



**Fortescue approves US\$8.4 billion investment
to expand production to 155Mtpa**

Perth; November 19, 2010: Fortescue Metals Group Ltd (Fortescue) (ASX: FMG) has approved plans to expand its production from 55 million tonnes per annum (Mtpa) to 155Mtpa.

The approval sets the platform for a major US\$8.4bn works and procurement expansion program to commence at Fortescue’s Chichester and Solomon Hubs.

“This decision will enable Fortescue to leverage its existing infrastructure and its massive land holding across the Pilbara to exponentially increase product sales within key markets of Asia, Europe and Australia,” Fortescue’s CEO Mr Andrew Forrest said.

“After years of planning for the next phase of development, the depth of management experience and breadth of construction and operational expertise will enable Fortescue to rapidly achieve its growth ambitions within a sector that is underpinned by an extraordinary demand profile,” Mr Forrest added.

Fortescue’s Board approved the expansion plans after assessing the recently completed Solomon Stage 1 feasibility study and a full review of the detailed planning for the Chichester Hub expansion. The decision to proceed was enabled by the recent highly successful refinancing of Fortescue’s debt facilities.

Budget and Schedule

The total capital expenditure budget, for construction of the infrastructure platform together with the procurement of the materials handling equipment including rail consists, is US\$8.4bn. The strategy for contractor versus owner mining has yet to be finalised and therefore the cost of any mobile mining equipment, should it be acquired by Fortescue, will be in addition to this amount.

The project will be managed in three distinct work programs as shown below:

Work Segment	Description of Program
Port & Rail Budget US\$4.6bn	Expansion of the existing port, train unloader and the main line rail network, including construction of the new rail line to the Solomon mining area.
Chichester Mining Hub Budget US\$1.5bn	Brownfield development of the existing Chichester mines to lift total Fortescue production to 90Mtpa across the Cloudbreak and Christmas Creek mining operations.
Solomon Mining Hub Budget US\$2.3bn	Greenfield development of Solomon Stage 1 covering two mining operations at Firetail and Kings together with related infrastructure.

Port & Rail

In making this announcement Fortescue acknowledges that the Port Hedland Port Authority (PHPA) has given it priority to ship 120 Mtpa from Fortescue's port facilities. Fortescue will ship up to 155 Mtpa using any additional capacity that is available. The current configuration of Fortescue's port equates to installed capacity of 55Mtpa based on two berths and a single in-load and out-load system. The approved works program will enable the construction of an additional two in-load and out-load circuits. The PHPA has currently allocated capacity to Fortescue for the construction of two additional berths at the Port. Fortescue intends to seek approval for a fifth berth to increase the efficiency of its operations. Some preliminary port works have already commenced and completion is scheduled for the December Quarter 2012.

The rail works program includes the duplication of some 120km of existing track, the construction of a new 130km spur line out to Solomon, the construction of four new bridges and the completion of two new rail loops at the port to deliver into a new dual train unloader for conveying to an expanded port stockpile area. Fortescue is advanced in engaging contractors it has strong working relationships with to commence earth works in early 2011 for the main line duplication. The program also includes the complete upgrade of the existing signaling system. The construction of certain parts of the rail works (including the connection to the Solomon mines) are subject to a number of consents and approvals which are expected in 2011.

Chichester Hub

The expansion of operations will enable 90Mtpa to be produced from the Chichester Hub by Fortescue. Output from Cloudbreak will be maintained at its current production level of approximately 35Mtpa and Christmas Creek production will be expanded to approximately 55Mtpa through additional processing facilities and increased mining activity. In addition, there is 5Mtpa of planned production from the BC Iron/Fortescue 50:50 joint venture.

The Christmas Creek expansion will comprise the construction of a second Ore Processing Facility (OPF) adjacent to the existing OPF, utilising much of the current stockpile and train load-out infrastructure. A new primary crushing hub will be located to the east of the central OPF facilities with an overland conveyor system connecting the two facilities. Additional investment will be made in other infrastructure for utilities, accommodation and water management. Works are scheduled to commence in the March Quarter 2011 with targeted completion by end 2012.

