Fortescue
The New Force in Iron Ore

FY16 Results

People. Innovation. Performance.

Forward looking statements

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Additional Information

This presentation should be read in conjunction with the Annual Report at 30 June 2016 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 2016 as released to the Australian Securities Exchange on 19 August 2016. 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 **720mt**

165-170mt
Production rate

Unique culture

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

- Safety
- Family
- FMG Fortescue The New Force in Iron Ore
- Integrity
- Determination
- Enthusiasm
- Set yourself stretch targets
- Empowerment
- Generating ideas
- Frugality

Delivering on targets

Focus on safety, productivity and efficiency in response to the market

- ✓ **Safety**
- ✓ **165-170mt** shipped
- ✓ **Productivity + efficiency**
- ✓ **Debt** repayments
- ✓ Consistent **dividend** policy

FY16 snapshot

Operational performance delivers sustainable cost reductions and financial results

169.4mt
Shipped

US$3.2bn
Underlying EBITDA

US$5.2bn
Net debt

C1 Cost
$15.43/wmt
43% reduction

US$985m
NPAT

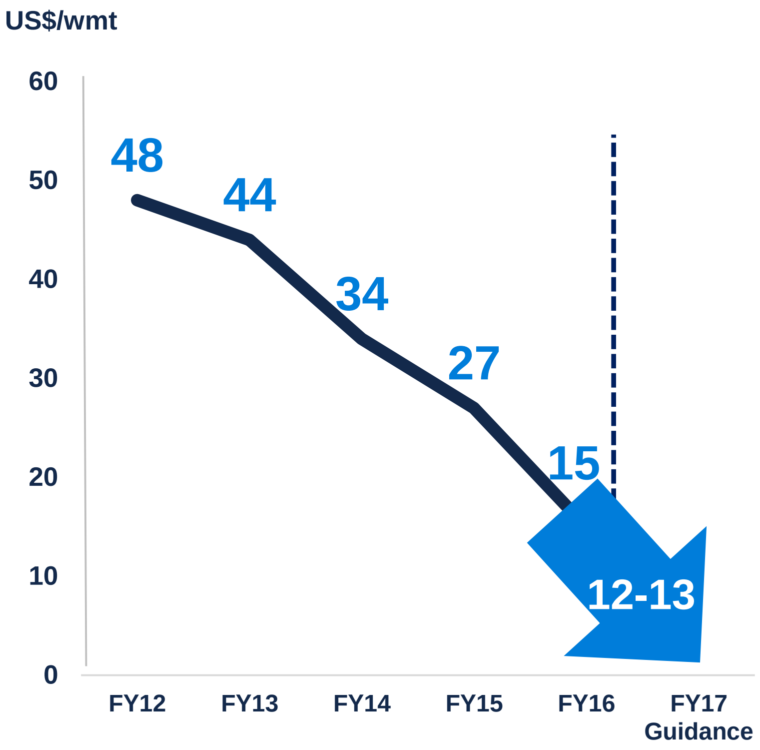
A$ 12 cent
Final dividend

Refer to attached glossary for definition of non-IFRS terms

Continuous + sustainable cost improvements

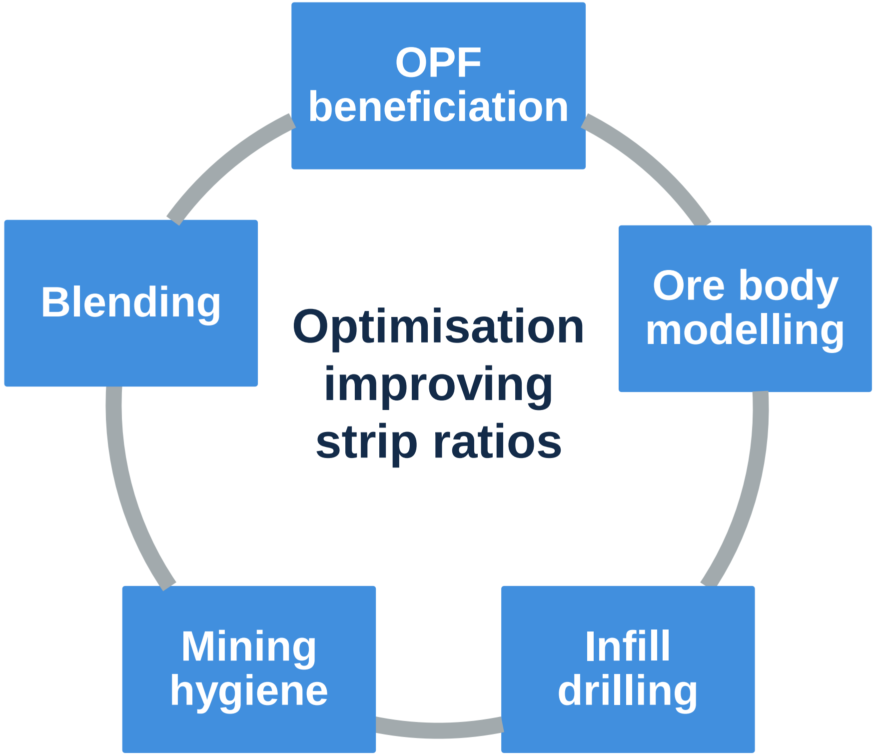
Through development of assets, efficiencies, productivity and cost savings

