



19 December 2012

The Companies Officer
Australian Stock Exchange
Exchange Plaza
2 The Esplanade
Perth WA 6000

Dear Sir

Dividend Reinvestment Plan

Fortescue Metals Group Ltd (ASX: FMG, Fortescue) is pleased to announce the introduction of a Dividend Reinvestment Plan (DRP) allowing eligible shareholders to reinvest their dividends into FMG shares.

Please find attached an information pack which will be sent to eligible shareholders over the coming days. Also attached are the DRP terms and conditions.

Yours sincerely
Fortescue Metals Group Ltd

Mark Thomas
Company Secretary

Media Contacts:

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Level 2, 87 Adelaide Terrace
EAST PERTH WA 6004

Fortescue Metals Group Ltd
ABN 57 002 594 872

Dear Valued Securityholder

Fortescue Metals Group Ltd Dividend Reinvestment Plan (DRP)

Fortescue Metals Group Ltd (FMG) recently announced the introduction of a DRP allowing shareholders to reinvest their dividends into shares of FMG. Fortescue Metals Group Ltd invites all eligible shareholders to participate in the DRP subject to the DRP Rules.

Holders of FMG ordinary shares who have a registered address in Australia or New Zealand are eligible to participate in the DRP.

Enclosed with this letter are:

- a DRP Application form;
- an email collection form;
- an FAQ sheet; and
- a business reply envelope.

A full copy of the DRP Rules is available from the Company's website at

<http://www.fmgl.com.au>

or by contacting the Company's share registry on 1300 733 136 or (02) 8280 7603.

Shareholders considering participation in the DRP should read the FAQ sheet (summary of the DRP Rules) enclosed with this invitation.

Please return your completed DRP election form in the business reply envelope should you wish to participate. Fortescue will release an announcement via the ASX regarding the next dividend in due course.

I would also like to take this opportunity to encourage you to receive all correspondence via email in order to help the environment and reduce printing costs. This method of communication is also efficient as it removes postal delays and reduces the risk of loss or theft. You can alter your communication preferences via the Registry website: www.linkmarketservices.com.au

Yours sincerely

Mark Thomas
Company Secretary



Fortescue Metals Group Ltd
ABN 57 002 594 872

All Registry communications to:
Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia
Telephone: 1300 733 136
From outside Australia: +61 2 8280 7603
Facsimile: +61 2 9287 0303
ASX Code: FMG
Email: registrars@linkmarketservices.com.au
Website: www.linkmarketservices.com.au



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A

REINVESTMENT PLAN APPLICATION OR VARIATION

Please use a BLACK pen. Print CAPITAL letters inside the shaded areas.

A B C

1 2 3

Where a choice is required, mark the box with an 'X'

X

This form is to be completed where the securityholder wishes to have their payments reinvested under the rules of the Reinvestment Plan.

I/We being the above named holder of registered securities wish to participate in the Plan as indicated below.

I/We authorise the application of the payment to me/us with respect to the number of securities participating in the Plan at the price and subject to the rules of the Plan.

I/We hereby agree to be bound by the rules of the Plan in subscribing for additional securities.

I/We acknowledge that I/we may vary or cancel my/our participation in the Plan, in accordance with the rules of the Plan. This will cancel any earlier Plan instructions and take priority over any direct credit instructions.

Degree of Participation (cross appropriate box):

FULL PARTICIPATION

– Including any further acquisitions.

or

PARTIAL PARTICIPATION

– Please specify the number of securities to participate in the Plan

B

SIGNATURE(S) OF SECURITYHOLDER(S) – THIS MUST BE COMPLETED

Securityholder 1 (Individual)

Sole Director and Sole Company Secretary/Director (delete one)

Joint Securityholder 2 (Individual)

Director/Company Secretary (delete one)

Joint Securityholder 3 (Individual)

Date ____/____/____

Signing Instructions: This form should be signed by the securityholder. If a joint holding, all securityholders should sign. If signed by the securityholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth) (or for New Zealand companies, the *Companies Act 1993*).

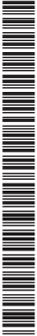
Privacy Clause: Link Market Services Limited advises that Chapter 2C of the *Corporations Act 2001* requires information about you as a securityholder (including your name, address and details of the securities you hold) to be included in the public register of the entity in which you hold securities. Information is collected to administer your securityholding and if some or all of the information is not collected then it might not be possible to administer your securityholding. Your personal information may be disclosed to the entity in which you hold securities. You can obtain access to your personal information by contacting us at the address or telephone number shown on this form. Our privacy policy is available on our website (www.linkmarketservices.com.au).

