



Fortescue
The New Force in Iron Ore

BAML Conference

Working together. Delivering results.



Forward looking statements



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. 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 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.

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



Core supplier to China's growth

Safety focus

Engagement
Empowerment
Leadership

First ore
in 2008



Low cost
producer



Shipped over
650mt

165mt

Production rate



Unique culture

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



Safety



Family



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 **\$5.9bn**
- ✓ Consistent **dividend** policy





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Operating and Financial Performance



Snapshot

Operational performance + sustainable cost reductions support financial results

\$14.79/wmt

C1 Cost
(March quarter)

US\$2.3bn

Debt repaid
FY16

Controlling the controllable

costs +
production



42mt shipped

Strong
operating
cashflows

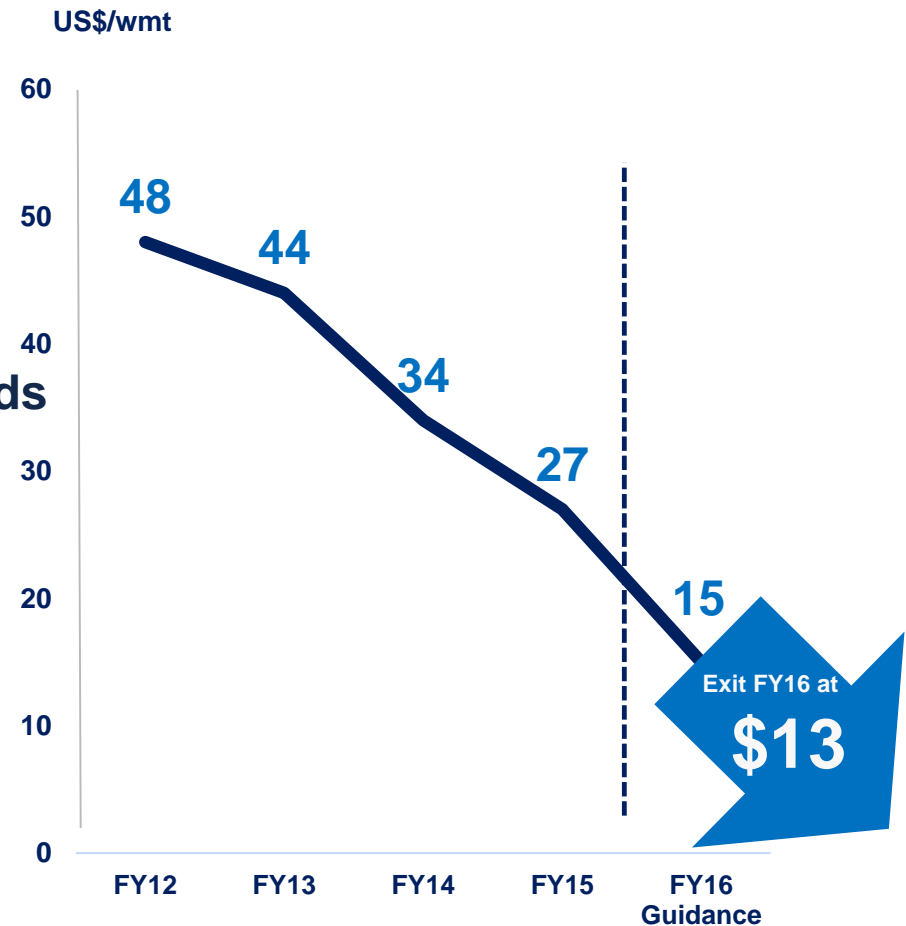
Net debt
US\$5.9bn

Continuous, sustainable cost improvements



Development of assets, efficiencies, productivity and cost savings

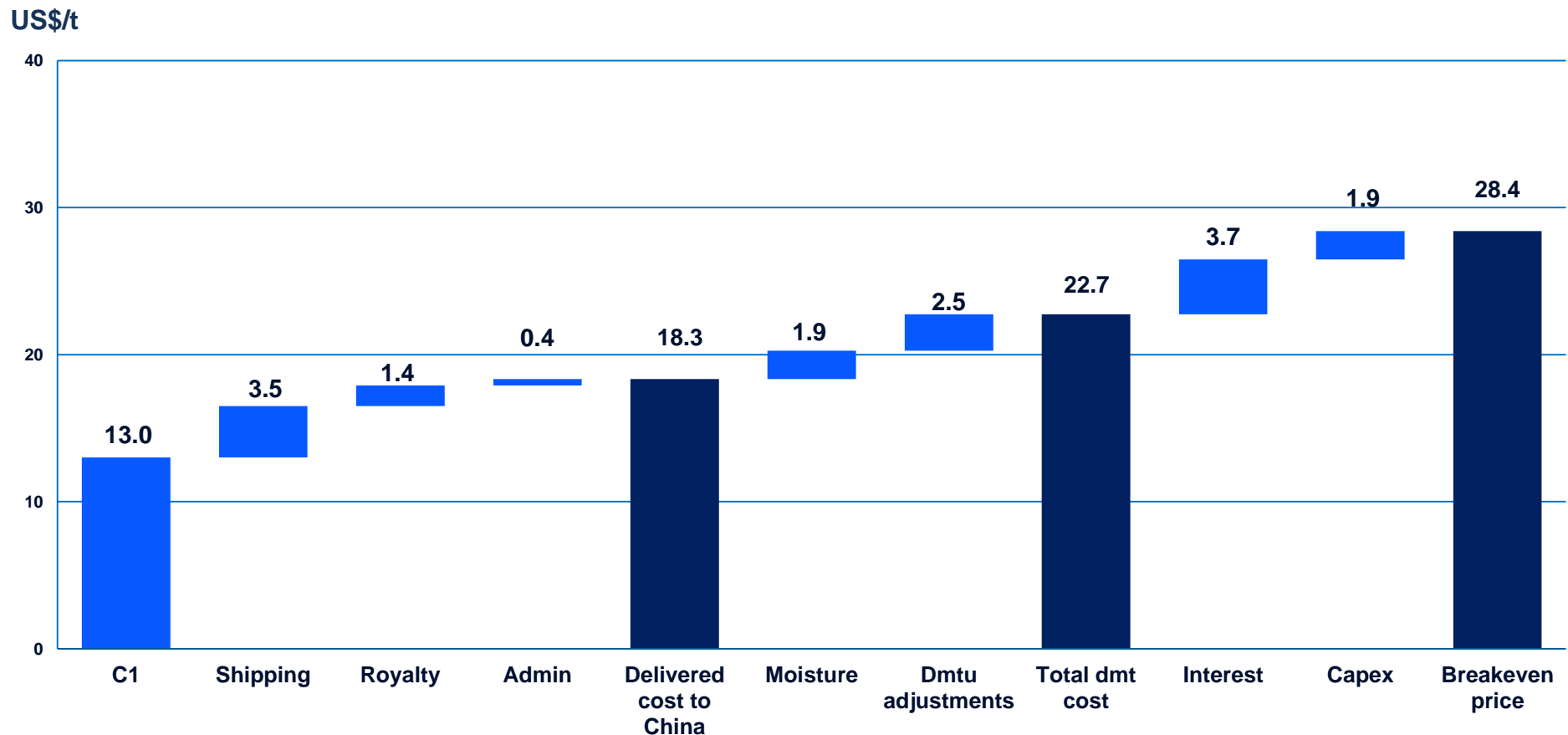
- 1 **Solomon** operations
- 2 **Blending** strategy 58% Fe
- 3 **Processing**, wet plants + de-sands
- 4 Operational **efficiencies**
- 5 Fx and fuel **decreases**



