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

QUARTERLY REPORT

FOR THE PERIOD ENDING 30 JUNE 2005

The New Force in Iron Ore

HIGHLIGHTS

- Resources available for the Definitive Feasibility Study exceed 2 billion tonnes
- Fortescue's Chichester Range holdings emerge as one of the largest bedrock iron ore discoveries made in Australia
- High Grade Resource estimate exceeds 700 million tonnes
- Infrastructure Definitive Feasibility Study submitted to Fortescue for approval
- Reserve calculations advanced by SRK – Mining studies advanced by Snowdens
- 170km strike length potential being reviewed by Fortescue in Central Pilbara
- Company prepares itself for financing the Chichester Iron Ore and The Pilbara Infrastructure Projects.

PROJECT SUMMARY OVER THE QUARTER

- The aggregated project resource estimate is now 2.12 billion tonnes of which 1.92 billion tonnes is held within the initial mine plan area of Christmas Creek at 1,190 million tonnes inferred & indicated (Fe grade 58.1%) and Cloud Break at 730 million tonnes inferred (Fe grade 58.5%).

- The Definitive Feasibility Study "DFS" announces a Simple Lean Configuration "SLC" model developed with Worley Parsons and GEM Consulting which will deliver competitive capital and operating costs. Under the SLC the railway now traverses a 150 km shorter distance than was originally estimated, from Cloud Break to Port Hedland and production will not require a beneficiation plant for an initial period estimated at up to 10 years due to the quantity of high grade iron ore discoveries made over the last three quarters. There is potential to extend this non beneficiation period should further discoveries of higher grade material be made under Fortescue's ongoing exploration program.

- In May Fortescue welcomed Mr Gordon Toll as its new Chairman following Mr Forrest's initiative to split the positions of Chairman and Chief Executive Officer. This will enable Mr Forrest to devote his energies to the CEO role whilst leveraging Mr Toll's broad industry experience and mining sector network as Non Executive Chairman.

- Drafting of Fortescue's Mining State Agreement is almost complete. Fortescue is confident that it is in the final stages of negotiation to be ready for tabling during the next sitting of Parliament in August 2005 - in time for project financing.

- Beneficiation test results for bulk samples of Fortescue "fines" material were received from Roche Mining confirming the ability to beneficiate that part of the resource not already at the Company's targeted shipping grade of > 60% Fe. Bulk sample testing of Fortescue's lump material is now underway in the US under the guidance of Roche.

- Ministerial approval from the Department of the Environment pursuant to Fortescue's Stage A application, is expected within the next few weeks. The Stage B public environmental review period has closed and Fortescue has forwarded a paper addressing all of the public responses received during the review period to the EPA for their consideration. The application should then pass for Ministerial consideration toward the end of Quarter 3.

- Geological surface mapping was conducted over some of Fortescue's Central Pilbara tenement areas as a prelude to more detailed exploration in 2006. A combined strike length target area was estimated at some 170 km's of prospective ground following a review of the information gathered and benchmarked against Fortescue's current Chichester area exploration model.

	CORPORATE ACTIVITY
Cash Reserves at FYE of over A$80 million.	While no further capital raising activities were conducted during the period, Fortescue's expenditure was in line with budget and the Company held some A$81million in cash reserves as at the end of June 2005.
Separation of CEO / Chairman role.	At the May Board meeting, directors accepted a proposal by the inaugural Fortescue Chairman Mr Andrew Forrest to separate the role of Chief Executive Officer from that of Chairman. The Board accepted the rationale of divorcing the responsibilities of CEO and Chairman in recognition of Fortescue's developing market profile and corporate governance maturity. Mr Forrest articulated his priorities as Chief Executive Officer which in turn provided the Company with the opportunity to elevate the position of Mr Gordon Toll to Chairman.
Mr Gordon Toll takes over Chairman position	Mr Toll became a Fortescue Director in January 2005. The Board had sought out Mr Toll due to his relevant experience in the international resources sector which included the development of iron ore projects in the Pilbara. Mr Toll had held senior executive positions with both BHP Billiton and Rio Tinto and was involved in the establishment of large iron ore mining operations including Marandoo (Rio) and Orebody 29 (BHPB). The Board also announced the appointment of incumbent non executive director Mr Herb Elliott as Deputy Chairman. Mr Elliott's broad business experience has been of significant value to the Company since his appointment in October 2003.
Corporate Governance Review	During the period the Board established a sub committee to advise on the development of Fortescue's corporate governance procedures. Consistent with the ongoing development of the business and with due regard to the ASX's best practise recommendations, the sub committee developed and implemented a number of new policy statements. The process resulted in the adoption of a Securities Trading Policy, a Continuous Disclosure Policy and a broadened Corporate Code of Conduct which covered both directors and employees. Copies of all these policy statements can be found on Fortescue's web site www.fmgl.com.au under Profile – Corporate Governance.
	RESOURCE DEVELOPMENT & EXPLORATION
2.12 Billion Tonnes Total Resource Estimate for Project Area.	During the period in review there were separate ASX resource estimate statements made for Cloud Break and Christmas Creek. All statements refer to 'in-ground' resources and were prepared in accordance with the JORC code by Fortescue's independent advisor Snowden Mining Consultants, in conjunction with experienced Company geologists.

