



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 March 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

March 2008

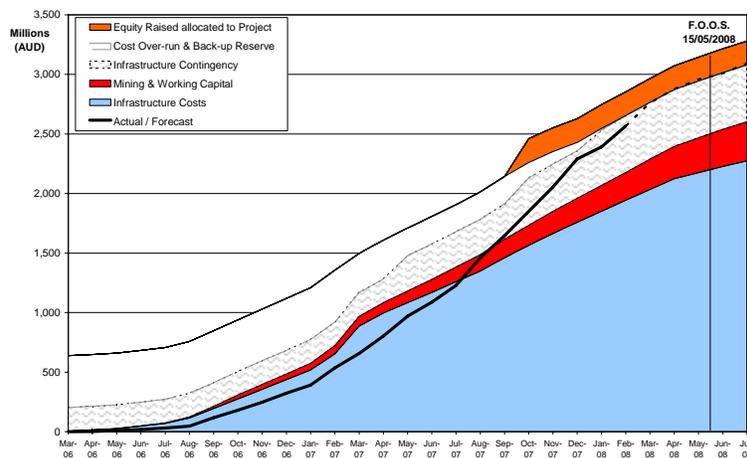
- The First Ore On Ship (FOOS) date remains at mid May 2008 with overall project completion at 94% measured by value of work.
- Port works were assessed at 96% complete with the value of work done during March measured as 2.7% against the target of 2.3%.
- Mine site works were 87% complete as at end March with the value of work achieved of 2.8% against a target of 2.9%.
- Rail works were assessed as 95% complete with value of work achieved of 4.5% against a target of 2.9%.
- Project Final Forecast Cost is now \$2,804 million which represents an increase of \$7.5 million from the February report. The adjustment was primarily a result of increases in forecasts at the mine and in the rail.



Test run of empty car in unloader



First ore on stockpile



PROGRESS

1. Infrastructure/Construction

There was one lost time injury “LTI” reported during March which is the first one in seven months. The only other material safety recording was one medical treatment injury “MTI”.

Overall project completion was assessed at 93.6% with the value of work completed during the month of 3.5%. As mentioned in the February report, the rapid progress made on the rail works program over the previous few months has taken rail off the project’s critical path. Progress made in March for rail works was again ahead of schedule which reinforces the good work in facilitating the mid May FOOS date.

One of the main focus points during March was preparation for wet commissioning, i.e. load commissioning of plant and equipment. With permanent power connected to the port site on March 16, the commissioning team was able to make preparations for load trials across the train unloader and the stockpile stacker. Dry commissioning (no load) was undertaken during March and the first loaded train was scheduled to arrive at the port by end March to kick start wet commissioning. However, the arrival date was delayed a few days and the first train load of material was unloaded and stacked on April 6.

The Forecast Final Cost “FFC” has been assessed at A\$2.804 billion which is an increase of \$7.5 million from the previous month. The main area of increase was \$6.9 million for rail works. While noting there is no specific contingency provision for this increase, the required project liquidity will be provided through the Company’s capital management program which includes operating leases.

1.1 Port Construction

The port works were assessed as 95.5% complete as at end March. The main development during the period was the connection to the main power grid which enabled the facility to be prepared for load commissioning. Up until full power was connected there had been a dry commissioning program that covered the key items of train unloader, stockpile stacker and ship loader. The ability to start wet commissioning was a significant milestone as the port requires a period of some 4 weeks to build stockpiles from which product can then be reclaimed for the first shipment of material.

The assembly of the reclaimer was finalised during March with the fixing of the buckets onto the rotating bucket wheel. The next step is to start dry commissioning of the reclaimer noting that it is not intended to start load commissioning this piece of equipment until early May.

In reviewing the wet commissioning program it should be noted that the port has two distinct operational sections being the “in-load” system comprising the train unloader and the stockpile stacker and the “out-load” system comprising the product reclaimer and the ship loader. The load commissioning of the inward system commenced on April 6 when the first loaded train arrived with Cloudbreak product. The outward system is scheduled to commence wet commissioning during the first week of May when the reclaimer and the ship loader will be operational to move Cloudbreak product from the stockpile onto a ship. The first few ship loads will be part of the construction commissioning process which must be done in advance of the first commercial shipment scheduled for mid May.

