Fortescue

APPENDIX 4E
For the year ended 30 June 2020

This information should be read in conjunction with Fortescue's Annual Report, for the year ended 30 June 2020.

Name of entity
Fortescue Metals Group Ltd

ABN
57 002 594 872

Results for announcement to the market

		US$ million
Revenue from ordinary activities	Up 29% to	12,820
Profit from ordinary activities after tax attributable to members	Up 49% to	4,735
Net profit attributable to members	Up 49% to	4,735

Dividends	Amount per security	Franked amount per security
Financial year ended 30 June 2020:		
Interim – ordinary	A$0.76	A$0.76
Final – ordinary	A$1.00	A$1.00
Total dividends	**A$1.76**	**A$1.76**
Previous corresponding period:		
Interim – ordinary and special	A$0.30	A$0.30
Final – ordinary and accelerated	A$0.84	A$0.84
Total dividends	**A$1.14**	**A$1.14**
Ex-dividend date of final dividend	31 August 2020	
Record date of final dividend	1 September 2020	
Payment date of final dividend	2 October 2020	

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 ten trading days commencing on 3 September 2020.

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 2 September 2020. 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 1 October 2020. 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$4.30 (previous corresponding period: US$3.44).

Previous corresponding period
The previous corresponding period is the 12 months ended 30 June 2019.

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

Annual Report FY20

ABN 57 002 594 872

Global force | Thriving communities

Contents

Our Purpose

Global force | Thriving communities

Our Culture

We are 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.

Our Values

2020

Year at a glance

2.4
Total Recordable Injury Frequency Rate

178.2mt
Shipped

US$ 12.94/wmt
C1 costs

US$ 4.7bn
Net Profit After Tax

US$ 4.9bn
Cash on hand

A$ 17.2bn
Total global economic contribution

01

Overview

Chairman's message

Dr Andrew Forrest AO

High capital and high yield growth – it is incredibly rare for a company, let alone one operating in the resources sector, to occupy both spaces. The fact that Fortescue has successfully done so is thanks to the values we hold as a family globally – our character, determination, humility, innovation, enthusiasm, frugality and commitment.

From Argentina to Port Hedland, the feedback is consistent: members of the Fortescue Family revere the privilege of their careers and love working with each other. It is this rare mix that achieves what others dismiss as unrealistic or too hard. Our culture engenders the high performance that is now part of Fortescue's DNA, as we lead the world in our exploration, development, project execution and operational capability.

In the last twelve months, we have completed our journey to develop a vertically integrated supply chain, all the way from exploration to the world's steel industries. Fortescue's assets and infrastructure rival the best in the world, and, along with our strongly innovative and collegiate culture, ensure that we will not only solve the new challenges the world is throwing at us, but also become a better and stronger company because of them.

We are now entering a period in which our world is changing at a pace that is unprecedented in global history. Against this backdrop, it is very clear that artificial intelligence, including autonomy, will undoubtedly be one of the greatest industrial revolutions in history. Fortescue is leading by example and our Board and leadership understands the deep challenges and opportunities, for Fortescue and for humanity, that these technologies bring.

This year, we welcomed Dr Ya-Qin Zhang to our Board. Dr Zhang's knowledge and experience in the areas of autonomy, technology and innovation will be highly valuable as we successfully navigate this time of rapid technology advancement. Ms Sharon Warburton retired, serving through a high growth and challenging period for Fortescue. We thank Sharon for her service and contribution.

Our Board brings a diversity of thought, experience and expertise to the table that drives our business to set and deliver the challenging stretch targets that define us. Together, we oversee a company that directly and indirectly employs 14,000 people, that is part of the essential fabric of Western Australia and which is a strong contributor to the economies of our state and our nation.

Fortescue is committed to community and environmental responsibility including contributing to local prosperity, social equality, and carbon neutrality. We believe carbon neutrality must be achieved as soon as possible and we are aggressively investing in practical initiatives that reduce or eliminate emissions, such as solar, wind and hydrogen energy.

As we focus on the future, we will never lose sight of where we have come from and the friendships we have built along the way. Fortescue continues to have strong relationships, with our customers in Asia. We work tirelessly with our partner countries to keep standards high. From developing technologies, to the blue economy and the transitioning energy sector, our connections allow us to share ideas, perspectives and knowledge and underpin Fortescue's outperformance.

The success of our company is in delivering enhanced returns to our shareholders. We are in this privileged position thanks to the Fortescue Family. It's through the outstanding performance, hard work and dedication of everyone at Fortescue that Minderoo Foundation has been funded, largely through the dividends it has received from Fortescue, to support a wide range of philanthropic initiatives in Australia and across the world for the benefit of all Australians.

This year, Nicola and I announced an additional personal donation of A$520 million to Minderoo Foundation, bringing our total donations to the Foundation's causes, both here and abroad, to over A$2 billion. During FY20, we continued to accumulate Fortescue shares and the majority of the Foundation's support goes to the critical issues that challenge our fellow Australians. Uniquely, we take pride in targeting the most intractable problems – the ones that require immense teamwork between government, business, civil society and philanthropy.

As Minderoo responded to COVID-19 with the procurement of desperately needed medical supplies and established the Minderoo Foundation Fire Fund, our belief that "we all have to look out for each other" has never been stronger.

We are also expanding the existing work of Minderoo Foundation and its efforts to:

- Fight cancer, particularly childhood cancer, through research collaboration;
- Maximise early childhood development from conception to the age of five;
- Restore ocean health by eliminating plastic waste and eradicating overfishing;
- Build strong communities through arts, culture and community programs;
- Bring meaningful accountability and governance to frontier technologies;
- Eliminate modern slavery and human rights abuses, particularly against children;
- Create parity with and for Indigenous Australians including early childhood programs and pathways to training, employment and business ownership;
- Provide PhD and postdoctoral scholarships to the brightest researchers from around the world and attract them to live and work in Australia.

Fortescue management, led by Chief Executive Officer Elizabeth Gaines, Deputy Chief Executive Officer Julie Shuttleworth, Chief Operating Officer Greg Lilleyman and Chief Financial Officer Ian Wells, have delivered an outstanding year, all the more outstanding given the leadership required to successfully adapt our operations in response to COVID-19.

Fortescue has an extremely hard-working culture of family, inclusiveness, energy, commitment, determination and trust and it is this culture that continues to drive our success. So therefore, I deeply thank our team, everyone who joined the company this year, through to those who have been with us from the outset. To you all, be assured we are still, to this very day, pioneers together, just as we were when we started this company only 17 years ago.

The new frontiers and steep challenges we faced then, are just as great today. But with the strength of the Fortescue Family with us, we share the belief that if we can imagine a better future, we can achieve it.

Protecting Australia from COVID-19

In an unprecedented collaboration between business and philanthropy, Fortescue and Minderoo worked together to procure scarce personal protective equipment (PPE) for our frontline carers, nurses and doctors, helping to protect Australia from this awful disease.

Minderoo made available A$30m to this cause, and Fortescue's deep relationships across Asia were key in building the Australian stockpile of critical PPE to manage the ongoing pandemic.

In an initiative described by Government as a 'nation saving event,' the team also imported PCR testing equipment at a time when these machines were in acutely short supply around the world. We were successful in sourcing critical and scarce reagents for COVID-19 DNA/RNA testing to ensure that when outbreaks occurred, they could be identified and controlled in the Australian community.

Minderoo made available an additional A$220m of its balance sheet to this exercise without the protections of normal legal documentation. Together with Fortescue, 11 large laboratories were installed across Australia to quadruple Australia's testing capability for COVID-19 and general viral measurement. This initiative, typically a two year exercise, was ordered, executed and commissioned within the month of April.

We thank the Australian Government and deeply appreciate their trust in us for setting us this important mission when Australia needed it most, and are humbled and grateful for the opportunity to serve our fellow Australians.

Minderoo Fire Fund

Australia's recent bushfire season had a devastating effect on people and their communities, including local businesses and wildlife.

Minderoo Foundation's Fire Fund committed A$70 million to rebuild communities, revitalise local economies and develop a long-term and globally relevant blueprint for wildfire and disaster resilience. Fire Fund's objective is to transform Australia to be the global leader in fire and flood resilience by 2025.

Working with more than 40 other organisations we are leveraging emerging science and technology. Working with these companies and Fortescue, we are accelerating innovation that leads to the development of new approaches to mitigate bushfires, floods and other disasters.

There is an urgent need to base national systemic interventions that lift disaster resilience on local knowledge. Through Minderoo Foundation's Wildfire and Disaster Resilience Program, we are engaging with global partners to invest resources that buffer our economies, societies, and environments, both built and natural, to the ever-growing impacts of climate change-induced natural disasters.

This includes new artificial intelligence techniques that rapidly detect and respond to fires and floods, new management methods that protect the environment, water security and land, and programs to lift resilience within communities, including mental health.

While we are doing everything we can to make sure a catastrophe of this magnitude does not happen again, our communities need ongoing support to rebuild now. Minderoo Foundation Fire Fund is working with local organisations and alongside relevant experts on crucial grassroots projects that provide practical support to those whose lives were devastated by the bushfire crisis. This includes delivering temporary housing, enabling volunteers to help with post-fire rebuilds, enabling citizen scientists to track ecological recovery and partnering on a large-scale study to improve how best to rehabilitate wildfire-affected wildlife.

The Fortescue team also stepped up to support those impacted by the bushfires, donating A$90,000 to the Red Cross Disaster Relief and Recovery Fund. Minderoo Foundation proudly matched this donation 2:1 to raise a total of A$250,000.

Working together, we can rebuild fire-ravaged communities in Australia and make them more resilient for the future.

Chief Executive Officer's message

Elizabeth Gaines

In FY20, the Fortescue team delivered a year of records while working together through the unprecedented disruption caused by the COVID-19 pandemic.

Safety and unique culture

We are a values-based business and our unwavering focus on safety, family, empowerment and stretch targets underpins everything we do. Our Values are integral to our success and continue to be as fresh and relevant today as they were when Fortescue was established.

Once again, Fortescue's unique culture has shone through and I am incredibly proud of our entire team who, in true Fortescue spirit, have adapted to the significant changes we have asked of them as we proactively implemented and expanded a range of measures to contain the spread of COVID-19.

We began dealing with the impact of COVID-19 long before the first case was identified in Australia given the impact on our China-based colleagues. As the pandemic hit our shores, we introduced measures such as extended operational rosters, working from home, additional charter flights, changes to our village facilities, and temperature and health screening to keep our people and the broader community safe.

Critically, the team have worked hard to maintain their focus on the task at hand. Our Total Recordable Injury Frequency Rate (TRIFR)improved this financial year to 2.4 on a rolling 12 month basis, which is a testament to the ongoing commitment of everyone at Fortescue to keeping their mates and themselves safe.

Operational excellence

Our outstanding operating performance in FY19 was sustained in FY20 with mining, processing, rail and shipping combining to deliver record shipments of 178.2 million tonne (mt) for the year, six per cent higher than FY19 and exceeding the top end of guidance of 177mt.

We maintained our industry leading cost position with full year C1 costs of US$12.94/wet metric tonne (wmt) (inclusive of US$0.22/wmt of direct COVID-19 costs), one per cent lower than FY19, reflecting our team's continued focus on productivity and innovation initiatives.

In June, we celebrated the opening of the Fortescue Hive, our expanded integrated operations centre in our Perth office. The purpose-built facility is home to our planning, operations and mine control teams, together with port, rail, shipping and marketing teams to deliver improved safety, reliability, efficiency and commercial outcomes.

Customers and market

Fortescue's integrated supply chain is unique in our industry and co-locating our planning, operations, shipping and marketing business functions ensures we can capitalise on market dynamics and respond to the needs of our customers.

In 2019, we established FMG Trading Shanghai to support our customers through direct supply from regional Chinese ports, providing them with an option to purchase smaller volumes in renminbi.

Fortescue, together with our industry peers, was in a privileged position to continue to operate during the peak of COVID-19 restrictions. There was no impact on our shipping schedule to China, demonstrating to our customers that we are a reliable and secure supplier of iron ore.

Notably, the iron ore price held up strongly through this period, with ongoing demand for iron ore evidenced by record production of crude steel in China, which reached 499mt for the six months to June 2020. We anticipate continued recovery in China's economic activity and remain confident in the Chinese Government's commitment to urbanisation, which will continue to underpin long-term demand for iron ore.

As home to three of the four largest iron ore producers in the world, Western Australia is well positioned to support China's ongoing growth and development, which in turn will support WA and Australia's economic recovery post-COVID-19.

Balance sheet strength

Our financial results for the year demonstrate the continued ability of our operations to generate strong cash flows through the successful execution of our integrated operations and marketing strategy. By leveraging the capability in our value chain, we delivered record shipments, sustained low cost performance and strong operating margins, contributing to a record net profit after tax of US$4.7 billion.

Cash on hand at 30 June 2020 was US$4.9 billion, while net debt was US$0.3 billion, compared with net debt at 30 June 2019 of US$2.1 billion. Total capital expenditure for FY20 was US$2.0 billion.

Investing in the future

From this position of balance sheet strength, we are investing in the future growth of our business. The Fortescue family is expanding as we deliver on these important projects and we are committed to ensuring that new team truly members embrace our values and all aspects of our culture.

We are focused on early stage exploration of commodities that support decarbonisation and the electrification of the transport sector, and continue to assess copper, gold and lithium opportunities throughout Australia, South America and Europe. Due to COVID-19, a number of these exploration activities were suspended during FY20, particularly in South America, and we continue to support our team members impacted by the pandemic, with the intention to resume exploration activities once it is safe to do so.

Our US$4.0 billion investment in the world class Eliwana Mine and Rail and Iron Bridge Magnetite projects, once complete, will position Fortescue as the only major iron ore company with a breadth of product offering to meet all market segments from its Australian operations. This is a key differentiator for Fortescue, ensuring we continue to deliver growth in earnings and cash flow and enhanced returns to our shareholders through all market cycles.

Delivering returns to shareholders

As government looks to the business community to drive Australia's economic recovery post COVID-19, Fortescue is investing in growth projects, supporting job creation through investment and delivering strong returns to our shareholders.

For FY20, we have declared A$1.76 in dividends to shareholders, representing a payout ratio of 77 per cent of net profit after tax consistent with our dividend policy to pay out 50 to 80 per cent of net profit after tax.

Everyone at Fortescue is proud that our dividends support the work of the Minderoo Foundation, and Andrew and Nicola Forrest's philanthropy.

Global force | Thriving communities

Fortescue was founded on the belief that our communities should benefit from our success. Today, we are a **global force**, committed to empowering **thriving communities**. We continue to deliver training, employment and business development opportunities for Aboriginal people. As of 30 June 2020, Aboriginal people represented 10 per cent of our Australian workforce and 14 per cent of our Pilbara based employees.

Our strong and inclusive culture is at the heart of our approach to diversity, and increasing female representation across Fortescue is a key priority. Our female employment rate increased in FY20 with females holding 19 per cent of total roles and 26 per cent of senior leadership roles.

In FY20, Fortescue made a total global economic contribution of A$17.2 billion, including A$4.3 billion in government tax and royalty payments.

The Fortescue family

We are a values-based business, committed to our strategic goals of ensuring balance sheet strength and flexibility, investing in the long-term sustainability of our core business while pursuing growth and development options and delivering enhanced returns to our shareholders.

On behalf of the Core Leadership Team, I would like to thank the entire Fortescue family for their contributions this year. Guided by our Values, the Fortescue team's commitment to meeting key safety, production and cost targets and their willingness to positively respond to the COVID-19 measures is at the heart of our success. As we continue to challenge the status quo to deliver operational excellence, our unique and differentiated culture will be fundamental to the achievement of our stretch targets, as well as our future goals.

Ambitious climate change target

In June 2020, we announced an industry leading emissions reduction goal to achieve net zero operational emissions by 2040.

This goal is core to our Climate Change Strategy and is underpinned by a pathway to decarbonisation, including the reduction of Scope 1 and 2 emissions from Existing Operations by 26 per cent from 2020 levels, by 2030. Existing Operations include all our current and future iron ore operations in the Pilbara, excluding the Iron Bridge Magnetite Project.

We have a proud history of setting stretch targets and our 2030 emissions reduction commitment, together with our goal to achieve net zero operational emissions by 2040, positions Fortescue as a leader in addressing the global climate change challenge.

Our success will be founded on practical initiatives that will allow us to deliver on our targets in an economically sustainable manner, including the Chichester Solar Gas Hybrid Project, the Pilbara Energy Connect program and our ongoing work to decarbonise our mobile fleet through the next phase of hydrogen and battery electric energy solutions.

We work in one of the most innovative industries in the world, and by continuing to harness the technology and capability of our people, we are confident we can achieve this ambitious climate change target.


FMG
Fortescue
The New Force in Iron Ore
Eliwana Mine
and Rail Project
sod turning

Our Board overview

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

Chairman

Mark Barnaba AM

Lead Independent Director/ Deputy Chair

Elizabeth Gaines

Chief Executive Officer/ Managing Director

Lord Sebastian Coe CH, KBE

Non-Executive Director

Jennifer Morris OAM

Non-Executive Director

Dr Jean Baderschneider

Non-Executive Director

Penny Bingham-Hall

Non-Executive Director

Dr Cao Zhiqiang

Non-Executive Director

Dr Ya-Qin Zhang

Non-Executive Director

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

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

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

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

These include:

- Opportunities for significant contribution to the annual strategy setting process conducted with executive and senior management
- Regular briefings from executive and senior management regarding all major business areas, tailored site visits and annual site tours to operations
- 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 and Risk Management Committee, the Nomination Committee and the Finance Committee.

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

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

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

The Board and each of its Committees have established a process to evaluate their performance annually. The process is based on a formal questionnaire covering a range of performance topics. The process is managed by the Company Secretary under the direction of the Lead Independent Director. The most recent review was undertaken in June 2020.

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

Dr Andrew Forrest AO

Chairman

Appointed Chairman in July 2003; Assumed role of Chief Executive Officer in 2005; Resumed non-executive responsibilities in July 2011.

Dr Forrest is Australia's most active philanthropist and one of the most effective business leaders of his generation.

As Fortescue's Founder and Chairman, he has led the Company from inception to its Top 10 status on the Australian Stock Exchange, during which time Fortescue invested more than US$27 billion in the resources sector.

In 2001, Dr Forrest co-founded the Minderoo Foundation with his wife Nicola, which has supported over 300 initiatives across Australia and internationally in pursuit of a range of causes. In April 2020, the Forrests announced one of Australia's largest private philanthropic donations of A$520 million, and have continued giving, with their total philanthropic donations now exceeding A$2 billion.

Dr Forrest recently completed a PhD in Marine Ecology and is passionate about ocean conservation. Prior to that he was awarded an honorary doctorate by the University of Western Australia, is an Adjunct Professor of the Central South University in China and a lifetime Fellow of the Australian Institute of Mining and Metallurgy.

In 2019, he was announced as an IUCN Patron of Nature and is a member of the United Nations (UN) Environment Programme Scientific Advisory Committee on the Assessment on Marine Litter and Microplastics.

He is Co-Chairman of the Senior Business Leaders' Forum, the leading formal dialogue for China and Australia's most senior business leaders.

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

He is Global Patron of the Centre for Humanitarian Dialogue, recipient of the Australian Sports Medal and the Australian Centenary Medal, and Vice-Patron of the SAS Resources Fund.

He was a Councillor of the Global Citizen Commission, charged by the UN to modernise the Universal Declaration of Human Rights presented to the UN Secretary General in April 2016. Dr Forrest was appointed by the Prime Minister and Cabinet of Australia to Chair the Review of Indigenous Training and Employment Programmes, to end Indigenous disparity through employment with its recommendations being slowly implemented.

He was Western Australia's 2017 Australian of the Year for his outstanding contribution to the community. In 2018, Dr Forrest was inducted into the Australian Prospectors & Miners' Hall of Fame and was the inaugural winner of the EY Global Entrepreneur of the Year Social Impact Award.

Committee memberships:
Finance Committee (Chair), Nomination Committee

Mark Barnaba AM CitWA

Lead Independent Director/ Deputy Chair

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

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

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

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

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

Mr Barnaba holds a Bachelor of Commerce (First Class Honours and University Medal) from the University of Western Australia, an MBA from Harvard Business School (High Distinction; Baker Scholar) and an Honorary Doctor of Commerce from the University of Western Australia. He has lived in Australia, the United States, Italy, the United Kingdom and South Africa.

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

Elizabeth Gaines

Chief Executive Officer/Managing Director

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

A highly experienced business leader with extensive international experience as a Chief Executive Officer and group executive, Ms Gaines has a proven track record in financial and operational leadership across a number of industries, including resources, construction and infrastructure, financial services and travel and hospitality.

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

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

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

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

Ms Gaines has previously held Non-Executive Director roles with NEXTDC Limited, Mantra Group Limited, Nine Entertainment Co. Holdings Limited. and ImpediMed Limited.

Lord Sebastian Coe CH, KBE

Non-Executive Director

Non-Executive Director since February 2018.

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

Based in the United Kingdom, Lord Coe is the Non-Executive Chairman of CSM Sport and Entertainment, within the Chime Communications group. He was elected President of World Athletics in 2015 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.

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

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.

In February 2011, she was the Presidential appointee to the US Department of Commerce's National Advisory Council of Minority Business Enterprises. She holds a Masters Degree from the University of Michigan and a PhD from Cornell University.

Dr Baderschneider is the recipient of Cornell's Jerome Alpern Award and the Nomi Network's Corporate Social Responsibility Award.

Committee memberships:
Audit and Risk Management Committee

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.

Dr Cao Zhiqiang

Non-Executive Director

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

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

Dr Cao joined Valin Xiangtan Steel in 1997 and has worked in a variety of roles, including Director of the Research and Development Centre, before being appointed Chief Executive Officer. He holds a PhD in Science and is a senior engineer research fellow.

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 Macquarie Specialised Asset Management, Taronga Conservation Society Australia, Supply Nation and the Crescent Foundation. She is also Chair of the NSW Freight and Logistics Council.

Ms Bingham-Hall has worked in the construction, infrastructure, mining and property industries across Australia and the Asian region. She has a particular interest in environmental sustainability, workplace safety and Indigenous employment.

Prior to becoming a company director, Ms Bingham-Hall was Executive General Manager, Strategy at Leighton Holdings (now CIMIC) - Australia's largest construction, mining services and property group. As part of the leadership team at Leighton she had responsibilities across the group's Australian and Asian operations.

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

Other current directorships (ASX listed entities):

BlueScope Steel Limited (Non-Executive Director); Dexus Property Group (Non-Executive Director).

Committee memberships:
Audit and Risk Management 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 of AI Science in 2020, starting the Tsinghua Institute for AI Industry Research (AIR). Dr Zhang was President of Baidu Inc. (NASDAQ: BIDU) from September 2014 to October 2019, a leading Chinese multinational technology company specialising in Internet-related services, mobility, artificial intelligence and cloud computing. Prior to joining Baidu, he was a key executive of Microsoft Corporation for 16 years, including Corporate Vice President for Mobile and Embedded Products, Managing Director of Microsoft Research Asia and Chairman of Microsoft China.

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

Dr Zhang has served on the Board of Directors of 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.

Jennifer Morris OAM

Non-Executive Director

Non-Executive Director since November 2016.

Ms Morris is currently the National Director of Strategy for Cannings Purple, one of Australia's leading fully integrated strategic communications consultancies. Prior to joining Cannings Purple, Ms Morris was a consulting partner at Deloitte, and more recently the CEO of Walk Free, the Minderoo Foundation's global initiative against slavery. She is currently a Non-Executive Director of the Australian Sports Commission.

Ms Morris has key experience in advising government entities and corporations on strategy development, governance controls, complex large-scale business transformation, the embedding of environment, social and governance related policies and the understanding of high-performance environments.

A former member of the Australian Women's Hockey Team, Ms Morris won Olympic gold medals at the Atlanta 1996 and Sydney 2000 Olympic Games. In 1997, she was awarded a Medal of the Order of Australia (OAM).

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

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

Core Leadership Team

L to R: CEO Elizabeth Gaines, Deputy CEO Julie Shuttleworth, COO Greg Lilleyman, CFO Ian Wells.

Elizabeth Gaines

Chief Executive Officer

Ms Gaines commenced as Chief Executive Officer in February 2018.

A highly experienced business leader with extensive international experience as a Chief Executive Officer and group executive, Ms Gaines has a proven track record in financial and operational leadership across a number of industries including resources, construction and infrastructure, financial services and travel and hospitality.

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

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

Greg Lilleyman

Chief Operating Officer

Mr Lilleyman commenced as Chief Operating Officer in February 2018, after joining Fortescue as Director Operations in January 2017.

With three decades of extensive international experience in the mining sector, across multiple commodities in large scale project development and construction, operational and business leadership, joint venture management and technology deployment, Mr Lilleyman brings significant business credentials and over 20 years' iron ore market knowledge to Fortescue's Core Leadership Team.

Mr Lilleyman holds a degree in Construction Engineering from Curtin University and has completed the Vincent Fairfax Fellowship in Ethical Leadership at the University of Melbourne, as well as the prestigious Wharton Business School's Advanced Management Program.

He is a member of the Australian Institute of Mining and Metallurgy, the Australian Institute of Company Directors and a Fellow of the Australian Institute of Management. Mr Lilleyman has recently been appointed to the Board of the University of Western Australia Business School.

Ian Wells

Chief Financial Officer

Mr Wells commenced as Chief Financial Officer in February 2018 having responsibility for the Fortescue Group capital management strategy, core finance functions including reporting, tax and treasury, together with Group procurement and logistics, and technology and autonomy. Mr Wells is a Director of a number of Fortescue's subsidiaries and is a member and alternate chair of the Iron Bridge Joint Venture Committee.

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

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

With more than 25 years' experience as a senior executive in leading ASX listed and private companies in the mining, energy infrastructure and healthcare industries, Mr Wells' prior 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 & Philanthropic Council.

Julie Shuttleworth

Deputy Chief Executive Officer

Ms Shuttleworth commenced as Deputy Chief Executive Officer in February 2018.

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

Ms Shuttleworth holds a double major in Extractive Metallurgy and Chemistry from Murdoch University and has 26 years' experience in the mining industry in Australia, China, Tanzania and South America, including 19 years in gold/copper working for Newcrest Mining, Sino Mining and Barrick Gold, and seven years' iron ore experience with Fortescue.

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

Executive team

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

Danny Goeman

Director Sales and Marketing

Peter Huston

Director Corporate Development, Legal and Strategy

Don Hyma

Director Projects

Tim Langmead

Director Community, Environment and Government

Linda O'Farrell

Director Fortescue People

Fernando Pereira

Director Pilbara Operations

Alison Terry

Director Sustainability and Corporate Affairs and Joint Company Secretary

Rob Watson

Director Health and Safety

Danny Goeman

Director Sales and Marketing

Mr Goeman was appointed Director Sales and Marketing in August 2018.

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

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

Peter Huston

Director Corporate Development, Legal and Strategy

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

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

Don Hyma

Director Projects

Mr Hyma joined Fortescue in early 2019 as Project Director Iron Bridge before moving into the role of Director Projects in October 2019. He has over 25 years of progressive capital project experience in the resources sector in Canada, Chile, New Caledonia and Australia.

Prior to joining Fortescue, Mr Hyma held senior management positions with Rio Tinto, including Vice President Projects Iron Ore in Canada and General Manager Pilbara Growth in Western Australia, as well as Chief Technical Officer for Mitsui & Co. He has extensive experience in managing large, complex capital projects, particularly those implemented under joint ventures and involving multiple stakeholders.

Tim Langmead

Director Community, Environment and Government

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

Previously, Mr Langmead held senior corporate affairs roles in the Australian business units of global oil and gas companies. Mr Langmead served in senior staff roles for Ministers in the Howard-Anderson and Howard-Vaile governments and commenced his career as an agribusiness journalist.

Linda O'Farrell

Director Fortescue People

Ms O'Farrell joined Fortescue in October 2013 as Group Manager Fortescue People, joining the Executive team in December 2014.

Having held a number of executive human resources roles in major Australian resource companies, Ms O'Farrell brings deep experience in strategic people management, diversity and Aboriginal employment.

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

Fernando Pereira

Director Pilbara Operations

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

Mr Pereira has more than 19 years' experience in the mining industry, spanning various commodities and operations in Australia and South America. He has expertise in senior management, mining and mineral engineering, supply chain optimisation and overseeing mechanical, structural and expansion projects.

Mr Pereira holds a Bachelor in Mining and Mineral Processing Engineering and Specialisation in Business Management.

Alison Terry

Director Sustainability and Corporate Affairs and Joint Company Secretary

Ms Terry joined Fortescue in 2014 as Group Manager Corporate Affairs and serves as Joint Company Secretary, having been appointed to the role in February 2017.

With significant experience in corporate affairs, legal, company secretarial and general management, Ms Terry has previously held senior executive and Board roles across a number of sectors including automotive, telecommunications and superannuation. Ms Terry holds a Bachelor of Economics and Bachelor of Laws (Honours) and a Graduate Diploma of Business (Accounting).

She is a member of Chief Executive Women, a Graduate of the Australian Institute of Company Directors and a Director of the Black Swan State Theatre Company of Western Australia.

Rob Watson

Director Health and Safety

Mr Watson was appointed Director Health and Safety in July 2020 after joining Fortescue in 2011. Prior to this, Mr Watson spent 15 years in a number of senior corporate health and safety roles in large mining companies.

Mr Watson's career in health and safety spans over 25 years in a number of industries and commodities. Mr Watson holds a Master's in Occupational Health and Safety.

About Fortescue

A proud West Australian company, Fortescue Metals Group Ltd (Fortescue) is a global leader in the iron ore industry, recognised for its culture, innovation and industry-leading development of world class infrastructure and mining assets in the Pilbara, Western Australia.

Since Fortescue was established by our Founder and Chairman Dr Andrew Forrest AO in 2003, we have discovered and developed major iron ore deposits, constructed some of the most globally significant mines and have grown to be one of the world's largest producers of iron ore.

Delivering consistent operational excellence, our integrated mining, rail, shipping and marketing teams work together to export 175 to 180 million tonnes of iron ore annually (mtpa) and our commitment to technology and innovation ensures we remain one of the world's lowest cost iron ore producers.

Fortescue's wholly owned and fully integrated operations in the Pilbara include the Chichester and Solomon mining hubs and we are developing the Western Hub, home to the new Eliwana mine. The Iron Bridge Magnetite Project, an industry-leader in cost and energy efficiency, will be one of the highest-grade magnetite projects in the world.

Our mining hubs are connected to the five berth Herb Elliott Port and the Judith Street Harbour towage infrastructure in Port Hedland via 620 kilometres (km) of the fastest, heavy haul railway in the world, with an additional 143km under development to support Eliwana.

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

The Fortescue Hive, our expanded Integrated Operations Centre, brings together our entire supply chain to deliver significant safety, productivity, efficiency and commercial benefits and will underpin our future use of technology, including artificial intelligence and robotics.

Through our world class exploration capability together with our business development and projects focus, we are driving future growth, targeting the early stage exploration of commodities that support decarbonisation and the electrification of the transport sector.

We are undertaking exploration activities in New South Wales and South Australia, as well as in Ecuador and Argentina, and preliminary exploration activities on tenements that are in application in Colombia, Peru, Portugal and Kazakhstan, prospective for copper, gold and lithium.

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

In 2019, we established FMG Trading Shanghai (FMG Trading), a wholly owned Chinese sales entity, to support our customers through the direct supply of iron ore from regional Chinese ports, providing them with an option to purchase smaller volumes in renminbi.

Fortescue was founded on the belief that our communities should benefit from our success. Today, we are a **global force**, committed to empowering **thriving communities**, as we deliver training, employment and business development opportunities for Aboriginal people.

As a large consumer of energy, we have committed to an industry-leading carbon emissions target of net zero operational emissions by 2040. To achieve this, we are investing in practical initiatives such as the development of wind and solar energy, as well as gas and battery storage hybrid projects to displace our current thermal generation. We are also investigating the next phase of hydrogen and battery electric vehicle mobility.

Fortescue is a values-based business, committed to our strategic goals of ensuring balance sheet strength and flexibility, investing in the long-term sustainability of our core business while pursuing growth and development options and delivering enhanced returns to our shareholders.

Value chain

Innovation in process and design has been a key component of Fortescue's strategy in challenging industry standards to more efficiently and effectively deliver its product suite from mine to market.

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

US$ **178.2**mt
Shipped

US$ **12.94**/wmt
C1 costs

US$ **4.9**bn
Cash on hand

US$ **12.8**bn
Revenue

US$ **5.1**bn
Gross debt

US$ **0.3**bn
Net debt

02

Operating and financial review

Overview of 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 and Solomon mining hubs and the Western Hub, which is currently under development. Our mining infrastructure is connected to the five berth Herb Elliott Port and Judith Street Harbour towage facility in Port Hedland via the fastest, heavy haul railway in the world.

Chichester Hub

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

Consistent and sustained output delivered from the OPFs has allowed us to optimise our product strategy through enhanced blending and beneficiation, increasing iron upgrades and reducing impurities. This has contributed to lower mining cut-off grades, as we optimise ore bodies with sustainably lower strip ratios.

The Christmas Creek OPF infrastructure is being upgraded to include a Wet High Intensity Magnetic Separator (WHIMS) plant to further maximise production rates and enhance the value of our ore. The WHIMS construction will be completed by the end of 2020.

