



**Fortescue**  
The New Force in Iron Ore

# Annual General Meeting

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12 November 2014



# 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 as at 30 June 2014 and 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 Mineral Resource and Ore Reserve Statement at 30 June 2014 as release to the Australian Securities Exchange on 20 August 2014.

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

Reliable and competitive supplier to Asia

- **First ore** 2008
- Over **415mt** shipped to date
- **155mtpa++** production rate
- **Low cost** producer
- Unique **culture**











# OUR VISION

The safest, lowest cost,  
most profitable iron ore producer

## Our Values

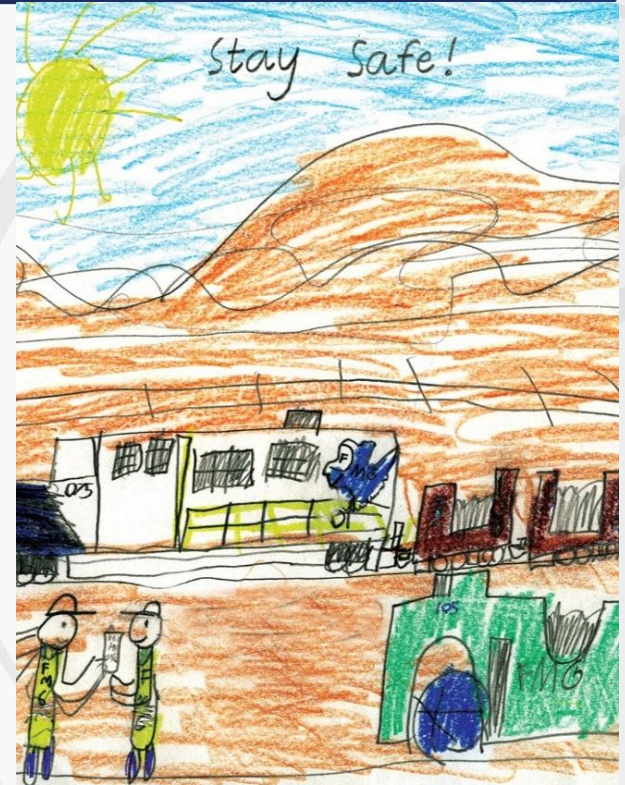




# Safety is at the heart of Fortescue's family values

“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



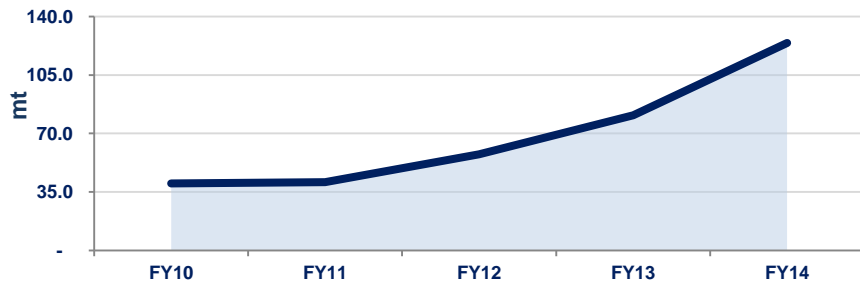
Mini Miners Calendar Colouring Competition

# Annual performance

Record operational performance delivers NPAT of US\$2.7bn and EBITDA\* of US\$5.6bn

