



**Fortescue Metals Group Ltd**

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18<sup>th</sup> June 2008

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

Dear Sir,

**Agreement with Cazaly Resources**

Fortescue Metals Group Ltd ("Fortescue") confirms that it has entered into an agreement with Cazaly Resources Ltd ("Cazaly") in regards to the potential development of the Rhodes Ridge Project in the Pilbara region of Western Australia.

As noted by Cazaly in its release to the ASX today, the Rhodes Ridge Project is recognised as containing one of the largest undeveloped iron ore resources in Western Australia.

Cazaly has applied for exploration and prospecting licenses within the Rhodes Ridge Project boundaries and Fortescue has agreed that should Cazaly be successful in gaining exploration and development rights, Fortescue will provide development, marketing and financial assistance toward the ultimate sale of any mined iron ore from the project area.

Under the terms of the agreement, and conditional upon ministerial consent and grant of tenement rights to Cazaly and subsequent transfer of these rights to Fortescue;

1. Fortescue will pay Cazaly an advance on future royalties calculated at \$0.05 per tonne of any inferred JORC compliant resource contained in the Rhodes Ridge Project with an agreed minimum payment of \$20 million and an agreed maximum of \$100 million; and
2. upon the commencement of mining, Fortescue will pay Cazaly a royalty of:
  - (a) \$1 per tonne for the first billion tonnes ore of shipped;

The New Force in Iron Ore

(b) \$0.75 per tonne for any further ore shipped capped at 1.65 billion tonnes;

providing the royalty does not exceed \$50 million or 2% FOB revenue (net State royalties) per annum.

Yours sincerely

**Fortescue Metals Group Ltd**

**Rod Campbell**

Company Secretary