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

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 and Kings Valley mines which together have a production capacity of 75mtpa.

Solomon represents a valuable source of production by blending higher iron grade, low cost Firetail ore with low phosphorous Chichester ore to create Fortescue Blend. The current operation will expand to include the Queens Valley mining area to maintain production of the Kings Fines product.

Western Hub

Fortescue is developing the Western Hub, which includes significant amounts of high iron content bedded iron ore and will be home to the Eliwana mine. Located 140km to the west of Solomon and due to be completed in December 2020, the Eliwana project includes 143km of rail and a 30mpta dry OPF.

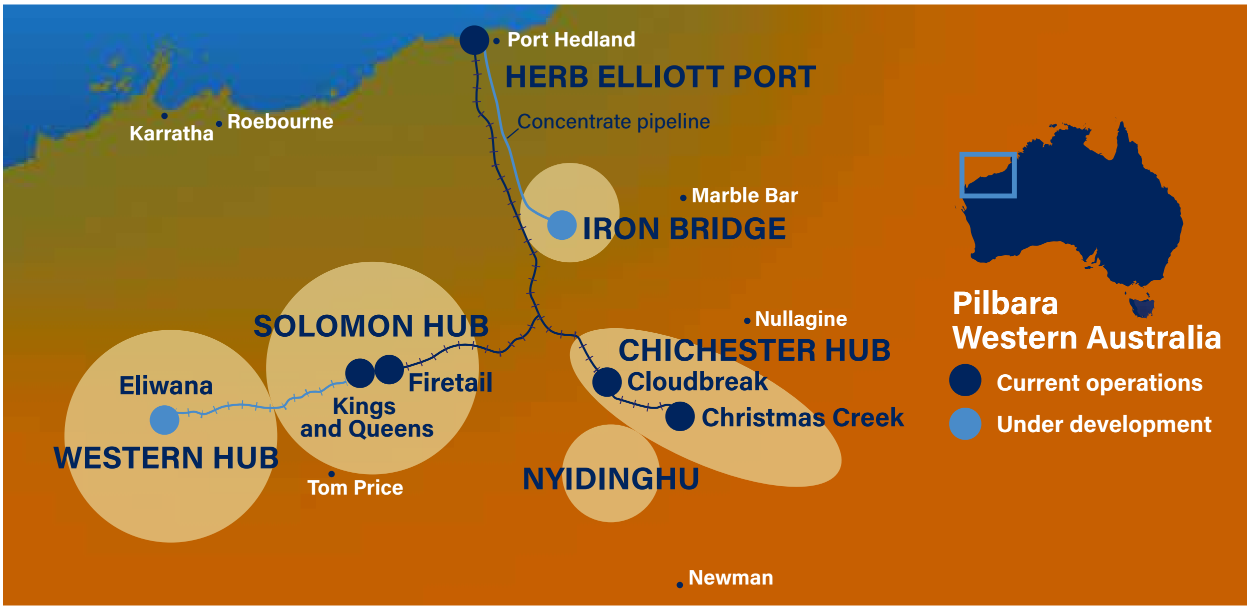
Eliwana will contribute to Fortescue's core iron ore business as it underpins the ramp up of our 60.1% Fe West Pilbara Fines product. The operation will maintain our low cost status, providing greater flexibility to capitalise on market dynamics.

Hedland Operations

Fortescue wholly owns and operates our purpose designed rail and port facilities, constructed to deliver iron ore from our mines to Port Hedland for shipment to our customers. Covering 620km of track, with the additional 143km under construction for Eliwana, 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 makes Fortescue's Herb Elliott Port the most efficient bulk port operation in Australia. The port has five operating berths and our current infrastructure is capable of safely and efficiently exporting in excess of 180mtpa.

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



Shipping

Designed to complement our port infrastructure, the fleet of eight 260,000 tonne capacity Fortescue Ore Carriers deliver approximately 14 per cent of our shipping requirements, while improving load rates and efficiencies and reducing operating costs. Our shipping fleet completes our mine to market supply chain.

Iron Bridge Magnetite Project

The US$2.6 billion Iron Bridge Magnetite Project is under development and will deliver 22mtpa of high grade 67% Fe magnetite concentrate product, further enhancing the range of products available to our customers.

Iron Bridge, located 145km south of Port Hedland and incorporating the world class North Star and Glacier Valley Magnetite ore bodies, is an unincorporated joint venture between Fortescue's subsidiary FMG Iron Bridge and Formosa Steel IB. Baosteel also has an interest in the Project, as a minority shareholder of FMG Iron Bridge.

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

Sales and marketing

Fortescue has an integrated operating and marketing strategy, focused on meeting the needs of our customers while maximising value. In 2019, we established FMG Trading, a wholly owned Chinese sales entity which supplies our products directly to Chinese steel mills from regional ports.

The introduction of portside sales has allowed us to enhance our service to small and medium-sized customers through direct supply in renminbi from regional Chinese ports, complementing our existing contractual seaborne arrangements.

World leading technology

Fortescue was the first company in the world to deploy Caterpillar (CAT) autonomous haulage on a commercial scale when trucks fitted with autonomous haulage system (AHS) technology began operating at the Solomon Hub in 2012. Today, our AHS deployment represents the largest fleet conversion to autonomous haulage in the industry and demonstrates our unique capability to manage and operate a multi-class truck size autonomous haulage site.

When our Train Control Centre opened in 2009, we were the first operation in WA to control a railway from outside the region. Now known as the Fortescue Hive, the expanded, purpose-built remote operations facility was opened in 2020 and includes our planning, operations and mine control teams, together with port, rail, shipping and marketing teams. The newly refurbished space allows team members across our complete supply chain to work together, 24 hours a day, seven days a week, to deliver improved safety, reliability, efficiency and commercial outcomes.

The Fortescue Hive underpins our future use of technology, including artificial intelligence and robotics, and will evolve to include the generation and integrated distribution network for the Pilbara Energy Connect, our hybrid solar-gas power solution.

Energy infrastructure

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

The Pilbara Energy Connect (PEC), together with the Chichester Solar Gas Hybrid Project, will deliver 25 to 30 per cent of our stationary energy requirements from solar power. The PEC leverages existing assets and provides Fortescue with a hybrid solar gas energy solution that enables the delivery of stable, low cost power and supports the incorporation of additional large scale renewable energy in the future.

The new infrastructure builds on our previous energy initiatives, including the construction of the Fortescue River Gas Pipeline, the conversion of the Solomon Power Station from diesel to gas generation, as well as a partnership agreement with the Commonwealth Scientific and Industrial Research Organisation (CSIRO) to develop and commercialise hydrogen technology.

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.

The resources in the Western Hub and Solomon Hub add high iron content, dry, low cost tonnes to our product suite, providing further optionality for the business.

Recent Australian exploration activity has been primarily focused on early stage target generation for copper-gold in the Paterson and Rudall regions in Western Australia, with additional exploration activity underway in New South Wales and South Australia.

International footprint

We recognise that early stage exploration can unlock significant value and 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 Ecuador, where we have concessions prospective for copper in exploration phase covering 135,000 hectares and in Argentina we currently hold 450,000 hectares of tenements, prospective for copper-gold.

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

New Shanghai office builds on strong relationships with China

In January 2020, we opened our new office in Shanghai, in the People's Republic of China.

Chief Executive Officer, Elizabeth Gaines, and Chief Operating Officer, Greg Lilleyman, celebrated the official opening in Shanghai with:

- Hon. Paul Papalia CSC MLA, Minister for Tourism, Government of Western Australia, representing Hon. Mark McGowan MLA, Premier of Western Australia
- Mr Luo Tiejun, Vice Chairman, China Iron and Steel Association, representing Mr He Wenbo, Executive Vice Chairman, China Iron and Steel Association
- Dominic Trindade, Australia's Consul-General in Shanghai
- Shanghai government officials
- Customers and members of the Fortescue team.

The opening of Fortescue's new office in Shanghai follows the successful establishment in mid-2019 of a wholly owned Chinese sales entity, FMG Trading Shanghai Co. Ltd (FMG Trading) which supplies products directly to Chinese customers in smaller volumes, in renminbi from regional ports.

The new Shanghai office builds on our presence in China and includes the activities of FMG Trading, as well as supporting our relationships with existing and new Chinese customers, partners and suppliers.

Opening the new office, Chief Executive Officer Elizabeth Gaines said, "It's now been more than a decade since our first commercial shipment of iron ore in 2008. Over that time Fortescue has become a core supplier of seaborne iron ore to China and we are proud to contribute to the remarkable urban development of China.

"The establishment of our new Shanghai office expands our already deep, multifaceted relationships with China which extend beyond our customer relationships to partnerships, procurement, investment, financing and social, academic and policy linkages. We look forward to continuing to build on Fortescue's strong engagement with China for many years to come," Ms Gaines said.

Minister Papalia said, "The Western Australian Government appreciates the relationship that it and companies operating in Western Australia have with China. Building on its longstanding presence in Shanghai, Fortescue having an office in this world class city further underpins and strengthens the excellent and diverse connection between China and the State of Western Australia."

Mr Luo Tiejun said, "Fortescue is an important partner for the Chinese steel industry and we are looking forward to strengthening our mutually beneficial cooperation going forward."

The West Australian

Chairman Dr Andrew Forrest AO and CEO Elizabeth Gaines contributed this opinion piece to The West Australian on 12 February, 2020

Let's show support for China

ANDREW FORREST & ELIZABETH GAINES

Like so many global epidemics before it — Ebola, SARS or AIDS — with the outbreak of coronavirus we are at risk of allowing fear to trump empathy.

In these times of crisis, we can lose sight of those who are sick or have lost loved ones and those who are helping others or working to contain the harm of the virus. Our thoughts and prayers are with these people suffering, and the many millions of others confined to their homes or banned from travelling.

Our hearts also go out to all the Chinese Australians affected, especially with increasing reports of this community being the subject of fear-driven racism within our own borders. We must reach out and support the members of our Chinese community and show that we stand with them. We call for this compassion because we have come to know the Chinese people well over the past 30 years and have been regular visitors to their country. There are many more similarities between Australians and our Chinese neighbours than differences, and while their political system is different to ours, as a people, they are driven by compassion and desire for a better future for their communities.

The level of alarm about another sudden, potentially deadly virus is to be expected. As a global community, we must contain it and prevent as many people as possible from becoming sick. We care about our health, safety, and those of the people we love.

As Australia's chief medical officer Brendan Murphy has noted, Australia has been one of the most proactive countries.

This is a global challenge however, and we must take these necessary precautions with compassion and humanity. While the worst news may still be ahead of us, China will recover and has demonstrated its commitment to protect its people and the citizens of the world. This is despite the hard, short-term impact these measures will have on its economy. We must appreciate the country's sacrifices and stand ready to support China however we can, for the benefit of both our peoples.

We are living in a globally connected world where our health and the health of our economy are closely linked to other nations. Australia's relationship with China is multi-layered and complex, however as good friends, neighbours and trading partners, it is pretty simple — the Chinese people deserve our support.

Our country has endured terrible bushfires and will take years to recover as we rapidly develop techniques to help mitigate the reoccurrence of fires and devastation of this scale.

We have been fortunate to receive an enormous outpouring of love and support from around the globe. China is now dealing with its own critical emergency and needs the support and understanding of the international community.

The most useful thing we can do is assist people who are directly impacted or at risk, including by donating to organisations on the ground that are providing shelter, masks, and medical supplies.

That's why Fortescue has donated thousands of face masks to support health workers in the immediate response and will now provide $1 million to Wuhan-based customer Wuhan Iron and Steel Corporation (WISCO) to support the conversion of the WISCO Sports Stadium into a 300-bed shelter hospital to treat patients who have been infected.

We will look for other ways to provide meaningful help, but the little things we can do to support each other are just as important.

Like going to your local Chinese restaurant or reaching out with a hand and a smile to any Chinese person. It all sends the critical signal that we stand together.

We are confident the Chinese people will rebound with the resilience they have demonstrated time and again over thousands of years and Fortescue will continue to support China throughout this hardship and beyond.

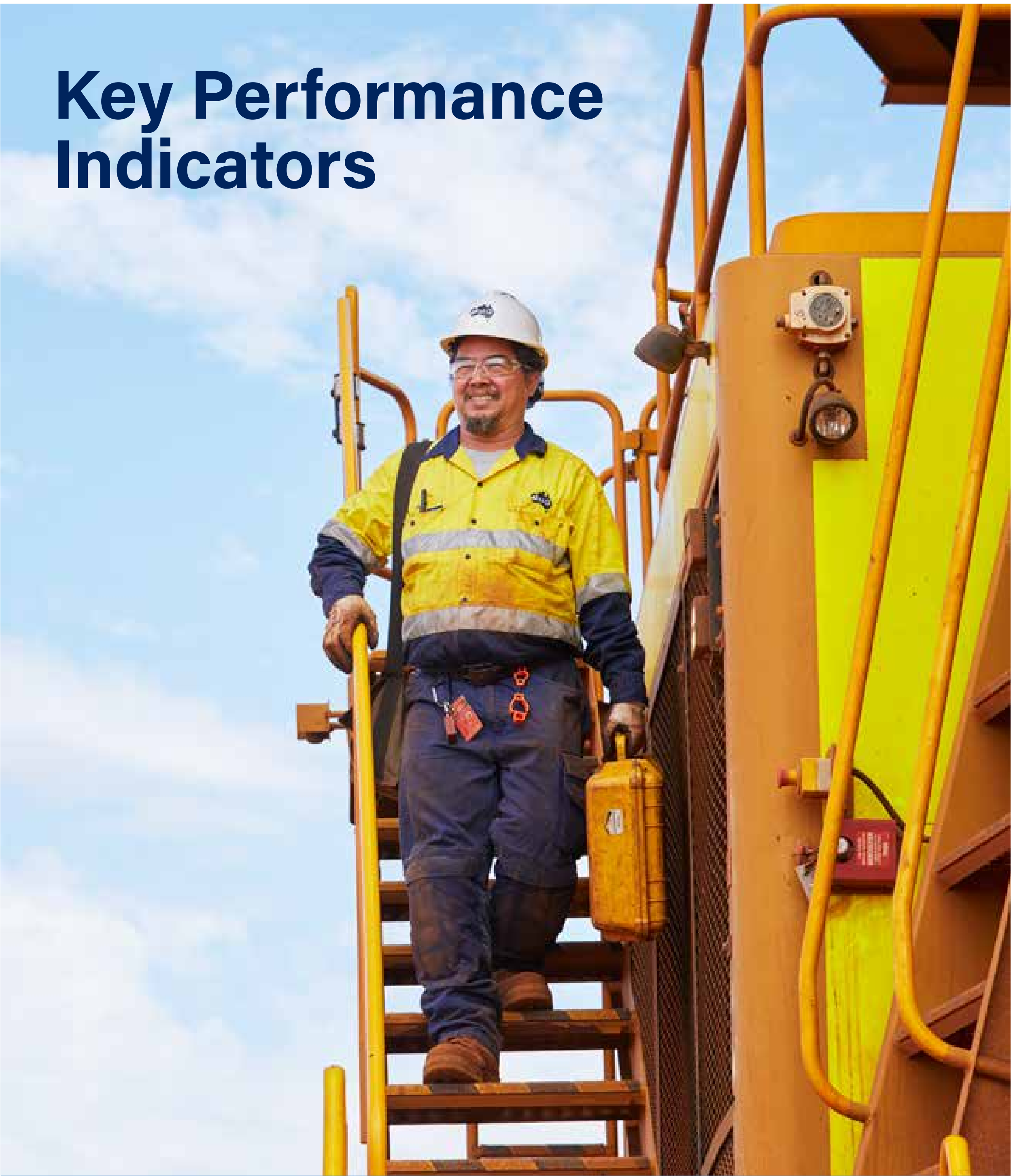
Now is the time to really show we do stand together. That we remember we are common and unique, the one people on our little planet. We are all vulnerable and we all need each other.

Andrew Forrest is chairman and Elizabeth Gaines chief executive of Fortescue Metals Group

Illustration: Don Lindsay

> "The Chinese people will rebound with the resilience they have demonstrated time and again."

Key Performance Indicators



Safety

2.4

Total Recordable Injury Frequency Rate

Production

178.2mt

Shipped

C1 costs

US$12.94/wmt

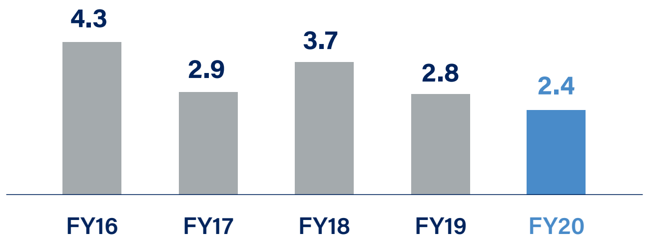
Safety

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

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

Fortescue's rolling 12 month Total Recordable Injury Frequency Rate (TRIFR) decreased by 14 per cent from 2.8 at 30 June 2019 to 2.4 at 30 June 2020.

12-month rolling TRIFR, per million hours worked



Response to COVID-19

On 30 January 2020, the World Health Organisation (WHO) announced that the coronavirus (COVID-19) outbreak was a global health emergency and later declared it a global pandemic. Since the outbreak began we have carefully monitored its impact and swiftly introduced and expanded measures to protect the health and safety of our team, and contribute to efforts to mitigate the impacts of COVID-19 across our operations and the wider community. The measures included:

- Temporary changes were made to site operational rosters, extending from a two week on/one week off roster to a four week on/two week off roster, which reduced people movement by approximately 40 per cent.
- Additional charter flights and bus services scheduled within our operations to ensure physical distances were maintained between team members.
- Temperature checks and health screening put in place at the Perth Domestic Airport, site aerodromes and Perth offices.
- Polymerase Chain Reaction (PCR) testing implemented, at least once, for all Fly-in Fly-out (FIFO) team members under the West Australian DETECT FIFO program and the State Government's broader DETECT program.
- Initiatives at our village facilities were introduced, including changes to food service, the closure of wet mess (licensed) areas, gyms and swimming pool facilities and additional cleaning services.
- Office-based team members and non-critical site-based employees worked from home where possible.

Our Incident Management Team (IMT) meet regularly to review our operations and the latest advice from the Commonwealth and State governments. As the physical distancing guidelines changed, we responded to each additional measure quickly, and regularly communicated with our teams on all matters related to the mining sector, as well as the importance of physical distancing and stringent hygiene practices.

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

Safety culture

During FY20, there were no fatalities and we focused on reducing the risk of fatalities and serious injuries through exposure reduction activities by 15 per cent. In FY20 a 17.8 per cent risk reduction was achieved.

We are committed to continuing to improve our safety performance across the following areas:

- Strengthening safety leadership through specific action plans to improve the results of the company wide annual Safety Excellence and Culture Survey
- Engaging our workforce in improving safety through initiatives such as the 'Take Control' program and sustained risk reduction activities and projects
- Engaging with our contracting partners to ensure compliance with our safety standards and a safe workplace
- Continuing to reduce workplace exposures through safety improvement opportunities.

Key Performance Indicators

Production

Optimised product mix and record shipments in FY20.

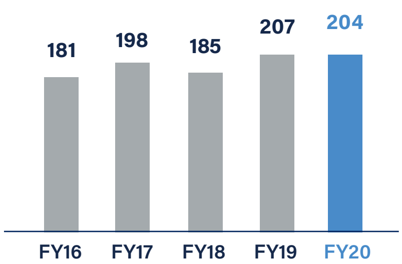
Production and shipments on a wet metric tonne (wmt) basis for the year are outlined below.

12 months to 30 June	2020 million wmt	2019 million wmt	Movement %
Overburden removed	318.9	303.7	5
Ore mined	204.3	206.7	-1
Ore processed	176.3	176.9	-1
Shipments	178.2	167.7	6
Ore sold[1]	177.2	167.5	6

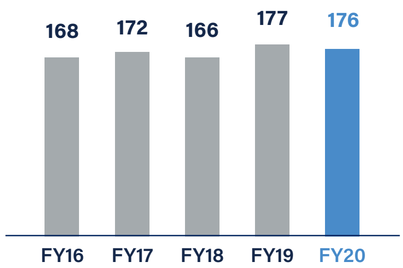
Volume references are based on wet metric tonnes. Product is shipped with about eight to nine per cent moisture.

[1]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.

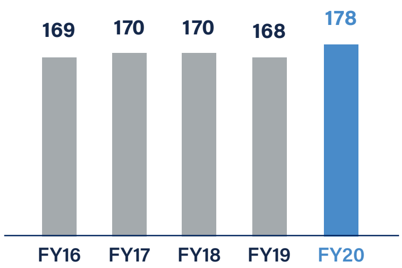
Mining, million wmt



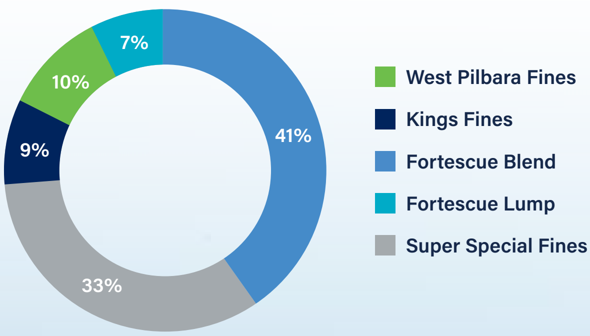
Processing, million wmt



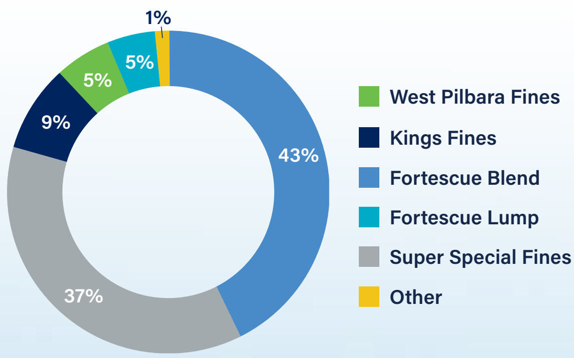
Shipments, million wmt



FY20 Product mix



FY19 Product mix



Fortescue, together with our industry peers, was in a privileged position to continue to operate throughout the COVID-19 pandemic, as the Commonwealth and State governments acknowledged the mining sector's significant contribution as a provider of essential services. Impact on our production and shipping schedule to China was largely mitigated, demonstrating to our customers that we are a reliable and secure supplier of iron ore.

Our focus in FY20 was to leverage the capability and flexibility in our value chain to achieve improved sales volumes, while increasing the proportion of higher value products, to maximise margins and capitalise on market demand.

Combined with optimised inventory levels, this resulted in the outperformance of FY20 targets across all metrics and supported the delivery of record shipments of 178.2mt. This represents a six per cent increase on 2019 shipments of 167.7mt and is five per cent above the annual shipment rate of around 170mt achieved in prior financial years.

Production of our 60.1% Fe West Pilbara Fines product, which commenced in December 2018, doubled in FY20 with 17.9mt shipped (FY19: 9.0mt). West Pilbara Fines continued to be sourced from a blend of ore from the western pits of Cloudbreak and the Firetail mine at the Solomon Hub, with production targeting up to 40mt per annum once Eliwana is fully operational. Strip ratio remained consistent in FY20 at 1.6x (FY19: 1.5x) given our optimised inventory levels and mine planning.

Continued investment in sustaining capital expenditure on the OPFs resulted in a decrease in our reliance on ancillary crushing, with a 45 per cent reduction in the tonnes processed through ancillary crushing equipment from 13.9mt in FY19 to 7.6mt in the current year. Year on year total ore processed decreased by one per cent.

We commenced our port towage services in the first half of FY20 utilising a fleet of nine purpose-built tugs, providing safe and reliable towage services within the port of Port Hedland for all shipments and further maximising the efficiency of our operations. A total of 678 vessel movements were completed during FY20 for both third party vessels and our own Fortescue Ore Carriers.

Total shipments in FY20 included 7.5mt of product shipped onshore to China for subsequent sale by our wholly owned Chinese sales entity, FMG Trading. This entity allows us to improve our product offering through the direct supply of products to Chinese customers in smaller volumes, sold in renminbi directly from regional ports. Total sales for FY20 included 6.5mt sold by FMG Trading, with the difference between ore shipped and sold due to the fact that FMG Trading maintains some inventory at Chinese ports and timing differences may occur between shipments and sales to external customers.

Key Performance Indicators

Costs

Focus on innovation and technology.

During the year, we continued to deliver on our integrated operations and marketing strategy while leveraging the capability of our value chain to achieve record sales volumes. Importantly, we have remained a low cost producer of seaborne iron ore.

Strategic initiatives delivered in FY20 include:

- Autonomous haul fleet conversion was completed at Christmas Creek and continued at Cloudbreak during FY20 with a total of 170 trucks operating autonomously across all operations at 30 June 2020. Our AHS deployment represents the largest fleet conversion to autonomous haulage in the industry and has increased productivity, while reducing overall mining operating costs and diesel consumption.
- Phase two of the Cloudbreak relocatable conveyors project commenced construction during the year and was completed in early July 2020. The conveyors now cover 10km, extended from the initial 5km length. By connecting the western pits to the OPF, we have realised the benefits of reduced haul truck requirements, operating costs and diesel consumption increasing overall productivity and mitigating cost increases due to natural mine expansion aligned with the life of mine plan.
- Sales of West Pilbara Fines, produced from a blend of Cloudbreak and Firetail ore doubled from 9mt in FY19 to 17.9mt in FY20.
- Our expanded integrated operations centre, the Fortescue Hive, was officially launched in June 2020. The purpose-built remote operations facility will deliver improved safety, reliability, efficiency and commercial outcomes.
- Ongoing business improvement processes focused on industry benchmarking and engaging our people to drive productivity improvements across the supply chain through data driven informed decision making.

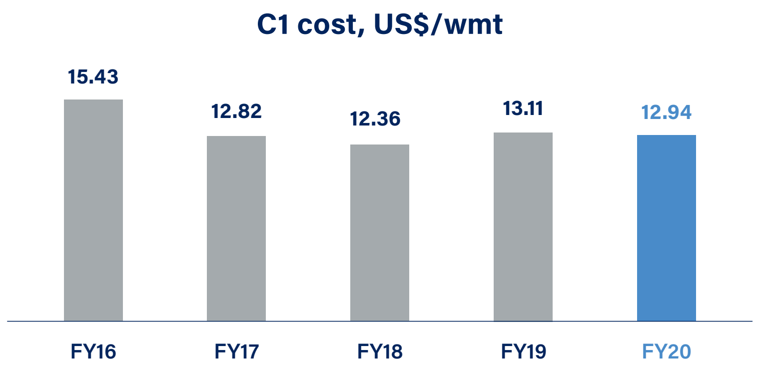
The impact of these internal initiatives has been further enhanced by a more favourable AUD/USD exchange rate and the reclassification of operating lease costs from C1 to depreciation and interest expense on adoption of AASB 16 *Leases*.

As we were able to continue to operate in Australia during the peak of COVID-19 restrictions, we did not seek any financial support or assistance from government, lenders, landlords or others. COVID-19 related costs included labour, accommodation and other measures, such as increased hygiene protocols, and totalled US$0.22/wmt for FY20.

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

FY20 demonstrated our ability to consistently deliver sustainable cost improvements through a continued focus on innovation, investment in technology and realising the benefits from capital expenditure reinvested into our operations. C1 costs for the year reduced to US$12.94/wmt, a one per cent decrease over FY19, maintaining our industry leading position as a low cost supplier of seaborne iron ore into China.

In addition to the key strategic initiatives mentioned above, during FY20 we continued to assess and develop low cost growth options through exploration activities in Australia and overseas. Exploration drilling activities were suspended in March 2020 in Ecuador and Argentina due to COVID-19.



The chart above illustrates the success of our cost reduction and efficiency initiatives over the past five years, reflecting sustainable, long-term management of operating costs.

Financial performance

Highlights

Our financial results for the year demonstrate the continued ability of our operations to generate strong cash flows through the successful execution of our integrated operations and marketing strategy. Leveraging the capability in our value chain resulted in record shipments, sustained low cost performance and strong operating margins.

During the year ended 30 June 2020, we delivered a record net profit of US$4,735 million and earnings per share of 153.9 US cents, based on strong customer demand, record shipments and an optimised product mix to deliver higher margins.

Key metrics	2020	2019
Revenue, US$ millions	12,820	9,965
Underlying EBITDA[1], US$ millions	8,375	6,047
Net profit after tax, US$ millions	4,735	3,187
Earnings per share, US cents	**153.9**	103.1
Earnings per share, AUD cents	**229.2**	144.1
Average realised price, US$/dmt	**79**	65
C1 costs, US$/wmt	**12.94**	13.11
Underlying EBITDA margin, US$/dmt	**52**	39
Key ratios		
Underlying EBITDA margin, %	65	61
Return on equity, %	40	31

[1] Refer to page 80 for the reconciliation of Underlying EBITDA to the financial metrics reported in the financial statements under Australian Accounting Standards.

Revenue

	Note[1]	2020 US$m	2019 US$m
Total iron ore revenue, US$ millions	3	11,581	8,786
Total shipping revenue, US$ millions	3	1,196	1,177
Other revenue, US$ millions	3	43	2
Operating sales revenue, US$ millions		**12,820**	9,965
Shipments, million wmt		178	168
Ore sold, wmt[2]		177	168
Average 62% Fe CFR Platts index, US$/dmt		93	80
Average realised price, US$/dmt		**79**	65

1 Notes to the accompanying financial statements.
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.

The Platts 62% CFR index averaged US$93/dmt in FY20 which reflects an increase of 16 per cent over the prior year (FY19: US$80/dmt) with Fortescue's realised price increasing by 21 per cent over the same period (from US$65/dmt in FY19 to US$79/dmt in FY20). The factors which have influenced our realised price improvement include:

- Successful integrated operations and marketing strategy increasing the volume of higher margin products shipped, including West Pilbara Fines (10 per cent of volume FY20 compared to five per cent of volume FY19)
- Continued strength in Chinese steel production, growing by 1.4 per cent in the first half of calendar year 2020 compared to the prior year
- Increasing demand for Fortescue's products from customers in China
- Sustained strength in the benchmark iron ore price following supply disruptions in Brazil and Australia leading to significant drawdowns in iron ore inventories at Chinese ports.

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]	2020	2019
Mining and processing costs, US$ millions	5	1,938	1,829
Rail costs, US$ millions	5	186	190
Port costs, US$ millions	5	169	176
C1 costs, US$ millions		**2,293**	2,195
Ore sold, million wmt		177	168
C1 costs, US$/wmt		**12.94**	13.11
Shipping costs, US$ millions	5	1,190	1,082
Government royalty[2], US$ millions	5	845	651
Administration expenses, US$ millions	6	114	95
Shipping, royalty and administration, US$ millions		**2,149**	1,828
Ore sold, million wmt		177	168
Shipping, royalty and administration, US$/wmt		**12**	11
Total delivered cost, US$/wmt		**25**	24
Total delivered cost, US$/dmt		**27**	26

1 Notes to the accompanying financial statements.
2 Fortescue pays 7.5 per cent Western Australian State Government royalty for the majority of its iron ore products, with a concession rate of five per cent applicable to beneficiated fines.

Key factors contributing to our FY20 operating cost performance are discussed on page 32.

Underlying EBITDA

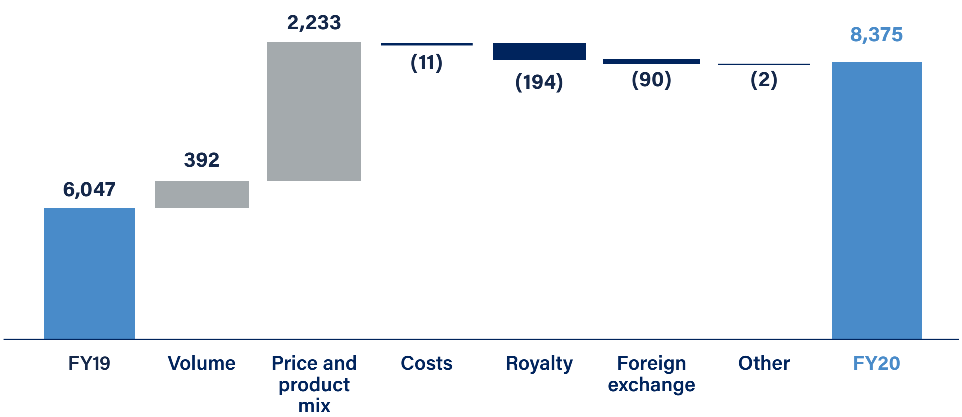
Underlying EBITDA, defined as earnings before interest, tax, depreciation and amortisation, exploration, development and other expenses, is used as a key measure of our financial performance. During the year, our operations generated Underlying EBITDA of US$8,375 million (FY19: US$6,047 million). The reconciliation of Underlying EBITDA to the financial metrics reported in the financial statements under Australian Accounting Standards is presented below.

	Note[1]	2020 US$m	2019 US$m
Operating sales revenue	3	12,820	9,965
Cost of sales excluding depreciation and amortisation	5	(4,359)	(3,931)
Net foreign exchange gain	4	52	110
Administration expenses	6	(114)	(95)
Other income/(expenses)	4, 6	(24)	(2)
Underlying EBITDA		**8,375**	6,047
Finance income	7	50	26
Finance expenses	7	(272)	(279)
Depreciation and amortisation	5, 6	(1,400)	(1,196)
Exploration, development and other expenses	6	(63)	(29)
Net profit before tax		**6,690**	4,569
Income tax expense	14	(1,955)	(1,382)
Net profit after tax		**4,735**	3,187
Cost of early debt repayment after tax		11	-
Underlying net profit after tax		**4,746**	3,187

[1] Refer to notes to the accompanying financial statements.

