Fortescue
The New Force in Iron Ore

APPENDIX 4E
For the year ended 30 June 2019

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This information should be read in conjunction with Fortescue's Annual Report, for the year ended 30 June 2019.

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 45% to	9,965
Profit from ordinary activities after tax attributable to members	Up 263% to	3,187
Net profit attributable to members	Up 263% to	3,187

Dividends	Amount per security	Franked amount per security
Financial year ended 30 June 2019:		
Interim – ordinary	A$0.19	A$0.19
Interim – special	A$0.11	A$0.11
Interim – special	A$0.60	A$0.60
Final – ordinary	A$0.24	A$0.24
Previous corresponding period:		
Interim – ordinary	A$0.11	A$0.11
Final – ordinary	A$0.12	A$0.12
Ex-dividend date of final dividend	2 September 2019	
Record date of final dividend	3 September 2019	
Payment date of final dividend	2 October 2019	

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 5 September 2019.

The last date for receipt of applications to participate in or to cease or vary participation in the Plan is by 5:00pm (AEST) on 4 September 2019. 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 2 October 2019. 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$3.44 (previous corresponding period: US$3.12).

Previous corresponding period
The previous corresponding period is the 12 months ended 30 June 2018.

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.

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Fortescue
The New Force in Iron Ore

Annual Report
FY19



Global force
Thriving communities

ABN 57 002 594 872

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The year at a glance





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2.8 Total Recordable Injury Frequency Rate

167.7 mt
Shipped

US$ 13.11 /wmt
C1 costs

US$ 3.2 billion
Net Profit after Tax

US$ 1.9 billion
Cash on hand

A$ 2.8 billion
Total taxes, royalties, other government payments and Native Title payments paid

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About Fortescue

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 it was founded in 2003, Fortescue has discovered and developed major iron ore deposits and constructed some of the most significant mines in the world. The Company has grown to be one of the largest global iron ore producers and is focussed on its vision of being the safest, lowest cost, most profitable mining company.

Now consistently shipping around 170 million tonnes of iron ore per annum (mtpa), Fortescue is the lowest cost provider of seaborne iron ore to China.

Fortescue owns and operates a fully integrated infrastructure and supply chain spanning two mine hubs, with a third under development, in the Pilbara, the five berth Herb Elliott Port in Port Hedland, the Judith Street Harbour towage infrastructure and the fastest, heavy haul railway in the world. Fortescue's innovative tug fleet and the eight purpose built Fortescue Ore Carriers have been designed to complement the industry best practice efficiency of Fortescue's port and maximise the safety and productivity of its operation.

The Company is developing the Eliwana Mine and Rail Project and the Iron Bridge Magnetite Project. Together, the Iron Bridge and Eliwana projects will increase the average iron content of Fortescue's ores and provide the ability to deliver on its strategy of the majority of products at greater than 60% Fe.

Consistent with Fortescue's track record of introducing cutting edge technology across the business, the Eliwana Mine and Rail Project will build on the Company's development and construction capability by utilising the latest technology, autonomous trucks and design efficiency.

Innovation in exploration, ore processing and plant design is a key component of Fortescue's strategy to efficiently and effectively deliver products from mine to market.

The Company continues to assess exploration and development opportunities throughout Australia and South America including Ecuador, Colombia and Argentina.

Fortescue's longstanding relationships with customers in China have grown from the first commercial shipment of iron ore in 2008, to now being a core supplier of seaborne iron ore to China and expanding into markets including Japan, South Korea and India.

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

As a proud West Australian company, Fortescue values its relationship with key stakeholders by working together to positively manage and create opportunities for Aboriginal people, contribute to the success of local communities, protect the environment and strengthen the broader Australian economy.

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01

Overview



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Chairman's message

Andrew Forrest AO

I believe this period in Fortescue's history marks the end of the beginning.

Over the last 16 years, Fortescue has accomplished what was judged as impossible. This has included the strong example we have set, which is now being followed, in treating shareholders as owners and returning our rewards to you. From here, we are going to achieve even greater things.

We have also led in our exploration, development, construction and operational capability that will continue to contribute to Fortescue's future success and deliver growth for you, our shareholders.

Fortescue is now rapidly evolving, drawing on the entire Fortescue family to continue to improve on our industry leading efficiency and world class operations to position our Company for dynamic future growth.

We are at the beginning of an energy revolution and Fortescue intends to be at the forefront of this once in a generation opportunity. As a proud Australian company, we have partnered with CSIRO, our nation's preeminent science and research body, to help unlock the potential of hydrogen, the low emission fuel of the future.

The emergence of autonomy is one aspect in which our world is changing rapidly, and we intend to be part of the opportunities that it will represent for the mining industry and the community more broadly.

We are also pursuing opportunities in Australia and internationally and our footprint in South America is expanding, with exploration underway in Ecuador, Colombia and Argentina.

Wherever we go in the world, from Roebourne to Colombia, we bring with us our reputational capital, underpinned by our people and our deep relationships within the communities in which we operate, working closely with our philanthropic partner, the Minderoo Foundation.

Fortescue is committed to protecting and promoting human rights. In November 2018, we commended the momentous passing of Australia's first federal *Modern Slavery Act*, a major step towards stamping out slavery in Australian company supply chains.

Just as our long term engagement with China has played a critical role in Fortescue's growth it will continue to be a core part of our future. We see China as both our friend, and our business partner.

Your leadership team continues to provide active support to the business and engages with executives operating at all levels, as we drive product diversification and product development. Their knowledge, international experience and expertise across a range of strategic, operational and financial aspects remains critical to the long term success of Fortescue.

We should all be incredibly proud that our Board remains a leader in the industry and Corporate Australia for its diversity, with the majority of positions on the Board held by women.

Our Core Leadership Team is leading our Company's new direction.

Together, Chief Executive Officer, Elizabeth Gaines, Deputy Chief Executive Officer, Julie Shuttleworth, Chief Operating Officer, Greg Lilleyman and Chief Financial Officer, Ian Wells, are overseeing the largest expansion program at Fortescue since the ground breaking T155 project.



Fortescue Founder and Chairman, Andrew Forrest AO is greeted by local children in Santa Ana, Ecuador.

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Our values-based approach of empowerment, setting and achieving stretch targets and frugality underpins a business model that has driven high performance and will continue to do so.

The outstanding financial performance of Fortescue has benefited all of our stakeholders. As shareholders, Nicola and I choose to use our dividends to fund the important work of the Minderoo Foundation. We are proudly Australian, and one of Asia's largest philanthropies, with A$1.5 billion committed to a range of global initiatives.

Like Fortescue itself, the Minderoo Foundation and its philanthropic work has significant potential.

With a collaborative, evidence-based approach we are striving to solve major global challenges, including ending modern slavery, eliminating cancer and returning our oceans to a healthy state. This work is targeted through the Building Community, Eliminate Cancer, Flourishing Oceans, Generation One, Research, Thrive by Five and Walk Free initiatives.

Minderoo's Eliminate Cancer initiative launched a new campaign this year to raise the legal age for buying cigarettes from 18 to 21 years to stop smoking before it starts. Walk Free released landmark research on government action on modern slavery, we continue to champion parity for Indigenous Australians and form strategies to tackle the flood of plastic pollution entering our oceans.

Together, Fortescue and Minderoo have empowered the livelihoods of hundreds of thousands of people and partnered with major government and community groups.

Our Board, CLT and the entire Fortescue team is building on your Company's success while also ensuring growth and development for the future.

I would like to thank the Fortescue family for their hard work, enthusiasm and commitment to our Company.



Seeking a healthier future for our kids

Minderoo Foundation launched a hard-hitting Eliminate Tobacco campaign during FY19 as part of our Eliminate Cancer initiative, calling on government representatives to raise the legal purchasing age for cigarettes to 21 years.

Our campaign featured the story of former Fortescue employee, Jason Trewin, and his brave battle with terminal lung cancer, candidly explaining how his illness impacted his family.

Jason's message is powerful and heartfelt; raise the legal age of purchasing cigarettes in Australia from 18 to 21 to help reduce the number of young people who take up smoking and save lives.

Jason, formerly Trades and Specialist Operation Supervisor at Cloudbreak, was 14 when he first started smoking. A valued friend and member of the Fortescue family, Jason sadly passed away on 10 June, aged 52.

Statistics show that 95 per cent of smokers had their first cigarette before turning 21, but if they can reach 21 without smoking, their chance of starting drops dramatically.

We will carry on our fight for legislative change through the Eliminate Cancer initiative and continue Jason's powerful legacy.

Vale Jason Trewin, always in our thoughts.

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Chief Executive Officer's message

Elizabeth Gaines

FY19 has been a year of record achievements, most importantly in our safety performance, with the entire Fortescue team delivering excellent results across all of our operations.

The Fortescue team continues to work together to achieve our vision of being the safest, lowest cost, most profitable mining company.

Safety and unique culture

The health, safety and wellbeing of the Fortescue family is our number one priority and our focus remains on ensuring our people go home safely after every single shift. Unquestionably, the highlight for FY19 was achieving our lowest annual TRIFR of 2.8.

We believe safety and culture go hand in hand. We achieved an overwhelming response of above 93 per cent for the annual Safety Excellence and Culture survey, with all key measures improving year on year.

Our unique culture and Values underpin everything we do and were integral to Fortescue finishing FY19 with a record breaking 17.3 million tonnes (mt) shipped for the month of June, bringing total shipments for FY19 to 167.7mt.

Tailings storage

During FY19, the industry was shocked by the tailings dam disaster at Vale's operations in Brazil. We express our deepest condolences to all those impacted by this tragic event.

Fortescue does not use the upstream construction method, with our tailings facilities designed to the highest standards, and management, monitoring and auditing processes maintained at the most rigorous level.

Balance sheet strength

Our continued disciplined approach to cost management, the combined strength in mining and processing performance, together with consistent shipping levels delivered a full year C1 cost of $13.11/wmt.

Cash on hand increased to US$1.9 billion at 30 June, while net debt reduced to US$2.1 billion, which is its lowest level since achieving current production capacity in FY14.

Investing in our iron ore business

In FY19, we reached a significant milestone on our journey to become the first iron ore operation in the world to have a fully autonomous haulage fleet, with AHS commencing at our Cloudbreak mine and an autonomous light vehicle trial underway at our Christmas Creek mine.

Our integrated operations and marketing team has delivered a strategy and product mix that is closely aligned to market demand.

Our new 60.1% Fe product, West Pilbara Fines commenced shipments in December 2018. Currently a blend of higher iron, low alumina ore from the western pits at Cloudbreak with ore from the Firetail mine, when Eliwana begins production in December 2020, production of West Pilbara Fines will ramp up to 40mtpa.

Our investment in growth through the Eliwana Mine and Rail development and Iron Bridge Magnetite projects, announced over the last 18 months, represents a total investment of US$3.875 billion. Together, these projects increase the average iron content of our ores, providing Fortescue with the ability to deliver on our strategy of the majority of our products at greater than 60% Fe.

We are confident these projects will deliver growth in earnings and cashflow, resulting in enhanced returns to our shareholders through all market cycles.

Growth and development

Fortescue believes that early stage exploration is the key to unlocking significant value and we are building on our world class exploration capability to drive future growth through product diversification and asset development.

We are attracted to the opportunities that will come through the inevitable growth in electric vehicles and the demand for battery materials. To that end, Fortescue is exploring for copper with drilling commenced on our concessions in Ecuador and early stage exploration underway in Argentina on copper targets.

Delivering returns to our shareholders

Fortescue's unwavering determination to deliver shareholder returns through dividends and investment in growth was evident in FY19 with record dividends distributed to shareholders.

The ability to deliver this increased return to our shareholders is underpinned by the successful execution of our strategy, through balance sheet strength, enhanced product mix, sustained cost and efficiency focus, as well as the strength of demand for iron ore.

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Creating positive social change

We were founded with the vision that by first and foremost creating a strong business, we would create economic opportunities and contribute to thriving local communities.

In FY19, 41 trainees graduated from our Vocational Training and Employment Centre (VTEC), bringing the total number of Aboriginal people commenced full time employment via VTEC to 847 since 2006. The total value of contracts awarded to Aboriginal and joint venture businesses since 2011 through our Billion Opportunities program reached A$2.3 billion.

We remain committed to ensuring as many women as possible have an opportunity to participate and make a strong contribution to Australian mining. This year our female employment rate reached 19 per cent and 26 per cent of senior management positions are held by women as at 30 June 2019.

In November 2018, we announced a landmark partnership with CSIRO to develop and commercialise hydrogen. While more research is needed, there is potential for hydrogen to be a source of energy for our mining operations to reduce our cost base and improve our carbon footprint, together with future export opportunities.

Our total economic contribution to Australia for FY19 was A$13.1 billion which included government payments, employee wages and incentives, procurement spend and social investment.

Through our operational excellence and long term sustainable investment, we will continue to deliver substantial economic benefits to our shareholders, the State of WA and the nation for many years to come.

The Fortescue team

On behalf of the Core Leadership Team, I would like to thank the entire Fortescue family for their contributions this year; by having courage and determination, we continue to challenge the status quo and by empowering our people and generating ideas, we have ensured Fortescue delivers on its strategy to become the safest, lowest cost, most profitable mining company.



Elizabeth Gaines, CEO: China policy crucial to WA

Fortescue is a proud West Australian company.

When Fortescue was founded by our Chairman, Andrew Forrest AO, we had a vision to meet the iron ore supply gap in China.

In just over 11 years we've delivered more than 1.3 billion tonnes of iron ore to customers and have been widely recognised as the world's lowest cost producer of seaborne iron ore to China.

An important factor in Fortescue's journey has been our longstanding relationships, and the strength of our multifaceted engagement with China.

This engagement extends across Chinese investors, financing arrangements with Chinese banks, over US$1 billion of procurement as well as strong social, academic and policy engagement.

All of these relationships contribute to fostering a depth and breadth of understanding that is crucial to our business and our country's success.

Western Australia (WA) is Australia's gateway to Asia. We have used this position to our advantage.

Often the East Coast view dominates discussion about Australia's relationship with China and Asia more broadly. This does not fairly reflect WA's important, multidimensional relationship with China. China has been WA's largest market for exports since 2006 and, of course, Western Australia is the largest source of iron ore for China.

As West Australians, we must all be strong advocates for our State – and the message that the resources sector will continue to drive our economy for decades to come.

We comprise just 10 per cent of Australia's population but our State is the power engine for Australia's economy, accounting for 35 per cent of Australian exports in FY18.

In WA there are now approximately $113 billion of projects underway or in the pipeline, including our own Eliwana and Iron Bridge projects.

At Fortescue, we don't subscribe to the "boom/bust" theory as that assumes that after every so-called boom there will inevitably be a bust.

Rather, we believe we are at the start of another construction phase that will sustain investments and support ongoing operations.

Our shared challenge is to ensure that when the cycle moves to the next production phase we've invested wisely for the future, and that communities have benefitted from our business success.

Abridged version – full article published in *The West Australian* on 4 July 2019

Our Vision

The safest, lowest cost, most profitable mining company

Fortescue's Values

- Safety
- Family
- Integrity
- Enthusiasm
- Empowerment
- Frugality
- Courage and determination
- Generating ideas
- Stretch targets
- Humility



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The 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 over the Company's affairs.



Andrew Forrest AO
Chairman



Mark Barnaba AM
Lead Independent Director/
Deputy Chair



Elizabeth Gaines
Chief Executive Officer/
Managing Director



Sharon Warburton
Deputy Chair



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



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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 the Company, 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, 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. There is a formal process and policy to identify, disclose and manage potential conflicts of interest, should they arise.

The Board and each of its four primary Committees have established a process to evaluate their performance annually. The process is based on a formal questionnaire and interview conducted every second year by an independent consultant and every other year by the Company Secretary under the direction of the Chair of the Remuneration and People Committee. The most recent review was undertaken in June 2019 by EY. The results and recommendations are reported to the full Board for further consideration and agreement of improvement actions, where required.

At the date of this report, the Board has eight non-executive directors and one executive director, being 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.



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Andrew Forrest AO
Chairman

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

Mr 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 20 status in the Australian economy, during which time Fortescue invested more than US$20 billion in the resources sector.

In 2001, Mr Forrest co-founded the Minderoo Foundation with his wife Nicola Forrest AO, which has supported over 280 initiatives across Australia and internationally in pursuit of a range of causes. In May 2017, the Forrests announced one of Australia's largest private philanthropic donations of A$400 million, and have continued giving, with their total philanthropic donations exceeding A$1.5 billion in May 2019.

Mr Forrest was awarded an honorary doctorate by The University of Western Australia, is an Adjunct Professor of the Central South University in China, a lifetime Fellow of the Australian Institute of Mining and Metallurgy and was awarded the Global Entrepreneur of the Year by EY for Impact.

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, Mr 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 is also a Councillor of the Global Citizen Commission, which made a series of human rights recommendations to update the Universal Declaration of Human Rights presented to the United Nations Secretary General in April 2016.

Mr Forrest was appointed in 2013 by the Prime Minister and Cabinet of Australia, to Chair the Review of Indigenous Training and Employment Programmes, to end Indigenous disparity through employment.

He was Western Australia's 2017 Australian of the Year for his outstanding contribution to the community and in 2018, Mr Forrest was inducted into the Australian Prospectors & Miners' Hall of Fame.

Committee memberships:
Finance Committee (Chair)

Mark Barnaba AM
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 focussed predominately in the natural resources sector.

Mr Barnaba has spent most of his career with McKinsey & Company (both in Australia and overseas), 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), 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 also is a member of the Board (and Chairman of the Audit Committee) of the Reserve Bank of Australia.

He also chairs the Board of the University of Western Australia Business School, chairs 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), and is a senior adviser to 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 (Baker Scholar) and an Honorary Doctor of Commerce from the University of Western Australia.

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

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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.

Ms Gaines commenced as Chief Executive Officer of Fortescue Metals Group 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.

A member of Chartered Accountants Australia and New Zealand, the Australian Institute of Company Directors and Chief Executive Women, she holds a Bachelor of Commerce degree and Master of Applied Finance degree.

Ms Gaines is a member of the Curtin University - Faculty of Business and Law Advisory Council.

Former directorships in the last three years (ASX Listed Entities): NEXTDC Limited (Non-Executive Director); Nine Entertainment Co. Holdings Limited (Non-Executive Director); ImpediMed Limited (Non-Executive Director).

Sharon Warburton

Deputy Chair

Deputy Chair since July 2017; Non-Executive Director since November 2013.

Ms Warburton has extensive experience in the mining, infrastructure and construction sectors. She gained substantial operational, commercial and risk management experience in the global resources sector through her time as an executive at Rio Tinto. She has also previously held senior executive positions at Brookfield Multiplex, ALDAR Properties PJSC, Multiplex and Citigroup.

In recognition of her experience, she was awarded Western Australian Telstra Business Woman of the Year in 2014 and was a finalist in 2015 for The Financial Review's Westpac 100 Women of Influence. She is a Director of the Perth Children's Hospital Foundation and formerly the Chairman of the Northern Australia Infrastructure Facility and Director of Western Power.

Ms Warburton is regarded as a financial, governance and remuneration expert and is a Fellow of the Institute of Chartered Accountants Australia and New Zealand and Australian Institute of Building. She is a Graduate of the Australian Institute of Company Directors, a member of Chief Executive Women and a part-time member of the Australian Takeovers Panel.

She holds a Bachelor of Business (Accounting and Business Law) from Curtin University and is an Adjunct Professor of Curtin University's Faculty of Business and Law.

Other current directorships (ASX listed entities): Gold Road Resources Limited (Non-Executive Director); NEXTDC Limited (Non-Executive Director); Worley Parsons Limited (Non-Executive Director); Wesfarmers Limited (Non-Executive Director).

Former directorships in the last three years (ASX Listed Entities): Wellard Limited.

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

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 Executive Chairman of CSM Sport and Entertainment, within the Chime Communications group. He was elected President of the International Association of Athletics Federations (IAAF) in 2015 where he is driving significant governance reforms through the organisation and its 214 Member Federations around the world.

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 twelve 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.

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Jennifer Morris OAM
Non-Executive Director

Non-Executive Director since November 2016.

Ms Morris is a former Partner in the Consulting Division of Deloitte, where she specialised in complex large-scale business transformation programs and strategy development. She currently holds a senior position at the Minderoo Foundation as Chief Executive Officer of Walk Free.

She has senior corporate governance experience and is currently a Commissioner of the Board of Australian Sports Commission.

A former Director of the Fremantle Football Club and Western Australian Institute of Sport, Ms Morris also served as Chairperson of the Board of Healthway – the WA Government's peak health promotion body.

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' various roles in elite sport and the corporate world allow her to provide significant demonstrated experience in the areas of leadership and high performance.

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 (Member), Audit and Risk Management Committee (Member)

Dr Jean Baderschneider
Non-Executive Director

Non-Executive Director since January 2015.

A highly regarded leader in both business and civil society, Dr Baderschneider brings 35 years' of extensive international experience in procurement, strategic sourcing and supply chain management along with a deep understanding of high-risk operations and locations and complex partnerships.

Dr Baderschneider retired from ExxonMobil in 2013 where she was Vice-President of Global Procurement. During her 30-year career, she was responsible for operations all over the world, including Africa, South America the Middle East and Asia.

A past member of the Board of Directors of the Institute for Supply Management and the Executive Board of the National Minority Supplier Development Council, Dr Baderschneider also served on the boards of The Center of Advanced Purchasing Studies and the Procurement Council of both The Conference Board and the Corporate Executive Board.

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.

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, the Port Authority of NSW, Taronga Conservation Society Australia and the Crescent Foundation.

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), Finance Committee (Member)

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 co-operation.

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.

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.

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Core Leadership Team

Fortescue's Core Leadership Team (CLT) was announced in November 2017 and is focussed on the core Values and culture of the Company and empowering the workforce to make decisions that drive success for the Company.



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.

A member of Chartered Accountants Australia and New Zealand, the Australian Institute of Company Directors and Chief Executive Women, Ms Gaines holds a Bachelor of Commerce degree and Master of Applied Finance degree.

Ms Gaines is a member of the Curtin University - Faculty of Business and Law Advisory 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 25 years' experience in the mining industry in Australia, China and Tanzania, including 19 years in gold/copper working for Newcrest Mining, Sino Mining and Barrick Gold, and six years' iron ore experience with Fortescue.

Ms Shuttleworth is a Fellow and Chartered Professional of the Australian Institute of Mining and Metallurgy (AusIMM), is a Graduate Member of the Australian Institute of Company Directors, on the International Committee of the Society of Mining Metallurgy and Exploration, and a Member of the Mining and Metallurgical Society of America. She also serves on the AusIMM Council for Diversity and Inclusion and 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.



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Ian Wells

Chief Financial Officer

Mr Wells joined Fortescue in 2010 and has held multiple senior executive roles in the Finance team, including funding, treasury, planning and analysis as well as Company Secretary. He commenced as Chief Financial Officer in February 2018.

Mr Wells' prior experience includes financing Fortescue's US$10 billion major iron ore project development to 155 million tonnes per annum, and successfully undertaking multi-billion dollar capital raising and refinancing transactions in domestic and international capital markets.

Most recently, he has held the position of Group Manager Corporate Finance, leading Fortescue's capital management strategy with group responsibility for Treasury and Funding.

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 Business Committee.

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 nearly three decades of extensive international experience in the mining sector, including over 20 years' in the iron ore sector across multiple commodities in large scope project development and construction, operational and business leadership, joint venture management and technology deployment, Mr Lilleyman brings significant business credentials and 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.

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Executive Team

Fortescue's Executive Team is accountable for the safety of its people, upholding the Company's Values, acting with integrity and honesty, and leading the business to achieve its vision of becoming the safest, lowest cost, most profitable mining company.



Danny Goeman
Director Sales and Marketing



Peter Huston
Chief General Counsel and Director Corporate Services



Anthony Kirke
General Manager Iron Ore Projects



Tim Langmead
Director Community, Environment and Government



David Liu
Senior Advisor to the CEO and COO



Linda O'Farrell
Group Manager Fortescue People



Fernando Pereira
Director Pilbara Operations



Alison Terry
Group Manager Corporate Affairs and Joint Company Secretary



Rob Watson
Group Manager Health and Safety

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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 and Europe, and has experience in a range of commodities including diamonds, iron ore, coal and potash. Mr Goeman has a Masters degree in Business Administration.

Peter Huston
Chief General Counsel and Director Corporate Services

Mr Huston joined Fortescue in 2005 and has over 20 years' experience in legal and 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 "Activism Private Equity" as an Executive Director at Troika Securities Limited. Mr Huston is a well-regarded corporate lawyer in Australia.

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.

Anthony Kirke
General Manager Iron Ore Projects

Mr Kirke was appointed General Manager Iron Ore Projects in February 2018. After joining Fortescue in 2010, he has had a number of roles including General Manager Solomon and Group Manager Operations Planning.

Mr Kirke is responsible for Fortescue's major Iron Ore development projects including the Eliwana Mine and Rail and the Iron Bridge Magnetite Project.

He is also responsible for the feasibility studies for all future iron ore projects, ensuring the long term sustainability of Fortescue's iron ore operations.

Commencing with Mt Newman Mining in 1985 in Port Hedland, Mr Kirke has worked across the full supply chain with roles encompassing port operations, ore processing, mining and maintenance.

Tim Langmead
Director Community, Environment and Government

Mr Langmead was appointed Director External Relations in January 2014, after joining Fortescue as Group Manager Corporate Affairs in January 2013 and was subsequently appointed Director Community, Environment and Government.

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.

David Liu
Senior Advisor to the CEO and COO

Mr Liu was appointed Director Sales and Marketing in 2011. He has almost 30 years' experience in trade and investment projects between Australia and China and a strong understanding of Chinese culture and business practices.

Mr Liu moved from Director Sales and Marketing into the role of Senior Advisor to the Chief Executive Officer and Chief Operating Officer in August 2018.

Linda O'Farrell
Group Manager 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 and is a Director at the Australian Institute of Management Western Australia and AMMA, the Australian Resources and Energy Group.

Fernando Pereira
Director Pilbara Operations

Mr Pereira was appointed Director Pilbara Operations in June 2019. He 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
Group Manager 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 and a Graduate of the Australian Institute of Company Directors.

Rob Watson
Group Manager Health and Safety

Mr Watson was appointed Group Manager Health and Safety in 2014 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.

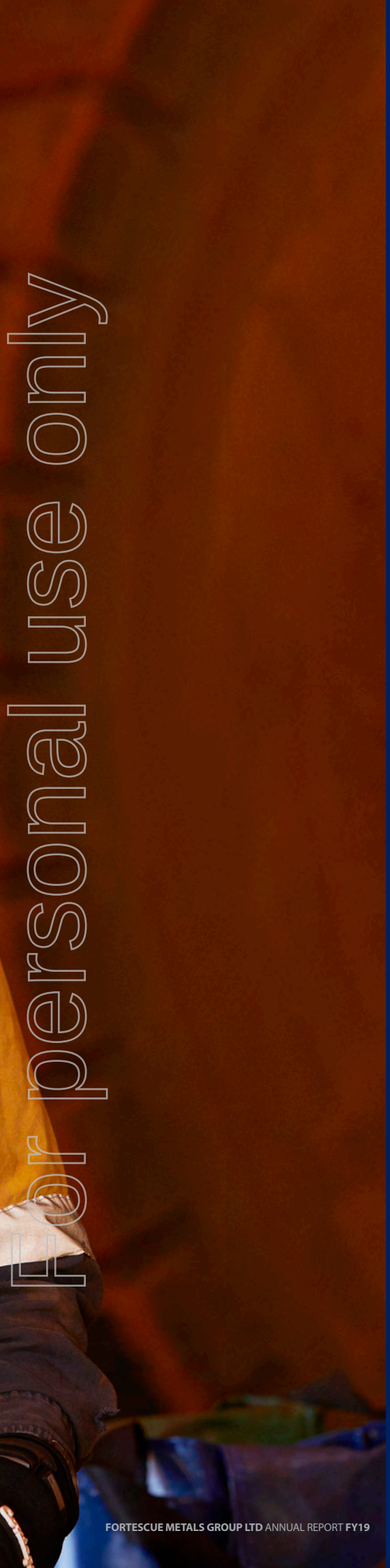
Mr Watson's career in health and safety spans over 25 years in a number of industries and commodities. Mr Watson holds a Masters in Occupational Health and Safety.

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02

Operating and Financial Review





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167.7 mt

Shipped

US$ 13.11 /wmt

C1 costs

US$ 1.9 billion

Cash on hand

US$ 10.0 billion

Revenue

US$ 4.0 billion

Gross debt

US$ 2.1 billion

Net debt

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Overview of operations

As one of the world's largest iron ore producers, Fortescue owns and operates integrated operations spanning two iron ore mine hubs, the five berth Herb Elliott Port and Judith Street Harbour towage facility in Port Hedland and the fastest, heavy haul railway in the world.



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Chichester Hub

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

Consistent and sustained output delivered from the OPFs has allowed Fortescue to continue optimisation of its product strategy through enhanced blending and beneficiation, increasing iron upgrades and reducing impurities. This has resulted in lower mining cut-off grades, further maximising ore bodies and sustainably reducing strip ratios.

The Company's Cloudbreak mine site is home to the five-kilometre relocatable conveyor which includes two semi-mobile primary crushing stations and feeds directly into the Cloudbreak OPF. An example of Fortescue's innovative operations, the infrastructure can be positioned approximate to pits and relocated, extended or shortened once an area is mined.

Solomon Hub

The Solomon Hub in the Hamersley Ranges is located 60km north of Tom Price and 120km to the west of Fortescue's Chichester Hub. It comprises the Firetail and Kings Valley mines which together have a production capacity of 70 to 75mtpa.

Solomon represents a valuable source of production by blending higher iron grade, low cost Firetail ore with low phosphorous Chichester ore to create the high quality Fortescue Blend.

West Pilbara Fines

Fortescue's introduction of its 60.1% iron content product West Pilbara Fines in December 2018 demonstrates the agility of the Company's processing and blending strategy and the flexibility of its wholly owned, integrated mining operations and infrastructure.

West Pilbara Fines is currently produced by blending higher iron, low alumina ore from the western pits at Cloudbreak with ore from the Firetail mine. When Eliwana begins production in December 2020, production of West Pilbara Fines will ramp up to 40mtpa.

