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Fortescue Metals Group (FMG)

Weathering the storm

Recommendation
Hold (unchanged)
Price
$21.15
Target (12 months)
$19.09 (previously $18.33)

GICS Sector

Materials

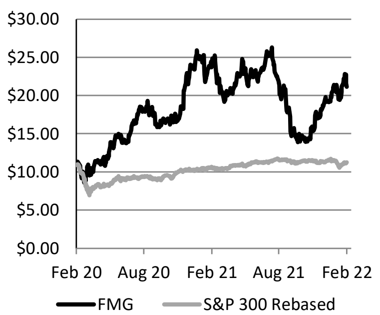
Expected Return	
Capital growth	**-9.7%**
Dividend yield	**8.0%**
Total expected return	**-1.7%**

Company Data & Ratios	
Enterprise value	**$67,528m**
Market cap	**$65,120m**
Issued capital	**3,079m**
Free float	**55%**
Avg. daily val. (52wk)	**$233m**
12 month price range	**$13.90-$26.58**

Price Performance

	(1m)	(3m)	(12m)
Price (A$)	21.40	15.45	23.69
Absolute (%)	-1.2	36.9	-10.7
Rel market (%)	1.4	38.4	-17.2

Absolute Price



SOURCE: IRESS

1HFY22 financial result

FMG announced its 1HFY22 financial results, which reported record half year production volumes but lower revenue, EBITDA and earnings. The weaker financial metrics reflected iron ore prices retreating from record highs, higher operating costs, downward provisional pricing adjustments and wider grade and quality discounts. Key metrics included revenue of US$8,125m (vs BPe US$8,067m and down 13% vs pcp), EBITDA of US$4,762m (vs BPe US$4,980m and down 28% vs pcp) and NPAT of US$2,779m (vs BPe US$2,981m and down 32% vs pcp). The declaration of a fully franked interim dividend of A86cps (vs BPe A90cps and down 41% vs pcp) represented a payout ratio of 70% (vs 80% pcp) and equates to a fully franked yield of 4.0% in its own right. The ex-dividend date is 28 February 2022.

Robust margins but valuation question remains

The result was in-line or marginally below our expectations. To put the performance into perspective: the 1HFY22 interim dividend is FMG's second highest ever, yet 1HFY22 earnings were 15% below its 1HFY21 dividend (let alone the earnings), which benefitted from high iron ore prices and lower costs. The robustness of FMG's financial performance continues to be demonstrated by 1HFY22 EBITDA margins of 59%. While down from 71% vs the pcp, they remain some of the highest in the sector. Unfortunately, Fortescue Future Industries (FFI) remains a bit of a black box, in that while it is critical to FMG achieving its objective of decarbonisation by 2030, its value accretion and optionality added to the core business cannot be quantified. In our view, this is currently the key to closing the gap to a "Buy" recommendation.

Investment thesis – Hold TP$19.09/sh (Hold TP$18.33/sh)

Larger grade and quality discounts and increased costs expensed by FFI are the primary drivers of a moderate trim of our earnings forecasts. Our forecast FY22 and FY23 earnings are lowered 7% and 4% respectively. Our lowered FY22 dividend of A170cps equates to an 8.0% fully franked dividend yield. Our NPV-based target price increases by 4% on our increased forecast contribution from Iron Bridge and an increased notional valuation for FFI. The dividend yield supports our Hold rating.

