

China Iron Ore Conference



Together we are Fortescue

Disclaimer

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Additional Information

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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 and innovation

Core supplier
to China

Shipped over
965mt



Low cost
producer

170mt
Production rate



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



Fortescue
The New Force in Iron Ore



Safety



Family



Empowerment



Frugality



Stretch targets



Integrity



Enthusiasm



**Courage and
determination**



Generating ideas



Humility



Generating shareholder value

Focus on safety, productivity and efficiency

Market strategy

Operational performance

Long life resources

Capital discipline

Shareholder returns





Operating and financial performance



FY18 Q2 on track

Operational performance delivering financial results and cashflows

Safety

3.1 TRIFR

Production

40.5mt

Shipped for the quarter

C1 Cost

\$12.08/wmt

On target to ^{US}\$11-12



Sustainable cost improvements

Initiatives delivering long term low cost outcomes

Structural improvements

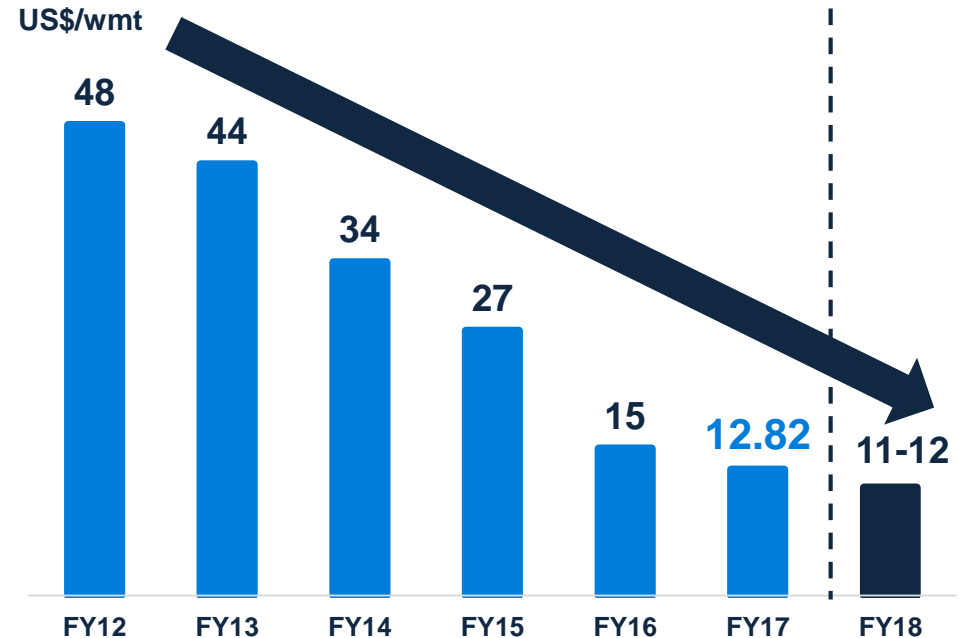
Solomon + Blending + Processing

Productivity and Efficiency

Utilisation, Recoveries, Maintenance

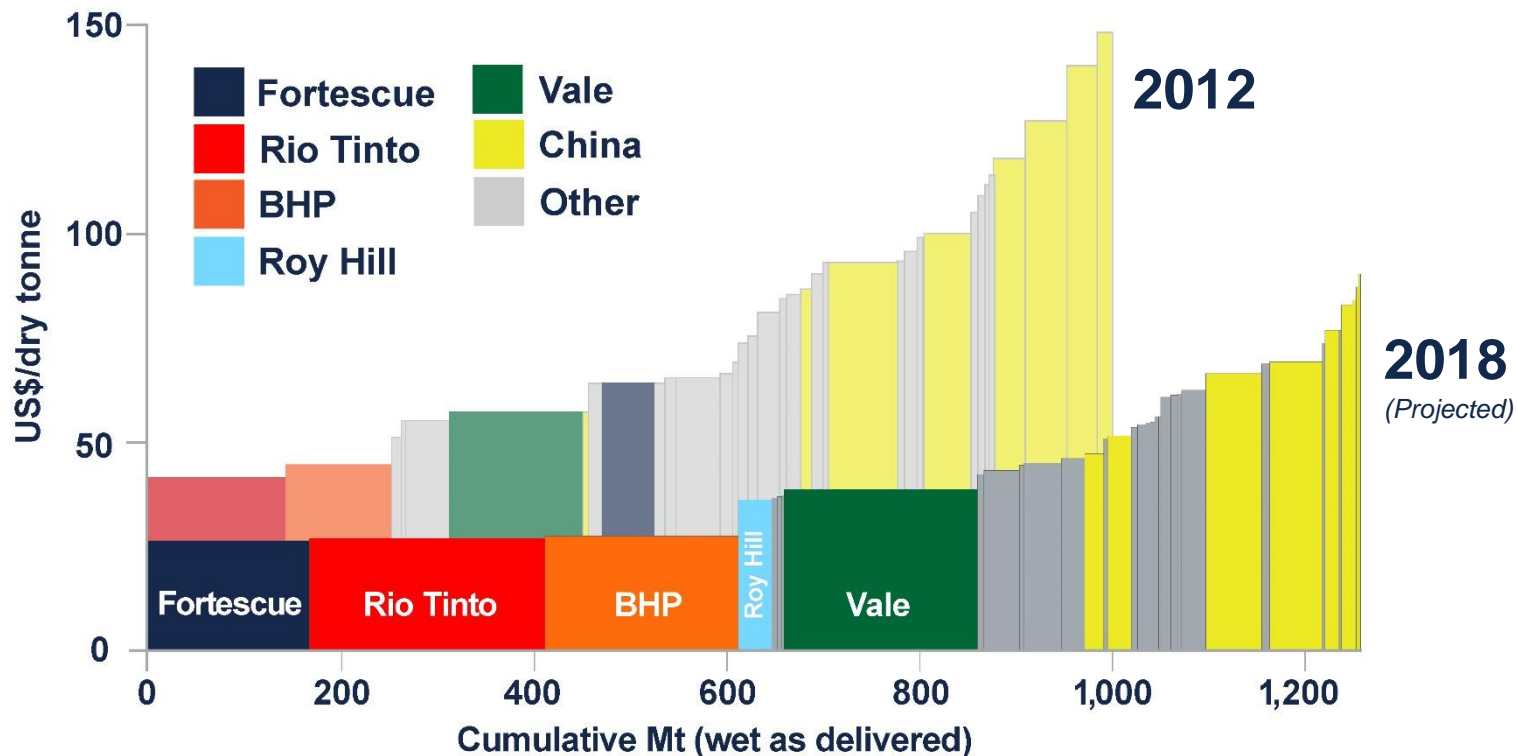
