

# APPENDIX 4E

For the year ended  
30 June 2021



This information should be read in conjunction with  
Fortescue's Annual Report, for the year ended 30 June 2021.

## Name of entity

Fortescue Metals Group Ltd

## ABN

57 002 594 872

## Results for announcement to the market

		US\$ million
Revenue from ordinary activities	Up 74% to	22,284
Profit from ordinary activities after tax attributable to members	Up 117% to	10,295
Net profit attributable to members	Up 117% to	10,295

Dividends	Amount per security	Franked amount per security
<b>Financial year ended 30 June 2021:</b>		
Interim – ordinary	A\$1.47	A\$1.47
Final – ordinary	A\$2.11	A\$2.11
<b>Total dividends</b>	<b>A\$3.58</b>	<b>A\$3.58</b>
<b>Previous corresponding period:</b>		
Interim – ordinary	A\$0.76	A\$0.76
Final – ordinary	A\$1.00	A\$1.00
<b>Total dividends</b>	<b>A\$1.76</b>	<b>A\$1.76</b>
<b>Ex-dividend date of final dividend</b>	6 September 2021	
<b>Record date of final dividend</b>	7 September 2021	
<b>Payment date of final dividend</b>	30 September 2021	

## Dividend Reinvestment Plan

The Company operates a Dividend Reinvestment Plan (the Plan) which allows eligible shareholders to elect to invest dividends in ordinary shares which rank equally with the ordinary shares of the Company. The allocation of price for shares under the Plan will be calculated as the average of the daily volume weighted average market price of all Fortescue shares traded on the Australian Securities Exchange during the period of five trading days commencing on 9 September 2021.

The last date for receipt of applications to participate in or to cease or vary participation in the Plan is by 5:00pm (WST) on 8 September 2021. The Directors have determined that no discount shall apply to the allocation price and the Plan will not be underwritten. Shares to be allocated under the Plan will be acquired on market and transferred to participants on 30 September 2021. A broker will be engaged to assist in this process.

A copy of the Plan Rules is available at [www.fmgl.com.au/Investors](http://www.fmgl.com.au/Investors)

## Net tangible asset backing

Net tangible asset backing per ordinary shares: US\$5.76 (previous corresponding period: US\$4.30).

## Previous corresponding period

The previous corresponding period is the 12 months ended 30 June 2020.

## Audit

This report is based on financial statements which have been audited.

## Commentary on results for the period

A commentary on the results for the period is contained within the Annual Report, including the Financial Report that accompany this announcement.



# Annual Report FY21

ABN 57 002 594 872



Thriving communities | Global force

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# Thriving communities Global force

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## Our Values

Safety

Family

Empowerment

Frugality

Stretch targets

Integrity

Enthusiasm

Courage and  
determination

Generating ideas

Humility

Fortescue's unique Values drive our performance in a way that sets us apart from others

## Culture

Fortescue is a values-based business with a strong, differentiated culture.

We believe that by leveraging the unique culture of our greatest asset, our people, we will achieve our stretch targets



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# Year at a glance

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Iron ore shipped

**182.2** mt

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C1 costs

US\$  
**13.93**/wmt

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Cash on hand

US\$  
**6.9** bn

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Net cash

US\$  
**2.7** bn

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Net profit  
after tax

US\$  
**10.3** bn

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Total global  
economic contribution

A\$  
**30.2** bn



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01

# Overview

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# Chairman's message



The first iron ore company to have a fully autonomous haulage fleet. A railway capable of carrying heavier loads faster than any other on Earth. Radical new technologies that will allow us to access and transport high-grade magnetite iron ore more efficiently than any competitor

**Dr Andrew Forrest AO**

## Fortescue has always been a pioneer

The humbling questions I received from our women and men while visiting five Fortescue operations – Cloudbreak, Iron Bridge, Port Hedland, Solomon and Eliwana in August – truly brought this home.

Will we make green, renewable hydrogen in the Pilbara? Will Fortescue own the intellectual property behind the renewable technologies we are developing? How will we eliminate emissions from our trains? What are we doing to reduce “red tape” standing in the way of climate progress?

These were the questions of people who choose change, rather than fearing it – people who understand that to do things better, faster, safer and green, you must constantly test your boundaries. It is the Fortescue way, and it is precisely why, on behalf of the Fortescue Board of Directors, I can report another stellar year, a year in which we continued to break records and deliver results for all of our stakeholders, under the leadership of CEO Elizabeth Gaines.

That success was not only due to record iron ore prices. The team achieved record results in safety and production, record shipments, all while maintaining our industry leading cost position during the year. True to our Values, looking out for our mates and ourselves, holding each other to ambitious stretch targets we continued our records. It is all due to the character of our people, our courage, determination and enthusiasm, our refusal to be complacent and our bravery to step up and set challenging stretch targets.

Against the backdrop of the continued challenge of a global pandemic, our company, and the industry overall, kept operating to massively support the Western Australian and national economies at this unprecedented time in our history.

And as we look forward, our newest operation at Eliwana, and progression of the Iron Bridge Magnetite project will position us strongly for future growth in our world class iron ore business.

Eighteen years ago, I had a vision of creating an iron ore business that would challenge the existing iron ore majors. Yet nothing was guaranteed in our journey from that first discovery at Cloudbreak to now consistently producing over 180 million tonnes of iron ore per year.



Our success – and its stability – reflects what is possible when we set a light on the hill and empower some of the brightest and most motivated people of their generation to find a way to it. Today, our assets and infrastructure rival the best in the world.

It is from this outstanding platform that we are now ready, once again, to set out as pioneers.

This year, we took a confident and bold step towards diversification. Led by CEO Julie Shuttleworth, Fortescue Future Industries (FFI) established a global portfolio of renewable energy opportunities – all with considerable upside for our stakeholders, yet with minimal additional costs.

Through FFI, we are standing up a global green energy and green materials industry, with a pioneering target to achieve carbon neutrality by 2030. We are focusing our efforts on renewable green hydrogen, because any other kind of hydrogen – as a recent study by researchers at Stanford and Cornell University confirmed – is a distraction.

At the helm of FFI is Fortescue's Board of Directors and our Leadership team, who are committed to and energised by this new future and bring a wealth of experience and expertise that will propel our business to new heights.

At its helm is Elizabeth Gaines, driving and optimising our very large resources business while encouraging FFI and leveraging Fortescue's track record of innovation, operational excellence, frugality and safety to also drive FFI. As Fortescue goes green, both Fortescue and FFI have the potential to position Australia as a global clean energy superpower, while at the same time generating a sustainable source of livelihoods that, like renewable green hydrogen, will never be exhausted.

Fortescue's success is also closely tied to our philanthropic efforts. Supported by over A\$2 billion of Fortescue dividends, Minderoo Foundation this year continued to aggressively tackle the greatest threats facing humanity, most notably:

- Exposing for the first time the twenty petrochemical companies and their handful of funders responsible for more than 50 per cent of the world's single-use plastic waste.

- Funding a new ocean conservation project to protect 18 million square kilometres of ocean over the next five years – an area twice the size of the continental United States.
- Launching the Fire and Flood Resilience initiative to make Australia the global leader in disaster resilience by 2025, along with the rollout of more than 250 Minderoo Foundation 'recovery pods,' an innovative temporary housing solution for those who have lost their homes through bushfires or other natural disasters.
- Bringing together Australians from all sides of politics with the community to advocate for our nation's early learning childcare system to be high quality and universally accessible, and;
- Continuing to eradicate the scourge of modern slavery by transforming supply chains, including our own.

Eleanor Roosevelt once wrote, "We cannot any longer take an old approach to world problems. They aren't the same problems. It isn't the same world. We must not adopt the methods of our ancestors; instead, we must emulate that pioneer quality in our ancestors that made them attempt new methods for a New World."

The geography of the global energy trade is being redrawn. Political climates and societies are shifting to net zero, at speed. These changes represent an enormous opportunity – but only to those that can move quickly and confidently. To thrive, Fortescue must, as it has always done, embrace rather than fear change.

There is a new light on the hill, and heavy industry must now lead the way to it. We can do so charged by the spirit, will and yearning of our employees, particularly the younger generations – or, not listening, promptly jarred by legislation and incentives. Those that lag behind will soon find themselves in darkness.

To the entire Fortescue family, I thank you for your hard work and your commitment to this great company. By living by our culture and Values, by continuing to be fearless pioneers and innovators rather than followers and reactionaries, we will forge a new future.

Thank you.



**In January 2021, Fortescue Founder and Chairman Dr Andrew Forrest AO delivered his Boyer Lecture entitled Oil vs Water: Confessions of a Carbon Emitter. This is an excerpt from the lecture**

The Boyer lectures are traditionally lectures – a speaker lecturing Australia about what it should do.

I've chosen a different path. This lecture is about what I'm doing to fight climate change – under the premise that actions speak louder than words. But first – I have a confession to make.

The iron ore company I founded 18 years ago, Fortescue, generates just over two million tonnes of greenhouse gas – every year. Two million tonnes. That's more than the entire emissions of Bhutan.

It's also just 0.004 per cent of the greenhouse gases that enter the atmosphere every year – around 50 billion tonnes. The answer isn't to stop mining iron ore – which is critical to the production of steel and to humanity.

The answer is iron ore and steel – made using zero-emissions energy.

To put it in perspective, if the world's renewable energy resources were a power station, we'd be able to produce not 70, but millions of Giga Watts of energy.

There's enough pollution-free, renewable energy out there to power humanity for the entire Anthropocene. The Anthropocene is the age of humans.

But unlike other geological eras, the markers of our age won't be Tyrannosaurus teeth or asteroid craters, they'll be giant landfills of single-swig, plastic water bottles – fossils the moment they were made.

We have no idea how long the Anthropocene will last. But if we don't stop warming our planet – it will be geological history's shortest era.

The solution is hydrogen. Hydrogen is the most common element in existence. In fact, the universe is 75 per cent hydrogen by mass – so we'll never run out of it. It's also the simplest. To make it, you just run electricity through water.

That's green hydrogen, the purest source of energy in the world – and one that could replace up to three quarters of global emissions, if we improve the technology and had the scale. But right now, we don't use it for energy.

It's just an ingredient used in industrial processes. And we make it from fossil fuels – quaintly calling it grey hydrogen, to hide the fact that it's a pollutant.

Green hydrogen – the good stuff – is virtually ignored by the economic world. We're missing a colossal opportunity.

The green hydrogen market could generate revenues – at the very least – of 12 trillion US dollars by 2050. Bigger than any industry we have.

And Australia, with characteristic luck, is sitting on everything it needs to be the world leader – but only if it acts fast.

The tricky part is transporting it – but we are cracking that. The journey to replace fossil fuels with green energy has been moving at glacial speed for decades but is now violently on the move.

Almost every major business in the world has committed to net zero emissions by 2050, including Australian companies, marching ahead of government.

These are laudable and genuine ambitions. But if we wait until 2050 to act, our planet will be toast.

We're already way behind schedule.

There's only one solution, and we will all have to act with courage.

Zero-emissions energy needs to be available at an industrial, global scale – and at a price that competes with fossil fuels.



When renewable energy becomes less expensive than fossil fuel energy – that’s when we’ll reach the tipping point. That’s when the world will begin the journey in earnest to become zero-carbon.

Steel is fundamental to everything you see around you, from your home, to your car, the roads you drive on.

Now imagine if we could find a way to make steel without coal – zero-carbon steel – in Australia.

Australia is in an absolutely unique position to scale green steel.

We produce over 40 per cent of the world’s iron ore. And our potential green energy and hydrogen resources are immeasurable.

By the end of the decade, Fortescue’s trucks will run on renewable energy. Imagine that: a fleet of vehicles that produces nothing more than steam as exhaust.

We’re also aiming to develop green iron ore trains – that are powered by either renewable electricity or green ammonia.

And if a major player like Fortescue does it, substantially reducing operating costs, then be assured business will follow promptly.

Change takes courage. And that must be encouraged by our society.

We must be prepared to fail in pursuit of improvement – or we as individuals, or as societies, or as a nation – will stagnate.

Often with change comes fear – and I’m used to fear. I feel it as much as anyone else. My job is to persevere through it. Eighteen years ago, I was just a young upstart trying to set up Fortescue.

Everyone told me I was crazy to take on BHP and Rio Tinto. They had a stranglehold on the Pilbara.

Almost everyone I met in the industry said it was impossible.

But we did it.

How? It wasn’t down to luck or unexpected breakthroughs. There was no one hero, there was no single great technology.

Rather, it was thousands of people and thousands of improvements that made our operations safer and more efficient day by day, year by year. At Fortescue, we call this the flywheel.

We nudge the wheel, make sure our systems work, reduce costs, free up capital and create demand.

Then we encourage that momentum and reduce costs further, creating an even larger, more reliable supply, that again creates more demand. The flywheel begins to spin, on its own, faster and faster.

Now, we’re building – at global scale – the flywheel of green energy. But let’s not underestimate the challenge.

There are two possible futures ahead of us. Stop flying, driving, slash your standard of living – but you’re still killing the planet.

Or... the alternative, beyond symbolic gestures and sacrifice, that demands far more courage – change. One where quality of life increases, and we reduce carbon emissions.

One where we de-couple our economy – for the first time – from damage to our planet, damage that threatens our, and the Anthropocene’s, very existence.

I choose change. I choose hydrogen. What do you choose?

# Chief Executive Officer's message



Fortescue's core iron ore business continues to drive strong results and deliver benefits for all our stakeholders. With our eye on the future, we are committed to our goal of achieving carbon neutrality by 2030 and are pursuing exciting new opportunities in renewable energy and green industries, creating the next new major export market opportunity for Australia

**Elizabeth Gaines**

It has been a year of extraordinary achievements for the entire Fortescue family.

Guided by our unique culture and Values, our team members have looked out for each other and acted with courage and determination as we manage the impact of COVID-19.

Together with our industry peers, Fortescue has been in a privileged position to continue operating through the pandemic, maintaining jobs and contributing to economic activity at a time of critical national need.

The health and safety of our team members, their families and our local communities is our highest priority during this period and our robust COVID-19 management protocols remain in place to ensure COVID-19 does not impact our operations.

## Record performance in FY21

In FY21, the Fortescue team delivered a second consecutive year of record performance.

Importantly, our unwavering focus on safety has seen the achievement of our lowest ever Total Recordable Frequency Rate of 2.0 – a 17 per cent improvement from 30 June 2020.

A strong performance by our team members across the entire supply chain contributed to Fortescue's highest ever annual shipments of 182.2 million tonnes in FY21, exceeding our guidance for the year.

Reflecting our strong focus on cost management and ongoing investments in innovation and technology, we have maintained our industry leading cost position with our C1 cost of US\$13.93/wmt.

During the year, we celebrated a number of significant operational milestones, including the delivery of our newest mining operation at Eliwana, the shipment of our 1.5 billionth tonne in April, as well as the completion of our Chichester Hub autonomous haulage project.

Today, our autonomous fleet represents one of the largest in the world, with over 190 trucks in operation across our Pilbara mine sites.

## Customers and market

Fortescue's integrated operations and marketing strategy continues to deliver significant benefits for the business, allowing us to adapt and respond to market conditions quickly.

Recovery in Chinese crude steel production from COVID-19 impacted levels in early 2020 combined with

ongoing constraints in iron ore supply from traditional producers resulted in strong market conditions, reflected in a 72 per cent increase in Fortescue's revenue per tonne to US\$135/dmt.

As a low cost supplier of seaborne iron ore to China, we engage regularly with our customers and key stakeholders in China. We are proud to be a long-term sponsor of the prestigious Boao Forum for Asia, elevating our commitment as a Strategic Partner for the 20th anniversary of the conference in 2021.

## Balance sheet strength

The strength of our operational performance combined with record average revenue has resulted in strong cashflow generation for the year, contributing to a record net profit after tax of US\$10.3 billion.

Cash on hand increased to US\$6.9 billion at 30 June 2021, and we ended the financial year with net cash of US\$2.7 billion. Total capital expenditure for FY21 was US\$3.6 billion including US\$2.1 billion invested in our major growth projects of Eliwana, Iron Bridge and Pilbara Energy Connect.

## Investing in the future

During the year, the Fortescue team successfully delivered our newest mining operation at Eliwana, with first ore through the ore processing facility in December 2020.

The operations at Eliwana have successfully ramped up with the operations team achieving the annualised rate of production through the ore processing facility of 30 million tonnes per annum within six months. Reflecting the low capital intensity of the project and the current strength of the market, we are expecting to achieve a short payback on our investment in Eliwana.

Our investment in the Iron Bridge Magnetite Project represents one of the few large-scale iron ore growth projects under construction globally.

In May this year, we completed the technical and commercial assessment of the project with a revised capital estimate of US\$3.3 – US\$3.5 billion. The project will deliver 22mtpa of high grade 67% Fe magnetite concentrate, with first production scheduled in December 2022.

Building on our world class exploration capability, we remain focused on driving growth in our iron ore business with exploration activities continuing across our tenement portfolio in the Pilbara.

## Delivering returns to shareholders

Reflecting the team's outstanding performance in FY21 and our strong commitment to deliver shareholder returns, Fortescue's Board was pleased to declare our largest ever final dividend of A\$2.11 which, together with the interim dividend of A\$1.47 per share, represents total dividends for FY21 of A\$3.58 per share and a payout of 80 per cent of net profit after tax.

The ability to continue delivering increased returns to our shareholders is underpinned by the successful execution of our integrated operations and marketing strategy, disciplined capital allocation, sustained focus on productivity and efficiency, as well as the strength of the iron ore market.

## Empowering thriving communities

From the outset, it was Fortescue's vision to ensure that the communities in which we operate benefit from our growth and development.

We have continued our focus on delivering training, employment and business development opportunities to Aboriginal communities. In 2021, we were pleased to celebrate the 10th anniversary of our Billion Opportunities program which has now awarded over A\$3 billion in contracts to Aboriginal businesses and joint ventures.

Ensuring we have a workforce that is reflective of our broader society is a key priority, and we remain strongly committed to increasing female and Aboriginal employment across the business. In FY21, our female employment rate increased to 21 per cent and we remain one of the largest employers of Aboriginal people in Australia with 14 per cent employed across our Pilbara operations.

## Carbon neutral by 2030

There can be no doubt that climate change is the single largest issue facing our generation.

Fortescue has signalled our intention to be a global leader in the battle against global warming, and in March 2021 we announced our bold, industry-leading target to achieve carbon neutrality by 2030.

We have set clear short-term priorities on our pathway to decarbonisation across key initiatives including green fleet development and investment in renewable energy.

Critical to our decarbonisation strategy is our 100 per cent renewable green energy and industry company, Fortescue Future Industries, which is establishing a global portfolio of renewable green hydrogen and green ammonia operations to position us at the forefront of the global renewable hydrogen industry.

## Driving our future success

As we enter an exciting new phase of growth in Fortescue's journey, our work will continue to be underpinned by our unique culture and Values.

The Fortescue family's 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.

On behalf of the Board and Fortescue's Leadership team, I would like to thank the entire Fortescue family, including our contractors and suppliers, for their contributions this year.

# Fortescue Future Industries delivers on ambitious stretch targets



At Fortescue, we are leading the heavy industry battle against global warming, transitioning from being a major fossil fuel importer to a significant green and renewable energy and product exporter

**Fortescue Future Industries (FFI) will be a key enabler of our target to achieve carbon neutrality by 2030, investing in decarbonisation technologies to remove the use of diesel across our Pilbara operations.**

This year, FFI achieved significant progress on a number of heavy industry decarbonisation initiatives including:

- Successful combustion of ammonia in a locomotive.
- Testing of battery cells for use on Fortescue haul trucks, as well as the design and construction of a hydrogen-powered haul truck.
- Finalisation of design work for the next-generation ore carrier that will consume renewable green ammonia.
- Completion of design and construction of a hydrogen-powered drill rig.
- Successful production of high-purity green iron from Fortescue's ores at low temperature.

A disciplined approach is required to achieve our 2030 target and by taking a forward-looking strategic position, we are ensuring that our capital investments in decarbonisation are aligned with strategic decisions such as fleet renewal.

Using our large industrial platform of operating mine sites in the Pilbara, we are leading by example to decrease emissions and demonstrate technologies in completely renewable green hydrogen, green ammonia and green electricity.

Fortescue has a talented and diverse Board committed to enhancing and protecting the interests of shareholders and other stakeholders and fulfilling a strong governance role

# Our Board



**Dr Andrew Forrest AO**  
Chairman



**Mark Barnaba AM**  
Lead Independent Director/  
Deputy Chair



**Elizabeth Gaines**  
Chief Executive Officer/  
Managing Director



**Lord Sebastian Coe CH,  
KBE**  
Non-Executive Director



**Jennifer Morris OAM**  
Non-Executive Director



**Dr Jean Baderschneider**  
Non-Executive Director



**Penny Bingham-Hall**  
Non-Executive Director



**Dr Cao Zhiqiang**  
Non-Executive Director



**Dr Ya-Qin Zhang**  
Non-Executive Director



## The appointment and reappointment of directors is intended to maintain and enhance the overall quality of the Board through a composition which reflects a diversity of skills, ethnicity, experience, gender and age

The primary driver for the Board in seeking new directors is skills and experience which are relevant to the needs of the Board in discharging its responsibilities to shareholders. All new Board members benefit from a comprehensive induction process that supports their understanding of Fortescue's business.

Fortescue's policy is to assess all potential Board candidates without regard to race, gender, age, physical ability, sexuality, nationality, religious beliefs, or any other factor not relevant to their competence and performance.

There is also a range of support given to Board members which enables them to stay strongly connected to Fortescue, its culture and Values.

These include:

- Opportunities for significant contribution to the annual strategy setting process conducted with executive and senior management.
- Regular briefings from executive and senior management regarding all major business areas, tailored site visits and annual site tours to operations, subject to COVID-19 travel restrictions.

- Visits to meet with key customers that strengthen their understanding of the Company's key markets.
- Regular formal and informal opportunities for the directors to meet with management and staff.

The Board has established Committees to assist in the execution of its duties and to ensure that important and complex issues are given appropriate consideration. The primary Committees of the Board are the Remuneration and People Committee, the Audit, Risk Management and Sustainability Committee (ARMSC), the Nomination Committee and the Finance Committee.

Each Committee has a non-executive Chair and operates under its own Charter which has been approved by the Board.

Directors are expected to act independently and ethically and comply with all relevant requirements of the *Corporations Act 2001*, ASX Listing Rules and the Company's Constitution.

The Company actively promotes ethical and responsible decision making through its Values and Code of Conduct and Integrity that embodies these Values.

The Board and each of its Committees have established a process to evaluate their performance annually. The process is based on a formal questionnaire covering a range of performance topics. The process is managed by the Company Secretary under the direction of the Lead Independent Director. The most recent review was undertaken in June 2021.

The results and recommendations from the evaluation of the Board and Committees are reported to the full Board for further consideration and action, where required.

At the date of this report, the Board has eight non-executive directors and one executive director, being the Chief Executive Officer, Elizabeth Gaines. The Board believes that an appropriate mix of non-executive and executive directors is beneficial to its role and provides strong operational and financial insights to support the business.

## Dr Andrew Forrest AO

### Chairman

*Chairman and Founder of Fortescue Metals Group, Fortescue Future Industries, Munderoo Foundation, and Tattarang.*

As Founder and Chairman, Dr Andrew Forrest has led Fortescue from inception to a US\$60 billion listed natural resources company that's invested over US\$30 billion developing some of the world's most efficient infrastructure. Fortescue is Australia's highest growth company over the last two decades, and has devoted its future to leading the decarbonisation of the world's heavy industry. In 2021, Fortescue announced its commitment to become zero-emissions by 2030, and created FFI, a developer, financier and operator of a global portfolio of renewable energy resources to produce green energy at a scale equal to the oil and gas super-majors.

In 2001, Dr Forrest co-founded Munderoo Foundation with his wife Nicola and to date they've donated more than US\$1.6 billion supporting 300+ initiatives addressing modern slavery, ocean health, cancer, Indigenous disparity, childhood development, artificial intelligence, disaster resilience and plastic waste.

Dr Forrest has a PhD in Marine Ecology from the University of Western Australia, and serves as an IUCN Patron of Nature, a World Economic Forum Friend of Ocean Action, and a member of the United Nations Environment Programme's Scientific Advisory Committee on the Assessment on Marine Litter and Microplastics.

Dr Forrest is Co-Chair of the Australia-China Senior Business Leaders' Forum, Global Patron of the Centre for Humanitarian Dialogue, and served as a Councillor of the Global Citizen Commission charged by the United Nations in 2016 to modernise the 1948 Universal Declaration of Human Rights.

In 2017, Dr Forrest was appointed an Officer of the Order of Australia (AO) for distinguished service to philanthropy, mining, employment and sustainable foreign investment.

### Committee memberships:

Finance Committee (Chair) and Nomination Committee (Member)

## Mark Barnaba AM CitWA

### Lead Independent Director/ Deputy Chairman

*Deputy Chair since November 2017; Lead Independent Director since November 2014; Non-Executive Director since February 2010.*

Mr Barnaba is a career investment banker, having focused predominantly in the natural resources sector.

Mr Barnaba spent most of his career with companies he founded, led and then sold – GEM Consulting and Azure Capital (both independent corporate advisory firms which provide financial, corporate and strategic advice to companies, governments and institutions in the Asia-Pacific region), McKinsey & Company (both in Australia and overseas) and in several senior executive roles at Macquarie Group (one being the Chairman and Global Head of the Natural Resources Group). He has previously chaired the Black Swan State Theatre Company of Western Australia, the West Coast Eagles (an Australian Rules Football League team) and several large publicly listed (ASX) companies in the mining and infrastructure sectors.

Mr Barnaba is also a member of the Board (and Chairman of the Audit Committee) of the Reserve Bank of Australia and was the inaugural Chairman of the University of Western Australia Business School Board from 2002 to 2020. He now holds the title of (inaugural) Emeritus Board Member, also serving as an Adjunct Professor in Finance.

Mr Barnaba also chairs GLX (a specialist technology company that develops software-based marketplace solutions for commodity markets) and the Hospital Benefit Fund (HBF) Investment Committee, is a member of the Senior Advisory Board of Appian Capital (a London-based pure-play mining private equity fund), is a member of the Board of the Centre for Independent Studies and is a senior fellow at EY (Oceania).

Mr Barnaba holds a Bachelor of Commerce (First Class Honours and University Medal) from the University of Western Australia, an MBA from Harvard Business School

(High Distinction; Baker Scholar) and an Honorary Doctorate of Commerce from the University of Western Australia. He has lived in Australia, the United States, Italy, the United Kingdom and South Africa.

### Committee memberships:

Audit, Risk Management and Sustainability Committee (Chair), Nomination Committee (Member), Remuneration and People Committee (Member), Finance Committee (Member)

## Elizabeth Gaines

### Chief Executive Officer/ Managing Director

*Chief Executive Officer/Managing Director since February 2018 and Executive Director since February 2017; Former Non-Executive Director from February 2013 to February 2017.*

A highly experienced business leader with extensive international experience as a Chief Executive Officer and group executive, Ms Gaines has a proven track record in financial and operational leadership.

After joining Fortescue as a Non-Executive Director in February 2013, Ms Gaines was appointed Chief Financial Officer and Executive Director in February 2017. She is a former Chief Executive Officer of Helloworld Limited and Heytesbury Pty Limited and has also held the position of Chief Financial Officer at Stella Group and Entertainment Rights plc.

Ms Gaines was ranked second in the 2019 Fortune Magazine's Businessperson of the Year, and in 2020 the Chamber of Minerals and Energy of Western Australia awarded her the 'Women in Resources Champion' at the annual Women in Resources Awards.

She has significant exposure to the impact of the growth in Asian economies, particularly China, on the Australian business environment and economy as well as a deep understanding of all aspects of financial and commercial management at a senior executive level in both listed and private companies.

Ms Gaines holds a Bachelor of Commerce and Master of Applied Finance and, in 2019, was awarded an Honorary Doctorate of Commerce by Curtin University. She is a Fellow of Chartered Accountants Australia and New Zealand, and a member of the Australian Institute of Company Directors and Chief Executive Women.

## Lord Sebastian Coe CH, KBE

### Non-Executive Director

*Non-Executive Director since February 2018.*

Lord Coe is currently a senior advisor with Morgan Stanley & Co International plc and a Non-Executive Director of the Vitality Group of health and life insurance companies. In 2017, he became Chancellor of Loughborough University having previously served as Pro Chancellor of the University.

Based in the United Kingdom, Lord Coe is the Non-Executive Chairman of CSM Sport and Entertainment, within the Chime Communications group. He was elected President of the International Association of Athletics Federations (IAAF) in 2015 (now World Athletics) where he is driving significant governance reforms through the organisation and its 214 Member Federations around the world. He is currently serving his second term as President. He was elected as a member of the International Olympic Committee in 2020, and became a director of the British Olympic Association at that time, having previously served as Chairman of the British Olympic Association from 2012 to 2016.

Lord Coe was Chairman of the Organising Committee for the London 2012 Olympic Games and Paralympic Games. He was a member of the British athletics team at the 1980 and 1984 Olympic Games where he won two gold and two silver medals, as well as breaking twelve world records.

In 1992, Lord Coe became a Member of Parliament and during his political career served as a Government Whip and then Private Secretary to William Hague, Leader of the Opposition and Leader of the Conservative Party. He was appointed to the House of Lords in 2000.

#### **Committee memberships:**

Nomination Committee (Chair)

## Jennifer Morris OAM

### Non-Executive Director

*Non-Executive Director since November 2016.*

Ms Morris is an accomplished corporate executive and non-executive director, with key experience in advising corporations and government entities on strategy development, governance controls, complex large-scale business transformation, human capital-related work, the embedding of environment, social and governance-related policies and the understanding of high-performance environments learned during her varied career, including elite sport.

Ms Morris is a Non-Executive Director of Sandfire Resources and is also a member of the Risk Committee and People and Performance Committees. Ms Morris is also a Director on the Australian Sports Commission.

Previously, Ms Morris was CEO of Walk Free, a global human rights organisation, and a senior executive of Andrew and Nicola Forrest's Minderoo Foundation. She is a former Partner of global professional services firm Deloitte and also served as Chair of Healthway and a Director of AFL club, the Fremantle Dockers. Ms Morris is also a former member of the Australian Women's Hockey Team, in which she won Olympic gold medals at the Atlanta 1996 and Sydney 2000 Olympic Games. In 1997, she was awarded a Medal of the Order of Australia (OAM).

Ms Morris is a member of the Australian Institute of Company Directors, a Fellow of Leadership WA and a member of the Vice Chancellor's List, Curtin University. She holds a Bachelor of Arts (Psychology and Journalism) received with Distinction and has completed Finance for Executives at INSEAD.

#### **Committee memberships:**

Remuneration and People Committee (Chair), Audit, Risk Management and Sustainability Committee (Member)

## Dr Jean Baderschneider

### Non-Executive Director

*Non-Executive Director since January 2015.*

A highly regarded leader in both business and civil society, Dr Baderschneider brings 35 years of extensive international experience in procurement, strategic sourcing and supply chain management along with a deep understanding of high-risk operations and locations and complex partnerships.

Dr Baderschneider retired from ExxonMobil in 2013 where she was Vice-President of Global Procurement. During her 30-year career, she was responsible for operations all over the world, including Africa, South America the Middle East and Asia.

A past member of the Board of Directors of the Institute for Supply Management and the Executive Board of the National Minority Supplier Development Council, Dr Baderschneider also served on the boards of The Center of Advanced Purchasing Studies and the Procurement Council of both The Conference Board and the Corporate Executive Board.

She was a Presidential appointee to the US Department of Commerce's National Advisory Council on Minority Business Enterprises and is a past recipient of Cornell's Jerome Alpern Award and Nomi Network's Corporate Social Responsibility Award. She holds a Master's degree from the University of Michigan and a PhD from Cornell University.

#### **Committee memberships:**

Audit, Risk Management and Sustainability Committee (Member)

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## Penny Bingham-Hall

### Non-Executive Director

*Non-Executive Director since November 2016.*

Ms Bingham-Hall has over 30 years' experience in senior executive and non-executive roles in large ASX listed companies and is currently a Non-Executive Director of BlueScope Steel Limited, Dexus Property Group and Vocus Group. Ms Bingham-Hall is also Chair of Taronga Conservation Society Australia and the NSW Ministerial Freight and Logistics Advisory Council and is a Board member of Supply Nation and the Crescent Foundation.

Ms Bingham-Hall has worked in the construction, infrastructure, mining and property industries across Australia and the Asian region. She has a particular interest in environmental sustainability, workplace safety and Indigenous employment. Prior to becoming a company director, Ms Bingham-Hall was Executive General Manager, Strategy at Leighton Holdings (now CIMIC) – Australia's largest construction, mining services and property group. As part of the leadership team at Leighton, she had responsibilities across the group's Australian and Asian operations.

Ms Bingham-Hall has a Bachelor of Arts degree in Industrial Design, is a Fellow of the Australian Institute of Company Directors, a Senior Fellow of the Financial Services Institute of Australasia and a member of Chief Executive Women and Corporate Women Directors.

#### **Committee memberships:**

Audit, Risk Management and Sustainability Committee (Member), Remuneration and People Committee (Member), Finance Committee (Member)

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## Dr Cao Zhiqiang

### Non-Executive Director

*Non-Executive Director since January 2018 (nominated director from Hunan Valin Iron and Steel Group Company Ltd).*

Dr Cao is currently the Chairman of Hunan Valin Iron and Steel Group Company Ltd and brings extensive experience in technology and steel mill management, along with a deep background in international cooperation.

Dr Cao joined Valin Xiangtan Steel in 1997 and has worked in a variety of roles, including Director of the Research and Development Centre, before being appointed Chief Executive Officer.

He holds a PhD in Science and is a senior engineer research fellow.

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## Dr Ya-Qin Zhang

### Non-Executive Director

*Non-Executive Director since August 2019.*

Dr Ya-Qin Zhang is a renowned scientist, technologist and business executive. He is the founder and Chairman of Blue Entropy LLC, a Seattle-based technology consulting firm. He joined Tsinghua University as the Chair Professor of AI Science in 2020, starting the Tsinghua Institute for AI Industry Research (AIR). Dr Zhang was President of Baidu Inc. (NASDAQ: BIDU) from September 2014 to October 2019, a leading Chinese multinational technology company specialising in Internet related services, mobility, artificial intelligence and cloud computing. Prior to joining Baidu, he was a key executive of Microsoft Corporation for 16 years, including Corporate Vice President for Mobile and Embedded Products, Managing Director of Microsoft Research Asia and Chairman of Microsoft China.

Dr Zhang has made significant contributions to digital media, AI, autonomous driving and cloud computing industries, with over 60 granted US patents, 500 peer-reviewed publications, and numerous contributions to international standards. Dr Zhang was inducted into the American Academy of Arts and Sciences (AAAS) in 2019 and the Australian Academy of Technology and Engineering (ATSE) as the only foreign fellow in 2017, and became a Fellow of the Institute of Electrical and Electronics Engineers (IEEE) in 1997 at the age of 31, making him the youngest scientist winning this honour in the 100+ year history of the organisation.

Dr Zhang has served on the Board of Directors of WPP (NASDAQ: WPPGY), Chinasoft International Ltd (HKEX: 354) and AsiaInfo Technologies Ltd (HKEX: 1675). He serves on the Board of Stewardship for the Future of Mobility of the Davos World Economic Forum and Chairman of the Apollo Alliance, the largest open platform for autonomous driving in the world. Dr Zhang received his Bachelor's and Master's degree in Electrical Engineering from the University of Science and Technology of China, and a PhD in Electrical Engineering from George Washington University.

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## Cameron Wilson

### Company Secretary

Mr Wilson was appointed Company Secretary in February 2018, bringing over 20 years' mining industry experience across the gold, nickel, coal and mineral sands sectors. Mr Wilson holds a Bachelor of Laws from the University of Western Australia and is a Graduate of the Australian Institute of Company Directors.

# Executive team

Fortescue's Executive team is accountable for the safety of our people, upholding the Values and acting with integrity and honesty



**Elizabeth Gaines**  
Chief Executive Officer



**Ian Wells**  
Chief Financial Officer



**Julie Shuttleworth AM**  
Chief Executive Officer,  
FFI



**Danny Goeman**  
Director Sales and Marketing



**Peter Huston**  
Director Corporate  
Development, Legal and  
Strategy



**Derek Brown**  
Director Projects



**Tim Langmead**  
Director Community,  
Environment and Government



**Linda O'Farrell**  
Director Fortescue People



**Fernando Pereira**  
Director Operations



**Alison Terry**  
Director Sustainability and  
Corporate Affairs and Joint  
Company Secretary



**Rob Watson**  
Director Health and Safety

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## Elizabeth Gaines

### Chief Executive Officer

A highly experienced business leader with extensive international experience as a Chief Executive Officer and group executive, Ms Gaines has a proven track record in financial and operational leadership.

After joining Fortescue as a Non-Executive Director in February 2013, Ms Gaines was appointed Chief Financial Officer and Executive Director in February 2017. She is a former Chief Executive Officer of Helloworld Limited and Heytesbury Pty Limited and has also held the position of Chief Financial Officer at Stella Group and Entertainment Rights plc.

Ms Gaines was ranked second in the 2019 Fortune Magazine's Businessperson of the Year, and in 2020 the Chamber of Minerals and Energy of Western Australia awarded her the 'Women in Resources Champion' at the annual Women in Resources Awards.

She has significant exposure to the impact of the growth in Asian economies, particularly China, on the Australian business environment and economy as well as a deep understanding of all aspects of financial and commercial management at a senior executive level in both listed and private companies.

Ms Gaines holds a Bachelor of Commerce and Master of Applied Finance and, in 2019, was awarded an Honorary Doctorate of Commerce by Curtin University. She is a Fellow of Chartered Accountants Australia and New Zealand, and a member of the Australian Institute of Company Directors and Chief Executive Women.

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## Ian Wells

### Chief Financial Officer

Mr Wells commenced as Chief Financial Officer in February 2018 having responsibility for the Fortescue Group capital management strategy, core finance functions including reporting, tax and treasury, together with Group

procurement and logistics, and technology and autonomy. Mr Wells is a Director of a number of Fortescue's subsidiaries and is a member and alternate chair of the Iron Bridge Joint Venture Committee.

Since joining Fortescue in 2010, he has held multiple senior executive roles in the Group Finance Leadership team, including Group Manager Corporate Finance, leading Fortescue's capital management strategy, Group Manager Planning and Analysis and he also held the position of Company Secretary.

Mr Wells' prior experience includes financing Fortescue's major iron ore project development, leading multi-billion dollar capital raising and refinancing transactions in domestic and international capital markets.

With more than 25 years' experience as a senior executive in leading ASX listed and private companies in the mining, energy infrastructure and healthcare industries, Mr Wells' previous positions include Chief Financial Officer of Singapore Power subsidiary Jemena Limited and Acting Chief Financial Officer of Alinta Limited.

Mr Wells holds a Bachelor of Business in Accounting, is a Fellow of CPA Australia, a Certified Finance and Treasury Professional and a Graduate of the Australian Institute of Company Directors. Mr Wells is Chairman of The Salvation Army's WA Corporate and Philanthropic Council.

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## Julie Shuttleworth AM

### Chief Executive Officer, FFI

Ms Shuttleworth commenced as Deputy Chief Executive Officer in February 2018 and was appointed CEO Fortescue Future Industries in August 2020.

Having joined Fortescue in 2013, Ms Shuttleworth has held General Manager roles at both Fortescue's Cloudbreak and Solomon mines.

Ms Shuttleworth holds a double major in Extractive Metallurgy and Chemistry from Murdoch University and has 27 years' experience in the mining and resources industry in

Australia, China, Tanzania and South America, including 19 years in gold/copper working for Newcrest Mining, Sino Mining and Barrick Gold prior to joining Fortescue.

Ms Shuttleworth is a Fellow and Chartered Professional of the Australian Institute of Mining and Metallurgy (AusIMM), a Graduate Member of the Australian Institute of Company Directors (AICD), a Member of Chief Executive Women (CEW), a Member of the Institution of Engineers Australia (IEAust) and on the International Committee of the Society for Mining, Metallurgy and Exploration (SME). She has attended Harvard Business School and INSEAD Business School, holds diplomas in Financial Markets and Management, and sponsors the Julie Shuttleworth Prize in Mineral Processing at Murdoch University.

Ms Shuttleworth was awarded 2011 Australian Mine Manager of the Year and 2012 West Australian Businesswoman of the Year. She is listed in the 2013 WIM(UK) 100 Global Inspirational Women in Mining, and is one of the 2014 Australian Women of Influence. In 2021, Ms Shuttleworth was awarded a Member of the Order of Australia for her significant service to the minerals and mining sector.

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## Danny Goeman

### Director Sales and Marketing

Mr Goeman was appointed Director Sales and Marketing in August 2018. Mr Goeman has more than 25 years of experience in management, sales and marketing, strategy development and high level commercial negotiations, including more than 20 years with the Rio Tinto group of companies.

Mr Goeman has a wealth of experience in leading commercial transactions in different geographies, including Australia, Asia, Europe and Africa, and has experience in a range of commodities including diamonds, iron ore, coal and potash. Mr Goeman has a Master's degree in Business Administration.

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## Peter Huston

### Director Corporate Development, Legal and Strategy

Mr Huston joined Fortescue in 2005 and has over 20 years' experience in legal and corporate advisory roles. Prior to joining Fortescue, Mr Huston spent 12 years as a Partner of the law firm now known as Norton Rose Fulbright. He then spent over a decade in Activist Private Equity as an Executive Director at Troika Securities Limited.

Mr Huston is admitted as a Solicitor and Barrister of the Supreme Court of Western Australia, the Federal and High Court of Australia and has a Bachelor of Jurisprudence, Bachelor of Laws (with Honours), Bachelor of Commerce and a Master of Laws.

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## Derek Brown

### Director Projects

Mr Brown was appointed as Director Projects in February 2021, responsible for managing Fortescue's major project portfolio including the Iron Bridge Magnetite Project and Pilbara Energy Connect, a US\$700m program of works that includes transmission and a hybrid solar and gas generation solution.

Mr Brown joined Fortescue in mid-2017 leading the asset management and reliability team, before moving to the role of General Manager at Fortescue's Cloudbreak site. In 2020, he became the General Manager of Solomon, successfully leading organisational culture, operational effectiveness, business improvement and infrastructure management for the Solomon Hub.

Mr Brown brings more than 35 years of mining sector experience across senior operational roles in South Africa, Canada and Australia. He has extensive experience in general management, operations, project delivery and mechanical engineering.

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## Tim Langmead

### Director Community, Environment and Government

Mr Langmead joined Fortescue as Group Manager Corporate Affairs in January 2013 and from January 2014 served as Director External Relations before being appointed to his current role in 2018.

Holding a Graduate Diploma in Energy Law, Mr Langmead commenced his career as a journalist and has held senior roles in federal political offices and in the resources sector. Mr Langmead is a Councillor of the Association of Mining and Exploration Companies.

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## Linda O'Farrell

### Director Fortescue People

Ms O'Farrell joined Fortescue in October 2013 as Group Manager Fortescue People, joining the Executive team in December 2014. Having held a number of executive human resources roles in major Australian resource companies, Ms O'Farrell brings deep experience in strategic people management, diversity and Aboriginal employment.

Ms O'Farrell holds a Bachelor of Economics (Honours in Industrial Relations) from the University of Western Australia. She is a Director at the Australian Institute of Management Western Australia, the Australian Resources and Energy Group (AMMA) and Lifeline Australia.

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## Fernando Pereira

### Director Operations

Mr Pereira was appointed Director Operations in June 2019, having started his career at Fortescue in 2010 and has previously led the Company's Port and Rail Operations and Asset Management teams.

Mr Pereira has more than 20 years' experience in the mining industry, spanning various commodities

and operations in Australia and South America. He has expertise in senior management, mining and mineral engineering, supply chain optimisation and overseeing mechanical, structural and expansion projects. Mr Pereira holds a Bachelor in Mining and Mineral Processing Engineering and Specialisation in Business Management.

