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

QUARTERLY REPORT

DECEMBER 2006

The New Force in Iron Ore

RECENT HIGHLIGHTS

- **Rail construction progressing on four fronts following grant of Special Railway Licence in November 2006.**
- **Mine site work at Cloud Break progressing well - first stage of new accommodation village now open and construction advancing on access roads, airstrip and ore processing facility.**
- **Port works for dredging and marine structures continue within budget and schedule – c. 3 million cubic metres dredged of a total 4.5 million m3 budget.**
- **Forecast port and rail capital costs remain at $1.92bn inclusive of the $198m contingency (of which A$53m is currently allocated). First ore on ship remains end Q1 2008.**
- **The Pilbara Mining Alliance (PMA) optimising the mine plan for Cloud Break and as advised in the recent December monthly construction report some mining capital ($200m) is to be brought forward to facilitate a more rapid ramp up with the initial mining capital figure now at $425m.**
- **Fortescue's tenement portfolio remains at 35,500 km^2 - refer attachment for full details of portfolio – early exploration results detailed in this report from new drilling sites within the western Pilbara region.**
- **China's 3rd largest steel mill – WISCO Steel – signs important off take agreement.**
- **Benchmark hematite iron ore prices for the 2007/08 year have been recently agreed at a level representing a 9.5% increase over current prices for both lump and fines.**

CORPORATE ACTIVITY

Construction underway in earnest

Since achieving financial close in August 2006 and having obtained all the necessary approvals, Fortescue is into full scale construction on the three areas of port, rail and mine.

As a consequence, the workforce employed within project planning and construction has expanded considerably over the last quarter. Direct employees under Fortescue now number some 250 personnel with a further 250 people employed within the related project teams known as Team 45 and PMA. In addition to these people, there are approximately 1,200 contractors working on the ground across the port, mine and rail areas – this is expected to expand to 2,500 at peak construction time in mid 2007.

Cash at end Dec 06 A$2.534 Bn

Fortescue's cash position as at end December 2006 was A$2,534 million which represents the proceeds from the project financing less project expenditure up to this date.

CONSTRUCTION

Dredging now > 67% complete

Since dredging commenced at Port Hedland in July 2006, the dredge ship has removed just over 3 million cubic metres of spoil of a budgeted 4.5 million cubic metres (> 67% complete) covering two loading pockets and the turning circle to Anderson Point. The spoils are being used for land fill across the 76 ha site which will become the stockpile area for Fortescue's product handling operation. The ability to use the spoils as landfill is both economically and environmentally beneficial to the project.

Site works progressing at Cloud Break

Initial development work at Cloud Break mine site commenced in October 2006 with one of the first projects being to construct the new mine accommodation village. Some 200 rooms are now open and when completed by end March 2007, the village will house 800 people. During construction, there will be 1,000 beds at the Cloud Break site with the previous exploration camp having recently been expanded to accommodate 200 people.

Other work at Cloud Break has been focused on the construction of the permanent airstrip; the foundation earthworks for the mine infrastructure area and the various access roads. The airstrip will accommodate aircraft up to 737 size with a paved runway of 2.3kms. The total area of the airport inclusive of a taxi runway and boarding facility will be 45ha's. The central mine support area which includes the ore preparation facility, the administration and workshop buildings, the stockpile yards and rail load out and spur area, will cover approximately 500ha's. The initial earthworks for this area are scheduled for completion in March 2007 along with the major access road to link the Cloud Break site to the main road that runs from Newman to Port Hedland via Marble Bar. Steel fabrication for the crushing and screening units is well underway in Perth and one of the first major components left the fabrication yard in December 2006.

Construction of the rail line commenced when the Special Railway Licence was granted in November 2006. There are currently four working fronts along the route of the track focused on preparing the rail formation, bridges and culverts. Another team is progressing the rail ore dumper complex which is next to the stockpile area at Anderson Point in Port Hedland. Once the rail formation is completed the sleepers will be positioned and then the rail track is laid and ballast applied.

Sleepers and rail steel delivered to site

Manufacturing of the sleepers and rail have already commenced and to date 90,000 rail sleepers have been produced on site (420,000 required in total) and8,000 tonnes of rail track has been delivered to Port Hedland and a further 10,000 tonnes have been produced and is awaiting shipping from China (38,000 tonnes required in total). The schedule has track laying to commence in April 2007.

Five construction camps now in operation

Rail workers are being accommodated in two rail villages constructed along the route of the line with each housing 320 people. The first of these villages was commissioned in November 2006 and the second village was commissioned in early January 2007. Port workers are being accommodated at a number of sites including a construction camp that has been commissioned near the Port Hedland airport which currently houses 100 people and is being expanded to hold 150 people.

Fortescue is also developing accommodation at South Hedland which will remain as a permanent facility post construction to provide motel style accommodation for visitors and tourists together with more permanent facilitates for Fortescue's port and rail employees. This facility will have 550 rooms and will be commissioned progressively out to end April 2007. The rooms are being fabricated off site with the first 150 rooms scheduled for commissioning by end February.

Rail works ceremony for Feb 8 2007

On 8 February 2007 there will be a ceremony at Port Hedland to celebrate the commencement of the rail works. The Minister for Planning & Infrastructure, The Hon Alannah MacTiernan will officiate proceedings given her role as the responsible minister pursuant to the Port and Rail Infrastructure State Agreement signed in November 2005.

