



Fortescue
The New Force in Iron Ore

The Evolution to a Formidable Tier One Iron Ore Major

AJM

13th Annual Global Iron Ore and Steel Forecast Conference

23rd March 2010

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Competent Persons Statement

The geological information in this presentation is based on information compiled by Mr Stuart Robinson, and by Dr John Clout. Mr Robinson and Dr Clout are both fellows of The Australasian Institute of Mining and Metallurgy and are both employees of Fortescue Metals Group Ltd. Mr Robinson and Dr Clout both have sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for reporting of Exploration results, Mineral Resources and Ore Reserves'. Mr Robinson and Dr Clout consent to the inclusion in this presentation of the matters based on the information in the form and context in which it appears.

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Operational overview



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Integrated Business ~ 55Mt shipped



55Mtpa annual capacity imminent

Overview 1

- Current run rate of ~ 40Mtpa annualised
- Chichester Hub expansion in progress
- Target production 55Mtpa within 12 months
- Cash costs US\$27/tonne
- Strengthening outlook for iron ore prices
- Strong liquidity – over US\$700m cash (Dec 09)

Overview 2

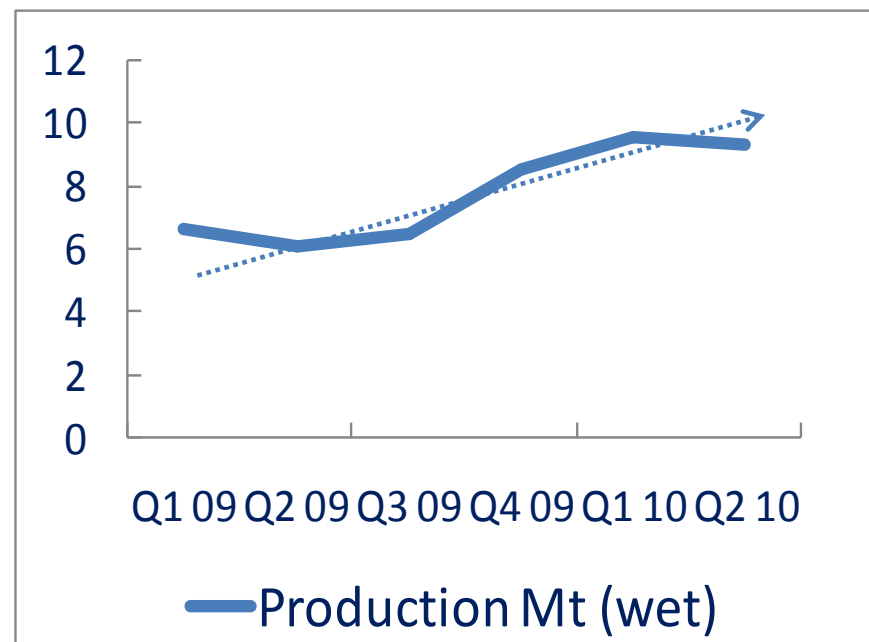
- **ONLY GLOBAL SCALE PURE IRON ORE INVESTMENT**
- Chichester Hub will consolidate at 95Mtpa
- Solomon feasibility 60Mtpa study nears completion
- Utilises Port Hedland capacity of 155Mtpa
- New Pilbara Port allows an initial additional 100Mtpa
- Studies contemplate total 200Mtpa of new port capacity
- Two ports and three production hubs
- FMG Pilbara region medium term management target – **355Mtpa**
- **RAPIDLY EXPANDABLE TIER ONE ASSETS**

Mining overview – Chichester Hub

Production

Optimising Cloudbreak and expanding Christmas Creek operations

- Cloudbreak production stable at ~ 40Mtpa
- Christmas Creek expansion underway to 15Mtpa
- Strip ratios gradually increasing from 2.5 : 1 up to 4.4 : 1 by end 2010



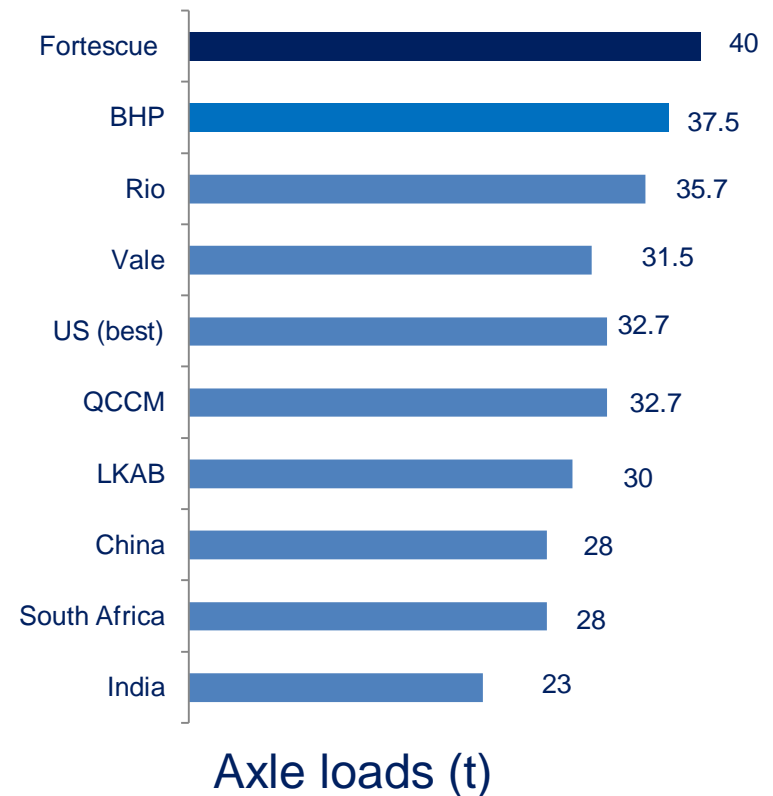
Infrastructure overview – Chichester Hub

State of the art logistics – Rail

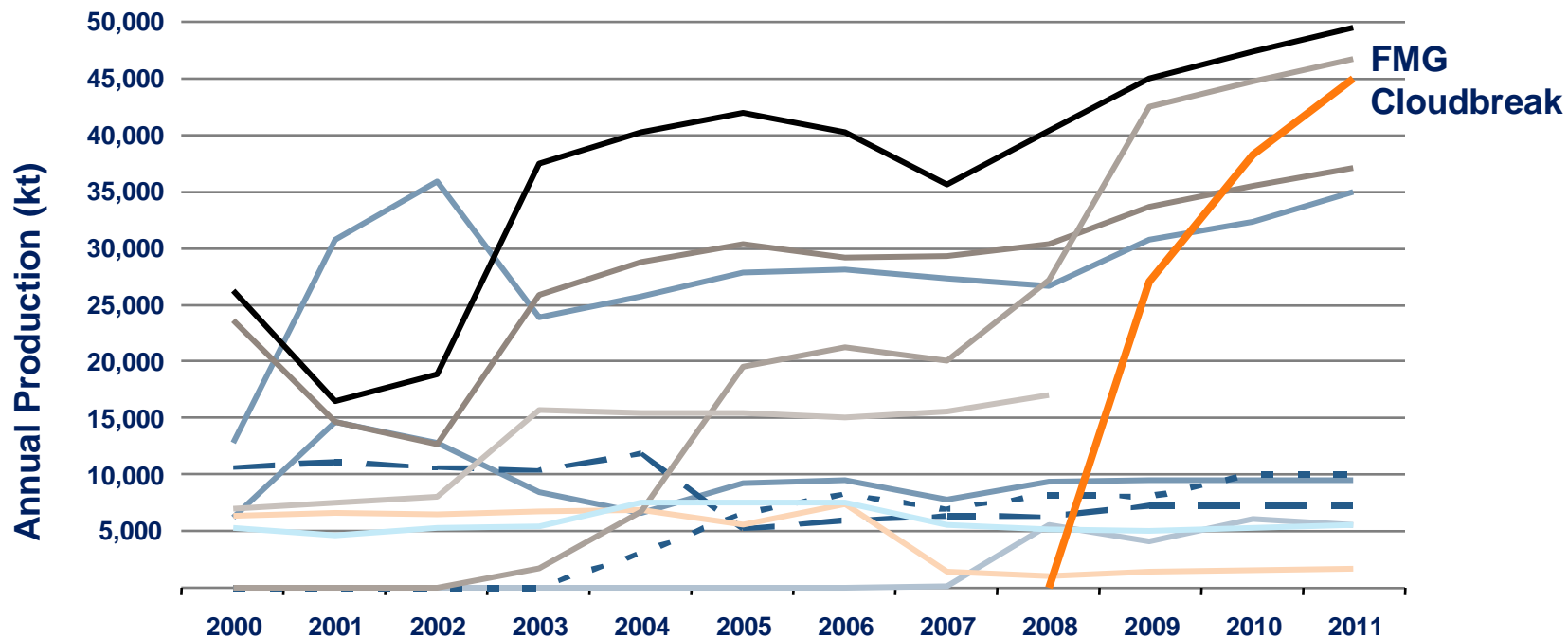
- World's heaviest haul rail system
 - » 40 tonne axle loads
- Shortest rail cycle times in the Pilbara ~ 18 hrs

State of the art logistics – Port

- Highly efficient port
- Ship loading rates achieved at ~ 7,000 tonnes per hour



Proven skills in operations – ramp up records



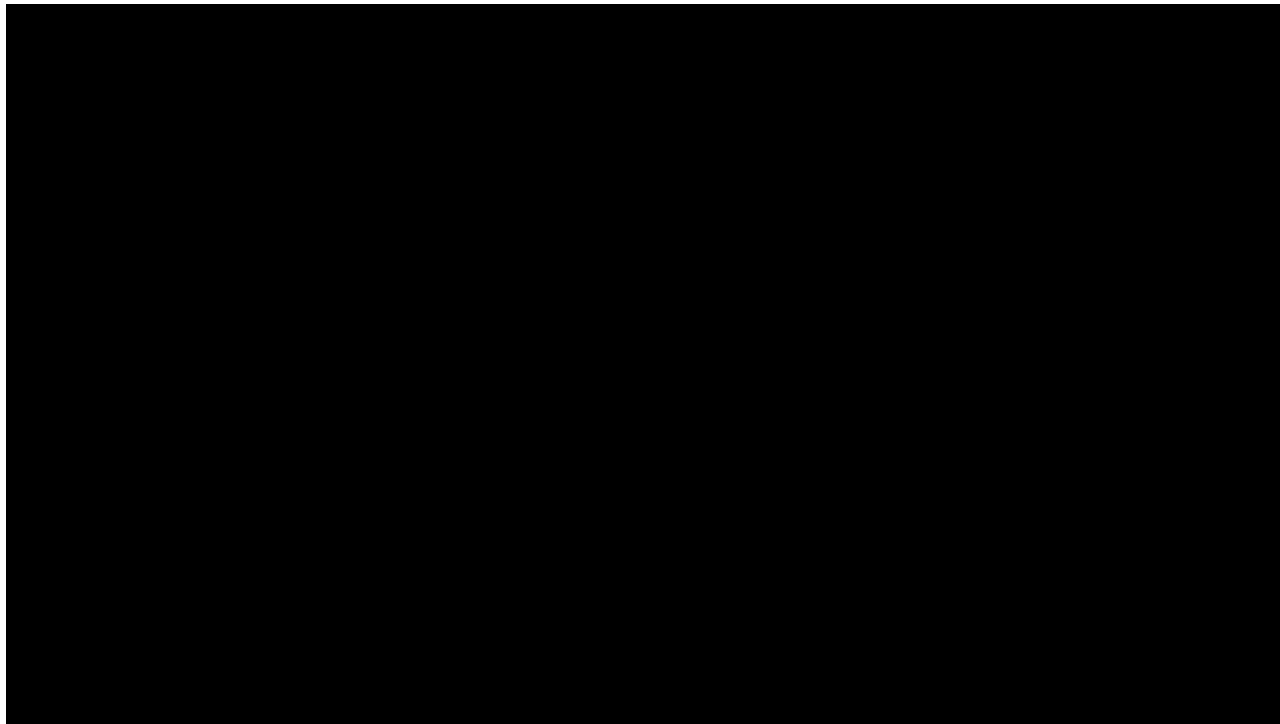
- RIO Hope Downs
- RIO Channar
- BHP Goldsworthy Joint Venture
- BHP Jimblebar
- RIO IOC (pellets and concentrate)
- - RIO Eastern Range
- BHP Area C Joint Venture
- BHP Samarco
- RIO Robe River
- BHP Mt Newman Joint Venture
- BHP Yandi Joint Venture
- **FMG Cloudbreak**

Source: Credit Suisse estimates



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Fortescue Forging Ahead - Video



Production costs

Cash costs per tonne US\$/t	Q1FY10	Q2FY10
Mining and processing	21	22
Rail and port	5	5
Total Direct Costs	26	27

Despite AUD/USD appreciation, cost per tonne held at US\$27



Exploration

6.3 billion tonnes in 5 years

- Christmas Creek drilling commenced May 2004;
- Cloudbreak commenced November 2004;
- Solomon drilling commenced June 2007.
- Reserves now 1.6 billion tonnes
- Resources now 5.1 billion tonnes
- Additional 1.2 billion tonnes of magnetite resource
- Discovery cost under 2 cents per tonne.

