QUARTERLY REPORT

For the period ending 31 March 2015

Fortescue
The New Force in Iron Ore

Fortescue has continued to generate positive cash margins increasing cash on hand to US$1.8 billion at 31 March 2015.

The focus on productivity and sustainable cost reductions sees C1 cost guidance for FY16 lowered to US$18 per wet metric tonne (wmt). Fortescue continued to deliver on its targets in the March 2015 quarter maintaining operational performance above guidance, with 40.4mt shipped and C1 cost lowered to US$25.90/wmt, a nine per cent improvement from the prior quarter.

Fortescue is now entirely ex-growth capex and has lowered sustaining capital expenditure going forward following the commissioning of the fifth berth at Herb Elliott Port.

"Fortescue has achieved another strong operational result underpinned by outstanding performance on costs with C1 guidance for FY16 now at US$18/wmt.

Our relentless pursuit of sustainable cost reductions has ensured continued positive cash margins with closing cash increasing to US$1.8 billion, despite a volatile market impacted heavily by the threat of oversupply."

Nev Power, Fortescue CEO

HIGHLIGHTS

(million tonnes)	Q3	Q2	VAR %	FY14 Q3	VAR %
Ore mined	35.5	43.6	-19%	29.6	+20%
Overburden removed	66.7	91.2	-27%	92.2	-28%
Ore processed	37.0	36.7	+1%	31.2	+19%
Total ore shipped including third party product	40.4	41.1	-2%	31.5	+28%
C1 (US$/wmt)	25.90	28.48	-9%	34.88	-26%

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

- **40.4mt shipped** for the quarter
- **US$25.90/wmt C1 cost,** a further 9 per cent improvement from the prior quarter, in line with guidance
- **US$18/wmt C1 cost guidance** in FY16
- **US$34/wmt total delivered cost** for the quarter, a further 17 per cent improvement from the prior quarter
- Realised price (CFR) **US$48/dmt,** from an average 62% Platts final contract price of US$55/dmt
- **US$170 million working capital improvement** as iron ore inventories reduced by 8.6mt
- **US$1.8 billion of cash on hand** at 31 March 2015

Always look after the **safety** of ourselves and our mates

OPERATIONS

Safety

Safety continues to be the highest priority for all Fortescue people.

During the quarter, a survey of our workforce showed a strong improvement in safety culture with improved scores across all our key safety performance measures.

For the March quarter, the total recordable injury frequency rate per million hours worked improved by five per cent over the previous quarter to 5.4, 14 per cent lower than the same period last year.

Aboriginal Engagement

The Fortescue Vocational Training and Employment Centres (VTECs) in Port Hedland and Roebourne continue to train and facilitate employment for Aboriginal people. Fortescue and its contractors employ 1,100 Aboriginal people, representing 12 per cent of the direct workforce.

At the end of the March 2015 quarter the total number of contracts and sub-contracts awarded to Aboriginal-owned businesses and joint ventures through the Billion Opportunities program was 198, taking the value of contracts awarded through the program to A$1.8 billion.

(million tonnes)	Q3	Q2	VAR %	FY14 Q3	VAR %
Shipments – Fortescue mined ore	38.9	39.7	-2%	30.3	+28%
Shipments – Fortescue equity ore	39.4	39.9	-1%	30.8	+28%
Total ore shipped including third party product	40.4	41.1	-2%	31.5	+28%

Mining, Processing and Shipping

Shipments during the quarter were 40.4mt, 28 per cent higher than the prior comparable period and slightly ahead of guidance. Shipments included 39.4 million Fortescue equity tonnes and 1.0 million third party tonnes.

As previously advised, Fortescue reduced mining activity during the quarter to draw down on excess mined iron ore stocks to reduce working capital levels and release cash from the balance sheet. As a result, Fortescue mined 35.5mt of ore, 19 per cent less than the previous quarter and 20 per cent higher than the prior comparable period. Improving efficiencies, mining practices and continuing focus on Ore Processing Facility (OPF) performance and reliability remain as key priorities to reduce cash operating costs.

