



Fortescue
The New Force in Iron Ore

Media Tour - Briefing

17 November 2015



Forward Looking Statements



Disclaimer

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Additional Information

This presentation should be read in conjunction with the Annual Financial Report at 30 June 2015 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 Ore Reserves and Mineral Resources statement for its Hematite and Magnetite projects at 30 June 2015 as released to the Australian Securities Exchange on 21 August 2015. Fortescue confirms in the subsequent public report that it is not aware of any new information or data that materially affects the information included in the relevant market announcement and, in the case of estimates of mineral resources or ore reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

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.

Fortescue's world class assets

Pilbara

Western Australia

Core supplier to
Asia's growth



Our Vision: The safest, lowest cost, most profitable iron ore producer



Safety



Family



Integrity



Determination



Enthusiasm



**Set yourself
stretch targets**



Empowerment



Generating ideas



Frugality

Safety is at the heart of Fortescue's 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

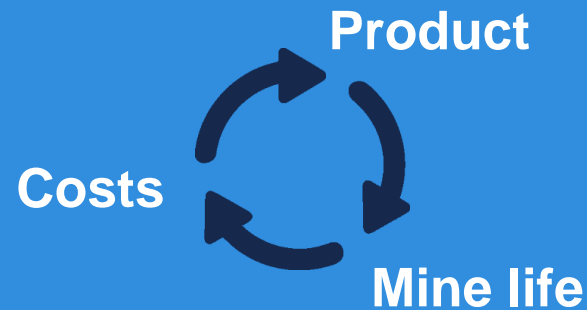


Safety

Key themes

Sustainable
performance

Expansions
complete



Established
product suite

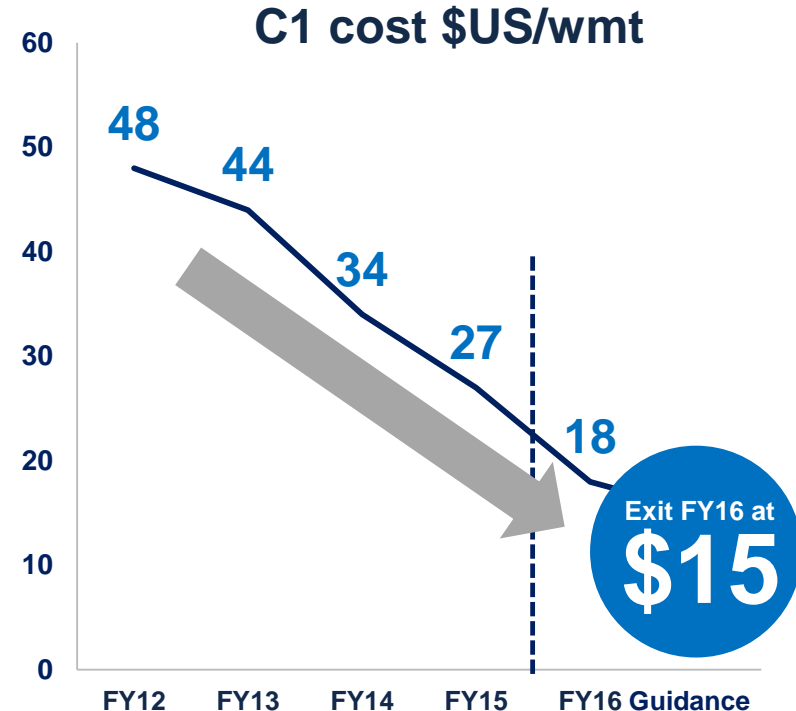
Cashflow
supports
balance sheet

Continuous
improvement
focus

Delivery of sustainable cost improvements

Through development of assets, efficiencies, productivity and costs saving

- 1 **Solomon** operations
- 2 **Blending** strategy 58% Fe
- 3 **Processing**, wet plants + de-sands
- 4 Operational **efficiencies**
- 5 Fx and fuel **decreases**





