



Fortescue Metals Group Ltd
ABN 57 002 594 872

**NOTICE OF ANNUAL GENERAL MEETING
EXPLANATORY STATEMENT**

Please read the Notice and Explanatory Statement carefully

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual 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 Thursday, 19 November 2009 at 3.00 pm (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 5.00 pm (Perth time) on Tuesday, 17 November 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.

The proxy form that accompanies this Notice, must be completed and received at the office of Computershare as detailed below or can be sent to Computershare by facsimile on 1800 783 447 (from Australia) or +61 3 9473 2555 (from overseas). Alternatively the proxy form can be lodged online for shareholder online voting via www.investorvote.com.au and custodian voting via Intermediary Online www.intermediaryonline.com.

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

The proxy form must be received by no later than 3.00 pm (Perth time) on Tuesday, 17 November 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.

FINANCIAL REPORTS

To receive and consider the financial report and the reports of the Directors and the auditors of the Company and its controlled entities for the year ended 30 June 2009.

RESOLUTION 1 - ADOPTION OF REMUNERATION REPORT

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

"That the Remuneration Report for the Company and its controlled entities for the year ended 30 June 2009 be approved and adopted."

RESOLUTION 2 - ELECTION OF MR IAN CUMMING

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

"That Mr Ian Cumming, having been appointed as an additional Director of the Company since the last meeting of Shareholders, resigns from the office of Director in accordance with Rule 17.3(9) of the Company's Constitution and, being eligible for election, be elected as a Director of the Company."

RESOLUTION 3 - ELECTION OF MR LI XIAOWEI

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

"That Mr Li Xiaowei, having been appointed as an additional Director of the Company since the last meeting of Shareholders, resigns from the office of Director in accordance with Rule 17.3(9) of the Company's Constitution and, being eligible for election, be elected as a Director of the Company."

RESOLUTION 4 - RE-ELECTION OF MR HERB ELLIOTT

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

"That Mr Herb Elliott, being a Director of the Company who retires by rotation pursuant to Rule 17.3(3) of the Company's Constitution, and being eligible, is re-elected as a Director of the Company."

RESOLUTION 5 - RE-ELECTION OF MR KEN AMBRECHT

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

"That, Mr Ken Ambrecht, being a Director of the Company who retires by rotation pursuant to Rule 17.3(3) of the Company's Constitution, and being eligible, is re-elected as a Director of the Company."

RESOLUTION 6 – ISSUE OF SHARES TO MR ANDREW FORREST

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 10.14 and for all other purposes, Shareholders approve the grant of 1,915 Bonus Shares to Mr Andrew Forrest in accordance with the Bonus Share Plan and otherwise on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: In accordance with Listing Rule 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 7 – APPROVAL OF THE PERFORMANCE SHARE PLAN

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 Performance Rights and issue Shares pursuant to those Performance Rights from time to time upon the terms and conditions specified in the rules of the Performance Share Plan (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 8 – APPROVAL OF GRANT OF PERFORMANCE RIGHTS TO EXECUTIVE DIRECTORS

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

- 8.1 *“That, for the purposes of Chapter 2E of the Corporations Act, Listing Rule 10.14 and for all other purposes, Shareholders approve the grant of 23,475 Performance Rights to Mr Andrew Forrest in accordance with the Performance Share Plan and otherwise on the terms and conditions set out in the Explanatory Statement.”*
- 8.2 *“That, for the purposes of Chapter 2E of the Corporations Act, Listing Rule 10.14 and for all other purposes, Shareholders approve the grant of 113,105 Performance Rights to Mr Graeme Rowley in accordance with the Performance Share Plan and otherwise on the terms and conditions set out in the Explanatory Statement.”*
- 8.3 *“That, for the purposes of Chapter 2E of the Corporations Act, Listing Rule 10.14 and for all other purposes, Shareholders approve the grant of 113,105 Performance Rights to Mr Russell Scrimshaw in accordance with the Performance Share Plan and otherwise on the terms and conditions set out in the Explanatory Statement.”*

Voting Exclusion: In accordance with section 224 of the Corporations Act, 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 9 - APPROVAL TO INCREASE NON-EXECUTIVE DIRECTORS' REMUNERATION

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

“That, pursuant to Rule 17.5(1) of the Constitution and for the purposes of Listing Rule 10.17 and for all other purposes, the maximum aggregate remuneration payable by the Company to the Non-Executive Directors (as a whole) be increased by \$250,000, from \$750,000 per annum to \$1,000,000 per annum with effect from 1 July 2009, divided amongst the Non-Executive Directors in such proportion and manner as the Directors determine or, until so determined, equally.”

Voting Exclusion: In accordance with Listing Rules 10.17 and 14.11, the Company will disregard any votes cast on this Resolution by a Director 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.

**Dated this 2 October 2009
By Order of the Board.**

A handwritten signature in black ink, appearing to read 'Rod Campbell', written in a cursive style.

**Rod Campbell
Company Secretary**

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of Shareholders of Fortescue Metals Group Ltd (**Company**) in connection with the business to be conducted at the Annual General Meeting of Shareholders to be held in the Terrace Ballroom, at the Hyatt Regency Perth, 99 Adelaide Terrace, East Perth, Western Australia on Thursday, 19 November 2009 at 3.00 pm (Perth time).

This Explanatory Statement should be read in conjunction with the accompanying Notice of Annual 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. FINANCIAL REPORTS

The first item of the Notice deals with the presentation of the consolidated financial report of the Company for the year ended 30 June 2009 together with the Directors' declaration and report in relation to that financial year and the auditor's report on those financial statements. Shareholders should consider these documents and raise any matters of interest with the Directors when this item is being considered.

