



**Fortescue Metals Group Ltd**

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19 May 2009

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

Dear Sir

**Lodgement of Notice of Meeting**

Fortescue Metals Group Ltd is pleased to lodge the Notice of Meeting for a general meeting of shareholders to be held at 10am on Tuesday 23rd June at the Hyatt Regency Hotel in Perth.

The meeting is to consider a number of resolutions as outlined in the attached Notice which is being mailed out to shareholders today.

Yours sincerely  
**Fortescue Metals Group Ltd**

**Rod Campbell**  
Company Secretary



**Fortescue Metals Group Ltd**  
**ABN 57 002 594 872**

**NOTICE OF GENERAL MEETING  
EXPLANATORY STATEMENT**

Please read the Notice and Explanatory Statement carefully.

If you are not able to attend the General Meeting of Shareholders, please complete and return the proxy form in accordance with the specified directions.

## NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting of Fortescue Metals Group Ltd ABN 57 002 594 872 (Company) will be held in the Terrace Ballroom, at the Hyatt Regency Perth, 99 Adelaide Terrace, East Perth, Western Australia on Tuesday, 23 June 2009 at 10.00 am (Perth time).

If you are unable to attend the Meeting, you are encouraged to complete and return the proxy form attached to this Notice. The completed proxy form must be received at the office of Computershare by no later than 48 hours prior to the time of the Meeting or any adjournment thereof.

### **Date for determining voting entitlements**

The Directors have determined that for purposes of the Corporations Act, the persons eligible to vote at the Meeting will be those persons who are registered Shareholders at 10.00 am (Perth time) on Sunday, 21 June 2009. Accordingly, transfers of Shares registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

### **Appointment of Proxies**

Each Shareholder is entitled to appoint a proxy. The proxy does not need to be a Shareholder. A Shareholder that is entitled to cast two or more votes may appoint two proxies and may specify the proportion of votes each proxy is entitled to exercise. If a Shareholder appoints two proxies, each proxy may exercise half of the Shareholder's votes if no proportion or number of votes is specified.

**A proxy form accompanies this Notice and to be effective must be completed and received at the office of Computershare as detailed below:**

**Mail to:**  
Share Registry  
Computershare Investor Services Pty Ltd  
GPO Box 242  
MELBOURNE VIC 3001

**Deliver to:**  
Share Registry  
Computershare Investor Services Pty Ltd  
Level 2, 45 St Georges Terrace  
PERTH WA 6000

### **or by facsimile on:**

1800 783 447 (within Australia)  
+61 3 9473 2555 (outside of Australia)

**by no later than 10.00 am (Perth time) on Sunday, 21 June 2009.**

## **Corporate Representatives**

Any corporate Shareholder wishing to appoint a person to act as its representative at the Meeting may do so by providing that person with:

1. a letter or certificate executed in accordance with the Corporations Act authorising that person as the corporate Shareholder's representative at the Meeting; or
2. a copy of the resolution appointing that person as the corporate Shareholder's representative at the Meeting, certified by a secretary or director of the corporate Shareholder.

## AGENDA

The Explanatory Statement which accompanies and forms part of this Notice describes the matters to be considered.

Terms used in this Notice will, unless the context otherwise requires, have the same meaning given to them in the Glossary of Terms as contained in the Explanatory Statement.

### RESOLUTION 1 - APPROVAL OF INCENTIVE OPTION SCHEME

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

*"That, for the purposes of Listing Rule 7.2 (Exception 9(b)) and for all other purposes, Shareholders approve and authorise the Directors to grant Incentive Options and issue Shares pursuant to those Incentive Options from time to time upon the terms and conditions specified in the rules of the Incentive Option Scheme (which are summarised in Annexure A to the Explanatory Statement), as an exception to Listing Rule 7.1."*

**Voting Exclusion:** In accordance with Listing Rules 7.2 (Exception 9(b)) and 14.11, the Company will disregard any votes cast on this Resolution by a Director (except a Director who is ineligible to participate in any employee incentive scheme in relation to the Company) or by an Associate of the Director. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

### RESOLUTION 2 - APPROVAL OF GRANT OF INCENTIVE OPTIONS TO DIRECTOR, MR RUSSELL SCRIMSHAW

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

*"That, for the purposes of Chapter 2E of the Corporations Act, Listing Rule 7.1 and Listing Rule 10.14 and for all other purposes, Shareholders approve the grant of 600,000 Incentive Options to Mr Russell Scrimshaw (or his permitted nominee) in accordance with the Incentive Option Scheme and otherwise on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** In accordance with section 224 of the Corporations Act and Listing Rules 7.3, 10.15 and 14.11, the Company will disregard any votes cast on this Resolution by a Director (except a Director who is ineligible to participate in any employee incentive scheme in relation to the Company) or by an Associate of the Director. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

### RESOLUTION 3 - RATIFICATION OF ISSUE OF SECURITIES

To consider and, if thought fit, to pass, with or without amendment, the following as separate ordinary resolutions:

3.1 *"That, for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders approve and ratify the allotment and issue of 16,453,469 Shares to Bocimar International NV on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** In accordance with Listing Rules 7.5 and 14.11, the Company will disregard any votes cast on this Resolution by Bocimar International NV or by an Associate of Bocimar International NV. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

3.2 *"That, for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders approve and ratify the allotment and issue of 260,000,000 Shares to the Valin Nominees on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** In accordance with Listing Rules 7.5 and 14.11, the Company will disregard any votes cast on this Resolution by a Valin Nominee or by an Associate of a Valin Nominee. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

**Dated 8th May 2009**

**By Order of the Board.**



**Rod Campbell**  
**Company Secretary**

## EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of Shareholders of Fortescue Metals Group Ltd ABN 57 002 594 872 (**Company**) in connection with the business to be conducted at the General Meeting of Shareholders to be held in the Terrace Ballroom, at the Hyatt Regency Perth, 99 Adelaide Terrace, East Perth, Western Australia on Tuesday, 23 June 2009 at 10.00 am (Perth time).

This Explanatory Statement should be read in conjunction with the accompanying Notice of General Meeting.

