



Fortescue
The New Force in Iron Ore

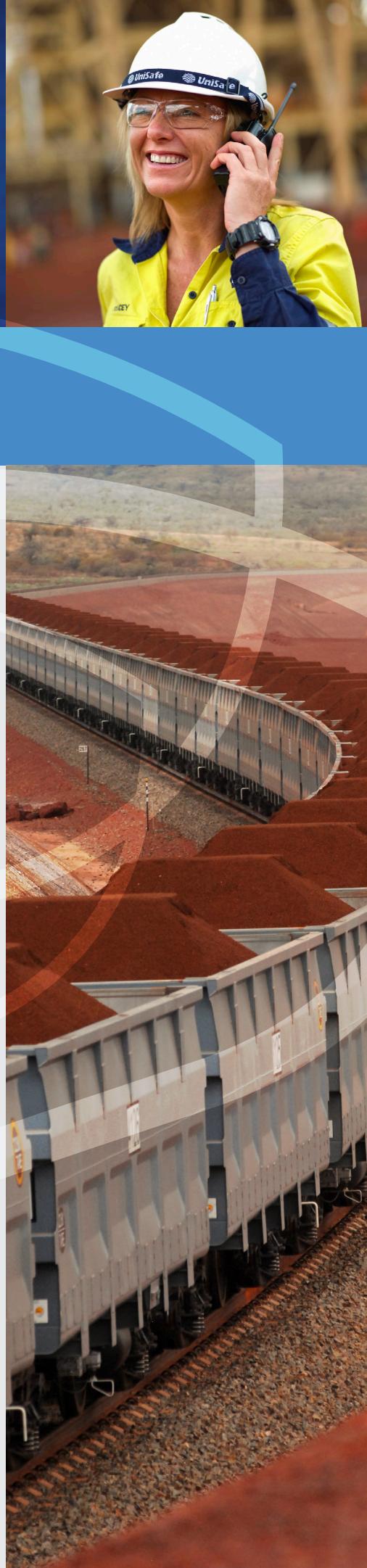
QUARTERLY REPORT

For the period ending 30 September 2013

The September 2013 quarter has seen Fortescue consolidate its operational and financial positions. Peak net debt has now passed, with cash on hand at 30 September 2013 of US\$2.8 billion and commencement of the debt repayment programme. Fortescue is poised to deliver 155mtpa and its commitment to debt reduction.

HIGHLIGHTS

- Quarterly shipments of 25.9 million tonnes (mt), a four per cent increase from previous quarter and a 61 per cent increase on the previous corresponding period. Full year shipments remain within previously announced guidance of between 127mt and 133mt.
- Iron ore prices strengthened during the quarter, resulting in an average realised cost and freight (CFR) price of US\$121 per dry metric tonne (dmt), compared to US\$113/dmt in the prior quarter.
- C1 costs continued to decrease and were US\$33.17 per wet metric tonne (wmt) in the September 2013 quarter, reflecting lower strip ratios, cost reductions and the devaluation of the Australian dollar.
- First ore on ship was loaded from Fortescue's fourth berth (AP4) in July 2013, using the third shiploader and third outloading circuit.
- Commissioning of Kings is underway, with first ore to be delivered in November 2013. Sustainable production at the 155 million tonnes per annum (mtpa) rate will be achieved by the end of March 2014.
- Cash balance of US\$2.8 billion at the end of the September 2013 quarter reflected strong operational cash flows, rapidly declining capital expenditure and US\$470 million of customer prepayments.
- The Iron Bridge transaction was completed after the September 2013 quarter and US\$623 million was received by Fortescue in early October 2013.
- Debt reduction programme commenced with the voluntary redemption of A\$140 million in preference shares scheduled for November 2013 ahead of final maturity in February 2017





OPERATIONS

Production, shipments and C1 costs for the September 2013 quarter, on a wet metric tonne basis, are set out in the table below. Fortescue ships with approximately 8 to 9 per cent free moisture which needs to be taken into account when converting a wmt to a dmt equivalent.

	September 2013 Quarter	June 2013 Quarter	Variance %	September 2012 Quarter	Variance %
Ore Mined (mt)	34.9	34.3	2%	18.3	91%
Overburden Removed (mt)	99.5	105.4	- 6%	92.7	7%
Ore Processed (mt)	23.9	22.6	6%	15.8	51%
Total Ore Shipped ⁽¹⁾ (mt)	25.9	25.0	4%	16.1	61%
Fortescue Ore Shipped (mt)	24.7	23.9	3%	15.4	60%
C1 costs (US\$/wmt)	33.17	36.01	- 8%	49.44	- 33%

⁽¹⁾ Inclusive of 3rd party tonnes

Safety

On 15 August 2013 a contract worker was fatally injured in an incident at the Christmas Creek ore processing facilities. The Fortescue family was deeply saddened by the incident and has provided support and counselling services to all colleagues and family members.