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



Strip ratios

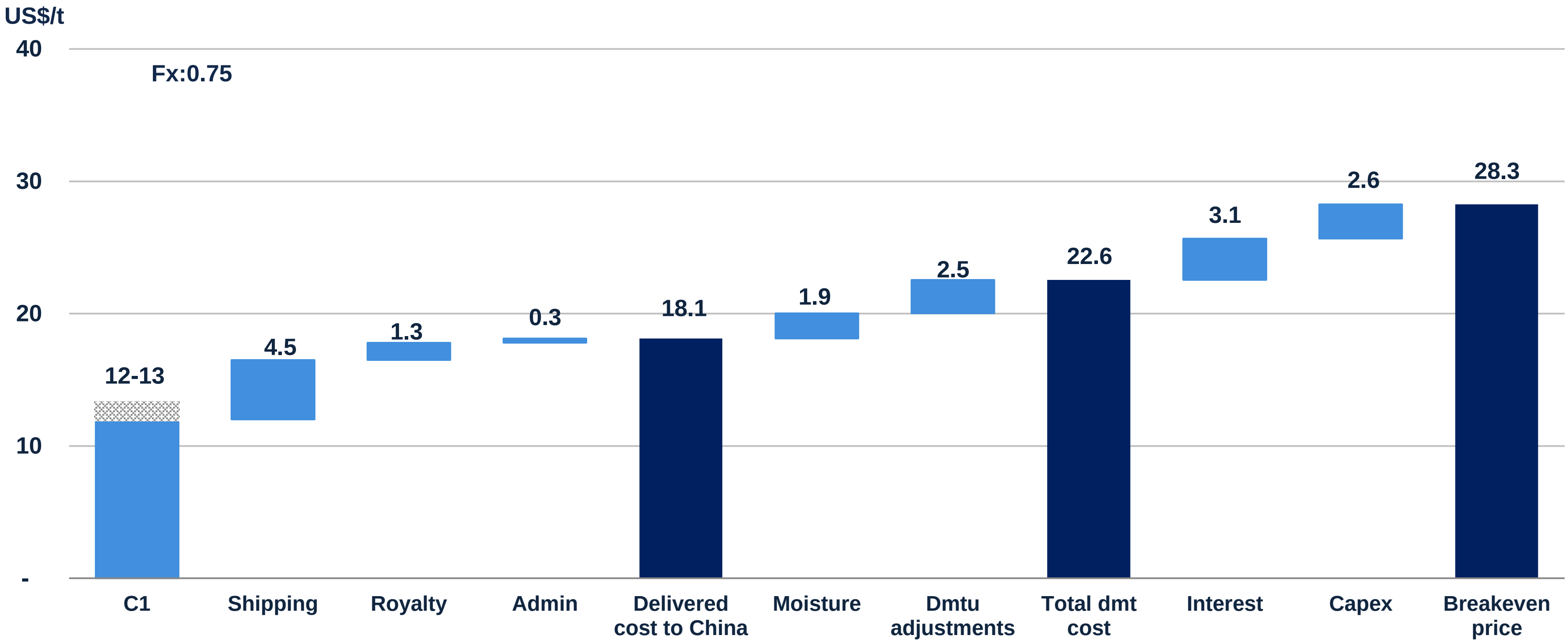
FY17 strip ratios maintained at 1.1



Strip Ratios	FY17 - FY21	LOM
Chichester	1.5	2.3
Solomon	1.3	1.8
Combined	1.4	2.1

Breakeven price

FY17 continuing to lower all in breakeven price on Platts 62% CFR basis



Financial performance

Financial drivers

Focused on delivering shareholder value

SHAREHOLDER RETURNS AND VALUE

Balance sheet strength

Debt repayments and capital management

Cash margins and free cash flow

Price realisations + cost improvements + lower capex

FY16 financial outcomes

Fortescue
The New Force in Iron Ore

Operational performance delivering financial results

US$985m
NPAT

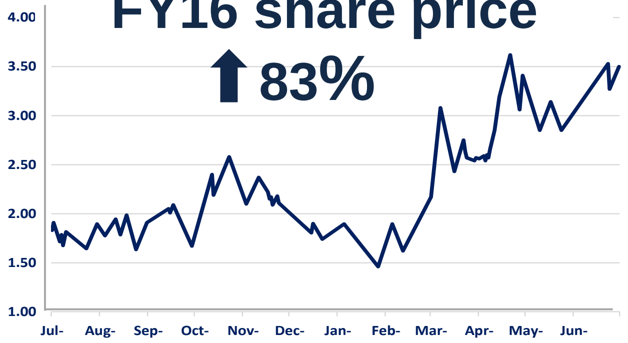
US$1.6bn
Cash on hand

US$2.7bn
Free cashflows

US$0.32
Earnings per share
210%⬆

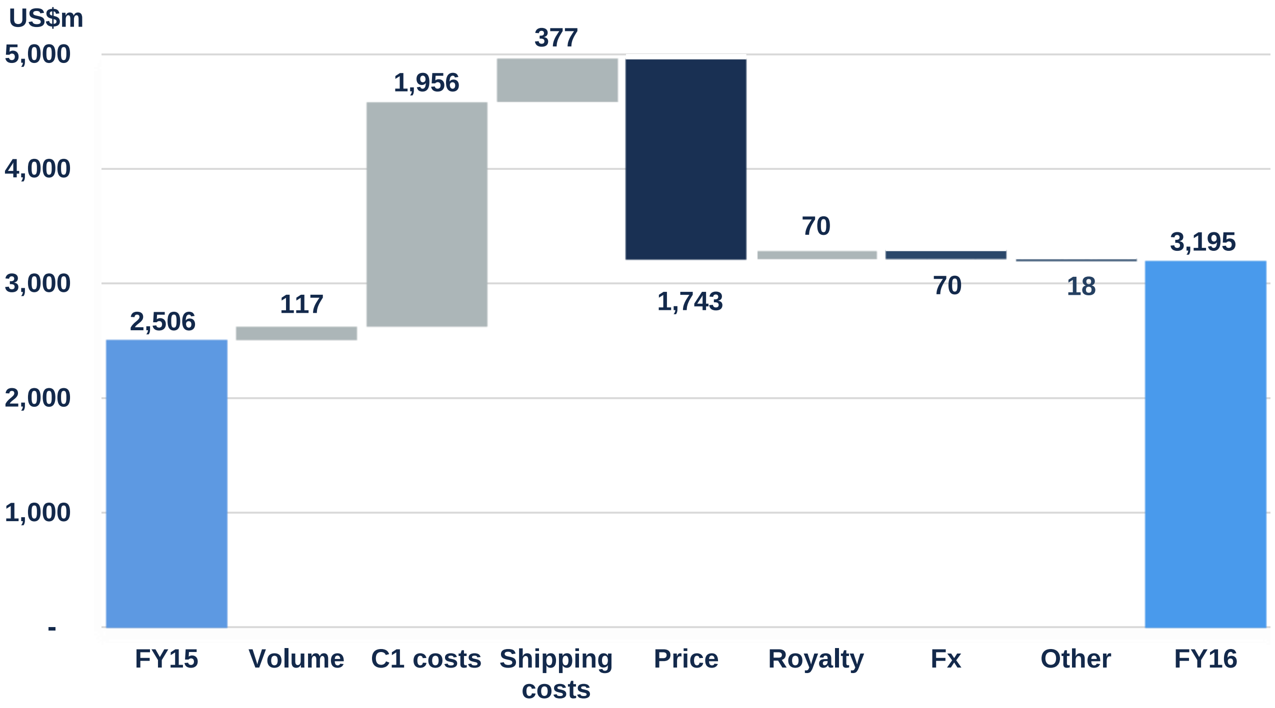
