



Investor and Media Day

December 2020

Transcript

provided by Open Briefing

9 December 2020

Company: Fortescue Metals Group Ltd
Title: Investor & Media Day
Date: 9 December 2020
Time: 8:30 AM AWST

Start of Transcript

Elizabeth Gaines: Good morning ladies and gentlemen and welcome to Fortescue's 2020 Investor and Media Day briefing. My name is Elizabeth Gaines and I'm the Chief Executive Officer of Fortescue Metals Group. I'm very pleased to be taking you through our program today. I would like to acknowledge traditional custodians of this land on which we are meeting, the Whadjuk people of the Nyoongar nation, and pay our respects to elders past, present and emerging. I'd also like to extend this respect to other Aboriginal people and Torres Strait Islanders who may be joining us today.

Our Investor and Media Day is an important part of Fortescue's corporate calendar and we are pleased to be able to provide this briefing virtually, given current travel restrictions across Australia and the globe. Today's program is split into two sessions. In the first session, I will be providing an overview of Fortescue's vision and strategy and our approach to sustainability, followed by our Chief Operating Officer, Greg Lilleyman and Director of Sales and Marketing, Danny Goeman, who will speak to our integrated operations and marketing strategies.

There will be a short break before we proceed with the second session. We will have a presentation from Director of Projects, Don Hyma on our key growth projects and we'll end with our Chief Financial Officer, Ian Wells, to discuss capital allocations and returns. There will be an opportunity for you to participate in a Q&A session at the conclusion of the presentation. For our media representatives who are joining us today, there will also be an opportunity to ask questions after the investor's Q&A session.

As many of you familiar with Fortescue would be aware, we are a values-based business with an unwavering focus on safety, family, empowerment and stretch targets which underpins everything we do. Our values are integral to our success and continue to be as fresh and relevant today as they were when Fortescue was established in 2003. Fortescue's unique culture has really shone through in 2020 as we banded together in the face of an unprecedented global health and economic crisis.

By having our values of safety and family at the heart of every decision we made, we helped ensure the Fortescue family and our broader communities stayed safe and well. We're pleased to confirm that we had no positive cases at any of our operational sites to date.

Despite this COVID-19 pandemic, Fortescue has delivered record performance through the year and this all culminated yesterday when we celebrated the commissioning of the Eliwana mine site with first ore being processed through our innovative new ore processing facility. It's a remarkable effort when we reflect back to March when construction ramped up at Eliwana just as the COVID-19 pandemic was sweeping across the globe and restrictions in Western Australia were ramping up. We are incredibly proud of the entire team at Fortescue who have safely achieved this stretch target in true Fortescue fashion. Our Director of Projects, Don Hyma will provide an update on operations at Eliwana a little later.

Eliwana forms a critical component of our strategic focus of optimising growth and returns through our core iron ore business, underpinned by our operational excellence and balance sheet strength. As we look to the future, this vision will evolve through diversification with a focus on commodities that support decarbonisation and assessing renewable energy and green industry opportunities through our wholly owned subsidiary Fortescue Future Industries.

It's on the back of this growth and development that we will continue to ensure all communities and stakeholders benefit from Fortescue's success. Our ongoing focus on product, operations, and marketing as well as growth and balance sheet management is driving strong results in our business and delivering significant benefits for our shareholders. Our business has generated an average EBITDA margin of 50% over the last decade and an average return on capital employed of 23%, demonstrating outstanding profitability and capital efficiency.

Fortescue has delivered a strong start to FY21 across all key measures of safety, production, and cost, and that's underpinned by the hard work and dedication of the entire Fortescue team. In terms of our operating performance, our first quarter was another quarter of records. Iron ore shipments of 44.3 million tonnes were 5% higher than Q1 FY20 and C1 costs of \$12.74 per wet metric tonne were 2% lower than the same quarter last year, and that includes costs associated with managing COVID-19.

We achieved average revenue of \$106 per dry metric tonne in the first quarter and that's a realisation of 89% of the average Platts 62% CFR Index. Cash on hand was \$5.1 billion at 30 September and our strong free cashflow generation in the quarter contributed to a net cash position of \$1 billion. Fortescue was privileged to continue to operate during the COVID-19 restrictions and there was no impact to our shipping schedule. Notably, the iron price has held up strongly through this period due to the remarkable recovery in China's economy as well as ongoing supply constraints, particularly in South America.

We remain a core supplier of iron ore to China and our relationships with our key stakeholders in China are underpinned by a multifaceted approach, spanning our key business pillars of iron ore supply, procurement, investment, and social engagement. Our second-largest shareholder is a Chinese state-owned steelmaker, and we have two Chinese directors on our Board. Chinese steel industry continues to outperform expectations with crude steel production reaching 874 million tonnes in the 10 months to the end of October and that's an increase of 5.5% compared to the same period in 2019. China accounts for 58% of global crude steel production this year to date.

Our trading success is built on strong partnerships and it's important that we maintain good relationships with existing trade markets such as China which accounted for 87% of all iron ore exported from Australia in financial year 2020. It's strong trading relationships with established and new partners that underpin the Australian mining industry as a stable and reliable provider of jobs, taxes and royalties as our economy grows over the next 20 years.

Fortescue began as an exploration company and today our iron ore tenements remain key to maintaining mine life and sustaining product quality in our core iron ore business. Exploration also forms a core component of our diversification strategy, which is focused on delivering opportunities in copper and other commodities that support decarbonisation and the electrification of the transport sector.

Despite some impact as a result of COVID-19, we continue to assess domestic and global copper and gold opportunities. In Ecuador and Argentina, there's ongoing assessment of previous drilling results and various geological studies are continuing, and we expect seasonal drilling activities in the San Juan region of Argentina will commence this quarter.

Building on our established presence in South America, the team are assessing a range of opportunities in Colombia, Chile, and Peru. Earlier this year, we acquired a 20% stake in TSX listed Candente Copper Corporation with a focus on advancing the Cañariaco project in Peru.

In 2020, Fortescue signalled our intention to be an industry leader in addressing the global climate change challenge. The impacts of climate change are changing the way we live, our communities and how we operate our business. The United Nations has said that this is a critical decade within which year-on-year emissions reductions are required and building on our proud history of setting stretch targets, we announced our boldest and most important target yet: to achieve net zero operational emissions by 2040. So, I'd like to play a short video of our plan to meet this ambitious industry-leading target.

[Silence whilst video plays]

Elizabeth Gaines: Our net zero target is supported by a pathway to decarbonisation, including a 26% reduction of scope 1 and 2 emissions from existing operations by 2030. Mining is among the most innovative industries in the world and we're harnessing this advantage to work towards carbon neutrality with a sense of urgency. Promoting a culture of ongoing collaboration will be critical and we're pleased to join with businesses across our sector and indeed Australia to support the transition to zero emissions through initiatives like the Australian Industry Emissions Transition Initiative and the Climate Leaders Coalition.

Our net zero ambition is strengthened by the introduction of practical initiatives that will help us deliver our goals in an economically sustainable manner. Together with our partners, we're investing \$800 million in energy transmission infrastructure and solar gas hybrid generation in the Pilbara. This kicked off last year with the Chichester Solar Gas Hybrid Project, a low-emission energy solution that incorporates large-scale solar.

This project, owned and operated by Alinta Energy, is well-progressed with all the solar panels, transmission towers and transmission line installed, progressing to commissioning in the new year. Further to this project, we've announced the \$700 million investment in the Pilbara Energy Connect Project, which includes transmission infrastructure as well as solar and gas generations and large battery storage.

Pilbara Energy Connect will integrate with the Chichester Solar Gas Hybrid Project and once these two projects are fully operational, it's estimated that 25% to 30% of stationary energy across our mining operations will be powered by solar. Further to our investment in energy infrastructure, we're investing A\$32 million in hydrogen fuel cell passenger coaches and a refuelling station at our Chichester Hub mining operations.

Pilbara Energy Connect is a key contributor to our pathway to achieve our emissions reduction target and the project's major benefit lies in its ability to support the incorporation of additional large-scale renewable energy at any point in the integrated network in the future. The lack of an integrated transmission network in the Pilbara has long been identified by industry as the key barrier for large-scale renewables. We're well-positioned to support our clean energy transition while lowering the overall cost of electricity with the potential to include the addition of wind and solar generation as well as further extension of the transmission infrastructure.

We're committed to supporting the world's transition to a clean energy future which presents a major growth opportunity. Through our wholly owned subsidiary Fortescue Future Industries, we're assessing a portfolio of renewable energy and green industry opportunities. We have recently entered into a number of agreements both in Australia and overseas to identify a portfolio of potential projects. These are early-stage opportunities similar to mineral explorations that we will progress through studies.

The intention is that individual projects will be developed by Fortescue Future Industries with ownership and project finance sources to be separately secured without recourse to Fortescue. This will complement our existing investment into new hydrogen technology, positioning Fortescue to meet the future demand for green hydrogen and ammonia. This includes our landmark partnership with the CSIRO to develop the Metal Membrane Technology – a critical link in the value chain for ammonia to become a carrier for hydrogen exports.

We have a Memorandum of Understanding with Hyundai and the CSIRO to assess the potential to accelerate the renewable hydrogen production technology in South Korea, and we have a partnership with ATCO Australia to build and operate the first combined green hydrogen production and refuelling facility in Western Australia.

Since the company was founded in 2003, Fortescue has established a successful track record of identifying, assessing, and developing large-scale resource and infrastructure opportunities. The financial rigour, project execution discipline and

history of adopting innovation and technology that we're renowned for will ensure our future green energy projects will be at the forefront of this emerging industry. As you know, we have been focused on hydrogen since 2018 when we announced our landmark partnership with the CSIRO, and by leveraging our value chain, we have the capability to rapidly develop complex projects and pursue a range of commercial relationships with customers in key end markets.

In line with our approach of setting stretch targets, we're planning to significantly reduce the capital intensity of our renewable energy and green industry projects to ensure we are the world's lowest cost producer of green hydrogen. Working with our stakeholders, we're assessing a range of technology routes with an initial focus on green ammonia and liquid hydrogen.

While there's been considerable focus on international projects, we aren't losing sight of the potential of domestic opportunities. As you would have seen in the previous slide, our state's northwest and coastal regions are home to world-class wind and solar resources, making Western Australia arguably the best address globally to establish large-scale renewable energy generation. We also recently announced a development study into a 250-megawatt green hydrogen plant in Tasmania with the potential to produce around 250,000 tonnes of green ammonia per year for domestic use and international export. That will be powered entirely by existing renewable energy.

