APPENDIX 4E

For the year ended 30 June 2022

This information should be read in conjunction with Fortescue's Annual Report, for the year ended 30 June 2022

Name of entity
Fortescue Metals Group Ltd

ABN
57 002 594 872

Results for announcement to the market

		US$ million
Revenue from ordinary activities	Down 22% to	17,390
Profit from ordinary activities after tax attributable to members	Down 40% to	6,197
Net profit attributable to members	Down 40% to	6,197

Dividends	Amount per security	Franked amount per security
Financial year ended 30 June 2022:		
Interim – ordinary	A$0.86	A$0.86
Final – ordinary	A$1.21	A$1.21
Total dividends	**A$2.07**	**A$2.07**
Previous corresponding period:		
Interim – ordinary	A$1.47	A$1.47
Final – ordinary	A$2.11	A$2.11
Total dividends	**A$3.58**	**A$3.58**
Ex-dividend date of final dividend	5 September 2022	
Record date of final dividend	6 September 2022	
Payment date of final dividend	29 September 2022	

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 8 September 2022.

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 7 September 2022. 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 29 September 2022. A broker will be engaged to assist in this process.

A copy of the Plan Rules is available at **www.fmgl.com.au/Investors**.

Net tangible asset backing

Net tangible asset backing per ordinary shares: US$5.55 (previous corresponding period: US$5.76).

Previous corresponding period

The previous corresponding period is the 12 months ended 30 June 2021.

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.

Fortescue

FY22

ANNUAL REPORT

ABN 57 002 594 872

We are Fortescue

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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FY22 HIGHLIGHTS

IRON ORE SHIPPED	**C1 COST**
189.0mt	US$15.91/wmt
CASH ON HAND	**NET DEBT**
US$5.2bn	US$0.9bn
NET PROFIT AFTER TAX	**TOTAL GLOBAL ECONOMIC CONTRIBUTION**
US$6.2bn	A$27.6bn

01

OVERVIEW


Fortescue acknowledges the First Nations peoples of the lands upon which we live and work. We acknowledge their rich cultures and their continuing connection to land, waters and community. We are proud to work, partner and engage with First Nations peoples. We pay our respects to the culture and people, their Elders and leaders, past, present and emerging.

EXECUTIVE CHAIRMAN'S MESSAGE

"WE MUST BECOME THE SAUDI ARABIA, NOT OF OIL, BUT OF GREEN HYDROGEN. WE CAN BECOME THE ASIA OF GREEN IRON TOO, IF WE ARE PREPARED TO COMMIT TO IT. THINK THE NORTH WEST SHELF – NOT OF CLIMATE-THREATENING METHANE, BUT OF CARBON-FREE GREEN AMMONIA, FOR EVERY SHIP IN THE WORLD. PLEASE DON'T THINK IT CAN'T BE DONE, IT CAN"

Dr Andrew Forrest AO

Fortescue emerged just 19 years ago, a David among the Pilbara Goliaths.

We were tiny. Though fast, agile and innovative, we had no ground, hardly any capital – and certainly no way of getting anything we did find to market. Understandably, the task was written off as "impossible".

Exactly like you can be forgiven now for thinking the same about the above. Fortescue won't have to do it all but we can certainly be the catalyst.

As we are now, back then, we were humble, frugal, empowered, enthusiastic and just a little courageous with determination as steely as our product, we would never give up.

These Values guided us to become one of the largest iron ore producers, and certainly the most efficient in the world.

This year, Fortescue shipped a record 189 million tonnes of iron ore, despite the immense headwinds posed by COVID-19 and rising inflation.

This coming year, we expect to break further records, with guidance for shipments of 187 to 192 million tonnes. Iron Bridge will come online, capable of delivering 22mpta of high-grade, 67% Fe magnetite and despite funding this massive new asset our balance sheet has remained very strong.

These records and the prospect of even greater performance is exciting – but to me, knowing our Fortescue family so well and our tremendous capability, I am not unduly surprised.

What did surprise me is how this great team – revolving around our Values – embraced so rapidly with heartfelt commitment, the massive challenge of transforming our company to green. Having travelled all over the world several times prior to the formal establishment of Fortescue Future Industries (FFI), I can assure you this group with their courage, determination, enthusiasm and innovation is without peer.

In our last Annual Report, I wrote that Fortescue has always been a pioneer.

The energy sector is undergoing the largest disruption in human history. We have declining, deeply polluting, increasingly unaffordable fossil fuels, that, with the plastic made from them, are devastating our natural environment. At long last, we are transitioning, even if only at a snail's pace in Australia – fortunately much faster overseas – to a natural, infinite, increasingly affordable, pollution-free future.

Let me share a truth that struck home when dealing with Airbus in France, a long-time supporter of nuclear fuel. They made the simple point that the more fossil fuel (nuclear included) is consumed, the more expensive it becomes. Supply is finite.

The opposite of course, as plain to an economics professor as to a school student is that demand for energy is finite, but the supply of green energy is infinite. Therefore, the more it is used, the cheaper it becomes – as does the underlying technology.

In contrast – drift along with the current system, we will all cook.

Climate change is no longer simply an ethical concern, but one that presents clear financial and systemic risks over mainstream investment horizons.

Today, we have two choices.

Firstly, we could turn a blind eye to the rapidly changing global business and regulatory climate.

Or we can transition into a global green metals, minerals, energy, technology and development company, capable of delivering not just green iron ore but also all of the minerals critical to the green energy transition. To lead the green energy revolution – and, once again, set a record-breaking industry benchmark in everything we do. We have already begun.

This year, FFI entered into agreements with global businesses E.ON, Airbus, JCB, Covestro and Universal Hydrogen Co. Our agreement with E.ON will see up to five million tonnes of FFI's green hydrogen delivered per year by 2030 to their 50 million European customers.

We became a founding member of the First Movers Coalition, alongside 33 other global businesses, the World Economic Forum and the US Special Presidential Envoy for Climate, John Kerry, at the invitation of President Joe Biden.

Today, Fortescue's haul trucks consume approximately 200 million litres of diesel per year, accounting for 24 per cent of our Scope 1 emissions and placing a substantial financial burden on our operations.

That is why, in June, we announced plans to work with global equipment manufacturer Liebherr and Fortescue subsidiary Williams Advanced Engineering to develop a zero-emissions haul truck that runs on renewable grid electricity which can also be commercialised – to enable the rest of industry to decarbonise.

This year, we started to build the world's largest electrolyser facility in Gladstone, Queensland and developed an innovative, in-house electrolyser design.

Alongside thyssenkrupp, Korea Zinc, Envision, Aker Horizons and other industry leaders, FFI was proud to support the launch of the GH2 Standard at the Green Hydrogen Global Assembly in Barcelona in May, which sets an industry benchmark for green hydrogen's emissions that will drive global decarbonisation *at the speed required*.

Finally, we continued to explore adapting major coal infrastructure for green hydrogen production in Australia, where we are working with AGL Energy to transition Liddell and Bayswater power stations, which together account for over 40 per cent of New South Wales' emissions.

We are Fortescue – one Fortescue

I want to thank the entire Fortescue team for their courage, determination, integrity and commitment to our great company.

As I return to an Executive Chairmanship role, I want to thank Elizabeth Gaines for her enormous contribution to Fortescue over the past decade. Elizabeth's character, leadership, integrity and respect will be with us always and make the perfect basis for the Global Ambassador role she is about to assume for Fortescue.

I am also excited to welcome former President and CEO of General Electric Europe Mark Hutchinson and former Reserve Bank of Australia Deputy Governor Dr Guy Debelle to FFI's strong leadership team. They will continue to build on the strong groundwork led by Julie Shuttleworth who has moved to lead Global Growth.

Fortescue, and Australia, have entered a new era.

In June, our Minister for Climate Change and Energy made this point clearly.

"Being a good global citizen is not separate to our national economic interest. It's key to it. By 2030, we'll still be exporting energy… and employing thousands of Australians as we do so: but we'll be exporting renewable energy via submarine cables and green hydrogen."

Fortescue is ready to strengthen not just Australia with green metals, green energy, green hydrogen and other green resources – but also the rest of the world.

Thank you.

CASE STUDY

E.ON AND THE EUROPEAN ENERGY CRISIS

In March this year, I signed a critical agreement in Berlin with E.ON, Germany's largest electricity provider, with 51 million customers and operations in over 30 countries.

This agreement will see FFI supply E.ON with up to five million tonnes per year of green hydrogen by 2030 – equivalent to approximately one third of the calorific energy Germany imported from Russia, prior to the invasion of Ukraine.

FFI and E.ON will become Europe's largest supplier and distributor of green hydrogen – providing a critical, zero-carbon alternative to Russian energy. The EU has pledged to reduce demand for Russian gas by two-thirds by the end of this year alone.

As the price of gas soars, the benefits of green energy and green hydrogen are becoming ever clearer. Green hydrogen is now cheaper than fossil fuel-based hydrogen in Europe, the Middle East, Africa and China according to a recent report by BloombergNEF.

FFI will continue to work with E.ON and a number of other leading businesses in Germany to provide guidance to the German government on green hydrogen. In June 2022, the taskforce delivered a Roadmap that estimates that the long-term, total addressable market for green hydrogen in Europe is up to 27 million tonnes per annum.

"Moving quickly and strategically to build up a green hydrogen trade will enable Germany and the EU to capitalise on short-term opportunities across volatile global energy markets, and to safeguard energy security," the report concluded.

CHIEF EXECUTIVE OFFICER'S MESSAGE

"AS MY TENURE AS CHIEF EXECUTIVE OFFICER COMES TO AN END, I WOULD LIKE TO TAKE THIS OPPORTUNITY TO REFLECT ON THE EXTRAORDINARY ACHIEVEMENTS OF THE FORTESCUE TEAM"

Elizabeth Gaines

I joined Fortescue in February 2013 as a Non-Executive Director, before becoming Chief Financial Officer in 2017. One year later, I was privileged to be appointed the Company's third Chief Executive Officer (CEO), and importantly the Company's first female CEO.

Over this decade, I have been part of Fortescue's incredible journey, watching the Company go from strength to strength.

It has been a period of incredible growth and transformation, for everyone in the Fortescue family.

Today, Fortescue's operating excellence continues to drive strong results across our key metrics of safety, production and cost, as we transition to an integrated, global green energy and resources company, together with FFI.

During FY22, our unwavering focus on safety has seen the achievement of our lowest total recordable injury frequency rate (TRIFR) of 1.8, a 10 per cent improvement from 30 June 2021.

We are now shipping at an annual rate of over 180 million tonnes, and this year Fortescue exceeded the top end of guidance with record shipments of 189 million tonnes.

Driven by an ongoing focus on productivity gains through innovation and technology, Fortescue has grown to become one of the world's lowest cost iron ore producers.

The health and safety of our team members, their families and our local communities remains our highest priority

Guided by our Values and unique culture, the entire team have remained focused on looking out for their mates and themselves, as we entered our third year of managing the impacts of COVID-19.

With the easing of the State's border restrictions in March 2022, we saw increased community transmission across Western Australia. By maintaining a comprehensive COVID-19 management plan and through investment in business continuity planning measures, we have successfully mitigated potential disruption to our operations during this challenging period.

On 30 September 2021, our team member David Armstrong tragically passed away as the result of an incident at our Solomon Hub operations.

This devastating loss has been a stark reminder of why safety is our highest focus, and we continue our work with authorities to investigate this event.

We know that more can always be done to ensure we are providing a safe and secure workplace for all of our team members, and like many of you, I was deeply concerned by the findings from the Western Australian Parliamentary Inquiry into sexual harassment against women in the FIFO mining industry.

Drawing on our unique culture and Values, in July 2021 we launched a Workplace Integrity Review to engage directly with our workforce and contractors to understand their views about the factors that contribute to sexual harassment and how we can expand on the measures we already have in place to prevent it from happening.

Having participated actively in the Inquiry process, we have implemented a range of initiatives to further enhance safety within our operations and to ensure all team members continue to uphold our unique culture.

We know improving diversity contributes to a safer workplace and we are firmly committed to increasing female and Indigenous employment.

During FY22, female employment at Fortescue increased to 23 per cent. We also remained one of Australia's largest employers of Indigenous people with more than 1,000 Indigenous people employed at Fortescue.

Our sales and marketing strategy remains centred on the current and future needs of our customers and the optimisation of our supply chain

Throughout the year, our integrated operations and marketing strategy continued to deliver significant benefits for our business, allowing us to adapt and respond to volatile market conditions.

During the first half of the year, we saw reductions in crude steel production in China, resulting in a fall in the price of iron ore. However, growth targets set by China in the second half, coupled with increasing global inflationary pressures, supported strong market conditions with steel prices surging and crude steel production recovering.

Fortescue's revenue realisation for FY22 was 72 per cent, compared to 88 per cent in FY21.

Balance sheet strength

The strength of our operational performance has resulted in strong cashflow generation for the year, contributing to our second highest net profit after tax of US$6.2 billion.

Cash on hand decreased to US$5.2 billion at 30 June 2022, and we closed the financial year with net debt of US$0.9 billion. Total capital expenditure for FY22 was US$3.1 billion including US$1.2 billion invested in our major growth projects of Iron Bridge and Pilbara Energy Connect and US$219 million on the acquisition of Williams Advanced Engineering (WAE).

Continuing our track record of delivering strong returns to shareholders

Reflecting the team's outstanding performance in FY22 and our commitment to deliver value for our shareholders, Fortescue's Board of Directors (the Board) was pleased to declare a final dividend of A$1.21 per share which, together with the fully franked interim dividend of A$0.86 per share, represents total dividends for FY22 of A$2.07 per share and a payout of 75 per cent of net profit after tax.

We continue to invest in the long-term sustainability of our iron ore business

Contributing to our record performance, our operations team achieved annualised production of 30mtpa at our newest mining operation at Eliwana in July 2021.

This was an outstanding achievement, particularly considering first ore was achieved only six months earlier.

At our Iron Bridge Magnetite Project, we are making significant progress, with first production targeted in the March quarter of FY23.

In April this year, the Project's capital estimate was revised to a range of US$3.6 billion to $US3.8 billion and Fortescue's share to a range of US$2.7 billion to US$2.9 billion.

Iron Bridge remains a low capital intensity project with a competitive operating cost structure that represents a compelling investment for the joint venture partners.

With our eye on the future, we also launched Fortescue's inaugural green bond issue as we take a global leadership position in the green energy transition.

The issue raised US$800 million of proceeds available to fund decarbonisation initiatives, including the 150MW solar generation component of Pilbara Energy Connect (PEC), the acquisition of WAE and the Hydrogen Mobility Project at Christmas Creek.

From the outset, it has been Fortescue's vision to ensure that the communities in which we operate benefit from our success

Reflective of this, we contributed over A$77 million through our voluntary social investment programs throughout the year.

This included funding the continuation of important partnerships with Lifeline WA, the Royal Flying Doctor Service of Western Australia, Ronald McDonald House WA, The Salvation Army and MADALAH Limited.

When I joined Fortescue in 2013, we announced our pioneering Billion Opportunities program had achieved A$1 billion in contracts awarded to Aboriginal business and joint ventures, since its inception two years prior.

This year, I was immensely proud to announce that the initiative had surpassed A$4 billion, creating countless sustainable business opportunities for Aboriginal people right across Australia.

Our commitment to building the capacity and capability of Aboriginal people is evidenced in other initiatives, including our Vocational Training and Employment Centre program (VTEC). More than 1,000 Aboriginal people have successfully completed training and have gone on to commence full time employment with Fortescue since VTEC began in 2006. People like Bunjima woman Kirrilee Lockyer who, inspired by her brother who has also completed the program, successfully graduated from VTEC in June this year and is now working as a Mining Operator Trainee at our Chichester Hub operations.

Our approach to working with our native title partners is underpinned by our culture and Values

This is evidenced by our efforts to protect and manage almost 6,000 heritage sites since we commenced operations. Our primary objective at all times is to work on a cultural heritage avoidance basis.

In line with this commitment, in September 2021 we announced the establishment of a co-management framework with members of the Wintawari Guruma Aboriginal Corporation.

Under the innovative framework, Fortescue and members of Wintawari have established a culturally safe mining joint venture to mine the East and West Queens deposits on Eastern Guruma country.

A working group was also formed to ensure collaboration on all stages of the mine development from heritage and environmental approvals, resource drilling and definition and mine planning to operations and rehabilitation.

Climate change is our collective greatest challenge

It is vital that industry changes its business model from producing emissions to reducing and eliminating emissions.

Fortescue is doing just that and, during the year, we continued to make significant progress towards decarbonising our mining operations by 2030.

This was evident through our acquisition of UK-based WAE, which provides critical technology and expertise in high-performance battery systems and electrification. Fortescue also entered into a strategic partnership with Tier 1 equipment manufacturer Liebherr for the development and supply of green mining haul trucks.

Our green energy and technology company, FFI, is establishing the building blocks across technology ownership, manufacturing capability, green energy generation and distribution, to deliver across the entire value chain.

During FY22, FFI commenced construction of the Green Energy Manufacturing (GEM) Centre in Gladstone, Queensland, established a working alliance with Airbus and completed the first phase of studies with Incitec Pivot to convert the Gibson Island ammonia production facility, to be powered by green hydrogen.

FFI also entered into a Memorandum of Understanding (MoU) with one of Europe's largest operators of green energy networks and infrastructure, E.ON, to deliver up to five million tonnes per annum of green, renewable hydrogen to Europe by 2030.

This important agreement highlights the growing demand for the secure supply of renewable energy, which has been further exacerbated by global events, including the invasion of Ukraine by Russia.

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

It has been an immense privilege to have steered this outstanding Company for the past four and a half years.

As my tenure as Chief Executive Officer comes to an end, I would like to take this opportunity to reflect on the extraordinary achievements of the Fortescue team.

We have surpassed 1.7 billion tonnes of ore shipped, the successful delivery and ramp up of our Eliwana operations, and the openings of the Judith Street Harbour in Port Hedland, our Shanghai office and the Fortescue Hive in Perth.

However, one of the achievements I am most proud of is setting our boldest and most important stretch target yet – to achieve carbon neutrality by 2030 – two decades earlier than commitments made by most of the mining industry globally.

As Fortescue progresses its transition to a global green energy and resources company, we will continue to be guided by our people, whose commitment to our unique culture and Values has been key to our success.

On behalf of the Board and Fortescue's Leadership team, I would like to thank the entire Fortescue family, including our many contractors and suppliers, for their contributions not only this year, but over my entire tenure as Chief Executive Officer.

I look forward to continuing our important work in my role as a Non-Executive Director and Global Ambassador for FFI.

Thank you.

CASE STUDY

DECARBONISING OUR OPERATIONS

Together, Fortescue and FFI are establishing the building blocks across technology access, manufacturing capability, green energy generation and distribution, to deliver across the entire renewable energy value chain.

Fortescue is taking an industry leading position on reducing emissions across our operations as we continue to transition to a global green energy and resources company. In February 2022, Fortescue completed the acquisition of UK-based WAE.

WAE is being integrated into Fortescue and managed through FFI. Its critical technology and expertise in high performance battery systems and technology are integral to developing battery electric solutions for our green fleet.

Key integration activities are well advanced and work is underway to develop the Infinity Train, the world's first regenerating battery electric iron ore train, which will eliminate diesel and the associated CO_2 emissions from Fortescue's iron ore trains, leveraging the 400 to 600 metre vertical descent on the journey from our sites to the port.

We have also partnered with Tier 1 global heavy equipment manufacturer, Liebherr, to develop and supply green mining haul trucks for integration with our zero emission power system technologies. The first of the 120 green haul trucks will be operational at our sites by 2025, with the commitment representing approximately 45 per cent of the current haul truck fleet at our operations. This builds on our acquisition of WAE, which will supply the technology and power systems to decarbonise our green fleet in collaboration with FFI and Liebherr.

OUR BOARD

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

Dr Andrew Forrest AO
Executive 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 Ya-Qin Zhang
Non-Executive Director

Li Yifei
Non-Executive Director

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

The primary driver for the Board in seeking new directors is skills and experience that 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 that enables them to stay strongly connected to Fortescue, its culture and Values.

This includes:

- 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.

Fortescue 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 July 2022.

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 seven non-executive directors and two executive directors, being Dr Andrew Forrest AO, Fortescue's Executive Chairman and Ms Elizabeth Gaines, Fortescue's CEO. 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

Executive Chairman

Executive Chairman and Founder of Fortescue, Fortescue Future Industries, Minderoo Foundation and Tattarang.

As Founder and Executive Chairman, Dr Andrew Forrest has led Fortescue from inception to a top ten ASX listed natural resources company that has invested more than US$30 billion developing some of the world's most efficient infrastructure.

Fortescue will become zero-emissions across its operations by 2030. Key to enabling that is FFI. Established in 2020, FFI is 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. Fortescue has been globally recognised for its industry leading work to decarbonise and has been appointed to the UN Race to Zero Coalition and the US President's First Movers' Coalition.

Dr Forrest's commercial business, Tattarang, is backing new renewable green energy projects, including Windlab wind power and Sun Cable solar power, and expanding sustainable and carbon-neutral practices within agrifood business Harvest Road.

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 Program's Scientific Advisory Committee on the Assessment of Marine Litter and Microplastics.

Dr Forrest holds the Australia Medal, the Australian Sports Medal and was appointed by the Prime Minister and Cabinet of Australia to develop a blueprint for eliminating Australia's Indigenous social and economic disparity through health, training and employment.

He is also 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.

FFI is leading the green industrial revolution, developing technology solutions for hard-to-decarbonise industries, while investing in green hydrogen and green ammonia projects – recently announcing it will partner with Germany's largest energy distributor to supply five million tonnes of green energy per year to Europe by 2030.

In 2001, Dr Forrest co-founded Minderoo Foundation with his wife Nicola, and to date they have donated more than $2.7 billion supporting initiatives addressing modern slavery, ocean health, cancer, Indigenous disparity, childhood development, artificial intelligence, disaster resilience and plastic waste.

Committee memberships:
Finance Committee (Member) and Nomination Committee (Member)

Mark Barnaba AM CitWA

Lead Independent Director / Deputy Chairman

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

Mr Barnaba is an Independent Director with a broad range of international experience in finance, commerce and natural resources. He has extensive and particularly diverse experience at board level in both the for-profit and non-profit sectors. He is currently a member of the Board (and Chairman of the Audit Committee) of the Reserve Bank of Australia and the Deputy Chairman and Lead Independent Director at Fortescue. In 2015, Mr Barnaba was named a Member of the General Division of the Order of Australia for significant service to the investment banking and financial sector, to business education and to sporting and cultural organisations.

Mr Barnaba also chairs GLX (a specialist technology company that develops software-based marketplace solutions for commodities) and the Hospital Benefit Fund (HBF) Investment Committee. He is a member of the Senior Advisory Board of Appian Capital (a London-based pure-play mining private equity fund). He is also a member of the Board of The Centre for Independent Studies. He has previously chaired several publicly listed Australian companies within the mining and infrastructure sectors along with chairing non-profits, including the State Theatre Company of Western Australia and AFL club, the West Coast Eagles.

In his previous career, Mr Barnaba founded, led and sold two companies – GEM Consulting and Azure Capital (both independent corporate advisory firms which provide financial, corporate and strategic advice to public and private organisations in the Asia-Pacific region). He also held several senior executive roles at Macquarie Group (one being the Chairman and Global Head of the Natural Resources Group). He previously worked at McKinsey & Company in their London, Johannesburg and Sydney offices.

Mr Barnaba was the Inaugural Chairman of the University of Western Australia Business School Board from 2002 to 2020 and serves as an Adjunct Professor in Finance. He holds a Bachelor of Commerce (First Class Honours and University Medal) from the University of Western Australia, an MBA from Harvard Business School (Baker Scholar) and has an Honorary Doctor of Commerce from the University of Western Australia. He has lived in Australia, the United States, Italy, the United Kingdom and South Africa and is married with two children.

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

OUR BOARD

Elizabeth Gaines

Chief Executive Officer

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

Ms Gaines has led Fortescue as Chief Executive Officer and Managing Director since February 2018 after joining the Executive team as Chief Financial Officer in February 2017 and serving on the Fortescue Board as a Non-Executive Director since 2013.

A highly experienced business leader with extensive international experience as a chief executive officer, Ms Gaines has a proven track record in delivering financial and operational excellence. She has significant experience in the resources sector and 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.

She is a former Chief Executive Officer of Helloworld Limited and Heytesbury Pty Limited and has previously held Non-Executive Director roles with Nine Entertainment Co. Holdings Limited, NEXTDC Limited, Mantra Group Limited and ImpediMed Limited.

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. In 2020, Ms Gaines was awarded Joint Australian Business Person of the Year by the Australian Financial Review.

Ms Gaines holds a Bachelor of Commerce from Curtin University, a Master of Applied Finance from Macquarie University and an Honorary Doctorate of Commerce from 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 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, as well as Non-Executive Director of Vitality Health Ltd and Allwyn Entertainment AG. He was elected President of the International Association of Athletics Federations 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 previously served as 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 12 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, including remuneration, the embedding of ESG (environment, social and governance) 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 the Chair of the People and Performance Committee and a member of the Risk and Sustainability Committee. Ms Morris has recently been appointed as a Non-Executive Director of lithium miner Liontown Resources where she is Chair of the Remuneration and People Committee and member of the Audit, Risk and Sustainability Committee. In addition, Ms Morris is a Director of Levin Health, a start-up world-class sports science company focusing on research related to solving chronic pain and concussion issues.

Previously, Ms Morris was a Commissioner on the Australian Sports Commission, 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) and 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.

Dr Baderschneider is the President of the Board of Trustees of the President Lincoln's Cottage and a member of the Abraham Lincoln National Council of Ford's Theatre. In addition, she is on the Board of Directors of the Nizami Ganjavi International Center and is a Commissioner on the United Nations and Liechtenstein's Financial Sector Commission on Modern Slavery. With over 15 years of experience working on anti-human trafficking efforts globally, she served on the Board of Directors of Polaris, Made in a Free World and Verite and is currently a Founding Board member and Chair of the Global Fund to End Modern Slavery.

Dr Baderschneider 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 masters degree from the University of Michigan and a PhD from Cornell University.

Committee memberships:
Audit, Risk Management and Sustainability Committee (Member)

OUR BOARD

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. She is a Non-Executive Director of Dexus Property Group, Supply Nation and the Crescent Foundation. Ms Bingham-Hall is also Chair of Vocus Group, Taronga Conservation Society Australia and the Advisory Committee of the Climate Governance Initiative Australia.

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.

She is a former director of BlueScope Steel Limited, Australia Post, Port Authority of NSW and Macquarie Specialised Asset Management. Ms Bingham-Hall was also Chair of the NSW Freight and Logistics Advisory Council and Deputy Chair and Life Member of the Tourism & Transport Forum.

Ms Bingham-Hall has a Bachelor of Arts 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) and Finance Committee (Member).

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 and Dean of the Institute for AI Industry Research at Tsinghua University in 2020. 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 the 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 elected to the Chinese Academy of Engineering, the American Academy of Arts and Sciences, US National Academy of Inventors and the Australian Academy of Technology and Engineering. He became a Fellow of the Institute of Electrical and Electronics Engineers 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.

Li Yifei

Non-Executive Director

Non-Executive Director since August 2022.

Ms Li Yifei is the President of the QiBin Foundation and currently serves on the board of BlackRock China and is a Global Trustee of the Rockerfeller Foundation.

Li was an Independent Board member of GAVI (The Global Alliance for Vaccines and Immunisation) from 2012 to 2018 and was formerly the Country Chair for Man Group in China, one of the world's largest hedge fund managers.

Before joining Man Group, Li had over 18 years of senior management experience, having successfully led the expansion of several multinational companies in China, including Viacom, MTV networks and VivaKi of the Publicis Group.

Li has a Bachelor of Law degree from the Foreign Affairs College in Beijing and an M.A. in International Relations from Baylor University in the United States.

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.

Gemma Tually

Joint Company Secretary

Ms Tually, Fortescue's Group Manager Legal, was appointed Joint Company Secretary in February 2022.

Ms Tually holds a Bachelor of Laws from the University of Western Australia and master's degrees from the University of Queensland and New York University.

LEADERSHIP TEAM

Fortescue's Leadership 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

Dino Otranto
Chief Operating Officer, Iron Ore

Mark Hutchinson
FFI Chief Executive Officer

Dr Guy Debelle
FFI Chief Financial Officer

To view our full Leadership team, please visit **www.fortescue.com**

Elizabeth Gaines

Chief Executive Officer

Ms Gaines has led Fortescue as Chief Executive Officer and Managing Director since February 2018 after joining the Executive team as Chief Financial Officer in February 2017 and serving on the Fortescue Board as a Non-Executive Director since 2013.

A highly experienced business leader with extensive international experience as a chief executive officer, Ms Gaines has a proven track record in delivering financial and operational excellence. She has significant experience in the resources sector and 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.

She is a former Chief Executive Officer of Helloworld Limited and Heytesbury Pty Limited and has previously held Non-Executive Director roles with Nine Entertainment Co. Holdings Limited, NEXTDC Limited, Mantra Group Limited and ImpediMed Limited.

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. In 2020, Ms Gaines was awarded Joint Australian Business Person of the Year by the Australian Financial Review.

Ms Gaines holds a Bachelor of Commerce from Curtin University, a Master of Applied Finance from Macquarie University and an Honorary Doctorate of Commerce from 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.

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 within the Group Finance Leadership team, including Group Manager Corporate Finance, leading Fortescue's capital management strategy, and Group Manager Planning and Analysis, and the position of Company Secretary.

Mr Wells' prior experience includes financing Fortescue's major iron ore project developments, leading over US$30 billion in capital raising and refinancing transactions from 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.

THE LEADERSHIP TEAM

Dino Otranto

Chief Operating Officer, Iron Ore

Mr Otranto commenced as Fortescue's Chief Operating Officer in 2021, with responsibility for leading the Company's iron ore operations.

A highly qualified senior executive, Mr Otranto has 20 years' experience in the resources industry, spanning various commodities and operations across the globe. He brings significant operational, technical and financial expertise, and a strong focus on safety leadership and employee engagement to Fortescue's Senior Executive team.

Prior to joining Fortescue, Mr Otranto held the role of Chief Operating Officer at Vale, leading the company's North American, European and Asian nickel and copper businesses, which encompass a global network of underground and open pit mines, smelters, refineries, power stations, port and rail infrastructure.

Mr Otranto holds a Bachelor of Engineering (Chemical) and a Bachelor of Science (Chemistry) from Curtin University, a Graduate Diploma of Finance through Finsia and has recently attended an Executive Program at Tsinghua University, China.

Mark Hutchinson

FFI Chief Executive Officer

Mark Hutchinson commenced with FFI in July 2022, initially in the role of Director of Projects, before assuming the role of Global CEO of FFI in August 2022, reporting directly to the Fortescue Board.

He brings extensive business and leadership experience at the senior executive level, having held various roles at GE over a 25 year career, the two most recent as President and Chief Executive Officer in China and Europe. In these roles, Mr Hutchinson led the efforts to strengthen GE's operations across China and Europe, and developed and executed a shared growth strategy for all the GE businesses which helped to drive significant growth, year on year. Mr Hutchinson also led the integration of Alstom's power and grid businesses into GE following its €12.35 billion acquisition.

Prior to his 24 year tenure at GE, Mr Hutchinson held the role of Head of the Asian Project Advisory team for Barclays Merchant Bank, based in Hong Kong, where he led the successful privatisation of Western Harbour Crossing and the Route Three Project, both key elements of Hong Kong's infrastructure development.

A highly experienced international business leader with a passion for ESG, Mr Hutchinson has previously held a Board position at World Wide Generation Limited, and Non-Executive Director roles at BlueScope Steel Limited, Mission Australia, Allianz Australia Insurance Limited and Alpha Australia.

Mr Hutchinson holds an Honorary Doctor of Business from the University of Queensland, where he is the primary sponsor of the Ethics Chair.

Dr Guy Debelle

FFI Chief Financial Officer

Dr Debelle commenced as Chief Financial Officer at Fortescue Future Industries in June 2022.

He brings extensive experience in international finance and economic policy, having held the role of Deputy Governor of the Reserve Bank of Australia for nearly six years prior to joining FFI. Dr Debelle led the development of the Global Code of Conduct for the Foreign Exchange Market in his role as Chair of the Australian Foreign Exchange Committee and Chair of the BIS Markets Committee. Subsequently, he played an integral role in Australia's response to the Global Financial Crisis as Assistant Governor (Financial Markets) of the Reserve Bank of Australia.

Dr Debelle previously held roles at the International Monetary Fund, Bank for International Settlements and the Australian Treasury. He spent time as a visiting Professor in Economics at the Massachusetts Institute of Technology (MIT) and Chaired the Australian Council of Financial Regulators Working Group on Climate Finance.

Dr Debelle holds a Bachelor of Economics (Honours) from the University of Adelaide and a Doctor of Economics from MIT.

Julie Shuttleworth was FFI CEO for the FY2021/22 and has now moved into leading Global Growth. Further information on the Fortescue leadership team can be found at **www.fortescue.com**

ABOUT FORTESCUE

Transitioning to a global green energy and resources company

Established in 2003, Fortescue is a proud West Australian company, recognised for our culture, Values, innovation and industry leading development of infrastructure and mining assets. As one of the world's lowest cost iron ore producers, Fortescue is now shipping at an annual rate of over 180 million tonnes with more than 1.7 billion tonnes of iron ore delivered to our customers since 2008.

Through our green energy and technology company FFI, we are rapidly diversifying our business to become an integrated, global green energy and resources company. Key to this transition are our industry leading targets to achieve carbon neutrality for Scope 1 and 2 emissions by 2030 and net zero Scope 3 emissions by 2040. For our size and scale, there is no other mining company in the world that is taking the action we are to eliminate emissions.

Our operations include three mining hubs in the Pilbara, Western Australia, which are connected to our five berth Herb Elliott Port and the Judith Street Harbour towage infrastructure in Port Hedland by 760 kilometres of the fastest heavy haul railway in the world. Our iron ore value chain extends to our innovative tug fleet and 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.

