



Fortescue
The New Force in Iron Ore

Corporate Presentation

December 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.

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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*.

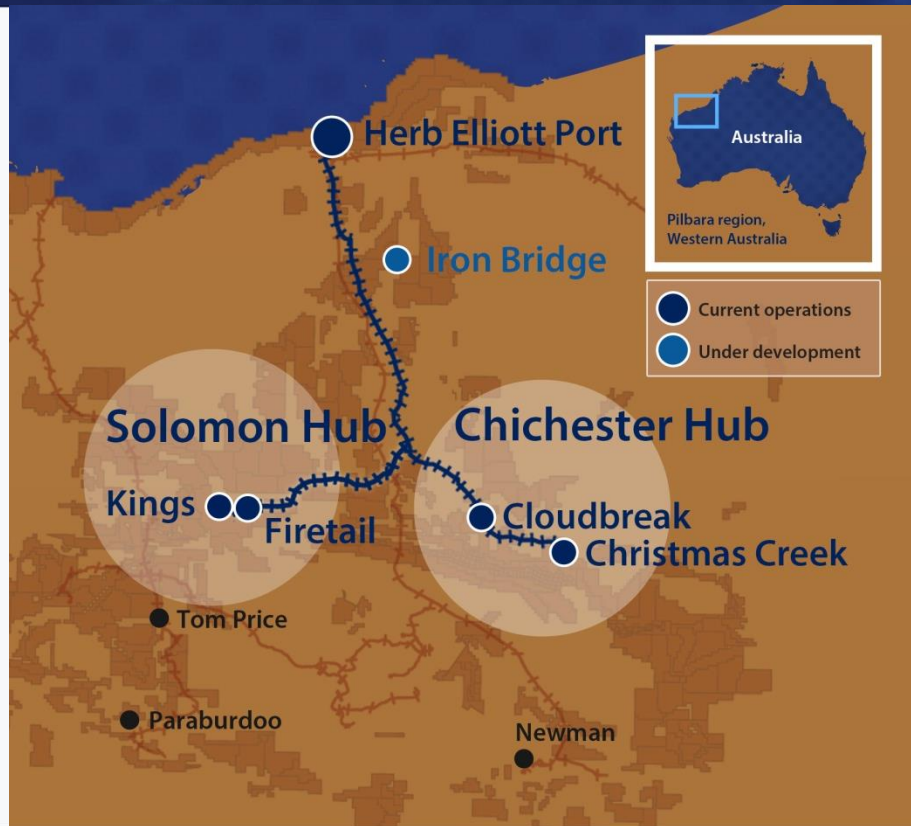
Any references to reserve and resources estimations should be read in conjunction with Fortescue's Mineral Resource and Ore Reserve Statement at 30 June 2014 as release to the Australian Securities Exchange on 20 August 2014.

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

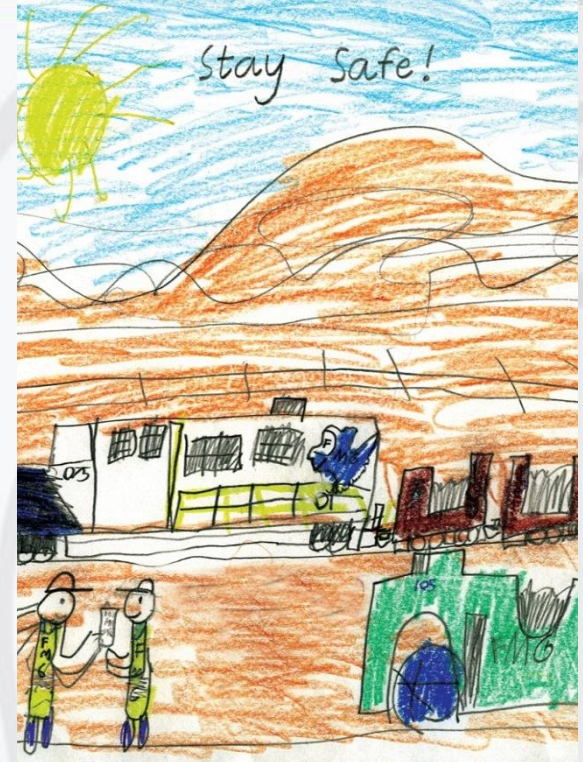
Our Values



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



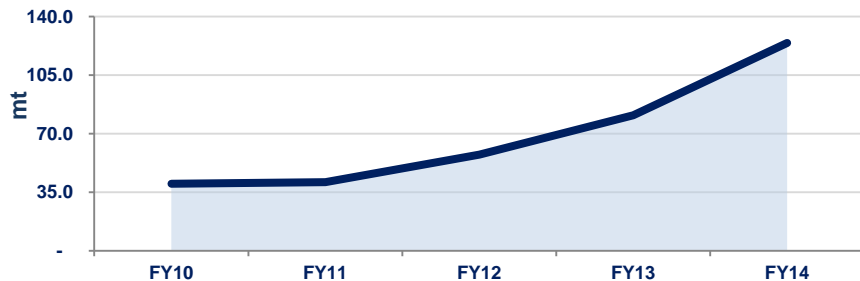
Mini Miners Calendar Colouring Competition

