



## Credit Suisse 14<sup>th</sup> Asian Investment Conference

24 March 2011

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### Competent Persons Statement

The information in the report to which this statement is attached that relates to Mineral Resources is based on information compiled by Mr Stuart Robinson, Mr Mark Glasscock and Mr Clayton Simpson who are all Members of The Australasian Institute of Mining and Metallurgy.

Mr Stuart Robinson, Mr Mark Glasscock and Mr Clayton Simpson are full time employees of Fortescue Metals Group Ltd and provided geological interpretations for Mineral Resource calculations and compiled the exploration results. Mr Robinson, who is a Fellow of The Australasian Institute of Mining and Metallurgy, and Mr Glasscock and Mr Simpson who are Members of The Australasian Institute of Mining and Metallurgy, have sufficient experience which is 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, Mr Glasscock and Mr Simpson consent to the inclusion in this report of the matters based on their information in the form and context in which it appears.



## Integrated Business ~ 100mt shipped



➤ Infrastructure – the key to unlocking the Pilbara

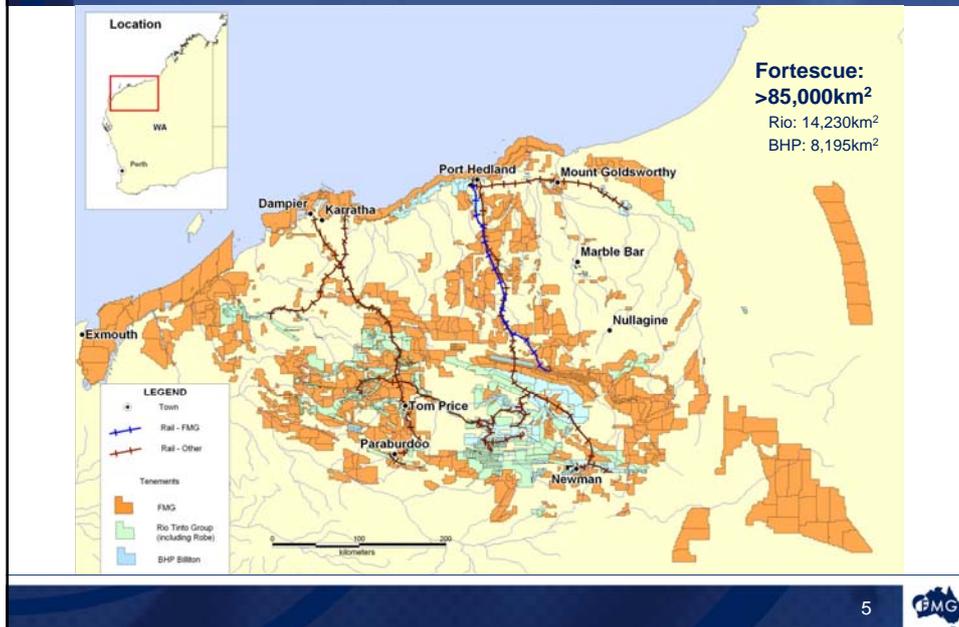
## Future growth story without parallel



- New exploration model across the Pilbara
- Massive discoveries leads to 10bn tonnes
- Fastest ramp up of any Pilbara mine
- Surface miners optimise grade control
- Largest ore processing plant in the Pilbara
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➤ **Compare FMG 155mtpa with 355mtpa potential to BHP/RIO iron ore market caps**

# Productive Pilbara dominance – 10bt and growing



# Proven project development skills - records

From concept To reality

<p><b>Port</b></p> <p>2006</p>	▶	<p><b>Herb Elliott Port</b></p> <p>2008</p>
<p><b>Rail</b></p> <p>2007</p>	▶	<p><b>Fortescue Railway</b></p> <p>2008</p>
<p><b>Mining</b></p> <p>2006</p>	▶	<p><b>Cloudbreak Minesite</b></p> <p>2008</p>