Solomon Hub

The greenfields development of the Solomon Stage 1 Hub is still subject to the delivery of a number of consents and approvals which are expected in early 2011. Construction is expected to commence in the June Quarter 2011. The development will be a two stage process with an initial OPF for the Firetail Brockman product and then a separate OPF for the Kings Channel Iron Deposit product.

The mining areas are 25km apart and the processing will be different for the two types of ore. Other planned infrastructure includes a central 2,500 person camp, an airstrip, power station and an overland conveyor system that takes product from both OPFs to a centralised train load-out facility.

Direct ship ore export is forecast for the September Quarter 2012 with first ore through the OPF exported in the September Quarter 2013.

Finance

The expansion will be funded through one or more new bank or bond debt facilities, cash on hand and cash flow from operations. The mix of external debt and cash flows will depend on market factors including iron ore price. In accordance with the recently issued 2015 Unsecured Notes, Fortescue is permitted to incur additional indebtedness.

The company will continue to monitor the level of internal cash flow and the capital expenditure profile through the term of the construction period to ensure that sufficient liquidity exists to provide for the safe and timely delivery of the expansion program.

The expansion capital budget has been estimated using an assumed exchange rate of 1:1 for the AUD to USD. Fortescue will monitor the exchange rate risk of the capital budget as there is a significant percentage of expenditure denominated in AUD.

Conclusion

“Fortescue is transforming to be a bigger, faster and more innovative company focused on delivering a low cost, high volume and safe working environment,” Fortescue Development Director Peter Meurs said.

“To achieve the expansion timetable, Fortescue will spend capital of US\$8.4bn over a planned 30 months, which at the peak of construction will equate to approximately US\$26m per day.

“Early works undertaken all the way through and prior to the Global Financial Crisis (GFC) has given Fortescue a very strong and competitive lead to its current expansion program. These include dredging of the third berth and pouring of the concrete foundations for a second and third train unloader at Port Hedland. This is providing a huge advantage and momentum to the expansion. Assembly of long lead items such as stackers, reclaimers and shiploaders which had commenced prior to the GFC, is now progressing strongly.

“Fortescue has a proven ability in expedited construction and operations ramp-up. The record construction of the initial mine, port and rail business and the rapid delivery of the increase up to 55Mtpa (due for completion in February 2011) provides proof of the Company’s focus and capability to provide a platform for the next phase of development,” Mr Meurs said.

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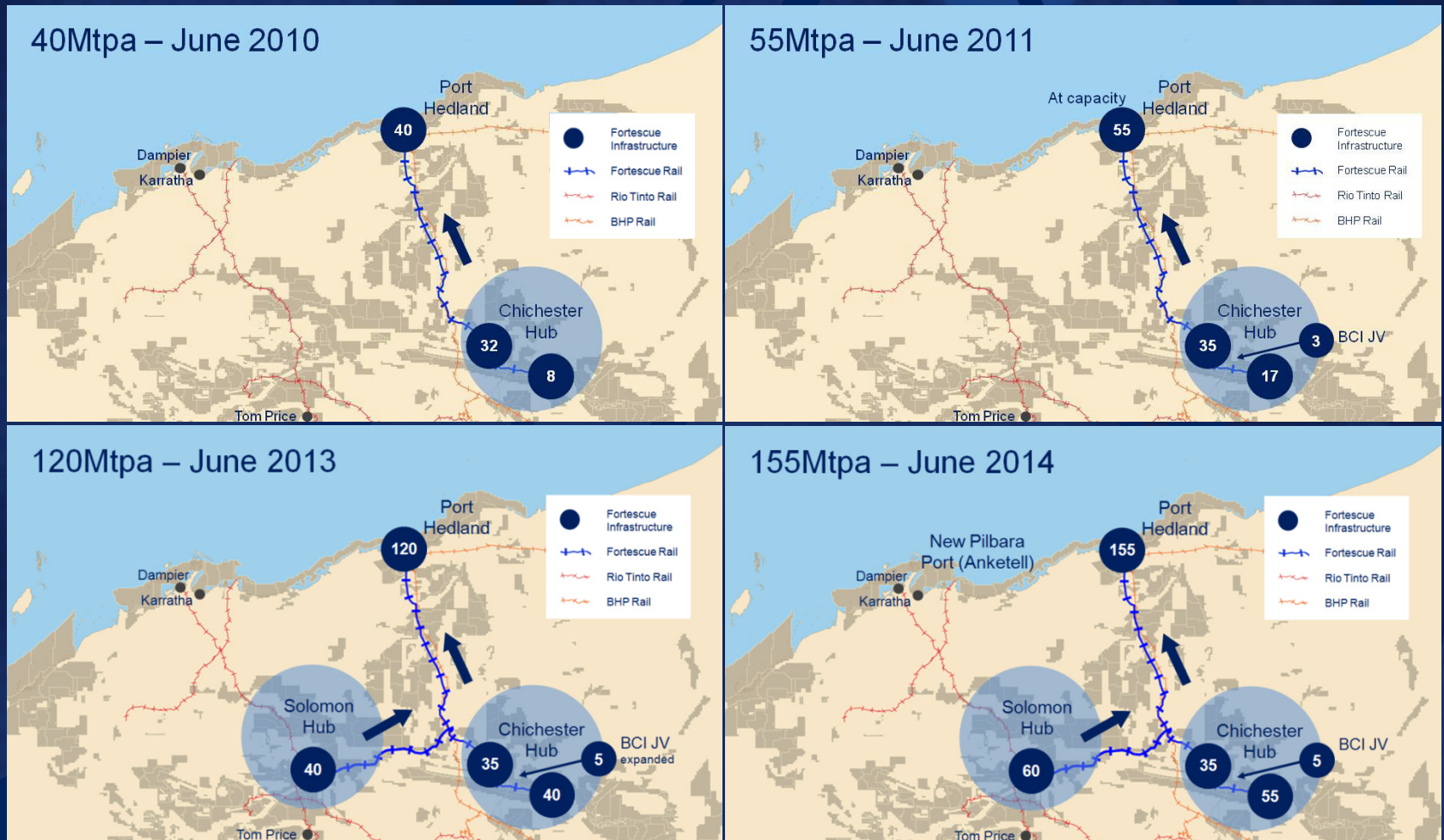
Fortescue Forging Ahead