Strip ratios averaged 2.5 at the Chichester Hub and 1.0 at the Solomon Hub during the quarter and work continues to assess potential improvements to strip ratios through optimised scheduling, blending and improving OPF upgrade performance.

Total output from all processing facilities delivered 37.0mt in the quarter, 19 per cent higher than the prior comparable period. OPF performance was one per cent higher than the December 2014 quarter and was achieved during seasonal weather interruptions and scheduled maintenance.

Port and rail maintained outload performance to support an annualised run rate in excess of 160mtpa.

Production and Costs

Production costs continue to reduce through initiatives including ongoing mining efficiencies, productivity and consolidation of mining contractors. C1 costs in the March 2015 quarter averaged US$25.90/wmt, a nine per cent improvement over the prior quarter and 26 per cent lower than the prior comparable period. The improved costs are in line with previous guidance and reflect the continuous operational focus across all sites, a lower Australian dollar and lower fuel prices.

Fortescue's total delivered cost to customers has also continued to decrease and was US$34/wmt inclusive of C1 and shipping, royalty and administration costs, 17 per cent lower than the prior quarter.

Fortescue remains sensitive to the movements in exchange rate, with approximately 70-80 per cent of C1 operating costs paid in Australian dollars. The US to Australian dollar exchange rate averaged 0.79 in the March quarter (0.86 in the December quarter). Each one cent movement in the exchange rate has a US$0.20–0.25/wmt impact on C1 cost. The declining price of oil during the March quarter lowered fuel and energy costs, which make up approximately 10 per cent of C1 operating costs and also has a significant impact on the cost of shipping.

GUIDANCE

Production and Costs

FY15 shipping guidance is increased to 160-165mt reflecting the strong operational performance for the year to date.

Fortescue continues to drive its cost savings initiatives to lower cost of production (excluding the averaging effect of inventory changes) to US$20/wmt by June 2015.

C1 costs for the June quarter US$23-24/wmt, FY15 US$26-27/wmt (previously US$28-29/wmt) based on average USD:AUD exchange rate of 0.77.

Preliminary FY16 shipping guidance is estimated at 165mtpa with C1 cost guidance of US$18/wmt.

This guidance reflects Fortescue's focus on sustainable cost reductions and is based on:

- a cost of production exit rate of US$20/wmt in FY15
- ongoing mining efficiency and productivity
- consolidation of mining contractors at Christmas Creek
- labour productivity improvements as announced on 14 April 2015
- procurement savings
- the supply of natural gas to the Solomon hub

Achieving US$18/wmt C1 costs reinforces Fortescue's competitive position relative to the major iron ore producers and results in a total delivered costs to China of US$25/wmt.

Based on the above, Fortescue's estimated all in break even on a 62% Platts CFR price is US$39/dmt. This includes interest and sustaining capital expenditure. A summary of this break even price analysis is set out in the graph below.

This breakeven analysis has been based on 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.

Fortescue will continue to explore opportunities to continue to lower its breakeven price. In an environment of sustained iron ore prices exchange rates are also expected to fall which will further lower Fortescue's C1 costs, royalties, administration costs and sustaining capital.