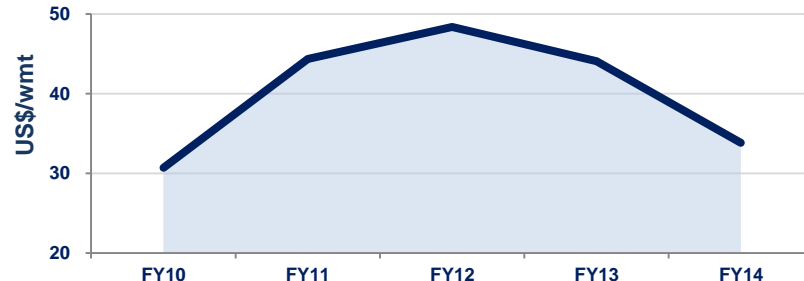
## Volume

↑ 54%



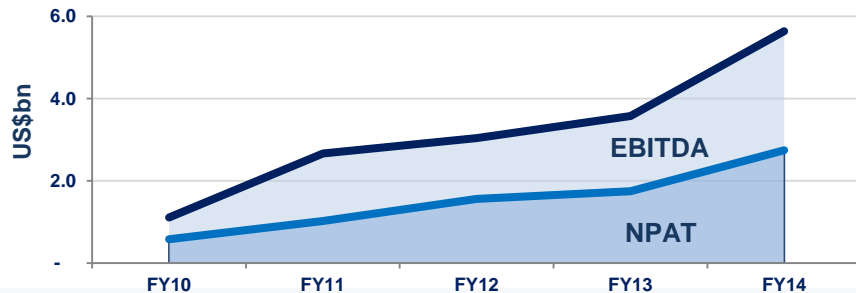
## Costs

↓ 23%



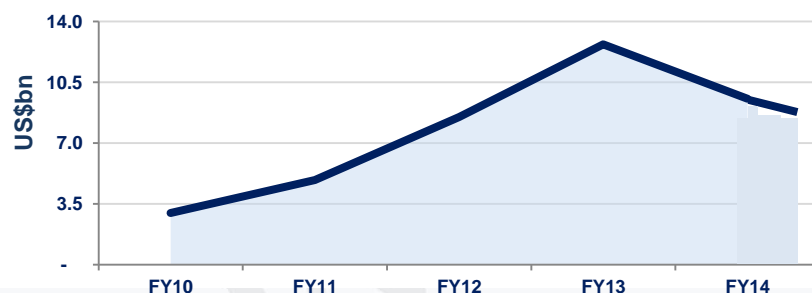
## Earnings

↑ EBITDA 58%    ↑ NPAT 57%



## Debt repaid

↓ US\$3.6bn





# Operating performance

## Cost and efficiency focus

 **14.4mt Oct**  
**7% Sept Qtr**

 **\$US3.6bn**  
**debt reduction**

**172** mtpa  
**Annualised run rate**

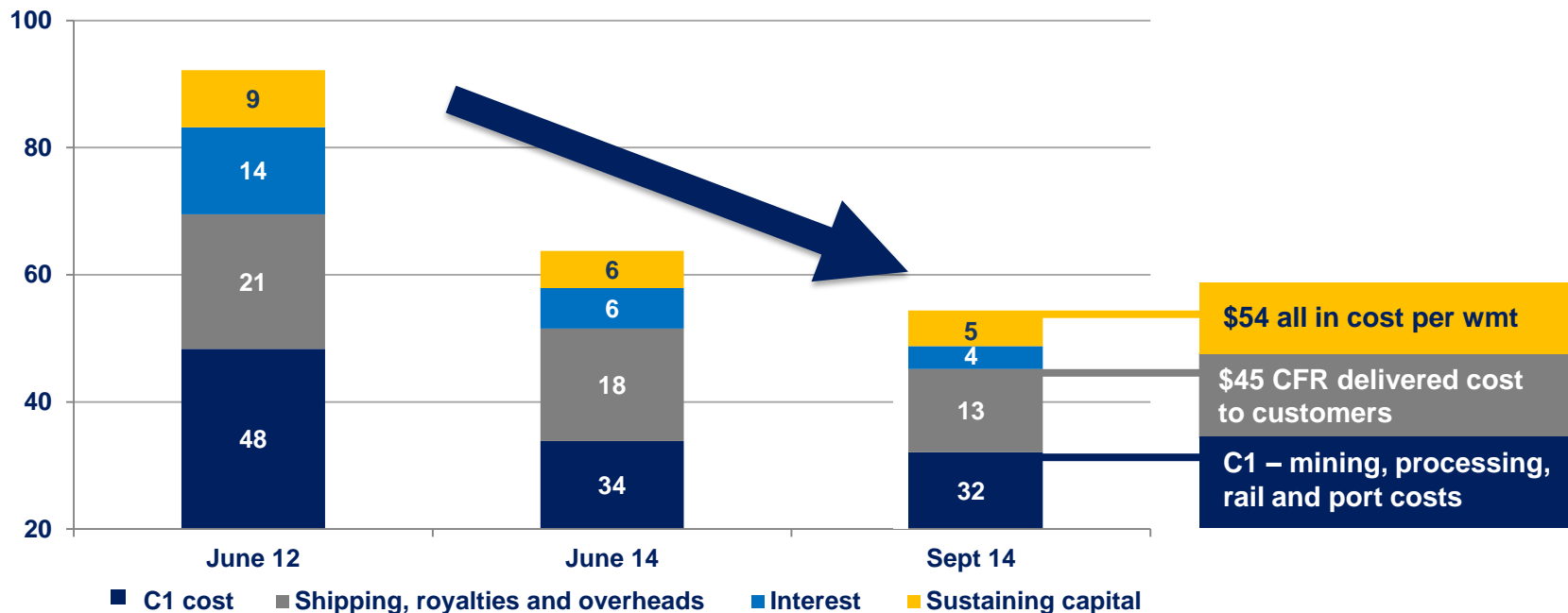
- ✓ October production 14.4mt
- ✓ Sweating the assets

