



Fortescue Metals Group Ltd



Fortescue Metals Group Ltd
Fortescue House
50 Kings Park Road West Perth
Western Australia 6005

PO Box 910 West Perth Western Australia 6827

Telephone: + 61 8 9266 0111

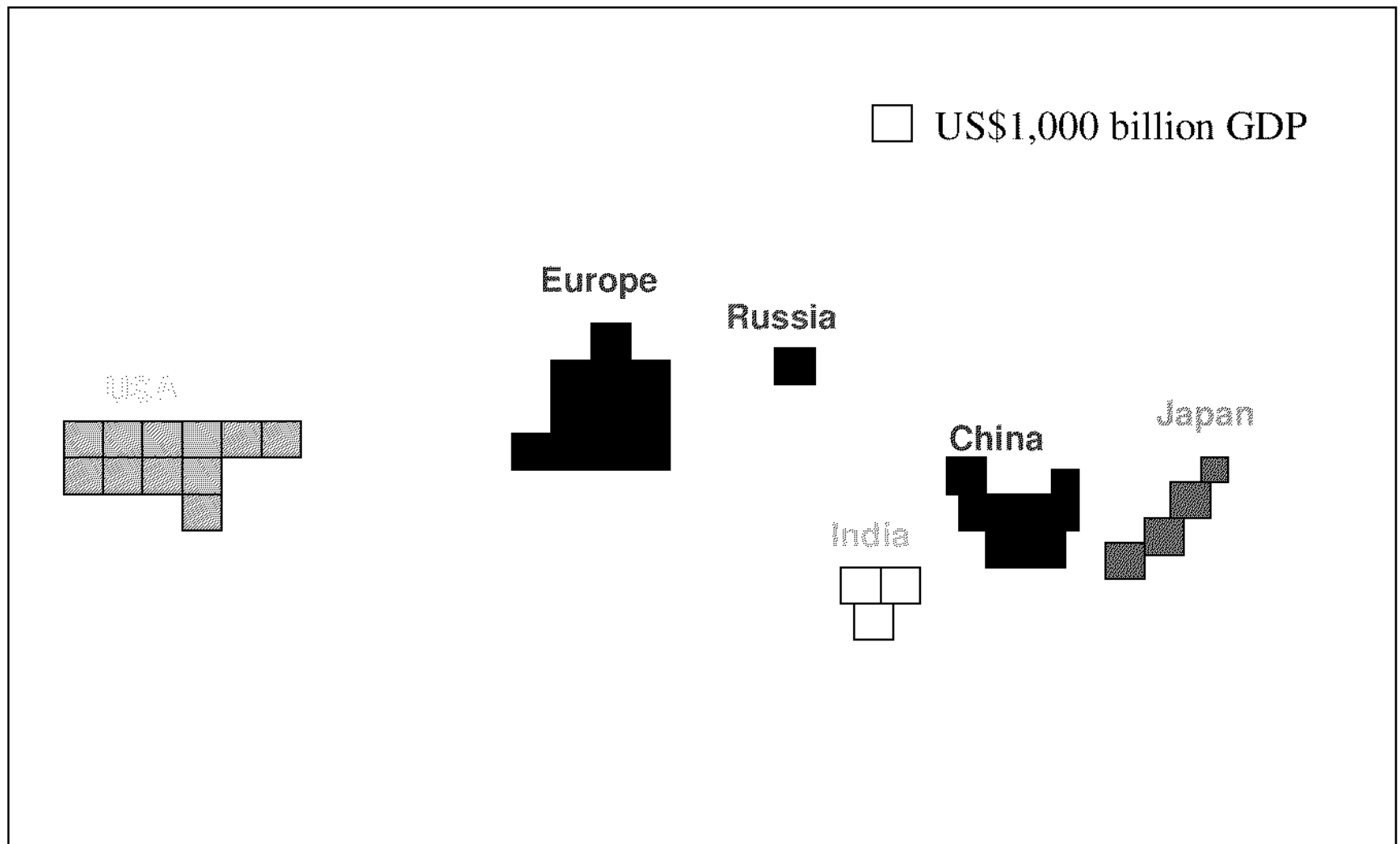
Facsimile: + 61 8 9266 0188

Website: www.fmgl.com.au Email: jmorrin@fmgl.com.au

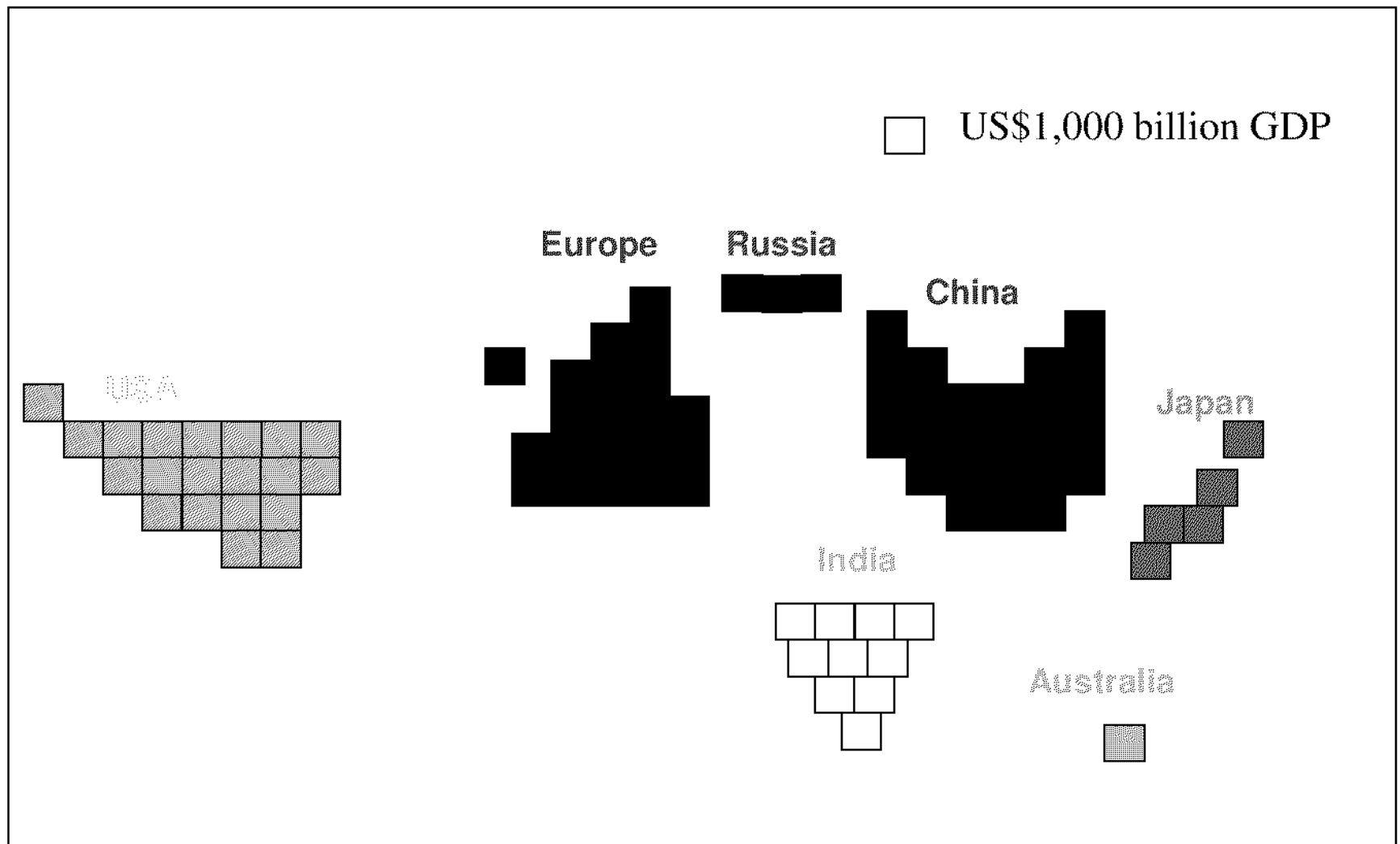
Microplaty Hematite (MpH)

The New Force in Iron Ore

World Economy 2004



World Economy 2024



Iron Ore Outlook

Citigroup



“A long term super cycle combined with an extended current cycle is driven by materials intensive growth in China. The most important implication of the super cycle is higher long-term prices”.

“Iron ore - a paradigm shift whatever the size of increase is agreed prices are likely to remain high for a protracted period”. *

Macquarie



“Incredible bulks – an extended period of pricing strength given rampant Chinese demand and the stretched nature of the supply chain”.**

“Chinese demand growth set to average 10% pa for at least the next 5 to 10 years”.**

*31 Jan 2005, Riding the Super Cycle

**1 Feb 2005, The Macquarie Miner

The New Force in Iron Ore



China's Iron Ore import future - a calculation

Population

Assume – 1.5 billion minimum if population control policy continues

Steel intensity

Assume - 450kg/capita; Korea [750] Japan [590] USA [400]

Recycling scrap metal

Assume - 20%; currently 16%, growth will exceed scrap potential

Fe content of imported ore

Assume - 60%; world average for traded ores

Domestic production

Assume - 300Mt/a; poor quality [peak 267 (96/97)]

Potential Import Demand ~ 725Mt/a



And then there is India...

- Population exceeds 1 billion
- May exceed China by 2040
- GDP doubling every 10-12 yrs
- Steel intensity currently - 26 kg/capita

If India matched only current Chinese levels of steel use (per capita)

