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2 March 2006

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

Dear Sir

**FORTESCUE TO VIGOROUSLY DEFEND ASIC PROCEEDINGS – IRON ORE
PROJECT REMAINS ON TRACK**

Fortescue Metals Group Ltd ("Fortescue") advises that it has been informed by the Australian Securities and Investment Commission ("ASIC") that it intends to commence legal proceedings against Fortescue and its Chief Executive Officer in relation to market disclosure of certain agreements signed by the company in 2004.

The agreements in question relate to those signed with China Railway Engineering Corporation ("CREC"), China Harbour Engineering Corporation ("CHEC") and China Metallurgical Construction Corporation ("MCC").

Both the company and the CEO Mr Andrew Forrest will vigorously contest the charges and will be examining detail of these charges in the coming weeks and formulating a response to the ASIC claims.

The charges relate to disclosure of agreement detail that has been well covered under both ASX and media releases some 12 months ago in March 2005 following the voluntary public release by Fortescue of copies of the agreements with the abovementioned parties.

Fortescue's Chairman Mr Gordon Toll has stated that, "In relation to this matter, Fortescue released all appropriate information and disclosures to the market in a timely manner. We remain strongly of the view that the company acted legally and in shareholders best interests".

“Fortescue has strong and appropriate corporate governance policies and procedures in place”.

“Most importantly the company’s operations and progress remains on track. The Pilbara Iron Ore and Infrastructure Project is proceeding on schedule with earth works at the port site commencing last month”.

The ASIC statement of claim alleges a breach by the Company and by the CEO of the continuous disclosure provisions of the Corporation Act under Section 674 and also a breach under Section 1041 H relating to deceptive and misleading conduct. ASIC is seeking civil penalties of up to \$3,000,000 for the company and \$600,000 for the CEO and an order that he compensate Fortescue for any pecuniary penalty it may be required to pay.

Yours sincerely

Fortescue Metals Group Ltd

Rod Campbell
Company Secretary