FMG DRP002



Fortescue Metals Group Ltd
ABN 57 002 594 872

All Registry communications to:
Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia
Telephone: 1300 733 136
(02) 8280 7603
Facsimile: (02) 9287 0303
ASX Code: FMG
Email: registrars@linkmarketservices.com.au
Website: www.linkmarketservices.com.au



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EMAIL COLLECTION FORM

We are currently updating our Investor Information details and note we do not have your email address recorded.

By providing us with your email address we will be able to notify you of important communications including Annual and Half Year reports, Notices of Shareholder Meetings, payment advices, as well as potential new investment opportunities and capital raisings.

To record your email address either:

- visit the Share Registry’s website at www.investorcentre.linkmarketservices.com.au and follow the steps below;
 -  click on the “REGISTER NOW” icon to create your portfolio or enter as a “single holding” by entering the required information.
 -  enter your Securityholder Reference Number (SRN) or Holder Identification Number (HIN), this can be found under the barcode at the top of this form.
 -  once you are logged in, click on ‘Communications’ from the top menu and select ‘Preferences’. From here you can enter your email address and select your preferred method of electronic communications.

OR

- complete the form below and return it to us in the reply paid envelope provided.

Example: sam.sample@sampleville.com.au

My email address is:

[Empty text box for email address entry]

Thank you for your support in helping us better communicate with you.

Privacy Clause: Link Market Services Limited advises that Chapter 2C of the *Corporations Act 2001* requires information about you as a securityholder (including your name, address and details of the securities you hold) to be included in the public register of the entity in which you hold securities. Information is collected to administer your securityholding and if some or all of the information is not collected then it might not be possible to administer your securityholding. Your personal information may be disclosed to the entity in which you hold securities. You can obtain access to your personal information by contacting us at the address or telephone number shown on this form. Our privacy policy is available on our website (www.linkmarketservices.com.au).



Fortescue Metals Group Limited

ABN 57 002 594 872

Dividend Reinvestment Plan Frequently Asked Questions



What is the Dividend Reinvestment Plan?

Under the plan you may elect to have dividends paid on some or all of your Fortescue shares automatically reinvested in additional Fortescue shares.

Can I participate?

You are eligible to participate in the DRP if your address on the Fortescue share register is in Australia or New Zealand.

If you do not have an address on the share register in Australia or New Zealand you may only participate in the DRP if the Board in its absolute and unfettered discretion approves of your participation.

How do I participate?

Participation in the DRP is entirely optional.

You may elect to participate by completing a Dividend Reinvestment Plan Application or Variation Form (DRP Form) and returning it to the Fortescue Share Registry. Additional DRP Forms may be obtained from the Fortescue Share Registry.

You may elect to participate in the DRP at any time. Your participation will commence with the first dividend paid after receipt of a valid DRP Form. However, the DRP Form will only be effective for a particular dividend if it is received before 5:00pm (Perth time) on the Record Date for that dividend.

Shareholders may elect to participate as follows:

1. full participation in the DRP; or
2. partial participation in the DRP.

If you elect to participate fully in the DRP, then all shares held by you at the relevant Record Date for all dividends will be treated as participating in the DRP.

If you choose partial participation, only the specific number of shares nominated will participate in the DRP. Dividends will be paid in the normal way for shares not participating in the DRP.

If you choose partial participation, any shares allotted or transferred to you under the DRP will not participate in the DRP unless the number of shares you hold is less than the specific number of shares you have nominated to participate in the DRP.

Do I have to participate?

No, it is entirely optional. If you are unsure whether to participate, you should obtain your own independent advice before making a decision.

Is there a discount?

The Board will determine for each dividend whether or not a discount will be applied to the DRP. The discount, if any, will be announced to the ASX at the time the relevant dividend is announced to the ASX.

Will these shares be the same as my existing shares?

Yes, shares allotted or transferred under the DRP rank equally in all respects with existing shares from the date of allotment.

What will the Issue Price be?

Shares are allotted or transferred at the volume weighted average price of all Fortescue shares traded on the Australian Securities Exchange during the period of five trading days commencing on the first trading day after the Record Date for the relevant dividend, less any applicable discount as announced to the ASX.

How many shares will I receive?

The number of new shares to be allotted or transferred to each Participant depends on the value of the dividend declared. The exact number of new shares will be the value of the dividend entitlement

divided by the Issue Price, rounded down to the nearest whole number of shares.

Will I have to pay anything to participate in the DRP?

