



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

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# **NOTICE OF ANNUAL GENERAL MEETING EXPLANATORY STATEMENT**

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**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 Friday, 19 November 2010 at 2.00 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 Wednesday, 17 November 2010. 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 9946 4417 (from overseas). Alternatively the proxy form can be lodged online for shareholder online voting via [www.investorvote.com.au](http://www.investorvote.com.au) and custodian voting via Intermediary Online [www.intermediaryonline.com](http://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 2.00 pm (Perth time) on Wednesday, 17 November 2010.**

### **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 2010.

### 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 2010 be approved and adopted."*

### RESOLUTION 2 – ELECTION OF MR MARK BARNABA

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

*"That Mr Mark Barnaba, 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 – RE-ELECTION OF MR GEOFF BRAYSHAW

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

*"That Mr Geoff Brayshaw, 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 4 - RE-ELECTION OF MR RUSSELL SCRIMSHAW

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

*"That Mr Russell Scrimshaw, 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 – ISSUE OF BONUS 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 18,608 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 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.

#### **RESOLUTION 6 – ISSUE OF BONUS SHARES TO 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 Listing Rule 10.14 and for all other purposes, Shareholders approve the grant of 89,526 Bonus Shares to Mr Russell Scrimshaw 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 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.

#### **RESOLUTION 7 – ISSUE OF BONUS SHARES TO MR GRAEME ROWLEY**

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 31,832 Bonus Shares to Mr Graeme Rowley 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 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.

#### **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 20,221 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 122,549 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 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 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 \$1,000,000, from \$1,000,000 per annum to \$2,000,000 per annum with effect from 1 July 2010, 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 29 September 2010  
By Order of the Board.**



**Mark Thomas  
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 Friday, 19 November 2010 at 2.00 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 2010 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 2010 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 Remuneration Report as contained in the 2010 Financial Report can be found on the Company's website [www.fmgl.com.au](http://www.fmgl.com.au) under Investors.

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 2010. 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. RESOLUTION 2 – ELECTION OF DIRECTOR**

In accordance with Rule 17.3(9) of the Company's Constitution, Mr Mark Barnaba, having been appointed by the Board as Directors of the Company since the last General Meeting, will retire and offers himself for election by Shareholders.

Mr Barnaba joined the Board as a Non-Executive Director in February 2010. He has wide experience in the business world and has a background in industry, corporate advisory and management consulting having previously worked with McKinsey & Co in Australia, the United Kingdom and South Africa. He is the co-founder and current Co-Chairman of Azure Capital Ltd which is a privately owned boutique advisory firm located in Perth, Western Australia. His other roles include Chairman of Edge Employment Solutions (a disability employment organisation) and Chairman of Western Power. He also holds a number of honorary positions including Chairman of the University of Western Australia Business school where he also serves as an Adjunct Professor in Investment Banking and Finance. He has recently been appointed by the

Premier as the WA Convenor for the Commonwealth Business Forum for CHOGM. Mr Barnaba also recently stood down as Chairman of the West Coast Eagles football team.

### **Directors' Recommendation**

Mr Barnaba 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.

## **4. RESOLUTIONS 3 AND 4 – RE-ELECTION OF DIRECTORS**

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

### **Resolution 3 - Re-election of Mr Geoff Brayshaw**

Mr Brayshaw was first elected as a Non Executive Director of the Company in November 2007 and has held the position as Chairman of the Audit and Risk Management Committee since 2007. He was formerly an audit partner with a large international accounting firm until he retired in June 2005. Mr Brayshaw is currently Non-Executive Director and Chairman of the Audit Committee of Poseidon Nickel Limited.

He has held a number of positions in commerce and with professional bodies including National President of the Institute of Chartered Accountants in 2002, Independent Director and Audit Chairman of AVEA Insurance Limited, Board member of the Small Business Development Corporation and he was also formerly the Chairman of a Trustee Company of an Aboriginal Corporation.

### **Directors' Recommendation**

Mr Brayshaw 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.

### **Resolution 4 - Re-Election of Mr Russell Scrimshaw**

Mr Scrimshaw is an Executive Director of the Company since 2007 having moved from a non-executive position that commenced back in 2003. His executive role within Fortescue is as Head of Commercial and Marketing. Since becoming an executive, Mr Scrimshaw has been primarily responsible for driving the Company's marketing efforts which has proven to be a highly successful part of the Fortescue business with over 45 customers in China and an ever increasing diversification of non Chinese customers.

