6 October 2005

The Companies Officer
Australian Stock Exchange Ltd.
Exchange Plaza
2 The Esplanade
Perth   WA   6000

Dear Sir

FORTESCUE INCREASES TOTAL INDICATED RESOURCES TO 1.4 BILLION TONNES WITH UPGRADE IN CLOUD BREAK RESOURCE ESTIMATE

- Fortescue increases the Total Indicated Mineral Resource estimate at Cloud Break and Christmas Creek to 1.4 billion tonnes (Bt) giving a large resource base for reserve studies.
- This increase in Indicated Resources mainly occurs at Cloud Break where 572 million tonnes (Mt) is contained within the new Indicated Resource estimate.
- Total high grade material (+60% Fe) in the Indicated Resources increases by 80% to 578Mt.
- The Fe grade of High Grade material within the Cloud Break resource increases to 60.5%.
- Fortescue's combined Total Resource estimate for Cloud Break, Christmas Creek and Mt Lewin is boosted to 2.4Bt.
- High Grade material within the Total Resource is 811Mt and average grade increases to 60.4% Fe.

Fortescue Is pleased to announce a 70% increase in Indicated Resources at Cloud Break and Christmas Creek to 1.4 Bt. The increase comes from Fortescue's Cloud Break tenements where 572 Mt is now estimated as Indicated Resource under JORC Code 2004.

The conversion of 86% of High Grade Inferred Resources from prior estimates to Indicated Resources in the current estimate, with an increase in tonnage, is very encouraging and further confirms Fortescue's proposed mining program of targeting the High Grade material over the initial years of operation. High Grade is defined as resources which have an in-ground average grade exceeding Fortescue's targeted shipping grade of 60% Fe. This grade is considered by Fortescue's Head of Resource Strategy, Dr John Clout, as being potentially acceptable to the market without the need for beneficiation.

Fortescue now has Total Mineral Resources within its targeted initial mining areas of Cloud Break, Christmas Creek, and Mt Lewin of 2.4 Bt of which 1.4 Bt are estimated as Indicated Resources and 1.0 Bt estimated as Inferred Resources in accordance with the JORC Code (2004). These aggregations include 811 Mt of High Grade material which has an estimated average of 60.4% Fe. Importantly, some 70% of this High Grade material is classified as Indicated Resources, lending further confirmation to Fortescue's mining plan to target higher grade material in the early years.

Of particular note is an increase in both estimated tonnage and Fe grade at Cloud Break following the analysis of extensive infill drilling. Specifically, the Indicated Resource estimate has increased by 75% from the previous public report. Importantly, this demonstrates that as Fortescue continues to improve the confidence levels of its resource estimation through infill drilling, both the tonnage and grade for Total and Indicated Resource categories has increased.

Full details of this most recent Cloud Break resource estimate are provided as an attachment to this release. The report has been completed in conjunction with the specialist independent advisor Snowden Mining Industry Consultants ("Snowden"). The statement supercedes the last Cloud Break resource estimate which was lodged with the ASX on 15 July 2005. This current statement is based on geological and mineralisation interpretations completed up to 23 September 2005.

Fortescue is continuing extensive infill drilling programs at both Cloud Break and Christmas Creek and is generating more data for interpretation by Snowden which will be reported at a later date. The objective of the infill program to enhance the confidence level of JORC reporting is proving highly valuable to the Company as it is clearly demonstrating an ability to move tonnages up to Indicated status which is the JORC level that enables this material to be considered for reserve classification under the mining Definitive Feasibility Study.

Fortescue anticipates making further announcements relating to reserve tonnages progressively through the current quarter.

Yours sincerely
Fortescue Metals Group Ltd

Rod Campbell
Company Secretary

ATTACHMENT 1:

A Mineral Resource estimate has been completed for the Cloud Break project within an area defined by Fortescue that encompasses the fully assayed drilling. This model is based on the geological and mineralisation interpretations completed on the 23rd September 2005 by Fortescue. The drillhole database contains 1838 drillholes and 59,129 m of assayed length. There is 7,866 m of assayed length within the mineralised domains. This model replaces the existing Cloud Break resource estimate that was reported in July 2005.

Ordinary kriging was used to estimate Fe%, SiO_2%, Al_2O_3%, P%, TiO_2%, CaO%, MgO%, K_2O%, Na_2O%, S% and LOI% in the bedded Nammuldi mineralisation. Top cuts were applied to the data prior to estimation, where required, based on the grade distribution statistics. Indicator kriging was used to estimate MnO% for the mineralised Nammuldi domains. Inverse distance squared weighting was used to estimate all elements in the CID (Channel Iron Deposit).

The total updated Mineral Resource within the bedded mineralisation envelope is 725 Mt at 59% Fe, 4.1% SiO_2, 2.4% Al_2O_3, 0.054% P and 8.3% LOI. This includes a High Grade component of 298 Mt at 60% Fe, 3.0% SiO_2, 1.9% Al_2O_3, 0.050% P and 7.8% LOI as defined within a high grade mineralisation envelope. The total resource within the channel iron mineralised envelope is 32 Mt at 59% Fe, 3.2% SiO_2, 2.5% Al_2O_3, 0.053% P and 9.0% LOI.

The Cloud Break resource contains material in both Indicated and Inferred resource categories (JORC, 2004). The resource classification is based upon a number of criteria, including the geological confidence, the integrity of the data, the spatial continuity of the mineralisation as demonstrated by variography, and the quality of the estimation.

The parts of the mineralised Nammuldi domains that are located below a saline water table (6% of the resource) have been classified as Inferred Resource due to the possible influence of the saline water table on the assay results. The levels of the contaminants Na_2O%, K_2O%, MgO% and CaO% are greatly increased below the saline water table and it is unclear to Snowden how reliable these assays are as they may have been contaminated by the saline water. Studies, including further geological assessments and statistical analysis of close-spaced data will be undertaken to refine and update the resource classification in due course.

The grade-tonnage summary of the classified resource estimate is presented in Table 1.1.

Table 1.1   October 2005 Cloud Break Mineral Resource summary

Category	Mt	Fe%	SiO_2%	Al_2O_3%	P%	LOI%
Bedded Iron (no cut-off used)						
Indicated	316	57.3	5.07	2.90	0.059	8.51
Inferred	110	57.9	4.34	2.58	0.052	8.78
Total	426	57.5	4.82	2.79	0.057	8.61
High Grade Mineralised Bedded Iron (no cut-off used)						
Indicated	256	60.3	2.98	1.84	0.050	8.04
Inferred	42	61.2	3.19	1.87	0.050	6.03
Total	298	60.5	3.01	1.85	0.050	7.76
Channel Iron (no cut-off used)						
Inferred	32	58.9	3.22	2.54	0.053	8.98
Total						
Indicated	572	58.7	4.13	2.43	0.055	8.30
Inferred	185	58.8	3.88	2.41	0.052	8.19
Total	**757**	**58.7**	**4.07**	**2.42**	**0.054**	**8.27**

Competent Persons:

The information in the report to which the statement is attached that relates to Mineral Resources is based on information compiled by Ms Michelle Franks and Mr Stuart Robinson who are both Members of The Australasian Institute of Mining and Metallurgy .

Ms Michelle Franks (MAusIMM) is employed by Snowden Mining Industry Consultants and produced the resource estimate based upon the interpretations provided by Fortescue. Ms Franks has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which she 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". Ms Franks consents to the inclusion in this report of the matters based on her information in the form and context in which it appears.

Mr Stuart Robinson (FAusIMM) is a full time employee of Fortescue and provided geological interpretations for Mineral Resource estimates. Mr Robinson 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.