



December 2023 Quarterly Production Report

Investor and Analyst Call Transcript

25 January 2024

provided by Open Briefing

TRANSCRIPTION

Company: Fortescue
Date: 25 January 2024
Time: 8:30AM AWST

[START OF TRANSCRIPT]

Operator: Thank you for standing by and welcome to the Fortescue December 2023 Quarterly Production Report Briefing. All participants are in a listen only mode. There will be a presentation followed by a question and answer session. If you wish to ask a question, you will need to press the star key followed by the number 1 on your telephone keypad.

I would now like to hand the conference over to Mr Dino Otranto, Fortescue Metals CEO, please go ahead.

Dino Otranto: Thank you for joining us today for Fortescue's quarterly results, and welcome to 2024. We're so inspired for the year ahead, we're planning for it to be another really exciting one for Fortescue. Also, on the line joining us from Fortescue's operations in Oxford, UK, is Mark Hutchinson, Fortescue's Energy CEO, and Shelley Robertson, who recently joined us as Chief Corporate Officer. Shelley will help us take forward our One Fortescue strategy.

As we've flagged for two years now, Fortescue is transforming into a global green technology, energy and metals Company, and Shelley brings a wealth of experience to help us achieve our goal. I will ask Shelley to briefly introduce herself shortly.

Also joining us today from Perth is Apple Paget, Acting Fortescue CFO, and our Head of Marketing, Vivienne Tieu.

On that note, over to you Shelley to say a few words.

Shelley Robertson: Thanks, Dino. It has been such a pleasure to join Fortescue. Since joining in October, I've visited a number of our sites in the Pilbara, and some of our centres around the world, including Dubai, Nairobi and the UK. I've been so impressed by the strong culture and values demonstrated by the team and the commitment to achieving our vision.

It's great to be with you all today and I look forward to working with you all over the many results calls ahead of us in 2024.

Dino Otranto: Thanks, Shelley. Turning to the results. Fortescue's focus on operating excellence continues to drive strong performance across our key metrics of safety, volume and cost, with another strong quarter. Our Total Recordable Injury Frequency Rate for Metals was maintained at 1.8, demonstrating our strong commitment in looking out for our mates.

On that note, on behalf of Fortescue, I want to acknowledge the tragic plane crash involving our colleagues at Rio Tinto. We extend our deepest sympathy and thoughts to the families, friends and loved ones of those impacted. I also acknowledge that today marks five years since the tragic accident at the Brumadinho Dam in Brazil, where the industry's response to the incident reinforced its commitment to tailings management and safety more broadly.

Moving to iron ore shipments which totalled 48.7 million tonnes to the quarter, contributing to 94.6 million tonnes for the half. The second highest first half shipments in Fortescue's history. As you read in the release, we've recently had a derailment occur 150 kilometres south of Port Hedland involving empty rail cars. Most importantly there were no injuries, and rail operations resumed four days following the derailment, fantastic achievement by the team.

A recovery plan has been implemented to optimise rail inload and shipments, with a focus on supply chain improvements, reduced rail cycle times, and product mix optimisation. We remain confident in meeting our full year shipments guidance.

An update on Iron Bridge, where commissioning activities are progressing well. We've started commissioning Dry Circuit B, the second of the two dry circuits. In December, the first major shutdown of the plant was successfully completed, and the team is continuing to learn every day. We received a second shipment during the quarter, and there have been three further shipments this month.

While performance of the Canning Basin Raw Water Pipeline improved relative to the prior quarter, further leaks were detected during Q2, which has impacted production. To that end, work is well advanced to evaluate options to de-risk and improve the performance of the high pressure section of the Raw Water Pipeline, where the leaks have occurred. This is a 65 kilometre section that will either be repaired or replaced.

It is anticipated that replacing this section will not materially impact Iron Bridge's ramp up, as a new pipeline would be installed adjacent to the existing pipeline and then tied in during our normal shutdown activities. Installation would take less than 18 months, and we expect it would require investment from Fortescue of approximately US\$100 million.

As a result of the Raw Water Pipeline performance, today we've updated our FY24 guidance, and we are now expecting Iron Bridge shipments of 2 to 4 million tonnes. There is huge customer interest in the Iron Bridge product and we remain absolutely focused on the safe and efficient ramp up to capacity.

