

16 January 2012

The Companies Officer
ASX Limited
2 The Esplanade
Perth WA 6000



Dear Sir

NORTH STAR RESOURCE INCREASES TO 2.1 BILLION TONNES

Fortescue Metals Group (ASX: FMG) (Fortescue) is pleased to announce a 72 per cent increase in the North Star magnetite deposit of 880 million tonnes (mt), taking the total Resource to 2.12 billion tonnes (bt) at a Fe grade of 31.6%.

North Star is located 100 kilometres to the south of Fortescue's Port Hedland operation and is within 25km of the existing rail line (refer Figure 1). It sits adjacent to another magnetite deposit known as Glacier Valley which is owned under a joint venture relationship with one of China's largest steel producers, Baosteel (Fortescue 65%:Baosteel 35%).

Fortescue has identified a number of prospective magnetite deposits across its tenement portfolio that are expected to add to its Magnetite Resource portfolio in the future. To put North Star in context, with over 2bt of resource it is one of the largest magnetite deposits in Australia. When combined with Glacier Valley (the total project area known as Iron Bridge), it contains over 3.2bt which would rank in the top 10 of the largest magnetite deposits in the world.

Table 1 - Total Magnetite Resource (North Star and Glacier Valley) for Magnetic Susceptibility (Magsus)/Head Grades using 20,000 Magsus Cut-off

	Tonnes mt	Magsus	Fe %	Al ₂ O ₃ %	SiO ₂ %	P %	LOI %
North Star							
Total Measured	102	45,815	32.8	1.78	39.14	0.102	6.47
Total Indicated	671	38,009	31.9	1.94	39.74	0.096	7.43
Total Inferred	1,342	36,103	31.4	2.07	39.80	0.096	7.74
NS Total	2,116	37,177	31.6	2.02	39.75	0.096	7.58
Glacier Valley							
Total Inferred	1,120	29,401	33.2	1.55	38.44	0.106	8.10
GV Total	1,120	29,401	33.2	1.55	38.44	0.106	8.10
Iron Bridge Total	3,236	34,485	32.2	1.85	39.30	0.099	7.76

The North Star deposit also contains a core high magnetic susceptibility (magsus) zone containing 441mt at a grade of 34.5% Fe, and Davis Tube Recovery (DTR) estimated at 37.6%, with JORC categories as outlined in Table 2.

Table 2 – North Star Mineral Resources for Magsus / Head Grades using a 50,000 Magsus Cut-off (South Core only)

Class	Tonnes mt	Magsus	Fe %	Al ₂ O ₃ %	SiO ₂ %	P %	LOI %
Measured	49	57,764	34.2	1.46	38.50	0.104	5.25
Indicated	151	56,599	34.1	1.48	38.70	0.101	5.34
Inferred	241	58,161	34.7	1.40	38.15	0.101	4.96
Total	441	57,583	34.5	1.44	38.38	0.102	5.12

The continued expansion in the size and quality of this resource underpins a number of strategic opportunities for Fortescue to realise significant value for shareholders from this world-scale deposit. The size of the deposit, the core high magsus zone, combined with the proximity to existing infrastructure gives the potential for a highly economic magnetite project.

Fortescue is evaluating options to partner with third parties and intends to structure any development of the project on a non-recourse basis to Fortescue's balance sheet. Fortescue has consistently stated that its primary focus is on its direct ship hematite business across the Pilbara, however, the company sees potential to deliver shareholder value through aligning its magnetite interests with strategic partners to assist in the development and financing of such projects.

Feasibility studies are being conducted based on a production target of 20-30 million tonnes per annum (mtpa) of blast furnace grade pellet feed, with a high grade 66% Fe grade. This would result in a forecast mine life of over 20 years, with a low strip ratio.