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## Alison Terry

### Director Sustainability and Corporate Affairs and Joint Company Secretary

Ms Terry joined Fortescue in 2014 as Group Manager Corporate Affairs and serves as Joint Company Secretary, having been appointed to the role in February 2017. With significant experience in corporate affairs, legal, company secretarial and general management, Ms Terry has previously held senior executive and Board roles across a number of sectors including automotive, telecommunications and superannuation.

Ms Terry holds a Bachelor of Economics and Bachelor of Laws (Honours) and a Graduate Diploma of Business (Accounting). She is a member of Chief Executive Women, a Graduate of the Australian Institute of Company Directors and a Director of the Black Swan State Theatre Company of Western Australia.

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## Rob Watson

### Director Health and Safety

Mr Watson was appointed Director Health and Safety in July 2020 after joining Fortescue in 2011. Prior to this, Mr Watson spent 15 years in a number of senior corporate health and safety roles in large mining companies. Mr Watson's career in health and safety spans over 30 years in a number of industries and commodities. Mr Watson holds a Master's degree in Occupational Health and Safety.



# About Fortescue

Established in 2003, Fortescue Metals Group Ltd (Fortescue) is a proud West Australian company, recognised for our culture, innovation and industry-leading development of infrastructure and mining assets

Underpinned by operational excellence and balance sheet strength, we are focused on our strategic goals of building thriving communities, optimising returns from our operations through disciplined capital management and diversifying to commodities that support decarbonisation.

Together with FFI, our 100 per cent renewable green energy and industry company, we are establishing a global portfolio of green hydrogen and green product operations that will position us at the forefront of the global renewable hydrogen industry.

Our iron ore business comprises integrated mining, rail, shipping and marketing teams working together to export over 180 million tonnes of iron ore annually. Our commitment to technology and innovation ensures we remain one of the world's lowest cost iron ore producers and continues to guide our pursuit of green energy opportunities.

Our operations include three mining hubs in the Pilbara, Western Australia, which are connected to the five berth Herb Elliott Port and the Judith Street Harbour towage infrastructure in Port Hedland via 760 kilometres of the fastest heavy haul railway in the world.

Our supply chain extends to our innovative tug fleet and the eight purpose-built 260,000 tonne capacity Fortescue Ore Carriers, which have been designed to complement the efficiency of our port and maximise the safety and productivity of Fortescue's operations.

The Fortescue Hive, our expanded integrated operations centre based in our East Perth headquarters, brings together our entire supply chain to deliver enhanced safety, productivity, efficiency and commercial benefits, and will underpin our future use of technology, including artificial intelligence and robotics.

Our longstanding relationships with customers in China have grown from our first commercial shipment of iron ore in 2008. Today, we are a core supplier of seaborne iron ore to China and have expanded into markets including Japan and South Korea.

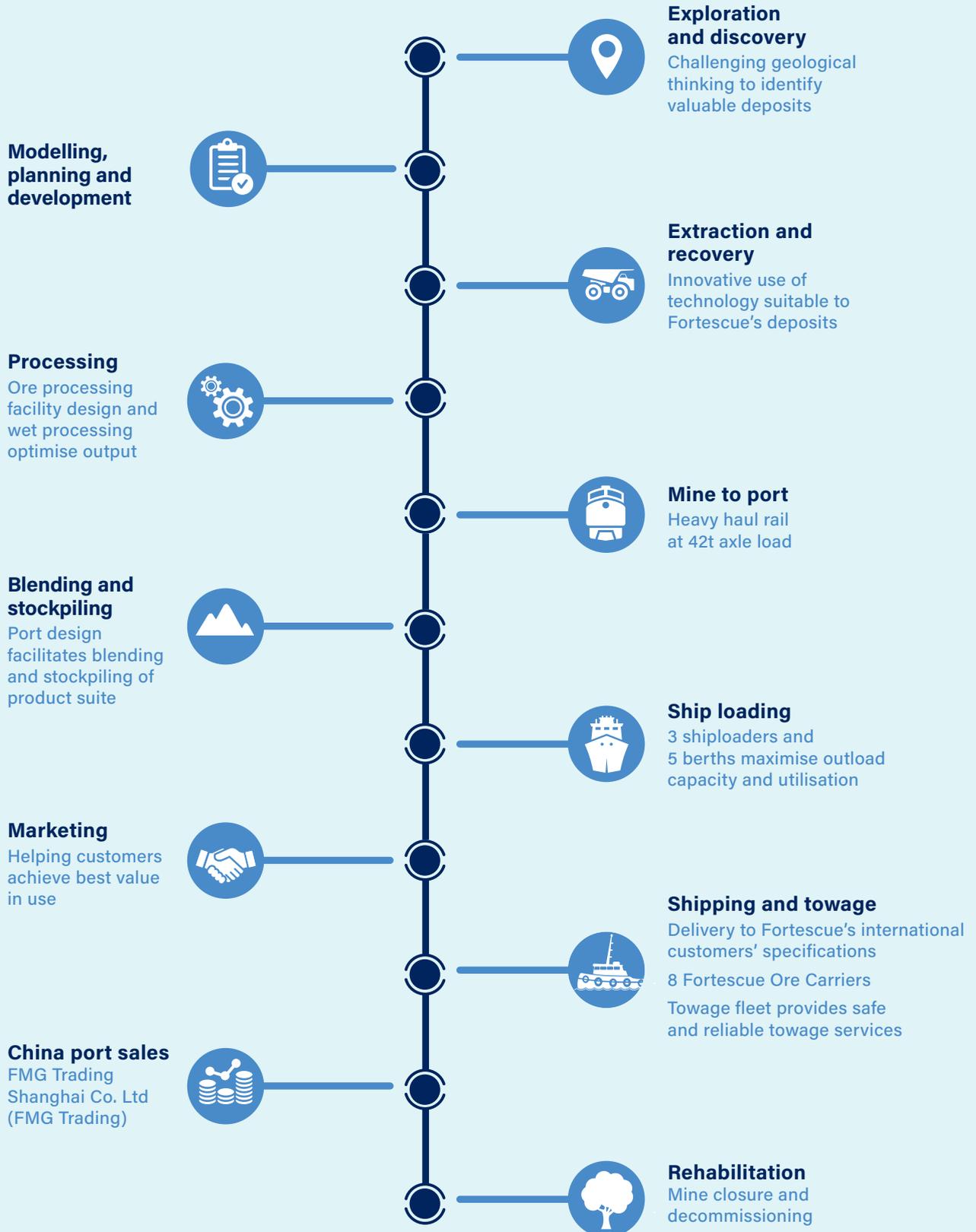
Driven by our industry-leading target to be carbon neutral by 2030, Fortescue is committed to lead the heavy industry battle against global warming. In addition to our ongoing investments in renewable energy to power our Pilbara iron ore operations, we are also undertaking a range of initiatives to decarbonise our mobile fleet through the next phase of hydrogen and battery electric energy solutions to eliminate the need for diesel across our operations.

Fortescue was founded on the belief that the communities in which we operate should benefit from our success. Globally, we are empowering thriving communities and delivering positive social and economic benefits through training, employment and business development opportunities, including for our Indigenous employees and partners.

Fortescue is a values-based business with a strong, unique culture which celebrates diversity and inclusiveness. By empowering our people, we will continue to generate economic growth and create jobs as we take a global leadership position in the green energy transition.

As we enter this new phase of growth in our journey, our team will continue to challenge the status quo to sustain operational excellence, achieve our stretch targets, drive future success and deliver strong returns to our shareholders.

# Value chain



# Overview of operations

Iron ore shipped

**182.2** mt

C1 costs

US\$  
**13.93**/wmt

Cash on hand

US\$  
**6.9** bn

Revenue

US\$  
**22.3** bn

Gross debt

US\$  
**4.3** bn

Net cash

US\$  
**2.7** bn



As one of the world's largest producers of iron ore, Fortescue's wholly owned and integrated operations in the Pilbara include the Chichester, Solomon and Western mining hubs. Our mining infrastructure is connected to the five berth Herb Elliott Port and Judith Street Harbour towage facility in Port Hedland via the fastest heavy haul railway in the world

## Chichester Hub

Our Chichester Hub in the Chichester Ranges, comprising the Cloudbreak and Christmas Creek mines, has an annual production capacity of approximately 100mtpa from three Ore Processing Facilities (OPFs).

Consistent and sustained performance delivered from the OPFs has allowed us to optimise our product strategy through enhanced blending and beneficiation, supporting iron grades and reducing impurities.

This has contributed to lower mining cut-off grades, as we optimise ore bodies with sustainably lower strip ratios.

To further enhance our ore, the Christmas Creek OPF infrastructure has been upgraded to include a Wet High Intensity Magnetic Separator (WHIMS) to recover high grade iron from the finer ore fed through the plants, helping to improve product yield and reduce total mining volumes.

Cloudbreak utilises relocatable conveyors which can be moved, lengthened or shortened once an area is mined. The conveyors now cover 10km, extended from the initial 5km length due to the success and efficiency of this innovative infrastructure. Construction is underway to extend the conveyor by a further 10km.



## Solomon Hub

The Solomon Hub in the Hamersley Ranges is located 60km north of Tom Price and 120km to the west of our Chichester Hub. It comprises the Firetail, Kings Valley and Queens Valley mines which together have a production capacity of 75mtpa.

The expansion to Queens Valley will help maintain production of the Kings Fines product.

Solomon represents a valuable source of production by blending higher iron grade, low cost Firetail ore with low phosphorous Chichester ore to create Fortescue Blend.

## Western Hub

Fortescue is developing the Western Hub, which includes significant amounts of high iron content bedded iron ore and is now home to the Eliwana mine.

Located 140km to the west of Solomon, the Eliwana mine spans over 50km and commenced operations in December 2020. The operation includes 143km of rail linking to the Hamersley rail line and a 30mtpa dry OPF.

Together with Eliwana's innovative low profile designed OPF and dual stacker reclaimer, Eliwana has the capacity to direct load onto trains up to 9,000 tonnes per hour.

Eliwana is now producing at an annualised run rate of 30mtpa, contributing to Fortescue's low cost status and providing greater flexibility to capitalise on market dynamics.

## Hedland Operations

Fortescue wholly owns and operates our purpose designed rail and port facilities, constructed to deliver iron ore from our mines to Port Hedland for shipment to our customers.

Covering 760km of track, our railway is the fastest and heaviest haul line in the world.

The efficient design and layout, optimal berthing configuration and ongoing innovation to increase productivity make Fortescue's Herb Elliott Port the most efficient bulk port operation in Australia.

The port has five operating berths and our current infrastructure is capable of safely and efficiently exporting in excess of 180mtpa.

Fortescue has been granted approval to increase the licensed throughput capacity of Herb Elliott Port from 175mtpa to 210mtpa, in line with our strategy to deliver growth through investment in significant projects including the Iron Bridge Magnetite Project.

The Judith Street Harbour towage infrastructure and our fleet of tugs provide safe and reliable towage services that maximise the efficiency of our operations, while offering competitive third party towage services within the port.

Designed to complement our port infrastructure, the fleet of eight 260,000 tonne capacity Fortescue Ore Carriers deliver approximately 11 per cent of our shipping requirements, while improving load rates and efficiencies and reducing operating costs. Our shipping fleet completes our mine to market supply chain.

## Iron Bridge Magnetite Project

The US\$3.3 – US\$3.5 billion Iron Bridge Magnetite Project is under development and will deliver 22mtpa of high grade 67% Fe magnetite concentrate product, further enhancing the range of products available to our customers.

Iron Bridge, located 145km south of Port Hedland and incorporating the world class North Star and Glacier Valley Magnetite ore bodies, is an unincorporated joint venture between Fortescue's subsidiary FMG Iron Bridge and Formosa Steel IB.

The innovative process design, including the use of a dry crushing and grinding circuit, will deliver globally competitive capital intensity and operating costs.

The Iron Bridge project includes the installation of a 135km concentrate slurry pipeline to Port Hedland, together with a return water pipeline.

## Iron Bridge Magnetite Project

Innovative process design, including the use of a dry crushing and grinding circuit



In FY21, Fortescue completed a 12-week technical and commercial assessment of the project to validate the capital cost and schedule, with first production scheduled by December 2022 and a ramp up period of 12 to 18 months.

The construction of a module offload facility at Lumsden Point in Port Hedland commenced in FY21 to address logistical constraints relating to the delivery of large modules fabricated offshore.

## Sales and marketing

Fortescue has an integrated operating and marketing strategy, focused on meeting the needs of our customers while maximising value.

Fortescue products are sold to a global customer base, with the majority of tonnes sold to long-term customers in China.

In 2019, we established our wholly owned Chinese sales entity FMG Trading Shanghai, a portside sales capability to supply our products directly to Chinese steel mills from regional ports.

This capability is now well established and has allowed us to enhance our service to small and medium-sized customers through direct supply in Renminbi, complementing our existing contractual seaborne arrangements.

## World-leading technology

Fortescue was the first company in the world to deploy Caterpillar (CAT) autonomous haulage on a commercial scale when trucks fitted with autonomous haulage system (AHS) technology began operating at the Solomon Hub in 2012.

Today, our AHS fleet is among the largest in the world and demonstrates our unique capability to manage and operate a multi-class truck size autonomous haulage site. In FY21, we celebrated the milestone of surpassing two billion tonnes of material moved.

When our Train Control Centre opened in 2009, we were the first operation in WA to control a railway from outside the region.

Now known as the Fortescue Hive, the expanded, purpose-built remote operations facility was opened in 2020 and includes our planning, operations and mine control teams, together with port, rail, shipping and marketing teams.

The Hive allows team members across our complete supply chain to work together, 24 hours a day, seven days a week, to deliver improved safety, reliability, efficiency and commercial outcomes.

It underpins our future use of technology, including artificial intelligence and robotics, and will evolve to include the generation and integrated distribution network for Pilbara Energy Connect (PEC).

## Energy infrastructure

Since October 2019, Fortescue and our partners have announced investments in excess of US\$800 million in significant energy infrastructure projects which will increase our use of renewable energy, a key contributor to our pathway to achieve our emissions reduction targets.

PEC, together with the Chichester Solar Gas Hybrid Project, will deliver 25 per cent of our stationary energy requirements from solar power.

PEC leverages existing assets and provides Fortescue with a hybrid solar gas energy solution that enables the delivery of stable, low cost power and supports the incorporation of additional large-scale renewable energy in the future.

At 30 June 2021, over 660 of the 800 foundations for transmission poles for Stage 1 were completed, 500 poles stood and 150km of transmission line installed.

The new infrastructure builds on our previous energy initiatives, including the construction of the Fortescue River Gas Pipeline and the conversion of the Solomon Power Station from diesel to gas generation.

## Fortescue Future Industries

FFI will be a key enabler of our industry-leading target to achieve carbon neutrality by 2030



## Exploration

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.

Our exploration activities in the Western Hub, Solomon Hub and Eastern Hamersley are focused on adding high iron content, dry, low cost tonnes to our product suite, providing further optionality for the business.

Study work is progressing at Nyidinghu and in FY21 we acquired a strategic tenement adjacent to our Mindy South iron ore tenement package in the Pilbara.

Recent Australian exploration activity has been primarily focused on early stage target generation for copper-gold in the Paterson, Rudall and Goldfields regions in Western Australia. Additional exploration activity is underway in New South Wales and South Australia, including through the farm-in and joint venture agreement with Tasman Resources in South Australia.

## International footprint

We recognise that early stage exploration can unlock significant value. Our world class exploration capability is driving future growth as we target global opportunities and commodities that support decarbonisation and electrification of the transport sector.

Fortescue has a well-established presence in South America. In Ecuador we have concessions prospective for copper in exploration phase covering 135,000 hectares (ha) and in Argentina we currently hold 323,000ha of tenements, prospective for copper-gold.

We are also assessing exploration and development opportunities in Peru, Chile and Brazil, as well as Portugal and Kazakhstan.

Fortescue has a 19 per cent stake in TSX listed Candente Copper Corporation. Our focus is on advancing the Canariaco project in Peru.

## Fortescue Future Industries

Our 100 per cent renewable green energy and industry company, FFI, is establishing a global portfolio of renewable green hydrogen and green ammonia operations that will position it at the forefront of the global renewable hydrogen industry.

FFI will leverage our world-leading track record of innovation and development of large-scale integrated infrastructure assets to deliver the vision of green hydrogen becoming the most globally traded seaborne energy commodity in the world.

FFI will be a key enabler of our industry-leading target to achieve carbon neutrality by 2030, investing in decarbonisation technologies to remove the use of fossil fuels across our Pilbara operations, including stationary power, buses, trucks, drill rigs, locomotives and ships.

Through the development of green electricity, green hydrogen, green ammonia and other industrial projects, FFI will provide the technology, solutions and capability for heavy industry around the world to commercially adopt other energy sources and carbon-free fuels.

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02

# Operating and financial review



## Safety

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**2.0**

Total recordable  
injury frequency rate

## Production

---

**182.2**/wmt

Iron Ore Shipped

## C1 costs

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US\$

**13.93**/wmt



# Key Performance Indicators

# Safety

The health, safety and wellbeing of the Fortescue family is our number one priority and our focus remains on ensuring everyone goes home safely after every shift

## 12-month rolling TRIFR, per million hours worked



Excludes Fortescue Future Industries (FFI).

Each day, everyone at Fortescue is empowered to take control and look out for their mates and themselves. Fortescue is committed to providing a safe working environment for all employees and contractors as we strive to become a global leader in safety with a commitment to zero harm.

Fortescue's rolling 12-month total recordable injury frequency rate (TRIFR) improved by 17 per cent to 2.0 at 30 June 2021, from 2.4 at 30 June 2020.





## Ongoing response to COVID-19

On 30 January 2020, the World Health Organisation announced that the coronavirus (COVID-19) outbreak was a global health emergency and later declared it a global pandemic. Since the outbreak began, we have carefully monitored its impact and swiftly introduced and expanded measures to protect the health and safety of our team. Our response, combined with measures implemented by both the Australian and Western Australian governments, has ensured that COVID-19 has had a minimal impact on our operations. Key measures in place through the year ended 30 June 2021 included:

- The continued provision of accommodation to our interstate team members while travel restrictions set by the Western Australian Government have been in place.
- Temperature checks and health screening.
- The introduction of initiatives at our village facilities, including changes to food service and additional cleaning services.
- Temporary changes to site operational rosters for the duration of lockdowns (February, April and June 2021) mandated by the Western Australian Government. Office-based team members and non-critical site based employees worked from home during these periods.

Our Incident Management Team (IMT) chaired by the CEO continues to meet regularly to review our operations and the latest advice from the Commonwealth and State governments. As the health guidelines changed, we responded and adapted quickly, and regularly communicated with our teams. As at 30 June 2021, there have been no cases of COVID-19 across Fortescue's Pilbara operational sites.

Our focus on the health and safety of our workforce extends to their mental health and wellbeing. All team members have access to Fortescue Chaplains and our Employee Assistance Program (EAP) 24 hours a day, seven days a week.

## Safety culture

During FY21, there were no fatalities and we focused on both risk reduction and exposure reduction activities, with a 13.5 per cent and 19.4 per cent reduction respectively.

In pursuing the aim to reach our goal of zero harm, we are committed to continuing to improve safety performance across the following areas:

- Strengthening safety leadership through specific action plans to address the priorities identified by the annual company-wide Safety Excellence and Culture Survey.
- Engagement with our contracting partners to ensure compliance with Fortescue's safety standards and a safe workplace.
- The continued reduction of workplace exposures through safety improvement opportunities.
- Continuing to improve the physical and mental health of our people.

## Key Performance Indicators

# Production

Successful commissioning of the Eliwana mine and rail project in the Western Hub and record throughput in FY21

Production and shipments on a wet metric tonne basis (wmt) for the year are outlined below.

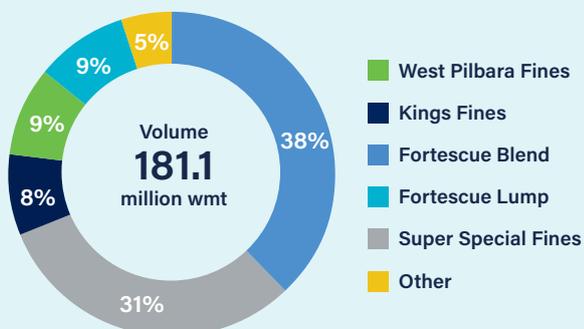
12 months to 30 June	2021 million wmt	2020 million wmt	Movement %
Overburden removed	295.2	318.9	(7)
Ore mined	226.9	204.3	11
Ore processed	185.8	176.3	5
Shipments <sup>1</sup>	182.2	178.2	2
Ore sold <sup>2</sup>	181.1	177.2	2

<sup>1</sup>Volume references are based on wet metric tonnes. Product is shipped with approximately eight to nine per cent moisture.

<sup>2</sup>Our wholly owned trading entity, FMG Trading, maintains some inventory at Chinese ports, and ore sold versus shipments reflects the timing differences that may occur between shipments and sales to external customers.



## FY21 Product mix



## FY20 Product mix



## Key Performance Indicators

### Production continued

Fortescue has continued to safely operate throughout the COVID-19 pandemic, achieving record shipments in the financial year ended 30 June 2021 of 182.2mt through strong operational performance across our supply chain, together with the successful commissioning and integration of the Eliwana mine and rail project. During FY21, we also increased sales volumes through our Chinese trading entity FMG Trading Shanghai (FMG Trading) locally in China.

Mining operations performed strongly with ore mining 23mt above FY20 reflecting the successful commissioning and transition of Eliwana to operations in January 2021. The Queens development at Solomon commenced production in FY21, providing product feed to the existing Ore Processing Facilities (OPFs). The strip ratio for FY21 was 1.3, a 17 per cent reduction from FY20, reflecting mine plan sequence of developed areas available at commencement of the year at our existing operations.

The record OPF performance in FY21 reflects both the successful commissioning and integration of Eliwana, and sustained performance and reliability through our existing OPFs, enabling a reduction of ancillary crushing. Commissioning of the WHIMS plant at Christmas Creek occurred through December 2020. WHIMS delivers benefits in yield and grade with the plant ramping up to capacity in the second half of FY21.

Mining, processing, railing and shipping combined to deliver record shipments of 182.2mt in FY21. Sales through FMG Trading continued to build during the period with cumulative sales of 17.7mt from commencement in June 2019 through to 30 June 2021. This allows Fortescue to complement its sales channels through the direct supply of products to Chinese customers in smaller volumes, and in Renminbi (RMB) directly from regional ports. The difference between ore shipped and ore sold represents the change in inventory held by FMG Trading at regional ports in China.

### Marketing and product strategy

Fortescue's world class, integrated operations and customer-focused marketing strategy underpins our strong market penetration in China and in other countries.

Fortescue delivers a range of products to meet customer requirements and maximise value.

Fortescue is a core supplier to China, which accounts for more than 50 per cent of world steel production, as well as an important supplier to other traditional markets in North Asia. We also continue to explore non-China sales opportunities to growth economies in South East Asia.

### Shipments, million wmt



### Innovation and technology

Fortescue has been a leader in the implementation of autonomous haulage across our iron ore operations and our fleet now represents one of the largest in the world, with 193 trucks operating across the Solomon and Chichester hubs.

The introduction of automation has contributed to a safer working environment for our team members, and has also underpinned significant productivity and efficiency improvements.

Fortescue continues to look for opportunities for automation and artificial intelligence to drive greater efficiency across the business, including the use of data to predict outcomes and optimise performance, the expansion of autonomous mining and the application of relocatable conveyor technology.

### Climate change

In March 2021, we announced our industry-leading target to achieve carbon neutrality by 2030. We have set out clear short-term priorities on our pathway to decarbonisation across key initiatives, including green fleet development and investment in renewable energy.

The Chichester Solar Gas Hybrid project will displace 100 million litres of diesel at our Chichester Hub and the PEC project is estimated to provide 25 per cent of stationary energy across our mining operations through solar power.

Critical to our decarbonisation strategy is our 100 per cent renewable green energy and industry company, Fortescue Future Industries (FFI).

Key considerations for the pathway to decarbonisation include technology and development, future equipment acquisition and potential regulatory changes. Any investment analysis includes project economics and asset carrying value assessments.

## Key Performance Indicators

# Costs

## Focus on innovation and technology



The chart above illustrates the success of our cost reduction and efficiency initiatives over the past five years, reflecting sustainable, long-term management of operating costs, offsetting the impacts of mine plan cost escalation and economic inflation.

## Focus on innovation and technology

During the year, we continued to deliver on our integrated operations and marketing strategy while increasing capacity within our supply chain, and delivering consistent and predictable operational performance to achieve record sales volumes. Importantly, we have remained a low cost producer of seaborne iron ore.

Strategic initiatives delivered in FY21 include:

- The Eliwana mine and rail project transitioned to the operations team in January 2021, with the focus in the second half of the financial year on commissioning and ramp up to full production. The Eliwana project is a high grade, low strip ratio operation with dry processing, which contributes to our low cost structure.
- Commissioning of the WHIMS plant at Christmas Creek occurred through December 2020. WHIMS delivers benefits in yield and grade with the plant transitioning to full capacity in the second half of FY21.
- The Queens Valley development at Solomon commenced mining through FY21, providing feed to existing OPFs.
- Ongoing business improvement processes focused on industry benchmarking and engaging our people to drive productivity improvements across the supply chain through data-driven informed decision making.

The ongoing focus on productivity gains through innovation and technology has offset a higher AUD:USD exchange rate, increasing energy costs and labour market inflationary pressures.

Our ongoing response to COVID-19 also included extending support to our suppliers through the provision of 14 day payment terms to all small businesses and through working collaboratively with all suppliers to address any cashflow challenges.

We were able to continue to safely operate through all COVID-19 restrictions, including lockdowns. COVID-19 related costs did not have a material impact on our FY21 results, and we did not seek any financial support or assistance from government, lenders, landlords or others.

FY21 demonstrated our continued focus on innovation, investment in technology and realising the benefits from the reinvestment of capital within our operations. C1 costs for the year have increased to US\$13.93/wmt, an eight per cent increase over the prior year, reflecting changes in the AUD:USD exchange rate, external operating conditions within the market, together with ramping up Eliwana operations.

# Financial performance

## Highlights

Our financial results demonstrate continued operating excellence and strong cash flow generation through the execution of our integrated operations and marketing strategy, resulting in record shipments and operating margins



During the year ended 30 June 2021, Fortescue delivered a record net profit of US\$10,295 million and earnings per share of 334.6 US cents (448.0 AUD cents). This was driven by an increase in annual shipments, higher realised price and maintaining low cost production. Key financial metrics include EBITDA margin of US\$99/dmt or 73 per cent of revenue. Return metrics were strong, with return on equity of 66 per cent.

Key metrics	2021	2020
Revenue, US\$ millions	22,284	12,820
Underlying EBITDA <sup>1</sup> , US\$ millions	16,375	8,375
Net profit after tax, US\$ millions	10,295	4,735
<b>Earnings per share, US cents</b>	<b>334.6</b>	153.9
<b>Earnings per share, AUD cents</b>	<b>448.0</b>	229.2
<b>Average realised price, US\$/dmt</b>	<b>135</b>	79
<b>C1 costs, US\$/wmt</b>	<b>13.93</b>	12.94
<b>Underlying EBITDA margin<sup>2</sup>, US\$/dmt</b>	<b>99</b>	52
<b>Key ratios</b>		
Underlying EBITDA margin, %	73	65
Return on equity, %	66	40

<sup>1</sup> Refer to page 82 for the reconciliation of Underlying EBITDA to the financial metrics reported in the financial statements under Australian Accounting Standards.

<sup>2</sup> Excludes FFI costs recognised as an administration expense.



<b>Revenue</b>	<b>Note<sup>1</sup></b>	<b>2021</b>	<b>2020</b>
Total iron ore revenue, US\$ millions	3	20,853	11,581
Total shipping revenue, US\$ millions	3	1,378	1,196
Other revenue, US\$ millions	3	53	43
<b>Operating sales revenue, US\$ millions</b>		<b>22,284</b>	<b>12,820</b>
Shipments, million wmt		182	178
Ore sold <sup>2</sup> , wmt		181	177
Average 62% Fe CFR Platts index, US\$/dmt		154	93
<b>Average realised price, US\$/dmt</b>		<b>135</b>	<b>79</b>

<sup>1</sup> Notes to the accompanying financial statements.

<sup>2</sup> Our wholly owned trading entity maintains some inventory at Chinese ports, and ore sold versus shipments reflects the timing differences that may occur between shipments and sales to external customers.

The Platts 62% CFR index averaged US\$154/dmt in FY21 which is an increase of 65 per cent over the prior year (FY20: US\$93/dmt) with Fortescue's realised price of US\$135/dmt increasing by 72 per cent over the prior year (FY20: US\$79/dmt). The factors which influenced our realised price improvement include:

- Expansion of sales channels including increased sales through our China based trading company FMG Trading Shanghai, which has transacted 17.7mt since commencement in FY19, strengthening our ability to maximise price realisations.
- Execution of our integrated operations and marketing strategy with West Pilbara Fines contributing to 9 per cent of sales in FY21 (10 per cent in FY20).
- Continued strength in Chinese steel production, growing by 11.8 per cent in the first half of calendar year 2021 compared to the prior equivalent period.
- Sustained strength in the benchmark iron ore price, reflecting the market supply and demand fundamentals.

## Financial performance

### Production costs

The reconciliation of C1 costs and total delivered costs to customers to the financial metrics reported in the financial statements under Australian Accounting Standards is set out below.

	Note <sup>1</sup>	2021	2020
Mining and processing costs, US\$ millions	5	2,110	1,938
Rail costs, US\$ millions	5	211	186
Port costs, US\$ millions	5	201	169
<b>C1 costs, US\$ million</b>		<b>2,522</b>	<b>2,293</b>
Ore sold, million wmt		181	177
<b>C1 costs, US\$/wmt</b>		<b>13.93</b>	<b>12.94</b>
Shipping costs, US\$ millions	5	1,333	1,190
Government royalty <sup>2</sup> , US\$ millions	5	1,560	845
Administration expenses (excl FFI), US\$ millions	6	155	114
<b>Shipping, royalty and administration, US\$ millions</b>		<b>3,048</b>	<b>2,149</b>
Ore sold, million wmt		181	177
<b>Shipping, royalty and administration, US\$/wmt</b>		<b>17</b>	<b>12</b>
<b>Total delivered cost, US\$/wmt</b>		<b>31</b>	<b>25</b>
<b>Total delivered cost, US\$/dmt</b>		<b>34</b>	<b>27</b>

<sup>1</sup> Notes to the accompanying financial statements.

<sup>2</sup> Fortescue pays 7.5 per cent Western Australian State Government royalty for the majority of its iron ore products, with a concession rate of five per cent applicable to beneficiated fines.

Key factors also contributing to our FY21 operating cost performance are discussed on page 31. Total delivered costs reflect an increase in State royalties in FY21, in line with an increase in the iron ore price, as well as an increase in shipping costs which reflects a movement in the shipping index year on year and an increase in annual shipments.

## Financial performance

### Underlying EBITDA

Underlying EBITDA, defined as earnings before interest, tax, depreciation and amortisation, exploration, development and other expenses, is used as a key measure of our financial performance. During the year, our operations generated Underlying EBITDA of US\$16,375 million (FY20: US\$8,375 million). FY21 includes US\$104 million of operating expenses related to FFI. The reconciliation of Underlying EBITDA to the financial metrics reported in the financial statements under Australian Accounting Standards is presented below.

	Note <sup>1</sup>	2021 US\$m	2020 US\$m
Operating sales revenue	3	22,284	12,820
Cost of sales excluding depreciation and amortisation	5	(5,448)	(4,359)
Net foreign exchange gain/(loss)	4, 6	(142)	52
Administration expenses	6	(155)	(114)
Fortescue Future Industries (FFI) expenses	6	(104)	-
Other income/(expenses)	4, 6	(60)	(24)
<b>Underlying EBITDA</b>		<b>16,375</b>	<b>8,375</b>
Finance income	7	16	50
Finance expenses	7	(240)	(272)
Depreciation and amortisation	5, 6	(1,366)	(1,400)
Exploration, development and other expenses	6	(63)	(63)
<b>Net profit before tax</b>		<b>14,722</b>	<b>6,690</b>
Income tax expense	14	(4,427)	(1,955)
<b>Net profit after tax</b>		<b>10,295</b>	<b>4,735</b>
Cost of early debt repayment after tax		54	11
<b>Underlying net profit after tax</b>		<b>10,349</b>	<b>4,746</b>

<sup>1</sup> Notes to the accompanying financial statements.

Key factors contributing to the 96 per cent increase in Underlying EBITDA from the prior period were both market and volume driven, with higher prices realised for Fortescue products averaging US\$135/dmt in FY21 (FY20: US\$79/dmt), and FY21 sales volumes of 181.1mt increasing by two per cent (FY20: 177.2mt).

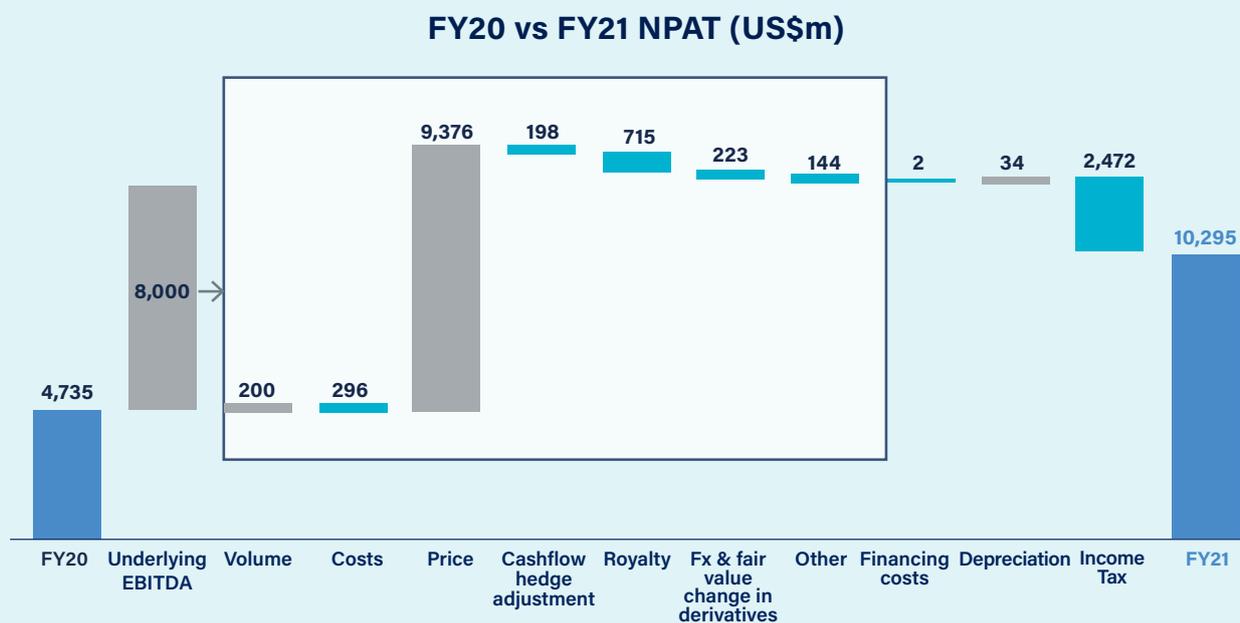
Net foreign currency losses on Australian dollar denominated payables, including income taxes, royalties and trade payables, of US\$142 million (FY20: net foreign currency gains of US\$52 million) reflect the continued appreciation of the AUD:USD exchange rate throughout FY21, from 0.69 at 30 June 2020 to 0.76 at 30 June 2021.

Total administration expenses have increased to US\$155 million (FY20: US\$114 million).

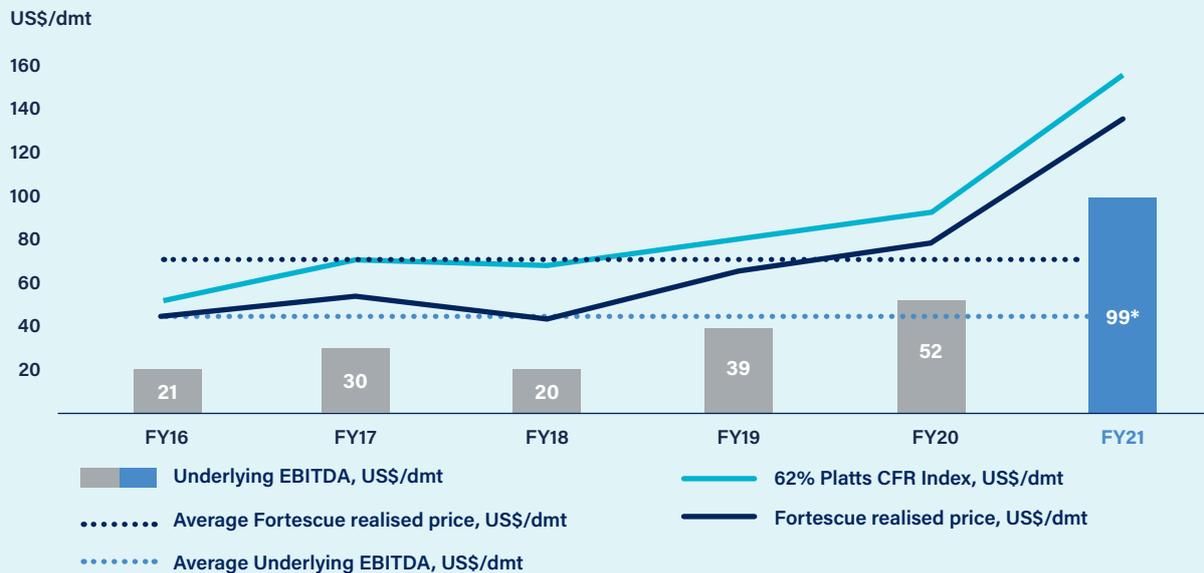
FFI initiatives totalling US\$104 million (FY20: nil) includes early stage project assessments and feasibility studies and is discussed further on page 37.

## Financial performance

## Underlying EBITDA continued



The Underlying EBITDA of US\$16,375 million for FY21 represents an Underlying EBITDA margin of US\$99/dmt or 73 per cent of revenue. As illustrated in the chart below, Fortescue has maintained strong EBITDA margins through market cycles, demonstrating our ongoing focus on productivity, efficiency and innovation.



\*Excludes FFI costs recognised as an administration expense.

## Non-operating events

Key non-operating matters forming part of the financial result include:

- Finance expenses of US\$240 million include interest on borrowings and lease liabilities of US\$143 million which decreased by 32 per cent compared to the prior period, as a result of early debt repayments and refinancing completed in the second half of FY21, lowering Fortescue's overall cost of capital and an increase in average debt maturity.
- Depreciation and amortisation expense of US\$1,366 million (FY20: US\$1,400 million) decreased by two per cent compared to the prior period.
- Income tax expense for the year of US\$4,427 million at an effective income tax rate of 30.1 per cent (FY20: US\$1,955 million, at an effective rate of 29.2 per cent) remains in line with underlying financial results.

## Financial performance

### Underlying EBITDA continued

#### Fortescue Future Industries

During FY21, we announced the establishment of FFI, Fortescue's 100 per cent renewable green energy and industry company. FFI is taking a global leadership position in the green energy and green products industry by harnessing the world's renewable energy resources to produce green electricity, green hydrogen, green ammonia and other green industrial products. FFI is advancing a global portfolio of renewable energy and green product opportunities and is a key enabler of Fortescue's decarbonisation strategy.

FFI currently has a portfolio of projects underway associated with renewable hydrogen production, including:

- A partnership with the CSIRO for the development of new hydrogen technologies, including a world first membrane technology which provides the potential for large-scale hydrogen extraction from ammonia.
- A \$32 million hydrogen mobility project at Christmas Creek comprising the construction of a renewable hydrogen refuelling facility and the deployment of a fleet of hydrogen fuel cell passenger coaches from mid-2021.
- A partnership with ATCO Australia to build and operate the first combined green hydrogen production and refuelling facility in Western Australia.
- A Memorandum of Understanding with Hyundai Motor Company and CSIRO to advance renewable hydrogen technology for domestic transport.
- A feasibility study for a 250MW green hydrogen plant in Tasmania, with a green ammonia production capacity of 250,000 tonnes per annum for domestic use and international exports.

The following milestones have been achieved in FY21:

- Deed of Agreement with Papua New Guinea (PNG) Government and its wholly owned corporation to investigate the feasibility of developing PNG's hydropower resources to support green industrial operations for both global and domestic consumption.
- Deed of Agreement with the Republic of Indonesia providing FFI with first priority to conduct development studies into the feasibility of projects utilising Indonesia's hydro and geothermal power for green industries, principally for global consumption.
- Establishment of a global liquid hydrogen consortium to develop a supply chain between Australia and Japan through a Memorandum of Understanding with Kawasaki Heavy Industries and Iwatani Corporation, to develop a business model for the supply of liquid hydrogen to Japan.

In FY21, we achieved a number of key strategic initiatives to solidify our pathway to developing FFI, and supporting Fortescue's achievement of net zero emissions by 2030. These include:

- Successful combustion of ammonia in a locomotive fuel, with a pathway to achieve completely renewable green fuel.
- Completion of design and construction of a combustion testing device for large marine (ship) engines, with pilot test work underway and a pathway to achieve completely renewable green shipping fuel.
- Finalised design of a next generation ore carrier (ship) that will consume renewable green ammonia, with the Classification Society giving in principle design approval.
- Testing of battery cells to be used on Fortescue haul trucks.
- Design and construction of a hydrogen powered haul truck for technology demonstration complete, with systems testing underway.
- Design and construction of a hydrogen powered drill rig for technology demonstration complete, with systems testing underway.
- Successful production of high purity (>97 per cent) green iron from Fortescue ores.
- Successful initial trialling to use waste from the green iron process noted above, with other easily sourced materials, to make green cement.

Fortescue's capital allocation framework includes a dividend payout ratio of between 50 and 80 per cent of NPAT with an objective to target the top end of that range. As part of the capital allocation framework, 10 per cent of NPAT is allocated to FFI.

Expenses incurred throughout FY21 amount to US\$104 million recognised within administration costs with a further US\$18 million of capital expenditure incurred through FY21.

Refer to note 23(n) which describes the accounting treatment and considerations for research, studies and development expenditure.

# Financial position



## Highlights

Disciplined capital management enhances strong liquidity position

At 30 June 2021, Fortescue had US\$7.9 billion of liquidity, being cash on hand of US\$6.9 billion and a US\$1 billion undrawn Revolving Credit Facility. Total debt was US\$4,252 million, inclusive of US\$810 million of leases. Gross gearing ratio was 19 per cent.

Key metrics	Note <sup>1</sup>	2021 US\$m	2020 US\$m
Borrowings	9	3,442	4,234
Lease liabilities	9	810	879
<b>Total debt</b>		<b>4,252</b>	5,113
Cash and cash equivalents	9	6,930	4,855
<b>Net debt/(net cash)</b>		<b>(2,678)</b>	258
<b>Equity</b>	<b>9</b>	<b>17,735</b>	13,244
<b>Key ratios</b>			
Gearing, %		19	28
Net gearing, %		(18)	2

<sup>1</sup>Notes to the accompanying financial statements.