On the Belinga Iron Ore Project in Gabon, we achieved our first shipment during the quarter, marking the first time Fortescue has exported iron ore from a port outside of Australia. The early stage mine development continues to progress well, and is providing important insights that will help ensure we set this project up for future success. A major exploration and drilling campaign at Belinga continued to ramp up during the quarter, with over 9,000 metres of RC drilling, and nearly 3,000 metres of diamond core drilled to date.

On exploration more broadly, we are committed to pursuing opportunities globally with capital expenditure for exploration and studies totalling US\$66 million during the quarter. Iron ore exploration in the Pilbara included programs at Mindy South and Wyloo North, meanwhile we continued to conduct exploration activities globally in South America, including Argentina, Brazil and Chile.

I'll now hand over to Hutch, to talk a bit more about our exciting decarb and green energy journey. Hutch, over to you.

Mark Hutchinson: Thanks so much, Dino, and good morning everybody. Actually, a very early morning from here in the UK, which now is our second largest base outside of the Pilbara, with more than 1,000 Fortescue employees. I'm going to kick off on decarbonisation first and then move onto an energy overview.

We have really entered 2024 proving that we are a Company that does not just talk, we actually do. Just to remind everybody, we're removing 700 million litres of diesel a year from our iron ore operations by 2030, to achieve our Real Zero target. Our entire Company is dedicated to this mission and our progress last quarter was quite extraordinary.

From announcing three of the world's first green hydrogen and green steel projects to FID, sailing of the Green Pioneer into COP28, and getting more zero emission equipment operational on site, we have hit our targets, and we are just getting started. We are really here to prove it's possible, and that we can create a profit in the meantime.

We have estimated that we would need around two to three gigawatts of renewable energy and battery storage to decarbonise our iron ore operations in the Pilbara. So, at the conclusion of the last quarter, through our Pilbara Energy Connect project, we have now constructed 320 kilometres of transmission lines to connect Solomon to Iron Bridge, all the way through to Port Hedland.

This will mean we can run these sites on renewable energy as we continue to build it. We are on track to commission a 100 megawatt solar farm near our Iron Bridge operation by mid this year, and during the quarter

we deployed Australia's first operational electric excavator at our Cloudbreak operations – the first of what will be many and allow us to remove 95 million litres of diesel a year.

Together with Liebherr, we have also converted a R 9400 excavator from a diesel engine to an electric powertrain. This has been commissioned at our Christmas Creek mine site.

Now as mentioned I'm speaking today from the UK, where I'm spending time with the Fortescue's Technical Innovation Centre here in Kidlington. Technology development is a major focus for us, not only does it underpin our own decarbonisation journey, but it also presents a real growth opportunity from a commercial perspective.

Our battery technology work for Formula E, which is really exciting, is world leading. Our digital software business called Fortescue Battery Intelligence is selling highly sought after technology, and green technology development is really in our DNA now.

An example is Fortescue's Booster Charger, which is a in-race fast charger which will be used like a Formula One "pit stop". In a mere 30 seconds, the Booster Charger will deliver 4kWh of power, which is five times faster than a standard electric car charger.

We're finding that these products are in demand all over the world, so we're going to expand our capability to build these products ourselves. We will soon open our purpose-built Banbury manufacturing facility here in the UK, and this week we announced support from the Michigan Economic Development Corporation for our Advanced Manufacturing Centre in the United States. We first announced this in APEC last October, very exciting.

After having spent the last week at the World Economic Forum in Davos, with top representatives from the corporate world, I can tell you that Fortescue was in very high demand. We are now recognised as a serious global leader in the green energy, tech and metals arena, and as a leading green energy and tech light for Australia on the global stage.

There was real recognition that the world must move faster away from fossil fuels to back in the decisions made in COP28, which was encouraging. It is clearer than ever that the decision makers across the private and political spectrum are united and collaborating on the need to address global warming.

In a major signal to the world, Fortescue sailed our green ammonia capable ship, the Green Pioneer, into Dubai for COP28. We are proving to the world that it's possible to change, and particularly in the shipping area. We had thousands of people visiting the ship during COP, from Secretary John Kerry, to the President of Namibia. We are one of the world's largest contributors to shipping pollution, and now we are leading the revolution to turn the shipping industry green.

