



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 February 2008 Monthly Construction Report.

Yours sincerely

Fortescue Metals Group Ltd

Rod Campbell

Company Secretary

PILBARA IRON ORE AND INFRASTRUCTURE PROJECT MONTHLY CONSTRUCTION REPORT

February 2008

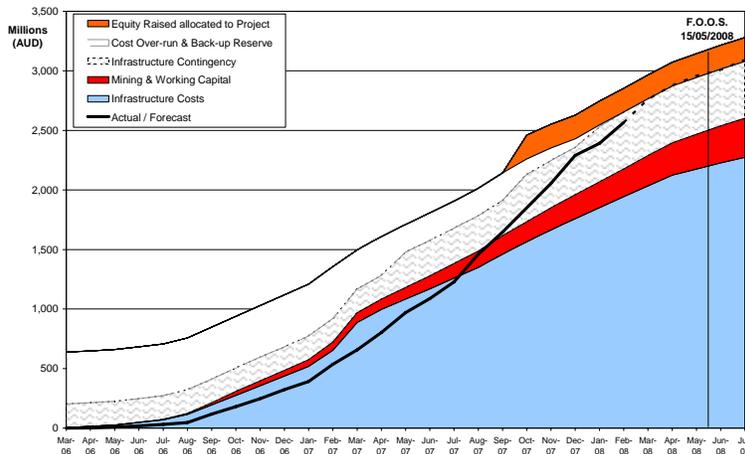
- The First Ore On Ship (FOOS) date remains at mid May 2008 with overall project completion at 90% measured by value of work.
- Port works are 93% with the value of work completed during February being 2.7% against the target of 2.3%.
- The mine site was 84% complete as at end February with VOW achieved of 3.4% against a target of 2.9%.
- Rail works were 91% complete with VOW achieved of 6.0% against a target of 3.3%.
- Project Final Forecast Cost is now \$2,796 million which represents an increase of \$31 million from last period. The adjustment was split between a \$11.7m increase for rail works, a \$22.2 increase for mine works balanced by a reduction of \$4.6m from forecast EPCM costs.



Section of Completed Rail Line



Final Shuttle Truss Lift at the mine



PROGRESS

1. Infrastructure/Construction

During February there were no lost time injuries “LTI’s” which represents a continuation of 6 months of no LTI’s. There were 3 recordable incidents being one restricted work injury, one medical treatment injury and one first aid injury.

Overall project completion was assessed at 90.2% with the value of work completed during the month of 4.3% which is above the month’s target of 3.3%. Significant progress was made within the rail works program (assessed VOW of 6% during February) to the extent now that management does not see rail on the critical path for FOOS in mid May. The focus now is very much on commissioning and particularly on the port assets as the company starts dry commissioning some of the product handling in-loading systems at the port.

As previously mentioned there are strategies in place to bring forward the wet commissioning program at the port and it can be reported that permanent power was connected to the port facility substation on 16 March 2008. The plan remains for final wet commissioning of the port by end April which will include commissioning of the out-load system incorporating the reclaimer and the ship loader.

The Forecast Final Cost “FFC” has been assessed at A\$2.796bn which is an increase of \$31m from the previous month. The main contributor was a \$22.2m adjustment to the direct costs at the mine site and a \$11.7m adjustment for rail costs. There was also a recovery of \$4.6m following the decrease of certain EPCM services no longer required. While these costs have effectively used up all of the original contingency provisions, project liquidity will be provided through the Company’s capital management program which includes operating leases.



Stacker and Reclaimer being pre-commissioned

1.1 Port Construction

The port works are assessed as 93% complete. As previously advised the schedule for the port to be ready to receive ore is end March noting that the connection to the main power grid at South Hedland occurred on 16 March 2008.

The major achievements over the period were lifting into place of the reclaimer boom and the counterweight assy, the completion of the water storage tanks, the final erection of all 66Kv permanent power poles and commencement of cladding the train unloader unit.

There have been extensive commission planning meetings held over the last few months and these will be increased during March as the program ramps up. The start of dry commissioning was kicked off during February with temporary power connected to the stacker and a “no load” test undertaken. There were also 6 ore wagons positioned at the unloader site and these will be used for the start of dry commissioning of this unit during March.

