



Fortescue Metals Group Ltd

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29 August 2008

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

Dear Sir

**Extraordinary General Meeting “EGM”
Commitments for up to A\$450m**

Fortescue Metals Group Ltd (“Fortescue”) advises that it has lodged a Notice of Meeting in relation to a proposed change in Fortescue’s constitution to allow for the issuance of preference shares. The meeting is scheduled for Tuesday 30 September 2008, to be held at the Hyatt Hotel in Perth at 10am.

As articulated in the Notice of Meeting, Fortescue’s current constitution does not specifically provide for the issue of preference shares and therefore the amendments are sought to facilitate this ability. Preference shares are a form of funding that Fortescue intends to use in its broad capital raising program to finance its expansion plans for the port, rail and mine project.

As part of this program Fortescue is pleased to announce that it has received a subscription application for preference shares for an aggregate of A\$140 million. The subscription application is conditional on a successful vote at the EGM. The key terms of the proposed issue are;

- Dividend coupon rate of 9% fixed p.a. payable six monthly either in cash, or where cash distributions are not able to be made by Fortescue, additional preference shares or ordinary shares (calculated on the basis of the volume weighted average share price) as elected by Fortescue;
- Term of 8.5 years;
- Redeemable by Fortescue at any time subject to minimum 30 days notice;
- Preference shares to rank in priority to Fortescue's ordinary shares on a winding up and in relation to the payment of distributions; and
- Limited voting rights in accordance with the rights outlined in the Notice of Meeting.

Other funding options, including further preference share issues, are being advanced as part of an overall program to facilitate the expansion of the Project, including by the awarding of critical path construction contracts and long lead-time equipment procurement orders.

The New Force in Iron Ore

Fortescue also advises it has received product prepayment commitments for US\$275m from five Chinese steel mills for Fortescue's expansion production. These funds will be returned in line with product deliveries, amortised over a 5 year period from the scheduled first delivery date. To date, proceeds of US\$68 million have been received with the balance due progressively over the next few months. Proceeds from the prepayments will be used for general Project liquidity.

Yours sincerely

Fortescue Metals Group Ltd

Rod Campbell

Company Secretary