Fortescue continues its ongoing focus on safety and a number of initiatives have been implemented following the investigation of the incident.

Fortescue has exercised its step in rights under the contract to take over the supervision and management of the two Ore Processing Facilities (OPFs) at the Christmas Creek mine to ensure the safe and hazard free operation of the OPFs.

Total Recordable Injury Frequency Rate (TRIFR), measuring Fortescue's safety performance for the quarter, increased by 4.1 per cent from 7.4 to 7.7. Pleasingly, in the month of September, Fortescue recorded its lowest ever monthly TRIFR.

Aboriginal engagement

Fortescue demonstrated its commitment to improving the economic capacity of Aboriginal people with the award of A\$1.0 billion in contracts to Aboriginal businesses under its "Billion Opportunities" initiative. Fortescue made a commitment to award A\$1 billion of work to Aboriginal-owned businesses and joint venture partnerships in 2011 and reached its target in August 2013, six months ahead of schedule.

Fortescue has since awarded additional contracts, taking the total value at 30 September 2013 to \$1.3 billion. These contracts to more than 50 Aboriginal businesses are playing an important role in building a solid economic future for Aboriginal people as well as creating employment opportunities.

Fortescue has a long standing commitment to increasing the participation of Aboriginal people in employment. At the end of September 2013, approximately 12 per cent of Fortescue's workforce (466 employees) were Aboriginal. In addition there are 472 Aboriginals employed by contractors engaged in Fortescue's operations.



Total tonnes shipped for the September quarter increased to 25.9mt, slightly higher than the prior quarter and 61% greater than the previous corresponding period.

Mining, processing and shipping

Total tonnes shipped for the September quarter increased to 25.9mt, slightly higher than the prior quarter and 61 per cent greater than the previous corresponding period. Shipments comprised Fortescue equity tonnes of 24.7mt and third party ore of 1.2mt.

Ore mined increased to 34.9mt, two per cent higher than the prior quarter and 91 per cent greater than the previous corresponding period as mining operations continue to focus on efficiencies and improvements lowering strip ratios and reducing costs.

The benefits of the product strategy of blending Firetail and Chichester ore together with enhanced processing capabilities following commissioning of the wet plants have resulted in quarterly strip ratios of 3.3x at the Chichesters and 1.3x at Solomon. These strip ratios are slightly below the average anticipated life of mine strip ratios of 3.5x at the Chichesters and 1.4x at Solomon.

Ore processing output for the September 2013 quarter was impacted by the significant time taken to thoroughly investigate and respond to the fatality at the Christmas Creek OPFs. Fortescue subsequently assumed management of both OPFs at Christmas Creek. In addition, some production delays occurred due to the commissioning of the wet front end at Cloudbreak and downtime as a result of significant conveyor belt tears at Firetail and Cloudbreak. The total impact to production was 2 mt.

While the September 2013 quarter saw a build of ROM stocks, commencement of full scale processing operations will result in a drawdown of current inventories by the end of FY14.

Fortescue's Rail and Port operations continued to perform in line with expectations, with 26.0mt delivered to Port during the September 2013 quarter, a 60 per cent increase from the previous corresponding period. The Port facilities expansion to 155mtpa capacity is now complete, following commissioning of AP4 in July 2013 to integrate the third ship loader with the third outload circuit from the stockyards.

Forecast production

The Kings development at Solomon is nearing completion with first ore scheduled in December 2013. Sustainable production at 155mtpa will be achieved by the end of the March 2014 quarter.

Fortescue maintains its FY14 production and shipping guidance of between 127mt and 133mt.

Production costs

C1 costs continued to trend downwards, reducing to US\$33.17/wmt in the September 2013 quarter (US\$36.01/wmt in June 2013 quarter). Cost savings are being driven by lower strip ratios, a continued focus on operational efficiencies, a reduction in operating lease payments and a lower Australian dollar.

The US to Australian dollar exchange rate averaged A\$0.92 (A\$0.99 June 2013 quarter) and accounted for approximately US\$2.00/t in C1 cost reduction during the quarter. C1 costs are subject to movements in exchange rates with an impact of US\$0.25/t to US\$0.30/t for every one cent movement in the US to Australian dollar.

