



**Fortescue Metals Group Ltd**

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20 February 2009

The Companies Officer  
Australian Securities Exchange Ltd.  
2 The Esplanade,  
Perth, WA, 6000

Dear Sir

**Issue of Executive Options**

Fortescue Metals Group ("ASX:FMG" "Fortescue") attaches the Appendix 3B regarding the issuing of 3,000,000 employee options\* under Fortescue's shareholder-approved Incentive Option Scheme ("the Scheme").

Fortescue recently advised that after an independent review of the business, it was restructuring its Executive Committee. The review was implemented as the company moved into full scale operations.

A number of the Executive Committee members had not previously participated in the Scheme. The Fortescue Board is committed to providing remuneration packages based on clear performance targets which are tied into a long term employment incentive, so has elected to issue the above options as part of the Scheme.

Under the terms of the Scheme, the options will progressively vest over a 4 year period, with 25% vested on each anniversary. In addition, directors have imposed a further requirement that the exercise of options is conditional upon Fortescue shares trading above \$6 for a set period. This price target is approximately double the current share price.

The options have been issued at an exercise price of \$2.50, which is in accordance with the Scheme whereby the price must be at or greater than the volume weighted average price for the five days prior to the offer date, which was 11 February 2009. The options grant was ratified by the Board yesterday.

Yours sincerely  
**Fortescue Metals Group Ltd**

**Rod Campbell**  
Company Secretary

\* One recipient is an executive director so the allotment will be subject to shareholder approval.

# 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   | Options over Ordinary Shares  |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued  | 3,000,000   |
| 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) | <p>Pursuant to the FMG Incentive Option Scheme the options will vest over a 4 year period from the offer date being 25% after the 1<sup>st</sup> anniversary, 50% after the second anniversary, 75% after the 3<sup>rd</sup> anniversary and 100% after the 4<sup>th</sup> anniversary.</p> <p>In addition to the vesting period the options can only be exercised after the shares have traded for at least five consecutive days where the last sale price on the ASX on each of those days is above \$6.</p> |

+ See chapter 19 for defined terms.

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<p>4 Do the <sup>+</sup>securities rank equally in all respects from the date of allotment with an existing <sup>+</sup>class of quoted <sup>+</sup>securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> <li>• the date from which they do</li> <li>• the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment</li> <li>• the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment</li> </ul>	<p>Yes - upon exercise of the options the shares would rank equally with all other ordinary shares.</p>				
<p>5 Issue price or consideration</p>	<p>An exercise price of \$2.50 each pursuant to the FMG Incentive Option Scheme, options may be issued at or above the VWAP price for the 5 days prior to the issue date.</p>				
<p>6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>Provided to certain executives as part of an overall incentive remuneration package.</p>				
<p>7 Dates of entering <sup>+</sup>securities into uncertificated holdings or despatch of certificates</p>	<p>The date of the issue being ratified by the Board was 19 February 2009.</p> <p>The issue date of the options as agreed by remuneration committee was 11 February 2009.</p> <p>A 600,000 tranche of the options are being offered to an executive director of the Company and will only be allotted on receipt of shareholder approval.</p>				
<p>8 Number and <sup>+</sup>class of all <sup>+</sup>securities quoted on ASX (including the securities in clause 2 if applicable)</p>	<table border="1"> <thead> <tr> <th data-bbox="721 1545 997 1570">Number</th> <th data-bbox="1002 1545 1268 1570"><sup>+</sup>Class</th> </tr> </thead> <tbody> <tr> <td data-bbox="721 1577 997 1768">2,809,572,985</td> <td data-bbox="1002 1577 1268 1768">Ordinary Fully Paid Shares</td> </tr> </tbody> </table>	Number	<sup>+</sup> Class	2,809,572,985	Ordinary Fully Paid Shares
Number	<sup>+</sup> Class				
2,809,572,985	Ordinary Fully Paid Shares				

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+ See chapter 19 for defined terms.

	Number	+Class
9 Number and +class of all +securities not quoted on ASX (including the securities in clause 2 if applicable)	7,605,880	Unlisted 31 December 2009 options exercisable at \$0.267 each
	2,200,000	Unlisted 25 January 2011 options exercisable at \$0.569 each
	3,592,030	Unlisted 1 June 2011 options exercisable at \$0.703 each
	3,000,000	Unlisted February 2014 options exercisable at \$2.50 each
	1,400	Preference shares at face value \$100,000 with a 9% coupon redeemable on or before end February 2017.
10 Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	N/A	

## Part 2 - Bonus issue or pro rata issue

11	Is security holder approval required?	
12	Is the issue renounceable or non-renounceable?	
13	Ratio in which the +securities will be offered	
14	+Class of +securities to which the offer relates	
15	+Record date to determine entitlements	

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- 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 <sup>+</sup>security holders who will not be sent new issue documents  
Note: Security holders must be told how their entitlements are to be dealt with.  
Cross reference: rule 7.7.
- 19 Closing date for receipt of acceptances or renunciations

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<sup>+</sup> See chapter 19 for defined terms.

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- |    |   |  |
|----|---|--|
| 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  |  |
| 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?  |  |

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- 32 How do <sup>+</sup>security holders dispose of their entitlements (except by sale through a broker)?
- 33 <sup>+</sup>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

*Tick to indicate you are providing the information or documents*

- 35  If the <sup>+</sup>securities are <sup>+</sup>equity securities, the names of the 20 largest holders of the additional <sup>+</sup>securities, and the number and percentage of additional <sup>+</sup>securities held by those holders
- 36  If the <sup>+</sup>securities are <sup>+</sup>equity securities, a distribution schedule of the additional <sup>+</sup>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 <sup>+</sup>securities

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+ See chapter 19 for defined terms.

**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 ( <i>including</i> the securities in clause 38)		

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**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: .....19 February 2009....

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

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