The Companies Officer
ASX Limited
2 The Esplanade
Perth WA 6000

25 March 2015

Dear Sir

## IRON ORE PRODUCTION BY AUSTRALIAN EXPORTERS

Fortescue Metals Group Limited (ASX: FMG; Fortescue) advises that comments in relation to the pursuit of market share at the expense of shareholder value and Australian government revenues, were made against the background of the provisions of Section 51(2)(g) of the Australian *Competition and Consumer Act* which deals with goods exclusively exported.

Chief Executive Officer Nev Power said a depressed iron ore price was not in the interests of customers, shareholders of any Australian iron ore exporter, nor in the interests of the governments of Western Australia and Australia.

“Statements about future production increases as part of a market share-at-all-costs strategy are impacting sentiment that is depressing the iron ore price when the fundamentals of the market are sound,” Mr Power said.

“A strategy of concentrating market share in the hands of fewer is not good for our customers in the long run and Economics 101 tells us that it destroys shareholder value that can never be recovered,” he said.

“The comments made by the Chairman were highlighting the point that a last man standing fight for market share will damage shareholders of all companies and is not in the long term interests of our host nation Australia nor of our customers and those comments were intended to draw attention to the fact that there is provision in Australia’s competition law dealing with the potential for discussions to be held by exporters,” Mr Power said.

“We believe shareholders will insist that they do not want to see value destroyed and ultimately they will dictate to management that they prefer a focus on profit rather than a focus on market share.

“Modern economics sees this strategy of depressing price to concentrate market share as too expensive to be considered rational – it destroys value in a similar way to predatory pricing – and is not in the long run interests of Australia or our customers.

“Short term over investment creating over capacity inevitably destroys new investment which leads to under investment in the future and drives a boom-bust cycle, which is not in the best interests of customers or suppliers. Rational allocation of capital ensures supply matches



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demand growth and provides stability and certainty of supply for a sustainable industry for both customers and producers."

*Background*:

Section 51(2)(g) of the *Competition and Consumer Act 2010* provides:

*(2) In determining whether a contravention of a provision of this Part other than section 45D, 45DA, 45DB, 45E, 45EA or 48 has been committed, regard shall not be had:*

> *(g) to any provision of a contract, arrangement or understanding, being a provision that relates exclusively to the export of goods from Australia or to the supply of services outside Australia, if full and accurate particulars of the provision (not including particulars of prices for goods or services but including particulars of any method of fixing, controlling or maintaining such prices) were furnished to the Commission before the expiration of 14 days after the date on which the contract or arrangement was made or the understanding was arrived at, or before 8 September 1976, whichever was the later.*

Yours sincerely
**FORTESCUE METALS GROUP**

**IAN WELLS**
Company Secretary

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