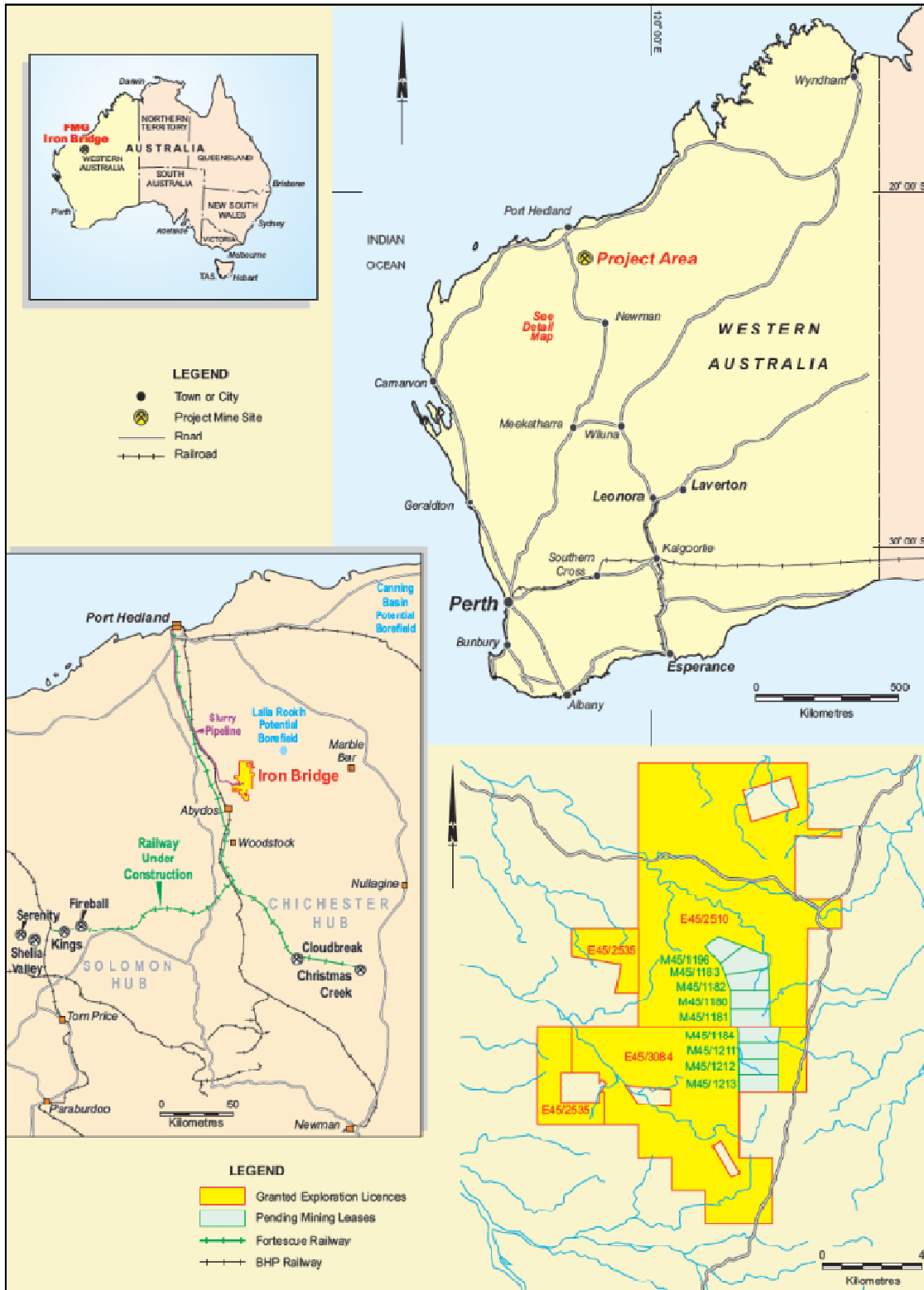
The Resource estimation has been completed by Golder Associates using data supplied by Fortescue. Table 1 summarizes the results, and a more detailed report prepared by Golder Associates is appended to this announcement. All of the available drilling data was used for the Mineral Resource estimation. At cut off grades of >20,000 SI x 10⁻⁵ magnetic susceptibility (magsus) was used to report the resource. Golder carried out geostatistical analysis on assay data from 2m RC chip samples, and 4m DTR composites, as well as down hole geophysical logging.

Since Fortescue commenced drilling in December 2007, 48,639 metres of RC drilling has been completed from 195 Reverse circulation drill holes, and 4,219.4 metres of diamond core drilled from 16 holes.

A total of 22,817 reverse circulation samples were analysed a by Ultra Trace Laboratories in Perth using XRF techniques, with the majority of these samples being two metre intervals. Davis Tube Recovery test work was carried out on 3,015 four metres composite reverse circulation samples by Spectrolab Pty Ltd laboratory in Geraldton for recovery test work. A number of DTR and metallurgical test have been carried out on the diamond core.

