



# Macquarie Australia Conference

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May 2015

**Fortescue**  
The New Force in Iron Ore



# Disclaimer

## Important Notice

The purpose of this presentation is to provide general information about Fortescue Metals Group Limited ("Fortescue"). It is not recommended that any person makes any investment decision in relation to Fortescue based on this presentation.

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## Additional Information

This presentation should be read in conjunction with the Annual Financial Report at 30 June 2014 and Half Year Financial Report at 31 December 2014 and together with any announcements made by Fortescue in accordance with its continuous disclosure obligations arising under the *Corporations Act 2001*.

Any references to reserve and resources estimations should be read in conjunction with Fortescue's Mineral Resource and Ore Reserve Statement at 30 June 2014 as released to the Australian Securities Exchange on 20 August 2014 and the Chichester Range Mineral Resource update released to the Australian Securities Exchange on 8 January 2015.

All amounts within this presentation are stated in United States Dollars consistent with the Functional Currency of Fortescue Metals Group Limited. Tables contained within this presentation may contain immaterial rounding differences.

# Building a world class company

Reliable and competitive supplier to Asia

- **Founded** in 2003
- **First ore** 2008
- **Low cost** producer
- Over **500mt** shipped
- **165mt** production rate
- Unique **culture**





# OUR VISION

The safest, lowest cost,  
most profitable iron ore producer

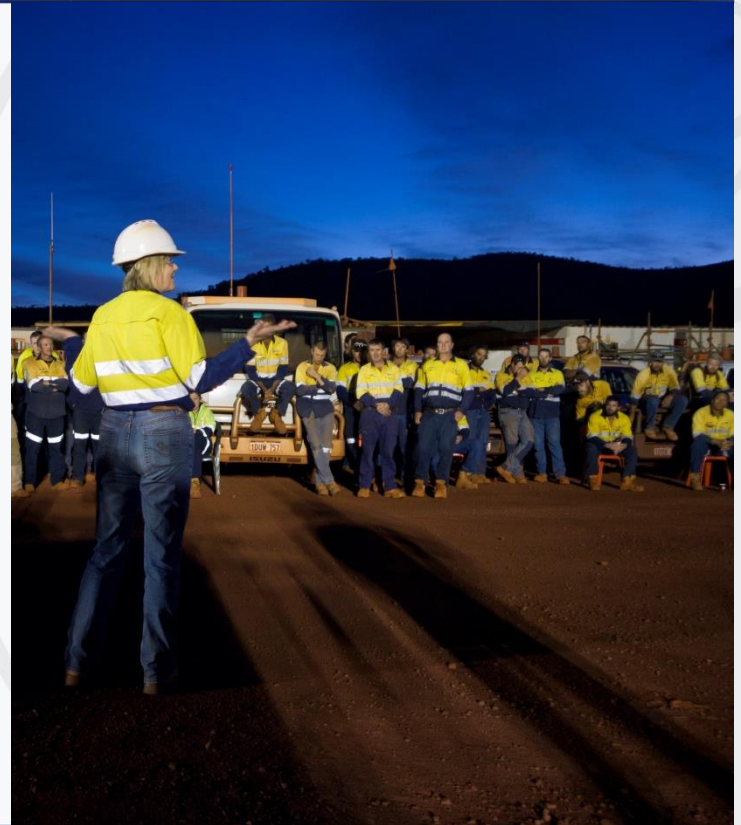
## Our Values



# Safety is at the heart of Fortescue's family values

“My brothers’ / sisters’ keeper”

- **Safety Priorities**
  - 1 Look after yourself
  - 2 Look after your mates
- **Engagement** active participation
- **Empowerment** to make decisions
- **Encouragement** to speak up
- **Leadership** strong and visible