Annual performance

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

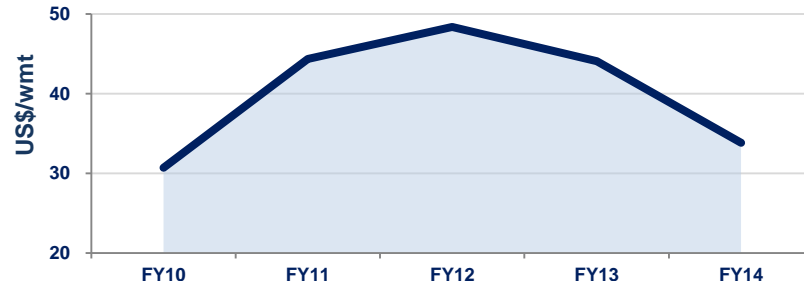
Volume

↑ 54%



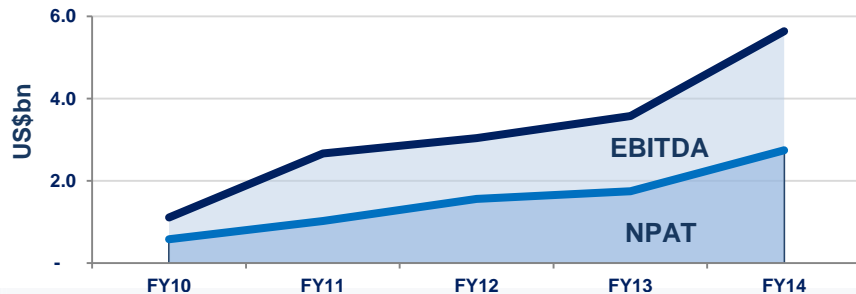
Costs

↓ 23%



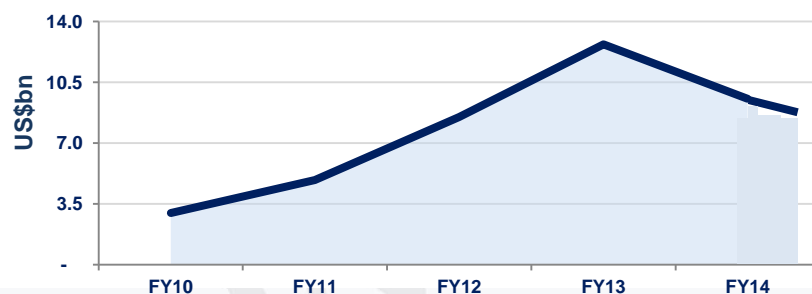
Earnings

↑ 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

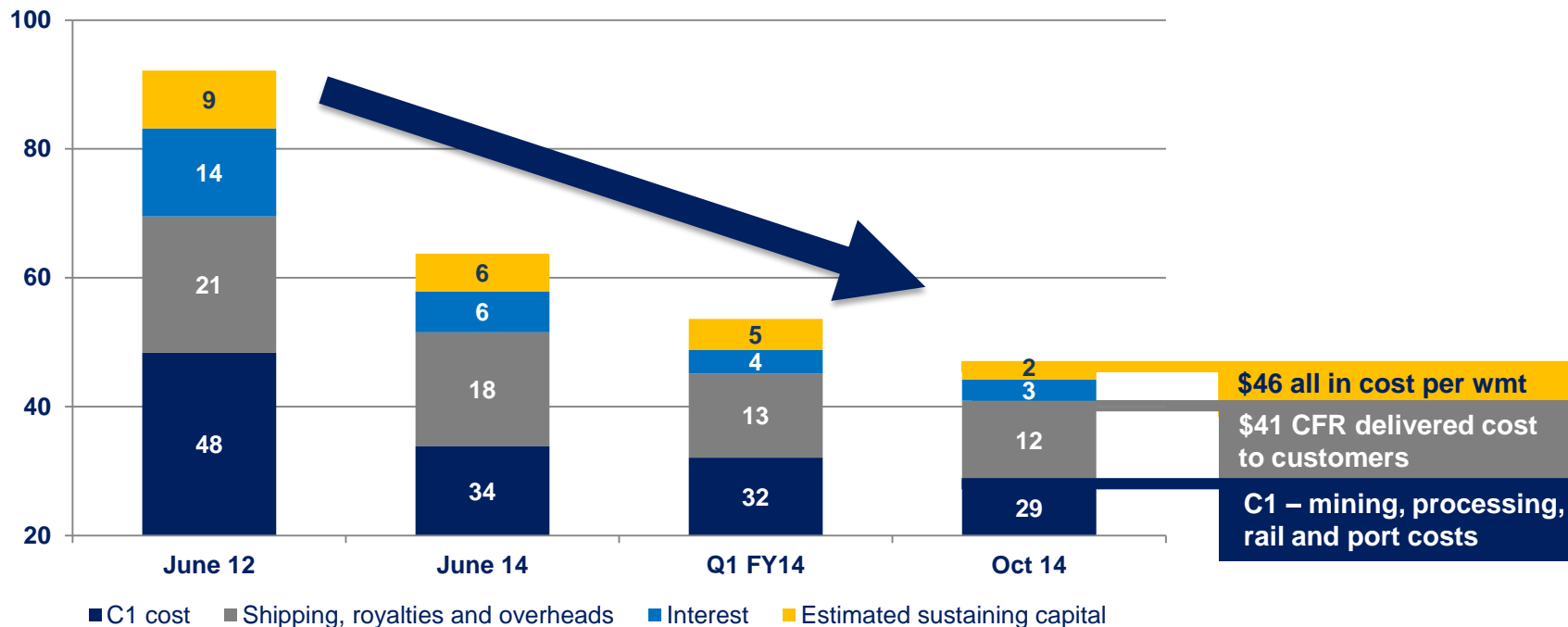
- ✓ October production 14.4mt
- ✓ Sweating the assets

