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

Dear Sir,

FMG Signs Binding Sales Contract with A$10 million Prepayment

Fortescue Metals Group ("FMG") is pleased to announce the signing of a major formal contract to supply iron ore to a large regional steel mill in China.

FMG has secured a binding 20 year contract to supply two million tonnes of iron ore per annum to China's Hebei Wenfeng Iron & Steel Co Ltd in Wuan City in the Hebei Province near Beijing. An important feature of the agreement is the prepayment to FMG of A$10 million following Financial Close.

The contract is also significant in terms of its binding status and its timing having been achieved so quickly after the release of FMG's interim JORC results from Christmas Creek, showing sintered iron grades of up to 65% Fe with low impurities.

The agreement occurred after the ore type contracted had been subjected to a qualitative analysis of FMG's expanding resource portfolio. FMG has ensured the product grade target is correctly aligned to the customer's need.

One of FMG's clear marketing ambitions is to convert existing sales agreements signed as Memoranda of Understanding ("MOU") into binding agreements. Fortescue Metals intends to continue this process and will convert most of its existing MOU agreements into binding contracts through to Financial Close early next year.

The recent ASX statement of an additional 744 million tonnes of JORC compliant resource indicated some 126 million tonnes assessed within the high grade product category. Metallurgical work done to date indicates that the balance of this resource can be beneficiated to product grades above 60% Fe and with low phosphorous impurities.

The Wenfeng contract confirms that FMG is able to provide a genuine and competitive alternative supply source for the fast growing import markets within East Asia and China.

Yours sincerely
Fortescue Metals Group Ltd

Chris Catlow
Chief Financial Officer