QUARTERLY REPORT

For the period ending 30 June 2015

Fortescue
The New Force in Iron Ore

Safety improved 15% on Q4 FY14

165 million tonnes per annum

$18/wmt FY16 forecast C1 cost

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"Fortescue has delivered excellent results on all three of our key performance measures for FY15: safety, production and costs. Our efficiency and productivity improvements have embedded sustained cost reductions across the business ensuring strong and consistent cash flows and the foundation for ongoing value generation."

NEV POWER, CEO

HIGHLIGHTS

(million tonnes)	Q4	Q3	VAR%	FY14 Q4	VAR%
Ore mined	42.1	35.5	+19%	43.8	-4%
Overburden removed	41.4	66.7	-38%	106.7	-61%
Ore processed	41.0	37.0	+11%	41.1	-
Total ore shipped including third party product	42.4	40.4	+5%	38.7	+10%
C1 (US$/wmt)	22.16	25.90	-14%	34.03	-35%

Tonnage references are based on wet metric tonnes (wmt). Fortescue ships with approximately 8 – 9 per cent free moisture.

- **US$22/wmt C1 cost** for the June 2015 quarter, with a C1 cost in June of US$19/wmt
- **Shipments of 42.4mt** achieved during the quarter
- **US$2.4 billion of cash** on hand at 30 June 2015
- **US$190 million improvement in working capital** through reduction in iron ore inventories
- Price realisation of 87 per cent or **US$52/dmt**, compared to the average 62% Platts contract price of US$60/dmt
- All FY15 guidance achieved with **shipments of 165.4mt** and C1 cost of US$27/wmt
- **US$1.6 billion of savings** achieved over the last two financial years with an additional US$1.4 billion to be realised in FY16

Always look after the

safety

of ourselves and our mates

OPERATIONS

Safety

Safety continues to be the highest priority for all Fortescue people and our commitment to continuous improvement against this goal has resulted in achievement of our annual target for Total Recordable Injury Frequency Rate per million hours worked (TRIFR) of 5.1, a 15 per cent improvement over Q4 FY14.

For the June 2015 quarter, a strong focus on safety leadership and personal responsibility for safety continued to deliver results, with TRIFR improving by seven per cent from the previous quarter to 5.1.

Aboriginal Engagement

Direct Aboriginal employment rose to 13 per cent at the end of the June 2015 quarter with a total of 982 Aboriginal employees employed by Fortescue and its contractors.

A further 19 Vocational Training and Employment Centre (VTEC) trainees completed pre-employment training and transitioning into employment through Fortescue's VTEC Graduate Program.

Another significant milestone for Aboriginal business development was achieved when Fortescue facilitated a 50/50 joint venture agreement between Pilbara Native Title group Wirlu-murra Yindjibarndi Aboriginal Corporation and global mining services provider Theiss Pty Ltd for maintenance of non-processing infrastructure. The contract worth approximately $85 million over three years brings the total value of contracts awarded through the Billion Opportunities program to more than A$1.8 billion.

Mining, Processing and Shipping

million tonnes)	Q4	Q3	VAR %	FY14 Q4	VAR %
Shipments – Fortescue mined ore	40.9	38.9	+5%	37.3	+10%
Shipments – Fortescue equity ore	41.3	39.4	+5%	37.6	+10%
Total ore shipped including third party product	42.4	40.4	+5%	38.7	+10%

During the June 2015 quarter Fortescue shipped 42.4mt of ore which was five per cent higher than the previous quarter and in line with guidance. Shipments in FY15 were 165.4mt, at the higher end of guidance and 33 per cent higher than the prior year.

As previously flagged, Fortescue has completed all expansion capacity and has acted to maximise value by maintaining shipments at 165mtpa which has been the annualised run rate for the last 12 months.

Iron ore inventories have now been drawn down to efficient and sustainable levels with mining and processing outputs broadly matched to ensure inventory levels remain balanced to support shipments of 165mtpa on an ongoing basis.