US\$2.0bn
cash on hand

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

Costs reduction journey

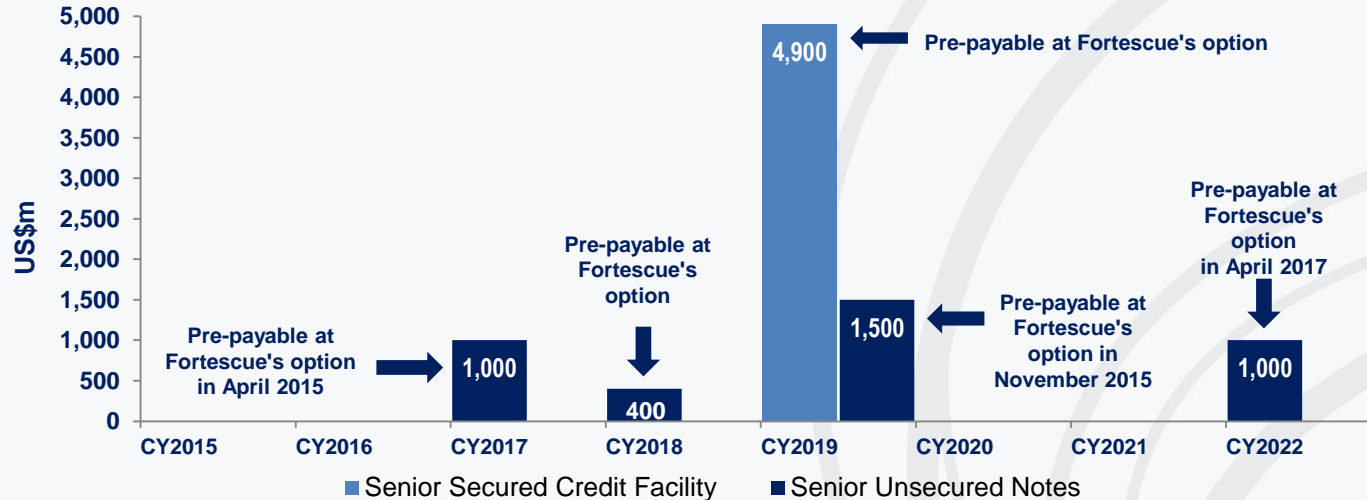
Focus on efficiencies and costs improvements



All in cost equivalent to US\$51/dmt

US\$3.6bn re-paid since November 2013

Flexibility with \$5.3bn available for voluntary repayment and \$7.8bn by Nov 2015



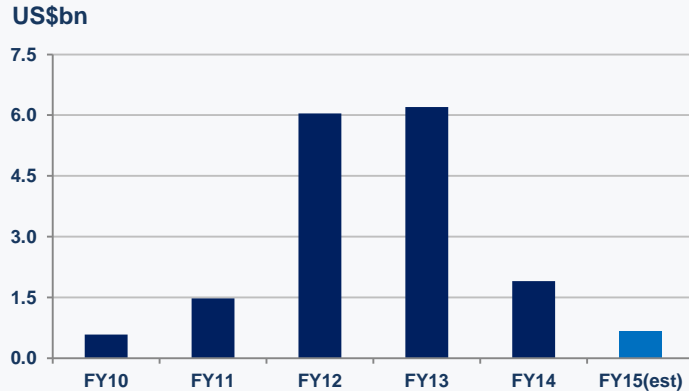
Current ratings	Corporate	Term Loan	Notes
Moody's	Ba1/Stable	Baa3	Ba2
S&P	BB+/Stable	BBB	BB
Fitch	BB+/Stable	BBB-	BB+

