

# Diggers & Dealers 2018



Together we are Fortescue

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### Important Notice

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### Additional Information

This presentation should be read in conjunction with the Annual Report at 30 June 2017 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 2017 as released to the Australian Securities Exchange on 18 August 2017. 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

Safety focus: engagement, empowerment, leadership

Core supplier  
to China

1 billion tonnes  
Shipped



Low cost  
producer

170mt  
Production rate





# Generating shareholder value

Focus on safety, productivity and efficiency

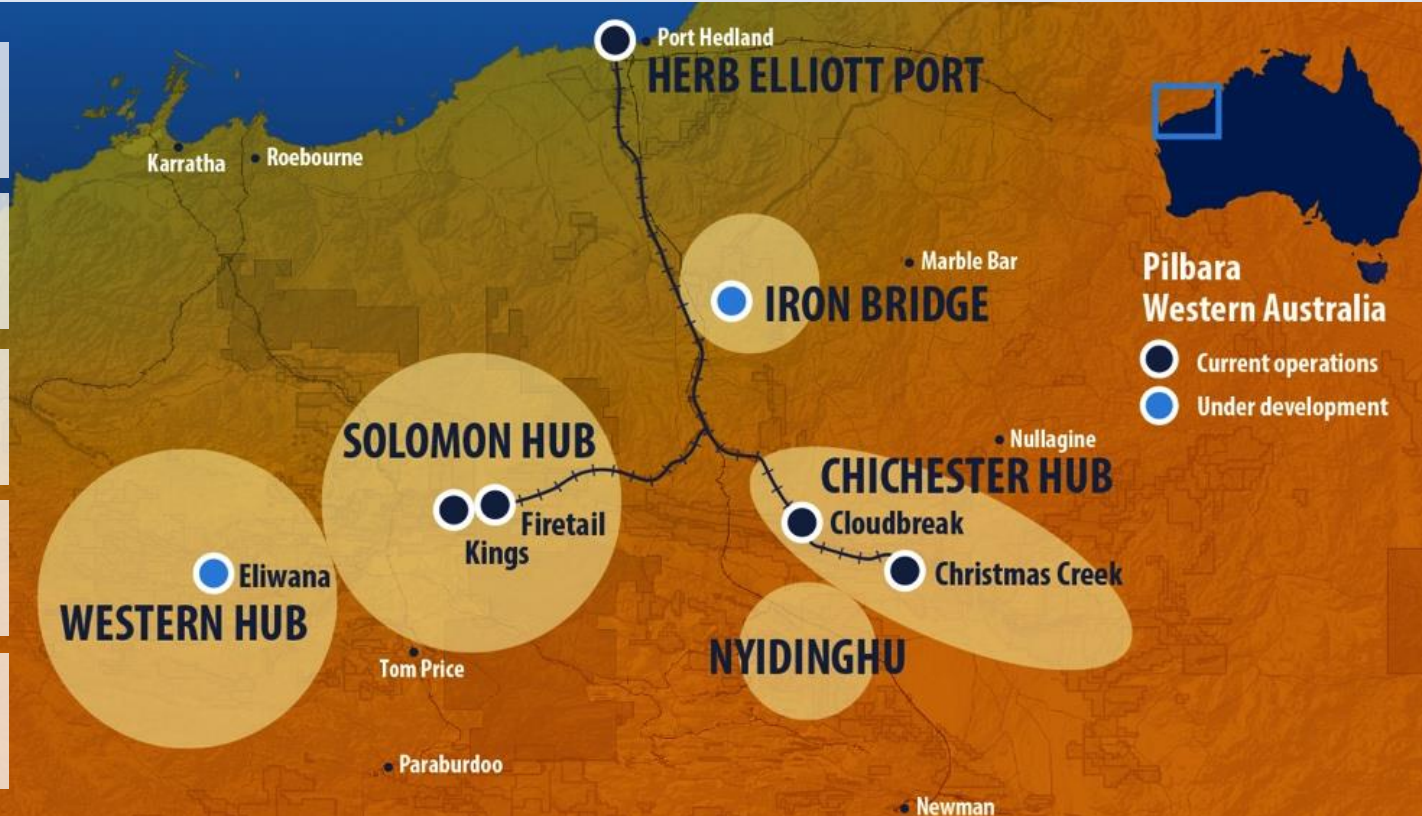
Market strategy

Operational performance

Long life resources

Capital discipline

Shareholder returns



# FY18 June quarter results



Sustainable cost reduction and consistent production performance

**TRIFR 3.6**

Committed to safety

**C1 cost**

**US\$12.17/wmt**

**US\$0.5bn**

Debt reduced in FY18

**46.5mt**

Record 170mt for FY

**US\$12.36/wmt**

Estimated FY C1 cost

