
CLM Wabush JV takeover offer may face Cliffs counter action

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Canadian development and exploration mining company Consolidated Thompson Iron Mines Ltd announced on October 9th that it has made an offer to purchase a 100% interest in the Wabush Mines joint venture from US Steel Canada Inc ArcelorMittal Dofasco Inc and Cliffs Natural Resources Inc for an aggregate purchase price of USD 120 million. The transaction will be financed through existing cash and credit facilities available to CLM. Against this, Cliffs announced October 12th it plans to exercise its right of first refusal and acquire USS' 44.6% interest and AMD's 28.6% interest in the Wabush Mines joint venture.

USS and AMD have conditionally accepted CLM October 9 purchase offer subject to Cliffs not exercising its right of first refusal to acquire each of USS and AMD interest in the Wabush Mines JV on the terms offered by CLM. Under the terms of the Wabush Mines partnership Cliffs has a right of first refusal to acquire each of USS and AMD interest in the Wabush Mines JV. Cliffs right of exercising first refusal expires October 19th 2009. If Cliffs does not eventually exercise its right of first refusal and does not accept CLM offer, CLM will have a binding agreement to acquire USS and AMD collective 73.2% interest in Wabush Mines joint venture for an aggregate purchase price of USD 87.8 million.

On October 12th Cliffs announced it plans to exercise its right of first refusal and acquire USS 44.6% interest and AMD's 28.6% interest in the Wabush Mines JV. Cliffs contemplates that with Wabush Mines' 5.5 million tonnes of rated capacity acquisition of the 73.2% will increase Cliffs' North American Iron Ore rated equity production capacity by approximately 4.0 million tonnes. This matter is therefore getting contingent.

On July 20th WISCO acquired a 19.99% stake in CLM resulting in the majority shareholder. In September CLM raised around CAD 144 million through issued of rights shares which it intends to use as part of funds for purchasing Wabush Mine assets. Wabush Mining is located next to the Bloom Lake deposit.

This is the second time that CLM intends to purchase Wabush Mines joint venture. In June 2007 it made the first offer. Though it once reached agreement with Cliffs and Stelco to acquire their stakes but Dofasco exercised its first refusal right which led CLM offer to be unsuccessful.

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