

Chichester Iron Ore and Infrastructure Project

Asia Pacific Fixed Income Investor Conference

25 January 2006
The New Force in Iron Ore

DISCLAIMER

Data and amounts shown in this presentation relating to capital costs, operating costs and project timelines are internally generated best estimates only.

All such information and data is currently under review as part of Fortescue's ongoing Chichester Iron Ore and Infrastructure Project.

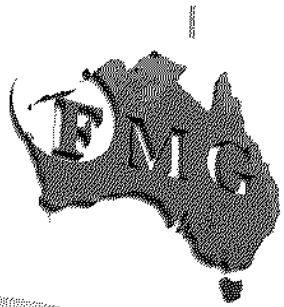
All dollars in this presentation are in denominated in US\$ except where stated

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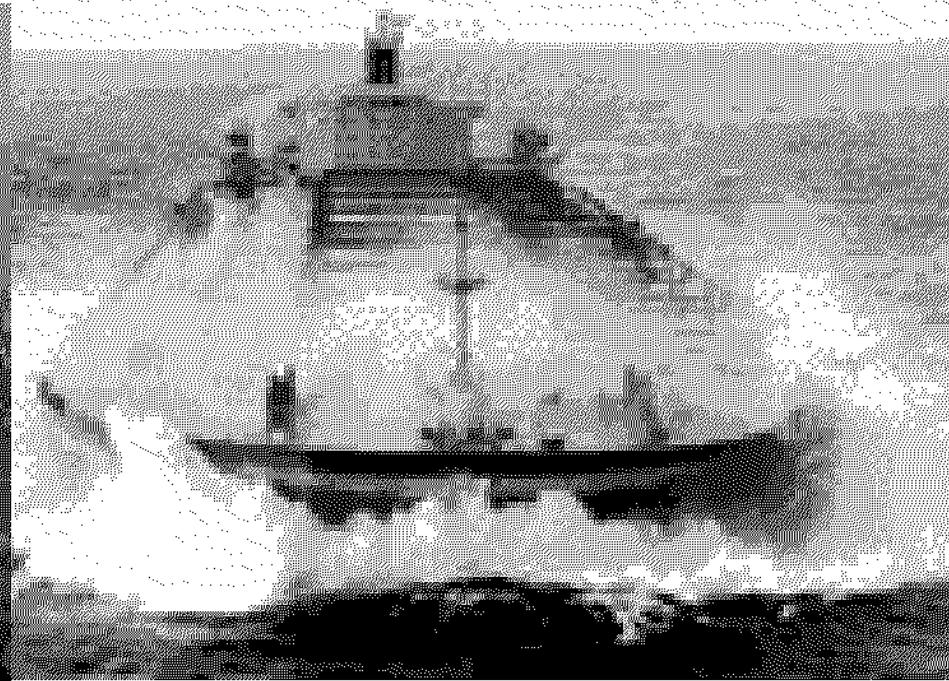
Fortescue Metals Group Ltd



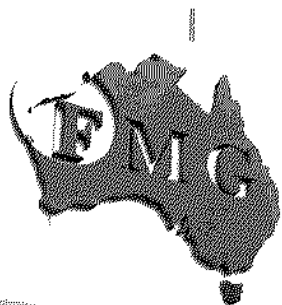
The New Force in Iron Ore



Asian growth = steel growth = high iron ore demand



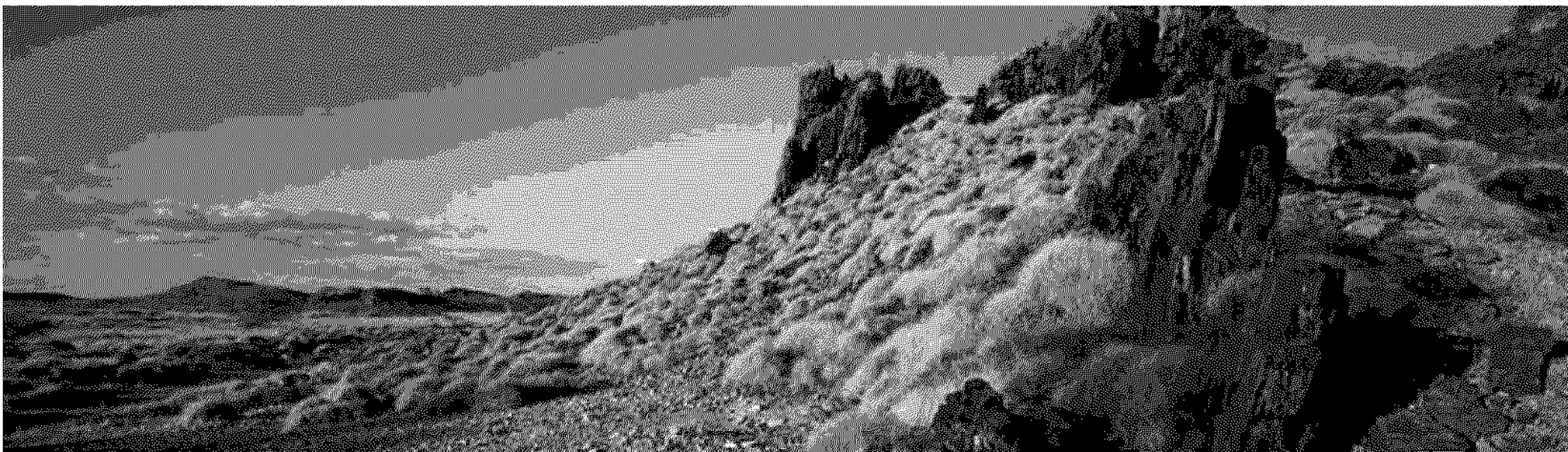
Two tonnes of iron ore = one tonne of steel

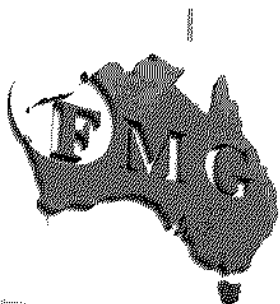


Overview

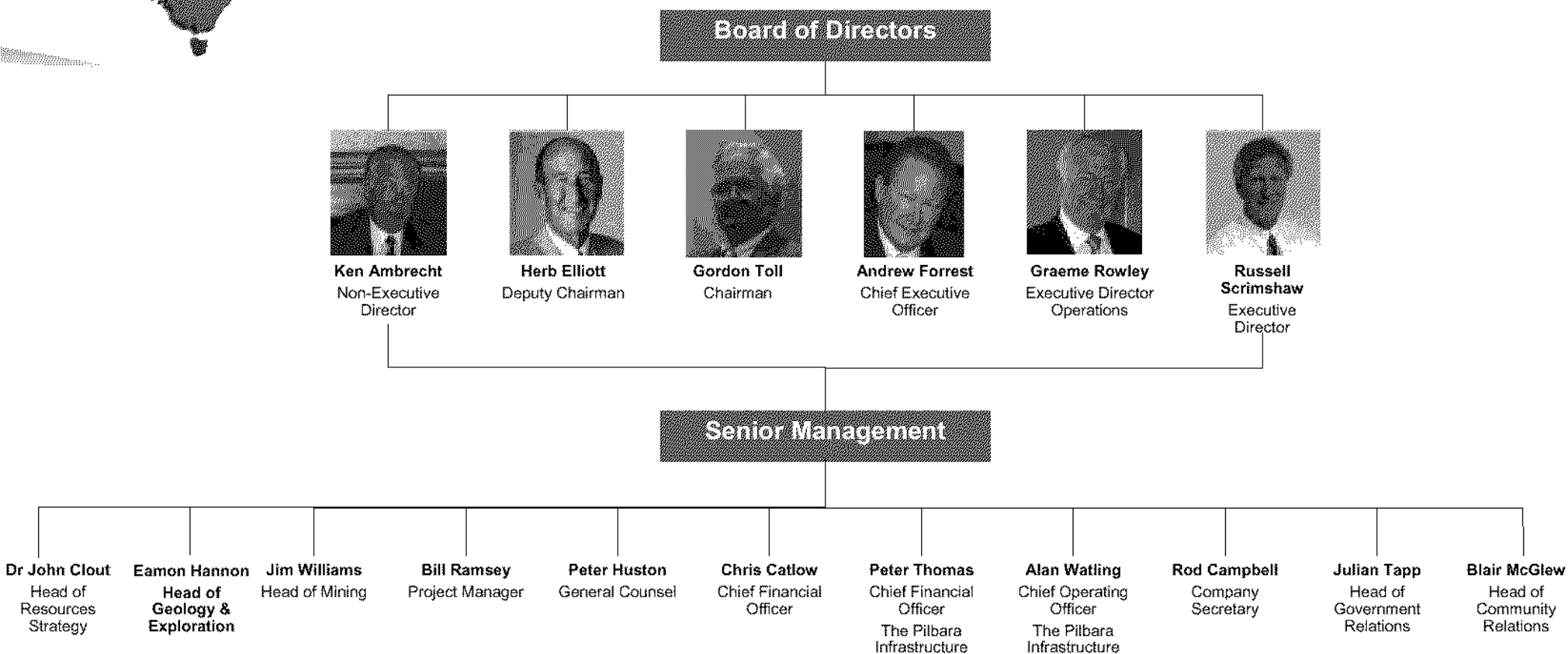
Developing world class Chichester Iron Ore and Infrastructure Project