Procurement of capital equipment for the rail is advancing well and it is pleasing to note that quality testing of the prototypes of Fortescue's ore rail wagons has been completed in China. As noted in the Offering Memorandum the contract was conditional on the manufacturer meeting standards to ensure the equipment would meet the conditions and operating criteria of the heavy haul regime. This contract is now unconditional in this regard as the tests have either achieved or exceeded the requirements under Australian Standards.

There were numerous contracts signed during the quarter and those considered material are identified below. The identified material contracts from previous quarters are also listed.

New Construction and Equipment Contracts;

During the period Oct – Dec 2006 there were $222 million in contracts awarded with the following list identifying the material contracts;

- Port train unloader – Nino's + Mobile Dewatering
- Port and mines switch and control rooms – Plummers Industries P/L
- Port structural fabrication – Fremantle Steel
- Camp construction – Spunbrood P/L and Smith Prell
- Port scour protection – Goodline and Alliance Contracting
- Mine structural steel fabrication – AGC Industries, SDR Australia
- Mine screen and feeders – Ludowici Mineral Processing and JEOST Australia
- Mine train loader – Schenck Process Aust
- Mine belt feeders – RCR Engineering
- Port and mine conveyor drives and belting – David Brown Gear Industries and MITSUI
- Rail signals and communication – Union Switch & Signals
- Mobile radio systems – Comgroup
- Medical services – St John

Previous Quarter Contracts;

- EPCM alliance agreement with WorleyParsons
- Dredge contract with Jan de Nul Group
- Rail earthworks contract with BGC
- Mine site crushing plant signed with FFE Minerals (Australia) Pty Ltd
- Marine structures with McConnell Dowell
- Construction and commissioning of ore stackers and reclaimers signed with Thyssen Krupp
- Construction and delivery of rail sleepers with Austrack
- Rail locomotives with United Group and GE
- Rail wagons with China South Locomotive and Rollingstock Industry (Group) Corporation
- Design and construction of the train unloader with Metso Minerals (Australia)
- Rail track laying and bridge construction with Laing O'Rouke Australia
- Wylie & Skene P/L for mine site buildings including office building, fuel depot, equipment wash down area and workshop
- BGC for rail ballast supply
- Cloud Break mine village to Nomad Building Solutions Ltd
- Supply of steel for rail track with Pangang Steel
- Fabrication of screening house structural steel to the Ausclad Group

EXPLORATION & GEOLOGY

1.1 billion tonnes Reserve for project area

There has been no change to the Project's Reserve or Resource portfolio during the period. The objective under the initial reserve studies was to delineate a quantity and quality of iron ore that would underwrite the initial mine plan being a production level of 45mtpa for a mine life of + 20 years. This was achieved with a Reserve of 1.1 billion tonnes of which 121 million tonnes was Proved classification under JORC the balance under Probable Reserve classification.

Exploration drilling at a number of Western Pilbara sites

Drilling over the quarter has been in part focused on grade control drilling at Cloud Break which has generated information to be processed within the ongoing review of the initial mine plan.

The other focus has been exploration drilling as Fortescue has an ongoing commitment to exploration studies to look at opportunities to increase the value and production potential of its tenement holdings. The eastern Pilbara tenements are across the Chichester Ranges and Fortescue has already delineated a total of 2.46 billion tonnes within its Reserve and Resource portfolio. Opportunities to expand within this region are being managed internally under the Chichester Project and involve both drilling and metallurgical research.

Drilling at prospective site known as Flying Fish

Fortescue has also established an initial six resource target areas within the company's western Pilbara tenement portfolio for further exploration in 2007. If these yield reserves of sufficient interest they may be linked into Fortescue's existing port and rail infrastructure to create a substantial platform for expansion. This initiative is known as the Central Pilbara Project.

The Central Pilbara Project

Fortescue has been successful in its exploration program at the White Knight, Flinders and Flying Fish deposits. White Knight and Flinders are approximately 35 and 70km from the 175km rail peg from Port Hedland. Initial drilling at the Flying Fish deposit has also been encouraging with intersections of up to 46 metres and Fe grades ranging from 57% - 64% (refer Table 2). The Company believes a series of resources will be established during 2007 through this exploration program which it hopes will support future plans to connect these into Fortescue's port and rail infrastructure. The possibility of a spur line due west from the Company's 175km rail peg will be examined to determine its feasibility and economic viability.

White Knight

Initial drilling at White Knight and Flinders has established a JORC Inferred resource of 105 million tonnes. The material is very similar to that found at Cloud Break. Potential exists to increase this tonnage and this will be reviewed over 2007. In any event, the Company believes these deposits could grow to a size that then will justify short rail spurs. With those spurs established, the larger targets of Solomon, Hamersley Homestead and Flying Fish would be accessible to the Company.

Drilling at White Knight (located about 30km west of the present Cloud Break rail alignment) has outlined an Inferred Resource of 58 Mt of 58% Fe with 5.4% silica and 2.4% alumina (refer Table 1). The Company considers that there is good potential to add to this resource as a considerable strike length remains to be evaluated. This deposit occurs in the Marra Mamba Iron Formation and is geologically very similar to the Cloud Break and Christmas Creek deposits and the Company believes that it could produce similar products.

A further 35km west lies the Flinders deposit where the Company has delineated an Inferred Resource of 47 Mt of 59% Fe with 4.4% silica and 2.3% alumina. Potential exists to add to this resource by extending the drilling down dip. It is Marra Mamba mineralisation and considered very similar to mineralisation at Cloud Break and Christmas Creek.