730 Million Tonnes resource estimate for Cloud Break	Cloud Break was the subject of a recent resource upgrade to 730 million tonnes (Mt) with an average iron grade of 58.5% Fe. This included a higher grade inferred resource of 293Mt at 60.4% Fe. Fortescue has now completed the bulk of its exploration drilling of the Cloud Break strike zone with the focus now on "in fill" drilling designed to increase the estimation confidence scale levels as defined under the JORC code to enable a shift up the scale to either indicated or measured status. The Cloud Break tonnage statement represented a 87% increase over the first resource statement in March 2005 and well exceeded Fortescue's original target area forecast of between 600 – 650 million tonnes.
1,190 Million Tonnes resource estimate for Christmas Creek	Christmas Creek was the subject of two upgraded resource estimates (classified as indicated and inferred) with the most recent defining a resource of over 1.190 billion tonnes (Bt) with an average Fe grade of 58.1%. The resource statement also included a higher grade resource of some 398 million tonnes at 60.2% Fe. Identification of these additional resources means that Fortescue now has a resource portfolio of more than 2.1 billion tonnes at its Christmas Creek, Cloud Break and Mt Lewin deposits. The portfolio includes over 739 million tonnes of higher grade resources at an average grade of 60.3% Fe.
198 Million Tonnes resource estimate for Mt Lewin	The Mt Lewin resource estimate was determined as part of Fortescue's early exploration program announced in mid 2004 with 198 Mt of Inferred resource (average Fe 56.5%) inclusive of a higher grade portion of 49 Mt (average Fe 60.5%). Mt Lewin is some 30km's to the east of Christmas Creek. **Christmas Creek** The infill drilling program initiated in the March 05 quarter has been completed. Some 1,025 holes and 41,207 meters of reverse circulation drilling was undertaken during the June quarter. Once all assays have been received Fortescue's geological team will compile all relevant information and deliver it to Snowden Mining Consultants Pty Ltd ("Snowdens") for their determination of an updated resource estimate. **Cloud Break** The infill drilling program at Cloud Break continues and is expected to be completed by end August 2005. During the June quarter 865 holes and 40,548 meters of circulation drilling was completed. The program should be completed during August and an updated resource estimate produced by Snowdens in conjunction with Fortescue's geologists, is expected in September. Phase two of the diamond drilling program at Cloud Break is also in progress. Up to end June 05 some 227.6 metres has been drilled in 11 holes. The drill core is used to gain additional geological and textural information and to assist in the determination of the metallurgical properties of the ore.

A bulk sample test program utilising a large diameter (90 cm) drill rig will commence on 1 August. Samples from this program will be utilized in metallurgical tests to determine the physical properties of the resource. This follows a similar bulk test program undertaken at Christmas Creek during the December 04 quarter when Fortescue successfully extracted 700 tonnes of material from a representative sample of holes over a 5 week period.

Mt Lewin

No field activities were carried out on this area during this quarter and the resource estimate as previously announced remains unchanged at 198 Mt.

White Knight

No drilling was undertaken in this area during the quarter. Analysis of data from the 136 holes drilled previously has identified 5 target zones requiring follow-up drilling. It is anticipated that this drilling will take place during the September quarter.

White Knight West (Flinders JV)

As mentioned in the March 05 quarterly, Fortescue entered into an arrangement with Flinders Diamonds Ltd (Flinders) for the exploration of iron ore within certain tenements held by Flinders in the Pilbara region. First pass geological evaluation has identified a high priority target area on E47/1016. Preparatory work is well advanced and a first pass drilling programme is scheduled for later in 2005.

