



## ASX - MEDIA RELEASE

### FORTESCUE ACHIEVES CHINA IRON ORE PRICE AND TOTAL VOLUME AGREEMENT FOR 2009

**Perth 17 August 2009:** Fortescue Metals Group Ltd (“Fortescue” “ASX”:"FMG”) has achieved a landmark agreement with Baosteel Group Corporation (Baosteel) and China Iron and Steel Association (CISA) for an agreed China price for all Fortescue iron ore sold to Chinese mills for the period July 1 to December 31, 2009.

The agreement, signed by Baosteel and CISA, commits Chinese steel mills to acquire approximately 20 million wet metric tonnes from Fortescue for the period between 1 July and 31 December 2009.

The agreed price is US\$0.94 / dry metric tonne unit (“dmtu”) for Fortescue’s Rocket Fines (on an FOB basis) and is around 3% under the price agreed by other Australian producers with non Chinese Steel mills. This price equates to approximately US\$55.50 per dry tonne for Fortescue grade iron ore. Fortescue has also agreed a lump price of US\$1.00/dmtu for high grade lump which is equivalent to approximately US\$61 per dry tonne FOB.

A condition subsequent to this agreement is the completion of finance by 30 September 2009, by Chinese financiers on terms acceptable to Fortescue. This is estimated by Fortescue to be an amount of US\$5.5 billion to US\$6 billion.

Under the Agreement, CISA has guaranteed that a priority will be given to FMG to negotiate iron ore prices for 2010 if the annual pricing negotiation is conducted.

Fortescue Chief Executive Officer, Mr Andrew Forrest, said the agreement breaks the market impasse which has enveloped the Chinese iron ore industry in uncertainty and added risk for the past 12 months.

“This groundbreaking agreement cements the strength of the bilateral relationship between Australia and China in which mutual issues can be resolved and future opportunities identified. It also creates a realistic and agreed iron ore price that delivers value for all parties and provides strong support for Fortescue’s continued growth” Mr Forrest said.

“The ongoing market speculation has promoted unprecedented iron ore and steel price volatility, which in turn has created extreme production uncertainties for Chinese steel mills and for suppliers setting individual contracts with those mills.

“This agreement eliminates that price uncertainty, sets a solid platform for Fortescue to deliver increased product into China and affirms our close working relationship with CISA and all Chinese steel mills.”

Fortescue notes that while the price of steel in China has nearly doubled over the past three months, it has fallen by 20% over the past 10 days alone, reflecting the continued volatility in the industry.

“This agreement highlights Fortescue’s extraordinary achievement of becoming, in only our first year of production, a critical element in the Chinese steel market and guarantees our short to medium term tonnage volumes and underpins cash flows irrespective of market volatility,” Mr Forrest said.

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