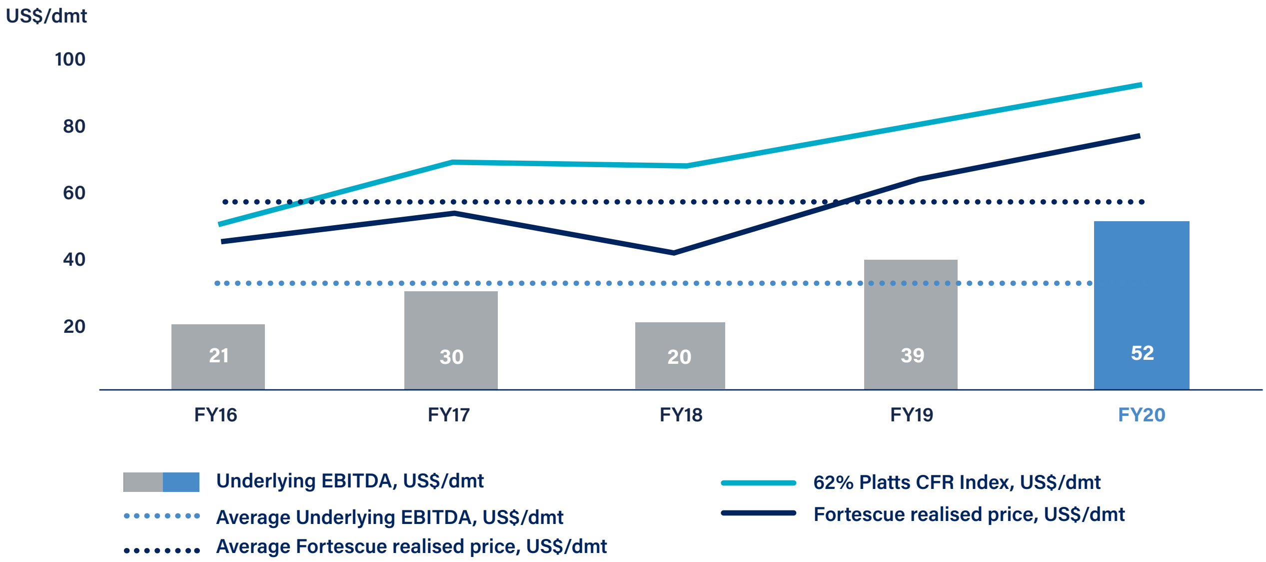
Key factors contributing to the 39 per cent increase in Underlying EBITDA from the prior period were both market and volume driven, with higher prices realised for Fortescue products averaging US$79/dmt in FY20 (FY19: US$65/dmt).

Underlying EBITDA (US$m)



Underlying EBITDA continued

The Underlying EBITDA of US$8,375m for FY20 represents an Underlying EBITDA margin of US$52/dmt or 65 per cent. As illustrated in the chart below, Fortescue has been maintaining EBITDA margins through market cycles, demonstrating our ongoing focus on productivity, efficiency and innovation.



Non-operating events

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

- Finance expenses of US$272 million include interest on borrowings and lease liabilities of US$209 million which decreased by four per cent compared to the prior period, as a result of early debt repayments and refinancing completed in the first half of FY20, lowering Fortescue's cost of capital. This has been partially offset by additional interest on lease liabilities due to the transition to AASB 16 *Leases*.
- Depreciation and amortisation expense of US$1,400 million (FY19: US$1,196 million) increased by 17 per cent compared to the prior period due to the combined impact of higher tonnes processed through the OPFs and railed, as well as the implementation of AASB 16 *Leases* which replaced operating lease expenses in the profit and loss with depreciation expense on 'right of use' assets and interest expense on lease liabilities.
- Income tax expense for the year was US$1,955 million at an effective income tax rate of 29.2 per cent (FY19: US$1,382 million, at an effective rate of 30.3 per cent).

Financial position

Highlights

Disciplined capital management strategy enhances strong liquidity position.

Fortescue's debt increased to US$5,113 million as at 30 June 2020 with a gearing ratio of 28 per cent (FY19: US$3,952 million, gearing ratio of 27 per cent), inclusive of leases of US$879 million (FY19: US$573 million) reflecting the draw down of the Revolving Credit Facility (RCF) of US$1,025 million and the impact of transition to the new lease accounting standard, AASB 16 *Leases*.

Key metrics	Note[1]	2020 US$m	2019 US$m
Borrowings	9(a)	4,234	3,379
Finance lease liabilities	9(a)	879	573
Total debt		**5,113**	3,952
Cash and cash equivalents	9(b)	4,855	1,874
Net debt		**258**	2,078
Equity		**13,244**	10,601
Key ratios			
Gearing, %		28	27
Net gearing, %		2	16
Debt to EBITDA (x)		0.61x	0.65x
Net debt to EBITDA (x)		0.03x	0.34x

[1] Notes to the accompanying financial statements.

Debt and liquidity

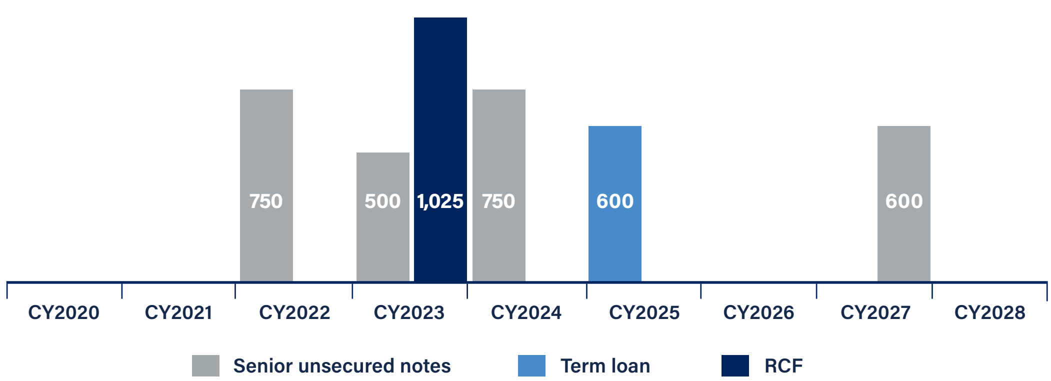
Fortescue's balance sheet is structured on low cost, investment grade terms with optimal gearing and liquidity levels to support ongoing operations. The debt capital structure allows optionality and flexibility to fund future growth.

During September 2019, we successfully completed a US$600 million offering of Senior Unsecured Notes, the proceeds of which were applied to the partial repayment of US$600 million of the outstanding US$1,386 million 2022 Syndicated Term Loan Facility (Term Loan). A further US$186 million of the Term Loan was repaid from available cash, and negotiations were successfully concluded with existing Term Loan lenders to extend the repayment date of the balance of the Term Loan of US$600 million to 2025 based on the same terms and conditions.

Consistent with our disciplined approach to capital management and to enhance our strong liquidity position at a time of global uncertainty, we proactively drew down on our US$1,025 million RCF in April 2020. Before the end of the financial year, we also successfully concluded negotiations to extend the maturity date of the RCF to July 2023.

Our debt maturity profile at 30 June 2020, after the repayment and refinancing of the Term Loan and draw down and extension of the RCF, is set out below. No financial maintenance covenants are contained within Fortescue's debt instruments.

Debt maturity profile (excluding leases), US$m



At 30 June 2020, Fortescue had US$4,855 million of liquidity being cash on hand. Total debt of US$5,113 million, inclusive of US$879 million of leases, represents a gearing ratio of 28 per cent. Due to market strength and confidence in the outlook, Fortescue elected to repay the full amount drawn on the RCF of US$1,025 million plus accrued interest on 29 July 2020. The undrawn facility remains an available source of liquidity.

Cash generated from operations

Fortescue continued to generate strong underlying cash flows from operations during the year with cash on hand at 30 June 2020 of US$4,855 million. Cash generated from operations was 66 per cent higher compared to prior year, primarily as a result of a 38 per cent increase in Underlying EBITDA.

Key metrics	2020 US$m	2019 US$m
Cash generated from operations	**8,287**	4,979
Cash flows from operating activities	6,415	4,373
Capital expenditure (including joint operations)	(1,966)	(1,045)
Free cash flow	**4,449**	3,328

Net cash flows from operating activities include net interest payments of US$235 million (FY19: US$254 million) and income tax paid of US$1,685 million (FY19: US$376 million).

Capital expenditure for the year was US$1,966 million (FY19: US$1,045 million) and includes expenditure incurred on our Eliwana Mine and Rail and Iron Bridge Magnetite growth projects, which were a significant focus of FY20.

Dividends and shareholder returns

In October 2019, we paid a fully franked final dividend of 24 AUD cents per share for the financial year ended 30 June 2019.

In FY20, we generated earnings of 153.9 US cents per share (FY19: 103.1 US cents per share), with return on equity of 40 per cent (FY19: 31 per cent).

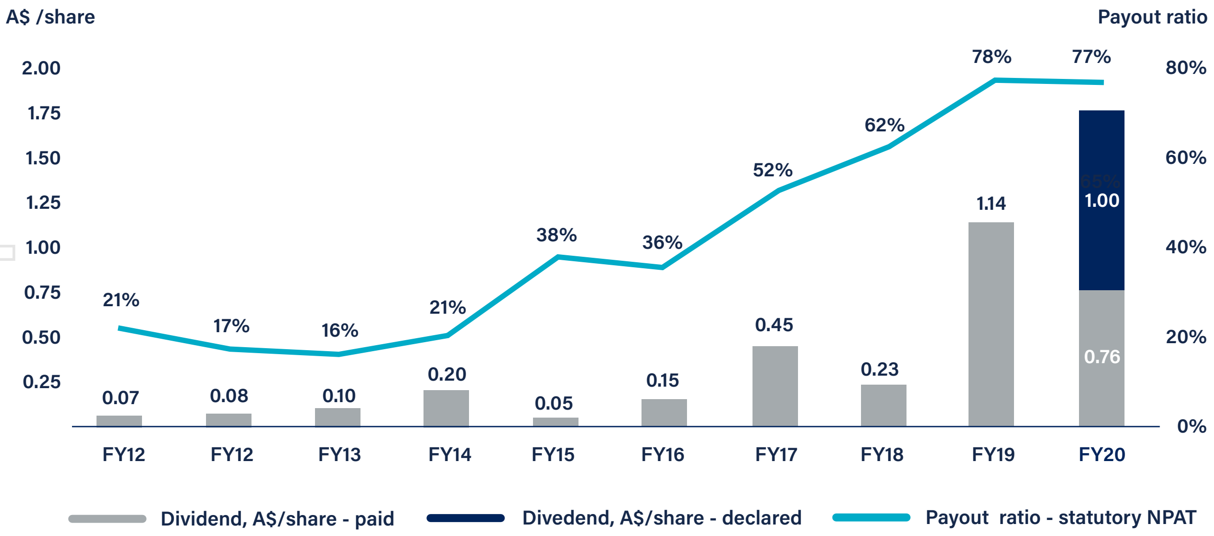
	2020	2019
Underlying net profit after tax[1], US$ millions	4,746	3,187
Basic earnings per share, US cents per share	153.9	103.1
Basic earnings per share, AUD cents per share[2]	229.2	144.1
Return on equity, %	40	31
Interim and special dividend, AUD cents per share	76	30
Final and accelerated final dividend, AUD cents per share	100	84
Total dividend, AUD cents per share	**176**	114
Dividend payout ratio, %	**77**	78

[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 0.6715 AUD/USD (FY19: 0.7152 AUD/USD).

Our full year dividend payout ratio of 77 per cent of net profit after tax was in accordance with our policy of a payout ratio of between 50 and 80 per cent. Special dividends declared and paid in FY19 were 'special' in terms of timing, noting that our total FY19 dividends declared of A$1.14 per share represented a dividend payout ratio of 78 per cent of full year net profit after tax.

The success of our integrated operations and marketing strategy, enhanced product mix and record shipped volumes as well as the strength of demand for iron ore, have all combined to generate strong cash flows from operations. Fortescue's track record of delivering returns to shareholders reflects our disciplined approach to capital allocation.

Dividends declared and payout ratios



Capital expenditure

Total capital expenditure payments incurred in FY20 of US$2.0 billion with investment in growth projects achieving key milestones.

Fortescue's payments for capital expenditure in FY20 of US$1,966 million (FY19: US$1,045 million) included:

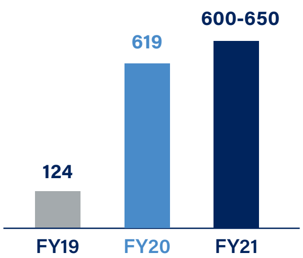
- Sustaining capital of US$690 million (FY19: US$612 million)
- Development capital, including Queens Hub, WHIMS plants, autonomous haulage and relocatable conveyors of US$389 million (FY19: US$221 million which included Fortescue ore carriers and towage)
- Eliwana Mine and Rail, Iron Bridge Magnetite and Pilbara Energy Connect growth projects US$771 million (FY19: US$107 million)
- Exploration and studies expenditure of US$116 million (FY19: US$105 million).

Fortescue's investment in its major growth projects intensified in FY20 as key milestones were achieved, including:

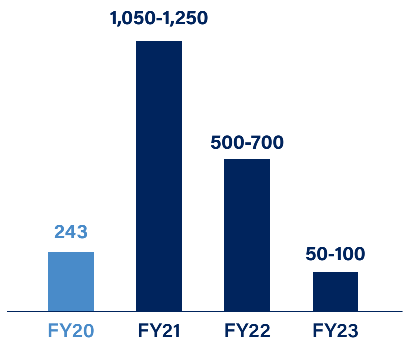
- Tracklaying on the first stage of the 143km railway and installation of over half of the OPF structural steel for the Eliwana Mine and Rail Project. At year end, the construction workforce was at peak levels with earthworks, structural steel erection and process equipment installation advancing rapidly, and pre-strip mining planned to commence in Q1 FY21.
- Bulk earthworks on the Iron Bridge Magnetite project were over 50 per cent complete at year end and concrete works commenced during July 2020 as the project progressed to the construction phase. First earthworks on the OPF, completion of the mine access road and commencement of the permanent village installation took place in FY20. The project is progressing on schedule and budget with first concentrate production planned in the first half of calendar year 2022.
- The Pilbara Energy Connect (PEC) project totalling US$700 million commenced engineering, procurement and site establishment works for the transmission line and thermal generation. Design and procurement of the solar and battery energy storage components will continue in FY21.

Actual and forecast capital expenditure on an incurred basis for each of Fortescue's major growth projects is shown in the charts below:

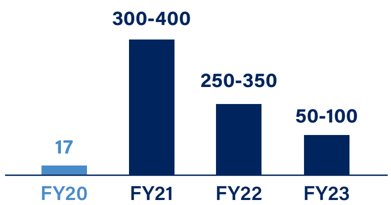
Eliwana Mine and Rail Project, US$m

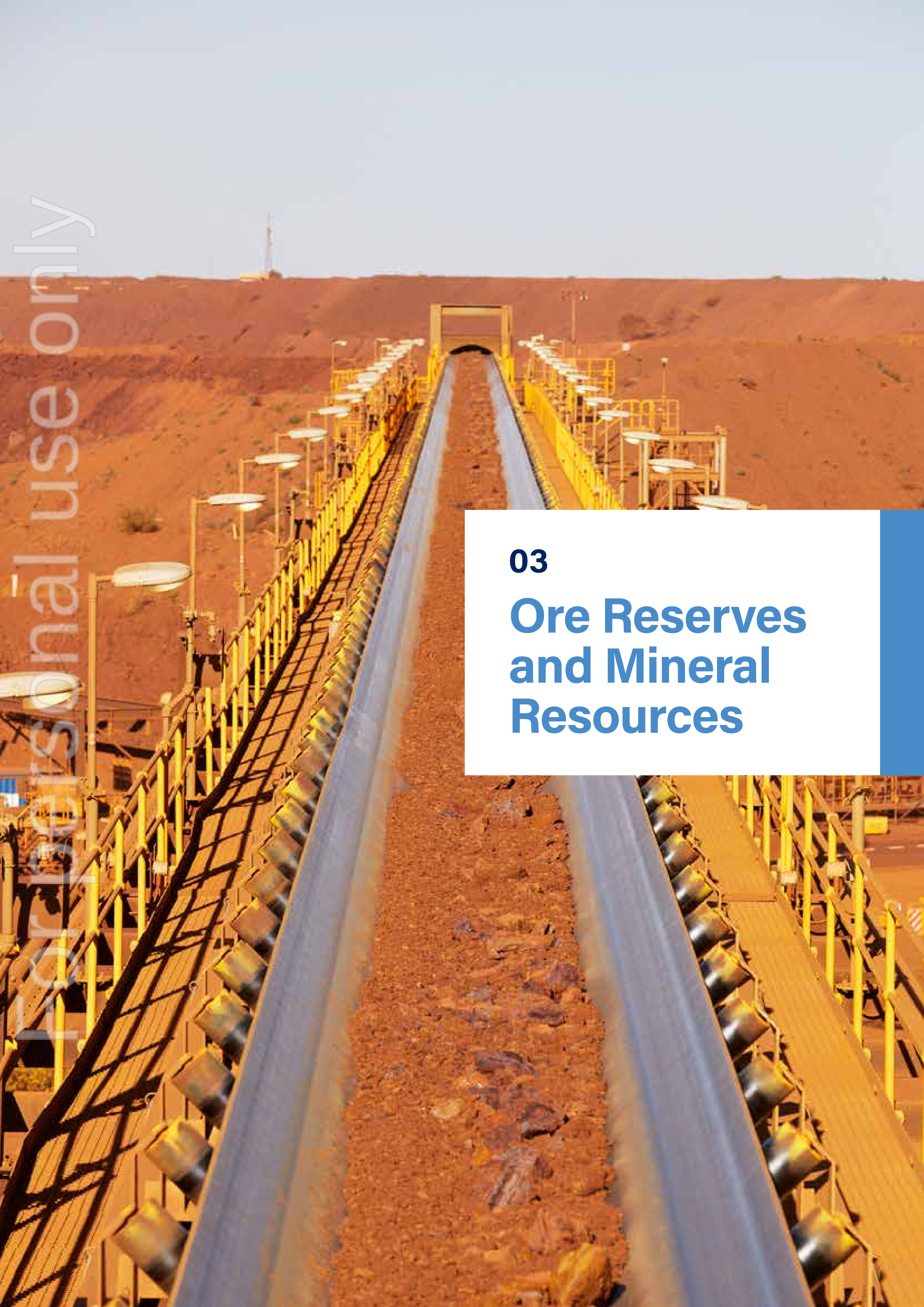


Iron Bridge Magnetite Project, US$m



Pilbara Energy Connect, US$m





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 2.25 billion dry tonnes (bt) at an average iron (Fe) grade of 57.5% on a post-processed product basis. Combined Hematite Mineral Resources total 13.89bt at an average Fe grade of 56.7%

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

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 2012 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 21 August 2020).

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

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

The Ore Reserve and Mineral Resource estimation processes followed internally are well established and are subject to systematic internal peer review, including calibration against operational outcomes.

Independent technical reviews and audits are undertaken on an as-required basis as part of Fortescue's risk management process.

In addition to routine internal audits and peer review, auditing of the Mineral Resource and Ore Reserve estimates is addressed as a subset of the annual internal audit plan approved by the Board Audit and Risk Management Committee (ARMC). Specific auditing of the Ore Reserve process was performed in 2011, 2013, 2015, 2016, 2017 and 2019. These audits were managed by Fortescue's internal audit service provider with external technical subject experts. The 2015, 2016, 2017 and 2019 Ore Reserves audits were carried out by independent external technical consultants.

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

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

Ore Reserves Operating Properties – Hematite

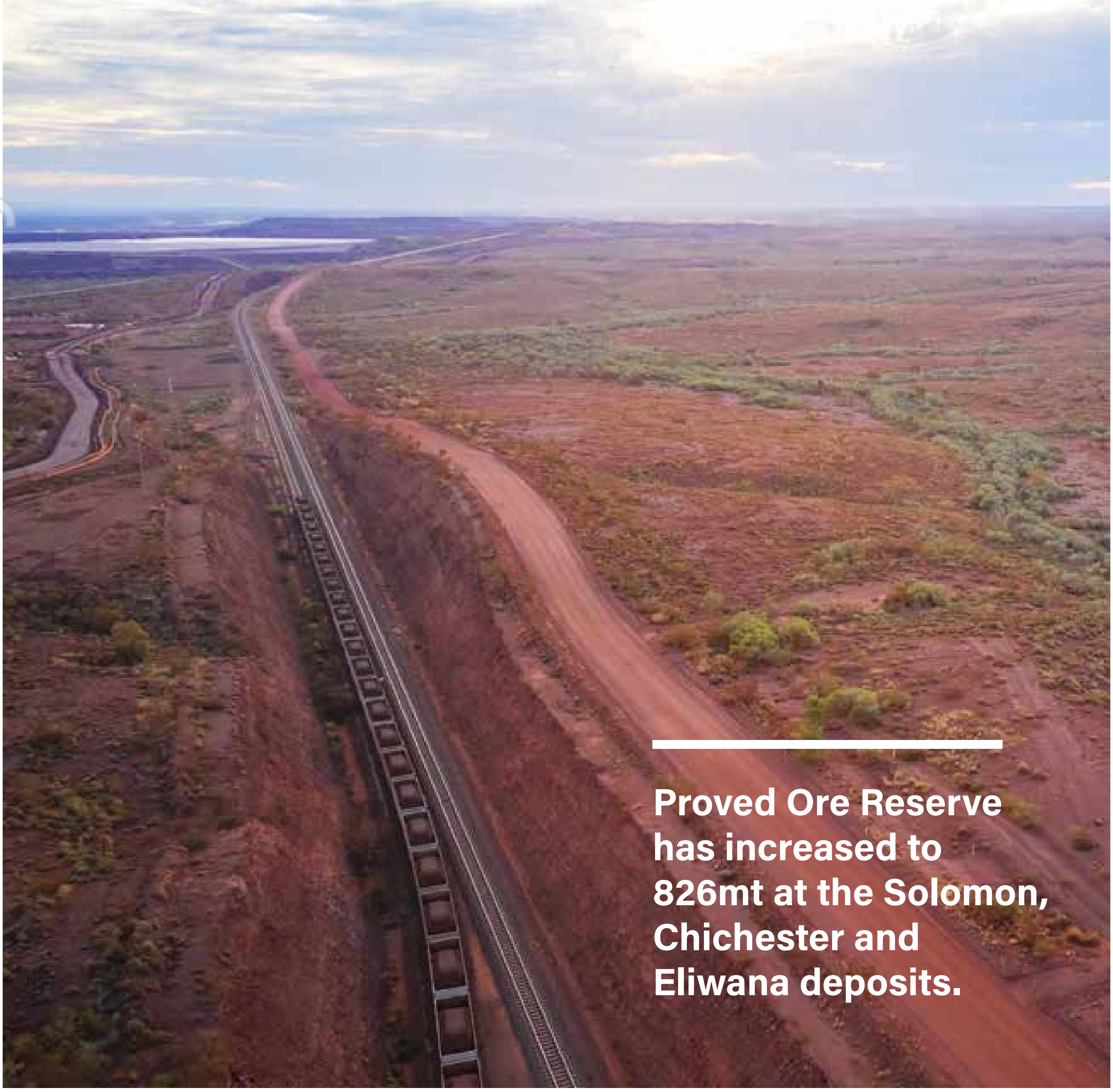
The combined Chichester, Solomon and Eliwana Hematite Ore Reserves for 2020 are estimated to total 2,247mt at an average Fe grade of 57.5%.

The Ore Reserve is quoted as at 30 June 2020 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 826mt (from 816mt in 2019) as a result of ongoing infill drilling at the Solomon, Chichester and Eliwana deposits.

The Chichester Hub (Cloudbreak and Christmas Creek deposits) contains 1,404mt at an average Fe grade of 57.1%, a net increase of 86mt due to the re-optimisation of pit designs and additional infill drilling (+ve), offset by more conservative metallurgical and reconciliation factors (-ve). Proved Ore Reserve constitutes 41 per cent of the Chichester Ore Reserve, a slight decrease from 2019. 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 634mt at an average Fe grade of 57.6%, a decrease of 133mt mainly due to pit design adjustments for the Queens deposit (-ve), reconciliation factors (-ve) and updated metallurgical test work (-ve), offset slightly by additional infill drilling (+ve). Proved Ore Reserves comprise 16 per cent of the tonnage in the total Solomon Reserve.

The Ore Reserve for the Eliwana deposit is estimated to be 209mt at an average Fe grade of 60.1%. The estimate is 7mt higher than previous reporting due to pit-design modifications (+ve) and an updated geological model (+ve). Proved Ore Reserves comprise 69 per cent of the tonnage in the total Eliwana Ore Reserve, an increase of two per cent compared to previous reporting.



The 2020 Hematite Ore Reserve estimates were subject to a comprehensive review and update addressing:

- Ore depletion as a result of sales (decrease)
- Revisions of ore loss and dilution factors based on 12 months of operational history at all mines (reduced dilution/tonnage decrease at Firetail and Queens)
- Revisions to the processing response through all OPFs based on updated metallurgical test work and operational history (minor)
- Revisions to the Christmas Creek metallurgical factors to incorporate plant reconfiguration (increase)
- Updated metallurgical test work to the Kings and Queens deposits (decrease)
- Re-optimisation of mine geometries to maximise the benefit of new additions to the Mineral Resource base
- Revisions to the Cloudbreak input Mineral Resource models and pit geometries (increase)
- Revisions to the Christmas Creek input Mineral Resource models and pit geometries (increase)
- Revisions to the Queens and Firetail pit geometries and input Mineral Resource models (decrease)
- Revisions to the Eliwana input Mineral Resource models and pit geometries (increase)
- A revised life of mine plan that addresses the listed items and incorporates the latest information on long-term product strategy, including the West Pilbara Fines 60.1% Fe product.

Hematite Ore Reserves – as at 30 June 2020

	30 June 2020						30 June 2019					
	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	266	57.2	5.12	2.70	0.055	8.56	231	57.6	5.29	2.69	0.055	8.27
Probable	294	57.2	5.47	2.65	0.059	7.93	255	57.4	5.82	2.67	0.063	7.67
Total	**560**	**57.2**	**5.30**	**2.67**	**0.057**	**8.23**	**486**	**57.5**	**5.57**	**2.68**	**0.059**	**7.96**
Christmas Creek												
Proved	315	56.9	6.01	2.63	0.045	7.81	340	56.9	6.07	2.75	0.048	7.59
Probable	528	57.0	5.78	3.12	0.050	7.70	492	57.5	5.18	2.96	0.054	7.61
Total	**843**	**57.0**	**5.87**	**2.93**	**0.048**	**7.74**	**832**	**57.3**	**5.54**	**2.88**	**0.052**	**7.60**
Sub-total Chichester Hub												
Proved	581	57.1	5.60	2.66	0.050	8.15	570	57.2	5.75	2.73	0.051	7.86
Probable	822	57.1	5.67	2.95	0.053	7.78	748	57.5	5.40	2.86	0.057	7.63
Total	**1,404**	**57.1**	**5.64**	**2.83**	**0.052**	**7.94**	**1,318**	**57.4**	**5.55**	**2.80**	**0.055**	**7.73**
Firetail												
Proved	2	59.3	5.77	2.96	0.116	5.81	8	59.5	5.69	2.58	0.115	6.07
Probable	82	59.9	5.22	2.25	0.110	6.56	118	59.1	6.02	2.24	0.112	6.61
Total	**84**	**59.9**	**5.23**	**2.27**	**0.111**	**6.54**	**126**	**59.1**	**6.00**	**2.26**	**0.113**	**6.57**
Kings and Queens												
Proved	99	57.3	6.22	2.88	0.075	9.04	102	56.0	6.29	2.72	0.078	10.54
Probable	451	57.3	6.20	2.38	0.070	9.53	539	56.9	6.68	2.69	0.070	8.79
Total	**550**	**57.3**	**6.20**	**2.47**	**0.071**	**9.44**	**641**	**56.8**	**6.62**	**2.70**	**0.071**	**9.07**
Sub-total Solomon Hub												
Proved	101	57.3	6.21	2.88	0.076	8.97	110	56.3	6.24	2.71	0.080	10.22
Probable	533	57.7	6.04	2.36	0.076	9.07	657	57.3	6.56	2.61	0.077	8.40
Total	**634**	**57.6**	**6.07**	**2.44**	**0.076**	**9.05**	**768**	**57.2**	**6.52**	**2.63**	**0.078**	**8.66**
Eliwana												
Proved	143	60.6	4.55	2.47	0.137	5.52	136	60.8	4.39	2.41	0.137	5.41
Probable	66	58.9	5.00	2.61	0.102	7.09	66	58.7	5.28	2.64	0.096	7.10
Total	**209**	**60.1**	**4.69**	**2.52**	**0.126**	**6.02**	**202**	**60.1**	**4.68**	**2.49**	**0.124**	**5.96**
Total Hematite Ore Reserves												
Proved	826	57.7	5.49	2.66	0.068	7.80	816	57.7	5.59	2.67	0.069	7.77
Probable	1,421	57.4	5.78	2.71	0.064	8.23	1,471	57.5	5.91	2.74	0.068	7.95
Total	**2,247**	**57.5**	**5.67**	**2.69**	**0.066**	**8.07**	**2,288**	**57.5**	**5.80**	**2.72**	**0.068**	**7.89**

Notes in reference to table

- All Ore Reserve estimates are quoted on a dry product, post-processed basis.
- The diluted mining models used to report the 2020 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 are updated for local pit areas as infill drilling is completed, with updates included through to 2019.
- Diluted mining models are validated by reconciliation against historical production.
- Proved Ore Reserves are inclusive of ore and product stockpiles at the mines which total approximately 33.6mt of dry, post-processed product.
- 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 increase Cloudbreak and Christmas Creek OPF utilisation.
- Tonnage figures have been rounded and may not add up to the totals quoted.

Ore Reserves – Magnetite

The 2020 Ore Reserves for Magnetite are from the Iron Bridge Magnetite Project. Ore Reserves for the project total 716mt at an average mass recovery of 29.4% for a 67.0% Fe grade product. The Ore Reserves are quoted as at 30 June 2020, on a dry in-situ tonnes basis prior to processing.

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

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

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 Ore Reserves due to the lack of full scale production history as no sales or production have occurred for magnetite as at 30 June 2020.

Magnetite Ore Reserves – as at 30 June 2020

	30 June 2020					30 June 2019				
	In-situ tonnes (mt)	DTR mass recovery %	Product Iron Fe %	Product Silica SiO_2 %	Product Alumina Al_2O_3 %	In-situ tonnes (mt)	DTR mass recovery %	Product Iron Fe %	Product Silica SiO_2 %	Product Alumina Al_2O_3 %
North Star and Eastern Limb										
Proved	-	-	-	-	-	-	-	-	-	-
Probable	595	29.7	67.0	5.62	0.29	595	29.7	67.0	5.62	0.29
Total	**595**	**29.7**	**67.0**	**5.62**	**0.29**	**595**	**29.7**	**67.0**	**5.62**	**0.29**
Glacier Valley										
Proved	-	-	-	-	-	-	-	-	-	-
Probable	122	26.2	67.0	5.62	0.29	122	28.2	67.0	5.62	0.29
Total	**122**	**26.2**	**67.0**	**5.62**	**0.29**	**122**	**28.2**	**67.0**	**5.62**	**0.29**
West Star										
Proved	-	-	-	-	-	-	-	-	-	-
Probable	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Magnetite Ore Reserves										
Proved	-	-	-	-	-	-	-	-	-	-
Probable	716	29.4	67.0	5.62	0.29	716	29.4	67.0	5.62	0.29
Total	**716**	**29.4**	**67.0**	**5.62**	**0.29**	**716**	**29.4**	**67.0**	**5.62**	**0.29**

Notes in reference to table

- As per the Iron Bridge Project agreements, Fortescue owns 60.72% of the reported Total Magnetite Ore Reserve estimate.
- Magnetite Ore Reserves are derived from Measured and Indicated Mineral Resources reported within a defined pit design.
- Magnetite Ore Reserves are based on Mass Recovery expressed as a 17 per cent Davis Tube Recovery (DTR) cut-off.
- Magnetite Ore Reserves are reported on an in-situ dry-tonnage basis.
- Tonnage information has been rounded and as a result the figures may not add up to the totals quoted.

Mineral Resources Operating Properties – Hematite

Mineral Resources for the Operating Properties, including the Chichester and Solomon Hubs along with Eliwana, are stated on a dry in-situ tonnage basis. The Mineral Resources, including stockpiles, are quoted inclusive of Ore Reserves.

As at 30 June 2020, the total Mineral Resource for the Chichester and Solomon Hubs and Eliwana is estimated to be 5,832mt at an average Fe grade of 56.2%, a decrease of 343mt compared to the prior year. This was accompanied by an increase in the proportion of higher confidence Measured and Indicated Mineral Resources from 69 per cent to 70 per cent.