Shareholders will be provided with a reasonable opportunity at the Annual General Meeting to ask questions about or make comments on the above reports. No resolution is required to be moved in respect of this item.

2. RESOLUTION 1 - ADOPTION OF REMUNERATION REPORT

The Annual Report of the Company for the year ended 30 June 2009 contains a Remuneration Report which sets out the remuneration policy for the Company and reports the remuneration arrangements in place for the Directors and specified executives of the Company. A copy of the report can also be found on the Company's website www.fmgl.com.au.

In accordance with the Corporations Act, Shareholders are asked to consider and vote on the Remuneration Report as presented in the Annual Report for the year ended 30 June 2009. The vote on Resolution 1 is advisory only and will not require the Company to alter the arrangements detailed in the Remuneration Report, should Resolution 1 not be passed. Notwithstanding the legislative effect of this requirement, the Board will take the outcome of the vote into consideration when considering the remuneration policy.

3. RESOLUTIONS 2 AND 3 - ELECTION OF DIRECTORS

In accordance with Rule 17.3(9) of the Company's Constitution, Mr Ian Cumming and Mr Li Xiaowei, having been appointed by the Board as Directors of the Company since the last General Meeting, will retire and offer themselves for election by Shareholders.

Resolution 2: Election of Mr Ian Cumming

Mr Cumming joined the Board as a Non-Executive Director in August 2009. He is also a member of the Remuneration and Nominations Committee.

Since June 1978, Mr Cumming has served as a director and Chairman of the Board of Leucadia National Corporation (NYSE-LUK), a New York-based diversified company with extensive interests. Mr Cumming also serves as Chairman of the Board of The FINOVA Group Inc and is also a director of SkyWest, Inc, HomeFed Corporation, AmeriCredit Corp and Jefferies Group, Inc. Mr Cumming is committed to community service as evidenced by his leadership roles in local and national organisations. His involvement has included membership on the National Board of Governors of The Nature Conservancy, Utah State Board of Regents, Board of Directors of Ballet West, Board of Dean's Advisors for the Harvard Business School and the United Nations Global Summit for Sustainable Development of Small Island Developing States.

Mr. Cumming received his B.A. degree in Zoology from the University of Kansas in 1962 and his MBA from Harvard Business School in 1970.

Directors' Recommendation

Mr Cumming has an interest in Resolution 2 and refrains from making any recommendation as to how Shareholders should vote on the Resolution. The Company's remaining Directors recommend that Shareholders vote in favour of Resolution 2.

Resolution 3: Election of Mr Li Xiaowei

Li Xiaowei joined the Board as a Non-Executive Director on 12 June 2009 following the Company's Subscription Agreement with Hunan Valin Iron and Steel Group Co Ltd of 25 February 2009. Chairman of Hunan Valin since 1999, Mr Li is also vice president of China Iron & Steel Association. A graduate of Zhongnan University of Economics and Law, specializing in Business Enterprise Management, Mr Li also holds an M.A. from the Graduate School of the Chinese Academy of Social Sciences. He has previously served as vice chairman of Lianyuan Iron and Steel Co Ltd, deputy general manager of Hunan Provincial Metallurgy Enterprises Group and general manager of Valin Iron & Steel Group.

Directors' Recommendation

Mr Li has an interest in Resolution 3 and refrains from making any recommendation as to how Shareholders should vote on the Resolution. The Company's remaining Directors recommend that Shareholders vote in favour of Resolution 3.

4. RESOLUTIONS 4 AND 5 - RE-ELECTION OF DIRECTORS

In accordance with the Director rotation provisions in Rule 17.3(3) of the Constitution, Mr Herb Elliott and Mr Ken Ambrecht retire by rotation at the Meeting. Mr Elliott and Mr Ambrecht, being eligible for re-election pursuant to Rule 17.3(6) of the Constitution, offer themselves for re-election as a Director.

Resolution 4 - Re-Election of Mr Herb Elliott

Mr Elliott was appointed as Chairman of the Company in March 2007, having previously held the position of Deputy Chairman from May 2005. Until he was appointed Chairman of the Company, he was Chairman of the Audit and Risk Management Committee and is now just a member of the Committee. Mr Elliott is Chairman of the Remuneration Committee. He is also the Chairman of Telstra Foundation Limited and has been a Director of Pacific Dunlop and Ansell Limited. Mr Elliott is also Chair of a private corporate health company called Global Corporate Challenge which this year has 23,000 participants.

Previous executive roles include President of PUMA North America. Mr Elliott is the former inaugural Chairman of National Australia Day Committee and was a Commissioner to the Australian Broadcasting Commission.

Mr Elliott also has a distinguished athletics career having won a gold medal at the 1960 Olympic Games in world record time and also being a dual gold medalist at the 1958 Commonwealth Games.

Directors' Recommendation

Mr Elliott has an interest in Resolution 4 and refrains from making any recommendation as to how Shareholders should vote on the Resolution. The Company's remaining Directors recommend that Shareholders vote in favour of Resolution 4.

Resolution 5: Re-Election of Mr Ken Ambrecht

Mr Ambrecht is a Non-Executive Director of the Company and is a member of the Audit and Risk Management Committee and a member of the Remuneration Committee.

Mr Ambrecht is a Managing Director of First Albany Capital Inc., an investment bank founded in 1953 with its headquarters in New York. He has been a Non-Executive Director of American Financial Capital Inc since April 2005 and Great American Financial Resources Inc since July 2004.

