

12 October 2011

The Companies Officer
ASX Limited
2 The Esplanade
Perth WA 6000



Dear Sir

TOTAL RESOURCE INVENTORY INCREASES TO 11.42 BILLION TONNES

- Total resources at Nyidinghu exceed 2 billion tonnes (bt), additional new resources totaling 980 million tonnes (mt) delineated with an expected life of mine strip ratio less than 2:1.
- Reinforces the importance and urgency of our studies on the options for the development of our next 100 million tonnes per annum (mtpa) capacity beyond 155mtpa.

Fortescue Metals Group Ltd (ASX: FMG, Fortescue) advises that continued drilling at the Nyidinghu ore body has increased the Company's total resource inventory to 11.42bt through the delineation of additional new resources at Nyidinghu.

The Nyidinghu project is only 35 kilometres south of Fortescue's existing Cloudbreak operation in the Chichester Hub. Additional drilling completed at Nyidinghu since the original resource announcement in February this year has resulted in the Inferred Resources increasing to 2.01bt, up from 1.03bt in February. A cut-off grade of 52% Fe has been applied. There are three ore types present. The majority of the resource is bedded iron ore hosted within the Brockman Iron Formation totaling 68 per cent of the resource with a lesser quantity of Channel Iron Deposit (CID) at 29 per cent of total and a minor amount being three per cent of detrital ore (DID). Further details are given in the attached Appendix.

Within the deposit there are coherent higher grade zones of bedded ore. In order to better understand the deposit a cut-off grade of 59% Fe was applied to the bedded portion of the ore deposit giving an Inferred Resource of 600mt at an average grade of 60.4% Fe, 3.26% SiO₂, 2.35% Al₂O₃, 0.159% P and 7.19% LOI has been estimated.

This 2.01bt resource is contained within an area of about 14 square kilometres. Mineralised thicknesses are substantial at up to 220m with overburden ranging from 0 to 80 metres. It is expected that the strip ratio will be less than 2:1.

The Nyidinghu resource delivers Fortescue the potential to blend the higher phosphorus bedded Nyidinghu mineralization with its low phosphorus ores from the Chichester Hub to create a valuable product which Fortescue expects will be readily accepted by the market.

There is considerable potential for low cost processing to upgrade the various mineralisation types at Nyidinghu. Fortescue has drilled about 75 diamond drill holes at Nyidinghu and the core is being used in metallurgical test work to identify the optimum process flow sheet for each mineralization type.

Continued drilling to increase the resource size and category may ultimately add a further 400 to 500 mt to the resource. It is expected that the Company may be in a position to announce Indicated Resources late in the first quarter of calendar year 2012.

Yours sincerely

Fortescue Metals Group Ltd

Mark Thomas

Company Secretary

Media contact:

Elizabeth Gosch

Phone: 08 6218 8888

Mobile: 0414 319 775

APPENDIX

Nyidinghu Deposit

Mineralisation is a mixture of Brockman Iron Formation, Channel Iron Deposits and Detrital Iron deposits. The bedded stratigraphy is broken up into fault blocks controlled by two generations of north-east and north-west striking faults which show vertical displacement. The main mineralisation is associated with the BID and does not appear to be structurally controlled, but occurs as an isotropic supergene zone near the base of the overburden. The CID mineralisation overlies the majority of the BID material, and generally trends north-east. The mineralisation extends to eastern, western, and southern tenement boundaries, resulting in mineralisation dimensions of approximately 7km in a north-west south-east direction and approximately 4.5km in the north-east south-west direction. Mineralisation occurs from surfaces, and extends to depths up to 300 metres.

A total of 50,050 one metre composites from the 536 Reverse Circulation drill holes were used in the Nyidinghu estimate, with 75 diamond drill holes also completed on the project and used for validation, metallurgical, geotechnical and density data. The Inferred Resources are generally based on a drill pattern of 100 by 200 meters. All samples were analysed by SGS Laboratories in Perth using XRF techniques.

Modelling Approach

The Nyidinghu block model was built with using 50m x 100m x 1m blocks. Subcelling was down to a cell size of 5m x 5m x 0.25m was used along domain boundaries to better resolve the domain interface. Estimation was conducted using Ordinary Kriging for all BID and CID geological domains. The estimation of the DID domains were conducted using Inverse Distance cubes, as there was insufficient data to produce adequate variograms. Orientations were measured from interpreted stratigraphy and data continuity was measured from variogram maps created for each domain. Geostatistical analysis was conducted on each identified domain for the purposes of data and model validation. Median density values obtained from diamond core measurements and downhole geophysical density logging vary between 1.7 and 2.8 (dry basis) depending on geological unit and appropriate values were used for each unit. All drill hole information used for these estimations is stored in a validated Acquire database. QAQC is measured through the regular submission of field and laboratory standards, plus field duplicates. Resources are compiled by Fortescue's Estimation department which are subject to external audits on a regular basis. All current Nyidinghu resources are classified as Inferred based on the geological and grade continuity between the current drill hole spacing.