Hedland Operations

Fortescue wholly owns and operates its purpose designed rail and port facilities, constructed to deliver iron ore from its mines to Port Hedland and on to its customers. Covering 620km of track, the 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 port the most efficient bulk port operation in Australia. The port has five operating berths and is capable of safely and efficiently exporting more than 170mtpa.

Shipping and towage fleet

Fortescue's eight Ore Carriers were innovatively designed to complement Fortescue's port infrastructure. The fleet delivers approximately 14 per cent of Fortescue's shipping requirements, and has improved load rates, efficiencies and reduced operating costs.

In FY19, Fortescue celebrated the completion of its fleet of tugs and towage infrastructure. The Company's innovative tug fleet will provide safe and reliable towage services that will maximise the efficiencies of its operations and provide additional towage capacity for all Port Hedland users.

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World leading automation

Fortescue was the first company in the world to deploy CAT autonomous haulage on a commercial scale when autonomous haulage trucks (AHS) began operating at the Solomon Hub in 2012. Today, Fortescue's AHS deployment is the largest mining technology program in the industry. The conversion of Fortescue's fleet to autonomy across all its mine sites in the Pilbara will see 175 trucks fitted with AHS by mid-2020.

In a global first, Fortescue retrofitted CAT Command for hauling, part of Caterpillar's MineStar technology, on Komatsu 930E haul trucks at Christmas Creek.

The 930Es have been operating alongside the CAT 789Ds since November 2018, demonstrating the Company's capability to manage and operate the first multi-class truck size autonomous haulage site in the industry.

Fortescue was the first operation in Western Australia to control a railway from outside the region when it opened its Train Control Centre in Perth in 2009. Today, the Integrated Operations Centre (IOC) in Perth includes Christmas Creek's mine planning and Cloudbreak's mine control. The remote operation utilises the latest technology and ensures improved safety, reliability and efficiency, while Cloudbreak is the first remote mining operation in the world to use the CAT MineStar Command system in production mode.





Iron Bridge

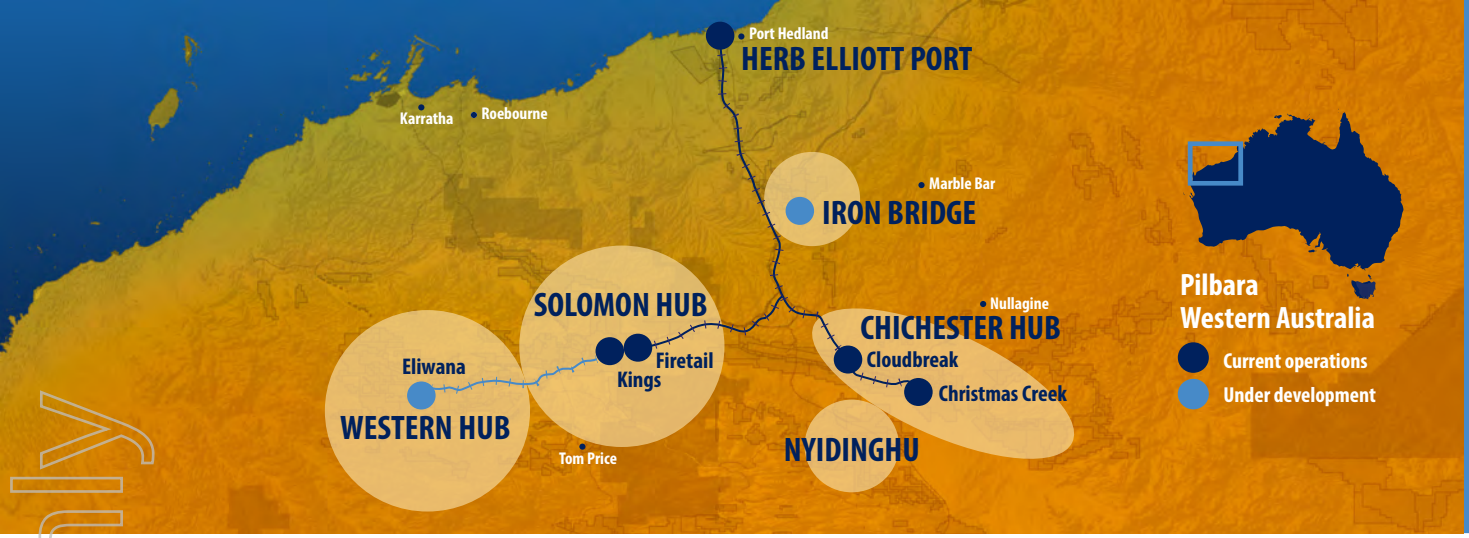
In April 2019, the development of the US$2.6 billion Iron Bridge Magnetite Project was approved by the Board. The Project will deliver 22mtpa of high grade 67% Fe magnetite concentrate product, with first ore on ship scheduled for mid-2022.

Iron Bridge, located 145km by road south of Port Hedland and incorporating the world class North Star and Glacier Valley Magnetite ore bodies, is an unincorporated joint venture between Fortescue Metals Group subsidiary FMG Iron Bridge and Formosa Steel IB. Baosteel also has an interest in the Project, as part owner of FMG Iron Bridge.

The Iron Bridge Project holds Australia's largest Joint Ore Reserves Committee (JORC) compliant magnetite resource supporting a long mine life. The innovative process design, including the use of a dry crushing and grinding circuit, will deliver an industry-leading energy efficient operation with globally competitive capital intensity and operating costs.

The Iron Bridge premium 67% Fe product will further enhance the range of products available to Fortescue's customers through the Company's flexible integrated operations and marketing strategy. The product from Iron Bridge, along with hematite from the Eliwana Mine Project, will see Fortescue's average iron content increase and provide the ability to deliver the majority of products at greater than 60% Fe.

Fortescue's AHS deployment is the largest mining technology program in the industry



Eliwana Mine and Rail Project

Fortescue's US$1.275 billion Eliwana Mine and Rail development includes 143km of rail and a 30mpta dry OPF.

The project underpins the introduction of the 60.1% iron grade product, West Pilbara Fines, and will maintain Fortescue's low cost status, providing greater flexibility to capitalise on market dynamics while maintaining Fortescue's overall production rate of a minimum 170mtpa over 20 years.

The Eliwana project will build on Fortescue's development and construction capability, utilising the latest technology, autonomous trucks and design efficiency.

Exploration

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

The Western Hub Resources include significant amounts of high iron content bedded iron ore, adding high iron content, dry, low cost tonnes to Fortescue's product suite.

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

International footprint

Fortescue is building on its world-class exploration expertise, operational reputation and capability of its people through early stage exploration in highly prospective areas to deliver future shareholder value.

The Company is assessing exploration and development opportunities throughout South America including Ecuador, Colombia and Argentina. Drilling on targets prospective for copper commenced in April 2019 at Fortescue's Santa Ana concessions in Ecuador.

In November 2018, Fortescue acquired an exploration company in Argentina which provided access to a large greenfield landholding of approximately 2,930km^2 in the Argentinian Province of San Juan, which is prospective for copper-gold. Initial field work commenced in January 2019 in a project area approximately 180km from San Juan.

The Eliwana project will build on Fortescue's development and construction capability



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Fortescue builds on its strong relationships with China

Throughout FY19, Fortescue continued to strengthen its multifaceted relationships with China, through supply, procurement, investment as well as academic, policy and community engagement.

Fortescue's longstanding relationships with customers in China have grown from the first commercial shipment of iron ore in 2008 to now being a core supplier of seabourne iron ore to China.

Fortescue's operations and marketing functions are closely integrated and focussed on operational delivery and meeting the needs of its customers, while maximising the value that Fortescue receives for its products.

Fortescue held a Technical Forum in Hunan Province in June 2019, bringing together 200 customer technical representatives and Fortescue team members to engage on the best use of Fortescue's products, as well as new technologies and emerging trends.

A new China based sales entity was established to support customers through direct supply from regional Chinese ports, providing them with an option to purchase smaller volumes, in Renminbi. Initial sales commenced towards the end of FY19 with volumes expected to represent approximately five per cent of China sales.

During the year, Fortescue announced the development of the Iron Bridge Magnetite Project. As a part owner of FMG Iron Bridge, Baosteel has an interest in the Project. Iron Bridge is another example of the breadth of Fortescue's relationship with China.

Fortescue was proud to attend the prestigious Boao Forum for Asia (Boao) as a Diamond partner for the eleventh consecutive year. In addition to an informal gathering of the Australia-China Senior Business Leaders Forum (SBLF), Chairman Andrew Forrest AO, Chief Executive Officer, Elizabeth Gaines and Chief Operating Officer, Greg Lilleyman were joined at Boao by Hon. Alannah MacTiernan MLC, Western Australia's Minister for Regional Development, Agriculture and Food; Ports; Minister Assisting the Minister for State Development, Jobs and Trade.

In July 2018, Fortescue's second China-Australia University tour welcomed a group of under-graduate and post-graduate university students from two West Australian and two Chinese universities to its operations. The tour provided an opportunity to showcase Fortescue's operations and assets and provide the students with first-hand insights into its innovative mining processes. The third annual University Tour was held in July 2019. The tour complements Fortescue's sponsorship of academic scholarships at Central South University in China and its membership of the Lingnan (University) College International Advisory Board.

Fortescue is proud of its long term relationships with stakeholders in China and, as one of the largest exporters of iron ore globally, is focussed on maintaining the mutually beneficial business and trading relationships between China and Australia.

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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.



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Key Performance Indicators



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2.8 Total Recordable Injury Frequency Rate

Safety

167.7 mt (shipped)

Production

US$ **13.11**/wmt

C1 costs

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Key Performance Indicators

Safety

Fortescue has an absolute focus on safety, as the Company's number one Value.

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

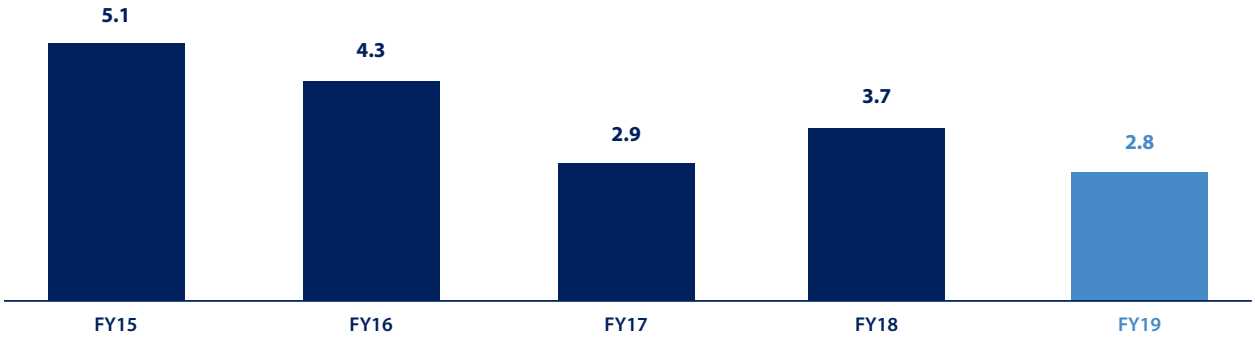
Fortescue's rolling twelve-month Total Recordable Injury Frequency Rate (TRIFR) improved by 24 per cent from 3.7 at 30 June 2018 to 2.8 at 30 June 2019.

As the Company aims to reach its goal of zero harm, Fortescue is committed to continuing to improve its safety performance across the following areas:

- Strengthening safety leadership through specific action plans to improve the results of the Company-wide Safety Excellence and Culture Survey
- Engaging its workforce in improving safety through programs like the Company-wide Safety Stop
- Engagement with contracting partners to ensure compliance with Fortescue's safety standards
- The continued reduction of workplace exposures through safety improvement opportunities.

The key objective is to ensure there are no fatalities in our operations. In FY19, there were no fatalities and during the year, Fortescue committed to further reducing the risk of fatalities and serious injuries with an increased focus on eliminating or engineering out hazards. Each operating area was set a target of reducing their fatality risk profile by 15 per cent by the end of the year. The combined risk reduction achieved was 16.2 per cent across the business.

12-month rolling TRIFR, per million hours worked





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Key Performance Indicators

Production

Optimised product mix delivering value in FY19.

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

12 months to 30 June	2019 million wmt	2018 million wmt	Movement %
Overburden removed	303.7	267.4	14%
Ore mined	206.7	184.5	12%
Ore processed	176.9	165.6	7%
Shipments	167.7	169.8	-1%

In FY19, Fortescue's integrated operations and marketing strategy succesfully delivered margin optimisation through enhanced product mix and volumes. After record shipments in the last quarter of FY18, iron ore inventories were rebuilt at mines and port, and new areas were prepared for mining ahead of the introduction of Fortescue's 60.1% West Pilbara Fines product in December 2018.

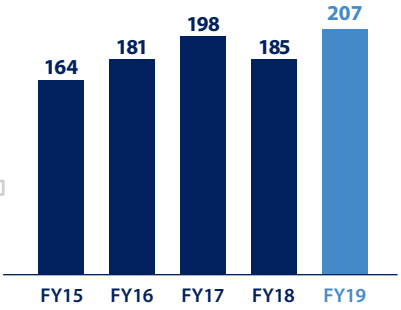
Mining and processing activities outperformed prior years, positioning the Company to achieve its FY19 targets and provide flexibility to manage product mix and capitalise on market conditions.

Mining, processing, rail and shipping combined to achieve shipments of 167.7mt in FY19, in line with FY18 once adjusted for the 2.5mt of production lost in March as a result of Tropical Cyclone Veronica. This is on par with the annual shipment rate of 170mt achieved in prior years.

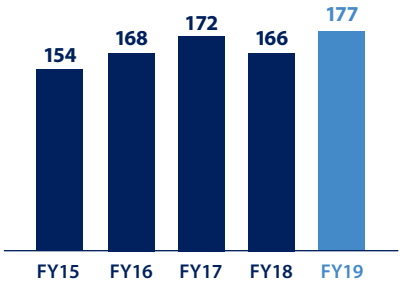
The first cargo of Fortescue's 60.1% iron West Pilbara Fines product was shipped from Port Hedland to China in December 2018. This product is currently a blend of higher iron, low alumina ore from the western pits of Cloudbreak with ore from the Firetail mine. The introduction of West Pilbara Fines demonstrates the flexibility of the Company's wholly owned, integrated mining operations and infrastructure and the agility of its processing and blending strategy. Fortescue produced and shipped 9mt of West Pilbara Fines in FY19 and is targeting production of between 17 to 20mtpa in FY20 and up to 40mt per annum once the Eliwana mine is fully operational with first ore on train scheduled for December 2020.

Towards the end of FY19, Fortescue established a legal entity in China with the aim to better serve its customers through its ability to sell product in local currency and in smaller volumes. FY19 total shipments includes 0.2mt of product shipped onshore to China for subsequent sale by Fortescue in country.

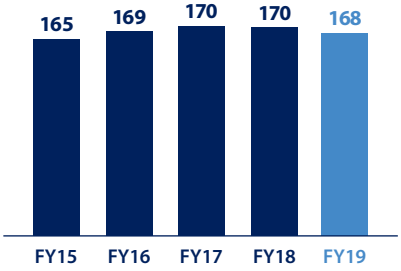
Mining, million wmt



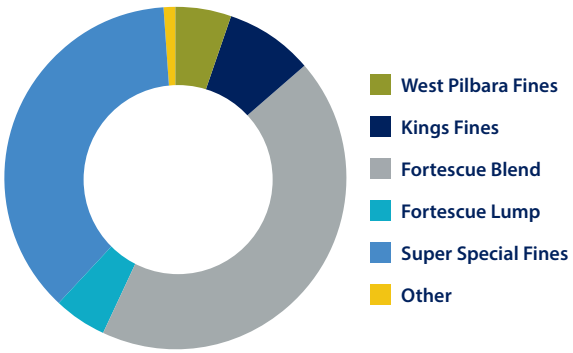
Processing, million wmt



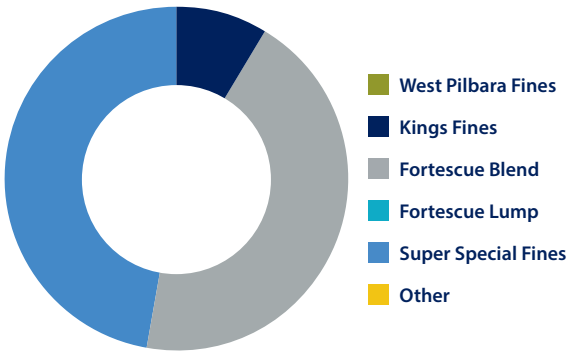
Shipments, million wmt



FY19 Product Mix



FY18 Product Mix



Costs

Disciplined cost control supports focus on margins.

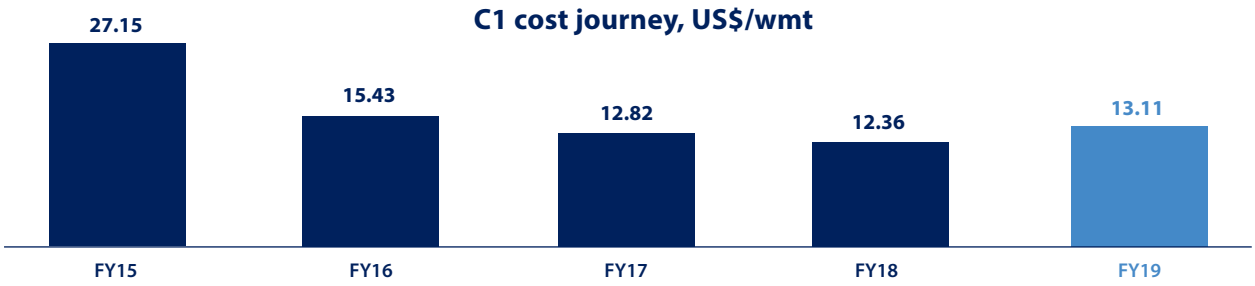
During the year, Fortescue continued to build on key initiatives to maintain its low cost position, including:

- Continuation of the conversion to autonomous haul fleet at Christmas Creek during FY19 with a total of 112 trucks now converted and in operation at 30 June 2019. Conversion activities commenced at Cloudbreak and upon completion, Fortescue will become the first iron ore operation in the world to have a fully autonomous fleet
- Delivery of the final vessel in Fortescue's ore carrier fleet, FMG Northern Spirit. All eight ore carriers have now been delivered and are shipping approximately 14 per cent of Fortescue's annual shipping requirements. The ore carriers have been designed to provide operational cost improvements and loading efficiencies
- Ramp up to full operation of the relocatable conveyor at Cloudbreak, following commissioning in late FY18
- Improved performance across ore processing facilities reflecting the focus on and investment in maintenance activities
- Offsetting the impacts of increasing strip ratios and haul distances through a rigorous cost management approach, applied across all mining operations
- Continuous improvement focus on mine planning, design and review of mining methodology, cross-site operational collaboration, efficiency of mining equipment and labour productivity
- Engaging with our entire workforce to identify opportunities to enhance value in our operations.

Overall, in FY19 Fortescue demonstrated its ability to consistently deliver a sustainable cost of production through structural improvements in blending and processing, productivity and efficiency initiatives, and a commitment to innovation and technology across its integrated operations.

C1 cost for the year remained steady at US$13.11/wmt, a six per cent increase over the prior year, and has maintained Fortescue's position as the lowest cost supplier of seaborne iron ore into China.

The chart below illustrates the success of Fortescue's cost reduction and efficiency initiatives over the past five years, reflecting sustainable, long term management of operating costs.



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Financial performance

Fortescue's financial results for the year demonstrate the continued ability of the Company's operations to generate strong cash flows through the successful execution of its integrated operations and marketing strategy resulting in sustained low cost performance and strong operating margins.

During the year ended 30 June 2019, Fortescue delivered a record net profit after tax of US$3,187 million and earnings per share of 103.1 US cents, due to strong customer demand and iron ore price, as well as an optimised product mix to deliver higher margins.

Key metrics	2019	2018
Revenue, US$ millions	9,965	6,887
Underlying EBITDA[1], US$ millions	6,047	3,182
Net profit after tax, US$ millions	3,187	878
Earnings per share, US cents	**103.1**	**28.2**
Average realised price, US$/dmt	**65**	44
C1 costs, US$/wmt	**13**	12
Underlying EBITDA margin, US$/dmt	**39**	20
Key ratios		
Underlying EBITDA margin, %	61	46
Return on equity, %	31	9

[1] Refer to page 33 for the reconciliation of Underlying EBITDA to the financial metrics reported in the financial statements under Australian Accounting Standards.

Revenue

	Note[1]	2019	2018
Total iron ore revenue, US$ millions	3	8,786	6,775
Total shipping revenue[2], US$ millions	3	1,177	-
Other revenue, US$ millions	3	2	112
Operating sales revenue, US$ millions		**9,965**	6,887
Shipments, million wmt		168	170
Average 62% Fe CFR Platts index, US$/dmt		80	69
Average realised price, US$/dmt		**65**	44

[1] Notes to the accompanying financial statements.

[2] The Group adopted AASB 15 *Revenue from Contracts with Customers* effective from 1 July 2018. As discussed in note 23(x) to the accompanying financial statements, this Standard requires shipping revenue to be recognised separately from revenue from the sale of iron ore. Comparatives were not required to be restated.

Demand for Fortescue products remained strong with 167.7mt of iron ore shipped to customers in FY19.

The Platts 62% CFR index averaged US$80/dmt in FY19 which reflects an increase of 16 per cent over the prior year (FY18: US$69/dmt) with Fortescue's average realised price increasing by 47 per cent over the same period (from US$44/dmt in FY18 to US$65/dmt in FY19). The factors which have influenced Fortescue's realised price include:

- Successful integrated operations and marketing strategy increasing the volume of higher margin products shipped including West Pilbara Fines
- Increasing demand for Fortescue's products following moderation of steel mill margins in China
- Continued strength in Chinese steel production, growing by 9.9 per cent in the first half of calendar 2019 compared to the prior year
- 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]	2019	2018
Mining and processing costs, US$ millions	5	1,829	1,739
Rail costs, US$ millions	5	190	188
Port costs, US$ millions	5	176	172
C1 costs, US$ million		**2,195**	2,099
Shipments, million wmt		168	170
C1 costs, US$/wmt		**13.11**	12.36
Shipping costs, US$ millions	5	1,082	1,148
Government royalty[2], US$ millions	5	651	416
Administration expenses, US$ millions	6	95	70
Shipping, royalty and administration, US$ millions		**1,828**	1,634
Shipments, million wmt		168	170
Shipping, royalty and administration, US$/wmt		**11**	10
Total delivered cost, US$/wmt		**24**	22
Total delivered cost, US$/dmt		**26**	24

[1] Notes to the accompanying financial statements.

[2] Fortescue pays a 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 FY19 operating cost performance are discussed on page 30.

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Financial performance

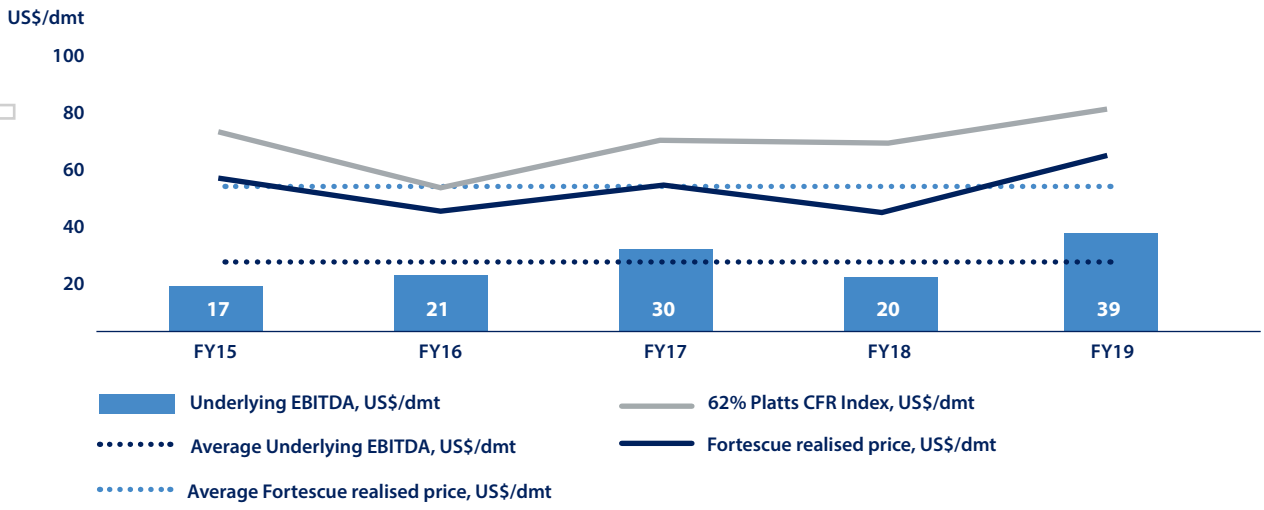
Underlying EBITDA

Underlying EBITDA, defined as earnings before interest, tax, depreciation and amortisation, exploration, development and other expenses, is used as a key measure of the Company's financial performance. During the year, Fortescue's operations generated Underlying EBITDA of US$6,047 million (FY18: US$3,182 million). The reconciliation of Underlying EBITDA to the financial metrics reported in the financial statements under Australian Accounting Standards is presented below.

	Note[1]	2019 US$m	2018 US$m
Operating sales revenue	3	9,965	6,887
Cost of sales excluding depreciation and amortisation	5	(3,931)	(3,665)
Net foreign exchange gain	4	110	29
Administration expenses	6	(95)	(70)
Other income/ (expenses)	4,6	(2)	1
Underlying EBITDA		**6,047**	3,182
Finance income	7	26	24
Finance expenses	7	(279)	(652)
Depreciation and amortisation	5, 6	(1,196)	(1,277)
Exploration, development and other expenses	6	(29)	(32)
Net profit before tax		**4,569**	1,245
Income tax expense	14	(1,382)	(367)
Net profit after tax		**3,187**	878
Cost of early debt repayment after tax		-	202
Underlying net profit after tax		**3,187**	1,080

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

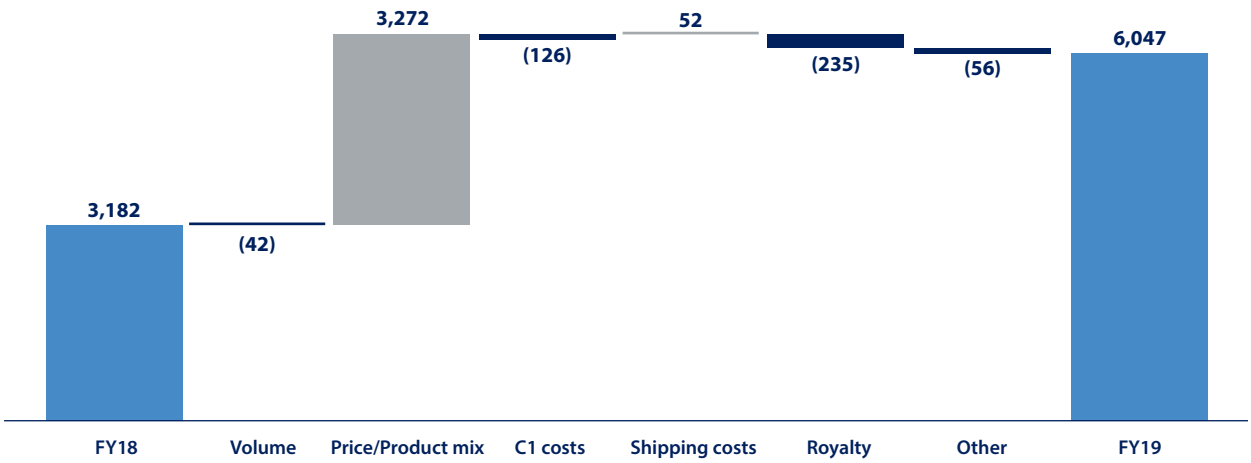
The Underlying EBITDA of US$6,047m for FY19 represents an Underlying EBITDA margin of US$39/dmt or 61 per cent. As illustrated in the chart below, Fortescue has been maintaining EBITDA margins through market cycles demonstrating its commitment to productivity, efficiency and innovation.



Underlying EBITDA (continued)

Key factors contributing to the 90 per cent increase in Underlying EBITDA from the prior period were primarily market driven, with higher prices realised for Fortescue products averaging US$65/dmt in FY19 (FY18: US$44/dmt).

Underlying EBITDA (US$m)



Non-operating events

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

- Finance expenses of US$279 million (FY18: US$652 million) include interest on borrowings and finance lease liabilities of US$218 million (FY18: US$340 million) which decreased by 36 per cent compared to the prior period. Prior year finance expenses included the pre-tax impact of early debt repayments and refinancing of US$289 million
- Depreciation and amortisation expense of US$1,196 million (FY18: US$1,277 million) was 6 per cent lower than the previous year
- Income tax expense for the year of US$1,382 million at an effective income tax rate of 30.3 per cent (FY18: US$367 million, at an effective rate of 29.5 per cent).

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Financial position

Flexible capital structure for future growth; focus on shareholder returns.

Fortescue's gross debt remained consistent at US$3,952 million with gross gearing of 27 per cent and net gearing of 16 per cent (FY18: US$3,975 million, gross gearing of 29 per cent and net gearing of 24 per cent), inclusive of finance leases of US$573 million (FY18: US$595 million). The US$1,025 million revolving credit facility remains undrawn at 30 June 2019.