This Explanatory Statement and all attachments are important documents and should be read carefully and in their entirety. If you have any questions regarding the matters set out in this Explanatory Statement or the Notice, please contact the Company or your financial adviser, stockbroker or solicitor.

### 1. RESOLUTION 1 - APPROVAL OF INCENTIVE OPTION SCHEME

#### 1.1 Background

On 15 September 2005, the Board agreed to establish an employee incentive scheme which became known as "Fortescue Metals Group Limited Incentive Option Scheme".

Shareholders approved the establishment of the Incentive Option Scheme at the Company's annual general meeting on 8 November 2005.

The Board has resolved to amend the terms of the Incentive Option Scheme to provide the Board with greater flexibility to determine the terms and conditions of Incentive Options granted under the Incentive Option Scheme, in line with current market practice. These amendments are not retrospective and will not effect any of the Incentive Options already on issue.

Resolution 1 seeks Shareholder approval of the Incentive Option Scheme, as amended, for the purposes set out in this section 1.

The Board's rationale for the Incentive Option Scheme is to facilitate the grant of Incentive Options to eligible participants, to encourage participation by those recipients in the Company through the ownership of Shares and to attract, motivate and retain those recipients.

The Incentive Options Scheme also provides the Company with a long term retention strategy as vesting of the Incentive Options occurs over a 4 year period from the original grant date. The vesting structure provides that 25% of the Incentive Options vest on each anniversary date from the original grant date. This means that the recipient must remain an employee of the Company for 4 years after the grant before all of the Incentive Options have vested.

A summary of the amended terms and conditions of the Incentive Option Scheme is set out in Annexure A. Under those terms and conditions, the exercise price of Incentive Options must not be less than the greater of:

- (a) the volume weighted average of the share price of Shares traded on ASX for each of the 5 ASX trading days immediately preceding the date on which any Incentive Options are granted; and
- (b) 20 cents.

## 1.2 **Listing Rule 7.1**

Listing Rule 7.1 provides, in summary, that, subject to certain exceptions, a listed company may not issue or agree to issue equity securities in any 12 month period which exceeds 15% of the number of securities of the company on issue at the beginning of the 12 month period, except with the prior approval of shareholders of the company in general meeting of the precise terms and conditions of the proposed issue.

## 1.3 **Exception to Listing Rule 7.1**

One of the exceptions to Listing Rule 7.1 is Listing Rule 7.2 (Exception 9(b)) which provides that Listing Rule 7.1 does not apply to an issue of securities under an employee incentive scheme if within 3 years before the date of issue, shareholders have approved the issue of securities under the employee incentive scheme as an exception to Listing Rule 7.1.

Shareholder approval is sought to enable the Company to grant Incentive Options (and issue Shares pursuant to those Incentive Options) under the Incentive Option Scheme from time to time during the 3 years from the date of the Meeting without being required to count those securities as part of, and without reducing the number of securities which the Company can issue under, its annual 15% limit.

In accordance with Listing Rule 7.2 (Exception 9(b)), the following information is disclosed to Shareholders for the purposes of Resolution 1:

- (a) a summary of the amended terms and conditions of the Incentive Option Scheme is set out in Annexure A to this Explanatory Statement. A copy of the full terms of the Incentive Option Scheme will be sent free of charge to any Shareholder on request.
- (b) 32,300,000 Incentive Options have been granted under the Incentive Option Scheme of which 11,108,400 of these Incentive Options have been exercised.
- (c) a voting exclusion statement in respect of Resolution 1 is in both the Notice and section 1.5 of this Explanatory Statement.

## 1.4 **Directors' Recommendation**

The Directors recommend that Shareholders vote in favour of Resolution 1.

## 1.5 **Voting Exclusion Statement**

In accordance with Listing Rules 7.2 (Exception 9(b)) and 14.11, the Company will disregard any votes cast on this Resolution by a Director (except a Director who is ineligible to participate in any employee incentive scheme in relation to the Company) or by an Associate of the Director. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

The Board has resolved that Andrew Forrest is ineligible to participate in the Incentive Option Scheme.

Therefore, the Directors, other than Graeme Rowley and Russell Scrimshaw, are ineligible to participate in any employee incentive schemes in relation to the Company. Accordingly, Graeme Rowley and Russell Scrimshaw, and their Associates, may not vote on Resolution 1.

## 2. **RESOLUTION 2 - APPROVAL OF GRANT OF INCENTIVE OPTIONS TO DIRECTOR, MR RUSSELL SCRIMSHAW**

### 2.1 **Background**

Resolution 2 seeks Shareholder approval for the grant of 600,000 Incentive Options by the Company to Russell Scrimshaw (or his permitted nominee).

The grant of the Incentive Options to Russell Scrimshaw (or his permitted nominee) is consistent with the recent grant of Incentive Options to members of the Company's recently restructured executive committee. There were 3,000,000 Incentive Options granted in total whereby five executive committee members were granted 600,000 Incentive Option each. Being a director of the Company, the grant to Mr Scrimshaw requires shareholder approval.

The grant of Incentive Options is considered an appropriate remuneration strategy to align the interests' of the individual with those of the Company's strategic plan focusing on optimising performance with the benefits flowing through to enhanced Shareholder returns.

### 2.2 **Key Details of the Incentive Options**

It is proposed that Russell Scrimshaw is to be granted 600,000 Incentive Options by the Company with the following key terms:

<b>Tranche</b>	<b>Number of Incentive Options</b>	<b>Vesting Date</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
1	150,000	1 <sup>st</sup> anniversary of date of grant	\$2.50	5 <sup>th</sup> anniversary of date of grant
2	150,000	2 <sup>nd</sup> anniversary of date of grant	\$2.50	5 <sup>th</sup> anniversary of date of grant

3	150,000	3 <sup>rd</sup> anniversary of date of grant	\$2.50	5 <sup>th</sup> anniversary of date of grant
4	150,000	4 <sup>th</sup> anniversary of date of grant	\$2.50	5 <sup>th</sup> anniversary of date of grant

The Board have also imposed a condition that the Incentive Options may only be exercised by Russell Scrimshaw after the Company's Shares have traded for at least 5 consecutive days where the closing sale price of Shares on ASX on each of those days is above \$6.00. In the event that this condition is not satisfied as at particular vesting date, the Incentive Options will not lapse and may be exercised at any time prior to their expiry date, provided that this condition may be satisfied as at the date of exercise.