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Finance



Financial keys



Operational performance supporting financial results

**Cost
improvement
\$15/wmt**

Controlling the controllable

**costs +
production**

**Capital spend
\$2/wmt
sustainable**

**Generating
operating
cashflows**

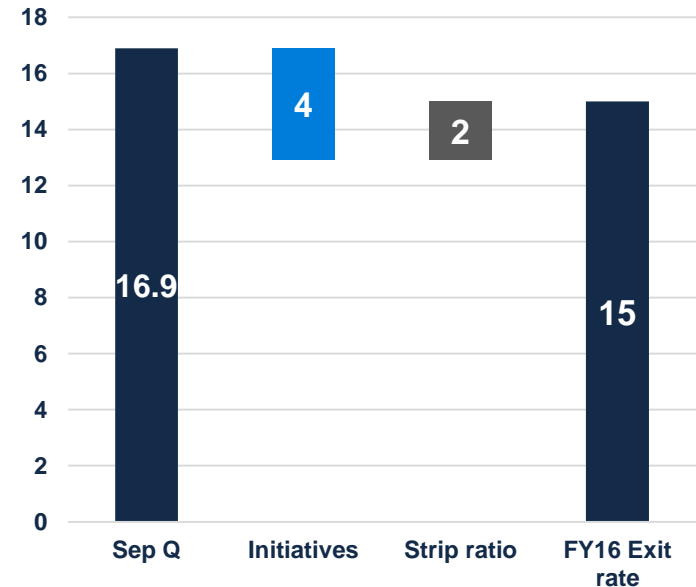
Shipping and
procurement
initiatives

**US\$384m
Debt repurchased**

Path to US\$15/wmt in Q4 FY16

Continued realisation from efficiency and productivity improvements

Savings initiatives		Savings (US\$/wmt)
OPF	<ul style="list-style-type: none"> Improved upgrades and yield Shutdown optimisation Enhanced plant reliability 	0.90
Mining	<ul style="list-style-type: none"> Maximising equipment productivity Enhancements to mine plan, e.g. haul route optimisation, pit design Site-wide efficiencies, e.g. reduction in non-production fleet Full realisation of previously identified initiatives, e.g. optimising mining method 	1.50
Procurement initiatives	<ul style="list-style-type: none"> Capturing market deflationary conditions 	0.60
Inventory + FX	<ul style="list-style-type: none"> High-cost inventory to flow through Additional FX reduction 1c 	1.00
TOTAL		4.00