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

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

# Proven project development skills - records

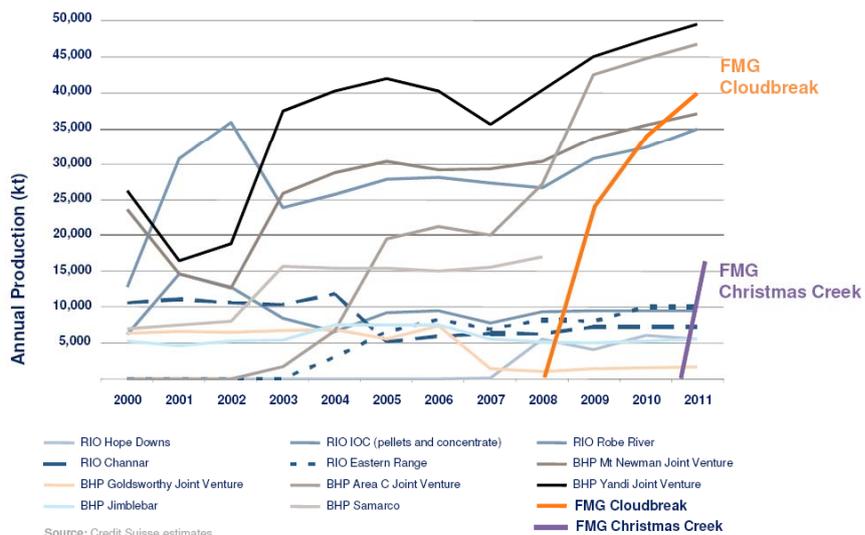
From concept To reality

<b>Mining</b>	 2010	▶	<b>Christmas Creek Minesite</b>	 2011
<b>Mining</b>	 2011	▶	<b>Solomon Minesite</b>	 2013
<b>Mining</b>	 2011	▶	<b>Nyidinghu Minesite</b>	 2013

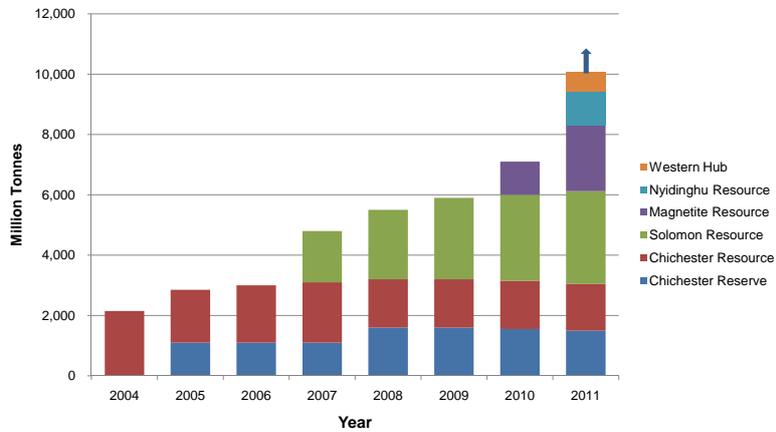
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# Unparalleled production ramp up

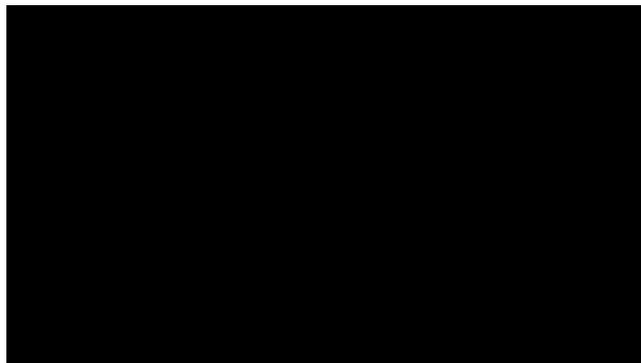


## Unprecedented resources growth up to 2bt pa



- Maiden resource statement of 625mt from the Western Hub
- Total exploration portfolio of 10.03 billion tonnes of JORC Resources
- Reserve of 1.5 billion tonnes of direct ship ore