Breakeven index price



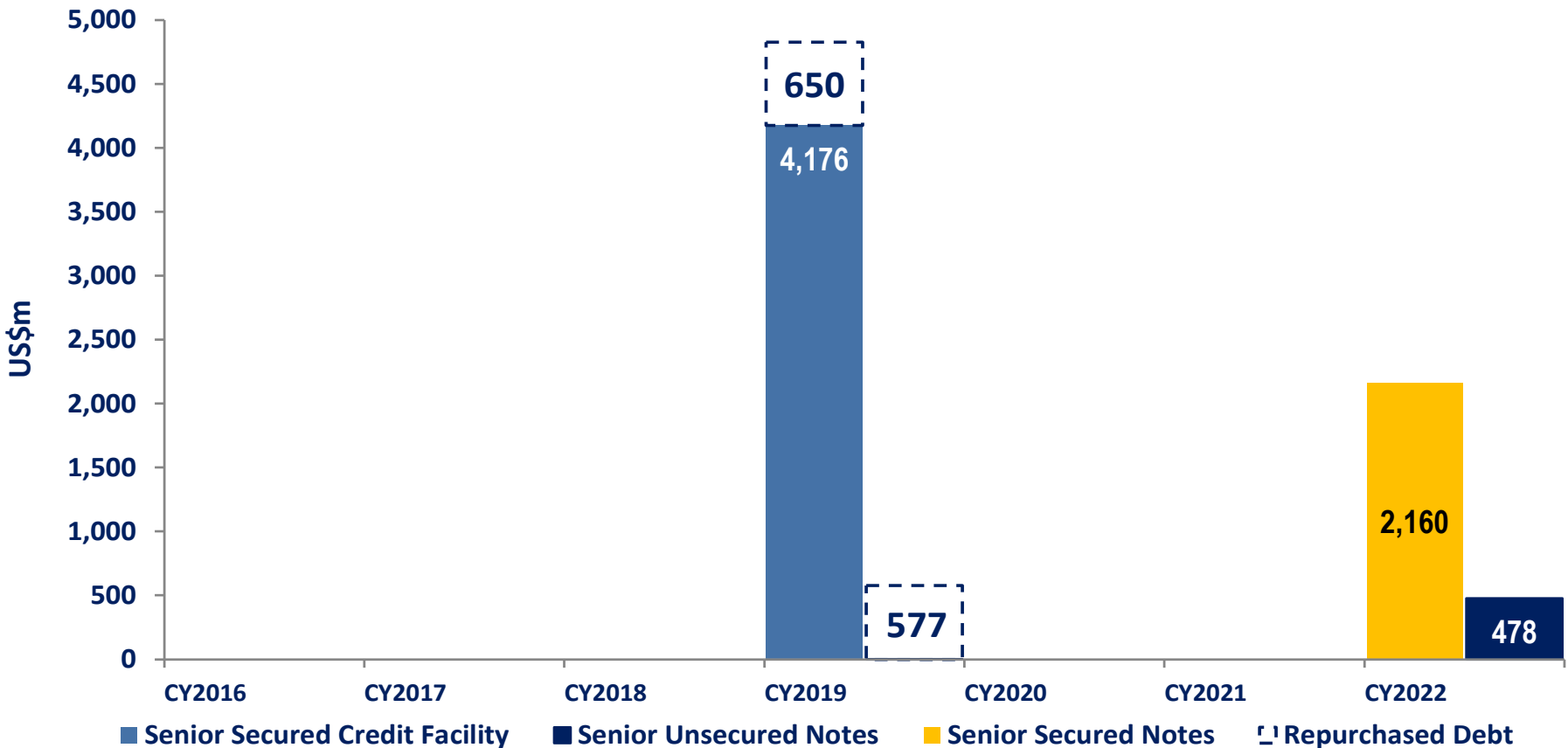
US\$13/wmt exit rate by June challenged by FX and oil



Pro-forma Debt maturity profile



FY16 US\$2.3bn of debt repaid, reducing interest expense by US\$164m p.a.





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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