its steel use would increase by 150Mt/a

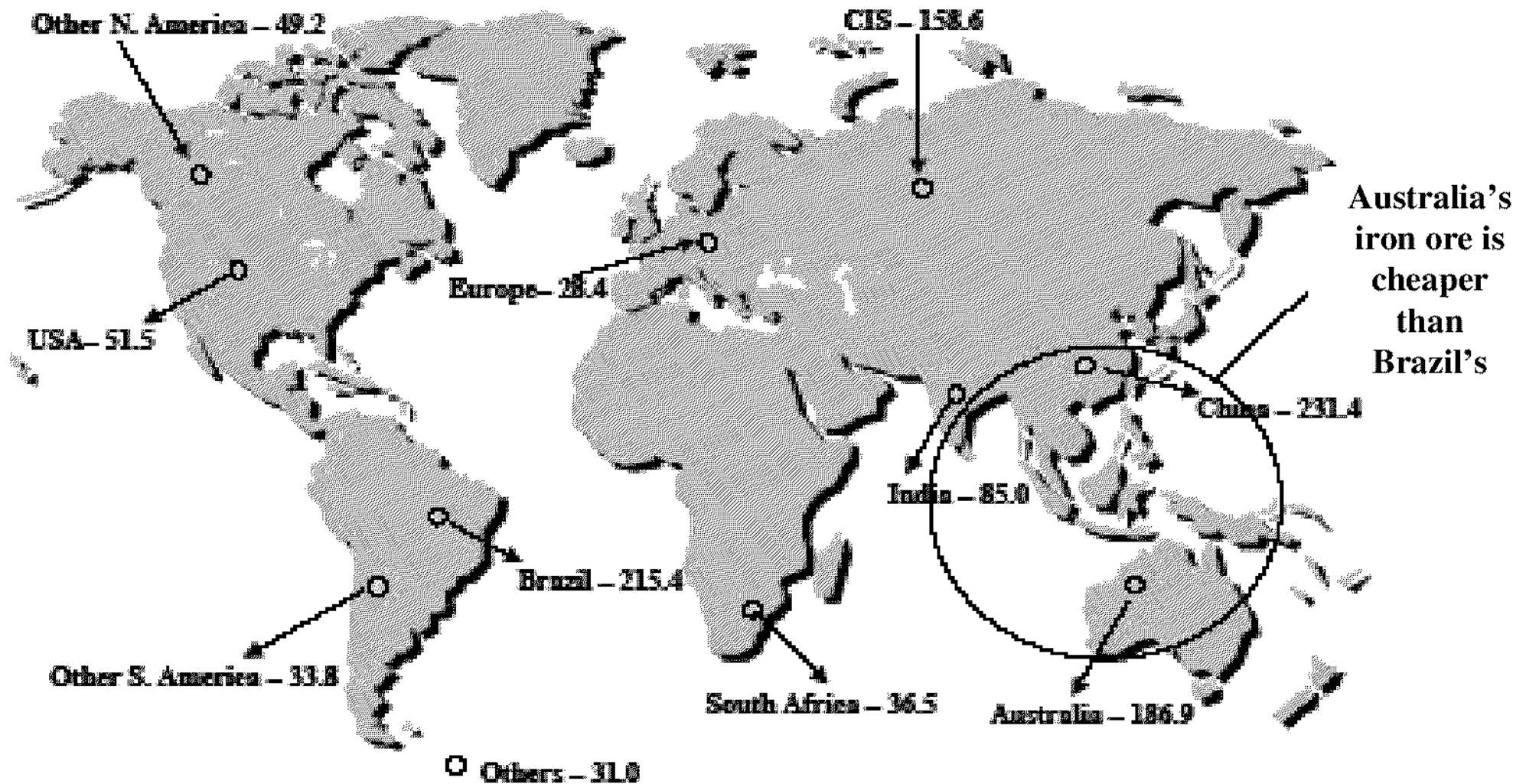
= 250Mt/a extra iron ore demand

This is greater than Australia's current annual production

The New Force in Iron Ore



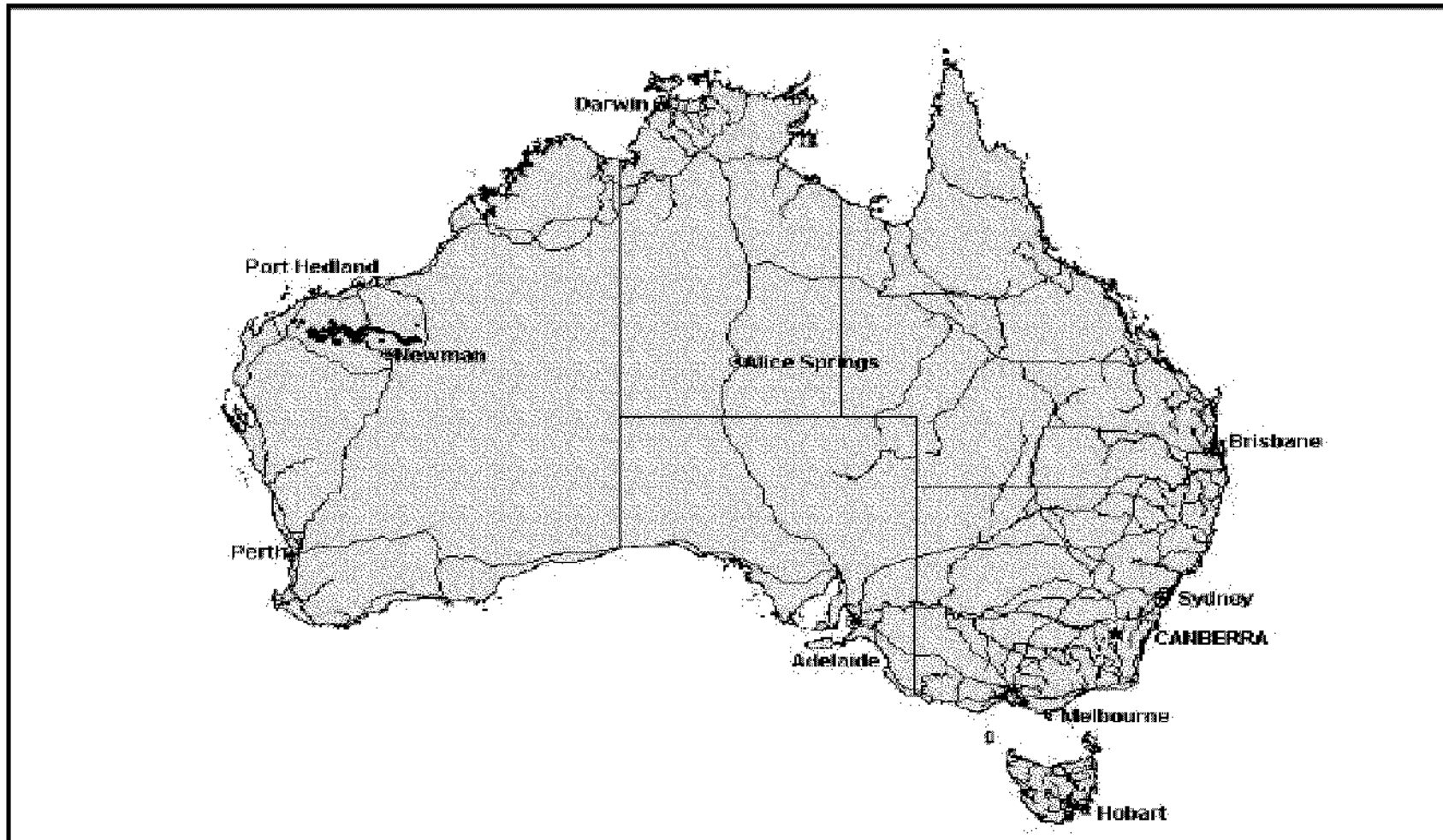
The Pilbara, the lowest supply costs



Source: AME, J.P. Morgan

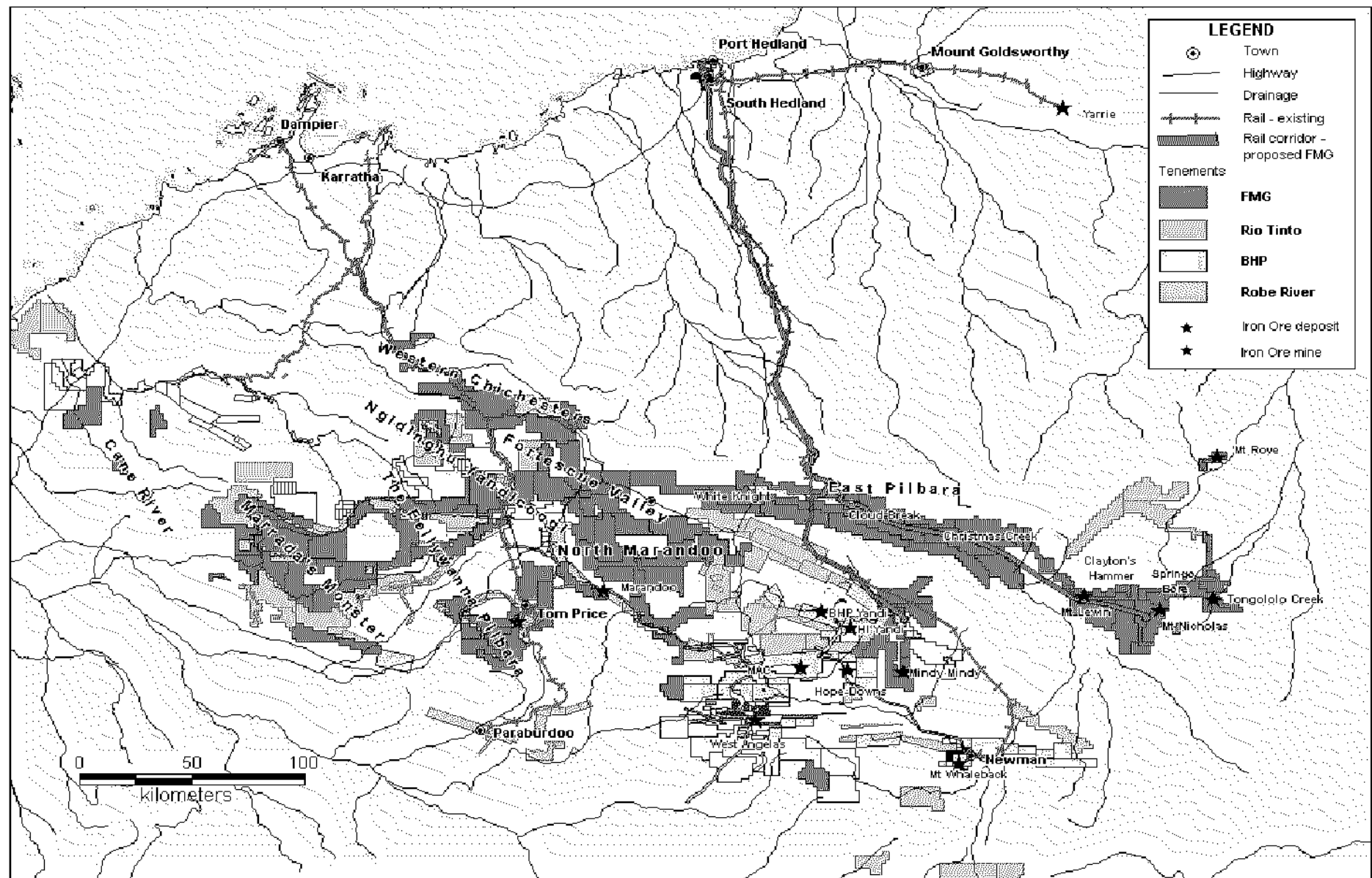
Australia's current freight advantage over Brazil exceeds US\$20