Table 1: Resource Statement White Knight and Flinders

Project	Resource Class	Tonnes (millions)	% Fe	% SiO_2	% Al_2O_3	% P	% MnO	% LOI
White Knight	Inferred Resources	58	57.9	5.36	2.44	0.088	0.62	7.84
Flinders JV	Inferred Resources	47	58.8	4.37	2.29	0.060	0.18	8.57

The above information has not previously been released to the market and the requisite Competent Persons reports is provided at the end of this section.

Solomon

Approximately 30km west-southwest of Flinders lies the Solomon mineralisation where the exploration team have defined two targets. The first of these is a 40km long drainage system which is known to host Channel Iron Deposit (CID) mineralisation. Very limited wide spaced drilling by previous explorers has identified that CID of potentially economic tenor occurs in this drainage system. The second target is an outcrop of strongly mineralised Brockman Iron Formation. This outcrop has been traced for over 4km of strike, is up to 400m wide and has never been drilled. Thicknesses are interpreted to be of the order of a few to several tens of metres. The outcrop disappears under cover to the north and west. Drill testing of both these targets is scheduled for early in the 2007 field season.

The Company's landholdings in this area host several hundred square kilometres of Brockman Iron Formation which has thus far been subjected to only preliminary assessment. Further work is considered likely to identify more Brockman targets.

Hamersley Homestead

30km west of Solomon and a few kilometres north of Hamersley Station homestead, Fortescue has mapped several outcrops of mineralised Brockman Iron Formation. Most of these appear to extend beneath alluvial cover. There is no evidence of previous drill testing of these outcrops. Fortescue plans to undertake drill evaluation immediately following the testing of the Solomon targets.

Flying Fish

About 35km southwest from Hamersley homestead is the Flying Fish project where drilling commenced in early November 2006 and is ongoing. Early drilling results indicate the existence of potential resources. To date 98 holes have been drilled for a total of 6,350 metres. Assay results have been received for 24 of these holes and the better assays are summarised below in Table 2. This mineralisation occurs in the Marra Mamba Iron formation and the Company is particularly encouraged by the prevalence of iron grades in excess of 60%. On the basis of recent results the company has increased its resource target to 125 – 175 million tonnes along a 20km strike length noting that this target is theoretical in nature and may not be achieved.

Table 2 – Flying Fish Intercepts

Hole #	Easting	Northing	From	To	Intercept	Fe	SiO_2	Al_2O_3	P
FF0003	527000	7514700	29	31	2	60.2	3.70	0.81	0.040
			33	35	2	57.7	8.77	0.75	0.045
FF0006	527400	7514800	49	77	28	62.3	2.57	1.25	0.058
FF0022	526600	7515000	44	47	3	58.3	5.36	1.26	0.020
			65	68	3	57.2	6.56	1.34	0.037
FF0032	522200	7511300	19	40	21	62.4	2.64	1.71	0.059
			43	45	2	61.9	3.90	1.92	0.070
FF0033	522200	7511200	70	93	23	63.2	2.08	1.47	0.060
FF0034	522200	7511100	20	38	18	63.1	2.42	2.61	0.049
FF0037	521000	7510700	155	170	15	62.8	3.37	1.21	0.060
FF0040	514600	7509700	21	23	2	57.3	4.98	2.33	0.045
			32	34	2	58.1	6.14	1.67	0.135
FF0041	514600	7509600	18	39	21	61.5	2.24	1.33	0.056
			40	42	2	57.8	6.13	3.09	0.075
			45	47	2	57.9	7.68	2.55	0.075
FF0042	514600	7509500	37	57	20	62.3	3.61	1.45	0.071
FF0049	517100	7509800	40	43	3	57.7	7.93	5.09	0.043
			49	95	**46**	**63.9**	**2.08**	**2.46**	**0.060**
			169	173	4	57.5	4.07	1.48	0.110
FF0055	521000	7510900	16	35	19	60.4	3.91	2.28	0.051
FF0056	521000	7510700	91	119	28	64.0	1.62	0.90	0.055

N.B. All other holes for which assays have been received have given results which do not meet the criteria of a minimum of 2 metres of at least 56.0% Fe.

Eliwana's Pilbara

Finally, approximately 40kms west of Flying Fish is the Eliwana Project comprising three prospects, two in Brockman Iron formation and one in Marra Mamba. The Company has commenced drill testing of the Marra Mamba target with 44 holes totalling 2,219 metres having been completed. Assays have been received for parts of the first 15 holes with better intercepts summarised in Table 3. Based on visual assessment, the Company's geologists expect that the mineralised body intersected by holes TM 014 and 015 is at least 2 km in strike length and has assigned a target of 50 Mt noting that this is theoretical in nature and may not be achieved. This area is subject to a JV with Talisman Mining Ltd granting the Company 100% of the iron ore rights.

The Company's tenements extending to the west cover a further 25km strike of Marra Mamba Iron Formation which has not yet been mapped or field checked. Fortescue believes this area holds potential for further Marra Mamba targets.

About 2km south of the Marra Mamba ridge the Company has about 16km strike of Brockman Iron Formation. Several outcrops of well mineralised Dales Gorge Member and Joffre Member have been outlined. The entire thickness of the Dales Gorge Member appears to be mineralised at some of these outcrops which can be more than one square kilometre in extent. The area has never been drilled and Fortescue intends to commence drill evaluation in 2007.

About 15km north of the Eliwana Marra Mamba target the company has mapped an outcrop of well mineralised Brockman Iron Formation which goes under alluvial cover after about 1.5km. This target is also included in the Company's drilling schedule for the 2007 field season.

