



FY24 Half Year Results

Investor and Analyst Call Transcript

22 February 2024

provided by Open Briefing

TRANSCRIPTION

Company: Fortescue Ltd
Event: FY24 Half Year Results
Date: 22 February 2024
Time: 16:30 AEDT

[START OF TRANSCRIPT]

Operator: Thank you for standing by and welcome to the Fortescue Ltd FY24 Half Year Results call. All participants are in 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 one on your telephone keypad. In the interests of time, we ask that you please limit your questions to two per person. If you would like to ask further questions, please rejoin the queue.

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

Dino Otranto: Welcome all. It's great to be back with you again, and here with me today is Mark Hutchinson, Energy CEO and Apple Paget, Acting CFO. We're joining you from Gabon in Central Africa and it's been a really productive visit, spending time with the team, the Government and a variety of stakeholders around this beautiful country. We were out at Belinga site early this week, and I continue to be amazed by the energy of the team, the potential of the project and the support we have in Country.

Onto the results. Last month we presented our quarterly production results, which included our second highest first half shipments of 94.6 million tonnes. We achieved this while standing by our absolute commitment to safety and keeping costs low to drive performance and ensure we set the business up for future success. We achieved a C1 cost of less than US\$18 per tonne in the half, and I promise you, we remain laser-focused on maintaining our industry leading cost position.

That strong operating performance in the first half underpins the outstanding financial results we reported today, including Underlying EBITDA of US\$5.9 billion, up 36 per cent, and net profit after tax of US\$3.3 billion, up 41 per cent. Reflecting these results, the Board today declared a fully franked interim dividend of A\$1.08 per share, representing a 65 per cent payout of first half net profit after tax and a return of A\$3.3 billion to shareholders.

There were many highlights during the half. We shipped our two billionth tonne of ore in September and achieved record shipments in December. Through the flexibility of our supply chain and use of innovation and technology, including AI, this has improved our rail capacity, which has helped to buffer against supply

chain variability. You can see this in action through our recovery plan, which has positioned us to mitigate the impacts of the derailment that occurred in December.

We are laying the foundations for our longer-term success through consistent progress and innovation. Our decarbonisation plan continues to gain momentum with the deployment of our 240-tonne battery electric haul truck, Roadrunner, and commissioning of Australia's first electric excavator.

Our Pilbara Energy Connect project is progressing well, with the completion of 320 kilometres of transmission lines to connect Solomon to Iron Bridge and through to Port Hedland. We've commenced onsite testing of our prototype mobile hydrogen power unit, which provides renewable energy for mining equipment in remote areas. We also have an exciting exploration pipeline, with programs underway in the Pilbara as well as globally here in Gabon and South America, including Argentina, Brazil and Chile.

The strong first half of FY24 positions Fortescue well to deliver on guidance for the full year.

Before handing over to Hutch, I'd love to give a big shout out to the entire Fortescue team and all our partners for their huge effort in the first half. On that note, Hutch, over to you.

Mark Hutchinson: Thanks very much, Dino, and welcome from Gabon. I'd also like to take the opportunity to thank the Fortescue team for an amazing result and all of the efforts they've put into achieving this.

It's been a big first half of the year, for the Energy business as well. We took three projects to FID. We're progressing our global project pipeline with more to come. We doubled down on our battery systems and manufacturing with Fortescue WAE. Our in-house electrolyser technology was verified and will underpin our Gladstone PEM50 green hydrogen project, and we launched Fortescue Capital.

I think about the Energy business in four parts. Firstly, green energy, that's electrons and molecule production, secondly, battery technology development, next hydrogen systems and lastly capital. These four parts see us developing complementary capabilities across the green energy value chain. This means we can maximise efficiencies, improve innovation and competitive advantage through the whole vertical integration. We have the knowledge base, adaptability, and optionality to quickly respond to shifts as well as capitalise on emerging opportunities we see.

There is just no one else doing what we are doing, and as you can see from our achievements over the first half, we're making really solid progress.

I'm very happy to take some questions, but first I'd like to hand over to Apple, who will take us through the financials. Apple.

Apple Paget: Thanks, Hutch, and a big hello to everyone. The team has delivered another set of clean and transparent financial results and it's a pleasure to share some of the details.