# Operating performance – March Quarterly

## Cost and efficiency focus

 **40.4mt**  
Shipped

 **C1 \$25.90/t**  
9% improvement

**160-165**<sub>mtpa</sub>  
Annualised run rate

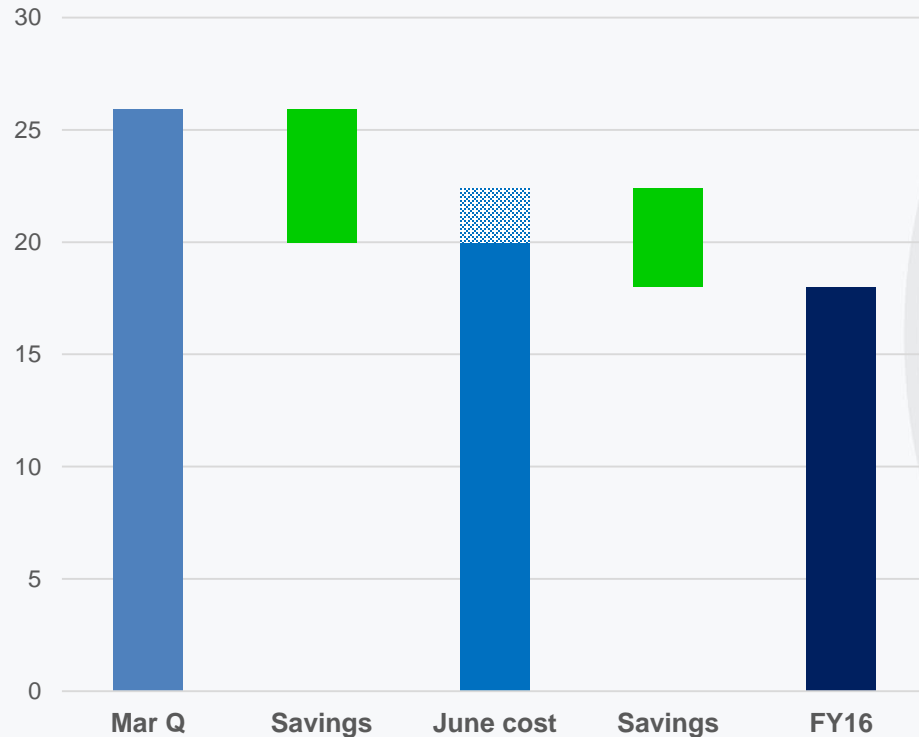
**US\$1.8bn**  
cash on hand

 **C1 \$18/t**  
FY16 Guidance

 **US\$39/dmt**  
Breakeven price

# Underlying C1 costs – net of inventory cost averaging

## Post ramp up cost optimisation continuing

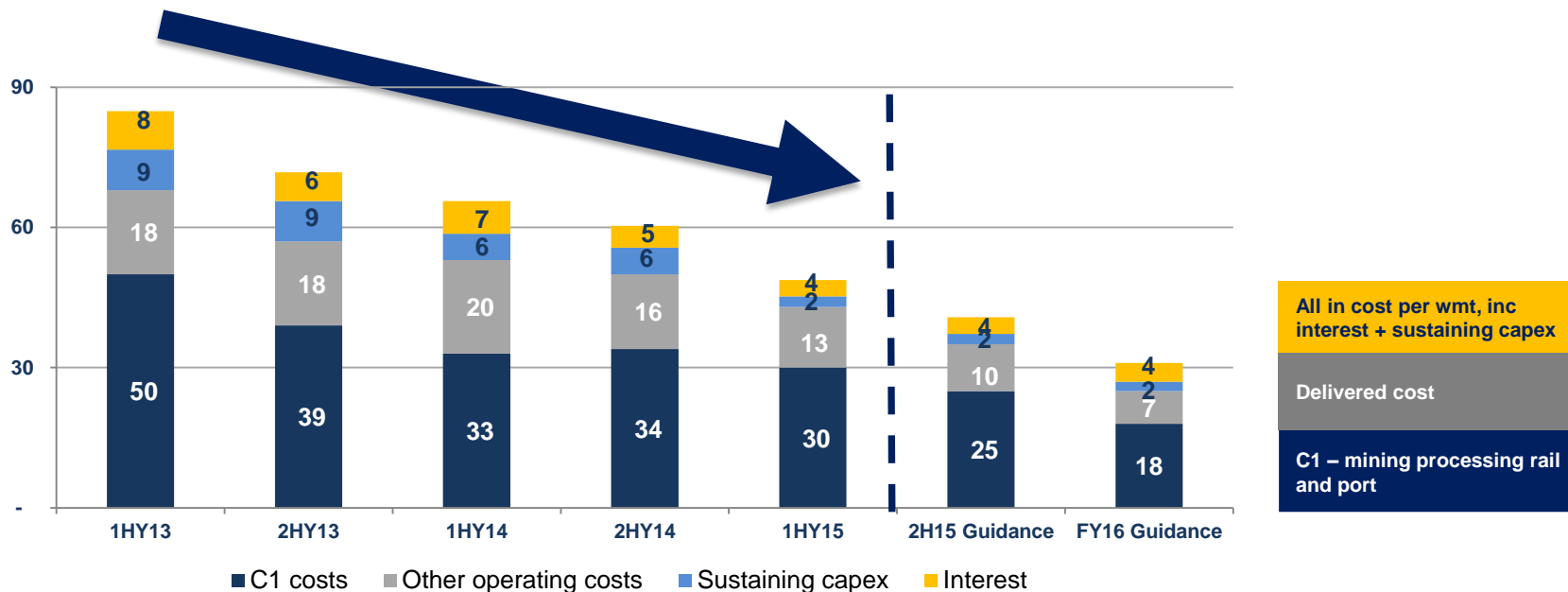


- Christmas Ck mining contract
- Roster and organisation changes
- Procurement initiatives
- Mining productivity and efficiency
- Reduced Surface Mining
- OPF upgrade performance
- Lower AUD 0.77