Key metrics	Note[1]	2019 US$m	2018 US$m
Borrowings	9(a)	3,379	3,380
Finance lease liabilities	9(a)	573	595
Total debt		**3,952**	3,975
Cash and cash equivalents	9(b)	1,874	863
Net debt		**2,078**	3,112
Equity		**10,601**	9,732
Key ratios		**%**	%
Gearing, %		27	29
Net gearing, %		16	24

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



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Financial position

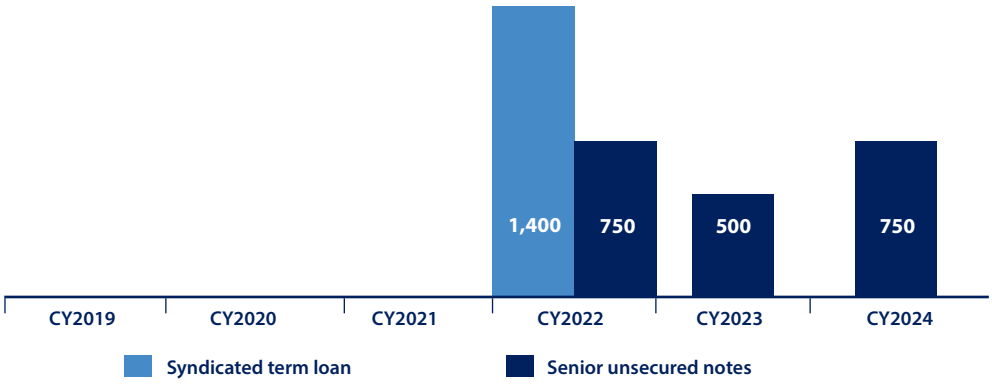
Debt and liquidity

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 for future growth.

At 30 June 2019, Fortescue had US$2,899 million of liquidity available including US$1,874 million of cash on hand and the US$1,025 million undrawn revolving credit facility. Total debt of US$3,952 million, inclusive of US$573 million of finance leases, represents gross gearing of 27 per cent.

The Company's debt maturity profile at 30 June 2019 is set out below. No financial maintenance covenants are contained within Fortescue's debt instruments, and the Company maintains a disciplined approach to debt maturity, considering refinancing and/or debt repayment well in advance of maturity.

Debt maturity profile (excluding finance leases), US$m



Cash generated by operations

Fortescue generated strong underlying cash flows from operations during the year with cash on hand at 30 June 2019 of US$1,874 million. Pre-tax operating cash flows are 63 per cent higher compared to the prior year primarily as a result of a 90 per cent increase in Underlying EBITDA.

Key metrics	2019 US$m	2018 US$m
Cash generated from operations	**4,979**	3,031
Cash flows from operating activities	4,373	1,601
Capital expenditure	(1,040)	(890)
Free cash flow	**3,333**	711



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Financial position

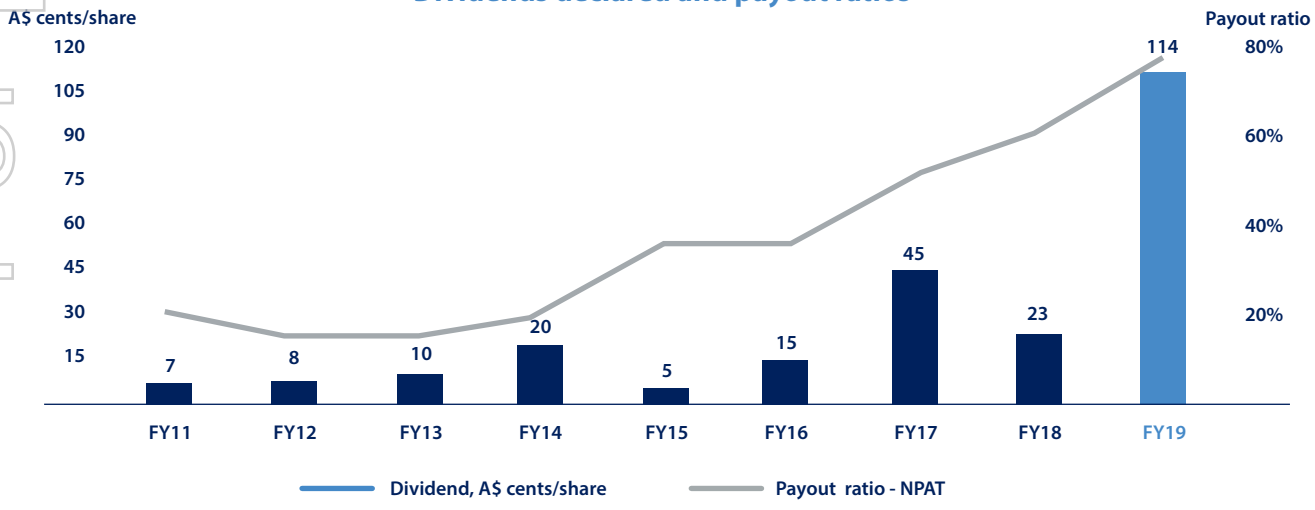
Dividends and shareholder returns

In FY19, Fortescue generated earnings of 103.1 US cents per share (FY18: 28.2 US cents per share), with underlying return on equity of 31 per cent (FY18: 9 per cent).

	2019	2018
Net profit after tax, US$ millions	3,187	878
Earnings per share, US cents per share	103.1	28.2
Return on equity, %	31	9
Underlying return on equity, %	31	11
Interim dividend, AUD cents per share	**19**	11
Interim special dividend, AUD cents per share	11	-
Accelerated final dividend, AUD cents per share	60	-
Final dividend, AUD cents per share	**24**	12
Total dividend, AUD cents per share	114	23
Dividend payout ratio, %	78	62

Fortescue's total FY19 dividends declared of A$1.14 equal a dividend payout ratio of 78 per cent of full year net profit after tax and represents a record return to shareholders following the reduction in leverage and record net profit after tax. The ability to deliver this increased return reflects the success of the integrated operations and marketing strategy, enhanced product mix as well as the strength of demand for iron ore, which have all combined to strengthen cash flows from operations, and total returns to shareholders.

Dividends declared and payout ratios





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Financial position

Share buy-back program

During the year, Fortescue launched an on-market share buy-back program for up to A$500 million, with A$139 million utilised to acquire 34.8 million shares at an average price of A$3.997 per share for the year to the end of June. All shares purchased on market are cancelled, reducing shares on issue, and as a result, enhancing shareholder returns. This program is an extension of the Company's capital allocation focus which has shifted from debt reduction to shareholder returns, following de-gearing of the balance sheet.

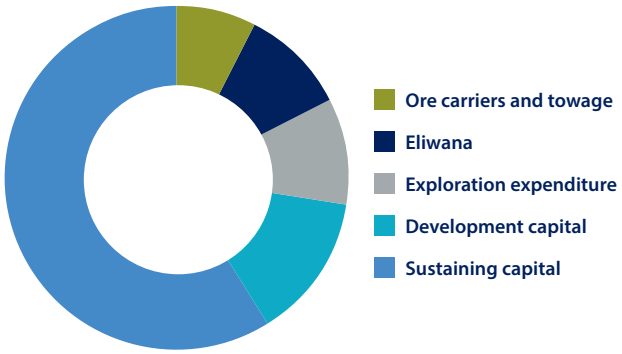
The current program expires in October 2019, unless otherwise extended.

Capital expenditure

Fortescue's capital expenditure of US$1,040 million (FY18: US$890 million) included:

- Sustaining capital of US$612 million (FY18: US$507 million)
- Ore carriers and towage of US$80 million (FY18: US$201 million)
- Development capital of US$141 million (FY18: US$79 million)
- Eliwana US$102 million (FY18: US$36 million)
- Exploration expenditure of US$105 million (FY18: US$67 million)

FY19 Capital expenditure, US$m



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03

Ore Reserves and Mineral Resources



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Ore Reserves and Mineral Resources

Reporting is grouped by operating and development properties and includes both Hematite and Magnetite deposits.

Hematite Ore Reserves total 2.29 billion tonnes (bt) at an average iron (Fe) grade of 57.5%. Combined Hematite Mineral Resources total 14bt at an average Fe of 56.7%.

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

Operating property Ore Reserves and Mineral Resources have all been reported to the Joint Ore Reserves Committee (JORC) 2012 standard. 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 23 August 2019). Development property Mineral Resources are a combination of JORC 2012 and JORC 2004 estimates. Those development property Mineral Resources reported to JORC 2012 standard are identified in the Fortescue ASX releases on 23 August 2019, 17 August 2018, 18 August 2017, 8 January 2015 and 20 May 2014 that includes the supporting technical data. The remaining JORC 2004 Mineral Resource estimates will be progressively updated to the JORC 2012 standard as development priorities dictate.

Magnetite Mineral Resources have been updated and reported to the JORC 2012 standards. The Mineral Resources quoted in this report should be read in conjunction with the supporting technical data 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 an outcome of risk assessment. In addition to routine internal audit, auditing of the estimation of Mineral Resources and Ore Reserves is addressed as a sub-set of the annual internal audit plan approved by the Board Audit and Risk Management Committee (ARMC). Specific audit 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 approves the final outcome. The annual Ore Reserves and Mineral Resources update is 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 2019 combined Chichester, Solomon and Eliwana Hematite Ore Reserve is a total of 2,288 million dry tonnes (mt) at an average Fe grade of 57.5%.

Ore Reserves are quoted on a dry product basis while Mineral Resources are quoted on a dry in-situ basis (Company production and sales reporting is based on wet tonnes. The typical free moisture content of shipped products is nine per cent).

The Ore Reserve is quoted as at 30 June 2019 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 816mt (from 746mt in 2018) as a result of ongoing in-fill drilling at the Solomon, Chichesters and Eliwana deposits.

The Chichester Hub (Cloudbreak and Christmas Creek deposits) contains 1,318mt at an average Fe grade of 57.4%, a decrease of 58mt due primarily to a combination of mining depletion (-ve), additional Grade-Control drilling (+ve), re-optimisation of pit designs (-ve) and reconciliation adjustments (-ve). Proved Ore Reserve constitutes 43 per cent of the Chichester Ore Reserve, a slight increase from 2018. 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 768mt at an average Fe grade of 57.2%, an increase of 108mt due to additional Grade-Control drilling at both Firetail and Valley of Queens deposits (+ve), offset slightly by reconciliation adjustments and pit design adjustments (-ve). Solomon Ore Reserve consists of 14 per cent of the tonnage in the Proved Ore Reserve category.

The Ore Reserve estimate for the Eliwana deposit is 202mt at an average Fe grade of 60.1%. The estimate is 11mt lower than previous reporting due to pit-design modifications (-ve) and an updated geological model (-ve) offsetting additional Grade-Control drilling activity (+ve). Eliwana Ore Reserve consists of 67 per cent of the tonnage in the Proved Ore Reserve category, an increase of 30 per cent compared to previous reporting.

The 2019 Hematite Ore Reserve estimates were subject to 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 (tonnage decrease at the Valley of Kings and Chichesters)

- Revisions to the processing response through all OPFs based on updated test work and operational history (minor)
- Re-optimisation of mine geometries to maximise the benefit of new additions to the resource base
- Revisions to the Cloudbreak input Grade-Control models and pit geometries (decrease)
- Revisions to the Christmas Creek input Grade-Control models and pit geometries (increase)
- Revisions to the Valley of Queens and Firetail pit geometries and input Grade-Control models (increase)
- A revised Life Of Mine (LOM) 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 2019

	June 2019						June 2018					
	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	231	57.6	5.29	2.69	0.055	8.27	270	57.3	5.45	2.86	0.053	8.38
Probable	255	57.4	5.82	2.67	0.063	7.67	276	57.1	6.09	2.81	0.059	7.69
Total	**486**	**57.5**	**5.57**	**2.68**	**0.059**	**7.96**	**546**	**57.2**	**5.78**	**2.83**	**0.056**	**8.03**
Christmas Creek												
Proved	340	56.9	6.07	2.75	0.048	7.59	302	57.0	5.96	2.77	0.040	7.72
Probable	492	57.5	5.18	2.96	0.054	7.61	528	57.1	5.52	3.09	0.046	7.68
Total	**832**	**57.3**	**5.54**	**2.88**	**0.052**	**7.60**	**831**	**57.1**	**5.68**	**2.97**	**0.044**	**7.69**
Sub-total Chichester Hub												
Proved	570	57.2	5.75	2.73	0.051	7.86	572	57.1	5.72	2.81	0.046	8.03
Probable	748	57.5	5.40	2.86	0.057	7.63	804	57.1	5.71	2.99	0.050	7.68
Total	**1,318**	**57.4**	**5.55**	**2.80**	**0.055**	**7.73**	**1,376**	**57.1**	**5.72**	**2.92**	**0.049**	**7.82**
Firetail												
Proved	8	59.5	5.69	2.58	0.115	6.07	4	58.7	6.24	2.71	0.113	6.60
Probable	118	59.1	6.02	2.24	0.112	6.61	90	59.3	5.66	2.45	0.107	6.68
Total	**126**	**59.1**	**6.00**	**2.26**	**0.113**	**6.57**	**94**	**59.2**	**5.68**	**2.46**	**0.107**	**6.67**
Kings and Queens												
Proved	102	56.0	6.29	2.72	0.078	10.54	91	55.9	7.23	2.57	0.074	9.96
Probable	539	56.9	6.68	2.69	0.070	8.79	475	57.1	6.50	2.69	0.064	8.76
Total	**641**	**56.8**	**6.62**	**2.70**	**0.071**	**9.07**	**566**	**56.9**	**6.61**	**2.67**	**0.066**	**8.95**
Sub-total Solomon Hub												
Proved	110	56.3	6.24	2.71	0.080	10.22	95	56.0	7.18	2.57	0.076	9.82
Probable	657	57.3	6.56	2.61	0.077	8.40	565	57.4	6.36	2.65	0.071	8.42
Total	**768**	**57.2**	**6.52**	**2.63**	**0.078**	**8.66**	**660**	**57.2**	**6.48**	**2.64**	**0.072**	**8.62**
Eliwana												
Proved	136	60.8	4.39	2.41	0.137	5.41	**79**	**61.1**	**4.22**	**2.51**	**0.144**	**5.21**
Probable	66	58.7	5.28	2.64	0.096	7.10	**135**	**59.5**	**5.27**	**2.37**	**0.115**	**6.27**
Total	**202**	**60.1**	**4.68**	**2.49**	**0.124**	**5.96**	**213**	**60.1**	**4.88**	**2.42**	**0.126**	**5.88**
Total Hematite Ore Reserves												
Proved	816	57.7	5.59	2.67	0.069	7.77	746	57.4	5.75	2.75	0.060	7.96
Probable	1,471	57.5	5.91	2.74	0.068	7.95	1,504	57.5	5.92	2.81	0.064	7.83
Total	**2,288**	**57.5**	**5.80**	**2.72**	**0.068**	**7.89**	**2,250**	**57.4**	**5.86**	**2.79**	**0.063**	**7.87**

Notes in reference to table

- The diluted mining models used to report the 2019 Ore Reserves are based on Christmas Creek Mineral Resource model reported in 2016, Firetail Mineral Resource model revised in 2018, Queens Mineral resource model completed in 2019, Cloudbreak Mineral Resource model completed in 2016 and Kings Mineral Resource model released in 2017, Kutayi Mineral Resource model released in 2014 and Eliwana Mineral Resource model completed in 2019.
- Diluted mining models are validated by reconciliation against historical production.
- Proved Ore Reserves are inclusive of ore stockpiles at the mines totalling approximately 31.3mt on dry product basis.
- The Chichester Ore Reserve is inclusive of the Cloudbreak, Christmas Creek and Kutayi BID deposits. Selected Christmas Creek Ore Reserves will be directed to the Cloudbreak OPF to optimise upgrade performance and balance Cloudbreak and Christmas Creek OPF lives.
- Tonnage information has been rounded and as a result the figures may not add up to the totals quoted.

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Ore Reserves – Magnetite

The 2019 Ore Reserves for Magnetite are from the Iron Bridge project. Ore Reserves for the project total 716mt at an average mass recovery of 29.4 per cent for a 67% Fe grade product. The Ore Reserves are quoted as at 30 June 2019, on a dry in-situ tonnes basis prior to processing.

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

The Ore Reserves estimate was developed on the basis of the above Resource Model (Snowdens 2019) in March 2019 by the Iron Bridge technical team 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 Indicated plus Measured 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 2019.

Magnetite Ore Reserves – as at 30 June 2019

	June 2019					June 2018				
	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 (60.72% Fortescue)										
Proved	-	-	-	-	-	-	-	-	-	-
Probable	595	29.7	67.0	5.62	0.29	705	27.2	67.2	5.52	0.25
Total	**595**	**29.7**	**67.0**	**5.62**	**0.29**	**705**	**27.2**	**67.2**	**5.52**	**0.25**
Glacier Valley (60.72% Fortescue)										
Proved	-	-	-	-	-	-	-	-	-	-
Probable	122	28.2	67.0	5.62	0.29	-	-	-	-	-
Total	**122**	**28.2**	**67.0**	**5.62**	**0.29**	**-**	**-**	**-**	**-**	**-**
West Star (60.72% Fortescue)										
Proved	-	-	-	-	-	-	-	-	-	-
Probable	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Magnetite Ore Reserves										
Proved	-	-	-	-	-	-	-	-	-	-
Probable	716	29.4	67.0	5.62	0.29	705	27.2	67.2	5.52	0.25
Total	**716**	**29.4**	**67.0**	**5.62**	**0.29**	**705**	**27.2**	**67.2**	**5.52**	**0.25**

Notes in reference to table

- Magnetite Ore Reserves are derived from Measured plus Indicated Mineral Resources reported within a defined pit design.
- Magnetite Ore reserves are based on Mass Recovery expressed as a 17% 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 and Eliwana are stated on a dry in-situ basis. The Mineral Resources are inclusive of that portion converted to Ore Reserves, including stockpiles.

As at 30 June 2019, the total Mineral Resource for the Chichester and Solomon Hubs and Eliwana was 6,175mt at an average Fe grade of 56.3%, an increase over that stated in the prior year. This was accompanied by an increase in the proportion of higher confidence Measured and Indicated Mineral Resource mineralisation from 66 per cent to 69 per cent.

The Chichester Hub Mineral Resource totalled 2,951mt at an average Fe grade of 56.3%, with 80 per cent of the tonnage in the Measured and Indicated Mineral Resource categories.

The Solomon Hub Mineral Resource totalled 2, 223mt at an average Fe grade of 55.3%, with 69 per cent of the tonnage in the Measured and Indicated Mineral Resource categories.

The Eliwana Mineral Resource totalled 1,001mt at an average Fe grade of 58.6%, with 35 per cent of the tonnage in the Measured and Indicated Mineral Resource categories.

Hematite Mineral Resources (Operating Properties) – as at 30 June 2019

	June 2019						June 2018					
	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	460	56.6	5.69	3.44	0.058	8.6	479	56.7	5.55	3.48	0.057	8.7
Indicated	414	56.2	6.66	3.43	0.060	8.0	428	56.1	6.69	3.43	0.059	8.0
Inferred	123	56.4	6.31	3.60	0.054	7.7	134	56.4	6.42	3.56	0.053	7.7
Total	**997**	**56.4**	**6.17**	**3.45**	**0.058**	**8.3**	**1,041**	**56.4**	**6.13**	**3.47**	**0.058**	**8.3**
Christmas Creek												
Measured	556	56.9	6.28	3.13	0.047	7.9	515	56.9	6.28	3.09	0.047	7.8
Indicated	935	56.1	6.59	3.70	0.051	7.9	1,004	56.1	6.58	3.72	0.051	7.9
Inferred	463	55.6	6.90	3.80	0.055	7.9	501	55.6	7.05	3.75	0.054	7.8
Total	**1,954**	**56.2**	**6.57**	**3.56**	**0.051**	**7.9**	**2,020**	**56.2**	**6.62**	**3.57**	**0.051**	**7.9**
Sub-total Chichester Hub												
Measured	1,016	56.8	6.01	3.27	0.052	8.2	994	56.8	5.93	3.28	0.052	8.2
Indicated	1,349	56.1	6.61	3.62	0.054	7.9	1,433	56.1	6.61	3.64	0.053	7.9
Inferred	586	55.8	6.77	3.75	0.055	7.8	635	55.8	6.92	3.71	0.054	7.8
Total	**2,951**	**56.3**	**6.44**	**3.53**	**0.053**	**8.0**	**3,061**	**56.3**	**6.45**	**3.53**	**0.053**	**8.0**
Firetail												
Measured	14	57.9	6.28	3.34	0.121	6.9	8	57.5	5.91	3.43	0.123	7.8
Indicated	195	58.1	6.86	2.67	0.119	6.8	170	58.1	6.79	2.81	0.113	6.7
Inferred	110	56.1	8.02	3.74	0.106	7.4	133	57.2	7.36	3.35	0.107	7.0
Total	**319**	**57.4**	**7.23**	**3.07**	**0.115**	**7.0**	**310**	**57.7**	**7.01**	**3.06**	**0.111**	**6.8**
Kings and Queens												
Measured	183	54.8	7.48	3.31	0.086	10.4	152	54.9	7.96	3.02	0.087	9.9
Indicated	1,137	55.1	8.25	3.34	0.079	9.0	919	55.3	7.98	3.40	0.072	8.9
Inferred	585	54.6	8.71	3.72	0.079	8.7	669	55.0	8.00	3.47	0.082	9.2
Total	**1,905**	**54.9**	**8.32**	**3.44**	**0.080**	**9.0**	**1,741**	**55.1**	**7.99**	**3.39**	**0.077**	**9.1**
Sub-total Solomon Hub												
Measured	197	55.1	7.39	3.15	0.089	10.1	160	55.0	7.86	3.04	0.088	9.8
Indicated	1,331	55.5	8.05	3.25	0.085	8.7	1,089	55.7	7.79	3.31	0.078	8.6
Inferred	694	54.9	8.60	3.72	0.083	8.5	802	55.4	7.89	3.45	0.086	8.9
Total	**2,223**	**55.3**	**8.16**	**3.39**	**0.085**	**8.7**	**2,051**	**55.5**	**7.84**	**3.34**	**0.082**	**8.8**
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	**113**	**58.5**	**5.40**	**2.81**	**0.098**	**7.1**
Inferred	650	58.1	5.76	3.40	0.102	7.0	**668**	**58.4**	**5.70**	**3.21**	**0.107**	**6.7**
Total	**1,001**	**58.6**	**5.52**	**3.14**	**0.110**	**6.7**	**1,010**	**58.8**	**5.48**	**3.03**	**0.114**	**6.6**
Total Hematite Operational Mineral Resources												
Measured	1,442	57.0	6.02	3.15	0.071	8.1	1,383	57.1	5.98	3.14	0.071	8.0
Indicated	2,802	55.9	7.24	3.40	0.071	8.2	2,634	56.0	7.05	3.47	0.066	8.2
Inferred	1,930	56.2	7.09	3.62	0.081	7.8	2,105	56.5	6.90	3.45	0.083	7.9
Total	**6,175**	**56.3**	**6.91**	**3.41**	**0.074**	**8.1**	**6,122**	**56.4**	**6.76**	**3.39**	**0.073**	**8.0**

Notes in reference to table

- Chichester Hub Mineral Resources are quoted at a cut-off of 53.5% Fe, Solomon Hub and Eliwana Mineral Resources are quoted at a cut-off grade of 51.5% Fe.
- Fortescue is yet to remodel BCI Mineral Resources.
- The Measured Mineral Resource estimate includes mine stockpiles totalling approximately 28mt.
- Tonnage information has been rounded and as a result the figures may not add up to the totals quoted.

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Mineral Resources Development Properties – Hematite

Fortescue has announced a 405mt addition to the Greater Western Hub Mineral Resource, and a 384mt addition to the Pilbara Other Mineral Resource as a result of exploration drilling. This includes increases to the existing Flying Fish, Cobra and Elevation deposits and the addition of the Fig Tree and Wonmunna deposits.

This update to the development properties is reported in accordance with JORC 2012 as identified in the Fortescue ASX release of 23 August 2019 that includes the supporting technical data.

The Queens Extension deposit previously included in Greater Solomon has been transferred to the operating properties.

Hematite Mineral Resources (Development Properties) – as at 30 June 2019

	June 2019						June 2018					
	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	2,325	56.8	6.96	3.74	0.081	7.1	2,404	56.8	6.93	3.71	0.081	7.2
Total	**2,580**	**56.8**	**6.93**	**3.71**	**0.082**	**7.2**	**2,658**	**56.8**	**6.91**	**3.69**	**0.082**	**7.3**
Greater Western Hub												
Measured	-	-	-	-	-	-	-	-	-	-	-	-
Indicated	-	-	-	-	-	-	-	-	-	-	-	-
Inferred	2,047	57.2	5.79	2.86	0.083	8.7	1,642	57.1	5.72	2.85	0.078	9.0
Total	**2,047**	**57.2**	**5.79**	**2.86**	**0.083**	**8.7**	**1,642**	**57.1**	**5.72**	**2.85**	**0.078**	**9.0**
Nyidinghu												
Measured	23	59.6	3.56	2.21	0.139	8.0	23	59.6	3.56	2.21	0.139	8.0
Indicated	580	58.1	4.52	2.95	0.148	8.6	580	58.1	4.52	2.95	0.148	8.6
Inferred	1,860	57.2	5.00	3.36	0.147	8.8	1,860	57.2	5.00	3.36	0.147	8.8
Total	**2,463**	**57.4**	**4.88**	**3.25**	**0.147**	**8.8**	**2,463**	**57.4**	**4.87**	**3.25**	**0.147**	**8.8**
Pilbara Other												
Measured	-	-	-	-	-	-	-	-	-	-	-	-
Indicated	-	-	-	-	-	-	-	-	-	-	-	-
Inferred	384	57.1	6.10	2.57	0.069	9.1	-	-	-	-	-	-
Total	**384**	**57.1**	**6.10**	**2.57**	**0.069**	**9.1**	-	-	-	-	-	-
Total Development Mineral Resources												
Measured	23	59.6	3.56	2.21	0.139	8.0	23	59.6	3.56	2.21	0.139	8.0
Indicated	834	57.6	5.18	3.11	0.128	8.5	834	57.6	5.18	3.11	0.128	8.5
Inferred	7,049	57.0	6.06	3.32	0.097	8.1	6,340	57.0	6.06	3.39	0.098	8.1
Total	**7,907**	**57.1**	**5.97**	**3.30**	**0.100**	**8.2**	**7,198**	**57.1**	**5.95**	**3.35**	**0.102**	**8.2**

Notes in reference to table

- The Greater Chichester Hub Mineral Resource includes the Investigator, White Knight and Mount Lewin deposits.
- The Greater Solomon Hub Mineral Resource includes the Serenity, Sheila Valley, Mount MacLeod, Cerberus, Stingray and Raven deposits.
- The Greater Western Hub Mineral Resource includes the Flying Fish, Vivash, Cobra, Lora, Zorb, Farquhar, Elevation, Boolgeeda CID and Wyloo North deposits.
- The Pilbara Other Mineral Resource 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.
- Tonnage information has been rounded and as a result the figures may not add up to the totals quoted.

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Mineral Resources Operating Properties – Magnetite

A Mineral Resource update 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 resource has resulted in a downgrade of the Indicated and Inferred Resources. These changes result 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. Following external review and re-estimation of the Iron Bridge Mineral Resources, 2-3bt of material (at 28–32% Fe, 39–43% SiO_2 and 2–3% Al_2O_3, with an average mass recovery of 20–24 per cent) has been reclassified as an Exploration 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 – as at 30 June 2019

	June 2019					June 2018				
	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 + Eastern Limb (60.72% Fortescue)										
Measured	109	25.0	33.2	40.2	2.06	77	28.6	32.4	39.44	1.91
Indicated	825	24.5	30.3	41.3	2.74	989	27.8	31.1	40.48	2.28
Inferred	2,217	24.2	29.8	41.5	2.84	3,231	24.1	29.6	41.80	2.88
Total	**3,150**	**24.3**	**30.1**	**41.4**	**2.79**	**4,297**	**25.1**	**30.0**	**41.46**	**2.73**
Glacier Valley (60.72% Fortescue)										
Measured	-	-	-	-	-	-	-	-	-	-
Indicated	191	23.7	33.4	39.4	1.73	477	24.1	32.4	39.33	1.74
Inferred	1,480	20.3	31.9	39.6	1.94	2,844	20.5	30.7	40.69	2.19
Total	**1,671**	**20.6**	**32.0**	**39.6**	**1.92**	**3,321**	**21.1**	**30.9**	**40.50**	**2.13**
West Star (60.72% Fortescue)										
Measured	-	-	-	-	-	-	-	-	-	-
Indicated	-	-	-	-	-	-	-	-	-	-
Inferred	627	20.6	28.1	43.8	3.36	274	23.5	28.3	43.43	3.43
Total	**627**	**20.6**	**28.1**	**43.8**	**3.36**	**274**	**23.5**	**28.3**	**43.43**	**3.43**
Total Magnetite Mineral Resources										
Measured	109	25.0	33.2	40.2	2.06	77	28.6	32.4	39.44	1.91
Indicated	1,016	24.3	30.9	41.0	2.55	1,466	26.6	31.5	40.11	2.11
Inferred	4,324	22.3	30.3	41.2	2.61	6,350	22.5	30.0	41.38	2.60
Total	**5,448**	**22.7**	**30.4**	**41.1**	**2.59**	**7,892**	**23.3**	**30.3**	**41.12**	**2.50**

Notes in reference to table

- All magnetite Mineral Resources are reported above a 9 per cent Mass Recovery cut-off, based on David Tube Recovery (DTR) test work with a 53 micron grind size.
- All Mineral Resources are reported on a dry-tonnage basis.
- Small discrepancies may occur due to rounding.
- Magnetite Mineral Resources are reported inclusive of Ore Reserves.



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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 of Fortescue. Each provided technical input for Mineral Resource estimations.

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

Estimated Ore Reserves for the Chichester and Solomon Hubs and Eliwana deposit for fiscal year 2019 were compiled by Mr Chris Fowers, Mr Martin Slavik and Mr Jamie Davies (in-training); full-time employees of Fortescue.

Estimated Magnetite Ore Reserves for the Iron Bridge project for fiscal year 2019 were compiled by Mr Martin Slavik and Mr Mudit Tandon (in-training); full-time employees of Fortescue.

Mr Robinson is a Fellow of, and Mr Nitschke, Ms Retz, Mr Frost-Barnes, Mr Slavik, Mr Fowers, Mr Davies 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 Fowers and Mr Graindorge each 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 Fowers and Mr Graindorge consent to the inclusion in this report of the matters based on this information in the form and context in which it appears.



04

Corporate Social Responsibility

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The year at a glance





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2.8 Total Recordable Injury Frequency Rate

15.1% Aboriginal employment rate across Pilbara operations

25.5% Female employment in senior management roles

US$13.1 billion Total global economic contribution

A$2.3 billion Contracts to Aboriginal businesses and joint ventures

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Empowerment of employees and communities is at the heart of Fortescue's approach to CSR



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Approach to Corporate Social Responsibility

Fortescue is committed to playing its role as the world strives to meet the United Nations Sustainable Development Goals.