As you would expect from Fortescue, an important component of the development study is to identify the project's feasibility at the lowest capital intensity and lowest cost. Subject to the outcome of the study, we're targeting an investment decision in 2021, with the potential for this project to deliver one of the largest green hydrogen plants in the world.

With Korea, Japan, Singapore, and Europe all identified as key prospective markets for green hydrogen and ammonia exports, we believe Fortescue can be at the forefront of the establishment of a bulk export market of Australian hydrogen. Fortescue's pursuit of clean energy opportunities is driven by our strong emphasis on sustainability across the business and this year more than ever, corporate sustainability has become a focal point.

As an industry, we have seen increasing interest from all of our stakeholders and the investment community on environmental, social and governance considerations. Our approach to sustainability has always been and will continue to be driven by Fortescue's strong culture and values. With oversight by our Board of Directors and led from the front by our senior leadership team, all of our team members are empowered to take responsibility for ensuring Fortescue operates in a sustainable manner.

Driven by these values, we're committed to setting high standards, safeguarding the environment, and creating positive social change, which together form our three pillars of sustainability. This approach has been recognised by both national and international standards, including the Dow Jones Sustainability Indices, which listed Fortescue in its World Index for the second year, rated among the top 10% of the largest companies across the globe based on long-term economic and ESG factors.

In addition to climate change, which I've already spoken about, I will address two other areas of our approach to sustainability – Aboriginal heritage and creating positive social change. During the year, the mining sector's work with Aboriginal communities, particularly the industry's approach to protecting Aboriginal heritage, came into sharp focus, and may I say from the outset that the destruction of Juukan Gorge has refocused our industry, the government and our communities to ensure that an appropriate balance between protecting significant Aboriginal heritage and facilitating local jobs and economic growth is found.

Aboriginal people have occupied the Pilbara for at least 50,000 years and the land carries the evidence of this occupation, both tangible and intangible. We recognise that we are privileged to operate in this environment, and we take this responsibility very seriously. Last month, I had the opportunity to address the Parliamentary Inquiry into the destruction of Juukan Gorge, where I spoke about Fortescue's approach, which is led by the views of Aboriginal people in regard to the significance of Aboriginal cultural heritage.

Through our seven Land Access Agreements and many dozens of Aboriginal heritage agreements, we have worked closely and transparently to protect and avoid almost 6000 heritage places. As an example, two significant ethnographic places at Christmas Creek and Eliwana on Nyiyaparli and PKKP country, sit on iron ore resources combined of almost 55 million tonnes and we've developed our mining plans to avoid and protect these places based on advice from Aboriginal people.

What we have learned as we work with Traditional Custodians and advisors is that in some cases, there are no easy answers. There are aspects of mine development that simply cannot proceed without impact to the landscape. We fully understand expectations change and believe that by working together, we can continue to improve. The mining industry works with long lead times with multi-billion-dollar investment decisions often taking several years. This means that Section 18 applications may cover activity which occurs over many years. In recognition of this, we've amended our process to add an important additional step.

In July, Fortescue wrote to its Native Title partners with whom we have agreements, to advise that in future, Fortescue would notify the Traditional Custodians in writing prior to undertaking an activity that will impact the site, on land that is the subject of a Section 18 consent. This allows for additional consultation with our Native Title partners in circumstances where there is new information we should consider. We support the modernisation of Western Australia's Aboriginal heritage protection law, including legislating an increased voice for Aboriginal people and equitable rights of appeal for all parties.

Our third pillar, which is key to our approach to sustainability, is creating positive social change. We believe we're in a unique position to support remote Aboriginal communities and contribute to the vibrancy of regional centres by creating economic opportunities. Since Fortescue was founded by our Chairman Dr Andrew Forrest AO in 2003, we have consistently provided training, employment, and business development opportunities for Aboriginal people.

Integral to this has been our Vocational Training and Employment Centre programs, or VTEC. VTEC has been providing training and employment for Aboriginal people since 2006, two years before our first shipment of iron ore left Port Hedland. To date, over 900 VTEC graduates have begun full-time work at Fortescue. Through our Billion Opportunities program, we have awarded around A\$2.7 billion in contracts to Aboriginal businesses and joint ventures. In 2015, it became the blueprint for the Commonwealth Government's own Indigenous Procurement Program.

We firmly believe that by keeping our values at the heart of our approach, we have developed constructive relationships with our communities, investors and other key stakeholders and by working together, we can find even more ways of improving the sustainability of our company and our community.

Of course, our ability to ensure communities are able to continue benefitting from our success is driven by the strength of our business, and against the backdrop of strong market demand as well as our continued investment in major projects, our guidance for FY21 remains unchanged at iron ore shipments of 175 to 180 million tonnes, C1 costs in the range of \$13 to \$13.50 a wet metric tonne at an average Aussie dollar exchange rate of \$0.70 and capital expenditure of \$3 billion to \$3.4 billion.

Thank you, ladies, and gentlemen. I will now hand over to Chief Operating Officer, Greg Lilleyman who will provide an overview on how our integrated operations and marketing strategy and our focus on innovation is continuing to drive our operational excellence.

Greg Lilleyman: Thank you Elizabeth, and good morning to everyone. It is a real pleasure to be with you to discuss our integrated operations, marketing, and project development strategy. This integration differentiates Fortescue and uniquely positions us to truly optimise value right across our business.

As a reminder, we fully own and operate our integrated mine, rail and port infrastructure in the Pilbara, now spanning across three mining hubs with the inclusion of Eliwana now in production, with over 620 kilometres of the world's fastest, heaviest haul railway, and another 143 kilometres operating by the end of this month. We operate five berths and three ship loaders at Herb Elliott Port and a towage fleet and eight ore carriers. Of course, we're also developing our new operation at Iron Bridge, together with 130-kilometre slurry pipeline to the port.

This world-class infrastructure is underpinned by Fortescue's large resource base in the Pilbara. Our combined hematite mineral resources total 13.9 billion tonnes, and the combined Chichester, Solomon and Eliwana ore reserves total 2.2 billion tonnes, at an average Fe grade of 57.5% and that's as at 30 June 2020. The Iron Bridge project has total resources of 5.5 billion tonnes, and that's the largest publicly disclosed magnetite mineral resource.

This large footprint, together with the benefits of opening additional mining areas like the Western Hub, underpin a long mine life and ensure that the business is well-positioning to continue to optimise the mine plan. That's not just about volume, or product quality, or C1 costs or capital, but it's an ongoing process of factoring all of the inputs and solving for the highest value outcome.

As Chief Operating Officer at Fortescue, I'm in the privileged position to be the only one amongst the major iron ore producers to have accountability for our entire value chain, from new mine development, construction, operations, shipping and sales and marketing. It gives Fortescue a unique advantage to truly optimise this value chain through one team in one office, and I can't overstate the value of having this truly integrated approach to ensuring customer needs are always front and centre when operational and mine planning or product quality decisions are being made.

The team is even closer together today with the expanded integrated operations centre, the Fortescue Hive, which we opened in June this year. You'll hear from Director of Sales and Marketing, Danny Goeman shortly, who sits two seats away from our Head of Operations. It's this unique aspect of Fortescue that's been integral to the successful execution of our product strategy and underpins our successful investment in our growth projects.

Our operational excellence is underpinned by our absolute focus on the health, safety, and wellbeing of the entire Fortescue family. Our total recordable injury frequency rate continues to improve, the rolling 12-month TRIFR is 2.1, achieved at 30 September, which is a 13% improvement from the 30 June. Everyone at Fortescue is encouraged and empowered to take control and look out for their mates. Our leaders are required to set their teams up for success by ensuring they have the time to plan their task and pause the job when something changes.

On our journey to zero harm, we're committed to improvement in safety performance through a number of areas, including our Job Hazard Analysis planning tool, which is required for every maintenance task. We all know that a well-planned task is a safe one, and also identifying and implementing exposure and risk reduction activities, which is shared across the business and with our contracting partners.

With our Eliwana mine transitioning to its operational phase and Iron Bridge construction ramping up, our projects teams have deeply embedded our safety culture as we successfully manage construction risk across multiple sites with multiple construction partners. Our Director of Projects, Don Hyma will speak about this a little later this morning.

Fortescue's established a track record of operating excellence. Production has grown significantly, and we pride ourselves on meeting or exceeding guidance, as we have done for the past six years. This growth hasn't been simply driven by spending more money but by an ability to maximise the output from an existing asset base. In fact, we've shipped at an average annual rate of over 170 million tonnes over the last six years, from a system that was designed with an installed capacity of 155 million tonnes.

As you know, we continue to pursue productivity gains, and the current focus of de-bottlenecking analysis is on our car dumper circuit and the rail system. Looking ahead to account for the increase in tonnes relating to the Iron Bridge

magnetite project, we've been granted approval to increase the annual material handling capacity at our Herb Elliott Port facility from 175 million tonnes to 210 million tonnes, on a staged basis.

As you heard from Elizabeth, our C1 cost of \$12.74 per wet metric tonne in the first quarter continues to demonstrate our ability to drive improvements in cost performance and maintain our industry-leading cost position. Most of you would be familiar with our cost journey over the past nine years from a high of about \$48 per tonne in FY12 to around \$13 today, and guidance for FY21 is between \$13-13.50 per tonne. Innovation and productivity has played a significant role in our cost journey and remains critical in maintaining our low-cost status as we continue to mitigate against industry headwinds such as aging assets, longer haul distances, increasing strip ratios, and natural inflation.

We continue to identify opportunities to capture operational synergies and improve productivity and in the first quarter of FY21, we began the consolidation of the management of our Cloudbreak and Christmas Creek mines into a single, integrated Chichester Hub operation. The synergies we are targeting include a single shut team and engineering support, reduced administrative costs and optimising the allocation of assets and resources across that hub.

This focus on innovation and productivity improvements is truly embedded across our mobile fleet, where we are an industry leader in autonomy. We recently announced that we completed the Chichester Hub Autonomous Haulage Project and that project, which represents one of the largest fleet conversions in the industry, has expanded our autonomous haulage fleet to a total of 183 autonomous trucks operating across our Solomon and Chichester Hubs.

Now, any operation can buy an autonomous fleet but it's the management and the smart deployment of the fleet in terms of the pit layout, the road networks, the integration with other mobile assets which drives the deep change in productivity. A poorly run mine that automates its fleets doesn't just automatically become a well-run mine, it just becomes a poorly run automated mine. Our autonomous haulage fleet, together with the introduction of various programs such as our Predictive Maintenance Platform, which allows us to identify more potential breakdowns before they happen, has contributed to an increase in the weekly available truck time by over 20% in the past two years.

