



Mines and Money Conference

Working together. Delivering results.



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. This presentation contains certain statements which may constitute "forward-looking statements". Such statements are only predictions and are subject to inherent risks and uncertainties which could cause actual values, results, performance or achievements to differ materially from those expressed, implied or projected in any forward-looking statements.

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Additional Information

This presentation should be read in conjunction with the Annual Report at 30 June 2015, the Interim Financial Report for the half year ended 31 December 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, unless otherwise stated. Tables contained within this presentation may contain immaterial rounding differences.

Building a world class company

Core supplier to China's growth

Safety focus

Engagement
Empowerment
Leadership

First ore
in 2008



Low cost
producer



Shipped over
620mt

165mt
Production rate



Unique culture

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



Safety



Family



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Integrity



Determination



Enthusiasm



**Set yourself
stretch targets**



Empowerment



Generating ideas



Frugality

Strategic delivery of targets

Focus on safety, productivity and efficiency and response to market

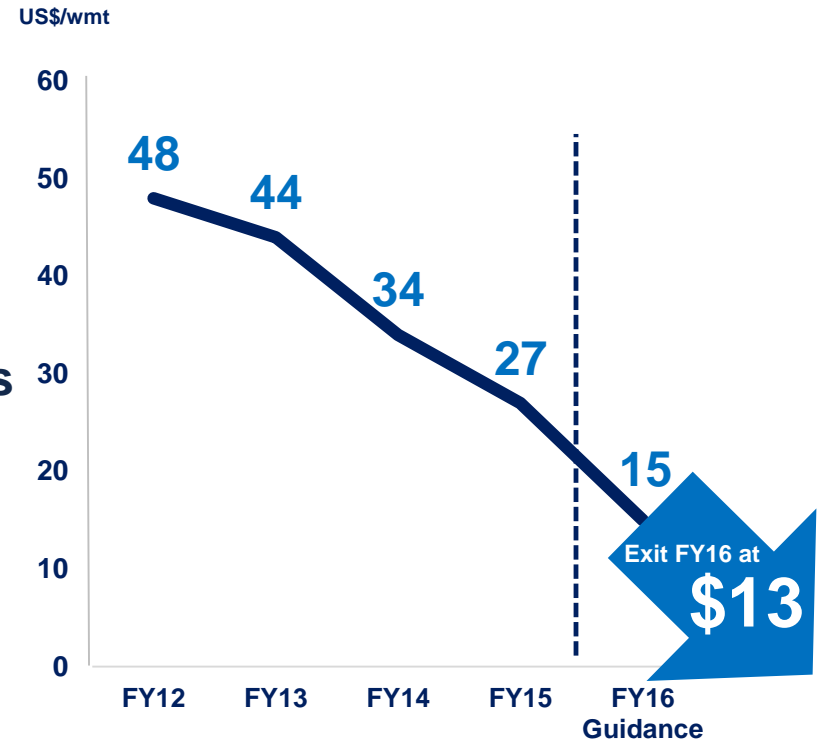
- ✓ **165mt** achieved & maintained
- ✓ Cost target **\$13/t** June 16
- ✓ Sustaining capex below **\$2/t**
- ✓ Net debt **\$6.1bn**
- ✓ Consistent **dividend** policy