Starting on the P&L. Revenue of US\$9.5 billion, was up 21 per cent on the first half of FY23, driven by an increase in the realised price. This revenue, combined with strong cost management, contributed to Underlying EBITDA of US\$5.9 billion, up 36 per cent on the year, year-on-year. The high EBITDA flowed through to NPAT, up 41 per cent to US\$3.3 billion.

The EBITDA margin increased to 62 per cent, and this equates to an EBITDA margin of US\$73 per tonne for the Metals segment. For those following the webcast, you can see on this slide that Fortescue has continued to generate strong margins through the cycle, and the average EBITDA in the past five years is over US\$60 per tonne.

Moving to cash flow. This slide demonstrates that the business continues to generate strong operating and free cash flow. Net operating cash flow increased to US\$4.2 billion in the half, and free cash flow was up 69 per cent to US\$2.7 billion. This was after capital expenditure of US\$1.5 billion, comprising US\$1.3 billion in the Metals segment and US\$165 million in the Energy segment.

In terms of our full year capex guidance, this is unchanged from the quarter, US\$2.8 billion to US\$3.2 billion in Metals and US\$500 million in Energy, with spend phased to the second half. Fortescue balance sheet further strengthened in the period, with net debt of US\$0.6 billion at 31 December 2023, inclusive of the US\$4.7 billion of cash on hand. Approximately US\$2.2 billion of this cash has been allocated for the payment of the interim dividend next month.

For those on the webcast, you can see Fortescue's credit metrics on this slide. Debt to EBITDA of 0.5 times and gross gearing of 22 per cent. We are committed to maintaining strong credit metrics through the cycle.

Our capital allocation framework also prioritises returning capital to shareholders based on our dividend policy to pay out 50 to 80 per cent of Underlying NPAT. As you've heard, the fully franked interim dividend declared by the Board today of A\$1.08 per share represents a 65 per cent payout ratio.

In closing, we have delivered a very strong set of financial results in the first half and are really well positioned heading into the second half. We're pleased to take your questions and I'll hand over to the Q&A part of the call.

Operator: Thank you. If you wish to ask a question, please press star one on your telephone and wait for your name to be announced. If you wish to cancel your request, please press star two. If you're on a speakerphone, please pick up the handset to ask your question. A reminder to please limit your questions to two per person. If you would like to ask further questions, please rejoin the queue. Your first question comes from Paul Young with Goldman Sachs. Please go ahead.

Paul Young: (Goldman Sachs) Good morning, Dino, Apple, Mark. Impressive you are dialling in from a Gabon. Hope you're all well. First question, Dino, just on the performance out of the Pilbara in January and

February. I see shipments have been a little weak, I presume you're still recovering from the derailment in late December. Can you just talk through how shipments are tracking recently and how are you going to make up the potential shortfall of those lost tonnes?

Dino Otranto: Thanks, Paul. You're correct, the impact late December of the derailment has flowed on into January, which we were expecting. Good news is we've finished all the recovery works in record time. We've been able to do some proactive work. I'd also call out that during H1 we were able to debottleneck some of our rail system and add a little bit more capacity, which has helped recover the shortfall in tonnes, which we'll use that capacity for the remainder of the year. In addition to that, we've utilised the ability for our supply chain to shift product strategy slightly. So, we're doing more of our tonnes through the Chichester system, less out of the Western Hub area. So, from a supply input perspective, we're going well. The remaining four and a half months are big months for us, we acknowledge that, but nothing that we haven't achieved before. So hence we're pretty confident around making a guidance of 192 million tonnes to 197 million tonnes of ore.

Paul Young: (Goldman Sachs) Okay, thanks Dino, that's great. The second question is on the US\$6.2 billion Pilbara decarb program. Haven't really received an update for a little while, I see your capex guidance of 0.3 to 0.5. The run rate there is a little bit behind the capex profile that you put out there to the market back in 2022 when you approved that project. Just curious around why that's the case and how that project is tracking overall to plan. Thanks.

Mark Hutchinson: Hi, Paul, Mark here. I'll head over to Christiaan. He's in the boardroom in Perth and he can answer this.

Christiaan Heyning: Hi, Christiaan Heyning here, Head of Decarbonisation in Perth. Thanks for the question, Paul. The run rate in the first half year is going to be exceeded in the second half of the year. As you know, decarb is ramping up over the next couple of quarters, the ramp up is - the overall decarb spend for the full year is still within the guidance as given earlier in the year. In terms of your broader question of where are we compared to September 2022? I think first of all, I'm really excited about all the wonderful stuff that we've been able to achieve. Dino mentioned a few. I think it should not be underestimated how important it is to have a number of Zero Emission mining equipment operating on site now, which actually spills out into things like re-training operators and getting used to things like cable handling.