Mt Nicholas

No work was undertaken at Mt Nicholas and no work is expected in the near future as the Mt Nicholas project now falls outside of the Company's initial mine plan and its resource estimate of 390 Mt's has not been included in the aggregated resource portfolio.

Aeromagnetic Survey

Further aeromagnetic surveying was completed during the quarter, Fortescue now holds good quality magnetic data over all its granted Chichester Range tenements and has been using these data to help target the exploration drilling.

Target Generation

The Company has continued an aggressive regional exploration and target generation program. As a result of this work several areas with good potential for good quality high grade drilling targets have been identified. During the coming quarter geological evaluation work at several of these areas is planned to delineate and priority rank these targets so that proposals for drill testing and budget requests can be submitted for consideration by senior management.

Aggregated Project Area:

Based on Combined July 2005 Upgraded Resource Estimates						
Category	Tonnes Mt	Grade				
		Fe %	SiO_2 %	Al_2O_3 %	P %	LOI %
Indicated	659	58.2	5.1	2.43	0.052	7.42
Inferred	1,459	58.1	4.7	2.61	0.052	8.24
Total	**2,118**	**58.1**	**4.74**	**2.68**	**0.055**	**7.74**
Including Higher Grade Material						
Indicated	248	60.3	3.48	2.03	0.053	7.20
Inferred	491	60.3	3.22	1.99	0.054	7.51
Sub Total	**739**	**60.3**	**3.30**	**2.00**	**0.054**	**7.41**

NB: The above table was released to the ASX on July 15 and was accompanied by the appropriate Competent Persons statement.

FUTURE EXPLORATION PROSPECTS

Early Encouraging Indications from Fortescue's Central Pilbara Tenements

Following Fortescue's successful exploration program within the Chichester Range, the Company is applying the intellectual property developed over the last 18 months to some of its tenement holdings in the Central and Western Pilbara. In June Fortescue sent its senior exploration geologists to a number of its prospective tenement holdings to undertake geological mapping of a corridor stretching over 200 km's. This included ground adjacent to mines that have been developed by Hamersley Iron. Some of Fortescue's tenements had been previously held by Hamersley Iron or Robe River, where we understand exploration had mainly focused on areas of outcropping mineralisation.

Fortescue's experience at Christmas Creek and Cloud Break suggested that outcropping was not always a good guide to prospective deposits and historical methodology was amended to incorporate new geological paradigms. In doing so Fortescue was successful in discovering iron mineralisation within the Chichester Range at Christmas Creek and Cloud Break that stretched over many kilometres and which was largely beneath overburden ranging from 10 metres out to 80 meters.

Initial Strike Length Target estimated at some 170 km's.

Following a review of the mapping surveys a report was provided to Fortescue management making an initial strike length estimate of some 170km's of potential mineralisation. In summary the report suggested there was 100km's of Marra Mamba potential, 20km's of Brockman potential and over 50km's of CID potential. As mentioned these areas will be more fully explored once the current infill drilling program across the Chichesters is finalised.

METALLURGICAL TESTWORK.

While the current overall project plan does not call or a beneficiation plant within the first 10 years of production, Fortescue has been undertaking test work to determine its ability to beneficiate as may be required. During the past quarter pilot plant beneficiation tests were conducted by Roche Mining on Christmas Creek "fines" bulk samples to determine likely product grades and recoveries as well as providing plant design criteria.

The tests used single passes through production scale spirals, a segment of a plant scale jig, and WHIMS (wet high intensity magnetic separation). The first tests completed were two blended composite samples of 1.8 tonnes each. The feeds were selected to test a worst case silica scenario given they contained high levels of this element at 7.71% and 7.78% respectively. Such high silica levels are beyond the 7% cut off limit applied to Fortescue's resource envelope as reported in the ASX Resource Statement of 15 July 2005. The feeds were also selected to be representative of the iron "Fe" levels of Fortescue's in ground resource with grades of 58% and 57% respectively.

The results of the pilot scale beneficiation test program included:

- The 58% feed grade produced a 60.1% product grade at a 67% yield
- The 57% feed grade produced a 59.7% product grade at a 64.7% yield

In a full plant, multiple passes through spirals are used to further improve Fe grade and yield. Repassing of the spiral middlings sufficiently improved recovery of iron and product grade that one potential outcome of the test work is that the WHIMS circuit may not be necessary for Fortescue's beneficiation requirements.

A 10t sample of blended Christmas Creek lump was subjected by Roche to pilot scale jig testing in the USA to determine likely product grade and recovery. The test work was completed with assay results due early next quarter.