So, our fleet operates at greater availability, but it's also being put to work, resulting in higher productivity which reduces our fleet requirements and therefore capital costs. But of course, the mobile fleet's only one part of our system and you've heard me say it before, our OPF's have historically been the constraint in our system capacity, but that's not the case today. Our focused effort on engineering and reliability improvement programs, including some incremental capital investment and the introduction of plant dynamic constraint modelling, has enabled significant de-bottlenecking.

In the five years to FY20, the downtime at our OPF's decreased by 10% and at the same time, the average production rate has increased by 10%. Simply put, we're operating our fixed plant assets more often and at a higher level of throughput. We have had record performance at our OPF's in recent quarters, and continued improvement keeps pushing that bar higher.

Innovation is part of Fortescue's DNA and we are in the process of implementing Downhole Assay Tool for grade control, which provides more information in real time at a lower cost. The tool uses downhole radiation to measure the response from the surrounding rocks to provide a proxy assay, and it's been calibrated over the last two years at our mine sites and enables an optimised balance between gaining ore body knowledge and cost. Utilising the tool in blast holes gives over 10 times more data compared to infill RC drilling, and at a significantly lower cost.

Those costs are comparable with traditional blast hole cone sampling however, the downhole tool enables a significant improvement in safety, provides a superior quality sample, more data, and an enhanced schedule with almost immediate results. Adopting innovation and applying learnings is not just restricted to our operations. As you'll hear shortly from Don, the Eliwana OPF's builds on our experience in constructing and operating ore processing facilities in the Pilbara, with our design team delivering an optimised, highly efficient design.

Throughout my career, I've had the opportunity to oversee the developments of eight major mining operations in the Pilbara, and I can unequivocally state that this is the most efficient plant design by far. I learnt early on in my career that you want to buy the best quality process equipment and use the least amount of concrete and steel to put that equipment in, and that's exactly what we've done at Eliwana.

As you can see from this video fly through, we've got a significantly smaller footprint to comparable facilities including the Firetail OPF's at our Solomon Hub, which itself was an efficiently designed plant at the time. Eliwana has a low height, it's only 24 metres compared to 45 metres height at Firetail, with a structure designed to support that onsite construction, so it uses about half as much concrete at around 7500 cubic metres compared to about 14,000 cubic metres at Firetail and similarly, much less steel.

Design efficiency is also reflected in the capital costs with the Eliwana rail construction costs significantly lower than the Solomon rail, reflected in the inhouse design, integrated delivery model, contracting strategy and accelerated construction period. In fact, Eliwana has the lowest capital intensity for a mine plus rail amongst the current projects in the Pilbara, at \$45 per tonne, with the mine capital intensity at about \$23 per tonne.

I'm particularly excited to be able to share our plans for the investment in the future of our mobile fleet. We are developing an inhouse, non-diesel power train that will offer a step change opportunity to reduce our emissions by replacing the onboard diesel engines with either battery electric or hydrogen fuel cell electric drivetrains, powered by our integrated renewable energy network. With around a quarter of Fortescue's scope 1 and 2 emissions attributed to our mobile haul fleet, this is a significant opportunity to drive our pathway to net zero operational emissions.

The project involves the development of a 240-tonne prototype haul track to test and trial operating performance in the Pilbara's conditions. Phase 1 will focus on the battery electric power train with the ability to regenerate power from downhill haulage. Phase 2 will consider the future optionality to introduce hydrogen fuel cells.

In closing, I'm really pleased with how the operations and the project portfolios are performing on the key metrics of safety, budget, production, schedule, and cost. The strength of the current market is not lost on us and the entire team is focused on the ongoing successful execution of our integrated operations and marketing strategy. On that note, I'm going to hand over now to our Director of Sales and Marketing, Danny Goeman, who will provide an overview of Fortescue's innovative approach to marketing and product strategy.

Danny Goeman: Thank you Greg, and good morning all. I'm very grateful for the opportunity today to provide an update on our near to medium-term steel demand and share some details on the evolution of our integrated operations and marketing strategy. A good place to start is to have a closer look at the developments in the global steel industry in 2020. This year can perhaps be best described as a tale of two markets, with China breaking a number of pig iron steel and crude steel production records but with most of the steel industry outside of China struggling to recover to pre-COVID-19 production levels.

China's crude steel production has grown strongly, reaching 874 million tonnes by the end of October, representing an increase of 5.5% year-on-year. China appears well on track to exceed one billion tonnes of crude steel production in 2020. Looking ahead, we see positive signs from the property and infrastructure sectors which represent more than half of overall steel demand in China. Investment in the property sector, which caused some concern earlier in the year, is now up by approximately 12% year-on-year, due to easing monetary policy and improved consumer sentiment.

Manufacturing investment has also been strong, and the post-coronavirus manufacturing recovery continues to gain momentum, supporting overall steel demand, as construction activities in northern parts of China starts to slow due to the onset of colder weather over winter. A strong V-shaped recovery has occurred as a result of the government stimulus measures earlier in the year and this momentum is expected to provide ongoing support for steel demand in 2021.

In fact, feedback from our customers and other industry observers in China in the last few days suggests that the ongoing strength in steel demand may lead to iron ore inventories in China ports being drawn down further with some suggesting that port levels may approach 100 million tonnes during the first quarter of 2021, driven in part by increased iron ore demand outside of China and lower than expected supply from Brazil.

As for the rest of the world, we are now seeing a gradual recovery in crude steel production levels in many countries. India, Japan, South Korea, and South East Asia have all seen improvement in crude steel production rates, and we anticipate further recovery in the near-term. Indian production levels, in particular, have recovered quickly, assisted by increased steel exports to countries impacted by COVID-19.

Recent feedback from our customers in Japan and Korea also highlights the recovery in steel demand there, with both POSCO and Nippon Steel confirming they are restarting blast furnaces to meet increased demand. October production figures suggest that crude steel production has now almost fully recovered to pre-COVID-19 levels. With respect of the global steel production outlook, we expect steel demand to be well-supported beyond 2021. Between now and 2025, consensus analysts forecast global crude steel production to grow by approximately 170 million tonnes, which represents robust growth on a 1.8 billion tonne base.

Growth will be driven by long run trends in population growth and urbanisation, particularly in emerging markets such as South East Asia and India. Chinese crude steel production is expected to peak in the first half of this decade, but a range of views exist on how this may evolve, with China historically outperforming forecasts.

So, what does this mean for seaborne demand? We expect seaborne iron ore demand to be well-supported in the medium term. A number of industry observers have questioned the impact of growing obsolete scrap in China on future iron ore demand. However, the range of views vary. We continue to see limitations in the medium term on the availability of clean, obsolete scrap. We'd also note that the transition to increased scrap use has been slower than expected, in part due to the ongoing poor economics of using material amounts of scrap.

Most of the recent strong crude steel production has been through the integrated steelmaking route, leading to strong ongoing iron ore consumption. Plans by China to relax its import ban on scrap is unlikely to significantly lift scrap use in the next few years. Until the industry develops significant low-cost integrated collections and processing capacity, we expect to see constrained availability of clean, obsolete scrap and therefore ongoing robust pig iron production and associated iron ore demand.

So, let's now turn our attention to iron ore supply. The market consensus is that additional seaborne iron ore supply will enter the market in the medium term. Our view remains that considerable challenges and uncertainties persist in bringing on this additional supply. These include the speed and extent of the supply recovery in Brazil, the scale and pace of Australian mine depletions; and potential exits of high-cost supply from non-traditional and Chinese domestic sources. We envisage significant ongoing challenges associated with expansions of Brazilian supply, particularly given the number of projects requiring completion and the related project approvals.

In Australia, numerous projects are forecast to be completed in the next five years. Many of these projects, however, are sustaining existing production volumes and as such, we don't see material incremental supply emerging from Australia in this period. We may see additional supply from India, Russia, and the Ukraine, but much of this material will be higher cost and in circumstances where seaborne iron ore prices moderate, some of this material will become uneconomic and exit the market.

Furthermore, as the Indian economy grows, we also expect the steel industry in India to utilise more domestic iron ore, thereby constraining future iron ore export volumes. With respect to Chinese domestic supply, we have witnessed a moderate resurgence recently, but some of this production will likely come under pressure, given resource depletion,

increasing environmental constraints and low investment in the industry. Irrespective of the outcome of these supply dynamics, Fortescue, as a low-cost producer continues to be well-placed to meet the global demand for iron ore.

So, let's now have a closer look at Fortescue's integrated operations and marketing strategy. Our approach is focused on the current and future needs of our customers and the optimisation of our supply chain and is really built around four key principles. Integrated operations and marketing, and a focus on direct customer engagement is what really differentiates us from our competitors. Integration here means the marketing, shipping, operations, and integrated planning teams being physically co-located in the recently inaugurated Hive. This setup allows us to respond to customer needs, and prevailing and future market dynamics, in a more coordinated manner.

Direct customer engagement ensures that we have a deep understanding of our end users' needs. We are also actively investing in further developing our decision support systems and associated infrastructure to facilitate world-class, real-time market analysis, allowing us to act on insights, monetise information flows and optimise our portfolio.

Our focus on commercial excellence is delivering real, tangible business outcomes. We track a range of market indicators to better understand market dynamics and demands for our product in different segments and regions, both in and outside of China. The declining volumes of Fortescue products in China stockpiles is just one example of how our integrated marketing and operations approach has driven increased demand for our product through the market cycles.

The development of our portside sales channel is another example. Since June 2019, we have been selling in RMB from ports in China and we have now sold over 10 million tonnes. Active and direct engagement with the portside market provides us with real-time market insight and allows us to capitalise on arbitrage opportunities.

For our customers, portside sales mean they are able to purchase products in smaller lot sizes and from multiple regional ports, thus providing shorter procurement lead times and expedited delivery. The success of our overall approach is reflected in our performance metrics. For example, the Platts 62 index increased by around 8% quarter-on-quarter since FY19, whilst Fortescue's price realisations have improved by around 13% over the same period.

Our ongoing focus on portfolio optimisation is also supported by an increasingly diverse range of sales channels, now facilitating sales to more than 170 customers globally. We offer term contracts and spot contracts in USD, port sales in RMB, and provide access to some of our products through other channels. We sell to customers outside of China, including those in emerging growth markets such as Vietnam, Malaysia, and Indonesia, and in the more traditional markets such as South Korea and Japan.

We are gaining market share in Japan and Korea by building strong relationships and most importantly providing flexible and innovative supply solutions and logistics solutions. In addition to the usual regular commercial engagements, we are also focused on deep technical collaboration with customers and other stakeholders. This is critical to our long-term success in the industry. We aim to consistently deliver quality product to meet our customers' expectations and provide value in use in the iron-making process.