We also had a huge end to 2023, announcing FIDs for our green hydrogen projects in Phoenix and in Gladstone, and for our green iron project at Christmas Creek. We're also fast-tracking projects in Kenya, Brazil and Norway, with work continuing on each of these at pace during this year. During the last quarter, our Holmaneset project in Norway was actually awarded a €200 million grant through the European Union Innovation Fund, which just shows you the enormous support for what we're doing.

We're also working with State and federal governments in Australia on our Gibson Island project in Queensland. We do have some work to do on this project to make it economic, but we're working very hard. What is really important, is our intent that these projects as we go forward have the same financial discipline that Fortescue has shown for 20 years.

We have a strong pipeline of projects to come in 2024, and among the first to be trialling the green haul trucks and green trains on our sites, as well as testing the green ammonia capable dual-fuel ship and automating the production line of electrolyzers in Gladstone.

With that note, I'd like to hand over to Apple who will talk a bit more about our financials. Apple.

Apple Paget: Thanks, Hutch, and a big hello to everyone. The team has once again delivered a really strong operating result and it's a pleasure to present some of the financial details. Starting on revenue, the Pilbara Hematite average revenue was US\$116 per tonne, representing a realisation of 91 per cent of the average Platts 62% Index. This is the highest realisation in the past three years and represents the sixth consecutive quarter where Fortescue's portfolio has achieved a realisation of 85 per cent or higher.

As you heard, we had our second shipment of Iron Bridge Concentrate, which achieved a revenue of US\$144 per tonne, or 104 per cent of the Platts 65% Index in the quotational period.

Our customers have been focused on value, and there remains strong demand for our portfolio of products. We have continued to see measures announced in China aimed at supporting activity, particularly in the property sector.

Steel consumption has proved resilient with growth across infrastructure, manufacturing and other end markets, offsetting weakness in the residential property segment. We expect that stable economic growth in China will remain a priority in the year ahead.

Now moving to costs, our Pilbara Hematite C1 was US\$17.62 per tonne, down two per cent on the prior quarter and three per cent higher than Q2 FY23. Our FY24 C1 guidance is unchanged at a range of US\$18.00 to US\$19.00 per tonne, and that's at the guided exchange rate of A\$0.68.

On Iron Bridge, you've heard the update from Dino, and that means we will now anticipate Fortescue's share of operating costs before royalties and shipping will be reduced, now in the range of US\$200 million to US\$400 million in FY24, as mining activity and expenditure is optimised for compliant availability.

Turning now to cashflows and balance sheet. Cash on hand increased to US\$4.7 billion at 31 December, and that's after capital expenditure and investments of US\$759 million in the quarter, and I will call out a modest working capital increase, reflecting price movements.

Capex and investments in the half were US\$1.5 billion and there is some phasing of spend to the second half, with our guidance for the full year unchanged, being US\$2.8 billion to US\$3.2 billion for Metals, and US\$500 million in the Energy segment. The balance sheet is in great shape. Gross debt at 31 December was unchanged at US\$5.3 billion, meaning net debt declined to US\$0.6 billion.

Our strong operating performance, robust balance sheet and disciplined capital allocation means we are well positioned to fund future growth and deliver returns to our shareholders. I really look forward to updating you all with some more detail at our half year financial results in a couple of weeks. On that note, we'll now move to the Q&A part of the call. Back to you Darcy, our operator.

Operator: Thank you. If you wish to ask a question, please press star 1 in your telephone and wait for your name to be announced. If you wish to cancel your request, please press star 2. If you're on a speaker phone, please pick up the handset to ask your question. In the interests of time, we ask that you please limit to two questions per person. If you would like to ask further questions, you may rejoin the queue by pressing star 1 again.

Your first question comes from James Redfern from Bank of America, please go ahead.

James Redfern: (Bank of America) Hi Dino and Mark and team. Thank you. The first question is for Mark. So last year, as you know we were expecting five green energy project FIDs before the end of the year, which didn't quite eventuate. So, I think the remaining FIDs within Fortescue Energy that we were looking for is the projects in Brazil, Norway and Kenya. So, just wondering if you could please discuss the reasons for the delay in those FIDs and is Fortescue progressing more slowly due to concerns around expected return on these projects or costs or access to funding? Thank you, and I've got one more after that.