**Net debt**

**US\$3.1bn**



# Sustainable cost improvements

Initiatives delivering long term low cost outcomes – US\$12.17 June quarter

## Structural improvements

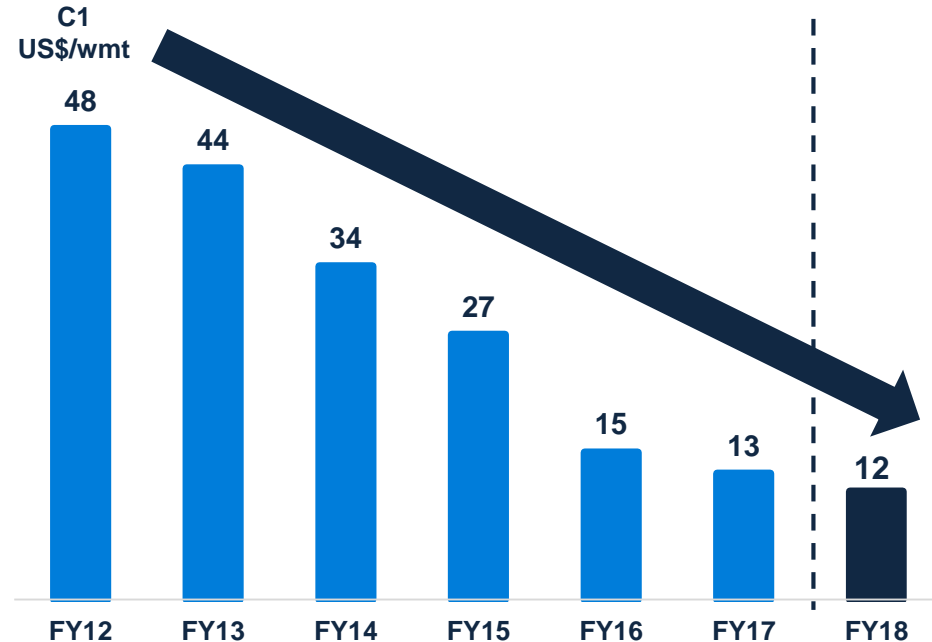
Solomon + Blending + Processing

## Productivity and Efficiency

Utilisation, Recoveries, Maintenance

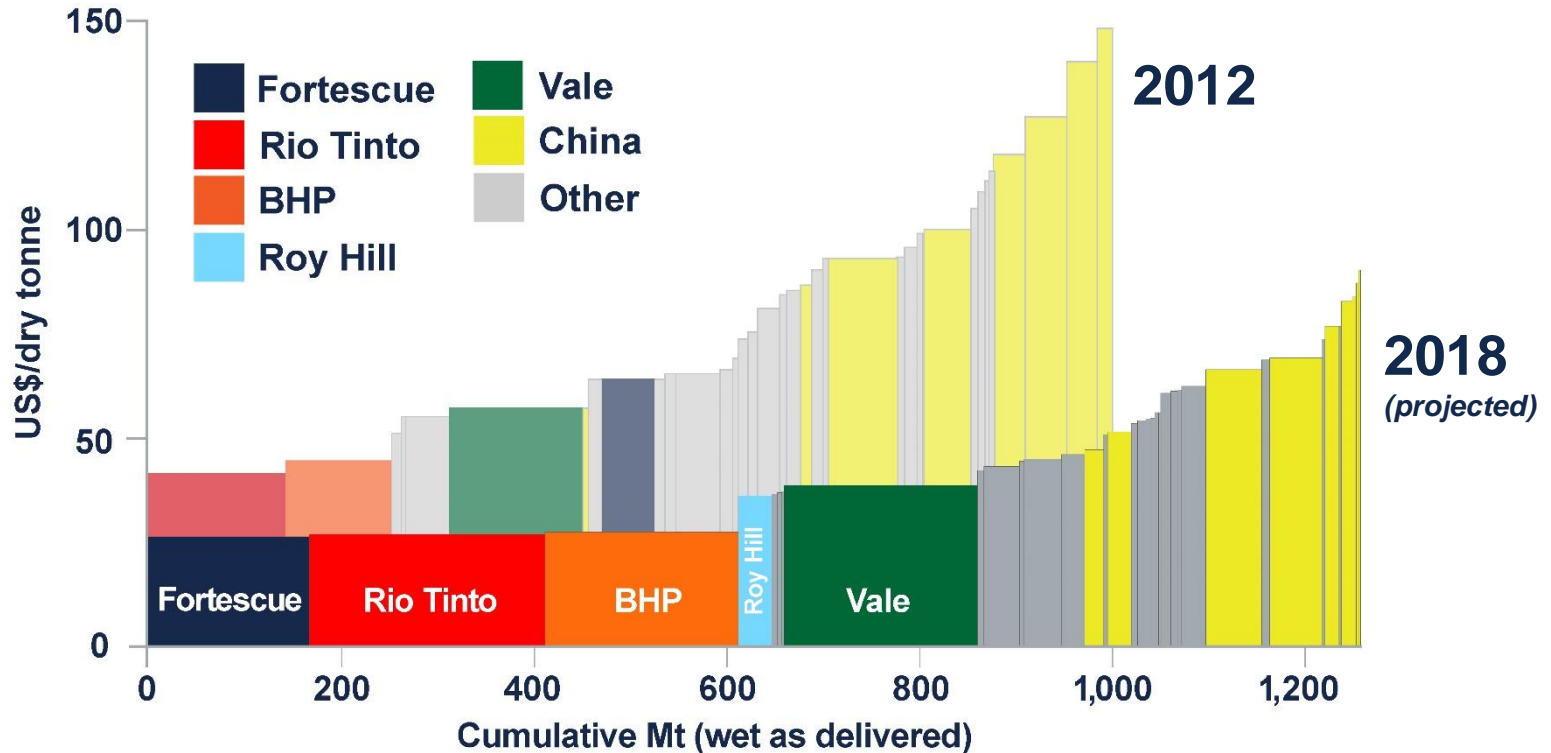
## Innovation and Technology

Autonomy, Gas, Ore Carriers, Data analysis



# Maintaining position on the cost curve

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







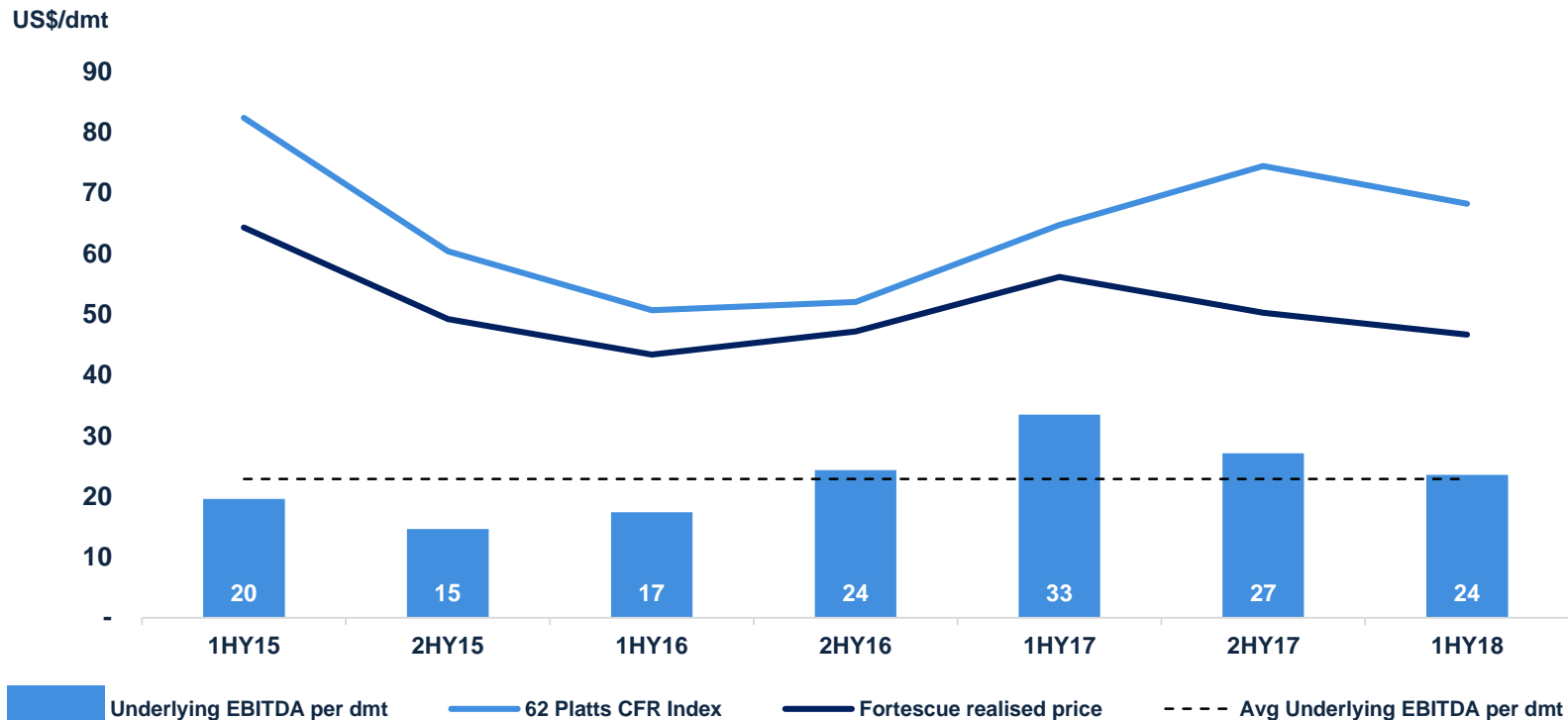
**Fortescue**  
The New Force in Iron Ore