# Costs reduction journey

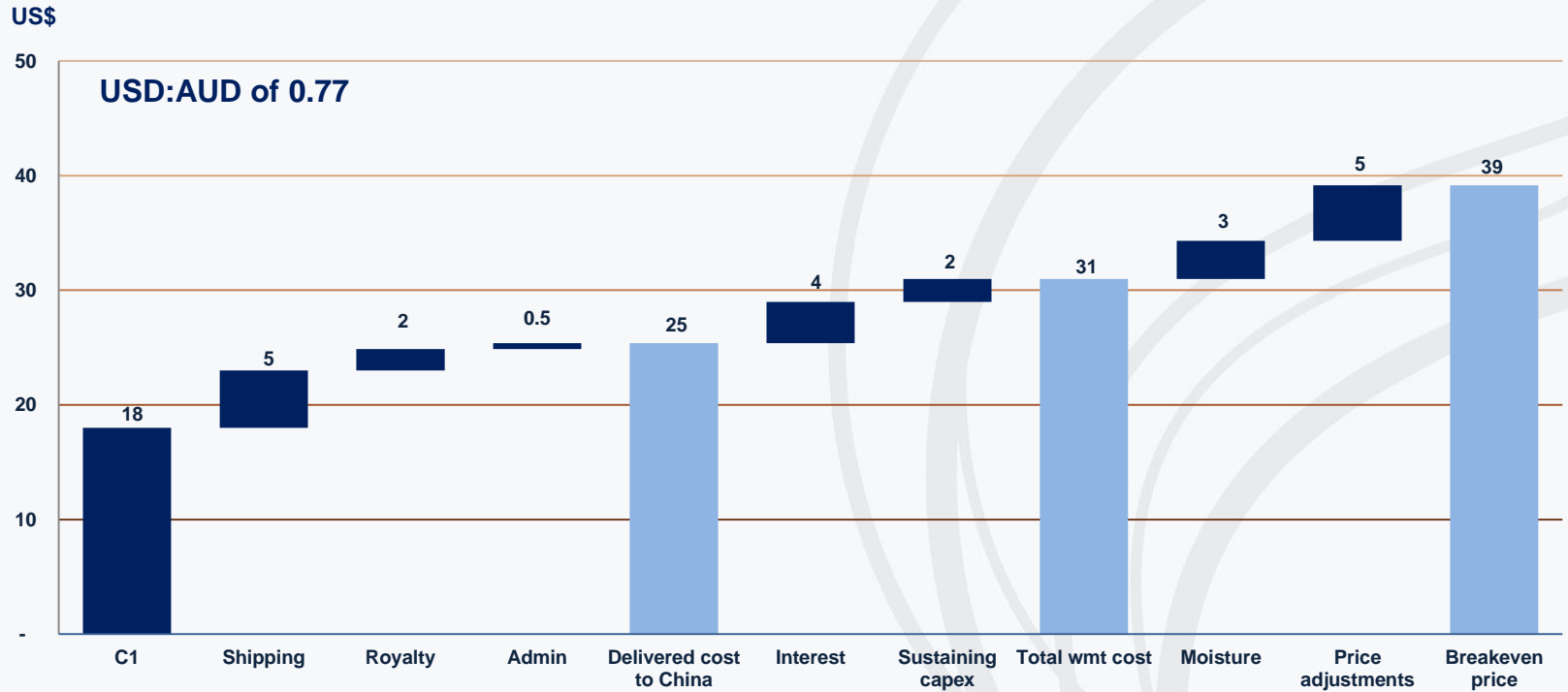
## Delivering reduction in the total cost of operations



**All in cost moving towards US\$31/wmt (US\$34/dmt)**

# Break-even Price

Continuing to reduce breakeven price on 62% Platts equivalent basis





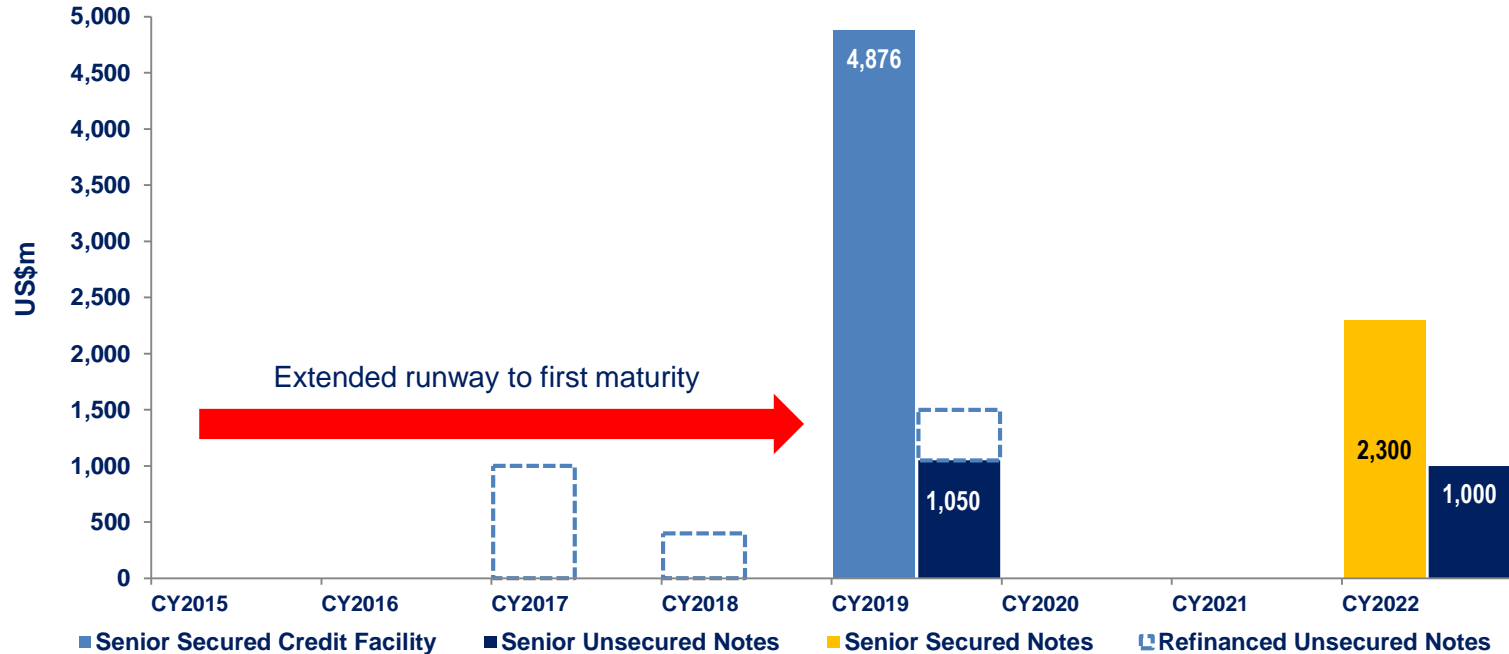
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# Balance Sheet