Pilbara Tenement Holdings



Fortescue's 17,100 sq km tenement reach
dominates the Pilbara

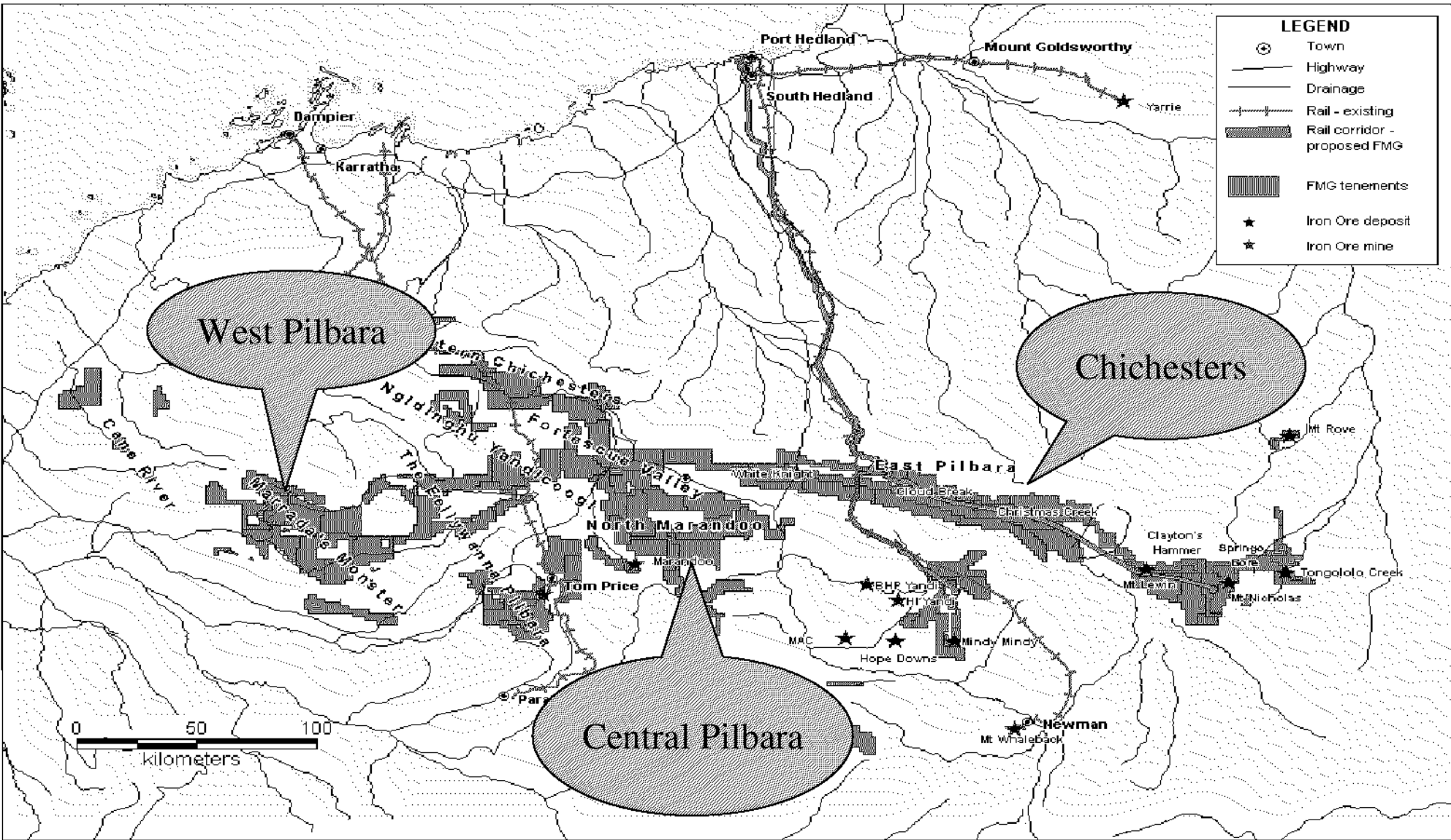
Fortescue*, Rio Tinto and BHPB



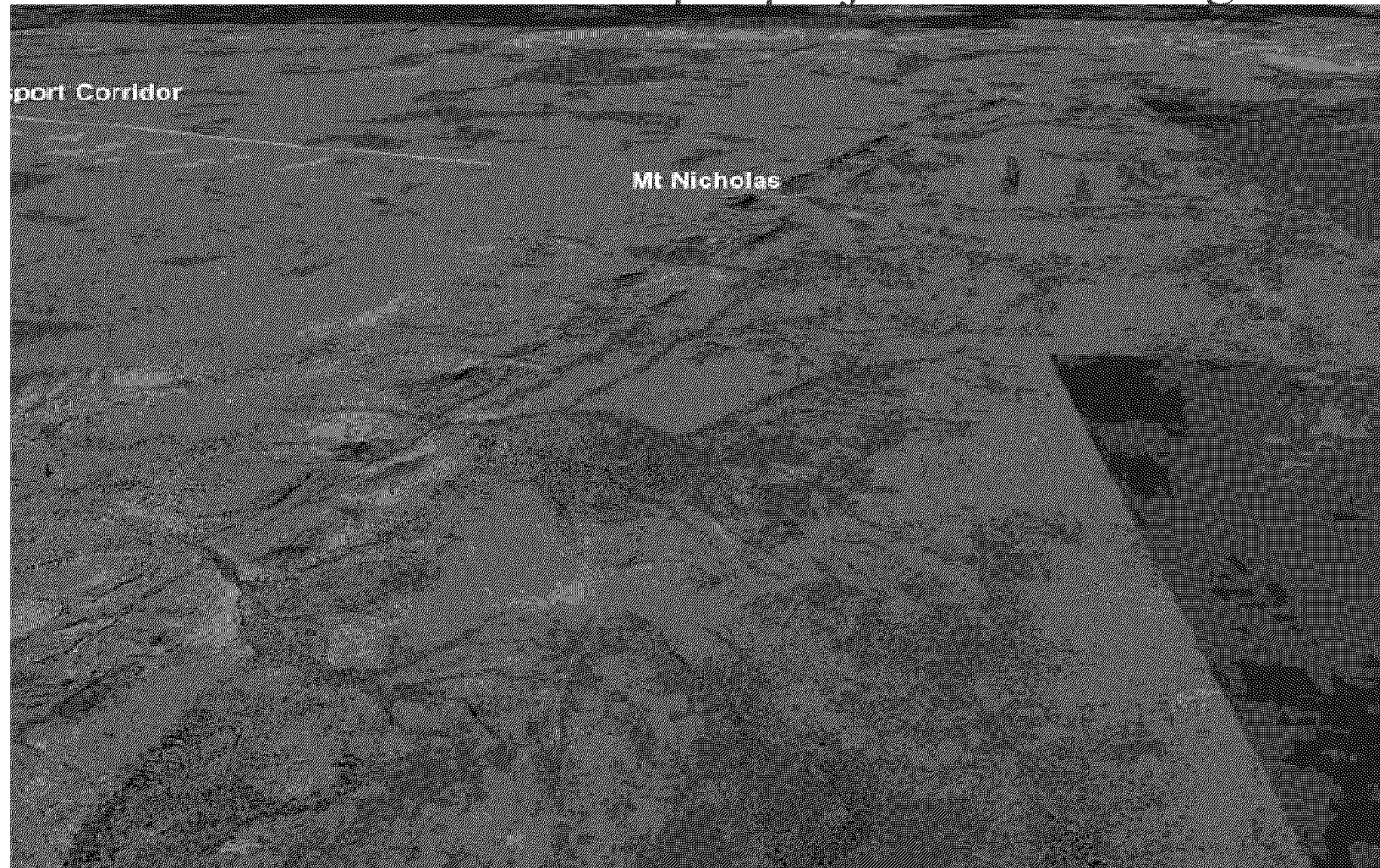
*Area length of FMG tenements in the Pilbara: 550km

Meeting the demand for major independent supply

Wholly owned Iron Ore Regions



Chichesters is a new multiple project iron ore region



The Chichesters actual mineralisation JORC standard (Snowden) to date 1.242 billion tonnes & growing

Ore Body	JORC Million Tonnes	%Fe	LOI	Shipping Grade	Estimation
Christmas Creek (50% Area drilled to JORC Standard)	653	56.8	7.5	>60%	JORC & metallurgical results
Mt Lewin/The Hammer (50% Area drilled to JORC Standard)	198	56.5	6.5	>60%	JORC
Mt Nicholas (100% Area drilled to JORC Standard)	391	49.5	8	58-60%	JORC
Springo Bore/Tongololo					Under assessment
Mt Rove					Under assessment
Cloud Break (360 holes drilled, major deposit emerging)					Major drilling campaign underway
White Knight (140 holes drilled)					Major drilling campaign underway
Total in JORC	1,242	(>60% of 2b target, on track for achievement in Q2 2005)			

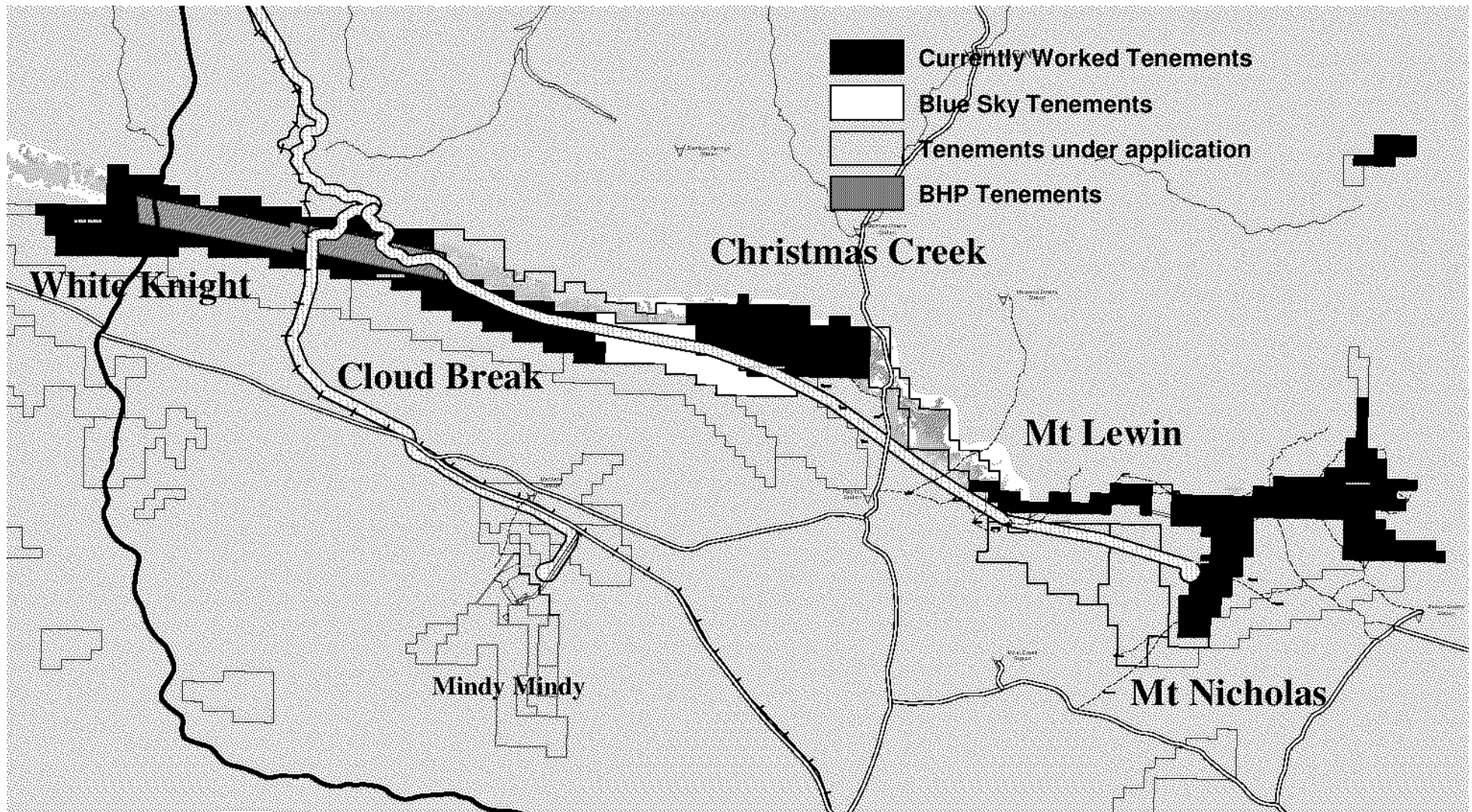
Cloud Break

Additional 30 km strike length discovery



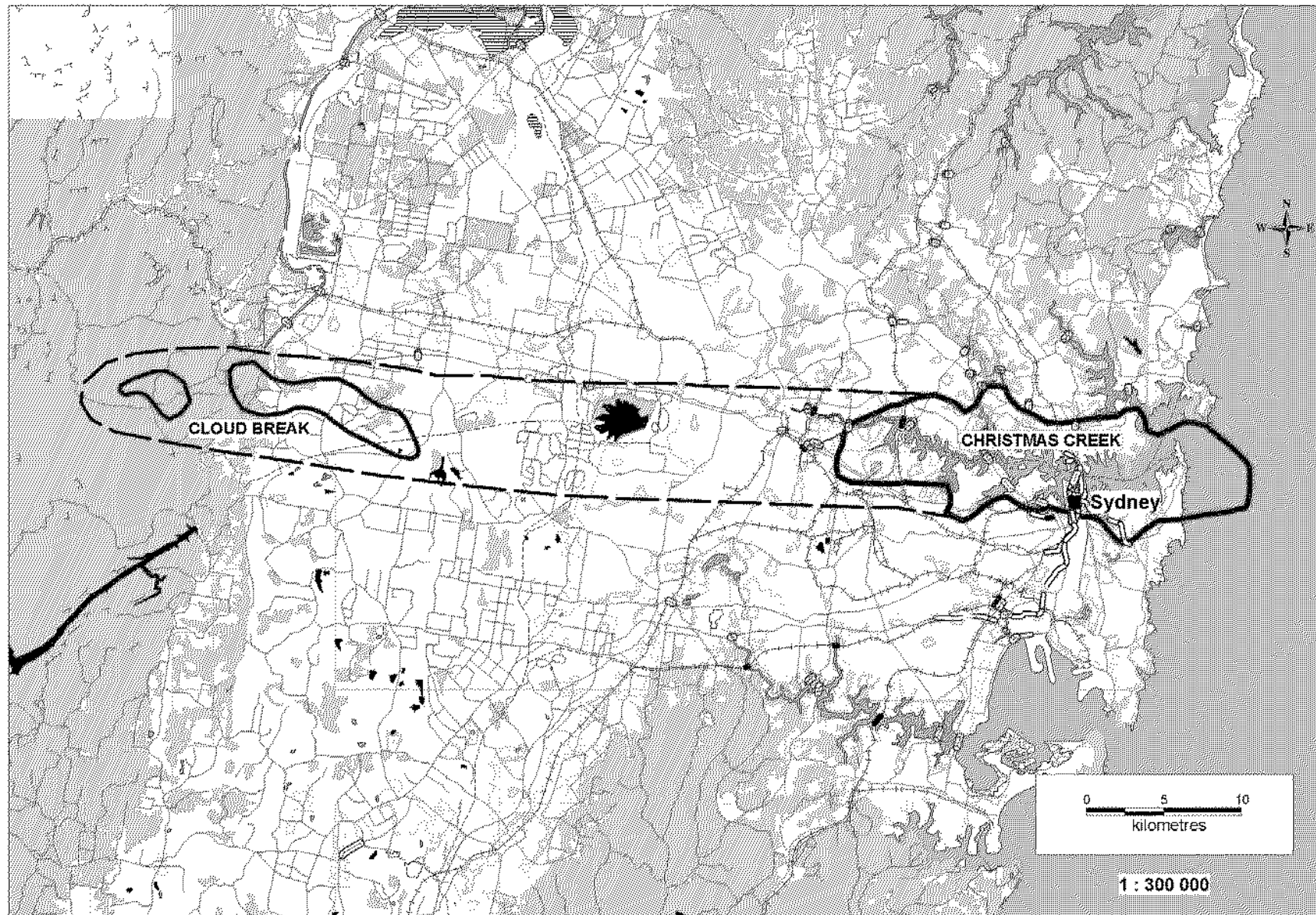
- Drilling commenced mid-November 2004
- 6 separate mineralised zones established, each 1 to 2 kms across & open down plunge
- Typical thickness 5 to 12 m, up to 20 m
- Assay results show increasing grade trend, moving west along Chichesters
- Shallow, low phosphorous deposits, highly attractive mining environment