**US\$2.0bn**  
**cash on hand**

 **Costs \$29/t**  
**in October 2014**

# Costs reduction journey

Focus on efficiencies and costs improvements

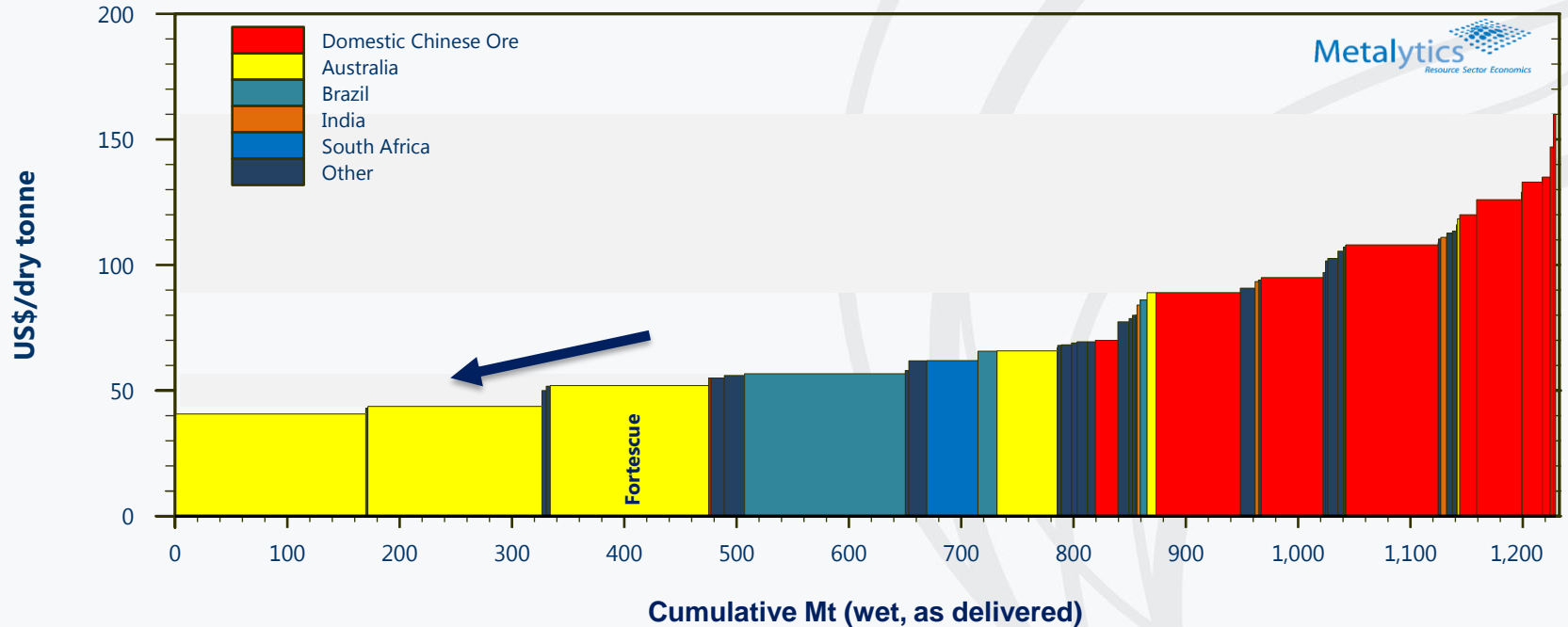


All in cost equivalent to US\$58/dmt

# Moving down the global cost curve

## Targeting bottom quartile

### China Iron Ore Supply CFR Costs (including royalties and freight)

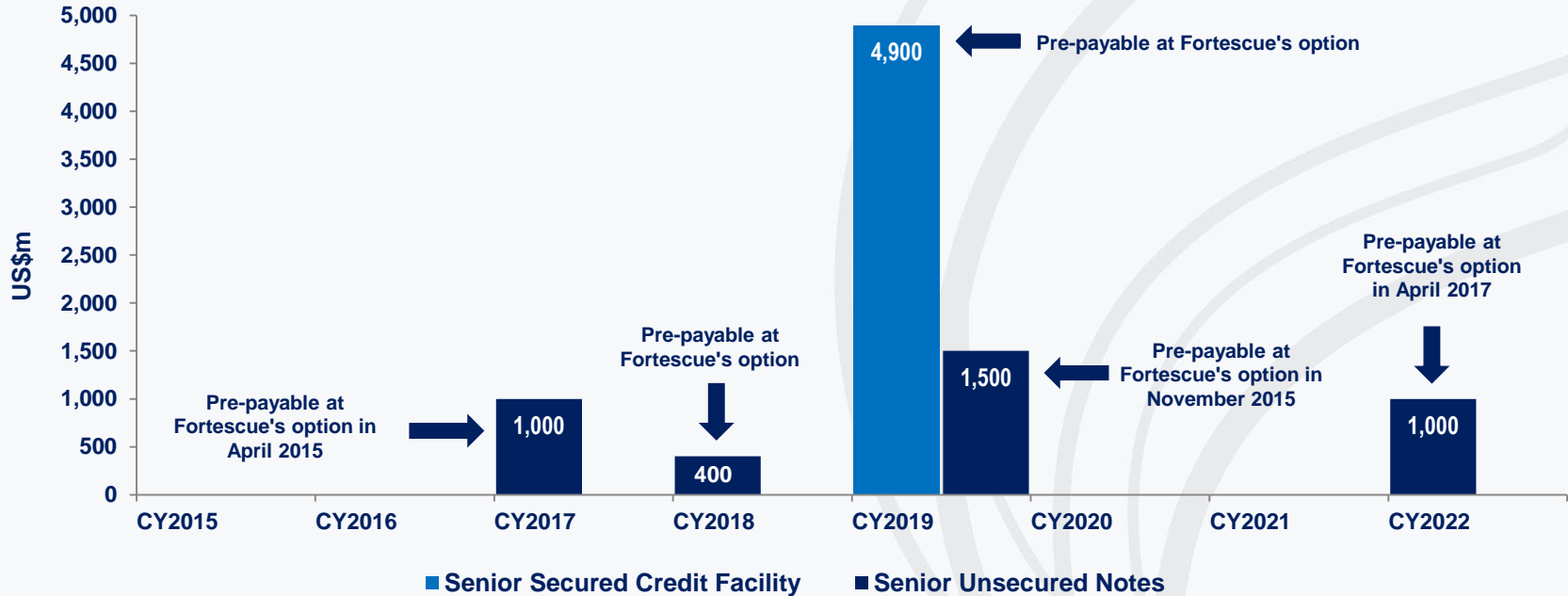


Metalytics  