So, we are making a lot of progress there. In terms of the financials, of course we will update the market as soon as we have a reason to do so, which, up to date, we haven't really had. Prices continue to change. Of course, the good news is that solar and batteries specifically are getting quite financially attractive at the moment. So, there's quite a few headwinds that are compensated by tailwinds also.

Operator: Thank you. Your next question comes from Rob Stein with Macquarie. Please go ahead.

Rob Stein: (Macquarie) Hi team, thanks for the opportunity. Just a quick one on capital allocation and the various projects that you've got going on at the moment, including Gabon. How should we think about the capital spend of the business over the next few years? In terms of dividends, iron ore prices are obviously exceedingly high, which is providing a windfall for you from a cash point of view, how should we think about returns back to shareholders in the context of the hydrogen pipeline and the fact that we're still not seeing many material FIDs come through.

Dino Otranto: Yes, thanks, Rob. I'll kick it off and invite Apple and Hutch to add any comments. Yes, from the outset our steely fiscal discipline is absolutely critical and will be unwavering through this period of change. Dividend policy of 50 to 80 per cent will remain unchanged.

In terms of the big capital licks for the Metals group, as we've indicated before, we've got a pretty healthy pipeline of projects to - I would call them mid capital projects - to support the hematite operations out of the Pilbara. We've got a couple of exciting projects that we've been able to kick the can down the road in Nyidinghu, as I've mentioned before. The big one for us will be Gabon. As I've said before, the project is at very early stage. We've got a lot of work to do. We'll be expensing – I would say immaterial amounts on the study over the next couple of years and then we'll make an announcement should the project proceed into the future. Just on Energy, Hutch or Apple.

Mark Hutchinson: Yes, so look Rob, thanks. I think the important thing is here we're going to maintain our financial discipline around what we're going to do on the capital allocation side. Now that the 10 per cent NPAT has gone away, we're very much focused on competing for the same capital. So, yes, we've got some projects through the system. We have other ones in the pipeline which are looking good, and we'll come to the market when we're ready on those. Apple, anything else to add here?

Apple Paget: No, just to confirm, Rob, that our capital allocation framework continues to prioritise return of capital to shareholders, as Dino mentioned 50 to 80 per cent, and also a commitment to maintaining our strong balance sheet.

Rob Stein: (Macquarie) Thank you. Maybe just a quick follow up on the hydrogen pipeline. Hutch, are we seeing any further FIDs in the not-too-distant future?

Mark Hutchinson: Yes, look, thanks, we have a great pipeline actually over the next few years. We're accelerating a couple of very important projects, one in Norway and one in Brazil. I think the next cab off the rank is going to be Norway. We have firm power - it's hydropower from Statkraft. We have the site, we have a grant from the European Commission. So that one's looking really good, and I think you'll see that one come next. But again, we're taking our time to make sure that we have the right financial discipline around all our projects before we announce them. So that'll be next.

Operator: Thank you. Your next question comes from Rahul Anand with Morgan Stanley. Please go ahead.

Rahul Anand: (Morgan Stanley) Good afternoon. Rahul Anand here from Morgan Stanley. Dino, Hutch, Apple, thanks for the call. Look, I've got two on iron ore. Perhaps starting with the Pilbara first. In your presentation today - and I think you did mention that to Paul's question as well - you've mentioned rail capacity uplift and debottlenecking. Could you perhaps remind us after this exercise where do you sit in terms of rail capacity, port capacity and is this going to feed into, perhaps, a bit more going forward into next year? That's the first one. I'll come back with a second. Thanks.

Dino Otranto: Yes, good question Rahul. I was expecting this one to come up. So, I'm not going to indicate the future capacity just at this stage, but we're probably one or two million tonnes up on the improvements that we've been able to make in the first half. We balance that with our ongoing investment in our assets, sustaining capital and ensuring this asset runs for another 20 years to 30 years, which is our projection. Just reminding everyone that the bottleneck actually goes into shipping once Iron Bridge ramps up. So, the rail bottleneck will stay there until we get that crossover point. So, from your modelling perspective I'd look at – if the target was, we've put out there is the hematite production out of Pilbara, plus the upside we get in magnetite going to our total license limit of 210 million tonnes.