Mr Ambrecht was previously a Managing Director of the high yield division of the Royal Bank of Canada following 25 year career in the capital markets division of Lehman Brothers.

Directors' Recommendation

Mr Ambrecht has an interest in Resolution 5 and refrains from making any recommendation as to how Shareholders should vote on the Resolution. The Company's remaining Directors recommend that Shareholders vote in favour of Resolution 5.

5. RESOLUTION 6 - ISSUE OF SHARES TO MR ANDREW FORREST WHO IS AN EXECUTIVE DIRECTOR OF THE COMPANY.

5.1 Background

Resolution 6 seeks Shareholder approval for the grant of 1,915 Bonus Shares by the Company to Mr Forrest.

At the end of the 2009 Financial Year, the Company made an incentive payment to all employees who had been with the company for at least 12 months. There were two options under the program with the first being a cash payment set at 10% of the individual's base salary. The second option was designed to encourage share ownership, and allowed the employee to elect to receive the incentive payment in Bonus Shares. The encouragement for eligible employees to apply for Bonus Shares was that the payment was set at 15% of base salary but noting the shares would be escrowed for 12 months.

The Bonus Shares were issued to eligible employees under the Bonus Share Plan - a copy of the Bonus Share Plan is available through the Company's website www.fmg.com.au under Investors Centre - Corporate Governance - Remuneration Policy.

In accordance with the Bonus Share Plan the issue price of the shares was calculated as the 5 day VWAP price just prior to allotment date which had been pre-determined as 14 August 2009. The process for determining the number of Bonus Shares to be issued was to take the net incentive payment due at 15% of the individual's base salary (less tax and less superannuation payments) and then apply the VWAP share price to calculate the number of shares due. Once determined, these Bonus Shares were then issued by the Company to the employee.

Mr Forrest elected to accept the Bonus Shares on the same terms as offered to all the Company's other employees.

5.2 Listing Rule 10.14

Listing Rule 10.14 provides, in essence, that the approval of shareholders is required before a director can acquire securities under an employee incentive scheme.

Accordingly, in order for Andrew Forrest to acquire a beneficial interest in the Bonus Shares, the Company must obtain Shareholder approval pursuant to Listing Rule 10.14.

5.3 Details of the proposed issue

Listing Rule 10.15 sets out a number of matters which must be included in a notice of meeting requesting shareholder approval under Listing Rule 10.14.

In accordance with Listing Rule 10.15, the following information is provided to Shareholders in relation to Resolution 6:

- (a) the maximum number of securities that may be granted by the Company to Andrew Forrest for whom approval is required is 1,915 Bonus Shares;
- (b) the Bonus Shares are issued for no consideration and therefore no funds will be raised by the issue of the Bonus Shares to Andrew Forrest;
- (c) in accordance with the Bonus Share Plan, the issue price of each Bonus Share was \$4.31, which was calculated as the 5 day VWAP just prior to allotment date which had been pre-determined as 14 August 2009;
- (d) no Director or Associate of a Director has previously received Bonus Shares under the Bonus Share Plan;
- (e) as at the date of the Notice, the names of persons referred to in Listing Rule 10.14 who are entitled to participate in the Bonus Share Plan are Andrew Forrest, Graeme Rowley and Russell Scrimshaw;
- (f) a voting exclusion statement in respect of Resolution 6 is in both the Notice and section 5.5 of this Explanatory Statement; and
- (g) if Resolution 6 is approved by Shareholders, the Bonus Shares will be issued by the Board within one month after the date of the Meeting, and it is anticipated that the allotment will be on one date.

5.4 Directors' Recommendation

Andrew Forrest does not wish to make a recommendation to Shareholders about the proposed Resolution 6 because he has an interest in the outcome of Resolution 6. The interest arises because Andrew Forrest is the proposed recipient of a financial benefit in the

form of 1,915 Bonus Options and he may be considered to have a material personal interest in the outcome of Resolution 6.

The Company's remaining Directors recommend that Shareholders approve Resolution 6 for the reasons given in section 5.1 of this Explanatory Statement.

The Company's remaining Directors do not have an interest in the outcome of Resolution 6, 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.

5.5 Voting Exclusion Statement

In accordance with Listing Rules 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 Andrew Forrest, Graeme Rowley and Russell Scrimshaw are ineligible to participate in any employee incentive schemes in relation to the Company. Accordingly, Andrew Forrest, Graeme Rowley and Russell Scrimshaw, and their Associates, may not vote on Resolution 6.

6. RESOLUTION 7 - APPROVAL OF PERFORMANCE SHARE PLAN

6.1 Background

The current "Fortescue Metals Group Ltd Performance Share Plan" (**Current PSP**) was approved by Shareholders at the Company's annual general meeting on 17 November 2006.

The Board has resolved to amend the terms of the Performance Share Plan to provide the Board with greater flexibility to administer the grant of Performance Rights. These amendments are not retrospective and will not affect any of the Shares already issued pursuant to the Performance Share Plan.

Resolution 7 seeks Shareholder approval of the amended Performance Share Plan (**Amended PSP**) for the purposes set out in this section 6. A summary of the terms of the Amended PSP is provided as an annexure to this Explanatory Statement.

The only material difference between the Current PSP and the Amended PSP is a change to the Performance Period which originally specified a period of no less than three years and no more than seven years under the Current PSP. The Amended PSP reduces the Performance Period to a period of no less than three months and no more than three years.

