



Fortescue
The New Force in Iron Ore

5th Singapore Iron Ore Week Conference



People. Innovation. Performance.



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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

800mt

165-170mt

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

Delivering on targets

Focus on safety, productivity and efficiency

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



March Quarter FY17 Snapshot

Productivity initiatives delivering sustainable cost reductions and financial results



Safety

2.9

TRIFR



39.6mt

Shipped for the quarter

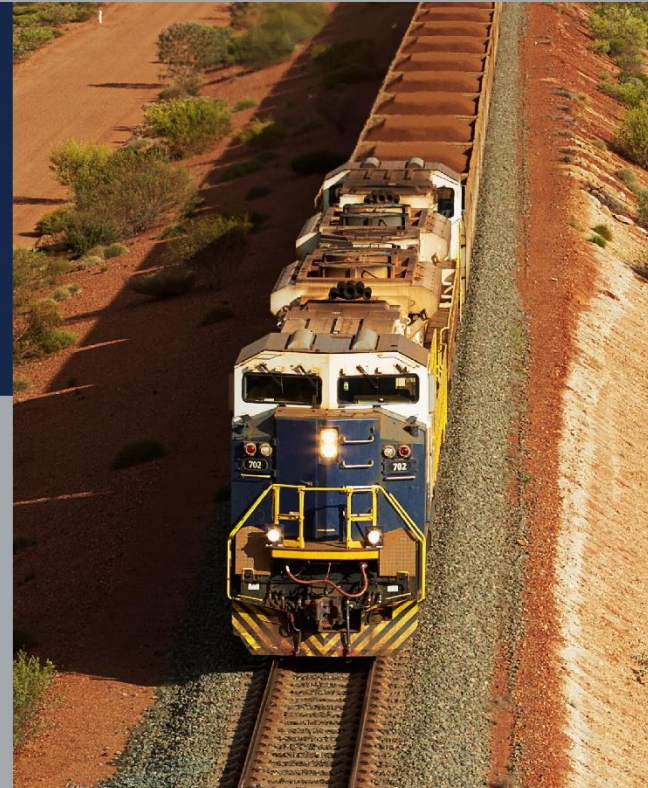
C1 Cost

\$13.06/wmt

On target to ^{US}\$12-13

Debt

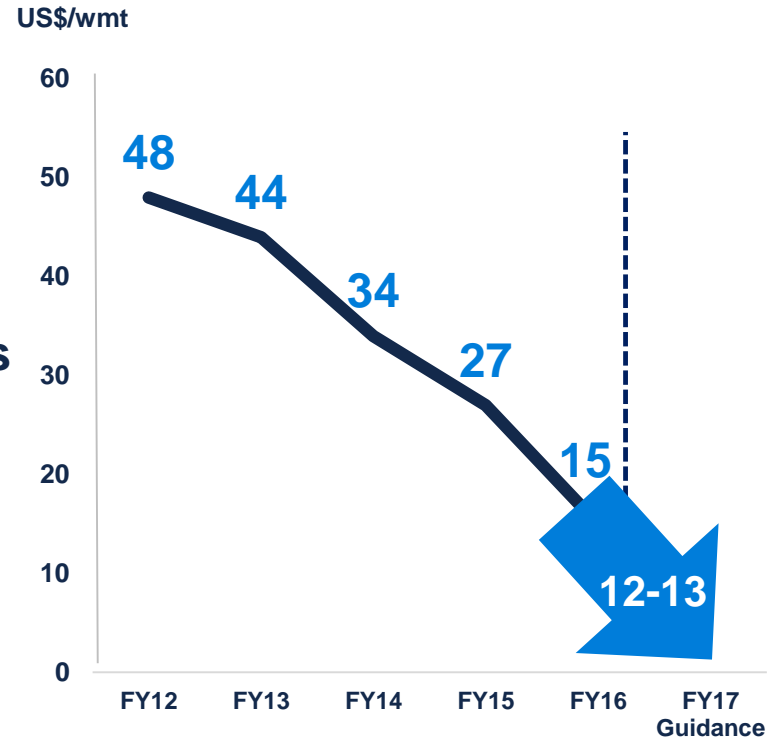
repayment remains priority



Continuous + sustainable cost improvements

Focus on productivity and efficiency delivering cost savings

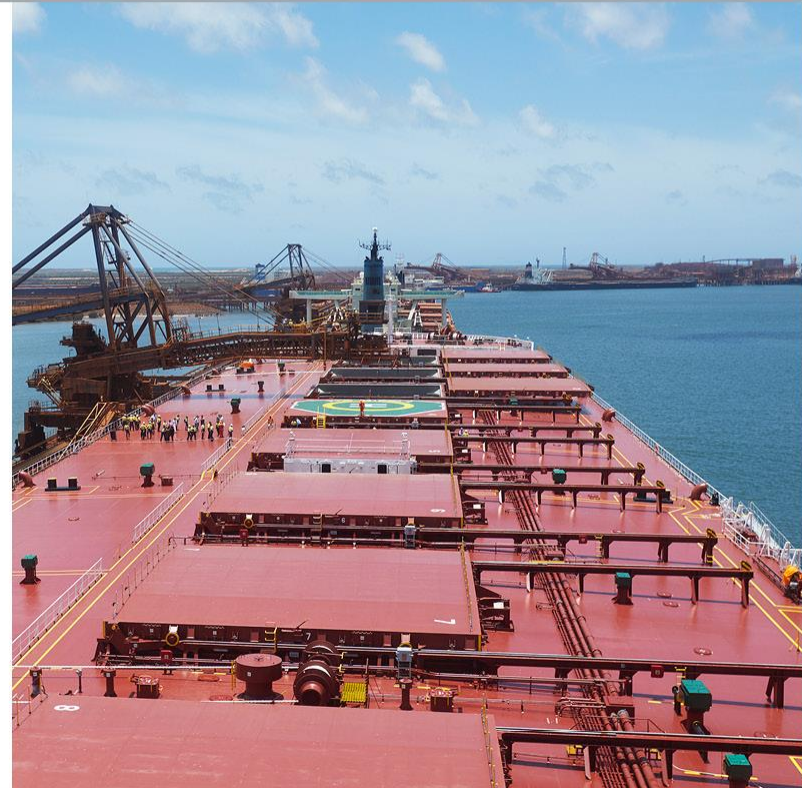
- 1 **Solomon** operations
- 2 **Blending** strategy 58% Fe
- 3 **Processing**, wet plants + de-sands
- 4 Operational **efficiencies**
- 5 Fx and fuel **decreases**