No debt repayments due until April 2017

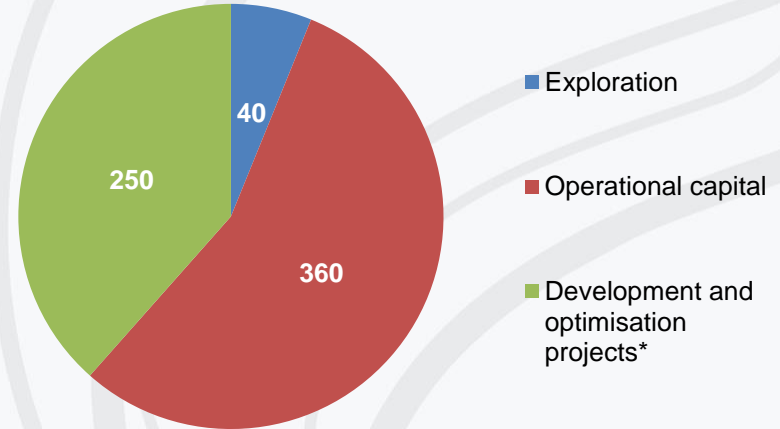
Capital expenditure

Significant reduction in expenditure as expansion complete

Capital profile



FY15 Capital



- FY15 capital guidance revised to **US\$650m**
- Depreciation and amortisation charge ~\$8.50/t



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Development



AP5 and Iron Bridge Projects

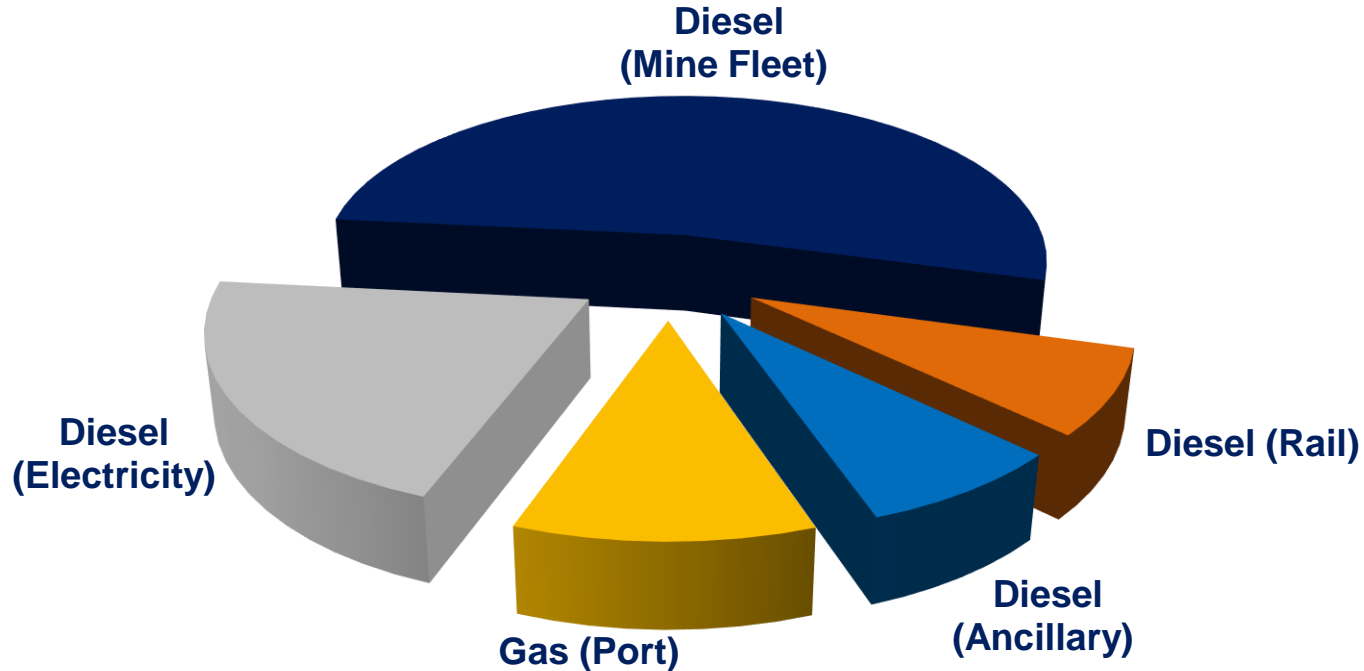
Remain on schedule for March 2015



Significant reliance on diesel fuel

Driven by mobile fleet and remote power consumption

Total energy spend >US\$800 million *



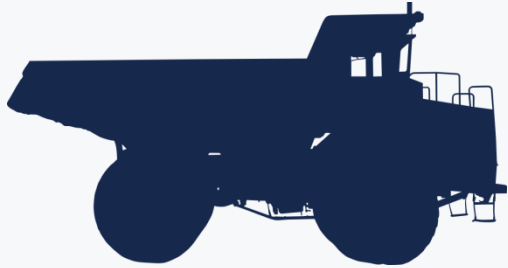
Fortescue River Gas Pipeline

Stage 1 to Solomon Hub



Autonomous Haulage Solution (AHS)

