
FMG funding plan may delay mine expansions - RBS

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Bloomberg quoted that Royal Bank of Scotland Group Plc said Fortescue Metals Group Ltd decision to self-fund planned production increases may delay expansion at Australia third largest iron ore exporter.

Mr Warren Edney RBS analysts led by Melbourne-based said “The inability to reach an acceptable financing arrangement with the Chinese raises some doubt about the timing of expansion options.”

Goldman Sachs JBWere Pty said in a report the company had previously flagged expansion to 95 million tonnes by 2012. Fortescue could internally fund expansion to that level by 2014.

According to the report Fortescue escaped possibly onerous conditions by scrapping the Chinese funding talks.

Goldman analysts Mr Neil Goodwill and Mr Roscoe Widdup said in the report “We were previously concerned that the funding deal for the expansion would effectively mean the company could be held hostage by its debt holders.”

Fortescue failed to agree on terms to borrow USD 6 billion from Chinese lenders, missing a self imposed September 30th deadline. The Perth based company said it would instead fund the AUD 360 million Christmas Creek mine with cash and would “largely” internally fund a planned doubling of output.

Fortescue said Christmas Creek will add to output from its Cloudbreak operation and boost capacity to 55 million tonnes a year by 2011 from about 39 millions tonnes now.

(Sourced from Bloomberg)

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