All drill hole data is collected and stored in digital format with appropriate validation checks to ensure integrity of the database. QA/QC techniques are those as standard for all Fortescue operations, being an average of one field standard per 100 samples submitted to the laboratory, lab standards submitted with every lab job, and an average of three duplicates taken per 100 samples.

Figure 1 – North Star and Glacier Valley project area



The feasibility study for the North Star project is expected to be completed in the March quarter of 2012.

This announcement takes Fortescue's total JORC defined resource to 12,188mt, comprising 8,952mt of hematite and 3,236mt of magnetite.

Table 3 - Fortescue Resource Status

	Tonnes mt	Fe %	Al₂O₃ %	SiO₂ %	P %	LOI %
Chichester Hub	2,550	57.3	2.77	5.42	0.053	7.84
Chichester Other	695	52.8	5.49	8.64	0.064	7.66
Nyidinghu	2,013	57.5	3.26	4.97	0.145	8.58
Solomon Hub	3,070	56.5	3.35	7.09	0.076	8.07
Western Hub	624	58.7	3.06	5.44	0.091	6.61
Iron Bridge	3,236	32.2	1.85	39.30	0.099	7.76
Total	12,188					

Yours sincerely
Fortescue Metals Group

Mark Thomas
Company Secretary

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 Mr Mark Glasscock who is a Member of The Australasian Institute of Mining and Metallurgy and Mr Alan Miller, a full time employee of Golder Associates Pty Ltd, who is a Member and Chartered Professional of The Australasian Institute of Mining and Metallurgy.

Mr Glasscock is a full time employee of Fortescue Metals Group Ltd and provided geological interpretations for Mineral Resource calculations and compiled the exploration results. Mr Glasscock and Mr Miller both have 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 Glasscock and Mr Miller consent to the inclusion in this report of the matters based on his information in the form and context in which it appears.

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REFERENCE No. 117641004-022-TM-Rev2

TO Mark Glassock
Fortescue Metals Group Ltd

CC

FROM Andrea Snare

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MINERAL RESOURCE STATEMENT – NORTH STAR

At the request of Fortescue Metals Group Ltd (FMGL), Golder Associates Pty Ltd (Golder) has completed a Mineral Resource estimate for the North Star deposit using all available drilling data as of 27 October 2011. The resource estimate was classified in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2004).

ASSUMPTIONS AND METHOD

This Mineral Resource estimate was based on a number of factors and assumptions:

- All of the available drilling data was used for the Mineral Resource estimation.
- The survey control for collar positions and downhole surveys was considered adequate for the purposes of this study.
- North Star is displaced by a vertical fault which separates the deposit into several domains identified as core_north (north), core_south (south), footwall north and south (FW) and hanging wall north and south (HW), refer to Figure 1. An additional oxide domain is identified as an oxidised weathering profile overlying all domains from surface.
- A combination of samples with >20 000 magnetic susceptibility (magsus) and geology logging codes were used to define the north and south core units. The string interpretation was completed by FMGL. Golder created the wireframes based on FMGL's interpretation and also created the oxide layer using geology logging codes.
- The geological domains were used to flag the sample data for statistical analysis and to limit the resource estimation.
- DTR data was only available for approximately 34% of the total samples available for magsus. The remaining 66% of samples have DTR calculated from magsus using regression calculations derived from a DTR/magsus comparison completed by FMGL. The following two regressions were used:
 - Oxide: $DTR = 0.0017 * magsus$
 - Fresh: $DTR = -4E-9 * (magsus^2) + 0.0009 * magsus$
- Statistical and geostatistical analysis was carried out on drilling data composited to 2 m downhole. This included variography to model spatial continuity relationships in the geological domains.
- The Ordinary Kriging interpolation method was used for the estimation of magsus, Fe, Al₂O₃, SiO₂, P, S, LOI_371, LOI_650, LOI_1000, LOI_total, CaO, K₂O, Mn, TiO₂, FeO, Na₂O, MgO and DTR using variogram parameters defined from the geostatistical analysis.