Mr Scrimshaw is a former board member of Commonwealth Properties Limited, Mobilesoft Limited, Telecom New Zealand Australia Pty Limited, the Garvan Institute Foundation and Athletics Australia. He is also an associate Member of the Australian Society of Certified Practising Accountants. Mr Scrimshaw previously held senior executive positions with the Commonwealth Bank of Australia, Optus, Alcatel, IBM and Amdahl USA.

### **Directors' Recommendation**

Mr Scrimshaw 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.

## **5. RESOLUTIONS 5 TO 7 (INCLUSIVE) – ISSUE OF BONUS SHARES TO MESSRS ANDREW FORREST, RUSSELL SCRIMSHAW AND GRAEME ROWLEY**

### **5.1 Background**

Resolutions 5 to 7 (inclusive) seek Shareholder approval for the grant of 18,608 Bonus Shares by the Company to Mr Andrew Forrest, 89,526 Bonus Shares to Mr Russell Scrimshaw and 31,832 Bonus Shares to Mr Graeme Rowley respectively (together, the **Recipient Directors**).

At the end of the 2010 Financial Year, the Company made a bonus payment to certain employees that were determined as eligible to receive an incentive reward relative to their performance over the 2010 Financial Year.

The incentive payment structure for senior executives was based on the terms of the Executive & Senior Staff Incentive Plan (**ESSIP**). The total incentive payment due was calculated as a percentage of the individual's base salary, relative to the individual meeting previously agreed performance targets.

Once the quantum of the payment was determined, the amount was divided into a cash payment for 50% with the balance being provided by way of Bonus Shares. The number of Shares to be issued was determined by dividing the amount to be received by the Volume Weighted Average Price (**VWAP**) of the Company's shares as at the commencement of the 2010 Financial Year. The Company's rationale in determining the number of shares through the VWAP at the beginning of the Financial Year was to allow the employee to share with other shareholders, the same share price return over the course of the 2010 Financial Year.

The VWAP share price over the first 5 business days of the 2010 Financial Year was \$3.51. Accordingly, based on the incentive payment due to the employee, Mr Forrest is entitled to receive 18,608 Bonus Shares, Mr Rowley 31,832 Bonus Shares and Mr Scrimshaw 89,526 Bonus Shares. It should be noted that Mr Rowley's entitlement has been determined on a pro rata basis over the time he was an executive during the 2010 Financial Year, given he retired in March 2010.

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.fmgf.com.au](http://www.fmgf.com.au) under Investors - Corporate Governance – Remuneration & Nominations Committee.

### **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 the Recipient Directors 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 Resolutions 5 to 7 (inclusive):

- (a) the maximum number of securities that may be granted by the Company to:
  - (i) Mr Andrew Forrest is 18,608 Bonus Shares;
  - (ii) Mr Russell Scrimshaw is 89,526 Bonus Shares; and



- (iii) Mr Graeme Rowley is 31,832 Bonus Shares,  
being an aggregate total of 139,966 Bonus Shares;
- (b) there is no cash raised by the allotment of Bonus Shares as the Bonus Shares are issued in lieu of a cash bonus that otherwise would have been paid to the eligible employee;
- (c) the issue price of each Bonus Share was \$3.51, which was calculated as the 5 day VWAP for the first 5 business days of the 2010 Financial Year;
- (d) the only Director or Associate of a Director that has previously received Bonus Shares under the Bonus Share Plan is Mr Andrew Forrest who received 1,915 Bonus Shares for an issue price of \$4.31 per Share pursuant to the approval of shareholders at the 2009 Annual General Meeting of the Company;
- (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 Messrs Andrew Forrest and Russell Scrimshaw. Mr Graeme Rowley was entitled to participate in the Bonus Share Plan in respect to the 2010 Financial Year as he was an Executive Director up until March 2010, and therefore is entitled to the 31,832 Bonus Shares the subject of Resolution 7. As he is now a Non-Executive Director he is no longer eligible to receive Bonus Shares under the Bonus Share Plan;
- (f) a voting exclusion statement in respect of Resolutions 5 to 7 (inclusive) is in both the Notice and section 5.5 of this Explanatory Statement; and
- (g) if Resolutions 5 to 7 (inclusive) are 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**

Mr Andrew Forrest declines to make a recommendation to Shareholders in relation to Resolution 5 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a interest in the outcome of Resolution 5, recommend that Shareholders vote in favour of Resolution 5 for the reasons set out in section 5.1 of this Explanatory Statement.