Earnings Forecast

Year ending 30 Jun	2021a	2022e	2023e	2024e
Sales (US$m)	22,284	15,337	13,866	13,823
EBITDA (US$m)	16,312	8,996	8,083	7,955
NPAT (reported) (US$m)	10,295	5,272	4,603	4,518
NPAT (adjusted) (US$m)	10,295	5,272	4,603	4,518
EPS (adjusted) (UScps)	335	166	150	147
EPS growth (%)	117%	-51%	-10%	-2%
EPS (adjusted) (Acps)	448	227	205	201
PER (x)	4.7	9.3	10.3	10.5
EV/EBITDA (x)	3.0	5.5	6.1	6.2
Dividend (Acps)	358	170	164	160
Yield (%)	16.9%	8.0%	7.8%	7.6%
Franking (%)	100%	100%	100%	100%
ROE (%)	58%	32%	27%	25%

SOURCE: BELL POTTER SECURITIES ESTIMATES

Weathering the storm

1HFY22 financial result

FMG announced its 1HFY22 financial results, which reported record half year production volumes but lower revenue, EBITDA and earnings. The weaker financial metrics reflected iron ore prices retreating from record highs, higher operating costs, downward provisional pricing adjustments and wider grade and quality discounts. The results were in-line or marginally below our expectations. To put the relative performance compared with 1HFY21 into perspective: the 1HFY22 interim dividend is FMG's second highest ever, yet 1HFY22 earnings are 15% below its 1HFY21 dividend. The robustness of FMG's financial performance is illustrated by 1HFY22 EBITDA margins of 59%. While down from 71% vs the pcp, they remain some of the highest in the sector.

Key metrics included revenue of US$8,125m (vs BPe US$8,067m and down 13% vs pcp), EBITDA of US$4,762m (vs BPe US$4,980m and down 28% vs pcp) and NPAT of US$2,779m (vs BPe US$2,981m and down 32% vs pcp). The declaration of a fully franked interim dividend of A86cps (vs BPe A90cps and down 41% vs pcp) represented a payout ratio of 70% (vs 80% pcp) and equates to a fully franked yield of 4.0% in its own right. The ex-dividend date is 28 February 2022. The lower payout ratio, in our view, sends a signal on less certain market conditions and potentially larger capital commitments at FFI.

As at 31 December 2021 FMG held cash of US$2,899m, gross debt of US$4,623m (including lease liabilities) for net debt of US$1,724m (from net cash of US$2,678m at June 2021). FY22 guidance was unchanged to 180-185Mt at C1 cash costs of US$15.00-US$15.50/wmt based on an AUD:USD exchange rate of 0.72.

The Iron Bridge Magnetite Project remains on schedule to deliver first production of a high grade (67% Fe) concentrate in December 2022, which we expect to reduce FMG's grade and quality discounts. Fortescue Future Industries FY22 anticipated expenditure remains US$400-US$600m, however returns on investment remain uncertain.

Table 1 - FMG 1HFY22 financial result summary

Period	Dec-20	Jun-21	Jun-21	Dec-21	Dec-21	Variance	Variance
Half / Full / BP Est	**HY(a)**	**HY(a)**	**FY(a)**	**HY(a)**	**HY (BPe)**	**Vs pcp**	**Vs FY(BPe)**
Revenue US$m	9,335	12,949	**22,284**	8,125	8,067	-13%	1%
EBITDA US$m	6,611	9,701	**16,312**	4,746	4,980	-28%	-5%
EBIT US$m	5,939	9,007	**14,946**	4,024	4,226	-32%	-5%
NPAT US$m	4,084	6,211	**10,295**	2,777	2,981	-32%	-7%
Dividend Acps	147	211	**358**	86	90	-41%	-4%
Cash balance US$m	3,974	6,930	**6,930**	2,899	4,120	-27%	-30%
FMG ore shipped Mt (wet)	110	-2,678	**-2,678**	1,724	94	1467%	1733%
Realised price US$/t (dry)	91	92	**182**	93	93	3%	0%
Est. discount to 62% benchmark	114	156	**135**	96	96	-16%	0%

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Other key takeaways from the result include:

- The Iron Bridge Magnetite Project is reportedly progressing to schedule, with first production targeted for December 2022. It is expected to produce 22Mtpa of high grade 67% Fe iron ore concentrate;
- Labour market tightness and logistics disruptions have been exacerbated by WA's ongoing border restrictions. FMG is working closely with the WA Government to resolve these issues; and
- FMG is working with a range of partners (and including FFI) to decarbonise its operations by 2030. During 1HFY21, the 60MW Alinta Energy Chichester Solar Gas Hybrid project was completed. Among other initiatives, this has enabled FMG to

establish its Sustainability Financing Framework during the period, positioning it to issue Green and Social debt instruments in the future, opening up another potential funding source.