Since the outset, Fortescue has been at the forefront of innovation in the mining industry. The Fortescue Hive, our integrated operations centre in Perth, brings together our entire value chain to deliver enhanced safety, productivity, efficiency and commercial benefits, and will strengthen our future use of technology, including artificial intelligence and robotics.

As a low cost supplier of seaborne iron ore to China, Fortescue maintains strong relationships with all our Chinese stakeholders, underpinned by a multifaceted approach spanning our key business pillars of iron ore supply, procurement, financing, investment and social engagement. Additionally, we have expanded into other markets including Japan and South Korea.

As a values-based business which celebrates diversity and inclusiveness, globally we are empowering thriving communities and delivering positive social and economic benefits through training, employment and business development opportunities, including for our First Nations peoples employees and partners. By empowering our people and communities, we 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.

OUR OPERATIONS

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

IRON ORE SHIPPED	C1 COST	REVENUE
189.0mt	US$15.91/wmt	US$17.4bn
CASH ON HAND	**GROSS DEBT**	**NET DEBT**
US$5.2bn	US$6.1bn	US$0.9bn

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

Fortescue Future Industries

Fortescue is transitioning to an integrated, global green energy and resources company. We have set a target to decarbonise our operations by 2030, and we have set a target to achieve net zero Scope 3 emissions by 2040.

FFI will be a key enabler of these targets, with two clear objectives.

The first is to provide the technology and the innovation required to eliminate Fortescue's emissions wherever possible. We are committed to providing the tool kit that Fortescue needs to meet or exceed our decarbonisation targets. By significantly reducing our reliance on diesel, we will also reduce cost.

Our partnership with Liebherr during the financial year will see the delivery of a fleet of green mining haul trucks at our Pilbara operations – with the first delivery in 2025.

We are also working closely with WAE on the delivery of a world-leading regenerating battery electric iron ore train, which has the potential to be the most efficient battery electric train in the world.

The second objective is to make green hydrogen at quantity and at speed and fulfil our obligations to our customers. Green hydrogen is a zero-emission fuel, that when used produces nothing but water. It is a practical and implementable solution that will help revolutionise the way we power our planet: helping to decarbonise heavy industry and create jobs globally.

Leveraging on Fortescue's world leading track record of innovation and infrastructure, FFI will position Fortescue at the forefront of the renewable energy industry.

Chichester Hub

Our Chichester Hub in the Chichester Ranges includes the Cloudbreak and Christmas Creek mines and has an annual production capacity of approximately 100 million tonnes per annum (mtpa) 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.

To further enhance our ore, the Christmas Creek OPF infrastructure has been upgraded to include a Wet High Intensity Magnetic Separator to recover high grade iron from the finer ore fed through the OPF.

Cloudbreak utilises 10km of relocatable conveyors that can be adjusted and relocated to any new mining areas to offset the increase in costs. Currently, this conveyor infrastructure helps to otherwise offset a fleet increase and helps manage our product strategy, while being cost-efficient and when powered by renewable energy, reducing greenhouse gas emissions.

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 range of 65 to 70mtpa. The expansion to Queens Valley has enabled continued production of the Kings Fines product.

Solomon represents a valuable source of production, enabling the blend of higher iron grade Firetail ore with ore from Eliwana and the Chichester Hub to create our Fortescue Blend product.

Western Hub

Fortescue's newest mine at Eliwana commenced operations in December 2020 and includes a 30mtpa dry OPF and 143km of rail linking the mine to our Hamersley rail line.

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 our low cost status and providing greater flexibility to capitalise on market dynamics.

Hedland operations

Fortescue wholly owns and operates our purpose built 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 heavy haul line in the world.

The efficient design and layout, optimal berthing configuration and ongoing innovation to increase productivity make our 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 190mtpa.

We have 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.

Our Judith Street Harbour towage infrastructure and fleet of tugs provide safe and reliable towage services that maximise the efficiency of our operations. Designed to complement our port infrastructure, the fleet of eight 260,000 tonne capacity Fortescue Ore Carriers delivers 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 iron ore value chain.

Iron Bridge Magnetite Project

The US$3.6 – US$3.8 billion Iron Bridge Magnetite Project is under development and will deliver 22mtpa of high grade

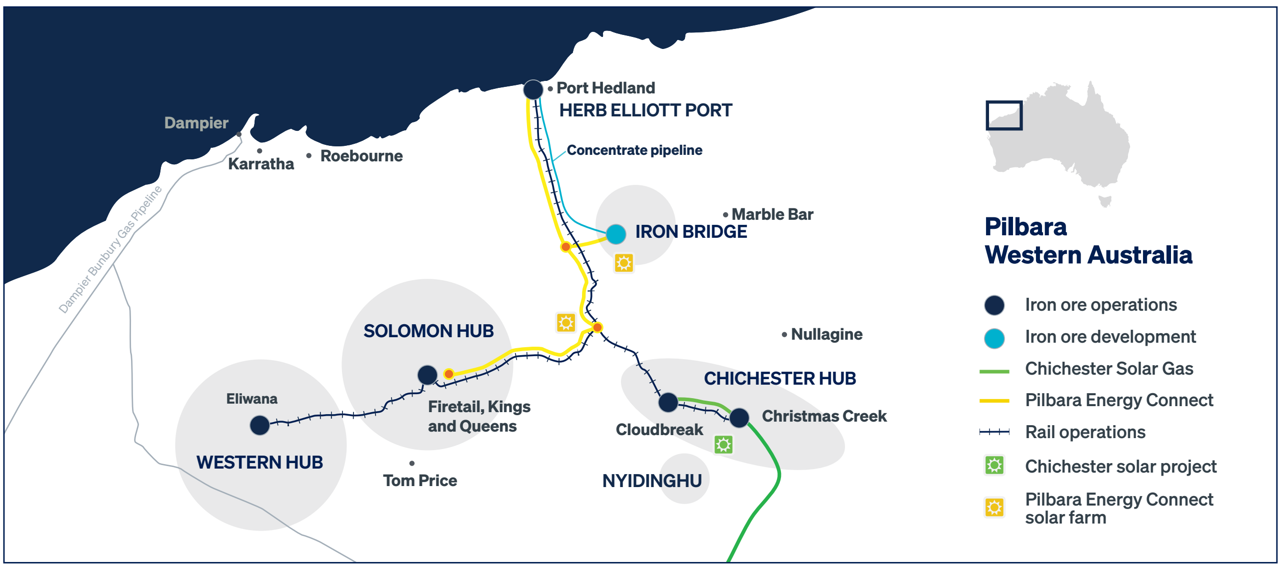

Iron Bridge

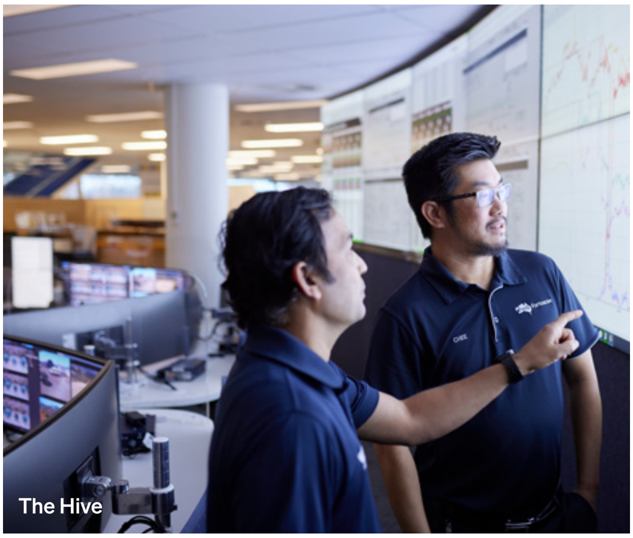
67% Fe magnetite concentrate product, with first production scheduled for the March 2023 quarter.

Iron Bridge is a strategic investment enabling Fortescue to provide an enhanced product range to our customers while increasing our production and shipping volumes. Located 145km south of Port Hedland, Iron Bridge incorporates the world class North Star and Glacier Valley Magnetite ore bodies and represents one of the few large scale iron ore growth projects under construction globally.

The nature of the Iron Bridge ore bodies and our innovative use of a dry crushing and grinding circuit together contribute to the project's operational efficiency across energy, water use and cost. Low-cost power will be delivered to Iron Bridge through Fortescue's investment in the Pilbara Energy Connect (PEC) program, including hybrid solar gas generation and battery storage.

The Iron Bridge Magnetite Project is an unincorporated joint venture between Fortescue's subsidiary FMG Magnetite Pty Ltd (69 per cent) and Formosa Steel IB Pty Ltd (31 per cent). It represents a compelling investment for the joint venture partners given its low capital intensity and competitive operating cost structure.





The Hive

Argentina

World-leading technology

Fortescue was the first company in the world to deploy Caterpillar autonomous haulage on a commercial scale when trucks fitted with autonomous haulage system (AHS) technology began operating at the Solomon Hub in 2013.

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 FY22, we achieved 2.5 billion tonnes of material moved by autonomous haulage.

When our Train Control Centre opened in 2009, we were the first operation in Western Australia to control a railway from outside the region. Now known as the Fortescue Hive, the expanded, purpose-built Integrated Operations Centre in Perth 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 value chain to work together 24 hours a day, seven days a week to deliver improved safety, reliability, efficiency and commercial outcomes. In FY22, the Hive evolved to accommodate our Eliwana Plant and Mine Control teams and the newly formed Energy Operations team, enabling generation and the integrated distribution network for PEC to be remotely managed from Perth.

Energy infrastructure

Since October 2019, together with our partners, we have invested more than 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 us 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 2022, all 809 transmission poles for Stage 1 of PEC were complete, conductor strung and the line tested and ready for energisation. The new infrastructure builds on our previous energy initiatives, including construction of the Fortescue River Gas Pipeline and conversion of the Solomon Power Station from diesel to gas generation.

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 Mindy South, located south-east of Nyidinghu in the Eastern Hamersley. Recent Australian exploration activity has been primarily focused on early stage target generation for copper-gold in the Paterson region in Western Australia. Additional exploration activity is underway in New South Wales and 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 Latin America, including Argentina where we currently hold tenements prospective for copper-gold. We are also assessing exploration and development opportunities in Colombia, Ecuador, Peru, Chile and Brazil.

Fortescue has a 19 per cent stake in TSX listed Candente Copper Corporation and we are focused on advancing the Canariaco project in Peru. In Kazakhstan, a range of copper targets are being progressed to drilling while work in Portugal is focused on development of lithium opportunities.

IRON ORE VALUE CHAIN

Exploration and discovery
Challenging geological thinking to identify valuable deposits

Modelling, planning and development

Extraction and recovery
Innovative use of technology suitable to Fortescue's deposits

Processing
Ore processing facility design and wet processing optimise output

Mine to port
Heavy haul rail at 42t axle load

Blending and stockpiling
Port design facilitates blending and stockpiling of product suite

Ship loading
3 shiploaders and 5 berths maximise outload capacity and utilisation

Marketing
Helping customers achieve best value in use

Shipping and towage
Delivery to Fortescue's international customers' specifications

8 Fortescue Ore Carriers

Towage fleet provides safe and reliable towage services

China port sales
FMG Trading Shanghai Co. Ltd (FMG Trading)

Rehabilitation
Mine closure and decommissioning

02

OPERATING AND FINANCIAL REVIEW

KEY PERFORMANCE INDICATORS

PRODUCTION

189.0mt

IRON ORE SHIPPED

C1 COST

US$15.91/wmt

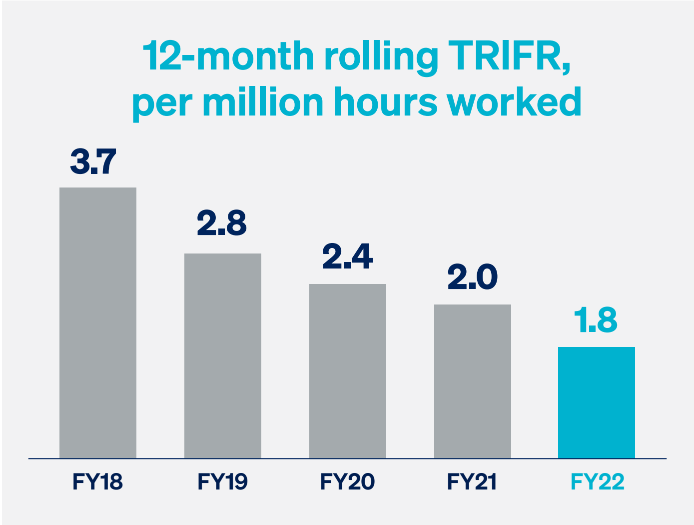
SAFETY

1.8

TOTAL RECORDABLE INJURY FREQUENCY RATE

SAFETY

THE HEALTH, SAFETY AND WELLBEING OF THE FORTESCUE FAMILY IS OUR NUMBER ONE PRIORITY

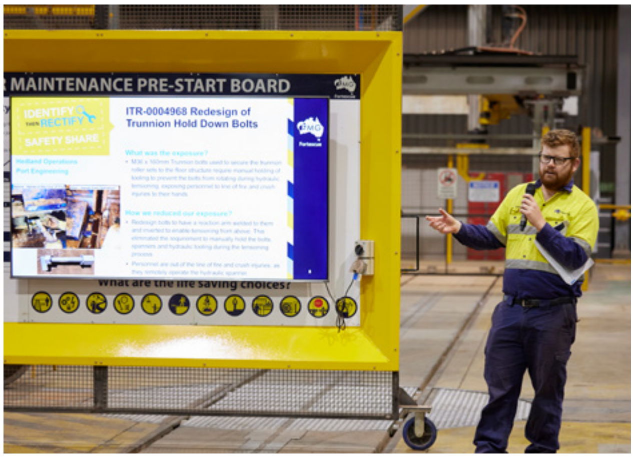


Excludes FFI

OUR FOCUS REMAINS ON ENSURING EVERYONE GOES HOME SAFELY AFTER EVERY SHIFT

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

Fortescue's rolling 12-month TRIFR improved by 10 per cent from 2.0 at 30 June 2021 to 1.8 at 30 June 2022.



OUR FOCUS ON THE HEALTH AND SAFETY OF OUR WORKFORCE EXTENDS TO THEIR MENTAL HEALTH AND WELLBEING

Ongoing response to COVID-19

Since the beginning of the global COVID-19 pandemic in early 2020, 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 required by both the Australian and Western Australian governments, has meant that Fortescue successfully continued to mitigate the COVID-19 exposure risk across our operations.

In March 2022, the Western Australian border was reopened and throughout the remainder of the financial year the Western Australian Government's mandated measures have been steadily reduced. Fortescue has aligned with the Western Australian Government’s approach while implementing processes to ensure we can continue to manage COVID-19 within our operations.

Significant measures within the FY22 included:

- The continued provision of accommodation to our interstate team members while travel restrictions from the Western Australian Government were in place.
- Temperature checks and health screening at Perth Domestic Airport, site aerodromes and Perth offices.
- The introduction of initiatives at our village facilities, including changes to food service and additional cleaning services.
- Implementation of systems and processes to track and monitor the vaccination status of our team members.

Our Incident Management Team (IMT) chaired by the CEO continues to meet regularly to review our operations and the latest advice from the Australian and State governments. As the health guidelines changed, we responded and adapted quickly with ongoing communication with our team members.

Fortescue has monitored the impact of COVID-19 within the international jurisdictions where both FFI and Fortescue international teams operate. Fortescue encourages team members in these jurisdictions to be vaccinated. Fortescue complies with local directives on COVID-19 management in each jurisdiction where team members are engaged.

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 24 hours a day, seven days a week.

Safety culture

During the first half of FY22, Fortescue team member David Armstrong tragically lost his life as a result of an incident at the Solomon Hub on 30 September 2021. Fortescue continues to work cooperatively with the Department of Mines, Industry Regulation and Safety to investigate the incident and provides ongoing support to David's team members and family.

In pursuing our goal of zero harm, Fortescue is 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.
- The continued reduction of workplace exposures through safety improvement opportunities.
- Continuing to improve the physical and mental health of the Fortescue family.

Fortescue is also implementing a number of initiatives to further improve the safety, culture and experience when working at our operations and workplaces as a result of feedback from our Workplace Integrity Review. More information on our review can be found in our **FY22 Sustainability Report** on our website at **www.fortescue.com**

OPERATIONS

RECORD SHIPPING AND PRODUCTION REFLECT OUR TRANSITION TO A THREE HUB MODEL COMPRISING THE CHICHESTER, SOLOMON AND WESTERN HUBS

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

12 months to 30 June	2022 million wmt	2021 million wmt	Movement %
Overburden removed	314.6	295.2	7
Ore mined	228.8	226.9	1
Ore processed	188.6	185.8	2
Shipments[1]	189.0	182.2	4
Ore sold[2]	188.6	181.1	4

[1] Volume references are based on wet metric tonnes. Product is shipped with approximately eight to nine per cent moisture.

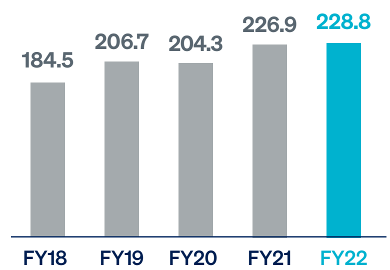
[2] Our wholly owned trading entity, FMG Trading, maintains some inventory at Chinese ports, and ore sold versus shipments reflects the timing differences that may occur between shipments and sales to external customers.

Fortescue achieved record annual shipments of 189.0mt through the successful integration of the Eliwana mine and rail project into the Fortescue value chain, combined with consistent performance from existing operations achieving their planned production output.

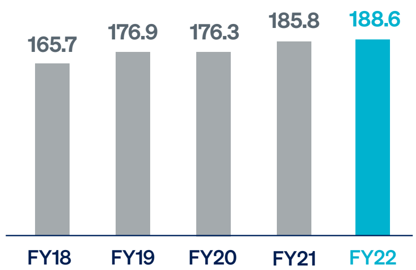
Ore mining was 1.9mt above FY21 at 228.8mt (FY21: 226.9mt), reflecting the contribution from Eliwana to ore mining production. Production from Queens Valley at the Solomon Hub continued, supported by the commissioning of the overland conveyor in the first half of FY22. At Cloudbreak, within the Chichester Hub, the Bigge development entered production in Q3 FY22. Bigge expands Cloudbreak further west and contributes low strip ratio material which supports the overall Fortescue product strategy. Strip ratio for FY22 of 1.4 is above FY21, reflecting waste mining increases consistent with the life of mine and operations plan (FY21: 1.3).

Ore processing was an annual record at 188.6mt, 2.8mt above FY21 of 185.8mt. This achievement reflects Eliwana producing consistently at designed output levels (30mtpa), combined with consistent performance and reliability through existing OPFs. Notably, this was achieved without the use of any ancillary crushing equipment (FY21: 9.3mt of ancillary crushing). Production through the wet high intensity magnetic separators (WHIMS) continued to deliver benefits in yield and grade, achieving target production throughput in FY22.

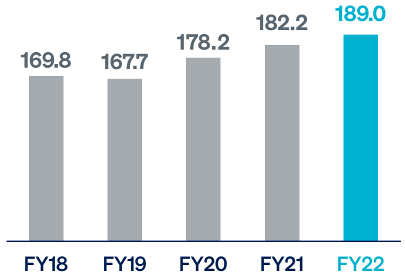
Mining, million wmt



Processing, million wmt



Shipments, million wmt



Fortescue achieved record annual shipments of 189.0mt, 6.8mt above the previous record set in FY21. Shipping performance reflects the successful integration of the Eliwana mine and rail project into the Fortescue value chain, combined with consistent performance from existing operations achieving planned production output.

Sales via Fortescue's wholly owned Chinese sales entity, FMG Trading Shanghai, continued to increase with 18.5mt sold in the financial year ended 30 June 2022 (FY21: 11.2mt sold). This entity allows Fortescue to improve iron ore sales channels through the direct supply of products to Chinese customers in smaller volumes, in renminbi directly from regional ports. The difference between ore shipped and ore sold represents unsold stocks held by this entity 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 other countries.

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

Sales of Fortescue's greater than 60% iron grade product, West Pilbara Fines, which commenced in December 2018, totalled 15.0mt for the financial year ended 30 June 2022 (FY21: 17.0mt). With finalisation of the Eliwana mine project and commissioning of operations, we are well positioned to meet demand from our customers. While China remains Fortescue's core focus, with more than 50 per cent of world steel production, we continue to explore opportunities in other markets, including those in growing economies in South East Asia.

Innovation and technology

Fortescue has led the way globally in embracing automation at its operations and is well on its way to becoming the only iron ore operation in the world to own a fully autonomous haulage fleet. Fortescue maintains its position as leader in autonomous haulage, with 193 trucks operating across the Solomon and Chichester hubs.

The introduction of automation has not only contributed to a safer working environment for our team members, it has also underpinned significant productivity and efficiency improvements.

We continue to look for other 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 autonomy to fixed plant and non-mining equipment and the application of relocatable conveyor technology.

Decarbonisation

In March 2021, Fortescue announced an industry-leading target to achieve carbon neutrality by 2030. Additionally, in October 2021, Fortescue announced its intention to achieve net zero Scope 3 emissions by 2040, addressing emissions across Fortescue's entire global value chain, including crude steel manufacturing which accounts for 98 per cent of our Scope 3 emissions.

Fortescue has set out a number of initiatives to both decarbonise and achieve our 2040 target, enabled through our wholly owned renewable green energy and technology company, FFI.

Overview of key initiatives towards decarbonisation

	Our operations	Renewables
Our actions so far	• Chichester Solar Gas Hybrid project, displacing 100 million litres of diesel per annum. • US$700 million investment in Pilbara Energy Connect Program which is estimated to provide 25 per cent of stationary day time energy across our mining operations through solar power.	• US$219 million acquisition of Williams Advanced Engineering to deliver electric solutions. • Acquisition of a 60 per cent stake in Dutch High yield Energy Technologies to support FFI in reducing costs in the green hydrogen supply chain.
Current pipeline of actions	• Partnership with Liebherr for the development and supply of green mining haul trucks. • Research and development of zero emission Infinity Train, amounting to US$50 million. • Developing ship engine design powered by green ammonia.	• Initial investment of U$83 million in the GEM Centre to manufacture electrolysers.
Further actions for review	• Research in using renewable energy to convert iron ore to green iron at low temperatures without coal.	• Continued investment in research and development for new technology with partners such as Universal Hydrogen, Airbus and E.ON. • Partnerships to accelerate the commercialisation of metal membrane technology, develop a business model for supply of liquid hydrogen and investigate green ammonia supply chains between Australia and Japan.

Key considerations for the pathway to decarbonisation include technology and development, future equipment acquisition and potential regulatory changes. Future changes to Fortescue's decarbonisation strategy may impact key estimates and changes to asset carrying values. Other than Fortescue's targets, significant judgements and estimates are also impacted by the impact of global factors such as policy trends and changes in technology. These are being considered and used as inputs to Fortescue's planning cases and capital allocation decisions.

Fortescue Future Industries

FFI is a global green energy company committed to producing zero-carbon green hydrogen from 100 per cent renewable sources. It is building a global portfolio of renewable green energy projects and will be a key enabler of Fortescue's decarbonisation strategy.

In FY22, our global portfolio of renewable energy opportunities continued to move forward and expand. FFI is rapidly advancing a global portfolio of renewable energy projects to produce green hydrogen and green ammonia at industrial scale. The project pipeline is at different stages of development and comprises:

- 120 development projects in 40 countries
- Wind, solar, hydropower and geothermal resources.

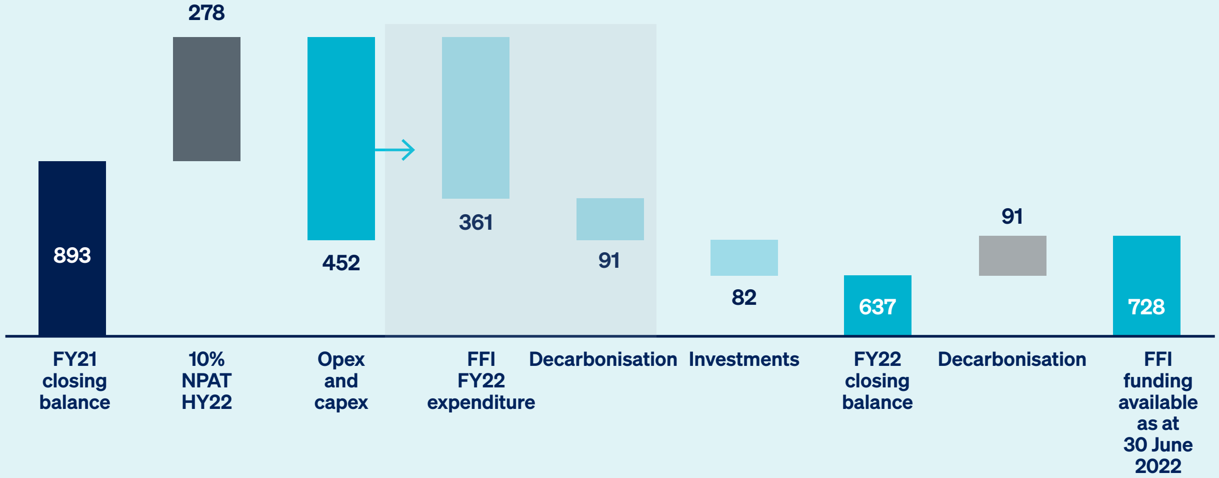
FFI has made advances in green technology, which is a key enabler of Fortescue's decarbonisation strategy, developments including:

- In October 2021, FFI announced the establishment of a landmark agreement with the Queensland Government to establish FFI's GEM Centre. Stage one of the GEM Centre is the construction of specialist production lines for electrolysers, with the potential to expand to the manufacture of wind turbines, solar photovoltaic cells, long range electric cabling, electrification systems and associated infrastructure.
- In October 2021, FFI acquired a 60 per cent stake in Dutch High yield Energy Technologies (HyET) Group and provided the majority share of the financing for the expansion of HyET Solar's Dutch Solar PV factory.
- FFI signed a MoU with UK-based construction company JCB and Ryze Hydrogen, in October 2021, for the purchase of 10 per cent of FFI's global green hydrogen production.
- In November 2021, FFI announced a MoU with Universal Hydrogen, a United States based company focusing on an end to end solution for hydrogen powered flight.
- In December 2021, FFI and Incitec Pivot Limited (IPL) completed initial studies to convert IPL's Gibson Island ammonia-production facility to run on zero carbon green hydrogen. FFI is in the advanced front end engineering phase for the on-site electrolysis plant, which could produce up to 50,000 tonnes of renewable, green hydrogen per year for conversion into green ammonia.
- Fortescue announced the purchase of two new Battery Electric Locomotives from Progress Rail, in January 2022, for delivery in 2023. This marks an important milestone in the decarbonisation of Fortescue's locomotive fleet, which will cut emissions while reducing fuel costs and overall operational expense through lower maintenance spend.
- In January 2022, FFI entered into an MoU with Covestro, a world-leading, Germany-based supplier of high-tech polymer materials, for the supply of green hydrogen and its derivatives, including green ammonia. Under the MoU, FFI will supply Covestro with the equivalent of up to 100,000 tonnes of GH2 per year.
- Fortescue acquired WAE in February 2022. WAE is a leading provider of high-performance battery and electrification technologies, and together we can provide critical technology and expertise in high-performance battery systems and electrification to enable Fortescue's decarbonisation.
- In March 2022, WAE and Fortescue announced the development of a world first, zero emission Infinity Train. The regenerating battery electric iron ore train project will use gravitational energy to fully recharge its battery electric systems, without any additional charging requirements for the return trip to reload.
- FFI and Airbus signed a MoU, in March 2022, to collaborate closely to implement green hydrogen as a fuel within the aviation industry.
- In March 2022, FFI and E.ON, one of Europe's largest operators of energy networks and energy infrastructure and a provider of innovative customer solutions for 50 million customers, signed a MoU to deliver up to five million tonnes per annum of green, renewable hydrogen (GH2) to Europe by 2030.
- In June 2022, FFI entered a partnership with multinational equipment manufacturer Liebherr for the development and supply of green mining haul trucks for integration with the zero emission power system technologies being developed by FFI and WAE. Under the partnership and subject to the outcome of the development phase, Fortescue will purchase a fleet of 120 haul trucks from Liebherr, with delivery aligned to its fleet replacement and sustaining capital expenditure forecast.

FFI incurred operating expenses in FY22 of US$386 million (FY21: US$104 million), US$66 million of capital expenditure (FY21: US$18 million) and investments of US$82 million (FY21: nil). Within FFI's expenditure, a total of US$91 million was incurred on behalf of Fortescue for decarbonisation in FY22 (FY21: nil), which includes US$71 million of operating expenditure and US$20 million of capital expenditure.

Fortescue's capital allocation framework allocates 10 per cent of NPAT to FFI to fund renewable energy growth, with those initiatives managed by FFI. The support from FFI to decarbonise Fortescue's operations is funded separately by Fortescue. A reconciliation of the FY22 funding allocation to FFI is shown below.

FFI FY22 funding allocation (US$m)



Williams Advanced Engineering

On 28 February 2022, Fortescue acquired WAE.

WAE is a technology and engineering services business, providing world class technical innovation, engineering, testing and manufacturing services to deliver energy efficient performance to customers. The acquisition of WAE provides critical technology and expertise in high-performance battery systems and electrification and will enable Fortescue to accelerate and support the decarbonisation of Fortescue's mining operations.

Major projects

Iron Bridge

The Iron Bridge Magnetite project will deliver 22mt per annum of high grade, low impurity 67% Fe magnetite concentrate, with first production scheduled for the March 2023 quarter. The Iron Bridge Magnetite project is an unincorporated joint venture between Fortescue's wholly owned subsidiary FMG Magnetite Pty Ltd (69 per cent) and Formosa Steel IB Pty Ltd (31 per cent).

The capital estimate for the project is US$3.6 – US$3.8 billion of which Fortescue's joint venture share is US$2.7 – US$2.9 billion. Fortescue's investment at 30 June 2022 was US$2.3 billion.

During the period, the project achieved key milestones, including:

- Completion of the module offload facility at Lumsden Point, enabling the successful unloading and delivery of 20 out of 21 module ships to 30 June 2022.
- All critical path items have now been delivered to site, and the remaining ship was delivered and unloaded during July 2022.
- Installation of primary crusher A and commenced commissioning of dry circuit A from the primary crusher to the coarse ore stockpile.
- Continued progress on the concentrate and return water pipeline installation with earthworks well advanced with 130 kilometres of pipe welded.
- Construction of the Concentrate Handling Facility at Port Hedland has advanced with civil, structural and electrical works progressing.

Fortescue remains focused on maintaining the development schedule in an uncertain global environment. This includes managing industry cost pressures, global supply chain constraints and other challenges associated with the impact of COVID-19. As the project ramps up to peak construction workforce numbers, the availability of labour and access to specialist skills remains a key focus and risk for the project.

Energy

Fortescue continued development and construction of energy infrastructure through the US$700 million investment in 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 with construction of the additional gas fired power generation capacity at the Solomon Power Station and completion of stage one of the Solomon to Iron Bridge transmission line.

Capital expenditure incurred on PEC in FY22 was US$187 million, taking the project to date total at 30 June 2022 to US$462 million.

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. Commissioning occurred in November 2021 with power transmission replacing existing diesel burning power generation for the remainder of FY22.

Exploration

Fortescue holds the largest tenement portfolio in the Pilbara region of Western Australia. Our iron ore tenements are key to maintaining mine life and sustaining product quality in Fortescue's 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.

Australian exploration activity during the period included resource definition drilling in the Eastern Hamersley, with a focus on the program at Mindy South and Nyidinghu, along with regional exploration programs across our tenement holdings in the Pilbara.

Exploration activity on the Australian copper-gold portfolio included the completion of airborne magnetic and electromagnetic surveys, a ground gravity survey and on-ground mapping and soil sampling over the Paterson project in Western Australia, with target generation completed in the second half.

International exploration activities included drilling programs in Argentina and Kazakhstan with exploration activities over several project areas in Peru, Chile, Brazil and Ecuador.

In December 2021, Fortescue entered into an exclusivity agreement with the Government of the Republic of Gabon to study the opportunity to develop the Belinga Iron Ore project in Gabon, West Africa.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

Fortescue's financial results demonstrate the consistency of our operations to generate strong cash flows through both iron ore market and inflationary cycles, maintain our product strategy and continue to achieve record shipments, maximising operating margins

Fortescue's transition to an integrated green energy and resources company continued to accelerate through FY22 with the growth of FFI and the acquisition of WAE, providing the technical expertise to transition to a renewables powered haul and rail fleet, progressing Fortescue's decarbonisation journey.

During the year ended 30 June 2022, Fortescue delivered net profit after tax of US$6,197 million and earnings per share of 201.4 US cents. Financial performance reflects record shipments of 189.0mt combined with robust price realisation through the market cycle despite a declining iron ore price index. Fortescue has focused on our integrated operations and marketing strategy and strong cost management to maximise margin and control production costs while facing inflationary pressures across labour, materials and energy markets. The strength of operating performance and a continued focus on productivity and efficiency has supported continued EBITDA margin strength.

Key metrics	2022	2021
Revenue, US$ millions	17,390	22,284
Underlying EBITDA[1], US$ millions	10,561	16,375
Net profit after tax, US$ millions	6,197	10,295
Earnings per share, US cents	**201.4**	334.6
Earnings per share, AUD cents	**277.5**	448.0
Average realised price, US$/dmt	**100**	135
C1 costs, US$/wmt	**15.91**	13.93
Underlying EBITDA margin[2], US$/dmt	**63**	99
Key ratios		
Underlying EBITDA margin, %	61	73
Return on equity, %	35	66

[1] Refer to page 88 for the reconciliation of Underlying EBITDA to the financial metrics reported in the financial statements under Australian Accounting Standards.

[2] Excludes FFI costs.

Fortescue Metals Group and Fortescue Future Industries

As a reflection of the increasing contribution of FFI to Fortescue's overall financial performance, further transparency has been provided in the notes to the financial statements on FFI's financial result as a segment of the Group. The operating segments are described below:

- Iron ore: Exploration, development, production, processing, sale and transportation of iron ore, and the exploration for other minerals.
- FFI: Undertaking activities in the development of green electricity, green hydrogen and green ammonia projects in both Australia and globally.