Trials commenced FY13



20 trucks
operating at Kings

35mt

Ore hauled to date

10-20%
operational efficiencies

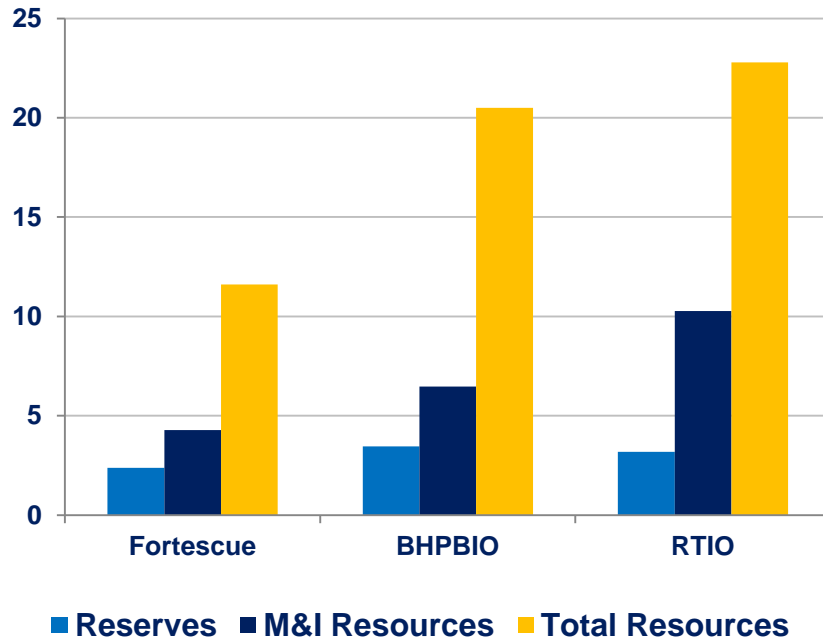


Improving
safety

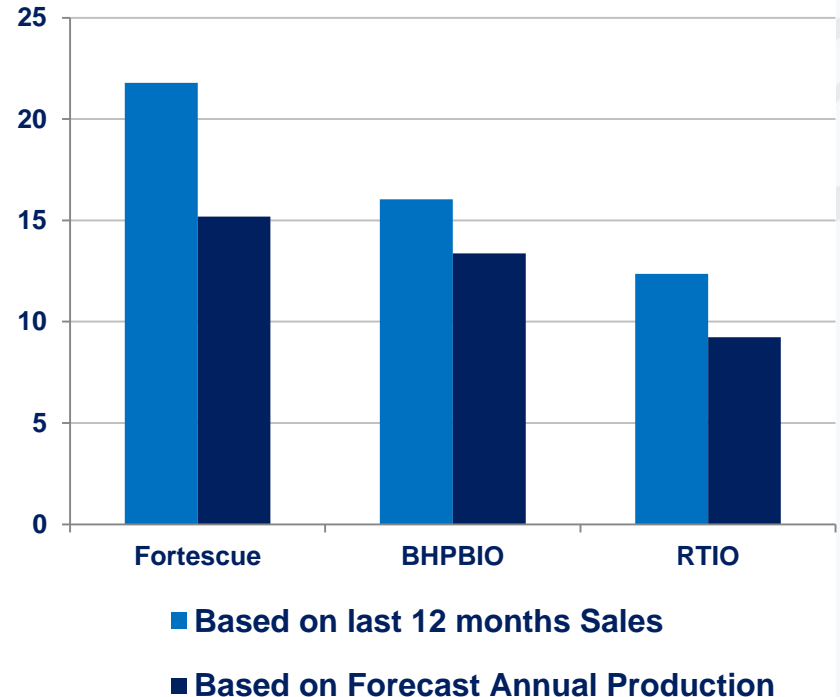
Mine lives based on current reserves

Fortescue mine lives compare favourably

Reserve and Resource Tonnages bn (dry)



Ore Reserve Life (Years)