The total Chichester Hub Mineral Resource is estimated to be 2,785mt at an average Fe grade of 56.2%, with 80 per cent of the tonnage in the Measured and Indicated Mineral Resource categories.

The total Solomon Hub Mineral Resource is estimated to be 2,121mt at an average Fe grade of 55.2%, with 70 per cent of the tonnage in the Measured and Indicated Mineral Resource categories.

The total Eliwana Mineral Resource is estimated to be 926mt at an average Fe grade of 58.6%, with 38 per cent of the tonnage in the Measured and Indicated Mineral Resource categories.

Hematite Mineral Resources (Operating Properties) – as at 30 June 2020

	30 June 2020						30 June 2019					
	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	419	56.6	5.75	3.45	0.058	8.7	460	56.6	5.69	3.44	0.058	8.6
Indicated	401	56.2	6.63	3.41	0.060	8.0	414	56.2	6.66	3.43	0.060	8.0
Inferred	117	56.4	6.29	3.62	0.054	7.6	123	56.4	6.31	3.60	0.054	7.7
Total	**936**	**56.4**	**6.20**	**3.45**	**0.058**	**8.2**	**997**	**56.4**	**6.17**	**3.45**	**0.058**	**8.3**
Christmas Creek												
Measured	480	56.7	6.37	3.15	0.049	7.9	556	56.9	6.28	3.13	0.047	7.9
Indicated	922	56.1	6.59	3.70	0.051	7.9	935	56.1	6.59	3.70	0.051	7.9
Inferred	447	55.6	6.91	3.79	0.054	7.9	463	55.6	6.90	3.80	0.055	7.9
Total	**1,849**	**56.1**	**6.61**	**3.58**	**0.051**	**7.9**	**1,954**	**56.2**	**6.57**	**3.56**	**0.051**	**7.9**
Sub-total Chichester Hub												
Measured	898	56.7	6.08	3.29	0.053	8.2	1,016	56.8	6.01	3.27	0.052	8.2
Indicated	1,323	56.1	6.61	3.61	0.054	7.9	1,349	56.1	6.61	3.62	0.054	7.9
Inferred	564	55.8	6.78	3.75	0.054	7.9	586	55.8	6.77	3.75	0.055	7.8
Total	**2,785**	**56.2**	**6.47**	**3.54**	**0.054**	**8.0**	**2,951**	**56.3**	**6.44**	**3.53**	**0.053**	**8.0**
Firetail												
Measured	3	57.1	7.25	3.76	0.111	6.6	14	57.9	6.28	3.34	0.121	6.9
Indicated	166	57.9	6.94	2.74	0.119	6.9	195	58.1	6.86	2.67	0.119	6.8
Inferred	102	56.1	8.00	3.77	0.107	7.4	110	56.1	8.02	3.74	0.106	7.4
Total	**271**	**57.2**	**7.34**	**3.14**	**0.115**	**7.1**	**319**	**57.4**	**7.23**	**3.07**	**0.115**	**7.0**
Kings and Queens												
Measured	204	55.3	7.72	3.52	0.085	9.1	183	54.8	7.48	3.31	0.086	10.4
Indicated	1,111	55.0	8.18	3.27	0.078	9.0	1,137	55.1	8.25	3.34	0.079	9.0
Inferred	535	54.6	8.88	3.75	0.076	8.5	585	54.6	8.71	3.72	0.079	8.7
Total	**1,851**	**54.9**	**8.33**	**3.44**	**0.078**	**8.9**	**1,905**	**54.9**	**8.32**	**3.44**	**0.080**	**9.0**
Sub-total Solomon Hub												
Measured	208	55.3	7.71	3.53	0.085	9.1	197	55.1	7.39	3.15	0.089	10.1
Indicated	1,277	55.3	8.02	3.20	0.083	8.7	1,331	55.5	8.05	3.25	0.085	8.7
Inferred	636	54.9	8.74	3.75	0.081	8.3	694	54.9	8.60	3.72	0.083	8.5
Total	**2,121**	**55.2**	**8.21**	**3.40**	**0.083**	**8.6**	**2,223**	**55.3**	**8.16**	**3.39**	**0.085**	**8.7**
Eliwana												
Measured	229	60.0	4.89	2.61	0.141	5.8	229	60.0	4.89	2.61	0.141	5.8
Indicated	122	58.4	5.44	2.77	0.096	7.2	122	58.4	5.44	2.77	0.096	7.2
Inferred	575	58.1	5.69	3.45	0.102	6.9	650	58.1	5.76	3.40	0.102	7.0
Total	**926**	**58.6**	**5.46**	**3.16**	**0.111**	**6.7**	**1,001**	**58.6**	**5.52**	**3.14**	**0.110**	**6.7**
Total Hematite Operating Mineral Resources												
Measured	1,335	57.0	6.13	3.21	0.073	8.0	1,442	57.0	6.02	3.15	0.071	8.1
Indicated	2,722	55.9	7.22	3.38	0.069	8.2	2,802	55.9	7.24	3.40	0.071	8.2
Inferred	1,776	56.2	7.13	3.66	0.079	7.7	1,930	56.2	7.09	3.62	0.081	7.8
Total	**5,832**	**56.2**	**6.94**	**3.43**	**0.073**	**8.0**	**6,175**	**56.3**	**6.91**	**3.41**	**0.074**	**8.1**

Notes in reference to table

- Chichester Hub Mineral Resources are quoted above a cut-off grade of 53.5% Fe. Solomon Hub and Eliwana Mineral Resources are quoted above a cut-off grade of 51.5% Fe.
- The Measured Mineral Resource estimate includes mine stockpiles totalling approximately 32mt.
- 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

We have announced a 153mt addition to the Development Properties Mineral Resource as a result of exploration drilling. This includes updates to our existing Sheila Valley and Raven deposits at Greater Solomon, Flying Fish, Cobra, Lora, and Wyloo North deposits at Greater Western Hub and the Nyidinghu deposit.

This update to the development properties is reported in accordance with the 2012 JORC Code as identified in the Fortescue ASX release of 21 August 2020 that includes the supporting technical data.

As at 30 June 2020, the total Mineral Resource for Development Properties, which excludes and is additional to the operating properties, is estimated to be 8,060mt at an average Fe grade of 57.1%. This comprises 433mt for the Greater Chichester deposits, 2,682mt at the Greater Solomon deposits, 2,086mt at the Greater Western deposits, 2,475mt at the Nyidinghu deposit and 384mt at the Pilbara Other deposits.

Hematite Mineral Resources (Development Properties) – as at 30 June 2020

	30 June 2020						30 June 2019					
	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 Hub												
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 Hub												
Measured	-	-	-	-	-	-	-	-	-	-	-	-
Indicated	254	56.6	6.70	3.45	0.083	8.3	254	56.6	6.70	3.45	0.083	8.3
Inferred	2,427	56.9	6.87	3.79	0.083	7.2	2,325	56.8	6.96	3.74	0.081	7.1
Total	**2,682**	**56.9**	**6.85**	**3.76**	**0.083**	**7.3**	**2,580**	**56.8**	**6.93**	**3.71**	**0.082**	**7.2**
Greater Western Hub												
Measured	-	-	-	-	-	-	-	-	-	-	-	-
Indicated	99	59.1	5.32	2.45	0.162	7.1	-	-	-	-	-	-
Inferred	1,987	57.1	5.86	2.90	0.080	8.8	2,047	57.2	5.79	2.86	0.083	8.7
Total	**2,086**	**57.2**	**5.83**	**2.88**	**0.084**	**8.7**	**2,047**	**57.2**	**5.79**	**2.86**	**0.083**	**8.7**
Nyidinghu												
Measured	22	59.7	3.56	2.08	0.140	8.1	23	59.6	3.56	2.21	0.139	8.0
Indicated	575	58.0	4.60	2.97	0.148	8.5	580	58.1	4.52	2.95	0.148	8.6
Inferred	1,878	57.1	5.17	3.41	0.148	8.8	1,860	57.2	5.00	3.36	0.147	8.8
Total	**2,475**	**57.3**	**5.02**	**3.30**	**0.148**	**8.7**	**2,463**	**57.4**	**4.88**	**3.25**	**0.147**	**8.8**
Pilbara Other												
Measured	-	-	-	-	-	-	-	-	-	-	-	-
Indicated	-	-	-	-	-	-	-	-	-	-	-	-
Inferred	384	57.1	6.10	2.57	0.069	9.1	384	57.1	6.10	2.57	0.069	9.1
Total	**384**	**57.1**	**6.10**	**2.57**	**0.069**	**9.1**	**384**	**57.1**	**6.10**	**2.57**	**0.069**	**9.1**
Total Hematite Development Mineral Resources												
Measured	22	59.7	3.56	2.08	0.140	8.1	23	59.6	3.56	2.21	0.139	8.0
Indicated	929	57.7	5.25	3.05	0.132	8.3	834	57.6	5.18	3.11	0.128	8.5
Inferred	7,109	57.0	6.11	3.37	0.097	8.1	7,049	57.0	6.06	3.32	0.097	8.1
Total	**8,060**	**57.1**	**6.00**	**3.33**	**0.101**	**8.2**	**7,907**	**57.1**	**5.97**	**3.30**	**0.100**	**8.2**

Notes in reference to table

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

Mineral Resources Development Properties – Magnetite

The Mineral Resource for the North Star, Eastern Limb, West Star and Glacier Valley deposits (part of the Iron Bridge Project, 60.72 per cent Fortescue) was completed by Snowden Mining Industry Consultants in 2019. The remodelling of the Mineral Resource resulted in a downgrade of the Indicated and Inferred Mineral Resources, compared with the previous model. These changes resulted from the following:

- A new geological interpretation derived from mapping, geophysics and assay data
- Improved geological understanding leading to improvements in estimation methodology
- Changes to the Mineral Resource classification which shifted the Indicated and Inferred Mineral Resource boundaries upwards so that the revised classification better constrains the Mineral Resources to the current drilling and is consistent with geological and geostatistical confidence.

The Iron Bridge Mineral Resource as at 30 June 2020 remains unchanged from the 2019 Mineral Resource estimate. Ongoing drilling will be incorporated into a revised Mineral Resource estimate for the Iron Bridge deposit, which is planned to be completed in the first half of FY21.

Following external review and the remodelling of the Iron Bridge Mineral Resources in 2019, 2 to 3bt of material (at 28 to 32% Fe, 39 to 43% SiO_2 and 2 to 3% Al_2O_3, with an average mass recovery of 20 to 24%) was reclassified in 2019 as an Exploration Target. The Iron Bridge Exploration Target remains unchanged as of 30 June 2020 and is considered a long-term target. The potential quantity and grade of the Exploration Target is conceptual in nature and there has been insufficient exploration to estimate a Mineral Resource. It is uncertain if further exploration will result in the estimation of a Mineral Resource in this area.

Magnetite Mineral Resources (Development Properties) – as at 30 June 2020

	30 June 2020					30 June 2019				
	In-Situ Tonnes (mt)	DTR mass recovery %	In-Situ Iron Fe %	In-Situ Silica SiO_2 %	In-Situ Alumina Al_2O_3 %	In-Situ 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										
Measured	109	25.0	33.2	40.2	2.06	109	25.0	33.2	40.2	2.06
Indicated	825	24.5	30.3	41.3	2.74	825	24.5	30.3	41.3	2.74
Inferred	2,127	24.2	29.8	41.5	2.84	2,217	24.2	29.8	41.5	2.84
Total	**3,150**	**24.3**	**30.1**	**41.4**	**2.79**	**3,150**	**24.3**	**30.1**	**41.4**	**2.79**
Glacier Valley										
Measured	-	-	-	-	-	-	-	-	-	-
Indicated	191	23.7	33.4	39.4	1.73	191	23.7	33.4	39.4	1.73
Inferred	1,480	20.3	31.9	39.6	1.94	1,480	20.3	31.9	39.6	1.94
Total	**1,671**	**20.6**	**32.0**	**39.6**	**1.92**	**1,671**	**20.6**	**32.0**	**39.6**	**1.92**
West Star										
Measured	-	-	-	-	-	-	-	-	-	-
Indicated	-	-	-	-	-	-	-	-	-	-
Inferred	627	20.6	28.1	43.8	3.36	627	20.6	28.1	43.8	3.36
Total	**627**	**20.6**	**28.1**	**43.8**	**3.36**	**627**	**20.6**	**28.1**	**43.8**	**3.36**
Total Magnetite Mineral Resources										
Measured	109	25.0	33.2	40.2	2.06	109	25.0	33.2	40.2	2.06
Indicated	1,016	24.3	30.9	41.0	2.55	1,016	24.3	30.9	41.0	2.55
Inferred	4,324	22.3	30.3	41.2	2.61	4,324	22.3	30.3	41.2	2.61
Total	**5,448**	**22.7**	**30.4**	**41.1**	**2.59**	**5,448**	**22.7**	**30.4**	**41.1**	**2.59**

Notes in reference to table

- As per the Iron Bridge Project agreements, Fortescue owns 60.72% of the reported Total Magnetite Ore Reserve estimate.
- All magnetite Mineral Resources are reported above a nine per cent Mass Recovery cut-off, based on DTR test work.
- All Mineral Resources are reported on a dry-tonnage basis.
- Small discrepancies may occur due to rounding.
- Mineral Resources are reported inclusive of Ore Reserves.
- Tonnage information has been rounded and as a result the figures may not add up to the totals quoted.

Competent Persons Statement

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

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

Estimated Ore Reserves for the Chichester and Solomon Hubs and Eliwana deposit for fiscal year 2020 were compiled by Mr Oliver Wang and Mr Martin Slavik; full-time employees and shareholders of Fortescue.

Estimated Magnetite Ore Reserves for the Iron Bridge project for fiscal year 2020 were compiled by Mr Martin Slavik, a full-time employee and shareholder of Fortescue.

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

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

Mr Robinson, Mr Nitschke, Ms Retz, Mr Frost-Barnes, Mr Slavik, Mr Wang 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.

Our Values form the foundation of our approach to sustainability

04

Our approach to sustainability

FY20

Year at a glance

2.4
Total Recordable Injury Frequency Rate

A$17.2bn
Total global economic contribution

14%
Aboriginal employment rate across Pilbara operations

A$2.7bn
Contracts to Aboriginal businesses and joint ventures

26%
Female representation in senior leadership roles

A$6.6m
Social investment in our communities

Our approach to sustainability

Sustainability is integrated into all aspects of our business. At the heart of our approach to sustainability is a commitment to create value for our stakeholders, protect the health and safety of our Fortescue family and support the communities and environments in which we operate.

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

The Value of empowerment encourages our employees to do their best and to find innovative solutions to business and societal challenges. By empowering our communities through training, development, employment and business opportunities, we can assist them to thrive and prosper.

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

Compliance with all relevant legislation and obligations, including those that govern health, safety and environment, is the absolute minimum standard at which we operate.

Our Board is responsible for the oversight of all sustainability issues, receiving regular updates through the Audit and Risk Management Committee (ARMC). At the operational level, sustainability is managed by our Chief Executive Officer with support from the Core Leadership Team and Director Sustainability and Corporate Affairs.

The FY20 Sustainability Report, FY20 Climate Change Report and FY20 Modern Slavery Statement are available on our website at **www.fmgl.com.au**

United Nations Sustainable Development Goals

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

We have aligned Fortescue's approach to sustainability with the SDGs and will continue to work with our host governments as they strive to meet these goals. Eight of the SDGs are prioritised by Fortescue.

Our priority SDGs

Material issues

Fortescue's Sustainability Report outlines the issues that may impact our ability to meet our sustainability commitments and targets.

Material issues are those that may have a significant bearing on our ability to achieve our commitments and targets. These issues are identified through an annual assessment process that considers risks and opportunities, as well as internal and external stakeholder views. The assessment involves a cycle of research, identification, prioritisation, validation and review.

During FY20, our materiality assessment considered the following:

- Our sustainability initiatives and targets
- Corporate risk assessments
- Company policies, standards and guidelines
- Results of internal and external engagement with stakeholders
- Media and investor interest and feedback
- Material issues identified by peers, sustainability leaders and materiality analysis
- Benchmarking and environmental, social and governance assessments.

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

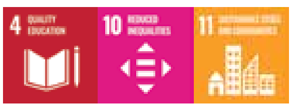
Material issues are incorporated under our three core sustainability pillars.

Setting high standards

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

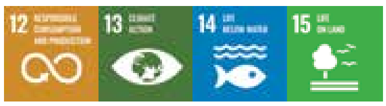
Safeguarding the environment

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



Creating positive social change

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



05

Corporate Governance

Overview of Corporate Governance

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

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

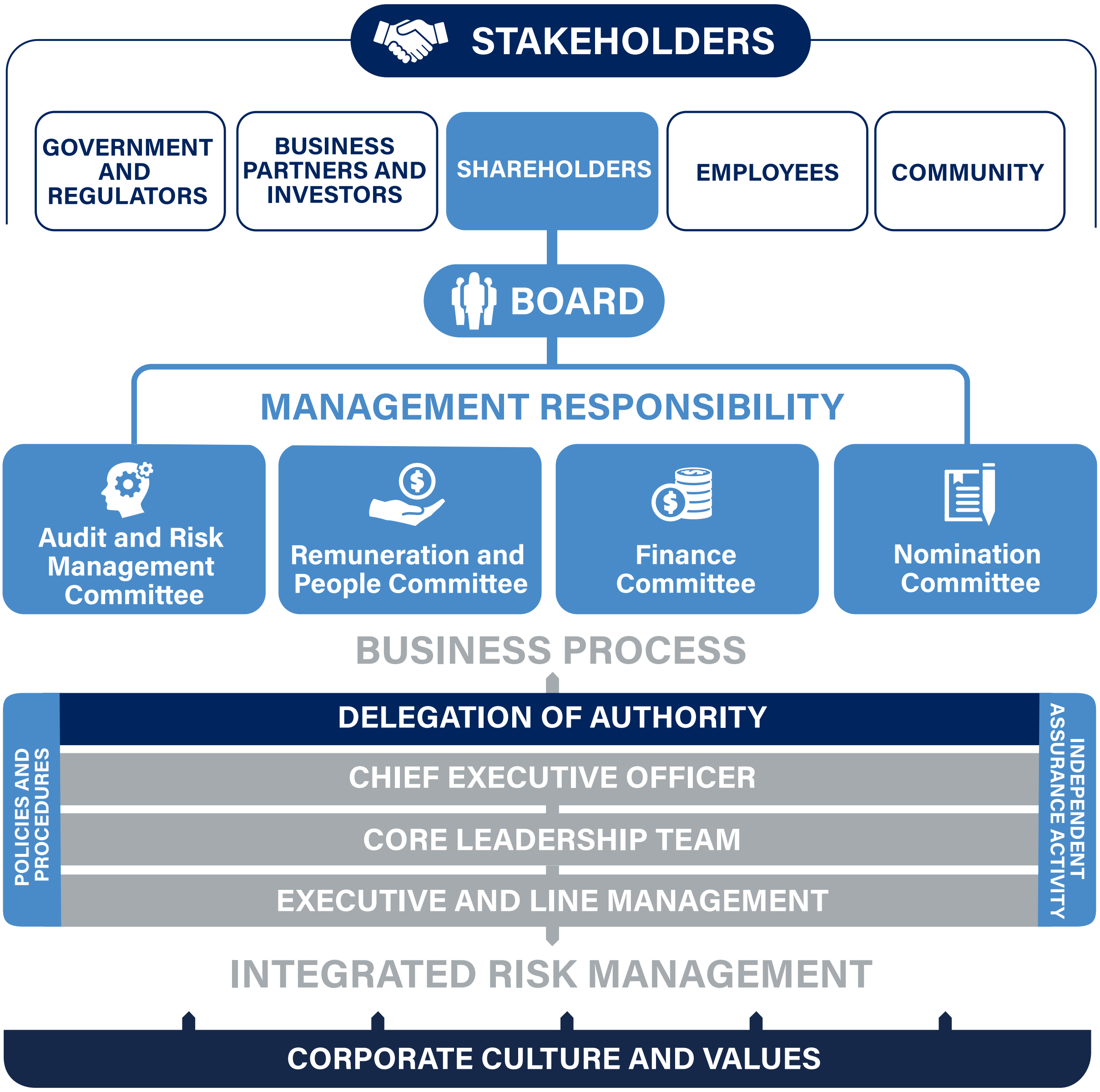
Ensuring everyone at Fortescue is empowered to make decisions that support our objectives and are in the best interests of stakeholders. Management and employees are encouraged to be innovative and strategic in making decisions that align with our risk appetite and are undertaken in a manner consistent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

Corporate accountability

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

Stewardship

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


STAKEHOLDERS
GOVERNMENT AND REGULATORS
BUSINESS PARTNERS AND INVESTORS
SHAREHOLDERS
EMPLOYEES
COMMUNITY
BOARD
MANAGEMENT RESPONSIBILITY
Audit and Risk Management Committee
Remuneration and People Committee
Finance Committee
Nomination Committee
BUSINESS PROCESS
POLICIES AND PROCEDURES
DELEGATION OF AUTHORITY
CHIEF EXECUTIVE OFFICER
CORE LEADERSHIP TEAM
EXECUTIVE AND LINE MANAGEMENT
INDEPENDENT ASSURANCE ACTIVITY
INTEGRATED RISK MANAGEMENT
CORPORATE CULTURE AND VALUES

06

Our approach to climate change

FY20 highlights

LONG-TERM GOAL

Net zero
operational emissions
by 2040

MEDIUM-TERM TARGET

Reduce Scope 1 and 2 emissions by 26%
from Existing Operations by 2030

Scenario analysis expanded

Carbon price application expanded

Approach to climate change

Fortescue is committed to taking a leadership position on climate change which we believe will drive shareholder value.

Fortescue is committed to taking a leadership position on climate change which we believe will drive shareholder value.

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

Climate change is a complex and challenging issue impacting governments, businesses and communities all over the world. Successful mitigation and adaptation to climate change impacts requires a collaborative approach to ensure we succeed as a global community in protecting our environment for future generations, while maintaining economic stability and sustainable growth.

As a values-based business, we acknowledge our responsibility to engage and accelerate the transition towards a net zero emissions global economy. We are committed to taking a leadership position on climate change and believe this will drive shareholder value over the longer term, while meeting the expectations of our internal and external stakeholders.

Our Board has overall responsibility for the oversight of climate-related matters and our dedicated Climate Change Committee (CCC) provides advice to the Audit and Risk Management Committee and the Board.

Climate Change Strategy

Our Climate Change Strategy focuses on implementing innovative and practical emissions reduction initiatives to maximise opportunities and proactively mitigate and manage climate-related risks in a transitioning economy.

Metric and targets

This year, we revised our long-term emissions reduction goal to achieve net zero operational emissions by 2040. This goal is core to our Climate Change Strategy and is underpinned by a pathway to decarbonisation, including the reduction of Scope 1 and 2 emissions from Existing Operations by 26 per cent from 2020 levels, by 2030.

Risk management

The transition to a low carbon economy presents both opportunities and risks and we are implementing measures to mitigate and manage these risks and optimise opportunities.

The evaluation of climate change risks and opportunities is integrated into our company wide risk management process. Fortescue's Risk Management Framework ensures a consistent approach to the recognition, measurement and evaluation of all risks and opportunities, including those related to climate change.

We undertook a climate change focused risk assessment in May 2020.

LONG-TERM GOAL

Net zero operational emissions by 2040

Material climate-related risks and opportunities

Transitional risks

- Reduced product demand
- Technical innovation is not delivered at commercial scale to support required emissions reductions
- Reputational damage

Physical risks – acute

- Cyclone frequency and intensity
- Bushfire frequency and intensity

Physical risks – chronic

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

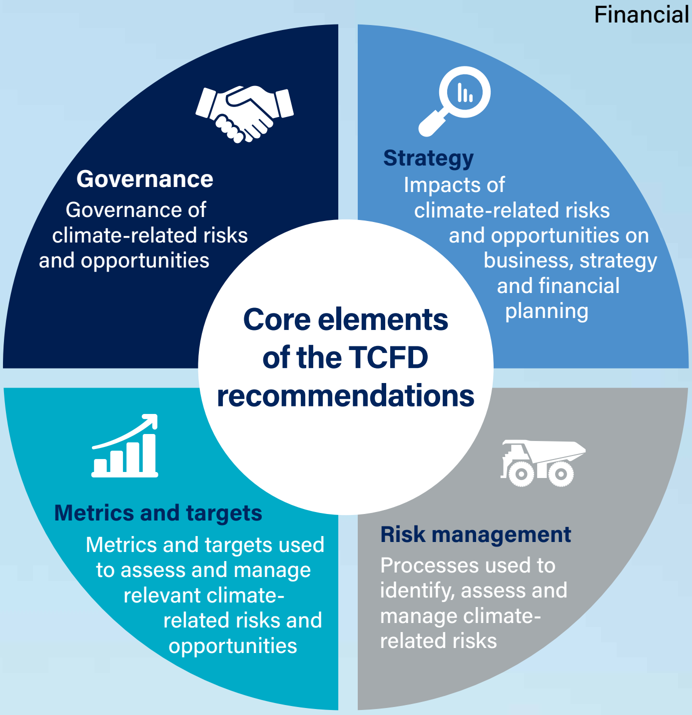
FY20 Performance

Our FY20 Scope 1 emissions were 1.93 million tonnes of CO_2-e and Scope 2 emissions were 0.16 million tonnes of CO_2-e. Since FY15, the emissions intensity in electricity generation (Scope 1) has reduced by 16 per cent.

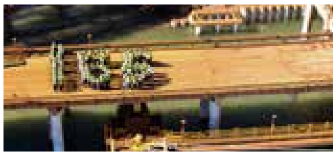
Our FY20 Scope 3 emissions from crude steel manufacturing and shipping are estimated to be 244.5 million tonnes of CO_2-e.

Fortescue's FY20 Climate Change Report is part of our annual reporting suite, which also includes the FY20 Annual Report, FY20 Sustainability Report and FY20 Corporate Governance Statement, all of which are available on our website at **www.fmgl.com.au**

The report is aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).



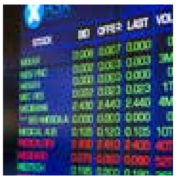
In its short history, Fortescue has accomplished what was judged as impossible: to build a company from a start up to a global leader in the mining industry.



2003
THE DREAM BEGINS

2004
Cloudbreak identified

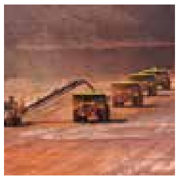
2005
S&P/ASX 200 index



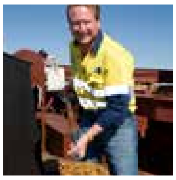
2006
Port Hedland ground-breaking

2007
First iron ore sales agreement with Boasteel

Mining commenced at Cloudbreak



2008
First ore on ship



2009
Hunan Valin becomes major shareholder

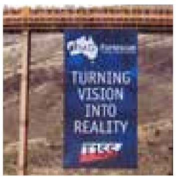
2010
Christmas Creek expanded

2011
Solomon construction begins

2012
Autonomous haulage begins at Solomon

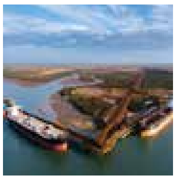
2013
Firetail opened at Solomon

2014
Kings Valley project opened at Solomon



2015
Anderson Point Berth 5 completion

Fortescue River Gas Pipeline completion



2016
FMG Nicola into Port Hedland

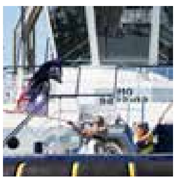
2017
Expansion of autonomous haulage to Chichester Hub

2018
Fortescue's milestone year

1 billion tonnes of ore shipped

2019
Official opening of Judith Street Harbour in Port Hedland

First sod turn for Eliwana project



2020
Opening of new FMG office in Shanghai

Opening of Fortescue Hive, expanded integrated operations centre

THE JOURNEY CONTINUES

07

Financial Report

Directors' Report

Directors

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

The Directors' meetings, including meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 June 2020, 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 the Company as notified by the Directors to the Australian Securities Exchange in accordance with section 5205G(1) of the *Corporations Act 2001*, at the date of this report detailed in the table below.

The remuneration of Directors and Key Management Personnel is detailed in the Remuneration Report on pages 117 to 154.

Director	Ordinary shares	Share rights
Dr A Forrest AO	1,116,165,000	-
M Barnaba AM	40,300	-
E Gaines	595,669	1,418,735
Dr J Baderschneider	138,000	-
Dr Z Cao	-	-
P Bingham-Hall	45,415	-
J Morris OAM	12,780	-
Dr Y Zhang	-	-
Lord S Coe CH, KBE	-	-

[1]Corporate Governance Statement is available on Fortescue's website at www.fmgl.com.au

Directors' Report

For the year ended 30 June 2020

Operating and financial review

Fortescue's principal activities during the year were exploration, development, production, processing and sale of iron ore. There were no significant changes to the nature of the Group's principal activities during FY20.

On 30 January 2020, the WHO announced that COVID-19 was a global health emergency and 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 proactively implemented and expanded a range of measures to protect the health and safety of its people and contributed 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. Accordingly, 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 2020, 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 4 to 21, Operating and Financial Review on pages 22 to 40 and Corporate Governance Statement[1] section 4 Risk Management.

Dividends

	2020
Profit	**US$m**
Net profit after tax	4,735
Declared and paid during the year:	**A$ cents**
Final ordinary dividend for the year ended 30 June 2019 – paid in October 2019	24
Interim ordinary dividend for the year ended 30 June 2020 – paid in April 2020	76
Total – declared and paid during the year	100
Declared since the end of the financial year:	
Final ordinary dividend for the year ended 30 June 2020 – to be paid in October 2020	**100**

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 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 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 2020 as a result of the exercise of options.

Company Secretary

Cameron Wilson and Alison Terry are Company Secretaries of Fortescue. Details of their qualifications and experience are set out on pages 14 and 19 of this report.

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

Directors' Report

For the year ended 30 June 2020

Directors' and Officers' indemnities and insurance

Since the end of the previous year, the Company 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

The Company 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 and Risk Management 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 and Risk Management 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 67 and forms part of this report.

Future developments

The Overview section set out on pages 4 to 21 and the Operating and Financial Review section set out on pages 22 to 40 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 24 August 2020, the Directors declared a final dividend of A$1.00 per ordinary share payable in October 2020.

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

Dr Andrew Forrest AO
Chairman
Dated in Perth this 24th day of August 2020.

Auditor's independence declaration

pwc

As lead auditor for the audit of Fortescue Metals Group Ltd for the year ended 30 June 2020, 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

PricewaterhouseCoopers

Perth

24 August 2020

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 2020 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2020
- 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 a summary of significant accounting policies
- the directors' declaration.

Independent auditor's Report

For the year ended 30 June 2020

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.

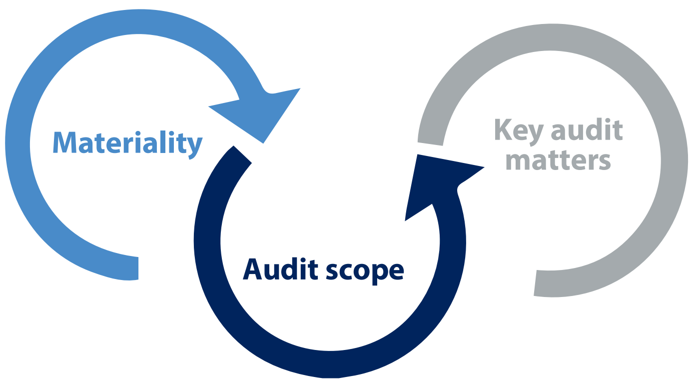
Independence

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

Our audit approach

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

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



Materiality

- For the purpose of our audit we used overall Group materiality of US$209 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. Our audit procedures were supported by a visit to the port and rail facilities at Port Hedland.

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 and Risk Management Committee.

Independent auditor's Report

For the year ended 30 June 2020

Key audit matter	How our audit addressed the key audit matter
Revenue from provisional pricing adjustments – sale of iron ore and shipping revenue (Refer to note 3 and 24(f))	
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 to the port of discharge. For the year ended 30 June 2020 the Group recognised a net reduction to revenue of US$140 million from provisional pricing adjustments to iron ore revenue and a US$4 million net increase to revenue from provisional pricing adjustments to shipping revenue. Provisional pricing adjustments represent any difference between the revenue recognised at the bill of lading and the final settlement price. This was a key audit matter as these provisional pricing adjustments may represent a significant component of revenue within the consolidated income statement. Also, for sales where final settlement price is yet to be determined, the value of this revenue is adjusted by considering tonnes subject to price finalisation at the end of the period and applying the closing spot rate.	We performed the following audit procedures, amongst others, over the provisional pricing adjustments to the sale of iron ore and shipping 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. ▪ We performed tests of key controls over the calculation of provisional pricing adjustments to revenue.
Restoration and rehabilitation obligations (Refer to note 13 and 24(e))	
The Group recognised provisions for restoration and rehabilitation obligations of US$753 million as at 30 June 2020. This was a key audit matter as the calculation of these provisions requires judgement by the Group in estimating the magnitude of possible works required for the removal of infrastructure and rehabilitation works, the future cost of performing the work, when rehabilitation activities will take place and the economic assumptions such as inflation and discount rates relevant to such liabilities. The judgement required by the Group to estimate such costs is further compounded by the fact that there has been limited restoration and rehabilitation activity by the Group or historical precedent against which to benchmark estimates of future costs.	To assess the Group's restoration and rehabilitation obligations, we performed the following audit procedures, amongst others: ▪ We evaluated the Group's rehabilitation and restoration cost forecasts including the process by which they were developed. We checked the mathematical accuracy of the underlying calculations. ▪ We considered the competence and objectivity of the Group's experts who reviewed the closure plans and associated cost estimates. ▪ We assessed the reasonableness of the Group's significant judgemental assumptions and key data used in the closure plans and associated cost estimates. ▪ We evaluated the expected timing of restoration and rehabilitation activities and found them to be consistent with the life of mine plan for each mining operation. ▪ We benchmarked key market related assumptions including inflation rates and discount rates against external market data and found them to be consistent. ▪ We assessed provision movements in the year relating to restoration and rehabilitation obligations and found them to be 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 2020, 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 117 to 154 of the directors' report for the year ended 30 June 2020.