A$ 12 cent
36% dividend payout ratio

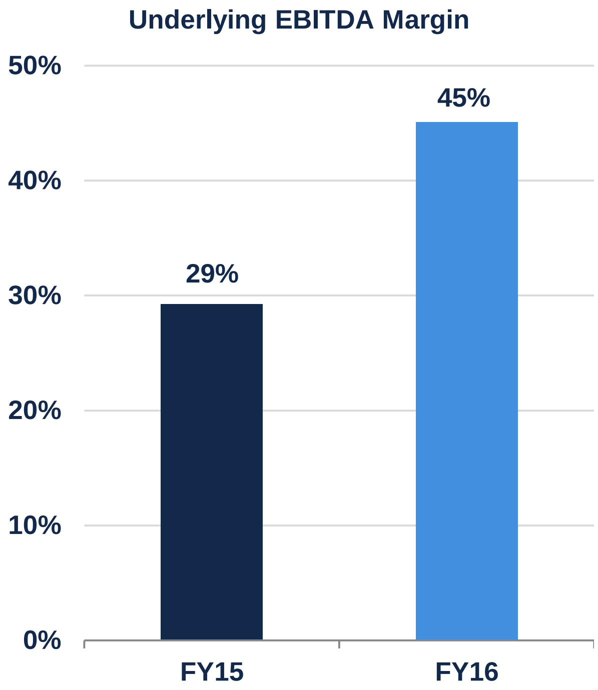
FY16 share price
⬆83%



Underlying EBITDA increased by 27%

Cost improvements offset falling iron ore price

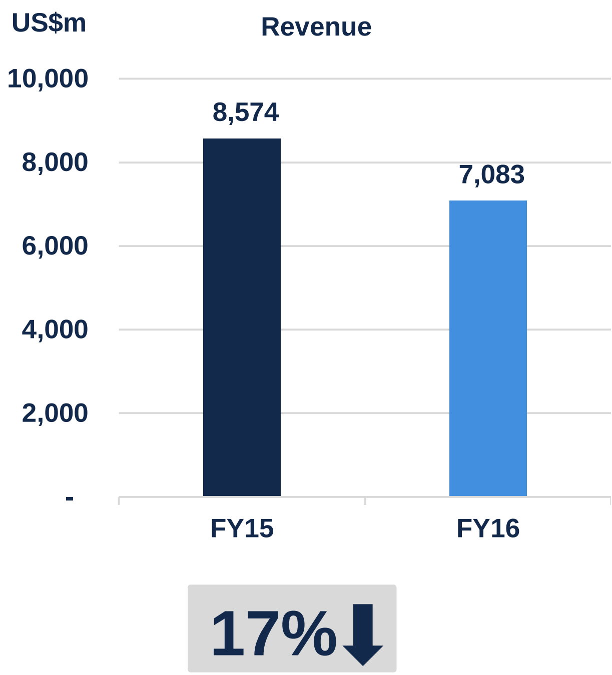


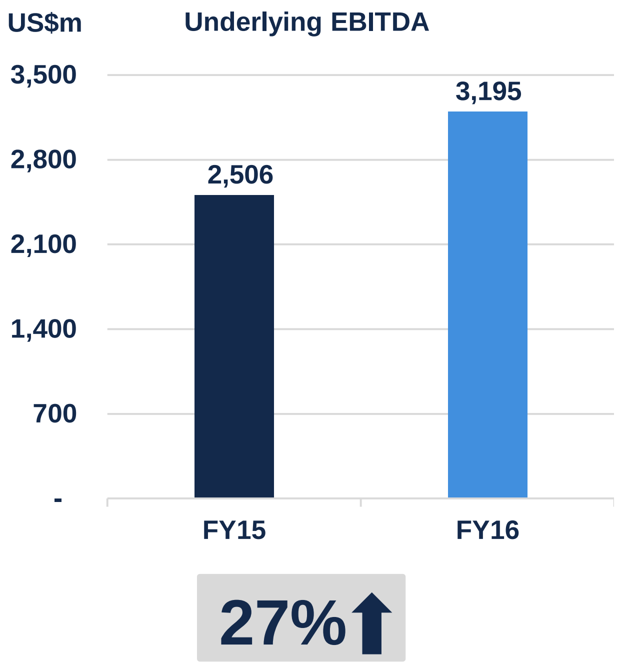


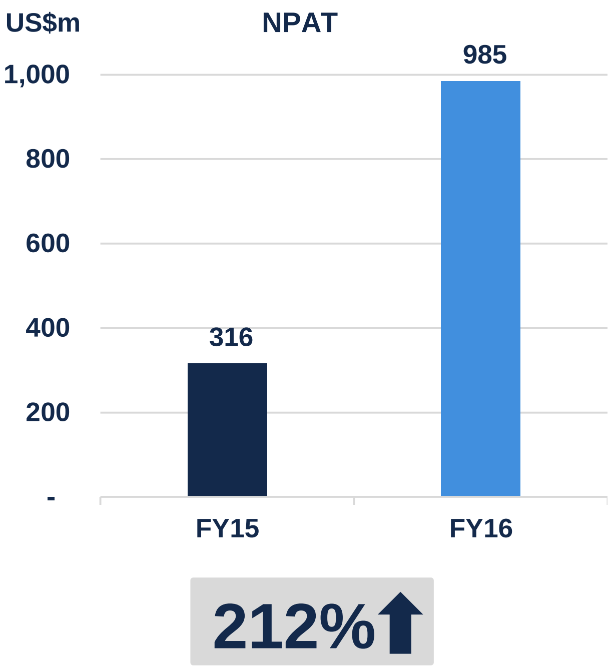
Refer to attached glossary for definition of non-IFRS terms

FY16 Highlights

Earnings increase driven by significant cost performance







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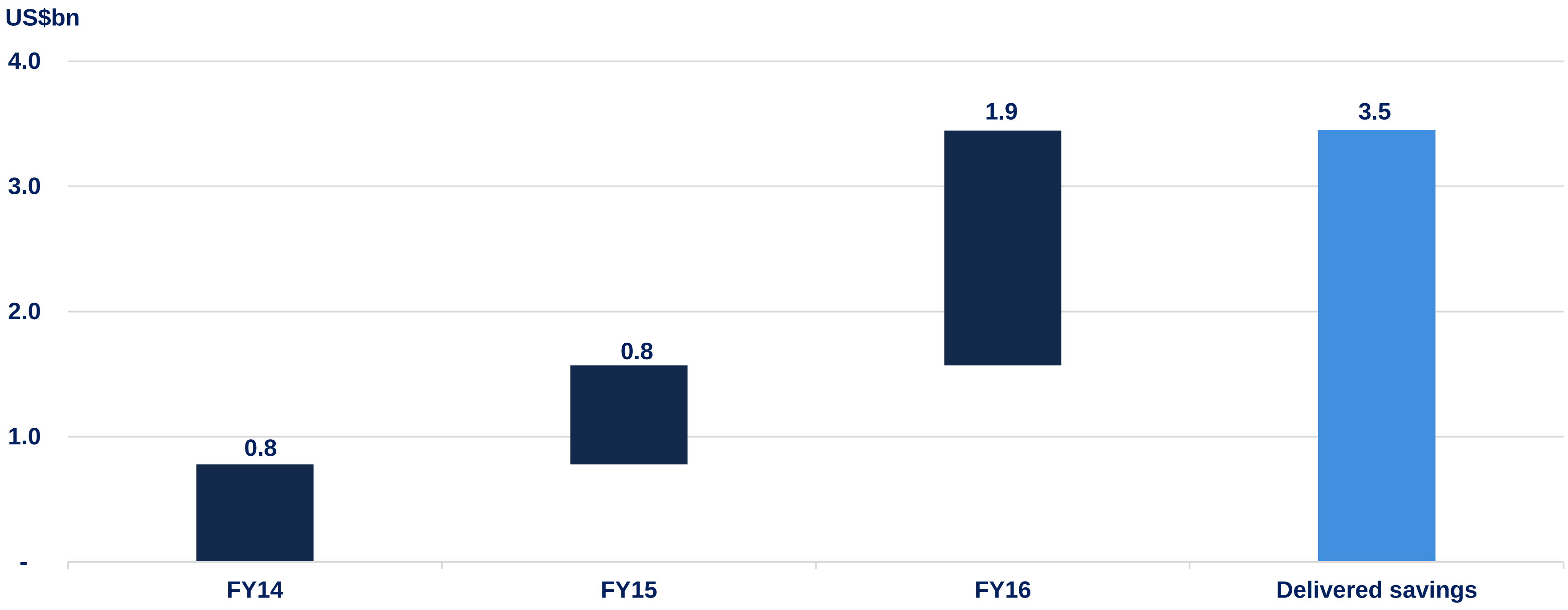
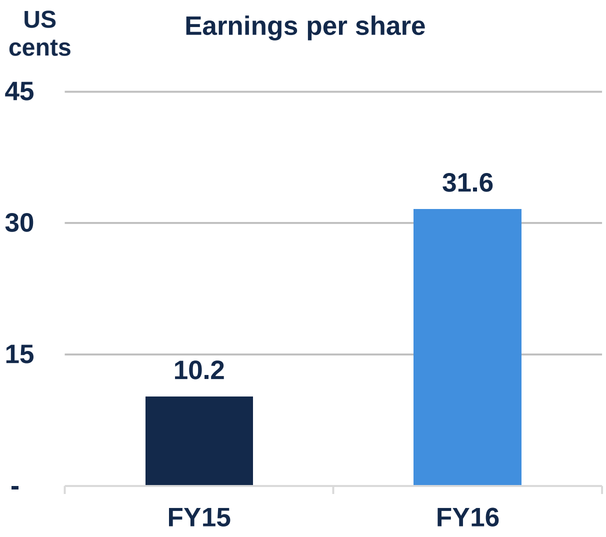
Cost savings delivered

US$3.5bn in operating cost savings delivered since achieving full operational capacity

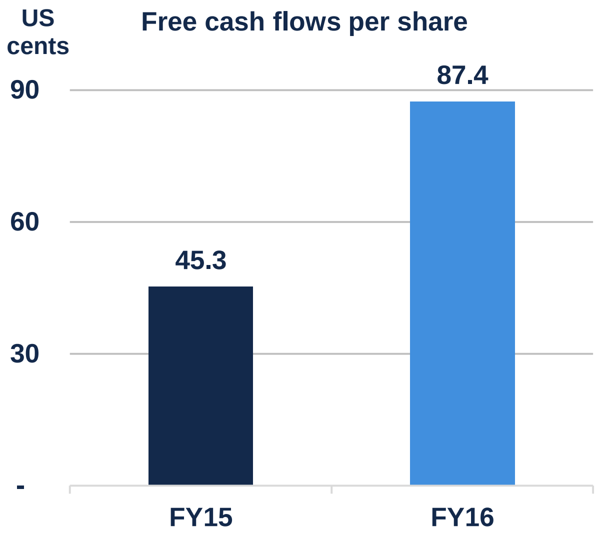


Returns to shareholders

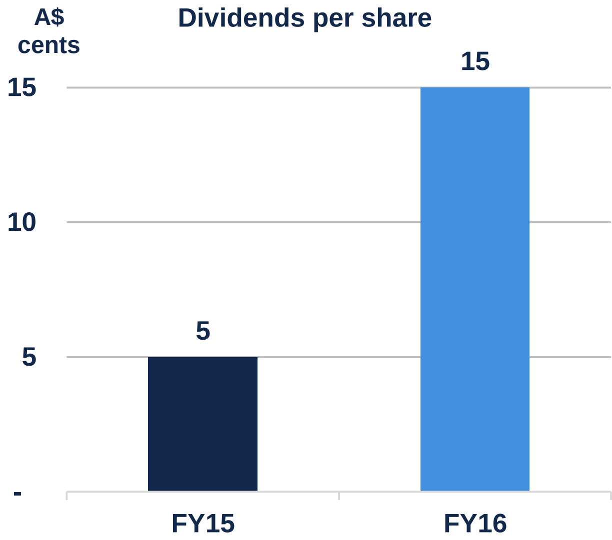
Increasing returns through operational performance



