

8 March 2016

Mr Ben Tippet
Adviser, Listings Compliance (Perth)
ASX Compliance Pty Ltd
Level 40, Central Park,
152-158 St Georges Terrace
PERTH WA 6000

By Email: Ben.Tippet@asx.com.au

Dear Mr Tippet,

Fortescue Metals Group Limited (“Entity”): ASX Aware Letter

We refer to your letter dated 8 March 2016 and respond to your questions as follows:

1. Does the Entity consider the information disclosed in the First Announcement to be information that a reasonable person would expect to have a material effect on the price or value of its securities?

No

2. If the answer to question 1 is “no”, please advise the basis for that view.

As disclosed in the First Announcement, the non-binding Memorandum of Understanding (MOU) with Vale S.A. sets out the principles on which Vale and Fortescue have agreed to pursue long term opportunities to create additional value for customers in the Chinese steel industry and enhance the competitiveness of their operations.

The Memorandum of Understanding is non-binding and subject to agreement on the final terms of any resulting Transaction Documents, as well as being subject to any other required approvals, including Board approval of each of Vale S.A and Fortescue and relevant regulatory approvals. Any future transaction is currently incomplete and subject to negotiation.

The MOU is Confidential Information and subject to confidentiality restrictions. Nevertheless, Fortescue and Vale recognised the potential for a leak of confidentiality relating to the MOU. Accordingly, the parties had agreed to work together on the terms of separate but complimentary stock exchange releases and were in the process of doing so. These releases would have been issued either to forestall or in response to media speculation, which could or might create a false market.

With regard to the share price movement on Monday, 7 March 2016, this was consistent with iron ore market and futures trading, together with the high level of short trading in Fortescue shares.

As a single commodity company, Fortescue's share price is highly correlated to the iron ore price. The change of the share price for Fortescue Metals Group for Monday, 7 March 2016, was a 23.69% increase, based on a closing price of \$3.08.

This compares with the daily movement in iron and steel physical and financial trading markets for Monday, 7 March 2016, as follows:

- 23.1% increase in the Metal Bulletin 58 (Premium Index);
- 20.2% increase in the Tangshan Billet price;
- 20.0% increase in the 62% IODEX Platts daily assessment;
- 16.1-22.5% for SGX Iron Ore swaps/futures prices (TSI 62%), for March 2016 through Q4 2017 contracts;
- the Dalian Commodities Exchange (DCE) iron ore contract (May 2016) and the Shanghai Futures Exchange (SHFE) rebar contract (May 2016) daily movements were capped at 5% on that day, as set by the Exchanges and limiting movements outside of this cap; and
- other ASX listed commodities companies highly leverage to the iron ore price showed increases higher than Fortescue.

3. If the answer to question 1 is "yes", when did the Entity first become aware of the information disclosed in the First Announcement?

Not applicable

4. If the answer to question 1 is "yes" and the Entity first became aware of the information disclosed in the First Announcement before the time of the First Announcement, did the Entity make any announcement prior to the relevant date which disclosed the information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe the Entity was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps the Entity took to ensure that the information was released promptly and without delay.

Not applicable

5. Does the Entity consider the information disclosed in the Second Announcement, namely that the MOU contemplates Vale acquiring between 5% and 15% of the Entity's shares on-market, to be information that a reasonable person would expect to have a material effect on the price or value of its securities?

No

6. If the answer to question 5 is "no", please advise the basis for that view.

The Second Announcement must be read in conjunction with the First Announcement. As stated in the First Announcement, the MOU provides a framework for potential investment by Vale in Fortescue, and refers to a "minority acquisition" of shares on market. Whilst detailed percentages were not referred to in the First Announcement, 5%-15% of the existing

share capital of Fortescue meets any commercial or legal definition of “minority interest” and therefore “minority acquisition”.

7. If the answer to question 5 is “yes”, when did the Entity first become aware of the information disclosed in the Second Announcement?

Not applicable

8. If the answer to question 5 is “yes” and the Entity first became aware of the information disclosed in the Second Announcement before the time of the Second Announcement, did the Entity make any announcement prior to the relevant date which disclosed the information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe the Entity was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps the Entity took to ensure that the information was released promptly and without delay.

Not applicable

9. Please confirm that the Entity is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

Fortescue confirms that it is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

Yours faithfully

FORTESCUE METALS GROUP LIMITED



Ian Wells

Company Secretary



8 March 2016

Ian Wells
Company Secretary
Fortescue Metals Group Limited
Level 2, 87 Adelaide Terrace
East Perth WA 6004

By Email

Dear Mr Wells

FORTESCUE METALS GROUP LIMITED ("ENTITY"): ASX AWARE LETTER

ASX Limited ("ASX") refers to the following.