The Incentive Options were granted pursuant to the previous terms and conditions of the Incentive Option Scheme which are summarised in Annexure B to this Explanatory Statement.

### 2.3 Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a Related Party of the Company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provisions; or
- (b) prior shareholder approval is obtained to the giving of the financial benefit.

For the purposes of Chapter 2E, Russell Scrimshaw is considered to be a Related Party of the Company because he is a Director and the proposed grant of Incentive Options by the Company constitutes the giving of a financial benefit.

The proposed grant of Incentive Options by the Company to Russell Scrimshaw (or his permitted nominee) involves the provision of a financial benefit to a Related Party of the Company and, therefore, requires prior Shareholder approval.

In accordance with the requirements of Chapter 2E, and in particular with section 219 of the Corporations Act, the following information is provided to Shareholders to allow them to assess the proposed grant of Incentive Options by the Company to Russell Scrimshaw (or his permitted nominee):

- (a) Russell Scrimshaw is a Related Party of the Company to whom the proposed Resolution 2 would permit the financial benefit to be given;
- (b) the nature of the financial benefit to be given to Russell Scrimshaw (or his permitted nominee) is the grant of up to 600,000 Incentive Options as set out in section 2.2 of this Explanatory Statement;

- (c) as at the date of lodgement of the Notice with ASIC, being 5 May 2009 (**ASIC Lodgement Date**), the issued capital of the Company is 3,086,370,704 Shares, 16,053,660 Options and 1,400 preference shares. A comparison of the current issued capital of the Company and the issued capital of the Company should Russell Scrimshaw exercise all of his 600,000 Incentive Options (assuming that Resolution 2 is approved by Shareholders, no existing Options are exercised and no other securities are issued by the Company in the meantime) is set out in the table below:

<b>Current Number of Shares on Issue</b>	<b>Number of Shares on issue following exercise of Incentive Options by Russell Scrimshaw</b>
3,086,370,704	3,086,970,704

- (d) if Shareholders approve the grant of the 600,000 Incentive Options to Russell Scrimshaw, the exercise of the Incentive Options by Russell Scrimshaw may result in a dilution of all other Shareholders' holdings in the Company to a maximum of approximately 0.02% (based on the number of Shares on issue at the ASIC Lodgement Date and assuming that Resolution 2 is approved by Shareholders, the Incentive Options the subject of Resolution 2 are subsequently granted and exercised, no existing Options are exercised and no other securities are issued by the Company in the meantime);
- (e) if Resolution 2 is approved by Shareholders, Russell Scrimshaw will be entitled to the following securities in the Company:

<b>Director</b>	<b>Shares currently held<sup>1</sup></b>	<b>Number of Incentive Options<sup>3</sup></b>
Russell Scrimshaw	8,000,000 <sup>2</sup>	600,000

Note 1: Subject to the Corporations Act, the Listing Rules and the Constitution, Russell Scrimshaw may from time to time either dispose of some or all of his shareholding in the Company, or increase his shareholding in the Company, after the ASIC Lodgement Date.

Note 2: Russell Scrimshaw has a direct interest in 4,942,170 Shares and an indirect interest in 3,057,830 Shares by virtue of his interest as beneficial owner of Shares held by Scrimshaw Nominees Pty Ltd (Family Trust) and Rosehawk Pty Ltd.

Note 3: Please refer to section 2.2 of this Explanatory Statement for details of the terms and conditions of 600,000 Incentive Options.

- (f) the 600,000 Incentive Options will be granted by the Company to Russell Scrimshaw for no consideration and therefore no funds will be raised by the grant of the Incentive Options to Russell Scrimshaw. Any funds raised from time to time due to the exercise of any Incentive Options by Russell Scrimshaw will be used as the Board sees fit;

- (g) see section 2.4 of this Explanatory Statement regarding an indicative valuation of the Incentive Options;
- (h) please refer to the following table for details of Russell Scrimshaw's remuneration package as at the date of this Notice pursuant to his current terms of engagement or appointment:

Salary	Superannuation Contributions	Other	Total
\$722,727	\$72,273	N/A	\$795,000

- (i) the Directors' recommendations in respect of Resolution 2 are set out in section 2.8 of this Explanatory Statement;
- (j) if Resolution 2 is approved by Shareholders, it is proposed that the Incentive Options will be granted by the Board no later than 1 month after the date of this Meeting and it is anticipated that the allotment will be on one date;
- (k) the proposed grant of the Incentive Options to Russell Scrimshaw will be made pursuant to the previous terms and conditions of the Incentive Option Scheme (which are summarised in Annexure B to this Explanatory Statement) and the terms and conditions set out in section 2.2 of this Explanatory Statement; and
- (l) other than the information specified in this Explanatory Statement, the Board (other than Russell Scrimshaw) are not aware of any other information that would be reasonably required by the Shareholders in order to decide whether it is in the best interests of the Company to pass Resolution 2.

#### 2.4 Details Concerning Valuation of Incentive Options

The highest, lowest and last sale prices for the Shares on ASX during the 12 months immediately preceding the ASIC Lodgement Date and the respective dates of those sale prices were:

Highest: \$12.78 per Share on 24 June 2008

Lowest: \$1.29 per Share on 20 November 2008

Last: \$2.52 per Share on 4 May 2009 being the last day on which the Company's Shares were traded on ASX before the ASIC Lodgement Date.

The Incentive Options to be granted to Russell Scrimshaw, pursuant to Resolution 2, will not be quoted on ASX.

The Directors propose to grant the following Incentive Options to Russell Scrimshaw based on the assumptions set out below:

Tranche	Number of Incentive Options	Value
Tranche 1	150,000	\$261,000
Tranche 2	150,000	\$261,000
Tranche 3	150,000	\$261,000
Tranche 4	150,000	\$261,000

BDO Kendalls Corporate Finance (WA) Pty Ltd (**BDO**) has prepared a valuation, which the Board have adopted, in relation to the indicative value of the Incentive Options to be granted to Russell Scrimshaw. The total value of the proposed grant of Incentive Options is \$1,044,000 which comprises the 4 tranches at \$261,000 for each tranche as per the above table.