# Financial performance



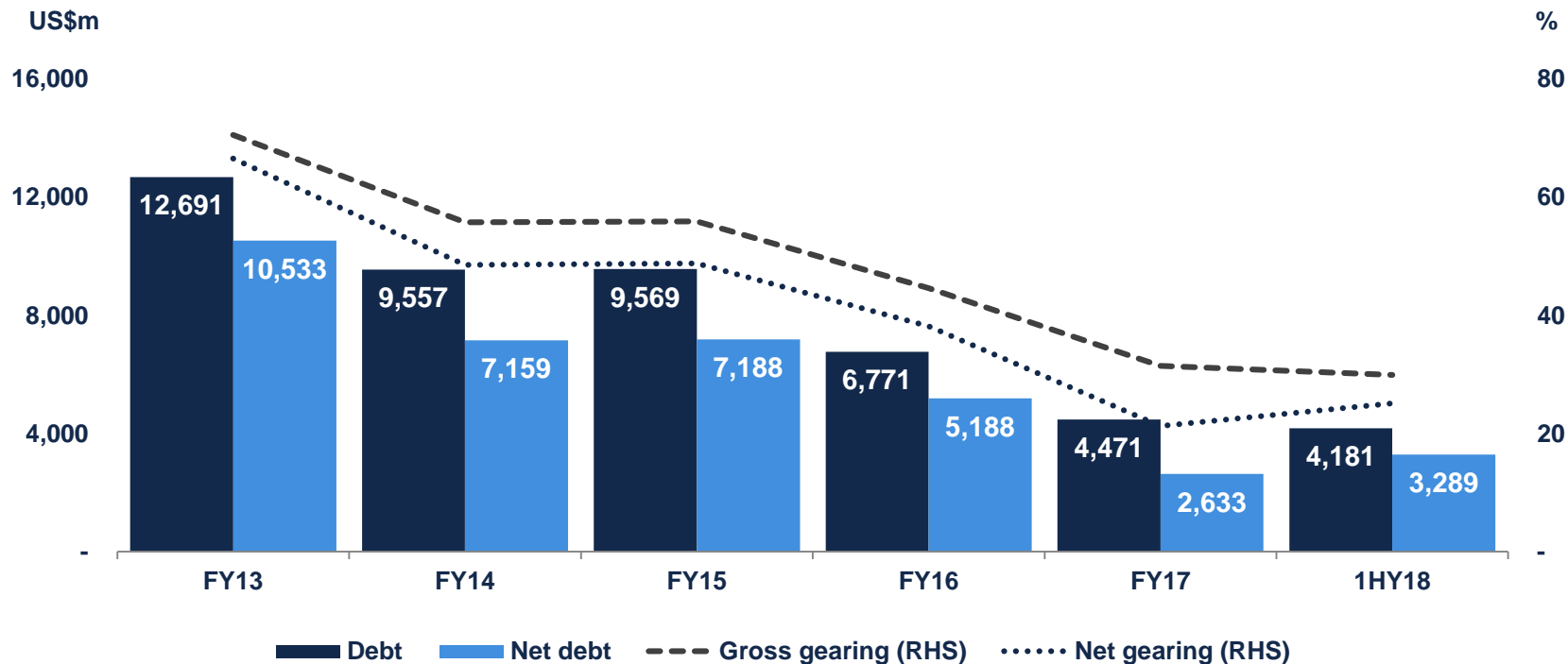


## Managing operations to maximise margins



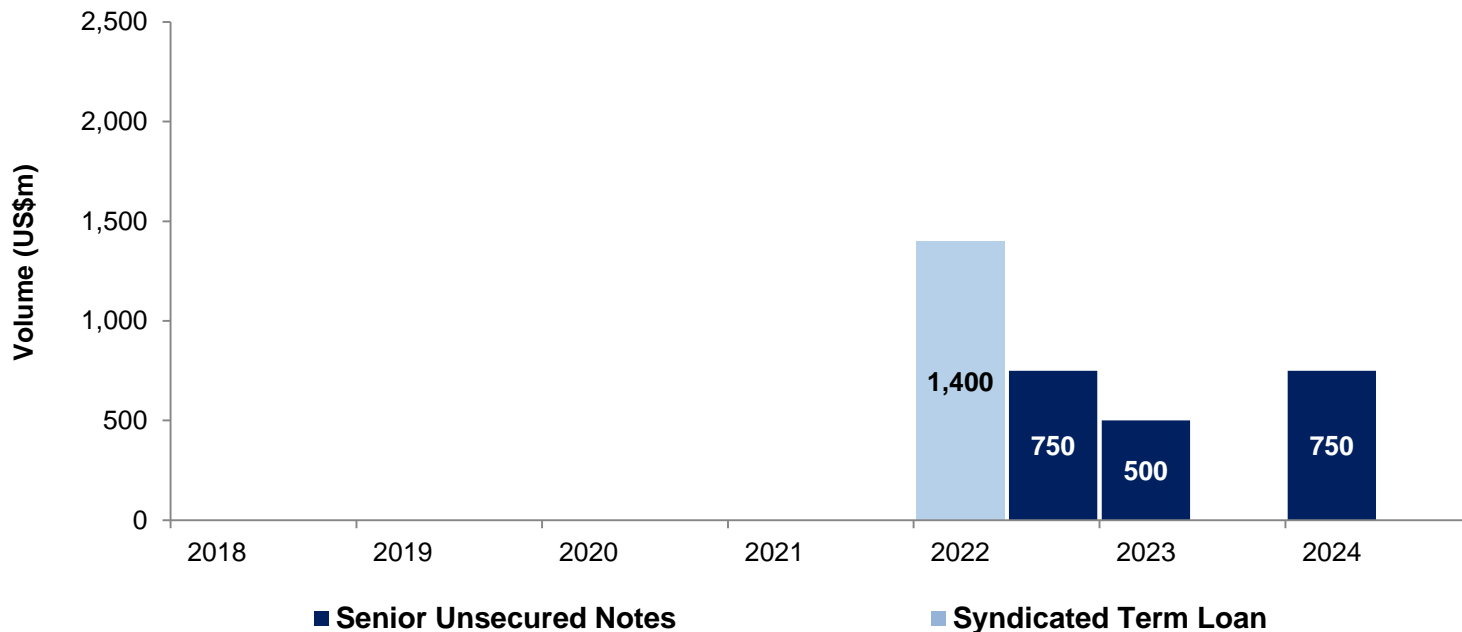
# Debt repayments

Lowering gross debt to US\$4bn and net debt to US\$3.1bn at 30 June 2018



