



FORTESCUE

The New Force In Iron Ore

Melbourne Mining Club

February 2009



Fortescue Fact Sheet 1

- Industry sector – Direct Ship haematite iron ore
- Industry record – most profitable in resources sector
- Industry members – large player domination >80% Rio, BHP, Vale, FMG
- World's largest iron ore province – Pilbara Western Australia
- World's lowest cost iron ore sector – Pilbara
- Largest land owner in the Pilbara – FMG
- Most recent major Pilbara operation commissioned – FMG



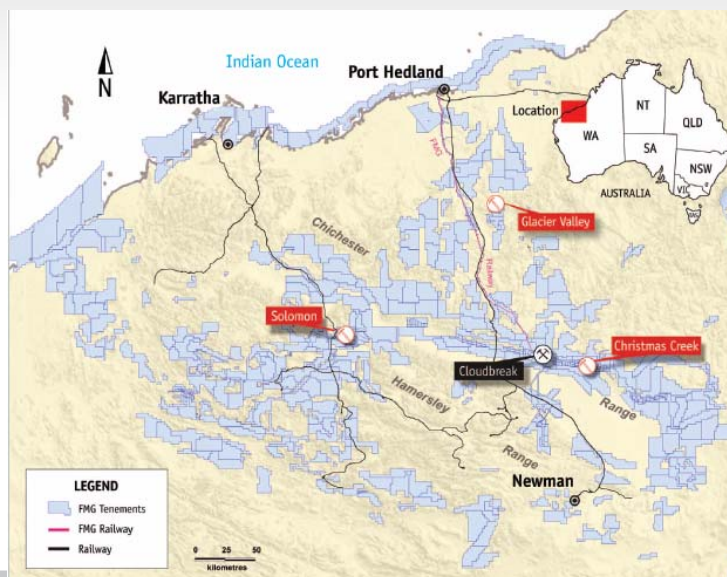


Fortescue Fact Sheet 2

- Company started in July 2003
- Amount invested over US\$3.5billion
- Integrated Mine, Rail & Port completed mid 2008
- Total employees >1,500
- EBITDA to 31 Dec 08 A\$641m
- FY09 forecast – 39mt mined, 30.7mt shipped



Tenement portfolio







Overburden system at Cloudbreak



**FMG's new rolling stock,
ballast and fuel cars**



FMG's second berth at Herb Elliott Port



Australia is well-managed for a free democratic society



- Strong government, and strong opposition
- Fiscal stimulus the key
- Monetarism has much less impact at this point of the cycle

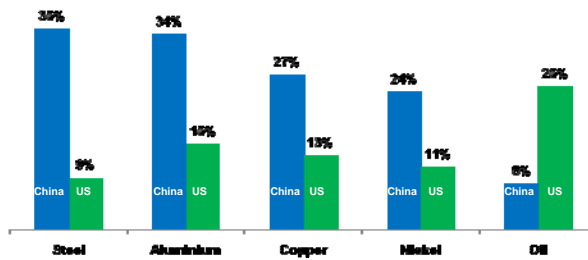
China is even better able to handle a crisis.....



It's (still) all about China

- Metals consumption is most closely correlated to the health of the Chinese economy than those of the OECD

Share of global consumption



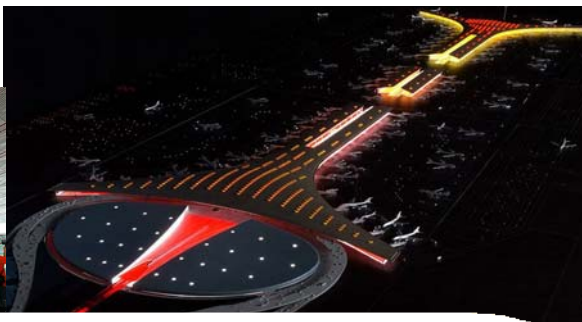
Source: J.P. Morgan Research



Beijing Airport

From approval to completion in 3 years

- NDRC approved Phase III and put it out to tender in March 2004
- Completed by end 2007
- Opened early 2008
- 902km² + 2.5kms of driverless trains
- Runway 3.8kms x 60m
- 43m people
- 1.8m tonnes of cargo

