

CLIFFS NATURAL RESOURCES INC.

Form 10-K

February 26, 2009

[Table of Contents](#)

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2008

OR

.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to .

Commission File Number: 1-8944

CLIFFS NATURAL RESOURCES INC.

(Exact Name of Registrant as Specified in Its Charter)

Ohio
(State or Other Jurisdiction of

Incorporation or Organization)

200 Public Square, Cleveland, Ohio
(Address of Principal Executive Offices)

Registrant's Telephone Number, Including Area Code: (216) 694-5700

34-1464672
(I.R.S. Employer

Identification No.)

44114-2315
(Zip Code)

Title of Each Class

Name of Each Exchange on Which Registered

Common Shares, par value \$0.125 per share

New York Stock Exchange and Chicago Stock Exchange

Securities registered pursuant to Section 12(b) of the Act:

Edgar Filing: CLIFFS NATURAL RESOURCES INC. - Form 10-K

NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ☒ NO ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES ☐ NO ☒

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ NO ☒

As of June 30, 2008, the aggregate market value of the voting and non-voting stock held by non-affiliates of the registrant, based on the closing price of \$119.19 per share as reported on the New York Stock Exchange Composite Index was \$12,030,180,194 (excluded from this figure is the voting stock beneficially owned by the registrant's officers and directors).

The number of shares outstanding of the registrant's Common Shares, par value \$0.125 per share, was 113,527,411 as of February 23, 2009.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's proxy statement for its annual meeting of shareholders scheduled to be held on May 12, 2009 are incorporated by reference into Part III.

Table of Contents

TABLE OF CONTENTS

	Page No.
<u>Definitions</u>	2
<u>Part I</u>	
Item 1. <u>Business</u>	5
Item 1A. <u>Risk Factors</u>	24
Item 1B. <u>Unresolved Staff Comments</u>	32
Item 2. <u>Properties</u>	32
Item 3. <u>Legal Proceedings</u>	40
Item 4. <u>Submission of Matters to a Vote of Security Holders</u>	45
<u>Part II</u>	
Item 5. <u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	46
Item 6. <u>Selected Financial Data</u>	48
Item 7. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	50
Item 7A. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	79
Item 8. <u>Financial Statements and Supplementary Data</u>	80
Item 9. <u>Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</u>	153
Item 9A. <u>Controls and Procedures</u>	153
Item 9B. <u>Other Information</u>	154
<u>Part III</u>	
Item 10. <u>Directors, Executive Officers and Corporate Governance</u>	155
Item 11. <u>Executive Compensation</u>	155
Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	155
Item 13. <u>Certain Relationships and Related Transactions, and Director Independence</u>	156
Item 14. <u>Principal Accountant Fees and Services</u>	156
<u>Part IV</u>	
Item 15. <u>Exhibits and Financial Statement Schedules</u>	157
<u>Signatures</u>	158

Table of Contents

Definitions

The following abbreviations or acronyms are used in the text. References in this report to the Company, we, us, our and Cliffs are to Cliffs Natural Resources Inc. (formerly known as Cleveland-Cliffs Inc) and subsidiaries, collectively. References to A\$ or AUD refer to Australian currency, C\$ to Canadian currency and \$ to United States currency.

Abbreviation or acronym	Term
AAA	American Arbitration Association
AEPA	Australian Environmental Protection Authority
Algoma	Essar Steel Algoma Inc.
Amapá	Anglo Ferrous Amapá Mineração Ltda. and Anglo Ferrous Logística Amapá Ltda.
Anglo	Anglo American plc
AOC	Administrative Order by Consent
APB	Accounting Principles Board
APBO	Accumulated Postretirement Benefit Obligation
ARB	Accounting Research Bulletin
ArcelorMittal USA	ArcelorMittal USA Inc.
ARS	Auction rate securities
ASC	American Steamship Company
ASX	Australian Stock Exchange
AusQuest	AusQuest Limited
BART	Best Available Retrofit Technology
BHP	BHP Billiton
CAC	Cliffs Australia Coal Pty Ltd.
CAIR	Clean Air Interstate Rule
CAL	Cliffs and Associates Limited
CAWO	Cliffs Australian Washplant Operations Pty Ltd
Centennial Amapá	Centennial Asset Participações Amapá S.A.
CERCLA	Comprehensive Environmental Response, Compensation and Liability Act
Cockatoo Island	Cockatoo Island Joint Venture
DEP	Department of Environment Protection
Directors' Plan	1996 Nonemployee Directors' Compensation Plan, as amended and restated 1/1/2005
DNR	Department of Natural Resources
Dofasco	ArcelorMittal Dofasco Inc.
DSA	Draft stipulation agreement
EAF	Electric arc furnace
East Greenfield	East Greenfield Investors, LLC
EAW	Environmental Assessment Worksheet
EITF	Emerging Issues Task Force
Empire	Empire Iron Mining Partnership
EPA	United States Environmental Protection Agency
EPS	Earnings per share
Exchange Act	Securities Exchange Act of 1934
FASB	Financial Accounting Standards Board
Ferrominera	C.V.G. Ferrominera Orinoco C.A. of Venezuela
F.O.B.	Free on board
FSP	FASB Staff Position
GAM	Group Annuity Mortality
GAAP	Accounting principles generally accepted in the United States
GHG	Greenhouse gas
Golden West	Golden West Resources Ltd.
GRI	Global Reporting Initiative

Table of Contents

Abbreviation or acronym	Term
HAP	Hazardous air pollutants
Harbinger	Harbinger Capital Partners
HBI	Hot Briquette Iron
Hibbing	Hibbing Taconite Company
ICE Plan	Incentive Equity Plan
IRS	Internal Revenue Service
ISO	International Standards Organization
Ispat	Ispat Inland Steel Company
JORC	Joint Ore Reserves Code
Kobe Steel	Kobe Steel, LTD.
kWh	Kilowatt hours
LIBOR	London Interbank Offered Rate
LIFO	Last-in, first-out
LTVSMC	LTV Steel Mining Company
MACT	Maximum Achievable Control Technology
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
MDEQ	Michigan Department of Environmental Quality
MMBTU	Million British Thermal Units
MMX	MMX Mineração e Metálicos S.A.
MP	Minnesota Power, Inc.
MPCA	Minnesota Pollution Control Agency
MPSC	Michigan Public Service Commission
MSHA	Mine Safety and Health Administration
NBCWA	National Bituminous Coal Wage Agreement
NDEP	Nevada Department of Environmental Protection
NLRB	National Labor Relations Board
NPDES	National Pollutant Discharge Elimination System
Northshore	Northshore Mining Company
NOV	Notice of Violation
NRD	Natural Resource Damages
Oak Grove	Oak Grove Resources, LLC
OPEB	Other postretirement benefits
PBO	Projected benefit obligation
PCAOB	Public Company Accounting Oversight Board
PCB	Polychlorinated Biphenyl
Pinnacle	Pinnacle Mining Company, LLC
PinnOak	PinnOak Resources, LLC
PolyMet	PolyMet Mining Inc.
Portman	Portman Limited (now known as Cliffs Asia Pacific Iron Ore Holdings Pty Ltd)
PPI	Producers Price Indices
PRP	Potentially responsible party
Qcoal	Qcoal Pty Ltd
Renewafuel	Renewafuel, LLC
RONA	Return on net assets
RTWG	Rio Tinto Working Group

Table of Contents

Abbreviation or acronym	Term
SAB	Staff Accounting Bulletin
SAR	Stock Appreciation Rights
SEC	United States Securities and Exchange Commission
Severstal	Severstal North America, Inc.
Severstal Warren	Severstal Warren, Inc., formerly known as WCI Steel Inc.
SFAS	Statement of Financial Accounting Standards
Silver Bay Power	Silver Bay Power Company
SMM	Sonoma Mine Management
Sonoma	Sonoma Coal Project
Sonoma Sales	Sonoma Sales Pty Ltd
Stelco	Stelco Inc.
Tilden	Tilden Mining Company L.C.
TMDL	Total Maximum Daily Load
Tonne	Metric ton (equal to 1,000 kilograms or 2,205 pounds)
TSR	Total Shareholder Return
UMWA	United Mineworkers of America
United Taconite	United Taconite LLC
U.S.	United States of America
U.S. Steel	United States Steel Corporation
USW	United Steelworkers
Vale	Companhia Vale do Rio Doce
VEBA	Voluntary Employee Benefit Association trusts
VIE	Variable interest entity
VNQDC Plan	Voluntary Non-Qualified Deferred Compensation Plan
Wabush	Wabush Mines Joint Venture
WAEPA	Western Australian Environmental Protection Agency
Weirton	ArcelorMittal Weirton Inc.
WEPCO	Wisconsin Electric Power Company
Wheeling	Wheeling-Pittsburgh Steel Corporation
WVEPA	West Virginia Environmental Protection Agency

Table of Contents

PART I

Item 1. *Business.*

Introduction

Cliffs Natural Resources Inc. traces its corporate history back to 1847. Today, we are an international mining and natural resources company. We are the largest producer of iron ore pellets in North America, a major supplier of direct-shipping lump and fines iron ore out of Australia, and a significant producer of metallurgical coal. With core values of environmental and capital stewardship, our colleagues across the globe endeavor to provide all stakeholders operating and financial transparency as embodied in the GRI framework. Our company is organized according to product category and geographic location: North American Iron Ore, North American Coal, Asia Pacific Iron Ore, Asia Pacific Coal and Latin American Iron Ore.

In North America, we operate six iron ore mines in Michigan, Minnesota and Eastern Canada, and two coking coal mining complexes located in West Virginia and Alabama. Our Asia Pacific operations include full ownership of Portman, which is comprised of two iron ore mining complexes in Western Australia, serving the Asian iron ore markets with direct-shipping fines and lump ore, and a 45 percent economic interest in Sonoma, a coking and thermal coal mine located in Queensland, Australia. In Latin America, we have a 30 percent interest in Amapá, a Brazilian iron ore project, as well as a number of smaller greenfield projects not yet in production.

Over recent years, we have been executing a strategy designed to achieve scale in the mining industry and focused on serving the world's largest and fastest growing steel markets.

Recent Developments

In recent years, we have undergone a strategic transformation to an international mining and natural resources company from our historic business model as a mine manager for the integrated steel industry in North America. Our growth within the U.S., combined with our investments in Australia and Latin America, as well as acquisitions in minerals outside of iron ore, such as metallurgical coal, illustrate the execution of this strategy. While ever-conscious of the challenges associated with the current economic environment, we continue to identify low-risk opportunities to grow and at the same time position ourselves to deal with the uncertainties that lie ahead. In 2008, we continued our strategic growth and transformation to an international mining and natural resources company through the following transactions:

Portman. On May 21, 2008, Portman announced a tender offer to repurchase up to 16.5 million shares, or 9.39 percent of its common stock. At that time, we owned approximately 80.4 percent of 176 million shares outstanding in Portman and indicated we would not participate in the tender buyback. As a result of the buyback, our ownership interest in Portman increased from 80.4 percent to 85.2 percent. On September 10, 2008, we announced an off-market takeover offer to acquire all of the shares in Portman that we did not already own. The off-market tender offer for Portman closed on November 3, 2008, at which time we had received tenders of Portman shares sufficient to give us a 99.3 percent ownership interest in Portman's outstanding shares. We subsequently proceeded with a compulsory acquisition of the remaining shares and as of December 31, 2008 had full ownership of Portman.

AusQuest. On September 11, 2008, we announced a strategic alliance and subscription and option agreement with AusQuest, a publicly-traded minerals exploration company in Australia whose shares are traded on the ASX. Under the agreement, we acquired a 30 percent fully diluted interest in AusQuest through a staged issuance of shares and options. With the approval of AusQuest's shareholders and clearance from the Australian Foreign Investment Review Board, we made an initial \$18.0 million (A\$26 million) investment at \$0.28 per share (A\$0.40 per share) and appointed a representative to the AusQuest board of directors. This strategic alliance provides us with both the right to participate in AusQuest's future raising of capital, as well as certain rights in relation to any future sale or other disposal of AusQuest's explorative assets.

United Taconite. Effective July 1, 2008, we acquired the remaining 30 percent interest in United Taconite from Laiwu Steel Group, Ltd. Upon consummation of the purchase, our ownership interest increased from 70 percent to 100 percent. Total consideration paid for the acquisition was approximately \$450.7 million, which was comprised of \$104.4 million in cash, 4.3 million of our common shares and 1.2 million tons of iron ore pellets.

Table of Contents

Michigan Expansion Projects. In the third quarter of 2008 we announced a capital expansion project at our Empire and Tilden mines in Michigan's Upper Peninsula. The project will require approximately \$290.4 million of incremental capital investment and is expected to allow the Empire mine to produce at three million tons annually through 2017 and increase Tilden mine production by more than two million tons annually. However, based upon the economic downturn and its impact on the steel industry, the expansion project has been delayed until the demand for iron ore pellets improves.

Golden West. During 2008, Portman acquired 24.3 million shares of Golden West, a Western Australia iron ore exploration company. Golden West owns the Wiluna West exploration ore project in Western Australia, containing a resource of 126 million metric tons of ore. The investment provides Portman a strategic interest in Golden West and Wiluna West. Our ownership in Golden West represents approximately 17 percent of its outstanding shares at December 31, 2008. Acquisition of the shares represented an original investment of approximately \$22 million. However, our investment has been adversely affected by the global economic recession, which began to impact the metals and mining industry primarily in the fourth quarter of 2008. As a result of the global economic crisis and the corresponding uncertainties in the market, we recorded an impairment charge of \$17.1 million on our investment in Golden West in December 2008.

In addition, effective October 15, 2008, we amended our articles of incorporation to change the name of the corporation to Cliffs Natural Resources Inc. As we enter a new era of expansion and diversification designed to achieve scale in the mining and natural resources industry, we believe the name Cliffs Natural Resources will promote better understanding of our strategy and vision among current and prospective customers, partners and investors, particularly in new markets and overseas.

Business Segments

Our company is organized and managed according to product category and geographic location: North American Iron Ore, North American Coal, Asia Pacific Iron Ore, Asia Pacific Coal and Latin American Iron Ore. The Asia Pacific Coal and Latin American Iron Ore businesses, which are in the early stages of production, do not meet the criteria for reportable segments, and therefore, we have a total of three reportable segments.

All North American business segments are headquartered in Cleveland, Ohio. Offices in Duluth, Minnesota, have shared services groups supporting the North American business segments. Our Technology Group is located in Ishpeming, Michigan. Our Asia Pacific headquarters are located in Perth, Australia, and our Latin American headquarters are located in Rio de Janeiro, Brazil. Cliffs International Mineração Brasil, Ltda and Cliffs Natural Resources Pty Ltd, formerly known as Cliffs Asia-Pacific Pty Limited, provide technical and administrative support for our assets in Latin America and Australia, respectively, as well as new business development services in these regions.

We evaluate segment performance based on sales margin, defined as revenues less cost of goods sold identifiable to each segment. This measure of operating performance is an effective measurement as we focus on reducing production costs throughout the Company. Financial information about our segments is included in Item 7 and NOTE 6 SEGMENT REPORTING included in Item 8 of this Annual Report on Form 10-K.

North American Iron Ore

We are the largest producer of iron ore pellets in North America and primarily sell our production to integrated steel companies in the United States and Canada. We manage and operate six North American iron ore mines located in Michigan, Minnesota and Eastern Canada that currently have a rated capacity of 38.1 million tons of iron ore pellet production annually, representing approximately 46 percent of total North American pellet production capacity. Based on our percentage ownership of the North American mines we currently operate, our share of the rated pellet production capacity is currently 25.5 million tons annually, representing approximately 31 percent of total North American annual pellet capacity.

Table of Contents

The following chart summarizes the estimated annual production capacity and percentage of total North American pellet production capacity for each of the North American iron ore pellet producers as of December 31, 2008:

North American Iron Ore Pellet

Annual Rated Capacity Tonnage

	Current Estimated Capacity (Gross Tons of Raw Ore in Millions)	Percent of Total North American Capacity
All Cliffs managed mines	38.1	46.0%
Other U.S. mines		
U.S. Steel's Minnesota ore operations		
Minnesota Taconite	14.6	17.7
Keewatin Taconite	5.4	6.5
Total U.S. Steel	20.0	24.2
ArcelorMittal USA Minorca mine	2.9	3.5
Total other U.S. mines	22.9	27.7
Other Canadian mines		
Iron Ore Company of Canada	12.8	15.5
Quebec Cartier Mining Co.	8.9	10.8
Total other Canadian mines	21.7	26.3
Total North American mines	82.7	100.0%

We sell our share of North American iron ore production to integrated steel producers, generally pursuant to term supply agreements with various price adjustment provisions.

For the year ended December 31, 2008, we produced a total of 35.2 million tons of iron ore pellets, including 22.9 million tons for our account and 12.3 million tons on behalf of steel company owners of the mines.

We produce 13 grades of iron ore pellets, including standard, fluxed and high manganese, for use in our customers' blast furnaces as part of the steelmaking process. The variation in grades results from the specific chemical and metallurgical properties of the ores at each mine and whether or not fluxstone is added in the process. Although the grade or grades of pellets currently delivered to each customer are based on that customer's preferences, which depend in part on the characteristics of the customer's blast furnace operation, in many cases our iron ore pellets can be used interchangeably. Industry demand for the various grades of iron ore pellets depends on each customer's preferences and changes from time to time. In the event that a given mine is operating at full capacity, the terms of most of our pellet supply agreements allow some flexibility to provide our customers iron ore pellets from different mines.

Standard pellets require less processing, are generally the least costly pellets to produce and are called "standard" because no ground fluxstone, such as limestone or dolomite, is added to the iron ore concentrate before turning the concentrates into pellets. In the case of fluxed pellets, fluxstone is added to the concentrate, which produces pellets that can perform at higher productivity levels in the customer's specific blast furnace and will minimize the amount of fluxstone the customer may be required to add to the blast furnace. High manganese pellets are the pellets produced at our Canadian Wabush operation where there is more natural manganese in the crude ore than is found at our other operations. The manganese contained in the iron ore mined at Wabush cannot be entirely removed during the concentrating process. Wabush produces pellets with two levels of manganese, both in standard and fluxed grades.

It is not possible to produce pellets with identical physical and chemical properties from each of our mining and processing operations. The grade or grades of pellets purchased by and delivered to each customer are based on that customer's preferences and availability.

Table of Contents

Each of our North American Iron Ore mines is located near the Great Lakes or, in the case of Wabush, near the St. Lawrence Seaway, which is connected to the Great Lakes. The majority of our iron ore pellets are transported via railroads to loading ports for shipment via vessel to steelmakers in the U.S. or Canada.