Table 3 - Drill Intercepts Eliwana

Hole #	Easting	Northing	From	To	Intercept	Fe	SiO_2	Al_2O_3	P
TM0012	499200	7512100	56	66	10	59.2	4.65	1.82	0.074
TM0014	484600	7514100	22	29	7	62.8	3.01	1.80	0.047
			32	54	22	61.0	3.53	1.56	0.054
TM0015	484600	7514000	20	23	3	57.7	4.17	3.56	0.057
			59	66	7	63.0	2.58	1.75	0.060

N.B. All other holes for which assays have been received have given results which do not meet the criteria of a minimum of 2 metres of at least 56.0% Fe.

The new resource information in this section of the report to which this statement is attached relating to Mineral Resources is based on information compiled by Mr Stuart Robinson who is a Member of The Australasian

Institute of Mining and Metallurgy .

Mr Stuart Robinson is a full time employee of Fortescue Metals Group Ltd and provided geological interpretations for Mineral Resource calculations and compiled the exploration results. Mr Robinson, who is a Fellow of The Australasian Institute of Mining and Metallurgy, has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Robinson consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

MINING

Fortescue expanding its Pilbara Mining Alliance team with Roche Mining

The primary work undertaken over the last quarter by the Pilbara Mining Alliance (PMA) team has been optimising the mine plan and associated mining equipment selection. This process has been facilitated by the grade control drilling program and the ongoing metallurgical testing that is being done to align the mining program with the desired product blends.

As a result of this work the equipment fleet has been modified in both scale and size to optimise production. The effect of this planning has been to bring forward the delivery of certain items. As mentioned in the December 2006 construction report lodged with the ASX, the initial mine capex is now estimated at $425m which predominantly consists of mobile mining equipment.

Having more precisely determined the make up of the mining fleet Fortescue was able to select the equipment suppliers with Caterpillar and Terex appointed as principal suppliers of the earthmoving equipment. Wirtgen was previously appointed as the supplier of the surface miners.

The initial mining capex estimated for the Senior Secured Note Offering Memorandum was $550m which included the A$325 ore processing plan (the OM was released to the ASX in August 2006). The allocation for mining equipment was $225m which principally covered the initial mobile mine fleet being that equipment required to get the project into production and cash flow. This figure has now been increased by $200m to $425m and will assist in a more rapid expansion to 45mtpa with the intention that much of this equipment will be leased.

The optimisation of the mining fleet is not expected to materially change the mining opex as identified in the ASX release covering the mining study (refer 10 April 2006). In this release it was reported that Fortescue planned to lease the bulk of its mining fleet and this cost was accommodated via a $3.70 / tonne life of mine charge for finance costs (this charge covered both the Cloud Break and Christmas Creek operations). While the bringing forward of some of this equipment may change the timing of related finance costs, the life of mine charge will not be materially different as the total capex over the mine life for Cloud Break remains within 5% of the original estimate.

METALLURGICAL TESTWORK

Cloud Break Super Value fines has the potential for upgrading

Examination of the primary metallurgical characteristics of Fortescue's iron ore in preparation for mining and processing continued with emphasis being on determining the chemical and physical properties of ore types across the mining areas at Cloud Break. Extensive pilot scale hydrocyclone desanding tests were performed at the CSIRO and were successful in established the upgrading characteristics of the -1 +0mm fraction of Cloud Break Super Value fines with classification at a d_{50} of 54 microns. The test yielded a higher quality product with 1% increase in Fe and 74% mass recovery. Dewatering tests confirmed that the cyclone overflow could be successfully thickened using conventional technology. The work suggested that there is further potential to upgrade by cyclone size classification and gravity separation. As a result, the decision was made to construct a "desand" pilot plant to investigate the potential flow sheet and upgrading possibilities.

Banana screening confirms size characteristics of Cloud Break High Grade and Super Value fines products

Test work continued on key operational issues as part of a cross-checking exercise to confirm the detailed engineering designs for the ore processing centre and the final product design. Pilot scale "banana screen" test work was completed and confirmed the predicted product size distributions for High Grade and super value fines.

MARKETING

WISCO contract takes sales to 92% of initial production

During the period Fortescue signed a further offtake agreement for an initial 2mtpa with WISCO Steel (known in full as International Economic & Trading Corporation, Wugang Group). WISCO ranks as China's third largest steel producer and the developing of a relationship with this company represents an important achievement for Fortescue.

With the addition of the WISCO agreement, total sales agreements for the initial 45mtpa production target now stand at 41.5mtpa – representing 92% of the initial target of 45mtpa. Importantly for Fortescue it has now developed sales relationships with 8 of China's top 10 mills.

Benchmark prices for 07/08 year settled at 9.5% increase

The WISCO contract also provides for additional sales volumes should Fortescue expand its iron ore production beyond the 45mtpa initial target. Under the agreement WISCO will take a minimum of 20% of additional production beyond 45mtpa up to a maximum tonnage of 5mtpa.

The mix of product sought under the agreement is a combination of Fortescue's high grade (> 60% Fe) and its super value (>58% Fe).

The annual industry price setting for the forthcoming year April 2007 – March 2008 has been completed and a price increase over the 2006/07 benchmark for premium Pilbara ores has been agreed at 9.5%. This means that iron ore prices for both premium fines and lump have increased by some 120% since the 03/04 year.

TENEMENT PORTFOLIO

Tenement holding at c.35,500 Km²

Fortescue's Pilbara tenement portfolio remains at some 35,500km² which consists of granted and pending exploration and prospecting licenses (including joint venture tenements).