Innovation and Technology

Autonomy, Gas, Ore Carriers, Data analysis



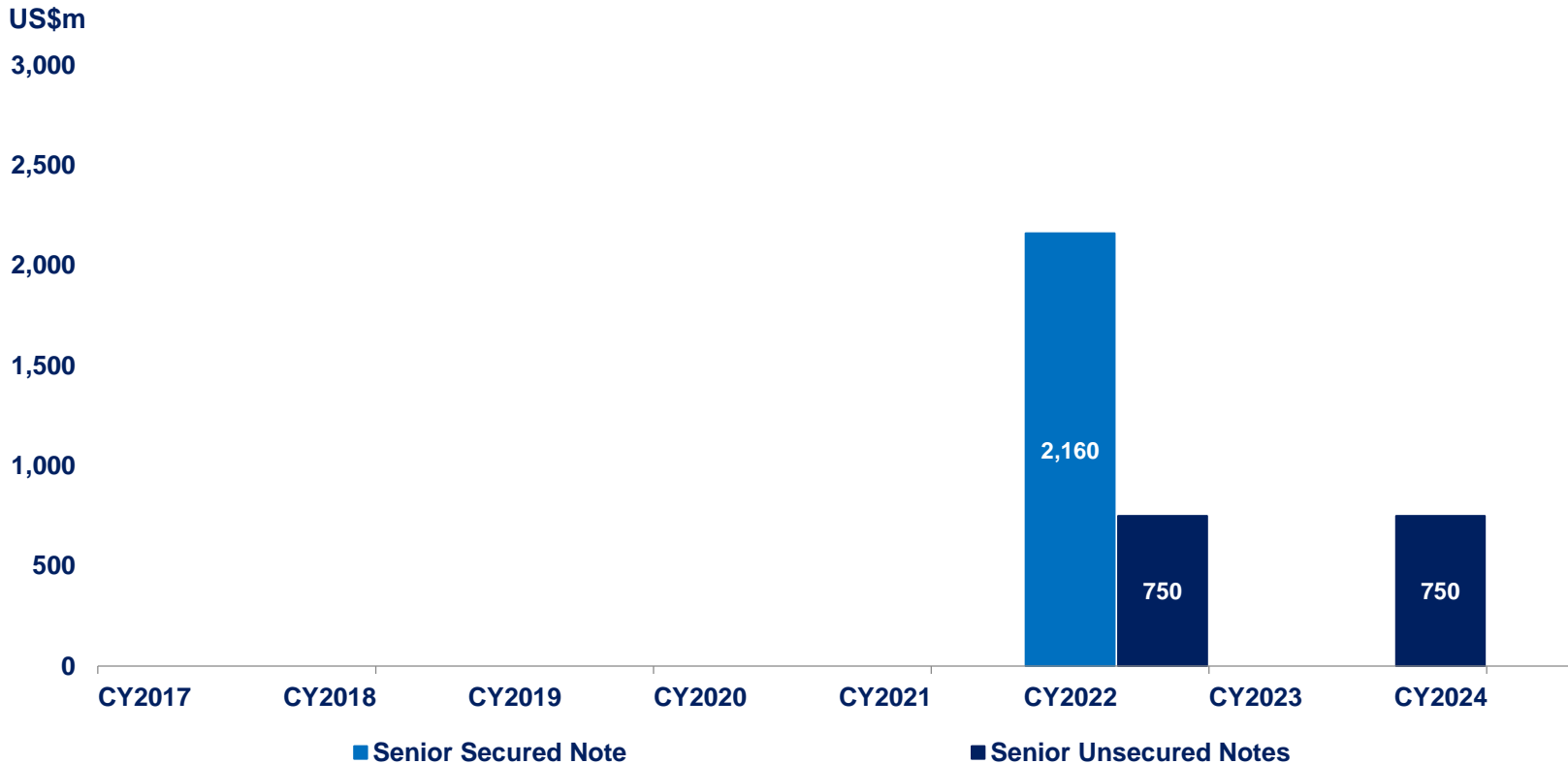
Maintaining position on the cost curve

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



Debt maturity

First maturity in 2022 and a US\$525 million revolver facility





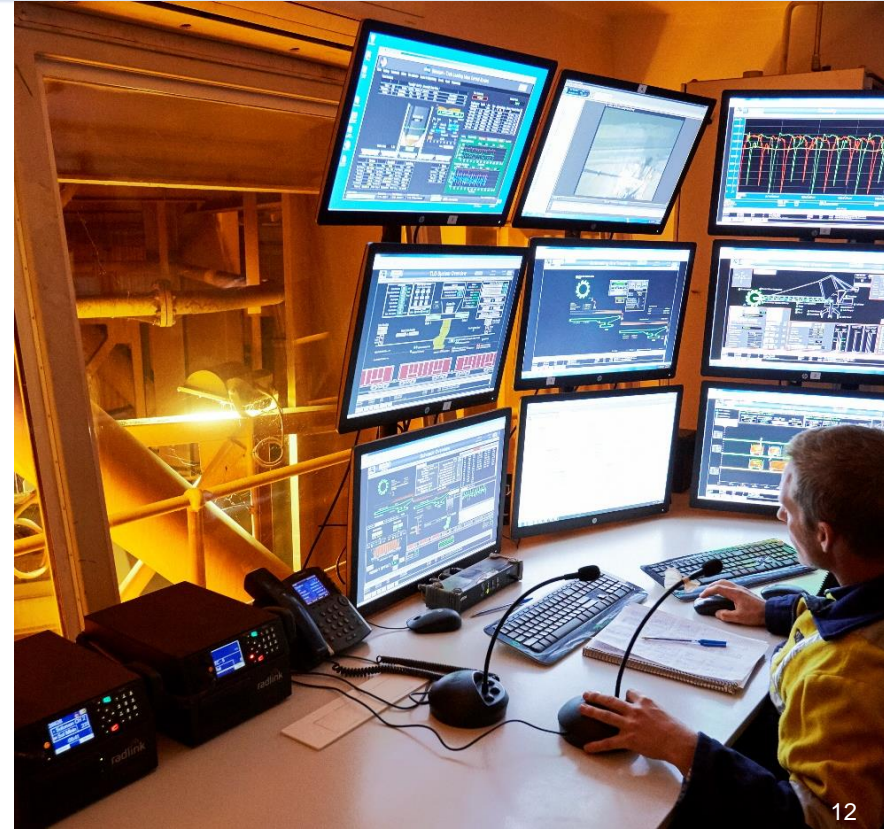
Innovation



Generating ideas for future innovation

People, processes and techniques are all catalysts for innovation

- **Exploration** techniques
- Integrated **Operations Centre**
- Mine **planning** and **optimisation**
- Harnessing **automation**
- Low cost, relocatable **conveyor**
- Fortescue **Ore Carriers**