North American Iron Ore Customers

Our North American Iron Ore revenues are primarily derived from sales of iron ore pellets to the North American integrated steel industry, consisting of eight major customers. Generally, we have multi-year supply agreements with our customers. Sales volume under these agreements is largely dependent on customer requirements, and in many cases, we are the sole supplier of iron ore pellets to the customer. Each agreement has a base price that is adjusted annually using one or more adjustment factors. Factors that can adjust price include international pellet prices, measures of general industrial inflation and steel prices. One of our supply agreements has a provision that limits the amount of price increase or decrease in any given year.

During 2008, 2007 and 2006, we sold 22.7 million, 22.3 million and 20.4 million tons of iron ore pellets, respectively, from our share of the production from our North American Iron Ore mines. The segment's five largest customers together accounted for a total of 84, 83 and 91 percent of North American Iron Ore product revenues for the years 2008, 2007 and 2006, respectively. Refer to *Concentration of Customers* within Item 1 *Business*, for additional information regarding our major customers.

We received cash payment for approximately 24 million tons of iron ore sales in 2008. However, due to the timing of shipping schedules with certain customers, under accounting guidance for bill and hold sales, revenue recognition for approximately 1.2 million tons of iron ore will be deferred until the product is delivered.

North American Iron Ore Term Supply Agreements

Our term supply agreements in North America expire between the end of 2011 and the end of 2022. The weighted average remaining duration is six years.

Our North American Iron Ore sales are influenced by seasonal factors in the first quarter of the year as shipments and sales are restricted by weather conditions on the Great Lakes. During the first quarter, we continue to produce our products, but we cannot ship those products via lake freighter until the Great Lakes are passable, which causes our first quarter inventory levels to rise. Our limited practice of shipping product to ports on the lower Great Lakes or to customers' facilities prior to the transfer of title has somewhat mitigated the seasonal effect on first quarter inventories and sales. At December 31, 2008 and 2007, we had approximately 0.4 million and 0.8 million tons of pellets, respectively, in inventory at lower lakes or customers' facilities.

ArcelorMittal

On March 19, 2007, we executed an umbrella agreement with ArcelorMittal USA, a subsidiary of ArcelorMittal, that covers significant price and volume matters under three separate pre-existing iron ore pellet supply agreements for ArcelorMittal USA's Cleveland and Indiana Harbor West, Indiana Harbor East and Weirton facilities. This umbrella agreement formalizes a previously disclosed letter agreement dated April 12, 2006.

Under terms of the umbrella agreement, some of the terms of the separate pellet sale and purchase agreements for each of the above facilities were modified to aggregate ArcelorMittal USA's purchases during the years 2006 through 2010. The pricing provisions of the umbrella agreement are determined in accordance with the individual supply agreements that were in place for each of the facilities at the time it was executed.

From 2006 through 2010, ArcelorMittal USA is obligated to purchase specified minimum tonnages of iron ore pellets on an aggregate basis. The umbrella agreement also sets the minimum annual tonnage at ArcelorMittal USA's approximately budgeted usage levels through 2010, with pricing based on the facility to which the pellets are delivered. The terms of the umbrella agreement allow ArcelorMittal USA to manage its ore inventory levels through buydown provisions, which permit it to reduce its tonnage purchase obligation each year at a specified price per ton, and through deferral provisions, which permit ArcelorMittal USA to defer a portion of its annual tonnage purchase obligation. ArcelorMittal USA has opted to defer the purchase of 550,000 tons

Table of Contents

from 2009 to 2010. The umbrella agreement also provides for consistent nomination procedures through 2010 across all three iron ore pellet supply agreements. In addition, pursuant to an arbitration ruling on December 23, 2008, ArcelorMittal is permitted to nominate tonnage for export out of the U.S. to any facility owned by ArcelorMittal in 2009 and 2010. This ability to nominate tonnage for export will cease when the Umbrella Agreement expires at the end of 2010. For additional information regarding the litigation, refer to Part 1 Item 3, *Legal Proceedings*.

If, at the end of the umbrella agreement term in 2010, a new agreement is not executed, our pellet supply agreements with ArcelorMittal USA prior to executing the umbrella agreement will again become the basis for supplying pellets to ArcelorMittal USA:

Facility	Agreement Expiration
Cleveland Works and Indiana Harbor West facilities	2016
Indiana Harbor East facility	2015
Weirton facility	2018

ArcelorMittal USA is a 62.3 percent equity participant in Hibbing and a 21 percent equity partner in Empire with limited rights and obligations and a 28.6 percent participant in Wabush through Dofasco, a subsidiary of ArcelorMittal USA. In 2008, 2007 and 2006, our North American Iron Ore pellet sales to ArcelorMittal USA were 9.9, 10.3, and 9.1 million tons, respectively.

Algoma

Algoma is a Canadian steelmaker and a subsidiary of Essar Steel Holdings Limited. We have a 15-year term supply agreement under which we are Algoma's sole supplier of iron ore pellets through 2016. Our annual obligation is capped at four million tons with our option to supply additional pellets. Pricing under the agreement with Algoma is based on a formula which includes international pellet prices. The agreement also provides that, in 2008, 2011 and 2014, either party may request a price negotiation if prices under the agreement with Algoma differ from a specified benchmark price. On January 3, 2008, Algoma requested price renegotiation for 2008 pursuant to a price re-opener in the agreement. On May 30, 2008, we entered into a binding term sheet with Algoma amending the term supply agreement. The term sheet established the price for 2008 and provided for the sale of additional tonnage to Algoma in 2008 and 2009. Approximately 0.6 million tons of the 2008 tonnage will be delivered and paid for in the first quarter of 2009. Pricing and tonnage outside of the term sheet for 2009 and beyond will be determined in accordance with the original terms of the agreement with Algoma. We sold 4.1 million, 2.9 million and 3.5 million tons to Algoma in 2008, 2007 and 2006, respectively.

Severstal

In January 2006, we entered into an Amended and Restated Pellet Sale and Purchase Agreement dated and effective January 1, 2006, whereby we are the sole supplier of iron ore pellets through 2012 to Severstal's Dearborn facility. The agreement with Severstal contains certain minimum purchase requirements for certain years. We sold 4.6 million, 3.0 million and 3.7 million tons to Severstal in 2008, 2007 and 2006, respectively.

On April 30, 2008, we entered into a binding term sheet with Severstal regarding an amendment and extension of the agreement with Severstal. The term sheet governs the performance of the parties under the agreement until such time as the parties execute a definitive written agreement. Pursuant to the term sheet, the term of the agreement was extended with Severstal an additional 10 years, subject to automatic renewals unless terminated by prior written notice. The agreement provides that we must supply all of Severstal's blast furnace pellet requirements for its Dearborn, Michigan facility during the term of the agreement, subject to specified minimum and maximum requirements in certain years.

On July 7, 2008, Severstal acquired WCI Steel Inc., located in Warren, Ohio. In 2004, we had entered into an agreement with the former WCI to supply, beginning in 2006 and thereafter, 100 percent of WCI's annual requirements up to a maximum of two million tons of iron ore pellets. The 2004 agreement is for a ten-year term, which commenced on January 1, 2005. Severstal Warren assumed the 2004 agreement. We sold 1.4 million, 1.5 million and 1.6 million tons to Severstal Warren in 2008, 2007 and 2006, respectively.

Table of Contents

On August 5, 2008, Severstal acquired Esmark Incorporated, a manufacturer of and distributor of flat rolled and other steel products. At the time of the acquisition, we were a supplier to Esmark's subsidiary, Wheeling-Pittsburgh Steel Corporation. Under the terms of a 2006 agreement, we supply certain iron ore pellets through and including 2011, equal to 25 percent of Wheeling's total annual iron ore pellet tonnage requirements required for consumption in Wheeling's iron and steel making facilities in any year at any of Wheeling's facilities in Steubenville/Mingo Junction, Ohio. Severstal assumed the 2006 agreement. The term of the agreement with Wheeling is subject to automatic annual renewals unless terminated by no less than 24 months' prior written notification.

U.S. Steel Canada Inc.

U.S. Steel Canada is a 44.6 percent participant in Wabush. In addition, the domestic subsidiaries of U.S. Steel Canada own 14.7 percent of Hibbing and 15 percent of Tilden.

In December 2006, we executed a binding pellet supply term sheet with U.S. Steel Canada with respect to a seven-year supply agreement to provide their Lake Erie Steel and Hamilton Steel facilities excess pellet requirements above the amount supplied from their ownership interest at Hibbing, Tilden and Wabush. Pellet sales to U.S. Steel Canada totaled 1.4 million, 1.2 million and 0.9 million tons in 2008, 2007 and 2006, respectively.

North American Coal

We are a supplier of metallurgical coal in North America. We own and operate two North American coking coal mining complexes located in West Virginia and Alabama that currently have a rated capacity of 6.5 million short tons of production annually. For the year ended December 31, 2008, we sold a total of 3.2 million tons, compared with 1.2 million tons for the five months ended December 31, 2007. Each of our North American coal mines are positioned near rail or barge lines providing access to international shipping ports, which allows for export of our coal production.

North American Coal Customers

North American Coal's production is sold to global integrated steel and coke producers in Europe, South America and North America. Approximately 84 percent of our 2008 production was committed under one-year contracts. This compares with approximately 45 percent of our 2009 production as of December 31, 2008, which has been committed under new one-year contracts and carryover tonnage. However, domestic negotiations are still ongoing, and international negotiations have recently begun. Customer contracts in North America typically are negotiated on a calendar year basis with international contracts negotiated as of March 31.

Exports and domestic sales represented 56 percent and 44 percent, respectively, of our North American Coal sales in 2008. This is compared with 66 percent and 34 percent, respectively, in 2007. Total sales to two customers of our North American Coal segment comprised more than 10 percent of our consolidated product revenue in 2008 when combined with sales to the customers by each of our other business segments. Refer to *Concentration of Customers* within Item 1 *Business*, for additional information.

Asia Pacific Iron Ore

Our Asia Pacific Iron Ore segment is comprised of Portman, an Australian iron ore mining company, of which we own 100 percent as of December 31, 2008.

Our Asia Pacific Iron Ore operations are located in Western Australia and include our 100 percent owned Koolyanobbing complex and our 50 percent equity interest in Cockatoo Island. We serve the Asian iron ore markets with direct-shipping fines and lump ore. Production in 2008 (excluding our 0.4 million tonne share of Cockatoo Island) was 7.3 million tonnes, compared with 7.7 million tonnes in 2007.

These two operations supply a total of four direct-shipping export products to Asia via the global seaborne trade market. Koolyanobbing produces a standard lump and fines product as well as a low grade fines product.

Table of Contents

Cockatoo Island produces and exports a single premium fines product. Portman lump products are directly charged to the blast furnace, while the fines products are used as sinter feed. The variation in Portman's four export product grades reflects the inherent chemical and physical characteristics of the ore bodies mined as well as the supply requirements of the customers.

Koolyanobbing is a collective term for the operating deposits at Koolyanobbing, Mount Jackson and Windarling. There are approximately 100 kilometers separating the three mining areas. Banded iron formations host the mineralization which is predominately hematite and goethite. Each deposit is characterized with different chemical and physical attributes, and in order to achieve customer product quality, ore in varying quantities from each deposit must be blended together.

Blending is undertaken at Koolyanobbing, where the crushing and screening plant is located. Standard and low grade products are produced in separate production runs. Once the blended ore has been crushed and screened into a direct shipping product, it is transported by rail approximately 600 kilometers south to the Port of Esperance for shipment to Asian customers.

Cockatoo Island is located off the Kimberley coast of Western Australia, approximately 1,900 kilometers north of Perth and is only accessible by sea and air. Cockatoo Island produces a single high iron product known as Cockatoo Island Premium Fines. The deposit is almost pure hematite and contains very few contaminants enabling the shipping grade to be above 68 percent iron. Ore is mined below the sea level on the southern edge of the island. This is facilitated by a sea wall which enables mining to a depth of 40 meters below sea level. Ore is crushed and screened to the final product sizing. Vessels berth at the island and the fines product is loaded directly to the ship. Cockatoo Island Premium Fines are highly sought in the global marketplace due to its extremely high iron grade and low valueless mineral content. In 2008, Cockatoo Island production began to reduce, as the second stage of the seawall reserves were exhausted. Construction on a necessary extension of the existing seawall commenced in the third quarter 2008, with production anticipated to restart by the end of the second quarter 2009. This extension is expected to extend production for approximately two additional years, through June 2011.

During the second quarter of 2008, Portman announced an agreement with Polaris Metals NL and Southern Cross Goldfields Limited, whereby Portman obtains non-magnetite iron ore rights to a number of tenements in the Yilgarn region, in exchange for unencumbered access by Polaris to the Bungabin tenements. Consequently, Portman no longer has an interest in the Helena and Aurora Range and Bungabin Hill areas. This arrangement will permit tenement rationalization in immediate mining areas and allow Portman to gain additional prospective exploration areas.

Asia Pacific Iron Ore Customers

Portman's production is under contract with steel companies in China and Japan through 2012. A limited spot market exists for seaborne iron ore as most production is sold under supply contracts with annual benchmark prices driven from negotiations between the major suppliers and Chinese, Japanese and other Asian steel mills.

Portman has five-year term supply agreements with steel producers in China and Japan that account for approximately 74 percent and 26 percent, respectively, of sales. The contracts were recently renegotiated for the period 2008 through 2012. Sales volume under the agreements is partially dependent on customer requirements. Each agreement is priced based on benchmark pricing established for Australian producers.

During 2008, 2007 and 2006, we sold 7.8 million, 8.1 million and 7.4 million tonnes of iron ore, respectively, from our Western Australia mines. Sales in 2008 were to 16 Chinese and three Japanese customers. No customer comprised more than 10 percent of our consolidated sales in 2008, 2007 or 2006. Portman's five largest customers accounted for approximately 44 percent of Portman's sales in 2008, 47 percent in 2007 and 46 percent in 2006.

Investments

In addition to our reportable business segments, we are partner to a number of projects, including Amapá in Brazil and Sonoma in Australia.

Table of Contents*Amapá*

We are a 30 percent minority interest owner in Amapá, which consists of an iron ore deposit, a 192-kilometer railway connecting the mine location to an existing port facility and 71 hectares of real estate on the banks of the Amazon River, reserved for a loading terminal. Amapá initiated production in late December 2007. The remaining 70 percent of Amapá was previously owned by MMX, a Brazilian company which managed the construction and operations of Amapá while we supplied supplemental technical support. On August 5, 2008, Anglo acquired a controlling interest in MMX's 51 percent interest in the Minas-Rio iron ore project and its 70 percent interest in Amapá.

Throughout the year, the ramp-up of operations was significantly slower than previously anticipated, with annual production totaling 1.2 million tonnes. Anglo has indicated that it plans to complete construction of the concentrator and continue to ramp-up operations despite the current economic global recession. It is estimated that Amapá will produce and sell at least 3 million tonnes of iron ore fines products in 2009 and 6.5 million tonnes annually once fully operational, which is expected to occur between 2011 and 2012. The majority of Amapá's production is committed under a long-term supply agreement with an operator of an iron oxide pelletizing plant in the Kingdom of Bahrain.

Sonoma

We own a 45 percent economic interest in Sonoma, located in Queensland, Australia. The project commenced operations in January 2008, with production and sales totaling approximately 2.4 million and 2.1 million tonnes, respectively, in 2008. The project is expected to produce 3.5 million tonnes in 2009 and between three to four million tonnes of coal annually in 2010 and beyond. Production will include an approximate 40/60 mix of hard coking coal and thermal coal. Sonoma has economically recoverable reserves of 43 million tonnes. All 2008 production was committed under supply agreements with customers in Asia. Of the 3.5 million tonnes expected to be produced in 2009, approximately 2.8 million tonnes are committed under supply agreements as of December 31, 2008.

Concentration of Customers

We have three customers which individually account for more than 10 percent of our consolidated product revenue. Total revenue from these customers represents approximately \$1.6 billion, \$1.1 billion, and \$1.0 billion of our total consolidated product revenue in 2008, 2007 and 2006, respectively, and is attributable to our North American Iron Ore and North American Coal business segments. The following represents sales revenue from each of these customers as a percentage of our total consolidated product revenue as well as the portion of product sales for North American Iron Ore and North American Coal that is attributable to each of these customers in 2008, 2007 and 2006, respectively:

Customer (2)	Percentage of Total Product Revenue (1)			Percentage of North American Iron Ore Product Revenue (1)			Percentage of North American Coal Product Revenue (1)		
	2008	2007	2006	2008	2007	2006	2008	2007	2006
ArcelorMittal	27%	34%	35%	39%	44%	44%	23%	37%	%
Severstal	12	8	11	18	10	13	5		
Algoma	11	12	16	17	16	20			
Total	50%	54%	62%	74%	70%	77%	28%	37%	%

(1) Excluding freight and venture partners' cost reimbursements.

(2) Includes subsidiaries of each customer.

The Iron Ore, Metallurgical Coal and Steel Industries

Global crude steel growth, a significant driver of our business was down approximately two percent from 2007. China produced approximately 500 million tonnes of crude steel in 2008, representing approximately 38 percent of global production. Production in China in 2008 has increased two percent and 18 percent over 2007 and 2006, respectively.

Table of Contents

The rapid growth in steel production in China over recent years has only been partially met by a corresponding increase in domestic Chinese iron ore production. Chinese iron ore deposits, although substantial, are of a lower grade (less than half of the equivalent iron ore content) than the current iron ore supplied from Brazil and Australia.

The world price of iron ore is influenced by international demand. The rapid growth in Chinese demand, particularly in more recent years, has created a market imbalance and has led to demand outstripping supply. This market imbalance has led to high spot prices for seaborne iron ore with increases of 9.5 percent and 19 percent in 2007 and 2006, respectively, in benchmark prices for Brazilian and Australian suppliers of iron ore. During the second quarter of 2008, the Australian benchmark prices for lump and fines settled at increases of 97 percent and 80 percent, respectively.

The increased demand for iron ore and higher pricing over the past five years has resulted in major iron ore suppliers expanding efforts to increase their capacity. However, in 2008, significant changes began to take place in the North American and global economy. During the third quarter of 2008, these changes also began to impact the global steel industry. As a supplier to that industry, we have started to see the adverse effects of the economy and how it may impact our business with respect to declines in customer demand and future pricing projections.

Competition

Throughout the world, we compete with major and junior mining companies, as well as metals companies, both of which produce steelmaking raw materials, including iron ore and metallurgical coal.

North America

In our North American Iron Ore business segment, we sell our product primarily to steel producers with operations in North America. We compete directly with the Iron Ore Company of Canada, ArcelorMittal Mines Canada and U.S. Steel, as well as other steel companies that own interests in iron ore mines that may have excess iron ore inventories.

In the coal industry, our North American Coal business segment competes with many metallurgical coal producers of various sizes, including Alpha Natural Resources, Inc., Patriot Coal Corporation, CONSOL Energy Inc., Arch Coal, Inc., Massey Energy Company, Jim Walter Resources, Inc., Peabody Energy Corp., United Coal Group Company and other producers located in North America and globally.

