



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 November 2007 Monthly Construction Report.

Yours sincerely
Fortescue Metals Group Ltd

Rod Campbell
Company Secretary

PILBARA IRON ORE AND INFRASTRUCTURE PROJECT MONTHLY CONSTRUCTION REPORT

November 2007

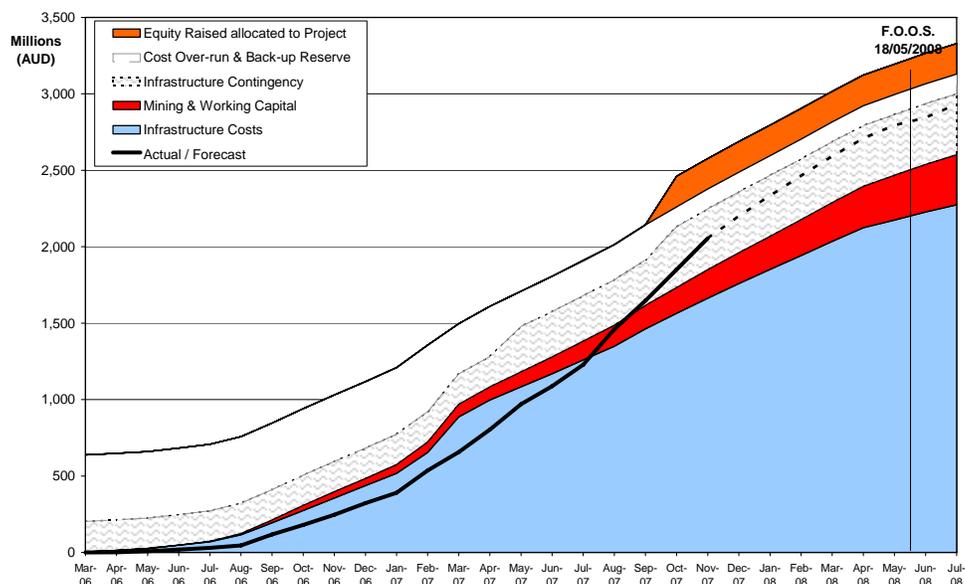
- The schedule remains for First Ore On Ship (FOOS) in mid May 2008 with overall project completion at 77% measured by value of work.
- Port works are 83% advanced with completion of the conveyor bridge over the BHPB rail, both ore wagon unloader cells in place, completion of the rail track for the ore reclaimer and the first ship loading deck complete in readiness for the placement of the ship loader.
- Mine site works are 74% complete with overhead cabling from power station well advanced, train load out steel erection commenced, concrete works nearing completion for stockpile vaults and handover of administration block to mine operations.
- Rail works are 72% complete with manual track laying commenced at Cloud Break to supplement the automated track laying (currently at chainage 71 heading south), 202 ore wagons, out of the total order of 820, delivered to site and all 15 GE locomotives commissioned.
- The Project Final Forecast Cost is now at \$2,683 million which is an increase of \$11 million to accommodate small safety-related scope changes. The unallocated contingency within the FFC stands at \$22 million following an allocation of \$18 million.



Train Unloader cells in place



Vault Tunnel work



1. PROGRESS

Infrastructure/Construction

During the period there was one lost time injury which is the first such event in 4 months. While disappointing, management is confident that its ongoing focus across all areas of safety continues to facilitate improvements in work practices and culture. Of particular focus during November was the group cyclone awareness and preparedness program. This has involved extensive in the field consultation as well as running simulated exercises to ensure the various response teams are co-ordinated across head office in Perth through to Port Hedland and along the rail construction sites down to Cloud Break.

Overall project completion was at 77% as at the end of November with the value of work completed during the month of 5.4%. The critical path item remains the rail program with track laying being impaired by the slower completion of final track formation and down time on the SUM automated track laying machine. As previously reported there are two manual track laying teams that are being deployed to supplement the automated system. The team at Cloud Break have commenced sleeper laying with the rail steel to be welded as from January. The team at Port Hedland have laid some 12kms of track (including a passing loop and line within the marshalling yard) as they move north from the marshalling yard which is 21 kms to the south of the port facility at Anderson Point.

The Forecast Final Cost “FFC” now stands at A\$2.683 bn which is a slight increase of \$11m from the previous month and takes account of scope changes required at the mine and port sites. As previously reported, within the FFC figure is a general contingency amount and as at end November this stood at A\$22m. During the month under review there was an allocation of contingency of A\$18m which was largely directed toward the rail works program.



Ore Processing Facility

1.1 Port Construction

The port works are now assessed as 83% complete with a schedule date of 1 April 2008 set to be the time for the port to be ready to accept ore from the mine site and to start building product stock piles. This will provide sufficient time to commission the plant in readiness for the first ore on ship for mid May 2008.

During November the conveyor from the stockpile was linked up to the conveyor bridge across the BHPB rail line and the Finucane Island access road. Another achievement was the completion of the rail line along which the product reclaimer will draw from the 2km stock pile line. The assembly of the stacker and reclaimer advancing to schedule with the slew ring to be fitted to the reclaimer and the boom to be lifted onto the stacker next month.