Continuous, sustainable cost improvements

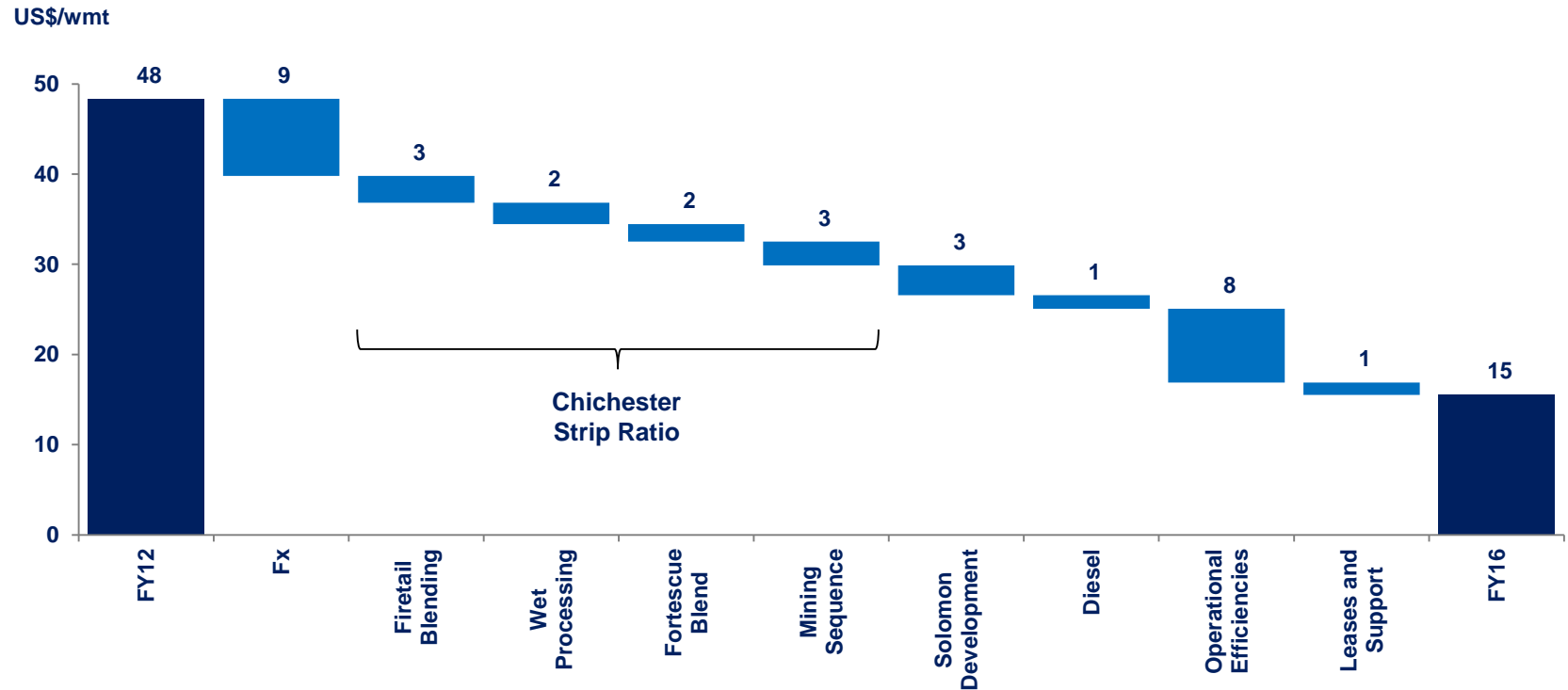
Through development of assets, efficiencies, productivity and cost savings

