

SE Business  
HD Fortescue bolsters iron ore reserves  
BY ANDREW BURRELL, RESOURCES  
WC 486 words  
PD 21 May 2014  
SN The Australian  
SC AUSTLN  
ED Australian  
PG 22  
LA English  
CY © 2014 News Limited. All rights reserved.  
LP

FORTESCUE Metals Group has breathed life into its wilting share price by unveiling a 77 per cent boost in the amount of iron ore it estimates at its Greater Solomon deposit in the Pilbara.

The Perth-based company, the world's fourth-biggest iron ore miner, reported a 1.16 billion tonne addition to the Greater Solomon mineral resource, taking the total resource to 2.66 billion tonnes.

TD

The resource for the company's Solomon hub, which includes the Firetail and Kings Valley mines, has also grown to more than 4.5 billion tonnes, underlining the success of Fortescue's exploration program since it was founded in 2003. Fortescue shares defied the market's gloomy sentiment towards iron ore by leaping 3.9 per cent to \$4.54.

On Monday the stock plunged 4.6 per cent to an eight-month low as the iron ore price fell below its psychological floor of \$US100 per tonne for the first time in two years amid uncertainty over Chinese steel output and an increase in supply.

In a note to clients yesterday, Credit Suisse research analyst Matthew Hope said Fortescue was trading as a proxy for the iron ore price, but he said investors might be attracted to the stock, which has fallen more than 20 per cent this year.

"We believe value investors are eyeing FMG now, but are likely to remain on the sidelines until the iron ore price stabilises," Mr Hope said.

He said Fortescue represented "excellent value" if the iron ore price held above \$US90 a tonne but might also be seen as a "trap" if investors believed the price was headed to \$US70 or less.

Another negative for Fortescue is the potential strike by tugboat workers at Port Hedland, which Credit Suisse estimated could cut 10 million tonnes from the miner's shipments this year and slice free cash generation by 10 per cent.

In its resource update, Fortescue also revealed it had rid itself of the Pilbara iron ore deposit that its founder, Andrew Forrest, had originally planned would enrich shareholders.

When Mr Forrest took over a minnow called Allied Mining and Prospecting in 2003, he told shareholders that he would use the company's Mt Nicholas deposit to meet what he described as China's rising demand for iron ore.

But Mr Forrest's geologists quickly discovered that Mt Nicholas was riddled with impurities and would never be economic to mine, forcing Fortescue — as Allied was renamed — to extend its exploration campaign in other parts of the Pilbara.

Fortescue said yesterday the Mt Nicholas deposit had been removed from its inventory as it did not meet cut-off grades. Mr Forrest has shown his faith in Fortescue in recent months by continuing to buy shares, taking his personal stake above 33 per cent. He recently bought \$9.7 million worth of shares.

**IN** i211 : Metal Ore Mining | i22 : Primary Metals | i221 : Iron/Steel/Ferroalloys | ibasicm : Basic Materials/Resources | imet : Mining/Quarrying

**NS** ccat : Corporate/Industrial News

**RE** austr : Australia | apacz : Asia Pacific | ausnz : Australia/Oceania

**PUB** News Ltd.

**AN** Document AUSTLN0020140520ea5I0005w