A full schedule of Fortescue's tenement area has been produced as an attachment to this report. The exploration licenses are denoted with an E classification and the mining leases with a M classification. The schedule identifies those tenements that are granted and those that are under application pending a grant thereof. The schedule also shows those tenements that are held in joint venture arrangements either as granted or under application.

APPROVALS

Detailed Plans for Mining and Infrastructure all approved during the period.

As previously advised Fortescue has received all of the major approvals required under the various government, environmental and native title processes. The position going forward is that the approvals team is working through the various sub approvals such as environmental management plans, heritage surveys and operational procedures as required under the umbrella approvals.

Environmental management plans onging

In this context Fortescue received government signoff for the detailed plans that were part of the respective Infrastructure and Mining State Agreements. The detailed plans required for port and rail were approved by the Minister for Infrastructure and Planning in November 06 and the detailed plans for mining were approved by the Minister for Resources in December 06. These approvals have cleared the path for the implementation of these plans through construction and into operation.

Heritage surveys across entire Project site almost complete

The environmental team has completed the management plans for the construction phase and are now working on management plans for operations. Heritage surveys under the State Aboriginal Heritage Act (1972) have been ongoing for the last 2 years. These are now all but complete with some final work being conducted on a few of the proposed mining areas to ensure there is no disturbance of any significant heritage sites or artefacts.

OTHER SUBJECTS

Favourable finding in the High Court

As previously advised Fortescue applied to declare BHP Billiton Ltd's Mt Newman and Goldsworthy railway lines under Part 111A of the Trade Practices Act. BHPB challenged this application in the Federal Court of Australia on the basis that the Mt Newman railway line and Goldsworthy railway line were part of its "production process" and accordingly not a "service" capable of declaration under Part 111A of the Trade Practices Act.

On 18 December 2006, His Honour Justice Middleton delivered his judgment in the Federal Court in favour of Fortescue and determined that both the Mt

Newman and Goldsworthy railway are not part of BHPB's production process.

This ruling has effectively set aside a previous ruling by the Federal Court in Hamersley Iron Pty Ltd v National Competition Council (1999) 164 ALR 203. This clears the way for Fortescue's appeal to the Australian Competition Tribunal in order to over turn the deemed decision of the Treasurer not to declare the Mt Newman railway.

On about 15 January 2007, BHPB appealed Justice Middleton's decision and a hearing on this is expected to be made in mid 2007.

In consideration of the above it is important to note that Fortescue's application to access BHPB's rail line relates solely to the Company's 50/50 joint venture with Consolidated Minerals Ltd, known as Mindy Mindy. The Mindy Mindy deposit project is geographically separate to Fortescue's but lies adjacent to the BHPB line. Fortescue's wholly owned deposits at Cloud Break and Christmas Creek are going to be serviced by dedicated rail and port facilities that are currently under construction by the company.

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ATTACHMENT: Exploration (E) and Mining (M) Tenement Porfolio