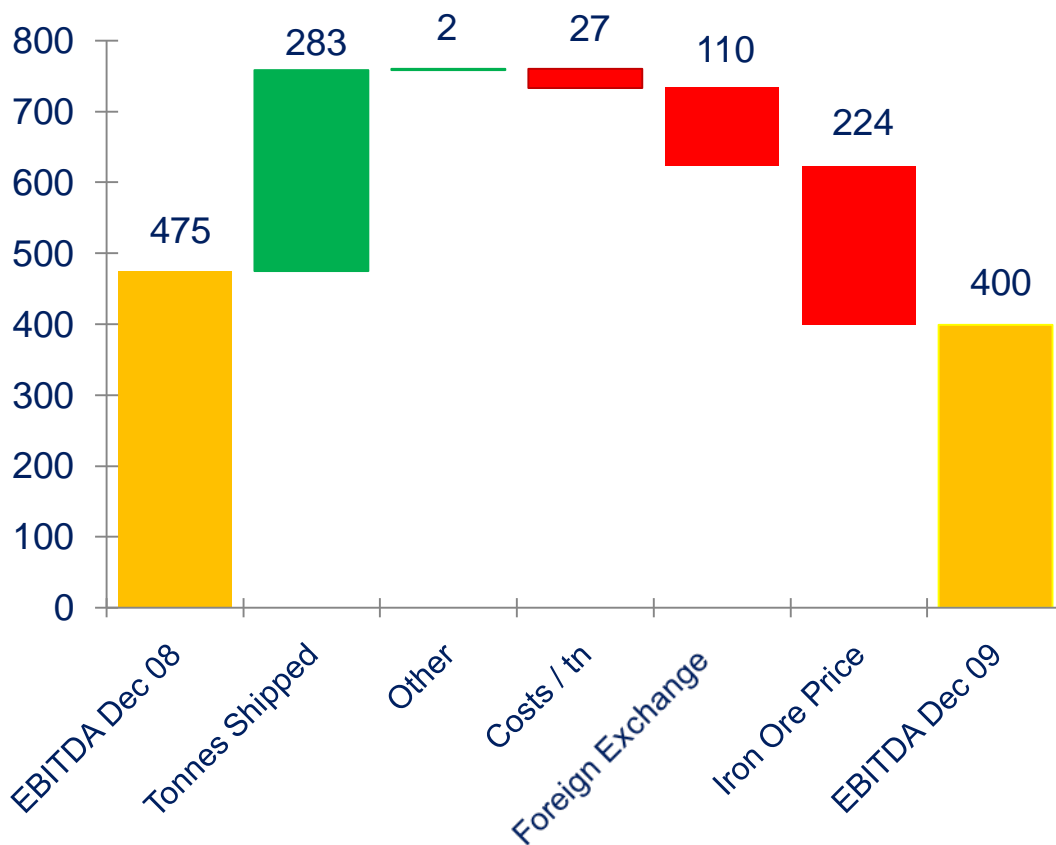
Financial highlights – HY2010

- Revenues up 17% on previous period despite 20% price reduction
- Despite AUD/USD appreciation of 22%, cost per tonne held at US\$27
- Net equity up nine per cent on previous period
- Exceeded previous production guidance



Reconciliation of Half Year Underlying EBITDA

Dec 08 and Dec 09 (US\$M)



	31-Dec-09	31-Dec-08
NPAT	43	760
Income Tax	19	312
Net Interest	175	232
Depn/Amort	111	21
Fair Value Adjust	55	(1,411)
FX on Borrowings	20	560
Other Abnormals	(24)	0
Underlying EBITDA	400	475

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Income statement

2008-2009 (US\$m)	6 Months to 31/12/2009 US\$m	6 Months to 31/12/2008 US\$m
Revenue	1,189	1,015
EBITDA	426	479
EBIT	315	458
Net Profit After Tax	43	760

Result reflects strong ramp up and market conditions

Balance Sheet

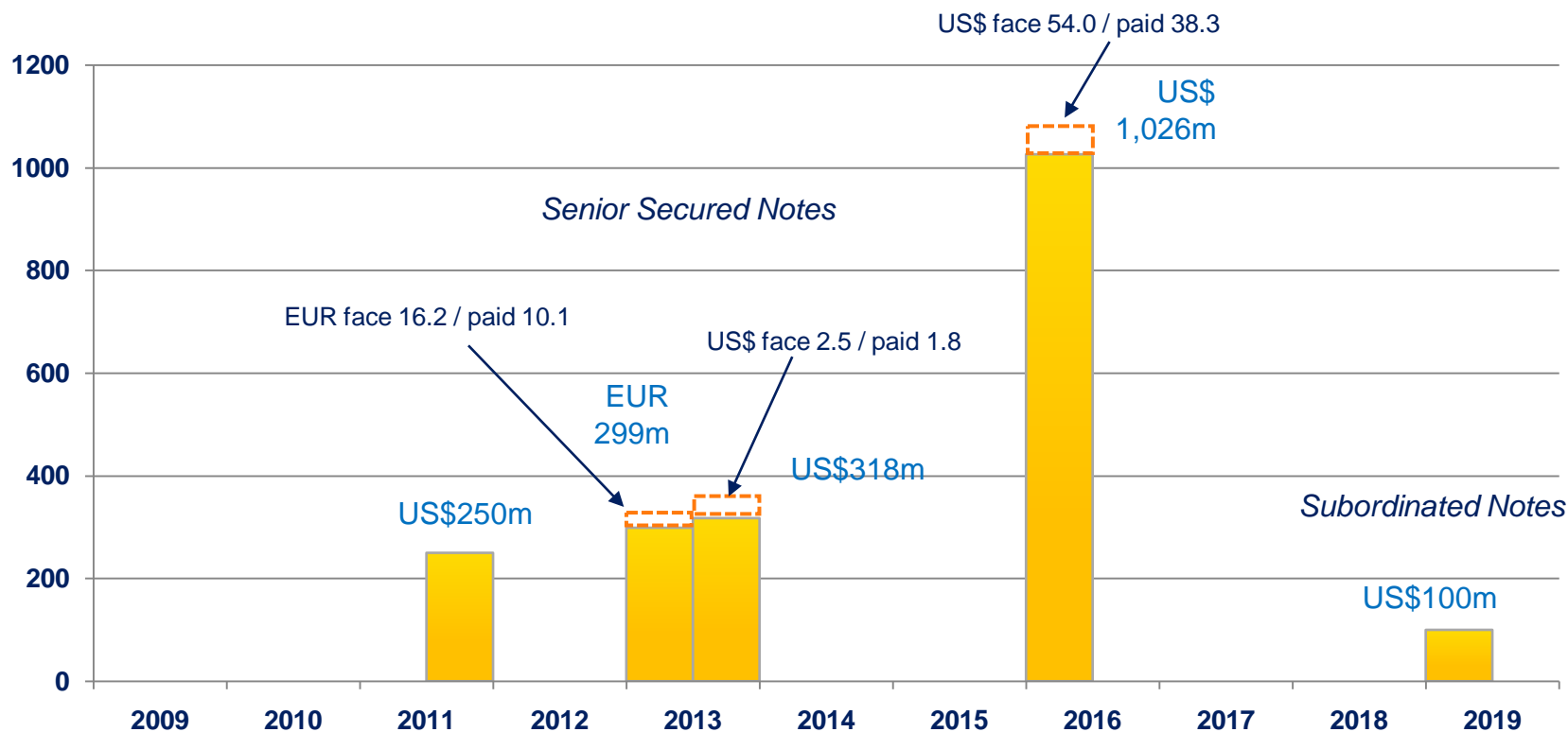
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2008-2009	As at 31/12/2009 US\$m	As at 31/12/2008 US\$m
Current assets	1,013	961
Non-current assets	3,628	3,448
Current liabilities	737	746
Non-current liabilities	2,978	2,812
Net assets	926	851
Total equity	926	851

Strong balance sheet – massive operating and future reserve and resource base not reflected

Debt maturity

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Long-term repayment profile

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Iron ore for generations



Iron ore for generations

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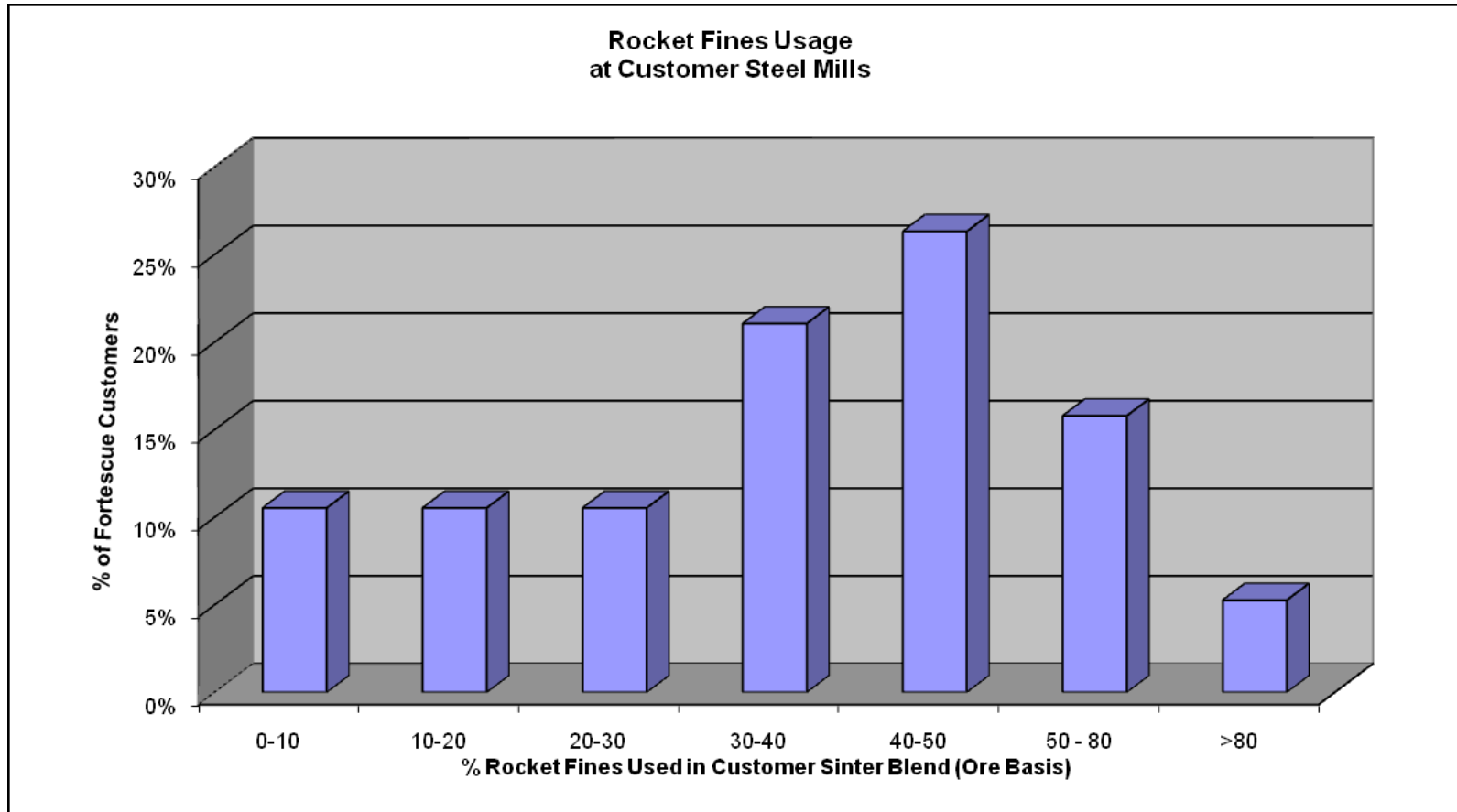
Captive market – Asian growth engine

- 3 billion people, rapid urbanisation and industrialisation;
- Competitive advantage of the Pilbara is growing;
China's ability to meet its own requirement declining – fast;
- Fortescue has delivered ~55Mt to ~45 steel mills in Asia and Europe;

Iron ore for generations

Proven Value in Use for Customers

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Most mills using Rocket Fines at 30-45% of their sinter blend with 57.3-58.3% sinter Fe. Larger size mills using 20-35%

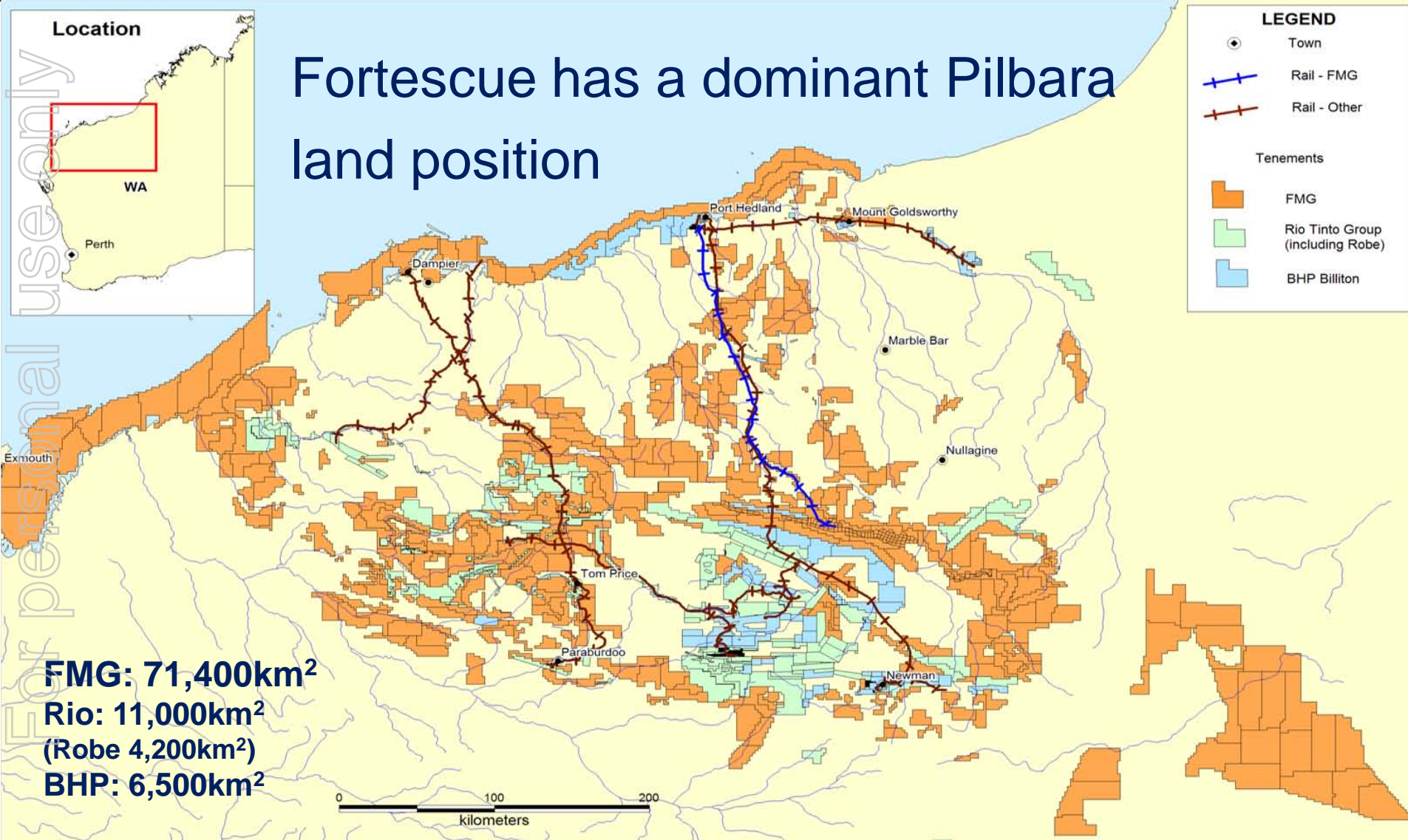
Iron ore for generations

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Tenements and Resources

Iron ore for generations

Fortescue has a dominant Pilbara land position



Iron ore for generations

Strong reserve position

Reserve Category	Tonnes (Mt)	Fe (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	P (%)	LOI (%)
Proven	123	59.7	3.61	1.89	0.051	8.1
Probable	1,459	58.8	4.23	2.40	0.057	7.6
Total	1,582	58.8	4.18	2.36	0.056	7.6