Mark Hutchinson: Thanks so much, James. We always set stretch targets, and we push very hard to get what's really some of the first projects in the world in this space. But we have to make sure that we have the right financial discipline, and I think we're showing that in the way we've approached these projects. We've got three through FID, we're working very hard on, as you mentioned, in Kenya and Norway and Brazil, and Gibson Island, just to keep working and making sure they're in the right space, we're not slowing down at all.

These projects are progressing, and we'll provide more detail hopefully in the coming months as we get closer to making sure that they meet the right criteria that we have as a Company.

James Redfern: (Bank of America) Thanks, Mark. The second question is for Dino, so we have seen a few production downgrades for guidance at Iron Bridge for various reasons in the past six months. You said that the replacement of the Raw Water Pipeline won't impact the 24 month ramp up timeline. Are there any other operational issues at Iron Bridge that you might be concerned about in addition to the Raw Water Pipeline, that might impact the ramp up?

Dino Otranto: Good question, James. We have been dealing with the pipeline issue. The way that the plant's designed, you need water to run, so when you have a pipeline leak you turn the whole plant off. But the really encouraging sign is, we're looking for a couple of things in the process plant, one being the technical parameters of the product are met, we ticked that and then secondary is that the entire kit comes together and we get the availability.

The indication so far is nearly all parts of the plant are running really, really well, hence today's call to bite the bullet on the pipeline and go for replacing the front end of it.

Operator: Thank you, your next question comes from George Eadie from UBS, please go ahead.

George Eadie: (UBS) G'day guys, it's George Eadie here, just first question quickly on the electric excavator at Cloudbreak. Just how is it going in terms of availability and production rates? Maybe just a reminder of the next electric equipment rollout onsite. I'll come back with a second.

Christiaan Heyning: Morning, Christiaan here, Director of Decarbonisation. The rollout is going very well. The remaining excavators will be rolled out in the remainder of this calendar year and then followed by a further rollout of electrical equipment when it comes in.

George Eadie: (UBS) In terms of availability and production rates, is it similar to other gear?

Christiaan Heyning: Yes.

George Eadie: (UBS) Okay, awesome. Then the second one, just on working caps, you guys mentioned before a modest working cap build, can we get a bit more colour on this as there's nothing in the quarterly report on it? Thanks.

Apple Paget: Yes, Apple Paget here. The working capital predominantly relates to increases in receivables reflecting the price movement based on the rising price environment.

Operator: Thank you. Your next question comes from Chris Drew from Jefferies. Please go ahead.

Chris Drew: (Jefferies) Morning guys, thanks for the call and good on you Mark for getting up nice and early over there. I just wanted to drill a little bit more into the water supply issue and the fact, like the 18 months to fix that, but no change to the two-year ramp up. Is it changing in terms of the profile? Has it become a little bit more back end loaded so the production through this year is taking a bit of a hit? Obviously I've seen the guidance downgrade, but just thinking a little bit beyond FY24.

Dino Otranto: Yes, I'll take that one, thanks. So we did change guidance, as you've mentioned, for the short term, however we still do operate. So we believe it's value accretive to our shareholders to invest, to get the availability up, but during the ramp up, we'll still have enough water to meet the current ramp up projections.

Chris Drew: (Jefferies) Okay, so no change to your expectations beyond FY24 then?

Dino Otranto: That's correct.

Chris Drew: (Jefferies) Okay, thanks. Perhaps just a follow up on the balance of the FIDs, Mark is there any sort of guidance that you could give us in terms of when we should now expect the FIDs for those remaining three projects?

Mark Hutchinson: Chris, we're working on them as hard as we can. I think over the next few months they'll become clearer. I can probably tell you that Norway would probably be the next cab off the rank and then we have Brazil and Kenya following that. But as soon as we get them through FID and we're happy with them, we'll let the market know.