C1 cost guidance of US\$36/wmt is maintained for FY14 based on a US to Australian dollar exchange rate of A\$0.95. The December 2013 quarter and March 2014 quarter C1 costs are expected to be higher than the full year guidance as Kings ramps up to full production and operations are likely to be disrupted during the wet season.



MARKETING

Fortescue's average realised CFR sales price for the September 2013 quarter was US\$121/dmt (June 2013 quarter US\$113/dmt). This price was based on an average benchmark 62% Platts CFR index price of US\$133/dmt for the September 2013 quarter (June 2013 quarter was \$126/dmt).

The average iron grade has improved with the new product, Fortescue Blend, taking an increasing share of the product mix. Strong Chinese steel production and end user consumption continued to drive demand for iron ore throughout the September 2013 quarter.

Iron ore prices opened the September 2013 quarter at US\$117/dmt (Platts 62 CFR) and rallied to US\$142/dmt by mid-August due to mill restocking before retracing to US\$131/dmt by the end of the September 2013 quarter.

Chinese steel production has increased strongly year to date at around 8 per cent. Current steel production is annualising at 780mt compared to 717mt produced in 2012. Fortescue continues to receive strong support from customers for its expanded production capacity.

CORPORATE

Balance Sheet

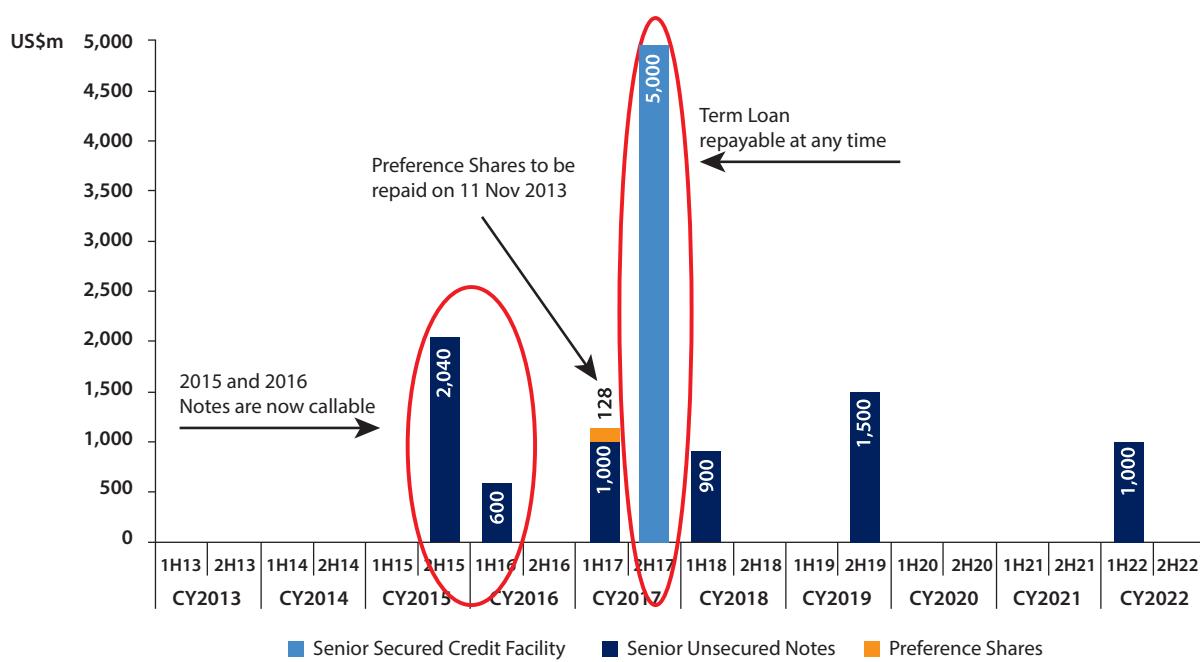
Fortescue's net debt position at 30 September 2013 was US\$9.3 billion after taking into account cash on hand of US\$2.8 billion and excluding finance leases of US\$0.6 billion. Post balance date a further US\$623 million of cash was received from Formosa Plastics Group (Formosa) representing US\$500 million for prepaid port access and US\$123 million for the 31 per cent interest in the FMG Iron Bridge Joint Venture.

