



**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,

**FORTESCUE STUDYING EXPANSION OPTIONS TO 200 MTPA**

With Fortescue well progressed in implementing its Pilbara Iron Ore and Infrastructure Project, the Company has advised for some time that it is in the process of considering ways to improve project economics and position it for future expansion opportunities.

**The Pilbara Iron Ore and Infrastructure Project**

With the Company scheduled for First Ore on Ship in May 2008, it is being strongly urged by its customers to maximise ore production and begin distribution of iron ore products as soon as possible. This increased market demand is reflected in the additional iron ore off-take agreements entered into with customers over the last several months.

As a result, the Company is reviewing strategies to expedite the initial project construction plan, including bringing forward construction of the project's lump circuit which was originally contemplated to be commissioned in 2009. Other initiatives include increasing investment in the project's rail track and formation, in particular an early super lift of the rail to increase track capacity. These measures will increase iron ore available to market in 2008 and 2009 and the costs will be announced as soon as they are available.

In the evaluation of its options, the Company is aware of its undertakings under the Senior Secured Notes and is being advised on the requirements thereunder. While first stage project improvements and modifications contemplated in the initial project plans presented to the market are relatively straightforward, any more substantial expansion implementation will be addressed at the appropriate time with both the rating agencies and note holders. Fortescue is able to substantially expand after project completion as defined in the note documentation (2 million tonnes produced and shipped in any consecutive four week period).

**Fortescue Expansion Plans to 200 Mtpa**

Beyond the initial improvements to project capacity discussed above, the Company is examining more substantial production expansion opportunities to 200 Mt per annum.

The Company has appointed Citi (formerly Citigroup) and JPMorgan to advise on options that may potentially be used to raise circa US\$1 billion in the global project finance capital markets.

The Company is also discussing the potential for an Infrastructure Leasing Fund with major infrastructure investors and international banks for the project's port and rail assets which could provide capital for the expansion to 200 Mtpa.

Yours sincerely

**Fortescue Metals Group Ltd**

**Rod Campbell**

Company Secretary