- ASX listed - US\$1 billion market cap
- US\$100 million equity invested to date
- 2,400 Mt of Resources (incl. 1,100 Mt of Reserves)
- Highly experienced executive team

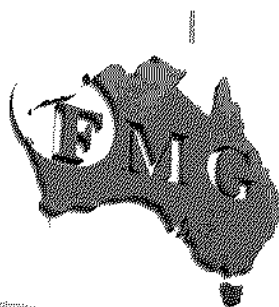




Board and management



Fortescue has assembled a strong Board and Management team with considerable experience in running iron ore mining, rail and port operations in the Pilbara



Operational team members

Gordon Toll

Chairman

- ◆ Chairman in May 2005
- ◆ Previously held senior executive positions with BHP Billiton Ltd and Rio Tinto plc
- ◆ Experience in the development of iron ore projects within the Pilbara region of Western Australia

Alan Watling

Chief Operating Officer

The Pilbara Infrastructure

- ◆ Over 25 years experience in the operation of heavy haul rail including management positions with Hamersley Iron Rail
- ◆ Responsible for major new projects at Marandoo, Yandicoogina and Brockman lending project development and senior operations experience

Andrew Forrest

Chief Executive Officer

- ◆ Chairman of Siberia Mining Corporation Limited, Moly Mining Ltd and the Australian Children Trust
- ◆ Former Chief Executive Officer and Deputy Chairman of Anaconda Nickel Limited
- ◆ Winner of the Australian Centenary Medal: for achievements and service to Resource Development in Australia

Dr John Clout

Head of Resources Strategy

- ◆ Recognised expert in the iron and steel industry having spent 12 years at the CSIRO in roles including Science Adviser for Mine Processing
- ◆ Previously advised companies such as Rio Tinto, BlueScope, OneSteel, Robe River, Hancock Prospecting and Hope Downs on their international metallurgical strategies

Graeme Rowley

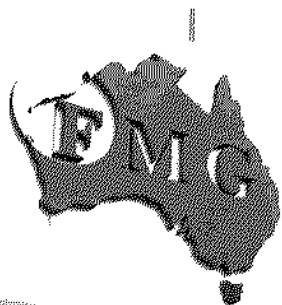
Executive Director Operations

- ◆ Previously held executive positions at Rio Tinto plc including positions with Hamersley Iron and Argyle Diamonds
- ◆ Extensive experience in operational management of both iron ore ship loading facilities and heavy haul railway within the unique Pilbara environment

Jim Williams

Head of Mining

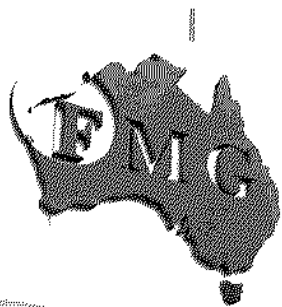
- ◆ Over 40 years experience in open pit, underground and alluvial mining including more than sixteen years in Central and Southern Africa and Australia
- ◆ Six years as a mining engineering consultant for Bechtel and seventeen years as a Resources Consultant



Significant asset backing

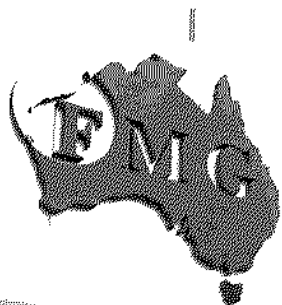
- Robust iron ore demand
- Optimal location
- Huge reserves
- Simple construction
- Low cost producer
- Powerful economics - rapid payback





Risks managed out

Risk			Mitigant
Market	:	✓	30 Mtpa contracts
Ore Body	:	✓	Huge, 2.4 Bt Resource, 1 Bt Reserve
Approvals	:	✓	Key arrangements in place
Construction	:	✓	• Infrastructure DFS complete • EPCM underway • Critical contracts ready to be awarded
Operations	:	✓	Experienced management team established and mining contractors lined up.
Finance	:		• International bank retained • Robust economics • Final equity negotiations • Strong, Independent Expert reports



Demand will continue to exceed supply



“Wanted: more iron ore”

Ivan Fadel, 28 Sept 2005



“Higher long term prices for iron ore”

Glyn Lawcock/Fleur Grose, 16 Sept 2005



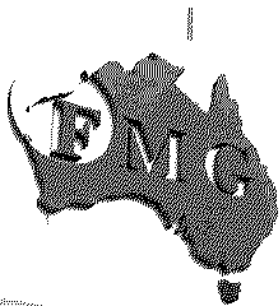
“Structural change in the iron ore industry to drive higher long term prices”

Andrea Weinberg/Vicky Binns, 21 Sept 2005

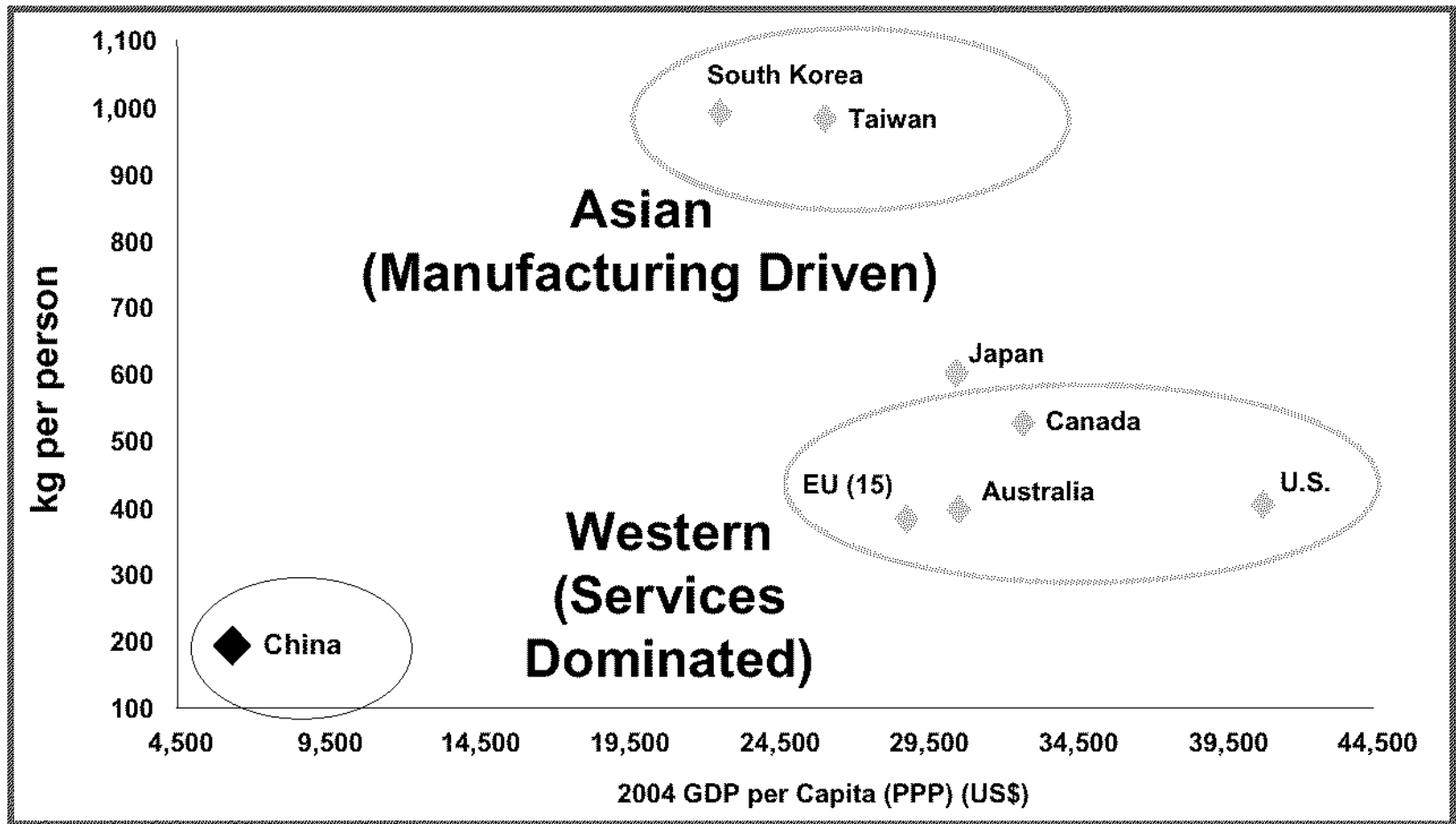


“Iron ore market extremely tight – we have increased our long-term forecast by 50%”

Craig Campbell, 14 Oct 2005



Strong demand



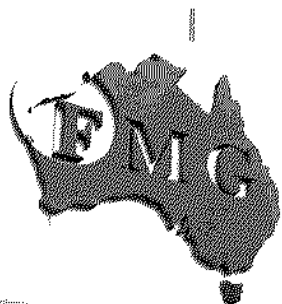
Source: 2005 IISI report and EIU (Datastream)



Australia's Pilbara region is lowest cost for Asia



Australia's iron ore is cheaper than Brazil's.