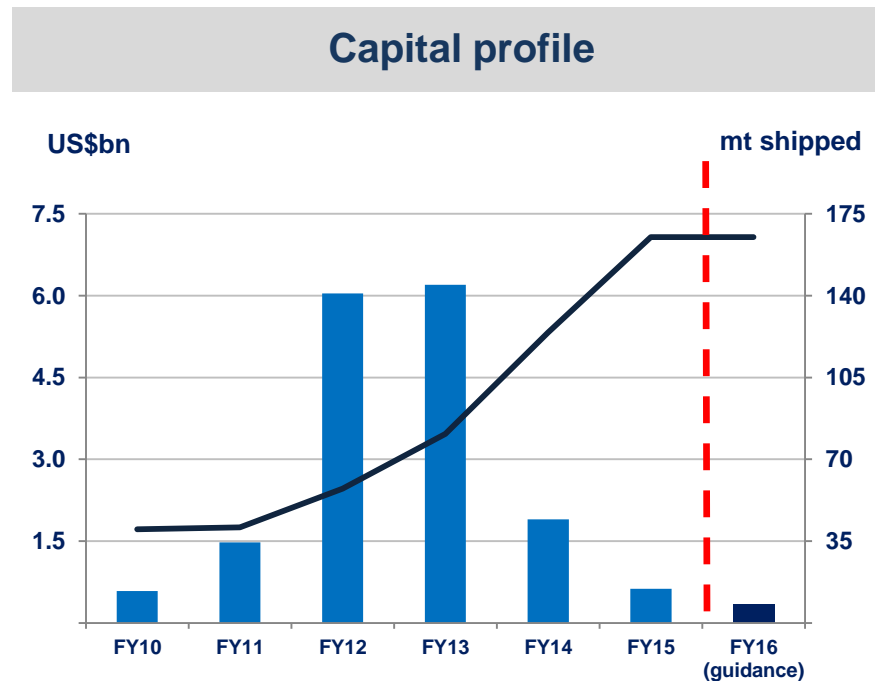


Based on reversion to average strip ratio of 1.8

Capital expenditure

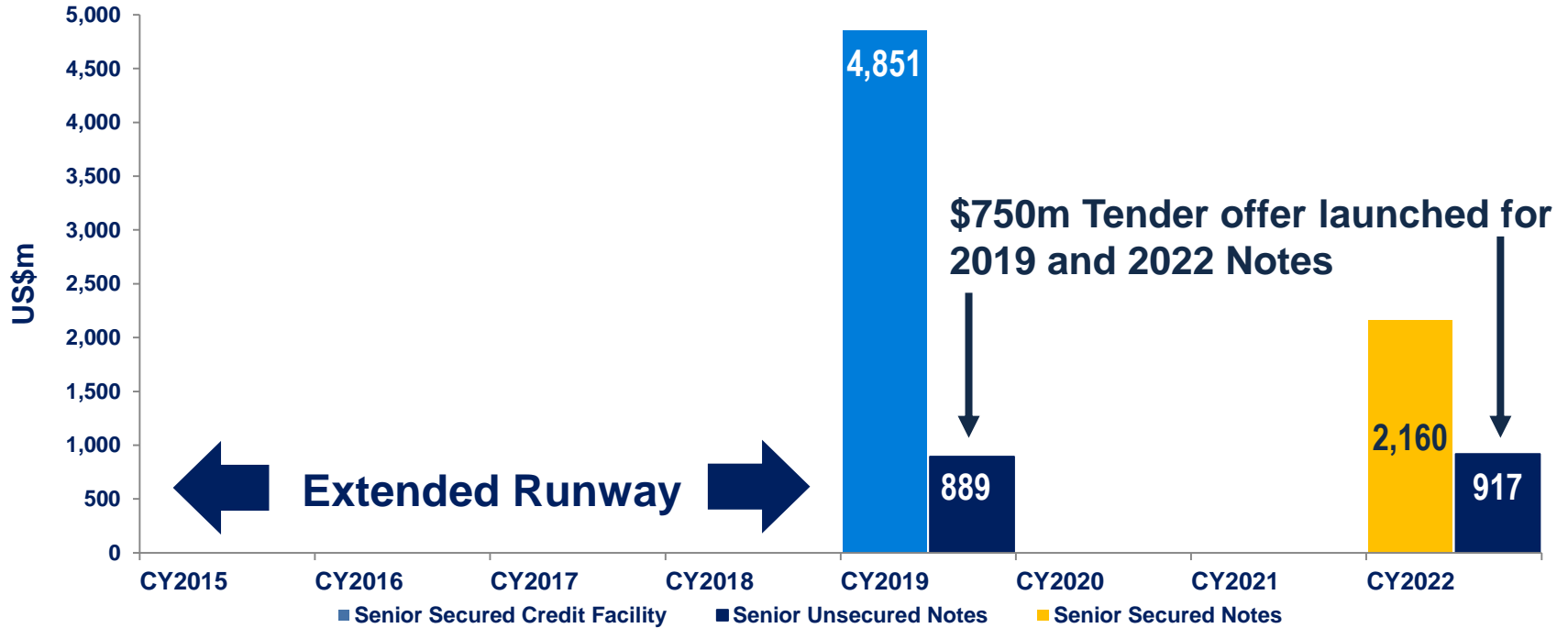
Sustainable capex at US\$2/wmt post expansion

- **FY16** guidance **US\$2/wmt**
or **US\$330m**
- Expansions **complete**
- **Long life** installed asset
- Significant **mine lives**
- D+A **~US\$7.50/wmt**