Innovative shipping fleet

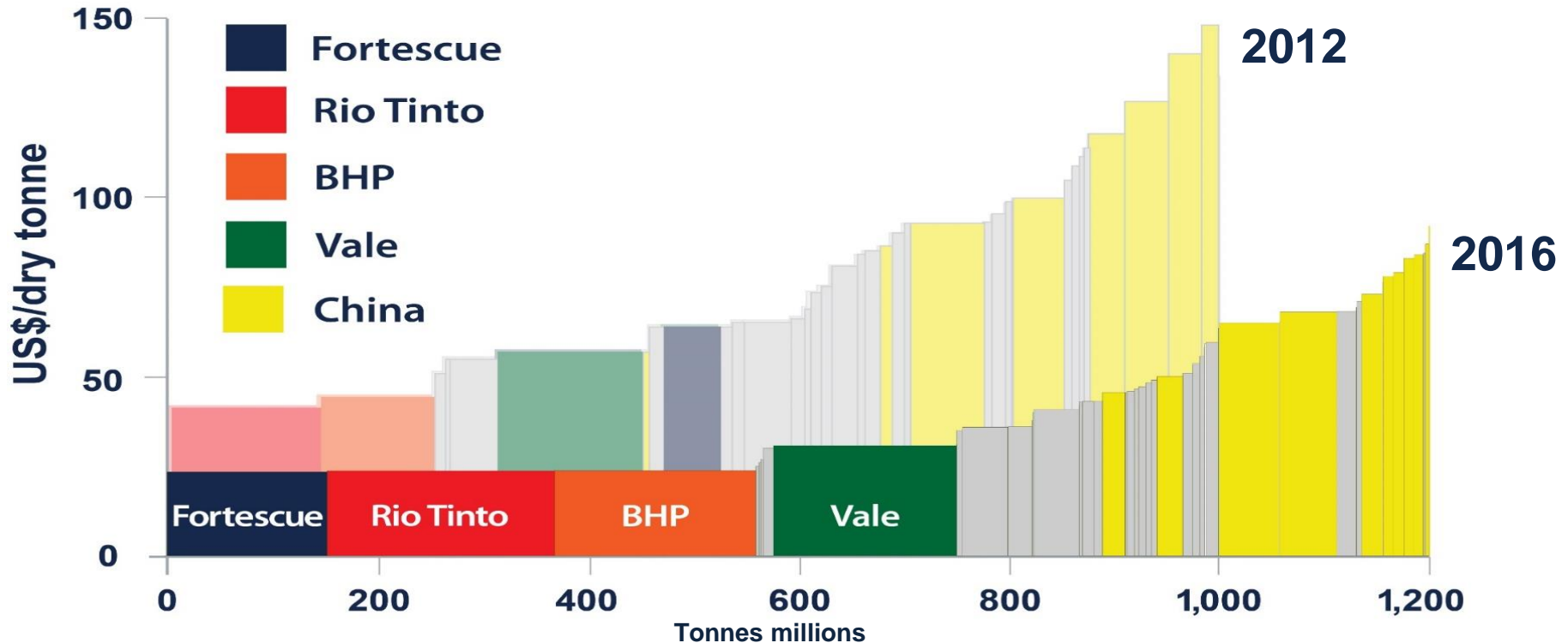
Eight ore carriers - natural extension of Fortescue's supply chain

- Provides **12%** shipping requirements
- **Complement** port infrastructure
- Maximise **tonnage**, improve **load rates**
- **Safe manoeuvring** within the port
- **CDB Leasing** agreement US\$473m