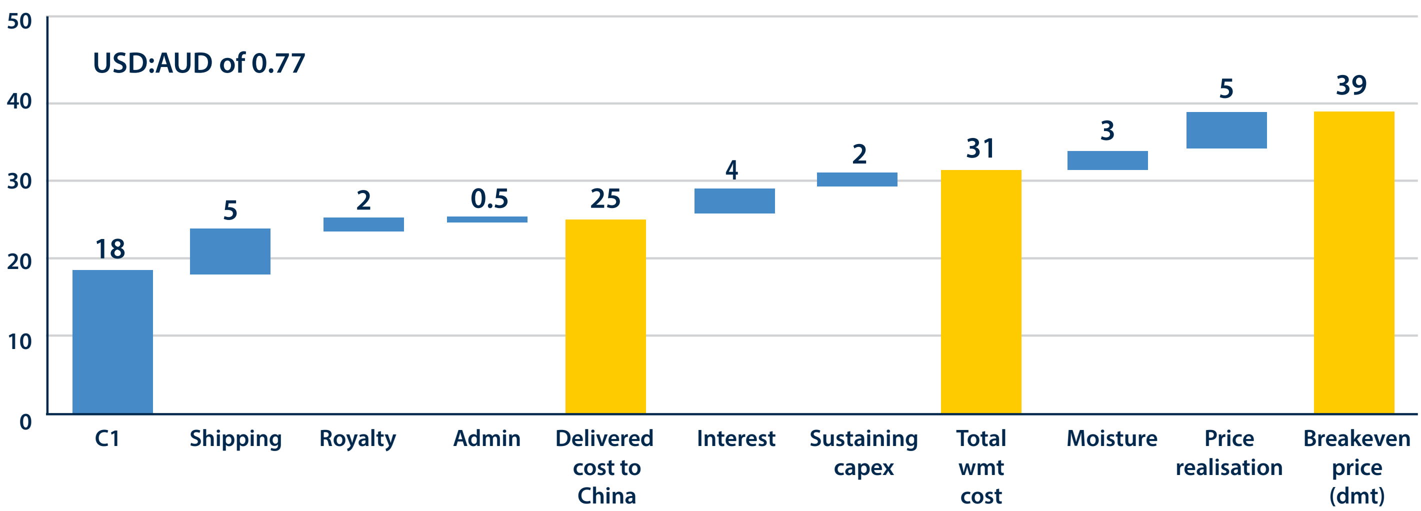
Capital expenditure

Fortescue has now completed all expansion capital expenditure and is focused on maximising production through its existing asset base. Capital expenditure in FY16 will be limited to ensure existing operations remain sustainable and will not add any new production capacity. Sustaining capital expenditure, excluding exploration expenditure, is estimated to be US$330 million in FY16 or US$2/wmt.

Cash balances

Strong operational performance combined with the cost reductions and a release of working capital allowed Fortescue to increase its cash balance in the March quarter to US$1.8 billion. Cash balances are expected to be maintained at or above US$1.5 billion through the June quarter based on lower operating costs together with prepayment amortisation, interest payments and the interim FY15 dividend paid in April.

FY16 guidance break even price - 62% Platts CFR index



Prepayments

Fortescue has received significant interest from potential and existing customers who are interested in entering into new prepayment contracts or rolling over existing prepayments.

Subject to concluding those discussions, prepayment balances and the current amortisation schedule is set out in the table below.

31 December 2014 (US$ millions)	March quarter amortisation	June quarter estimated amortisation	FY16 estimated amortisation	FY17 estimated amortisation
1,200	200	150	500	350

