



**Fortescue Metals Group Ltd**

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The Companies Officer  
Australian Stock Exchange Ltd.  
Exchange Plaza  
2 The Esplanade  
Perth WA 6000

Dear Sir

**Further Sales Agreements Executed  
- 39.5 million tonnes p.a. now under contract -**

Fortescue Metals Group Ltd ("Fortescue") is pleased to advise a further 3 iron ore sales agreements have been signed for a total of three million tonnes per annum. The names of the contract parties are confidential however as reference, all of the counterparties are currently ranked in China's top 10 steel mills by measure of steel production. In aggregate these three mills produced approx. 31 million tonnes of steel in 2005.

The agreement terms are all for 10 years with prices based on the industry standard of annual benchmark pricing.

Fortescue now has sales agreements for 39.5 million tonnes per annum which represents 88% of expected initial production of 45 million tonnes per annum. The profile of Fortescue's counterparties include 11 of China's currently ranked top 20 steel mills.

The recent price increase of 19% under the long term "benchmark" contracts held by BHP Billiton, Rio Tinto and CVRD reflects the continuing supply shortages that characterise the current status of the global iron ore market. The 2006 increase followed a 71% increase in 2005 which means that iron ore export prices have increased by over 100% since 2004.

The securing of long term contracts continues to be part of the procurement strategy of many of the world's larger steel mills. This fits comfortably within Fortescue's marketing plans of establishing long term relationships. Such relationships are being developed around technical support and to date a number of key international steel mills together with research bodies like China Central South University have successfully conducted trials on samples of Fortescue's Cloud Break ore derived from the mining program conducted at the Cloud Break deposit last year.

Yours sincerely  
**Fortescue Metals Group Ltd**

**Rod Campbell**  
Company Secretary

The New Force in Iron Ore