- Dry bulk density was assigned to each of the geological domains. The dry bulk densities were based downhole geophysical data from six diamond drill holes and 123 RC holes distributed across the deposit. Most of these drill holes were successfully surveyed to more than 95% of the overall depth of the hole. The density assignment is summarised in Table 1.

Table 1: Density Assignment

Domain	Density
oxide	2.65
core_north	3.35
core_south	3.40
footwall north	3.25
footwall south	3.15
hanging wall north	3.35
hanging wall south	3.30

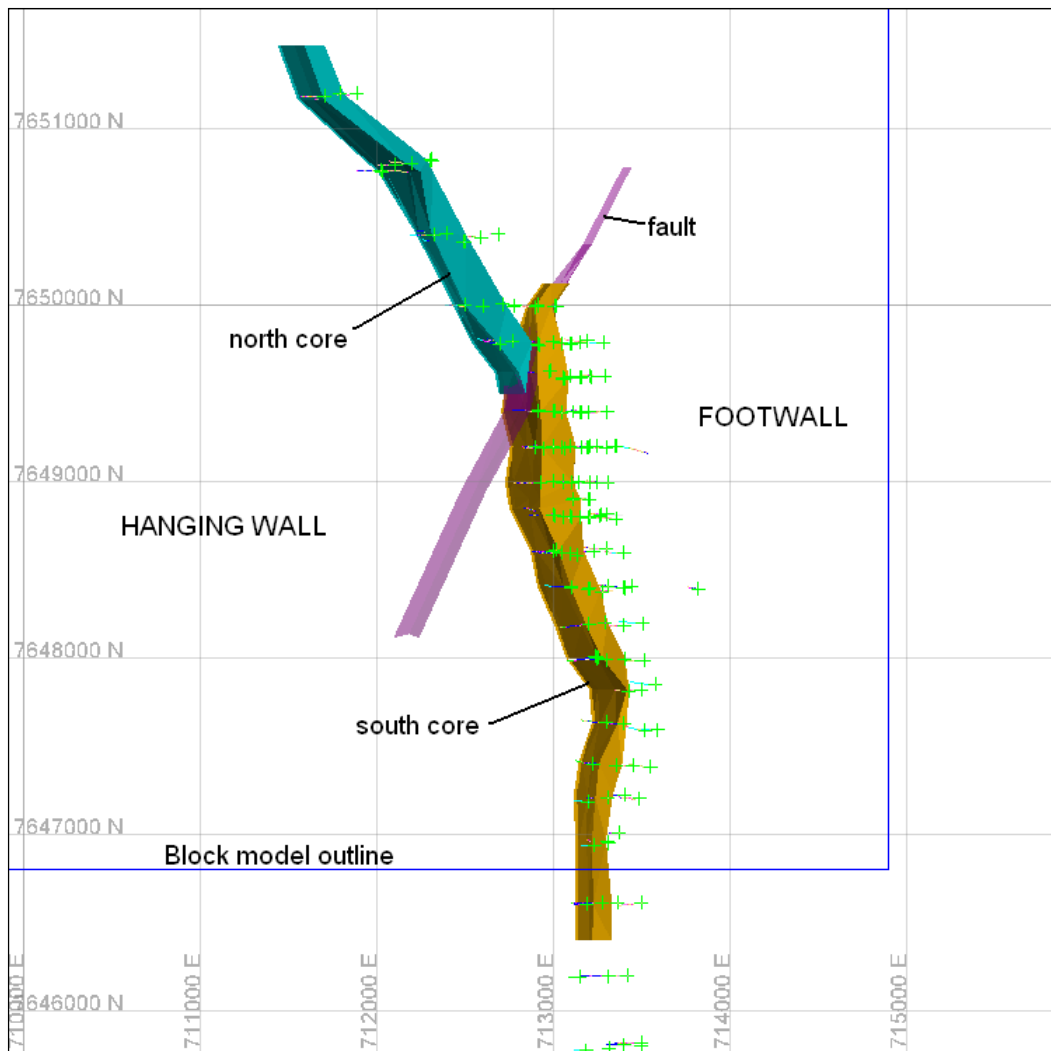


Figure 1: Geological Boundaries and Drill Hole Locations

MINERAL RESOURCE STATEMENT

- The resource estimates were classified in accordance with guidelines provided in the Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves (JORC Code, 2004). The classification of Mineral Resources was considered appropriate on the basis of geological confidence criteria and that additional DTR concentrate assays are required.
- The resource is based on the Ordinary Kriging interpolated block model *NS_2011_ok_rev2.bmf*.
- DTR and magsus/head grades have been classified independently based on data density. Measured, Indicated and Inferred Resources have been identified for magsus and head assay grades. Indicated and Inferred Resources have been identified for DTR grades. Refer to Figure 3.