Debt maturity profile

On market buybacks US\$384m principal value



US\$2.6bn cash on hand at 30 September 2015



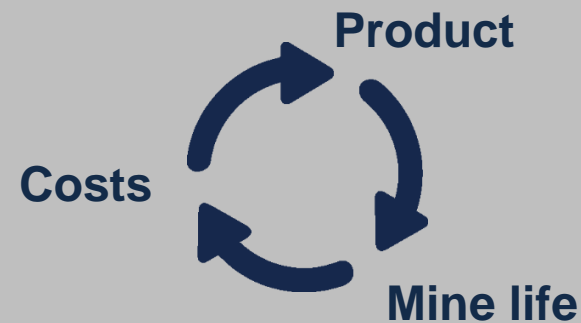
Ore body / Resource



Product strategy

Innovative strategy maximises value from asset base

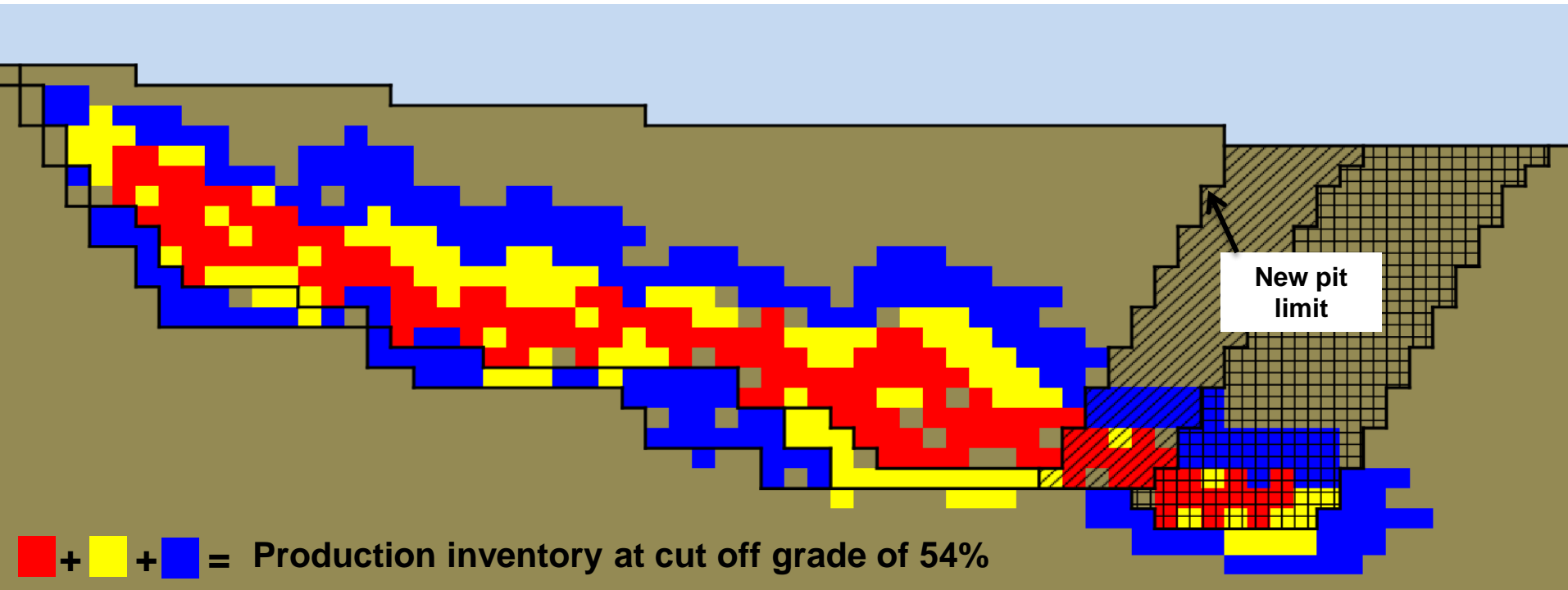
- **Beneficiation** of ore
- **Lower** cut-off grades
- **Fortescue** Blend
- Product **consistency**



Blending + wet processing

Blending with Firetail + wet processing, product grade 57.5%

Strip ratio reduced from 5.4 to 2.3



Strategy and people delivering sustained reductions in strip ratios

Maintained mine life

 **C1
Costs**

Revised strip ratio	Years 1-5	Life of mine
Chichester Hub	1.6	2.3
Solomon Hub	2.0	1.7

 **Strip
ratios**

Expect **improvements** to continue

Journey to C1 US\$15/wmt and beyond



Next wave of savings initiatives to deliver lower costs

OPF

- Upgrades and yield
- Shutdown optimisation
- Plant reliability

Mining

- Equipment productivity
- Mine plan optimisation
- Site-wide efficiencies
- Realisation of previously identified initiatives

Procurement

- Market deflation
- Consolidation
- Re-negotiation

New initiatives

- Major contractors
- Dewatering
- Cross-site synergies
- Technology and innovation