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Market



China's growth remains strong

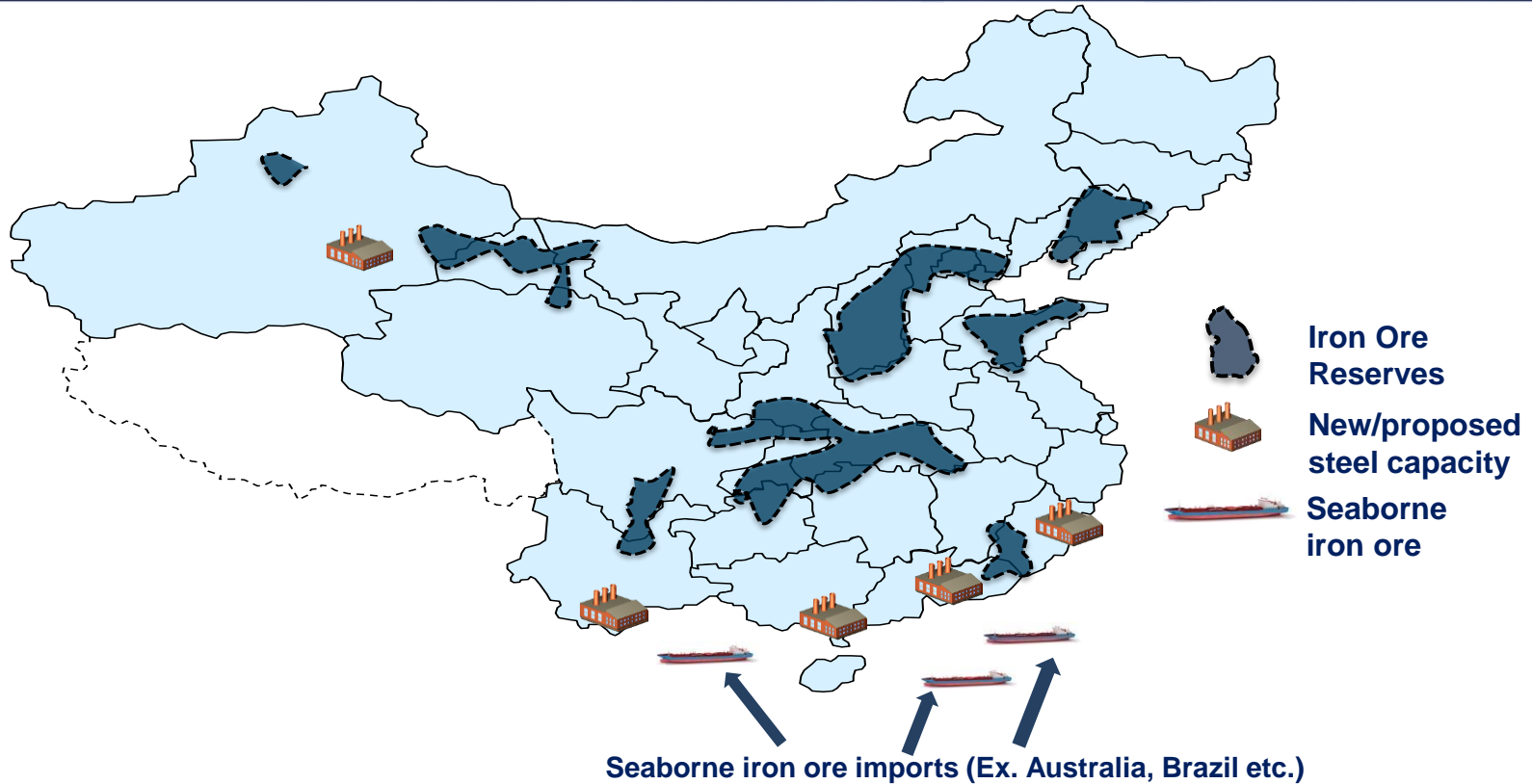
Long term fundamentals remain positive

- 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