Moving down the global cost curve

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



Financial performance



March quarter FY17 financial outcomes

Operational performance delivering financial results

US\$1.5bn
Cash on hand

US\$4.3bn
Gross Debt

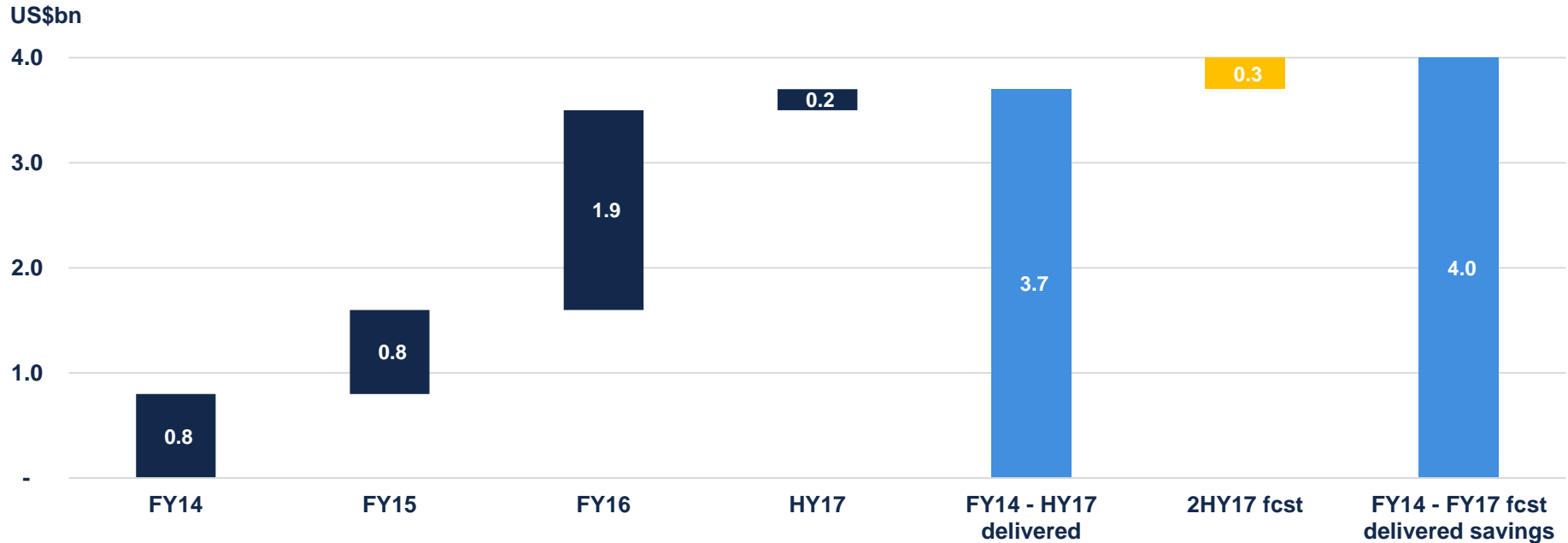
US\$194m
Capital Expenditure

22%
Net gearing



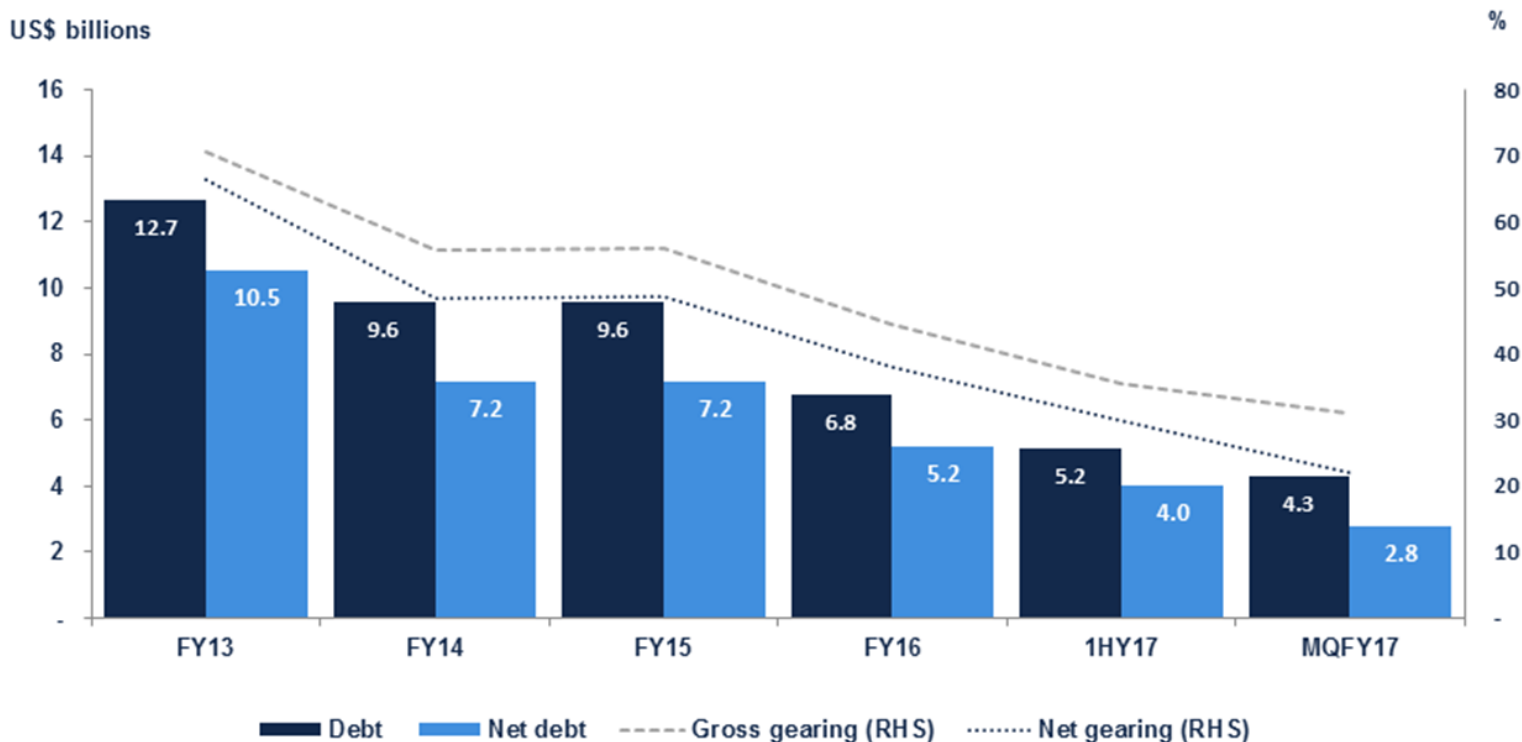
Cost savings delivered

US\$3.7bn in operating cost savings delivered since achieving full operational capacity



