Fortescue Metals Group
Balancing the Supply Demand Curve

8th China International Steel & Raw Materials Conference
Qingdao, October 2008

The New Force in Iron Ore
Fortescue Metals Group Ltd

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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.
FMG Overview

Multi-decade China market growth drives FMG strategy

• Long term growth in China and Asia drives FMG strategy
• FMG has major reserves and resources with very strong exploration upside
• World class production assets commencing in the bottom quartile of cost curve
• Strong off-take partners demand more FMG ore type
• We are here to help China
Further Promising Long-Term Growth Prospects for China

- Japan and Korea provide a clear roadmap to China’s potential
  - China early in its growth cycle
- China’s economic growth averaged over 10% per annum from 2003 to 2007
  - China GDP expected to increase by 10.5% in 2008
  - Public works spending (airport, roads, water systems) of US$400 billion through 2010
  - Shanghai spending US$40 billion for 2010 World Expo
- China’s growth expected to pickup again to normal levels post the olympic industrial slowdown

China’s industrial development is just beginning which has significant implications for further iron ore seaborne trade growth and increased infrastructure spending will further translate into more iron ore demand
History remains the best guide to the future

Output and Outlook
Share of World GDP, 1820-2001

Combined Chinese and Indian urbanisation rates per year

China is the perfect example of an urbanising country where raw material demand has increased significantly due to its population shifting to cities from rural areas.
Growth rate in Chinese iron ore production slowed sharply in 2007-08

Source: Morgan Stanley
China requires Australia to recover Market Share

Chinese Imports by Source

Source: Tex Report; FMG
Proven Track Record in Project Management

FMG built its major infrastructure faster than any other mining company has ever done before.

From Concept
- Fortescue Mine Site - 2006
- Fortescue Rail Site - 2007
- Fortescue Port Site - 2007

To Reality
- Fortescue Mine Site - 2008
- Fortescue Rail Site - 2008
- Fortescue Herb Elliot Port - 2008
State-of-the-art Mining operations

Target - Lowest cost, highest efficiency in the Pilbara
Cloudbreak time lapse of construction
4 June 2007 to 18 July 2008
State-of-the-art Rail operations

Target - Lowest cost transport in the Pilbara

Rail

- Clean sheet design captures best of existing technology and takes it to the next step:
  - Bigger carrying capacity
  - Electronic braking system
  - Aerodynamics
- 40 tonne axle loads
- Low centre of gravity, long wheel base, means capable of higher speeds
- Shorter distance means shorter cycle times
- Designed with reduced maintenance costs in mind
State-of-the-art Port operations

Target - Lowest cost transport in the Pilbara

Port
• Significant expansion area
• Highly automated
• Extensive use of conveyors
• Largest shiploaders in Australia
Port time lapse of construction
8 May 2007 to 15 May 2008
The growth engines of Asia need the Pilbara

- No iron ore major has the expansion leverage of Fortescue
- Australia is the most competitive supplier to Asia
  - Lowest Sovereign Risk
  - Best Location
Analysts prediction for relative operating costs – Seaborne trade

Iron Ore Cash Costs for 2009 - Saleable Mine and Pellet by Company

Cumulative Production Capability - Dry Mt

US$/dry tonne in real terms

Port Loading
Royalty
Transport
Maintenance
Supplies
Electricity
Fuel
Labour

Kumba Iron Ore non-Agglomerated
CSN non-Agglomerated
CVRD non-Agglomerated
Fortescue Metals non-Agglomerated
Rio Tinto non-Agglomerated
BHP Billiton non-Agglomerated
SNIM non-Agglomerated
CVC Ferromineras non-Agglomerated
NMDC non-Agglomerated
CVG Ferrominera non-Agglomerated
ArcelorMittal Pellets
Cleveland-Cliffs Pellets
Rio Tinto Pellets
LKAB Pellets
US Steel Pellets