## Financial position

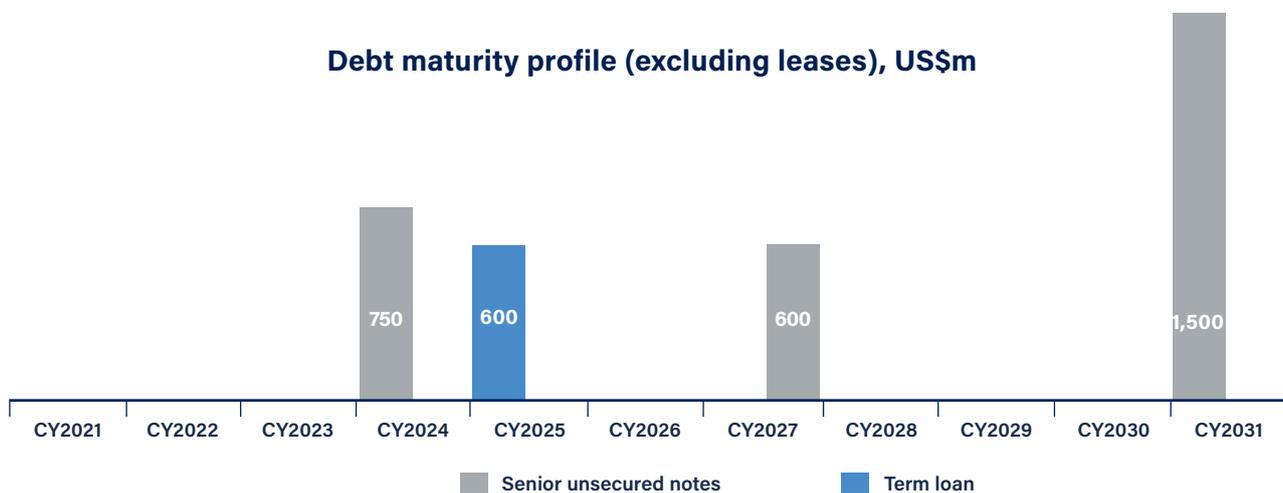
### Debt and liquidity

Fortescue's balance sheet is structured on low cost, investment-grade terms with gearing and liquidity levels that support ongoing operations. The debt capital structure also allows optionality and flexibility to fund future growth.

During July 2020, Fortescue repaid the US\$1,025 million Revolving Credit Facility (RCF) which was drawn as at 30 June 2020 as a proactive capital management initiative in response to global uncertainty due to the COVID-19 outbreak. The voluntary repayment reflected confidence in market conditions and cash flow in the first half of FY21.

On 19 March 2021, Fortescue completed a US\$1.5 billion offering of senior unsecured notes ('Notes') at an interest rate of 4.375 per cent with a 10-year maturity of 1 April 2031. Proceeds from the offering of the Notes were applied to the repayment of Fortescue's US\$750 million 2022 Notes and the US\$500 million 2023 Notes, with the remainder used for general corporate purposes.

Fortescue's debt maturity profile at 30 June 2021, after the effect of the above debt transactions, is set out below. Fortescue has no financial maintenance covenants across all instruments.



### Cash generated by operations

Fortescue continued to generate strong underlying cash flows from operations during the year with cash on hand at 30 June 2021 of US\$6,930 million. Cash generated from operations was 96 per cent higher compared to the prior year, consistent with the 96 per cent increase in Underlying EBITDA.

Cash flows	2021 US\$m	2020 US\$m
<b>Cash generated from operations</b>	<b>16,810</b>	8,287
Cash flows from operating activities	12,594	6,415
Capital expenditure (including joint operations)	(3,633)	(1,966)
<b>Free cash flow</b>	<b>8,961</b>	4,449

Net cash flows from operating activities include interest payments of US\$216 million (FY20: US\$235 million) and income tax paid of US\$4,015 million (FY20: US\$1,685 million).

Capital expenditure for the year inclusive of payments for deferred joint venture contributions was US\$3,633 million (FY20: US\$1,966 million) and includes expenditure incurred on the Eliwana mine and rail, Iron Bridge Magnetite and PEC growth projects, which were a significant focus of FY21. Refer to page 43 for further discussion of capital expenditure on our major projects.

## Financial position

### Dividends and shareholder returns

In October 2020, Fortescue paid a fully franked final dividend of 100 AUD cents per share for the financial year ended 30 June 2020.

In March 2021, Fortescue paid a fully franked interim dividend of 147 AUD cents per share for the financial year ended 30 June 2021.

In FY21, Fortescue generated earnings of 334.6 US cents per share (FY20: 153.9 US cents per share), with return on equity of 66 per cent (FY20: 40 per cent). On 30 August 2021, we declared a fully franked final dividend of 211 AUD cents per share for the financial year ended 30 June 2021. The final dividend for the current period represents a payout ratio of 80 per cent of net profit after tax, in line with Fortescue's policy of a payout ratio of between 50 and 80 per cent.

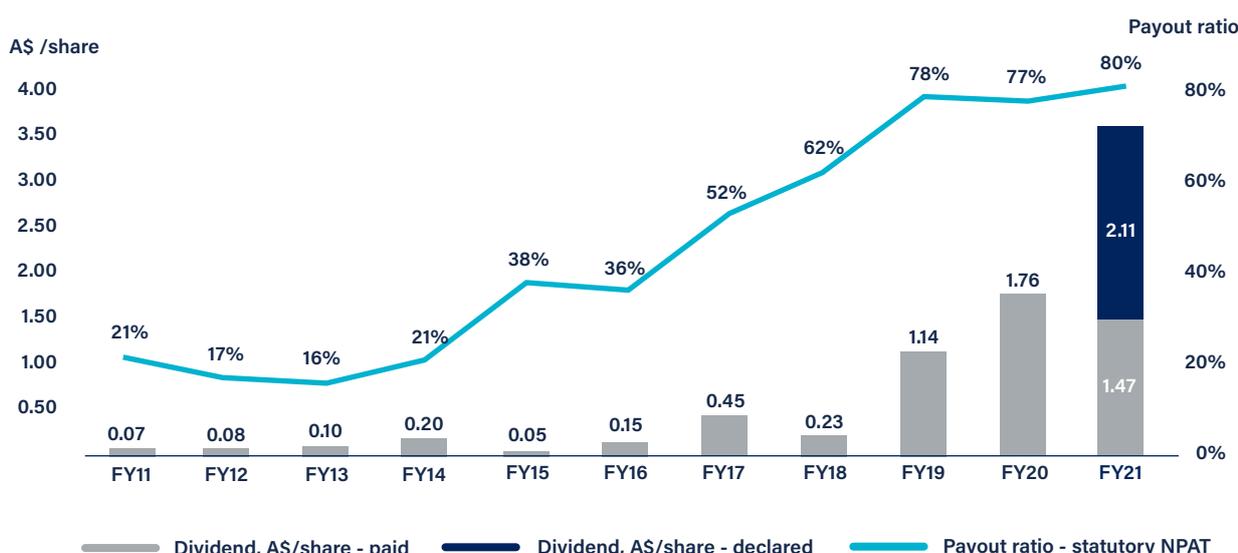
	2021	2020
Net profit after tax, US\$ millions	10,295	4,735
Basic earnings per share, US cents per share	334.6	153.9
Basic earnings per share, AUD cents per share <sup>1</sup>	448.0	229.2
Return on equity, %	66	40
Interim dividend, AUD cents per share	147	76
Final dividend, AUD cents per share	211	100
<b>Total dividend, AUD cents per share</b>	<b>358</b>	<b>176</b>
<b>Dividend payout ratio, %</b>	<b>80</b>	<b>77</b>

<sup>1</sup> Australian dollar earnings per share is calculated by translating the US dollar earnings per share at the average exchange rate for the period of 0.7469 AUD:USD (FY20: 0.6715 AUD:USD).

Our full year dividend payout ratio of 80 per cent of net profit after tax is consistent with our policy of a payout ratio of between 50 and 80 per cent, and our stated objective to target the top end of that range.

The increase in dividend is consistent with our commitment to shareholder returns, and enabled by the success of our integrated operations and marketing strategy and record shipments, together with strong demand for iron ore.

### Dividends declared and payout ratios



As announced in February 2021, our capital allocation policy was updated to include an allocation of 10 per cent of NPAT to fund FFI, which for the first half of FY21 totalled US\$408 million. The results for the second half of FY21 have resulted in the Board allocating 10 per cent of second half NPAT or US\$621 million to FFI. This takes full year NPAT allocation to FFI to US\$1,029 million.

## Financial position

### Capital expenditure

Total capital expenditure of US\$3.6 billion in FY21 (FY20: US\$2.0 billion) as investment in major projects achieved key milestones:

- Sustaining, hub and operational development capital of US\$1.3 billion (FY20: US\$1.1 billion).
- Exploration and studies of US\$186 million (FY20: US\$116 million).
- Eliwana mine and rail, Iron Bridge Magnetite and Pilbara Energy Connect major projects US\$2.1 billion (FY20: US\$771 million).

### Major projects

#### Eliwana

The Eliwana mine and rail project comprises 143km of rail, a 30mtpa dry ore processing facility and associated infrastructure. The Eliwana mine and rail project transitioned to the Operations team in January 2021, with the focus in the second half of the financial year on commissioning and ramp up to full production.

Achieving practical completion at Eliwana is a significant milestone in the development of Fortescue's iron ore operations in the Pilbara, supporting our low cost status and providing incremental product mix flexibility, representing the first mining area in the Western Hub.

#### Iron Bridge

Iron Bridge will deliver a production capacity of 22mtpa of a low impurity 67% Fe magnetite product, with first production scheduled by December 2022.

During FY21, Fortescue announced the outcome of a detailed 12 week technical and commercial assessment of the Iron Bridge Magnetite project, considering specific items such as:

- Assessment of the magnetite concentrate transportation solution and return water pipelines to Port Hedland.
- Enhanced utilisation of Fortescue's port and rail infrastructure.
- Contractor strategy and selection.
- Logistics infrastructure to maintain the schedule for the delivery of large modular components through Port Hedland.

On completion of the 12 week review, a revised capital estimate for project completion of US\$3.3 – US\$3.5 billion was announced. FMG Iron Bridge Ltd, Fortescue's subsidiary participating in the Iron Bridge Joint Venture, has a joint venture share of US\$2.5 – US\$2.7 billion with Fortescue's investment of US\$1.2 billion at 30 June 2021. Outcomes from the assessment include:

- Additional geotechnical investigation of the pipeline corridor further validating the original design. This comprises installation of a 135km concentrate slurry pipeline from Iron Bridge to Port Hedland together with a water return pipeline.
- Resolving the logistics bottleneck for the delivery of modules, with construction of a module offload facility underway at Lumsden Point at Port Hedland.
- First production by December 2022 and ramp up to full production run rate in 12-18 months.

Iron Bridge's estimated operating cost has a life of mine C1 cost of US\$33-38/wmt, inclusive of fees for port and power services, and a life of mine sustaining capital cost estimate of US\$5-7/wmt.

Fortescue remains focused on maintaining the schedule in an uncertain global environment, consistent with our track record of project delivery.

The Iron Bridge Magnetite Project is an Unincorporated Joint Venture between FMG Magnetite Pty Ltd (69 per cent), and Formosa Steel IB Pty Ltd (31%). FMG Magnetite was previously owned by Fortescue (88 per cent) and Baosteel Resources International Company (12 per cent). Baosteel has reduced its ownership in accordance with the terms of the Shareholders Agreement, with Fortescue now controlling 100 per cent of FMG Magnetite at 30 June 2021.

## Financial Position

### Capital expenditure continued

#### Energy

Fortescue continued development and construction of the US\$0.7 billion energy infrastructure through the PEC program of works. This program will be constructed, owned and operated by Fortescue and comprises:

- The US\$250 million Pilbara Transmission Project which consists of 275km of high voltage transmission lines connecting Fortescue's mine sites.
- The US\$450 million Pilbara Generation Project which includes 150MW of gas-fired generation, together with 150MW of solar photovoltaic (PV) generation, supplemented by large-scale battery storage.

PEC will integrate Fortescue's stationary energy facilities in the Pilbara into an efficient network and enable the integration of additional renewable energy in the future. The project continues to progress with bulk earthworks complete at the Solomon power generation site, and over 660 of the 800 foundations for the transmission line are complete.

The Chichester Solar Gas Hybrid Project, owned and operated by Alinta Energy, consists of a 60MW solar PV generation facility at the Chichester Hub and 60km transmission line linking the Christmas Creek and Cloudbreak mining operations with Alinta Energy's Newman gas-fired power station. The project will provide a low emission energy solution expected to displace around 100 million litres of diesel used per year in the existing Christmas Creek and Cloudbreak power stations. Energisation of the project is due during Q2 FY22.

#### Exploration

Fortescue holds the largest tenement portfolio in the Pilbara region of Western Australia. Fortescue's iron ore tenements are key to maintaining mine life and sustaining product quality in our core iron ore business. The Western Hub Resources include significant amounts of high iron content bedded iron ore, adding dry, low cost tonnes to Fortescue's product suite.

FY21 iron ore exploration in the Pilbara included target and resource definition drilling in the Western Hub, Solomon Hub and Eastern Hamersley with study work progressing at Nyidinghu. In June 2021, Fortescue acquired a strategic tenement adjacent to Fortescue's Mindy South iron ore tenement package in the Pilbara, with mapping and drilling to be prioritised in FY22.

Exploration activity on the Australian copper-gold portfolio included the completion of airborne magnetic and electromagnetic surveys and a ground gravity survey over the Paterson and Rudall projects in Western Australia. Planning for a follow-up drilling program at the Arcoona Project in South Australia is underway following an initial campaign.

International exploration in FY21 included the restart of field activities and drilling in Ecuador and the commencement of drilling in Kazakhstan. The drilling season concluded in Argentina during the June quarter, with geological reviews underway in preparation for the 2021/22 field season.

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03

# Ore Reserves and Mineral Resources

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# Ore Reserves and Mineral Resources



Reporting is grouped by operating and development properties and includes both hematite and magnetite deposits

Hematite Ore Reserves total 2.08 billion dry tonnes (bt) at an average iron (Fe) grade of 57.4%. Combined Hematite Mineral Resources total 13.66bt at an average Fe grade of 56.7%.

Magnetite Ore Reserves total 716 million dry tonnes (mt) at an average mass recovery of 29.4 per cent for a 67% Fe grade product. Magnetite Mineral Resources total 5.5bt at an average mass recovery of 22.7 per cent.

Operating property Ore Reserves and Mineral Resources have all been reported and classified in accordance with the guidelines of the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Accordingly, the information in these sections should be read in conjunction with the respective explanatory Mineral Resource and Ore Reserve information (Fortescue ASX release dated 27 August 2021).

Development property Mineral Resources have been reported and classified in accordance with the 2012 JORC Code. The development property Mineral Resources are detailed in Fortescue ASX releases dated 27 August 2021, 21 August 2020, 23 August 2019, 17 August 2018, 18 August 2017, 8 January 2015 and 20 May 2014, which include supporting technical data.

Magnetite Mineral Resources have been reported in accordance with the 2012 JORC Code. The Mineral Resources quoted in this report should be read in conjunction with the supporting technical information contained in the corresponding ASX release dated 2 April 2019.

The Ore Reserve and Mineral Resource estimation processes followed internally are well established and are subject to systematic internal peer review, including calibration against operational outcomes. Independent technical reviews and audits are undertaken on an as-required basis as part of Fortescue's risk management process.

In addition to routine internal audits and peer review, auditing of the Mineral Resource and Ore Reserve estimates is addressed as a subset of the annual internal audit plan approved by the Board's Audit, Risk Management and Sustainability Committee (ARMSC). Specific auditing of the Ore Reserve process was performed in 2011, 2013, 2015, 2016, 2017, 2019 and 2021. These audits were managed by Fortescue's internal audit service provider with external technical subject experts. The 2015, 2016, 2017, 2019 and 2021 Ore Reserves audits were carried out by independent external technical consultants. In addition, specific auditing of Mineral Resource models was undertaken in 2015, 2016, 2017, 2018, 2019 and 2020. An audit of the resource estimation process used in the Chichester Hub was also completed during the financial year.



The ARMSC also monitors the Ore Reserve and Mineral Resource status and recommends it to the Board for approval. The annual Ore Reserve and Mineral Resource updates are a prescribed activity within the annual Corporate Planning Calendar that includes a schedule of regular Executive engagement meetings to approve assumptions and guide the overall process.

Tonnage and quality information contained in the following tables have been rounded and as a result the figures may not add up to the totals quoted.

### Ore Reserves Operating Properties – Hematite

The combined Chichester, Solomon and Eliwana Hematite Ore Reserves for 2021 are estimated to total 2,082mt at an average Fe grade of 57.4%.

The Ore Reserve is quoted as at 30 June 2021 and is inclusive of ore and product stockpiles at mines. Product stockpiles at port have been excluded from contributing to Ore Reserves. The proportion of higher confidence Proved Ore Reserve has increased to 937mt (from 826mt in 2020) as a result of ongoing in-fill drilling at the Solomon and Eliwana deposits.

The Chichester Hub (Cloudbreak and Christmas Creek deposits) contains 1,294mt at an average Fe grade of 57.0%, a net decrease of 111mt due to depletion (-ve), a review of the densities in the underlying resource models (-ve), more conservative metallurgical factors and reconciliation factors (-ve). Proved Ore Reserve constitutes 45 per cent of the Chichester Ore Reserve, a slight increase from 2020. While the Cloudbreak and Christmas Creek deposits are quoted separately for historical reasons, they effectively represent a single deposit with ore generally directed to the most proximal of the three available ore processing facilities (OPFs).

The Ore Reserve estimate for the Solomon Hub is 567mt at an average Fe grade of 57.2%, a decrease of 64mt mainly due to depletion and density adjustments for the Queens deposit (-ve), and updated metallurgical testwork (-ve). Proved Ore Reserves comprise 26 per cent of the tonnage in the total Solomon Reserve.

The Ore Reserve for the Eliwana deposit is estimated to be 221mt at an average Fe grade of 60.0%. The estimate is 12mt higher than previous reporting due to pit-design modifications (+ve) and an updated geological model (+ve). Proved Ore Reserves comprise 92 per cent of the tonnage in the total Eliwana Ore Reserve, an increase of 23 per cent compared to previous reporting.

The 2021 Hematite Ore Reserve estimates were subject to comprehensive review and update addressing:

- Ore depletion as a result of sales (decrease).
- Revisions of ore loss and dilution factors based on 12 months of operational history at all mines (increased recovery and tonnage increases at the Chichesters and the Kings/Queens deposits, offset by a decrease at Firetail).
- Revisions to the processing response through all OPFs based on updated metallurgical test work and operational history (minor).
- Updated metallurgical test work to the Christmas Creek and Queens Deposit (decrease).
- Re-optimisation of mine geometries to maximise the benefit of changes to the resource base.
- A revised life of mine (LOM) plan that addresses the listed items and incorporates the latest information on long term product strategy, including the Western Pilbara Fines 60% Fe product.

## Ore Reserves Operating Properties - Hematite - as at 30 June 2021

	30 June 2021						30 June 2020					
	Product tonnes (mt)	Iron Fe %	Silica SiO <sub>2</sub> %	Alumina Al <sub>2</sub> O <sub>3</sub> %	Phos P %	Loss On Ignition LOI %	Product tonnes (mt)	Iron Fe %	Silica SiO <sub>2</sub> %	Alumina Al <sub>2</sub> O <sub>3</sub> %	Phos P %	Loss On Ignition LOI %
<b>Cloudbreak</b>												
Proved	329	57.4	5.28	2.82	0.054	8.37	266	57.2	5.12	2.70	0.055	8.56
Probable	204	56.9	5.76	2.90	0.061	8.05	294	57.2	5.47	2.65	0.059	7.93
<b>Total</b>	<b>533</b>	<b>57.2</b>	<b>5.47</b>	<b>2.86</b>	<b>0.057</b>	<b>8.25</b>	<b>560</b>	<b>57.2</b>	<b>5.30</b>	<b>2.67</b>	<b>0.057</b>	<b>8.23</b>
<b>Christmas Creek</b>												
Proved	259	56.8	6.42	2.98	0.046	7.83	315	56.9	6.01	2.63	0.045	7.81
Probable	502	56.9	6.30	3.14	0.049	7.60	528	57.0	5.78	3.12	0.050	7.70
<b>Total</b>	<b>761</b>	<b>56.9</b>	<b>6.34</b>	<b>3.08</b>	<b>0.048</b>	<b>7.68</b>	<b>843</b>	<b>57.0</b>	<b>5.87</b>	<b>2.93</b>	<b>0.048</b>	<b>7.74</b>
<b>Sub-total Chichester Hub</b>												
Proved	588	57.1	5.79	2.89	0.051	8.13	581	57.1	5.60	2.66	0.050	8.15
Probable	706	56.9	6.14	3.07	0.053	7.73	822	57.1	5.67	2.95	0.053	7.78
<b>Total</b>	<b>1,294</b>	<b>57.0</b>	<b>5.98</b>	<b>2.99</b>	<b>0.052</b>	<b>7.91</b>	<b>1,404</b>	<b>57.1</b>	<b>5.64</b>	<b>2.83</b>	<b>0.052</b>	<b>7.94</b>
<b>Firetail</b>												
Proved	2	59.2	6.24	2.79	0.128	5.47	2	59.3	5.77	2.96	0.116	5.81
Probable	64	59.3	5.72	2.35	0.117	6.68	82	59.9	5.22	2.25	0.110	6.56
<b>Total</b>	<b>66</b>	<b>59.3</b>	<b>5.73</b>	<b>2.37</b>	<b>0.117</b>	<b>6.64</b>	<b>84</b>	<b>59.9</b>	<b>5.23</b>	<b>2.27</b>	<b>0.111</b>	<b>6.54</b>
<b>Kings and Queens</b>												
Proved	144	57.1	6.36	2.66	0.077	8.75	99	57.3	6.22	2.88	0.075	9.04
Probable	357	56.8	6.51	2.57	0.076	9.18	451	57.3	6.20	2.38	0.070	9.53
<b>Total</b>	<b>501</b>	<b>56.9</b>	<b>6.47</b>	<b>2.60</b>	<b>0.076</b>	<b>9.06</b>	<b>550</b>	<b>57.3</b>	<b>6.20</b>	<b>2.47</b>	<b>0.071</b>	<b>9.44</b>
<b>Sub-total Solomon Hub</b>												
Proved	146	57.2	6.36	2.66	0.077	8.71	101	57.3	6.21	2.88	0.076	8.97
Probable	421	57.2	6.39	2.54	0.082	8.81	533	57.7	6.04	2.36	0.076	9.07
<b>Total</b>	<b>567</b>	<b>57.2</b>	<b>6.38</b>	<b>2.57</b>	<b>0.081</b>	<b>8.78</b>	<b>634</b>	<b>57.6</b>	<b>6.07</b>	<b>2.44</b>	<b>0.076</b>	<b>9.05</b>
<b>Eliwana</b>												
Proved	203	60.0	4.77	2.63	0.132	5.89	143	60.6	4.55	2.47	0.137	5.52
Probable	18	59.7	4.93	2.76	0.104	5.97	66	58.9	5.00	2.61	0.102	7.09
<b>Total</b>	<b>221</b>	<b>60.0</b>	<b>4.78</b>	<b>2.64</b>	<b>0.130</b>	<b>5.90</b>	<b>209</b>	<b>60.1</b>	<b>4.69</b>	<b>2.52</b>	<b>0.126</b>	<b>6.02</b>
<b>Total Ore Reserves Operating Properties - Hematite</b>												
Proved	937	57.7	5.66	2.80	0.072	7.74	826	57.7	5.49	2.66	0.068	7.80
Probable	1,146	57.1	6.21	2.87	0.064	8.10	1,421	57.4	5.78	2.71	0.064	8.23
<b>Total</b>	<b>2,082</b>	<b>57.4</b>	<b>5.96</b>	<b>2.84</b>	<b>0.068</b>	<b>7.94</b>	<b>2,247</b>	<b>57.5</b>	<b>5.67</b>	<b>2.69</b>	<b>0.066</b>	<b>8.07</b>

## Notes in reference to table

- The diluted mining models used to report the 2021 Ore Reserves are based on regional Mineral Resource models completed in 2016 for Christmas Creek, 2016 for Cloudbreak, 2018 for Firetail, 2019 for Queens, 2017 for Kings, 2019 for Kutayi and 2019 for Eliwana. The regional models for the operating sites were updated for local pit areas as infill drilling is completed, with updates included through to 2021.
- Diluted mining models are validated by reconciliation against historical production.
- Proved Ore Reserves are inclusive of ore stockpiles at the mines which total approximately 50.8mt on dry product basis.
- The Chichester Ore Reserve is inclusive of the Cloudbreak, Christmas Creek and Kutayi BID deposits. Selected Christmas Creek Ore Reserves will be directed to the Cloudbreak OPF to optimise upgrade performance and optimise Cloudbreak and Christmas Creek OPF utilisation.
- Tonnage figures have been rounded and may not add up to the totals quoted.

## Ore Reserves Operating Properties - Magnetite

The 2021 Ore Reserves for Magnetite are from Iron Bridge. Ore Reserves for the project total 716mt at an average mass recovery of 29.4 per cent for a 67.0% Fe grade product. The Ore Reserves are quoted as at 30 June 2021, on a dry in-situ tonnes basis prior to processing.

The Mineral Resource model for the Iron Bridge Magnetite Project was developed by Snowden Mining Industry Consultants in conjunction with Fortescue's internal technical team during February and March 2019.

The Ore Reserves estimate was developed in March 2019 by the Iron Bridge technical team on the basis of the 2019 resource model, using detailed information on mining, geotechnical and metallurgical processing parameters and cost assumptions, as used in the 2019 Iron Bridge Feasibility study.

Within North Star mining pits, mining within 100m of the Pilbara leaf-nosed bat cave identified as Cave 13 is prohibited by the current Stage 2 Ministerial Approval (Condition 10) until such time it can be demonstrated that ground disturbing activity in the area maintains the viability of the bat population. Baseline environment studies and data collection are significantly advanced for the Glacier Valley resource; however, any approvals for Glacier Valley mining area development are yet to be sought. At this stage, neither of the above is expected to have a material impact on ore reserves as plans have been developed and action is underway to address each of the points.

The Ore Reserves have been estimated from Measured and Indicated Mineral Resources from within the North Star, Eastern Limb and Glacier Valley mining areas. All Magnetite Ore Reserves are classified as Probable Reserves due to the lack of full scale production history, as no sales or production have occurred for Magnetite as at 30 June 2021.

## Ore Reserves Operating Properties - Magnetite - as at 30 June 2021

	30 June 2021					30 June 2020				
	In-situ tonnes (mt)	DTR mass recovery %	Product Iron Fe %	Product Silica SiO <sub>2</sub> %	Product Alumina Al <sub>2</sub> O <sub>3</sub> %	In-situ tonnes (mt)	DTR mass recovery %	Product Iron Fe %	Product Silica SiO <sub>2</sub> %	Product Alumina Al <sub>2</sub> O <sub>3</sub> %
<b>North Star and Eastern Limb</b>										
Proved	-	-	-	-	-	-	-	-	-	-
Probable	595	29.7	67.0	5.62	0.29	595	29.7	67.0	5.62	0.29
<b>Total</b>	<b>595</b>	<b>29.7</b>	<b>67.0</b>	<b>5.62</b>	<b>0.29</b>	<b>595</b>	<b>29.7</b>	<b>67.0</b>	<b>5.62</b>	<b>0.29</b>
<b>Glacier Valley</b>										
Proved	-	-	-	-	-	-	-	-	-	-
Probable	122	26.2	67.0	5.62	0.29	122	28.2	67.0	5.62	0.29
<b>Total</b>	<b>122</b>	<b>26.2</b>	<b>67.0</b>	<b>5.62</b>	<b>0.29</b>	<b>122</b>	<b>28.2</b>	<b>67.0</b>	<b>5.62</b>	<b>0.29</b>
<b>West Star</b>										
Proved	-	-	-	-	-	-	-	-	-	-
Probable	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Ore Reserves Operating Properties - Magnetite</b>										
Proved	-	-	-	-	-	-	-	-	-	-
Probable	716	29.4	67.0	5.62	0.29	716	29.4	67.0	5.62	0.29
<b>Total</b>	<b>716</b>	<b>29.4</b>	<b>67.0</b>	<b>5.62</b>	<b>0.29</b>	<b>716</b>	<b>29.4</b>	<b>67.0</b>	<b>5.62</b>	<b>0.29</b>

### Notes in reference to table

- As per the Iron Bridge Magnetite Project agreements, Fortescue owns 69 per cent of the reported Total Magnetite Ore Reserve estimate.
- Magnetite Ore Reserves are derived from Measured and Indicated Mineral Resources reported within a defined pit design.
- Magnetite Ore Reserves are based on Mass Recovery expressed as a 17 per cent Davis Tube Recovery (DTR) cut-off.
- Magnetite Ore Reserves are reported on an in-situ dry-tonnage basis.
- Tonnage information has been rounded and as a result the figures may not add up to the totals quoted.

## Mineral Resources Operating Properties – Hematite

Mineral Resources for the operating properties, including the Chichester, Solomon and Western Hubs, are stated on a dry in-situ tonnage basis. Mineral Resources from the Western Hub now include those from Flying Fish, reported here for the first time; previously these were included with the development properties as part of the Greater Western Hub. The Mineral Resources, including stockpiles, are quoted inclusive of Ore Reserves.

As at 30 June 2021, the total Mineral Resource for the Chichester, Solomon and Western Hubs, including Flying Fish, is estimated to be 5,367mt at an average Fe grade of 56.3%, a decrease of 465mt over that stated in the prior year. This was accompanied by a minor decrease in the proportion of higher confidence Measured and Indicated Mineral Resources from 70 per cent to 68 per cent.

The total Chichester Hub Mineral Resource is estimated to be 2,379mt at an average Fe grade of 56.3%, with

80 per cent of the tonnage in the Measured and Indicated Mineral Resource categories.

The total Solomon Hub Mineral Resource is estimated to be 1,934mt at an average Fe grade of 55.2%, with 69 per cent of the tonnage in the Measured and Indicated Mineral Resource categories.

The total Western Hub Mineral Resource is estimated to be 1,055mt at an average Fe grade of 58.3%, with 39 per cent of the tonnage in the Measured and Indicated Mineral Resource categories.

In-situ bulk densities at the Cloudbreak, Christmas Creek, Valley of Queens, Eliwana and the majority of the Flying Fish deposits have been revised following analysis of data from an extensive program of diamond drilling and downhole geophysical data. These revisions account for the bulk of the 465mt decrease in Mineral Resources. Review of the densities for the Kutayi and Valley of Kings deposits is planned for FY22.

## Mineral Resources Operating Properties - Hematite – as at 30 June 2021

	30 June 2021						30 June 2020					
	In-situ tonnes (mt)	Iron Fe %	Silica SiO <sub>2</sub> %	Alumina Al <sub>2</sub> O <sub>3</sub> %	Phos P %	Loss On Ignition LOI %	In-situ tonnes (mt)	Iron Fe %	Silica SiO <sub>2</sub> %	Alumina Al <sub>2</sub> O <sub>3</sub> %	Phos P %	Loss On Ignition LOI %
<b>Cloudbreak</b>												
Measured	452	56.7	5.91	3.37	0.056	8.5	419	56.6	5.75	3.45	0.058	8.7
Indicated	255	56.1	6.63	3.37	0.063	8.0	401	56.2	6.63	3.41	0.060	8.0
Inferred	100	56.3	6.17	3.62	0.056	7.8	117	56.4	6.29	3.62	0.054	7.6
<b>Total</b>	<b>808</b>	<b>56.5</b>	<b>6.17</b>	<b>3.40</b>	<b>0.058</b>	<b>8.2</b>	<b>936</b>	<b>56.4</b>	<b>6.20</b>	<b>3.45</b>	<b>0.058</b>	<b>8.2</b>
<b>Christmas Creek</b>												
Measured	379	56.7	6.42	3.20	0.050	7.9	480	56.7	6.37	3.15	0.049	7.9
Indicated	812	56.2	6.62	3.60	0.051	7.8	922	56.1	6.59	3.70	0.051	7.9
Inferred	379	55.6	7.01	3.80	0.054	7.8	447	55.6	6.91	3.79	0.054	7.9
<b>Total</b>	<b>1,571</b>	<b>56.1</b>	<b>6.67</b>	<b>3.55</b>	<b>0.052</b>	<b>7.8</b>	<b>1,849</b>	<b>56.1</b>	<b>6.61</b>	<b>3.58</b>	<b>0.051</b>	<b>7.9</b>
<b>Sub-total Chichester Hub</b>												
Measured	832	56.7	6.14	3.29	0.053	8.2	898	56.7	6.08	3.29	0.053	8.2
Indicated	1,068	56.2	6.62	3.54	0.054	7.9	1,323	56.1	6.61	3.61	0.054	7.9
Inferred	479	55.7	6.83	3.76	0.055	7.8	564	55.8	6.78	3.75	0.054	7.9
<b>Total</b>	<b>2,379</b>	<b>56.3</b>	<b>6.50</b>	<b>3.50</b>	<b>0.054</b>	<b>8.0</b>	<b>2,785</b>	<b>56.2</b>	<b>6.47</b>	<b>3.54</b>	<b>0.054</b>	<b>8.0</b>
<b>Firetail</b>												
Measured	7	57.3	7.42	3.69	0.119	6.2	3	57.1	7.25	3.76	0.111	6.6
Indicated	127	57.7	7.20	3.76	0.124	6.9	166	57.9	6.94	2.74	0.119	6.9
Inferred	100	56.1	7.96	3.76	0.108	7.4	102	56.1	8.00	3.77	0.107	7.4
<b>Total</b>	<b>234</b>	<b>57.0</b>	<b>7.53</b>	<b>3.21</b>	<b>0.117</b>	<b>7.1</b>	<b>271</b>	<b>57.2</b>	<b>7.34</b>	<b>3.14</b>	<b>0.115</b>	<b>7.1</b>
<b>Kings and Queens</b>												
Measured	298	55.4	7.87	3.25	0.081	9.0	204	55.3	7.72	3.52	0.085	9.1
Indicated	908	55.0	8.20	3.30	0.082	9.2	1,111	55.0	8.18	3.27	0.078	9.0
Inferred	494	54.6	8.93	3.82	0.075	8.5	535	54.6	8.88	3.75	0.076	8.5
<b>Total</b>	<b>1,700</b>	<b>54.9</b>	<b>8.36</b>	<b>3.44</b>	<b>0.080</b>	<b>9.0</b>	<b>1,851</b>	<b>54.9</b>	<b>8.33</b>	<b>3.44</b>	<b>0.078</b>	<b>8.9</b>

## Mineral Resources Operating Properties - Hematite - as at 30 June 2021 cont.

	30 June 2021						30 June 2020					
	In-situ tonnes (mt)	Iron Fe %	Silica SiO <sub>2</sub> %	Alumina Al <sub>2</sub> O <sub>3</sub> %	Phos P %	Loss On Ignition LOI %	In-situ tonnes (mt)	Iron Fe %	Silica SiO <sub>2</sub> %	Alumina Al <sub>2</sub> O <sub>3</sub> %	Phos P %	Loss On Ignition LOI %
<b>Sub-total Solomon Hub</b>												
Measured	305	55.4	7.86	3.26	0.082	9.0	208	55.3	7.71	3.53	0.085	9.1
Indicated	1,035	55.3	8.08	3.23	0.087	9.0	1,277	55.3	8.02	3.20	0.083	8.7
Inferred	594	54.8	8.77	3.81	0.080	8.3	636	54.9	8.74	3.75	0.081	8.3
<b>Total</b>	<b>1,934</b>	<b>55.2</b>	<b>8.26</b>	<b>3.41</b>	<b>0.084</b>	<b>8.8</b>	<b>2,121</b>	<b>55.2</b>	<b>8.21</b>	<b>3.40</b>	<b>0.083</b>	<b>8.6</b>
<b>Eliwana</b>												
Measured	290	59.3	5.39	2.76	0.128	6.1	229	60.0	4.89	2.61	0.141	5.8
Indicated	50	57.7	7.06	2.93	0.099	6.4	122	58.4	5.44	2.77	0.096	7.2
Inferred	539	57.8	6.29	3.45	0.102	6.8	575	58.1	5.69	3.45	0.102	6.9
<b>Total</b>	<b>880</b>	<b>58.3</b>	<b>6.04</b>	<b>3.19</b>	<b>0.110</b>	<b>6.5</b>	<b>926</b>	<b>58.6</b>	<b>5.46</b>	<b>3.16</b>	<b>0.111</b>	<b>6.7</b>
<b>Flying Fish</b>												
Measured	29	58.3	5.40	2.50	0.062	8.0	-	-	-	-	-	-
Indicated	43	60.2	4.77	2.00	0.060	6.5	-	-	-	-	-	-
Inferred	103	57.3	6.14	3.45	0.055	7.3	-	-	-	-	-	-
<b>Total</b>	<b>175</b>	<b>58.2</b>	<b>5.68</b>	<b>2.94</b>	<b>0.057</b>	<b>7.2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Sub-total Western Hub</b>												
Measured	319	59.2	5.39	2.74	0.122	6.3	229	60.0	4.89	2.61	0.141	5.8
Indicated	93	58.8	6.00	2.50	0.081	6.4	122	58.4	5.44	2.77	0.096	7.2
Inferred	643	57.7	6.27	3.45	0.095	6.9	575	58.1	5.69	3.45	0.102	6.9
<b>Total</b>	<b>1,055</b>	<b>58.3</b>	<b>5.98</b>	<b>3.15</b>	<b>0.102</b>	<b>6.7</b>	<b>926</b>	<b>58.6</b>	<b>5.46</b>	<b>3.16</b>	<b>0.111</b>	<b>6.7</b>
<b>Total Mineral Resources Operating Properties - Hematite</b>												
Measured	1,456	57.0	6.34	3.16	0.074	7.9	1,335	57.0	6.13	3.21	0.073	8.0
Indicated	2,195	55.9	7.28	3.35	0.071	8.3	2,722	55.9	7.22	3.38	0.069	8.2
Inferred	1,716	56.2	7.29	3.66	0.078	7.6	1,776	56.2	7.13	3.66	0.079	7.7
<b>Total</b>	<b>5,367</b>	<b>56.3</b>	<b>7.03</b>	<b>3.40</b>	<b>0.074</b>	<b>8.0</b>	<b>5,832</b>	<b>56.2</b>	<b>6.94</b>	<b>3.43</b>	<b>0.073</b>	<b>8.0</b>

### Notes in reference to table

- Chichester Hub Mineral Resources are quoted above a cut-off of 53.5% Fe, Solomon Hub and Western Hub Mineral Resources are quoted above a cut-off grade of 51.5% Fe.
- The Measured Mineral Resource estimate includes mine stockpiles totalling approximately 47mt.
- Areas identified as being of significant cultural heritage have been excluded from reporting.
- Mineral Resources are reported inclusive of Ore Reserves.
- Tonnage information has been rounded and as a result the figures may not add up to the totals quoted.

## Mineral Resources Development Properties - Hematite

Updates have been announced to the Greater Western and Pilbara Other deposits in the development properties Mineral Resource as a result of exploration drilling. A portion of the Flying Fish deposit in the Greater Western Hub has been transferred to the operating properties and is now reported as part of the Western Hub. This reduction in tonnes in the Greater Western Hub has been partly offset by increases to our existing Elevation and Farquhar deposits. The Pilbara Other update is an addition of 354mt which includes the new Mindy South deposit and an update to the Wonmunna

deposit. This update is an overall increase of 236mt to the development properties Mineral Resources and is reported in accordance with the 2012 JORC Code as identified in the Fortescue ASX release of 27 August 2021 that includes the supporting technical data.

As of 30 June 2021, the total Mineral Resource for development properties, which excludes and is additional to the operating properties, is estimated to be 8,296mt at an average Fe grade of 57.0%. This comprises 433mt for the Greater Chichester deposits, 2,682mt for the Greater Solomon deposits, 1,968mt for the Greater Western deposits, 2,475mt for the Nyidinghu deposit and 738mt for the Pilbara Other deposits.

## Mineral Resources Development Properties - Hematite - as at 30 June 2021

	30 June 2021						30 June 2020					
	In-Situ Tonnes (mt)	Iron Fe %	Silica SiO <sub>2</sub> %	Alumina Al <sub>2</sub> O <sub>3</sub> %	Phos P %	Loss On Ignition LOI %	In-Situ Tonnes (mt)	Iron Fe %	Silica SiO <sub>2</sub> %	Alumina Al <sub>2</sub> O <sub>3</sub> %	Phos P %	Loss On Ignition LOI %
<b>Greater Chichester</b>												
Measured	-	-	-	-	-	-	-	-	-	-	-	-
Indicated	-	-	-	-	-	-	-	-	-	-	-	-
Inferred	433	56.4	7.10	3.77	0.058	7.0	433	56.4	7.10	3.77	0.058	7.0
<b>Total</b>	<b>433</b>	<b>56.4</b>	<b>7.10</b>	<b>3.77</b>	<b>0.058</b>	<b>7.0</b>	<b>433</b>	<b>56.4</b>	<b>7.10</b>	<b>3.77</b>	<b>0.058</b>	<b>7.0</b>
<b>Greater Solomon</b>												
Measured	-	-	-	-	-	-	-	-	-	-	-	-
Indicated	254	56.6	6.70	3.45	0.083	8.3	254	56.6	6.70	3.45	0.083	8.3
Inferred	2,427	56.9	6.87	3.79	0.083	7.2	2,427	56.9	6.87	3.79	0.083	7.2
<b>Total</b>	<b>2,682</b>	<b>56.9</b>	<b>6.85</b>	<b>3.76</b>	<b>0.083</b>	<b>7.3</b>	<b>2,682</b>	<b>56.9</b>	<b>6.85</b>	<b>3.76</b>	<b>0.083</b>	<b>7.3</b>
<b>Greater Western</b>												
Measured	-	-	-	-	-	-	-	-	-	-	-	-
Indicated	99	59.1	5.32	2.45	0.162	7.1	99	59.1	5.32	2.45	0.162	7.1
Inferred	1,868	56.7	6.02	2.99	0.081	9.1	1,987	57.1	5.86	2.90	0.080	8.8
<b>Total</b>	<b>1,968</b>	<b>56.8</b>	<b>5.99</b>	<b>2.96</b>	<b>0.085</b>	<b>9.0</b>	<b>2,086</b>	<b>57.2</b>	<b>5.83</b>	<b>2.88</b>	<b>0.084</b>	<b>8.7</b>
<b>Nyidinghu</b>												
Measured	22	59.7	3.56	2.08	0.140	8.1	22	59.7	3.56	2.08	0.140	8.1
Indicated	575	58.0	4.60	2.97	0.148	8.5	575	58.0	4.60	2.97	0.148	8.5
Inferred	1,878	57.1	5.17	3.41	0.148	8.8	1,878	57.1	5.17	3.41	0.148	8.8
<b>Total</b>	<b>2,475</b>	<b>57.3</b>	<b>5.02</b>	<b>3.30</b>	<b>0.148</b>	<b>8.7</b>	<b>2,475</b>	<b>57.3</b>	<b>5.02</b>	<b>3.30</b>	<b>0.148</b>	<b>8.7</b>
<b>Pilbara Other</b>												
Measured	-	-	-	-	-	-	-	-	-	-	-	-
Indicated	-	-	-	-	-	-	-	-	-	-	-	-
Inferred	738	57.7	6.46	2.61	0.101	7.9	384	57.1	6.10	2.57	0.069	9.1
<b>Total</b>	<b>738</b>	<b>57.7</b>	<b>6.46</b>	<b>2.61</b>	<b>0.101</b>	<b>7.9</b>	<b>384</b>	<b>57.1</b>	<b>6.10</b>	<b>2.57</b>	<b>0.069</b>	<b>9.1</b>
<b>Total Mineral Resources Development Properties - Hematite</b>												
Measured	22	59.7	3.56	2.08	0.140	8.1	22	59.7	3.56	2.08	0.140	8.1
Indicated	929	57.7	5.25	3.05	0.132	8.3	929	57.7	5.25	3.05	0.132	8.3
Inferred	7,345	56.9	6.19	3.37	0.099	8.1	7,109	57.0	6.11	3.37	0.097	8.1
<b>Total</b>	<b>8,296</b>	<b>57.0</b>	<b>6.08</b>	<b>3.33</b>	<b>0.103</b>	<b>8.1</b>	<b>8,060</b>	<b>57.1</b>	<b>6.00</b>	<b>3.33</b>	<b>0.101</b>	<b>8.2</b>

### Notes in reference to table

- The Greater Chichester Mineral Resources includes the Investigator, White Knight and Mount Lewin deposits.
- The Greater Solomon Mineral Resource includes the Serenity, Sheila Valley, Mount MacLeod, Cerberus, Stingray and Raven deposits.
- The Greater Western Mineral Resources includes the Flying Fish, Vivash, Cobra, Lora, Zorb, Farquhar, Elevation, Boolgeeda CID and Wyloo North deposits.
- The Pilbara Other Mineral Resources includes the Fig Tree, Mindy South and Wonmunna deposits.
- All Mineral Resources are quoted on an in-situ basis after applying an appropriate cut-off for each deposit. Details relating to the cut-offs were provided when each Mineral Resource was first announced.
- Mineral Resources are reported inclusive of Ore Reserves.
- Tonnage information has been rounded and as a result the figures may not add up to the totals quoted.