Our low variability in our Fe, Silica, Alumina and Phosphorus levels in our products has been recognised by our key customers, and the resultant product quality consistency is now viewed as truly industry leading. We are also working with customers and research facilities on product developments to ensure that the performance of our current and future products is well understood. We are engaging with customers, governments and industry bodies on climate change, direct emissions reductions, scope 3 emissions as well as exploring innovative iron-making technologies.

The most recent and pertinent example of the work conducted by our technical marketing team, is a study undertaken with a leading Chinese mill, which demonstrates clearly the link between deep bed sintering and emissions reduction. We will continue our research in this area to demonstrate the ongoing value and use of our products in a carbon-constrained environment.

We have also partnered with the CSIRO, combining the CSIRO's world-leading research and development with Fortescue's leading renewable energy and green hydrogen production projects and deep industry knowledge, to develop and commercialise hydrogen technology. Our product strategy is responsive to changing industry dynamics and our product suite meets a variety of customer needs. Our product offering has changed in recent years, in response to market dynamics and this will continue.

The physical and metallurgical properties of our products provide a range of important value and use benefits to our customers. Perhaps the most distinguishing attribute of Fortescue's products is its coarse sizing which facilitates the increased use of complementary but finer, high-grade ore. The coarse particles improve granulation and permeability in the sinter making process which in turn increases sinter productivity. In simple terms, this means a more efficient process, which consumes less fuel.

Our existing products also play a fundamental role in the market, offering value on a standalone basis, but also by complementing the use of other products. We can see on these charts, that when assessing the chemistry of our product suite, they provide competitive advantages compared to alternatives, specifically in the area of alumina and phosphorus content. The introduction of Iron Bridge will facilitate further product and market diversification, allowing Fortescue to pursue a range of value-accretive options.

Iron Bridge is a premium magnetite product which will extend Fortescue's product suite into the high-grade Fe segment. As a discrete, standalone product, Iron Bridge offers both superior pelletising and sintering characteristics, with the added benefit of fuel and energy savings associated with the highly exothermic nature of magnetite oxidation, compared to hematite. In simple terms, this means fewer emissions and lower cost. We also have the ability to respond to changing market conditions and blend our premium Iron Bridge magnetite product with some of our hematite products out there.

In summary, Fortescue has a sophisticated and responsive approach founded on direct engagement with our customers and stakeholders and supported by real-time market insight. Our results highlight that our marketing approach delivers real value to the business and to our customers.

Our products are competitive and are a core and critical component in global steelmaking. Developments such as West Pilbara Fines, and Iron Bridge position us well for the future, expanding our product suite and allowing us to offer an even broader product range to our customers. Thank you, ladies, and gentlemen. We will now take a short break and reconvene at 9:30 AM Australian Western Standard Time. Thank you.

Elizabeth Gaines: Welcome back to Fortescue's 2020 Investor and Media Day. As you would expect with first ore at Eliwana, our Director of Projects Don Hyma is on site. But here is a video that we recently recorded providing an overview of our key growth projects.

Don Hyma:

Good afternoon ladies and gentlemen. My name is Don Hyma and I am the Director Projects, here at Fortescue.

First, I'd like to acknowledge the traditional custodians of this land on which we are meeting today, the Buudi Guundi Guruma and Binigurra people, and we pay our respects to elders past, present and emerging.

I'm speaking to you today from Eliwana, our brand new mine development which we officially opened just yesterday. It is an exciting time for Fortescue, and I'm proud to be leading a very talented group of people who are building our world-class portfolio of projects. But first, let me touch on safety.

The health and safety of every member of the Projects' portfolio is our number one priority. We truly believe that zero harm is possible and strive to embed a culture of family, looking out for our mates, and encouraging leaders to be active in the field.

Our safety performance to-date is measured by a TRIFR of 1.9 against a target of 2.6. This is represented by more than 8.5 million hours of work and a construction workforce exceeding 4,000 in number.

But we also focus on mental health, working closely with Mates in Construction and Lifeline. Our industry unique Chaplaincy programme provides on-site support to anyone in need and of course what an extra-ordinary year it has been as we continue to manage the impact of COVID-19.

The global pandemic has caused immense disruption to our families and communities, but particularly our many interstate workers who decided to stay in Western Australia and continue to spend extended periods of time away from their loved ones due to the hard border closure.

I'm proud to tell you that our values of safety and family have shone through, and from the outset, we came up with innovative ways to care for and support our teammates. In addition to the operational measures such as extended rosters, changes to our village facilities, and temperature and health screening, we worked closely with our construction partners to deliver practical ways to support our interstate team.

Some of these included providing accommodation and meals, networking events with our Executive team, discounted activities in Perth to enjoy while on R&R and family barbeques at our own homes. We also have a range of Christmas activities coming up to spread the festive cheer and support our mates during what will be a challenging time for many away from home.

Now, let's turn to Eliwana. This exciting new mine development will see us maintain Fortescue's low-cost status and provide greater product flexibility to capitalise on market dynamics.

I'm currently standing in front of the innovative new ore processing facility, where yesterday we celebrated first ore processed. This was a significant milestone for the project team and our business after just 11 months of construction.

We were joined by government officials, Traditional Custodians, and members of our Board and Executive team to recognise what has truly been a remarkable effort.

The new 143km rail line that links into the main line to Port Hedland is also in the final stages of construction, with the team working very hard to commission first ore on train towards the end of this month. This includes the construction of two major rail bridges both of which are now complete. The steel girders for these bridges are the largest and heaviest ever fabricated in WA. As you can see, the Silvergrass bridge spans 228 metres long with over 2,000 tonnes of fabricated steel.

Eliwana's rail line represents the first east-west railway through the Hamersley Ranges, to be completed safely within a record 10 months.

The project certainly has faced some challenges, such as inclement weather, construction access delays as well as the sheer complexity of building a rail line through difficult terrain and existing infrastructure.

The outstanding achievements by the team is a testament to their dedication and never, ever give up spirit. And significantly, it's a solid demonstration of our ability to drive down capital costs through innovation and stretch targets, with the project to be completed at the low capital intensity of approximately US\$45 dollars per tonne.

Now for an update on Iron Bridge. Iron Bridge is a flagship exciting project that builds on our strategy to deliver the majority of our product over 60% Fe.

The innovative design, including the use of a dry crushing and grinding circuit, will produce an industry-leading energy efficient operation and underpin the future significant contribution of magnetite processing to our business and the Australian economy.

The Iron Bridge project has been comprehensively studied since 2010 and de-risked through the operation of a large-scale pilot plant and full-scale demonstration plant built in 2015.

Through the investment of US\$500 million in Stage 1, we were able to validate key equipment and magnetite production processes for the full scale Stage 2 ore processing facility currently in design.

The pilot plant verified the wet magnetite processing flowsheet, and the demonstration plant proved the metallurgical and cost benefits of dry processing to reduce the demand for power and water.

Since the investment decision in April 2019, the focus of the project has been on engineering, procurement of key equipment and early site construction activity. Engineering is now over 85 per cent complete, which is an excellent result considering over 300 engineers have been diligently working from home across the globe due to COVID-19.

Fabrication of key process equipment is well underway with over 170 suppliers in more than 30 countries including, for example, China, Germany, Italy, the Netherlands, USA, South Korea and of course right here in Australia.

With recent awards of major module fabrication and construction installation contracts, we have now committed approximately 80% of the US\$2.6 billion project budget.

We're also proud to be working closely with our Nyamal Traditional Custodians, as we seek to create generational change, economic opportunity and thriving communities in the areas in which we work. For example, we recently awarded a US\$12 million contract for our non-process infrastructure buildings to Yu Lu, a joint venture between Nyamal Resource Enterprises and Icon Construction.

Early construction activity is also well underway, with bulk earthworks at the processing plant 90 per cent complete, the start of major concrete pours and the first arrival of the mining fleet in advance of mine development.

A new expanded Village is also taking shape, by adding an additional 1,000 rooms, bringing the total to nearly 1,500 when complete. The Village has a newly built gym and fitness centre, a 25-meter pool, a sports oval, a retail store and café, and an outdoor inclusive area where people can enjoy events or simply congregate after work. The facility is on schedule for completion early next year.

We are also constructing a new aerodrome, scheduled for operation this coming January. This facility is perfectly timed as the construction workforce grows to its peak by mid-year.

As we move closer to first ore on ship in the first half of 2022, the Iron Bridge project schedule and budget remain tight but achievable.

We are confident that our early construction activity, focus on innovation, and our unparalleled track record of safely constructing major iron ore projects in the Pilbara, will drive the successful delivery of this low capital intensity magnetite project.

And in further demonstration of Fortescue's innovation and ability to adapt at rapid speed, we recently completed the conversion of our existing Christmas Creek OPF to wet high intensity magnetic separation (WHIMS) to maintain the value of our products.

And lastly, it is worth touching on energy. Last year, Fortescue announced the Chichester Solar Gas Hybrid Project, a low emission energy solution that will incorporate large scale solar, owned and operated by Alinta Energy. I'm pleased to say that the project is progressing well with around 150,000 solar panels, 125 transmission lines and more than 55km of transmission line installed so far.

In addition, Fortescue's US\$700 million Pilbara Energy Connect project will construct further transmission line infrastructure, solar and gas power generation, and large battery energy storage.

This project is progressing on plan and budget, with 130 of 800 power poles erected and transmission line being progressively installed.

Once complete, Pilbara Energy Connect and the Chichester Solar Gas Hybrid project, will underpin Fortescue's carbon emissions reduction targets with an estimated 25 to 30 per cent of stationary energy across our mining operations being powered by solar.

Finally, I am proud of the entire Fortescue Projects' team as Eliwana progresses through commissioning while Iron Bridge and Pilbara Energy Connect ramp-up, with an unrelenting focus on safety, and delivering projects on schedule and within budget. Thank you

Ian Wells: Well thanks Don. That was a great update and good morning and good afternoon everyone. It's really my pleasure to share some perspective as the CFO on how we manage the business, how we allocate capital, how we create value and how we ultimately deliver returns to shareholders. It's our track record of consistent predictable performance together with the laser focused disciplined cost and capital allocation and that's underpinned by our values.

Through our values, we pride ourselves on doing what we say we are going to do, and that's what we mean when we talk about integrity. The finance functions have traditionally been focused on statutory obligations, compliance, backward looking management reports, and in that case, let's say 80% of the effort is backward looking, and only 20% of the effort goes into forward looking activities through the - let's say the budgeting and planning process.

So, at Fortescue we are in the process of changing this mix and increasing our effort to be much more forward focussed. The slide shows, to enable this strategy the finance function needs to have integrated planning systems, supported by data analytics. So, what we get is better, faster, more accurate planning and that translates into improved execution and the opportunity to optimise returns. By integrating the insights from actual performance into a dynamic digital and data driven planning process, this increases the business' ability to influence outcomes.

