CLIFFS NATURAL RESOURCES INC.
200 Public Square, Suite 3300
Cleveland, Ohio 44114-2315, U.S.A.

PROSPECTUS

Published in Connection with the Admission of Cliffs Natural Resources Inc.'s Common Shares to Listing and Trading on the Professional Segment of NYSE Euronext Paris

Pursuant to Articles L. 412-1 and L. 621-8 of the *Code Monétaire et Financier* and Articles 211-1 to 216-1 of its General Regulation, the *Autorité des marchés financiers* (AMF) granted visa number 09-071 dated March 31, 2009 on this prospectus. This prospectus has been prepared by the issuer and its signatory accepts the responsibility for its contents. In accordance with the provisions of Article L. 621-8-1-I of the *Code Monétaire et Financier*, the visa was granted after the AMF verified that the document was complete and comprehensible and that the information it contains was internally consistent. It does not imply that the AMF endorses the proposed transaction nor that it has validated the accounting and financial information presented herein.

Copies of this prospectus may be obtained free of charge from Cliffs Natural Resources Inc. at the address indicated above and from its paying agent in France, Société Générale – Titres et Bourse (Postal address: 32, rue du Champ de Tir, BP 81236, 44312 Nantes Cedex 3, France), and on the websites of Cliffs Natural Resources Inc. (www.cliffsnaturalresources.com) and the AMF (www.amf-france.org).

NOTE TO THE PROSPECTUS

This prospectus is published solely in connection with the admission of Cliffs Natural Resources Inc.'s common shares to listing and trading on the Professional Segment of NYSE Euronext Paris ("Euronext"). This prospectus is not published in connection with and does not constitute an offer of securities by or on behalf of Cliffs Natural Resources Inc.

Pursuant to Article 516-19 of the AMF General Regulation, an investor other than a qualified investor, within the meaning of b) of Point 4 of II of Article L. 411-2 of the Monetary and Financial Code, may not purchase Cliffs Natural Resources Inc.'s common shares on the Professional Segment of Euronext unless such investor takes the initiative to do so and has been duly informed by the investment services provider about the characteristics of the segment.

The distribution of this prospectus in certain jurisdictions may be restricted by law, and therefore persons into whose possession this prospectus comes should inform themselves of and observe any such restrictions.

This prospectus, which contains material information concerning Cliffs Natural Resources Inc., was established pursuant to Articles 211-1 to 216-1 of the AMF General Regulation. Pursuant to Article 25 of Commission Regulation (EC) No 809/2004 of 29 April 2004 (the "Prospectus Regulation"), this prospectus is composed of the following parts in the following order:

(1) a table of contents;

(2) the summary provided for in Article 5(2) of Directive 2003/71/EC;

(3) the risk factors linked to the issuer and the type of security covered by the issue; and

(4) the cross-reference lists stipulated in Article 25.4 of the Prospectus Regulation presenting the information in the order stipulated in Annexes I and III of the Prospectus Regulation which, by application of Articles 3, 4, and 6 thereof, are required for this transaction.

This prospectus also contains in Chapter C supplemental information concerning Cliffs Natural Resources Inc. and its business, provided at the AMF's request. For a better understanding of the summary of the prospectus in Chapter A, the reader should read the entire prospectus, including Chapter C: Supplemental Information concerning Cliffs Natural Resources Inc., contained on pages 19 – 33.

Further, the prospectus contains the following documents:

- Excerpts from Annual Report on Form 10-K of Cliffs Natural Resources Inc. for the fiscal year ended December 31, 2008 (as so excerpted, the "10-K"), filed by Cliffs Natural Resources Inc. with the U.S. Securities and Exchange Commission (the "SEC") on February 26, 2009;
- Definitive Proxy Statement on Schedule 14A of Cliffs Natural Resources Inc. (the "Proxy Statement"), filed by Cliffs Natural Resources Inc. with the SEC on March 23, 2009;
- Excerpt from the Amended Articles of Incorporation of Cliffs Natural Resources Inc.;
- Regulations of Cliffs Natural Resources Inc.;
- Current Report on Form 8-K furnished by Cliffs Natural Resources Inc. to the SEC on February 26, 2009, relating to the fourth-quarter and full-year results for the periods ended December 31, 2008; and
- Consolidated Financial Statements of Cliffs Natural Resources Inc. and subsidiaries for the fiscal years ended December 31, 2008, 2007 and 2006.

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COMPANY REPRESENTATIVE FOR PROSPECTUS

1.1 Joseph A. Carrabba, Chairman, President and Chief Executive Officer of Cliffs Natural Resources Inc. acting for and on behalf of Cliffs Natural Resources Inc.

1.2 I hereby declare, after taking all reasonable measures for this purpose and to the best of my knowledge, that the information contained in this prospectus is in accordance with the facts and that the prospectus makes no material omission.

.

/s/ Joseph A. Carrabba

_____

Joseph A. Carrabba
Chairman, President and Chief Executive Officer
of Cliffs Natural Resources Inc.

Cleveland, Ohio, March 30, 2009

CHAPTER A:
PROSPECTUS SUMMARY

NOTE TO THE PROSPECTUS SUMMARY

VISA NUMBER 09-071 DATED MARCH 31, 2009 OF THE AMF

Note to the reader

This summary should be read as an introduction to the prospectus. Any decision to invest in the securities should be based on consideration of the prospectus as a whole by the investor. Where a claim relating to the information contained in a prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States of the European Community or States party to the European Economic Area Agreement, have to bear the costs of translating the prospectus before the legal proceedings are initiated. Civil liability attaches to the persons who presented the summary, and any translation thereof, only if the content of the summary is misleading, inaccurate or inconsistent when read with other parts of the prospectus.

The following is a summary of some of the information contained in this prospectus. We urge you to read this entire document carefully, including the risk factors, our historical consolidated financial statements and the notes to those financial statements. References in this prospectus to the "Company," "we," "us," "our" and "Cliffs" are to Cliffs Natural Resources Inc. and its subsidiaries, collectively.

I. GENERAL DESCRIPTION OF CLIFFS NATURAL RESOURCES INC.

Introduction

Cliffs traces its corporate history back to 1847 and has been listed on the NYSE since July 27, 1960. Cliffs is a "well-known seasoned issuer."[1] 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 (Global Reporting Initiative) 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, owned or managed, in Michigan, Minnesota and Eastern Canada, and two coking coal mine complexes located in West Virginia and Alabama. Our Asia Pacific operations include 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. For information about Cliffs mineral reserves and mineral rights, please see Sections 7.1 and 7.2 of Chapter C on pages 27 – 30.

[1] "Well-known seasoned issuer" ("WKSI") is defined in Rule 405 under the U.S. Securities Act of 1933. Being a WKSI, Cliffs is eligible to use the short-form registration statement on Form S-3 to register primary offerings of securities. Pursuant to Form S-3, Cliffs may incorporate by reference into the registration statement its SEC filings, similarly to what is authorized under Article 28 of the Prospectus Regulation.

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.

The following table presents a summary of Cliffs' revenues from product sales and services for reportable segments for the years ended December 31, 2008, 2007 and 2006.

	(In Millions)					
	2008		2007		2006	
Revenues from product sales and services:						
North American Iron Ore	$ 2,369.6	66%	$1,745.4	77%	$ 1,560.7	81%
North American Coal	346.3	10%	85.2	4%	-	0%
Asia Pacific Iron Ore	769.8	21%	444.6	19%	361.0	19%
Other	123.4	3%	-		-	0%
Total revenues from product sales and services for reportable segments	$ 3,609.1	100%	$ 2,275.2	100%	$ 1,921.7	100%

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.

II. INFORMATION RELATING TO ADMISSION TO LISTING AND TRADING ON EURONEXT

Issuer	Cliffs Natural Resources Inc., a corporation governed by the laws of the State of Ohio, U.S.A., with its principal executive offices at 200 Public Square, Suite 3300, Cleveland, Ohio 44114-2315, U.S.A.
Stock exchange listing	Our Common Shares (as defined below) are listed on the New York Stock Exchange ("NYSE") and the Chicago Stock Exchange under the symbol "CLF." We have applied for admission to listing and trading on the Professional Segment of Euronext of up to 134,623,528 Common Shares. On March 30, 2009, Euronext approved our application for listing and trading of our Common Shares on Euronext. Our Common Shares will be listed under the symbol "CLF." As its scale and international presence continue to increase, Cliffs is attracting greater numbers of investors based outside of the United States, particularly in Europe. The Euronext listing is intended to promote additional liquidity for all investors and provide greater access to Cliffs' shares among European fund managers who may be required to invest in Euro-zone markets or currencies only.
Transfer agent and registrar for shares	Computershare Trust Company

Paris Paying Agent	Société Générale – Titres et Bourse (32, rue du Champ de Tir, BP 81236, 44312 Nantes Cedex 3, France) is acting as Cliffs' paying agent for France ("Paying Agent").
Securities Identification Code	The CUSIP number assigned to the Common Shares is 18683K101. The ISIN is US18683K1016.
Authorized Common Stock	Our authorized capital stock consists of 224,000,000 shares of common stock, par value $0.125 per share (the "Common Shares"), and 7,000,000 shares of Serial Preferred Stock, without par value (consisting of 3,000,000 shares designated as "Class A Serial Preferred Stock" and 4,000,000 authorized shares designated as "Class B Serial Preferred Stock"). As of March 16, 2009, 113,767,508 Common Shares were issued and outstanding and 20,856,020 Common Shares were held in treasury. As of March 16, 2009, 89,376,472 Common Shares were available for issuance. No shares of Serial Preferred Stock are currently issued and outstanding.
Authorized But Unissued Capital Stock	Ohio law does not require shareholder approval for any issuance of authorized shares other than in connection with certain mergers to which we may be a party. See "Voting Rights" on pages 20 – 22 of this prospectus. However, the NYSE rules require shareholder approval of certain issuances of Common Shares or securities convertible into or exchangeable for Common Shares equal to or exceeding 20% of the then outstanding number of our Common Shares. Accordingly, subject to the above limitations, Cliffs' board of directors may issue up to a maximum of 89,376,472 Common Shares at a price equal to or higher than the par value of $0.125 per share without authorization from the shareholders. Any issue of Common Shares would give rise to a registration requirement under the SEC rules, absent any available exemption, such as an issue of Common Shares solely to qualified institutional buyers. The Company has equity compensation plans under which Common Shares may be provided to directors and employees of the Company. The Company's obligations in this respect may be satisfied either by Common Shares held in treasury or by newly issued Common Shares. For further information regarding these equity compensation plan awards, see pages 59 – 64 of Exhibit VI (Note 12. Stock Compensation Plans) and pages 31 – 34 of the Proxy Statement (from "Grants of Plan Based Awards" up to "Pension Benefits")
Dividend policy	Effective in March 2008, Cliffs increased its quarterly Common Share dividend to $0.175 per share, or $0.0875 per share after Cliffs' May 15, 2008 two-for-one split of its Common Shares. See "Dividend Rights" on page 20 of this prospectus.

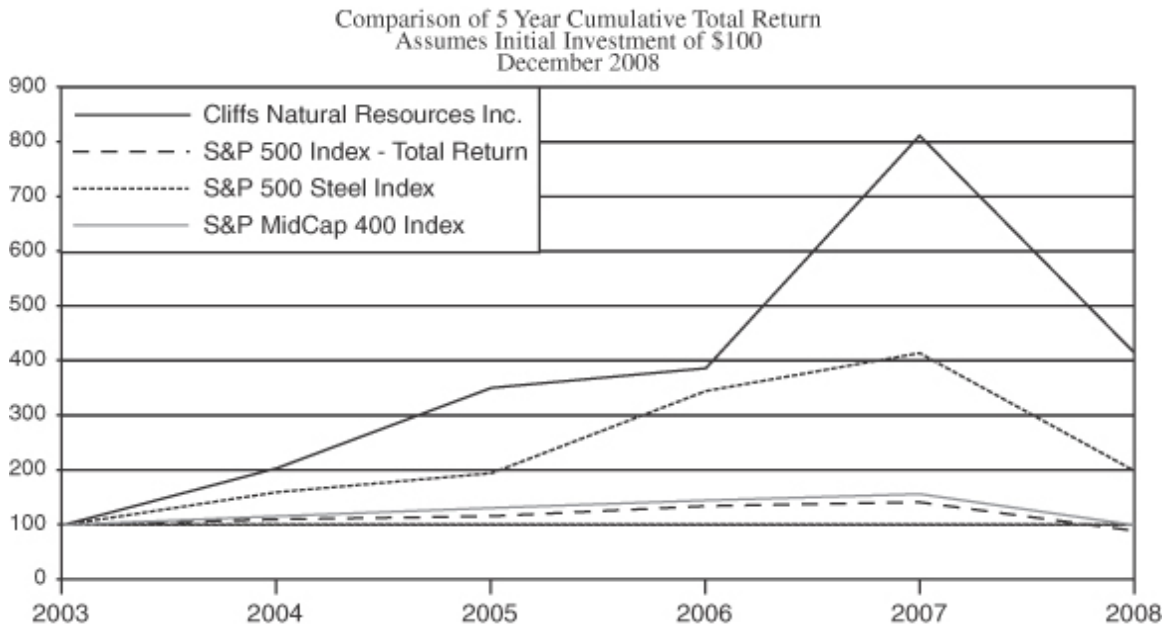
First Paris Trading Date	Trading in the Common Shares on the Professional Segment of Euronext is expected to start on April 6, 2009. Cliffs will be continuously traded on Euronext.
Use of Proceeds	We will not receive any proceeds from the admission to listing and trading of our Common Shares on Euronext.
Currency of Trading	Trading of our Common Shares on Euronext will be in Euros.
Settlement	Settlement of any transactions on Euronext is expected to occur through the book-entry facilities of Euroclear France.
Liquidity	At this time, Cliffs does not intend to enter into any agreement with a liquidity provider in connection with the listing of its Common Shares on Euronext. However, Cliffs reserves the right to enter into such agreement in the future, subject to compliance with applicable legislation in France and the United States. Until such time that an agreement is entered into with a liquidity provider (if ever), liquidity in the Common Shares will result initially from execution on Euronext of sell orders in respect of Common Shares currently traded on the NYSE and future trading in the Common Shares on Euronext with settlement through Euroclear France.
Market Capitalization	Based on 113,767,508 issued and outstanding Common Shares as of March 16, 2009 (excluding the 20,856,020 Common Shares held in treasury), and the closing price of the Common Shares on the NYSE on March 30, 2009 ($16.51), Cliffs had a market capitalization of approximately $1.88 billion, which, based on the exchange rate on March 30, 2009 ($1 = EUR 0.7576), corresponds to approximately EUR 1.42 billion. Please find below information concerning the Common Share price performance and dividends, and shareholder return performance:

Common Share Price Performance and Dividends

	2008			2007		
	High	**Low**	**Dividends**	High	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

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.



III. MAJOR SHAREHOLDERS

The following table sets forth the amount and percent of Common Shares (excluding the 20,856,020 Common Shares held in treasury) that, as of March 16, 2009 (except as otherwise indicated), are deemed under the rules of the SEC to be "beneficially owned" by any person or "group" (as the term is used in the U.S. Securities Exchange Act of 1934, which we refer to as the "Exchange Act") known to us as of that date to be a "beneficial owner" of more than five percent or more of the outstanding Common Shares.

Name	Beneficial Ownership	Shared Investment Power	Shared Voting Power	Percent of Class
Wellington Management Company, LLP(4) 75 State Street Boston, MA 02109, U.S.A.*	10,613,457	10,582,957	9,490,357	9.35%
Harbinger Capital Partners Master Fund I, Ltd.(5) c/o International Fund Services (Ireland) Limited Third Floor, Bishop's Square Redmond's Hill Dublin 2, Ireland*	7,043,586	7,043,586	7,043,586	6.20%

(4) – (5), see footnotes (4) – (5) on page 13 of the Proxy Statement.

* As a result of their shareholdings in the Company, Wellington Management Company, LLP and Harbinger Capital Partners Master Fund I, Ltd. are subject to the reporting obligations under Section 13 of the Exchange Act. The reports filed with the SEC may be obtained electronically as described below under Section VII (Documents on Display).

IV. RISK FACTORS

Set forth below are summaries of certain of the risks, uncertainties and other factors that may affect our future results. The full description of these and other risk factors is included on pages 24 – 31 in the 10-K, attached as Exhibit I to this prospectus. The risk factors summarized below should be read in conjunction with the other risk factors in the attached 10-K.

- The current global economic crisis has resulted in increasing downward pressure on prices for iron ore and metallurgical coal.
- A substantial majority of our sales are made under term supply agreements, which are important to the stability and profitability of our operations.
- In North America, we depend on a limited number of customers.
- 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.
- Our ability to collect payments from our customers depends on their creditworthiness.
- 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.
- 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.

In addition, it is anticipated that there will be limited trading of Cliffs' shares on Euronext, which may result in the lack of an effective and viable trading market for the Company's shares. For further information, see "Liquidity" in Section II above.

V. RECENT DEVELOPMENTS

On February 25, 2009, Cliffs reported fourth-quarter and full-year results for the periods ended December 31, 2008. Record full-year revenues of $3.61 billion increased $1.33 billion, or 59%, from the previous record set in 2007. The increase was driven by a $624.2 million, or 36%, increase in North American Iron Ore sales; a $325.2 million, or 73%, increase in Asia Pacific Iron Ore sales; a $261.1 million increase in year-over-year sales generated from the Company's North American Coal business; and $123.4 million in revenue contributed in 2008 from the Company's interest in the Sonoma Coal Project. Net income for the year was $515.8 million, or $4.76 per diluted share, compared with $270.0 million, or $2.57 per diluted share on a split-adjusted basis, in 2007.

Cliffs indicated its net income for 2008 was negatively affected by $303.4 million pre-tax, or $1.92 per diluted share, from non-recurring items, including:

- $90.1 million pre-tax, or $0.54 per diluted share after-tax, impact resulting from costs related to its terminated merger with Alpha Natural Resources, Inc., which was recognized in *Other Operating Income (Expense)* on the Statements of Consolidated Operations;

- $188.2 million pre-tax, or $1.22 per diluted share after-tax, impact of negative mark-to-market adjustments related to currency hedging, which was recognized in *Other Income (Expense)* on the Statements of Consolidated Operations; and,

- $25.1 million, or $0.16 per diluted share after-tax, related to impairment of investment securities in two junior mining and exploration companies, which was recognized in *Other Income (Expense)* on the Statements of Consolidated Operations.

For further information, see Exhibit V, as well as pages 50 – 51 and 54 of Exhibit I and pages 11 – 12 of Exhibit VI with respect to the effect of the de-designation of cash flow hedges effective July 1, 2008.

VI. FINANCIAL INFORMATION CONCERNING CLIFFS NATURAL RESOURCES INC. FOR THE FISCAL YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006

The consolidated financial statements of Cliffs set out in this prospectus have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"), as authorized by the decision of the European Commission of December 12, 2008.

The following selected financial data of Cliffs have been derived from the historical consolidated financial statements referred to below and should be read in conjunction with the consolidated financial statements and the notes included therein. The data reflect two-for-one stock splits effective June 30, 2006 and May 15, 2008.

For the audited consolidated balance sheets of Cliffs as of December 31, 2008, 2007 and 2006, and the related consolidated statements of income, cash flows, and stockholders' equity for each of the three years ended December 31, 2008, 2007 and 2006 and the report of the Independent Registered Public Accounting Firm with respect to such financial statements, see the Consolidated Financial Statements of Cliffs Natural Resources Inc. and subsidiaries, which are attached as Exhibit VI to this prospectus.

Summary of Financial and Other Statistical Data
Cliffs Natural Resources Inc. and Subsidiaries
(derived from the consolidated financial statements of Cliffs Natural Resources Inc. prepared in accordance with US GAAP)

Results of Operations

	Years ended December 31,		
	2008 (a)	2007 (b)	2006
Financial data (in millions)			
Revenue from product sales and services	$ 3,609.1	$ 2,275.2	$ 1,921.7
Operating income	938.9	381.6	365.7
Other income (expense)[1]	(222.6)	(0.9)	22.1
Interest expense	(39.8)	(22.6)	(5.3)
Provision for income taxes	(144.2)	(84.1)	(90.9)
Consolidated net income	515.8	270.0	280.1

[1] Includes changes in fair value of derivative instruments and impairment of securities, as well as other items considered other income (expense) in accordance with US GAAP.

Cash Flow

	Years ended December 31,		
	2008 (a)	2007 (b)	2006
Financial data (in millions)			
Net cash from operating activities	853.2	288.9	428.5
Net cash used by investing activities	(795.6)	(745.4)	(127.4)

Net cash from (used by) financing activities	32.4	250.1	(148.4)
Increase (decrease) in cash and cash equivalents	21.9	(194.6)	158.9
Cash and cash equivalents at end of year	179.0	157.1	351.7

Liabilities and Shareholders' Equity

	Years ended December 31,		
	2008 (a)	2007 (b)	2006
Financial data (in millions)			
Total shareholders' equity[1]	$ 1,750.5	$ 1,163.7	$ 745.8
Current financial debt	-	-	-
Non-current financial debt	525.0	440.0	-
Cash and cash equivalents at end of year	179.0	157.1	351.7
Net financial indebtedness[2]	346.0	282.9	(351.7)

[1] Shareholders' equity is calculated after deducting cost of Common Shares in treasury.

[2] Net financial indebtedness as of December 31, 2008, does not include, among other things, (i) derivative assets of $77.5 million, (ii) derivative liabilities of $228.6 million, (iii) postemployment benefit liabilities of $466.4 million, (iv) environmental and mine closure obligations of $117.1 million, and (v) below-market sales contracts of $213.9 million.

Production and Sales

	Years ended December 31,		
	2008 (a)	2007 (b)	2006
Financial data (in millions)			
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
- North American coal	3.5	1.1	-
- Asia-Pacific iron ore	7.7	8.4	7.7
Production tonnage - North American iron ore (Cliffs' share)	22.9	21.8	20.8
Sales tonnage - North American iron ore	22.7	22.3	20.4
- North American coal	3.2	1.2	-
- Asia-Pacific iron ore	7.8	8.1	7.4
Revenues from product sales and services:			
- North American iron ore	$ 2,369.6	$ 1,745.4	$ 1,560.7
- North American coal	$ 346.3	$ 85.2	$ -
- Asia-Pacific iron ore	$ 769.8	$ 444.6	$ 361.0
Common shares outstanding (millions) (d) (e)			
- Average for year	101.5	83.0	84.1
- At year-end	113.5	87.2	81.8

For footnotes (a) – (b) and (d) – (e) in the tables above, please see page 49 of the 10-K.

VII. DOCUMENTS ON DISPLAY

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 http://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, reports filed pursuant to Section 16 of the Exchange Act and amendments to those reports filed with or furnished to the SEC 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 "For 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 "For 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 prospectus.

Copies of the above referenced information will also be made available, free of charge, by calling + 1 (800) 214-0739 (or + 1 (216) 694-5700 for those located outside of the United States) or upon written request to:

Cliffs Natural Resources Inc.
Investor Relations
200 Public Square, Suite 3300
Cleveland, OH 44114-2315, U.S.A.

CHAPTER B:
RISK FACTORS

I. BUSINESS RISK FACTORS

Set forth below are summaries of the risks, uncertainties and other factors that may affect our future business and results. The full description of these risk factors is included on pages 24 – 31 (Risk Factors) of the 10-K.

- The current global economic crisis has created uncertainty and could adversely affect our business.
- 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.
- Capacity expansions within the industry could lead to lower global iron ore and coal prices or impact our production.
- The current global economic crisis has resulted in increasing downward pressure on prices for iron ore and metallurgical coal.
- 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.
- A substantial majority of our sales are made under term supply agreements, which are important to the stability and profitability of our operations.
- In North America, we depend on a limited number of customers.
- Although we currently have adequate liquidity, if the current global economic crisis extends beyond 2009, we may have difficulty maintaining adequate liquidity.
- The current global economic crisis may limit available capital.
- Our ability to collect payments from our customers depends on their creditworthiness.
- 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.
- 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 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.
- 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.

- Our sales and competitive position depend on the ability to transport our products to our customers at competitive rates and in a timely manner.
- Our operating expenses could increase significantly if the price of electrical power, fuel or other energy sources increases.
- 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.
- 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.
- Underground mining is subject to increased safety regulation and may require us to incur additional cost.
- Coal mining is complex due to geological characteristics of the region.
- Our profitability could be negatively affected if we fail to maintain satisfactory labor relations.
- We may encounter labor shortages for critical operational positions, which could affect our ability to produce our products.
- Our profitability could be affected by the failure of outside contractors to perform.
- We may be unable to successfully identify, acquire and integrate strategic acquisition candidates.
- We are subject to risks involving operations in multiple countries.
- We are subject to a variety of market risks.

II. MARKET RISK FACTORS

We are subject to a variety of risks, including those caused by changes in the market 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.

For an explanation of defined terms used below, please see pages 2 – 4 (Definitions) of the 10-K.

Foreign Currency Exchange Rate Risk

We are subject to changes in foreign currency exchange rates in Australia as a result of our operations at Portman and Sonoma, which could impact our financial condition. Foreign exchange risk arises from our exposure to fluctuations in foreign currency exchange rates because our reporting currency is the United States dollar. Portman hedges a portion of its United States currency-denominated sales in accordance with a formal policy. The primary objective for using derivative financial instruments is to reduce the volatility attributable to changes in Australian and United States currency fluctuations. The instruments were subject to formal documentation, intended to achieve qualifying hedge treatment, and were tested at inception and at each reporting period as to effectiveness. Effective July 1, 2008, Portman discontinued

hedge accounting for these derivatives, but continues to hold these instruments as economic hedges to manage currency risk. Upon de-designation of the cash flow hedges, the instruments are prospectively marked to fair value each reporting period through *Changes in fair value of derivative instruments, net* on the Statement of Consolidated Operations. At December 31, 2008, Portman had approximately $869.0 million of outstanding exchange rate contracts in the form of call options, collar options, convertible collar options and forward exchange contracts with varying maturity dates ranging from January 2009 to August 2011. A 10 percent increase in the value of the Australian dollar from the month-end rate would increase the fair value by approximately $65.4 million, and a 10 percent decrease would reduce the fair value by approximately $79.9 million.

We are required to record on our Statements of Consolidated Financial Position the market value of our open derivative positions which do not qualify for hedge accounting treatment. The gain or loss resulting from changes in the market value of these derivative instruments is recorded as an unrealized gain or loss each reporting period. These mark-to-market adjustments are recorded as non-operating costs on the Statements of Consolidated Operations.

Our share of pellets produced at the Wabush operation in Canada represents approximately five percent of our North American iron ore pellet production. This operation is subject to currency exchange fluctuations between the United States and Canadian currency; however, we do not hedge our exposure to this currency exchange fluctuation.

Under the majority ownership of MMX, Amapá's functional currency was previously determined to be the Brazilian real. The analysis performed to determine the functional currency at the time indicated a mixed outcome assessment of the pertinent determining economic factors as set forth under SFAS No. 52, *Foreign Currency Translation* ("SFAS 52"), including, for example, sales being priced in U. S. dollars and operating costs being largely incurred in Brazilian real. The change in control of Amapá to Anglo in August 2008 resulted in the review of financial, operating and treasury policies of the entity under new management. This, along with recent efforts to mitigate exposures related to fluctuations in foreign currency exchange rates resulted in the reassessment of the accounting principles related to the determination of Amapá's functional currency during the fourth quarter of 2008. As a result, effective October 1, 2008, we changed the functional currency of Amapá from the local currency to the U.S. dollar reporting currency primarily due to changes in the debt structure under which the entity is financed as well as changes in the treasury, risk mitigation and financial reporting policies under which the entity's operations are managed, resulting in the U.S. dollar becoming the currency of the primary economic environment in which the business operates. Refer to pages 6 – 25 (Note 1 – Business Summary and Significant Accounting Policies) of Exhibit VI for further information.

Interest Rate Risk

Interest for borrowings under our credit facility is at a floating rate, dependent in part on the LIBOR rate, which exposes us to the effects of interest rate changes. Based on $100 million in outstanding revolving and term loans at December 31, 2008, with a floating interest rate and no corresponding fixed rate swap, a 100 basis point change to the LIBOR rate would result in a change of $1.0 million to interest expense on an annual basis.

In October 2007, we entered into a $100 million fixed rate swap to convert a portion of this floating rate into a fixed rate. With the swap agreement, we pay a fixed three-month LIBOR rate for $100 million of our floating rate borrowings. The interest rate swap terminates in October 2009 and qualifies as a cash flow hedge.

Pricing Risks

The current global economic crisis has resulted in increasing downward pressure from customers, particularly in China, for a roll back of the 2008 price increases for seaborne iron ore and metallurgical coal in 2009. The 2008 record price increase was driven by high demand for iron ore and coking coal, global steel production at historically high levels, combined with production and logistics constraints for

both iron ore and coking coal, resulting 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 our 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.

Nonperformance and Liquidity Risks

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.

In addition, 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.

Our investment policy relating to short-term investments is to preserve principal and liquidity while maximizing the short-term return through investment of available funds. The carrying value of these investments approximates fair value on the reporting dates. We commonly use AAA-rated money market funds for short-term investments. On September 19, 2008, we received notice that one of the money market funds, in which we had $20 million invested, was suspending all-cash redemptions and redeeming a combination of cash and in-kind securities until December 12, 2008, when all of the fund's securities matured. The investment was redeemed in cash for full value on December 12, 2008. All other money market funds we invested in maintained daily cash redemptions throughout 2008.

Approximately 2.9 percent of our U.S. pension trust assets and 1.5 percent of VEBA assets are exposed to sub prime risk, all of which are investment grade and fully collateralized by properties. These investments primarily include Mortgage-Backed Securities and the Home Equity subset of the Asset-Backed Securities sector with AAA and AA credit quality ratings. Due to the continuing liquidity crisis in the U.S., the spreads of these structures have widened and, as a result, their market values have declined. However, the over-collateralization of these arrangements is expected to mitigate the potential for principal loss in these tranches. As evidence, there has been no material impairment in these securities as of December 31, 2008. The U.S. pension and VEBA trusts have no allocations to mortgage-related collateralized debt obligations.

Volatile Energy and Fuel Costs

The volatile cost of energy and supplies is an important issue affecting our production costs, primarily in relation to our iron ore operations. Recent trends have shown that although electric power, natural gas, and oil costs are declining, the direction and magnitude of short-term changes are difficult to predict. Our consolidated North American iron ore mining ventures consumed approximately 13.5 million MMBtu's of natural gas at an average delivered price of $9.18 per MMBtu, and 22.5 million gallons of diesel fuel at an average delivered price of $3.03 per gallon in 2008. Consumption of diesel fuel by our Asia Pacific Operations was approximately 10.6 million gallons for the same period. As of December 31, 2008 we have 3.5 million MMBtu's of natural gas, representing approximately 38 percent of our 2009 natural gas requirements, purchased forward at an average price of $8.99 per MMBtu. We also have 6.4 million gallons of diesel fuel, representing approximately 31 percent of our 2009 requirements, purchased

forward at $2.58 per gallon for our North American iron ore mining ventures. Such contracts are a means to limit our exposure to potential future market price increases.

Our strategy to address increasing energy rates includes improving efficiency in energy usage and utilizing the lowest cost alternative fuels. Our North American Iron Ore mining ventures enter into forward contracts for certain commodities, primarily natural gas and diesel fuel, as a hedge against price volatility. Such contracts are in quantities expected to be delivered and used in the production process. At December 31, 2008, the notional amount of the outstanding forward contracts was $41.5 million, with an unrecognized fair value net loss of $8.4 million based on December 31, 2008 forward rates. The contracts mature at various times through December 2009. If the forward rates were to change 10 percent from the month-end rate, the value and potential cash flow effect on the contracts would be approximately $3.3 million.

CHAPTER C:
SUPPLEMENTAL INFORMATION CONCERNING CLIFFS NATURAL RESOURCES INC.

I. RIGHTS RELATED TO THE CLIFFS COMMON STOCK

1.1 Type and the Class of the Securities Being Offered, Including the Security Identification Code

Our authorized capital stock consists of 224,000,000 shares of common stock, par value $0.125 per share (the "Common Shares"), and 7,000,000 shares of Serial Preferred Stock, without par value (consisting of 3,000,000 shares designated as "Class A Serial Preferred Stock" and 4,000,000 authorized shares designated as "Class B Serial Preferred Stock").

As of March 16, 2009, 113,767,508 Common Shares were issued and outstanding and 20,856,020 Common Shares were held in treasury. As of March 16, 2009, 89,376,472 Common Shares were available for issuance. No shares of Serial Preferred Stock are currently issued and outstanding.

Ohio law does not require shareholder approval for any issuance of authorized shares other than in connection with certain mergers to which we may be a party. See "Voting Rights" on pages 20 – 22 of this prospectus. However, the NYSE rules require shareholder approval of certain issuances of Common Shares or securities convertible into or exchangeable for Common Shares equal to or exceeding 20% of the then outstanding number of our Common Shares.

Accordingly, subject to the above limitations, Cliffs' board of directors may issue up to a maximum of 89,376,472 Common Shares at a price equal to or higher than the par value of $0.125 per share without authorization from the shareholders. Any issue of Common Shares would give rise to a registration requirement under the SEC rules, absent any available exemption, such as an issue of Common Shares solely to qualified institutional buyers.

The Company has equity compensation plans under which Common Shares may be provided to directors and employees of the Company. The Company's obligations in this respect may be satisfied either by Common Shares held in treasury or by newly issued Common Shares. For further information regarding these equity compensation plan awards, see pages 59 – 64 of Exhibit VI (Note 12. Stock Compensation Plans) and pages 31 – 34 of the Proxy Statement (from "Grants of Plan Based Awards" up to "Pension Benefits").

Our Common Shares are listed on the NYSE and the Chicago Stock Exchange, under the symbol "CLF."

On March 30, 2009, Euronext approved our application for listing and trading of our Common Shares on Euronext. Our Common Shares will be listed under the symbol "CLF." Trading in the Common Shares on the Professional Segment of Euronext is expected to start on April 6, 2009.

The CUSIP number assigned to our Common Shares is 18683K101. The ISIN is US18683K1016.

1.2 Legislation Under Which the Securities Have Been Created

Our Common Shares were created under the Ohio General Corporation Law, as codified in Title XVII, chapter 1701 of the Ohio Revised Code ("ORC").

1.3 Form of Securities, Name and Address of the Entity in Charge of Keeping the Records

In general, shareholders may hold Common Shares either in certificated or street name form. The transfer and registrar for the Common Shares is Computershare Trust Company, N.A. ("Computershare").

Computershare can be contacted through the web at www.computershare.com, by telephone at 1-800-446-2617 (or + 1 (781) 575-2726 for those located outside of the United States), or by mail at: P.O. Box 43078, Providence, RI 02940-3078, U.S.A.

The Company's paying agent in France is Société Générale – Titres et Bourse (32, rue du Champ de Tir, BP 81236, 44312 Nantes Cedex 3, France).

1.4 Currency of the Securities Issue

Trading of our Common Shares on Euronext will be in Euros.

1.5 Rights Attached to the Securities

Dividend Rights. Holders of Common Shares are entitled to receive such dividends as the Company's directors from time to time may declare out of funds legally available therefore. Entitlement to dividends is subject to the preferences granted to other classes of securities the Company has or may have outstanding in the future. In the event of liquidation of the Company, holders of Common Shares are entitled to share in any assets of the Company remaining after satisfaction in full of its liabilities and satisfaction of such dividend and liquidation preferences as may be possessed by the holders of other classes of securities the Company has or may have outstanding in the future.

Voting Rights. The holders of Common Shares are entitled to one vote for each share on all matters upon which shareholders have the right to vote and, upon proper notice, are entitled to cumulative voting rights in the election of directors.

The annual meeting of shareholders shall be held at 3:00 p.m., on the fourth Wednesday in April in each year, if not a legal holiday, and if a legal holiday, then on the next day not a legal holiday, or, if in any particular year the date and time so determined for the annual meeting shall not be acceptable to a majority of the Directors, then such annual meeting shall be held on such other date and time during such year as shall be fixed and approved by a majority of the Directors, for the election of Directors and the consideration of reports to be laid before such meeting. Upon due notice, there may also be considered and acted upon at an annual meeting any matter which could properly be considered and acted upon at a special meeting, in which case and for which purpose the annual meeting shall also be considered as, and shall be, a special meeting. When the annual meeting is not held or Directors are not elected thereat, they may be elected at a special meeting called for that purpose.

Special meetings of the shareholders of Cliffs may be called by the Chairman, President, Vice President, the Directors by action at a meeting, three or more of the Directors acting without a meeting or by persons who hold not less than twenty-five percent of all shares outstanding (see Article I Section 2 of the Regulations of Cliffs). Any meeting of shareholders may be held either at the principal office of Cliffs or at such other place within or without the State of Ohio as may be designated in the notice of said meeting (see Article I Section 3 of the Regulations of Cliffs).

At any meeting of the shareholders, a majority in interest of all the shares entitled to vote on a matter, represented by shareholders present in person or by proxy, shall constitute a quorum of that voting power for action on any one of the purposes for which the meeting is called. The shareholders present in person or by proxy, whether or not a quorum be present, may adjourn the meeting from time to time (see Article I Section 6 of the Regulations of Cliffs).

If a quorum exists, action on a matter is approved by the affirmative vote of the holders of a majority of the voting power of the corporation present in person or represented by proxy at the meeting and entitled to vote on the proposal, unless the question is one upon which the express provision of the ORC, or of the Amended Articles of Incorporation or of the Regulations requires a different vote. There are currently no contrary provisions in the Amended Articles of Incorporation or Regulations of Cliffs.

Pursuant to Section 1701.781 of the ORC, an agreement of merger or consolidation shall be approved by the directors and adopted by the shareholders of each corporation at a meeting held for that purpose. The vote required to adopt an agreement of merger or consolidation is the affirmative vote of the shareholders entitling them to exercise at least two-thirds of the voting power of the corporation.

The shareholders may amend the Regulations of Cliffs, or adopt new Regulations, by an affirmative vote of those of record entitled to exercise a majority of the voting power on such proposal (see Article V Section 4 of the Regulations of Cliffs).

Pursuant to Section 1701.69 of the ORC, a corporation may amend its articles of incorporation from time to time in any respect. Pursuant to Sections 1701.70-71 of the ORC:

(1) A corporation's board of directors may amend the articles of incorporation for submission to the shareholders in the following cases:

   (a) To change the express terms of any class of shares prior to issuance, if permitted by the articles.

   (b) To enable the conversion of convertible obligations.

   (c) If shares of any class have been redeemed, surrendered, or acquired, to reduce the authorized number of shares of the class by the number so redeemed, surrendered, or acquired by the corporation.

   (d) To make any necessary conforming changes.

   (e) To eliminate from the articles any statement pertaining exclusively to a merger or consolidation after one becomes effective.

   (f) To change the name of the corporation.

   (g) To change the state where the principal office is to be located.

   (h) To proportionately increase the authorized number of shares of the class in connection with a dividend or distribution.

   (i) To change each issued and unissued authorized share of an outstanding class into a greater number of shares of that class and to proportionately increase the authorized number of shares of that class.

   (j) To decrease the par value of issued and unissued shares of a particular class to the extent necessary to prevent an increase in the aggregate par value of the outstanding shares of the class.

(2) Except as otherwise provided, the shareholders of any particular class, at a meeting held for that purpose, may adopt an amendment, including any amendment that could be adopted by the directors. Under subsection (A)(2) of Sections 1701.70-71 of the ORC, an amendment must receive the affirmative vote of the shareholders of at least two-thirds of the shares of that class in order to be adopted or, if the articles permit, a greater or lesser proportion, but not less than a majority, of the

shares of that class. The Amended Articles of Incorporation do not currently prohibit a greater or lesser proportion to affirmatively vote on an amendment.

Right to Receive Liquidation Distributions. In the event of liquidation of the Company, holders of Common Shares are entitled to share in any assets of the Company remaining after satisfaction in full of its liabilities and satisfaction of such dividend and liquidation preferences as may be possessed by the holders of other classes of securities the Company has or may have outstanding in the future.

