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**THE GLOBE AND MAIL** 

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## Cliffs Natural Resources looking to exit Ontario's Ring of Fire

By RACHELLE YOUNGLAI

*Earlier this week, Cliffs sent the First Nations in the area a letter saying it was exploring alternatives*

A major player in Ontario's Ring of Fire is considering selling a key property in the mineral belt, adding more uncertainty to a stalled project that was supposed to help boost the province's northern economy.

Cliffs Natural Resources Inc. this week signalled it could sell its huge chromite deposit in the Ring of Fire – a 5,000-square-kilometre crescent of chromite, nickel, copper, zinc and gold thought to be worth as much as \$50-billion during the commodity boom.

Earlier this week, Cliffs sent the First Nations in the area a letter saying it was exploring alternatives. "We should expect there will be a change, with a sale of the project one of the potential outcomes," Bill Boor, Cliffs' executive vice-president of corporate development, said in a letter that was viewed by The Globe and Mail.

A Cliffs spokeswoman confirmed the letter had been sent.

Cliffs suspended the project late last year after numerous delays and difficult discussions with the province and the First Nations communities near the vast deposit about 500 km north of Thunder Bay.

The province has touted the Ring of Fire as the economic engine for Northern Ontario. But its future appears bleak.

The deposit is pretty much inaccessible by road today. It is surrounded by nine Matawa First Nations, which have been clashing with the province's government on how to develop the project. The downturn in commodity prices has hurt the mining industry and investors have little interest in funding projects.

Cliff's decision to suspend the project last year was a wake-up call for the Ontario government, which promised to work with companies to build the infrastructure needed to move ore out of the remote area.

Cleveland-based Cliffs has spoken to a Canadian junior mining firm, KWG Resources Inc., according to KWG, which also has chromite deposits in the area.

"We have discussed the transaction. We are busy lining up the money and we are almost there," KWG's chief executive officer Frank Smeenck said in an interview.

It's not clear, however, whether any deal with KWG could be realized. Mr. Smeenck declined to comment on his source of funding. His company last traded at 4 cents a share.

Mr. Smeenk said he started talking to Cliffs after shareholders ousted the American miner's previous management and appointed Lourenco Goncalves as CEO.

"Lourenco and I have talked a couple times. He has confirmed that he would like to sell and we would like to buy," Mr. Smeenk said.

A spokeswoman for Cliffs declined to comment on KWG, and said a decision about whether to sell the asset has not been made.

Chromite is used in chrome plating and steel making, among other uses. The steel industry has been hit by a glut of supply and weak demand in China.

At one point, Ontario had been counting on Cliffs to build some of the Ring of Fire's infrastructure, such as a smelter in Sudbury to process the ore. That smelter will no longer be built by Cliffs.

Cliffs has closed its campsite, cut jobs and shut its offices in Toronto and Thunder Bay. It also halted an expansion of its Quebec mine and stopped production at another mine in Newfoundland and Labrador. The company said it wants to focus on its U.S. iron ore business.

Ontario Premier Kathleen Wynne has pledged \$1-billion for the road.

"We're committed to working with Cliffs and any companies with plans to undertake development in this region," said Eric Bianchini, a spokesman for Michael Gravelle, the province's Minister of Northern Development and Mines.

Cliffs bought three chromite deposits in 2010 for \$350-million. It spent about \$200-million developing the project and had expected to spend about \$3-billion in total.

It is not known whether Noront Resources Ltd. has made a bid for Cliffs' assets. In the past, the company's CEO has expressed interest. He could not be reached.

*Editor's note: An earlier version of this story incorrectly said the province's pledge to commit \$1-billion to the Ring of Fire belt in northern Ontario was contingent on the federal government matching the amount. In fact, it is not contingent on that match as the province dropped the contingency earlier this year.*

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