Resource Sector Economics



# US\$3.6bn debt re-paid since November 2013

Flexibility with no repayments until April 2017





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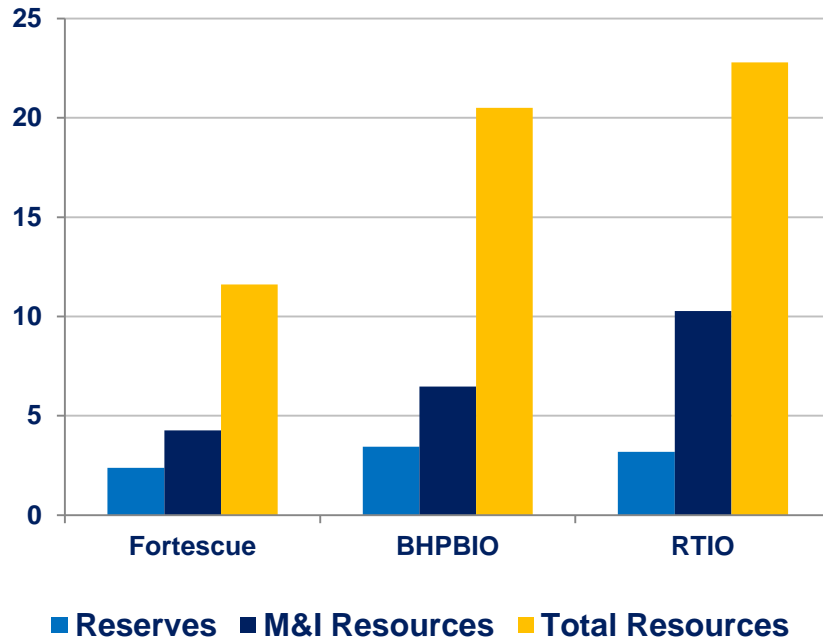
# Resource and reserve



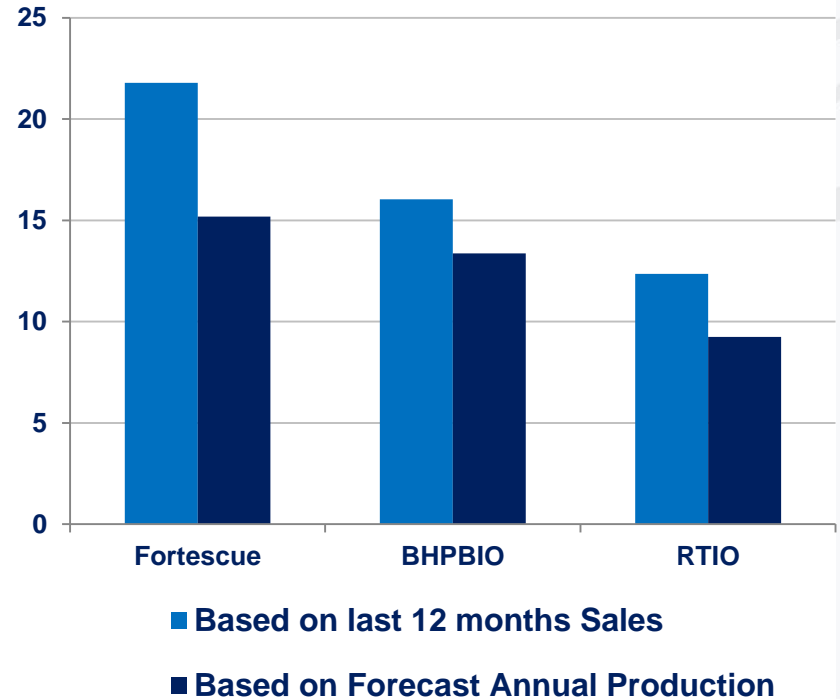
# Mine lives based on current reserves

## Fortescue mine lives compare favourably

Reserve and Resource Tonnages bn (dry)



Ore Reserve Life (Years)