## Mineral Resources Operating Properties – Magnetite

The Mineral Resource for the North Star, Eastern Limb, West Star and Glacier Valley deposits (part of the Iron Bridge Project, 69 per cent Fortescue) was completed by Snowden Mining Industry Consultants in 2019. The remodelling of the resource resulted in a downgrade of the Indicated and Inferred Resources, compared with the previous model. These changes resulted from the following: a new geological interpretation derived from mapping, geophysics and assay data; improved geological understanding leading to improvements in estimation methodology; changes to the Mineral Resource classification which shifted the Indicated and Inferred Mineral Resource boundaries upwards so that the revised classification better constrains the Mineral Resources to the current drilling and is consistent with geological and geostatistical confidence. The Iron Bridge Mineral Resource as at 30 June 2021 remains unchanged from the 2019 Mineral Resource estimate. Ongoing drilling will be incorporated into a revised Mineral

Resource estimate for the Iron Bridge deposit, which is planned to be completed in the first half of FY22.

Following external review and the remodelling of the Iron Bridge Mineral Resources in 2019, 2-3bt of material (at 28–32% Fe, 39–43% SiO<sub>2</sub> and 2–3% Al<sub>2</sub>O<sub>3</sub>, with an average mass recovery of 20–24 per cent) was reclassified in 2019 as an Exploration Target. The Iron Bridge Exploration Target remains unchanged as of 30 June 2021 and is considered a long-term target. The potential quantity and grade of the Exploration Target is conceptual in nature and there has been insufficient exploration to estimate a Mineral Resource. It is uncertain if further exploration will result in the estimation of a Mineral Resource in this area.

Heritage sites of cultural significance have been identified which may impact the Glacier Valley Mineral Resource. The Mineral Resource estimate for Iron Bridge will be updated in FY22 which will include a review of the identified heritage sites and any resulting impacts.

## Mineral Resources Operating Properties - Magnetite – as at 30 June 2021

	30 June 2021					30 June 2020				
	In-Situ Tonnes (mt)	DTR mass recovery %	In-Situ Iron Fe %	In-Situ Silica SiO <sub>2</sub> %	In-Situ Alumina Al <sub>2</sub> O <sub>3</sub> %	In-Situ Tonnes (mt)	DTR mass recovery %	In-Situ Iron Fe %	In-Situ Silica SiO <sub>2</sub> %	In-Situ Alumina Al <sub>2</sub> O <sub>3</sub> %
<b>North Star and Eastern Limb</b>										
Measured	109	25.0	33.2	40.2	2.06	109	25.0	33.2	40.2	2.06
Indicated	825	24.5	30.3	41.3	2.74	825	24.5	30.3	41.3	2.74
Inferred	2,217	24.2	29.8	41.5	2.84	2,217	24.2	29.8	41.5	2.84
<b>Total</b>	<b>3,150</b>	<b>24.3</b>	<b>30.1</b>	<b>41.4</b>	<b>2.79</b>	<b>3,150</b>	<b>24.3</b>	<b>30.1</b>	<b>41.4</b>	<b>2.79</b>
<b>Glacier Valley</b>										
Measured	-	-	-	-	-	-	-	-	-	-
Indicated	191	23.7	33.4	39.4	1.73	191	23.7	33.4	39.4	1.73
Inferred	1,480	20.3	31.9	39.6	1.94	1,480	20.3	31.9	39.6	1.94
<b>Total</b>	<b>1,671</b>	<b>20.6</b>	<b>32.0</b>	<b>39.6</b>	<b>1.92</b>	<b>1,671</b>	<b>20.6</b>	<b>32.0</b>	<b>39.6</b>	<b>1.92</b>
<b>West Star</b>										
Measured	-	-	-	-	-	-	-	-	-	-
Indicated	-	-	-	-	-	-	-	-	-	-
Inferred	627	20.6	28.1	43.8	3.36	627	20.6	28.1	43.8	3.36
<b>Total</b>	<b>627</b>	<b>20.6</b>	<b>28.1</b>	<b>43.8</b>	<b>3.36</b>	<b>627</b>	<b>20.6</b>	<b>28.1</b>	<b>43.8</b>	<b>3.36</b>
<b>Total Mineral Resources Operating Properties – Magnetite</b>										
Measured	109	25.0	33.2	40.2	2.06	109	25.0	33.2	40.2	2.06
Indicated	1,016	24.3	30.9	41.0	2.55	1,016	24.3	30.9	41.0	2.55
Inferred	4,324	22.3	30.3	41.2	2.61	4,324	22.3	30.3	41.2	2.61
<b>Total</b>	<b>5,448</b>	<b>22.7</b>	<b>30.4</b>	<b>41.1</b>	<b>2.59</b>	<b>5,448</b>	<b>22.7</b>	<b>30.4</b>	<b>41.1</b>	<b>2.59</b>

### Notes in reference to table

- As per the Iron Bridge Magnetite Project agreements, Fortescue owns 69 per cent of the reported Total Magnetite Mineral Resource estimate, which are reported on a 100% basis.
- All magnetite Mineral Resources are reported above a nine per cent Mass Recovery cut-off, based on David Tube Recovery (DTR) test work.
- All Mineral Resources are reported on a dry-tonnage basis.
- Mineral Resources are reported inclusive of Ore Reserves.
- Tonnage information has been rounded and as a result the figures may not add up to the totals quoted.

## Competent Persons Statement

The detail in this report that relates to Hematite Mineral Resources is based on information compiled by Mr Stuart Robinson, Mr Nicholas Nitschke, Ms Erin Retz and Mr David Frost-Barnes, full-time employees and shareholders of Fortescue. Each provided technical input for Mineral Resource estimations.

The detail in this report that relates to the Iron Bridge Magnetite Mineral Resources and Exploration Target is based on information compiled by Mr John Graindorge, a full-time employee and shareholder of Fortescue. Mr Graindorge provided technical input for Mineral Resource estimations.

Estimated Ore Reserves for the Chichester and Solomon hubs and Eliwana deposit for fiscal year 2021 were compiled by Mr Jamie Davies, Mr Oliver Wang and Mr Martin Slavik, full-time employees and shareholders of Fortescue.

Estimated Magnetite Ore Reserves for the Iron Bridge project for fiscal year 2021 were compiled by Mr Martin Slavik and Mr Mudit Tandon, full-time employees and shareholders of Fortescue.

Mr Robinson is a Fellow of, and Mr Nitschke, Ms Retz, Mr Frost-Barnes, Mr Davies, Mr Slavik, Mr Wang, Mr Tandon and Mr Graindorge are Members of the Australasian Institute of Mining and Metallurgy. Mr Graindorge is also a Chartered Professional (Geology).

Mr Robinson, Mr Nitschke, Ms Retz, Mr Frost-Barnes, Mr Davies, Mr Slavik, Mr Wang, Mr Tandon and Mr Graindorge have sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.'

Mr Robinson, Mr Nitschke, Ms Retz, Mr Frost-Barnes, Mr Davies, Mr Slavik, Mr Wang, Mr Tandon and Mr Graindorge consent to the inclusion in this report of the matters based on this information in the form and context in which it appears.





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04

# Our approach to sustainability

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# Year at a glance



## SAFETY

**0** Fatalities

**2.0** TRIFR



## EMPLOYMENT

**10,164**

Employees  
(including labour hire)



## ENVIRONMENT

**A\$2.6m**

Research and  
conservation  
programs

**Zero**

Significant  
incidents



## DIVERSITY

**954**

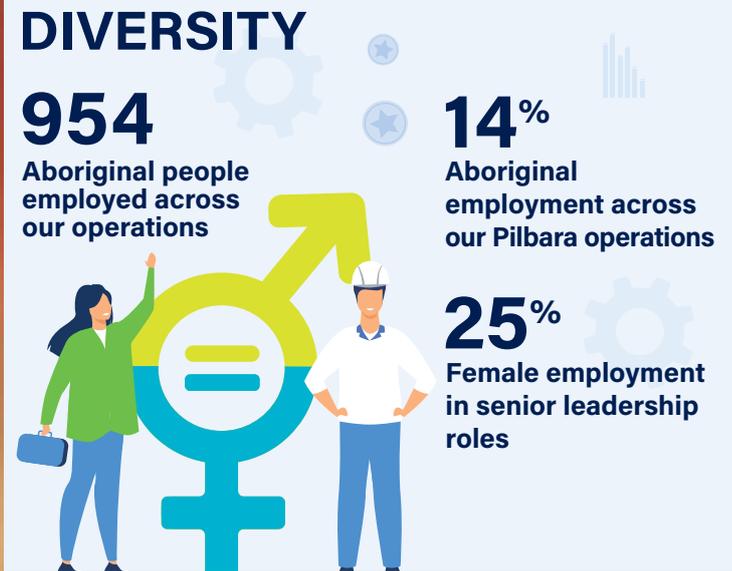
Aboriginal people  
employed across  
our operations

**14%**

Aboriginal  
employment across  
our Pilbara operations

**25%**

Female employment  
in senior leadership  
roles





We integrate sustainability into all aspects of our business. At the heart of our approach is a commitment to create value for our investors, protect the health and safety of our employees, empower our communities and protect the environments in which we operate.

Our Values form the foundation of our approach to sustainability, and integrity is key to building trust with our stakeholders and setting the ethical and moral compass by which we operate. Integrity inspires us to do what we say we are going to do and to be accountable for the impact of our activities on the community and environment.

By empowering our communities through training, development, employment and business opportunities, we can assist them to thrive and prosper.

Our Board-approved Code of Conduct and Integrity establishes the essential standards of personal and corporate conduct of our employees, suppliers, contractors and all those we do business with. This strong base supports our commitments and principles and leads to the development and implementation of policies, opportunities and objectives. These inform specific targets, processes and plans applied across our business.

Compliance with all relevant legislation and obligations, including those that govern health, safety and environment, is the absolute minimum standard to which we operate. Sustainability is integrated into our decision making processes.

Strong governance is critical to ensuring the integration of sustainability across the business and our Board is responsible for the oversight of all sustainability issues, receiving regular updates through our Audit, Risk Management and Sustainability Committee (ARMSC).

At the operational level, sustainability is managed by our Chief Executive Officer with support from the Director Sustainability and Corporate Affairs. We have established an executive Sustainability Committee that meets at least quarterly to oversee all sustainability matters. The implementation of our sustainability strategy, related policies and targets is coordinated by the Sustainability team and applied across the business.

A key responsibility of the Sustainability Committee is to ensure that the sustainability strategy, related policies and targets are integrated into investment decision making. Our sustainability strategy provides guidance on what should be considered at each stage of the process. The early identification and assessment of sustainability matters, including environmental, economic, social and governance risks, alerts Fortescue to potential risks, and enables the planning of mitigation strategies. These assessments may result in amendments to a project or avoidance if the risk of proceeding is found to be too high.

The FY21 Sustainability Report, FY21 Climate Change Report and FY20 Modern Slavery Statement are available on our website at [www.fmgl.com.au](http://www.fmgl.com.au), with our FY21 Modern Slavery Statement due to be published in December 2021.

**Our FY21 Sustainability Report is available at [www.fmgl.com.au](http://www.fmgl.com.au)**

## United Nations Sustainable Development Goals

### Our priority SDGs

**3** GOOD HEALTH AND WELL-BEING



**5** GENDER EQUALITY



**8** DECENT WORK AND ECONOMIC GROWTH



**9** INDUSTRY, INNOVATION AND INFRASTRUCTURE



**10** REDUCED INEQUALITIES



**11** SUSTAINABLE CITIES AND COMMUNITIES



**12** RESPONSIBLE CONSUMPTION AND PRODUCTION



**13** CLIMATE ACTION



## SUSTAINABLE DEVELOPMENT GOALS

The United Nations Sustainable Development Goals (SDGs), adopted in 2015, set the 2030 global agenda for sustainable development. The SDGs are a call for global action by national governments to end poverty, protect the planet and to ensure all people are able to enjoy peace and prosperity.

We have aligned our approach to sustainability with the SDGs and will continue to work with our host governments as they strive to meet these goals. We have prioritised eight of the SDGs.



## Material issues

Fortescue's FY21 Sustainability Report identifies the issues that are material to our business



Material issues are those that may have a significant bearing on our ability to achieve our commitments and targets. These issues are identified through an annual assessment process that considers risks and opportunities, external stakeholder views, our internal subject matter expertise and third-party due diligence.

The assessment involves a cycle of research, identification, prioritisation, validation and review.

During FY21, our materiality assessment considered the following:

- Our sustainability initiatives and targets.
- Corporate risk assessments and audits.
- Company policies, standards and guidelines.

- Results of internal and external stakeholder engagement.
- Media and investor interest and feedback.
- Material issues identified by peers, sustainability leaders and materiality analysis.
- Benchmarking and environmental, social and governance assessments.

Priorities were informed by internal and external engagement, which included workshops with our employees and a broad range of external stakeholders. Materiality was validated by subject leaders and the Executive team, with 11 issues determined to be material.

## Material issues are captured under three sustainability pillars



### Setting high standards

- Employee health and safety
- Economic contribution
- Workforce diversity
- Protecting Aboriginal heritage
- Ethical business conduct



### Safeguarding the environment

- Climate change action and disclosure
- Protecting biodiversity and water resources
- Tailings management



### Creating positive social change

- Creating employment and business opportunities for Aboriginal people
- Building sustainable communities
- Human rights



05

# Corporate Governance



# Overview of Corporate Governance

**Good corporate governance is critical to the long-term, sustainable success of Fortescue. Governance is the collective responsibility of the Board and all levels of management**



Fortescue supports the intent of the 4th Edition of the Australian Securities Exchange (ASX) Corporate Governance Council's Corporate Governance Principles and Recommendations (Principles and Recommendations). Unless otherwise disclosed, Fortescue has reported against the requirements of these Principles and Recommendations.

Our cornerstone principles of corporate governance are:

## Transparency

Being clear and unambiguous about our structure, operations and performance, both externally and internally, and maintaining a genuine dialogue with, and providing insight to, stakeholders and the market generally.

## Integrity

Developing and maintaining a corporate culture committed to ethical behaviour and compliance with the law.

## Empowerment

Ensuring everyone at Fortescue is empowered to make decisions that support our objectives and are in the best interests of stakeholders. Management and employees are encouraged to be innovative and strategic in making decisions that align with our risk appetite and are undertaken in a manner consistent with corporate expectations and standards.

## Corporate accountability

Ensuring that there is clarity of decision making, with processes in place to authorise the right people to make effective and efficient decisions and appropriate consequences delivered when these processes are not followed.

## Stewardship

Developing and maintaining a company-wide recognition that Fortescue is managed for the benefit of its shareholders, taking into account the interests of other stakeholders.

**Our FY21 Corporate Governance Statement is available at [www.fmgil.com.au](http://www.fmgil.com.au)**

Fortescue seeks to adopt leading practice, contemporary governance standards and apply these in a manner consistent with our culture and Values





06

# Our approach to climate change

# Approach to climate change



Fortescue is committed to taking a leadership position on climate change. Climate change is the most pressing challenge of our generation as well as a once in a lifetime opportunity for economic growth and value creation that generates a better, cleaner, more sustainable world

We accept the scientific consensus as assessed by the Intergovernmental Panel on Climate Change (IPCC) and are taking steps to realise the Paris Agreement goal of limiting global temperature rise to well below 2°C above pre-industrial levels.

During FY21, we accelerated our transition from being a major fossil fuel importer to a major clean and renewable energy company by:

- Setting ourselves the target of carbon neutrality by 2030, which requires our net Scope 1 and Scope 2 emissions across existing and future operations to reduce to zero by 2030.



- Establishing our decarbonisation pathway, through applying renewable energy and battery storage to meet our stationary energy requirements, and green hydrogen, green ammonia and battery electric solutions to decarbonise our mobile fleet.
- Creating FFI to lead the global energy transition by developing a portfolio of renewable energy and green hydrogen projects that will accelerate the decarbonisation of hard-to-abate sectors such as metals processing, long-haul transport and industrial heating.
- Expanding our research, development, engagement and collaboration to reduce emissions across our downstream value chain, focusing on shipping and iron and steel production.

**Our FY21 Climate Change Report is available at [www.fmgj.com.au](http://www.fmgj.com.au)**

## CASE STUDY

## Green Hydrogen Plant Bell Bay, Tasmania

FFI is studying the development of a multi-phase green hydrogen hub in Bell Bay, Tasmania, and has signed an Option Agreement with Tasmanian Ports Corporation to exclusively negotiate all land and operating access requirements for the proposed project.

Phase one of the world-leading project envisages:

- Construction of a green hydrogen plant at the Bell Bay Industrial Precinct.
- Green ammonia production of 250,000 tonnes per year for domestic use and international export.
- Powered entirely by Tasmanian renewable energy.

FFI is working to maximise employment, training and business outcomes for Tasmania from the project. We believe this project will be a vital step in positioning Australia at the forefront of a bulk export market for green hydrogen.

This project is targeted for an investment decision by Fortescue's Board in 2021.



## We've set ourselves the target to be carbon neutral by 2030

### Our decarbonisation pathway

Our pathway to decarbonisation is focused on addressing our largest sources of emissions: stationary power and our mining fleet. FFI will be key to Fortescue's decarbonisation pathway through the supply of renewable energy, green hydrogen and green ammonia for our operations.

### Risks and opportunities

The transition to a net zero world presents both opportunities and risks for us.

We undertook our annual climate change focused risk assessment in May 2021, which identified the following material climate-related risks and opportunities:

#### Transitional risks

- Policy and regulatory changes
- Technical viability of decarbonisation strategy
- Reduced demand for products
- Reputational damage.

#### Physical risks – acute

- Increased severity of extreme weather events
- Increased frequency and intensity of bushfires.

#### Physical risks – chronic

- Rising sea levels and storm surge inundation
- Change in precipitation patterns.

### FY21 performance

Our FY21 gross emissions from our operations were 2.22 million tonnes of CO<sub>2</sub>-e, including:

- 2.06 million tonnes of CO<sub>2</sub>-e Scope 1 emissions
- 0.16 million tonnes of CO<sub>2</sub>-e Scope 2 emissions.

In line with our commitment to reduce emissions annually from our FY20 baseline, we have procured and surrendered high quality offsets to reduce our net emissions to 2.01 million tonnes, which is three per cent below our FY20 operational emissions baseline.

Our Climate Change Report is aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and is available on our website at [www.fmgil.com.au](http://www.fmgil.com.au)

## CASE STUDY

## FFI delivers on ambitious targets



### FFI achieved its 30 June 2021 decarbonisation targets.

FFI CEO Julie Shuttleworth AM said, "We set out to test the hypothesis that there was sufficient 100 per cent renewable green energy, hydrogen, ammonia and industrial manufacturing potential for products such as green fertiliser, green iron and steel, to fully satisfy the world's needs. To do so, Fortescue Chairman, Dr Andrew Forrest AO, led two significant overseas expeditions alongside 50 area experts, spending more time on the road than at home in the last 12 months. As a result, the Company has confirmed that hypothesis."

FFI's specialist teams have made groundbreaking progress including:

- Successful combustion of ammonia in a locomotive fuel, with a pathway to achieve completely renewable green fuel.
- Completion of design and construction of a combustion testing device for large marine (ship) engines, with pilot test work underway and a pathway to achieve completely renewable green shipping fuel.
- Finalised design of a next generation ore carrier (ship) that will consume renewable green ammonia, with the Classification Society giving in principle design approval.
- Testing of battery cells to be used on Fortescue haul trucks.
- Design and construction of a hydrogen powered haul truck for technology demonstration complete, with systems testing underway.
- Design and construction of a hydrogen powered drill rig for technology demonstration complete, with systems testing underway.
- Successful production of high purity (>97 per cent) green iron from Fortescue ores.
- Successful initial trialling to use waste from the green iron process noted above, with other easily sourced materials.

Fortescue CEO Elizabeth Gaines said, "At Fortescue, we are leading the heavy industry battle against global warming, transitioning from being a major fossil fuel importer to a significant green and renewable energy and product exporter. We are leading by example to decrease emissions across our operations, using our large industrial platform of operating mine sites in the Pilbara to trial and demonstrate technologies in completely renewable green hydrogen, green ammonia, and green electricity."

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07

# Financial Report

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# Directors' Report



At 30 June 2021

## Directors

The Directors of Fortescue in office during the year and until the date of this report, their qualifications, experience and directorships held in listed companies at any time during the last three years, are set out on pages 11 to 15.

The Directors' meetings, including meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 June 2021,

and the number of meetings attended by each Director are shown in section 2.3 of the Corporate Governance Statement<sup>1</sup>.

The relevant interests of each Director in the shares and share rights issued by Fortescue, as notified by the Directors to the Australian Securities Exchange in accordance with section 5205G(1) of the *Corporations Act 2001*, at the date of this report are as follows:

Director	Ordinary shares	Share rights
Dr A Forrest AO	1,131,365,000	-
M Barnaba AM	40,300	-
E Gaines	981,073	926,125
Dr J Baderschneider	138,000	-
Dr Z Cao	-	-
P Bingham-Hall	47,961	-
J Morris OAM	15,701	-
Dr Y Zhang	12,000	-
Lord S Coe CH, KBE	-	-

<sup>1</sup>FY21 Corporate Governance Statement is available on Fortescue's website at [www.fmgil.com.au](http://www.fmgil.com.au)

The remuneration of Directors and Key Management Personnel is detailed in the Remuneration Report on pages 122 to 158.

## Directors' Report For the year ended 30 June 2021

### Operating and financial review

Fortescue's principal activities during the year were exploration, development, production, processing and sale of iron ore.

During the year ended 30 June 2021, Fortescue established FFI to identify and develop renewable energy opportunities globally.

On 30 January 2020, the World Health Organisation announced that COVID-19 was a global health emergency and later declared it a global pandemic on 11 March 2020. The Group's principal activities are carried out in Western Australia, where the COVID-19 outbreak has been well contained through a series of lockdown measures by both the Australian and Western Australian governments. The Group continues to maintain and expand a range of measures to protect the health and

safety of its people and contribute to efforts to contain the spread of COVID-19 across its operations and the wider community. These measures have enabled Fortescue to maintain planned production and shipping schedules. The COVID-19 outbreak has not had a material impact on the financial results of the Group as at and for the 12 months ended 30 June 2021, or on its ability to continue as a going concern.

The overview of Fortescue's operations, including a discussion of strategic priorities and outlook, key aspects of operating and financial performance and key business risks are contained in the following sections of the Annual Report: Overview on pages 3 to 24, Operating and Financial Review on pages 25 to 42 and Corporate Governance Statement<sup>1</sup> section 4 Risk Management.

### Dividends

	2021
<b>Profit</b>	<b>US\$m</b>
Net profit after tax	10,295
<b>Declared and paid during the year:</b>	<b>A\$ cents</b>
Final ordinary dividend for the year ended 30 June 2020 – paid in October 2020	100
Interim ordinary dividend for the year ended 30 June 2021 – paid in March 2021	147
Total – declared and paid during the year	247
<b>Declared since the end of the financial year:</b>	
Final ordinary dividend for the year ended 30 June 2021 – to be paid in September 2021	<b>211</b>

### Environmental regulation and compliance

Fortescue is committed to minimising the environmental impacts of its operations, with an appropriate focus placed on continuous monitoring of environmental matters and compliance with environmental regulations.

The details of Fortescue's environmental performance including compliance with the relevant environmental legislation are presented in Fortescue's FY21 Sustainability Report<sup>2</sup>.

### Greenhouse gas emissions and energy

Fortescue complies with the *Australian Government's National Greenhouse and Energy Reporting Act 2007 (Cth)* and recognises its responsibility to actively improve energy use and minimise greenhouse gas emissions to reduce its contribution to climate change and impact on the environment.

The details of greenhouse gas emissions and energy strategy, compliance and reporting are presented in Fortescue's FY21 Sustainability Report<sup>2</sup>.

### Shares under option

As at the date of this report, there were no unissued ordinary shares under options, nor were there any ordinary shares issued during the year ended 30 June 2021 as a result of the exercise of options.

### Company Secretary

Cameron Wilson and Alison Terry are Company Secretaries of Fortescue. Details of their qualifications and experience are set out on pages 15 and 18 of this report.

<sup>1</sup>FY21 Corporate Governance Statement is available on Fortescue's website at [www.fmgil.com.au](http://www.fmgil.com.au)

<sup>2</sup>FY21 Sustainability Report is available on Fortescue's website at [www.fmgil.com.au](http://www.fmgil.com.au)

## Directors' Report For the year ended 30 June 2021

### Directors' and Officers' indemnities and insurance

Since the end of the previous year, Fortescue has paid premiums to insure the Directors and Officers of Fortescue.

The liabilities insured are legal costs that may be incurred in defending civil proceedings that may be brought against the Officers in their capacity as Officers of Fortescue, and any other payments arising from liabilities incurred by the Officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the Officers or the improper use by the Officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to Fortescue.

It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities. Conditions of the policy also preclude disclosure to third parties of the amount paid for the policy.

### Non-audit services

Fortescue may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor has relevant expertise and experience and where the auditor's independence is not compromised.

Details of the amounts paid or payable to the auditor PricewaterhouseCoopers Australia and related entities for audit and non-audit services provided during the year are set out in note 19 to the financial statements.

The Board of Directors has considered the position and, in accordance with advice received from the Audit, Risk Management and Sustainability Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* and did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the Audit, Risk Management and Sustainability Committee to ensure they do not impact the impartiality and objectivity of the auditor.
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

The auditor's independence declaration, as required under section 307C of the *Corporations Act 2001*, is set out on page 69 and forms part of this report.

### Future developments

The Overview section set out on pages 3 to 24 and the Operating and Financial Review section set out on pages 25 to 42 of this Annual Report provide an indication of the Group's likely developments and expected results. In the opinion of the Directors, disclosure of any further information about these matters and the impact on Fortescue's operations could result in unreasonable prejudice to the Group and has not been included in this report.

### Significant changes in state of affairs

There have been no significant changes in the state of affairs of Fortescue, other than those disclosed in this report.

### Proceedings on behalf of the Group

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of Fortescue, or to intervene in any proceedings to which Fortescue is a party, for the purposes of taking responsibility on behalf of Fortescue for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

### Rounding of amounts

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that instrument to the nearest million dollars, unless otherwise stated.

### Events occurring after the reporting period

On 30 August 2021, the Directors declared a final dividend of 211 Australian cents per ordinary share payable in September 2021.

This report has been made in accordance with a resolution of the Directors.



**Dr Andrew Forrest AO**  
Chairman

Dated in Perth this 30th day of August 2021.

## Auditor's independence declaration



### Auditor's independence declaration

As lead auditor for the audit of Fortescue Metals Group Ltd for the year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit, and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Fortescue Metals Group Ltd and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Justin Carroll', written in a cursive style.

**Justin Carroll**  
Partner

**PricewaterhouseCoopers**

Perth

30 August 2021

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**PricewaterhouseCoopers, ABN 52 780 433 757**

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Liability limited by a scheme approved under Professional Standards Legislation.

# Independent auditor's report



To the members of  
Fortescue Metals Group Ltd

## Report on the audit of the financial report

### Our opinion

In our opinion:

The accompanying financial report of Fortescue Metals Group Ltd (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended, and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2021
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated income statement for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information, and
- the directors' declaration.



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## Independent auditor's report For the year ended 30 June 2021

### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

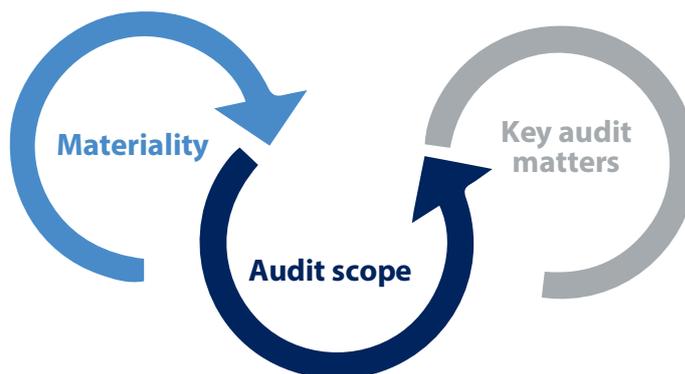
### Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

### Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



### Materiality

- For the purpose of our audit we used overall Group materiality of \$430 million, which represents approximately 5% of the three year average profit before tax of the Group for the current and two previous years.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Group profit before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. We applied a three year average to address potential volatility in the calculation of materiality that arises from iron ore price fluctuations between years.
- We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

### Audit Scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- The primary activity of the Group is the operation of integrated iron ore mining operations and infrastructure comprising various iron ore mines in the Chichester and Hamersley ranges, a rail network and port facilities in Port Hedland.

## Independent auditor's report For the year ended 30 June 2021

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit, Risk Management and Sustainability Committee.

Key audit matter	How our audit addressed the key audit matter
<p><b>Revenue from provisional pricing adjustments – sale of iron ore</b> (Refer to note 3 and 24(f))</p> <p>Fortescue's sales contracts may provide for provisional pricing of sales at the time the product is delivered to the vessel; with final pricing determined using the relevant price indices on or after the vessel's arrival to the port of discharge.</p> <p>For the year ended 30 June 2021, the Group recognised a net increase to revenue of US\$1,175 million from provisional pricing adjustments to iron ore revenue. Provisional pricing adjustments represent any difference between the revenue recognised at the bill of lading and the final settlement price.</p> <p>This was a key audit matter as these provisional pricing adjustments may represent a significant component of revenue within the consolidated income statement. Also, for sales where final settlement price is yet to be determined, the value of this revenue is adjusted by considering tonnes subject to price finalisation at the end of the period and applying the closing spot rate.</p>	<p>We performed the following audit procedures, amongst others, over the provisional pricing adjustments to the sale of iron ore revenue:</p> <ul style="list-style-type: none"> <li>▪ We performed tests of IT systems and key controls over the calculation of provisional pricing adjustments to revenue.</li> <li>▪ For a sample of sales contracts open at balance date, we inspected the sales contracts and assessed key terms of the sale including the volume of sales and duration of any provisional sales period.</li> <li>▪ For a sample of sales contracts with provisional pricing adjustments recorded in the current year, we recalculated the recorded provisional pricing adjustments to revenue and final value of revenue recognised. We found them to be consistent with relevant external price indices and cash settlements.</li> </ul>

## Independent auditor's report For the year ended 30 June 2021

### Restoration and rehabilitation obligations (Refer to note 13(a) and 24(e))

The Group recognised provisions for restoration and rehabilitation obligations of US\$958 million as at 30 June 2021.

This was a key audit matter as the calculation of these provisions requires judgement by the Group in estimating the magnitude of possible works required for the removal of infrastructure and rehabilitation activities, the future cost of performing the work, when rehabilitation activities will take place and the economic assumptions such as inflation and discount rates relevant to such liabilities.

The judgement required by the Group to estimate such costs is exercised in circumstances where there has been limited restoration and rehabilitation activity by the Group or historical precedent against which to benchmark estimates of future costs. These factors combine to make this area a Key Audit Matter.

To assess the Group's restoration and rehabilitation obligations, we performed the following audit procedures, amongst others:

- We developed an understanding of how the Group identified the relevant methods, assumptions and sources of data, and the need for changes in them, that are appropriate for developing the closure plans and associated cost estimates in the context of the Australian Accounting Standards.
- We developed an understanding of the relevant control activities associated with developing the closure plans and associated cost estimates.
- Where experts were engaged by the Group to review closure plans, we evaluated the competency and objectivity of these experts.
- We assessed the appropriateness of the Group's significant assumptions used in the closure plans and associated cost estimates.
- We assessed the appropriateness, reliability and relevancy of the Group's key data used in the closure plans and associated cost estimates.
- We evaluated the expected timing of restoration and rehabilitation activities.
- We tested the mathematical accuracy of the calculations and assessed whether they were in accordance with the method.
- We benchmarked key market-related assumptions including inflation rates and discount rates against external market data.
- We assessed provision movements in the year relating to restoration and rehabilitation obligations to determine whether they were consistent with our understanding of the Group's operations and associated rehabilitation plans.

### Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Independent auditor's report For the year ended 30 June 2021

### Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf). This description forms part of our auditor's report.

## Report on the remuneration report

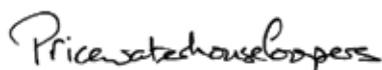
### Our opinion on the remuneration report

We have audited the remuneration report included in pages 122 to 158 of the directors' report for the year ended 30 June 2021.

In our opinion, the remuneration report of Fortescue Metals Group Ltd for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.



**PricewaterhouseCoopers**



**Justin Carroll**  
Partner

**Perth**  
**30 August 2021**

# Directors' declaration



**Dr Andrew Forrest AO**

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 76 to 121 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the consolidated entity's financial position at 30 June 2021 and of its performance for the year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 20 will be able to meet any obligations or liabilities to which they are, or may become, subject to by virtue of the deed of cross guarantee described in note 20.

Note 1(a) confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declaration by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors.

**Dr Andrew Forrest AO**  
Chairman

Dated in Perth this 30th day of August 2021.

## Consolidated income statement

For the year ended 30 June 2021

	Note	2021 US\$m	2020 US\$m
Operating sales revenue	3	22,284	12,820
Cost of sales	5	(6,794)	(5,742)
<b>Gross profit</b>		<b>15,490</b>	<b>7,078</b>
Other income	4	-	58
Other expenses	6	(544)	(224)
<b>Profit before tax and net finance expenses</b>		<b>14,946</b>	<b>6,912</b>
Finance income	7	16	50
Finance expenses	7	(240)	(272)
<b>Profit before tax</b>		<b>14,722</b>	<b>6,690</b>
Income tax expense	14	(4,427)	(1,955)
<b>Profit for the year after tax</b>		<b>10,295</b>	<b>4,735</b>
<b>Profit for the year is attributable to:</b>			
Equity holders of the Company		10,295	4,735
Non-controlling interest		-	-
<b>Profit for the year after tax</b>		<b>10,295</b>	<b>4,735</b>
	Note	Cents	Cents
<b>Earnings per share attributable to the ordinary equity holders of the Company:</b>			
Basic earnings per share	8	334.6	153.9
Diluted earnings per share	8	333.3	153.2

## Consolidated statement of comprehensive income

For the year ended 30 June 2021

	2021 US\$m	2020 US\$m
<b>Profit after tax</b>	<b>10,295</b>	<b>4,735</b>
<b>Other comprehensive income:</b>		
<b>Items that may be reclassified to profit or loss in subsequent periods, net of tax:</b>		
Exchange differences on translation of foreign operations	(14)	5
<b>Items that will not be reclassified to profit or loss in subsequent periods, net of tax:</b>		
Gain on investments taken to equity	2	1
<b>Other comprehensive income / (loss), net of tax</b>	<b>(12)</b>	<b>6</b>
<b>Total comprehensive income for the period, net of tax</b>	<b>10,283</b>	<b>4,741</b>
Total comprehensive income for the period attributable to:		
Equity holders of the Company	10,283	4,741
<b>Total comprehensive income for the period, net of tax</b>	<b>10,283</b>	<b>4,741</b>

The above consolidated income statement and consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

## Consolidated statement of financial position

As at 30 June 2021

	Note	2021 US\$m	2020 US\$m
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	9(b)	6,930	4,855
Trade and other receivables	10(a)	713	543
Inventories	10(c)	1,212	828
Other current assets		104	71
<b>Total current assets</b>		<b>8,959</b>	<b>6,297</b>
<b>Non-current assets</b>			
Trade and other receivables		24	2
Property, plant and equipment	12	19,387	17,073
Intangible assets		10	7
Other non-current assets		3	19
<b>Total non-current assets</b>		<b>19,424</b>	<b>17,101</b>
<b>Total assets</b>		<b>28,383</b>	<b>23,398</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	10(b)	1,918	1,057
Borrowings and lease liabilities	9(a)	167	186
Provisions	13	327	277
Deferred joint venture contributions	17(c)	-	251
Current tax payable	14(c)	1,468	1,024
<b>Total current liabilities</b>		<b>3,880</b>	<b>2,795</b>
<b>Non-current liabilities</b>			
Trade and other payables		13	50
Borrowings and lease liabilities	9(a)	4,085	4,927
Provisions	13	955	738
Deferred tax liabilities	14(d)	1,715	1,644
<b>Total non-current liabilities</b>		<b>6,768</b>	<b>7,359</b>
<b>Total liabilities</b>		<b>10,648</b>	<b>10,154</b>
<b>Net assets</b>		<b>17,735</b>	<b>13,244</b>
<b>EQUITY</b>			
Contributed equity	9(d)	1,105	1,167
Reserves		46	62
Retained earnings		16,576	12,002
<b>Equity attributable to equity holders of the Company</b>		<b>17,727</b>	<b>13,231</b>
Non-controlling interest		8	13
<b>Total equity</b>		<b>17,735</b>	<b>13,244</b>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

## Consolidated statement of cash flows

For the year ended 30 June 2021

	Note	2021 US\$m	2020 US\$m
<b>Cash flows from operating activities</b>			
Cash receipts from customers		22,181	12,704
Payments to suppliers and employees		(5,371)	(4,417)
Cash generated from operations		16,810	8,287
Interest received		15	48
Interest paid		(216)	(235)
Income tax paid		(4,015)	(1,685)
<b>Net cash inflow from operating activities</b>	<b>9(c)(i)</b>	<b>12,594</b>	<b>6,415</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment - Fortescue		(2,585)	(1,768)
Payments for property, plant and equipment - joint operations		(797)	(177)
Payments of deferred joint venture contributions		(251)	(21)
Proceeds from disposal of plant and equipment		7	7
Purchase of financial assets		(1)	(9)
<b>Net cash outflow from investing activities</b>		<b>(3,627)</b>	<b>(1,968)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		1,500	1,625
Repayment of borrowings		(2,281)	(792)
Repayment of lease liabilities		(170)	(113)
Finance costs paid		(97)	(32)
Dividends paid		(5,684)	(1,925)
Acquisition of non-controlling interest		(40)	-
Purchase of shares by employee share trust		(121)	(44)
<b>Net cash outflow from financing activities</b>		<b>(6,893)</b>	<b>(1,281)</b>
Net increase / (decrease) in cash and cash equivalents		2,074	3,166
Cash and cash equivalents at the beginning of the period		4,855	1,874
Effects of exchange rate changes on cash and cash equivalents		1	(185)
<b>Cash and cash equivalents at the end of the period</b>	<b>9(b)</b>	<b>6,930</b>	<b>4,855</b>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

## Consolidated statement of changes in equity

For the year ended 30 June 2021

	Attributable to equity holders of the Company				Non-controlling interest US\$m	Total equity US\$m
	Contributed equity US\$m	Reserves US\$m	Retained earnings US\$m	Total US\$m		
<b>Balance at 1 July 2019</b>	1,181	42	9,365	10,588	13	10,601
Adjustment on adoption of AASB 16	-	-	(7)	(7)	-	(7)
Restated total equity at 1 July 2019	1,181	42	9,358	10,581	13	10,594
Net profit after tax	-	-	4,735	4,735	-	4,735
Other comprehensive income	-	6	-	6	-	6
<b>Total comprehensive income for the period, net of tax</b>	-	6	4,735	4,741	-	4,741
<b>Transactions with owners:</b>						
Purchase of shares under employee share plans	(42)	-	-	(42)	-	(42)
Employee share awards vested	28	(28)	-	-	-	-
Equity settled share-based payment transactions	-	42	-	42	-	42
Dividends declared	-	-	(2,093)	(2,093)	-	(2,093)
Other	-	-	2	2	-	2
<b>Balance at 30 June 2020</b>	1,167	62	12,002	13,231	13	13,244
<b>Balance at 1 July 2020</b>	1,167	62	12,002	13,231	13	13,244
Net profit after tax	-	-	10,295	10,295	-	10,295
Other comprehensive income	-	(12)	-	(12)	-	(12)
<b>Total comprehensive income for the period, net of tax</b>	-	(12)	10,295	10,283	-	10,283
<b>Transactions with owners:</b>						
Purchase of shares under employee share plans	(121)	-	-	(121)	-	(121)
Employee share awards vested	59	(59)	-	-	-	-
Equity settled share-based payment transactions	-	94	-	94	-	94
Shares in subsidiary issued to non-controlling interests	-	(8)	-	(8)	8	-
Acquisition of non-controlling interest	-	(32)	-	(32)	(13)	(45)
Dividends declared	-	-	(5,720)	(5,720)	-	(5,720)
Other	-	1	(1)	-	-	-
<b>Balance at 30 June 2021</b>	1,105	46	16,576	17,727	8	17,735

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

# Notes to the consolidated financial statements

For the year ended 30 June 2021

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## Notes to the consolidated financial statements For the year ended 30 June 2021

## Basis of preparation

### 01 Basis of preparation

The financial statements cover the consolidated group comprising of Fortescue Metals Group Ltd (the Company) and its subsidiaries, together referred to as Fortescue or the Group. The Company is a for-profit company limited by shares and incorporated in Australia, whose shares are publicly traded on the Australian Stock Exchange.

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), including Australian Interpretations, and the *Corporations Act 2001*.

#### (a) Compliance with IFRS

The financial statements of the Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

#### (b) Historical cost convention

The financial statements have been prepared under the historical cost convention, except for certain financial instruments, which have been measured at fair value.

#### (c) Functional and presentation currency

The financial statements are presented in United States dollars, which is the Group's reporting currency and the functional currency of the Company and the majority of its subsidiaries.

#### (d) Critical accounting estimates

The preparation of financial statements requires management to use estimates, judgements and assumptions. Application of different assumptions and estimates may have a significant impact on Fortescue's net assets and financial results. Estimates and assumptions are reviewed on an ongoing basis and are based on the latest available information at each reporting date. Actual results may differ from the estimates.

The areas involving a higher degree of judgement and complexity, or areas where assumptions are significant to the financial statements are:

- Iron ore reserve estimates
- Exploration and evaluation expenditure
- Development expenditure
- Property, plant and equipment – recoverable amount
- Rehabilitation estimates
- Revenue.

The accounting estimates and judgements applied to these areas are disclosed in note 24.

#### (e) Rounding of amounts

All amounts in the financial statements have been rounded to the nearest million dollars, except as indicated, in accordance with the ASIC Corporations Instrument 2016/191.

## Notes to the consolidated financial statements For the year ended 30 June 2021

## Financial performance

### 02 Segment information

Fortescue's chief operating decision maker is identified as the Chief Executive Officer (CEO) and its segments are identified based on the internal reports that are reviewed and used by the CEO in assessing performance and determining the allocation of resources. Accordingly, one reportable operating segment has been identified in presenting the Group's consolidated financial performance.

Fortescue uses Underlying EBITDA, defined as earnings before interest, tax, depreciation and amortisation, exploration, development and other expenses, as a key measure of its financial performance. The reconciliation of Underlying EBITDA to net profit after tax is presented below.

	Note	2021 US\$m	2020 US\$m
<b>Underlying EBITDA</b>		<b>16,375</b>	<b>8,375</b>
Finance income	7	16	50
Finance expenses	7	(240)	(272)
Depreciation and amortisation	5, 6	(1,366)	(1,400)
Exploration, development and other	6	(63)	(63)
<b>Profit before tax</b>		<b>14,722</b>	<b>6,690</b>
Income tax expense	14	(4,427)	(1,955)
<b>Net profit after tax</b>		<b>10,295</b>	<b>4,735</b>

#### (a) Geographical information

Fortescue operates predominantly in the geographical location of Australia, and this is the location of the vast majority of the Group's assets. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. The amounts presented exclude fair value loss in derivatives designated as cash flow hedges of US\$198 million (30 June 2020: nil).