# Proforma debt maturity

Lowering borrowing costs and improving flexibility of capital management



**2022 Senior Secured Note repayment and refinancing complete in June 2018**





**Fortescue**  
The New Force in Iron Ore

# Market



# Core supplier to Asia

Well established market share of imported iron ore to China

## Low impurity products

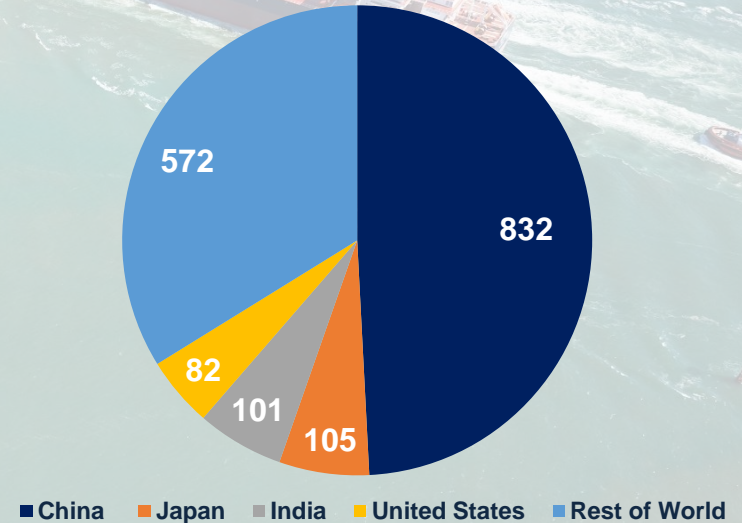
Competitive  
value in use

Diverse  
customer base

Responsive  
to market needs