# Completion of US\$2.3bn refinancing

No repayments until June 2019 with flexibility for early repayments



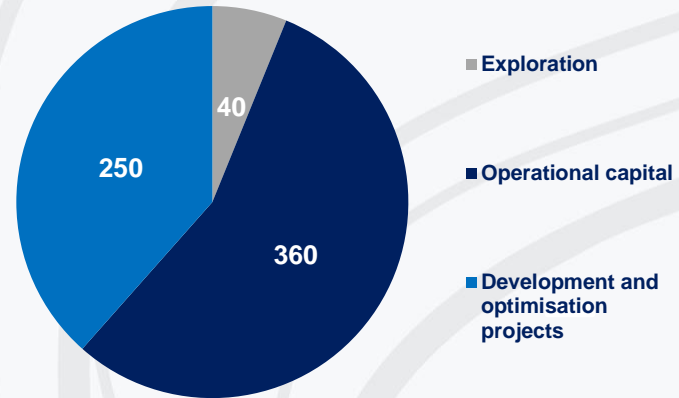
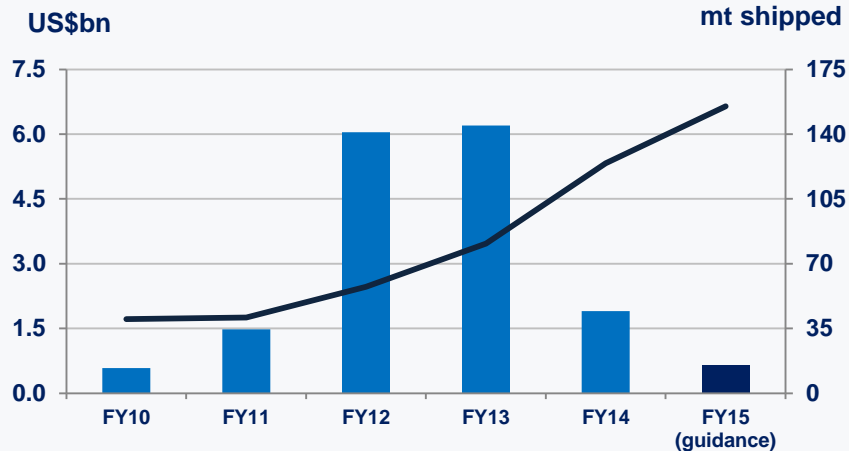
~US\$2.0bn cash on hand

# Capital expenditure

Ex growth capex, current with US\$2/wmt guidance sustainable

Capital profile

FY15 Capital – US\$650m



- **FY16** guidance of **US\$2/wmt** or **US\$330m p.a**
- Depreciation and amortisation charge **~US\$8.50/t**



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# Market



# Core supplier to China

Well established 16% market share of imported iron ore

- **Optimised** product range
- **Low impurity** 58% Fe average product
- High **value in use**
- Large diverse **customer base**
- **Reliable consistent** delivery



