



QUARTERLY REPORT

For the period ending 31 March 2014

Fortescue has completed the expansion to 155 million tonnes per annum and has achieved this annualised production rate during March 2014.

The addition of 100mt of capacity completed in record time has allowed Fortescue to supply increased tonnes into a strong iron ore market and apply free cashflow to debt reduction.

HIGHLIGHTS

	Q3 FY14	Q2 FY14	Variance %	Q3 FY13	Variance %
Ore Mined (mt)	29.6	32.0	-8%	25.3	+17%
Overburden Removed (mt)	92.2	106.2	-13%	88.1	+5%
Ore Processed (mt)	31.2	29.8	+5%	19.8	+58%
Total Ore Shipped ⁽¹⁾ (mt)	31.5	28.0	+13%	20.2	+56%
Fortescue Ore Shipped (mt)	30.8	26.7	+15%	19.4	+59%
C1 costs (US\$/wmt)	34.88	32.99	+6%	43.61	-20%

Tonnage references are based on wet metric tonnes (wmt). Fortescue ships with approximately 7 – 9 per cent free moisture.

⁽¹⁾ Inclusive of 3rd party tonnes

- Completion of US\$9.2 billion expansion of port, rail and mining operations to achieve production capacity of 155mtpa.
- The 40mtpa Kings Valley project was opened in March 2014 following commissioning of the ore processing facility (OPF) which was constructed in record time, taking only 179 days from assembly of first steel to completion.
- Achieved targeted 155 million tonne (mt) per annum annualised rate during March 2014.
- Record shipments of 31.5mt achieved in the March 2014 quarter, lifting financial year-to-date shipments to 85.4mt, a 53 per cent increase over the prior comparable period.
- C1 costs of US\$34.88/wmt in line with guidance of US\$34/wmt for FY14 reflecting low cost Solomon tonnes and operational efficiencies.
- Successful execution of debt reduction programs have resulted in debt repayments of US\$3.1 billion to date and a commitment to reduce gearing to an initial target of 40 per cent.
- Cash on hand was US\$1.9 billion at the end of March 2014 reflecting the continued strength of operational cash flows, disciplined capital management and lower finance costs following debt repayments.
- Achieved realised CFR price of US\$107 per dry metric tonne (dmt), based on an average 62% Platts CFR index price of US\$120/dmt.



OPERATIONS

Safety

Fortescue continues its review of safety standards, systems and processes across all sites to drive improvement in safety outcomes with particular focus on contractor partners. As part of an independent external review, approximately 6,000 people representing every part of Fortescue's business have been engaged to identify opportunities for improvement. Fortescue has taken strong actions to reinforce that safety is the highest priority for everyone employed on a Fortescue site.

The total recordable injury frequency rate per million hours worked was 6.3 in the March 2014 quarter, an 11 per cent improvement over the previous quarter and 23 per cent lower than the prior comparable period.

Aboriginal engagement

A total of 156 contracts and sub-contracts valued at A\$1.54 billion have been awarded to Aboriginal businesses and joint ventures under the Billion Opportunities program. Fortescue marked a significant milestone for Aboriginal business development in the March 2014 quarter with the facilitation of a joint venture agreement between NRW Pty Ltd and Njamal ICRG JV Pty Ltd in preparation for bulk earthworks at the Iron Bridge Project in the Pilbara.

The Billion Opportunities program provides sustainable business opportunities for Aboriginal businesses, providing access to training, employment and business development opportunities.

Aboriginal people represent more than 12 per cent of Fortescue's direct workforce. Together with its contracting partners Fortescue employs over 1,050 Aboriginal people.

Mining, processing and shipping

A sixth consecutive shipping record was achieved during the March 2014 quarter with 31.5mt shipped, a 13 per cent increase over the previous quarter and a 56 per cent increase over the prior comparable period. Shipments included 30.8 million Fortescue equity tonnes and 0.7 million third party tonnes.

During the March 2014 quarter, Fortescue mined 29.6mt of ore, eight per cent lower than the previous quarter, largely due to the impact of seasonal wet weather on production and a focus on working capital management. Total ore mined for the March 2014 quarter was 17 per cent higher than the prior comparable period. Fortescue drew down on iron ore stocks in the March 2014 quarter and will continue reductions in the June 2014 quarter.