So, whilst we might like to re-write history from time to time, it is really only the future that we can influence and it's the future, where the opportunities lie. In finance and right across the business we are using automation, data driven intelligent decision support, and connected planning and forecasting, and our systems and processes are progressively linking the physicals to our assets, our people and to our support areas. This will continue to speed up the planning process and the integrated finance functions ensure the right combination of empowerment, risk management and governance to drive the absolute best commercial outcomes across the business.

The profitability of our business through the commodity cycle is neatly summarised in one of my favourite charts and let's face it, what's not to like about this chart? It gives great insights into Fortescue's realised price and EBITDA margin per tonne and it also shows the Platts 62 Index. So over time we have clearly demonstrated an ability to generate strong margins underpinned by an improving product mix and a focus on total cost.

So that's not just C1 costs. Over the past decade, Fortescue's weighted average EBITDA margin is \$36 per tonne from revenue of \$71 per tonne. That represents a pretty healthy 50% margin. What this shows is the benefit of our integrated operations and marketing strategy and that's had a combination of effects on both revenue and costs. Of note it's the last

two years where average EBITDA margins have increased above that 10 year average and over the same period our realised price has averaged around 85% of the Platts 62 Index.

Also, worth noting that our growth projects, Eliwana and Iron Bridge will continue to improve our average product grades at a continued low cost production. So importantly, those strong EBITDA margins and earnings convert into cash flow. Fortescue's net profit after tax is closely aligned to free cash flow available for debt, dividends, and growth, when capex is consistent with depreciation and relatively transparent working capital movements including a tax payment cycle.

The most material working capital movement for us has historically been pre-payments and those pre-payments were fully amortised by 30 June 2020. The timing differences of tax payments arise from the Australian Tax Offices PAYG instalment system. What we see in a rising earnings environment, the final tax payment lags the end of the financial year.

In fact, just last week, we paid the FY20 final tax payment of approximately \$850 million or A\$1.2 billion and that in itself was well flagged to the market through our reporting cycle, and it reflects the contribution that we're making back to the Federal Government and ultimately the communities in which we work. This alignment between net profit after tax and free cash flow is really reflected clearly in both of these two charts particularly post the investment cycle from FY14. If we focused on the last three years, the variance between net profit after tax and free cash flow amounts to just 5%.

As I mentioned earlier staying disciplined through the cycle is important to us and for us this comes back to doing what we say we are going to do. Capital allocation discipline is embedded right across Fortescue where the framework is considered as allocation and cost across four pillars of sustaining the business, maintaining a strong balance sheet, returning capital to shareholders and funding value accretive growth.

So, this results in a fierce competition for capital across the business and that's supported by a transparent rigorous and disciplined review process. We constantly challenge ourselves, and consistent with one of our values frugality, that is not being stingy or simply saying no. It is the questioning, challenge, and judgment of spending the least amount of money on the right thing.

This chart focuses on the period FY14 to FY20. As I mentioned earlier FY14 is of course an important marker because that's the first year of free cash flow we had post the expansion and, in that year, our production increased to over 100 million tonnes on its way to nameplate of 155 million tonnes per annum. In FY15 we actually delivered 165 million tonnes per annum. So, over this period, Fortescue has generated \$33.7 billion of EBITDA at an average margin of 51% and reported \$14.9 billion of net profit after tax.

It's our track record of disciplined capital allocation is clear. Of the \$25.9 billion of net operating cash flow generated during this period, \$7.8 billion has been reinvested in capital expenditure, \$8.2 billion of debt has been repaid and \$9.1 billion of dividends have been distributed to shareholders. That also includes the FY20 final dividend.

So just breaking this down another level, the focus up until FY17 was very much on de-leveraging, and FY18 was the first year where we allocated more capital to dividends than to debt repayment. Then in the last two years, all surplus capital has been returned to shareholders including \$1.76 per share in the last 12 months representing a fully franked dividend of a not too shabby 8% to 9% based on current trading levels.

Our forward focus strategy positions the business to continue to capture and optimise return on invested capital and a good measure of the company's profitability and capital efficiency is the level of profits it is generating from that capital. The chart shows this in terms of return on capital employed or ROCE, and this is calculated as EBIT divided by average capital employed. Fortescue's annual return on capital has averaged 23% in the past decade, and we compare this to the ASX 100 Resources Index, where the average ROCE is 11%.

We like to think by focusing on the fundamentals, the performance of the business and how capital is allocated is reflected in that track record of maximizing return on investment. That discipline to allocate capital to de-leveraging means that Fortescue's balance sheet has dramatically changed since gross debt peaked at \$12.7 billion in FY13. As at the last reporting date of 30 June 2020, we remain well inside our targeted investment grade credit metrics of 1 to 2 times gross debt to EBITDA and 30% to 40% gearing. Gearing represents the book value of debt to debt plus equity.

We consider gearing on a gross basis, because it's gross debt that has to be serviced and repaid and whilst net debt is the outcome of cash on hand at a given balance date. This is because any cash on hand you can be rest assured this is going to be put to work. That includes a minimum liquidity threshold, funding of the capital expenditure program, and any working capital requirement such as the tax payments as I mentioned earlier in a rising earnings environment. Importantly cash on hand is going to reflect dividends.

As our balance sheet is really now an asset, gross debt was \$4.1 billion on 30 September 2020 and it remains our intent to put in place a project facility to part fund our share of the Iron Bridge Project, and we have the capacity to fund further growth opportunities. We have really simple terms and conditions across our debt facilities and there's no debt maturities until 2022, and our strategy is to proactively re-finance that debt prior to maturity.

As you heard from Elizabeth on Fortescue Future Industries, any individual projects will be developed by FFI with ownership and project finance sources to be separately secured without recourse to Fortescue.

Sustaining our assets is one of our first uses of cash, and over the last three years, we have invested in approximately \$1.8 billion in sustaining capital and \$700 million in operations development capital. That includes more recently the Queens Hub development and also the WHIMS project.

We will obviously continue to invest in managing our assets really to ensure high levels of availability, productivity, and efficiency across our integrated operation. With our CapEx guidance this year of \$3 billion to \$3.4 billion, we have guided for approximately \$1 billion of sustaining and operations development capital.

So, the \$1 billion for sustaining capital is a reasonable midterm estimate, while appreciating there is some flex in the development capital spend, obviously in response to any price environment. So, this estimate includes small hub development, but it will not include major hubs, which we will call out separately. The next major hub development decision for us is likely to be around the middle of this decade.

It's the strength of our balance sheet and operations means that we can continue to re-invest back in the business and invest in growth, and you've heard that our growth project portfolio is performing well. FY21 represents the peak period of investment as Eliwana is completed and Iron Bridge then ramps up to full scale production along with the Pilbara Energy Connect Project. Our FY21 guidance for major projects capital spend is \$1.9 billion to \$2.3 billion. This declines to \$900 million in FY22 and \$150 million in FY23 based on the midpoint of the guidance range for these major projects.

Central to Fortescue's capital allocation strategy is a commitment to pay out 50% to 80% of full year net profit after tax to shareholders. We have recently been clear on our intention to target the top end of that range. That's supported by our consistent track record. So, we've paid the midpoint of the range of 65% in each of the last two interim periods and our full year payout ratio was 78% and 77% in FY19 and FY20 respectively.

Eligible Australian shareholders also received the value of the franking credits, and when paying out less than 100% of net profit after tax, it means that we maintain a healthy franking balance. Fortescue has generated market leading returns in terms of both share price performance and capital returns, and the share price performance alone is up fivefold over the last the three years. This compares to annualised return of less than 10% for the benchmark S&P ASX 200 Index.

While the share price is an outcome of many factors, at Fortescue, we can continue to focus on the things that we can control and that's safety, production in terms of both volume and product mix, together with costs and capital, and our success through the cycle is a testament to our values which underpin everything we do. Folks that ends the formal part of the presentation and I'll hand back to the operator to facilitate the Q&A session.

Operator: Welcome to Fortescue Metals Group Investor and Analyst question and answer session. If you wish to ask a question, please press star one on your telephone and wait for your name to be announced. We ask that you please keep to a limit of two questions per person. If you wish to ask further questions, you may re-join the queue. Participants may also submit questions via the webcast using the question tab in the bottom right hand corner of your screen. Your first question today comes from Hayden Bairstow with Macquarie. Please go ahead.

Hayden Bairstow (Macquarie): Hi guys, just a couple for me. Firstly, on I think the focus around FFI and how to think about that. I mean obviously there's an expectation of 80% of NPAT is dividends. Do we look at the other 20% as going into Iron Bridge for the next couple of years and then after that there's left over capital to invest in some of these green power projects? Or is it more of a minimum debt level and cash balance. I mean just trying to sort of work out where that sits.

Then on the operations update, there was a lot of info put out today. We're keen to get an understanding of where the thought process is at with blending and what you think the real opportunities are going to be particularly with Iron Bridge coming in where you could - can you blend all of those? Is there being more work done on whether that will be a standalone product, or you'll be changing the mix significantly from what you're doing now? Thanks.

Elizabeth Gaines: Well thanks Hayden. I'll probably give a brief response to both questions and then hand to Ian on FFI and Greg on blending. But I think on FFI and how to think about that, there's no firm decisions yet in terms of how that might play out in terms of phasing and capital allocation. I mean what we've made clear is that any funding will be non-recourse to Fortescue. I don't think it's as simple as 80% in dividends and 20% just to FFI in about three years' time. We'll be a bit more ambitious than that, but we do have obviously a very strong balance sheet. We do have other capacity and we are looking at other sources of funding for FFI.

I think on blending and Iron Bridge, again we don't have to make a decision now. We're doing more work on that. We have the capacity through the Port where we're developing our infrastructure to be able to blend magnetite and hematite but there's more work, there's more technical assessment. Some of that will be driven by customers' preference and demand at that point in time. So, we actually don't have to make a decision on that yet. But maybe I'll just hand to Ian if you want to add anything else on FFI Ian.

Ian Wells: Elizabeth I think you did a great job in answering that question. I think the key point being that when net profit after tax and free cash flow are available for debt dividends and growth are aligned, it means that that capital is available for growth. And as I said in my speech there's a fierce competition for capital, so things need to stack up. Also, an important point is that our balance sheet is an asset now and so we have excess capacity on the balance sheet really through the cycle.

Elizabeth Gaines: Yes, thank you. Greg anything you want to add on blending.