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# Development



# AP5 and Iron Bridge Projects

On time and on budget for March 2015



# Fortescue River Gas Pipeline

## Stage 1 to Solomon Hub

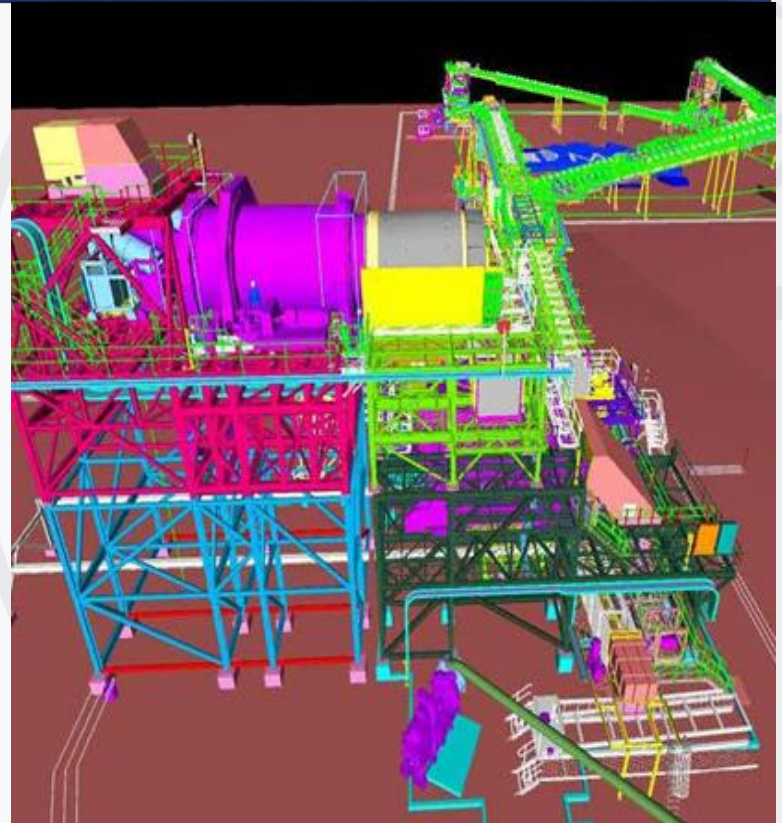




# At mine processing projects

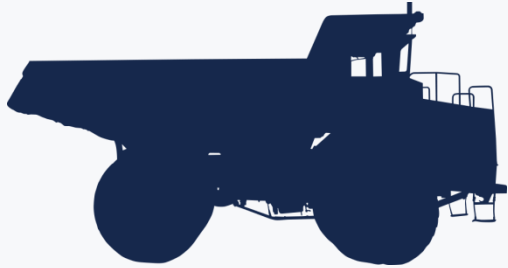
## Solomon DID plant and Chichester's Wet High Intensity Magnetic Separation (WHIMS)

- **Additional 5mtpa DID** from September 2015
- WHIMS **offers low cost production** with reduced water use



# Autonomous Haulage Solution (AHS)

Trials commenced FY13



**20 trucks**  
operating at Kings

**27 mt**

Ore hauled to date

**10-20%**  
operational efficiencies



Improving  
**safety**



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# Market





# China's growth remains strong

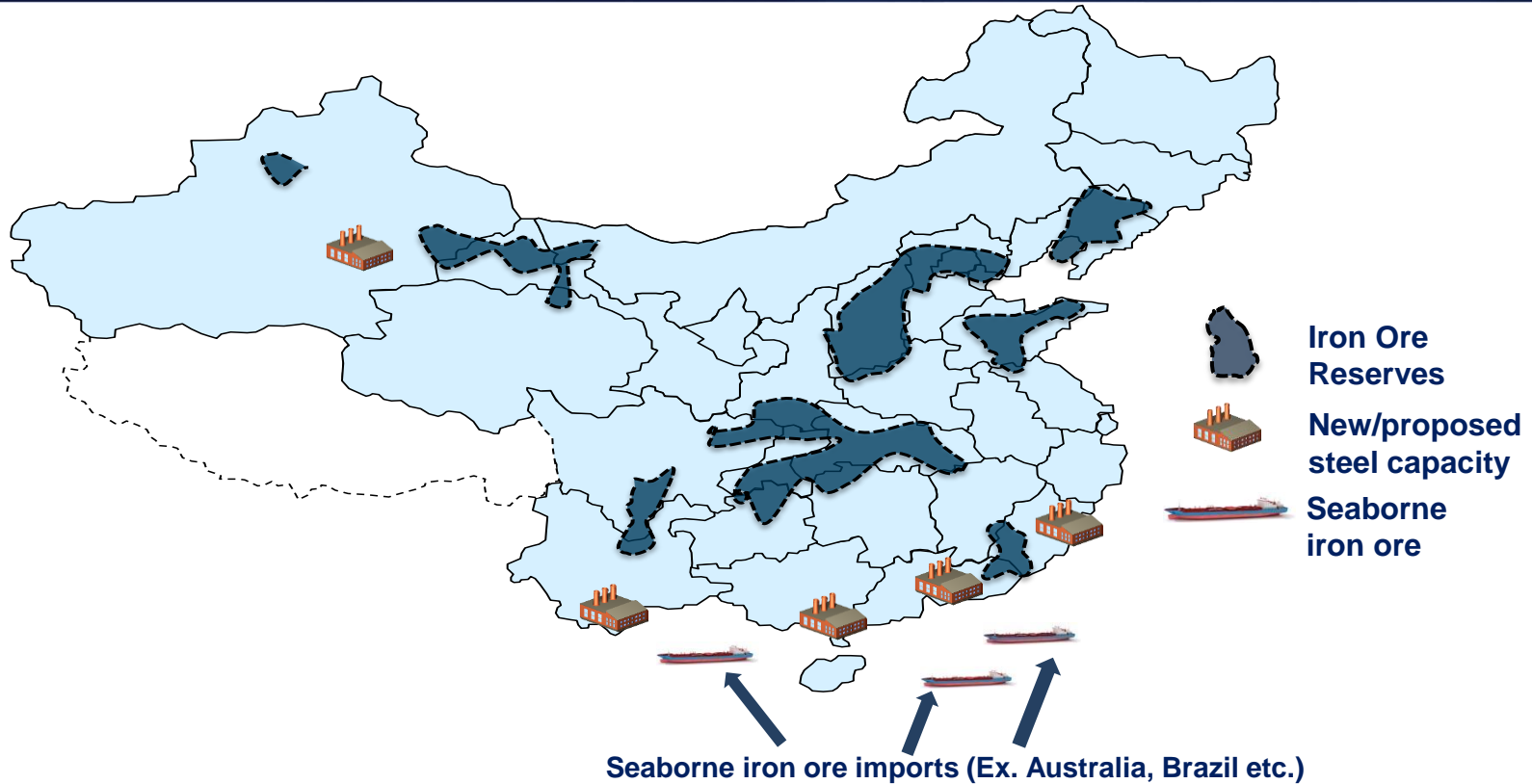
Long term fundamentals remain positive

- China's **urbanisation** continues
- **Pro-business** structural reform
- China's GDP 2014 target remains **~ 7.5% with low inflation**