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Iron ore for generations

Resources supporting future generations

	Current Resources (Bt)	Current Targets (Bt)*	Further Potential (Bt)*	TOTAL (Bt)
Chichester Hub				
• CB, CC, environs	2.87	1.8	1.3	6.0
• Eastern Pilbara		0.5	.05	1.0
Solomon Hub				
• Greater Solomon	2.45	1.0	1.5	4.9
• Adjacent CID to west		0.5	0.5	1.0
Western Hub				
• Jeerinah Anticline		1.5	1.1	2.6
• Western CID		0.5	0.5	1.0
• Southern Pilbara		0.4	0.8	1.2
TOTAL HEMATITE	5.32	5.7	5.75	17.7
Northern Magnetite	1.23	1.5	1.0	3.7
Central Magnetite	Multiple (15) projects generated at ~ 1 Bt each			15
TOTAL MAGNETITE	1.23	1.5	16	18.7

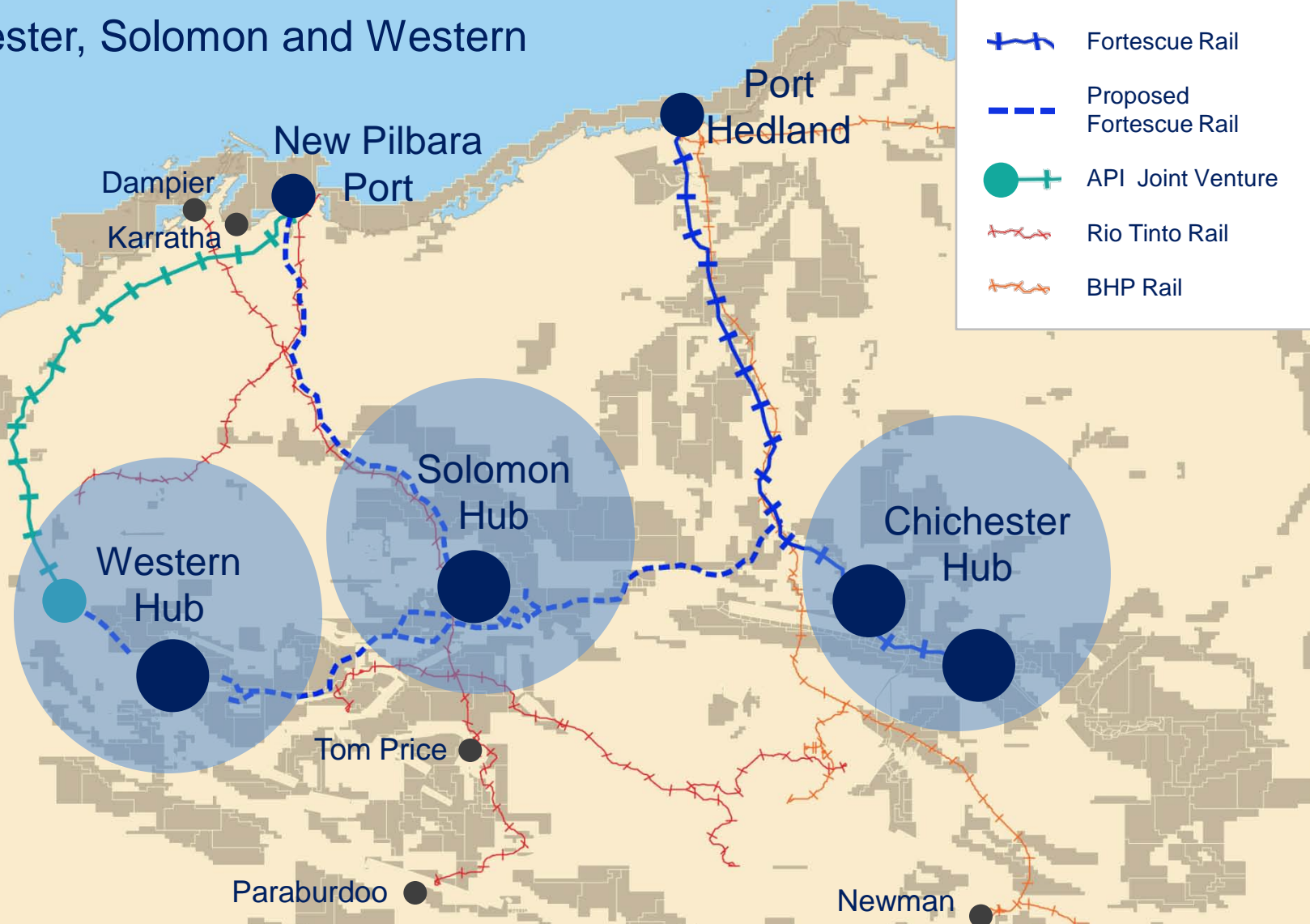
* Targets and forecasts are hypothetical in nature and may not be achieved

Three Hub Production Strategy

Three Hub Production Strategy

Chichester, Solomon and Western

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Iron ore for generations

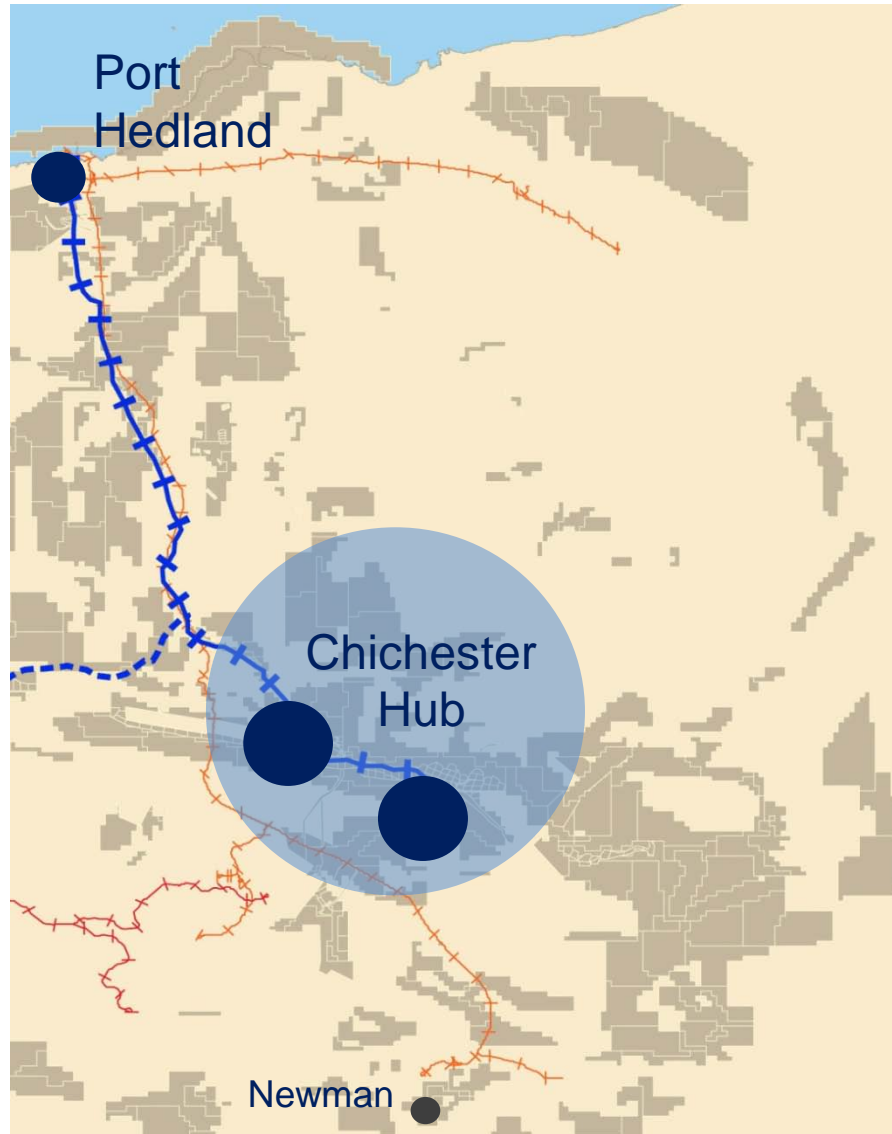
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Chichester Hub

Iron ore for generations

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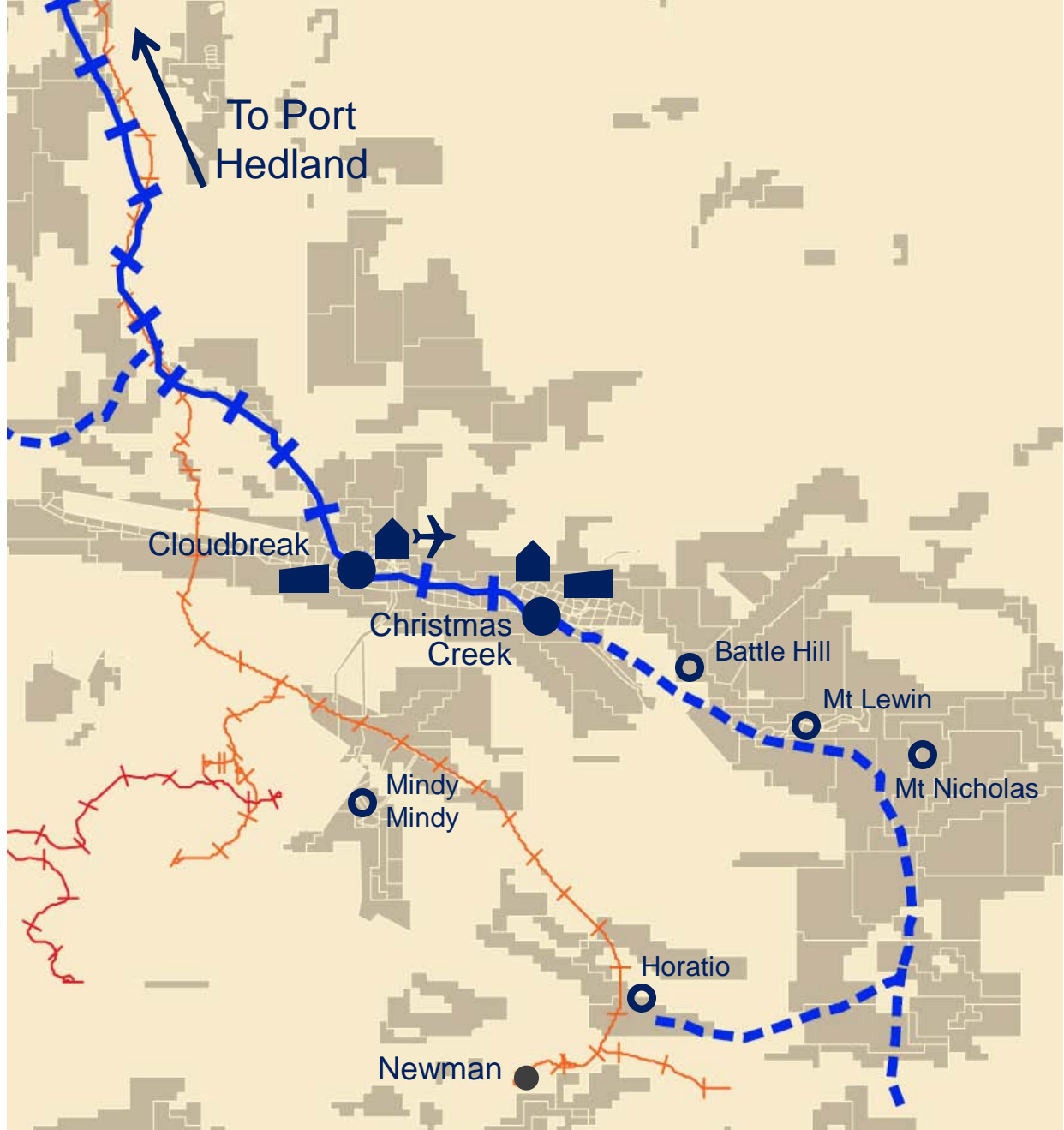
- Tier 1 asset
- Mine, port and rail operation
- 55Mt shipped
- 55Mtpa capacity underway



- Christmas Creek Rail advanced construction
- 95Mtpa long-term capacity

Chichester Mining

- Existing Mine
- Proposed Mine
- 🏠 Camp village accommodation
- 🏭 Ore Processing Facility
- ✈️ Airport
- 🚊 Fortescue Rail
- Proposed Fortescue Rail
- 🔴 Rio Tinto Rail
- 🟠 BHP Rail