No brokerage or other transaction/administration costs are payable by Participants on shares allotted under the DRP at this time.

What if I have more than one shareholding?

A separate form will have to be lodged for each shareholding registered under different names or for each shareholding that has a different shareholder registration number.

Can I vary my level of participation later? Can I withdraw from the DRP?

You may vary your level of participation or withdraw from the DRP at any time by completing a DRP Application or Variation Form and forwarding it to the Fortescue Share Registry.

When is the latest I can submit my DRP Application or Variation Form?

You may submit your DRP Application or Variation Form at any time, but for the application or change to be effective for a particular dividend, the form must be received before 5:00pm (Perth time) on the Record Date for that dividend.

How will I know how many shares have been allotted or transferred?

Fortescue will send you a statement for each dividend payment providing full details of an allotment or transfer under the DRP.

When will shares be recorded in my name?

Shares allotted or transferred under the DRP will be recorded in Fortescue's register of members under your name on or about the date of payment of the relevant dividend.

You should confirm that the shares have been recorded in your name before entering into any transaction involving shares allotted or transferred under the DRP.

Can I sell my shares?

You may sell any of your shares at any time (subject of course to any relevant legislative provisions).

Are my shares taxed?

Dividends reinvested under the DRP, including any amounts donated to charity, are usually assessable for income tax in the same way as cash dividends in both Australia and New Zealand. There is generally no tax benefit in participating in the DRP.

Fortescue takes no responsibility for any taxation liability of participants. You should seek your own independent tax advice in relation to the DRP.

Where can I get another DRP Application or a DRP Variation form?

To receive another form please contact:

Fortescue Share Registry
Locked Bag A14
Sydney South NSW 1235

Enquiries: 1300 733 136 (within Australia)
+61 2 8280 7603 (outside Australia)

Facsimile: 02 9287 0303

Where can I get more information?

More information can be found in the Terms and Conditions located on Fortescue's website – www.fmg.com.au.

Fortescue Metals Group Limited

ABN 57 002 594 872

Dividend Reinvestment Plan Terms and Conditions



1. Definitions and Interpretation

1.1 Definitions

In these Terms:

'ASX' means the ASX Ltd (ABN 98 008 624 691) or the market conducted by it;

'ASX Operating Rules' means the market rules applicable to trading on the ASX;

'ASX Settlement Operating Rules' means the settlement rules applicable to trading on the ASX;

'Charity' means any charitable organisation licensed or registered to conduct fundraising activities under the *Charitable Collections Act 1946* in Western Australia, or any similar legislation in Western Australia or any other State or Territory of Australia,

'Constitution' means the Constitution of Fortescue as amended from time to time;

'Directors' means the Directors of Fortescue from time to time;

'DRP' means the Dividend Reinvestment Plan of Fortescue conducted on these Terms;

'Excluded Trades' means all off-market trades, including but not limited to, transactions defined in the ASX Operating Rules as special crossings, crossings prior to the commencement of the open session state, portfolio special crossings, equity combinations, crossings during overnight trading, overseas activity, trades pursuant to the exercise of options over shares and any other trades that the Directors determine should be excluded on the basis that the trades are not fairly reflective of supply and demand;

'Fortescue' means Fortescue Metals Group Ltd (ABN 57 002 594 872);

'Issue Price' means, in relation to a dividend, 100% or such other amount that the Directors may determine from time to time of:

- a. the volume weighted average price per share of all shares traded on the ASX during the Price Determination Period in relation to the Record Date for that dividend (excluding Excluded Trades); or
- b. if no shares are traded during the Price Determination Period, the last sale price (that is not in respect of an Excluded Trade) recorded on the ASX prior to commencement of the Price Determination Period;

'Listing Rules' means the Official Listing Rules of the ASX;

'Participant' means a Shareholder participating in the DRP in respect to a holding under a Shareholder Number;

'Participating Shares' means the number of a Participant's Shares that are participating in the DRP as at the Record Date calculated in accordance with clause 4;

'Price Determination Period' means, in relation to a dividend, the period commencing on the first Trading Day after the Record Date (Commencement Date) for that dividend and ending:

- a. if not otherwise determined by the Directors, five Trading Days after the Commencement Date; or
- b. at such time as is determined by the Directors in their absolute and unfettered discretion;

'Record Date' means the date the Register is closed for determining entitlements to a dividend;

'Register' means the register of members maintained by Fortescue (or by Fortescue's duly appointed agent), including both the principal register and any branch registers or sub-registers;

'Shareholder' means a person registered in the Register as a holder of shares;

'Shareholder Number' includes a holder identification number issued to a Shareholder under the ASX Settlement Operating Rules;

'Shares' means fully paid ordinary shares in the capital of Fortescue;

'Terms' means these terms and conditions of the DRP as amended from time to time in accordance with clause 13;

'Trading Days' means days on which the ASX is open for trading;

'Withholdings' means withholding tax and any other amounts (including without limitation, amounts withheld as a result of a failure to provide a tax file number) which Fortescue is required or permitted to withhold from a dividend payable on Participating Shares.