- DTR is the percentage of magnetic material recovered from the total sample at specific Davis Tube settings defined by FMG based on metallurgical test work, which are designed to replicate the planned processing of the material.
- Mineral Resources have been limited to only include material within the five mining lease applications for North Star (M45/1181, M45/1180, M45/1182, M45/1183 and M45/1196) and use a cut-off of 20 000 magsus. Table 2 summarises the Mineral Resources for the magsus and head assay grades. Table 4 summarises the Mineral Resources for the DTR grades.
- There is also a large zone of material above 50 000 magsus within the south core (see Figure 2). This material is a subset of the overall Mineral Resources. The Mineral Resources for this subset are summarised in Table 3 for magsus and head assay grades and in Table 5 for the DTR grades.

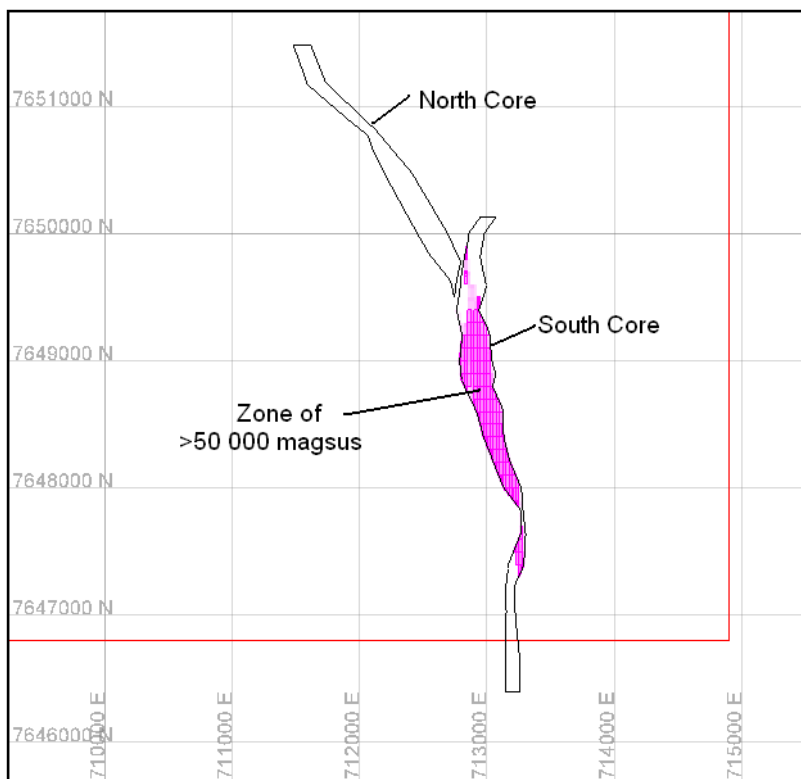


Figure 2: Zone of >50 000 Magsus within the South Core

The information in this statement which relates to the Mineral Resource is based on information compiled by Alan Miller who is a full-time employee of Golder Associates Pty Ltd and a Member and Chartered Professional of the Australasian Institute of Mining and Metallurgy. Alan Miller has sufficient relevant experience to the style of mineralisation and type of deposit under consideration and to the activity for which he is undertaking to qualify as a Competent Person as defined in the JORC Code (2004).

