



Fortescue Metals Group Ltd

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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 May 2007 Monthly Construction Report.

Yours sincerely
Fortescue Metals Group Ltd

Rod Campbell
Company Secretary

PILBARA IRON ORE AND INFRASTRUCTURE PROJECT MONTHLY CONSTRUCTION REPORT

May 2007

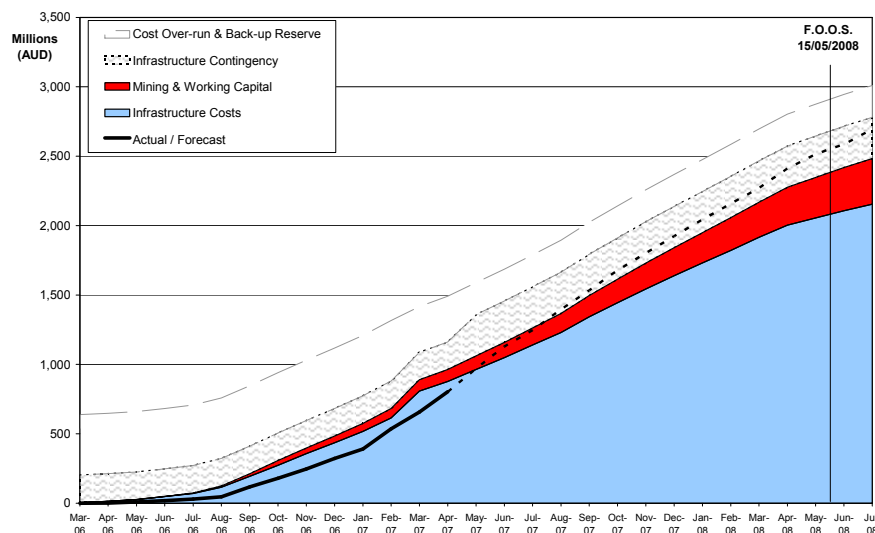
- First Ore on Ship remains scheduled for mid May 2008.
- Continued good construction progress at both port and mine sites during the month.
- Dredging now complete and total port construction has advanced beyond 50% complete and is ahead of schedule.
- Mine site earthmoving gathers pace and is near schedule with concrete poured for crushing and screening facility and the stockpile vault fully excavated.
- Rail earthworks are behind schedule but plans have been agreed to remedy the program which include a restructuring and supplementing of the original BGC alliance to include two new contractors. Additional accommodation is also being advanced to enable more resources to be deployed on construction to assist in the remedy of the schedule.
- Project Final Forecast Cost has been recast at \$2,572 million which includes \$102 million of contingency. This represents an increase of some \$99 million from last months reported project cost and is primarily due to the revised rail construction program.



Wharf Work



Vibrating Screens arriving at site



1. PROGRESS

1.1 Infrastructure/Construction

Safety performance across the project was improved over prior months with only one lost time injury and two medical treatments. Fortescue has placed significant emphasis on improving the safety results through training and alignment workshops and it is pleasing these efforts are showing positive outcomes.

Construction along the three fronts of port, mine and rail has been satisfactory during the month. The port remains ahead of schedule with the dredging now complete and demobilised and the marine structures contract progressing well. An important next phase is the completion of the stockpile earthworks contract in readiness for the assembly of stackers and reclaimers. The train unloader is also progressing well with major concrete pours during the period.

Rail earthworks is the most important schedule issue for the project with the delays in deploying more construction resources along the rail route constraining the overall progress of rail. The remedy planning is for 4 new rail camps (to make up 6 rail construction camps in total) with these now being progressively commissioned. This, together with the addition of 2 new earthworks contractors in NRW and Brierty Contractors, is expected to produce a significant schedule improvement in the coming months.

The Forecast Final Cost (FFC) at completion of the project is \$2,572 million.

Port Construction

Dredging operations have been completed and the contractor has commenced demobilisation from the site.

New accommodation units were commissioned at the new port accommodation centre facility with completion to full capacity expected in July. Over 300 people now occupy the facility.

The approach jetty piling has been completed. Bored concrete piling for the conveyors linking the conveyor bridge to the stockpile area has commenced.

Backfilling of the train unloader excavation has been completed up to the feeder floor level in preparation for the next major concrete pour scheduled for June.

Rail Construction

Work is proceeding at seven bridge sites. A second piling rig was mobilised to accelerate works at the bridge sites.