Fortescue strives to ensure that communities benefit from its growth and development and recognises that in order to achieve its vision of being the safest, lowest cost, most profitable mining company, a strong focus on corporate social responsibility (CSR) must be integrated into all aspects of its business.

Fortescue's Values form the foundation of the Company's approach to CSR; setting the ethical and moral compass by which the business operates.

The Value of empowerment of employees and communities is at the heart of Fortescue's approach to CSR.

Empowerment encourages people to:

- Strive to be the best
- Find innovative solutions to business and societal challenges
- Improve the business' bottom line while delivering positive change.

Compliance with all relevant legislation and obligations including those that govern health, safety and environment is the absolute minimum standard to which the Company adheres.

Fortescue's Board approved Code of Conduct and Integrity establishes the essential standards of personal and corporate conduct and behaviour of employees, suppliers and contractors.

This strong base supports the Company's commitments and principles which leads to the development and implementation of policies, opportunities and objectives. These inform the application of specific business unit targets, processes and plans.

United Nations Sustainable Development Goals

On 25 September 2015, the United Nations adopted the Sustainable Development Goals (SDGs) setting the 2030 global agenda for sustainable development. The SDGs are a call for global action through national governments to end poverty, protect the planet and ensure that all people are able to enjoy peace and prosperity.

Fortescue is committed to working with its host governments as they strive to meet these goals. Fortescue's approach to CSR aligns with the SDGs.

Fortescue's CSR Report FY19 demonstrates how the Company's CSR targets, set against identified material issues, are contributing towards the achievement of SDGs.



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Material issues

The Corporate Social Responsibility Report covers the material issues associated with Fortescue's operations.

Material issues are those that may have a material bearing on Fortescue's ability to achieve its goals. These issues are identified via an annual assessment process that considers risks and opportunities and internal and external stakeholder views.

The assessment is undertaken through a cycle of research, identification, prioritisation, validation and review.

During FY19, the assessment considered the following:

- Company CSR initiatives
- Corporate risk assessments
- Company policies, standards and guidelines
- Outcomes of internal and external engagement with stakeholders
- Media and investor interest and feedback
- Government/regulator interest and feedback
- Material issues identified by peers and sustainability leaders
- Benchmarking and environmental, social and governance assessments.

Priorities were informed by formal internal and external engagement which included focussed workshops with Fortescue employees and a wide range of external stakeholders. Materiality was validated by subject leaders and the Executive Team.

Based on this assessment, the following were determined to be Fortescue's most material issues:

- Employee health and safety
- Economic contribution (including taxes)
- Creating employment and business opportunities for Aboriginal people
- Workforce diversity
- Business conduct
- Climate change action and disclosure
- Building sustainable communities
- Protecting biodiversity and water resources
- Protecting Aboriginal heritage
- Tailings management
- Human Rights including the eradication of modern slavery.

Research 1

Identification 2

Prioritisation 3

Validation 4

Review 5

Fortescue's approach to climate change is outlined on page 56 of this report and within the FY19 Corporate Social Responsibility report available on the Company's website at **www.fmgl.com.au**



Fortescue's commitments, targets and performance against each material issue are reported against three core pillars

Setting high standards



- Employee health and safety
- Economic contribution (including taxes)
- Workforce diversity
- Protecting Aboriginal heritage
- Business conduct.

Safeguarding the environment

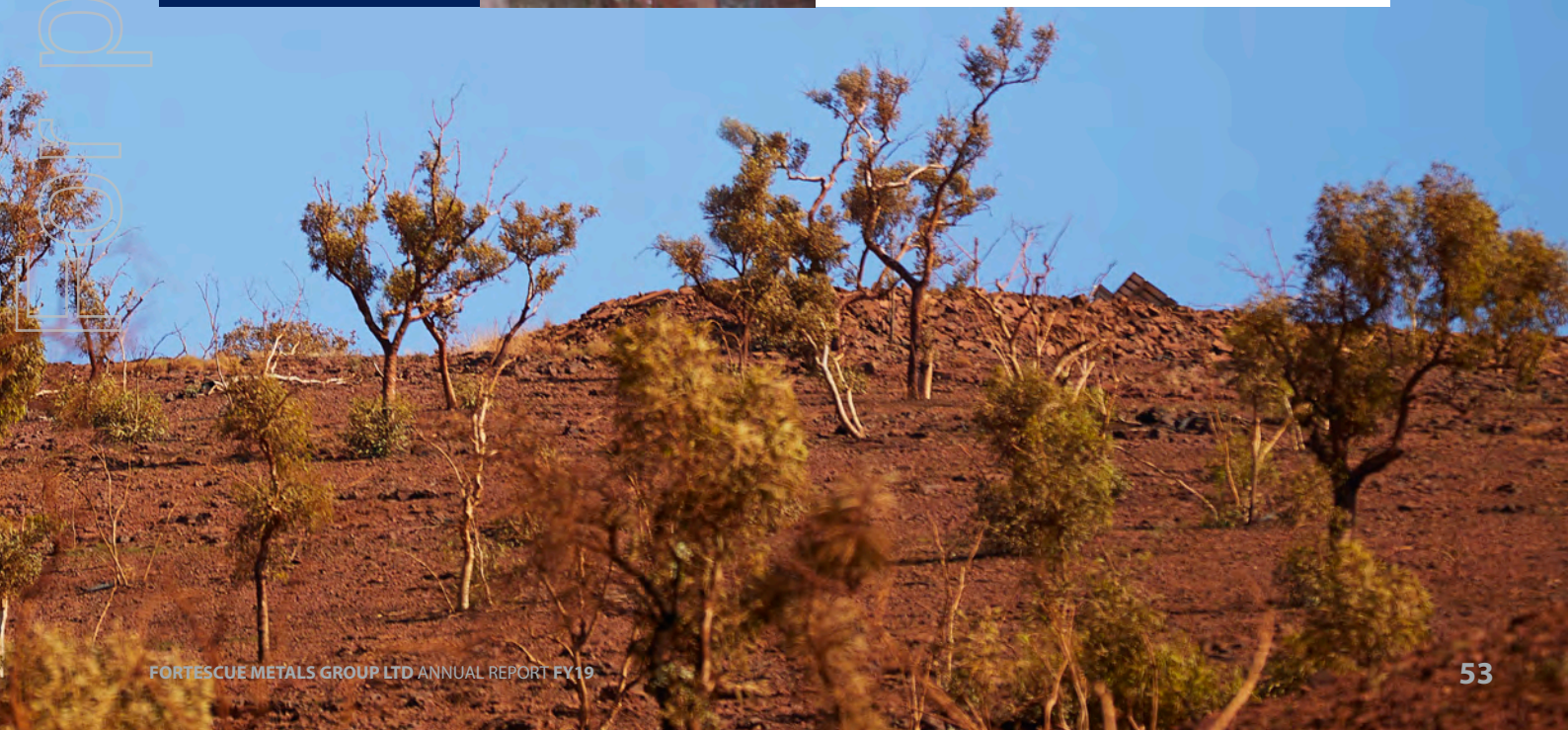


- Climate change action and disclosure
- Protecting biodiversity and water resources
- Tailings management.

Creating positive social change



- Creating employment and business opportunities for Aboriginal people
- Building sustainable communities
- Human rights including the eradication of modern slavery.



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05

Corporate Governance



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

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

Fortescue supports the intent of the 4th Edition of the ASX Corporate Governance Council Principles and Recommendations (Principles and Recommendations). Unless otherwise disclosed, Fortescue has adopted the revised requirements of the Principles and Recommendations.

The cornerstone principles of corporate governance at Fortescue are:

Transparency: Being clear and unambiguous about the Company's structure, operations and performance, both externally and internally, and maintaining a genuine dialogue with, and providing insight to, stakeholders and the market generally.

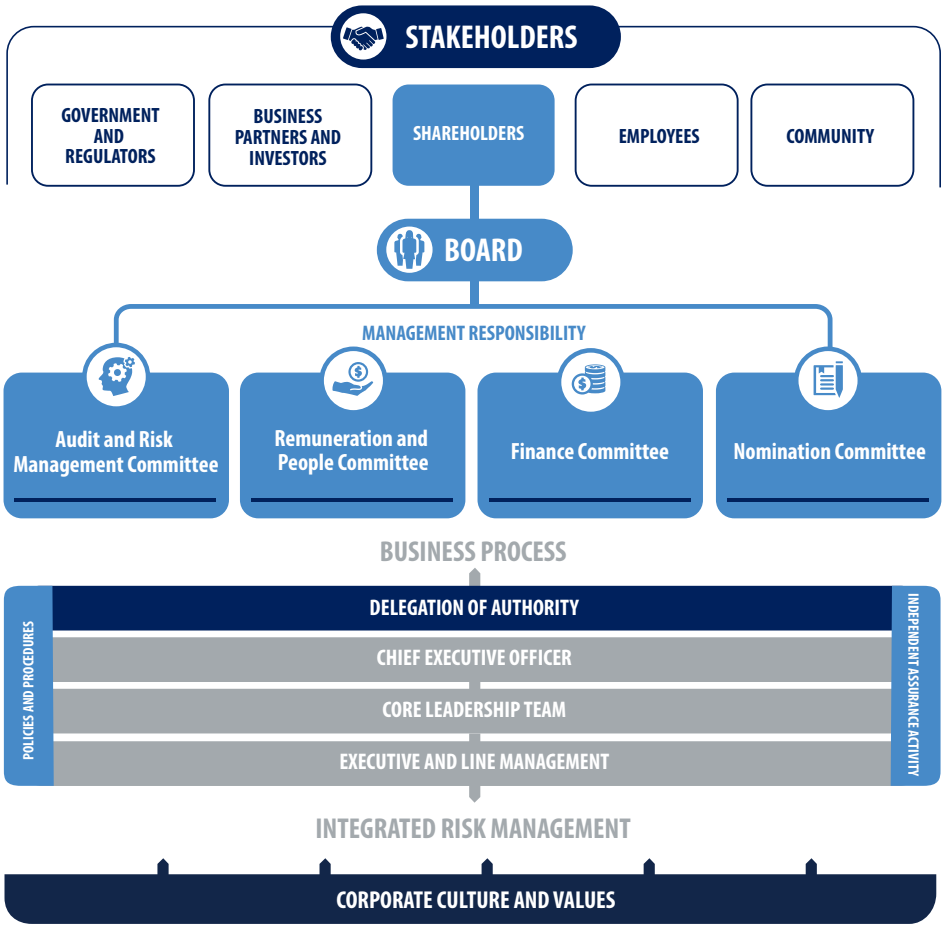
Integrity: Developing and maintaining a corporate culture committed to ethical behaviour and compliance with the law.

Empowerment: Everyone at Fortescue is empowered to make decisions that support the organisation's 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 Fortescue's risk appetite and are undertaken in a manner consistent with corporate expectations and standards.

Corporate accountability: Ensuring that there is clarity of decision making within the Company, with processes in place to authorise the right people to make effective and efficient decisions, with appropriate consequences delivered for failures to follow those processes.

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.

A full copy of the Corporate Governance Statement is available on the Company's website at **www.fmgl.com.au**



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06

Fortescue's response to climate change





Approach to climate change

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Fortescue strives to create value for its shareholders and communities and is committed to contributing to global efforts to combat climate change.

Fortescue's commitment

Fortescue is committed to contributing to global efforts to combat climate change. The Company accepts the scientific consensus as assessed by the Intergovernmental Panel on Climate Change (IPCC) and supports the Paris Agreement goal of limiting global temperature rise to well below 2°C above pre-industrial levels.

Fortescue also supports Australia's commitment to reduce emissions by 26-28 per cent from 2005 levels by 2030 and the UN Framework Convention on Climate Change which mandates that individual nations take responsibility for emissions within their own borders.

Climate change is a complex and challenging issue and successful mitigation will require a coordinated approach between government, business and the community. Collaboration will be critical in ensuring that policy frameworks are able to deliver mitigation outcomes that support the Paris Agreement objectives while incentivising innovation and supporting economic stability and growth.

TCFD recommendations

Fortescue supports the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), recognising that TCFD-aligned climate risk disclosures provide the transparency, consistency and detail required by the Company's stakeholders to assess performance in this area.

The Company's climate related reporting aligns with the TCFD recommendations which focus on the four key elements below.

Strategy	Governance	Metrics and targets	Risk management
Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's business strategy, and financial planning where such information is material.	Disclose the organisation's governance around climate-related risks and opportunities.	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	Disclose how the organisation identifies, assesses and manages, climate-related risks.



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Strategy

The Company's climate change strategy focuses on implementing innovative and practical initiatives to reduce emissions and manage climate-related risks. The strategy comprises four key elements:

- Building resilience
- Reducing emissions
- Maximising opportunities
- Stakeholder engagement.

The implementation of this strategy is supported by the Board and driven by the management team with input from all areas of the business.

Risk management

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

Fortescue has a well developed process for the identification, assessment, and management of risk. Primary responsibility for this process lies with management, with oversight provided by the ARMC and the Board. Regular reporting is provided to the ARMC on management's progress.

Material climate related risks and opportunities

Transitional risks

- Policy and regulatory changes
- Reduced product demand
- Reputational damage.

Physical risks

- Increased severity of extreme weather events
- Changes in precipitation patterns
- Rising sea levels.

FY19 performance

In FY19, Fortescue emitted 1.85 million tonnes of CO_2e. Since FY15, GHG emissions intensity across operations has reduced by 10.9 per cent and the emissions intensity in electricity generation has reduced by 17 per cent.

Emissions intensity in energy consumption during FY19 was 319.6 t CO_2e/mt.km, a reduction of 8.1 per cent since FY17.

Total emissions generated in FY19 are approximately 10 per cent higher than FY18. This increase is mainly as a result of expanding operations, including the commencement of early works at the Eliwana mine development, and additional diesel use associated with increased haulage distances due to the long and shallow nature of Fortescue's ore body at the Chichester and Solomon Hubs.

Fortescue's full disclosure on climate change is provided within the Company's CSR report, which is available at **www.fmgl.com.au**

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07

Financial Report



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Directors' Report

At 30 June 2019

Your Directors present their report on the Fortescue consolidated group, comprising the Company and its controlled entities, for the year ended 30 June 2019.

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 10 to 13.

The Directors' meetings, including meetings of the Company's Board of Directors and of each Board committee held during the year ended 30 June 2019 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 are as follows:

Director	Ordinary shares	Share rights
A Forrest AO	1,090,052,947	-
M Barnaba AM	20,000	-
S Warburton	50,750	-
E Gaines	389,375	1,220,200
J Baderschneider	138,000	-
Z Cao	-	-
P Bingham-Hall	40,936	-
J Morris OAM	11,519	-
S Coe CH, KBE	-	-

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

The remuneration of Directors and Key Management Personnel are detailed in the Remuneration Report on pages 111 to 144.

Directors' Report

At 30 June 2019

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 FY19.

The overview of Fortescue's operations, including a discussion of strategic priorities and outlook, key aspects of operating and financial performance and key business risks are contained in the following sections of the Annual Report: Overview on pages 3 to 17, Operating and Financial Review on pages 18 to 38 and Corporate Governance Statement[1] section 4 Risk Management.

Dividends

	2019
Profit	US$m
Net profit after tax	3,187
Declared and paid during the year:	A$ cents
Final ordinary dividend for the year ended 30 June 2018 – paid in October 2018	12
Interim ordinary dividend for the year ended 30 June 2019 – paid in March 2019	19
Interim special dividend for the year ended 30 June 2019 – paid in March 2019	11
Accelerated final dividend for the year ended 30 June 2019 – paid in June 2019	60
Declared since the end of the financial year:	102
Final ordinary dividend for the year ended 30 June 2019 – to be paid in October 2019	**24**

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 Corporate Social Responsibility 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 Corporate Social Responsibility 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 2019 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 13 and 17 of this report.

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

[2] Corporate Social Responsibility Report is available on Fortescue's website at www.fmgl.com.au

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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 63 and forms part of this report.

Future developments

The Overview section set out on pages 3 to 17 and the Operating and Financial Review section set out on pages 18 to 38 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 26 August 2019, the Directors declared a final dividend of 24 Australian cents per ordinary share payable in October 2019.

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



Andrew Forrest AO
Chairman

Dated in Perth this 26th day of August 2019.

Auditor's independence declaration



As lead auditor for the audit of Fortescue Metals Group Ltd for the year ended 30 June 2019, 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
26 August 2019

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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 2019 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 2019
- the consolidated income statement for the year then ended
- 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 notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial report section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (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.

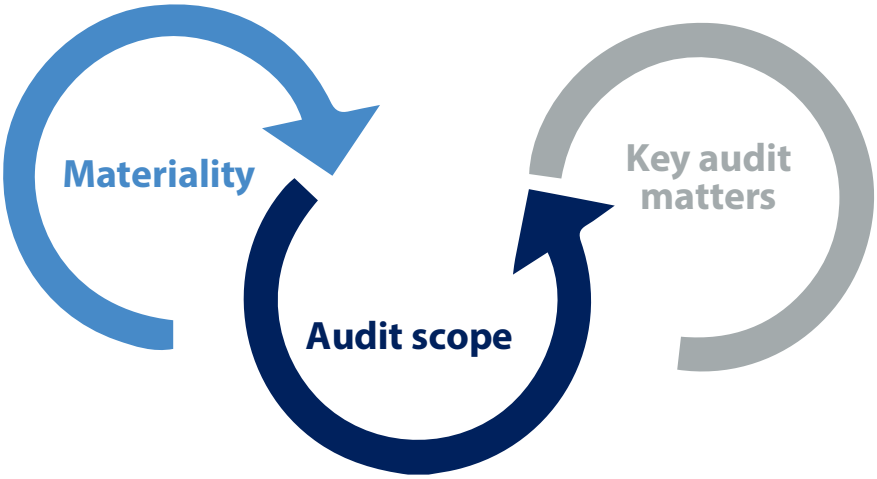
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Independent auditors' report

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$147 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 predominately performed in Perth where many of the Corporate and Group Operations functions are centralised and this was supported by visits to the mining operations at Solomon, Cloudbreak and Christmas Creek, the port and rail facilities at Port Hedland and the Iron Bridge magnetite project.

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.

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Independent auditors' report

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))

The Group'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 2019 the Group recognised revenue of US$1,087 million from provisional pricing adjustments to iron ore revenue and US$37 million 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 represent a significant balance 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.

The Group adopted Australian Accounting Standards AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* as at 1 July 2018, as disclosed in note 23(x). These accounting standards clarify the recognition and disclosure requirements in relation to provisional pricing adjustments.

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
- Evaluated the Group's assessment of the adoption of AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* and implementation of the new revenue disclosures.

Carrying value of exploration and evaluation assets (Refer to note 12 and 24(b))

At 30 June 2019 the Group recognised exploration and evaluation (E&E) assets totalling US$539 million. This was a key audit matter as the continued recognition as an asset requires judgement by the Group about the likelihood of recovery through future exploitation or sale of the asset. If a judgement is made by the Group that recovery of the expenditure is unlikely, the accounting policy is that the relevant capitalised amount will be written off as an impairment expense to the income statement.

The majority of the Group's capitalised E&E assets relate to exploration costs incurred on its wholly owned Pilbara regional exploration tenements. During the period, the E&E asset relating to the Group's 69% interest in the Iron Bridge Joint Venture (IBJV) has been reclassified to assets under development as a result of approval of the Stage 2 development.

The Group performed an impairment trigger assessment upon reclassification of the E&E assets relating to the IBJV Project and determined that no impairment trigger indicators were identified.

To assess the carrying value of the Group's E&E assets, we performed the following procedures, amongst others:

- We assessed whether the Group had rights of tenure to its E&E assets on a sample basis and whether ongoing exploration and/or evaluation activities exist to support the continued capitalisation of these assets under the Group's accounting policies.

To assess the impairment triggers assessment of the IBJV Project upon reclassification to assets under development, we performed the following procedures, amongst others:

- We evaluated whether any indicators of impairment existed for the IBJV Project immediately prior to reclassification to assets under development.
- We considered whether the Group's calculation of the expected net present value of the IBJV project exceeded the current carrying value of the capitalised asset.
- We considered the appropriateness of the continued capitalisation of Stage 1 costs incurred as part of the project evaluation.
- Subsequent to reclassification, we considered whether the Group's CGU impairment assessment included the IBJV Project as required by Australian Accounting Standards.

Independent auditors' report

Key audit matter	How our audit addressed the key audit matter
Restoration and rehabilitation obligations (Refer to note 13 and 24(e))	
The Group recognised provisions for restoration and rehabilitation obligations of US$706 million as at 30 June 2019. 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 also checked the mathematical accuracy of the underlying calculations. • We considered the competence and objectivity of the Group's experts who reviewed the closure plan 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 2019, 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: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

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Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 117 to 144 of the Directors' report for the year ended 30 June 2019.

In our opinion, the remuneration report of Fortescue Metals Group Ltd for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.



PricewaterhouseCoopers



Justin Carroll
Partner

Perth
26 August 2019

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Directors' declaration

Andrew Forrest AO
Chairman

In the Directors' opinion:

(a) the financial statements and notes set out on pages 70 to 110 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 2019 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.



Andrew Forrest AO
Chairman

Dated in Perth this 26th day of August 2019.

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Consolidated income statement

For the year ended 30 June 2019

	Note	2019 US$m	2018 US$m
Operating sales revenue	3	9,965	6,887
Cost of sales	5	(5,115)	(4,930)
Gross profit		**4,850**	1,957
Other income	4	110	30
Other expenses	6	(138)	(114)
Profit before income tax and net finance expenses		**4,822**	1,873
Finance income	7	26	24
Finance expenses	7	(279)	(652)
Profit before income tax		**4,569**	1,245
Income tax expense	14	(1,382)	(367)
Profit for the year after income tax		**3,187**	878
Profit for the year is attributable to:			
Equity holders of the Company		3,187	879
Non-controlling interest		-	(1)
Profit for the year after income tax		**3,187**	878

	Note	Cents	Cents
Earnings per share attributable to the ordinary equity holders of the Company:			
Basic earnings per share	8	103.1	28.2
Diluted earnings per share	8	102.9	28.1

Consolidated statement of comprehensive income

For the year ended 30 June 2019

	2019 US$m	2018 US$m
Profit for the year after income tax	**3,187**	878
Other comprehensive income:		
Gain on investments taken to equity	-	2
Exchange differences on translation of foreign operations	**1**	2
Total comprehensive income, net of tax	**3,188**	882
Total comprehensive income for the year is attributable to:		
Equity holders of the Company	**3,188**	883
Non-controlling interest	-	(1)
Total comprehensive income, net of tax	**3,188**	882

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

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Consolidated statement of financial position

At 30 June 2019

	Note	2019 US$m	2018 US$m
ASSETS			
Current assets			
Cash and cash equivalents	9(b)	1,874	863
Trade and other receivables	10(a)	923	120
Inventories	10(c)	772	496
Other current assets		43	92
Current tax receivable	14(c)	-	79
Total current assets		**3,612**	1,650
Non-current assets			
Trade and other receivables	10(a)	2	3
Property, plant and equipment	12	16,071	16,189
Intangible assets		6	4
Other non-current assets		3	3
Total non-current assets		**16,082**	16,199
Total assets		**19,694**	17,849
LIABILITIES			
Current liabilities			
Trade and other payables	10(b)	986	678
Deferred income	10(d)	486	267
Borrowings and finance lease liabilities	9(a)	86	97
Provisions	13	208	197
Deferred joint venture contributions	17(c)	118	-
Current tax payable	14(c)	762	-
Total current liabilities		**2,646**	1,239
Non-current liabilities			
Trade and other payables	10(b)	50	50
Deferred income	10(d)	-	528
Borrowings and finance lease liabilities	9(a)	3,866	3,878
Provisions	13	688	546
Deferred joint venture contributions	17(c)	155	270
Deferred tax liabilities	14(d)	1,688	1,606
Total non-current liabilities		**6,447**	6,878
Total liabilities		**9,093**	8,117
Net assets		**10,601**	9,732
EQUITY			
Contributed equity	9(d)	1,181	1,287
Reserves		42	46
Retained earnings		9,365	8,386
Equity attributable to equity holders of the Company		**10,588**	9,719
Non-controlling interest		13	13
Total equity		**10,601**	9,732

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

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Consolidated statement of cash flows

For the year ended 30 June 2019

	Note	2019 US$m	2018 US$m
Cash flows from operating activities			
Cash receipts from customers		8,853	6,718
Payments to suppliers and employees		(3,874)	(3,687)
Cash generated from operations		4,979	3,031
Interest received		24	24
Interest paid		(254)	(392)
Income tax paid		(376)	(1,062)
Net cash inflow from operating activities	**9(c)(i)**	**4,373**	**1,601**
Cash flows from investing activities			
Payments for property, plant and equipment - Fortescue		(1,040)	(890)
Payments for property, plant and equipment - joint operations		(8)	(11)
Contributions from joint venture partners		3	4
Proceeds from disposal of plant and equipment		5	16
Sale / (acquisition) of investment		57	(55)
Net cash outflow from investing activities		**(983)**	**(936)**
Cash flows from financing activities			
Proceeds from borrowings and finance leases		56	2,071
Repayment of borrowings and finance leases		(85)	(2,545)
Finance costs paid		(14)	(254)
Dividends paid		(2,220)	(874)
Purchase of shares under share buy-back program		(101)	-
Purchase of shares by employee share trust		(28)	(24)
Net cash outflow from financing activities		**(2,392)**	(1,626)
Net increase / (decrease) in cash and cash equivalents		998	(961)
Cash and cash equivalents at the beginning of the period		863	1,838
Effects of exchange rate changes on cash and cash equivalents		13	(14)
Cash and cash equivalents at the end of the year	**9(b)**	**1,874**	863

There were no non-cash investing and financing activities during the year (2018: Nil).

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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Consolidated statement of changes in equity

For the year ended 30 June 2019

	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 2017	1,289	39	8,392	9,720	14	9,734
Net profit after tax	-	-	879	879	(1)	878
Other comprehensive income	-	4	-	4	-	4
Total comprehensive income for the period, net of tax	-	4	879	883	(1)	882
Transactions with owners:						
Purchase of shares under employee share plans	(24)	-	-	(24)	-	(24)
Employee share awards vested	22	(11)	-	11	-	11
Equity settled share-based payment transactions	-	14	-	14	-	14
Dividends declared	-	-	(885)	(885)	-	(885)
Balance at 30 June 2018	**1,287**	**46**	**8,386**	**9,719**	**13**	**9,732**
Adjustment on adoption of AASB 15[1]	-	-	(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
Share buy-back	(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**

[1] See note 23(x) for details regarding the restatement as a result of the adoption of *AASB 15 Revenue from Contracts with Customers.*

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

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Notes to the consolidated financial statements

For the year ended 30 June 2019

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Basis of preparation

01 Basis of preparation

The financial statements cover the consolidated group comprising of 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.

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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	2019 US$m	2018 US$m
Underlying EBITDA		**6,047**	3,182
Finance income	7	26	24
Finance expenses	7	(279)	(652)
Depreciation and amortisation	5, 6	(1,196)	(1,277)
Exploration, development and other	6	(29)	(32)
Net profit before tax		**4,569**	1,245
Income tax expense	14	(1,382)	(367)
Net profit after tax		**3,187**	878

(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.

	2019 US$m	2018 US$m
Revenues from external customers		
China	9,260	6,211
Other	705	676
	9,965	6,887

(b) Major customer information

Revenue from two customers amounted to US$1,753 million and US$1,451 million respectively (2018: US$2,753 million and US$988 million), arising from the sale of iron ore and the related shipment of product.

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Financial performance

03 Operating sales revenue

	2019 US$m	2018 US$m
Iron ore revenue	7,699	6,775
Provisional pricing adjustments - iron ore	1,087	-
Total iron ore revenue	**8,786**	6,775
Shipping revenue	1,140	-
Provisional pricing adjustments - shipping revenue	37	-
Total shipping revenue	**1,177**	-
Other revenue	2	112
	9,965	6,887

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.

The change in accounting policy and the impact of adoption of AASB 15 *Revenue from Contracts with Customers* is disclosed in note 23(d) and note 23(x) respectively. In accordance with the transition provisions in the standard, the Group has adopted AASB 15 using the cumulative effect method. Under this approach, comparatives are not restated. Instead, the cumulative effect of adopting the new standard is recognised in the opening balance of retained earnings in the current reporting period. The new standard is only applied to contracts that remain in force as at the date of adoption.

04 Other income

	2019 US$m	2018 US$m
Net foreign exchange gain	110	29
Other	-	1
	110	30

05 Cost of sales

	2019 US$m	2018 US$m
Mining and processing costs	1,829	1,739
Rail costs	190	188
Port costs	176	172
Shipping costs	1,082	1,148
Government royalty	651	416
Depreciation and amortisation	1,184	1,265
Other operating expenses	3	2
	5,115	4,930

Total employee benefits expense included in cost of sales and administration expenses is US$673 million (2018: US$601million).

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Financial performance

06 Other expenses

	2019 US$m	2018 US$m
Administration expenses	95	70
Exploration, development and other	29	32
Depreciation and amortisation	12	12
Other	2	-
	138	114

07 Finance income and finance expenses

	2019 US$m	2018 US$m
Finance income		
Interest income	26	24
	26	24
Finance expenses		
Interest expense on borrowings and finance lease liabilities	218	340
Cost of early debt repayment	-	289
Interest on prepayment	32	-
Other	29	23
	279	652

08 Earnings per share

(a) Earnings per share	2019 cents	2018 cents
Basic	103.1	28.2
Diluted	102.9	28.1
(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	3,187	879
(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	3,090,462,322	3,112,150,439
Adjustments for calculation of diluted earnings per share:		
Potential ordinary shares	8,142,063	10,886,842
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	3,098,604,385	3,123,037,281

(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.

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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 finance lease liabilities.