In our opinion, the remuneration report of Fortescue Metals Group Ltd for the year ended 30 June 2020 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

PricewaterhouseCoopers

Justin Carroll
Partner

Perth
24 August 2020

Directors' declaration

Dr Andrew Forrest AO

In the Directors' opinion:

(a) the financial statements and notes set out on pages 74 to 116 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 2020 and of its performance for the year ended on that date, and

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

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 20 will be able to meet any obligations or liabilities to which they are, or may become, subject to by virtue of the deed of cross guarantee described in note 20.

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

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

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

Dr Andrew Forrest AO
Chairman

Dated in Perth this 24th day of August 2020.

Consolidated income statement

For the year ended 30 June 2020

	Note	2020 US$m	2019 US$m
Operating sales revenue	3	12,820	9,965
Cost of sales	5	(5,742)	(5,115)
Gross profit		**7,078**	4,850
Other income	4	58	110
Other expenses	6	(224)	(138)
Profit before income tax and net finance expenses		**6,912**	4,822
Finance income	7	50	26
Finance expenses	7	(272)	(279)
Profit before income tax		**6,690**	4,569
Income tax expense	14	(1,955)	(1,382)
Profit for the year after income tax		**4,735**	3,187
Profit for the year is attributable to:			
Equity holders of the Company		4,735	3,187
Non-controlling interest		-	-
Profit for the year after income tax		**4,735**	3,187

	Note	Cents	Cents
Earnings per share attributable to the ordinary equity holders of the Company:			
Basic earnings per share	8	153.9	103.1
Diluted earnings per share	8	153.2	102.9

Consolidated statement of comprehensive income

For the year ended 30 June 2020

	2020 US$m	2019 US$m
Profit for the year after income tax	**4,735**	3,187
Other comprehensive income:		
Gain on investments taken to equity	1	-
Exchange differences on translation of foreign operations	5	1
Total comprehensive income for the period, net of tax	**4,741**	3,188
Total comprehensive income for the period attributable to:		
Equity holders of the Company	4,741	3,188
Total comprehensive income for the period, net of tax	**4,741**	3,188

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

Consolidated statement of financial position

As at 30 June 2020

	Note	2020 US$m	2019 US$m
ASSETS			
Current assets			
Cash and cash equivalents	9(b)	4,855	1,874
Trade and other receivables	10(a)	543	923
Inventories	10(c)	828	772
Other current assets		71	43
Total current assets		**6,297**	3,612
Non-current assets			
Trade and other receivables		2	2
Property, plant and equipment	12	17,073	16,071
Intangible assets		7	6
Other non-current assets		19	3
Total non-current assets		**17,101**	16,082
Total assets		**23,398**	19,694
LIABILITIES			
Current liabilities			
Trade and other payables	10(b)	1,057	986
Deferred income		-	486
Borrowings and lease liabilities	9(a)	186	86
Provisions	13	277	208
Deferred joint venture contributions	17(c)	251	118
Current tax payable	14(c)	1,024	762
Total current liabilities		**2,795**	2,646
Non-current liabilities			
Trade and other payables	10(b)	50	50
Borrowings and lease liabilities	9(a)	4,927	3,866
Provisions	13	738	688
Deferred joint venture contributions	17(c)	-	155
Deferred tax liabilities	14(d)	1,644	1,688
Total non-current liabilities		**7,359**	6,447
Total liabilities		**10,154**	9,093
Net assets		**13,244**	10,601
EQUITY			
Contributed equity	9(d)	1,167	1,181
Reserves		62	42
Retained earnings		12,002	9,365
Equity attributable to equity holders of the Company		**13,231**	10,588
Non-controlling interest		13	13
Total equity		**13,244**	10,601

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 2020

	Note	2020 US$m	2019 US$m
Cash flows from operating activities			
Cash receipts from customers		12,704	8,853
Payments to suppliers and employees		(4,417)	(3,874)
Cash generated from operations		8,287	4,979
Interest received		48	24
Interest paid		(235)	(254)
Income tax paid		(1,685)	(376)
Net cash inflow from operating activities	**9(c)(i)**	**6,415**	4,373
Cash flows from investing activities			
Payments for property, plant and equipment - Fortescue		(1,768)	(1,040)
Payments for property, plant and equipment - joint operations		(177)	(8)
(Payments)/receipts of deferred joint venture contributions		(21)	3
Proceeds from disposal of plant and equipment		7	5
Sale of financial asset		-	57
Purchase of financial asset		(9)	-
Net cash outflow from investing activities		**(1,968)**	(983)
Cash flows from financing activities			
Proceeds from borrowings		1,625	-
Proceeds from leases		-	56
Repayment of borrowings		(792)	(14)
Repayment of leases		(113)	(71)
Finance costs paid		(32)	(14)
Dividends paid		(1,925)	(2,220)
Purchase of shares under share buy-back program		-	(101)
Purchase of shares by employee share trust		(44)	(28)
Net cash outflow from financing activities		**(1,281)**	(2,392)
Net increase in cash and cash equivalents		3,166	998
Cash and cash equivalents at the beginning of the period		1,874	863
Effects of exchange rate changes on cash and cash equivalents		(185)	13
Cash and cash equivalents at the end of the period	**9(b)**	**4,855**	1,874

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 2020

	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 2018	1,287	46	8,386	9,719	13	9,732
Adjustment on adoption of AASB 15	-	-	(2)	(2)	-	(2)
Restated total equity at 1 July 2018	1,287	46	8,384	9,717	13	9,730
Net profit after tax	-	-	3,187	3,187	-	3,187
Other comprehensive income	-	1	-	1	-	1
Total comprehensive income for the period, net of tax	-	1	3,187	3,188	-	3,188
Transactions with owners:						
Purchase of shares under employee share plans	(28)	-	-	(28)	-	(28)
Employee share awards vested	23	(24)	-	(1)	-	(1)
Equity settled share-based payment transactions	-	21	-	21	-	21
Purchase of shares under share buy-back program	(101)	-	-	(101)	-	(101)
Dividends declared	-	-	(2,205)	(2,205)	-	(2,205)
Other	-	(2)	(1)	(3)	-	(3)
Balance at 30 June 2019	1,181	42	9,365	10,588	13	10,601
Balance at 1 July 2019	**1,181**	**42**	**9,365**	**10,588**	**13**	**10,601**
Adjustment on adoption of AASB 16[1]	-	-	(7)	(7)	-	(7)
Restated total equity at 1 July 2019	1,181	42	9,358	10,581	13	10,594
Net profit after tax	-	-	4,735	4,735	-	4,735
Other comprehensive income	-	6	-	6	-	6
Total comprehensive income for the period, net of tax	**-**	**6**	**4,735**	**4,741**	**-**	**4,741**
Transactions with owners:						
Purchase of shares under employee share plans	(42)	-	-	(42)	-	(42)
Employee share awards vested	28	(28)	-	-	-	-
Equity settled share-based payment transactions	-	42	-	42	-	42
Dividends declared	-	-	(2,093)	(2,093)	-	(2,093)
Other	-	-	2	2	-	2
Balance at 30 June 2020	**1,167**	**62**	**12,002**	**13,231**	**13**	**13,244**

[1] See note 23(x) for details regarding the restatement as a result of the adoption of AASB 16 *Leases*.

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 2020

Basis of preparation

Financial performance

Capital management

Key balance sheet items

Taxation

Unrecognised items

Other

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 subsidiaries.

(d) Critical accounting estimates

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

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

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

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

(e) Rounding of amounts

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

Notes to the consolidated financial statements

For the year ended 30 June 2020

Financial performance

02 Segment information

Fortescue's chief operating decision maker is identified as the Core Leadership Team (CLT) which comprises the Chief Executive Officer, Deputy Chief Executive Officer, Chief Financial Officer and Chief Operating Officer. The CLT reviews the Group's financial performance and makes significant operating decisions having regard to all aspects of the integrated operation, with the key financial information presented internally for management purposes on a consolidated basis. Accordingly, no reportable operating segments have been identified in presenting the Group's consolidated financial performance.

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

	Note	2020 US$m	2019 US$m
Underlying EBITDA		**8,375**	6,047
Finance income	7	50	26
Finance expenses	7	(272)	(279)
Depreciation and amortisation	5, 6	(1,400)	(1,196)
Exploration, development and other	6	(63)	(29)
Profit before tax		**6,690**	4,569
Income tax expense	14	(1,955)	(1,382)
Net profit after tax		**4,735**	3,187

(a) Geographical information

Fortescue operates predominantly in the geographical location of Australia, and this is the location of the vast majority of the Group's assets. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

	2020 US$m	2019 US$m
Revenues from external customers		
China	12,126	9,260
Other	694	705
	12,820	9,965

(b) Major customer information

Revenue from two customers amounted to US$1,754 million and US$1,395 million respectively (2019: US$1,753 million and US$1,451 million), arising from the sale of iron ore and the related shipment of product.

Financial performance

03 Operating sales revenue

	2020 US$m	2019 US$m
Iron ore revenue	11,721	7,699
Provisional pricing adjustments - iron ore	(140)	1,087
Total iron ore revenue[1]	**11,581**	8,786
Shipping revenue	1,192	1,140
Provisional pricing adjustments - shipping revenue	4	37
Total shipping revenue[1]	**1,196**	1,177
Other revenue[2]	43	2
Operating sales revenue	**12,820**	9,965

[1]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; and

(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.

[2]Other revenue includes towage services provided by Fortescue (commenced in September 2019) which is recognised as performed.

04 Other income

	2020 US$m	2019 US$m
Net foreign exchange gain	52	110
Other	6	-
	58	110

05 Cost of sales

	2020 US$m	2019 US$m
Mining and processing costs	1,938	1,829
Rail costs	186	190
Port costs	169	176
Shipping costs	1,190	1,082
Government royalty	845	651
Depreciation and amortisation	1,383	1,184
Other operating expenses	31	3
	5,742	5,115

Total employee benefits expense included in cost of sales and administration expenses is US$869 million (2019: US$673 million).

Notes to the consolidated financial statements

For the year ended 30 June 2020

Financial performance

06 Other expenses

	2020 US$m	2019 US$m
Administration expenses	114	95
Exploration, development and other	63	29
Depreciation and amortisation	17	12
Fair value change in derivatives	30	-
Other	-	2
	224	138

07 Finance income and finance expenses

	2020 US$m	2019 US$m
Finance income		
Interest income	50	26
	50	26
Finance expenses		
Interest expense on borrowings and lease liabilities	209	218
Loss on early debt redemption	16	-
Interest on prepayment	13	32
Other	34	29
	272	279

08 Earnings per share

(a) Earnings per share	2020 cents	2019 cents
Basic	153.9	103.1
Diluted	153.2	102.9

(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	4,735	3,187

(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	3,077,324,924	3,090,462,322
Adjustments for calculation of diluted earnings per share:		
Potential ordinary shares	12,713,541	8,142,063
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	3,090,038,465	3,098,604,385

(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 and sustain future developments and expansion of the business.

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

	Note	2020 US$m	2019 US$m
Borrowings	9(a)	4,234	3,379
Lease liabilities	9(a)	879	573
Cash and cash equivalents	9(b)	(4,855)	(1,874)
Net debt		**258**	2,078
Equity attributable to equity holders of the Company		13,231	10,588
Non-controlling interest		13	13
Total equity		**13,244**	10,601

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 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.

(a) Borrowings and lease liabilities	2020 US$m	2019 US$m
Senior unsecured notes	24	16
Syndicated term loan	8	22
Revolving credit facility	9	-
Lease liabilities	145	48
Total current borrowings and lease liabilities	**186**	86
Senior unsecured notes	2,583	1,985
Syndicated term loan	585	1,356
Revolving credit facility	1,025	-
Lease liabilities	734	525
Total non-current borrowings and lease liabilities	**4,927**	3,866
Total borrowings and lease liabilities	**5,113**	3,952

Capital management

09 Capital management (continued)

(a) Borrowings and lease liabilities

(i) Senior unsecured notes

On 6 September 2019, Fortescue completed a US$600 million offering of senior unsecured notes (Notes) at an interest rate of 4.5 per cent, maturing 15 September 2027. Proceeds from the Notes were applied to the partial repayment of US$600 million of the outstanding US$1.4 billion 2022 syndicated term loan. The Notes rank pari passu with all existing and future senior unsecured indebtedness.

As at 30 June 2020 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 2022	5 years	750	751	4.750	USD
May 2017	May 2024	7 years	750	749	5.125	USD
March 2018	March 2023	5 years	500	505	5.125	USD
September 2019	September 2027	8 years	600	602	4.500	USD
			2,600	**2,607**		

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

On 26 September 2019, Fortescue completed a partial repayment and extension of maturity of the syndicated term loan. The partial repayment comprised US$600 million of proceeds from the September 2019 senior unsecured notes (disclosed above) and a further US$186 million from operating cash flows. The syndicated term loan is now due to mature in June 2025, and as at 30 June 2020 had a carrying value of US$593 million (30 June 2019: US$1,378 million) with a coupon rate linked to LIBOR plus a fixed margin. The facility has principal repayment of one per cent per annum with early repayment of the facility at Fortescue's option.

(iii) Revolving credit facility

The revolving credit facility was drawn in full on 2 April 2020 for proceeds of US$1,025 million, and on 8 June 2020 the Company completed an extension of the facility's maturity date to 28 July 2023. 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. Fortescue elected to repay the full amount drawn on the revolving credit facility of US$1,025 million plus accrued interest on 29 July 2020. The facility remains available for redraw until maturity.

(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 two and five years, some of which include extension options and are recognised within lease liabilities. Refer to note 23(x) for details of the impact on adoption of AASB 16 *Leases*.

	2020 US$m	2019 US$m
Expense relating to short-term leases	96	-
Expense relating to leases of low-value assets that are not shown above as short-term leases	1	-
Expense relating to variable lease payments not included in the measurement of lease liabilities	40	-
Future cashflows for leases not yet commenced	45	-

Capital management

09 Capital management (continued)

a) Borrowings and lease liabilities (continued)

(v) Summary of movements in borrowings and lease liabilities

	Senior unsecured notes US$m	Syndicated term loan US$m	Revolving credit facility US$m	Lease liabilities US$m	Total US$m
Balance at 1 July 2018	1,997	1,383	-	595	3,975
Additions	-	-	-	51	51
Interest expense	105	72	-	50	227
Interest and lease repayments	(101)	(63)	-	(116)	(280)
Foreign exchange gain	-	-	-	(7)	(7)
Repayment	-	(14)	-	-	(14)
Balance at 30 June 2019	2,001	1,378	-	573	3,952
Initial recognition[1]	-	-	-	237	237
Additions[2]	600	-	1,025	191	1,816
Interest expense	127	33	9	62	231
Payments	(113)	(830)	-	(177)	(1,120)
Transaction costs	(8)	12	-	-	4
Foreign exchange gain	-	-	-	(7)	(7)
Balance at 30 June 2020	**2,607**	**593**	**1,034**	**879**	**5,113**

[1] Refer to note 12 for movements in right of use assets and note 23(x) for details on the transition to AASB 16.

[2] Additions to lease liabilities and right-of-use assets (refer note 12) represent non-cash financing and investing activities of the Group.

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

	2020 US$m	2019 US$m
Cash at bank	3,074	1,655
Short term deposits	1,781	219
	4,855	1,874

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

	2020 US$m	2019 US$m
Net profit after tax	4,735	3,187
Depreciation and amortisation	1,400	1,196
Exploration, development and other	63	29
Share-based payment expense	41	21
Net unrealised foreign exchange loss/(gain)	19	(7)
Cost of early debt repayment	16	-
Rehabilitation expenditure	(2)	(38)
Depreciation in inventory	18	90
Other non-cash items	(81)	(60)
Working capital adjustments:		
Increase in payables	71	308
Decrease/(increase) in receivables	380	(802)
Increase in inventories	(56)	(276)
Increase in other assets	(42)	(9)
Decrease in deferred income	(486)	(309)
Increase in provisions	72	38
Increase in provision for income taxes payable	311	923
(Decrease)/increase in deferred tax liabilities	(44)	82
Net cash inflow from operating activities	**6,415**	4,373

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 2018	3,113,798,151	(1,227,861)	3,112,570,290	1,296	(9)	1,287
Purchase of shares under employee share plans	-	(9,864,138)	(9,864,138)	-	(28)	(28)
Employee share awards vested	-	9,581,318	9,581,318	-	23	23
Purchase of shares under share buy-back program	(34,833,233)	-	(34,833,233)	(101)	-	(101)
At 30 June 2019	**3,078,964,918**	**(1,510,681)**	**3,077,454,237**	**1,195**	**(14)**	**1,181**
Purchase of shares under employee share plans	-	(8,017,231)	(8,017,231)	-	(42)	(42)
Employee share awards vested	-	8,277,348	8,277,348	-	28	28
At 30 June 2020	**3,078,964,918**	**(1,250,564)**	**3,077,714,354**	**1,195**	**(28)**	**1,167**

(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 for a further 12 months on 11 October 2019 (2019: 34,833,233 shares). All shares purchased under the share buy-back program were cancelled at 31 December 2019.

Capital management

09 Capital management (continued)

(e) Dividends

(i) Dividends paid during the year

	2020 US$m	2019 US$m
Final fully franked dividend for the year ended 30 June 2019: A$0.24 per share (30 June 2018: A$0.12 per share)	519	271
Interim fully franked dividend for the half-year ended 31 December 2019: A$0.76 per share (31 December 2018: A$0.19 per share)	1,574	416
Special interim fully franked dividend for the half-year ended 31 December 2019: nil per share (31 December 2018: A$0.11)	-	241
Accelerated final fully franked dividend for the year ended 30 June 2020 of nil per share (30 June 2019: A$0.60)	-	1,277
	2,093	2,205

(ii) Dividends declared and not recognised as a liability

	2020 US$m	2019 US$m
Final fully franked dividend: A$1.00 per share (2019: A$0.24 per share)	2,233	519

(iii) Franking credits

	2020 A$m	2019 A$m
Franking credit account balance at the end of the financial year at 30% (2019: 30%)	2,111	930
Franking credits/(debits) that will arise from the payment/(receipt) of current tax payable/(receivable) as at the end of the year	1,459	1,077
Franking debits that will arise from the payment of the final dividend for the year	(1,320)	(317)
	2,250	1,690

Capital management

10 Working capital

(a) Trade and other receivables

	2020 US$m	2019 US$m
Trade debtors	475	882
GST receivables	30	14
Other receivables	38	27
Total current receivables	**543**	923

Trade receivables are recognised initially at fair value and subsequently at amortised cost using the effective interest method, less an allowance for impairment, except for a significant portion of trade receivables with embedded derivatives for provisional pricing which are subsequently measured at fair value through profit and loss under AASB 9 *Financial Instruments*.

The Group applies the expected credit loss model prescribed by AASB 9 to trade and 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 trade and other receivables held at amortised cost are insignificant and no provision has been recognised at 30 June 2020 (2019: 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

	2020 US$m	2019 US$m
Trade payables	281	315
Other payables and accruals	776	671
Total current payables	**1,057**	986
Customer deposits	50	50
Total non-current payables	**50**	50

(c) Inventories

	2020 US$m	2019 US$m
Iron ore stockpiles	512	466
Warehouse stores and materials	316	306
Total current inventories	**828**	772

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 2020 amounted to US$3,676 million (2019: US$3,379 million). During the year, inventory write-offs of US$31 million (2019: US$9 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 and Risk Management Committee. The day to day management responsibility for execution of the risk management framework has been delegated to the CLT. Periodically, the CLT reports to the Audit and Risk Management Committee on risk management performance, including management of financial risks.

The key elements of financial risk are further explained below.

(a) Market risk

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

(i) Commodity price risk

Fortescue is exposed to commodity price risk, as its iron ore sales are predominantly subject to prevailing market prices. Fortescue has limited ability to directly influence market prices of iron ore and manages the commodity price risk through a focus on improving its cash margins and strengthening its corporate 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 at 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 2020, Fortescue had 5.7 million tonnes of iron ore sales (2019: 10.4 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 and derivatives would have an impact on the Group's profit of US$27 million (2019: 17 per cent movement would have an impact on the Group's profit of US$155 million), before the impact of taxation. This analysis assumes all other factors, including the foreign currency exchange rates, are held constant.

During the year and in accordance with its risk management framework, Fortescue entered into commodity swap contracts that fixed the price of a portion of its iron ore sales and diesel purchases to manage exposure to market risk. No such derivative financial instruments were entered into in the prior year.

(ii) Interest rate risk

The Group's interest rate risk arises from variable rates on the lease liabilities relating to the ore carriers and, to a lesser extent, changes in rates applicable to the short term deposits forming part of cash and cash equivalents.

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	2020 US$m	2019 US$m
Cash and cash equivalents	9(b)	3,074	1,655
Syndicated term loan	9(a)	(593)	(1,378)
Revolving credit facility	9(a)	(1,034)	-
Lease liabilities		(367)	(387)
		1,080	(110)

Capital management

11 Financial risk management (continued)

(a) Market risk (continued)

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$11 million (2019: a change of 100 basis points would impact profit by US$1 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. At 30 June 2020, the Group had option collars in place for a total notional amount of US$180 million (2019: US$200 million) and a strike range between 0.63 and 0.67 USD:AUD exchange rate (2019: 0.67 and 0.70 USD:AUD). All contracts are set for maturity within two months (2019: three months) of year end.

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

	AUD denominated		CNY denominated	
	2020 US$m	2019 US$m	2020 US$m	2019 US$m
Financial assets				
Cash and cash equivalents	871	697	141	1
Trade and other receivables	39	28	-	-
Other financial assets	4	4	-	-
Total financial assets	**914**	729	**141**	1
Financial liabilities				
Borrowings and lease liabilities	442	129	1	-
Trade and other payables	804	814	24	-
Current tax payable	1,024	762	-	-
Total financial liabilities	**2,270**	1,705	**25**	-

A change of two per cent in the Australian dollar exchange rate would have a net impact on the Group's profit of US$27 million (2019: a change of two per cent would have an impact of US$4 million), before the impact of taxation. A change of two per cent in the Chinese yuan exchange rate would have a net impact on the Group's profit of US$2 million (2019: a change of two per cent would have an impact of US$0.02 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.

Capital management

11 Financial risk management (continued)

(b) Credit risk (continued)

At 30 June 2020, Fortescue had US$7 million (2019: US$6 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.

Fortescue has not recognised any bad debt expense from trading counterparties in the years ended 30 June 2020 and 30 June 2019.

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 2019							
Trade and other payables	1,749	-	-	50	-	1,799	1,798
Borrowings	83	97	180	3,615	-	3,975	3,379
Lease liabilities	26	22	60	87	378	1,001	573
Lease expenditure commitments	50	46	105	207	593	1,001	
Effect of discounting	(24)	(24)	(45)	(120)	(215)	-	
	1,858	119	240	3,752	378	6,775	5,750
30 June 2020							
Trade and other payables	2,081	-	50	-	-	2,131	2,131
Borrowings	95	89	936	3,131	670	4,921	4,234
Lease liabilities	90	55	110	207	417	1,331	879
Lease expenditure commitments	119	81	158	324	649	1,331	
Effect of discounting	(29)	(26)	(48)	(117)	(232)	-	
	2,266	**144**	**1,096**	**3,338**	**1,087**	**8,383**	**7,244**

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.

	2020		2019	
	Carrying value US$m	Fair value US$m	Carrying value US$m	Fair value US$m
Senior unsecured notes	2,607	2,662	2,001	2,071

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 2020.

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 balance sheet items

12 Property, plant and equipment

						Right of use assets		
	Plant and equipment US$m	Land and buildings US$m	Exploration and evaluation US$m	Assets under development US$m	Development US$m	Plant and equipment US$m	Land and buildings US$m	Total US$m
Net carrying value								
At 1 July 2018	10,995	744	857	301	3,292	-	-	16,189
Transfers of assets	678	20	(391)	(366)	53	-	-	(6)
Additions	12	-	89	954	-	-	-	1,055
Disposals	(8)	-	-	-	-	-	-	(8)
Depreciation	(980)	(114)	-	-	(189)	-	-	(1,283)
Changes in restoration and rehabilitation estimate[2]	-	-	1	-	146	-	-	147
Other	(7)	-	(17)	-	1	-	-	(23)
At 30 June 2019	10,690	650	539	889	3,303	-	-	16,071
Cost	17,154	1,062	539	889	4,751	-	-	24,395
Accumulated depreciation	(6,464)	(412)	-	-	(1,448)	-	-	(8,324)
Net carrying value								
At 1 July 2019	10,690	650	539	889	3,303	-	-	16,071
Initial recognition[1]	(729)	-	-	-	-	871	84	226
Transfers of assets	383	14	(6)	(427)	31	-	-	(5)
Additions	-	-	107	1,890	-	184	25	2,206
Disposals	(15)	-	(14)	(2)	-	(22)	-	(53)
Depreciation	(1,031)	(68)	-	-	(185)	(122)	(10)	(1,416)
Changes in restoration and rehabilitation estimate[2]	-	-	-	-	52	-	-	52
Other	-	-	-	(8)	-	-	-	(8)
At 30 June 2020	**9,298**	**596**	**626**	**2,342**	**3,201**	**911**	**99**	**17,073**
Cost	16,775	1,075	626	2,342	4,833	1,157	108	26,916
Accumulated depreciation	(7,477)	(479)	-	-	(1,632)	(246)	(9)	(9,843)

[1] Reclassification of finance lease assets (US$729 million) to right of use assets. Refer to note 9 for movements in lease liabilities and note 23(x) for details on the transition to AASB 16.

[2] 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 balance sheet items

13 Provisions

	2020 US$m	2019 US$m
Employee benefits	260	189
Restoration and rehabilitation	17	19
Total current provisions	**277**	208
Employee benefits	2	1
Restoration and rehabilitation	736	687
Total non-current provisions	**738**	688

(a) Provision for restoration and rehabilitation

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

	2020 US$m	2019 US$m
At 1 July	706	591
Changes in restoration and rehabilitation estimate	52	147
Unwinding of discount	(3)	6
Payments for restoration and rehabilitation activities	(2)	(38)
At 30 June	**753**	706

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

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

Notes to the consolidated financial statements

For the year ended 30 June 2020

Taxation

14 Taxation

For the year ended 30 June 2020, 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	
	2020 US$m	2019 US$m
Current tax	1,996	1,299
Deferred tax	(41)	83
Income tax expense in the consolidated income statement	**1,955**	1,382

(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 2020, the Group's global effective tax rate was 29.2 per cent. This is in line with the Australian corporate tax rate of 30 per cent.

	Consolidated group 2020 US$m	Australian group 2020 US$m	Consolidated group 2019 US$m	Australian group 2019 US$m
Profit before income tax expense	6,690	6,624	4,569	4,508
Tax at the Australian tax rate of 30 per cent (2019: 30 per cent)	2,007	1,987	1,371	1,353
Research and development	(2)	(2)	(2)	(2)
Adjustments in respect of income tax expense of prior periods	(17)	(20)	33	34
Foreign exchange variations and other transactions adjustments	(31)	(31)	(22)	(22)
Tax impact of overseas jurisdiction	6	13	-	7
Share based payments	(8)	(8)	(2)	(2)
Other	-	4	4	2
Income tax expense	**1,955**	**1,943**	1,382	1,370
Effective tax rate	29.2%	29.3%	30.3%	30.4%

Taxation

14 Taxation (continued)

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

	Consolidated group	
	2020 US$m	2019 US$m
Income tax expense in the consolidated income statement	1,955	1,382
Deferred tax expense	44	(83)
	1,999	1,299
Current tax payable/(receivable) at 1 July	762	(79)
Tax payments made to tax authorities[1]	(1,687)	(376)
Impact of foreign exchange on income tax payable[2]	(50)	(82)
Current tax payable/(receivable) at 30 June	**1,024**	762

[1] In Australia, Fortescue pays pay as you go (PAYG) instalments based on a set rate, as advised by the Australian Taxation Office.
[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	
	2020 US$m	2019 US$m
Deferred tax assets	712	516
Deferred tax liabilities	(2,356)	(2,204)
Net deferred tax liabilities	**(1,644)**	(1,688)

Notes to the consolidated financial statements

For the year ended 30 June 2020

Taxation

14 Taxation (continued)

(d) Deferred tax assets and liabilities

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	
	2020 US$m	2019 US$m	2020 US$m	2019 US$m	2020 US$m	2019 US$m
Temporary differences arising from						
Exploration expenditure	-	-	(169)	(148)	21	14
Development	-	-	(597)	(588)	9	42
Property, plant and equipment[1]	-	-	(1,400)	(1,309)	94	64
Inventories	-	-	(147)	(139)	8	34
Foreign exchange losses/(gains)	29	4	-	-	(25)	(4)
Provisions	344	286	(39)	(16)	(35)	(48)
Other financial liabilities	288	191	-	-	(97)	(9)
Other items	51	35	(4)	(4)	(16)	(10)
	712	516	**(2,356)**	(2,204)	**(41)**	83

[1] The movement in deferred tax liabilities related to property, plant and equipment includes US$3 million credited to equity on adoption of AASB 16 *Leases*. Refer to note 23(x).

(e) Unrecognised tax losses

At 30 June 2020, the Group had income tax losses with a tax benefit of US$36 million (2019: US$34 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.

Unrecognised items

15 Commitments and contingencies

(i) Capital commitments

	2020 US$m	2019 US$m
Within one year	1,018	393
Between one and five years	147	7
Later than five years	-	-
Total commitments	**1,165**	**400**

(ii) Operating lease commitments

Operating lease commitments as at June 2019 amounted to US$176 million (Within one year: US$36 million, between one and five years: US$128 million and more than five years: US$12 million). Refer to note 23(x) for details on the transition to AASB 16 *Leases*.

(iii) Contingent assets and liabilities

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

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

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

Fortescue had no material contingent assets or contingent liabilities at 30 June 2020 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 24 August 2020, the Directors declared a final dividend of A$1.00 per ordinary share payable in October 2020.

Other

17 Related party transactions

(a) Subsidiaries and joint operations

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

(b) Key management personnel remuneration

	2020 US$'000	2019 US$'000
Short term employee benefits	5,874	5,465
Share-based payments	5,783	4,984
Post employment benefits	122	129
	11,779	10,578

Detailed information about the remuneration received by each key management person is provided in the remuneration report on pages 117 to 154.

(c) Transactions and balances with other related parties

Transactions with joint operations partners	2020 US$'000	2019 US$'000
Other revenue	9,281	4,436
Balances at 30 June		
Deferred joint venture contributions - current	251,388	117,545
Deferred joint venture contributions - non-current	-	154,972
Other receivables - current	4,122	2,314

The deferred joint venture contributions liability reflects the timing of cash call contributions to the Iron Bridge Joint Venture by Fortescue and other joint operation partners.

18 Share-based payments

(a) Employee share rights plans

During the year ended 30 June 2020, Fortescue issued 1,261,819 (2019: 1,827,145) short term share rights and 3,180,213 (2019: 4,262,313) 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.

	2020 Number	2019 Number
Outstanding at 1 July	13,062,093	14,370,793
Share rights granted	4,862,706	6,089,458
Share rights forfeited or lapsed	(447,602)	(3,127,678)
Share rights converted or exercised	(3,024,035)	(4,270,480)
Outstanding at 30 June	**14,453,162**	13,062,093

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 2020 was A$8.80 per right (2019: A$4.10) for the short term share rights and A$7.59 per right (2019: A$4.10) 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 2020 were:

- Share price: A$9.26 (2019: A$4.61)
- Exercise price: nil (2019: nil)
- Volatility: 112 per cent (2019: 43 per cent)
- Effective life: 2.3 years (2019: 1.9 years)
- Dividend yield: 6.5 per cent (2019: 6.6 per cent)
- Risk free interest rate: 0.7 per cent (2019: 1.9 per cent).