1.2 Interpretation

In these Terms, unless the context otherwise requires:

- a. the singular includes the plural and vice versa;
- b. headings are for convenience only and do not affect interpretation;
- c. an expression importing a natural person includes a firm, a body corporate, an unincorporated association and an authority;
- d. a reference to any statute, regulation, proclamation, ordinance or by-law includes all statutes, regulations, proclamations, ordinances of by-laws amending, consolidating or replacing them, and a reference to a statute includes all regulations, proclamations, ordinances and by-laws issued under that statute; and
- e. a reference to a document includes an amendment or supplement to, or replacement or novation of, that document.

2. Eligibility

- 2.1 Any Shareholder with an address on the Register in Australia or New Zealand is eligible to participate in the DRP.
- 2.2 Shareholders who do not have an address on the Register in Australia or New Zealand may only participate in the DRP if the Directors in their absolute and unfettered discretion approve of the participation.
- 2.3 The Directors have an absolute and unfettered discretion to refuse to accept shares for participation in the DRP and to suspend or withdraw shares from participation without notice.

3. Participation in the DRP

- 3.1 Participation in the DRP is optional and is subject to the Terms, all applicable laws, the Listing Rules and the Constitution.
- 3.2 If a Shareholder wishes to participate in the DRP, or vary the Shareholder's participation in ways permitted by these Terms, the Shareholder must complete a form prescribed by the Directors from time-to-time for that purpose.

4. Level of Participation

- 4.1 A Shareholder may specify in the form completed under clause 3.2 the number (or percentage, if so permitted by the Directors) of shares which the Shareholder wishes to participate in the DRP.
- 4.2 If an application to participate or to vary participation is received which does not specify the number (or percentage, if applicable) of shares that the Participant wishes to participate in the DRP, then the application will be deemed to specify all of the Participant's Shares from time to time.
- 4.3 If an application to participate or to vary participation is received that specifies a number of shares that the Participant wishes to participate in the DRP that is greater than the number of shares held under the Participant's Shareholder Number, then the application will be deemed to specify all of the shares under that Shareholder Number from time to time.
- 4.4 Participating Shares will participate in the DRP and dividends paid on those Participating Shares will be reinvested in new shares in accordance with these Terms.
- 4.5 Shares which are sold or otherwise transferred to a new Shareholder Number will cease to participate in the DRP on registration of the transfer by or on behalf of Fortescue.

5. Operation

- 5.1 Subject to this clause 5, each dividend (net of Withholdings, if any) payable to a Participant in respect of Participating Shares together with any balance under clause 5.5 will be applied by Fortescue to subscribe for shares, at the Issue Price, on the Participant's behalf.
- 5.2 The number of shares subscribed for by each Participant will be the exact number for that Participant calculated under clause 5.1, rounded down to the nearest whole number of shares.

5.3 The DRP will not operate in relation to a dividend to the extent that the allotment or transfer of shares under the DRP would breach any applicable law, the Listing Rules or any provision in the Constitution.

5.4 If and to the extent that the DRP does not operate, the relevant dividend on Participating Shares must instead be distributed (net of Withholdings, if any) to Participants in the same way as to Shareholders not participating in the DRP.

5.5 Fortescue will retain for the Participant's benefit any balance remaining after the rounding down of the number of shares subscribed for under clause 5.2, and subject to clause 5.6 such balance shall be applied to subscribe for shares under clause 5.1 with the next dividend.

5.6 If the Participant does not hold shares under, or has ceased to participate in the DRP in respect to, the Shareholder Number to which the balance in clause 5.5 relates or the DRP has been terminated at the time of the Record Date for the next full year dividend, the Shareholder will forfeit that balance and Fortescue will donate the balance to a Charity chosen by the Directors.

6. Allotted Shares

Shares allotted under the DRP will rank equally with existing shares and must:

- a. be allotted in accordance with the Listing Rules and the terms of the DRP;
- b. be subject to the same rights as all other shares; and
- c. where a Participant lodges separate applications under clause 11.4 in respect of parcels of shares held by that Participant identified in the Register by a separate Shareholder Number, be registered on the same Register as the Participant's Shares to which the application relates.