Christmas Creek - 58% Fe Head Grade Feed

Beneficiation Process	Mass Split %	Yield %	Total Yield %	Fe %	$Si0_2$ %	Al_20_3 %
Feed Stock			100	58.1	7.71	2.36
Jig	69.24	77.2	53.5	60.0	5.80	1.70
Spiral	21.31	47.1	10.0	60.2	6.19	1.88
Whims	9.45	38.6	3.6	60.9	6.00	2.20
Product			67.1	60.1	5.87	1.75

Christmas Creek - 57% Fe Head Grade Feed

Beneficiation Process	Mass Split %	Yield %	Total Yield %	Fe %	SiO_2 %	Al_2O_3 %
Feed Stock			100	57.0	7.78	3.30
Jig	66.9	77.6	51.9	59.7	5.10	2.20
Spiral	21.5	43.0	9.2	60.0	5.84	2.12
Whims	11.6	30.1	3.5	59.6	6.40	2.81
Product			64.7	59.7	5.28	2.22

MARKETING

During the quarter Fortescue hosted visits by a number of steel mills and trading companies from all major markets. Extensive discussions were held in respect to company progress, product development and quality issues. Customers were updated on Fortescue's progress and in particular the recent exploration successes.

There were several marketing trips to China during the period with the primary feedback that there is continued strong interest in the market entry of a new major supplier such as Fortescue. It was apparent from the last trip made in mid July that such interest has intensified following the acquisition by Rio Tinto of an interest in Hope Downs. This is seen by many steel mills as having effectively removed Hope Downs as a potential supply alternative to the world's big three iron ore producers in BHPB, Rio and CVRD who's collective market dominance has further increased following the Hope Downs deal.

TENEMENT ACQUISITIONS

At the end of the quarter, Fortescue held an area of 17,700 km^2, consisting of granted and applied for exploration & prospecting licences (including joint venture tenements) which are considered prospective for iron ore. Fortescue holds 100% of the rights to explore for iron ore with respect to joint venture tenements.

New acquisitions

17,700 sq km Tenement Area Footprint

Approximately 500 km^2 of new exploration licence applications were made in the western Pilbara region by Fortescue during the quarter. Most of the applications cover potential Marra Mamba undercover mineralisation identified during a recent review and field mapping program. Other applications were made over known Channel Iron Deposits (CIDs).

Joint venture / third party acquisitions

Fortescue continues to pursue joint venture negotiations with a number of iron ore prospective tenement holders throughout the Central, Western and Northern Pilbara region. In view of its extensive holdings it is the Company's intention to secure prospective areas at fair market value, whilst taking into consideration the additional benefits that Fortescue can offer prospective partners in terms of iron ore exploration expertise and potential future infrastructure availability.

Western Pilbara exploration

A review over selected Fortescue western Pilbara tenement applications, including field reconnaissance was completed during the quarter.

In general, previous testing of Marra Mamba Iron Formation has been surprisingly restricted in scope and good potential exists over large strike extents within Fortescue's holdings. A number of new tenement applications have been made as a result of the review.

Tenement grants

Two exploration licences, covering an aggregate of 444 km^2 were granted during the quarter. These licences lie directly south of the Cloud Break and White Knight prospects and are likely to contain extensions of iron mineralisation that have been drilled by Fortescue.

Mining leases

A total of 39 new mining leases applications, covering approximately 246 km^2 were made during the quarter. The applications encompass existing and potential iron ore mineralisation in a number of Fortescue's prospects;

- Southern and western extensions at Christmas Creek
- The area between Cloud Break and Christmas Creek
- Southern and eastern extensions at Cloud Break
- The exploration license (in the Mulga Downs area) under joint venture with Flinders Diamonds Ltd.

165 Km Mining Application Area Strike Length

Fortescue now has under application mining leases covering an area of 684 km^2. These applications contain a strike length of approximately 165 km of Marra Mamba iron mineralisation and contain all areas which potentially will be mined or could contain essential mine infrastructure.