Rahul Anand: (Morgan Stanley) Got it. Okay. Then I guess considering you are in Gabon at the moment it's fair to ask one on that one. A couple of things there, firstly, Government interactions, what's the level of support you're seeing? But more importantly last year you talked about how you can blend Pilbara ore and Gabon ore together in the blast furnace and you get the best of both worlds, so you've obviously done a shipment, or some shipments out of Gabon. What has the customer feedback been so far and especially, have you done any sort of work on the combination of the ores?

Dino Otranto: Yes, you're getting a little bit ahead of yourself, Rahul. The shipment, I wouldn't read too much into that. That was very, very early days and the concept was to prove the logistics process and also to demonstrate to our stakeholders here, which leads us into the first question, how serious are we as a partner and can we get this done. This ore body has been around since the 1960s and no one's been able to get any ore out and we did it in about six months. However, we won't be ramping up that particular supply chain through the road network here. We've actually already detuned that, we gave guidance for two million tonnes, but that will be low tonnes in the thousands rather than millions of tonnes going forward. Our focus is on the exploration activities now and the logistics study.

In terms of the Government interaction, it's been overwhelmingly positive here. We met, a few times actually, with the President and senior ministers here. The words directly out of the President's mouth was, this is a green light. We're leaving here with a set of shared values as a Country and as an organisation. The potential here - and I say the potential here - is pretty overwhelming. As we spoke last time, if you can get the tonnage out of Gabon with our existing highest-grade product out of Iron Bridge and our base load of 190 million

tonnes plus out of hematite operations, it does really cater for the short-term market, as well as what we believe is a really exciting, future around green iron opening up towards the latter part of this decade.

Operator: Thank you. Your next question comes from Lyndon Fagan with JP Morgan. Please go ahead.

Lyndon Fagan: (JP Morgan) Thanks. Good afternoon, everyone. Look, there was a Reuters article about Fortescue experiencing Customs clearance delays in China. I'm just wondering if you're able to discuss what those issues were.

Dino Otranto: Good day, Lyndon. Look, at a high level, nothing really to see here. We deal with quarantine issues all the time at all of our ports. It's quite topical. In this particular case, a couple cargos went through the process. Look, and the reality is we're not having any problems and we continue to flow.

Lyndon Fagan: (JP Morgan) No worries. I guess the next one is - and apologies if I missed the discussion - with Fortescue Energy there does appear to be a slowdown in deployment of projects, if I'm reading that correctly. Is there any kind of pivot here in strategy to perhaps go a bit more slowly? I'm just trying to read the tea leaves a bit. I mean we had 70 projects in the pipeline and 15 million tonnes of hydrogen by 2030. I guess we haven't really been seeing much in the way of project approvals, so it'd just be good to flesh that one out.

Mark Hutchinson: Yes, thanks, Lyndon. So, look, just to put it in perspective, nobody's ever done these projects before, so they're hard, right? But we are 100 per cent committed to showing the world there's an alternative to fossil fuel. We've got three projects in FID. We have a great pipeline of projects behind us. So, the way we're thinking about these, is these prime the pump. We're going to learn a tonne from the early projects as we go into execution, not just about the technology, but also dealing with these globally.

We have two projects we're fast tracking, one in Brazil and one in Norway, and there's a really good pipeline behind this scale, actually. So, really what we're looking is, projects we can do around the world which are scalable. Now the market's developing, it's dynamic. it changes every day, we learn every day. There's plenty of discussion around the world about where green hydrogen is at, particularly with Government support. But look, that's not stopping us at all, nothing's changed, we still have very ambitious plans over the next few years to develop this. So, it's progressing well.

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

Guangshou Zhang: (Guotai Junan Futures) Good afternoon, Dino and team. In the half year report, it is mentioned that the ores mined decreased and strip ratio went up and such change reflect life cycle of operations at Chichester and Western Hub. So, my question is, does it mean it will continue for mining volume to slightly lower and strip ratio to go higher in the coming years, for example, in financial year '25? Or maybe

just elaborate more on the life cycles of these operations and where we are in the current stage of this life cycle. Thank you.

Dino Otranto: Sure, great question. The benefit of Fortescue's portfolio is we've got quite a lot of options. So, first comment I'd make is we're progressing with our exploration activities aggressively to fill the long-term pipeline of resources and then the conversion to reserves.