Corporate includes cash, debt and tax balances which are managed at a Group level, together with other corporate activities. Corporate is not considered an operating segment and includes activities that are not allocated to other operating segments.

The consolidated, iron ore and FFI results for the year ended 30 June 2022 are provided below and further reported in note 2 of the financial statements.

	Iron Ore		FFI		Corporate		Consolidated	
US$m	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Revenue	17,390	22,481	-	-	-	(197)	17,390	22,284
Underlying EBITDA	11,155	16,984	(393)	(104)	(201)	(505)	10,561	16,375

Financial performance

REVENUE

	Note[1]	2022 US$m	2021 US$m
Total iron ore revenue, US$ millions	3	15,393	20,853
Total shipping revenue, US$ millions	3	1,919	1,378
Other revenue, US$ millions	3	78	53
Operating sales revenue, US$ millions		**17,390**	22,284
Shipments, million wmt		189	182
Ore sold[2], million wmt		189	181
Average 62% Fe CFR Platts Index, US$/dmt		138	154
Average realised price, US$/dmt		**100**	135

[1] Notes to the accompanying financial statements.

[2] 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.

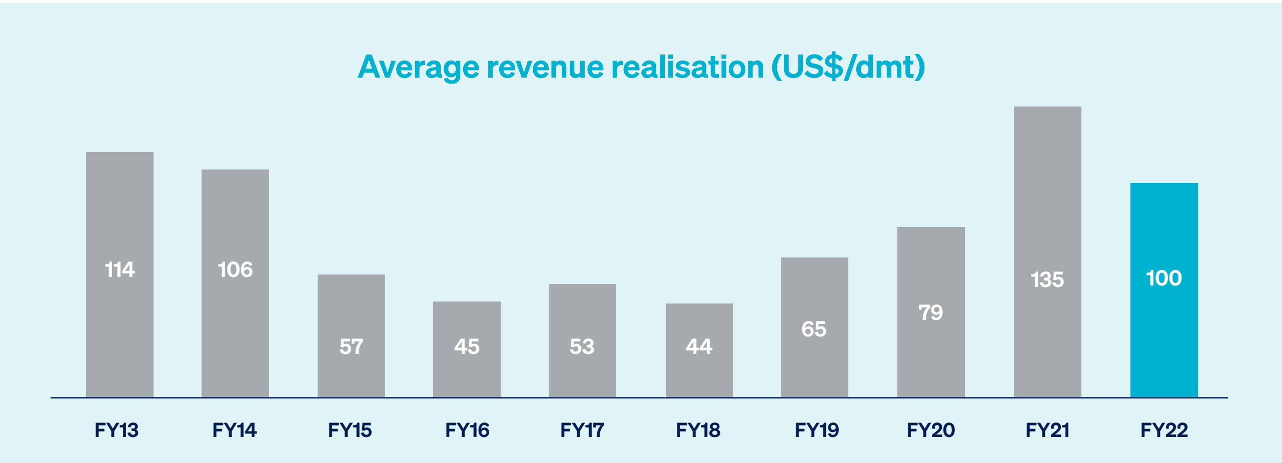
Fortescue's record shipments for the financial year ended 30 June 2022 were 6.8mt above FY21 at 189.0mt, which partially offset a 26 per cent reduction in price realisation to US$100/dmt (FY21: US$135/dmt). The Platts 62% CFR Index averaged US$138/dmt in FY22 which is a decrease of 11 per cent over the prior year (FY21: US$154/dmt).

The factors influencing realised price outcomes in FY22 include:

- Reduction in crude steel production, linked to 25 per cent lower steel demand and steel production curtailments particularly in the first half of FY22, with COVID-19 restrictions disrupting China's downstream steel demand and a weakening global economic outlook impacting the second half.
- Flow on effect of lower steel demand and production was lower iron ore demand, which also saw a relative increase in low grade iron ore supply, amidst constrained high grade supply.
- Destocking and restocking across the iron ore supply chain, given volatile future steel and iron ore demand.
- Market volatility and future market uncertainty negatively impacted realisation in H1 FY22, with strengthening pig iron production, depleting iron ore inventories and low steel margins in H2 FY22 leading to a recovery in realisation.

Demand for Fortescue products was resilient, despite market volatility, with inventory levels at ports remaining low throughout FY22.

Fortescue's average realised price over the past 10 years is shown below:



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[1]	2022	2021
Mining and processing costs, US$ millions	5	2,539	2,110
Rail costs, US$ millions	5	243	211
Port costs, US$ millions	5	219	201
C1 costs, US$ million		**3,001**	2,522
Ore sold, million wmt		189	181
C1 costs, US$/wmt		**15.91**	13.93
Shipping costs, US$ millions	5	1,976	1,333
Government royalty[2], US$ millions	5	1,130	1,560
Administration expenses (excl FFI), US$ millions	6	204	155
Shipping, royalty and administration, US$ millions		**3,310**	3,048
Ore sold, million wmt		189	181
Shipping, royalty and administration, US$/wmt		**18**	17
Total delivered cost, US$/wmt		**33**	31
Total delivered cost, US$/dmt		**36**	34

[1] Notes to the accompanying financial statements.

[2] Fortescue pays 7.5 per cent government royalty for the majority of its iron ore products, with a concession rate of five per cent applicable to beneficiated fines.

C1 costs averaged US$15.91/wmt for the year, 14 per cent higher compared to the prior period. The increase in C1 costs reflects market inflationary pressures, including:

- Labour market pressures within Western Australian as a result of international and state border closures up until March 2022 implemented to manage COVID-19, compounded with significant demand for skilled labour across the resources industry.
- Increase in underlying base price of maintenance materials reflecting global supply chain constraints as production attempts to return to post COVID-19 levels.
- Increase in energy and fuels costs, particularly diesel with the West Texas Intermediate (WTI) increasing 69% from US$51.83/barrel in FY21 to US$87.80/barrel in FY22 and averaging US$108.83/barrel in the fourth quarter.

Other factors influencing C1 cost performance were movements in exchange rates, with the AUD to USD averaging 0.73 in FY22 compared to 0.75 in FY21, and an increase in the strip ratio from 1.3 in FY21 to 1.4 in FY22. Total delivered costs was further impacted by a 41 per cent increase in the shipping index.

Fortescue has continued to focus on cost management while optimising margin and has managed cost increases through the cycle while also utilising the capacity in the value chain to generate record shipments in FY22, aligning with Fortescue's integrated operating and marketing strategy focusing on maximising margins and EBITDA throughout the market cycle.

Fortescue Future Industries

FFI expenses increased compared to FY21 due to the ramp up in personnel supporting an increase in project assessments and feasibility studies for FFI initiatives. FFI expenses are associated with research phase projects and emerging technologies undertaking activities in the development of green electricity, green hydrogen and green ammonia projects in both Australia and globally.

Williams Advanced Engineering

On 28 February 2022, Fortescue acquired WAE.

The acquired business contributed revenues of US$26 million and net loss of US$3 million to the Group for the period from 28 February to 30 June 2022. If the acquisition had occurred on 1 July 2021, consolidated pro-forma revenue and loss for the year ended 30 June 2022 would have been US$81 million and US$5 million respectively.

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 the Company's financial performance. During the financial year ended 30 June 2022, Fortescue's operations generated Underlying EBITDA of US$10,561 million (FY21: US$16,375 million), including US$386 million of operating expenses attributable to FFI (FY21: US$104 million). The reconciliation of Underlying EBITDA to the financial metrics reported in the financial statements under Australian Accounting Standards is presented below.

	Note[1]	2022 US$m	2021 US$m
Operating sales revenue	3	17,390	22,284
Cost of sales excluding depreciation and amortisation	5	(6,175)	(5,448)
Net foreign exchange loss	6	(103)	(142)
Administration expenses	6	(204)	(155)
Research expenses	6	(354)	(104)
Other income/(expenses)	4, 6	1	(60)
Share of profit from equity accounted investments	23(c)	6	-
Underlying EBITDA		**10,561**	16,375
Finance income	7	14	16
Finance expenses	7	(174)	(240)
Depreciation and amortisation	5, 6	(1,528)	(1,366)
Exploration, development and other expenses	6	(27)	(63)
Net profit before tax		**8,846**	14,722
Income tax expense	14	(2,649)	(4,427)
Net profit after tax		**6,197**	10,295
Cost of early debt repayment after tax		-	54
Underlying net profit after tax		**6,197**	10,349

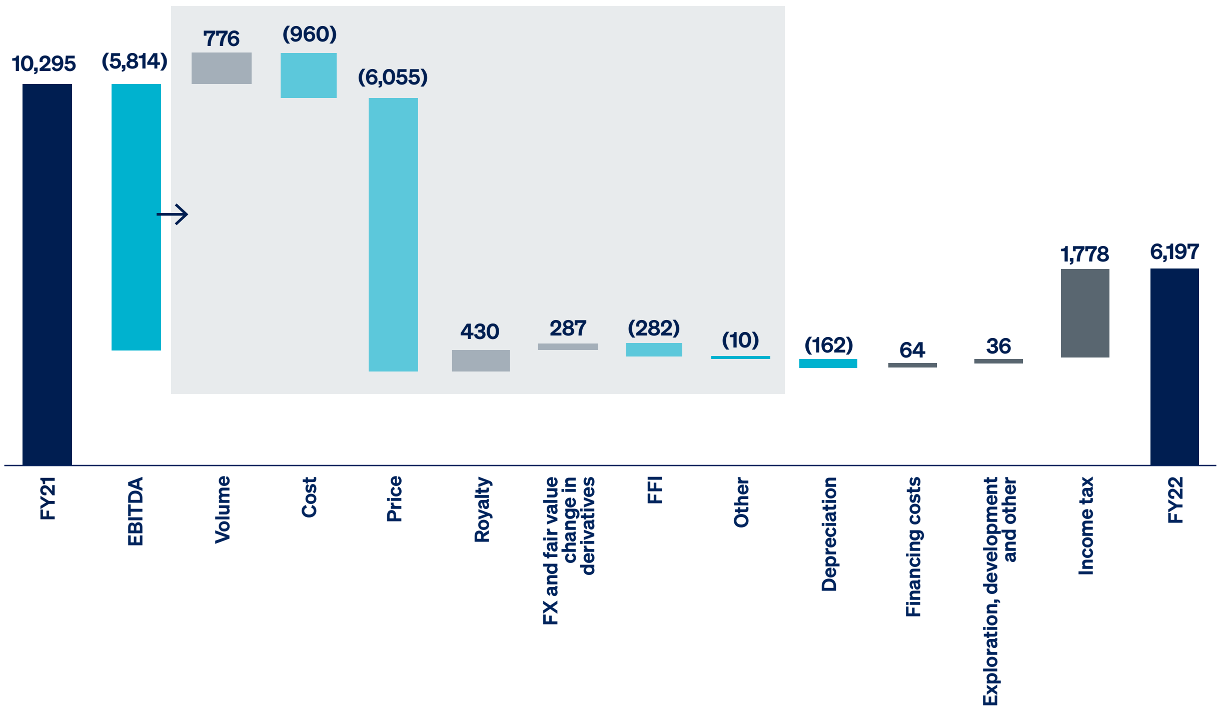
[1] Notes to the accompanying financial statements.

The key factors contributing to the 36 per cent decrease in Underlying EBITDA from the prior period was the lower iron ore price and price realisation, partially offset through additional volume with FY22 sales volumes of 188.6mt increasing by four per cent (FY21: 181.1mt).

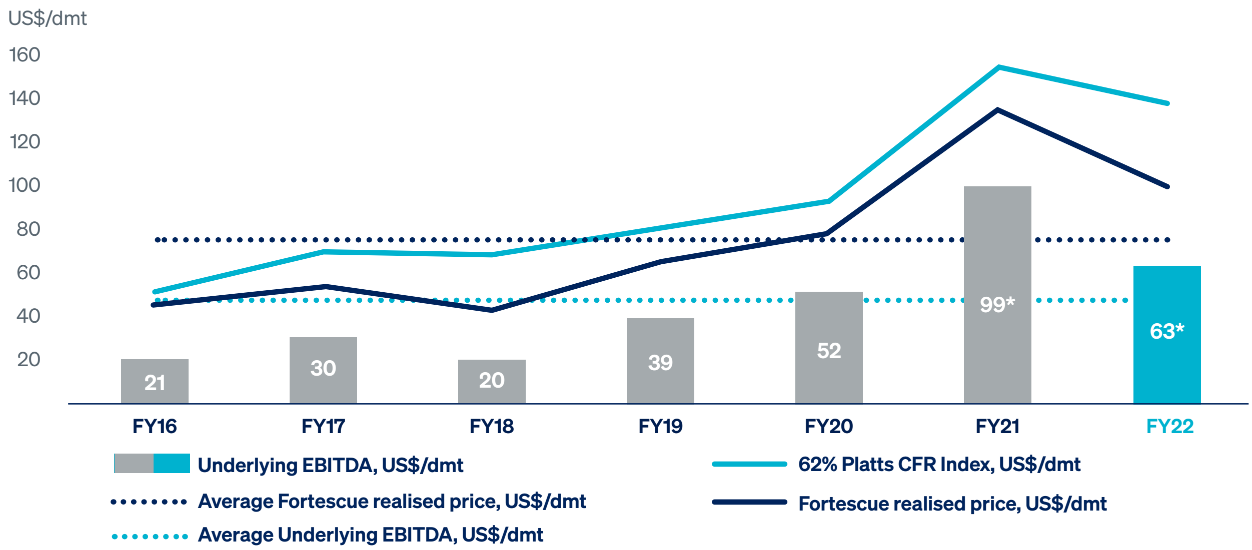
FFI expenses have increased by US$282 million to US$386 million in FY22 (FY21: US$104 million) reflecting growth in FFI operations and resourcing. Within FFI's expenditure was US$91 million incurred on projects related to the decarbonisation of Fortescue's iron ore operations in FY22 (FY21: nil), which includes US$71 million of operating expenditure and US$20 million of capital expenditure.

UNDERLYING EBITDA (CONTINUED)

FY21 vs FY22 NPAT (US$m)



The Underlying EBITDA of US$10,561 million for FY22 represents a margin of 61 per cent (63 per cent or US$63/dmt excluding FFI). As illustrated in the chart below, Fortescue has been maintaining strong Underlying EBITDA margins through market cycles, demonstrating the commitment to and focus on productivity, efficiency and innovation.



*Excludes FFI costs of US$386 million in FY22 and US$104 million in FY21.

UNDERLYING EBITDA (CONTINUED)

Other expenses

Other expenses of US$698 million excluding depreciation have increased compared to the prior period (FY21: US$524 million) as a result of:

- An increase in research expenditure to US$354 million for FY22 (FY21: US$104million) reflecting growth in FFI's operations and resourcing.
- An increase in administration expenses to US$204 million for FY22 (FY21: US$155 million) reflecting the costs of an additional employee incentive related to Fortescue's record FY21 performance that was approved by the Board in the current period.
- A decrease in exploration, development and other costs to US$27 million for FY22 (FY21: US$63 million).
- Reduction in foreign exchange losses to US$103 million for FY22 (FY21: US$142 million).
- Reduction in fair value derivative losses to US$10 million for FY22 (FY21: loss of US$59 million).

Other income and share of profit from equity accounted investments

- Other income reflects fair value gains on investments held by FFI of US$10 million for FY22 (FY21: nil).
- Share of profit from equity accounted investments of US$6 million for FY22 (FY21: nil), which reflects the share of profit of associates and investments in joint ventures.

Depreciation, interest and tax

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

- Depreciation and amortisation of US$1,528 million is up 12 per cent on the prior period (FY21: US$1,366 million) in line with the increase in production compared to FY21 and the transition of Eliwana to operations reflecting the three hub strategy.
- Net finance expenses of US$160 million for FY22 are below FY21 reflecting the FY21 loss on early debt redemption of US$77 million (FY21: US$224 million).
- Income tax expense for FY22 of US$2,649 million represents an effective tax rate of 30 per cent (FY21: US$4,427 million, effective tax rate of 30 per cent) and has decreased in line with underlying financial performance.

FINANCIAL POSITION AND CAPITAL MANAGEMENT

Key metrics	Note[1]	2022 US$m	2021 US$m
Borrowings	9	5,348	3,442
Lease liabilities	9	755	810
Total debt		**6,103**	4,252
Cash and cash equivalents	9	5,224	6,930
Net debt/(net cash)		**879**	(2,678)
Equity	**9**	**17,345**	17,735
Key ratios			
Gearing, %		26	19
Net gearing, %		5	(18)

[1] Notes to the accompanying financial statements.

DEBT AND LIQUIDITY

Debt

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

In September 2021, the existing syndicated term loan was amended and extended, with key changes being an increase in available funds to US$1 billion from US$600 million and extending maturity to 30 June 2026 (previously June 2025) making available an additional US$400 million of liquidity. The available funds were subsequently drawn on 29 December 2021 (total facility drawn US$1 billion). The coupon rate is linked to LIBOR plus a fixed margin, with repayments being one per cent of the outstanding amount paid annually with the remainder due at maturity.

In November 2021, Fortescue established its Sustainability Financing Framework, which will enable the future issuance of Green and Social debt instruments to support investments in eligible green and social projects. This reflects Fortescue's ongoing commitment to ESG leadership and recognises the growth in sustainable, green and social sources of capital, further optimising Fortescue's capital structure.

In April 2022, Fortescue completed a US$1.5 billion offering of senior unsecured notes (Notes) across two tranches:

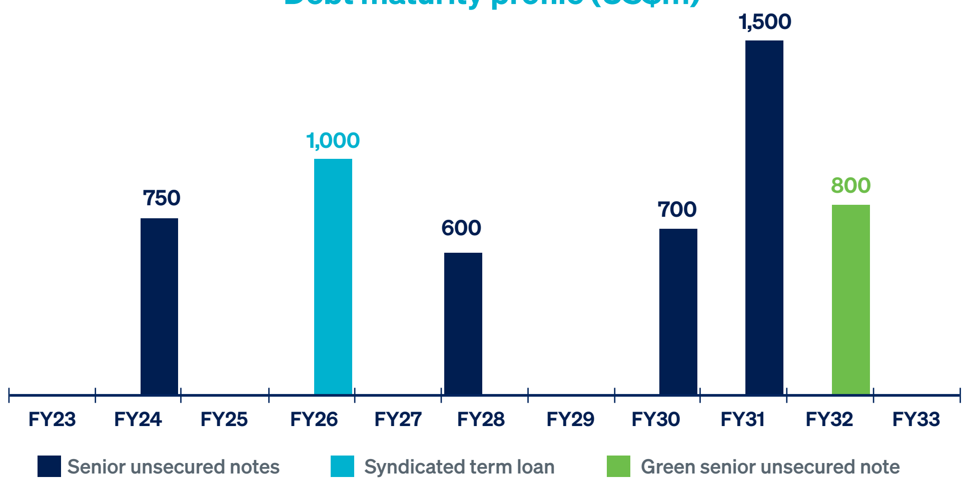
- Senior Notes (US$700 million) at an interest rate of 5.875 per cent, with an eight year maturity at 15 April 2030
- Green Notes (US$800 million) at an interest rate of 6.125 per cent, with a 10 year maturity at 15 April 2032.

Proceeds from the offering of the Notes will be applied towards general corporate purposes for the Senior Notes while the Green Notes will be applied to Eligible Green Projects, pursuant to Fortescue's Sustainability Financing Framework.

The Company's debt maturity profile at 30 June 2022, after the effect of the above debt transactions, is set out in the table below. Fortescue has no financial maintenance covenants across all instruments.

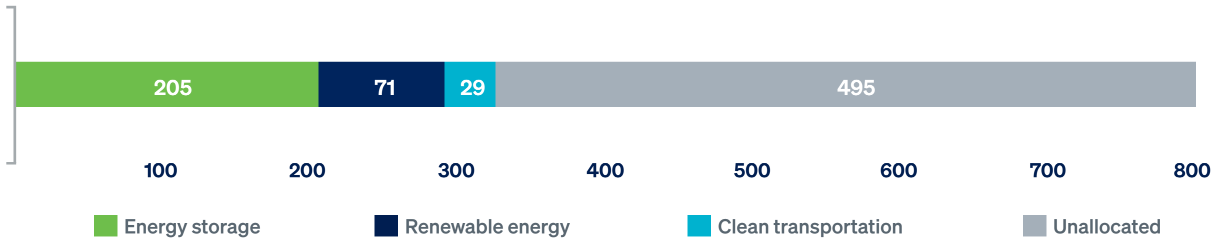
Debt (continued)

Debt maturity profile (US$m)



Eligible Project allocation

The net proceeds from the US$800m inaugural Green Bond are to be applied to Eligible Green Projects pursuant to Fortescue's Sustainability Financing Framework. These green projects will be used to fund Fortescue's decarbonisation. The allocation across eligible project categories is illustrated below:



Fortescue has allocated US$305 million in net proceeds from the issuance of its Green Notes as at 30 June 2022 to Eligible Green Projects as defined within the Sustainability Financing Framework. Fortescue is responsible for the completeness, accuracy and validity of the information and metrics presented below.

			Cumulative spend at	
Eligible Project[1]	**Eligible Category**	**Region**	**30 June 2022 US$m**	**30 June 2021 US$m**
Acquisition of Williams Advanced Engineering	Energy storage	United Kingdom	205	-
Pilbara Generation Project	Renewable energy	Australia	20	12
Pilbara Transmission Project	Renewable energy	Australia	51	32
Green Fleet Energy Hub	Clean transportation	Australia	24	10
Battery Electric Locomotives	Clean transportation	Australia	5	-
Total allocated			305	54
Total unallocated			495	746

[1] Basis of preparation: Eligible Projects outlined above have been determined in accordance with Fortescue's Sustainability Financing Framework (as announced on 9 November 2021) which is available on Fortescue's website. Transmission projects are apportioned based on the percentage of the network powered by renewable energies. The acquisition of WAE has been apportioned based on the proportion of forecast revenue at acquisition which is considered eligible under the Sustainability Financing Framework "Energy Storage" category. The apportioned capital expenditure is endorsed by Fortescue's Capital Allocation Management Group.

Eligible Project details

Williams Advanced Engineering: The acquisition of WAE – a leading provider of high-performance battery and electrification technologies. WAE is an important acquisition that enables Fortescue to accelerate the decarbonisation of its mining fleet as well as establish a new business growth opportunity.

Pilbara Generation Project: The solar generation component of the energy generation from Fortescue's PEC project. This comprises the installation of a 150MW solar photovoltaic (PV) array.

Pilbara Transmission Project: The transmission of solar generated energy from Fortescue's PEC Project (this excludes any transmission from gas fired energy generation).

Green Fleet Energy Hub: The Green Fleet Energy Hub includes the development of a 1.5MW Hydrogen Refuelling Station at Christmas Creek to power 10 hydrogen passenger coaches and associated infrastructure.

Battery Electric Locomotives: The decarbonisation of our rail operations with the purchase of two battery electric locomotives and research into the development of the Infinity Train.

Refer to page 173 for the limited assurance report on the green bond allocation reporting.

Liquidity

At 30 June 2022, Fortescue had US$6,249 million of liquidity available including US$5,224 million of cash on hand and US$1,025 million available under the revolving credit facility. Total debt was US$6,103 million, inclusive of US$755 million of lease liabilities, with gross gearing of 26 per cent.

Cash flows	2022 US$m	2021 US$m
Cash generated from operations	**10,515**	16,810
Net cash flows from operating activities	6,646	12,594
Capital expenditure (including joint operations)[1]	(3,074)	(3,633)
Free cash flow	**3,572**	8,961

[1] Capital expenditure (including joint operations) comprises all components of cash flows from investing activities, as presented in the consolidated statement of cash flows, excluding proceeds from disposal of plant and equipment.

Cash generated from operations of US$10,515 million was 37 per cent lower than the prior period, largely as a result of lower Underlying EBITDA.

Net cash flows from operating activities include net interest payments of US$202 million (FY21: US$201 million) and income tax paid of US$3,667 million (FY21: US$4,015 million). The FY22 tax payments include US$915 million for the final FY21 tax payment paid in December 2021. The instalment rate for FY22 Australian income tax payments was varied during the year to more accurately reflect the estimated tax liability.

Capital expenditure, including joint operations and FFI investments was US$3,074 million for the financial year (FY21: US$3,633 million) reflecting ongoing expenditure on growth projects at Iron Bridge and PEC. The FY22 capital expenditure also includes the acquisition of WAE for US$219 million, less cash acquired of US$9 million.

Financial position and capital management

Dividends and shareholder returns

In September 2021, Fortescue paid a fully franked final dividend of 211 Australian cents per share for the financial year ended 30 June 2021.

On 16 February 2022, Fortescue declared a fully franked interim dividend of 86 Australian cents per share, paid in March 2022.

For the year ended 30 June 2022, Fortescue generated earnings of 201.4 US cents per share (FY21: 334.6 US cents per share) with return on equity of 35 per cent (FY21: 66 per cent). On 29 August 2022, the Directors declared a fully franked final dividend of 121 AUD cents per share for the financial year ended 30 June 2022. Total dividends declared of 207 AUD cents for the current period represents a payout ratio of 75 per cent of net profit after tax, in line with the Company's policy of maintaining a payout ratio of between 50 and 80 per cent.

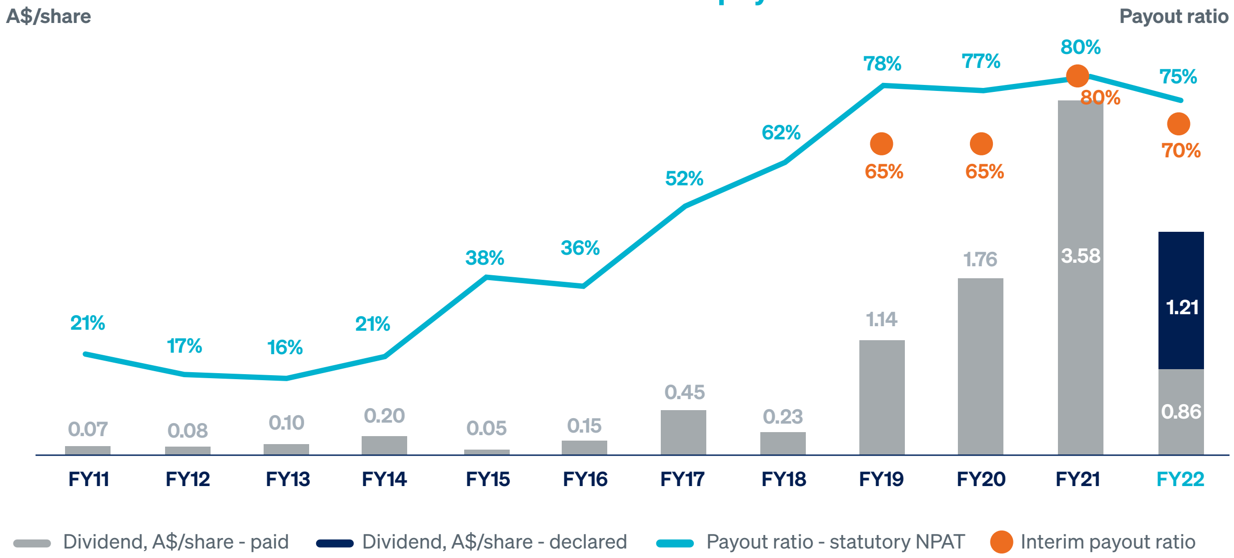
	2022	2021
Underlying net profit after tax[1], US$ millions	6,197	10,349
Basic earnings per share, US cents per share	201.4	334.6
Basic earnings per share, AUD cents per share[2]	277.5	448.0
Return on equity, %	35	66
Interim dividend, AUD cents per share	86	147
Final dividend, AUD cents per share	121	211
Total dividend, AUD cents per share	207	358
Dividend payout ratio, %	75	80

[1] Underlying net profit after tax is calculated as statutory net profit after tax adjusted for the cost of early debt repayment.

[2] Australian dollar earnings per share is calculated by translating the US dollar earnings per share at the average exchange rate for the period of AUD:USD 0.7259 (30 June 2021: AUD:USD 0.7469).

The total dividends declared for the current period represents a payout ratio of 75 per cent of net profit after tax, in line with the Company's guidance of maintaining a payout ratio at the top end of the 50 to 80 per cent range.

Dividends declared and payout ratios



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Share buy-back scheme

In 2018, Fortescue announced the establishment of an on-market share buy-back program of up to A$500 million. In October 2020, Fortescue announced a further extension of its share buy-back program for an unlimited duration, with the maximum number of shares which can be bought back 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 any 12 month period.

Fortescue retains the option to undertake an on-market share buy-back. During FY22, Fortescue did not acquire any of its own shares on market under the share buy-back program.

FY23 GUIDANCE

- Iron ore shipments in the range of 187 - 192mt, including approximately 1mt from Iron Bridge (100 per cent basis)
- C1 costs for hematite of US$18.00 - US$18.75/wmt
- Capital expenditure (excluding FFI) of US$2.7 - US$3.1 billion
- FFI's FY23 anticipated expenditure is US$600 - US$700 million, inclusive of US$100 million of capital expenditure and US$500 - US$600 million of operating expenditure.

Guidance is based on an assumed FY23 average exchange rate of AUD:USD 0.70.

03

ORE RESERVES AND MINERAL RESOURCES

ORE RESERVES AND MINERAL RESOURCES

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

Hematite Ore Reserves total 1.99 billion tonnes (bt) of dry product at an average iron (Fe) grade of 57.4%. Combined Hematite Mineral Resources total 13.55bt (dry in-situ) at an average Fe grade of 56.8%.

Magnetite Ore Reserves total 844 dry in-situ million tonnes (mt) at an average mass recovery of 29.5 per cent for a 67.3% Fe grade product. Magnetite Mineral Resources total 6.2bt (dry in-situ) at an average mass recovery of 22.7 per cent, including the addition of a maiden Mineral Resource for the South Star deposit (898mt dry in-situ).

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 26 August 2022).

Development property Mineral Resources have been reported and classified in accordance with the JORC Code. The development property Mineral Resources are detailed in Fortescue ASX releases dated 26 August 2022, 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 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 26 August 2022.

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 Audit, Risk Management and Sustainability Committee (ARMSC). Specific auditing of the Ore Reserve process were performed in 2011, 2013, 2015, 2016, 2017, 2019, 2021 and 2022. These audits were managed by Fortescue's internal audit service provider with external technical subject experts. The 2015, 2016, 2017, 2019, 2021 and 2022 Ore Reserves audits were carried out by independent external technical consultants. In addition, specific auditing of Mineral Resource models were undertaken in 2015, 2016, 2017, 2018, 2019, 2020 and 2022.

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 Western Hub Hematite Ore Reserves for 2022 are estimated to total 1,986mt at an average Fe grade of 57.4%.

The Ore Reserve is quoted as at 30 June 2022 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 1,018mt (from 937mt in 2021) as a result of ongoing in-fill drilling at the Solomon and Western Hub (Eliwana and Flying Fish) deposits.

The Chichester Hub (Cloudbreak and Christmas Creek deposits) contains 1,078mt at an average Fe grade of 57.2%, a net decrease of 216mt due to depletion (-ve), more conservative metallurgical factors and reconciliation factors (-ve). Proved Ore Reserve constitutes 56 per cent of the Chichester Ore Reserve, a slight increase from 2021. 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 682mt at an average Fe grade of 56.9%, an increase of 115mt mainly due to increased revenue forecast, slightly improved mineral resource tonnes and grades along with pit design modifications. Proved Ore Reserves comprise 32 per cent of the tonnage in the total Solomon Reserve.

The Ore Reserve for the Western Hub (Eliwana and Flying Fish) deposit is estimated to be 227mt at an average Fe grade of 60.1%. Flying Fish and Eliwana deposits effectively represent a single deposit with ore mined from both these deposits directed to the same OPF (Dry Processing).

Proved Ore Reserves comprise 85 per cent of the tonnage in the total Eliwana Ore Reserve, a decrease of seven per cent compared to previous reporting.

The 2022 Hematite Ore Reserve estimates were subject to comprehensive review and update addressing:

- Ore depletion as a result of sales (decrease)
- Permanent infrastructures (OPF, tailings storage facility etc)
- Areas of heritage significance (where appropriate) have been excluded as part of Fortescue's ongoing review process
- Revision of ore loss and dilution factors based on 12 months of operational history at all mines (decreased ore recovery at the Chichester Hub)
- Revision to the processing response through all OPFs based on updated metallurgical test work and operational history
- Updated metallurgical test work to the Christmas Creek, Cloudbreak and Queens deposits resulting in reduction in product tonnes at Christmas Creek and Cloudbreak
- Re-optimisation of mine geometries to maximise the benefit of changes to the resource base resulting in improvement to the economic viability of extracting ore
- A revised Ore Reserve mine plan that addresses the listed items and incorporates the latest information on long-term product strategy, including the Western Pilbara Fines 60.3% Fe product.