Details of share rights outstanding at 30 June 2020 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	-	217,238	217,238	10.5	-	Yes
Short term share rights 2017	-	444,435	444,435	11.5	-	Yes
Short term share rights 2018	-	454,126	454,126	12.3	-	Yes
Short term share rights 2019	-	1,024,646	1,024,646	13.5	-	Yes
Short term share rights 2020	-	1,244,189	-	14.5	-	Yes
Long term share rights 2016	-	864,835	864,835	10.5	Yes	Yes
Long term share rights 2017	-	852,573	852,573	11.5	Yes	Yes
Long term share rights 2018	-	2,342,317	-	12.3	Yes	Yes
Long term share rights 2019	-	3,875,603	-	13.3	Yes	Yes
Long term share rights 2020	-	3,133,200	-	14.5	Yes	Yes
		14,453,162	**3,857,853**			

Overview | Operating and financial review
Ore Reserves and Mineral Resources
Our approach to sustainability
Corporate Governance
Our approach to climate change
Financial Report
Remuneration Report
Corporate Directory

Notes to the consolidated financial statements

For the year ended 30 June 2020

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:

	2020 US$m	2019 US$m
Share-based payment expense	41	21

19 Remuneration of auditors

	2020 US$'000	2019 US$'000
PricewaterhouseCoopers Australia		
Audit and other assurance services		
Audit and review of financial statements	825	771
Other assurance services	265	60
Total audit and assurance services	**1,090**	831
Other services		
Consulting services	166	156
Total remuneration of PricewaterhouseCoopers Australia	**1,256**	987
Network firms of PricewaterhouseCoopers Australia		
Audit and other assurance services		
Audit and review of financial statements	218	85
	218	85
Total auditor's remuneration	**1,474**	1,072

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
- CSRP Pty Limited
- FMG Training Pty Limited

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

The consolidated income statement, consolidated statement of other comprehensive income and consolidated statement of changes in equity for the year ended 30 June 2020 along with the consolidated statement of financial position at 30 June 2020 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

	2020 US$m	2019 US$m
Current assets	290	215
Non-current assets	9,722	9,599
Total assets	**10,012**	9,814
Current liabilities	1,136	847
Non-current liabilities	65	136
Total liabilities	**1,201**	983
Net assets	**8,811**	8,831
Contributed equity	1,167	1,181
Reserves	12	26
Retained earnings	7,632	7,625
Total equity	**8,811**	8,831
Profit for the year	2,101	1,039
Total comprehensive income for the year	**2,101**	1,039

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$2,147 million (2019: US$956 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(iii) but otherwise did not have any contingent liabilities at 30 June 2020 or 30 June 2019.

Other

22 Interests in other entities

(a) Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following significant subsidiaries, in accordance with the accounting policy described in note 23(a)(i):

			Equity holding		Investment	
	Country of incorporation	Class of shares	2020 %	2019 %	2020 US$	2019 US$
Controlled entities						
Chichester Metals Pty Limited	Australia	Ordinary	**100**	100	**1**	1
FMG International Pte Limited	Singapore	Ordinary	**100**	100	**209,053**	209,053
FMG International Shipping Pte Ltd	Singapore	Ordinary	**100**	100	**1**	1
FMG Iron Bridge Limited	Hong Kong	Ordinary	**88**	88	**43,557,023**	43,557,023
FMG Magnetite Pty Limited	Australia	Ordinary	**88**	88	**1**	1
FMG North Pilbara Pty Limited	Australia	Ordinary	**88**	88	**1**	1
FMG Pilbara Pty Limited	Australia	Ordinary	**100**	100	**1**	1
FMG Procurement Services	Australia	Ordinary	**100**	100	**1**	1
FMG Resources (August 2006) Pty Limited	Australia	Ordinary	**100**	100	**1**	1
FMG Solomon Pty Limited	Australia	Ordinary	**100**	100	**1**	1
Karribi Developments Pty Limited	Australia	Ordinary	**100**	100	**1**	1
Pilbara Housing Services Pty Limited	Australia	Ordinary	**100**	100	**1**	1
Pilbara Power Pty Limited	Australia	Ordinary	**100**	100	**1**	1
The Pilbara Infrastructure Pty Limited	Australia	Ordinary	**100**	100	**1**	1
FMG Hong Kong Shipping Ltd	Hong Kong	Ordinary	**100**	100	**129,665,444**	129,665,444
FMG Personnel Services Pty Ltd	Australia	Ordinary	**100**	100	**1**	1
FMG Trading Shanghai Co., Ltd	China	Ordinary	**100**	100	**5,860,000**	5,860,000

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

(b) Joint operations

The consolidated financial statements incorporate Fortescue's share in the assets, liabilities and results of the following principal joint operations, in accordance with the accounting policy described in note 23(a)(ii).

				Participating interest %	
Joint operations	Country of incorporation	Holding entity	Principal activities	2020	2019
Iron Bridge Joint Venture	Australia	FMG Magnetite Pty Ltd	Development of magnetite assets and production of magnetite concentrate	69	69
Glacier Valley Joint Venture	Australia	FMG North Pilbara Pty Ltd	Iron ore exploration	69	69

Other

23 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below.

(a) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries, being the entities controlled by the Company. Control exists when the Group is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intercompany balances and transactions, including unrealised profits and losses arising from intra-group transactions, have been eliminated in full. Subsidiaries are consolidated from the effective date of acquisition to the effective date of disposal.

The acquisition method of accounting is used to account for the Group's business combinations.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

(ii) Joint arrangements

A joint arrangement is an arrangement when two or more parties have joint control. Joint control exists when the parties agree contractually to share control over the activities that significantly affect the entity's returns (relevant activities), and the decisions about relevant activities require the unanimous consent of the parties sharing joint control.

Joint arrangements are classified as either joint operations or joint ventures, based on the contractual rights and obligations between the parties to the arrangement.

Joint operations

If the contractual arrangement specifies a right to the assets and the obligations for the liabilities for the parties, the arrangement is classified as joint operation. The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenue and expenses.

These have been incorporated in the financial statements under the appropriate headings. Details of the joint operations are set out in note 22(b).

To support operations and construction projects of some of the joint operations, Fortescue and other parties to the joint arrangements are required, from time to time, to contribute funds in the form of cash calls, in proportion to their respective interests in the joint arrangements. These funds, if contributed by the parties to the joint arrangements in different financial years, may give rise to deferred joint venture contribution assets or liabilities.

Joint ventures

If the contractual arrangement grants the parties the right to the arrangement's net assets, it is classified as a joint venture. Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated balance sheet.

(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.

Other

23 Summary of significant accounting policies (continued)

(d) Revenue recognition (continued)

(i) Sale of products

Revenue from the sale of products is recognised when control has passed to the customer, no further work or processing is required by the Group, the quantity and quality of the products have been determined with reasonable accuracy, the price can be reasonably estimated and collectability is reasonably assured.

The above conditions are generally satisfied when title passes to the customer, typically on the bill of lading date when iron ore is delivered to the vessel, or alternatively on collection for port sales.

Revenue is recorded at the invoiced amounts however the shipping service represents a separate performance obligation, and is recognised separately from the sale of iron ore over the period during which the shipping service has been provided, along with any associated shipping costs.

Fortescue's sales contracts, which also include shipping services, may provide for provisional pricing of sales at the time the product is delivered to the vessel with final pricing determined using the relevant price indices on or after the vessel's arrival at the port of discharge. Under AASB 9 the receivable asset is measured at fair value through profit and loss.

(ii) Services revenue

Revenue from the provision of services is recognised in the accounting period in which the services are rendered.

(iii) Interest income

Interest income is accrued using the effective interest rate method.

(e) Deferred income

Deferred income represents payments collected but not earned at the end of the reporting period. These payments are recognised as revenue when the performance obligations are satisfied.

Where deferred income is considered to contain a financing component and if the period of time between the receipt of the upfront cash and the satisfaction of the future performance obligations is greater than 1 year, an interest charge of the upfront amount will be recognised.

(f) Income tax

The income tax expense for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction. Income tax on the profit or loss for the period comprises current and deferred tax.

Current income tax charge is calculated on the basis of the taxation laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Current income tax represents the expected tax payable on the taxable income for the year and any adjustments to tax payable in respect to previous years.

Where the amount of tax payable or recoverable is uncertain, a provision is established based on the Group's understanding of applicable tax law at the time. Settlement of these matters may result in changes to current and deferred income tax if the settlement differs from the provision.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts.

However, the deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither the accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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.

Other

23 Summary of significant accounting policies (continued)

(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

Trade and other receivables are recognised initially at fair value and subsequently at amortised cost using the effective interest method, less an allowance for impairment, except for a significant portion of trade receivables with embedded derivatives for provisional pricing which are subsequently measured at fair value through profit and loss under AASB 9.

Uncollectable amounts are determined using the expected credit loss model. Collectability of trade and other receivables is reviewed on a monthly basis. Total receivables which are known to be uncollectable are written off by reducing the carrying amount directly. Significant financial difficulties of the customer, probability that the customer will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the receivable may not be collected. The amount of the impairment allowance is the difference between the receivable's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment allowance is recognised in the income statement within administration expenses.

When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other administration expenses.

(i) Inventories

Warehouse stores and materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost for raw materials and stores is determined as the purchase price. For partly processed and saleable iron ore, cost is based on the weighted average cost method and includes:

- Materials and production costs, directly attributable to the extraction, processing and transportation of iron ore to the existing location
- Production and transportation overheads
- Depreciation of property, plant and equipment used in the extraction, processing and transportation of iron ore.

Iron ore stockpiles represent iron ore that has been extracted and is available for further processing or sale. Quantities are assessed primarily through internal and third party surveys. Where there is an indication that inventories are obsolete or damaged, these inventories are written down to net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(j) Financial assets

Fortescue classifies its financial assets into the following categories: those to be measured subsequently at fair value, being through either other comprehensive income or through profit and loss and those that are to be held at amortised cost.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets held at amortised cost

The Group classifies its financial assets as held at amortised cost only if the asset is held within a business model with the objective to collect the contractual cash flows, and the contractual terms give rise to cash flows that are solely payments of principal and interest. The classification of financial assets held at amortised cost applies to Fortescue's loans and receivables. These debt instruments are initially measured at fair value and subsequently carried at amortised cost. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. At the end of each reporting period, loans and receivables are reviewed for impairment.

(ii) Financial assets held at fair value through other comprehensive income (FVOCI)

The Group's classification of financial assets held at fair value through other comprehensive income applies to equity investments where the Group has made the irrevocable election to present the fair value gains or losses on revaluation of the asset in other comprehensive income. This election can be made for each investment; however, it is not applicable to equity investments which are held for trading. These assets are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. These instruments are recognised at fair value, with changes in fair value being recognised directly in other comprehensive income.

Other

23 Summary of significant accounting policies (continued)

(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 balance sheet 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.

(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 23(o).

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.

Other

23 Summary of significant accounting policies (continued)

(l) Property, plant and equipment (continued)

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.

(iv) Exploration and evaluation expenditure

Exploration and evaluation activities involve the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Exploration and evaluation expenditure incurred is accumulated and capitalised in respect of each identifiable area of interest, and carried forward to the extent that:

- Rights to tenure of the identifiable area of interest are current.
- At least one of the following conditions is also met:
  - (i) The expenditure is expected to be recouped through the successful development of the identifiable area of interest, alternatively by its sale; or
  - (ii) Where activities in the identifiable area of interest have not, at the reporting date, reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and activities in, or in relation to, the area of interest, are continuing.

Exploration and evaluation assets are reviewed at each reporting date for indicators of impairment and tested for impairment where such indicators exist. If the test indicates that the carrying value might not be recoverable, the asset is written down to its recoverable amount. These charges are recognised within exploration, development and other expenses in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from exploration and evaluation expenditure to development expenditure.

(v) Development expenditure

Development expenditure includes capitalised exploration and evaluation costs, pre-production development costs, development studies and other expenditure pertaining to that area of interest. Costs related to surface plant and equipment and any associated land and buildings are accounted for as property, plant and equipment.

Development costs are accumulated in respect of each separate area of interest. Costs associated with commissioning new assets in the period before they are capable of operating in the manner intended by management are capitalised. Development costs incurred after the commencement of production are capitalised to the extent they are expected to give rise to a future economic benefit.

When an area of interest is abandoned or the Directors decide that it is not commercially or technically feasible, any accumulated cost in respect of that area is written off in the financial period that the decision is made. Each area of interest is reviewed at the end of each accounting period and the accumulated costs written off to the income statement to the extent that they will not be recoverable in the future.

Amortisation of development costs capitalised is charged on a unit of production basis over the life of estimated proven and probable reserves at the mines.

(m) Stripping costs

(i) Development stripping costs

Overburden and other mine waste materials are often removed during the initial development of a mine in order to access the mineral deposit. This activity is referred to as development stripping and the directly attributable costs, inclusive of an allocation of relevant overhead expenditure, are capitalised as development costs. Capitalisation of development stripping costs ceases and amortisation of those capitalised costs commences upon commercial extraction of ore.

Amortisation of capitalised development stripping costs is determined on a unit of production basis for each area of interest.

Development stripping costs are considered in combination with other assets of an operation for the purpose of undertaking impairment assessments.

Other

23 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, with 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) Leases - accounting policy applied until 30 June 2019

Leases of assets where Fortescue, as lessee, has substantially all the risks and rewards of ownership, are classified as finance leases. Assets acquired under finance leases are capitalised at the lower of the fair value of the underlying assets or the present value of the future minimum lease payments. The corresponding finance lease liability is classified as borrowings. Each lease payment is allocated between the liability and finance cost. 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.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Fortescue as lessee are classified as operating leases. Payments made under operating leases are recognised as an expense in the income statement on a straight-line basis over the lease term.

Leases – accounting policy applied from 1 July 2019

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 balance sheet 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 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.

Other

23 Summary of significant accounting policies (continued)

(n) Leases – accounting policy applied from 1 July 2019 (continued)

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.

(o) Rehabilitation provision

Provisions are recognised when Fortescue has a present legal or constructive obligation as a result of past events. It is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

The mining, extraction and processing activities of Fortescue give rise to obligations for site rehabilitation. Rehabilitation obligations include decommissioning of facilities, removal or treatment of waste materials, land rehabilitation and site restoration.

The extent of work required and the associated costs are estimated using current restoration standards and techniques. Provisions for the cost of each rehabilitation program are recognised at the time that environmental disturbance occurs. Rehabilitation provisions are initially measured at the expected value of future cash flows required to rehabilitate the relevant site, discounted to their present value using Australian Government bond market yields that match, as closely as possible, the timing of the estimated future cash outflows. The judgements and estimates applied for the estimation of the rehabilitation provisions are discussed in note 24.

When provisions for closure and rehabilitation are initially recognised, the corresponding cost is capitalised into the cost of mine development assets, representing part of the cost of acquiring the future economic benefits of the operation. The capitalised cost of closure and rehabilitation activities is recognised within development assets and is amortised based on the units of production method over the life of the mine. The value of the provision is progressively increased over time as the effect of discounting unwinds, creating an expense recognised in finance costs.

At each reporting date the rehabilitation liability is remeasured to account for any new disturbance, updated cost estimates, inflation, changes to the estimated reserves and lives of operations, new regulatory requirements, environmental policies and revised discount rates. Changes to the rehabilitation liability are added to or deducted from the related rehabilitation asset and amortised accordingly.

(p) 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 bi-annually, 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.

Other

23 Summary of significant accounting policies (continued)

(q) 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 are 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.

(r) 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.

(s) 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.

(t) 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.

(u) 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.

Other

23 Summary of significant accounting policies (continued)

(v) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which is disclosed as an operating cash flow.

(w) Comparatives

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

(x) New accounting standards and interpretations

(i) 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 2020 reporting period. Fortescue has reviewed the standards and interpretations and concluded that none of the new or amended standards have a material effect on the Group's accounting policies, financial position or performance. These standards and interpretations have not been early adopted.

(ii) 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 2019:

- AASB 16 *Leases*

The Group has amended its accounting policies following the adoption of AASB 16, the details of which have been disclosed below.

Adoption of AASB 16

AASB 16 replaces existing leases guidance, including AASB 117 *Leases* and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

The new standard contains a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of lessees. It applies a control model for the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the lessee.

AASB 16 removes the distinction between operating and finance leases for lessees. Instead, all leases other than short term and low value asset leases are recognised on the balance sheet 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. For leases recognised as operating leases under AASB 117, the lease expense will be replaced by the amortisation of the right of use asset and interest expense on the lease liability.

Transition to AASB 16

The Group initially adopted AASB 16 on 1 July 2019, using the modified retrospective approach. The cumulative effect of adopting AASB 16 was recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information. The impact of the current lease arrangements for the lease of buildings, mining equipment and other assets has been evaluated and the impact on the balance sheet on this date was an increase in lease liabilities of US$149 million and right of use assets of US$139 million, with the balance of US$10 million being adjusted to retained earnings, net of an adjustment of US$3 million for deferred tax.

The weighted average borrowing rate applied to the Group's lease liabilities recognised on the balance sheet as at 1 July 2019 was 4.9 per cent.

Other

23 Summary of significant accounting policies (continued)

(x) New accounting standards and interpretations (continued)

Transition to AASB 16 (continued)

A reconciliation of operating lease commitments disclosed at 30 June 2019 to additional lease liabilities recognised as at 1 July 2019 is provided in the table below.

	Note	US$m
Operating Lease commitments disclosed as at 30 June 2019		176
Less: short-term leases not recognised as a liability		(7)
Leases to be discounted and accounted for under AASB 16		**169**
Discounted using the incremental borrowing rate at date of initial application		149
Add: Service contracts subsequently reassessed as leases		88
Lease liabilities identified as per AASB 16 at 1 July 2019		**237**
Add: Existing finance lease liabilities recognised as at 30 June 2019	9(a)(v)	573
Lease liability recognised as at 1 July 2019		**810**

Impact on current reporting period from adoption of AASB 16

	Note	US$m
Lease liabilities recognised as per AASB 16 at 1 July 2019		237
Additional leases entered into during the period		184
Finance costs on leases identified under AASB 16		16
Payments for leases identified under AASB 16		(82)
Lease liabilities recognised as at 30 June 2020		**355**
Existing finance lease liabilities balance at 30 June 2020 recognised under AASB 117 and transitioned to AASB 16 at 1 July 2019		524
Total lease liabilities recognised as at 30 June 2020	9(a)(v)	**879**

	Note	US$m
Right of use assets recognised as at 1 July 2019		139
Additional right of use assets identified on subsequent assessment of service contracts		87
Additional right of use assets recognised		187
Accumulated depreciation on right of use assets		(79)
Right of use assets recognised as at 30 June 2020		**334**
Existing right of use asset balance at 1 July 2019 recognised under AASB 117[1]		729
Depreciation on assets recognised under AASB 117 and transitioned to AASB 16		(53)
Total right of use assets recognised as at 30 June 2020	12	**1,010**

[1] Original acquisition value of US$857 million and accumulated depreciation of US$128 million at time of adoption.

Other

24 Critical accounting estimates and judgements

The preparation of the consolidated financial statements requires management to make judgements and estimates and form assumptions that affect how certain assets, liabilities, revenue, expenses and equity are reported. At each reporting period, management evaluates its judgements and estimates based on historical experience and on other factors it believes to be reasonable under the circumstances, the results of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Fortescue has identified the following critical accounting policies where significant judgements and estimates are made by management in the preparation of these financial statements.

(a) Iron ore reserve estimates

Iron ore reserves are estimates of the amount of product that can be economically and legally extracted from Fortescue's current mining tenements. In order to calculate ore reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates. Estimating the quantity and grade of ore reserves requires the size, shape and depth of ore bodies or fields to be determined by analysing geological data such as drilling samples. This requires complex and difficult geological judgements and calculations to interpret the data.

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 profit and loss.

(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. Changes in circumstances may alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be impaired and the impairment would be charged to the income statement.

(e) Rehabilitation estimates

Fortescue's accounting policy for the recognition of rehabilitation provisions requires significant estimates including the magnitude of possible works required for the removal of infrastructure and of rehabilitation works, future cost of performing the work, the inflation and discount rates and the timing of cash flows. These uncertainties may result in future actual expenditure differing from the amounts currently provided.

(f) Revenue

The transaction price at the date control passes for sales made subject to the provisional pricing mechanism is estimated with reference to quoted index prices. For sales where the final settlement price is yet to be determined, the value of this revenue is adjusted by considering tonnes subject to price finalisation at the end of the period and applying the closing spot rate.

08

Remuneration Report

From the Chair of the Remuneration and People Committee

Jennifer Morris OAM

On behalf of the Directors of Fortescue Metals Group Ltd, I am pleased to present the Remuneration Report for the year ended 30 June 2020.

Safety ↓
2.4
Total Recordable Injury Frequency Rate
14% IMPROVEMENT COMPARED TO FY19

C1 Costs ↓
US$ **12.94** wmt

Underlying EBITDA ↑
US$ **8.38**bn
38% HIGHER THAN FY19

Production ↑
178.2
mt shipped
6% HIGHER THAN FY19

Culture ↑
96%
Participation in Safety Excellence and Culture survey
+ 36 NET PROMOTER SCORE

Dividends ↑
A$ **1.76**
Per share
DIVIDENDS DECLARED 54% HIGHER THAN FY19

Dear Shareholders,

Fortescue's Remuneration Strategy is underpinned by our core Values and performance culture which includes setting challenging stretch targets, striving to achieve them and rewarding that achievement.

Our safety performance, production levels, relative price realisation improvements and continued focus on costs in the current and prior years, together with our successful management of the COVID-19 pandemic through temporary roster changes and health protection measures saw the Company deliver a strong performance which resulted in executives being rewarded through the vesting of both short and long term incentives.

FY20 performance

The COVID-19 pandemic has had an unprecedented impact on the Australian economy and community. In determining remuneration outcomes for FY20, the Board has recognised the exceptional performance of the Fortescue team during this extremely challenging period.

From the outset, the Fortescue leadership team prioritised the health of our people, families and communities in response to the COVID-19 pandemic. A range of measures was proactively implemented and expanded including working from home arrangements, temporary changes to our operational roster and proactive health measures across offices, villages and sites. We are extremely proud of all our people who have worked tirelessly in this environment to sustain our contribution to the Western Australian and national economies through the reliable and secure supply of iron ore.

Safety is paramount to our culture as we work towards achieving zero harm and this year our rolling twelve-month Total Recordable Injury Frequency Rate (TRIFR) reduced by 14 per cent to a record low of 2.4. Engagement across the business remains strong, demonstrated by a 96 per cent participation rate in our annual Safety Excellence and Culture survey. Against this backdrop, Fortescue achieved a record FY20 with net profit after tax of US$4.7 billion.

We achieved our mining and processing targets and upgraded our shipment and cost targets to deliver operating and financial performance exceeding our top end of shipping guidance for FY20. Customer demand has remained strong with Fortescue's revenue per tonne increasing by 21 per cent compared to FY19, which is higher than the 16 per cent increase in the average Platts 62% CFR Index over the same period.

This reflects the successful execution of Fortescue's integrated operations and marketing strategy and improved product mix.

Fortescue declared a final dividend of A$1.00, bringing total dividends for FY20 to A$1.76.

Our balance sheet is robust, structured on low cost, investment grade terms while maintaining flexibility and capacity for future growth, as we continue to deliver enhanced shareholder returns.

Response to shareholder feedback

In response to shareholder feedback, the Board has focused on improving transparency in remuneration reporting. In this respect, it is important to note:

- Upon the appointment of Elizabeth Gaines as CEO, her total fixed remuneration (TFR) was based well below her predecessor. Last year, reflecting her experience in the role and proven performance, increases were made to bring her TFR closer to market competitive levels. In an attempt to continue to bring the CEO and Core Leadership Team's (CLT) remuneration in line with market, and taking into account their performance and the delivery of returns to our shareholders, an increase to TFR levels is also planned for FY21. The Board believes this increase is commensurate with Fortescue's strong Company performance and reflects the need to attract and retain a leadership team capable of maximising long-term shareholder returns.
- In response to feedback from shareholders regarding last year's Long Term Incentive Plan (LTIP) grants, we have amended our remuneration review timelines to seek annual shareholder approval of the CEO's LTIP grant.

FY20 remuneration outcomes

The Board set aggressive stretch targets for the FY20 Executive and Senior Staff Incentive Plan (ESSIP), to drive business operations, financial performance and maximise shareholder value. The FY20 ESSIP performance conditions included operational, people and culture and individual strategic measures, with

the people and culture metric recognising the importance of supporting Fortescue's unique and differentiated culture. All stretch targets were achieved in FY20, with targets exceeded for safety, production, cost and cashflow. For our CLT, reflective of these results and their strong performance against individual objectives, the ESSIP was awarded at 100% of stretch target opportunity levels for FY20.

Vesting of the FY18 LTIP is assessed over a three year performance period of 1 July 2017 to 30 June 2020 against Absolute Return on Equity (AROE), Total Shareholder Return (TSR) relative to the ASX100 Resources comparator group and strategic measures aligned with the Company's long-term objectives. The performance conditions for the FY18 LTIP were tested and vested at 100 per cent based on:

- The average AROE for the performance period at 27.6 per cent being well above threshold vesting set at 15 per cent.
- TSR meeting the stretch target and ranking at the 100th percentile with a result of 245 per cent due to outstanding share price growth over the performance period. We are proud to have achieved the number one ranking in the S&P/ASX 100 Index for total shareholder returns over the three years to 30 June 2020 of 266 per cent.
- Strategic measures are crucial to driving innovation and growth outcomes which support Fortescue's longevity and long-term business success. Our strategic metric was achieved at target with 100 per cent of share rights vesting based on Iron Ore Growth and Other Growth for the FY20 period.

No changes were made to executive remuneration and there was no increase to Non-Executive Director fees during the financial year, with the exception of the Board's decision to increase Mark Barnaba's annual fees to reflect his expanded responsibilities and time commitment as Deputy Chair. Further details of Mr Barnaba's fee increase is available in section 8 of this Report.

During FY20, we reviewed the style and content of our Remuneration Report. The Board is confident that our new streamlined approach to reporting and disclosure will improve readability and display stronger links between Fortescue's culture, success, performance and reward outcomes. In response to feedback from shareholders, the Board also made the decision to separate the Remuneration and Nomination Committees in August 2019.

I invite you to read our Remuneration Report and trust you will find that it outlines the links between our strategy, culture, performance and executive remuneration outcomes. The exceptional results delivered by the Fortescue team are reflected in the FY20 ESSIP and the FY18 LTIP, which aligns with the Group's financial performance and shareholder returns.

My thanks to Sharon Warburton for her unwavering commitment as Chair of the Remuneration and People Committee from 2016 until 2020.

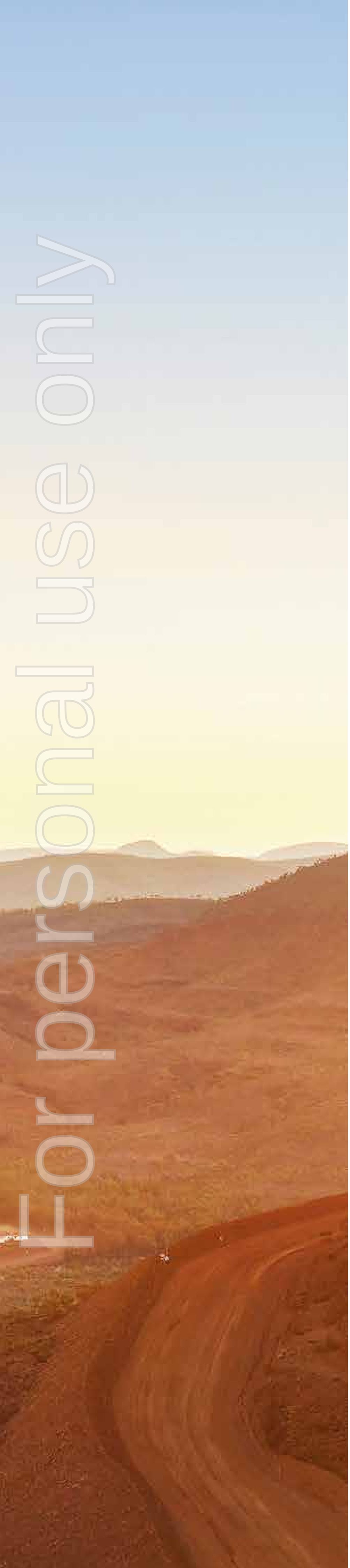
On behalf of the Directors, we look forward to welcoming you and receiving your feedback at our 2020 AGM.

Yours sincerely,

Jennifer Morris OAM

CHAIR - REMUNERATION & PEOPLE COMMITTEE

Contents



Introduction FY20 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 and Core Leadership Team (CLT) includes Executive Directors and Other Key Management Personnel.

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*.

All Executives are paid in AUD. This year and going forward we will report the value of remuneration in USD in line with the rest of the Annual Report, unless otherwise stated. From year to year, this may result in reporting of remuneration that is affected by foreign currency movements. In order to assess the remuneration levels of our Executives, each year, we will report:

- The contractual terms and currency in which our Executives are paid (see section 7)
- Whether any changes have been made to Executive remuneration.

For this year only, we will provide disclosures in USD and AUD to assist with the transition to USD reporting going forward.

The KMP of the Group for FY20 were:

Non-executive Directors

Dr Andrew Forrest AO
Chairman

Mark Barnaba AM
Deputy Chair and Lead Independent Director

Sharon Warburton
Deputy Chair
Until 31 March 2020

Dr Jean Baderschneider
Non-Executive Director

Penny Bingham-Hall
Non-Executive Director

Lord Sebastian Coe CH, KBE
Non-Executive Director

Jennifer Morris OAM
Non-Executive Director

Dr Cao Zhiqiang
Non-Executive Director

Dr Ya-Qin Zhang
Non-Executive Director
From 1 September 2019

Executive Directors

Elizabeth Gaines
Chief Executive Officer and Executive Director

Other Key Management Personnel (Executives)

Greg Lilleyman
Chief Operating Officer

Julie Shuttleworth
Deputy Chief Executive Officer

Ian Wells
Chief Financial Officer

There have been no changes to KMP after the reporting date.

Remuneration snapshot

2

Remuneration Strategy principles

Our Values drive our reward strategy, which seeks to:

- Build a high performance oriented culture that supports the achievement of the Company's strategic vision
- Attract, retain and motivate employees by providing market competitive fixed remuneration and incentives.

Drive the right culture and encourage high levels of share ownership

Ensure the alignment of employee and shareholder interests

Market competitive remuneration

Attract and retain key talent with remuneration competitive against relevant comparable companies

Performance and outperformance focus

Provide fair reward in line with individual and company achievements

Fit for purpose

Include flexibility to reflect clear linkage to business strategy and the cyclical nature of industry without constraint by market practice

Strategic alignment

Support delivery of long-term business strategy and growth aspirations

Shareholder and executive alignment

Rewarding sustained performance and delivering awards aligned with shareholder returns

Remuneration framework components

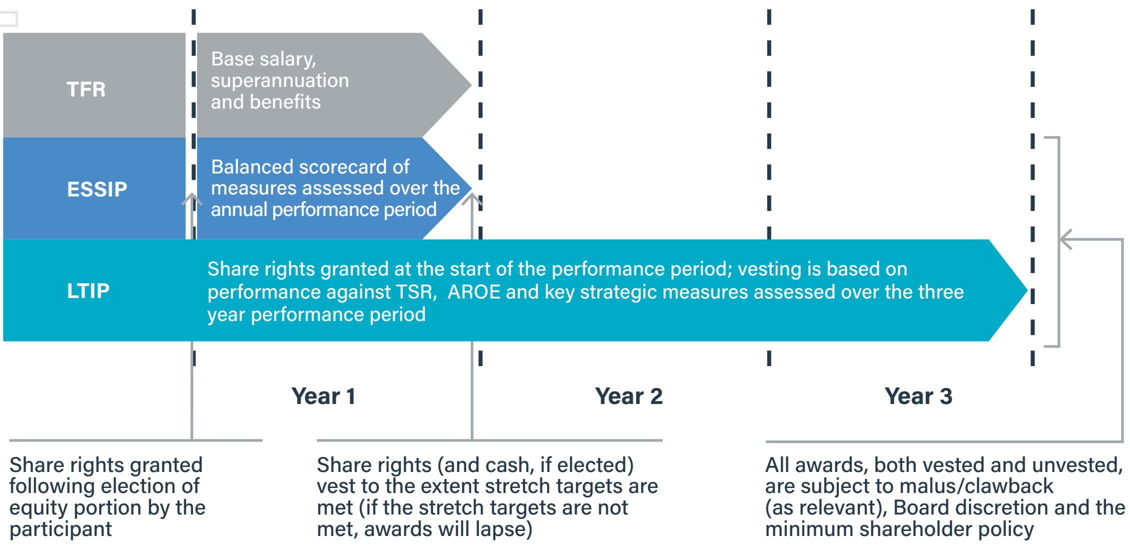
Our remuneration framework is designed to support Fortescue's Values and bring to life our Remuneration Strategy.