1. The Entity's announcement entitled "Fortescue Memorandum of Understanding with Vale S.A." lodged with ASX Market Announcements Platform and released at 08:26 AEDT on Tuesday 8 March 2016 (the "First Announcement"), disclosing the entry into a non-binding memorandum of understanding ("MOU") between the Entity and Vale S.A. ("Vale").
2. The change in the price of the Entity's ordinary securities from a close of \$2.49 on Friday 4 March 2016 to an intra-day high of \$3.145 on Monday 7 March 2016, an increase of 26.3%.
3. The article first published on the Australian Financial Review Online at 09:36 AEDT on Tuesday 8 March 2016 titled "Fortescue CEO Nev Power says short-covering pushed shares up 24pc", which stated:

"Vale has agreed to buy as much as 15 per cent of Fortescue's stock but the deal is not reciprocal and Fortescue will not buy Vale stock."
4. The Entity's announcement entitled "Media Regarding Minority Stake in Fortescue" lodged with ASX Market Announcements Platform and released at 13:30 AEDT on Tuesday 8 March 2016 (the "Second Announcement"), disclosing the fact that the MOU contemplates Vale acquiring between 5% and 15% of the Entity's shares on-market.
5. Listing Rule 3.1, which requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.
6. The definition of "aware" in Chapter 19 of the Listing Rules. This definition states that:

"an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity."



Additionally, you should refer to section 4.4 in Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B “When does an entity become aware of information”*.

7. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.

“3.1A Listing rule 3.1 does not apply to particular information while each of the following requirements is satisfied in relation to the information:

3.1A.1 One or more of the following applies:

- It would be a breach of a law to disclose the information;*
- The information concerns an incomplete proposal or negotiation;*
- The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
- The information is generated for the internal management purposes of the entity; or*
- The information is a trade secret; and*

3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and

3.1A.3 A reasonable person would not expect the information to be disclosed.”

8. ASX’s policy position on the concept of “confidentiality” which is detailed in section 5.8 of Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B “Listing Rule 3.1A.2 – the requirement for information to be confidential”*. In particular, the Guidance Note states that:

“Whether information has the quality of being confidential is a question of fact, not one of the intention or desire of the listed entity. Accordingly, even though an entity may consider information to be confidential and its disclosure to be a breach of confidence, if it is in fact disclosed by those who know it, then it ceases to be confidential information for the purposes of this rule.”

Having regard to the above, we ask that you answer the following questions in a format suitable for release to the market in accordance with Listing Rule 18.7A:

1. Does the Entity consider the information disclosed in the First Announcement to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
2. If the answer to question 1 is “no”, please advise the basis for that view.
3. If the answer to question 1 is “yes”, when did the Entity first become aware of the information disclosed in the First Announcement?
4. If the answer to question 1 is “yes” and the Entity first became aware of the information disclosed in the First Announcement before the time of the First Announcement, did the Entity make any



announcement prior to the relevant date which disclosed the information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe the Entity was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps the Entity took to ensure that the information was released promptly and without delay.

5. Does the Entity consider the information disclosed in the Second Announcement, namely that the MOU contemplates Vale acquiring between 5% and 15% of the Entity's shares on-market, to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
6. If the answer to question 5 is "no", please advise the basis for that view.
7. If the answer to question 5 is "yes", when did the Entity first become aware of the information disclosed in the Second Announcement?
8. If the answer to question 5 is "yes" and the Entity first became aware of the information disclosed in the Second Announcement before the time of the Second Announcement, did the Entity make any announcement prior to the relevant date which disclosed the information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe the Entity was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps the Entity took to ensure that the information was released promptly and without delay.
9. Please confirm that the Entity is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

When and where to send your response

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than **6:30am WST tomorrow, Wednesday 9 March 2016**. If we do not have your response by then, ASX will have no choice but to consider suspending trading in the Entity's securities under Listing Rule 17.3.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, the Entity's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at tradinghaltsperth@asx.com.au. It should **not** be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.



Listing Rule 3.1

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A.

The obligation of the Entity to disclose information under Listing Rules 3.1 and 3.1A is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

In responding to this letter, you should have regard to the Entity's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in the Entity's securities under Listing Rule 17.1.

If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Please contact me if you have any queries or concerns about the above.

Yours sincerely,

[sent electronically without signature]

Ben Tippet
Adviser, Listings Compliance (Perth)