Tenement	Tenement Status	Tenement Holder	Tenement	Tenement Status	Tenement Holder
Granted			**Granted**		
E 08/1547	Granted	FMG Group	M 46/340	Granted	FMG Group
E 08/1549	Granted	FMG Group	M 46/341	Granted	FMG Group
E 45/2497	Granted	FMG Group	M 46/342	Granted	FMG Group
E 45/2498	Granted	FMG Group	M 46/343	Granted	FMG Group
E 45/2499	Granted	FMG Group	M 46/344	Granted	FMG Group
E 45/2593	Granted	FMG Group	M 46/345	Granted	FMG Group
E 45/2651	Granted	FMG Group	M 46/346	Granted	FMG Group
E 45/2652	Granted	FMG Group	M 46/347	Granted	FMG Group
E 45/2707	Granted	FMG Group	M 46/348	Granted	FMG Group
E 45/2708	Granted	FMG Group	M 46/349	Granted	FMG Group
E 45/2709	Granted	FMG Group	M 46/350	Granted	FMG Group
E 45/2712	Granted	FMG Group	M 46/351	Granted	FMG Group
E 45/2713	Granted	FMG Group	M 46/352	Granted	FMG Group
E 45/2714	Granted	FMG Group	M 46/353	Granted	FMG Group
E 45/2737	Granted	FMG Group	M 46/354	Granted	FMG Group
E 45/2748	Granted	FMG Group	M 46/355	Granted	FMG Group
E 45/2749	Granted	FMG Group	M 46/356	Granted	FMG Group
E 45/2770	Granted	FMG Group	M 46/357	Granted	FMG Group
E 46/413	Granted	FMG Group	M 46/410	Granted	FMG Group
E 46/467	Granted	FMG Group	M 46/411	Granted	FMG Group
E 46/516	Granted	FMG Group	M 46/415	Granted	FMG Group
E 46/517	Granted	FMG Group	M 46/416	Granted	FMG Group
E 46/518	Granted	FMG Group	M 46/417	Granted	FMG Group
E 46/519	Granted	FMG Group	M 46/418	Granted	FMG Group
E 46/566	Granted	FMG Group	M 46/419	Granted	FMG Group
E 46/567	Granted	FMG Group	M 46/420	Granted	FMG Group
E 46/568	Granted	FMG Group	M 46/421	Granted	FMG Group
E 46/569	Granted	FMG Group	M 46/422	Granted	FMG Group
E 46/590	Granted	FMG Group	**Applications**		
E 46/595	Granted	FMG Group	E 04/1534	Application	FMG Group
E 46/600	Granted	FMG Group	E 04/1535	Application	FMG Group
E 46/601	Granted	FMG Group	E 04/1536	Application	FMG Group
E 46/610	Granted	FMG Group	E 04/1537	Application	FMG Group
E 46/611	Granted	FMG Group	E 04/1538	Application	FMG Group
E 46/612	Granted	FMG Group	E 04/1539	Application	FMG Group
E 46/622	Granted	FMG Group	E 08/1432	Application	FMG Group
E 46/623	Granted	FMG Group	E 08/1439	Application	FMG Group
E 46/675	Granted	FMG Group	E 08/1440	Application	FMG Group
E 47/1155	Granted	FMG Group	E 08/1481	Application	FMG Group
E 47/1373	Granted	FMG Group	E 08/1548	Application	FMG Group
E 47/1434	Granted	FMG Group	E 08/1550	Application	FMG Group
E 47/1436	Granted	FMG Group	E 08/1585	Application	FMG Group
E 52/1779	Granted	FMG Group	E 08/1623	Application	FMG Group
M 45/1082	Granted	FMG Group	E 08/1624	Application	FMG Group
M 45/1083	Granted	FMG Group	E 08/1625	Application	FMG Group
M 45/1084	Granted	FMG Group	E 08/1626	Application	FMG Group
M 45/1085	Granted	FMG Group	E 08/1627	Application	FMG Group
M 45/1086	Granted	FMG Group	E 08/1628	Application	FMG Group
M 45/1087	Granted	FMG Group	E 08/1629	Application	FMG Group
M 45/1088	Granted	FMG Group	E 08/1630	Application	FMG Group
M 45/1089	Granted	FMG Group	E 08/1631	Application	FMG Group
M 45/1090	Granted	FMG Group	E 08/1632	Application	FMG Group
M 45/1091	Granted	FMG Group	E 08/1633	Application	FMG Group
M 45/1092	Granted	FMG Group	E 08/1714	Application	FMG Group
M 45/1093	Granted	FMG Group	E 08/1715	Application	FMG Group
M 45/1094	Granted	FMG Group	E 08/1741	Application	FMG Group
M 45/1102	Granted	FMG Group	E 08/1760	Application	FMG Group
M 45/1103	Granted	FMG Group	E 08/1761	Application	FMG Group
M 45/1104	Granted	FMG Group	E 08/1762	Application	FMG Group
M 45/1105	Granted	FMG Group	E 45/2840	Application	FMG Group
M 45/1106	Granted	FMG Group	E 45/2841	Application	FMG Group
M 45/1107	Granted	FMG Group	E 45/2842	Application	FMG Group
M 45/1124	Granted	FMG Group	E 45/2843	Application	FMG Group
M 45/1125	Granted	FMG Group	E 45/2844	Application	FMG Group
M 45/1126	Granted	FMG Group	E 45/2845	Application	FMG Group
M 45/1127	Granted	FMG Group	E 45/2846	Application	FMG Group
M 45/1128	Granted	FMG Group	E 45/2847	Application	FMG Group
M 46/292	Granted	FMG Group	E 45/2848	Application	FMG Group
M 46/293	Granted	FMG Group	E 45/2849	Application	FMG Group
M 46/314	Granted	FMG Group	E 45/2850	Application	FMG Group
M 46/315	Granted	FMG Group	E 45/2851	Application	FMG Group
M 46/316	Granted	FMG Group	E 45/2852	Application	FMG Group
M 46/317	Granted	FMG Group	E 45/2853	Application	FMG Group
M 46/318	Granted	FMG Group	E 45/2854	Application	FMG Group
M 46/319	Granted	FMG Group	E 45/2855	Application	FMG Group
M 46/320	Granted	FMG Group	E 45/2856	Application	FMG Group
M 46/321	Granted	FMG Group	E 45/2857	Application	FMG Group
M 46/322	Granted	FMG Group	E 45/2858	Application	FMG Group
M 46/323	Granted	FMG Group	E 45/2859	Application	FMG Group
M 46/324	Granted	FMG Group	E 45/2860	Application	FMG Group
M 46/325	Granted	FMG Group	E 45/2861	Application	FMG Group
M 46/326	Granted	FMG Group	E 45/2862	Application	FMG Group
M 46/327	Granted	FMG Group	E 45/2863	Application	FMG Group
M 46/328	Granted	FMG Group	E 45/2864	Application	FMG Group
M 46/329	Granted	FMG Group	E 45/2865	Application	FMG Group
M 46/330	Granted	FMG Group	E 45/2866	Application	FMG Group
M 46/331	Granted	FMG Group	E 45/2867	Application	FMG Group
M 46/332	Granted	FMG Group	E 45/2870	Application	FMG Group
M 46/333	Granted	FMG Group	E 45/2919	Application	FMG Group
M 46/334	Granted	FMG Group	E 45/2920	Application	FMG Group
M 46/335	Granted	FMG Group	E 45/2945	Application	FMG Group
M 46/336	Granted	FMG Group	E 45/2946	Application	FMG Group
M 46/337	Granted	FMG Group	E 45/2970	Application	FMG Group
M 46/338	Granted	FMG Group	E 45/2971	Application	FMG Group
M 46/339	Granted	FMG Group	E 45/2972	Application	FMG Group