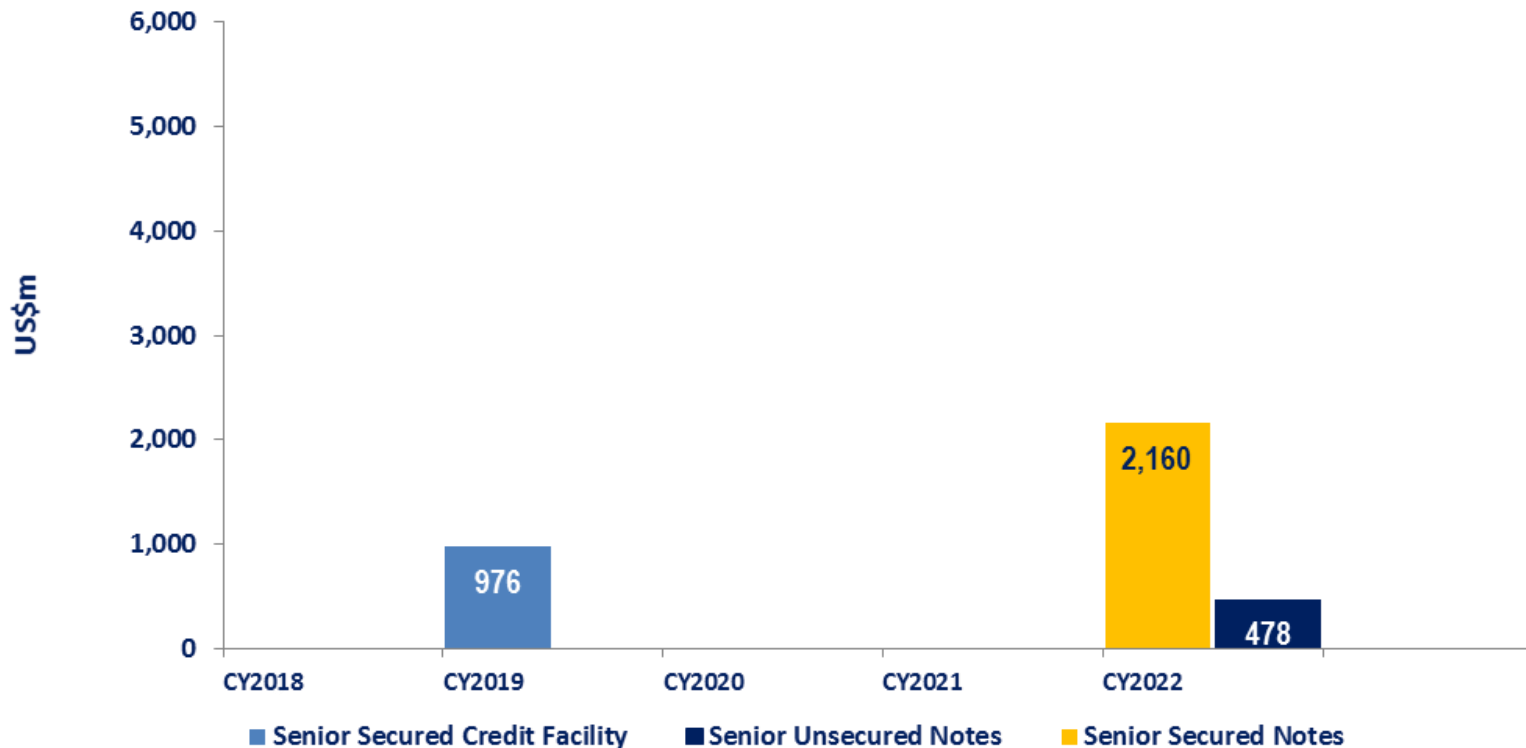
Debt repayments

US\$8.4bn of debt repaid since expansion complete improving gross gearing to 31%



Debt maturity

US\$2.7bn repaid in FY17 with flexibility to continue voluntary early repayments



An aerial night view of the Shanghai skyline, featuring the Bund, the Huangpu River, and numerous illuminated skyscrapers. A prominent yellow banner is overlaid across the top of the image. The word "Market" is written in a bold, black, sans-serif font on the right side of the banner. The city lights are reflected in the water, and the overall atmosphere is vibrant and modern.

Market

FMG values its relationship with China

Four key areas of engagement

Core Supplier



17% market share

Procurement



Over \$1bn Chinese contracts

Investment partner



Direct investment by Hunan Valin

Community engagement



University partnerships and scholarships



13th Five Year Plan (2016-2020)