On 17 September 2013, Fortescue issued a voluntary Notice of Redemption to holders of the A\$140 million (US\$128 million) Redeemable Preference Shares. The redemption of the 9 per cent Preference Shares removes Fortescue's most expensive piece of debt and represents the first step in the Company's strategy to reduce debt and gearing levels. Net cash flow generation is expected to continue through operational performance and the relative reduction in capital expenditure as the T155 project is completed. This will provide the funds to consider further voluntary debt repayments.



Strong demand for iron ore continued through the September quarter as Chinese steel production and end user demand maintained strong growth.

The company's debt maturity profile, shown in the chart below, identifies the unsecured notes and term loan totalling US\$7.6 billion which are currently available for the voluntary retirement of debt or refinancing, in advance of maturity and at Fortescue's option.



Iron Bridge Joint Venture

On 16 August 2013 Fortescue announced a US\$1.15 billion investment by Formosa in the FMG Iron Bridge Joint Venture established to develop the FMG Iron Bridge magnetite project.

The transaction has received approval from the Australian Foreign Investment Review Board and Taiwan Investment Commission. Proceeds of US\$623 million were received by Fortescue in early October 2013.

Capital expenditure

Following completion of the capital expenditure on T155 expansion projects, capital guidance for FY14 remains at US\$1.9 billion.



DEVELOPMENT

155mtpa expansion

During the September 2013 quarter, production through the rail and port demonstrated the capacity and efficiency of the new infrastructure. First ore on ship was achieved from AP4 using the third shiploader and third outloading circuit. A surge bin was commissioned as the final modification required to allow production of 155mtpa over 4 berths using 3 shiploaders. On Rail, the physical build of all signals and communications were completed with the rail optimisation control system due to be commissioned in December 2013.

The Chichester projects including Christmas Creek 2, the Christmas Creek jigs plant and the Cloudbreak wet processing plant continue to ramp up to full production. Some delays have been experienced due to early reliability issues with the plants. Full ramp up is expected during the December 2013 quarter.

At Solomon, progress on completion of construction of the Kings OPF is essentially complete with some work remaining on the desands building. Commissioning of Kings has commenced with production and first ore expected in November. Sustainable production at 155mtpa remains on track for March 2014.

Iron Bridge Project

Following approval of FIRB and TIC, Stage 1 of the project has commenced construction. Stage 1 is estimated to take approximately 12 months to complete with first production of 1.5mtpa of a 66 per cent Fe mHematite product expected in calendar year 2015.

The 9.5mtpa Stage 2 development of 68 per cent Fe magnetite concentrate remains subject to the Joint Venture's approval with construction expected to commence in 2015.



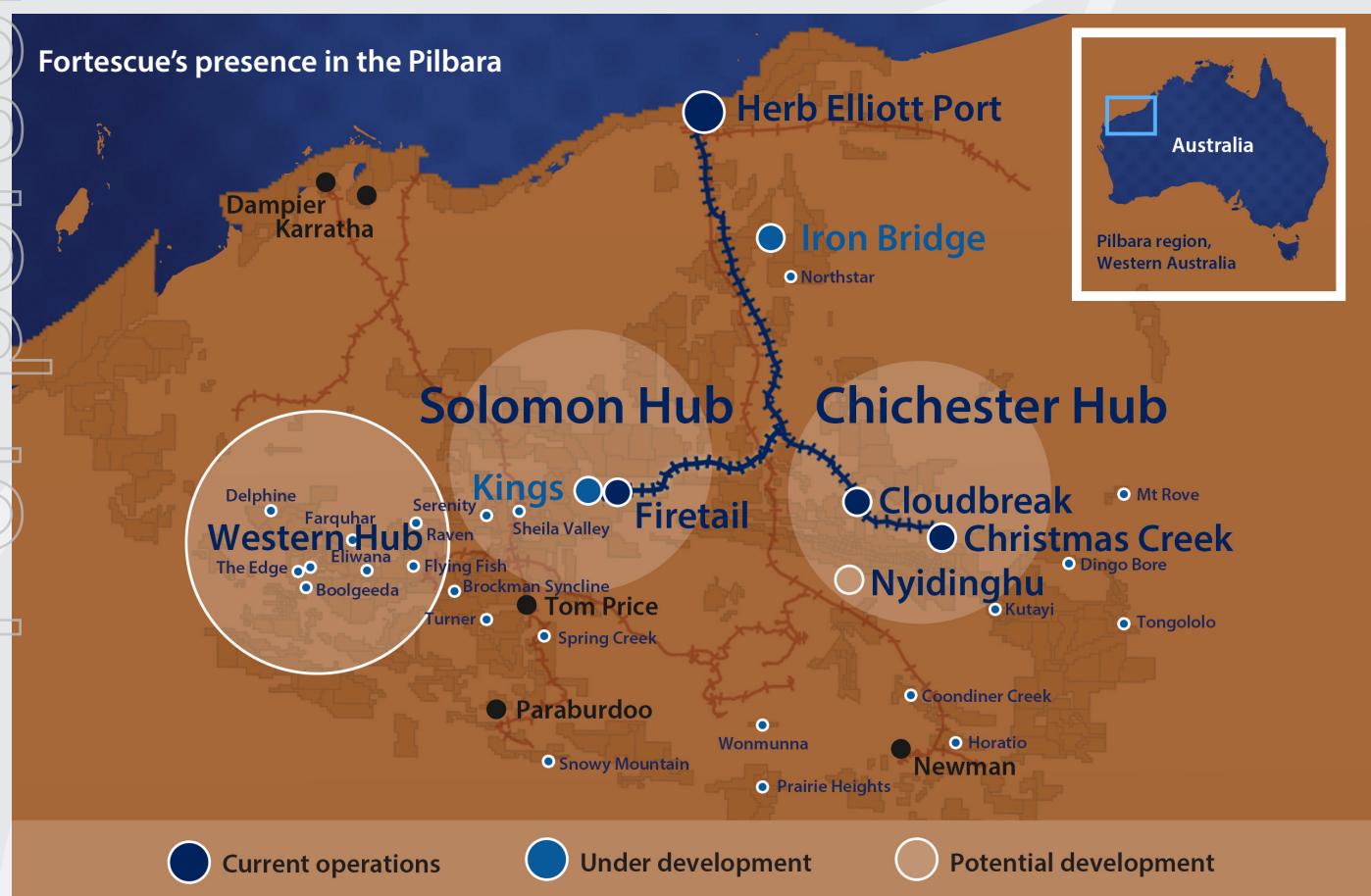
Exploration and drilling activities were focussed in the Western Hub throughout the September 2013 quarter with three rigs working on several target areas.

