



Fortescue Metals Group Ltd

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8 May 2007

The Companies Officer
Australian Stock Exchange Ltd
Exchange Plaza
Perth WA 6000

Dear Sir,

Fortescue Metals Group Ltd provides the attached press release covering the renegotiation of an earlier off take and prepayment agreement with the Fengli Group Co Ltd.

Yours sincerely
Fortescue Metals Group Ltd

Rod Campbell
Company Secretary

The New Force in Iron Ore

PRESS RELEASE:**Long Term Iron Ore Off-take and Joint Venture Marketing & Port Agreements**

8th May 2007

Fortescue Metals Group Ltd (“Fortescue”) is pleased to announce the signing of a replacement long term iron ore off-take and investment agreement between Fortescue, its wholly owned subsidiary FMG Chichester Pty Ltd and the Fengli Group Co Ltd (“Fengli”).

On 12 October 2004, Fengli committed to an off-take arrangement for 4 million tonnes per annum over a 20 year term which included the making of a prepayment prior to the first delivery of iron ore from Fortescue.

In view of developments since October 2004 and the project capital raising in August 2006, the parties have agreed to terminate the original agreement and have concluded a replacement agreement.

The key terms of the replacement agreement are listed below

- Fengli is to take 9% up to a maximum of 4 million tonnes per annum (“Mta”) of Fortescue’s initial production of up to 45Mta as per the original agreement. The off take obligation commences from first production and rises with ramp up to the 45Mta initial production level. The off take agreement term is 20 years from first production. The product mix will be based on Fortescue’s production plan and priced as per the industry standard of annual price setting with relativity to similar premium iron ore products.
- Fortescue and Fengli have agreed to establish a 50 / 50 marketing JV to sell additional Fortescue iron ore tonnage into China of 8% of expansion tonnages up to a maximum of 4Mta as and when Fortescue is able to provide expansion tonnes (noting expansion above 45Mta is conditional on various consents & approvals and the first 5Mta of any expansion is committed to Baosteel). The product under this JV will be Fortescue’s recently announced product Rocket Fines and the JV steel mill customers must be approved by Fortescue.
- A business plan pursuant to the JV is to be finalised soon and it is agreed that Fengli will make available its new Yangtze River port facilities under construction at Jingjiang, Jiangsu Province, including relevant plant and equipment at advantageous commercial rates to facilitate the marketing and distribution of iron ore to the JV customers.
- Fengli has also agreed to make available to Fortescue premium long term office space within the Shanghai Bund business district. The offices will fully equip Fortescue's marketing effort for 20 years at a nominal rent.

The replacement agreement becomes effective on receipt by Fortescue of US\$25million being the proceeds for a share placement to Fengli of 1,086,957 FMG shares – c.A\$27.88 per share. As specified in the agreement, Fortescue has received a deposit of US\$3.75million and after the US\$21.25million balance is paid by end May 07, Fortescue will issue the shares to Fengli.

Fortescue is pleased to have expanded upon its original Fengli relationship established back in 2004. Fengli is one of China's largest privately owned metal distributors and is also a manufacturer of steel pipe products.

Fengli is adding to its existing port facilities at Zhangjiagang in Jiangsu Province by establishing stockpiling capacity at the nearby Jingjiang area on the Yangtze River.

This shipping and product handling facility will be a strategic asset in regards to product delivery "up river" to the steel makers that populate the upper Yangtze River. In recognition, Fortescue is in detailed discussions with Fengli regarding its "in bound" product handling and distribution capability.

Fortescue's Commercial Director Mr Russell Scrimshaw who negotiated the new agreement, commented that "the Fengli group is in a strong position in the Jiangsu Province on the Yangtze River industrial region which is recognised as China's most industrialised area. We are delighted to have developed this integrated relationship".

Mr Andrew Forrest, Chief Executive Officer of Fortescue, stated "Fengli and Fortescue have grown up together and Fengli is rapidly developing into one of China's foremost integrated metal distributors. Fortescue will continue to work closely with Fengli and others to ensure it optimises the distribution of its products throughout China".

ENDS:

FORTESCUE METALS GROUP LTD

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