Chichester Hub – Short Term

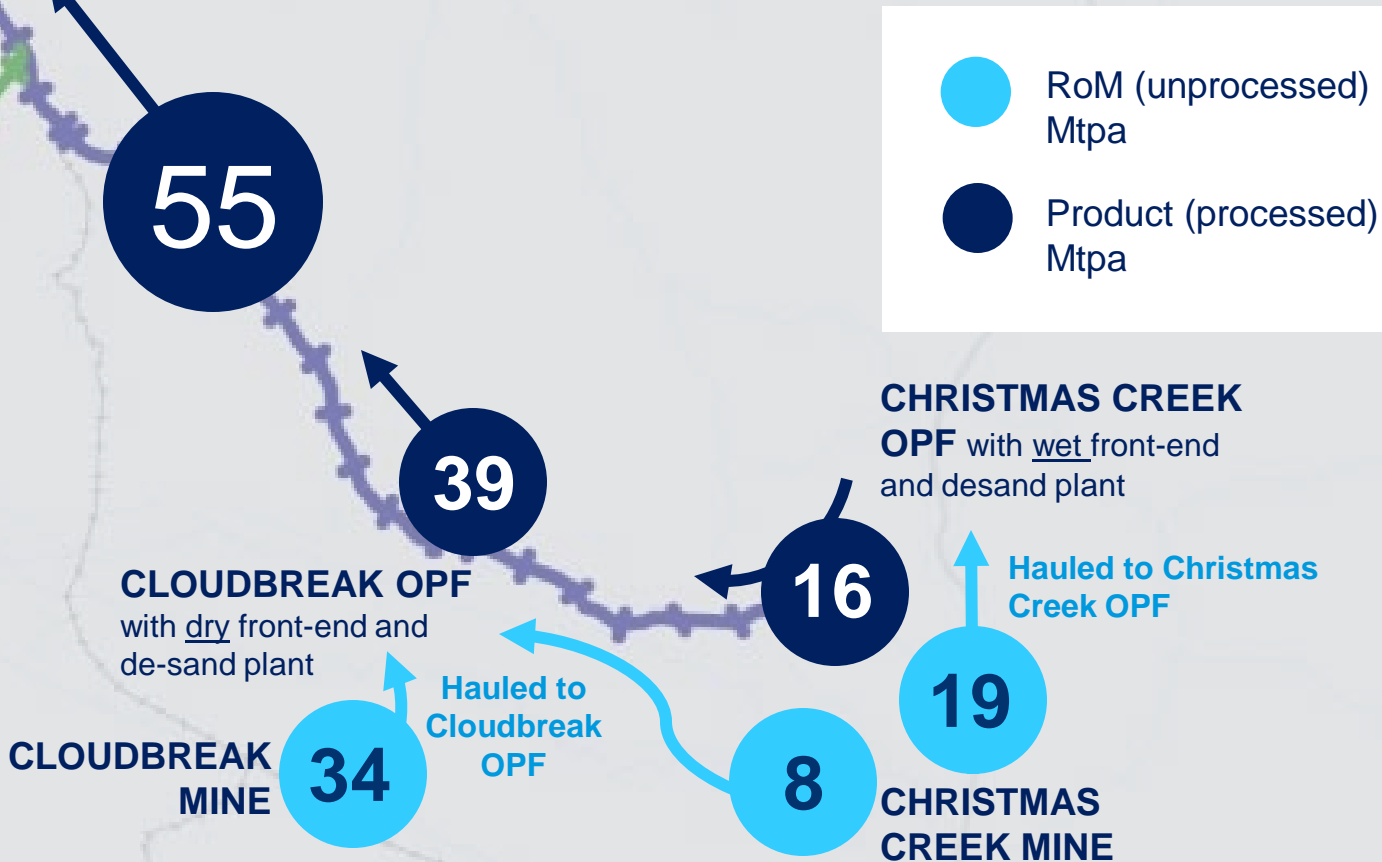
Total volume capacity to expand to 55Mtpa by early 2011

PORT



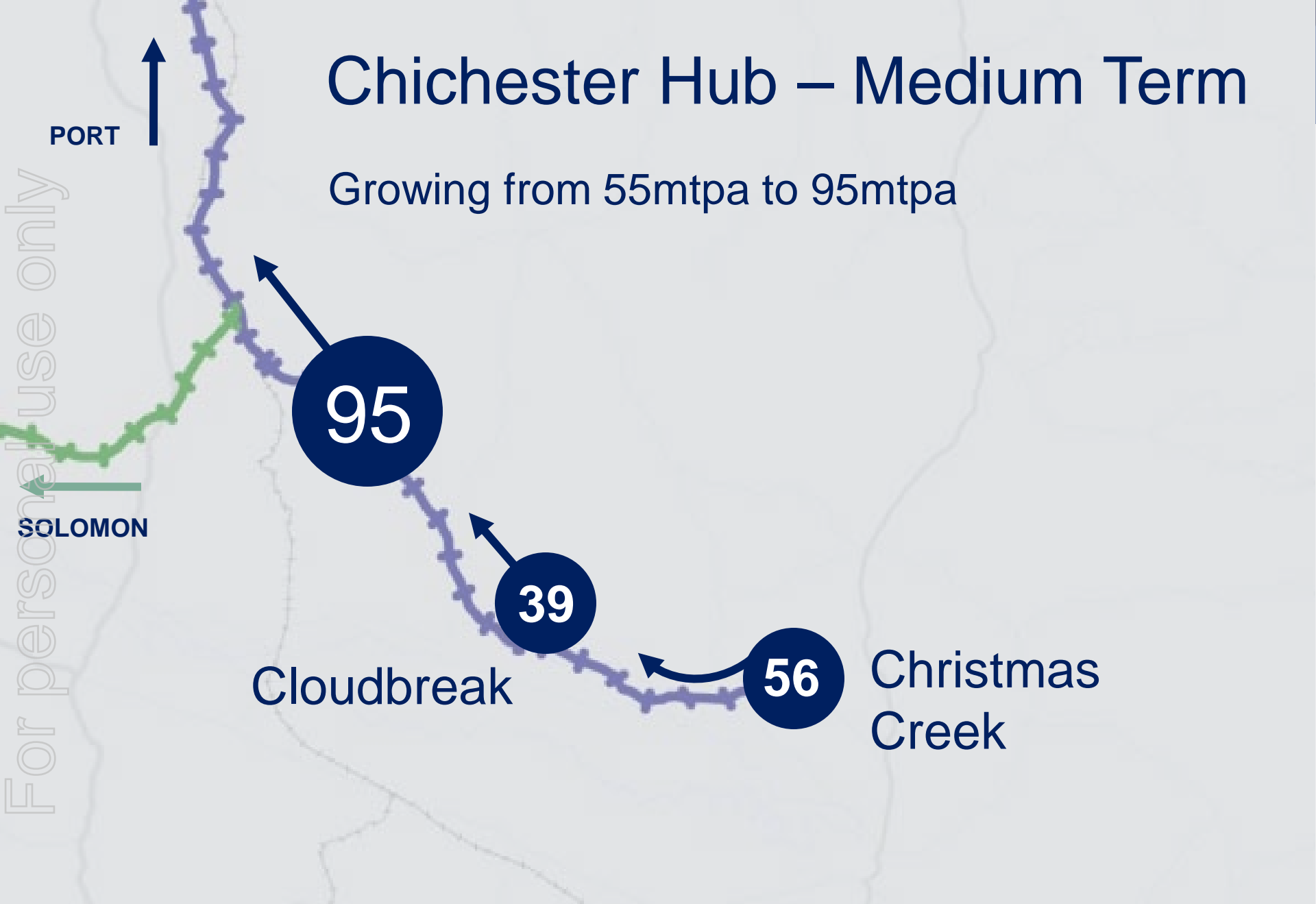
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SOLOMON



Chichester Hub – Medium Term

Growing from 55mtpa to 95mtpa



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Pit operations – Cloudbreak

Employing techniques matched to our ore body characteristics

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Surface miner

Overburden trucks

Excavator

OVERBURDEN

Ore trucks

ORE BODY

Iron ore for generations

Christmas Creek on the move

October 2009

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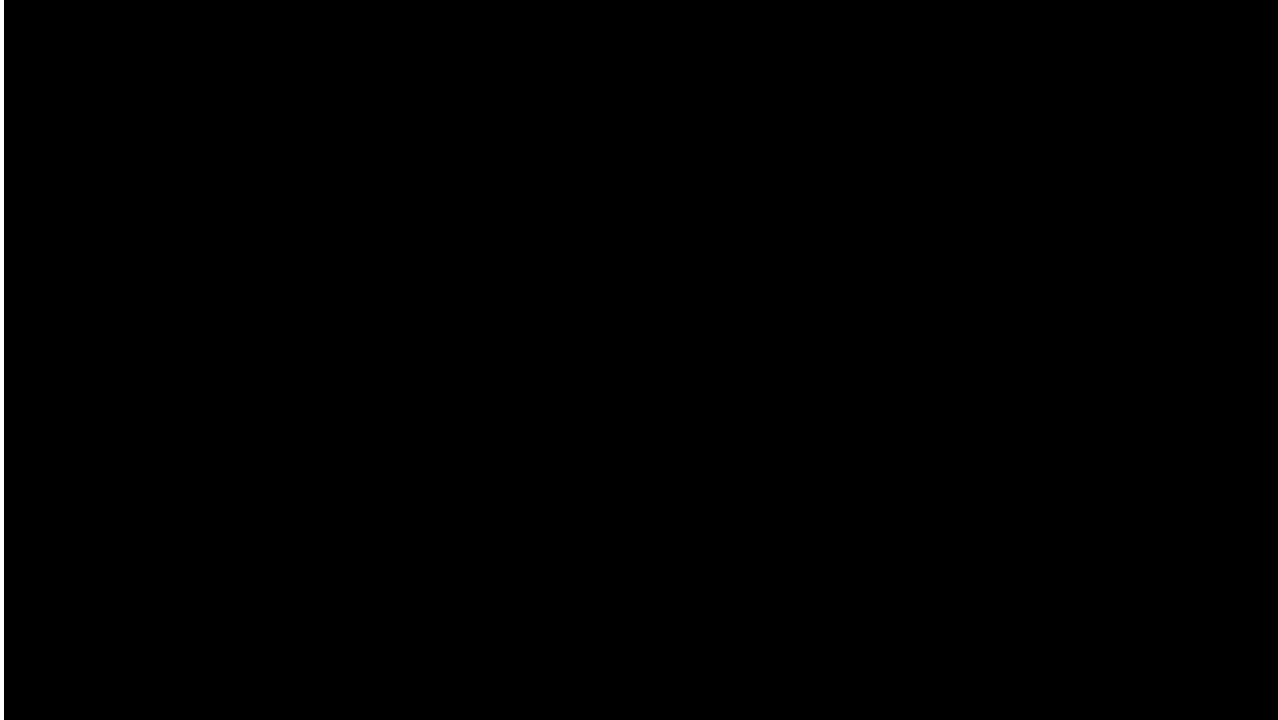
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Solomon Hub

Solomon Hub - video

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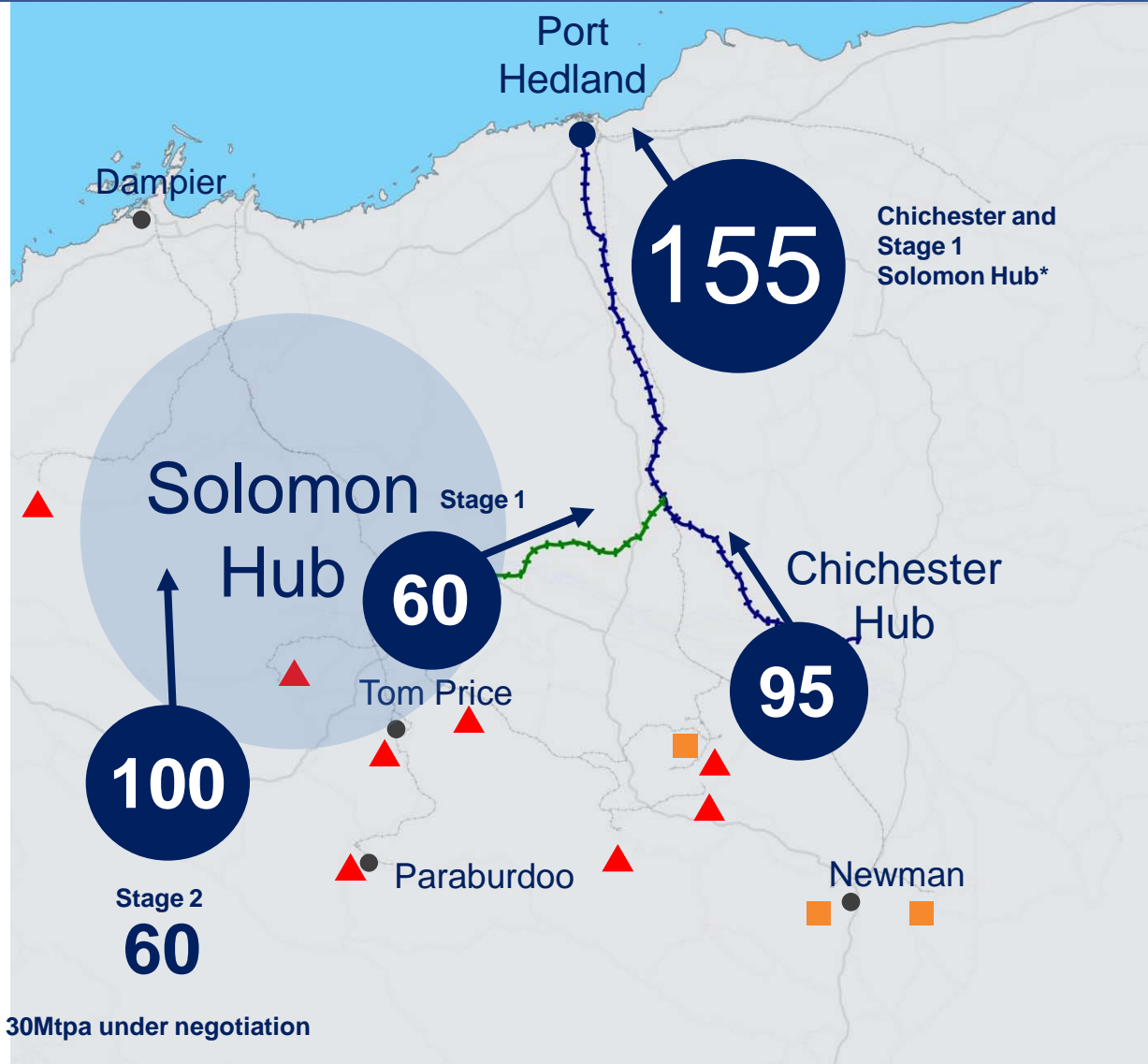
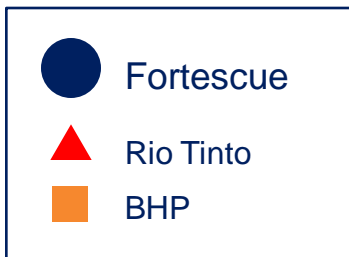