## Fortescue – forging ahead



## China



**China able to maintain growth > 8% growth**

- Overheating, property price inflation can cause problems
- Controlled through directives used to keep growth balanced
- Around 13% of world GDP; 1.3 billion people



## India

**Indian growth expected to mirror Chinese performance > 8% growth**



- Least affected of all large economies by GFC
- Strong growth underpinned by growing domestic demand
- Around 5% of world GDP; 1.1 billion people



## The Waves Shaking the World

- **China, India, the Third Wave and the Crabs**
  - Almost ¼ of world GDP and growing rapidly
  - ½ of world population enjoying rising standards of living
    - Wealth will approximately double every 10 years
    - Increased wealth taken initially as calories by poorer people
    - Upward pressure on food prices globally
- **Rising food prices will have repercussions elsewhere**
  - In stagnant economies will result in falling living standards
  - This will generate political instability



## CRABS – Canada, Russia, Australia, Brazil, South Africa

### Big economies underpinned by resources

#### ~ 4% growth

- Canada; Russia; Australia; Brazil; and South Africa - "CRABS"
- Will continue to do well whilst commodity markets remain strong
- Collectively around 10% of world GDP; 440 million people



### "Third wave" of South and South East Asian economies ~ 6% growth

- "First wave" – China; "Second wave" - India
- Diverse bunch ranging from Malaysia to Indonesia and Sri Lanka
- Collectively around 5% of world GDP; 1 billion people



### CRABS + Third Wave

- Currently 15% of world GDP – bigger than Chinese economy
- Currently 1.4 billion people – bigger than China's population



## Communications Change Regimes Quicker than Bullets

- **Internet and mobile phone communication**
  - Allows dissemination of political discontent

- **Stagnant economies**
  - Politically inspired regulation
  - Tolerance of corruption
  - Rent seeking by political elites



- **Rising food prices + Stagnant economies + Digital Communication**
  - Tunisia, Egypt, Libya - ??



## The Impact of Digital Communication

### Growth of mobile phones

- CISCO predicts 138 million users globally by 2015 without access to electricity grid
- Is underpinning productivity growth in less developed countries
  - No need to wait for electricity
  - No need to wait for fixed lines

### Phone credits acting as parallel currency/ banking system

### Mobile phones communicate market conditions – improving effectiveness of markets

This will be increasingly important in underpinning and sustaining Indian and Third Wave growth



## Iron ore industry overview

- Over the last decade, growth in demand for iron ore has been underpinned by significant demand from China and other emerging economies
- Primary driver has been the industrialization and urbanization of these regions
- The major iron ore producing countries are Australia, Brazil and China
- Export iron ore production has very high barriers to entry
- Iron ore producers have been challenged to expand rapidly enough to keep pace with global demand

## China's 12th five year plan – great for growth

- Current forecast of around 665mt of steel production for 2011
  - YoY rise of over 6.2% (2010: 626mt)
- Chinese economic growth is set to drive continued strength in demand for steel and iron ore, and the continued recovery in steel production in Asia (outside China)
- China plans to
  - build up to 10million low-incoming housing units in 2011, up 72.4% from 2010
  - invest around RMB700b (\$106b) in railroad construction projects in 2011
  - build >20m new vehicles
- Industrialisation and urbanisation will continue in next 5-year plan, especially in west

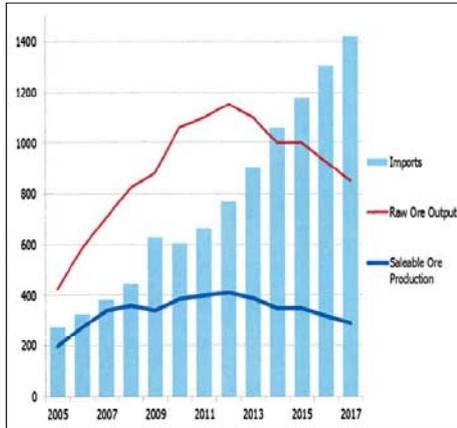
## Fueling China's growth

- Fortescue engaged with China in early stages of their emergence (first contracts in 2003/2005)
- Targeted steel mills who did not previously have access to long-term supply arrangements
- China Southern University, Fortescue developed a product type to optimise China's fines only market
- Deliberate procurement strategy – Fortescue purchased equipment from China such as rail steel, ore wagons, stackers, reclaimers
- 45 separate contracts