Mr Russell Scrimshaw declines to make a recommendation to Shareholders in relation to Resolution 6 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a interest in the outcome of Resolution 6, recommend that Shareholders vote in favour of Resolution 6 for the reasons set out in section 5.1 of this Explanatory Statement.

Mr Graeme Rowley declines to make a recommendation to Shareholders in relation to Resolution 7 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a interest in the outcome of Resolution 7, recommend that Shareholders vote in favour of Resolution 7 for the reasons set out in section 6.1 of this Explanatory Statement.

The interests in Resolutions 5 to 7 (inclusive) respectively, arise because Mr Andrew Forrest is the proposed recipient of a financial benefit in the form of 18,608 Bonus Shares, Mr Graeme Rowley in the form of 31,832 Bonus Shares and Mr Russell Scrimshaw in the form of 89,526 Bonus Shares and they may be considered to have a material personal interest in the outcome of Resolutions 5 to 7 (inclusive) respectively.

The Company's remaining Directors do not have an interest in the outcome of Resolutions 5 to 7 (inclusive), 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 Resolution 5 to 7 (inclusive) 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 the Recipient Directors, are ineligible to participate in any employee incentive schemes in relation to the Company. Accordingly, Mr Andrew Forrest, Mr Russell Scrimshaw, Mr Graeme Rowley and their Associates may not vote on Resolution 5 to 7 (inclusive).

## **6. RESOLUTION 8 – GRANT OF PERFORMANCE RIGHTS TO EXECUTIVE DIRECTORS**

### **6.1 Background**

Resolution 8 seeks Shareholder approval for the grant of up to a total of 142,770 Performance Rights by the Company to Messrs Andrew Forrest and Russell Scrimshaw (who are, as at the date of this Explanatory Memorandum, the only Executive Directors of the Company).

The ESSIP is open to Executive Directors and as such Messrs Andrew Forrest and Russell Scrimshaw are entitled 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 Performance Shares to the two Executive Directors, in accordance with the terms and conditions of the Performance Share Plan. The total of any 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 Performance Shares.

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

The Board considers it appropriate for part of the Executive Directors' remuneration packages to comprise non-cash, incentive based remuneration.

The Performance Shares 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 (described below), 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 each of the Executive

Directors also reflect 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.

In particular, the Performance Conditions which are applicable to the Performance Rights that are proposed to be granted to Executive Directors under the Performance Share Plan pursuant to Resolution 8 are split between the shipment of a specified number of tonnes, the meeting of specified operating cost profiles, and the adherence to safety, environmental, heritage and other regulatory targets. In addition the Executive Directors will also be required to meet personal targets that have defined performance criteria relevant to their specific area of responsibility. These Performance Conditions ensure that the vesting of each of the Executive Directors' Performance Rights are subject to the Company's performance against established measures.

The Executive Directors are not required to pay any amount to acquire the Performance Rights. If the Performance Rights vest, the Executive Directors will be issued with a corresponding number of Performance Shares without being required to pay any monetary compensation.

## 6.2 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 the Performance Shares to the Executive Directors constitutes the giving of a financial benefit.

The proposed grant of Performance Rights and issue of Performance Shares 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 Performance Shares to the Executive Directors:

- (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 20,221 Performance Rights to Mr Andrew Forrest and 122,549 Performance Rights to Mr Russell Scrimshaw, and the issue of a maximum total of 142,770 Performance 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	3,109,499,708
Options exercisable at \$0.569 on or before 25 January 2011	418,750
Options exercisable at \$0.703 on or before 1 June 2011	910,000
Options exercisable at \$2.50 on or before 1 February 2014	1,800,000
Options exercisable at \$5.00 on or before 12 May 2015	7,500,000
Preference shares at face value \$100,000 with a 9% coupon redeemable on or before 19 February 2017	1,400

