



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 June 2007 Monthly Construction Report.

Yours sincerely

Fortescue Metals Group Ltd

Rod Campbell

Company Secretary

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The New Force in Iron Ore

PILBARA IRON ORE AND INFRASTRUCTURE PROJECT MONTHLY CONSTRUCTION REPORT

June 2007

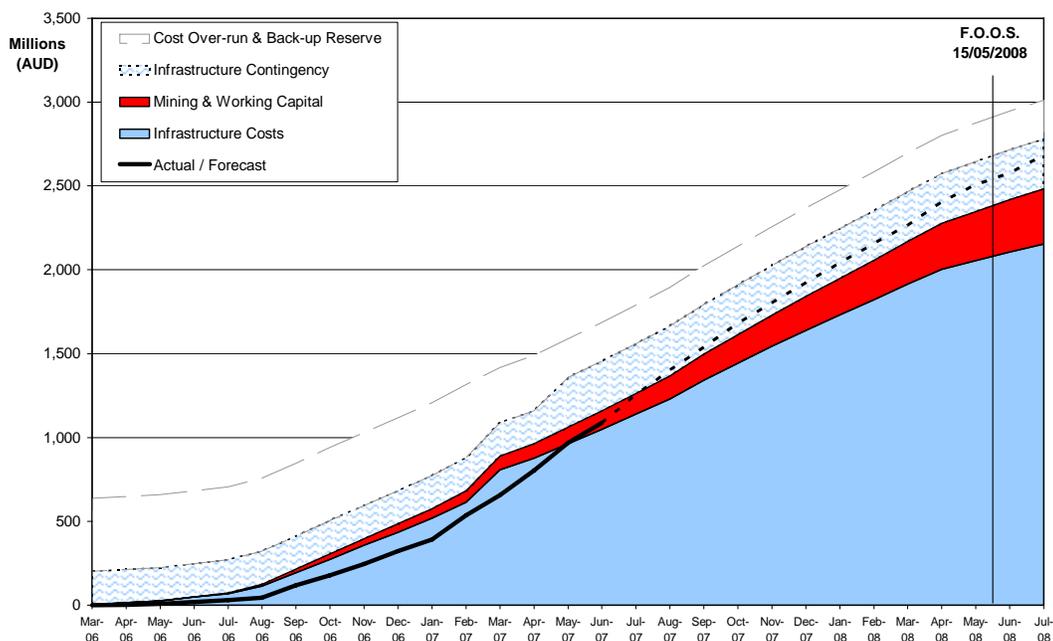
- First Ore on Ship remains scheduled for mid May 2008.
- Port site enters into structural steel erection phase, wharf pilings continue on schedule and dredge contractor demobilises following completion of contract.
- Mine site earthmoving continues to advance with the ore processing facility (OPF) site now fully excavated, the site airstrip receives CASA approval and the Cloud Break to Nullagine access road complete.
- Rail earthworks remedial plans now implemented with new work faces opened, accommodation along the rail route increased and all three contractors well underway. Welding of the rail track has commenced and some early track laying at the Port Hedland marshalling yards has been completed.
- As per last month's cost re-forecasting, the Project Final Forecast Cost is \$2,572 million. This includes \$110 million of contingency which compares to \$102 million last month following the write back of \$8 million during June which represents a cost improvement to the underlying project.



Wharf Work



Cloud Break OPF, Stockpile and Laydown Areas



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1. PROGRESS

1.1 Infrastructure/Construction

Safety performance across the project continues its improved trend with one lost time injury and one medical treatment during the period. It is pleasing that the work the Company has done through training and alignment workshops is continuing to produce positive outcomes.

Construction along the three fronts of port, mine and rail has been satisfactory during the month. The key barometer for schedule being first ore on ship (FOOS) remains set for mid May 2008.

Of the three construction fronts, the port remains the most advanced with the dredging complete, the conveying systems under construction, electrical contractor mobilised and the marine structures contract progressing well. The port site remains ahead of schedule relative to the FOOS date.

Mine site works progressed well during June with the excavation of the ore processing facility completed and the train load out area earthworks near completion. The airstrip has received CASA approval and the first construction charter flights now using the facility on a regular basis.

The remedial plan implemented last month for the rail earthworks program now provides for the three contractors being engaged within respective construction fronts along the 260km rail route. The limitations of accommodation availability have eased with the six rail construction camps being progressively filled to accommodate the increased work force. The results of this additional work focus should become more evident over the next three months as Fortescue expects the current lag in schedule to be reduced.