The reason for the change to the Performance Period is the Performance Share Plan will now be used as part of the annual incentive program so the Performance Period will generally only be for one year. Also an individual may be invited to participate in the Performance Share Plan during the year and as such the Performance Period needs to allow for this and does so through a minimum period of three months. A participant will only be entitled to one offer under the Performance Share Plan within a 12 month period so the shorter Performance Period does not allow for multiple offers within a single year. Also a person joining the Performance Share Plan during a year will only be entitled to a pro rata¹⁰

number of Performance Rights relative to the percentage of the year they participated under the Performance Share Plan.

Copies of the Current PSP and the Amended PSP are available through the Company's website www.fmg.com.au under Investors Centre - Corporate Governance - Remuneration Policy.

6.2 Remuneration Objectives and Implementation of the Performance Share Plan

The Company's philosophy on remuneration is that employees should be rewarded for performance and be constantly challenged and encouraged to meet and hopefully exceed targets including financial, safety and community relations objectives.

The Performance Share Plan is available to the Board to incentivise employees and provides the Board the ability to grant Performance Rights. The Performance Rights entitle holders to be issued Shares for nil consideration during the Performance Period, subject to satisfaction of the relevant Performance Condition.

The Company's current remuneration policy includes the payment of a base salary supplemented with the ability to provide both short and long term incentives to employees and consultants. The short term incentive scheme covers the ability to make incentive payments, generally annually, on both the Company and the individual achieving specific targets or milestones. Such a payment was made to employees for the 2009 year under the Bonus Share Plan, a copy of which is available through the Company's website as previously mentioned.

Under the 2010 remuneration plan for senior executives, known as the Executive & Senior Staff Incentive Plan (ESSIP), it is proposed that 50% of any incentive payment earned through out-performance, will be paid as Shares. Accordingly it is proposed that Performance Rights will be granted to those people eligible to be included in the ESSIP and at the conclusion of the 2010 financial year, they will vest into Shares upon the determination by the Board that the relevant Performance Conditions have been met.

Under the ESSIP, it is intended that each of the participants will have the opportunity to earn an additional percentage amount above their total fixed remuneration if the relevant Performance Conditions are met. The actual additional percentage amount will depend on the person's level of responsibility and position with the highest level participants having the ability to earn up to 150% above their base salary ranging down to the lowest level of 60%.

The number of Performance Rights to be granted to the individual executive will be determined relative to the 5 day VWAP at a pre-determined date intended to be at the start of the Performance Period under review. The calculation of the number of Performance Rights to be granted will be determined relative to the maximum value of the potential incentive payment to be paid as Shares, divided by the VWAP Share price. Once the total number of potential shares is determined through this calculation, the individual will be granted the requisite number of Performance Rights.

If at the conclusion of the Performance Period the Board determines that the relevant Performance Conditions have not been met then the rights will lapse. If it is determined that some but not all of the relevant Performance Conditions have been met, the participant may be awarded a part of the original incentive amount. The rights relating to the balance of the potential bonus percentage not earned will then lapse. If the bonus is earned in full on satisfaction of all the relevant Performance Conditions, then all the awarded Performance Rights will vest as Shares pursuant to the Performance Share Plan.

6.3 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.

6.4 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 three 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 Performance Rights (and issue Shares pursuant to those Performance Rights) under the Amended PSP from time to time during the three 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 7:

- (a) A summary of the amended terms and conditions of the Performance Share Plan is set out in Annexure A to this Explanatory Statement. As noted above, a copy of the full terms of the Performance Share Plan is available through the Company's website and can be sent free of charge to any Shareholder on request.
- (b) No Performance Rights have been granted under the Performance Share Plan to date.
- (c) A voting exclusion statement in respect of Resolution 7 is in both the Notice and section 6.6 of this Explanatory Statement.

6.5 Directors' Recommendation

The Directors recommend that Shareholders vote in favour of Resolution 7.

6.6 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 Directors, other than Andrew Forrest, Graeme Rowley and Russell Scrimshaw are ineligible to participate in any employee incentive schemes in relation to the Company. Accordingly, Andrew Forrest, Graeme Rowley and Russell Scrimshaw, and their Associates, may not vote on Resolution 7.

7. RESOLUTION 8 - GRANT OF PERFORMANCE RIGHTS TO EXECUTIVE DIRECTORS

7.1 Background

Resolution 8 seeks Shareholder approval for the grant of up to 249,685 Performance Rights by the Company to Andrew Forrest, Graeme Rowley or Russell Scrimshaw.

The ESSIP will be open to executive directors and as such Messrs Forrest, Rowley and Scrimshaw will be able to participate. Accordingly, in compliance with Chapter 2E of the Corporations Act and Listing Rule 10.14, the Company seeks Shareholder approval to grant Performance Rights, and subsequently to issue Shares pursuant to the Performance Share Plan, to the three Executive Directors, Andrew Forrest, Graeme Rowley and Russell Scrimshaw, in accordance with the terms and conditions of the Performance Share Plan. The Performance Rights which may be granted to the Executive Directors under the Performance Share Plan must not exceed the 5% Limitation.

The proposed grant of the Performance Rights to the Executive Directors is intended to:

- (a) provide an appropriate and adequate incentive for the Executive Directors to assist the Company to achieve prescribed performance milestones;
- (b) ensure that the Company may retain the services of the Executive Directors; and
- (c) reinforce the commitment of the Executive Directors to the Company.

The Executive Directors will only benefit from the grant of the Performance Rights under the Performance Share Plan if the relevant Performance Conditions are fulfilled and they are issued the Shares.

The Performance Rights which may be granted to the Executive Directors will reflect the level of commitment to be provided by each Executive Director to the Company in assisting the Company to achieve certain specified performance objectives, taking into account the responsibilities of each Executive Director and the time commitments required from each Executive Director. The Performance Rights to be granted to the Executive Directors also reflects the value the Board believes that each Executive Director brings to the enhancement of the Company and the relative importance of the performance objectives set by the Company.