MARKETING

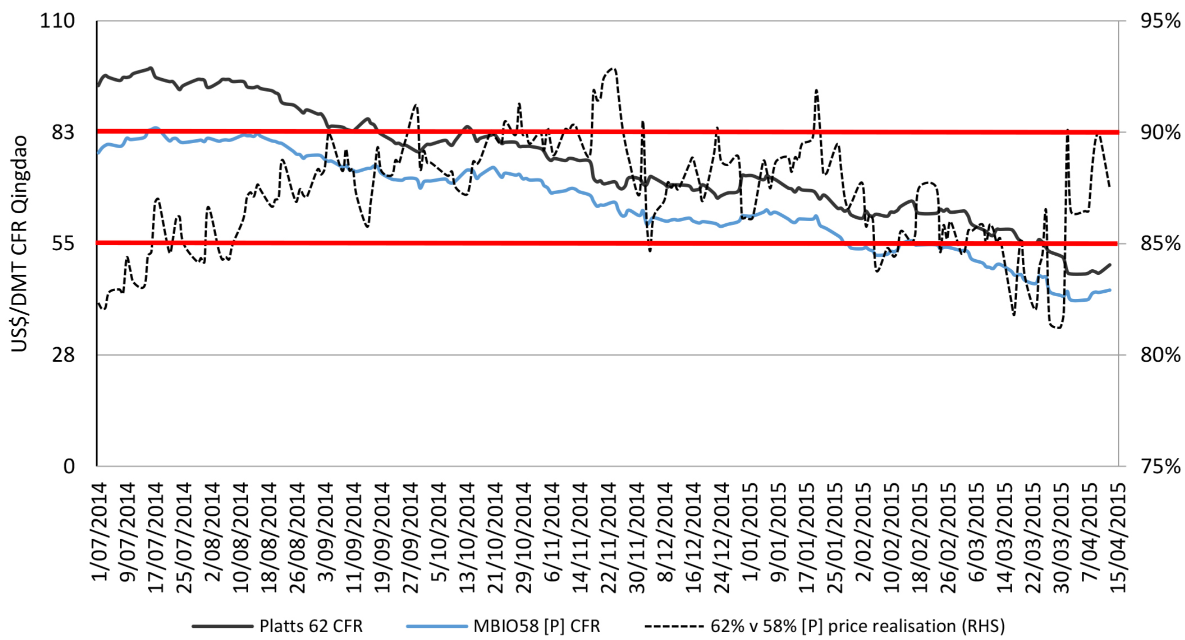
The average 62% Platts CFR index was US$62 per dry metric tonne (dmt) during the March 2015 quarter compared to US$74/dmt in the December 2014 quarter, a 16 per cent decline over the previous quarter. The physical iron ore market is technically in balance as port stocks have steadily declined since its peak in November 2014 with seaborne iron ore increasing to 80 per cent of Chinese iron ore demand. Fortescue is seeing a gathering pace of restocking by customers and continues to sell all of its production. Offsetting this balance is the threat of oversupply from the major producers which is impacting price sentiment.

Despite current short term price weakness, Fortescue remains confident in the strength of continued development and steel demand in China and other developing regions. The Chinese government has reaffirmed its objective of ensuring ongoing GDP growth of 7 per cent and recently announced further easing measures and lower mortgage rates aimed at stabilising and supporting the Chinese property market, one of the major drivers of steel demand.

Fortescue's product is sold under contractual terms which provide for finalisation of the contract price over varying periods following delivery. A sharp decline in the iron ore price during the March 2015 quarter lowered Fortescue's underlying contractual 62% Platts CFR price from the average US$62/dmt to US$55/dmt, inclusive of 17mt of open contracts which were marked to market at 31 March 2015 (provisional pricing). Realisation on a final contractual basis, after the impact of provisional pricing, was maintained at 85 per cent or US$48/dmt for the March 2015 quarter.

Fortescue expects to realise between 85-90% of the 62% Platts index going forward. While Fortescue prices 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 which has remained broadly within the 85-90% range over the last 12 months.