	DEFINITIVE FEASIBILITY STUDY "DFS"
Simple Lean Configuration model	The major highlight for the DFS over the period in review was the June announcement of the Simple Lean Configuration model which evolved from the Project Value Add "PVA" exercise ongoing since April 2005 with the DFS Manager Worley Parsons and GEM Consulting. The PVA process was designed to enhance the basic operating model that had been developed through the early stages of the DFS program. Key outcomes as announced were; ▪ A 150km reduction in the rail track as the mine load out area is to be centred at the Cloud Break deposit; ▪ The targeting of direct ship product from Fortescue's increasing resource portfolio of higher grade material (ie. > 60% Fe) thereby deferring the need for a beneficiation plant until the project is expected to be well into cashflow; ▪ The redesign of the proposed stockyard facility with the reduction in the size and a change in location to facilitate a simplified ship loading process. As highlighted previously, the DFS processes for Mining and Infrastructure have been split into two separate streams. While it is clear that the two parts of the project are interdependent, the engineering, approvals and tenure processes are separable which motivated Fortescue to deal with them under different programs. The first formal reporting of the capital and operating cost work pursuant to the Infrastructure DFS is expected soon as the PVA program has concluded with the findings to be presented to Fortescue's Directors next week. The Company has previously made statements indicating an estimate of the project infrastructure cost but they had been qualified as internal company estimates only. The formal reporting of the PVA exercise will result in a statement by Fortescue with Worley Parson's imprimatur. The Mining DFS project is ongoing with management's current expectations of completion of the Christmas Creek study by end September 2005 and Cloud Break to follow soon thereafter. A number of key features of the mining program over the period have been: ▪ To elevate the confidence levels under the JORC resource estimation process to provide for both indicated and measured categories to be considered for reserve status through the mine plan application process; ▪ The acquisition of a Wirtgen 2600 Surface Miner thin seam miner and the commencement of operating trials where the machine successfully cut 500 tonnes of ferrous material which comprises part of the Christmas Creek resource area. More detailed trialling of this machine under conditions that are representative of

Fortescue's planned mining operations will commence soon.

Reserve Modelling underway with SRK

- The provision of a Resource Model for Christmas Creek to SRK Consulting for commencement of the DFS Reserve estimation for this area.
- The commencement by mining consultants Snowdens of a review of mining methodology appropriate for Fortescue's Cloud Break deposit.

<u>SUSTAINABLE DEVELOPMENT</u>

Environmental

Stage A: - Anderson Point Port and North South Railway

- Following Fortescue's Public Environmental Review ("PER") process and its subsequent formal response to submissions received which was presented to the WA Environmental Protection Agency "EPA", a public document titled Report and Recommendations of the Environmental Protection Agency (dated May 2005) was presented to the W.A. Minister for the Environment. Within the report the EPA has made a number of recommendations regarding the approval process for Fortescue's project inclusive of establishing a broad framework of conditions to account for the project's environmental effects. As is customary this report was open for a public review period (which has now closed) during which time four appeal submissions were received. These appeals are now under consideration by the Minister with Fortescue anticipating a decision within the next few weeks.

Stage B: Christmas Creek Mine and East West Rail Spur

- The Stage B PER was released for public comment with the submission period concluding on March 14 2005 following which Fortescue lodged a Response to Public Submissions in April 2005. After consultation with the EPA a final version detailing Fortescue's response was forwarded to the EPA in early July. It is anticipated that the EPA will issue its public Report and Recommendations paper to the WA Minister for the Environment in late August 2005 and a Ministerial decision expected soon thereafter.
- Ministerial approval for the planned Cloud Break mining area has been assessed by the EPA as requiring a PER four week public consultation period. A draft of the PER paper has been forwarded to the EPA Services Unit for consideration and Fortescue anticipates that the PER document will be released for public review in August.

Stakeholder Consultation

- Fortescue made progress pursuant to the Community Development Plan which is a feature of the WA State Agreement for the Port & Rail Facility. A presentation was made to the Port Hedland Council in June where Fortescue was given good support for its planned approach.

- Fortescue continued to develop its housing strategy including planning for both construction workforce accommodation and operational workforce housing.
- Ongoing consultation with environmental stakeholders regarding the Stage A and Stage B PER's including community groups, pastoralists and local government representatives.

TENURE:

Negotiations with the Western Australian Government continue regarding the drafting of the State Agreement covering Fortescue's mining and processing operations. While the Company had expected this process would have been finalised during the previous quarter, it can report that documentation is nearing completion and Fortescue anticipates it to be ready for consideration by the WA parliament during its next sitting.

Native Title:

During the period Fortescue held a number of meetings with various Native Title claimant groups as part of the ongoing process to negotiate a Land Access Agreement. The status of such discussions is that the general terms of an Agreement have been reached subject to further determination of compensation. In this regard Fortescue is taking a proactive approach to provide a range of benefits which include vocational and training facilities in combination with financial consideration. To facilitate the development of such a training program Fortescue has retained Simpson Norris International to provide specialist consulting services to deliver a Vocational and Technical Education Centre known as VTEC. Considerable work has already been completed in the design of vocational training with guaranteed employment through to opportunities for indigenous businesses and joint ventures.

