

16 January 2014

The Companies Officer  
Australian Securities Exchange Ltd  
2 The Esplanade  
Perth WA 6000



Dear Sir

**Fortescue announces Natural Gas Transportation Agreement to lower costs at Pilbara operations**

Fortescue Metals Group (ASX: FMG, Fortescue) is pleased to announce the signing of a long term Gas Transportation Agreement for the delivery of gas to reduce operating costs at its Pilbara operations. Gas will be delivered via the existing Dampier to Bunbury Natural Gas Pipeline and the new Fortescue River Gas Pipeline, to the Power Station at Fortescue's Solomon Hub, 60 kilometres north of Tom Price.

The 270km Fortescue River Gas Pipeline will be built, owned and operated by the FRGP Joint Venture owned by DBP Development Group (a wholly-owned subsidiary of DUET Group) and TEC Pilbara Pty Ltd (a wholly-owned subsidiary of TransAlta Corporation). TransAlta Corporation is the owner and operator of the Solomon Power Station.

The development of the Fortescue River Gas Pipeline is a key component of Fortescue's broader strategy to reduce energy costs and carbon emissions. The conversion of the 125 megawatt Solomon Power Station from diesel to gas will underpin the initial stage of the Fortescue River Gas Pipeline, and is expected to save Fortescue approximately US\$20 million per annum.

Fortescue has secured Foundation Shipper Rights under the Gas Transportation Agreement which provide considerable flexibility to increase gas volumes. The Fortescue River Gas Pipeline is expected to be operational early 2015 and has the potential to open up long term growth across the Pilbara, with significant extension and expansion opportunities.

Fortescue CEO Nev Power said the company was committed to reducing energy costs and carbon emissions across its mining operations. "The pipeline to Solomon allows Fortescue to reduce operating costs and play a significant role in cutting emissions by switching stationary power generation from diesel to clean natural gas," Mr Power said. "The Fortescue River Gas Pipeline also represents a significant step in the gasification of the East Pilbara to the lasting benefit of the state of Western Australia. TransAlta, our existing partner at Solomon, and DDG have outstanding reputations with proven capabilities within the energy infrastructure industry. Their expertise will allow Fortescue to focus on its core business of efficient, low cost delivery of iron ore to customers in China and South East Asia."

Yours sincerely

**Fortescue Metals Group Ltd**

**Mark Thomas**  
Company Secretary

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