Strip ratios at the Chichester Hub averaged 3.7x for the March 2014 quarter, in line with five year mine plans of 3.5x. As expected, strip ratios at the Kings Valley project were slightly higher than the projected average as mining operations ramp-up. The strip ratio across the Solomon Hub was 1.9x during the March 2014 quarter. As we achieve steady state mining at Kings in June 2014, the strip ratio is expected to average 1.4x based on the current five year mine plans.



A sixth consecutive shipping record was achieved during the March 2014 quarter with 31.5mt shipped, a 13 per cent increase over the previous quarter and a 56 per cent increase over the prior comparable period.

The completion of the Kings Valley project during the March 2014 quarter lifted Fortescue's production capacity to 155mtpa. The introduction of Kings Valley ore increased Fortescue's total output from its processing facilities to a record 31.2mt in the March 2014 quarter, five per cent higher than the prior quarter and 58 per cent higher than the prior comparable period. A strong performance during the quarter generated processing production of 3.1mt in the last week of March 2014, equivalent to 160mtpa on an annualised basis.

On 2 April 2014, Fortescue advised that it will assume full operational responsibility from Leighton Contractors for the two Solomon Hub ore processing facilities (OPFs) and the train load out facility. This is a strategic business decision recognising Fortescue's need to develop in-house ore processing expertise to leverage best practice across the business.

Fortescue also completed the transition to full ownership and operational responsibility for the two Christmas Creek OPFs effective from 13 January 2014.

Port and Rail operations continued to operate consistently at or above an annualised run rate of 155mtpa during the March 2014 quarter.

Forecast production

Fortescue plans to ship 41.6mt in the June 2014 quarter to achieve 127mt in FY14. The mining, rail and port operations have demonstrated the required sprint capacity during the March 2014 quarter to achieve this target.

Production costs

As previously guided, C1 costs for the March 2014 quarter were US\$34.88/wmt, a six per cent increase on the prior quarter reflecting the ramp-up of operations at the Kings Valley project and seasonal wet weather across the Chichester and Solomon Hubs. C1 costs were 20 per cent lower than the prior comparable period reflecting the lower cost Solomon operations, sustainable cost savings driven by operating efficiencies and a lower Australian dollar.

The US to Australian dollar exchange rate averaged A\$0.90 for the March 2014 quarter (A\$0.93 in December 2013 quarter). Fortescue remains subject to movements in exchange rates with C1 costs impacted by US\$0.25/t to US\$0.30/t for every one cent movement in the US to Australian dollar.

Fortescue maintains C1 cost guidance for FY14 at US\$34/wmt based on a US to Australian dollar exchange rate of A\$0.90.



MARKETING

Fortescue's average realised CFR sales price for the March 2014 quarter was US\$107/dmt. The price is based on an average benchmark 62% Platts CFR index price of US\$120/dmt compared to US\$135/dmt for the December 2013 quarter and follows the Chinese New Year holiday and a period of steel mill destocking.

Whilst there was short term volatility in the March 2014 quarter, China's demand for iron ore remains strong with the government committed to continued economic growth and urbanisation. China expects another 200 million people to move to urban living by 2020 especially through the central and western provinces.

CORPORATE

Balance Sheet

Fortescue's net debt position at 31 March 2014 was US\$7.7 billion, including finance leases of US\$0.3 billion and cash on hand of US\$1.9 billion.

A disciplined approach to capital management and the application of free cash flow to debt reduction, enabled the company to execute a number of previously announced initiatives during the March 2014 quarter, including the:

- pay-out of the OPF finance leases at Christmas Creek, which was completed in January 2014
- voluntary redemption of the remaining US\$1.0 billion of the US\$2.0 billion Senior Unsecured Notes due in 2015 and the US\$0.6 billion Senior Unsecured Notes due in 2016. Both notes were redeemed on 14 March 2014.

The execution of these initiatives brings the total repayments since November 2013 to US\$3.1 billion, consistent with Fortescue's strategy of rapid debt reduction.