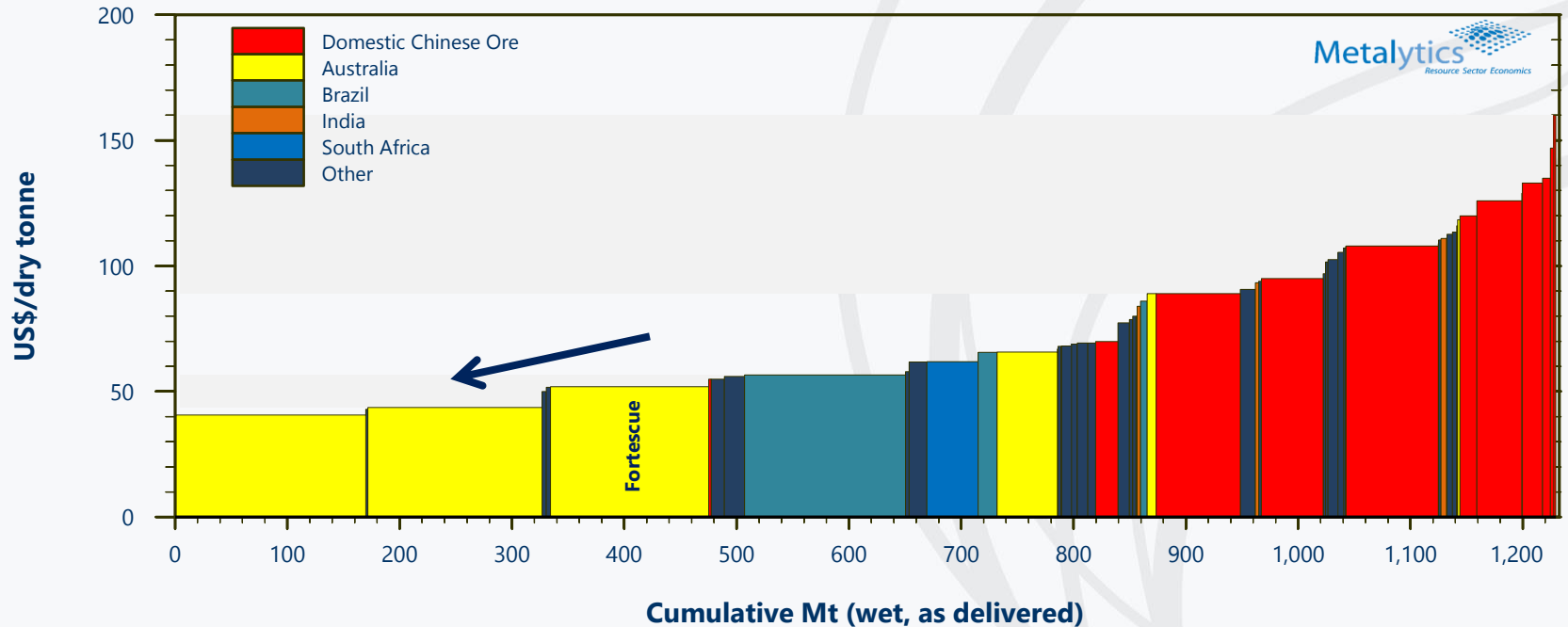
Clear strategy



Moving down the global cost curve

Targeting bottom quartile

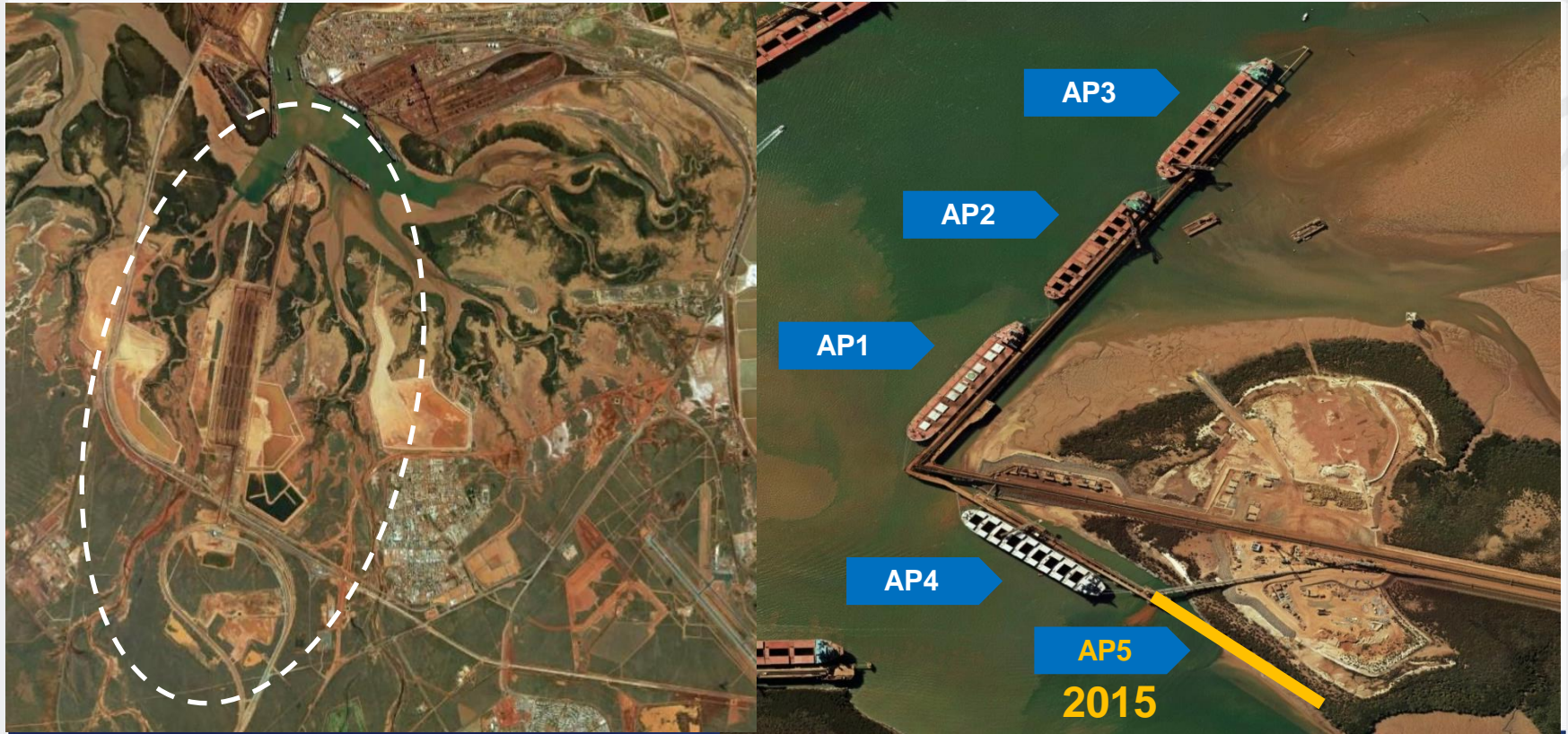
China Iron Ore Supply CFR Costs – Oct 2014 (including royalties and freight)