The BDO valuation used the Barrier Up and In Binomial Method (and was cross checked using the Black-Scholes model), and was based on the following assumptions:

- (a) The indicative valuation has assumed that the grant date of the Incentive Options is 17 April 2009 and the closing Share price used was as at 16 April 2009. The valuation is not a representative valuation of the Incentive Options at the proposed date of grant. In order for this valuation to be provided, a new valuation model would need to be run with updated assumptions at the time of grant (i.e. immediately following the Meeting).
- (b) An exercise price of \$2.50 per Incentive Option.
- (c) The closing price of Shares was \$2.53 on 16 April 2009, being the date of the indicative valuation.
- (d) An estimated future volatility of the Company's Share price of 85% based on historical trading volatility in the Company's Share price.
- (e) A risk-free interest rate estimated using the Australian Government 5-year bond rate of 4.08% across all tranches.
- (f) In calculating the indicative value of the Incentive Options, it has been assumed that they will be exercised on their expiry date which is, for each Incentive Option, the 5<sup>th</sup> anniversary of the date of grant.

## 2.5 Listing Rule 7.1

Listing Rule 7.1 provides, in summary, that, subject to certain exceptions, a listed company may not issue or agree to issue equity securities in any 12 month period which exceeds 15% of the number of securities of the company on issue at the beginning of the 12 month period, except with the prior approval of shareholders of the company in general meeting of the precise terms and conditions of the proposed issue.

As the grant of up to 600,000 Incentive Options pursuant to Resolution 2 will not exceed the 15% annual limit in Listing Rule 7.1 assuming Shareholders approve Resolution 2, the Company is not required to seek Shareholder approval of the grant of 600,000 Incentive Options for the purposes of Listing Rule 7.1.

However, as the Company is seeking Shareholder approval of the grant of the Incentive Options for the purposes of Listing Rule 10.14 in any event, Shareholder approval is also sought for the purposes of Listing Rule 7.1.

## 2.6 **Listing Rule 10.14**

Listing Rule 10.14 provides, in essence, that the approval of shareholders is required before any of the following persons can acquire securities under an employee incentive scheme:

- (a) a director;
- (b) an Associate of a director; or
- (c) a person whose relationship with the company or a person referred to in paragraph (a) or (b) is, in ASX's opinion, such that approval should be obtained.

Russell Scrimshaw is a director for the purpose of Listing Rule 10.14. Accordingly, in order for Russell Scrimshaw to acquire a beneficial interest in the Incentive Options, the Company must obtain Shareholder approval pursuant to Listing Rule 10.14.

## 2.7 **Details of the proposed issue**

Listing Rules 7.3 and 10.15 set out a number of matters which must be included in a notice of meeting requesting shareholder approval under Listing Rules 7.1 and 10.14 respectively.

In accordance with Listing Rules 7.3 and 10.15, the following information is provided to Shareholders in relation to Resolution 2:

- (a) the maximum number of Incentive Options that may be granted by the Company to Russell Scrimshaw (or his permitted nominee) for whom approval is required is 600,000 Incentive Options. If all the 600,000 Incentive Options are exercised by Russell Scrimshaw, then he will be entitled to 600,000 Shares;
- (b) the Incentive Options are granted for no consideration and therefore no funds will be raised by the grant of the Incentive Options to Russell Scrimshaw. Any funds raised from time to time due to the exercise of any Incentive Options by Russell Scrimshaw will be used as the Board sees fit;
- (c) the exercise price for the Incentive Options being granted to Russell Scrimshaw is set out in section 2.2 of this Explanatory Statement;

- (d) the indicative value of each Incentive Option is \$1.74. Details of the calculation of that indicative value are set out in section 2.4 of this Explanatory Statement;
- (e) no Director or associate of a Director has previously received securities under the Incentive Option Scheme;
- (f) Russell Scrimshaw is entitled to participate in the Incentive Option Scheme as he is a current Director of the Company;
- (g) as at the ASIC Lodgement Date, the names of persons referred to in Listing Rule 10.14 who are entitled to participate in the Incentive Option Scheme are Russell Scrimshaw and Graeme Rowley;
- (h) the proposed grant of the Incentive Options to Russell Scrimshaw will be made pursuant to the previous terms and conditions of the Incentive Option Scheme (which are summarised in Annexure B to this Explanatory Statement) and the terms and conditions set out in section 2.2 of this Explanatory Statement;
- (i) if Resolution 2 is approved by Shareholders, the Incentive Options will be granted by the Board no later than 1 month after the date of the Meeting and it is anticipated that the allotment will be on one date; and
- (j) a voting exclusion statement in respect of Resolution 2 is in both the Notice and section 2.9 of this Explanatory Statement.

## 2.8 **Directors' Recommendation**

Russell Scrimshaw does not wish to make a recommendation to Shareholders about the proposed Resolution 2 because he has an interest in the outcome of Resolution 2. The interest arises because Russell Scrimshaw is the proposed recipient of a financial benefit in the form of 600,000 Incentive Options and he may be considered to have a material personal interest in the outcome of Resolution 2.

The Company's remaining Directors recommend that Shareholders approve Resolution 2 for the reasons given in section 2.1 of this Explanatory Statement.

The Company's remaining Directors do not have an interest in the outcome of Resolution 2, except where they are Shareholders. As set out in the proxy form, the chairman of the Meeting intends to vote all undirected proxies in favour of all Resolutions to be considered at the Meeting.

## 2.9 **Voting Exclusion Statement**

In accordance with section 224 of the Corporations Act and Listing Rules 7.3, 10.15 and 14.11, the Company will disregard any votes cast on this Resolution by a Director (except a Director who is ineligible to participate in any employee incentive scheme in relation to the Company) or by an Associate of the Director. However, the Company need not disregard a vote if it is cast by a person as a

proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

The Directors, other than Graeme Rowley and Russell Scrimshaw are ineligible to participate in any employee incentive schemes in relation to the Company. Accordingly, Graeme Rowley and Russell Scrimshaw, and their Associates, may not vote on Resolution 2.