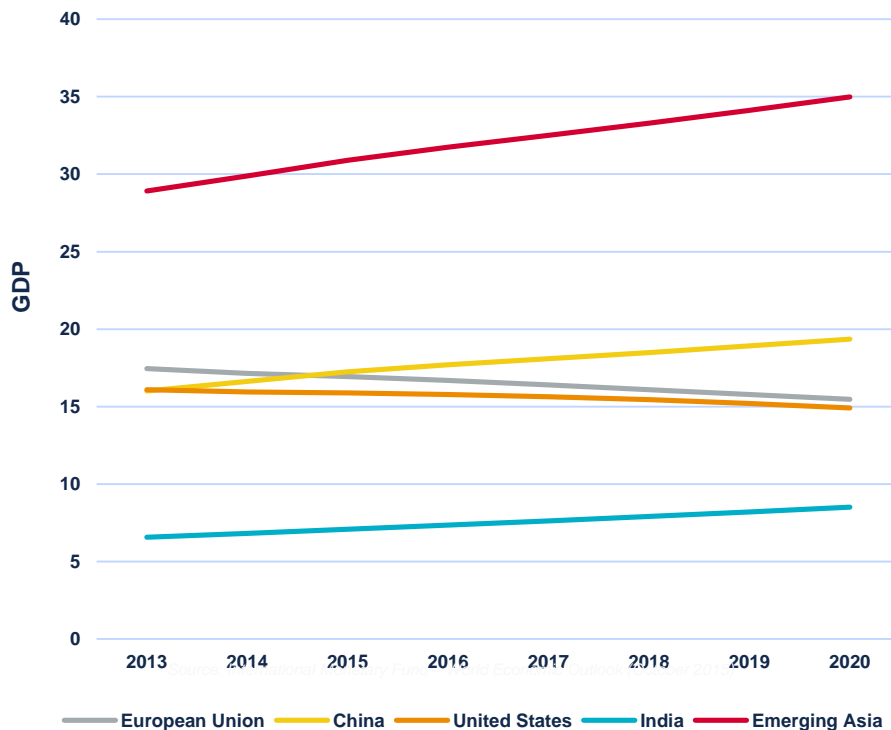


China's share of global GDP

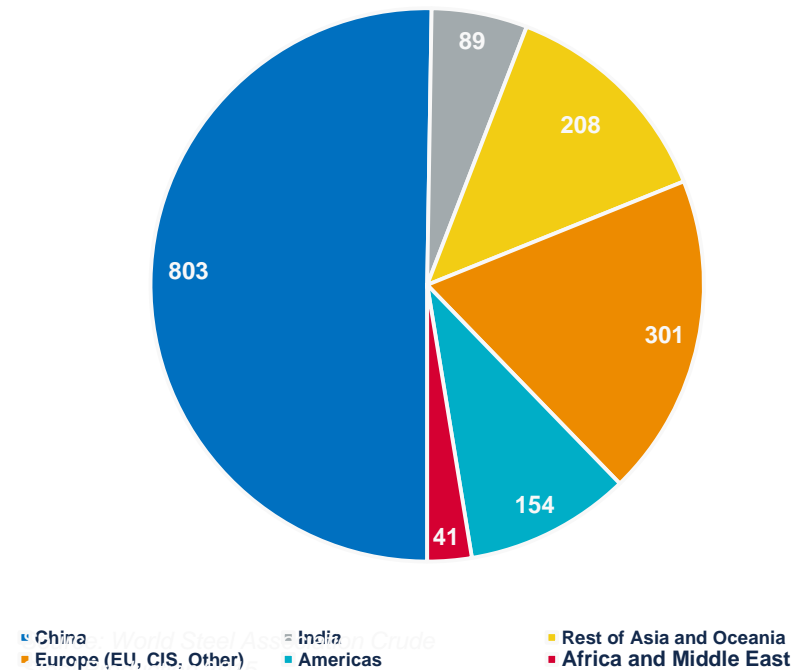
Approaching 20% by 2020

China now produces 50% of the world's steel

Share of World's GDP 2013 - 2020



Crude Steel Production 2015 (mt)