The North American coal industry remains highly fragmented and competitive, with CONSOL, Massey, Peabody, Alpha and Alliance Resource Partners representing the five largest producers. A number of factors beyond our control affect the markets in which we sell our coal. Continued demand for our coal and the prices obtained by us depend primarily on the coal consumption patterns of the steel industry in the United States and elsewhere around the world as well as the availability, location, cost of transportation and price of competing coal. Coal consumption patterns are affected primarily by demand, environmental and other governmental regulations, and technological developments. The most important factors on which we compete are delivered price, coal quality characteristics such as heat value, sulfur, ash and moisture content, and reliability of supply. Metallurgical coal, which is primarily used to make coke, a key component in the steelmaking process, generally sells at a premium over steam coal due to its higher quality and value in the steelmaking process.

Asia Pacific

In our Asia Pacific Iron Ore business segment we export iron ore products to China and Japan in the world seaborne trade. In the Asia Pacific marketplace, Cliffs competes with major iron ore exporters from Australia, Brazil and India. These include Anglo American, Vale, Rio Tinto, BHP Billiton, Fortescue Metals Group Ltd., Mount Gibson Iron Limited, Murchison Metals Limited, among others.

The Sonoma Coal Project, in which Cliffs owns a 45 percent economic interest, competes with many other global metallurgical and thermal coal producers, including Anglo American, Rio Tinto, BHP Billiton, Macarthur Coal, Teck Cominco and Xstrata.

Table of Contents

Competition in steelmaking raw materials is predicated upon the usual competitive factors of price, availability of supply, product performance, service and transportation cost to the consumer of the raw materials.

As the global steel industry continues to consolidate, a major focus of the consolidation is on the continued life of the integrated steel industry's raw steelmaking operations, including blast furnaces and basic oxygen furnaces that produce raw steel. In addition, other competitive forces have become a large factor in the iron ore business. In particular, electric furnaces built by mini-mills, which are steel recyclers, generally produce steel by using scrap steel and reduced-iron products rather than iron ore pellets.

Environment

General

Various governmental bodies are continually promulgating new laws and regulations affecting our company, our customers, and our suppliers in many areas, including waste discharge and disposal, hazardous classification of materials and products, air and water discharges, and many other environmental, health, and safety matters. Although we believe that our environmental policies and practices are sound and do not expect that the application of any current laws or regulations would reasonably be expected to result in a material adverse effect on our business or financial condition, we cannot predict the collective adverse impact of the expanding body of laws and regulations.

Specifically, there are four notable proposed or potential rulemakings or activities that could potentially have a material adverse impact on our facilities in the future depending on their ultimate outcome: Climate Change and Greenhouse Gas Regulation, Regional Haze, the Clean Air Interstate Rule, and the Minnesota Mercury Total Maximum Daily Load Implementation.

Climate Change and Greenhouse Gas Emissions. Climate change risk and how the world chooses to manage it poses one of the most important and complex issues facing the world today. Although the factors that affect climate change are complex, it has become increasingly clear that the growing utilization of fossil fuels has created legitimate climate change concerns. With that understanding comes the realization that with the complexities and uncertainties associated with the U.S. and global navigation of the climate change issue as a whole, one of our significant risks for the future is forthcoming in the shape of mandatory carbon legislation.

The evolving global prominence of carbon regulation is increasingly impacting the operational and financial performance of energy-intensive entities. At present, a number of carbon regulatory schemes are operational, capping emissions of GHG emissions and imposing compliance costs on major emitters. Further, policy-makers are in the design process of additional carbon regulation at the state, regional, national, and international levels. The current regulatory patchwork of carbon compliance schemes present a challenge for multi-facility entities to identify their near term risks. Amplifying the uncertainty, the dynamic forward outlook for carbon regulation presents a challenge to large industrial companies to assess the long-term net impacts of carbon compliance costs on their operations.

Internationally, mechanisms to reduce emissions are being implemented in various countries, with differing designs and stringency, according to resources, economic structure, and politics. We expect that momentum to extend carbon regulation following the expiration in 2012 of the first commitment period under the Kyoto Protocol will continue. Australia, Canada and Brazil are all signatories to the Kyoto Protocol. As such, our facilities in each of these countries will be impacted by the Kyoto Protocol, but in varying degrees according to the mechanisms each country establishes for compliance and each country's commitment to reducing emissions. Australia and Canada are considered Annex 1 countries, meaning that they are obligated to reduce their emissions under the Protocol. In contrast, Brazil is not an Annex 1 country and is, therefore, not currently obligated to reduce its GHG emissions.

During 2008, Australia issued guidance outlining the components and rationale for its proposed carbon pollution reduction scheme, as well as associated timing. The plan calls for a cap and trade model with a medium-term target range of between 5 percent to 15 percent reduction in GHG by 2020. The guidance estimates

Table of Contents

allowance prices will be approximately \$23 per ton, with a price cap of \$40 per ton. The reduction scheme aims to provide some assistance to emissions-intensive, trade-exposed companies based on the amount and intensity of its direct and indirect GHG emissions, which is expected to include the iron ore industry. Compliance under Australia's reduction scheme is expected to begin in 2010.

Due to the current landscape of regulation in Australia, Canada and Brazil, and the relatively low emission levels in these countries, we face mild regulatory risk in the short term in Australia and Canada and a weak regulatory risk over the longer term in Brazil.

By contrast, in the U.S., federal carbon regulation presents a significantly greater impact to our operations. To date, the U.S. has not implemented regulated carbon constraints. However, over the past several years, pressure for the U.S. to take mandatory action to address climate change has been mounting from numerous constituencies, including international pressure from other developed nations that have accepted prescribed reduction targets under the Kyoto Protocol, including among others, the European Union member states, Canada, Japan, and Australia; domestic political pressure on the U.S. Congress to enact carbon regulation from both the public and private sectors; and various media events which have drawn the attention of the general public to the climate change issue.

In the absence of comprehensive federal carbon regulation, numerous state and regional regulatory initiatives are under development or are becoming effective, thereby creating a disjointed approach to carbon control. These U.S. state level initiatives are indicative of the increasing support and need for U.S. federal carbon regulation. For us, the most significant regional initiative is the Midwest GHG Accord. The goal of this regional GHG accord is to provide the framework for regional action toward reducing GHG emissions in the absence of U.S. federal regulation. The Midwest GHG Accord plans to be fully implemented by May 2010, however given the timeframe for implementation, U.S. federal preemption remains a strong possibility. If implemented, this program will have direct regulatory implications to our facilities in Minnesota and Michigan. Targets have not yet been set under the Midwest GHG Accord and it is not certain at this time whether caps will be determined at the state level or as a single cap for all participating states. We are well positioned to closely monitor the development of the Midwest GHG Accord through our seat on the Michigan Climate Task Committee.

However, with U.S. federal regulation imminent on the horizon, the longevity of U.S. state and regional carbon regulation remains unclear. Should one or more of the regional GHG initiatives be implemented prior to definitive U.S. federal action, the viability of regional initiatives in light of U.S. federal carbon regulation will hinge on the preemption provisions of the U.S. federal policy.

While the exact form of a U.S. federal regulatory scheme is uncertain, we anticipate that legislation will be based upon the multiple bills currently introduced in U.S. Congress. It appears that any potential legislation would establish a long term, economy-wide cap and trade framework for reducing carbon emissions in the U.S. A general timeframe for such a program would impact the U.S. market through 2050. Such legislation will likely incorporate compliance flexibility provisions in an attempt to economically protect entities that are likely to be impacted with compliance costs, either directly or indirectly, as well as foster innovation and carbon-based energy project finance.

As an energy-intensive business, our Company's GHG emissions inventory captures a broad range of emissions sources, such as iron ore furnaces and kilns, coal thermal driers, diesel mining equipment and a wholly-owned power generation plant, among others. As such, our most significant regulatory risks are: (1) the costs associated with on-site emissions levels; and (2) the costs passed through from power generators and distillate fuel suppliers to our Company. Our overall emission source portfolio consists of direct emissions of approximately 3.5 million tons CO₂e and indirect emissions of approximately 3.2 million tons of CO₂e. With that in mind, we believe our exposure can be substantially reduced by numerous factors including currently contemplated regulatory flexibility mechanisms, such as allowance allocations, fixed process emissions exemptions, offsets, and international provisions; emission reduction opportunities, including energy efficiency, fuel flexibility, and methane reduction; and business opportunities associated with new products and technology, such as our investments in Renewafuel and iron nuggets.

We have proactively worked to develop a comprehensive, enterprise-wide GHG management strategy aimed at considering all significant aspects associated with GHG initiatives to effectively plan for and manage

Table of Contents

climate change issues, including the risks and opportunities as they relate to the environment, stakeholders, including shareholders and the public, legislative and regulatory developments, operations, products and markets. At this time, while we are unable to predict the potential impacts of any future mandatory governmental GHG legislative or regulatory requirements on our businesses, we do believe we have acted proactively in developing our comprehensive implementation plan that has best prepared us to mitigate the potential risks and take advantage of any potential opportunities.

North American Iron Ore

In the construction of our facilities and in their operation, substantial costs have been incurred and will continue to be incurred to avoid undue effect on the environment. Our North American capital expenditures relating to environmental matters were \$7.3 million, \$8.8 million, and \$10.5 million in 2008, 2007 and 2006, respectively. It is estimated that approximately \$16 million will be spent in 2009 for capital environmental control facilities.

Title V Control City Monitoring Requirements. On December 16, 2006, we submitted an administrative permit amendment application to the MPCA with respect to Northshore's Title V operating permit. The proposed amendment requested the deletion of a 30-year old control city monitoring requirement which was used to assess the adequacy of air emission control equipment installed in the 1970s. We then received a letter dated February 23, 2007 from the MPCA notifying us that our proposed permit amendment had been denied. We appealed the denial to the Minnesota Court of Appeals. Oral arguments on our appeal were held on February 21, 2008. The court of appeals ruled in MPCA's favor.

On July 28, 2008, MPCA issued a Notice of Violation, or NOV, to Northshore alleging violations related to the control city standard from March 2006 through October 2007. The NOV states that Northshore has been in compliance with MPCA's interpretation of the standard since October 2007, but requires corrective actions relating to operating and maintaining treatment and control facilities to remain in compliance. Subsequent to the Minnesota Court of Appeals' ruling, Northshore filed a major permit amendment on August 28, 2008. On November 25, 2008, in response to the proposed amendment, MPCA issued an order declaring that Northshore's request to remove the control city standard from its permit constitutes a project for which an Environmental Assessment Worksheet, or EAW, must be completed. MPCA also stated that it was ceasing all other work on the permit, including its own efforts to create a replacement standard, until the environmental review process was complete.

Northshore filed an action to challenge the MPCA's requirement for an EAW in Minnesota State District Court, which is currently pending. If either our legal challenge is unsuccessful or if we are unable to negotiate an acceptable compliance schedule, Northshore could be subject to future enforcement actions with respect to its Title V operating permit if we are unable to meet the permit requirements as interpreted by MPCA.

In October 2008, Northshore received the final results of the International Symposium on the Health Hazard Evaluation of Fibrous Particles Associated with Taconite and the Adjacent Duluth Complex. The peer-reviewed study concluded that there are no significant health effects related to Taconite fibers from Northshore.

Clean Air Interstate Rule. In 2005, the EPA issued CAIR to reduce or eliminate the impact of upwind sources on out-of-state downwind non-attainment of National Ambient Air Quality Standards (NAAQS) for fine particulate matter and for ozone. CAIR requires upwind states to revise their State Implementation Plans to include control measures to reduce emissions of nitrogen oxide and sulfur dioxide.

As written, CAIR would apply to our Silver Bay Power Company power plant, a cogeneration plant which produces both electricity and steam for internal Northshore ore processing operations and electricity for sale. However, in July 2008, the D.C. Circuit Court of Appeals overturned the rule. On December 23, 2008, the D.C. Circuit Court of Appeals temporarily reinstated CAIR to reduce pollution from certain coal-fired power plants by setting emission reduction targets. In its reversal decision, the Court noted that having a flawed rule temporarily in place was better than having no rule at all. The EPA must revise the rule but has no definitive deadline for doing so. The decision means that emissions must be reduced in 28 eastern states and the District of Columbia effective January 1, 2009.

Table of Contents

The EPA will consider if Minnesota will be exempted from any revised CAIR rulemaking due to its lack of impact on downwind states. At this point in time, management believes the CAIR requirements will be stayed for Minnesota and Silver Bay Power will not likely be subject to CAIR in 2009. However, we are unable to predict whether Silver Bay Power will ultimately be subject to CAIR in 2009 and beyond due to the contemplated exemption for Minnesota facilities, and therefore, we plan to accrue for the estimated impact on our operations in 2009.

Regional Haze. In June 2005, the EPA finalized amendments to its regional haze rules. The rules require states to establish goals and emission reduction strategies for improving visibility in all Class I national parks and wilderness areas. Among the states with Class I areas are Michigan, Minnesota, Alabama, and West Virginia where we currently own and manage mining operations.

The first phase of the regional haze rule (2008-2018) requires analysis and installation of BART on eligible emission sources and incorporation of BART and associated emission limits into State Implementation Plans.

As of 2009, Regional Haze will likely have a significant impact only at our Silver Bay Power facility in Minnesota. Currently, Silver Bay Power is working with the MPCA, who is still in the process of determining BART requirements for Silver Bay Power. As such, we are unable to accurately determine the potential impacts on its Silver Bay Power facilities; however it appears these requirements will not be effective until five years after the EPA approves Minnesota's state implementation plan, which has not yet been submitted.

Mercury TMDL and Minnesota Taconite Mercury Reduction Strategy. Mercury TMDL regulations are contained in the U.S. federal Clean Water Act. As a part of Minnesota's Mercury TMDL Implementation Plan, in cooperation with the MPCA, the taconite industry developed a Taconite Mercury Reduction Strategy and signed a voluntary agreement to effectuate its terms. The strategy includes a 75 percent reduction of mercury air emissions from pellet plants by 2025 as a target. It recognizes that mercury emission control technology currently does not exist and will be pursued through a research effort. Any developed technology must be economically feasible, must not impact pellet quality, and must not cause excessive corrosion in pellet furnaces, associated duct work and existing wet scrubbers on the furnaces.

The Minnesota Department of Natural Resources (DNR), Mineland Division, has been conducting limited and very short-term mercury reduction tests on pellet furnaces for several years through financial contributions from all taconite mines and matching government funding. Injection of bromide salts to convert elemental mercury to oxidized mercury for capture by the existing wet scrubbers holds the most promise at this point in time.

According to the voluntary agreement, the mines must proceed with medium and long-term testing of this and other possible technologies beginning in 2010. Initial testing will be completed on one straight-grate and one grate-kiln furnace among the mines. Developed mercury emission control technology must then be installed on all taconite furnaces by 2025. For us, the requirements in the voluntary agreement will apply to our United Taconite and Hibbing facilities. At this point in time, we are unable to predict the potential impacts of the Taconite Mercury Reduction Strategy as it is just in its research phase with no proven technology yet identified.

Other Developments. As part of Northshore's permitting of the restart of Furnace 5 in March 2008, Northshore is required to certify compliance with air emission standards within 180 days of operation. During the scheduled compliance testing for Furnace 5, Northshore experienced abnormal operating difficulties and was thereby unable to certify compliance. Northshore received a Notice of Noncompliance from MPCA on December 18, 2008 indicating that it considers the facility out of compliance with the testing schedule and reserves the right to enforcement, while asking for additional explanation as to the related causes. Due to changes in market demand, Furnace 5 has been idled. Northshore expects that upon restart it will demonstrate compliance with the required limits and will perform retesting as soon as Furnace 5 returns to normal operating conditions. Accordingly, at that time, Northshore will take appropriate steps to establish compliance with MPCA.

On March 27, 2008, United Taconite received a DSA, from the MPCA alleging various air emissions violations of the facility's air permit limit conditions, reporting and testing requirements. The allegations generally stem from procedures put in place prior to 2004 when we first acquired our interest in the mine. The DSA requires the facility to install continuous emissions monitoring, evaluate compliance procedures, submit a

Table of Contents

plan to implement procedures to eliminate air deviations during the relevant time period, and proposes a civil penalty in an amount to be determined. While United Taconite does not agree with MPCA's allegations, United Taconite and the MPCA continue discussions on the matter with the intent of working toward a mutual resolution.

North American Coal

In 1996 and 1997, two cases were brought alleging that dust from the Concord Preparation Plant in Alabama damaged properties in the area. In 2002, the parties entered into settlement agreements with the former owner in exchange for a lump sum payment and the agreement to implement remedial measures, however, the plaintiffs were not required to dismiss their claims. PinnOak was added to these cases in 2004 and 2006. The plaintiffs in these matters sought additional remediation measures. The parties have reached a settlement on an amendment to the 2002 agreement, which was approved by the court on December 11, 2008. The terms of the amendment provide that in exchange for the implementation of a one year (up to eighteen months) ambient air monitoring plan, plaintiffs agree to release and dismiss us from the lawsuit upon successful completion of the ambient air monitoring plan. If the ambient air monitoring plan is not successfully completed, the parties will revert to their respective positions under the 2002 settlement agreement. In addition to the two cases noted above, in 2004 approximately 160 individual plaintiffs brought an action against PinnOak asserting injuries arising from particulate emissions from the Concord Preparation Plant. We are seeking a summary judgment in this most recent matter based on the 2002 settlement agreement.

Pinnacle owns the closed West Virginia Maitland mine, which continues to discharge groundwater to Elkhorn Creek under terms of a NPDES permit issued by the West Virginia DEP. On April 30, 2008 the DEP renewed the permit and imposed more stringent effluent quality limitations for iron and aluminum. Current effluent iron concentrations sometimes exceed the new limitation. A permit appeal was filed with the West Virginia Environmental Quality Board regarding the reduced limitations and the absence of a compliance schedule in the permit. Pinnacle reached an agreement with the West Virginia DEP that has provided a compliance schedule for meeting the new limits. We believe Pinnacle will be able to achieve the new limits without any material costs or changes in operation.

Asia Pacific Iron Ore

Environmental issues and their management continued to be an important focus at our Asia Pacific Iron Ore operations throughout 2008. Mining operations proceeded without major environmental incidents, and implementation of management controls at the Koolyanobbing operations continued, including maintaining certification of our environmental management system to the ISO 14001 standard in 2008. Compliance with regulatory requirements was maintained across the Koolyanobbing operations. Annual environmental report audits and site inspections were undertaken by regulators throughout the year. No significant non-conformances were recorded, but a number of recommendations were made to ensure compliance with legislation, tenement conditions and industry best practice. The recommendations raised by the regulators will be investigated and addressed during 2009.