In terms of the strip ratio comment, we have indicated in the past that you'll see an uplift in the next few years as our travel distances, particularly around the Western Hub and Chichesters get a little bit higher. That's pretty normal as we work through our mine plan. But, yes, our focus right now is our brownfields exploration. So, our near-mine exploration has yielded some successes, and we expect that to come in.

Just to note, the haul hub project, which is one of the smaller new mines in our pipeline, is about to kick off in addition to the Flying Fish announcement we made at Western Hub not too long ago. Good question. Thanks.

Operator: Thank you. Your next question comes from Lachlan Shaw with UBS. Please go ahead.

Lachlan Shaw: (UBS) Morning Dino, Apple and Hutch and team. Thanks for your time. Two from me. Maybe just a small one for Hutch first. I just wanted to understand the change in scope at the Phoenix Energy Hub with Enel in the US\$20 million payment to them. Does that reflect a change in strategy and market positioning for that project?

Mark Hutchinson: No, absolutely not. So, we actually bought this deal off another party and they had already bought the electrolyzers. So, when we were negotiating the deal, we did it in a number of stages to make sure we were happy with the equipment. But that's no change at all to that project.

Lachlan Shaw: (UBS) Okay, great. Thank you. My second question then is just on, I suppose, in the market. China, what you're hearing on the ground and people are telling you and if you can maybe elaborate a little bit. Obviously low-grade discount's pretty tight right now. How is your team seeing the outlook there? Thank you.

Dino Otranto: Lachy, no real change from what we've indicated before. Steel production, actually very sound, year-on-year increases, marginal increases, but still stronger on an exceptional base. Placing our product has - particularly with the low steel margins as you've mentioned - hasn't really been an issue with, with almost record realisations. I think what we're seeing particularly on the ground is diversification of where the product is going, from the traditional property base, which is still the majority of it, remains relatively healthy.

But what surprised us on the upside is the automotive industry, and even some of the decarb spend that that's going on in China. So, we see particularly robust demand, particularly for our product and this

anticipation of a tsunami of scrap that hasn't really materialised. In that combination we forecast the market to be pretty strong.

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

John Tumazos: (Very Independent Research) Thank you. I'm trying to understand the two hydrogen projects. Is the correct conversion that one tonne of hydrogen is 3,731 gallons and the two projects, 19,000 tonnes, would be approximately 67 million gallons of hydrogen?

Mark Hutchinson: Hi, John, it's Mark here. I'm not really following you. So, the Phoenix project, we have 11,000 tonnes of hydrogen, which will be in production.

John Tumazos: (Very Independent Research) So I'm reading a website, GenH2 Discover Hydrogen. It says that one tonne is 3,731 gallons.

Mark Hutchinson: Yes, sorry John. I think maybe it might be equivalent probably to diesel. I'm not too sure. Without seeing the website, I can't comment. But we look at hydrogen and then also tonnes of green ammonia if we're converting it to ammonia, which you times by six.

John Tumazos: (Very Independent Research) Would you think a profit of US\$1 a gallon from manufacturing and US\$1 a gallon from green premium is a conceivable target profit margin?

Mark Hutchinson: Sorry, it's a bit difficult to follow you, John, because I think the way we look at the projects is really looking at the return from an IRR perspective and it does depend on where the project is and whether we're doing ammonia or we're doing hydrogen. So, in the United States, for example, where you get the US\$3 subsidy, theoretically, you have a very different kind of return profile than you do on doing a green ammonia project. Look, I think we've given guidance that our plan is to have all our projects with a targeted IRR in double-digit and that's certainly holding true.

Operator: Thank you. Your next question comes from Kaan Peker with RBC. Please go ahead.

Kaan Peker: (RBC) Good afternoon, Dino, Mark, Apple and team. Two questions on iron ore. The first one, just going back to what Dino said with regards to the shift in product strategy. Talking about more Chichester products, does that mean more Fortescue blend versus less Pilbara fines? Thanks.

Andrew Driscoll: It's Andy Driscoll here from the Perth office. We seem to have lost connection with Libreville in Gabon. They're reconnecting now. Perhaps while we're doing that, I can take that up, Kaan.

We're considering a short term or temporary refinement of the product strategy. The market is conducive to that at the moment, and we have some flexibility in our supply chain, that Dino has talked to, which also

allows us to do that. You're right in terms of how that product mix may shift a little in this current half. It'll be pretty minor, I think, at this stage, Kaan.