### 3. RESOLUTIONS 3.1 AND 3.2 – RATIFICATION OF ISSUE OF SECURITIES

#### 3.1 Background

##### **Resolution 3.1**

On 4 February 2009, the Company announced that it had entered into an agreement with Bocimar to restructure the shipping arrangements between the Company and Bocimar. Under that agreement, the Company agreed to allot to Bocimar US\$22 million worth of Shares at the closing price of Shares on ASX on 31 December 2008 as part consideration for Bocimar agreeing to terminate the two shipping contracts between Bocimar and the Company entered into in February 2008 and Bocimar agreeing to discontinue its arbitration action against the Company.

On 4 March 2009, the Company announced that it had completed the allotment and issue of 16,453,469 Shares to Bocimar in accordance with the terms of that agreement.

##### **Resolution 3.2**

On 25 February 2009, the Company announced that it had entered into an agreement to allot and issue 225,000,000 Shares to Valin (and/or its nominee) at an issue price of \$2.48 per Share (**Subscription Agreement**). On 9 March 2009, the Company announced that it had agreed to allot and issue an additional 35,000,000 Shares to Valin (and/or its nominee) at an issue price of \$2.48 per Share and otherwise on the terms and conditions of the Subscription Agreement.

The issue of the 260,000,000 Shares raised a total of \$644.8 million of new capital for the Company. The placement provides the Company with a cornerstone Chinese equity partner which will enhance the Company's network within China's commercial sector. The funds raised by the issue of the Shares will provide extra strength to the Company's balance sheet.

Under the terms of the Subscription Agreement, the allotment and issue of the 260,000,000 Shares was conditional upon receiving:

- (a) approval from the Foreign Investment Review Board;
- (b) the necessary Chinese regulatory approvals; and

- (c) "in principle" approval from ASX that it will grant official quotation to the Shares.

On 31 March 2009, the Foreign Investment Review Board approved the allotment and issue of the 260,000,000 Shares to Valin (and/or its nominee) subject to the following undertakings:

- (a) any person nominated by Valin to the Board will comply with the Directors' Code of Conduct maintained by the Company;
- (b) any person nominated by Valin to the Board will submit a standing notice under the Corporations Act of their potential conflict of interest relating to the Company's marketing, sales, customer profiles, price setting and cost structures for pricing and shipping; and
- (c) Valin and any person nominated by it to the Board will comply with the information segregation arrangements agreed between the Company and Valin.

In addition to the allotment and issue of the 260,000,000 Shares, the Subscription Agreement between Valin and the Company provides for:

- (a) a standstill agreement which restricts Valin from having a relevant interest in more than 17.55% of the Shares on issue;
- (b) the Chairman of Valin to be offered a seat on the Board upon Valin acquiring a shareholding in the Company of 10% or more within 6 months of the date of the Subscription Agreement; and
- (c) a right for Valin to participate in any new issue of securities by the Company (subject to certain limited exceptions) during the year following the date of the Subscription Agreement to the extent required to maintain its percentage holding in the issued capital of the Company provided that holding is at least 10% at the time of the new issue.

The Company has established appropriate corporate governance protocols in relation to Valin's Board representation, which include that Valin will not have representation on any of the Board sub committees and will not be privy to information, or participate in discussions, that involve areas where Valin has a conflict of interest in regards to marketing arrangements, pricing strategies or such related topics.

In addition to the Subscription Agreement, on 25 February 2009, the Company announced that:

- (a) the Company has also signed a co-operation agreement with Valin which, among other things, secures additional offtake for Valin and its subsidiary, Hunan Valin Xiangtan Iron and Steel Co, with pricing to be referenced against the benchmark pricing regime consistent with the Company's other existing offtake agreements; and

- (b) Valin has also entered into share purchase agreements to acquire an additional 275,000,000 Shares from an existing Fortescue shareholder with the purchase also being conditional on obtaining approval from the Foreign Investment Review Board and the necessary Chinese regulatory approvals.

On 29 April 2009, the Company announced that it had completed the allotment and issue of 260,000,000 Shares (representing a shareholding of 8.4% of the Company's Shares on issue post placement) to the Valin Nominees in accordance with the terms of the Subscription Agreement.

Accordingly, Valin has a relevant interest in 535,000,000 Shares representing a shareholding of 17.4% of the Company's Shares on issue (based on the number of Shares on issue at the ASIC Lodgement Date).

### 3.2 **Listing Rule 7.4**

Listing Rule 7.4 permits a company to subsequently approve an issue of securities made without approval under Listing Rule 7.1. Resolutions 3.1 and 3.2 have been included in the Notice to preserve the Company's ability to issue further securities (if necessary) under Listing Rule 7.1.

The outcome of each of Resolutions 3.1 and 3.2 respectively will have no effect on:

- (a) in respect of Resolution 3.1, the issue of the 16,453,469 Shares on 4 March 2009;
- (b) in respect of Resolution 3.2, the issue of 260,000,000 Shares on 29 April 2009,

as the relevant securities have already been issued and the number of securities issued was within the annual 15% limit prescribed by Listing Rule 7.1. However, if Resolutions 3.1 and 3.2 are not approved by Shareholders, it will restrict the ability of the Company to issue securities without Shareholder approval until the Company's 15% capacity is replenished, in accordance with Listing Rule 7.1.

Listing Rule 7.1 provides, in summary, that, subject to certain exceptions, a listed company may not issue equity securities in any 12 month period which exceed 15% of the number of securities of the company on issue at the beginning of the 12 month period, except with the prior approval of the shareholders of the company in general meeting of the precise terms and conditions of the proposed issue.

Listing Rule 7.4 states that an issue of securities made without approval under Listing Rule 7.1 is treated as having been made with approval for the purpose of Listing Rule 7.1 if the issue did not breach Listing Rule 7.1 and the shareholders of the company subsequently approve it.

### 3.3 **Details of the issue**

Listing Rule 7.5 sets out a number of matters which must be included in a notice of meeting requesting shareholder approval under Listing Rule 7.4.