Preemptive, Redemptive and Conversion Provisions. Common Shares do not have any preemptive rights, are not subject to redemption and do not have the benefit of any sinking fund.

1.6 Transferability

The Common Shares are registered under the Exchange Act and are generally freely transferable. EACH HOLDER OF THE COMMON SHARES ASSUMES THE RISK OF ANY MARKET FLUCTUATIONS IN THE PRICE OF THE COMMON SHARES.

1.7 Registration Number

Cliffs' United States Internal Revenue Service Employer Identification Number is 34-1464672. Cliffs' State of Ohio Charter Number is 6498016.

1.8 Ohio Control Share Acquisition Statute

Section 1701.831 of the ORC or the Ohio Control Share Acquisition Statute requires the prior authorization of the shareholders of certain corporations in order for any person to acquire, either directly or indirectly, shares of that corporation that would entitle the acquiring person to exercise or direct the exercise of 20 percent or more of the voting power of that corporation in the election of directors or to exceed specified other percentages of voting power. In the event an acquiring person proposes to make such an acquisition, the person is required to deliver to the corporation a statement disclosing, among other things, the number of shares owned, directly or indirectly, by the person, the range of voting power that may result from the proposed acquisition and the identity of the acquiring person. Within 10 days after receipt of this statement, the corporation must call a special meeting of shareholders to vote on the proposed acquisition. The acquiring person may complete the proposed acquisition only if the acquisition is approved by the affirmative vote of the holders of at least a majority of the voting power of all shares entitled to vote in the election of directors represented at the meeting excluding the voting power of all "interested shares." Interested shares include any shares held by the acquiring person and those held by officers and directors of the corporation as well as by certain others, including many holders commonly characterized as arbitrageurs. The Ohio Control Share Acquisition Statute does not apply to a corporation if its articles of incorporation or code of regulations state that the statute does not apply to a corporation. Neither Cliffs' amended Articles of Incorporation nor its Regulations contain a provision opting out of this statute.

1.9 Ohio Interested Shareholder Statute

Chapter 1704 of the ORC prohibits certain corporations from engaging in a "chapter 1704 transaction" with an "interested shareholder" for a period of three years after the date of the transaction in which the person became an interested shareholder, unless, among other things:

- the articles of incorporation expressly provide that the corporation is not subject to the statute (Cliffs has not made this election); or

- the board of directors of the corporation approves the chapter 1704 transaction or the acquisition of the shares before the date the shares were acquired.

After the three-year moratorium period, the corporation may not consummate a chapter 1704 transaction unless, among other things, it is approved by the affirmative vote of the holders of at least two-thirds of the voting power in the election of directors and the holders of a majority of the voting shares, excluding all shares beneficially owned by an interested shareholder or an affiliate or associate of an interested shareholder, or the shareholders receive certain minimum consideration for their shares. A chapter 1704 transaction includes certain mergers, sales of assets, consolidations, combinations and majority share acquisitions involving an interested shareholder. An interested shareholder is defined to include, with limited exceptions, any person who, together with affiliates and associates, is the beneficial owner of a sufficient number of shares of the corporation to entitle the person, directly or indirectly, alone or with others, to exercise or direct the exercise of 10 percent or more of the voting power in the election of directors after taking into account all of the person's beneficially owned shares that are not then outstanding.

1.10 Foreign Currency Exchange Rate Hedging, Etc.

We are subject to a variety of market risks, including risks related to foreign currency exchange rates. For a description of these market risks, please see pages 15 – 18 (II. Market Risk Factors) in Chapter B above.

1.11 Purpose of the Listing and Liquidity

As its scale and international presence continue to increase, Cliffs is attracting greater numbers of investors based outside of the United States, particularly in Europe. The Euronext listing is intended to promote additional liquidity for all investors and provide greater access to Cliffs' shares among European fund managers who may be required to invest in Euro-zone markets or currencies only.

At this time, Cliffs does not intend to enter into any agreement with a liquidity provider in connection with the listing of its Common Shares on Euronext. However, Cliffs reserves the right to enter into such agreement in the future, subject to compliance with applicable legislation in France and the United States.

Until such time that an agreement is entered into with a liquidity provider (if ever), liquidity in the Common Shares will result initially from execution on Euronext of sell orders in respect of Common Shares currently traded on the NYSE and future trading in the Common Shares on Euronext with settlement through Euroclear France.

1.12 Market Capitalization

Based on 113,767,508 issued and outstanding Common Shares as of March 16, 2009 (excluding the 20,856,020 Common Shares held in treasury), and the closing price of the Common Shares on the NYSE on March 30, 2009 ($16.51), Cliffs had a market capitalization of approximately $1.88 billion, which, based on the exchange rate on March 30, 2009 ($1 = EUR 0.7576), corresponds to approximately EUR 1.42 billion.

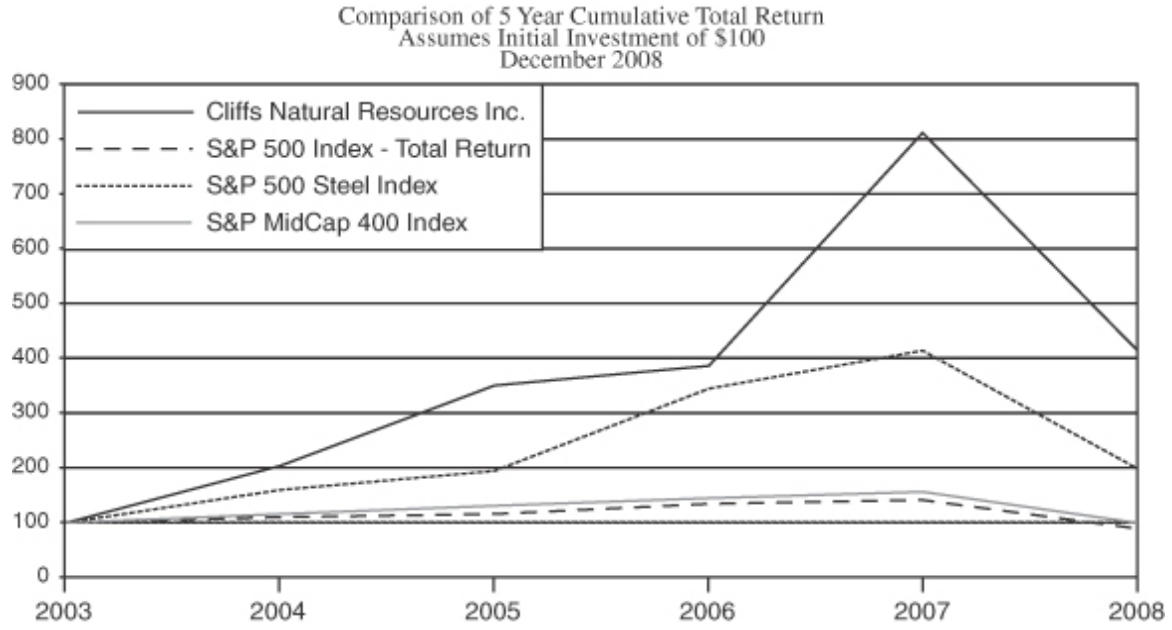
Please find below information concerning the Common Share price performance and dividends, and shareholder return performance:

Common Share Price Performance and Dividends

	2008			2007		
	High	**Low**	**Dividends**	High	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

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.



II. STATEMENT OF CAPITALIZATION AND INDEBTEDNESS AS OF DECEMBER 31, 2008

The below tables are derived from Cliffs' consolidated financial statements.

2.1 Capitalization and indebtedness (in millions of US$)

Total Current debt	–
- Guaranteed	–
- Secured	–
- Unguaranteed / Unsecured	–
Total Non-Current debt (excluding current portion of long-term debt)	$ 525.0
- Guaranteed	$ 325.0
- Secured	–
- Unguaranteed / Unsecured	$ 200.0
Shareholder's equity	
a. Share Capital and Additional Paid-in Capital (less treasury stock at cost of $113.8 million)	$ 345.2
b. Legal Reserve	–
c. Other Reserves	
- Retained earnings	$ 1,799.9
- Accumulated other comprehensive loss	$ (394.6)
Total	$ 1,750.5

2.2 Net Indebtedness (in millions of US$)

A. + B Cash and cash equivalents	$ 179.0
C. Short-term investments	–
D. Liquidity (A) + (B) + (C)	**$ 179.0**
E. Current Financial Receivable	–
F. Current Bank debt	–
G. Current portion of non current debt	–
H. Other current financial debt	–
I. Current Financial Debt (F) + (G) + (H)	–
J. Net Current Financial Indebtedness (I) – (E) – (D)	**$ (179.0)**
K. Non-current Bank loans	$ 325.0
L. Long-term debt	$ 200.0
M. Other non-current loans	–
N. Non-current Financial Indebtedness (K) + (L) + (M)	**$ 525.0**
O. Net Financial Indebtedness (J) + (N)*	**$ 346.0**

* Net financial indebtedness as of December 31, 2008, does not include, among other things, (i) derivative assets of $77.5 million, (ii) derivative liabilities of $228.6 million, (iii) postemployment benefit liabilities of $466.4 million, (iv) environmental and mine closure obligations of $117.1 million, and (v) below-market sales contracts of $213.9 million.

For information relating to Cliffs' indirect and contingent indebtedness, the reader's attention is called to pages 67 – 69 (Note 16 – Commitments and Contingencies) of Exhibit VI.

III. DIRECTORS AND EXECUTIVE OFFICERS

3.1 Board of Directors as of March 16, 2009

Name	Age
Ronald C. Cambre	70
Joseph A. Carrabba	56
Susan M. Cunningham	53
Barry J. Eldridge	63
Susan M. Green	49
James D. Ireland III	59
Francis R. McAllister	66
Roger Phillips	69
Richard K. Riederer	65
Alan Schwartz	69

3.2 Executive Officers as of February 26, 2009

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

For at least the previous five years, none of the directors or executive officers of Cliffs has:

(a) been convicted in relation to fraudulent offenses;

(b) been associated with any bankruptcies, receiverships or liquidations when acting in their capacity of directors or executive officers of Cliffs; or

(c) been subject to any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) or ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

There are no family relationships among any of the executive officers and directors listed above.

IV. EMPLOYEES

The below chart sets forth historical information regarding the approximate number of Cliffs' employees (and employees of Cliffs' subsidiaries and affiliates) for each of the fiscal years ended December 31, 2008, 2007 and 2006:

	As of December 31, 2008	As of December 31, 2007	As of December 31, 2006
North American Iron Ore*	4,316	4,107	3,951
North American Coal	1,011	891	0
Asia Pacific Iron Ore	126	89	80

Corporate & Support Services	258	211	158
Total	**5,711**	**5,298**	**4,189**

*Includes our employees and the employees of the North American joint ventures.

V. ORGANIZATIONAL STRUCTURE

Cliffs is the parent company of the Cliffs group. Cliffs holds, directly or indirectly, the capital and voting rights of each of the subsidiaries and affiliates listed in Exhibit 21 to the 10-K.

VI. WORKING CAPITAL STATEMENT

As of the date of this prospectus, Cliffs believes that its existing cash balances, short-term investments and anticipated cash flows from operations will be sufficient to meet its operating, acquisition and capital requirements, quarterly dividends, planned share repurchases and debt service for at least the next 12 months.

VII. MINERAL RESERVES AND LEASE AGREEMENTS; SALES VOLUME AND REVENUES

7.1 Mineral Reserves and Expected Working Life

The general characteristics of mineral reserves by reportable business segment are set out below. Please refer to pages 36 – 40 of the 10-K for more information on these reserves, and pages 15 – 17 of Exhibit VI for information on the valuation of these reserves.

In the North American steel industry, the industry custom is to measure iron ore (and hot rolled steel) in long tons (2,240 pounds, or 1.016 metric tons, 1,016 kilograms). In the North American coal industry, the industry custom is to measure coal in short tons (2,000 pounds, or 0.9072 metric tons, 907.2 kilograms). In our Australian and Brazilian businesses, the custom is to measure product in metric tons (2,204.6 pounds, or 1,000 kilograms).

Pursuant to SEC Industry Guide 7, the SEC requires U.S. natural resource companies to only report "proven" and "probable" reserves. SEC Industry Guide 7 provides the following definitions:

Proven (Measured) Reserves. Reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; grade and/or quality are computed from the results of detailed sampling and (b) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well-established.

Probable (Indicated) Reserves. Reserves for which quantity and grade and/or quality are computed from information similar to that used for proven (measured) reserves, but the sites for inspection, sampling, and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven (measured) reserves, is high enough to assume continuity between points of observation.

The columns in the below tables indicating previous years refer to the previous year's determination of mineral reserves. In regards to the percentages of mineral rights owned versus leased in the following tables, the percentage breakdown is based on tonnage and physical location of the ore within individual

mine designs, and whether or not Cliffs owns or leases the mineral rights in that particular area of the mine.

North American Iron Ore

NAIO

Mine	Iron Ore Mineralization	Current Annual Capacity	Mineral Reserves(2)(3) Current Year Proven	Probable	Total	Previous Year	Inferred Working Life (Years)	Mineral Rights Owned	Leased	Method of Reserve Estimation	Operating Since	Infrastructure
		Tons in millions(1)										
Empire	Negaunee Iron Formation (Magnetite)	5.5	33	—	33	10	6.0	53 %	47 %	Geologic — Bl ock Model	1963	Mine, Concentrator, Pelletizer
Tilden	Negaunee Iron Formation (Hematite, Magnetite)	8.0	219	61	280	252	35.0	100 %	0 %	Geologic — Bl ock Model	1974	Mine, Concentrator, Pelletizer, Railroad
Hibbing Taconite	Biwabik Iron Formation (Magnetite)	8.0	104	10	114	145	14.3	3 %	97 %	Geologic — Bl ock Model	1976	Mine, Concentrator, Pelletizer
Northshore [4]	Biwabik Iron Formation (Magnetite)	5.7	298	10	308	313	54.0	0 %	100 %	Geologic — Bl ock Model	1989	Mine, Concentrator, Pelletizer, Railroad
United Taconite	Biwabik Iron Formation (Magnetite)	5.4	128	16	144	149	26.7	0 %	100 %	Geologic — Bl ock Model	1965	Mine, Concentrator, Pelletizer
Wabush	Sokoman Iron Formation (Hematite)	5.5	75	—	75	39	13.6	0 %	100 %	Geologic — Bl ock Model	1965	Mine, Concentrator, Pelletizer, Railroad
	Total	**38.1**	**857**	**97**	**954**	**908**						

(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.

North American Coal

Mine (2)	Category (3)	Current Annual Capacity	Proven and Probable Reserves In-place	Moist Recoverable	Inferred Working Life (Years)	Mineral Rights Owned	Leased	Method of Reserve Estimation	Infrastructure
		Tons in Millions (1)							
Pinnacle Complex		4.0			17.9	0%	100%	Geologic - Block Model	Mine, Preparation Plant, Load-out
Pocahontas No 3	Assigned		121.9	60.6					
Pocahontas No 4	Unassigned		32.8	11.1					
Oak Grove		2.5			19.4	0%	100%	Geologic - Block Model	Mine, Preparation Plant, Load-out
Blue Creek Seam	Assigned		92.9	48.4					
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.

Asia Pacific Iron Ore

Mine	Iron Ore Mineralization	Current Annual Capacity	Mineral Reserves(2)(3) Current Year Proven	Probable	Total	Previous Year	Inferred Working Life (Years)	Mineral Rights Owned	Leased	Method of Reserve Estimation	Operating Since	Infrastructure
		Tonnes in millions(1)										
Koolyanobbing (4)	Banded Iron Formations Southern Cross Terrane Yilgarn Mineral Field (Hematite, Goethite)	8.2	6.7	83.8	90.5	95.1	11.0	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	1.9	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.
(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.

Asia Pacific Coal

Mine (2)	Category (3)	Current Annual Capacity (4)	Proven and Probable In-place	Proven and Probable Moist Recoverable	Inferred Working Life (Years)	Mineral Rights Owned	Mineral Rights Leased	Method of Reserve Estimation	Infrastructure
		Tonnes in Millions (1)							
Sonoma									
Moranbah Coal Measures B, C and E Seams	Assigned	4.0	43.3	25.3	6.3	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.

7.2 Mineral Rights and Lease Agreements

Mining and mineral extraction across each of Cliffs' business segments is conducted by way of varying mineral rights and lease arrangements having varying expiration dates. In some cases, leases are routinely renegotiated and renewed as they approach their respective expiration dates. Below is a discussion of the general characteristics of Cliffs' mineral leases by reportable business segment:

North American Iron Ore

In the North American Iron Ore business the Company both owns and leases mineral rights to varying degrees depending on the operating location. In Michigan, Cliffs owns a majority of its mineral rights at the Tilden and Empire mines. See pages 36 – 37 (Iron Ore Reserves) of the 10-K. At locations outside of Michigan, Cliffs leases a majority of mineral rights and is party to hundreds of legacy leases that vary in size and length, but are generally for the term of 20 years to life of mine.

These leases typically carry a minimum fixed annual royalty, as well as a production royalty that is based on tons of ore extracted or tons of marketable iron ore pellets for a specified time period. Both royalties are generally escalated based on a steel market-related index, such as the Producer Price Index for Iron & Steel or a similar index.

Cliffs' North American Iron Ore leases do have termination clauses, but carry lingering obligations of reclamation and safety.

Payments to various lease holders typically fluctuate based on mine planning cycles that determine which leases are impacted at any particular time.

Cliffs' largest North American Iron Ore leaseholder is Mesabi Trust, a publicly traded trust that collects royalties and bonuses from the sale of minerals that are shipped from Cliffs' Northshore Mining operation in Minnesota.

North American Coal

As with most coal producers in the Appalachia region of the United States, virtually all of Cliffs' North American Coal business segment coal reserves are subject to leases from third-party landowners. These leases convey mining rights to the coal producer in exchange for a percentage of gross sales in the form of a royalty payment to the lessor, subject to minimum payments. These leases typically extend through the earlier of July 1, 2023 or until all merchantable and mineable coal has been extracted.

Cliffs' largest North American Coal leaseholder is Natural Resource Partners L.P., a publicly traded master limited partnership engaged in the business of owning and managing coal properties, and coal handling and transportation infrastructure in the United States.

Asia Pacific Iron Ore

Mining leases in Western Australia, where Cliffs' Asia Pacific Iron Ore Koolyanobbing operations are located, are granted by the Western Australia state government and requires a royalty payment based on a percentage of gross invoice value less allowable deductions. These leases are granted for a term of 21 years and can be renewed for a further 21 years. All the leases are in their initial 21-year term with the earliest expiry date being September 21, 2014.

Asia Pacific Coal

Cliffs Asia Pacific Coal operations are comprised of its 45% economic interest in the Sonoma coal project located in the Bowen Basin coal fields in Queensland, Australia. Mining leases in Queensland are granted by the Queensland state government and require a royalty payment based on a percentage of gross mineral sales. In addition, a royalty is paid to the mining lease holder and joint venture partner, QCoal P/L, which is also based on a percentage of gross mineral sales. The Sonoma coal mine is comprised of three mining leases granted in September 2007. All three leases run for thirty years from date of granting and will expire in 2037 unless renewed earlier.

7.3 Sales Volume and Revenues

The below table sets out the sales tonnage and the revenues per business segment for the last three fiscal years.

	Years ended December 31,		
	2008 (a)	2007 (b)	2006
Financial data (in millions)			
Sales tonnage - North American iron ore	22.7	22.3	20.4
- North American coal	3.2	1.2	-
- Asia-Pacific iron ore	7.8	8.1	7.4
Revenues from product sales and services:			
- North American iron ore	$ 2,369.6	$ 1,745.4	$ 1,560.7
- North American coal	$ 346.3	$ 85.2	$ -
- Asia-Pacific iron ore	$ 769.8	$ 444.6	$ 361.0

For footnotes (a) – (b) in the table above, please see page 49 of the 10-K.

VIII. TAX CONSEQUENCES

Set out below are the main French tax consequences likely to apply to French investors who will hold shares of Cliffs under French domestic law in force on March 1, 2009, and the US- France income tax treaty signed August 31, 1994, as modified by a protocol signed December 8, 2004 (the "US-French Tax Treaty"). The tax regime described below may be modified by subsequent laws or regulations, which should be followed by the investors with the help of their usual advisor.

Please note that the information set out below is only a summary of the applicable tax regime. Each particular situation should be carefully analyzed by a tax advisor, especially regarding tax residence and the possible impact of citizenship.

8.1 Individual Investors who are French Tax Residents Holding Shares as a Private Investment

Article 13 of the U.S.-French Tax Treaty generally exempts certain gains (including stock gains) from source country taxation. This exemption does not apply, however, where the gain arises upon the sale or disposition of stock in a corporation whose assets consist principally of source country real property

interests. Under U.S. tax rules, such a corporation is referred to as a "U.S. real property holding corporation" ("USRPHC"). Based upon a review of Cliffs' financial statements, it is not certain that Cliffs would not be treated as a USRPHC and accordingly gain on a sale of Cliffs' stock might not be exempt from U.S. tax pursuant to Article 13. However, the U.S. Internal Revenue Code of 1986, as amended, provides an exemption (the "publicly traded exemption") from U.S. tax even where a foreign investor sells stock in a USRPHC so long as (i) the seller has not owned more than 5% of the stock of that corporation over the past five years and (ii) the stock is regularly traded on an established securities market. Since Cliffs' Common Stock is regularly traded on the NYSE it should satisfy the requirement that the stock be regularly traded on an established securities market. Temporary Treasury regulations impose additional requirements where the stock in question is also traded on an established exchange outside the United States. Such regulations provide that the class of stock traded on an established securities market located outside the United States shall be considered to be regularly traded if such class is traded in registered form and the corporation registers such class pursuant to section 12 of the Exchange Act. The Common Stock of Cliffs traded on Euronext should satisfy these requirements. Accordingly, gains on a sale of such stock by a French individual should be exempt from U.S. tax so long as the French shareholder has not owned more than 5% of the Common Stock of Cliffs during the five year period preceding the sale.

In accordance with Articles 150-0 A *et seq.* and 200 A of the French General Tax Code (the "GTC"), capital gains realized upon the disposal of shares of Cliffs Common Stock will be subject as from the first Euro to tax on income at a flat rate of 18% if the annual amount of the securities sold by all members of a single tax household (other than the sale of securities on which tax is deferred) exceeds a threshold currently set at € 25,730 for income received in 2009. Subject to the same condition concerning the annual amount of disposals, capital gains will also be subject to the following social taxes, which are non-deductible from the income taxable basis:

- the *contribution sociale généralisée* of 8.2%, (Articles 1600-0C and 1600-0E of the GTC), collected according to the same procedures as income tax;

- the *prélèvement social* of 2% (Article 1600-0F *bis* of the GTC), collected according to the same procedures as income tax;

- the *contribution au remboursement de la dette sociale* of 0.5% (Article 1600-0L of the GTC), collected according to the same procedures as income tax;

- the *contribution additionnelle au prélèvement social* of 0.3% (Article 1649-0 A of the GTC); and

- the *contribution additionnelle au prélèvement social* of 1.1% (Law n° 2008-1249 dated December 1, 2008).

In accordance with Article 150-0D 11 of the GTC, capital losses realized upon the disposal of shares of Cliffs Common Stock may be deducted only from capital gains on sales of the same nature in the same year or in the ten years following such disposal. This provision implies, in particular, that the amount of the disposals of securities by members of the same tax household during the year of the capital loss exceeded the threshold of € 25,730 for 2009 as above mentioned.

Shares of Cliffs Common Stock will be included in the basis for the French wealth tax.

8.2 French Tax Resident Shareholders that are Legal Entities and Subject to Corporate Tax

For the reasons discussed in Section 8.1, gain realized upon the sale or disposition of Cliffs Common Stock by a French corporate shareholder should be exempt from U.S. tax either under Article 13 of the US-France Tax Treaty or pursuant to the publicly traded exemption, so long as the French shareholder has not owned more than 5% of the Common Stock of Cliffs during the five year period preceding the sale.

As a general rule, capital gains and losses realized upon the disposal of Cliffs Common Stock will be included in the taxable income of companies taxable at the ordinary corporate tax rate of the 33 1/3%, as well as an additional contribution provided for under Article 235 *ter* ZC of the GTC, equal to 3.3% of the corporate income tax after a basis allowance that cannot exceed € 763,000 per twelve-month period, if applicable.

A specific tax treatment would apply in the case where Cliffs Common Stock would qualify as a controlling interest (*titres de participation*), held for at least two years from the date of the acquisition of Cliffs Common Stock.

Pursuant to Article 219-1 *a quinquies* of the GTC, the following shares constitute *titres de participation*: (i) shares qualifying as such under the accounting rules, (ii) shares acquired pursuant to a public offer of sale or exchange by the company that initiates it, or (iii) shares of a company that qualifies for the parent-subsidiary regime (the main criteria being the holding of at least 5% of the company's capital) and which are accounted as such, other than shares of predominantly real estate entities.

According to the provisions of Article 219-1 *a quinquies* of the GTC, net gains realized upon the disposal of such controlling interest (*titres de participation*) held for more than two years would qualify for the long-term capital gain regime under which capital gains are exempt from corporate income tax; nevertheless a 5% service charge (*quote part de frais et charges*) of the net capital gains will be taxed at the ordinary corporate tax rate of the 33 1/3%, as well as an additional contribution provided for under Article 235 *ter* ZC of the GTC amounting to 3.3% of the corporate income tax after a basis allowance which cannot exceed € 763,000 per twelve-month period, if applicable.

Pursuant to section 46 quarter-O RH of the appendix III of the GTC, a company qualifies as a predominantly real estate entity for corporate income tax purposes in the case where more than 50% of the market value its worldwide assets comes from real estate, other than real estate directly used for the industrial, commercial or farming or independent personal service business activity performed by the company.

According to the provisions of Article 219-IV of the GTC, net gains realized upon the disposal of securities of real estate listed corporation qualifying for the long-term capital gain regime (i.e., qualifying as controlling interest held for more than two years) will be taxed at a reduced corporate income tax rate of 19%.

It is uncertain whether Cliffs could qualify as a predominantly real estate entity for French corporate income tax purposes. Therefore, any French tax resident entity subject to corporate tax that may consider acquiring a stake in Cliffs Common Stock qualifying as a controlling interest as above defined, should carefully review whether Cliffs could qualify as a predominantly real estate entity for French corporate income tax purposes.

Net capital losses under this long-term treatment can not be deducted from the taxable income at the ordinary corporate tax rate, but can be offset against long term capital gains of the same nature.

8.3 Other Shareholders who are French Tax Residents

Shareholders subject to a specific tax regime must determine which tax rules apply in their particular case in the event of capital gains or losses realized upon the disposal of shares of Cliffs Common Stock.

8.4 Withholding Tax

Whether received in France or abroad, dividend payments made in respect of shares of Cliffs Common Stock received by French tax residents must be included in the income taxable base, the computation being different between individuals and corporations subject to corporate tax. French tax resident

individuals may elect for a withholding tax on the gross amount of dividends received prior to each payment of dividends.

In accordance with Article 10(2)(b) of the US-French Tax Treaty, dividend payments made on shares of Cliffs Common Stock to a French shareholder, whether an individual or a legal entity, will generally be subject to a US withholding tax at the rate of 15%, so long as the shareholder has provided a properly completed and executed IRS Form W-8BEN to the Paying Agent prior to the dividend payment. If the IRS Form W-8BEN is not provided to the Paying Agent prior to the dividend payment, the dividend will be subject to US withholding tax at the US statutory rate of 30%. In general, the Form W-8BEN will remain valid for three years. At the end of this three-year period, a new properly completed and executed IRS Form W-8BEN must be provided to the Paying Agent. The French taxpayer will be entitled to claim a credit for such US withholding tax on the taxpayer's French tax return.

8.5 Other Taxes and Duties

No French taxes of a documentary nature, such as capital tax, stamp or registration tax or duty, are payable by or on behalf of a holder of shares of Cliffs Common Stock by reason only of the purchase, ownership or disposal of such Common Stock, provided that no written agreement formalizing the transfer of Common Stock is executed in France.

CROSS-REFERENCE LISTS

ANNEX I

MINIMUM DISCLOSURE REQUIREMENTS FOR THE SHARE REGISTRATION DOCUMENT (SCHEDULE)

(Page numbering refers to the page contained in the relevant document)

Item #	Item contents	Chapter/Exhibit	Page/Section
1.	**PERSONS RESPONSIBLE**		
1.1.	All persons responsible for the information given in the prospectus	Prospectus	4 (Company Representative for Prospectus)
		Exhibit I	Exhibits 31(a), 31(b), 32(a) and 32(b)
1.2.	A declaration by those responsible for the prospectus	Prospectus	4 (Company Representative for Prospectus)
2.	**STATUTORY AUDITORS**		
2.1.	Names and addresses of the issuer's auditors	Exhibit VI	73 – 74 (Report of Independent Registered Public Accounting Firm)
2.2.	If auditors have resigned, been removed or not been re-appointed during the period covered by the historical financial information, indicate details if material.	Not applicable	Not applicable
3.	**SELECTED FINANCIAL INFORMATION**		
3.1.	Selected historical financial information	Exhibit I	48 – 49 (Item 6. Selected Financial Data)
3.2.	Interim periods	Exhibit VI	71 – 72 (Note 20 – Quarterly Results of Operations (Unaudited))

4.	**RISK FACTORS**	Chapter B	15 – 18 (Market Risk Factors)
		Exhibit I	24 – 31 (Item 1A. Risk Factors)
5.	**INFORMATION ABOUT THE ISSUER**		
5.1.	**<u>History and Development of the Issuer</u>**		
5.1.1.	the legal and commercial name of the issuer;	Exhibit I	Cover Page
5.1.2	the place of registration of the issuer and its registration number;	Chapter C	22 (1.7 Registration Number)
		Exhibit I	Cover Page
5.1.3	the date of incorporation and the length of life of the issuer, except where indefinite;	Exhibit I	5 (Excerpt from Introduction)
5.1.4	the domicile and legal form of the issuer, the legislation under which the issuer operates, its country of incorporation, as well as the address and telephone number;	Exhibit I	Cover Page and 22 (Available Information)
5.1.5	Important events in the development of the issuer's business.	Exhibit I	5 – 24 (Excerpts from Item 1. Business), 50 – 51 (Overview), 51 – 52 (Growth Strategy and Strategic Transactions) and 52 (Other Significant Developments)
		Exhibit VI	25 – 32 (Note 2 – Acquisitions, Divestures & Other Investments) and 70 – 71 (Note 19 – Subsequent Events)
5.2.	**<u>Investments</u>**		

5.2.1.	A description, (including the amount) of the issuer's principal investments for each financial year for the period covered by the historical financial information up to the date of the prospectus	Exhibit I	5 – 6 (Recent Developments), 11 – 12 (Investments), 51 – 52 (Growth Strategy and Strategic Transactions) and 64 – 65 (Investing Activities)
		Exhibit VI	25 – 32 (Note 2 – Acquisitions, Divestures & Other Investments) and 33 – 35 (Excerpts from Note 4 – Marketable Securities)
5.2.2	A description of the issuer's principal investments that are in progress	Exhibit I	65 – 67 (Excerpts from Current Economic Environment and Future Outlook)
		Exhibit VI	28 – 30 (Amapá), 44 (Note 8 – Lease Obligations) and 67 (Purchase Commitments)
5.2.3	Information concerning the issuer's principal future investments on which its management bodies have already made firm commitments.	Exhibit I	65 – 67 (Excerpts from Current Economic Environment and Future Outlook)
		Exhibit VI	28 – 30 (Amapá), 44 (Note 8 – Lease Obligations) and 67 (Purchase Commitments)
6.	**BUSINESS OVERVIEW**		

6.1.	**<u>Principal Activities</u>**		
6.1.1	A description of, and key factors relating to, the nature of the issuer's operations and its principal activities; and	Exhibit I	5 – 24 (Excerpts from Item 1. Business) and 50 – 51 (Overview)
6.1.2	An indication of any significant new products and/or services that have been introduced	Exhibit I	21 (Research and Development)
6.2.	Principal Markets	Exhibit I	5 – 24 (Excerpts from Item 1. Business), 50 – 51 (Overview) and 51 (Segments)
		Exhibit VI	37 – 39 (Note 6 – Segment Reporting)
6.3.	Where the information given pursuant to items **6.1.** and **6.2.** has been influenced by exceptional factors, mention that fact.	Exhibit I	5 – 6 (Recent Developments)
6.4.	The extent to which the issuer is dependent, on patents or licenses, industrial, commercial or financial contracts or new manufacturing processes.	Exhibit I	8 – 10 (North American Iron Ore Term Supply Agreements), 11 (Asia-Pacific Iron Ore Customers) and 25 – 26 Risk factors beginning (" A substantial majority …" and "In North America …")
6.5.	Issuer's competitive position.	Exhibit I	13 – 14 (Competition) and 24 and 28 (Excerpts from Item 1A. Risk Factors)
7.	**ORGANIZATIONAL STRUCTURE**		

7.1.	Description of the group.	Chapter C	27 (V. Organizational Structure)
		Exhibit I	5 – 24 (Excerpts from Item 1. Business) and 51 – 52 (Growth Strategy and Strategic Transactions)
		Exhibit VI	25 – 32 (Excerpts from Note 2 – Acquisitions, Divestures & Other Investments)
7.2.	A list of the issuer's significant subsidiaries.	Exhibit I	Exhibit 21 (Cliffs Natural Resources Inc and Subsidiaries)
8.	**PROPERTY, PLANTS AND EQUIPMENT**		
8.1.	Information regarding any existing or planned material tangible fixed assets.	Chapter C	27 – 30 (7.1. Mineral Reserves and Expected Working Life and 7.2 Mineral Rights and Lease Agreements)
		Exhibit I	32 – 40 (Item 2. Properties)
		Exhibit VI	44 (Note 8 – Lease Obligations)
8.2.	Environmental issues that may affect the issuer's utilization of the tangible fixed assets.	Exhibit I	14 – 19 (Environment), 29 – 30 (Risk factor beginning "We are subject …") and 40 – 44 (Excerpts from Item 3. Legal Proceedings)
		Exhibit VI	39 – 43 (Environmental) and

			68 (Environmental Matters)
9.	**OPERATING AND FINANCIAL REVIEW**		
9.1.	Financial Condition	Exhibit I	50 – 64 (Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations up to Liquidity, Cash Flows and Capital Resources)
9.2.	**<u>Operating Results</u>**		
9.2.1.	Significant factors materially affecting the issuer's income from operations	Exhibit I	50 – 64 (Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations up to Liquidity, Cash Flows and Capital Resources)
9.2.2	Material changes in net sales or revenues	Exhibit I	52 and 56 (Revenue from Product Sales and Services)
9.2.3.	Governmental, economic, fiscal, monetary or political policies or factors that have materially affected, or could materially affect, directly or indirectly, the issuer's operations.	Exhibit I	14 – 19 (Environment), 29 – 30 (Risk factors beginning "We are subject …" and "Underground mining …") and 40 – 44 (Excerpts from Item 3. Legal Proceedings)
		Exhibit VI	39 – 43 (Environmental) and 68 (Environmental Matters)
10.	**CAPITAL RESOURCES**		

10.1.	Issuer's capital resources;	Exhibit I	64 – 68 (Liquidity, Cash Flows and Capital Resources)
		Exhibit VI	35 – 36 (Note 5 – Debt and Credit Facilities)
10.2.	Narrative description of the issuer's cash flows;	Exhibit I	64 – 68 (Liquidity, Cash Flows and Capital Resources)
		Exhibit VI	69 (Note 17 – Cash Flow Information)
10.3.	Information on the borrowing requirements and funding structure of the issuer.	Exhibit VI	35 – 36 (Note 5 – Debt and Credit Facilities)
10.4.	Information regarding any restrictions on the use of capital resources.	Exhibit I	66 (Contractual Obligations Table) and 77 – 78 (Employee Retirement Benefit Obligations)
		Exhibit VI	35 – 36 (Note 5 – Debt and Credit Facilities) and 44 – 52 (Note 9 – Pensions and Other Postretirement Benefits)
10.5.	Information regarding the anticipated sources of funds needed to fulfill commitments referred to in items **5.2.3.** and **8.1.**	Exhibit I	64 – 68 (Liquidity, Cash Flows and Capital Resources)
		Exhibit VI	69 (Note 17 – Cash Flow Information)
11.	**RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES**	Exhibit I	21 (Research and Development)
12.	**TREND INFORMATION**		
12.1.	Significant trends that affected production, sales and inventory, and costs and selling prices since	Exhibit I	50 – 51 (Overview)

	the end of the last financial year to the date of the prospectus.	Exhibit V	All pages
		Exhibit VI	70 – 71 (Temporary Production Curtailments)
12.2.	Trends, uncertainties or events that are likely to affect the issuer for at least the current financial year.	Exhibit I	24 – 31 (Excerpts from Item 1A. Risk Factors) 51 – 52(Growth Strategy and Strategic Transactions) and 70 – 72 (Outlook)
		Exhibit V	9 – 11 (Outlook)
13.	**PROFIT FORECASTS OR ESTIMATES**	Not applicable	Not applicable
14.	**ADMINISTRATIVE, MANAGEMENT, SUPERVISORY BODIES AND SENIOR MANAGEMENT**		
14.1.	Names, business addresses and functions in the issuer of the following persons and an indication of the principal activities performed by them outside the issuer where these are significant with respect to that issuer: a) members of the administrative, management or supervisory bodies;	Exhibit II	2 – 3 (Information Concerning Directors and Nominees)
	b) partners with unlimited liability, in the case of a limited partnership with a share capital;	Not applicable	Not applicable
	c) founders, if the issuer has been established for fewer than five years; and	Not applicable	Not applicable
	d) any senior manager who is relevant to establishing that the issuer has the appropriate expertise and experience for the management of the issuer's business.	Exhibit I	23 – 24 (Executive Officers of the Registrant)
	The nature of any family relationship between any of those persons.	Chapter C	26 (3.2 Executive Officers as of February 26, 2009)

	In the case of each member of the administrative, management or supervisory bodies of the issuer and each person mentioned in points (b) and (d) of the first subparagraph, details of that person's relevant management expertise and experience and the following information: (a) the nature of all companies and partnerships of which such person has been a member of the administrative, management and supervisory bodies or partner at any time in the previous five years, indicating whether or not the individual is still a member of the administrative, management or supervisory bodies or partner. It is not necessary to list all the subsidiaries of an issuer of which the person is also a member of the administrative, management or supervisory bodies or partner. It is not necessary to list all the subsidiaries of an issuer of which the person is also a member of the administrative, management or supervisory bodies.	Exhibit I	23 – 24 (Executive Officers of the Registrant)
		Exhibit II	2 – 3 (Information Concerning Directors and Nominees)
	(b) any convictions in relation to fraudulent offences for at least the previous five years; (c) details of any bankruptcies, receiverships or liquidations with which a person described in (a) and (d) of the first subparagraph who was acting in the capacity of any of the positions set out in (a) and (d) of the first subparagraph was associated for at least the previous five years; (d) details of any official public incrimination and/or sanctions of such person by statutory or regulatory authorities (including designated professional bodies) and whether such person has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years. If there is no such information to be disclosed, a statement to that effect is to be made.	Chapter C	26 (3.2 Executive Officers as of February 26, 2009)
14.2.	Administrative, management, and supervisory bodies and senior management conflicts of interests.	Exhibit II	3 (Director Independence), 26 – 27 (Change in Control Severance Agreements), 37 – 43 (Potential Payments Upon Termination or