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



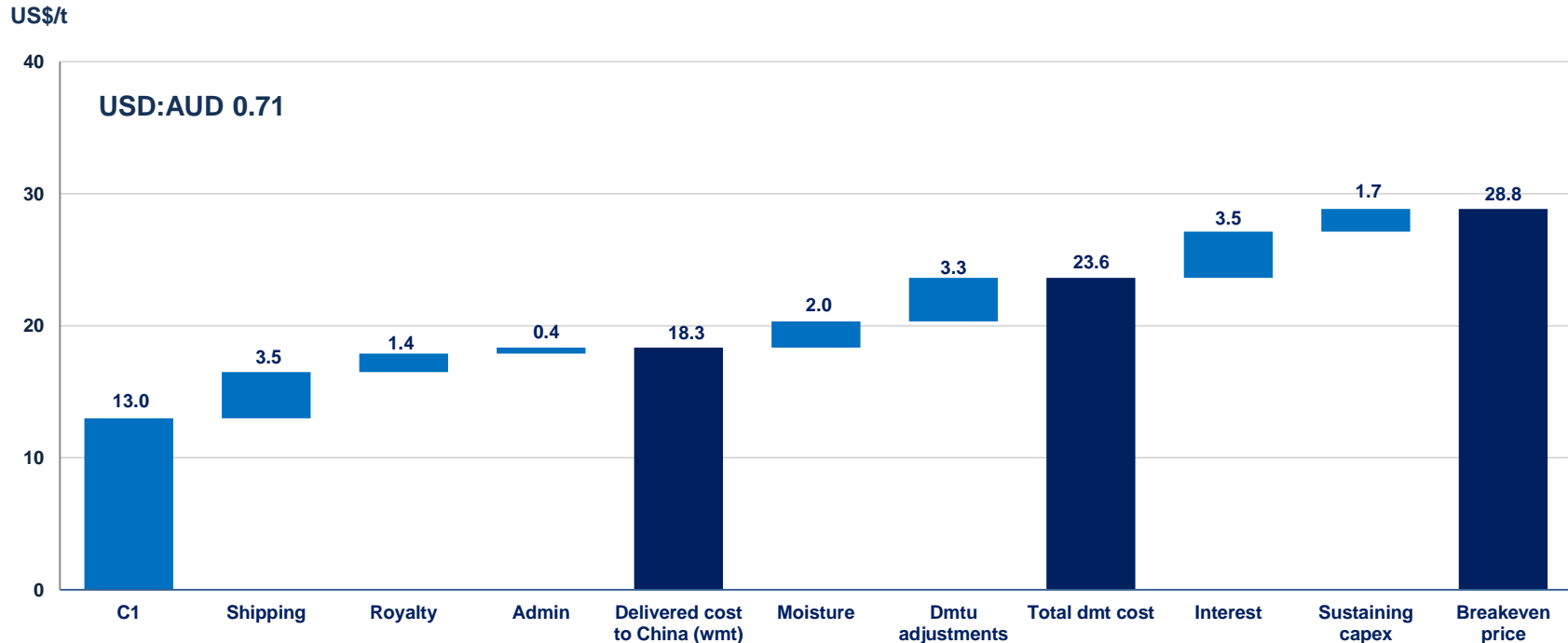
C1 cost reductions

Allocation of cost reductions across initiatives



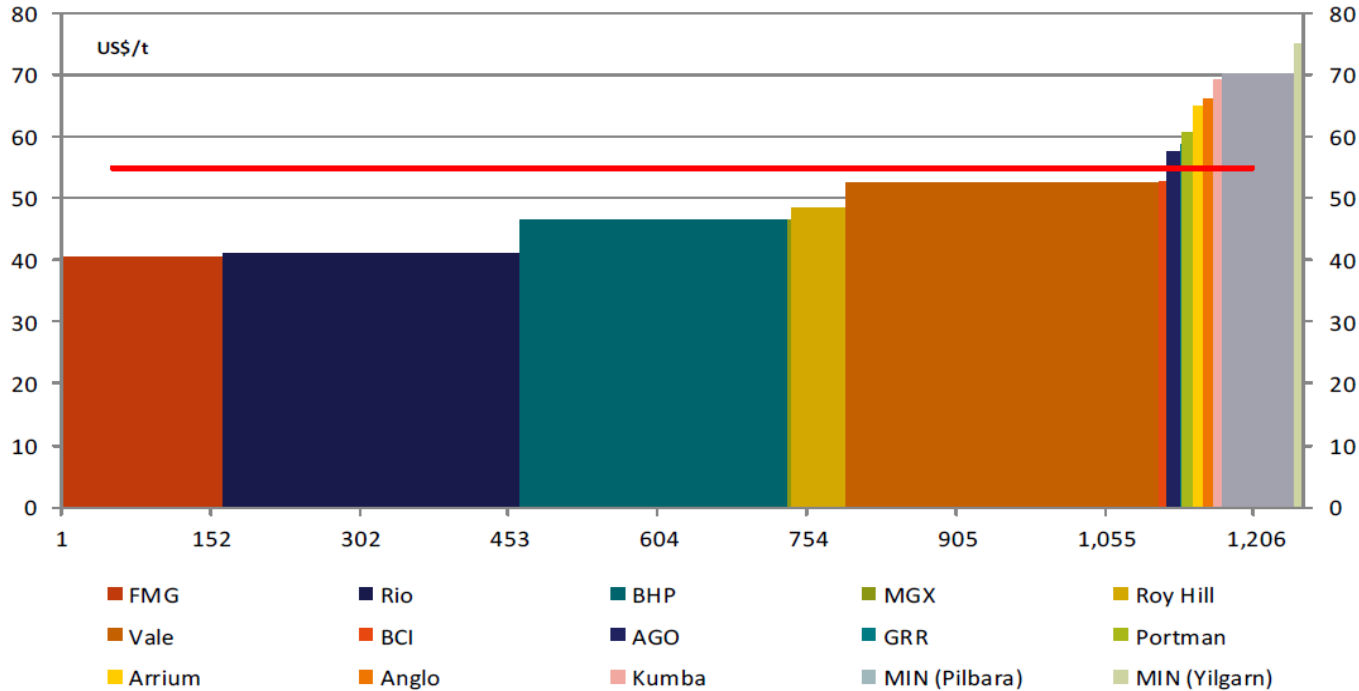
Breakeven index price

Continuing to reduce breakeven price



Lowest all in cash producer

Factoring in capital and interest





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Operating and financial performance



