



Success Story: Fortescue Metals Group Mining the Marketplace

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- Chris Catlow
CFO
Fortescue Metals Group Ltd.


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Fortescue Metals Group had ambitious plans to develop its iron ore holdings in remote Western Australia. But the project’s infrastructure requirements mandated significant investment. IntraLinks® On-Demand Workspaces™ allowed Fortescue to conveniently connect with international capital markets and raise an unprecedented AU\$3.7 billion corporate bond offering.

The Pilbara region of Western Australia lies in one of the most remote areas of the world. For millennia, aboriginal peoples roamed its magnificent gorges and ranges, seeing them as evidence of the Dreaming — the time of the creation of the world. Concealed within this majestic area lie the world’s largest high-grade iron ore deposits. Demand for the commodity grows every year, fueled by China’s unquenchable thirst for steel, one of iron ore’s by-products. Yet the Pilbara region’s isolation makes developing this resource seem like another form of dreaming.

An Ambitious Plan

Western Australia native and businessman Andrew Forrest founded Fortescue Metals Group in 2003 to find the Pilbara region’s treasure and bring it to market. Just one year later, the company discovered the largest bedrock iron ore deposit in Australia — 2.4 billion tons. The company lined up long-term sales of 45 million tons annually, with additional agreements for tonnage beyond this target. Developing these reserves would make Fortescue a new force in iron ore.

Yet the region’s remoteness presented a huge challenge. In addition to building mining and processing facilities, the company would need a 260 kilometer heavy rail line to bring the ore to the port from the two mine sites at Christmas Creek and Cloud Break, and a new multi-berth facility at Port Hedland for the giant freighters that would take the ore to China. The cost to develop the ambitious infrastructure plan topped AU\$1.92 billion. Forrest needed financing to turn his dream into reality.

Taking the Mountain to Muhammad

Forrest knew success lay in mining international capital markets. But Fortescue makes its headquarters in Perth, often called the most isolated city in the world. Potential investors might be put off by the expense of sending a due diligence team across the globe to review documents in a physical data room simply to determine their level of interest. Instead, Fortescue took a different approach: It took the mountain to Muhammad.

On the advice of Citi’s investment banking team, Fortescue CFO Chris Catlow investigated IntraLinks. The secure, web-based platform for document exchange provided by IntraLinks seemed like the perfect solution for getting critical information into potential investors’ hands quickly, regardless of their location, without compromising security. Fortescue decided that IntraLinks was the best way forward.

With IntraLinks’ help, Fortescue overcame Perth’s isolation. Project Manager Harry Nutter worked with IntraLinks to set up an On-Demand Workspace. Nutter uploaded the entire dataroom into the online workspace in just one weekend. Nutter posted thousands of documents potential investors

would need to review — including financial records, engineering and survey reports, detailed maps and geologic information, operational documents and corporate marketing data.

“I thought it was going to be quite complex at the time, but found it surprisingly easy,” recalls Nutter.

In July 2006, Fortescue executives visited nearly 150 potential investors across Asia, Europe and America in just three weeks.

“Because the dataroom was online and accessible from anywhere with an Internet connection, our corporate executives were able to travel the world, marketing the company to the best investment candidates,” explains Nutter. “During the meetings, they could point prospects to all the due diligence information and explain to them that it was available from anywhere in the world at any time of the day or night — no travel necessary.”

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Digging In

While offering ready access to documents to hundreds of people, Fortescue needed to ensure security and confidentiality. The company wanted to protect sensitive documents from being leaked to competitors. For their part, potential bidders wanted to remain anonymous. Tipping their hand about their investment interests might invite unwanted rivals.

“With IntraLinks, we assured ourselves control of our documents by restricting access all the way down to which individual could see what document at what time,” says Nutter. “It’s

more secure than email, because people can’t save documents to their desktop or forward them to others if we don’t want them to.”

Additionally, with the On-Demand Workspace, multiple investors could review information at the same time yet remain unseen by one another — something that would be impossible with a physical data room. It also removed the need to schedule due diligence teams in the data room, saving Fortescue administrative headaches and saving bidders time and money.

“There were certainly times when we’d had companies wanting to access the data room at the same time,” says Catlow. “The virtual dataroom ensured confidentiality for bidders and kept them from having to wait for others to complete due diligence first.”

When potential investors requested additional information, Nutter could respond quickly. In one case, he uploaded documents in response to one investor’s urgent request while at the mining site in the far reaches of Western Australia, 1,000 kilometers from Perth.

“International investors called any time of the day or night and all days of the week,” he remembers. “The ability to plug in straight-away rather than make my way back to the office benefited me and the investors.”

Rock Solid Customer Service

Throughout the process, Nutter relied on IntraLinks’ customer service team to troubleshoot with bidders and provide additional support. Though the 12-hour time difference between Perth and New York meant he often called in the middle of the night, IntraLinks’ around-the-clock live support was always available.

“They’re the only help desk I find helpful,” says Nutter. “Every time I rang I found them knowledgeable and very friendly.”

IntraLinks staff explained ways for Nutter to meet his business needs more quickly, and

took the time to ensure he understood how best to use IntraLinks’ feature set.

“One time, they created a report for me even though it wasn’t in their purview,” says Nutter. “I don’t often find other help desk staff thinking outside their own realm to figure out ways to make my job easier.”

Striking It Rich

In August 2006, Fortescue struck it rich. The company raised AU\$3.7 billion, led by New York-based Leucadia National Corporation’s AU\$535 million investment, making it the largest corporate bond transaction in the history of the Southern Hemisphere.

With project financing complete, Fortescue has moved rapidly. Dredging for the port facility is complete, with the railroad line under construction. The company remains on schedule to ship the first ore to customers in the second quarter of 2008, with 45 million tons annually planned.

Even better, further exploration of Fortescue’s holdings led to the discovery of more high-grade ore than originally forecast. In response, the company formed a new team to determine how to raise total output to 100 metric tons annually.

As the company grows, “IntraLinks will be our first point of call should we wish to raise more finance,” says Catlow.

About Fortescue Metals Group Ltd.

Fortescue Metals Group Ltd. is a dynamic company with the primary objective of discovering and developing iron ore deposits in the Pilbara region of Western Australia. It is the new force in iron ore with over 2.4 billion tons of resources, including 1.1 billion tons of reserves already delineated from less than 10% of its 35,000 square kilometers of tenements, the largest in the Pilbara. Fortescue will establish large-scale mining operations in conjunction with an open-access port and rail network crucial for the delivery of iron ore to the markets of the world. Initial production will be 45 million tons of ore per annum and market-driven expansion will occur as required. Fortescue is an S&P/ASX 200 company.

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