			Change of Control) and 44 – 45 (Agreements and Transactions)
15.	**REMUNERATION AND BENEFITS**		
15.1.	The amount of remuneration paid to the members of the administrative, management, supervisory and senior management bodies or to the general managers of the issuer.	Exhibit II	9 – 11 (Directors' Compensation) and 14 – 31 (Executive Compensation up to Grants of Plan Based Awards)
15.2.	The total amounts set aside or accrued by the issuer or its subsidiaries to provide pension, retirement or similar benefits to the above persons.	Exhibit II	25 – 26 (Retirement and Deferred Compensation Benefits) and 34 – 35 (Pension Benefits)
16.	**Board Practices**		
16.1.	Date of expiration of the current term of office, if applicable, and the period during which the person has served in that office.	Exhibit II	2 – 3 (Information Concerning Directors and Nominees)
16.2.	Information about members of the administrative, management or supervisory bodies' service contracts with the issuer or any of its subsidiaries providing for benefits upon termination of employment.	Exhibit II	26 – 27 (Change in Control Severance Agreements) and 37 – 43 (Potential Payments Upon Termination or Change of Control)
16.3.	Information about the issuer's audit committee and remuneration committee, including the names of committee members and a summary of the conditions of their term.	Exhibit II	4 – 6 (Board of Directors and Board Committees), 28 (Compensation Committee Report), and 47 – 48 (Audit Committee Report)
16.4.	Compliance with corporate governance regime(s).	Exhibit I	Exhibits 31(a), 31(b), 32(a) and 32(b)

		Exhibit II	4 (Corporate Governance Guidelines)
17.	**EMPLOYEES**		
17.1.	Number of employees.	Chapter C	26 – 27 (IV. Employees)
		Exhibit I	21 (Excerpt from Employees)
17.2.	Shareholdings and stock options with respect to each person referred to in points (a) and (d) of the first subparagraph of item 14.1.	Exhibit II	12 – 13 (Securities Ownership of Management and Certain Other Persons) and 31 – 34 (Grants of Plan Based Awards up to Pension Benefits)
17.3	Description of any arrangements for involving the employees in the capital of the issuer.	Exhibit I	155 – 156 (Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters)
		Exhibit VI	59 – 64 (Note 12 – Stock Compensation Plans)
18.	**Major Shareholders**		
18.1.	Name of any stockholders who are not members of administrative and/or management bodies.	Exhibit II	12 – 13 (Securities Ownership of Management and Certain Other Persons)
18.2.	Whether the issuer's major shareholders have different voting rights.	Chapter C	20 – 22 (Voting Rights)
18.3.	Information on the persons directly or indirectly controlling the issuer.	Not applicable	Not applicable
18.4.	Agreement known to the issuer that may result in a change in control of the issuer.	Not applicable	Not applicable

19.	**RELATED PARTY TRANSACTIONS**	Exhibit VI	69 – 70 (Note 18 – Related Parties)
		Exhibit II	3 (Director Independence)
20.	**FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES**		
20.1.	Historical Financial Information Consolidated financial position of Cliffs as of December 31, 2008, 2007 and 2006, and the related statements of consolidated operations, shareholders' equity and cash flows and the related financial statement schedule for each of the three years ended December 31, 2008, 2007 and 2006.	Exhibit VI	Pages 1 – 72, 75
20.2.	Pro forma financial information	Not applicable	Not applicable
20.3.	Financial statements Consolidated financial position of Cliffs as of December 31, 2008, 2007 and 2006, and the related statements of consolidated operations, shareholders' equity and cash flows and the related financial statement schedule for each of the three years ended December 31, 2008, 2007 and 2006.	Exhibit VI	Pages 1 – 72, 75
20.4.	**<u>Auditing of historical annual financial information</u>**		
20.4.1.	Statement that the historical financial information has been audited. Reports of Independent Registered Public Accounting Firm on consolidated financial position of Cliffs as of December 31, 2008, 2007 and 2006, and the related statements of consolidated operations, shareholders' equity and cash flows and the related financial statement schedule for each of the three years ended December 31, 2008, 2007 and 2006.	Exhibit VI	74 (Report of Independent Registered Public Accounting Firm)
20.4.2.	Indication of other information in the prospectus which has been audited by the auditors.	Exhibit VI	73 (Report of Independent Registered Public Accounting Firm)

20.4.3.	Unaudited financial data in prospectus.	Exhibit VI	71 – 72 (Note 20 – Quarterly Results of Operations (Unaudited))
20.5.	**Age of latest financial information**		
20.5.1.	The last year of audited financial information	Exhibit VI	74 (Report of Independent Registered Public Accounting Firm)
20.6.	**Interim and other financial information**		
20.6.1.	Quarterly or half yearly financial information since the date of the last audited financial statements.	Not applicable	Not applicable
20.6.2.	Interim financial information	Not applicable	Not applicable
20.7.	**Dividend policy**		
20.7.1.	The amount of the dividend per share for each financial year for the period covered by the historical financial information	Exhibit I	46 (Common Share Price Performance and Dividends)
20.8.	Legal and arbitration proceedings	Exhibit I	40 – 44 (Item 3. Legal Proceedings)
		Exhibit VI	39 – 43 (Excerpts from Environmental) and 67 – 68 (Litigation)
20.9.	Significant change in the issuer's financial or trading position	Not applicable	Not applicable
21.	**ADDITIONAL INFORMATION**		
21.1.	**Share Capital**		
21.1.1.	The amount of issued capital	Exhibit I	47 (Unregistered Sales of Equity Securities and Use of Proceeds and Issuer Purchase of Equity Securities)
		Exhibit VI	1 – 2 (Statements of Consolidated Financial Position) and

			5 (Statements of Consolidated Shareholders' Equity)
21.1.2.	Shares not representing capital	Not applicable	Not applicable
21.1.3.	Shares in the issuer held by the issuer or subsidiaries.	Exhibit I	47 (Issuer Purchases of Equity Securities)
21.1.4.	The amount of any convertible securities, exchangeable securities or securities with warrants, with an indication of the conditions governing and the procedures for conversion, exchange or subscription.	Exhibit VI	64 – 65 (Shareholder Rights Plan and Preferred Stock) and 70 (Convertibility of Preferred Stock and Redemption Notice)
21.1.5.	Information about and terms of any acquisition rights and or obligations over authorized but unissued capital or an undertaking to increase the capital.	Chapter C	19 (Excerpts from 1.1 Type and the Class of the Securities Being Offered, Including the Security Identification Code)
		Exhibit VI	64 – 65 (Shareholder Rights Plan and Preferred Stock) and 70 (Convertibility of Preferred Stock and Redemption Notice)
21.1.6.	Information about any capital of any member of the group which is under option or agreed conditionally or unconditionally to be put under option.	Exhibit I	155 – 156 (Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters)
		Exhibit VI	59 – 64 (Excerpts from Note 12 – Stock Compensation Plans), 64 – 65 (Shareholder Rights Plan and Preferred Stock) and

			70 (Convertibility of Preferred Stock and Redemption Notice)
21.1.7.	A history of share capital for the period covered by the historical financial information.	Exhibit VI	5 (Statements of Consolidated Shareholders' Equity)
21.2.	**Memorandum and Articles of Association**		
21.2.1.	Issuer's objects and purposes.	Exhibit III	Third (Paragraph beginning "The purpose for which…")
21.2.2	A summary of any provisions of the issuer's articles of association, statutes, charter or bylaws with respect to the members of the administrative, management and supervisory bodies.	Exhibit IV	2 – 5 (Article II Directors, Article III Officers and Article IV Indemnification and Issuance
21.2.3.	A description of the rights, preferences and restrictions attaching to each class of the existing shares.	Chapter C	20 – 22 (1.5 Rights Attached to the Securities)
21.2.4.	What action is necessary to change the rights of holders of the shares.	Chapter C	20 – 22 (1.5 Rights Attached to the Securities)
21.2.5.	Conditions governing the manner in which annual general meetings and extraordinary general meetings of shareholders are called.	Exhibit IV	Article I
21.2.6.	Provisions of the issuer's articles of association, statutes, charter or bylaws that would have an effect of delaying, deferring or preventing a change in control of the issuer.	Not applicable	Not applicable
21.2.7.	An indication of the articles of association, statutes, charter or bylaw provisions, if any, governing the ownership threshold above which shareholder ownership must be disclosed.	Not applicable	Not applicable
21.2.8.	A description of the conditions imposed by the memorandum and articles of association statutes, charter or bylaw governing changes in the capital, where such conditions are more stringent than is required by law.	Not applicable	Not applicable
22.	**MATERIAL CONTRACTS**		
		Chapter C	29 – 30 (7.2 Mineral Rights and Lease

			Agreements)
		Exhibit I	5 – 6 (Recent Developments), 8 – 10 (North American Iron Ore Term Supply Agreements), 11 (Asia-Pacific Iron Ore Customers), 19 – 20 (Energy), 25 – 26 (Risk factors beginning (" A substantial majority …" and "In North America …"), 66 (Contractual Obligations Table) and 68 (Off-Balance Sheet Arrangements)
		Exhibit VI	25 – 32 (Note 2 – Acquisitions, Divestures & Other Investments), 35 – 36 (Note 5 – Debt and Credit Facilities) and 44 (Note 8 – Lease Obligations)
23.	**THIRD PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST**		
23.1.	Where a statement or report attributed to a person as an expert is included in the Registration Document, provide such person's name, business address, qualifications and material interest if any in the issuer.	Not applicable	Not applicable
23.2.	Where information has been sourced from a third party, provide a confirmation that this information has been accurately reproduced.	Not applicable	Not applicable

24.	**DOCUMENTS ON DISPLAY**	Exhibit I	22 (Available Information)
25.	**INFORMATION ON HOLDINGS**	Exhibit I	5 – 6 (Recent Developments), 12 (Amapá and Sonoma), 49 (Paragraph beginning "(a) On April 19, 2005, we completed the acquisition…"), 51 – 52 (Growth Strategy and Strategic Transactions), 64 (Excerpt from Investing Activities) and Exhibit 21 (Cliffs Natural Resources Inc and Subsidiaries)
		Exhibit VI	6 – 8 (Excerpts from Basis of Consolidation), 25 – 32 (Excerpts from Note 2 – Acquisitions, Divestures & Other Investments) and 33 – 35 (Excerpts from Note 4 – Marketable Securities)

ANNEX III

MINIMUM DISCLOSURE REQUIREMENTS FOR THE SHARE SECURITIES NOTE (SCHEDULE)

(Page numbering refers to the page contained in the relevant documents)

Item #	Item contents	Chapter/Exhibit	Page/Section
1.	**PERSONS RESPONSIBLE**		
1.1.	All persons responsible for the information given in the prospectus.	Prospectus	4 (Company Representative for Prospectus)
		Exhibit I	Exhibits 31(a), 31(b), 32(a) and 32(b)
1.2.	A declaration by those responsible for the prospectus.	Prospectus	4 (Company Representative for Prospectus)
2.	**RISK FACTORS**	Chapter B	15 – 18 (Market Risk Factors)
		Exhibit I	24 − 31 (Item 1A. Risk Factors)
3.	**KEY INFORMATION**		
3.1	Working capital statement	Chapter C	27 (VI. Working Capital Statement)
3.2	Capitalization and indebtedness	Chapter C	24 – 25 (II. Statement of Capitalization and Indebtedness as of December 31, 2008)
3.3	Interest of natural and legal persons involved in the issue/offer	Not applicable	Not applicable

3.4	Reasons for the offer and use of proceeds	Chapter A	8 (Use of Proceeds)
		Chapter C	23 (Excerpt from 1.11 Purpose of the Listing and Liquidity)
4.	**INFORMATION CONCERNING THE SECURITIES TO BE OFFERED/ ADMITTED TO TRADING**		
4.1	Type and the class of the securities being offered, including the security identification code.	Chapter C	19 (1.1 Type and the Class of the Securities Being Offered, Including the Security Identification Code)
4.2	Legislation under which the securities have been created.	Chapter C	19 (1.2 Legislation Under Which the Securities Have Been Created)
4.3	Form of securities, name and address of the entity in charge of keeping the records.	Chapter C	20 (1.3 Form of Securities, Name and Address of the Entity In Charge of Keeping the Records)
4.4	Currency of the securities issue.	Chapter C	20 (1.4 Currency of the Securities Issue)
4.5	Rights attached to the securities	Chapter C	20 – 22 (1.5 Rights attached to the securities)
4.6	Statement of the resolutions, authorizations and approvals by virtue of which the securities have been or will be created and/or issued.	Not applicable	Not applicable
4.7	Expected issue date of the securities.	Not applicable	Not applicable
4.8	Description of any restrictions on the free transferability of the securities.	Chapter C	22 (1.7 Transferability)
4.9	Mandatory takeover bids and/or squeeze-out and sell-	Chapter C	22 (1.8 Ohio Control Share

	out rules in relation to the securities.		Acquisition Statute) and 22 – 23 (1.9 Ohio Interested Shareholder Statute)
4.10	An indication of public takeover bids by third parties in respect of the issuer's equity, which have occurred during the last financial year and the current financial year.	Exhibit I	45 (Item 4 – Submission of Matters to a Vote of Security Holders)
4.11	Information on taxes on the income from the securities withheld at source	Chapter C	30 – 33 (VIII. Tax Consequences)
5.	**TERMS AND CONDITIONS OF THE OFFER**		
5.1	**Conditions, offer statistics, expected timetable and action required to apply for the offer**		
5.1.1	Conditions to which the offer is subject.	Not applicable	Not applicable
5.1.2	Total amount of the issue/offer.	Not applicable	Not applicable
5.1.3	Time period during which the offer will be open and description of the application process.	Not applicable	Not applicable
5.1.4	Circumstances under which the offer may be revoked or suspended and whether revocation can occur after dealing has begun.	Not applicable	Not applicable
5.1.5	Possibility to reduce subscriptions and the manner for refunding excess amount paid by applicants.	Not applicable	Not applicable
5.1.6	Minimum and/or maximum amount of application.	Not applicable	Not applicable
5.1.7	Period during which an application may be withdrawn.	Not applicable	Not applicable
5.1.8	Method and time limits for paying up the securities and for delivery of the securities.	Not applicable	Not applicable
5.1.9	Manner and date in which results of the offer are to be made public.	Not applicable	Not applicable
5.1.10	Procedure for the exercise of any right of pre-emption.	Not applicable	Not applicable
5.2	**Plan of distribution and allotment**		

5.2.1.	The various categories of potential investors to which the securities are offered.	Not applicable	Not applicable
5.2.2.	Indication of whether major shareholders or members of the issuer's management, supervisory or administrative bodies intended to subscribe in the offer, or whether any person intends to subscribe for more than five per cent of the offer.	Not applicable	Not applicable
5.2.3.	Pre-allotment Disclosure:		
a)	The division into tranches of the offer;	Not applicable	Not applicable
b)	The conditions under which the claw-back may be used;	Not applicable	Not applicable
c)	The allotment method or methods to be used for the retail and issuer's employee tranche;	Not applicable	Not applicable
d)	Pre-determined preferential treatment to be accorded to certain classes of investors or certain affinity groups.	Not applicable	Not applicable
e)	Whether the treatment of subscriptions or bids to subscribe in the allotment may be determined on the basis of which firm they are made through or by;	Not applicable	Not applicable
f)	A target minimum individual allotment if any within the retail tranche;	Not applicable	Not applicable
g)	The conditions for the closing of the offer as well as the date on which the offer may be closed at the earliest;	Not applicable	Not applicable
h)	Whether or not multiple subscriptions are admitted.	Not applicable	Not applicable
5.2.4.	Process for notification to applicants of the amount allotted.	Not applicable	Not applicable
5.2.5.	Over-allotment and 'green shoe':		
a)	The existence and size of any over-allotment facility and/or 'green shoe'.	Not applicable	Not applicable
b)	The existence period of the over-allotment facility and/or 'green shoe'.	Not applicable	Not applicable
c)	Any conditions for the use of the over-allotment facility or exercise of the 'green shoe'.	Not applicable	Not applicable
5.3	**Pricing**		
5.3.1.	An indication of the price at which the securities will	Not applicable	Not applicable

	be offered.		
5.3.2.	Process for the disclosure of the offer price.	Not applicable	Not applicable
5.3.3.	If the issuer's equity holders have pre-emptive purchase rights and this right is restricted or withdrawn.	Not applicable	Not applicable
5.3.4	Where there is or could be a material disparity between the public offer price and the effective cash cost to members of the administrative, management or supervisory bodies or senior management, or affiliated persons, of securities acquired by them in transactions during the past year.	Not applicable	Not applicable
5.4.	**Placing and Underwriting**		
5.4.1	Name and address of the co-coordinator(s) of the global offer.	Not applicable	Not applicable
5.4.2	Name and address of any paying agents and depository agents in each country.	Chapter C	20 (1.3 Form of Securities, Name and Address of the Entity In Charge of Keeping the Records)
5.4.3.	Name and address of the entities agreeing to underwrite the issue on a firm commitment basis.	Not applicable	Not applicable
5.4.4.	When the underwriting agreement has been or will be reached.	Not applicable	Not applicable
6.	**ADMISSION TO TRADING AND DEALING ARRANGEMENTS**		
6.1	Whether the securities offered are or will be the object of an application for admission to trading.	Chapter C	19 (1.1 Type and the Class of the Securities Being Offered, Including the Security Identification Code)

6.2	Regulated markets or equivalent markets on which securities of the same class of the securities to be offered or admitted to trading are already admitted to trading.	Chapter C	19 (1.1 Type and the Class of the Securities Being Offered, Including the Security Identification Code)
6.3	Simultaneous private placement.	Not applicable	Not applicable
6.4	Details of the entities which have a firm commitment to act as intermediaries in secondary trading, providing liquidity.	Not applicable	Not applicable
6.5	**Stabilization**		
6.5.1.	The fact that stabilization may be undertaken, that there is no assurance that it will be undertaken and that it may be stopped at any time,	Not applicable	Not applicable
6.5.2.	The beginning and the end of the period during which stabilization may occur,	Not applicable	Not applicable
6.5.3.	Identity of the stabilization manager	Not applicable	Not applicable
6.5.4.	The fact that stabilization transactions may result in a market price that is higher than would otherwise prevail.	Not applicable	Not applicable
7.	**SELLING SECURITIES HOLDERS**		
7.1.	Name and business address of the person or entity offering to sell the securities.	Not applicable	Not applicable
7.2.	The number and class of securities being offered by each of the selling security holders.	Not applicable	Not applicable
7.3.	Lock-up agreements	Not applicable	Not applicable
8.	**EXPENSE OF THE ISSUE/OFFER**		
8.1.	The total net proceeds and an estimate of the total expenses of the issue/offer.	Not applicable	Not applicable
9.	**DILUTION**		
9.1.	The amount and percentage of immediate dilution resulting from the offer.	Not applicable	Not applicable
9.2.	In the case of a subscription offer to existing equity holders, the amount and percentage of immediate dilution if they do not subscribe to the new offer.	Not applicable	Not applicable

10.	ADDITIONAL INFORMATION		
10.1.	If advisors connected with an issue are mentioned in the Securities Note, a statement of the capacity in which the advisors have acted.	Not applicable	Not applicable
10.2.	An indication of other information in the Securities Note which has been audited or reviewed by statutory auditors.	Not applicable	Not applicable
10.3.	Where a statement or report attributed to a person as an expert is included in the Securities Note, provide such persons' name, business address, qualifications and material interest if any in the issuer.	Not applicable	Not applicable
10.4.	Where information has been sourced from a third party.	Not applicable	Not applicable

EXHIBITS

EXHIBIT I

EXCERPTS FROM ANNUAL REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008, FILED BY CLIFFS NATURAL RESOURCES INC. WITH THE SEC ON FEBRUARY 26, 2009

EXHIBIT I - EXCERPTS FROM ANNUAL REPORT ON FORM 10-K

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

☒ **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)*	**34-1464672** *(I.R.S. Employer Identification No.)*
200 Public Square, Cleveland, Ohio *(Address of Principal Executive Offices)*	**44114-2315** *(Zip Code)*

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

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:
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.

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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

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

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

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.

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.

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.

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

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.

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.

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 Bungalbin tenements. Consequently, Portman no longer has an interest in the Helena and Aurora Range and Bungalbin 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.

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:

	Percentage of Total Product Revenue (1)			Percentage of North American Iron Ore Product Revenue (1)			Percentage of North American Coal Product Revenue (1)		
Customer (2)	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.

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.

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

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

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, MCPA 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.

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

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

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.

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.

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.

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.

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

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. Vetor	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 Metallics 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.

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.

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

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.

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.

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.

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.

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

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.

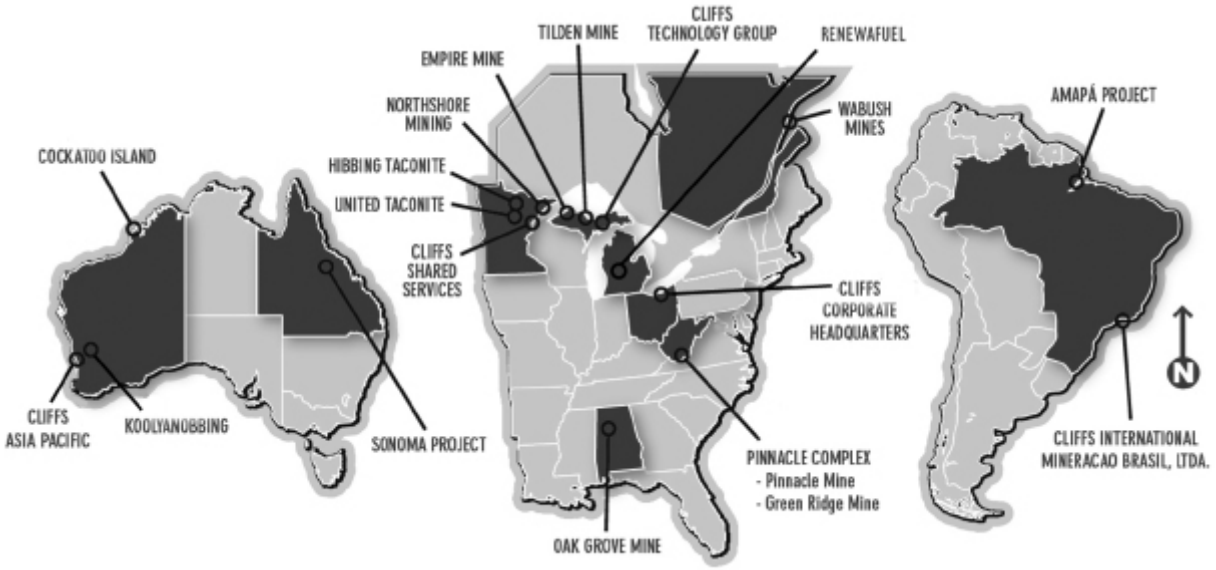
Market risks include those caused by changes in the value of equity investments, changes in commodity prices, interest rates and foreign currency exchange rates. We have established policies and procedures to manage such risks, however certain risks are beyond our control.

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.

(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

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.

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.

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.

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

			Mineral Reserves (2) (3)								
			Current Year				Mineral Rights				
Mine	Iron Ore Mineralization	Current Annual Capacity	Proven	Probable	Total	Previous Year	Owned	Leased	Method of Reserve Estimation	Operating Since	Infrastructure
			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					

(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.

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) Current Year Proven	Probable	Total	Previous Year	Mineral Rights Owned	Leased	Method of Reserve Estimation	Operating Since	Infrastructure
			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.

(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.

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)	Current Annual Capacity	Proven and Probable Reserves In-place	Proven and Probable Reserves Moist Recoverable	Mineral Rights Owned	Mineral Rights Leased	Method of Reserve Estimation	Infrastructure
		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	Unassinged		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) Proven & Probable	Sulfur Content %	As Received Btu/lb
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

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.

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

Mine (2)	Category (3)	Current Annual Capacity (4)	Proven and Probable In-place	Proven and Probable Moist Recoverable	Mineral Rights Owned	Mineral Rights Leased	Method of Reserve Estimation	Infrastructure
		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.

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.

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.

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

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 citizen's 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.

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

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.

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.

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.

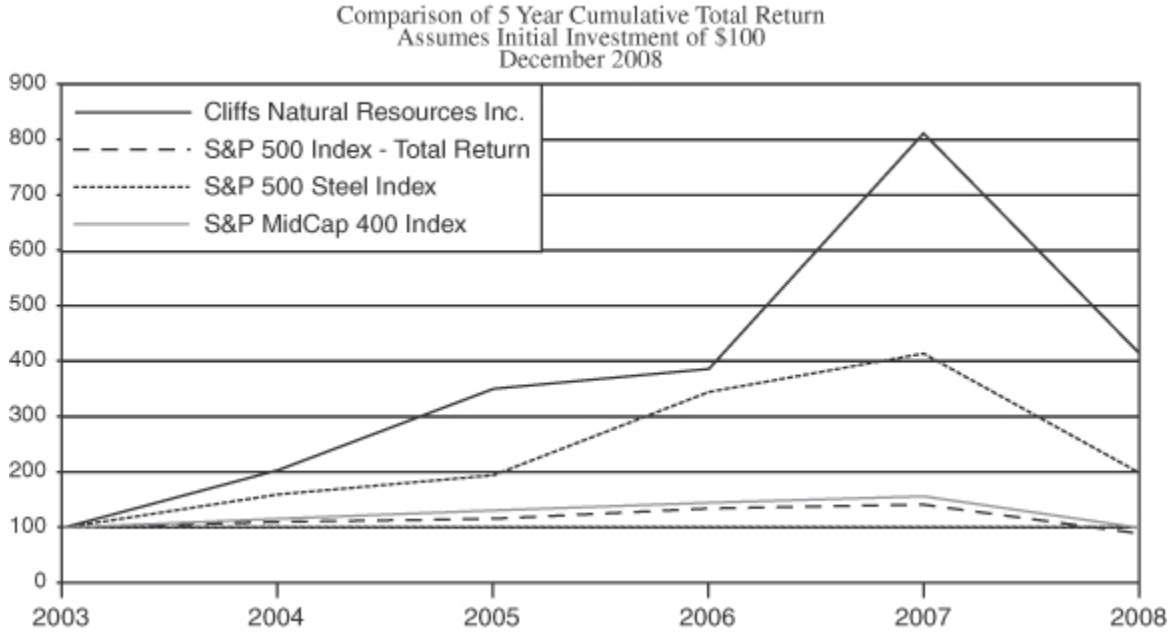
Common Share Price Performance and Dividends

	2008			2007		
	High	**Low**	**Dividends**	High	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.



		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.

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	4.9	—
Common shares outstanding (millions) (d) (e)					
- Average for year	**101.5**	83.0	84.1	86.9	85.2
- At year-end	**113.5**	87.2	81.8	87.6	86.4

(a) On April 19, 2005, we completed the acquisition of 80.4 percent of Portman, an iron ore mining company in Australia. Results for 2005 include Portman's results since the acquisition. On May 21, 2008, Portman authorized a tender offer to repurchase shares, and as a result, our ownership interest in Portman increased from 80.4 percent to 85.2 percent on June 24, 2008. On September 10, 2008, we announced an off-market takeover offer to acquire the remaining shares in Portman, which closed on November 3, 2008. We subsequently proceeded with a compulsory acquisition of the remaining shares and have full ownership of Portman as of December 31, 2008. Results for 2008 reflect the increase in our ownership of Portman since the date of each step acquisition.

(b) On July 31, 2007, we completed the acquisition of Cliffs North American Coal LLC (formerly PinnOak), a producer of high-quality, low-volatile metallurgical coal. Results for 2007 include PinnOak's results since the acquisition.

(c) Effective January 1, 2005, we adopted Emerging Issues Task Force, or EITF, 04-6, "Accounting for Stripping Costs Incurred during Production in the Mining Industry".

(d) On March 11, 2008, our board of directors declared a two-for-one stock split of our common shares. The record date for the stock split was May 1, 2008 with a distribution date of May 15, 2008. Accordingly, all common shares and per share amounts for all periods presented have been adjusted retroactively to reflect the stock split.

(e) On May 9, 2006, our board of directors approved a two-for-one stock split of our common shares. The record date for the stock split was June 15, 2006 with a distribution date of June 30, 2006. Accordingly, all common shares and per share amounts for all periods presented have been adjusted retroactively to reflect the stock split.

(f) On November 9, 2004, our board of directors approved a two-for-one stock split of our common shares. The record date for the stock split was December 15, 2004, with a distribution date of December 31, 2004. Accordingly, all common shares and per share amounts for all periods presented have been adjusted retroactively to reflect the stock split.

Item 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations.***

Overview

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. 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 mine 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.

Safety remains the No. 1 priority within our Company. Our North American Iron Ore segment had a total reportable incident rate, as defined by MSHA, of 2.29 in 2008, compared with the prior year result of 1.93. Our North American Coal operations had a total reportable incident rate of 8.44 compared with a rate of 6.66 in 2007. Although the total reportable injury rates in North America were slightly unfavorable, other recognized safety measures showed marked improvements from 2007. Our North American Iron Ore segment finished the year with a 13 percent decline in the all injury frequency rate from 2007, and our North American Coal segment recorded a 20 percent decline in injury severity rates from the prior year. We have developed close collaboration between our North American segments to drive further improvements in our safety results.

At our Asia Pacific Iron Ore operations, Koolyanobbing's total reportable incident rate for 2008 was 2.50, compared with the 2007 result of 0.83. Cockatoo Island reported a total reportable incident rate of 6.12 in 2008 compared with 2.61 in 2007. Asia Pacific Iron Ore safety statistics include employees and contractors.

We continued to deliver strong financial performance in 2008 while continuing to execute on our strategic plan, which includes consolidating minority positions, exploring external and organic growth opportunities, and striving for operational excellence in each of our business segments. Consolidated revenues for 2008 increased to $3.6 billion, with net income of $4.76 per diluted share. This compares with revenues of $2.3 billion and net income of $2.57 per diluted share in 2007.

Global crude steel growth, a significant driver of our business was down approximately two percent from 2007 with supply and demand of steel raw materials extremely tight. Worldwide demand for metallurgical coal increased throughout most of 2008 as supply-side constraints, including flooding in the Bowen Basin, a major coal producing area of Australia, port congestion, and production problems at large mines in the United States continue to place upward pressure on pricing.

However, the current volatility and uncertainty in global markets, coupled with the slowdown in the world's major economies, has had a significant impact on commodity prices. The mining industry has seen a reduction in high cost operations, and the credit environment is expected to limit the funding and expansion capabilities of many mining companies. Based on these economic conditions, we continue to evaluate and assess our capital expenditures, in order to ensure we are positioned to face the challenges and uncertainties associated with the current environment. We reacted quickly to align production with lower demand for steel and steelmaking materials entering the fourth quarter of 2008. While remaining attuned to current macroeconomic challenges, we continue to seek low-risk expansion opportunities and, at the same time, position ourselves to weather any difficult times that lie ahead.

Results in 2008 were also impacted by considerable volatility in foreign currency exchange rates, which resulted in significant changes in the fair value of our derivative instruments. In particular, we use derivative financial instruments to reduce the volatility attributable to changes in Australian and United States currency

fluctuations related to our operations in Asia Pacific. We recorded unrealized losses of $188.2 million in our Statement of Consolidated Operations in 2008 as a result of substantial declines in the spot rates related to the depreciation of the Australian dollar relative to the United States dollar during the year.

We are engaged with expanding our leadership position in the industry by focusing on high product quality, technical excellence, superior relationships with our customers and partners and improved operational efficiency through cost saving initiatives. We operate a fully-equipped research and development facility in Ishpeming, Michigan. Our research and development group is staffed with experienced engineers and scientists and is organized to support the geological interpretation, process mineralogy, mine engineering, mineral processing, pyrometallurgy, advanced process control and analytical service disciplines. Our research and development group is also utilized by iron ore pellet customers for laboratory testing and simulation of blast furnace conditions.

Segments

We organize our business 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 North American Iron Ore segment is comprised of our interests in six North American mines that provide iron ore to the integrated steel industry. The North American Coal segment is comprised of our two North American coking coal mining complexes that provide metallurgical coal to the integrated steel industry. The Asia Pacific Iron Ore segment, which is comprised of Portman, is located in Western Australia and provides iron ore to steel producers in China and Japan. There are no intersegment revenues.

The Asia Pacific Coal operating segment is comprised of our 45 percent economic interest in Sonoma, located in Queensland, Australia, which is in the early stages of production. The Latin American Iron Ore operating segment is comprised of our 30 percent Amapá interest in Brazil, which is also in the early stages of production. As a result, the Asia Pacific Coal and Latin American Iron Ore operating segments do not meet reportable segment disclosure requirements and therefore are not separately reported.

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 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. See NOTE 6 — SEGMENT REPORTING for further information.

Growth Strategy and Strategic Transactions

We expect to grow our business and presence as an international mining and natural resources company by expanding both geographically and through the minerals that we mine and market in order to achieve scale in our industry. Our growth domestically, combined with our investments in Australia and Latin America, as well as acquisitions in minerals outside of iron ore, such as coal, illustrate the execution of this growth 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 address the uncertainties that lie ahead. In 2008, we continued our strategic growth and transformation to an international mining company through the following acquisitions, partnerships and re-branding:

- Portman Share Repurchase and Off-Market Takeover
- Investment in AusQuest
- United Taconite Purchase
- Michigan Expansion Projects
- Investment in Golden West
- Change in Corporate Name to Cliffs Natural Resources Inc.

Refer to *Recent Developments* within Item 1 — *Business*, for additional information regarding each of these strategic transactions.

Other Significant Developments

Ratification of New Labor Agreement

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.

Termination of Merger with Alpha Natural Resources

On November 17, 2008, we announced the termination of the definitive merger agreement with Alpha Natural Resources, Inc., under which we would have acquired all outstanding shares of Alpha, as previously announced on July 16, 2008. Both our Board of Directors and Alpha's Board of Directors made the decision after considering various issues, including the current macroeconomic environment, uncertainty in the steel industry, shareholder dynamics, and the risks and costs of potential litigation. Considering these issues, each board determined that termination of the merger agreement was in the best interest of its equity holders.

Results of Operations — Consolidated

2008 Compared to 2007

For the year ended December 31, 2008, consolidated revenues increased to $3.6 billion, with net income of $4.76 per diluted share. This compares with revenues of $2.3 billion and net income of $2.57 per diluted share in 2007.

Revenue from Product Sales and Services

Sales revenue in 2008 increased $1.3 billion, or 59 percent, compared with 2007. The increase in sales revenue was primarily due to higher sales prices combined with increases in sales volume. Higher sales volume in 2008 was primarily due to increased demand and commitments under our long-term pellet sales agreements, increased spot sales, and customer plant outages during the prior year. However, this increase was partially offset by declines in sales volumes to customers during the fourth quarter of 2008 as a result of the current volatility and uncertainty in global markets, which has led to production slowdowns in the steel industry. In addition, sales volume was negatively impacted throughout the year by adverse mining conditions and production delays at our North American Coal segment. Results for North American Coal in 2007 represent five months of operations since the July 31, 2007 acquisition.

Revenues related to our North American Iron Ore segment increased approximately $624.2 million over the prior year primarily as a result of higher steel prices, renegotiated and new long-term supply agreements with certain customers, which were negotiated at world pellet prices, and other contractual price adjustment factors. In 2008, revenue also included $225.5 million related to the supplemental steel payments compared with $98.3 million in 2007. In addition, the Australian benchmark prices for lump and fines settled at increases of 97 percent and 80 percent in 2008, thereby resulting in higher revenues from our Asia Pacific Iron Ore segment compared with prior year.

Cost of Goods Sold

Cost of goods sold was $2.4 billion in 2008, an increase of $636.2 million, or 35 percent compared with 2007. The increase in cost of goods sold in 2008 was primarily due to higher costs of production, higher royalty fees related to the increases in pellet pricing, and increased maintenance costs associated with the Michigan expansion project and major furnace repairs at Empire and United Taconite during the first quarter. In 2008, we continued to be challenged with adverse geological conditions across the mines at our North American Coal

segment and delays in delivery of new capital equipment, which contributed to overall equipment performance and availability issues, thereby resulting in production delays and increased costs in all operations. Results for North American Coal in 2007 represent five months of operations since the July 31, 2007 acquisition. Costs were also negatively impacted in 2008 by approximately $1.6 million related to unfavorable foreign exchange rates as well as higher fuel and energy costs primarily related to our North American and Asia Pacific iron ore operations, which together increased $42.5 million compared with 2007. In addition, the impact of the United Taconite and Portman step acquisitions also contributed to the increase from prior year.

Other Operating Income (Expense)

Following is a summary of other operating income (expense) for 2008 and 2007:

	(In Millions)		
	2008	2007	Variance Favorable/ (Unfavorable)
Casualty recoveries	**$ 10.5**	$ 3.2	$ 7.3
Royalties and management fee revenue	**21.7**	14.5	7.2
Selling, general and administrative expenses	**(188.6)**	(114.2)	(74.4)
Terminated acquisition costs	**(90.1)**	—	(90.1)
Gain on sale of other assets — net	**22.8**	18.4	4.4
Miscellaneous — net	**2.9**	(2.3)	5.2
	$(220.8)	$ (80.4)	$ (140.4)

The increase in selling, general and administrative expense of $74.4 million in 2008 compared with 2007 is primarily a result of $20.2 million in higher share-based and incentive compensation, and higher wages and benefits related to an increase in the number of employees. We also incurred approximately $2.2 million in corporate severance costs during the fourth quarter of 2008. Outside professional service and legal fees associated with the expansion of our business increased approximately $15.1 million in 2008. Expenses at our Asia Pacific Iron Ore segment were $5.7 million higher than the prior year, reflecting higher employment costs and outside professional services to support business development and improvement efforts. The current year was also impacted by additional corporate development activities in Latin America, Asia Pacific, and other general business development, resulting in an increase of approximately $13.0 million. In addition, 2008 includes a full year of selling, general and administrative expenses from our North American Coal segment, compared with five months in 2007 based on a July 31, 2007 date of acquisition, resulting in an increase of $5.1 million. Selling, general and administrative expense in 2008 was also impacted by a charge in the first quarter of approximately $6.8 million in connection with a legal case as well as $4.3 million related to our interest in Sonoma acquired in 2007.

On November 17, 2008, we announced the termination of the definitive merger agreement with Alpha Natural Resources, Inc., under which we would have acquired all outstanding shares of Alpha, as previously announced on July 16, 2008. Both our Board of Directors and Alpha's Board of Directors made the decision after considering various issues, including the current macroeconomic environment, uncertainty in the steel industry, shareholder dynamics, and the risks and costs of potential litigation. Considering these issues, each board determined that termination of the merger agreement was in the best interest of its equity holders. Under the terms of the settlement agreement, we were required to pay Alpha a $70 million termination fee, which was financed through our revolving credit facility and paid in November 2008. As a result, $90.1 million in termination fees and associated acquisition costs were expensed in the fourth quarter of 2008 upon termination of the definitive merger agreement.

The gain on sale of other assets of $22.8 million in 2008 primarily relates to the sale of our wholly-owned subsidiary, Cliffs Synfuel Corp. ("Synfuel"), which was completed on June 4, 2008. Under the agreement, Oil Shale Exploration Company-Skyline, LLC acquired 100 percent of Synfuel for $24 million. As additional consideration for the stock, a perpetual nonparticipating royalty interest was granted initially equal to $0.02 per barrel of shale oil and $0.01 per barrel of shale oil produced from lands covered by existing State of Utah oil

shale leases, plus 25 percent of royalty payments from conventional oil and gas operations. We recorded a gain of $19 million in the second quarter of 2008 upon completion of the transaction. The prior year gain on sale of assets of $18.4 million primarily reflected the fourth quarter 2007 gain on the sale of portions of the former LTVSMC site. The sale included cash proceeds of approximately $18 million.

The increase in casualty recoveries in 2008 compared with 2007 is primarily attributable to a $9.2 million insurance recovery recognized in the current year related to a 2006 electrical explosion at our United Taconite facility.