The Chichesters are a new multi-project iron ore region



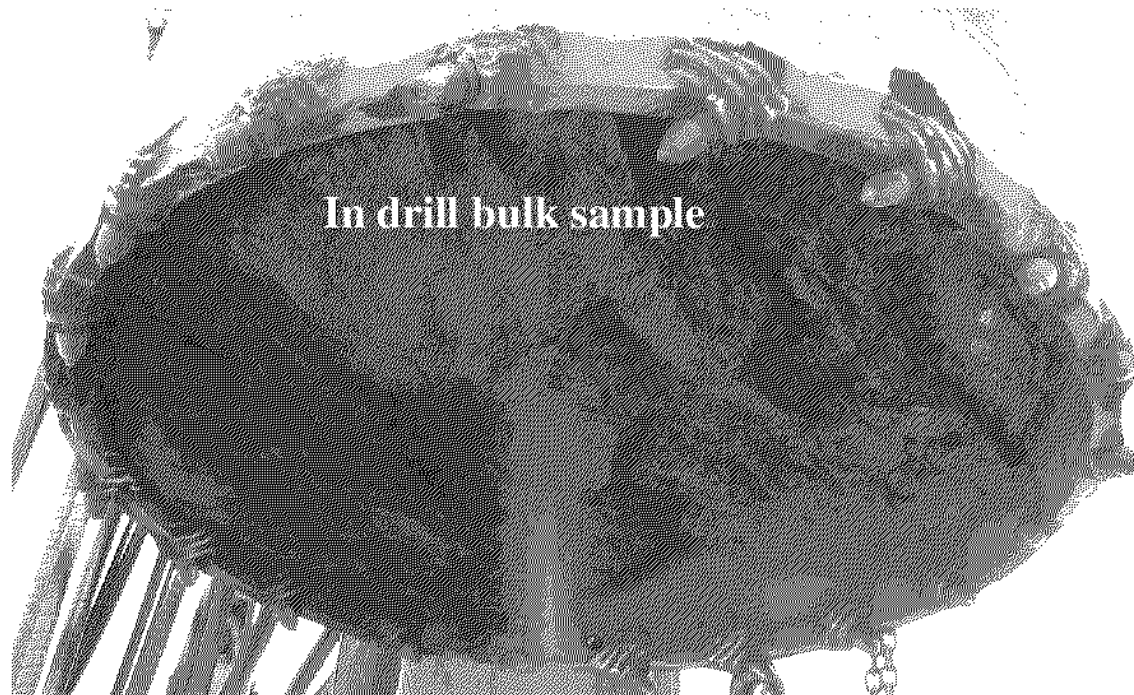
The New Force in Iron Ore

Chichester Project Size Relative to Sydney



The New Force in Iron Ore

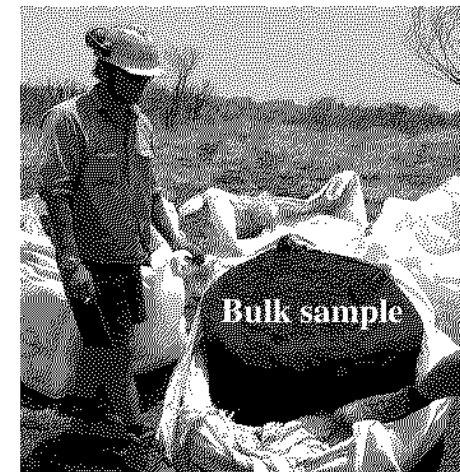
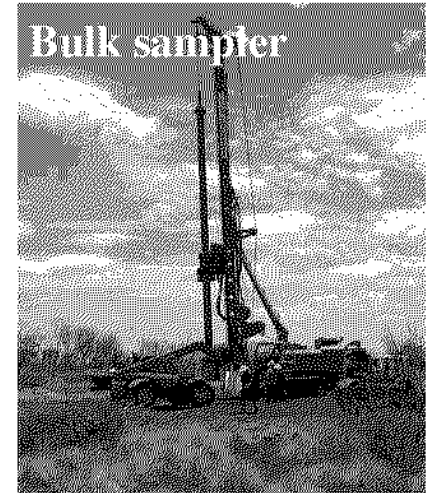
Exploration, Bulk Sampling & Commercialisation



Exploration & Bulk Sampling



- 3,700 reverse circulation and diamond holes drilled
- 87,000 metallurgical samples taken
- Bucket augur drill (used for pilings in bridges and buildings)
- 15 major bulk sample holes drilled – 900mm diameter
- 800t of sample produced – 500t of ore material
- bulk sample and diamond analysis demonstrate ease of mining



Bulk Sample: Spudding in



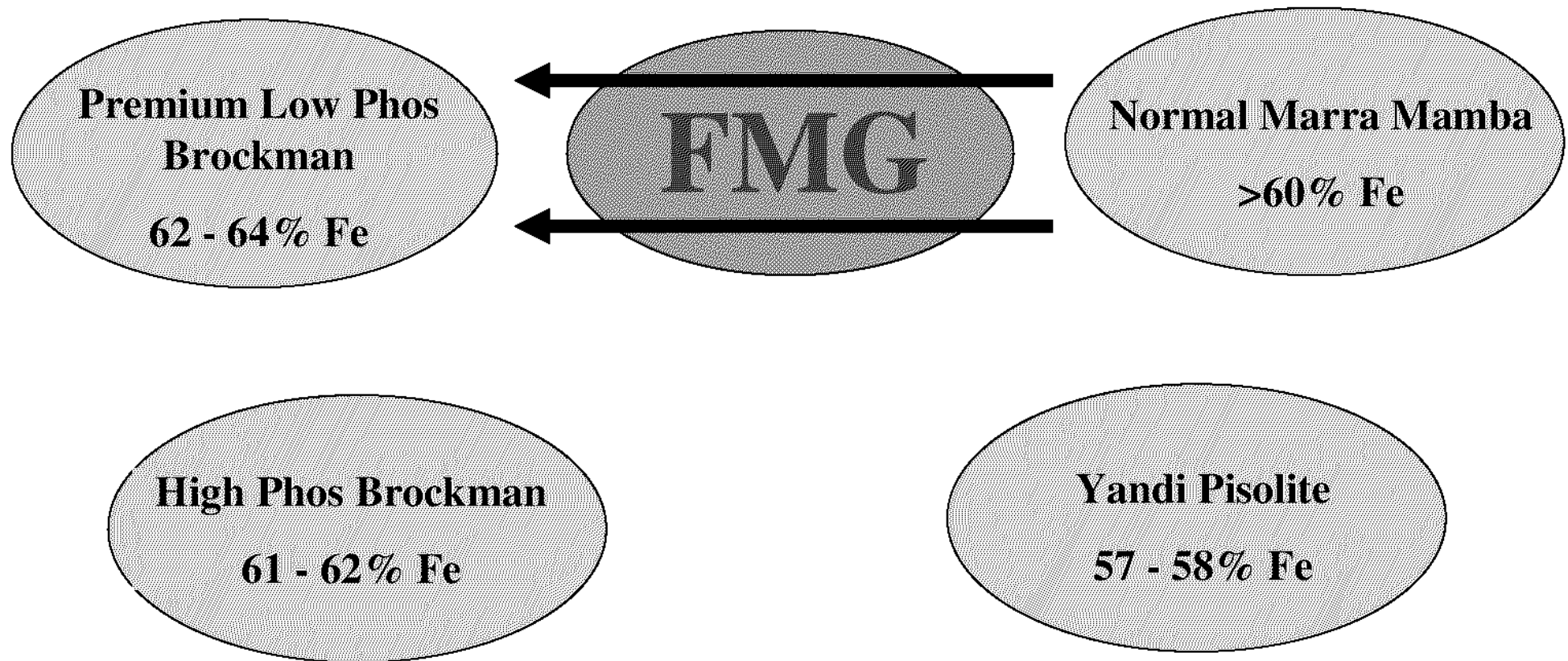
Sample collection in Fortescue rig



Bulka Bag sample readied for transport



Commercialisation: Ore quality is highly competitive



“The identification of microplaty hematite at such shallow depth and across such large strike length is one of the most significant exploration discoveries in the Pilbara in the past 15 years”

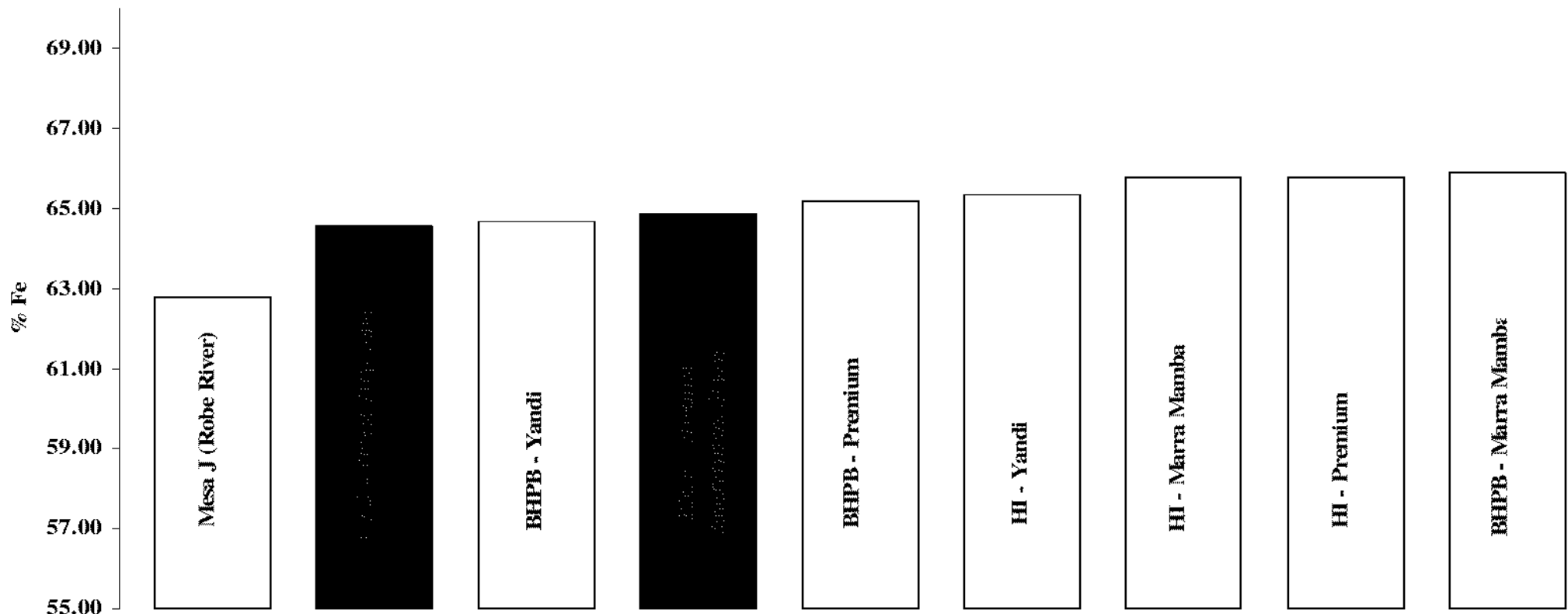
Dr John Clout – FMG Head of Resources Strategy (previously CSIRO)

