



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 July 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

July 2007

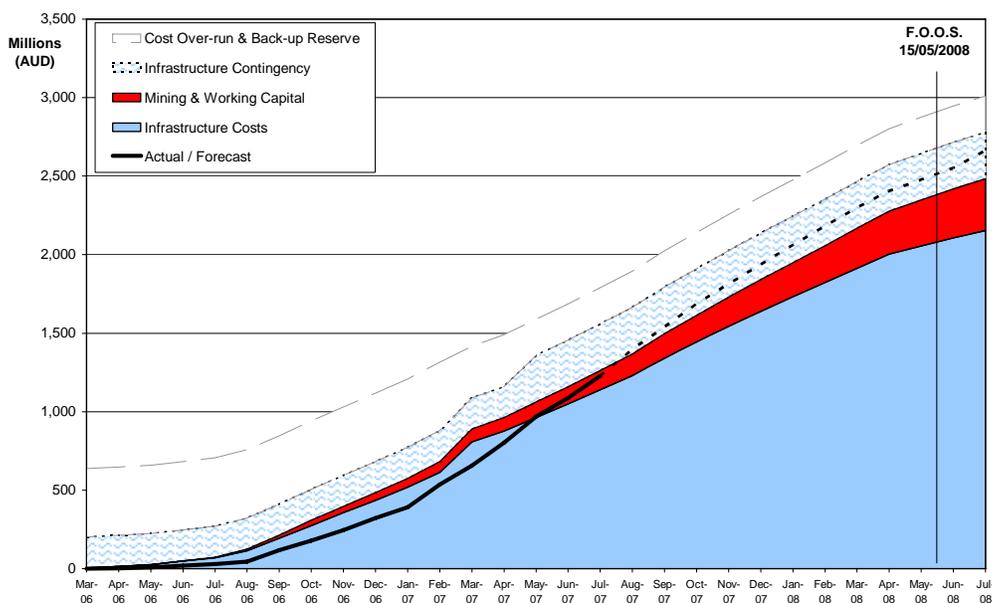
- The schedule remains unchanged for First Ore on Ship in mid May 2008 with overall project completion nearing 50%.
- Constraints around accommodation have been rectified following the construction of all villages and camps along the port, rail and mine sites with 2,588 rooms completed.
- Rail earthworks showed positive results as value of work completed in the month exceeded the revised target and bridge span installation commenced.
- Port works remain ahead of schedule; the foundation pads for the stackers and reclaimers advanced, the train unloader apron floors and walls have been completed and installation of feeder bins is underway.
- At Cloud Break, major steel erection advanced and foundation works at the train load-out area commenced following completion of earthworks and the final accommodation facilities opened to allow for full site utilisation.
- The Project Final Forecast Cost remains at \$2,572 million which includes \$105 million of unallocated contingency following \$5 million contingency allocation during the month.



Stacker and Reclaimer Pads at the Port



First Span East Turner Bridge



* In addition to the original project funding above Fortescue raised A\$500 by issuing new shares in July 07.

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1. PROGRESS

1.1 Infrastructure/Construction

The improved safety performance trend across the project continues with no lost time injury events recorded for July. Management is pleased that the continued focus on generating a safe working environment and culture is producing positive outcomes.

Overall project completion was at c.50% as at the end of July 2007 with first ore on ship (FOOS) on schedule for mid May 2008.

The port works remain ahead of schedule with major earthworks now completed and the installation of conveyors, pad construction for stackers and reclaimers and structural steel for the train unloader underway.

Mine works progressed well during July and accessibility to the site was buoyed by the commencement of regular charter flights to the Cloud Break airport following CASA approval in June, together with the commissioning of all accommodation rooms at the permanent mine village.

While the rail earthworks program remains on the critical path, there were positive signs during the month that the deployment of additional resources along the rail route is having a positive impact. Progress as measured by "value of work" was above the July target and this trend is expected to continue.

One important milestone achieved during the month was the completion of all accommodation camps and villages across the project. This includes the original rail camps damaged by the March 2007 cyclones, the additional four smaller "line camps" that were provided to facilitate the new rail contractors, and the 465 room motel development at South Hedland. The available rooms across the project now exceed 2,500.

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

Port Construction

Progress at the port works program is pleasing and assessed at being c.64% complete. Construction of the marine structures is advancing well with 98 of the 134 piles driven. Sheeting of the approach jetty and loading berth is underway with the steel sections being fabricated in Perth and delivered to site for installation.

