



PROJECT REPORT

Appendix 5B for March 2008 Quarter

The New Force in Iron Ore

Current Project Highlights:

- Cloudbreak ore delivered to the port in early April to facilitate the commencement of load commissioning the port's in-loading circuit.
- The first complete train comprising 204 wagons travelled the entire 265km distance from mine to port on April 29 with product destined for use in load commissioning the out-loading circuit.
- First Ore on Ship on target for mid May with a 170,000 tonne vessel chartered to deliver to Baosteel's port in China.
- Project assessed at over 95% complete (as at 25/4/08) with wet commissioning underway at all sites being port, rail and mine.
- Mining continues with surface miners now operating in three (3) pits being Hayman, Daydream and Hook – the fourth pit is scheduled for production in June.
- Wet commissioning of the ore preparation facility, incorporating the crushing and screening plants, commenced at Cloudbreak with product being stockpiled.
- Wet commissioning continues at the port with some 75,000 tonnes having been run through the in-loading circuit of train unloader and stacker.
- The ramp up in personnel continues apace with the permanent Fortescue workforce now at over 870 people.



CONSTRUCTION

Project advances by 11% “value of work” during the quarter

During the March quarter the project experienced major advances across all construction fronts. The value of work completed was assessed as 82% as at the end of the December 2007 quarter and this rose to 93% as at the end of the March 2008 quarter.

The key milestones achieved over the quarter under review were:

- Completion of the rail earthworks program, with tracklaying completed in early April.
- Commencement of dry (no load) commissioning at the port and mine sites with wet (load) commissioning commencing in April.
- Connection of the port to the main power grid in March which facilitated the commencement of wet commissioning.
- The delivery of the ship loader from China which was installed within 3 days of delivery.
- Dry commissioning of the complete rail rolling stock being 15 GE Locomotives and 816 ore wagons.

Major project milestones achieved during the period

The schedule remains on track for the first shipment of ore in mid-May 2008. As part of the wet commissioning of the out-load system comprising the reclaimer and ship loader, there will be a number of smaller vessels (ie. 70,000 tonne capacity) loaded and shipped. The first fully commercial loading and shipment post commissioning is planned for mid May when a cargo of some 170,000 tonnes will be shipped to Baosteel in China.

First Ore on Ship within weeks

EXPLORATION AND GEOLOGY

Solomon Project Area:

Exploration continues across Solomon Project area.

The main Exploration focus continues to be on the Solomon area with 6 RC drilling rigs and 2 diamond drilling rigs working on the site at the end of the quarter. Infill drilling to a 200 metres “m” x 50m grid has been completed at the Valley of the Kings section of the CID deposit. It is expected that this spacing will be sufficient to support an estimation of Indicated Resources. This will be confirmed when all assays are available and appropriate geo-statistics completed. Most of the rigs are now working on infilling the Valley of the Queens CID to a similar spacing. This infill is anticipated to be completed during the June quarter.



During the quarter the Brockman Formation-hosted mineralisation at the Firetail prospect was drilled out on a 400m x 100m grid. It is expected that this will support an estimate of Inferred Resources which is expected to be completed and announced during the current quarter. Infill to a 200m x 100m spacing is planned for this quarter.

As the infill programs draw to a close the rigs will be re-allocated to testing of other targets in the Solomon area and subsequently some rigs will move to targets further afield. Several targets for CID, DID and BID have been identified and are ready to be tested.

Glacier Valley

Baosteel JV remains on target for magnetite exploration

Phase One of the drill testing of this magnetite Joint Venture project with Baosteel was completed in late January. Drilling on the Darby prospect has intersected strongly magnetic BIF up to 400m thick and open at depths of greater than 300m. Davis Tube Testing has given positive results producing a magnetite concentrate of 67 to 69% Fe which is comparable to, and in some cases better than, other major Australian magnetite projects.

Preparations for a Phase Two more intensive drilling programme, intended to lead to an estimate of Inferred Resources, are well advanced and are expected to commence during the present quarter.

Under the JV terms, Baosteel pays for all exploration expenses and derives a progressive farm-in share of the JV up to a possible 50% interest, which would occur on the announcement of a resource of at least 1 billion tonnes and on completion of mining feasibility studies to determine an agreed mine plan.

MINING

Ramp up to full-scale mining begins

The March quarter has seen the progressive rolling out of the Fortescue mining operations with four (4) pits in various stages of activity. During the period ore was mined from the two pits known as Hayman and Daydream and the third pit known as Hook was brought into production during April. The other pit known as Green is being stripped of overburden in preparation for the mining of ore within this current quarter.



All pits are within an approximate one kilometre radius of the run of mine “ROM” stockpile site that will feed the ore preparation facility “OPF” which comprises the crushing and screening plants. The mined material is fed directly from the Wirtgen surface miners into Fortescue’s fleet of CAT 777 trucks and deposited on the ROM pad. This material is then selectively conveyed into the OPF to be processed under the various product specifications.

The four pits are expected to supply product for at least the next 6 months as individual benches within each pit are opened up and mined in accordance with the Company’s grade control program under the overarching mine plan.