The New Force in Iron Ore

The New Force in Iron Ore



Calcined Fine Iron Ores Iron Content

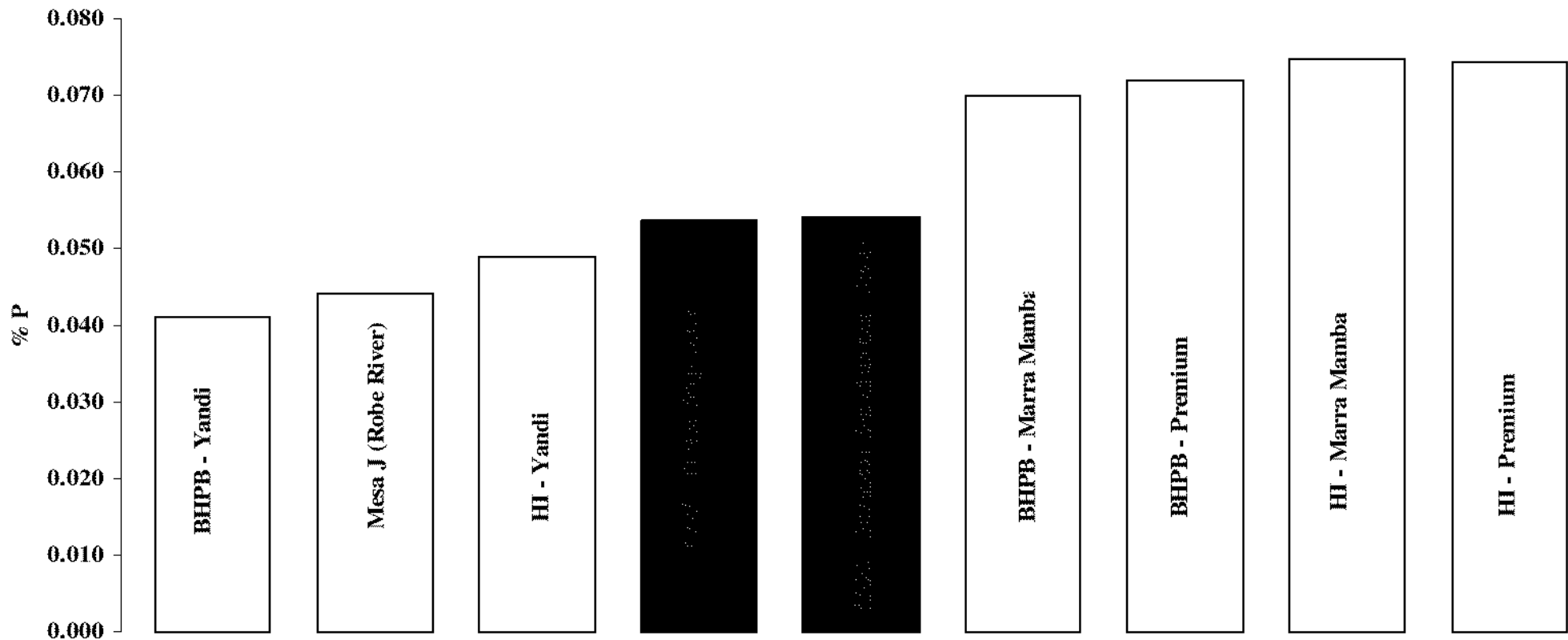


Data Sources: Robe River – Website, BHPB – Direct from Company, HI – Industry Sources, FMG – Own Tests

The New Force in Iron Ore



Calcined Fine Iron Ores Phosphorus Content

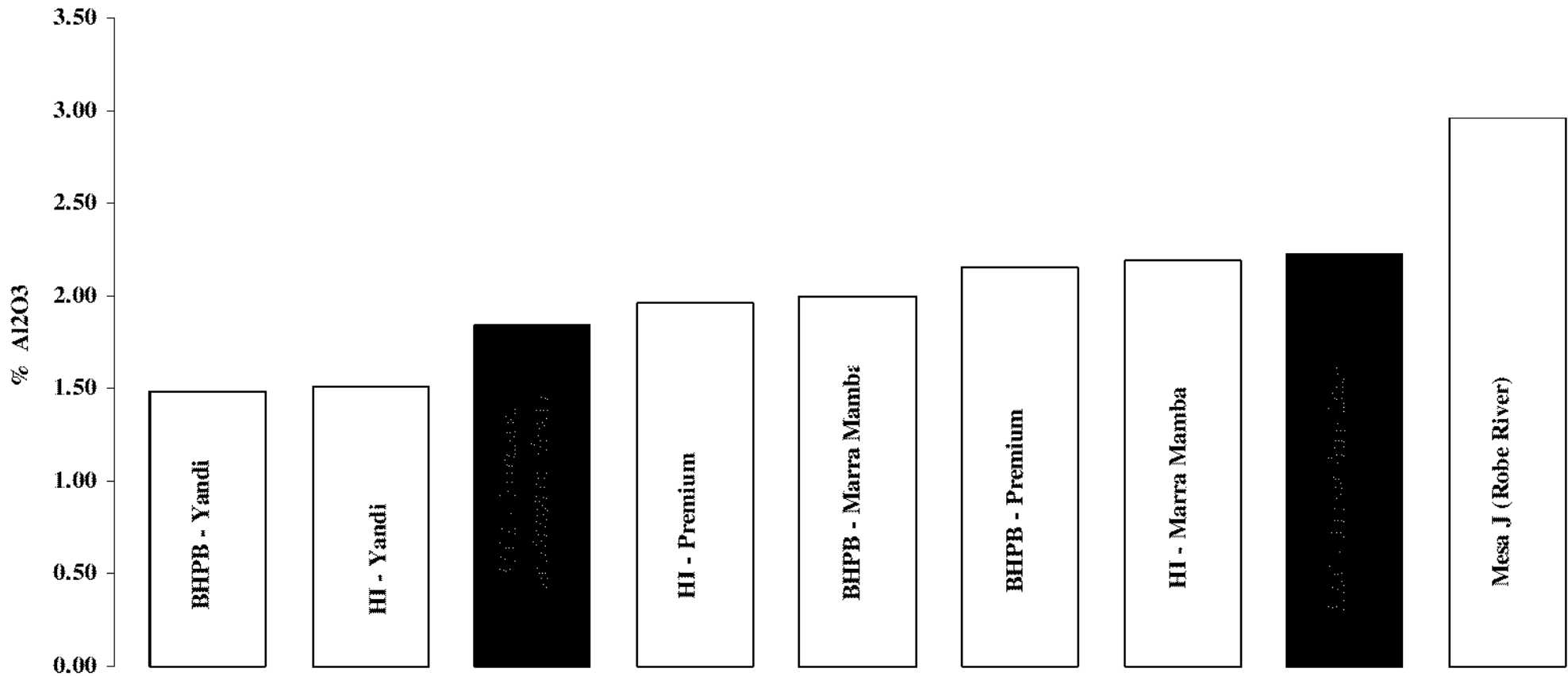


Data Source: Robe River – Website, BHPB – Direct from Company, HI – Industry Sources, FMG – Own Tests

The New Force in Iron Ore



Calcined Fine Iron Ores Alumina Content

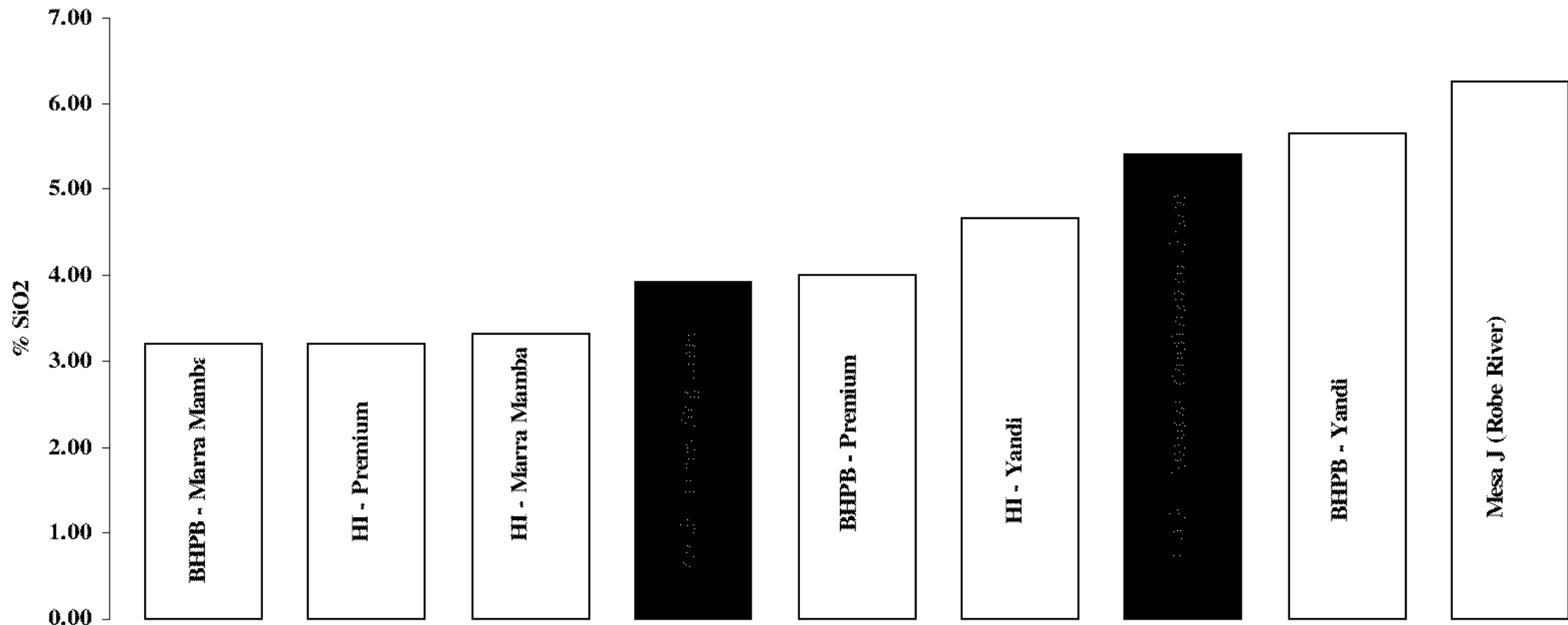


Data Source: Robe River – Website, BHPB – Direct from Company, HI – Industry Sources, FMG – Own Tests

The New Force in Iron Ore

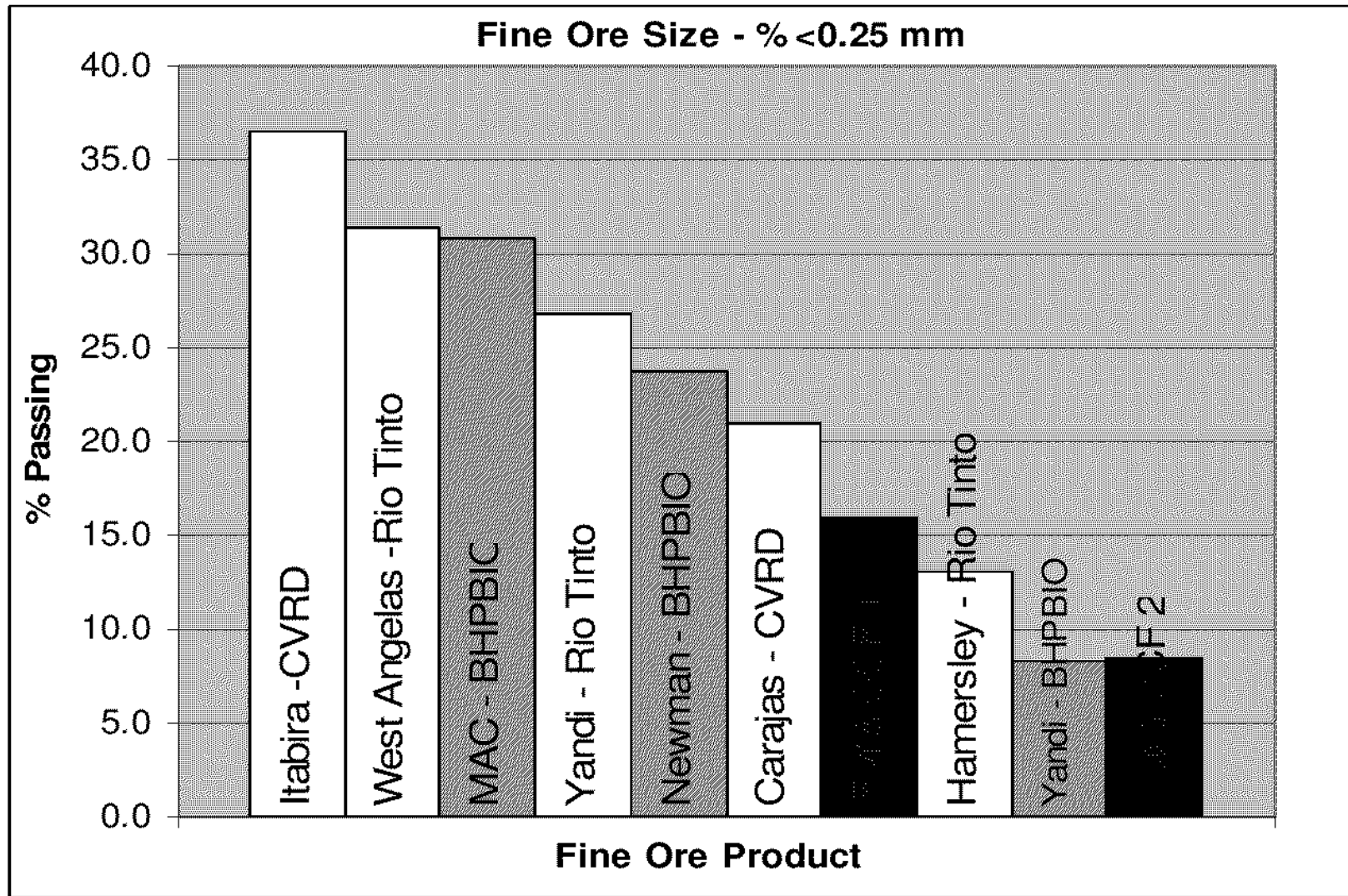


Calcined Fine Iron Ores Silica Content



Data Source: Robe River – Website, BHPB – Direct from Company, HI – Industry Sources, FMG – Own Tests