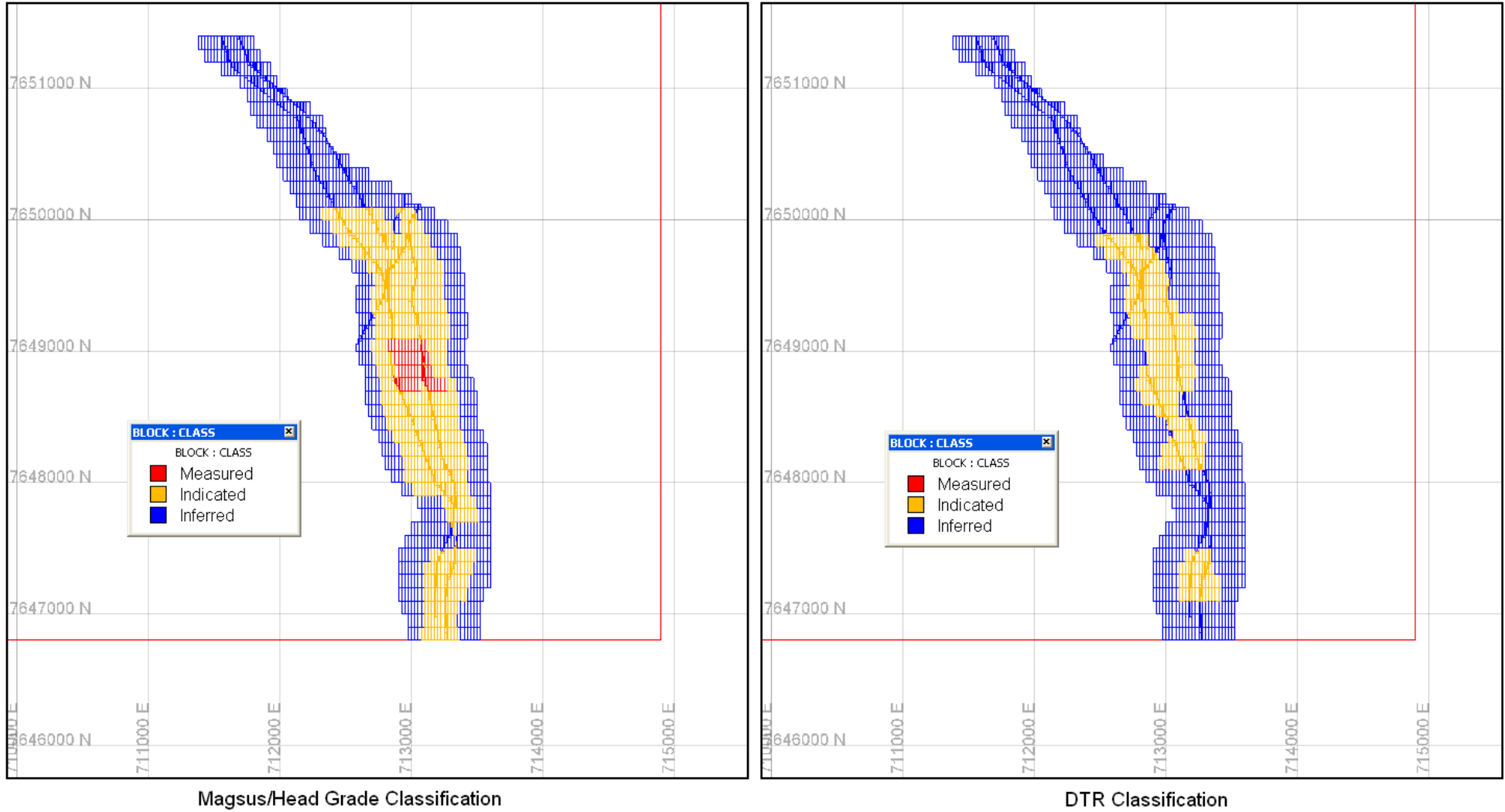


Figure 3: Resource Classification for Magsus/Head Grades (left) and DTR (right) - Plan Views at 100 m RL Looking Down