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

Paul Young: (Goldman Sachs) Yes, thanks. Morning Dino, Apple and Mark. Dino, sorry to labour on the pipeline segment replacement in Iron Bridge, so just to clarify, you'll construct that 65 kilometres or so and then when it's done next to the existing pipeline, you'll just tie it in?

Dino Otranto: Yes, 100 per cent, it's actually that simple, Paul. The good news is it fits within the preapproved corridors. We won't be touching the current pipeline, so hence the previous question, the water that we do run when the pipeline is operating. We also have the ability to store water in the tailings storage facility onsite which gives us a little bit more of the concept of a tank of the battery. So you're right Paul, we'll tie it in. That should take pretty quick time to do that.

Paul Young: (Goldman Sachs) Just a part B to that, you'll just pare back the mining rates during this period?

Dino Otranto: Yes, mining has been going really well and so we're paring the tonnage rates back. We've got the benefit of a contracting workforce out there in the mines, so we lift the capability, but again it's relatively

short term, the impact of two to four in this guidance and the ramp up still being honoured for next year, so we'll have to get back up our mining rates thereafter.

Apple Paget: Just to add to that, Paul, that's why you're seeing a revision to the opex guidance for Iron Bridge of US\$200 million to US\$400 million for FY24.

Operator: Thank you. Your next question comes from John Tumazos from John Tumazos Very Independent Research. Please go ahead.

John Tumazos: (Very Independent Research) Thank you very much. As you know, China had record iron ore imports this past year, even though the steel output was not a record and the ratio was 1.145 tonnes of ore imported per tonne of crude steel, the highest in five years. Would you interpret that China is stockpiling iron ore or that their own iron ore mines are declining further, or that their scrap steel availability declined, or some combination of the three?

Dino Otranto: Hi John, great question and I've got Viv on hand to answer with a bit more detail. But from the outset, we're seeing exceptional demand for our product and relatively low proportions of our products at Port compared to our peers. So our product is moving quite well. Viv, do you want to expand a little bit more on the market dynamics?

Vivienne Tieu: Sure Dino. Thanks for your question, John. So what we're actually seeing is a combination of a number of factors that you've already mentioned there. The biggest driver is pig iron production is actually up 3 per cent year on year, so with the additional use of additional iron ore to produce that pig iron, plus underperformance of domestic mines, we're actually seeing stocks lower year on year. So the extra imports is being consumed by real demand.

Operator: Thank you. Your next question comes from Guangshuo Zhang from Guotai Junan Futures. Please go ahead.

Guangshuo Zhang: (Guotai Junan Futures) Okay, morning Dino and team. My first question is regarding the Belinga project. When do we expect to have some guidance on the timeline of when these operations will come into full force and for the very first shipment in December, do we have more details on the average of the iron grade of the shipment? Thank you. I will come back with a second question.

Dino Otranto: Thanks Guangshuo. The first shipment, I wouldn't be too concerned about marking that in a model in terms of grade predictions for the future. As I've said, we haven't spent a lot of time getting the definition drilling correct. Remember, we got this to market in a matter of months, not years, to prove the logistics train; that was our main objective. In saying that, the grade was low 60s, it was a ROM type stock equivalent, so we were able to sell that quite easily.

In terms of the bigger question, which is really our objective, the clock has started ticking on a multi-year study campaign now, which will fully evaluate the mine, the logistics options and then the shipping options. So as we've previously mentioned, later this decade you'll expect to see product if it realises our potential. But we'll give further guidance on the progress of the study in a subsequent call.

Guangshuo Zhang: (Guotai Junan Futures) Okay, thanks for that. My next question is on the recent derailment of the iron ore cars that happened in early January. Do we have any more updates on that, especially whether it will have any impact on shipments for the March quarter?

Dino Otranto: Yes, so the impacts will follow on into January, however as I've articulated on the call earlier, we have managed to cover those impacts and subsequent mitigating actions on our rail. In H2 you'll see us come back on track to our unchanged guidance of 192 million to 197 million tonnes.

Operator: Thank you. Your next question comes from David Heath from Reynolds Securities. Please go ahead.

David Heath: (Reynolds Securities) Yes, thanks very much for your very clearly expressed and logical presentation. I'm interested in you mentioned about the Booster Charger and I'd just like to understand a bit better, are you manufacturing that yourself and would it be any possibility of you marketing that as a product because you said it's in high demand?