Fortescue continues to manage mining activity to optimise product strategy and maximise margins while sustaining mine life. As a result, Fortescue mined 83.5mt of material inclusive of ore and waste, 18 per cent less than the previous quarter and 45 per cent lower than the prior comparable period.

Sustainable Life of Mine Strip Ratios

The development of Fortescue's mines and Ore Processing Facilities (OPFs) has allowed the optimisation of its ore bodies to consistently deliver an average 58% iron content product which is well accepted in the market. Development of the OPFs and operation of five mining and ore processing facilities has allowed ore to be blended and beneficiated, increasing the upgrade and allowing the progressive reduction in mining cut-off grades. This in turn produces a significant reduction in strip ratios and costs while maintaining and improving final product specifications.

As a result, life of mine strip ratios have also been revised and are now expected to average 2.3 at the Chichester Hub and 1.7 at the Solomon Hub over a 20 year period.

These sustainable improvements in strip ratio reflect the strategic investment which Fortescue has made in processing capacity and focus on mining efficiencies. Specifically, lower strip ratios have been achieved through:

- product blending strategy – Firetail and Chichesters
- enhancing processing capacity – 85 per cent of product beneficiated
- low strip ratio Firetail operations
- improved ore body modelling and ore recovery

Strip ratios have been lower through the June 2015 quarter and will continue at low levels through the September 2015 quarter before gradually reverting to the life of mine averages in FY16.

The improvement in strip ratios is not expected to have any material impact on Reserves and Resources with an updated Reserve and Resources statement scheduled for release in the Annual Report on 24 August 2015.

Production Costs

Sustainable improvements in operating cost were delivered during the June 2015 quarter with C1 reducing to US$22/wmt, a 14 per cent reduction from the previous quarter and a 35 per cent reduction from the prior comparable period. A summary of cost saving initiatives together with their implementation status is set out in the table below:

Initiative	Implementation	Cost savings/ wmt
Consolidation of Christmas Creek mining contractors	End April 2015	US$1.20
Roster changes	End May 2015	US$0.90
Procurement initiatives	50% complete	US$2.00
Mining initiatives	35% complete	US$1.50
OPF upgrades	50% complete	US$1.00
Initiative sub total		**US$6.60**
Higher cost inventory outflows	July – August 2015	US$2.00
Total		**US$8.60**

C1 costs for June were US$19/wmt, ahead of guidance which provides a solid foundation for delivery of the FY16 C1 cost guidance of US$18/wmt.

A further US$1.4 billion of sustainable cost savings will be delivered from the improvements in mining productivity and efficiencies and cost savings initiatives during FY16. This is in addition to the US$1.6 billion of total delivered cost savings which have been achieved from FY13 to FY15.

As a result of lower C1 costs, total delivered costs to customers inclusive of shipping, royalty and administration costs, decreased to US$31/wmt (US$34/dmt), nine per cent lower than the prior quarter. Total delivered costs for June were US$28/wmt.

Fortescue remains sensitive to movements in the exchange rate, with approximately 70-80 per cent of C1 operating costs paid in Australian dollars. The US to Australian dollar exchange rate averaged 0.78 in the quarter (0.79 in the prior quarter). Each one cent movement in the exchange rate has a US$0.20–0.25/wmt impact on C1 cost.

GUIDANCE

Forecast Production and Costs

Fortescue re-affirms its FY16 shipping guidance at 165mtpa with C1 cost guidance of US$18/wmt. These forecast results are supported by the performance in June 2015 and the sustainable long term cost saving initiatives. The full benefit of the cost saving initiatives will offset the impact of strip ratios returning to their average life of mine rates in the second quarter of FY16.

Based on C1 cost guidance, Fortescue's estimated all in breakeven price, on a 62% Platts CFR basis remains at US$39/dmt inclusive of interest and sustaining capital expenditure. The breakeven price assumes a USD:AUD of 0.77, average price realisations of 85 per cent of the 62% Platts CFR price and an average moisture content of 8.5 per cent.