Nyidinghu Resources (52% Fe cut-off)

Ore Type (Inferred)	Tonnes mt	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %	LOI %
Dales Gorge	493	58.2	4.44	2.73	0.153	8.70
Whaleback Shale	144	56.9	5.39	4.02	0.152	8.27
Joffre	730	58.8	4.23	3.02	0.173	7.73
Detritals	61	57.0	7.18	4.22	0.102	5.98
CID	585	55.6	6.00	3.72	0.107	9.88
Total	2,013	57.5	4.97	3.26	0.145	8.58

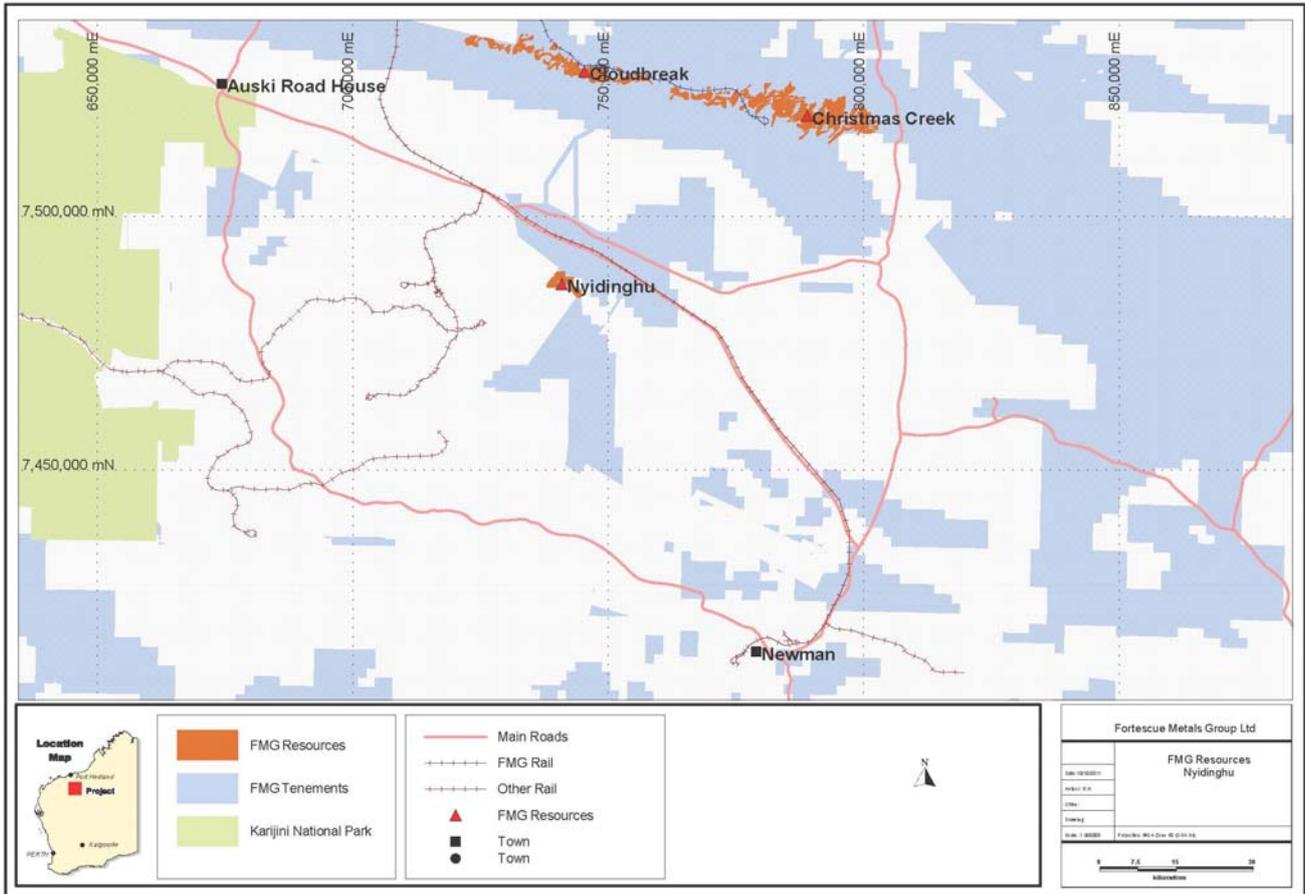
Footnote: The average grade of phosphorus for the original Nyidinghu Resource has been inadvertently quoted as 0.015% P in Fortescue's 2011 Annual Report. The correct number is 0.153% P.

Fortescue Resource Status

	Tonnes mt	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %	LOI %
Chichester Hub	2,550	57.3	5.42	2.77	0.053	7.84
Chichester Other	695	52.8	8.64	5.49	0.064	7.66
Nyidinghu	2,013	57.5	4.97	3.26	0.145	8.58
Solomon Hub	3,070	56.5	7.09	3.35	0.076	8.07
Western Hub	624	58.7	5.44	3.06	0.091	6.61
North Star/Glacier Valley ¹	2,465	32.6	39.52	1.85	0.101	7.05
Total	11,416					

1. Magnetite Resources with approximately 1,234mt of these Inferred Resources are attributable to the Glacier Valley area, which is subject to a joint venture arrangement with a third party.

Figure 1 – Location of Nyidinghu



Competent Persons Statement

The information in the report to which this statement is attached that relates to Mineral Resources is based on information compiled by Messrs Stuart Robinson and Mark Glasscock who are Members of The Australasian Institute of Mining and Metallurgy.

Messrs Stuart Robinson and Mark Glasscock are full time employees 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, and Mr Glasscock who is a Member of The Australasian Institute of Mining and Metallurgy have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are 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”. Messrs Robinson and Glasscock consent to the inclusion in this report of the matters based on his information in the form and context in which it appears.