Mark Hutchinson: David, great question because everything that we're finding from developing technology in the Formula E space, so just to remind everybody, we do all the battery systems for all the cars in the E racing series, and we do drive trains for a couple of teams as well. We're finding that the technology that's been developed in that space, just like the Formula 1 area, is very exciting and they all have commercial applications, which is something the Company hasn't really focused on before, that's why we've made some major changes to this business.

So the Booster Charger is one example. It's something which has been developed to make the Formula E a little bit more like Formula 1, that you get a pitstop, you do a charge and off you go. This technology we developed can actually charge the car in 30 seconds, which is pretty amazing. We're taking that technology onto the haul trucks, but the intent, David, is to look commercially how we can use this around the world actually. So we're very excited about not just the fast charger, but some of the software being developed in the business and also some of the battery technology. But everything that's being developed in that space has a commercial application and we're going to work very hard to see what we can do with it.

Operator: Thank you. Your next question comes from Melanie Burton from Thompson Reuters. Please go ahead.

Melanie Burton: (Thompson Reuters) Hi all, thanks for your time today. I wanted to ask you about the customs checks in China on some of Fortescue's shipments. So, it's unusual to hear of those checks in iron ore as far as we're aware. Can you talk to us, are you expecting more of those to happen? Is there any particular reason that you attribute to them?

Vivienne Tieu: So in terms of checks happening, I don't think you'll expect see that happen with every cargo. For us it's a relatively small amount of our overall volumes that we ship into China and we're seeing our products still flow to our customers. We'll just work through with the relevant Port Authorities to understand what they need, so that we clear the cargoes as soon as possible.

Melanie Burton: (Thompson Reuters) Thanks very much. On that topic, can you offer us any colour about how negotiations with the CMRG are going since there's obviously been some speculation those two things might be linked?

Vivienne Tieu: Yes, so just on that, we don't comment on confidential and commercially sensitive negotiations, as you know, but we engage constructively with all of our stakeholders, CMR being one of them, in terms of our contract renewal process.

Operator: Thank you. Your next question comes from Nick Evans from The Australian. Please go ahead.

Nick Evans: (The Australian) Yes, g'day guys. Mark, just going back to the Gibson Island approvals, I think in late December Genex made a comment in regard to the PPA there that they've allowed or they've agreed with you to push off the Final Investment Decision till February 28. Should we be regarding that as, I guess, a deadline for a go or no-go? Do you think you'll make that?

Dino, just in regard to the rail issue and other things within the Hematite, there was just a line in there that grabbed my attention when you were talking about an operational recovery plan for rail inload and shipments in the second half. Is that specifically in reference to the derailment and those rail issues, or is there some, I guess, broader slowdown in the Pilbara Hematite operations that you're trying to address for through that plan?

Mark Hutchinson: Nick, thanks. Firstly, on Gibson Island, I think we're working harder to get this project across the line, and we have the Board coming up later on in February, and I would imagine there will be a go, no-go decision made at that Board.

Dino Otranto: Yes. Thanks, Nick. Just to clarify - this morning's media - the derailment is completely independent on any performance of Iron Bridge and the recovery plan is specific to the derailment, which we've now gone through. In fact, the rest of the supply chain is performing exceptionally well. The bottleneck

for our operations is rail so we expect any specific recovery plan just to be focused on that. But we're in a pretty good position, Nick. Thanks for the question.

Operator: Thank you. Your next question comes from Peter Kerr from The Australian Financial Review. Please go ahead.

Peter Ker: (The Australian Financial Review) Morning, all. Dino, keen to get your thoughts on how Port Hedland is working, generally. We've seen a few other miners report congestion at the ports for exports of lithium and BHP keeps talking about - I know they're doing specific car dumping things there. Are you satisfied with how Port Hedland is working there or is there some sort of broader congestion that's affecting that as an overall facility?

As a second question, on the pipeline at Iron Bridge, do you guys have any sort of legal retribution available to you there for any contractors who might have done a job that wasn't quite up to scratch?

Dino Otranto: Yes, Peter. Good questions on both fronts. Obviously the second one, if there are any legal avenues being explored, it's under confidentiality and privilege at this stage. We're just focusing on getting our plan B in place as fast as we can.