# China's growth remains strong

## Long term fundamentals remain positive

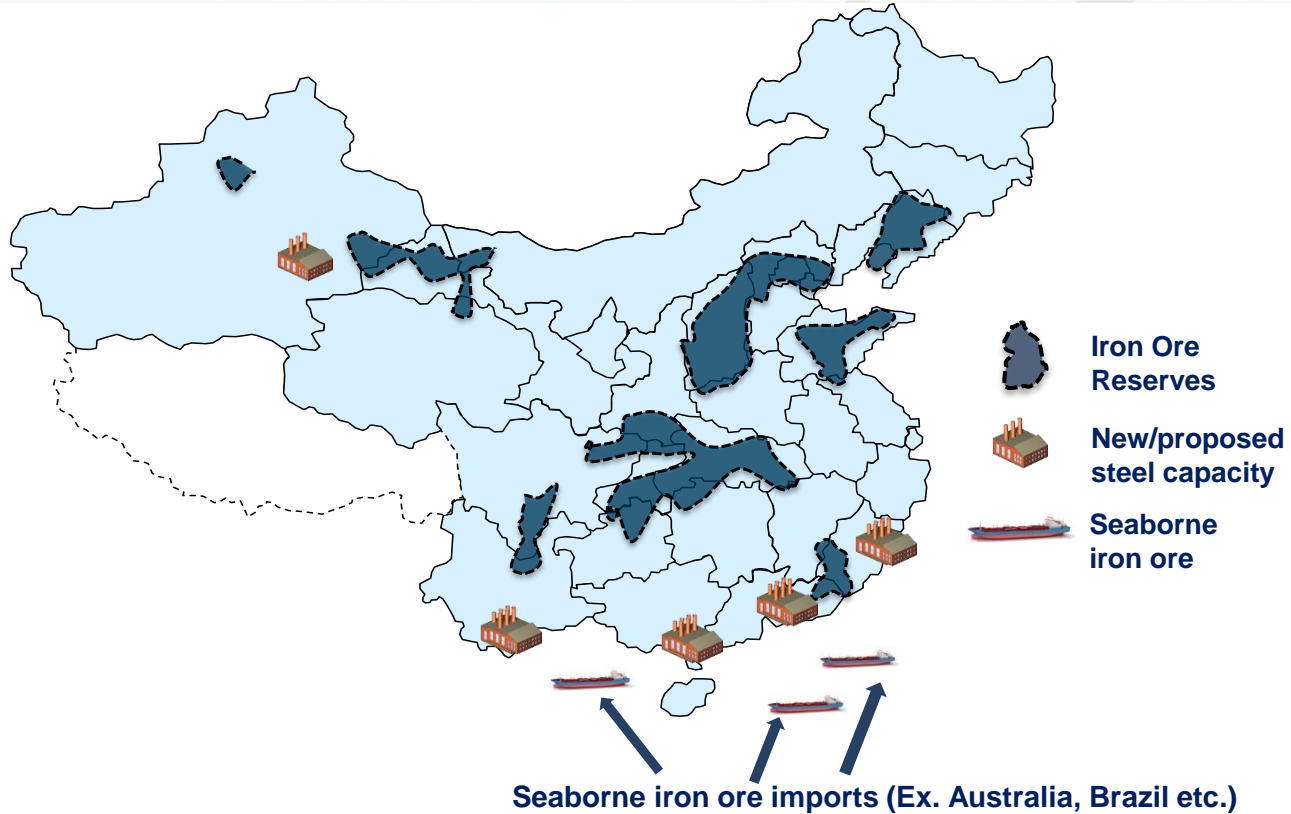
- **RMB 10 trillion** in projects approved
- **One Belt One Road** US\$1.6 trillion
- **300 million people** to urbanize
- **Pro-business** structural reform
- GDP growth **~7%** in 2015