# Demand for seaborne supply

New coastal capacity moving away from domestic iron ore





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# Supporting our local community





# Building our economy

Unlocking the potential of WA's North West

**15,000**  
employed

**AU\$800m\***  
wages p.a.

**AU\$2.1bn**  
taxes and royalties p.a.

**AU\$490m**  
localised spend FY14



# Ending Aboriginal disparity in the Pilbara

Creating opportunities through training, employment and business opportunity

**1,100**

Aboriginal employees

**12%**

Aboriginal people in  
Fortescue workforce

**\$1.7bn**

Contracts to Aboriginal  
companies and JV's

**VTEC**

Training Centres

Roebourne,  
South Hedland





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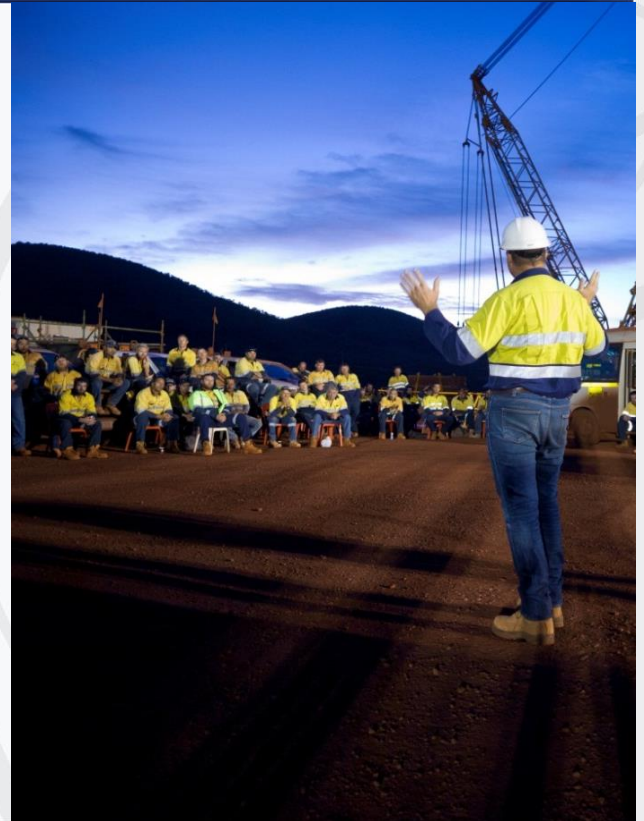
# The Fortescue Journey





# The New Force in Iron Ore ...

- **Low cost** producer **155mtpa++**
- **Fast**, capital **efficient** delivery
- **World class** hardware and **“software”**
- Unique **culture** drives performance
- **Never, Ever Give Up**





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# Business of Meeting



# Agenda Item 1 – Financial Reports

To receive and consider the financial report, the reports of the Directors and the auditors of the Company and its controlled entities for the year ended 30 June 2014.

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## Further information:

Mr Stephen Pearce, Fortescue's CFO and Mr Nick Henry from PwC, the Company's auditor, are present to answer any questions.

### **Please note:**

There is no requirement for a resolution in relation to these reports.



# Resolution 1 – Adoption of Remuneration Report

## Resolution:

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an advisory resolution:

***“That the Remuneration Report for the Company and its controlled entities for the year ended 30 June 2014 be approved and adopted.”***

## Proxy results:

FOR	AGAINST	OPEN TO CHAIR	OPEN TO OTHER
1,432,676,413 (97.68%)	29,367,111 (2.00%)	4,047,280 (0.28%)	641,214 (0.04%)

## Further information:

- This Resolution is advisory only.
- The Chairman will vote undirected proxies for Resolution 1.
- Voting restrictions apply to key management personnel and their closely related parties.
- The Directors recommend that Shareholders vote for Resolution 1.
- The Remuneration Report can be found at pages 98 to 119 of the 2014 Annual Report

# Resolution 2 – Re-election of Mr Andrew Forrest

## Resolution:

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

***“That Mr Andrew Forrest be re-elected as a Director of the Company.”***

## Proxy results:

FOR	AGAINST	OPEN TO CHAIR	OPEN TO OTHER
2,438,915,947 (96.08%)	94,941,733 (3.74%)	3,822,487 (0.15%)	626,109 (0.03%)

## Further information:

- The Directors recommend that Shareholders vote for Resolution 2.
- The Chairman will vote undirected proxies for Resolution 2.
- Mr Forrest, who has an interest in the Resolution, makes no recommendation.
- Details of the experience and qualifications of Mr Forrest are set out at page 7 of the Explanatory Statement to the Notice of Meeting.

# Resolution 3 – Re-election of Mr Owen Hegarty

## Resolution:

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

***“That Mr Owen Hegarty be re-elected as a Director of the Company.”***

## Proxy results:

FOR	AGAINST	OPEN TO CHAIR	OPEN TO OTHER
2,370,350,853 (93.39%)	163,434,690 (6.44%)	3,808,568 (0.15%)	631,714 (0.02%)

## Further information:

- The Directors recommend that Shareholders vote for Resolution 3.
- The Chairman will vote undirected proxies for Resolution 3.
- Mr Hegarty, who has an interest in the Resolution, makes no recommendation.
- Details of the experience and qualifications of Mr Hegarty are set out at page 8 of the Explanatory Statement to the Notice of Meeting.