Kaan Peker: (RBC) No worries. But yes, essentially it means possibly lower Fe grade on aggregate, but just a small difference in terms of the product.

Andrew Driscoll: Correct.

Kaan Peker: (RBC) Okay. The second one is on Iron Bridge. Maybe an update on the water requirements being sourced from the Cannington Basin.

Dino Otranto: Yes, I can take that, Kaan. We're all good, essentially, with the requirements in terms of our license. As we've indicated though in terms of the physical pipe, we've made a call to replace the first third of the current glass reinforced plastic, 65 kilometres with steel. It's going to take about 18 months to change that out and, in the meantime, we'll continue to use the current pipeline to support commissioning and ramp up.

Operator: Thank you. Your next question comes from Glyn Lawcock with Barrenjoey. Please go ahead.

Glyn Lawcock: (Barrenjoey) Dino, good morning. Dino, just a little question on sustaining capex, if I could. Your guidance is US\$2 billion for this year, plus or minus. I mean, the business is now, I guess almost 20 years old, give or take, so some of the equipment's probably getting a bit long in the tooth. How should we think about that over the coming years? Thanks.

Dino Otranto: Yes, good question. Yes, 20 years, I wouldn't necessarily say long in the tooth. It's performing at record amounts, so it would indicate that our asset management strategy is having good success. As we've indicated before, we are entering into a fleet replacement cycle which will see a higher than usual sustaining capital over the next two years. That's coupled with our Green Fleet timing as well. But we'll give guidance as it comes through. Thanks.

Glyn Lawcock: (Barrenjoey) Dino, what about some of the major capital items like car dumpers, ship loader? I mean, the original car dumper, original ship loaders I guess are 20-odd years old now, are they still good for a little bit longer?

Dino Otranto: Yes, they are. You're probably picking up on some of our peers in terms of their change out. No, we're just we're still working through that, but our train unloaders keep going strong. That is part of the bottleneck that I talked about around our rail network. So obviously it's the key focus for all our engineering teams.

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

Chris Drew: (Jefferies) Thanks Dino, Mark and Apple. Just a quick one on the balance sheet. Actually, it looks like really quite a significant step up in the receivables in the half, US\$350-odd million plus another US\$120 million or US\$130 million the inventory, so a big lift in the working capital. Is some of that tied to the derailment or what's driving that, and should we expect that to reverse out in the second half helping the cash there? Thanks.

Apple Paget: I'll take that one. I think your question was around working capital. You can see that our cash balance has increased US\$4.3 billion to US\$4.7 billion, no change in net debt, our H1 capex spend was US\$1.5 billion. So the movement, as you said, relates to working capital, predominantly increases in receivables, and that's reflecting the price movements or rising price environment. So, it's basically a reflection of a very strong market.

Operator: Thank you. Your next question comes from Giles Parkinson with RenewEconomy. Please go ahead.

Giles Parkinson: (RenewEconomy): Thank you very much. Look, I've got two questions probably both for Mark. Just a bit more about the electrolyzers that you've had approved for the Gladstone facility. I'm just wondering if you could tell us a bit more about the technology and the cost output. We've seen the share price of things like Bloom Energy and Plug Power both plunge because their electrolyzers are not seen as competitive or there's concerns about capital allocation, things like that. I'm just wondering, are they falling victim to the problems of public markets? I guess the focus is really on your technology at Gladstone.

Mark Hutchinson: Yeah, thanks Giles. Look, the technology we developed for the Gladstone facility is a PEM technology, which really the team has done an amazing job over a two-year period to develop a good PEM, strong base technology. The reason we always did this was, one, to make sure we had our own security supply and also then to sell to the market, which we think we'd have a competitive product. But look, we are in the stage now where, we now need to test that technology, and that's the whole idea behind the PEM50 in Gladstone, to show the world that it works at scale. That's really the next step in developing the competitive technology.

Yes, look, others around the world are having difficulty at the moment financially. I mean, I think the lack of projects going into FID is having an impact on that. There's a lot of competition, but this technology really at its early stage, so it's got a long way to go, and we want to be an important player in that.

Giles Parkinson: (RenewEconomy) Okay. The second question is on electrification. I was just curious to see in the Rio Tinto presentation yesterday, in the annual results, they didn't expect any sort of electrification at their mines to occur at any sort of scale beyond before 2030, yet I understand that you guys are still committed to not burning fossil fuels at all by that date. So, who's right and who's wrong?