The Performance Rights will be offered to the Executive Directors under the Performance Share Plan for no cash consideration.

7.2 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, each Executive Director is a Related Party of the Company and the proposed grant of the Performance Rights and issue of Shares pursuant to the

Performance Share Plan to the Executive Directors constitutes the giving of a financial benefit.

The proposed grant of Performance Rights and issue of Shares pursuant to the Performance Share Plan by the Company to the Executive Directors 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 Performance Rights and issue of Shares to the Executive Directors pursuant to the Performance Share Plan:

- (a) Each of the Executive Directors is a Related Party of the Company to whom the proposed Resolution 8 would permit the financial benefits to be given.
- (b) The nature of the financial benefit to be given to the Executive Directors is the grant of 23,475 Performance Rights to Andrew Forrest, 113,105 Performance Rights to Graeme Rowley and 113,105 Performance Rights to Russell Scrimshaw, and the issue of 249,685 Shares upon the vesting of those Performance Rights, for no cash consideration.
- (c) As at the ASIC Lodgement Date, the capital structure of the Company is as follows:

Capital	Number
Ordinary Shares	3,092,491,385
Options exercisable at \$0.267 on or before 31 December 2009	2,950,380
Options exercisable at \$0.569 on or before 25 January 2011	1,793,750
Options exercisable at \$0.703 on or before 1 June 2011	2,306,250
Options exercisable at \$2.50 on or before 1 February 2014	1,800,000
Preference Shares	1,400

If Shareholders approve all Resolutions contained in the Notice and all Shares are issued as contemplated by the Notice (including the issue of the 249,685 Shares upon vesting of the Performance Rights issued under Resolution 8 and the 1,915 Bonus Shares issued under Resolution 6), the issued capital of the Company will be as follows:

Capital	Number
Ordinary Shares	3,092,742,985
Options exercisable at \$0.267 on or before 31 December 2009	2,950,380
Options exercisable at \$0.569 on or before 25 January 2011	1,793,750
Options exercisable at \$0.703 on or before 1 June 2011	2,306,250
Options exercisable at \$2.50 on or before 1 February 2014	1,800,000
Preference Shares	1,400

- (d) If Shareholders approve the grant of the Performance Rights to the Executive Directors under Resolution 8 and the maximum number of 249,685 Shares are issued to the Executive Directors, the effect will be to dilute the shareholding of existing members by approximately 0.008% (based on the number of Shares on issue at the ASIC Lodgement Date and assuming that Resolutions 6 and 8 are approved by Shareholders, all of the Performance Rights the subject of

Resolution 8 subsequently vest, no existing options are exercised and not other securities are issued by the Company in the meantime).

- (e) If Resolution 8 is approved, the Executive Directors will be entitled to hold the following securities in the Company representing 32.26% of the issued capital of the Company on a fully diluted basis:

Executive Director	Shares held directly or indirectly ¹	Options held directly or indirectly	Performance Rights
Andrew Forrest	972,830,215 ²	Nil	23,475
Graeme Rowley	19,235,690	Nil	113,105
Russell Scrimshaw	8,000,000	600,000	113,105

Note 1: Subject to the Corporations Act, the Listing Rules and the Constitution, any of the Executive Directors 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: This figure includes the 1,915 Bonus Shares to be issued if Resolution 6 is approved.

- (f) The Performance Rights are proposed to be granted to the Executive Directors as an incentive, for no cash consideration. The Shares will be issued upon satisfaction of the relevant Performance Conditions, for no cash consideration.
- (g) See section 7.3 of this Explanatory Statement regarding an indicative valuation of the Performance Rights.
- (h) Details of the Executive Directors' remuneration for the year ended 30 June 2009 (based on information extracted from the Company's 2009 Annual Report) are as follows. Please note that although the Company's 2009 Annual Report reports in US\$, the table below provides the A\$ equivalent of the relevant amounts:

Executive Director	Base Salary (\$)	Incentive Payment ¹	Non-Monetary Benefit	Super-Annuation (\$)	Total (\$)
Andrew Forrest	100,000	15,000	125,000	10,000	250,000
Graeme Rowley	722,727	72,545	Nil	72,545	867,817
Russell Scrimshaw	722,727	72,545	Nil	72,545	867,817

Note 1: An incentive payment (in the form of an incentive payment in connection with outcome of the 2009 financial year) was provided to the Executive Directors in August 2009 and represented a 10% payment to Messrs Scrimshaw and Rowley on their 2008/2009 base salary level. Mr Forrest elected to receive the incentive payment as Bonus Shares (refer to Resolution 7) which will result in him receiving a 15% incentive payment in the form of Bonus Shares conditional upon Shareholder approval.

Details of the estimated remuneration payable to the Executive Directors for the year beginning 1 July 2009 are as follows:

Executive Director	Base Salary (\$)	Incentive Payment ¹	Non-Monetary Benefit	Super-Annuation (\$)	Total (\$)
Andrew Forrest	100,000	174,990	125,000	10,000	409,990
Graeme Rowley	722,727	843,133	Nil	72,272	1,638,132
Russell Scrimshaw	722,727	843,133	Nil	72,272	1,638,132

Note 1: The incentive payment under the ESSIP is included in the above table but it should be noted that it will only be paid if all the relevant performance conditions are met as at the end of the 2010 financial year. Also as per section 6.2 of the Explanatory Statement, 50% of any incentive payment will be made as Shares pursuant to the Performance Share Plan and 50% as cash. Accordingly the value of the incentive payment recorded above is based on 50% cash and 50% Performance Rights valued as per the BDO Kendalls valuation (as set out in section 7.3 of this Explanatory Statement).