Comparison of Fine Ore Size



The level of Ultrafines in FMG's Christmas Creek is low but granulates very well for sintering

Comparisons of Size and Chemistry of Christmas Creek Fine Ore

Brand	+6.3 mm	-0.15 mm	Moisture %	L.O.I %	T.Fe %	SiO ₂ %	Al ₂ O ₃ %	S %	P %
Christmas Creek CCF1	8	11	7.0	5.3	61.7	4.2	1.8	0.030	0.060
Beneficiated				6.5	60.5±0.5	4.2	1.7	0.030	0.050
Typical Brockman * 1	16	14	6.0	3.0	62.6	4.2	2.1	0.01	0.070
Typical Marra Mamba * 2	1.0	30.4	7.5	6.5	61.5	4.4	2.0	0.022	0.070
Typical HG Pisolite *3	4.7	4.9	7.7	8.6	58.6	5.8	1.7	0.02	0.035
Typical LG Pisolite *1	8.7	16.3	9.0	9.17	57.04	7.8	2.0	0.013	0.04

Data Sources: *1 The Robe West Angelas Development Plan 2000; *2 Website for Robe River Mining; *3 Loo, C E, Witchard, D, Penny, G C, 1994, IMM

Comparisons of Christmas Creek High Grade Lump

Ore Brand	T.Fe %	SiO ₂ %	Al ₂ O ₃ %	S %	P %	LOI %	Fe _c %	TI % + 6.3m m	AI % + 0.5m m	DI % -6.3 mm	SI % +10 mm	RDI % - 3mm	RI % (JIS)
FMG Christmas Creek CCL1 *3	67.7	2.1	1.1	0.030	0.050	5.4	50.3	84.9	7.6	8-10	94.5	24.1	70.9
Typical Marra Mamba *2	67.5	2.21	1.25	0.016	0.050	6.2	55.5	89	8	8	96	22	64
Typical Brockman *1	65.8	3.0	1.40	0.010	0.055	2.0	54.8	85	11	8	95	23	56
Typical LG Pisolite *2	72.4	5.30	2.47	0.013	0.040	9.33	58.4	77	16	3	94	39	61

Data Sources: *1 The Robe West Angelas Development Plan 2000: *2 Website for Robe River Mining;

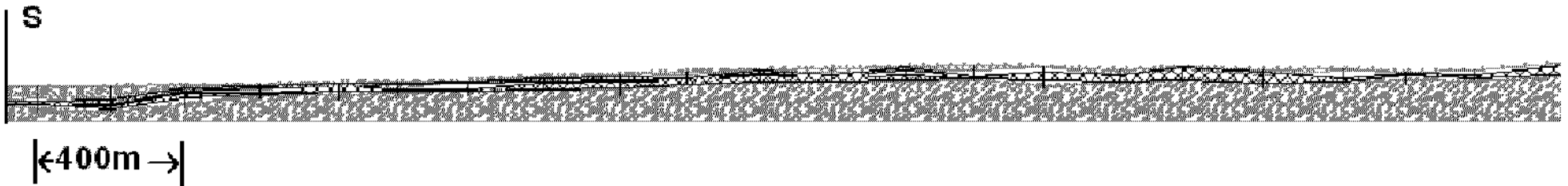
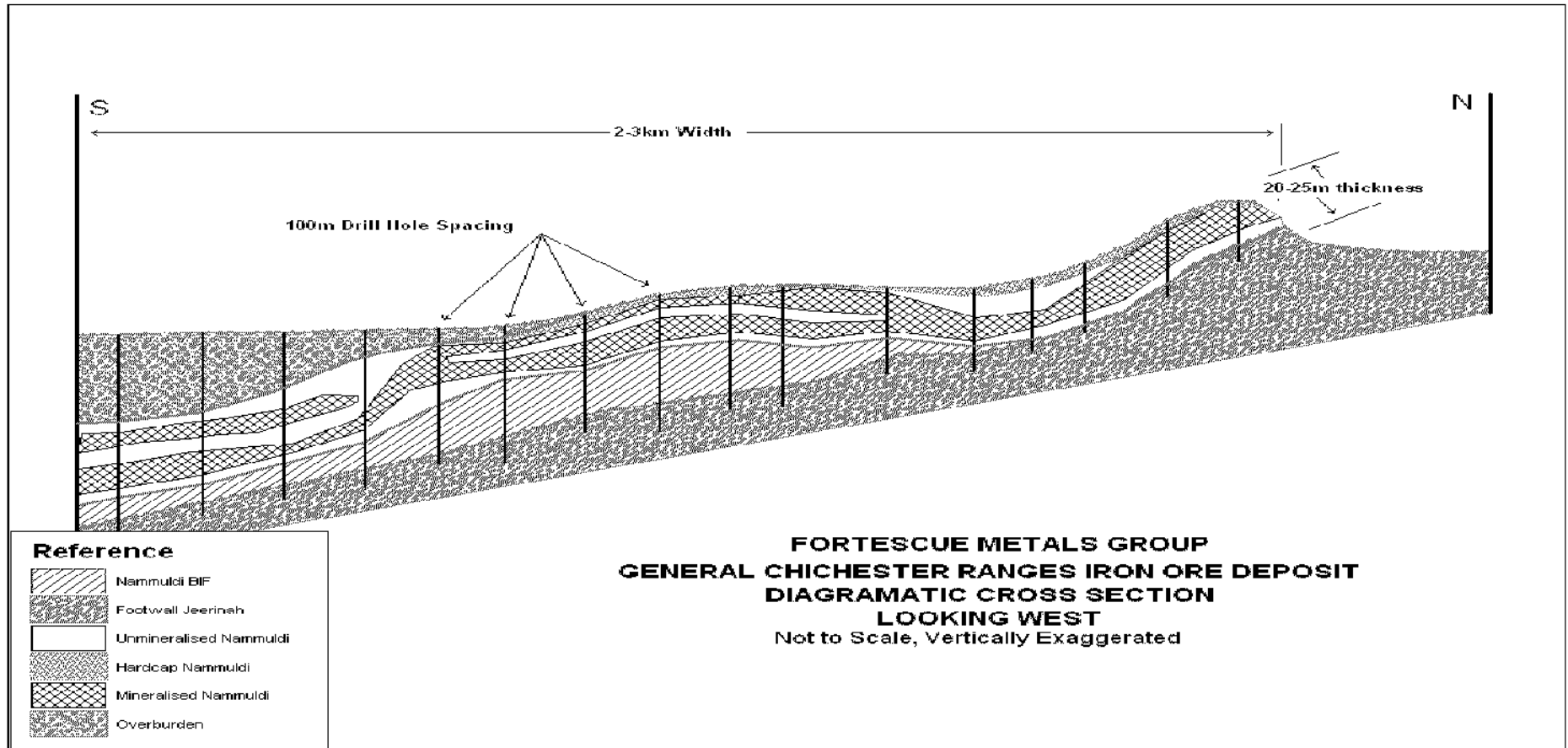
***3 . Test Methods:** TI: 15kg test - % -6.3mm using ISO 3271; AI – 15kg test - % -0.5mm using ISO 3271; DI: tests of 0.5kg each at 700°C- % -6.3 mm (ISO8371); SI: Two 20kg tests - % -10mm using JIS 8711; RDI: Two @550°C - % -3.15mm using JIS M8713; RI: average of two 0.5kg tests @900°C -% reduction using JIS M871 conditioned

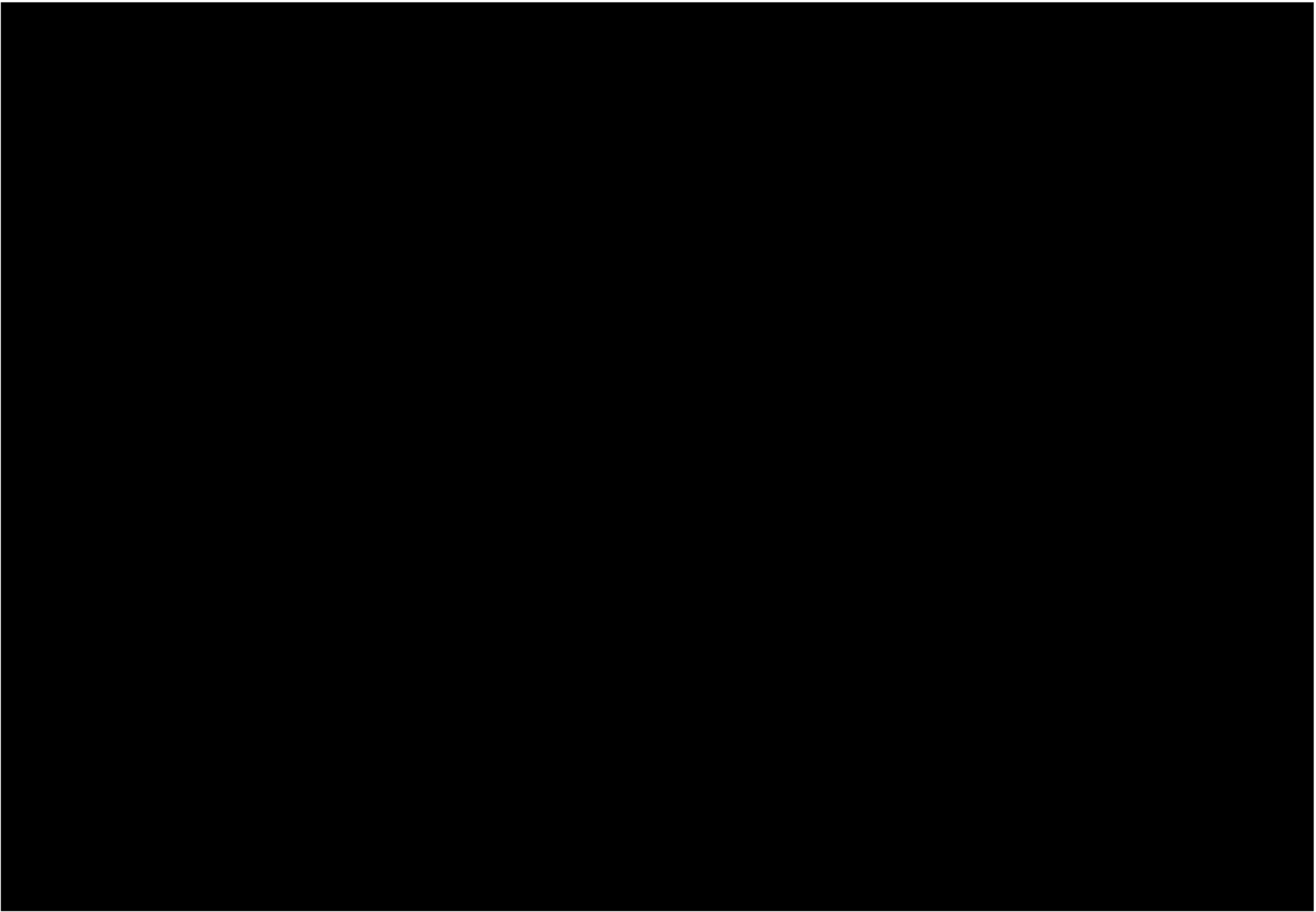
FMG has two basic $> 60\%$ Fe ore types



- Direct ship (or high grade) - requires no beneficiation and is already $>60\%$ Fe with low impurities
- Beneficiated ore - is processed (in common Pilbara practice) through a beneficiation plant to achieve $> 60\%$ Fe
- High moisture content is removed in the steel making process
- Both ore types achieve high grades post calcination (removal of water)