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The largest bedrock hosted iron ore discovery in Australia
Over 1.6 billion tonnes of reserves defined
New exploration (Chichester only) 1.8 Bt – target only
Total reserves, resources and targets (Chichester only) under current drilling 4.26 Bt

Note:
- Total resources are exclusive of total reserves
- Data derived or calculated from best available company, technical and government public report

Note: Targets are hypothetical estimates and may not be achieved
FMG Pilbara Holdings Dwarfs Others

FMG – 52,000 sq. km, Rio – 11,000 sq. km, (Robe 5,000 sq.km) BHP – 6,500 sq. km
Fortescue’s first commercial shipments arrive in China – May/June 2008
Fortescue’s first commercial shipments arrive in China – May/June 2008
Product Acceptance

Actual shipments as at end September 2008:

- 8.7mt shipped, 53 ships to 27 customers
- Cargo value to date more than US$661m
- Fe and SiO₂ on target, Higher calcined Fe
- Customers are reporting very strong results from FMG ores in their blast furnace blend
- Several Chinese steel mills wish to use more than 30% FMG Rocket fines in their blend

THANK YOU TO ALL OUR CUSTOMERS
Industrial Test Results from FMG Major Customers so far …

Rocket Fines Replacing Brazilian Fines & MAC Fines in the Sinter Blend

<table>
<thead>
<tr>
<th>Project</th>
<th>Yield %</th>
<th>Sinter Speed mm/min</th>
<th>Productivity t/m².h</th>
<th>Fuel kg/t</th>
<th>Tumble Index %</th>
<th>Return Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Blend</td>
<td>68.84</td>
<td>19.34</td>
<td>1.232</td>
<td>72.80</td>
<td>67.47</td>
<td>0.92</td>
</tr>
<tr>
<td>Replacing 22% MAC Fines</td>
<td>65.89</td>
<td>20.77</td>
<td>1.304</td>
<td>70.62</td>
<td>65.07</td>
<td>1.03</td>
</tr>
<tr>
<td>Replacing 19% Brazilian fines</td>
<td>65.09</td>
<td>21.88</td>
<td>1.339</td>
<td>72.20</td>
<td>66.93</td>
<td>1.04</td>
</tr>
</tbody>
</table>

“…The blending of Rocket Fines is conducive to increasing both sinter speed and productivity. Rocket fines can comfortably make up more than 15% of total sinter blend. Increase of Rocket fines percentage in the sinter blend is likely with more technical work…”

- WISCO General Iron Plant
Industrial Test Results from FMG Major Customers so far ...

Sinter Blend

<table>
<thead>
<tr>
<th></th>
<th>Brazilian Fines</th>
<th>Domestic Concentrate</th>
<th>Others</th>
<th>Canadian Concentrate</th>
<th>Indian Fines</th>
<th>Iron Scale</th>
<th>FMG Rocket Fines</th>
<th>Other Fines</th>
<th>MGI Fines</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>20</td>
<td>14</td>
<td>20</td>
<td>5</td>
<td>3</td>
<td>4</td>
<td>22</td>
<td>2</td>
<td>10</td>
<td>10</td>
<td>100</td>
</tr>
</tbody>
</table>

Major Indicators

<table>
<thead>
<tr>
<th></th>
<th>Daily Production t</th>
<th>Tumble Index %</th>
<th>5-10mm %</th>
<th>-5mm %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>10728</td>
<td>76.89</td>
<td>24.64</td>
<td>4.69</td>
</tr>
</tbody>
</table>

“…Daily production is increased by more than 50 tonnes on three 105m² sinter machines with steady tumble index, powder material (screening index) decreased by 0.2%…”

- Laiwu Steel
Why are FMG Fines so good?