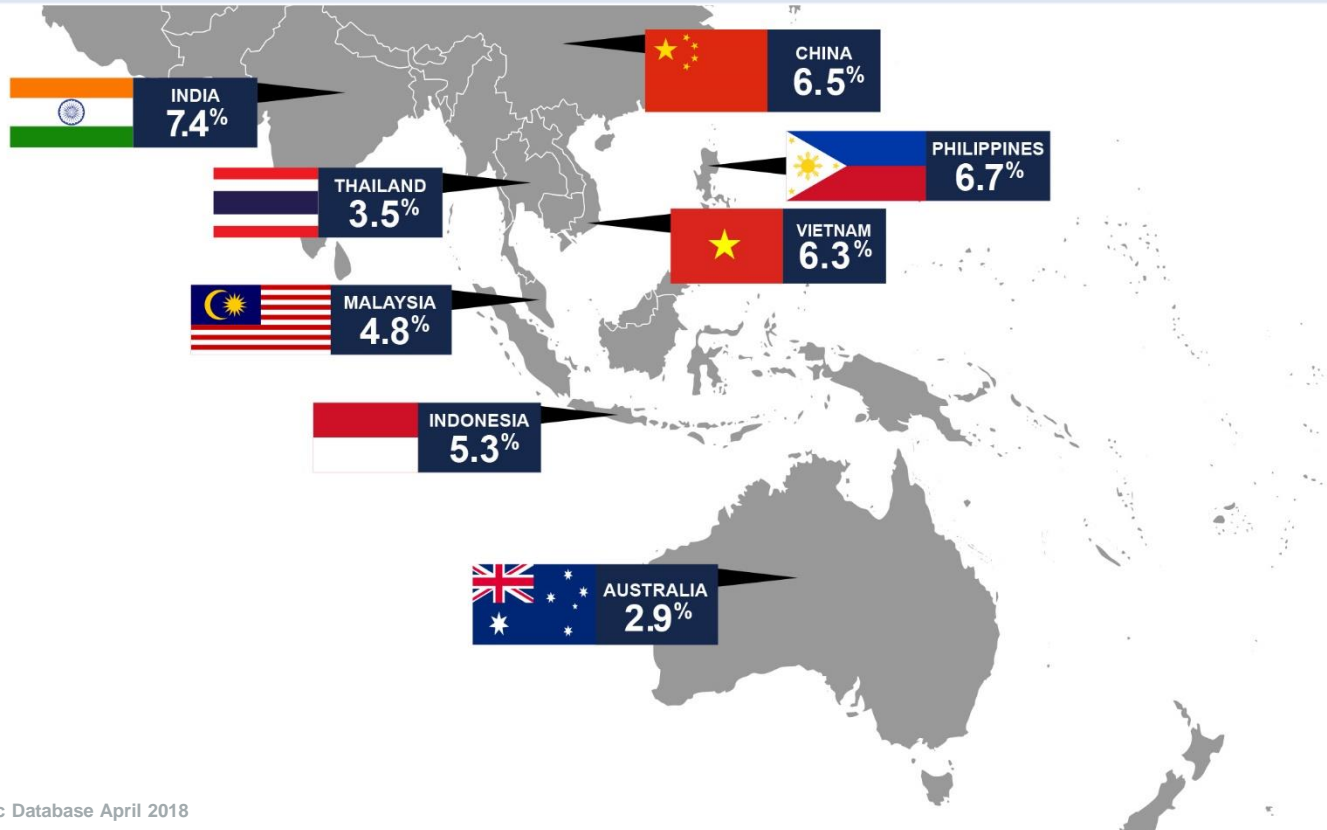
Proximity  
to high growth region

2017 global steel production 1,691mt



# Developing and emerging Asia

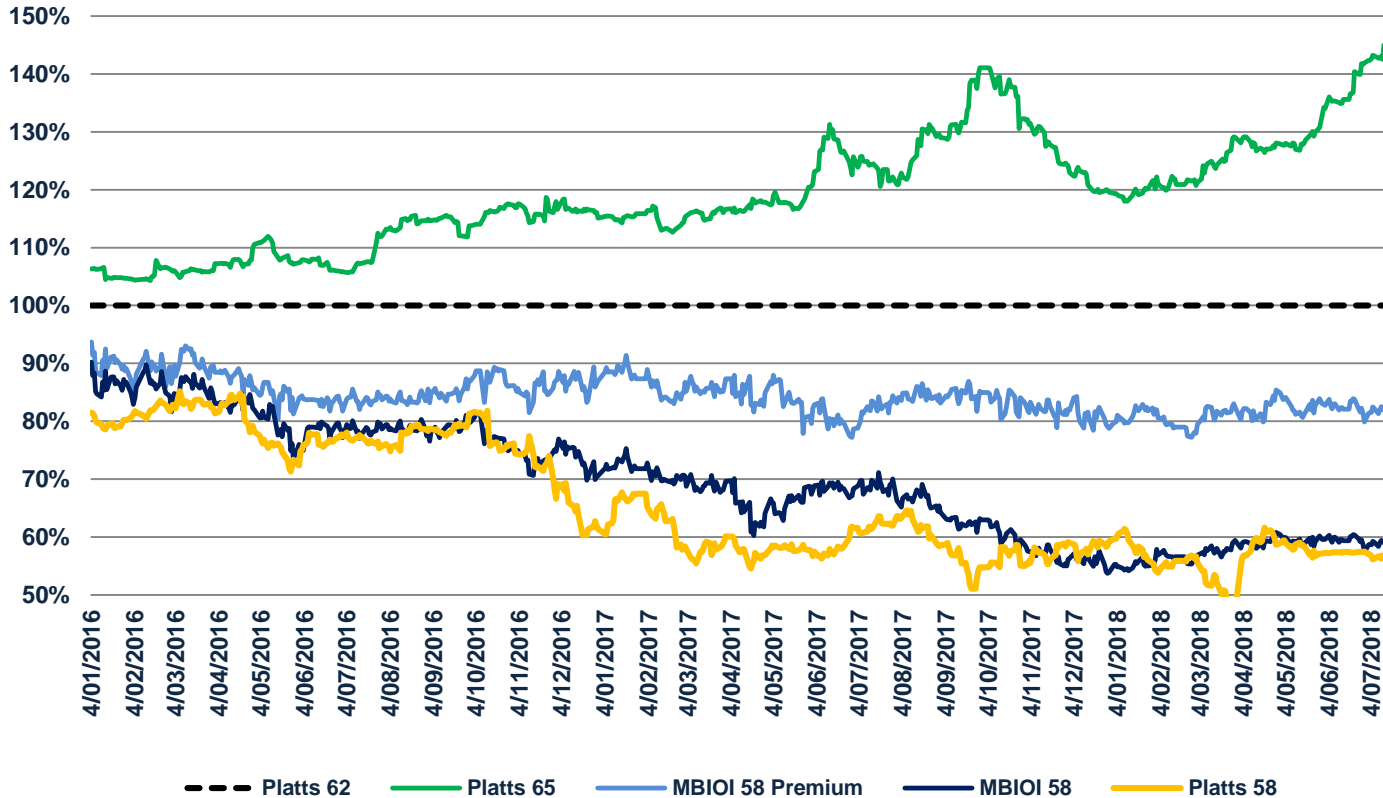
## Asian economies generating two thirds of global growth