210% ⬆



93% ⬆

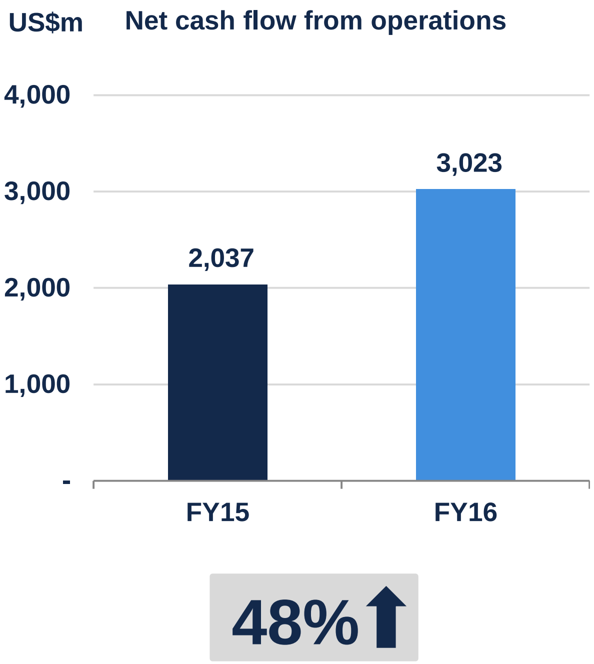


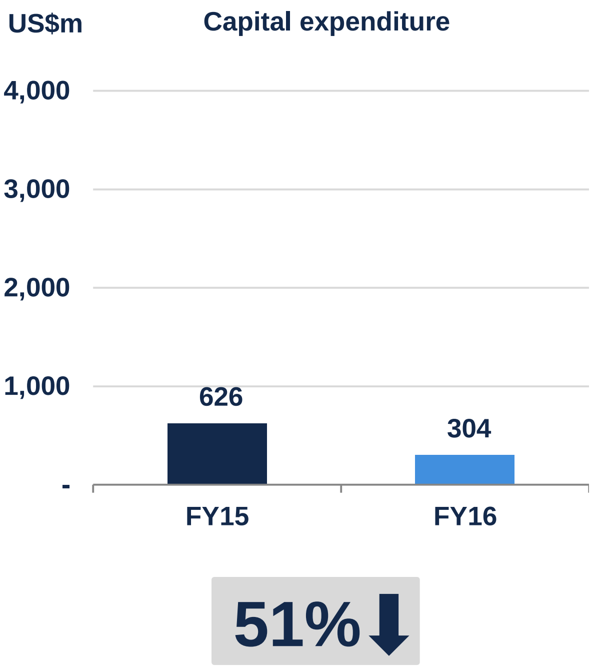
200% ⬆

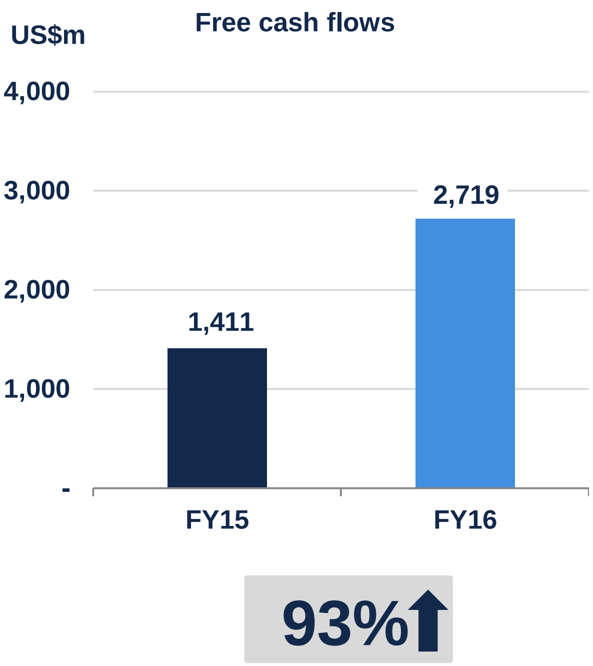
Balance sheet

Cash flows

Strong positive cash margins generated by operations

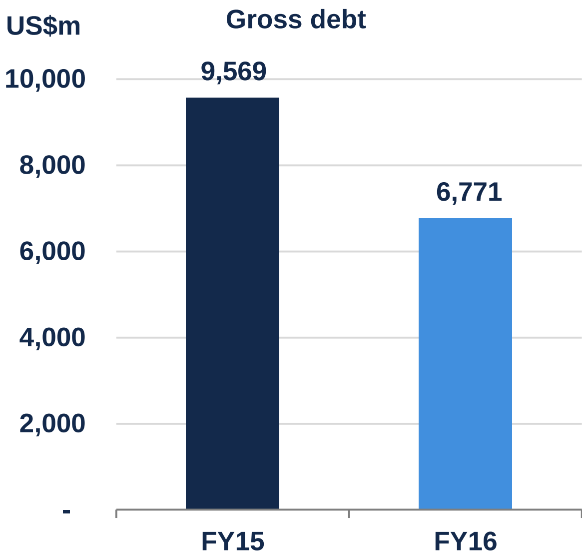




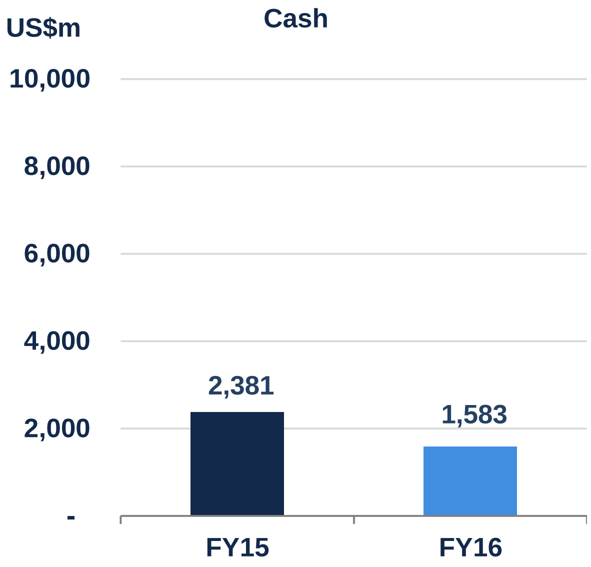


Debt reduction

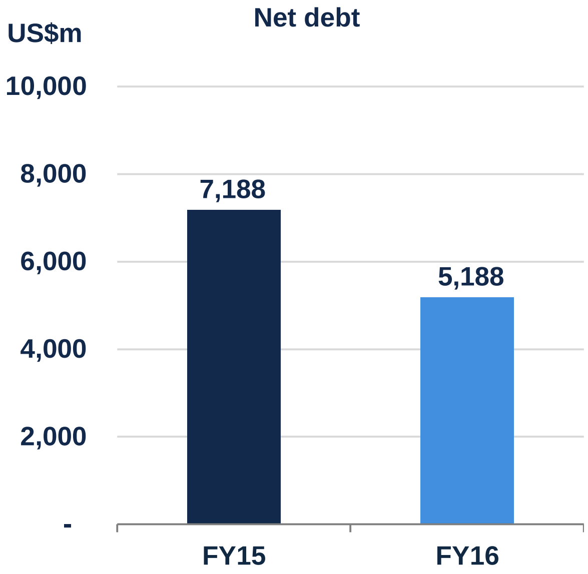
Cash flows applied to reduce debt + gearing levels



