



22 December 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 a settlement agreement for its shipping dispute with SK Shipping Europe Plc ("SK Shipping") pursuant to two suspended ship charter contracts. Under the settlement terms, SK will discontinue its legal proceedings against Fortescue.

Fortescue has now successfully completed settlements with four counterparties and now only has two remaining vessels to finalise. Following extensive negotiations with SK Shipping, Fortescue can advise the key terms of the settlement are as follows;

- Fortescue is to pay SK Shipping an upfront settlement sum that equates to US\$10.17m for each of the two disputed vessels. Upon payment, the legal action initiated by SK Shipping will be withdrawn.
- Fortescue has restructured its future cargo obligations with SK Shipping whereby two new time charter vessels have been agreed with respective terms of 4 and 8 years.
- The freight rate under the restructured charter arrangements has been set at a base daily rate plus a hire incentive payment and includes a profit share arrangement.

As an update to the guidance provided on 24 February 2009 regarding Fortescue's potential damages estimate of US\$171 million, the quantum of the damages paid to SK Shipping together with amounts paid under the previous 2 settlements with Classic Maritime and Angelicooussis Shipping Group, are consistent with the advised estimate. The extent of any further liability pursuant to the two unresolved disputes should fall within the originally assessed exposure estimate.

Yours sincerely
Fortescue Metals Group Ltd

Rod Campbell
Company Secretary