CORPORATE

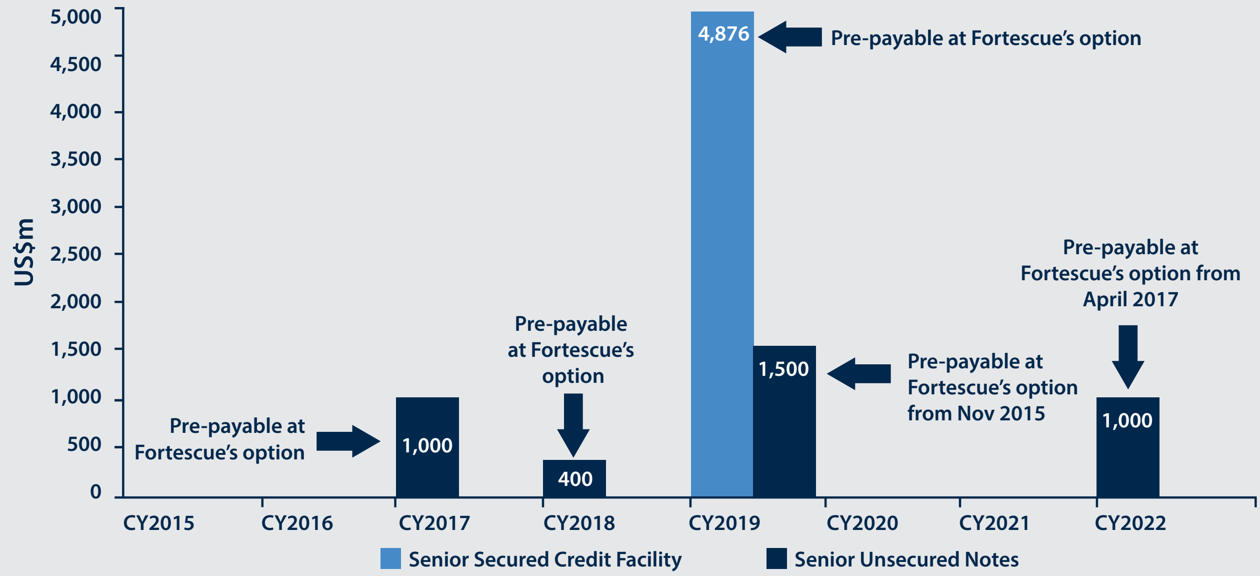
Balance Sheet

Net debt at 31 March 2015 was US$7.4 billion has remained steady, with finance leases of US$0.5 billion (inclusive of the recently commissioned US$140 million finance lease on Fortescue River Gas pipeline) and cash on hand of US$1.8 billion.

Fortescue has no debt maturing until 2017 with a high level of flexibility and no maintenance covenants.

Fortescue continues to explore a number of options to refinance its earliest dated maturities with more than 70 per cent of long term debt available for voluntary repayment or refinance at Fortescue's sole discretion.

Debt Maturity Profile



DEVELOPMENT

Fortescue River Gas Pipeline

Construction of the Fortescue River Gas Pipeline connecting the Solomon Power Station to the Dampier to Bunbury Pipeline was completed in March 2015. The 270km, 16 inch pipeline was safely constructed over an 8 months construction period and will be fully commissioned during April 2015, less than 18 months after the formal award of the pipeline contract.

Iron Bridge Project

Construction of the 1.5mtpa Iron Bridge Joint Venture Stage 1 OPF project was completed in March 2015, with first ore delivered via pipeline to a concentrate handling facility on 17 March 2015, on budget and on schedule.

Load commissioning and plant testing is planned to continue through the June 2015 quarter. Stage 2 of the Iron Bridge Project remains subject to the successful operation of Stage 1 and joint venture approval.

AP5 Project

Construction and commissioning of the AP5 berth at Port Hedland was successfully completed during March 2015, 10 days ahead of schedule and A$50 million under budget.

EXPLORATION

A Resource update for the Chichester Hub was issued on 8 January 2015 and incorporated into the Company's production schedule.

Exploration work during the March 2015 quarter was limited to planning for brownfield and greenfield drilling programs scheduled for later in 2015.

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
Owen Hegarty	Vice Chairman
Mark Barnaba	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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Locked Bag A14
Sydney South, New South Wales 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 2015, there were 3,113,798,151 ordinary shares on issue.

Unlisted Employee Options

Options expiring May 2015 ex A$5.00	7,500,000
FY13 Performance Rights	3,170,657
FY14 Performance Rights	5,660,559
FY15 Performance Rights	5,411,754

Substantial Shareholders as at 31 March 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.,	7.08 per cent

Reporting Calendar

June Quarterly Report:	23 July 2015
September Quarterly Report:	15 October 2015

Fortescue
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