# Resolution 4 – Re-election of Dr Geoff Raby

## Resolution:

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

***“That Dr Geoff Raby be re-elected as a Director of the Company.”***

## Proxy results:

FOR	AGAINST	OPEN TO CHAIR	OPEN TO OTHER
2,479,284,704 (97.68%)	54,177,508 (2.13%)	4,092,424 (0.16%)	633,214 (0.03%)

## Further information:

- The Directors recommend that Shareholders vote for Resolution 4.
- The Chairman will vote undirected proxies for Resolution 4.
- Dr Raby, who has an interest in the Resolution, makes no recommendation.
- Details of the experience and qualifications of Dr Raby are set out at page 8 of the Explanatory Statement to the Notice of Meeting.

# Resolution 5 – Refresh approval of proportional takeover provisions

## Resolution:

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a special resolution:

***“That approval of the proportional takeover provisions previously received at the 2011 Annual General Meeting and set out in the Company’s Constitution be refreshed for a further three years.”***

## Proxy results:

FOR	AGAINST	OPEN TO CHAIR	OPEN TO OTHER
2,528,134,718 (99.55%)	6,167,760 (0.24%)	4,557,445 (0.18%)	642,681 (0.03%)

## Further information:

- The Directors recommend that Shareholders vote for Resolution 5.
- The Chairman will vote undirected proxies for Resolution 5.
- Details of the resolution and proportional takeover provisions are set out at pages 9 to 11 of the Explanatory Statement and Annexure A to the Notice of Meeting.



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# Chairman's Address







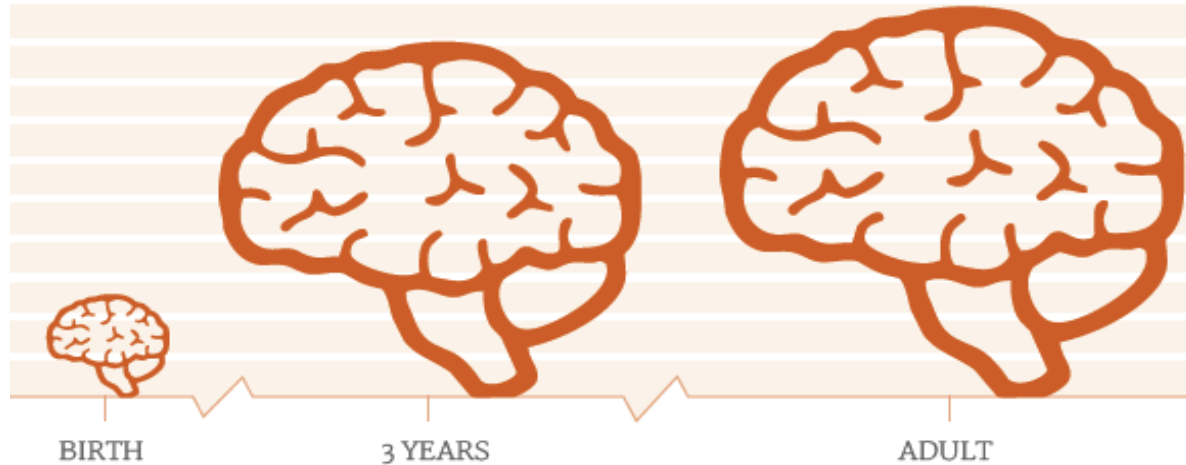
FORREST  
RESEARCH  
FOUNDATION

# Supporting Western Australian Universities

- **\$65 million scholarships and postdoctoral** fellowships
- First **Forrest Scholars** to be announced in mid 2015
- Attract talent with the potential to **change the world**



# Early Childhood Development





# Early Childhood Development – time to act

- Children who aren't '**school ready**' are less likely catch up
- **\$7 return** for every \$1 invested in the early years
- **Changing the national approach** to early childhood

## From conception to birth brain size growth is infinite

- from Birth to three years of age the brain grows over 300%
- From there to full maturity only 5-10% additional
- Where would you put your money?

GENERATION  ONE

# GenerationOne

5,000 jobs through Vocational Training & Employment Centres

- **349 employment partners** pledging more than **60,000 jobs**
- Over **20,000 positions filled**
- **75% retention rate** at 26 weeks



# GenerationOne

5,000 jobs through Vocational Training & Employment Centres

- **Department of PM&C with GenOne contracted 24 VTECs**
- **5,000 Indigenous Australians** for guaranteed long term employment
- **CEO for a Day** saw ten Indigenous business leaders spend a day with CEOs







# Forrest Review

## Creating Parity



# Creating Parity Review

- Commissioned by **Australian Prime Minister**
- **First holistic strategy for Australia to end the disparity**
- Total of **27 recommendations** were provided to the Government
- Widely hailed by Indigenous Australians as a **break-through suite of policies**
- Australian communities are calling for the Government to **implement the Creating Parity Review**

# Creating Parity Review





**WALK FREE.ORG**

THE MOVEMENT TO END MODERN SLAVERY





# THE GLOBAL SLAVERY INDEX

“ There are an estimated **29.8 million people** living in conditions of modern slavery today. ”