In accordance with Listing Rule 7.5, the following information is provided to Shareholders in relation to Resolutions 3.1 and 3.2:

- (a) in respect of Resolution 3.1 relating to the 16,453,469 Shares issued to Bocimar on 4 March 2009:
  - (i) the Shares were deemed to have been issued at \$1.93 (US\$1.33) per Share;
  - (ii) the Shares were allotted and issued to Bocimar for the reasons set out in section 3.1 of this Explanatory Statement;
  - (iii) the Shares are listed on ASX and rank equally in all respects with, and are on the same terms as, all other Shares on issue;
  - (iv) no funds were raised by the allotment and issue of the Shares to Bocimar. Details of the consideration received by the Company for the allotment and issue of the Shares are set out in section 3.1 of this Explanatory Statement; and
  - (v) a voting exclusion statement in respect of Resolution 3.1 is in both the Notice and section 3.5 of the Explanatory Statement; and
- (b) in respect of Resolution 3.2 relating to the 260,000,000 Shares issued to the Valin Nominees on 29 April 2009:
  - (i) the Shares were issued at \$2.48 per Share, raising a total of \$644.8 million;
  - (ii) the Shares were issued and allotted to the Valin Nominees for the reasons set out in section 3.1 of this Explanatory Statement;
  - (iii) the Shares are listed on ASX and rank equally in all respects with, and are on the same terms as, all other Shares on issue;
  - (iv) the funds raised by the issue of the Shares will be utilised for capital purposes and more broadly for strengthening the Company's balance sheet; and
  - (v) a voting exclusion statement in respect of Resolution 3.2 is in both the Notice and section 3.5 of the Explanatory Statement.

#### 3.4 **Directors' Recommendation**

The Directors recommend that Shareholders vote in favour of Resolutions 3.1 and 3.2.

#### 3.5 **Voting Exclusion Statement**

##### **Resolution 3.1**

In accordance with Listing Rules 7.5 and 14.11, the Company will disregard any votes cast on Resolution 3.1 by Bocimar or by an Associate of Bocimar. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

Accordingly, Bocimar and its Associates may not vote on Resolution 3.1.

### **Resolution 3.2**

In accordance with Listing Rules 7.5 and 14.11, the Company will disregard any vote cast on Resolution 3.2 by a Valin Nominee or by an Associate of a Valin Nominee. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

Accordingly, the Valin Nominees and their Associates may not vote on Resolution 3.2.

## **4. GENERAL NOTE TO SHAREHOLDERS**

Shareholders are encouraged to monitor and read announcements made by the Company to ASX. These announcements can also be accessed online at:

[http://www.fmgf.com.au/IRM/content/invest\\_asx.htm](http://www.fmgf.com.au/IRM/content/invest_asx.htm)

## **5. RESPONSIBILITY FOR INFORMATION**

BDO Kendalls Corporate Finance (WA) Pty Ltd has prepared the valuation of the Incentive Options in relation to Resolution 2 and takes responsibility for that information and has consented to the inclusion of that information in this Explanatory Statement. BDO Kendalls Corporate Finance (WA) Pty Ltd is not responsible for any other information contained within this Explanatory Statement.

## 6. Glossary of Terms

Unless the context indicates a contrary intention, the following terms and abbreviations used in the Notice and this Explanatory Statement have the following meanings:

<b>ASIC Lodgement Date</b>	has the meaning given to it in section 2.3(c) of this Explanatory Statement.
<b>Associate</b>	means an "associate" as defined in section 9 of the Corporations Act, except that a reference to "Associate" in relation to a Listing Rule has the meaning given to it in Listing Rule 14.11.
<b>ASX</b>	means ASX Limited ABN 98 008 624 691.
<b>Board</b>	means the Board of Directors from time to time.
<b>Bocimar</b>	means Bocimar International NV.
<b>Company</b>	means Fortescue Metals Group Ltd ABN 57 002 594 872.
<b>Computershare</b>	means Computershare Investor Services Pty Limited ABN 48 078 279 277.
<b>Constitution</b>	means the constitution of the Company as amended from time to time.
<b>Corporations Act</b>	means the Corporations Act 2001 (Cth).
<b>Directors</b>	means the directors of the Company from time to time and <b>Director</b> means any one of them.
<b>Explanatory Statement</b>	means this explanatory statement.
<b>Incentive Option</b>	means an Option offered or granted in accordance with the Incentive Option Scheme.
<b>Incentive Option Scheme</b>	means the Fortescue Metals Group Ltd Incentive Option Scheme, as amended from time to time.
<b>Listing Rules</b>	means the Listing Rules of ASX and any other rules of ASX which are applicable while the Company is admitted to the official list of ASX, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX.
<b>Meeting or General Meeting</b>	means the general meeting of Shareholders of the Company or any adjournment thereof, convened by the Notice.

<b>Notice or Notice of General Meeting</b>	means the notice of general meeting which accompanies this Explanatory Statement.
<b>Option</b>	means an option to acquire a Share, subject to its terms and conditions.
<b>Related Party</b>	means a "related party" as defined in section 9 of the Corporations Act.
<b>Resolution</b>	means a resolution in the Notice.
<b>Share</b>	means a fully paid ordinary share in the capital of the Company.
<b>Shareholder</b>	means a holder of Shares.
<b>US\$</b>	means United States of America dollars.
<b>Valin</b>	means Hunan Valin Iron and Steel Group Company Ltd.
<b>Valin Nominees</b>	means Valin Investments (Singapore) Pte. Ltd, Valin Resources Investments (Singapore) Pte Ltd and Valin Mining Investments (Singapore) Pte Ltd.

## ANNEXURE A - SUMMARY OF AMENDED TERMS AND CONDITIONS OF INCENTIVE OPTION SCHEME

Set out below is a summary of the amended terms and conditions of the Incentive Option Scheme.

**Eligible participants** - Persons eligible to participate in the Incentive Option Scheme are full or part time employees, including executive directors, of the Company or an associated company, or such other persons as the Board, in its discretion, determines.

**Board** - The Board, or persons appointed by the Board, are responsible for the administration of the Incentive Option Scheme. Subject to the rules of the Incentive Option Scheme, the Board may make regulations and establish procedures for the administration of the Incentive Option Scheme.