The environmental permitting program at the Koolyanobbing operations continued throughout 2008. Approvals were obtained for a waste dump expansion at Windarling and the A pit expansion at Koolyanobbing. Baseline studies were completed for the large J1 development at Mount Jackson, and the approval submissions were lodged with federal and state authorities. Baseline and impact assessment studies were completed for further developments of the A, B and C pits at Koolyanobbing.

In May 2007, the WAEPA released a report outlining the recommendations for a significant extension of the conservation estate in the area of the Koolyanobbing mining operations. The report recommended the conversion of much of the area to Class A conservation reserve. Some of the proposed A class reserves overlap with mining tenements granted to Portman (the Overlapping Areas). The WAEPA study has been submitted to the Minister for the Environment and Heritage. The report represents the view of the WAEPA and neither creates an obligation on the government to act nor affects the rights of Portman to operate under existing approvals. We continue to communicate with the government and the environmental agencies in a manner that indicates a

Table of Contents

willingness to work with all parties to achieve a sustainable outcome for conservation and resource development in the region. Portman originally received governmental approval to mine in the Overlapping Areas in June 2003. Since that time, we have met applicable environmental requirements. Although we are currently reviewing the study and the effects of the designation of the Overlapping Areas as A class reserves, such categorization may have a material effect on our operations. In late 2008 there was a change of government at the state level, and it is unknown at this time whether the Minister for the Environment and Heritage will accept the recommendations of the AEPA.

At the Cockatoo Island operations, the focus of environmental work was on obtaining environmental approvals for a Stage 3 extension of the embankment mining project. In addition to this extension, work continued on refining the overall closure plan for Cockatoo Island taking into account the proposed extension. The Stage 3 extension and closure plan were reviewed as a package by regulators and approved in August 2008 for both the extension and the closure plan. Activities within the closure plan not associated with the Stage 3 extension took place in 2008 and are scheduled to continue throughout 2009.

For additional information on our environmental matters, refer to Item 3. *Legal Proceedings* and NOTE 7 ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS in Item 8.

Energy

Electricity

The Empire and Tilden mines receive electric power from WEPCO. Prior to 2008, Empire and Tilden were under special contracts with WEPCO for supply of electricity. Under these contracts, Empire and Tilden were afforded an energy price cap and certain power curtailment features. These contracts expired at the end of the 2007 calendar year. Prior to the termination of the contracts in 2007, WEPCO initiated a tariff rate case in which Empire and Tilden participated in order to establish a new tariff rate for each mine upon the termination of the contracts. The resulting settlement of the rate case, which was approved by the MPSC, created a new industrial tariff rate. Effective January 1, 2008, Tilden and Empire receive their electrical power from WEPCO under the new tariff rate. On January 31, 2008, WEPCO filed a new rate case, proposing an increase to the tariff rates that became effective on January 1, 2008. In February 2008, we filed a petition to intervene in the new rate case. The mines reached a settlement with WEPCO on October 20, 2008 regarding new rates to be implemented on January 1, 2009 and this settlement was approved by the MPSC on November 13, 2008.

Electric power for the Hibbing and United Taconite mines is supplied by MP. On September 16, 2008, the mines finalized new seven-year agreements with a term from November 1, 2008 through at least December 31, 2015. The agreements are being reviewed by the Minnesota Public Utilities Commission for final approval in early 2009.

Silver Bay Power Company, a wholly-owned subsidiary of ours, with a 115 megawatt power plant, provides the majority of Northshore's energy requirements. Silver Bay Power has an interconnection agreement with MP for backup power. Silver Bay Power entered into an agreement to sell 40 megawatts of excess power capacity to Xcel Energy under a contract that extends to 2011. In March 2008, Northshore reactivated one of its furnaces resulting in a shortage of electrical power of approximately 10 megawatts. As a result, supplemental electric power is purchased by Northshore from MP under an agreement that is renewable yearly with one-year termination notice required. The contract expires on June 30, 2011, which coincides with the expiration of Silver Bay Power's 40 megawatt sales agreement with Xcel Energy.

Wabush owns a portion of the Twin Falls Hydro Generation facility that provides power for Wabush's mining operations in Newfoundland. Wabush has a 20-year agreement with Newfoundland Power, which continues until December 31, 2014. This agreement allows an interchange of water rights in return for the power needs for Wabush's mining operations. The Wabush pelletizing operations in Quebec are served by Quebec Hydro on an annual contract.

The Oak Grove mine and Concord Preparation Plant are supplied electrical power by Alabama Power under a five-year contract which continues in effect until terminated by either party providing written notice to the other in accordance with applicable rules, regulations, and rate schedules. Rates of the contract are subject to change during the term of the contract as regulated by the Alabama Public Service Commission.

Table of Contents

Electrical power to the Pinnacle, Green Ridge No. 1, Green Ridge No. 2 mines and the Pinnacle Preparation Plant are supplied by the Appalachian Power Company under two contracts. The Indian Creek contract was revised in 2008 to include service under Appalachian Power's lower cost Large Capacity Power Primary Schedule and is renewable on July 24, 2009 and the Pinnacle Creek contract is renewable on July 4, 2009. Both contracts specify the applicable rate schedule, minimum monthly charge and power capacity furnished. Rates, terms and conditions of the contracts are subject to the approval of the Public Service Commission of West Virginia.

Koolyanobbing and its associated satellite mines draw power from independent diesel fueled power stations and generators. Temporary diesel power generation capacity has been installed at the Koolyanobbing operations, allowing sufficient time for a detailed investigation into the viability of long-term options such as connecting into the Western Australian South West Interconnected System or provision of natural gas or dual fuel (natural gas and diesel) generating capacity. These options are not economic for the satellite mines, which will continue being powered by diesel generators.

Electrical supply on Cockatoo Island is diesel generated. The powerhouse adjacent to the processing plant powers the shiploader, fuel farm and the processing plant. The workshop and administration office is powered by a separate generator.

Sonoma receives its electricity from the public grid generated by local electric retailer Ergon Energy. In 2009, Sonoma plans to go to the contestable energy market and invite offers to supply electricity on a long-term basis.

Process Fuel

We have contracts providing for the transport of natural gas for our North American iron ore and coal operations. At North American Iron Ore, the Empire and Tilden mines have the capability of burning natural gas, coal, or to a lesser extent, oil. The Hibbing and Northshore mines have the capability to burn natural gas and oil. The United Taconite mine has the ability to burn coal, natural gas and coke breeze. Although all of the U.S. iron ore mines have the capability of burning natural gas, the pelletizing operations for the U.S. iron ore mines utilize alternate fuels when practicable. Wabush has the capability to burn oil and coke breeze. Our North American Coal operations use natural gas and coal to fire thermal dryers at both the Pinnacle Complex and Oak Grove mine.

We have performed geological, engineering and economic studies to explore viable natural gas prospects. We currently have an undivided 75 percent working interest with a net revenue interest of 60 percent in leases and leasehold improvements, options, farm-in arrangements and other interests covered by the leases, including wells, equipment and property located in Gray County, Kansas. This exploration and development arrangement allows us to participate in the costs to drill and develop the gas wells and the income that is generated as a result.

Renewafuel

We have a 70 percent controlling interest in Renewafuel. Founded in 2005, Renewafuel produces high-quality, dense fuel cubes made from renewable and consistently available components such as corn stalks, switch grass, grains, soybean and oat hulls, wood, and wood byproducts. This is a strategic investment that provides an opportunity to utilize a green solution for further reduction of emissions consistent with our objective to contain costs and enhance efficiencies in a socially responsible manner. In addition to the potential use of Renewafuel's biofuel cubes in our production process, the cubes will be marketable to other organizations as a potential substitute for western coal and natural gas. During the second quarter of 2008, Renewafuel announced it would build a next-generation biomass fuel production facility near Marquette, Michigan in addition to the current facility located in Battle Creek, Michigan. The Battle Creek facility has the capacity to produce approximately 60,000 tons of biofuel annually. On January 28, 2009, Renewafuel received a draft air permit from MDEQ for the Marquette plant, a significant milestone in the permitting process. Projected to begin construction in the first quarter of 2009, the Marquette plant would have the annual capacity to produce 150,000 tons of high-energy, low-emission biofuel.

Table of Contents**Research and Development**

We have been a leader in iron ore mining technology for more than 160 years. We operated some of the first mines on Michigan's Marquette Iron Range and pioneered early open-pit and underground mining methods. From the first application of electrical power in Michigan's underground mines to the use of today's sophisticated computers and global positioning satellite systems, we have been a leader in the application of new technology to the centuries-old business of mineral extraction. Today, our engineering and technical staffs are engaged in full-time technical support of our operations and improvement of existing products.

As part of our efforts to develop alternative metallic products, we are developing, with Kobe Steel, a commercial-scale reduced iron plant, which will convert hematite into nearly pure iron in nugget form utilizing Kobe Steel's ITmk³ technology. This innovative technology has the potential to open new markets by offering an economically competitive supply of iron material for electric arc furnaces.

North American Coal and Asia Pacific Iron Ore do not have any material research and development projects.

Employees

As of December 31, 2008, we had a total of 5,711 employees.

	North American Iron Ore (1)	North American Coal	Asia Pacific Iron Ore	Corporate & Support Services	Total
Salaried	925	271	126	258	1,580
Hourly	3,391	740			4,131
Total	4,316	1,011	126	258	5,711

(1) Includes our employees and the employees of the North American joint ventures.

Hourly employees at our Michigan and Minnesota iron ore mining operations, excluding Northshore, are represented by the USW. On October 6, 2008, the USW ratified a new four-year labor contract, which replaces the labor agreement that expired on September 1, 2008. The new agreement covers approximately 2,300 USW-represented workers at our Empire and Tilden mines in Michigan, and our United Taconite and Hibbing mines in Minnesota.

Hourly employees at Wabush are represented by the USW. Wabush and the USW entered into a collective bargaining agreement in October 2004 that expires on March 1, 2009.

Hourly production and maintenance employees at our North American Coal mines are represented by the UMWA. Each of these subsidiary companies entered into new collective bargaining agreements with the UMWA in March 2007 that expire on December 31, 2011. Those collective agreements are identical in all material respects to the NBCWA of 2007 between the UMWA and the Bituminous Coal Operators Association.

Employees at our Asia Pacific and Latin American operations are not represented under collective bargaining agreements.

As of December 31, 2008, 53 percent of our employees were covered by collective bargaining agreements.

Growth Strategy

We expect to grow our business and presence as an international mining company by continuing to expand both geographically and through the minerals that we mine and market. Recent investments in Australia and Latin America, as well as acquisitions in minerals outside of iron ore, such as metallurgical coal, illustrate the execution of this strategy.

Edgar Filing: CLIFFS NATURAL RESOURCES INC. - Form 10-K

For further information regarding our growth strategy, refer to Growth Strategy and Strategic Transactions included in Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*, of this Annual Report on Form 10-K.

Table of Contents

Available Information

Our headquarters are located at 200 Public Square, Cleveland, Ohio 44114-2315, and our telephone number is (216) 694-5700. We are subject to the reporting requirements of the Exchange Act and its rules and regulations. The Exchange Act requires us to file reports, proxy statements and other information with the SEC. Copies of these reports and other information can be read and copied at:

SEC Public Reference Room

100 F Street N.E.

Washington, D.C. 20549

Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330.

The SEC maintains a website that contains reports, proxy statements and other information regarding issuers that file electronically with the SEC. These materials may be obtained electronically by accessing the SEC's home page at www.sec.gov.

We make available, free of charge on our website, our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after we electronically file these documents with, or furnish them to, the SEC. These documents are posted on our website at www.cliffsnaturalresources.com under Investors .

We also make available, free of charge on our website, the charter of the Audit Committee, Board Affairs Committee, Compensation and Organization Committee and Finance Committee as well as the Corporate Governance Guidelines and the Code of Business Conduct & Ethics adopted by our Board of Directors. These documents are posted on our website at www.cliffsnaturalresources.com under Investors , select the Corporate Governance link.

References to our website do not constitute incorporation by reference of the information contained on our website, and such information is not part of this Form 10-K.

Copies of the above referenced information will also be made available, free of charge, by calling (216) 694-5700 or upon written request to:

Cliffs Natural Resources Inc.

Investor Relations

200 Public Square

Cleveland, OH 44114-2315

Table of Contents

EXECUTIVE OFFICERS OF THE REGISTRANT

Set forth below are: (1) the names and ages of all executive and certain other officers of the Company at February 26, 2009, (2) all positions with the Company presently held by each such person and (3) the positions held by, and principal areas of responsibility of, each such person during the last five years.

Name	Position(s) Held	Age
Joseph A. Carrabba	Chairman, President and Chief Executive Officer	56
Laurie Brlas	Executive Vice President Chief Financial Officer	51
Donald J. Gallagher	President, North American Business Unit	56
William A. Brake, Jr.	Executive Vice President Human and Technical Resources	48
William R. Calfee	Executive Vice President Commercial, North American Iron Ore	62
William C. Boor	Senior Vice President Business Development	42
Duke D. Vetter	Senior Vice President North American Coal	50
George W. Hawk, Jr.	General Counsel and Secretary	52

There is no family relationship between any of our executive officers, or between any of our executive officers and any of our directors. Officers are elected to serve until successors have been elected. All of the above named executive officers were elected effective on the dates listed below for each such officer.

Joseph A. Carrabba has been Chairman, President and Chief Executive Officer of Cliffs since May 8, 2007. Mr. Carrabba served as Cliffs President and Chief Executive Officer from September 2006 through May 8, 2007 and as Cliffs President and Chief Operating Officer from May 2005 to September 2006. Mr. Carrabba previously served as President and Chief Operating Officer of Diavik Diamond Mines, Inc. from April 2003 to May 2005, a subsidiary of Rio Tinto plc., an international mining group. Mr. Carrabba is a Director of Newmont Mining Corporation.

Laurie Brlas has served as Executive Vice President Chief Financial Officer of Cliffs since March 2008. Ms. Brlas served as Cliffs Senior Vice President Chief Financial Officer from October 2007 through March 2008. From December 2006 to October 2007, Ms. Brlas served as Senior Vice President Chief Financial Officer and Treasurer of Cliffs. From April 2000 to December 2006, Ms. Brlas was Senior Vice President Chief Financial Officer of STERIS Corporation. In addition, Ms. Brlas is a Director of Perrigo Company and Nova Chemicals.

Donald J. Gallagher has served as President, North American Business Unit of Cliffs since November 2007. From December 2006 to November 2007, Mr. Gallagher served as President, North American Iron Ore. From July 2006 to December 2006, Mr. Gallagher served as President, North American Iron Ore, and Acting Chief Financial Officer and Treasurer of Cliffs. From May 2005 to July 2006, Mr. Gallagher was Executive Vice President, Chief Financial Officer and Treasurer of Cliffs. From July 2003 to May 2005, Mr. Gallagher served as Senior Vice President, Chief Financial Officer and Treasurer of Cliffs.

William A. Brake, Jr. has served as Executive Vice President, Human and Technical Resources of Cliffs since November 2008, when Mr. Brake assumed responsibility for human resources and labor relations in addition to his previous responsibilities. From April 2007 until November 2008, Mr. Brake served as Executive Vice President, Cliffs Metallurgical and Chief Technical Officer. From January 2006 to August 2006, Mr. Brake was Executive Vice President Operations of Mittal Steel USA and from March 2005 to January 2006, he served as Executive Vice President Operations East at Mittal Steel USA. From March 2003 to March 2005, Mr. Brake was Vice President and General Manager of International Steel Group.

William R. Calfee has served as Executive Vice President Commercial, North American Iron Ore of Cliffs since July 2006. From 1996 to July 2006, Mr. Calfee served as Executive Vice President Commercial of Cliffs.

William C. Boor has served as Senior Vice President, Business Development of Cliffs since May 2007. Mr. Boor served as Executive Vice President Strategy and Development at American Gypsum Co. (a subsidiary of Eagle Materials Inc.) from February 2005 to April 2007 and Senior Vice President Corporate Development and Investor Relations at Eagle Materials Inc. from May 2002 to February 2005.

Table of Contents

Duke D. Vetor has served as Senior Vice President, North American Coal of Cliffs since November 2007. From July 2006 to November 2007, Mr. Vetor served as Vice President Operations North American Iron Ore of Cliffs. Mr. Vetor was General Manager of Safety and Operations Improvement of Cliffs from December 2005 to July 2006. From 2003 to November 2005, Mr. Vetor served as Vice President Operations of Diavik Diamond Mines.

George W. Hawk, Jr. has served as General Counsel and Secretary of Cliffs since January 2005. Prior to that, Mr. Hawk served as Assistant General Counsel and Secretary of Cliffs from August 2003 to December 2004 and Assistant General Counsel of Cliffs from February 2003 to July 2003. From 1998 to 2003, Mr. Hawk was Deputy General Counsel of Lincoln Electric Holdings, Inc.

Item 1A. Risk Factors.

The current global economic crisis has created uncertainty and could adversely affect our business.

The current global economic crisis has adversely affected our business and could impact our financial results. All of our customers have announced curtailments of production, which has adversely affected the demand for our iron ore and coal products. Continuation or worsening of the current economic conditions, a prolonged global, national or regional economic recession or other events that could produce major changes in demand patterns, could have a material adverse effect on our sales, margins and profitability. We are not able to predict the impact the current global economic crisis will have on our operations and the industry in general going forward.

Steel consumption has slowed globally, leading to excess global capacity, which could result in increasing competition within the steel industry and increased imports into the United States, our largest market, potentially lowering the demand for iron ore and coal.

The world price of iron ore and coal are strongly influenced by international demand. Production at Portman, which comprises our Asia Pacific Iron Ore segment, is fully committed to steel companies in China and Japan. In addition, approximately 80 percent of 2009 production at Sonoma is committed under supply agreements with customers in Asia, including China. If the economic growth rate in China slows for an extended period of time, which may be difficult to forecast, less steel would be used in construction and manufacturing, which would decrease demand for iron ore and coal. This could adversely impact the world iron ore and coal markets and our operations, specifically, at Portman and Sonoma. A slowing of the economic growth rate globally leading to overcapacity in the steelmaking industry could also result in greater exports of steel out of Eastern Europe, Asia and Latin America, which, if imported into North America, could decrease demand for domestically produced steel, thereby decreasing the demand for iron ore and coal supplied in North America.

China's domestic crude steel production climbed approximately two percent in 2008 as compared to 2007. Based on the American Iron and Steel Institute's Apparent Steel Supply (excluding semi-finished steel products), imports of steel into the United States constituted approximately 24 percent, 23 percent and 27 percent of the domestic steel market supply for 2008, 2007 and 2006, respectively. Further, production of steel by North American integrated steel manufacturers may also be replaced, to some extent, by production of substitute materials by other manufacturers. In the case of some product applications, North American steel manufacturers compete with manufacturers of other materials, including plastic, aluminum, graphite composites, ceramics, glass, wood and concrete. Most of our term supply agreements for the sale of iron ore products are requirements-based or provide for flexibility of volume above a minimum level. Reduced demand for and consumption of iron ore products by integrated steel producers have had and may continue to have a significant negative impact on our sales, margins and profitability.