	2021 US\$m	2020 US\$m
<b>Revenues from external customers</b>		
China	20,164	12,126
Other	2,318	694
	<b>22,482</b>	<b>12,820</b>

#### (b) Major customer information

Revenue from two customers amounted to US\$2,226 million and US\$1,912 million respectively (2020: US\$1,395 million and US\$1,754 million), arising from the sale of iron ore and the related shipment of product.

## Notes to the consolidated financial statements For the year ended 30 June 2021

## Financial performance

## 03 Operating sales revenue

	2021 US\$m	2020 US\$m
Iron ore revenue	19,876	11,721
Provisional pricing adjustments - iron ore	1,175	(140)
Cash flow hedging adjustment <sup>1</sup>	(198)	-
<b>Total iron ore revenue<sup>2</sup></b>	<b>20,853</b>	<b>11,581</b>
Shipping revenue	1,314	1,192
Provisional pricing adjustments - shipping revenue	64	4
<b>Total shipping revenue<sup>2</sup></b>	<b>1,378</b>	<b>1,196</b>
Other revenue <sup>3</sup>	53	43
<b>Operating sales revenue</b>	<b>22,284</b>	<b>12,820</b>

<sup>1</sup> Cash flow hedging adjustment represents the effective loss reclassified from other comprehensive income (OCI) to profit or loss on close out of the hedge position during the year.

<sup>2</sup> Certain sales contracts are provisionally priced at the initial revenue recognition (bill of lading) date, with the final settlement price based on a pre-determined quotation period. Operating sales revenue from these contracts each comprise two parts:

- (i) Iron ore revenue and shipping revenue recognised at the bill of lading date at current prices
- (ii) Provisional pricing adjustments which represent any difference between the revenue recognised at the bill of lading date and the final settlement price.

Shipping revenue and the provisional pricing adjustments to shipping revenue are recognised over the period during which the shipping service has been provided.

<sup>3</sup> Other revenue includes towage services provided by Fortescue (commenced in September 2019) which is recognised as performed.

## 04 Other income

	2021 US\$m	2020 US\$m
Net foreign exchange gain	-	52
Other	-	6
	-	58

## 05 Cost of sales

	2021 US\$m	2020 US\$m
Mining and processing costs	2,110	1,938
Rail costs	211	186
Port costs	201	169
Shipping costs	1,333	1,190
Government royalty	1,560	845
Depreciation and amortisation	1,346	1,383
Other operating expenses	33	31
	<b>6,794</b>	<b>5,742</b>

Total employee benefits expense included in cost of sales and administration expenses is US\$1,143 million (2020: US\$869 million).

## Notes to the consolidated financial statements For the year ended 30 June 2021

## Financial performance

### 06 Other expenses

	2021 US\$m	2020 US\$m
Administration expenses	155	114
FFI expenditure	104	-
Exploration, development and other	63	63
Depreciation and amortisation	20	17
Fair value change in derivatives not designated as hedging instruments	59	30
Net foreign exchange loss	142	-
Other	1	-
	<b>544</b>	<b>224</b>

### 07 Finance income and finance expenses

	2021 US\$m	2020 US\$m
<b>Finance income</b>		
Interest income	16	50
	<b>16</b>	<b>50</b>
<b>Finance expenses</b>		
Interest expense on borrowings and lease liabilities	143	209
Loss on early debt redemption	77	16
Interest on prepayment	-	13
Other	20	34
	<b>240</b>	<b>272</b>

### 08 Earnings per share

	2021 cents	2020 cents
<b>(a) Earnings per share</b>		
Basic	334.6	153.9
Diluted	333.3	153.2
<b>(b) Reconciliation of earnings used in calculating earnings per share</b>	<b>US\$m</b>	<b>US\$m</b>
Profit attributable to the ordinary equity holders of the Company used in calculating basic and diluted earnings per share	10,295	4,735
<b>(c) Weighted average number of shares used as denominator</b>	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	3,077,082,330	3,077,324,924
<b>Adjustments for calculation of diluted earnings per share:</b>		
Potential ordinary shares	11,355,549	12,713,541
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	3,088,437,879	3,090,038,465

#### (d) Information on the classification of securities

Share rights granted to employees under the Fortescue incentive plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. Details relating to the share rights are set out in note 18.

## Notes to the consolidated financial statements For the year ended 30 June 2021

## Capital management

### 09 Capital management

Fortescue's capital management policy supports its strategic objectives and provides a framework to maintain a strong capital structure to deliver consistent returns to its shareholders as well as invest in future developments and expansion of the business.

Fortescue's capital includes shareholders' equity, reserves and net debt. Net debt is defined as borrowings and lease liabilities less cash and cash equivalents.

	Note	2021 US\$m	2020 US\$m
Borrowings	9(a)	3,442	4,234
Lease liabilities	9(a)	810	879
Cash and cash equivalents	9(b)	(6,930)	(4,855)
<b>Net debt/(net cash)</b>		<b>(2,678)</b>	<b>258</b>
Equity attributable to equity holders of the Company		17,727	13,231
Non-controlling interest		8	13
<b>Total equity</b>		<b>17,735</b>	<b>13,244</b>

Capital management involves a continuous process of:

- Evaluating capital requirements against the risks arising from Fortescue's activities and its operating environment.
- Raising, refinancing and repaying debt.
- Development, maintenance and implementation of the dividend policy, including the dividend reinvestment plan.

To achieve its primary capital management objective of maintaining a strong capital structure, Fortescue has developed target ranges for a number of financial indicators. These indicators include gearing, net gearing, debt to Underlying EBITDA and interest coverage ratio, which are monitored together with a number of other financial and non-financial indicators. Target ranges for the financial ratios are based on investment grade metrics which may vary upon the investment and commodity cycles. During periods of intensive investment, for example expansion programs, or a commodity downturn, the capital management policy contemplates interim ratio levels returning to a targeted longer term level. Interim levels acknowledge and consider the requirements, in certain circumstances, for remedial actions to be taken.

As per previous disclosures, Fortescue has a share buy-back program in place and is an important part of the capital management strategy. The program was put in place in 2018 and was extended in October 2020 for an unlimited duration.

	2021 US\$m	2020 US\$m
<b>(a) Borrowings and lease liabilities</b>		
Senior unsecured notes	31	24
Syndicated term loan	7	8
Revolving credit facility	-	9
Lease liabilities	129	145
<b>Total current borrowings and lease liabilities</b>	<b>167</b>	<b>186</b>
Senior unsecured notes	2,824	2,583
Syndicated term loan	580	585
Revolving credit facility	-	1,025
Lease liabilities	681	734
<b>Total non-current borrowings and lease liabilities</b>	<b>4,085</b>	<b>4,927</b>
<b>Total borrowings and lease liabilities</b>	<b>4,252</b>	<b>5,113</b>

## Notes to the consolidated financial statements For the year ended 30 June 2021

## Capital management

### 09 Capital management (continued)

#### (a) Borrowings and lease liabilities (continued)

##### (i) Senior unsecured notes

On 19 March 2021, Fortescue completed a US\$1.5 billion offering of senior unsecured notes ('Notes') at an interest rate of 4.375 per cent, with a 10 year maturity at 1 April 2031. Proceeds from the offering of the Notes were applied to the repayment of Fortescue's US\$750 million 2022 Notes and the US\$500 million 2023 Notes, with the remainder being retained as cash on hand. The Notes rank pari passu with all existing and future senior unsecured indebtedness.

As at 30 June 2021 the Company had the following senior unsecured notes on issue:

Date of issue	Date of maturity	Non-call period	Face value US\$m	Carrying value US\$m	Coupon rate %	Currency
May 2017	May 2024	7 years	750	750	5.125%	USD
September 2019	September 2027	8 years	600	603	4.500%	USD
March 2021	April 2031	10 years	1,500	1,502	4.375%	USD
			<b>2,850</b>	<b>2,855</b>		

Fortescue's listed debt instruments are classified as level 1 financial instruments in the fair value hierarchy with their fair values based on quoted market prices at the end of the reporting period. Refer to note 11(d).

##### (ii) Syndicated term loan

The syndicated term loan matures in June 2025, and as at 30 June 2021 had a carrying value of US\$587 million (30 June 2020: US\$593 million) with a coupon rate linked to LIBOR plus a fixed margin. The facility has principal repayment of 1 per cent per annum with early repayment of the facility at Fortescue's option without penalty.

##### (iii) Revolving credit facility

Fortescue elected to repay the full amount of the revolving credit facility, which was drawn on 2 April 2020, of US\$1,025 million plus accrued interest on 29 July 2020. The facility remains available for redraw and repayment until the maturity date of 28 July 2023. If drawn, interest accrues based on a variable rate linked to LIBOR plus a fixed margin and is payable at the end of the interest period selected (either one, two, three or six months), with the principal due at maturity.

##### (iv) Lease liabilities

The Group enters into contractual arrangements for leases of mining equipment, vehicles, buildings and other assets. Typically, the duration of these contracts is for periods of between 2 and 5 years, some of which include extension options and are recognised within lease liabilities.

	2021 US\$m	2020 US\$m
Expense relating to short-term leases	190	96
Expense relating to leases of low-value assets that are not shown above as short-term leases	3	1
Expense relating to variable lease payments not included in the measurement of lease liabilities	102	40
Future cash flows from leases not yet commenced	69	45

## Notes to the consolidated financial statements For the year ended 30 June 2021

**Capital management****09 Capital management (continued)****(a) Borrowings and lease liabilities (continued)***(v) Summary of movements in borrowings and lease liabilities*

	Senior unsecured notes US\$m	Syndicated term loan US\$m	Revolving credit facility US\$m	Lease liabilities US\$m	Total US\$m
<b>Balance at 1 July 2019</b>	2,001	1,378	-	573	3,952
Initial recognition	-	-	-	237	237
Additions	600	-	1,025	191	1,816
Interest expense	127	33	9	62	231
Payments	(113)	(830)	-	(177)	(1,120)
Transaction costs	(8)	12	-	-	4
Foreign exchange gain	-	-	-	(7)	(7)
<b>Balance at 30 June 2020</b>	2,607	593	1,034	879	5,113
Additions	1,500	-	-	104	1,604
Interest expense	134	14	3	57	208
Payments	(1,374)	(20)	(1,037)	(276)	(2,707)
Transaction costs	(12)	-	-	-	(12)
Foreign exchange loss	-	-	-	46	46
<b>Balance at 30 June 2021</b>	<b>2,855</b>	<b>587</b>	<b>-</b>	<b>810</b>	<b>4,252</b>

Information about Fortescue's exposure to interest rate risk and foreign exchange rate risk is disclosed in note 11.

## Notes to the consolidated financial statements For the year ended 30 June 2021

**Capital management****09 Capital management (continued)****(b) Cash and cash equivalents**

	2021 US\$m	2020 US\$m
Cash at bank	5,465	3,074
Short term deposits	1,465	1,781
	<b>6,930</b>	<b>4,855</b>

Cash and cash equivalents do not have any restrictions by contractual or legal arrangements.

**(c) Cash flow information**

*(i) Reconciliation of profit after income tax to net cash inflow from operating activities*

	2021 US\$m	2020 US\$m
Net profit after tax	10,295	4,735
Depreciation and amortisation	1,366	1,400
Exploration, development and other	63	63
Share-based payment expense	94	41
Net unrealised foreign exchange loss	8	19
Cost of early debt repayment	79	16
Rehabilitation expenditure	-	(2)
Depreciation in inventory	49	18
Other non-cash items	(69)	(81)
<b>Working capital adjustments:</b>		
Increase in payables	824	71
(Increase) / decrease in receivables	(192)	380
Increase in inventories	(384)	(56)
Increase in other assets	(13)	(42)
Decrease in deferred income	-	(486)
Increase in provisions	62	72
Increase in provision for income taxes payable	341	311
Increase / (decrease) in deferred tax liabilities	71	(44)
<b>Net cash inflow from operating activities</b>	<b>12,594</b>	<b>6,415</b>

## Notes to the consolidated financial statements For the year ended 30 June 2021

**Capital management****09 Capital management (continued)****(d) Contributed equity***(i) Share capital*

	<b>Issued shares</b>	<b>Treasury shares</b>	<b>Contributed equity</b>	<b>Issued shares</b>	<b>Treasury shares</b>	<b>Contributed equity</b>
	<b>Number</b>	<b>Number</b>	<b>Number</b>	<b>US\$m</b>	<b>US\$m</b>	<b>US\$m</b>
At 1 July 2019	3,078,964,918	(1,510,681)	3,077,454,237	1,195	(14)	1,181
Purchase of shares under employee share plans	-	(8,017,231)	(8,017,231)	-	(42)	(42)
Employee share awards vested	-	8,277,348	8,277,348	-	28	28
<b>At 30 June 2020</b>	<b>3,078,964,918</b>	<b>(1,250,564)</b>	<b>3,077,714,354</b>	<b>1,195</b>	<b>(28)</b>	<b>1,167</b>
Purchase of shares under employee share plans	-	(9,394,611)	(9,394,611)	-	(121)	(121)
Employee share awards vested	-	8,984,665	8,984,665	-	59	59
<b>At 30 June 2021</b>	<b>3,078,964,918</b>	<b>(1,660,510)</b>	<b>3,077,304,408</b>	<b>1,195</b>	<b>(90)</b>	<b>1,105</b>

*(ii) Issued shares*

Issued shares are fully paid and entitle the holders to one vote per share and the rights to participate in dividends. Ordinary shares participate in the proceeds on winding up of the Company in proportion to the number of shares held.

*(iii) Treasury shares*

Movements in treasury shares represent acquisition of the Company's shares on market and allocation of shares to the Company's employees from the vesting of awards and exercise of rights under the employee share-based payment plans.

*(iv) Share buy-back program*

During the period, the Company did not acquire any of its own shares on market under the share buy-back program which was extended on 10 October 2020 for an unlimited duration. The maximum number of shares which can be bought back is determined periodically by the Company's 10/12 limit, being that a company cannot buy back more than 10 per cent of its voting shares within the span of any 12 month period.

## Notes to the consolidated financial statements For the year ended 30 June 2021

**Capital management****09 Capital management (continued)****(e) Dividends***(i) Dividends paid during the year*

	2021 US\$m	2020 US\$m
Final fully franked dividend for the year ended 30 June 2020: A\$1.00 per share (30 June 2019: A\$0.24 per share)	2,215	519
Interim fully franked dividend for the half-year ended 31 December 2020: A\$1.47 per share (31 December 2019: A\$0.76 per share)	3,505	1,574
	<b>5,720</b>	2,093

*(ii) Dividends declared and not recognised as a liability*

	2021 US\$m	2020 US\$m
Final fully franked dividend: A\$2.11 per share (2020: A\$1.00 per share)	4,710	2,233

*(iii) Franking credits*

	2021 A\$m	2020 A\$m
Franking credit account balance at the end of the financial year at 30% (2020: 30%)	4,198	2,111
Franking credits/(debits) that will arise from the payment/(receipt) of current tax payable/(receivable) as at the end of the year	1,915	1,459
Franking debits that will arise from the payment of the final dividend for the year	(2,784)	(1,320)
	<b>3,329</b>	2,250

## Notes to the consolidated financial statements For the year ended 30 June 2021

**Capital management****10 Working capital****(a) Trade and other receivables**

	2021 US\$m	2020 US\$m
Trade debtors	568	475
GST receivables	73	30
Other receivables	72	38
<b>Total current receivables</b>	<b>713</b>	<b>543</b>

Trade receivables with embedded derivatives for provisional pricing are measured at fair value through profit and loss under AASB 9 *Financial Instruments*. Other receivables are recognised at amortised cost using the effective interest method, less an allowance for impairment.

The Group applies the expected credit loss model to other receivables. A provision for doubtful receivables is established based on the expected credit loss model and reviewed on an ongoing basis. Expected credit losses on other receivables held at amortised cost are insignificant and no provision has been recognised at 30 June 2021 (2020: Nil).

The carrying value of the receivables approximates their fair value. Information about Fortescue's exposure to foreign currency risk, interest rate risk and price risk pertaining to the trade and other receivables balances is disclosed in note 11.

Disclosures relating to receivables from related parties are set out in note 17.

**(b) Trade and other payables**

	2021 US\$m	2020 US\$m
Trade payables	1,008	623
Royalty accrual	569	258
Other payables	341	176
<b>Total current payables</b>	<b>1,918</b>	<b>1,057</b>

**(c) Inventories**

	2021 US\$m	2020 US\$m
Iron ore stockpiles	870	512
Warehouse stores and materials	342	316
<b>Total current inventories</b>	<b>1,212</b>	<b>828</b>

Iron ore stockpiles, warehouse stores and materials are stated at cost. Inventories expensed through cost of sales, including depreciation, during the year ended 30 June 2021 amounted to US\$3,868 million (2020: US\$3,676 million). During the year, inventory write-offs of US\$31 million (2020: US\$31 million) were recognised in relation to specific items of warehouse stores and materials that were identified as obsolete.

## Notes to the consolidated financial statements For the year ended 30 June 2021

## Capital management

### 11 Financial risk management

Fortescue is exposed to a range of financial risks, including market risk, credit risk and liquidity risk. Fortescue has established a risk management framework that provides a structured approach to the identification and control of risks across the business, sets the appropriate risk tolerance levels and incorporates active management of financial risks. The risk management framework has been approved by the Board of Directors, through the Audit, Risk Management and Sustainability Committee. The day to day management responsibility for execution of the risk management framework has been delegated to the CEO and CFO. Periodically, the CFO reports to the Audit, Risk Management and Sustainability Committee on risk management performance, including management of financial risks.

The key elements of financial risk are further explained below.

#### (a) Market risk

Market risk arises from Fortescue's exposure to commodity price risk and the use of interest bearing and foreign currency financial instruments. It is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in iron ore or diesel price (commodity price risk), interest rates (interest rate risk) or foreign exchange rates (foreign currency exchange risk).

##### *(i) Commodity price risk*

Fortescue is exposed to commodity price risk, as its iron ore sales are predominantly subject to prevailing market prices. Fortescue has limited ability to directly influence market prices of iron ore and manages the commodity price risk through a focus on improving its cash margins and strengthening its corporate statement of financial position through refinancing and early debt repayments.

The majority of Fortescue's iron ore sales contracts are structured on a provisional pricing basis, with the final sales price determined using the iron ore price indices on or after the vessel's arrival to the port of discharge. The estimated consideration in relation to the provisionally priced contracts is marked to market using the spot iron ore price at the end of each reporting period with the impact of the iron ore price movements recorded as provisional pricing adjustments to revenue. At 30 June 2021, Fortescue had 3.2 million tonnes of iron ore sales (2020: 5.7 million tonnes) that remained subject to provisional pricing, with the final price to be determined in the following financial year.

A 5 per cent movement in the realised iron ore price on these provisionally priced sales would have an impact on the Group's profit of US\$26 million (2020: 10 per cent movement would have an impact on the Group's profit of US\$27 million, including the derivatives balance), before the impact of taxation. This analysis assumes all other factors, including the foreign currency exchange rates, are held constant.

The Group's risk management policy includes consideration of hedging a portion of its estimated commodity price risk exposure in respect of forecast sales that remained subject to provisional pricing at any point in time. During the period and in accordance with its risk management framework, Fortescue entered into iron ore option arrangements (i.e. zero cost collars) that were designated in cash flow hedge relationships. The Group also used short-term structured iron ore and foreign currency option arrangements that are not designated into hedging relationships. All options arrangements are measured at fair value.

All cash flow hedges have been settled during the financial year. Hedge ineffectiveness has been assessed as negligible in relation to the iron ore options and no amount has been recognised in profit or loss.

## Notes to the consolidated financial statements For the year ended 30 June 2021

**Capital management****11 Financial risk management (continued)****(a) Market risk (continued)***(ii) Interest rate risk*

The Group's interest rate risk arises from variable rates on the syndicated term loan, the revolving credit facility to the extent it is drawn, and the lease liabilities relating to the ore carriers. Changes in rates applicable to the short-term deposits forming part of cash and cash equivalents also give rise to interest rate risk.

Fortescue's policy is to reduce interest rate risk over the cash flows on its long-term debt funding through the use of fixed rate instruments whenever appropriate.

Fortescue's variable rate financial assets and liabilities at the end of the financial year are summarised below:

	Note	2021 US\$m	2020 US\$m
Cash and cash equivalents	9(b)	5,465	3,074
Syndicated term loan	9(a)	(587)	(593)
Revolving credit facility	9(a)	-	(1,034)
Lease liabilities		(345)	(367)
		<b>4,533</b>	<b>1,080</b>

Management analyses the Group's interest rate exposure on a regular basis by simulating various scenarios which take into consideration refinancing, renewal of existing positions, alternative financing options and hedging.

A change of 10 basis points in interest rates in variable instruments would have an impact on the Group's profit of US\$5 million (2020: a change of 100 basis points would impact profit by US\$11 million), before the impact of taxation.

This analysis assumes that all other factors remain constant, including foreign currency rates.

*(iii) Foreign currency exchange risk*

Fortescue operates in Australia with a significant portion of its operating costs and capital expenditure incurred and paid in Australian dollars, and as such, is exposed to the movements in the Australian dollar exchange rate.

Fortescue's risk management policy is to target specific levels at which to convert United States dollars to Australian dollars by entering into either spot or short-term forward exchange contracts or structured foreign currency option arrangements (i.e. collars) to fix a portion of the Group's Australian dollar exposure to within a Board-approved range. The Group has not applied hedge accounting to any of these contracts during the year.

The increase in sales volume through Fortescue's wholly owned Chinese sales entity, FMG Trading Shanghai Co., Ltd., and the pricing of those sales in Chinese Yuan, has resulted in an increased exposure to the Chinese Yuan exchange rate.

## Notes to the consolidated financial statements For the year ended 30 June 2021

## Capital management

### 11 Financial risk management (continued)

#### (a) Market risk (continued)

##### (iii) Foreign currency exchange risk (continued)

The carrying amounts of the financial assets and liabilities denominated in Australian dollars and Chinese Yuan (CNY) (expressed in US dollars), are set out below:

	AUD denominated		CNY denominated	
	2021 US\$m	2020 US\$m	2021 US\$m	2020 US\$m
<b>Financial assets</b>				
Cash and cash equivalents	2,147	871	147	141
Trade and other receivables	76	39	-	-
Other financial assets	6	4	-	-
<b>Total financial assets</b>	<b>2,229</b>	<b>914</b>	<b>147</b>	<b>141</b>
<b>Financial liabilities</b>				
Borrowings and lease liabilities	436	442	1	1
Trade and other payables	1,405	804	96	24
Current tax payable	1,468	1,024	-	-
<b>Total financial liabilities</b>	<b>3,309</b>	<b>2,270</b>	<b>97</b>	<b>25</b>

A change of 3 per cent in the Australian dollar exchange rate would have a net impact on the Group's profit of US\$32 million (2020: a change of two per cent would have an impact of US\$27 million), before the impact of taxation. A change of 3 per cent in the Chinese Yuan exchange rate would have a net impact on the Group's profit of US\$1 million (2020: a change of two per cent would have an impact of US\$2 million), before the impact of taxation. This analysis assumes that all other variables, including interest rates and iron ore price, remain constant.

#### (b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to Fortescue and is managed on a consolidated basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions and receivables from customers.

Contracts for sales allow for pricing mechanisms in which the price can be finalised over multiple periods. On this basis the Group does not consider in the first instance that the ageing of receivables is an indicator of risk of default, rather an indication of the contractual terms and conditions agreed within the sales contract.

At 30 June 2021, Fortescue had US\$1 million (2020: US\$7 million) of trade receivables which have not been settled within the normal terms and conditions agreed with the customer. The Group applies a forward-looking expected credit loss model. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. Fortescue allocates each group of trade receivables to a credit risk grade based on data that is determined to be predictive of the risk of loss including but not limited to external ratings and available press information about customers. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit rating definitions from agencies. The Group assesses expected credit losses by considering the risk of default modified for credit enhancements such as letters of credit obtained. On this basis the resulting expected credit loss on trade receivables is not material.

The Group has assessed the impact of COVID-19 and its potential to affect customers' repayment ability. Major customers have not been adversely impacted by COVID-19 with no extension of credit terms requested and therefore no material risk of loss exists due to COVID-19 in Fortescue's trade receivables exposure.

## Notes to the consolidated financial statements For the year ended 30 June 2021

## Capital management

### 11 Financial risk management (continued)

#### (b) Credit risk (continued)

Fortescue has not recognised any bad debt expense from trading counterparties in the years ended 30 June 2021 and 30 June 2020.

The exposure to the credit risk from cash and short-term deposits held in banks is managed by the Group's treasury department and monitored by the CFO. Fortescue minimises credit risk by holding funds with a range of financial institutions with credit ratings approved by the Board.

#### (c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. Fortescue manages liquidity risk by maintaining adequate cash reserves and banking facilities, by continuously monitoring actual and forecast cash flows and by matching the maturity profiles of its assets and liabilities.

The table below analyses Fortescue's financial liabilities into relevant maturity groupings based on the period to the contracted maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 6 months US\$m	6 to 12 months US\$m	1 to 2 years US\$m	2 to 5 years US\$m	Over 5 years US\$m	Total contractual cash flows US\$m	Carrying amount US\$m
<b>30 June 2020</b>							
Trade and other payables	2,081	-	50	-	-	2,131	2,131
Borrowings	95	89	936	3,131	670	4,921	4,234
Lease liabilities	90	55	110	207	417	1,331	879
Lease expenditure commitments	119	81	158	324	649	1,331	
Effect of discounting	(29)	(26)	(48)	(117)	(232)	-	
	2,266	144	1,096	3,338	1,087	8,383	7,244
<b>30 June 2021</b>							
Trade and other payables	3,385	-	-	1	12	3,398	3,398
Borrowings	79	84	162	1,669	2,471	4,465	3,442
Lease liabilities	67	62	101	182	398	1,207	810
Lease expenditure commitments	92	85	143	284	603	1,207	
Effect of discounting	(25)	(23)	(42)	(102)	(205)	-	
	3,531	146	263	1,852	2,881	9,070	7,650

Management monitors rolling forecasts of the Group's cash and overall liquidity position on the basis of expected cash flows.

## Notes to the consolidated financial statements For the year ended 30 June 2021

## Capital management

### 11 Financial risk management (continued)

#### (d) Fair values

The carrying amounts and estimated fair values of all the Group's financial instruments recognised in the financial statements are materially the same, with the exception of Fortescue's listed debt instruments. The senior unsecured notes are classified as level 1 financial instruments in the fair value hierarchy, with their fair values based on quoted market prices at the end of the financial year, as outlined below.

	2021		2020	
	Carrying value	Fair value	Carrying value	Fair value
	US\$m	US\$m	US\$m	US\$m
Senior unsecured notes	2,855	3,067	2,607	2,662

The Group enters into derivative financial instruments (foreign currency options and commodity swap contracts) with various counterparties, principally financial institutions with investment-grade credit ratings. It also recognises trade receivables in relation to its provisionally priced sales contracts at fair value. All derivatives and provisionally priced trade receivables are valued using valuation techniques which employ the use of market observable inputs, such as foreign exchange spot and forward rates, yield curves of the respective currencies, interest rate curves and forward rate curves of the underlying commodity. Accordingly, these instruments are classified as level 2. Refer to note 10(a) for the fair value of provisionally priced trade receivables as at 30 June 2021.

For all fair value measurements and disclosures, the Group uses the following levels to categorise the method used:  
Level 1: the fair value is calculated using quoted prices in active markets for identical assets and liabilities.

Level 2: the fair value is estimated using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data. The Group does not have any financial assets or liabilities in this category.

For financial instruments that are carried at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no transfers between levels during the year.

## Notes to the consolidated financial statements For the year ended 30 June 2021

## Key financial position items

## 12 Property, plant and equipment

	Plant and equipment US\$m	Land and buildings US\$m	Exploration and evaluation US\$m	Assets under development US\$m	Development US\$m	Right of use assets		Total US\$m
						Plant and equipment US\$m	Land and buildings US\$m	
<b>Net carrying value</b>								
<b>At 1 July 2019</b>	10,690	650	539	889	3,303	-	-	16,071
Initial recognition	(729)	-	-	-	-	871	84	226
Transfers of assets	383	14	(6)	(427)	31	-	-	(5)
Additions	-	-	107	1,890	-	184	25	2,206
Disposals	(15)	-	(14)	(2)	-	(22)	-	(53)
Depreciation	(1,031)	(68)	-	-	(185)	(122)	(10)	(1,416)
Changes in restoration and rehabilitation estimate <sup>1</sup>	-	-	-	-	52	-	-	52
Other	-	-	-	(8)	-	-	-	(8)
<b>At 30 June 2020</b>	<b>9,298</b>	<b>596</b>	<b>626</b>	<b>2,342</b>	<b>3,201</b>	<b>911</b>	<b>99</b>	<b>17,073</b>
Cost	16,775	1,075	626	2,342	4,833	1,157	108	26,916
Accumulated depreciation	(7,477)	(479)	-	-	(1,632)	(246)	(9)	(9,843)
<b>Net carrying value</b>								
At 1 July 2020	9,298	596	626	2,342	3,201	911	99	17,073
Transfers of assets	1,836	115	(86)	(2,500)	626	-	-	(9)
Additions	-	-	157	3,368	-	55	12	3,592
Disposals	(13)	-	(44)	-	-	(11)	(1)	(69)
Depreciation	(1,004)	(70)	-	-	(210)	(118)	(8)	(1,410)
Changes in restoration and rehabilitation estimate <sup>1</sup>	-	-	-	-	206	-	-	206
Other	-	-	-	4	-	-	-	4
<b>At 30 June 2021</b>	<b>10,117</b>	<b>641</b>	<b>653</b>	<b>3,214</b>	<b>3,823</b>	<b>837</b>	<b>102</b>	<b>19,387</b>
Cost	18,527	1,190	653	3,214	5,665	1,198	118	30,565
Accumulated depreciation	(8,410)	(549)	-	-	(1,842)	(361)	(16)	(11,178)

<sup>1</sup> Refer to note 13(a) for movements in the restoration and rehabilitation provision.

Transfers of assets were made between the categories of property, plant and equipment, intangible assets, exploration and evaluation, development expenditure and right of use assets.

## Notes to the consolidated financial statements For the year ended 30 June 2021

## Key financial position items

## 13 Provisions

	2021 US\$m	2020 US\$m
Employee benefits	322	260
Restoration and rehabilitation	5	17
<b>Total current provisions</b>	<b>327</b>	<b>277</b>
Employee benefits	2	2
Restoration and rehabilitation	953	736
<b>Total non-current provisions</b>	<b>955</b>	<b>738</b>

**(a) Provision for restoration and rehabilitation**

Movements in the provision for restoration and rehabilitation during the financial year are set out below:

	2021 US\$m	2020 US\$m
At 1 July 2020	753	706
Changes in restoration and rehabilitation estimate	206	52
Unwinding of discount	(1)	(3)
Payments for restoration and rehabilitation activities	-	(2)
<b>At 30 June 2021</b>	<b>958</b>	<b>753</b>

The provision for restoration and rehabilitation has been made in full for all disturbed areas at the reporting date based on current cost estimates for rehabilitation and infrastructure removal, discounted to their present value based on expected timing of future cash flows.

Payments for restoration and rehabilitation activities exclude ongoing rehabilitation performed as part of normal operations.

## Notes to the consolidated financial statements For the year ended 30 June 2021

## Taxation

### 14 Taxation

For the year ended 30 June 2021, Fortescue continues to be a signatory to the Board of Taxation's voluntary Tax Transparency Code (TTC). The TTC recommends a number of additional tax disclosures to be publicly available, in two separate parts. The Part A disclosure requirements are addressed in this note.

#### (a) Income tax expense

	Consolidated group	
	2021 US\$m	2020 US\$m
Current tax	4,356	1,996
Deferred tax	71	(41)
<b>Income tax expense in the consolidated income statement</b>	<b>4,427</b>	<b>1,955</b>

#### (b) Prima facie income tax expense reconciliation

Fortescue operates in a number of jurisdictions and pays income taxes accordingly. The Company's effective corporate income tax rate is reflective of the statutory corporate income tax rates in each jurisdiction. The majority of the Group's taxes are paid in Australia consistent with the location of its mining operations. The Australian Group includes Fortescue's wholly owned Australian entities.

For the year ended 30 June 2021, the Group's global effective tax rate was 30.1 per cent. This is in line with the Australian corporate tax rate of 30 per cent.

	Consolidated group 2021 US\$m	Australian group 2021 US\$m	Consolidated group 2020 US\$m	Australian group 2020 US\$m
Profit before income tax expense	14,722	14,635	6,690	6,624
Tax at the Australian tax rate of 30 per cent (2020: 30 per cent)	4,417	4,391	2,007	1,987
Research and development	(3)	(3)	(2)	(2)
Adjustments in respect of income tax expense of prior periods	(3)	(4)	(17)	(20)
Foreign exchange variations and other transactions adjustments	33	33	(31)	(31)
Tax impact of overseas jurisdiction	6	14	6	13
Non-deductible expenditure	16	16	-	-
Share-based payments	(42)	(42)	(8)	(8)
Other	3	-	-	4
<b>Income tax expense</b>	<b>4,427</b>	<b>4,405</b>	<b>1,955</b>	<b>1,943</b>
Effective tax rate	30.1%	30.1%	29.2%	29.3%

## Notes to the consolidated financial statements For the year ended 30 June 2021

**Taxation****14 Taxation (continued)****(c) Reconciliation of income tax expense to current tax payable/(receivable)**

	Consolidated group	
	2021 US\$m	2020 US\$m
Income tax expense in the consolidated income statement	4,427	1,955
Deferred tax expense	(71)	44
	4,356	1,999
Current tax payable / (receivable) at 1 July	1,024	762
Tax payments made to tax authorities <sup>1</sup>	(4,022)	(1,687)
Impact of foreign exchange on income tax payable <sup>2</sup>	110	(50)
<b>Current tax payable / (receivable) at 30 June</b>	<b>1,468</b>	<b>1,024</b>

<sup>1</sup> In Australia, Fortescue pays pay as you go (PAYG) instalments based on a set rate, as advised by the Australian Taxation Office.

<sup>2</sup> Fortescue's income tax payments are made in the local currency of the country where taxes are due, being predominantly Australian Dollars.

**(d) Deferred tax assets and liabilities**

Deferred tax assets and liabilities represent the difference between the carrying value of assets and liabilities compared to their income tax base. Deferred tax assets and liabilities are measured at the relevant tax rates enacted for the reporting period. Fortescue's main operations are in Australia and therefore the main taxable income arises in Australia. The Company's major deferred tax assets and liabilities also arise in Australia, predominantly relating to capital investments in the Pilbara region.

	Consolidated group	
	2021 US\$m	2020 US\$m
Deferred tax assets	709	712
Deferred tax liabilities	(2,424)	(2,356)
<b>Net deferred tax liabilities</b>	<b>(1,715)</b>	<b>(1,644)</b>

## Notes to the consolidated financial statements For the year ended 30 June 2021

**Taxation****14 Taxation (continued)****(d) Deferred tax assets and liabilities (continued)**

Composition of and movements in deferred tax assets and liabilities during the year are set out below:

	Deferred tax assets		Deferred tax liabilities		Charged / (credited) to the income statement	
	Consolidated group		Consolidated group		Consolidated group	
	2021 US\$m	2020 US\$m	2021 US\$m	2020 US\$m	2021 US\$m	2020 US\$m
<b>Temporary differences arising from</b>						
Exploration expenditure	-	-	(151)	(169)	(18)	21
Development	-	-	(689)	(597)	92	9
Property, plant and equipment <sup>1</sup>	-	-	(1,405)	(1,400)	5	94
Inventories	-	-	(171)	(147)	24	8
Foreign exchange losses / (gains)	-	29	(8)	-	37	(25)
Provisions	383	344	-	(39)	(78)	(35)
Other financial liabilities	276	288	-	-	12	(97)
Other items	50	51	-	(4)	(3)	(16)
	<b>709</b>	712	<b>(2,424)</b>	(2,356)	<b>71</b>	(41)

<sup>1</sup> The movement in deferred tax liabilities related to property, plant and equipment for the year ended 30 June 2020 included US\$3 million credited to equity on adoption of AASB 16 *Leases*. No deferred tax expense was recognised in equity in 30 June 2021.

**(e) Unrecognised tax losses**

At 30 June 2021, the Group had income tax losses with a tax benefit of US\$37 million (2020: US\$36 million) which are not recognised as deferred tax assets. The Group recognises the benefit of tax losses only to the extent of anticipated future taxable income or gains in relevant jurisdictions. These losses do not expire.

## Notes to the consolidated financial statements For the year ended 30 June 2021

## Unrecognised items

### 15 Commitments and contingencies

#### (i) Capital commitments

	2021 US\$m	2020 US\$m
Within one year	1,163	1,018
Between one and five years	13	147
Later than five years	-	-
<b>Total commitments</b>	<b>1,176</b>	<b>1,165</b>

#### (ii) Contingent assets and liabilities

Since 2012 Fortescue has been a respondent party to the native title claim to exclusive possession made by the Yindjibarndi People over land which included Fortescue's Solomon Hub (*Warrie (formerly TJ) (on behalf of the Yindjibarndi People) v State of Western Australia*). The Full Federal Court handed down its decision on this matter on 18 October 2019, and upheld the original court ruling in favour of the Yindjibarndi People given in 2017. The original ruling recognised the Yindjibarndi People exclusive possession native title over part of Fortescue's Solomon Hub mining tenure. On 15 November 2019, Fortescue lodged an application for special leave to the High Court of Australia appealing the decision of the Full Federal Court. On 29 May 2020, the High Court refused Fortescue's application for special leave to appeal.

The decision of the Full Federal Court has no impact on Fortescue's current or future operations or mining tenure at the Solomon Hub, and the Company does not anticipate any material financial impact to the business as a result of the decision of the Full Federal Court.

Fortescue remains open to negotiating a Land Access Agreement to the benefit of all Yindjibarndi people on similar terms to the agreements it has in place with other native title groups in the region. At the date of this report, no such negotiations have commenced or claims for compensation made.

Fortescue had no material contingent assets or contingent liabilities at 30 June 2021 or at the date of this report. Fortescue occasionally receives claims arising from its activities in the normal course of business. It is expected that any liabilities arising from such claims would not have a material effect on the Group's operating results or financial position.

### 16 Events occurring after the reporting period

On 30 August 2021, the Directors declared a final dividend of 211 Australian cents per ordinary share payable in September 2021.

## Notes to the consolidated financial statements For the year ended 30 June 2021

**Other****17 Related party transactions****(a) Subsidiaries and joint operations**

Interests in significant subsidiaries and joint operations are set out in note 22.

**(b) Key management personnel remuneration**

	2021 US\$'000	2020 US\$'000
Short-term employee benefits	5,647	5,874
Share-based payments	5,059	5,783
Post-employment benefits	118	122
	10,824	11,779

Detailed information about the remuneration received by each key management person is provided in the remuneration report on pages 122 to 158.

**(c) Transactions and balances with other related parties**

	2021 US\$'000	2020 US\$'000
<b>Transactions with joint operations partners</b>		
Other revenue	4,080	9,281
<b>Balances at 30 June</b>		
Deferred joint venture contributions - current	-	251,388
Other receivables - current	14,695	4,122

**18 Share-based payments****(a) Employee share rights plans**

During the year ended 30 June 2021, Fortescue issued 1,012,293 (2020: 1,261,819) short term share rights and 1,615,688 (2020: 3,180,213) long term share rights to employees and senior executives, convertible to one ordinary share per right. The short term rights vest over one year, and the long term rights vest over three years.

	2021 Number	2020 Number
Outstanding at 1 July	14,453,162	13,062,093
Share rights granted	2,627,981	4,862,706
Share rights forfeited or lapsed	(984,310)	(447,602)
Share rights converted or exercised	(3,749,003)	(3,024,035)
<b>Outstanding at 30 June</b>	<b>12,347,830</b>	<b>14,453,162</b>

## Notes to the consolidated financial statements For the year ended 30 June 2021

## Other

## 18 Share-based payments (continued)

## (a) Employee share rights plans (continued)

The weighted average fair value of share rights granted during the year ended 30 June 2021 was A\$16.12 per right (2020: A\$8.80) for the short term share rights and A\$10.34 per right (2020: A\$7.59) for the long term share rights. The estimated fair value of the short term share rights was determined using a binomial option pricing model and the estimated fair value of the long term share rights was determined using a combination of analytical approaches, binomial tree and Monte Carlo simulation. The fair value estimation takes into account the exercise price, the effective life of the right, the impact of dilution, the share price at grant date, expected price volatility of the underlying share, the effect of additional market conditions, the expected dividend yield, estimated share conversion factor and the risk free interest rate for the term of the right.

The weighted average inputs used to determine the fair value of share rights granted during the year ended 30 June 2021 were:

- Share price: A\$17.04 (2020: A\$9.26)
- Exercise price: nil (2020: nil)
- Volatility: 42 per cent (2020: 112 per cent)
- Effective life: 1.8 years (2020: 2.3 years)
- Dividend yield: 7.6 per cent (2020: 6.5 per cent)
- Risk free interest rate: 0.1 per cent (2020: 0.7 per cent).

Details of share rights outstanding at 30 June 2021 are presented in the following table:

	Exercise price	Balance at the end of the year	Vested and exercisable at the end of the year	Remaining contractual life	Vesting conditions	
	A\$	Number	Number	Years	Market	Non-market
Short term share rights 2016	-	149,920	149,920	9.5	-	Yes
Short term share rights 2017	-	444,435	444,435	10.5	-	Yes
Short term share rights 2018	-	388,523	388,523	11.3	-	Yes
Short term share rights 2019	-	339,683	339,683	12.5	-	Yes
Short term share rights 2020	-	298,953	298,953	13.5	-	Yes
Short term share rights 2021	-	955,624	-	14.5	-	Yes
Long term share rights 2016	-	400,078	400,078	9.5	Yes	Yes
Long term share rights 2017	-	399,486	399,486	10.5	Yes	Yes
Long term share rights 2018	-	1,102,919	1,102,919	11.3	Yes	Yes
Long term share rights 2019	-	3,418,890	-	12.3	Yes	Yes
Long term share rights 2020	-	2,911,480	-	13.5	Yes	Yes
Long term share rights 2021	-	1,537,839	-	14.5	Yes	Yes
		<b>12,347,830</b>	<b>3,523,997</b>			

## Notes to the consolidated financial statements For the year ended 30 June 2021

**Other****18 Share-based payments (continued)****(b) Employee expenses**

Total expenses arising from share-based payments transactions recognised during the period as part of employee benefit expense were as follows:

	2021 US\$m	2020 US\$m
Share-based payment expense	94	41

**19 Remuneration of auditors**

	2021 US\$'000	2020 US\$'000
<b>PricewaterhouseCoopers Australia</b>		
<b>Audit and other assurance services</b>		
Audit and review of financial statements	1,042	825
Other assurance services	415	265
<b>Total audit and assurance services</b>	<b>1,457</b>	1,090
<b>Other services</b>		
Consulting services	229	166
<b>Total remuneration of PricewaterhouseCoopers Australia</b>	<b>1,686</b>	1,256
<b>Network firms of PricewaterhouseCoopers Australia</b>		
<b>Audit and other assurance services</b>		
Audit and review of financial statements	306	218
	<b>306</b>	218
<b>Total auditor's remuneration</b>	<b>1,992</b>	1,474

## Notes to the consolidated financial statements For the year ended 30 June 2021

**Other****20 Deed of cross guarantee**

Fortescue Metals Group Ltd and certain of its subsidiaries are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly owned entities have been relieved from the requirement to prepare a financial report and Directors' report under ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 issued by the Australian Securities and Investments Commission.

