30 January 2020

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

Dear Madam or Sir

FORTESCUE INVESTS US$450 MILLION IN ENERGY INFRASTRUCTURE THROUGH PILBARA GENERATION PROJECT

Fortescue Metals Group (Fortescue, ASX: FMG) today announces the US$450 million Pilbara Generation Project, the next stage of its Pilbara Energy Connect program. The Pilbara Generation Project complements the US$250 million Pilbara Transmission Project announced in October 2019 and will provide low cost power to the energy efficient Iron Bridge Magnetite Project.

The Pilbara Transmission Project consists of 275km of high voltage transmission lines connecting Fortescue’s mine sites, while the Pilbara Generation Project will include 150MW of gas fired generation, together with 150MW of solar photovoltaic (PV) generation. This will be supplemented by large scale battery storage and will be constructed, owned and operated by Fortescue.

Together, the transmission and generation projects, totalling US$700 million, form the Pilbara Energy Connect program of works providing Fortescue with a hybrid solar gas energy solution that will enable low cost power to be delivered to Iron Bridge. This allows Fortescue to leverage its existing energy infrastructure including the Fortescue River Gas Pipeline and generation capacity at the Solomon Power Station and support the incorporation of large scale renewable energy.

The Pilbara Energy Connect project builds on the Chichester Solar Gas Hybrid Project which was announced last year. This landmark agreement with Alinta Energy will see up to 100 per cent of daytime stationary energy requirements of the Chichester Hub iron ore operations powered by renewable energy. Alinta will build, own and operate the 60MW solar PV generation facility at the Chichester Hub and 60-kilometre transmission line linking the Christmas Creek and Cloudbreak mining operations with Alinta Energy’s Newman gas-fired power station. On completion this will integrate with the Pilbara Energy Connect program, via the Pilbara Transmission Project.

Chief Executive Officer, Elizabeth Gaines, said “Mining is a 24/7 operation and efficient, reliable, competitive energy generation remains an important consideration for the mining sector in Western Australia. The lack of an integrated transmission network in the Pilbara has been a key barrier to entry for large scale renewables and Fortescue’s investment will address this issue.

“Fortescue’s commitment of US$700 million in electricity generation and transmission infrastructure will complete the integration of Fortescue’s stationary energy requirements in the Pilbara into an efficient network, while lowering the overall cost of electricity to existing and future sites.

“By installing 150MW of solar PV as part of the Pilbara Generation Project, the modelling indicates we will avoid up to 285,000 tonnes of CO₂e per year in emissions, as compared to generating electricity solely from gas. Importantly, Pilbara Energy Connect allows for large scale renewable generation such as solar or wind to be connected at any point on the integrated network, positioning Fortescue to readily increase our use of renewable energy in the future,” Ms Gaines said.
Pilbara Energy Connect builds on Fortescue’s previous energy initiatives, including the construction of the Fortescue River Gas Pipeline, the conversion of the Solomon Power Station from diesel to gas generation, as well as a partnership agreement with the Commonwealth Scientific and Industrial Research Organisation (CSIRO) to develop and commercialise hydrogen technology.

**Capital expenditure**

The project capital expenditure will be funded by a combination of operating cashflow and low cost asset finance. Investment profile and timing are provided in the following table:

<table>
<thead>
<tr>
<th>US$ million</th>
<th>FY20 actual/est</th>
<th>FY21 estimate</th>
<th>FY22 estimate</th>
<th>Total estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pilbara Energy Connect</td>
<td>50</td>
<td>350 - 400</td>
<td>250 - 300</td>
<td>700</td>
</tr>
</tbody>
</table>

Fortescue’s capital expenditure guidance of US$2.4 billion for FY20 is maintained, incorporating the Pilbara Energy Connect program.

**Fortescue’s energy infrastructure**

The following map identifies components of the Pilbara Energy Connect project.

Yours sincerely

Fortescue Metals Group Ltd

Cameron Wilson
Company Secretary

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

**Investor Relations contact:**
Ian Wells, Chief Financial Officer
E: investorrelations@fmgl.com.au
P: 08 9230 1873