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The Companies Officer
Australian Stock Exchange Ltd.
Exchange Plaza
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Dear Sir

Mining Feasibility Study Completed

- Snowden's Mining Feasibility Study confirms mine plan for Cloud Break and Christmas Creek to deliver 45 million tonnes of consistent grade iron ore per annum.
- Ramp up to annualised rate of 45 million tonnes within the first 15 months from the date of first ore shipment.
- 20+ year mine life based on 1.1 billion tonnes of Reserves.
- Life of mine cash operating costs for Cloud Break at A\$6.26 per tonne, Christmas Creek at A\$7.78 and average over the whole project of A\$7.06.

Fortescue Metals Group Ltd ("Fortescue") is pleased to announce that its independent consultant Snowden Mining Industry Consultants ("Snowden") has completed the mining feasibility study for the first stage of the Pilbara Iron Ore Project. A comprehensive mine plan and schedule has been developed for Fortescue's first flagship deposits at Cloud Break and Christmas Creek.

The mine plan schedule provides for a production rate of 45 million tonnes per annum ("Mt/a") to be achieved within 15 months of first ore shipment. The plan is based on the development of a number of open-cut mining pits at Cloud Break and subsequently at Christmas Creek.

The cash costs of the mining operation are provided in the following table and include:

- Mining cash cost as produced under the Snowden study
- Ore Preparation Centre costs
- Port and rail costs from mine to point of sale (FOB) at port.

The table sets out costs for each of the Cloud Break and Christmas Creek mine sites and are shown in both US and Australian dollars. The combined project costs are also shown as they represent the average over the initial 20 year mine life profile. This mine life is covered by existing Fortescue Reserves as reported in accordance with the JORC code. Reserve studies are ongoing to convert more of Fortescue's 2.4 billion tonnes of Mineral Resources delineated at Cloud Break and Christmas Creek.

Estimated Per Tonne Costs		Cloud Break		Christmas Creek		Combined	
		US\$/tn	A\$/tn	US\$/tn	A\$/tn	US\$/tn	A\$/tn
1	Mining Cash Cost	4.38	6.26	5.45	7.78	4.94	7.06
2	Ore Preparation Costs	0.60	0.85	0.60	0.85	0.60	0.85
3	Port and Rail Cash Cost	3.15	4.50	3.15	4.50	3.15	4.50
1+2+3	Cash Cost– to ship FOB	8.13	11.61	9.20	13.13	8.69	12.41

** tn represents wet metric tonne of shipped product; exchange rate across life of mine assumed A\$1 = US\$ 0.70*

In addition to the operating cash costs a total product cost to port will include a capital charge to account for the leasing of both the mining and ore preparation equipment. A further charge is provided to take account of a contractor's margin. The following table takes the total cash costs represented above and combines these additional costs to produce a financed mining cost to port.

Estimated Per Tonne Costs		Cloud Break		Christmas Creek		Combined	
		US\$/tn	A\$/tn	US\$/tn	A\$/tn	US\$/tn	A\$/tn
1	Cash Cost FOB	8.13	11.61	9.20	13.13	8.69	12.41
2	Finance charges & contractor margin	2.42	3.46	2.72	3.90	2.59	3.70
1+2	Total Cost to ship FOB	10.55	15.07	11.92	17.03	11.28	16.11

The relatively friable overburden and the flat lying nature of the ore bodies make them amenable to low-cost mining techniques. Overburden removal will be by a combination of bucket wheel excavators and traditional excavators. Much of this material will then be moved by conveyors which reduces exposure to variable costs such as fuel prices and mining consumables (eg. tyres).

The mine plan as developed within the Snowden Study allows for the adoption of continuous surface miners as used in the coal industry. Fortescue has conducted extensive trials of the continuous mining machines at its Cloud Break deposit over 2005. These studies proved conclusively that the continuous miners are well suited to Fortescue's flat and shallow Marra Mamba ore bodies.

The key advantages of the continuous miner were determined as:

- selective mining to maximise the yield of the Reserve,
- improvement in grade control management,
- cost savings associated with no drilling and blasting within the ore body together with eliminating the requirement for primary crushing.

The mining program will also benefit from backfilling as the mining proceeds along the ore body. This allows for shorter waste movements, reduced out of pit stockpiling and less on-grade haulage and will result in reduced environmental impacts. The land is to be re-contoured and re-seeded to its original form as part of the mining process. This avoids the production of large waste dumps requiring expensive rehabilitation as is currently the case with other Pilbara deposits.

After the ore is extracted it will be transported to a central Ore Preparation Centre via a conveyor system. This Centre includes a crushing and screening plant together with an ore washing unit and is designed to process Fortescue's deposits from its 200 kilometre portion of the Chichester Range. Within these tenements are the Cloud Break and Christmas Creek deposits containing the 1.1 billion tonnes of Reserves announced in December 2005. Snowden is currently updating Fortescue's Reserve estimate and the results of this work will be released shortly.

Snowden's study also schedules the capital equipment requirements to ramp up to the initial production target of 45Mt/a. Through working with relevant equipment manufacturers such as MAN Takraf, Wirtgen, Voest Alpine, Caterpillar, and Komatsu, Fortescue has selected equipment that can be procured and commissioned in the timeframe required under the program. Fortescue plans to lease this equipment together with the plant contained within the Ore Preparation Centre.

Assuming the 2005/06 benchmark prices for Australian iron ore, Fortescue estimates that it would realise a selling price of A\$46.50 per wet tonne of its planned product FOB Port Hedland (net of Govt. royalties). With the total estimated production cost of A\$16.11/tn, Fortescue would generate an EBITDA margin of approximately A\$30/tn.

Based on a production target of 45Mt/a, this would translate to EBITDA earnings of c.A\$1.3 billion. While noting that future iron ore prices will vary from current levels, this gives some indication of the quantum of projected earnings. Importantly it gives guidance as to the cash flow that may be available to finance the estimated infrastructure capital costs of A\$1.92 billion relating to the rail and port as contained in the "Control Estimate" announced last week.

Fortescue and its financial advisors are confident that these robust economics will deliver a favourable financing outcome for shareholders.

Due to the substantial investment undertaken to establish its major port and rail infrastructure base, Fortescue's medium term production schedule is already planning to expand from 45Mt/a to 60Mt/a as soon as operations allow. Fortescue has established product blends that recognise the technical needs of some of the world's fastest growing steel mills and the Company will expand its production further as the market demands.

Yours sincerely

Fortescue Metals Group Ltd

Rod Campbell

Company Secretary