RMB12.5 trillion for ~ 11,000 listed projects



3,000km
New urban
rail lines

152,000km
Roads in rural
areas



**New power
projects**
+480,000 MW

**80% cities
with high
speed rail**

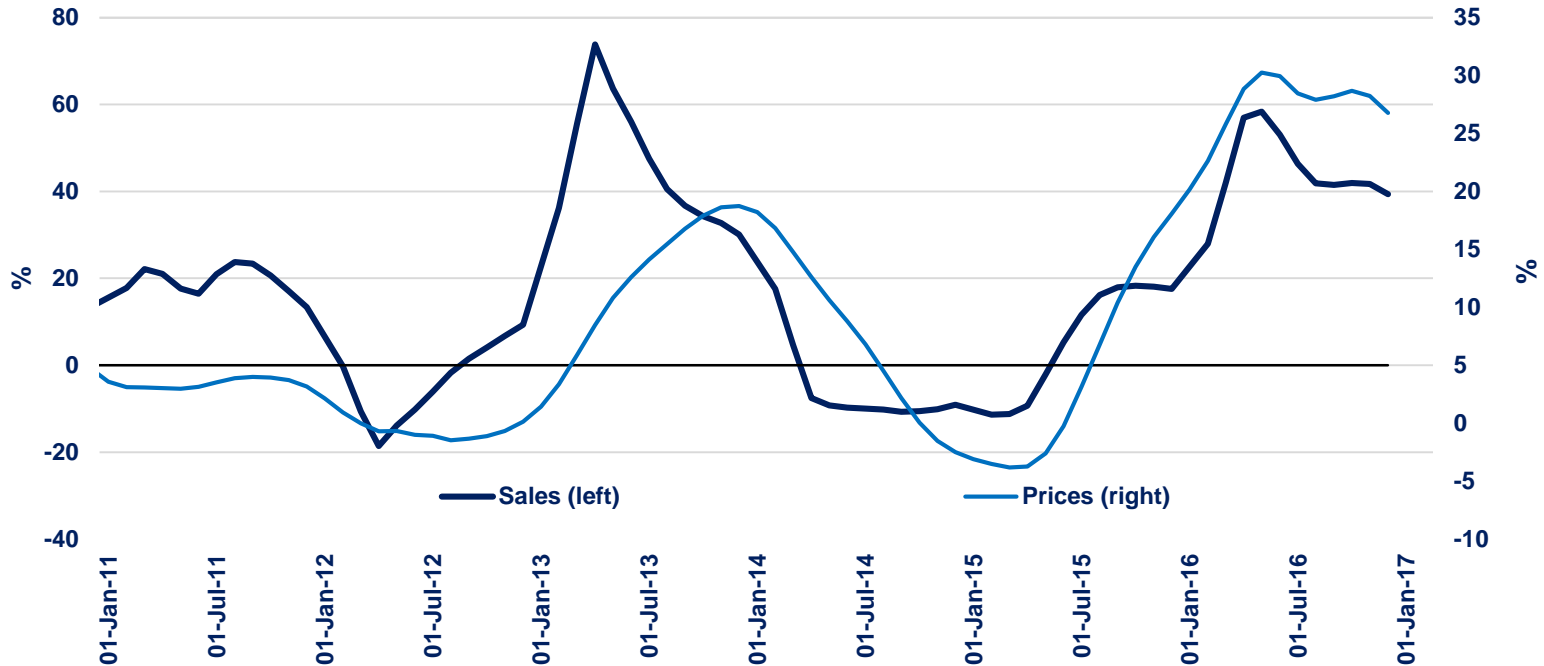


Over 50
civilian
airports

**Pipelines
+
gas storage**

Property and infrastructure driving steel demand

Residential sales and tier 1 house prices have increased

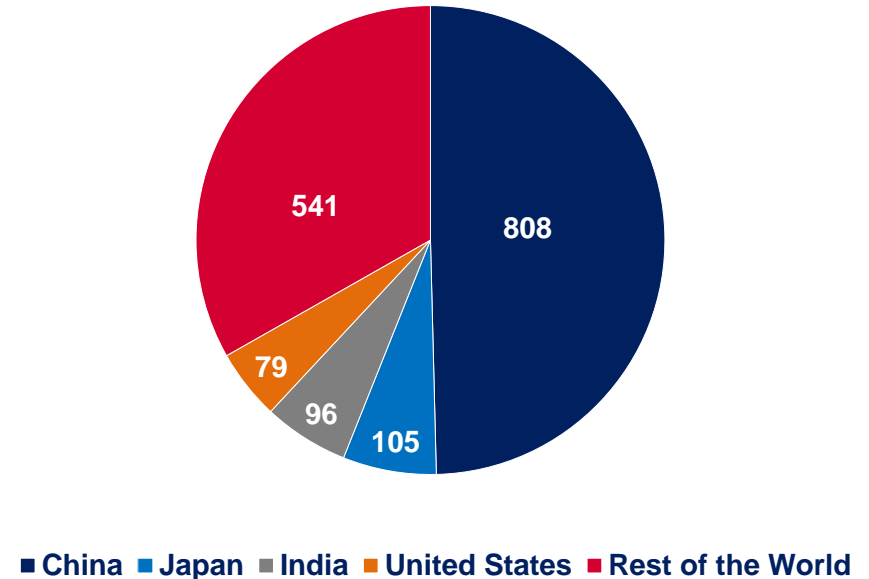


Core supplier to Asia

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

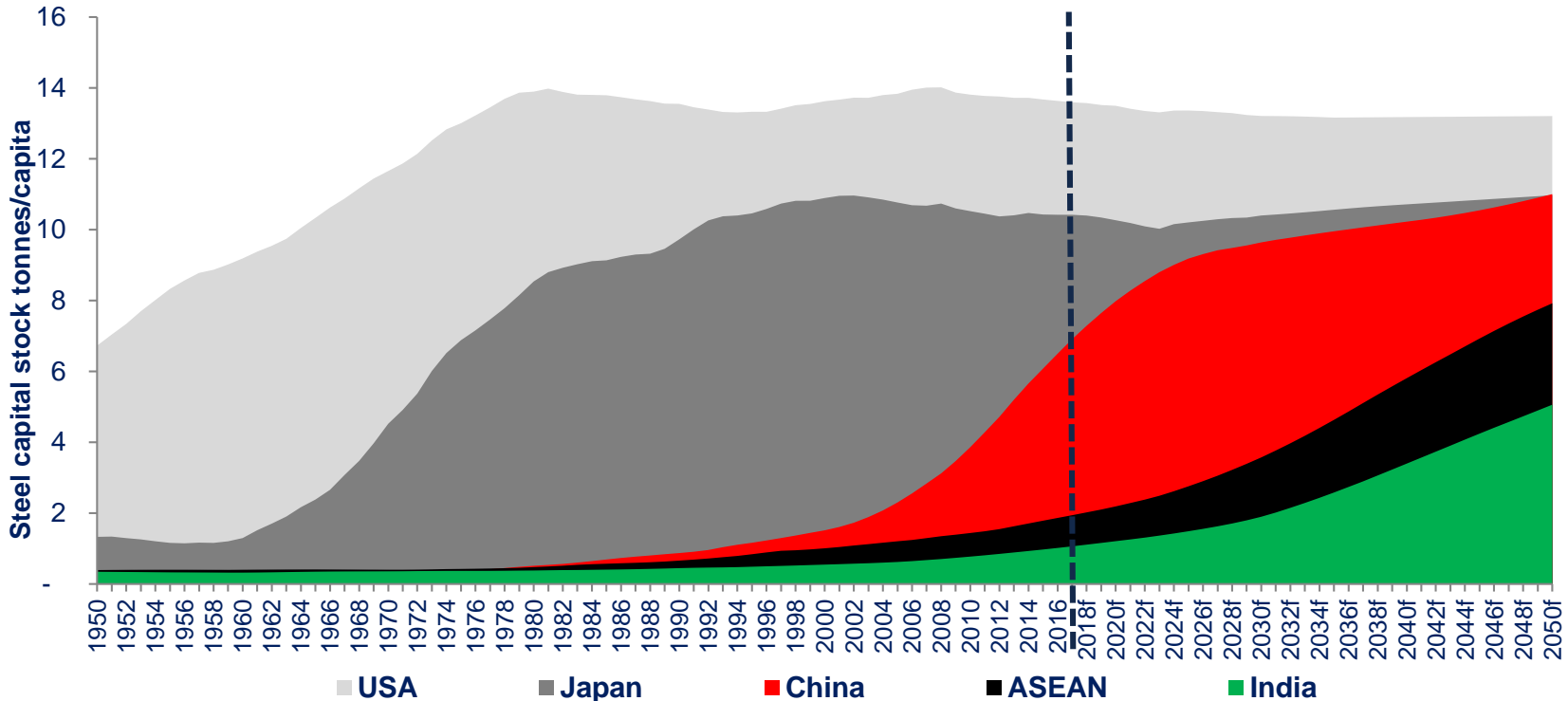
- **Low impurity** 58% Fe average
- Competitive **value in use**
- Large diverse **customer base**
- **Responsive** to market needs
- **Proximity** to high growth region