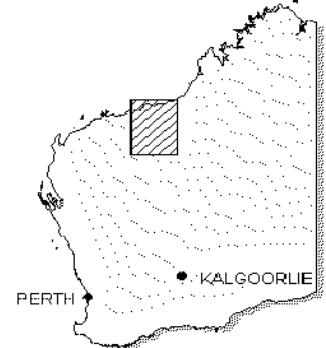
Australian ore is reliable and the most competitive

Australian Ore	\$US 42.85
South Africa Ore	\$US 61.01
Brazilian Ore	\$US 62.35
Indian Ore	\$US 80.78

“In iron ore, you can’t compete with the Pilbara”

- Grant Samuel

Source: China Metallurgical Daily – 2004 average landed price



16,800 square kms of tenements / 2.4 bn tonnes of iron ore from less than 10% of these holdings



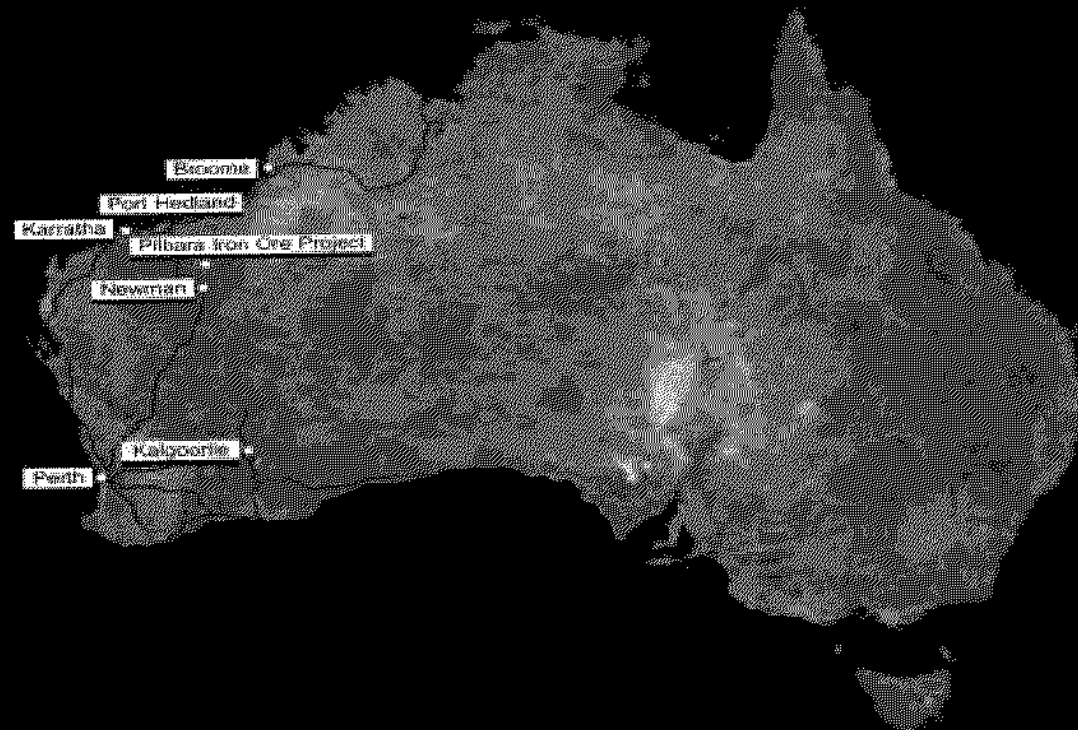
Project overview

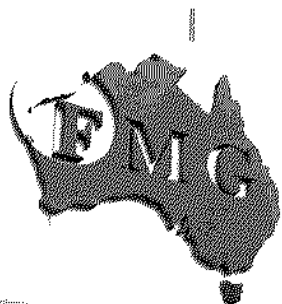
- A very basic project, shallow mine and simple infrastructure
- One of the world's lowest cost producers with over 20 years mine life
- Resources for 60+% iron ore for well over 10 years at 45 Mtpa
- Strong Government support / Approvals nearly complete



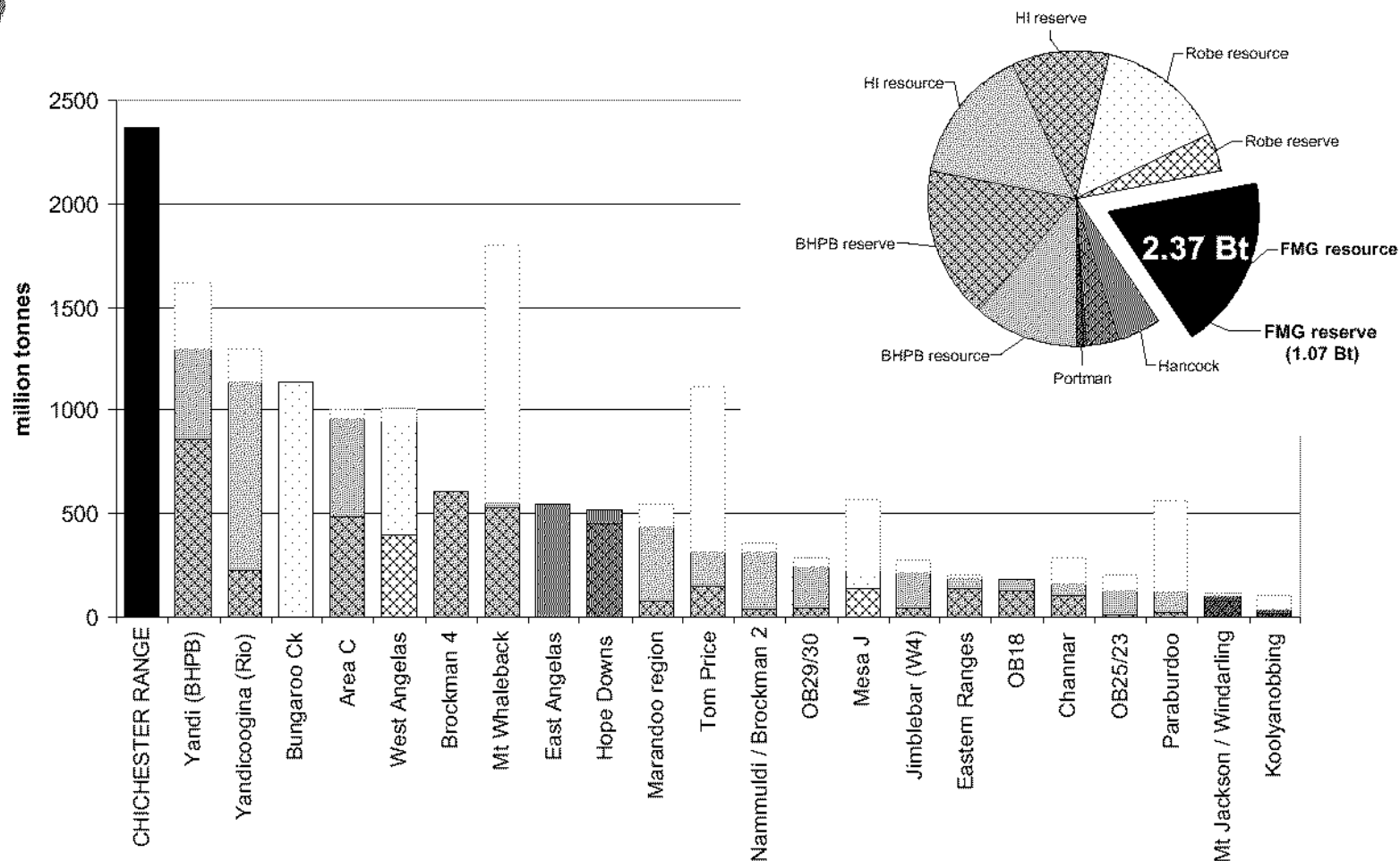


Fortescue – developing Australia's largest iron ore tenements





The largest bedrock hosted iron ore discovery in Australia



Notes

- total resources are exclusive of total reserves
- data derived or calculated from best available company, technical and government public reports
- refer to relevant ASX releases for detailed breakdown of FMG data