Metalytics
Resource Sector Economics

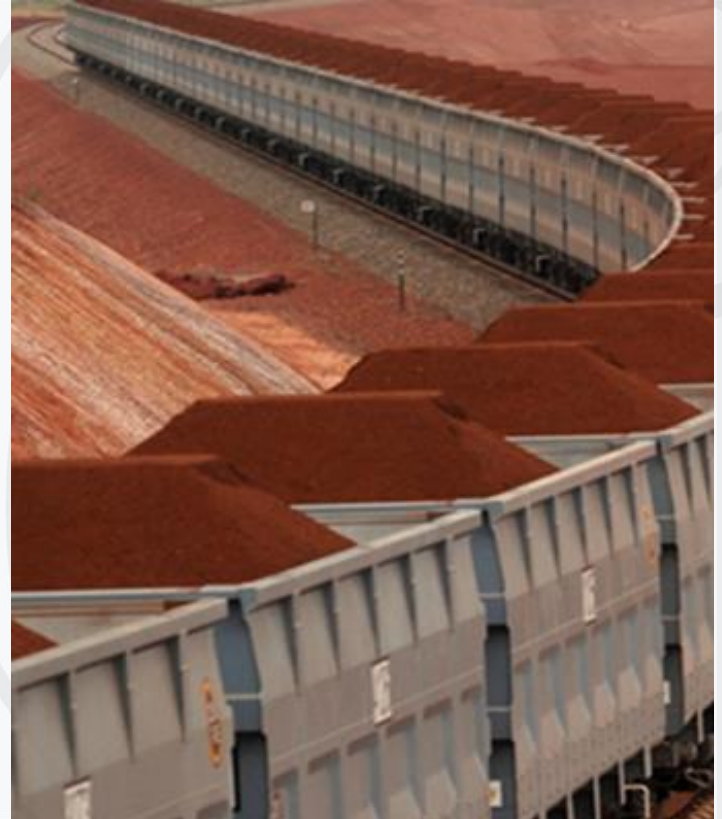
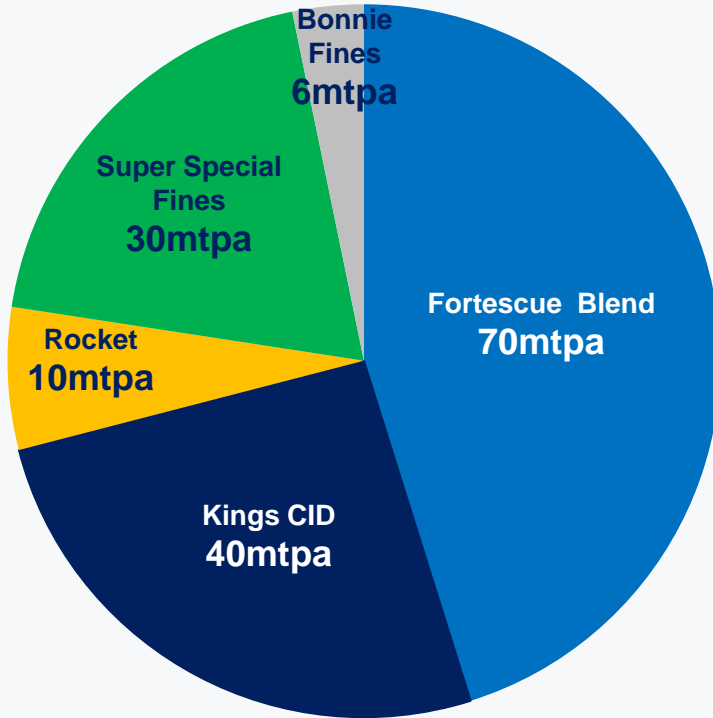
Port – flexible design for future growth

Fifth berth under construction



Fortescue's Chinese iron ore import market share is reaching 16%

Target product strategy to deliver 155 to 160mtpa – average grade 58%





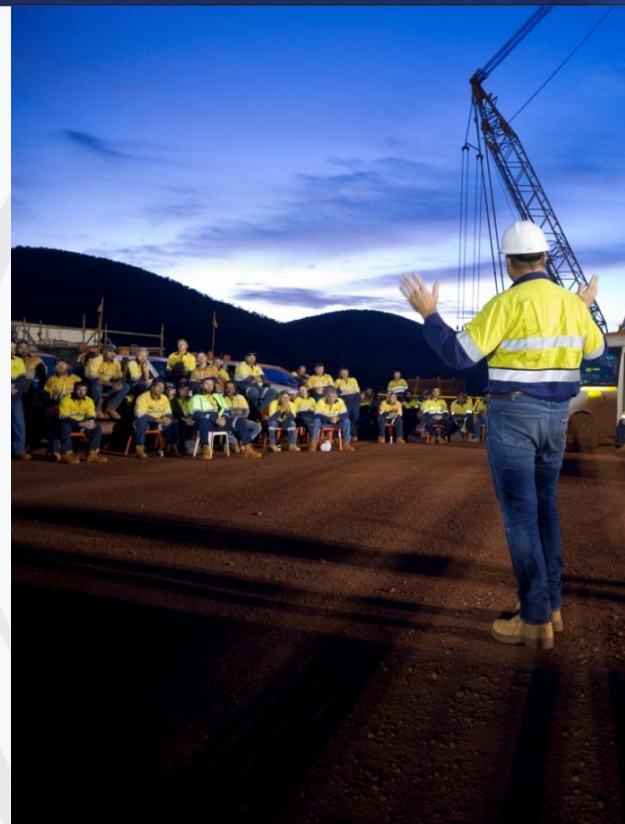
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The Fortescue Journey



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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Proudly supporting:

GENERATIONONE



Proudly supporting:



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
EBITDA	5,636	3,575

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