Capacity expansions within the industry could lead to lower global iron ore and coal prices or impact our production.

The increased demand for iron ore and coal, particularly from China, has resulted in the major iron ore and metallurgical coal suppliers increasing their capacity. In the current economic environment, any increase in our competitors' capacity could result in excess supply of iron ore and coal, resulting in increased downward pressure on prices. A decrease in pricing would adversely impact our sales, margins and profitability.

Table of Contents

The current global economic crisis has resulted in increasing downward pressure on prices for iron ore and metallurgical coal.

The current global economic crisis has resulted in a great deal of pressure from customers, particularly in China, for a roll back of the 2008 price increases for seaborne iron ore and metallurgical coal. The 2008 record price increase was driven by high demand for iron ore and coking coal, historically high levels of global steel production, and combined with production and logistics constraints for both iron ore and coking coal, resulted in tight supply conditions. With the current global economic crisis, none of these conditions exist in early 2009; and the market now is characterized by a collapse in steel demand and limited global demand for iron ore and coking coal. Reduced demand for iron ore and coking coal will likely result in decreased demand for the Company's products and decreasing prices, resulting in lower revenue levels in 2009, and decreasing margins as a result of decreased production, adversely affecting our results of operations, financial condition and liquidity.

If steelmakers use methods other than blast furnace production to produce steel, or if their blast furnaces shut down or otherwise reduce production, the demand for our iron ore and coal products may decrease.

Demand for our iron ore and coal products is determined by the operating rates for the blast furnaces of steel companies. However, not all finished steel is produced by blast furnaces; finished steel also may be produced by other methods that do not require iron ore products. For example, steel mini-mills, which are steel recyclers, generally produce steel primarily by using scrap steel and other iron products, not iron ore pellets, in their electric furnaces. Production of steel by steel mini-mills was approximately 60 percent of North American total finished steel production in 2008. North American steel producers also can produce steel using imported iron ore or semi-finished steel products, which eliminates the need for domestic iron ore. Environmental restrictions on the use of blast furnaces also may reduce our customers' use of their blast furnaces. Maintenance of blast furnaces can require substantial capital expenditures. Our customers may choose not to maintain their blast furnaces, and some of our customers may not have the resources necessary to adequately maintain their blast furnaces. If our customers use methods to produce steel that do not use iron ore and coal products, demand for our iron ore and coal products will decrease, which could adversely affect our sales, margins and profitability.

A substantial majority of our sales are made under term supply agreements, which are important to the stability and profitability of our operations.

In 2008, virtually all of our North American Iron Ore sales volume, the majority of our North American Coal sales, and virtually all of our Asia Pacific Iron Ore sales were sold under term supply agreements. For North American Coal, these agreements typically cover a twelve-month period and are typically renewed each year. The Asia Pacific Iron Ore contracts expire in 2012. Our North American Iron Ore contracts have an average remaining duration of six years. We cannot be certain that we will be able to renew or replace existing term supply agreements at the same volume levels, prices or with similar profit margins when they expire. A loss of sales to our existing customers could have a substantial negative impact on our sales, margins and profitability.

Our North American Iron Ore term supply agreements contain a number of price adjustment provisions, or price escalators, including adjustments based on general industrial inflation rates, the price of steel and the international price of iron ore pellets, among other factors, that allow us to adjust the prices under those agreements generally on an annual basis. Our price adjustment provisions are weighted and some are subject to annual collars, which limit our ability to raise prices to match international levels and fully capitalize on strong demand for iron ore. Most of our North American Iron Ore term supply agreements do not otherwise allow us to increase our prices and to directly pass through higher production costs to our customers. An inability to increase prices or pass along increased costs could adversely affect our margins and profitability.

In North America, we depend on a limited number of customers.

Five customers together accounted for more than 80 percent of our North American Iron Ore sales revenues (representing more than 50 percent of our overall revenues) measured as a percent of product revenue for each of the past three years. If one or more of these customers were to significantly reduce their purchases of products from us, or if we were unable to sell products to them on terms as favorable to us as the terms under our current

Table of Contents

term supply agreements, our North American sales, margins and profitability could suffer materially due to the high level of fixed costs and the high costs to idle or close mines. The majority of the iron ore we manage and produce is for our own account, and therefore we rely on sales to our joint venture partners and other third-party customers for most of our revenues.

Although we currently have adequate liquidity, if the current global economic crisis extends beyond 2009, we may have difficulty maintaining adequate liquidity.

Based on our current borrowing capacity and the actions we have taken in response to the global economic crisis to conserve cash, we have adequate liquidity and expect to fund our business obligations from available cash, current operations and borrowing under our current credit facilities. However, if the current economic crisis deepens into a long term downturn, it is possible that we will face liquidity issues that will negatively impact our cash flow or borrowing capacity. In such circumstances, we may be forced to access higher cost forms of capital.

The current global economic crisis may limit available capital.

We expect to grow our business and presence as an international mining company by continuing to expand both geographically and through the minerals that we mine and market. To execute on this strategy we will need to have access to the capital markets to finance acquisition and developmental mining properties. In the current global economic crisis access to capital to finance new projects and acquisitions is extremely limited. If we are unable to access the capital markets our ability to execute on our growth strategy will be negatively impacted.

Our ability to collect payments from our customers depends on their creditworthiness.

Our ability to receive payment for products sold and delivered to our customers depends on the creditworthiness of our customers. With respect to our North American Coal and Asia Pacific Iron Ore business units, payment is typically received as the products are shipped. However, in our North American Iron Ore business unit, generally, we deliver iron ore products to our customers' facilities in advance of payment for those products. Our rationale for delivering iron ore products to customers in advance of payment for the product is to more closely relate timing of payment to consumption and to reduce our financial risk to customer insolvency, as title and risk of loss with respect to those products does not pass to the customer until payment for the pellets is received. Accordingly, there is typically a period of time in which pellets, for which we have reserved title, are within our customers' control. Consolidations in some of the industries in which our customers operate have created larger customers, some of which are highly leveraged. These factors have caused some customers to be less profitable and increased our exposure to credit risk. Current credit markets are highly volatile, and some of our customers are highly leveraged. A significant adverse change in the financial and/or credit position of a customer could require us to assume greater credit risk relating to that customer and could limit our ability to collect receivables. Failure to receive payment from our customers for products that we have delivered could adversely affect our results of operations, financial condition and liquidity.

Mine closures entail substantial costs, and if we close one or more of our mines sooner than anticipated, our results of operations and financial condition may be significantly and adversely affected.

If we close any of our mines, our revenues would be reduced unless we were able to increase production at our other mines, which may not be possible. The closure of a mining operation involves significant fixed closure costs, including accelerated employment legacy costs, severance-related obligations, reclamation and other environmental costs, and the costs of terminating long-term obligations, including energy contracts and equipment leases. We base our assumptions regarding the life of our mines on detailed studies we perform from time to time, but those studies and assumptions are subject to uncertainties and estimates that may not be accurate. We recognize the costs of reclaiming open pits and shafts, stockpiles, tailings ponds, roads and other mining support areas based on the estimated mining life of our property. If we were to significantly reduce the estimated life of any of our mines, the mine-closure costs would be applied to a shorter period of production, which would increase production costs per ton produced and could significantly and adversely affect our results of operations and financial condition.

Table of Contents

A North American mine permanent closure could significantly increase and accelerate employment legacy costs, including our expense and funding costs for pension and other postretirement benefit obligations. A number of employees would be eligible for immediate retirement under special eligibility rules that apply upon a mine closure. All employees eligible for immediate retirement under the pension plans at the time of the permanent mine closure also would be eligible for postretirement health and life insurance benefits, thereby accelerating our obligation to provide these benefits. Certain mine closures would precipitate a pension closure liability significantly greater than an ongoing operation liability. Finally, a permanent mine closure could trigger severance-related obligations, which can equal up to eight weeks of pay per employee, depending on length of service. No employee entitled to an immediate pension upon closure of a mine is entitled to severance. As a result, the closure of one or more of our mines could adversely affect our financial condition and results of operations.

We rely on estimates of our recoverable reserves, which is complex due to geological characteristics of the properties and the number of assumptions made.

We regularly evaluate our North American iron ore and coal reserves based on revenues and costs and update them as required in accordance with SEC Industry Guide 7. Portman and Sonoma have published reserves which follow Joint Ore Reserves Code in Australia, which is similar to United States requirements. Changes to the reserve value to make them comply with SEC requirements have been made. There are numerous uncertainties inherent in estimating quantities of reserves of our mines, many of which have been in operation for several decades, including many factors beyond our control.

Estimates of reserves and future net cash flows necessarily depend upon a number of variable factors and assumptions, such as production capacity, effects of regulations by governmental agencies, future prices for iron ore and coal, future industry conditions and operating costs, severance and excise taxes, development costs and costs of extraction and reclamation, all of which may in fact vary considerably from actual results. For these reasons, estimates of the economically recoverable quantities of mineralized deposits attributable to any particular group of properties, classifications of such reserves based on risk of recovery and estimates of future net cash flows prepared by different engineers or by the same engineers at different times may vary substantially as the criteria change. Estimated ore and coal reserves could be affected by future industry conditions, geological conditions and ongoing mine planning. Actual production, revenues and expenditures with respect to our reserves will likely vary from estimates, and if such variances are material, our sales and profitability could be adversely affected.

We rely on our joint venture partners in our mines to meet their payment obligations and are subject to risks involving the acts or omissions of our joint venture partners when we are not the manager of the joint venture.

We co-own four of our six North American iron ore mines with various joint venture partners that are integrated steel producers or their subsidiaries, including ArcelorMittal USA, and U.S. Steel Canada Inc. (formerly Stelco Inc.), or U.S. Steel Canada. While we are the manager of each of the mines we co-own, we rely on our joint venture partners to make their required capital contributions and to pay for their share of the iron ore pellets that we produce. Most of our venture partners are also our customers. If one or more of our venture partners fail to perform their obligations, the remaining venturers, including ourselves, may be required to assume additional material obligations, including significant pension and postretirement health and life insurance benefit obligations. The premature closure of a mine due to the failure of a joint venture partner to perform its obligations could result in significant fixed mine-closure costs, including severance, employment legacy costs and other employment costs, reclamation and other environmental costs, and the costs of terminating long-term obligations, including energy contracts and equipment leases.

We cannot control the actions of our joint venture partners, especially when we have a minority interest in a joint venture and are not designated as the manager of the joint venture. Further, in spite of performing customary due diligence prior to entering into a joint venture, we cannot guaranty full disclosure of prior acts or omissions of the sellers or those with whom we enter into joint ventures. Such risks could have a material adverse effect on the business, results of operations or financial condition of our joint venture interests.

Table of Contents

Our expenditures for postretirement benefit and pension obligations could be materially higher than we have predicted if our underlying assumptions prove to be incorrect, if there are mine closures or our joint venture partners fail to perform their obligations that relate to employee pension plans.

We provide defined benefit pension plans and OPEB to eligible union and non-union employees, including our share of expense and funding obligations with respect to unconsolidated ventures. Our pension expense and our required contributions to our pension plans are directly affected by the value of plan assets, the projected and actual rate of return on plan assets and the actuarial assumptions we use to measure our defined benefit pension plan obligations, including the rate at which future obligations are discounted.

We cannot predict whether changing market or economic conditions such as the current economic crisis, regulatory changes or other factors will increase our pension expenses or our funding obligations, diverting funds we would otherwise apply to other uses.

We have calculated our unfunded pension and OPEB obligations based on a number of assumptions. If our assumptions do not materialize as expected, cash expenditures and costs that we incur could be materially higher. Moreover, we cannot be certain that regulatory changes will not increase our obligations to provide these or additional benefits. These obligations also may increase substantially in the event of adverse medical cost trends or unexpected rates of early retirement, particularly for bargaining unit retirees for whom there is currently no retiree healthcare cost cap. Early retirement rates likely would increase substantially in the event of a mine closure.

Our sales and competitive position depend on the ability to transport our products to our customers at competitive rates and in a timely manner.

Disruption of the lake freighter and rail transportation services because of weather-related problems, including ice and winter weather conditions on the Great Lakes, strikes, lock-outs or other events, could impair our ability to supply iron ore pellets to our customers at competitive rates or in a timely manner and, thus, could adversely affect our sales and profitability. Similarly, our coal operations depend on international freighter and rail transportation services, as well as the availability of dock capacity, and any disruptions to such could impair our ability to supply coal to our customers at competitive rates or in a timely manner and, thus, could adversely affect our sales and profitability. Further, reduced levels of government funding may result in a lesser level of dredging, particularly at Great Lakes ports. Less dredging results in lower water levels, which restricts the tonnage freighters can haul over the Great Lakes, resulting in higher freight rates.

Our Asia Pacific Iron Ore operations are in direct competition with the major world seaborne exporters of iron ore and our customers face higher transportation costs than most other Australian producers to ship our products to the Asian markets because of the location of our major shipping port on the south coast of Australia. Further, increases in transportation costs, decreased availability of ocean vessels or changes in such costs relative to transportation costs incurred by our competitors, could make our products less competitive, restrict our access to certain markets and have an adverse effect on our sales, margins and profitability.

Our operating expenses could increase significantly if the price of electrical power, fuel or other energy sources increases.

Operating expenses at all of our mining locations are sensitive to changes in electricity prices and fuel prices, including diesel fuel and natural gas prices. In our North American Iron Ore locations, for example, these items make up approximately 20 percent of our North American Iron Ore operating costs. Prices for electricity, natural gas and fuel oils can fluctuate widely with availability and demand levels from other users. During periods of peak usage, supplies of energy may be curtailed and we may not be able to purchase them at historical rates. While we have some long-term contracts with electrical suppliers, we are exposed to fluctuations in energy costs that can affect our production costs. We enter into forward fixed-price supply contracts for natural gas and diesel fuel for use in our operations. Those contracts are of limited duration and do not cover all of our fuel needs, and price increases in fuel costs could cause our profitability to decrease significantly.

Table of Contents

Natural disasters, weather conditions, disruption of energy, unanticipated geological conditions, equipment failures, and other unexpected events may lead our customers, our suppliers, or our facilities to curtail production or shut down their operations.

Operating levels within the industry are subject to unexpected conditions and events that are beyond the industry's control. Those events could cause industry members or their suppliers to curtail production or shut down a portion or all of their operations, which could reduce the demand for our iron ore and coal products, and could adversely affect our sales, margins, and profitability.

For example, in January of 2008, one of our customers provided us with a force majeure letter due to a fire on the smaller of its two operating furnaces. In February 2007, severe weather conditions caused significant ice buildup in the basin supplying water to the Hibbing facility tailings basin. This caused a production shutdown that lowered first quarter production output. In August 2007 and March 2008, production at Pinnacle slowed as a result of sandstone intrusions encountered within the coal panel being mined at the time, spreading fixed costs over less production than planned.

Interruptions in production capabilities will inevitably increase our production costs and reduce our profitability. We do not have meaningful excess capacity for current production needs, and we are not able to quickly increase production at one mine to offset an interruption in production at another mine.

A portion of our production costs are fixed regardless of current operating levels. As noted, our operating levels are subject to conditions beyond our control that can delay deliveries or increase the cost of mining at particular mines for varying lengths of time. These conditions include weather conditions (for example, extreme winter weather, floods and availability of process water due to drought) and natural disasters, pit wall failures, unanticipated geological conditions, including variations in the amount of rock and soil overlying the deposits of iron ore and coal, variations in rock and other natural materials and variations in geologic conditions and ore processing changes.

The manufacturing processes that take place in our mining operations, as well as in our processing facilities, depend on critical pieces of equipment. This equipment may, on occasion, be out of service because of unanticipated failures. In addition, many of our mines and processing facilities have been in operation for several decades, and the equipment is aged. In the future, we may experience additional material plant shutdowns or periods of reduced production because of equipment failures. Further, remediation of any interruption in production capability may require us to make large capital expenditures that could have a negative effect on our profitability and cash flows. Our business interruption insurance would not cover all of the lost revenues associated with equipment failures. Longer-term business disruptions could result in a loss of customers, which could adversely affect our future sales levels, and therefore our profitability.

Regarding the impact of unexpected events happening to our suppliers, many of our mines are dependent on one source for electric power and for natural gas. For example, Minnesota Power, Inc. is the sole supplier of electric power to our Hibbing and United Taconite mines; WEPCO is the sole supplier of electric power to our Tilden and Empire mines; and our Northshore mine is largely dependent on our wholly-owned power facility for its electrical supply. A significant interruption in service from our energy suppliers due to terrorism, weather conditions, natural disasters, or any other cause can result in substantial losses that may not be fully recoverable, either from our business interruption insurance or responsible third parties.

We are subject to extensive governmental regulation, which imposes, and will continue to impose, significant costs and liabilities on us, and future regulation could increase those costs and liabilities or limit our ability to produce iron ore and coal products.

We are subject to various federal, provincial, state and local laws and regulations in each jurisdiction in which we have operations on matters such as employee health and safety, air quality, water pollution, plant and wildlife protection, reclamation and restoration of mining properties, the discharge of materials into the environment, and the effects that mining has on groundwater quality and availability. Numerous governmental permits and approvals are required for our operations. We cannot be certain that we have been or will be at all times in complete compliance with such laws, regulations and permits. If we violate or fail to comply with these laws, regulations or permits, we could be fined or otherwise sanctioned by regulators.

Table of Contents

Prior to commencement of mining, we must submit to and obtain approval from the appropriate regulatory authority of plans showing where and how mining and reclamation operations are to occur. These plans must include information such as the location of mining areas, stockpiles, surface waters, haul roads, tailings basins and drainage from mining operations. All requirements imposed by any such authority may be costly and time-consuming and may delay commencement or continuation of exploration or production operations. In addition, new legislation and regulations and orders, including proposals related to climate change and protection of the environment, to which we would be subject or that would further regulate and tax our customers, namely the North American integrated steel producer customers, may also require us or our customers to reduce or otherwise change operations significantly or incur additional costs. Such new legislation, regulations or orders (if enacted) could have a material adverse effect on our business, results of operations, financial condition or profitability. For example, our U.S. operations are subject to MACT emissions standards for particulate matter promulgated by the EPA under the Clean Air Act effective October 31, 2006. The EPA's decision not to regulate emissions of mercury or asbestos in the MACT Rule is the subject of a court remand, and the outcome cannot be predicted.

Further, we are subject to a variety of potential liability exposures arising at certain sites where we do not currently conduct operations. These sites include sites where we formerly conducted iron ore mining or processing or other operations, inactive sites that we currently own, predecessor sites, acquired sites, leased land sites and third-party waste disposal sites. We may be named as a responsible party at other sites in the future and we cannot be certain that the costs associated with these additional sites will not be material.

