

SE Business
HD **Fortescue slashes project spending**
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Resources - Miner seeks funding alternatives

Fortescue Metals Group will halve its spending on projects after taking the knife to its \$US1.3 **billion** capital budget for the 2015 financial year.

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On Friday, the miner joined Rio Tinto and BHP Billiton in aggressively cutting capital, with the Perth-based miner now set to spend just \$US650 **million** this financial year.

But in an attempt to distance Fortescue from the two major miners, who have defended export expansions amid weak commodity prices, Mr Power said the cuts were made because; "In the current environment it is prudent to defer investing additional capital that increases supply into the market".

The spending cut will see Fortescue's exploration budget savaged, and the deferral of a \$US100 **million** detrital processing plant, which was expected to treat 5 **million** tonnes per year from mid 2015 onward.

The miner will also look for cheaper ways to complete the **purchase** of a group of very large **ore** carriers, which are designed to lower freight costs to **China**.

In a statement to the ASX after the close of trading, Fortescue said alternative funding or ownership models for the large vessels were being investigated.

Fortescue chief executive Nev Power said the spending cuts would improve cashflow while maintaining export guidance for the 2015 financial year at between 155 **million** tonnes and 160 **million** tonnes.

"We will maximise output from our world class **mining** and infrastructure assets and remain focused on factors within our control to ensure the efficiency of **operations** and cash discipline to continue the program of early, voluntary debt repayment," he said.

Fortescue said it would complete the construction of its fifth berth at Port Hedland but would look to do so more efficiently.

Iron ore prices were fetching \$US69.98 per tonne on Friday, less than half the price they were fetching on December 9, 2013.

It is the second time Fortescue responded quickly to a fall in the **iron ore** price, after it halted an expansion project in September 2012.

Despite rumours the miner may close its Cloudbreak mine in response to weak **iron ore** prices, Fortescue last night insisted it would not be closing Cloudbreak.

Fortescue shares rose 8¢ to close the week at \$2.94.

The cuts will also deferral of every operating costs, including some maintenance, and that comes after Fortescue earlier this year announced the deferment of some truck engine rebuilds.

Upon visiting Fortescue's Pilbara **operations** in October, Deutsche analyst Paul Young noted that while such measures reduce near term costs, they "can't last forever".

Earlier on Friday Rio revealed its 2014 capital spend would be closer to \$US8.5 **million**, rather than the \$US11 **million** flagged in February.

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