Geology and mineral resources

- Highly successful drilling program
- 2.4 billion tonnes of resources defined in last 18 months
- One third (811 Mt) high grade ($>60\%$ iron)
- Resource specification well within requirements of major steel mills
- Initial Reserve Statement 1.1 billion tonnes

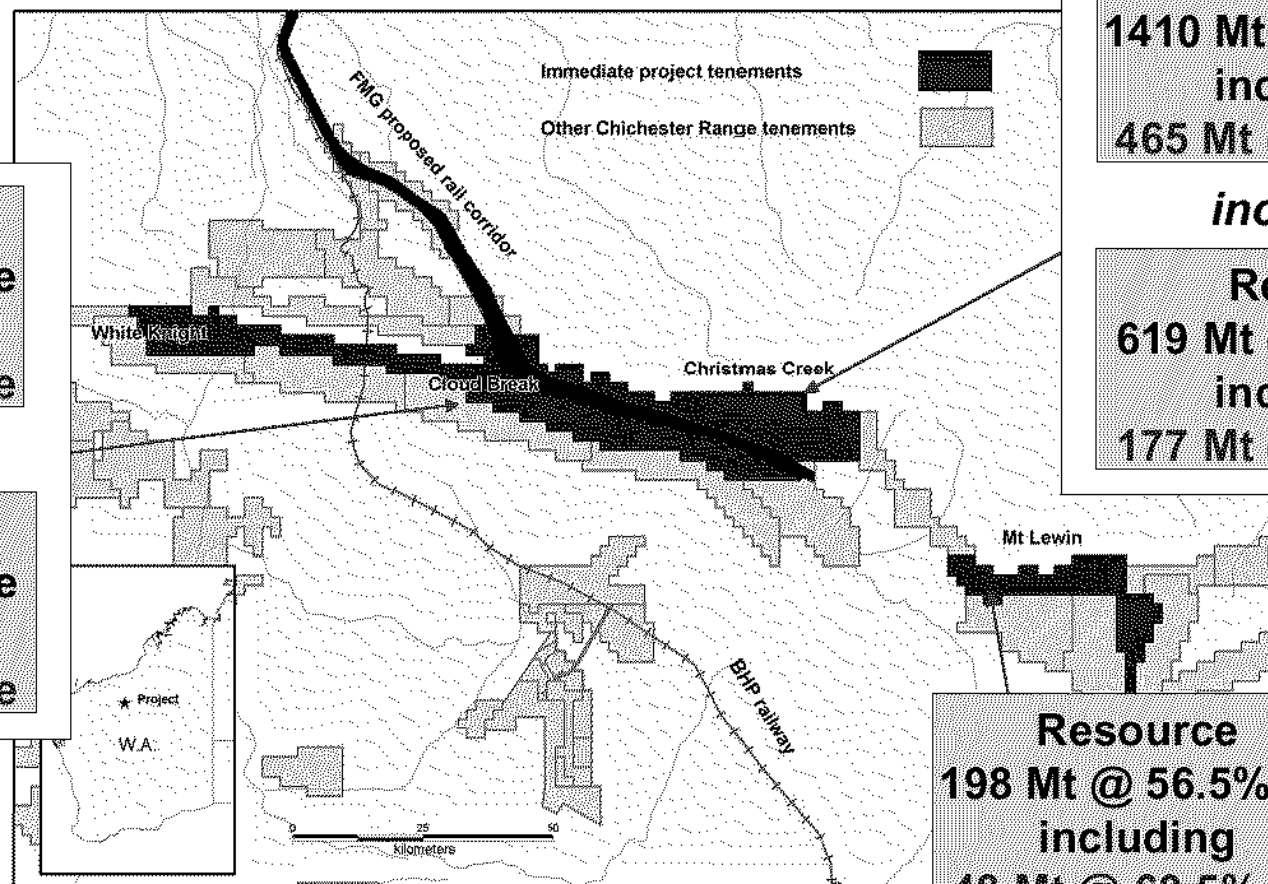




The Chichesters – a massive iron ore region

Resource
756 Mt @ 58.7% Fe
including
298 Mt @ 60.5% Fe
including

Reserve
447 Mt @ 58.7% Fe
including
182 Mt @ 60.4% Fe



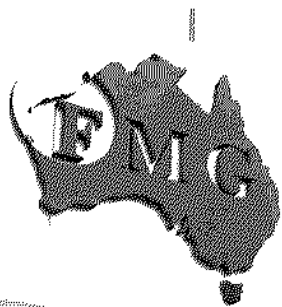
Resource
1410 Mt @ 58.1% Fe
including
465 Mt @ 60.3% Fe

including

Reserve
619 Mt @ 58.5% Fe
including
177 Mt @ 60.5% Fe

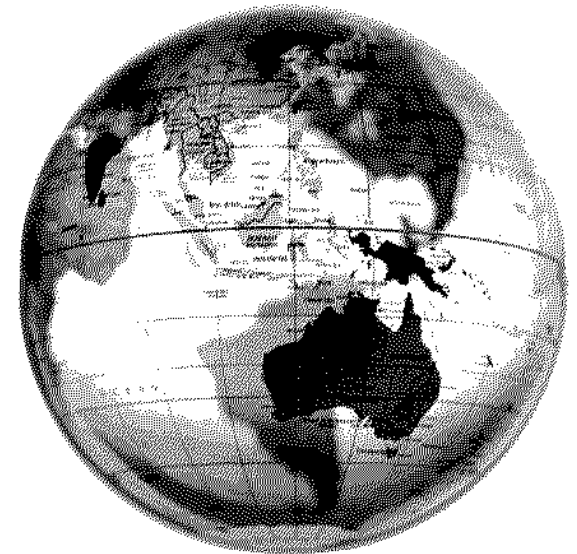
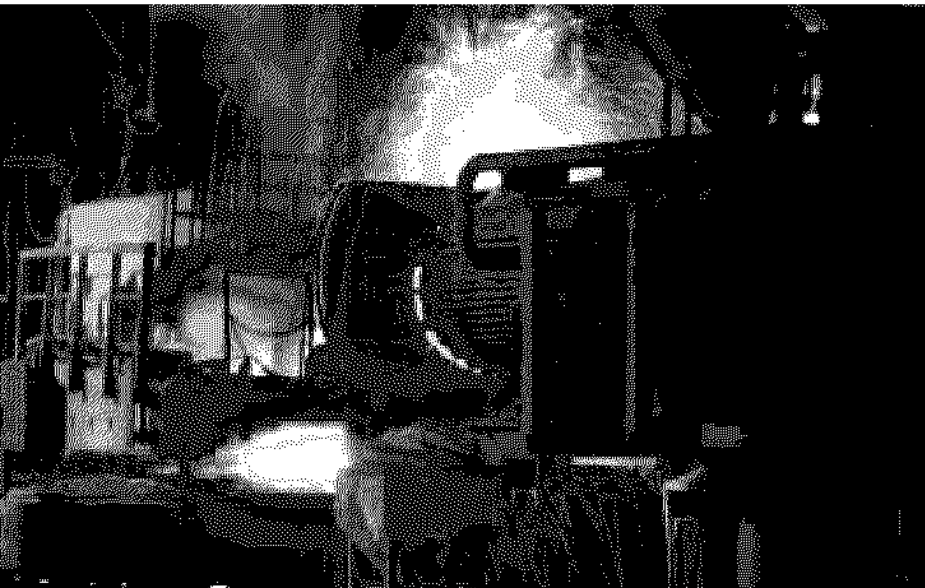
Resource
198 Mt @ 56.5% Fe
including
48 Mt @ 60.5% Fe

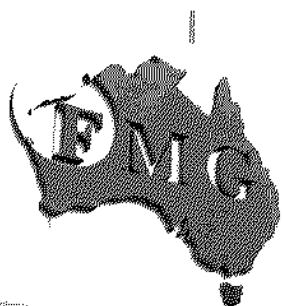
Note - Mineral Resources are inclusive of Ore Reserves