- (i) The primary purpose of the grant of the Performance Rights to the Executive Directors under the Performance Share Plan is to provide an incentive to the Executive Directors to strive to meet the Company's performance objectives. Given this purpose, the Directors do not consider that there is any opportunity cost or benefit foregone to the Company in granting the Performance Rights or issuing the Shares, as proposed by Resolution 7.
- (j) The issue of securities to the Executive Directors is a more cost effective incentive for the Company as opposed to the payment of cash compensation.
- (k) The Directors' recommendations in respect of Resolution 8 are set out in section 7.6 of this Explanatory Statement.
- (l) Additional information in relation to Resolution 8 is set out throughout this Explanatory Statement. Shareholders should read this Explanatory Statement in its entirety before making a decision on how to vote on Resolution 8.
- (m) The Company will incur no liabilities or costs in respect of the proposed grant of the Performance Rights and issue of the Shares to the Executive Directors pursuant to the Performance Share Plan other than:
 - (i) the fees payable to ASX for quotation of the Shares if and when the relevant Performance Conditions applicable to the Performance Rights are satisfied. At the rates applying at ASIC Lodgement Date, these fees would be approximately \$10,000;
 - (ii) a value equal to the weighted average trading price of shares on ASX in the five days immediately before the date of valuation, will be included as wages for the purposes of the *Pay-roll Tax Act 2002 (WA)*, *Pay-roll Tax Assessment Act 2002 (WA)* and the *Taxation Administration Act 2003 (WA)*. If this value in addition to other wages paid or payable by the Company during a month is in excess of the monthly pay-roll tax threshold, the Company may be required to register for pay-roll tax in the relevant jurisdiction. If this value in addition to other wages that are taxable in the jurisdiction is in excess of the annual pay-roll tax threshold, the Company will have a liability in respect of pay-roll tax in that jurisdiction; and

- (iii) the cost of the Shares which will be expensed through the Company's income statement in accordance with AASB-2 Share Based Payments.
- (n) The proposed grant of the Performance Rights to the Executive Directors will be made pursuant to the amended terms and conditions of the Performance Share Plan (which are summarised in Annexure A to this Explanatory Statement) and the terms and conditions set out in section 7.1 of this Explanatory Statement.
- (o) Other than the information specified in this Explanatory Statement, the Directors 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 8.

7.3 Details Concerning Valuation of Performance Rights

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:	\$4.95 per Share on 3 October 2008
Lowest:	\$1.28 per Share on 20 November 2008
Last:	\$3.68 per Share on 1 October 2009 being the last day on which the Shares were traded on ASX before the ASIC Lodgement Date.

The Performance Rights to be granted to the Executive Directors, pursuant to Resolution 8, will not be quoted on ASX. The Shares to be issued on vesting of the Performance Rights will be quoted on ASX.

BDO Kendalls Corporate Finance (WA) Pty Ltd has prepared a valuation, which the Board have adopted, in relation to the indicative value of the Performance Rights proposed to be granted to the Executive Directors. The total value of the proposed grant of Performance Rights is \$3.94 per share right which makes a total valuation of \$983,758 split between \$92,490 for Mr Forrest and \$445,634 respectively for Messrs Rowley and Scrimshaw.

The BDO Kendalls valuation used the ASX market traded price, and was based on the 5 day VWAP as at 1 October 2009.

Model input variables such as share price volatility, market interest rates and the life of the Shares issued pursuant to the Performance Share Plan have no effect on the valuation since no consideration is to be paid by the holder of the Shares upon vesting. As such, the Shares are valuable to the holder so long as there is some value in the underlying share. Therefore, the value of the Shares is the 5 day VWAP as at the valuation date. This has been clarified using the Binomial model and Black-Scholes valuation methodology.

7.4 Listing Rule 10.14

Listing Rule 10.14 provides, in essence, that the approval of shareholders is required before a director of a company can acquire securities under an employee incentive scheme.

Accordingly, in order for the Executive Directors to acquire a beneficial interest in the Performance Rights and any subsequent Shares issued pursuant to the Performance Share Plan, the Company must obtain Shareholder approval pursuant to Listing Rule 10.14.

7.5 Details of the proposed issue

Listing Rule 10.15A sets out a number of matters which must be included in a notice of meeting requesting shareholder approval under Listing Rule 10.14.

In accordance with Listing Rule 10.15A, the following information is provided to Shareholders in relation to Resolution 8:

