Projects and Fortescue Zero. Once again, in the projects, as you know, the feasibility studies are ramping up for Holmaneset and Pecem and as mentioned, Fortescue Zero as well.

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

Glyn Lawcock: (Barrenjoey) Good morning all, I just wanted to get a little bit more outside of the iron ore business and outside of the energy business. Exploration studies are stepping up, spend, I assume some of that is Gabon, but maybe just where you see the opportunities, Dino, outside of iron ore for the Metals business, what's the focus there now?

Dino Otranto: Thanks Glyn. So yes, you're right, the increase in expenditure is associated with Gabon, also the mainstay in the Pilbara. But our business in Latin America is really where our focus is, amongst some other more smaller players around the globe. We've got an excellent team based out of Argentina who are looking in Brazil, Chile, Peru and Argentina and that's really where our focus is, Glyn.

Glyn Lawcock: (Barrenjoey) Is it mainly copper, Dino? I just saw the Alta announcement earlier this week as well, where you kept your interest there, Alta Copper. I know it's tiny, but is that sort of what you're really looking for? Is it just copper or is there other commodities as well?

Dino Otranto: Yes, great for the pick up there on Alta. We don't think it's going to be tiny, hence our position there that we've strengthened there over the last few weeks. Copper, lithium, rare earths, but predominantly copper and rare earths for us at this stage.

Operator: Your next question comes from John C. Tumazos, with John Tumazos Very Independent Research. Please go ahead.

John Tumazos: (John Tumazos Very Independent Research) Thank you. In the US$92 fourth quarter realisation, how much was the impact of the 11 extra million tonnes of Super Special Fines rather than, say, West Pilbara Fines or Lump? Was it US$4, US$6? Second question, why isn't the Iron Bridge premium to Platts 65% not larger since you're shipping 67%? Is the market temporarily oversupplied in the premium purity?

Dino Otranto: Two great questions, John, as usual. On the first one, look it's market dependent, but when you have an overrepresentation for the quarter of our Super Special product, which I've mentioned before, impacting price realisations, that's what's going to flow into the US$92. I'll let you determine, based on our history of realisations what proportion you believe that is. Remind me again the second question.

John Tumazos: (John Tumazos Very Independent Research) Why we're not getting a premium for 67% over 65% for Iron Bridge in the initial days.

Dino Otranto: Yes, so at the moment with steel mill margins as they are, there is an appetite for mills to ensure that they are looking at cost discipline as well, so you have not seen the premium over the 65% materialise, however we are getting the iron unit ratio increase over the 65% in our realisations. Thanks, John.

Operator: Your next question comes from Giles Parkinson with RenewEconomy. Please go ahead.

Giles Parkinson: (RenewEconomy) Thanks, Mark. I had two questions. First one, you mentioned the US$30 megawatt hour target for green hydrogen. Is that possible in Australia now or in the future?

Mark Hutchinson: I'd say at the moment in Australia it's difficult but depends on the west coast. We think we can do that in the shorter term and on east coast obviously a bit longer, but those prices are not possible at the moment.

Giles Parkinson: (RenewEconomy) The reports today that a couple of wind farm ownerships has been transferred from Windlab to Fortescue. Can you talk about that, and is that looking towards your green hydrogen plans or your Real Zero by 2030? Just on the real zero, that's a stretch goal to get to Real Zero by 2030, and no fossil fuels being burnt by then. Are you still confident that can be reached given that the green hydrogen target had slipped back in terms of timeline?

Mark Hutchinson: On the Real Zero for our own Company, we're absolutely committed to that, and progressing extremely well. The team is very motivated to get that done. I think on the land transfer, we announced actually back in 2022 North Queensland Super Hub joint development agreement which was looking at some opportunities to produce electrons for our future hydrogen projects in Queensland. We could repurpose that actually to electrons into the NEM, so we're looking at that. It's dependent on the CopperString transmission line the Government is funding so it's going to take a little bit of time, but very early days there at the moment.

Operator: Your next question is from Tom Zaunmayr with Business News. Please go ahead.

Tom Zaunmayr: (Business News) Morning, guys. Two questions. I just want to start in the green energy space. With this restructure announced in the past week, has that changed your thinking around, or your timeline around what you're planning with the green energy hub up in Boodarie and Ashburton North? I'll come back after with a second question.

Mark Hutchinson: We're looking at all our projects globally, and as I mentioned, we're not going to do projects which are not economic, so very focused on financial discipline. I think in Western Australia though there's some great opportunities we're looking at, as Dino mentioned, around green iron, and that's going to need every bit of land we have to make that a reality. So, very focused on making sure that the economics work and can green iron play a major part of our future.

Tom Zaunmayr: (Business News) Thank you. Coming to the mining side, about 12 months ago we were due to have a Feasibility Study finished into a potential joint venture with Sinosteel with magnetite and Port Project in Oakajee. Has that study been finished and how important is Chinese cooperation on green steel to bring a project like that to life if you are still involved in it?