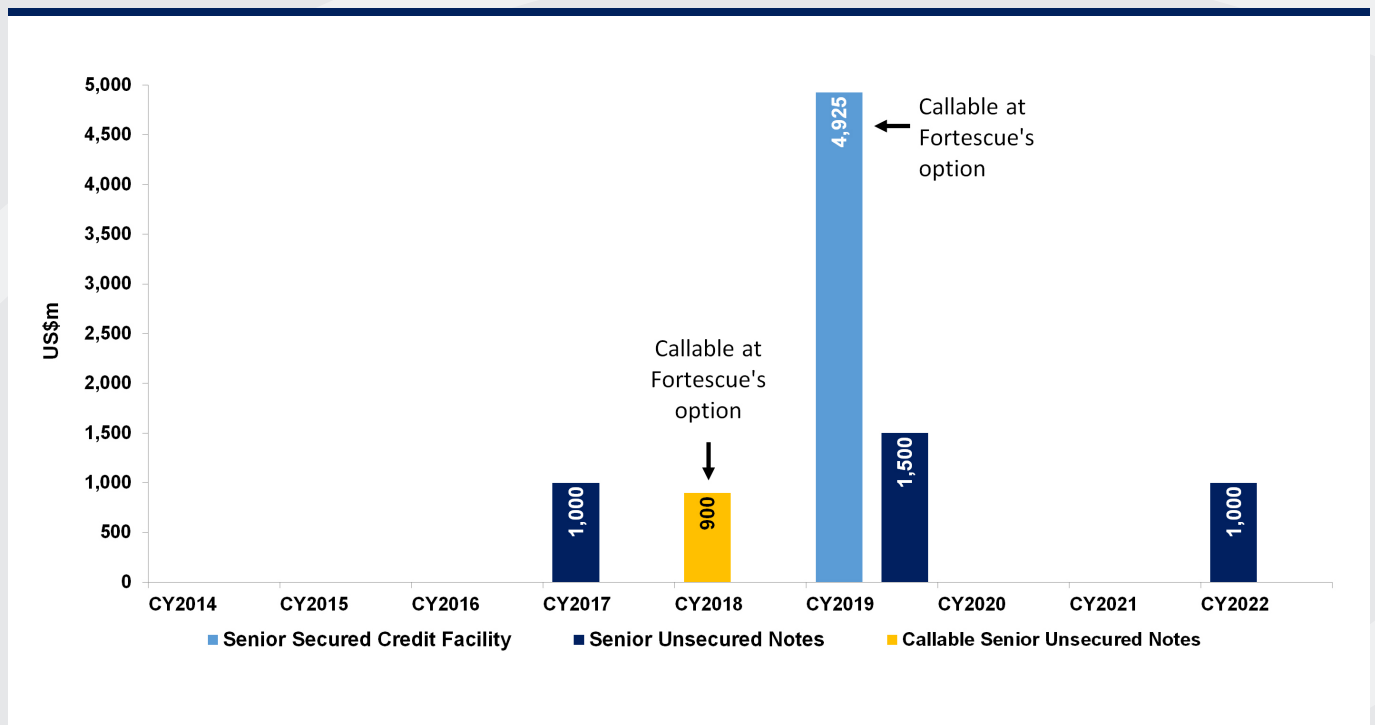
Fortescue's flexible debt profile facilitates additional debt repayment and the ability to deliver on the commitment to further debt reduction and move towards an initial targeted gearing level of 40 per cent.

As noted in the debt maturity profile, a total of US\$5.8 billion, or in excess of 60 per cent, of the company's long term debt is available for voluntary repayment in advance of maturity and at Fortescue's option.



The introduction of Kings Valley ore increased Fortescue's total output from its OPFs to a record 31.2mt in the March 2014 quarter, five per cent higher than the prior quarter and 58 per cent higher than the prior comparable period.

Debt Maturity Profile at 31 March 2014



Dividends

On 2 April 2014, a fully franked dividend of A\$0.10 per share was paid. This equates to US\$280 million at a payout ratio of 16 per cent and reflects Fortescue's strategy of transitioning to a 30-40 per cent dividend payout ratio.