1HY16 Earnings

Operational performance + sustainable cost reductions support financial results



84mt shipped
Rate maintained

NPAT
US\$319m

Underlying
EBITDA¹
US\$1.3bn

US\$200m
Sustaining capital FY16

Net debt
US\$1.1bn lower

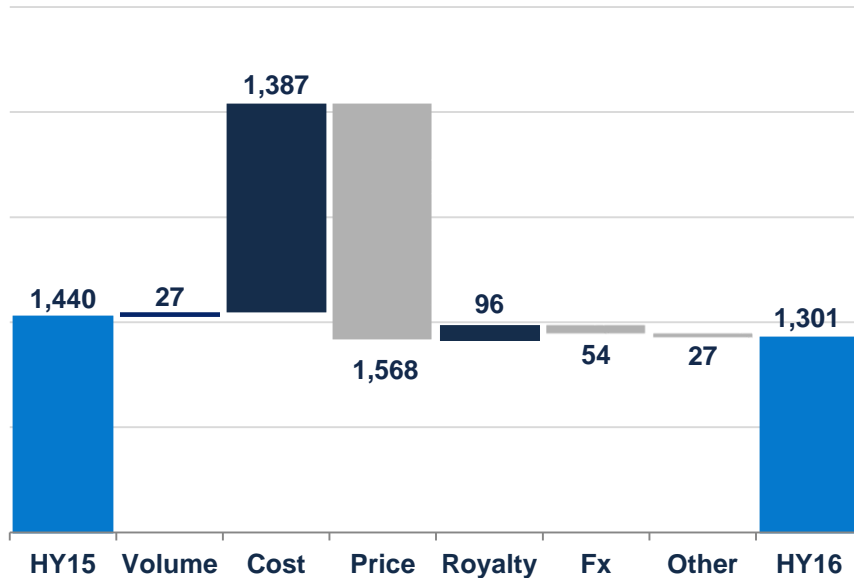
Interim dividend
A\$0.03/share

¹ Refer to attached glossary for definition of non-IFRS terms

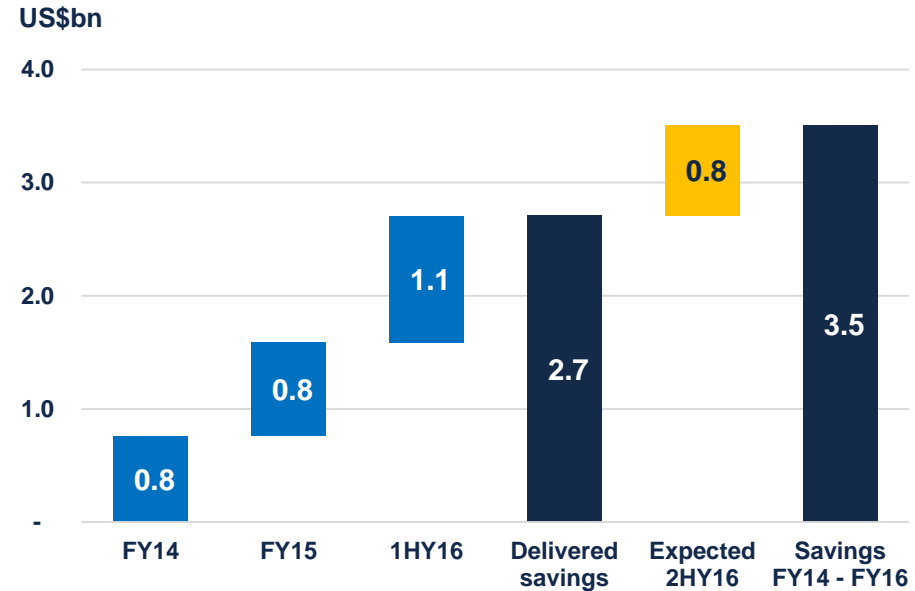
Underlying EBITDA

Cost and production performance offsetting price weakness

Underlying EBITDA, US\$ millions



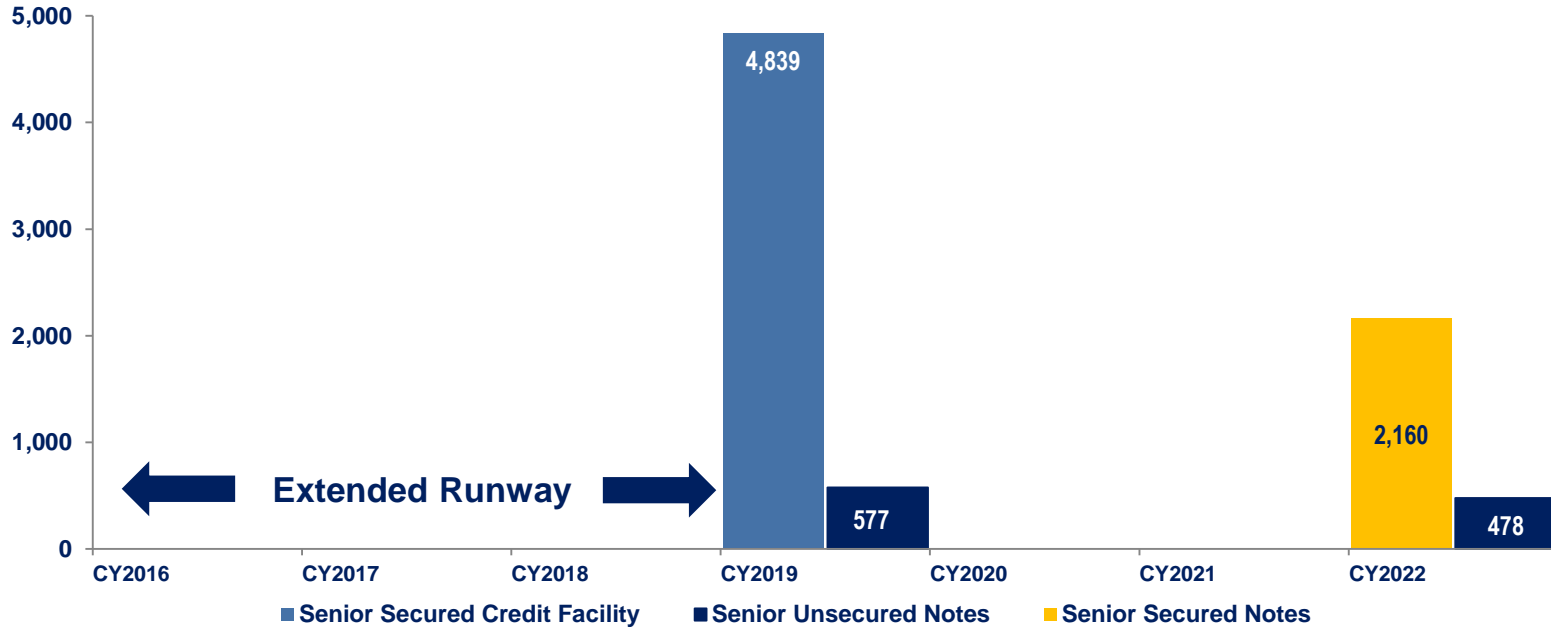
Cash savings since achieving full operating capacity