World class autonomous haulage operation

Building on our success and expanding to the Chichester Hub



Improved
safety +
productivity



56
Operating at Solomon
+12 to be converted

Chichester Expansion

100 trucks
over 3 years

500mt
Material moved at
Solomon





Market



Core supplier to Asia

Well established market share of imported iron ore to China

Low impurity 58% Fe average

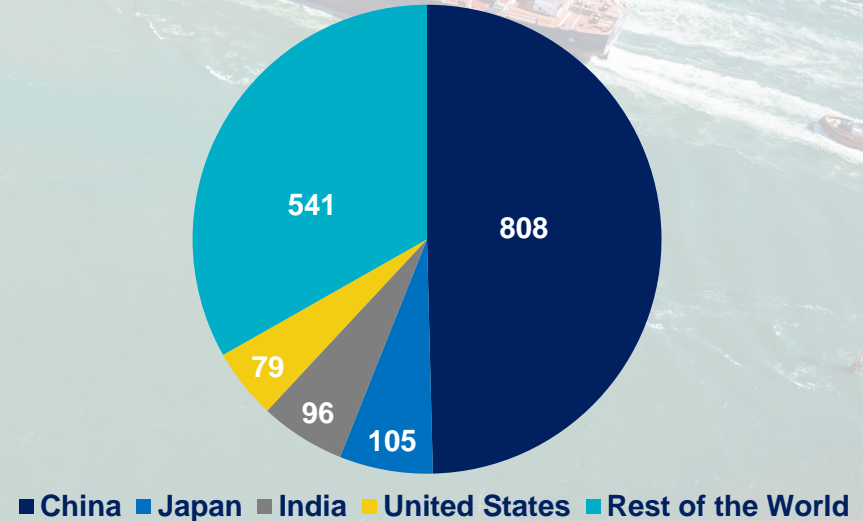
Competitive value in use

Large diverse customer base

Responsive to market needs

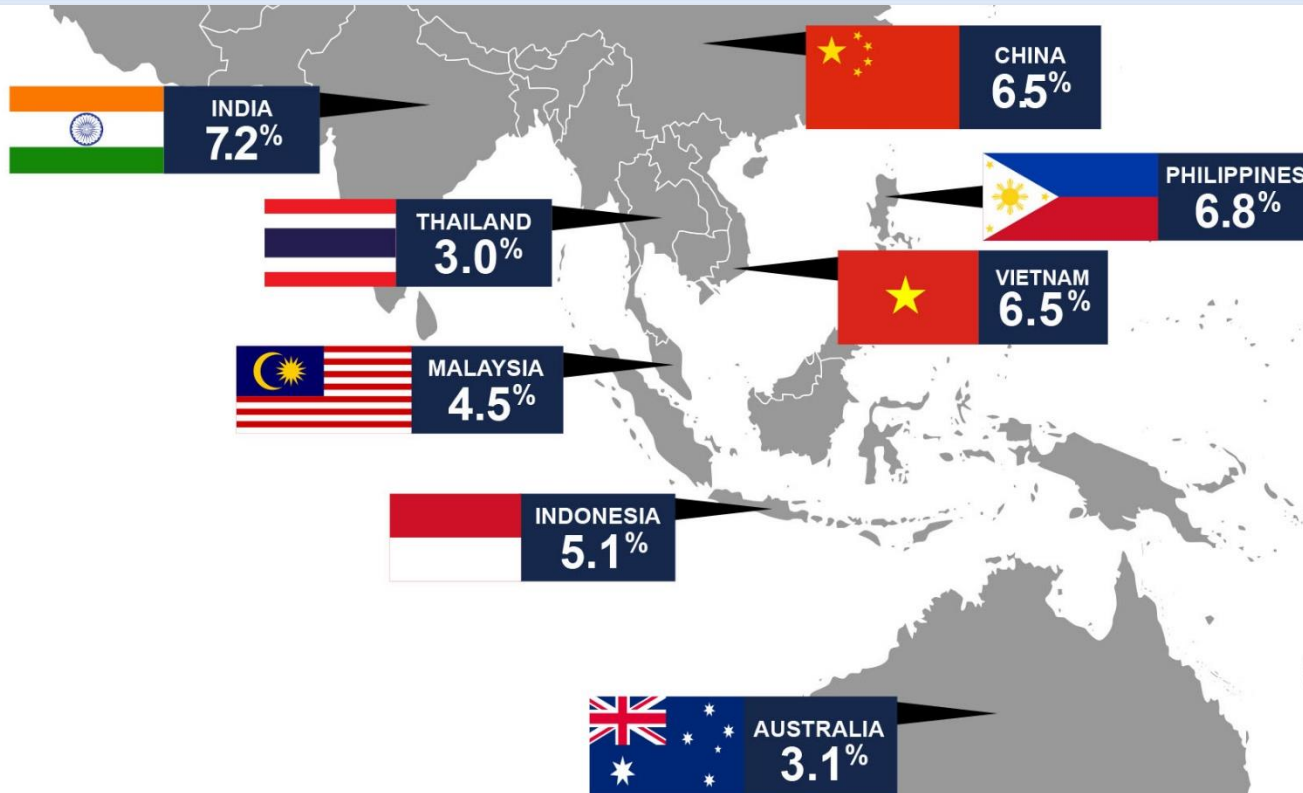
Proximity to high growth region

Total 2016 global steel production 1,629mt



Developing and emerging Asia

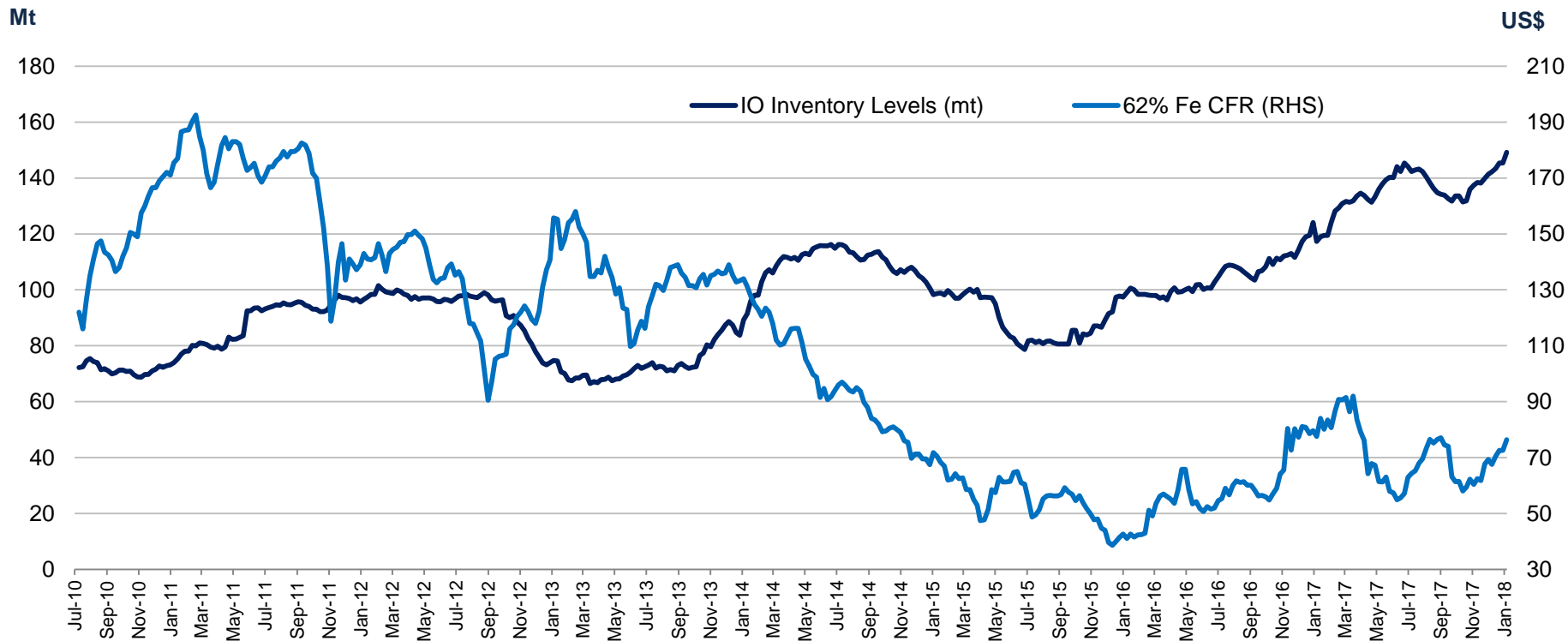
Asian economies generating two thirds of global growth



Iron ore inventory levels



Iron ore port inventory at record levels



Building strong communities



Diverse workforce representing our communities



Creating opportunities through training, employment and business development