We also could be held liable for any and all consequences arising out of human exposure to hazardous substances used, released or disposed of by us or other environmental damage, including damage to natural resources. In particular, we and certain of our subsidiaries are involved in various claims relating to the exposure of asbestos and silica to seamen who sailed on the Great Lakes vessels formerly owned and operated by certain of our subsidiaries. The full impact of these claims, as well as whether insurance coverage will be sufficient and whether other defendants named in these claims will be able to fund any costs arising out of these claims, continues to be unknown.

Underground mining is subject to increased safety regulation and may require us to incur additional cost.

Recent mine disasters have led to the enactment and consideration of significant new federal and state laws and regulations relating to safety in underground coal mines. These laws and regulations include requirements for constructing and maintaining caches for the storage of additional self-contained self rescuers throughout underground mines; installing rescue chambers in underground mines; constant tracking of and communication with personnel in the mines; installing cable lifelines from the mine portal to all sections of the mine to assist in emergency escape; submission and approval of emergency response plans; and new and additional safety training. Additionally, new requirements for the prompt reporting of accidents and increased fines and penalties for violations of these and existing regulations have been implemented. These new laws and regulations may cause us to incur substantial additional costs, which may adversely impact our operating performance.

Coal mining is complex due to geological characteristics of the region.

The geological characteristics of coal reserves, such as depth of overburden and coal seam thickness, make them complex and costly to mine. As mines become depleted, replacement reserves may not be available when required or, if available, may not be capable of being mined at costs comparable to those characteristic of the depleting mines. These factors could materially adversely affect the mining operations and cost structures of, and customers' ability to use coal produced.

Our profitability could be negatively affected if we fail to maintain satisfactory labor relations.

The USW represents all hourly employees at our North American Iron Ore locations except for Northshore. The UMWA represents hourly employees at our North American Coal locations. We have entered into an agreement with the USW on a new four-year labor contract to replace the labor agreement that expired on September 1, 2008 and that will cover approximately 2,300 USW-represented workers at our Empire and Tilden mines in Michigan, and our United Taconite and Hibbing mines in Minnesota. A five-year agreement runs until

Table of Contents

March 1, 2009 with our Canadian work force. The current UMWA agreement runs through 2011 at our coal locations. Hourly employees at the railroads we own that transport products among our facilities are represented by multiple unions with labor agreements that expire at various dates. If the collective bargaining agreements relating to the employees at our mines or railroads are not successfully renegotiated prior to their expiration, we could face work stoppages or labor strikes.

We may encounter labor shortages for critical operational positions, which could affect our ability to produce our products.

Prior to the current global economic crisis, the global mining industry was facing a critical shortage of essential skilled employees. Competition for the available workers was limiting our ability to attract and retain employees prior to the global economic crisis.

Despite the current economic downturn, we are predicting a long term shortage of skilled workers for the mining industry. At many of our mining locations, many of our mining operational employees are approaching retirement age. As these experienced employees retire, we may have difficulty replacing them at competitive wages. As a result, wages are increasing to address the turnover. In addition, when the global economy recovers, we will again be under increasing pressure to retain our existing skilled workers, also resulting in higher wages.

Our profitability could be affected by the failure of outside contractors to perform.

Portman and Sonoma use contractors to handle many of the operational phases of their mining and processing operations and therefore are subject to the performance of outside companies on key production areas.

We may be unable to successfully identify, acquire and integrate strategic acquisition candidates.

Our ability to grow successfully through acquisitions depends upon our ability to identify, negotiate, complete and integrate suitable acquisitions and to obtain necessary financing. It is possible that we will be unable to successfully complete potential acquisitions. In addition, the costs of acquiring other businesses could increase if competition for acquisition candidates increases. Additionally, the success of an acquisition is subject to other risks and uncertainties, including our ability to realize operating efficiencies expected from an acquisition, the size or quality of the resource, delays in realizing the benefits of an acquisition, difficulties in retaining key employees, customers or suppliers of the acquired businesses, difficulties in maintaining uniform controls, procedures, standards and policies throughout acquired companies, the risks associated with the assumption of contingent or undisclosed liabilities of acquisition targets, the impact of changes to our allocation of purchase price, and the ability to generate future cash flows or the availability of financing.

We are subject to risks involving operations in multiple countries.

We have a strategy to broaden our scope as a supplier of iron ore and other raw materials to the global integrated steel industry. As we expand beyond our traditional North American base business, we will be subject to additional risks beyond those risks relating to our North American operations, such as currency fluctuations; legal and tax limitations on our ability to repatriate earnings in a tax-efficient manner; potential negative international impacts resulting from U.S. foreign and domestic policies, including government embargoes or foreign trade restrictions; the imposition of duties, tariffs, import and export controls and other trade barriers impacting the seaborne iron ore and coal markets; difficulties in staffing and managing multi-national operations; and uncertainties in the enforcement of legal rights and remedies in multiple jurisdictions. If we are unable to manage successfully the risks associated with expanding our global business, these risks could have a material adverse effect on our business, results of operations or financial condition.

We are subject to a variety of market risks.

Market risks include those caused by changes in the value of equity investments, changes in commodity prices, interest rates and foreign currency exchange rates. We have established policies and procedures to manage such risks, however certain risks are beyond our control.

Table of Contents**Item 1B. Unresolved Staff Comments.**

We have no unresolved comments from the SEC.

Item 2. Properties.

The following map shows the locations of our operations:

Mine Facilities and Equipment. Each of the North American Iron Ore mines has crushing, concentrating, and pelletizing facilities. There are crushing and screening facilities at Koolyanobbing and Cockatoo Island. North American Coal mines have preparation, processing, and load-out facilities, with the Pinnacle and Green Ridge mines sharing facilities. The facilities at each site are in satisfactory condition, although they require routine capital and maintenance expenditures on an ongoing basis. Certain mine equipment generally is powered by electricity, diesel fuel or gasoline. Our share of the total cost of the property, plant and equipment, net of applicable accumulated amortization and depreciation as of December 31, 2008, for each of the mines is set forth in the chart below.

Mine Location	(In Millions)	
	Historical Cost of Mine Plant and Equipment, Net of Applicable Accumulated Amortization and Depreciation (Cliffs Share)	
Empire	\$	30.5(1)
Tilden		159.6(2)
Hibbing		13.2
Northshore		109.5
United Taconite		77.4
Wabush		15.2
Pinnacle		524.3(5)
Oak Grove		244.3
Sonoma		100.8(6)
Cockatoo Island		(4)
Koolyanobbing		718.6
Amapá		(3)

- (1) Includes capitalized financing costs of \$3.2 million, net of accumulated amortization. Our consolidated net book value related to Empire is \$0 as of December 31, 2008, based upon an impairment charge recorded in 2001.

Table of Contents

- (2) Includes capitalized financing costs of \$11.2 million, net of accumulated amortization.
- (3) The mine is in the pre-production stage.
- (4) Cockatoo Island plant and equipment is fully amortized.
- (5) Includes capitalized financing costs of \$0.7 million, net of accumulated amortization.
- (6) Includes capitalized financing costs of \$1.8 million, net of accumulated amortization.

North American Iron Ore

We directly or indirectly own and operate interests in the following six North American iron ore mines:

Empire mine

The Empire mine is located on the Marquette Iron Range in Michigan's Upper Peninsula approximately 15 miles west-southwest of Marquette, Michigan. The mine has been in operation since 1963. Over the past five years, the Empire mine has produced between 4.6 million and 5.4 million tons of iron ore pellets annually.

We own 79.0 percent of Empire, and a subsidiary of ArcelorMittal USA has retained the remaining 21 percent ownership in Empire with limited rights and obligations, which it has a unilateral right to put to us at any time subsequent to the end of 2007. This right has not been exercised. We own directly approximately one-half of the remaining ore reserves at the Empire mine and lease them to Empire. A subsidiary of ours leases the balance of the Empire reserves from other owners of such reserves and subleases them to Empire.

Tilden mine

The Tilden mine is located on the Marquette Iron Range in Michigan's Upper Peninsula approximately five miles south of Ishpeming, Michigan. The Tilden mine has been in operation since 1974. Over the past five years, the Tilden mine has produced between 6.9 million and 7.9 million tons of iron ore pellets annually.

We own 85 percent of Tilden, with the remaining minority interest owned by U.S. Steel Canada. Each partner takes its share of production pro rata; however, provisions in the partnership agreement allow additional or reduced production to be delivered under certain circumstances. We own all of the ore reserves at the Tilden mine and lease them to Tilden.

The Empire and Tilden mines are located adjacent to each other. The logistical benefits include a consolidated transportation system, more efficient employee and equipment operating schedules, reduction in redundant facilities and workforce and best practices sharing.

Hibbing mine

The Hibbing mine is located in the center of Minnesota's Mesabi Iron Range and is approximately ten miles north of Hibbing, Minnesota and five miles west of Chisholm, Minnesota. The Hibbing mine has been in operation since 1976. Over the past five years, the Hibbing mine has produced between 7.4 million and 8.5 million tons of iron ore pellets annually.

We own 23.0 percent of Hibbing, ArcelorMittal USA has a 62.3 percent interest, and U.S. Steel Canada has a 14.7 percent interest. Each partner takes its share of production pro rata; however, provisions in the joint venture agreement allow additional or reduced production to be delivered under certain circumstances.

Northshore mine

Edgar Filing: CLIFFS NATURAL RESOURCES INC. - Form 10-K

The Northshore mine is located in northeastern Minnesota, approximately two miles south of Babbitt, Minnesota on the northeastern end of the Mesabi Iron Range. Northshore's processing facilities are located in Silver Bay, Minnesota, near Lake Superior. The Northshore mine has been in continuous operation since 1990. Over the past five years, the Northshore mine has produced between 4.8 million and 5.5 million tons of iron ore pellets annually.

Table of Contents

The Northshore mine began production under our management and ownership on October 1, 1994. We own 100 percent of the mine.

United Taconite mine

The United Taconite mine is located on Minnesota's Mesabi Iron Range in and around the city of Eveleth, Minnesota. The United Taconite concentrator and pelletizing facilities are located 10 miles south of the mine, near the town of Forbes, Minnesota. The mine has been operating since 1965. Over the past five years, the United Taconite mine has produced between 1.6 million and 5.3 million tons of iron ore pellets annually.

On July 11, 2008, we signed and closed on the acquisition of the remaining 30 percent interest in United Taconite, with an effective date of July 1, 2008. Upon consummation of the purchase, our ownership interest in United Taconite increased from 70 percent to 100 percent.

Wabush mine

The Wabush mine and concentrator are located in Wabush, Labrador, Newfoundland, and the pellet plant is located in Pointe Noire, Quebec, Canada. The Wabush mine has been in operation since 1965. Over the past five years, the Wabush mine has produced between 3.8 million and 5.2 million tons of iron ore pellets annually. We own 26.8 percent of Wabush, Dofasco has a 28.6 percent interest and U.S. Steel Canada has a 44.6 percent interest.

North American Coal

We directly own and operate the following two North American coal mining complexes:

Pinnacle Complex

The Pinnacle Complex includes the Pinnacle and Green Ridge mines and is located approximately 30 miles southwest of Beckley, West Virginia. The Pinnacle mine has been in operation since 1969. Over the past five years, the Pinnacle mine has produced between 1.4 million and 2.5 million tons of coal annually. The Green Ridge mine has been in operation since 2004 and has produced between 0.3 million and 0.5 million tons of coal annually.

Oak Grove mine

The Oak Grove mine is located approximately 25 miles southwest of Birmingham, Alabama. The mine has been in operation since 1972. Over the past five years, the Oak Grove mine has produced between 1.0 million and 1.7 million tons of coal annually.

Asia Pacific Iron Ore

Koolyanobbing

The Koolyanobbing operations are located 425 kilometers east of Perth and approximately 50 kilometers northeast of the town of Southern Cross. Koolyanobbing produces lump and fine iron ore. An expansion program was completed in 2006 to increase capacity from six to eight million tonnes per annum. The expansion was primarily driven by the development of iron ore resources at Mount Jackson and Windarling, located 80 kilometers and 100 kilometers north of the existing Koolyanobbing operations, respectively. Over the past five years, the Koolyanobbing operation has produced between 4.9 million and 7.6 million tonnes annually.

Cockatoo Island

The Cockatoo Island operation is located six kilometers to the west of Yampi Peninsula, in the Buccaneer Archipelago, and 140 kilometers north of Derby in the West Kimberley region of Western Australia. The island has been mined for iron ore since 1951, with a break in operations between 1985 and 1993. Over the past five years, Cockatoo Island has produced between 0.6 million and 1.4 million tonnes annually.

Table of Contents

Portman commenced a beneficiation project in 1993 that was completed in mid-2000. Portman owns a 50 percent interest in this joint venture to mine remnant iron ore deposits. Mining from this phase of the operation commenced in late 2000. In 2008, Cockatoo Island production began to reduce, as the second stage of the seawall reserves were exhausted. Construction on a necessary extension of the existing seawall commenced in the third quarter 2008, with production anticipated to restart by the end of the second quarter 2009. This extension is expected to extend production for approximately two additional years, through June 2011. Ore is hauled by haul truck to the stockpiles, crushed and screened and then transferred by conveyor to the shiploader.

Transportation

North American Iron Ore

Two railroads, one of which is wholly-owned by us, link the Empire and Tilden mines with Lake Michigan at the loading port of Escanaba, Michigan and with the Lake Superior loading port of Marquette, Michigan. From the Mesabi Range, Hibbing pellets are transported by rail to a shiploading port at Superior, Wisconsin. United Taconite pellets are shipped by railroad to the port of Duluth, Minnesota. At Northshore, crude ore is shipped by a wholly-owned railroad from the mine to processing and dock facilities at Silver Bay, Minnesota. In Canada, there is an open-pit mine and concentrator at Wabush, Labrador, Newfoundland and a pellet plant and dock facility at Pointe Noire, Quebec. At the Wabush mine, concentrates are shipped by rail from the Scully mine at Wabush to Pointe Noire where they are pelletized for shipment via vessel within Canada, to the United States and other international destinations or shipped as concentrates for sinter feed.

North American Coal

Our coal production is shipped within the U.S. by rail or barge. Coal for international customers is shipped through the port of Mobile, Alabama or Newport News, Virginia.

Asia Pacific Iron Ore

All of the ore mined at the Koolyanobbing operations is transported by rail to the Port of Esperance, 575 kilometers to the south for shipment to Asian customers. Direct ship premium fines mined at Cockatoo Island are loaded at a local dock. On July 17, 2008, Portman entered into an agreement to upgrade the rail line related to our operations in Asia Pacific. The upgrade is being performed to mitigate the risk of derailment and reduce service disruptions by providing a more robust infrastructure. The improvements include the replacement of 120 kilometers of rail and associated parts. As a result, we have incurred a purchase commitment of approximately \$39 million for maintenance and improvements to the rail structure. The project is expected to be completed by the end of the first quarter in 2010.

Internal Control Over Reserve Estimation

We have a corporate policy relating to internal control and procedures with respect to auditing and estimating mineral reserves. The procedures include the calculation of mineral reserves at each mine by mining engineers and geologists under the direction of our Chief Mining Engineer. Our General Manager of Resource Technology compiles, reviews, and submits the calculations to the Corporate Accounting department, where the disclosures for our annual and quarterly reports are prepared based on those calculations. The draft disclosure is submitted to our General Manager of Resource Technology for further review and approval. The draft disclosures are then reviewed and approved by our Chief Financial Officer and Chief Executive Officer before inclusion in our annual and quarterly reports. Additionally, the long-range mine planning and mineral reserve estimates are reviewed annually by our Audit Committee. Furthermore, all changes to mineral reserve estimates, other than those due to production, are documented by our General Manager of Resource Technology and are submitted to our President and Chief Executive Officer for review and approval. Finally, we perform periodic reviews of long-range mine plans and mineral reserve estimates at mine staff meetings and senior management meetings.

Table of Contents**Operations**

In North America, we produced 22.9 million, 21.8 million and 20.8 million long tons of iron ore pellets in 2008, 2007 and 2006, respectively, for our account and 12.3 million, 12.8 million and 12.8 million long tons, respectively, on behalf of the steel company owners of the mines. We also produced 3.5 million and 1.1 million short tons of coal in North America in 2008 and 2007, respectively, representing our volume since the acquisition of PinnOak on July 31, 2007. In Australia, we produced 7.7 million tonnes, 8.4 million tonnes and 7.7 million tonnes in 2008, 2007 and 2006, respectively. Refer to *Production and Sales Volume* included in Item 7 *Management's Discussion and Analysis of Financial Condition and Results of Operations*, for further information.

Our business is subject to a number of operational factors that can affect our future profitability. A more detailed description of these risks is included in Item 1A. *Risk Factors*.

Mine Capacity and Ore Reserves

Reserves are defined by SEC Industry Standard Guide 7 as that part of a mineral deposit that could be economically and legally extracted and produced at the time of the reserve determination. All reserves are classified as proven or probable and are supported by life-of-mine plans.

Iron Ore Reserves

Ore reserve estimates for our iron ore mines as of December 31, 2008 were estimated from fully-designed open pits developed using three-dimensional modeling techniques. These fully designed pits incorporate design slopes, practical mining shapes and access ramps to assure the accuracy of our reserve estimates. The following tables reflect expected current annual capacity and economic ore reserves for our North American and Asia Pacific iron ore mines as of December 31, 2008.

North American Iron Ore

Mine	Iron Ore Mineralization	Current Annual Capacity	Mineral Reserves (2) (3) Current Year				Previous Year	Mineral Rights		Method of Reserve Estimation	Operating Since	Infrastructure
			Proven	Probable	Total	Owned		Leased				
									Tons in millions (1)			
Empire	Negaunee Iron Formation (Magnetite)	5.5	33		33	10	53%	47%	Geologic - Block Model	1963	Mine, Concentrator, Pelletizer	
Tilden	Negaunee Iron Formation (Hematite, Magnetite)	8.0	219	61	280	252	100%	0%	Geologic - Block Model	1974	Mine, Concentrator, Pelletizer, Railroad	
Hibbing Taconite	Biwabik Iron Formation (Magnetite)	8.0	104	10	114	145	3%	97%	Geologic - Block Model	1976	Mine, Concentrator, Pelletizer	
Northshore (4)	Biwabik Iron Formation (Magnetite)	5.7	298	10	308	313	0%	100%	Geologic - Block Model	1989	Mine, Concentrator, Pelletizer, Railroad	
United Taconite	Biwabik Iron Formation (Magnetite)	5.4	128	16	144	149	0%	100%	Geologic - Block Model	1965	Mine, Concentrator, Pelletizer	
Wabush	Sokoman Iron Formation (Hematite)	5.5	75		75	39	0%	100%	Geologic - Block Model	1965	Mine, Concentrator, Pelletizer, Railroad	
	Total	38.1	857	97	954	908						

Edgar Filing: CLIFFS NATURAL RESOURCES INC. - Form 10-K

- (1) Tons are long tons of 2,240 pounds.
- (2) Estimated standard equivalent pellets, including both proven and probable reserves based on life-of-mine operating schedules.
- (3) We regularly evaluate our reserve estimates and update them in accordance with SEC Industry Guide 7.
- (4) Northshore annual capacity increased in 2008 from 4.8 million through reactivation of idled concentrating and pelletizing plant sections.

