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NEWS RELEASE

Fortescue completes \$A2.7 Billion Debt Underwriting

Perth, 14 August 2006: Fortescue Metals Group Ltd (Fortescue, ASX:FMG) has entered into a Purchase Agreement on 11 August, 2006 with Citigroup Global Markets Limited ("Citigroup") to underwrite the sale of the equivalent of A\$2.7 billion of secured debt to international institutional investors.

Mr. Gordon Toll, Chairman of Fortescue said "This is a really significant milestone in the continued development of Fortescue and its Pilbara Iron Ore and Infrastructure Project.

"On settlement this Friday Fortescue will raise a total amount of A\$3.23 billion equivalent being the concurrent receipt of the debt and equity capital.

"The establishment of this capital base is a thorough endorsement of veracity of the company's objective to create a new iron ore mining and infrastructure business.

"This financial platform will ensure the continuing rapid develop of the project that commenced construction in February

"The A\$2.7 billion debt offering is one of the world's largest for a project finance deal within the high-yield bond market and the transaction will also be the largest high yield bond issue out of the Asia Pacific region. "

Citigroup acted as sole book runner and sole global lead manager for the offering and Jefferies & Company, Inc. acted as co manager. The spread of institutional support came from across the globe being approximately 65% from the North America, 20% from Europe and 15% from Asia.

Proceeds from the debt offering will be used to finance construction costs for developing Fortescue's Cloud Break and Christmas Creek iron ore mines and related infrastructure.

Total expenditure on the Project was approximately A\$217 million through to July 2006 including expenditure for work on the port facility that commenced in February 2006.

Fortescue believes that the total capital derived from this debt offering together with the company's equity capital and equipment leasing will provide the necessary funds (inclusive of a contingency reserve of A\$684 million) to finance the remaining construction and procurement costs of the Project.

Settlement of the debt offering is scheduled for 18 August 2006 (New York time) and is subject to certain consents and customary closing conditions.

The debt will consist of:

- US\$250 million of Senior Secured Floating Rate Notes due 2011;
- US\$320 million of 10.0% Senior Secured Notes due 2013;
- €315 million of 9.75% Senior Secured Notes due 2013; and
- US\$1,080 million of 10.625% Senior Secured Notes due 2016.

The Notes have received credit ratings of Ba3 from the international rating agency Moody's Investors Service and BB- from Standard & Poor's Ratings Group. They will be listed on the Singapore Exchange Securities Trading Limited.

The final Offering Memorandum relating to the debt offering, including pricing terms, is also being lodged today with the Australian Stock Exchange.

As previously announced, Leucadia National Corporation will be investing US\$400 million (US\$300 million in equity and US\$100 million in subordinated debt) at the same time as the settlement of the debt offering.

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Background on Fortescue and its Project

Fortescue is listed on the Australian Stock Exchange and currently has a market capitalisation of A\$2.48 billion.

Fortescue is developing its 45 million tonne per annum Pilbara Iron Ore and Infrastructure Project (the "Project"). This involves constructing and operating iron ore mines (Cloud Break and Christmas Creek) in Western Australia to produce 45 million tonnes per annum; and constructing and operating rail and port infrastructure transport the iron ore for shipment to customers in Asia.

The Project is located in the iron ore-rich Pilbara region of Western Australia. This region contains one of the world's largest iron ore resource bases. Over the past 40 years, approximately 3,500 million tonnes have been shipped from the region and, in 2005, exports from Western Australia accounted for 30% of the world's total seaborne traded iron ore.

The Project will comprise open cut mines principally utilizing bucket wheel excavators and conveyors for overburden removal and surface miners and conveyors for iron ore mining, with a conventional crushing and screening plant to conform the iron ore to the required product sales specifications. A 260 kilometre railroad with loading and unloading facilities and loops at each end will be constructed between the initial mine at Cloud Break and Port Hedland, which is on the coast of Western Australia. The new port facility at Port Hedland will comprise a stockpile area, stackers and reclaimers, associated conveyor equipment, a ship loader to a berth and lay-by berth to facilitate exports from the port.

The vast majority of construction for the Project will be managed through an overarching Engineering Procurement and Construction Management ("EPCM") contract with WorleyParsons Limited, a large Australian engineering company. Fortescue and WorleyParsons have formed an integrated Project delivery team ("Team 45") with the goal of bringing maximum transparency and control to the construction process. Mining-related construction will be undertaken by Roche Mining Pty Ltd under a similar alliance contract.

Considerable preliminary development work has been completed including geological work, product quality testing and definitive feasibility studies in relation to the mines and the port and rail systems. Construction of the port began in February 2006. Pending receipt of certain approvals, construction works associated with development of the rail system is expected to begin in the third quarter of 2006. Trial mining began in November 2005 and construction of the mine facilities is expected to commence in the second half of 2006.

Key attributes of the Project include:

- robust global demand for iron ore and particularly out of China and more broadly Asia
- expected to be one of the lowest cost producers in the world
- current reserve estimates providing for a mine life of over 20 years
- sales contracts already in place for Fortescue's marra mamba iron ore products
- simple operations for both mining and infrastructure with low technical risk
- Fortescue's management has significant experience in major project development and operations, including iron ore mining and port and rail infrastructure in the Pilbara.