Other income (expense)

Following is a summary of other income (expense) for 2008 and 2007:

	(In Millions)		
	2008	2007	Variance Favorable/ (Unfavorable)
Changes in fair value of derivative instruments, net	**$(188.2)**	$ —	$ (188.2)
Impairment of investments	**(25.1)**	—	(25.1)
Interest income	**26.2**	20.0	6.2
Interest expense	**(39.8)**	(22.6)	(17.2)
Other — net	**4.3**	1.7	2.6
	$(222.6)	$ (0.9)	$ (221.7)

The impact of changes in the fair value of derivative instruments on our Statement of Consolidated Operations in 2008 primarily relates to the de-designation of the Portman cash flow hedges for accounting purposes. We are required to record on our Statements of Consolidated Financial Position the market value of our open derivative positions which do not qualify for hedge accounting treatment. Previously, when the derivative instruments were designated as cash flow hedges, the mark-to-market adjustments related to the effective portions of the hedges were recorded as a component of *Other comprehensive income*. Upon de-designation of the cash flow hedges, effective July 1, 2008, the instruments are prospectively marked to fair value, and the adjustments resulting from changes in the market value of these derivative instruments are recorded as an unrealized gain or loss each reporting period. The following table represents our foreign currency derivative contract position as of December 31, 2008:

	($ in Millions)			
Contract Maturity	Notional Amount	Weighted Average Exchange Rate	Spot Rate	Fair Value
Contract Portfolio (excluding AUD Call Options) (1):				
Contracts expiring in the next 12 months	$ 537.0	0.81	0.69	$ (77.5)
Contracts expiring in the next 13 to 24 months	202.5	0.74	0.69	(25.5)
Contracts expiring in the next 25 to 36 months	55.0	0.77	0.69	(8.8)
Total	$ 794.5	0.79	0.69	$(111.8)
AUD Call Options (2)				
Contracts expiring in the next 12 months	$ 33.0	0.87	0.69	$ 0.3
Contracts expiring in the next 13 to 24 months	41.5	0.90	0.69	0.6
Contracts expiring in the next 25 to 36 months	—	—	—	—
Total	$ 74.5	0.88	0.69	$ 0.9
Total Hedge Contract Portfolio	$ 869.0			$(110.9)

(1) Includes collar options, convertible collar options and forward exchange contracts.

(2) AUD call options are excluded from the weighted average exchange rate used for the remainder of the contract portfolio due to the unlimited downside participation associated with these instruments.

The significant unrealized mark-to-market fluctuations are related to the spot rate of A$0.69 as of December 31, 2008, which significantly decreased from the spot rate of A$0.96 as of June 30, 2008 upon de-designation of the hedges. The changes in the spot rates are correlated to the depreciation of the Australian dollar relative to the United States dollar during the period. In addition, the amount of outstanding contracts in Portman's foreign exchange hedge book significantly increased from $559.2 million at June 30, 2008 to approximately $869.0 million as of December 31, 2008, primarily as a result of higher sales prices in the current year partially offset by the expiration of contracts upon maturity.

In 2008, we recorded impairment charges of $25.1 million related to declines in the fair value of our available-for-sale securities which we concluded were other than temporary. As of December 31, 2008, our investments in PolyMet and Golden West had fair values totaling $6.2 million and $4.7 million, respectively, compared with a cost of $14.2 million and $21.8 million, respectively. The metals and mining industry and our investees are susceptible to changes in the U.S. and global economies and the industries of their customers. Their principal customers are part of the global steel industry, and their businesses have been adversely affected by the slowdown of the global economy, particularly during the last quarter of 2008 when our investments became impaired. The severity of the impairments in relation to the carrying amounts of the individual investments is consistent with the macroeconomic market and industry developments. However, we have evaluated the near-term prospects of the issuers in relation to the severity and rapid decline in the fair value of each of these investments, and based upon that evaluation, we could not reasonably assert that the impairment period would be temporary primarily as a result of the global economic crisis and the corresponding uncertainties in the market.

The increase in interest income in 2008 compared with 2007 is attributable to additional cash and investments held by Portman during the year coupled with higher overall average returns. However, investment returns were lower in the fourth quarter of 2008 as a result of market declines. Higher interest expense in 2008 reflected increased borrowings under our senior notes and interest accretion for the deferred payment related to the PinnOak acquisition. See NOTE 5 — DEBT AND CREDIT FACILITIES for further information.

Income Taxes

Our tax provision for the year ended December 31, 2008 and 2007 was $144.2 million and $84.1 million, respectively. The increase is primarily attributable to higher pre-tax book income partially offset by a decrease in our effective tax rate. Our effective tax rate for the year ended December 31, 2008 and 2007 was 20.1 percent and 22.1 percent, respectively. The 2.0 percent decrease is primarily attributable to increased percentage depletion and release of the valuation allowance related to foreign net operating losses. See NOTE 10 — INCOME TAXES for further information.

Minority Interest

Minority interest in consolidated income increased $5.6 million, or 36 percent, for the year ended December 31, 2008. The increase is primarily driven by a corresponding increase in the operating results of Portman, a consolidated subsidiary in which we owned approximately 80.4 percent in 2007 and throughout the first half of 2008. In June 2008, we acquired an additional 4.8 percent interest in Portman through a share repurchase program offered by Portman. We subsequently made an off-market offer to purchase the outstanding shares and proceeded with a compulsory acquisition of the remaining shares to obtain full ownership of Portman in the fourth quarter of 2008. In addition, effective July 1, 2008, we acquired the remaining 30 percent interest in United Taconite. Upon consummation of the purchase, our ownership interest increased from 70 percent to 100 percent. Each of these transactions constituted a step acquisition of a non-controlling interest, thereby reducing minority interest in consolidated income on a prospective basis. In accordance with SFAS 141, *Business Combinations,* we accounted for the acquisition of the minority interests by the purchase method. As a result of each step acquisition, the then historical cost basis of the minority interest balance was reduced to the extent of the percentage interest sold, and the increased ownership obtained was accounted for by increasing the entity's basis from historical cost to fair value for the portion of the assets acquired and liabilities assumed based on the additional ownership acquired.

Equity Loss in Ventures

The equity loss in ventures for the year ended December 31, 2008 of $35.1 million primarily represents our share of the operating results of our equity method investment in Amapá. Such results mainly consist of start-up and operating losses of $45.6 million, which includes operating losses from Amapá's railroad of $5.8 million. The loss was partially offset by foreign currency hedge gains of $10.5 million. This compares with a loss of $11.2 million in 2007, comprised of $7.2 million in pre-production costs and $4.0 million of operating losses from the railroad. The negative operating results in the current year are mainly due to slower than anticipated ramp-up of operations and product yields.

We evaluate the loss in value of our equity method investments each reporting period to determine whether the loss is other than temporary. Based upon the increase in equity losses resulting from start-up costs and production delays in 2008, we determined that indicators of impairment may exist relative to our investment in Amapá. Accordingly, we performed an assessment of the potential impairment of our investment during the fourth quarter of 2008 using a discounted cash flow model to determine the fair value of our investment in relation to its carrying value as of December 31, 2008. Based upon the analysis performed, we have determined that our investment is not impaired. In addition, we will continue to evaluate the results of our investment on a quarterly basis while monitoring the declines in pricing and the potential impact on our business as a result of the recent economic downturn in the industry.

2007 Compared to 2006

For the year ended December 31, 2007, consolidated revenues increased to $2.3 billion, with net income of $2.57 per diluted share. This compared with revenues of $1.9 billion and net income of $2.60 per diluted share in 2006.

Revenue from Product Sales and Services

Sales revenue in 2007 increased $353.5 million, or 18 percent, compared with 2006. The increase in sales revenue was primarily due to higher sales prices combined with increases in sales volume. In relation to our North American Iron Ore segment, sales volume in 2007 included 1.5 million tons of pellets purchased and paid for by customers at year-end under take-or-pay provisions of existing long-term supply agreements. First half shipments in 2007 included 1.2 million tons of pellets purchased in upper Great Lakes stockpiles and paid for in 2006. Revenue recognition related to the December 2006 stockpile transaction totaling $62.6 million was deferred until the product was delivered in 2007. The completion of a two-million-tonne per annum expansion at Koolyanobbing in late 2006 also resulted in increased sales volume in 2007 related to our Asia Pacific Iron Ore segment.

Sales prices per-ton increased year over year in relation to our iron ore business both domestically and abroad, reflecting the effect of contractual base price increases, higher term supply agreement escalation factors including higher steel pricing, higher PPI and lag-year adjustments. In addition, 2007 included incremental revenue of $85.2 million related to our North American Coal segment acquired on July 31, 2007.

Cost of Goods Sold

Cost of goods sold was $1.8 billion in 2007, an increase of $305.5 million, or 20 percent compared with 2006. The increase in cost of goods sold and operating expenses primarily reflected higher volume in 2007. On a per-ton basis, cost of goods sold and operating expenses for our North American Iron Ore segment were flat in comparison to 2006, as a result of our strategic procurement, maintenance and other business improvement programs, as well as the implementation of Six Sigma and Lean Sigma. Costs were also negatively impacted in 2007 by unfavorable foreign exchange rates as well as changeover costs associated with a new mining contractor at our Asia Pacific Iron Ore segment. In addition, cost of goods sold in 2007 included incremental expense of $116.9 million related to our North American Coal segment acquired on July 31, 2007.

Other Operating Income (Expense)

Following is a summary of other operating income (expense) for 2007 and 2006:

	(In Millions)		
	2007	2006	Variance Favorable/ (Unfavorable)
Casualty recoveries	$ 3.2	$ —	$ 3.2
Royalties and management fee revenue	14.5	11.7	2.8
Selling, general and administrative expenses	(114.2)	(72.4)	(41.8)
Gain on sale of other assets — net	18.4	—	18.4
Miscellaneous — net	(2.3)	12.4	(14.7)
	$ (80.4)	$(48.3)	$ (32.1)

Selling, general and administrative expense of $114.2 million increased $41.8 million compared with the prior year, primarily reflecting higher employment costs related to our expanding business, including expenses at North American Coal and our Asia Pacific locations; increased outside professional service fees and higher legal fees.

Gain on sale of assets of $18.4 million primarily reflected the fourth quarter 2007 gain on the sale of portions of the former LTVSMC site. The sale included cash proceeds of approximately $18 million.

Miscellaneous-net expense of $2.3 million in 2007 increased $14.7 million compared with 2006, primarily reflecting increased mark-to-market hedging losses at our Asia Pacific Iron Ore business.

Other Income (Expense)

Following is a summary of other income (expense) for 2007 and 2006:

	(In Millions)		
	2007	2006	Variance Favorable/ (Unfavorable)
Interest income	$ 20.0	$17.2	2.8
Interest expense	(22.6)	(5.3)	(17.3)
Other — net	1.7	10.2	(8.5)
	$ (0.9)	$22.1	$ (23.0)

Interest income of $20.0 million increased $2.8 million compared with the prior year, reflecting average higher cash and investment balances and higher average interest rates in our Asia Pacific iron ore business.

Interest expense of $22.6 million increased $17.3 million compared with the prior year, primarily reflecting borrowings from the credit facility to fund the acquisition of PinnOak.

Income Taxes

Income tax expense of $84.1 million in 2007 was $6.8 million lower than the comparable amount in 2006. The decrease was due to lower pre-tax income in 2007 and a lower effective tax rate. Our effective tax rate for the year ended December 31, 2007 and 2006 was 22.1 percent and 23.4 percent, respectively. The 1.3 percent decrease is attributable to lower pre-tax book income offset by increased percentage depletion netted with increased contingent foreign income taxes. See NOTE 10 — INCOME TAXES in Item 8 for further information.

Minority Interest

Minority interest decreased $1.5 million, or 9 percent from the prior year. Minority interest represented the 19.6 percent minority interest related to Asia Pacific Iron Ore earnings.

Equity Loss in Ventures

The equity loss in ventures, $11.2 million, represented the results from the Company's investment in Amapá, primarily pre-production costs, $7.2 million and operating losses from the railroad, $4.0 million.

Results of Operations — Segment Information

Our company is organized and managed according to product category and geographic location. Segment information reflects our strategic business units, which are organized to meet customer requirements and global competition. 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.

2008 Compared to 2007

North American Iron Ore

Following is a summary of North American Iron Ore results for 2008 and 2007:

	(In Millions)					
			Change due to			
	2008	2007	Sales price and rate	Sales volume	Freight and reimbursements	Total change
Revenues from product sales and services	**$ 2,369.6**	$ 1,745.4	$ 596.1	$ 34.4	$ (6.3)	$ 624.2
Cost of goods sold and operating expense	**(1,565.3)**	(1,347.5)	(199.0)	(25.1)	6.3	(217.8)
Sales margin	**$ 804.3**	$ 397.9	$ 397.1	$ 9.3	$ —	$ 406.4
Sales tons	**22.7**	22.3				

The increase in sales revenue in 2008 was primarily due to higher sales prices combined with an increase in sales volume. Revenue per ton increased 33.3 percent in the current year primarily as a result of higher steel prices, renegotiated and new long-term supply agreements with certain customers, which were negotiated at a time of higher world pellet prices, and other contractual price adjustment factors. In 2008, revenue included $225.5 million related to the supplemental steel payments compared with $98.3 million in 2007.

The comparison of sales volume between 2008 and 2007 shows a slight increase year over year. However, in 2007, certain of our customers purchased and paid for approximately 1.5 million tons of iron ore pellets in stockpiles at the end of the year in order to comply with the take-or-pay provisions of their existing long-term supply agreements. The customers requested via a fixed shipping schedule that we not ship the iron ore until the spring of 2008, when the Great Lakes waterways re-opened for shipping. We recognized revenue on the 1.5 million tons in 2007. The following represents a comparison of sales volume in 2008, 2007 and 2006 as if the impact of the stockpile sales were excluded from the period reported and instead recognized in the period shipped:

	(In Millions)		
	Actual Sales Tons Recognized	Cash Received / Sales Tons Not Recognized	Pro Forma Sales Tons
2006	20.3	1.2	21.5
2007	22.3	(1.2)	21.1
2008	**22.7**	**1.2**	**23.9**

Absent the impact of the stockpile sales, the increase in sales volume in the current year is primarily due to increased demand during the first three quarters of 2008, commitments under our long-term pellet sales agreements, and customer plant outages during 2007. However, this increase was partially offset by declines in sales volumes to customers during the fourth quarter of 2008 as a result of the current volatility and uncertainty in global markets, which has led to production curtailments in the steel industry.

The increase in 2008 revenue is also attributable to a $50.6 million favorable mark-to-market adjustment related to the unsold tons associated with our purchase of the remaining 30 percent interest in United Taconite. Refer to *Derivative Financial Instruments* within NOTE 1 — BUSINESS SUMMARY AND SIGNIFICANT ACCOUNTING POLICIES, of our consolidated financial statements for further information on the derivative instrument associated with the provisions of this purchase agreement.

The increase in cost of goods sold and operating expense in 2008 was primarily due to higher costs of production, higher royalty fees primarily related to the increases in pellet pricing, and increased maintenance costs associated with the Michigan expansion project. Fuel and energy costs increased $28.4 million compared with 2007. In addition, the impact of the United Taconite step acquisition also contributed to the increase year over year.

Production

Following is a summary of iron ore production tonnage for 2008 and 2007:

	(In Millions) (1)			
	Company Share		Total	
Mine	**2008**	2007	**2008**	2007
Empire	**3.6**	3.9	**4.6**	4.9
Tilden	**6.5**	6.1	**7.6**	7.2
Hibbing	**1.9**	1.7	**8.2**	7.4
Northshore	**5.5**	5.2	**5.5**	5.2
United Taconite	**4.3**	3.7	**5.1**	5.3
Wabush	**1.1**	1.2	**4.2**	4.6
Total	**22.9**	21.8	**35.2**	34.6

(1) Long tons of pellets (2,240 pounds).

The decrease in production at Empire compared with the prior year is primarily due to Empire processing Tilden ore to produce 0.4 million tons of pellets under a test period. The corresponding increase is reflected at Tilden, bringing total 2008 production to 7.6 million tons compared with 7.2 million tons in 2007.

The increase in Hibbing's production in 2008 compared with 2007 was a result of the shutdown in late February 2007 due to severe weather conditions that caused significant buildup of ice in the basin supplying water to the processing facility. The full year production loss in 2007 totaled approximately 0.8 million tons (Company share 0.2 million tons).

The increase in production in 2008 at Northshore was due to reactivation of one of the furnaces at the end of March 2008. Accordingly, production at Northshore benefited from an incremental increase of approximately 0.6 million tons in 2008 and is expected to benefit from an increase of 0.8 million tons of annual capacity thereafter. This increase was partially offset by production curtailments totaling 0.3 million tons in the fourth quarter from idling pellet furnaces in response to production slowdowns in the steel industry.

The increase in our share of production at United Taconite is primarily related to the acquisition of the remaining 30 percent interest in July 2008. United Taconite's 2008 production was reduced by 0.2 million tons in the fourth quarter from idling a pellet furnace in response to production slowdowns in the steel industry.

In December 2008, we executed plans to reduce production at our six North American iron ore mines to approximately 15 million equity tons. This compares with 2008 production of 22.9 million equity tons. In order to implement the lower production levels, we have temporarily idled various pellet furnaces and initiated workforce adjustments at each of our North American Iron Ore mines. Based on current market uncertainties and corresponding blast furnace capacity utilization in North America, we continue to monitor the marketplace and will adjust our production plans for 2009 accordingly.

North American Coal

Following is a summary of North American Coal results for 2008 and 2007:

	(In Millions, except tonnage)					
	Twelve Months Ended December 31, 2008	Five Months Ended December 31, 2007	Change due to: Sales price and rate	Change due to: Sales volume	Change due to: Freight and reimbursements	Change due to: Total change
Revenues from product sales and services	**$ 346.3**	$ 85.2	$ 70.5	$ 147.9	$ 42.7	$ 261.1
Cost of goods sold and operating expense	**(392.7)**	(116.9)	(29.3)	(203.8)	(42.7)	(275.8)
Sales margin	**$ (46.4)**	$ (31.7)	$ 41.2	$ (55.9)	$ —	$ (14.7)
Sales tons (in thousands)	**3,241**	1,171				

Results for 2007 represent five month totals since the July 31, 2007 acquisition.

We reported losses of $46.4 million and $31.7 million in sales margin for the year ended December 31, 2008 and 2007, respectively. Sales volume and costs in 2008 continued to be negatively impacted by adverse mining conditions and production delays throughout the year. In addition, we declared force majeure on customer shipments from our Pinnacle mine in mid-March 2008. Production at the mine slowed as a result of encountering a fault area within the coal panel being mined at the time. The force majeure was lifted in mid-June.

Despite completion of a longwall move in June 2008, our Oak Grove mine continued to experience delays and lower than planned production levels during the second half of 2008. The mine encountered lower than planned coal heights in the current mining panel and harsh geological conditions in the development areas. Additional costs have also been incurred for repairs and maintenance as a result of mechanical problems caused by adverse geological conditions, delays associated with equipment replacements and availability of experienced mining personnel. Oak Grove decreased production in the fourth quarter to enable continuous miners to prepare longwall panels. One of our Green Ridge facilities, located in the Pinnacle Complex, has shut down production in an effort to focus on mining the remaining other Green Ridge location, resulting in lower overall production for the facility.

We continue to be challenged with adverse geological conditions across the mines and delays in delivery of new capital equipment, which have contributed to overall equipment performance and availability issues, which increased costs in all operations.

Production

Following is a summary of coal production tonnage for 2008 and 2007:

	(In Thousands) (1)	
	Twelve Months Ended December 31, 2008	Five Months Ended December 31, 2007 (2)
Mine:		
Pinnacle Complex	**2,489**	685
Oak Grove	**979**	406
Total	**3,468**	1,091

(1) Tons are short tons (2,000 pounds).

(2) Prior year results represent production since the July 31, 2007 acquisition.

Production in 2008 was impacted by the extension of longwall development timing related to unplanned geological conditions, difficulty in obtaining additional equipment and personnel, and mechanical problems

experienced within the second half of 2008 at our Oak Grove Mine. Also impacting production in 2008 were adverse mining conditions at our Pinnacle Complex. In addition, as a result of the economic downturn and its impact on the global steel industry, we initiated operating plans to reduce production and commence workforce adjustments at our Pinnacle Mine in December 2008.

Asia Pacific Iron Ore

Following is a summary of Asia Pacific Iron Ore results for 2008 and 2007:

	(In Millions)				
			Change due to		
	2008	2007	Sales price and rate	Sales volume	Total change
Revenues from product sales and services	**$ 769.8**	$ 444.6	$ 343.9	$(18.7)	$325.2
Cost of goods sold and operating expense	**(421.2)**	(348.8)	(87.1)	14.7	(72.4)
Sales margin	**$ 348.6**	$ 95.8	$ 256.8	$ (4.0)	$252.8
Sales tons	**7.8**	8.1			

In 2008, the Australian benchmark prices for lump and fines settled at increases of 97 percent and 80 percent, respectively. As a result of the price settlement, sales from our Asia Pacific Iron Ore segment have been recorded at the higher 2008 prices, thereby resulting in record revenues.

Cost of goods sold and operating expenses for the year to date increased primarily due to higher costs of production partially offset by lower volume and reduction of stockpiles. Increased costs of production were a result of higher fuel, maintenance and contract labor expenditures arising from inflationary pressures. Fuel and energy costs for the year to date increased approximately $14.1 million compared with 2007. Costs were also negatively impacted in 2008 by increased royalty payments due to higher revenues and approximately $1.6 million related to unfavorable foreign exchange rates. In addition, the current period was impacted by the step acquisition of the remaining ownership interest in Portman.

Production

Following is a summary of iron ore production tonnage for 2008 and 2007:

	(In Millions) (1)	
	Total	
	2008	2007
Mine:		
Koolyanobbing	**7.3**	7.7
Cockatoo Island	**0.4**	0.7
Total	**7.7**	8.4

(1) Tonnes are metric tons (2,205 pounds). Cockatoo production reflects our 50 percent share.

The decrease in production in 2008 compared with 2007 was primarily due to inventory stockpile reductions in an effort to improve working capital. In addition, production at Cockatoo declined as the second stage of the seawall reserves were exhausted. Construction on Phase 3 of the seawall is expected to be completed in May 2009, with sales continuing for approximately two years through June 2011.

2007 Compared to 2006

North American Iron Ore

Following is a summary of North American Iron Ore sales margin for 2007 versus 2006:

	(In Millions)					
			Change due to			
	2007	2006	Sales price and rate	Sales volume	Freight and reimbursements	Total change
Revenue from product sales and services	$ 1,745.4	$ 1,560.7	$ 39.3	$122.4	$ 23.0	$ 184.7
Cost of goods sold and operating expenses	(1,347.5)	(1,233.3)	0.6	(91.8)	(23.0)	(114.2)
Sales margin	$ 397.9	$ 327.4	$ 39.9	$ 30.6	$ —	$ 70.5
Sales tons	22.3	20.4				

The increase in sales revenue was due to a sales volume increase of 1.9 million tons, or $122.4 million, higher sales prices, $39.3 million and higher freight and venture partners' reimbursements, $23.0 million. Sales volume in 2007 included 1.5 million tons of pellets purchased and paid for by customers at year-end under take-or-pay provisions of existing long-term supply agreements. First half shipments in 2007 included 1.2 million tons of pellets purchased in upper Great Lakes stockpiles and paid for in 2006. Revenue recognition related to the December 2006 stockpile transaction totaling $62.6 million was deferred until the product was delivered in 2007. Sales prices per-ton increased 2.8 percent, reflecting the effect of contractual base price increases, higher term supply agreement escalation factors including higher steel pricing, higher Producers Price Indices and lag-year adjustments.

The increase in cost of goods sold and operating expenses primarily reflected higher volume, $91.8 million. On a per-ton basis, cost of goods sold and operating expenses were flat in comparison to last year, as a result of our strategic procurement, maintenance and other business improvement programs, as well as the implementation of Six Sigma and Lean Sigma. This compares with a Producers Price Indices increase of 4.1 percent, which is a measurement of industrial company cost inflation. Principally, as a result this cost containment, North American Iron Ore sales margin per ton increased 11 percent from 2006.

Production

Following is a summary of North American Iron Ore production tonnage for 2007 versus 2006:

	(In Millions) (1)			
	Company Share		Total	
Mine	2007	2006	2007	2006
Empire	3.9	3.8	4.9	4.9
Tilden	6.1	5.9	7.2	6.9
Hibbing	1.7	1.9	7.4	8.3
Northshore	5.2	5.1	5.2	5.1
United Taconite	3.7	3.0	5.3	4.3
Wabush	1.2	1.1	4.6	4.1
Total	21.8	20.8	34.6	33.6

(1) Long tons of pellets (2,240 pounds).

The decrease in Hibbing's production was a result of the shutdown in late February 2007 due to severe weather conditions that caused significant buildup of ice in the basin supplying water to the processing facility.

Year-over-year production at Tilden benefited from major maintenance work and operating improvements performed in the prior year, and United Taconite production increased due to its recovery from last year's electrical accident. Production at Wabush was higher as a result of pit design improvements to mitigate dewatering issues.

We reinitiated construction activity to restart an idled pellet furnace at the Northshore facility that increased capacity by approximately 0.6 million tons of pellets in 2008 and 0.8 million tons to our annual capacity thereafter.

North American Coal

Following is a summary of North American Coal sales margin since the July 31, 2007 acquisition:

	(In Millions, except tonnage) Five Months Ended December 31, 2007
Revenues from product sales and services	$ 85.2
Cost of goods sold and operating expense	(116.9)
Sales margin	$ (31.7)
Sales tons (in thousands) (1)	1,171

(1) Tons are short tons (2,000 pounds).

In August 2007, production at our Pinnacle mine in West Virginia slowed as a result of sandstone intrusions encountered within the coal panel being mined at the time. This slowdown prompted the operating decision in late September to move the mine's longwall plow system to another panel. In mid-October, the plow system was brought back into production. In addition, we had invested in business improvement initiatives and safety activities designed to enhance future production at our Oak Grove mine. These investments reduced our 2007 production.

The slowdown and resulting lack of leverage over fixed costs, such as labor and energy, contributed to a loss of sales margin and unusually high per-ton costs of goods sold.

Production

Following is a summary of North American Coal production tonnage for 2007:

Mine	(In Thousands) Five Months Ended December 31, 2007 (1)
Pinnacle Complex	685
Oak Grove	406
Total	1,091

(1) Tons are short tons (2,000 pounds).

Asia Pacific Iron Ore

Following is a summary of Asia Pacific Iron Ore sales margin for 2007 versus 2006:

	(In Millions)				
			Change due to		
	2007	2006	Sales price and rate	Sales volume	Total change
Revenue from product sales and services	$ 444.6	$ 361.0	$ 48.9	$ 34.7	$ 83.6
Cost of goods sold and operating expenses	(348.8)	(274.4)	(48.0)	(26.4)	(74.4)
Sales margin	$ 95.8	$ 86.6	$ 0.9	$ 8.3	$ 9.2
Sales tonnes	8.1	7.4			

The increase in sales revenue was due to higher sales prices, $48.9 million and higher volume, $34.7 million. Portman's sales prices reflected the effects of the 9.5 percent increase in the international benchmark price of iron ore fines and lump. The 0.7 million tonne volume increase reflected the completion of the two-million-tonne per annum expansion at Koolyanobbing in late 2006.

Increased production capacity has allowed Asia Pacific to supply higher sales volumes at increased price realizations driven by intense demand from the Asian steel industry, particularly in China. As a result of this demand, revenues per tonne increased 12 percent from the prior year. Per-tonne costs in Asia Pacific Iron Ore, which increased 16 percent, continue to be negatively impacted by foreign exchange rates, as the U.S. dollar weakened relative to the Australian dollar, as well as higher maintenance and contract labor expenditures. In 2007, our Asia Pacific Iron Ore management team also put in place a new contractor for mine operations that has cost control incentives.

Production

Following is a summary of Asia Pacific Iron Ore production tonnage for 2007 versus 2006:

	(In Millions) (1)	
	Total	
Mine	2007	2006
Koolyanobbing	7.7	7.0
Cockatoo Island	0.7	0.7
Total	8.4	7.7

(1) Metric tons (2,205 pounds).

The increase in production primarily reflected the completion of the expansion at Koolyanobbing in late 2006. Production at Cockatoo Island remained steady and continued into 2008. However, in 2008, Cockatoo Island production began to decline, 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.

In July 2007, Portman was notified that its exploration and mining rights under two leases would not be extended beyond July 3, 2007. The mining leases permit Portman to explore for and mine iron ore on mining tenements north of Portman's Koolyanobbing operations, including the rights to 4.5 million tonnes of iron ore reserves. Portman has since negotiated an in-principle agreement to transfer these rights to the other party in exchange for additional mining rights to new leases.

Liquidity, Cash Flows and Capital Resources

In 2008, we have taken a balanced approach to allocation of our capital resources and free cash flow. We have made strategic investments both domestically and internationally, increased our capital expenditures, strengthened our balance sheet, and increased our borrowing capacity.

Operating Activities

Net cash provided by operating activities was $853.2 million in 2008, compared with $288.9 million and $428.5 million in 2007 and 2006, respectively. Operating cash flows in 2008 were impacted by improved operating results, higher overall gains on our derivative instruments, and other changes in working capital.

Investing Activities

Net cash used for investing activities was $795.6 million in 2008, compared with $745.4 million in 2007 and $127.4 million in 2006. Capital expenditures were $182.5 million, $199.5 million and $119.5 million in 2008, 2007 and 2006, respectively. Other significant investing activities in 2008 included the purchases of the remaining minority interests in Portman and United Taconite and our investment in AusQuest. Investing activities in 2007 included the purchase of PinnOak as well as our investments in Sonoma and Amapá.

In addition, non-cash investing activities in 2008 include the issuance of $165 million of unregistered common shares and the commitment to provide 1.2 million tons of iron ore pellets as part of the consideration paid to acquire the remaining 30 percent interest in United Taconite. Non-cash investing activities during the year also include the issuance of four million of our common shares at a share price of $38.27 to the former owners of PinnOak to accelerate the deferred payment and settle the contingent earn-out associated with the initial purchase agreement.

Financing Activities

Net cash provided by financing activities in 2008 was $32.4 million, compared with $250.1 million in 2007. In 2006, our net cash used in financing activities was $148.4 million. Consolidated long-term debt at December 31, 2008 was $525 million, compared to $440 million at December 31, 2007. Cash flows from financing activities in 2008 primarily included borrowings under our revolving credit facility and senior notes of $865 million, partially offset by debt repayments of $780 million during the year.

The following is a summary of significant sources and uses of cash in 2008 and 2007:

	(In Millions)	
	2008	2007
Cash and cash equivalents — January 1	**$ 157.1**	$ 351.7
Significant Transactions		
Purchase of Portman	**$ (485.1)**	$ —
Purchase of United Taconite	**(104.4)**	—
Purchase of PinnOak	**—**	(343.8)
Acquisition termination fees	**(70.0)**	—
Investments in ventures and other securities	**(93.1)**	(265.9)
Michigan expansion project	**(47.7)**	—
Longwall development	**(29.6)**	—
Rail upgrade	**(11.7)**	—
Northshore capacity expansion project	**(7.6)**	(8.6)
Other capital expenditures	**(85.9)**	(190.9)
Repayment of debt and other borrowings	**(788.4)**	(921.5)
Dividend distributions	**(37.2)**	(26.4)
Sale of assets	**41.2**	23.2
Total	(1,719.5)	(1,733.9)
Sources of Financing		
Net cash provided by operations (1)	**923.2**	288.9
Borrowings under senior notes	**325.0**	—
Borrowings under revolving loans	**540.0**	1,195.0
Total	1,788.2	1,483.9
Other net activity	**(46.8)**	55.4
Cash and cash equivalents — December 31	**$ 179.0**	$ 157.1

(1) Excludes $70 million of acquisition termination fees paid in 2008 related to the Alpha transaction.

Refer to NOTE 2 — ACQUISITIONS, DIVESTITURES & OTHER INVESTMENTS of the Consolidated Financial Statements for further information regarding the purchase of minority interests in Portman and United Taconite, the prior year acquisition of PinnOak as well as our investments in ventures.

Current Economic Environment and Future Outlook

The current volatility and uncertainty in global markets, coupled with the slowdown in the world's major economies, has had a significant impact on commodity prices. The mining industry has seen a reduction in high cost operations, and the credit environment is expected to limit the funding and expansion capabilities of many of

the junior mining companies. Based on these economic conditions, we continue to evaluate and assess our capital expenditures, in order to ensure we are positioned to face the challenges, uncertainties, as well as opportunities, associated with the current environment.

In addition, recent deterioration in the securities markets has negatively impacted the value of the assets included in our defined benefit pension plans and postretirement welfare plans based upon the value of our plan assets and obligations at December 31, 2008. The decline in fair value of our plan assets, combined with negotiated plan changes, has resulted in increased total estimated pension and OPEB costs for 2009 of $71.5 million as compared to total benefit costs of $28.9 million in 2008. Further, the decline in fair value has resulted in estimated cash contributions for 2009 of $67.4 million in accordance with our current funding strategy, which is $22.8 million higher than our 2008 funding obligation. Refer to NOTE 9 — PENSIONS AND OTHER POSTRETIREMENT BENEFITS of the Consolidated Financial Statements for additional information.

We anticipate that total cash used for investments and capital expenditures in 2009 will be approximately $300 million, including approximately $100 million related to the funding of our investment in Amapá. We are evaluating funding options for our capital needs and expect to be able to fund these requirements through operations.

The following represents our future cash commitments and contractual obligations as of December 31, 2008:

	Payments Due by Period (1) (In Millions)				
Contractual Obligations	**Total**	**Less Than 1 Year**	**1 - 3 Years**	**3 - 5 Years**	**More Than 5 Years**
Long-term debt	$ 530.4	$ 0.8	$ 4.6	$470.0	$ 55.0
Interest on debt (2)	119.3	27.8	50.4	35.7	5.4
Operating lease obligations	135.0	26.3	44.9	30.9	32.9
Capital leases	82.7	11.6	20.9	18.9	31.3
Purchase obligations:					
Asia Pacific rail upgrade	27.0	27.0	—	—	—
Longwall plow system	54.8	53.8	1.0		
Open purchase orders	256.2	251.4	4.8	—	—
Forward energy contracts	41.5	41.5	—	—	—
Minimum “take or pay” purchase commitments (3)	438.7	110.9	218.4	27.5	81.9
Total purchase obligations	818.2	484.6	224.2	27.5	81.9
Other long-term liabilities:					
Pension funding minimums	256.9	32.1	116.1	108.7	—
OPEB claim payments	159.3	35.3	68.4	55.6	—
Foreign exchange derivative contracts	111.8	77.5	34.3	—	—
Deferred revenue (4)	106.5	106.5	—	—	—
Mine closure obligations	100.7	0.8	0.7	0.6	98.6
FIN 48 obligations (5)	35.9	12.6	23.3	—	—
Personal injury	30.3	5.2	4.8	1.5	18.8
Other (6)					
Total other long-term liabilities	801.4	270.0	247.6	166.4	117.4
Total	$2,487.0	$ 821.1	$592.6	$749.4	$ 323.9

(1) Includes our consolidated obligations.

(2) Interest on the $200 million term debt is calculated using actual rates through April 2009 and is estimated using a 3-year Libor swap rate of 1.75 percent plus a margin of 0.50 from April 2009 through maturity in August 2012. The calculation includes a $100 million Libor interest rate swap fixed at 4.65 percent with an October 2009 maturity date. For the $325 million senior notes, interest is calculated for the $270 million five-year senior notes using a fixed rate of 6.31 percent from 2009 to maturity in June 2013, and for the $55 million seven-year senior notes, interest is calculated at 6.59 percent from 2009 to maturity in June 2015.

(3) Includes minimum electric power demand charges, minimum coal, diesel and natural gas obligations, minimum railroad transportation obligations, minimum port facility obligations and minimum water pipeline access obligations for the Sonoma washplant.

(4) Relates to pellet delivery consideration for purchase of the remaining 30 percent interest in United Taconite.

(5) Includes accrued interest.

(6) Other contractual obligations of approximately $86.8 million primarily include income taxes payable and deferred income tax amounts for which timing of payment is non-determinable.

Refer to NOTE 16 — COMMITMENTS AND CONTINGENCIES of the Consolidated Financial Statements for additional information regarding our future purchase commitments and obligations.

Capital Resources

We expect to fund our business obligations from available cash, current operations and borrowings under our credit facility. The following represents a summary of key liquidity measures at December 31, 2008 and 2007:

	(In Millions)	
	December 31, 2008	December 31, 2007
Cash and cash equivalents	**$ 179.0**	$ 157.1
Credit facility	**$ 800.0**	$ 800.0
Senior notes	**325.0**	—
Portman facilities	**27.6**	—
Senior notes drawn	**(325.0)**	—
Term loans drawn	**(200.0)**	(200.0)
Revolving loans drawn	**—**	(240.0)
Letter of credit obligations and other commitments	**(40.3)**	(16.2)
Borrowing capacity available	$ 587.3	$ 343.8

Refer to NOTE 5 — DEBT AND CREDIT FACILITIES of our consolidated financial statements for further information regarding our debt and credit facilities.

We expect meaningful cash flow from operations in 2009. Cash flows from operations are expected to fund all of our contractual obligations in 2009, as well as, expected capital expenditures, pension and OPEB contributions and dividends. Apart from cash generated by the business our primary source of funding is cash on hand, which totals $179.0 million as of December 31, 2008. We also have a $600 million revolving credit facility, which comes due in 2012. This facility has available borrowing capacity of $578.5 million as of December 31, 2008. The combination of cash and the credit facility give us over $750 million in liquidity entering 2009.

As is the case each year, cash flows will be negatively impacted in the first two quarters of 2009 due to an inability to ship over the Great Lakes in the early part of the year. While this will have a detrimental impact on cash flow and earnings in those quarters, we do not expect it to create any liquidity issues, nor do we expect any adverse impact on our debt covenants. Assuming current projected volumes, our liquidity appears to be sufficient, and we will maintain ample room under our debt covenants for 2009.

Several credit markets may provide additional capacity should that become necessary. The bank market may provide funding through a term loan or through exercising the $200 million accordion in our credit facility. In October 2008, we were able to obtain approximately $1.5 billion in commitments from the bank market as part of the funding for the proposed acquisition of Alpha Natural Resources. The risk associated with this market is that decreasing capacity has lead to significant increases in borrowing costs. In 2008, we went to the private placement market to fund $325 million senior notes which are due in 2013 and 2015. Capacity, as in all debt

markets, is a global issue in addition to the fact that our notes have been outstanding for less than one year. Capacity in the bond market appears to be rebounding slowly for investment grade companies. Longer term debt arrangements at current corporate bond rates must be aligned with our longer term capital structure needs. Finally, the equity market has begun to see some activity. Shareholder dilution is a significant determining factor in deciding whether to access this market, in addition to considering how this alternative would align with our longer term capital structure.

Off-Balance Sheet Arrangements

An off-balance sheet arrangement is any transaction, agreement or other contractual arrangement involving an unconsolidated entity under which a company has:

- made guarantees,
- retained or held a contingent interest in transferred assets,
- undertaken an obligation under certain derivative instruments, or
- undertaken any obligation arising our of a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the company, or engages in leasing, hedging or research and development arrangements with the company.

We have entered into certain agreements under which we have provided guarantees to an unconsolidated entity that are off-balance sheet arrangements. In addition, we have operating leases, which are primarily utilized for certain equipment and office space. Aside from this, we do not have any other off-balance sheet financing arrangements. Refer to NOTE 16 — COMMITMENTS AND CONTINGENCIES for additional information regarding our guarantees.

Market Risks

We are subject to a variety of risks, including those caused by changes in the market 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.

Foreign Currency Exchange Rate Risk

We are subject to changes in foreign currency exchange rates in Australia as a result of our operations at Portman and Sonoma, which could impact our financial condition. Foreign exchange risk arises from our exposure to fluctuations in foreign currency exchange rates because our reporting currency is the United States dollar. Portman hedges a portion of its United States currency-denominated sales in accordance with a formal policy. The primary objective for using derivative financial instruments is to reduce the volatility attributable to changes in Australian and United States currency fluctuations. The instruments were subject to formal documentation, intended to achieve qualifying hedge treatment, and were tested at inception and at each reporting period as to effectiveness. Effective July 1, 2008, Portman discontinued hedge accounting for these derivatives, but continues to hold these instruments as economic hedges to manage currency risk. Upon de-designation of the cash flow hedges, the instruments are prospectively marked to fair value each reporting period through *Changes in fair value of derivative instruments, net* on the Statement of Consolidated Operations. At December 31, 2008, Portman had approximately $869.0 million of outstanding exchange rate contracts in the form of call options, collar options, convertible collar options and forward exchange contracts with varying maturity dates ranging from January 2009 to August 2011. A 10 percent increase in the value of the Australian dollar from the month-end rate would increase the fair value by approximately $65.4 million, and a 10 percent decrease would reduce the fair value by approximately $79.9 million.

