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22 May 2007

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

Dear Sir,

**Lodgement of Note Holder Monthly Report**

Fortescue Metals Group Ltd ("Fortescue") advises that attached is the April 2007 Monthly Construction Report.

Yours sincerely

**Fortescue Metals Group Ltd**

**Rod Campbell**

Company Secretary

The New Force in Iron Ore

# PILBARA IRON ORE AND INFRASTRUCTURE PROJECT MONTHLY CONSTRUCTION REPORT

April 2007

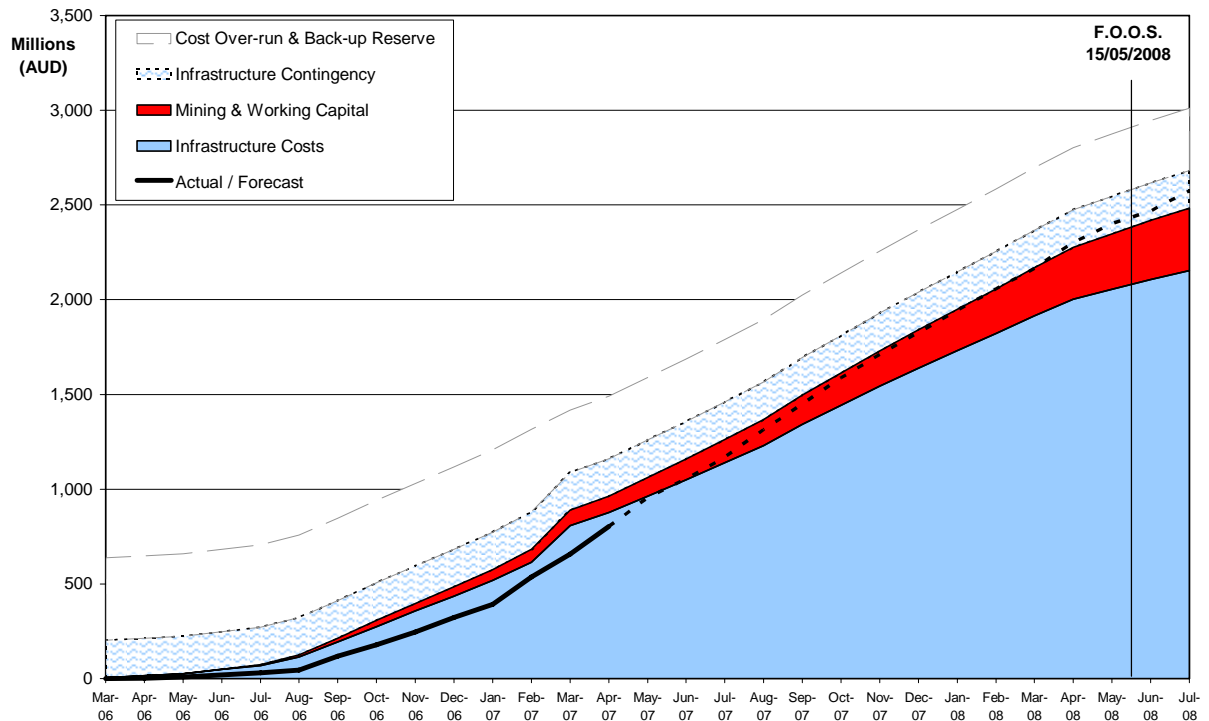
- Solid progress on construction work at port and mine sites during the month.
- Steady progress achieved in readying access and accommodation to accelerate rail construction following March cyclones.
- First Ore on Ship scheduled for mid May 2008.
- Project Forecast Final Cost unchanged during month, with \$124.2 million (39%) of contingency currently forecast as unallocated.
- Dredging and airstrip at mine approaching completion.



Wharf development at Anderson Point



Screening building foundations



# **1. PROGRESS**

## **1.1 Infrastructure/Construction**

Safety performance across the project remains below expectations with three loss time incidents and eleven recordable incidents during the month. Additional training and alignment workshops have been instigated with a view to improving the current safety culture and performance.

Full attention was given during the month to the repair and replacement of accommodation to facilitate an acceleration of construction activities, particularly on the rail earthworks, which is now the most important critical path item for the project. Accessing adequate catering facilities and associated services, the timely mobilisation of the new contractor responsible for the restoration and construction of rail camps and obtaining the requisite approvals for the establishment of new camps has been the primary focus. Accommodation is currently available for 350 rail workers which will increase to 1,000 in June.

The detailed schedule was partially updated during April to reflect the impact of the cyclones. As stated in the March report, the First Ore on Ship (FOOS) date is now forecast to be achieved in mid May 2008.

As indicated in the March report, the Forecast Final Cost (FFC) at completion of the project has increased to \$2.352 billion. The current budgeted contingency has been increased from \$198.6 million to \$304.5 million to cover costs associated with the three cyclones in March. The net draw on contingency during the period was \$66.1 million. The current forecast for project contingency usage is \$180.3 million of the new amount, leaving \$124.2 million or 39% currently unallocated. Of the \$180.3 million, \$33.4 million relates to approved expenditure and \$146.9 million relates to forecast variances to contracts, but as yet not approved.

### **Port Construction**

Dredging continued during April and by month end was virtually complete. The 4.6 million cubic metres of material has been moved and it is expected that final acceptance survey work will be completed by the end of May 2007.

Progress on piling of the berthing wharf remains essentially on schedule. Testing of the piling to date has confirmed acceptance of the installation.

Three significant concrete pours were completed at the train unloader during April using the site batch plant. Progress at this site is on schedule.