# Iron ore price

## Variation between iron ore products driven by high steel mill profitability



# Focus on core iron ore business

## Large tenement footprint





# Eliwana Project

Underpins 60% product, financed from operating cash flows

**US\$1.275bn** capital investment

**143kms** rail; **30mtpa** dry OPF

**Strip Ratio 1.1** average LOM

Production start **Dec 2020**

Capital intensity **US\$42/t**





# Product strategy – maximise margins

Pathway to developing >60% iron content product

## Eliwana

Key to 60% Fe  
product

## Blending

Chichester +  
Solomon + Eliwana

**Greater**  
operational  
flexibility

**Optimise margins**  
Product spec  
Cost  
Mine lives





# Innovation and Growth





# Innovation projects

Delivering future operational and cost improvements

**AHS\* >500mt**  
material moved  
at Solomon

**10 autonomous**  
drills in operation

**Chichester**  
**100 AHS\* trucks**  
**>3 years**

**Relocatable**  
**conveyor**  
at Cloudbreak



\*AHS - Autonomous Haulage System

# Active exploration

Developing low cost growth options across Iron Ore, Lithium, Copper and Gold

**Pilbara**

**New South Wales**

~2,000km<sup>2</sup> tenure

**South Australia**

~6,000km<sup>2</sup> tenure

**South America**

Ecuador, Colombia, Argentina





# Our people are at the heart of innovation



## Innovative training and career development pathways

**814**

VTEC graduates  
commenced

**103**

Trade Up, Apprentices  
and Graduates

**98%**

Apprentice completion rate  
79% Aboriginal people

Successful  
redeployments



# Building strong communities





# Creating positive social change

## Empowering Aboriginal people and embracing diversity



**14.6%**

Aboriginal  
employment

**\$2 billion**

Contracts with  
Aboriginal businesses

**17.4%**

Female employment

**24%**

Female management

# Focussed strategy





## Sustainable performance driven by innovation



**165-173mt**  
**Shipments**

**US\$12-13/wmt**  
**C1 cost**

**US\$1.2bn**  
**Total Capital**  
**Expenditure**

**Dividend**  
**payout ratio**  
**50 – 80% NPAT**

# Key strategic focus

## Disciplined capital management

**Balance sheet strength  
and flexibility**

**Long term sustainability**

**Low cost growth options**

**Returns to shareholders**





# Celebrating 15 years of milestones



Together we are Fortescue

**15**  
**Year**

**ANNIVERSARY**

**10**  
**Years**

**SINCE FIRST ORE  
PRODUCED**

**1**  
**Billion**

**TONNES IRON  
ORE SHIPPED**

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



**Sustainable**  
Low cost producer

**World class**  
Assets and people

**Customer focus**  
Reliable and competitive

**Unique culture**  
Drives performance







**Fortescue**  
The New Force in Iron Ore

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