- (a) the maximum number of Performance Rights that may be granted by the Company to:
 - (i) Andrew Forrest is 23,475;
 - (ii) Graeme Rowley is 113,105; and
 - (iii) Russell Scrimshaw is 113,105,being an aggregate total of 249,685 Performance Rights. If all the 249,685 Performance Rights vest, then Andrew Forrest (or his nominee) will be entitled to 23,475 Shares, Graeme Rowley (or his nominee) will be entitled to 113,105 Shares and Russell Scrimshaw (or his nominee) will be entitled to 113,105 Shares, being an aggregate total of 249,685 Shares;
- (b) the Performance Rights are granted for no consideration and therefore no funds will be raised by the grant of the Performance Rights to the Executive Directors. Upon vesting of the Performance Rights, the Shares will be issued and allotted for no consideration;
- (c) the indicative value of each Performance Right is \$3.94. Details of the calculation of that indicative value are set out in section 7.3 of this Explanatory Statement;
- (d) no persons have received Performance Rights under the Performance Share Plan since it was approved on 17 November 2006;
- (e) Andrew Forrest, Graeme Rowley and Russell Scrimshaw are entitled to participate in the Performance Share Plan as they are current Directors of the Company;
- (f) as at the ASIC Lodgement Date, the names of all persons referred to in Listing Rule 10.14 who are entitled to participate in the Performance Share Plan are Andrew Forrest, Graeme Rowley and Russell Scrimshaw;
- (g) the proposed grant of the Performance Rights to the Executive Directors will be made pursuant to the amended terms and conditions of the Performance Share Plan (which are summarised in Annexure A to this Explanatory Statement) and the terms and conditions set out in section 7.1 of this Explanatory Statement;
- (h) a voting exclusion statement in respect of Resolution 8 is in both the Notice and section 7.7 of this Explanatory Statement;
- (i) details of any securities issued under the Performance Share Plan will be published in each annual report of the Company relating to a period in which the securities were issued;
- (j) any additional persons who become entitled to participate in the Performance

Share Plan after Resolution 8 is approved and who are not named in the Notice will not participate until approval is obtained under Listing Rule 10.14; and

- (k) if Resolution 8 is approved by Shareholders, the Performance Rights will be granted by the Board within one year after the date of the Meeting and it is anticipated that the allotment will be on one date.

7.6 Directors' Recommendation

The Executive Directors do not wish to make a recommendation to Shareholders about the proposed Resolution 8 because each Executive Director has an interest in the outcome of Resolution 8. The interest arises because each of the Executive Directors is the proposed recipient of a financial benefit in the form of 249,685 Performance Rights and each Executive Director may be considered to have a material personal interest in the outcome of Resolution 8.

The Company's remaining Directors recommend that Shareholders approve Resolution 8 for the reasons given in section 7.1 of this Explanatory Statement. The Company's remaining Directors do not have an interest in the outcome of Resolution 8, 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.

7.7 Voting Exclusion Statement

In accordance with section 224 of the Corporations Act and Listing Rules 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 Messrs Forrest, Rowley and Scrimshaw, are ineligible to participate in any employee incentive schemes in relation to the Company. Accordingly, Messrs Forrest, Rowley and Scrimshaw and their Associates, may not vote on Resolution 8.

8. RESOLUTION 9 - APPROVAL TO INCREASE NON-EXECUTIVE DIRECTORS' REMUNERATION FEE POOL

8.1 Background

At the Company's annual general meeting on 8 November 2007, Shareholders approved a cap on the Non-Executive Directors' (NEDs') remuneration under the Constitution at a maximum aggregate of \$750,000 per annum. Resolution 9 seeks Shareholder approval to increase the maximum aggregate remuneration payable by the Company to its NEDs (as a whole) by \$250,000, from \$750,000 per annum to \$1,000,000 per annum with effect from 1 July 2009, to be divided amongst the NEDs as the Directors determine or, until so determined, equally.

Since the increase in 2007, Fortescue has appointed an additional three NEDs to take the number of NEDs on the Company's board to seven. The current remuneration of Fortescue's NEDs, at a base of \$80,000 (excluding committee fees), has been highlighted in recent independent surveys to be in the lowest quartile for comparable market capitalised companies.

Given the recent appointments, the total remuneration of all NEDs is now approaching the cap established in 2007 and there is little material buffer to allow for an increase in fees or the appointment of an additional NED should the circumstance arise. For this reason the Board seeks approval to increase the quantum of the NED fee pool to provide management flexibility going forward.

Pursuant to Rule 17.5(1) of the Constitution and Listing Rule 10.17, the maximum aggregate remuneration to be paid by the Company to its Non-Executive Directors (as a whole) may only be increased with Shareholder approval. Accordingly, and on the basis of the above, Shareholders are asked to approve an increase in the maximum aggregate remuneration to be paid by the Company to its Non-Executive Directors (as a whole) by \$250,000, from \$750,000 per annum to \$1,000,000 per annum with effect from 1 July 2009.

8.2 Voting Exclusion Statement

In accordance with Listing Rules 10.17 and 14.11, the Company will disregard any votes cast on this Resolution by a Director 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.

9. RESPONSIBILITY FOR INFORMATION

BDO Kendalls has prepared the valuation of the Performance Rights in relation to Resolution 8 and takes responsibility for that information and has consented to the inclusion of that information in this Explanatory Statement. BDO Kendalls is not responsible for any other information contained within this Explanatory Statement.

10. 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:

5% Limitation	means the "5% Limitation" as defined in the Performance Share Plan
Amended PSP	means the Performance Share Plan to be approved under Resolution 6.
ASIC	means the Australian Securities and Investments Commission.
ASIC Lodgement Date	means the date on which the Notice was lodged with ASIC, being 2 October 2009.
Associate	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.
ASX	means ASX Limited ABN 98 008 624 691.
BDO Kendalls	means BDO Kendalls Corporate Finance (WA) Pty Ltd.