Gross gearing 45%



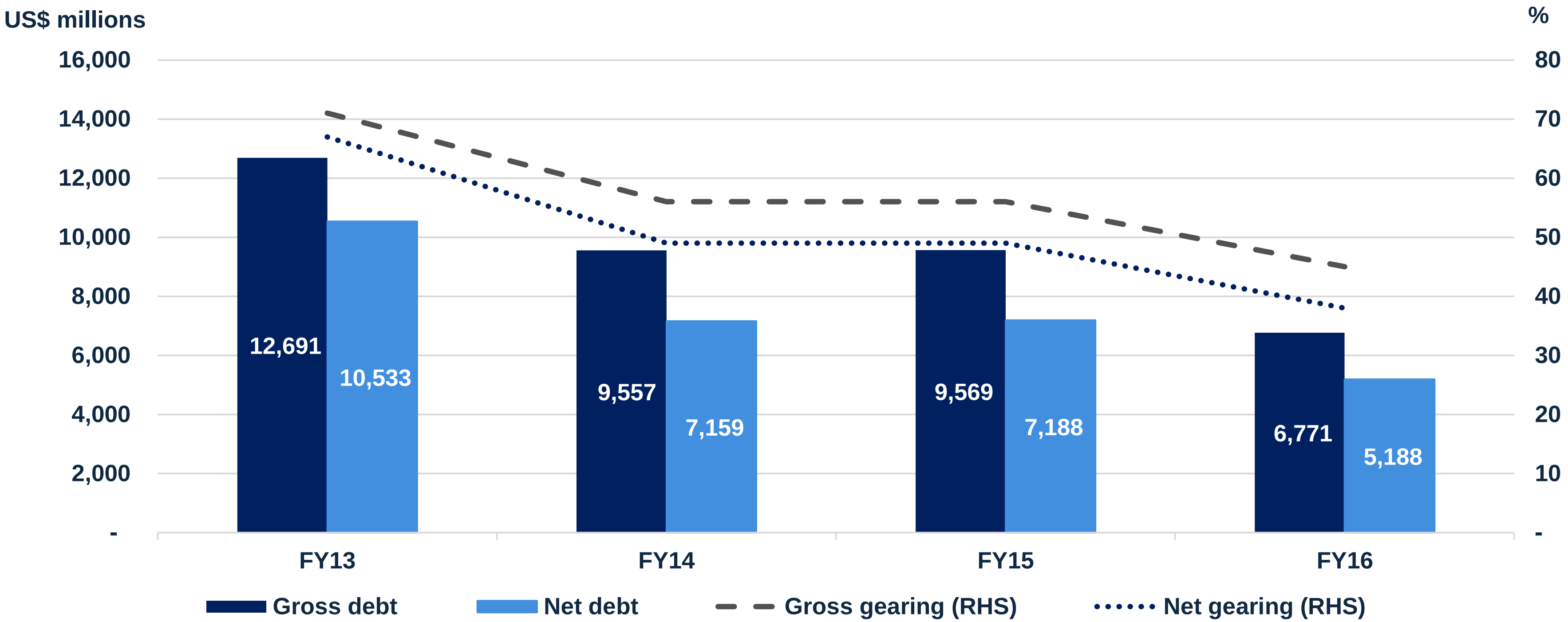
Maintaining strong liquidity



Net gearing 38%

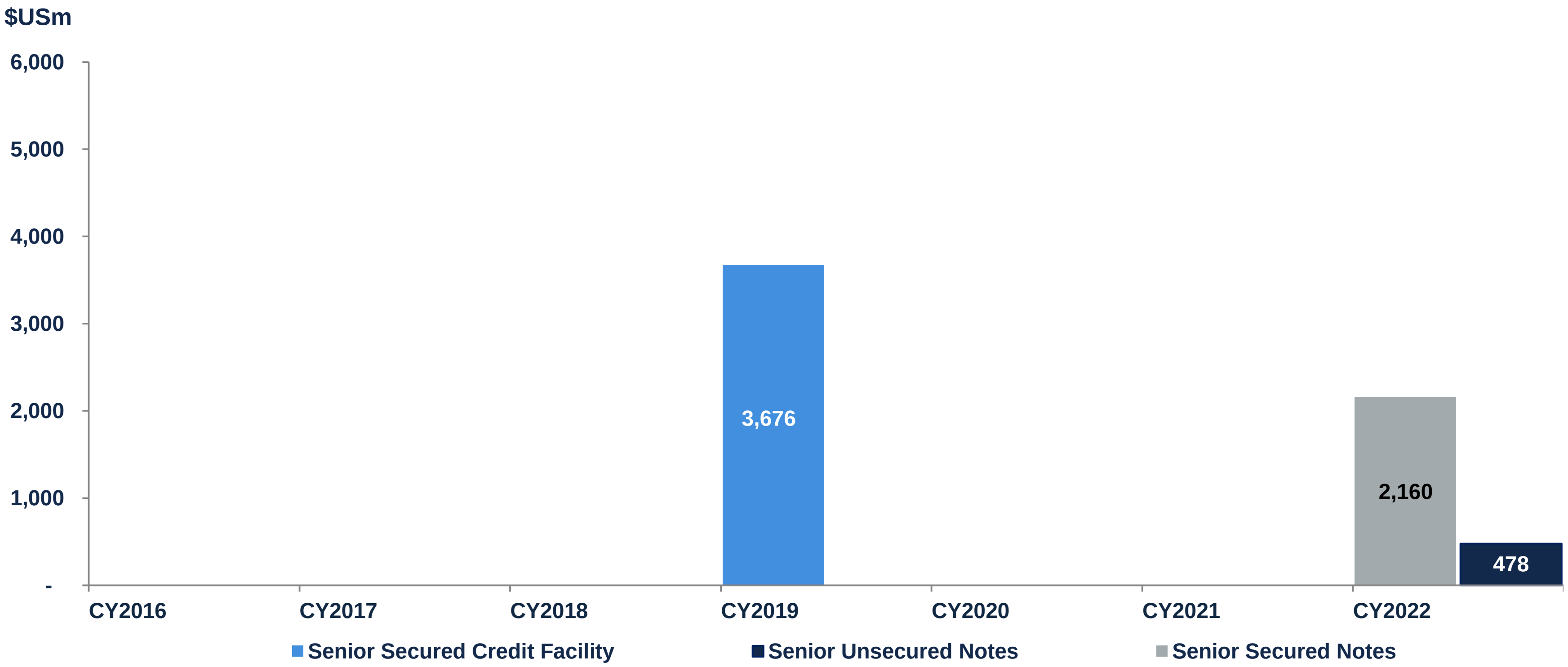
Debt repayments

Free cash flows lowering debt and gearing



Debt maturity

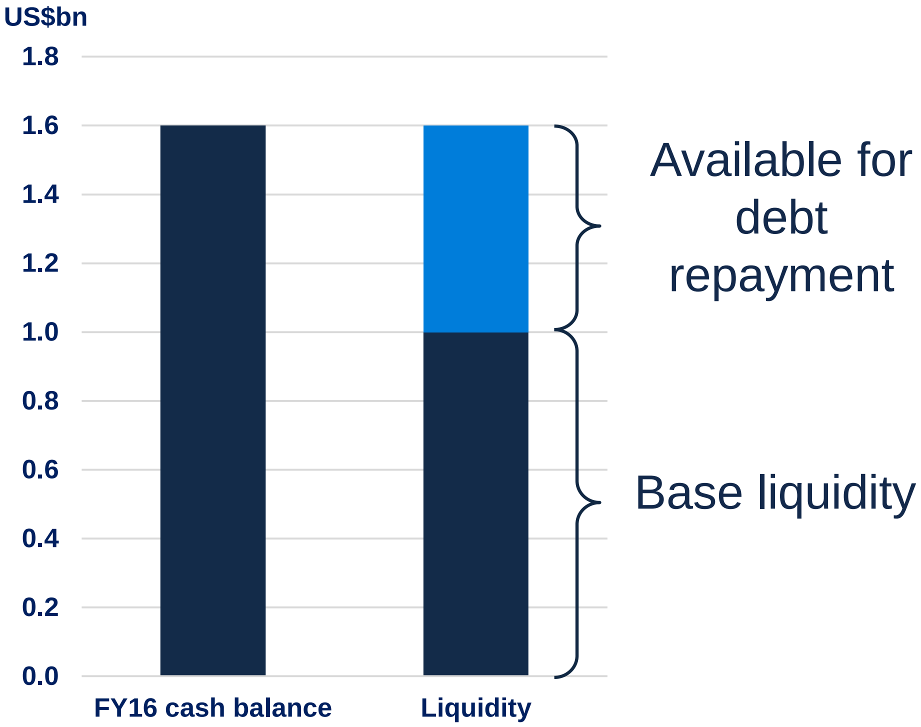
Flexibility to continue early repayments prior to first maturity in June 2019