We are required to record on our Statements of Consolidated Financial Position the market value of our open derivative positions which do not qualify for hedge accounting treatment. The gain or loss resulting from changes in the market value of these derivative instruments is recorded as an unrealized gain or loss each reporting period. These mark-to-market adjustments are recorded as non-operating costs on the Statements of Consolidated Operations.

Our share of pellets produced at the Wabush operation in Canada represents approximately five percent of our North American iron ore pellet production. This operation is subject to currency exchange fluctuations between the United States and Canadian currency; however, we do not hedge our exposure to this currency exchange fluctuation.

Under the majority ownership of MMX, Amapá's functional currency was previously determined to be the Brazilian real. The analysis performed to determine the functional currency at the time indicated a mixed outcome assessment of the pertinent determining economic factors as set forth under SFAS No. 52, *Foreign Currency Translation* ("SFAS 52"), including, for example, sales being priced in U. S. dollars and operating costs being largely incurred in Brazilian real. The change in control of Amapá to Anglo in August 2008 resulted in the review of financial, operating and treasury policies of the entity under new management. This, along with recent efforts to mitigate exposures related to fluctuations in foreign currency exchange rates resulted in the reassessment of the accounting principles related to the determination of Amapá's functional currency during the fourth quarter of 2008. As a result, effective October 1, 2008, we changed the functional currency of Amapá from the local currency to the U.S. dollar reporting currency primarily due to changes in the debt structure under which the entity is financed as well as changes in the treasury, risk mitigation and financial reporting policies under which the entity's operations are managed, resulting in the U.S. dollar becoming the currency of the primary economic environment in which the business operates. Refer to NOTE 1 – BUSINESS SUMMARY AND SIGNIFICANT ACCOUNTING POLICIES, of the consolidated financial statements for further information.

Interest Rate Risk

Interest for borrowings under our credit facility is at a floating rate, dependent in part on the LIBOR rate, which exposes us to the effects of interest rate changes. Based on $100 million in outstanding revolving and term loans at December 31, 2008, with a floating interest rate and no corresponding fixed rate swap, a 100 basis point change to the LIBOR rate would result in a change of $1.0 million to interest expense on an annual basis.

In October 2007, we entered into a $100 million fixed rate swap to convert a portion of this floating rate into a fixed rate. With the swap agreement, we pay a fixed three-month LIBOR rate for $100 million of our floating rate borrowings. The interest rate swap terminates in October 2009 and qualifies as a cash flow hedge.

Pricing Risks

The current global economic crisis has resulted in increasing downward pressure from customers, particularly in China, for a roll back of the 2008 price increases for seaborne iron ore and metallurgical coal in 2009. The 2008 record price increase was driven by high demand for iron ore and coking coal, global steel production at historically high levels, combined with production and logistics constraints for both iron ore and coking coal, resulting 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 our 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.

Nonperformance and Liquidity Risks

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.

In addition, 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.

Our investment policy relating to short-term investments is to preserve principal and liquidity while maximizing the short-term return through investment of available funds. The carrying value of these investments approximates fair value on the reporting dates. We commonly use AAA-rated money market funds for short-term investments. On September 19, 2008, we received notice that one of the money market funds, in which we had $20 million invested, was suspending all-cash redemptions and redeeming a combination of cash and in-kind securities until December 12, 2008, when all of the fund's securities matured. The investment was redeemed in cash for full value on December 12, 2008. All other money market funds we invested in maintained daily cash redemptions throughout 2008.

Approximately 2.9 percent of our U.S. pension trust assets and 1.5 percent of VEBA assets are exposed to sub prime risk, all of which are investment grade and fully collateralized by properties. These investments primarily include Mortgage-Backed Securities and the Home Equity subset of the Asset-Backed Securities sector with AAA and AA credit quality ratings. Due to the continuing liquidity crisis in the U.S., the spreads of these structures have widened and, as a result, their market values have declined. However, the over-collateralization of these arrangements is expected to mitigate the potential for principal loss in these tranches. As evidence, there has been no material impairment in these securities as of December 31, 2008. The U.S. pension and VEBA trusts have no allocations to mortgage-related collateralized debt obligations.

Volatile Energy and Fuel Costs

The volatile cost of energy and supplies is an important issue affecting our production costs, primarily in relation to our iron ore operations. Recent trends have shown that although electric power, natural gas, and oil costs are declining, the direction and magnitude of short-term changes are difficult to predict. Our consolidated North American iron ore mining ventures consumed approximately 13.5 million MMBtu's of natural gas at an average delivered price of $9.18 per MMBtu, and 22.5 million gallons of diesel fuel at an average delivered price of $3.03 per gallon in 2008. Consumption of diesel fuel by our Asia Pacific Operations was approximately 10.6 million gallons for the same period. As of December 31, 2008 we have 3.5 million MMBtu's of natural gas, representing approximately 38 percent of our 2009 natural gas requirements, purchased forward at an average price of $8.99 per MMBtu. We also have 6.4 million gallons of diesel fuel, representing approximately 31 percent of our 2009 requirements, purchased forward at $2.58 per gallon for our North American iron ore mining ventures. Such contracts are a means to limit our exposure to potential future market price increases.

Our strategy to address increasing energy rates includes improving efficiency in energy usage and utilizing the lowest cost alternative fuels. Our North American Iron Ore mining ventures enter into forward contracts for certain commodities, primarily natural gas and diesel fuel, as a hedge against price volatility. Such contracts are in quantities expected to be delivered and used in the production process. At December 31, 2008, the notional amount of the outstanding forward contracts was $41.5 million, with an unrecognized fair value net loss of $8.4 million based on December 31, 2008 forward rates. The contracts mature at various times through December 2009. If the forward rates were to change 10 percent from the month-end rate, the value and potential cash flow effect on the contracts would be approximately $3.3 million.

Outlook

Given the current macroeconomic environment and the impact on demand for steelmaking raw materials in the intermediate term, our priority in 2009 is to generate and preserve cash in order to maintain our high degree of financial flexibility. While our Company's management team has taken swift action to bring production levels at all of our businesses in line with current demand, a great deal of uncertainty remains in the marketplace.

North American Iron Ore Outlook

For 2009, we have contractual obligations for approximately 18 million tons of sales volume. These commitments, combined with eventual revenue recognition of 1.2 million tons deferred in 2008, total approximately 19 million tons of sales volume for 2009. This sales volume total assumes we will recognize "bill and hold" sales, which are anticipated to occur in the fourth quarter of 2009. In addition, based on current market uncertainties and corresponding blast furnace capacity utilization in North America, we must continue to monitor the marketplace as well as the financial health of our customers.

With annual price settlements for iron ore in 2009 not yet concluded, we are unable to provide guidance on average revenue per ton in our North American Iron Ore business segment. We previously indicated our average revenue per ton in 2009 will benefit from contractual base-price adjustments, lag-year adjustments and price caps and floors contained in most of our current supply agreements. Actual realized average revenue per ton will ultimately depend on sales volume levels, World Pellet Prices, production input costs and/or steel prices, all of which are factors in our formula-based pricing for the North American Iron Ore business segment.

At the current annualized production rate for our North American Iron Ore business segment, 2009 cost per ton is expected to be between $70 and $80. The expected increase from 2008 cost per ton is the result of reduced leverage over fixed costs resulting from lower year-over-year production levels.

North American Coal Outlook

We begin 2009 with approximately 1.6 million tons of coal under contractual obligation, or approximately 45 percent of our current annualized production rate. This coal is priced at an average of $108 per ton, which includes production earmarks to fulfill obligations for tons deferred as a result of past production disruptions.

With negotiations for international met coal contracts not yet concluded, we are unable to provide guidance for uncommitted 2009 production related to our North American Coal business segment. Currently there is no precise indication where prices will settle for the high quality, low volatility coal that we produce.

In 2009, we will continue to execute our extended long-term mine planning and development activities at our North American Coal mines designed to ultimately increase annual production and improve cost per ton. As a result, cost per ton for the year is expected to be approximately between $110 and $120.

Asia Pacific Iron Ore Outlook

Asia Pacific Iron Ore 2009 sales volume is expected to be 8.4 million tonnes, with production of 8.6 million tonnes. With annual price settlements for iron ore in 2009 not yet concluded, we are unable to provide guidance on average revenue per tonne for our Asia Pacific Iron Ore business segment. We expect Asia Pacific Iron Ore cost per tonne of approximately $50 to $60.

Sonoma Coal Project Outlook

We have a 45 percent economic interest in the Sonoma coal project and expect total production of approximately 3.5 million tonnes for 2009. Sonoma is expected to have sales volume of 3.3 million tonnes with an approximate 60/40 mix between thermal and metallurgical coal, respectively. Per-tonne costs at Sonoma are expected to be between $85 and $95. The increase from 2008 cost per ton levels is the result of an anticipated special royalty payment under an agreement with our partner, QCoal, that occurs when the mine exceeds a certain performance threshold.

Amapá Iron Ore Project Update

In the third quarter of 2008, our new partner in the Amapá project, Anglo, closed its acquisition of MMX's 70 percent share of the project and assumed management control over the venture. Throughout the year, the ramp-up of operations was significantly slower than previously anticipated, with annual production totaling 1.2 million tonnes. We, along with Anglo, continue to study all aspects of the project and are taking proactive steps to ensure production is ramped up to the design annual capacity of 6.5 tonnes. We expect to incur an equity loss related to the project of approximately $50 million to $60 million in 2009.

Selling, General and Administrative Expenses and Other Expectations

As a result of limited headcount rationalization, including the elimination and combination of some executive and management positions, combined with tight cost controls, selling, general and administrative expenses are anticipated to be approximately flat to slightly down in 2009 from 2008 levels. We anticipate an effective tax rate of approximately 26 percent to 28 percent for the year. We also expect 2009 capital expenditures of approximately $200 million and depreciation and amortization of approximately $215 million.

Recently Issued Accounting Pronouncements

Refer to NOTE 1 — BUSINESS SUMMARY AND SIGNIFICANT ACCOUNTING POLICIES of the consolidated financial statements for a description of recent accounting pronouncements, including the respective dates of adoption and effects on results of operations and financial condition.

Critical Accounting Estimates

Management's discussion and analysis of financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with GAAP. Preparation of financial statements requires management to make assumptions, estimates and judgments that affect the reported amounts of assets, liabilities, revenues, costs and expenses, and the related disclosures of contingencies. Management bases its estimates on various assumptions and historical experience, which are believed to be reasonable; however, due to the inherent nature of estimates, actual results may differ significantly due to changed conditions or assumptions. On a regular basis, management reviews the accounting policies, assumptions, estimates and judgments to ensure that our financial statements are fairly presented in accordance with GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material. Management believes that the following critical accounting estimates and judgments have a significant impact on our financial statements.

Revenue Recognition

North American Iron Ore

Revenue is recognized on the sale of products when title to the product has transferred to the customer in accordance with the specified provisions of each term supply agreement and all applicable criteria for revenue recognition have been satisfied. Most of our North American Iron Ore term supply agreements provide that title and risk of loss transfer to the customer when payment is received. This is a practice utilized to reduce our financial risk to customer insolvency. Under some term supply agreements, we ship the product to ports on the lower Great Lakes or to the customer's facilities prior to the transfer of title. Our rationale for shipping iron ore products to some customers and retaining title until payment is received for these products is to minimize credit risk exposure.

We recorded revenue of $25.4 million in the fourth quarter of 2008 related to sales to customers under minimum purchase requirements of supply agreements, who had paid for the iron ore but requested that we not ship the product until the spring of 2009, when the Great Lakes waterways re-open for shipping. This compares to $87 million of revenue recorded under similar arrangements in the fourth quarter of 2007. These bill-and-hold sales were made pursuant to long-term contracts that include annual take-or-pay arrangements. Critical estimates and other factors related to the recognition of revenue on these stockpile sales include the freezing weather conditions on the Great Lakes and the existence of a fixed delivery schedule that is reflective of the customer's historical stockpile shipment requests.

In 2008, certain customers purchased and paid for 1.2 million tons of pellets in upper lakes stockpiles in order to meet minimum contractual purchase requirements. At the request of the customers, the ore was not shipped. We considered whether revenue should be recognized on these sales under the "bill and hold" guidance provided in SEC Staff Accounting Bulletin No. 104 Topic 13; however, since fixed shipment schedules were not established prior to year-end, revenue recognition on these transactions, totaling $82.9 million, was deferred and will be recognized upon shipment in 2009.

Most of our North American Iron Ore long-term supply agreements are comprised of a base price with annual price adjustment factors. These price adjustment factors vary based on the agreement but typically include adjustments based upon changes in international pellet prices, changes in specified Producers Price Indices including those for all commodities, industrial commodities, energy and steel. The adjustments generally operate in the same manner, with each factor typically comprising a portion of the price adjustment, although the weighting of each factor varies based upon the specific terms of each agreement. One of our term supply agreements contains price collars, which typically limit the percentage increase or decrease in prices for our iron ore pellets during any given year. In most cases, these adjustment factors have not been finalized at the time our product is sold; we routinely estimate these adjustment factors. The price adjustment factors have been evaluated to determine if they contain embedded derivatives. We evaluated the embedded derivatives in the supply agreements in accordance with the provisions of SFAS 133, *Accounting for Derivative Instruments and Hedging Activities,* as amended by SFAS 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities — an amendment of FASB Statement No. 133.* The price adjustment factors share the same economic characteristics and risks as the host contract and are integral to the host contract as inflation adjustments; accordingly they have not been separately valued as derivative instruments. In addition, certain supply agreements with one customer include provisions for supplemental revenue or refunds based on the customer's annual steel pricing for the year the product is consumed in the customer's blast furnaces. We account for this provision as a derivative instrument at the time of sale and record this provision at fair value until the year the product is consumed and the amounts are settled as an adjustment to revenue.

As part of the agreement to acquire the remaining 30 percent interest in United Taconite, effective July 1, 2008, we committed approximately 1.2 million tons of iron ore pellets, which are to be provided through September 2009. This commitment represents an obligation to deliver the pellets as additional consideration for the remaining interest in United Taconite. The pellets were initially valued at $181.3 million, based upon the 2008 Eastern Canadian pellet price at the time of acquisition, and the additional consideration is recorded as current *Derivative liabilities* on the Statement of Consolidated Financial Position until the pellets are delivered. The purchase agreement contains a penalty provision in the event the 1.2 million tons of pellets are not delivered by a specified date. The penalty provision, which is not a fixed amount or a fixed amount per unit, causes net settlement in this arrangement, and therefore causes the obligation to be accounted for as a derivative instrument, which is based on the future Eastern Canadian pellet price. The instrument is marked to fair value each reporting period until the pellets are delivered and the amounts are settled. In 2008, we recognized $24.2 million as *Product revenues* on the Statements of Consolidated Operations upon shipment of 0.16 million tons of iron ore pellets. The derivative liability associated with the undelivered pellets was reduced by a mark-to-market adjustment of $50.6 million through *Product revenues*, resulting in $106.5 remaining in current *Derivative liabilities* at December 31, 2008.

Revenue from product sales includes cost reimbursements from venture partners for their share of mine costs. The mining ventures function as captive cost companies; they supply product only to their owners effectively on a cost basis. Accordingly, the minority interests' revenue amounts are stated at cost of production and are offset in entirety by an equal amount included in cost of goods sold resulting in no profits or losses reflected in minority interest participants. As we are responsible for product fulfillment, we have the risks and rewards of a principal in the transaction, and accordingly, we record revenue in this arrangement on a gross basis in accordance with EITF, 99-19, *Reporting Revenue Gross as a Principal Versus Net as an Agent*, under the line item "Freight and other reimbursements".

Revenue from product sales also includes reimbursement for freight charges paid on behalf of customers in *Freight and Venture Partners' Cost Reimbursements* separate from product revenue, in accordance with EITF 00-10, *Accounting for Shipping and Handling Fees and Costs.* Where we are joint venture participants in the ownership of a North American iron ore mine, our contracts entitle us to receive royalties and management fees, which we earn as the pellets are produced.

North American Coal

We recognize revenue when title passes to the customer. For domestic coal sales, this generally occurs when coal is loaded into rail cars at the mine. For export coal sales, this generally occurs when coal is loaded into the vessels at the terminal.

Asia Pacific Iron Ore

Sales revenue is recognized at the free on board, or F.O.B., point, which is generally when the product is loaded into the vessel. Foreign currency revenues are converted to Australian dollars at the currency exchange rate in effect at the time of the transaction.

Our Asia Pacific operations receive funds in United States currency for their iron ore and coal sales. We use forward exchange contracts, call options, collar options and convertible collar options to hedge our foreign currency exposure for a portion of our sales receipts. United States currency is converted to Australian dollars at the currency exchange rate in effect at the time of the transaction. The primary objective for the use of these instruments is to reduce exposure to changes in Australian and United States currency exchange rates and to protect against undue adverse movement in these exchange rates. Effective July 1, 2008, we discontinued hedge accounting for these derivatives, but continue to hold these instruments as economic hedges to manage currency risk. At December 31, 2008, we had approximately $869.0 million of outstanding exchange rate contracts in the form of call options, collar options, convertible collar options and forward exchange contracts with varying maturity dates ranging from January 2009 to August 2011.

Upon de-designation of these cash flow hedges, the instruments are prospectively marked to fair value each reporting period through *Changes in fair value of derivative instruments, net* on the Statements of Consolidated Operations. In 2008 the mark-to-market adjustments resulted in a net unrealized loss of $188.2 million, based on a spot rate of 0.69 at December 31, 2008. The amounts that were previously recorded as a component of *Other comprehensive income* are reclassified to earnings and a corresponding realized gain or loss is recognized upon settlement of the related contracts. Since the July 1, 2008 date of de-designation, we reclassified a $25.0 million gain out of *Accumulated other comprehensive loss* related to contracts that settled during the period, which was recorded as *Product revenues* on the Statements of Consolidated Operations for the year ended December 31, 2008. In 2008, 2007 and 2006, ineffectiveness resulting in an $8.6 million loss, a $17.0 million loss, and a $2.7 million gain, respectively, was recorded in *Miscellaneous — net* on the Statements of Consolidated Operations. As of December 31, 2008, approximately $19.0 million of gains remains in *Accumulated other comprehensive loss* related to the effective cash flow hedge contracts prior to de-designation. Of this amount, we estimate $14.9 million will be reclassified to *Product revenues* in the next 12 months upon settlement of the related contracts.

Certain supply agreements primarily with our Asia Pacific customers provide for revenue or refunds based on the ultimate settlement of annual international benchmark pricing provisions. The pricing provisions are characterized as freestanding derivatives and are required to be accounted for separately once iron ore is shipped. The derivative instrument, which is settled and billed once the annual international benchmark price is settled, is marked to fair value as a revenue adjustment each reporting period based upon the estimated forward settlement until the benchmark is actually settled.

In the fourth quarter of 2008, we negotiated additional sales with certain of our Asia Pacific Iron Ore customers who had previously fulfilled their 2008 purchase commitments under current year contracts and required additional tonnage. In response to the economic downturn and its impact on the global steel industry, we agreed that the provisional pricing for these shipments would be at a discount to 2008 benchmark prices to reflect the decline in steel demand and prices, with final pricing being based upon 2009 benchmark prices once they are settled. The discount pricing provisions are characterized as freestanding derivatives and are required to be accounted for separately once the iron ore is shipped. The derivative instrument, which is settled and billed once the 2009 international benchmark price is settled, is marked to fair value as a revenue adjustment each reporting period based upon the estimated forward settlement until the benchmark is actually settled. We recognized approximately $34.3 million as *Product revenues* on the Statement of Consolidated Operations for the year ended December 31, 2008, related to the shipment of approximately 0.4 million tonnes under these pricing provisions.

As of December 31, 2008, the 2009 international benchmark prices have not yet settled. Therefore, the derivative instrument was marked to fair value at December 31, 2008 resulting in a $7.7 million reduction in *Product revenues* on the Statement of Consolidated Operations in 2008.

Refer to NOTE 1 — BUSINESS SUMMARY AND SIGNIFICANT ACCOUNTING POLICIES, for further information regarding our revenue recognition policy.

Litigation Accruals

We are subject to proceedings, lawsuits and other claims. We are required to assess the likelihood of any adverse judgments or outcomes to these matters as well as the potential ranges of probable losses. A determination of the amount of accrual required, if any, for these contingencies is made after careful analysis of each matter. The required accrual may change in the future due to new developments in each matter or changes in approach, such as a change in settlement strategy in dealing with these matters. We do not believe that any such matter will have a material adverse effect on our financial condition or results of operations.

Income Taxes

Contingencies

Domestic and foreign tax authorities periodically audit our income tax returns. These audits include questions regarding our tax-filing positions, including the timing and amount of deductions and allocation of income among various tax jurisdictions. At any time, multiple tax years are subject to audit by the various tax authorities. In evaluating the exposures associated with our various tax-filing positions, we record reserves for exposures where a position taken has not met a more-likely-than-not threshold. A number of years may elapse before a particular matter, for which we have established a reserve, is audited and fully resolved. When facts change or the actual results of a settlement with tax authorities differs from our established reserve for a matter, we adjust our tax contingencies reserve and income tax provision in the period in which the facts changed or the income tax matter is resolved.

Prior to 2007, we recorded estimated tax liabilities to the extent they were probable and could be reasonably estimated. On January 1, 2007, we adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (“FIN 48”). The effects of applying this Interpretation resulted in a decrease of $7.7 million to retained earnings as of January 1, 2007. FIN 48 prescribes a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken (or expected to be taken in a tax return). This Interpretation also provides guidance on derecognition of income tax assets and liabilities, accounting for interest and penalties associated with tax positions, accounting for income taxes in interim periods and income tax disclosures.

Valuation Allowance

At December 31, 2008, we had a valuation allowance of $17.6 million against our deferred tax assets. In determining the valuation allowance, we assess both negative and positive evidence when measuring the need for a valuation allowance. Evidence, such as operating results during the most recent three-year period, is given more weight than our expectations of future profitability, which are inherently uncertain. Our losses in certain foreign locations in recent periods represented sufficient negative evidence to require a full valuation allowance against certain of our foreign deferred tax assets. We intend to maintain a valuation allowance against our net deferred tax assets until sufficient positive evidence exists to support the realization of such assets.

Mineral Reserves

We regularly evaluate our economic mineral reserves and update them as required in accordance with SEC Industry Guide 7. The estimated mineral reserves could be affected by future industry conditions, geological conditions and ongoing mine planning. Maintenance of effective production capacity or the mineral reserve could require increases in capital and development expenditures. Generally as mining operations progress, haul lengths and lifts increase. Alternatively, changes in economic conditions, or the expected quality of ore reserves could decrease capacity or ore reserves. Technological progress could alleviate such factors, or increase capacity or ore reserves.

We use our mineral reserve estimates combined with our estimated annual production levels, to determine the mine closure dates utilized in recording the fair value liability for asset retirement obligations. Refer to NOTE 7 — ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS, for further information. Since the liability represents the present value of the expected future obligation, a significant change in mineral reserves or mine lives would have a substantial effect on the recorded obligation. We also utilize economic mineral reserves for evaluating potential impairments of mine assets and in determining maximum useful lives utilized to calculate depreciation and amortization of long-lived mine assets. Decreases in mineral reserves or mine lives could significantly affect these items.

Asset Retirement Obligations

The accrued mine closure obligations for our active mining operations provide for contractual and legal obligations associated with the eventual closure of the mining operations. Our obligations are determined based on detailed estimates adjusted for factors that a market participant would consider (i.e., inflation, overhead and profit), which are escalated at an assumed rate of inflation to the estimated closure dates, and then discounted using the current credit-adjusted risk-free interest rate. The estimate also incorporates incremental increases in the closure cost estimates and changes in estimates of mine lives. The closure date for each location is determined based on the exhaustion date of the remaining iron ore reserves. The estimated obligations are particularly sensitive to the impact of changes in mine lives given the difference between the inflation and discount rates. Changes in the base estimates of legal and contractual closure costs due to changes in legal or contractual requirements, available technology, inflation, overhead or profit rates would also have a significant impact on the recorded obligations. Refer to NOTE 7 — ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS, for further information.

Asset Impairment

In assessing the recoverability of our long-lived assets, significant assumptions regarding the estimated future cash flows and other factors to determine the fair value of the respective assets must be made, as well as the related estimated useful lives. If these estimates or their related assumptions change in the future as a result of changes in strategy or market conditions, we may be required to record impairment charges for these assets in the period such determination was made.

We monitor conditions that indicate that the carrying value of an asset or asset group may be impaired. We determine impairment based on the asset's ability to generate cash flow greater than its carrying value, utilizing an undiscounted probability-weighted analysis. If the analysis indicates the asset is impaired, the carrying value is adjusted to fair value. Fair value can be determined using a market approach, income approach or cost approach. The impairment analysis and fair value determination can result in substantially different outcomes based on critical assumptions and estimates including the quantity and quality of remaining economic ore reserves, future iron ore prices and production costs. Refer to NOTE 1 — BUSINESS SUMMARY AND SIGNIFICANT ACCOUNTING POLICIES, for further information regarding our policy on asset impairment.

Environmental Remediation Costs

We have a formal policy for environmental protection and restoration. Our obligations for known environmental problems at active and closed mining operations and other sites have been recognized based on estimates of the cost of investigation and remediation at each site. If the estimate can only be estimated as a range of possible amounts, with no specific amount being more likely, the minimum of the range is accrued. Management reviews its environmental remediation sites quarterly to determine if additional cost adjustments or disclosures are required. The characteristics of environmental remediation obligations, where information concerning the nature and extent of clean-up activities is not immediately available, and which are subject to changes in regulatory requirements, result in a significant risk of increase to the obligations as they mature. Expected future expenditures are not discounted to present value unless the amount and timing of the cash disbursements can be reasonably estimated. Potential insurance recoveries are not recognized until realized.

Employee Retirement Benefit Obligations

We, along with our North American Iron Ore mining ventures, sponsor defined benefit pension plans covering substantially all North American employees. These plans are largely noncontributory, and benefits are generally based on employees' years of service and average earnings for a defined period prior to retirement. We do not provide OPEB for most U.S. salaried employees hired after January 1, 1993.

Pursuant to a 2003 asset purchase agreement with the previous owner, PinnOak assumed postretirement benefits for certain employees who will vest more than five years after the asset purchase date of June 30, 2003. Postretirement benefits for vested employees and those that will vest within the five-year period subsequent to the acquisition date remain obligations of the previous owner. PinnOak records a provision for estimated postretirement benefits for employees not covered by the asset purchase agreement with the former owner based upon annual valuations.

Portman does not have employee retirement benefit obligations.

On September 12, 2006, our Board of Directors approved modifications to the pension benefits provided to salaried participants. The modifications retroactively reinstated the final average pay benefit formula (previously terminated and replaced with a cash balance formula in July 2003) to allow for additional accruals through June 30, 2008 or the continuation of benefits under an improved cash balance formula, whichever is greater. The change increased the projected benefit obligation, or PBO, by $15.1 million and pension expense by $1.1 million in 2006. 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. The changes enhanced the minimum pension formula by increasing the benefit dollar multipliers and renewed the lump sum special payments for certain employees retiring in the near future. The changes also included renewal of payments to surviving spouses of certain retirees. The result of the changes is an increase of $5.6 million in PBO and $1.8 million in 2008 pension expense.

Following is a summary of our defined benefit pension and OPEB funding and expense for the years 2006 through 2009:

	(In Millions)			
	Pension		OPEB	
	Funding	Expense	Funding	Expense
2006	40.7	23.0	30.4	9.8
2007	32.5	17.4	23.0	4.5
2008	24.9	20.3	19.7	8.6
2009 (Estimated)	32.1	48.3	35.3	23.2

Assumptions used in determining the benefit obligations and the value of plan assets for defined benefit pension plans and postretirement benefit plans (primarily retiree healthcare benefits) offered by the Company are evaluated periodically by management. Critical assumptions, such as the discount rate used to measure the benefit obligations, the expected long-term rate of return on plan assets, the medical care cost trend, and the rate of compensation increase are reviewed annually. Our 2008 discount rate of 6.00 percent remained consistent with 2007. We assumed a compensation increase of 4.0 percent in 2008 to determine both our pension and OPEB obligations. This compares with a rate of compensation increase of 4.13 percent for pension and 4.50 percent for OPEB in 2007. Additionally, on December 31, 2008, we adopted the IRS 2009 prescribed mortality tables (separate pre-retirement and postretirement) to determine the expected life of our plan participants, replacing the IRS static 2023/2015 tables. Following are sensitivities on estimated 2009 pension and OPEB expense of potential further changes in these key assumptions:

	Increase in 2009 Expense (In Millions)	
	Pension	OPEB
Decrease discount rate .25 percent	$ 1.3	$ 0.8
Decrease return on assets 1 percent	4.4	1.1
Increase medical trend rate 1 percent	N/A	5.6

Changes in actuarial assumptions, including discount rates, employee retirement rates, mortality, compensation levels, plan asset investment performance, and healthcare costs, are determined by the Company based on analyses of actual and expected factors. Changes in actuarial assumptions and/or investment performance of plan assets can have a significant impact on our financial condition due to the magnitude of our retirement obligations. Refer to NOTE 9 — PENSIONS AND OTHER POSTRETIREMENT BENEFITS in Item 8 for further information.

Accounting for Business Combinations

In June 2008, we acquired an additional 4.8 percent interest in Portman through a share repurchase program offered by Portman, in which we did not participate. We subsequently made an off-market offer to purchase the outstanding shares and proceeded with a compulsory acquisition of the remaining shares to obtain full ownership of Portman in the fourth quarter of 2008. In addition, effective July 1, 2008, we acquired the remaining 30 percent interest in United Taconite. Upon consummation of the purchase, our ownership interest increased from 70 percent to 100 percent. Each of these transactions constituted a step acquisition of a non-controlling interest. In accordance with SFAS 141, *Business Combinations,* we accounted for the acquisition of the minority interests by the purchase method. As a result of each step acquisition, the then historical cost basis of the minority interest balance was reduced to the extent of the percentage interest sold, and the increased ownership obtained was accounted for by increasing the entity's basis from historical cost to fair value for the portion of the assets acquired and liabilities assumed based on the additional ownership acquired.

We are in the process of conducting a valuation of the assets acquired and liabilities assumed related to each of the acquisitions, most notably, property, plant and equipment, mineral reserves, inventory and sales contracts, and the final allocation will be made when completed. Accordingly, allocation of the purchase price is preliminary and subject to modification in the future. In estimating the fair value of the assets acquired and liabilities assumed, we consider information obtained during our due diligence process and utilize various valuation methods, including a market approach, income approach or cost approach. Depending on the approach used, the valuation is performed based upon market prices, where available, the present value of estimated future cash flows, or comparisons to transactions for similar assets and liabilities. We are required to make subjective estimates in connection with these valuations and allocations.

Forward-Looking Statements

This report contains statements that constitute "forward-looking statements." These forward-looking statements may be identified by the use of predictive, future-tense or forward-looking terminology, such as "believes," "anticipates," "expects," "estimates," "intends," "may," "will" or similar terms. These statements speak only as of the date of this report, and we undertake no ongoing obligation, other than that imposed by law, to update these statements. These statements appear in a number of places in this report and include statements regarding our intent, belief or current expectations of our directors or our officers with respect to, among other things:

- trends affecting our financial condition, results of operations or future prospects;
- uncertainty relating to contractual disputes with any of our customers;
- estimates of our economic iron ore and coal reserves;
- uncertainties relating to our ability to identify and consummate any strategic investments;
- adverse changes in currency values;
- uncertainties relating to contractual disputes with any of our significant energy, material or service providers;
- the success of cost-savings efforts;
- our business and growth strategies;
- our financing plans and forecasts;

- labor relations;
- uncertainties associated with unanticipated geological conditions related to underground mining; and
- the potential existence of significant deficiencies or material weaknesses in internal controls over financial reporting that may be identified during the performance of testing under Section 404 of the Sarbanes-Oxley Act of 2002.

You are cautioned that any such forward-looking statements are not guarantees of future performance and involve significant risks and uncertainties, and that actual results may differ materially from those contained in the forward-looking statements as a result of various factors, some of which are unknown. For additional factors affecting the business of Cliffs Natural Resources Inc., see Item 1A. *Risk Factors.*

You are urged to carefully consider these risk factors. All forward-looking statements attributable to us are expressly qualified in their entirety by the foregoing cautionary statements.

Item 7A. ***Quantitative and Qualitative Disclosures About Market Risk.***

Information regarding our Market Risk is presented under the caption *Market Risk*, which is included in Item 7 and is incorporated by reference and made a part hereof.

[...]

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.***

None.

Item 9A. ***Controls and Procedures*.**

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure based solely on the definition of "disclosure controls and procedures" in Rule 13a-15(e) promulgated under the Exchange Act. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of the end of the period covered by this report, we carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

Management's Report on Internal Controls Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined under Rule 13a-15(f) promulgated under the *Securities Exchange Act of 1934*, as amended.

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's consolidated financial statements for external purposes in accordance with generally accepted accounting principles.

Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit the preparation of the consolidated financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with appropriate authorizations of management and directors of the Company, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management conducted an assessment of the Company's internal control over financial reporting as of December 31, 2008 using the framework specified in *Internal Control — Integrated Framework*, published by the Committee of Sponsoring Organizations of the Treadway Commission. Based on such assessment, management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2008.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2008 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report that appears herein.

February 26, 2009

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the *Securities Exchange Act of 1934*, as amended, during the quarter ended December 31, 2008 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. ***Other Information*.**

None.

PART III

Item 10. ***Directors, Executive Officers and Corporate Governance.***

The information required to be furnished by this Item will be set forth in our definitive Proxy Statement to Security Holders under the headings "Information Concerning Directors and Nominees", "Section 16(a) Beneficial Ownership Reporting and Compliance", "Business Ethics Policy", "Board of Directors and Board Committees — Audit Committee", and "Agreements and Transactions" and is incorporated herein by reference and made a part hereof from the Proxy Statement. The information regarding executive officers required by this Item is set forth in Part I hereof under the heading "Executive Officers of the Registrant", which information is incorporated herein by reference and made a part hereof.

Item 11. ***Executive Compensation.***

The information required to be furnished by this Item will be set forth in our definitive Proxy Statement to Security Holders under the headings "Executive Compensation", "Directors' Compensation", "Compensation Committee Interlocks and Insider Participation" and "Compensation Committee Report" and is incorporated herein by reference and made a part hereof from the Proxy Statement.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.***

EQUITY COMPENSATION PLAN INFORMATION

The table below sets forth certain information regarding the following equity compensation plans as of December 31, 2008: the 1992 ICE Plan, the 2007 ICE Plan, the MPI Plan, the EMPI Plan and the Mine Performance Bonus Plan, which we refer to as the Mine Plan, the VNQDC Plan and the Directors' Plan. Only the 1992 ICE Plan, the 2007 ICE Plan, the Directors' Plan and the EMPI Plan have been approved by shareholders.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column(a)) (c)
Equity compensation plans approved by security holders	684,405(1)	$ 5.42	5,814,735(2)
Equity compensation plans not approved by security holders	0	N/A	(3)

(1) Includes 681,905 performance share awards, an award initially denominated in shares, but no shares are actually issued until performance targets are met. The weighted-average exercise price of outstanding options, warrants and rights, column (b), does not take these awards into account.

(2) Includes 3,042,737 common shares remaining available under the 2007 ICE Plan, which authorizes the Compensation Committee to make awards of option rights, restricted shares, deferred shares, performance shares and performance units (including up to 315,684 restricted shares and deferred shares); and 151,263 common shares remaining available under the Directors' Plan, which authorizes the award of restricted shares, which we refer to as the annual equity grant, to Directors upon their election or re-election to the Board at the annual meeting and provides (i) that the Directors are required to take $20,000 of the annual retainer in common shares unless they meet the Director share ownership guidelines, and (ii) may take up to 100 percent of their retainer and other fees in common shares.

(3) The MPI Plan, the Mine Plan, and the VNQDC Plan provide for the issuance of common shares, but do not provide for a specific amount available under the plans. Descriptions of those plans are set forth below.

MPI Plan

The Management Performance Incentive Plan, known as the MPI Plan, provides an opportunity for elected officers and other management employees to earn annual cash bonuses. Bonuses may also be paid in common shares. Certain participants in the MPI Plan may elect to defer all or a portion of such bonus into the VNQDC Plan. Each year the participants under the MPI Plan must make their cash bonus deferral election by December 31 of the year prior to the year in which the bonus is earned. A further election to exchange this bonus into shares may be made before payment of the bonus at a time selected by the Chief Executive Officer. We refer to these exchanged shares as bonus exchange shares. These participants may also elect at this time to have dividends credited with respect to the bonus exchange shares, either credited in additional deferred common shares, deferred in cash or paid out in cash in an in-service compensation distribution. In order to encourage elections to be credited with deferred common shares, the participants in the MPI Plan, who elect to have their cash bonuses credited to an account with bonus exchange shares, will be credited with restricted deferred common shares in the amount of 25 percent of the bonus exchange shares, which we refer to as bonus match shares. These participants must comply with the employment and non-distribution requirements for the bonus exchange shares during a five-year period for the bonus match shares to become vested and nonforfeitable.

Mine Plan

The Mine Plan provides an opportunity for senior mine managers to earn cash bonuses. Bonuses earned under the Mine Plan are determined and paid quarterly to the participants. Certain participants may elect to defer all or part of their quarterly cash bonuses under the VNQDC Plan. Participants in the Mine Plan may further elect to have his or her deferred cash bonus credited to an account with deferred common shares. Each year participants under the Mine Plan must make their bonus exchange shares election (for the four quarters of that year). Such elections must be made by December 31 of the year prior to the year in which the quarterly bonuses are earned. As with the participants electing bonus exchange shares under the MPI Plan, participants under the Mine Plan electing bonus exchange shares will receive or be credited with restricted bonus match shares in an amount of 25 percent of the bonus exchange shares with the same five-year vesting period.

VNQDC Plan

The VNQDC Plan was originally adopted by the Board of Directors to provide certain key management and highly compensated employees of ours or our selected affiliates with the opportunity to defer receipt of a portion of their regular compensation in order to defer taxation of these amounts. The VNQDC Plan also permits deferral of bonus awards under the MPI Plan, the EMPI Plan, the Mine Plan, and Performance Shares (awarded under the 1992 ICE Plan and 2007 ICE Plan). In addition, the VNQDC Plan contains the Management Share Acquisition Program, or (“MSAP”), whose purpose is to provide designated management employees with the opportunity to acquire deferred interests in common shares through deferral of their bonuses. The VNQDC Plan also contains the Officer Share Acquisition Program, or (“OSAP”), which permits elected officers who have not met the requirements of our Share Ownership Guidelines, to acquire deferred interests in common shares with compensation previously deferred in cash under the VNQDC Plan. When participants in the MPI Plan, the Mine Plan or the MSAP or OSAP elect to have accounts credited with deferred common shares under the VNQDC Plan, they receive a match equal to 25 percent of the value of the deferred common shares that is credited by us to the accounts of participants.

Item 13. ***Certain Relationships and Related Transactions, and Director Independence.***

The information required to be furnished by this Item will be set forth in our definitive Proxy Statement to Security Holders under the heading “Director Independence” and is incorporated herein by reference and made a part hereof from the Proxy Statement.

Item 14. ***Principal Accountant Fees and Services.***

The information required to be furnished by this Item will be set forth in our definitive Proxy Statement to Security Holders under the heading “Ratification of Independent Registered Public Accounting Firm” and is incorporated herein by reference and made a part hereof from the Proxy Statement.

PART IV

Item 15. ***Exhibits, Financial Statement Schedules and Reports on Form 8-K.***

[…]

List of Exhibits — Refer to Exhibit Index on page 167, which is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CLIFFS NATURAL RESOURCES INC.