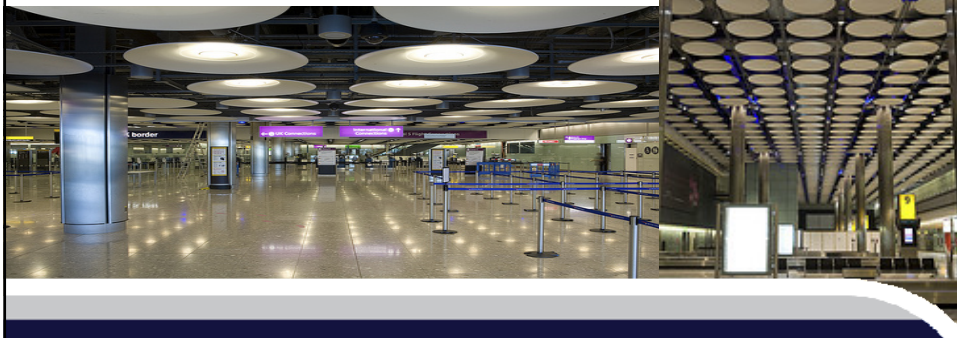




Terminal 5 – Heathrow

Took longer to consult than Beijing took to build

- 13 years of planning followed by 4 years of public inquiry
- 6 Years to construct
- Opened March 2008
- 35 million people



Recovery? China provides comfort



- Recovery is already on the horizon with many economists arguing that the bellwether stock market has bottomed and therefore the real economy should follow suite in 12-18 months
- China's slowdown is not linked to the global financial crisis



Recovery? China provides comfort

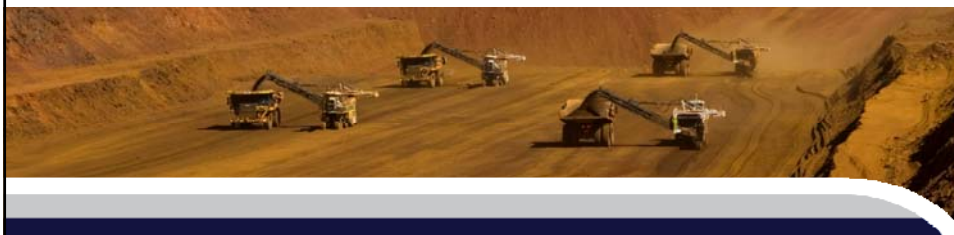


- China's major driver is internal investment, not consumer expenditure, therefore they will not suffer recession.
- China's recovery will be rapid as demand for mineral resources for urbanisation and industrialisation returns
- Steel demand will return and grow as the Chinese government invests in infrastructure without the lengthy approval times which are seen elsewhere

Short-term outlook for Chinese iron ore imports



- Chinese fiscal stimulus packages
 - RMB4 trillion announced in November
 - Six more industry packages expected during Feb 2009





Short-term outlook for Chinese iron ore imports

- Stimulus measures weighted towards steel intensive activity
 - Rural infrastructure
 - Roads / railways / airports
- China expected to consume 500Mt of steel in 2009 cf 451Mt in 2008



Short-term outlook for Chinese iron ore imports

- Consolidation in steel industry foreseen, but will be exceeded by new efficient capacity coming on stream over next 2-3 years
- Domestic producers of high cost concentrate likely to exit market
- High cost Indian exporters expected to be reduced significantly
- Australian exports expected to continue growing albeit at a lower rate





Longer-term outlook for Chinese iron ore imports

- Chinese population forecast to increase to around 1.5 billion by 2025
- Steel intensity conservatively forecast to reach around 500kg/capita by 2025 = 750Mtpa steel
- Meeting this need is expected to require at least 800Mtpa of ore imports (@60% Fe)
- Iron Ore imports expected to increase on average by 25Mtpa each year from 2009 through to 2025



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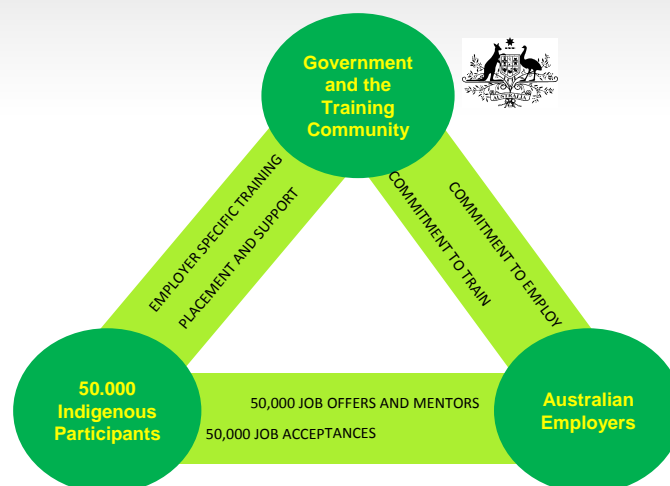


What is the Australian Employment Covenant

- A national industry-led initiative to break the vicious cycle of unemployment and poverty amongst Indigenous Australians.
- A three-way covenant between Employers, the Australian Government and Indigenous people.



The framework



Developing an Indigenous workforce

- Welfare must not be a lifestyle of choice
- Indigenous people to participate in the real economy to the extent of their capacity
- Training to employer specifications
- The guarantee of a job
- One on one mentoring



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