19th November 2010



Fortescue
The New Force in Iron Ore

The path to 155Mtpa



Note: BCI JV is 50% Fortescue owned



Progress update 40 – 55Mtpa

Doing what we said we would do, again

- 50km rail extension to Christmas Creek completion mid December 2010
- New construction camp for 1,340 people fully commissioned
- Stacker on site and being assembled
- CSI Ore Processing Facility (OPF) will be in production March Quarter 2011

 **On schedule, within budget**

55 – 155Mtpa Expansion

Truly transformative program

**What this
means for
Fortescue**

- Bigger
- Faster
- Lower cost
- Safer
- More innovative

Production to increase

 180%

- 55Mtpa rocket + 35Mtpa rocket = 90Mtpa
- + 5Mtpa BC Iron Brockman
- + 20Mtpa Solomon Brockman BID + DID
- + 40Mtpa Solomon Channel Iron CID

Capital spend

US\$8.4Bn

Over 30 Months

Capital spend by program

US\$Bn	Mine	Port and Rail ¹	Total ²
Chichester Hub	\$1.5	\$1.5	\$3.0
Solomon Hub	\$2.3	\$3.1	\$5.4
Total	\$3.8	\$4.6	\$8.4

¹ Includes allocation of shared infrastructure across mining hubs.

² The strategy for contractor versus owner mining has yet to be finalised and therefore the cost of any mobile mining equipment, should it be acquired by Fortescue, will be in addition to this amount.

Rail

**550km
of track** From 300km
existing **↑ 80%**

- 300km existing + 120km of duplication + 130km new track
- 5 existing consists + 7 new consists = 12 (+140%)
- 5 existing trains per day + 10 new trains per day = 15

New major infrastructure

- 1 Train loader
- 2 Train unloaders
- 4 Stackers
- 4 Reclaimers
- 2 Shiploaders
- 3 ROM Pads
- 3 OPFs
- 3 Stockyards
- 2 Airports
- ~ 300km of roads
- ~ 45km of conveyors
- ~ 300km of pipelines

 **Fortescue to triple in size**

Mining fleet

333

Mining fleet
items (from 220)

- From 16 to 35 Excavators
- From 26 to 33 Surface miners
- From 178 to 265 Trucks

Forging Ahead

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The New Force in Iron Ore