By: /s/ LAURIE BRLAS
Name: Laurie Brlas
Title: Executive Vice President and Chief Financial Officer

Date: February 26, 2009

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ J. CARRABBA J. Carrabba	Chairman, President and Chief Executive Officer and Director (Principal Executive Officer)	February 26, 2009
/s/ L. BRLAS L. Brlas	Executive Vice President and Chief Financial Officer (Principal Financial Officer) (Principal Accounting Officer)	February 26, 2009
* R. C. Cambre	Director	February 26, 2009
* S. M. Cunningham	Director	February 26, 2009
* B. J. Eldridge	Director	February 26, 2009
* S. Green	Director	February 26, 2009
* J. D. Ireland, III	Director	February 26, 2009
* F. R. McAllister	Director	February 26, 2009
* R. Phillips	Director	February 26, 2009
* R. K. Riederer	Director	February 26, 2009
* A. Schwartz	Director	February 26, 2009

* The undersigned, by signing his name hereto, does sign and execute this Annual Report on Form 10-K pursuant to a Power of Attorney executed on behalf of the above-indicated officers and directors of the registrant and filed herewith as Exhibit 24 on behalf of the registrant.

By: /s/ L. Brlas
(L. Brlas, as Attorney-in-Fact)

EXHIBIT INDEX

All documents referenced below were filed pursuant to the Securities Exchange Act of 1934 by Cliffs Natural Resources Inc., file number 1-09844, unless otherwise indicated.

Exhibit Number		Pagination by Sequential Numbering System
	[…]	
21	Subsidiaries of the registrant	Filed Herewith
	[…]	
31(a)	Certification Pursuant to 15 U.S.C. Section 7241, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, signed and dated by Joseph A. Carrabba as of February 26, 2009	Filed Herewith
31(b)	Certification Pursuant to 15 U.S.C. Section 7241, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, signed and dated by Laurie Brlas as of February 26, 2009	Filed Herewith
32(a)	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed and dated by Joseph A. Carrabba, President and Chief Executive Officer of Cliffs Natural Resources Inc., as of February 26, 2009	Filed Herewith
32(b)	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed and dated by Laurie Brlas, Executive Vice President, Chief Financial Officer of Cliffs Natural Resources Inc., as of February 26, 2009	Filed Herewith
	[…]	

Exhibit 21

CLIFFS NATURAL RESOURCES INC. AND SUBSIDIARIES
As of February 15, 2009

Name	Cliffs' Effective Ownership	Place of Incorporation
Cliffs Natural Resources Inc.		Ohio, USA
Anglo Ferrous Amapá Mineração Ltda.	30%	Brazil
Anglo Ferrous Logística Amapá Ltda.	30%	Brazil
Arnaud Railway Company	26.830%	Quebec, Canada
AusQuest Limited	30%	WA Australia
Beard Pinnacle, LLC	100%	Oklahoma, USA
CALipso Sales Company	82.395%	Delaware, USA
Centennial Asset Participações Amapá S.A.	100%	Brazil
Cleveland-Cliffs International Holding Company	100%	Delaware, USA
Cleveland-Cliffs Ore Corporation	100%	Ohio, USA
CLF PinnOak LLC	100%	Delaware, USA
Cliffs (Gibraltar) Holdings Limited	100%	Gibraltar
Cliffs (Gibraltar) Holdings Limited Luxembourg S.C.S.	100%	Luxembourg
Cliffs (Gibraltar) Limited	100%	Gibraltar
Cliffs (Gibraltar) Mather I Limited	100%	Gibraltar
Cliffs (Gibraltar) Mather II Limited	100%	Gibraltar
Cliffs (Gibraltar) Mather III Limited	100%	Gibraltar
Cliffs (US) Mather I LLC	100%	Delaware, USA
Cliffs and Associates Limited	82.395%	Trinidad
Cliffs Asia Pacific Iron Ore Finance Pty Ltd	100%	WA Australia
Cliffs Asia Pacific Iron Ore Holdings Pty Ltd (fka Portman Limited)	100%	SA Australia
Cliffs Asia Pacific Iron Ore Investments Pty Ltd	100%	QLD Australia
Cliffs Asia Pacific Iron Ore Management Pty Ltd	100%	NSW Australia
Cliffs Asia Pacific Iron Ore Pty Ltd (fka Portman Iron Ore Limited)	100%	NSW Australia
Cliffs Australia Coal Pty Ltd	100%	QLD Australia
Cliffs Australia Holdings Pty Ltd	100%	QLD Australia
Cliffs Australia Washplant Operations Pty Ltd	100%	QLD Australia
Cliffs Biwabik Ore Corporation	100%	Minnesota, USA
Cliffs Brown B.V.	100%	The Netherlands
Cliffs Empire, Inc.	100%	Michigan, USA
Cliffs Erie L.L.C.	100%	Delaware, USA
Cliffs Exploraciones Peru S.A.C.	100%	Peru
Cliffs Greene B.V.	100%	The Netherlands
Cliffs Harrison B.V.	100%	The Netherlands
Cliffs International Lux I S.à r.l.	100%	Luxembourg
Cliffs International Lux II S.à r.l.	100%	Luxembourg
Cliffs International Lux IV S.à r.l. (In Liquidation)	100%	Luxembourg
Cliffs International Luxembourg S.à r.l.	100%	Luxembourg
Cliffs International Management Company LLC	100%	Delaware, USA
Cliffs International Mineração Brasil Ltda.	100%	Brazil
Cliffs International Participações Brasil Ltda.	100%	Brazil
Cliffs Marquette, Inc.	100%	Michigan, USA
Cliffs Merger Sub, Inc.	100%	Delaware, USA
Cliffs Minera Peru S.A.C.	100%	Peru
Cliffs Mineração S.A.	100%	Brazil
Cliffs Mining Company (fka Pickands Mather & Co.)	100%	Delaware, USA

EXHIBIT I - EXCERPTS FROM ANNUAL REPORT ON FORM 10-K

Name	Cliffs' Effective Ownership	Place of Incorporation
Cliffs Mining Services Company	100%	Delaware, USA
Cliffs Minnesota Mining Company	100%	Delaware, USA
Cliffs Natural Gas Company	100%	Delaware, USA
Cliffs Natural Resources Holdings Pty Ltd	100%	WA Australia
Cliffs Natural Resources Luxembourg S.à r.l.	100%	Luxembourg
Cliffs Natural Resources Pty Ltd (fka Cliffs Asia-Pacific Pty Limited)	100%	WA Australia
Cliffs Netherlands B.V.	100%	The Netherlands
Cliffs North American Coal LLC (fka PinnOak Resources, LLC)	100%	Delaware, USA
Cliffs Oil Shale Corp.	100%	Colorado, USA
Cliffs Reduced Iron Corporation	100%	Delaware, USA
Cliffs Reduced Iron Management Company	100%	Delaware, USA
Cliffs Renewable Energies LLC	100%	Delaware, USA
Cliffs Sales Company (fka Northshore Sales Company)	100%	Ohio, USA
Cliffs Scovil B.V.	100%	The Netherlands
Cliffs Sterling B.V.	100%	The Netherlands
Cliffs Technical Products LLC	100%	Delaware, USA
Cliffs TIOP, Inc. (fka Cliffs MC Empire, Inc.)	100%	Michigan, USA
Cliffs UTAC Holding LLC	100%	Delaware, USA
Cockatoo Island Holdings Pty Ltd	100%	NSW Australia
Cockatoo Island Project	50%	SA Australia
Empire Iron Mining Partnership	79%	Michigan, USA
Esperance Iron Limited	100%	WA Australia
Golden West Resources Limited	16.960%	WA Australia
Hibbing Development Company	39%	Minnesota, USA
Hibbing Taconite Company	23%	Minnesota, USA
Huincho Peru SRL	51%	Peru
IronUnits LLC	100%	Delaware, USA
Knoll Lake Minerals Limited	15.632%	Canada
Koolyanobbing Iron Pty Ltd	100%	WA Australia
Lake Superior & Ishpeming Railroad Company	100%	Michigan, USA
MABCO Steam Company, LLC	40.467%	Delaware, USA
Marquette Iron Mining Partnership	100%	Michigan, USA
Marquette Range Coal Service Company	82.086%	Michigan, USA
Michigan Iron Nugget LLC	50%	Delaware, USA
Midway Ore Company Ltd. — Minerais Midway Ltee	100%	Quebec, Canada
Northern Conservation, LLC	100%	Minnesota, USA
Northern Land Company Limited	13.410%	Newfoundland, Canada
Northshore Mining Company	100%	Delaware, USA
Oak Grove Land Company, LLC	100%	Delaware, USA
Oak Grove Resources, LLC	100%	Delaware, USA
Pelsoil Limited	100%	Australia
Pickands Hibbing Corporation	100%	Minnesota, USA
Pinnacle Land Company, LLC	100%	Delaware, USA
Pinnacle Mining Company, LLC	100%	Delaware, USA
PinnOak Coal Sales, LLC	100%	Delaware, USA
Portman Coal Investments Pty Ltd	100%	WA Australia
Portman Mining Limited	100%	NA Australia
Renewafuel, LLC	70%	Minnesota, USA
Republic Wetlands Preserve LLC	100%	Michigan, USA
Seignelay Resources, Inc. (fka Angola Services Corporation)	100%	Delaware, USA

EXHIBIT I - EXCERPTS FROM ANNUAL REPORT ON FORM 10-K

Name	Cliffs' Effective Ownership	Place of Incorporation
Silver Bay Power Company	100%	Delaware, USA
Sonoma Coal Project	8.333%	QLD Australia
Sonoma Mine Management Pty Ltd	45%	QLD Australia
Syracuse Mining Company	100%	Minnesota, USA
The Cleveland-Cliffs Iron Company	100%	Ohio, USA
The Cleveland-Cliffs Steamship Company	100%	Delaware, USA
Tilden Mining Company L.C.	85%	Michigan, USA
Twin Falls Power Corporation Limited	6.866%	Canada
United Taconite LLC	100%	Delaware, USA
Wabush Iron Co. Limited	100%	Ohio, USA
Wabush Lake Railway Company, Limited	26.830%	Newfoundland, Canada
Wabush Mines	26.830%	Newfoundland, Canada

Exhibit 31(a)

CERTIFICATION

I, Joseph A. Carrabba, certify that:

1. I have reviewed this annual report on Form 10-K of Cliffs Natural Resources Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 26, 2009

By: **/s/ Joseph A. Carrabba**
Joseph A. Carrabba
Chairman, President and Chief Executive Officer

Exhibit 31(b)

CERTIFICATION

I, Laurie Brlas, certify that:

1. I have reviewed this annual report on Form 10-K of Cliffs Natural Resources Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 26, 2009

By: **/s/ Laurie Brlas**
Laurie Brlas
Executive Vice President and
Chief Financial Officer

Exhibit 32(a)

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Cliffs Natural Resources Inc. (the "Company") on Form 10-K for the year ended December 31, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-K"), I, Joseph A. Carrabba, Chairman, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

(1) The Form 10-K fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) The information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Form 10-K.

Date: February 26, 2009

By: **/s/ Joseph A. Carrabba**
Joseph A. Carrabba
Chairman, President and Chief Executive Officer

Exhibit 32(b)

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Cliffs Natural Resources Inc. (the "Company") on Form 10-K for the year ended December 31, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-K"), I, Laurie Brlas, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

(1) The Form 10-K fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) The information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Form 10-K.

Date: February 26, 2009

By: **/s/ Laurie Brlas**
Laurie Brlas
Executive Vice President and
Chief Financial Officer

EXHIBIT II

DEFINITIVE PROXY STATEMENT ON SCHEDULE 14A,
FILED BY CLIFFS NATURAL RESOURCES INC. WITH THE SEC ON MARCH 23, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

SCHEDULE 14A
(RULE 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES EXCHANGE ACT OF 1934

Filed by the Registrant ☑ Filed by a Party other than the Registrant ☐

Check the appropriate box:

☐ Preliminary Proxy Statement

☐ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

☑ Definitive Proxy Statement

☐ Definitive Additional Materials

☐ Soliciting Material Pursuant to Section 240.14a-12

CLIFFS NATURAL RESOURCES INC.
(Name of Registrant as Specified In Its Charter)

_____

(Name of Person(s) Filing Proxy Statement if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

☑ No fee required.

☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

_____

(2) Aggregate number of securities to which transaction applies:

_____

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

_____

(4) Proposed maximum aggregate value of transaction:

_____

(5) Total fee paid:

☐ Fee paid previously with preliminary materials.

☐ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

---

(2) Form, Schedule or Registration Statement No.:

---

(3) Filing Party:

---

(4) Date Filed:

EXHIBIT II - DEFINITIVE PROXY STATEMENT ON SCHEDULE 14A

CLIFFS NATURAL RESOURCES INC.
200 Public Square, Suite 3300, Cleveland, OH 44114
P 216.694.5700 cliffsnaturalresources.com

March 26, 2009

To the Shareholders of
CLIFFS NATURAL RESOURCES INC.

Our Annual Meeting of Shareholders will be held on the 41st floor of 200 Public Square, Cleveland, Ohio 44114-2315 on Tuesday, May 12, 2009 at 11:00 A.M. (Cleveland time), which we refer to as our 2009 Annual Meeting.

At the 2009 Annual Meeting, shareholders will act upon proposals to elect Directors and ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm. An explanation of each of these matters is contained in the attached proxy statement and accompanying proxy card, first being mailed or otherwise distributed to shareholders on or about March 26, 2009.

The Board of Directors and management believe that the proposed actions are in the best interests of Cliffs Natural Resources Inc. We urge you to exercise your voting rights by signing and dating the enclosed proxy card and returning it in the accompanying envelope to ensure that your shares will be represented whether or not you expect to be present at the 2009 Annual Meeting. In addition, record shareholders have the opportunity to appoint proxies to vote their shares over the Internet or by toll-free telephone if they wish. Instructions for appointing proxies over the Internet or by telephone are contained on your proxy card. Whichever of these methods you choose, the named proxies will vote your shares in accordance with your instructions. Please note that failure to vote surrenders voting power to those who exercise their voting right. If you attend the meeting, you will be entitled to vote in person.

We look forward to meeting with you at the 2009 Annual Meeting.

Sincerely,

Joseph A. Carrabba
Chairman, President and
Chief Executive Officer

It is important that your shares be represented at the 2009 Annual Meeting. Whether or not you intend to be present, please sign and date the enclosed proxy card and return it in the postage-prepaid envelope provided, which requires no postage if mailed in the United States, or appoint your proxies over the Internet or by telephone as directed on your proxy card.

If your shares are not registered in your own name and you would like to attend the 2009 Annual Meeting, please bring evidence of your share ownership with you. You should be able to obtain evidence of your share ownership from the bank, broker, trustee or other nominee that holds the shares on your behalf.

CLIFFS NATURAL RESOURCES INC.
200 Public Square, Suite 3300, Cleveland, OH 44114
P 216.694.5700 cliffsnaturalresources.com

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

March 26, 2009

Dear Shareholder:

Our Annual Meeting of Shareholders will be held on the 41st floor of 200 Public Square, Cleveland, Ohio 44114-2315 on Tuesday, May 12, 2009 at 11:00 A.M. (Cleveland time), which we refer to as our 2009 Annual Meeting, for the purpose of considering and acting upon the following proposals:

1. To elect ten Directors to hold office until the next Annual Meeting of Shareholders or until their successors are elected;

2. To ratify the appointment of Deloitte & Touche LLP as independent registered public accounting firm to examine our consolidated financial statements for the 2009 fiscal year; and

3. Such other matters as may properly come before the 2009 Annual Meeting and any adjournments or postponements thereof.

Shareholders of record at the close of business on March 16, 2009 are entitled to notice of and to vote at such meeting and any adjournments or postponements thereof.

Very truly yours,

George W. Hawk, Jr.
General Counsel and Secretary

It is important that your shares be represented at the 2009 Annual Meeting. Whether or not you intend to be present, please sign and date the enclosed proxy card and return it in the enclosed postage-prepaid envelope, which requires no postage if mailed in the United States, or appoint your proxies over the Internet or by telephone as directed on your proxy card.

If your shares are not registered in your own name and you would like to attend the 2009 Annual Meeting, please bring evidence of your share ownership with you. You should be able to obtain evidence of your share ownership from the bank, broker, trustee or other nominee that holds the shares on your behalf.

EXHIBIT II - DEFINITIVE PROXY STATEMENT ON SCHEDULE 14A

CLIFFS NATURAL RESOURCES INC.
200 Public Square, Suite 3300, Cleveland, OH 44114
P 216.694.5700 cliffsnaturalresources.com

PROXY STATEMENT

March 26, 2009

SOLICITATION, USE AND REVOCATION OF PROXIES

The accompanying proxy is solicited by our Board of Directors, for use at the Annual Meeting of Shareholders to be held on May 12, 2009, which we will refer to as our 2009 Annual Meeting, and any adjournments or postponements thereof. Any proxy may be revoked by a later proxy, by written notice to our Secretary or in open meeting, without affecting any vote previously taken.

OUTSTANDING SHARES AND VOTING RIGHTS

As of March 16, 2009, the record date for the determination of persons entitled to vote at the 2009 Annual Meeting, there were 113,767,508 common shares, par value $0.125 per share of Cliffs Natural Resources Inc., which we refer to as Common Shares, outstanding. Each Common Share is entitled to one vote in connection with each item to be acted upon at the 2009 Annual Meeting. This proxy statement and accompanying proxy card are being first mailed or otherwise distributed to shareholders on or about March 26, 2009.

Registered Holders. If your shares are registered in your name, you may vote in person or by proxy. If you decide to vote by proxy, you may do so by telephone, over the Internet or by mail.

By telephone. After reading the proxy materials and with your proxy card in front of you, you may call the toll-free number (800) 690-6903, using a touch-tone telephone. You will be prompted to enter your Control Number from your proxy card. This number will identify you as a shareholder of record. Follow the simple instructions that will be given to you to record your vote.

Over the Internet. After reading the proxy materials and with your proxy card in front of you, you may use a computer to access the website www.proxyvote.com. You will be prompted to enter your Control Number from your proxy card. This number will identify you as a shareholder of record. Follow the simple instructions that will be given to you to record your vote.

By mail. After reading the proxy materials, you may mark, sign and date your proxy card and return it in the enclosed prepaid and addressed envelope.

The Internet and telephone voting procedures have been set up for your convenience and have been designed to authenticate your identity, allow you to submit voting instructions and confirm that those instructions have been recorded properly.

Nominee shares. If your shares are held by a bank, broker, trustee, or some other nominee, that entity will provide separate voting instructions.

ELECTION OF DIRECTORS

(Proposal No. 1)

It is intended that proxies received will be voted, unless contrary instructions are given, to elect the ten nominees named in the following table to serve until the next Annual Meeting of Shareholders and until their successors shall be elected.

Should any nominee decline or be unable to accept such nomination to serve as a Director, an event which we do not currently anticipate, the persons named as proxies reserve the right, in their discretion, to vote for a lesser number or for substitute nominees designated by the Directors, to the extent consistent with our Regulations.

We do not have a formal policy regarding director attendance at our Annual Meeting of Shareholders, however, it is expected that all Directors and nominees will attend the 2009 Annual Meeting unless there are extenuating circumstances for nonattendance. All ten Directors currently standing for re-election attended the Annual Meeting of Shareholders held on May 13, 2008.

INFORMATION CONCERNING DIRECTORS AND NOMINEES

Based upon information received from the respective Directors and nominees as of March 16, 2009, the following information is furnished with respect to each person nominated for election as a Director.

Name, Age and Principal Occupation and Employment During Past Five Years	First Became Director
RONALD C. CAMBRE, 70, Former Chairman of the Board of Newmont Mining Corporation, an international mining company, from January 1995 through December 2001. Mr. Cambre also served as Chief Executive Officer of Newmont Mining Corporation, from November 1993 to December 2000. Mr. Cambre is a Director of W. R. Grace & Co. and non executive Chairman and Director of McDermott International, Inc.	1996
JOSEPH A. CARRABBA, 56, Chairman, President and Chief Executive Officer since May 8, 2007 of Cliffs Natural Resources Inc. Mr. Carrabba served as our President and Chief Executive Officer from September 2006 through May 8, 2007 and as our 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., a subsidiary of Rio Tinto plc., from April 2003 to May 2005. Mr. Carrabba is a Director of Newmont Mining Corporation.	2006
SUSAN M. CUNNINGHAM, 53, Senior Vice President of Exploration of Noble Energy Inc., an international oil and gas exploration and production company, since May 2007. Ms. Cunningham served as Senior Vice President of Exploration and Corporate Reserves from October 2005 to May 2007, and Senior Vice President of Exploration from 2001 to 2005 of Noble Energy Inc.	2005
BARRY J. ELDRIDGE, 63, Former Managing Director and Chief Executive Officer of Portman Limited, an international iron ore mining company in Australia, from October 2002 through April 2005. Mr. Eldridge is Director of Mundo Minerals Limited, all of which are listed on the Australian Stock Exchange.	2005

Name, Age and Principal Occupation and Employment During Past Five Years	First Became Director
SUSAN M. GREEN, 49, Deputy General Counsel, U.S. Congressional Office of Compliance since November 2007. Ms. Green served as Aide to Councilmember Nancy Floreen, Montgomery County, Maryland from December 2002 to August 2005. Ms. Green was originally proposed as a nominee for the Board of Directors by the United Steelworkers, or USW, pursuant to the terms of our 2004 labor agreement.	2007
JAMES D. IRELAND III, 59, Chairman and Managing Director since January 1993 of Capital One Partners, Inc., a private equity investment firm, which through an affiliate, serves as the General Partner of Early Stage Partners I and II L.P., two venture capital investment partnerships. Mr. Ireland is a Director of OurPets Co.	1986
FRANCIS R. McALLISTER, 66, Chairman and Chief Executive Officer of Stillwater Mining Company, a palladium and platinum producer, since February 2001. Mr. McAllister is a Director of Stillwater Mining Company.	1996
ROGER PHILLIPS, 69, Former President and Chief Executive Officer of IPSCO Inc., a North American steel producing company, from 1982 through 2002. Mr. Phillips is a Director of Canadian Pacific Railway Company, Canadian Pacific Railway Limited, Imperial Oil Limited and Toronto Dominion Bank.	2002
RICHARD K. RIEDERER, 65, Chief Executive Officer of RKR Asset Management, a consulting organization since June 2006. Mr. Riederer served as Chief Executive Officer from January 1996, and President from January 1995 through February 2001 of Weirton Steel Corporation, a steel producing company. Mr. Riederer is a Director of First American Funds, the Boler Company, NFS International, and Chairman and Director of Idea Foundry. He also serves on the Board of Trustees of Franciscan University of Steubenville.	2002
ALAN SCHWARTZ, 69, Professor of Law at the Yale Law School and Professor at the Yale School of Management since 1987. Mr. Schwartz is also a Director of Furniture Brands International.	1991

The Board of Directors recommends a vote FOR each of the nominees listed above.

DIRECTOR INDEPENDENCE

Our Board of Directors, or Cliffs' Board, has determined that each of the current Directors standing for re-election, other than Mr. Carrabba, which includes current members of the Audit Committee, the Board Affairs Committee and the Compensation and Organization Committee, has no material relationship with Cliffs Natural Resources Inc., or Cliffs, (either directly or as a partner, shareholder or officer of an organization that has a relationship with Cliffs) and is independent within our director independence standards, which reflect exactly the New York Stock Exchange, or NYSE, director independence standards (which are included as Annex A and incorporated herein by reference), as currently in effect and as they may be changed from time to time. In making these determinations, Cliffs' Board considered the relationship described below under "Agreements and Transactions" for Mr. Ireland and determined that the relationship did not impact Mr. Ireland's independence.

Mr. Carrabba is Chairman, President and Chief Executive Officer, or CEO, of Cliffs and as such, is not considered independent. He does not serve as a member of any of Cliffs' Board committees.

Since January 1, 2008, there have been no transactions between Cliffs and any of our independent Directors other than compensation for service as a director as disclosed below.

BOARD OF DIRECTORS AND BOARD COMMITTEES

The members and nominees for Cliffs' Board have diversified professional experience in general management, steel manufacturing, mining, finance, labor, law, education, natural resource reserve exploration, and other fields. There is no family relationship among any of our nominees and executive officers. Nine of the ten nominees have no present or former employment relationship with Cliffs. The average age of the nominees currently serving on Cliffs' Board is 62, ranging from 49 to 70. The average years of service of the nominees currently serving on Cliffs' Board is nine years, ranging from one year to 23 years.

Corporate Governance Guidelines. Our governance process is based on our Corporate Governance Guidelines, which are available on our website at http://www.cliffsnaturalresources.com and also available upon request at general.counsel@cliffsnr.com or (800) 214-0739. During 2008, 20 meetings of Cliffs' Board and 32 meetings of all Cliffs' Board committees were held. Our independent Directors held nine meetings in executive session without the presence of Mr. Carrabba in 2008. Mr. McAllister has served as Lead Director since May 2004. He chaired all of the executive session meetings in 2008. Directors also discharge their responsibilities by review of reports to Directors, visits to our facilities, correspondence with the CEO, and telephone conferences with the CEO and Directors regarding matters of interest and concern to Cliffs. The Directors have Audit, Board Affairs, Compensation and Organization, Finance and Strategic Advisory Committees as well as Ad Hoc committees when needed. All committees regularly report their activities, actions, and recommendations to Cliffs' Board. During 2008, two independent Directors attended at least 86 percent of the meetings, while seven independent Directors attended at least 90 percent of the aggregate total of Cliffs' Board meetings. No Director attended less than 75 percent of Cliffs' Board committee meetings of which they were members.

Audit Committee. The Audit Committee, consisting of Messrs. Riederer (chairman), Eldridge, Ireland, and Ms. Cunningham, reviews with our management, the internal auditors and the independent registered public accounting firm, the adequacy and effectiveness of our system of internal control over financial reporting; reviews significant accounting matters; reviews quarterly unaudited financial information prior to public release; approves the audited financial statements prior to public distribution; approves our assertions related to internal controls prior to public distribution; reviews any significant changes in our accounting principles or financial reporting practices; has the authority and responsibility to evaluate our independent registered accounting firm; discusses with the independent registered accounting firm their independence and considers the compatibility of non-audit services with such independence; annually selects and retains our independent registered accounting firm to examine our financial statements; approves management's appointment, termination, or replacement of the Chief Risk Officer; and conducts a legal compliance review. Pursuant to the rules of the Securities and Exchange Commission, or SEC, the members of the Audit Committee are independent, as that term is defined in the NYSE listing standards attached as Annex A. Cliffs' Board identified Messrs. Riederer and Ireland as audit committee financial experts (as defined in Item 407(d)(5)(ii) of Regulation S-K). No member of the Audit Committee serves on the audit committees of more than three public companies. The Audit Committee held nine meetings during 2008. The charter of the Audit Committee is available at http://www.cliffsnaturalresources.com and is also available upon request at general.counsel@cliffsnr.com or (800) 214-0739.

Board Affairs Committee. The Board Affairs Committee, consisting of Messrs. Cambre (chairman), McAllister, Phillips, Schwartz, and Ms. Green, administers our compensation plans for Directors; monitors the Board governance process and provides counsel to the CEO on Board governance and other matters; recommends changes in membership and responsibility of Board committees; and acts as the Board's Nominating Committee and Proxy Committee in the election of Directors. The Board Affairs Committee held three meetings during 2008. The charter of the Board Affairs Committee is available at http://www.cliffsnaturalresources.com and is also available upon request at general.counsel@cliffsnr.com or (800) 214-0739.

As noted above, the Board Affairs Committee is involved in determining compensation for our Directors**.** The Board Affairs Committee administers our equity incentive plans with respect to our Directors, including approval of grants of stock options and other equity or equity-based awards, and makes recommendations to the Board with respect to incentive compensation plans and equity based plans for Directors. The Board Affairs Committee periodically reviews Director compensation in relation to comparable companies and other relevant factors. Any change in Director compensation must be approved by Cliffs' Board. Other than Mr. Carrabba's capacity as a Director, no executive officers participate in setting Director compensation. From time to time, the Board Affairs Committee or Cliffs' Board may engage the services of a compensation consultant to provide information regarding Director compensation at comparable companies.

Compensation and Organization Committee. The Compensation and Organization Committee, which we refer to as the Compensation Committee, consists of Messrs. McAllister (chairman), Ireland, Phillips, and Riederer. The Compensation Committee recommends to Cliffs' Board the election and compensation of officers; administers our compensation plans for officers; reviews organization and management development; evaluates the performance of the CEO and the other named executives; and obtains the advice of outside experts with regard to compensation matters. The Compensation Committee may, in its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee or, in the case of non-officers, to the CEO or the Executive Vice President, Human and Technical Resources.

The Compensation Committee obtains analysis and advice from an external compensation consultant to assist with the performance of its duties under its charter. For 2008 compensation decisions, the Compensation Committee initially retained Mercer Human Resource Consulting, or Mercer, to provide advice on executive compensation. At the end of the third quarter of 2008, the Compensation Committee terminated its relationship with Mercer. For the fourth quarter of 2008 and for 2009, the Compensation Committee has retained Farient Advisors, or Farient. Mercer and Farient were retained directly by the Compensation Committee and have helped the Compensation Committee develop an appropriate agenda for performing the Compensation Committee's responsibilities. In this regard, Mercer and Farient advised and assisted the Compensation Committee:

- in determining the appropriate objectives and goals of our executive compensation programs;
- in designing compensation programs that fulfill those objective and goals;
- in ensuring that compensation programs align executives with shareholder interests;
- in monitoring the external and internal equity of our executive officers' total compensation and the primary components of that compensation;
- in evaluating the effectiveness of our compensation programs;
- in identifying appropriate pay positioning strategies and pay levels in our executive compensation programs;
- in selecting performance peers and setting performance targets used to evaluate performance for incentive compensation plans; and
- in identifying mining industry, general industry and Cleveland area pay practices and identifying compensation surveys for the Compensation Committee to use to benchmark the appropriateness and competitiveness of our executive compensation program.

The Compensation Committee makes all decisions regarding the CEO's compensation after consulting with their advisors in executive session where no management employees are present. For the other executive officers, the CEO is asked by the Compensation Committee to conduct and present an assessment in partnership with the Executive Vice President, Human and Technical Resources on

the achievement of specific goals established for those officers and on the performance of Cliffs taking into account external market forces and other considerations. While the CEO and Executive Vice President, Human and Technical Resources attend Compensation Committee meetings regularly by invitation, the Compensation Committee is the final decision maker for the compensation of the executive officers. For additional information regarding the operation of the Compensation Committee, see "Executive Compensation—Compensation Discussion and Analysis" beginning on page 14 of this proxy statement. The Compensation Committee held 12 meetings during 2008. The charter of the Compensation Committee is available at http://www.cliffsnaturalresources.com and is also available upon request at general.counsel@cliffsnr.com or (800) 214-0739.

Finance Committee. The Finance Committee, consisting of Messrs. Schwartz (chairman), Cambre and Eldridge, and Mses. Cunningham and Green, reviews our financial condition, financial policies, investment plans and benefit funds management. More specifically, the Finance Committee reviews our: (i) annual financial plan, (ii) financial policies, (iii) insurance programs, (iv) dividend policy, (v) major investment proposals, (vi) management of employee benefit funds, (vii) cost of capital and capital structure; (viii) approves capital spending in excess of $20 million, and (ix) recommends authority levels of spending. The Finance Committee held five meetings during 2008. The charter of the Finance Committee is available at http://www.cliffsnaturalresources.com and is also available upon request at general.counsel@cliffsnr.com, or (800) 214-0739.

Strategic Advisory Committee. The Strategic Advisory Committee, or SAC Committee, was formed as a standing committee by Cliffs' Board, on July 8, 2008. Previously considered to be an ad hoc committee with limited activity, Cliffs' rapid growth and the increased pace of mergers and acquisitions justified the formation of the SAC Committee as a standing Board committee. The SAC Committee, consisting of Messrs. Ireland (chairman), Cambre, McAllister, and Schwartz, provides advice and guidance to management on corporate strategic matters affecting Cliffs. The SAC Committee held five meetings in 2008. The charter of the SAC Committee is available at http://www.cliffsnaturalresources.com and is also available upon request at general.counsel@cliffsnr.com or (800) 214-0739.

CONSIDERATION OF DIRECTOR NOMINEES

Shareholder Nominees

The policy of the Board Affairs Committee is to consider properly submitted shareholder nominations for candidates for membership on the Board as described below under "Identifying and Evaluating Nominees for Directors." In evaluating such nominations, the Board Affairs Committee seeks to achieve a balance of knowledge, experience and capability on Cliffs' Board and to address the membership criteria set forth below under "Director Qualifications." Any shareholder nominations proposed for consideration by the Board Affairs Committee should include: (i) complete information as to the identity and qualifications of the proposed nominee, including name, address, present and prior business and/or professional affiliations, education and experience, and particular fields of expertise; (ii) an indication of the nominee's consent to serve as a Director if elected; and (iii) the reasons why, in the opinion of the recommending shareholder, the proposed nominee is qualified and suited to be a Director. Shareholder nominations should be addressed to Cliffs Natural Resources Inc., 200 Public Square, Suite 3300, Cleveland, Ohio 44114-2315, Attention: Secretary. Our Regulations provide that at any meeting of shareholders at which directors are to be elected, only persons nominated as candidates will be eligible for election.

Director Qualifications

In evaluating director nominees, the Board Affairs Committee considers such factors as it deems appropriate and consistent with our Corporate Governance Guidelines, the charter of the Board Affairs Committee and other criteria established by Cliffs' Board. The Board Affairs Committee's goal in selecting directors for nomination to Cliffs' Board is generally to seek to create a well-balanced team that combines diverse experience, skill and intellect of seasoned directors in order to enable us to pursue our strategic objectives. The Board Affairs Committee has not reduced the qualifications for service on Cliffs' Board to a checklist of specific standards or specific, minimum qualifications, skills or qualities. Rather, we seek, consistent with the vacancies existing on Cliffs' Board at any particular time and the interplay of a particular candidate's experience with the experience of other Directors, to select individuals whose business experience, knowledge, skills, diversity and integrity would be considered a desirable addition to Cliffs' Board and any committees thereof. In addition, the Board Affairs Committee annually conducts a review of incumbent directors in order to determine whether a director should be nominated for re-election to Cliffs' Board.

The Board Affairs Committee makes determinations as to Director selection based upon the facts and circumstances at the time of the receipt of the Director candidate recommendation. Applicable considerations include: (i) whether the Board Affairs Committee is currently looking to fill a new position created by an expansion of the number of Directors, or a vacancy that may exist on Cliffs' Board; (ii) whether the current composition of Cliffs' Board is consistent with the criteria described in our Corporate Governance Guidelines; (iii) whether the candidate submitted possesses the qualifications that are generally the basis for selection of candidates to Cliffs' Board; and (iv) whether the candidate would be considered independent under the rules of the NYSE as set forth in Annex A and our standards with respect to Director independence. Final approval of any candidate will be determined by the full Cliffs' Board.

Identifying and Evaluating Nominees for Directors

The Board Affairs Committee utilizes a variety of methods for identifying and evaluating nominees for Director. The Board Affairs Committee regularly reviews the appropriate size of Cliffs' Board and whether any vacancies on Cliffs' Board are expected due to retirement or otherwise. In the event that vacancies are anticipated, or otherwise arise, the Board Affairs Committee considers various potential

candidates for Director. Candidates may come to the attention of the Board Affairs Committee through current Board members, professional search firms, shareholders or other persons. As described above, the Board Affairs Committee considers properly submitted nominations for candidates for Cliffs' Board. Following verification of the recommending shareholder's status, recommendations are considered by the Board Affairs Committee at its next regularly scheduled meeting.

MEETINGS OF NON-MANAGEMENT DIRECTORS; COMMUNICATIONS WITH DIRECTORS

In accordance with the NYSE's corporate governance listing standards, our non-management directors meet at regularly scheduled executive sessions without management present. The chair of the Compensation Committee has been designated as our lead independent director. Shareholders and interested parties may communicate with the chair of the Compensation Committee, or with our non-management directors as a group or with Cliffs' Board, by writing to the Lead Director at Cliffs Natural Resources Inc., 200 Public Square, Suite 3300, Cleveland, Ohio 44114-2315, Attn: Lead Director. Our independent Directors have approved the process for determining which communications are forwarded to various members of Cliffs' Board.

BUSINESS ETHICS POLICY

We have adopted a Code of Business Conduct and Ethics, or Code, which applies to all of our Directors, officers and employees. The Code is available upon request at general.counsel@cliffsnr.com or (800) 214-0739. It is also available on our website at http://www.cliffsnaturalresources.com in the Corporate Governance section under "For Investors." We intend to post amendments to or waivers from our Code (to the extent applicable to our principal executive officer, principal financial officer or principal accounting officer) on our website.

DIRECTORS' COMPENSATION

Prior to May 1, 2008, Cliffs' Directors who are not Cliffs' employees received an annual retainer fee of $32,500 and an annual equity award of $32,500. Effective May 1, 2008, the annual retainer fee and annual equity awards for independent Directors of Cliffs were increased to $50,000 and $75,000, respectively. Board meeting fees and committee meeting fees are $1,500 and $1,000, respectively. Prior to March 10, 2009 the Lead Director earned an annual retainer fee of $10,000. Effective March 10, 2009, the Lead Director's annual retainer fee was increased to $30,000. Annual committee chair retainers are as follows: Audit Committee, $10,000, and Board Affairs, Finance, Compensation, and SAC Committees, $5,000. As discussed previously under "Board of Directors and Board Committees", the SAC was formalized as a standing committee on July 8, 2008. Employee Directors receive no compensation for their service as Directors.

The Nonemployee Directors' Compensation Plan (as Amended and Restated as of December 31, 2008), which we refer to as the Directors' Plan, implements the annual equity grant program referenced above. Directors who are under age 69 on the date of the Annual Meeting receive an automatic annual grant of $75,000 worth of restricted shares with a three-year vesting requirement. Nonemployee Directors who are 69 years of age or older on the date of the Annual Meeting receive an automatic annual grant of $75,000 worth of Common Shares (with no restrictions).

Our Director Share Ownership Guidelines provide that a Director should own by the end of a four-year period either (i) 4,000 or more Common Shares, or (ii) Common Shares having a market value of at least $100,000. If a nonemployee Director meets these guidelines in December of each year, the Director may elect to receive all or a portion of his or her annual retainer of $50,000 for the following year in cash. If the director does not meet these guidelines, the Director is required to receive an equivalent value of $20,000 (increased from $15,000 as of May 1, 2008) of their annual retainer fee in Common Shares until he or she meets one of the two guidelines. Nonemployee Directors may elect to receive up to 100 percent of their retainer and other fees in Common Shares. In addition, the Directors' Plan gives nonemployee Directors the opportunity to defer all or a portion of their annual retainer and other fees, whether payable in cash or Common Shares. Beginning with the 2006 annual equity award, nonemployee Directors may elect to receive deferred shares in lieu of their annual equity award with the same three-year vesting requirements. A Director may also elect that all cash dividends with respect to restricted shares be deferred and reinvested in additional Common Shares. Those additional Common Shares are subject to the same restrictions as the underlying award. Cash dividends not subject to a deferral election will be paid to the Director without restriction.

Nonemployee Directors who joined the Board before January 1, 1999 were able to participate in either the Retirement Plan for Non-Employee Directors (as Amended and Restated July 1, 2005) first adopted in 1984, which we refer to as the 1984 Plan, or the Nonemployee Directors Supplemental Compensation Plan established in 1995, which we refer to as the 1995 Plan. The 1984 Plan currently has one active Director, Mr. Ireland, as a participant. The 1984 Plan provides that a nonemployee Director elected before July 1, 1995, with at least five years of service, receives during his or her lifetime after retirement an amount equal to the annual retainer currently paid to a nonemployee Director. The 1995 Plan no longer has any active Director participants. Directors who have joined the Board on or after January 1, 1999 are not eligible to participate in either plan.

In 2003, Cliffs' Board adopted respective amendments to both the 1984 and 1995 Plans offering a one-time voluntary election for an immediate lump sum cash-out of the present value of the accrued pension and deferred benefits to all active and retired participating nonemployee Directors. Pursuant to the terms of both plans, as amended, the lump-sum benefit was made to 11 of 14 participants on June 30, 2003. Any election for a lump sum payout in 2003 terminated the opportunity for a future pension adjustment under either plan. Currently, only two retired directors receive retirement benefits pursuant to the 1984 and 1995 Plans.