MARKETING

The average 62% Platts CFR price was US$58 per dry metric tonne (dmt) during the June 2015 quarter compared to US$62/dmt in the March 2015 quarter.

The iron ore market remained in balance during the quarter as Chinese port inventories were drawn down to 78 million tonnes (Mt), 32 per cent lower than peak inventory levels which reached 115Mt in November 2014. Despite this, market volatility remains high and continues to be driven by speculation associated with the threat of additional supply driving iron ore futures, together with market concerns over the Chinese economy and the Greek economy. Other factors influencing price were the reduction in both Chinese and higher cost seaborne iron ore supply, lower shipments from major suppliers due to weather and slower expansion commissioning together with a pick-up in steel production post the Chinese New Year holiday.

Steel prices are starting to show signs of recovery driven by residential property development in major Chinese cities and continued strong exports of approximately 105Mtpa. The Chinese Government has continued its investment programs with over RMB 900 billion of projects approved in the last six months together with fiscal easing of both the reserve ratio and interest rates, underpinning a seven per cent GDP growth target for CY15.

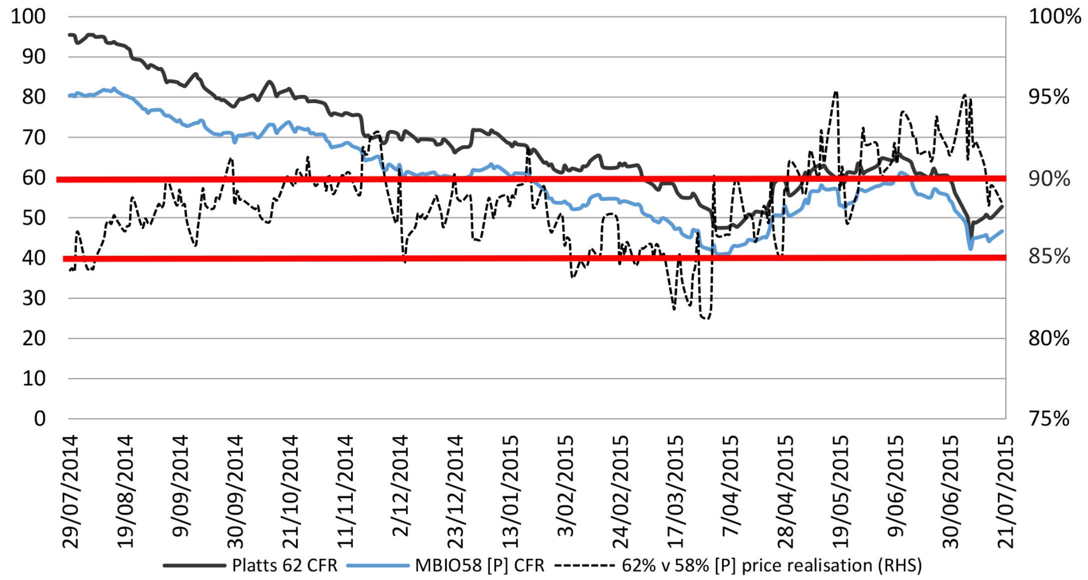
Fortescue continues to experience strong demand for its iron ore products and its current price adjustments on a dmtu basis against the Platts 62% index are the lowest they have been for the last 12 months.

The rebound in the iron ore price during the quarter saw Fortescue's realisation of US$52/dmt improve from 85% to 89% for the quarter inclusive of open contracts which were marked to market at 30 June 2015. During FY15 the 62% Platts price averaged US$72/dmt. Fortescue maintained a realisation of 85%, on a contractual basis with an average realised price of US$57/dmt for the full year based on an average contractual price received of US$67/dmt.

