Record shipments reflect strong operating performance and resilient demand, resulting in sustained cashflow generation and upgraded guidance

Quarterly highlights

- The Total Recordable Injury Frequency Rate (TRIFR) was maintained at 2.5, improving 11 per cent from 2.8 in FY19
- The health and safety of the Fortescue team is the highest priority and a range of comprehensive measures have been implemented in response to the global COVID-19 pandemic
- Record third quarter iron ore shipments of 42.3 million tonnes were 10 per cent higher than Q3 FY19, and year-to-date shipments are a record 130.9 million tonnes
- C1 costs of US$13.27/wet metric tonne (wmt) were two per cent lower than Q3 FY19 costs of US$13.51/wmt
- Robust demand for Fortescue products delivered average revenue of US$73/dry metric tonne (dmt)
- Strong free cashflow generation resulted in cash on hand of US$4.2 billion at 31 March 2020 and net cash of US$0.1 billion, compared to net debt of US$2.9 billion at 31 March 2019
- Fortescue’s major growth projects achieved key milestones in Q3 with capital expenditure guidance for FY20 revised to US$2.0 - US$2.2 billion, reflecting expected timing of cash outflows
- Based on the strong operating performance year-to-date, guidance for FY20 shipments is upgraded to 175 - 177 million tonnes.

Fortescue Chief Executive Officer, Elizabeth Gaines, said “The health and safety of our people, their families and the broader community is our priority, and we have been responsive to the unprecedented global COVID-19 health pandemic and economic crisis. We are committed to ensuring robust plans are implemented to prevent the spread of infection to any of our sites, with a temporary extended operational roster introduced to reduce people movement, as well as measures to monitor the health of all team members and support best practice physical distancing at our operations.”

“Fortescue’s strong operating performance in the March quarter has delivered record shipments, increasing ten per cent compared to the prior comparable quarter, and a two per cent reduction in C1 costs maintaining our industry leading cost position. This result underpins an upgrade to our full year guidance for shipments.”

“Fortescue is a core supplier of iron ore to China and we see strong ongoing demand for our products and anticipate a steady recovery in economic activity in that market. While the global economic outlook remains uncertain, our balance sheet has never been stronger and we continue to generate sustained cashflows and jobs, invest in growth and focus on delivering returns to our shareholders.”
COVID-19 response

- The Company has proactively implemented and expanded a range of measures to protect the health and safety of the Fortescue team and contribute to efforts to contain the spread of COVID-19 across its operations and the wider community.

- Fortescue’s site operational roster has been temporarily extended from a two week on/one week off roster to a four week on/two week off roster which has reduced people movement by approximately 40 per cent.

- Additional charter flights and bus services have been arranged to ensure physical distances are maintained between team members.

- Temperature and health testing is in place at the Perth Domestic Airport, site aerodromes and Perth offices. A rapid screening process has been recently introduced across the operations.

- Team members in higher risk health categories are working from home, as are office based staff and non critical site based employees.

- Additional measures across Fortescue’s villages include changes to food service, the closure of wet mess (licenced) areas, gyms and swimming pool facilities, and additional cleaning services.

- The Company is supporting suppliers through providing 14 day payment terms to all small businesses and working collaboratively with all suppliers to address any cashflow challenges.

- Fortescue has provided financial assistance and implemented targeted measures to ensure communities are supported during and after the pandemic. This includes a A$1 million donation to the Royal Flying Doctor Service and distributing over 1,300 care packages to Aboriginal communities in the Pilbara. In addition, Fortescue has supported The Minderoo Foundation in procuring and distributing A$160 million of lifesaving medical supplies and equipment to the West Australian healthcare sector.

Operations

<table>
<thead>
<tr>
<th>Production summary (wmt)</th>
<th>Q3 FY20</th>
<th>Q2 FY20</th>
<th>Var (%)</th>
<th>Q3 FY19</th>
<th>Var (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ore mined</td>
<td>41.9</td>
<td>54.6</td>
<td>(23)</td>
<td>48.0</td>
<td>(13)</td>
</tr>
<tr>
<td>Overburden removed</td>
<td>77.5</td>
<td>70.7</td>
<td>10</td>
<td>67.3</td>
<td>15</td>
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<tr>
<td>Ore processed</td>
<td>42.4</td>
<td>46.2</td>
<td>(8)</td>
<td>43.0</td>
<td>(1)</td>
</tr>
<tr>
<td>Total ore shipped</td>
<td>42.3</td>
<td>46.4</td>
<td>(9)</td>
<td>38.3</td>
<td>10</td>
</tr>
<tr>
<td>C1 (US$/wmt)</td>
<td>13.27</td>
<td>12.54</td>
<td>6</td>
<td>13.51</td>
<td>(2)</td>
</tr>
</tbody>
</table>

Note: Volume references are based on wet metric tonnes (wmt). Product is shipped with about 8-9 per cent moisture.