Ore Reserves Operating Properties – Hematite – as at 30 June 2022

	JUNE 2022						JUNE 2021					
	Product tonnes (mt)	Iron Fe %	Silica SiO_2 %	Alumina Al_2O_3 %	Phos P %	Loss on ignition LOI %	Product tonnes (mt)	Iron Fe %	Silica SiO_2 %	Alumina Al_2O_3 %	Phos P %	Loss on ignition LOI %
Cloudbreak												
Proved	291	57.6	5.15	2.69	0.055	7.83	329	57.4	5.28	2.82	0.054	8.37
Probable	99	56.7	5.66	2.88	0.061	8.03	204	56.9	5.76	2.90	0.061	8.05
Total	**389**	**57.3**	**5.28**	**2.74**	**0.057**	**7.88**	**533**	**57.2**	**5.47**	**2.86**	**0.057**	**8.25**
Christmas Creek												
Proved	316	57.0	6.27	2.89	0.046	7.91	259	56.8	6.42	2.98	0.046	7.83
Probable	373	57.2	6.08	3.08	0.050	7.56	502	56.9	6.30	3.14	0.049	7.60
Total	**688**	**57.1**	**6.17**	**2.99**	**0.048**	**7.72**	**761**	**56.9**	**6.34**	**3.08**	**0.048**	**7.68**
Sub-total Chichester Hub												
Proved	606	57.3	5.74	2.80	0.050	7.87	588	57.1	5.79	2.89	0.051	8.13
Probable	471	57.1	6.00	3.04	0.052	7.66	706	56.9	6.14	3.07	0.053	7.73
Total	**1,078**	**57.2**	**5.85**	**2.90**	**0.051**	**7.78**	**1,294**	**57.0**	**5.98**	**2.99**	**0.052**	**7.91**
Firetail												
Proved	2	58.9	6.51	2.70	0.133	5.48	2	59.2	6.24	2.79	0.128	5.47
Probable	62	58.8	5.90	2.44	0.117	6.68	64	59.3	5.72	2.35	0.117	6.68
Total	**64**	**58.9**	**5.92**	**2.44**	**0.117**	**6.64**	**66**	**59.3**	**5.73**	**2.37**	**0.117**	**6.64**
Kings and Queens												
Proved	215	56.4	6.63	2.69	0.078	9.46	144	57.1	6.36	2.66	0.077	8.75
Probable	402	56.8	6.52	2.86	0.080	8.82	357	56.8	6.51	2.57	0.076	9.18
Total	**618**	**56.7**	**6.56**	**2.80**	**0.079**	**9.04**	**501**	**56.9**	**6.47**	**2.60**	**0.076**	**9.06**
Sub-total Solomon Hub												
Proved	218	56.5	6.63	2.69	0.078	9.42	146	57.2	6.36	2.66	0.077	8.71
Probable	464	57.0	6.44	2.81	0.085	8.54	421	57.2	6.39	2.54	0.082	8.81
Total	**682**	**56.9**	**6.50**	**2.77**	**0.083**	**8.82**	**567**	**57.2**	**6.38**	**2.57**	**0.081**	**8.78**
Western Hub												
Proved	194	60.1	4.63	2.58	0.125	6.07	203	60.0	4.77	2.63	0.132	5.89
Probable	33	60.2	4.21	2.40	0.080	6.47	18	59.7	4.93	2.76	0.104	5.97
Total	**227**	**60.1**	**4.57**	**2.56**	**0.118**	**6.12**	**221**	**60.0**	**4.78**	**2.64**	**0.130**	**5.90**
Total Ore Reserves Operating Properties – Hematite												
Proved	1,018	57.6	5.71	2.73	0.071	7.85	937	57.7	5.66	2.80	0.072	7.74
Probable	969	57.2	6.15	2.91	0.069	8.04	1,146	57.1	6.21	2.87	0.064	8.10
Total	**1,986**	**57.4**	**5.92**	**2.82**	**0.070**	**7.94**	**2,082**	**57.4**	**5.96**	**2.84**	**0.068**	**7.94**

Notes in reference to table

- The diluted mining models used to report the 2022 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 2022.
- Diluted mining models are validated by reconciliation against historical production.
- Ore Reserves are inclusive of ore stockpiles at the mines which total approximately 61.1mt 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.
- The Western Hub Ore Reserve is inclusive of the Eliwana and Flying Fish deposits. Selected Flying Fish Ore Reserves will be directed to the Dry OPF at Eliwana.

Ore Reserves Operating Properties – Magnetite

The 2022 Ore Reserves for Magnetite are from the Iron Bridge project. Ore Reserves for the project total 844mt at an average mass recovery of 29.6 per cent for a 67.3% Fe grade product. The Ore Reserves are quoted as at 30 June 2022, on a dry in-situ tonnes basis prior to processing.

The Mineral Resource model for the Iron Bridge project was developed by Snowden Mining Industry Consultants in conjunction with Fortescue's internal technical team during February and March 2022.

The Ore Reserves estimate was developed in March and April 2022 by the Iron Bridge technical team on the basis of the 2022 resource model using detailed information on mining, geotechnical and metallurgical processing parameters and latest cost assumptions, aligned with the proposed operations strategy.

Within North Star mining pits, mining within 100m of the Pilbara leaf-nosed bat (PLNB) 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 population of PLNB. Baseline environment studies and data collection are significantly advanced for the Glacier Valley resource; an amendment to the existing Part IV approval is currently being sought for an extension of the mine, waste rock landform and associated infrastructure for the Glacier Valley deposit. The amended proposal was referred on 27 July 2022 and is awaiting a decision, on the level of assessment, by the Environmental Protection Authority (Western Australia).

At this stage, neither of the above is expected to have a material impact on Ore Reserves as plans have been developed and action underway to address each of the points. As part of the mine scheduling process, appropriate access delays have been applied to ore inventory in North Star mining pit within 100m of PLNB cave and Glacier Valley mining area to model the timeframe required for approvals.

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 2022.

Ore Reserves Operating Properties – Magnetite – as at 30 June 2022

	JUNE 2022						JUNE 2021					
	In-situ tonnes (mt)	DTR mass recovery %	Product tonnes (mt)	Product Iron Fe %	Product Silica SiO_2 %	Product Alumina Al_2O_3 %	In-situ tonnes (mt)	DTR mass recovery %	Product tonnes (mt)	Product Iron Fe %	Product Silica SiO_2 %	Product Alumina Al_2O_3 %
North Star and Eastern Limb												
Proved	-	-	-	-	-	-	-	-	-	-	-	-
Probable	642	30.0	193	67.1	5.60	0.30	595	29.7	177	67.0	5.62	0.29
Total	**642**	**30.0**	**193**	**67.1**	**5.60**	**0.30**	**595**	**29.7**	**177**	**67.0**	**5.62**	**0.29**
Glacier Valley												
Proved	-	-	-	-	-	-	-	-		-	-	-
Probable	202	28.4	57	68.0	4.54	0.15	122	28.2	34	67.0	5.62	0.29
Total	**202**	**28.4**	**57**	**68.0**	**4.54**	**0.15**	**122**	**28.2**	**34**	**67.0**	**5.62**	**0.29**
Total Ore Reserves Operating Properties – Magnetite												
Proved	-	-	-	-	-	-	-	-	-	-	-	-
Probable	844	29.6	250	67.3	5.35	0.27	716	29.4	211	67.0	5.62	0.29
Total	**844**	**29.6**	**250**	**67.3**	**5.35**	**0.27**	**716**	**29.4**	**211**	**67.0**	**5.62**	**0.29**

Notes in reference to table

- All current magnetite Ore Reserves fall within the Iron Bridge Joint Venture (IBJV). As per the Iron Bridge Project agreements, Fortescue owns 69 per cent of the reported Total Magnetite Ore Reserve estimates within the IBJV.
- 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. The Mineral Resources, including stockpiles, are quoted inclusive of Ore Reserves.

As at 30 June 2022, the total Mineral Resource for the Chichester, Solomon and Western Hubs, is estimated to be 5,166mt at an average Fe grade of 56.2%, a decrease of 201mt from prior year. There was no change in the proportion of higher confidence Measured and Indicated Mineral Resources (68 per cent).

The total Chichester Hub Mineral Resource is estimated to be 2,288mt at an average Fe grade of 56.3%, with 81 per cent of the tonnage in the Measured and Indicated Mineral Resource categories.

The total Solomon Hub Mineral Resource is estimated to be 1,981mt at an average Fe grade of 55.3%, with 66 per cent of the tonnage in the Measured and Indicated Mineral Resource categories.

The total Western Hub Mineral Resource is estimated to be 897mt at an average Fe grade of 58.1%, with 37 per cent of the tonnage in the Measured and Indicated Mineral Resource categories.

As part of Fortescue's ongoing review process, areas of heritage significance (where appropriate) have been excluded from the Mineral Resources.

Mineral Resources Operating Properties – Hematite – as at 30 June 2022

	30 JUNE 2022						30 JUNE 2021					
	In-situ tonnes (mt)	Iron Fe %	Silica SiO_2 %	Alumina Al_2O_3 %	Phos P %	Loss on ignition LOI %	In-situ tonnes (mt)	Iron Fe %	Silica SiO_2 %	Alumina Al_2O_3 %	Phos P %	Loss on ignition LOI %
Cloudbreak												
Measured	493	57.0	5.78	3.26	0.057	8.2	452	56.7	5.91	3.37	0.056	8.5
Indicated	198	55.9	6.66	3.45	0.058	8.1	255	56.1	6.63	3.37	0.063	8.0
Inferred	68	55.7	6.28	3.90	0.063	8.6	100	56.3	6.17	3.62	0.056	7.8
Total	**759**	**56.6**	**6.05**	**3.37**	**0.058**	**8.2**	**808**	**56.5**	**6.17**	**3.40**	**0.058**	**8.2**
Christmas Creek												
Measured	515	56.6	6.54	3.16	0.050	7.9	379	56.7	6.42	3.20	0.050	7.9
Indicated	650	56.2	6.56	3.63	0.052	7.8	812	56.2	6.62	3.60	0.051	7.8
Inferred	364	55.7	6.78	3.78	0.055	7.9	379	55.6	7.01	3.80	0.054	7.8
Total	**1,529**	**56.2**	**6.60**	**3.51**	**0.052**	**7.9**	**1,571**	**56.1**	**6.67**	**3.55**	**0.052**	**7.8**
Sub-total Chichester Hub												
Measured	1,008	56.8	6.17	3.21	0.053	8.1	832	56.7	6.14	3.29	0.053	8.2
Indicated	848	56.1	6.58	3.59	0.053	7.9	1,068	56.2	6.62	3.54	0.054	7.9
Inferred	432	55.7	6.70	3.80	0.056	8.0	479	55.7	6.83	3.76	0.055	7.8
Total	**2,288**	**56.3**	**6.42**	**3.46**	**0.054**	**8.0**	**2,379**	**56.3**	**6.50**	**3.50**	**0.054**	**8.0**
Firetail												
Measured	9	57.4	7.40	3.71	0.119	6.1	7	57.3	7.42	3.69	0.119	6.2
Indicated	126	57.4	7.33	2,85	0.124	7.1	127	57.7	7.20	2.76	0.124	6.9
Inferred	73	55.9	7.73	3.90	0.111	7.6	100	56.1	7.96	3.75	0.108	7.4
Total	**207**	**56.9**	**7.48**	**3.25**	**0.119**	**7.2**	**234**	**57.0**	**7.53**	**3.21**	**0.117**	**7.1**
Kings and Queens												
Measured	379	55.2	7.85	3.26	0.080	9.3	298	55.4	7.87	3.25	0.081	9.0
Indicated	785	55.3	8.12	3.36	0.084	8.8	908	55.0	8.20	3.30	0.082	9.2
Inferred	609	54.8	8.77	3.74	0.076	8.3	494	54.6	8.93	3.82	0.075	8.5
Total	**1,773**	**55.1**	**8.29**	**3.47**	**0.080**	**8.8**	**1,700**	**54.9**	**8.36**	**3.44**	**0.080**	**9.0**

Mineral Resources Operating Properties – Hematite – as at 30 June 2022 cont.

	30 JUNE 2022						30 JUNE 2021					
	In-situ tonnes (mt)	Iron Fe %	Silica SiO_2 %	Alumina Al_2O_3 %	Phos P %	Loss on ignition LOI %	In-situ tonnes (mt)	Iron Fe %	Silica SiO_2 %	Alumina Al_2O_3 %	Phos P %	Loss on ignition LOI %
Sub-total Solomon Hub												
Measured	388	55.2	7.84	3.27	0.081	9.3	305	55.4	7.86	3.26	0.082	9.0
Indicated	911	55.6	8.01	3.29	0.089	8.6	1,035	55.3	8.08	3.23	0.087	9.0
Inferred	682	55.0	8.66	3.76	0.080	8.3	594	54.8	8.77	3.81	0.080	8.3
Total	**1,981**	**55.3**	**8.20**	**3.44**	**0.084**	**8.6**	**1,934**	**55.2**	**8.26**	**3.41**	**0.084**	**8.8**
Eliwana												
Measured	234	59.2	5.34	2.75	0.129	6.3	290	59.3	5.39	2.76	0.128	6.1
Indicated	42	57.7	6.85	3.04	0.098	6.5	50	57.7	7.06	2.93	0.099	6.4
Inferred	477	57.7	6.34	3.49	0.102	6.9	539	57.8	6.29	3.45	0.102	6.8
Total	**752**	**58.1**	**6.06**	**3.24**	**0.110**	**6.7**	**880**	**58.3**	**6.04**	**3.19**	**0.110**	**6.5**
Flying Fish												
Measured	29	58.3	5.40	2.50	0.062	8.0	29	58.3	5.40	2.50	0.062	8.0
Indicated	31	59.9	4.80	2.06	0.060	6.8	43	60.2	4.77	2.00	0.060	6.5
Inferred	86	57.2	6.18	3.40	0.054	7.5	103	57.3	6.14	3.45	0.055	7.3
Total	**145**	**58.0**	**5.73**	**2.94**	**0.057**	**7.5**	**175**	**58.2**	**5.68**	**2.94**	**0.057**	**7.2**
Sub-total Western Hub												
Measured	262	59.1	5.34	2.72	0.122	6.5	319	59.2	5.39	2.74	0.122	6.3
Indicated	73	58.6	5.97	2.62	0.082	6.6	93	58.8	6.00	2.50	0.081	6.4
Inferred	562	57.6	6.32	3.48	0.094	7.0	643	57.7	6.27	3.45	0.095	6.9
Total	**897**	**58.1**	**6.01**	**3.19**	**0.101**	**6.8**	**1,055**	**58.3**	**5.98**	**3.15**	**0.102**	**6.7**
Total Mineral Resources Operating Properties – Hematite												
Measured	1,659	56.8	6.43	3.15	0.071	8.1	1,456	57.0	6.34	3.16	0.074	7.9
Indicated	1,832	55.9	7.27	3.40	0.072	8.2	2,195	55.9	7.28	3.35	0.071	8.3
Inferred	1,676	56.0	7.37	3.68	0.078	7.8	1,716	56.2	7.29	3.66	0.078	7.6
Total	**5,166**	**56.2**	**7.03**	**3.41**	**0.074**	**8.0**	**5,367**	**56.3**	**7.03**	**3.40**	**0.074**	**8.0**

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 73mt.
- 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 Nyidinghu and Pilbara Other deposits in the development properties Mineral Resource as a result of exploration drilling. Drilling at the Nyidinghu deposit has resulted in a change in classification with 963mt classified as Indicated, an increase of 388mt. The Pilbara Other update is an addition of 374mt which includes an update to the Mindy South and Wonmunna deposits and the new Triton deposit. As part of Fortescue's ongoing review process, areas of heritage significance (where appropriate) have been excluded from the Mineral Resources.

This update is an overall increase of 86mt to the development properties Mineral Resources and is reported in accordance with the JORC Code as identified in the Fortescue ASX release of 26 August 2022 that includes the supporting technical data.

As of 30 June 2022, the total Mineral Resource for development properties, which excludes and is additional to the operating properties, is estimated to be 8,382mt at an average Fe grade of 57.1%. This comprises 433mt for the Greater Chichester deposits, 2,416mt for the Greater Solomon deposits, 1,960mt for the Greater Western deposits, 2,461mt for the Nyidinghu deposit and 1,112mt for the Pilbara Other deposits.

Mineral Resources Development Properties – Hematite – as at 30 June 2022

	30 JUNE 2022						30 JUNE 2021					
	In-situ tonnes (mt)	Iron Fe %	Silica SiO_2 %	Alumina Al_2O_3 %	Phos P %	Loss on ignition LOI %	In-situ tonnes (mt)	Iron Fe %	Silica SiO_2 %	Alumina Al_2O_3 %	Phos P %	Loss on ignition LOI %
Greater Chichester												
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
Total	**433**	**56.4**	**7.10**	**3.77**	**0.058**	**7.0**	**433**	**56.4**	**7.10**	**3.77**	**0.058**	**7.0**
Greater Solomon												
Measured	-	-	-	-	-	-	-	-	-	-	-	-
Indicated	254	56.6	6.70	3.45	0.082	8.3	254	56.6	6.70	3.45	0.083	8.3
Inferred	2,162	56.8	6.88	3.76	0.082	7.3	2,427	56.9	6.87	3.79	0.083	7.2
Total	**2,416**	**56.8**	**6.86**	**3.72**	**0.082**	**7.4**	**2,682**	**56.9**	**6.85**	**3.76**	**0.083**	**7.3**
Greater Western												
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	1,860	56.7	6.03	2.99	0.081	9.1	1,868	56.7	6.02	2.99	0.081	9.1
Total	**1,960**	**56.8**	**5.99**	**2.96**	**0.085**	**9.0**	**1,968**	**56.8**	**5.99**	**2.96**	**0.085**	**9.0**
Nyidinghu												
Measured	22	59.7	3.53	2.09	0.141	8.1	22	59.7	3.56	2.08	0.140	8.1
Indicated	963	57.9	4.57	3.10	0.149	8.6	575	58.0	4.60	2.97	0.148	8.5
Inferred	1,476	57.2	5.09	3.35	0.145	8.8	1,878	57.1	5.17	3.41	0.148	8.8
Total	**2,461**	**57.5**	**4.87**	**3.24**	**0.147**	**8.7**	**2,475**	**57.3**	**5.02**	**3.30**	**0.148**	**8.7**
Pilbara Other												
Measured	-	-	-	-	-	-	-	-	-	-	-	-
Indicated	-	-	-	-	-	-	-	-	-	-	-	-
Inferred	1,112	57.9	6.51	2.56	0.111	7.5	738	57.7	6.46	2.61	0.101	7.9
Total	**1,112**	**57.9**	**6.51**	**2.56**	**0.111**	**7.5**	**738**	**57.7**	**6.46**	**2.61**	**0.101**	**7.9**
Total Mineral Resources Development Properties – Hematite												
Measured	22	59.7	3.53	2.09	0.141	8.1	22	59.7	3.56	2.08	0.140	8.1
Indicated	1,317	57.7	5.04	3.12	0.137	8.5	929	57.7	5.25	3.05	0.132	8.3
Inferred	7,043	57.0	6.23	3.28	0.098	8.1	7,345	56.9	6.19	3.37	0.099	8.1
Total	**8,382**	**57.1**	**6.04**	**3.25**	**0.104**	**8.1**	**8,296**	**57.0**	**6.08**	**3.33**	**0.103**	**8.1**

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 South, Vivash, Cobra, Lora, Zorb, Farquhar, Elevation, Boolgeeda CID and Wyloo North deposits.
- The Pilbara Other Mineral Resources includes the Fig Tree, Mindy South, Triton and Wonmunna deposits.
- Development property Mineral Resources are reported above a range of cut-off grades from 50% Fe to 56% Fe depending on the geological domain. Details of the cut-offs were provided when each Mineral Resource was first announced.
- Tonnage information has been rounded and as a result the figures may not add up to the totals quoted.

Mineral Resources Operating Properties – Magnetite

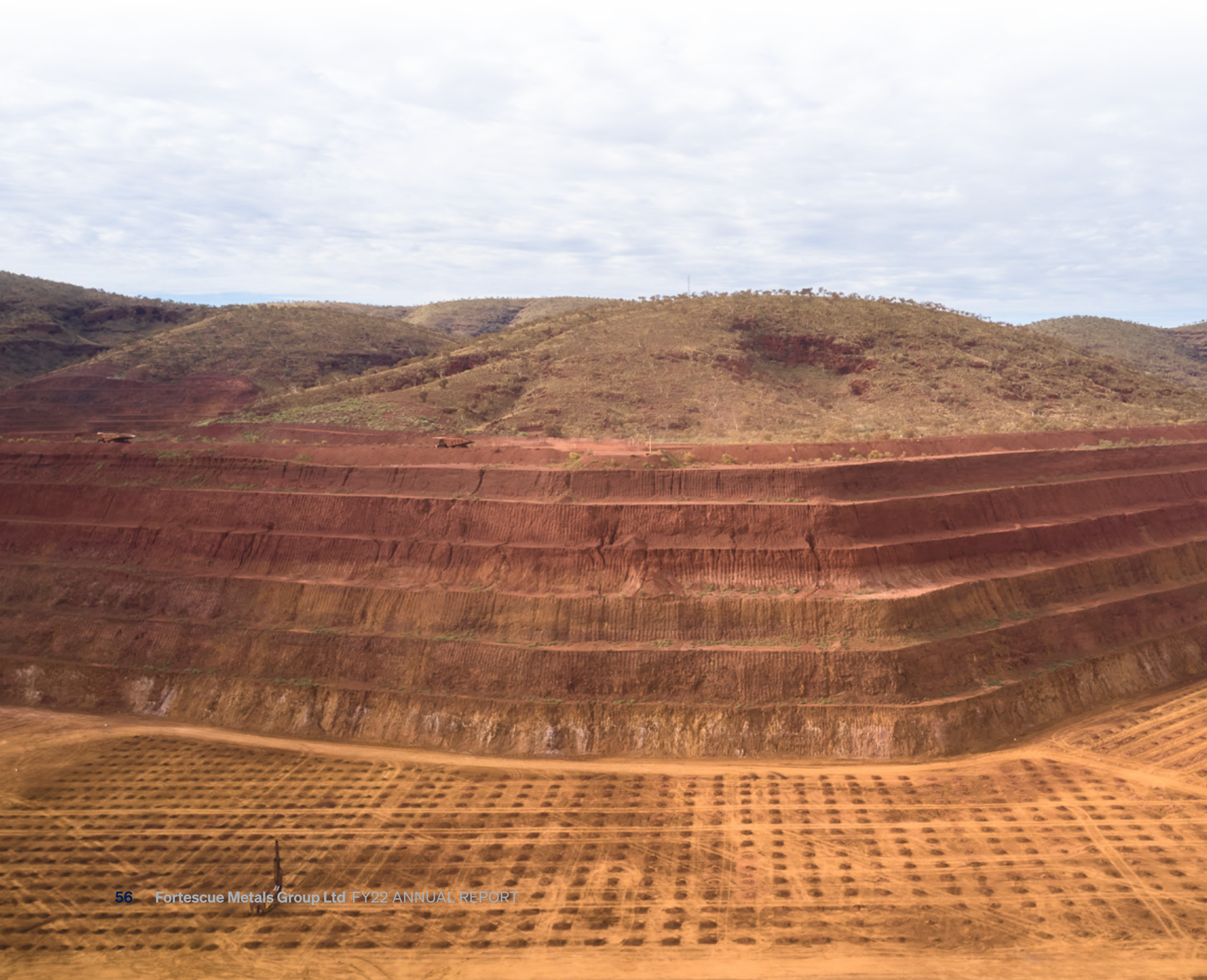
The Mineral Resource for the North Star, Eastern Limb, West Star and Glacier Valley deposits (69 per cent Fortescue) was completed by Snowden Mining Industry Consultants in 2022. The remodelling of the resource resulted in an upgrade to the Indicated and Inferred Resources to higher confidence classifications, compared with the previous model. These changes resulted from an improved geological interpretation for the Eastern limb area derived from mapping, geophysics and new assay data from the drilling completed in 2021, and changes to the Mineral Resource classification such that the revised classification aligns with the additional drilling and is consistent with the geological and geostatistical confidence.

As part of Fortescue's ongoing review process, a group of heritage sites in the southern portion of the Glacier Valley area have been excluded from the Mineral Resource using engineered shapes to account for the pit slope.

Further to the above, the magnetite Mineral Resource now includes the maiden Mineral Resource for South Star deposit. The South Star deposit is located along strike and to the south of Glacier Valley across two tenements, E45/4025 and E45/3084. One of these tenements, E45/4025, is held by Fortescue through its wholly owned subsidiary FMG Pilbara Pty Ltd. The drilling program undertaken during 2021 across E45/3084 and E45/4025 tenements has identified a Mineral Resource of 898mt at 22 per cent mass recovery above a nine per cent mass recovery cut-off.

All 2022 magnetite Mineral Resources are reported within a high revenue factor pit shell (US$200/t) to constrain the reportable resource to mineralisation that has reasonable prospects for economic extraction by open-pit mining and adjusted for depletion of mined oxide tonnes.

As of 30 June 2022, the total magnetite Mineral Resource, which includes South Star, is estimated to be 6,184mt (from 5,448mt in 2021) at an average mass recovery of 22.7 per cent, reported above a 9 per cent mass recovery cut-off.



Mineral Resources Operating Properties – Magnetite – as at 30 June 2022

	30 JUNE 2022							30 JUNE 2021						
	In-situ tonnes (mt)	FMG proportion %	FMG attributable tonnes (mt)	DTR mass recovery %	In-situ Iron Fe %	In-situ Silica SiO_2 %	In-situ Alumina Al_2O_3 %	In-situ tonnes (mt)	FMG proportion %	FMG attributable tonnes (mt)	DTR mass recovery %	In-situ Iron Fe %	In-situ Silica SiO_2 %	In-situ Alumina Al_2O_3 %
North Star and Eastern Limb (M45/1226)														
Measured	260	69%	179	25.2	31.3	41.4	2.85	109	69%	75	25.0	33.2	40.2	2.06
Indicated	764	69%	527	24.6	30.2	41.3	2.70	825	69%	569	24.5	30.3	41.3	2.74
Inferred	2,300	69%	1,587	23.8	29.8	41.7	2.85	2,217	69%	1,530	24.2	29.8	41.5	2.84
Total	**3,324**	**69%**	**2,294**	**24.1**	**30.0**	**41.6**	**2.81**	**3,150**	**69%**	**2,174**	**24.3**	**30.1**	**41.4**	**2.79**
Glacier Valley (M45/1244 & M45/1226)														
Measured	54	69%	37	25.4	35.0	39.3	1.61	-	-	-	-	-	-	-
Indicated	272	69%	188	23.7	33.1	39.2	1.71	191	69%	132	23.7	33.4	39.4	1.73
Inferred	1,033	69%	712	19.4	31.5	40.0	2.15	1,480	69%	1,021	20.3	31.9	39.6	1.94
Total	**1,359**	**69%**	**938**	**20.5**	**32.0**	**39.8**	**2.04**	**1,671**	**69%**	**1,153**	**20.6**	**32**	**39.6**	**1.92**
West Star (M45/1226)														
Measured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Indicated	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Inferred	602	69%	416	20.3	28.0	43.9	3.41	627	69%	433	20.6	28.1	43.8	3.36
Total	**602**	**69%**	**416**	**20.3**	**28.0**	**43.9**	**3.41**	**627**	**69%**	**433**	**20.6**	**28.1**	**43.8**	**3.36**
South Star (E45/3084)														
Measured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Indicated	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Inferred	302	69%	208	25.9	32.3	40.9	0.63	-	-	-	-	-	-	-
Total	**302**	**69%**	**208**	**25.9**	**32.3**	**40.9**	**0.63**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
South Star (E45/4025)														
Measured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Indicated	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Inferred	596	100%	596	20.7	32.2	40.3	1.07	-	-	-	-	-	-	-
Total	**596**	**100%**	**596**	**20.7**	**32.2**	**40.3**	**1.07**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Mineral Resources Operating Properties – Magnetite														
Measured	314	-	217	25.3	31.9	41.0	2.64	109	-	75	25.0	33.2	40.2	2.06
Indicated	1,037	-	715	24.4	31.0	40.8	2.44	1,016	-	701	24.3	30.9	41.0	2.55
Inferred	4,833	-	3,519	22.2	30.4	41.4	2.41	4,324	-	2,984	22.3	30.3	41.2	2.61
Total	**6,184**	**-**	**4,451**	**22.7**	**30.6**	**41.3**	**2.43**	**5,448**	**-**	**3,760**	**22.7**	**30.4**	**41.1**	**2.59**

Notes in reference to table

- Magnetite Mineral Resources are reported above a 9% mass recovery cut-off, based on Davis Tube Recovery (DTR) test work.
- Oxide mineralisation above 9% mass recovery comprises approximately 7% of the total Mineral Resource tonnage.
- FY22 magnetite Mineral Resources are reported within a high revenue factor pit shell (US$200/t) to constrain the resource to mineralisation that has reasonable prospects for economic extraction by open-pit mining; for FY21, a high revenue factor pit shell (US$200/t) was used to demonstrate potential open-pit mining at depth but was not used to constrain the resource reporting.
- Mineral Resources are reported on a dry, in-situ tonnage basis.
- Mineral Resources are reported inclusive of Ore Reserves.
- Figures have been rounded and as a result 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, Mr Stuart Badock, 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 Magnetite Mineral Resources is based on information complied 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 Western Hub deposit for FY22 were compiled by Mr Santhosh Mulky and Mr Mudit Tandon, full-time employees and shareholders of Fortescue.

Estimated Magnetite Ore Reserves for the Iron Bridge project for FY22 were compiled by Mr Mudit Tandon, full time employee and shareholder of Fortescue.

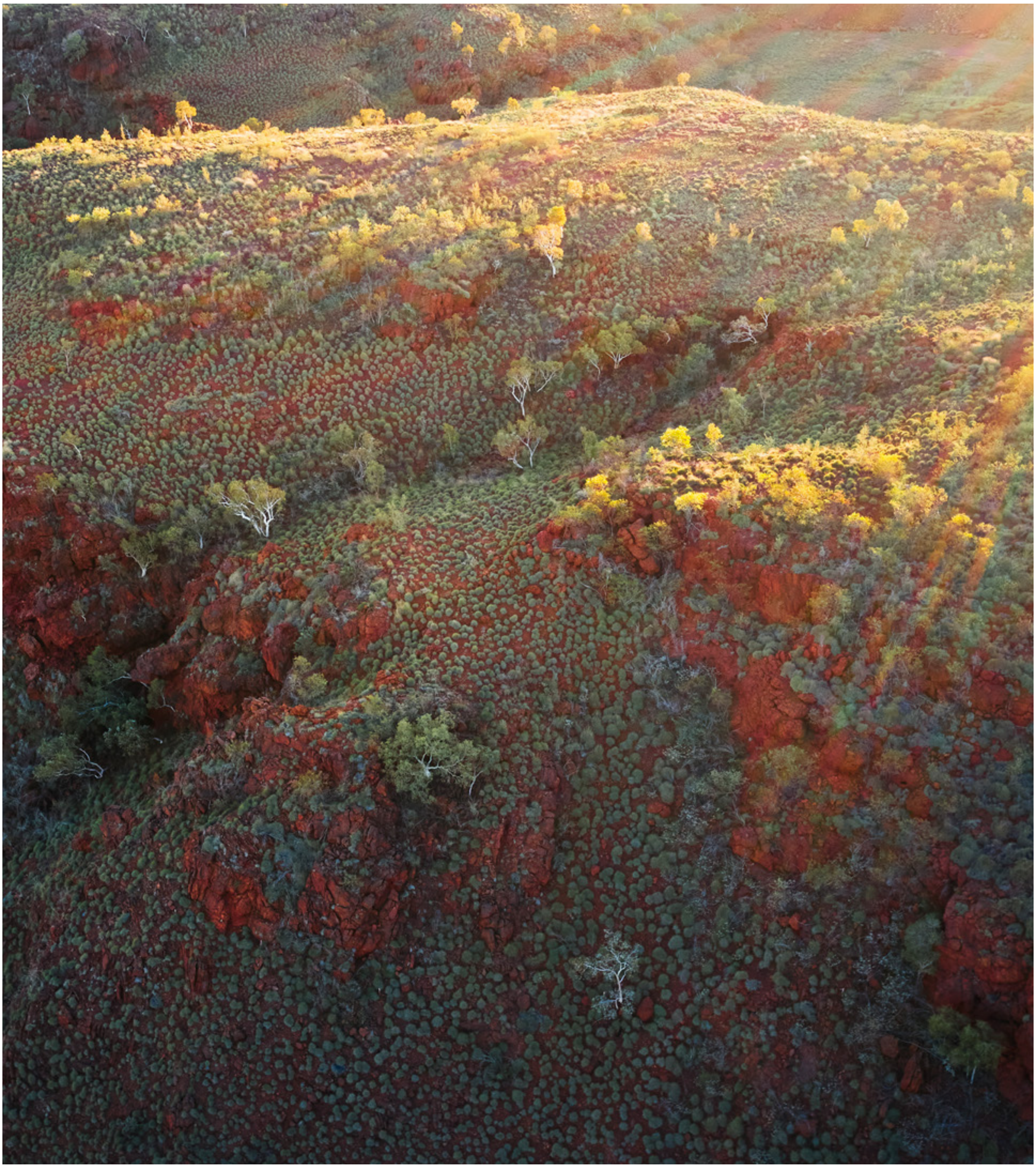
Mr Robinson is a Fellow of, and Mr Nitschke, Ms Retz, Mr Badock, Mr Frost-Barnes, Mr Mulky, Mr Tandon and Mr Graindorge are Members of the Australasian Institute of Mining and Metallurgy. Mr Graindorge is also a Chartered Professional (Geology).

Mr Robinson, Mr Nitschke, Ms Retz, Mr Badock, Mr Frost-Barnes, Mr Mulky, 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 Badock, Mr Frost-Barnes, Mr Mulky, 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.

04

OUR APPROACH TO SUSTAINABILITY



OUR APPROACH TO SUSTAINABILITY

Sustainability is critical to the future success of our Company and we integrate it into all aspects of our business

Sustainability has never been more important to us at Fortescue. We are focused on achieving leading practice and ensuring communities continue to benefit from our growth and development as we take a global leadership position on climate change and the green energy transition.

Our sustainability commitments are developed in collaboration with our stakeholders and aim to create value for our investors, protect the health and safety of our employees, protect the environment and empower the communities in which we operate, assisting them to thrive and prosper.

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

Our unique culture and Values form the base of our sustainability framework, which incorporates specific polices, objectives and targets.

Good governance is critical to strong sustainability performance, and our Board is responsible for the oversight of all sustainability matters, receiving regular updates through the Audit, Risk Management and Sustainability Committee (ARMSC).

Operationally, sustainability is managed by our Chief Executive Officer with support from our executive Sustainability Committee that meets at least quarterly to oversee all sustainability matters. Our Sustainability team coordinates the implementation of our sustainability strategy, related policies and targets across the business.

The Sustainability Committee works to ensure continuous improvement and that the sustainability strategy, related policies and targets are embedded throughout our business. Our sustainability strategy outlines commitments and targets and provides implementation guidance. The early identification and assessment of sustainability matters alerts Fortescue to potential risks and opportunities, and enables the planning of mitigation and optimisation strategies. These assessments may result in amendments to a project or avoidance if the risk of proceeding is found to be too high.