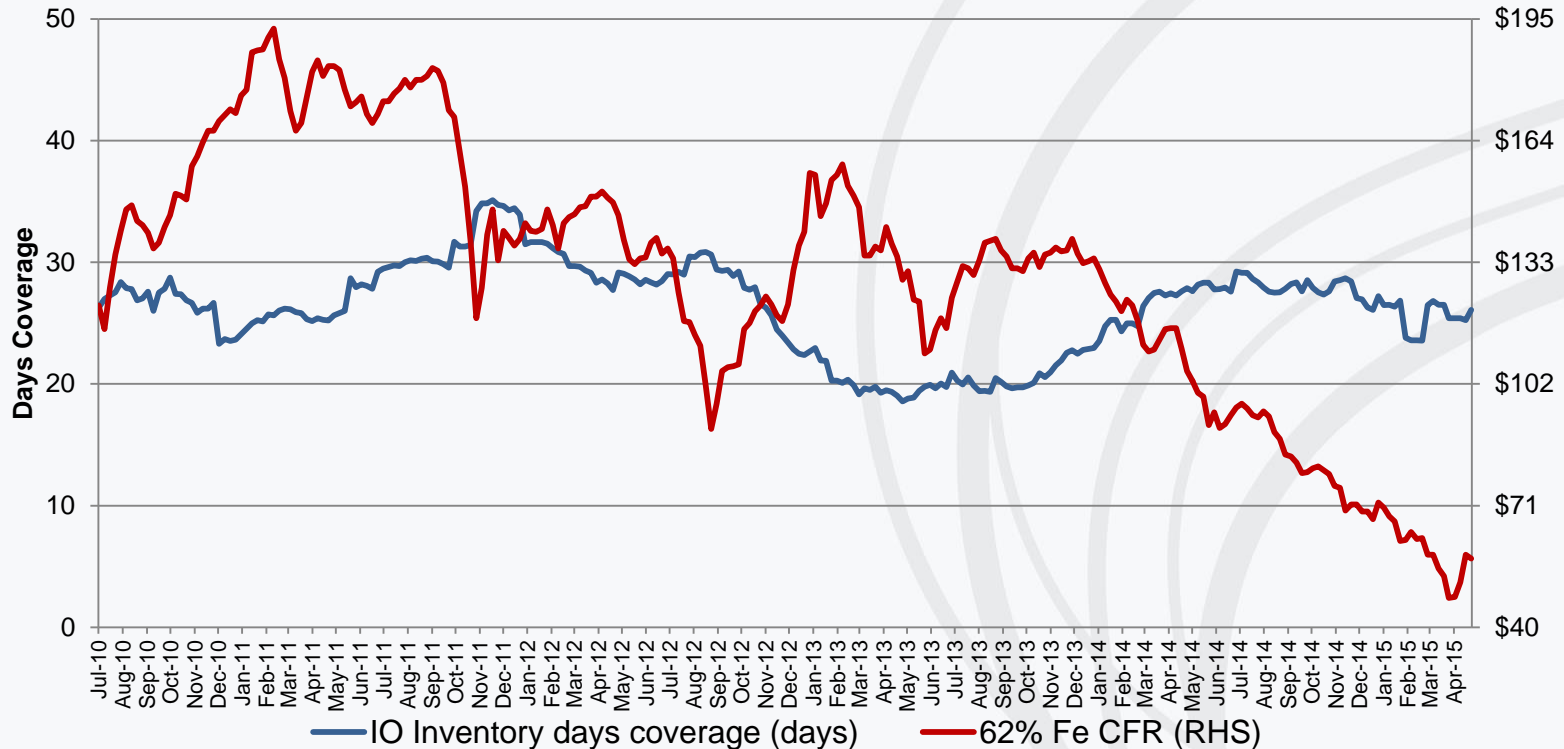
# Demand for seaborne supply

New coastal capacity moving away from domestic iron ore



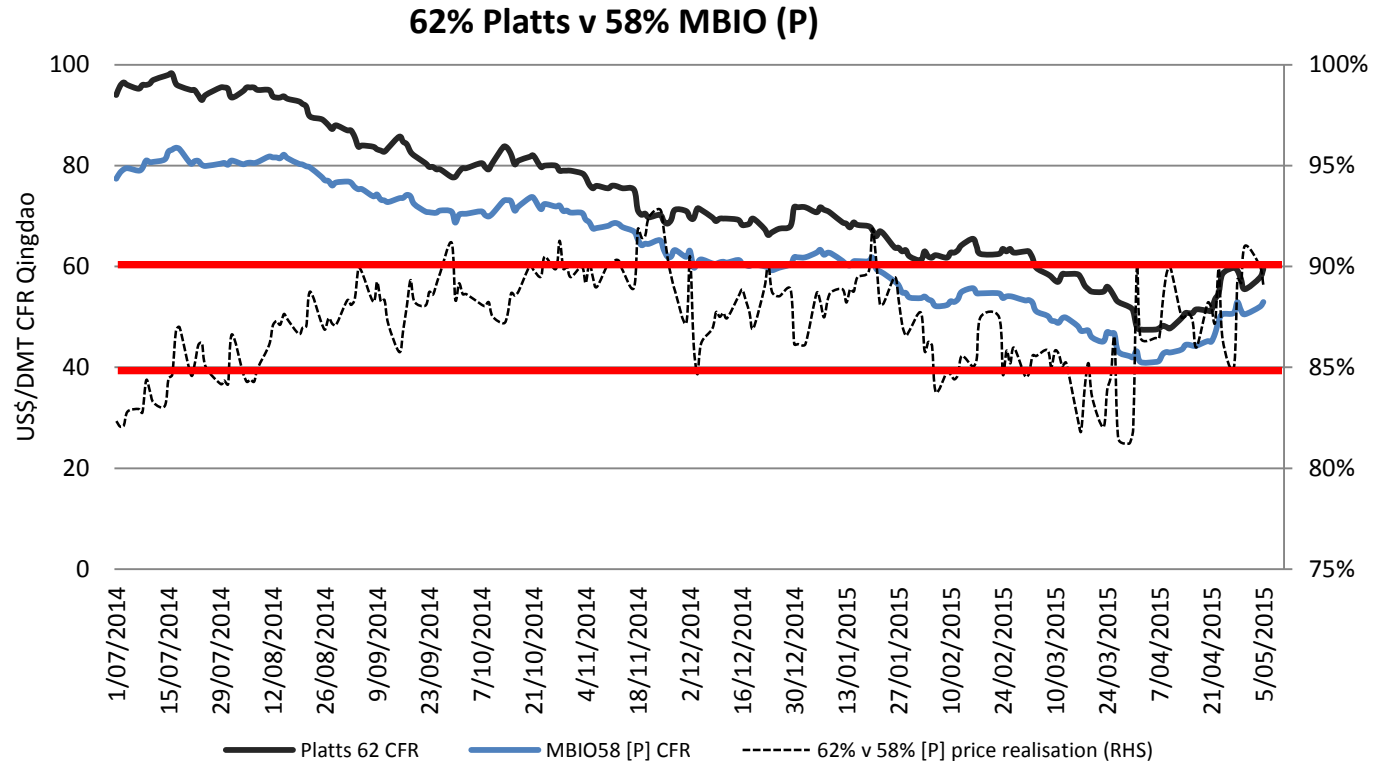
# Iron ore supply in balance...sentiment driving price