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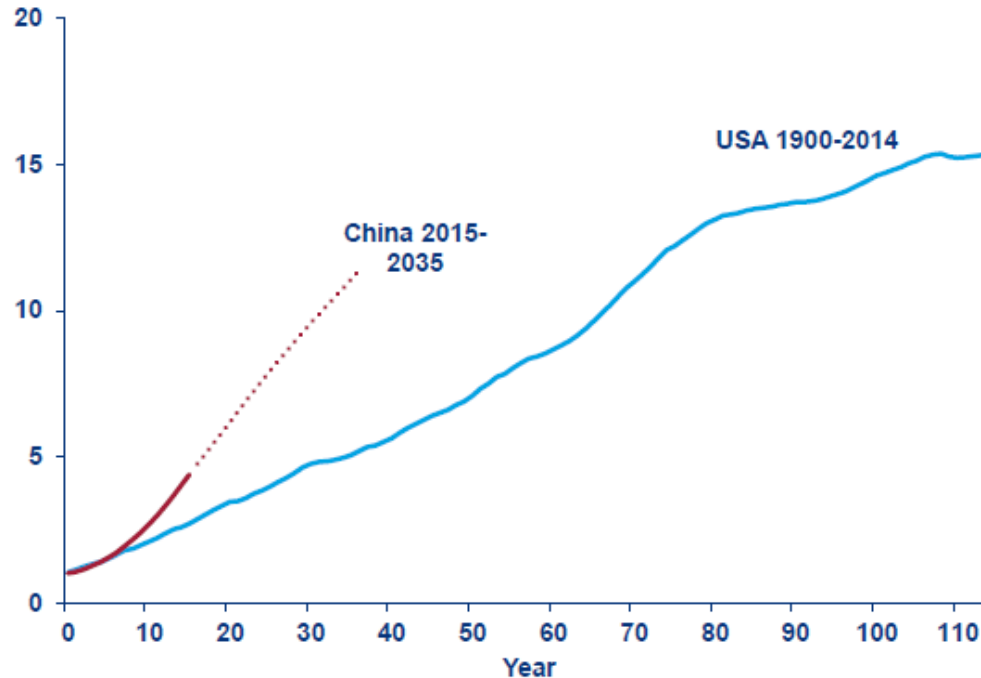
Market