Fortescue continues to expect to realise between 85-90% of the 62% Platts index going forward. While Fortescue's pricing is relative to the 62% Platts CFR index, the 58% MBIO (P) index approximates the realised price across our product range.

The chart below shows the 58% MBIO (P) realisation (dotted line) to the 62% Platts CFR index has averaged 90% over the quarter and 86% over the prior quarter.

FY15: 58% MBIO P spot price realisation to 62% Platts on $/DMT basis



BALANCE SHEET

Cash and debt

Fortescue's net debt at 30 June 2015 was US$7.2 billion inclusive of cash balances of US$2.4 billion at 30 June 2015. This reflects the positive cash margins generated through operational performance combined with the cost savings, release of working capital from iron ore inventories and US$0.3 billion of net proceeds from refinancing.

A successful US$2.3 billion refinancing was completed during the quarter extending the run-way to first debt maturity to 30 June 2019. The proceeds from the refinancing were used to redeem the outstanding 2017, 2018 and a portion of the 2019 senior unsecured notes, with US$0.3 billion added to cash for future debt repayments.

The debt structure contains no maintenance covenants and maintains flexibility for early repayments, solely at Fortescue's option. The debt maturity profile at 30 June 2015 is illustrated below.

Prepayments

At 30 June 2015, Fortescue had a total prepayment balance of US$0.9 billion which is scheduled for amortisation in FY16 (US$0.5 billion), FY17 (US$0.4 billion). Prepayment amortisation in six months to 30 June 2015 was US$0.4 billion.

Options to rollover existing prepayments or add new prepayments will continue to be assessed.