Available cash balances

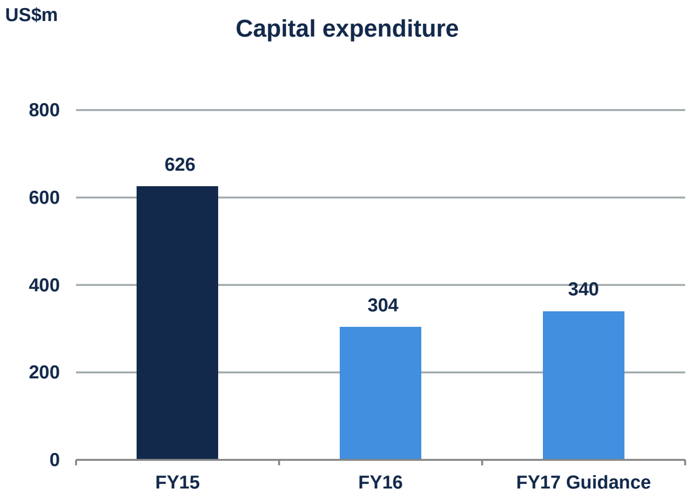
Cash levels supporting additional repayments

- **US$1.6bn** cash at 30 June
- Strong **cash flows**
- Target **<40%** gross gearing
- Target liquidity **US$1-1.5bn**



Capital expenditure

Capex sustainable at current levels



FY17 Guidance

- Sustaining capex **US$2/wmt**
- Assessing funding options
  - **VLOCs** US$270m
  - **Tugs** US$90m
- D&A **US$7.10**/wmt

Refer to attached glossary for definition of non-IFRS terms

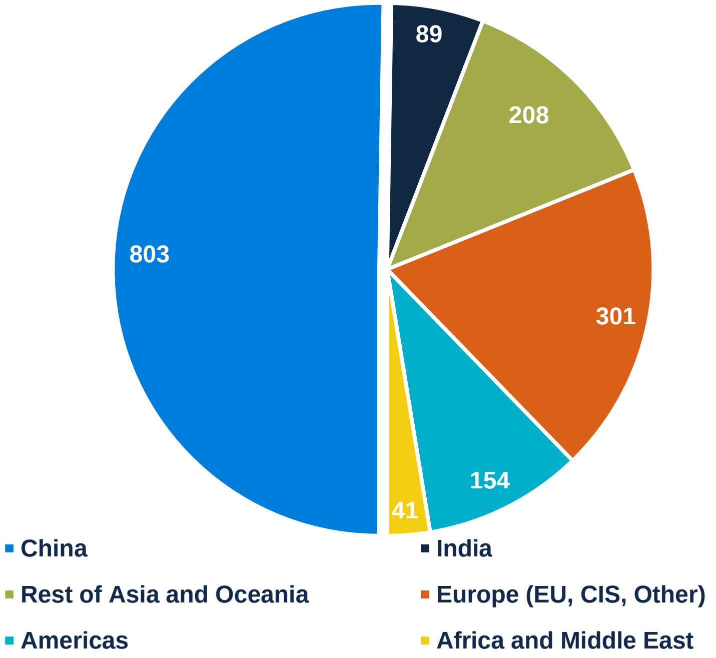
Market

Core supplier to Asia

Well established 18% market share of imported iron ore to China

- **Low impurity** 58% Fe average
- High **value in use**
- Large diverse **customer base**
- **Responsive** to market needs
- **Proximity** to high growth region

Global steel production 2015 (mt)

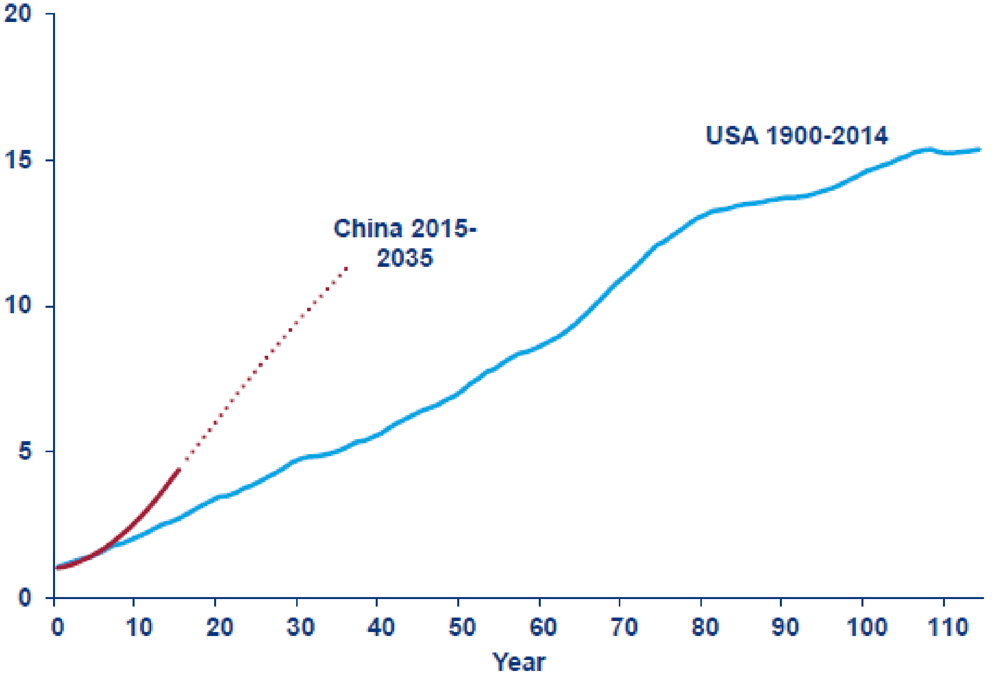


Source: World Steel Association Crude Steel Production 2015

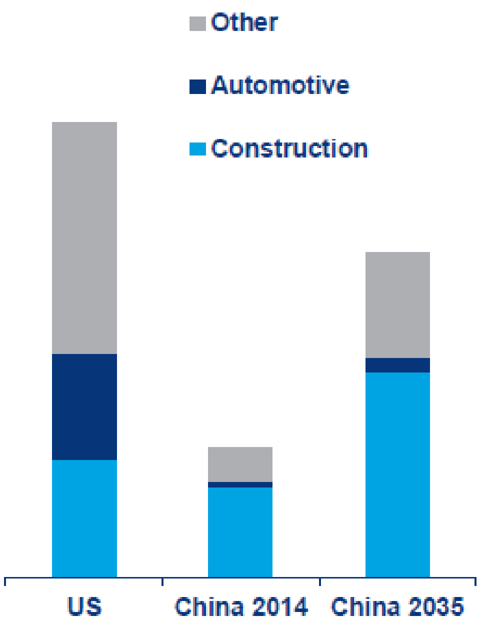
Steel consumption to build economy

Steel demand – driven by policy decisions

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



Stock by sector

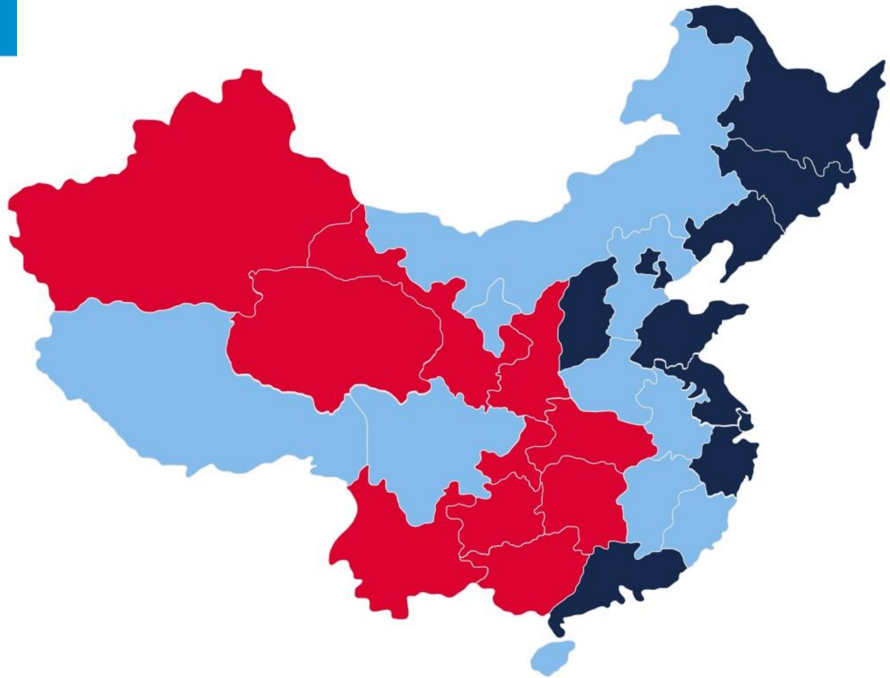


Chinese cities in 2030

300 million people still to urbanise – 16 million per year

Real GDP growth 2015-2025 (CAGR)