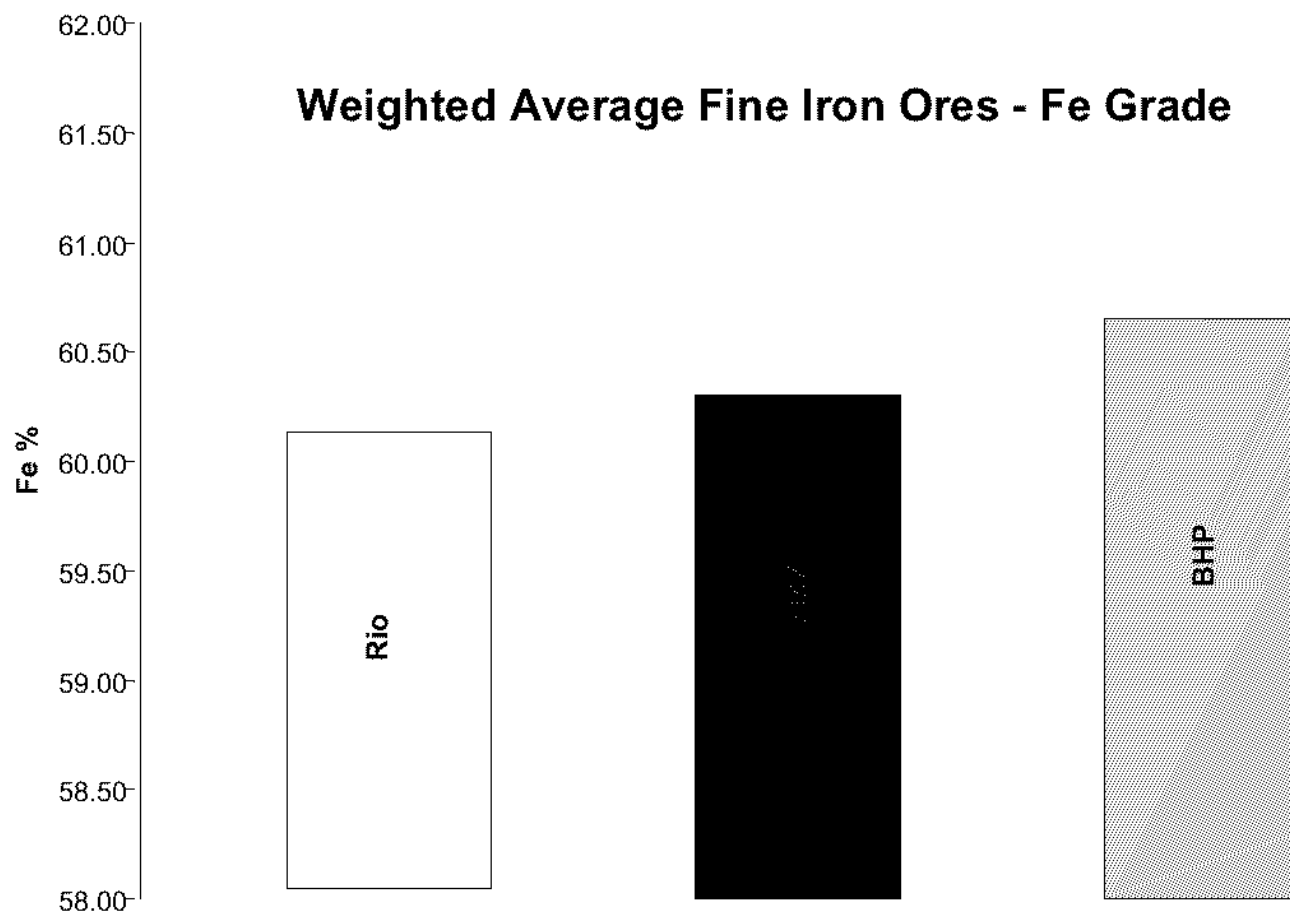
Marketing – Target of 30 Mtpa under contract achieved

- Focus on Asia including the rapidly expanding steel mills of China
- 61% Fe lump, 60.2% Fe fines, excellent sinter properties
- Highly experienced marketing team
- 30 Mtpa under contract
- Over 80 Mtpa in Letters of Intent
- Active discussions with 32 steel mills





Iron ore comparison – Fe content of Australian shipping grade

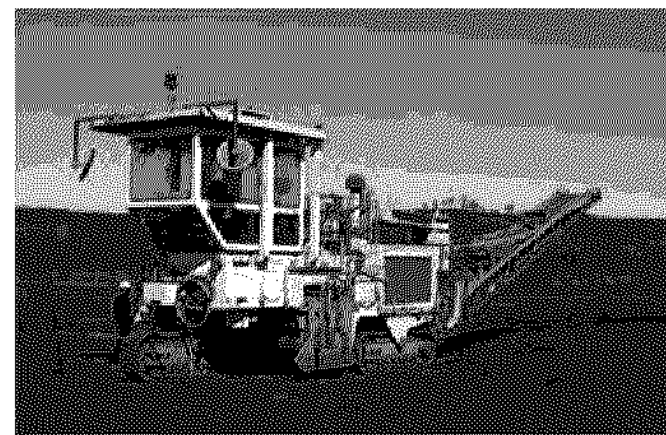
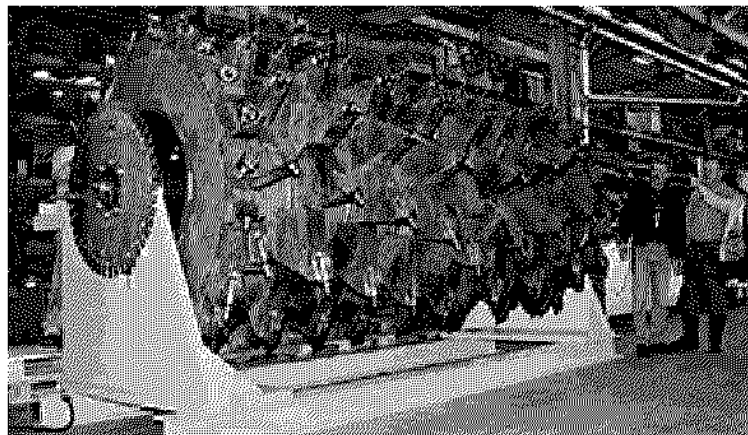
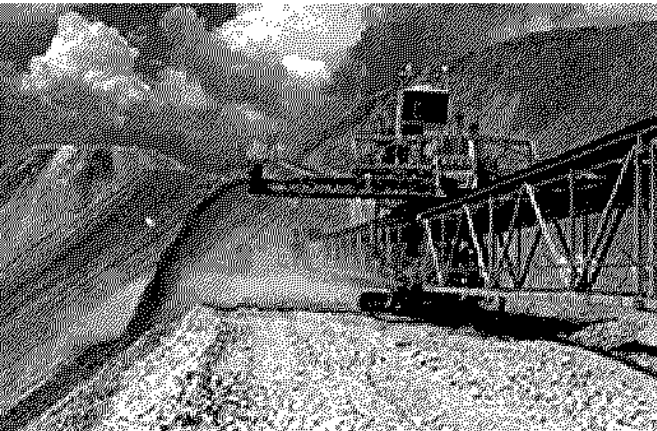


Data Sources: Robe River – Website, BHPB – Direct from Company, HI – Industry Sources, FMG – Own Tests, AME