	Note	2019 US$m	2018 US$m
Borrowings	9(a)	3,379	3,380
Finance lease liabilities	9(a)	573	595
Cash and cash equivalents	9(b)	(1,874)	(863)
Net debt		**2,078**	3,112
Equity attributable to equity holders of the Company		10,588	9,719
Non-controlling interest		13	13
Total equity		**10,601**	9,732

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 finance lease liabilities

	2019 US$m	2018 US$m
Senior unsecured notes	16	16
Syndicated term loan	22	18
Finance lease liabilities	48	63
Total current borrowings and finance lease liabilities	**86**	97
Senior unsecured notes	1,985	1,981
Syndicated term loan	1,356	1,365
Finance lease liabilities	525	532
Total non-current borrowings and finance lease liabilities	**3,866**	3,878
Total borrowings and finance lease liabilities	**3,952**	3,975

Capital management

09 Capital management (continued)

(a) Borrowings and finance lease liabilities

(i) Senior unsecured notes

During the year ended 30 June 2019 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
March 2018	March 2023	5 years	500	504	5.125%	USD
May 2017	May 2022	5 years	750	749	4.750%	USD
May 2017	May 2024	7 years	750	748	5.125%	USD
			2,000	**2,001**		

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

The US$1,400 million syndicated term loan is due to mature in April 2022 and as at 30 June 2019 had a carrying value of US$1,378 million (30 June 2018: US$1,383 million) with a coupon rate linked to LIBOR plus a fixed margin. The facility has principal repayment of 1% per annum with early repayment of the facility at Fortescue's option.

(iii) Finance lease liabilities

Finance lease liabilities largely relate to contractual commitments associated with ore carriers, Fortescue River Gas Pipeline and heavy mobile fleet. In the event of default, the assets revert to the lessor.

	Within one year US$m	Between one year and five years US$m	After five years US$m	Total US$m
30 June 2018				
Lease expenditure commitments	107	310	583	1,000
Effect of discounting	(44)	(149)	(212)	(405)
Finance lease liabilities	63	161	371	595
30 June 2019				
Lease expenditure commitments	96	312	593	1,001
Effect of discounting	(48)	(165)	(215)	(428)
Finance lease liabilities	**48**	**147**	**378**	**573**

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Capital management

09 Capital management (continued)

(a) Borrowings and finance lease liabilities

(iv) Summary of movements in borrowings and finance lease liabilities

	Senior secured notes US$m	Senior unsecured notes US$m	Syndicated term loan US$m	Finance leases US$m	Total US$m
Balance at 1 July 2017	2,163	1,490	-	818	4,471
Initial recognition	-	500	1,400	171	2,071
Interest expense	180	85	20	55	340
Interest and finance lease repayments	(241)	(73)	(14)	(120)	(448)
Transaction costs	58	(5)	(23)	-	30
Foreign exchange gain	-	-	-	(5)	(5)
Repayment	(2,160)	-	-	(324)	(2,484)
Balance at 30 June 2018	-	1,997	1,383	595	3,975
Initial recognition	-	-	-	51	51
Interest expense	-	105	72	50	227
Interest and finance lease repayments	-	(101)	(63)	(116)	(280)
Foreign exchange loss	-	-	-	(7)	(7)
Repayment	-	-	(14)	-	(14)
Balance at 30 June 2019	**-**	**2,001**	**1,378**	**573**	**3,952**

(v) Committed but undrawn credit facilities

Revolving credit facility

On 1 October 2018, the Company increased the size of its revolving credit facility by US$500 million to US$1,025 million and extended the maturity date by 12 months to July 2021. The revolving credit facility remained undrawn at 30 June 2019.

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

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Capital management

09 Capital management (continued)

(b) Cash and cash equivalents

	2019 US$m	2018 US$m
Cash at bank	1,655	702
Short term deposits	219	161
	1,874	863

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

	2019 US$m	2018 US$m
Net profit after tax	3,187	878
Depreciation and amortisation	1,196	1,277
Exploration, development and other	29	32
Share-based payment expense	21	14
Net unrealised foreign exchange (gain)/loss	(7)	(2)
Cost of early debt repayment	-	289
Rehabilitation expenditure	(38)	(11)
Depreciation in inventory	90	(38)
Other non-cash items	(60)	(78)
Working capital adjustments:		
Increase / (decrease) in payables	308	(30)
(Increase) / decrease in receivables	(802)	21
(Increase) / decrease in inventories	(276)	92
(Increase) / decrease in other assets	(9)	9
(Decrease) in deferred income	(309)	(113)
Increase / (decrease) in provisions	38	(24)
Increase / (decrease) in provision for income taxes payable	923	(764)
Increase in deferred tax liabilities	82	49
Net cash inflow from operating activities	**4,373**	1,601

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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 2017	3,113,798,151	(2,458,921)	3,111,339,230	1,296	(7)	1,289
Purchase of shares under employee share plans	-	(5,115,446)	(5,115,446)	-	(24)	(24)
Employee share awards vested	-	6,346,506	6,346,506	-	22	22
At 30 June 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**

(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.

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Capital management

09 Capital management (continued)

(e) Dividends

(i) Dividends paid during the year

	2019 US$m	2018 US$m
Final fully franked dividend for the year ended 30 June 2018: A$0.12 per share (30 June 2017: A$0.25 per share)	271	614
Interim fully franked dividend for the half-year ended 31 December 2018: A$0.19 per share (31 December 2017: A$0.11 per share)	416	271
Special interim fully franked dividend for the half-year ended 31 December 2018: A$0.11 per share (31 December 2017: nil)	241	-
Accelerated final fully franked dividend for the year ended 30 June 2019 of A$0.60 per share (30 June 2018: nil)	1,277	-
	2,205	885

(ii) Dividends declared and not recognised as a liability

	2019 US$m	2018 US$m
Final fully franked dividend: A$0.24 per share (2018: A$0.12 per share)	519	271

(iii) Franking credits

	2019 A$m	2018 A$m
Franking credit account balance at the end of the financial year at 30% (2018: 30%)	930	1,757
Franking credits/(debits) that will arise from the payment/(receipt) of current tax payable/(receivable) as at the end of the year	1,077	(108)
Franking debits that will arise from the payment of the final dividend for the year	(317)	(160)
	1,690	1,489

10 Working capital

(a) Trade and other receivables

	2019 US$m	2018 US$m
Trade debtors	882	89
GST receivables	14	13
Other receivables	27	18
Total current receivables	**923**	120
Other receivables	2	3
Total non-current receivables	**2**	3

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Capital management

10 Working capital (continued)

(a) Trade and other receivables

The Group applies the expected credit loss model prescribed by AASB 9 *Financial Instruments* 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 are insignificant and no provision has been recognised at 30 June 2019 (2018: 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

	2019 US$m	2018 US$m
Trade payables	315	272
Other payables and accruals	671	406
Total current payables	**986**	678
Customer deposits	50	50
Total non-current payables	**50**	50

(c) Inventories

	2019 US$m	2018 US$m
Iron ore stockpiles	466	215
Warehouse stores and materials	306	281
Total current inventories	**772**	496

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 2019 amounted to US$3,379 million (2018: US$3,364 million). During the year, inventory write-offs of US$9 million (2018: US$25 million) were recognised in relation to specific items of warehouse stores and materials that were identified as obsolete.

(d) Deferred income

	2019 US$m	2018 US$m
Iron ore prepayments - current	486	267
Iron ore prepayments - non-current	-	528

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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 price (commodity price risk), interest rates (interest rate risk) and 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 2019, Fortescue had 10.4 million tonnes of iron ore sales (2018: 31 million tonnes) that remained subject to provisional pricing, with the final price to be determined in the following financial year. A 17 per cent movement in the realised iron ore price on these provisionally priced sales would have an impact on the Group's profit of US$155 million (2018: 10 per cent movement would have an impact on the Group's profit of US$101 million), before the impact of taxation. This analysis assumes all other factors, including the foreign currency exchange rates, are held constant.

(ii) Interest rate risk

The Group's interest rate risk arises from variable rates on the finance leases 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	2019 US$m	2018 US$m
Cash and cash equivalents	9(b)	1,655	863
Finance leases	9(a)	(387)	(356)
Syndicated term loan	9(a)	(1,378)	(1,383)
		(110)	(876)

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$35 million (2018: a change of 50 basis points would impact profit by US$13 million), before the impact of taxation. This analysis assumes that all other factors remain constant, including foreign currency rates.

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Capital management

11 Financial risk management (continued)

(a) Market risk

(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 2019, the Group had option collars in place for a total notional amount of US$200 million and a strike range between 0.67 and 0.70 USD:AUD exchange rate. All contracts are set for maturity within three months of year end. There were no such contracts outstanding at 30 June 2018.

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

	2019 US$m	2018 US$m
Financial assets		
Cash and cash equivalents	697	260
Trade and other receivables	28	21
Other financial assets	4	62
Total financial assets	**729**	343
Financial liabilities		
Borrowings and finance lease liabilities	129	142
Trade and other payables	814	518
Total financial liabilities	**943**	660

A change of two per cent in the Australian dollar exchange rate would have a net impact on the Group's profit of US$4 million (2018: a change of 10 per cent would have an impact of US$36 million), before the impact of taxation. This analysis assumes that all other variables, including interest rates and iron ore price, remain constant.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to Fortescue and is managed on a consolidated basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions and receivables from customers.

Contracts for sales allow for pricing mechanisms in which the price can be finalised over multiple periods. On this basis the Group does not consider in the first instance that the ageing of receivables is an indicator of risk of default, rather an indication of the contractual terms and conditions agreed within the sales contract.

At 30 June 2019, Fortescue had US$6 million (2018: US$5 million) of trade receivables which have not been settled within the normal terms and conditions agreed with the customer. The Group applies the AASB 9 stage 1 expected credit losses model which recognises an expected credit loss on initial recognition of trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. These past due receivables relate to a number of customers for whom there is no recent history of default. 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.

Fortescue has not recognised any bad debt expense from trading counterparties in the years ended 30 June 2019 and 30 June 2018.

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.

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Capital management

11 Financial risk management (continued)

(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$m	6 - 12 months US$m	1 - 2 years US$m	2 - 5 years US$m	Over 5 years US$m	Total contractual cash flows US$m	Carrying amount US$m
30 June 2018							
Non-interest bearing	678	-	-	50	-	728	728
Fixed rate	78	90	148	1,615	1,042	2,973	2,236
Variable rate	51	65	115	1,602	335	2,168	1,739
	807	155	263	3,267	1,377	5,869	4,703
30 June 2019							
Non-interest bearing	1,749	-	-	50	-	1,799	1,798
Fixed rate	75	71	156	2,265	220	2,787	2,187
Variable rate	58	72	129	1,557	373	2,189	1,765
	1,882	**143**	**285**	**3,872**	**593**	**6,775**	**5,750**

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

(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.

	2019		2018	
	Carrying value US$m	Fair value US$m	Carrying value US$m	Fair value US$m
Senior unsecured notes	2,001	2,071	1,997	1,924

The Group enters into derivative financial instruments (foreign currency options) 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 derivatives are classified as Level 2.

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.

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Key balance sheet items

12 Property, plant and equipment

	Note	Plant and equipment US$m	Land and buildings US$m	Exploration and evaluation US$m	Assets under development US$m	Development US$m	Total US$m
Net carrying value							
At 1 July 2017		11,156	796	813	291	3,437	16,493
Transfers of assets		812	8	(17)	(832)	27	(2)
Additions		3	-	70	842	-	915
Disposals		(5)	(1)	-	-	-	(6)
Depreciation		(969)	(59)	-	-	(207)	(1,235)
Changes in restoration and rehabilitation estimate	13(a)	-	-	3	-	35	38
Other		(2)	-	(12)	-	-	(14)
At 30 June 2018		10,995	744	857	301	3,292	16,189
Cost		16,473	1,060	857	301	4,551	23,242
Accumulated depreciation		(5,478)	(316)	-	-	(1,259)	(7,053)
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	13(a)	-	-	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)

Transfers of assets were made between the categories of property, plant and equipment, intangible assets, exploration and evaluation and development expenditure.

Property, plant and equipment includes assets held under finance leases of US$216 million (2018: US$253 million). The details of the finance leases under which these assets are held are disclosed in note 9(a).

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Key balance sheet items

13 Provisions

	2019 US$m	2018 US$m
Employee benefits	189	150
Restoration and rehabilitation	19	47
Total current provisions	**208**	197
Employee benefits	1	2
Restoration and rehabilitation	687	544
Total non-current provisions	**688**	546

(a) Provision for restoration and rehabilitation

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

	2019 US$m	2018 US$m
At 1 July	591	559
Changes in restoration and rehabilitation estimate	147	38
Unwinding of discount	6	5
Payments for restoration and rehabilitation activities	(38)	(11)
At 30 June	**706**	591

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.

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Taxation

14 Taxation

For the year ended 30 June 2019, 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	
	2019 US$m	2018 US$m
Current tax	1,299	320
Deferred tax	83	47
	1,382	367

(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 2019, the Group's global effective tax rate was 30.3 per cent. This is in line with the Australian corporate tax rate of 30 per cent.

	Consolidated group 2019 US$m	Australian group 2019 US$m	Consolidated group 2018 US$m	Australian group 2018 US$m
Profit before income tax expense	4,569	4,508	1,245	1,185
Tax at the Australian tax rate of 30 per cent (2018: 30 per cent)	1,371	1,353	374	356
Research and development	(2)	(2)	(3)	(3)
Adjustments in respect of income tax expense of prior periods	33	34	(1)	(6)
Foreign exchange variations and other transactions adjustments	(22)	(22)	(4)	(4)
Tax impact of overseas jurisdiction	-	7	(1)	8
Share based payments	(2)	(2)	(1)	(1)
Other	4	2	3	1
Income tax expense	**1,382**	**1,370**	367	351
Effective tax rate	30.3%	30.4%	29.5%	29.6%

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Taxation

14 Taxation (continued)

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

	Consolidated group	
	2019 US$m	2018 US$m
Income tax expense in the consolidated income statement	1,382	367
Deferred tax expense	(83)	(47)
Prior year under/over provision	-	(1)
	1,299	319
Current tax payable/(receivable) at 1 July	(79)	685
Tax payments made to tax authorities[1]	(376)	(1,070)
Impact of foreign exchange on income tax payable[2]	(82)	(13)
Current tax payable/(receivable) at 30 June	**762**	(79)

[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	
	2019 US$m	2018 US$m
Deferred tax assets	516	431
Deferred tax liabilities	(2,204)	(2,037)
Net deferred tax liabilities	**(1,688)**	(1,606)

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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	
	2019 US$m	2018 US$m	2019 US$m	2018 US$m	2019 US$m	2018 US$m
Temporary differences arising from						
Exploration expenditure	-	-	(148)	(134)	14	11
Development	-	-	(588)	(546)	42	6
Property, plant and equipment	-	-	(1,309)	(1,244)	64	24
Inventories	-	-	(139)	(105)	34	(22)
Foreign exchange losses (gains)	4	-	-	-	(4)	-
Provisions	286	223	(16)	-	(48)	(4)
Other financial liabilities	191	182	-	-	(9)	32
Other items	35	26	(4)	(8)	(10)	-
	516	431	**(2,204)**	(2,037)	**83**	47

(e) Unrecognised tax losses

At 30 June 2019, the Group had income tax losses with a tax benefit of US$34 million (2018: US$28 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.

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Unrecognised items

15 Commitments and contingencies

	Capital US$m	Operating leases US$m	Total US$m
30 June 2018			
Within one year	175	13	188
Between one and five years	40	31	71
Total commitments	215	44	259
30 June 2019			
Within one year	393	36	429
Between one and five years	7	128	135
Later than five years	-	12	12
Total commitments	**400**	**176**	**576**

(i) Operating lease commitments

Fortescue leases various offices and other premises under non-cancellable operating leases expiring within one to four years. The leases have varying terms, escalation clauses and renewal rights. The terms of the leases are renegotiated on renewal. Fortescue also leases mobile equipment, plant and machinery and office equipment under non-cancellable operating leases. The leases have varying terms.

Fortescue had no material contingent liabilities or contingent assets at 30 June 2019 or at the date of this report. Fortescue occasionally receives claims arising from its activities in the normal course of business. In the opinion of the Directors, all such matters are covered by insurance or, if not covered, are without merit or are of such a kind or involve such amounts that would not have a material adverse impact on the operating results or financial position if settled unfavourably.

16 Events occurring after the reporting period

On 26 August 2019, the Directors declared a final dividend of 24 Australian cents per ordinary share payable in October 2019.

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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

	2019 US$'000	2018 US$'000
Short term employee benefits	5,465	6,569
Share-based payments	4,984	2,469
Post employment benefits	129	148
	10,578	9,186

Detailed information about the remuneration received by each key management person is provided in the remuneration report on pages 111 to 144.

(c) Transactions and balances with other related parties

Transactions with joint operations partners	2019 US$'000	2018 US$'000
Other revenue	4,436	1,973
Balances at 30 June		
Deferred joint venture contributions - current	117,545	-
Deferred joint venture contributions - non-current	154,972	269,859
Other receivables - current	2,314	219

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 2019, Fortescue issued 1,827,145 (2018: 1,845,707) short term share rights and 4,262,313 (2018: 3,045,753) 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.

	2019 Number	2018 Number
Outstanding at 1 July	14,370,793	15,795,024
Share rights granted	6,089,458	4,891,460
Share rights forfeited or lapsed	(3,127,678)	(4,548,999)
Share rights converted or exercised	(4,270,480)	(1,766,692)
Outstanding at 30 June	**13,062,093**	14,370,793

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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 2019 was A$4.10 per right (2018: A$5.34) for the short term share rights and A$4.10 per right (2018: A$5.04) 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 2019 were:

- share price: A$4.61 (2018: A$4.90)
- exercise price: nil (2018: nil)
- volatility: 43 per cent (2018: 49 per cent)
- effective life: 1.9 years (2018: 2.1 years)
- dividend yield: 6.6 per cent (2018: 7.1 per cent)
- risk free interest rate: 1.9 per cent (2018: 1.9 per cent).

Details of share rights outstanding at 30 June 2019 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	-	411,886	411,886	11.5	-	Yes
Short term share rights 2017	-	545,438	545,438	12.3	-	Yes
Short term share rights 2018	-	581,560	581,560	13.5	-	Yes
Short term share rights 2019	-	1,776,211	-	14.5	-	Yes
Long term share rights 2016	-	1,213,053	1,213,053	11.5	Yes	Yes
Long term share rights 2017	-	2,105,815	-	12.3	Yes	Yes
Long term share rights 2018	-	2,431,123	-	13.3	Yes	Yes
Long term share rights 2019	-	3,997,007	-	14.5	Yes	Yes
		13,062,093	**2,751,937**			

(b) Employee expenses

Total expenses arising from share-based payments transactions recognised during the period as part of employee benefit expense were as follows:

	2019 US$m	2018 US$m
Share-based payment expense	21	14

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Other

19 Remuneration of auditors

	2019 US$'000	2018 US$'000
PricewaterhouseCoopers Australia		
Audit and other assurance services		
Audit and review of financial statements	771	753
Other assurance services	60	398
Total audit and assurance services	**831**	1,151
Other services		
Consulting services	156	225
Total remuneration of PricewaterhouseCoopers Australia	**987**	1,376
Network firms of PricewaterhouseCoopers Australia		
Audit and other assurances		
Audit and review of financial statements	85	130
	85	130
Total auditors remuneration	**1,072**	1,506

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 2019 along with the consolidated statement of financial position at 30 June 2019 for the closed group represented by the above companies are materially the same as that of the Group.

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Other

21 Parent entity financial information

(a) Summary financial information

	2019 US$m	2018 US$m
Current assets	215	247
Non-current assets	9,599	10,035
Total assets	**9,814**	10,282
Current liabilities	847	86
Non-current liabilities	136	91
Total liabilities	**983**	177
Net assets	**8,831**	10,105
Contributed equity	1,181	1,287
Reserves	26	29
Retained earnings	7,625	8,789
Total equity	**8,831**	10,105
Profit for the year	1,039	1,468
Total comprehensive income for the year	**1,039**	1,468

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; and
- Profit for the year includes dividends received from subsidiaries of US$956 million (2018: US$1,411 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 did not have any contingent liabilities at 30 June 2019 or 30 June 2018.

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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):

	Country of incorporation	Class of shares	Equity holding 2019 %	Equity holding 2018 %	Investment 2019 US$	Investment 2018 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**	97,610,244
FMG Personnel Services Pty Ltd	Australia	Ordinary	**100**	100	**1**	1

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).

Joint operations	Country of incorporation	Holding entity	Principal activities	Participating interest 2019	Participating interest 2018
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%

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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, revenues 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.

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 - accounting policy applied from 1 July 2018

The Group is principally engaged in the business of producing iron ore and providing related freight/shipping services. Revenue is measured at the amount the Group expects to be entitled to in exchange for those goods or services and is recognised at the point at which control of the goods or services is transferred to the customer.

(i) Sale of products

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

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

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Other

23 Summary of significant accounting policies (continued)

(d) Revenue recognition - accounting policy applied from 1 July 2018 (continued)

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. Further information resulting from the adoption of AASB15 *Revenue from Contracts with Customers* is disclosed in note 23(x).

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. 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.

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Other

23 Summary of significant accounting policies (continued)

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(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 or transaction price determined under AASB 15 and subsequently measured at amortised cost, less an allowance for uncollectable amounts.

Trade receivables includes amounts that remain subject to provisional pricing as discussed in note 23(j)(iii).

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 re-organisation 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

From 1 July 2018 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 the income statement 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)

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(j) Financial assets (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 values recognised in the income statement. The receivables relating to quotation period for the sale of iron ore are recorded as trade receivables.

Further impact of transition to AASB 9 *Financial Instruments* is discussed in note 23(x).

(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.

(iii) Finance lease liabilities

The Group has finance lease liabilities in relation to certain items of property, plant and equipment. Finance lease liabilities are initially recognised at the fair value of the underlying assets or, if lower, the estimated present value of the minimum lease payments. Each lease payment is allocated between the liability and finance cost and the finance cost is charged to the income statement over the lease period to reflect a constant periodic rate of interest on the remaining balance of the liability for each period.

Further impact on financial liabilities as a result of transition to AASB 9 *Financial Instruments* is discussed in note 23(x).

(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 finance leases are depreciated over the shorter of the individual asset's useful life and the lease term.

Other

23 Summary of significant accounting policies (continued)

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(l) Property, plant and equipment (continued)

Straight-line method

Where the useful life is not linked to the quantities of iron ore produced, assets are generally depreciated on a straight-line basis. The estimated useful lives for the principal categories of property, plant and equipment depreciated on a straight-line basis are as follows:

- buildings 20 to 40 years
- rolling stock 25 to 30 years
- plant and equipment 2 to 20 years
- rail and port infrastructure assets 40 to 50 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period with the effect of any changes in estimate accounted for on a prospective basis.

Units of production method

Where the useful life of an asset is directly linked to the extraction of iron ore from a mine, the asset is depreciated using the units of production method. The units of production method is an amortised charge proportional to the depletion of the estimated proven and probable reserves at the mines.

(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; and
- 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.

Other

23 Summary of significant accounting policies (continued)

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(m) Stripping costs (continued)

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.

(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

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.

(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 re-measured 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.

Other

23 Summary of significant accounting policies (continued)

(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.

(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 the 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.

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Other

23 Summary of significant accounting policies (continued)

(s) Share-based payments (continued)

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.

(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 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 2018:

- AASB 9 *Financial Instruments*
- AASB 15 *Revenue from Contracts with Customers*
- AASB 2016-5 *Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions*
- AASB 2017-1 *Amendments to Australian Accounting Standards - Transfers to Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments*
- Interpretation 22 *Foreign Currency Transactions and Advance Consideration.*

The Group has amended its accounting policies and made certain retrospective adjustments following the adoption of AASB 15 which has been disclosed below. Accounting policy changes related to AASB 9 *Financial Instruments* have also been disclosed below. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Adoption of AASB 15

The Group has adopted AASB 15 *Revenue from Contracts with Customers* from 1 July 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. AASB 15 supersedes AASB 118 *Revenue*.

Adoption of the new standard did not have a material impact on the measurement of revenue from the sale and shipment of iron ore, or the timing of its recognition. Similarly, there was no impact on interest income. Shipping revenue that was previously recognised as part of the sale of iron ore was identified as a separate performance obligation upon adopting the new standard and is now recognised over the period during which the shipping service has been provided, along with associated costs.

In accordance with the transition provisions in the Standard, the Group has adopted AASB 15 using the cumulative effect method. Under this approach, comparatives are not restated. Instead, the cumulative effect of adopting the new standard is recognised in the opening balance of retained earnings in the current reporting period.

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Other

23 Summary of significant accounting policies (continued)

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(x) New accounting standards and interpretations (continued)

The new standard is only applied to contracts that remain in force as at the date of adoption.

The change in accounting policy as a result of AASB 15 *Revenue from Contracts with Customers* is disclosed in note 23(d).

Transition adjustments to the opening balance of retained earnings

Certain freight revenue was identified at 30 June 2018 for which the related performance obligation was partially completed as at that date. This resulted in a decrease to the opening balance of retained earnings as follows:

	2019 US$m
Opening retained earnings - 1 July as previously reported	8,386
Decrease due to freight revenue adjustment	(2)
Restated opening retained earnings	8,384

Adoption of AASB 9

The Group has adopted AASB 9 *Financial Instruments* from 1 July 2018 which changes the classification of complex financial instruments, classification of impairment losses in financial assets, and although hedge accounting has not been applied by the Group, AASB 9 introduces changes to hedge accounting. For transition, the Group has elected to apply the limited exemption under AASB 9 related to classification, measurement and impairment requirements for financial instruments and as a result has not restated comparative periods. On transition, adjustments to the carrying values in the balance sheet were considered insignificant and not material.

On this basis there were no adjustments recognised in opening retained earnings as a result of adopting AASB 9.

AASB 9 introduces an expected credit loss model for impairment of financial assets which replaces the incurred loss model used in AASB 139. For trade receivables the Group has applied the standard's simplified approach and has calculated expected credit losses on lifetime expected credit losses. This has not had a significant impact on the Group given the adopted credit risk management processes, and the resulting insignificant level of credit losses which are not considered material to the Group.

Fortescue's sale contracts may provide for provisional pricing of sales at the time the product is delivered to the vessel with final pricing determined using the iron ore price indices on or after the vessel's arrival to the port of discharge. Under AASB 139 *Financial Instruments: Recognition and Measurement* the final pricing adjustment mechanism represented an embedded derivative which was separated from the host contract and recognised in operating sales revenue. Under AASB 9 the receivable asset is measured at fair value through profit or loss which results in a similar overall impact on the income statement and balance sheet.

The changes in classification of the Group's financial assets are outlined in note 23(j).

(ii) New accounting standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods. These standards and interpretations have not been early adopted.

AASB 16 *Leases* (effective from 1 July 2019)

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.

Lessor accounting remains similar to the current standard where lessors continue to classify leases as finance or operating leases.

The Group adopted AASB 16 initially on 1 July 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting AASB 16 will be 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 estimated increase in lease liabilities of US$149m and right of use assets of US$139m.

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.

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Other

24 Critical accounting estimates and judgements (continued)

(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.

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08

Remuneration Report



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Remuneration and People Committee Chair

Sharon Warburton

On behalf of the Directors of Fortescue Metals Group Ltd, I am pleased to present the Remuneration Report for the year ended 30 June 2019.

Our Report aims to provide you with clear information on our remuneration strategy for Executives and Directors, aligned to deliver the best outcomes to you, our shareholder.

A governing principal of Fortescue's remuneration strategy is to ensure management are held accountable for achieving stretch targets on the critical deliverables of safety, production and cost. For FY19, the board determined aggressive targets for each and designed incentives specifically to drive business transformation, financial performance and to protect shareholders.

As reported in the Operating and Financial Review, FY19 has once again delivered strong, consistent results against the majority of our key targets for the year, reflecting our strong values-based culture and the commitment of the whole Fortescue team.

Performance culture driving remuneration strategy

Fortescue's remuneration strategy is underpinned by its core Values and performance culture which includes setting challenging stretch financial and non-financial targets, striving to achieve them and rewarding success. Key focus areas are innovation, value creation, long-term sustainability and growth with the Board exercising discretion to recognise outstanding levels of achievement where outcomes may not accurately reflect performance.

Once again, Fortescue's unique culture continues to deliver outstanding levels of engagement as demonstrated by the annual Safety Excellence and Culture Survey with an exceptional 93 per cent participation rate, an increase in the number of respondents of 1,600 as well as substantial improvement across all survey metrics.

A commitment to diversity and ensuring an encouraging and inclusive workplace through practical measures, including fair and equitable pay, flexible work practices and support for parents returning to work are fundamental drivers of our success.

Strong **safety performance** for the year resulted in a 24 per cent improvement in TRIFR which reduced to a record annual low of 2.8. This is a very pleasing result and reflects targeted initiatives implemented by the management team during the year, including the Company wide 'Safety Stop' in August 2018 and the 'Take Control' campaign reinforcing that all of the Fortescue team members are empowered to pause the job and ensure that safety is the key priority.

