

HD Cliffs to sell N. America **coal**, Australia **ore** assets

BY Michael Cowden

WC 577 words

PD 28 October 2014

SN American Metal Market

SC AMM

LA English

CY Copyright 2014. American Metal Market

LP

Cliffs Natural Resources Inc. plans to sell its **iron ore** business in Australia and its **coal mining** assets in the United States, according to the **company's** top executive.

CHICAGO — Cliffs Natural Resources Inc. plans to sell its **iron ore** business in Australia and its **coal mining** assets in the United States, according to the **company's** top executive.

TD

But the Cleveland-based **mining company** said it won't consider a "fire **sale**" of what it deems non-core assets despite current low prices for **iron ore** and **coal** and a nearly \$6-**billion** dollar write-down related to those assets.

"We don't need to sell assets, and we have more than enough liquidity to run our business and pay down debt. There is no time bomb ticking within Cliffs," chairman, chief executive and president Lourenco Goncalves said during an Oct. 28 earnings conference call.

Cliffs' Koolyanobbing operation in Western Australia is a low-cost producer and could continue to operate for another six years—the remaining life of the mine—with capital expenditures of only \$50 **million**, Goncalves said. The facility also benefits from a product mix that includes more than 50 percent lump **iron ore**, which **Chinese** buyers will increasingly be willing to pay a premium for as they look to scale back purchases of the fines delivered by major Australian producers, he said.

Lumps, unlike fines, don't require additional sintering, which is costly and contributes to **China's** already notorious air pollution problems, Goncalves said. Potential buyers have failed to take that into consideration and also failed to account for Koolyanobbing's location near a port that can handle capesize vessels and its strong rail position in Australia Pilbara, he said.

"We've gotten a lot of unsolicited interest for the assets, but from the wrong buyers," Goncalves said, noting that Cliffs could opt to operate the mine until it reached the end of its life.

He also noted that the **company's** Asia-Pacific **Iron Ore** business remains profitable. And Koolyanobbing, unlike facilities operated by Cliffs' bigger competitors, does not require "massive" investment, he said.

The segment posted adjusted earnings before interest, taxes, depreciation and amortization (Ebitda) of \$46.1 **million** in the third quarter and \$234.5 **million** in the first nine months of 2014, according to earnings data released Oct. 27.

Goncalves said Cliffs also plans to sell its North American **coal** assets but is in no hurry given that the group is operating at a breakeven level, especially following a Worker Adjustment and Retraining Notification (WARN) Act notice for the segment's Pinnacle Complex in West Virginia and despite "depressed" metallurgical pricing (amm.com, Aug. 8), Goncalves said. "We'll make sure that our **coal** business does not consume much (capital expenditure) nor put a drain on our overall profitability," he said.

Cliffs' North American **Coal** wing recorded adjusted Ebitda of \$6.1 **million** in the third quarter and negative adjusted Ebitda of \$32.2 **million** in the first nine months of the year, according to earnings data.

"In summary, North American **Coal** is a zero-Ebitda player until we find a buyer," Goncalves said.

The **company** still plans to permanently close its Wabush Scully mine in Newfoundland and Labrador, which has been idle since the first quarter of 2014, he said. "By the end of the year, Wabush Scully will be completely erased from the portfolio."

CO ccic : Cliffs Natural Resources Inc

IN i211 : Metal Ore Mining | i2111 : Iron Ore Mining | i111 : Coal Mining | i221 : Iron/Steel/Ferroalloys | i1 : Energy | i22 : Primary Metals | ibasicm : Basic Materials/Resources | imet : Mining/Quarrying

NS c181 : Acquisitions/Mergers/Shareholdings | c182 : Asset Transactions | c18 : Ownership Changes | cactio : Corporate Actions | ccat : Corporate/Industrial News | ncat : Content Types | nfact : Factiva Filters | nfcpin : C&E Industry News Filter

RE usa : United States | austr : Australia | cana : Canada | apacz : Asia Pacific | ausnz : Australia/Oceania | namz : North America

IPD Iron Ore

PUB Metal Bulletin Limited

AN Document AMM0000020150316eas0027z