**Offers of Incentive Options** - The Board may, in their absolute discretion, offer Incentive Options to eligible participants from time to time and impose conditions, including performance-related conditions, on the exercise of those Incentive Options. Eligible participants may renounce an offer in favour of a nominated associate, however, the Board has the discretion to not allow that renunciation without giving any reason.

**Incentive Options** - Each Incentive Option will be granted for nil consideration and will entitle the holder to subscribe for one Share. Incentive Options will not be quoted on ASX. Incentive Options may not be transferred or encumbered without the prior approval of the Board.

**Exercise price** - The exercise price for Incentive Options will be determined by the Board but must be no less than the greater of the volume weighted average share price of Shares traded on ASX for the 5 trading days immediately preceding the date on which the Incentive Options are granted and 20 cents.

**Expiry date** - The expiry date for Incentive Options will be 5 years after the date of the grant of the Incentive Options or as determined by the Board.

**Lapsing of Incentive Options** - Unless otherwise determined by the Board, an Incentive Option will lapse if it is not exercised prior to 5.00 pm on its expiry date or earlier if any conditions which must be satisfied before the Incentive Option can be exercised (**Exercise Conditions**) are unable to be met.

Unless otherwise determined by the Board, an Incentive Option will also lapse earlier if the participant ceases to be an employee or director of the Company or an associated company (for any reason) and any Exercise Condition has not been met or, if all Exercise Conditions have been met, a period of 15 days has passed since the date of cessation. However, if the participant dies, becomes permanently disabled, retires from the workforce or is made redundant, and all Exercise Conditions have been met, an Incentive Option will not lapse on the date of cessation and may be exercised at any time up to 6 months following that date (or until the expiry date if that occurs earlier).

**Exercising Incentive Options** - Once all Exercise Conditions have been satisfied and Incentive Options are otherwise capable of being exercised, Incentive Options may be exercised at any time prior to their expiry by notice to the Company in the prescribed form.

**Vesting Conditions** - Incentive Options granted to a participant will vest and become exercisable in stages with 25% of the Incentive Options vesting at each of the first four anniversaries of the date the Incentive Options were granted.

**Adjustments** - Subject to the Listing Rules and the rules of the Incentive Option Scheme, the Board may adjust the terms of exercise of Incentive Options.

**New issues** - Holders of Incentive Options will not be entitled to participate in new issues of capital offered to Shareholders. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 business days after the issue is announced giving holders of Incentive Options the opportunity to exercise their Incentive Options prior to the record date.

**Rights issues** - If the Company makes a pro rata issue of securities (except a bonus issue) to Shareholders (other than in connection with the payment or reinvestment of dividends), the exercise price of Incentive Options will be reduced according to the formula specified in the Listing Rules.

**Bonus issues** - In the event of a bonus issue of Shares being made pro rata to Shareholders (other than an issue in lieu of dividends), the number of Shares issued on exercise of each Incentive Option will include the number of bonus Shares that would have been issued if the Incentive Option had been exercised prior to the record date for the bonus issue. No change will be made to the exercise price.

**Reorganisation** - Incentive Options will be reorganised as required by the Listing Rules on the reorganisation of the capital of the Company.

**Trigger Events** - If a notice of meeting is despatched to consider a scheme of arrangement in respect of the Company, a takeover bid for the Company is announced or the Company receives a bidder's statement for such a bid, or any person, either alone or together with any group of associates, acquires a relevant interest in more than 50% of the issued Shares, the Board may, notwithstanding the rules of the Incentive Option Scheme, determine a specific period during which Incentive Options may be exercised so as to permit holders to participate in any change of control arising. The Incentive Options will lapse to the extent they are not exercised within that specific period.

Alternatively, if such an event occurs, the Board may use their reasonable endeavours to procure that an offer is made to holders of Incentive Options on like terms. If the offer is not accepted within the period for acceptance, the Incentive Options will become immediately exercisable for a period of 10 days and then lapse if they are not exercised.

**Amendments to rules** - The Board may, subject to the Listing Rules, amend the rules of the Incentive Options Scheme without being required to obtain shareholder approval, but will require the approval of the holders of Incentive Options if the amendment reduces the rights attaching to those Incentive Options unless the amendment is introduced to comply with legislation governing or regulating the operation of the Scheme or like schemes, to correct any manifest error or mistake or to enable the Company or an associated company to comply with applicable laws, or the requirements of a regulatory body.

## **ANNEXURE B – SUMMARY OF PREVIOUS TERMS AND CONDITIONS OF INCENTIVE OPTION SCHEME**

Set out below is a summary of the previous terms and conditions of the Incentive Option Scheme.

**Eligible participants** - Persons eligible to participate in the Incentive Option Scheme are full or part time employees, directors and consultants of the Company or an associated company.

**Board** - The Board, or persons appointed by the Board, are responsible for the administration of the Incentive Option Scheme. Subject to the rules of the Incentive Option Scheme, the Board may make regulations and establish procedures for the administration of the Incentive Option Scheme.

**Offers of Incentive Options** - The Board may, in their absolute discretion, offer Incentive Options to eligible participants from time to time and impose conditions, including performance-related conditions, on the exercise of those Incentive Options. Eligible participants may renounce an offer in favour of a nominated associate, however, the Board has the discretion to not allow that renunciation without giving any reason.

**Incentive Options** - Each Incentive Option will be granted for nil consideration and will entitle the holder to subscribe for one Share. Incentive Options will not be quoted on ASX.

**Exercise price** - The exercise price for Incentive Options will be determined by the Board but must be no less than the greater of the average sale price for Shares on ASX for the 5 trading days immediately preceding the date on which the Incentive Options are granted and 20 cents.

**Expiry date** - The expiry date for Incentive Options will be 5 years after the date of the grant of the Incentive Options or as determined by the Board.

**Lapsing of Incentive Options** - Subject to the terms of the Incentive Options, an Incentive Option will lapse if it is not exercised prior to 5.00 pm on its expiry date or earlier if any conditions which must be satisfied before the Incentive Option can be exercised (**Exercise Conditions**) are unable to be met.

An Incentive Option will also lapse earlier if the participant ceases to be an employee or director of, or render services to, the Company or an associated company (for any reason) and any Exercise Condition has not been met or, if all Exercise Conditions have been met, a period of 15 days has passed since the date of cessation.

