



**Fortescue Metals Group Ltd**

ACN: 002 594 872  
87 Adelaide Terrace East Perth  
Western Australia 6004  
PO Box 6915, East Perth, Western Australia 6892

Telephone: + 61 8 6218 8888  
Facsimile: + 61 8 6218 8880  
Website: [www.fmgf.com.au](http://www.fmgf.com.au)

17 May 2007

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

**Subject: Long Term Iron Ore Off-take Agreement with Tangshan**

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Dear Sir/Madam,

In accordance with Listing Rule 3.1, Fortescue Metals Group Limited releases to the market the attached media release regarding a Long Term Iron Ore Off-take Agreement that was signed in Beijing today with China's third largest steel mill Tangshan Iron and Steel Group.

Regards

Rod Campbell  
Company Secretary

The New Force in Iron Ore



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## Media Release

17 May 2007

### **Long Term Iron Ore Off-take Agreement for up to 20 Mta with Tangshan**

Fortescue Metals Group Ltd (“Fortescue”) advises that together with its wholly owned subsidiary FMG Chichester Pty Ltd, it has signed an iron ore off-take agreement with China’s third largest steel mill Tangshan Iron and Steel Group (“Tangshan”).

At a formal ceremony in Beijing today, the companies have replaced pre-existing off-take agreements between the parties and signed a new and expanded agreement that provides for an increase in volume and an adjustment to the type of ore to be sold. In total the agreement provides for the sale of up to 20 million tonnes per annum (“Mta”) split into two stages.

In the first stage, Tangshan will progressively take 11% of production up to a maximum of 5Mta of iron ore once Fortescue reaches its initial base production target of 45Mta. This is as per the original agreement between the parties. The contract term is ten years.

Pricing is based on the annual industry benchmark relative to the BHPB and Rio Tinto market pricing for ores of similar capability to FMG products.

Tangshan will accept Fortescue’s “run of mine” product mix, which will include rocket fines, to fit within reasonable bounds of Tangshan’s annual production plan.

In addition to this amount, Tangshan has committed to purchase in a second stage up to a further 15Mta of Fortescue’s expanded production. The timing of such commitment is conditional on Fortescue increasing its production beyond its initial base tonnage of 45Mta. It should be noted that such expansion is subject to a number of approvals and consents.

The total Tangshan offtake tonnage, including that drawn from Fortescue’s initial base tonnage, will progressively ramp up to a maximum of 20mtpa over the contract period relative to Fortescue’s production volumes and subject to the abovementioned approvals.

In combination with the recently signed agreement with China’s largest mill Baosteel, and expansion tonne commitments from other Chinese companies, Fortescue now has contractual interest for volumes well above the stage 1 base of 45Mta. These commitments are based on a percentage of additional tonnages to facilitate the company’s ramp up program. Also included under the contract is a commitment to cooperate strategically in the pursuit of further opportunities created by the companies’ mutual capabilities.

The New Force in Iron Ore

Mr Russell Scrimshaw, Executive Director Commercial at Fortescue, noted that Tangshan's desire to contract for expansion tonnes is reflective of the strong demand from China's steel industry. "The development of a broad business relationship with Tangshan and a number of other key Chinese mills across a number of areas, including product development and exploration, further positions Fortescue as part of the supply chain for the world's largest iron ore market," Mr Scrimshaw said.

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**About Fortescue Metals Group Ltd:**

Fortescue Metals Group Ltd is the New Force in Iron Ore, with over 2.4 billion tonnes of resources, including 1.1 billion tonnes of reserves, already delineated from less than 10% of its 38,000 square kilometres of tenements, the largest holding in the Pilbara.

The company has been developing The Pilbara Iron Ore and Infrastructure Project since mid-2003 and is planning to commence shipping ore from Port Hedland in mid May 2008. The Pilbara Mining Alliance has been formed with Roche Mining to undertake the mining and processing operations. The company has off take commitments for its entire initial production target of 45 million tonnes of iron ore per annum and is also accumulating commitments for additional tonnages as and when production is expanded. Fortescue raised A\$3.27 billion to fully finance the project in August 2006.

Fortescue is listed on the Australian Stock Exchange under the code FMG and is included in the S&P/ASX 200 and MSCI Asia-Pacific indices.

For more information on Fortescue, visit [www.fmgl.com.au](http://www.fmgl.com.au).

**For further information, please contact:**

Graeme Rowley  
Executive Director  
Fortescue Metals Group Ltd  
Tel: +61 (0)8 6218 8888  
Mob: +61  
e-mail: [growley@fmgl.com.au](mailto:growley@fmgl.com.au)

Yves Noldus  
Director Corporate & Public Affairs  
Edelman  
Tel: +61 (0)2 9291 3332  
Mob: +61 (0) 419 185 668  
e-mail: [yves.noldus@edelman.com](mailto:yves.noldus@edelman.com)