Changes to our forecasts

Beyond updating our forecasts for the 1HFY22 financial results, we have made the following changes to our modelled assumptions:

- Increased our assumed grade and quality discounts, reflecting the volatile iron ore pricing environment and increased competition in mid-grade iron ore products. We apply a lower discount from 4QFY23, when we expect Iron Bridge will make a more material contribution to FMG's production profile;
- The increased discounts are partially offset by a lift to our medium-term production profile as we make a greater allowance for production from the Iron Bridge Magnetite Project;
- Increased our medium-term operating cost expenditure for FFI, reflecting the increasing size and activity of the FMG subsidiary;
- We increase our notional valuation for FFI, and giving some recognition that as a number of projects progress to the development stage it may, in the future, be a major benefactor to FMG's core business; and
- Lowered our dividend forecast, in line with the lowered revenue and increased operating cost outlook. We now forecast FY22 dividends of A170cps (from A180cps).

The net changes to our forecasts are summarised in the table below:

Table 2 - Changes to earnings estimates

	Previous			New			Change		
Year ending 30 June	**Jun-22**	**Jun-23**	**Jun-24**	**Jun-22**	**Jun-23**	**Jun-24**	**Jun-22**	**Jun-23**	**Jun-24**
Iron ore (Fines) CFR @ 62% Fe	123	98	95	123	98	95	0%	0%	0%
AUD/USD	0.73	0.73	0.73	0.73	0.73	0.73	0%	0%	0%
Total production (Mt wet)	186.1	184.0	188.0	186.1	188.0	192.0	0%	2%	2%
Costs C1 (US$/t)	15.35	14.42	14.42	15.29	14.37	14.37	0%	0%	0%
Revenue (US$m)	15,459	13,938	13,535	15,337	13,866	13,823	-1%	-1%	2%
EBITDA (US$m)	9,221	8,300	7,835	8,996	8,083	7,955	-2%	-3%	2%
NPAT (adjusted) (US$m)	5,460	4,804	4,475	5,272	4,603	4,518	-3%	-4%	1%
Adjusted EPS (Ac/sh)	243	214	199	227	205	201	-7%	-4%	1%
PER (x)	8.7	9.9	10.6	9.3	10.3	10.5	0.6	0.4	(0.1)
DPS (Ac/sh)	180	171	159	170	164	160	-6%	-4%	1%
Yield (%)	8.5%	8.1%	7.5%	8.0%	7.8%	7.6%	-0.5%	-0.3%	0.0%
Net debt (cash) ($m)	672	376	(271)	2,615	2,439	1,737	289%	548%	-742%
ND / (ND + E) (%)	4%	2%	-1%	14%	13%	9%	10%	11%	10%
Valuation ($/sh)		18.33			19.09			4%	

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Larger grade and quality discounts and increased costs expensed by FFI are the primary drivers of a moderate trim of our earnings forecasts. Our forecast FY22 earnings are lowered 7% and FY23 earnings are lowered 4% as a result of these updates. Our lowered dividend forecast of A170cps equates to an 8.0% fully franked dividend yield. Our NPV-based target price, however, increases by 4%, to $19.09/sh, on our increased forecast contribution from Iron Bridge and an increased notional valuation for FFI. The high dividend yield causes us to retain our Hold recommendation, in line with our recommendation structure.