However, if the participant dies, becomes permanently disabled, retires from the workforce or is made redundant, and all Exercise Conditions have been met, or where the Exercise Conditions have not been met the Board has determined in its discretion that the Incentive Options do not lapse, the Incentive Options will not lapse on the date of cessation and may be exercised at any time up to 6 months following that date (or until the expiry date if that occurs earlier).

The Board also has a general discretion to allow participants who cease to be an employee or director of, or render services to, the Company or an associated company before their Incentive Options are capable of exercise a period of time following that cessation to exercise those Incentive Options.

**Exercising Incentive Options** - Once all Exercise Conditions have been satisfied and Incentive Options are otherwise capable of being exercised, Incentive Options may be exercised at any time prior to their expiry by notice to the Company in the prescribed form.

**Vesting Conditions** - Incentive Options granted to a participant will vest and become exercisable in stages with 25% of the Incentive Options vesting at each of the first four anniversaries of the date the Incentive Options were granted.

**Adjustments** - Subject to the Listing Rules and the rules of the Incentive Option Scheme, the Board may adjust the terms of exercise of Incentive Options.

**New issues** - Holders of Incentive Options will not be entitled to participate in new issues of capital offered to Shareholders. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 business days after the issue is announced giving holders of Incentive Options the opportunity to exercise their Incentive Options prior to the record date.

**Rights issues** - If the Company makes a pro rata issue of securities (except a bonus issue) to Shareholders (other than in connection with the payment or reinvestment of dividends), the exercise price of Incentive Options will be reduced according to the formula specified in the Listing Rules.

**Bonus issues** - In the event of a bonus issue of Shares being made pro rata to Shareholders (other than an issue in lieu of dividends), the number of Shares issued on exercise of each Incentive Option will include the number of bonus Shares that would have been issued if the Incentive Option had been exercised prior to the record date for the bonus issue. No change will be made to the exercise price.

**Reorganisation** - Incentive Options will be reorganised as required by the Listing Rules on the reorganisation of the capital of the Company.

**Trigger Events** - If a notice of meeting is despatched to consider a scheme of arrangement in respect of the Company, a takeover bid for the Company is announced or the Company receives a bidder's statement for such a bid, or a person or group of associated persons gain the ability to replace all or allow a majority of the Board, the Board may, notwithstanding the rules of the Incentive Option Scheme, determine a specific period during which Incentive Options may be exercised so as to permit holders to participate in any change of control arising. The Incentive Options will lapse to the extent they are not exercised within that specific period.

Alternatively, if such an event occurs, the Board may use their reasonable endeavours to procure that an offer is made to holders of Incentive Options on like terms. If the offer is not accepted within the period for acceptance, the Incentive Options will become immediately exercisable for a period of 10 days and then lapse if they are not exercised.

**Amendments to rules** - The Board may, subject to the Listing Rules, amend the rules of the Incentive Options Scheme without being required to obtain shareholder approval, but will require the approval of the holders of Incentive Options if the amendment reduces the rights attaching to those Incentive Options.



# Fortescue Metals Group Ltd

ABN 57 002 594 872

000001 000 FMG  
MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

## Lodge your vote:



### By Mail:

Computershare Investor Services Pty Limited  
GPO Box 242 Melbourne  
Victoria 3001 Australia

Alternatively you can fax your form to  
(within Australia) 1800 783 447  
(outside Australia) +61 3 9473 2555

### For all enquiries call:

(within Australia) 1300 850 505  
(outside Australia) +61 3 9415 4000

## Proxy Form

For your vote to be effective it must be received by 10.00am (Perth time) Sunday 21 June 2009

### How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

#### Appointment of Proxy

**Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

**Appointing a second proxy:** You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

**A proxy need not be a securityholder of the Company.**

### Signing Instructions

**Individual:** Where the holding is in one name, the securityholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the securityholders should sign.

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held.

### Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at [www.computershare.com](http://www.computershare.com).

**Comments & Questions:** If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**Turn over to complete the form** →



View your securityholder information, 24 hours a day, 7 days a week:

**[www.investorcentre.com](http://www.investorcentre.com)**

- Review your securityholding
- Update your securityholding

#### Your secure access information is:

SRN/HIN: I999999999



**PLEASE NOTE:** For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE  
 FLAT 123  
 123 SAMPLE STREET  
 THE SAMPLE HILL  
 SAMPLE ESTATE  
 SAMPLEVILLE VIC 3030

**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

## Proxy Form

Please mark  to indicate your directions

### STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Fortescue Metals Group Ltd hereby appoint

the Chairman of the Meeting **OR**



**PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the General Meeting of Fortescue Metals Group Ltd to be held in the Terrace Ballroom, at the Hyatt Regency Perth, 99 Adelaide Terrace, East Perth, Western Australia on Tuesday, 23 June 2009 at 10.00am (Perth time) and at any adjournment of that meeting.

**Important for Items 1 to 3.2:** If the Chairman of the Meeting is your proxy and you have not directed him/her how to vote on Items 1 to 3.2 below, please mark the box in this section. If you do not mark this box and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on Items 1 to 3.2 and your votes will not be counted in computing the required majority if a poll is called on these Items. The Chairman of the Meeting intends to vote undirected proxies in favour of Items 1 to 3.2 of business.

I/We acknowledge that the Chairman of the Meeting may exercise my proxy even if he/she has an interest in the outcome of the Items and that votes cast by him/her, other than as proxy holder, would be disregarded because of that interest.

### STEP 2 Items of Business



**PLEASE NOTE:** If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Item 1	Approval of Incentive Option Scheme	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 2	Approval of Grant of Incentive Options to Director, Mr Russell Scrimshaw	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 3.1	Approve and Ratify the Allotment and Issue of 16,453,469 Shares to Bocimar International NV	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 3.2	Approve and Ratify the Allotment and Issue of 260,000,000 Shares to the Valin Nominees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

### SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name \_\_\_\_\_

Contact Daytime Telephone \_\_\_\_\_

Date \_\_\_\_/\_\_\_\_/\_\_\_\_