Cliffs has trust agreements with KeyBank National Association relating to the Directors' Plan, the 1984 Plan and the 1995 Plan in order to fund and pay our retirement obligations under these plans.

Director Compensation Table

The following table, supported by the accompanying footnotes and narrative, sets forth for fiscal year 2008 all compensation earned by the individuals who served as our nonemployee Directors at any time during 2008.

Name	Fees Earned or Paid in Cash ($)(1)	Stock Awards ($)(2)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)(3)	Other Compensation ($)(4)	Total ($)
R. C. Cambre	92,667	102,165	—	2,873	197,705
S. M. Cunningham	84,167	43,643	—	—	127,810
B. J. Eldridge	85,167	43,603	—	—	128,770
S. M. Green	82,667	27,503	—	2,510	112,680
J. D. Ireland III	97,667	43,790	6,765	—	148,222
F. R. McAllister	111,667	43,790	149	311	155,917
R. Phillips	90,667	43,790	—	—	134,457
R. K. Riederer	106,667	43,790	—	—	150,457
A. Schwartz	91,667	43,790	—	11,432	146,889

(1) The amounts listed in this column reflect the aggregate cash dollar value of all earnings in 2008 for annual retainer fees, chairman retainers and meeting fees, whether received in required retainer shares, voluntary shares, cash, or a combination thereof. Unless otherwise noted below, the amounts indicated were elected to be paid in cash.

Messrs. Eldridge, Schwartz and Ms. Cunningham elected to continue to receive $85,167, $18,667 and $18,667, respectively, in Common Shares. Ms. Green did not meet the established Director Share Ownership Guidelines and was required to receive $18,667 in Common Shares. Mr. Riederer elected to defer $18,667 in Common Shares and Mr. Ireland elected to defer $18,667 in cash pursuant to the Directors' Plan.

(2) The amounts in this column reflect the dollar amount recognized for financial statement reporting purposes for the fiscal year ended December 31, 2008, in accordance with Financial Accounting Standards Board Statement No. 123 (revised 2004), Accounting for Stock-Based Compensation, or SFAS 123R, of awards of restricted shares and includes amounts from awards granted in and prior to 2008. (See Note 12 to our 2008 consolidated financial statements in Item 8 of our 2008 Annual Report on Form 10-K). In 2008, an automatic annual equity grant of 804 restricted shares having a grant date fair market value of $93.35 per Common Share was made to each of the nonemployee Directors listed above. Mr. Cambre was 69 years of age on the Annual Meeting date in May, 2008 and received 804 unrestricted Common Shares pursuant to the Directors' Plan. Mr. Riederer elected to receive deferred shares in lieu of restricted shares under the Directors' Plan with a three year holding period.

As of December 31, 2008, the aggregate number of restricted shares subject to forfeiture held by each nonemployee Director were as follows: Mr. Cambre—2,244; Ms. Cunningham—3,048; Mr. Eldridge—3,048; Ms. Green—1,740, Mr. Ireland—3,048; Mr. McAllister—3,048; Mr. Phillips—3,048; Mr. Riederer—0; and Mr. Schwartz—3,048.

As of December 31, 2008, the aggregate number of unvested deferred shares credited to Mr. Riederer under the Directors' Plan was 3,091.

(3) Mr. Ireland is the only independent Director eligible for retirement benefits under the 1984 Plan. The aggregate change in the actuarial present value of Mr. Ireland's benefit under the 1984 Plan is $6,017. Messrs. Ireland and McAllister recognized above-market earnings in their deferred cash accounts of $748 and $149, respectively.

(4) The amounts in this column reflect perquisites received by the Director including spousal travel expenses and matching contributions made to educational institutions from The Cleveland-Cliffs Foundation on behalf of the Director.

SECURITIES OWNERSHIP OF MANAGEMENT AND CERTAIN OTHER PERSONS

The following table sets forth the amount and percent of Common Shares that, as of March 16, 2009 (except as otherwise indicated), are deemed under the rules of the SEC to be "beneficially owned" by each Director (excluding Mr. Carrabba), by each nominee for Director, by our CEO, Chief Financial Officer, or CFO, and the other named executive officers as identified in the Summary Compensation Table below by such persons and the other executive officers as a group, and by any person or "group" (as the term is used in the Securities Exchange Act of 1934, or the Exchange Act) known to us as of that date to be a "beneficial owner" of more than five percent or more of the outstanding Common Shares. No Directors, executive officers, or officers hold any preferred shares or outstanding stock options as of March 16, 2009.

	Amount and Nature of "Beneficial Ownership"(1)					
		Investment Power		Voting Power		
Directors and Nominees (excluding those who are also Named Executive Officers)	Beneficial Ownership	Sole	Shared	Sole	Shared	Percent of Class (2)
Ronald C. Cambre	20,432	20,432	—	20,432	—	—
Susan M. Cunningham	5,919	5,919	—	5,919	—	—
Barry J. Eldridge	9,302	9,302	—	9,302	—	—
Susan Green	2,194	2,194	—	2,194	—	—
James D. Ireland III	1,144,589	46,133	1,098,456(3)	46,133	1,098,456(3)	1.01%
Francis R. McAllister	16,643	16,643	—	16,643	—	—
Roger Phillips	34,817	34,817	—	34,817	—	—
Richard K. Riederer	12,972	12,972	—	12,972	—	—
Alan Schwartz	20,270	20,270	—	20,270	—	—
Named Executive Officers						
Joseph A. Carrabba	109,456	109,456	—	109,456	—	—
Laurie Brlas	13,883	13,883	—	13,883	—	—
Donald J. Gallagher	133,380	133,380	—	133,380	—	—
William R. Calfee	83,484	83,484	—	83,484	—	—
George W. Hawk, Jr.	13,738	13,738	—	13,738	—	—
Randy L. Kummer	58,376	58,376	—	58,376	—	—
All Directors, Nominees, and Executive Officers as a group, including the named executive officers and Mr. Kummer (21 Persons)	1,734,205	635,749	1,098,456	635,749	1,098,456	1.52%
Other Persons						
Wellington Management Company, LLP (4) 75 State Street Boston, MA 02109	10,613,457	—	10,582,957	—	9,490,357	9.35%
Harbinger Capital Partners Master Fund I, Ltd. (5) c/o International Fund Services (Ireland) Limited Third Floor, Bishop's Square Redmond's Hill Dublin 2, Ireland	7,043,586	—	7,043,586	—	7,043,586	6.20%

(1) Under the rules of the SEC, “beneficial ownership” includes having or sharing with others the power to vote or direct the investment of securities. Accordingly, a person having or sharing the power to vote or direct the investment of securities is deemed to “beneficially own” the securities even if he or she has no right to receive any part of the dividends on or the proceeds from the sale of the securities. Also, because “beneficial ownership” extends to persons, such as co-trustees under a trust, who share power to vote or control the disposition of the securities, the very same securities may be deemed “beneficially owned” by two or more persons shown in the table. Information with respect to “beneficial ownership” shown in the table above is based upon information supplied by our Directors, nominees and executive officers and filings made with the SEC or furnished to us by any shareholder.

(2) Less than one percent, except as otherwise indicated.

(3) Of the 1,144,589 shares deemed under the rules of the SEC to be beneficially owned by Mr. Ireland, he is a beneficial holder of 46,133 shares. The remaining 1,098,456 shares are held in trusts, substantially for the benefit of a charitable foundation, as to which Mr. Ireland is a co-trustee with shared voting and investment powers. Of such shares in trusts, Mr. Ireland has an interest in the income or corpus with respect to 87,880 shares.

(4) The information shown above and in this footnote was taken from the Amendment No. 4 to Schedule 13G, dated February 17, 2009 and filed with the SEC on February 17, 2009, by Wellington Management Company, LLP, an investment advisor.

(5) The information shown above and in this footnote was taken from Amendment No. 5 to Schedule 13D, dated March 5, 2009, as filed with the SEC on March 5, 2009, jointly by Harbinger Capital Partners Master Fund I, Ltd., et al. and Philip Falcone. The address for contacting Philip Falcone, the Harbinger Capital Partners Special Situations GP, LLC, and Harbinger Capital Partners Special Situations Fund, L.P., is 555 Madison Avenue, 16th Floor, New York, NY 10022.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Executive Compensation Philosophy and Core Principles

The Compensation Committee has continually sought to strike a balance in program design and execution among several competing objectives. Specifically, the Compensation Committee has designed the compensation structure to attract, motivate, reward and retain high-performing executives. The goal is to align pay with Cliffs' performance in the short term through measures of profitability and operational and strategic excellence, and over the long-term through stock-based incentives. Cliffs' compensation philosophy places a significant portion of compensation at risk with Cliffs' performance, increasing the portion at risk with the responsibility level of the individual, consistent with market practices. Cliffs also seeks to balance this performance focus with sufficient retention incentives and a focus on controllable results to limit the risk of losing key executives during periods of unfavorable industry conditions, all in a manner that the Compensation Committee, in its judgment, considers balanced between the interests of the executives and the shareholders given the potential volatility of business results in the mining industry.

More specifically, the guiding principles are as follows:

- Target total pay opportunity for executive officers should be at the 62 1/2 percentile of market levels. Cliffs targets pay at the 62 1/2 percentile in order to attract and retain superior talent within the highly competitive mining environment.
- Align pay with results delivered to shareholders, while recognizing the potentially cyclical nature of the industry in which Cliffs operates. The goal is to avoid undue windfalls to executives in years of strong industry performance or in the case of down cycles, to avoid loss of all compensation opportunities while still motivating performance.
- Focus performance measures on a combination of absolute performance objectives tied to Cliffs' business plan (profitability and cost control), achievement of key initiatives that reflect the business strategy (e.g., sales initiatives, cost control activities, etc.) and relative objectives reflecting market conditions (relative total shareholder return which reflects share price appreciation plus dividends, if any).
- Provide competitive fixed compensation elements over the short-term (salary) and long-term (retention grants and retirement benefits) to encourage long-term retention of Cliffs' executives.
- Design pay programs to be as simple and transparent as possible to facilitate focus and understanding.

This discussion focuses primarily on compensation actions taken and decisions made during Cliffs' 2008 fiscal year, but also contains information regarding compensation actions taken and decisions made both before and after fiscal year 2008 to the extent that information enhances the understanding of Cliffs' executive compensation program. Please note that, unless indicated otherwise, all Cliffs Common Shares amounts and share prices in this Executive Compensation section have been adjusted retroactively to reflect the two-for-one stock split effective May 15, 2008.

Oversight of Executive Compensation

The Compensation Committee administers the Cliffs' executive compensation program, including compensation for Cliffs' CEO, Joseph A. Carrabba, its CFO, Laurie Brlas, the other three highest paid

employees as of December 31, 2008, William R. Calfee, Donald J. Gallagher and George W. Hawk, Jr. Randy Kummer, former Senior Vice President of Human Resources, would have been among the three highest paid employees other than the CEO and CFO but for his termination of employment during 2008. We collectively refer to these individuals as our named executive officers.

The specific responsibilities of the Compensation Committee related to executive compensation include:

- Overseeing development and implementation of Cliffs' compensation policies and programs for executive officers;
- Reviewing and approving CEO and other elected officer compensation, including setting goals, evaluating performance, and determining results;
- Overseeing Cliffs' equity-based employee incentive compensation plans and approve grants (except grants or awards under plans relating to Director compensation, which are administered by the Board Affairs Committee);
- Ensuring that the criteria for awards under Cliffs' incentive and equity plans are appropriately related to its operating performance objectives;
- Overseeing regulatory compliance with respect to certain other compensation matters; and
- Reviewing and approving any proposed severance or retention plans or agreements.

When making individual compensation decisions for executives, the Compensation Committee takes many factors into account, including the individual's performance, tenure and experience, Cliffs' performance overall, any retention considerations, the individual's historical compensation and internal equity considerations. These factors are considered by the Compensation Committee in a subjective manner without any specific formula or weighting.

The Compensation Committee relies significantly on the CEO's input and recommendations when evaluating these factors relative to the executive officers other than the CEO. The Compensation Committee also reviews a five-year pay history for each executive and considers the progression of salary increases over time compared to the individual's development and performance, the unvested and vested value inherent in outstanding equity awards, and the cumulative impact of all previous compensation decisions. The CEO in partnership with Human Resources conducts an assessment of each executive at the end of each year against a spectrum of behaviors and strategic goals established for each executive at the beginning of the year. The CEO then provides the Compensation Committee with his assessment of the performance of the executive and his perspective on the factors described above in developing his recommendations for each executive's compensation, including salary adjustments, annual incentive payouts, and equity grants. The Compensation Committee discusses the CEO's recommendations, including how the recommendations compare against the external market data and how the compensation levels of the executives compare to each other, to the CEO's, and to the historic pay for each executive. Based on this discussion, the Compensation Committee then approves or modifies the recommendations in collaboration with the CEO.

Decisions relating to the CEO's pay are made by the Compensation Committee in executive session, without management present. In assessing the CEO's pay, the Compensation Committee considers company performance, the CEO's contribution to that performance, and other factors as described above in the same manner as for any other executive. The Compensation Committee approves the CEO's salary, incentive plan payment (consistent with the terms of the plan as described below) and long-term incentive awards each year. The Compensation Committee uses the same factors in evaluating the CEO's performance and compensation as it uses with the other executive officers.

The Compensation Committee uses specialized executive compensation consultants to assess the competitiveness of the executive compensation program, to make recommendations regarding the program design based on prevailing market practices and business conditions, to advise the Compensation Committee on the level of each executive officer's compensation, and to conduct research as directed by the Compensation Committee. Consultants attend portions of all Committee meetings at the request of the Compensation Committee. The Compensation Committee's intent is to ensure the objectivity of its compensation consultant. The consultant is engaged by and reports directly to the Committee, frequently meets separately with the Committee with no members of management present and periodically works separately with the Committee Chairman in between meetings.

For fiscal year 2008 compensation decisions, the Compensation Committee initially retained Mercer as an external compensation consultant to provide advice on executive compensation. At the end of the third quarter of 2008, the Compensation Committee terminated its relationship with Mercer. For the fourth quarter of 2008 and for fiscal 2009, the Committee has determined to retain Farient, a consultant that specializes in executive officer compensation and performs no work for the Company or management except as requested by the Compensation Committee. The Compensation Committee also believes that the appointment of Farient, as a more specialized resource, will provide a proactive level of support and an in-depth understanding of the Company and its needs from an executive compensation perspective.

Principal Compensation Elements. During 2008, Cliffs' executive compensation and benefits consisted of the components listed in the table below, which provides a brief description of the principal types of compensation, how performance factors into each type of compensation, and the objectives served by each type. The Compensation Committee regularly reviews and re-evaluates target positioning for each element of compensation. Descriptions of each of these elements are discussed in more detail in the following sections.

Fiscal Year 2008 Principal Compensation Elements

Element	Description	Performance Considerations	Primary Objectives
Base Salary	Fixed cash payment	Based on level of responsibility, experience, individual performance	Attraction and retention
Executive Management Performance Incentive Plan	Short-term incentive (annual incentive)	Measured by pre-tax earnings, cost reduction initiatives, and strategic performance objectives	Promote achievement of short-term strategic and financial objectives
Performance Shares	Long-term incentive, equity payment	Measure of total shareholder return relative to a peer group and free cash flow	Attraction, retention and promotion of long-term strategic and financial objectives
Restricted Share Units	Long-term retention equity payment	Share performance	Attraction, retention and promotion of long-term strategic and financial objectives

Element	Description	Performance Considerations	Primary Objectives
Retirement and Welfare Benefits	Health and Welfare, deferred compensation, 401(k) company contributions, defined benefit pension and supplement executive retirement plans	Profit / ton for the 401(k) performance contribution	Attraction and long-term retention
Executive Perquisites	Financial services, paid parking, spousal plane travel	n/a	To ensure that executives have appropriate tax and financial guidance and are not distracted from their primary duties for the Company

Market Positioning. During 2008, the Compensation Committee approved targeting total compensation at the 62 1/2 percentile as compared to the Company's past pay positioning strategy of market median. Cliffs believes that a 62 1/2 percentile pay positioning will allow it to remain competitive in attracting, retaining and motivating the needed level of talent for the organization while managing costs to an objectively reasonable level. The 62 1/2 percentile is achieved by targeting base salary at the median and short-term and long-term incentives at the 75th percentile. As a result of this change, Cliffs' incentive targets were increased for executives in 2008, as described in more detail below. Actual pay may be higher or lower than this target positioning overall based on company and individual performance. The target compensation for each executive may also be higher or lower than this market positioning based on such factors as individual skills, experience, contribution and performance, internal equity, or other factors that the Compensation Committee may take into account that are relevant to the individual executive.

Market for Talent. The Compensation Committee conducts an annual review of market pay practices for executive officers with the assistance of its outside compensation advisor. For pay decisions in 2008, this review was completed by Mercer. This review is based on several published compensation surveys as well as a detailed analysis of certain compensation comparison peers. For 2008, survey sources included companies in the Durable Manufacturing and General Manufacturing Industry segments (as defined by Mercer) with revenues consistent with Cliffs' size and complexity. The compensation comparison peers included data from a custom peer group of 11 public companies in the Metals and Mining and Oil and Gas Industry groups of similar size to Cliffs. These 11 companies were as follows:

Alpha Natural Resources, Inc.
Arch Coal, Inc.
Century Aluminum Company
CONSOL Energy Inc.
Foundation Coal Holdings, Inc.
International Coal Group, Inc.
Kaiser Aluminum Corporation
Massey Energy Company
Peabody Energy Corporation
Steel Dynamics, Inc.
Titanium Metals Corporation

Pay Mix. Because Cliffs' executive officers are in a position to directly influence its overall performance, a significant portion of their compensation is at risk through short- and long-term incentive programs. Cliffs' named executive officers have a significant percent of their target total

compensation at risk. This includes the target annual incentive and target long-term incentive grant values, but not benefits or retirement programs. These levels of pay at risk are consistent with each executive's level of responsibility and impact and are consistent with market practices for fixed versus variable pay.

Elements of Compensation

As described in the compensation elements table above, Cliffs uses multiple components to provide a competitive overall compensation and benefits package that is reasonably relative to market and industry practices and tied appropriately to performance.

Base Salary. Cliffs' philosophy is that base salaries should meet the objective of attracting and retaining the executive talent needed to run the business. Therefore, Cliffs seeks to target base pay levels for executives at the 50th percentile of market survey data, although each executive may have a base salary above or below the median of the market. Actual salaries reflect responsibility, performance, and experience, among other factors described above.

Salaries approved for the named executive officers in 2008 were as follows:

	2008
Carrabba	$790,000
Brlas	$421,000
Gallagher	$427,000
Calfee	$377,000
Hawk	$300,000
Kummer	$274,000

For fiscal 2009, the Compensation Committee determined that merit salary increases were inappropriate in light of the current economic situation. Thus, no named executive officer received a salary adjustment for 2009.

Annual Incentive Plan. Cliffs provides an annual Executive Management Performance Incentive Plan or EMPI Plan, which provides an opportunity for the senior executive officers, including the named executive officers, to earn an annual cash incentive based on company financial performance relative to business plans and achievement against key corporate objectives. The objective of this plan is to provide executives with a competitive annual cash compensation opportunity while aligning actual pay results with Cliffs' short-term financial and strategic performance.

2008 EMPI Award Opportunities. For each senior executive officer the Compensation Committee establishes a maximum EMPI Plan opportunity at the beginning of each year. Actual incentive payouts range between zero to a maximum of 100 percent of the officers' grant amount for 2008, with a target opportunity equal to 50 percent of the maximum as shown in the grant of plan-based awards table below.

Bonus ranges approved for the named executive officers in 2008 were as follows:

	Minimum	Target	Maximum
Carrabba	70%	140%	280%
Brlas	40%	80%	160%
Gallagher	40%	80%	160%
Calfee	40%	80%	160%
Hawk	35%	70%	140%
Kummer	35%	70%	140%

2008 EMPI Plan Performance Measures. The EMPI Plan uses a "performance scorecard" with multiple performance standards that are related to Cliffs' annual business plan and current strategic priorities in order to determine payouts under the plan. For 2008, the Compensation Committee developed a scorecard targeted at those areas that it believed would most directly improve financial results for shareholders in the near term, while maintaining incentives for long-term strategic improvements. The elements and their respective weightings for 2008 were as follows:

EMPI Elements	Weighting
Pre-Tax Earnings	50%
Cost Control	
North American Iron Ore	15%
North American Coal	5%
Asia Pacific	5%
Corporate Objectives	25%
Total	100%

Pre-tax earnings is a measure of Cliffs' profitability and is measured on a consolidated basis. Cost control is a measure of the cost of production per ton, adjusted to hold energy prices at a fixed rate throughout the year in order to eliminate the (positive and negative) impact of the large and potentially volatile uncontrollable cost of energy on compensation. Although cost control is a component of pre-tax earnings, the Compensation Committee believes a more targeted focus on managing production cost per ton is essential to Cliffs' long-term health. Cost control is measured for North American Iron Ore operations, North American Coal operations and Asia Pacific Iron Ore operations. Finally, the Compensation Committee evaluates management on a subjective basis against key strategic and operational goals that are not as easily quantified as financial results to ensure that short-term profitability is balanced with the long-term success of the organization. For 2008, corporate objectives included goals in the areas of business development, workforce safety, specific cost initiatives and sales initiatives.

2008 EMPI Plan Target Setting and 2008 Results. Performance targets for the financial objectives of the EMPI Plan are established at the beginning of each year. Each metric has a minimum threshold, target, and maximum goal, with a potential funding of between zero and 100 percent of the maximum award. At minimum threshold performance, each goal would be funded at 25 percent of maximum, with zero percent funding for performance below threshold. If performance is at the target level, the bonus will be funded at 50 percent of the maximum award.

Each year, the Compensation Committee approves performance targets and ranges for each of the financial performance measures, taking into consideration management financial plans for the coming year, prior years' performance, performance relative to other metals and mining companies, and the relative degree of difficulty of attaining performance goals under different product-pricing scenarios. Performance targets are approved each year by the Compensation Committee early in the year, with an adjustment as necessary for the specific impact of world pellet price settlements on price escalators in Cliffs' contracts. This price adjustment is formulaic and objective, tied directly to Cliffs' term supply agreements.

For 2008, the EMPI Plan was funded at 81.35 percent of the maximum bonuses for all senior executives, including named executive officers. The Compensation Committee arrived at this funding level by taking the following factors into consideration:

- Pre-tax earnings were reviewed and compared to adjusted maximum performance levels set at the beginning of 2008 of $896 million with an adjusted minimum threshold and target performance levels of $570 million and $734 million, respectively. This factor was weighted 100 percent under the EMPI Plan, resulting in funding of 50 percent of maximum bonuses.

- Adjusted cost for North American Iron Ore was better than minimum threshold but not as good as target. This factor was weighted 15 percent and resulted in funding of 5.85 percent.
- Asia Pacific Iron Ore cost was better than the maximum. This factor was weighted 5 percent and resulted in a funding of five percent, respectively.
- Adjusted cost of North American Coal was worse than threshold and resulted in zero funding for 2008.
- The Compensation Committee evaluated corporate objectives established at the beginning of the year and rated those objectives at a performance level of 82 percent. This factor was weighted 25 percent and resulted in funding of 20.5 percent.

Adjustments to the 2008 pre-tax earnings were made for merger and acquisition costs and income, non-operating gains and losses and “mark to market”. The Compensation Committee adjusted the 2008 EMPI Plan targets to take into account these adjustments and their impact on 2008 pre-tax earnings to ensure that management did not receive an undue windfall or loss in 2008 under the EMPI Plan.

Bonuses for 2008 under the EMPI Plan were paid in the following amounts to the named executive officers (excludes Mr. Kummer):

Carrabba	$1,765,295	Calfee	$ 494,738
Brlas	$ 565,805	Hawk	$ 358,753
Gallagher	$ 560,338		

The specific performance goals for the three cost control measures are not disclosed as Cliffs believes, and the Compensation Committee concurs, that providing detailed information about Cliffs’ cost structure could limit its ability to negotiate supply agreements or spot sales on terms that would be favorable to its shareholders, thereby resulting in meaningful competitive harm. Likewise, Cliffs and the Compensation Committee believe that disclosing specific, non-quantitative corporate objectives for the year would provide detailed information on business operations and forward looking strategic plans to its customers and competitors that could result in substantial competitive harm.

The Compensation Committee did test the cost control performance targets by comparing to business plans, past performance, and the impact of cost per ton on the range of pre-tax earnings goals, including the impact under different product-pricing scenarios. Based on these evaluations, the Compensation Committee believes that the range of performance objectives established for 2008 were appropriately difficult to attain. Corporate objectives are subjective in nature and therefore the degree of difficulty cannot be readily quantified, however, the bonus has not reached a maximum payout in past years and thus, the committee believes that the degree of difficulty of corporate objectives is appropriate.

2009 Award Opportunities and 2009 EMPI Plan Performance Measures. There was no change to 2009 bonus targets for the named executive officers. For 2009, the EMPI Plan will continue to use a “performance scorecard” with multiple performance standards that are related to Cliffs’ annual business plan and current strategic priorities. For 2009, the Compensation Committee developed a scorecard targeted at those areas that it believed would most directly improve financial results for shareholders in the near term, while maintaining incentives for long-term strategic improvements. The company does not disclose forward-looking financial data or objectives as it believes this disclosure could result in substantial competitive harm. The elements and their respective weightings of the 2009 EMPI Plan remained the same except North American Iron Ore cost control is weighted 10 percent and Asia Pacific Iron Ore cost control is weighted 10 percent.

Long-Term Incentives. The objectives of Cliffs' long-term incentives are to reward executives for sustained performance over multiple years while recognizing the potential volatility of industry conditions and limiting the potential for undue windfalls or losses to executives for factors outside of management's control. In addition, Cliffs' long-term incentive programs are designed to enhance retention of executives by delaying the vesting of compensation opportunities and to align the long-term interests of executives with shareholders through the use of equity to deliver compensation.

For long-term incentives, Cliffs uses performance shares, retention units, restricted share units and restricted share grants to reward and retain executives. The retention units are denominated in Cliffs' Common Shares and vary with its share price, but are payable in cash. Cliffs had granted retention units since 2000 but changed to restricted share units in 2008. The performance shares and restricted share unit are denominated and payable in Cliffs' Common Shares to align the interests of its executives with shareholders through direct ownership.

Each year, Cliffs establishes a target long-term incentive award value for each executive based on market practices as a pre-determined percentage of base salary. The percent of base salary values were established by Mercer, the executive compensation consultant for 2008 compensation decisions. In an effort to target total compensation to the 62 1/2 percentile, the Committee increased the target grant values in 2008 compared to prior grant levels. Actual awards to each executive may vary +/- 25 percent from this target based on the CEO's assessment of individual performance in the case of executives other than the CEO, and based on the Compensation Committee's assessment of the CEO's performance in the case of grants made to the CEO.

For 2008 and 2009, the long-term incentive target as a percentage of base salary for each named executive officer was as follows:

	Target % of Base Salary	
	2008	2009
Carrabba	300%	300%
Brlas	175%	188%
Gallagher	175%	188%
Calfee	150%	163%
Hawk	150%	163%
Kummer	150%	n/a

In 2008, the Compensation Committee awarded 25 percent of the long-term incentive opportunity for each Cliffs named executive officer in restricted share units payable in Common Shares based on the participant's continued employment throughout a three-year retention period ending December 31, 2010. The balance of each individual's long-term incentive award was in the form of performance shares, with actual payouts tied to Cliffs' total shareholder return relative to industry peers over a three-year performance period and three-year cumulative free cash flow (see below for further detail).

Administrative Process. Long-term incentive awards for executives are generally made annually. Actual grants are based on the methodology discussed above but can be adjusted based on the executive's position, experience, performance, prior equity-based compensation awards and competitive equity-based compensation levels. The grant date is the date of the Compensation Committee approval or a later date as set by the Compensation Committee. Grants for new hires or promotions are approved by the Compensation Committee at the next regularly scheduled Compensation Committee meeting following the hire or promotion date or in a special meeting, as needed. The grant date for new hire or promotional grants is the date of such approval or such later date as the Compensation Committee determines. Cliffs does not time grants to coordinate with the release of material non-public information.

Performance Share Program. Under the 2007 Incentive Equity Plan, performance shares continue to be the primary vehicle used by Cliffs to deliver long-term incentives. A performance share is the opportunity to earn a Common Share based on Cliffs' performance over a three-year period, with potential funding between 0 percent and 150 percent of the target share grant depending on the level of performance against goals. Cliffs uses performance shares to reward for shareholder results relative to industry conditions, taking into consideration returns to shareholders as compared to other companies in the steel and mining industries. Performance shares comprise 75 percent of the total annual long-term grant.

Specifically, each executive officer is granted a target number of performance shares at the beginning of each three-year period. The total shareholder return for Cliffs and its performance peers identified below was historically measured quarterly on a cumulative basis since the beginning of the performance period and Cliffs was ranked relative to peers at the end of each quarter. At the end of three years, Cliffs calculated the average of these quarterly percentile rankings of total shareholder return performance relative to peers to determine the total performance over the three-year period and the number of shares earned at the end of the period. Funding for performance below threshold is zero percent. In addition to Total Shareholder Return, or TSR, performance shares are also subject to three-year cumulative free cash flow performance metrics beginning in 2008. Free cash flow is defined as cash from operations less capital expenditures and merger and acquisition activities. The calibration of the pay for performance relationship for 2008 grants is as follows:

		Performance Level			
Performance Factor	Weight	Below Threshold	Threshold	Target	Maximum
Relative TSR	50%	Below 35th %tile	35th %tile	55th %tile	75th %tile
3-Year Cumulative Free Cash Flow	50%	More than 20% below budget	20% below budget	At budget	20% above budget
Payout		0%	50%	100%	150%

Restricted Share Units. Restricted share units are earned based on continued employment, are retention-based awards, vest at the end of the performance period used for the performance shares, and are payable in Common Shares**.** Restricted share units comprise 25 percent of the total annual long-term incentive grant.

2008-2010 Performance Share and Restricted Share Unit Awards. On March 10, 2008, the Compensation Committee approved performance share and restricted share unit awards under the 2007 Incentive Equity Plan for Cliffs' executives, including its named executive officers. Grants were determined using the December 31, 2007 closing price of $50.40 and the grant targets described above. The following amounts of performance shares and restricted share units were awarded to Cliffs' named executive officers for the 2008-2010 performance period:

	Performance Shares	Restricted Share Units
Carrabba	34,500	11,500
Brlas	10,800	3,600
Gallagher	10,650	3,550
Calfee	8,100	2,700
Hawk	6,750	2,250
Kummer	6,150	2,050

The performance peer group used for the relative performance share plan during the 2008-2010 performance period is as follows:

AK Steel Holding Corporation	Consol Energy Inc	Quanex Corp
Alcoa Inc	Foundation Coal Holdings Inc	Reliance Steel & Aluminum Co
Allegheny Technologies Inc	Freeport-McMoran Cooper & Gold Inc	Steel Dynamics Inc
Arch Coal Inc	Massey Energy Corp	United States Steel Corp (New)
Carpenter Technology Corp	Nucor Corp	Usec Inc
Commercial Metals Co	Peabody Energy Corp	Worthington Inds Inc

The peer group currently focuses on steel, metals and commodity mineral mining companies that will be generally affected by the same long-term market conditions as those that affect Cliffs. The Compensation Committee evaluates this peer group for each new cycle of the performance share plan and makes adjustments as needed based on changes in the industry makeup and relevance of Cliffs' specific peers. During a cycle, any peer that is acquired, files for bankruptcy, or otherwise ceases to trade on a major stock exchange will be excluded from the calculation of relative performance for each quarter subsequent to the de-listing event. Beginning with the 2007-2009 grant, the Compensation Committee determined that the S&P Metals and Mining ETF TSR would be substituted for the entire performance period for any peer that is acquired, files for bankruptcy, or otherwise ceases to trade on a major stock exchange. To date, the following companies have been excluded from the performance peer group: Algoma and IPSCO Inc. On May 12, 2008, the Compensation Committee also determined to amend the 2006 grant so that the participants would get the greater of the payout determined if the S&P Metals and Mining ETF is substituted in place of peer group companies that drop out of the peer group and the payout determined if no such substitution is permitted.

The specific performance targets for the cumulative free cash flow performance metrics are not disclosed as Cliffs believes, and the Compensation Committee concurs, that providing detailed information about Cliffs' expectations prior to the completion of the 2008-2010 performance period could result in meaningful competitive harm.

Performance Methodology Changes. On March 12, 2007, the Compensation Committee adopted a new methodology for the calculation of payment of performance shares in connection with the 2007 Incentive Equity Plan. With respect to pre-2007 performance shares, a portion of the calculation was based on a cumulative quarter-by-quarter basis calculation of total shareholder return. Under the 2007 Incentive Equity Plan, the quarter-by-quarter portion of the calculation was eliminated, and the calculation is instead based on cumulative total shareholder return between the start and the end of the performance period. The Compensation Committee also gave participants in the prior plan the option of having the old or new methodology apply to their outstanding performance shares for the 2005-2007 and 2006-2008 performance periods. Subsequently, on May 12, 2008, the Compensation Committee determined that the election process was inconsistent with its "pay for performance" philosophy and determined to automatically pay the executives the amount generated by the new methodology if it is higher than the old methodology for the 2006-2008 performance period.

2009-2011 Performance Share and Restricted Share Unit Awards. On March 9, 2009, the Compensation Committee approved performance share and restricted share unit awards under the 2007 Incentive Equity Plan for Cliffs' executives, including its named executive officers. Grants were determined using a 60 day average closing price ending on March 9, 2009 of $23.52 and the grant targets described above. The following amounts of performance shares and restricted share units were awarded to Cliffs' named executive officers for the 2009-2011 performance period:

	Performance Shares	Restricted Share Units
Carrabba	78,975	26,325
Brlas	29,025	9,675
Gallagher	25,575	8,525
Calfee	19,575	6,525
Hawk	12,600	4,200

The performance peer group used for the relative performance share plan during the 2009-2011 cycle is as follows:

AK Steel Holding Corporation	Consol Energy Inc	Quanex Corp
Alcoa Inc	Foundation Coal Holdings Inc	Reliance Steel & Aluminum Co
Allegheny Technologies Inc	Freeport-McMoran Cooper & Gold Inc	Steel Dynamics Inc
Arch Coal Inc	Massey Energy Corp	United States Steel Corp (New)
Carpenter Technology Corp	Nucor Corp	Usec Inc
Commercial Metals Co	Peabody Energy Corp	Worthington Inds Inc

Payouts Determined for 2006 – 2008 Performance Share Grant. In February 2009, the Compensation Committee determined that, for the three-year performance period ended December 31, 2008, Cliffs achieved the 75th percentile with respect to its peer group for TSR and a return on net assets greater than 12 percent . This provided a total performance factor of 150 percent for the 2006-2008 performance periods. A payout for such performance period was made in Cliffs Common Shares to all participants, including all named executive officers, with a distribution date of March 6, 2009. The performance share award for the named executive officers for the 2006-2008 performance period is disclosed under the "2008 Option Exercises and Stock Vested Table" in footnotes 3 and 4. The payout calculation for the 2006 – 2008 grants is as follows:

		Performance Level			
Performance Factor	Weight	Threshold	Target	Maximum	Actual Performance
Relative TSR	100%	35th %tile	55th %tile	75th %tile	75 %tile
RONA Hurdle (3-Year Average > 12%)					Hurdle Achieved
Payout		50%	100%	150%	

Retention Units. For the years 2000 through 2007, the Compensation Committee granted a part of its incentive equity grants as retention units. The retention units assisted Cliffs in retaining key executives throughout industry cycles by providing a minimum floor to the long-term incentive opportunity based solely on executives remaining with the company. Each retention unit represents the value of one Cliffs Common Share at the end of the three-year period (generally December 31) and was payable in cash based upon the participant's continued employment throughout the three-year retention period.

The retention units granted on March 14, 2006 to the named executive officers vested on December 31, 2008 and were paid out in cash on March 6, 2009, as shown in footnote 5 under the "2007 Option Exercises and Stock Vested Table." Cliffs' closing share price on December 31, 2008 of $25.61 per share was used to determine the value of this payout.

Restricted Share Grants. During 2008, the Compensation Committee did not award any restricted share awards to any of the current named executive officers or any other employees of the Company. A restricted share award to Mr. Carrabba in 2005 vested on May 23, 2008. Messrs. Carrabba, Gallagher and Calfee received a restricted share award in 2006 that vested March 14, 2009.

Retirement and Deferred Compensation Benefits

Defined Benefit Pension Plan: Cliffs maintains a defined benefit pension plan, which it refers to as the Pension Plan, and a Supplemental Retirement Benefit Plan in which all of the named executive officers are eligible for participation following one year of service. The Compensation Committee believes that pension benefits are a typical component of total remuneration for employees and executives in industries similar to Cliffs' industry, and that providing such benefits is important to delivering a competitive package to retain employees. The objective of the Supplemental Retirement Benefit Plan is to provide benefits above the statutory limits for qualified pension plans for highly paid executives.

401(k) Savings Plan. Executives are eligible to contribute up to 35 percent of base salary under Cliffs' 401(k) Savings Plan. Annual pre-tax contributions are limited by Internal Revenue Service regulations. For the calendar year 2008, employee pre-tax contributions are limited to $15,500 ($20,500 for persons age 50 or older). Cliffs matches 100 percent of employee contributions up to the first 3 percent and 50 percent for the next 2 percent. Additionally, Cliffs has a performance-based contribution that can be made annually to the 401(k) Savings Plan. The performance-based contribution was established to deliver as much as 10 percent of base salary into the 401(k) Savings Plan when Cliffs meets certain profit per ton performance targets. Cliffs has contributed the maximum contribution of 10% every year since 2004. The amount contributed on behalf of each named executive officer is disclosed in the footnotes in the Summary Compensation Table.

Deferred Compensation Plan. Under the Voluntary Non-Qualified Deferred Compensation Plan, or VNQDC Plan, the named executive officers and other senior executives are permitted to defer, on a pre-tax basis, up to 50 percent of their base salary, all or a portion of their annual incentive under the EMPI Plan and their share award or cash award that may be payable under the Long-Term Incentive Plan or the 2007 Incentive Equity Plan. The Compensation Committee believes the opportunity to defer compensation is a competitive benefit and addresses the goal of attracting and retaining talent.

Under the Company's VNQDC plan, annual incentive payments can be deferred into a cash deferral account or a share unit account. Share awards can only be deferred into share units. Cash deferrals earn interest at the Moody's Corporate Average Bond Yield rate. Share unit deferrals are denominated in Cliffs' Common Shares and vary with Cliffs' share price performance.

In order to encourage share ownership and the alignment of executive interests with shareholder interests, as well as to assist executives in meeting their share ownership guidelines (as discussed below under "Share Ownership Guidelines"), any annual incentive cash compensation awards deferred into share units are matched with a 25 percent match by Cliffs that vests at the end of five years. The amount of Cliffs shares matched to VNQDC bonus exchange deferrals is disclosed in the 2008 Nonqualified Deferred Compensation Table.

Finally, the VNQDC Plan provides that if a participant is entitled to receive a performance-based contribution under the 401(k) Savings Plan but is limited in the amounts that can be contributed to the 401(k) Savings Plan by certain Internal Revenue Code limitations, then any such performance-based contributions in excess of the Internal Revenue Code limits are deferred into the VNQDC Plan. These specific cash accounts are not convertible to share units.

Other Benefits. Cliffs' other benefits and perquisites for senior executives, including named executive officers, include company paid parking, personal financial services, and costs attributable to spouses traveling with the executives on business trips using the corporate aircraft. Our executives do not otherwise have access to the corporate aircraft for personal travel purposes. The Compensation Committee discontinued company paid club memberships in 2007. These benefits are disclosed below in the "2008 Summary Compensation Table" under "All Other Compensation" and described in footnote 5.