Greg Lilleyman: Again, the important thing to think about with the blending and Iron Bridge is we actually have the flexibility, the capability to do so. So, there's a lot of factors to take into account. We equally don't want to necessarily flag our intentions to the market in advance of getting the thorough engagement with customers, doing analysis, doing the assessments and technical work with customers, and thinking it through clearly. So, we'll be able to update in due course but at this point in time no firm decisions but the full range of blending none of Iron Bridge and selling it stand alone right through to blending all of it are all still options on the table.

Hayden Bairstow (Macquarie): Okay great and just a quick follow up on the investments in to FFI. I mean do we have to assume that there's some sort of carbon pricing globally factored into all of these investment decisions or is it - do you see it more of a cost of business to just get to carbon net neutral by 2050?

Elizabeth Gaines: I think it's a bit of both. I mean obviously we've set a target to be net neutral emissions, but I do think we have to assume that over time there will be changes and we take that into account, whether that's a carbon charge, whether it's removal of a diesel fuel rebate. There are a number of different levers that could actually change some of the economics. So, I think we're taking a very forward looking view and we're really being quite defensive in that, but we also have that goal to achieve net zero operations emissions.

Hayden Bairstow: (Macquarie, Analyst) Okay great I'll leave it there. Thanks a lot.

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

Paul Young (Goldman Sachs): Good morning Elizabeth, and team. Thanks for the presentation. I have a few questions on the renewable strategy. To begin with, looking at the Pilbara Energy Connect Project, great project, and great initiative but your emissions will go up by 20% to 25% post Iron Bridge because it's an energy intensive project and still running majority on gas. So, on that basis to achieve your minus 26% reduction from existing operations, should we expect further investments in solar and batteries post, I guess, or a PEC phase 2 in effect.

Second question is on the green hydrogen strategy, wondering if you can share any initial capital cost estimates attached to the Bell Bay project. I appreciate its early days and you're still in study phases. Second part to that maybe alluded to this is that green hydrogen a lot of discussion at the moment the barriers of entry, they could be large, they could be small depending on your access to cheap hydropower. It seems that's the biggest barrier. But there will be a cost curve in green hydrogen. Where do you think you need to be in dollars a kilogram on opex to actually be competitive in green hydrogen? Thanks.

Elizabeth Gaines: Thanks Paul. Look I think starting with the Pilbara Energy Connect, our 26% from existing operations from 2020 levels obviously Iron Bridge isn't operating in 2020. So, we need to have a strategy for Iron Bridge as well. You are correct, it will increase emissions. But the processes we've already put in place to mitigate what could have otherwise been a diesel generation solution are actually quite substantial in terms of that mitigation of emissions with increases as a result of Iron Bridge. So, by going down the path with the Pilbara Energy Connect of installing large scale solar and also expanding Solomon generation, the gas site generation we've already made is quite extensive decisions to mitigate what would otherwise be a bigger increase.

You're correct that over time we have the ability to add additional renewables and that's one of the benefits of building the transmission infrastructure because we own it, we control it, we can add further renewables and we all know the cost of solar is reducing nearly every day, so - particularly compared to 10 years ago. So, a range of options available to us. We are committed to our net zero by 2040 so that will obviously incorporate the addition of other renewables. But for now, our focus is on successfully delivering Pilbara Energy Connect which we know will be a big contributor to mitigating what could have otherwise been a bigger increase.

Look on the Bell Bay project, it really is too early Paul. I know you'd like to know about lots of different numbers and return profile but we're at an early stage. We're going to be doing the study. We need to get to a low capital intensity, and we need to get the right cost of energy and as you say hydropower which is already installed in Tasmania is the opportunity for a low cost renewable energy and that will contribute to the overall return profile. But we're at the early stage of that.

Look I think in terms of the green hydrogen and the cost there's a range of analyst's views out there and I think if you took the midpoint of around \$2.50 a kilogram, clearly Fortescue - we would expect to be lower than that, so we'll be targeting

a lower than most analyst's forecasts. But again, that's the work that we need to do, and we need to determine both the capital intent to then ensure that we are a low cost producer.

Paul Young (Goldman Sachs): Great thank you Elizabeth.

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

Lyndon Fagan (JP Morgan): Thanks very much. Yes, I guess with the business kicking goals in iron ore, my questions are all on the power strategy as well. Firstly, just wondering how the 235 gigawatt target was come up with and I guess even developing the first 100 gigawatts which is from looking at your AGM slides, what timeline has Fortescue got on trying to do that?

I'm also after a bit more information on how the FFI vehicle is going to work. So, understand this is a separate vehicle but how much equity would Fortescue look to invest into the vehicle versus introducing other funding. Is it something like a 20% equity holding eventually for Fortescue? I'm just after a bit more information on how all that works. Thanks.

Elizabeth Gaines: Thanks Lyndon. Look I appreciate there's a great thirst for more information. It is fairly early stages. I think the team are doing a great job in putting together a portfolio of opportunities that we can then assess and look at timeframes, you know, over what period of time. You asked about the first 100 gigawatt.

As you know with Fortescue, we'll be pretty ambitious to move this along but again it's the same discipline we've applied to everything else. We've got to do the work, do the studies, a lot of focus on technology at the moment, even access to electrolyses and the availability of electrolyses. So, there's a whole range of activities. But I do think what the team have done is put together a fantastic portfolio.

We can't necessarily answer all those questions now in terms of specific timeframes but as always with Fortescue, we'll be ambitious. We want to move this along and also in terms of how the vehicle works it is a wholly owned subsidiary of Fortescue. There will be opportunities for different sources of funding, and it could be quite project specific. So rather than an overall view, there could be different projects with different funding and ownership structures depending on where they are and what part of the world.

I think we've got a track record with the Iron Bridge joint venture for example. One of the things that is key to us though is operating control and having that control in marketing the products. So those are some of the key fundamentals for us because we want to own and operate, construct and market the product. But within that there's opportunities for a range of different investment. But we will own Fortescue Future Industries and I think you'll find that each project will be developed with its own sources of funding and ownership structures.

Lyndon Fagan (JP Morgan): Maybe just to clarify Elizabeth, when should we expect any sort of material spend into this? Obviously, the Tassie thing as an FID next year, assuming that's half a billion, maybe you pay for it in two weeks but at these iron ore prices. But beyond that when should we be expecting material free cash flow to be re-directed into this as opposed to say dividends?

Elizabeth Gaines: Well, we're not - we're maintaining our dividend policy. So, our dividend policy is unchanged and that is to pay a range of 50% to 80% of net profit after tax. We are targeting the upper end of the range. So, to be very very clear, there is no change to our dividend policy which is why as we develop these projects we'll need to look at the source of the funding and be innovative as Fortescue has always been in terms of identifying those sources of funding.

I think the first material decision will be potentially Tasmania depending on all the assessment that goes into that and it will be some time in 2021. So that'll be the first significant decision and I don't think we're thinking about funding that from

iron ore. We're looking - that will have the same rigour applied to it in terms of our aspirations for FFI in the context of looking at our sources of funding. So, there is absolutely no change to our dividend policy.

Lyndon Fagan (JP Morgan): Okay thanks.

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

Paul McTaggart (Citigroup): Good morning all. So just swinging back to iron ore for a minute, so I mean you extended your available port capacity and I know you mentioned you are doing de-building work around car dumpers in the port. So, I want to get a sense of what needs to be done there to be able to shift up that historic range of guidance for exports or shipments and what might be a possible timeframe.

Then following on from that really is you mentioned the development of the next hub decisions at around mid this decade. Eliwana is great because it's dry processing. Do you expect that the development for the next big hub operation will be dry processing as well? Thank you.

Elizabeth Gaines: Greg do you want to touch on those, so port capacity?

Greg Lilleyman: Yes sure. Good day Paul. Yes, so port capacity, remember of course Iron Bridge won't be going through our rail, circuit, and dumpers. It's 22 million tonnes that are going straight through the concentrate pipeline to a dewatering facility and as part of that investment, we have some further investment at the port with another canyon in the port, a stacker and rehandling facilities as part of that. So whilst there will be some de-bottlenecking and fine-tuning of some of the transfer shoots and bins and things like that, there's no major investment for us to be able to fulfil the abilities that put 210 million tonnes through our assets at the port. There'll be some environmental mitigations, dust management and other material handling, but there's no major investment for us to - over and above what's already announced as part of Iron Bridge and some minor de-bottlenecking here and there.

So, the facilities are there, and our environmental license is there, so we are well-placed to deliver on that. Next major development, look, obviously, the other area that's available to us outside of the three hubs that we now have developed would be the Nyidinghu area, likely to be wet processing, Paul, although there may be a period of dry processing that we could conduct there before we get well and truly below water table, but I would expect it to be wet processing. But we've also got a lot of options that we are still thinking through about how we develop Nyidi.

It could be bringing that material over to the Cloudbreak operations and using that facility as a supplement, so minor processing at Nyidi and then using existing facilities depending upon whether we want it to be incremental or supplementary to our existing operations, or it could be incremental and have its own processing plant there. So they are all the options that we need to think through and timing of that will depend on market conditions of course, but we also have other abilities to increase output from our existing hub on minor incremental numbers that could push that out.

Paul McTaggart (Citigroup): Thank you.

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

Glyn Lawcock (UBS): Oh, good afternoon, Elizabeth. Just a couple of questions, maybe just on from what Paul was asking, I'm just curious, as you ramp up Eliwana, obviously, you're going to be ramping down Firetail and you've got a haematite allowance of 188 through the system. Do you think there's capability to overlap and do a little bit better than the run rates - the 180 target or is the system - I guess what I'm trying to understand is will the system - the rail system and getting it down to the port not allow some overlap and a slightly better performance as you ramp one down and one up?

Then I just wanted to focus a little bit more on FFI. I guess when I look at it, I struggle a little bit. I understand you're going to have everything funded off the balance sheet and on recourse to Fortescue, but when I look at the renewables industry, it is highly competitive, returns continue to get pushed down lower and lower, so I guess the two questions from that is you've got a 24% return on capital business which based on what renewable projects generate today is going to be diluted down, and if you do have a problem with the project while it's non-recourse, it is a subsidiary of Fortescue, so you're not going to let it just wither and struggle if it does get stuck for some reason. So, I guess is there still a risk even though it's non-recourse, you'll have to step in and help it out of there is a problem and if not, why do we have to own it inside Fortescue? Why - I guess I'm trying to understand, thanks.