Improved
Safety

2.8 Total Recordable Injury Frequency Rate

Consistent
Production

167.7mt shipped

Maintained
Cost

US$**13.11**/wmt

Culture

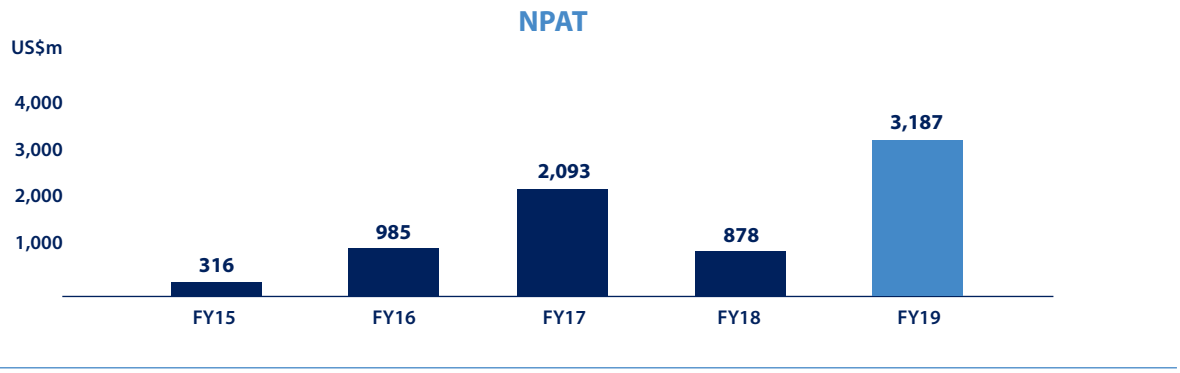
93%
participation in the Safety Excellence and Culture Survey

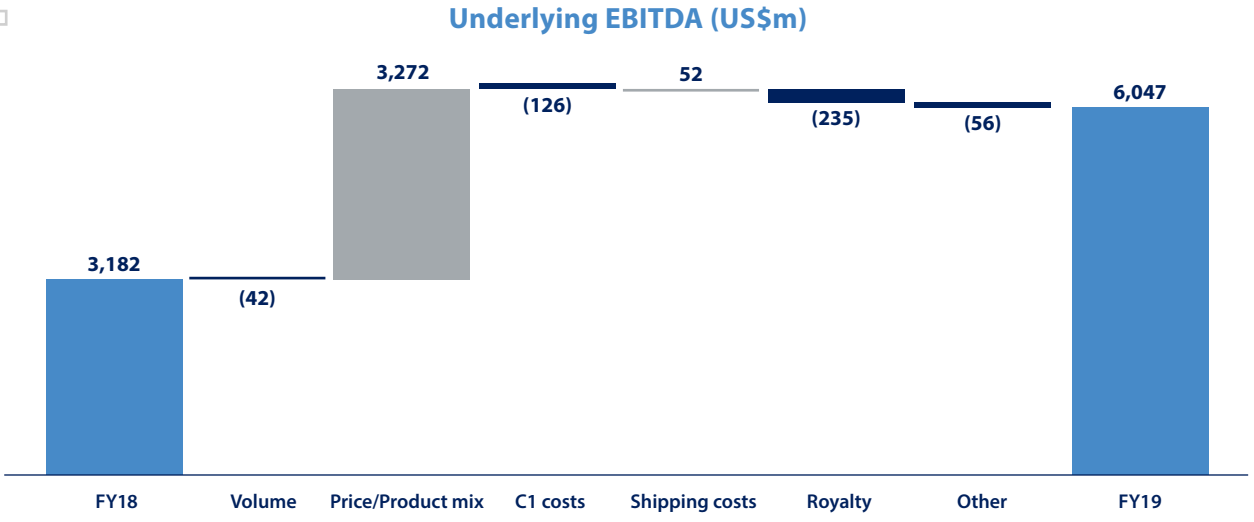
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FY19 performance

The Fortescue team achieved excellent results in FY19 with significant progress made on the delivery of Fortescue's business strategy. Specifically:

- The financial performance was outstanding with record results achieved including:
  - NPAT increased by 263 per cent to US$3,187m
  - Net debt reduced by 33 per cent to US$2,078m
  - Gross gearing was 27 per cent.
- Consistent production was achieved from the Company's world class assets, with 167.7mt of iron ore shipped and the achievement of a number of operational records including:
  - OPF processing of 48.5mt for the June quarter and 176.9mt for the year
  - Rail achieved a record railing for the June quarter unloading 45.7mt
  - 17.3mt shipped in June with 46.6mt shipped for the June 2019 quarter
- Shipments of the 60.1% Fe product West Pilbara Fines commenced in December 2018 with 9mt shipped in FY19
- Mine life maintained at target production rate and quality
- FY19 has also seen the Board approve the Iron Bridge Magnetite and Queens Valley development projects
- The towage infrastructure project was completed in FY19 with the official opening of the Judith Street Harbour held on 27 June 2019
- A wholly foreign owned entity (WFOE) was established in China to enable Fortescue to sell direct to its customers in China in Renmimbi, with the first direct sale by the entity being completed in June 2019
- The June quarter C1 cost was US$12.78/wmt with full year C1 cost of US$13.11/wmt, maintaining Fortescue's disciplined cost management and ensuring Fortescue maintains its position as the lowest cost producer of seaborne iron ore to China
- The Company's strong financial performance enabled record returns to shareholders with total dividends paid during FY19 of A$1.02 per share comprising the final dividend for FY18 of A$0.12 per share and A$0.90 per share in interim and special dividends for FY19. In addition, the Board declared a final dividend of A$0.24 per share bringing total dividends for FY19 to a record A$1.14 per share
- In October 2018, the Company launched an on-market share buyback program of up to A$500m with the program in place for a period of up to 12 months. A$139.2 million of Fortescue shares were acquired since the launch of the buy-back program at an average price of A$3.997 per share.



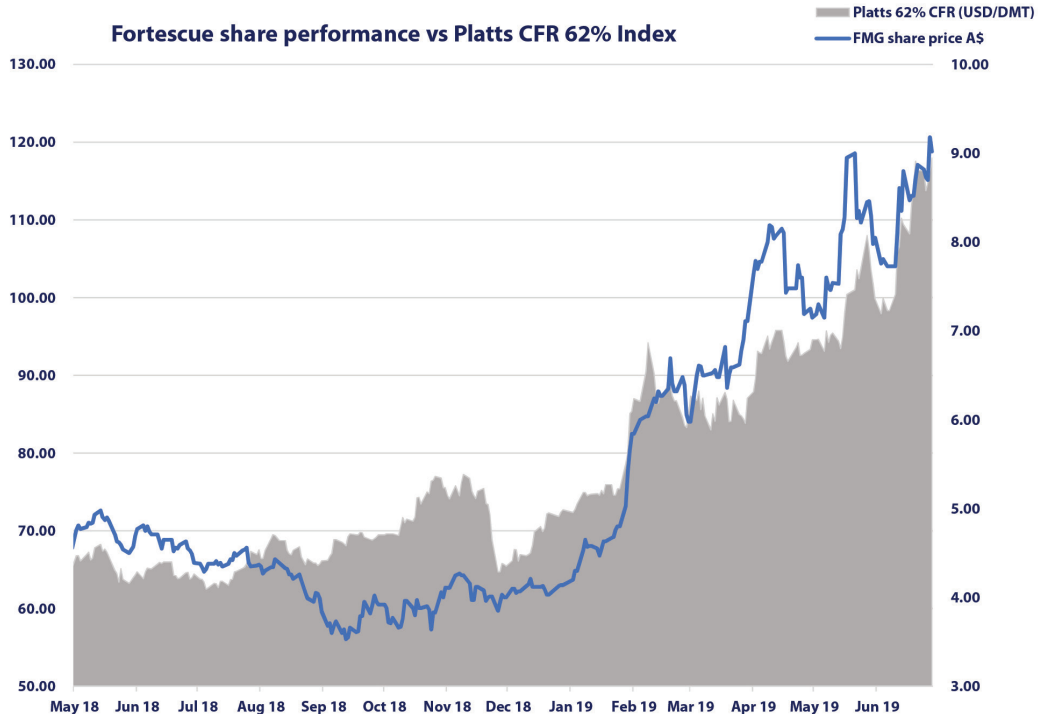


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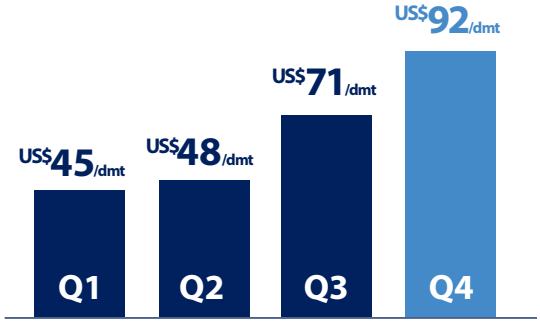
Fortescue's remuneration strategy is underpinned by its core Values and performance culture which includes setting challenging stretch financial and non-financial targets, striving to achieve them and rewarding success.

FY19 performance (continued)

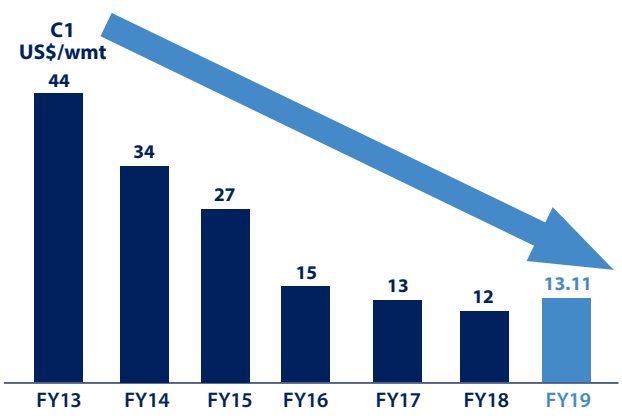
- Fortescue's share price increased by 105 per cent over the year reflecting the increase in the average iron ore price as well as the delivery of the enhanced product mix strategy which resulted in the average realised price for Fortescue's products **outperforming** the average benchmark iron ore price. The correlation between Fortescue's share price and the movement of the iron ore Platts 62% Index is shown in the graph below:



Price realisation journey



Sustainable cost improvements





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FY19 Remuneration outcomes

Fixed remuneration for the Core Leadership Team (CLT) was positioned lower than prior incumbents at the time of appointment in February 2018.

CLT remuneration was reviewed and increased during the year, having regard to comparable roles within the ASX 100, ASX 50 and ASX 30 Indices as well as other global resource companies.

FY19 Short Term Incentive stretch targets for safety, culture and sustaining capital expenditure have been met, with the growth target partially achieved. The targets for revenue were exceeded, particularly due to the success of the CLT's product mix strategy. The Board has exercised its discretion for a partial award related to C1 cost and production measures reflecting the degree to which outcomes have been delivered against stretch targets and the overall financial performance and shareholder value generated over the performance year.

FY17 Long Term Incentive Plan (LTIP) completed its performance period on 30 June 2019. Stretch targets for this plan have been achieved at varying levels.

- The **Total Shareholder Return (TSR)** target has been exceeded, reflecting the outstanding share price growth over the three year performance period.
- The three year average **AROE**, based on underlying NPAT (which excludes exceptional items relating to company one-off costs of refinancing activities) has been achieved between threshold and target.
- Achievement of **strategic measures** has resulted in this measure meeting target. Strategic measures are closely aligned with short term incentive measures to ensure long term value is retained and not impacted by a purely short term focus (e.g. long term mine life is preserved notwithstanding ongoing reductions in annual operating costs).

The capped outcome of the FY17 LTIP recognises and rewards the outstanding performance achieved by long term employees in a challenging iron ore market.

Conclusion

Fortescue's remuneration strategy is designed to motivate, attract and retain employees to deliver on the Company's strategic objectives. For executives and senior staff this includes a high proportion of 'at risk' remuneration which is fundamentally aligned to shareholder returns. At its core, the strategy drives management accountability for the achievement of stretch targets for the business, through a balance of financial and non-financial measures.

The outstanding result delivered by the Fortescue team is reflected in an increase in the 'at risk' award for the FY19 short term incentive (compared to FY18) and FY17 LTIP (for the period from 1 July 2016 to 30 June 2019), which aligns with shareholders returns over these periods.

Through its ongoing focus on a targeted short and long term remuneration framework (which included, during the year, a deep dive review with support of external advisors of its incentive framework), Fortescue continues its growth and progression as one of the world's leading innovative resources companies.



Sharon Warburton
Remuneration and People Committee Chair



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Who this report covers

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.

There have been no changes to Key Management Personnel after the reporting date.

The information provided in this Remuneration Report has been prepared in accordance with requirements under the *Corporations Act 2001* and Accounting Standards. Further details in regard to Company Directors can be found in the Corporate Governance Section of the Annual Report.

Whilst the functional and reporting currency of Fortescue is US dollars, it is the Directors' view that presentation of the information in Australian dollars provides a more accurate and fairer reflection of the remuneration practices of Fortescue, as all Directors, Executives and employees are remunerated in Australian dollars. 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*.

The KMP of the Group for FY19 were:

Non-executive Directors

A Forrest AO
Chairman

M Barnaba AM
Deputy Vice Chair and Lead Independent Director

S Warburton
Deputy Vice Chair

J Baderschneider
Non-Executive Director

P Bingham-Hall
Non-Executive Director

S Coe CH, KBE
Non-Executive Director

J Morris OAM
Non-Executive Director

C Zhiqiang
Non-Executive Director

Executive Directors

E Gaines
Chief Executive Officer

Other Key Management Personnel (Executives)

G Lilleyman
Chief Operating Officer

J Shuttleworth
Deputy Chief Executive Officer

I Wells
Chief Financial Officer



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01 FY19 overview and year ahead

Fortescue's remuneration strategy seeks to build a performance oriented culture by attracting and retaining the best possible people that are aligned to driving shareholder value.

Fortescue's performance culture of setting challenging stretch targets, striving to achieve them and rewarding success is fundamental to the Company's long term success. Fortescue's Board and Remuneration and People Committee (RPC) are committed to the continued review and refinement of the remuneration strategy to ensure it meets the changing needs of the organisation, maintains market competitiveness, and aligns with shareholder interests.

1.1 FY19 Remuneration outcomes - linking performance and pay

The Board takes into consideration both quantitative and qualitative assessments when deliberating on Executive remuneration to ensure that reward outcomes reflect both Company and individual performance. The following section explains how fixed and variable remuneration outcomes were driven by performance in FY19.

	Delivery	Performance measures	Outcomes
Total Fixed Remuneration (TFR) Further details are provided on page 141	Cash, superannuation and optional salary sacrifice benefits	An individual's TFR is a fixed / guaranteed element of remuneration	TFR for the CLT is benchmarked at least annually against companies in the ASX 100, ASX 50 and ASX 30 Indices as well as global resources companies CLT TFR was positioned approximately 25 per cent lower than prior incumbents at the time of their appointment in February 2018 The Board has since conducted a review of TFR benchmarked against comparable companies in the ASX and has taken into consideration the significant progress made by the CLT to date towards Fortescue's long term objectives and, on that basis, has increased TFR to the following: **KMP** — **TFR $** CEO — 1,850,000 COO — 1,500,000 Deputy CEO — 1,000,000 CFO — 1,000,000 Increases are effective from 1 January 2019 and remain aligned with external benchmarks

1.1 FY19 Remuneration outcomes - linking performance and pay (continued)

	Delivery	Performance measures	Outcomes
Short Term Incentive Plan Executive and Senior Staff Incentive Plan (ESSIP). Further details are provided on page 124	A minimum of 50% of the incentive value (up to 100% on election) is granted in share rights with the balance in cash Share rights are granted based on the share price at the beginning of the performance period with value realised at the time of award at the end of the performance period Movement in share price over the performance period directly affects the value received ensuring full alignment with returns to shareholders over the performance period	A balanced scorecard of performance measures including culture, financial and non-financial measures. Financial measures represent the key controllable drivers of financial performance, being underlying EBITDA and NPAT Targets are aggressive, challenging and are set at stretch levels of performance with each target either met (resulting in 100% of maximum opportunity) or not met (resulting in no payment) The Board may exercise its discretion to vary the level of award (positive or negative) when considering overall shareholder value generated over the performance period. The Board will consider overall company performance including the degree of stretch in the measures, operating environment, external influences outside of management's control (i.e. cyclones, floods, fire) and level of improvement on the prior year **Company People and Culture Targets** • Safety • Culture and engagement **Company Financial Targets** • Revenue • Production • Operating cost • Cashflow • Business diversification and growth targets	The CLT is measured solely on Company performance During FY19, the Company continued to deliver strong performance against many, but not all, of its stretch targets **Awards made in relation to the FY19 ESSIP reflect achievement of:** • Strong safety performance • Above target financial (revenue, profit and cashflow) performance • Improvements in the already high levels of safety culture and employee engagement **Partial award for:** • Production, which fell just short (99%) of its stretch target • C1 cost, which fell just short (95%) of its stretch target • Substantial diversification and growth strategy progress The outcome of the FY19 ESSIP represents an average payment of 95.2% of maximum opportunity to the CLT compared with an average payment of 69% of maximum opportunity in FY18 Awards for FY19 have been calculated on a pro-rata basis reflecting increased TFR for CLT members from 1 January 2019 (i.e. six months based on new TFR) Refer to section 5 for further detail
Long Term Incentive Plan (LTIP) Further details are provided on page 130	Share rights are granted based on the share price at the beginning of the performance period with value realised at the time of award at the end of the performance period Movement in share price over the performance period directly affects the value received ensuring strong correlation with returns to shareholders over the course of the same period	**Measured against:** • Relative Total Shareholder Return (TSR) (33%); • Absolute Return on Equity (AROE) (33%); and • Strategic measures (34%) Each LTIP performance measure has a minimum performance hurdle for vesting with increasing levels applicable to each individual measure. There is an ability to earn up to 150% of any individual measure by achieving stretch performance. Each individual measure contributes to the overall result with vested rights awarded based on the aggregate of the three measures Whilst each individual performance measure includes stretch targets, with a relative contribution on any individual measure of up to 150%, the overall cap for the LTIP is 100% of the maximum number of share rights granted	**FY17 LTIP** FY17 LTIP share rights were granted at a Volume Weighted Average Price (VWAP) of shares being $3.7590 and has increased over the performance period to $9.1892. This increase in share price is reflected in the nominal value of FY17 LTIP vested rights awarded which are valued at the end of the performance period The FY17 LTIP has achieved all three of its performance measures resulting in 100% of share rights vesting under this plan • A TSR outcome of 150% (100th percentile) has been achieved • An AROE outcome of 59.5% (Average AROE of 21.9%) has been achieved • Strategic measures are set and assessed annually. The strategic measures for each of the performance years of the FY17 LTIP have been achieved at 100% FY19 vesting calculations are as follows: **Measure / Weighting / Outcome / Vesting** TSR 33% 150% 49.5% AROE 33% 59.5% 19.6% Strategic Measures 34% 100% 34.0% **Total 103.1%** **Capped at 100.0%**

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02 Remuneration Governance

Fortescue believes that robust governance is critical to underpinning the effectiveness of the remuneration strategy.

2.1 The Remuneration and People Committee

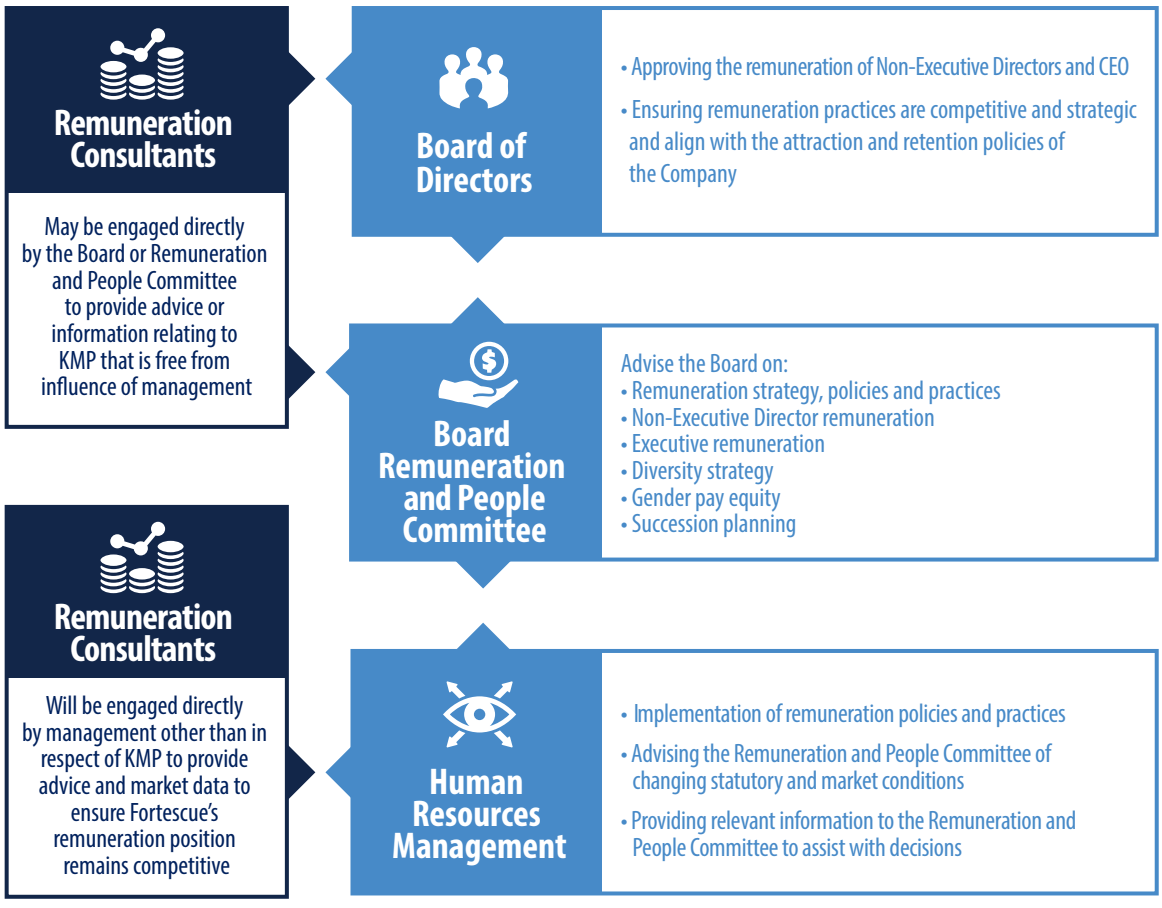
The Remuneration and People Committee (RPC) operates under a Board-approved Charter. The purpose of the RPC is to provide assistance and recommendations to the Board to ensure that it is able to fulfil its responsibilities relating to the following:

- Remuneration strategy
- Non-Executive Director remuneration
- Chief Executive Officer remuneration
- Other CLT and Senior Executive remuneration
- Short term and long term incentive plans
- CLT recruitment
- Annual Performance Review of the CEO and other CLT members
- Succession planning and talent management
- Diversity strategy, targets, policy and practices
- Gender pay equity
- Matters relating to the Company's recruitment, retention and termination policies
- Committee member appointments.

A copy of the RPC Charter is available from the Corporate Governance section of the Company's website at **www.fmgl.com.au**

The RPC in FY19 consisted solely of Non-executive Directors. The Chief Executive Officer and others may be invited to attend all or part of meetings by the Committee Chair as required, but have no vote on matters before the Committee.

The process and accountabilities in determining remuneration are shown below:



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2.2 Use of remuneration consultants

The Committee has the necessary resources and authority to perform its duties and responsibilities, including the authority to engage external professionals on terms it deems appropriate.

During the year ended 30 June 2019, the Committee retained KPMG in relation to the review of its executive remuneration framework, policies and practices, the provision of general information and market trends. This did not involve providing the Committee with any remuneration recommendations as defined by the *Corporations Act 2001*.

2.3 Clawback Policy

Fortescue operates a Clawback Policy which applies to both the ESSIP and LTIP. Clawback will be initiated:

1) Where, in the opinion of the Board an award, which would not have otherwise vested, vests or may vest as a result directly or indirectly of:
   a) The fraud, dishonesty or breach of obligations (including, without limitation, a material misstatement of financial information) of any person; or
   b) Any other action or omission (whether intentional or inadvertent) of any person which results in an unfair benefit being obtained by any participant; or
2) The Board may reconsider the level of satisfaction of the applicable conditions and reinstate and vest any award that may have lapsed to the extent that the Board determines appropriate in the circumstances.

2.4. 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 is available from the Corporate Governance section of the Company's website at **www.fmgl.com.au.**

2.5 Minimum shareholding and holding conditions

All Directors and employees are encouraged to own Fortescue shares and the Company enables employee participation as a shareholder through short and long term incentives, salary sacrifice and dividend reinvestment programs.

A Directors' and Executives' Minimum Shareholding Policy was approved by the Board and implemented in FY19. 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:

NEDs: 100 per cent of base annual fees

CEO: 100 per cent of TFR

Other CLT: 75 per cent of TFR; and

Other Executives: 50 per cent of TFR.

Participants are required to meet their respective minimum shareholding within a reasonable timeframe, generally within five years from inception (2019) or date of appointment (if later).

The Directors' and Executives' Minimum Shareholding Policy is available from the Corporate Governance section of the Company's website at **www.fmgl.com.au.**

In addition to the minimum shareholding requirement, over three quarters of the 'at risk' component of Executive remuneration is granted in share rights. The number of share rights granted is based on the VWAP of shares at the commencement of the performance period. The value of any shares that may vest (subject to performance) is also subject to the same share price movements experienced by shareholders over the performance period.

The minimum shareholding requirement combined with the structure of Fortescue's incentive plans ensures that Executive remuneration is directly aligned with Shareholder returns.

2.6 NED 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 NED 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 of shares purchased is used to determine the number of vested rights to be allocated to NEDs. Once granted, vested rights may be exercised at any time (up to 15 years from date of grant). Shares will be held by the 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 NED.

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03 Executive Remuneration Strategy

Fortescue's reward strategy seeks to build a performance oriented culture that supports the achievement of the Company's strategic vision and to attract, retain and motivate employees by providing market competitive fixed remuneration and incentives.

The reward strategy also supports Fortescue's growth and progression as one of the world's leading innovative resources companies through:

- Being well positioned to deliver fair and market competitive rewards;
- Supporting a performance based culture and acknowledging global industry outperformance; and
- Alignment to the long term goals of the Company.

3.1 Remuneration Policy

Fortescue is committed to providing competitive remuneration packages to its executives and senior employees. Fortescue benchmarks remuneration components against major indices such as the ASX 30, ASX 50 and ASX 100 Resources Indices. Fortescue seeks to attract and retain the best global industry talent. To ensure it remains market competitive, Fortescue also benchmarks against comparable roles in global peer group companies. The Board acknowledges that market conditions (including material conditions and market cycles outside the control of the Company), share price and market capitalisation may change the Company's relative comparator group from time to time.

The Board, however, has a long term strategy to ensure that executive remuneration is appropriately positioned to attract, retain and motivate key executives and senior employees through the commodity cycles to deliver on the current and long term strategic activities of the Company. Rewarding executives **throughout** the commodity cycle is critical to achieving long term shareholder value.

Information may also be sought from independent remuneration consultants regarding Executive remuneration as and when required (as detailed in section 2).

3.2 How remuneration practices align with our reward strategy

Remuneration strategy principle	Policy	Practice
Drive the right culture and encourage high levels of share ownership	Drive alignment of employee and shareholder interests	A minimum 50% (with Executives able to elect up to 100%) of the ESSIP awarded as vested rights. LTIP awarded entirely as vested rights. Minimum shareholding policy applies
Market competitive remuneration	Attract and retain key talent and be competitive against relevant companies	Remuneration is benchmarked against the ASX 100 Resources, ASX 50, ASX 30 as well as relevant global indices
Performance and Outperformance focus	Provide fair reward in line with individual and company achievements	Executive remuneration mix targets an average minimum of 64% of total opportunity 'at risk' (CEO is 72%)
Fit for purpose	Include flexibility to reflect clear linkage to business strategy and cyclical nature of industry	Business strategy is prioritised; market practice is only one input in determining the relevant framework
Strategic alignment	Support delivery of long-term business strategy and growth aspirations	Growth is key measure. There is a strong link between long term strategic initiatives and short term at risk measures to ensure alignment
Shareholder and Executive alignment	LTI rewarding sustained performance over a three year cyclical period	A significant portion of executive remuneration granted as performance rights. Vesting subject to short and long-term performance hurdles

04 Executive Remuneration Structure

Executive remuneration has a fixed component and a variable 'at risk' component, the payment of which is dependent on the achievement of stretch Company performance, growth targets and individual objectives.

The key components of the executive remuneration structure comprise:

- Total Fixed Remuneration (TFR);
- Executive and Senior Staff Incentive Plan (ESSIP); and
- Long Term Incentive Plan (LTIP).

Remuneration may also include participation in the Salary Sacrifice Share Plan (SSSP).

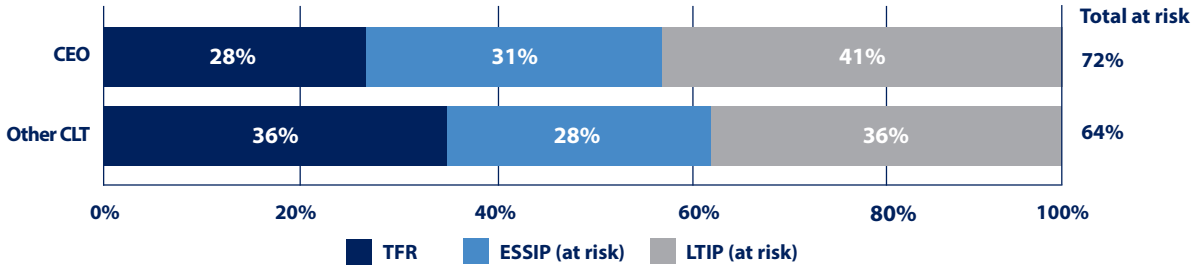
Total remuneration comprising each of these components is benchmarked against the market taking into account the Company's position as one of the world's most successful and innovative resource companies and its ranking on the Australian Securities Exchange. Fixed Remuneration is benchmarked against the market median (50th percentile) with the ability to earn third quartile (75th percentile) or above total remuneration for outstanding performance against challenging stretch targets. Remuneration is benchmarked against companies in the ASX 100 Resources Index, ASX 50 and ASX 30 as well as relevant global indices as required on at least an annual basis.

The number of share rights granted under both the ESSIP (which generally accounts for a minimum of half the incentive) and the LTIP (which is granted solely in share rights) is determined based on the VWAP of shares at the start of the relevant performance period. This means that the movement in share price over the performance period directly affects the value received by executives and ensures full alignment with returns to shareholders over the course of the same period.

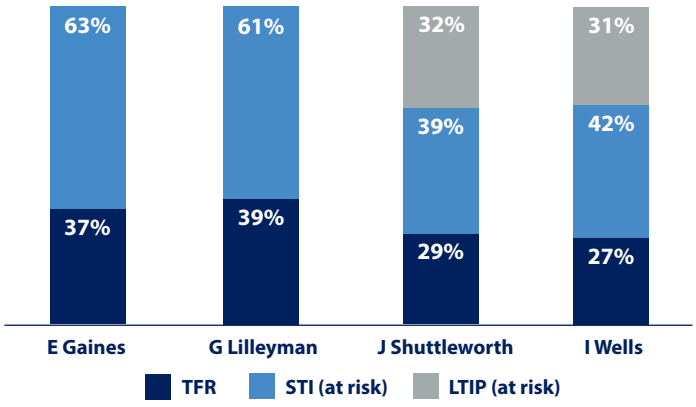
The remuneration mix (shown in the section below) illustrates the significant proportion of 'at risk' components of executive remuneration and reinforces the pay for performance policy alignment adopted by the Board. Further, a minimum 79 per cent (up to a maximum of 100 per cent) of the total 'at risk' component is offered in the form of share rights and, subject to share price movement, is fully aligned with shareholders calculated based on the VWAP of shares at the commencement of the performance period. This means that over three quarters of the value to the individual of the combined ESSIP and LTIP is tied directly to the share price at the time of award, ensuring that executive reward is aligned to shareholder value.