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Solomon Hub

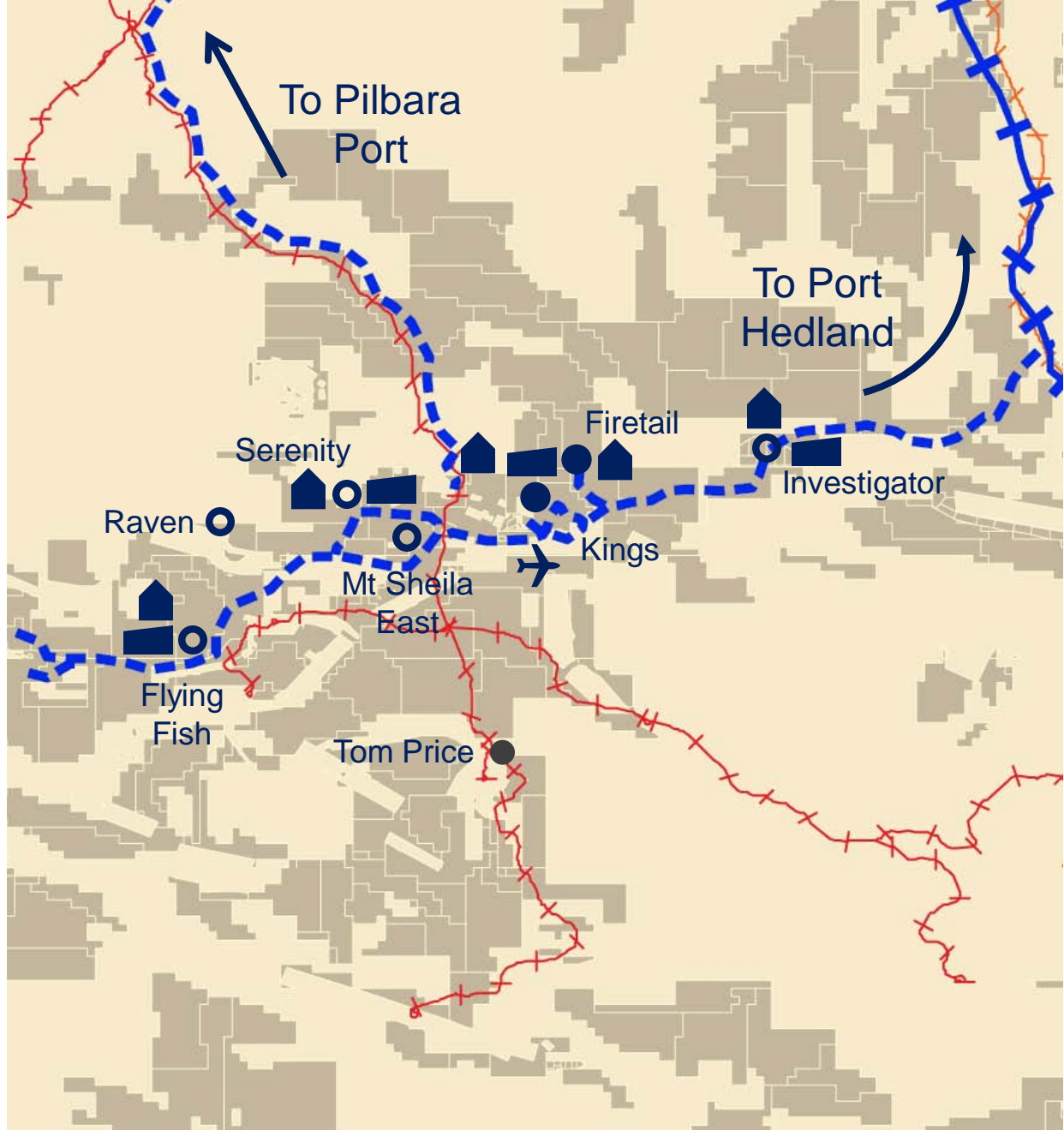
- Initial production target 60Mtpa
- Total Hedland operation growing to 155Mtpa



*120 Mtpa approved by PHPA and a further 30Mtpa under negotiation

Solomon Mining

- Planned Feasibility Mine
- Proposed Mine
- Camp village accommodation
- Ore Processing Facility
- ✈ Airport
- +— Fortescue Rail
- - - Proposed Fortescue Rail
- ~ Rio Tinto Rail
- ~ BHP Rail



Iron ore for generations

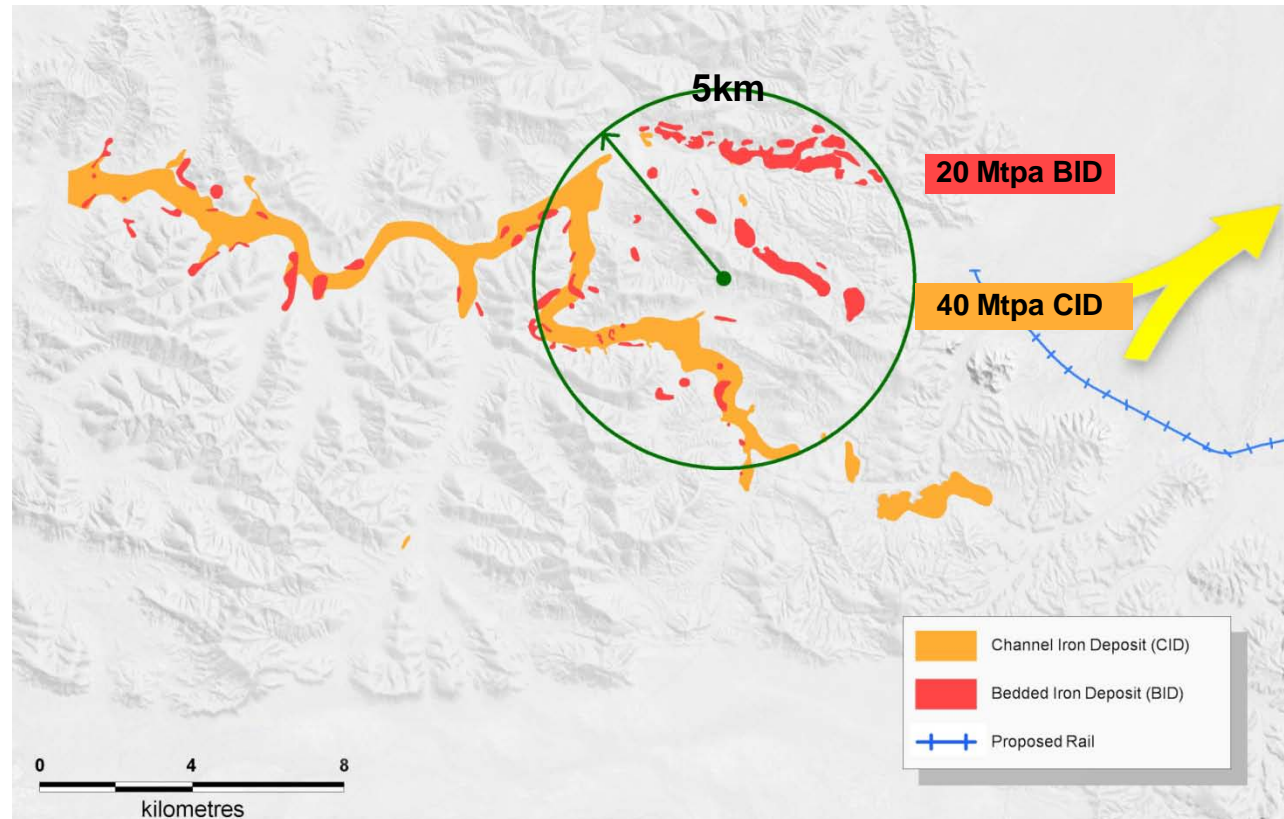
Solomon Momentum

Three years in Progress - DFS underway, completion due end 2010

- Exploration success 2.4 billion tonnes and growing;

- Land Access and Environmental consents / approval well advanced; and

- Mining leases applied for and metallurgy studies progressing.

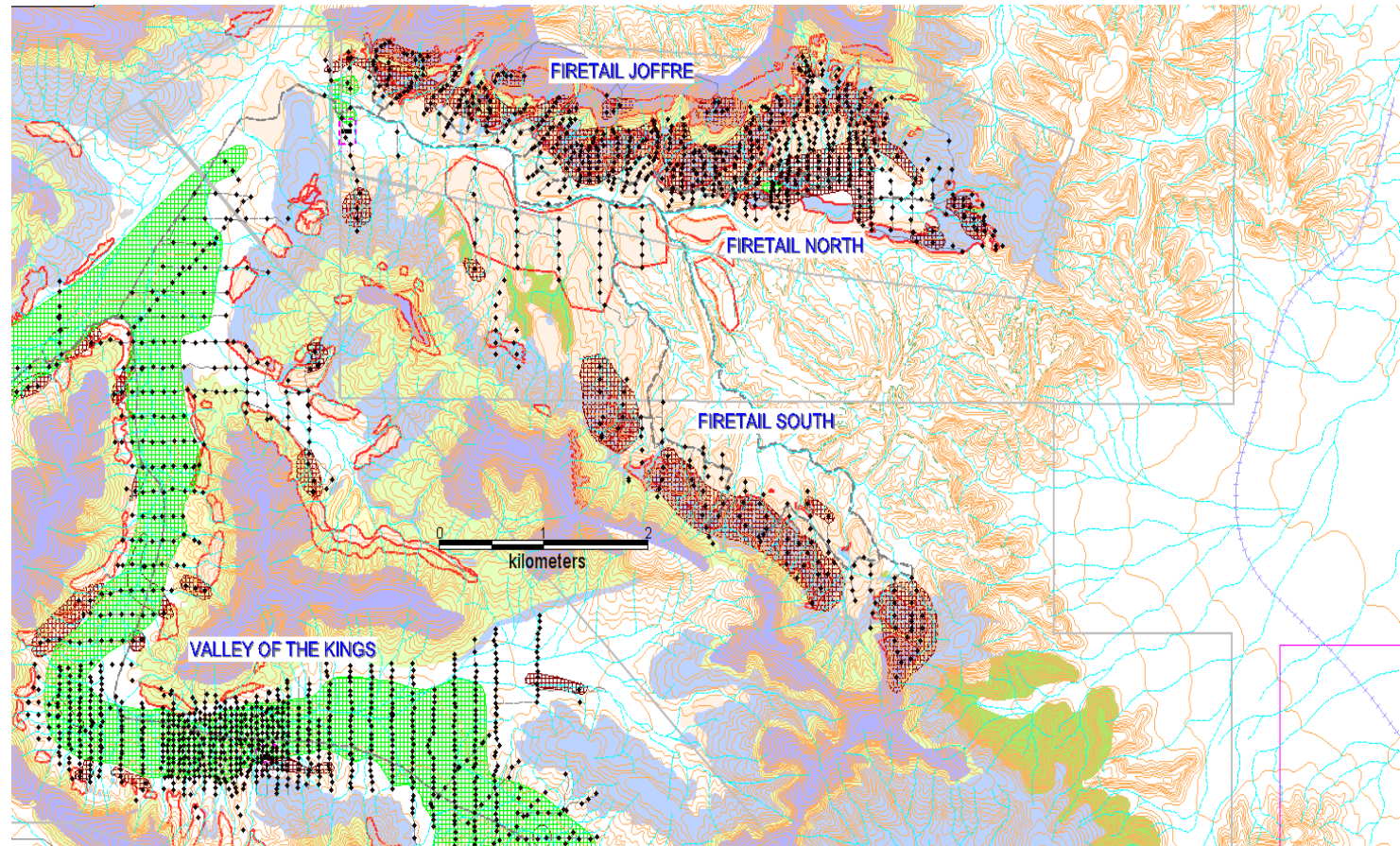


Iron ore for generations

Firetail project

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- Firetail north (including Joffre) and Firetail south all within close proximity;
- Additional BID targets in region from drilling of mapped mineralisation

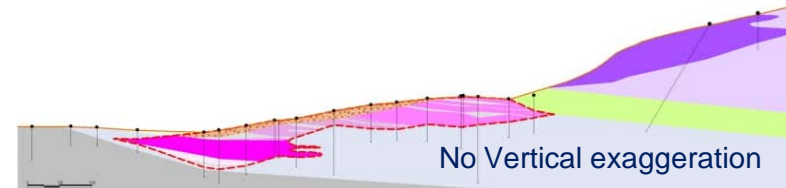
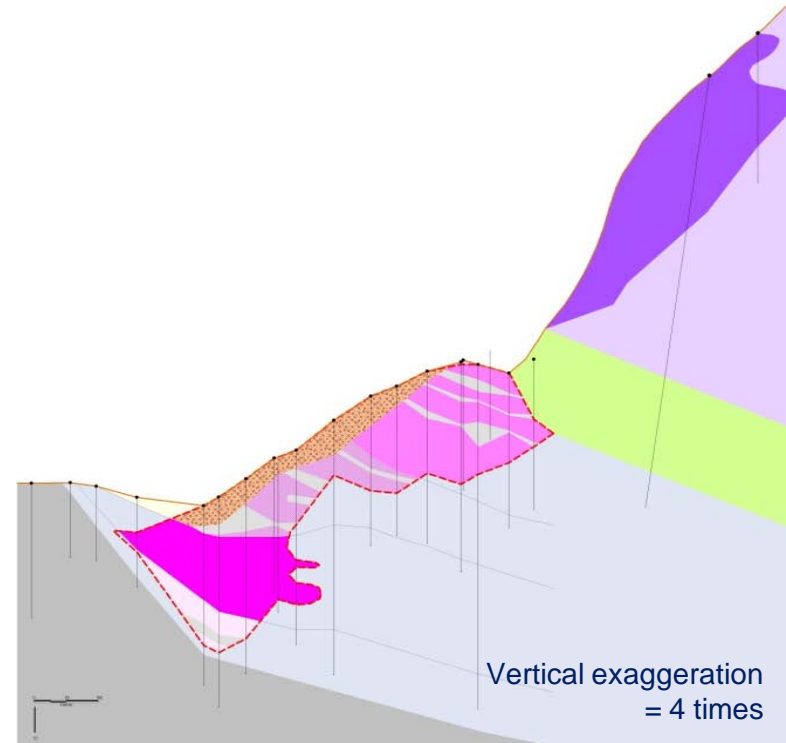