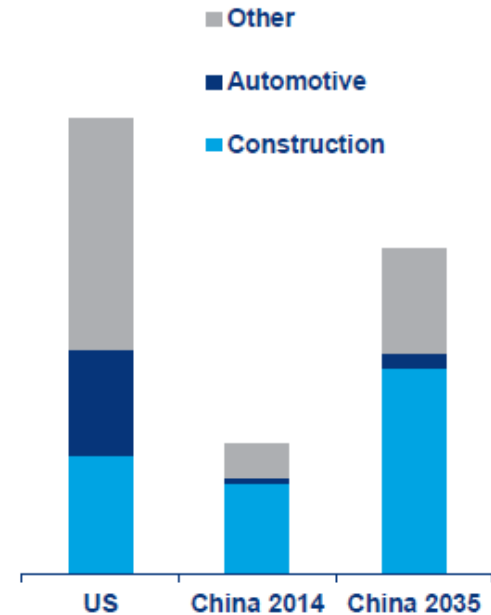
Steel consumption to build economy

Above 800mtpa – driven by policy decisions

Steel stock-in-use per capita (tonne): China vs. US



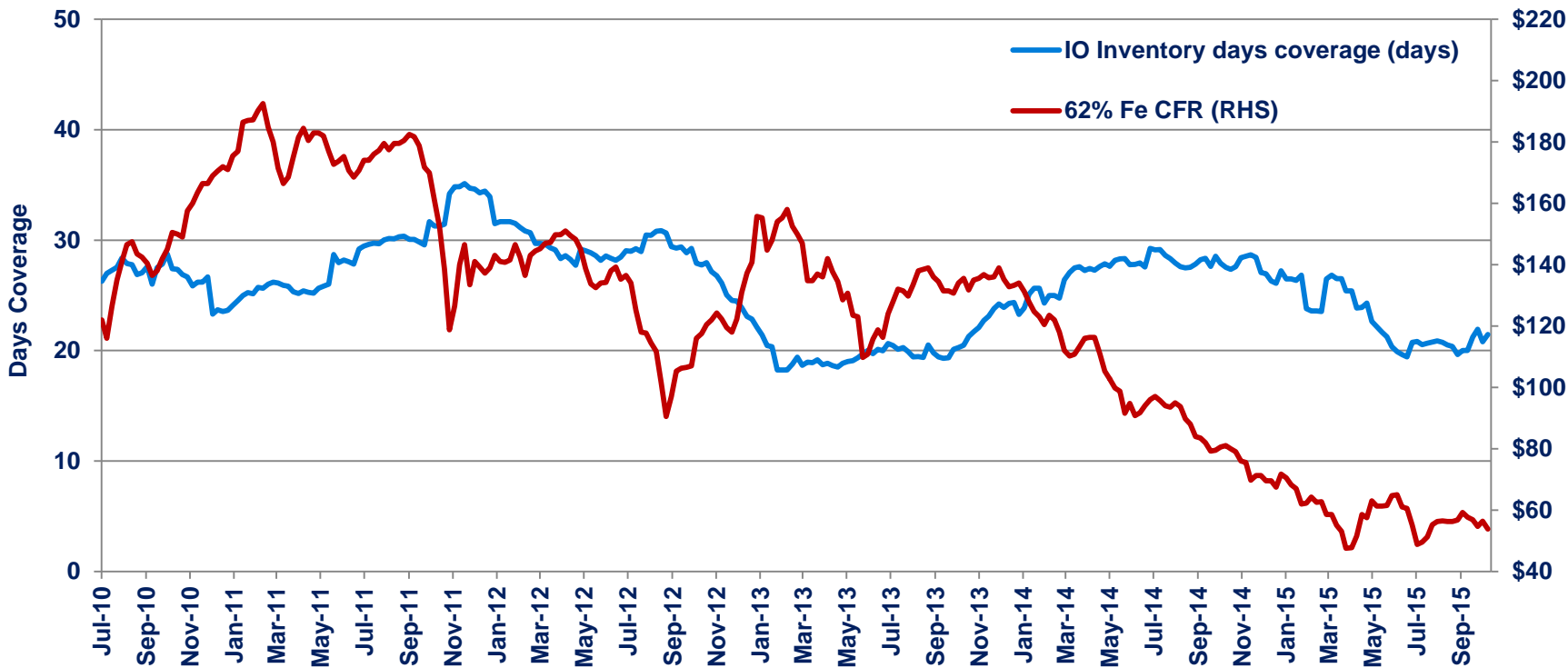
Stock by sector



Iron ore supply in balance...sentiment driving price



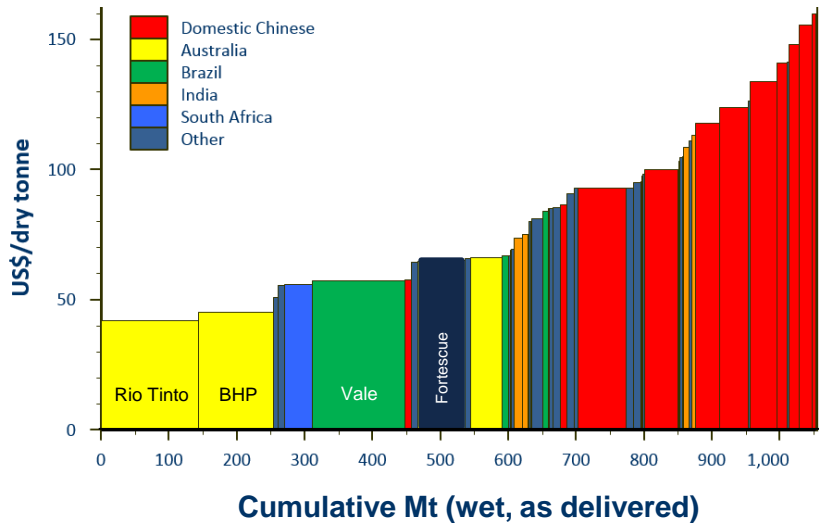
Port stocks continuing to decline, currently at 83mt