Elizabeth Gaines: Well, thanks Glyn, I might start with that second question and then Greg might want to talk about the other one. Look, in terms of FFI, I think those questions are best asked when we have a project and we're looking at how we're funding it. We appreciate that the return profile as you would expect from Fortescue and with our disciplined approach, we will be doing a lot of work before we make those sorts of decisions in terms of what the return profile looks like, the market, the growing demand. The energy demand is changing, and we think hydrogen will be a major, and green ammonia, will be a major export opportunity. So that continues to evolve, but the same discipline we've applied to all of our investment decisions; and I think Iron Bridge is a good example.

We took five years; we built a pilot plant and demonstration plant and we ensured that we were much more efficient and innovative. The returns will be much higher than other similar magnetite projects because we actually have used innovation through the process flow sheet and we've actually got a situation with the dry processing and the rejection of waste out the front, so we've been very energy efficient. That's part of the biggest cost, so that sort of similar process and approach to making that decision, you would expect us to apply to anything we do on FFI. So we don't actually have those decisions in front of us right now and we've got a clear goal for the future and we will look at those opportunities and I think as and when we have an actual project that we are looking to make that decision on, then that's probably a better time where we can address those types of questions.

Greg Lilleyman: Glyn, look, the questions you ask are the right questions. They tax us every day of the week about how do we think about optimising our throughput, optimising the new Eliwana operation as we bring off Firetail over a period of time, so as I mentioned earlier, our OPF's are clearly no longer the bottleneck. They probably wouldn't even before we commissioned Eliwana let alone now that we have Eliwana. So, our mind has turned to how do we optimise the throughput through the dumpers and our rail network, our port facilities will also be tight in terms of the management of the yard. So, our guidance is our guidance for this year; it's 175 to 180, we're certainly not guiding anything beyond that for this year. But clearly in this market, Glyn, any opportunity at the moment to put more tonnes through the system, we're absolutely looking at. Over the next year or two, that probably holds true for our haematite operations and we seek to optimise them and maximise the throughput. So that's a clear focus for us.

Glyn Lawcock (UBS): So, Elizabeth, you said obviously it took five years before you made the decision on Iron Bridge. I think if we look back when you made the decision and you look at what was in your annual reports, you were using premiums for the 67% to the 65 index. Those premiums seem to have disappeared now and when I look at your peers that are currently selling magnetite out of WA, they're basically just getting the 65 index today. Just wondering if you could share your thoughts. Is this like when you got large discounts just a cyclical issue or is this structural in nature to see the premium disappear for the high-grade product against the index? Thanks, because that goes to, I guess the returns.

Elizabeth Gaines: I'll hand to Danny to address that, but I think our view as we saw in 2018 when the spread and prices are at their widest, our view then was that that was cyclical and I think that view has been proven, but Danny, you might want to talk about the current magnetite market?

Danny Goeman: Yes, thanks, Elizabeth and Glyn, thanks for that question. Look, I think it is cyclical and if we go back and look at the premiums for magnetite and concentrate, you can see there is a lot of variability there and the market will continue to grow through cycles obviously. I guess in our case, the magnetite, and Iron Bridge, in particular, one of the

greatest attributes of Iron Bridge is that it creates significant optionality in our portfolio, so there are many ways to look for value-accretive options going forward. So, I don't think we can just look at it in isolation.

Glyn Lawcock (UBS): Okay, that's great. Thanks, Elizabeth.

Operator: Your next question comes from Peter O'Connor with Shaw and Partners. Please go ahead.

Peter O'Connor (Shaw and Partners): Hi, Elizabeth. That was a seriously impressive presentation, thank you very much. Look, I must say I missed the first part because I was on an Independence call but two questions and they're pretty vanilla, but port approval, Greg; you talked at the last call, we had I think September quarterly that you had approvals? You've mentioned more clearly, it's the EIS, it's the environmental side. When do you get the definitive sign-off from the minister for the port uptick to 210?

Greg Lilleyman: We have 210 million tonnes of approval today. There's nothing outstanding from a minister - to be able to ship 210 million. There's the detail and some conditions we have to meet on the way through that in terms of managing the environment and dust. There's the breakdown of haematite versus magnetite within that, but otherwise, there are no further approvals we need.

Port allocations in terms of the shipping channel and allocation on a daily basis of ship movements et cetera are a different matter. There isn't an approval process for that, that is just the port authority working with each of us on managing the throughput and maximising the throughput for the benefit of the state and each customer. But there are no further approvals we need in order to be able to get to 210 million tonnes per annum.

Peter O'Connor (Shaw and Partners): So, the comments the minister made about the port of - must have been talking about the channel more so than the port capacity?

Greg Lilleyman: Yes, that's right. That's exactly right and that's not an approvals process; there are allocations with different class allocations if you like. This 12 months of this calendar year, we will ship very close to 180 million tonnes in a calendar year on the current basis of operations which is ahead of where we had been in terms of our prior approvals of 175. So no, there's nothing more from an approval's perspective, just allocations and how that works on the shipping channel basis.

Peter O'Connor (Shaw and Partners): Okay, Elizabeth, Iron Bridge, the comment made during the presentation was that the budget was tight; is that just a classic Fortescue tight approach or is it tight for other reasons and if so, what are they?

Elizabeth Gaines: Oh, I think it's more the classic Fortescue tight, Peter. As you know, we do set ourselves stretch targets and Iron Bridge is no outlier in terms of having some stretch targets and look, there are some challenges we've encountered this year due to COVID. I think about the engineering and we had - Don mentioned in his presentation, we've had teams of engineers working around the world, most of them are having to work from home. So, there have been some challenges. I think it would be unrealistic to expect that (a) we continue to operate and (b) all projects continue without some implications and we saw that actually on Eliwana with some of the acceleration efforts we had to put in place.

So, it is tight, but the team are working very hard as you would expect to achieve our targets and our budget and importantly, our schedule as well.

Peter O'Connor (Shaw and Partners): Thank you, Elizabeth. Thanks, Greg.

Operator: Your next question comes David Coates with Bell Potter Securities. Please go ahead.

David Coates (Bell Potter Securities): Thank you. Good morning, Elizabeth, and team. Thanks very much for the presentation today. My first question I think is probably to Elizabeth. It's on size of Fortescue Future Industries again and it might be a tough one to answer, but I'm just wondering if you can give us any sense of timing or the pipeline for the projects - other projects you might be considering just so that we can perhaps think about when we might be incorporating those projects into our modelling?

The second question is probably for Danny just in terms of the market outlook. You've got China potentially diversifying its supply base; I'm wondering if Fortescue's looking at - or what opportunities you guys have for diversifying your customer base? Thanks very much.

Elizabeth Gaines: Thanks, David. Look, I think in terms of a sense of timing of Fortescue Future Industries, probably the best indicator is the Bell Bay project in Tasmania where we have indicated we are going to undertake studies and feasibility analysis with an investment decision anticipated in 2021. Now, 2021 starts in a few weeks, so it will be later in 2021. But I think in terms of timing and modelling, we are at the very early stage and I do - it is a bit of kin to exploration, so in the same way we are investing in exploration activities, we will invest some funding in Fortescue Future Industries to undertake work and to build up that portfolio and look at timing and phasing and execution and at that point, when we have greater clarity, we'll be able to provide more information. But the more immediate opportunity is the Tasmanian opportunity.

Danny, did you want to talk about diversification?

Danny Goeman: Yes, thank you, David and I think you asked about the market outlook. Obviously, we continue to expect strong market dynamics. Obviously, supply continues to be constrained as we've outlined in the presentation and on the demand side in China and even outside of China, our customers keep telling us that there is obviously very strong steel demand. So going into the first half of next year, particularly given the level of similars that we've seen in China, we expect the market to be strong probably for the entire year and even non-China, we are now seeing a good recovery in those markets. So, I think overall, we are optimistic about the strength and the endurance of the iron ore market.

With respect to diversification, look, we obviously continue to look for opportunities to diversify. As I mentioned earlier, we are building very good relationships in some of the traditional markets and we are actually capturing some market share there. We'll continue to focus obviously on non-China, but the reality is that the majority of our volumes currently continue to flow into the China market, but diversification remains a focus for us.

David Coates (Bell Potter Securities): Oh, great. Thanks very much. Elizabeth, if I could just ask a quick follow-up on FFI and then considering it's I guess an exploration project or how should we be thinking about in terms of an increased exploration budget or what sort of exploration budget quote-unquote should we be perhaps allocating for FFI?

Elizabeth Gaines: Well, our guidance for exploration activities and that's mineral exploration this year is around \$140 million and that's obviously covering both iron ore exploration in the Pilbara, as well as our activities largely in South America at this point in time, but some of the domestic exploration programs in Australia. So, I think for FFI, we haven't actually got a firm view yet in terms of the allocation of funding. It's non C1 costs. I don't think it will be quite as much is the exploration budget. I think if you had somewhere between \$80 million and \$100 million as a sort of an exploration style activity, that would probably, from a modelling perspective, I think that would probably be appropriate.

David Coates (Bell Potter Securities): Great, thanks very much. Really appreciate that.

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

Lyndon Fagan (J.P. Morgan): Thanks. A couple of follow-ups; firstly, I was pretty impressed with the OPF performance getting 10% more production out over the last five years. I'm just wondering if you're able to share a bit more detail on

sort of what sort of iron upgrade we're getting now. I'm just wondering if the OPFs are actually performing better as far as sort of benefiting a product goes and how that maybe fits into the broader target of getting the 60% FE as a majority overall?

Then the second question was just a follow-up on the comments around China scrap. Just with some of the import rules changing, but the economics not necessarily stacking up to do it, just wondering what feedback you've got from customers or any broader comments on China's scrap consumption economics at the moment? Thanks.

Elizabeth Gaines: Thanks, Lyndon. Greg, do you want to comment on the OPF performance?

Greg Lilleyman: Yes, Lyndon, I wouldn't be factoring any major changes to upgrade numbers through the OPF, other than the fact we've invested of course in our WHIMS plant at Christmas Creek and that's aimed at targeting particular areas of the mine where there was a lot of iron unit associated with some very fine materials that would otherwise have been lost to tailings at Christmas Creek and we're now able to capture that material and that actually lifts both yield and grade through that Christmas Creek plant.

More broadly though, the OPFs at this point are not targeted as part of the uplift to majority of our products greater than 60% FE. That really comes through the development of Eliwana as a first stage, the smarter scheduling within our operations at the existing plants and obviously, the potential for blending out of Iron Bridge as a broader part of that strategy. So it's just been really good - reliability engineering, focused effort by our teams across the sites are driven in part by our central asset management group have really done a great job of improving reliability and throughput through those plans has been a key focus there.

Elizabeth Gaines: Danny, did you want to talk about scrap?