Table of Contents

In 2008, there were no changes in reserve estimates at Northshore or United Taconite, except for production.

New economic reserve analyses were performed at Empire, Tilden, Hibbing and Wabush in 2008. Each of the new reserve analyses incorporate updates to both iron ore pellet pricing and operating costs. Changes in the reserve estimates are as follows:

Empire Pellet reserves are increased by 26 million tons net of 2008 production. The increased reserves are obtained by an additional pit pushback.

Tilden Pellet reserves are increased by 35 million tons net of 2008 production. The increased reserves are obtained by an additional pit pushback of the hematite main pit.

Hibbing Pellet reserves are decreased by 23 million tons net of 2008 production. The decreased reserves are due to the inability of life of mine scheduling to accommodate all low recovery ores while maintaining an 8.0 million ton annual pellet production rate. The previous ore reserve estimate for Hibbing Taconite was based on a 7.8 million ton operating rate that allowed maximum utilization of these ores.

Wabush Pellet reserves were increased by 40 million tons net of 2008 production. The increased reserves are obtained by optimizing manganese cut-off grades for pellet specifications and operational improvements in pit dewatering allowing for deeper pit designs.

Asia Pacific Iron Ore

Mine	Iron Ore Mineralization	Current Annual Capacity	Mineral Reserves (2) (3)				Mineral Rights		Method of Reserve Estimation	Operating Since	Infrastructure
			Current Year			Previous Year	Owned	Leased			
			Proven	Probable	Total						
			Tonnes in million (1)								
Koolyanobbing (4)	Banded Iron Formations Southern Cross Terrane Yilgarn Mineral Field (Hematite, Goethite)	8.2	6.7	83.8	90.5	95.1	0%	100%	Geologic - Block Model	1994	Mine, Road Train Haulage, Crushing-Screening Plant
Cockatoo Island JV (5,6)	Sandstone Yampi Formation Kimberley Mineral Field (Hematite)	1.2		2.3	2.3	0.5	0%	100%	Geologic - Block Model	1994	Mine, Crushing-Screening Plant, Shiploader
	Total	9.4	6.7	86.1	92.8	95.6					

(1) Metric tons of 2,205 pounds.

(2) Reported ore reserves restricted to proven and probable tonnages based on life of mine operating schedules. 6.7 million tonnes of the Koolyanobbing reserves are sourced from current stockpiles.

Edgar Filing: CLIFFS NATURAL RESOURCES INC. - Form 10-K

- (3) Asia Pacific Iron Ore's reserve estimates are regularly updated in accordance with SEC Industry Guide 7 and the 2004 Edition of the JORC Code.
 - (4) Rail and plant upgrades in 2008 increase the annual capacity to 8.2 million tonnes for 2009.
 - (5) Asia Pacific Iron Ore has a 50% interest in the Cockatoo Island joint venture. Reserves reported at 100% and represent the Stage 3 Seawall extension project area.
 - (6) The Cockatoo Stage 3 Seawall extension is scheduled for completion in July 2009 with first shipment from the restarted operation scheduled for the same month.
- Net of 2008 mine depletion, Koolyanobbing ore reserves have increased by 3 million tonnes. The increase is related to mine planning optimization and conversion of inferred mineralization to indicated resources enabling their utilization in economic reserve analyses.

During 2008 the Cockatoo Island Stage 2 seawall embankment project reserves were exhausted. A Stage 3 extension of the seawall embankment commenced in 2008 which will provide access to an additional 2.3 million tonnes of premium high grade iron ore fines for the joint venture. This extension is expected to extend production for approximately two additional years, through June 2011.

Table of Contents**Coal Reserves***North American Coal*

Coal reserve estimates for our North American underground coal mines as of December 31, 2008 were estimated using three-dimensional modeling techniques, coupled with mine plan designs. A complete re-estimation of the moist, recoverable coal reserves was completed subsequent to the 2007 acquisition. The following table reflects expected current annual capacities and economically recoverable reserves for our North American coal mines as of December 31, 2008.

Mine (2)	Category (3)	Proven and Probable				Mineral Rights	Method of Reserve Estimation	Infrastructure
		Current Annual Capacity	Reserves	Moist Recoverable				
		Tons in Millions (1)						
Pinnacle Complex		4.0			0%	100%	Geologic -	Mine, Preparation
Pocahontas No 3	Assigned		121.9	60.6			Block Model	Plant, Load-out
Pocahontas No 4	Unassigned		32.8	11.1				
Oak Grove		2.5			0%	100%	Geologic -	Mine, Preparation
Blue Creek Seam	Assigned		92.9	48.4			Block Model	Plant, Load-out
Total		6.5	247.6	120.1				

(1) Short tons of 2,000 pounds.

(2) All coal extracted by underground mining using longwall and continuous miner equipment.

(3) Assigned reserves represent coal reserves that can be mined without a significant capital expenditure for mine development, whereas unassigned reserves will require significant capital expenditures to mine the reserves.

All recoverable coal reserves at our North American operations are high quality, low volatile, metallurgical grade coal. The following table presents the coal quality at our North American coal mines.

Mine	Coal Type	Moist Recoverable Reserves (1)		Sulfur Content %	As Received Btu/lb
		Proven & Probable			
Pinnacle Complex					
Pocahontas No 3	Metallurgical	60.6		0.76	14,000
Pocahontas No 4	Metallurgical	11.1		0.60	14,000
Oak Grove					
Blue Creek Seam	Metallurgical	48.4		0.53	13,300
Total			120.1		

(1) In millions of short tons of 2,000 pounds.

Asia Pacific Coal

Edgar Filing: CLIFFS NATURAL RESOURCES INC. - Form 10-K

The coal reserve estimate for our Asia Pacific coal mine as of December 31, 2008 is based on a JORC-compliant resource estimate. An optimized pit design for an initial 10-year mine operating schedule was generated supporting the reserve estimate.

Table of Contents

The following table reflects expected current annual capacity and economically recoverable reserves for the Sonoma Project:

Mine (2)	Category (3)	Current	Proven and Probable		Mineral Rights		Method of	Infrastructure
		Annual	In-place	Moist Recoverable	Owned	Leased	Reserve	
		Capacity (4)						
Tonnes in Millions (1)								
Sonoma								
Moranbah Coal Measures B, C and E Seams	Assigned	4.0	43.3	25.3	0%	100%	Geologic - Block Model	Mine, Preparation, Plant, Load-out

(1) Metric tons of 2,205 pounds. In-place coal at 8 percent moisture, recoverable clean coal at 9 percent moisture. Reserves listed on 100 percent basis. Cliffs Natural Resources has an effective 45 percent interest in the joint venture.

(2) All coal is extracted by conventional surface mining techniques.

(3) Assigned reserves represent coal reserves that can be mined without a significant capital expenditure for mine development, whereas unassigned reserves will require significant capital expenditures to mine the reserves.

(4) Annual capacity increased from 3.0 million tonnes with completion of coal preparation plant installations. An increase in Sonoma coal reserves of 1 million tonnes net of 2008 production is due to updated yield assumptions from 2008 upgrades to the coal preparation plant and operating results.

The Sonoma Project's recoverable coal reserves are primarily metallurgical grade coal (standard coking coal plus low volatile coal for pulverized coal injection) with lesser steam coal. Sonoma coal quality is presented in the following table.

Mine	Coal Type (2)	Moist Recoverable Reserves Proven & Probable (1)	Sulfur Content %	As Received Btu/lb
Sonoma				
	Metallurgical	11.2	0.48	13,800
	Steam	14.1	0.55	10,800
Total		25.3		

(1) In million of metric tons of 2,205 pounds. In-place coal at 8 percent moisture, recoverable clean coal at 9 percent moisture. Reserves listed on 100% basis. Cliffs Natural Resources has an effective 45 percent interest in the Joint Venture.

(2) Sonoma steam coal recoverable reserves meet US compliance standards as defined by Phase II of the Clean Air Act as coal having sulfur dioxide content of 1.2 pounds or less per million Btu.

General Information about the Mines

Leases. Mining is conducted on multiple mineral leases having varying expiration dates. Mining leases are routinely renegotiated and renewed as they approach their respective expiration dates.

Edgar Filing: CLIFFS NATURAL RESOURCES INC. - Form 10-K

Exploration and Development. All iron ore mining operations are open-pit mines that are in production. Additional pit development is underway at each mine as required by long-range mine plans. At our North American Iron Ore mines, drilling programs are conducted periodically for the purpose of refining guidance related to ongoing operations.

The Biwabik, Negaunee, and Wabush Iron Formations are classified as Lake Superior type iron-formations that formed under similar sedimentary conditions in shallow marine basins approximately two billion years ago. Magnetite and hematite are the predominant iron oxide ore minerals present, with lesser amounts of goethite and limonite. Chert is the predominant waste mineral present, with lesser amounts of silicate and carbonate minerals. The ore minerals liberate from the waste minerals upon fine grinding.

All North American Coal mine operations are underground mines that are in production. Drilling programs are conducted periodically for the purpose of refining guidance related to ongoing operations. The Pocahontas No 3 and Blue Creek Coal Seams are Pennsylvanian Age low ash, high quality coals.

Table of Contents

At Koolyanobbing, an exploration program targeting extensions to the iron ore resource base as well as regional exploration targets in the Yilgarn Mineral Field was active in 2007 and continued in 2008. At Cockatoo Island, feasibility studies have been completed for a below-sea-level eastward mine pit extension. The Stage 3 extension was reviewed by the regulators and approved in August 2008. Construction on a necessary extension of the existing seawall commenced in the third quarter 2008, with production anticipated to restart by the end of the second quarter 2009. This extension is expected to extend production for approximately two additional years, through June 2011.

The mineralization at the Koolyanobbing operations is predominantly hematite and goethite replacements in greenstone-hosted banded iron-formations. Individual deposits tend to be small with complex ore-waste contact relationships. The Koolyanobbing operations reserves are derived from 15 separate mineral deposits distributed over a 100-kilometer operating radius. The mineralization at Cockatoo Island is predominantly soft, hematite-rich sandstone that produces premium high grade, low impurity direct shipping fines.

An exploration program providing geologic definition of the hematite mineralization at Amapá is ongoing. Mineralized material at the Amapá mine is predominantly hematite occurring in weathered and leached greenstone-hosted banded iron-formation of the Archean Vila Nova Group. Variable degrees of leaching generate soft hematite mineralization suitable for either sinter feed production via crushing and gravity separation or pelletizing feed production via grinding and flotation.

In Australia, the Sonoma mine operation is an open-cut mine located in the northern section of Queensland's Bowen Basin. A mix of high quality metallurgical coal and thermal coal is recovered from the B and C seams of the Permian Mooranbah Coal Measures.

Geologic models are developed for all mines to define the major ore and waste rock types. Computerized block models are then constructed that include all relevant geologic and metallurgical data. These are used to generate grade and tonnage estimates, followed by detailed mine design and life of mine operating schedules.

Item 3. *Legal Proceedings.*

Alabama Dust Litigation. In 1996 and 1997, two cases (White, et al. v. USX Corporation, et al., and Weekley, et al. v. USX Corporation, et al.) were brought alleging that dust from the Concord Coal Preparation Plant damaged properties in the area. In 2002, the parties entered into settlement agreements with the former owner in exchange for a lump sum payment and the agreement to implement remedial measures. However, the plaintiffs were not required to dismiss their claims. PinnOak was added to these cases in 2004 and 2006. The plaintiffs in both these matters sought additional remediation measures, and we opposed that request. The parties have reached agreement on an amendment to the 2002 settlement of the White matter, which on December 11, 2008, was approved by the court. The terms of the amendment provide that in exchange for an immaterial amount as payment for attorneys' fees and costs and the implementation of a one year ambient air monitoring plan, which could lengthen to 18 months under certain circumstances, plaintiffs agreed to release and dismiss us from the lawsuit upon successful completion of the ambient air monitoring plan. If the ambient air monitoring plan is not successfully completed, the parties will revert to their respective positions under the 2002 settlement agreement. The Weekley case is currently pending before the Supreme Court of Alabama on a petition for writ of mandamus, arguing that the case should be dismissed in light of the White class action settlement. In addition to the two cases noted above, in 2004 approximately 160 individual plaintiffs brought an action against PinnOak asserting injuries arising from particulate emissions from the Concord Preparation Plant. We are seeking a summary judgment in this most recent matter because it had previously been concluded under the 2002 settlement agreement.

In 2006, in Gamble, et al. v. PinnOak Resources, LLC, et al., 13 plaintiffs brought an action against PinnOak related to the operation of the Concord Coal Preparation Plant. These plaintiffs asserted that dangerous levels of coal dust emissions had been allowed to accumulate at that facility. We denied this allegation, and on April 15, 2008, the United States District Court for the Northern District of Alabama, Southern Division, dismissed the case without prejudice for lack of standing on the part of the plaintiffs.

Table of Contents

American Steamship Litigation. One of our subsidiaries, Cliffs Sales Company, currently contracts with American Steamship Company, or ASC, for the transportation of iron ore pellets from various ports on the Great Lakes to a blast furnace ore dock in Cleveland, Ohio. There are nine years remaining on that contract and we filed suit against ASC on February 21, 2007 alleging breach of contract and unjust enrichment claims for damages in connection with overcharges by ASC for fuel adjustments. We also requested declaratory relief for the fuel adjustment provisions of the contract as well as with respect to ASC's obligation to shuttle iron ore. On May 18, 2007, ASC filed its own action against Cliffs Sales Company and adding Northshore Mining Company and Oglebay Norton Marine Services Company, LLC, as parties. ASC requested declaratory relief stating that its fuel adjustment charges were proper and that it had no obligation to shuttle iron ore during the winter. ASC also requested damages in connection with an alleged anticipatory breach of the contract based on our breach of contract claims. Both cases were consolidated for purposes of discovery. On May 20, 2008, a jury returned a verdict in favor of Cliffs Sales Company with respect to overcharges for fuel adjustments. The jury awarded Cliffs Sales Company damages totaling \$3.7 million. It was determined that Oglebay Norton was responsible for \$1.7 million of the damages and ASC was responsible for the remaining \$2.0 million of damages to us. The jury stated that ASC could only charge an additional half cent fuel surcharge on shuttles to a blast furnace ore dock in Cleveland, Ohio when the ore was delivered to Cleveland Bulk Terminal by a non-ASC vessel. The jury found against Cliffs Sales Company finding that ASC was not obligated to provide winter shuttle service. Cliffs Sales Company filed a motion for the payment of interest on the amounts due to Cliffs Sales Company, as well as for our costs for trying. ASC and Oglebay Norton's motions for new trial and for judgment as a matter of law were denied. ASC and Oglebay Norton have both agreed not to file an appeal. In the fourth quarter of 2008, we recorded and received payment for the \$3.7 million of damages.

ArcelorMittal Arbitrations. On March 18, 2008, ArcelorMittal filed two demands for arbitration with the AAA with respect to the March 1, 2007 Umbrella Agreement between ArcelorMittal and some of our operations. In one demand for arbitration, ArcelorMittal alleged that we had breached the Umbrella Agreement by refusing to honor ArcelorMittal's attempt to revise its 2008 nomination for an additional 1,450,000 gross tons of iron ore pellets for export to ArcelorMittal facilities located outside of the United States. In the other demand for arbitration, ArcelorMittal requested a ruling from the AAA that, under the terms of the Umbrella Agreement, ArcelorMittal may transfer iron ore pellets purchased in 2009 and 2010 under the Umbrella Agreement to any iron and steel making facility owned directly or indirectly by Mittal Steel Company N.V.

On December 23, 2008, the arbitration panel ruled on both arbitrations. The arbitration panel ruled in our favor in the first arbitration, ruling that we did not breach the Umbrella Agreement with respect to ArcelorMittal's attempt to revise their 2008 nomination. In the second arbitration, the arbitration panel ruled in ArcelorMittal's favor, ruling that ArcelorMittal may transfer iron ore pellets purchased in 2009 and 2010 under the Umbrella Agreement to any iron and steel making facility owned directly or indirectly by Mittal Steel Company N.V.

Maritime Asbestos Litigation. As previously disclosed, The Cleveland-Cliffs Iron Company and/or The Cleveland-Cliffs Steamship Company have been named defendants in 484 actions brought from 1986 to date by former seamen in which the plaintiffs claim damages under federal law for illnesses allegedly suffered as the result of exposure to airborne asbestos fibers while serving as crew members aboard the vessels previously owned or managed by our entities until the mid-1980s. All of these actions have been consolidated into multidistrict proceedings in the Eastern District of Pennsylvania, whose docket now includes a total of over 30,000 maritime cases filed by seamen against ship-owners and other defendants. All of these cases have been dismissed without prejudice, but can be reinstated upon application by plaintiffs' counsel. The claims against our entities are insured in amounts that vary by policy year; however, the manner in which these retentions will be applied remains uncertain. Our entities continue to vigorously contest these claims and have made no settlements on them.

M.M. Silta, Inc. v. Cleveland-Cliffs Inc et al. In August 2006, M.M. Silta, Inc., or Silta, sued Cliffs and two of its subsidiaries, Cliffs Mining Company and Cliffs Erie, L.L.C., or Cliffs Erie, for breach of two separate contracts entered into between Silta and Cliffs Erie. Silta alleged that Cliffs Erie had breached both a reclamation services agreement, pursuant to which Silta recovered, screened and loaded recovered iron ore pellets, chips and fines from the ore yard at the former LTVSMC, and a breaker sales agreement, pursuant to which Silta purchased

Table of Contents

for scrap certain circuit breakers located in the processing plant at the former LTVSMC. This dispute went to trial in March 2008. On March 13, 2008, a jury ruled in favor of Cliffs in connection with the alleged breach of the reclamation services agreement and in favor of Silta on the alleged breach of the breaker sales agreement, awarding Silta \$6.8 million. Cliffs filed a motion with the trial court for judgment as a matter of law and a motion for a new trial, both of which were denied by the trial court. A notice of appeal was filed, but no briefs have been filed to date.