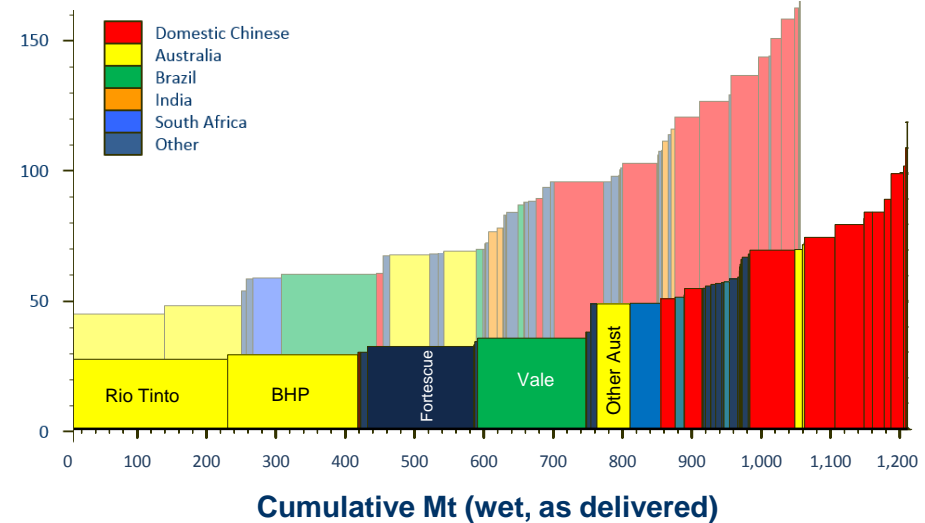
Moving down the global cost curve

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

2012



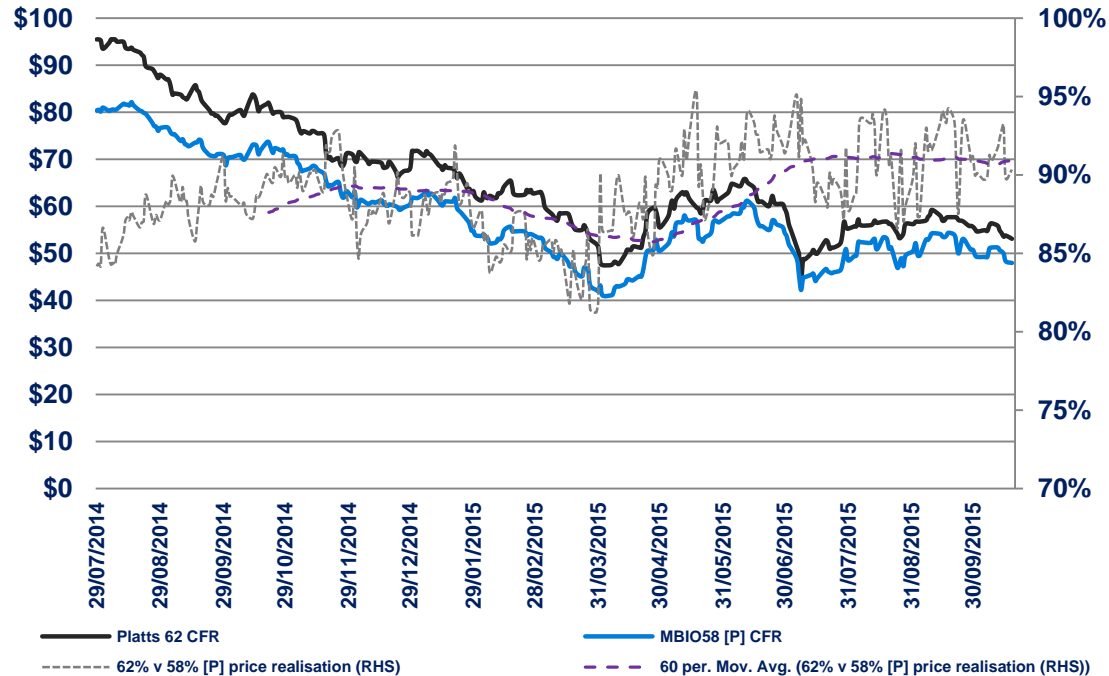
2015



Driving higher price realisation

Realised 91% in FY16 Q1 v 89% in FY15 Q4

- **Improved** dmtu adjustments
- Pricing at average **monthly QP**
- Mills more focussed on **margin**
- Less driven by **production** volumes
- **Spot sales**



Value In Use drives price realization and cash flow



What is VIU ?