Dry commissioning of the ore processing facility was progressively ramped up toward the end of the March quarter with wet (load) commissioning now underway. To supplement the processing capacity at the mine there has been extensive use of mobile crushing and screening plants that have facilitated the early production of material for initial wet commissioning.

Material for the first shipments in May is now being stockpiled at Cloudbreak and will be railed to the port over the following days given the trains have now commenced direct operations from the mine to the port.

TENEMENT PORTFOLIO

Pilbara tenement portfolio at approx. 40,000 km²

As at the end of the March quarter Fortescue’s tenement portfolio was relatively unchanged at approximately 40,000km². This tenement footprint includes granted and pending Exploration Licenses and Mining Leases, some of which are subject to agreements or joint venture arrangements.

During the quarter the Company applied for a new mining lease being tenement reference M47/1417 within the Solomon Group in the Western Pilbara region. This means Fortescue now has mining lease applications across the Solomon Group covering an area of some 200 km².



Fortescue Metals Group Ltd
A.C.N. 002 594 872

**FORTESCUE
METALS GROUP
LTD**



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Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

FORTECUE METALS GROUP LTD

ABN

57 002 594 872

Quarter ended

31 March 2008

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A000	Year to date (9 months) \$A000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(722)	(9,474)
(b) development	(251,611)	(1,412,812)
(c) production	(25,330)	(25,330)
(d) administration	(7,509)	(14,595)
(f) Other		
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	8,687	61,508
1.5 Interest and other costs of finance paid	(108,403)	(236,880)
1.6 Income taxes paid		
1.7 Other		
Other Payments – Deposits Paid		
Net Operating Cash Flows	(384,888)	(1,637,583)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets	(186)	(440)
1.9 Proceeds from sale of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets	125,466	125,466
1.10 Loans to other entities - (to associated JV company)		
1.11 Loan repaid by other entities		
1.12 Other		
Net investing cash flows	125,280	125,026
1.13 Total operating and investing cash flows (carried forward)	(259,608)	(1,512,557)

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Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(259,608)	(1,512,557)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc	815	506,312
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Other: Transaction Costs	(3,347)	(10,220)
1.19	Other: Deposits Received	35,338	53,157
	Net financing cash flows	32,806	549,249
	Net increase (decrease) in cash held	(226,802)	(963,308)
1.20	Cash at beginning of quarter/year to date	923,213	1,682,201
1.21	Exchange rate adjustments to item 1.20	(42,795)	(65,277)
1.22	Cash at end of quarter	653,616	653,616

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A000
1.23	Aggregate amount of payments to the parties included in item 1.2	374
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available \$A	Amount used \$A
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

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Mining exploration entity quarterly report

Estimated cash outflows for next quarter

		\$A000
4.1	Exploration and evaluation	910
4.2	Development	178,890
Total		179,800

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A000	Previous quarter \$A000
5.1	Cash on hand and at bank	653,616	923,213
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Bill	-	-
Total: cash at end of quarter (item 1.22)		653,616	923,213

Changes in interests in mining tenements

	Tenement reference	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			
	M 45/1142	Granted	Nil	100%
	M 46/449	Granted	Nil	100%
	M 46/451	Granted	Nil	100%
	M 46/452	Granted	Nil	100%
	M 46/454	Granted	Nil	100%
	E 47/1300	Granted	Nil	100%
	E 47/1301	Granted	Nil	100%
	E 47/1302	Granted	Nil	100%
	E 47/1352	Granted	Nil	100%
	E 47/1523	Granted	Nil	100%
	P 47/1270	Granted	Nil	100%
	P 47/1306	Granted	Nil	100%
	P 47/1307	Granted	Nil	100%
	P 47/1308	Granted	Nil	100%

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference +securities <i>(description)</i>	N/A	N/A	N/A	N/A
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	+Ordinary securities	2,803,268,160	2,803,268,160	N/A	N/A
7.4	Changes during quarter (a) Increases Share issues Options exercised Options exercised Options exercised (b) Decreases through returns of capital, buy-backs	30,000 125,000 937,270 625,000 -	- 125,000 937,270 625,000 -	5278 cents 703 cents 267 cents 569 cents -	5278 cents 703 cents 267 cents 569 cents -
7.5	+Convertible debt securities				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options FMGAW	11,317,730 2,718,750 4,219,530	Nil Nil Nil	Exercise price 26.7 cents 56.9 cents 70.3 cents	Expiry date 31 Dec 2009 25 Jan 2011 01 Jun 2011
7.8	Issued during quarter				
7.9	Exercised during quarter	125,000 937,270 625,000	125,000 937,270 625,000	703 cents 267 cents 569 cents	703 cents 267 cents 569 cents
7.10	Expired during quarter				
7.11	Debentures <i>(totals only)</i>	N/A	N/A		
7.12	Unsecured notes <i>(totals only)</i>	N/A	N/A		

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: Date: 30 April 2008
Print name: **CHRISTOPHER J CATLOW**
(Chief Financial Officer)

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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