MATERIAL TOPICS

Material topics are those that may have a significant impact on our ability to achieve our commitments and targets. These topics 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.

SUSTAINABLE DEVELOPMENT

During FY22, our materiality assessment considered the following:

- sustainability initiatives and targets
- corporate risk assessments and audits
- policies, standards and guidelines
- results of internal and external stakeholder engagement
- media and investor interest and feedback
- material topics identified by peers, sustainability leaders and materiality analysis
- benchmarking and environmental, social and governance assessments.

Priorities were informed by internal and external stakeholder engagement. Materiality was validated by subject leaders and the Sustainability Committee, with 12 topics determined to be material within three sustainable development pillars: People, Planet and Process.

OUR PRIORITY SUSTAINABLE DEVELOPMENT GOALS

We have aligned our approach to sustainability with the United Nations Sustainable Development Goals (SDGs) and will continue to work with our host governments as they strive to meet these goals. We have prioritised eight of the 17 SDGs for which we can have the greatest impact.

MEASURING OUR PERFORMANCE

PEOPLE

Employee safety and wellbeing

Objective: To be global leaders in safety

Target: Reduce our Injury Risk Profile by 15 per cent through the completion of data driven injury risk mitigation activities

Injury Risk Profile Reduction Iron Ore Operations

FY22	21%

Objective: To be global leaders in safety

Target: Reduce TRIFR year on year to the lowest quartile in the global resources industry

TRIFR Iron Ore Operations

FY22	1.8
FY21	2.0
FY20	2.4

Objective: To be global leaders in safety

Target: Annually, achieve zero fatalities at our operations

Fatalities

FY22	1
FY21	0
FY20	0

Objective: To ensure a leading safety culture and be an organisation that actively cares for employees and contractors

Target: Annually, achieve top quartile Safety Excellence and Culture Survey results

Categories in top quartile

FY22	10/12
FY21	10/12
FY20	10/12

Diversity, inclusion and equity

Objective: Increase the number of female employees to be reflective of general society

Target: Year on year increase in female employment

Female employment

FY22	23%
FY21	21%
FY20	20%

Objective: Provide opportunities for female employees to move into leadership positions

Target: Year on year increase in female employment in leadership roles

Females in leadership roles

FY22	24%
FY21	25%
FY20	22%

Objective: Increase the number of Aboriginal employees to be reflective of general society

Target: Year on year increase in the Aboriginal employment rate

Aboriginal employment

FY22	10%
FY21	10%
FY20	10%

Objective: Increase the number of Aboriginal employees to be reflective of general society

Target: Year on year increase in the Aboriginal employment rate in Pilbara operations

Aboriginal people across Pilbara operations

FY22	15%
FY21	14%
FY20	14%

Objective: Provide opportunities for Aboriginal people to move into leadership positions

Target: Year on year increase in the Aboriginal employment rate in leadership roles

Aboriginal leadership roles

FY22	4%
FY21	4%
FY20	4%

Objective: Create a workplace where everyone feels safe to be themselves and is acknowledged and celebrated for the strengths each individual brings

Target: Create a workplace that reflects the community in which we live through diversity of age

FY22 age distribution

≤30	20%
31-50	61%
≥51	19%

Respecting heritage and culture

Objective: Work together with Indigenous people to manage Indigenous heritage responsibly and sustainably

Target: Annually, ensure no impact to Indigenous heritage without consultation with and consent from Indigenous people

Significant heritage incidents

FY22	0
FY21	1
FY20	0

Building thriving communities

Objective: Create economic opportunities for Aboriginal businesses through local procurement, business development, mentoring and capacity-building opportunities

Target: Annually, achieve a spend of 10 per cent with Aboriginal businesses

Spend with Aboriginal businesses

FY22	5%
FY21	5%
FY20	6%

PEOPLE

Building thriving communities

Objective: Create economic opportunities in the regions in which we operate through engagement with local businesses, local employment and a residential workforce

Target: Annually, achieve a spend of five per cent with local Pilbara suppliers

Spend with Pilbara suppliers

FY22	5%
FY21	4%
FY20	6%

PLANET

Protecting biodiversity

Objective: Take responsibility for Fortescue's disturbance by protecting biodiversity in the regions where we operate

Target: Achieve a net positive impact on biodiversity

Biodiversity

- Implementation of our Environmental Management System
- Zero environmental fines or sanctions
- $3.7m invested in research and conservation programs

Objective: Take responsibility for Fortescue's disturbance by protecting biodiversity in the regions where we operate

Target: Achieve zero significant environmental incidents

Environmental incidents

FY22	0
FY21	0
FY20	0

Protecting water resources

Objective: Use water responsibly by improving water use efficiency and minimising water loss through surface water discharge and evaporation

Target: Set public, site-specific water management targets for each of our operating mines by FY23

A target is in place for our Chichester Hub. Targets to be set for other operations in FY23.

Protecting water resources

Objective: Use water responsibly by improving water use efficiency and minimising water loss through surface water discharge and evaporation

Target: Annually, ensure at least 80 per cent of water abstracted at the Cloudbreak and Christmas Creek mine sites is used for operational requirements or beneficial environmental purposes

FY22	99%
FY21	98%
FY20	98%

Building circularity

Objective: To reduce waste generation through prevention, reduction, recycling and reuse

Target: Recycle more than 80 per cent of our non-mineralised waste volumes at our operating sites, excluding tyres and concrete waste

Waste recycled

FY22	83%
FY21	87%
FY20	89%

Closure and rehabilitation

Objective: Ensure the closure of our mines and key infrastructure areas is undertaken in a planned approach, with appropriate financial provisioning in place

Target: Closure plans to be in place for each major operational site

Closure plans in place

FY22	100%
FY21	100%
FY20	100%

PROCESS

Business integrity

Objective: To ensure our Values reflect ethical conduct and respect and are embedded in the business

Target: Annually, ensure ethical conduct is maintained by a targeted program, including leadership development, training, performance assessments and remuneration

Advanced training sessions delivered

FY22	863
FY21	264
FY20	226

Economic contribution

Objective: Deliver value to our communities through strategic social investment

Target: Allocate funding according to priorities set in the community investment strategy

Social investment

FY22	$77.4m
FY21	$63.2m

Progress against our targets for climate action is reported in the FY22 Climate Change Report which is available on our website at ***www.fortescue.com***

Progress against our targets for respecting human rights is reported in the FY21 Modern Slavery Statement which is available on our website at ***www.fortescue.com***

Our FY22 Modern Slavery Statement will be published in December 2022.

05

CORPORATE GOVERNANCE

OVERVIEW OF GOVERNANCE

Good corporate governance is critical to the long-term, sustainable success of Fortescue

Good governance is the collective responsibility of the Board of Directors (the Board) and all levels of management. Fortescue seeks to adopt leading practice, contemporary governance standards and apply these in a manner consistent with our culture and Values.

We support 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, we have reported against the requirements of the 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

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.

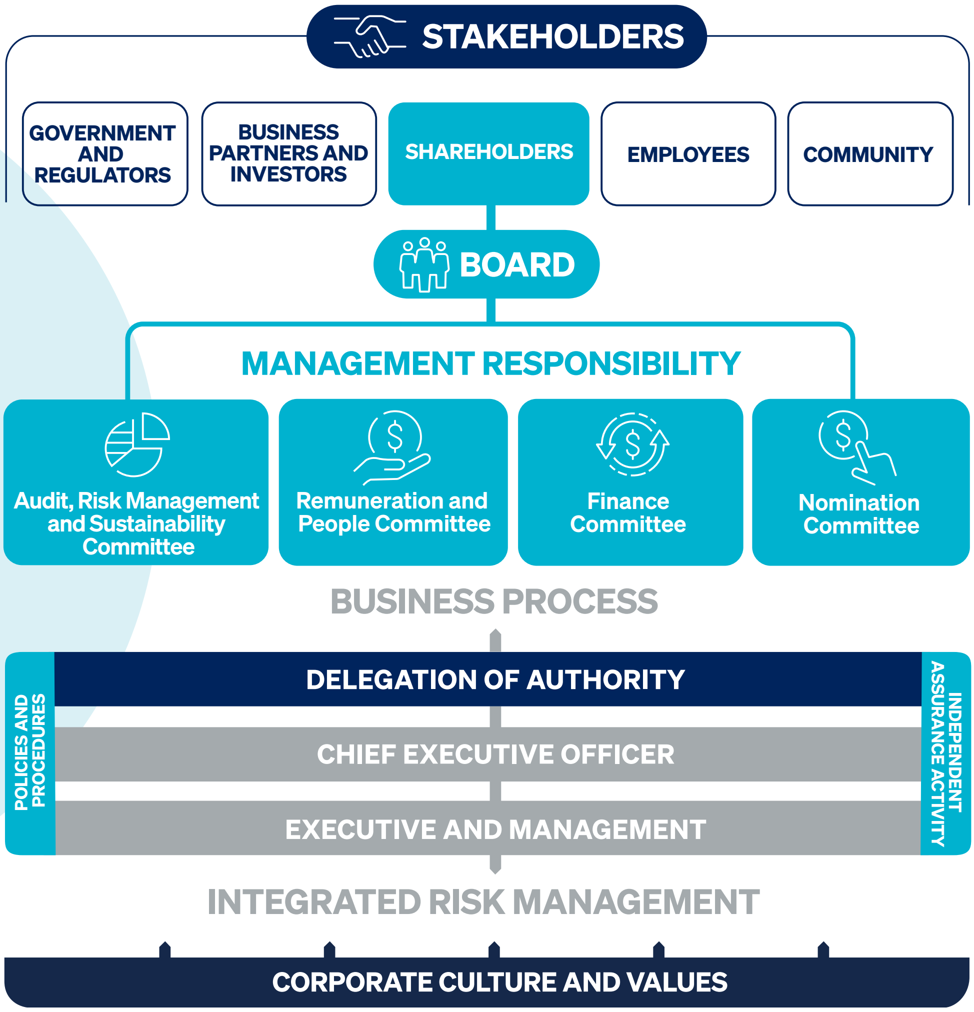
Corporate accountability

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.

GOVERNANCE FRAMEWORK



Our overall approach to corporate governance is detailed in our FY22 Corporate Governance Statement, available on our website at **www.fortescue.com**

06

OUR APPROACH TO CLIMATE CHANGE

CLIMATE ACTION

Fortescue takes an industry leading position on reducing emissions by decarbonising our operations and working to deliver solutions and green energy products to the world

EMISSION REDUCTION TARGETS

Carbon neutrality across our operations by 2030

Net zero emissions across our value chain by 2040

OUR CLIMATE CHANGE STRATEGY FOCUSES ON FOUR ELEMENTS

Fortescue is transitioning to a vertically integrated green energy and resources company. Through FFI, we are developing, commercialising and manufacturing the innovative low carbon solutions that will make it possible for us to decarbonise our own operations and supply green energy solutions to others.

Our strong action to address climate change is embedded throughout the business and is led by our Founder and Executive Chairman, Dr Andrew Forrest AO and our Board.

Our key highlights of FY22 include:

Building capacity with the acquisitions of:

- WAE
- 60 per cent of High yield Energy Technologies (HyET) Group
- Technology development company Ionix
- 20 per cent of Sparc Hydrogen.

Pioneering low carbon solutions with the development of:

- Zero emission Infinity Train
- Zero emission haul trucks
- FFI Green Pioneer – ammonia powered supply vessel
- Partnering with Airbus and Universal Hydrogen to decarbonise aviation
- GEM centre.

Our decarbonisation pathway

Enhancing technology is key to addressing climate change and we are investing in renewable energy to power our sites and new decarbonisation technologies to transform our mining fleet to run on green energy.

Our path to decarbonisation is focused on our largest sources of emissions: stationary power generation and diesel use in our mining fleet, and emissions generated from shipping and the production of steel within our value chain.

Risks and opportunities

Climate change presents both risks and opportunities to our business. We undertook a climate change focused risk assessment in FY22, 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
- reputation damage

Physical risks – acute

- increased severity of extreme weather events
- increased frequency of intense heat

Physical risks - chronic

- rising sea levels and storm surge inundation
- changed precipitation patterns.

FFI is currently exploring options to pursue renewable and green hydrogen projects in over 50 countries. The evaluation of potential projects will include an assessment of climate related risks.

FY22 performance

Our FY22 gross emissions from our operations were 2.55 million tonnes of CO_2-e

- 1.90 million tonnes of CO_2-e Scope 1 emissions
- 0.33 million tonnes of CO_2-e Scope 2 emissions.

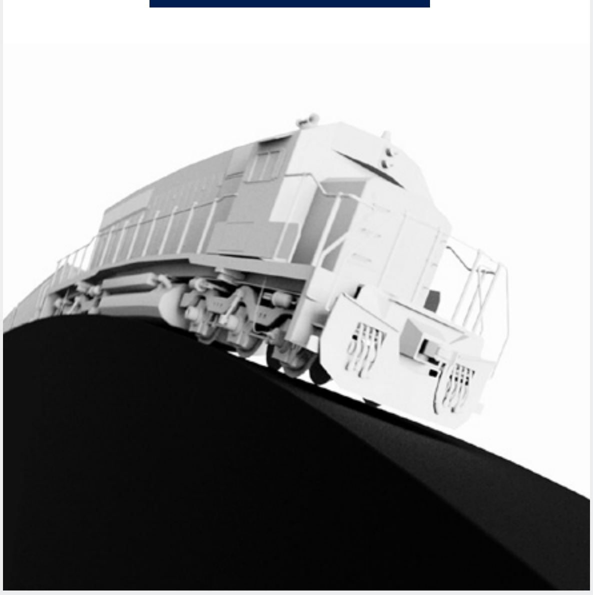
Our increased use of renewable electricity from Alinta Energy's Chichester solar-gas project has led to our emissions intensity of electricity falling from 3.50 to 3.32.

Our total FY22 gross Scope 3 emissions were 255 million tonnes of CO_2-e. We expect that Scope 3 emissions from our customer steel mills will continue to trend downwards over time as we increase our focus on modifying the processing of our ores to maximise metallurgical performance and support our customers in adopting innovative lower emissions processes and technologies.

In line with our commitment to reduce net emissions annually from our FY20 baseline, we have procured and surrendered high quality offsets to reduce our net emissions to 2.28 million tonnes of CO_2-e, which is three per cent year on year reduction from 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.fortescue.com**

CASE STUDY



INFINITY TRAIN

Fortescue is developing a world first, zero emission Infinity Train. The regenerating battery electric train will use gravitational energy to fully recharge its battery electric systems without any additional charging requirements for the return trip to reload.

The Infinity Train will not only accelerate Fortescue's race to reach net zero emissions by 2030, but also lower our operating costs, create maintenance efficiencies and productivity opportunities.

This technology will enable emission reductions in the hard to abate heavy industry sector with significant opportunities for this technology to be commercialised on a global basis.

The studies and development costs for the Infinity Train are expected to be US$50 million over the next two years.

07

FINANCIAL REPORT

DIRECTORS' REPORT

AT 30 JUNE 2022

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 17.

The Directors' meetings, including meetings of the Company's Board of Directors and of each Board committee held during the year ended 30 June 2022 and the number of meetings attended by each Director are shown in section 2.3 of the Corporate Governance Statement[1].

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 205G(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	341,294	696,022
Dr J Baderschneider	138,000	-
Lord S Coe CH, KBE	-	-
P Bingham-Hall	56,038	-
J Morris OAM	18,943	-
Dr Y Zhang	12,000	-
L Yifei (appointed 22 August 2022)	-	-
Dr C Zhiqiang (resigned 25 February 2022)	-	-

[1]FY22 Corporate Governance Statement is available on Fortescue's website at **www.fortescue.com**

The remuneration of Directors and key management personnel are detailed in the Remuneration Report on pages 135 to 170.

Operating and financial review

Fortescue's principal activities during the year were exploration, development, production, processing and sale of iron ore, and the transition to a global green renewables and resources Company through the activites of FFI.

On 30 January 2020, the World Health Organization (WHO) 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 2022, 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 27, Operating and Financial Review on pages 28 to 47 and Corporate Governance Statement[1] section 4 Risk Management.

Dividends

	2022
Profit	**US$m**
Net profit after tax	6,197
Declared and paid during the year:	**A$ cents**
Final ordinary dividend for the year ended 30 June 2021 – paid in September 2021	211
Interim ordinary dividend for the year ended 30 June 2022 – paid in March 2022	86
Total – declared and paid during the year	297
Declared since the end of the financial year:	
Final ordinary dividend for the year ended 30 June 2022 – to be paid in September 2022	121

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 FY22 Sustainability Report[2].

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 FY22 Sustainability Report[2].

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 2022 as a result of the exercise of options.

Company Secretary

Cameron Wilson and Gemma Tually are Company Secretaries of Fortescue. Details of their qualifications and experience are set out on page 17 of this report.

[1] FY22 Corporate Governance Statement is available on Fortescue's website at **www.fortescue.com**
[2] FY22 Sustainability Report is available on Fortescue's website at **www.fortescue.com**

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 75 and forms part of this report.

Future developments

The Overview section set out on pages 3 to 27 and the Operating and Financial Review section set out on pages 28 to 47 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 29 August 2022, the Directors declared a final dividend of 121 Australian cents per ordinary share payable in September 2022.

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

Dr Andrew Forrest AO
Executive Chairman
Dated in Perth this 29th day of August 2022.

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Auditor's independence declaration

As lead auditor for the audit of Fortescue Metals Group Ltd for the year ended 30 June 2022, 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.

Justin Carroll
Partner

Perth

PricewaterhouseCoopers

29 August 2022

PricewaterhouseCoopers, ABN 52 780 433 757
Brookfield Place, 125 St Georges Terrace, PERTH WA 6000, GPO Box D198, PERTH WA 6840
T: +61 8 9238 3000, F: +61 8 9238 3999, www.pwc.com.au

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 2022 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 at 30 June 2022
- 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.

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.

PricewaterhouseCoopers, ABN 52 780 433 757
Brookfield Place, 125 St Georges Terrace, PERTH WA 6000, GPO Box D198, PERTH WA 6840
T: +61 8 9238 3000, F: +61 8 9238 3999, www.pwc.com.au

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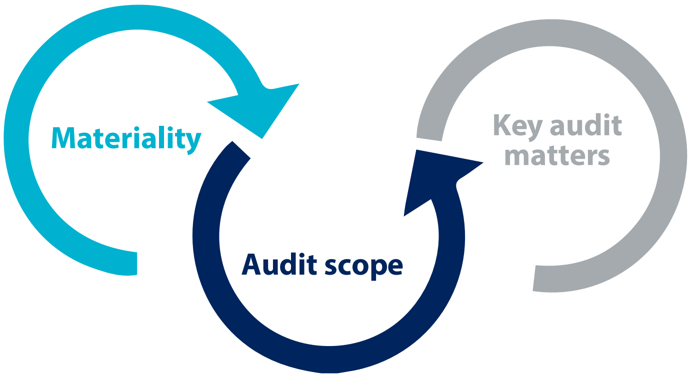
Our audit approach

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 $504 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. Fortescue has established Fortescue Future Industries, a green energy and industry company, to investigate renewable energy opportunities globally. Our audit procedures were predominately performed in Perth where many of the Corporate and Group Operations functions are centralised and this was supported by a visit to the mining operations at Eliwana.

pwc

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
Revenue from provisional pricing adjustments – sale of iron ore *(Refer to note 3 and 25(f))*	
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. For the year ended 30 June 2022, the Group recognised a decrease to revenue of US$834 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. This is 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.	We performed the following audit procedures, amongst others, over the provisional pricing adjustments to the sale of iron ore revenue: • We performed tests of IT systems and key controls over the calculation of provisional pricing adjustments to revenue. • 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. • 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.

pwc

Key audit matter	How our audit addressed the key audit matter
Restoration and rehabilitation obligations *(Refer to note 13 and 25(e))*	
The Group recognised provisions for restoration and rehabilitation obligations of US$912 million as at 30 June 2022. This is 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 applied to future liabilities. The judgement required by the Group to estimate such costs is made in circumstances where there has been limited restoration and rehabilitation activity 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 relevance 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 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 2022, 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.

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. 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 135 to 170 of the directors' report for the year ended 30 June 2022.

In our opinion, the remuneration report of Fortescue Metals Group Ltd for the year ended 30 June 2022 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
29 August 2022

DIRECTORS' DECLARATION

DR ANDREW FORREST AO

In the Directors' opinion:

(a) the financial statements and notes set out on pages 82 to 134 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 2022 and of its performance for the year ended on that date, and

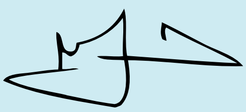
(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

(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

Executive Chairman

Dated in Perth this 29th day of August 2022.

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2022

	Note	2022 US$m	2021 US$m
Operating sales revenue	3	17,390	22,284
Cost of sales	5	(7,649)	(6,794)
Gross profit		**9,741**	**15,490**
Other income	4	11	-
Other expenses	6	(752)	(544)
Operating profit		**9,000**	**14,946**
Finance income	7	14	16
Finance expenses	7	(174)	(240)
Share of profit from equity accounted investments	23(c)	6	-
Profit before tax		**8,846**	**14,722**
Income tax expense	14	(2,649)	(4,427)
Profit for the year after tax		**6,197**	**10,295**
Profit for the year is attributable to:			
Equity holders of the Company		6,197	10,295
Non-controlling interest		-	-
Profit for the year after tax		**6,197**	**10,295**

	Note	Cents	Cents
Earnings per share attributable to the ordinary equity holders of the Company:			
Basic earnings per share	8	201.4	334.6
Diluted earnings per share	8	201.0	333.3

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2022

	2022 US$m	2021 US$m
Profit after tax	**6,197**	**10,295**
Other comprehensive income:		
Items that may be reclassified to profit or loss in subsequent periods, net of tax:		
Exchange differences on translation of foreign operations	21	(14)
Items that will not be reclassified to profit or loss in subsequent periods, net of tax:		
Gain/(loss) on investments taken to equity	(2)	2
Other comprehensive income / (loss), net of tax	**19**	**(12)**
Total comprehensive income for the period, net of tax	**6,216**	**10,283**
Total comprehensive income for the period attributable to:		
Equity holders of the Company	6,216	10,283
Total comprehensive income for the period, net of tax	**6,216**	**10,283**

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

At 30 June 2022

	Note	2022 US$m	2021 US$m
ASSETS			
Current assets			
Cash and cash equivalents	9(b)	5,224	6,930
Trade and other receivables	10(a)	468	713
Inventories	10(c)	1,084	1,212
Other current assets		123	104
Total current assets		**6,899**	8,959
Non-current assets			
Trade and other receivables		24	24
Inventories	10(c)	469	-
Property, plant and equipment	12(a)	20,650	19,387
Intangible assets	12(b)	257	10
Investments accounted for using the equity method	23(c)	70	-
Other non-current assets		6	3
Total non-current assets		**21,476**	19,424
Total assets		**28,375**	28,383
LIABILITIES			
Current liabilities			
Trade and other payables	10(b)	1,564	1,918
Borrowings and lease liabilities	9(a)	173	167
Provisions	13	396	327
Current tax payable	14(c)	284	1,468
Total current liabilities		**2,417**	3,880
Non-current liabilities			
Trade and other payables		21	13
Borrowings and lease liabilities	9(a)	5,930	4,085
Provisions	13	889	955
Deferred tax liabilities	14(d)	1,773	1,715
Total non-current liabilities		**8,613**	6,768
Total liabilities		**11,030**	10,648
Net assets		**17,345**	17,735
EQUITY			
Contributed equity	9(d)	1,053	1,105
Reserves		109	46
Retained earnings		16,175	16,576
Equity attributable to equity holders of the Company		**17,337**	17,727
Non-controlling interest		8	8
Total equity		**17,345**	17,735

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 2022

	Note	2022 US$m	2021 US$m
Cash flows from operating activities			
Cash receipts from customers		17,603	22,181
Payments to suppliers and employees		(7,088)	(5,371)
Cash generated from operations		10,515	16,810
Interest received		12	15
Interest paid		(214)	(216)
Income tax paid		(3,667)	(4,015)
Net cash inflow from operating activities	**9(c)(i)**	**6,646**	12,594
Cash flows from investing activities			
Payments for property, plant and equipment - Fortescue		(2,005)	(2,585)
Payments for property, plant and equipment - joint operations		(798)	(797)
Payments of deferred joint venture contributions		-	(251)
Proceeds from disposal of plant and equipment		4	7
Payment for acquisition of subsidiary, net of cash acquired	22(b)	(210)	-
Payments for acquisition of equity accounted investments		(49)	-
Purchase of financial assets		(12)	(1)
Net cash outflow from investing activities		**(3,070)**	(3,627)
Cash flows from financing activities			
Proceeds from borrowings		1,900	1,500
Repayment of borrowings		-	(2,281)
Repayment of lease liabilities		(134)	(170)
Finance costs paid		(28)	(97)
Dividends paid		(6,699)	(5,684)
Acquisition of non-controlling interest		-	(40)
Purchase of shares by employee share trust		(138)	(121)
Net cash outflow from financing activities		**(5,099)**	(6,893)
Net increase / (decrease) in cash and cash equivalents		(1,523)	2,074
Cash and cash equivalents at the beginning of the period		6,930	4,855
Effects of exchange rate changes on cash and cash equivalents		(183)	1
Cash and cash equivalents at the end of the period	**9(b)**	**5,224**	6,930

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 2022

	Attributable to equity holders of the Company					
	Contributed equity US$m	Reserves US$m	Retained earnings US$m	Total US$m	Non-controlling interest US$m	Total equity US$m
Balance at 1 July 2020	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)
Total comprehensive income for the period, net of tax	-	(12)	10,295	10,283	-	10,283
Transactions with owners:						
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)	-	-	-
Balance at 30 June 2021	1,105	46	16,576	17,727	8	17,735
Balance at 1 July 2021	**1,105**	**46**	**16,576**	**17,727**	**8**	**17,735**
Net profit after tax	-	-	6,197	6,197	-	6,197
Other comprehensive income	-	19	-	19	-	19
Total comprehensive income for the period, net of tax	**-**	**19**	**6,197**	**6,216**	**-**	**6,216**
Transactions with owners:						
Purchase of shares under employee share plans	(137)	-	-	(137)	-	(137)
Employee share awards vested	85	(85)	-	-	-	-
Equity settled share-based payment transactions	-	128	-	128	-	128
Dividends declared	-	-	(6,596)	(6,596)	-	(6,596)
Other	-	1	(2)	(1)	-	(1)
Balance at 30 June 2022	**1,053**	**109**	**16,175**	**17,337**	**8**	**17,345**

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 2022

BASIS OF PREPARATION

01 Basis of preparation

The financial statements cover the consolidated group comprising 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 significant 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
- Joint arrangements.

The accounting estimates and judgements applied to these areas are disclosed in note 25.

(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.

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. During the current reporting period, the Group changed the internal reporting basis of its operating segments to match changes in the operational structure of the business. As a result, the following operating segments have been identified:

- **Iron ore:** Exploration, development, production, processing, sale and transportation of iron ore, and the exploration for other minerals.
- **Fortescue Future Industries (FFI):** Undertaking activities in the global development of green electricity, green hydrogen and green ammonia projects.

Corporate includes cash, debt and tax balances which are managed at a Group level, together with other corporate activities. Corporate is not considered to be an operating segment and includes activities that are not allocated to other operating segments.

Transfer prices between segments are set on an arm's length basis in a manner similar to transactions with third parties. Where segment revenue, expenses and results include transfers between segments, those transfers are eliminated on consolidation and are not considered material.

(a) Underlying EBITDA

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 the net profit after tax is presented below. The segment information is prepared in conformity with the Group's accounting policies.

		Iron ore		FFI		Corporate		Consolidated	
	Note	2022 US$m	2021 US$m	2022 US$m	2021 US$m	2022 US$m	2021 US$m	2022 US$m	2021 US$m
Operating sales revenue	3	17,390	22,481	-	-	-	(197)	17,390	22,284
External customers		17,390	22,481	-	-	-	1	17,390	22,482
Cash flow hedging adjustment		-	-	-	-	-	(198)	-	(198)
Underlying EBITDA		**11,155**	**16,984**	**(393)**	**(104)**	**(201)**	**(505)**	**10,561**	**16,375**
Depreciation and amortisation	5,6	(1,442)	(1,323)	(1)	-	(85)	(43)	(1,528)	(1,366)
Finance income	7	-	-	-	-	-	-	14	16
Finance expense	7	-	-	-	-	-	-	(174)	(240)
Exploration, development and other	6	-	-	-	-	-	-	(27)	(63)
Income tax expense	14(a)	-	-	-	-	-	-	(2,649)	(4,427)
Net profit after tax								**6,197**	**10,295**

FINANCIAL PERFORMANCE

02 Segment information (continued)

(b) Segment assets and liabilities

	Iron ore		FFI		Corporate		Consolidated	
	2022 US$m	2021 US$m	2022 US$m	2021 US$m	2022 US$m	2021 US$m	2022 US$m	2021 US$m
Segment assets	22,534	20,958	183	21	5,658	7,404	28,375	28,383

In February 2021, Fortescue updated its capital allocation policy to allocate 10% of consolidated Net Profit After Tax (NPAT) to fund renewable energy growth through FFI. Capital committed under this policy to FFI for the year ended 30 June 2021 totalled US$1,030 million (FY21 Consolidated NPAT of US$10,295 million), with a further US$278 million of funding committed for the six months ended 31 December 2021 (Consolidated NPAT of US$2,777 million). As of 30 June 2022, the remaining funding commitment unutilised by FFI is US$728 million after applying FY21 operating and capital expenditure of US$137 million and current period FY22 operating and capital expenditure of US$534 million less operating and capital expenditure incurred by FFI on behalf of Fortescue for Fortescue's decarbonisation, which amount to US$91 million.

(c) 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 change in derivatives designated as cash flow hedges of nil (30 June 2021: loss of US$198 million).

	2022 US$m	2021 US$m
Revenues from external customers		
China	15,290	20,164
Other	2,100	2,318
	17,390	**22,482**

(d) Major customer information

Revenue from two customers amounted to US$1,279 million and US$1,807 million respectively (2021: US$2,226 million and US$1,912 million), arising from the sale of iron ore and the related shipment of product.

FINANCIAL PERFORMANCE

03 Operating sales revenue

	2022 US$m	2021 US$m
Iron ore revenue	16,227	19,876
Provisional pricing adjustments - iron ore	(834)	1,175
Cash flow hedging adjustment[1]	-	(198)
Total iron ore revenue[2]	**15,393**	20,853
Shipping revenue	1,858	1,314
Provisional pricing adjustments - shipping revenue	61	64
Total shipping revenue[2]	**1,919**	1,378
Other revenue[3]	78	53
Operating sales revenue	**17,390**	22,284

[1] 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.

[2] 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.

[3] Other revenue includes towage services provided by Fortescue, which is recognised as performed, and revenue from engineering services rendered, which is recognised on a percentage of completion basis.

04 Other income

	2022 US$m	2021 US$m
Other	11	-
	11	-

05 Cost of sales

	2022 US$m	2021 US$m
Mining and processing costs	2,539	2,110
Rail costs	243	211
Port costs	219	201
Shipping costs	1,976	1,333
Government royalty	1,130	1,560
Depreciation and amortisation	1,474	1,346
Other operating expenses	68	33
	7,649	6,794

Total employee benefits expense included in cost of sales and administration expenses is US$1,433 million (2021: US$1,143 million).

FINANCIAL PERFORMANCE

06 Other expenses

	2022 US$m	2021 US$m
Administration expenses	204	155
Research expenditure	354	104
Exploration, development and other	27	63
Depreciation and amortisation	54	20
Fair value change in derivatives not designated as hedging instruments	10	59
Net foreign exchange loss	103	142
Other	-	1
	752	544

07 Finance income and finance expenses

	2022 US$m	2021 US$m
Finance income		
Interest income	14	16
	14	16
Finance expenses		
Interest expense on borrowings and lease liabilities	150	143
Loss on early debt redemption	-	77
Other	24	20
	174	240

08 Earnings per share

(a) Earnings per share	**2022 cents**	**2021 cents**
Basic	201.4	334.6
Diluted	201.0	333.3
(b) Reconciliation of earnings used in calculating earnings per share	**US$m**	**US$m**
Profit attributable to the ordinary equity holders of the Company used in calculating basic and diluted earnings per share	6,197	10,295
(c) Weighted average number of shares used as denominator	**Number**	**Number**
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	3,076,669,539	3,077,082,330
Adjustments for calculation of diluted earnings per share:		
Potential ordinary shares	6,284,729	11,355,549
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	3,082,954,268	3,088,437,879

(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.

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.

In November 2021, Fortescue launched its Sustainability Financing Framework (the Framework), enabling the future issuance of Green and Social debt instruments that will support investments in eligible green and social projects.

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	2022 US$m	2021 US$m
Borrowings	9(a)	5,348	3,442
Lease liabilities	9(a)	755	810
Cash and cash equivalents	9(b)	(5,224)	(6,930)
Net debt/(net cash)		**879**	**(2,678)**
Equity attributable to equity holders of the Company		17,337	17,727
Non-controlling interest		8	8
Total equity		**17,345**	**17,735**

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, and 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, which 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.

CAPITAL MANAGEMENT

09 Capital management (continued)

(a) Borrowings and lease liabilities

	2022 US$m	2021 US$m
Senior unsecured notes	41	31
Green senior unsecured notes	15	-
Syndicated term loan	10	7
Lease liabilities	107	129
Total current borrowings and lease liabilities	**173**	167
Senior unsecured notes	3,519	2,824
Green senior unsecured notes	787	-
Syndicated term loan	976	580
Lease liabilities	648	681
Total non-current borrowings and lease liabilities	**5,930**	4,085
Total borrowings and lease liabilities	**6,103**	4,252

(i) Senior unsecured and green senior unsecured notes

On 7 April 2022, Fortescue completed a US$1.5 billion offering of senior unsecured notes (Notes) across two tranches:

- Senior Notes (US$700 million) at an interest rate of 5.875 per cent, with an 8 year maturity at 15 April 2030
- Green Notes (US$800 million) at an interest rate of 6.125 per cent, with a 10 year maturity at 15 April 2032.