Northshore Air Permit Matters. On December 16, 2006, Northshore submitted an application to the MPCA for an administrative amendment to its air pollution operating permit. The proposed amendment requested the deletion of a term in the air permit that was derived from a court case brought against the Silver Bay taconite operations in 1972. The permit term incorporated elements of the court-ordered requirement to reduce fiber emissions to below a medically significant level by installing controls that would be deemed adequate if the fiber levels in Silver Bay were below those of a control city such as St. Paul. We requested deletion of this control city permit requirement on the grounds that the court-ordered requirements had been satisfied more than 20 years ago and should no longer be included in the permit. The MPCA denied our application on February 23, 2007. We appealed the denial to the Minnesota Court of Appeals. The court of appeals ruled in MPCA's favor. Subsequent to the court of appeals ruling, Northshore filed a major permit amendment on August 28, 2008 to remove the control city requirement from its permit. The permit amendment is currently pending.

Subsequent to the filing of the major permit amendment, the MPCA alleged that Northshore was in violation of the control city standard based on new data that the MPCA collected showing that current fiber levels in St. Paul were lower than in Silver Bay for a period in 2007. Northshore filed a motion with the U.S. District Court for the District of Minnesota to re-open the original Reserve Mining case, requesting that the court declare the control city standard satisfied and the court's injunction voided, or if the control city standard remained in effect, clarify that it was a fixed standard set at the 1980 level rather than a moving standard, referred to as the federal suit. Shortly thereafter, the Save Lake Superior Association and the Sierra Club filed a lawsuit in U.S. District Court for the District of Minnesota with respect to alleged violations of the control city standard, referred to as the citizens' suit. On September 20, 2007, the court granted Northshore's motion to stay the citizens' suit pending resolution of the federal suit. A joint stipulation for dismissal with prejudice of the citizens' suit is pending before the court.

The court entered an order in the federal suit on December 21, 2007, concluding that the 1975 federal court injunction from the case no longer had any force or effect. However, the court's order also stated that the control city standard was a state permit requirement that can only be addressed in state court. While the determination that the 1975 federal injunction no longer has any effect is favorable, Northshore is currently analyzing the implications of the federal court order with respect to Northshore's operating permit and pending state appeal. On February 19, 2008, Northshore filed an appeal of certain aspects of the federal court's order.

On July 28, 2008, the MPCA issued a NOV to Northshore alleging violations related to the control city standard for the period of March 2006 through October 2007, specifically with respect to MPCA's interpretation of the control city standard's emission limits and related monitoring and reporting requirements. The NOV states that Northshore has been in compliance with MPCA's interpretation of the standard since October 2007, but requires corrective actions relating to operating and maintaining facilities of treatment and control to remain in compliance. Although the NOV does not seek civil penalties, it contains various requests for information and reserves the right for MPCA to take further action. Northshore disputes the allegations contained in the NOV and is currently assessing its legal and administrative options.

Northshore filed a major permit amendment on August 28, 2008 requesting the removal of all fiber-related provisions from Northshore's air permit and proposing that Northshore install additional particulate controls. MPCA issued a Findings of Fact, Conclusions of Law and Order on November 25, 2008 declaring that Northshore's request to remove the Control City Standard from its permit constitutes a project for which an EAW must be completed. MPCA also stated that it was ceasing all other work on the permit, including its own efforts to create a replacement standard, until the environmental review process was complete. Northshore had 30 days from the date it received the MPCA's Order in which to challenge these determinations through a Declaratory Judgment, which it has done.

Table of Contents

Additionally, in October 2008, Northshore received the final results of the International Symposium on the Health Hazard Evaluation of Fibrous Particles Associated with Taconite and the Adjacent Duluth Complex. The peer-reviewed study concluded that there are no significant health effects related to fibers from Northshore.

Northshore filed an action to challenge the MPCA's requirement for an EAW in Minnesota State District Court, which is currently pending. If either our appeal is unsuccessful or if we are unable to negotiate an acceptable compliance schedule, Northshore could be subject to future enforcement actions with respect to its Title V operating permit if we are unable to meet the permit requirements as interpreted by MPCA.

Additionally, as part of Northshore's permitting of the restart of Furnace 5, Northshore is required to certify compliance with air emission standards within 180 days of operation. During the scheduled compliance testing for Furnace 5, Northshore experienced abnormal operating difficulties and was thereby unable to certify compliance. Northshore received a Notice of Noncompliance from MPCA on December 18, 2008 indicating it considers the facility out of compliance with the testing schedule and reserves the right to enforcement, while asking for additional explanation as to the related causes. Due to changes in market demand, Furnace 5 has been idled. Northshore expects that upon restart it will demonstrate compliance with the required limits and will perform retesting as soon as Furnace 5 returns to normal operating conditions. Accordingly, at that time, Northshore will take appropriate steps to establish compliance with MPCA.

Republic Arbitration. On October 1, 2006, we entered into an agreement for the sale of pellets with Republic Engineered Products, Inc. (Republic). Pursuant to that agreement Republic was required to purchase a percentage of its iron ore requirements from us. Republic is required to provide us with a firm nomination by a certain date each year. As of the end of 2008 Republic had failed to take delivery and pay for a portion of the gross tons remaining from its 2008 nomination. After several failed attempts at negotiating a workout agreement, we filed a Demand for Arbitration on February 2, 2009 for a total of \$30.7 million plus interest, commencing December 31, 2008.

The Rio Tinto Mine Site. The Rio Tinto Mine Site is a historic underground copper mine located near Mountain City, Nevada, where tailings were placed in Mill Creek, a tributary to the Owyhee River. Site investigation and remediation work is being conducted in accordance with a Consent Order between the Nevada DEP and the RTWG composed of Cliffs, Atlantic Richfield Company, Teck Cominco American Incorporated, and E. I. du Pont de Nemours and Company. The Consent Order provides for technical review by the U.S. Department of the Interior Bureau of Indian Affairs, the U.S. Fish & Wildlife Service, U.S. Department of Agriculture Forest Service, the NDEP and the Shoshone-Paiute Tribes of the Duck Valley Reservation (collectively, Rio Tinto Trustees). The Consent Order is currently projected to continue with the objective of supporting the selection of the final remedy for the site. Costs are shared pursuant to the terms of a Participation Agreement between the parties of the RTWG, who have reserved the right to renegotiate any future participation or cost sharing following the completion of the Consent Order.

The Rio Tinto Trustees have made available for public comment their plans for the assessment of NRD. The RTWG commented on the plans and also are in discussions with the Rio Tinto Trustees informally about those plans. The notice of plan availability is a step in the damage assessment process. The studies presented in the plan may lead to a NRD claim under CERCLA. There is no monetized NRD claim at this time.

During 2006, the focus of the RTWG was on development of alternatives for remediation of the mine site. A draft of an alternatives study was reviewed with NDEP, the EPA and the Rio Tinto Trustees and the alternatives have essentially been reduced to the following: (1) tailings stabilization and long-term water treatment; and (2) removal of the tailings. As of December 31, 2008, the estimated costs of the available remediation alternatives currently range from approximately \$10.0 million to \$30.5 million. In recognition of the potential for an NRD claim, the parties are actively pursuing a global settlement that would include the EPA and encompass both the remedial action and the NRD issues. In 2008, the RTWG parties met for formal mediation on two occasions to resolve differences over the allocation of any negotiated remedy. The mediation resulted in substantial progress, and the members of the RTWG are still negotiating an allocation. Additionally, the RTWG and RTAG met most recently in December 2008 to discuss appropriate terms for a global settlement based on the latest investigation results. While a global settlement has not been finalized, we expect an agreement will be reached in 2009. We have increased our reserve most recently in 2008 by \$5.2 million to reflect revised cleanup

Table of Contents

estimates and cost allocation associated with our anticipated share of the eventual remediation costs based on a consideration of the various remedial measures and related cost estimates. The expense was included in *Selling, general and administrative expenses* on the Statements of Consolidated Operations.

United Taconite Air Emissions Matter. On March 27, 2008, United Taconite received a DSA from the MPCA alleging various air emissions violations of the facility's air permit limit conditions, reporting and testing requirements. The allegations generally stem from procedures put in place prior to 2004 when Cliffs first acquired its interest in the mine. The DSA requires the facility to install continuous emissions monitoring, evaluate compliance procedures, submit a plan to implement procedures to eliminate air deviations during the relevant time period, and proposes a civil penalty in an amount to be determined. While United Taconite does not agree with MPCA's allegations, United Taconite and the MPCA continue discussions on the matter with the intent of working toward a mutual resolution.

Wabush Litigation. We have been named, along with two of our wholly owned subsidiaries, Cliffs Mining Company and Wabush Iron Co. Limited, as defendants, along with U. S. Steel Canada Inc. (formerly Stelco Inc.), HLE Mining Limited Partnership and HLE Mining GP Inc. (collectively, "U. S. Steel"), in an action brought before the Ontario Superior Court of Justice by Dofasco. The action pertains to a contemplated transaction whereby Dofasco and/or certain of its affiliates would purchase our ownership interests and those of U. S. Steel in Wabush. After six months of negotiations with no definitive agreements reached, both we and U. S. Steel determined to withdraw from negotiations and retain our respective ownership interests in Wabush. Notice of the withdrawal was delivered to Dofasco on March 3, 2008.

On March 20, 2008, Dofasco commenced this action against both Cliffs and U.S. Steel in the Ontario Superior Court of Justice. Dofasco's statement of claim demands specific performance of an alleged binding contract for Cliffs and U.S. Steel to sell their respective interests in Wabush with equitable compensation in the amount of C\$427 million or, in the alternative, general damages in the amount of C\$1.8 billion. On May 14, 2008 U.S. Steel filed a Notice of Motion to dismiss the action. We filed an identical Notice of Motion on May 15, 2008. A two day hearing was held on our respective motions on June 23 and 24, 2008. On November 5, 2008, the court ruled on both motions, granting U.S. Steel's motion and denying ours. We filed a Notice of Motion seeking leave to appeal the court's decision on November 11, 2008. Dofasco did not appeal the dismissal of U.S. Steel from the litigation. Oral argument on our Notice of Motion seeking leave to appeal has been scheduled for May 27, 2009. We strongly disagree with Dofasco's allegations and intend to defend this case vigorously.

West Virginia Flood Litigation. As of February 2008, Cliffs Pinnacle Mining Company has been named as a defendant in six lawsuits brought against over 60 defendants who were allegedly involved in land disturbing activities, primarily mining or logging, in Wyoming County, West Virginia. In each case the plaintiffs allege that these activities in Wyoming County resulted in flooding on or after July 8, 2001. The plaintiffs seek a permanent injunction and unstated personal and property damages under a number of legal theories. We are currently investigating these cases. We intend to defend these cases vigorously.

Table of Contents

Item 4. *Submission of Matters to a Vote of Security Holders.*

Control Share Acquisition Special Meeting

On August 14, 2008, we received from Harbinger an acquiring person statement . Upon receipt of the acquiring person statement, we were required under Ohio law to convene a special meeting of shareholders for the sole purpose of considering and voting on whether to authorize pursuant to Section 1701.831 of the Ohio Revised Code, the control share acquisition of our common shares by Harbinger pursuant to the acquiring person statement. Harbinger's proposal asked our shareholders to allow Harbinger to acquire more than one-fifth but less than one-third of our outstanding common shares.

Under Ohio law an affirmative vote of the holders of a majority of the portion of the voting power entitled to vote in the election of our directors (the First Majority Approval) and the affirmative vote of the holders of a majority of the portion of the voting power entitled to vote in the election of our directors, excluding the voting power of interested shares as defined in Chapter 1704 of the Ohio Revised Code (the Second Majority Approval) were required for the passage of the control share acquisition proposal.

The special meeting was held on October 3, 2008. At the special meeting 78,911,275 shares were represented in person or by proxy at the meeting, reflecting a total turnout of nearly 74 percent of all outstanding shares. With respect to the required First Majority Approval, 51,266,469, or 65 percent of the votes represented at the special meeting, voted against Harbinger's proposal; 27,092,710 voted for and 552,096 abstained.

With respect to the required Second Majority Approval, or shares voted by holders other than Harbinger, its equity-swap counter parties and other interested shareholders, 46,292,356, or 82 percent of the eligible votes represented, voted against Harbinger's proposal; 10,020,859 voted for and 380,561 abstained.

Table of Contents**PART II****Item 5. *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.***
Stock Exchange Information

Our Common Shares (ticker symbol CLF) are listed on the New York Stock Exchange and the Chicago Stock Exchange.

Common Share Price Performance and Dividends

	High	2008 Low	Dividends	High	2007 Low	Dividends
First Quarter	\$ 63.89	\$ 38.63	\$ 0.0875	\$ 32.42	\$ 23.00	\$ 0.0625
Second Quarter	121.95	57.32	0.0875	46.03	32.10	0.0625
Third Quarter	118.10	42.16	0.0875	45.00	28.20	0.0625
Fourth Quarter	53.30	13.73	0.0875	53.15	36.75	0.0625
Year	121.95	13.73	\$ 0.3500	53.15	23.00	\$ 0.2500

At February 23, 2009, we had 1,520 shareholders of record.

Shareholder Return Performance

The following graph shows changes over the past five-year period in the value of \$100 invested in: (1) Cliffs' Common Shares; (2) S&P Stock Index; (3) S&P Steel Group Index; and (4) S&P Mid Cap 400 Index. The values of each investment are based on price change plus reinvestment of all dividends.

Table of Contents

		Dec-2003	Dec-2004	Dec-2005	Dec-2006	Dec-2007	Dec-2008
CLIFFS NATURAL RESOURCES INC.	Return%		103.83	71.91	10.29	110.09	-48.84
	Cum \$	100.00	203.83	350.39	386.44	811.88	415.37
S&P 500 Index Total Returns	Return%		10.87	4.89	15.79	5.42	-36.99
	Cum \$	100.00	110.87	116.30	134.66	141.96	89.45
S&P 500 Steel Index	Return%		59.88	21.91	77.12	20.15	-51.96
	Cum \$	100.00	159.88	194.91	345.23	414.80	199.25
S&P MidCap 400 Index	Return%		16.47	12.55	10.31	7.97	-36.24
	Cum \$	100.00	116.47	131.09	144.61	156.14	99.55

Unregistered Sales of Equity Securities and Use of Proceeds

Pursuant to our VNQDC Plan, we sold a total of 300 common shares, par value \$0.125 per share, of Cliffs Natural Resources Inc. (Common Shares) for an aggregate consideration of \$7,273.77 to the Trustee of the Trust maintained under the VNQDC Plan. These sales were made in reliance on Rule 506 of Regulation D under the Securities Act of 1933 pursuant to an election made by three mine managers under the VNQDC Plan. Due to an administrative oversight, the sale of 18 Common Shares in August, 2008, is being reported in the fourth quarter. The following transactions occurred:

Date	Shares (#)	Price per Share (\$)	Total Purchase Price (\$)
08/5/2008	18	95.00	1,709.91
11/17/2008	36	19.73	710.28
11/15/2008	246	19.73	256.49

Issuer Purchases of Equity Securities

Period	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit) \$	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet be Purchased Under the Plans or Programs
October 1 31, 2008				1,247,700
November 1 30, 2008	654(2)	23.24		1,247,700
December 1 31, 2008	13,879(3)	26.49		1,247,700
Total	14,533	26.34		1,247,700

- (1) On July 11, 2006, we received the approval by the Board of Directors to repurchase up to an aggregate of four million outstanding Common Shares. There were no repurchases in the fourth quarter under this program.
- (2) On November 11, 2008, the Company acquired 654 Common Shares pursuant to a scheduled distribution election from a VNQDC Plan participant. The shares were repurchased by the Company to satisfy the tax withholding obligation of that participant pursuant to the distribution.
- (3) On December 19, 2008, the Company acquired 13,879 Common Shares from an employee in connection with the lapsing of restrictions on certain shares. The shares were repurchased to satisfy the tax withholding obligations pursuant to the 1992 Incentive Equity Plan.

Table of Contents**Item 6. Selected Financial Data.
Summary of Financial and Other Statistical Data****Cliffs Natural Resources Inc. and Subsidiaries**

	2008 (a)	2007 (b)	2006	2005 (a)	2004
Financial data (in millions, except per share amounts and employees)					
Revenue from product sales and services	\$ 3,609.1	\$ 2,275.2	\$ 1,921.7	\$ 1,739.5	\$ 1,203.1
Cost of goods sold and operating expenses	(2,449.4)	(1,813.2)	(1,507.7)	(1,350.5)	(1,053.6)
Other operating expense	(220.8)	(80.4)	(48.3)	(32.5)	(31.9)
Operating income	938.9	381.6	365.7	356.5	117.6
Income from continuing operations	515.8	269.8	279.8	273.2	320.2
Income (loss) from discontinued operations		0.2	0.3	(0.8)	3.4
Income before cumulative effect of accounting changes	515.8	270.0	280.1	272.4	323.6
Cumulative effect of accounting changes (c)				5.2	
Net income	515.8	270.0	280.1	277.6	323.6
Preferred stock dividends	(1.1)	(5.2)	(5.6)	(5.6)	(5.3)
Income applicable to common shares	514.7	264.8	274.5	272.0	318.3
Earnings (loss) per common share basic (d) (e) (f)					
Continuing operations	5.07	3.19	3.26	3.08	3.70
Discontinued operations				(0.01)	0.04
Cumulative effect of accounting changes				0.06	
Earnings per common share	5.07	3.19	3.26	3.13	3.74
Earnings (loss) per common share diluted (d) (e) (f)					
Continuing operations	4.76	2.57	2.60	2.46	2.92
Discontinued operations				(0.01)	0.03
Cumulative effect of accounting changes				0.05	
Earnings per common share diluted (d) (e) (f)	4.76	2.57	2.60	2.50	2.95
Total assets	4,111.1	3,075.8	1,939.7	1,746.7	1,232.3
Long-term obligations	580.2	490.9	47.2	49.6	9.1
Net cash from (used by) operating activities	853.2	288.9	428.5	514.6	(141.4)
Redeemable cumulative convertible perpetual preferred stock	0.2	134.7	172.3	172.5	172.5
Distributions to preferred shareholders cash dividends	1.1	5.5	5.6	5.6	5.3
Distributions to common shareholders cash dividends					
- Per share (d) (e) (f)	0.35	0.25	0.24	0.15	0.03
- Total	36.1	20.9	20.2	13.1	2.2
Repurchases of common shares		2.2	121.5		6.5
Iron ore and coal production and sales statistics (tons in millions - North America; tonnes in millions - Asia-Pacific)					
Production tonnage - North American iron ore	35.2	34.6	33.6	35.9	34.4
- North American coal	3.5	1.1			
- Asia-Pacific iron ore	7.7	8.4	7.7	5.2	
Production tonnage North American iron ore (Cliffs share)	22.9	21.8	20.8	22.1	21.7
Sales tonnage - North American iron ore	22.7	22.3	20.4	22.3	22.6
- North American coal	3.2	1.2			
- Asia-Pacific iron ore	7.8	8.1	7.4		