Iron ore for generations

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Firetail Project

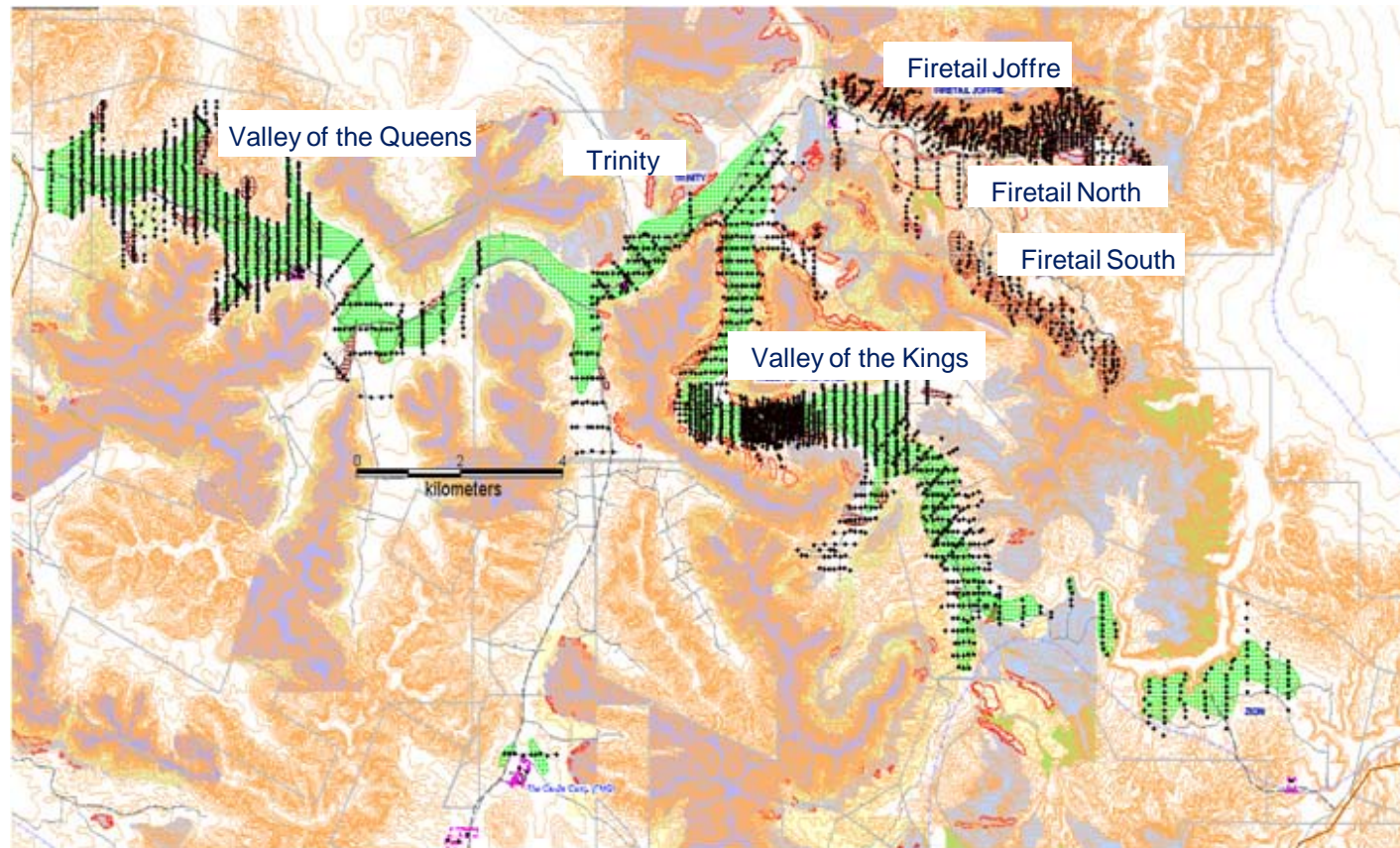
- Resource 300Mt including 116Mt of 'high grade' @ 60.3% Fe
- Low strip ratio – above water table
- Standard Pilbara style Brockman
- Traditional mining / traditional product



Iron ore for generations

Kings CID

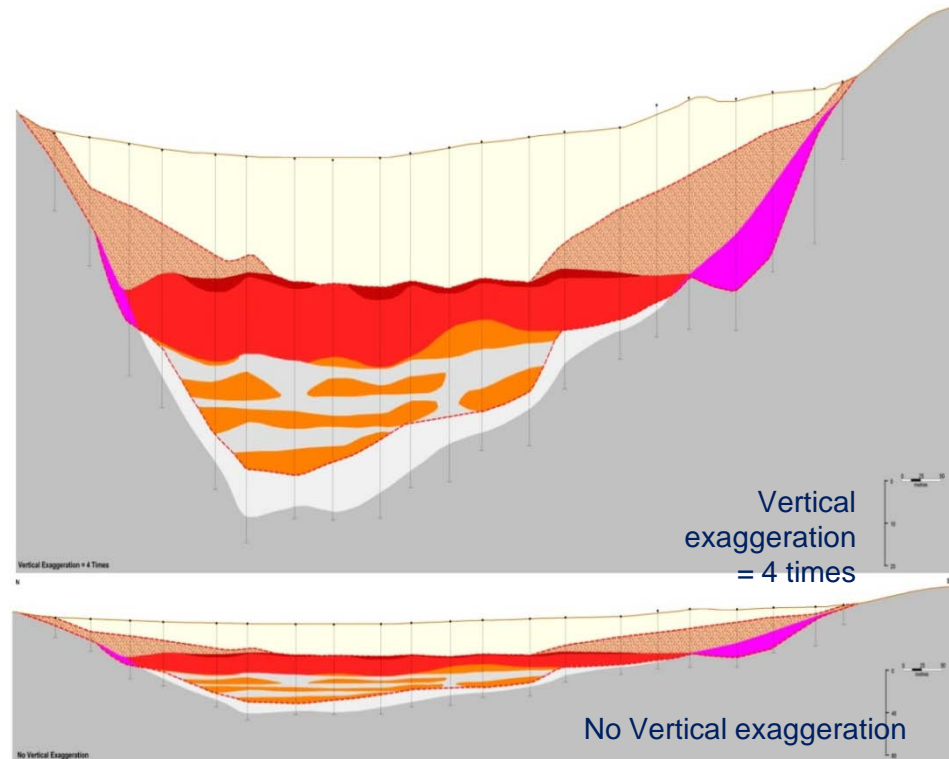
- More than 30km strike length of CID in valleys;
- Additional tonnages to be gained by exploring other valleys and infill some areas.



Iron ore for generations

Kings CID

- Resource of 2Bt with upper CID grades ~ 58% Fe
- Standard Pilbara CID – comparable Yandi
- Low strip ratios ~ 2.5 : 1



Iron ore for generations

Solomon Stage 1 – 60 mtpa

- Decision to mine in 2010 / 2011
- Shipping from Port Hedland

Item	Capex	Opex
Port	US\$1,080m	US\$1.38/tonne
Rail (Solomon Rail Spur, not including rollingstock which will be leased)	US\$765m	US\$2.16/tonne
Mine (Contract Mining)	US\$765m	US\$17.60/tonne
Plant	US\$630m	US\$1.98/tonne

- All figures are represented by Scoping estimates or Prefeasibility Studies only.
- Estimates may vary +/- 30% as a result of the Definitive Feasibility Study currently underway. Per annum volumes are targets and may not be achieved.

Indicative Capex / Opex



Iron ore for generations

Solomon Stage 2 Additional 100Mtpa Operation

- Target timeline – 2013/14
- Shipping from New Pilbara Port



Item	Capex \$UA
• Mine	~900 million
• Rail	~1.17 billion
• Port	~3.6 billion
Total	~\$5.7 billion

- All figures are represented by Scoping estimates or Prefeasibility Studies only.
- Estimates may vary +/- 30% as a result of the Definitive Feasibility Study currently underway. Per annum volumes are targets and may not be achieved.
- Solomon Hub calculated with full Port and Rail

Solomon now feeding 160Mtpa



Iron ore for generations

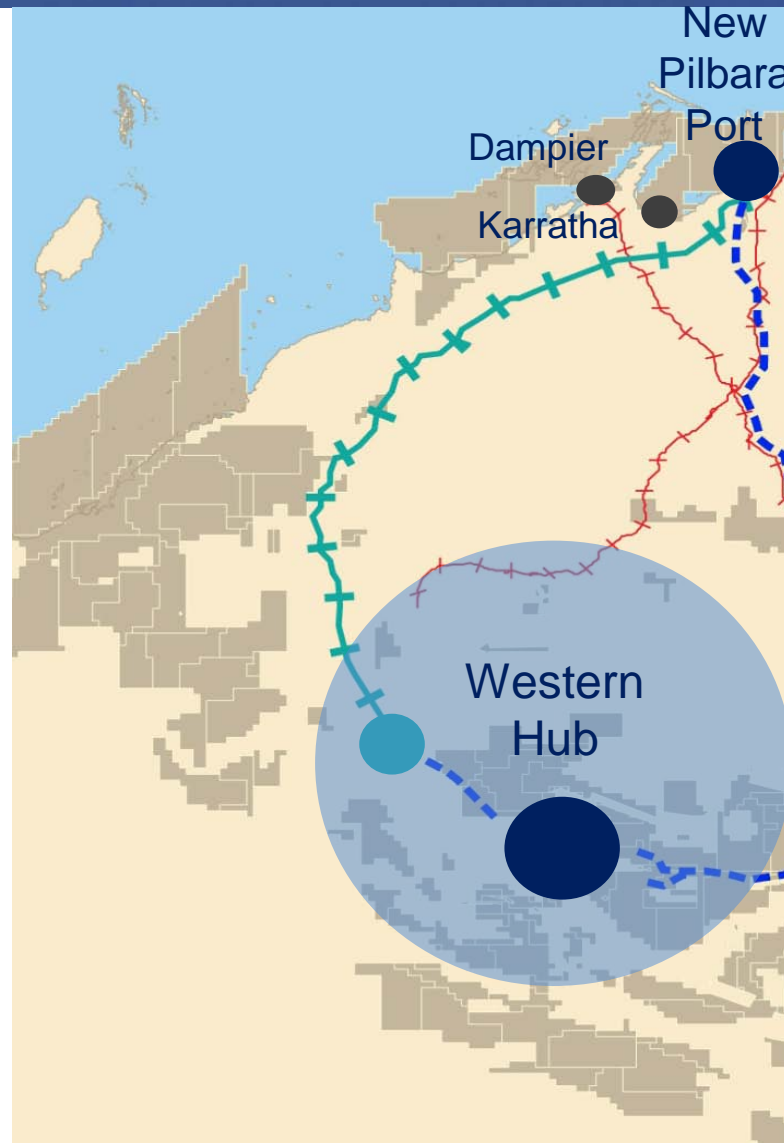
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Western Hub

Iron ore for generations

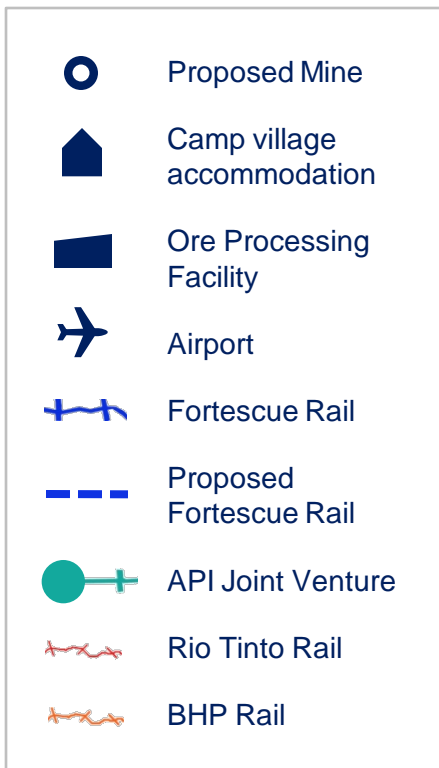
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- Third major planned iron ore production hub
- Resources targeted in excess of 2Bt
- Exploration commenced 5 years ago



- First one billion tonne target identified
- Infrastructure plans initiated
- Approvals underway
- Access to new Pilbara Port

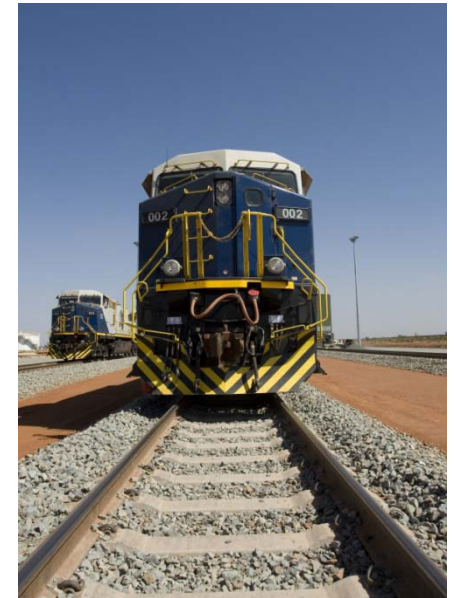
Western Mining



Iron ore for generations

Western Pilbara projects

- Existing target developments
- Maximizes use of total rail infrastructure
- Rail spurs to access API new heavy axle western rail
- Rail spurs to Fortescue Central Rail
- Expansion provision at New Pilbara port
- Can be delivered within 5 years



