

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 1/7/96. Origin: Appendix 5. Amended 1/7/98, 1/9/99, 1/7/2000, 30/9/2001, 11/3/2002, 1/1/2003, 24/10/2005.

Name of entity

Fortescue Metals Group Ltd

ABN

57 002 594 872

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|--|---|
| 1 | +Class of +securities issued or to be issued | Fully Paid Non Converting, Redeemable Preference Shares. |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | 1,400 |
| 3 | Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | Expiry Date: If not redeemed earlier, the shares will be redeemed on 19 February 2017.
Prior Redemption: The shares are redeemable at the option of FMG at any time prior to the expiry date upon a notice period of minimum 30 days and maximum 60 days.

For default redemption terms please see Attachment 1: |

+ See chapter 19 for defined terms.

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<p>4 Do the ⁺securities rank equally in all respects from the date of allotment with an existing ⁺class of quoted ⁺securities?</p>	<p>The Preference Shares confers upon the holder the right in a winding up or return of capital to payment of an amount equal to the Redemption Amount, in priority to any other class of shares ranking behind it.</p> <p>The Preference Shares shall rank <i>pari passu</i> with the most senior ranking preference shares of FMG and in priority to all other preference shares that are expressed to rank junior to the Preference Shares and FMG ordinary shares, in a winding up of FMG.</p> <p>A holder of Preference Shares is not entitled to share in the distribution of any surplus assets of FMG beyond its Redemption Amount. The Preference Shares rank in priority to FMG's ordinary shares for the payment of distributions in accordance with these terms.</p> <p>For Voting Rights please see Attachment 1:</p>						
<p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 							
<p>5 Issue price or consideration</p>	<p>\$140,000,000</p>						
<p>6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>For expansion funding for project.</p>						
<p>7 Dates of entering ⁺securities into uncertificated holdings or despatch of certificates</p>	<p>30 September 2008</p>						
<p>8 Number and ⁺class of all ⁺securities quoted on ASX (including the securities in clause 2 if applicable)</p>	<table border="1"> <thead> <tr> <th data-bbox="716 1581 997 1612">Number</th> <th data-bbox="997 1581 1273 1612">⁺Class</th> </tr> </thead> <tbody> <tr> <td data-bbox="716 1612 997 1730">2,807,257,520</td> <td data-bbox="997 1612 1273 1730">Ordinary Fully Paid Shares</td> </tr> <tr> <td data-bbox="716 1730 997 1814">1,400</td> <td data-bbox="997 1730 1273 1814">Redeemable Preference Shares</td> </tr> </tbody> </table>	Number	⁺ Class	2,807,257,520	Ordinary Fully Paid Shares	1,400	Redeemable Preference Shares
Number	⁺ Class						
2,807,257,520	Ordinary Fully Paid Shares						
1,400	Redeemable Preference Shares						

+ See chapter 19 for defined terms.

	Number	+Class
9	7,918,380	Unlisted 31 December 2009 options exercisable at \$0.267 each
	2,656,250	Unlisted 25 January 2011 options exercisable at \$0.569 each
	3,592,030	Unlisted 1 June 2011 options exercisable at \$0.703 each

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10 Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)

Distribution: The holder is entitled to a distribution calculated as 9% p.a. of the face value of the shares payable six monthly in arrears on March 15 and September 15. In any year in which there are insufficient profits available to FMG to make a cash distribution in accordance with the Corporations Act or a cash distribution would cause a breach or cause a default or an event of default (or create a circumstance that with notice or the passage of time would result in such a breach, default or event of default) under any indebtedness of FMG or any of its subsidiaries, FMG will be permitted in lieu of paying any cash distributions otherwise payable in accordance with these terms, to issue to holders, at FMG's option, (i) Additional Preference Shares of Face Value equal to the cash distribution payable at such date or (ii) a number of FMG ordinary shares based on the following formula:

$$\# \text{ of Ordinary Shares} = \frac{\text{Cash Value of Distribution}}{\text{VWAP}}$$

where,

VWAP means the average of the volume weighted average sale price for ordinary shares in the Issuer over the 20 business days prior to the relevant Distribute Date but does not include any shares that have been quoted on ASX as cum dividends or cum any other distribution or entitlement and as otherwise adjusted as reasonably determined by the Board of Directors of FMG to take account for any reconstruction, consolidation or share split, or bonus issues or return of capital in relation to the FMG ordinary shares.

Part 2 - Bonus issue or pro rata issue

11 Is security holder approval required?

12 Is the issue renounceable or non-renounceable?

+ See chapter 19 for defined terms.

