

1 August 2017



The Companies Officer
Australian Securities Exchange Ltd
Level 40, Central Park
152-158 St Georges Terrace
Perth WA 6000

Dear Sir or Madam

FORTESCUE INSOURCES SOLOMON POWER ARRANGEMENTS

Fortescue Metals Group Ltd (**Fortescue**) (ASX:FMG) has today given notice to repurchase the Solomon Power Station from TEC Pipe Pty Ltd, a wholly owned subsidiary of TransAlta Corporation (**TransAlta**) (TSX: TA, NYSE: TAC).

The Solomon Power Station is a gas fired power station providing power to Fortescue's Solomon Mining Hub operation. In 2012 Fortescue sold the Solomon Power Station to TransAlta and simultaneously entered into a power purchase agreement with TransAlta for the power station's entire capacity.

Fortescue's contract with TransAlta entitles Fortescue to repurchase the Solomon Power Station and terminate the associated power purchase agreement.

The Solomon Power Station is currently treated as a lease liability and recognised as debt on Fortescue's balance sheet. This liability and associated costs totalling US\$348 million will be fully repaid from available cash in November 2017 and Fortescue will resume full operation and control of the Solomon Power Station.

Fortescue Chief Executive Officer, Mr Nev Power said "The insourcing of the Solomon Power Station maintains Fortescue's focus on its key objectives of improving productivity and efficiency to reduce operating costs, repaying debt and maximising shareholder returns. It also provides opportunities for Fortescue to improve operational synergies at Solomon and across Fortescue's other mining operations".

Yours sincerely
Fortescue Metals Group Ltd

Alison Terry
Company Secretary

Media contact:
Michael Vaughan, Fivemark Partners
E: mediarelations@fmgl.com.au
M: +61 422 602 720

Investor Relations contact:
Stuart Gale
E: investorrelations@fmgl.com.au