Proceeds from the offering of the Notes will be applied toward general corporate purposes for the Senior Notes while the Green Notes will be applied to Eligible Green Projects, pursuant to Fortescue's Sustainability Financing Framework. The Notes rank pari passu with all existing and future senior unsecured indebtedness.

As at 30 June 2022 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	752	5.125%	USD
September 2019	September 2027	8 years	600	604	4.500%	USD
March 2021	April 2031	10 years	1,500	1,502	4.375%	USD
April 2022	April 2030	8 years	700	702	5.875%	USD
April 2022	April 2032	10 years	800	802	6.125%	USD
			4,350	**4,362**		

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

An amendment and extension of the syndicated term loan was completed on 28 September 2021. The amendment made an additional US$400 million available which was drawn in full on 29 December 2021. The syndicated term loan matures in June 2026 (30 June 2021: June 2025), and as at 30 June 2022 had a carrying value of US$986 million (30 June 2021: US$587 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.

CAPITAL MANAGEMENT

09 Capital management (continued)

(a) Borrowings and lease liabilities (continued)

(iii) Revolving credit facility

On 28 September 2021, the Company completed an extension of the facility's maturity date to 28 July 2025, until which date, the US$1,025 million facility remains available for redraw. 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. The revolving credit facility remained undrawn at 30 June 2022 and 30 June 2021.

(iv) Lease liabilities

The Group enters into contractual arrangements for the 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.

	2022 US$m	2021 US$m
Expense relating to short-term leases	195	190
Expense relating to leases of low-value assets that are not shown above as short-term leases	2	3
Expense relating to variable lease payments not included in the measurement of lease liabilities	101	102
Future cashflows from leases not yet commenced	61	69

(v) Summary of movements in borrowings and lease liabilities

	Senior unsecured notes US$m	Green senior unsecured notes US$m	Syndicated term loan US$m	Revolving credit facility US$m	Lease liabilities US$m	Total US$m
Balance at 1 July 2020	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
Balance at 30 June 2021	2,855	-	587	-	810	4,252
Additions	700	800	400	-	141	2,041
Interest expense	144	11	22	-	50	227
Payments	(132)	-	(22)	-	(206)	(360)
Transaction costs	(7)	(9)	(1)	-	-	(17)
Foreign exchange gain	-	-	-	-	(40)	(40)
Balance at 30 June 2022	**3,560**	**802**	**986**	**-**	**755**	**6,103**

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

CAPITAL MANAGEMENT

09 Capital management (continued)

(b) Cash and cash equivalents

	2022 US$m	2021 US$m
Cash at bank	2,636	5,465
Short term deposits	2,588	1,465
	5,224	6,930

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

	2022 US$m	2021 US$m
Net profit after tax	6,197	10,295
Depreciation and amortisation	1,528	1,366
Exploration, development and other	27	63
Share-based payment expense	128	94
Net unrealised foreign exchange loss	248	8
Cost of early debt repayment	-	79
Rehabilitation expenditure	(8)	-
Depreciation in inventory	97	49
Equity accounted investments	(16)	-
Other non-cash items	(135)	(69)
Working capital adjustments:		
(Decrease) / increase in payables	(394)	824
Decrease / (increase) in receivables	277	(192)
Increase in inventories	(330)	(384)
Increase in other assets	(4)	(13)
Increase in provisions	49	62
(Decrease) / increase in current tax payables	(1,076)	341
Increase in deferred tax liabilities	58	71
Net cash inflow from operating activities	**6,646**	12,594

CAPITAL MANAGEMENT

09 Capital management (continued)

(d) Contributed equity

(i) Share capital

	Issued shares	Treasury shares	Contributed equity	Issued shares	Treasury shares	Contributed equity
	Number	Number	Number	US$m	US$m	US$m
At 1 July 2020	3,078,964,918	(1,250,564)	3,077,714,354	1,195	(28)	1,167
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
At 30 June 2021	**3,078,964,918**	**(1,660,510)**	**3,077,304,408**	**1,195**	**(90)**	**1,105**
Purchase of shares under employee share plans	-	(10,861,898)	(10,861,898)	-	(137)	(137)
Employee share awards vested	-	10,097,122	10,097,122	-	85	85
At 30 June 2022	**3,078,964,918**	**(2,425,286)**	**3,076,539,632**	**1,195**	**(142)**	**1,053**

(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 acquired none 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.

CAPITAL MANAGEMENT

09 Capital management (continued)

(e) Dividends

(i) Dividends paid during the year

	2022 US$m	2021 US$m
Final fully franked dividend for the year ended 30 June 2021: A$2.11 per share (30 June 2020: A$1.00 per share)	4,712	2,215
Interim fully franked dividend for the half-year ended 31 December 2021: A$0.86 per share (31 December 2020: A$1.47 per share)	1,884	3,505
	6,596	5,720

(ii) Dividends declared and not recognised as a liability

	2022 US$m	2021 US$m
Final fully franked dividend: A$1.21 per share (2021: A$2.11 per share)	2,591	4,710

(iii) Franking credits

	2022 A$m	2021 A$m
Franking credit account balance at the end of the financial year at 30% (2021: 30%)	5,346	4,198
Franking credits/(debits) that will arise from the payment/(receipt) of current tax payable/(receivable) as at the end of the year	376	1,915
Franking debits that will arise from the payment of the final dividend for the year	(1,597)	(2,784)
	4,125	3,329

10 Working capital

(a) Trade and other receivables

	2022 US$m	2021 US$m
Trade debtors	362	568
GST receivables	35	73
Other receivables	71	72
Total current receivables	**468**	713

CAPITAL MANAGEMENT

10 Working capital (continued)

(a) Trade and other receivables (continued)

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 2022 (2021: 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

	2022 US$m	2021 US$m
Trade payables	952	1,008
Royalty accrual	378	569
Other payables	234	341
Total current payables	**1,564**	1,918

(c) Inventories

	2022 US$m	2021 US$m
Iron ore stockpiles	705	870
Warehouse stores and materials	379	342
Total current inventories	**1,084**	1,212
Iron ore stockpiles	469	-
Total non-current inventories	**469**	-

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 2022 amounted to US$4,475 million (2021: US$3,868 million). During the year, inventory write-offs of US$15 million (2021: US$31 million) were recognised in relation to specific items of warehouse stores and materials that were identified as obsolete.

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 (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 balance sheet 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 2022, Fortescue had 2.4 million tonnes of iron ore sales (2021: 3.2 million tonnes) that remained subject to provisional pricing, with the final price to be determined in the following financial year.

A 10 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$18 million (2021: 5 per cent movement would have an impact on the Group's profit of US$26 million), before the impact of taxation. This analysis assumes all other factors, including the foreign currency exchange rates, are held constant.

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	2022 US$m	2021 US$m
Cash and cash equivalents	9(b)	2,636	5,465
Syndicated term loan	9(a)	(986)	(587)
Lease liabilities		(320)	(345)
		1,330	4,533

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 100 basis points in interest rates in variable instruments would have an impact on the Group's profit of US$13 million (2021: a change of 10 basis points would impact profit by US$5 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.

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	
	2022 US$m	**2021 US$m**	**2022 US$m**	**2021 US$m**
Financial assets				
Cash and cash equivalents	1,506	2,147	218	147
Trade and other receivables	83	76	-	-
Other financial assets	10	6	-	-
Total financial assets	**1,599**	2,229	**218**	147
Financial liabilities				
Borrowings and lease liabilities	390	436	-	1
Trade and other payables	858	1,405	71	96
Current tax payable	284	1,468	-	-
Total financial liabilities	**1,532**	3,309	**71**	97

A change of 2 per cent in the Australian dollar exchange rate would have a net impact on the Group's profit of US$1 million (2021: a change of 3 per cent would have an impact of US$32 million), before the impact of taxation. A change of 2 per cent in the Chinese Yuan exchange rate would have a net impact on the Group's profit of US$2 million (2021: a change of 3 per cent would have an impact of US$1 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 2022, Fortescue had US$4 million (2021: US$1 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.

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 2022 and 30 June 2021.

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 the credit risks 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
30 June 2021							
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
30 June 2022							
Trade and other payables	1,848	-	1	4	16	1,869	1,869
Borrowings	144	134	1,014	1,581	4,247	7,120	5,348
Lease liabilities	58	57	142	152	346	1,108	755
Lease expenditure commitments	82	78	204	243	501	1,108	
Effect of discounting	(24)	(21)	(62)	(91)	(155)	-	
	2,050	**191**	**1,157**	**1,737**	**4,609**	**10,097**	**7,972**

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

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.

	2022		2021	
	Carrying value US$m	Fair value US$m	Carrying value US$m	Fair value US$m
Senior unsecured notes	3,560	3,145	2,855	3,067
Green senior unsecured notes	802	730	-	-

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 2022.

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.

KEY FINANCIAL POSITION ITEMS

12 Property, plant and equipment and intangible assets

(a) 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$m	Right of use assets: Plant and equipment US$m	Right of use assets: Land and buildings US$m	Total US$m
Net carrying value								
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[1]	-	-	-	-	206	-	-	206
Other		-	-	4	-	-	-	4
At 30 June 2021	10,117	641	653	3,214	3,823	837	102	19,387
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)
Net carrying value								
At 1 July 2021	10,117	641	653	3,214	3,823	837	102	19,387
Transfers of assets	671	10	(29)	(749)	43	-	-	(54)
Additions	4	-	139	2,696	-	121	20	2,980
Disposals	(6)	-	(5)	(3)	(2)	(19)	-	(35)
Depreciation	(1,115)	(67)	-	-	(278)	(117)	(12)	(1,589)
Changes in restoration and rehabilitation estimate[1]	-	-	-	-	(37)	-	-	(37)
Other	-	-	-	(1)	(1)	-	-	(2)
At 30 June 2022	**9,671**	**584**	**758**	**5,157**	**3,548**	**822**	**110**	**20,650**
Cost	19,052	1,199	758	5,157	5,668	1,285	137	33,256
Accumulated depreciation	(9,381)	(615)	-	-	(2,120)	(463)	(27)	(12,606)

[1] 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.

KEY FINANCIAL POSITION ITEMS

12 Property, plant and equipment and intangible assets (continued)

(b) Intangible assets

	Note	Goodwill US$m	Other intangible assets US$m	Total US$m
Net carrying value				
At 1 July 2020		-	7	7
Additions		-	8	8
Amortisation		-	(5)	(5)
At 30 June 2021		**-**	**10**	**10**
Cost		-	175	175
Accumulated amortisation		-	(165)	(165)
Net carrying value				
At 1 July 2021		-	10	10
Transfers		-	54	54
Additions		-	30	30
Acquisition of a subsidiary	22(a)	199	-	199
Amortisation		-	(36)	(36)
At 30 June 2022		**199**	**58**	**257**
Cost		199	239	438
Accumulated amortisation		-	(181)	(181)

KEY FINANCIAL POSITION ITEMS

13 Provisions

	2022 US$m	2021 US$m
Employee benefits	370	322
Restoration and rehabilitation	26	5
Total current provisions	**396**	327
Employee benefits	3	2
Restoration and rehabilitation	886	953
Total non-current provisions	**889**	955

(a) Provision for restoration and rehabilitation

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

	2022 US$m	2021 US$m
At 1 July	958	753
Changes in restoration and rehabilitation estimate	(37)	206
Unwinding of discount	(1)	(1)
Payments for restoration and rehabilitation activities	(8)	-
At 30 June	**912**	958

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.

TAXATION

14 Taxation

For the year ended 30 June 2022, 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	
	2022 US$m	2021 US$m
Current tax	2,591	4,356
Deferred tax	58	71
Income tax expense in the consolidated income statement	**2,649**	4,427

(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 2022, the Group's global effective tax rate was 29.9 per cent. This is in line with the Australian corporate tax rate of 30 per cent.

	Consolidated group 2022 US$m	Australian group 2022 US$m	Consolidated group 2021 US$m	Australian group 2021 US$m
Profit before income tax expense	8,846	8,732	14,722	14,635
Tax at the Australian tax rate of 30 per cent (2021: 30 per cent)	2,654	2,620	4,417	4,391
Research and development	(3)	(3)	(3)	(3)
Adjustments in respect of income tax expense of prior periods	(1)	(1)	(3)	(4)
Foreign exchange variations and other transactions adjustments	(31)	(31)	33	33
Tax impact of overseas jurisdiction	12	16	6	14
Non-deductible expenditure	32	32	16	16
Share-based payments	(16)	(16)	(42)	(42)
Other	2	9	3	-
Income tax expense	**2,649**	**2,626**	4,427	4,405
Effective tax rate	29.9%	30.1%	30.1%	30.1%

TAXATION

14 Taxation (continued)

(c) Reconciliation of income tax expense to current tax payable

	Consolidated group	
	2022 US$m	2021 US$m
Income tax expense in the consolidated income statement	2,649	4,427
Deferred tax expense	(58)	(71)
	2,591	4,356
Current tax payable at 1 July	1,468	1,024
Tax payments made to tax authorities[1]	(3,672)	(4,022)
Impact of foreign exchange on income tax payable[2]	(103)	110
Current tax payable at 30 June	**284**	1,468

[1] In Australia, Fortescue pays pay as you go (PAYG) instalments based on a set rate, as advised by the Australian Taxation Office. This rate has been varied to more accurately reflect estimated tax liabilities.

[2] 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	
	2022 US$m	2021 US$m
Deferred tax assets	721	709
Deferred tax liabilities	(2,494)	(2,424)
Net deferred tax liabilities	**(1,773)**	(1,715)

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	
	2022 US$m	2021 US$m	2022 US$m	2021 US$m	2022 US$m	2021 US$m
Temporary differences arising from						
Exploration expenditure	-	-	(177)	(151)	26	(18)
Development	-	-	(592)	(689)	(97)	92
Property, plant and equipment	-	-	(1,514)	(1,405)	109	5
Inventories	-	-	(203)	(171)	32	24
Foreign exchange losses / (gains)	-	-	(8)	(8)	-	37
Provisions	387	383	-	-	(4)	(78)
Other financial liabilities	257	276	-	-	19	12
Other items	77	50	-	-	(27)	(3)
	721	709	**(2,494)**	(2,424)	**58**	71

(e) Unrecognised tax losses

At 30 June 2022, the Group had income tax losses with a tax benefit of US$5 million (2021: US$37 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 2022

UNRECOGNISED ITEMS

15 Commitments and contingencies

(i) Capital commitments

	2022 US$m	2021 US$m
Within one year	528	1,163
Between one and five years	437	13
Later than five years	-	-
Total commitments	**965**	1,176

(ii) Contingent assets and liabilities

From 2012 to 2019 Fortescue was a respondent party to the native title claim to exclusive possession made by the Yindjibarndi People over land which includes 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 in the claim on 18 October 2019, upholding the original court ruling in favour of the Yindjibarndi People given in 2017. The original ruling recognised the Yindjibarndi People's exclusive possession native title over part of Fortescue's Solomon Hub mining tenure.

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 did not incur any material financial impact to the business as a result of the decision of the Full Federal Court.

On 26 August 2022 Fortescue applied to join as a party to Native Title Compensation Application proceedings lodged by the Yindjibarndi Ngurra Aboriginal Corporation against the State of Western Australia in the Federal Court of Australia.

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, there is no indication of the quantum of compensation sought in the Federal Court proceedings.

Fortescue had no material contingent assets or contingent liabilities at 30 June 2022 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 29 August 2022, the Directors declared a final dividend of 121 Australian cents per ordinary share payable in September 2022.

OTHER

17 Related party transactions

(a) Subsidiaries and joint operations

Interests in significant subsidiaries and joint operations are set out in note 23.

(b) Key management personnel remuneration

	2022 US$'000	2021 US$'000
Short-term employee benefits	7,868	5,647
Share-based payments	3,768	5,059
Long-term employee benefits	234	206
Post-employment benefits	126	118
	11,996	11,030

Detailed information about the remuneration received by each key management person is provided in the remuneration report on pages 135 to 170.

(c) Transactions and balances with other related parties

Transactions with joint operations partners	2022 US$'000	2021 US$'000
Other revenue	2,204	4,080
Heavy mobile equipment rental expense	30,360	-
Purchase of heavy mobile equipment	89,114	-
Balances at 30 June		
Other receivables - current	126,186	14,695
Trade and other payables - current	108,121	-

18 Share-based payments

(a) Employee share rights plans

During the year ended 30 June 2022, Fortescue issued 604,499 (2021: 1,012,293) short term share rights and 1,198,293 (2021: 1,615,688) 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.

	2022 Number	2021 Number
Outstanding at 1 July	12,347,830	14,453,162
Share rights granted	1,802,792	2,627,981
Share rights forfeited or lapsed	(3,733,567)	(984,310)
Share rights converted or exercised	(3,332,634)	(3,749,003)
Outstanding at 30 June	**7,084,421**	12,347,830

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 2022 was A$15.84 per right (2021: A$16.12) for the short term share rights and A$9.63 per right (2021: A$10.34) 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 2022 were:

- share price: A$16.45 (2021: A$17.04)
- exercise price: nil (2021: nil)
- volatility: 41 per cent (2021: 42 per cent)
- effective life: 2 years (2021: 1.8 years)
- dividend yield: 8.5 per cent (2021: 7.6 per cent)
- risk free interest rate: 0.9 per cent (2021: 0.1 per cent).

Details of share rights outstanding at 30 June 2022 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	-	38,641	38,641	8.5	-	Yes
Short term share rights 2017	-	105,381	105,381	9.3	-	Yes
Short term share rights 2018	-	57,515	57,515	10.5	-	Yes
Short term share rights 2019	-	288,284	288,284	11.5	-	Yes
Short term share rights 2020	-	171,999	171,999	12.5	-	Yes
Short term share rights 2021	-	83,139	83,139	13.5	-	Yes
Short term share rights 2022	-	573,229	-	14.5	-	Yes
Long term share rights 2016	-	305,929	305,929	8.5	Yes	Yes
Long term share rights 2017	-	297,976	297,976	9.3	Yes	Yes
Long term share rights 2018	-	297,676	297,676	10.3	Yes	Yes
Long term share rights 2019	-	86,257	86,257	11.5	Yes	Yes
Long term share rights 2020	-	2,532,316	-	12.5	Yes	Yes
Long term share rights 2021	-	1,166,214	-	13.5	Yes	Yes
Long term share rights 2022	-	1,079,865	-	14.5	Yes	Yes
		7,084,421	**1,732,797**			

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:

	2022 US$m	2021 US$m
Share-based payment expense	128	94

19 Remuneration of auditors

	2022 US$'000	2021 US$'000
PricewaterhouseCoopers Australia		
Audit and other assurance services		
Audit and review of financial statements	1,084	1,042
Other assurance services	1,359	415
Total audit and assurance services	**2,443**	1,457
Other services		
Consulting services	117	229
Total remuneration of PricewaterhouseCoopers Australia	**2,560**	1,686
Network firms of PricewaterhouseCoopers Australia		
Audit and other assurances		
Audit and review of financial statements	555	306
	555	306
Total auditor's remuneration	**3,115**	1,992

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
- Chichester Metals Pty Limited
- FMG Resources (August 2006) Pty Limited
- International Bulk Ports Pty Limited
- The Pilbara Infrastructure Pty Limited
- FMG Solomon Pty Limited
- FMG Nyidinghu Pty Limited
- FMG Procurement Services Pty Limited
- Pilbara Gas Pipeline Pty Limited
- Pilbara Marine Pty Limited
- Pilbara Power Pty Limited
- FMG JV Company Pty Limited
- FMG Ashburton Pty Limited
- Pilbara Mining Alliance Pty Limited
- Fortescue Services Pty Limited
- FMG Personnel Pty Limited
- FMG Personnel Services Pty Limited
- FMG Resources Pty Limited
- CSRP Pty Limited
- FMG Training Pty Limited
- Fortescue Green Technologies Pty Ltd
- Fortescue Green Fleet Pty Ltd
- FMG Exploration Pty Ltd

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

The consolidated income statement, consolidated statement of comprehensive income and consolidated statement of changes in equity for the year ended 30 June 2022 along with the consolidated statement of financial position at 30 June 2022 for the closed group represented by the above companies are materially the same as that of the Group.

OTHER

21 Parent entity financial information

(a) Summary financial information

	2022 US$m	2021 US$m
Current assets	1,753	285
Non-current assets	8,553	9,747
Total assets	**10,306**	10,032
Current liabilities	339	1,636
Non-current liabilities	432	-
Total liabilities	**771**	1,636
Net assets	**9,535**	8,396
Contributed equity	1,053	1,105
Reserves	116	73
Retained earnings	8,366	7,218
Total equity	**9,535**	8,396
Profit for the year	7,745	5,306
Total comprehensive income for the year	**7,745**	5,306

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
- Profit for the year includes dividends received from subsidiaries of US$6,493 million (2021: US$5,896 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 2022 or 30 June 2021.

OTHER

22 Business combination

(a) Summary of acquisition

On 28 February 2022, Fortescue Green Fleet Pty Ltd, a wholly owned subsidiary of Fortescue Metals Group Ltd, acquired 100% of the issued share capital of Joule Jersey Topco Limited, which in turn holds 100% of United Kingdom-based Williams Advanced Engineering Ltd (WAE), for a total purchase consideration of US$191 million. WAE is a world-leading technology and engineering business and will bring critical battery technology to Fortescue to deliver electric solutions to Fortescue's rail, mobile haul fleet and other heavy mining equipment.

The assets and liabilities recognised as a result of the acquisition:

	Note	Fair value US$m
Assets		
Cash and cash equivalents		9
Trade and other receivables		35
Inventories		12
Other current assets		14
Property, plant and equipment		2
Total assets		**72**
Liabilities		
Trade and other payables		50
Borrowings		28
Provisions		2
Total liabilities		**80**
Total identifiable net liabilities acquired at fair value		**(8)**
Add: Goodwill arising on acquisition	12(b)	199
Purchase consideration	**22(b)**	**191**

The initial accounting of the acquisition has only been provisionally determined at 30 June 2022 given the acquisition occurred close to year end. The accounting for the acquisition will be revised as additional information becomes available, with final values to be determined within 12 months of acquisition date.

The goodwill is attributable to the workforce, the intellectual properties (IP) and expected synergies arising from the acquisition of the business. Goodwill is allocated entirely to the iron ore cash generating units, as the benefits of the goodwill are expected to be realised through decarbonisation initiatives in the Group's iron ore operations. The IP cannot be separated and, therefore, does not meet the criteria for recognition as an intangible asset under AASB 138 *Intangible assets*. None of the goodwill recognised is expected to be deductible for income tax purposes.

(i) Acquired receivables

The fair value of acquired trade receivables and the gross contractual amount for trade receivables is US$34 million recognised on acquisition.

OTHER

22 Business combination (continued)

(a) Summary of acquisition (continued)

(ii) Revenue and profit contribution

The acquired business contributed revenues of US$26 million and net loss of US$3 million to the Group for the period from 28 February to 30 June 2022. If the acquisition had occurred on 1 July 2021, consolidated pro-forma revenue and loss for the year ended 30 June 2022 would have been US$81 million and US$5 million respectively.

(b) Purchase consideration – cash outflow

	2022 US$m
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	191
Repayment of borrowings	28
	219
Less: Balances acquired	
Cash	(9)
Net outflow of cash – investing activities	**210**

Acquisition-related costs

Acquisition-related costs of US$2 million are included in administration expenses in the consolidated income statement and in operating cash flows in the consolidated statement of cash flows.

OTHER

23 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 24(a)(i):

			Equity holding	
	Country of incorporation	Class of shares	2022 %	2021 %
Controlled entities				
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[1]	Hong Kong	Ordinary	**99.6**	99.6
FMG Magnetite Pty Limited[1]	Australia	Ordinary	**99.6**	99.6
FMG North Pilbara Pty Limited[1]	Australia	Ordinary	**99.6**	99.6
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
Williams Advanced Engineering Ltd[2]	United Kingdom	Ordinary	**100**	Nil

[1] On 1 July 2022, Fortescue acquired the remaining minority shareholding in FMG Iron Bridge Limited taking its ownership interest to 100%. Fortescue's indirect ownership of FMG Iron Bridge Limited's two wholly owned subsidiaries, FMG Magnetite Pty Limited and FMG North Pilbara Pty Limited, increased accordingly.

[2] On 28 February 2022, Fortescue, through its wholly owned subsidiary Fortescue Green Fleet Pty Ltd, acquired 100% of the issued share capital of the United Kingdom-based Joule Jersey Topco Limited which in turn holds 100% of Williams Advanced Engineering Ltd. Refer to note 22 for further details of the business combination.

Entities not included in the list of significant subsidiaries are deemed immaterial in relation to the Group.

OTHER

23 Interests in other entities (continued)

(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 24(a)(iii).

Joint operations	Country of incorporation	Holding entity	Principal activities	Participating interest % 2022	Participating interest % 2021
Iron Bridge Joint Venture	Australia	FMG Magnetite Pty Ltd	Development of magnetite assets and production of magnetite concentrate	69	69

(c) Investments accounted for using the equity method

The Group also holds interests in a number of individually immaterial joint ventures and an associate that are accounted for using the equity method.

	Associate		Joint ventures		Total	
	2022 US$m	2021 US$m	2022 US$m	2021 US$m	2022 US$m	2021 US$m
Aggregate carrying amount as at 30 June	14	-	56	-	70	-
Aggregate amounts of the Group's share of:						
Profit/(loss) from operations	9	-	(3)	-	6	-

OTHER

24 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. Identifiable assets acquired and liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred and included in administration expenses.

The excess of the consideration transferred over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

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) Associates

Associates are all entities where the Group holds significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but it is not control or joint control over those policies. Associates are entities where the Group holds less than 20% of the voting rights, but has determined that it has significant influence over those entities due to the Group having representation on the Board of Directors and participation in decisions over the relevant activities of those entities.

Investments in associates are accounted for using the equity method of accounting (see (iv) below), after initially being recognised at cost.

(iii) 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 23(b).

To support the 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.

OTHER

24 Summary of significant accounting policies (continued)

(a) Principles of consolidation (continued)

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.

(iv) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 24(q).

(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.

(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 towage services is recognised in the accounting period in which the services are rendered, and revenue from engineering services are recognised on a percentage of completion basis.

(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.

OTHER

24 Summary of significant accounting policies (continued)

(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.

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) Accrued income

Accrued income primarily relates to the Group's rights to consideration for work performed but not billed at the reporting date. The accrued income is transferred to trade receivables in accordance with contractual terms with the customer, when the rights have become unconditional.

Payments from customers are received based on a billing schedule / milestone basis, as established in the contract.

OTHER

24 Summary of significant accounting policies (continued)

(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.

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.

Iron ore stockpiles classified as non-current assets reflect stockpiles which are not expected to be utilised within the next 12 months, with the net realisable value calculated on a discounted cashflow basis.

(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.

OTHER

24 Summary of significant accounting policies (continued)

(l) 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 24(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 with the effect of any changes in estimate 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.

OTHER

24 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.

  (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.

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24 Summary of significant accounting policies (continued)

(m) Stripping costs (continued)

(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 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.
- 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, licences, 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 is 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.

(ii) Goodwill

Goodwill is measured as described in note 24(a)(i). Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (note 2).

OTHER

24 Summary of significant accounting policies (continued)

(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.

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 25.

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.

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24 Summary of significant accounting policies (continued)

(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.

(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.

OTHER

24 Summary of significant accounting policies (continued)

(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.

(w) Goods and services tax (GST) and other taxes on consumption

Revenues, expenses and assets are recognised net of the amount of associated consumptive tax, except where the amount of consumptive tax incurred is not recoverable from the taxation authority. In these circumstances the consumptive tax 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 consumptive tax. The net amount of consumptive tax recoverable from, or payable to, the taxation authority 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 consumptive tax component of investing and financing activities, which is disclosed as an operating cash flow.

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24 Summary of significant accounting policies (continued)

(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.

(y) Comparatives

Where applicable, certain comparatives have been adjusted to conform with current year presentation.

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24 Summary of significant accounting policies (continued)

(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 2021 and have been adopted by the Group:

Accounting standard	Description of change
AASB 2020-8 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform Phase 2*	In September 2020, the AASB made amendments to AASB 9, AASB 139, AASB 7, AASB 4 and AASB 16 to address the issues that arise during the reform of an interest rate benchmark rate, including the replacement of one benchmark with an alternative one. The hedge accounting reliefs will allow most AASB 139 or AASB 9 hedge relationships that are directly affected by IBOR reform to continue. However, additional ineffectiveness might need to be recorded. These amendments had no impact on the consolidated financial statements of the Group.
AASB 2020-9 *Amendments to Australian Accounting Standards – Tier 2 Disclosures: Interest Rate Benchmark Reform (Phase 2) and Other Amendments*	

OTHER

24 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 2022 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 2020-3 *Amendments to AASB 116 – Property, Plant & Equipment: Proceeds before Intended Use*	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 *Amendments to AASB 9 – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities*	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
AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current*	This amendment to AASB 101 *Presentation of Financial Statements* clarifies the requirements for classifying liabilities as current or non-current.	Standard: 1 January 2023 Group: 1 July 2023
AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates*	The AASB amended AASB 101 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. The amendment to AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period. The amendments are not expected to have a material impact on the Group.	Standard: 1 January 2023 Group: 1 July 2023

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25 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.

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.

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25 Critical accounting estimates and judgements (continued)

(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

(i) Revenue from iron ore sales

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.

(ii) Revenue from engineering services

Revenue from engineering services is recognised over time, as the services are provided to the customer, based on costs incurred for work performed to date as a percentage of total estimated costs under the contract or amounts billed as a percentage of the contract value. Judgements made that could have a significant effect on the financial report and estimates with a risk of adjustment in the next year are as follows:

- Determination of stage of completion
- Estimation of total contract revenue and contract costs
- Estimation of project completion date.

(g) Joint arrangements

Judgement is required to determine when the Group has joint control, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Group has determined that the relevant activities for its joint arrangements relate to the operating and capital decisions of the arrangement, such as the approval of the capital expenditure program for each year. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries (refer to note 24(a)).

Judgement is also required to classify a joint arrangement as either a joint operation or joint venture. Classifying the arrangement requires the Group to assess its rights and obligations arising from the arrangement. Specifically, it considers:

- The structure of the joint arrangement – whether it is structured through a separate vehicle
- When the arrangement is structured through a separate vehicle, the Group also considers the rights and obligations arising from:
  - the legal form of the separate vehicle
  - the terms of the contractual arrangement
  - other facts and circumstances (when relevant).

This assessment often requires significant judgement, and a different conclusion on joint control, and also whether the arrangement is a joint operation or joint venture, may materially impact the accounting.

08

REMUNERATION REPORT

FROM THE REMUNERATION AND PEOPLE COMMITTEE CHAIR

Dear Shareholders,

On behalf of the Directors of Fortescue Metals Group Ltd, I am pleased to present the Remuneration Report (the Report) for Fortescue for the year ended 30 June 2022 (FY22).

FY22 Fortescue performance

FY22 was another year of record performance which reflects our commitment to optimising returns from our integrated operations and marketing strategy. This outstanding performance was reflected across our key operations, people and culture, and strategic metrics, despite managing the ongoing challenges of COVID-19.

We remain focused on innovation and productivity to maintain our industry leading cost position and deliver strong operational performance. Together with our focus on investing in growth through FFI, which is taking a global leadership position in renewable energy, we are well placed to advance our transition to a global green energy and resources company. This will ensure our stakeholders continue to benefit from Fortescue's success.

I, and the Board, convey our enormous gratitude to the Fortescue team for going over and above to continue operating during challenging times. We remain focused on our people and implementing measures which lead to a healthy, well and safe workforce, as well as expanding our Fortescue family with a diverse and inclusive representation of the whole of community.

Please refer to Section 3 of the Report for further business performance highlights.

FY22 Remuneration outcomes

The Fortescue remuneration framework is designed to be competitive to attract and retain the best talent, while rewarding for achieving challenging business objectives. We set challenging stretch targets, strive to achieve them and reward for performance, to the benefit of our shareholders.

For the first time in FY22, we set separate Executive and Senior Staff Incentive Plan (ESSIP) and Long Term Incentive Plan (LTIP) measures for Fortescue and FFI to align with their respective strategies and objectives. We are committed to providing ongoing transparent disclosure against each of these.

Reflecting our focus on performance, when assessing remuneration for the year, the Board maintains a holistic view of performance in determining outcomes. In making its assessment, the Board determines what it considers to be a fair outcome in the circumstances, taking account of what was delivered by executives, how it was delivered in alignment with Fortescue's Values and the experience and expectations of shareholders.

A summary of performance and the link to remuneration outcomes is set out below. Section 4 of the Report provides further detail.

Fixed remuneration changes

To remain competitive in a tight market for talent and aligned with benchmarks, a four per cent increase was applied to Key Management Personnel (KMP) total fixed remuneration (TFR) levels.

FY22 ESSIP

The Board set aggressive stretch targets for the FY22 ESSIP to drive business operations, financial performance and maximise shareholder value.

FY22 ESSIP performance conditions included operational, people and culture, and individual KPIs. Stretch targets were met in respect of operations, people and culture and individual KPIs for Fortescue and FFI.

However, while our ESSIP results are strong, tragically, in September 2021, Fortescue team member David Armstrong lost his life following an incident at our Solomon Hub operations. Our team's wellness and safety remain paramount to our culture as we continue to work towards zero harm, and as a result, the portion of Fortescue ESSIP awards linked to safety will be forfeited.

Overall, the FY22 ESSIP outcomes for the CEO and other KMP ranged from 83% to 87% of target.

FY20 LTIP vesting

Vesting of the FY20 LTIP is assessed over a three year performance period from 1 July 2019 to 30 June 2022 against combined Return on Equity (ROE), Total Shareholder Return (TSR) and strategic measures aligned with the Company's long-term objectives. The performance conditions for the FY20 LTIP were tested and vested at 100 per cent based on outstanding TSR and ROE performance and the achievement of the majority of strategic measures.

Consistent with our approach in FY21, the Board applied a Maximum Value Limit to the LTIP award vesting. As in FY21, the Board determined that strong share price growth over the period has been driven, in part, by strong iron ore prices which are outside the control of management. Discretion was exercised to cap the value of awards vesting with a 50 per cent cap applied to the grant price of A$9.19 per share, resulting in 81 per cent of the awards vesting. The Maximum Value Limit has now been included as a term in LTIP awards going forward and will be applied when determining vesting each year.