Danny Goeman: Thanks, Elizabeth. Lyndon, on scrap, I think if we look at the broad dynamic, China between 2013 and '17, if you believe the official numbers, has imported anywhere between 3 million to 5 million tonnes of quality scrap. They're now obviously looking at opening up the borders to import more scrap and some of the numbers we've seen in the public domain suggest that that might well rise [per cent] to 15 million tonnes.

Look, the feedback from our customers is that scrap continues to be expensive and if you look at the differential between what's currently available in China for quality scrap versus Turkey or seaborne spot scrap, it's almost \$100 per tonne more expensive. Some of our customers are saying that particularly in the last 20 months, making steel with scrap is now more expensive than making pig iron. So, in some cases, they are paying \$25 to \$30 a tonne or to make steel with scrap versus with pig iron. The historical average has been that this scrap rise is sort of \$15 to \$20 below pig iron.

So, it's clearly still uneconomic and obviously, the view is that as the borders open up, that the differential or the arbitrage opportunity between China scrap and spot scrap will evaporate pretty quickly. Prices will therefore go up for seaborne scrap into China and we'll very quickly see the overall cost of scrap going up again. So, it's hard to see in the magnitude of things. China collect 220 million tonnes of scrap a year, so 10 or 15 million tonnes here or there in our view is not going to have a material impact on how China uses scrap and more importantly, it's certainly not going to change the hot metal dynamics in a big way. That's our view.

Lyndon Fagan (J.P. Morgan): Thanks, very much.

Operator: Your next question comes from Peter O'Connor with Shaw and Partners. Please go ahead.

Peter O'Connor (Shaw and Partners): Thanks, Elizabeth. Just a follow-up, thinking about the November exports of iron ore out of Port Hedland and thinking perhaps more holistically or just specifically about your exports, the numbers were

lower period-on-period - month-on-month, did that reflect your producer view of the world or was that customer order-driven?

Elizabeth Gaines: Oh, look, Greg can comment as well, but that really is just part of our plan. There will be some seasonal maintenance activity, but it's not a view on customers or market, that is actually we delivered in line with our plan for November. We have our planning teams working through integrated operations and marketing network, we continue to deliver to our customers. We don't have an amended schedule as a result of some different view on the world or on the market. Peter, it was well and truly in line with our plan.

Greg Lilleyman: Yes, nothing market-driven in it at all, Peter. Yes, normal cycles of maintenance activities and the likes and nothing else operationally or market-driven in that.

Peter O'Connor (Shaw and Partners): Okay, great. Thanks, very much.

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

Paul Young (Goldman Sachs): Hi, again, Elizabeth. A question on heritage; it's a big day today, Elizabeth because we get the outcomes of the federal enquiry into Juukan Gorge, but that aside, do you have any further thoughts on how the approval process of heritage process might change from a perspective of the timeframes of actually getting approval for a project leading up to the new heritage act or post the heritage act; do you think we will see delays in approvals as a result of Juukan Gorge and the repercussions thereafter?

Second question is actually a little bit leftfield, one on Iron Bridge with Baosteel's 12% ownership; are they committed to this project or do you have the option of actually increasing your ownership in this project? Thank you.

Elizabeth Gaines: Thanks, Paul. Look, just on heritage, obviously, the existing legislation remains in place until there is new legislation. We do support the modernisation of the *Aboriginal Heritage Act* but that now seems as though that won't occur until 2021. But the current process is operating as intended and you've got to remember that the biggest user of Section 18 applications is actually for public infrastructure. So, it's important that this process continues, so we're operating under the existing legislation and expect that those approvals process will occur as anticipated, as they have done in the past.

But I do think obviously, there will be a period of time with the intent is to introduce new legislation. There still needs to be a transition period from the existing legislation to new legislation. We don't know what that looks like yet. We don't know what's going to come out of this report today on the federal enquiry and what recommendations might come from that. So all in all, I think we've got to plan with longer lead times so that we can go through approvals process and make sure that we allow enough time, whether that's through the transition arrangements in the Western Australia legislation, whether it's through an amended federal regime, we don't know yet.

But I think the message that we've all taken away from this is that we need to ensure that we plan and we do our studies and we continue to work with Traditional Custodians, apply the same processes we've historically applied working with our knowledge holders, traditional custodians and have a policy of avoidance which is our prime focus - that is on avoiding sites of significant heritage. But we need to allow for longer lead times. But I think it's a bit early to say what these changes might mean in terms of the process, but for now, the process continues as per the existing legislation.

Paul Young (Goldman Sachs): Yes, thanks, Elizabeth, and your comments on the Baosteel ownership in Iron Bridge, thanks?

Elizabeth Gaines: Ian, did you want to comment on that?

Ian Wells: Yes, so the short answer, Paul, is that Baosteel are absolutely committed to Iron Bridge, so they're an off-taker and have been supportive. And in terms of their contribution into the project, I guess ultimately, that'll be a matter for their capital allocation, but it does allow Fortescue to increase our stake and ultimately, I suppose once we finished the project, raise the debt capital that we've spoken to you about and also, there will be a portion of equity and we'll know then what the wash-up in equity percentages are. But we do have the ability to increase our stake if Baosteel should choose not to allocate capital to the project, but your first question on are they supportive, absolutely.

Paul Young (Goldman Sachs): Yes, so just following up on that, Ian, are they actually committing capital at the moment or have there been no I guess payables or contracts paid yet?

Ian Wells: So where we are in the process is that the equity contributions and so forth haven't - the admin at the back end of this - hasn't been done yet, so it's largely been funded through shareholder loans, so we're not at that stage yet.

Paul Young (Goldman Sachs): Okay, thanks for that, Ian.

Operator: Thank you. I will now hand the conference over to Andy Driscoll, Group Manager, Investor Relations to facilitate the webcast Q&A.

Andy Driscoll: Thank you, Ashleigh, and there's a couple of questions to address. This one from a shareholder: curious on Iron Bridge. Could you provide some further detail regarding the timing and execution of the Iron Bridge project facility and how that will impact cash flows for the business?

Elizabeth Gaines: Thank you, Andy and I might start with that and Ian might want to comment on the capex guidance that we've already provided. So, we're investing - the Iron Bridge project is a \$2.6 billion project. Fortescue's share of that is \$2.1 billion. The project is well advanced as you saw from Don Hyma's presentation and first ore on ship is due in the first half of calendar year 2022, so we're about 18 months away. So we've got the approvals we talked about for our port allocation to increase our throughput to accommodate the Iron Bridge magnetite project and we've given clear guidance in terms of the timeframes for investment, but I might ask Ian just to comment on that.

Ian Wells: So, the main impact of the Iron Bridge financing facility being put in place is obviously, it frees up capital, so using the balance sheet rather than free cash flow. So, therefore, on a standard calculation of free cash flow available for debt, dividends and growth, we are adding back in the extent to which we free up that capital, so it's a positive cash inflow, so that will allow capital to be allocated elsewhere or to support dividends.

Elizabeth Gaines: I would add as well that Iron Bridge is included in our guidance for our capital expenditure this year which is a range of \$3 billion to \$3.4 billion.

Andy Driscoll: Thank you. Second question, the Australian dollar had strengthened since the company provided it's C1 cost guidance, can you walk through the implications of that and make any other observations on current cost trends in the Pilbara?

Elizabeth Gaines: In terms of our C1 cost guidance, we've guided a range of \$13.00 to \$13.50 and we assumed an average exchange rate of AUD:USD0.70 and roughly for every once cent movement plus or minus the AUD:USD0.70 assumed, it's about a \$0.13 C1 cost impact. So, depending on your own view of the Aussie dollar, it's about that \$0.13. In terms of what we are seeing in the Pilbara more broadly, I think during this year with COVID-19, there has been very tight demand for skilled resources. We know that there are some people who would ordinarily reside on the East Coast and because of border restrictions this year, some have relocated to Western Australia, either temporarily or permanently, but there have been others that have elected to remain on the East Coast. So, what that means is there are some key skills where we have actually seen demand and that has had some impact on labour rates, but only in those skilled labour.

So I think more broadly across the Pilbara, it is a busy time in the context of activity, whether that's through our projects or our operations, so we're very mindful of any cost inflation and we work very hard to mitigate that through the increased use of innovation; we've just completed the autonomous haulage at our Chichester operation, so we continue to put in place those innovations that enable us to maintain our low-cost status.

Ian, anything you wanted to add on costs.

Ian Wells: I think just on capital expenditure, around 70% to 80% of our capital expenditure is Aussie dollar-denominated, so that's obviously a function as opposed to a \$0.12 to \$0.13 on the C1, so that's impacting as well. So as Elizabeth said, our average forex assumed for this financial year was 70 cents. Obviously, it hasn't been at 70 cents for the current trading range, but that's the only other point I'd make on capital expenditure.

Andy Driscoll: Just the final question online, given the strength of the iron ore price, is it likely that the Board will consider a special dividend this year?

Elizabeth Gaines: Well, look, I think any declaration of dividends is a matter for the Board. But we've got a clear policy and that's to pay between 50% and 80% of net profit after tax and we've been targeting the upper end of that range and when we talk about the last couple of years, even in our FY20 year, we had - there was the special in terms of timing, but that was included in our overall payout ratio of 78% of net profit after tax. So, I think the focus should be on our statement that we have maintained our policy and importantly, that we are targeting the upper end of our range, but any declaration of dividends is a matter for the Board.

Ian Wells: Elizabeth, perhaps I can just add as well the point made in the presentation of the consistency between net profit after tax and free cash flow and for this year, our depreciation is \$1.4 billion. We are reinvesting back in at a greater level than that, so that's at \$3 billion to \$3.4 billion. So as earnings are going up, cash flow is going up and therefore, dividends as a percentage of free cash flow are also going up. So those things go together, therefore, reducing the requirement for a special dividend because you're paying dividends as a function of free cash flow.

Andy Driscoll: Thank you, Ian and I think we are coming to the end of our allocated time for the investor Q&A, so I'll hand back to Elizabeth for closing remarks, please.

Elizabeth Gaines: Thank you, Andy. Ladies and gentlemen, Fortescue's clear strategic focus on product, operations, marketing, as well as growth and balance sheet management continues to drive strong results and deliver significant benefits for our shareholders. Our growth agenda is well established through investment in Eliwana and Iron Bridge and we are making a significant investment in energy infrastructure which is consistent with our commitment to reduce emissions. And we have our eye on the future pursuing exciting new opportunities in renewable energy and green industries. As we enter this exciting phase of growth in Fortescue's journey, our work will continue to be underpinned by our unique culture and values.

Our teams' commitment to meeting key safety, production and cost targets and their willingness to challenge the status quo to deliver operational excellence will be fundamental to the achievement of our stretch targets and our future success. Thank you for joining us today for Fortescue's 2020 Investor and Media Day.

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