1.2 Rail Construction

The rail program is assessed as 91% completed. The assessed value of work “VoW” completed during the month was 6.0% which was above the target of 3.3%.

The earthworks program continued to be revised during the period to incorporate changes to work methodology to bring forward the target completion of main line track laying to end March. This is now considered an achievable schedule with first ore on train being planned for early April. A review of the final forecast cost “FFC” for rail was also undertaken and given certain amendments to the works program an increase of \$11.6m was made to the project FFC.

As at end February the automated SUM track laying machine was at the 140 km mark and manual teams had also completed various sections along from the 140 km mark down to the mine site. The productivity rate of the SUM machine was modified during the period to enable it to lay up to 3 km a day. This is an important achievement as there are large sections of rail formation capping to be handed over during March and the increased laying capacity of the SUM machine will be important to achieving the end March target. As previously reported the earthworks section between the 120 – 155 km mark was considered the most demanding of the whole works program and once completed the run through to the mine site would be made much easier.

Another important focus of work during February was the continuation of work in getting the communications and signalling equipment constructed along the rail route.

1.3 Mine Infrastructure Construction

Mine construction was assessed at 84% with a better than budget performance during the month of 3.4%. One of the key focus points during the month was completion of the product stockpile vaults and covering of the conveyor sections that will take the product from the ore processing facility up to the train load out. There are three product vaults to cover the three product types being high grade lump and fines and rocket fines.

Dry commissioning of sections of the ore processing facility commenced during February with the conveyor systems from the ROM pad to the screening plant powered and operated. Power has also been connected up to the screening plant and sections of this are expected to be dry commissioned during March.

Commissioning of the crushing plant has been slightly delayed with the last crusher to be installed during March and then power connected up soon thereafter.

To assist in early production a number of mobile crushing and screening plants have been planned and the first of these has been in operation for several weeks producing material that will be used for construction and wet commissioning purposes.

1.4 Mine Operations

During February some 1,127,296 bank cubic meters “bcm” of overburden was removed. Total ore mined during the month was 448,255 tonnes which came predominately from Hayman pit (358,450 tonnes) but was also drawn from Daydream pit (89,805 tonnes). The commencement of ore extraction from the Daydream pit was an important achievement during the period as it opens up more mining benches to assist in the blending of product for early shipments. A third pit, known as Green pit, is having overburden removed and is expected to be opened for mining in March.

Mined ore is being stockpiled on the ROM pad and is now being progressively fed into the 400 tonne per hour mobile crushing and screening plant that was ramped up during February. Product from this process is being stockpiled at the 185 km rail siding as reported last month. This material will be used for wet commissioning the train unloader and stacker and will be used for sheeting out the stockpile areas at the port.

The mobile mining equipment inventory schedule at Cloudbreak remains at 15 Terex 190 tonne overburden haul trucks; 6 O&K shovels and back hoes; 26 CAT 100 tonne haul trucks, 4 D11 CAT dozers, 4 D10 CAT dozers, 1 LeTourneau loader, 1 Komatsu excavator, 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 was 1 lost time injuries “LTI” which was the first such event for over 6 months.



Overburden removal in Green Pit



Ore wagons outside train unloader at port

2. Schedule

The scheduled FOOS date remains at mid May 2008. The schedule for completion of main line rail track laying has been brought forward to end March with first ore on train still expected for early 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		Feb 08
Finish rail earthworks	Jan 08	March 08	
Finish tracklaying (mainline)	Mar 08	March 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

The Forecast Final Cost “FFC” for the Project (excluding mining fleet) which is now \$2,797 million which is an increase of \$31m from the last report.

The breakdown of the increase is a net rise of \$11.7m for rail, a net rise of \$22.2m for mine, a rise of \$1.8m for the port and a decrease of \$4.6m from common costs due to a reduction in EPCM expenses. While there is no formal contingency left within the final forecast cost, Fortescue’s capital management program will provide sufficient funding to ensure completion.

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*	2,796.0	225.0
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 \$109 million.

6. Disputes

There were no new material disputes during the period.