Iron ore for generations

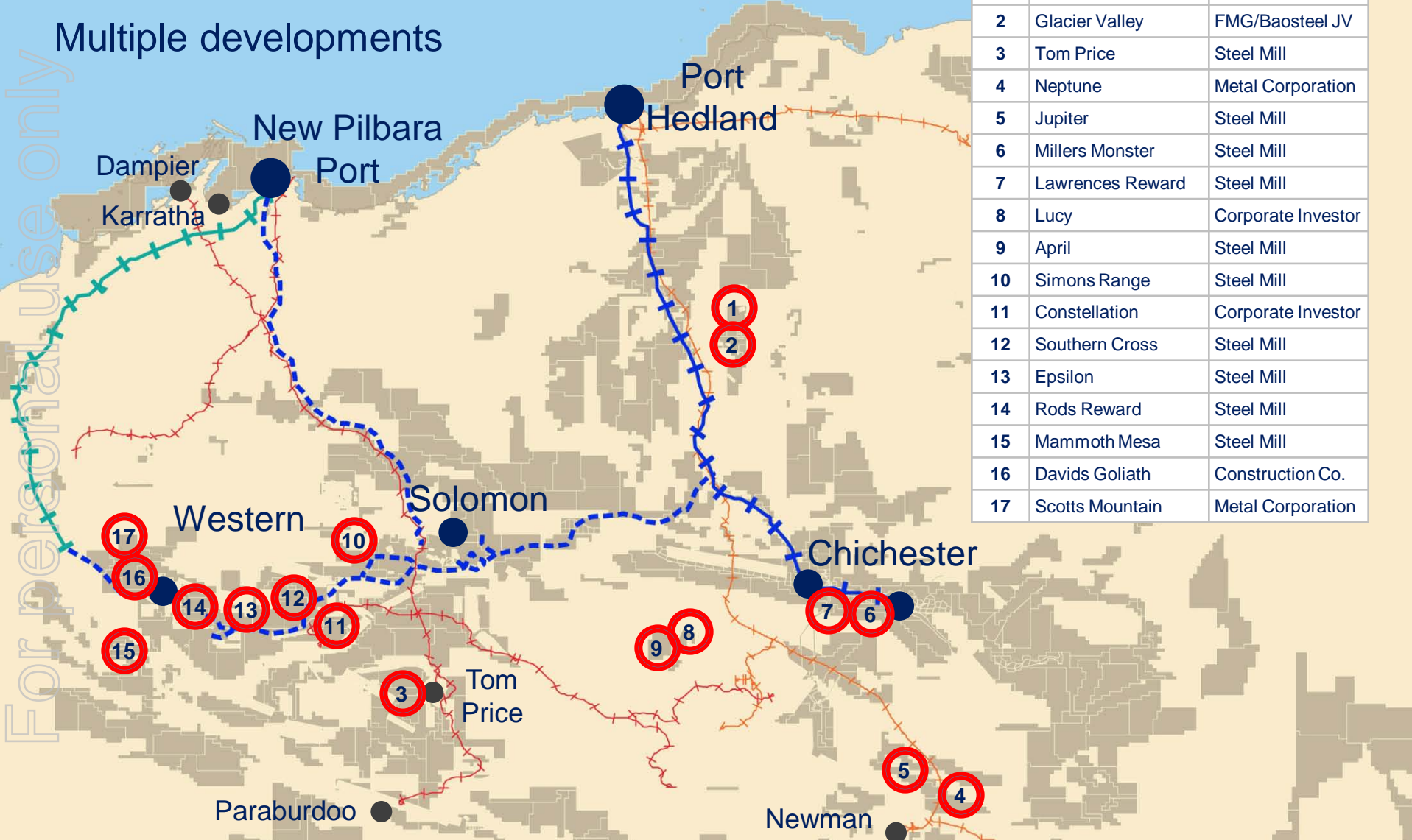
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Magnetite

Magnetite

Multiple developments

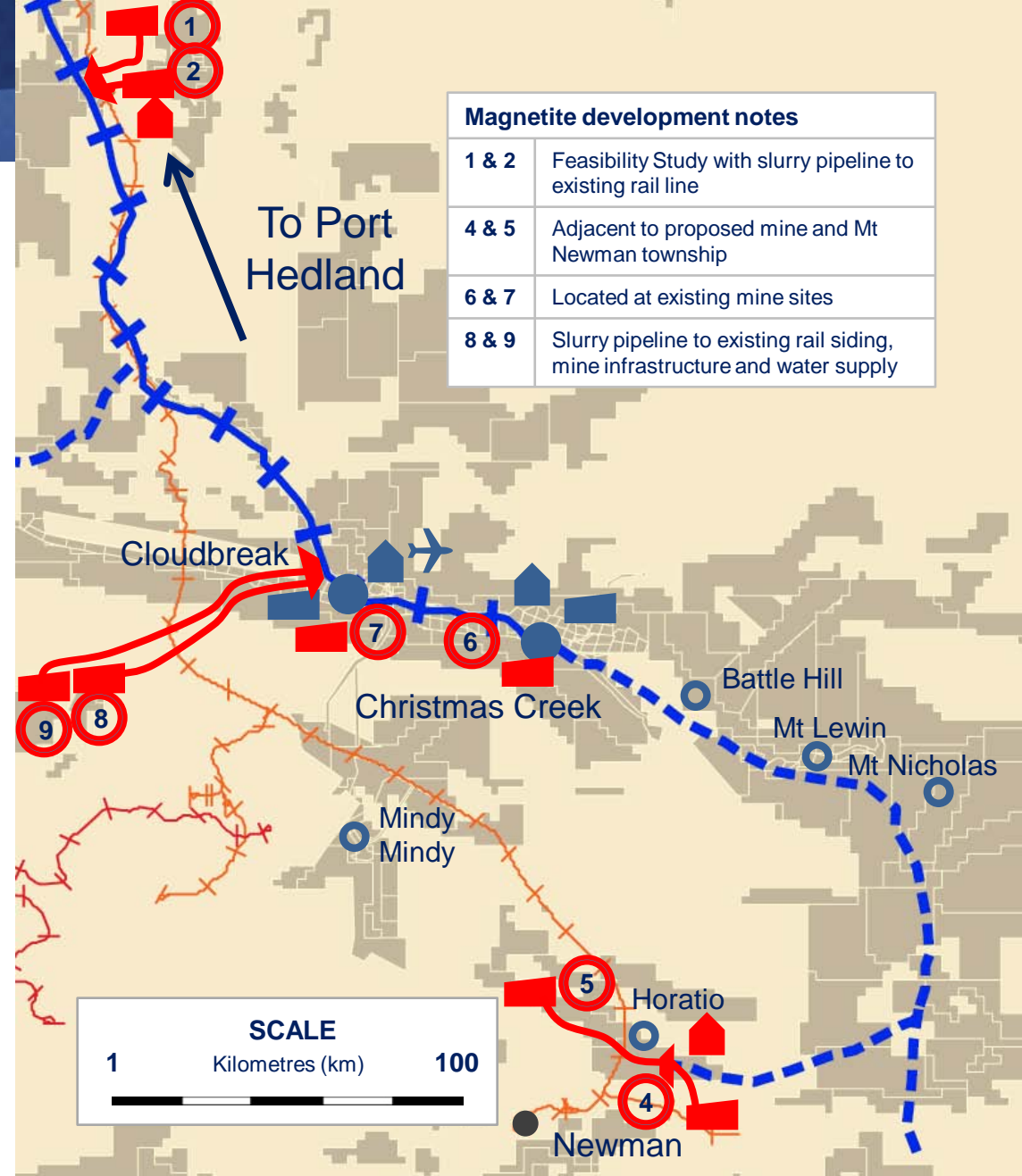
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No.	Development	Investors
1	North Star	FMG
2	Glacier Valley	FMG/Baosteel JV
3	Tom Price	Steel Mill
4	Neptune	Metal Corporation
5	Jupiter	Steel Mill
6	Millers Monster	Steel Mill
7	Lawrences Reward	Steel Mill
8	Lucy	Corporate Investor
9	April	Steel Mill
10	Simons Range	Steel Mill
11	Constellation	Corporate Investor
12	Southern Cross	Steel Mill
13	Epsilon	Steel Mill
14	Rods Reward	Steel Mill
15	Mammoth Mesa	Steel Mill
16	Dauids Goliath	Construction Co.
17	Scotts Mountain	Metal Corporation

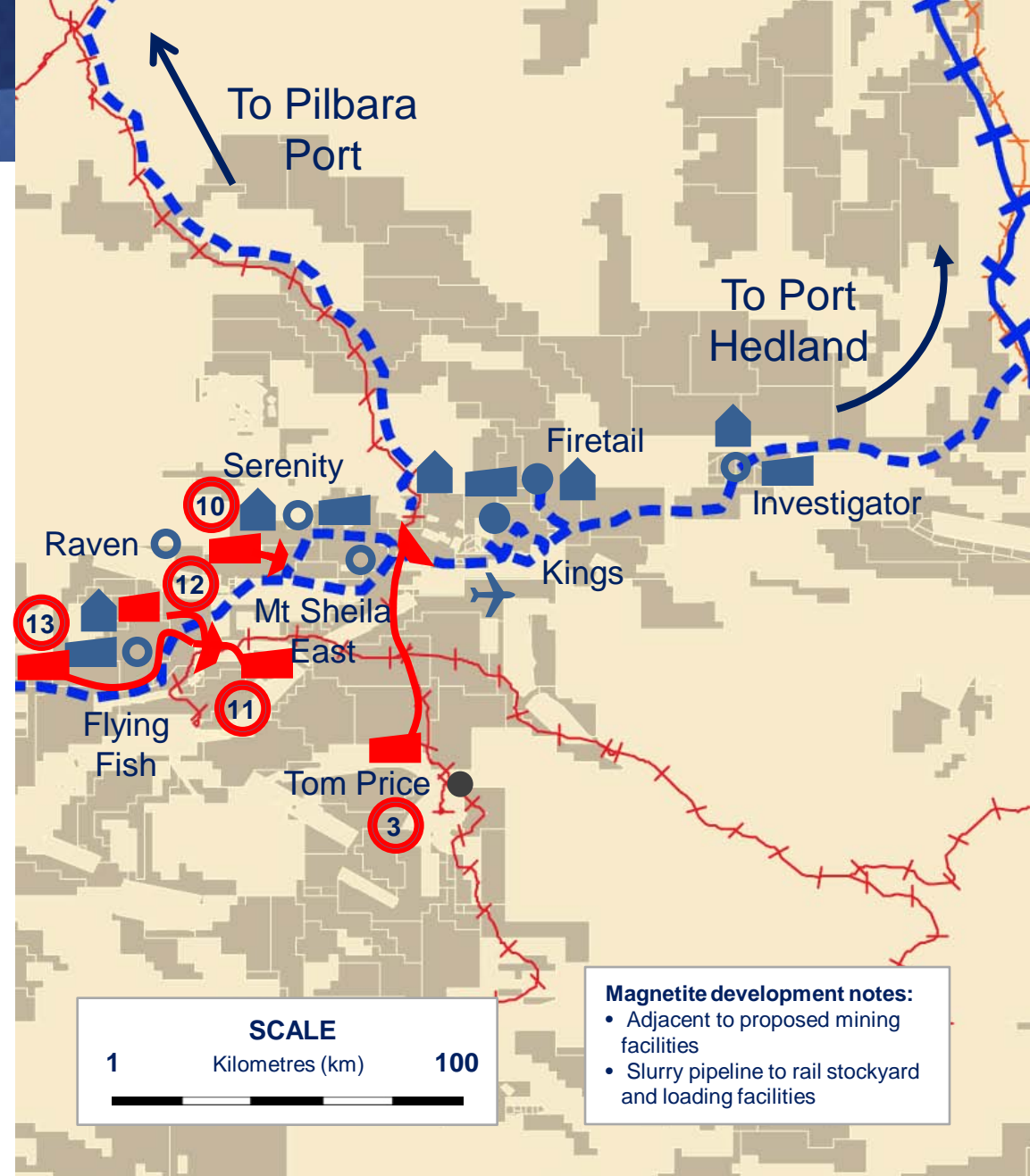
Chichester Hub Magnetite

HAEMATITE	MAGNETITE
Existing Mine	Existing Mine
Proposed Mine	Proposed Mine
Camp village accommodation	Camp village accommodation
Ore Processing Facility	Ore Processing Facility
Airport	Slurry pipeline and rail loading
<hr/>	
Fortescue Rail	
Proposed Fortescue Rail	
Rio Tinto Rail	
BHP Rail	