If Shareholders approve all Resolutions contained in the Notice and all Shares are issued as contemplated by the Notice (including the total of 139,966 Bonus Shares under Resolutions 5 to 7 (inclusive) and, the 142,770 Performance Shares issued upon vesting of the Performance Rights granted under Resolution 8, the issued capital of the Company will be as follows:

<b>Capital</b>	<b>Number</b>
Ordinary Shares	3,109,782,444
Options exercisable at \$0.569 on or before 25 January 2011	418,750
Options exercisable at \$0.703 on or before 1 June 2011	910,000
Options exercisable at \$2.50 on or before 1 February 2014	1,800,000
Options exercisable at \$5.00 on or before 12 May 2015	7,500,000
Preference shares at face value \$100,000 with a 9% coupon redeemable on or before 19 February 2017	1,400

- (d) If Shareholders approve the grant of the Bonus Shares totalling 139,966 to the Recipient Directors under Resolutions 5 to 7 (inclusive) and the maximum number of 142,770 Performance Rights are granted to the Executive Directors under Resolution 8, the effect will be to dilute the shareholding of existing members by approximately 0.01% (based on the number of Shares on issue at the ASIC Lodgement, all of the Performance Rights the subject of Resolution 8 subsequently vest, no existing options are exercised and no 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 31.5% of the issued capital of the Company on a fully diluted basis:

<b>Executive Director</b>	<b>Shares held directly or indirectly<sup>1</sup></b>	<b>Options held directly or indirectly</b>	<b>Performance Rights</b>
Andrew Forrest	972,848,823 <sup>2</sup>	Nil	20,221
Russell Scrimshaw	8,089,756 <sup>3</sup>	600,000	122,549

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 18,608 Bonus Shares to be issued to Mr Forrest if Resolution 5 is approved.

Note 3: This figure includes the 89,562 Bonus Shares to be issued to Mr Scrimshaw 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 Performance Shares will be issued upon satisfaction of the relevant Performance Conditions, for no cash consideration.
- (g) See section 6.3 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 2010 (based on information extracted from the Company's 2010 Annual Report) are as follows. Please note that although the Company's 2010 Annual Report reports in US\$, the table below provides the A\$ equivalent of the relevant amounts at an exchange rate of A\$0.92:

<b>Executive Director</b>	<b>Base Salary (\$)</b>	<b>Incentive Payment</b>	<b>Non-monetary benefit</b>	<b>Super-Annuation (\$)</b>	<b>Total (\$)</b>
Andrew Forrest	95,880	13,074	7,322	10,896	127,172
Russell Scrimshaw	710,750	244,529 <sup>1</sup>	nil	51,499	1,006,778

Note 1: This also includes options vested during the year valued at \$175,234.

- (i) Details of the estimated remuneration payable to the Executive Directors for the year beginning 1 July 2010 are as follows:

<b>Executive Director</b>	<b>Base Salary (\$)</b>	<b>Incentive Payment<sup>1</sup></b>	<b>Non-Monetary Benefit</b>	<b>Super-Annuation (\$)</b>	<b>Total (\$)</b>
Andrew Forrest	100,000	187,892	7,000	10,000	304,892
Russell Scrimshaw	950,000	980,392	nil	50,000	1,980,392

Note 1: The incentive payments made to the Executive Directors under the ESSIP are included in this table, but it should be noted that it will only be paid if all the performance conditions are met as at the end of the 2011 Financial Year. As per section 5.1 of this Explanatory Statement, 50% of any incentive payment will be paid as Bonus Shares accruing from the vesting of Performance Rights 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 valuation.

- (j) 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 Performance Shares, as proposed by Resolution 8.
- (k) 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.
- (l) The Directors' recommendations in respect of Resolution 8 are set out in section 6.6 of this Explanatory Statement.
- (m) 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.
- (n) The Company will incur no liabilities or costs in respect of the proposed grant of the Performance Rights and issue of the Performance Shares to the Executive Directors other than:
- (i) the fees payable to ASX for quotation of the Performance 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 \$15,000;
  - (ii) a value equal to the VWAP 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 Performance Shares which will be expensed through the Company's income statement in accordance with AASB-2 Share Based Payments.
- (o) The proposed grant of the Performance Rights to the Executive Directors will be made pursuant to the terms and conditions of the Performance Share Plan (which is available through the Company's website [www.fmgil.com.au](http://www.fmgil.com.au) under Investors - Corporate Governance - Remuneration Policy) and the terms and conditions set out in section 6.1 of this Explanatory Statement.
- (p) 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.