### **Rail Construction**

An additional earthworks contractor has been mobilised to accelerate earthworks progress.

Construction activity during the period predominantly consisted of rectification works to gain access back into the numerous works sites, repair to and replacement of accommodation units. A commitment has been made to take the total rail accommodation to 1,000 beds so as to accelerate the earthworks and track-laying. This involves supplementing the previous large camps with four additional smaller camps along the rail route. It is envisaged that all 1,000 beds and associated catering facilities will be fully operational in June 2007.

164,000 sleepers had been produced to the end of April against the total of 420,000 for the project.

Approximately 20,000 tonnes of rail has been unloaded and stockpiled ready for welding at the rail marshalling yard.

### **Mine Construction**

At the airport, sub base and base course materials have been installed along the entire 2,300 metre length.

The main access road to the Newman – Nullagine Road is 80% complete and culvert installation is underway.

Approximately 1,100 tonnes of structural steel and mechanical component deliveries have been offloaded to the designated laydown areas at Cloud Break.

Construction of the power station is underway at Cloud Break village and should be operational in Q3 2008.

Concrete foundations (approx. 2,000m<sup>3</sup>) have been completed at the screening and crusher buildings. By month end the restoration of site works and access roads to pre-cyclone condition had been achieved. Good progress was achieved during the month on drill and blast activities in the relevant areas of the rail corridor, open unlined drain (OUD), airport, stockpile, tunnel and vaults area, link road at the north end and administration.

Cloud Break village now accommodates c. 400 people which together with c. 200 beds at the exploration camp provides for a total of c. 600. An additional 400 rooms will be completed during May and June to take the total for the mine construction workforce to 1,000.

## **1.2 Mining**

Operational development of the Cloud Break mining project progressed steadily during April with several areas getting closer to on site establishment. A number of items of the heavy mobile equipment fleet and sections of the ore handling conveyor system will commence arriving in June for assembly. Work in these areas will be undertaken utilising the Team 45 established systems, until PMA officially takes over the area as a mine.

During April, plans were developed to ensure a smooth transition from construction, through commissioning to mining operations, which will initially involve the formation of a transition team, made up of both operations and construction personnel. Regular meetings have been scheduled to ensure critical items are identified and completed prior to operations commencing. Other operational enhancements will also be identified and scheduled into future works.

The Cloud Break mine management team is now very close to being fully recruited and PMA plans to have all the mines' Managers employed by the end of June 2007. Each of these Managers has been able to assist PMA with filling other critical positions with experienced people they have worked with previously.

### 1.3 Schedule

The scheduled FOOS date remains at mid May 2008. There is no adjustment to this schedule this month.

<b>Milestone</b>	<b>April 2007 Control Schedule</b>	<b>Forecast</b>	<b>Actual</b>
<b>PORT</b>			
Bunds	Jun 06		Jun 06
Dredging start	July 06		May 06
Complete south end bulk earthworks	May 07	May 07	
Complete dredging	May 07	May 07	
Train unloader commissioning	Apr 08	Apr 08	
Shiploader/stacker/stockpiles	Apr 08	Apr 08	
FOOS	May 08	May 08	
<b>RAIL</b>			
Start rail earthworks	Nov 06		Nov 06
Start marshalling yard	Nov 06		Nov 06
Start tracklaying	Jun 07	Jun 07	
Complete bridges	Jan 08	Jan 08	
Finish rail earthworks	Jan 08	Jan 08	
Finish tracklaying (mainline)	Mar 08	Mar 08	
First loaded train to port	Mar 08	Mar 08	
<b>MINE</b>			
Start bulk earthworks	Nov 06		Nov 06
Start concrete works	Feb 07		Feb 07
Finish crusher deliveries	Sep 07	Sep 07	
Finish S/M/E installation/power supply	Dec 07	Dec 07	
Commence wet commissioning	Jan 08	Jan 08	
Commissioning complete	Apr 08	Apr 08	
<b>MINING</b>			
Commence waste mining	Sep 07	Sep 07	
Commence ore mining	Oct 07	Oct 07	

## 1.4 Cost

The Forecast Cost at Completion for infrastructure remains within the revised budget amount of A\$2.352.7 billion (inclusive of the \$304.5 million contingency). Allocation of the contingency has increased to \$180 million with \$124.2 million remaining unallocated. Costs related to recovery from the cyclones and the provision of additional camp capacity were largely responsible for the increased allocation of contingency.

The initial mining capital budget for mining capital expenditures required to end of June 2008 remains at \$305 million.

The mining infrastructure budget remains at \$120 million.

Project Area	Control Budget (\$M)	Revised Budget (\$M)	Current FFC (\$M)	Variance - FFC to Current Budget (\$M)
Port, Rail, mine, EPCM, Owner cost	2,048.1	2,048.2	2,228.5	180
Contingency	198.6	304.5	124.2	(180)
<b>Overall Infrastructure FFC</b>	<b>2,246.7</b>	<b>2,352.7</b>	<b>2,352.7</b>	<b>0.0</b>
Mining infrastructure	0.0	120.0	120.0	0
Mine fleet	225.0	305.0	305.0	0

## 1.5 Material Delays

There are no material delays to the project this month. The scheduled FOOS date remains at mid May 2008.

## 1.6 Contracts

Several contracts were awarded in April including concrete works at the port, accommodation for rail and mine camps.

Infrastructure commitments of \$39 million were made during the period taking total commitments to 81% of direct capital costs. Outstanding project commitments include the major structural, mechanical and electrical installation contracts at the port and mine which are anticipated to be finalised in May 2007.

To date, 84% of mine fleet capital has been committed.

## 1.7 Disputes

No material disputes to report.