**Holding entity**

- Fortescue Metals Group Ltd

**Group entities**

- |   |                                       |
|---|---------------------------------------|
| ▪ FMG Pilbara Pty Limited                 | ▪ Pilbara Power Pty Limited           |
| ▪ Chichester Metals Pty Limited           | ▪ FMG JV Company Pty Limited          |
| ▪ FMG Resources (August 2006) Pty Limited | ▪ FMG Ashburton Pty Limited           |
| ▪ International Bulk Ports Pty Limited    | ▪ Pilbara Mining Alliance Pty Limited |
| ▪ The Pilbara Infrastructure Pty Limited  | ▪ Fortescue Services Pty Limited      |
| ▪ FMG Solomon Pty Limited                 | ▪ FMG Personnel Pty Limited           |
| ▪ FMG Nyidinghu Pty Limited               | ▪ FMG Personnel Services Pty Limited  |
| ▪ FMG Procurement Services Pty Limited    | ▪ CSR Pty Limited                     |
| ▪ Pilbara Gas Pipeline Pty Limited        | ▪ FMG Training Pty Limited            |
| ▪ Pilbara Marine Pty Limited              |                                       |

**(a) Consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of financial position and consolidated statement of changes in equity**

The consolidated income statement, consolidated statement of other comprehensive income and consolidated statement of changes in equity for the year ended 30 June 2021 along with the consolidated statement of financial position at 30 June 2021 for the closed group represented by the above companies are materially the same as that of the Group.

## Notes to the consolidated financial statements For the year ended 30 June 2021

**Other****21 Parent entity financial information****(a) Summary financial information**

	<b>2021 US\$m</b>	<b>2020 US\$m</b>
Current assets	285	290
Non-current assets	9,747	9,722
<b>Total assets</b>	<b>10,032</b>	10,012
Current liabilities	1,636	1,136
Non-current liabilities	-	65
<b>Total liabilities</b>	<b>1,636</b>	1,201
<b>Net assets</b>	<b>8,396</b>	8,811
Contributed equity	1,105	1,167
Reserves	73	12
Retained earnings	7,218	7,632
<b>Total equity</b>	<b>8,396</b>	8,811
Profit for the year	5,306	2,101
<b>Total comprehensive income for the year</b>	<b>5,306</b>	2,101

The parent entity's financial information has been prepared using the same basis, including the accounting policies, as the consolidated financial information, except as outlined below:

- Investments in subsidiaries, associates and joint operations have been accounted for at cost; and
- Profit for the year includes dividends received from subsidiaries of US\$5,896 million (2020: US\$2,147 million).

**(b) Guarantees entered into by the parent entity**

The parent entity is a party to the following guarantee:

- Deed of cross guarantee, as described in note 20.

No liability was recognised by the parent entity or the Group in relation to this guarantee.

**(c) Contingent liabilities of the parent entity**

The parent entity is a party to the legal proceedings disclosed in note 15(ii) but otherwise did not have any contingent liabilities at 30 June 2021 or 30 June 2020.

## Notes to the consolidated financial statements For the year ended 30 June 2021

## Other

## 22 Interests in other entities

## (a) Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following significant subsidiaries, in accordance with the accounting policy described in note 23(a)(i):

	Country of incorporation	Class of shares	Equity holding	
			2021 %	2020 %
<b>Controlled entities</b>				
Chichester Metals Pty Limited	Australia	Ordinary	100	100
FMG International Pte Limited	Singapore	Ordinary	100	100
FMG International Shipping Pte Ltd	Singapore	Ordinary	100	100
FMG Iron Bridge Limited <sup>1</sup>	Hong Kong	Ordinary	99.6	88
FMG Magnetite Pty Limited	Australia	Ordinary	99.6	88
FMG North Pilbara Pty Limited	Australia	Ordinary	99.6	88
FMG Pilbara Pty Limited	Australia	Ordinary	100	100
Pilbara Marine Pty Limited	Australia	Ordinary	100	100
FMG Procurement Services	Australia	Ordinary	100	100
FMG Resources (August 2006) Pty Limited	Australia	Ordinary	100	100
FMG Solomon Pty Limited	Australia	Ordinary	100	100
Karribi Developments Pty Limited	Australia	Ordinary	100	100
Pilbara Housing Services Pty Limited	Australia	Ordinary	100	100
Pilbara Power Pty Limited	Australia	Ordinary	100	100
The Pilbara Infrastructure Pty Limited	Australia	Ordinary	100	100
FMG Hong Kong Shipping Ltd	Hong Kong	Ordinary	100	100
FMG Personnel Services Pty Ltd	Australia	Ordinary	100	100
FMG Trading Shanghai Co., Ltd	China	Ordinary	100	100
Fortescue Future Industries Pty Ltd	Australia	Ordinary	100	100

<sup>1</sup> On 28 June 2021, Fortescue acquired Baosteel Resources International Company Limited's minority shareholding in FMG Iron Bridge Limited. Fortescue's indirect ownership of FMG Iron Bridge Limited's two whollyowned subsidiaries, FMG Magnetite Pty Limited and FMG North Pilbara Pty Limited, increased accordingly.

Entities not included in the list of significant subsidiaries are deemed immaterial in relation to the Group.

## (b) Joint operations

The consolidated financial statements incorporate Fortescue's share in the assets, liabilities and results of the following principal joint operations, in accordance with the accounting policy described in note 23(a)(ii).

Joint operations	Country of incorporation	Holding entity	Principal activities	Participating interest %	
				2021	2020
Iron Bridge Joint Venture	Australia	FMG Magnetite Pty Ltd	Development of magnetite assets and production of magnetite concentrate	69	69

On 14 August 2020, the Iron Bridge and Glacier Valley Joint Ventures were amalgamated and are reported together as the Iron Bridge Joint Venture.

## Notes to the consolidated financial statements For the year ended 30 June 2021

## Other

### 23 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below.

#### (a) Principles of consolidation

##### (i) Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries, being the entities controlled by the Company. Control exists when the Group is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intercompany balances and transactions, including unrealised profits and losses arising from intra-group transactions, have been eliminated in full. Subsidiaries are consolidated from the effective date of acquisition to the effective date of disposal.

The acquisition method of accounting is used to account for the Group's business combinations.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

##### (ii) Joint arrangements

A joint arrangement is an arrangement when two or more parties have joint control. Joint control exists when the parties agree contractually to share control over the activities that significantly affect the entity's returns (relevant activities), and the decisions about relevant activities require the unanimous consent of the parties sharing joint control.

Joint arrangements are classified as either joint operations or joint ventures, based on the contractual rights and obligations between the parties to the arrangement.

##### Joint operations

If the contractual arrangement specifies a right to the assets and the obligations for the liabilities for the parties, the arrangement is classified as joint operation.

The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenue and expenses.

These have been incorporated in the financial statements under the appropriate headings. Details of the joint operations are set out in note 22(b).

To support operations and construction projects of some of the joint operations, Fortescue and other parties to the joint arrangements are required, from time to time, to contribute funds in the form of cash calls, in proportion to their respective interests in the joint arrangements. These funds, if contributed by the parties to the joint arrangements in different financial years, may give rise to deferred joint venture contribution assets or liabilities.

##### Joint ventures

If the contractual arrangement grants the parties the right to the arrangement's net assets, it is classified as a joint venture. Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position.

#### (b) Employee share trust

The Group has formed a trust to administer its employee share schemes. The trust is consolidated as the substance of the relationship is that the trust is controlled by the Group. Shares held by the share trust are disclosed as treasury shares and deducted from contributed equity.

#### (c) Foreign currency translation

Transactions in foreign currencies have been converted at rates of exchange at the date of those transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange of the reporting date, with the resulting gains and losses recognised in the income statement, except as set out below:

- For qualifying cash flow hedges, the gains and losses arising on foreign currency translations are deferred in other comprehensive income.
- Translation differences on site rehabilitation provisions are capitalised as part of the development assets.
- Gains and losses on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

## Notes to the consolidated financial statements For the year ended 30 June 2021

## Other

## 23 Summary of significant accounting policies (continued)

**(d) Revenue recognition**

The Group is principally engaged in the business of producing iron ore and providing related freight/shipping services. Revenue is measured at the amount the Group expects to be entitled to in exchange for those goods or services and is recognised at the point at which control of the goods or services is transferred to the customer.

*(i) Sale of products*

Revenue from the sale of products is recognised when control has passed to the customer, no further work or processing is required by the Group, the quantity and quality of the products have been determined with reasonable accuracy, the price can be reasonably estimated and collectability is reasonably assured.

The above conditions are generally satisfied when title passes to the customer, typically on the bill of lading date when iron ore is delivered to the vessel, or alternatively on collection for port sales.

Revenue is recorded at the invoiced amounts. However, the shipping service represents a separate performance obligation, and is recognised separately from the sale of iron ore over the period during which the shipping service has been provided, along with any associated shipping costs.

Fortescue's sales contracts, which also include shipping services, may provide for provisional pricing of sales at the time the product is delivered to the vessel with final pricing determined using the relevant price indices on or after the vessel's arrival at the port of discharge. Under AASB 9 the receivable asset is measured at fair value through profit and loss.

*(ii) Services revenue*

Revenue from the provision of services is recognised in the accounting period in which the services are rendered.

*(iii) Interest income*

Interest income is accrued using the effective interest rate method.

**(e) Deferred income**

Deferred income represents payments collected but not earned at the end of the reporting period. These payments are recognised as revenue when the performance obligations are satisfied.

Where deferred income is considered to contain a financing component and if the period of time between the receipt of the upfront cash and the satisfaction of the future performance obligations is greater than 1 year, an interest charge of the upfront amount will be recognised.

**(f) Income tax**

The income tax expense for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction. Income tax on the profit or loss for the period comprises current and deferred tax.

Current income tax charge is calculated on the basis of the taxation laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Current income tax represents the expected tax payable on the taxable income for the year and any adjustments to tax payable in respect to previous years.

Where the amount of tax payable or recoverable is uncertain, a provision is established based on the Group's understanding of applicable tax law at the time. Settlement of these matters may result in changes to current and deferred income tax if the settlement differs from the provision.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts.

However, the deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither the accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

## Notes to the consolidated financial statements For the year ended 30 June 2021

## Other

### 23 Summary of significant accounting policies (continued)

#### (f) Income tax (continued)

Deferred tax assets are recognised for future deductible temporary differences and carry forward of unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset when there is a legal right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the Group has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fortescue and its wholly owned Australian controlled entities have implemented the tax consolidation legislation at 1 July 2002, namely the FMG tax consolidated group, and are therefore taxed as a single entity from that date. FMG Iron Bridge (Aust) Pty Ltd and its wholly owned Australian controlled entities have implemented the tax consolidation legislation as at 28 September 2011, namely the FMG Iron Bridge tax consolidated group, and are therefore taxed as a single entity from that date.

The head entity and the controlled entities in both tax consolidated groups continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in each tax consolidated group continues to be a standalone taxpayer in its own right.

In addition to its own current and deferred tax amounts, the head entity of each group also recognises the current tax liabilities, or assets, and the deferred tax assets it has assumed from unused tax losses and unused tax credits from controlled entities in each corresponding tax consolidated group.

#### (g) Cash and cash equivalents

Cash and cash equivalents include cash on hand, short-term deposits and other short-term highly liquid investments that are subject to an insignificant risk of changes in value, and are readily convertible to known amounts of cash.

#### (h) Trade and other receivables

Other receivables are recognised at amortised cost using the effective interest method, less an allowance for impairment. Trade receivables with embedded derivatives for provisional pricing are measured at fair value through profit and loss under AASB 9.

The collectability of trade and other receivables is reviewed on a monthly basis. Uncollectable amounts for trade receivables are considered in the measurement of fair value through the income statement under AASB 9. Other receivables are determined using the expected credit loss model. Total receivables which are known to be uncollectable are written off by reducing the carrying amount directly. Significant financial difficulties of the customer, probability that the customer will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the receivable may not be collected. The amount of the impairment allowance is the difference between the receivable's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment allowance is recognised in the income statement within administration expenses.

When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other administration expenses.

#### (i) Inventories

Warehouse stores and materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost for raw materials and stores is determined as the purchase price. For partly processed and saleable iron ore, cost is based on the weighted average cost method and includes:

- Materials and production costs, directly attributable to the extraction, processing and transportation of iron ore to the existing location.
- Production and transportation overheads.
- Depreciation of property, plant and equipment used in the extraction, processing and transportation of iron ore.

## Notes to the consolidated financial statements For the year ended 30 June 2021

**Other****23 Summary of significant accounting policies (continued)****(i) Inventories (continued)**

Iron ore stockpiles represent iron ore that has been extracted and is available for further processing or sale. Quantities are assessed primarily through internal and third party surveys. Where there is an indication that inventories are obsolete or damaged, these inventories are written down to net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**(j) Financial assets**

Fortescue classifies its financial assets into the following categories: those to be measured subsequently at fair value, being through either other comprehensive income or through profit and loss, and those that are to be held at amortised cost.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

*(i) Financial assets held at amortised cost*

The Group classifies its financial assets as held at amortised cost only if the asset is held within a business model with the objective to collect the contractual cash flows, and the contractual terms give rise to cash flows that are solely payments of principal and interest. The classification of financial assets held at amortised cost applies to Fortescue's loans and receivables. These debt instruments are initially measured at fair value and subsequently carried at amortised cost. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. At the end of each reporting period, loans and receivables are reviewed for impairment.

*(ii) Financial assets held at fair value through other comprehensive income (FVOCI)*

The Group's classification of financial assets held at fair value through other comprehensive income applies to equity investments where the Group has made the irrevocable election to present the fair value gains or

losses on revaluation of the asset in other comprehensive income. This election can be made for each investment; however, it is not applicable to equity investments which are held for trading. These assets are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. These instruments are recognised at fair value, with changes in fair value being recognised directly in other comprehensive income.

*(iii) Financial assets held at fair value through profit or loss (FVPL)*

This category comprises trade receivables including the quotation period for the sale of iron ore, derivatives (unless designated as effective hedging instruments) and equity investments which are held for trading or where the FVOCI election has not been applied. They are carried on the statement of financial position at fair value with changes in fair value or dividend income recognised in profit or loss with any associated changes in fair value recognised in the income statement. The receivables relating to quotation period for the sale of iron ore are recorded as trade receivables.

**(k) Financial liabilities***(i) Trade payables*

Trade and other payables are initially recognised at fair value and subsequently carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid.

*(ii) Borrowings*

Borrowings are initially recognised at fair value of the consideration received, less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Borrowings are derecognised when the contractual obligations are discharged, cancelled or expire, or when the terms of an existing borrowing are substantially modified. Any difference between the carrying amount of a derecognised liability and the carrying amount of the new liability is recognised in the income statement.

## Notes to the consolidated financial statements For the year ended 30 June 2021

## Other

## 23 Summary of significant accounting policies (continued)

**(I) Property, plant and equipment***(i) Recognition and measurement*

Each class of property, plant and equipment is stated at historical cost less, where applicable, any accumulated depreciation and impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

The cost of self-constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing an asset to a working condition ready for its intended use. Assets under construction are recognised in assets under development. Upon commissioning, which is the date when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management, the assets are transferred into property, plant and equipment or development assets, as appropriate.

Cost may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Borrowing costs related to the acquisition or construction of qualifying assets are capitalised. Costs required for dismantling and rehabilitation are included in rehabilitation estimates. Further information on rehabilitation is in note 23(p).

When separate parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of the equipment.

Gains and losses arising on disposal of property, plant and equipment are recognised in the income statement and determined by comparing proceeds from the sale of the assets to their carrying amount.

*(ii) Subsequent costs*

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future

economic benefits associated with these subsequent costs will flow to Fortescue and the cost of the item can be measured reliably. Ongoing repairs and maintenance are recognised as an expense in the income statement during the financial period in which they are incurred.

*(iii) Depreciation*

Depreciation of assets, other than land which is not depreciated, is calculated using the straight-line method or units of production method, net of residual values, over estimated useful lives. Depreciation commences on the date when an asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Assets acquired under leases are depreciated over the shorter of the individual asset's useful life and the lease term.

**Straight-line method**

Where the useful life is not linked to the quantities of iron ore produced, assets are generally depreciated on a straight-line basis. The estimated useful lives for the principal categories of property, plant and equipment depreciated on a straight-line basis are as follows:

- Buildings 20 to 40 years
- Rolling stock 25 to 30 years
- Plant and equipment 2 to 20 years
- Rail and port infrastructure assets 40 to 50 years.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period and the effect of any changes in estimate is accounted for on a prospective basis.

**Units of production method**

Where the useful life of an asset is directly linked to the extraction of iron ore from a mine, the asset is depreciated using the units of production method.

The units of production method is an amortised charge proportional to the depletion of the estimated proven and probable reserves at the mines.

## Notes to the consolidated financial statements For the year ended 30 June 2021

## Other

## 23 Summary of significant accounting policies (continued)

**(l) Property, plant and equipment (continued)***(iv) Exploration and evaluation expenditure*

Exploration and evaluation activities involve the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Exploration and evaluation expenditure incurred is accumulated and capitalised in respect of each identifiable area of interest, and carried forward to the extent that:

- Rights to tenure of the identifiable area of interest are current.
- At least one of the following conditions is also met:
  - (i) The expenditure is expected to be recouped through the successful development of the identifiable area of interest, alternatively by its sale;
  - or
  - (ii) Where activities in the identifiable area of interest have not, at the reporting date, reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and activities in, or in relation to, the area of interest, are continuing.

Exploration and evaluation assets are reviewed at each reporting date for indicators of impairment and tested for impairment where such indicators exist. If the test indicates that the carrying value might not be recoverable, the asset is written down to its recoverable amount. These charges are recognised within exploration, development and other expenses in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from exploration and evaluation expenditure to development expenditure.

*(v) Development expenditure*

Development expenditure includes capitalised exploration and evaluation costs, pre-production development costs, development studies and other expenditure pertaining to that area of interest. Costs related to surface plant and equipment and any associated land and buildings are accounted for as property, plant and equipment.

Development costs are accumulated in respect of each separate area of interest. Costs associated with commissioning new assets in the period before they are capable of operating in the manner intended by management are capitalised. Development costs incurred after the commencement of production are capitalised to the extent they are expected to give rise to a future economic benefit.

When an area of interest is abandoned or the Directors decide that it is not commercially or technically feasible, any accumulated cost in respect of that area is written off in the financial period that the decision is made. Each area of interest is reviewed at the end of each accounting period and the accumulated costs written off to the income statement to the extent that they will not be recoverable in the future.

Amortisation of development costs capitalised is charged on a unit of production basis over the life of estimated proven and probable reserves at the mines.

**(m) Stripping costs***(i) Development stripping costs*

Overburden and other mine waste materials are often removed during the initial development of a mine in order to access the mineral deposit. This activity is referred to as development stripping and the directly attributable costs, inclusive of an allocation of relevant overhead expenditure, are capitalised as development costs.

Capitalisation of development stripping costs ceases and amortisation of those capitalised costs commences upon commercial extraction of ore.

Amortisation of capitalised development stripping costs is determined on a unit of production basis for each area of interest.

Development stripping costs are considered in combination with other assets of an operation for the purpose of undertaking impairment assessments.

*(ii) Production stripping costs*

Overburden and other mine waste materials continue to be removed throughout the production phase of the mine. This activity is referred to as production stripping, and the associated costs are charged to the income statement, as operating cost, except when all three criteria below are met:

- Production stripping activity provides improved access to the specific component of the ore body, and it is probable that economic benefit arising from the improved access will be realised in future periods.

## Notes to the consolidated financial statements For the year ended 30 June 2021

## Other

## 23 Summary of significant accounting policies (continued)

**(m) Stripping costs (continued)**

- The Group can identify the component of the ore body for which access has been improved.
- The costs relating to the production stripping activity associated with that component can be measured reliably.

If all of the above criteria are met, production stripping costs resulting in improved access to the identified component of the ore body are capitalised as part of development asset and are amortised over the life of the component of the ore body.

The determination of components of the ore body is individual for each mine. The allocation of costs between production stripping activity and the costs of ore produced is performed using relevant production measures, typically strip ratios.

Changes to the mine design, technical and economic parameters affecting life of the components and strip ratios are accounted for prospectively.

**(n) Intangible Assets**

The Group capitalises amounts paid for the acquisition of identifiable intangible assets, such as software, licenses, trademarks and patents, where it is considered they will contribute to future periods through revenue generation or reductions in cost. The cost of intangible assets acquired in a business combination are recognised at fair value at the acquisition date. Following initial recognition, intangible assets are carried at cost less amortisation and any impairment losses. Intangible assets with finite lives are amortised on a straight-line basis over their useful lives and tested for impairment whenever there is an indication that they may be impaired. The amortisation period and method is reviewed at each financial year end.

*(i) Research and development costs*

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset only when the Group can demonstrate all of the following:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost

less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

**(o) Leases**

The Group enters into contractual arrangements for the leases of mining equipment, vehicles, buildings and other assets. The nature of these arrangements can be lease contracts or service contracts with embedded assets. Typically, the duration of these contracts is for periods of between two and five years, some of which include extension options.

Leases are recognised on the statement of financial position as a right of use asset, representing the lessee's entitlement to the benefits of the identified asset over the lease term, and a lease liability representing the lessee's obligation to make the lease payments. Each lease payment is allocated between its liability and finance cost component. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The right of use asset is amortised on a straight-line basis over the shorter of the useful life of the asset and lease term. When the right of use asset is used in the extraction, processing and transportation of ore, depreciation is included in inventory.

Liabilities arising from contractual arrangements which contain leases are initially measured at the present value of the future lease payments. These payments include the present value of fixed payments prescribed in the contract; variable lease payments based on an index or prescribed rate; amounts expected to be payable by the lessor under residual value guarantees; and the exercise price of a purchase option if it is reasonably certain that the option will be exercised.

Right of use assets are initially measured at the amount of the initial lease liability plus any lease payments at or before commencement date less incentives received, plus any initial direct costs, and any costs required for dismantling and rehabilitation. Right of use assets are subsequently measured at cost less any accumulated depreciation and accumulated impairment losses, and any adjustment for remeasurement of the lease liability. Lease liabilities are subsequently measured at present value, adjusted for any variations to the underlying contract terms.

## Notes to the consolidated financial statements For the year ended 30 June 2021

## Other

## 23 Summary of significant accounting policies (continued)

**(o) Leases (continued)**

Lease payments are discounted using the interest rate implicit in the lease. If this rate cannot be determined, the Group's incremental borrowing rate is used, which is the rate which the Group would have to pay to borrow the funds necessary to obtain an asset of a similar value in a similar economic environment over a similar term and security.

Payments for short-term leases and low value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are for a period of 12 months or less and contracts involving low value assets typically comprise small items of IT hardware and minor sundry assets.

**(p) Rehabilitation provision**

Provisions are recognised when Fortescue has a present legal or constructive obligation as a result of past events. It is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

The mining, extraction and processing activities of Fortescue give rise to obligations for site rehabilitation. Rehabilitation obligations include decommissioning of facilities, removal or treatment of waste materials, land rehabilitation and site restoration.

The extent of work required and the associated costs are estimated using current restoration standards and techniques. Provisions for the cost of each rehabilitation program are recognised at the time that environmental disturbance occurs. Rehabilitation provisions are initially measured at the expected value of future cash flows required to rehabilitate the relevant site, discounted to their present value using Australian Government bond market yields that match, as closely as possible, the timing of the estimated future cash outflows. The judgements and estimates applied for the estimation of the rehabilitation provisions are discussed in note 24.

When provisions for closure and rehabilitation are initially recognised, the corresponding cost is capitalised into the cost of mine development assets, representing part of the cost of acquiring the future economic benefits of the operation. The capitalised cost of closure and rehabilitation activities is recognised within development assets and is amortised based on the units of production method over the life of the mine. The value of the provision is progressively increased over time as the effect of discounting unwinds, creating an expense recognised in finance costs.

At each reporting date the rehabilitation liability is remeasured to account for any new disturbance, updated cost estimates, inflation, changes to the estimated

reserves and lives of operations, new regulatory requirements, environmental policies and revised discount rates. Changes to the rehabilitation liability are added to or deducted from the related rehabilitation asset and amortised accordingly.

**(q) Impairment of non-financial assets**

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group conducts an internal review of asset values biannually, which is used as a source of information to assess for any indications of impairment. External factors, such as changes in expected future prices, costs and other market factors are also monitored to assess for indications of impairment. If any such indication exists, an estimate of the asset's recoverable amount is calculated, being the higher of fair value less direct costs to sell and the asset's value in use. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties.

Fair value for mineral assets is generally determined using independent market assumptions to calculate the present value of the estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects, and its eventual disposal. These cash flows are discounted using an appropriate discount rate to arrive at a net present value of the asset.

Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and its eventual disposal, discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Value in use is determined by applying assumptions specific to the Group's continued use and does not take into account future development.

In testing for indications of impairment and performing impairment calculations, assets are considered as collective groups and referred to as cash generating units. Cash generating units are the smallest identifiable groups of assets and liabilities that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Impaired assets are reviewed for possible reversal of the impairment at each reporting date.

## Notes to the consolidated financial statements For the year ended 30 June 2021

## Other

## 23 Summary of significant accounting policies (continued)

**(r) Finance costs**

Finance costs principally represent interest expense and are recognised as incurred except when associated with major projects involving substantial development and construction periods. In addition, finance costs include losses arising on derecognition of finance liabilities at above their carrying value, unwinding of the discount on provisions and bank charges.

Interest expense and other borrowing costs directly attributable to major projects are added to the cost of the project assets until such time as the assets are substantially ready for their intended use or sale. Where funds used to finance an asset form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings during the construction period.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

**(s) Employee benefits***(i) Wages and salaries and annual leave*

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date, are recognised in other payables and accruals in respect of employee services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

*(ii) Long service leave*

The liability for long service leave is recognised in provisions and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, probability of employee departures and periods of service.

Expected future payments are discounted using market yields at the reporting date on Australian Government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows. The liability for long service leave for which settlement within 12 months of the reporting date cannot be deferred is recognised in the current provision. The liability for long service leave for which settlement can be deferred beyond 12 months from the reporting date is recognised in the non-current provision.

**(t) Share-based payments**

Share-based remuneration benefits are provided to employees under Fortescue's share rights plan, as set out in note 18.

The fair value of rights is measured at grant date and is recognised as an employee benefits expense over the period during which the employees become unconditionally entitled to the rights, with a corresponding increase in equity.

The fair value at grant date is determined using an option pricing model that takes into account the exercise price, the term of the right, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the effect of additional market conditions, the expected dividend yield and the risk free interest rate for the term of the right.

The fair value of the rights granted is measured to reflect expected market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability). Non-market vesting conditions are included in assumptions about the number of rights that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of rights that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

**(u) Dividends**

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Company, on or before the end of the reporting period but not distributed at the end of the reporting period.

**(v) Earnings per share***(i) Basic earnings per share*

Basic earnings per share is calculated by dividing profit for the year after income tax attributable to the ordinary shareholders by the weighted average number of ordinary shares on issue during the financial year.

*(ii) Diluted earnings per share*

Diluted earnings per share is calculated by dividing profit for the year after income tax attributable to the ordinary shareholders by the weighted average number of ordinary shares on issue during the financial year, after adjusting for the effects of all potential dilutive ordinary shares that were outstanding during the financial year.

## Notes to the consolidated financial statements For the year ended 30 June 2021

**(w) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of associated GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which is disclosed as an operating cash flow.

**(x) Derivative financial instruments and hedge accounting**

From time to time, the Group holds derivative financial instruments to hedge its foreign currency and commodity price risk exposures. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss. The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in commodity prices or foreign exchange rates. At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income (OCI) and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The Group designates only the intrinsic value of option contracts as the hedging instrument in cash flow hedging relationships. The time value is recognised in other comprehensive income to the extent that it relates to the hedged item and is accumulated in a separate cost of hedging reserve. For all hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss. If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss. If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

## Notes to the consolidated financial statements For the year ended 30 June 2021

## Other

## 23 Summary of significant accounting policies (continued)

## (y) Comparatives

Where applicable, certain comparatives have been adjusted to conform with current year presentation.

## (z) New accounting standards and interpretations

*(i) New and amended standards adopted by the Group*

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 July 2020 and have been adopted by the Group:

Accounting standard	Description of change
AASB 2018-7 <i>Amendments to Australian Accounting Standards – Definition of Material (AASB 101 and AASB 108)</i>	Amends the definition of 'material' and clarifies that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact, to the Group.
<i>Conceptual Framework for Financial Reporting and AASB 2019-1 Amendments to Australian Accounting Standards</i>	The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist preparers to develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.
AASB 2019-5 <i>Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet issued in Australia (AASB 1054)</i>	This Standard amends AASB 1054 <i>Australian Additional Disclosures</i> by adding a disclosure requirement for entities complying with IFRS to disclose the potential effect of an IFRS that has not yet been issued by the AASB to enable an entity complying with Australian Accounting Standards to also assert compliance with IFRS.
IFRIC agenda decisions (March 2019 and April 2021) regarding Software-as-a-Service (SaaS)	The International Financial Reporting Interpretations Committee (IFRIC) has addressed accounting for customisation and configuration costs on cloud based software solutions when the software is a Software-as-a-Service (SaaS) contract, providing clarification on whether an intangible asset can be recognised, cost recognised over the duration of the contract or costs are expensed. Fortescue has considered current software implementation programs and identified the impact as immaterial on the 30 June 2021 financial statements. Fortescue will review future Software-as-a-Service contracts applying the IFRIC interpretation.

## Notes to the consolidated financial statements For the year ended 30 June 2021

## Other

## 23 Summary of significant accounting policies (continued)

## (z) New accounting standards and interpretations (continued)

## (ii) New accounting standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2021 reporting period. Those that are applicable to Fortescue, and which may have an effect on the Group's accounting policies, financial position or performance, are disclosed below. These standards and interpretations have not been early adopted.

Accounting standard	Description of change	Application date
AASB 2020-1 <i>Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current</i>	This amendment to AASB 101 <i>Presentation of Financial Statements</i> clarifies the requirements for classifying liabilities as current or non-current.	Standard: 1 July 2023 Group: 1 July 2023
AASB 2020-3 <i>Amendments to AASB 116 - Property, Plant &amp; Equipment: Proceeds before Intended Use</i>	Under AASB 116 net proceeds from selling items produced while constructing an item of property, plant and equipment are deducted from the cost of the asset. This amendment prohibits this treatment and instead requires an entity to recognise proceeds from selling any such items and the related cost of production in profit or loss, in accordance with the applicable standards. These amendments are applied retrospectively, but only to items of property, plant and equipment that are 'ready to use' on or after the beginning of the earliest period presented. The amendment will be considered in accounting for the commencement of operations at the Iron Bridge Joint Venture.	Standard: 1 January 2022 Group: 1 July 2022
AASB 2020-3 <i>Amendments to AASB 9 - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities</i>	Under AASB 9, an existing financial liability that has been modified or exchanged is considered extinguished when the contractual terms of the new liability are substantially different, measured by the '10 per cent' test. The amendment to AASB 9 clarifies that fees included in the 10 per cent test are limited to fees paid or received between the borrower and the lender, including amounts paid or received by them on the other's behalf.	Standard: 1 January 2022 Group: 1 July 2022

## 24 Critical accounting estimates and judgements

The preparation of the consolidated financial statements requires management to make judgements and estimates and form assumptions that affect how certain assets, liabilities, revenue, expenses and equity are reported. At each reporting period, management evaluates its judgements and estimates based on historical experience and on other factors it believes to be reasonable under the circumstances, the results of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Fortescue has identified the following critical accounting policies where significant judgements and estimates are made by management in the preparation of these financial statements.

## (a) Iron ore reserve estimates

Iron ore reserves are estimates of the amount of product that can be economically and legally extracted from Fortescue's current mining tenements. In order to calculate ore reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates. Estimating the quantity and grade of ore reserves requires the size, shape and depth of ore bodies or fields to be determined by analysing geological data such as drilling samples. This requires complex and difficult geological judgements and calculations to interpret the data.

## Notes to the consolidated financial statements For the year ended 30 June 2021

## Other

## 24 Critical accounting estimates and judgements (continued)

**(a) Iron ore reserve estimates (continued)**

As economic assumptions used to estimate reserves change and as additional geological data is generated during the course of operations, estimates of reserves may vary from period to period. Changes in reported reserves may affect Fortescue's financial results and financial position in a number of ways, including the following:

- Asset carrying values may be affected due to changes in estimated future cash flows.
- Depreciation and amortisation charges in the income statement may change where such charges are determined by the units of production method, or where the useful economic lives of assets change.
- The carrying value of deferred tax assets may change due to changes in estimates of the likely recovery of tax benefits.

**(b) Exploration and evaluation expenditure**

Fortescue's accounting policy for exploration and evaluation expenditure results in expenditure being capitalised for an area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. This policy requires management to make certain estimates as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised the expenditure under the policy, a judgement is made that recovery of the expenditure is unlikely, the relevant capitalised amount will be written off to the income statement.

**(c) Development expenditure**

Development activities commence after commercial viability and technical feasibility of the project is established. Judgement is applied by management in determining when a project is commercially viable and technically feasible. In exercising this judgement, management is required to make certain estimates and assumptions as to future events. If, after having commenced the development activity, a judgement is made that a development asset is impaired, the relevant capitalised amount will be written off to the income statement.

**(d) Property, plant and equipment - recoverable amount**

The determination of fair value and value in use requires management to make estimates about expected production and sales volumes, commodity prices, reserves (see 'iron ore reserve estimates' above), operating costs, rehabilitation costs and future capital expenditure. Management also considers the impact of material climate-related risks, both transitional and physical on estimates of future costs and useful lives of assets. Changes in circumstances may alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be impaired and the impairment would be charged to the income statement.

**(e) Rehabilitation estimates**

Fortescue's accounting policy for the recognition of rehabilitation provisions requires significant estimates including the magnitude of possible works required for the removal of infrastructure and of rehabilitation works, future cost of performing the work, the inflation and discount rates and the timing of cash flows. These uncertainties may result in future actual expenditure differing from the amounts currently provided.

**(f) Revenue**

The transaction price at the date control passes for sales made subject to the provisional pricing mechanism is estimated with reference to quoted index prices. For sales where the final settlement price is yet to be determined, the value of this revenue is adjusted by considering tonnes subject to price finalisation at the end of the period and applying the closing spot rate.

08

# Remuneration Report



# From the Remuneration and People Committee Chair

On behalf of the Directors of Fortescue Metals Group Ltd, I am pleased to present the Remuneration Report for the year ended 30 June 2021



Jennifer Morris OAM

## Performance Outcomes

Safety



2.0

Total Recordable Injury Frequency Rate

17% IMPROVEMENT COMPARED TO FY20

C1 Costs



US\$  
13.93

wmt

Underlying EBITDA



US\$  
16.38

billion

96% HIGHER THAN FY20

Production



182.2

mt shipped

2% HIGHER THAN FY20

Culture



99%

Participation in Safety Excellence and Culture survey

+ 31 NET PROMOTER SCORE

Dividends



A\$  
3.58

Per share

DIVIDENDS DECLARED 103% HIGHER THAN FY20

## Dear Shareholders,

Fortescue's remuneration strategy is underpinned by our core Values and pay for performance culture. We set challenging stretch targets, strive to achieve them and reward performance that benefits shareholders. Safety is paramount to our culture, as we work towards achieving zero harm.

## FY21 Performance

The Fortescue team has achieved excellent results in FY21 across our key company safety, production, cost and culture metrics. This performance was achieved despite the ongoing challenges of COVID-19 management and significant wet weather during January to April 2021. Highlights for the year include:

- Strong safety performance achieving a 17 per cent reduction in our Total Recordable Injury Frequency Rate (TRIFR) from 2.4 to 2.0.
- Mining, processing, rail and shipping combined to deliver record shipments of 182.2mt in FY21, above guidance, 4.2mt above budget and 2.2 per cent higher than FY20.
- The team have worked very hard across the business to optimise volumes in the current market environment and to also maintain the Australian dollar expenditure below budgeted levels. Despite strong discipline evident in maintaining costs, the budgeted stretch C1 cost target of US\$13.00/wmt was not achieved due to the Australian dollar being significantly higher than budgeted. However, the measure was achieved in Australian dollars.
- The Company delivered outstanding financial results including an increase in Net Profit After Tax (NPAT) by 117 per cent to US\$10.3bn.
- The Company's strong financial performance resulted in Earnings Per Share (EPS) of US\$3.35 compared to US\$1.54 per share in FY20, an increase of 117 per cent.
- Employee engagement levels were maintained at high levels, measured by a net promoter score of +31 and an outstanding response rate of 99 per cent to the annual Safety and Culture Survey. These results were achieved despite cultural challenges relating to the Iron Bridge Project, recognising the importance of supporting Fortescue's unique and differentiated culture.

Record returns to shareholders continued. Fortescue declared a final dividend of A\$2.11 representing a payout ratio of 80 percent of NPAT and consistent with our goal to target the top end of our dividend policy to payout 50-80 percent of full year NPAT, bringing total dividends for FY21 to A\$3.58.

Fortescue is also committed to maintaining a strong balance sheet, which is structured on low-cost investment-grade terms, maintaining flexibility to support our ongoing operations and the capacity to fund future growth. We are extremely proud of all our people who have worked tirelessly to sustain our contribution to the Western Australian and national economies through the reliable and secure supply of iron ore.

## FY21 Remuneration Outcomes

In assessing remuneration this year, the Board has taken a holistic view of performance in determining its approach to outcomes - beyond the formulaic Executive and Senior Staff Incentive Plan (ESSIP) scorecard and Long Term Incentive Plan (LTIP) vesting outcome. In making its assessment to determine what it considers a fair outcome in the circumstances, the Board has considered and balanced the tailwinds driving up iron ore prices reflected in Fortescue's share price, the cultural challenges identified with the Iron Bridge project, and discretionary executive effort.

While our results are exceptionally strong, the review of the Iron Bridge project (announced to the market in February 2021) identified that the Fortescue Projects area had overrun on costs and lost sight of its critical focus on the Company's core Values, noting that this was confined to the Projects area and was not across our iron ore Operations teams, as evidenced by the outstanding operational performance in FY21. Our leadership accept accountability for these learnings and have taken the opportunity to reset the Company's focus. Mr Greg Lilleyman, Chief Operating Officer resigned from his position on 16 February 2021, however continued to provide support to Fortescue until 1 July 2021. In recognition of his significant contribution to the Company and his continued support throughout the remainder of FY21, Mr Lilleyman remained eligible for his FY19 LTIP. Other than his statutory entitlements to unused leave and payment in lieu of notice, Mr Lilleyman will not receive any other termination benefits or retain any interest in the FY20 or FY21 LTIP.

## Fixed remuneration changes

To remain competitive in a tight market for talent, a market increase was applied to Key Management Personnel (KMP) total fixed remuneration levels as detailed in section 4 of this Report. No changes were made to Non-Executive Director fees during the financial year.

## FY21 ESSIP

The Board set aggressive stretch targets for the FY21 ESSIP, to drive business operations, financial performance and maximise shareholder value. While we recognise our approach to using cliff-vesting under the ESSIP is uncommon across the market, it is a deliberate strategy that aligns with our core value of setting stretch targets and a culture of outperformance, evidenced by our track record to date.

The FY21 ESSIP performance conditions included operational, people and culture and individual strategic measures. Under operational measures, stretch targets were exceeded on safety, production and revenue measures. While the C1 Cost and Cashflow stretch targets were not met, primarily due to fluctuations in the Australian dollar and the translation to US dollar being outside the control of the Executive team, the Board agreed that the C1 Cost target would have otherwise been met and approved the full award for the C1 cost measure and partial vesting on the Cashflow measure. People and culture and individual strategic measures were also met at stretch target levels.

The Chief Executive Officer, Chief Financial Officer and former Chief Operating Officer elected to forego their FY21 ESSIP in recognition of the Iron Bridge review findings. As a result, of the four KMP, only the ESSIP outcome for Fortescue Future Industries (FFI) Chief Executive Officer will vest, at 96.4 per cent of target.

### FY19 LTIP

Vesting of the FY19 LTIP is assessed over a three year performance period from 1 July 2018 to 30 June 2021 against the combined Absolute Return on Equity (AROE), Total Shareholder Return (TSR) relative to the ASX100 Resources comparator group and strategic measures aligned with the Company's long-term objectives. The performance conditions for the FY19 LTIP were tested and vested at 100 per cent based on:

- The average AROE for the performance period of 46.2 per cent exceeding the stretch target and vesting at 150 per cent.
- TSR meeting the stretch target and ranking at the 100th percentile with vesting at 150 per cent. We are proud to have achieved the number one ranking in the ASX 100 Resources Index comparator group for total shareholder returns two years in a row.
- Strategic measures are crucial to driving innovation and growth outcomes which support Fortescue's longevity and long-term business success. Our strategic metric over the three year period was below target with 90 per cent of share rights vesting.

The Board is cognisant of community and shareholder views on excessive executive pay and the circumstances where executives may benefit from windfall gains in vesting. The intent of the LTIP is to ensure no windfall gains or undue penalty. In reviewing these exceptional outcomes under the FY19 LTIP, the Board determined that strong share price growth has been driven, in part, by strong iron ore prices which are outside the control of management. In balancing rewarding management effort and the tailwinds driving upward iron ore prices, the Board has determined to exercise its discretion to cap the value of awards vesting with a 50 per cent cap applied to the grant price of A\$4,348 per share, resulting in 28 per cent of the awards vesting.

In recognition of the factors outlined above as well as the Iron Bridge review findings, the Board exercised its discretion in consultation with the Chief Executive Officer, Chief Financial Officer and former Chief Operating Officer in determining their benefits relating to the third year of the FY19 LTIP would not accrue.

### Special recognition awards

In balancing the impact of the discretionary cap on the FY19 LTIP with the exceptional performance delivered over FY21, the Board has determined to make a one-off cash payment equivalent to 50% of TFR to the Chief Executive Officer, Chief Financial Officer and FFI Chief Executive Officer.

In addition, the FFI Chief Executive Officer was required to undertake significant travel during the year in support of FFI having spent approximately four continuous months away from home and travelling to challenging locations. Accordingly, the Board approved a one-off exertion payment to Julie Shuttleworth of A\$100,000.

### FY22 Remuneration Changes

Our executive remuneration framework remains under review as our strategy evolves, particularly as we establish and grow Fortescue Future Industries.

A market increase is planned for FY22 in line with the broader employee annual salary review to ensure executive remuneration remains competitive against market peers.

In a similar way to the discretionary cap applied to the FY19 LTIP outcomes, the Board has formalised the maximum value limit which will apply to awards made under the FY21 LTIP onwards.

As announced to the market on 15 March 2021, Fortescue has set a target to achieve carbon neutrality by 2030, ten years earlier than the previous target. Consistent with this industry leading objective, we are looking to incorporate carbon emissions targets into our formal remuneration structure, including short and long-term incentives across the Company. We will report to the market on our formalised approach next year.

Further details of these changes will be communicated in our 2021 Notice of Meeting and FY22 Remuneration Report.

I invite you to read our Remuneration Report and trust you will find that it outlines the links between our strategy, culture, performance and executive remuneration outcomes. Further details on the Company's exceptional performance and the Board's deliberations on FY21 ESSIP and FY19 LTIP outcomes can be found in the respective sections of the Report.

On behalf of the Directors, we look forward to welcoming you and receiving your feedback at our 2021 AGM.

Yours sincerely,



Jennifer Morris

REMUNERATION & PEOPLE COMMITTEE CHAIR

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# 1. Introduction and FY21 key management personnel



## This report outlines the remuneration arrangements for Fortescue's Key Management Personnel (KMP)

KMP are defined as 'those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.' Within this Remuneration Report reference to Executives includes Executive Directors and Other KMP.

The information provided in this Remuneration Report has been prepared in accordance with requirements under the *Corporations Act 2001* and Australian Accounting Standards. This report forms part of the Directors' Report and unless otherwise indicated the following sections have been audited in accordance with section 308 (3c) of the *Corporations Act 2001*. Certain non-IFRS financial information, including C1 cost, Underlying EBITDA, Underlying return on equity, sustaining capex and TSR, is presented throughout this report and where included has not been subject to audit.