On Port Hedland, what I would say is - I think their (Pilbara Ports Authority) newly appointed CEO, Sam McSkimming is doing a fantastic job in that area. He's really addressing the pilot concerns that a number of the Port players had in the years gone by, and we've seen some really good results, actually. So, we're not really seeing any congestion issues at all, in fact. As I said before, it's not our bottleneck, we're focusing on rail.

Operator: Thank you. Your next question comes from Mark Beyer from Business News. Please go ahead.

Mark Beyer: (Business News) Good morning, Gents - regarding decarbonising the Pilbara, you touched on it briefly in your opening comments - could you elaborate on what sort of timeline you expect for investing further in solar and potentially wind in that region?

Christiaan Heyning: Morning. Christiaan, here. This is going to be in the next couple of years. Obviously having the green power infrastructure is required to then be able to roll out further electrified equipment so it's in the front of the queue, so to speak. But depending on how the finalisations of approvals go, we expect to make those decisions in the next 24 months.

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

Paul Young: (Goldman Sachs) Yes. Thanks, again. A question for Mark. Mark, we haven't really dug into any detail on the Phoenix project which you announced FID on late last year. I was wondering if you could

provide an update on the engineering studies - when they'll be complete, and also any discussions on the offtake associated with that project? I actually have another question on Gibson Island as well. Thanks.

Mark Hutchinson: Yes. Look, that project - we are racing ahead with it. As we got to FID - as we mentioned, I think the last quarter - we're working on some offtakes. Those are ongoing at the moment as we start to lock those in. I think in that particular project, we have some very good discussion with off-takers who will use the hydrogen in the mobility sector.

But also we have the project very close to the California market, which the market at the moment is quite robust on the hydrogen side so we do have the ability if we so wish to sell some of that into the spot market at the time. So, the intent is to get offtakes locked in. Studies are ongoing. We will be hopefully in a position over this year - to have completed those. The IRA at the moment, as you know, in the United States is getting very close to being finalised on the definitions and this project - we'll make sure that we fit within the requirements for the IRA. So, look, we're working hard on a lot of fronts here - on the engineering side, on the work on the IRA and also on the offtakes to get this project as one of the first in the world.

Paul Young: (Goldman Sachs) Yes. Okay. Thanks, Mark. Then on Gibson Island - I mean, it's probably no surprise that it didn't get up considering the cost of wholesale of PPAs on renewables, particularly in Queensland. But I'm a little surprised seeing as it's a Brownfields project and it's quite vast - it didn't get any government support and ARENA funding. Can you maybe just comment on that as to why it didn't achieve that?

Also, should we be reading it - just the cost of power - that there is a threshold that you're looking for in cost of power - US dollars a megawatt hour globally on your projects that - where projects seem to work. I know there's a lot of factors like economies of scale and cost of labour and construction but just curious. I just want to hear your thoughts on cost of power with respect of your projects?

Mark Hutchinson: Look, I think, firstly, I would say that we have been working very closely with the State and Federal Governments, and if the project goes ahead, there will be support from both Federal and State. We are having some great discussions with Government entities, so we're progressing on that. Look, in the green hydrogen space, the power is actually the most important part of the costing equation, actually.

So, really, what we do is we look around the world, we're looking for the best possible sources of cheap power. That's why we're in places like Brazil and looking at places like Namibia, Morocco, to do that. So, it's a big part of the equation. As the market develops, I think those thresholds, costs on power will become quite - more obvious, but it's a big part of the cost. As we weigh up the economics, we want to make sure we have the right financial rigor and security around all the things we're doing, including to the power supply. You're right. It's an important issue.

Operator: Thank you. There are no further questions at this time. I'll now hand back to Dino for closing remarks.

Dino Otranto: Thanks everyone, for joining us today for the release of our Q2 results, and a huge thanks to the entire Fortescue family for rallying together – I think to be able to talk about such a strong set of safety, production and financial outcomes, so I look forward to speaking to you all again in a few weeks' time for our half year results. Thanks, everybody.

Operator: Thank you. That does conclude our conference for today. Thank you for participating. You may now disconnect.

[END OF TRANSCRIPT]