4.1 Remuneration mix

The table below shows the remuneration mix for superior performance when stretch hurdles have been met for both the CEO and other CLT:



The chart below represents the actual remuneration mix for the CLT in 2019:



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

Ms Gaines and Mr Lilleyman's employment, as Executives of the Company, commenced after the commencement of the FY17 LTIP performance period and accordingly, they did not participate in this plan.

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05 Incentive Plan Operation and Performance

5.1 Executive and Senior Staff Incentive Plan (ESSIP)

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

In FY19, ESSIP potential award for the CLT was linked solely to Company objectives ensuring alignment between remuneration outcomes and Company performance during the Plan Year.

The maximum ESSIP opportunity is established at the beginning of the financial year for each Executive. The ESSIP is delivered as a minimum of 50 per cent in ordinary shares, and a maximum of 50 per cent in cash. The plan allows participants to elect to receive up to 100 per cent of the ESSIP in shares.

ESSIP share rights are granted based on the election made by the participant and represent the maximum number of shares that may be awarded subject to performance. The number of ESSIP share rights are calculated based on the VWAP of Fortescue shares traded over the first five trading days of the performance period (eg. 1 July 2018 to 7 July 2018).

In addition to those awards that are generally granted under the ESSIP, the Board has the ability to introduce additional awards that are aligned with and support the Company's business strategy. Additional awards may be comprised of cash, shares or a combination of both and are granted at the discretion of the Board. No additional awards were made in 2019.

The maximum incentive opportunity for the CLT in FY19 is shown below:

Maximum General ESSIP opportunity
Chief Executive Officer 112.5 per cent of TFR* 1 participant
Other CLT 75 per cent of TFR* 3 participants

* The actual award outcomes under the ESSIP will be determined by the number of objectives achieved and the value of the Fortescue shares at time of vesting.

Unless the Board exercises its discretion otherwise in accordance with 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, which is around September of each year, post release of audited and approved full year results.

Individuals who commence during the year similarly will have awards under the ESSIP pro-rated based on service during the performance period.

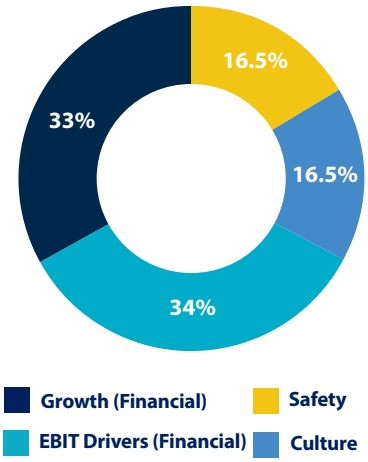
5.2 How ESSIP objectives and weightings are determined

Generally, ESSIP targets and measures are set on an annual basis and are linked to the annual stretch budget and Fortescue's strategic plan focusing on core drivers of shareholder value. This results in a balance of financial and non-financial targets. The strong link between the ESSIP measures and the strategic measures within the LTIP is deliberate to ensure alignment of short and long term value.

Personal objectives 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.

In FY19, the CLT were measured solely against Company performance. The Board continues to recognise the importance of focussing on both financial and non-financial targets with culture being a key driver of success. The following graph shows the relationship between the primary ESSIP performance measures in FY19:

- Financial targets account for 67 per cent of the ESSIP with non-financial targets accounting for 33 per cent
- **Financial** includes cost, production, growth and profitability measures
- **Non-financial** includes safety, culture and people engagement measures.





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5.3 How the ESSIP works: a general example

ESSIP participant rewards are designed to reflect Company performance and provide alignment with shareholder outcomes by linking a minimum of half the ESSIP to share price movement over the financial year.

EXAMPLE

The example below assumes that Executive A has an incentive opportunity of $100,000 and has elected to take 70 per cent of the incentive in shares.

Details of offer	
Nominal Value of full award	$100,000
VWAP at start of FY19 *(1 to 7 July 2018)*	$4.3480
Participant Share Weighting	70%

Potential award	
Cash *(30% of opportunity)*	$30,000
Nominal value of share rights *(70%)*	$70,000
Share Rights (70% of opportunity) *(ie $70,000 ÷ $4.3480)*	16,099

Example outcome	
Percentage of incentive opportunity achieved *(Company and personal performance)*	80%
Cash paid *(80% of cash component)*	$24,000
No. Share Rights Vested *(80% of share rights convert to vested rights)*	12,879

The number of share rights granted in respect to the FY19 ESSIP is determined based on the VWAP at the start of the performance period which was A$4.3480.

- 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.

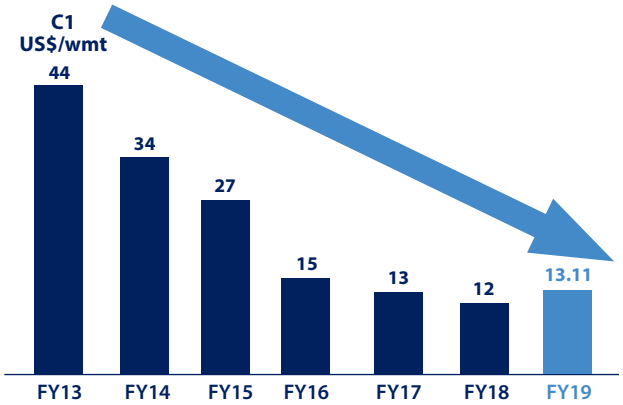
The value of share rights is therefore aligned with shareholder interests as executives receive value consistent with share price movements. Value is not realised until the vested rights are exercised into shares and sold.

5.4 How Fortescue performed over the past five years

Fortescue continues to build on its performance over the past five years, showing strong performance in culture and engagement, customer focus, retention, safety, production and costs.

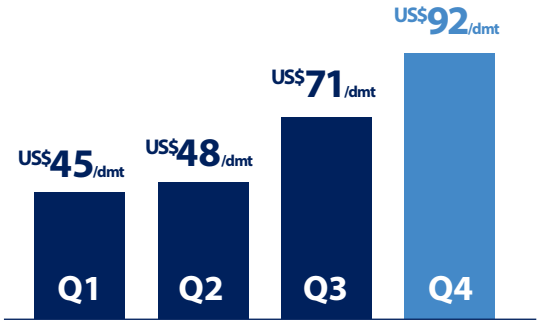
The charts that follow show Fortescue's cost reductions, a world class improvement in price realisation, underlying EBITDA and dividends declared.

Sustainable cost improvements

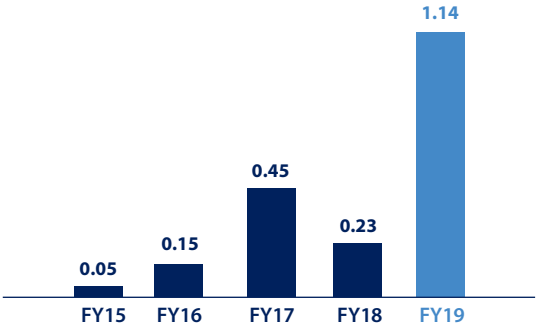


The non-IFRS information included in the table above has not been subject to audit.

Price realisation journey

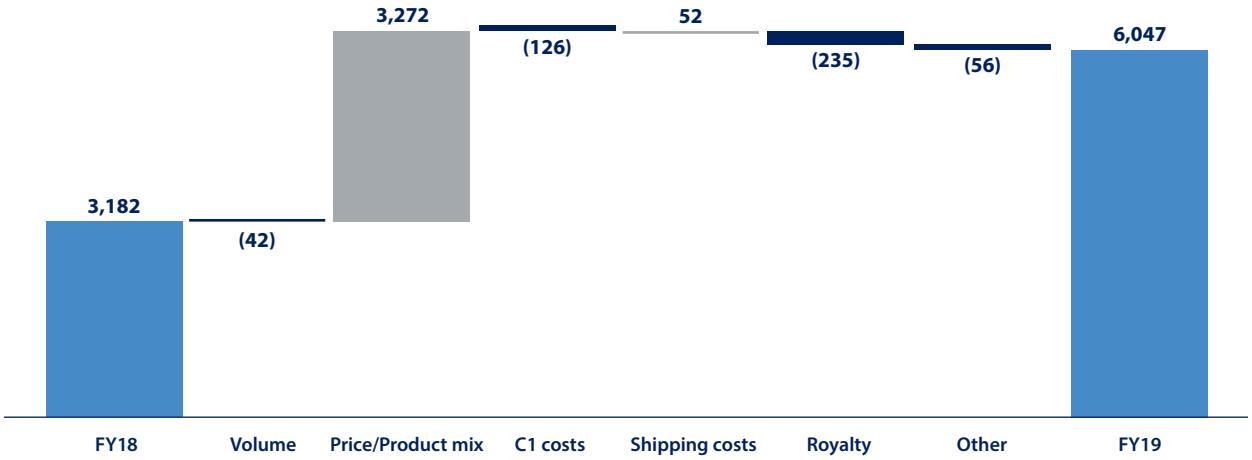


Dividends declared A$ per share



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

Underlying EBITDA (US$m)



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

In considering Fortescue's performance and benefits for shareholder value, the Board has regard to the ASX 100 Resources Index in respect to the current financial year and the previous four years.

In FY19, Fortescue's 30 June share price increased from the FY18 closing price of A$4.39 to A$9.02 at the end of FY19, which represents a 105 per cent increase. By way of comparison, the ASX 100 Resources Index increased 14 per cent over the corresponding period.

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	2019	2018	2017	2016	2015
Total Tonnes Shipped (wmt)	167.7	170.1	170.4	169.4	165.4
Revenue from iron ore operations - US$million	9,965	6,775	8,335	6,947	8,390
Underlying EBITDA – US$million	6,047	3,182	4,744	3,195	2,506
Net profit/(loss) - US$million	3,187	878	2,093	985	316
Underlying Return on Equity %	31	11	23	12	4
Gearing (Book value of Debt/Debt + Equity)	27	29	31	45	56
Dividends declared A$ per share	1.14	0.23	0.45	0.15	0.05
Share Price A$	9.02	4.39	5.22	3.50	1.91
Change in share price A$	4.63	(0.83)	1.72	1.59	(2.44)
Change in share price %	105	(16)	49	83	(56)

5.5 FY19 ESSIP performance outcomes

ESSIP awards are based on an assessment of Company and individual performance. Company performance comprises financial and non-financial measures, including culture, designed to drive both a short and long term perspective on performance and protect the long term interests of shareholders. Measures are set to deliver efficient mining and processing of reserves whilst ensuring that key financial objectives are met.

Performance objectives are set by the Fortescue Board in line with the annual business planning and budgeting process and are established in line with a culture of stretch targets. The weighting for each target is reviewed annually and may vary from year to year to reflect its criticality, effort to achieve and impact on the business.

In FY19, financial targets account for 67 per cent of CLT performance objectives with non-financial targets accounting for the remaining 33 per cent. The mix of financial and non-financial objectives for other Executives varies depending on their roles and responsibilities.

The financial performance measures were chosen as they represent the key drivers of financial performance (underlying EBITDA, NPAT) of the Company and provide a framework for delivering long term shareholder value, irrespective of the iron ore price. The non-financial component of the ESSIP is measured with a focus on culture and people engagement. A majority of the non-financial measures are quantitative.

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. Fortescue has measured and rewarded high levels of employee engagement, demonstrated by the results of the Company's annual Safety Excellence and Culture Survey, through both the ESSIP and within the strategic measures of the LTIP. **The strength of Fortescue's Values-based culture continues to be a core contributor to its success and, accordingly, to remuneration outcomes.**

A key element of Fortescue's culture is to set challenging stretch targets and strive to outperform those targets. 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);
- Financial performance and shareholder value generated;
- Global competitiveness and level of improvement compared to global peers during the period;
- The level of improvement across key business drivers on the prior year; and
- Any other relevant under or over performance or other criteria not stated above.

In circumstances where performance against stretch targets is not accurately reflected in the level of achievement against stretch targets (whether under or over), the Board may exercise its discretion to increase or decrease the vesting level of the incentive and therefore the value awarded.

In FY19, the Board set a number of key targets in respect of revenue, including product and customer mix, cost reduction across all operating and support functions and challenging production and growth targets. 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 ESSIP performance objectives and achievement outcomes in 2019 are shown on the following page.

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FY19 Short term incentive outcomes

Objective and measurement	Weighting (% of STI) CLT	Result	Achievement
Iron ore operations (Financial)			
Cost • C1 Cost < **US$12.53**/wmt	6	US$13.11	**Partially achieved.** Full year C1 cost performance was just 4.6% short of the stretch target (achieving 95% of stretch performance) Overall, the Company has delivered outstanding financial results in FY19 including a 263% increase in NPAT and 33% reduction in net debt. In light of FY19 financial performance, the Board has exercised its discretion to award 80% for this measure
Cashflow • Sustaining Capex < **US$584** million	4	US$581	**Achieved** The Capex target has been met
Revenue • Increase in non-China Sales • EBITDA / Revenue Margin >**46.1**% • Shipments of West Pilbara Fines • Decrease in Trader Sales	12	• 14mt • 58.6% • 9mt • 28%	**Achieved** A number of the revenue objectives are market sensitive and therefore specific targets have not been disclosed Overall, the revenue measure has been exceeded, the first shipment of West Pilbara Fines delivered in December 2018 and other high margin products introduced during the year. Full year EBITDA has exceeded the stretch target of 46.1%. FY19 product mix strategy changes implemented by the CLT were very successful and a key contributor to the record profit result The Board has exercised its discretion to award **107.5%** for this measure
Production • Tonnes Shipped **170.0** million wmt	12	• 167.7mt	**Partially achieved** Full year production performance was 1.3% lower than the stretch target (achieving 99% of stretch performance) despite environmental impacts (such as cyclones) and revised product mix strategy The Board has exercised its discretion to award 90% for this measure
People and Culture (Non-Financial)			
Safety[1] • TRIFR **< 2.8**	16.5	2.8	**Achieved** The FY19 TRIFR is the lowest in the Company's history
Culture • Participation rate **≥90%** • **Positive** Net Promotor Score	16.5	>93% +24	**Achieved** The Safety Excellence and Culture Survey participation rate and Net Promotor Score exceeded the Company's target and overall, this is an exceptional result
Growth (Financial)			
• Specific growth objectives designed to increase Fortescue's market value assessed at the absolute discretion of the Board	33	Partially achieved	**Partially achieved** The Company has continued to deliver significant progress on its growth strategy including product mix, customer mix, innovation and major projects The Board has determined that this measure will be awarded at 90% based on partial achievement

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

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

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5.5 FY19 ESSIP performance outcomes (continued)

In FY19, the CLT were measured solely against Company performance outcomes thereby ensuring the alignment between Company performance, shareholder value and CLT reward for the performance year.

Payment of ESSIP awards are made in September 2019 after the release of the Company's audited full year results and with final approval from the Board.

Further details in regard to the Company's full year results are set out in the Director's Report on page 60 to 62.

5.6 FY19 ESSIP awards

Share rights granted under the ESSIP at the beginning of FY19 are shown below. All share rights vest if all ESSIP objectives are met. ESSIP share rights reflect the VWAP of shares at the commencement of the performance year when share rights are granted. 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 the sustainable value of shareholders' investment in the Company.

The ESSIP has awarded on average 95.2 per cent of maximum opportunity for the CLT.

The last column in the table below details the actual number of share rights that vested based on actual performance:

CLT	ESSIP share rights granted	ESSIP share rights lapsed	ESSIP share rights forfeited	ESSIP share rights vested
E Gaines	216,695	10,401	-	206,294
G Lilleyman	232,866	11,178	-	221,688
J Shuttleworth	117,296	5,630	-	111,666
I Wells	157,400	7,555	-	149,845

Unvested share rights lapse once the total at risk outcome of the ESSIP is determined.

The table below details the maximum ESSIP cash and share awards against the actual outcomes for FY19. The share components are based on the share weighting election of each member of the CLT.

- The actual share value to the individual is not realised until vested rights are exercised by the participant. For the purpose of this report, the nominal ESSIP value of vested rights is shown:
  - Based on the July 2018 VWAP share price at grant (A$4.3480); and
  - Based on the July 2019 VWAP share price at vesting (A$9.1892),

  demonstrating the alignment between Company performance, executive reward and Shareholder value.

2019	TFR[1]	Maximum ESSIP opportunity (per cent of TFR)	Weighting in shares (per cent)[2]	Maximum ESSIP cash opportunity	Maximum ESSIP shares opportunity - value at grant	ESSIP outcome %	Total ESSIP cash awarded	Nominal value of ESSIP vested rights		Nominal total ESSIP value	
								Share price at grant A$4.3480	Share price at vesting A$9.1892	Share price at grant A$4.3480	Share price at vesting A$9.1892
Executive directors											
E Gaines	1,675,000	112.5%	50%	942,188	942,188	95.2%	896,963	896,966	1,895,677	1,793,929	2,792,640
Other CLT											
G Lilleyman	1,350,000	75%	100%	-	1,012,500	95.2%	-	963,899	2,037,135	963,899	2,037,135
J Shuttleworth	850,000	75%	80%	127,500	510,000	95.2%	121,380	485,524	1,026,121	606,904	1,147,501
I Wells	912,500	75%	100%	-	684,375	95.2%	-	651,526	1,376,956	651,526	1,376,956

[1] Incorporates any adjustment to TFR during the performance period calculated on a pro-rata basis.

[2] 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 ($4.3480).

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5.7 Long Term Incentive Plan (LTIP)

The LTIP is granted in the form of share rights at the commencement of the three year performance period with awards vesting subject to the achievement of the specified performance conditions. The three year performance period, performance measures and date of assessment and award for each of the LTIPs are as follows:

Plan	Performance period	Performance measure	Assessment and award
FY17 LTIP	1 July 2016 to 30 June 2019	TSR (33%) AROE (33%) Strategic Measures (34%)	September 2019
FY18 LTIP	1 July 2017 to 30 June 2020		September 2020
FY19 LTIP	1 July 2018 to 30 June 2021		September 2021

5.7.1 LTIP operation

The LTIPs operate under the Performance Rights Plan Rules as approved by Shareholders at the Company's Annual General Meeting on 15 November 2018 and are granted in the form of share rights. Each share right entitles the holder (subject to achievement of the specified performance conditions) to one fully paid ordinary share in the Company for nil consideration.

The LTIP is assessed against multiple performance measures weighted as follows:

- Total Shareholder Return relative to the ASX 100 Resources comparator group (**33 per cent**);
- Absolute Return on Equity (**33 per cent**); and
- Key strategic measures **(34 per cent**).

The relative weighting between financial and strategic measures provides the ability to assess performance across a cyclical market. The inclusion of strategic measures also ensures alignment between short and long term value creation by ensuring long term value is not compromised. The combination of AROE and relative TSR ensure continued alignment with delivering shareholder value.

Each of the performance measures provide for a determination by the Board that the Company has performed at a Threshold, Target or Stretch level. These graduated levels of performance have been included in order to align and reward executives through market cycles. In the event that performance is at the target level in respect of the relevant performance measure, Executives will be entitled to 100 per cent of the tranche of LTIP share rights to which the performance measure relates. Where performance is at the stretch level, executives will be entitled to 150 per cent of the tranche of LTIP share rights to which the performance measure relates.

Nevertheless, if the target for any of the three performance measures is exceeded, so that up to 150 per cent of the relevant number of LTIP share rights may vest, the maximum number of LTIP share rights that may vest across the three performance measures is capped in aggregate at 100 per cent of share rights granted under the plan.

The Board believes that by incorporating the stretch level of performance into the vesting schedule, the Company will be better able to effectively reward and recognise executives in years where outstanding performance is achieved. This will serve as further motivation and assist in retention through more challenging periods.

Total Shareholder Return (TSR)

TSR is a measure of the performance of the Company's shares over a three year period against the ASX 100 Resources Index (noted below). It combines share price appreciation and dividends paid to show the total return to the shareholder expressed as a percentage.

Relative TSR hurdles are valuable because the Company needs to outperform a peer group of participants to receive any reward and therefore, is aligned to relative market performance. The ASX 100 Resources Index has been chosen as the comparator group because this is a transparent market indicator, includes Fortescue's ASX Listed commodity market peers and represents the peer group that Fortescue competes with for investment.

When formulating the vesting schedule for the TSR performance measure, the Board considered both local and international market practice. In line with the Company's approach to setting stretch targets, the Board determined that a vesting schedule more aggressive than standard market practice was required in order to align executive reward for this performance measure with superior shareholder returns. The vesting criteria for both threshold and target have been set at the 60th percentile and 80th percentile (respectively) higher than standard market practice. The plan also provides for a premium grant of awards (subject to the cap described above) where Fortescue delivers the market leading total shareholder return over the performance period.



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5.7.1 LTIP operation (continued)

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 per cent of share rights vest
Target	At the 80th percentile	100 per cent of share rights vest
Stretch	At the 100th percentile	150 per cent of share rights vest
Vesting between performance levels is calculated on a linear basis with the stretch element considered together with the achievement of all performance measures and subject to the aggregate performance cap		

The Board acknowledge that a relative TSR hurdle can result in unintended outcomes. The intent is to ensure no windfall gains or undue penalty. In the event that TSR is negative but the relative TSR hurdle is achieved, the Board will consider overall performance and circumstances and may, at its absolute discretion, reduce the level of vesting or determine that no award will be made in respect to the TSR measure.

Absolute Return on Equity (AROE)

AROE performance is measured over the relevant three year performance period.

As part of the Board's consideration when determining FY17 LTIP AROE targets, consideration was given to the minimum AROE threshold. This consideration included the current market cycle at the time and most recent historical performance of the ASX 100 Resources comparator group.

Historical Performance of the ASX 100 Resources Index:

- Average AROE for FY11 to FY15 was 7 per cent
- Average AROE for FY15 was 2.6 per cent, down from 7 per cent in FY14.

In light of this assessment, the Board determined a threshold AROE of 15 per cent for the FY17 LTIP based on the following:

- 15 per cent is an aggressive target which exceeds the Company's cost of equity;
- An annual 15 per cent AROE would be at least the 70th quartile of performance of the ASX 100 Resources Index in any of the past five years; and
- The stretch target of >30 per cent would be at least the 80th percentile of the ASX 100 Resources Index in any of the past five years.

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 per cent of share rights vest
Target	30%	100 per cent of share rights vest
Stretch	>30%	150 per cent 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 aggregate performance cap.		

5.7.1 LTIP operation (continued)

Strategic Measures

Strategic Measures and associated key performance indicators are aimed at directing performance toward the achievement of the Company's long term objectives (strategic objectives). **The deliberate strong link between these strategic measures and the ESSIP measures ensures that long term value is not compromised by focussing on annual short term goals alone.**

The strategic objectives devised by the Board specifically relate to key milestones and objectives that are fundamental to the Company's sustainability, continuing development and growth and delivery of shareholder value. The balanced scorecard approach ensures that Executives continue to focus on the delivery of key milestones that drive long term value and that the Board has the ability to reward these achievements even in times when external factors outside the control of executives may impact shareholder returns.

Strategic measures categorised during the three years and their link to strategy are as follows:

LTIP Strategic Measures

Performance Measure	Link to strategy
Safety	Safety leadership and culture
Performance	Competitive position, cash flow and efficient use of capital
Resource Management	Long term sustainability
Iron ore and other Commodity Growth	Growth and diversity of income
Balance Sheet Management	Capital efficiency, cash flow and long term sustainability

Performance targets for each strategic objective are set and assessed annually for each financial year of the relevant three year performance period. This approach provides the Company with the flexibility to respond to economic and industry challenges as they occur to ensure that performance targets are always relevant and drive long term shareholder value.

Whether a strategic objective has been achieved is measured at the end of the relevant financial year on an outcome basis as follows:

Outcome	Score
Did not meet	0
Threshold	1
Target	2
Exceeded	3

Annual performance outcomes are 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.

The Strategic Measure vesting schedule is as follows:

LTIP Strategic Measure Target and Vesting schedule

Performance	Score	Portion of tranche that vests
Below Threshold	<5	Nil
Threshold	5	25 per cent of share rights vest
Target	10	100 per cent of share rights vest
Stretch	15	150 per cent of share rights vest
Vesting between performance levels is calculated on a linear basis with the stretch element considered together with the achievement of all performance measures and subject to the aggregate performance cap		

Share rights vest at the end of the three year performance period subject to performance against the three measures.

In the event of a change of control of the Company, 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. The Clawback Policy also applies to this plan.

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5.7.2 FY17 LTIP performance outcomes

The FY17 LTIP has achieved all three performance measures, as shown in the table below, resulting in 100 per cent of share rights vesting under this plan.

FY17 LTIP Performance Outcomes

Measure	Weighting	Threshold	Result	Achieved	Weighted average
TSR	33%	60th percentile	100th percentile	150%	49.5%
AROE	33%	15%	21.9%	59.5%	19.6%
Strategic Measures	34%	5 out of 15	10 out of 15	100%	34%
FY17 LTIP vesting outcome	100%				103.1%
	Overall outcome capped at 100%				100%

5.7.3 FY17 LTIP TSR Performance

In the period from 1 July 2016 to 30 June 2019 Fortescue achieved a TSR of 206 per cent and a percentile ranking of 100 per cent. Based on the percentile ranking, 150 per cent of share rights granted in respect to the TSR measure will vest.

TSR Performance

TSR	206%
Percentile Ranking	100%
Vesting outcome	**150%**

Details of the FY17 comparator group and TSR Ranking is shown in the table below.

	ASX 100 Resource Index Constituent	TSR	%
1	Fortescue Metals Group	206%	100%
2	Rio Tinto Group	156%	92%
3	BHP Group	139%	83%
4	South32 Limited	128%	75%
5	Alumina Limited	121%	67%
6	BlueScope Steel Limited	84%	58%
7	Iluka Resources Limited	66%	50%
8	Santos Limited	53%	42%
9	Woodside Petroleum Ltd	50%	33%
10	Newcrest Mining Limited	36%	25%
11	Origin Energy Limited	29%	17%
12	Oil Search Limited	10%	8%
13	Caltex Australia Limited	(14%)	0%

5.7.4 FY17 LTIP AROE Performance

Fortescue's average AROE for the three year performance period exceeded the 15 per cent minimum threshold (as shown in the table below) and accordingly 59.5 per cent of share rights granted in respect to the AROE measure will vest.

Year ending	AROE
30 June 2017	23.1
30 June 2018	11.1
30 June 2019	31.6
Average ROE	21.9
Vesting Outcome	**59.5**

5.7.5 FY17 LTIP Strategic Measures Performance

Strategic measures are set and assessed by the Board on an annual basis and the FY17 LTIP incorporates strategic measures for the 2017, 2018 and 2019 financial years.

FY19 Annual Strategic Measures

For FY19, the Board reviewed the strategic measures in line with the strategic business plan and determined that a scorecard focussing on iron ore growth and diversification best reflected Fortescue's long term objectives. The strategic measures determined for the 2019 financial year and Fortescue's performance against these objectives are shown in the table below:

FY19 Strategic Measures and objectives

Performance measure	Objective (KPI)	Outcome
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 pathway strategy	**Achieved** Significant progress of the identified iron ore strategy has been made with global high grade opportunities evaluated. The Iron Bridge project was approved by the JV Committee in April and engineering and early works on site have commenced. Western Hub drilling has also produced strong results Early site works for Eliwana have commenced and the project remains on schedule. The 20 year mine life has been maintained The committed long term contract offtake strategy is on target which will allow Fortescue to capitalise on prevailing market opportunities and create supply chain agility
Other growth	• Develop and execute strategies for exploration and drilling programs in new geographical locations • Develop and execute strategic options for growth in non-Fe commodities • Identify and develop additional growth options (eg. hydrogen and autonomy)	**Achieved** Considerable progress has been made toward Fortescue's diversification strategy including the commencement of drilling in Ecuador in April 2019 and reconnaissance exploration work ongoing in Colombia. Third party opportunities continue to be assessed. Exploration activities have defined drill targets in the San Juan province in Argentina with drilling to commence in FY20. Copper and lithium projects in Argentina continue to be identified and analysed. New opportunities in Chile and Peru are under evaluation A partnership with CSIRO on hydrogen technology was established in November 2018 and the Fortescue Future of Mobility Centre was launched in March 2019 with the commencement of an autonomous light vehicle trial at Christmas Creek and Fortescue's industrial autonomy development program underway

FY19 strategic measures are assessed on an overall basis at the discretion of the Board and subject to a score from 0 to 15.

