Fortescue Metals Group Ltd
ACN: 002 594 872
Fortescue House
50 Kings Park Road West Perth
Western Australia 6005
PO Box 910, West Perth, Western Australia 6872

Telephone: + 61 8 9266 0111
Facsimile: + 61 8 9266 0188
Website: www.fmgl.com.au

6 October 2004

Media Release

FORTESCUE METALS BREAKTHROUGH CONTRACT WITH INTERNATIONAL STEEL MILL

Fortescue Metals Group Limited (ASX : FMG) today announced a formal contract to supply international steel mills with iron ore from the company's developing Pilbara Iron Ore and Infrastructure Project in Western Australia.

The 20 year contract is for Fortescue Metals to supply two million tonnes of iron ore per year to Hebei Wenfeng Iron & Steel Co. Ltd, a subsidiary of the Hebei Wenfeng Industry Group based in Wuan City. Under the agreement terms Wenfeng will make a prepayment to Fortescue Metals of A$10 million payable after Financial Close.

"Significantly, the Hebei Wenfeng contract is a firm endorsement of the quality of our calcined product specifications, and the strong market desire for supply diversity," Mr Forrest said.

"Considering that the binding contract has come so quickly after the establishment of our pivotal Christmas Creek resource through the independent JORC analysis, it is clearly a milestone contract that further underpins the ongoing development of our vast Pilbara resource.

"This binding contract with Wenfeng, we believe will be the catalyst for many of our Memoranda of Understanding (MOU) with other steel mills to make similar conversions from MOU's to a binding contract," Fortescue Metals' Chief Executive Officer, Mr Andrew Forrest, said today.

The contract is worth more than A$1 billion over the supply period, based on today's general pricing levels for sea-borne traded iron ore.

It follows the release last week by Fortescue Metals of a JORC-endorsed resource definition of 744 million tonnes of Pilbara Marra Mamba mineralization from its WA deposits.

The mineralization returned an average iron ore grade of 56.4% Fe in ground, with independent tests indicating the material can readily beneficiate to grades well in excess of 60% Fe, and with low phosphorous impurities.

"We are confident the contract will be the forerunner of a long-term relationship with Hebei Wenfeng Iron & Steel and other China steel mills seeking secure supply positions from within Australia's untapped iron ore potential," Mr Forrest said.

Hebei Wenfeng Industry Group

The Hebei Wenfeng Industry Group operates in several key business areas. Its steel mill operations employ over 3,500 workers across a 1,200 acre site near Wuan city in the Hebei province of China close to Beijing.

Annual production is currently around 2.5 million tonnes of steel, principally continuously cast steel billets, light rails and angle steel. It's operations are profitable and are forecast to rise to meet growing domestic demand.

MEDIA CONTACTS:

Andrew Forrest
Fortescue Metals Group (FMG)
08) 9266 0111 / 0402 097 191

Kevin Skinner
Field Public Relations
(08) 8234 9555 / 0414 822 631

Other Pilbara project developments announced recently by Fortescue Metals Group Limited

- China's largest construction group, China Railway Engineering Corporation (CREC), executing a binding agreement to build and finance the railway component of Fortescue Metals' Pilbara iron ore project. The contract covers the bulk of the project's independent rail and iron ore rolling stock system, including a rail line from Fortescue Metals' proposed mine sites in the Pilbara to Port Hedland, the export hub for the province's iron ore shipments.

- Interim resource estimates for its lead Chichester Ranges tenements totalled 744 million tonnes of Pilbara Marra Mamba mineralisation with an average grade of 56.4% Fe in ground as classified under the JORC code. It has over 1.1 billion tonnes now in the independent JORC classification of resources.

- Release of comprehensive environmental report on Stage A of the proposed $1.85 billion iron ore project.

- Agreement with Aboriginal Elders representing the indigenous community within the East Pilbara region. The agreement relates to access to a highly prospective mineralisation site within part of the Company's Christmas Creek tenement area.

- Christmas Creek deposit chosen as focal point of Fortescue Metals' iron ore project, with significant cost savings and other economic benefits.

- Dr John Clout - one of Australia's foremost CSIRO experts in iron ore processing and internationally recognised for advising companies including Rio Tinto, Hamersley Iron, Robe River, Portman Mining, OneSteel and BlueScope – appointed as Fortescue Metals' full-time Head of Resource Strategy.

- A share allotment raising $7 million sees JF Capital Partners Ltd - part of the JPMorgan Fleming Asset Management Group - join the expanding list of international institutions to partner Fortescue Metals in its commitment to build a major group in the iron ore industry.

- Appointment of internationally-renowned Worley Group Limited as the Definitive Feasibility Study Manager for the project. To ensure first iron ore deliveries by the mid 2006-2007 financial year, completion of the Definitive Feasibility Study is aimed for the first quarter of 2005

- Fortescue Metals makes application to the National Competition Council under Part 111A of the Trade Practices Act 1974 "for declaration of a service provided through use of a facility" in order to gain access to BHP Billiton's Pilbara railway.