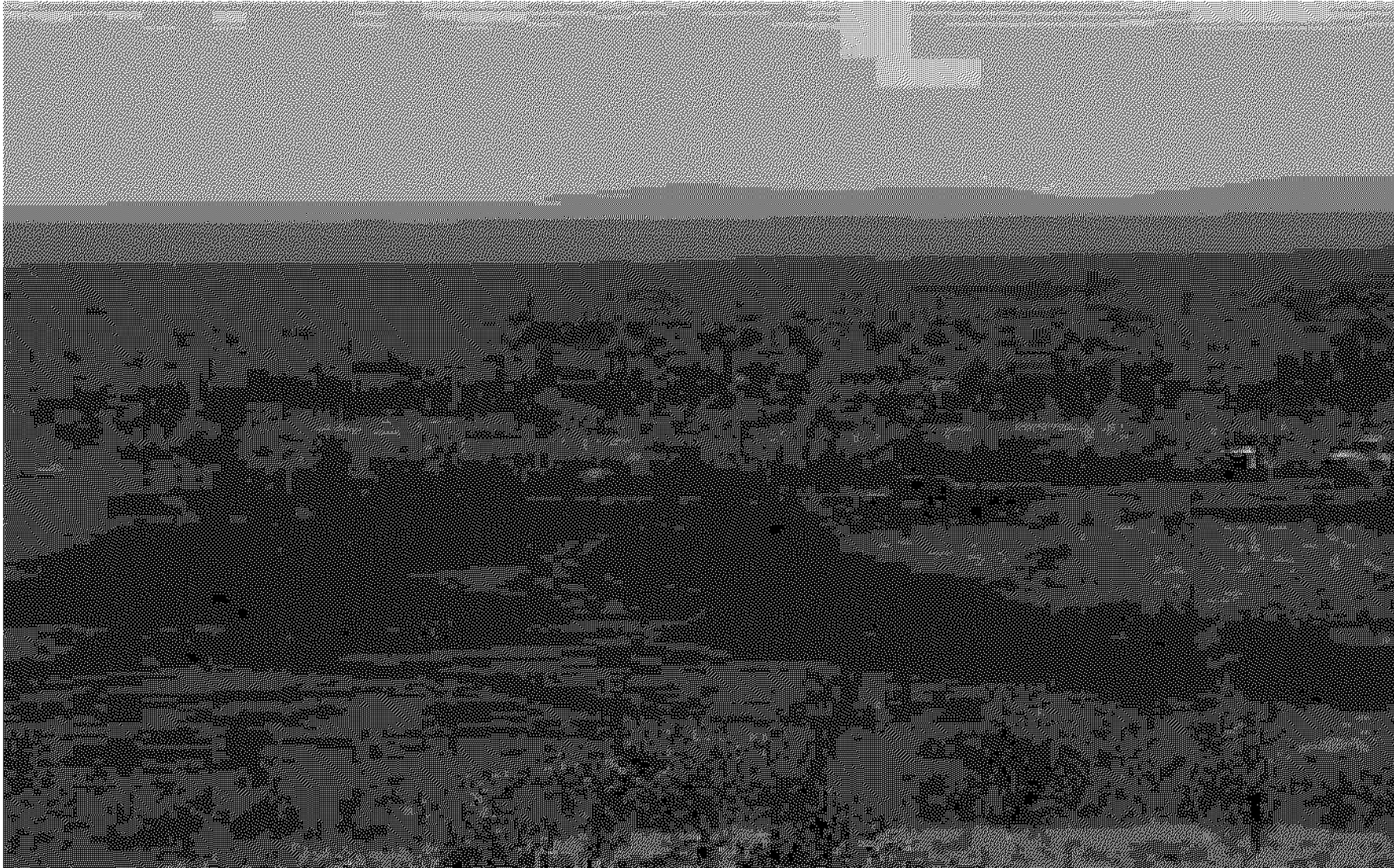
Mining - shallow and effective with Surface Miners

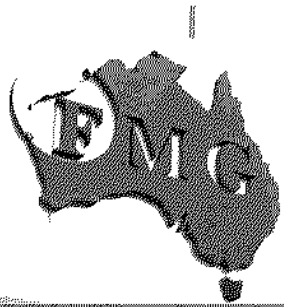
- Surface Miner - simple ore retrieval and excellent grade control
- Overburden - bucket wheel excavator and conveyor with waste dumped in-pit
- Rapid ramp up facilitated by multiple pits





Surface Miner cutting iron ore and stockpiling



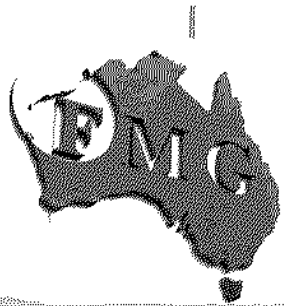


Fortescue Trial Pit – actual mining proves economics

12 November 2005

Foreground: Stripping Overburden, Far Right: Loading Blasted Hard Cap & Drilling Hard Cap.

