



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

27 June 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 May 2008 Monthly Construction Report.

Yours sincerely

Fortescue Metals Group Ltd

Rod Campbell
Company Secretary

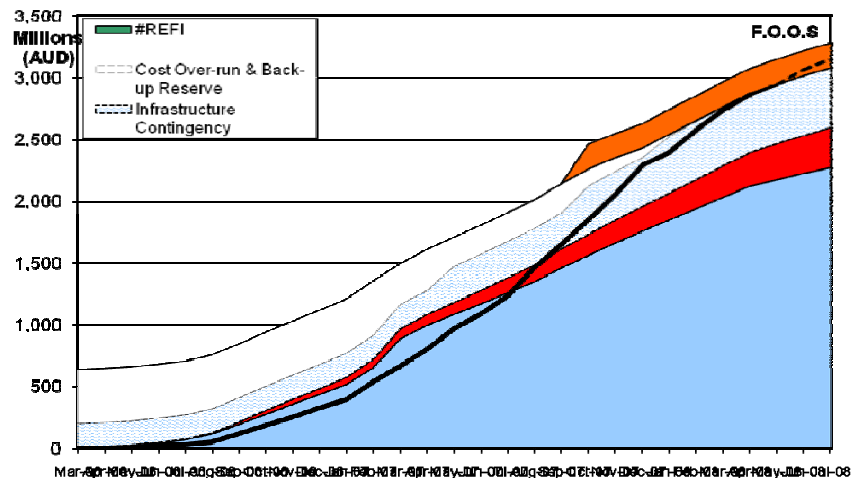
PILBARA IRON ORE AND INFRASTRUCTURE PROJECT MONTHLY CONSTRUCTION REPORT

May 2008

- The First Ore On Ship (FOOS) was achieved on the 15th of May as scheduled.
- Port works were assessed at 99.4% complete with the value of work carried out during May measured as 1.3% against the target of 1.1%.
- Mine site works were 92% complete as at end May with the value of work achieved of 0.8% against a target of 2.4%.
- Rail works were assessed as 95.6% complete with value of work achieved of -2% against a target of 0.3%.
- Project Final Forecast Cost is \$2,825 million which represents an increase of \$16.7 million from the April report.



Product being loaded onto the First Commercial Ship the "Heng Shan"



PROGRESS

1. Infrastructure/Construction

There were no lost time injuries “LTI’s” reported during May. The only material safety recordings were two medical treatment injuries “MTI’s”.

Overall project completion was assessed at 96.7% with the value of work “VoW” completed during the month recording a slight negative result (-0.3%) due to an anomaly of a return of funds from reimbursements and contract adjustments on the rail project (refer rail construction section for commentary).

The first ore on ship “FOOS” was achieved as scheduled on 15 May 2008. This marked a significant milestone for the project and importantly signalled the commencement of cash flow. The focus going forward is to reach project completion as described within the bond indenture which is described as the achievement of 2 million tonnes of product mined and shipped within a consecutive four week period. Given the current schedule the Company is working toward, it is expected that project completion will be achieved within 2 months of FOOS.

The Forecast Final Cost “FFC” has been assessed at A\$2.825 billion which is an increase of \$16.7 million from the previous month.

1.1 Port Construction

The port works were assessed as 99.4% complete as at end May. First ore on ship was achieved on schedule on 15 May with the loading of the 170,000 tonne cape size ship destined for Baosteel in China. On 9 May there was a panamax ship of 70,000 tonnes loaded but this was part of the wet commissioning process as the ports out loading circuit of product reclaimer and ship loader were load commissioned for the first time.

The work focus now is on ensuring that the ramp up to full operational capacity is achieved in a timely fashion. As at 21 June just over 1 million tonnes has been loaded and shipped which is consistent with the ramp up schedule.



Radial Stacker at Mine Site



Stacker & Reclaimer Port Site

1.2 Rail Construction

The rail program was assessed as 96% completed as at end May. The assessed value of work completed during the month was a negative -2% which was a result of a greater sum of money returning back to the project account than was expended. While there was work completed during the month there were also various reimbursements and contract adjustments that created a net inflow of funds pursuant to the Final Forecast Cost budget which has resulted in the anomaly of a negative value of work.

During May there were approximately 50 train journeys between the mine site with the 100th journey achieved on 21 June. A key focus going forward is to complete the “super lift” of the track ballast which is the process of laying an additional 150 mm of ballast to further base the rail line. This is scheduled to be completed by end July and will then allow for the train speeds and the wagon carry weights to be increased to rated capacity.

Another key focus is the completion of the signals and communications systems. Currently the rail program is operating on a manual signals system which is less than optimal. Once the automated system is in place, scheduled for end August, the overall program will achieve full efficiency.



A 240 wagon train en route to Port Hedland from Cloudbreak

1.3 Mine Infrastructure Construction

Mine construction was assessed at 92% as at end May.

The focus of work during the month was 1) wet commissioning of the Ore Processing Facility “OPF”, 2) completion of back filling the three product vaults and 3) completion of the automated train loader.

During May approximately 500,000 tonnes of product was processed through the OPF as ramp up commences. The first load of OPF product hit the stockpile floor in May as prior to this date product was being supplied by mobile plant that will continue to supplement overall tonnage through the commissioning process.

The focus going forward will be to complete the desand plant which accounts for approximately 7% of the overall value of works for the mine site. The use of the desand plant is to wash out the sections of the rocket fines material that is screened into ultra fines and that houses an excess of alumina “Al”. Currently the mine plan is not producing any high Al rocket material and accordingly the plant is not required until later in 2008.

2. Schedule

The scheduled FOOS date was achieved in 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		April 08
Commissioning complete #1	Apr 08	June 08	
MINING			
Commence waste mining	Sep 07		Sept 07
Commence ore mining	Oct 07		Nov 07

#1: The mine desand plant (which is separate to the ore processing facility) is not expected to be completed until Q3 2008.

3. Cost

The Forecast Final Cost “FFC” for the Project (excluding mining fleet) is now \$2,825 million which is an increase of \$16.7 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*	2,825.0	253.5
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. Disputes

There were no new material disputes during the period.