Port stocks at 87mt, down 4mt in a week and at lowest level since Jan 14



# Price Realisation

Realising consistently at 85-90% of Platts 62%





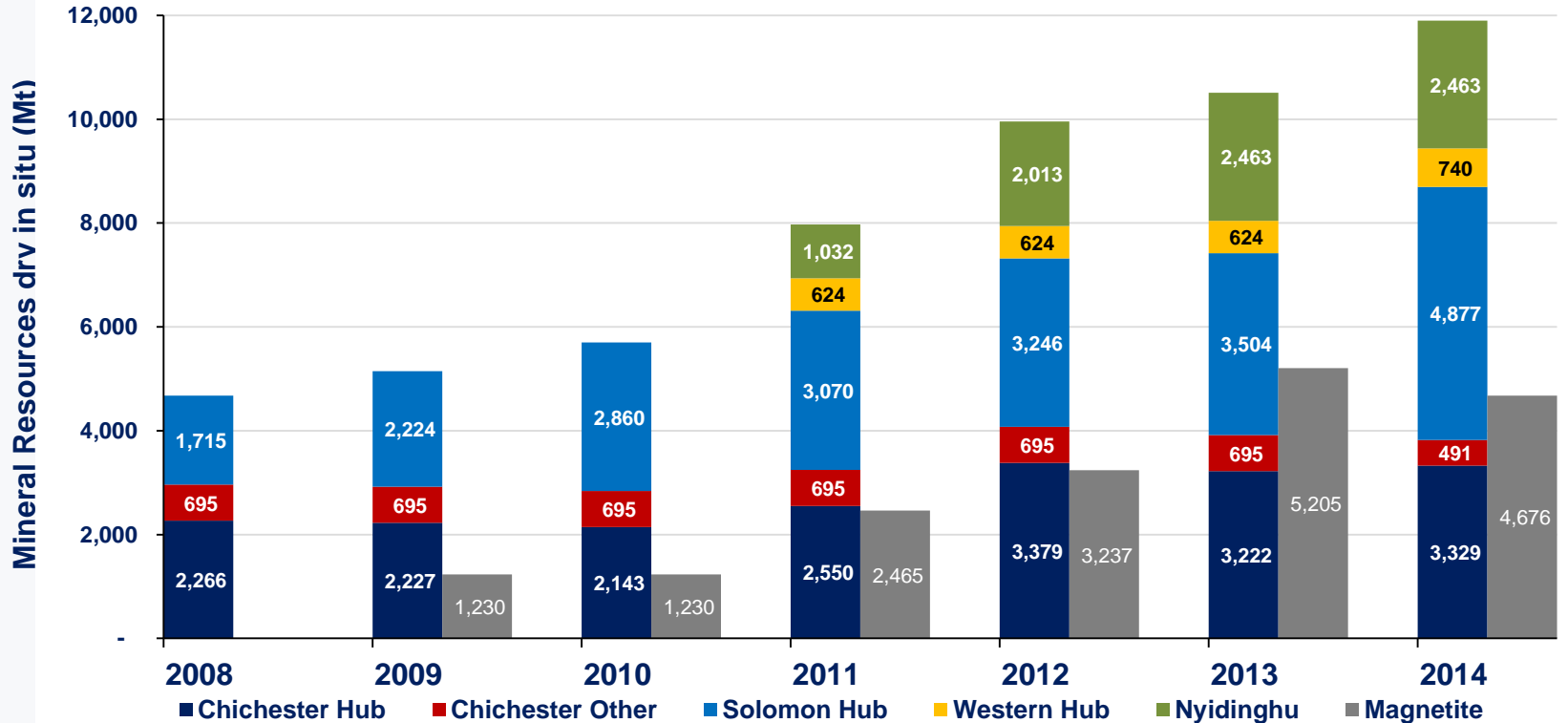
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# Reserves and resources



# Resource portfolio supports asset base

Drilling as required and extend through near mine exploration





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# Supporting our local community



# Ending Aboriginal disparity in the Pilbara

Creating opportunities through training, employment and business opportunity

**1,100**

Aboriginal employees

**12%**

Aboriginal people in Fortescue workforce

**A\$1.8bn**

Contracts to Aboriginal companies and JV's

**VTEC**

Training Centres

Roebourne,  
South Hedland





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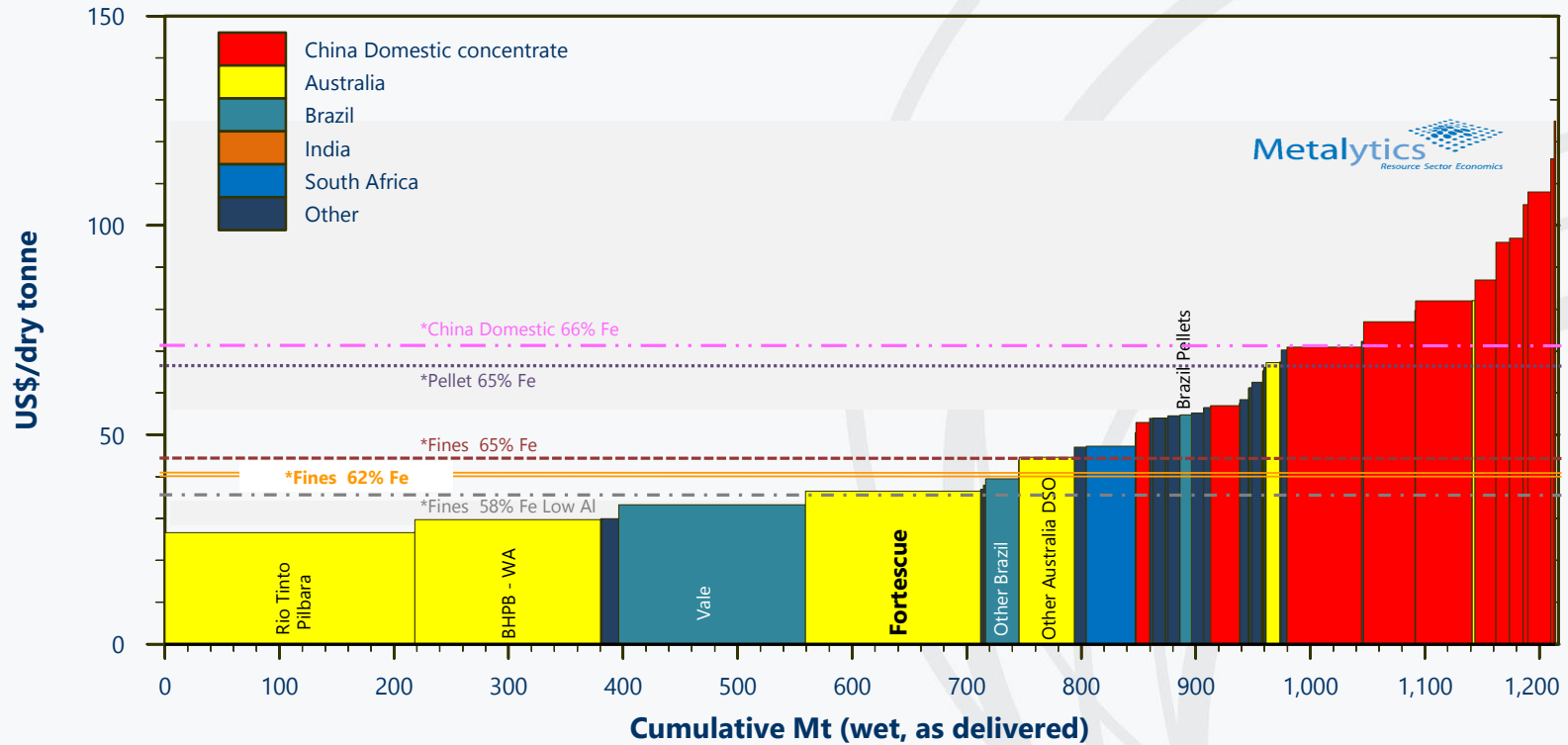
# Clear strategy