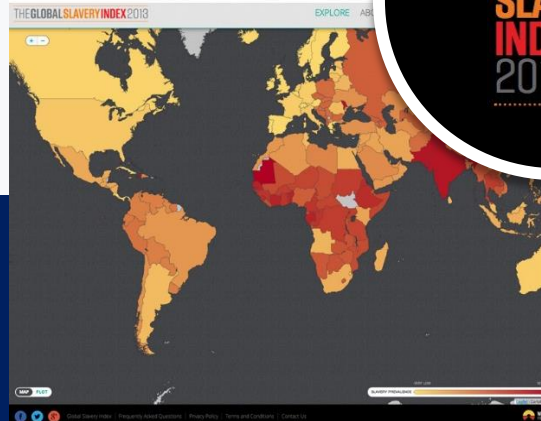
*Source: Walk Free Global Slavery Index 2013*



# Walk Free Foundation

## Worlds first Global Slavery Index

- 2014 index includes prevalence in **167 countries** and government responses



Fiona David

**Eight million activists in every country of the world**



**WALK FREE.ORG**

THE MOVEMENT TO END MODERN SLAVERY




# Walk Free Foundation

## The Movement

- **8 million activists** in 191 countries and growing
- **Working with partners** on the ground in 10 countries – expanding to 20



Olly  
Buston



# TACKLING MODERN SLAVERY IN SUPPLY CHAINS

A GUIDE 1.0



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THE MOVEMENT TO END MODERN SLAVERY

# Walk Free Foundation

## Global Business Authentication

- Working alongside businesses to implement solutions that **eradicate modern slavery** from their supply chains



**Peter  
Nicholls**



# Walk Free Foundation

## Global Freedom Network

- **Historic mobilisation of all major faiths** of the world to bring modern slavery and human trafficking to an end



**Antonia  
Stampalija**



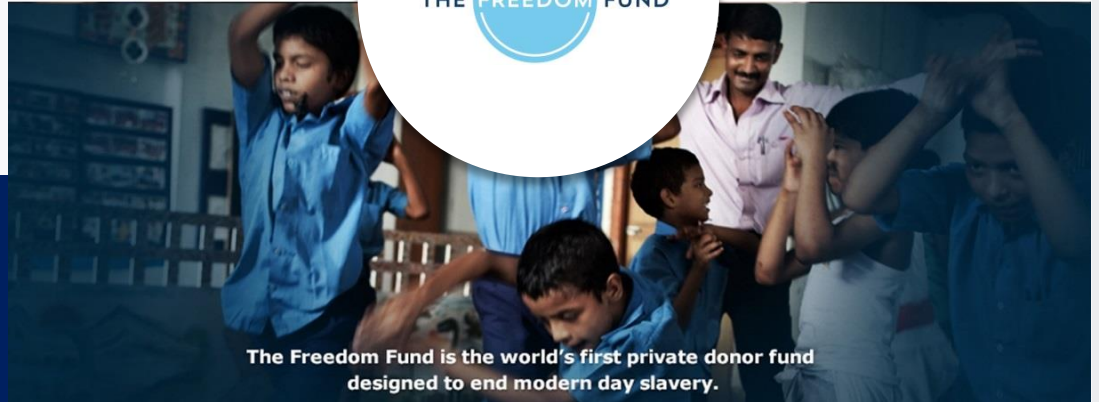
# The Freedom Fund



# Walk Free Foundation

## The Freedom Fund

- The \$100 million dollar Freedom Fund announced at the Clinton Global Initiative in September 2013 - has immediate pledges of \$30 million from Walk Free, Legatum and Humanity United



**Nick  
Grono**



# Global Fund To End Slavery



# Walk Free Foundation

## Global Fund To End Slavery

- An innovative **private-public partnership** to end all forms of modern slavery launching in 2015

**Costed National Plans to end slavery in every country**



*The only way that countries ever change (unless invaded) is if they drive change themselves*



**Dr. Jean  
Baderschneider**



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# Retiring Directors









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# Glossary

## Definition of non-IFRS terms

**NPAT** = net profit after income tax

**EBITDA** = profit before income tax adjusted for depreciation and amortisation, asset write offs, exploration, development and other write-offs, net finance costs and gain or loss on refinancing

**Debt** = Current and non-current borrowings and financial liabilities

**Net debt** = debt + cash and cash equivalents

**Gearing** = debt / (debt + equity)

**C1** = costs of mining, processing, rail and port per wet metric tonne

**Total delivered costs** = C1 + shipping, royalties and administration costs

**Free cash flow** = operating cash flow – capital expenditure

**Return on equity** = profit for the year after income tax divided by total equity

**Interest coverage** = EBITDA / interest expense

## Reconciliation of EBITDA to IFRS items

	2014 US\$m	2013 US\$m
Profit before income tax	3,913	2,466
Finance income	(21)	(33)
Finance expenses	741	586
Gain on refinancing	-	(23)
Depreciation and amortisation	965	463
Impairment	22	71
Exploration, development and other	16	45
<b>EBITDA</b>	<b>5,636</b>	<b>3,575</b>

**Earnings per share (EPS)** = profit for the year after income tax divided by undiluted weighted average ordinary shares.

Non IFRS information disclosed in this presentation has not been subject to audit.

**dmt** = dry metric tonne

**wmt** = wet metric tonne

**mtpa** = million tonnes per annum