16 August 2013

The Companies Officer
Australian Stock Exchange
Exchange Plaza
2 The Esplanade
Perth WA 6000

Fortescue
The New Force in Iron Ore

Dear Sir

Fortescue executes US$1.15 billion Joint Venture Agreement with Formosa

Fortescue Metals Group (ASX: FMG, "Fortescue") and Formosa Plastics Group ("Formosa") are pleased to announce a US$1.15 billion investment by Formosa in the FMG Iron Bridge Joint Venture, established to develop the FMG Iron Bridge Project.

Formosa is Taiwan's largest private company and is currently investing in the construction of a 22 million tonnes per annum (mtpa) integrated steel mill at Ha Tinh in Vietnam. The greenfield Ha Tinh project is the largest of its kind in the steel making industry globally and the first of the company's six planned blast furnaces. It is expected to commence production in 2015.

FMG Iron Bridge Ltd is jointly owned by Fortescue (88%) and a subsidiary of China's Shanghai Baosteel Group Corporation ("Baosteel") (12%). FMG Iron Bridge Ltd owns the world class North Star and Glacier Valley iron ore deposits, located about 100 kilometres south of Port Hedland in Western Australia. Encompassing the two deposits, the FMG Iron Bridge Project is underpinned by a combined iron ore resource of 5.2 billion tonnes.

Under the arrangements, Formosa, through its subsidiary Formosa Steel IB Pty Ltd, will:

- Acquire a 31% unincorporated joint venture interest in FMG Iron Bridge Joint Venture for US$123 million
- Fund the first US$527m of capital expenditure on the FMG Iron Bridge Project development. This funding covers construction of Stage One which will commence on completion of the transaction at an estimated capital cost of US$340m
- Participate in Stage Two of the FMG Iron Bridge Project, subject to receipt of relevant Government approvals and Joint Venture sanction. If approved, Stage Two would be funded by the balance of the Formosa's initial funding, a contribution of the next US$1050m from FMG Iron Bridge Ltd, followed by proportional contributions (31% Formosa, 69% FMG Iron Bridge Ltd)
- Agree to purchase up to three mtpa of iron ore at market prices to supply Formosa Ha Tinh Steel mill when commissioned
- Elect to prepay US$500m upfront to The Pilbara Infrastructure Pty Ltd to access Fortescue's port facilities at Herb Elliott Port under separate infrastructure access arrangements

The transaction is subject to Australian Foreign Investment Review Board and Taiwan Investment Commission approval, which is expected in September 2013.

Construction of Stage One is expected to take 12 months, with first production of 1.5 mtpa of 66%Fe mHematite product commencing in early 2015.

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The 9.5 mtpa Stage Two development of 68% Fe magnetite concentrate is subject to joint venture approval with construction expected to commence in 2015.

Commenting on the execution of transaction documents in the Pilbara, Fortescue Chairman Mr Andrew Forrest said: “This transaction brings together Fortescue, Baosteel and Formosa Group, a company that looks set to become the new force in steel-making in south-east Asia. We are truly excited to be partnering with Formosa in this important next chapter of our mutual development.”

Fortescue Chief Executive Officer Nev Power welcomed the agreement with Formosa and said it was pleasing to see the FMG Iron Bridge Joint Venture move forward. “This US1.15 billion transaction is tremendous for the Joint Venturers and represents a pivotal step in the development of the highly competitive FMG Iron Bridge Project. Importantly, the transaction also delivers a further strengthening of Fortescue’s balance sheet.”

Mr Hung-Chi Yang, President of Formosa Resources Corporation, said: “We are very pleased to join hands with leading industry partners Fortescue and Baosteel, and look forward to a successful future for Iron Bridge and many years of productive cooperation between our companies. The successful development of the FMG Iron Bridge Project is of strategic importance to Formosa. We believe that this investment will secure a substantial long term resource to complement the Group’s manufacturing activities.”

Fortescue was advised by Deutsche Bank, New Tone International and DLA Piper and Formosa was advised by ANZ Bank and ClarkeKann Lawyers.

About Formosa Plastics Group
Formosa Plastics Group’s operating revenue from its domestic companies accounted for 13% of Taiwan’s GDP in 2012. With nearly 60 years of continuous growth and development, the Formosa Plastics Group is now the largest private enterprise in Taiwan with business interests across the world. The Group includes the Taiwan Stock Exchange listed Formosa Plastics Corporation, Formosa Chemicals & Fibre Corporation, Formosa Petrochemical Corporation and Nan Ya Plastics Corporation which are each 25% shareholders in Formosa Resources Corporation, the Taiwanese parent company of Formosa Steel IB Pty Ltd.

About Fortescue Metals Group
Since loading its first iron ore shipment in May 2008, Fortescue has become the world’s fourth largest producer of iron ore. Listed in the S&P/ASX 30 Index, Fortescue operates three mines in the Pilbara region of Western Australia and by the end of calendar year 2013, will be producing at a rate of 155 million tonnes a year. Fortescue is based in Perth, Western Australia and employees almost 4000 people.

About FMG Iron Bridge Ltd and the FMG Iron Bridge Project
FMG Iron Bridge Ltd is owned by Fortesuce (88%) and China’s Boasteel Resources International (12%). The project is located 100km south of Port Hedland and has a JORC compliant resource of 5.2 billion tonnes. Stage 1 of the project is approved for development at a capital cost of US$340m with expected production of 1.5 mtpa of 66% Fe mHematite. Stage 2 has an estimated capacity of 9.5mtpa of 68% Fe magnetite concentrate.

Yours sincerely
Fortescue Metals Group

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