	Fixed component	Variable / At – risk component	
	Total Fixed Remuneration (TFR)	**Executive and Senior Staff Incentive Plan (ESSIP)**	**Long Term Incentive Plan (LTIP)**
Purpose	Comprising base salary, superannuation and optional salary sacrifice benefits.	Annual incentive opportunity that awards against annual stretch budget and objectives.	Three year incentive opportunity focused on growth strategy, long-term priorities and alignment with shareholder value creation.
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.	▪ Granted in share rights with an elected amount (no more than 50%) in cash to create immediate shareholder alignment. ▪ Performance assessed against balanced scorecard. ▪ Targets set at stretch levels to promote outperformance with cliff vesting.	▪ 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.
FY20 approach	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%)** **Strategic Individual KPIs (20%)** Project delivery, strategy and business development	**Performance measure breakdown** **Total Shareholder Return (33%)** **Average Return on Equity (33%)** **Key Strategic Measures (34%)*** *Key Strategic Measures from FY20 will be assessed over a three year performance period

MINIMUM SHAREHOLDING REQUIREMENT
CEO: 200% of TFR, Other CLT: 200% of TFR, NEDs: 100% of base annual fee

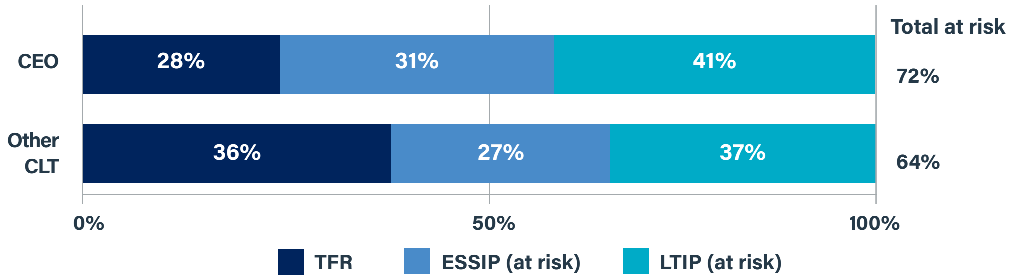
The framework visualised

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

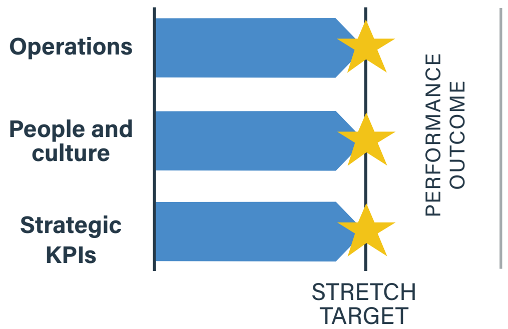


Remuneration mix

The graph below shows the remuneration mix for superior performance when stretch targets have been met for both the CEO and other CLT.



FY20 ESSIP Outcomes



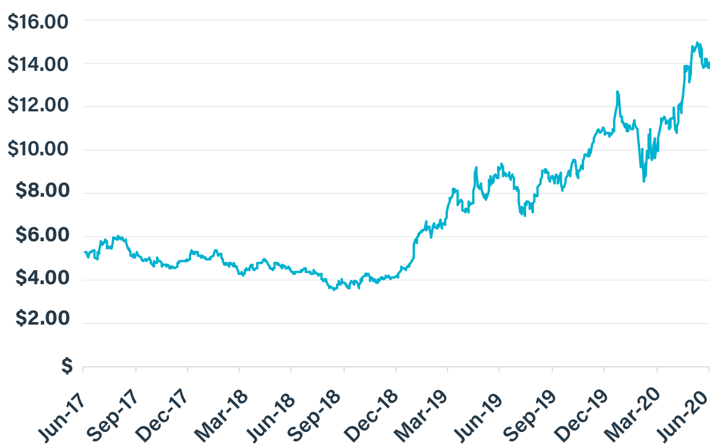
Awards made in relation to the FY20 ESSIP reflect achievement of:

- Strong safety performance
- Above target financial and operational performance
- Improvements in the already high levels of safety culture and employee engagement
- Substantial diversification and growth strategy progress

FY18 LTIP vesting outcomes

Measure	Weighting %	Outcome %	Vesting %
TSR	33	150	49.5
AROE	33	87.8	29.0
Strategic KPIs	34	100	34.0
Total			112.5
Capped at			100

Share price over the last 3 years, A$/share



Response to feedback on FY19 report

3

The Board has engaged with shareholders, proxy advisors and other stakeholders to further understand their feedback at our FY19 Annual General Meeting (AGM). This section outlines the key issues and the steps taken to address those issues or otherwise explain our rationale in response.

Remuneration element	Issue raised	Response
TFR	Increases to fixed remuneration for the CEO and CLT	▪ Fortescue's approach is to set fixed remuneration initially at a level reflecting the individual's experience that also allows for progressive increases as the executive becomes more experienced in their role, subject to performance. ▪ In FY19, the Board believed it was appropriate to increase the CEO's and other CLT's TFR to bring remuneration towards market median (noting the CEO's remuneration is still considerably below median and that of her predecessor) in line with our strategy outlined in Section 2. ▪ No increase to CLT TFR was made in FY20.
ESSIP	Cliff vesting and disclosure	▪ Incorporating cliff-vesting, which simply reflects the importance of stretch targets, is a deliberate strategy at Fortescue to align and promote our core value of setting stretch targets and our culture of outperformance. ▪ We will continue to provide disclosure of measures and targets where commercial sensitivities do not preclude us from doing so.
	Non-financial measures used in the ESSIP	▪ Fortescue's Board recognises the importance of supporting the Company's strong, differentiated culture underpinned by its core Values, which is fundamental to corporate success. ▪ Our operations, people and culture and strategic measures have financial and quantifiable effects on the Company. ▪ While the financial performance metrics and targets are focused on incentivising executives to deliver strong financial performance, the non-financial measures provide a framework around how this performance should be delivered. It would be against Fortescue's culture to deliver strong financial performance while having a poor safety record, occurrence of misconduct, negligence, or inability to respond to unforeseen events. ▪ The Board believes that the strength of our values-based culture continues to be a core contributor to our success and, accordingly, to remuneration outcomes. As such, achievement of all measures, including non-financial, ultimately have tangible financial benefits for Fortescue and its shareholders.

Remuneration element	Issue raised	Response
LTIP	Adjustment to the CEO's LTI performance rights grant	▪ We have reviewed our remuneration review timelines and made adjustments to ensure increases in TFR flow into the following performance year and are not applied retrospectively to grants already approved by shareholders.
	Change to annual shareholder approval for the CEO's LTIP	▪ At the 2018 AGM, Fortescue sought approval for the equity components of the FY19, FY20 and FY21 ESSIP and LTIP grants to the CEO. We understand that this is not in line with typical market practice. ▪ Having noted that feedback and in line with good governance and improved transparency, the Board has determined that that the grants approved at the 2018 AGM are forgone. Instead, from 2019, the Board determined that it would seek shareholder approval of the CEO's equity grants on an annual basis.
	Use of measures such as safety, performance, resource management and growth in the LTIP	▪ It is the Board's view that having management focused on these measures is integral to the long term success of Fortescue. ▪ Under the FY18 LTIP grant (which vested in FY20), performance targets under the strategic measures component were set annually and performance banked over the three year period of operation of the grant. Only one year of the three year period was assessed against these measures. The FY19 and FY20 performance years were directly linked to iron ore growth, diversification and our growth strategy. ▪ The FY20 LTIP grant and onwards will be assessed against strategy execution measures in line with milestones for delivery of strategic projects (explained later in this Report) over a three year performance period.
	Disclosure of strategic measures in the LTIP	▪ We have reviewed our approach and have provided greater transparency this year. ▪ We are not always able to provide extensive disclosure regarding matters which are commercially sensitive.

The Board will continue to take a pro-active approach to engagement with shareholders in FY21 and will continue to address queries in a transparent manner.

Business performance 4

a. FY20 performance and link to remuneration

The Fortescue team achieved excellent results in FY20 with significant progress made on the delivery of our business strategy.

The results were underpinned by improved safety outcomes, operational excellence and the successful execution of our integrated operations and marketing strategy.

In a year that has been impacted by the unprecedented COVID-19 global health and economic crisis Fortescue sustained our strong contribution to the Western Australian and national economies through the reliable and secure supply of iron ore to our customers.

In determining remuneration outcomes, the Board considers all measures including financial and non-financial performance.

People and culture

Fortescue's rolling twelve-month TRIFR improved by 14 per cent from 2.8 at 30 June 2019 to a record low of 2.4 at 30 June 2020.

Safety is deeply ingrained in our culture and our outstanding engagement and commitment to achieving global leadership in safety was demonstrated by an excellent participation rate of 96 per cent in our annual Safety Excellence and Culture survey. Our overall safety culture remains strong and we are confident in our ability to further improve our safety culture as we work towards achieving zero harm.

Operational performance

Fortescue's outstanding operating performance was sustained in FY20 with mining, processing, rail and shipping combining to deliver record shipments of 178.2mt in FY20, six per cent higher than FY19 and exceeding the top end of our FY20 guidance of 177mt.

We leveraged the capability and flexibility in our value chain to achieve improved sales volumes, while increasing the proportion of higher margin products including doubling the volume of our 60.1% Fe West Pilbara Fines product during FY20 to 17.9mt shipped.

Our full year C1 costs of US$12.94/wmt reflected our continued focus on cost management and innovation to maintain our industry leading cost position.

In June 2020, we celebrated the opening of our expanded integrated operations centre, the Fortescue Hive. The purpose-built remote operations facility in Perth brings together our entire supply chain to deliver significant safety, productivity, efficiency and commercial benefits.

Financial performance

Fortescue's outstanding financial performance for FY20 was underpinned by consistent and predictable operating performance, strong customer demand, record shipments and an optimised product mix to deliver higher margins. We delivered a record net profit of US$4,735 million, an increase of 49 per cent.

Fortescue's balance sheet is structured on low cost, investment grade terms while maintaining flexibility and capacity for future growth. Our total debt at 30 June 2020 of US$5,113 million is inclusive of US$879 million of leases and represents gearing of 28 per cent.

Investing in growth

The strength of our operations and balance sheet means we can continue to reinvest in the business and, importantly, invest in growth.

We are developing the Western Hub, which includes deposits of high iron content bedded iron ore and will be home to the Eliwana mine. Eliwana will contribute to Fortescue's core iron ore business as it underpins the ramp up of our 60.1% Fe, West Pilbara Fines product. The Eliwana mine will contribute to maintaining our low cost status, providing greater flexibility to capitalise on market dynamics.

The US$2.6 billion Iron Bridge Magnetite Project is under development and will deliver 22mtpa of high grade 67% Fe magnetite concentrate product, further enhancing the range of products available to our customers.

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

Shareholder value

Fortescue's strong financial performance and our clear strategic focus on production, operations, marketing as well as growth and balance sheet management are driving our excellent results and delivering significant benefits for our shareholders.

Our unwavering determination to deliver shareholder returns through dividends and investment in growth was evident in FY20 with record fully franked dividends of A$1.76 declared, representing a 77 per cent pay-out ratio of FY20 NPAT.

Over the three year period to 30 June 2020 we have achieved an Average Return on Equity of 27.6 per cent and Total Shareholder Return of 245 per cent, resulting in a percentile ranking of 100 per cent against comparator companies in the ASX 100 Resources Index.

Sustainability

Fortescue is well positioned to continue to deliver benefits to all stakeholders, including our customers, employees and the communities in which we operate.

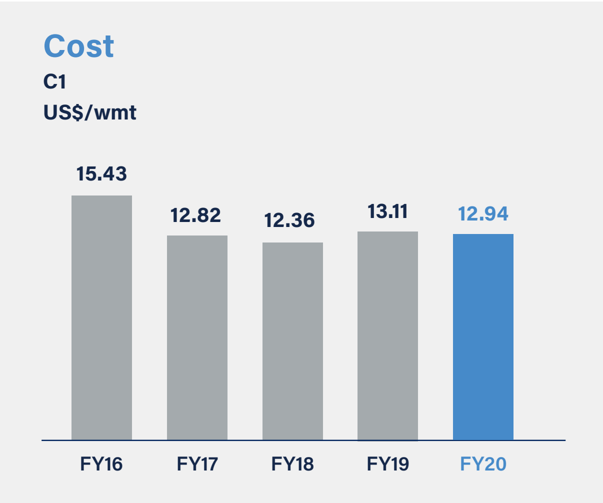
During the year, we made a total global economic contribution of A$17.2 billion and an additional A$6.6 million in social investment. We believe in supporting Aboriginal communities through the provision of training, employment and business development opportunities, through our Billion Opportunities program, further details of which are contained in the FY20 Sustainability Report.

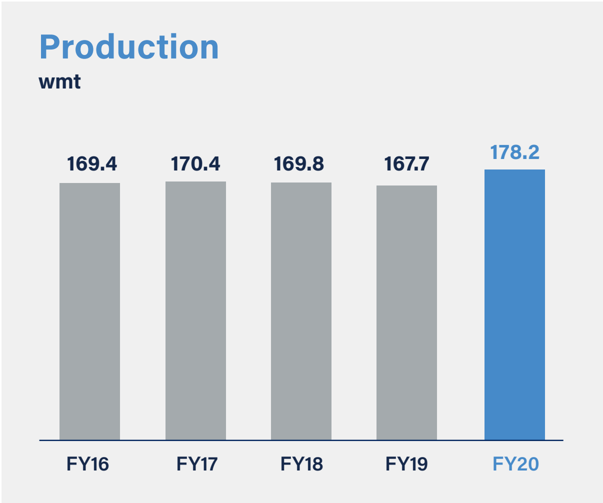
As at 30 June 2020, 14 per cent of employees at our Pilbara operations are Aboriginal.

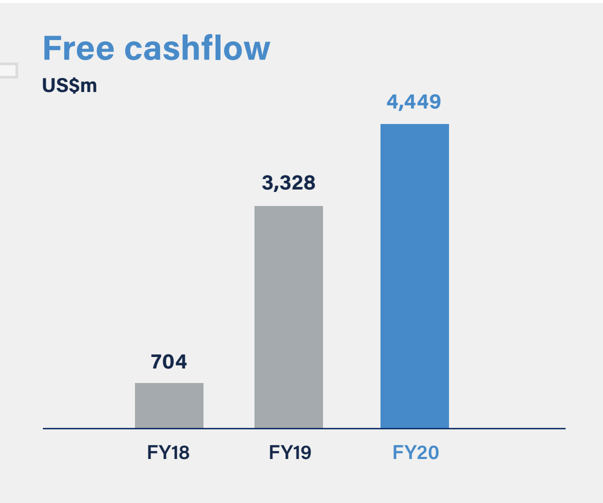
At Fortescue, our values of Family and Safety serve as a constant reminder to look out for our mates, and this extends to supporting our fellow Australians in their time of need. Fortescue donated A$1 million to the Minderoo Foundation Fire Fund to provide immediate relief to communities impacted by bushfires and assist with long-term recovery efforts. The Fortescue Family raised a further A$250,000 for the Australian Red Cross' Disaster Relief and Recovery Fund.

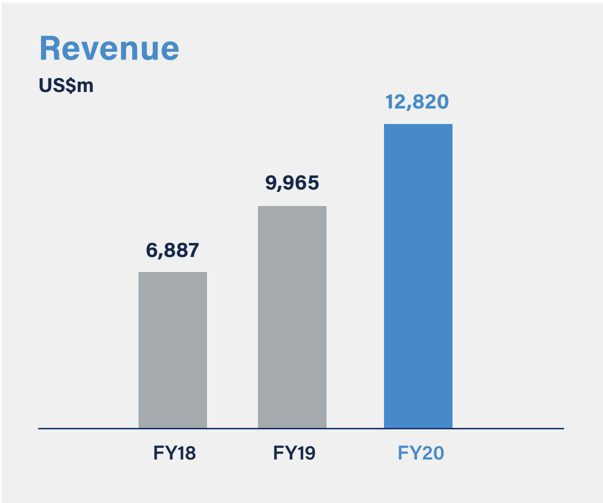
During the COVID-19 pandemic, in addition to supporting our people and their families, we focused on practical solutions to support our communities, especially small businesses, during this global health and economic crisis. We made donations to the Royal Flying Doctor Service, Foodbank and Lifeline and distributed over 1,300 care packages to Aboriginal communities in the Pilbara. Fortescue also actively supported the Minderoo Foundation initiative to procure and distribute A$160 million of critical medical supplies to the West Australian healthcare sector and the expertise of our procurement team, including those based in China, was critical to the success of this initiative.

The following graphs show our Group performance against key financial measures in FY20:

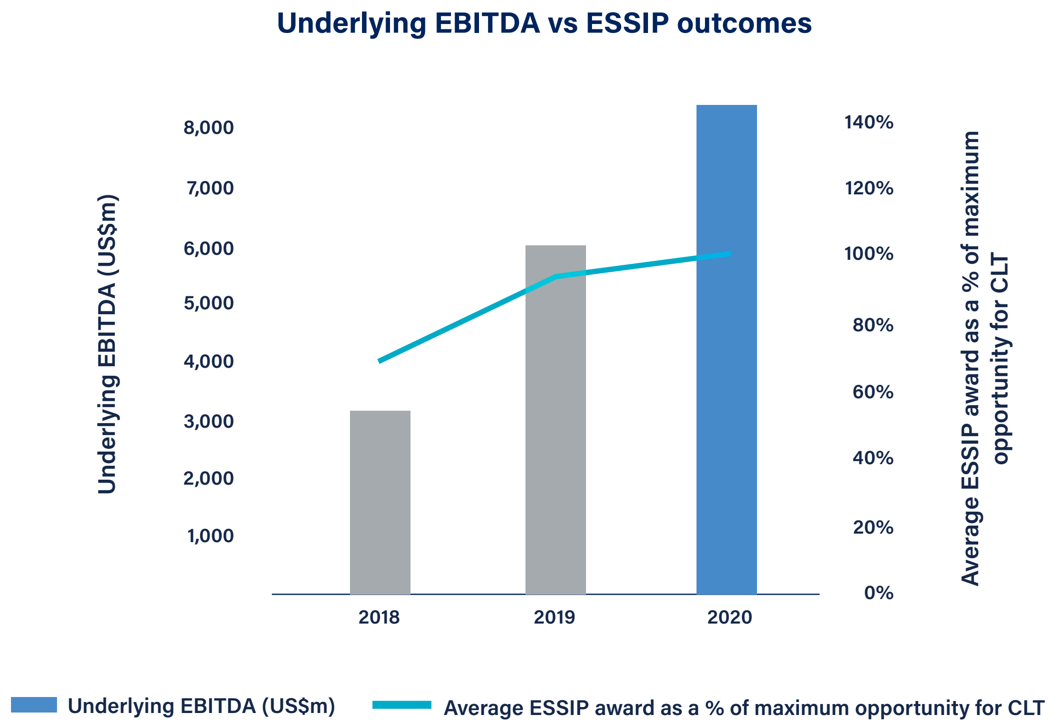


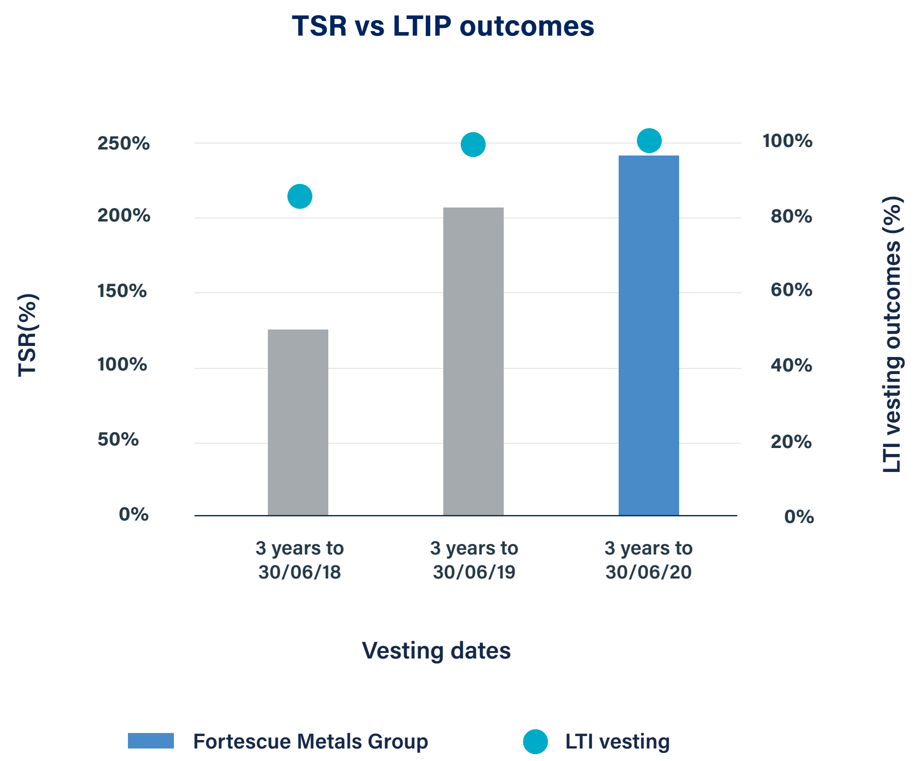






The graphs below shows Fortescue's Underlying EBITDA vs ESSIP outcomes and TSR vs LTIP outcomes over the last three years.





b. 5 year Group performance

Fortescue continues to deliver operational and financial improvements across the business. Our performance against key financial measures for FY20 and the five years FY16 - FY20 (inclusive) are set out below.

Underlying EBITDA	Net profit after tax	Return on equity	Dividends
US$8.38bn	US$4.74bn	40%	A$1.76 Per share

	2020	2019	2018	2017	2016
Total tonnes shipped (wmt)	178.2	167.7	169.8	170.4	169.4
Revenue from iron ore operations (US$m)	12,820	9,965	6,887	8,335	6,947
Underlying EBITDA (US$m)	8,375	6,047	3,182	4,744	3,195
Net profit/(loss) (US$m)	4,735	3,187	878	2,093	985
Underlying Return on Equity %	40	31	11	23	12
Gearing (book value of debt/debt + equity)	28	27	29	31	45
Dividends declared (A$ per share)	1.76	1.14	0.23	0.45	0.15
Share price at 30 June 2020 A$	13.85	9.02	4.39	5.22	3.50
Change in share price (A$)	4.83	4.63	(0.83)	1.72	1.59
Change in share price (%)	54	105	(16)	49	83

Remuneration outcomes 5

As reported in section 4, Fortescue has again delivered strong, consistent results against the majority of key targets for FY20, underpinned by our values-based culture and the commitment of the entire Fortescue team.

Reflecting our strong Company performance, our CLT has achieved all stretch targets in the ESSIP and our LTIP has vested at 100 per cent.

a. FY20 fixed remuneration changes

No changes were made to TFR in FY20 for the CLT. A market review of CLT fixed remuneration was undertaken in May 2020 as part of Fortescue's broader annual salary review process. As a result of that review, and in order to remain competitive against market peers, the Board has approved an increase to CLT fixed remuneration effective from 1 July 2020. Details of CLT fixed remuneration for FY21 will be reported in the FY21 Remuneration Report.

b. FY20 ESSIP performance outcomes

The ESSIP performance objectives and achievement outcomes in FY20 are shown in the table below:

Measure	Weighting	Details	Stretch target	Stretch target met	Commentary
Operations – 60%					
Safety*	12	Fortescue TRIFR	2.6	Yes	Fortescue's rolling twelve-month TRIFR decreased by 14 per cent from 2.8 at 30 June 2019 to a record low of 2.4 at 30 June 2020
Production	12	Total iron ore tonnes shipped	175mt	Yes	Record shipments of 178.2mt delivered in FY20
C1 Cost	12	Achieve C1 cost	US$13.49/ wmt	Yes	Full year C1 costs of US$12.94/ wmt, inclusive of US$0.22/wmt of COVID-19 related costs, maintaining our industry leading cost position
Cashflow	12	Sustaining capital expenditure	<US$700m	Yes	US$690m sustaining capital expenditure for the full year
Revenue	12	Achieve: ▪ EBITDA margin ▪ Increase in West Pilbara Fines ▪ Increase shipments of Fortescue high value products ▪ Sell a portion of product direct to Chinese customers through Fortescue's wholly owned Chinese trading subsidiary	>62%	Yes	A number of the revenue targets are market sensitive and therefore specific targets have not been disclosed. Overall, the revenue measure has been exceeded. ▪ Full year EBITDA margin of 65% ▪ Production of 60.1% Fe West Pilbara Fines doubled during FY20 to 17.9mt shipped ▪ 118.3mt of Fortescue high value products shipped ▪ 6.5mt of product sold directly to customers in China.
People and Culture – 20%					
People and Culture	20	Measured through the Safety and Culture Survey Excellence as well as Board assessment: ▪ Participation Rate ▪ Net Promoter Score	>90% Positive	Yes	The Safety Excellence and Culture Survey participation rate of 96% and net promotor score of +36 both exceeded stretch targets.

*In the event of a fatality no award is made for the Safety KPI

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

Measure	Weighting	Details	Stretch target met	Commentary
Strategic KPIs – 20%				
CLT KPIs	20	▪ Eliwana and Iron Bridge (IB) committed capital and scheduling remains on target ▪ Achieve IB Board approved project funding solution, incorporating project debt facilities ▪ Finalise the strategy for the Pilbara Energy Connect (PEC) project for Board consideration ▪ Develop a strategy and business case for industrial autonomy for Board consideration ▪ Identify and progress international iron ore opportunities, including West Africa	Yes	▪ Both projects remain on schedule with funding solutions identified for Iron Bridge ▪ PEC approved and announced to the market in October 2019 ▪ Industrial autonomy strategy and business case developed with key initiatives ongoing ▪ A number of opportunities, including Simandou, identified and actioned.

FY20

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	Nominal Value of ESSIP Vested Rights		Nominal total ESSIP value	
								Share price at grant A$9.1892	Share price at vesting A$14.1462	Share price at grant A$9.1892	Share price at vesting A$14.1462
E Gaines	1,242,719	112.5	50	699,029	113,245	100	699,029	699,033	1,076,118	1,398,063	1,775,148
G Lilleyman	1,007,610	75	100	-	122,427	100	-	755,712	1,163,371	755,712	1,163,371
J Shuttleworth	671,740	75	100	-	81,618	100	-	503,808	775,581	503,808	775,581
I Wells	671,740	75	100	-	81,618	100	-	503,808	775,581	503,808	775,581

Remuneration values have been translated from Australian dollars to US dollars using an average exchange rate of 0.67174.

FY20

A$	TFR	Maximum ESSIP opportunity (% TFR)	Weighting in shares (%)[1]	Maximum ESSIP cash opportunity	Maximum ESSIP shares opportunity	ESSIP outcome %	Total ESSIP cash awarded	Nominal Value of ESSIP Vested Rights[2]		Nominal total ESSIP value	
								Share price at grant A$9.1892	Share price at vesting A$14.1462	Share price at grant A$9.1892	Share price at vesting A$14.1462
E Gaines	1,850,000	112.5	50	1,040,625	113,245	100	1,040,625	1,040,631	1,601,986	2,081,256	2,642,611
G Lilleyman	1,500,000	75	100	-	122,427	100	-	1,125,006	1,731,877	1,125,006	1,731,877
J Shuttleworth	1,000,000	75	100	-	81,618	100	-	750,004	1,154,585	750,004	1,154,585
I Wells	1,000,000	75	100	-	81,618	100	-	750,004	1,154,585	750,004	1,154,585

[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$9.1892).

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

c. FY18 LTIP performance outcomes

The FY18 LTIP was tested over the period from 1 July 2017 to 30 June 2020. Executives have achieved all performance measures as shown in the table below resulting in 100 per cent of share rights vesting.

Measure	Weighting %	Threshold	Result	Achieved %	Weighted Average %
TSR	33	60th percentile	100th percentile	150	49.5
AROE	33	15%	27.6 %	87.8	29.0
Key strategic measures	34	5 out of 15	10 out of 15	100	34.0
FY18 LTIP vesting outcome	100				112.5
Overall outcome capped at 100%					**100%**

Each LTIP performance measure has a minimum performance target 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. The overall cap for the LTIP is 100 per cent of the maximum number of share rights granted.

Performance against the agreed performance measures for the FY18 LTIP grant is shown in the table below.

The strategic measures under the FY18 LTIP were assessed against three annual tranches: being the FY18, FY19 and FY20 strategic measures. This approach provided the Company flexibility to respond to economic and industry challenges as they occurred to ensure strategic measures remained relevant to driving shareholder value.

The FY18 and FY19 measures have already been assessed and banked as set out in the FY19 Remuneration Report and summarised further below. For the FY20 tranche, the Board agreed to set the same measures as those set in FY19 as they were still relevant to Fortescue's strategic priorities. These were assessed over the FY20 period.

Performance measure and objective	Result	Proportion of award vested %	Comment
TSR (33%)			
In line with Fortescue's approach to setting stretch targets, the Board determined that a vesting schedule more aggressive than standard local and global market 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 ▪ Stretch at the 100th percentile, resulting in 150% of rights vesting.	100th percentile	150	In the period from 1 July 2017 to 30 June 2020, Fortescue achieved a TSR of 245% and a percentile ranking of 100%, achieving the stretch target for this measure.

Details of the FY18 LTIP comparator group and TSR ranking are show in the table:

ASX 100 Resource Index Constituent	TSR	Percentile Rank
Fortescue Metals Group Limited	**245%**	**100%**
Northern Star Resources Limited	186%	93%
Evolution Mining Limited	135%	87%
Rio Tinto Group	90%	80%
Santos Limited	89%	73%
BHP Group	83%	67%
OZ Minerals Limited	52%	60%
Newcrest Mining Limited	46%	53%
Alumina Limited	17%	47%
Iluka Resources Limited	11%	40%
BlueScope Steel Limited	1%3	3%
Ampol Limited	(2%)	27%
South32 Limited	(4%)	20%
Origin Energy Limited	(11%)	13%
Woodside Petroleum Ltd	(12%)	7%
Oil Search Limited	(43%)	0%

Performance measure and objective	Result	Proportion of award vested %	Comment
AROE (33%)			
The vesting criteria: ▪ Threshold was set at 15%, resulting in 25% of rights vesting ▪ Target was set at 30%, resulting in 100% of rights vesting ▪ 150% of rights will vest for greater than 30%.	27.6%	87.8	Fortescue's AROE performance over the three years ending 30 June 2020 exceeded the AROE minimum threshold performance target of 15% achieving an average AROE over the three year period of 27.6%.

Objective*	Result	Proportion of award vested	Comment
Strategic Measures* (Annual FY20 assessment) (34%)			
Iron ore growth ▪ Progress on iron ore strategy ▪ Increase long-term product flexibility with no net decrease in mine life ▪ Progress agreed long-term sales strategy	10 out of 15	The three year cumulative outcome for this measure is 100%	**Iron ore growth** Significant progress on the iron ore strategy has been made, including: ▪ Global high grade opportunities evaluated ▪ Early site works for Iron Bridge commenced and progressing to plan ▪ Eliwana engineering completed and OPF and rail construction in full progress ▪ 20 year mine life maintained ▪ Strong results produced from drilling at the Western and Solomon Hubs ▪ Long-term sales strategy is on target. Considerable progress has been made on Fortescue's diversification strategy, including:
Other growth ▪ Develop and execute strategies for exploration and drilling programs in new geographical locations ▪ Develop and execute strategic options for non-iron ore growth			**Other growth** Exploration and drilling ▪ Significant exploration and drilling carried out in South America, with operations suspended in March 2020 due to COVID-19 ▪ Copper and lithium projects continue to be identified and analysed ▪ Continued identification of both advanced and greenfield projects in South America and Kazakhstan Autonomy ▪ Fortescue Hive, Fortescue's expanded integrated operations centre, opened in 2020 ▪ Supervisory Control System (SCS) developed and integrated to autonomous light vehicles and being tested at Christmas Creek ▪ Significant progress made on mobile and fixed plant autonomy ▪ Advancing projects aimed at decarbonising operations.

* FY20 strategic measures are assessed on an overall basis at the discretion of the Board and subject to a score from 0 to 15.

FY18 LTIP - previously assessed and banked strategic measures

Banked performance against the FY18 and FY19 performance measures is set out below.
Further detail on performance against these measures is contained in the FY19 Remuneration Report.

Objective	Measures	Result
FY18		
Safety	▪ Improve Fortescue's relative position against the global safety culture benchmark	Achieved
Performance	▪ Improve Fortescue's relative position on the global cost curve with a target to have a C1 cost which is the lowest in the world ▪ Reduce all-in cash costs ▪ Maximise production capacity without significantly increasing capital expenditure budget	Achieved
Resource management	▪ Increase long-term resources quantity and value ▪ No net decrease in mine life ▪ Quantity, quality and diversity of tenements	Achieved
Growth	▪ Diversify customer base ▪ Strategic options for growth in iron ore and other commodities	Achieved
Balance sheet management	▪ Reduce gearing (Debt/Debt + Equity) to target levels ▪ Overall cost of financing ▪ Maintain cash on hand at Board approved levels ▪ Balance sheet flexibility	Achieved
Overall annual result		**100%**
FY19		
Iron ore growth	▪ Progress identified iron ore strategy ▪ Increase long-term product flexibility with no net decrease in mine life ▪ Progress agreed long-term sales strategy	Achieved
Other growth	▪ Develop and execute strategies for exploration and drilling programs in new geographical locations ▪ Develop and execute strategic options for non-iron ore growth	Achieved
Overall annual result		**100%**

d. Actual remuneration paid (non-IFRS)

The following tables show the nominal remuneration value realised by the individual and includes fixed remuneration, cash incentives and the nominal value of equity at the time the share rights vest or shares are awarded. As noted in section 1, this information is shown in both USD and AUD in this transitional year. Statutory remuneration is detailed in section 10.

US$

Name	Fixed remuneration[1]	FY20 ESSIP cash paid	Nominal value of FY20 ESSIP vested rights [2,3]	Nominal value of FY18 LTIP vested Rights[4,5]	Nominal total remuneration in FY20 (at grant) [6]	Nominal total remuneration earned in FY20 [7]
E Gaines	1,242,719	699,029	1,076,118	3,929,639	4,002,318	6,680,194
G Lilleyman	1,007,610	-	1,163,371	2,251,128	2,543,290	4,268,977
J Shuttleworth	671,740	-	775,581	1,253,342	1,609,804	2,615,405
I Wells	671,740	-	775,581	1,449,210	1,677,669	2,797,950

Remuneration values have been translated from Australian dollars to US dollars using an average exchange rate of 0.67174 with the exception of the FY18 LTIP which has been translated at 0.72077.