Debt maturity profile

Net gearing 44% with net debt of US\$6.1bn

US\$ millions



Memorandum of Understanding announced

- Long term **opportunities to add value** for our Chinese customers
- Potential **blending** Joint Venture
- Address customer needs and **improve supply chain efficiency**
- Minority share acquisition **or asset investment** to be explored





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Market



Core supplier to Asia

Well established 17% market share of imported iron ore to China

- **Low impurity** 58% Fe average
- High **value in use**
- Large diverse **customer base**
- **Reliable consistent** delivery
- **Proximity** to high growth region

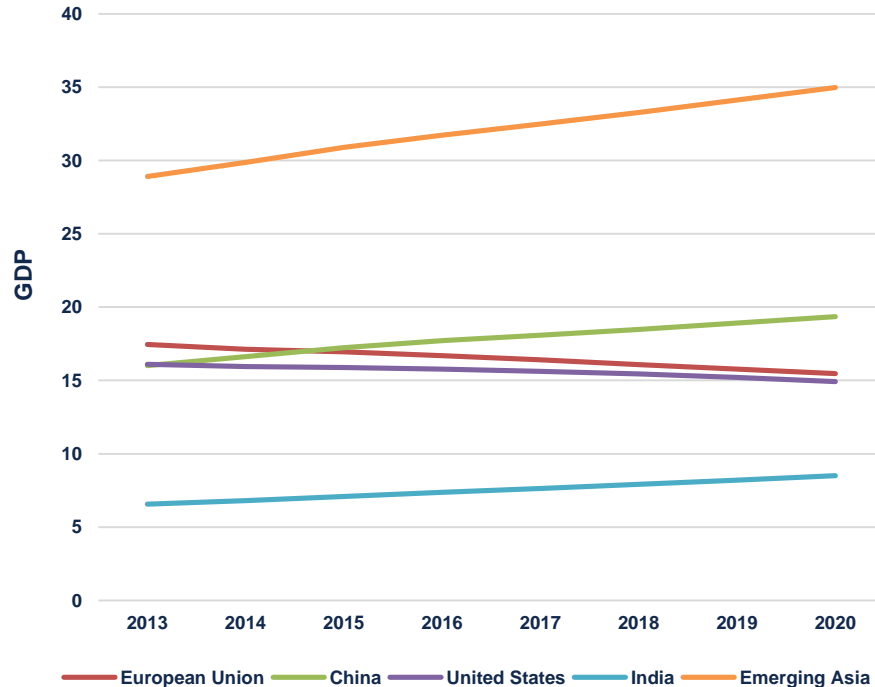


China's share of global GDP approaching 20% by 2020



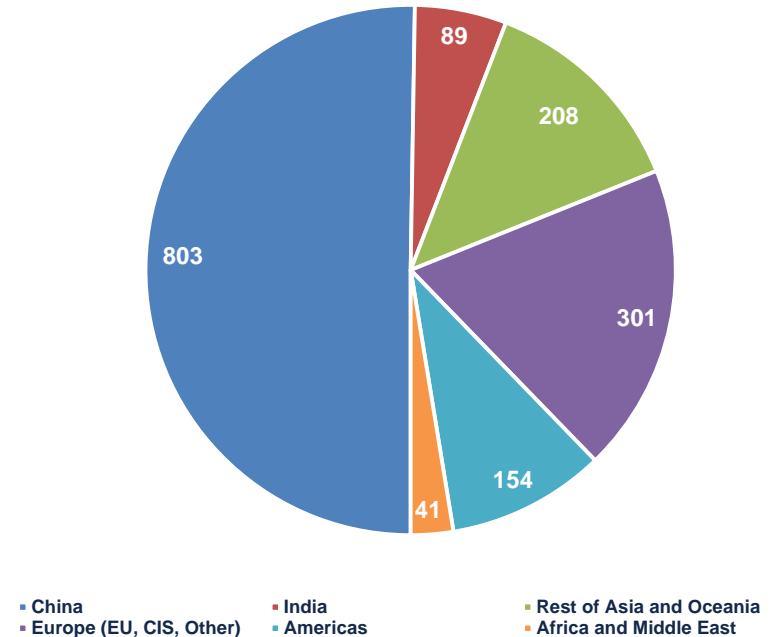
China now produces 50% of the world's steel

Share of World's GDP 2013 - 2020



Source: International Monetary Fund – World Economic Outlook (October 2015)

Crude Steel Production 2015 (mt)