### 6.3 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:	A\$5.57 at 7 January 2010
Lowest:	A\$3.28 at 21 May 2010
Last:	A\$4.94 as at 22 September 2010 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 Performance Shares to be issued on vesting of the Performance Rights will be quoted on ASX.

BDO Corporate Finance (WA) Pty Ltd (**BDO**) 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 \$705,284 split between \$99,892 for Mr Andrew Forrest and \$605,392 for Mr Russell Scrimshaw.

The BDO's valuation used the ASX market traded price, and was based on the 5 day VWAP as at 14 September 2010.

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

### 6.4 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 Performance Shares, the Company must obtain Shareholder approval pursuant to Listing Rule 10.14.

## 6.5 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) Mr Andrew Forrest is 20,221; and
  - (ii) Mr Russell Scrimshaw is 122,549,being an aggregate total of 142,770 Performance Rights. If all the 142,770 Performance Rights vest, then Mr Andrew Forrest (or his nominee) will be entitled to 20,221 Performance Shares and Mr Russell Scrimshaw (or his nominee) will be entitled to 122,549 Performance Shares, being an aggregate total of 142,770 Performance 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 Performance Shares will be issued and allotted for no consideration;
- (c) the indicative value of each Performance Right is \$3.94 per share right. Details of the calculation of that indicative value are set out in section 6.3 of this Explanatory Statement;
- (d) Since the Performance Share Plan was originally approved on 17 November 2006, and notwithstanding that shareholder approval was received at the Company's Annual General Meeting in 2009 for the granting of Performance Rights to the sum of 23,475 to Mr Andrew Forrest, 113,105 to Mr Russell Scrimshaw and 113,105 to Mr Graeme Rowley, no Performance Rights have been granted to any Director;
- (e) the Executive Directors 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 Mr Andrew Forrest and Mr Russell Scrimshaw;
- (g) the proposed grant of the Performance Rights to the Executive Directors will be made pursuant to the terms and conditions of the Performance Share Plan (available through the Company's website [www.fmgj.com.au](http://www.fmgj.com.au) under Investors - Corporate Governance - Remuneration Policy) and the terms and conditions set out in section 6.1 of this Explanatory Statement;
- (h) a voting exclusion statement in respect of Resolution 8 is in both the Notice and section 6.7 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.

## **6.6 Directors' Recommendation**

Mr Andrew Forrest declines to make a recommendation to Shareholders in relation to Resolution 8 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have an interest in the outcome of Resolution 8, recommend that Shareholders vote in favour of Resolution 8 for the reasons set out in section 6.1 of this Explanatory Statement.

Mr Russell Scrimshaw declines to make a recommendation to Shareholders in relation to Resolution 8 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have an interest in the outcome of Resolution 8, recommend that Shareholders vote in favour of Resolution 8 for the reasons set out in section 6.1 of this Explanatory Statement.

The interest in Resolution 8 arises because Mr Andrew Forrest is the proposed recipient of a financial benefit in the form of 20,221 Performance Rights and Mr Russell Scrimshaw in the form of 122,549 Performance Rights and they may be considered to have a material personal interest in the outcome of Resolution 8.

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.

## **6.7 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 8 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.

## **7. RESOLUTION 9 – APPROVAL TO INCREASE NON-EXECUTIVE DIRECTORS' REMUNERATION**

### **7.1 Background**

At the Company's Annual General Meeting on 19 November 2009, Shareholders approved a cap on the Non-Executive Directors' (**NED**) remuneration under the Constitution at a maximum aggregate of \$1,000,000 per annum. Resolution 9 seeks Shareholder approval to increase the maximum aggregate remuneration payable by the Company to its NEDs (as a whole) by



\$1,000,000, from \$1,000,000 per annum to \$2,000,000 per annum with effect from 1 July 2010, to be divided amongst the NEDs as the Directors determine or, until so determined, equally.

