



Fortescue Metals Group Ltd

ACN: 002 594 872

87 Adelaide Terrace East Perth

Western Australia 6004

PO Box 6915, East Perth, Western Australia 6892

Telephone: + 61 8 6218 8888

Facsimile: +61 8 6218 8880

Website: www.fmgl.com.au

18 February 2008

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 January 2008 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

January 2008

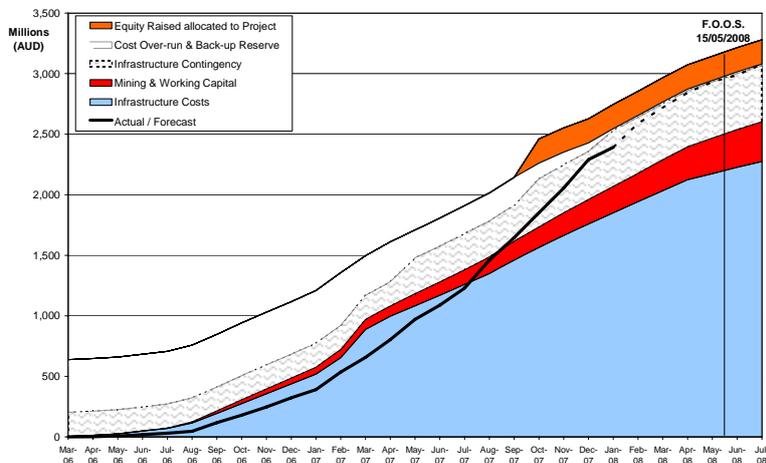
- The First Ore On Ship (FOOS) date remains at mid May 2008 with overall project completion at 86% measured by value of work.
- Port works are 90% advanced with a major milestone achieved being the arrival and assembly of the pre commissioned ship loader which was lifted into place over January 23 - 25.
- The mine site was 80% complete as at end January with continuing progress on the crushing and screening plants and the product load out vaults.
- Rail works were 85% complete at end January with the automated track laying complete to chainage 110 and a total of 4 manual track laying teams deployed along the rail line.
- Project Final Forecast Cost is \$2,765 million which is an increase of \$66 million from last period. The adjustment was primarily due to an increase in the estimated EPCM costs to WorleyParsons of \$61.6m.



Train unloader



CV106 Shuttle Truss at Screenhouse



PROGRESS

1. Infrastructure/Construction

It is with great regret that we note the fatality at the mine site during January. A contractor with United Group was involved in a fatal accident while working on an elevated lift platform at the screening plant. In a mark of respect all work was ceased for the day following the accident and for a period after the event all elevated platforms across the project were taken out of service to ensure there were no contributing mechanical faults with any of the equipment. Apart from the fatality, the safety register recorded one restricted work case incident and no lost time injuries for January.

Overall project completion was at 86% at the end of January with value of work completed during the month of 4.1%. The critical path for FOOS in mid May remains the rail program but as further risk mitigation additional manual track laying teams have been deployed and they are now operating at 4 separate locations along the rail route.

In a strategy to bring forward the commissioning date for the key port assets of the train unloader, the stacker and the reclaimer, plans have been developed to load ore onto trains at the 185 km mark. Under the current schedule the track is expected to be complete to this point by mid March which is about a month earlier than the full connection to Cloudbreak. The ore to be loaded is to be trucked from Cloudbreak over the next few weeks via the access road that runs the entire length of the rail line. The rationale is to expedite the delivery of loaded wagons to the port to create a saving of some 4 weeks on the wet commissioning program. It is anticipated that wet commissioning at the port will be near complete by end April which is sufficiently in advance of the FOOS date of mid May.

The Forecast Final Cost "FFC" now stands at A\$2.765bn which is an increase of \$66m from the previous month. The main contributor was a \$61.6m estimate for final EPCM costs to WorleyParsons. This cost has been spread across the rail, mine and project common areas. A formal review of the required contingency for the next few months is continuing and management is confident that through its capital management program, including further operating leases, sufficient project liquidity is available.



Shiploader placed on wharf

1.1 Port Construction

The port works are assessed as 90% complete. The scheduled date for the port to be ready to receive ore has been amended to March 27, due to a delay in the power connection to the main Port Hedland grid which is not expected to be completed until March 14.

The major achievement over the period was the receipt and assembly of the ship loader. On January 23 the pre commissioned Thyssen Krupp ship loader arrived from China and over the following few days was lifted into place on the wharf deck. The machine had been transported in three parts for the journey to Australia and within a week it had been reassembled on the track that runs the entire length of the first berth. The arrival of the ship loader means that all major material handling equipment has been delivered to site.

The stacker has been assembled and is ready for dry commissioning in February. The reclaimer is in the final stages of assembly with the bucket wheel, conveyor and counterweight all ready to be lifted into place in February. Stabilisation of the embankment for the stacker and reclaimer over the first 600 metres of the stockpile area was completed during January. This permits the equipment to travel over the first 2 stockpiles and will be progressively extended to cover the full 2 km length of the stockpile area.

A major focus continues to be the commissioning process with several co-ordination meetings held during January to review the sequencing plans. Commissioning induction programs have been established as the construction activities make way for operations.

Belt pulling for the two main conveyors of CV 901 and CV 911 progressed and these should be ready for dry commissioning during February.

A focus on the electrical program continues with a milestone being the commencement of erecting of the power poles between the South Hedland grid sub-station and the sub station at the port (approx distance 4 km). This is expected to be concluded in February with the cabling following to link up the 66Kv connection.

