HD	**FED:Twiggy's China iron bet paying off**
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FORTESCUE By Greg Roberts

MELBOURNE, Jan 15 AAP - Australian billionaire Andrew "Twiggy" Forrest's risky gamble on China's appetite for iron ore is paying off with Fortescue Metals Group getting its debt pile below $US10 billion ($A11.19 billion).

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Australia's third largest iron ore miner, founded by Mr Forrest, announced on Wednesday that it was paying back $US1.6 billion of debt not due until 2015 and 2016.

A cashed-up Fortescue is paying back debt early to take advantage of an iron ore price that has been above $US130 a tonne since July last year, defying widespread criticism by analysts predicting a fall in the price.

The latest repayments will reduce gross debt to $US9.6 billion, which peaked at $US12.7 billion last year, with net debt down to $US7.8 billion from a peak above $US10 billion.

Debt repayments and refinancing have reduced annual interest payments by $US300 million.

Fortescue used debt to drive what was seen as a risky tripling of production over the last two years to 155 million tonnes a year.

The world's largest miner BHP Billiton produced 155 million tonnes of iron ore, its biggest earnings business, two-and-a-half years ago.

Fortescue was forced into an emergency debt restructure in 2012 amid a cashflow crisis when iron ore prices plunged, but chief executive Nev Power has maintained he sees strong Chinese demand for at least another two decades.

The latest voluntary payment underscored the company's commitment to repay the debt that funded the expansion to 155 million tonnes a year due to be finished by March, he said on Wednesday.

"The substantial increase in production and strong market conditions have strengthened our balance sheet and enabled us to accelerate our debt reduction program," he said.

It hopes to reduce its gearing - equity (or capital) to borrowed funds - from a peak of 70 per cent to 40 per cent - this year and achieve an investment grade from ratings agencies.

Fortescue has long been criticised for trying to grow too quickly with too much debt but analysts have acknowledged that they are surprised by the high iron ore price and the miner is properly taking advantage.

"If prices stay good for another year or so they will have a lot of debt paid off," Morningstar analyst Mathew Hodge said.

"I think its inevitable that the iron ore price will fall, the amount of money the whole industry is making is obscene.

"Is that sustainable? I don't think so ... we are going to get more supply come in too from BHP, Rio, Vale, Gina Rinehart."

The **company**'s shares rose 18 cents, or 3.5 per cent, to $5.33.

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CO	ambol : Fortescue Metals Group Ltd
IN	i22 : Primary Metals | i221 : Iron/Steel/Ferroalloys | ibasicm : Basic Materials/Resources | i211 : Metal Ore Mining | imet : Mining/Quarrying
RE	austr : Australia | china : China | apacz : Asia Pacific | asiaz : Asia | ausnz : Australia/Oceania | bric : BRIC Countries | chinaz : Greater China | devgcoz : Emerging Market Countries | dvpcoz : Developing Economies | easiaz : Eastern Asia
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