Source: World Steel Association Crude Steel Production 2015

China's One Belt One Road

Generating regional demand for steel

Proposed Silk Road Routes

- Silk Road Economic Belt
- 21st Century Maritime Silk Road

Pipelines

- Crude Oil
- Natural Gas
- Proposed/under construction

Railroad Entry Points

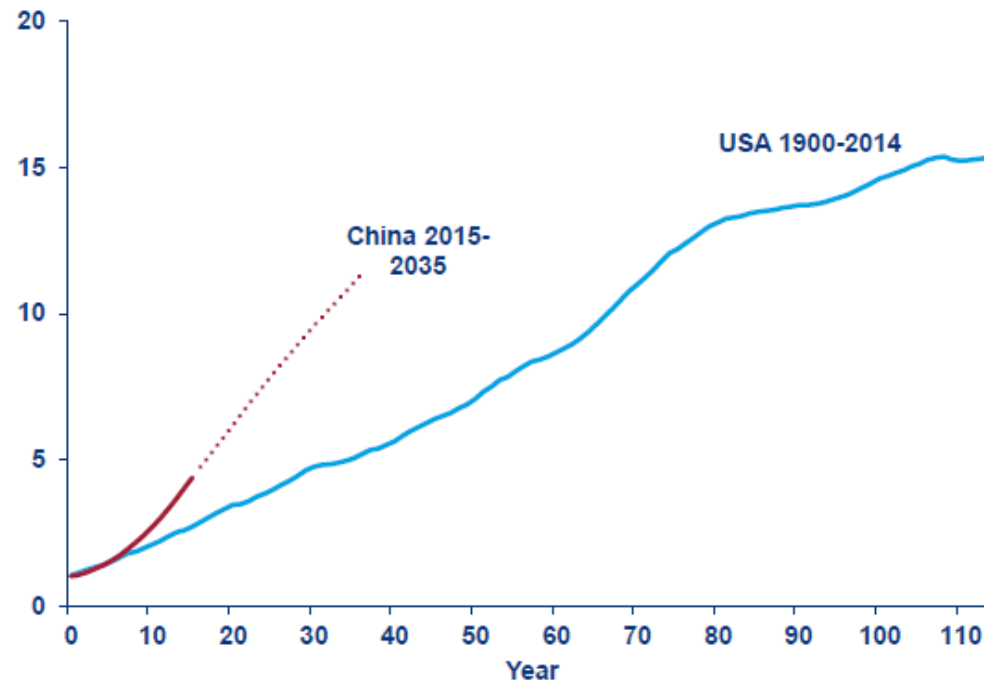
- ⊗ Existing
- ⊗ Proposed



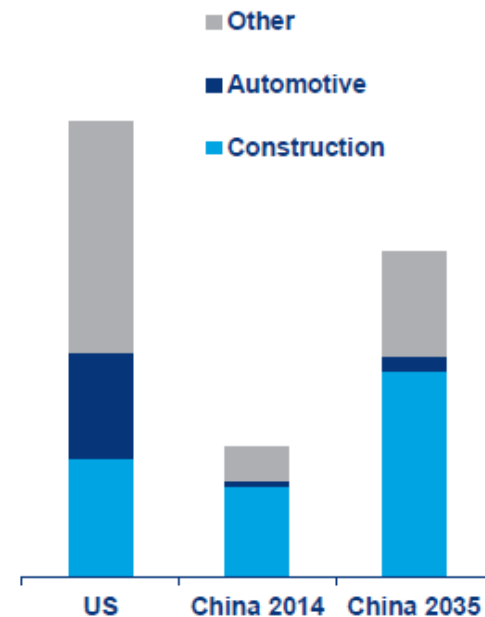