- High calcined iron
- Low contaminants
- Coarse size with low ultrafines
- Very fast sintering speed/high production rate ("Fires like a rocket!")
- Mills can use it up to 50% of a blend, versus 15% maximum for MAC, 35% Pilbara Blend
- Less sensitive to over-melting compared to Yandi
- Stable uniform sintering characteristics

Conclusions: High Value In Use for steelmills
Positive customer feed-back not surprising
Tenacious product
Exploration - 4.1 Billion tonnes in 4 years

- Christmas Creek drilling commenced May 2004; Cloudbreak, November 2004, Solomon Drilling commenced June 2007

- In-ground resource of 4.1 billion tonnes

- Reserves now 1.65 billion tonnes

- Discovery cost under 2 cents per tonne

- The next 3 billion tonnes is targeted
Project Pipeline development areas will create a large iron ore export operation.
Hamersley Group Stratigraphy – Regional

Macroband Lateral Continuity

Brockman 2 Hamersley Iron reference section
Tom Price Type outcrop – Wittenoom Gorge

~ 50 m vertical scale

50 km
75 km
190 km
170 km
4W Gorge Ophthalmia Range

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Pilbara resources and targets which underpin the project pipeline

<table>
<thead>
<tr>
<th>Area</th>
<th>Current Resources*</th>
<th>Current Targets</th>
<th>Further Potential</th>
<th>Total Upside</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chichester Range</td>
<td>2.45</td>
<td>1.8</td>
<td>1</td>
<td>5.25</td>
</tr>
<tr>
<td>Solomon</td>
<td>1.7</td>
<td>2</td>
<td>2</td>
<td>5.7</td>
</tr>
<tr>
<td>Jeerinah Anticline</td>
<td>1</td>
<td>1.5</td>
<td></td>
<td>2.5</td>
</tr>
<tr>
<td>Western CID</td>
<td>1</td>
<td>1</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Southern Pilbara</td>
<td>0.5</td>
<td>0.5</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Eastern Pilbara</td>
<td>0.5</td>
<td>1</td>
<td></td>
<td>1.5</td>
</tr>
<tr>
<td>Magnetite</td>
<td>2</td>
<td>&gt;1</td>
<td></td>
<td>&gt;3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4.15</strong></td>
<td><strong>8.8</strong></td>
<td><strong>8</strong></td>
<td><strong>20.95</strong></td>
</tr>
</tbody>
</table>

All figures are billions of tonnes of iron ore

* Indicated and inferred categories

**Note:** Targets and further potential are hypothetical estimates and may not be achieved.
Fortescue has Australia’s leading mining and infrastructure operations team

From Concept

Fortescue Mine Site - 2007

To Reality

Fortescue Mine Site - 2008
Pilbara’s longest corporate airfield
Surface miners hard at work
Trucks loading fast
World’s largest radial stacker at work
Mine: 24/7
Integrated Crushing & Screening Plant
Train Loader in operation
Fortescue has a proven rail operations team

From Concept  To Reality

<table>
<thead>
<tr>
<th>Fortescue Rail Site - 2007</th>
<th>Fortescue Rail Site - 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image1" alt="2007 Image" /></td>
<td><img src="image2" alt="2008 Image" /></td>
</tr>
</tbody>
</table>
Rolling stock (particularly wagons) have exceeded expectations
Train unloader from Rail to Port - fully operational
Port and loading systems

From Concept  To Reality

Fortescue Port Site - 2006  Fortescue Herb Elliott Port - 2008
A massive footprint - inbuilt expansion capacity
Stacker & Reclaimer - fully operational
Port: 24/7
160+ Mtpa Anderson Point

5 x Cape size
3 x Rail Loop
3 x Train Unloader
160+ Mtpa stock yard
expandable to 200+Mtpa
Australia-China Iron Ore Trade

- Australia is the most reliable, lowest sovereign risk, highest value-in-use supplier of critical raw materials to the growth markets of Asia, especially China.

- FMG is the best ‘win/win’ supply option for the Chinese Steel Industry
FMG wishes to express our sincere support for the Chinese Steel Industry in these difficult times. We believe we will successfully work through this together.
For regular email alerts register online at
www.fmgl.com.au

The New Force in Iron Ore