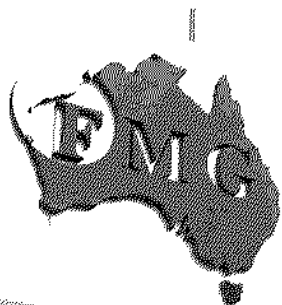




Fortescue 14 November 2005 – Unparalleled progress

One year after first drill hole. First Ore

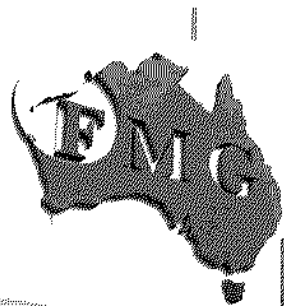
Iron Ore ready to be shipped



Fortescue Trial Pit - 25 November 2005

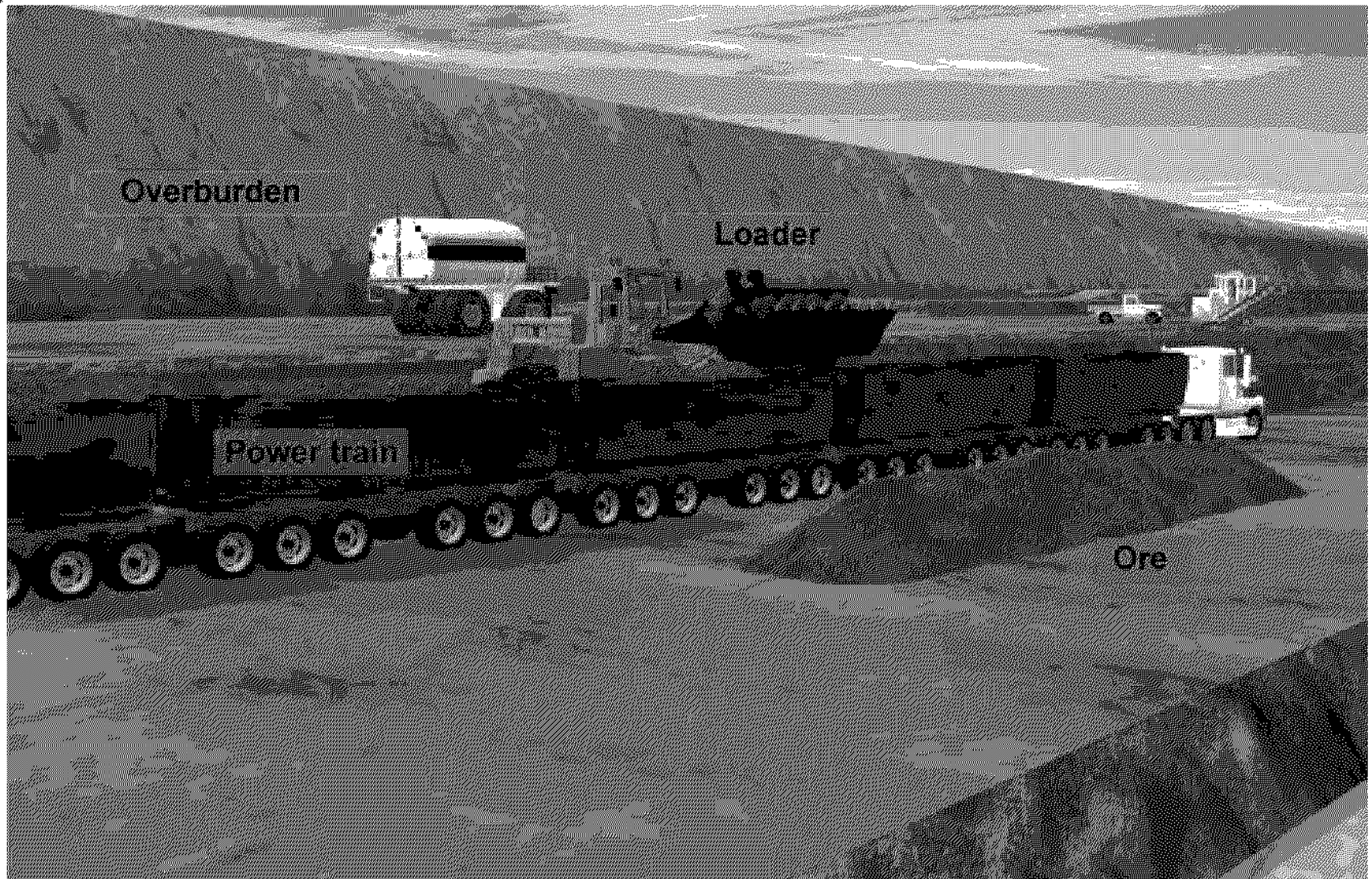
Windrows of ore ready for market

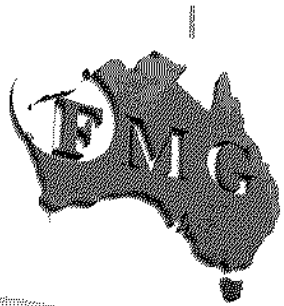




Open Pit Mining, simple, smart

Dump trucks load road trains from windrows



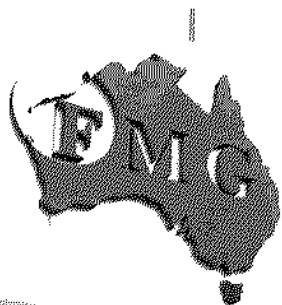


Open Pit Mining, simple, smart

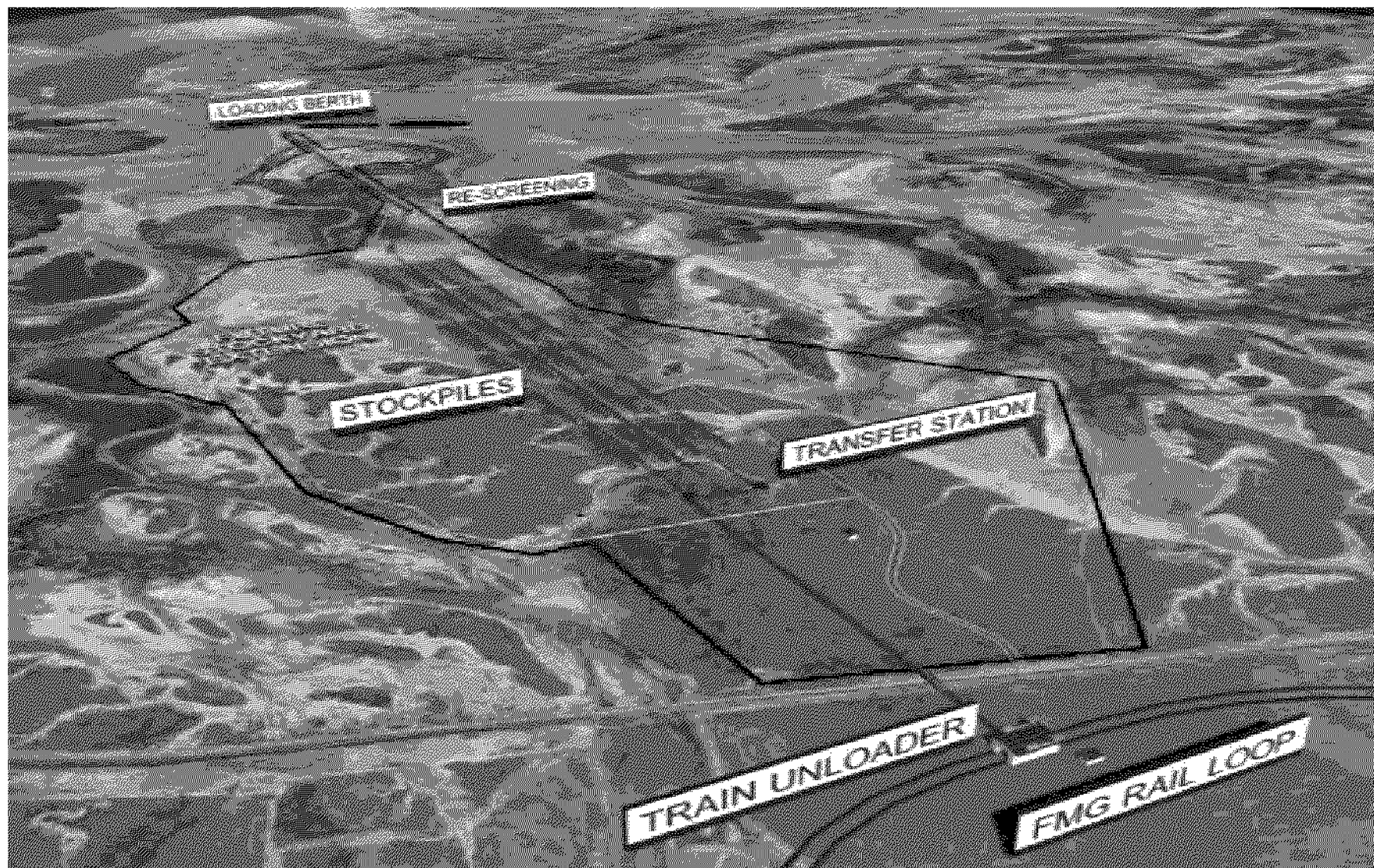
Road trains for ore, conveyors for waste







Infrastructure – at Port Hedland





Government approvals

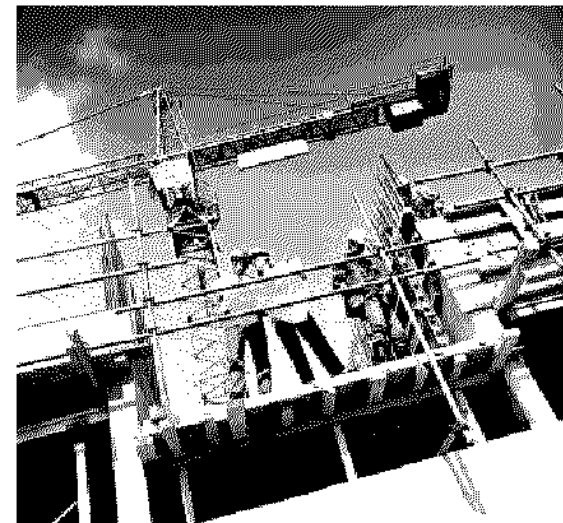
- Mining and Infrastructure State Agreements executed
- Environment - Infrastructure & Mining (Stages A & B) Environmental Approval granted / Residual Mining Environmental Approval imminent
- Aboriginal - Native Title agreements executed / Heritage surveys completed

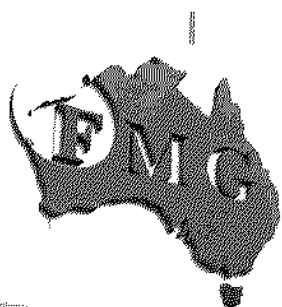




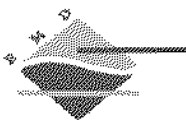
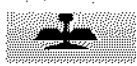
Project construction

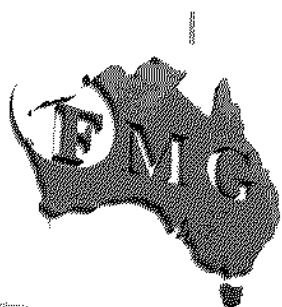
- Mine is simple - outsourced
- Straightforward rail and port – no processing risk
- WorleyParsons Infrastructure capital cost estimate of US\$1.46 Billion with accuracy of +/- 10%
- 22 month construction period with six month “pre-construction” activities should deliver first ore to ship in late 2007
- Australia’s foremost engineer managing three main sites at the port, rail and mine





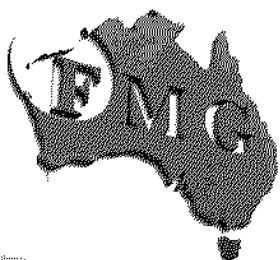
Project underway

AREA	SUPPLIER	CURRENT STATUS
Dredging	 	Preferred supplier selected Award contract Jan 06
Wharfs	 	Final selection & contract close Jan 06
Ore Cars	   	Detailed design and/or construction of prototype
Locos	   	Engineering capability review completed Contract negotiations to be completed Q1 06
Rail Steel	  	Competitive tendering Final negotiation
Sleeper		Award contract Feb 06

