



11 September 2009

The Companies Officer
ASX Limited
2 The Esplanade,
Perth, WA, 6000

Dear Sir

Fortescue Shipping Contracts

Fortescue Metals Group ("ASX:FMG" "Fortescue") is pleased to announce it has reached agreement to settle its shipping dispute with Splendour Special Maritime Enterprise which is part of the Angelicoussis Shipping Group ("ASG") over its suspended time charter contract. Under the settlement agreement terms, ASG will discontinue its legal proceedings against Fortescue.

Following previous announcements regarding Fortescue's shipping contracts, including the announced settlements with Bocimar International NV and Classic Maritime, Fortescue has continued to review the contractual status of its remaining counterparties. In line with this process and following extensive negotiations with the Angelicoussis Group, Fortescue can advise the key terms of this settlement as follows;

- Fortescue is to pay to ASG an upfront amount of US\$5.25 million upon which the arbitration action in the United Kingdom will be withdrawn and the Rule B Attachment Orders sought in the United States will also be discontinued.
- Fortescue will restructure its future cargo obligations with ASG whereby three new time charters have been agreed with respective terms of 5 years each commencing progressively from October 2009 out to end June 2010;
- The freight rate under the restructured charter arrangement has been set at a base daily rate, which is slightly under the current market rate, plus a hire "incentive" payment of an additional 50% on the base rate. The incentive payment includes a profit share arrangement where the amount paid is reduced if future market rates trade above the base rate during the term of the charters. Under the share agreement if rates trade above the base rate up to the "incentive" rate, then all profits are retained by Fortescue. When rates trade above the incentive level, the profits are split 50 / 50 between Fortescue and ASG.

With ASG now settled, there remain three counterparties with whom Fortescue has suspended shipping contracts with tenures ranging from 3 to 5 years. Fortescue will continue to negotiate with these parties and expects to be able to reach satisfactory terms given its track record of mutually agreed settlement arrangements.

Yours sincerely
Fortescue Metals Group Ltd

Rod Campbell
Company Secretary