The various port earthworks contracts required a total of 1.3 million cubic metres (m³) of material to be relocated and as at end of July, some 1.23 million m³ had been moved. The electrical contractor was mobilised to site at the end of June and through July made good progress in the early trenching work. The train unloader construction is on schedule with 3,677 m³ of concrete poured out of 6,800 m³ required. Importantly, all the underground concrete pours have been completed and the installation of the mechanical feeder into the underground structure has commenced. A major pour of 1,200 m³ is scheduled for the end of August which when completed, will represent a major milestone.

Rail Construction

The three rail earthworks contractors are now fully deployed along the rail route. The impact of being able to fully mobilise all the new contractors along the rail line is evidenced by the much improved monthly schedule of work done. Over July the progress of work was in excess of the baseline schedule. Management is very pleased that the remedial plans put in place some months ago are showing positive results and should further improve over the next few months as momentum builds. Notwithstanding, the rail program remains on the critical path and will

attract continued attention to ensure all elements of the program, including ballast and track laying, are not delayed.

Some milestones achieved during the period include the installation of the first bridge spans across the East Turner River and the pouring of foundations for part of the BHPB rail overpass at chainage 139.

All the rail steel has now been delivered to port, 245,000 of the 425,000 sleepers have been manufactured at Port Hedland and the first of 15 GE locomotive has been assembled and has successfully completed testing prior to delivery to site.

1.2 Mine Construction

Progress at Cloud Break was pleasing during the month. The bulk earthworks for the train load out area was completed and the foundations for the train loader commenced during the month. The bulk earthworks for the rail corridor to the train load out area were also completed.

Steel erection at the crushing and screening plants is on track with 653 tonnes erected at the screening site (2,041 tonnes required in total) and 360 tonnes at the crushing plant (1,046 tonnes required in total). Electrical works commenced in July together with the installation of substation support structures.

The progress of the administration and work shop areas was also pleasing with concrete works at the heavy vehicle workshop bay now complete, the underground services for these two sites completed and civil works for the administration area are underway.

The earlier problems caused by accommodation and site accessibility have been largely alleviated following the construction of the last housing blocks at the permanent mine camp and the securing of regular charter flights direct into Cloud Break.

1.3 Mine Planning

The first Wirtgen SM 2500 surface miner arrived at Cloud Break in July and commissioning commenced immediately. Early results from both an operational and mechanical perspective were very promising with product flow rates being much higher than those achieved during the trial mining program in 2005. The Wirtgen cut through the orebody with relative ease and handled the harder cemented detrital material within the ore body with little impedance. More commissioning and trialling with the Wirtgen miner will continue in August with the second and third machines scheduled to arrive late in the month.

Fortescue also tested a range of Wirtgen cutting picks in material much harder than the ore at Cloud Break. These trials were held at York near Perth using Fortescue's first surface miner acquired second hand in 2005. The picks were trialled in extremely hard and abrasive granite and from an original 30 picks tested four were short listed for further testing. The results show that significantly longer pick life can be achieved than suggested under the first mining study. Work is also being done on modifications that will further enhance pick life such as hard facing of the picks, the design of the pick holders and hard facing of the cutting drum.

The Cloud Break Mine Project Management Plan was formally presented to the Department of Consumer and Employment Protection (DOCEP) for approval, with Cloud Break expected to officially become a mine in August 2007.

Preparations for the arrival of Fortescue's mining personnel on full time roster were advanced during July. The first group of Operators and Tradesmen have been selected from the existing personnel working for EDI Downer Mining Division (previously Roche Mining) at Cloud Break and they will commence roster during August. In general, the recruitment of mining personnel continues to plan.

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. This figure includes an unallocated contingency which now stands at \$105 million following a \$5 million cost reforecast made during July.

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 Revised Budget (\$M)
Overall FFC	2,246.7	2,571.5*	2,571.5*	0.0
Mine fleet	225.0	305.0	305.0	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 \$137 million.

1.8 Disputes

While not considered a material dispute, Fortescue reports that legal action and arbitration has been initiated by BGC Contracting pursuant to an outstanding amount owing following the termination in May 2007 of the original Alliance Agreement. As advised following the cyclones in March, Fortescue restructured the rail earthworks program to include an additional two new contractors. As part of the restructure, the BGC Alliance Agreement was terminated and BGC was re-engaged under a cost plus arrangement which is working to the mutual satisfaction of both parties. The total amount being disputed under the Alliance termination is approx. \$20 million which covers both a direct cost charge and also a profit margin payment. Fortescue is contesting the disputed amount claimed and hopes that it will be resolved promptly.