Steel consumption to build economy

Steel demand – driven by policy decisions

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



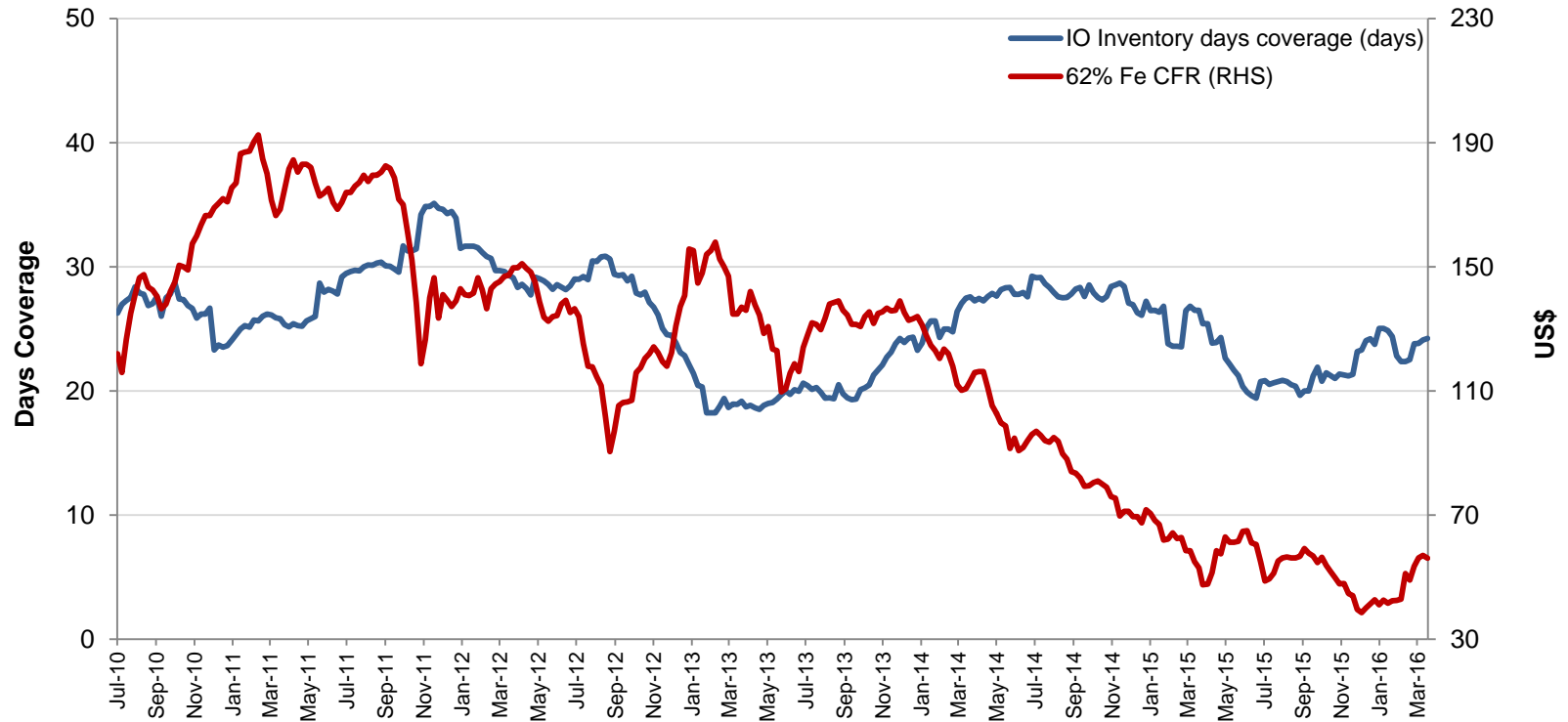
Stock by sector



Iron ore supply in balance...sentiment driving price



Port stocks remaining stable





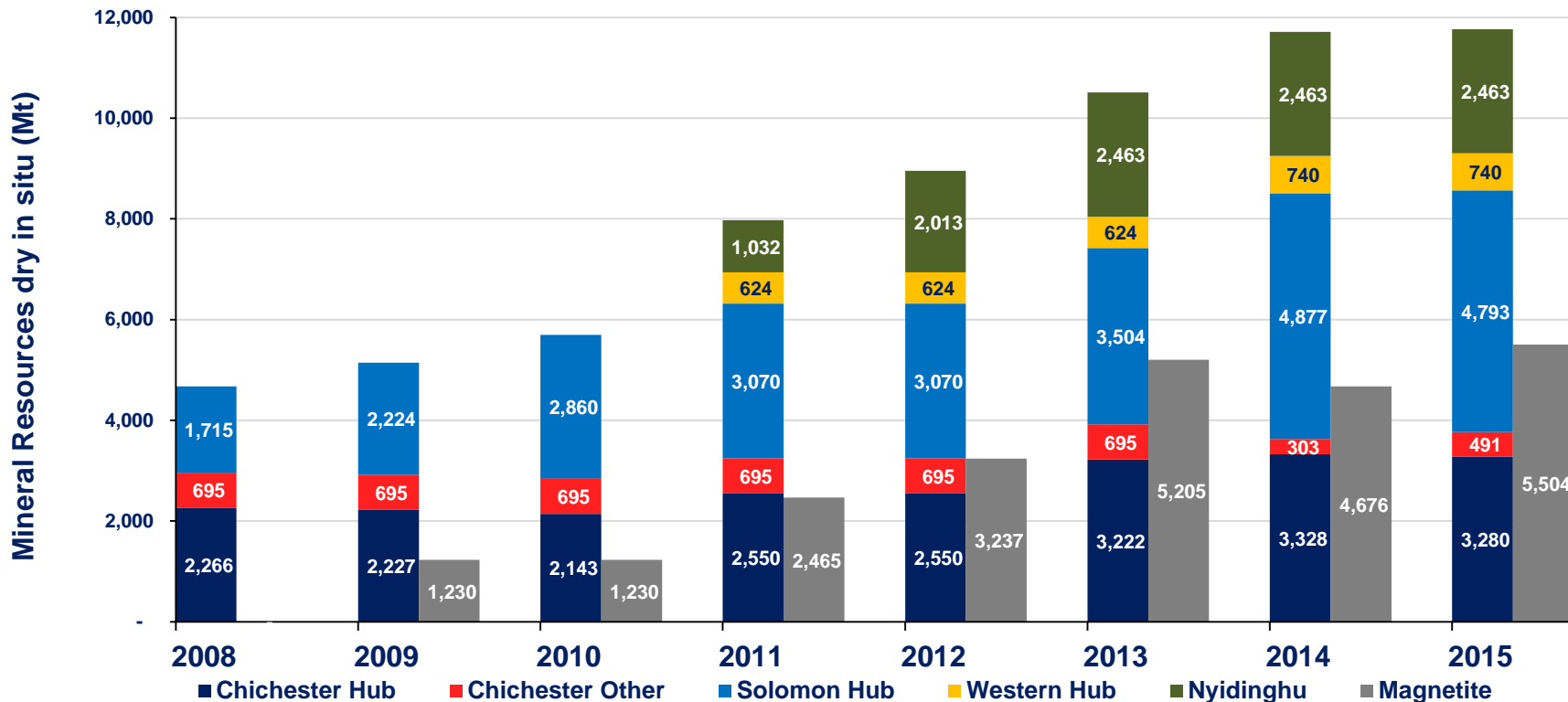
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Reserves and resources