The decking of the ore wharf was lifted into place in October and during November all necessary work was completed to have the deck in readiness for the lifting of the 980+ tonne ship loader and tripper scheduled for January. The ship loader has been assembled off site and will be put into place in one heavy haul lift.

Other events during November were 1) completion of all bulk earthworks on the port site, 2) the installation of the second rotating ore wagon unloader cells, 3) the commencement of the conveyor belt pulling on the main CV – 901 conveyor which runs from the conveyor bridge to the start of the stock pile area.

1.2 Rail Construction

The rail program is assessed as 72% completed with good progress made during November measured as value of work “VOW” completed at 7.8% against a target of 7.5%. Notwithstanding, the overall rail program is behind schedule with the critical path items being track laying which has been hindered by down time of the automated track laying machine and slower delivery of finished earthworks formation.

However the remedial plans that were put in place some months ago are starting to show results with the better than planned progress for November. Management is confident that this trend should continue particularly as the affects of the manual track laying program are realised in the value of works calculations. Also the earthworks program, particularly in the middle section of the rail route, has improved when measured in BCM units of earth moved. This has been in part a result of Fortescue’s own mining team that has deployed some 40 people and 18 machines onto this section of the program.

Several milestones were reached during the month being 1) the arrival of additional ore wagons so that at months end 202 wagons had been delivered to site, 2) the commissioning of all of the 15 GE locomotives that were manufactured in the US and shipped to Port Hedland in October 3) the deployment of an additional “flash butt” track welding machine plus the implementation of several process initiatives - following a review of the existing welding system - which have collectively resulted in a significant lift in the number of rail track welds being achieved on a daily basis.

1.3 Mine Construction

Mine construction is assessed at 74% complete with good progress made across the key areas of crushing and screening infrastructure works. The mine has a target date of end February 2008 to be ready to deliver first ore onto train.

A focus of attention has been on electrical works as the commissioned power plant is being progressively connected to the key plant and office sites across site. The mine site area has now been linked up with power from the new plant expected to be on line in mid December. The power poles to the ore processing facility ("OPF") have been set into place and this section will be wired over the next month.

Other key items during the month were the installation of the slewing stacker from the OPF to the product stockpile area is progressing well and final dress out is expected in December; the permanent administration facility handed over to operations; the installation of the pre-cast tunnel sections over the conveyor from the 3 product stockpile vaults to the train load out area – (note: the vaults will be largely covered over as the product is feed at ground level into the respective vaults and then conveyed below ground to the train load area); and the completion of the concrete works for the second product vault (V 402) – with work on the final vault (V 403) progressing.

1.4 Mine Planning

During November the mining team removed some 350,000 bank cubic meters of waste with the main focus being the first commercial mining pit known as Hayman. Total ore mined during the month was 153,470 which all came from the Hayman pit. The first production load of ore mined by the surface miner occurred on 20 November 2007. Year to date some 543,470 tonnes of ore has been stockpiled, some of which will be used for sheeting the ROM pad and some will be used as feed for the commissioning of the crushing and screening plant.

Commissioning of the third Wirtgen surface miner was completed during the month and a further three machines have been delivered into Australia and are in the process of assembly and transport to site. The progressive delivery of Fortescue's mobile mining fleet continues with the current inventory on site being 8 Terex 190 tonne overburden haul trucks; 6 O&K shovels and back hoes; 18 CAT 100 tonne haul trucks, 4 D11 CAT dozers, 3 D10 CAT dozers, 2 water trucks, 2 graders and 3 service trucks.

The safety statistics for the mine operations are reported separately to the construction program. In November there no lost time injuries "LTIs" which follows 4 previous months of no LTI's. There were 5 minor injuries during the period but none that could be classified as a restricted work injury.

As a subsequent event to the November period it should be noted that as at December 20 Fortescue has terminated the mining alliance with Roche Mining. The mutually agreed termination means that Fortescue is now solely responsible for the mining activities at Cloud Break. The termination of the agreement has been noted by the Independent Engineer as required under bond documentation. Further the IE has certified that Fortescue has the requisite expertise, systems and equipment to conduct the mining operation.

2: 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	Feb 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		Sept 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		Sept 07
Commence ore mining	Oct 07		Nov 07

3: Cost

The Forecast Cost at Completion “FFC” for the Project (excluding mining fleet) is \$2,682.7 million which is an increase of \$11m from the last report to take account of a project scope change (ie. \$4.4m at the port and \$6.1m at the mine). The FFC includes an unallocated contingency of \$22 million noting that \$18 million of the previous month’s amount has been allocated to the project largely covering additional rail work costs.

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*	2,682.7	111.0
Mine fleet	225.0	305.0	305.0	0.0

**Includes mining infrastructure*

4. Material Delays

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

5. Contracts and Approvals

The total value of commitments made during the month was \$88.9 million.

6. Disputes

There were no new material disputes during the period.