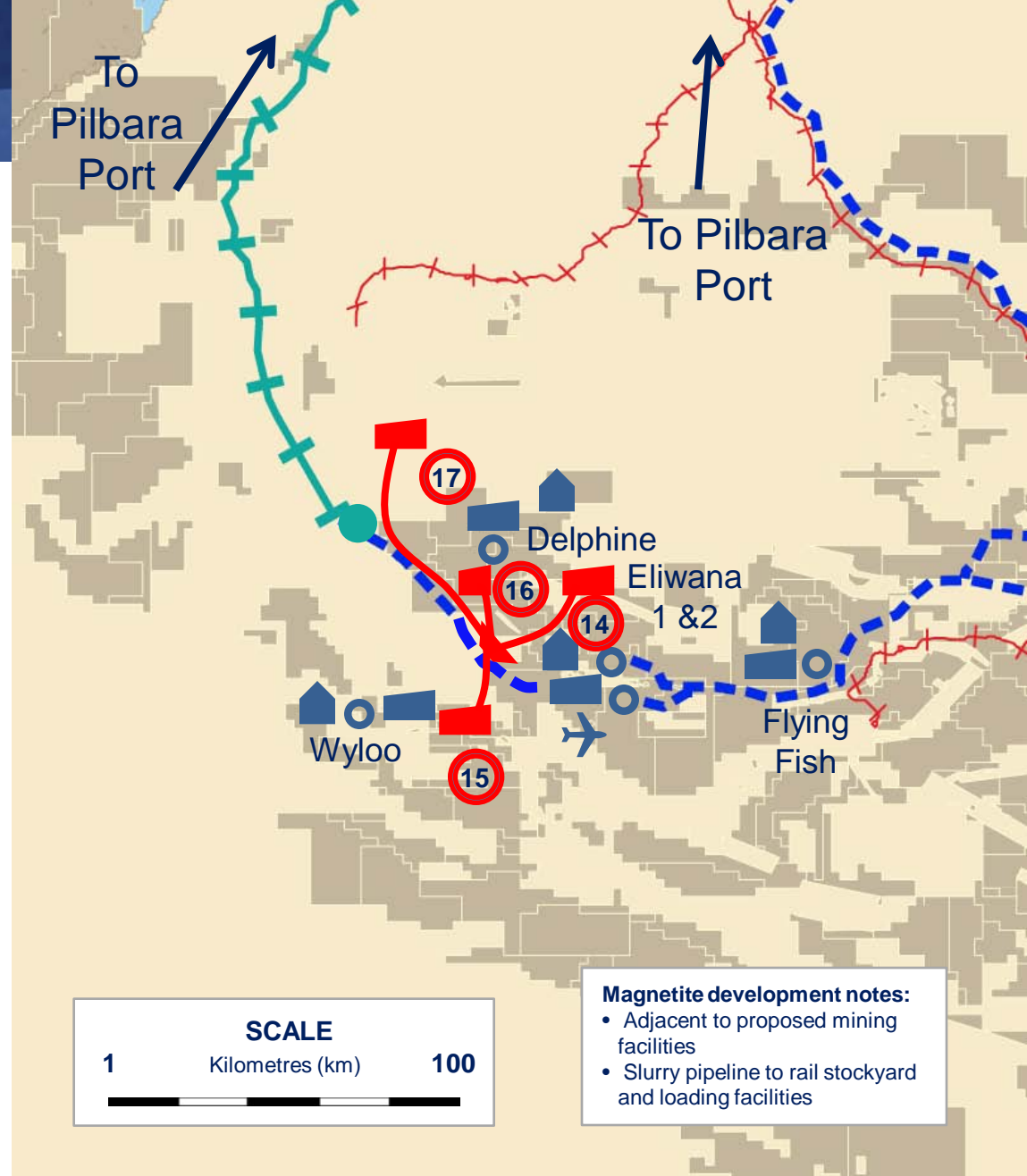
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<hr/>	
Fortescue Rail	
Proposed Fortescue Rail	
Rio Tinto Rail	
BHP Rail	



Western Hub Magnetite

HAEMATITE	MAGNETITE
Existing Mine	Existing Mine
Proposed Mine	Proposed Mine
Camp village accommodation	Camp village accommodation
Ore Processing Facility	Ore Processing Facility
Airport	Slurry pipeline and rail loading
<hr/>	
Fortescue Rail	
Proposed Fortescue Rail	
API Joint Venture	
Rio Tinto Rail	
BHP Rail	



Magnetite development notes:

- Adjacent to proposed mining facilities
- Slurry pipeline to rail stockyard and loading facilities

Iron ore for generations

Magnetite – long-term source of equity

- China needs magnetite
- Progressive rollout of magnetite with infrastructure hubs
- All projects either adjacent to existing rail or suitable for slurry line from mine to existing/planned rail
- Many projects adjacent to existing or planned Haematite mines
- More than 20Bt with targets identified for 18.7Bt



Iron ore for generations

- Magnetite is common to Fortescue
- Magnetite is BIF (banded iron formation)

Northern Magnetite Province

Two major developments in progress:

- FMG/Baosteel JV – Feasibility about to commence, 1.23Bt Resource
- FMG North Star – Scoping study completed & infill drilling targeting 1.5Bt
- FMG targets further 1Bt

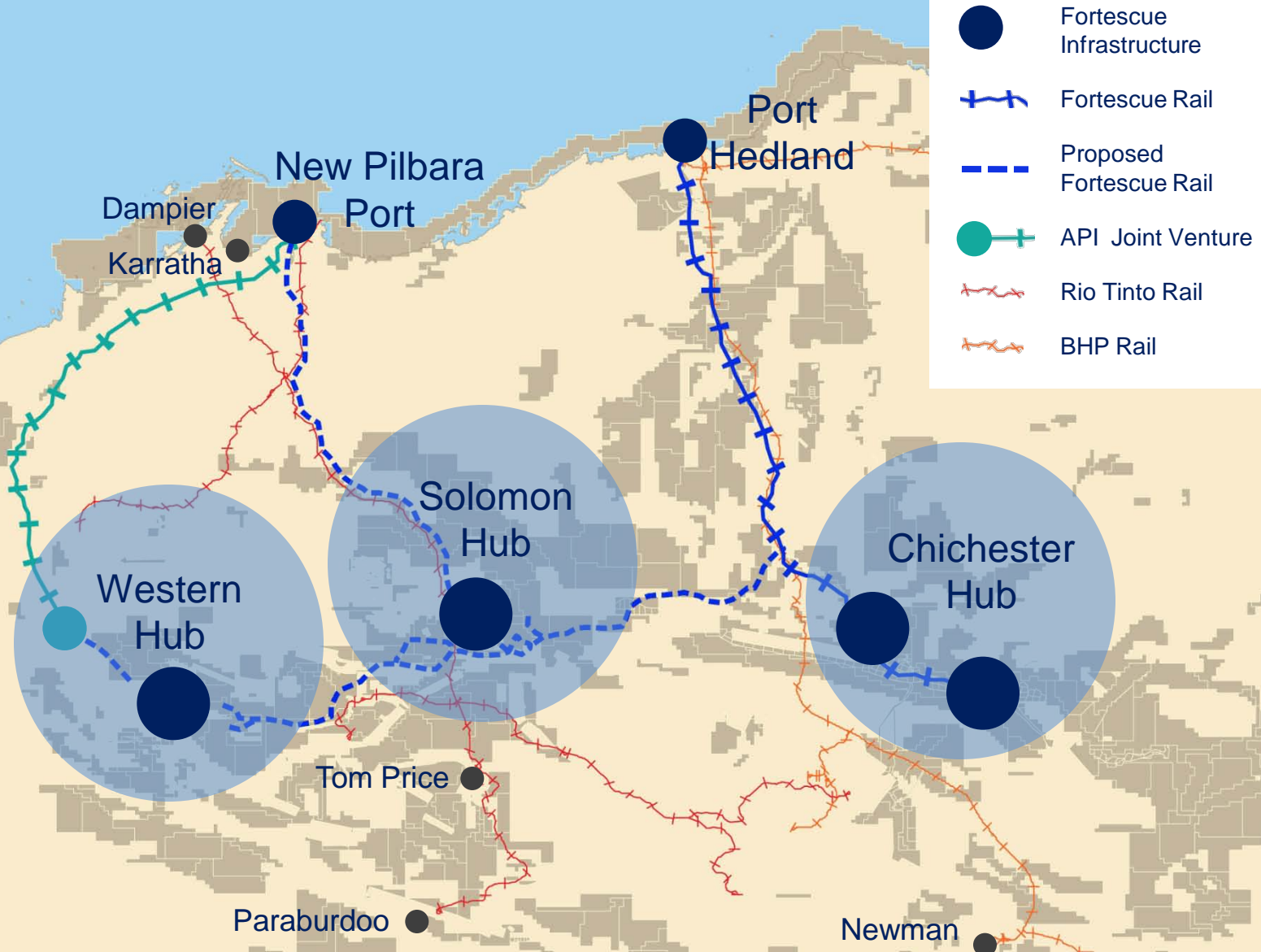
Central Magnetite Province

- Additional 15 projects being generated
- Each with target greater than 1Bt

Two Ports for Three Hubs

Two Ports – Three Hubs

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Current 1st port infrastructure

Herb Elliott Port at Port Hedland
Record breaking speed of ramp up

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Capacity (Mtpa)	<u>55</u>	<u>95</u>	<u>155</u>
Berths	2	3	5
Shiploaders	1	2	3

Capacity (Mtpa)	<u>55</u>	<u>95</u>	<u>155</u>
Stackers	2	2	4
Reclaimers	1	2	3

Capacity (Mtpa)	<u>55</u>	<u>95</u>	<u>155</u>
Train unloaders	1	2	3

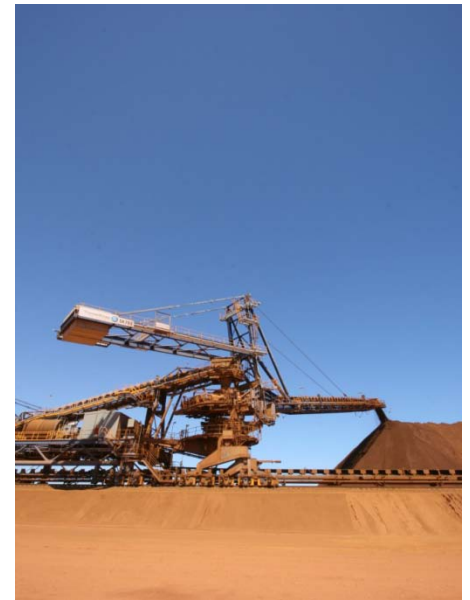
Port infrastructure: 55, 95, 155Mtpa
5th berth at South West Creek awaiting approval by Port Authority

Two ports for three hubs

2nd Pilbara Port (New)

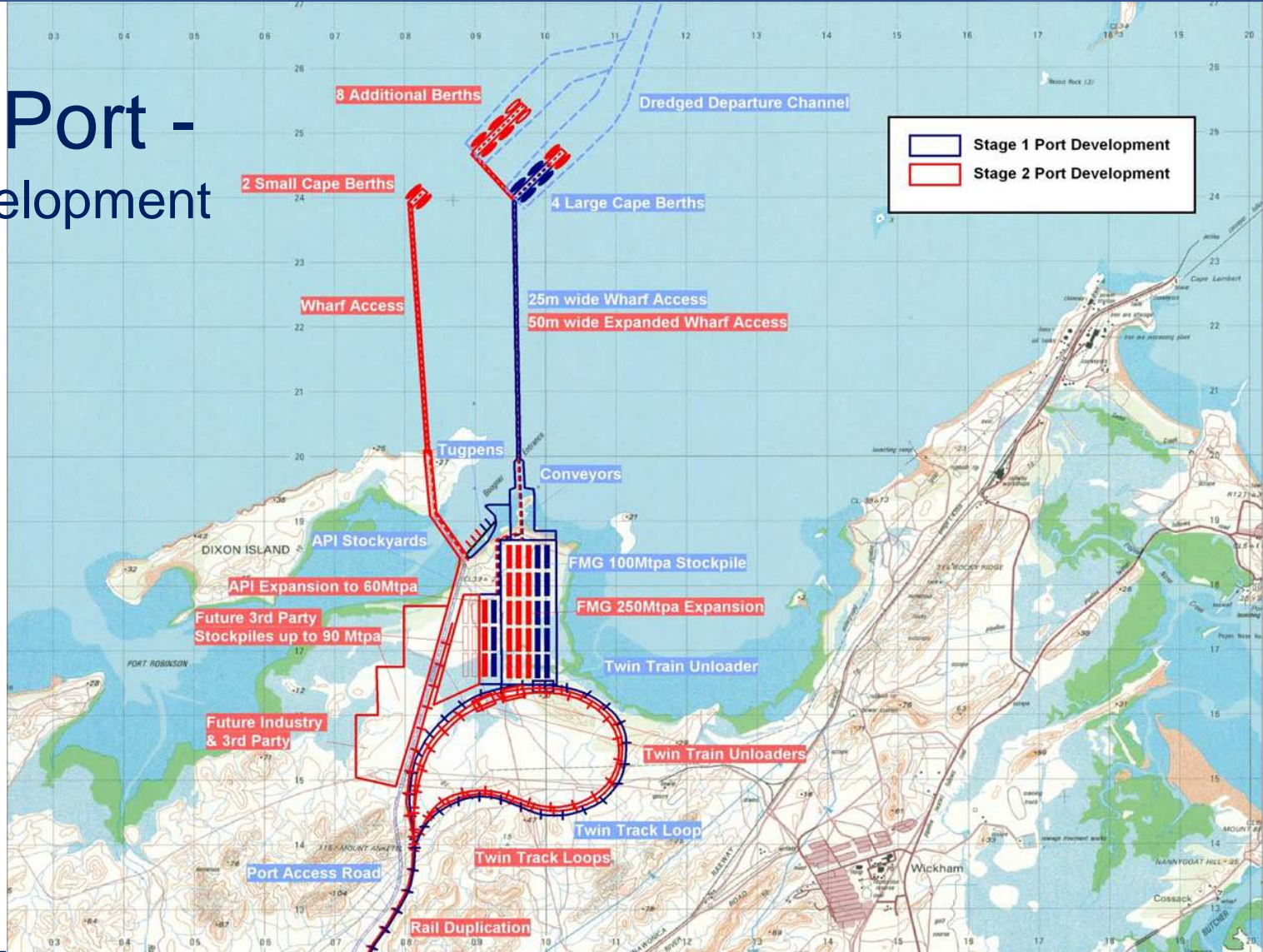
100Mtpa from Solomon Hub

- 220 kilometre Central FMG Rail (if no access to Rio line)
- New multi-user Pilbara Port to 400Mtpa;
 - Multi-user port start-up capex only \$4 billion
- Can be delivered in 2013/2014
- Total capex of port, rail and mine ~ \$6 billion;
- Huge boost to state growth and regional infrastructure



Two ports for three hubs

Pilbara Port - staged development



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Two ports for three hubs

New Pilbara port project Early cash flow option

- Access to Rio Rail
- Early Port beach head with 25Mtpa trans shipping load-out
- Potential to share trans-ship costs with MCC
- CID or Brockman from Solomon deposits adjacent to rail
- Development Plan is under study



**Proven skills –
low risk**

Iron ore for generations

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Proven skills in Construction – Completion Records

From concept

To reality



FACT: Fortescue built its infrastructure faster than any other mining company

FACT: Fortescue ramped up production faster than any other mining company

Iron ore for generations

Expansion risk considerations - answered

Risk	Mitigant
Resource	<ul style="list-style-type: none">• Massive JORC resource base of 6.3 billion tonnes and growing
Construction	<ul style="list-style-type: none">• Low tech civil works and very similar to works recently completed
Operations	<ul style="list-style-type: none">• Proven team that has presided over the faster ramp up of any iron ore project in Australia's history.
Market	<ul style="list-style-type: none">• Proven "value in use" product with a track record of acceptance
Finance	<ul style="list-style-type: none">• Ability to draw on internal cash flow and external capital sources underwritten by a strong business model and capital markets sector appetite

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The New Force in Iron Ore