## Chinese domestic production

Domestic vs. Imported Ores (Mt)



Source: Metalytics

- Domestic ore production measured by contained iron difficult to sustain
  - Though physical tonnes may increase, grade is falling faster
  - Production increases will be possible only at higher prices
- Increased demand for iron ore from China but;
- Domestic production not able to respond further without price rises



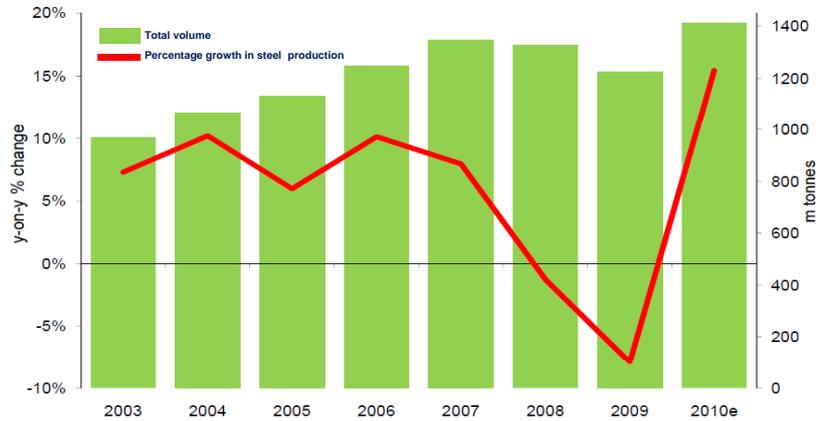
## Marketing – index pricing transition



- Index pricing better represents supply/demand
- CFR terms lock in shipping advantages for proximity to market



## 2010 in review - global steel production

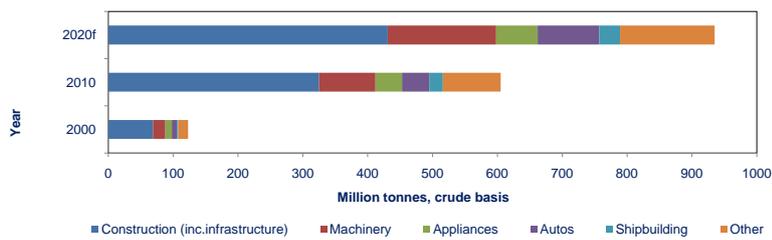


Source: CRU

- Record 17% increase in 2010 global crude steel production to 1.4 billion tonnes
- All major producing countries and regions showed near double-digit growth in 2010

## Western steel consumption forecasts ~ 50% of China's forecast steel production capacity growth (1.49bn tonnes by 2015)

Steel consumption by sector - 2000, 2010 and 2020



Source: Macquarie Bank

- Western forecast Chinese steel consumption growth of:
  - ~ 360mt over next 10 years requiring over ~ 600mt of new iron ore supply
- However Chinese Government forecasts growth of steel capacity alone will increase:
  - ~ 500mt over the next 5 years requiring ~ 900mt of new iron ore capacity

China, India and Third Wave ridden by the CRABS



(From the archives of Fortescue)



Forging Ahead  
Development



## A new development model brings results

“Insanity is ...  
Doing it the  
same way but  
expecting a  
different result.”