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- | | | |
|----|---|--|
| 13 | Ratio in which the +securities will be offered | |
| 14 | +Class of +securities to which the offer relates | |
| 15 | +Record date to determine entitlements | |
| 16 | Will holdings on different registers (or subregisters) be aggregated for calculating entitlements? | |
| 17 | Policy for deciding entitlements in relation to fractions | |
| 18 | Names of countries in which the entity has +security holders who will not be sent new issue documents

<small>Note: Security holders must be told how their entitlements are to be dealt with.
Cross reference: rule 7.7.</small> | |
| 19 | Closing date for receipt of acceptances or renunciations | |
| 20 | Names of any underwriters | |
| 21 | Amount of any underwriting fee or commission | |
| 22 | Names of any brokers to the issue | |
| 23 | Fee or commission payable to the broker to the issue | |
| 24 | Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of +security holders | |
| 25 | If the issue is contingent on +security holders' approval, the date of the meeting | |

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- | | | |
|----|---|--|
| 26 | Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled | |
| 27 | If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders | |
| 28 | Date rights trading will begin (if applicable) | |
| 29 | Date rights trading will end (if applicable) | |
| 30 | How do +security holders sell their entitlements <i>in full</i> through a broker? | |
| 31 | How do +security holders sell <i>part</i> of their entitlements through a broker and accept for the balance? | |
| 32 | How do +security holders dispose of their entitlements (except by sale through a broker)? | |
| 33 | +Despatch date | |

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of securities
(tick one)

(a) Securities described in Part 1

(b) All other securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

+ See chapter 19 for defined terms.

Tick to indicate you are providing the information or documents

- 35 If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders
- 36 If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories
1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over
- 37 A copy of any trust deed for the additional +securities

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Entities that have ticked box 34(b)

38 Number of securities for which
 +quotation is sought

39 Class of +securities for which
 quotation is sought

40 Do the +securities rank equally in all
 respects from the date of allotment
 with an existing +class of quoted
 +securities?

If the additional securities do not
 rank equally, please state:

- the date from which they do
- the extent to which they
 participate for the next dividend,
 (in the case of a trust,
 distribution) or interest payment
- the extent to which they do not
 rank equally, other than in
 relation to the next dividend,
 distribution or interest payment

41 Reason for request for quotation
 now

Example: In the case of restricted securities, end of
 restriction period

(if issued upon conversion of
 another security, clearly identify that
 other security)

	Number	+Class
42 Number and +class of all +securities quoted on ASX (including the securities in clause 38)	<input type="text"/>	<input type="text"/>

+ See chapter 19 for defined terms.

Quotation agreement

- 1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

- 2 We warrant the following to ASX.
 - The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.

 - There is no reason why those +securities should not be granted +quotation.

 - An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.
Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

 - Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.

 - If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

- 3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

- 4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here:

Date:1 October 2008.....

Print name: Rod Campbell. Company Secretary.....

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+ See chapter 19 for defined terms.

ATTACHMENT 1:

Payment Defaults

- Failure to redeem or buy-back Preference Shares when required, failure to pay any distribution in cash when due and payable; failure to issue Preference Shares or FMG ordinary shares when required, that remains unpaid for 30 days following the date such payment became due and payable.
- FMG being in liquidation or provisional liquidation or under administration, having a controller (as defined in the Corporations Act) or analogous person appointed to it or any of its property, being taken under section 459F(1) of the Corporations Act to have failed to comply with a statutory demand, being unable to pay its debts or otherwise insolvent, entering into a compromise or arrangement with, or assignment for the benefit of, any of its creditors (other than on terms approved by Simple Majority Approval of Holders acting reasonably), or any analogous event.

Payment Default Remedies

Holders shall be entitled to accelerate redemption or buy-back after a Payment Default with majority approval of Holders upon a Payment Default on a date on or after the date that the FMG Finance Senior Secured Notes have been paid in full. If FMG fails to satisfy a distribution in full or if FMG fails to redeem or buy-back Preference Shares on a date the FMG Finance Senior Secured Notes are outstanding, Holders shall have the option to, in the case of a failure to satisfy a distribution require FMG, at FMG's election to either: (a) deliver a number of FMG ordinary shares having a market value equal to the amount of the distribution not satisfied (the number of ordinary shares to be delivered is calculated by the formula contained in the Dividend section in the main appendix ; or (b) on behalf of the Holder, to sell the FMG ordinary shares described in clause (a) to one or more third parties and arrange for delivery of the net cash proceeds received from such sale (net of selling expenses) to the relevant Holders, or in the case of a failure to redeem or buy-back either: (x) on behalf of the Holder, to deliver a number of FMG ordinary shares having a market value equal to the redemption amount for each Preference Share required to be redeemed or bought-back; or (y) on behalf of the Holder to sell the FMG ordinary shares described in clause (x) to one or more third parties and arrange for delivery of the net cash proceeds received from such sale (net of selling expenses) to Holders.

Voting and other Rights

A Preference Share confers upon the Purchaser the right to vote on any ordinary shareholder resolution:

(a) while a Distribution (or part of a Distribution) that is payable in respect of a Preference Share is unpaid;

(b) on a proposal to reduce the share capital of FMG;

(c) on a resolution to approve the terms of a buy-back agreement in respect of any ordinary shares;

(d) on a proposal that affects the rights attached to a Preference Share;

(e) on a proposal for winding up FMG;

(f) on a proposal for the disposal of the whole of FMG's property, business and undertaking; and

(g) during winding up of FMG.

The holders of Preference Shares will have no other voting rights.

The holders of a Preference Share have the same rights as one ordinary share in relation to receiving notices, reports and audited accounts and attending meetings of members.