Resource portfolio supports asset base

Largest Pilbara tenement footprint





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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





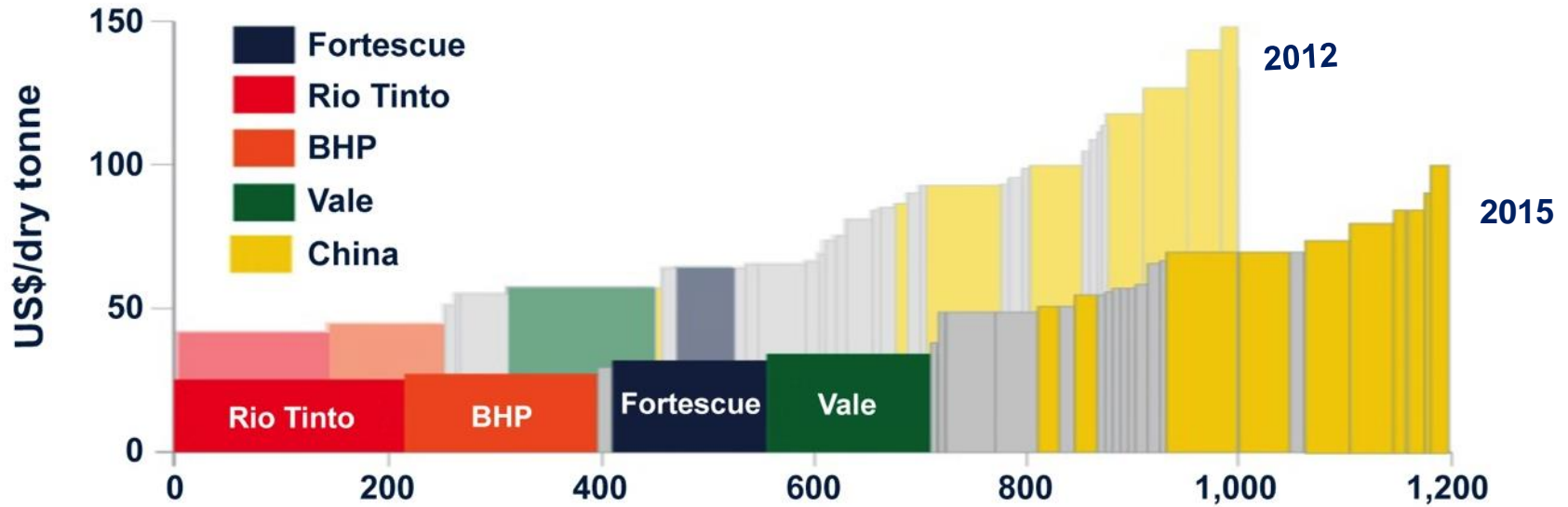
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Focused strategy



Moving down the global cost curve

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



Strategic delivery

Culture, continuous improvement, speed and flexibility maximise asset base

- ✓ Consistent **165mtpa**
- ✓ Lowering costs to **US\$13/wmt**
- ✓ Maximising **cash flows**
- ✓ Debt **repayment**
- ✓ Expect further **improvements**



The new force in iron ore



Continuous improvement, reliable and efficient delivery



Sustainable
low cost
producer

World class
assets & people

165mt
Production rate

Unique culture
drives performance





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C1:	Operating costs of mining, processing, rail and port. The reconciliation of C1 to the amounts disclosed in the financial statements prepared under the Australian accounting standards is provided in the Financial Report for the half year ended 31 December 2015 accompanying this announcement.
CFR:	Cost and freight rate.
mtpa:	Million tonnes per annum.
1HFY:	Half year.
FY:	Full year.
dmt:	Dry metric tonnes.
NPAT:	Net profit after tax.
Underlying EBITDA:	Earnings before interest, tax, depreciation and amortisation, exploration, development and other expenses. The reconciliation of underlying EBITDA to the financial metrics disclosed in the financial statements prepared under the Australian accounting standards is presented in the Financial Report for the half year ended 31 December 2015 accompanying this announcement.
wmt:	Wet metric tonnes.