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

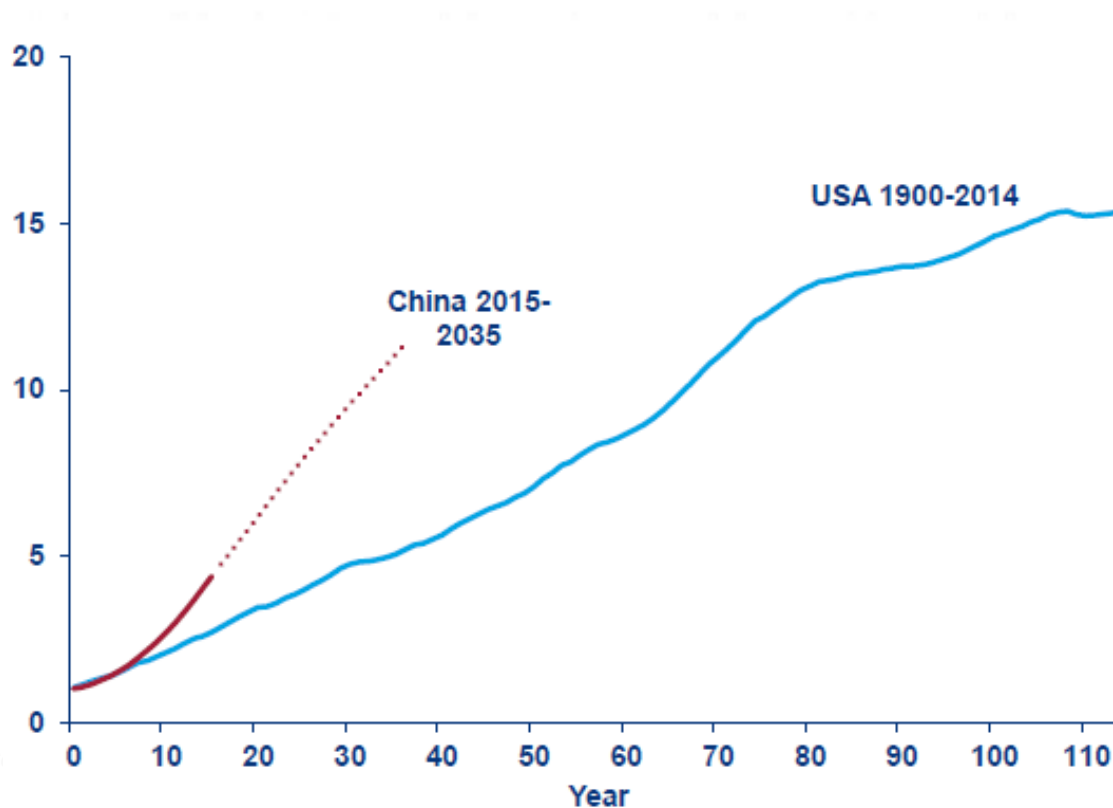
- ⊗ Existing
- ⊗ Proposed



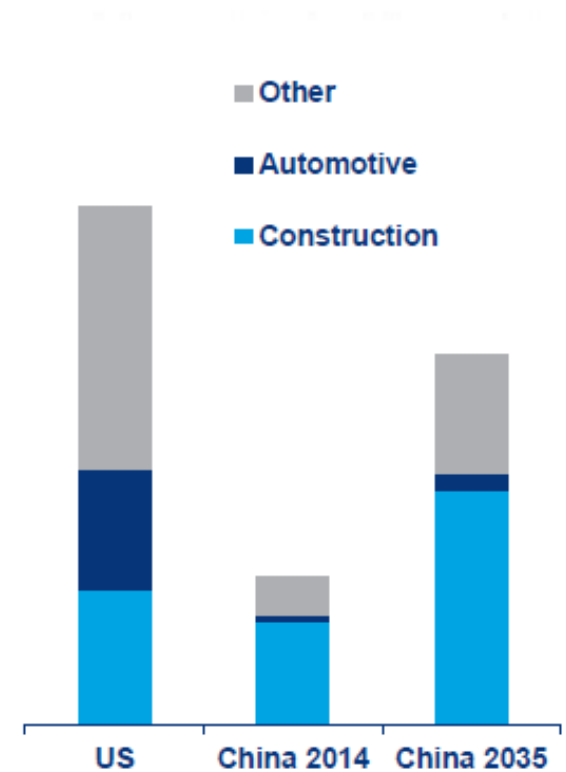
Steel consumption to build economy

Steel demand – driven by policy decisions

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



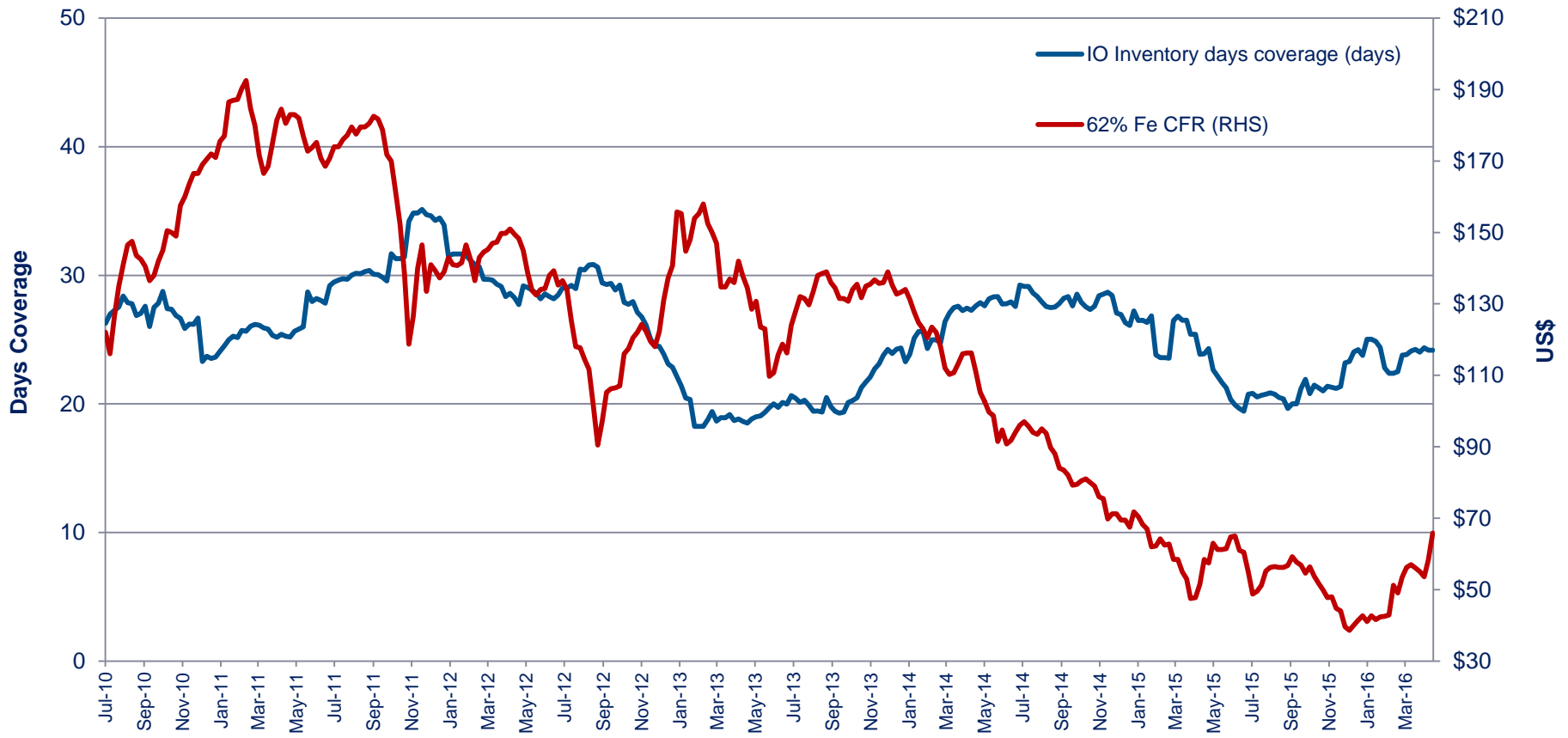
