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The Companies Officer
Australian Stock Exchange Ltd.
Exchange Plaza, 2 The Esplanade
Perth, Western Australia 6000

Dear Sir

Memorandum of Intent ("MOI") for Sales and Finance

Fortescue Metals Group Ltd (ASX code: FMG) continues to make rapid progress on the development of its $1.85 billion integrated Pilbara Iron Ore and Infrastructure Project. The Company is moving towards securing the necessary finance for the mining and infrastructure project (financial close) within twelve months and is confident that it will be issued with all relevant development project approvals within this timeframe. This will facilitate the delivery of iron ore to customers in 2006/07.

Sales

FMG is pleased to announce that it has signed a Memorandum of Intent ("MOI") with a major Chinese steel mill for a long term sales commitment of iron ore for 10 million tonnes per annum for 20 years. The Company and the steel mill have agreed for commercial sensitivity reasons not to disclose the identity of the mill. This MOI is highly significant because it takes FMG's iron ore tonnage under industry standard MOIs to 100% of planned output. These MOIs are anticipated to be converted into firm take or pay contracts ahead of financial close, at the conclusion of the project's feasibility study.

Finance

FMG is pleased to announce that this same major Chinese steel mill has also indicated its intent to assign the A$120 million in customer capital necessary to trigger the financing of FMG mines and the Pilbara Infrastructure Fund.

The catalyst to FMG's financing strategy is the requirement for A$120 million of customer capital to be committed to FMG prior to, or simultaneous with, drawdown of project finance. The key cornerstone financial support of this iron ore customer will precipitate the financing of the mines and processing plant which will, in turn, facilitate raising the capital for the Pilbara Infrastructure Fund - the new open access independent port and rail facility, created by FMG to service the new mines and processing plant.

The presentation detailing the company's financing strategy for its wholly owned iron ore deposits and licences is detailed in the presentation "FMG – Financing Strategy" which can be accessed on the FMG website www.fmgl.com.au. The reference to the A$120 million is on page 5 of the presentation.

Yours sincerely
Fortescue Metals Group Ltd

Chris Catlow	**Philip Kirchlechner**
Chief Financial Officer	**Head of Marketing**

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