- “Ores ain’t Ores”
- Ore **characteristics** influence productivity
- Estimates the **value of an ore** to the mill
- Critical to FMG as it drives price realisation and cash flow
- Oversupplied steel market drives **focus on margins**
 - High grade premiums decrease
 - 58% Fe price realisations increase
- FMG ores are in **high demand** and pricing in excess of VIU





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Supporting our local community



Ending Aboriginal disparity in the Pilbara



Creating opportunities through training, employment and business opportunity



1,000

Aboriginal employees



13%

Aboriginal people in
Fortescue workforce



A\$1.8bn

Contracts to Aboriginal
companies and JVs



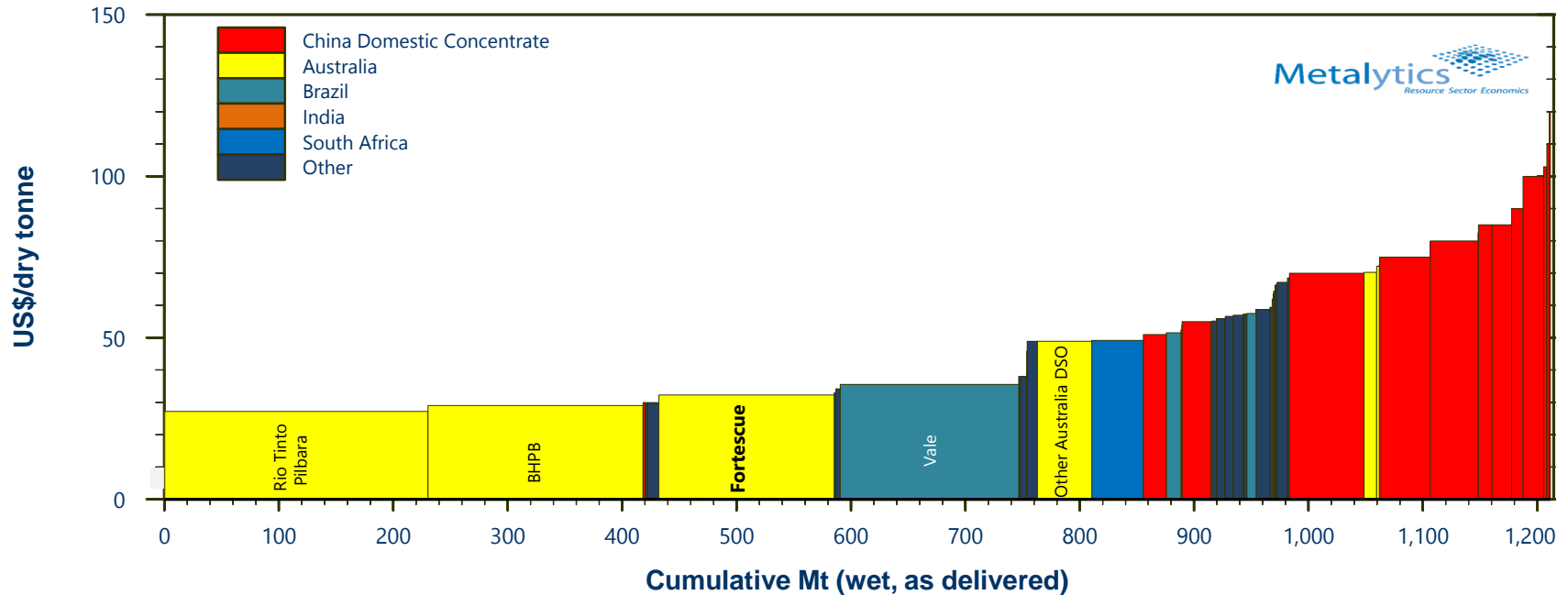
VTEC

Roebourne | South Hedland



Moving down the global cost curve

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



The new force in iron ore



Reliable efficient delivery



Sustainable
low cost
producer

World class
assets + people

165mt
Production rate

Unique culture
drives performance





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