17% Female employees

A\$1.95bn
Contracts to
Aboriginal companies

 **Training**
VTEC
Trade Up

15% Aboriginal employees



Fortescue
The New Force in Iron Ore

Focussed strategy



FY18 guidance

Sustainable performance driven by innovation

**170mt
shipped**

**US\$11-12/wmt
C1 cost**

**70-75%
Price realisation**

**US\$3/wmt
Sustaining capital**

**Depreciation
US\$7.40/wmt**

**Dividend policy
50-80% pay-out of NPAT**



Key strategic focus

Ensuring our communities benefit from the growth and development of Fortescue

**Debt repayment and
capital flexibility**

Long term sustainability

Low cost growth options

Returns to shareholders



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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C1:	Operating costs of mining, processing, rail and port on a per tonne basis, including allocation of direct administration charges and production overheads.
Debt coverage ratio:	Debt / Underlying EBITDA.
dmt:	Dry metric tonnes.
Free cash flow:	Net cash inflows from operations less capital expenditure.
FY:	Full year.
HY:	Half year.
Interest coverage ratio:	Underlying EBITDA / Interest.
mtpa:	million tonnes per annum.
Net debt:	Borrowings and finance lease liabilities less cash and cash equivalents.
Net gearing:	Net debt / (net debt + equity).
NPAT:	Net profit after tax.

Underlying EBITDA:

Earnings before interest, tax, depreciation and amortisation, exploration, development and other expenses. The reconciliation of Underlying EBITDA to the financial metrics disclosed in the financial statements prepared under the Australian accounting standards is presented below:

Reconciliation of underlying EBITDA to IFRS measures:

	2017 US\$m	2016 US\$m
Underlying EBITDA	4,744	3,195
Finance income	19	214
Finance expenses	(502)	(675)
Depreciation and amortisation	(1,243)	(1,244)
Exploration, development and other	(51)	(136)
Net profit before tax	2,967	1,354
Income tax expense	(874)	(369)
Net profit after tax	2,093	985

wmt: wet metric tonnes.