Non-Executive Director fee increases

Non-Executive Director (NED) fees were reviewed during the financial year and increased effective 1 June 2022, in line with the growth, scale and complexity of Fortescue. Section 7 of the Report provides further detail.

FY23 Remuneration changes

Our executive remuneration framework continues to evolve, particularly as FFI grows to be a key part of our business.

In May 2022, we announced changes to our leadership including the intended appointment of Dr Andrew Forrest AO as Executive Chairman in August 2022 and the appointment of Mark Hutchinson as the CEO of FFI later in 2022. There will be no changes to remuneration arrangements for Dr Forrest, while details of remuneration for Mark Hutchinson will be disclosed in the FY23 Remuneration Report.

I invite you to read our Report and trust you will find that it outlines the links between our strategy, culture, performance and executive remuneration outcomes.

On behalf of the Directors, we look forward to welcoming you and receiving your feedback at our 2022 AGM.

Yours sincerely,

Jennifer Morris

Remuneration and People Committee Chair

CONTENTS

1. INTRODUCTION AND FY22 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 capital expenditure 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 FY21 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.

For this year, we will provide disclosures in US dollars and Australian dollars (and clearly disclose the conversion rate used) for the following sections:

- Sections 4a, 4b and 4d of Remuneration outcomes
- Section 9. Statutory disclosures.

The KMP of the Group for FY22 were:

Name	Position	Time as KMP
Non-Executive Directors		
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
Lord Sebastian Coe CH, KBE	Non-Executive Director	Full year
Jennifer Morris OAM	Non-Executive Director	Full year
Cao Zhiqiang	Non-Executive Director	Part year to 24 February 2022
Dr Ya-Qin Zhang	Non-Executive Director	Full year
Executive Directors		
Dr Andrew Forrest AO*	Executive Chairman	Full year
Elizabeth Gaines	Chief Executive Officer and Executive Director	Full year
Other Key Management Personnel (Executives)		
Ian Wells	Chief Financial Officer	Full year
Dino Otranto	Chief Operating Officer Iron Ore	Part year from 25 October 2021
Julie Shuttleworth	Fortescue Future Industries Chief Executive Officer	Full year

*In May 2022, it was announced that Dr Andrew Forrest AO would be appointed to the role of Executive Chairman effective August 2022.

On 4 August 2022, Mark Hutchinson was appointed to the role of FFI CEO, becoming KMP from that date, with Julie Shuttleworth appointed to the role of Global Growth, ceasing to be a KMP from that date.

Elizabeth Gaines will step down as Chief Executive Officer at the end of August 2022 and resume her role as a Non-Executive Director.

On 18 May 2022, Fortescue advised the Australian Securities Exchange that Li Yifei would be appointed to the Board once various regulatory pre-appointment requirements have been met. The pre-conditions to Li Yifei's appointment were satisfied on 22 August 2022.

There have been no other 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 our 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 the industry without constraint by market practice.

Strategic alignment

Support delivery of long-term business strategy and growth aspirations.

Shareholder and executive alignment

Reward sustained performance and deliver awards aligned with shareholder returns.

REMUNERATION FRAMEWORK COMPONENTS

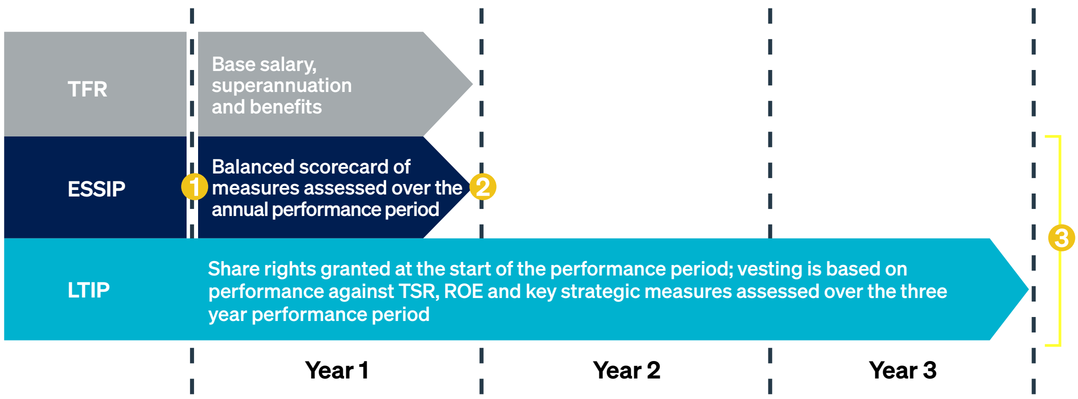
Our remuneration framework is designed to support Fortescue's Values and to bring to life our remuneration strategy

	Fixed component	Variable / At risk component	
	Total Fixed Remuneration (TFR)	**ESSIP**	**LTIP**
Purpose	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.
How that component drives our Values and remuneration strategy	• TFR is set to support the execution of business strategy based on role, qualifications, experience, accountability and responsibility.	• A portion (at least 50%) granted as share rights at the start of the financial year to create immediate shareholder alignment. • Performance assessed against balanced scorecard. • Targets set at stretch levels to promote outperformance.	• Share rights are granted at the start of the performance period with value realised at time of vesting. • Vesting is subject to achievement of stretch performance targets under multiple measures. • Share rights are exposed to movement in share price over the three years ensuring strong correlation with shareholder returns. • A Maximum Value Limit of 50% of share price growth from the grant price applies at vesting.
FY22 approach Fortescue	Benchmarked against median comparator group or above for outstanding performance. Comparators: ASX 30, ASX 50 and resources companies in the ASX 100.	**Performance measure breakdown** **Operations (60%)** – Safety, cost, production, cashflow and revenue **People and culture (20%)** **Individual KPIs (20%)** Project delivery, strategy and business development	**Performance measure breakdown** **Total Shareholder Return (33%)** **Return on Equity (33%)** **Key Strategic Measures (34%)**
FY22 approach FFI		**Performance measure breakdown** **FFI team measures (60%)** – Safety, projects, financial, commercial and offtake, manufacturing and technology, Green Fleet **People and culture (20%)** **Individual KPIs (20%)** Project delivery, strategy and business development **FMG Threshold Gateway**	**Performance measure breakdown** **Total Shareholder Return (33%)** **Independent valuation (33%)** **Key Strategic Measures (34%)**

MINIMUM SHAREHOLDING REQUIREMENT
CEO: 200% of TFR, CEO direct reports: 100% of TFR, NEDs: 100% of annual base fee

The framework visualised

The following diagram sets out the remuneration structure and delivery timing for the CEO and other KMP.



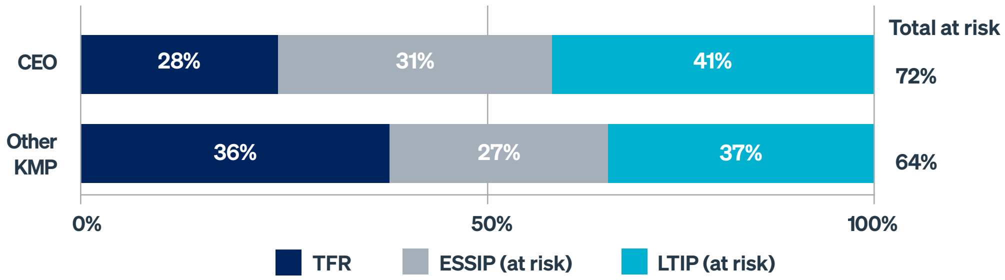
1. Share rights granted following election of equity portion by the participant

2. Share rights (and cash, if elected) vest to the extent stretch targets are met (if the stretch targets are not met, awards will lapse)

3. All awards, both vested and unvested, are subject to malus/clawback (as relevant), Board discretion and the Director and Executive Shareholding Policy, and the Maximum Value Limit

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.

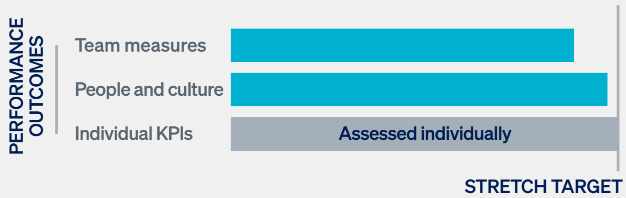


FY22 ESSIP vesting outcomes – Fortescue

Awards made in relation to the FY22 Fortescue ESSIP reflect achievement of:

- Strong operating and financial performance
- Improvements in safety culture and employee engagement
- Substantial diversification and growth strategy progress

FY22 ESSIP vesting outcomes – FFI



Awards made in relation to the FY22 FFI ESSIP reflect achievement of:

- Strong operating, people and financial performance at FFI
- Successful integration of Fortescue culture and Values, illustrated through high levels of engagement and achievements in diversity
- Substantial progress on securing necessary rights and licenses for renewable energy generation

FY20 LTIP vesting outcomes

Measure	Weighting %	Result %	Vesting %
TSR	33	100th percentile	150
ROE	33	48.3%	150
Strategic measures	34	7.5 out of 15	62.5
Total			120.3
Capped at			100
% of award vesting			81

Share price over the last 3 years (A$/share)

Aligned with the approach to the FY19 LTIP, when reviewing the FY20 LTIP result the Board balanced executive effort against iron ore prices driving significant share price gains over the period. While the TSR and ROE performance outcomes are exceptional, the increase in the LTIP award value from the initial allocation value in FY20 was determined to be excessive. As a result, the Board has exercised its discretion to apply a Maximum Value Limit on the award, such that executives may only benefit from 50 per cent growth in the share price from the initial grant value, resulting in 81 per cent of the award vesting. The Maximum Value Limit has since been formally incorporated as a term in LTIP awards from FY21 and is detailed further in Section 5.

3. BUSINESS PERFORMANCE

Our unique culture and Values and focus on operating excellence has continued to drive strong results across safety, production and cost, despite managing the ongoing challenges of COVID-19.

Safety is deeply ingrained in our culture. As acknowledged earlier in the Report, on 30 September 2021, Fortescue team member David Armstrong tragically lost his life following an incident at our Solomon Hub operations. This devastating loss is a reminder of why safety must always be our highest focus.

Our TRIFR improved to 1.8 in the 12 months to 30 June 2022, 10 per cent lower than 30 June 2021. This reflects our ongoing commitment to looking out for each other and ourselves.

Our outstanding levels of engagement and commitment to becoming a global leader in safety was demonstrated by a participation rate of 95 per cent in our annual Safety Excellence and Culture Survey.

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 FY22 with iron ore shipments of 189mt, exceeding the top end of market guidance.

C1 cost in FY22 was US$15.91/wmt, a 14 per cent increase on the C1 cost in FY21. The ability to achieve our C1 cost target was impacted by cost pressures, including external inflationary factors such as a significant increase in diesel and ammonium nitrate prices, heavy mobile equipment parts as well as rising labour rates. Despite these challenges, Fortescue maintains our industry leading cost position and our sustaining capital expenditure was three per cent below target.

Fortescue's financial performance for FY22 was underpinned by consistent operating performance, strong customer demand, record shipments and an optimised product mix to deliver Fortescue's second highest net profit after tax of US$6.2bn. This represents a decrease of 40 per cent on FY21, largely as a result of a 26 per cent decrease in average revenue on lower iron ore prices.

FFI made significant progress in developing the technology required to deliver Fortescue's 2030 Carbon Neutrality Target, both in house and through Fortescue's acquisition of WAE and other technology companies. FFI secured resources and advanced studies on Australian and global projects for the supply of green energy, and construction commenced on the Global Green Energy Manufacturing Centre in Queensland. FFI also entered key international MoUs for the supply of green energy products, including with E.ON, Covestro, JCB and Ryze Hydrogen.

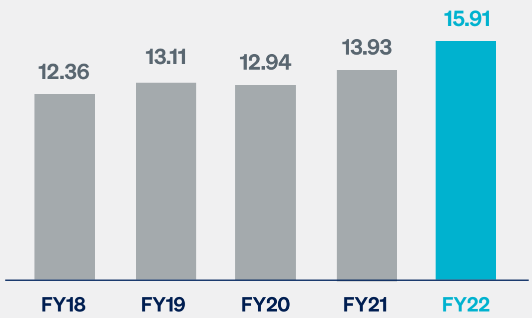
Looking forward, we remain focused on productivity gains through innovation and technology. Together with our focus on investing in growth through the Iron Bridge Magnetite project and FFI, we are well placed to advance our transition to a global green energy and resources company and ensure our stakeholders continue to benefit from Fortescue's success.

SAFETY	COST	REVENUE
1.8	US$15.91/wmt	US$17,390m
TOTAL RECORDABLE INJURY FREQUENCY RATE		

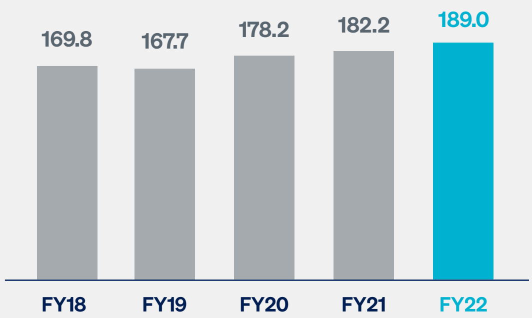
PRODUCTION	SUSTAINING CAPEX	CULTURE
189.0mt	US$1,034m	95%
		PARTICIPATION IN SAFETY EXCELLENCE AND CULTURE SURVEY

The following graphs show our Group performance against key financial measures in FY22:

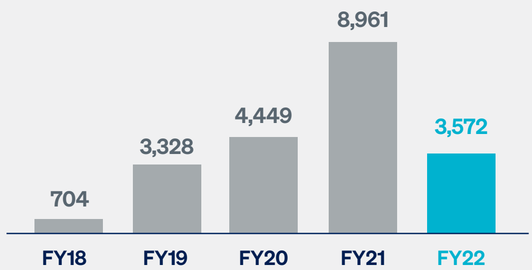
Cost
US$/wmt



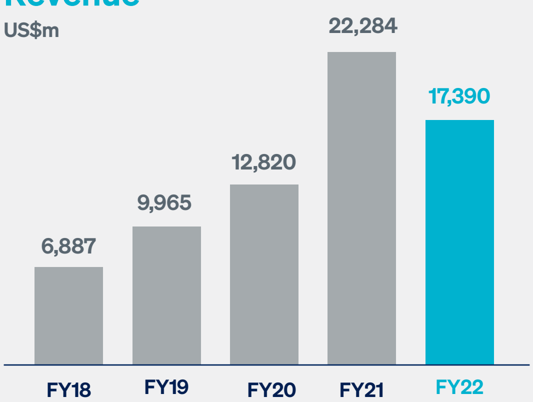
Production
wmt



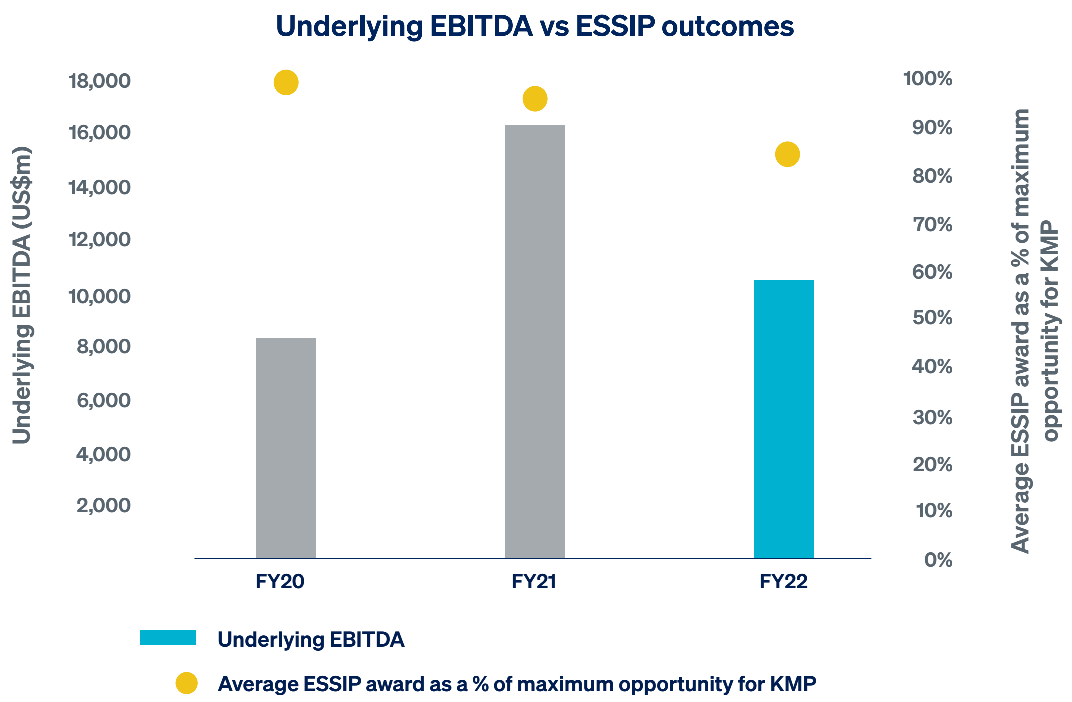
Free cashflow
US$m

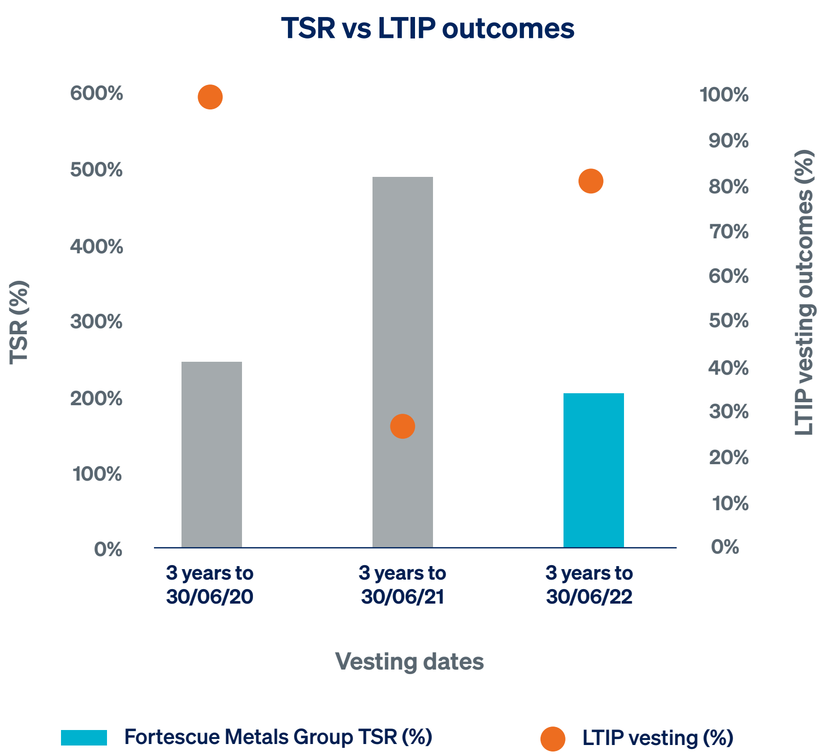


Revenue
US$m



The graphs below shows Fortescue's EBITDA vs ESSIP outcomes and TSR vs LTIP outcomes over the last three years.





a. Five year Group performance

Fortescue continues to deliver operational and financial improvements across the business. Our performance against key financial measures for FY22 and the five years FY18 to FY22 (inclusive) are set out below.

UNDERLYING EBITDA	NET PROFIT AFTER TAX	UNDERLYING RETURN ON EQUITY	DIVIDENDS
US$10.6bn	US$6.2bn	38%[1]	A$2.07 per share

	2022	2021	2020	2019	2018
Total tonnes shipped (wmt)	**189.0**	182.2	178.2	167.7	169.8
Revenue (US$m)	**17,390**	22,284	12,820	9,965	6,887
Underlying EBITDA (US$m)	**10,561**	16,375	8,375	6,047	3,182
Net profit/(loss) (US$m)	**6,197**	10,295	4,735	3,187	878
Underlying return on equity (%)	**38[1]**	67	40	31	11
Gearing (book value of debt/debt + equity)	**26**	19	28	27	29
Dividends declared (A$ per share)	**2.07**	3.58	1.76	1.14	0.23
Share price at 30 June (A$)	**17.53**	23.34	13.85	9.02	4.39
Change in share price (A$)	**(5.81)**	9.49	4.83	4.63	(0.83)
Change in share price (%)	**(25)**	69	54	105	(16)

[1] Underlying return on equity excludes FFI costs recognised as administration expenses.

4. REMUNERATION OUTCOMES

As reported in Section 3, Fortescue has again delivered strong, consistent results against the majority of key targets for FY22, underpinned by our Values based culture and the commitment of the entire Fortescue team.

a. FY22 fixed remuneration changes

A market review of KMP fixed remuneration was undertaken 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.

KMP	% Increase	TFR A$
Executives		
E Gaines	**4**	**2,080,000**
I Wells	**4**	**1,092,000**
D Otranto	**N/A**	**1,250,000**
J Shuttleworth	**4**	**1,071,200**

With the exception of Dino Otranto, increases were effective from 1 July 2021 and remain aligned with external benchmarks. Mr Otranto's remuneration was set on commencement in October 2021 with reference to market peers similar to the annual review process.

b. FY22 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 individual KPIs have financial and quantifiable impacts 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.

Given the evolving nature of FFI, the ESSIP approach varies from Fortescue with threshold, target and stretch set for each KPI.

Further details of the Fortescue and FFI ESSIP approaches, scorecards and performance outcomes are included on the following pages.

FORTESCUE FY22 SCORECARD

The ESSIP performance objectives and achievement outcomes in FY22 for Fortescue are shown in the tables below.

Company wide operations and people and culture measures

The table below illustrates the operations and people and culture measures which apply consistently to the CEO, CFO and COO during FY22 and make up an 80 per cent weighting.

Measure	Weighting	Detail	Stretch target	Assessed outcome	Commentary
Operations – 60%					
Safety[1]	12	Fortescue TRIFR Injury risk profile Fatality hurdle applies	Not more than 1.8 15% reduction	Not achieved	Despite the Company achieving the TRIFR measure, tragically, there was a fatality at Solomon Hub, accordingly there will be no award for the Company safety KPI.
Production	12	Total iron ore shipped	185.0mt	Exceeded	Record shipments of 189.0mt delivered in FY22.
C1 cost	12	Achieve C1 cost	No more than A$19.84/wmt (US$15.28)	Partially achieved	While the C1 cost measure was not met at stretch target level, this was primarily due to factors outside of the control of the Executive team, the Board agreed that the C1 cost target would otherwise have been met and approved a partial vesting on this measure.
Cashflow	12	Sustaining capital expenditure	No more than A$1,494 million (US$1,150 million)	Achieved	A$1,445 million (US$1,034 million) sustaining capital expenditure for the full year was lower than the stretch target.
Revenue	12	EBITDA margin (EBITDA/ Total Revenue) Ship higher value product volumes Sell a portion of product direct to Chinese customers through Fortescue's wholly owned Chinese trading subsidiary	>65%	Achieved	A number of the revenue targets are market sensitive and therefore specific targets have not been disclosed. Overall, the revenue measure has been achieved • Full year EBITDA margin of 63%[2] • 117.2mt of Fortescue high value product shipped • 18.5mt of product sold directly to customers from ports in China
People and Culture – 20%					
People and culture	20	Measured through the Safety and Culture Survey as well as Board assessment:		Exceeded	All of the People and Culture measures were exceeded:
		Participation rate	>90%		Survey participation rate: 95%
		Net promoter score	>+31		Net promotor score: +34
		Female employment rate	>21%		Female employment rate: 21.5% (Fortescue only)
		Indigenous employment rate	>14%		Indigenous employment rate: 15% (Pilbara operations)

[1] In the event of a fatality, no award is made for the safety KPI.

[2] EBITDA margin excludes FFI costs.

The non-IFRS financial information included in the table above has not been subject to audit.

Individual KPIs

The table below illustrates the individual KPIs which are customised by role for the CEO, CFO and COO Iron Ore and make up a 20% weighting.

Role	Stretch target	Assessed outcome	Commentary
CEO	Protect and maintain market share in China and finalise magnetite product strategy.	Achieved	Product strategy, including Magnetite is well advanced with 5.3mt of offtake secured for Iron Bridge product.
	Reduce annual emissions in line with target to achieve carbon neutrality by 2030. Progress Scope 3 emissions reduction target.	Partially achieved	FY22 emissions have been reduced by 3% using high-quality offsets. Significant progress has been made on the decarbonisation strategy, including acquisition of WAE and the partnership with Liebherr. The 2040 Scope 3 target is being progressed through studies and development of green steel products, as well as progress on marine decarbonisation.
	Developing a pathway for the introduction of Green Iron into Fortescue's product mix.	Achieved	Green Iron development is progressing to plan, including development of internal technology and use of third party technology.
	Delivery of Fortescue's people strategy and succession planning programs.	Achieved	Succession planning and talent mapping rolled out across the business. A number of key leadership appointments were made during FY22 in line with the Fortescue people strategy.
CFO	Targets for the CFO included management of Fortescue's key financial metrics, integration of the FFI business unit, investor relations strategy and supporting the decarbonisation strategy.	Achieved	Strong performance in managing group cash flow and liquidity through volatility in commodity markets. Successful integration of FFI business unit management reporting, capital allocation and investment tracking. Supported decarbonisation at the executive steering committee level. Successful delivery of a number of key business systems.
COO Iron Ore	Targets for the COO Iron Ore were across operations, product and market, and beneficiation and decarbonisation.	Achieved	Record shipments of 189.0mt delivered in FY22. Delivered revised product strategy. Liebherr fleet strategy developed to align with 2030 decarbonisation targets. Collaboration with FFI to progress other decarbonisation initiatives across Green Fleet.

FFI CEO FY22 SCORECARD

The ESSIP performance objectives and achievement outcomes in FY22 for the FFI CEO are shown below:

Measure	Weighting	Detail	Stretch target	Assessed outcome	Commentary
Operations – 60%					
Safety*	10	FFI TRIFR Health & Safety Management Plan implemented Fatality hurdle applies	Not more than 6.0	Achieved	FFI's 12 month TRIFR was 0.7, significantly exceeding the stretch target. The Health and Safety Management Plan was successfully rolled out globally.
Culture and Values	20	FFI culture and Values, and brand Other key metrics including Safety Excellence and Culture survey participation rate, FFI net promoter score, female and indigenous employment rates.	Embedded throughout operating countries	Achieved	FFI brand embedded across all regions, with recognition at the COP26 forum in Glasgow. Employee engagement targets were exceeded with net promotor score of +36.8. Diversity targets for female employment rate and indigenous employment rate were achieved.
Projects	10	Exclusivity and / or path to title / rights for renewable capacity across power, water, key land and infrastructure (Australia and globally). Studies for gH2 projects, ranging from scoping, pre-feasibility and feasibility.		Partially achieved	Exclusivity and secured rights for Australia and rest of world for renewable energy generation capacity. Various studies progressed and completed on gH2 projects in Australia and globally.
Financial	10	Operating expenditure	No more than A$566 million (US$418 million)	Achieved	Full year operating expenditure was US$386 million.
Commercial and offtake	10	Initiate commercialisation plan (offtake and financing) to support Gibson Island project. Establish product marketing strategy aligned with project portfolio and sign up at least five major customers. Develop and garner global support for a global green hydrogen accreditation and certification scheme based on emissions intensity.		Achieved	Commercialisation and funding plan developed for Gibson Island project. Product marketing strategy developed across aviation, rail, chemical/ammonia feedstock, gas pipelines, and steel. Global offtake MOUs for over 7mtpa green hydrogen by 2030, including with E.ON, Covestro, JCB, Airbus, and others. Green Hydrogen Standard was launched at the Green Hydrogen Summit in May 2022.

Measure	Weighting	Detail	Stretch target	Assessed outcome	Commentary
Manufacturing and technology	10	Commence construction of 2GW electrolyser facility by Q3 FY22. Design, build and test FFI in-house electrolyser by Q2 FY22. Iron ore electrolysis technology demonstrated at a rate of 100 kg over a 24-hour period. Metal Membrane Technology (MMT) commercial trial underway.		Partially achieved	Construction commenced on a 2GW electrolyser manufacturing facility in Gladstone, Queensland in February 2022. First electrolyser built and tested in December 2021 with 100% of the stack components designed, fabricated, and assembled in-house . Successful completion of MMT trial with Hyundai, and larger scale project agreement in place with Siemens. Iron ore electrolysis target several months behind schedule.
Green Fleet	10	Equipment trials to decarbonise Fortescue's operations – trucks, drill rig, excavator, train, vessel – ready for deployment by December 2022.		Partially achieved	Heavy mobile equipment and marine vessels mostly tracking on schedule for site deployment. Construction of Christmas Creek green hydrogen refuelling station ready for commissioning in FY23.

*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.

The table below illustrates the individual KPIs for the CEO FFI and make up a 20% weighting.

Role	Stretch target	Assessed outcome	Commentary
CEO FFI	Implement decarbonisation pathway to ensure net zero Scope 1 and 2 emissions achieved by 2030.	Achieved	Decarbonisation Business Plan finalised for Board approval. Development of mobile equipment green technology progressing, including acquisition of WAE design of Infinity Train, partnership with Liebherr to enable zero emissions haul trucks, and purchase of marine vessel for conversion.
	Delivery of global projects and presence to enable green hydrogen targets by 2030.	Achieved	Leadership and teams recruited to support FFI activities and FFI projects globally, regional hubs established. Strong government, community, and stakeholder engagement across Australia and globally. Secured access to numerous renewable energy resources and green industry sites globally. Offtake MOUs in place, including E.ON.
	Establishment of technology and manufacturing capabilities and programs to enable commercialisaiton.	Achieved	In-house science and engineering established - including green iron, electrolyser manufacturing, balance of plant design, solar array robotic installation design. Construction commenced on electrolyser manufacturing facility in Queensland. Numerous technology investments and R&D programs underway.

FY22 ESSIP cash and shares outcomes

The table below details the maximum ESSIP cash and share awards against the actual outcomes for FY22.

FY22								Nominal value of ESSIP vested rights[2]		Nominal total ESSIP value[2]	
US$	TFR	Maximum ESSIP opportunity (% of TFR)	Weighting in shares (%)[1]	Maximum ESSIP cash opportunity	Maximum ESSIP shares opportunity	ESSIP outcome %	Total ESSIP cash awarded	Share price at grant A$23.576	Share price at vesting A$16.9721	Share price at grant A$23.576	Share price at vesting A$16.9721
E Gaines	1,509,976	112.5	50	849,362	49,627	83	708,555	708,544	510,073	1,417,099	1,218,628
I Wells	792,737	75	100	-	34,739	85	-	503,420	362,407	503,420	362,407
D Otranto[3]	623,642	75	50	255,217	14,912	85	216,098	216,094	155,564	432,191	371,661
J Shuttleworth	777,638	75	100	-	34,078	87	-	508,110	365,783	508,110	365,783

Remuneration values have been translated from Australian dollars to US dollars using an average exchange rate of 0.72595.

FY22								Nominal Value of ESSIP vested rights[2]		Nominal total ESSIP value[2]	
A$	TFR	Maximum ESSIP opportunity (% TFR)	Weighting in shares (%)[1]	Maximum ESSIP cash opportunity	Maximum ESSIP shares opportunity	ESSIP outcome %	Total ESSIP cash awarded	Share price at grant A$23.576	Share price at vesting A$16.9721	Share price at grant A$23.576	Share price at vesting A$16.9721
E Gaines	2,080,000	112.5	50	1,170,000	49,627	83	976,038	976,023	702,628	1,952,061	1,678,666
I Wells	1,092,000	75	100	-	34,739	85	-	693,464	499,217	693,464	499,217
D Otranto[3]	859,070	75	50	351,563	14,912	85	297,676	297,671	214,290	595,346	511,965
J Shuttleworth	1,071,200	75	100	-	34,078	87	-	699,924	503,868	699,924	503,868

[1] 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$23.576).

[2] Nominal value of ESSIP vested rights is non-IFRS financial information and has not been subject to audit.

[3] ESSIP value for D Otranto is pro-rated based on commencement in October 2021. ESSIP calculations operate on the basis of full months and are not pro-rated for part months.

c. FY20 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 per cent of any individual measure by achieving stretch performance. However, the overall cap for the LTIP is 100 per cent of the maximum number of share rights granted.

The FY20 LTIP was tested over the period from 1 July 2019 to 30 June 2022. The Company has achieved all performance measures as shown in the table below, resulting in 100 per cent of share rights vesting.

FY20 LTIP performance outcomes

Measure	Weighting %	Threshold	Result	Achieved %	Weighted average %
TSR	33	60th percentile	100th percentile	150	49.5
ROE	33	15%	48.3%	150	49.5
Key strategic measures	34	5 out of 15	7.5 out of 15	62.5	21.3
FY20 LTIP vesting outcome	100				120.3
Overall outcome capped at 100%					**100**

As previously noted, the Board determined to apply a Maximum Value Limit on the vested value of the FY20 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 FY20 LTIP Award x 150% = FY20 LTIP Maximum Value Limit

FY20 LTIP Maximum 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.

FY20 Performance Rights granted	100,000
VWAP at the start of the LTIP performance period	A$9.19
FY20 LTIP value at grant	A$919,000
Value cap	150%
LTIP Maximum Value Limit (Base LTIP Award x 150%)	A$1,378,500
VWAP at the end of the LTIP performance period	A$16.9721
Maximum FY20 LTIP Performance Rights (Maximum LTIP Value Limit divided by VWAP)	81,221

The calculation results in 81 per cent of the rights awarded at the beginning of the performance period vesting for all LTIP participants. The Maximum LTIP Value Limit has now been included as a term in LTIP awards from FY21 and will be applied at vesting each year.