Capital expenditure

FY14 capital guidance is maintained at US\$2.1 billion with year-to-date capital expenditure of US\$1.6 billion.

All components of the Port, Rail and the Chichester and Solomon Hub expansions are now fully operational with significant construction and major contracts complete.



DEVELOPMENT

T155 Expansion Project Completed

Fortescue celebrated completion of the expansion to 155mtpa with the official opening of the Kings Valley project at the Solomon Hub on 28 March 2014. All components of the Port, Rail and the Chichester and Solomon Hub expansions are now fully operational with significant construction and major contracts complete.

The project was announced in November 2010 and has delivered:

- Three advanced OPFs with wet processing capability
- Four new crushing hubs
- Over 250km of new rail track
- 300km of new roads
- 50km of conveyor systems
- Two new berths and two new train unloaders with associated stock yard expansion at Herb Elliott Port
- Two new aerodromes
- Highly automated rail ore car refurbishment facility
- A new power station at Solomon and expansion of power generation capacity at the Chichester Hub
- Extensive new fuel receiving and delivery facilities
- New rail rolling stock and locomotives
- Operations villages at Christmas Creek and Solomon
- Significant expansion of the mobile mining fleet.

Fortescue River Gas Pipeline

As part of its strategy to drive further down the global cost curve, Fortescue is committed to reducing energy costs. As a substantial diesel user Fortescue will lower energy costs and reduce its carbon footprint by transitioning to natural gas. As a first step the Fortescue River Gas Pipeline will deliver gas to the Solomon Power Station and is on schedule for completion during the March 2015 quarter.

Iron Bridge Project

Construction activities have commenced with access roads, accommodation, communications and water services now in place. The main camp is being constructed and the civil engineering and mechanical packages will be awarded in the June 2014 quarter with orders placed for all long lead items. First production of 1.5mtpa of magnetic product is expected in the March 2015 quarter.