1.2 Rail Construction

The rail program is assessed as 85% completed. The assessed value of work "VoW" completed during the month was 5.6% which was on plan.

An additional two manual track laying fronts were opening up during the month with the overall program now comprising the automated track laying machine and four manual teams. The rail schedule is for the completion of earthworks by early March and the track to be completed by early / mid April. To facilitate the laying of track to meet the timeline the combination of the manual and automated machine must lay in excess of 3 km per day which is considered achievable given the production rates achieved to date, subject to weather and equipment availability. The issue is that the completed formation must be of sufficient quantity ahead of the teams for them to work unimpeded. In consideration of this it should be noted that the earthworks section between chainage 120 – 155 is the most demanding of the whole program and when it is finalised (expected to be in late February) the current issues around formation availability will be substantially minimised. As advised last month, a contingent from Fortescue's mining team had assisted BGC through this section and their work was completed during January and they have since rejoined mine operations at Cloudbreak.

A delivery of 96 ore wagons occurred during January and the final delivery of the remaining 202 wagons is to occur in February. Once this is achieved all rolling stock will be on site and will be dry commissioned. Already train "consists" of 2 locos and 202 ore wagons are doing dry runs down the completed line sections as part of the dry commissioning and operator training process. To date 22 of the total driver contingent of 30 have been recruited and are progressively undergoing training on the new equipment.

1.3 Mine Infrastructure Construction

Mine construction was assessed at 80% with a better than budget performance during the month of 4.8%. The dry commissioning process is expected to be completed by end March and wet commissioning to commence immediately thereafter. The date for the first delivery of ore onto train is now early / mid April which provides a month for the building of stock piles at the port in readiness for first ore on ship.

In recognition of the above timeline a plan is being implemented to process some ore and truck it from the mine site to a loading point part way along the rail line at the 185 km mark. The key objective is to expedite the wet commissioning of the rail and port equipment. There is already a stockpile of mined ore on the ROM pad at Cloudbreak and the portable crushing and screening plant used during the trial mining program in 2005 is being recommissioned to provide for a target of 150,000 tonnes of product. The ore will be trucked along the access road to the 185 km mark by power train trucks of 200 tonne capacity. The ore will be placed into the wagons by front end loaders and railed to the port to enable wet commissioning of the port equipment.

Key mine construction achievements during the month were: 1) the near completion of main conveyor line from the ROM pad to the screening plant (structural steel now 90% complete); 2) good progress made on steel erection at the train load out facility; 3) continued placing of pre-cast casings between the load out vaults up to the train loader with back filling commenced in sections to prepare for the product stockpile pads; 4) continued construction of foundations for the de-sand modules.

In recognition of the status of the construction program it should be noted that the ore preparation facility "OPF" does not need to be 100% completed until well into the ramp up program. The reason is that the three de-sand modules – which collectively represent c.10% of the construction value – are not required under the first stage of the mine plan. The type of ore extracted initially is of low clay content and not requiring the washing process to reduce alumina levels. Accordingly completion of the three de-sand modules can be delayed beyond the FOOS date without any impact on operations.

1.4 Mine Operations

Mining activities at Cloud Break continue with the team removing some 809,237 bank cubic meters "bcm" of overburden during January. Total ore mined during the month was 249,310 tonnes which came from the Hayman pit and was extracted by the Wirtgen surface miners. The total amount of iron ore mined to date is 914,310 tonnes. Some of this material has been used for sheeting out the ROM pads and some will be used for the planned trucking project which will see 150,000 tonnes loaded onto the train at the 185 km mark and railed to the port during March.

The inventory schedule for mobile mining equipment continues to grow at Cloudbreak with the site now home to 15 Terex 190 tonne overburden haul trucks; 6 O&K shovels and back hoes; 24 CAT 100 tonne haul trucks, 4 D11 CAT dozers, 4 D10 CAT dozers, 3 water trucks, 2 graders and 5 service trucks and 5 Wirtgen SM2500 surface miners,

The safety statistics for mining operations are reported separately to the construction program and during the month there were no lost time injuries "LTI" and no restricted work injuries RWI". This follows 6 previous months of no LTI's.

2. Schedule

The scheduled FOOS date remains at mid May 2008. There have been a few adjustments made to the schedule with the commissioning of crushing and screening plants being pushed back by one month and the completion of the rail and FOOT pushed back by one month to April.

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	Mar 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	Mar 08	
Finish rail earthworks	Jan 08	Feb 08	
Finish tracklaying (mainline)	Mar 08	April 08	
First loaded train to port	Mar 08	April 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	March 08	
Commence wet commissioning	Jan 08	Apr 08	
Commissioning complete	Apr 08	Apr 08	
MINING			
Commence waste mining	Sep 07		Sept 07
Commence ore mining	Oct 07		Nov 07

3. Cost

This month has seen an increase in the Forecast Final Cost “FFC” for the Project (excluding mining fleet) which is now \$2,766 million being an additional \$66m from the last report.

The increase is largely related to a \$61.1m adjustment following a thorough review of EPCM time in the project. While we do not foresee any further cost increases in the FFC, there are nevertheless certain minor risks as we close out each of the remaining contracts. At this stage the magnitude of that risk is considered to be well less than \$50m and may indeed actually work in Fortescue’s favour – ie. the FFC may be overstated if certain contracts are closed out below current forecasts. Hence we are not asserting any contingency for the project but merely recognising that the close out of contracts could be positive or negative. Notwithstanding, a worst case estimate is \$50m.

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*	2,766.0	195.0
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 \$44 million.

6. Disputes

There were no new material disputes during the period.