A$

Name	Fixed remuneration[1]	FY20 ESSIP cash paid	Nominal value of FY20 ESSIP vested rights[2,3]	Nominal value of FY18 LTIP vested Right[4,5]	Nominal total remuneration in FY20 (at grant) [6]	Nominal total remuneration in FY20 (at award) [7]
E Gaines	1,850,000	1,040,625	1,601,986	5,452,002	5,958,135	9,944,613
G Lilleyman	1,500,000	-	1,731,877	3,123,226	3,786,122	6,355,103
J Shuttleworth	1,000,000	-	1,154,585	1,738,893	2,396,469	3,893,478
I Wells	1,000,000	-	1,154,585	2,010,642	2,497,497	4,165,227

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

[2] FY20 ESSIP share rights granted at the beginning of the performance period at a Volume Weighted Average Price of Shares (VWAP) of A$9.1892.

[3] FY20 ESSIP vested rights awarded have a nominal value based on A$14.1462 being the five day VWAP at the beginning of FY21. The increase in share price over the respective performance period has resulted in an unrealised increase in equity value to the CLT in respect to this plan.

[4] FY18 LTIP share rights granted at the beginning of the performance period at a VWAP of A$5.2591.

[5] FY18 LTIP vested rights awarded have a nominal value based on A$14.1462 being the five day VWAP at the beginning of FY21. The increase in share price over the respective performance periods has resulted in an unrealised increase in equity value to the CLT in respect to these plans.

[6] Value based on FY20 ESSIP and FY18 LTIP share price at grant.

[7] Value based on the five day VWAP at award and incorporates share price growth over the relevant performance periods.

Incentive plan operation 6

a. ESSIP

The purpose of the ESSIP is to incentivise and reward key Fortescue Executives (including CLT) for achieving annual company and individual stretch performance objectives that drive shareholder value.

Below we have set out the key terms of the ESSIP for FY20:

Element	Description
Delivery	Prior to the start of the performance period, participants elect the portion of awards they wish to receive in rights with the remaining awards to be delivered as cash. The plan allows Executives to elect to receive up to 100% of awards in equity (a minimum of 50% must be elected to be received by way of share rights). 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 is calculated based on the Volume Weighted Average Price of Shares (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 award is higher, Executives will receive higher value per share right. ▪ If the share price at the time of award 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 FY20, the Board set a number of challenging targets in respect to operations, including product mix, direct customer sales, cost reduction and revenue across all operating and support functions: ▪ The operational measures were chosen as they represent the key drivers of financial performance (underlying EBITDA and NPAT) of the Company and provide a framework for delivering long-term shareholder value, irrespective of the iron ore price. ▪ 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 Fortescue's success. ▪ Strategic KPIs focus on critical objectives and are set at stretch levels of performance with measures and weightings aligned to the individual's ability to influence outcomes such as the delivery of a project and business expansion. The Board determined the relative weighting and mix of performance objectives for the CLT and Executives in order to deliver long-term sustainable shareholder value. The measures for the FY20 ESSIP are outlined in section 5.
Target setting	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. 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.

Element	Description
Board discretion	Awards under the ESSIP are 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 ▪ 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.

b. LTIP

The LTIP operates under the Performance Rights Plan Rules as approved by Shareholders at Fortescue's AGM on 15 November 2018.

The key terms of the LTIP for FY20 are set out below:

Element	Description
Change from FY19	From FY20, key strategic measures will be set in year one with overall performance tested against the measure at the end of year three in line with delivery of Fortescue's strategic priorities. Previously, annual performance outcomes were assessed and approved by the Board at the end of each financial year with approved outcomes banked each year for inclusion in the overall LTIP assessment at the end of the three year performance period. This means that the disclosure of the outcomes under the FY19 LTI grant next year will be the last year that we disclose the outcomes against this annualised format of targets.
Delivery in 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.
Performance period	3 years
Summary of performance objectives/measures	The LTIP is measured against three independent performance measures being; ▪ TSR performance relative to companies in the ASX 100 Resources Index ▪ AROE averaged over the three year performance period ▪ Key strategic measures fundamental to business sustainability, continuing development and growth and delivering shareholder value.

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.

Performance measures

TSR performance measure: 33% weighting

TSR is a measure of the performance of the Company's shares over a three year period against the ASX 100 Resources Index. It combines share price appreciation and dividends paid to show the total return to the shareholder expressed as a percentage. Relative TSR targets are valuable because Fortescue needs to outperform a peer group of participants to receive any reward and is therefore aligned to relative market performance.

The comparator group for the FY20 grant comprises the companies in the ASX100 Resources Index. The ASX 100 Resources Index has been chosen as the comparator group as a transparent market indicator which includes Fortescue's ASX Listed commodity market peers and represents the peer group that Fortescue competes with for investment.

AROE performance measure: 33% weighting

AROE has been used as a measure in Fortescue's LTIP for some time now and measures how effectively management is using Fortescue's assets to create profits.

Key strategic measures: 34% weighting

Key strategic measures are aimed at directing performance toward the achievement of Fortescue's long-term strategic objectives over and above annual short-term goals. The strategic objectives devised by the Board specifically relate to key milestones and objectives that are fundamental to Fortescue's sustainability, continuing development and growth and delivery of shareholder value.

Each LTIP performance measure has a minimum performance target 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.

While 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.

Vesting conditions

TSR performance measure

When formulating the vesting schedule for the TSR performance measure, the Board considered both local and international market practice. In line with Fortescue'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 the overall cap noted above) where Fortescue delivers market leading total shareholder return over the performance period.

The TSR vesting schedule is as follows:

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 overall cap.

Element	Description
	The Board acknowledges that a relative TSR target 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 target 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.

AROE performance measure

The AROE vesting schedule is as follows:

LTIP AROE target and vesting schedule

Performance	Average ROE %	Portion of tranche that vests
Below Threshold	<15	Nil
Threshold	15	25% of share rights vest
Target	30	100% of share rights vest
Stretch	>30	150% of share rights vest

Vesting between threshold and target 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 overall cap.

Vesting conditions

Key strategic measures

In line with Fortescue's key strategic priorities and associated key performance indicators, the strategic measures for the FY20 grant are set out below.

Measure	Objective
Iron Bridge	Iron Bridge Magnetite Project completed on time and on budget with an identified pathway to ramp up to 22mtpa
Eliwana	Eliwana Mine and Rail Project completed on time and on budget with an identified pathway to ramp up to 40mtpa
Energy	Compelling progress on the energy strategy and business case incorporating Fortescue's approach to emissions reduction including: - Renewables - Alternate energy sources
Diversification	Compelling progress on creating and delivering a pipeline of commodity diversification projects and exploration targets
Industrial autonomy	Compelling progress on delivering the Industrial Autonomy strategy

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% of share rights vest
Target	10	100% of share rights vest
Exceeded	15	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 overall cap.

Board discretion	The LTIP is subject to the Board's discretion.

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, for individuals who leave during the year (i.e. before 30 June) the ESSIP is pro-rated based on service during the period, and made at the usual payment date, around September, post release of audited and approved full year results.

Individuals who commenced during the year similarly 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 plan rules, on cessation participants may be entitled to retain a pro-rata portion of unvested performance rights, which may vest, subject to satisfaction of the applicable vesting conditions, in accordance with the original terms of their grant at the end of the vesting period.</td></tr>
<tr><td>Clawback Policy</td><td colspan="2">Fortescue operates a Clawback Policy, which applies to both the ESSIP and LTIP. Clawback may be initiated at the discretion of the Board, including where, in the opinion of the Board:

a) a Participant has engaged in fraud, dishonesty or gross misconduct, breached his or her obligations to the Group or there is a material misstatement of financial information;

b) an Award, which would not have otherwise vested, vests or may vest as a result of the fraud, dishonesty or breach of obligations of any other person; or

c) 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>

Executive contract terms 7

The CLT are employed on a rolling basis with no specified fixed term. The CLT are required to provide written notice of six months, as specified in their individual service agreement, to terminate their employment. Contractual termination benefits for the CLT comply with the limits set by the *Corporations Act 2001*.

The CLT are remunerated on a TFR basis inclusive of superannuation and allowances. The table below details the remuneration details for the CLT for FY20 in AUD:

			Maximum ESSIP opportunity		Maximum LTIP opportunity		
Position	**Executive**	**TFR[1] (A$)**	**% of TFR**	**A$**	**% of TFR**	**A$**	**Nominal value of total remuneration package at maximum opportunity A$**
CEO	E Gaines	1,850,000	112.5	2,081,250	150	2,775,000	**6,706,250**
COO	G Lilleyman	1,500,000	75	1,125,000	100	1,500,000	**4,125,000**
Deputy CEO	J Shuttleworth	1,000,000	75	750,000	100	1,000,000	**2,750,000**
CFO	I Wells	1,000,000	75	750,000	100	1,000,000	**2,750,000**

[1]Includes superannuation and allowances. TFR is reviewed annually by the RPC

Non-Executive Director remuneration 8

a. Non-Executive Director 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
- 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 AGM 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 with the exception being the Chairman, who has elected to forgo all Board fees. The payment of additional fees for serving on a Committee recognises the additional time commitment required by Non-Executive Directors who serve on a Committee. Non-Executive Director fees for FY20 were as follows:

Position	Fee A$ effective 1 January 2019
Board Chairman[1]	-
Deputy Chair and Lead Independent Director	688,350[2]
Deputy Chair	341,770
Non-Executive Director	200,200
Audit and Risk Management Committee (ARMC) Chair	57,200
ARMC Member	21,450
Remuneration and People Committee (RPC) Chair	57,200
RPC Member	21,450
Finance Committee Member	8,580
Nomination Committee Member	-

[1] The Chairman of the Board has elected to forego Directors fees and receives no form of remuneration.
[2] This fee has since been increased to reflect Mark Barnaba's role at Fortescue effective 18 December 2019 as outlined in section 8b.

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

b. Non-Executive Director fee increase in FY20

Non-Executive Director fees remain below the market median of the ASX 100 Resources Index total.

The last 12 months has witnessed an exponential growth in the philanthropic activities of the Minderoo Foundation across its eight global initiatives as well as its unprecedented responses to the 2019 bushfires and the global COVID-19 pandemic. While Dr Forrest's commitment to Fortescue is undiminished, his increased workload in leading the Minderoo Foundation together with this critical phase in Fortescue's development and growth has required the Deputy Chair and Lead Independent Director, Mark Barnaba, to significantly increase his workload and commitment to Fortescue.

Drawing on his significant experience and expertise, Mr Barnaba's additional time commitment is focused on working with the CLT on areas critical to Fortescue's growth strategy, including project development and finance, business development, autonomy and energy. As the sole Deputy Chair with effect from 1 April 2020, Mr Barnaba has also spent an increasing amount of time representing Fortescue's interests with institutional shareholders, customers, banks, industry bodies and government. In order to ensure he has the capacity to take on these additional responsibilities, Mr Barnaba has stepped back from a number of other external roles and commitments.

In light of this, the Board agreed to increase the fee for Mr Barnaba by A$333,333, bringing his total fee to A$1.1 million inclusive of Committee membership fees, as Chair of the ARMC and member of the RPC and the Finance Committee.

Despite the increase to the Deputy Chair's fee, total Non-Executive Director fees remain within the shareholder approved fee cap of A$3 million. In that regard, it should also be noted that Dr Forrest does not receive a fee for his role as Chairman.

c. Non-Executive Director Salary Sacrifice Rights Plan

Non-Executive Directors may choose to sacrifice a portion or all of their base fees, excluding Committee fees and Company superannuation contributions to be used to acquire vested rights to Fortescue shares under the Non-Executive Director Salary Sacrifice Share Rights Plan.

Shares, to the gross value of the amount salary sacrificed, are purchased on market twice a year following the announcement of Fortescue's half and full year results in February and August.

The VWAP purchased is used to determine the number of vested rights to be allocated to Non-Executive Directors.

Vested rights may be exercised at any time, up to 15 years from date of grant.

Shares will be held by the 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 Directors.

Remuneration governance 9

Fortescue believes that robust governance is critical to underpinning the effectiveness of the Remuneration Strategy.

a. The Remuneration and People Committee (RPC)

The RPC operates under a Board-approved Charter. The purpose of the RPC is to provide assistance and recommendations to the Board to ensure that it is able to fulfil its responsibilities.

The RPC in FY20 consisted solely of Non-Executive Directors. The Chief Executive Officer and others may be invited to attend all or part of meetings by the RPC Chair as required, but have no vote on matters before the RPC.

A copy of the RPC Charter is available under the Corporate Governance section on our website at **www.fmgl.com.au**

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 2020, 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

- Approving the remuneration of Non-Executive Directors and CEO
- Ensuring 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, CLT and Senior Executive remuneration
- Committee member appointments
- CLT recruitment and the Company's recruitment, ESSIP, LTIP, retention 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.

In August 2020, the board approved an increase to the minimum shareholding policy for the CEO and CLT, increasing their minimum shareholding requirement to 200 per cent of TFR. The policy applies to Directors and Executives to support a long-term focus and further strengthen alignment with shareholders. The minimum shareholding required is as follows:

- Non-executive directors: 100 per cent of base annual fees
- CEO: 200 per cent of total fixed remuneration
- Other CLT: 200 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' Minimum Shareholding Policy can be accessed from the Corporate Governance section on our website at **www.fmgl.com.au**

c. Board discretion

The Committee and the Board consider it critical that they are able to exercise full and appropriate discretion in order to ensure that remuneration outcomes for executives appropriately reflect the performance of individuals, the Group and meet the expectations of shareholders.

d. Securities Trading Policy

Fortescue's Securities Trading Policy provides guidance on how Company securities may be dealt with.

The Securities Trading Policy details acceptable and unacceptable periods for trading in Company Securities including detailing potential civil and criminal penalties for misuse of confidential information.

Fortescue's Securities Trading Policy provides guidance on acceptable transactions in dealing in the Company's various securities, including shares, debt notes and options.

The policy also sets out a specific governance approach for how the Chairman and Directors can deal in Company Securities. The Company's Securities Trading Policy can be accessed from the Corporate Governance section on our website at **www.fmgl.com.au.**

Statutory disclosures 10

a. KMP statutory remuneration

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 of ESSIP and LTIP performance rights was determined using an option pricing model as disclosed in note 18 of the Financial Report.

b. Executive remuneration

Statutory remuneration differs significantly from actual remuneration paid to executives due to the accounting treatment of share based payments. For details of remuneration actually paid to the Chief Executive Officer and executives in FY20 refer to section 5.

The tables below include statutory remuneration disclosures for FY20 and FY19.

For this year only, we have provided disclosures in USD and AUD.

US$		Short-term employee benefits			Post employment benefits		Share-based payments		Total statutory remuneration
		Cash salary and fees	ESSIP cash value for FY20 plan year	Non-monetary benefits	Superannuation	Other payment	ESSIP share value	LTIP share value	Total
Executive Director									
E Gaines	FY20	1,225,926	699,029	3,029	16,794	-	660,994	1,500,927	4,106,699
	FY19	1,179,948	641,436	3,055	17,878	-	681,697	1,054,366	3,578,380
Other CLT									
G Lilleyman	FY20	990,817	-	-	16,794	-	714,594	845,953	2,568,158
	FY19	947,534	-	-	17,878	-	737,105	606,804	2,309,321
J Shuttleworth	FY20	657,625	-	-	14,115	-	476,392	551,847	1,699,979
	FY19	593,169	86,801	-	14,683	-	393,799	502,356	1,590,808
I Wells	FY20	657,625	-	3,029	14,115	-	476,392	556,230	1,707,391
	FY19	637,864	-	3,055	14,683	-	491,191	516,780	1,663,573

Remuneration values have been translated from Australian dollars to US dollars using an average exchange rate of 0.71512 for FY19 and 0.67174 for FY20.

A$		Short-term employee benefits			Post employment benefits		Share-based payments		Total statutory remuneration
		Cash salary and fees	ESSIP cash value for FY20 plan year	Non-monetary benefits	Superannuation	Other payment	ESSIP share value	LTIP share value	Total
Executive Director									
E Gaines	FY20	1,825,000	1,040,625	4,509	25,000	-	984,003	2,234,387	6,113,524
	FY19	1,650,000	896,963	4,272	25,000	-	953,262	1,474,391	5,003,888
Other CLT									
G Lilleyman	FY20	1,475,000	-	-	25,000	-	1,063,795	1,259,346	3,823,141
	FY19	1,325,000	-	-	25,000	-	1,030,743	848,535	3,229,278
J Shuttleworth	FY20	978,988	-	-	21,012	-	709,191	821,519	2,530,710
	FY19	829,468	121,380	-	20,532	-	550,676	702,478	2,224,534
I Wells	FY20	978,988	-	4,509	21,012	-	709,191	828,044	2,541,744
	FY19	891,968	-	4,272	20,532	-	686,865	722,648	2,326,285

c. Non-Executive Director remuneration

The remuneration of NEDs for the year ended 30 June 2020 and 30 June 2019 is detailed below.

US$		Base fees	Committee fees	Other benefits	Superannuation	Total
Dr A Forrest AO	FY20	-	-	-	-	**-**
	FY19	-	-	-	-	**-**
M Barnaba AM	FY20	598,777	21,721	-	16,794	**637,292**
	FY19	421,143	46,189	-	17,878	**485,210**
S Warburton[1]	FY20	161,651	33,371	-	12,595	**207,617**
	FY19	203,571	49,939	-	17,878	**271,388**
Dr J Baderschneider	FY20	134,482	5,341	-	-	**139,823**
	FY19	126,648	-	-	-	**126,648**
P Bingham-Hall	FY20	121,703	23,090	-	15,203	**159,996**
	FY19	114,614	17,192	-	13,840	**145,646**
Lord S Coe CH, KBE	FY20	134,482	-	-	-	**134,482**
	FY19	126,648	-	-	-	**126,648**
Dr C Zhiqiang	FY20	134,482	-	-	-	**134,482**
	FY19	126,648	-	-	-	**126,648**
J Morris OAM	FY20	122,038	34,136	-	15,942	**172,116**
	FY19	114,614	24,560	-	14,613	**153,787**
Dr Y Zhang	FY20	112,068	-	-	-	**112,068**
	FY19	-	-	-	-	**-**

Remuneration values have been translated from Australian dollars to US dollars using an average exchange rate of 0.71512 for FY19 and 0.67174 for FY20.

c. Non-Executive Director remuneration continued

A$		Base fees	Committee fees	Other benefits	Superannuation	Total
Dr A Forrest AO	FY20	-	-	-	-	**-**
	FY19	-	-	-	-	**-**
M Barnaba AM	FY20	891,382	32,336	-	25,000	**948,718**
	FY19	588,912	64,589	-	25,000	**678,501**
S Warburton [1]	FY20	240,645	49,679	-	18,750	**309,074**
	FY19	284,667	69,833	-	25,000	**379,500**
Dr J Baderschneider	FY20	200,200	7,951	-	-	**208,151**
	FY19	177,100	-	-	-	**177,100**
P Bingham-Hall	FY20	181,176	34,373	-	22,632	**238,181**
	FY19	160,272	24,041	-	19,353	**203,666**
Lord S Coe CH, KBE	FY20	200,200	-	-	-	**200,200**
	FY19	177,100	-	-	-	**177,100**
Dr C Zhiqiang	FY20	200,200	-	-	-	**200,200**
	FY19	177,100	-	-		**177,100**
J Morris OAM	FY20	181,675	50,817	-	23,733	**256,225**
	FY19	160,272	34,344	-	20,435	**215,051**
Dr Y Zhang	FY20	166,833	-	-	-	**166,833**
	FY19	-	-	-	-	**-**

[1] Sharon Warburton resigned 31 March 2020.

d. Details of performance grants to Executive Directors

Details of performance rights granted in FY20 in accordance with the Performance Rights Plan are shown in the table below.

E Gaines	Share rights granted in FY20
ESSIP Share Rights	113,245
LTIP Share Rights	301,985
Total	**415,230**

The issue of share rights to participants will not have a diluting effect on the percentage interest of shareholders holdings if the share rights vest into shares acquired on market.

e. Details of share based payments relating to LTIP

The following table provides details of the number of share rights granted under the LTIP during the financial years ended 30 June 2018 to 30 June 2020. The value of the rights has been determined using the amount of the grant date fair value.

Name	LTIP	Grant date	Performance period	No. share rights granted	Value per share right granted[1]		Value of rights granted at grant date		% Performance achieved	Vested	Forfeited / lapsed
					US$	A$	US$	A$			
	FY18	08/11/2017	1/7/17 to 30/6/20	209,637	3.17	4.15	664,549	869,994	100	209,637	-
	FY18	27/12/2017	1/7/17 to 30/6/20	175,767	3.22	4.17	565,970	732,948	100	175,767	-
E Gaines	FY19	03/12/2018	1/7/18 to 30/6/21	517,480	2.61	3.57	1,350,623	1,847,404		Determined in 2021	
	FY19	10/06/2019	1/7/18 to 30/6/21	100,621	5.54	7.91	557,440	795,912		Determined in 2021	
	FY20	18/11/2019	1/7/19 to 30/6/22	301,985	5.13	7.55	1,549,183	2,279,987		Determined in 2022	
	FY18	06/09/2017	1/7/17 to 30/6/20	190,147	3.98	4.98	756,785	946,932	100	190,147	-
	FY18	27/12/2017	1/7/17 to 30/6/20	30,635	3.22	4.17	98,645	127,748	100	30,635	-
G Lilleyman	FY19	03/12/2018	1/7/18 to 30/6/21	275,989	2.61	3.57	720,331	985,281		Determined in 2021	
	FY19	10/06/2019	1/7/18 to 30/6/21	57,498	5.54	7.91	318,539	454,809		Determined in 2021	
	FY20	18/11/2019	1/7/19 to 30/6/22	163,236	5.13	7.55	837,401	1,232,432		Determined in 2022	
	FY18	06/09/2017	1/7/17 to 30/6/20	72,019	3.98	4.98	286,636	358,655	100	72,019	-
	FY18	27/12/2017	1/7/17 to 30/6/20	50,904	3.22	4.17	163,911	212,270	100	50,904	-
J Shuttleworth	FY19	03/12/2018	1/7/18 to 30/6/21	160,994	2.61	3.57	420,194	574,749		Determined in 2021	
	FY19	10/06/2019	1/7/18 to 30/6/21	57,498	5.54	7.91	318,539	454,809		Determined in 2021	
	FY20	18/11/2019	1/7/19 to 30/6/22	108,824	5.13	7.55	558,267	821,621		Determined in 2022	
	FY18	06/09/2017	1/7/17 to 30/6/20	81,068	3.98	4.98	322,651	403,719	100	81,068	-
	FY18	27/12/2017	1/7/17 to 30/6/20	61,065	3.22	4.17	196,629	254,641	100	61,065	-
I Wells	FY19	03/12/2018	1/7/18 to 30/6/21	189,743	2.61	3.57	495,229	677,383		Determined in 2021	
	FY19	10/06/2019	1/7/18 to 30/6/21	33,540	5.54	7.91	185,812	265,301		Determined in 2021	
	FY20	18/11/2019	1/7/19 to 30/6/22	108,824	5.13	7.55	558,267	821,621		Determined in 2022	

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.

f. KMP Share Rights

Share rights granted under the ESSIP at the beginning of FY20, granted at the face value share price at the commencement of the performance year, and under the LTIP at the beginning of FY18 which vested in FY20 are shown below. The ultimate value of these share rights to the executives will reflect either an improvement or decline in the Company's share price over the performance period. The adoption of this approach is specifically to ensure that awards made to executives have a value which reflects sustainable value of shareholder's investment in the Company. The last column details the actual number of share rights that vested on actual performance.

Executive	Share rights granted	Share rights lapsed[1]	Share rights forfeited	Share rights vested
E Gaines				
FY20 ESSIP	113,245	-	-	113,245
FY18 LTIP	385,404	-	-	385,404
G Lilleyman				
FY20 ESSIP	122,427	-	-	122,247
FY18 LTIP	220,782	-	-	220,782
J Shuttleworth				
FY20 ESSIP	81,618	-	-	81,618
FY18 LTIP	122,923	-	-	122,923
I Wells				
FY20 ESSIP	81,618	-	-	81,618
FY18 LTIP	142,133	-	-	142,133

[1] Unvested share rights lapse

Non-Executive Directors do not participate in Fortescue's incentive plans and do not hold unvested share rights. The movement during the reporting period in the number of options and share rights over ordinary shares in the Company held directly, indirectly or beneficially, by each of the CLT, including their related parties is as follows:

FY20	Balance at the start of the year	Granted[1]	Exercised / converted[2]	Forfeited / lapsed[2]	Balance at the end of the year	Vested	Unvested	Not exercisable
Executive Directors of Fortescue								
E Gaines	1,220,200	415,230	(206,294)	(10,401)	1,418,735	-	1,418,735	1,418,735
Other Key Management Personnel of Fortescue								
G Lilleyman	787,135	285,663	(221,688)	(11,178)	839,932	-	839,932	839,932
J Shuttleworth	559,470	190,442	(212,425)	(5,630)	531,857	-	531,857	531,857
I Wells	632,455	190,442	(259,484)	(7,555)	555,858	-	555,858	555,858

[1] Performance Rights 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 FY19 ESSIP and FY17 LTIP.

g. KMP shareholdings

The numbers of shares in the Company held during the financial year by each Director and CLT, including their related parties, are set out below:

2020	Held at 1 July 2019	Received on conversion of rights	Issued	Purchases	Sales	Transfers	Other[1]	Held at 30 June 2020
Non-executive Directors of Fortescue								
Dr A Forrest AO	1,090,052,947	-	-	26,112,053	-	-	-	1,116,165,000
M Barnaba AM	20,000	-	-	20,300	-	-	-	40,300
S Warburton[1]	50,750	-	-	-	-	-	(50,750)	-
Dr J Baderschneider	138,000	-	-	-	-	-	-	138,000
P Bingham-Hall	40,936	-	-	4,479	-	-	-	45,415
Lord S Coe CH, KBE	-	-	-	-	-	-	-	-
J Morris OAM	11,519	-	-	1,261	-	-	-	12,780
Dr C Zhiqiang	-	-	-	-	-	-	-	-
Dr Ya-Qin Zhang	-	-	-	-	-	-	-	-
Executive Directors of Fortescue								
E Gaines	389,375	206,294	-	-	-	-	-	595,669
Other Key Management Personnel of Fortescue								
G Lilleyman	203,016	221,688	-	-	-	-	-	424,704
J Shuttleworth	397,867	212,425	-	-	-	-	-	610,292
I Wells	303,492	259,484	-	-	-	-	-	562,976

[1]Sharon Warburton resigned 31 March 2020.

09

Corporate Directory

Top 20 holders of ordinary shares

at 31 July 2020

Rank	Name	Shares number	% of issued capital
1	Minderoo Group Pty Ltd	918,806,548	29.84
2	HSBC Custody Nominees (Australia) Limited	729,984,421	23.71
3	J P Morgan Nominees Australia Pty Limited	300,102,364	9.75
4	Valin Investments (Singapore) Pte Ltd	228,007,497	7.41
5	Citicorp Nominees Pty Limited	155,867,760	5.06
6	Emichrome Pty Ltd	93,045,000	3.02
7	Valin Resources Investments (Singapore) Pte Ltd	76,426,216	2.48
8	AMNL Financing Pty Ltd	71,365,581	2.32
9	National Nominees Limited	36,909,329	1.20
10	AMNL Financing Pty Ltd	30,365,261	0.99
11	BNP Paribas Nominees Pty Ltd	28,205,701	0.92
12	BNP Paribas Noms Pty Ltd	21,217,275	0.69
13	Citicorp Nominees Pty Limited	14,583,449	0.47
14	Citicorp Nominees Pty Limited	9,261,571	0.30
15	Mr William Graeme Rowley	8,244,951	0.27
16	Pacific Custodians Pty Limited	7,916,941	0.26
17	HSBC Custody Nominees (Australia) Limited-Gsco Eca	6,466,799	0.21
18	HSBC Custody Nominees (Australia) Limited	6,437,112	0.21
19	Pacific Custodians Pty Limited	5,970,007	0.19
20	Peter & Lyndy White Foundation Pty Ltd	5,890,083	0.19
		2,755,073,866	**89.48**

Substantial holders

Rank	Name	Shares number	% of issued capital
1	Minderoo Group Pty Ltd, Forrest Family Investments Pty Ltd and John Andrew Henry Forrest	1,116,165,000	36.25
2	Hunan Valin Iron and Steel Group Company	307,945,477	10.00

Range	Shareholders number
1 to 1,000	36,482
1,001 to 5,000	24,125
5,001 to 10,000	5,541
10,001 to 100,000	4,031
100,001 and Over	262
Total	**1,420**

Unmarketable parcels

There were 1,883 members holding less than a marketable parcel of shares in the Company.

Glossary

Australian Accounting Standards
Australian Accounting Standards are developed, issued and maintained by the Australian Accounting Standards Board, an Australian Government agency under the *Australian Securities and Investments Commission Act 2001*.

ASX
Australian Securities Exchange.

ASX 100 Resource Index
A capitalisation-weighted index which measures the performance of the resources sector of the ASX 100. The index is calculated on an end of day basis.

Beneficiation
Beneficiation is a process whereby ore is pulverised into fine particles and the higher grade material is separated, often magnetically, from the gangue (waste).

bt
Billion tonnes.

C1 Cost
Operating costs of mining, processing, rail and port on a per tonne basis, including allocation of direct administration charges and production overheads.

CFR
A delivery term that indicates that the shipment price includes the cost of goods, freight costs and marine costs associated with a particular delivery.

Chichester Hub
Fortescue's mining hub with two operating iron ore mines, Cloudbreak and Christmas Creek.

CID
Channel Iron Deposit.

CO_2e
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.

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.

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, as the case may be, each prepared by the Joint Ore Reserves Committee of the Australian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Mineral Council of Australia, as amended or supplemented from time to time.

Key Management Personnel
Key Management Personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

Kings CID Fines
Fortescue's stand-alone product produced from Channel Iron Deposit Ore from its Kings mine in the Solomon Hub, with an iron content of 57.3% Fe.

LOM
Life of Mine, being the number of years over which available reserves will be extracted.

Magnetite
An iron ore compound that is typically a lower grade ore than Hematite iron ore because of a lower iron content.

Magnetite ore requires significant beneficiation to form a saleable concentrate. After beneficiation, Magnetite ore can be pelletised for direct use as a high-grade raw material for steel production.

Measured Mineral Resource
A 'Measured Mineral Resource' is that part of a Mineral Resource for which quantity, grade (or quality) densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, and is sufficient to confirm geological and grade (or quality) continuity between points of observation where data and samples are gathered. A Measured Mineral Resource has a higher level of confidence than that applying to either an Indicated Mineral Resource or an Inferred Mineral Resource. It may be converted to a Proved Reserve or under certain circumstances to a Probable Ore Reserve.

mt
Million tonnes.

mtpa
Million tonnes per annum.

Net gearing
(Debt - cash) / (debt - cash + equity).

NPAT
Net profit after tax.

OPF
Ore Processing Facility.

Pilbara
The Pilbara region in the north west of Western Australia.

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 sub-divided 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 two operating iron ore mines, Firetail, Kings and Queens.

Super Special Fines
Fortescue's iron ore product from the Chichester Hub, with an iron content of 56.4% Fe.

TRIFR
Total Recordable Injury Frequency Rate per million hours worked, comprising lost time injuries, restricted work and medical treatments.

Total global economic contribution
Payments that contribute to the global economy including payments to suppliers, employees (salaries and wages), governments (taxes and royalties), shareholders and investors (dividends and debt repayments).

Underlying EBITDA
Underlying EBITDA is defined as earnings before interest, tax, depreciation and amortisation, exploration, development and other expenses.

Underlying EBITDA margin
Underlying EBITDA / Operating sales revenue.

Underlying Net Profit After Tax
Net profit after tax (NPAT) adjusted for the after tax impact of one-off refinancing and early debt repayment costs.

VTEC
Vocational Training and Employment Centre.

Western Hub
The Western Hub includes the Eliwana mine.

wmt
Wet metric tonne.

Awards

Winners

Chamber of Minerals and Energy (WA) Women in Resources Awards

- Women in Resources Champion
  (CEO, Elizabeth Gaines)
- People's Choice Award
  (Superintendent Fixed Plant Planning, Briohny Evans)

AIM WA Pinnacle Awards

- Workplace Diversity Excellence Award

Australian Resources and Energy Group (AMMA)

- Diversity and Inclusion Award
  (VTEC)
- Workforce and Workplace Innovation Award
  (Rapid Trades Upskilling Program)

Chief Executive Women

- Executive Development Program Scholarship
  (General Manager, Ecuador and Colombia, Alexa Morcombe)

Finalists

Fortune Magazine

- Rank 2 – Businessperson of the Year 2019 List (CEO, Elizabeth Gaines)

Chamber of Minerals and Energy (WA) Women in Resources Award

- Outstanding Operator/Technician/Trade Women
  (Superintendent Fixed Plant Planning, Briohny Evans).

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Securities Exchange listings

Fortescue Metals Group Limited shares are listed on the Australian Securities Exchange (ASX)
ASX Code: FMG

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