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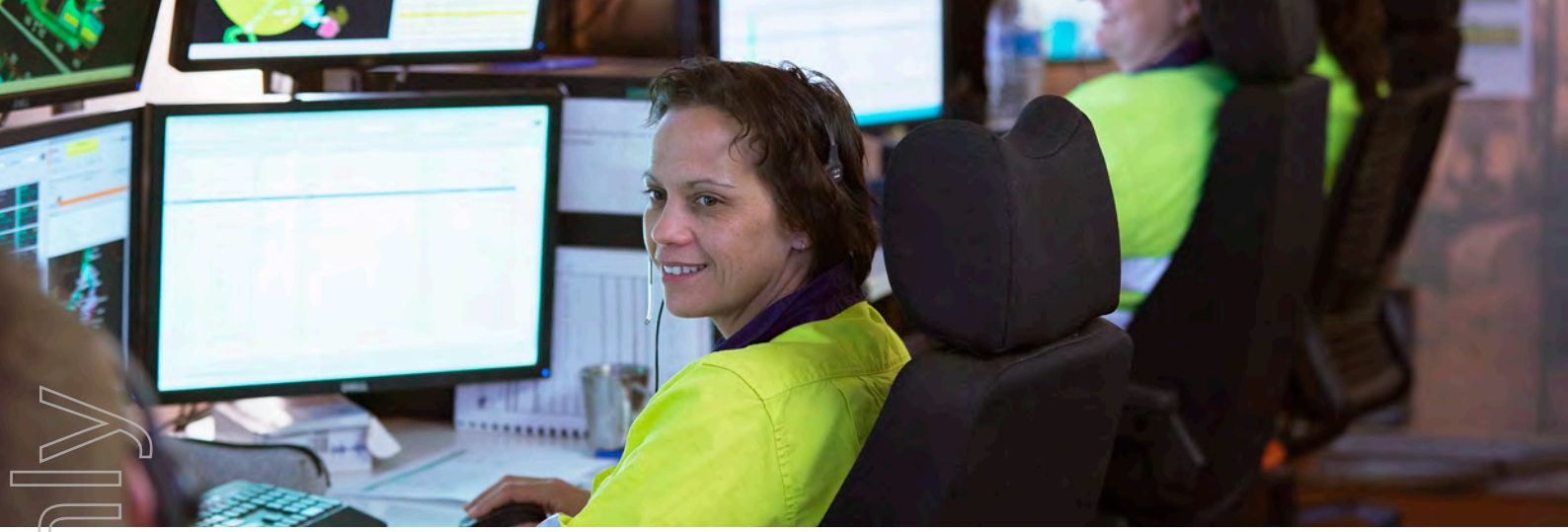
5.7.5 FY17 LTIP Strategic Measures Performance (continued)

FY17 and FY18 Strategic Measures

The table below shows the strategic measures that were set for the 2017 and 2018 financial years and Fortescue's performance against these objectives. The outcomes for the FY17 and FY18 Strategic Measures were previously reported in the FY18 Remuneration Report in relation to the FY16 LTIP. The outcomes have been updated to reflect the relevant two annual performance periods.

FY17 and FY18 Strategic Measures and objectives

Performance measure	Objective (KPI)	Outcome
Safety	• Improve Fortescue's relative position against the global safety culture benchmark	FY17 (target not achieved). Fortescue's relative position against the safety culture benchmark reduced from the 69th percentile to 64th percentile FY18 (exceeded target). Fortescue's relative position against the safety culture benchmark improved from the 64th percentile to 77th percentile The combination of long term safety culture as well as year on year improvements to both the Safety Excellence and Culture Survey results and injury frequency remain a key strategic goal
Performance	• Improve Fortescue's relative position on the global cost curve with a future target to have a C1 cost which is the lowest in the world • Reduce all-in cash cost • Maximise production capacity without increasing capital expenditure budget	**Achieved** C1 costs have reduced from US$15.43/wmt to US$12.36/wmt over the two year performance period representing a 20% reduction During the period, Fortescue was officially recognised as the lowest cost supplier of seaborne iron ore into China, based on Metalytics Resource Sector Economic Analysis, a position which was maintained over the two year performance period Despite market volatility in the sales price of iron ore, the reduction in total delivered costs resulted in an average EBITDA margin of US$25/dmt over the two year period Target sustaining capital expenditure budgets were also achieved whilst achieving production targets over the two year performance period
Resource Management	• Increase long term resources quantity and value • No net decrease in mine life • Quantity, quality and diversity of tenements	**Achieved** The FY18 reserves and resources statement reflected maintenance of 20 years mine life, based on Life of Mine Plans. Year on year cost savings were achieved without reducing long term mine life ensuring shareholder value. The addition of 540m wmt from the Eliwana project facilitated the sustainable production of a 60% Fe product introduced to the market from existing operations in the second half of FY19. The US$1.275bn Eliwana mine and rail project significantly increased mining inventory into Fortescue's integrated mine, rail and port operation
Growth	• Diversify customer base • Strategic options for growth in iron ore and other commodities	**Achieved** Fortescue's non-China sales increased significantly by 113% over the FY17 and FY18 performance years Considerable progress has been made in assessing growth opportunities in other commodities including in South America as well as expanding iron ore operations through the development of the Eliwana mine
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** The successful execution of Fortescue's Capital Management Strategy over this two year period has reduced gross debt and lowered the Company's average cost of capital. The restructured debt facilities have investment grade terms and conditions, providing additional flexibility and the strengthened balance sheet supports future growth. The team have outperformed over the two year period in relation to balance sheet management



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5.7.6 FY17 LTIP awards

Share rights granted under the LTIP at the beginning of FY17 are shown below. The last column details the actual number of share rights that vested based on actual performance.

- Unvested share rights lapse once the outcome of the LTIP is determined
- Ms Gaines and Mr Lilleyman's employment, as executives of the Company, commenced after the performance period had commenced and accordingly, they did not participate in the FY17 LTIP.

FY17 LTIP

Executive	LTIP share rights granted	LTIP share rights lapsed	LTIP share rights forfeited	LTIP share rights vested
E Gaines	-	-	-	-
G Lilleyman	-	-	-	-
J Shuttleworth	100,759	-	-	100,759
I Wells	109,639	-	-	109,639

5.8 Salary Sacrifice Share Plan

Executives may nominate an amount (up to A$5,000 per annum) of pre-tax salary to acquire ordinary shares under the Salary Sacrifice Share Plan (SSSP). Provided ordinary shares are kept in the SSSP, income tax on the acquisition of these ordinary shares can be deferred by the Executive for up to 15 years. Disposal restrictions apply while the shares remain in the SSSP. Shares acquired under this plan are not subject to performance conditions because they are issued in lieu of salary which would otherwise be payable and are subject to a monetary limit of A$5,000 per annum.

06 How executive remuneration is reported

Executive remuneration is reported in a number of ways throughout this report, differences of which are driven by the following:

Total remuneration package
Represents the current remuneration package at stretch target comprising fixed remuneration plus the nominal value of the ESSIP and LTIP at the applicable participating percentage.

Actual remuneration paid
Represents the nominal value to the individual and includes fixed remuneration, any cash incentives paid and the nominal value of equity at the time share rights vest. The value received by Executives is subject to performance and share price movement aligned with shareholder value. Refer to section 6.1 for further information.

Statutory remuneration
Represents remuneration including share based payments calculated in accordance with Australian Accounting Standards, including the fair value attributed to the FY19 ESSIP share component plus one year each of the FY17, FY18 and FY19 LTIP. Refer to section 6.2 for further information.

6.1 Actual remuneration paid in FY19

The Board follows a structured process for ensuring that executive remuneration is aligned to shareholder value and stretch targets are set for the incentive plans which are reflective of market conditions and other challenges facing the industry. The nominal value of actual pay realised by the CLT is reflective of the following:

- FY19 ESSIP is generally awarded partly as vested rights (minimum 50 up to 100 per cent determined on election) with the balance (0-50 per cent) awarded in cash;
- FY19 ESSIP share rights granted at the beginning of the performance period at a VWAP of **A$4.3480**;
- FY19 ESSIP vested rights awarded have a nominal value based on **A$9.1892** being the five day VWAP at the beginning of FY19. 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;
- FY17 LTIP is awarded solely in vested rights;
- FY17 LTIP share rights granted at the beginning of the performance period at a VWAP of **A$3.7590**; and
- FY17 LTIP vested rights awarded have a nominal value based on **A$9.1892** being the five day VWAP at the beginning of FY19. 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.

The following table shows the nominal remuneration value realised by the individual and includes fixed remuneration, any cash incentives paid and the nominal value of equity at the time the share rights vest or shares are awarded. The following key points should be read in conjunction with the table below:

- Ms Gaines and Mr Lilleyman did not participate in the FY17 LTIP.

Name	Fixed[1,2] remuneration A$	FY19 ESSIP cash paid A$	Nominal value of FY19 ESSIP vested rights A$	Nominal value of FY17 LTIP vested Rights A$	Nominal total remuneration earned in FY19 A$
E Gaines	1,675,000	896,963	1,895,677	-	4,467,640
G Lilleyman	1,350,000	-	2,037,135	-	3,387,135
J Shuttleworth	850,000	121,380	1,026,121	925,895	2,923,396
I Wells	912,500	-	1,376,956	1,007,495	3,296,951

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

[2] Calculated on a pro-rata basis (ie 6 months of previous TFR and 6 months of current TFR).

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

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6.2 Statutory remuneration disclosures for the CLT

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 was determined using an option pricing model that takes into account the exercise price, the term of the option, 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.

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 FY19 refer to section 6.1.

Statutory Remuneration Disclosures for year ending 30 June 2019

FY19	Short-term employee benefits			Post employment benefits	End of service	Share-based payments		Total statutory remuneration
	Cash salary and fees A$	ESSIP cash value for 2019 plan year A$	Non-monetary benefits A$	Superann-uation A$	Other payment A$	ESSIP share value A$	LTIP share value A$	Total A$
Executive Directors								
E Gaines	1,650,000	896,963	4,272	25,000	-	953,262	1,474,391	5,003,888
Other CLT								
G Lilleyman	1,325,000	-	-	25,000	-	1,030,743	848,535	3,229,278
J Shuttleworth	829,468	121,380	-	20,532	-	550,676	702,478	2,224,534
I Wells	891,968	-	4,272	20,532	-	686,865	722,648	2,326,285

Statutory Remuneration Disclosures for year ending 30 June 2018

- Mr Power's FY17 and FY18 LTIP share rights were forfeited on resignation
- Mr Power's other payment relates to an ex-gratia payment of A$1,006,850 and accrued leave entitlements paid out on resignation
- Mr Wells' other payment is in respect to a retention plan which concluded on 30 June 2018.

FY18	Short-term employee benefits			Post employment benefits	End of service	Share-based payments		Total statutory remuneration
	Cash salary and fees A$	ESSIP cash value for 2018 plan year A$	Non-monetary benefits A$	Superann-uation A$	Other payment A$	ESSIP share value A$	LTIP share value A$	Total A$
Executive Directors								
E Gaines	1,214,830	-	4,223	25,000	-	860,316	416,370	2,520,739
N Power[1]	1,248,816	-	28,582	17,512	1,641,626	886,468	(1,087,517)	2,735,487
Executives								
G Lilleyman	1,047,619	-	-	25,000		610,003	337,670	2,020,292
J Shuttleworth	578,782	58,253	-	20,049		234,554	334,372	1,226,010
I Wells	634,557	162,183	4,223	20,049	426,342	163,723	362,743	1,773,820

[1] Mr Power ceased employment on 19 February 2018.



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6.3 Details of performance grants to executive directors

At the 2018 Annual General Meeting, the Company received Shareholder approval in respect of the grant of up to 3,353,397 performance rights to Ms Gaines over a three year period under the Fortescue Metals Group Ltd Performance Rights Plan. However, in the interests of good corporate governance, the Company will be seeking fresh approval at the 2019 Annual General Meeting from Shareholders in respect of the grant of performance rights to Ms Gaines under the Performance Rights Plan for the financial year ending 30 June 2020 and will not rely on the previous approval granted by Shareholders at the 2018 Annual General Meeting in respect of potential grants for the financial years ending 30 June 2020 and 30 June 2021. The Company proposes to seek approval at the 2020 Annual General Meeting for any performance rights to be granted to Ms Gaines in respect of the financial year ending 30 June 2021.

Details of performance rights granted in FY19 in accordance with the Performance Rights Plan are shown in the table below.

Ms Gaines	Share rights granted in FY19
ESSIP Share Rights	216,695
LTIP Share Rights	702,953
Total	**919,648**

Included in the FY19 share right grant to Ms Gaines are:

- An additional 22,640 share rights in respect to the FY19 ESSIP and 100,621 additional share rights in respect to the FY19 LTIP as a result of an increase to her total fixed remuneration on 1 January 2019; and
- An additional 84,852 share rights in respect to the FY18 LTIP as the incorrect number of FY18 LTIP share rights were granted to her on 20 February 2018.

Any shares awarded in respect to the additional share rights will be purchased on market.

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.

6.4 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 2017 to 30 June 2019. The value of the rights has been determined using the amount of the grant date fair value.

- The estimated fair value was determined using an option pricing model that takes into account the exercise price, the term of the option, 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
- Ms Gaines and Mr Lilleyman commenced during the LTIP performance period and were not granted share rights under the FY17 LTIP.

Name	LTIP	Grant date	Performance period	No. share rights granted	Value per share right granted	Value of rights granted at grant date	% Performance achieved	Vested	Forfeited / lapsed
E Gaines	FY17	20/09/2016	1/7/16 to 30/6/19	-	-	-	-	-	-
	FY18	08/11/2017	1/7/17 to 30/6/20	209,637	$4.15	$869,994		Determined in 2020	
	FY18	27/12/2017	1/7/17 to 30/6/20	175,767	$4.17	$732,948		Determined in 2020	
	FY19	03/12/2018	1/7/18 to 30/6/21	517,480	$3.57	$1,847,404		Determined in 2021	
	FY19	10/06/2019	1/7/18 to 30/6/21	100,621	$7.91	$795,912		Determined in 2021	
G Lilleyman	FY17	20/09/2016	1/7/16 to 30/6/19	-	-	-	-	-	-
	FY18	06/09/2017	1/7/17 to 30/6/20	190,147	$4.98	$946,932		Determined in 2020	
	FY18	27/12/2017	1/7/17 to 30/6/20	30,635	$4.17	$127,748		Determined in 2020	
	FY19	03/12/2018	1/7/18 to 30/6/21	275,989	$3.57	$985,281		Determined in 2021	
	FY19	10/06/2019	1/7/18 to 30/6/21	57,498	$7.91	$454,809		Determined in 2021	
J Shuttleworth	FY17	20/09/2016	1/7/16 to 30/6/19	100,759	$4.61	$464,499	100%	100,759	-
	FY18	06/09/2017	1/7/17 to 30/6/20	72,019	$4.98	$358,655		Determined in 2020	
	FY18	27/12/2017	1/7/17 to 30/6/20	50,904	$4.17	$212,270		Determined in 2020	
	FY19	03/12/2018	1/7/18 to 30/6/21	160,994	$3.57	$574,749		Determined in 2021	
	FY19	10/06/2019	1/7/18 to 30/6/21	57,498	$7.91	$454,809		Determined in 2021	
I Wells	FY17	20/09/2016	1/7/16 to 30/6/19	109,639	$4.61	$505,436	100%	109,639	-
	FY18	06/09/2017	1/7/17 to 30/6/20	81,068	$4.98	$403,719		Determined in 2020	
	FY18	27/12/2017	1/7/17 to 30/6/20	61,065	$4.17	$254,641		Determined in 2020	
	FY19	03/12/2018	1/7/18 to 30/6/21	189,743	$3.57	$677,383		Determined in 2021	
	FY19	10/06/2019	1/7/18 to 30/6/21	33,540	$7.91	$265,301		Determined in 2021	

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07 Executive contract terms

Total Remuneration Package and other terms of employment for the CLT are formalised in a service agreement.

The CLT are employed on a rolling basis with no specified fixed term. The CLT are remunerated on a total fixed remuneration (TFR) basis inclusive of superannuation and allowances.

The major terms of the agreements relating to remuneration are set out in the table below:

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

* Total Fixed Remuneration as of 30 June 2019. Reviewed annually by the RPC.

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* and do not require shareholder approval.

08 Non-executive Director (NED) remuneration

8.1 NED Remuneration Policy

Fortescue's policy on NED remuneration requires that NED 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 NED remuneration of comparable companies.

8.2 NED fee pool

NEDs receive fees for both Board and Committee membership. The payment of additional fees for serving on a Committee recognises the additional time commitment required by NEDs who serve on a Committee.

The maximum aggregate remuneration payable to NEDs is $2.5 million, which was approved by shareholders at the Annual General Meeting on 8 November 2017. There have been no further changes to the aggregate fee pool since November 2017.

The Board reviewed the fees payable to NEDs having regard to benchmark data, market position and the increasing workload undertaken by each of these Directors. NED Board and Committee fees (inclusive of superannuation) were increased effective from 1 January 2019. Prior to that, the last time NED base and Committee fees were increased was in July 2016. Based on market benchmarking, the Company's average Non-executive Director fees remain below the market median of the ASX 100 Resources Index. The increase in fees does not exceed the shareholder approved total fee cap of $2.5 million and are outlined in the table on the following page.

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8.2 NED fee pool (continued)

Position	Fee A$ effective 1 January 2019
Board Chairman*	0
Vice Chair and Lead Independent Director	688,350
Vice Chair	341,770
Non-Executive Director	200,200
Audit and Risk Management Committee Chair	57,200
Audit and Risk Management Committee Member	21,450
Remuneration and People Committee Chair	57,200
Remuneration and People Committee Member	21,450
Finance Sub-Committee Member	8,580
Nomination Committee Member	0

* The Chairman of the Board has elected to forego Directors fees and receives no form of remuneration

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

The remuneration of non-Executive Directors for the year ended 30 June 2019 and 30 June 2018 is detailed below.

2019	Base fees A$	Committee fees A$	Other benefits A$	Superanuation A$	Total A$
A Forrest AO	-	-	-	-	**-**
M Barnaba AM	588,912	64,589	-	25,000	**678,501**
S Warburton	284,667	69,833	-	25,000	**379,500**
J Baderschneider	177,100	-	-	-	**177,100**
P Bingham-Hall	160,272	24,041	-	19,353	**203,666**
S Coe CH, KBE	177,100	-	-	-	**177,100**
J Morris OAM	160,272	34,344	-	20,435	**215,051**
C Zhiqiang	177,100	-	-	-	**177,100**

2018	Base fees A$	Committee fees A$	Other benefits A$	Superanuation A$	Total A$
A Forrest AO	-	-	-	-	**-**
M Barnaba AM	394,410	56,917	-	24,506	**475,833**
S Warburton	217,816	60,001	-	24,487	**302,304**
J Baderschneider	154,000	-	-	-	**154,000**
P Bingham-Hall	139,367	20,904	-	16,828	**177,099**
S Coe CH, KBE[3]	54,709	-	-	-	**54,709**
C Zhiqiang[1]	69,962	-	-	-	**69,962**
J Morris OAM	139,367	29,864	-	17,769	**187,000**
C Huiquan[2]	84,037	-	-	-	**84,037**

[1] C Zhiqiang appointed 18 January 2018.
[2] C Huiquan retired 18 January 2018.
[3] S Coe appointed 21 February 2018.

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09 Equity instrument disclosures relating to key management personnel

9.1 Unvested Share Rights

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:

2019	Balance at the start of the year	Granted[1]	Exercised / converted	Forfeited / lapsed	Balance at the end of the year	Vested	Unvested	Not exercisable
Executive Directors of Fortescue								
E Gaines	525,966	919,648	(164,552)	(60,862)	1,220,200	-	1,220,200	1,220,200
Other Key Management Personnel of Fortescue								
G Lilleyman	360,488	581,142	(111,236)	(43,259)	787,135	-	787,135	787,135
J Shuttleworth	475,252	356,149	(225,667)	(46,264)	559,470	-	559,470	559,470
I Wells	454,003	410,163	(194,159)	(37,552)	632,455	-	632,455	632,455

[1] Performance Rights were granted in accordance with the short term and long term performance rights plans, as disclosed in note 18 of the Financial Report.

2018	Balance at the start of the year	Granted[1]	Exercised / converted	Forfeited / lapsed	Balance at the end of the year	Vested	Unvested	Not exercisable
Executive Directors of Fortescue								
E Gaines	-	615,789	(89,823)	-	525,966	-	525,966	525,966
N Power[2]	3,424,686	998,270	(299,282)	(2,029,362)	2,094,312	-	2,094,312	2,094,312
Other Key Management Personnel of Fortescue								
G Lilleyman	99,761	360,488	(91,780)	(7,981)	360,488	-	360,488	360,488
J Shuttleworth	467,526	164,099	(71,942)	(84,431)	475,252	-	475,252	475,252
I Wells	412,285	154,899	(38,283)	(74,898)	454,003	-	454,003	454,003

[1] Performance Rights were granted in accordance with the short term and long term performance rights plans, as disclosed in note 19 of the Financial Report.
[2] Mr Power ceased employment on 19 February 2018.

9.2 Share holdings (Ordinary Shares)

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:

2019	Held at 1 July 2018	Received on conversion of rights	Issued	Purchases	Sales	Transfers	Other	Held at 30 June 2019
Non-executive Directors of Fortescue								
A Forrest AO	1,038,800,000	-	-	51,252,947	-	-	-	1,090,052,947
M Barnaba AM	20,000	-	-	-	-	-	-	20,000
S Warburton	50,750	-	-	-	-	-	-	50,750
J Baderschneider	138,000	-	-	-	-	-	-	138,000
P Bingham-Hall	36,516	-	-	4,420	-	-	-	40,936
S Coe CH, KBE	-	-	-	-	-	-	-	-
J Morris OAM	5,250	-	-	6,269	-	-	-	11,519
C Zhiqiang	-	-	-	-	-	-	-	-
Executive Directors of Fortescue								
E Gaines	224,823	164,552	-	-	-	-	-	389,375
Other Key Management Personnel of Fortescue								
G Lilleyman	91,780	111,236	-	-	-	-	-	203,016
J Shuttleworth	172,200	225,667	-	-	-	-	-	397,867
I Wells	109,333	194,159	-	-	-	-	-	303,492

2018	Held at 1 July 2017	Received on conversion of rights	Issued	Purchases	Sales	Transfers	Other[1]	Held at 30 June 2018
Non-executive Directors of Fortescue								
A Forrest AO	1,038,800,000	-	-	-	-	-	-	1,038,800,000
M Barnaba AM	20,000	-	-	-	-	-	-	20,000
S Warburton	50,750	-	-	-	-	-	-	50,750
J Baderschneider	138,000	-	-	-	-	-	-	138,000
P Bingham-Hall	35,000	-	-	1,516	-	-	-	36,516
S Coe CH, KBE	-	-	-	-	-	-	-	-
C Huiquan[2]	-	-	-	-	-	-	-	-
J Morris OAM	-	-	-	5,250	-	-	-	5,250
C Zhiqiang[3]	-	-	-	-	-	-	-	-
Executive Directors of Fortescue								
E Gaines	50,000	89,293	-	85,000	-	-	-	224,823
N Power[4]	2,951,238	299,282	-	-	(299,282)	-	(2,951,238)	-
Other Key Management Personnel of Fortescue								
G Lilleyman	-	91,780	-	-	-	-	-	91,780
J Shuttleworth	100,258	71,942	-	-	-	-	-	172,200
I Wells	71,050	38,283	-	-	-	-	-	109,333

[1] Negative amounts reflect the result of leaving the Company during the year.
[2] C Huiquan retired on 18 January 2018.
[3] C Zhiqiang appointed on 18 January 2018.
[4] Mr Power ceased employment on 19 February 2018.

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09

Corporate Directory

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Top 20 holders of ordinary shares

at 31 July 2019

Rank	Name	Shares number	% of issued capital
1	Minderoo Group Pty Ltd	918,806,548	29.84
2	HSBC Custody Nominees (Australia) Limited	545,696,178	17.72
3	J P Morgan Nominees Australia Pty Limited	341,477,882	11.09
4	Valin Investments (Singapore) Pte Ltd	228,007,497	7.41
5	Citicorp Nominees Pty Limited	155,267,390	5.04
6	Emichrome Pty Ltd	93,045,000	3.02
7	Valin Resources Investments (Singapore) Pte Ltd	88,426,216	2.87
8	AMNL Financing Pty Ltd	71,365,581	2.32
9	The Trust Company Limited	64,968,641	2.11
10	National Nominees Limited	51,457,493	1.67
11	BNP Paribas Nominees Pty Ltd	33,026,489	1.07
12	AMNL Financing Pty Ltd	30,365,261	0.99
13	Bnp Paribas Noms Pty Ltd	16,662,372	0.54
14	Citicorp Nominees Pty Limited	16,508,037	0.54
15	HSBC Custody Nominees (Australia) Limited-Gsco Eca	15,155,475	0.49
16	Mr William Graeme Rowley	8,244,951	0.27
17	Citicorp Nominees Pty Limited	7,233,204	0.23
18	Pacific Custodians Pty Limited	6,640,385	0.22
19	Peter & Lyndy White Foundation Pty Ltd	5,788,083	0.19
20	Pacific Custodians Pty Limited	5,687,989	0.18
		2,703,830,672	**87.82**

Substantial holders

Rank	Name	Shares number	% of issued capital
1	Minderoo Group Pty Ltd and John Andrew Forrest	1,090,052,947	35.40
2	Hunan Valin Iron and Steel Group Company	384,914,118	12.50

Range	Shareholders number
1 to 1,000	25,166
1,001 to 5,000	23,817
5,001 to 10,000	6,203
10,001 to 100,000	4,511
100,001 and Over	312
Total	**60,009**

Unmarketable parcels

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

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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*.

AMMA
Australian Resources and Energy Group.

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.

ASX Corporate Governance Principles and Recommendations (4th Edition)
Principles and recommendations developed and released by the ASX Corporate Governance Council on the corporate governance practices to be adopted by ASX listed entities and which are designed to promote investor confidence and to assist listed entities to meet shareholder expectations.

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).

BID
Bedded Iron Deposit.

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, located in the Pilbara, approximately 250 kilometres south east of Fortescue's Herb Elliott Port in Port Hedland.

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.

DID
Detrital Iron Deposit.

Direct employees
Total number of employees including permanent, fixed term and part-time. Does not include contractors.

dmt
Dry metric tonne.

dmtu
Dry metric tonne unit.

EPA
Environmental Protection Authority.

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.

Gearing
Debt / (debt + equity).

GJ
Gigajoules.

GRI
The Global Reporting Initiative (GRI) is an international independent organisation which has developed a standard for sustainability reporting and disclosure.

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.

HSES
Health, safety, environment and security.

ICMM
The International Council on Mining and Metals, established in 2001 to act as a catalyst for performance improvement in the mining and metals industry.

Indigenous Land Use Agreement (ILUA)
Statutory agreement between a native title group and others about the use of land and waters.

Indicated Resource
As defined in the JORC Code, that part of a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.

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Inferred Resource

As defined in the JORC Code, that part of a mineral resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability.

International Financial Reporting Standards

International Financial Reporting Standards (IFRS) is a single set of accounting standards, developed and maintained by the IASB 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 2004 or 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.

kL

Kilolitre.

Local supplier

Suppliers based in the Pilbara region.

LOM

Life of Mine, being the number of years over which available reserves will be extracted.

m^3

Cubic metres.

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 palletised for direct use as a high-grade raw material for steel production.

Measured Resource

As defined in the JORC Code, that part of a mineral resource for which tonnage densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.

mt

Million tonnes.

mtpa

Million tonnes per annum.

Net gearing

(Debt - cash) / (debt - cash + equity).

NGER

The National Greenhouse and Energy Reporting (NGER) Scheme, introduced in 2007 to provide data and accounting in relation to Greenhouse Gas emissions and energy consumption and production. The NGER Scheme operates under the *National Greenhouse and Energy Reporting Act 2007 (NGER Act)*.

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 mineral resource, and in some circumstances, a measured 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.

Proved Ore Reserve

As defined in the JORC Code, the economically mineable part of a measured 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.

Reserves or Ore Reserves

As defined in the JORC Code, the economically mineable part of a measured mineral 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.

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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 and Kings. The Hub is located approximately 60 kilometres north of the township of Tom Price and 120 kilometres west of the railway that links the Chichester Hub to Port Hedland.

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 man hours worked, comprising lost time injuries, restricted work and medical treatments.

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.

UNGC

United Nations Global Compact, which provides a leadership platform for businesses that are committed to aligning their strategies and operations with ten universally accepted principles in human rights, labour, environment and anti-corruption.

Voluntary employee turnover

Permanent and fixed term employees who left Fortescue voluntarily for reasons not initiated by the Company.

VTEC

Vocational Training and Employment Centre.

wmt

Wet metric tonne.

WMYAC

Wirlu-murra Yindjibarndi Aboriginal Corporation.

WTI

West Texas Intermediate.

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Fortescue's Manager Training and Development, Chris Mayfield at the Prime Minister's Veterans' Employment Awards 2019.

FY19 awards

Winner

Asia Pacific Spatial Excellence Awards, WA, 2018 Award for Spatial Enablement Regional Winner
Fortescue Metals Group and NGIS Australia

Australian Mining Prospect Awards' inaugural Lifetime Achievement honour
Chairman and Founder, Andrew Forrest AO

Outstanding Contribution by an Individual to Veterans' Employment at Australia's Prime Minister's Veterans' Employment Awards
Manager Training and Development, Chris Mayfield OAM

WA Business News 40under40 awards and Intrapreneur of the Year
Group Manager Strategy, John Paul Olivier

Women in Mining, 100 Inspirational Women in Mining 2018
CEO, Elizabeth Gaines

Finalist

Australia China Business Awards
The Business Excellence Award for Cross-Border Investment

Supply Nation, 2019 Supplier Diversity Awards
Corporate Member of the Year

WiTWA '20 in 20' Awards
Superintendent Mine Control, Di Harley

2019 Chamber of Minerals and Energy's Women in Resources (CME) Awards, Outstanding Young Woman in Resources award
Solomon Mine Control Superintendent, April Scott

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Corporate information

Event calendar 2019

Key dates for Fortescue shareholders in 2019

Full year results announcement
26 August 2019

September Quarterly Production Report
24 October 2019

Annual General Meeting
29 October 2019

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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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au.linkedin.com/company/fortescue-metals-group

YouTube
www.youtube.com/user/FortescueMetalsGroup

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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.

THE DREAM BEGINS



2003 — S&P/ASX 200 index

2004 — Cloudbreak identified



2005

2006 — Port Hedland groundbreaking



2007

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



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THE JOURNEY CONTINUES

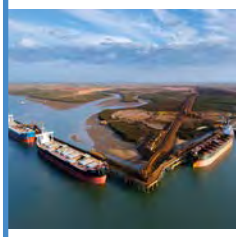
2014

Kings Valley project opened at Solomon



2015





Anderson Point Berth 5 completion

Fortescue River Gas Pipeline completion

2016

Recognised as lowest cost iron ore supplier into China

Fortescue celebrates arrival of first ore carrier, FMG Nicola, into Port Hedland



2017





Expansion of autonomous haulage to Chichester Hub

Majority of women on Board of Directors

2018

Fortescue celebrates milestone year

Eliwana Mine and Rail Project development approved

Eighth ore carrier, FMG Northern Spirit, arrives in Port Hedland









2019



Lowest 12 month annual TRIFR of 2.8

Billion Opportunities program reached A$2.3bn

Fortescue celebrates tug fleet and official opening of the Judith Street Harbour in Port Hedland

Iron Bridge Magnetite Project development approved

First shipment of West Pilbara Fines



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