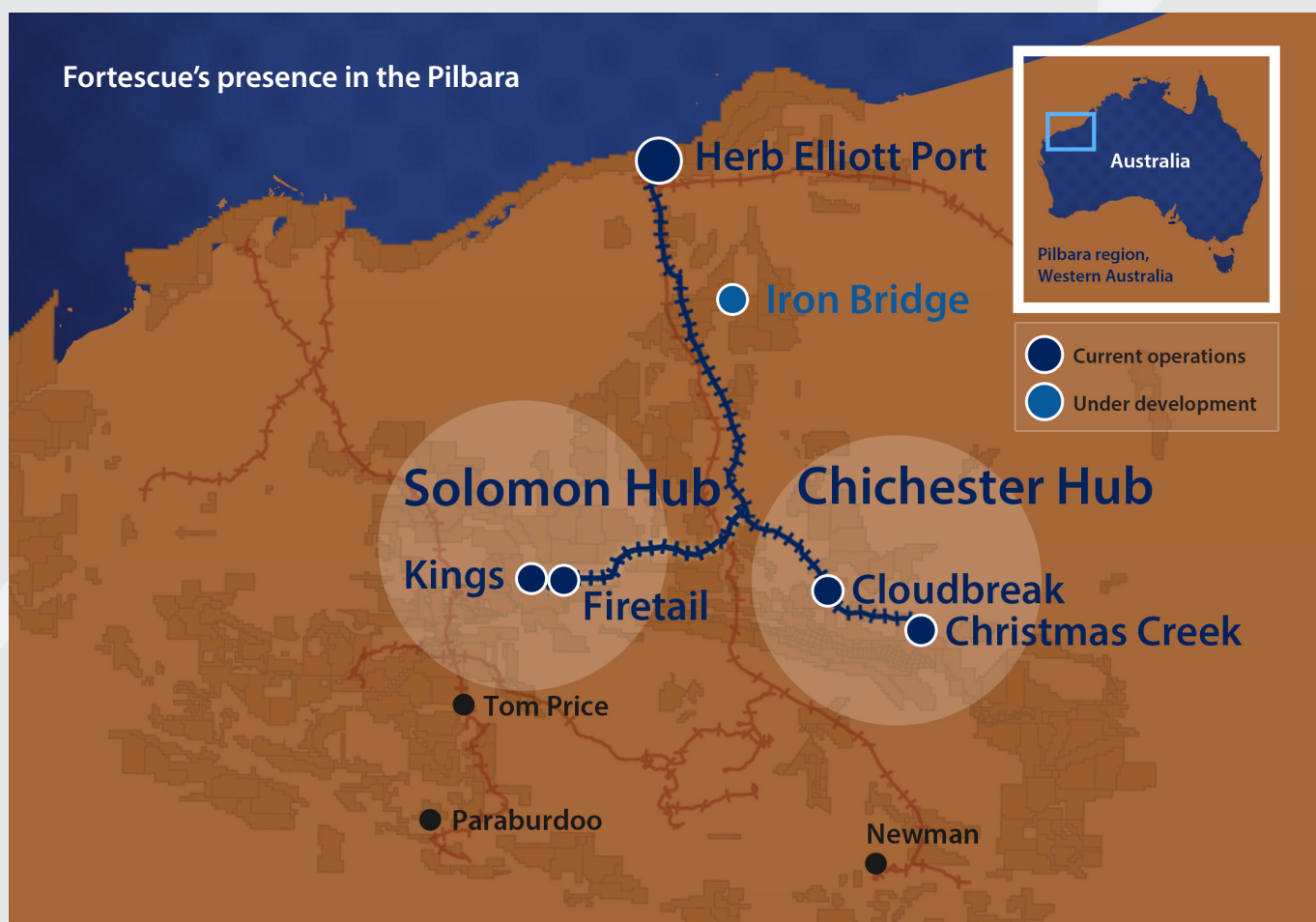


EXPLORATION AND FUTURE STUDIES

The 2014 exploration drilling program began in mid-February 2014 with testing of new targets peripheral to the known resources in the area west of Solomon. Visual evaluation of the drill cuttings have concluded that numerous new zones of mineralisation have been discovered.

The estimation team has focussed on mineralised zones located immediately adjacent to the Solomon Hub with a view to extending the mine life at Solomon. A drilling program to test updip extensions of the Chichester mineralisation is scheduled in May and June 2014. It is expected that Fortescue will be able to release updated resource estimates in coming months.

Significant effort is being expended on identifying and defining new targets for bedded mineralisation in and around the Solomon area. Testing of these targets is expected to begin in late 2014.



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 Ltd

ACN 002 594 872

Directors

Andrew Forrest	Non-Executive Chairman
Herb Elliott	Non-Executive Deputy Chairman
Nev Power	Chief Executive Officer/Executive Director
Graeme Rowley	Non-Executive Director
Herbert Scruggs	Non-Executive Director
Mark Barnaba	Non-Executive Director

Company Secretary

Mark Thomas

Registered Office and Principal Place of Business

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EAST PERTH, WESTERN AUSTRALIA 6004

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Share Registry

Link Market Services Limited

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PERTH, WESTERN AUSTRALIA 6000
Locked Bag A14
SYDNEY SOUTH NSW 1235

TEL: 1300 733 136 / +61 2 8280 7603

FAX: +61 2 9287 0303

WEB: www.linkmarketservices.com.au

Share Details

As at 31 March 2014, there were 3,113,798,151 ordinary shares on issue.

Owen Hegarty	Non-Executive Director
Geoff Raby	Non-Executive Director
Cao Huiquan	Non-Executive Director
Peter Meurs	Executive Director
Elizabeth Gaines	Non-Executive Director
Sharon Warburton	Non-Executive Director

Unlisted Employee Options

Option expiring May 2015 ex A\$5.00	7,500,000
FY2013 Performance Rights	3,170,657
FY2014 Performance Rights	9,496,450

Substantial Shareholders as at 31 March 2014:

Minderoo Group Pty Ltd	33 per cent
Hunan Valin Iron and Steel Group	14.72 per cent
BlackRock Inc	5 per cent

Reporting Calendar

June Quarterly Report	17 July 2014
Full Year Results	21 August 2014
September Quarterly Report	16 October 2014
AGM	12 November 2014



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On Youtube: www.youtube.com/user/FortescueMetalsGroup