



Fortescue Metals Group Ltd

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Media Release

Fortescue strikes Share Subscription Agreement with Valin

Perth: February 25, 2009: Fortescue Metals Group (“ASX:FMG” “Fortescue”) has announced an agreement with one of China’s leading steel mills, Hunan Valin Iron and Steel Group Company Ltd (“Valin”).

Under the terms of the Share Subscription Agreement signed late yesterday, Valin will subscribe for 225 million new shares issued by Fortescue at \$2.48 per share, for a total investment of A\$558 million.

Fortescue Metals Group Chief Executive Officer Andrew Forrest said investment from Valin, a top 10 Chinese steel mill with assets of over A\$10 billion illustrated the appeal of Fortescue and its importance in the global iron ore industry.

“Valin is one of the great Chinese steel industry success stories. Our ability to establish a long-term partnership with a key participant in China’s growing steel industry is compelling,” Mr Forrest said.

“This placement provides Fortescue with a cornerstone Chinese equity partner which will only enhance our ability to grow and prosper. The depth of the relationship and the combining of the shared growth interests of the two companies should facilitate enhanced access to China’s financial sector which would be of great benefit to Fortescue.

“It will provide a solid base from which to launch Fortescue’s expansion from 55 Million Tonnes per Annum (Mta) to 120Mta, when market conditions reach a level we are confident will underpin that expansion,” he said.

Valin Chairman Mr Li Xiaowei said the agreement was important to support Fortescue’s expansion.

“Valin is pleased to be able to provide Fortescue with the capital necessary to underpin the development of Fortescue’s impressive project pipeline, which will create new jobs and accelerate the growth of a world class mining company,” Mr Li Xiaowei said.

The share subscription is conditional upon approval from Australia’s Foreign Investment Review Board and Chinese regulatory approvals. It is also conditional on “in principle” approval from ASX Ltd that it will grant official quotation to the 225 million new shares. It is expected that all approvals should be received by end March 2009.

In addition to the Share Subscription Agreement, Fortescue has also signed a Co-operation Agreement with Valin (see separate announcement) which secures additional offtake for Valin and Hunan Valin Xiangtan Iron and Steel Co.

The New Force in Iron Ore

Also, in a separate and independent transaction, Valin has informed Fortescue that it has entered into a conditional agreement to purchase 275 million existing shares from a current Fortescue shareholder.

Therefore, if the Share Subscription Agreement gains the required regulatory approvals, Valin's equity in Fortescue will increase to more than 16 per cent of the expanded issued capital.

Reflecting the spirit of the Co-operation Agreement and Valin's new equity stake in Fortescue and subject to the satisfaction of the share subscription agreement and certain other requirements, Valin will be offered a seat on the Fortescue board, conditional on its equity interest in Fortescue being at least 10%.

In consideration of the sensitivities around foreign investment in Australian domiciled companies, the Share Subscription Agreement sets out:

- A standstill agreement which prevents Valin from having a relevant interest in more than 17.5 per cent of Fortescue's shares on issue;
- The one board representative from Valin must be the Valin chairman.

Fortescue also intends to establish appropriate corporate governance protocols in relation to Valin's board representation, which will include that Valin will not have representation on any of Fortescue's board committees or management committees, and will not be involved in marketing arrangements which affect supply or price.

"This agreement has been carefully structured from the outset to satisfy both the requirements and intent of Australia's foreign investment regulations, while providing Fortescue with access to additional capital," Mr Forrest said.

"Valin Chairman Mr Li Xiaowei will be a valuable contributor to the Fortescue board and will provide substantial skill and expertise to enhance the growth of Fortescue and Australia's mining sector."

Mr Forrest said the capital raised under the Share Subscription Agreement together with other funding alternatives options would further strengthen the robustness of Fortescue's balance sheet.

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About Fortescue Metals Group Ltd

Fortescue Metals Group Ltd is the New Force in Iron Ore.

The company shipped its first load of iron ore in May 2008, and is already Australia's third largest iron ore producer.

That production is backed by more than 4.5 billion tonnes of iron resources, including 1.6 billion tonnes of reserves, already delineated from less than 10% of its 73,000 square kilometres of tenements in the Pilbara region of Western Australia. The company boasts the largest holding in the Pilbara.

Fortescue has off-take commitments for its entire initial production target of 55 million tonnes of iron ore per annum and has accumulated commitments for additional expansion tonnages of some 100 million tonnes per annum.

Fortescue has successfully completed two major capital raisings with A\$504 million of equity raised in July 2007 and A\$3.3 billion through a combination of debt and equity, raised in August 2006.

Fortescue is listed on the Australian Stock Exchange under the code FMG and is included in the S&P/ASX 50 and MSCI Asia-Pacific indices.

For more information on Fortescue, visit www.fmgl.com.au.

About Hunan Valin Iron and Steel Group Company Ltd

Valin is one of the leading steel manufacturers in China, with its main production facilities located in Hunan Province. The company's products include steel pipes, bars, wires, sectional products, hot rolled steel plates, copper plate pipes and inner-twisted pipes.

The majority of the company's products are sold within China, with about 20% intended for the export market.

Valin is a commercial organisation with an international outlook. It owns a 33.9% stake in Hunan Valin Steel Co Ltd, which is listed on the Shenzhen Stock Exchange. ArcelorMittal is also an investor in that business with 33.0% of the company.

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