- Unique culture is the key
- Speed of delivery – time is money
- Direct relationships with sub contractors & local suppliers
- Leveraging China's fabrication and delivery capability
- Current day planning for scale and efficiency

## *Carpe diem 155mtpa*

- Rapid growth:
  - Now: Chichester 55mtpa on schedule for March Qtr 2011 commissioning
  - Short term: 155mtpa\* Port and Rail expansion underway and Solomon advancing rapidly
  - Medium term: Remaining Solomon and Anketell Port approvals winning Government support for 355mtpa strategy
- Development strategy leverages existing contractor relationships and brown-field opportunities
- Agreement with key procurement suppliers to ensure target delivery
- Strengthened management team already in place for 155mtpa

\* Port approval for 120 Mt per annum with additional volume through D Class vessels

# The Path to 155Mtpa

55Mtpa – June 2011



80Mtpa – June 2012



120Mtpa – June 2013



155Mtpa – June 2014



Note: Port approval for 120Mt with additional volume through D Class vessels - JV is 50% Fortescue owned



## Port Hedland – Path to 155 Mtpa

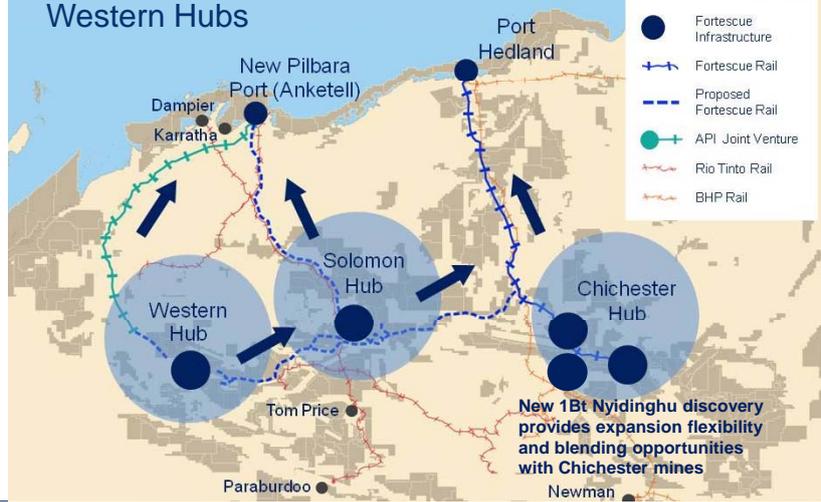


Port approval for 120Mtpa with additional tonnes through D Class vessels



## Three Hubs - Two Ports expansion strategy

### Chichester, Solomon and Western Hubs

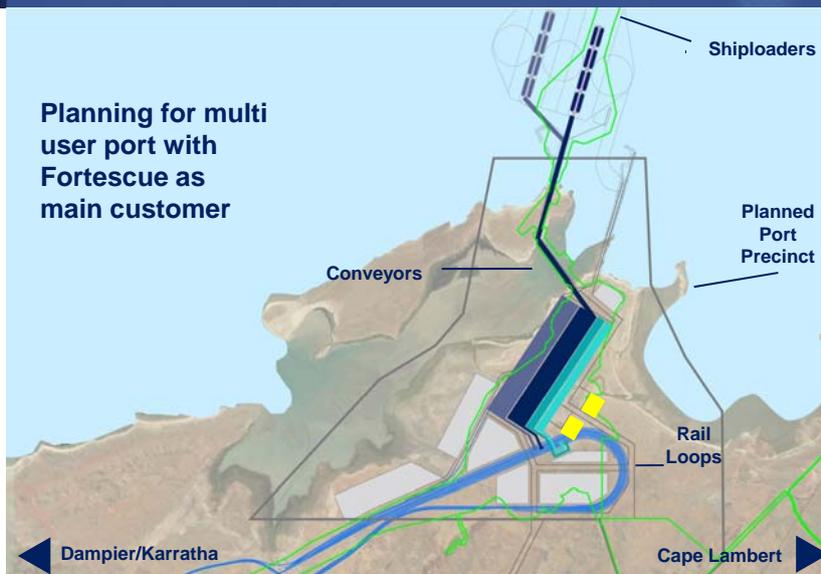


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## Anketell port - Path to 355 Mtpa

Planning for multi user port with Fortescue as main customer



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# Fortescue Metals Group

## Forging Ahead