The TPI-BGC earthworks contractor alliance was terminated and BGC will now be one of three earthworks contractors reporting to Team 45 who have taken over the management of the rail earthworks.

A major milestone was achieved with the formal acceptance of the prototype iron ore rail wagons and mass production of the wagon fleet has begun.

The final consignment of rail steel was rolled in China with delivery in Port Hedland scheduled for July. Over 30,000 tonnes of rail steel is at site with further shiploads en route to Port Hedland.

Approximately 200,000 sleepers have been manufactured and are on site

1.2 Mining

Operational preparation of the Cloud Break mining site progressed well during May. There has been significant progress during the period in the areas of the ore processing facility, administration and infrastructure areas, fuel farm, power station, access roads and airport areas of the project.

The airport runway has been sealed, lines marked, and underground lighting has been commissioned and trialled. Fencing works are ongoing and approvals for the safety beacon installation. Civil aviation regulator (CASA) inspections have been scheduled and it is anticipated that final CASA approval will be in place by early July.

The main access road to the Newman – Nullagine Road is 90% complete and the culvert installation continues to progress. More rooms have been commissioned at the permanent mine camp with accommodation now in place for more than 600 people.

Structural steel and mechanical components continue to be delivered to site and offloaded at the designated lay-down areas. To date approx. 3,500 tonnes have been delivered to site. The temporary power station is underway at Cloud Break Village and should be operational in June. Team 45 construction offices, medical and training centres have been installed and commissioned.

Concrete foundations (approx. 3,500m³) have been completed at the screening and crusher buildings.

Mine Construction

Overall construction at the mine site is proceeding satisfactorily.

The mine construction program saw earthworks accelerated in order to maintain the integrity of the schedule. Concrete was poured for the foundations of the crushing and screening plant.

With the near completion of the airport inaugural employee and contractor charter flights are scheduled to commence in early July.

Approximately 3,500 tonnes of structural steel has been delivered to site and preassembly of structural frames has commenced. Mechanical feeders, screens and conveyor frames and idlers have also been delivered to site.

The crusher building foundations have now been completed. The stockpile vaults have also been bulk excavated, batters prepared, and blinding concrete placed. Reinforcement has also been prefabricated and is ready for installation.

Cloud Break stockpile vault earthworks are now completed and formwork is underway

1.3 Schedule

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

Milestone	Control Schedule	Forecast	Actual
PORT			
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	
RAIL			
Start rail earthworks	Nov 06		Nov 06
Start marshalling yard	Nov 06		Nov 06
Start tracklaying	Jun 07	Aug 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	
MINE			
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	
MINING			
Commence waste mining	Sep 07	Sep 07	
Commence ore mining	Oct 07	Oct 07	

1.4 Cost

This month we are reporting whole of project costs in two basic areas – construction areas and mine fleet. The construction areas are managed via the Team 45 alliance with WorleyParsons and the mine fleet procurement is executed by Fortescue with support from the PMA alliance with Roche Mining. As a result, we are now including the previously separately reported mining infrastructure in the overall infrastructure FFC.

In the past month, we have restructured the BGC rail earthworks alliance and converted an alliance contract into two lump sum contracts and a smaller reimbursable contract. In doing this, the largest single cost risk in the project, that of the reimbursable nature of the previous BGC alliance, has been largely removed. Of the 260km of railway earthworks, only 70km is now under a reimbursable contract. 190km of the railway, including the most difficult section through the Chichester Ranges is under lump sum fixed price contracts.

Brierty is performing chainage 0 to 80 under a lump sum contract. NRW is performing chainage 150 to Cloud Break including the more difficult Chichester Ranges area under a lump sum contract. The remaining part of the rail earthworks, chainage 80 to 150 is being performed by BGC under a reimbursable contract.

The Forecast Cost at Completion for the Project (excluding mining fleet) is \$2,571.5 million which includes \$102 million contingency.

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

Project Area	Control Budget (\$M)	Revised Budget (\$M)	Current FFC (\$M)	Variance - FFC to Current Budget (\$M)
Overall FFC	2,246.7	2,472.7	2,571.5	98.8
Mine fleet	225.0	305.0	305.0	0

** Now includes Mining infrastructure*

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 and Approvals

The rail earthworks contract with BGC has been restructured into three separate contracts with BGC, NRW and Brierty. Approvals were given for the construction of the four new rail camps

1.7 Disputes

There is no pending material dispute with any of these parties.