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 HD **Under-pressure Cliffs cuts back**  
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US-based **iron ore** producer Cliffs Natural Resources has slashed its capital spending budget in a sign it could be yielding to shareholder pressure to clean up its balance sheet ahead of moves to sell or float its Canadian and WA mines.

Cliffs had a torrid year on the US market, with its share price tumbling more than 30 per cent amid rising production costs and construction blowouts at its Canadian **iron ore** projects.

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The **company** now faces pressure from activist hedge fund Casablanca Capital, which called on the **company** to separate its US **iron ore** mines from its international **operations** after last month emerging with a 5.2 per cent **stake** in the **company**.

Cliffs appointed JPMorgan as corporate advisers in response to the Casablanca move on its register and said yesterday it had mothballed one high-cost Canadian mine and canned expansion plans at its troubled Bloom Lake project in Quebec.

Cliffs is due to release its fourth quarter financial results in the US today and is expected to update shareholders on its thinking about the potential **sale** or float of its international assets.

Its WA mines produce about 11 **million** tonnes of **iron ore** a year, with total production costs of about \$US73 a tonne. Industry sources suggest a **sale** or float of the assets could attract significant interest, though any attempt to tie its struggling Canadian **operations** to the **sale** would hurt the process.

But the mines are profitable at current **iron ore** prices, with Cliffs making a \$US35.73 margin on **iron ore** sales in the September quarter.

If its Yilgarn mines are put on the block it would be the first **sale** of operating WA **iron ore** assets of any significant size since its own **acquisition** of the mines in 2005 through a \$675 **million** bid for George Jones' Portman **Mining**.

Atlas **Iron**, exporting at similar levels to Cliffs, is capitalised at just over \$1 **billion** on the Australian exchange but has been marked down heavily due to uncertainty about its future spending on infrastructure. Sources suggest Cliffs would attract a premium over Atlas' valuation.

Alternatively, **Chinese** steelmakers, still keen to lock away **iron ore** supply but now more reluctant to risk splashing out on development stage projects, are likely to be very interested in producing assets should Cliffs opt for a trade **sale**. Big player \$US73 Total production costs per tonne for Cliffs' WA mines, which produce about 11 **million** tonnes of **iron ore** a year

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ccic : Cliffs Natural Resources Inc

IN

i211 : Metal Ore Mining | i2111 : Iron Ore Mining | i22 : Primary Metals | i221 : Iron/Steel/Ferroalloys | ibasicm : Basic Materials/Resources | imet : Mining/Quarrying

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