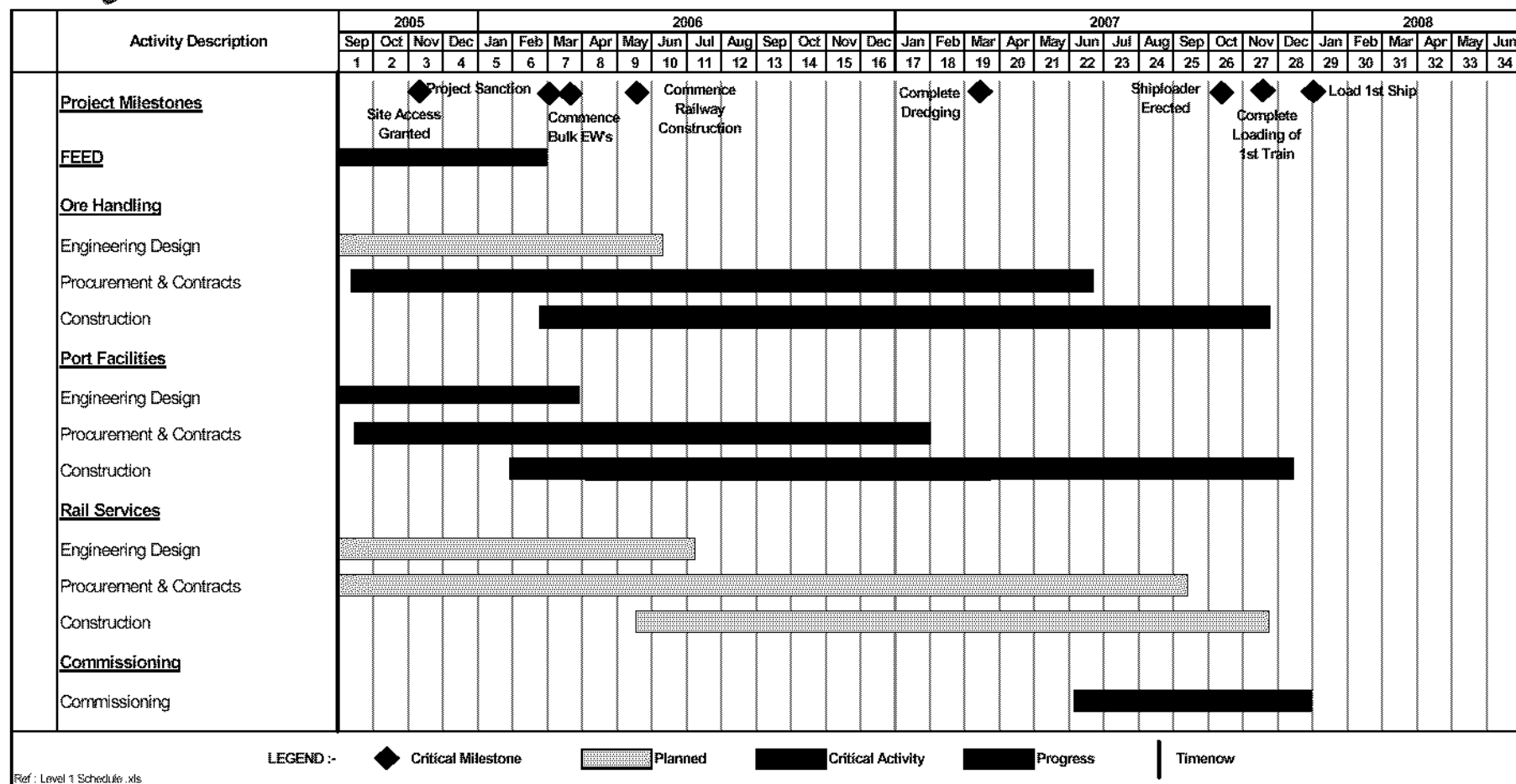


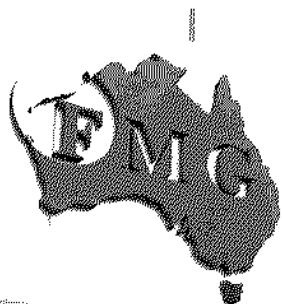
Project underway

AREA	SUPPLIER	CURRENT STATUS
Port Bulk Material Handling Equipment	   	Competitive tendering completed Selection of preferred supplier & final negotiations
Mine Material Handling	  	Competitive tendering Final negotiations
EPCM	 WorleyParsons resources & energy	FEED Contract signed
Earthwork	  	Competitive tendering Final negotiations
Mining	   	Award contract Jan 06



Project construction timeline

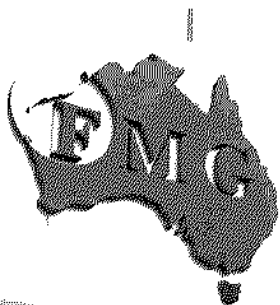




Project financing

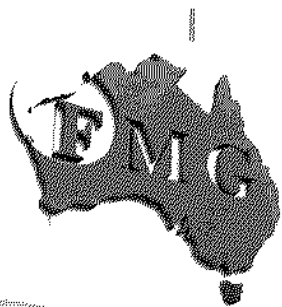
Sources	US\$m	Uses	US\$m
Equity	450	Rail and Port	1,460
		Additional Cost Overrun Reserves	110
		Pre-funded Interest	230
Debt	1,425	Mining	75
Total	1,875	Total	1,875

With Sunk Equity, Leverage ~ 70/30



To conclude, the risks have been managed out

Risk			Mitigant
Market	:	✓	30 Mtpa contracts
Ore Body	:	✓	Huge, 2.4 Bt Resource, 1 Bt Reserve
Approvals	:	✓	Key arrangements in place
Construction	:	✓	• Infrastructure DFS complete • EPCM underway • Critical contracts ready to be awarded
Operations	:	✓	Experienced management team established and mining contractors lined up.
Finance	:		• International bank retained • Robust economics • Final equity negotiations • Strong, Independent Expert reports

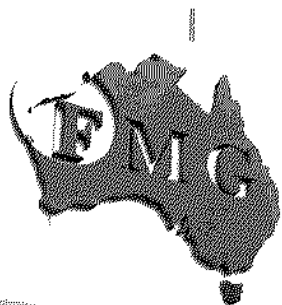


Why finance Fortescue?

Massive security, cashflows and likely ratings growth

- Long Life Ore Reserves – 20++ Year Mine life
- Low operating cost / high margin / high interest and asset coverage
- Ore Quality matches market leaders BHP and Rio Tinto
- No Technology Risk – Open Pit Mine, Rail, Port Loading

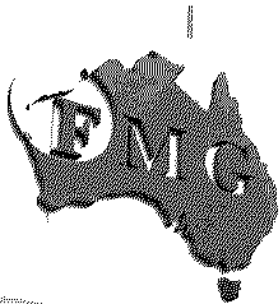




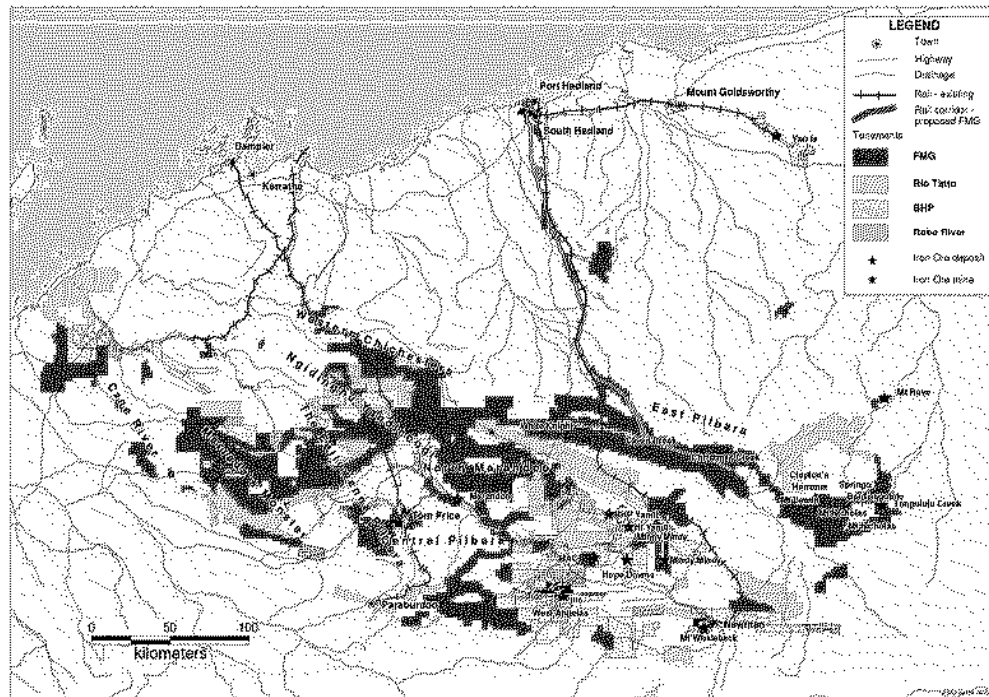
... because borrowing will be at sub-investment grade, moving to investment grade

- Environmental and government approvals in place
- Advanced project with engineering and infrastructure costs well known
- Ready, hungry market – 70% of production in firm offtake agreements
- On track for late 2007 early 2008 deliveries
- Highly experienced iron ore and rail/port management team





Fortescue Metals Group Ltd



The New Force in Iron Ore

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