7. Issue New Shares or Purchase Existing Shares

7.1 The Directors in their absolute discretion will determine, with respect to the operation of the DRP for any dividend, whether to issue new shares or to cause the purchase and transfer of existing shares, or to apply a combination of both options, to satisfy Fortescue's obligations under these Terms.

7.2 If the Directors determine to cause the purchase of shares and their transfer to Participants, the shares may be acquired as the Directors consider appropriate. Fortescue, if it so chooses, may create a trust (of which Participants are the beneficiaries) to acquire the shares and then transfer or sell such shares to the Participants.

8. Statements

After each allotment of shares under the DRP, Fortescue must send to each Participant a statement setting out full details of the allotment and any cash balances.

9. Changes to participation

A Participant may at any time, by notice in writing to Fortescue in a form prescribed by the Directors, terminate the Participant's participation in the DRP, or (subject to these Terms) increase or decrease the number (or percentage, if applicable) of the Participating Shares. A notice given under this clause which is received after 5pm (Perth time) on the Record Date for a dividend is not effective for that dividend, but takes effect in respect of the next dividend.

10. Share transfers and Other Changes in Shareholding

Where a Shareholder holds Participating Shares and non-Participating Shares, and sells or transfers a share, the non-Participating Shares will be deemed to be sold or transferred in priority to Participating Shares.

11. Applications and notices

- 11.1 Any notice or application by a Shareholder provided for in the Terms must be in writing, addressed to Fortescue and in the form prescribed (if any) for that purpose by the Directors.
- 11.2 By applying to participate in the DRP, the Shareholder agrees to be bound by these Terms and the Constitution in respect of all shares allotted or transferred to the Shareholder under the DRP.
- 11.3 The Directors may in their absolute and unfettered discretion accept or reject any notice of application to participate in the DRP or discontinue the participation of a Participant in the DRP, without being bound to give any reason for doing so.
- 11.4 Separate notices or applications must be given in respect of each parcel of shares identified in the Register by a separate Shareholder Number and a Shareholder is deemed for the purposes of the DRP to be a separate Shareholder in relation to each parcel of shares identified by a separate Shareholder Number.
- 11.5 A notice required by these Terms to be given to Shareholders by Fortescue may be given by:
 - a. giving the notice to ASX for release to the market (in which case the notice is taken to be given on the date that it is released to the market); or
 - b. sending the notice to the registered postal address or nominated email address (if applicable) of the Shareholders (in which case the notice is taken to be given on the date determined in accordance with the Constitution); or
 - c. both methods (in which case the notice is taken to be given on the date that it is released to the market).
- 11.6 The failure to give a notice of modification, suspension or termination, or the non-receipt of any notice by any Shareholder, does not invalidate the variation, suspension or termination (as the case may be).

12. ASX Listing

Pursuant to the Listing Rules, Fortescue will apply for quotation on the ASX of all shares issued (if any) and allotted under the DRP.

13. Modification, suspension and termination

- 13.1 The Directors may, in their absolute and unfettered discretion, modify the Terms, or suspend or terminate the DRP at any time.
- 13.2 Subject to clause 9, each Shareholder who was a Participant immediately prior to the suspension of the DRP is taken to continue to participate in the DRP when it recommences.

- 13.3 Subject to clause 9, in the event that the Terms are modified by the Directors, each Participant is taken to continue to participate in the DRP as varied.

14. Costs

Any brokerage, commission and other transaction costs in respect of any subsequent disposal of shares acquired under the DRP by a Participant will be payable by that Participant.

15. Delegation

The Directors may delegate their obligations under these Terms to the Chief Executive Officer of Fortescue (from time to time).

16. Set-off

The Directors may, at their discretion, cease the participation in the DRP of a Shareholder where, in accordance with the Constitution or any law, the Directors are entitled to retain all or part of a dividend payable in respect of that Participant's Participating Shares or Fortescue is entitled to a charge over such Participating Shares or over any dividend payable in respect of such Participating Shares.

17. Waiver

Fortescue reserves the right to waive strict compliance with any of these Terms.

18. Disputes

Any disputes or disagreements arising under or in relation to the DRP or the Terms may be settled by the Directors in any way the Directors think appropriate and any determination made by the Directors will be final and binding.

19. Taxation

Fortescue takes no responsibility for the taxation liabilities of any Participant. A Participant should obtain their own independent taxation advice, if required.

20. Governing Law

The Terms will be governed by and construed in accordance with the laws of Western Australia.