All Executives are paid in Australian dollars. As noted in the FY20 Remuneration Report, we have transitioned to reporting the value of remuneration in US dollars in line with the rest of the Annual Report, unless otherwise stated. From year to year, this may result in reporting of remuneration that is affected by foreign currency movements. In order to assess the remuneration levels of our Executives, each year, we will report:

- The contractual terms and currency in which our Executives are paid (see section 7)
- Whether any changes have been made to Executive remuneration.

For this year only, we will provide disclosures in US dollars and Australian dollars to assist with the transition to US dollars reporting going forward.

### The KMP of the Group for FY21 were:

Name	Position	Time as KMP
<b>Non-executive Directors</b>		
Dr Andrew Forrest AO	Chairman	Full year
Mark Barnaba AM	Deputy Chair and Lead Independent Director	Full year
Dr Jean Baderschneider	Non-Executive Director	Full year
Penny Bingham-Hall	Non-Executive Director	Full year
Sebastian Coe CH, KBE	Non-Executive Director	Full year
Jennifer Morris OAM	Non-Executive Director	Full year
Cao Zhiqiang	Non-Executive Director	Full year
Ya-Qin Zhang	Non-Executive Director	Full year
<b>Executive Directors</b>		
Elizabeth Gaines	Chief Executive Officer and Executive Director	Full year
<b>Other Key Management Personnel (Executives)</b>		
Greg Lilleyman	Chief Operating Officer	Part year to 16 February 2021
Julie Shuttleworth	Fortescue Future Industries Chief Executive Officer	Full year
Ian Wells	Chief Financial Officer	Full year

There have been no changes to KMP after the reporting date.

# 2. Remuneration snapshot

## Remuneration Strategy principles

Our Values drive our reward strategy, which seeks to:

- Build a high performance oriented culture that supports the achievement of the Company’s strategic vision.
- Attract, retain and motivate employees by providing market competitive fixed remuneration and incentives.



### Drive the right culture and encourage high levels of share ownership

Ensure the alignment of employee and shareholder interests.

### Market competitive remuneration

Attract and retain key talent with remuneration competitive against relevant comparable companies.

### Performance and outperformance focus

Provide fair reward in line with individual and company achievements.

### Fit for purpose

Include flexibility to reflect clear linkage to business strategy and the cyclical nature of industry without constraint by market practice.

### Strategic alignment

Support delivery of long-term business strategy and growth aspirations.

### Shareholder and executive alignment

Rewarding sustained performance and delivering awards aligned with shareholder returns.

## Our Values

- Safety
- Family
- Empowerment
- Frugality
- Stretch targets
- Integrity
- Enthusiasm
- Courage and determination
- Generating ideas
- Humility



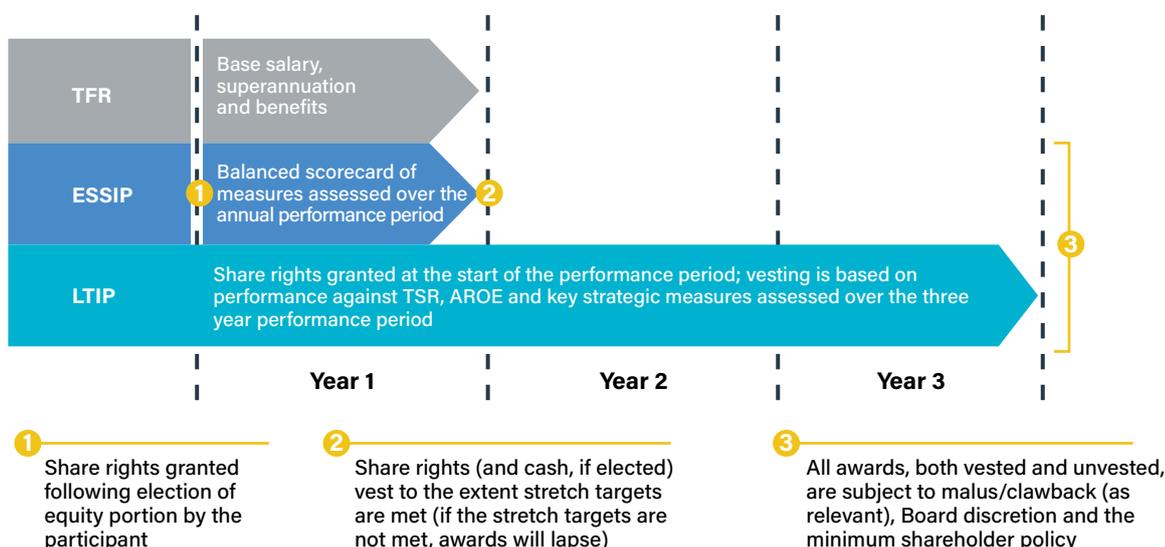
## Remuneration framework components

Our remuneration framework is designed to support Fortescue's Values and to bring to life our remuneration strategy

	Fixed component	Variable / At - risk component	
	Total Fixed Remuneration (TFR)	Executive and Senior Staff Incentive Plan (ESSIP)	Long Term Incentive Plan (LTIP)
<b>Purpose</b>	Comprising base salary, superannuation and optional salary sacrifice benefits.	Annual incentive opportunity that awards against annual stretch budget and objectives.	Long term incentive opportunity focused on growth strategy, long-term priorities and alignment with shareholder value creation over a three year performance period.
<b>How that component drives our Values and Remuneration Strategy</b>	<ul style="list-style-type: none"> <li>TFR is set to support the execution of business strategy based on role, qualifications, experience, accountability and responsibility.</li> </ul>	<ul style="list-style-type: none"> <li>A portion (at least 50%) granted at the start of the financial year to create immediate shareholder alignment.</li> <li>Performance assessed against balanced scorecard.</li> <li>Targets set at stretch levels to promote outperformance with cliff vesting.</li> </ul>	<ul style="list-style-type: none"> <li>Share rights are granted at the start of the performance period with value realised at time of vesting.</li> <li>Vesting is subject to achievement of stretch performance targets under multiple measures.</li> <li>Share rights are exposed to movement in share price over the three years ensuring strong correlation with shareholder returns.</li> <li>A maximum value limit of 50% of share price growth from the grant price applies at vesting.</li> </ul>
<b>FY21 approach</b>	<p>Benchmarked against median comparator group or above for outstanding performance.</p> <p>Comparators: ASX 30, ASX 50 and resources companies in the ASX 100.</p>	<p><b>Performance measure breakdown</b></p> <ul style="list-style-type: none"> <li>Operations (60%) – Safety, cost, production, cashflow and revenue</li> <li>People and culture (20%)</li> <li>Strategic KPIs (20%) – Project delivery, strategy and business development</li> </ul>	<p><b>Performance measure breakdown</b></p> <ul style="list-style-type: none"> <li>Total Shareholder Return (33%)</li> <li>Average Return on Equity (33%)</li> <li>Key Strategic Measures (34%)</li> </ul>
<p><b>MINIMUM SHAREHOLDING REQUIREMENT</b>            CEO: 200% of TFR, Other CLT: 200% of TFR, NEDs: 100% of base annual fee</p>			

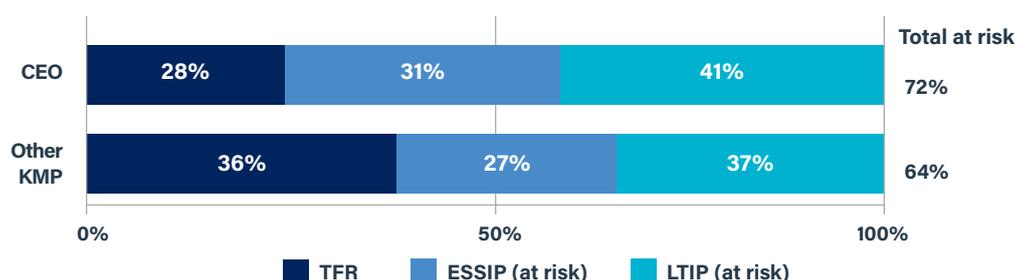
### The framework visualised

The following diagram sets out the remuneration structure and delivery timing for the CEO and other KMP.

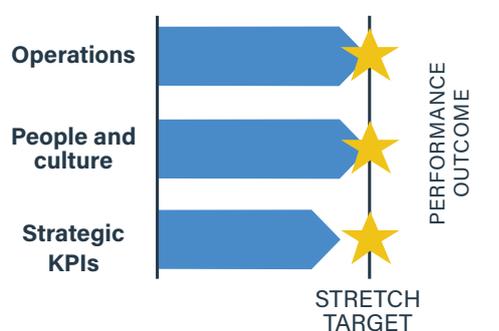


## Remuneration mix

The graph below shows the remuneration mix for superior performance when stretch hurdles have been met for both the CEO and other KMP.



## FY21 ESSIP vesting outcomes



Awards made in relation to the FY21 ESSIP reflect achievement of:

- Strong safety, operating and financial performance
- Improvements in the already high levels of safety culture and employee engagement
- Substantial diversification and growth strategy progress

Regardless of the outstanding performance achieved against the ESSIP performance measures, the CEO, CFO and COO have elected to forego their entire award for FY21 in light of the challenges associated with the Iron Bridge project.

## FY19 LTIP vesting outcomes

Measure	Weighting %	Outcome %	Vesting %
TSR	33	150	49.5
AROE	33	150	49.5
Strategic KPIs	34	90	30.6
<b>Total</b>			<b>129.6</b>
Capped at			100

## Share price over the last 3 years, A\$/share



In reviewing the expected vesting outcomes under the FY19 LTIP, the Board balanced executive effort against iron ore prices driving significant share price gains over the period. While the TSR performance outcome is exceptional, the increase in the LTIP award value from the initial allocation value was determined to be excessive. As a result, the Board has exercised its discretion to apply a cap on the value of award, such that executives may only benefit from 50% growth in the share price from the initial grant value, resulting in 28 per cent of the awards vesting.

In light of the factors outlined above as well as the Iron Bridge challenges, the Board exercised its discretion in consultation with the CEO, CFO and COO in order to determine that the benefits of the third year of the FY19 LTIP would not accrue to them.

### FY21 special recognition award

While the Board has exercised its discretion to apply a cap to the FY19 LTIP in a manner which is consistent with the approach to be applied to grants going forward, it has determined that, on review and subsequent to year end, the exceptional performance delivered to shareholders warrants a one-off cash award to be made to all executives, equal to 50% of TFR. For the relevant KMP, this equates to:

- Chief Executive Officer: A\$1,000,000
- Chief Financial Officer: A\$525,000
- FFI Chief Executive Officer: A\$515,000

The financial impact of these FY21 special recognition awards will be brought to account in FY22.

Additionally, the Board approved a one-off exertion cash payment to Julie Shuttleworth of A\$100,000, to recognise the significant amount of travel and support required on the FFI project in her role as FFI Chief Executive Officer.

## 3. Business performance

### Highlights



Through the outstanding efforts of the entire team, Fortescue has delivered excellent results for FY21, achieving the majority of our stretch targets. The results were underpinned by improved safety outcomes, operational excellence and the successful execution of our integrated operations and marketing strategy.

Our TRIFR improved to 2.0 in the 12 months to 30 June 2021, 17 per cent lower than 2.4 at 30 June 2020. This reflects our core value of Safety and our commitment to look out for each other and ourselves.

Safety is deeply ingrained in our culture and our outstanding levels of engagement and commitment to achieving global leadership in safety was demonstrated by an excellent participation rate of 99 per cent in our annual Safety Excellence and Culture survey. Our overall safety culture remains strong and we are confident in our ability to further improve our safety culture as we work towards achieving zero harm.

Operating performance delivered record results in FY21 with mining, processing, rail and shipping combining to

deliver record shipments of 182.2mt in FY21, exceeding market guidance of 182mt.

The ability to achieve our C1 cost and sustaining capital expenditure targets in US dollars was significantly impacted by the strengthening Australian dollar. In Australian dollars, our C1 cost target was achieved and sustaining capex was marginally above target (3%).

Fortescue's record financial performance for FY21 was underpinned by consistent operating performance, strong customer demand, record shipments and an optimised product mix to deliver higher margins delivering record net profit after tax of US\$10.3bn, an increase of 117 per cent on FY20.

In a year that has continued to be impacted by border closures and a tightening labour market due to COVID-19 Fortescue sustained our strong contribution to the Western Australian and national economies through the reliable and secure supply of iron ore to our customers.

### Safety

**2.0**

Total Recordable Injury Frequency Rate

### Cost

US\$ **13.93**

/wmt

### Revenue

US\$ **22,284**

million

### Production

**182.2**

mt shipped

### Sustaining Capex

US\$ **862**

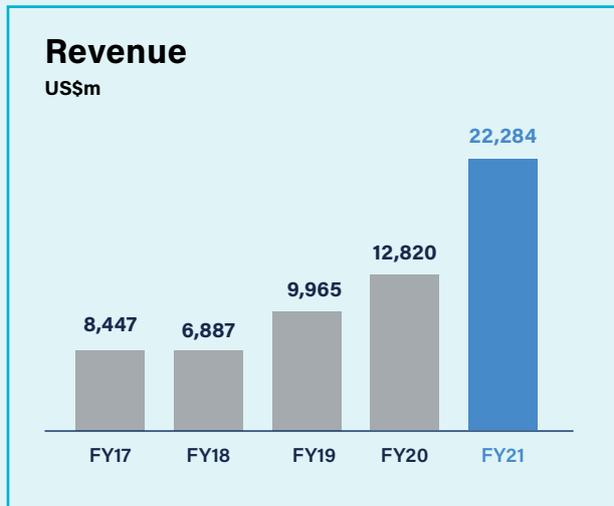
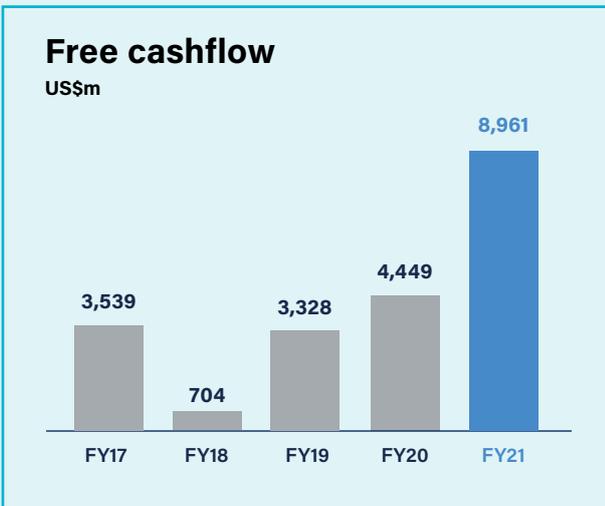
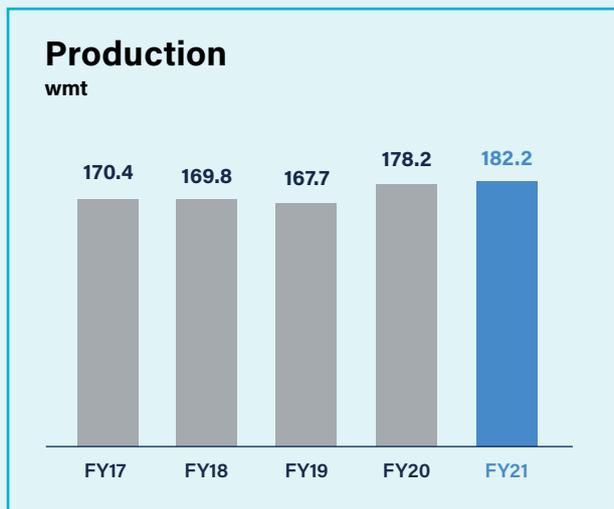
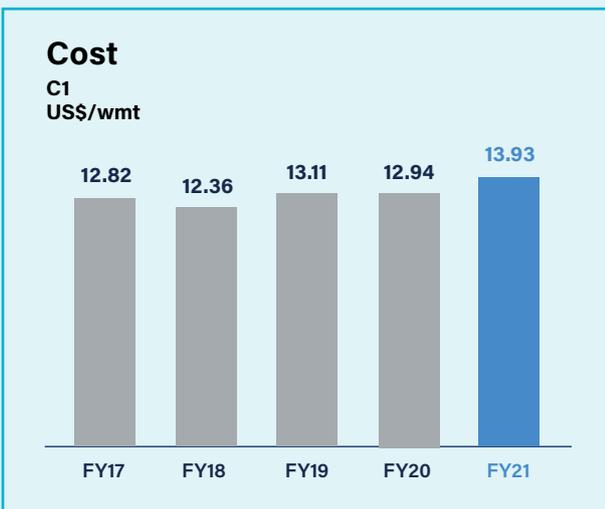
million

### Culture

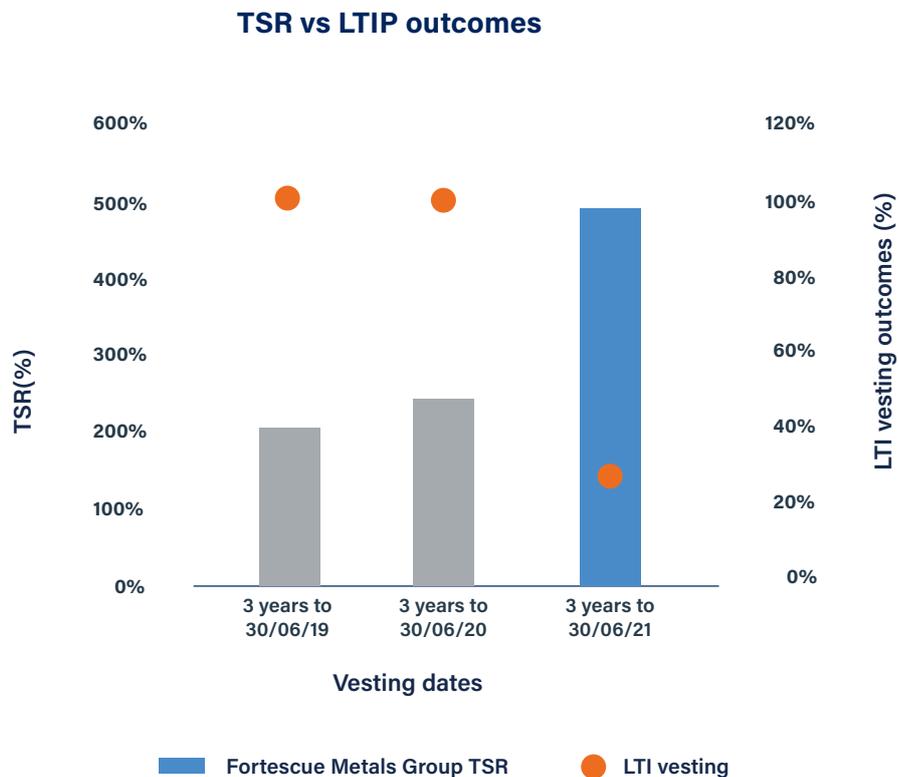
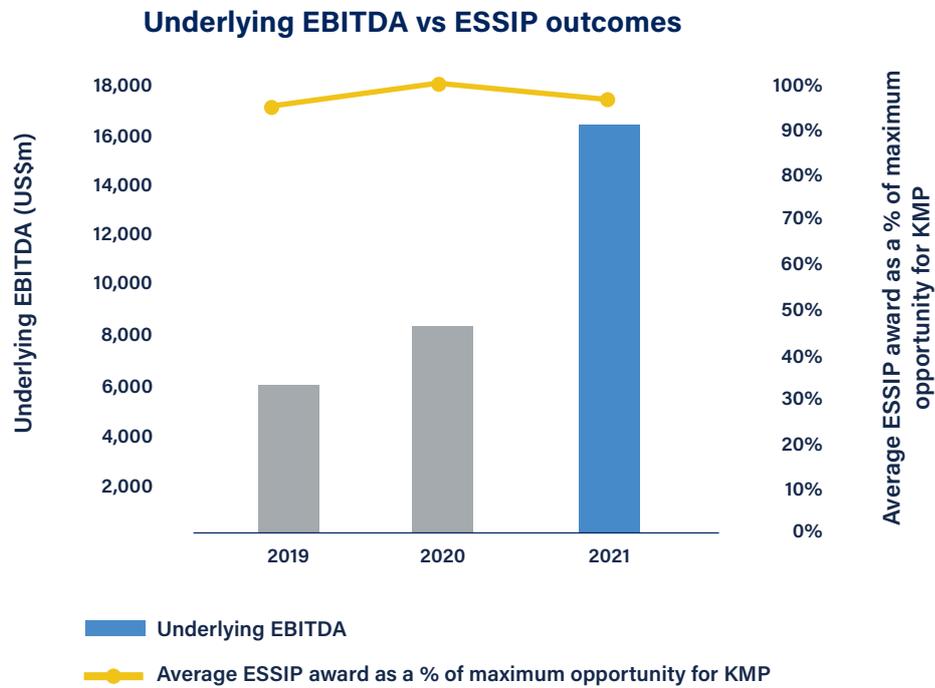
**99%**

Participation in Safety Excellence and Culture Survey

The following graphs show our Group performance against key financial measures in FY21:



The graphs below shows Fortescue’s EBITDA vs ESSIP outcomes and TSR vs LTIP outcomes over the last 3 years.



**a. 5 year Group performance**

Fortescue continues to deliver operational and financial improvements across the business. Our performance against key financial measures for FY21 and the five years FY17 to FY21 (inclusive) are set out below



	2021	2020	2019	2018	2017
Total tonnes shipped (wmt)	<b>182.2</b>	178.2	167.7	169.8	170.4
Revenue (US\$m)	<b>22,284</b>	12,820	9,965	6,887	8,447
Underlying EBITDA (US\$m)	<b>16,375</b>	8,375	6,047	3,182	4,744
Net profit/(loss) (US\$m)	<b>10,295</b>	4,735	3,187	878	2,093
Underlying return on equity (%)	<b>67</b>	40	31	11	23
Gearing (book value of debt/debt + equity)	<b>19</b>	28	27	29	31
Dividends declared (A\$ per share)	<b>3.58</b>	1.76	1.14	0.23	0.45
Share price at 30 June (A\$)	<b>23.34</b>	13.85	9.02	4.39	5.22
Change in share price (A\$)	<b>9.49</b>	4.83	4.63	(0.83)	1.72
Change in share price (%)	<b>69</b>	54	105	(16)	49

# 4. Remuneration Outcomes



As reported in section 3, Fortescue has again delivered strong, consistent results against the majority of key targets for FY21, underpinned by our values-based culture and the commitment of the entire Fortescue team.

## a. FY21 fixed remuneration changes

A market review of KMP fixed remuneration was undertaken in May 2020 as part of Fortescue's broader annual salary review process. As a result of that review, and in order to remain competitive against market peers, in a tight market for talent, the Board approved an increase to KMP fixed remuneration to the following:

KMP	% Increase	TFR A\$
<b>Non-executive Directors</b>		
E Gaines	8	2,000,000
G Lilleyman	3	1,545,000
J Shuttleworth	3	1,030,000
I Wells	5	1,050,000

Increases were effective from 1 July 2020 and remain aligned with external benchmarks.

## b. FY21 ESSIP performance outcomes

Fortescue strives to focus on both 'what' must be achieved (financial targets), as well as 'how' it should be achieved (non-financial and strategic targets). Our ESSIP operations, people and culture and strategic measures have financial and quantifiable effects on the Company. While Fortescue does not set 'threshold' and 'target' levels of performance under the ESSIP, each measure is set at stretch levels of performance and is determined

by the Board after applying significant rigour and undertaking due diligence in setting the remuneration framework on an annual basis.

While we recognise our approach to using cliff-vesting under the ESSIP is uncommon across the market, it is a deliberate strategy that aligns with our core value of setting stretch targets and a culture of outperformance, evidenced by our track record to date.

The ESSIP performance objectives and achievement outcomes in FY21 are shown in the table below:

Measure	Weighting	Detail	Stretch target	Assessed Outcome	Commentary
<b>Operations – 60%</b>					
<b>Safety*</b>	12	Fortescue TRIFR Fatality hurdle applies	No more than 2.2	Exceeded	Fortescue's rolling twelve-month TRIFR decreased by 17 per cent from 2.4 at 30 June 2020 to a record low of 2.0 at 30 June 2021
<b>Production</b>	12	▪ Total iron ore tonnes shipped	180mt	Exceeded	Record shipments of 182.2mt delivered in FY21 with an annualised run rate of 198mt in Q4
		▪ Annualised Run Rate in Q4	183mt		
<b>C1 Cost</b>	12	Achieve C1 cost	No more than US\$13.00/wmt	Achieved	While the C1 Cost and Cashflow measures were not met at stretch target levels, this was primarily due to fluctuations in the Australian dollar, and the translation to US dollars being outside the control of the Executive team, the Board agreed that the C1 Cost target would have otherwise been met and approved partial vesting on the Cashflow measure.
<b>Cashflow</b>	12	Sustaining Capex	No more than US\$751m	Partially Achieved	
<b>Revenue</b>	12	Achieve:	>60%	Achieved	A number of the revenue targets are market sensitive and therefore specific targets have not been disclosed.
		<ul style="list-style-type: none"> <li>▪ EBITDA margin</li> <li>▪ Ship higher value product volumes</li> <li>▪ Sell a portion of product direct to Chinese customers through Fortescue's wholly owned Chinese trading subsidiary</li> </ul>			<p>Overall, the revenue measure has been exceeded.</p> <ul style="list-style-type: none"> <li>▪ Full year EBITDA margin of 73%</li> <li>▪ 121.7mt of Fortescue high value product shipped</li> <li>▪ 12.39mt of product sold directly to customers from ports in China</li> </ul>
<b>People and Culture – 20%</b>					
<b>People and Culture</b>	20	Measured through the Safety and Culture Survey as well as Board assessment: <ul style="list-style-type: none"> <li>▪ Participation Rate</li> <li>▪ Net Promoter Score</li> </ul>	90% Positive	Exceeded	The Safety Excellence and Culture Survey participate rate of 99% and net promoter score of +31 both exceeded stretch targets.

\*In the event of a fatality, no award is made for the safety KPI.

The non-IFRS financial information included in the table above has not been subject to audit.

Measure	Weighting	Detail	Stretch target	Assessed Outcome	Commentary
<b>Strategic KPIs - 20%</b>					
<b>Strategic KPIs for the CEO of FFI</b>	20	<ul style="list-style-type: none"> <li>▪ Progress FFI and green energy strategy including:</li> <li>▪ Trialling technology on our locomotives to run on green ammonia</li> <li>▪ Developing a ship design powered by green ammonia and trialling that design in new ammonia engine technology, at scale</li> <li>▪ Testing large battery technology in our haul trucks</li> <li>▪ Trialling hydrogen fuel cell power for our drill rigs</li> <li>▪ Conducting trials to use renewable energy in the Pilbara to convert iron ore to green iron at low temperatures, without coal</li> </ul>	Achieved	<ul style="list-style-type: none"> <li>▪ Successful combustion of ammonia in a locomotive fuel, with a pathway to achieve completely renewable green fuel</li> <li>▪ Completion of design and construction of a combustion testing device for large marine (ship) engines, with pilot test work underway and a pathway to achieve completely renewable green shipping fuel</li> <li>▪ Finalised design of a next generation ore carrier (ship) that will consume renewable green ammonia, with the Classification Society giving in principle design approval</li> <li>▪ Testing of battery cells to be used on Fortescue haul trucks</li> <li>▪ Design and construction of a hydrogen powered haul truck for technology demonstration complete, with systems testing underway</li> <li>▪ Design and construction of a hydrogen powered drill rig for technology demonstration complete, with systems testing underway</li> <li>▪ Successful production of high purity (&gt;97%) green iron from Fortescue ores at low temperature in a continuous flow process</li> <li>▪ Successful initial trialling to use waste from the green iron process noted above, with other easily sourced materials, to make green cement.</li> </ul>	

The table below details the maximum ESSIP cash and share awards against the actual outcomes for FY21.

FY21	TFR	Maximum ESSIP opportunity (% of TFR)	Weighting in shares (%) <sup>1</sup>	Maximum ESSIP cash opportunity	Maximum ESSIP shares opportunity	ESSIP outcome %	Total ESSIP cash awarded	Nominal Value of ESSIP Vested Rights <sup>3</sup>		Nominal total ESSIP value <sup>3</sup>	
								Share price at grant A\$14.1462	Share price at vesting A\$23.576	Share price at grant A\$14.1462	Share price at vesting A\$23.576
US\$											
E Gaines <sup>2</sup>	1,493,580	112.5%	50%	840,139	79,527	-	-	-	-	-	-
G Lilleyman <sup>2</sup>	1,153,791	75%	100%	-	81,913	-	-	-	-	-	-
J Shuttleworth	769,194	75%	100%	-	54,609	96.4%	-	556,133	926,849	556,133	926,849
I Wells <sup>2</sup>	784,130	75%	100%	-	55,669	-	-	-	-	-	-

Remuneration values have been translated from Australian dollars to US dollars using an average exchange rate of 0.74679.

FY21	TFR	Maximum ESSIP opportunity (% TFR)	Weighting in shares (%) <sup>1</sup>	Maximum ESSIP cash opportunity	Maximum ESSIP shares opportunity	ESSIP outcome %	Total ESSIP cash awarded	Nominal Value of ESSIP Vested Rights <sup>3</sup>		Nominal total ESSIP value <sup>3</sup>	
								Share price at grant A\$14.1462	Share price at vesting A\$23.576	Share price at grant A\$14.1462	Share price at vesting A\$23.576
A\$											
E Gaines <sup>2</sup>	2,000,000	112.5%	50%	1,125,000	79,527	-	-	-	-	-	-
G Lilleyman <sup>2</sup>	1,545,000	75%	100%	-	81,913	-	-	-	-	-	-
J Shuttleworth	1,030,000	75%	100%	-	54,609	96.4%	-	744,698	1,241,111	744,698	1,241,111
I Wells <sup>2</sup>	1,050,000	75%	100%	-	55,669	-	-	-	-	-	-

<sup>1</sup> Participant's elected weighting in shares (minimum 50 per cent of the total award) divided by the strike price used to determine the number of share rights granted being the VWAP of Fortescue shares traded over the first five days of the plan year (A\$14.1462).

<sup>2</sup> Elected to forego the FY21 ESSIP and accordingly, no performance rights have vested for this plan.

<sup>3</sup> Nominal value of ESSIP vested rights is non-IFRS financial information and has not been subject to audit.

### c. FY19 LTIP performance outcomes

Each LTIP performance measure has a minimum performance hurdle for vesting with increasing levels applicable to each individual measure. There is an ability to earn up to 150% of any individual measure by achieving stretch performance. However, the overall cap for the LTIP is 100% of the maximum number of share rights granted.

The FY19 LTIP was tested over the period from 1 July 2018 to 30 June 2021. Executives have achieved all performance measures as shown in the table below resulting in 100 per cent of share rights vesting.

FY19 LTIP Performance Outcomes					
Measure	Weighting %	Threshold	Result	Achieved %	Weighted Average %
TSR	33%	60th percentile	100th percentile	150%	49.5%
AROE	33%	15%	46.2 %	150%	49.5%
<b>Key strategic measures</b>					
- FY19 (banked)	34%	5 out of 15	10 out of 15	90%	30.6%
- FY20 (banked)			10 out of 15		
- FY21 (new)			8 out of 15		
<b>FY19 LTIP vesting outcome</b>	100%				129.6%
<b>Overall outcome capped at 100%</b>					<b>100%</b>

<sup>†</sup>The strategic measures under the FY19 LTIP were assessed against three annual tranches – being the FY19, FY20 and FY21 strategic measures. This approach provided the Company flexibility to respond to economic and industry challenges as they occurred to ensure strategic measures remained relevant to driving shareholder value.

The FY19 and FY20 measures have already been assessed and banked as set out in last year's Remuneration Report and summarised further below. For the FY21 tranche, the Board agreed to set the same measures as those set in FY20 as they were still relevant to Fortescue's strategic priorities but these were assessed over the FY21 period (i.e., a different annual period). We remind shareholders that this will be the last year that we test and report on strategic measures under the LTIP in this way. The FY20 LTIP grant and onwards will be assessed against strategy execution measures in line with milestones for delivery of strategic projects (explained later in this Report) over the three year performance period.

As previously noted, the Board determined to apply a cap on the vested value of the FY19 LTIP to prevent executives receiving a windfall gain as a result of unprecedented growth in Fortescue's share price over the allocation value of the award.

The cap has been determined and applied as follows:

*Base FY19 LTIP Award x 150% = Maximum FY19 LTIP Value Limit*

*Maximum FY19 LTIP Value Limit / VWAP at vesting = Maximum number of Performance Rights that may vest.*

The following table is an example calculation showing how the maximum value limit is applied.

FY19 Performance Rights granted	100,000
FY19 LTIP value at grant price being \$4.348	A\$434,800
Value cap (50% share price growth)	150%
Maximum LTIP Value Limit (Base LTIP Award x 150%)	A\$652,200
VWAP at end of the LTIP Performance Period	A\$23.576
Maximum FY19 LTIP Performance Rights (maximum value cap divided by VWAP)	27,664

The calculation results in 28 per cent of the rights at the beginning of the performance period being awarded for all LTIP participants.

Performance measure and objective	Result	Proportion of award vested %	Comment
<b>TSR (33%)</b>			
In line with the Company's approach to setting stretch targets, the Board determined that a vesting schedule more aggressive than standard market (local and global) practice was required to align executive reward for this performance measure with superior shareholder returns.	100th percentile	150%	In the period from 1 July 2018 to 30 June 2021, Fortescue achieved a TSR of 490 per cent and ranking at the 100th percentile achieving the stretch target for this measure.
The vesting criteria:			
<ul style="list-style-type: none"> <li>▪ threshold at the 60th percentile, resulting in 25% of rights vesting;</li> <li>▪ target at the 80th percentile, resulting in 100% of rights vesting; and</li> <li>▪ stretch at the 100th percentile, resulting in 150% of rights vesting.</li> </ul>			
<b>AROE (33%)</b>			
The vesting criteria:	46.2%	150%	Fortescue's AROE performance over the three years ending 30 June 2021 exceeded the AROE stretch target performance hurdle of 30 per cent achieving an average AROE over the three year period of 46.2 per cent.
<ul style="list-style-type: none"> <li>▪ threshold was set at 15%, resulting in 25% of rights vesting;</li> <li>▪ target was set at 30%, resulting in 100% of rights vesting; and</li> <li>▪ 150% of rights will vest for greater than 30%.</li> </ul>			
<b>Strategic Measures (Annual FY21 assessment) (34%)</b>			
<b>Iron ore growth</b>	8 out of 15	The three year cumulative outcome for this measure is 90%	<b>Iron ore growth</b> Significant progress of the iron ore strategy has been made, including:
<ul style="list-style-type: none"> <li>▪ Progress on iron ore strategy</li> <li>▪ Increase long term product flexibility with no net decrease in mine life</li> <li>▪ Progress agreed long term sales strategy</li> </ul>	Achieved		Global high grade opportunities evaluated.
	Not Achieved		Challenges with the Iron Bridge Magnetite Project necessitated a technical and commercial assessment of the project resulting in revised capital costs and completion dates.
	Achieved		Strong results produced from Western Hub and Eastern Hamersley drilling.
	Not Achieved		Eliwana project delivery target not met.
	Achieved		20 year mine life maintained.
	Achieved		Long term sales strategy on target.

Performance measure and objective	Result	Proportion of award vested %	Comment
<b>Strategic Measures (Annual FY21 assessment) (34%) continued</b>			
<b>Other growth</b>			<b>Other growth</b>
<ul style="list-style-type: none"> <li>Develop and execute strategies for exploration and drilling programs in new geographical locations</li> <li>Develop and execute strategic options for non-iron ore growth</li> </ul>	Achieved		<p>Considerable progress has been made on Fortescue's diversification strategy, including:</p> <p><b>Exploration and Drilling</b> Significant field activities and drilling carried out in South America with caution due to COVID-19.</p>
	Achieved		<p><b>Copper and Lithium</b> Copper and lithium projects continue to be identified and analysed.</p>
	Achieved		<p><b>Autonomy</b> Supervisory Control System (SCS) being extended for the Autonomous Light Truck. Vehicle to Everything (V2X) technology developed and being deployed at Christmas Creek. Mapping technology developed for rail assets. Significant progress made on mobile and fixed plan autonomy.</p>
	Achieved		<p><b>Hydrogen</b> Fortescue Future Industries (FFI) established.</p>
			<p>Green Fleet Development Hazelmere facility established. Advancing projects aimed at decarbonising operations.</p>

FY21 strategic measures are assessed on an overall basis at the discretion of the Board and subject to a score from 0 to 15.

Banked performance against the FY19 and FY20 performance measures is also set out below. Further detail on performance against these measures is contained in the FY19 and FY20 Remuneration Reports.

Objective	Measures	Result		
		FY19	FY20	FY21
<b>Iron ore growth</b>	<ul style="list-style-type: none"> <li>Progress identified iron ore strategy</li> <li>Increase long term product flexibility with no net decrease in mine life</li> </ul>	Achieved	Achieved	Partially achieved
	<ul style="list-style-type: none"> <li>Progress agreed long term sales strategy</li> </ul>			
<b>Other growth</b>	<ul style="list-style-type: none"> <li>Develop and execute strategies for exploration and drilling programs in new geographical locations</li> <li>Develop and execute strategic options for non-iron ore growth</li> </ul>	Achieved	Achieved	Achieved
<b>Overall annual result</b>		<b>100%</b>	<b>100%</b>	<b>70%</b>
<b>Overall result</b>			<b>90%</b>	

### d. Actual remuneration paid (non-IFRS)

The following tables show the nominal remuneration value realised by the individual and includes fixed remuneration, cash incentives and the nominal value of equity at the time the share rights vest or shares are awarded (as noted in section 1, this information is shown in both USD and AUD):

US\$						
Name	Fixed remuneration <sup>1</sup>	FY21 ESSIP cash paid	Nominal value of FY21 ESSIP vested rights <sup>2,3</sup>	Nominal value of FY19 LTIP vested rights <sup>4,5</sup>	Other Payment	Nominal total remuneration earned in FY21
E Gaines	1,493,580	-	-	1,911,411	746,790 <sup>6</sup>	4,151,781
G Lilleyman <sup>8</sup>	730,208	-	-	1,031,277	-	1,761,485
J Shuttleworth	769,194	-	926,849	1,013,504	459,276 <sup>6,7</sup>	3,168,823
I Wells	784,130	-	-	690,492	392,065 <sup>6</sup>	1,866,687

Remuneration values have been translated from Australian dollars to US dollars using an average exchange rate of 0.74679 with the exception of the FY19 LTIP which has been translated at 0.71122.

A\$						
Name	Fixed remuneration <sup>1</sup>	FY21 ESSIP cash paid	Nominal value of FY21 ESSIP vested rights <sup>2,3</sup>	Nominal value of FY19 LTIP vested rights <sup>4,5</sup>	Other Payment	Nominal Total Remuneration Earned in FY21
E Gaines	2,000,000	-	-	2,687,523	1,000,000 <sup>6</sup>	5,687,523
G Lilleyman <sup>8</sup>	977,795	-	-	1,450,018	-	2,427,813
J Shuttleworth	1,030,000	-	1,241,111	1,425,028	615,000 <sup>6,7</sup>	4,311,139
I Wells	1,050,000	-	-	970,860	525,000 <sup>6</sup>	2,545,860

<sup>1</sup> Fixed remuneration includes cash salary, paid leave and superannuation.

<sup>2</sup> FY21 ESSIP share rights granted at the beginning of the performance period at a VWAP of A\$14.1462.

<sup>3</sup> FY21 ESSIP vested rights awarded have a nominal value based on A\$23.576 being the five day VWAP at the beginning of FY22. The increase in share price over the respective performance period has resulted in an unrealised increase in equity value to KMP in respect to this plan.

<sup>4</sup> FY19 LTIP share rights granted at the beginning of the performance period at a VWAP of A\$4.3480.

<sup>5</sup> FY19 LTIP vested rights awarded have a nominal value based on A\$23.576 being the five day VWAP at the beginning of FY22. The increase in share price over the respective performance periods has resulted in an unrealised increase in equity value to KMP in respect to these plans.

<sup>6</sup> Discretionary payment equal to 50% of TFR in recognition of FY21 financial and operational performance.

<sup>7</sup> J Shuttleworth was required to undertake significant travel during the year in support of FFI having spent approximately four continuous months away from home and travelling to challenging locations. Accordingly, the Board approved the payment of a one-off exertion payment of A\$100,000.

<sup>8</sup> G Lilleyman ceased to be a KMP from the date of his resignation on 16 February 2021. The values in the above table reflect actual remuneration up to that date.

# 5. Incentive plan operation



## a. ESSIP

The purpose of the ESSIP is to incentivise and reward key Fortescue Executives (including KMP) for achieving annual stretch Company and Individual performance objectives that drive shareholder value.

Below we have set out the key terms of the ESSIP for FY21:

Element	Description
<b>Delivery</b>	<p>Prior to the start of the performance period, participants elect the portion of awards they wish to receive in rights with the remaining awards to be delivered as cash. The plan allows Executives to elect to receive up to 100% of awards in equity (a minimum of 50% must be elected to be received by way of share rights).</p> <p>Each share right, if vested, entitles the participant to an ordinary share in Fortescue for nil consideration.</p>
<b>Performance period</b>	1 year (i.e. 1 July to 30 June).
<b>Valuing awards</b>	<p>The number of ESSIP share rights are calculated based on the VWAP of Fortescue shares traded over the first five trading days of the performance period. As such:</p> <ul style="list-style-type: none"> <li>▪ If the share price at the time of award is higher, Executives will receive higher value per share right.</li> <li>▪ If the share price at the time of award is lower, the value to executives is decreased.</li> </ul> <p>The value of share rights is therefore aligned with shareholder interests from the beginning of the performance period as executives receive value consistent with share price movements.</p>
<b>Performance measures</b>	<p>The Board continues to recognise the importance of focussing on operational and strategic targets with people and culture also being a key driver of success.</p> <p>In FY21, the Board set a number of challenging targets in respect of operations, including product, customer mix, cost reduction and revenue across all operating and support functions:</p> <ul style="list-style-type: none"> <li>▪ The operational measures were chosen as they represent the key drivers of financial performance (underlying EBITDA and NPAT) of the Company and provide a framework for delivering long term shareholder value, irrespective of the iron ore price.</li> <li>▪ The inclusion of a people and culture metric recognises the importance of supporting the Company's differentiated culture underpinned by its core Values, which is fundamental to corporate success.</li> <li>▪ Strategic KPIs focus on critical objectives and are set at stretch levels of performance with measures and weightings aligned to the individual's ability to influence outcomes such as the delivery of a project and business expansion.</li> </ul> <p>The Board determined the relative weighting and mix of performance objectives for KMP and Executives in order to deliver long term sustainable shareholder value.</p> <p>The measures for the FY21 ESSIP are outlined in section b.</p>

Element	Description
<b>Target setting</b>	<p>A key element of Fortescue's culture is to set challenging stretch targets and strive to outperform those targets (in line with our Values).</p> <p>As such, all targets are set at stretch levels of performance with a 'cliff vesting' outcome to promote a focus on outperformance (and avoid gaming of thresholds). Board discretion applies as set out below.</p> <p>ESSIP targets are linked to the annual stretch budget and Fortescue's strategic plan focusing on core drivers of shareholder value.</p>
<b>Board discretion</b>	<p>Awards under the ESSIP are at all times subject to the Board's discretion. When deliberating on performance outcomes, the Board follows a rigorous assessment process including:</p> <ul style="list-style-type: none"> <li>▪ The degree of stretch in the measures and targets and the context in which the targets were set;</li> <li>▪ The level of achievement against the stretch targets;</li> <li>▪ The operating environment over the performance period and management's ability to respond to unforeseen events (i.e. cyclones, floods, fire, pandemic);</li> <li>▪ Financial performance and shareholder value generated;</li> <li>▪ Global competitiveness and level of improvement compared to global peers during the period;</li> <li>▪ The level of improvement across key business drivers on the prior year; and</li> <li>▪ Any other relevant under or over performance or other criteria not stated above.</li> </ul> <p>In circumstances where performance against stretch targets is not accurately reflected in the level of achievement against stretch targets (whether under or over), the Board may exercise its discretion to increase or decrease the vesting level of the incentive and therefore the value awarded. This exercise of discretion and the reasons for it, will be clearly communicated in our Remuneration Report.</p>

## b. LTIP

The LTIP operates under the Performance Rights Plan Rules as approved by Shareholders at the Company's Annual General Meeting on 15 November 2018.