- The Total Recordable Injury Frequency Rate (TRIFR) reduced to 2.5 on a rolling 12-month basis as at March 2020 from 2.8 in FY19.

- Fortescue remains focussed on improving safety culture and performance through committed leadership and empowerment of the workforce. A structured approach to reducing the fatality risk profile through a range of engineering controls continues, and an exposure reduction program was introduced during the quarter to further reduce the risk of injuries to the workforce.

- Building on the record achieved for the first half of FY20, Fortescue’s outstanding operating performance was sustained with mining, processing, rail, and shipping combining to deliver record third quarter shipments of 42.3 million tonnes. This result was 10 per cent higher than Q3 FY19 despite weather disruptions and COVID-19 measures. The Q3 FY20 strip ratio was 1.9 and guidance for FY20 remains at 1.5.

- C1 costs of US$13.27/wmt were two per cent lower than the prior comparable period, reflecting strong performance and sustained cost management. The six per cent increase compared to Q2 FY20 was predominantly driven by the higher strip ratio in the quarter. Year-to-date C1 costs are US$12.90/wmt.
• The autonomous haulage project is progressing as planned, with 163 trucks operating autonomously, and is expected to be completed in the second half of calendar year 2020.

• Fortescue continues to be well positioned to deliver on upgraded guidance and meet the needs of customers, underpinned by its fully integrated operations and marketing strategy.

Marketing

• Chinese crude steel production was resilient in the first quarter of CY20, reaching 234.5 million tonnes, 1.2 per cent higher year-on-year, according to China’s National Bureau of Statistics. China’s iron ore demand was supported by continued strong steel production and reduced consumption of scrap steel, while seaborne iron ore supply was affected by weather-related disruptions. Total iron ore stocks at Chinese ports at 31 March 2020 were 117 million tonnes, 10 million tonnes lower than 31 December 2019.

• Strength in steel production supported demand for Fortescue’s products with average revenue of US$72.69/dmt in Q3 FY20, representing revenue realisation of 82 per cent of the average Platts 62% CFR Index price of US$89.00/dmt in the quarter with Fortescue’s contractual price realisation averaging 83 per cent of the Index. The Platts 62% CFR Index closed at US$83.70/dmt at 31 March 2020, compared to US$91.95/dmt at 31 December 2019.

<table>
<thead>
<tr>
<th>Tonnes shipped (wmt)</th>
<th>Q3 FY20</th>
<th>Mix (%)</th>
<th>Q2 FY20</th>
<th>Mix (%)</th>
<th>Q3 FY19</th>
<th>Mix (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>West Pilbara Fines</td>
<td>4.1</td>
<td>10</td>
<td>4.7</td>
<td>10</td>
<td>3.8</td>
<td>10</td>
</tr>
<tr>
<td>Kings Fines</td>
<td>3.2</td>
<td>8</td>
<td>4.2</td>
<td>9</td>
<td>3.4</td>
<td>9</td>
</tr>
<tr>
<td>Fortescue Blend</td>
<td>17.6</td>
<td>41</td>
<td>19.9</td>
<td>43</td>
<td>16.1</td>
<td>42</td>
</tr>
<tr>
<td>Fortescue Lump</td>
<td>3.5</td>
<td>8</td>
<td>3.3</td>
<td>7</td>
<td>2.2</td>
<td>6</td>
</tr>
<tr>
<td>Super Special Fines</td>
<td>13.9</td>
<td>33</td>
<td>14.3</td>
<td>31</td>
<td>12.6</td>
<td>33</td>
</tr>
<tr>
<td>Manganese Iron Ore</td>
<td>0.0</td>
<td>0</td>
<td>0.0</td>
<td>0</td>
<td>0.2</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>42.3</td>
<td>100</td>
<td>46.4</td>
<td>100</td>
<td>38.3</td>
<td>100</td>
</tr>
</tbody>
</table>

Balance sheet

• Cash on hand was US$4.2 billion at 31 March 2020 (US$3.3 billion at 31 December 2019). This includes US$1.6 billion reserved for the FY20 interim dividend, which was paid on 6 April 2020.