Since the increase in 2009, the number of the company's NEDs has increased by two with Mr Graeme Rowley retiring as an executive director and being appointed as a NED and the appointment to the Board of Mr Mark Barnaba as a NED. In addition, during the 2010 Financial Year, the Leucadia nominated director, Mr Ian Cumming has started to receive NED Board fees. Previously the Leucadia nominated director elected not to take fees. This now takes the number of NEDs receiving fees to nine which is an increase of three NEDs since the 2009 approval.

The current remuneration of Fortescue's NEDs is a base of \$120,000 (excluding committee fees). A full breakdown of the fees paid to the Company's Directors is provided within the 2010 Remuneration Report that is available through the Company's website [www.fmgl.com.au](http://www.fmgl.com.au) under Investors - Corporate Governance - Remuneration. Independent remuneration surveys indicate that the Company's NED fee scale is low relative to other companies of a similar market capitalisation.

In view of the increased number of NED's earning fees, the total remuneration of all NEDs will need to be increased from the previously approved cap at the 2009 Annual General Meeting. 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 \$1,000,000, from \$1,000,000 per annum to \$2,000,000 per annum with effect from 1 July 2010.

## **7.2 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.

## **8. RESPONSIBILITY FOR INFORMATION**

BDO 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 is not responsible for any other information contained within this Explanatory Statement.

## **9. 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>5% Limitation</b>	means the "5% Limitation" as defined in the Performance Share Plan.
<b>ASIC</b>	means the Australian Securities and Investments Commission.
<b>ASIC Lodgement Date</b>	means the date on which the Notice was lodged with ASIC, being 23 September 2010.

<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>BDO</b>	means BDO Corporate Finance (WA) Pty Ltd.
<b>Board</b>	means the board of Directors from time to time.
<b>Bonus Share</b>	means a Share issued in accordance with the Bonus Share Plan.
<b>Bonus Share Plan</b>	means the Fortescue Metals Group Ltd Employee Bonus Share Plan, as amended from time to time.
<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>Executive Directors</b>	means the executive directors of the Company from time to time and <b>Executive Director</b> means any one of them.
<b>Executive and Senior Staff Incentive Plan, or ESSIP</b>	has the meaning given to it in section 5.1 of this Explanatory Statement.
<b>Explanatory Statement</b>	means this explanatory statement.
<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 Annual General Meeting</b>	means annual General Meeting of Shareholders or any adjournment thereof, convened by the Notice.
<b>Non-Executive Directors or NEDs</b>	means the non-executive directors of the Company from time to time and <b>Non-Executive Director</b> or <b>NED</b> means any one of them.
<b>Notice or Notice of Annual General Meeting</b>	means the notice of annual General Meeting which accompanies this Explanatory Statement.
<b>Performance Condition</b>	means a "Performance Condition" as defined in the Performance Share Plan.
<b>Performance Right</b>	means an entitlement to one Share, subject to vesting and satisfaction of a Performance Condition, granted in accordance with the Performance Share Plan.
<b>Performance Share</b>	means a Share issued upon satisfaction of the relevant Performance Condition and vesting of a Performance Right.
<b>Performance Share Plan</b>	means the Fortescue Metals Group Ltd Performance Share Plan, as amended from time to time.

<b>Recipient Directors</b>	has the meaning given to it in section 5.1 of this Explanatory Memorandum.
<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.




**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:**

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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](http://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 2.00pm (WST) Wednesday 17 November 2010**

**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. Delete titles as applicable.

**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.investorcentre.com](http://www.investorcentre.com) under the information tab, "Downloadable Forms".

**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** ➔

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 Friday, 19 November 2010 at 2.00pm (WST) and at any adjournment of that meeting.

**Important for Resolutions 5 to 9:** If the Chairman of the Meeting is your proxy and you have not directed him/her how to vote on Resolutions 5 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 Resolutions 5 to 9 and your votes will not be counted in computing the required majority if a poll is called on these Resolutions. The Chairman of the Meeting intends to vote undirected proxies in favour of Resolutions 5 to 9.

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 Mark Barnaba	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 Re-election of Mr Geoff Brayshaw	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 Re-election of Mr Russell Scrimshaw	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 Issue of Bonus Shares to Mr Andrew Forrest	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 Issue of Bonus Shares to Mr Russell Scrimshaw	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7 Issue of Bonus Shares to Mr Graeme Rowley	<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 Non-Executive Directors' Remuneration	<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 \_\_\_\_/\_\_\_\_/\_\_\_\_