Stock by sector



Iron ore supply in balance... sentiment driving price



Port stocks remaining stable





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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





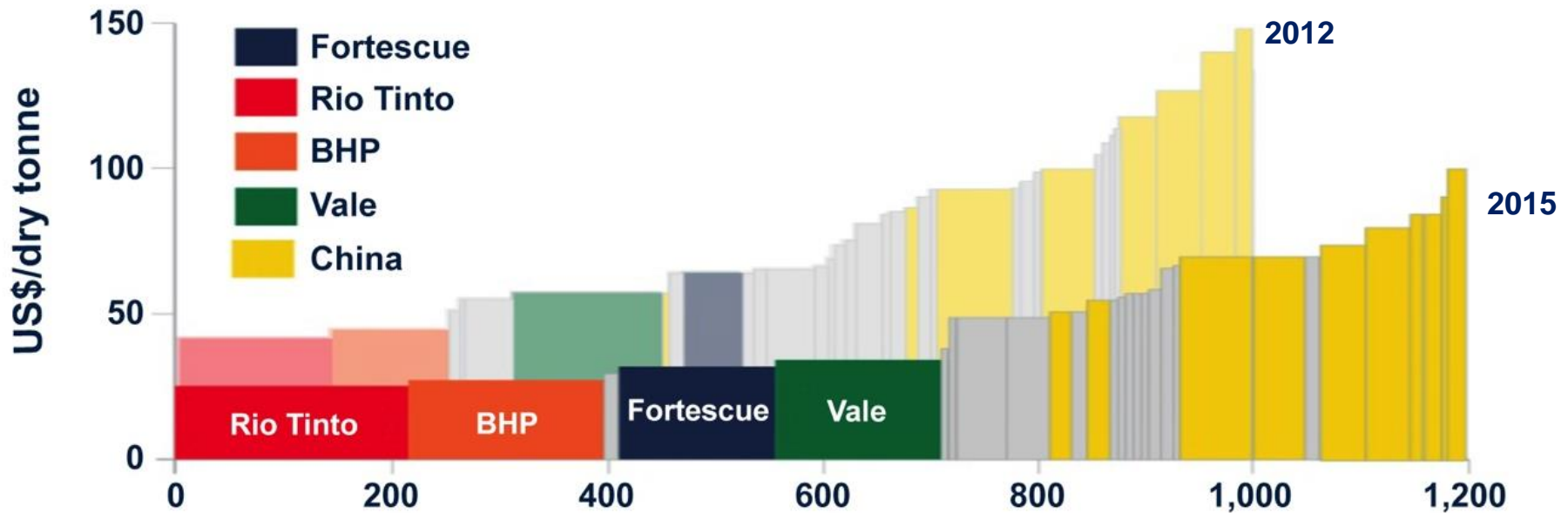
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Focused strategy



