

15 January 2014

The Companies Officer
Australian Securities Exchange Ltd
2 The Esplanade
Perth WA 6000



Dear Sir/Madam

Fortescue continues debt reduction program with repayment of US\$1.6 billion of Senior Unsecured Notes

Fortescue Metals Group (ASX: FMG, Fortescue) has issued two voluntary redemption notices for:

- i) the remaining US\$1.04 billion Senior Unsecured Notes due in 2015; and
- ii) the US\$600 million Senior Unsecured Notes due 2016 (collectively the “Notes”).

The Notes will be redeemed on Friday March 14, 2014.

Today’s announcement comes less than a month after Fortescue repaid an initial US\$1.0 billion of the 2015 Notes and takes total debt repayments since November 2013 to US\$3.07 billion, including the recent repayment of the CSI lease facility.

At its peak, Fortescue’s gross debt was US\$12.7 billion. Following the redemption of the Notes, other capital management initiatives undertaken and cash on hand at 31 December 2013 of US\$2.92 billion, Fortescue’s gross debt will fall to US\$9.6 billion, with net debt of approximately US\$7.8 billion by the end of March 2014.

Fortescue CEO Nev Power said the voluntary redemption of the Notes underscored Fortescue’s commitment to repay the debt that funded the company’s expansion to 155 million tonnes per annum. “This is a pivotal year for Fortescue as we near the completion of our expansion. The substantial increase in production and strong market conditions have strengthened our balance sheet and enabled us to accelerate our debt reduction program.”

Fortescue CFO Stephen Pearce said these measures continue to reduce Fortescue’s gearing towards 40%. “We’ve taken another significant step in reducing Fortescue’s debt levels. The combination of voluntary debt repayments of US\$3.07 billion, in addition to successfully lowering the cost of remaining debt, represents an annual interest saving of more than US\$300 million per annum.”

Interest savings identified since November 2013 through Fortescue’s capital management initiatives include:

1. Repayment of A\$140m (US\$130m) of Preference Shares which had a coupon of 9%, saving US\$12m per annum in interest
2. Repricing of the US\$4.95 billion Term Loan margin to 3.25%, saving US\$50m. An additional US\$25m is anticipated by May following a further coupon reduction to 2.75%.

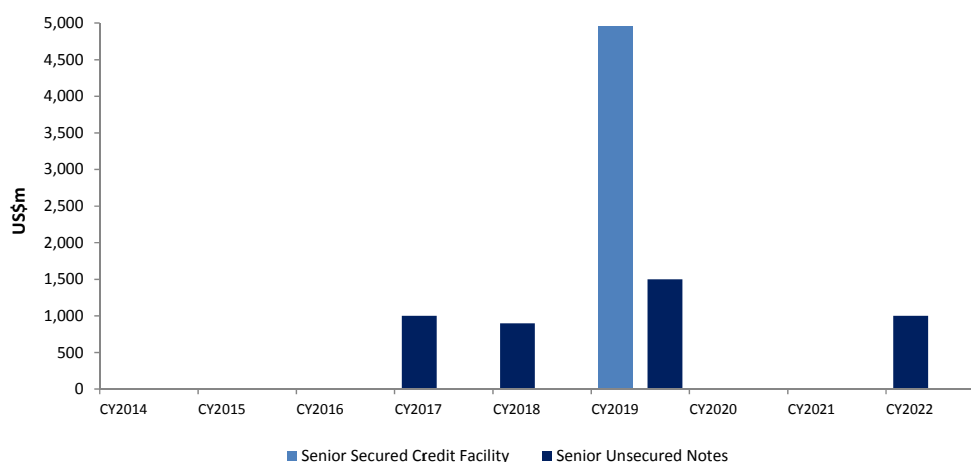
3. Repayment of US\$2.04 billion 2015 Unsecured Notes, which have a coupon of 7%, saving US\$143m per annum in interest.
4. Repayment of the US\$600m Senior Unsecured Notes due 2016, saving US\$38m per annum in interest.
5. Repayment of the CSI lease facility, saving US\$36m per annum in interest.

The key terms of the redemption are listed below:

	2015 Notes	2016 Notes
Principal value	US\$2,040 million	US\$600 million
Prior Redemption	US\$1,000 million	N/A
Redemption value	US\$1,040 million	US\$600 million
Redemption date	Friday March 14, 2014	Friday March 14, 2014
Redemption conditions	Notes are redeemable at 103.5% of principal value at the option of Fortescue from February 1, 2014, upon providing a notice to the trustee.	Notes are redeemable at 103.188% of principal value at the option of Fortescue from February 1, 2014, upon providing a notice to the trustee.

The following chart shows Fortescue's pro-forma debt maturity profile as at March 14, 2014, after the US\$1,040 million and US\$600 million redemption is completed.

Chart 1: Pro-forma Debt Maturity Profile as at March 14, 2014



Yours sincerely
Fortescue Metals Group Ltd

Mark Thomas
 Company Secretary

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