# Moving down the global cost curve

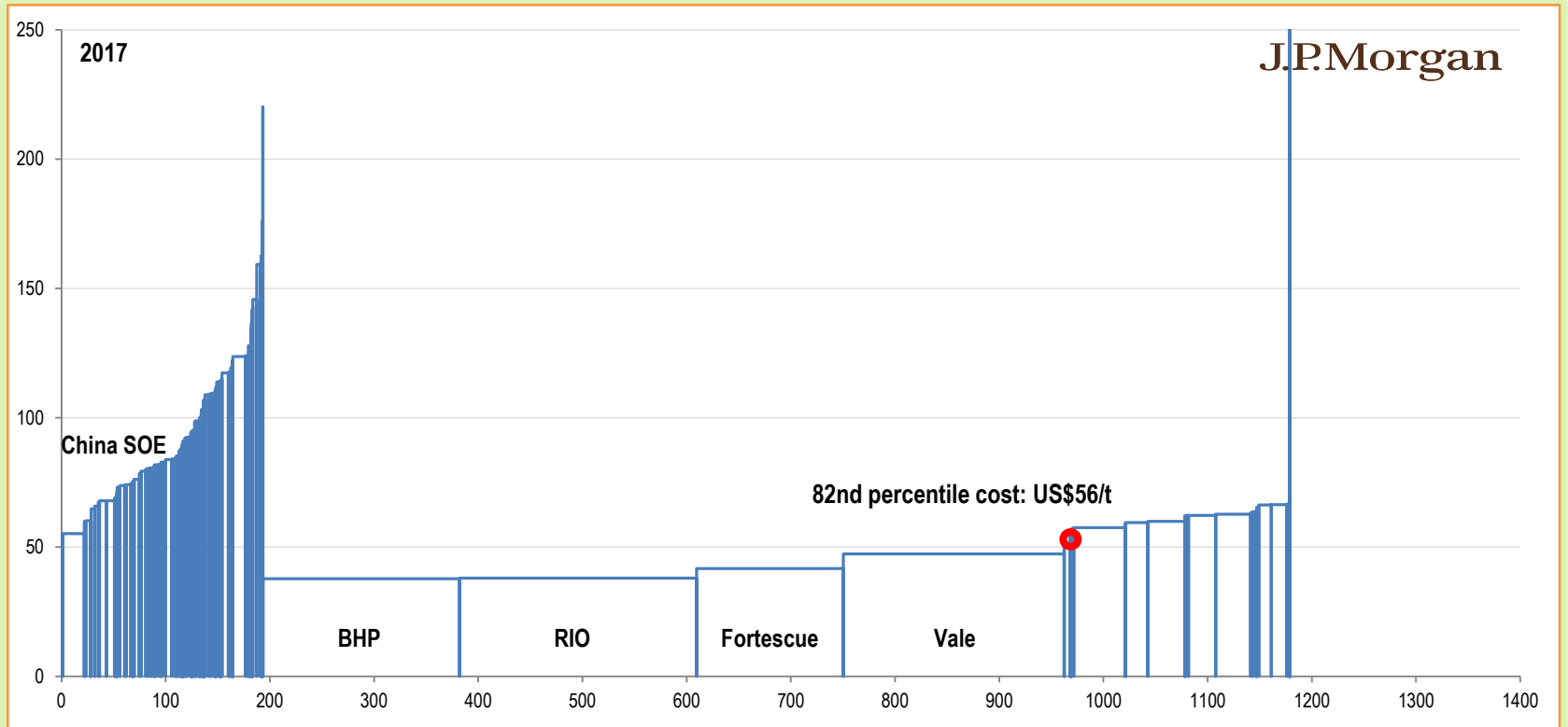
## China's 2015 Iron Ore Supply CFR Costs (including royalties & ocean freight)



Metalytics  
Resource Sector Economics

# Moving down the global cost curve

## Targeting bottom quartile



# The New Force in Iron Ore

- **Low cost** producer **165mtpa**
- **Reliable** efficient delivery
- **World class** hardware + **software**
- Unique **culture** drives performance





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