Mark Hutchinson: We are totally right. We're going to make sure we are Real Zero by 2030 and we're on track to do that.

Operator: Thank you. Your next question comes from Avery Chen with S&P Global Commodity Insights. Please go ahead.

Avery Chen: (S&P Global Commodity Insights) Good afternoon, thanks for the opportunity. Just one question. I'm wondering whether you expect to continue iron ore growth in Pilbara unhindered in coming decades given run out of African iron ore projects like Simandou, as well as the falling China steel demand in the longer term.

Dino Otranto: Yes, thanks, Avery. I'll take that one. Obviously, our exploration team - on the back of truly amazing results, we have lots of options in the Pilbara, so we continue to explore that. Every year we look at whether or not that would justify the additional capital for our rail and shipping. That's really the next big tranche of capital that needs to be invested to get to say 250 million tonnes out of the Pilbara.

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

Nick Evans: (The Australian) Good day Dino, good day Mark, good day to everyone else. I've got a couple. The first on just the last couple of times we've asked questions about executive movements, the responses included a reference to the One Fortescue model. I just wondered whether you can give us some colour on what's actually happening there, and whether there's been any significant headcount reduction at Fortescue over the last year and if you give us some idea of what that is. Then I have a second question on Gabon. Thanks.

Mark Hutchinson: Yes, hi, Nick. Always a pleasure to talk to you. Mark here. Look, I think over the last six months, particularly with Dino coming into the Metals side we've really made a lot of progress on the One Fortescue, being one company, not two. That was always a concern that you had two businesses. We're one business, we're One Fortescue. We have the same values.

We're making a lot of progress on consolidating all the back office and the shared services. The way that myself and Dino are working together, having Shelley Robertson coming on board to help us to really combine all the functions has been very, very positive. Having Apple come in to be the CFO for both of the businesses is significant as well and she's doing a great job. But look, we're doing this to make sure that we operate better. We're not doing this to actually take a lot of headcount out of, we'll have some efficiencies, which we always do, as we try and do what we do better, but I'd say the One Fortescue model is working extremely well.

Nick Evans: (The Australian) I'm half tempted to follow up asking whether you'll still have two CEOs by this time next year, but I'll instead ask about Gabon. I just saw a report today, the new US ambassador to Gabon earlier or overnight said that the US had no intention of withdrawing its sanctions on the coup leaders. Given Dino's comments that you have met with the President, who I assume is General Brice, who led the coup, is

there any risk to Fortescue's plans to raise money in the US because of any relationship with that Government, given the sanctions in place and have Fortescue had any discussions with the US Department of State over its operations in Gabon?

Dino Otranto: Yes, good question Nick. I look forward to a long partnership with Mark Hutchinson, CEO of Energy here. Look, I think it's a little bit early yet to talk about financing arrangements. Obviously, it would be a key consideration for us if we move the project onto the next phase.

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

Peter Ker: (The Australian Financial Review) Good day everyone, thanks for your time. Just wondering, are you guys having any talks with the Australian Renewable Energy Hub, the AREH, about offtake from that project for your iron ore mines or any part of your business up there? Perhaps as a bit of a connected question, the Energy Minister, Chris Bowen, was up in the Pilbara announcing A\$140 million for a hydrogen hub. It wasn't clear whether that was going to a particular company at all, so keen to get your reaction to that money and whether you think there's anything in it for Fortescue?

Mark Hutchison: Hi Peter, Mark here. Just on the first question, actually. We're talking to many parties, including the BP, and InterContinental team and we'll continue to do so. This is one ecosystem which we want to make sure it gets developed in Australia and we want to make sure we also have the most efficient energy for our own uses. So, we'll continue to have discussions with a number of different parties.

On the Chris Bowen announcement, I don't have any specific detail on that. That's not something I have visibility to at the moment.

Peter Ker: (The Australian Financial Review) No problem. So, with the BP one Mark, are they close enough to be a theoretically viable supplier of either electricity or hydrogen to you guys? Or is it the case that you've got so much of your own land holdings up there that you'd be more capable of doing it yourself if you if you wanted to?

Mark Hutchison: I think Peter, at the moment everything is a bit early stage. We always keep our options open.

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

Dino Otranto: Thank you everyone for the call. What an amazing half year it's been. Again, thanks to the entire Fortescue family for rallying together.

Operator: That does conclude our conference for today. Thank you for participating, you may now disconnect. **[END OF TRANSCRIPT]**