1.2 Rail Construction

The rail program was assessed as 95% completed as at end March. The assessed value of work completed during the month was 4.5% which was above the target of 2.9%.

The completion of the rail earthworks program was achieved during March. The end March target of completing the track laying along the main line from Port Hedland to Cloudbreak was delayed by a few days with the final length of main line track laid on April 8. These two events were major milestones for the company as they represented the culmination of extraordinary efforts by both the earthworks and track laying teams to complete their respective tasks within the tight timeframes set.

Having completed the track laying program, the main focus of the rail works program during April will be to complete the ballasting through to Cloudbreak to facilitate the railing of product direct from the mine site to the port facility.

During March there was approximately 37,000 tonnes of product trucked from the Cloudbreak mine site to the Hunter siding some 185 kms south of Fortescue's Port Hedland ship loading facility. This material, together with the tonnages trucked and stockpiled during February, was subsequently loaded onto trains and was the ore transported to the port unloading facility from April 6. The plan to truck and rail product from the Hunter siding has been a success in bringing forward the start of wet commissioning the port in-load system.

A further review of the final forecast cost "FFC" for rail was undertaken during the month which resulted in an increase of \$6.9m for the project.



SUM machine laying 3 + Km per day



First train with ore for wet commissioning

1.3 Mine Infrastructure Construction

Mine construction was assessed at 86.5% with a slight under budget performance of 2.8% against a target of 2.9% for the month.

The focus of work during the month was 1) the back filling of the product vaults, 2) the continued assembly of the train load out system, 3) the pulling of the conveyor belts from the ROM pad through to the ore processing facility and 4) the continuation of the dry commissioning program for the screening and crushing unit.

Of the three product vaults, backfilling of the first was completed, the second was 80% completed and the third was 30% completed. The erection of the train load out tower continued with the cone section liners completed and installed. Most of the conveyor belts linking the ROM pad to the ore processing facility have been pulled and are being run on a "no load" basis.

The balance of the conveyor systems will be pulled and commissioned during April with the exception of the conveyor from the product vaults to the train loading unit that will not be done until May. The general dry commissioning of ore processing facility which includes the screening and crushing units continued during March with the expected commencement of wet commissioning scheduled for end April.

The strategy of using mobile crushing and screening plants to process the ROM ore for the early rail loads to the port facility was continued during March with additional mobile capacity added through the month. Once the wet commissioning of the ore processing facility is activated the mobile plants will continue to be used to supplement product as the plant is progressively ramped up.

1.4 Mine Operations

During March some 1,363,284 bank cubic meters “bcm” of overburden was removed. The material is being removed from four pits being Hayman, Daydream, Hook and Green. All these pits are within an approximate one kilometre radius of the ROM pad and should supply the mining operation for at least the first 6 months of operations.

Total ore mined during the month was 582,640 tonnes which was split between Hayman pit (295,920 tonnes) and Daydream pit (286,720 tonnes). As can be seen from the tonnages, there is increased material coming from the Daydream pit which is important to the overall blending of end product. Equally the material that will soon be mined from the Green and Hook pits will further expand the blending options.

The mobile mining equipment inventory schedule at Cloudbreak remains relatively unchanged. There are 5 Wirtgen SM2500 surface miners in operation with an additional 5 machines soon to be commissioned. Of the additional machines, two have been assembled and have commenced initial trials with the other three in various stages of assembly with an expected commencement of works over the next few months. There will be a substantial increase in mining output once all 10 machines are in operation across the four pits including the new ones of Hook and Green. This is planned to happen by June 2008. A further 4 Wirtgens have been order and will be deployed over the second half of calendar 2008.

The safety statistics for mining operations are reported separately to the construction program and during the month there were nil lost time injuries “LTI”.



Train Load Out



Vault Backfill

2. Schedule

The scheduled FOOS date remains at mid May 2008.

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
Stacker/stockpiles	Apr 08	April 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		Mar 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		Mar 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) is now \$2,804 million which is an increase of \$7.5 m from the last report.

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*	2,804.0	232.5
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.

5. Contracts and Approvals

The total value of commitments made during March was \$18 million noting that this monthly number is reducing quickly as the project moves into the final stages of construction.

6. Disputes

There were no new material disputes during the period.