



**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.fmg1.com.au](http://www.fmg1.com.au)

19 December 2008

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

Dear Sir

**Shipping Contracts - Further Update**

Fortescue Metals Group Ltd ("ASX:FMG" "Fortescue") updates the legal status following the suspension or delay of a number of shipping contracts. Fortescue maintains its legitimate legal entitlement to suspend the contracts, nevertheless some ship owners are disputing Fortescue's right to take such action and they are seeking to publicise the situation with a view to furthering their cause. These disputes have led to a number of claims being lodged in the UK arbitration system (being the legal domicile for maritime disputes pursuant to the relevant contracts). The arbitration process for these claims is currently underway in London and Fortescue has engaged specialist UK maritime legal advisers.

The referral to arbitration of Fortescue's suspension of the contracts was expected by the company and the continuing operations of the business are not affected. The alleged face value of claims that have been suggested in recent press articles are considered by Fortescue to be ambit claims. Furthermore, any ultimate contract liability would need to have regard to a number of factors including the ship owner's obligation to mitigate losses and would likely be substantially less than the contract's alleged face value. One important element in the determination of mitigation is the difference between the volatile spot shipping rate and the contracted rates and this will change over time.

Accordingly any estimate of potential liability, if any, at this stage is not considered to be appropriate.

Fortescue is also aware that parallel claims have been lodged in courts within the US whereby orders have been granted that enable the court to impose a freeze on US denominated amounts that flow through US accounts. These funds are frozen as potential security for any payments that may be determined following the arbitration of claims currently ongoing in the UK and is a normal part of the process for claims of this nature. Fortescue advises that to date, less than US\$1.5 million has been frozen and Fortescue does not anticipate that the total value of funds frozen in this manner will be material.

Yours sincerely  
**Fortescue Metals Group Ltd**

**Rod Campbell**  
Company Secretary