Table 2: Mineral Resources for Magsus/Head Grades using a 20 000 Magsus Cut-off

Class_Head	Domain	Mt	Magsus	Fe	Al2O3	SiO2	P	S	LOI_371	LOI_650	LOI_1000	LOI	CaO	K2O	Mn	TiO2	FeO	MgO
Measured	core_south	75	52592	33.76	1.53	38.55	0.104	0.075	0.32	4.88	0.77	5.87	1.41	0.51	0.53	0.064	20.58	2.52
	HW	10	28723	29.73	2.16	40.87	0.085	0.242	0.62	7.99	0.71	9.42	0.98	0.32	0.43	0.097	22.80	2.83
	FW	17	25699	30.02	2.70	40.75	0.103	0.166	0.90	5.70	0.89	7.46	1.47	0.91	0.30	0.121	23.38	2.49
Total Measured		102	45815	32.75	1.78	39.14	0.102	0.106	0.44	5.31	0.79	6.47	1.38	0.56	0.49	0.077	21.26	2.54
Indicated	core_north	83	31203	31.14	2.17	39.59	0.085	0.088	0.66	8.09	0.32	8.89	0.64	0.48	0.41	0.095	22.84	2.45
	core_south	372	46886	33.18	1.67	39.33	0.100	0.090	0.38	5.20	0.64	6.12	1.22	0.59	0.48	0.072	20.67	2.37
	HW	118	25995	29.49	2.14	40.67	0.088	0.217	0.57	8.94	0.63	9.98	0.91	0.32	0.41	0.094	23.54	2.60
	FW	99	24611	30.32	2.49	40.34	0.100	0.146	0.78	6.73	0.68	8.11	1.17	0.77	0.33	0.111	23.42	2.47
Total Indicated		671	38009	31.86	1.94	39.74	0.096	0.120	0.51	6.44	0.60	7.43	1.09	0.56	0.44	0.085	21.85	2.43
Inferred	core_north	453	33252	31.43	2.19	39.49	0.094	0.084	0.62	7.18	0.46	8.20	0.95	0.53	0.41	0.097	21.94	2.49
	core_south	418	50895	33.85	1.55	38.79	0.099	0.072	0.32	4.71	0.65	5.58	1.28	0.58	0.50	0.066	20.55	2.45
	HW	229	25840	29.24	2.10	40.57	0.089	0.252	0.63	9.28	0.69	10.41	0.93	0.33	0.42	0.101	23.71	2.65
	FW	242	25645	29.40	2.73	41.41	0.100	0.154	0.70	6.78	0.65	8.09	1.12	0.80	0.31	0.124	22.63	2.59
Total Inferred		1342	36103	31.44	2.07	39.80	0.096	0.122	0.54	6.70	0.59	7.74	1.08	0.56	0.42	0.093	21.93	2.52
Total		2116	37177	31.64	2.02	39.75	0.096	0.120	0.53	6.55	0.61	7.58	1.10	0.56	0.43	0.090	21.87	2.50

Table 3: Mineral Resources for Magsus/Head Grades using a 50 000 Magsus Cut-off (South Core Only)

Class	Domain	Mt	Magsus	Fe	Al2O3	SiO2	P	S	LOI_371	LOI_650	LOI_1000	LOI	CaO	K2O	Mn	TiO2	FeO	MgO
Measured	core_south	49	57764	34.24	1.46	38.50	0.104	0.068	0.25	4.26	0.82	5.25	1.47	0.53	0.55	0.061	20.12	2.48
Indicated	core_south	151	56599	34.10	1.48	38.70	0.101	0.074	0.24	4.38	0.81	5.34	1.50	0.64	0.52	0.063	20.02	2.30
Inferred	core_south	241	58161	34.72	1.40	38.15	0.101	0.059	0.22	4.09	0.75	4.96	1.45	0.64	0.53	0.058	19.92	2.37
Total		441	57583	34.45	1.44	38.38	0.102	0.065	0.23	4.21	0.77	5.12	1.47	0.63	0.53	0.060	19.98	2.36

Note: Table 3 is a subset of Table 2.

Table 4: Mineral Resources for DTR Grades using a 20 000 Magsus Cut-off

Class_DTR	Domain	Mt	DTR	Magsus
Indicated	core_north	42	21.82	31521
	core_south	350	32.91	49272
	HW	62	18.48	26152
	FW	81	18.42	24947
Total Indicated		536	28.17	41523
Inferred	core_north	494	23.01	33056
	core_south	514	32.80	49352
	HW	295	18.96	25931
	FW	276	19.36	25485
Total Inferred		1580	24.80	35704
Total		2116	25.66	37177

Table 5: Mineral Resources for DTR Grades using a 50 000 Magsus Cut-off (South Core Only)

Class	Domain	Mt	DTR	Magsus
Indicated	core_south	174	37.28	56929
Inferred	core_south	266	37.83	58012
Grand Total		441	37.61	57583

Note: Table 5 is a subset of Table 4.

GOLDER ASSOCIATES PTY LTD



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