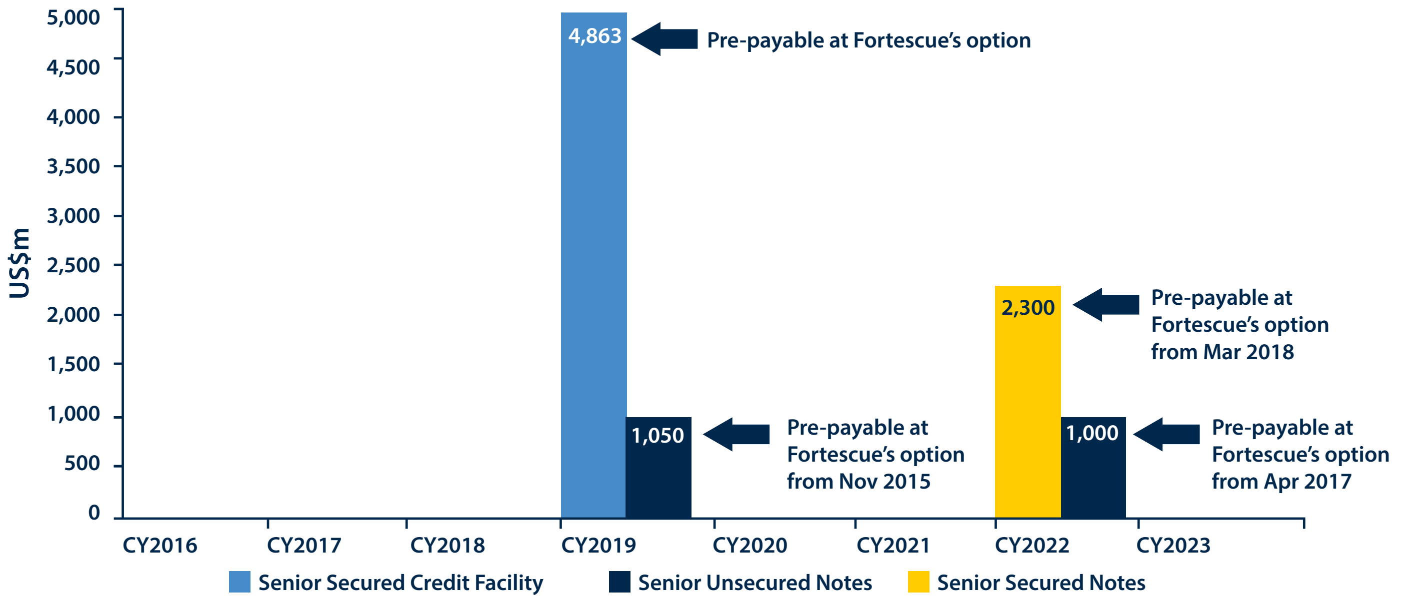
Capital expenditure

Capital expenditure in FY15 was US$626 million, below guidance, and included US$308 million of sustaining capital together with US$318 million of expenditure on the fifth berth, rail, exploration and shipping.

As previously announced, sustaining capital expenditure in FY16 is estimated at US$330 million or US$2/wmt.

Fortescue has completed its capital expansion program and is not planning to invest in any additional production capacity.

Debt Maturity Profile



DEVELOPMENT

Iron Bridge Project

During the June 2015 quarter, the Iron Bridge stage 1 plant entered its planned testing period. Major equipment was load tested to design tonnage rates.

Future development of the Project remains subject to successful Stage 1 process scale validation and joint venture approval. Process scale validation is scheduled during the first half of FY16 and is funded from the existing approved capital budget.

EXPLORATION

Exploration drilling re-commenced as planned after the wet season, with targets in the Western Hub being tested. Mapping and other project generation activities continue across the Pilbara.

Late in the June 2015 quarter it was announced that Fortescue won a co-funded drilling grant from the WA State Government of up to $150,000 for its Trifecta base metals project in the West Pilbara. In addition, in May 2015, Fortescue executed a joint venture agreement with Gold and Copper Resources Pty Ltd over tenements covering approximately 320 square kilometres near Orange in central NSW that are prospective for copper. Fortescue has committed to a limited exploration program over the next two years with options to extend beyond that and will manage the joint venture.

COMPETENT PERSONS STATEMENT

The information in the report to which this statement is attached that relates to Exploration Results is based on information compiled by Mr Stuart Robinson and Mr Nicholas Nitschke who are both full time employees of Fortescue Metals Group Ltd and provided geological interpretations and compiled the exploration results. Mr Robinson, who is a Fellow of The Australasian Institute of Mining and Metallurgy and Mr Nitschke, who is a Member 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 he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Robinson and Mr Nitschke consent to the inclusion in this report of the matters based on this information in the form and context in which it appears.

CORPORATE PROFILE

Fortescue Metals Group Limited **ACN** 002 594 872

Directors

Andrew Forrest	Non-Executive Chairman
Owen Hegarty	Non-Executive Vice Chairman
Mark Barnaba	Non-Executive Lead Independent Director
Nev Power	Chief Executive Officer/Executive Director
Jean Baderschneider	Non-Executive Director
Cao Huiquan	Non-Executive Director
Elizabeth Gaines	Non-Executive Director
Peter Meurs	Executive Director
Geoff Raby	Non-Executive Director
Sharon Warburton	Non-Executive Director

Company Secretary

Ian Wells

Registered Office and Principal Place of Business

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Share Registry

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Sydney South, New South Wales 1235

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FAX: +61 2 9287 0303
WEB: www.linkmarketservices.com.au

Share Details

As at 30 June 2015, there were 3,113,798,151 ordinary shares on issue.

Unlisted Employee Options

FY13 Performance Rights	3,170,657
FY14 Performance Rights	5,660,559
FY15 Performance Rights	5,411,754

Substantial Shareholders as at 30 June 2015:

Minderoo Group Pty Ltd and John Andrew Henry Forrest	33.32 per cent
Hunan Valin Iron and Steel Group	14.72 per cent
The Capital Group Companies Inc.,	7.95 per cent

Reporting Calendar

Full Year Results Announcement	24 August 2015
September Quarterly Report	15 October 2015
Annual General Meeting	11 November 2015

Fortescue
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