Board	means the board of Directors from time to time.
Bonus Share	means a Share issued in accordance with the Bonus Share Plan.
Bonus Share Plan	means the Fortescue Metals Group Ltd Employee Bonus Share Plan, as amended from time to time.
Company	means Fortescue Metals Group Ltd ABN 57 002 594 872.
Computershare	means Computershare Investor Services Pty Limited ABN 48 078 279 277.
Constitution	means the constitution of the Company as amended from time to time.
Corporations Act	means the Corporations Act 2001 (Cth).
Current PSP	means the Performance Share Plan as approved my Shareholders on 17 November 2006.
Directors	means the directors of the Company from time to time and Director means any one of them.
Executive Directors	means the executive directors of the Company from time to time and Executive Director means any one of them.
Explanatory Statement	means this explanatory statement.
Incentive Option Scheme	means the Fortescue Metals Group Ltd Incentive Option Scheme, as amended from time to time.
Listing Rules	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.
Meeting or Annual General Meeting	means annual general meeting of Shareholders or any adjournment thereof, convened by the Notice.
Non-Executive Directors	means the non-executive directors of the Company from time to time and Non-Executive Director means any one of them.
Notice or Notice of Annual General Meeting	means the notice of annual general meeting which accompanies this Explanatory Statement.
Performance Condition	means a "Performance Condition" as defined in the Performance Share Plan.
Performance Right	means an entitlement to one Share, subject to vesting and satisfaction of a Performance Condition, granted in accordance with the Performance Share Plan.

Performance Share Plan	means the Fortescue Metals Group Ltd Performance Share Plan, as amended from time to time.
Related Party	means a "related party" as defined in section 9 of the Corporations Act.
Resolution	means a resolution in the Notice.
Share	means a fully paid ordinary share in the capital of the Company.
Shareholder	means a holder of Shares.

ANNEXURE A - SUMMARY OF TERMS AND CONDITIONS OF AMENDED PSP

The terms and conditions of the Performance Share Plan are summarised below:

- (a) **Board** - The Board, or a duly appointed committee of the Board, is responsible for the operation of the Performance Share Plan.
- (b) **Participants** - Full-time and part-time employees, executive directors and consultants of the Company, are all eligible to participate in the Performance Share Plan. Non-Executive Directors will not be eligible to participate in the Performance Share Plan.
- (c) **Eligibility** - The Board determines the eligibility of participants, having regard to:
 - (i) the seniority of the participant and the position the participant occupies within the Company;
 - (ii) the length of service of the participant with the Company;
 - (iii) the record of employment of the participant with the Company;
 - (iv) the potential contribution of the participant to the growth and profitability of the Company;
 - (v) the extent (if any) of the existing participation of the participant in the Performance Share Plan; and
 - (vi) any other matters the Board considers relevant.
- (d) **Invitations** - The Board has discretion to issue invitations to participants offering the grant of Performance Rights.
- (e) **Number of Performance Rights** - The Board has discretion to determine the number of Performance Rights offered to participants, subject to the following limitation. The number of Shares offered to a participant, when combined with the number of shares which may be issued upon exercise of options granted under the Incentive Option Scheme, the Bonus Share Plan or upon the exercise of Performance Rights granted under the Performance Share Plan and the number of shares issued during the previous five years under any employee incentive plan of the Company (including the Incentive Option Scheme, Bonus Share Plan and Performance Share Plan), must not exceed 5% of the Company's issued capital at any time (the "5% Limitation"). Further, in determining the number of Performance Rights to be granted to participants, the Board will have regard to current market practice and take into account the overall cost to the Company of grants under the Performance Share Plan.
- (f) **Frequency of Performance Rights** - The Board will consider the grant of Performance Rights to participants annually, unless it determines otherwise.


- (g) **Performance Condition** - Vesting of the Performance Rights is conditional on the participant satisfying the pre-determined Performance Conditions. It is intended that there will be three performance categories that will cover;
- i. The Company's annual performance relative to budget and stretch budget targets established by the board covering revenues and costs as well as compliance with environmental, community and heritage plans or conditions:
 - ii. The Company's growth performance which cover general performance targets relating to measurable items such as growth in reserves and resources, expansion of mine plan areas or increases in Net Asset Values.
 - iii. The individual performance of the participant in regards to targets set by the persons' immediate line manager.
- (h) **Performance Period** - The Performance Period applicable to the Performance Rights is the period between three months and three years from the date of grant of the Performance Rights.
- (i) **Vesting of Performance Rights** - The Performance Rights will only vest if the participant meets the relevant Performance Condition within the Performance Period. Any Performance Rights which have not vested within the Performance Period will lapse.



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:

 **Online:**
www.investorvote.com.au

 **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

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(within Australia) 1300 733 136
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Proxy Form



Vote online or view the annual report, 24 hours a day, 7 days a week:

www.investorvote.com.au

- Cast your proxy vote**
- Access the annual report**
- Review and update your securityholding**

Your secure access information is:

Control Number: 999999

SRN/HIN: 1999999999

PIN: 99999



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

 **For your vote to be effective it must be received by 3.00pm (Perth Time) Tuesday 17 November 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 for Postal Forms

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.

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.

**GO ONLINE TO VOTE,
or turn over to complete the form** →

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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 Annual General Meeting of Fortescue Metals Group Ltd to be held at the Terrace Ballroom, Hyatt Regency Perth, 99 Adelaide Terrace, East Perth, Western Australia on Thursday, 19/11/2009 at 3.00pm (Perth Time) and at any adjournment of that meeting.

Important for Items 6 to 9: If the Chairman of the Meeting is your proxy and you have not directed him/her how to vote on Items 6 to 9 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 6 to 9 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 6 to 9 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 that Item 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
Resolution 1 Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 Election of Mr Ian Cumming	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 Election of Mr Li Xiaowei	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 Re-election of Mr Herb Elliott	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 Re-election of Mr Ken Ambrecht	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 Issue of Shares to Mr Andrew Forrest	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7 Approval of the Performance Share Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8 Approval of Grant of Performance Rights to Executive Directors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9 Approval to Increase the Non-Executive Directors' Remuneration Fee Pool	<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 ____/____/____