Below we have set out the key terms of the LTIP for FY21:

Element	Description
<b>Change from FY20</b>	A maximum value limit has been introduced for the FY21 LTIP onwards. Further details are provided in the Board Discretion section of this table.
<b>Delivery</b>	<p><b>Share rights.</b></p> <p>Each share right entitles Executives (subject to achievement of the performance conditions) to one fully paid ordinary share in Fortescue for nil consideration.</p>
<b>Performance period</b>	3 years.
<b>Summary of performance objectives/ measures</b>	The LTIP is measured against three weighted, independent performance measures being TSR, AROE and key strategic measures unique to Fortescue.

Element	Description																		
Performance measures	<p>The relative weighting between financial and strategic measures provides the ability to assess performance across a cyclical market. The inclusion of strategic measures is deliberate to ensure alignment between short and long-term value creation by ensuring long-term value is not compromised.</p> <p><b>TSR performance measure - 33% weighting</b></p> <p>TSR is a measure of the performance of the Company's shares over a three year period against the ASX 100 Resources Index (below). It combines share price appreciation and dividends paid to show the total return to the shareholder expressed as a percentage. Relative TSR hurdles are valuable because the Company needs to outperform a peer group of participants to receive any reward and therefore, is aligned to relative market performance.</p> <p>The comparator group for the FY21 grant comprises the companies in the ASX 100 Resources Index. The ASX 100 Resources Index has been chosen as the comparator group because this is a transparent market indicator, includes Fortescue's ASX Listed commodity market peers and represents the peer group that Fortescue competes with for investment.</p> <p><b>AROE performance measure - 33% weighting</b></p> <p>AROE has been used as a measure in Fortescue's LTIP for some time now and measures how effectively management is using Fortescue's assets to create profits.</p> <p><b>Key strategic measures - 34% weighting</b></p> <p>Key strategic measures are aimed at directing performance toward the achievement of the Company's long-term strategic objectives and not focussing on annual short term goals alone. The strategic objectives devised by the Board specifically relate to key milestones and objectives that are fundamental to the Company's sustainability, continuing development and growth and delivery of shareholder value.</p>																		
	<p>Each LTIP performance measure has a minimum performance hurdle for vesting with increasing levels applicable to each individual measure. There is an ability to earn up to 150% of any individual measure by achieving stretch performance. Each individual measure contributes to the overall result with vested rights awarded based on the aggregate of the three measures.</p> <p>Whilst each individual performance measure includes stretch targets, with a relative contribution on any individual measure of up to 150%, the overall cap for the LTIP is 100% of the maximum number of share rights granted.</p> <p><b>TSR performance measure</b></p> <p>When formulating the vesting schedule for the TSR performance measure, the Board considered both local and international market practice. In line with the Company's approach to setting stretch targets, the Board determined that a vesting schedule more aggressive than standard market practice was required in order to align executive reward for this performance measure with superior shareholder returns. The vesting criteria for both threshold and target have been set at the 60th percentile and 80th percentile (respectively), higher than standard market practice. The plan also provides for a premium grant of awards (subject to cap described above) where Fortescue delivers the market leading total shareholder return over the performance period.</p> <p>The TSR vesting schedule is as follows:</p>																		
	<table border="1"> <thead> <tr> <th colspan="3">LTIP TSR target and vesting schedule</th> </tr> <tr> <th>Performance</th> <th>Average TSR</th> <th>Portion of tranche that vests</th> </tr> </thead> <tbody> <tr> <td>Below threshold</td> <td>Below the 60th percentile</td> <td>Nil</td> </tr> <tr> <td>Threshold</td> <td>At the 60th percentile</td> <td>25% of share rights vest</td> </tr> <tr> <td>Target</td> <td>At the 80th percentile</td> <td>100% of share rights vest</td> </tr> <tr> <td>Stretch</td> <td>At the 100th percentile</td> <td>150% of share rights vest</td> </tr> </tbody> </table>	LTIP TSR target and vesting schedule			Performance	Average TSR	Portion of tranche that vests	Below threshold	Below the 60th percentile	Nil	Threshold	At the 60th percentile	25% of share rights vest	Target	At the 80th percentile	100% of share rights vest	Stretch	At the 100th percentile	150% of share rights vest
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<p>Vesting between performance levels is calculated on a linear basis with the stretch element considered together with the achievement of all performance measures and subject to the aggregate performance cap.</p>																			
Vesting conditions																			

Element	Description															
<b>Vesting conditions continued</b>	<p>The Board acknowledge that a relative TSR hurdle can result in unintended outcomes. The intent is to ensure no windfall gains or undue penalty. In the event that TSR is negative but the relative TSR hurdle is achieved, the Board will consider overall performance and circumstances and may, at its absolute discretion, reduce the level of vesting or determine that no award will be made in respect to the TSR measure.</p> <p><b>AROE performance measure</b></p> <p>The AROE vesting schedule is as follows:</p>															
	<b>LTIP AROE Target and Vesting Schedule</b>															
	<table border="1"> <thead> <tr> <th>Performance</th> <th>Average ROE</th> <th>Portion of tranche that vests</th> </tr> </thead> <tbody> <tr> <td>Below Threshold</td> <td>&lt;15%</td> <td>Nil</td> </tr> <tr> <td>Threshold</td> <td>15%</td> <td>25 per cent of share rights vest</td> </tr> <tr> <td>Target</td> <td>20%</td> <td>100 per cent of share rights vest</td> </tr> <tr> <td>Stretch</td> <td>&gt;30%</td> <td>150 per cent of share rights vest</td> </tr> </tbody> </table>	Performance	Average ROE	Portion of tranche that vests	Below Threshold	<15%	Nil	Threshold	15%	25 per cent of share rights vest	Target	20%	100 per cent of share rights vest	Stretch	>30%	150 per cent of share rights vest
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	<b>Key strategic measures</b>															
In line with the recommendations of the Remuneration and People Committee, the LTIP performance measures comprise strategic measures with associated key performance indicators for the Company aimed at directing performance towards the Company's long-term objectives (Strategic Objectives). The strategic measures for the FY21 grant are set out below.																
<b>Strategic Measures</b>																
<table border="1"> <tbody> <tr> <td rowspan="4" style="vertical-align: middle;"><b>Targets in respect to</b></td> <td>Iron ore growth</td> </tr> <tr> <td>Commodity diversification</td> </tr> <tr> <td>Energy strategy and emissions reduction</td> </tr> <tr> <td>Heritage management</td> </tr> </tbody> </table>	<b>Targets in respect to</b>	Iron ore growth	Commodity diversification	Energy strategy and emissions reduction	Heritage management											
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Whether a strategic objective has been achieved is measured at the end of the three year performance period on an outcome basis (and subject to Board discretion) with vesting as follows:																
<b>LTIP Strategic Measure Target and Vesting Schedule</b>																
<table border="1"> <thead> <tr> <th>Performance</th> <th>Score</th> <th>Portion of tranche that vests</th> </tr> </thead> <tbody> <tr> <td>Did not meet</td> <td>&gt;5</td> <td>Nil</td> </tr> <tr> <td>Threshold</td> <td>5</td> <td>25 per cent of share rights vest</td> </tr> <tr> <td>Target</td> <td>10</td> <td>100 per cent of share rights vest</td> </tr> <tr> <td>Exceeded</td> <td>15</td> <td>150 per cent of share rights vest</td> </tr> </tbody> </table>	Performance	Score	Portion of tranche that vests	Did not meet	>5	Nil	Threshold	5	25 per cent of share rights vest	Target	10	100 per cent of share rights vest	Exceeded	15	150 per cent of share rights vest	
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Target	10	100 per cent of share rights vest														
Exceeded	15	150 per cent of share rights vest														
Vesting between performance levels is calculated on a linear basis with the stretch element considered together with the achievement of all performance measures and subject to the aggregate performance cap.																

Element	Description
<b>Board discretion</b>	<p>The LTIP is subject at all times to the Board's absolute discretion.</p> <p>The Board has introduced a Maximum Value Limit which will apply to awards made under the FY21 LTIP onwards. The Maximum Value Limit caps the number of share rights that will vest in circumstances where there has been a significant increase in share price over the performance period. The Maximum Value Limit baseline is 50 per cent share price growth over the performance period noting that the Board may approve higher levels of vesting when considering Company performance and/or any other fact, event or circumstance that may impact the outcomes of the LTIP. In determining the level of the Maximum Value Limit to be applied, the Board will have consideration to any perceived windfall gain in Fortescue's share price, influenced in part by iron ore prices outside the control of management.</p>

### c. General terms applying to equity awards

The occurrence of particular events may affect the grant and vesting of the ESSIP and LTIP equity awards. The table outlines how these awards may be addressed, noting that the Board at all times maintains an overriding and absolute discretion with respect to the incentive plans:

Element	ESSIP	LTIP
<b>What happens on cessation of employment?</b>	<p>Unless the Board exercises its discretion under the ESSIP rules, for individuals who leave during the year (i.e. before 30 June) the ESSIP is pro-rated based on service during the period, and made at the usual payment date, which is around September of each year, post release of audited and approved full year results.</p> <p>Individuals who commence during the year similarly will have awards under the ESSIP pro-rated based on service during the performance period.</p>	<p>Unless the Board exercises its discretion under the plan rules, on cessation participants may be entitled to retain a pro rata portion of unvested performance rights, which may vest, subject to satisfaction of the applicable vesting conditions, in accordance with the original terms of their grant at the end of the vesting period.</p>
<b>Clawback Policy</b>	<p>Fortescue operates a Clawback Policy which applies to both the ESSIP and LTIP. Clawback will be initiated where in the opinion of the Board:</p> <ul style="list-style-type: none"> <li>a) a Participant has engaged in fraud, dishonesty or gross misconduct, breached his or her obligations to the Group or there is a material misstatement of financial information;</li> <li>b) an Award, which would not have otherwise vested, vests or may vest as a result of the fraud, dishonesty or breach of obligations of any other person; or</li> <li>c) circumstances have occurred that result in an unfair benefit being obtained by any Participant.</li> </ul> <p>The Board's discretion, with respect to the operation of the Clawback Policy, is considered standard market practice and an appropriate mechanism to ensure the Board has sufficient flexibility to respond to changing or unexpected circumstances (should they arise).</p>	
<b>Change of control</b>	<p>The performance period end date will generally be brought forward to the date of the change of control and awards will vest over this shortened period, subject to ultimate Board discretion.</p>	

## 6. Executive contract terms



KMP are employed on a rolling basis with no specified fixed term. KMP are required to provide written notice of six months (as specified in their individual service agreement) to terminate their employment. Contractual termination benefits for KMP comply with the limits set by the *Corporations Act 2001*.

KMP are remunerated on a TFR basis inclusive of superannuation and allowances. The table below details the remuneration details for KMP for FY21 in AUD:

Position	Executive	TFR <sup>1</sup> (A\$)	Maximum ESSIP opportunity		Maximum LTIP opportunity		Nominal value of total remuneration package at maximum opportunity A\$
			% of TFR	A\$	% of TFR	A\$	
CEO	E Gaines	2,000,000	112.5	2,250,000	150	3,000,000	<b>7,250,000</b>
COO	G Lilleyman	1,545,000	75	1,158,750	100	1,545,000	<b>4,248,750</b>
CEO FFI	J Shuttleworth	1,030,000	75	772,500	100	1,030,000	<b>2,832,500</b>
CFO	I Wells	1,050,000	75	787,500	100	1,050,000	<b>2,887,500</b>

<sup>1</sup> Includes superannuation and allowances, TFR is reviewed annually by the RPC.

# 7. Non-Executive Director remuneration



## a. NED remuneration policy and fees

Fortescue's policy on Non-Executive Director remuneration requires that Non-Executive Director fees are:

- Not 'at risk' to reflect the nature of their responsibilities and safeguard their independence; and
- Market competitive with fees set at levels comparable with Non-Executive Director remuneration of comparable companies.

The maximum aggregate remuneration payable to Non-Executive Directors is A\$3 million, which was approved by shareholders at the Annual General Meeting on 29 October 2019. There have been no further changes to the aggregate fee pool since October 2019.

Most Non-Executive Directors receive fees for both Board and Committee membership (the exception being the Chairman, who has elected to forgo all Board fees). The payment of additional fees for serving on a Committee recognises the additional time commitment required by Non-Executive Directors who serve on a Committee. Non-Executive Director fees for FY21 were as follows:

Position	Fee A\$ effective 1 January 2020
Board Chairman <sup>1</sup>	-
Deputy Chair and Lead Independent Director	1,100,000 <sup>2</sup>
Non-Executive Director	200,200
Audit, Risk Management and Sustainability Committee (ARMSC) Chair	57,200
ARMSC Member	21,450
Remuneration and People Committee (RPC) Chair	57,200
RPC Member	21,450
Finance Sub-Committee Member	8,580
Nomination Committee Member	-

<sup>1</sup> The Chairman of the Board has elected to forego Directors fees and receives no form of remuneration.

<sup>2</sup> Inclusive of Committee membership fees.

Non-Executive Directors do not receive retirement benefits, nor do they participate in any incentive programs of the Company.

We note there have been no changes to Non-Executive Director fees in FY21 since last year.

### **b. Special Exertion Payment – Jean Baderschneider**

The Board approved a one-off exertion cash payment to Jean Baderschneider of A\$100,000, to recognise the additional work beyond her day-to-day Board and Committee responsibilities through her role on the FFI Steering Committee and the support she has provided the FFI team.

### **c. Non-Executive Director Salary Sacrifice Rights Plan**

Non-Executive Directors may choose to sacrifice a portion or all of their base fees (excluding Committee fees and Company superannuation contributions) to be used to acquire vested rights to Fortescue shares under the Non-Executive Director Salary Sacrifice Share Rights Plan.

Shares, to the gross value of the amount salary sacrificed, are purchased on market twice a year following the announcement of Fortescue's half and full year results in February and August.

The VWAP purchased is used to determine the number of vested rights to be allocated to Non-Executive Directors.

Tested rights may be exercised at any time, up to 15 years from date of grant.

Shares will be held by Pacific Custodians (as Trustee) until the vested rights are exercised into shares. Vested rights and shares acquired under this Plan are not subject to performance conditions because they are issued in lieu of salary which would otherwise be payable to the relevant Non-Executive Director.

# 8. Remuneration Governance



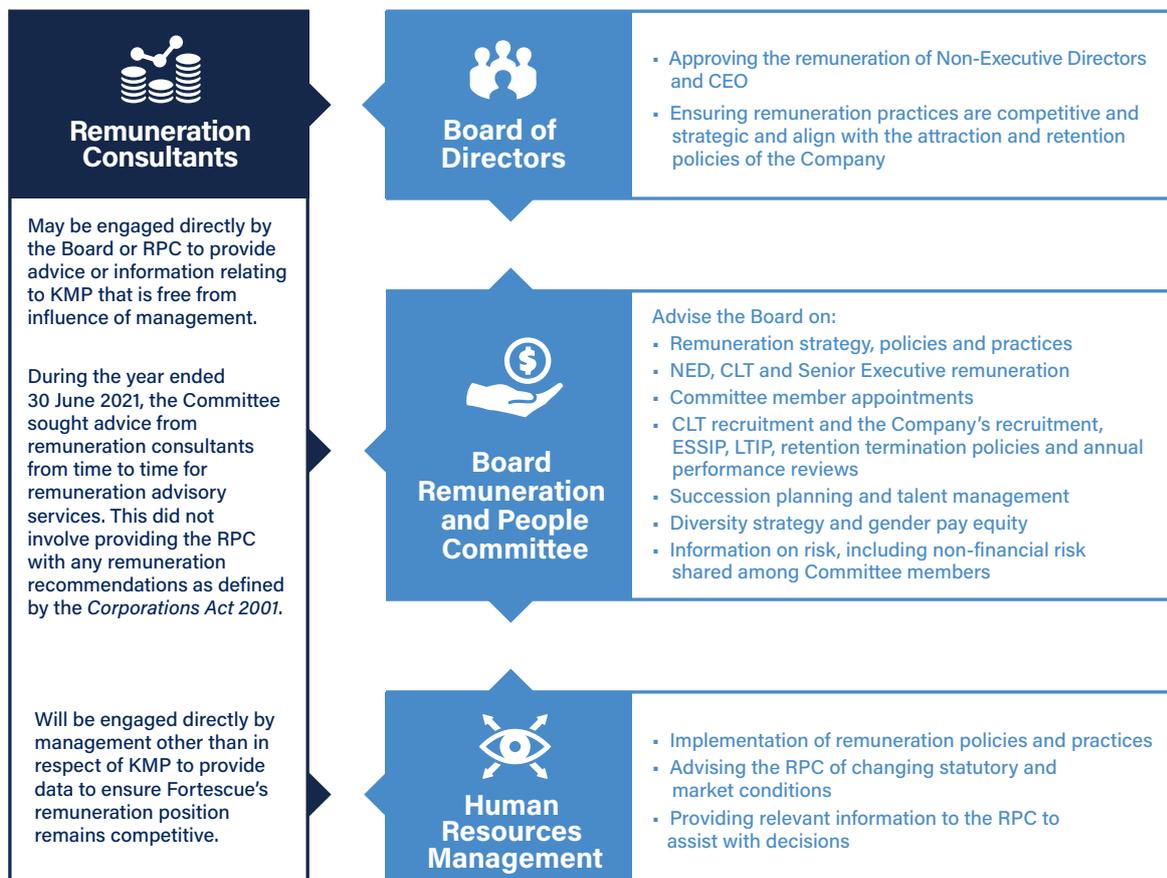
Fortescue believes that robust governance is critical to underpinning the effectiveness of the remuneration strategy.

## a. The Remuneration and People Committee (RPC)

The RPC operates under a Board-approved Charter. The purpose of the RPC is to provide assistance and recommendations to the Board to ensure that it is able to fulfil its responsibilities.

The RPC in FY21 consisted solely of Non-Executive Directors. The Chief Executive Officer and others may be invited to attend all or part of meetings by the RPC Chair as required, but have no vote on matters before the RPC.

A copy of the RPC Charter is available under the Corporate Governance section at [www.fmgj.com.au](http://www.fmgj.com.au)



## b. Minimum shareholding conditions

All Directors and employees are encouraged to own Fortescue shares and the Company enables employee participation as a shareholder through short and long term incentives, salary sacrifice and dividend reinvestment programs.

A minimum shareholding policy applies to Directors' and Executives' to support a long-term focus and further strengthen alignment with shareholders. The minimum shareholding required is as follows:

Non-Executive Directors:	100 per cent of base annual fees
CEO:	200 per cent of total fixed remuneration
Other KMP:	100 per cent of total fixed remuneration

Participants are required to meet their respective minimum shareholding within a reasonable timeframe, generally within 5 years from the effective date of the policy, or the date of their appointment, if later.

The Directors' and Executives' Minimum Shareholding Policy can be accessed from the Corporate Governance section at [www.fmgl.com.au](http://www.fmgl.com.au).

## c. Board discretion

The Committee and the Board consider it critical that they are able to exercise full and appropriate discretion in order to ensure that remuneration outcomes for executives appropriately reflect the performance of individuals, the Group and meet the expectations of shareholders.

## d. Securities Trading Policy

Fortescue's Securities Trading Policy provides guidance on how Company securities may be dealt with.

The Securities Trading Policy details acceptable and unacceptable periods for trading in Company Securities including detailing potential civil and criminal penalties for misuse of confidential information.

Fortescue's Securities Trading Policy provides guidance on acceptable transactions in dealing in the Company's various securities, including shares, debt notes and options.

The policy also sets out a specific governance approach for how the Chairman and Directors can deal in Company Securities. The Company's Securities Trading Policy can be accessed from the Corporate Governance section at [www.fmgl.com.au](http://www.fmgl.com.au).

# 9. Statutory disclosures



Statutory remuneration disclosures are prepared in accordance with Australian Accounting Standards and include share based payments expensed during the financial year, calculated in accordance with AASB 2 *Share based payments*.

The estimated fair value for ESSIP and LTIP performance rights was determined using an option pricing model as disclosed in note 18 of the Financial Report.

## b. Executive remuneration

Statutory remuneration differs significantly from actual remuneration paid to executives due to the accounting treatment of share based payments. The decision by the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer to voluntarily forego their FY21 ESSIP entitlements does not result in a reversal of the corresponding expense under Accounting Standards. The FY21 special recognition awards were determined by the Board subsequent to year end and were not part of a formal incentive plan. These payments are therefore required to be recognised as part of FY22 statutory remuneration. For details of remuneration actually paid to the Chief Executive Officer and executives in FY21 refer to section 4.

The tables below include statutory remuneration disclosures for FY21 and FY20.

Disclosures are provided in USD and AUD.

US\$		Short-term employee benefits				Post employment benefits	Share-based payments		Total Statutory Remuneration	
		Cash salary and fees	ESSIP cash value for FY21 plan year	Other Cash Payment	Non-monetary benefits	Superannuation	ESSIP share value	LTIP share value	Total	
<b>Executive Director</b>										
	E Gaines	FY21	1,474,910	-	-	2,880	18,670	946,082	1,113,412	3,555,954
		FY20	1,225,926	699,029	-	3,029	16,794	660,994	1,500,927	4,106,699
<b>Other KMP</b>										
	G Lilleyman	FY21	718,391	-	-	-	11,816	974,467	(306,790)	1,397,884
		FY20	990,817	-	-	-	16,794	714,594	845,953	2,568,158
	J Shuttleworth	FY21	752,991	-	74,679	1,488	16,202	626,261	648,227	2,119,848
		FY20	657,625	-	-	-	14,115	476,392	551,847	1,699,979
	I Wells	FY21	767,927	-	-	2,880	16,202	662,259	395,577	1,844,845
		FY20	657,625	-	-	3,029	14,115	476,392	556,230	1,707,391

Remuneration values have been translated from Australian dollars to US dollars using an average exchange rate of 0.74679 for FY21 and 0.67174 for FY20.

A\$		Short-term employee benefits				Post employment benefits	Share-based payments		Total Statutory Remuneration
		Cash salary and fees	ESSIP cash value for FY21 plan year	Other Cash Payment	Non-monetary benefits	Superannuation	ESSIP share value	LTIP share value	Total
<b>Executive Director</b>									
E Gaines	FY21	1,975,000	-	-	3,856	25,000	1,266,865 <sup>3</sup>	1,490,931	4,761,652
	FY20	1,825,000	1,040,625	-	4,509	25,000	984,003	2,234,387	6,113,524
<b>Other KMP</b>									
G Lilleyman <sup>1</sup>	FY21	961,972	-	-	-	15,822	1,304,874 <sup>3</sup>	(410,811)	1,871,857
	FY20	1,475,000	-	-	-	25,000	1,063,795	1,259,346	3,823,141
J Shuttleworth	FY21	1,008,304	-	100,000 <sup>2</sup>	1,993	21,696	838,604	868,018	2,838,615
	FY20	978,988	-	-	-	21,012	709,191	821,519	2,530,710
I Wells	FY21	1,028,304	-	-	3,856	21,696	886,807 <sup>3</sup>	529,703	2,470,366
	FY20	978,988	-	-	4,509	21,012	709,191	828,044	2,541,744

<sup>1</sup>G Lilleyman ceased to be a KMP from the date of his resignation on 16 February 2021. The values in the above table for FY21 reflect remuneration up to that date.

<sup>2</sup>Exertion Payment.

<sup>3</sup>The decision to voluntarily forego FY21 ESSIP entitlements does not result in a reversal of the corresponding expense under Accounting Standards.

### c. NED remuneration

The remuneration of NEDs for the year ended 30 June 2021 and 30 June 2020 is detailed below.

US\$		Base fees	Committee fees	Other benefits	Superannuation	Total
Dr A Forrest AO	FY21	-	-	-	-	-
	FY20	-	-	-	-	-
M Barnaba AM	FY21	802,799	-	-	18,670	821,469
	FY20	598,777	21,721	-	16,794	637,292
Dr J Baderschneider	FY21	149,507	16,019	74,679 <sup>1</sup>	-	240,205
	FY20	134,482	5,341	-	-	139,823
P Bingham-Hall	FY21	135,300	34,792	-	17,859	187,951
	FY20	121,703	23,090	-	15,203	159,996
Lord S Coe CH, KBE	FY21	149,507	-	-	-	149,507
	FY20	134,482	-	-	-	134,482
Dr C Zhiqiang	FY21	149,507	-	-	-	149,507
	FY20	134,482	-	-	-	134,482
J Morris OAM	FY21	136,418	53,154	-	18,670	208,242
	FY20	122,038	34,136	-	15,942	172,116
Dr Y Zhang	FY21	149,507	-	-	-	149,507
	FY20	112,068	-	-	-	112,068

Remuneration values have been translated from Australian dollars to US dollars using an average exchange rate of 0.74679 for FY21 and 0.67174 for FY20.

A\$		Base fees	Committee fees	Other benefits	Superannuation	Total
Dr A Forrest AO	FY21	-	-	-	-	-
	FY20	-	-	-	-	-
M Barnaba AM	FY21	1,075,000	-	-	25,000	1,100,000
	FY20	891,382	32,336	-	25,000	948,718
Dr J Baderschneider	FY21	200,200	21,450	100,000 <sup>(1)</sup>	-	321,650
	FY20	200,200	7,951	-	-	208,151
P Bingham-Hall	FY21	181,176	46,589	-	23,915	251,680
	FY20	181,176	34,373	-	22,632	238,181
Lord S Coe CH, KBE	FY21	200,200	-	-	-	200,200
	FY20	200,200	-	-	-	200,200
Dr C Zhiqiang	FY21	200,200	-	-	-	200,200
	FY20	200,200	-	-	-	200,200
J Morris OAM	FY21	182,673	71,177	-	25,000	278,850
	FY20	181,675	50,817	-	23,733	256,225
Dr Y Zhang	FY21	200,200	-	-	-	200,200
	FY20	166,833	-	-	-	166,833

<sup>1</sup> Exertion payment.

#### d. Details of performance grants to Executive Directors

Details of performance rights granted in FY21 in accordance with the Performance Rights Plan are shown in the table below.

E Gains	Share rights granted in FY21
ESSIP Share Rights	79,527
LTIP Share Rights	212,072
<b>Total</b>	<b>291,599</b>

The issue of share rights to participants will not have a diluting effect on the percentage interest of shareholders' holdings if the share rights vest into shares acquired on market.

### e. Details of share based payments relating to LTIP

The following table provides details of the number of share rights granted under the LTIP during the financial years ended 30 June 2019 to 30 June 2021. The value of the rights has been determined using the amount of the grant date fair value.

LTIP Plan	Grant date	Performance period	No. share rights granted	Value per share rights granted <sup>1</sup>		Value of rights granted at grant date		% Performance achieved	% Vested	No. Vested	Forfeited / lapsed
				US\$	A\$	US\$	A\$				
<b>E Gaines<sup>2</sup></b>											
FY19	03/12/2018	1/7/18 to 30/6/21	517,480	2.61	3.57	1,350,623	1,847,404	100%	28%	95,437	249,550
FY19	10/06/2019	1/7/18 to 30/6/21	100,621	5.54	7.91	557,440	795,912	100%	28%	18,557	48,524
FY20	18/11/2019	1/7/19 to 30/6/22	301,985	5.13	7.55	1,549,183	2,279,987			Determined in 2022	
FY21	11/11/2020	1/7/20 to 30/6/23	212,072	7.55	10.34	1,601,639	2,192,824			Determined in 2023	
<b>G Lilleyman<sup>2</sup></b>											
FY19	03/12/2018	1/7/18 to 30/6/21	275,989	2.61	3.57	720,331	985,281	100%	28%	50,900	133,093
FY19	10/06/2019	1/7/18 to 30/6/21	57,498	5.54	7.91	318,539	454,809	100%	28%	10,604	27,728
FY20	18/11/2019	1/7/19 to 30/6/22	163,236	5.13	7.55	837,401	1,232,432	-	-	-	163,236
FY21	18/11/2020	1/7/20 to 30/6/23	109,217	7.55	10.34	824,843	1,129,304	-	-	-	109,217
<b>J Shuttleworth</b>											
FY19	03/12/2018	1/7/18 to 30/6/21	160,994	2.61	3.57	420,194	574,749	100%	28%	44,538	116,456
FY19	10/06/2019	1/7/18 to 30/6/21	57,498	5.54	7.91	318,539	454,809	100%	28%	15,906	41,592
FY20	18/11/2019	1/7/19 to 30/6/22	108,824	5.13	7.55	558,267	821,621			Determined in 2022	
FY21	18/11/2020	1/7/20 to 30/6/23	72,812	7.55	10.34	549,901	752,876			Determined in 2023	
<b>I Wells<sup>2</sup></b>											
FY19	03/12/2018	1/7/18 to 30/6/21	189,743	2.61	3.57	495,229	677,383	100%	28%	34,994	91,052
FY19	10/06/2019	1/7/18 to 30/6/21	33,540	5.54	7.91	185,812	265,301	100%	28%	6,186	16,174
FY20	18/11/2019	1/7/19 to 30/6/22	108,824	5.13	7.55	558,267	821,621			Determined in 2022	
FY21	18/11/2020	1/7/20 to 30/6/23	74,225	7.55	10.34	560,572	767,487			Determined in 2023	

LTIP awards are determined at the first Board meeting following the end of the relevant performance period.

<sup>1</sup> The estimated fair value of LTIP performance rights was determined using an option pricing model as disclosed in note 18 of the Financial Report.

<sup>2</sup> Despite 100% of the LTIP performance targets being met, FY19 performance rights granted have been reduced by one third prior to application of the maximum value limit.

## f. KMP Share Rights

Share rights granted under the ESSIP at the beginning of FY21 (granted at the VWAP for Fortescue shares traded over the first five trading days of the performance year) and under the LTIP at the beginning of FY19 which vested in FY21 are shown below. The ultimate value of these share rights to the executives will reflect either an improvement or decline in the Company's share price over the performance period. The adoption of this approach is specifically to ensure that awards made to executives have a value which reflects sustainable value of shareholder's investment in the Company. The last column details the actual number of share rights that vested on actual performance.

Executive	Share rights granted	Share rights lapsed <sup>1</sup>	Share rights forfeited	Share rights vested
<b>E Gaines</b>				
FY21 ESSIP	79,527	-	79,527	-
FY19 LTIP	618,101	298,074	206,033	113,994
<b>G Lilleyman</b>				
FY21 ESSIP	81,913	-	81,913	-
FY19 LTIP	333,487	160,821	111,162	61,504
<b>J Shuttleworth</b>				
FY21 ESSIP	54,609	1,966	-	52,643
FY19 LTIP	218,492	158,048	-	60,444
<b>I Wells</b>				
FY21 ESSIP	55,669	-	55,669	-
FY19 LTIP	223,283	107,676	74,427	41,180

<sup>1</sup> Unvested share rights lapse

Non-Executive Directors do not participate in Fortescue's incentive plans and do not hold unvested share rights. The movement during the reporting period in the number of options and share rights over ordinary shares in the Company held directly, indirectly or beneficially, by each of the KMP, including their related parties is as follows:

FY21	Balance at the start of the year	Granted <sup>1</sup>	Exercised / converted <sup>2</sup>	Forfeited / lapsed <sup>2</sup>	Other <sup>3</sup>	Balance at the end of the year	Vested	Unvested	Not exercisable
<b>Executive Directors of Fortescue</b>									
E Gaines	1,418,735	291,599	(498,649)	(285,560)	-	926,125	-	926,125	926,125
<b>Other Key Management Personnel of Fortescue</b>									
G Lilleyman	839,932	191,130	(343,209)	(193,075)	(494,778)	-	-	-	-
J Shuttleworth	531,857	127,421	(204,541)	-	-	454,737	-	454,737	454,737
I Wells	555,858	129,894	(223,751)	(130,096)	-	331,905	-	331,905	331,905

<sup>1</sup> Performance Rights were granted in accordance with the short and long term performance rights plan, as disclosed in note 18 of the Financial Report.

<sup>2</sup> Relates to FY20 ESSIP and FY18 LTIP exercised/converted and the forfeiture of FY21 ESSIP and one third of FY19 LTIP.

<sup>3</sup> Negative amounts reflect the number held at the date of ceasing to be a KMP.

## g. KMP shareholdings

The numbers of shares in the Company held during the financial year by each Director and KMP, including their related parties, are set out below:

	Held at 1 July 2020	Received on conversion of rights	Issued	Purchases	Sales	Transfers	Other <sup>1</sup>	Held at 30 June 2021
<b>Non-executive Directors of Fortescue</b>								
Dr A Forrest AO	1,116,165,000	-	-	16,000,000	(800,000)	-	-	1,131,365,000
M Barnaba AM	40,300	-	-	-	-	-	-	40,300
Dr J Baderschneider	138,000	-	-	-	-	-	-	138,000
P Bingham-Hall	45,415	-	-	2,546	-	-	-	47,961
Lord S Coe CH, KBE	-	-	-	-	-	-	-	-
J Morris OAM	12,780	-	-	2,921	-	-	-	15,701
Dr C Zhiqiang	-	-	-	-	-	-	-	-
Dr Ya-Qin Zhang	-	-	-	12,000	-	-	-	12,000
<b>Executive Directors of Fortescue</b>								
E Gaines	595,669	498,649	-	-	(113,245)	-	-	981,073
<b>Other Key Management Personnel of Fortescue</b>								
G Lilleyman	424,704	343,209	-	252	(250,000)	-	(518,165)	-
J Shuttleworth	610,292	204,541	-	251	-	-	-	815,084
I Wells	562,976	223,751	-	4,216	(57,162)	-	-	733,781

<sup>1</sup>Negative amounts reflect the number held at the date of ceasing to be a KMP.

# Corporate Directory

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## Top 20 holders of ordinary shares at 25 August 2021

Rank	Name	Shares number	% of issued capital
1	Minderoo Group Pty Ltd	918,806,548	29.84
2	HSBC Custody Nominees (Australia) Limited	737,872,982	23.96
3	J P Morgan Nominees Australia Pty Limited	278,525,262	9.05
4	Valin Investments (Singapore) Pte Ltd	228,007,497	7.41
5	Citicorp Nominees Pty Limited	127,772,405	4.15
6	Emichrome Pty Ltd	93,045,000	3.02
7	AMNL Financing Pty Ltd	71,365,581	2.32
8	Valin Resources Investments (Singapore) Pte Ltd	37,876,216	1.23
9	National Nominees Limited	27,998,523	0.91
10	BNP Paribas Noms Pty Ltd	23,273,078	0.76
11	Citicorp Nominees Pty Limited	16,232,801	0.58
12	BNP Paribas Nominees Pty Ltd	14,961,792	0.49
13	BNP Paribas Nominees Pty Ltd Six Sis Ltd	14,421,733	0.47
14	Pacific Custodians Pty Limited	9,678,726	0.31
15	HSBC Custody Nominees (Australia) Limited	9,443,252	0.31
16	Peter & Lyndy White Foundation Pty Ltd	8,600,155	0.27
17	Pacific Custodians Pty Limited	8,448,515	0.27
18	BNP Paribas Nominees Pty Ltd ACF Clearstream	8,381,363	0.27
19	Invia Custodian Pty Limited	8,244,951	0.27
20	Pelmavigel Pty Ltd	5,683,491	0.18
		<b>2,648,639,871</b>	<b>86.02</b>

### Substantial holders

Rank	Name	Shares number	% of issued capital
1	Minderoo Group Pty Ltd, Forrest Family Investments Pty Ltd and John Andrew Henry Forrest	1,131,365,000	36.74
2	Hunan Valin Iron and Steel Group Company	267,395,477	8.68

Range	Shareholders number
1 to 1,000	73,772
1,001 to 5,000	35,918
5,001 to 10,000	7,272
10,001 to 100,000	5,250
100,001 and Over	310
<b>Total</b>	<b>122,522</b>

### Unmarketable parcels

There were 3,276 members holding less than a marketable parcel of share in the Company.

# Glossary

## Australian Accounting Standards

Australian Accounting Standards are developed, issued and maintained by the Australian Accounting Standards Board, an Australian Government agency under the *Australian Securities and Investments Commission Act 2001*.

## ASX

Australian Securities Exchange.

## ASX 100 Resource Index

A capitalisation-weighted index which measures the performance of the resources sector of the ASX 100. The index is calculated on an end of day basis.

## Beneficiation

Beneficiation is a process whereby ore is pulverised into fine particles and the higher grade material is separated, often magnetically, from the gangue (waste).

## bt

Billion tonnes.

## C1 Cost

Operating costs of mining, processing, rail and port on a per tonne basis, including allocation of direct administration charges and production overheads.

## CFR

A delivery term that indicates that the shipment price includes the cost of goods, freight costs and marine costs associated with a particular delivery.

## Chichester Hub

Fortescue's mining hub with two operating iron ore mines, Cloudbreak and Christmas Creek.

## CID

Channel Iron Deposit.

## CO<sub>2</sub>e

Carbon dioxide equivalent which is the internationally recognised measure of greenhouse gas emissions.

## Contractors

Non-Fortescue employees, working with the Company to support specific business activities.

## Corporations Act

*Corporations Act 2001* of the Commonwealth of Australia.

## Direct employees

Total number of employees including permanent, fixed term and part-time. Does not include contractors.

## dmt

Dry metric tonne.

## Fe

The chemical symbol for iron.

## FFI

Fortescue Future Industries Pty Ltd.

## FIFO

Fly-in Fly-out is defined as circumstances of work where the place of work is sufficiently isolated from the worker's place of residence to make daily commute impractical.

## FMG Iron Bridge Ltd

Fortescue's subsidiary participating in the Iron Bridge Joint Venture.

## Fortescue

Fortescue Metals Group Limited (ACN 002 594 872) and its subsidiaries.

## Fortescue blend

A blend of ore from Christmas Creek and Firetail mines, with an iron grade of 58.2% Fe.

## Fortescue River Gas Pipeline

A 270 kilometre gas pipeline which delivers natural gas from the Dampier to Bunbury Pipeline to the main power station in the Solomon Hub.

## FY

Refers to a Financial Year, end 30 June.

## Gearing

Debt / (debt + equity).

## Ha

Hectares.

## Hematite

An iron ore compound with an average iron content of between 57% and 63% Fe. Hematite deposits are typically large, close to the surface and mined via open pits.

## Indigenous Land Use Agreement (ILUA)

Statutory agreement between a native title group and others about the use of land and waters.

## Indicated Mineral Resource

An 'Indicated Mineral Resource' is that part of a Mineral Resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence

is derived from adequately detailed and reliable exploration, sampling and testing gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, and is sufficient to assume geological and grade (or quality) continuity between points of observation where data and samples are gathered. An Indicated Mineral Resource has a lower level of confidence than that applying to a Measured Mineral Resource and may only be converted to a Probable Ore Reserve.

## Inferred Mineral Resource

An 'Inferred Mineral Resource' is that part of a Mineral Resource for which quantity and grade (or quality) are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade (quality) continuity. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

An Inferred Mineral Resource has a lower level of confidence than that applying to an Indicated Mineral Resource and must not be converted to an Ore Reserve. It is reasonably expected that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration.

## International Financial Reporting Standards

International Financial Reporting Standards (IFRS) is a single set of accounting standards, developed and maintained by the International Accounting Standards Board with the intention of those standards being capable of being applied on a globally consistent basis.

## IUCN

International Union for Conservation of Nature.

## JORC Code

The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 Edition, each prepared by the Joint Ore Reserves Committee of the Australian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Mineral Council of Australia, as amended or supplemented from time to time.

**Key Management Personnel**

Key Management Personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

**Kings CID Fines**

Fortescue's standalone product produced from Channel Iron Deposit Ore from its Kings mine in the Solomon Hub, with an iron content of 57.3% Fe.

**LOM**

Life of mine, being the number of years over which available reserves will be extracted.

**Magnetite**

An iron ore compound that is typically a lower grade ore than Hematite iron ore because of a lower iron content.

Magnetite ore requires significant beneficiation to form a saleable concentrate. After beneficiation, Magnetite ore can be pelletised for direct use as a high-grade raw material for steel production.

**Measured Mineral Resource**

A 'Measured Mineral Resource' is that part of a Mineral Resource for which quantity, grade (or quality) densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, and is sufficient to confirm geological and grade (or quality) continuity between points of observation where data and samples are gathered. A Measured Mineral Resource has a higher level of confidence than that applying to either an Indicated Mineral Resource or an Inferred Mineral Resource. It may be converted to a Proved Reserve or under certain circumstances to a Probable Ore Reserve.

**mt**

Million tonnes.

**mtpa**

Million tonnes per annum.

**Net gearing**

(Debt - cash) / (debt - cash + equity).

**NPAT**

Net profit after tax.

**OPF**

Ore Processing Facility.

**Pilbara**

The Pilbara region in the north west of Western Australia.

**Pilbara Energy Connect (PEC)**

Fortescue's energy generation and transmission program of works.

**Probable Ore Reserve**

As defined in the JORC Code, the economically mineable part of an Indicated Resource, and in some circumstances, a Measured Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.

**Proved Ore Reserve**

As defined in the JORC Code, the economically mineable part of a Measured Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.

**Reserves or Ore Reserves**

As defined in the JORC Code, the economically mineable part of a Measured Resource and/or an indicated mineral resource. It includes diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore reserves are subdivided in order of increasing confidence into Probable Ore Reserves

and Proved Ore Reserves. Where capitalised, this term refers to Fortescue's estimated reserves.

**Resources or Mineral Resources**

As defined in the JORC Code, a concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quantity and quality that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral resources are subdivided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories. Where capitalised, this term refers to Fortescue's estimated Mineral Resources.

**Senior executive**

Leadership position title of Director or Group Manager.

**Solomon Hub**

A mining hub with Firetail, Kings and Queens mines.

**Super Special Fines**

Fortescue's iron ore product from the Chichester Hub, with an iron content of 56.4% Fe.

**TRIFR**

Total recordable injury frequency rate per million hours worked, comprising lost time injuries, restricted work and medical treatments.

**Total global economic contribution**

Payments that contribute to the global economy including payments to suppliers, employees (salaries and wages), governments (taxes and royalties), shareholders and investors (dividends and debt repayments).

**Underlying EBITDA**

Underlying EBITDA is defined as earnings before interest, tax, depreciation and amortisation, exploration, development and other expenses.

**Underlying EBITDA margin**

Underlying EBITDA / Operating sales revenue.

**Underlying net profit after tax**

Net profit after tax (NPAT) adjusted for the after tax impact of one-off refinancing and early debt repayment costs.

**VTEC**

Vocational Training and Employment Centre.

**Western Hub**

The Western Hub includes the Eliwana mine.

**wmt**

Wet metric tonne.

## Awards

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### Parity.org Best Companies for Women to Advance List

- Listed for the second year

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### CME Women in Resources

Pooja Haria

- Outstanding Young Woman in Resources winner
- People's Choice

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### 40 under 40 Awards

Katie Charuga-Andrijasevic

- Winner

Dr Bart Kolodziejczyk

- Finalist

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### BCA Biggies Awards

- Finalist



## Contact details

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### Australian Business Number

ABN 57 002 594 872

### Auditor

PwC  
Level 15, 125 St Georges Terrace  
Perth, WA 6000  
[www.pwc.com.au](http://www.pwc.com.au)

### Securities Exchange listings

Fortescue Metals Group Limited  
shares are listed on the Australian  
Securities Exchange (ASX)  
ASX Code: FMG

### Fortescue Share Registry

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Level 12, QV1 Building  
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 **Fortescue**