Tenement	Tenement Status	Tenement Holder
E 45/2973	Application	FMG Group
E 46/621	Application	FMG Group
E 46/664	Application	FMG Group
E 46/666	Application	FMG Group
E 46/682	Application	FMG Group
E 46/694	Application	FMG Group
E 46/695	Application	FMG Group
E 46/696	Application	FMG Group
E 46/697	Application	FMG Group
E 46/698	Application	FMG Group
E 46/699	Application	FMG Group
E 46/700	Application	FMG Group
E 46/701	Application	FMG Group
E 46/702	Application	FMG Group
E 46/703	Application	FMG Group
E 46/704	Application	FMG Group
E 46/705	Application	FMG Group
E 46/706	Application	FMG Group
E 46/707	Application	FMG Group
E 46/708	Application	FMG Group
E 46/711	Application	FMG Group
E 46/715	Application	FMG Group
E 46/716	Application	FMG Group
E 46/721	Application	FMG Group
E 46/722	Application	FMG Group
E 46/724	Application	FMG Group
E 46/725	Application	FMG Group
E 46/726	Application	FMG Group
E 46/727	Application	FMG Group
E 46/728	Application	FMG Group
E 46/729	Application	FMG Group
E 46/735	Application	FMG Group
E 47/1290	Application	FMG Group
E 47/1299	Application	FMG Group
E 47/1300	Application	FMG Group
E 47/1301	Application	FMG Group
E 47/1302	Application	FMG Group
E 47/1319	Application	FMG Group
E 47/1320	Application	FMG Group
E 47/1333	Application	FMG Group
E 47/1334	Application	FMG Group
E 47/1342	Application	FMG Group
E 47/1343	Application	FMG Group
E 47/1349	Application	FMG Group
E 47/1351	Application	FMG Group
E 47/1352	Application	FMG Group
E 47/1353	Application	FMG Group
E 47/1355	Application	FMG Group
E 47/1357	Application	FMG Group
E 47/1361	Application	FMG Group
E 47/1363	Application	FMG Group
E 47/1370	Application	FMG Group
E 47/1372	Application	FMG Group
E 47/1374	Application	FMG Group
E 47/1375	Application	FMG Group
E 47/1383	Application	FMG Group
E 47/1384	Application	FMG Group
E 47/1387	Application	FMG Group
E 47/1388	Application	FMG Group
E 47/1395	Application	FMG Group
E 47/1396	Application	FMG Group
E 47/1397	Application	FMG Group
E 47/1398	Application	FMG Group
E 47/1399	Application	FMG Group
E 47/1404	Application	FMG Group
E 47/1419	Application	FMG Group
E 47/1420	Application	FMG Group
E 47/1423	Application	FMG Group
E 47/1433	Application	FMG Group
E 47/1435	Application	FMG Group
E 47/1440	Application	FMG Group
E 47/1442	Application	FMG Group
E 47/1446	Application	FMG Group
E 47/1447	Application	FMG Group
E 47/1448	Application	FMG Group
E 47/1449	Application	FMG Group
E 47/1453	Application	FMG Group
E 47/1460	Application	FMG Group
E 47/1487	Application	FMG Group
E 47/1500	Application	FMG Group
E 47/1523	Application	FMG Group
E 47/1524	Application	FMG Group
E 47/1531	Application	FMG Group
E 47/1532	Application	FMG Group
E 47/1533	Application	FMG Group
E 47/1535	Application	FMG Group
E 47/1542	Application	FMG Group
E 47/1543	Application	FMG Group
E 47/1549	Application	FMG Group
E 47/1578	Application	FMG Group
E 47/1579	Application	FMG Group
E 47/1581	Application	FMG Group
E 47/1616	Application	FMG Group
E 47/1623	Application	FMG Group
E 47/1651	Application	FMG Group
E 47/1652	Application	FMG Group
E 47/1653	Application	FMG Group
E 47/1654	Application	FMG Group
E 47/1655	Application	FMG Group
E 47/1656	Application	FMG Group
E 47/1657	Application	FMG Group
E 47/1658	Application	FMG Group
E 47/1659	Application	FMG Group
E 47/1660	Application	FMG Group
E 47/1661	Application	FMG Group
E 47/1662	Application	FMG Group
E 47/1663	Application	FMG Group
E 47/1664	Application	FMG Group
E 47/1665	Application	FMG Group
E 47/1666	Application	FMG Group
E 47/1667	Application	FMG Group
E 47/1668	Application	FMG Group
E 47/1669	Application	FMG Group
E 47/1670	Application	FMG Group
E 47/1671	Application	FMG Group
E 47/1672	Application	FMG Group
E 47/1673	Application	FMG Group
E 47/1674	Application	FMG Group
E 47/1675	Application	FMG Group
E 47/1676	Application	FMG Group
E 47/1677	Application	FMG Group
E 47/1678	Application	FMG Group
E 47/1679	Application	FMG Group
E 47/1680	Application	FMG Group
E 47/1681	Application	FMG Group
E 47/1682	Application	FMG Group
E 47/1684	Application	FMG Group
E 47/1685	Application	FMG Group
E 47/1686	Application	FMG Group
E 47/1687	Application	FMG Group
E 47/1688	Application	FMG Group
E 47/1702	Application	FMG Group
E 47/1703	Application	FMG Group
E 47/1727	Application	FMG Group
E 47/1728	Application	FMG Group
E 47/1734	Application	FMG Group
E 47/1735	Application	FMG Group
E 47/1739	Application	FMG Group
E 47/1741	Application	FMG Group
E 47/1761	Application	FMG Group
E 47/1762	Application	FMG Group
E 47/1763	Application	FMG Group
E 47/1764	Application	FMG Group
E 47/1768	Application	FMG Group
E 47/1772	Application	FMG Group
E 51/1158	Application	FMG Group
E 51/1159	Application	FMG Group
E 51/1165	Application	FMG Group
E 51/1166	Application	FMG Group
E 52/1788	Application	FMG Group
E 52/1789	Application	FMG Group
E 52/1790	Application	FMG Group
E 52/1937	Application	FMG Group
E 52/1945	Application	FMG Group
E 52/1946	Application	FMG Group
E 52/1947	Application	FMG Group
E 52/1965	Application	FMG Group
E 52/1977	Application	FMG Group
E 52/1984	Application	FMG Group
E 52/2007	Application	FMG Group
E 59/1267	Application	FMG Group
E 59/1275	Application	FMG Group
E 59/1279	Application	FMG Group
E 77/1385	Application	FMG Group
E47/1690	Application	FMG Group