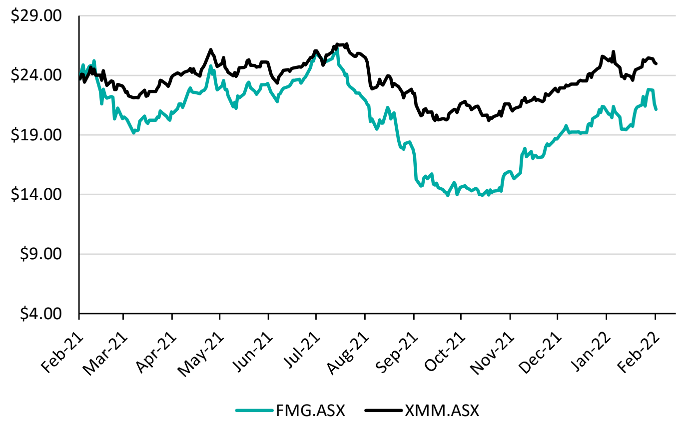
Upcoming catalysts

Key near term catalysts for FMG include:

- Maintaining the good cost control demonstrated in 1HFY22 through what is emerging as a tightening labour market and inflationary cost environment;
- The persistence of market dynamics that have negatively impacted grade and quality discounts for FMG's product mix;
- The movement of key market drivers through FY22, including the impact of steel production policy restrictions in China (and their potential removal following the Beijing Winter Olympics in February 2022) on the iron ore price and the AUD:USD exchange rate;
- The March 2022 quarter report, scheduled for release on 28 April 2022;
- Production and development updates the Iron Bridge Magnetite project, the Belinga Iron Ore project in Gabon and the assessment of Sinosteel's Midwest Magnetite Project; and
- Progress updates in relation to the investments being made by FFI.

FMG vs the ASX Metals and Mining Index

Figure 1 - FMG relative share price performance vs ASX Metals and Mining Index (XMM)



SOURCE: IRESS

Fortescue Metals Group Ltd (FMG)

Company description: Iron ore major in the Pilbara, WA

FMG is an independent iron ore producer in the Pilbara region of Western Australia. The company is currently achieving its targeted ~175-180Mtpa production rate, following ten years of development and expansion. It has successfully reduced its debt and built a strong balance sheet. FMG is now targeting the production of a +60% Fe product and has become more active in exploration for other commodities.

Investment thesis – Hold TP$19.09/sh (Hold TP$18.33/sh)

Larger grade and quality discounts and increased costs expensed by FFI are the primary drivers of a moderate trim of our earnings forecasts. Our forecast FY22 and FY23 earnings are lowered 7% and 4% respectively. Our lowered dividend forecast of A170cps equates to an 8.0% fully franked dividend yield. Our NPV-based target price increases by 4% on our increased forecast contribution from Iron Bridge and an increased notional valuation for FFI. The dividend yield supports our Hold rating.

Valuation: $19.09/sh

Our FMG valuation incorporates DCF models of FMG’s Chichester and Solomon production hubs, including future production from the Eliwana and Iron Bridge projects. We also make an estimate of exploration/expansion upside and an estimate of corporate overhead costs, including FFI’s operating costs and capital expenditure guidance. We calculate a 12-month forward, NPV-based valuation for FMG of $19.09/sh on this basis.

Risks

Risks to resources sector equities include, but are not limited to:

- **Funding and capital management risks:** Funding and capital management risks can include access to debt and equity finance, maintaining covenants on debt finance, managing dividend payments and managing debt repayments. Exploration and development companies with no sales revenues are reliant on access to equity markets and debt financing to fund the advancement and development of their projects.
- **Operating and development risks:** Mining companies’ assets are subject to risks associated with their operation and development. Risks for each company can be heightened depending on method of operation (e.g. underground versus open pit mining) or whether it is a single mine company. Development of mining assets may be subject to receiving permits, approvals timelines or weather events, causing delays to commissioning and commercial production.
- **COVID-19 risks:** Mining companies’ rely on freedom of movement of workforces, functioning transport routes, reliable logistics services including road, rail, aviation and ports in order to maintain operations and get their products to market. They also rely on liquid, functioning markets to sell their products. Measures being put in place to combat the COVID-19 pandemic are posing risks to these conditions.
- **Operating and capital cost fluctuations:** The cost and availability of exploration, development and mining inputs can fluctuate widely and cause significant differences between planned and actual operating and capital costs. Key operating costs are linked to energy and labour costs as well as access to, and availability of, technical skills, operating equipment and consumables.