- Fastest third
- Middle third
- Slowest third

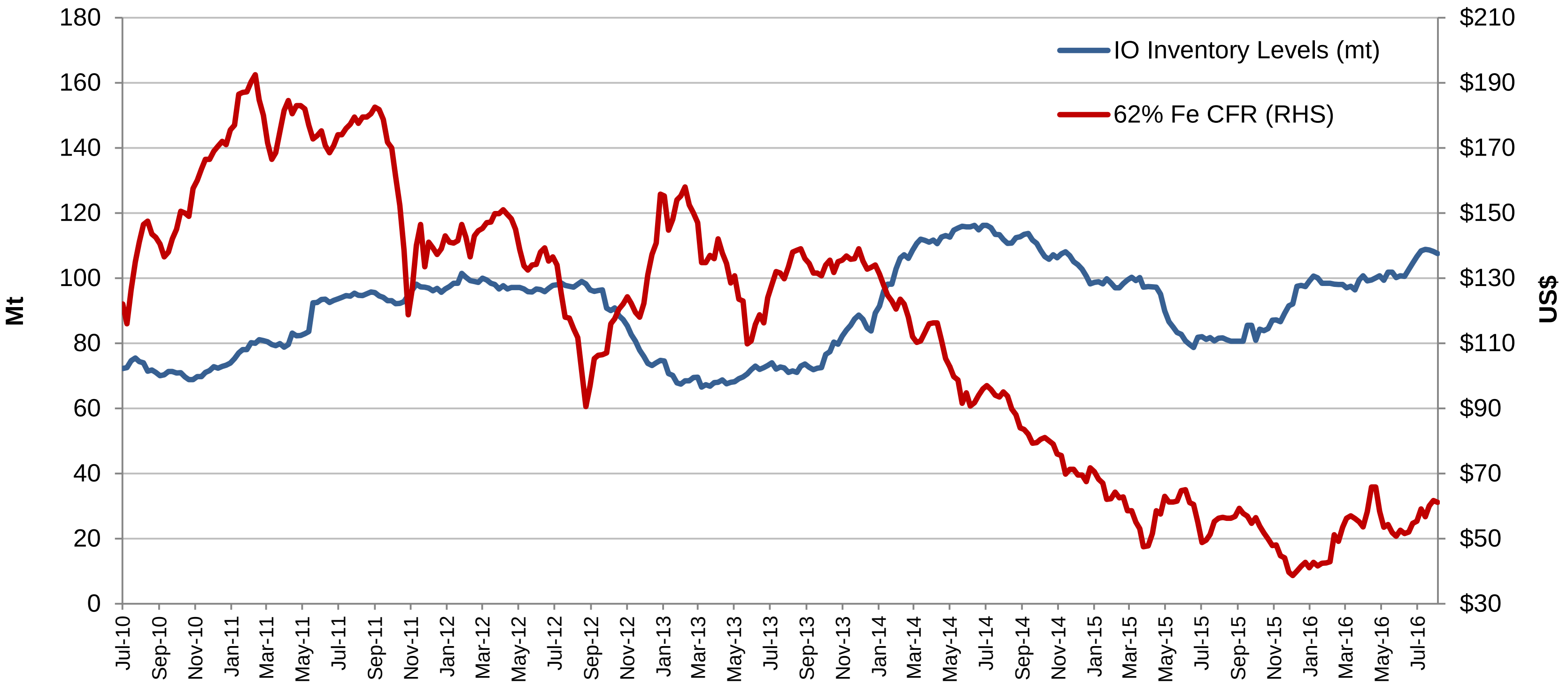


70% of the population (1bn) will be **living in cities**

Source: Wood Mackenzie

Iron ore supply in balance

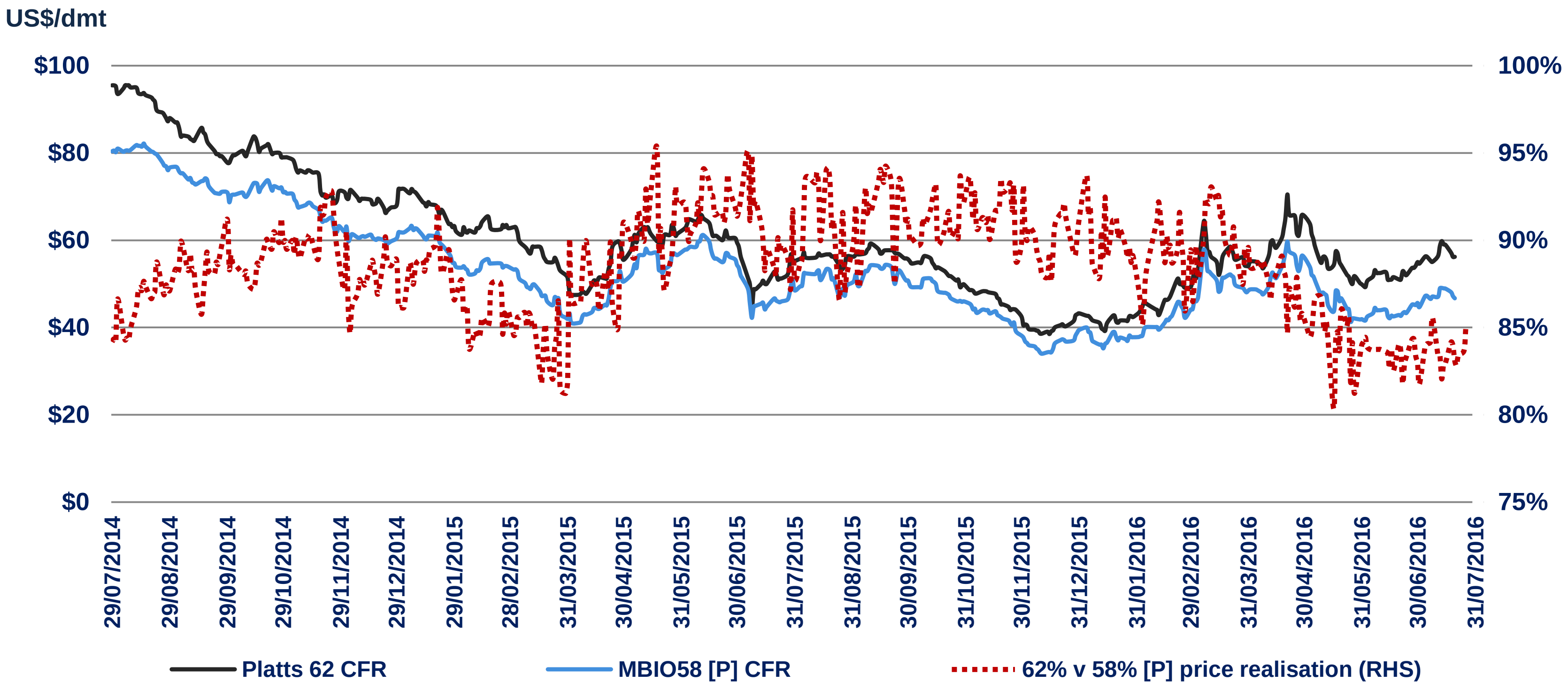
Port stocks remaining stable



Source: Bloomberg and Umetal

Price realisation

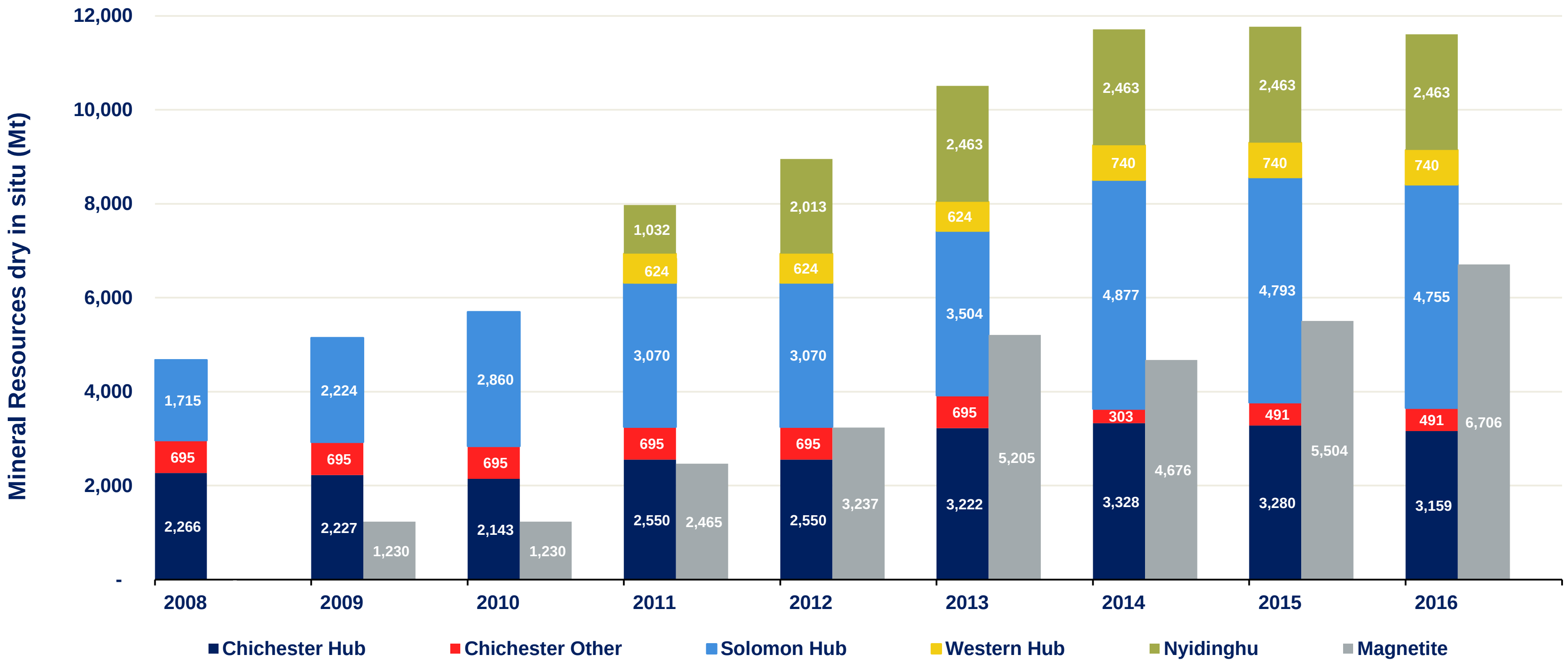
Consistently realising at 85-90% of 62 Platts index



Reserves and resources

Resource portfolio supports asset base

Largest Pilbara tenement footprint



Supporting our community

Building strong communities

Creating opportunities through training, employment and business development

1,100
Aboriginal employees

14%
Aboriginal people in Fortescue workforce

A$1.8bn
Contracts to Aboriginal companies and JVs

VTEC
TRAINING CENTRES
Roebourne
South Hedland

Championing diversity

Workplace culture fundamental

16%
Fortescue female employees
Targeting 25% by 2020

3
Female Board Members
Member of the 30% Club

Strong role models
Women in leadership postions

5
Female General Managers

Focused strategy

Moving down the global cost curve

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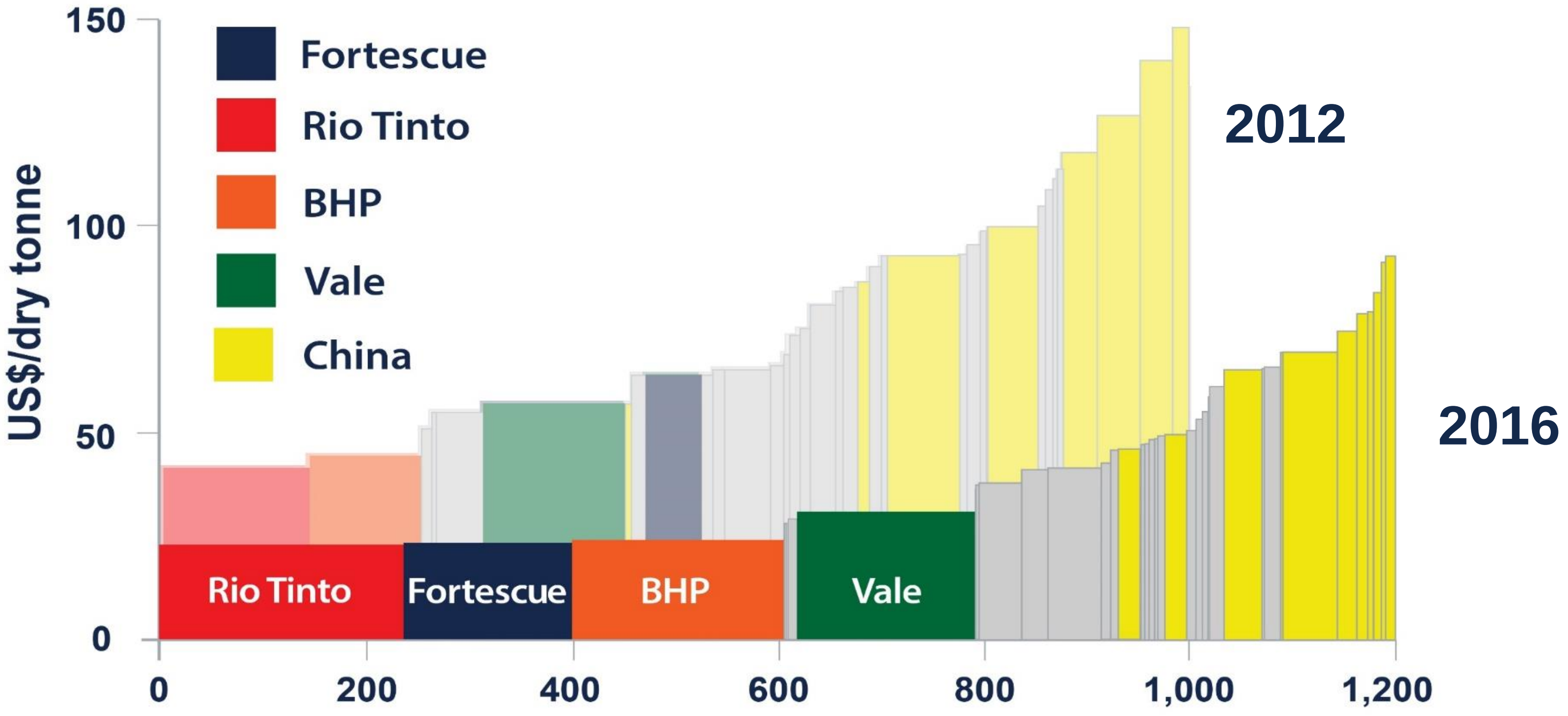
China's Iron Ore Supply CFR Costs *(including royalties & ocean freight)*



Source: Metalytics 26 May 2016

Strategic delivery

Culture, continuous improvement, speed and flexibility

- ✓ Consistent **165-170mtpa**