Performance measure and objective	Result	Proportion of award vested %	Comment
TSR (33%)			
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. The vesting criteria: • threshold at the 60th percentile, resulting in 25% of rights vesting; • target at the 80th percentile, resulting in 100% of rights vesting; and • stretch at the 100th percentile, resulting in 150% of rights vesting.	100th percentile	150%	Fortescue achieved a TSR of 200.6 per cent and ranking at the 100th percentile achieving the stretch target for this measure.
ROE (33%)			
The vesting criteria: • threshold was set at 15%, resulting in 25% of rights vesting; • target was set at 20%, resulting in 100% of rights vesting; and • 150% of rights will vest for greater than 30%.	48.3%	150%	Fortescue's ROE performance exceeded the ROE stretch target performance hurdle of 30 per cent achieving an average ROE over the three year period of 48.3 per cent.
Strategic measures (34%)			
Strategic measures	7.5 out of 15	62.5% vesting based on the three-year strategy achievements	Significant progress has been made in Fortescue's overall business strategy.
Iron Bridge Magnetite project completed in the first half of calendar year 2022 within Board approved capital, successfully commissioned, and on Board approved planned pathway to ramp up to full capacity of 22mtpa.		Not achieved	Iron Bridge Magnetite project KPI has not been met.
Eliwana project completed by December 2020 within Board approved capital and on Board approved planned pathway to ramp up to full capacity with total WPF production across the integrated operations of 40mtpa.		Achieved	Successful completion of Eliwana project with costs achieved.
Compelling progress on the energy strategy and business case incorporating Fortescue's approach to emissions reduction including: renewables, alternate energy sources, investment in green technology and hydrogen.		Achieved	FFI now established with significant progress being made. Now a major diversification / growth initiative for the Group.
Compelling progress on creating a pipeline of commodity diversification projects and exploration targets in South America (or elsewhere if approved by the Board) with the aim of creating a world leading commodity producing hub for Fortescue.		Achieved	Presence in South America has been established with exploration activities advanced.
Subject to Board approval of the strategy and business case, Fortescue to have established a standalone industrial autonomy business over the period FY20 to FY22 that has the potential to be globally significant and highly profitable.		Achieved	Bespoke Fleet Management system has been established. Partnership with Liebherr announced in June 2022 as a key enabler of Fortescue's industrial autonomy objectives.

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:

US$

Name	Fixed remuneration[1]	FY22 ESSIP cash paid	Nominal value of FY22 ESSIP vested rights [2,3]	Nominal value of FY20 LTIP vested rights [4,5]	Other payment	Nominal total remuneration earned in FY22
E Gaines	1,509,976	708,555	510,073	2,975,462	-	5,704,066
I Wells	792,737	-	362,407	1,072,236	-	2,227,380
D Otranto	623,642	216,098	155,564	-	-	995,304
J Shuttleworth	777,638	-	365,783	1,072,236	-	2,215,657

Remuneration values have been translated from Australian dollars to US dollars using an average exchange rate of 0.72595 except for the FY20 LTIP which has been translated at 0.714827, which is the three year average exchange rate to reflect the LTIP performance period.

A$

Name	Fixed remuneration[1]	FY22 ESSIP cash paid	Nominal value of FY22 ESSIP vested rights [2,3]	Nominal value of FY20 LTIP vested rights [4,5]	Other payment	Nominal total remuneration earned in FY22
E Gaines	2,080,000	976,038	702,628	4,162,492	-	7,921,158
I Wells	1,092,000	-	499,217	1,499,994	-	3,091,211
D Otranto	859,070	297,676	214,290	-	-	1,371,036
J Shuttleworth	1,071,200	-	503,868	1,499,994	-	3,075,062

1 Fixed remuneration includes cash salary, paid leave and superannuation.

2 FY22 ESSIP share rights granted at the beginning of the performance period at a VWAP of A$23.576.

3 FY22 ESSIP vested rights awarded have a nominal value based on A$16.9721 being the five day VWAP at the beginning of FY23. The decrease in share price over the respective performance period has resulted in an unrealised reduction in equity value to KMP in respect to this plan.

4 FY20 LTIP share rights granted at the beginning of the performance period at a VWAP of A$9.1892.

5 FY20 LTIP vested rights awarded have a nominal value based on A$16.9721 being the five day VWAP at the beginning of FY23. 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.

5. INCENTIVE PLAN OPERATION

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 FY22 (noting differences, where applicable, between on the application of the ESSIP between Fortescue and FFI):

a. ESSIP

Element	Description	
Delivery	Prior to the start of the performance period, participants elect the portion of award they wish to receive in rights with the remaining award 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). Each share right, if vested, entitles the participant to an ordinary share in Fortescue for nil consideration.	
Performance period	1 year (i.e. 1 July to 30 June).	
Valuing awards	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: • If the share price at the time of vesting is higher, Executives will receive higher value per share right. • If the share price at the time of vesting is lower, the value to Executives is decreased. 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.	
Performance measures	The Board continues to recognise the importance of focusing on operational and strategic targets with people and culture also being a key driver of success. In FY22, the Board set a number of challenging targets for Fortescue and FFI in respect of operations (as noted below). The Board determined the relative weighting and mix of performance objectives for KMP and Executives in order to deliver long term sustainable shareholder value. Further details of performance measures for FY22 are disclosed at Section 4.b above.	
	FORTESCUE	**FFI**
	The Board set a number of challenging targets in respect of operations, including production, safety, cost and revenue across all operating and support functions: • The operational measures were chosen as they represent the key drivers of financial performance (underlying EBITDA) of the Company and provide a framework for delivering long term shareholder value, irrespective of the iron ore price. • 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. • Individual 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.	The Board set a number of challenging targets specific to the FFI business including FFI Team measures, safety, driving specific projects in Australia and globally, as well as commercialisation and commencement of key manufacturing and technology goals across all operating and support functions: • The FFI Team measures were chosen as they represent the key drivers of financial performance of the FFI business and provide a framework for delivering long term shareholder value. • The inclusion of a people and culture metric recognises the importance of supporting the FFI culture, Values, and brand, which is fundamental to Fortescue's corporate success in Australia and globally. • Similar to Fortescue, individual 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.

<table>
<tr><th>Element</th><th colspan="2">Description</th></tr>
<tr><td></td><td>FORTESCUE</td><td>FFI</td></tr>
<tr><td>Target setting</td><td>A key element of Fortescue’s culture is to set challenging stretch targets and strive to outperform those targets (in line with our Values).

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.

ESSIP targets are linked to the annual stretch budget and Fortescue’s strategic plan focusing on core drivers of shareholder value.</td><td>FFI similarly sets challenging ESSIP targets. However, given the nature of FFI as a developing part of the business, a sliding scale is applied to each individual FFI objective (excluding safety) with vesting available for threshold, target and stretch.

The sliding scale does not apply to safety objectives which are either met or not met.

When deliberating on performance outcomes, the Board considers the level of achievement against targets and may approve a stretch award on each KPI to reflect the degree of performance by the business.</td></tr>
<tr><td>Board discretion</td><td colspan="2">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:
• The degree of stretch in the measures and targets and the context in which the targets were set;
• The level of achievement against the stretch targets;
• The operating environment over the performance period and management’s ability to respond to unforeseen events (i.e. cyclones, floods, fire, pandemic);
• Financial performance and shareholder value generated;
• Global competitiveness and level of improvement compared to global peers during the period;
• The level of improvement across key business drivers on the prior year; and
• Any other relevant under or over performance or other criteria not stated above.

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.</td></tr>
</table>

b. LTIP

The LTIP operates under the Performance Rights Plan Rules as approved by Shareholders at the Company's Annual General Meeting on 9 November 2021.

Below we have set out the key terms of the LTIP for FY22:

<table>
<tr><th>Element</th><th colspan="2">Description</th></tr>
<tr><td>Delivery</td><td colspan="2">Share rights
Each share right entitles Executives (subject to achievement of the performance conditions) to one fully paid ordinary share in Fortescue for nil consideration.</td></tr>
<tr><td>Performance period</td><td colspan="2">3 years</td></tr>
<tr><td rowspan="4">Performance measures - summary</td><td colspan="2">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.</td></tr>
<tr><td>FORTESCUE</td><td>FFI</td></tr>
<tr><td>Performance measure breakdown

Total Shareholder Return (33%)
Return on Equity (33%)
Key Strategic Measures (34%)</td><td>Performance measure breakdown

Total Shareholder Return (33%)
Independent valuation (33%)
Key Strategic Measures (34%)</td></tr>
<tr><td colspan="2">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.

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. 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.</td></tr>
<tr><td rowspan="2">Performance and vesting conditions</td><td>FORTESCUE</td><td>FFI</td></tr>
<tr><td colspan="2">TSR performance measure (33%)

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.

The comparator group for the FY22 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.

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. The TSR vesting schedule is as follows:</td></tr>
</table>

Element	Description
	FORTESCUE / **FFI**
Performance and vesting conditions	**LTIP TSR target and vesting schedule**

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

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.

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.

FORTESCUE	FFI

FORTESCUE

ROE performance measure (33%)

ROE 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.

The ROE vesting schedule is as follows:

LTIP ROE target and vesting schedule

Performance	ROE	Portion of tranche that vests
Below Threshold	<25%	Nil
Threshold	25%	25 per cent of share rights vest
Target	30%	100 per cent of share rights vest
Stretch	>35%	150 per cent of share rights vest

FFI

Independent Valuation measure (33%)

For the FFI LTIP, the ROE performance measure is replaced with an FFI Independent Valuation measure.

Independent valuers will undertake a valuation of FFI at the end of the performance period, based on an agreed valuation methodology as approved by the Board, to assess the extent to which the Valuation LTIP performance measure has been met.

Due to the commercially sensitive nature of the valuation and the inputs used, a decision has been made to not disclose specific targets for the Independent Valuation measure. The targets, and associated performance outcome, will be disclosed at the conclusion of the LTIP performance period.

Element	Description	
	FORTESCUE	FFI
Vesting conditions (continued)	**Strategic measures (34%)** Strategic measures are aimed at directing performance toward the achievement of the Company's long-term strategic objectives and not focusing 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. 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 FY22 grant are set out below.	

Strategic measures	Fortescue	FFI
Targets in respect to	Resource enhancement	Renewable resource exclusivity
	Technology development	Projects
	Magnetite growth	Technology development
	Emissions	Manufacturing
	Access to inventory	Green fleet & emissions

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:

LTIP strategic measure target and vesting schedule		
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

Element	Description
Board discretion	The LTIP is subject at all times to the Board's absolute discretion. 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% 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.

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 below 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:

<table>
<tr><th>Element</th><th>ESSIP</th><th>LTIP</th></tr>
<tr><td>What happens on cessation of employment</td><td>Unless the Board exercises its discretion under the ESSIP rules, unvested performance rights will be forfeit on cessation for individuals who leave during the year (i.e. before 30 June).

Individuals who commence during the year will have awards under the ESSIP pro-rated based on service during the performance period.</td><td>Unless the Board exercises its discretion under the LTIP rules, unvested performance rights will be forfeit on cessation for individuals who leave during the year (i.e. before 30 June).</td></tr>
<tr><td>Clawback Policy</td><td colspan="2">Fortescue operates a Clawback Policy which applies to both the ESSIP and LTIP. Clawback will be initiated where in the opinion of the Board:
• 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;
• 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
• circumstances have occurred that result in an unfair benefit being obtained by any Participant.

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).</td></tr>
<tr><td>Change of control</td><td colspan="2">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.</td></tr>
</table>

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 FY22:

A$			Maximum ESSIP opportunity		Maximum LTIP opportunity		
Position	**Executive**	**TFR (A$)[1]**	**% of TFR**	**A$**	**% of TFR**	**A$**	**Nominal value of total remuneration package at maximum opportunity A$**
CEO	E Gaines	2,080,000	112.5	2,340,000	150	3,120,000	**7,540,000**
CFO	I Wells	1,092,000	75	819,000	100	1,092,000	**3,003,000**
COO Iron Ore	D Otranto	1,250,000	75	937,500	100	1,250,000	**3,437,500**
CEO FFI	J Shuttleworth	1,071,200	75	803,400	100	1,071,200	**2,945,800**

[1] Includes superannuation and allowances. TFR is reviewed annually by the Remuneration and People Committee.

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 Executive 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.

b. Changes applying 1 June 2022

To reflect the evolving nature and responsibilities of our Non-Executive Directors, a review of the base and committee fees was undertaken in May 2022. As a result of the review, an increase in Non-Executive Director fees was agreed with the increase applying from 1 June 2022. The decision was as a result of the Board considering the following factors:

- There has been no change to remuneration since January 2019 and the significant growth of Fortescue since that time;
- The elevation of FFI within the Group and the FFI CEO reporting directly to the Board brings increased complexity, risk, and time commitment; and
- An ongoing need to ensure Fortescue NED fees are competitively positioned against comparator groups: ASX30, ASX50, and resources companies in the ASX100.

Consequently, at the 2022 AGM the Board will also seek shareholder approval for an increase to the aggregate fee pool. This will also provide the capacity for Elizabeth Gaines to commence as a Non-Executive Director during FY23 and additional headroom for new Non-Executive Directors to join the Fortescue Board in the interests of orderly succession planning. Further details will be provided in the 2022 Notice of Meeting.

Non-Executive Director fees for FY22 were as follows:

Position	Fee A$ effective 1 July 2021	Fee A$ effective 1 June 2022
Board Executive Chairman[1]	-	**-**
Deputy Chair and Lead Independent Director	1,100,000[2]	**1,265,000[2]**
Non-Executive Director	200,200	**230,000**
Audit, Risk Management and Sustainability Committee (ARMSC) Chair	57,200	**65,000**
ARMSC Member	21,450	**30,000**
Remuneration and People Committee (RPC) Chair	57,200	**65,000**
RPC Member	21,450	**30,000**
Finance Sub-Committee Member	8,580	**12,000**
Nomination Committee Member	-	**-**
FFI Board Fee	160,000	**184,000**

[1] The Executive Chairman of the Board has elected to forego Directors fees and receives no form of remuneration.

[2] Inclusive of Committee membership fees.

Non-Executive Directors do not receive retirement benefits, nor do they participate in any incentive programs of the Company.

c. FFI Board Fee

As disclosed in the FY21 Annual Report, the Board approved a one-off exertion cash payment to Jean Baderschneider to recognise the additional work beyond her day-to-day Board and Committee responsibilities through her role on the FFI Steering Committee. As this role became an ongoing commitment, the Board formalised the payment as a recurring fee effective from 1 July 2021. The fee is paid as part of the aggregate fee pool approved by shareholders.

d. Non-Executive Director Salary Sacrifice Share 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. Vested 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. Remuneration and People Committee

The Remuneration and People Committee (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 FY22 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 from the Corporate Governance section of our website at **www.fortescue.com**

Remuneration Consultants

May be engaged directly by the Board or RPC to provide advice or information relating to KMP that is free from influence of management.

During the year ended 30 June 2022, the Committee sought advice from remuneration consultants from time to time for remuneration advisory services. This did not involve providing the RPC with any remuneration recommendations as defined by the *Corporations Act 2001*.

Will be engaged directly by management other than in respect of KMP to provide data to ensure Fortescue's remuneration position remains competitive.

Board of Directors

- Approve the remuneration of Non-Executive Directors and CEO
- Ensure remuneration practices are competitive and strategic and align with the attraction and retention policies of the Company

Board Remuneration and People Committee

Advise the Board on:
- Remuneration strategy, policies and practices
- NED and senior executive remuneration
- Committee member appointments
- Senior executive recruitment and the Company's recruitment, ESSIP, LTIP, retention and termination policies and annual performance reviews
- Succession planning and talent management
- Diversity strategy and gender pay equity
- Information on risk, including non-financial risk shared among Committee members

Human Resources Management

- Implementation of remuneration policies and practices
- Advising the RPC of changing statutory and market conditions
- Providing relevant information to the RPC to assist with decisions

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 annual base fee
CEO:	200 per cent of total fixed remuneration
Other Executive KMP:	100 per cent of total fixed remuneration

Participants are required to meet their respective minimum shareholding within a reasonable timeframe, generally within five years from the effective date of the policy, or the date of their appointment, if later.

The Directors' and Executives' Shareholding Policy can be accessed from the Corporate Governance section of our website at **www.fortescue.com**

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 of our website at **www.fortescue.com**

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.

a. Executive remuneration

Statutory remuneration differs significantly from actual remuneration paid to executives due to the accounting treatment of share-based payments. For details of remuneration actually paid to the Chief Executive Officer and Executives in FY22 refer to Section 4. The tables below include statutory remuneration disclosures for FY22 and FY21. Disclosures are provided in USD and AUD.

US$		Short-term employee benefits				Post employment benefits	Long-term employee benefits	Share-based payments		Total Statutory Remuneration
		Cash salary and fees	ESSIP cash value for FY22 plan year	Other Cash payment[1]	Non-monetary benefits	Superannuation	Accrued annual and long service leave[3]	ESSIP share value	LTIP share value	Total
Executive Director										
E Gaines	FY22	1,490,012	708,555	725,950	3,202	19,964	88,975	409,630	1,351,985	4,798,273
	FY21	1,474,910	-	-	2,880	18,670	75,565	946,082	1,113,412	3,631,519
Other KMP										
I Wells	FY22	775,628	-	381,124	3,202	17,109	58,187	316,239	488,552	2,040,041
	FY21	767,927	-	-	2,880	16,202	36,092	662,259	395,577	1,880,937
D Otranto[2]	FY22	608,669	216,098	-	6,346	14,973	26,898	135,746	109,141	1,117,871
	FY21	-	-	-	-	-	-	-	-	-
J Shuttleworth	FY22	760,528	-	373,864	-	17,109	59,570	435,796	520,638	2,167,505
	FY21	752,991	-	74,679	1,488	16,202	94,688	626,261	648,227	2,214,536

Remuneration values have been translated from Australian dollars to US dollars using an average exchange rate of 0.74679 for FY21 and 0.72595 for FY22.

A$		Short-term employee benefits				Post employment benefits	Long-term employee benefits	Share-based payments		Total Statutory Remuneration
		Cash salary and fees	ESSIP cash value for FY22 plan year	Other Cash payment[1]	Non-monetary benefits	Superannuation	Accrued annual and long service leave[3]	ESSIP share value	LTIP share value	Total
Executive Director										
E Gaines	FY22	2,052,500	976,038	1,000,000	4,411	27,500	122,564	564,268	1,862,366	6,609,647
	FY21	1,975,000	-	-	3,856	25,000	101,186	1,266,865	1,490,931	4,862,838
Other KMP										
I Wells	FY22	1,068,432	-	525,000	4,411	23,568	80,153	435,621	672,983	2,810,168
	FY21	1,028,304	-	-	3,856	21,696	48,329	886,807	529,703	2,518,695
D Otranto[2]	FY22	838,445	297,676	-	8,741	20,625	37,052	186,991	150,342	1,539,872
	FY21	-	-	-	-	-	-	-	-	-
J Shuttleworth	FY22	1,047,632	-	515,000	-	23,568	82,058	600,312	717,182	2,985,752
	FY21	1,008,304	-	100,000	1,993	21,696	126,793	838,604	868,018	2,965,408

[1] Discretionary payment equal to 50% of FY21 TFR in recognition of FY21 financial and operational performance.

[2] D Otranto commenced employment on 25 October 2021.

[3] The prior year comparative has been updated to include movements in annual leave and long service leave balances.

b. NED remuneration

The remuneration of NEDs for the year ended 30 June 2022 and 30 June 2021 is detailed below.

US$		Base fees	Committee fees	Other benefits	Superannuation	Total
Dr A Forrest AO*	FY22	-	-	-	-	**-**
	FY21	-	-	-	-	**-**
M Barnaba AM	FY22	788,563	-	-	19,964	**808,527**
	FY21	802,799	-	-	18,670	**821,469**
Dr J Baderschneider	FY22	147,138	133,692	-	-	**280,830**
	FY21	149,507	16,019	74,679	-	**240,205**
P Bingham-Hall	FY22	133,247	34,927	-	17,578	**185,752**
	FY21	135,300	34,792	-	17,859	**187,951**
Lord S Coe CH, KBE	FY22	147,138	-	-	-	**147,138**
	FY21	149,507	-	-	-	**149,507**
Dr C Zhiqiang	FY22	96,890	-	-	-	**96,890**
	FY21	149,507	-	-	-	**149,507**
J Morris OAM	FY22	133,385	52,543	-	19,296	**205,224**
	FY21	136,418	53,154	-	18,670	**208,242**
Dr Y Zhang	FY22	147,138	-	-	-	**147,138**
	FY21	149,507	-	-	-	**149,507**

*In May 2022, it was announced that Dr Andrew Forrest AO would be appointed to the role of Executive Chairman effective August 2022.

Remuneration values have been translated from Australian dollars to US dollars using an average exchange rate of 0.74679 for FY21 and 0.72595 for FY22.

A$		Base fees	Committee fees	Other benefits	Superannuation	Total
Dr A Forrest AO*	FY22	-	-	-	-	**-**
	FY21	-	-	-	-	**-**
M Barnaba AM	FY22	1,086,250	-	-	27,500	**1,113,750**
	FY21	1,075,000	-	-	25,000	**1,100,000**
Dr J Baderschneider	FY22	202,683	184,162	-	-	**386,845**
	FY21	200,200	21,450	100,000	-	**321,650**
P Bingham-Hall	FY22	183,548	48,112	-	24,214	**255,874**
	FY21	181,176	46,589	-	23,915	**251,680**
Lord S Coe CH, KBE	FY22	202,683	-	-	-	**202,683**
	FY21	200,200	-	-	-	**200,200**
Dr C Zhiqiang	FY22	133,467	-	-	-	**133,467**
	FY21	200,200	-	-	-	**200,200**
J Morris OAM	FY22	183,738	72,378	-	26,581	**282,697**
	FY21	182,673	71,177	-	25,000	**278,850**
Dr Y Zhang	FY22	202,683	-	-	-	**202,683**
	FY21	200,200	-	-	-	**200,200**

*In May 2022, it was announced that Dr Andrew Forrest AO would be appointed to the role of Executive Chairman effective August 2022.

c. Details of performance grants to Executive Directors

Details of performance rights granted in FY22 in accordance with the Performance Rights Plan are shown in the table below.

E Gaines	Share rights granted in FY22
ESSIP Share Rights	49,627
LTIP Share Rights	132,338
Total	181,965

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.

d. 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 2020 to 30 June 2022. The value of the rights has been determined using the grant date fair value.

LTIP Plan	Grant date	Performance period	No. share rights granted	Value per share right granted[1]		Value of rights granted at grant date		% Performance achieved	% Vested	No. Vested	Forfeited / lapsed
				US$	A$	US$	A$				
E Gaines											
FY20	18/11/2019	1/7/19 to 30/6/22	301,985	5.13	7.55	1,549,183	2,279,987	100%	81.2%	245,255	56,730
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			
FY22	9/11/2021	1/7/21 to 30/6/24	132,338	6.23	8.42	824,466	1,114,286	Determined in 2024			
I Wells											
FY20	18/11/2019	1/7/19 to 30/6/22	108,824	5.13	7.55	558,267	821,621	100%	81.2%	88,380	20,444
FY21	11/11/2020	1/7/20 to 30/6/23	74,225	7.55	10.34	560,572	767,487	Determined in 2023			
FY22	22/11/2021	1/7/21 to 30/6/24	46,319	6.76	9.28	313,116	429,840	Determined in 2024			
D Otranto[2]											
FY20	-	-	-	-	-	-	-	-			
FY21	-	-	-	-	-	-	-	-			
FY22	22/11/2021	1/7/21 to 30/6/24	48,602	6.76	9.28	328,550	451,027	Determined in 2024			
J Shuttleworth											
FY20	18/11/2019	1/7/19 to 30/6/22	108,824	5.13	7.55	558,267	821,621	100%	81.2%	88,380	20,444
FY21	18/11/2020	1/7/20 to 30/6/23	72,812	7.55	10.34	549,901	752,876	Determined in 2023			
FY22	23/05/2022	1/7/21 to 30/6/24	45,437	8.95	12.7	406,661	577,050	Determined in 2024			

LTIP awards are determined at the first Board meeting following the end of the relevant performance period.

[1] The estimated fair value of LTIP performance rights was determined using an option pricing model as disclosed in note 18 of the Financial Report.

[2] D Otranto commenced employment on 25 October 2021.

e. KMP share rights

Share rights granted under the ESSIP at the beginning of FY22 (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 FY20 which vested in FY22 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.

FY20 LTIP and FY22 ESSIP share rights movement

Executive	Share rights granted	Share rights lapsed[1,2]	Share rights forfeited[2]	Share rights vested[3]
E Gaines				
FY22 ESSIP	49,627	8,228	-	41,399
FY20 LTIP	301,985	56,730	-	245,255
I Wells				
FY22 ESSIP	34,739	5,325	-	29,414
FY20 LTIP	108,824	20,444	-	88,380
D Otranto				
FY22 ESSIP	14,912	2,286	-	12,626
FY20 LTIP	-	-	-	-
J Shuttleworth				
FY22 ESSIP	34,078	4,390	-	29,688
FY20 LTIP	108,824	20,444	-	88,380

[1] Unvested share rights lapse.

[2] Lapsed and forfeited share rights are reported in the table below in the year in which they lapsed or were forfeited.

[3] Vested share rights are reported in the following year movements as they do not vest until Board approval subsequent to year end. All vesting conditions are satisfied at 30 June.

Share rights movement in FY22

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:

FY22	Balance at the start of the year	Granted[1]	Exercised / converted[2]	Forfeited / lapsed[2]	Other	Balance at the end of the year	Vested	Unvested	Not exercisable
Executive Directors of Fortescue									
E Gaines	926,125	181,965	(113,994)	(298,074)	-	696,022	-	696,022	696,022
Other Key Management Personnel of Fortescue									
I Wells	331,905	81,058	(41,180)	(107,676)	-	264,107	-	264,107	264,107
D Otranto[3]	-	63,514	-	-	-	63,514	-	63,514	63,514
J Shuttleworth	454,737	79,515	(113,087)	(160,014)	-	261,151	-	261,151	261,151

[1] Performance Rights for the FY22 ESSIP and FY22 LTIP were granted in accordance with the short and long-term performance rights plan, as disclosed in note 18 of the Financial Report.

[2] Relates to FY21 ESSIP and FY19 LTIP exercised/converted.

[3] D Otranto commenced employment on 25 October 2021.

f. 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:

FY22	Held at 1 July 2021	Received on conversion of rights	Issued	Purchases	Sales	Other changes during the year	Held at 30 June 2022
Non-executive Directors of Fortescue							
M Barnaba AM	40,300	-	-	-	-	-	40,300
Dr J Baderschneider	138,000	-	-	-	-	-	138,000
P Bingham-Hall	47,961	-	-	8,077	-	-	56,038
Lord S Coe CH, KBE	-	-	-	-	-	-	-
Dr C Zhiqiang[2]	-	-	-	-	-	-	-
J Morris OAM	15,701	-	-	3,242	-	-	18,943
Dr Y Zhang	12,000	-	-	-	-	-	12,000
Executive Directors of Fortescue							
Dr A Forrest AO[1]	1,131,365,000	-	-	-	-	-	1,131,365,000
E Gaines	981,073	113,994	-	-	(753,773)	-	341,294
Other Key Management Personnel of Fortescue							
I Wells	733,781	41,180	-	-	-	-	774,961
D Otranto[3]	-	-	-	128	-	-	128
J Shuttleworth	815,084	113,087	-	23,041	-	-	951,212

[1] In May 2022, it was announced that Dr Andrew Forrest AO would be appointed to the role of Executive Chairman effective August 2022.

[2] Dr C Zhiqiang resigned on 25 February 2022.

[3] D Otranto commenced employment on 25 October 2021.

09

CORPORATE DIRECTORY

TOP 20 HOLDERS OF ORDINARY SHARES AT 24 AUGUST 2022

Rank	Name	Shares number	% of issued capital
1	Tattarang Pty Ltd	918,806,548	29.84
2	HSBC Custody Nominees (Australia) Limited	600,384,188	19.50
3	JP Morgan Nominees Australia Pty Limited	392,514,613	12.75
4	Valin Investments (Singapore) Pte Ltd	228,007,497	7.41
5	Citicorp Nominees Pty Limited	94,416,860	3.07
6	Emichrome Pty Ltd	93,045,000	3.02
7	AMNL Financing Pty Ltd	71,365,581	2.32
8	BNP Paribas Noms Pty Ltd	44,419,751	1.44
9	Valin Resources Investments (Singapore) Pte Ltd	37,876,216	1.23
10	National Nominees Limited	24,171,131	0.79
11	Citicorp Nominees Pty Limited	19,707,121	0.64
12	BNP Paribas Nominees Pty Ltd ACF Clearstream	14,746,796	0.48
13	Pacific Custodians Pty Limited	13,150,036	0.43
14	Pacific Custodians Pty Limited	12,458,334	0.40
15	HSBC Custody Nominees (Australia) Limited	8,635,367	0.28
16	Invia Custodian Pty Limited	8,244,951	0.27
17	BNP Paribas Nominees Pty Ltd	7,501,633	0.24
18	Pelmavigel Pty Ltd	4,991,491	0.16
19	Peter & Lyndy White Foundation Pty Ltd	4,851,467	0.16
20	Citicorp Nominees Pty Limited	4,475,909	0.15
		2,603,770,490	**84.57**

Substantial holders

Rank	Name	Shares number	% of issued capital
1	Tattarang 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
3	The Capital Group Companies, Inc.	224,089,471	7.28

Range	Shareholders number
1 to 1,000	113,636
1,001 to 5,000	46,446
5,001 to 10,000	8,855
10,001 to 100,000	6,101
100,001 and Over	307
Total	**175,345**

Unmarketable parcels

There were **4,786** members holding less than a marketable parcel of share in the Company.

pwc

Independent Limited Assurance Report to the Board of Directors of Fortescue Metals Group Ltd

Scope

We were engaged by Fortescue Metals Group Ltd to perform an independent limited assurance engagement in respect of the Green Bond Allocation Reporting within the Operating and Financial Review set out in Table 1 below (the Subject Matter) for Fortescue Metals Group Ltd (the Company) and its controlled entities (together the Group) as at 30 June 2022. Our assurance does not extend to any other information included within the Operating and Financial Review. The Criteria against which we assessed the Subject Matter is the basis of preparation set out on page 44 of the Fortescue Annual Report for the year ended 30 June 2022.

Table 1

Eligible Project	Eligible Category	Cumulative spend at 30 June 2022 US$m
Acquisition of Williams Advanced Engineering	Energy Storage	205
Pilbara Generation Project	Renewable Energy	20
Pilbara Transmission Project	Renewable Energy	51
Green Fleet Energy Hub	Clean Transportation	24
Battery Electric Locomotives	Clean Transportation	5
Total allocated		**305**

Management's responsibilities

The Group's management is responsible for the Subject Matter and for the preparation of the Subject Matter in accordance with the Criteria.

Our Independence and Quality control

We have complied with relevant ethical requirements related to assurance engagements, which include independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

In accordance with Auditing Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements* the firm maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibilities

Our responsibility is to express a limited assurance conclusion based on the procedures we have performed and the evidence we have obtained.

Our engagement has been conducted in accordance with the Australian Standard on Assurance Engagements (ASAE 3000) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*. That standard requires that we plan and perform this engagement to obtain limited assurance about whether anything has come to our attention to indicate that the Subject Matter has not been prepared, in all material respects, in accordance with the Criteria, as at 30 June 2022. The procedures we performed were based on our professional judgement and included, amongst others, the following:

PricewaterhouseCoopers, ABN 52 780 433 757
Brookfield Place, 125 St Georges Terrace, PERTH WA 6000, GPO Box D198, PERTH WA 6840
T: +61 8 9238 3000, F: +61 8 9238 3999, www.pwc.com.au

- Enquiring of relevant management and obtaining supporting evidence to assess the eligibility of the projects against the Group's Sustainability Financing Framework (as announced on 9 November 2021),
- Obtaining supporting evidence to assess the allocation of green bonds proceeds to eligible projects, and
- Agreeing amounts including in the Subject Matter to underlying data sources and calculations on a sample basis.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance opinion.

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

Use of report

This report, including our conclusions, has been prepared solely for the Board of Directors of the Group in accordance with the agreement between us, to assist the Directors in reporting on the Group's Green Bond Allocation. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Directors and the Group for our work or this report except where terms are expressly agreed between us in writing.

We permit this report to be disclosed in the Fortescue Annual Report for the year ended 30 June 2022 to assist the Directors in responding to their governance responsibilities by obtaining an independent assurance report in connection with the Subject Matter.

Inherent limitations

Because of the inherent limitations of an assurance engagement, together with the internal control framework, it is possible that fraud, error or non-compliance may occur and not be detected. A limited assurance engagement is not designed to detect all instances of non-compliance of the Subject Matter with the Criteria, as it is limited primarily to making enquiries, of the Group, and applying analytical procedures. The limited assurance conclusion expressed in this report has been formed on the above basis.

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Green Bond Allocation Reporting within the Operating and Financial Review set out in Table 1 has not been prepared, in all material respects, in accordance with the Criteria as at 30 June 2022.

PricewaterhouseCoopers

PricewaterhouseCoopers

Justin Carroll

Justin Carroll
Partner

Perth
29 August 2022

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.

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 Costs
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_2-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.

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.

KMP
Key management personnel 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.

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 sub-divided, 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.

CONTACT DETAILS

Fortescue Australia

Level 2, 87 Adelaide Terrace
East Perth, WA 6004
T: +61 8 6218 8888
F: +61 8 6218 8880
E: fmgl@fmgl.com.au
www.fortescue.com

Fortescue VTEC and Community office

1B/2 Byass Street
South Hedland, WA 6722
T: +61 8 9158 5800
F: +61 8 6218 8880
E: hedlandcommunity@fmgl.com.au
E: vtec@fmgl.com.au

Australian Business Number

ABN 57 002 594 872

Auditor

PwC
Level 15, 125 St Georges Terrace
Perth, WA 6000
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

Link Market Services Limited
Level 12, QV1 Building
250 St Georges Terrace
Perth, WA 6000
Locked Bag A14
Sydney South, NSW 1235
T: 1300 733 136 (within Australia)
T: +61 2 8280 7603 (International)
F: +61 2 9287 0309
www.linkmarketservices.com.au

Fortescue Shanghai, China

Unit 3, Floor 15 No. 1366 Lujiazui Ring Road Pudong New Area Shanghai, P.R China

Singapore

FMG International
The Central
8 Eu Tong Sen St
24-91 Singapore 059818

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