Chichester Cross Section - why mining costs are low





Marketing



Marketing



- ☐ **All of production covered by non-binding MOU'S prior to the release of technical specifications**
- ☐ **Enthusiastic response by the steel industry to technical specs**
- ☐ **Four major long term off-take contracts signed covering 10 mtpa with prepayments:**
 - Hebei Wenfeng
 - Jiangsu Fengli
 - Ping Xiang
 - Confidential party
- ☐ **Minimum contract term - 20 years**
- ☐ **Each contract has full partnership aspects, long life, prepayments and close technical relationship including supply expansion**

www.fmgl.com.au

Typical Contract

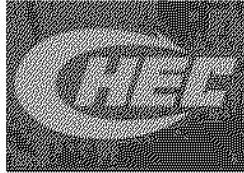
Ping Xiang Iron & Steel Co. Ltd

- ❑ 2 m tonnes iron ore per annum
- ❑ Life of contract 22 years
- ❑ Prepayment of US\$20m
 - US\$10m prior to financial close
 - US\$10m during construction
- ❑ Ping Xiang – a large mill - 4 m tonnes p.a., 13,000 employees

Partnerships



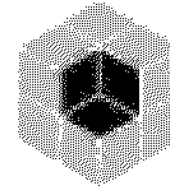
International Corporate Support



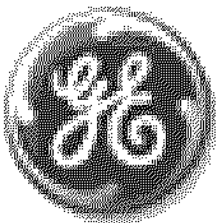
Contracts Signed
& First
Subcontractors
Appointed



BARCLAY MOWLEM



Balance of Project : Discussions advancing

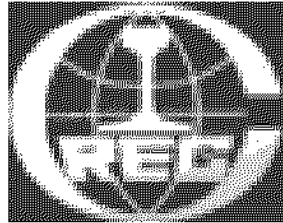
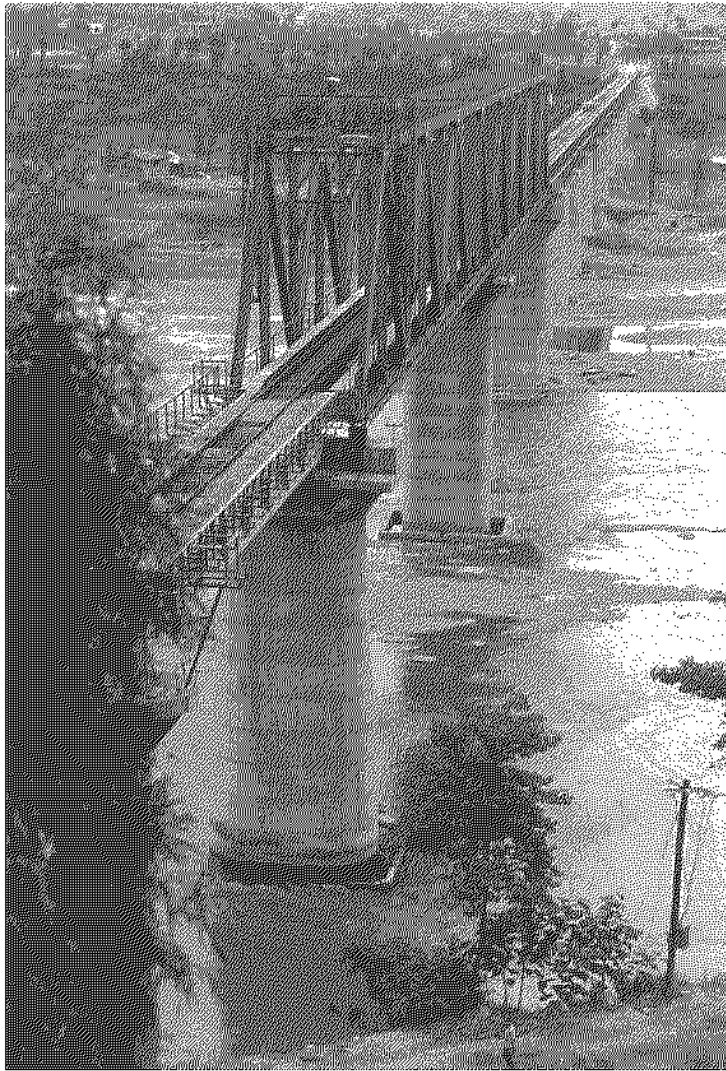


MULTIPLEX

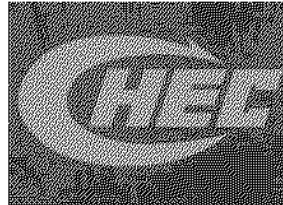
ABB



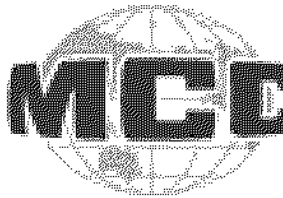
The New Force in Iron Ore



- **China Rail Engineering Corporation**
- **US\$13 billion work in hand**
- **40,000 kms of rail**

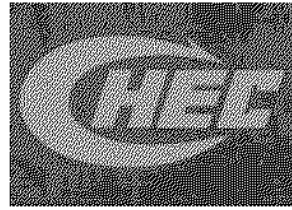
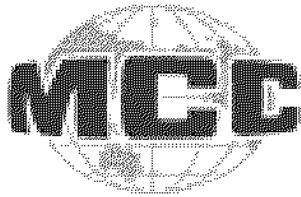
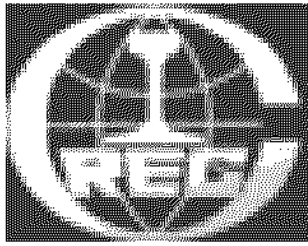


- **China Harbour Engineering Company**
- **Produces 60% of world's large cranes**
- **US\$3.2 billion assets**
- **US\$2.3 billion turnover**



- **China Metallurgical Construction (Group) Corporation**
- **US\$2.4 billion total assets**
- **US\$3 billion turnover**

The New Force in Iron Ore



Design, Construct & Finance Contracts

- ☐ **Total Project Solution - only excludes locomotives & mining pre-production costs**
- ☐ **CREC, CHEC & MCC to assume 100% completion risk**
- ☐ **Deferred Payment Schedule - most of settlement consideration due well after practical completion**
- ☐ **Payment commences only once practical completion performance criteria are met**



The New Force in Iron Ore

Definitive Feasibility Study Manager **WorleyParsons**

- ❑ Largest Engineering Service provider to Infrastructure Resource and Process Industries in Australia
- ❑ Well known to International Credit Rating Agencies
- ❑ 9,500 Project Services Personnel in 59 global offices

John Grill, WorleyParsons CEO:

“Worley’s size and reputation will help underpin an attractive credit rating. We will be working hard to help Fortescue Metals bring financial closure to the project by early next year”

The New Force in Iron Ore

FMG Funding

Forecast Sources and Uses



SOURCES	A\$m	USES	A\$m
China Metallurgical	* 306	Pre-production	70
Iron Ore Customers	**104	Beneficiation Plant	340
Total	\$410	Total	\$410

* Under Agreement

** Forecast Virtual Equity from Steel Mills

The New Force in Iron Ore

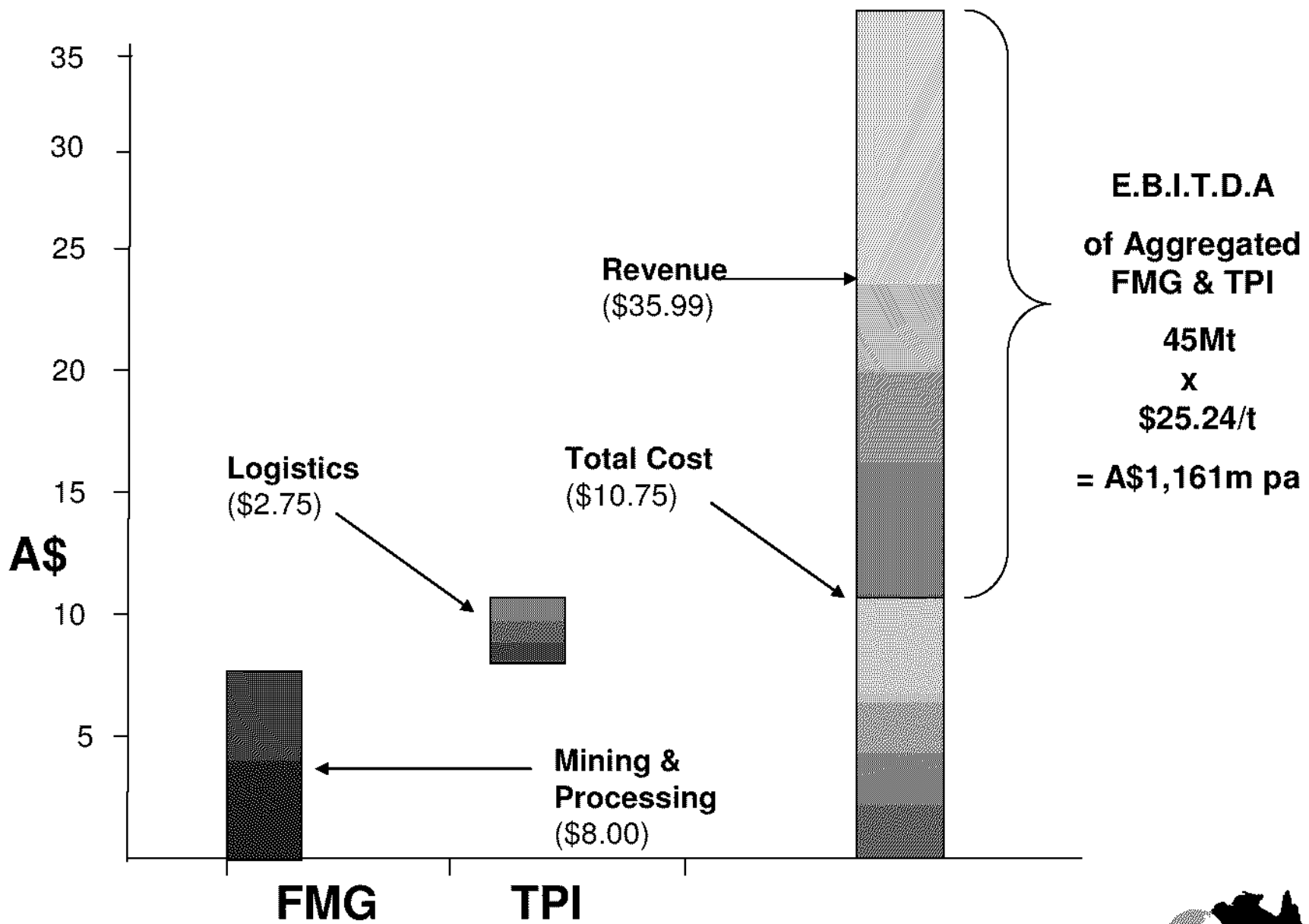
The Pilbara Infrastructure (TPI) Funding Forecast Sources and Uses

SOURCES	A\$m	USES	A\$m
China Rail	* 630	Train Sets	290
China Harbour	*571	Below Track	515
Iron Ore Customers	**139	Train Loading	165
Locomotive leases	100	Stock Yard Equipment	238
		Wharf	232
Total	\$1,440	Total	\$1,440

* Under Agreement

** Forecast Virtual Equity from Steel Mills

The New Force in Iron Ore



The New Force in Iron Ore



The New Force in Iron Ore

Valuation Sensitivities 45Mt/a



Iron Ore Selling Price per tonne FOB Port Hedland	Current Market Price (2004) A\$29.99/Tn	<u>'05 low</u> Forecast 20%+ A\$35.99/Tn	<u>'05 expected</u> Forecast 50%+ A\$44.98/Tn
Margin per tonne (A\$)	19.24	25.24	34.23
EBITDA (A\$m)	866	1,161	1,609
EBITDA per share (A\$) (250m shares)	3.46	4.64	6.44
Implied Valuation (A\$/Share) (4 x 2008/9 EBITDA)	\$13.86	\$18.58	\$25.74

The New Force in Iron Ore

Fortescue Corporate Summary

Ticker: FMG.AX

227m Shares, Con. Notes & Options @ current share price \$3.75 ~ A\$850m Market Cap

Shareholder	Shares (m)	Percentage
Directors and Management	118.2	50.4%
Steel Mills and Institutions:	43.7	19.3%
MLC JF Capital Partners JP Morgan Jiangsu Fengli Ospraie Fund Aeneas Capital Goldman Sachs Putnam Fidelity		
Public	59.8	26.4%
Total Issued Shares	217.7	96.1%
DKR Note Conversion	8.9	3.9%
Fully Diluted Total	226.6	100%