EXPLORATION AND FUTURE STUDIES

Exploration and drilling activities were focussed in the Western Hub throughout the September 2013 quarter with three rigs working on several target areas. Targets tested included 3 CID areas, 3 Brockman BID targets and a bedded Marra Mamba target. Visually encouraging mineralisation has been intersected on all targets but assay results lag behind the drilling by 4 to 6 weeks and it will not be possible to fully assess the significance until all results have been received.

Target	Hole	Intercept	Thickness	Fe%	SiO2%	Al2O3%	P %
Elevation Brockman	BG 107	0-100m	100 m	60.8	2.01	2.48	0.17
Elevation Brockman	BG 108	0-115m	115 m	60.1	3.18	2.58	0.12
Wyloo North Brock	WN 109	22-152	77 m	63.2	3.71	2.20	0.10
Boolgeeda CID	BG 101	3-28m	20 m	56.6	5.10	2.27	0.02
Delphine MMIF	DL 657	17-34m	15 m	58.4	5.31	2.32	0.05

It is expected that two of the rigs will continue to test Western Hub targets in the present quarter while the third will move southeast to test targets both west and east of Paraburadoo.



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 Mt 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 2004 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/Exec Director
Graeme Rowley	Non-Executive Director
Geoff Brayshaw	Non-Executive Director
Owen Hegarty	Non-Executive Director

Cao Huiquan	Non-Executive Director
Mark Barnaba	Non-Executive Director
Geoff Raby	Non-Executive Director
Herbert Scruggs	Non-Executive Director
Peter Meurs	Executive Director
Elizabeth Gaines	Non-Executive Director

Company Secretary

Mark Thomas

Registered Office and Principal Place of Business

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Share Registry

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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 30 September 2013, there were 3,113,798,151 ordinary shares on issue and 1,400 preference shares.

Unlisted Employee Options

Option expiring Feb 2014 ex \$2.50	600,000
Option expiring May 2015 ex \$5.00	7,500,000
Option expiring Sept 2015 ex \$5.69	400,000
FY2013 Performance Rights	912,643

Substantial Shareholders as at 30 June 2013:

The Metal Group Pty Ltd	32.95%
Hunan Valin Iron and Steel Group	14.72%

Reporting Calendar

AGM:	13 November 2013
December Quarterly Report:	30 January 2014
Half Year Results:	20 February 2014
March Quarterly Report:	17 April 2014



Online: www.fmgl.com.au

On Twitter: twitter.com/fortescuenews

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