- **Commodity price and exchange rate fluctuations:** The future earnings and valuations of exploration, development and producing Resources companies are subject to fluctuations in underlying commodity prices and foreign currency exchange rates.
- **Resource growth and mine life extensions:** The viability of future operations and the earnings forecasts and valuations reliant upon them may depend upon resource and reserve growth to extend mine lives, which is in turn dependent upon exploration success, of which there are no guarantees.
- **Regulatory changes risks:** Changes to the regulation of infrastructure and taxation (among other things) can impact the earnings and valuation of mining companies. NIC's assets are located in Sulawesi, Indonesia, which has in the past implemented regulatory changes related to mining project ownership, fiscal terms and mineral export requirements.
- **Sovereign risks:** Mining companies' assets are subject to the sovereign risks of the jurisdiction within which they are operating. NIC's assets are in Indonesia, a G20 country with one of the largest economies in SE Asia. Its sovereign debt is rated investment grade by the major ratings agencies.
- **Corporate/M&A risks:** Risks associated with M&A activity including differences between the entity's and the market's perception of value associated with completed transactions.

Fortescue Metals Group
as at 16 February 2022

Recommendation	Hold
Price	$21.15
Target (12 months)	$19.09

Table 3 - Financial summary

PROFIT AND LOSS

Year ending 30 Jun	Unit	2020a	2021a	2022e	2023e	2024e
Revenue	US$m	12,820	22,284	15,337	13,866	13,823
Expense	US$m	(4,508)	(5,972)	(6,341)	(5,782)	(5,868)
EBITDA	US$m	**8,312**	**16,312**	**8,996**	**8,083**	**7,955**
Depreciation	US$m	(1,400)	(1,366)	(1,475)	(1,491)	(1,522)
EBIT	US$m	6,912	14,946	7,521	6,592	6,433
Net interest expense	US$m	(222)	(224)	(174)	(199)	(157)
PBT	US$m	**6,690**	**14,722**	**7,346**	**6,394**	**6,276**
Tax expense	US$m	(1,955)	(4,427)	(2,074)	(1,790)	(1,757)
NPAT (reported)	US$m	**4,735**	**10,295**	**5,272**	**4,603**	**4,518**
Abnormal items	US$m	202	-	-	-	-
NPAT (adjusted)	US$m	**4,937**	**10,295**	**5,272**	**4,603**	**4,518**

PROFIT AND LOSS (INTERIM)

Half year ending	Unit	Jun-20a	Dec-20a	Jun-21a	Dec-21e	Jun-22e
Revenue	US$m	6,335	9,335	12,949	8,125	7,212
Expense	US$m	(2,230)	(2,724)	(3,248)	(3,379)	(3,136)
EBITDA	US$m	**4,105**	**6,611**	**9,701**	**4,746**	**4,076**
Depreciation	US$m	(743)	(672)	(694)	(722)	(753)
EBIT	US$m	3,362	5,939	9,007	4,024	3,323
Net interest expense	US$m	(99)	(75)	(149)	(76)	(98)
PBT	US$m	**3,263**	**5,864**	**8,858**	**3,948**	**3,224**
Tax expense	US$m	(981)	(1,780)	(2,647)	(1,171)	(903)
NPAT (reported)	US$m	**2,282**	**4,084**	**6,211**	**2,777**	**2,321**
Abnormal items	US$m	-	-	-	-	-
NPAT (adjusted)	US$m	**2,282**	**4,084**	**6,211**	**2,777**	**2,321**