- ✓ Lowering costs to **US$12-13/wmt**
- ✓ Maximising **resource value**
- ✓ Debt **repayment**
- ✓ Ongoing **improvements**

The new force in iron ore

Fortescue
The New Force in Iron Ore

Continuous improvement, reliable and efficient delivery

Sustainable
low cost
producer

World class
assets & people

165-170mt
Production rate

Unique culture
drives performance

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The New Force in Iron Ore

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Glossary

C1: Operating costs of mining, processing, rail and port on a per tonne basis, including allocation of direct administration charges and production overheads.

Debt coverage ratio: Debt / Underlying EBITDA.

dmt: Dry metric tonnes.

Free cash flow: Net cash inflows from operations less capital expenditure.

FY: Full year.

HY: Half year.

Interest coverage ratio: Underlying EBITDA / Interest

mtpa: million tonnes per annum.

Net debt: Borrowings and finance lease liabilities less cash and cash equivalents

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 below:

Reconciliation of underlying EBITDA to IFRS measures:

	30 June 2016 US$ millions	30 June 2015 US$ millions
Profit before income tax	1,354	420
Finance income	(214)	(15)
Finance expenses	675	644
Depreciation and amortisation	1,244	1,405
Exploration, development and other	136	52
Underlying EBITDA	3,195	2,506

VLOC: Very large ore carrier.

wmt: wet metric tonnes.