

10 December 2012

The Companies Officer
ASX Limited
2 The Esplanade
Perth WA 6000



Dear Sir

Fortescue Announces Sale of 25% Interest in Nullagine Iron Ore Joint Venture

Fortescue Metals Group Ltd (ASX: FMG, Fortescue) has reached an agreement with BC Iron Ltd (ASX: BCI) in relation to the Nullagine Iron Ore Joint Venture ("NJV"), including a 25% partial divestment of Fortescue's interest for total net proceeds of A\$190 million.

Fortescue and BC Iron currently each own a 50% interest in the NJV in the Pilbara region of Western Australia. Under the agreement, Fortescue will sell 25% of the NJV to BC Iron, leaving it with a remaining 25% interest.

Fortescue and BC Iron have also agreed to increase the available capacity to the NJV on Fortescue's rail and port infrastructure from the existing 5 million tonnes per annum (mtpa), to 6mtpa for the life of the joint venture. The total consideration paid by BC Iron to Fortescue will include a one-off prepayment of rail haulage and port charges for 3.5 million wet tonnes of its share of production from the NJV, commencing on 1 January 2013.

BC Iron has also agreed to a price participation arrangement from 1 April 2013 to 30 September 2014, which will require BC Iron to make payments to Fortescue if the average Platts 62% Fe iron ore index price is more than US\$120 per dry metric tonne in a particular month (payable on BC Iron's incremental share of production of 158,300 dry tonnes per month).

Fortescue Chief Executive Officer Nev Power said the transaction enabled Fortescue to partially monetise a non-core asset and continue its commitment as a provider of infrastructure services to third parties.

"This is a fantastic outcome for both parties," Mr Power said. "It reflects the strong relationship we have established with BC Iron over the years and it forms part of our strategy to divest non-core assets. The funds provide additional liquidity as we consider a restart of the Kings mine at Solomon."

The transaction is expected to close on or before 24 December 2012.

Yours sincerely

Fortescue Metals Group

Mark Thomas
Company Secretary

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