Heritage:

Aboriginal heritage surveys have continued unabated for the 14th consecutive month with clearances focused at rail infrastructure creek crossings and Cloud Break and White Knight West resource areas.

MOUNT NEWMAN RAIL LINE DECLARATION PROCESS:

The Company's Declaration Application for access to BHPB's rail line from Newman to Port Hedland continues to be dealt with by the National Competition Council ("NCC"). Fortescue lodged its Response to the NCC's Issues Paper dated 11 March 2005 on 10 May 2005. BHPB did not lodge its Response until 3 June 2005, claiming confidentiality over some of the material in its Response. Fortescue also notes that BHPB's submissions were lodged late after seeking and receiving two separate extensions of time from the NCC. Fortescue also met with officers of the NCC on 9 June 2005. The NCC is currently

	considering all submissions received in the development of its draft recommendation on Fortescue's Declaration Application before making a final recommendation to the Minister. Fortescue's Federal Court proceedings pursuant to the appeal from BHPB against the preliminary decision of the NCC have also progressed with BHPB now having filed and served a number of affidavits on which it will rely as evidence for its allegations that the Mt Newman and Goldsworthy railway lines are part of its production process and therefore exempt from the Declaration process. BHPB has claimed confidentiality over significant parts of its affidavit evidence. Fortescue is currently preparing its own affidavit evidence and is in the process of engaging appropriately qualified metallurgical and/or geological consultants to assist it in its review and analysis of BHPB's evidence. The next Hearing is scheduled for 24 August 2005 at which the Federal Court will make directions and set a timetable for the ongoing conduct of the proceedings. It is also expected that at that Hearing, the Federal Court will deal with the issue of venue and whether the case should ultimately be heard in Melbourne or Perth. .

FORTESCUE METALS GROUP LTD

Andrew Forrest
Chairman & Chief Executive Officer

Fortescue House
50 Kings Park Road
West Perth **Tel: + 61 8 9266 0111**
Western Australia **Fax: + 61 8 9266 0188**

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 LIMITED

ABN	Quarter ended
57 002 594 872	**30 June 2005**

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	482	1,721
1.2	Payments for (a) exploration and evaluation	(16,917)	(47,481)
	(b) development		
	(c) production		
	(d) administration	(1,554)	(2,826)
	(e) Allied Medical payments to suppliers and employees	(533)	(1,813)
	(f) Other		
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	790	1,381
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other		
	Other Payments – Deposits Paid		
	Net Operating Cash Flows	**(17,732)**	**(49,018)**
	Cash flows related to investing activities		
1.8	Payment for purchases of: (a) prospects		
	(b) equity investments		
	(c) other fixed assets	(534)	(982)
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	**(534)**	**(982)**
1.13	Total operating and investing cash flows (carried forward)	**(18,266)**	**(50,000)**

1.13	Total operating and investing cash flows (brought forward)	**(18,266)**	**(50,000)**
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc	(181)	21,892
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other: Issue of Convertible Notes		103,590
	Net financing cash flows	**181**	**125,482**
	Net increase (decrease) in cash held	**(18,447)**	**75,482**
1.20	Cash at beginning of quarter/year to date	**99,586**	**5,330**
1.21	Exchange rate adjustments to item 1.20	19	346
1.22	**Cash at end of quarter**	**81,158**	**81,158**

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	**83**
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	-
4.2	Development	20,000
	Total	**20,000**

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	**81,158**	**99,586**
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Bill	-	-
	Total: cash at end of quarter (item 1.22)	**81,158**	**99,586**

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	E46/622-623 E45/2652 E47/1434 E47/1380	Granted Granted Granted Granted	Nil Nil Nil Nil	100% 100% 100% 50%

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**	217,822,928	217,822,928	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** Convertible Notes Convertible Notes	 8,662,509 10,596,812	 - -	 450 cents 600 cents	 Fully paid Fully paid
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	**Options** FMGAW FMGAX	 2,000,000 250,000	 Nil Nil	***Exercise price*** 267 cents 100 cents	***Expiry date*** 31 Dec 2009 28 Nov 2006
7.8	Issued during quarter				
7.9	Exercised during quarter				
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: 29 July 2005
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.

== == == == ==