

10 October 2010

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



Dear Sir

## **FORTESCUE REFINANCES FOR RAPID GROWTH**

With financing provided by leading global banks, Fortescue Metals Group Limited ("Fortescue or the Company") is now free to implement its Two Ports, Three Hubs mining strategy.

It will deliver, in terms of the mining industry, unprecedented growth by Fortescue in the direct ship iron ore sector.

Fortescue achieved this critical milestone through refinancing the Company's existing project-based Senior Secured Notes ("the Notes") with a US\$2.04 billion corporate bank facility.

The refinancing allows the Company freedom to implement funding options for its previously announced and advanced expansion plans for:

### **1) The Chichester Hub**

The first phase of the Chichester Hub expansion is very advanced with the rail extension from Cloudbreak to Christmas Creek 95% complete and the new processing plant at Christmas Creek on schedule and budget for commissioning. This expansion will be completed from operating cashflows.

### **2) The Solomon Hub**

Stage I feasibility study completed for a 60 million tonnes per annum (Mtpa) project with initial development awaiting final board approval.

Stage II mine and rail feasibility studies are advancing for a further 100Mtpa operation. Ongoing exploration in this region is also continuing to grow the resource size available to this proposed mine and infrastructure development.

### **3) The Pilbara Port (Fortescue's second port)**

Fortescue port studies and approval processes are advancing for Fortescue to be the major participant in a 350Mtpa port near Cape Lambert, known as the Pilbara Port.

### **4) The Western Hub**

A major exploration and pre feasibility study is underway in this exciting new area with a target of supporting a second 100Mtpa mine and rail line with port access through the Pilbara port.

The company has also established a number of other valuable projects that it is now free to evaluate, develop, joint venture or sell under the new corporate facilities.

These include multi-billion tonne magnetite projects, targeted and held wholly within Fortescue's Pilbara tenements. Currently these projects are targeted for joint venture or sale.

Further, over the past several years Fortescue has secured significant iron sands and coal targets in New Zealand and is now free to properly evaluate, and if approved, implement these projects.

As previously announced, the project-finance style covenants under the original Notes contained funding and operational restrictions, but also constrained the Company's ability to issue dividends and pursue any new development projects outside the Chichester Hub.

Fortescue Chief Executive Officer Mr Andrew Forrest said the new bank facility was a major leap forward for the Company.

"While coming at some cost, even though largely mitigated by the strengthening Australian dollar, Fortescue has now secured the pathway to realise our goal of becoming the world's best iron ore producer," Mr Forrest said.

"Fortescue has for some time been a very low debt to cashflow company.

"The Company stands on the cusp of becoming a world leading mining house with proven operational and leadership teams, mines and resources, infrastructure and financing options ready.

"Today's refinancing represents critical endorsement of the potential of our assets by world leading financial institutions."

The original Notes were issued in August 2006 and created the financial base upon which Fortescue (as a start-up company) constructed its initial mine, port and rail infrastructure. As discussed, the Notes largely restricted the Company to the Chichester Hub during the 10 year life of the Notes.

The Company has now transitioned to become an operating business of global significance, with strong cash flows and expansion plans significantly greater in scale to the Chichester Hub.

The Company has fully drawn the new bank facility. The redemption process for the original Notes will be completed in one month.

Mr Forrest said the value associated with the rapid development of Fortescue's assets outside of the Chichester Ranges far outweigh the premium of early redemption, particularly in Australian dollar terms where the falling US dollar effectively paid the redemption premium.

The key details of the new Bank Facility are as follows;

- Facility amount of US\$2.04 billion;
- Initial interest rate of 7.5% and linked to LIBOR;
- Maturity date is October 2015. Fortescue retains the right to prepay and the Lenders are provided with certain early termination rights and the ability to provide further financing; and
- Unsecured and moves to a secured if not refinanced by the Company.

In conjunction with the establishment of the new banking facility, Fortescue plans to procure corporate credit ratings which recognise its transition to a corporate debt structure.

Fortescue Chief Financial Officer Stephen Pearce stated: "The bank facility allowed Fortescue to buy back all outstanding Notes for a premium of approximately US\$650m, which as mentioned by Mr Forrest, was largely funded in Australian dollar terms by the recent sharp fall in the US dollar".

"Further, and more importantly, the Board concluded the new capital structure allowed the Company to expedite our planned growth plans by removing the restrictions contained within the original Notes.

"This is a significant step for Fortescue as we move to corporate financing underpinning our Company's capital structure into the future," Mr Pearce said.

The breakdown of the original Notes included:

- US\$250m @ Floating rate, fixed via hedge (due 2011);
- EUR315m @ 9.75% (due 2013);
- US\$320m @ 10.00%, (due 2013);
- US\$1,080m @ 10.625%, (due 2016).

"The redemption of the original Notes allows the implementation of the Solomon Hub expansion strategy," Mr Pearce said.

Yours sincerely

**Fortescue Metals Group Ltd**

Mark Thomas

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