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

Port Construction

With dredging now complete and the contractor demobilised, the port works program is now centred on the completion of the marine structures work and finalisation of the site earthworks for commencement of ground preparation for the erection of the stackers and reclaimers.

Several key milestones were achieved during June with the commencement of conveyor installation, the pouring of the feeder floor for the train unloader and the mobilisation to site of the electrical contractor.

Accommodation for port site workers is near capacity as the motel development at South Hedland approaches final commissioning.

The marine structures work is now approximately 60% complete with all approach jetty piling concluded and the piling for the wharf section well advanced.

Work on the train unloader facility is also progressing well, noting that earlier this year the site was on the critical path. Following some major concrete pours over May and June, the facility is now off the critical path and well positioned for pouring the feeder walls in July.

Rail Construction

As previously advised, the rail earthworks contract is now split between three contractors being BGC, Brierty Contractors and NRW. These contractors are now actively engaged along specific sections of the rail route being Brierty from 0 to 80 chainage, BGC from 80 to 150 chainage and NRW from chainage 150 to the Cloud Break mine site. As a consequence of the increased deployment of resources, the volume of work conducted during June (measured as units of earth moved) was a significant increase over previous months. Notwithstanding the rail earthworks, bridge construction and track laying are still on the critical path and remain a key management attention area.

A few key milestones achieved during the period were the commissioning of the flash butt welder that will join the rail track for continuous laying, the hand over to Laing O'Rourke of the first section of completed alignment earthwork for preparation of track laying, the commissioning of the construction communications system between the port and Cloud Break and the recruitment of several key positions within the rail operations team.

On the procurement side, a further 29,000 tonnes of rail steel were delivered to site, 222,654 concrete sleepers have been manufactured on location at Port Hedland, assembly of the first GE locomotive is advancing with delivery to site expected in October/November and mass production of the ore wagons commenced 1 June 2007 with the first 204 wagons expected to be delivered in October.

1.2 Mine Construction

Work at the Cloud Break mine site progressed well during June. Several milestones were achieved during the period being the completion of the bulk earthworks for the ore processing facility, completion of the bulk excavation works for the stockpile vaults, completion of the main site access road from Cloud Break to the Nullagine Road and CASA approval for the sealed Cloud Break airstrip.

There were several significant concrete pours over June with foundation pads laid for the conveyor system under the stockpile vaults and for the foundation pads for the crushing and screening plant.

The contractor for construction of the workshop and main administration facilities was mobilised to site and the concrete footings for the heavy vehicle workshop have been poured. The construction of the fuel farm unit has also progressed with the preassembled sections ready for installation.

During June, 337 tonnes of structural steel was erected as the assembly of the screening plant was commenced. The first of the crusher units were successfully trialled in Perth and they have been dismantled for transporting to site.

Commissioning of the permanent mine camp is near completion with the Cloud Break site now able to house more than 800 people.

1.3 Mine Planning

The first Wirtgen 2500SM arrived in Perth during June and was taken to a mechanical workshop for additional enhancements required for operations in Western Australia. Another two surface miners are currently being shipped to Perth to arrive in July.

The start of mine operations for PMA at Cloud Break is on schedule for August with topsoil removal and stockpiling. September is the planned commencement date for overburden removal and October for the first full scale mining of ore.

Contracts for the supply of other heavy mobile equipment from Terex and Caterpillar are in place with several units already delivered to site. We do not expect any delays with the supply and commissioning of all the mining equipment.

The recruiting of key personnel is progressing as planned and PMA should have approx. 90% of all mine senior management positions from Superintendent upwards selected with anticipated start dates by the end of July. We will also have all technical services personnel recruited by the end of July.

Mine planning and scheduling is currently being optimised as information is received from the grade control drilling. Several options are being investigated to determine the most cost effective utilisation of the Wirtgen/Cat777 ore mining fleet.

1.4 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	July 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	

1.5 Cost

The Forecast Cost at Completion for the Project (excluding mining fleet) is \$2,571.5 million which is unchanged from the last report. Included in this total cost is an amount covering general contingency and this month the figure is \$110 million which compares to \$102 million last month as \$8 million has been reversed from an allocated cost back into a general contingency sum following the identification of a cost saving.

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	2,571.5*	2,571.5*	98.8
Mine fleet	225.0	305.0	305.0	0

**Now includes mining infrastructure*

1.6 Material Delays

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

1.7 Contracts and Approvals

The total value of commitments made during the month was \$170 million.

1.8 Disputes

There is no material dispute pending or actual with any contractor.