CASH FLOW

Year ending 30 Jun	Unit	2020a	2021a	2022e	2023e	2024e
OPERATING CASHFLOW						
Receipts	US$m	12,704	22,181	15,505	13,886	13,826
Payments	US$m	(4,417)	(5,371)	(7,454)	(5,835)	(5,869)
Tax	US$m	(1,685)	(4,015)	(3,095)	(1,790)	(1,757)
Net interest	US$m	(187)	(201)	(198)	(199)	(157)
Other	US$m	-	-	-	-	-
Operating cash flow	US$m	**6,415**	**12,594**	**4,758**	**6,062**	**6,043**
INVESTING CASHFLOW						
Capex & exploration	US$m	(1,768)	(2,585)	(2,637)	(2,088)	(1,722)
Other	US$m	(200)	(1,042)	(423)	-	-
Investing cash flow	US$m	**(1,968)**	**(3,627)**	**(3,060)**	**(2,088)**	**(1,722)**
FINANCING CASHFLOW						
Net equity proceeds	US$m	-	-	-	-	-
Debt proceeds	US$m	1,625	1,500	400	-	-
Debt repayments	US$m	(905)	(2,451)	(105)	(500)	(1,323)
Dividends	US$m	(1,925)	(5,684)	(6,649)	(3,799)	(3,619)
Other	US$m	(76)	(258)	(148)	-	-
Financing cash flow	US$m	**(1,281)**	**(6,893)**	**(6,502)**	**(4,299)**	**(4,942)**
Change in cash	US$m	3,166	2,074	(4,804)	(324)	(621)

BALANCE SHEET

Year ending 30 Jun	Unit	2020a	2021a	2022e	2023e	2024e
ASSETS						
Cash & short term investments	US$m	4,855	6,930	1,969	1,645	1,024
Accounts receivable	US$m	545	737	529	508	505
Inventory	US$m	828	1,212	1,471	1,471	1,471
Property, plant & equipment	US$m	9,894	10,758	20,901	21,468	21,638
Exploration & evaluation	US$m	6,169	7,690	15	45	75
Other	US$m	1,107	1,056	205	205	205
Total assets	US$m	**23,398**	**28,383**	**25,090**	**25,342**	**24,918**
LIABILITIES						
Accounts payable	US$m	1,057	1,918	941	888	887
Borrowings	US$m	4,234	3,442	3,799	3,299	1,976
Other	US$m	4,863	5,288	4,186	4,186	4,186
Total liabilities	US$m	**10,154**	**10,648**	**8,926**	**8,373**	**7,049**
SHAREHOLDER'S EQUITY						
Share capital	US$m	1,167	1,105	1,053	1,053	1,053
Reserves	US$m	62	46	78	78	78
Retained earnings	US$m	12,002	16,576	15,025	15,830	16,730
Non-controlling interest	US$m	13	8	8	8	8
Total equity	US$m	**13,244**	**17,735**	**16,164**	**16,969**	**17,869**
Net debt	*US$m*	*(621)*	*(3,488)*	*1,830*	*1,654*	*952*
Weighted average shares	m	3,077	3,077	3,079	3,079	3,079

FINANCIAL RATIOS

Year ending 30 Jun	Unit	2020a	2021a	2022e	2023e	2024e
VALUATION						
NPAT (adjusted)	US$m	4,937	10,295	5,272	4,603	4,518
Adjusted EPS	USc/sh	154	335	166	150	147
EPS growth	%	49%	117%	-51%	-10%	-2%
Adjusted EPS	Ac/sh	229	448	227	205	201
EPS growth	%	59%	95%	-49%	-10%	-2%
PER	x	9.2x	4.7x	9.3x	10.3x	10.5x
DPS	Ac/sh	176	358	170	164	160
Franking	%	100%	100%	100%	100%	100%
Yield	%	8%	17%	8%	8%	8%
FCF/share	USc/sh	145	291	55	129	140
FCF/share	Ac/sh	215	390	75	177	192
FCF yield	%	10%	18%	4%	8%	9%
EV/EBITDA	x	5.9x	3.0x	5.5x	6.1x	6.2x
EBITDA margin	%	65%	73%	59%	58%	58%
EBIT margin	%	54%	67%	49%	48%	47%
Return on assets	%	20%	36%	20%	18%	18%
Return on equity	%	36%	58%	32%	27%	25%
LIQUIDITY & LEVERAGE						
Net debt (cash)	US$m	258	(2,678)	2,615	2,439	1,737
ND / E	%	2%	-15%	16%	14%	10%
ND / (ND + E)	%	2%	-18%	14%	13%	9%
ND / EBITDA	x	0.0x	-0.2x	0.3x	0.3x	0.2x
EBITDA/Interest	x	37.4	72.8	51.6	40.7	50.6

