



James Hardie

Notice of 2001 Annual General Meeting

James Hardie Industries Limited ACN 000 009 263

Your Vote is Important

You can vote by completing and returning the enclosed proxy form to arrive at James Hardie Industries Limited by no later than 1:30pm on 10 July 2001 or vote in person at the Annual General Meeting to be held in the Grand Ballroom of The Wentworth Hotel, 61-101 Phillip Street, Sydney, NSW, Australia on Thursday, 12 July 2001 at 1:30pm.

Notice of Meeting

The 81st Annual General Meeting of shareholders of James Hardie Industries Limited will be held in the Grand Ballroom of The Wentworth Hotel, 61-101 Phillip Street, Sydney, NSW, Australia on Thursday, 12 July 2001 at 1:30pm.

Ordinary Business

1. To consider the Annual Financial Report, Directors' Report and Auditor's Report for the year ended 31 March 2001.

2. To elect Directors:

a) Mr AG McGregor retires by rotation in accordance with Article 86 of the Company's Constitution and, being eligible, offers himself for re-election.

Mr McGregor joined the Board as a non-executive Director on 31 March 1989 and became Chairman in December 1995. He is member of both the Audit and Remuneration Committees. Mr McGregor is chairman of FH Faulding & Co Ltd, the Australian Wool Testing Authority and Burns Philp & Company Ltd and a board or committee member of a number of charitable and community organisations.

b) Mr PJ Willcox retires by rotation in accordance with Article 86 of the Company's Constitution and, being eligible, offers himself for re-election.

Mr Willcox joined the Board as a non-executive Director on 11 May 1992. Mr Willcox is Chairman of the Remuneration Committee and a director of Energy Developments Ltd.

Special Business

3. To approve the Peter Donald Macdonald 2001 Share Option Plan.

To consider and, if thought fit, pass the following ordinary resolution.

That the Company approves, as an exception to Australian Stock Exchange Ltd (ASX) Listing Rule 7.1 and for the purposes of ASX Listing Rule 10.11, the issue to Mr Peter Donald Macdonald of 624,000 options over unissued ordinary shares in the Company on the terms set out in the Explanatory Memorandum accompanying the Notice of Meeting convening this meeting.

A detailed explanation of the background and the reasons for the proposed resolution is set out in the Explanatory Memorandum on the reverse of this page.

The Directors, other than Mr Macdonald, recommend that you vote in favour of resolution 3

Notes on voting are set out on the reverse of this page.

By order of the Board

PJ Shafron
Company Secretary
23 May 2001



Explanatory Memorandum:

Resolution 3 – Ordinary Resolution to approve the Peter Donald Macdonald 2001 Share Option Plan (the 'Plan')

Under resolution 3, shareholders are being asked to consider a second share option plan for Peter Donald Macdonald. Mr Macdonald has been Managing Director and Chief Executive Officer since 1 November 1999.

This resolution has been proposed in accordance with Listing Rule 7.2 as an exception to the 15% rule in ASX Listing Rule 7.1 and for the purposes of ASX Listing Rule 10.11.

The Plan is designed to reward Mr Macdonald if there is a sustained improvement in the James Hardie share price over the long term. The Plan is part of a remuneration package for Mr Macdonald which, based on independent advice from remuneration specialists in both the United States and Australia, will continue to provide a competitive package in the United States employment market. The Plan is based on 'common practice' in the United States and in this context, shareholders should be aware that the Plan does not include a 'performance hurdle' of the type often used in Australia. Furthermore, vesting is now 33.3% on each of the first, second and third anniversary of the date of issue, which is also in line with 'common practice' in the United States. Mr Macdonald is a permanent resident of the United States and has worked for the Company in the United States for 7 years.

The options to be issued under the Plan will be granted on the following terms and conditions:

Terms and Conditions

- > 624,000 options will be issued.
- > If the grant of the options is approved by shareholders, the options will be granted to Mr Macdonald within one month of the date of the Annual General Meeting.
- > Each option confers the right to subscribe for one share of the Company at a price equal to the average closing price of ordinary shares sold on the ASX on the five trading days immediately before the date of this Annual General Meeting, payable by Mr Macdonald at the time of exercise of the options.
- > The options will vest in three tranches of 208,000 options.
- > The options may be exercised as follows:
 - i. The first tranche will be exercisable after one year from the date of issue;
 - ii. The second tranche will be exercisable after two years from the date of issue; and
 - iii. The third tranche will be exercisable after three years from the date of issue; or
 - iv. Immediately upon a change of control of the Company.
- > Options not exercised will lapse on the first to occur of:
 - i. Ten years from the date of issue; or
 - ii. The expiry of six months after the date on which Mr Macdonald dies or six months after he ceases to be employed by the Company or a subsidiary.
- > These options are subject to anti-dilution provisions for corporate actions like bonus issues.
- > The options do not confer the right to participate in new issues without exercising the options.

Voting Exclusion Statement

The ASX Listing Rules specify the persons whose votes must be disregarded on Resolution 3 of this Notice of Meeting. The Company will disregard any votes cast on Resolution 3 by:

- > Mr Macdonald;
- > An associate of Mr Macdonald; and
- > A person whose votes in the ASX's opinion should be disregarded.

As at the date of this notice, the ASX has not notified the Company of persons whose votes, in the ASX's opinion, ought to be disregarded on Resolution 3.

However, the Company need not disregard the vote of any persons falling into the categories above if:

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

Notes on voting:

- (i) Shareholders registered at the close of the business day on 10 July 2001 are eligible to vote at the Annual General Meeting.
- (ii) A member who is entitled to attend and cast a vote at the Annual General Meeting and is unable to attend the meeting is entitled to appoint not more than two proxies. Where more than one proxy is appointed the proportion or number of votes each proxy may exercise must be specified. Where two proxies are appointed a separate form should be used for each. Proxies need not be members of the Company.
- (iii) If you wish to appoint a proxy, please complete the proxy form provided and return it by post or deliver it to the Registered Office of the Company or fax to (02) 9262 5758 within Australia or (612) 9262 5758 outside Australia. Proxy forms must be received no later than 1:30pm on Tuesday, 10 July 2001.
- (iv) On a show of hands every member holding shares present in person or by proxy or attorney and entitled to vote shall have one vote and upon a poll every member holding shares present in person or by proxy or attorney and entitled to vote shall have one vote for every share held by that member. If a proxy has been appointed by two or more members who specify different ways to vote on a resolution, the proxy must not vote on a show of hands.