Total 2016 global steel production 1,629mt

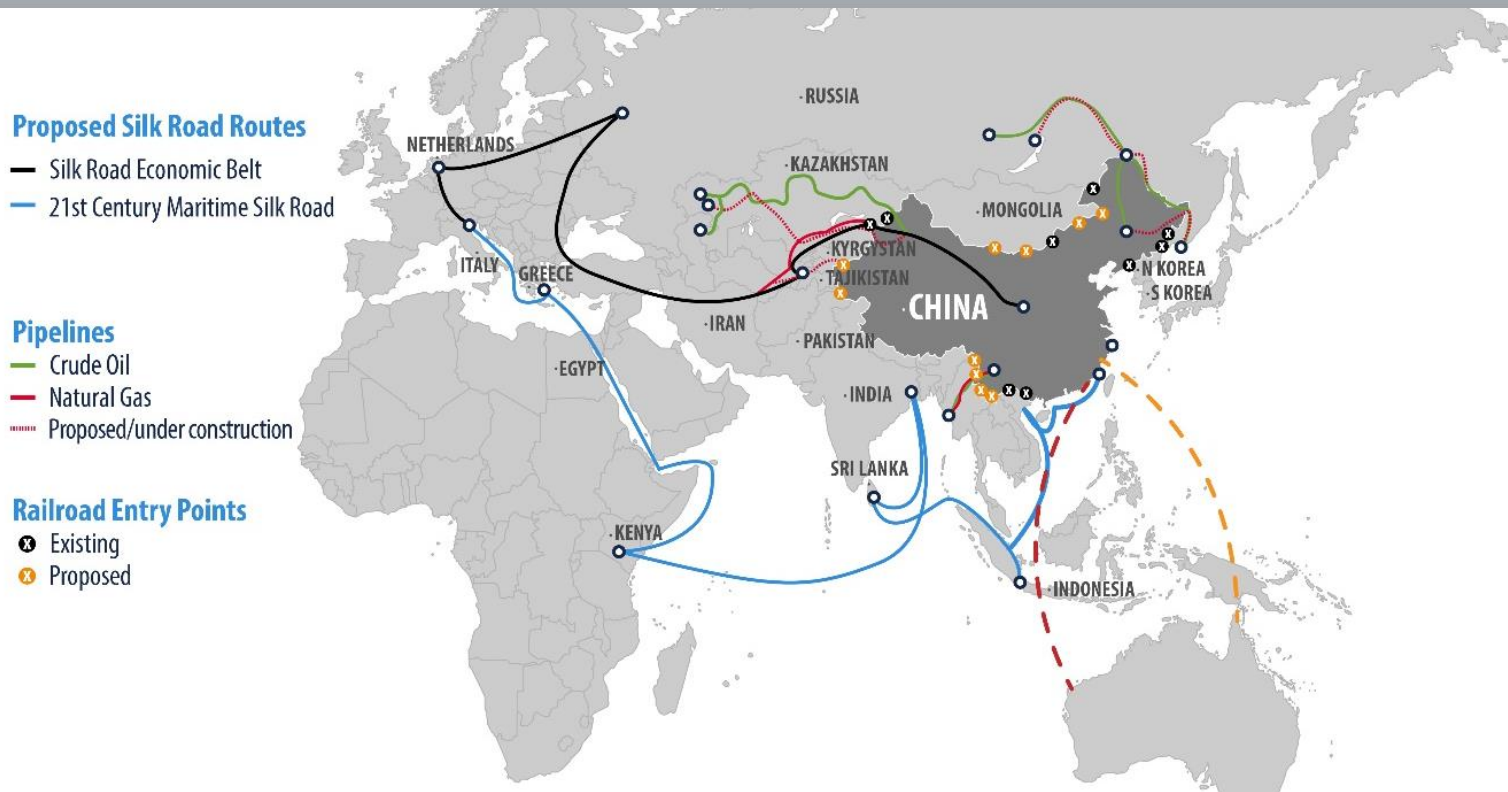


Steel stock tonnes per capita

Continued growth in steel consumption throughout China, ASEAN and India



Generating regional demand for steel and opportunities for Northern Australia

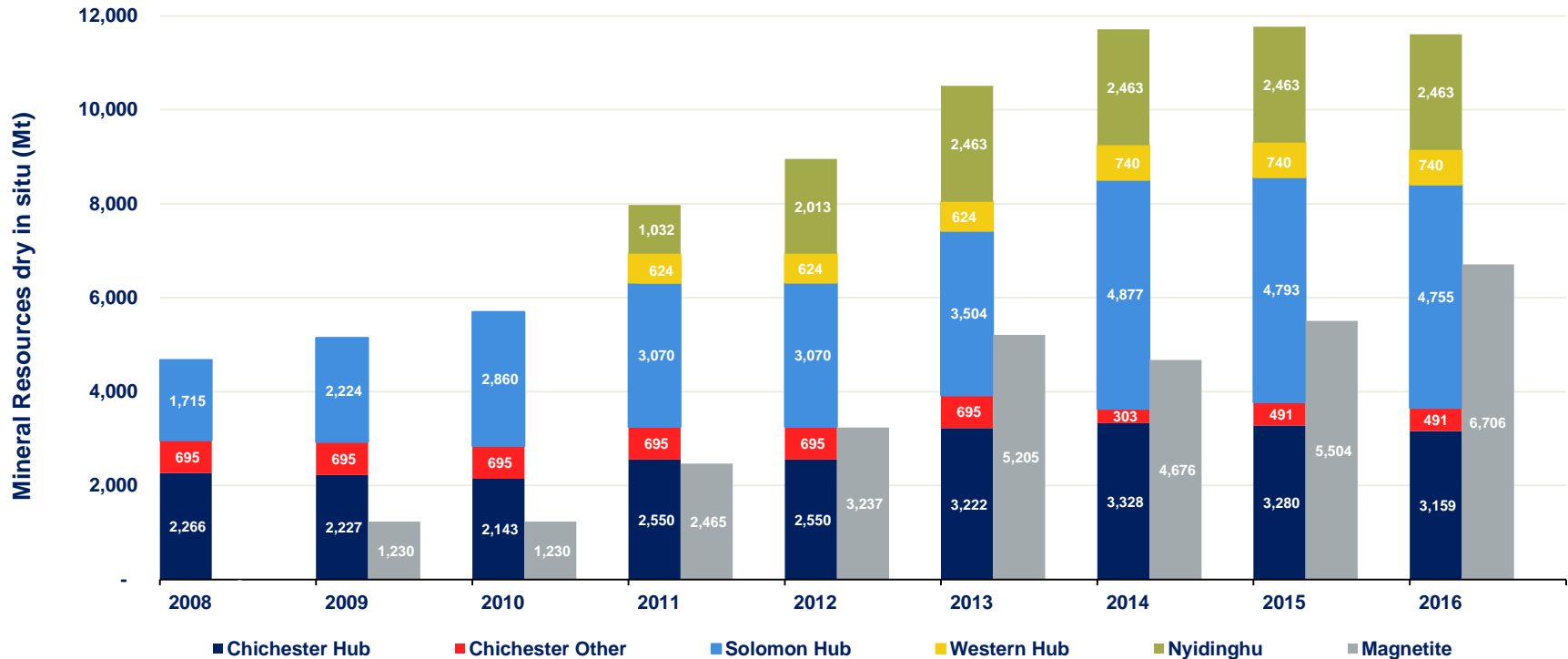


Reserves and resources



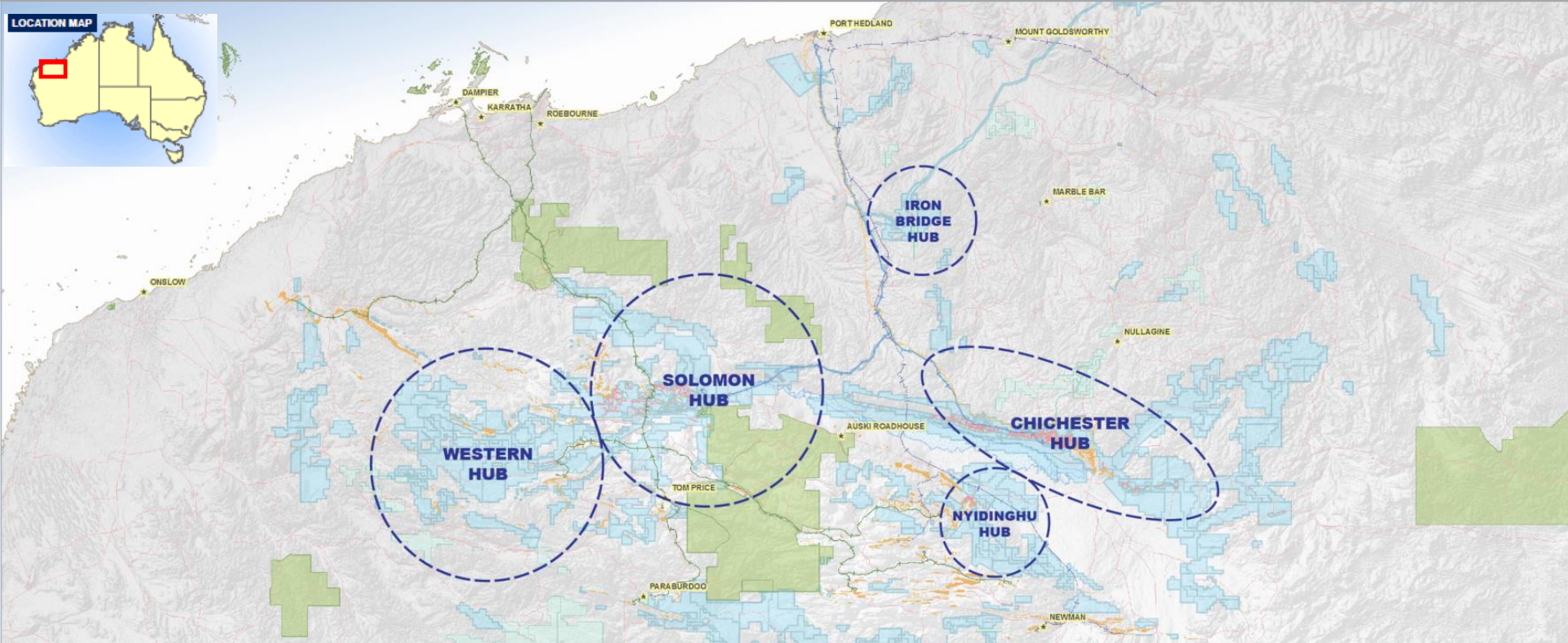
Resource portfolio supports asset base

Largest Pilbara tenement footprint



Firetail replacement - 2021

Options for Firetail replacement being developed

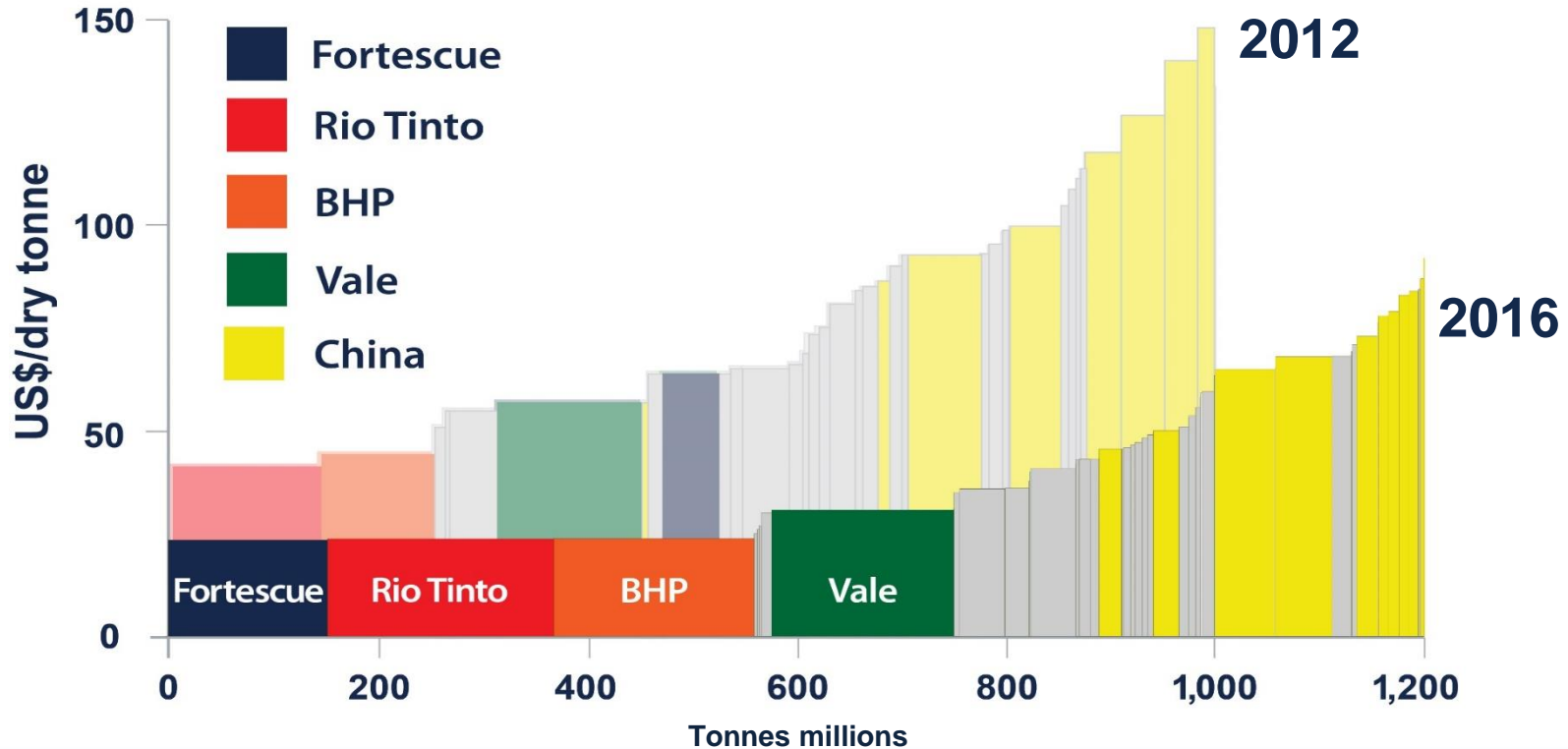


Focussed strategy



Moving down the global cost curve

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



Key strategic focus

Disciplined value creation

- Debt repayment and **capital flexibility**
- Long term **sustainability** of iron ore
- Create **low cost growth** options
 - Leverage skills and culture
 - Exploration and early stage development
- Delivery of **returns** to **shareholders**



The new force in iron ore



Continuous improvement



Sustainable
low cost
producer

World class
assets & people



Customer focus

Reliable
Competitive

Unique culture
drives performance



Fortescue
The New Force in Iron Ore

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GENERATIONone



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 Australian accounting standards is presented below:

Reconciliation of Underlying EBITDA to IFRS measures:

US\$m	31 December 2016	31 December 2015
Profit before income tax	1,732	428
Finance income	(8)	(200)
Finance expenses	256	340
Depreciation amortisation	622	627
Exploration, development and other	43	106
Underlying EBITDA	2,645	1,301

VLOC:

Very large ore carrier.

wmt:

wet metric tonnes.