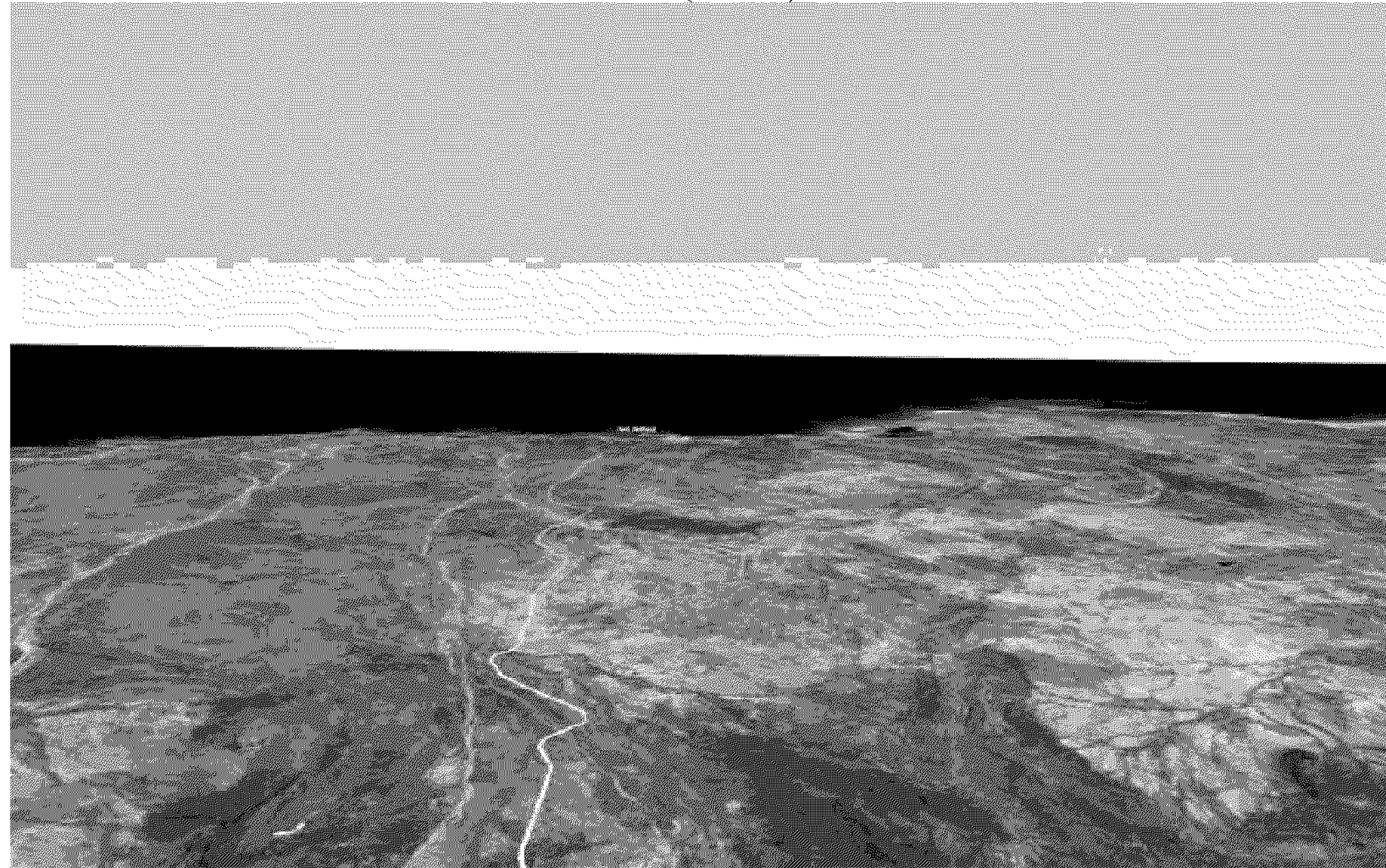
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Port & Rail Development Schedules

The New Force in Iron Ore

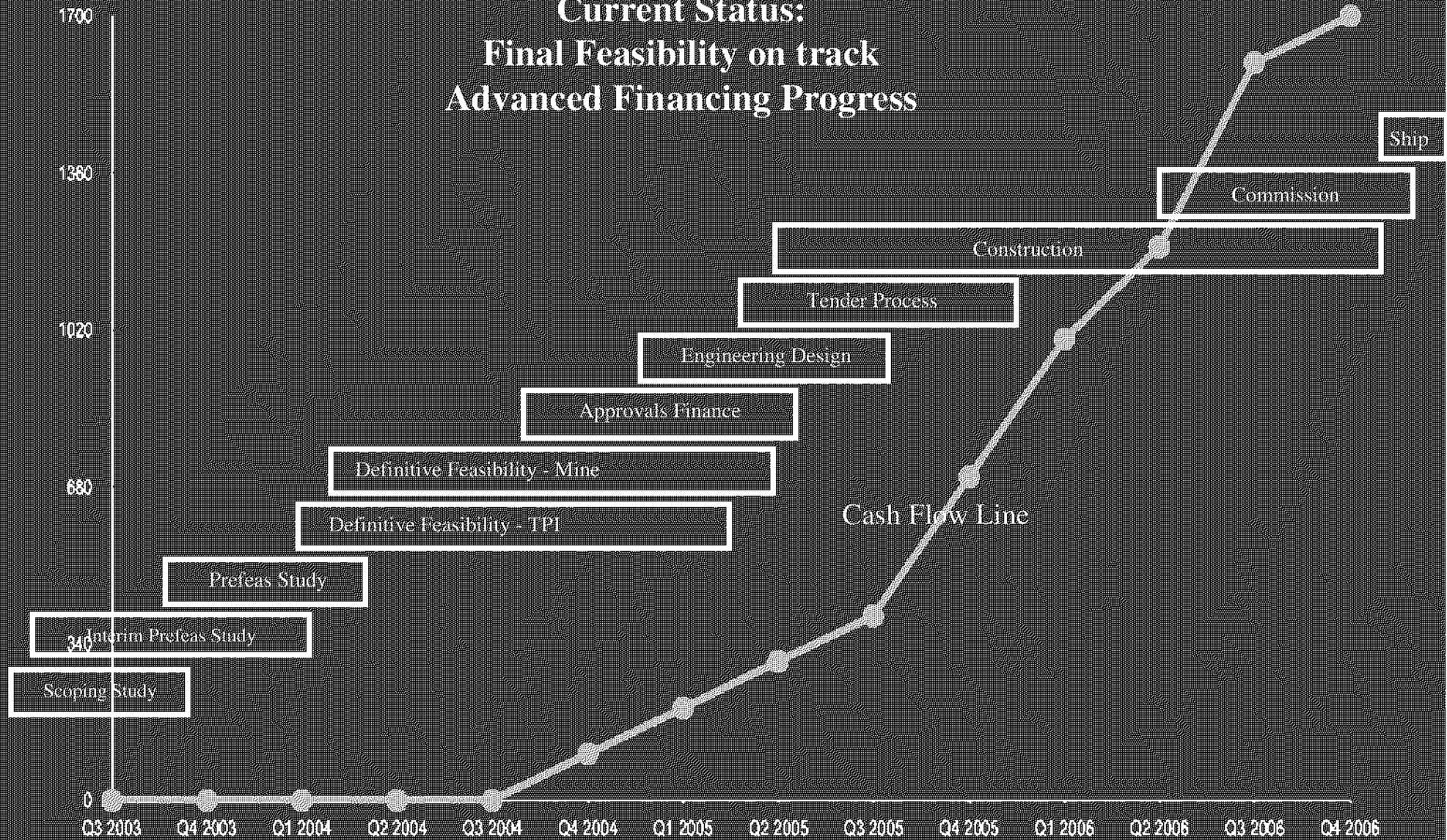


The Pilbara Infrastructure (TPI) Port & Rail



Fortescue Development Timeline

Current Status:
Final Feasibility on track
Advanced Financing Progress



Rail Construction

18 Months Fast Track

- ☐ Computer aided designed rail corridor and alignment
- ☐ Engineering design “Worlds Best Practice”
- ☐ Order locomotives and sleepers prior to financial close
- ☐ Rolling stock compatibility on key features

Port Construction 20 months

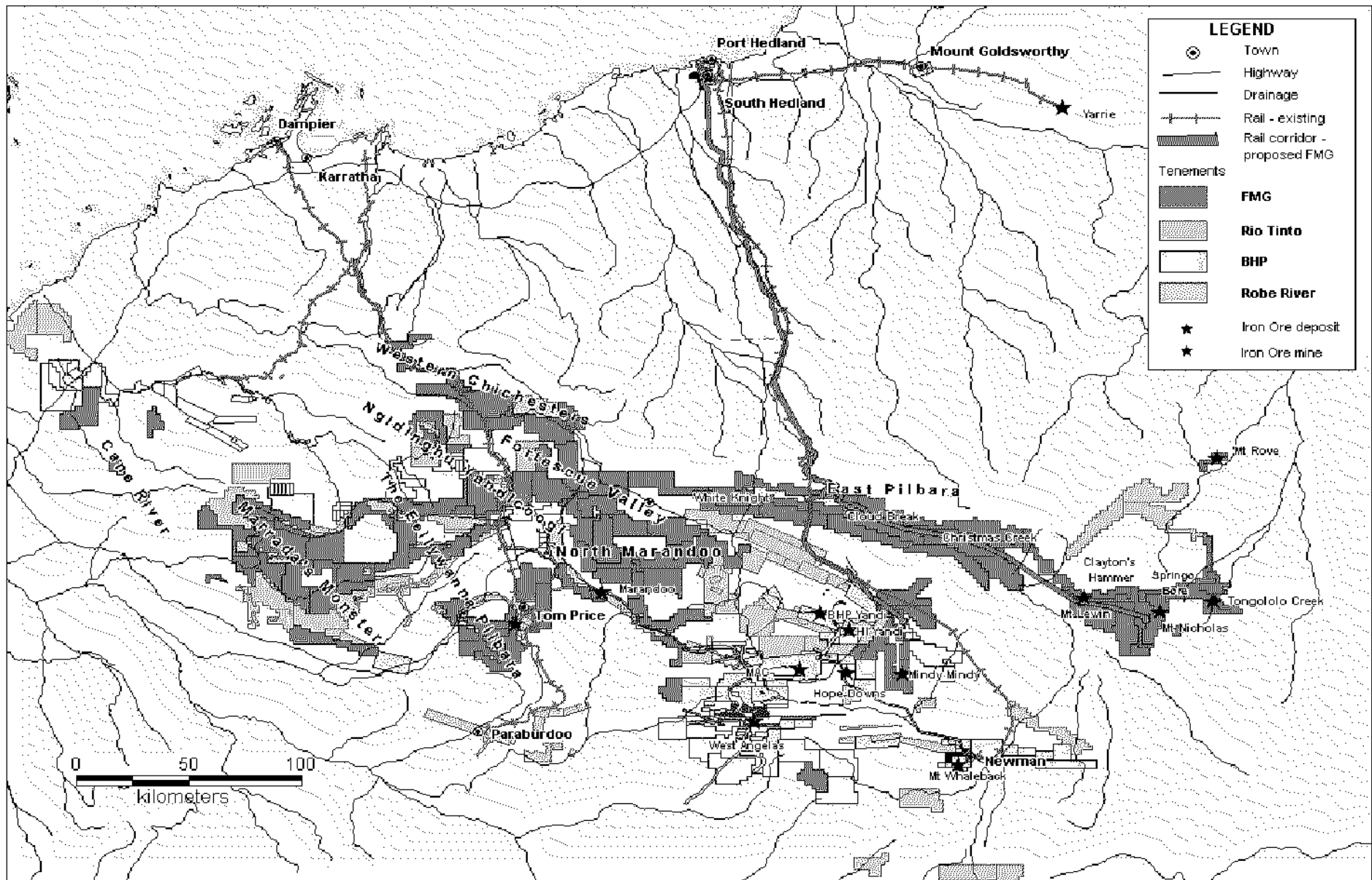
(Paralleled with Rail Construction)

- ☐ Rail dumping 8,000 t/h
 - Twin cell car dumper
 - Lump/fines screening
 - Two stackers
- ☐ Ship loading 10,000 t/h
 - Single reclaimer
 - Single ship loader
- ☐ Loading berth, 19.6 m depth to suit all vessels



The New Force in Iron Ore

FMG: The New Force in Iron Ore



Distance equivalent: Los Angeles to San Francisco

Fortescue House
50 Kings Park Road
West Perth
Western Australia

www.fmgl.com.au

FMG Road Show Syd Mel Feb 05