Dino Otranto: Yes, thanks. I'll take that. We are studying many options on that. We've matured the Oakajee study ourselves on that actually. In China we've discussed that and many other options again so I wouldn't say that they're closed out just yet.

Yes, I would say that the partnership with China is absolutely critical to create a green iron future. It's clear we need to partner with Chinese companies and the supply of renewable energy equipment in solar and wind, on storage options, furnace technology, and for us then to export what we are good at in Australia, which is our commodities in the ground and now the commodities we have through sun and wind.

Operator: Your next question comes from Nick Evans with The Australian. Please go ahead.

Nick Evans: (The Australian) Good day, guys. One for Dino, I think, first. Just trying to get my head around the iron ore guidance for FY25. You're guiding from 190 to 200 million tonnes. There's five to nine million tonnes expected from Iron Bridge. That implies that some tonnes are not expected out of the hematite operations. Am I right in thinking that, and where I guess - is it that Firetail stuff that was mentioned earlier on or where's that tonnage loss coming from in that guidance?

Dino Otranto: Yes, there's no tonnage loss, Nick. I want to stand on the record for that. We are guiding for another record production for FY25. The bottleneck as magnetite ramps up becomes shipping and it does then give us flexibility to ramp up and down hematite and magnetite in our portfolio based on market conditions, as we've mentioned plenty of times on the call before.

Nick Evans: (The Australian) Okay, and a second question. On Fortescue Capital, given most of the money you're talking about spending in that area is coming out of Fortescue opex and capex budget, firstly, does Fortescue Capital still exist and has it raised any money, and I guess if not, what have they spent the last year doing?

Mark Hutchinson: Yes. It does exist. The team has been working hard, one, putting the team together and also getting the right structures in place so we're ready to go raise money, and then it's very much dependent on how the projects go, Nick. So, they're working hard on the projects we have at the moment to make sure we understand the financing and how that fits into their future plans but we're still very excited about Fortescue Capital.

Operator: Your next question comes from Peter Kerr with The Australian Financial Review. Please go ahead.

Peter Kerr: (The Australian Financial Review) Good morning, all. Just hoping to get a bit of an understanding of what Fortescue shareholders should expect with regards to the Wongalee and Prairie wind farms? When should they expect capex outflows, if at all, how much, and when should they expect power to be generated, all the approvals documents and the Windlab website say construction starts next year and first power is 2027. Are we able to get some granularity about what to expect?

Mark Hutchinson: Thanks, Peter. I think it's very, very early days. Both those projects were part of the Super Hub which was us planning ahead to the 2030s for major green hydrogen projects out of Queensland, and we start with electrons, so we're looking at how we back that up. It's very much dependent on the CopperString transmission lines the Government does which isn't until later in the decade anyway, so there is nothing at the moment. We will do our plans and see whether there's an opportunity to go earlier if we can provide power to the NEM, but nothing in the plan at the moment.

Peter Kerr: (The Australian Financial Review) So no capex for a few years by the sounds of it?

Mark Hutchinson: Not for a few years, no.

Operator: Your next question comes from Melanie Jane Frances Burton with ThomsonReuters. Please go ahead.

Melanie Jane Frances Burton: (ThomsonReuters) Hi, everyone. Thank you for your time today. I had one question around your Arizona Hydrogen business. It looks like you're waiting on a permit, perhaps, and I'm wondering if you're thinking about changing the strategy if we see a change in US Administration later this year, or how you think a potential change in US Administration might play into the development of that business?

Mark Hutchinson: Thanks, Melanie, for the question. I think we're being very disciplined about that project given some of the uncertainty in the US. 45V, we don't expect until obviously after the elections and who knows which way that will go. So, we are preparing ourselves to all eventualities, including if 45V stands. We do have 900 acres of land on that project, so part of the thinking at the moment is do we actually produce some of our own power through solar, which takes some of the power risk out. But look, it's progressing, we'll see where this goes. We're not stopping, we're just making sure that we're being very disciplined about how we go ahead.

Operator: Your next question comes from Paul Young with Goldman Sachs. Please go ahead.

Paul Young: (Goldman Sachs) Hi, again. Thanks for the follow-up. A question for Apple, just around the Iron Bridge opex estimate of US$500 million for the year, you've given a range on shipments but a very specific number on opex. Why is that? Also, what is the fixed cost component of the US$500 million? Thanks.

Apple Paget: Thank you, Paul. The FY25 operating cost, as you mentioned, is US$500 million and assumes a midpoint on the guided range for the shipments, which is the five to nine million tonnes that we have guided. As mentioned before, there is a large proportion and as you've mentioned, of costs that are fixed, roughly over 60 per cent. So, there will be some movement subject to the shipments.

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

Dino Otranto: Thanks, everyone, for joining he call, some great questions. It's a privilege actually being here in China to host today. A huge shout-out to the Fortescue team for a cracker quarter. Thank you, everyone, and we'll speak soon.

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

[END OF TRANSCRIPT]