Tenement	Tenement Status	Joint Venture Party & Holder
Granted		
E 08/1393	Granted	Cullen Exploration Pty Ltd
E 47/1011	Granted	Prenti Exploration Pty Ltd & Flinders Diamonds Ltd
E 47/1016	Granted	Prenti Exploration Pty Ltd & Flinders Diamonds Ltd
E 47/1136	Granted	Talisman Mining Ltd
E 47/1140	Granted	Derek Ammon
E 47/1154	Granted	Cullen Exploration Pty Ltd
E 47/1191	Granted	Pilbara Iron Ore Pty Ltd
E 47/1192	Granted	Pilbara Iron Ore Pty Ltd
E 47/1194	Granted	Talisman Mining Ltd
E 47/1195	Granted	Talisman Mining Ltd
E 47/1196	Granted	Talisman Mining Ltd
E 47/1224	Granted	Pilbara Iron Ore Pty Ltd
E 47/1225	Granted	Pilbara Iron Ore Pty Ltd
E 47/1306	Granted	Flinders Diamonds Ltd
E 47/1380	Granted	Pilbara Iron Ore Pty Ltd
Applications		
E 45/2510	Application	Maincoast Pty Ltd
E 45/2535	Application	Maincoast Pty Ltd
E 47/1235	Application	Pilbara Iron Ore Pty Ltd
E 47/1461	Application	Maincoast Pty Ltd
E 47/1649	Application	Cullen Exploration Pty Ltd
E 47/1650	Application	Cullen Exploration Pty Ltd
E 70/2596	Application	Maincoast Pty Ltd

Rule 5.3

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

FORTESCUE METALS GROUP LTD

ABN	Quarter ended
57 002 594 872	**31 December 2006**

Consolidated statement of cash flows

		Current quarter $A000	Year to date (6 months) $A000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration and evaluation	(6,605)	(6,605)
	(b) development	(341,021)	(625,493)
	(c) production		
	(d) administration	1,255	(7,363)
	(f) Other		
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	37,943	52,752
1.5	Interest and other costs of finance paid	(10,977)	(10,977)
1.6	Income taxes paid		
1.7	Other		
	Other Payments – Deposits Paid		
	Net Operating Cash Flows	**(319,405)**	**(597,686)**
	Cash flows related to investing activities		
1.8	Payment for purchases of: (a) prospects		
	(b) equity investments		
	(c) other fixed assets	(2,913)	(4,392)
1.9	Proceeds from sale of: (a) prospects		
	(b) equity investments		
	(c) other fixed assets		
1.10	Loans to other entities - (to associated JV company)		
1.11	Loan repaid by other entities		
1.12	Other		
	Net investing cash flows	**(2,913)**	**(4,392)**
1.13	Total operating and investing cash flows (carried forward)	**(322,318)**	**(602,078)**

1.13	Total operating and investing cash flows (brought forward)	**(322,318)**	**(602,078)**
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc	534	395,124
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings	-	2,964,044
1.17	Repayment of borrowings	-	(197,135)
1.18	Dividends paid		
1.19	Other: Issue of Convertible Notes		
	Net financing cash flows	**534**	**3,162,033**
	Net increase (decrease) in cash held	**(321,784)**	**2,559,955**
1.20	Cash at beginning of quarter/year to date	**2,934,972**	**18,054**
1.21	Exchange rate adjustments to item 1.20	(78,847)	(43,668)
1.22	**Cash at end of quarter**	**2,534,341**	**2,534,341**

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	**382**
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	-	-

Estimated cash outflows for next quarter

		$A000
4.1	Exploration and evaluation	1,121
4.2	Development	477,351
	Total	**478,472**

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	**2,534,341**	**2,934,972**
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Bill	-	-
	Total: cash at end of quarter (item 1.22)	**2,534,341**	**2,934,972**

Changes in interests in mining tenements

		Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	Nil			
6.2	Interests in mining tenements acquired or increased	L46/53	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** *(description)*	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**	264,409,410	264,409,410	N/A	N/A
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5	[+]**Convertible debt securities**				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	**Options** FMGAW	1,680,050 430,000 500,000	Nil NIl Nil	***Exercise price*** 267 cents 569 cents 703 cents	***Expiry date*** 31 Dec 2009 25 Jan 2011 01 Jun 2011
7.8	Issued during quarter				
7.9	Exercised during quarter	185,000	Nil	267 cents	31 Dec 2009
7.10	Expired during quarter				
7.11	**Debentures** *(totals only)*	N/A	N/A		
7.12	**Unsecured notes** *(totals only)*	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: 31 January 2007
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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