Moving down the global cost curve

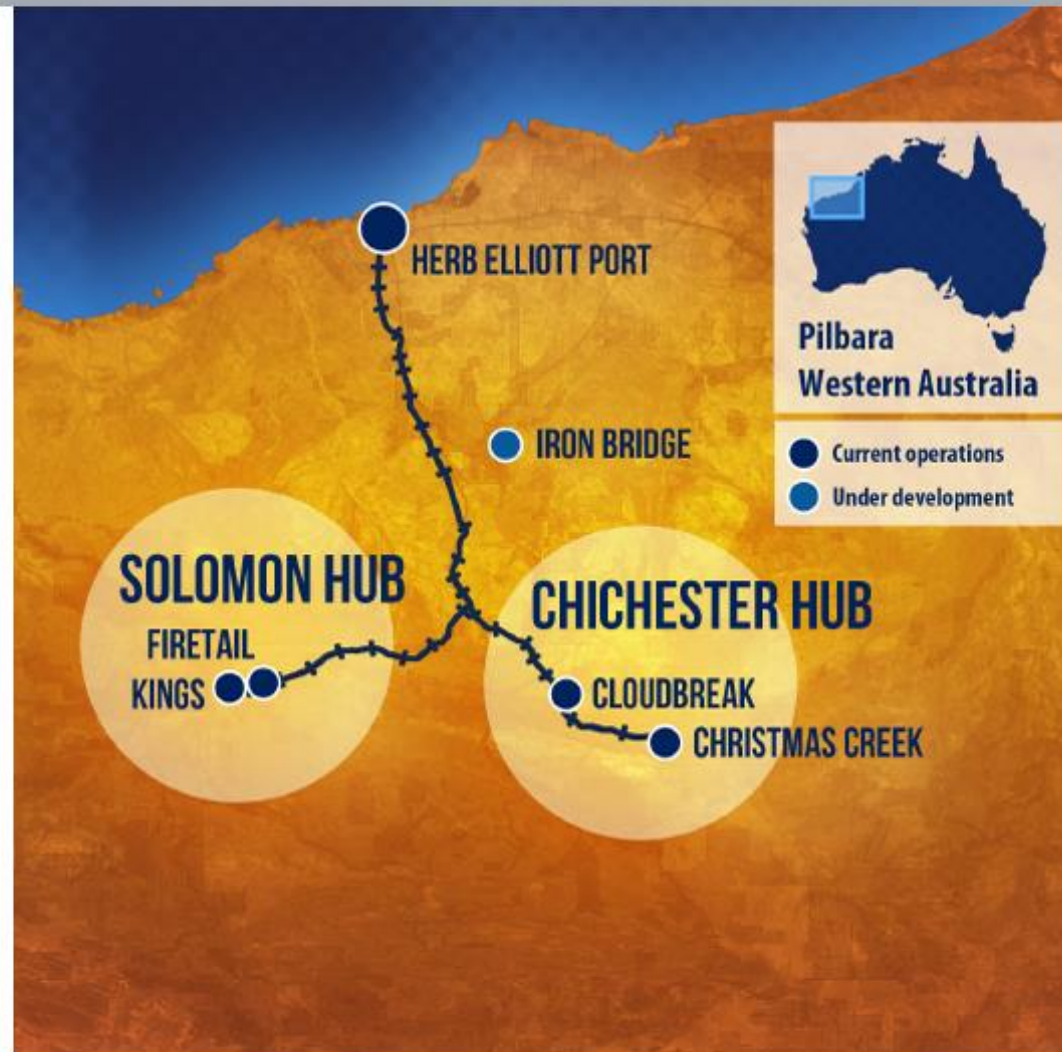
China's Iron Ore Supply CFR Costs (including royalties & ocean freight)



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. |

