

8 March 2016

The Companies Officer  
ASX Limited  
2 The Esplanade  
Perth WA 6000



Dear Sir/Madam,

**Fortescue Signs Memorandum of Understanding with Vale S.A.**

Fortescue Metals Group Ltd (ASX: FMG, Fortescue) is pleased to announce the entering into of a non-binding Memorandum of Understanding with Vale S.A.

The Memorandum of Understanding sets out the principles on which Vale and Fortescue have agreed to pursue long term opportunities to create additional value for customers in the Chinese steel industry and enhance the competitiveness of their operations.

The agreement proposes the formation of one or more Joint Ventures for the blending of selected volumes of iron ore from both companies. This new blended product will be developed to suit the long term needs of our customers and improve the efficiency of the supply chain to the steel industry. The agreement also provides a framework for potential investment by Vale in Fortescue through a minority acquisition of shares on market and/or investment in current or future mining assets.

The Memorandum of Understanding is non-binding and subject to agreement on the final terms of any resulting Transaction Documents, any other required approvals including Board approval of each of Vale S.A and Fortescue and relevant regulatory approvals.

Fortescue's Chief Executive Officer, Nev Power, said "The Memorandum of Understanding will allow us to work together to deliver long term value to our customers, through the efficient supply of an attractive and competitive new iron ore blend in China."

Vale S.A. is a Brazilian multinational diversified metals and mining company and one of the largest logistics operators in Brazil. Vale S.A is the world's largest producer of iron ore and the third largest mining company in the world.

Fortescue Metals Group is a global leader in the iron ore industry, recognised for its culture, innovation and industry leading development of world class infrastructure and mining assets in the Pilbara, Western Australia. The company exports 165 million tonnes of iron ore per annum and is focused on being the safest, lowest cost, most profitable iron ore producer.

Yours sincerely  
**Fortescue Metals Group Ltd**

**Ian Wells**  
Company Secretary

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