ASSUMPTIONS - Prices

Year ending 30 Jun	Unit	2020a	2021a	2022e	2023e	2024e
Iron ore (Fines) CFR @ 62% Fe	**US$/dmt**	**94**	**155**	**123**	**98**	**95**
AUD/USD	US$/A$	0.67	0.75	0.73	0.73	0.73

ASSUMPTIONS - Production

Year ending 30 Jun	Unit	2020a	2021a	2022e	2023e	2024e
Sales (FMG equity)	Mwt	178.2	182.2	186.1	188.0	192.0
Third party	Mwt	-	-	-	-	-
Sales (total)	Mwt	178.2	182.2	186.1	188.0	192.0
62% Fe index price (real)	US$/dt	91	155	122	93	89
FMG realised price CFR	US$/dt	79	135	91	80	78
Realised price discount	%	-14%	-13%	-25%	-14%	-12%
Costs C1 (excl. royalty)	**US$/wt**	**12.87**	**13.84**	**15.29**	**14.37**	**14.37**
Shipping	US$/wt	6.68	7.32	10.40	7.67	7.67
Royalties	US$/wt	4.74	8.56	5.43	4.79	4.68
Other	US$/wt	0.17	0.18	0.20	0.20	0.20
Cost of sales	**US$/wt**	**24.46**	**29.90**	**31.32**	**27.03**	**26.92**
Interest	US$/wt	1.32	1.19	1.15	1.14	0.88
Capex (sustaining)	US$/wt	11.04	19.91	10.97	6.00	6.00
Total all-in cost	**US$/wt**	**36.82**	**50.99**	**43.44**	**34.17**	**33.80**
Total all-in cost (@ 8% moist)	**US$/dt**	**40**	**55**	**47**	**37**	**37**
Total all-in cost (62% Fe eq.)	**US$/dt**	**46**	**62**	**59**	**42**	**41**

VALUATION

Issued capital	
Shares on issue m	3,079
Options (in the money) m	15
Total m	**3,094**

	Current		+12 months		+24 months	
Sum of parts valuation	**A$m**	**$/sh**	**A$m**	**$/sh**	**A$m**	**$/sh**
Iron ore operations (DCF)	61,713	19.95	60,246	19.47	57,853	18.70
Exploration (estimate)	3,703	1.20	3,615	1.17	3,471	1.12
Corporate (DCF)	(1,542)	(0.50)	(1,222)	(0.39)	(878)	(0.28)
Total enterprise value	**63,873**	**20.64**	**62,639**	**20.25**	**60,446**	**19.54**
Net debt/(cash)	2,408	0.78	3,583	1.16	3,342	1.08
Equity value	**61,465**	**19.87**	**59,057**	**19.09**	**57,105**	**18.46**

MAJOR SHAREHOLDERS

Minderoo Group Pty Ltd	36%
Hunan Valin Iron & Steel Group	9%
Combined	45%

SOURCE: BELL POTTER SECURITIES ESTIMATES

Recommendation structure

Buy: Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

Hold: Expect total return between -5% and 15% on a 12 month view

Sell: Expect <-5% total return on a 12 month view

Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.

Such investments may carry an exceptionally high level of capital risk and volatility of returns.

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