



Fortescue

Company Communication

Team

Iron ore prices have fallen sharply in recent weeks and they are now at a level where they are putting pressure on our cash flow and expansion planning. This is likely to continue for at least the short to medium term.

In response to this ongoing uncertainty, we have announced today a number of measures designed to reduce our capital and operating expenditure. We will continue with the expansion of Christmas Creek and the commissioning of our Firetail deposit at Solomon Hub as well as port and rail projects.

However, we will defer the development of the Kings deposit at Solomon Hub and the full completion of the fourth berth at Herb Elliott Port until iron ore prices return to more sustainable levels. The deferral of full completion of the fourth berth means we will delay the commissioning of a third out-load circuit at Port Hedland.

Please refer to the attached announcement which was issued to the ASX this morning.

In addition, we must take immediate steps to improve the cash flow within our operations. We are closely reviewing operating expenditure across the business as well as staffing levels to ensure they match our revised expansion schedule. This has led to some extremely difficult decisions but ones that need to be made in light of market conditions.

Today you will be invited to attend a briefing session in Perth or at site to go through the widespread changes we need to make. Everyone at Fortescue will be affected so please make every effort to attend.

While we are confident in the underlying strength of the market, it is vital that we also take decisive action to reduce and defer non-essential expenditure during this period of uncertainty to ensure our business remains strong longer term.

I will provide you with regular updates as we work through this difficult period.

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