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

Dear Sir

US$400 million Investment Deal Signed with Leucadia
A$535 million equivalent

Fortescue Metals Group Ltd ("Fortescue") is pleased to announce that it has signed a Subscription Agreement ("the Agreement") with Leucadia National Corporation ("Leucadia") for an investment of US$400 million in Fortescue.

Leucadia has been well known to Fortescue for some years as one of New York's most consistent high performing companies. Leucadia has a market capitalisation of some US$5.8 billion and has delivered an annual compound return of 25% since 1979.

Under the Agreement Leucadia will pay US$300 million for a placement of 26,400,000 Fortescue shares. This represents just under 10% of the expanded issued shares on a fully diluted basis and equates to a value per share of A$15.20 each based on the current AUD / USD exchange rate.

Pursuant to the Agreement Leucadia will also invest a further US$100 million under a loan note with a term of 13 years from signing. Interest under the note is calculated as 4% of the revenue, net of government royalties, from the sale of iron ore FOB Port Hedland from the tenements of the Cloud Break and Christmas Creek areas only. Accordingly the interest is only payable when Fortescue is in production and is only relevant to iron ore produced from these two tenement areas for a period 13 years from the date of financial close.

The subscription for the shares and the note is conditional on reaching financial close, which is described as the date when the Fortescue Group raises the total debt capital (including leases) of a minimum of US$2 billion to finance the project. The terms of the debt capital package must be acceptable to Leucadia. If this condition is not satisfied or waived by 31 December 2006, either party can withdraw from the Agreement.

Other key terms of the note are that it is unsecured and deeply subordinated to any secured debt. In the event that an interest payment is earned but not payable due to secured lender restrictions, the amount unpaid will accrue interest at a market interest rate until payment is made.

On reaching Financial Close the company will immediately issue the shares and the note to Leucadia. The introduction of the Leucadia investment will provide the requisite equity to enable completion of Fortescue's project financing.

Fortescue is very pleased to have Leucadia as a strategic equity partner particularly given its profile within the international capital markets. As an indication of Leucadia's financial strength as at 31 March 31 2006 it had cash and marketable securities for new investments of approximately US$2.1 billion. For the year ended December 31, 2005, Leucadia reported revenues of US$1.04 billion and had total assets of US$5.3 billion and common shareholders' equity of US$3.7 billion.

As background to the group, Leucadia National Corporation is a New York Stock Exchange listed holding company engaged in a variety of businesses, including mining, manufacturing, telecommunications, real estate activities and agricultural operations. Leucadia has existing interest in resources and is involved with the development of a copper mine in Spain together with on-shore oil and gas contract drilling. Since 1979 (the first full year of current management) through to 2005, the market price of a Leucadia common share has had a compounded at an annual growth rate of approximately 25.1%.

Leucadia will have Board representation as it is entitled to nominate one director (and alternative thereof) whilst ever it holds more than 13,200,000 shares or more that US$50,000,000 in notes.

Fortescue welcomes Leucadia as a major investor in the group and is looking forward to a long and mutually rewarding association.

Yours sincerely

Fortescue Metals Group Ltd

Rod Campbell
Company Secretary

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