• Gross debt remained at US$4.0 billion at 31 March 2020, resulting in a net cash position of US$0.1 billion, compared with net debt of US$2.9 billion at 31 March 2019.

• Fortescue’s balance sheet remains structured on low cost, investment grade terms while maintaining flexibility for additional repayment and future growth. Consistent with its disciplined capital management strategy and to enhance the strong liquidity position, the Company drew down on its US$1.0 billion Revolving Credit Facility in April 2020.

• Total capital expenditure for the quarter was US$414 million inclusive of sustaining capital, exploration and development expenditure. Total capital expenditure year-to-date is US$1.3 billion.

• The iron ore prepayment balance reduced to US$87 million at 31 March 2020, with amortisation for the quarter of US$131 million. The balance of these prepayments will be amortised by 30 June 2020.
Iron ore projects

Eliwana

- The Eliwana Mine and Rail project achieved key milestones in the quarter including the completion of earthworks on stage one of the railway in preparation for first track laying, the first steel erection for the Ore Processing Facility and completion of the permanent village and aerodrome. The first charter flight is expected in the June quarter, while pre-strip mining is scheduled to commence in Q1 FY21.

- Fortescue is continuing to work closely with its contractors and suppliers to mitigate any impact of COVID-19 on the project schedule. Site works are ramping up with the construction peak still expected around mid-year, in accordance with the schedule of first ore on train in December 2020.

- Contractual capital commitments for the Eliwana project are tracking in line with expectations, however the timing of incurred spend and cash outflows has contributed to a revision in FY20 capital expenditure guidance to US$550 – US$650 million (previously US$700 – US$800 million). This timing variance will be incurred in FY21, with total investment in the project unchanged at US$1.275 billion.

Iron Bridge

- The US$2.6 billion Iron Bridge Magnetite project is progressing on schedule and budget, with first concentrate production planned in the first half of calendar year 2022.

- Key milestones in the quarter included detailed engineering passing the halfway mark, procurement of major long lead process equipment committed and the first blast at the Ore Processing Facility site, enabling bulk earthworks to commence.

- Key project deliverables in the June quarter include completion of the mine access road and permanent village earthworks and in the second half of the calendar year will focus on commencement of site construction and major module fabrication.

- Fortescue’s share of Iron Bridge capital expenditure in FY20 is now expected to be at the lower end of the guided range of US$300 - US$400 million. The Company’s share of total investment in the project is unchanged at US$2.1 billion.

Exploration

- Total exploration expenditure for Q3 FY20 was US$18 million. It is anticipated that full year expenditure will be US$120 million, which is US$20 million lower than earlier expectations due to COVID-19 impacts.

- Iron ore exploration in the Pilbara is ongoing, with activity in the quarter focussed on resource definition drilling at Eliwana in the Western Hub region. Fortescue’s non-critical heritage surveys were suspended in March 2020 in response to COVID-19.

- All field exploration activities in the Paterson, Rudall and Goldfields regions of Western Australia, together with activities in New South Wales and South Australia were temporarily suspended in March 2020.

- Exploration and field activities in Ecuador and Argentina were temporarily suspended in March 2020, to align with Government mandated lockdowns due to COVID-19. Assessment of previous drilling activities and various geological studies are ongoing.
FY20 guidance

- Guidance for shipments upgraded to 175 - 177 million tonnes (previously upper end of the range of 170 - 175 million tonnes)
- C1 cost guidance of US$12.75 - US$13.25/wmt
- Average waste to ore strip ratio of 1.5
- Total capital expenditure revised to US$2.0 - US$2.2 billion (previously US$2.4 billion), reflecting the timing of expected payments on growth projects
- Depreciation and amortisation of US$7.70/wmt
- Dividend policy remains to pay-out a ratio of 50 to 80 per cent of full year net profit after tax.

Authorised for lodgement by:
Cameron Wilson
Company Secretary

Contacts

Media contact: Michael Vaughan, Fivemark Partners
E: mediarelations@fmgl.com.au
M: +61 422 602 720

Investor Relations contact: Andrew Driscoll, GM Investor Relations
E: investorrelations@fmgl.com.au
P: +61 8 9230 1647

Reporting calendar

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>June Quarter Production Report</td>
<td>30 July 2020</td>
</tr>
<tr>
<td>FY20 Results</td>
<td>24 August 2020</td>
</tr>
<tr>
<td>September Quarter Production Report</td>
<td>29 October 2020</td>
</tr>
<tr>
<td>Annual General Meeting</td>
<td>11 November 2020</td>
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