Supplementary Compensation Policies

Cliffs uses several additional policies to ensure that the overall compensation structure is aligned with shareholder interests and is competitive with market practices. Specific policies include:

Share Ownership Guidelines. Cliffs' Board adopted share ownership guidelines to ensure that senior executives, including named executive officers, have a meaningful direct ownership stake in Cliffs and that the interests of executives are thereby aligned with shareholders. The guidelines call for the CEO to own shares equal in value to four-and-a-half times annual base salary. Other executives, depending on their level, are required to hold between one-and-a-half and two-and-a-half times annual base salary in shares. For awards made after January 1, 2007 under the 2007 Incentive Equity Plan, executives are not permitted to sell shares received under the performance share program or the restricted share unit program unless the executive is in compliance with the ownership guidelines, except as may be necessary to pay income taxes. An executive's direct ownership of shares, including restricted shares and share units held in the VNQDC Plan, count toward meeting the share ownership guidelines. The Compensation Committee annually reviews compliance with the share ownership guidelines.

Change in Control Severance Agreements. Cliffs has entered into severance agreements with all of the named executive officers that provide for certain payments upon termination following a change in control. The Compensation Committee believes that such agreements support the goals of attracting and retaining highly talented individuals by clarifying the terms of employment and reducing the risks to the executive in situations where the executive believes that Cliffs may undergo a merger or be acquired. In addition, the Compensation Committee believes that such agreements align the interests of executives with the interests of shareholders if a qualified offer to acquire Cliffs is made, in that each of the named executive officers would likely be aware of or involved in any such negotiation and it is to the benefit of shareholders to have the executives negotiating in the shareholder's best interests without regard to the executive's personal financial interests. The level of benefits were determined consistent with market practices at the time that the agreements were established.

The agreements generally provide for the following change-in-control provisions (see accompanying narrative below for more details):

- Automatic vesting of unvested equity incentives upon change in control;
- Two or three times annual base salary and target annual incentive as severance upon termination following a change in control, and continuation of welfare benefits for two or three years;
- Full tax gross-up payments on any excise taxes imposed upon any change in control payments; and

- Non-compete, confidentiality and non-solicitation restrictions on executives who receive severance payments following a change in control.

Separation Agreement. Effective October 3, 2008, Cliffs and Mr. Kummer terminated their employment relationship. In connection with this termination of the employment relationship, Cliffs and Mr. Kummer entered into a Separation Agreement and Release of Claims, or Separation Agreement. Under the Separation Agreement, Mr. Kummer has received the following severance benefits:

- a lump sum payment of $548,000, which is equal to two times Mr. Kummer's base pay;
- a lump sum payment of $160,000, which approximates Mr. Kummer's expected payout under the EMPI Plan, pro-rated for service during 2008;
- payouts for performance share, retention unit and restricted share unit grants received by Mr. Kummer under Cliffs' long-term incentive programs, pro-rated based upon the length of Mr. Kummer's employment during the applicable incentive periods;
- restricted shares granted to Mr. Kummer in 2006 under the 1992 Incentive Equity Plan became non-forfeitable on October 3, 2008 as if Mr. Kummer had been involuntarily terminated without cause and were paid in accordance with the terms of Mr. Kummer's 2006 restricted share award agreement.

Mr. Kummer and his eligible dependants will be entitled to continuation of health insurance coverage for up to 24 months under certain circumstances. Mr. Kummer will be entitled to relocation assistance for up to 12 months, to the extent such benefits are not available through another employer, and outplacement assistance for up to 12 months. The separation agreement also contains customary provisions regarding confidentiality of Cliffs' proprietary information and a two-year non-solicitation covenant. The Separation Agreement also contains a general release of claims against Cliffs and a covenant not to sue Cliffs.

Other Material Tax and Accounting Implications. Section 162(m) of the Internal Revenue Code limits the deductibility of certain executive compensation in excess of $1 million. The aggregate combination of salary, distributions from the Long-Term Incentive Plan, vesting of restricted shares, and dividends on restricted shares has caused, with respect to 2008, the $1 million limit to be exceeded with respect to five of the named executive officers, and will cause the $1 million limit to be exceeded in subsequent years with respect to one or more of the named executive officers. In 2007, Cliffs' shareholders approved the EMPI Plan, and the 2007 Incentive Equity Plan, which replaced the predecessor plans. Performance based compensation under the EMPI Plan and the 2007 Incentive Equity Plan will be exempt from the $1 million limit. Even with the adoption of these new plans, retention units, restricted share unit grants and restricted share grants will still not qualify as performance based compensation and thus will be included in the calculation of the $1 million limit.

COMPENSATION COMMITTEE REPORT

The following report has been submitted by the Compensation Committee:

The Compensation Committee of the Board of Directors has reviewed and discussed the Compensation Discussion and Analysis with management. Based on this review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in its annual report on Form 10-K for the year ended December 31, 2008 and its definitive proxy statement on Schedule 14A for its 2009 Annual Meeting, as filed with the Securities and Exchange Commission.

Francis R. McAllister, *Chairman*
James D. Ireland III
Roger Phillips
Richard K. Riederer

Summary Compensation Table

The following table sets forth the compensation earned by the named executive officers for services rendered to Cliffs and its subsidiaries for the fiscal years ended December 31, 2006, 2007 and 2008.

Name (a)	Year (b)	Salary ($) (1) (c)	Bonus ($) (1) (d)	Stock Awards ($) (3) (e)	Non-Equity Incentive Plan Compensation (1) (4) (f)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($) (5) (g)	All Other Comp. ($) (6) (h)	Total ($) (i)
Joseph A. Carrabba	2008	767,500(7)	—	2,469,899	1,842,045	137,929	64,646	5,282,019
Chairman, President and Chief Executive	2007	675,000(7)	—	1,515,748	1,089,206	159,936	63,280	3,503,170
Officer	2006	520,833(7)	—	521,392	752,083	125,300	104,337	2,023,945
Laurie Brlas	2008	410,750(7)	—	727,139	606,881	42,862	29,130	1,816,762
Executive Vice President and Chief	2007	376,250(7)	—	304,603	404,825	32,225	29,361	1,147,264
Financial Officer	2006	15,208(7)	399,700(2)	3,413	2,222	—	308	420,851
Donald J. Gallagher	2008	418,750(7)	—	1,756,100	602,214	540,229	35,528	3,352,820
President, North American Iron Ore	2007	389,250(7)	—	893,178	419,952	513,938	115,442	2,331,760
	2006	339,583(7)	—	741,563	349,167	618,900	30,286	2,079,499
William R. Calfee	2008	369,750(7)	—	1,376,074	531,713	234,183	30,794	2,542,514
Executive Vice President, Commercial,	2007	344,750(7)	—	694,612	371,715	512,590	78,178	2,001,845
North American Iron Ore	2006	331,750(7)	375,000(2)	706,074	318,175	528,700	45,520	2,305,219
Randy L. Kummer (8)	2008	202,750(7)	—	1,014,816	—	32,535	733,148	1,983,250
Former Senior Vice President, Human	2007	259,750(7)	—	707,661	237,998	49,047	24,899	1,279,355
Resources	2006	244,750(7)	—	697,845	199,475	34,900	16,458	1,193,428
George W. Hawk, Jr.	2008	290,000(7)		481,797	387,754	39,212	13,426	1,212,188
General Counsel & Secretary	2007	250,000(7)	—	682,143	234,719	26,113	8,961	1,201,935
	2006	215,000(7)	—	259,726	186,500	21,500	11,021	693,747

(1) Columns (c), (e) and (f) reflect the salary, equity compensation and non-equity incentive compensation of each named executive officer, respectively, before pre-tax reductions for contributions to the 401(k) Savings Plan, the VNQDC Plan and Cliffs Benefits Plans. Amounts by which salary, equity compensation and non-equity incentive compensation were reduced in 2008 pursuant to the named executive officers' elections to make contributions to the VNQDC Plan appear in column (b) of the "2008 Nonqualified Deferred Compensation" table below.

(2) Column (d) of the table, "Bonus," discloses special, non-incentive payments to certain executives, whether such payments were designated bonus or not. Such payments include payments in 2006 to Mr. Calfee in cash of 50 percent of the award he would otherwise have received as restricted shares under the 1992 Incentive Equity Plan. Since the restricted share agreements do not forfeit the restricted shares of employees who retire, Mr. Calfee, who is retirement eligible, was taxed on the value of the restricted shares on the date of grant. The payment of 50 percent of his award in cash was intended to assist him in paying the taxes on the restricted shares award. Column (d) also includes a special signing bonus and guaranteed bonus payable to Ms. Brlas who was employed as Cliffs' Chief Financial Officer on December 11, 2006. Amounts payable to the named executive officers under the EMPI Plan are not shown in column (d), but are instead shown under column (f), "Non-Equity Incentive Plan Compensation."

(3) The amounts in column (e) reflect the dollar amount recognized for financial statement reporting purposes for the fiscal years ended December 31, 2008, December 31, 2007 and December 31, 2006, in accordance with SFAS 123R, of awards of restricted shares, restricted share units, performance shares and retention units, and thus includes amounts from awards granted in and prior to 2006. For additional information, refer to note 12 to Cliffs financial statements in Item 8 of the Form 10-K. These types of awards are discussed in further detail in the "Compensation Discussion and Analysis" section above under the headings "Performance Share Program," "Retention Units", Restricted Share Units" and "Restricted Share Grants." See the "2008 Grants of Plan-Based Awards" table for more detail on the awards of restricted shares, restricted share units, retention units and performance shares.

(4) The amounts in column (f) reflect the sum of (i) incentive bonus awards that were earned in 2008, 2007 and 2006 under the EMPI Plan and Management Incentive Plan (MPI), which is discussed in further detail in the "Compensation Discussion and Analysis" section above under the heading "Annual Incentive Plan," and were paid in cash to the named executive officers on March 13, 2009, February 22, 2008 and February 13, 2007, and (ii) amounts allocated to the named executive officers as

performance-based contributions under the 401(k) Savings Plan, which equaled in 2008, 2007 and 2006 for all eligible participants under the 401(k) Savings Plan 10 percent of their 401(k) eligible wages. To the extent that such performance-based contributions exceeded Internal Revenue Code limits for a qualified profit sharing plan, they were credited to the accounts of the executives under the VNQDC Plan. The following table summarizes annual incentive plan payments and 401(k) performance based contributions made to executives in 2006, 2007 and 2008.

	(E)MPI Awards			401(k) Perf. Contribution			Total		
	2006	2007	2008	2006	2007	2008	2006	2007	2008
Joseph A. Carrabba	700,000	1,021,706	1,765,295	52,083	67,500	76,750	752,083	1,089,206	1,842,045
Laurie Brlas	—	367,200	565,806	2,222	37,625	41,075	2,222	404,825	606,881
Donald J. Gallagher	315,000	381,027	560,339	34,167	38,925	41,875	349,167	419,952	602,214
William R. Calfee	285,000	337,240	494,738	33,175	34,475	36,975	318,175	371,715	531,713
Randy L. Kummer	175,000	212,023	—	24,475	25,975	—	199,475	237,998	—
George W. Hawk, Jr.	165,000	209,719	358,754	21,500	25,000	29,000	186,500	234,719	387,754

(5) The amounts in column (g) reflect the actuarial increase in the present value of the named executive officers' benefits under the Pension Plan and the Supplemental Retirement Benefit Plan, or SERP, both of which are discussed in the "Compensation Discussion and Analysis" section above under the heading "Defined Benefit Pension Plan," determined using interest rate and mortality assumptions consistent with those used in our financial statements and may include amounts that the named executive officer is not fully vested. Also includes amounts for above market interest for the executives' deferrals into the VNQDC. The following table summarizes changes in pension values and above-market earnings on deferred compensation in 2006, 2007 and 2008.

	Present Value of Pension Accruals						Above Market Interest on Deferred Compensation		
	Qualified			SERP					
	2006	2007	2008	2006	2007	2008	2006	2007	2008
Joseph A. Carrabba	15,900	15,100	14,500	109,400	144,600	120,900	—	236	2,529
Laurie Brlas	—	11,500	12,700	—	20,700	29,500	—	25	662
Donald J. Gallagher	180,200	136,700	91,500	438,700	377,100	447,300	—	138	1,429
William R. Calfee	42,200	75,700	3,000	486,500	436,500	228,500	—	390	2,683
Randy L. Kummer	19,800	18,500	16,500	15,100	30,500	15,400	—	47	635
George W. Hawk, Jr.	17,000	15,100	13,900	4,500	11,000	25,100	—	13	212

(6) The amounts in column (h) reflect the combined value of the named executive officers' perquisites attributable to paid parking, financial services, club memberships, restricted stock dividends, costs attributed to spouses traveling with executives on business trips using the corporate aircraft and matching contributions made by and on behalf of the executives under the 401(k) Savings Plan and the VNQDC Plan. The following table summarizes perquisites in 2006, 2007 and 2008.

		Paid Parking ($)	Financial Svcs. ($)	Club Member-ships ($)	401 (k) Savings Plan Matching Contributions ($)	VNQDC Plan Matching Contributions ($)	Restricted Stock Dividends ($)	Aircraft Usuage	Other ($)	Total ($)
Joseph A. Carrabba	2008	2,700	8,280	—	7,475	23,225	19,977	2,989	—	64,646
Laurie Brlas	2008	2,700	10,000	—	9,000	7,430	—	—	—	29,130
Donald J. Gallagher	2008	2,700	8,516	—	9,000	—	12,209	3,103	—	35,528
William R. Calfee	2008	2,700	7,200	—	8,507	6,283	6,104	—	—	30,794
Randy L. Kummer	2008	2,250	4,081	—	8,236	—	10,581	—	708,000(1)	774,538
George W. Hawk, Jr.	2008	2,700	4,126	—	6,600	—	—	—	—	13,426

(1) Reflects a lump sum payment of $548,000, or two year's base salary, and a lump sum payment of $160,000, the expected payout of the annual incentive, pursuant to Mr. Kummer's Separation Agreement.

(7) The salary of the named executive officers includes their base salary before salary reductions for the Benefits Choice Plan, the 401(k) Savings Plan, and the VNQDC Plan. The following table summarizes salary reductions for the 401(k) Savings Plan and VNQDC Plan for executives in 2006, 2007 and 2008:

	401(k)						VNQDC Pre-Tax Salary Deferral		
	Salary Deferrals			Catch-Up Contribution					
	2006	2007	2008	2006	2007	2008	2006	2007	2008
Joseph A. Carrabba	13,063	12,675	12,850	—	—	—	36,667	68,750	38,375
Laurie Brlas	—	15,500	15,500	—	550	800	—	26,337	41,076
Donald J. Gallagher	15,000	15,500	15,500	1,000	750	1,000	—	—	—
William R. Calfee	15,000	15,500	15,500	4,291	5,000	5,000	11,611	34,475	36,975
Randy L. Kummer	15,000	15,500	15,500	5,000	5,000	3,971	—	—	—
George W. Hawk, Jr.	15,000	15,500	15,500	—	—		—	—	—

(8) Randy Kummer resigned effective October 3, 2008.

Grants of Plan Based Awards

This table discloses in columns (d), (e) and (f) the potential payouts at the threshold, target and maximum levels of the awards under the EMPI Plan for 2008. See the “Annual Incentive Plan—Compensation Discussion and Analysis” section above for a description of the EMPI Plan.

This table also shows in columns (g), (h) and (i) the potential payouts at the threshold, target and maximum levels of the 2008 performance share awards under the 2007 Incentive Equity Plan. Such performance shares are for a three-year period ending December 31, 2010.

The table also shows in columns (j) and (k) the actual numbers of awards granted and the grant date fair value of restricted share units under the 2007 Incentive Equity.

2008 Grant of Plan Based Awards Table

			Estimated Future Payouts under Non-Equity Incentive Plan Awards (EMPI) ($) (1)			Estimated Future Payout(s) under Equity Incentive Plan Awards (Per Shares) (2)				
Name (a)	Grant Date (b)	Committee Date (c)	Threshold (d)	Target (e)	Maximum (f)	Threshold (g)	Target (h)	Maximum (i)	Restricted Share Units (j)	Grant Date Fair Market Value of Stock Awards ($) (k)
Joseph A. Carrabba	3/10/2008	3/10/2008	542,500	1,085,000	2,170,000					
	3/10/2008	3/10/2008				17,250	34,500	51,750	11,500	2,418,910
Laurie Brlas	3/10/2008	3/10/2008	173,880	347,760	695,520					
	3/10/2008	3/10/2008				5,400	10,800	16,200	3,600	757,224
Donald J. Gallagher	3/10/2008	3/10/2008	172,200	344,400	688,800					
	3/10/2008	3/10/2008				5,325	10,650	15,975	3,550	746,707
William R. Calfee	3/10/2008	3/10/2008	152,040	304,080	608,160					
	3/10/2008	3/10/2008				4,050	8,100	12,150	2,700	567,918
Randy L. Kummer	3/10/2008	3/10/2008	100,695	201,390	402,780					
	3/10/2008	3/10/2008				3,075	6,150	9,225	2,050	431,197
George W. Hawk, Jr.	3/10/2008	3/10/2008	110,250	220,500	441,000					
	3/10/2008	3/10/2008				3,375	6,750	10,125	2,250	473,265

(1) The amounts in column (d) reflect the threshold payment level under the EMPI Plan, which is 25 percent of the maximum amount shown in column (f). The amount shown in column (e) is 50 percent of the amount shown in column (f). These amounts are based on the individual's current salary and position at the time of grant.

(2) The amounts in column (g) reflect the threshold payout level of performance shares under the 2007 Incentive Equity Plan, which is 50 percent of the target amount shown in column (h). The amount shown in column (i) is 150 percent of such target amount.

Outstanding Equity Awards At Fiscal Year-End

The following table shows in columns (b) and (c) the actual numbers of shares, and the fair market value of all (1) unvested restricted share awards under the 1992 Incentive Equity Plan and (2) unvested retention units under the Long-Term Incentive Plan or 2007 Incentive Equity Plan outstanding on December 31, 2008. The fair market value of each restricted share and retention unit on December 31, 2008 was $25.61.

The table also shows in columns (d) and (e), for the named executive officers, the actual numbers of performance shares and the fair market value as of December 31, 2008 of all unvested and unearned performance shares assuming a market value of $25.61 per share (the closing market price of Cliffs' common shares on December 31, 2008) and assuming that the performance shares pay off at the target level.

Outstanding Equity Awards At 2008 Fiscal Year-End Table

Name (a)	Number of Shares or Units of Stock That Have Not Vested (b) (2)	Market Value of Shares or Units of Stock That Have Not Vested ($) (c)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (d)	Equity Incentive Plan Awards: Market Value of Payout of Unearned Shares, Units or Other Rights That Have Not Vested ($) (e)
Joseph A. Carrabba	55,812(3)	1,429,345		
	11,100(4)	284,271	62,900(5)	1,610,869
	11,500(6)	294,515	34,500(7)	883,545
Laurie Brlas	3,600(4)	92,196	20,400(5)	522,444
	3,600(6)	92,196	10,800(7)	276,588
Donald J. Gallagher	34,884(3)	893,379	21,250(5)	544,213
	3,750(4)	96,038	10,650(7)	272,747
	3,550(6)	90,916		
William R. Calfee	17,440(3)	446,638	11,220(5)	287,344
	1,980(4)	50,708	8,100(7)	207,441
	2,700(6)	69,147		
Randy L. Kummer (8)	15,116(3)	387,121	3,846(5)	98,496
	679(4)	17,389	1,538(7)	39,388
	512(6)	13,112		
George W. Hawk, Jr.	1,950(4)	49,940	11,050(5)	282,991
	2,250(6)	57,623	6,750(7)	172,868

(1) Normally, outstanding options would be listed on this table. There are no outstanding stock options for any named executive officers.
(2) The amounts shown in this column reflect the number of unvested restricted shares granted under the Incentive Equity Plan and the number of retention units and restricted share units under the 2007 Incentive Equity Plan. Unless otherwise indicated, all of these awards vest on the last day of the second year following the year in which the award was granted.
(3) These restricted shares were granted on March 14, 2006. They vested on March 14, 2009.
(4) This represents a grant of retention units for the 2007—2009 performance period.
(5) This represents a performance share grant for the 2007—2009 performance period.
(6) This represents a grant of restricted share units for the 2008—2010 performance period.
(7) This represents a performance share grant for the 2008—2010 performance period.
(8) Outstanding equity awards granted to Mr. Kummer reflect pro-ration pursuant to his October 3, 2008 termination. Additionally, the restricted stock granted to Mr. Kummer on March 14, 2006 became non-forfeitable on October 3, 2008. Fifty percent was released to Mr. Kummer to satisfy tax obligations and the remaining 50% will be distributed on March 14, 2009.

Option Exercises and Stock Vested

Columns (b) and (c) in the following table set forth certain information regarding performance shares, retention units and restricted share awards that vested during 2008 for the named executive officers based on the applicable fair market value. None of Cliffs' named executive officers had stock options during the fiscal year ended December 31, 2008 and thus could not exercise them.

2008 Option Exercises And Stock Vested Table

	Stock Awards	
Name (a)	Number of Shares Acquired on Vesting (b)	Value Realized on Vesting ($) (c) (1)
Joseph A. Carrabba	5,066(2)	472,506
	84,660(3)	1,306,304
	9,960(4)	255,076
Laurie Brlas	20,400(3)	314,772
	2,400(4)	61,464
Donald J. Gallagher	21,420(3)	330,511
	2,520(4)	64,537
William R. Calfee	19,890(3)	306,903
	2,340(4)	59,927
Randy L. Kummer	13,137(3)	202,704
	1,546(4)	39,593
	15,116(5)	578,489
George W. Hawk, Jr.	8,670(3)	133,778
	1,020(4)	26,122

(1) The value realized shown in column (c) is computed by multiplying the number of restricted shares, performance shares and retention units by the closing price of a Common Share on the date of vesting. Except as otherwise noted, all awards vested on December 31, 2008. The closing price of a Common Share on December 31, 2008 was $25.61.
(2) The restricted shares were granted on May 23, 2005. They vested on May 23, 2008 with a fair market value of $93.27.
(3) This represents a performance share award granted during 2006 (note: Ms. Brlas was granted performance shares on December 11, 2006) for the 2006—2008 performance period that paid out to participants on March 6, 2009 at a fair market value of $15.43 per share on February 27, 2009. The performance shares paid out at 150 percent based on the performance criteria.
(4) This represents an award of retention units under the Long-Term Incentive Plan paid out to participants for the 2006—2008 performance period.

(5) Pursuant to Mr. Kummer's Separation Agreement, these restricted shares became non-forfeitable effective October 3, 2008. Restrictions were removed on 50 percent of the shares to satisfy the tax obligation. The balance of the shares will be released on March 14, 2009.

Pension Benefits

The table below shows the present value of accumulated benefits payable to each named executive officer and the number of years of service credited to each such named executive officer under the Pension Plan and the Supplemental Retirement Benefit Plan. The calculation was determined using interest rate and mortality rate assumptions consistent with those used in Cliffs' financial statements.

The Pension Plan provides participants, including the named executive officers, with the greater of:

(a) the sum of:

(1) For service with Cliffs through June 30, 2008, his or her accrued benefit under the plan's Final Average Pay Formula described below; and

(2) For service with Cliffs after June 30, 2008, his or her cash balance credits and interest under the Cash Balance Formula described below; or

(b) the sum of:

(1) For service with Cliffs through June 30, 2003, his or her accrued benefit under the Final Average Pay Formula described below; and

(2) For service with Cliffs after June 30, 2003, his or her cash balance credits and interest after June 30, 2003 under the Cash Balance Formula described below.

The Final Average Pay Formula provides a benefit that is generally based on a 1.65 percent pension formula. For each year of service up to June 30, 2003 or June 30, 2008, as the case may be, the plan provides 1.65 percent of Average Monthly Compensation. Average Monthly Compensation is defined as the average annual compensation earned during the 60 consecutive months providing the highest such average during the last 120 months preceding the applicable date. The benefit is subject to an offset of 50 percent of Social Security benefits through the applicable date. Benefits are payable as an annuity, unreduced for early commencement, upon the attainment of normal retirement at age 65, or at 30 years of service. Benefits are payable as an annuity reduced for early commencement upon the attainment of age 55 with 15 years of service.

The Cash Balance Formula provides a benefit payable at any time equal to the value of a notional cash balance account. For each calendar quarter, after the applicable date a credit is made to the account equal to a percentage of his or her pay ranging from four percent to ten percent based upon his or her age and service with transitional pay credits up to 13 percent during the transition period from June 30, 2003 to June 30, 2008. Interest is credited to the account balance on a quarterly basis. At retirement or termination of employment, the accumulated account balance can be paid as either a lump sum or actuarially equivalent annuity.

The compensation used to determine benefits under the Pension Plan is the sum of salary and annual incentive compensation paid under the EMPI Plan to a participant during a calendar year. Pensionable earnings for each of Cliffs' named executive officers during 2008 include the amount shown for 2008 in column (c) of the "2008 Summary Compensation Table" above, plus the amount of incentive compensation earned in 2007 and paid in 2008, respectively.

The Supplemental Retirement Benefit Plan generally provides the named executive officers with the benefits which would have been payable under the Pension Plan if certain Internal Revenue Code limitations did not apply to the Pension Plan. The Supplemental Retirement Benefit Plan was amended effective for 2006 and future accruals to eliminate the payment of annual accruals and to provide that Supplemental Retirement Benefit Plan accruals will instead be paid at retirement.

2008 Pension Benefits Table

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit ($)	Payments During Last Fiscal Year ($)
PEO—Joseph A. Carrabba	Salaried Pension Plan	3.7	53,600	—
	Supplemental Retirement Benefit Plan	3.7	1,120,300	—
PFO—Laurie Brlas	Salaried Pension Plan	2.1	24,200	—
	Supplemental Retirement Benefit Plan	2.1	50,200	—
George W. Hawk, Jr.	Salaried Pension Plan	5.8	65,500	—
	Supplemental Retirement Benefit Plan	5.8	42,000	—
Willam R. Calfee	Salaried Pension Plan	36.5	1,266,300	—
	Supplemental Retirement Benefit Plan	36.5	1,151,500	—
Donald J. Gallagher	Salaried Pension Plan	27.4	822,700	—
	Supplemental Retirement Benefit Plan	27.4	1,263,100	—
Randy L. Kummer	Salaried Pension Plan	8.3	105,200	—
	Supplemental Retirement Benefit Plan	8.3	78,400	—

Nonqualified Deferred Compensation

Pursuant to the VNQDC Plan, the named executive officers are permitted to defer, on a pre-tax basis, up to 50 percent of their base salary, all or a portion of their annual incentive under the EMPI Plan, and their stock award or cash award that may be payable under the Long-Term Incentive Plan. Cash compensation awards deferred into stock units will be matched with a 25 percent match by Cliffs.

Cash deferrals earn interest at the Moody's Corporate Average Bond Yield rate. Stock awards, which can only be deferred into stock units, are denominated in Cliffs Common Shares and vary with Cliffs' share price performance.

Additionally, the VNQDC Plan provides that if a participant is entitled to receive a discretionary performance based contribution under the 401(k) Savings Plan but is limited in the amounts which can be contributed to the 401(k) Savings Plan by certain Internal Revenue Code limitations, then the balance of such performance based contribution will be credited to the participant's account under the VNQDC Plan. Similarly, if a named executive officer's salary reduction contributions to the 401(k) Savings Plan are limited by Internal Revenue Code limitations, the amount that exceeds the limit will be credited to the executive's account under the VNQDC Plan together with the Cliffs match he or she would have had under the 401(k) Savings Plan.

This table discloses in column (b), "Executive Contributions in Last Fiscal Year," the contributions by each named executive officer to the VNQDC Plan. The contributions include pre-tax contributions of salary, incentive bonuses, stock awards, and cash awards.

Column (c) of the Table, "Registrant Contributions in Last Fiscal Year," includes matching contributions Cliffs made of behalf of the named executive officers to the VNQDC Plan and performance-based contributions authorized under the 401(k) Savings Plan that were credited to the VNQDC Plan.

Column (d) of the Table, "Aggregate Earnings in Last Fiscal Year," includes interest earned on cash deferrals and dividends earned on deferred shares.

2008 Nonqualified Deferred Compensation Table

(a) Name	(b) Executive Contributions in Last Fiscal Year (1)	(c) Registrant Contributions in Last Fiscal Year (2)	(d) Aggregate Earnings in Last Fiscal Year (3)	(e) Aggregate Withdrawals / Distributions	(f) Aggregate Balance at Last Fiscal Year-End (4)
Joseph A. Carrabba	137,673	101,735	(35,969)	—	379,077
Laurie Brlas	41,075	25,505	4,128	—	100,987
Donald J. Gallagher	—	18,875	25,335	—	2,645,881
William R. Calfee	36,975	21,265	38,933	—	1,492,659
Randy L. Kummer	—	—	4,066	—	73,387
George W. Hawk, Jr.	—	14,400	1,345	—	25,022

(1) The amounts in column (b) represents pre-tax contributions of salary, incentive bonuses, and performance share and retention unit awards to the VNQDC Plan by the named executive officers.

(2) The amounts in column (c) reflect the sum of (i) our matching contributions made on behalf of the named executive officers to the VNQDC Plan, and (ii) performance-based contributions authorized under the Savings Plan but that were credited to the VNQDC Plan.

	Matching Contribution (1)	Performance Based Contribution
Joseph A. Carrabba	47,985	53,750
Laurie Brlas	7,430	18,075
Donald J. Gallagher	—	18,875
William R. Calfee	6,283	14,982
Randy L. Kummer	—	—
George W. Hawk, Jr.	—	14,400

(1) Includes 25% stock match of 211 shares valued at $24,760 for Mr. Carrabba.

(3) The amounts in column (d) reflect the sum of (i) interest earned on cash deferrals, (ii) dividends earned on deferred shares, and (iii) the increase (or decrease) in the value of deferred Common Shares held in the participant's account from January 1, 2008 through December 31, 2008.

	Interest Earned	Dividends Earned (1)	Change In Valuation
Joseph A. Carrabba	16,279	555	(52,803)
Laurie Brlas	4,128	—	—
Donald J. Gallagher	9,324	33,865	17,923
William R. Calfee	26,584	13,935	(1,587)
Randy L. Kummer	4,066	—	—
George W. Hawk, Jr.	1,345	—	—

(1) A portion of dividends were reinvested into additional deferred Common Shares.

(4) In column (f) the aggregate share balances are as follows and are valued with the December 31, 2008 closing price of $25.61.

	Aggregate Share Balance
Joseph A. Carrabba	2,130
Donald J. Gallagher	97,023
William R. Calfee	39,864

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE OF CONTROL

The tables below reflect the compensation payable to each of the named executive officers, excluding Mr. Kummer, in the event of termination of such executive's employment under a variety of different circumstances, including the named executive officer's voluntary termination, involuntary not-for-cause termination, and termination following a change of control. The amounts shown assume in all cases that such termination was effective as of December 31, 2008. All amounts shown are estimates of the amounts that would be paid out to the executives upon their termination. The actual amounts to be paid out can only be determined at the time of such executive's separation from Cliffs.

Effective October 3, 2008, Cliffs and Mr. Kummer terminated their employment relationship. In connection with this termination of the employment relationship, Cliffs and Mr. Kummer entered into the Separation Agreement described in the "—Compensation Discussion and Analysis" section above under the heading "—Separation Agreement." The compensation and benefits Mr. Kummer received in connection with this termination of the employment relationship are as provided for in the Separation Agreement.

Payments Made Upon All Terminations

If a named executive officer's employment terminates, he or she is entitled to receive certain amounts earned during his or her term of employment no matter the cause of termination. Such amounts include:

- Salary through the date of termination;
- Unused vacation pay;
- Accrued and vested benefits under the Pension Plan, Supplemental Retirement Benefit Plan, 401(k) Savings Plan, and VNQDC Plan;
- Undistributed performance shares and unpaid retention units for periods which have been completed; and
- Restricted shares where the restrictions have lapsed.

Additional Payments Upon Involuntary Termination Without Cause

In the event that a named executive officer is terminated involuntarily without cause, he or she would typically receive the following additional payments or benefits in the sole discretionary judgment of the Compensation Committee, taking into account the nature of the termination, the length of the executive's service with Cliffs, and the executive's grade level. There is no legally binding agreement requiring that any such payments or benefits be paid to any named executive officer except in the case of a change in control prior to the termination:

- Severance payments;
- Continued health insurance benefits;

- Out-placement services; and
- Financial services.

Since all such benefits are at the discretion of the Compensation Committee, it is impossible to estimate the amount that would be paid in such circumstances.

Additional Payments Upon Retirement

None of the named executive officers were eligible to retire on December 31, 2008 other than Mr. Calfee and Mr. Gallagher. In the event of any named executive officer's retirement, the following additional amounts will be paid and additional benefits will be provided, in addition to the amounts payable to all terminated salaried employees:

- A pro-rata portion of the annual incentive award under the EMPI Plan for the year in which he or she retires;
- Any unpaid annual incentive award under the EMPI Plan for the year prior to the year of retirement;
- A pro-rata portion of his or her performance shares and retention units will be paid when such shares and units would otherwise be paid;
- A pro-rata portion of any performance based contribution to the 401(k) Savings Plan and the VNQDC Plan for the year of retirement;
- He or she will keep his or her restricted shares and the restrictions on sale of the shares will lapse at the end of the restriction period;
- He or she will be entitled to retiree medical and life insurance for the rest of his or her life and the life of his or her spouse on the same terms as any other salaried employee hired prior to 1993; and
- He or she will become vested in certain matching contributions under the VNQDC Plan provided that the amounts are not withdrawn until the end of the five year vesting period.

Additional Payments Because of Change in Control Without Termination

Under the terms of the Restricted Shares Agreements and Performance Share Agreements, the named executive officers are entitled to the following benefits upon the occurrence of a change in control, regardless of whether the employment of the named executive officer is terminated:

- The restrictions on the restricted shares lapse immediately;
- The performance shares vest immediately; and
- The retention units vest immediately.

For this purpose, a "change in control" generally means the occurrence of any of the following events:

(1) Any one person, or more than one person acting as a group acquires ownership of stock of Cliffs that, together with stock held by such person or group, constitutes more than 50% of the total fair market value or total voting power of the stock of Cliffs (subject to certain exceptions);

(2) Any one person, or more than one person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of Cliffs possessing 35% or more of the total voting power of the stock of Cliffs;

(3) A majority of members of Cliffs' Board is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of Cliffs' Board prior to the date of the appointment or election; or

(4) Any one person, or more than one person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from Cliffs that have a total gross fair market value equal to or more than 40% of the total gross fair market value of all of the assets of Cliffs immediately prior to such acquisition or acquisitions.

Acquisitions of Cliffs stock pursuant to certain business combination or similar transactions described in Cliffs' relevant equity incentive plans, however, will not constitute a change in control if, generally speaking, in each case, immediately after such business transaction:

- the owners of Cliffs stock immediately prior to the business transaction own more than 55% of the entity resulting from the business transaction in substantially the same proportions as their pre-business transaction ownership of Cliffs stock;
- no one person, or more than one person acting as a group (subject to certain exceptions), owns 30% or more of the combined voting power of the entity resulting from the business transaction; and
- at least a majority of the members of the board of directors of the entity resulting from the business transaction were members of the incumbent board of directors of Cliffs when the business transaction agreement was signed or approved by Cliffs' board of directors. For purposes of this exception, the incumbent board of directors of Cliffs generally means those directors who were serving as of August 11, 2008 (or a prior date in the case of certain pre-2007 equity awards) or whose appointment or election was endorsed by a majority of the incumbent members prior to the date of such appointment or election.

Except as it pertains to the definition of business combination or similar transactions, persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with Cliffs. Additionally, for certain equity awards made prior to the 2007 Incentive Equity Plan, issuances of Cliffs stock approved by the incumbent board of directors of Cliffs, acquisitions by Cliffs of its own stock and acquisitions of Cliffs stock by Cliffs' employee benefit plans or related trusts also will not constitute a change in control.

On August 11, 2008, the Compensation Committee amended the 2007 Incentive Equity Plan to correct the definition of a "Change in Control" so that performance shares and retention units awarded under the plan will not be earned as a result of the consummation of certain types of mergers. The change was made because of concerns that mergers, such as the proposed but not consummated 2008 merger with Alpha Natural Resources Inc., could have inadvertently triggered the Change in Control language of the 2007 Incentive Equity Plan. As amended the 2007 Incentive Equity Plan defines a "Business Combination" as any business transaction such as a reorganization, merger or consolidation involving Cliffs, a sale or other disposition of all or substantially all of the assets of Cliffs, or any other transaction involving Cliffs, if, in each case, immediately following any such business transaction, (A) all or substantially all of the individuals and entities who were the beneficial owners of stock of Cliffs immediately prior to such business transaction beneficially own, directly or indirectly, more than 55% of the combined voting power of the then outstanding shares of stock of the entity resulting from such business transaction (including, without limitation, an entity which as a result of such transaction owns Cliffs or all or substantially all of Cliffs' assets either directly or through one or more subsidiaries) in substantially the same proportions relative to each other as their ownership, immediately prior to such business transaction, of the stock of Cliffs, (B) no one person, or more than one person acting as a group (other than Cliffs, such entity resulting from such business transaction, or any employee benefit plan (or related trust) sponsored or maintained by Cliffs, any subsidiary or such

entity resulting from such business transaction), beneficially owns, directly or indirectly, 30% or more of the combined voting power of the then outstanding shares of stock of the entity resulting from such business transaction, and (C) at least a majority of the members of the board of directors of the entity resulting from such business transaction were members of the Incumbent Board (as defined in the Amendment) at the time of the execution of the initial agreement or of the action of Cliffs' Board providing for such business transaction.

The amended 2007 Incentive Equity Plan also clarifies that the following two plan provisions do not apply to the definition of "Business Combination": (i) persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with Cliffs, and (ii) if a person, including an entity, owns stock in both corporations that enter into a merger, consolidation, purchase or acquisition of stock, or similar transaction, such shareholder is considered to be acting as a group with other shareholders in a corporation prior to the transaction giving rise to the change and not with respect to the ownership interest in the other corporation.

Additional Payments Upon Termination Without Cause after Change in Control

Each of the named executive officers has a written Severance Agreement which applies only in the event of termination during the two years after a change in control. If one of the named executive officers is involuntarily terminated during the two years after a change in control, for a reason other than cause, he or she will be entitled to the following additional benefits:

(1) A lump sum payment in an amount equal to three times (two times for Mr. Hawk) the sum of (A) base salary (at the highest rate in effect for any period prior to the termination date), plus (B) annual incentive pay at the target level for the current year or prior year whichever is greater.

(2) Coverage for a period of 36 months (24 months for Mr. Hawk) following the termination date, by health, life insurance and disability benefits.

(3) A lump sum payment in an amount equal to the sum of the additional future pension benefits which the executive would have been entitled to receive three years (two years for Mr. Hawk) following the termination date under the Supplemental Retirement Benefit Plan.

(4) Pro-rata incentive pay at target levels for the year in which the termination date occurs.

(5) Outplacement services in an amount up to 15 percent of the executive's base salary.

(6) Post-retirement medical, hospital, surgical and prescription drug coverage for the lifetime of the executive, his or her spouse and any eligible dependents at the normal participant cost based on the executive's age.

(7) A gross-up payment for any taxes imposed on the executive under Internal Revenue Code Section 4999 relating to excess parachute payments.

(8) He or she will become vested in certain matching contributions under the VNQDC Plan provided that the amounts are not withdrawn until the end of the five-year vesting period.

(9) He or she will be provided perquisites for a period of 36 months (24 months for Mr. Hawk) comparable to the perquisites he or she was receiving before the termination of his employment or the change in control whichever was greater.

Similar benefits are paid if the executive voluntarily terminates his or her employment during the two years following a change in control by reason of any one of the following happening:

(1) Failure to maintain the executive in the office or position, or a substantially equivalent office or position, which the executive held immediately prior to a change in control;

(2) (A) A significant adverse change in the nature or scope of the executive's authorities, powers, functions, responsibilities or duties, (B) a reduction in the executive's base salary, (C) a reduction in the executive's opportunity to receive incentive pay, or (D) the termination or denial of the executive's rights to employee benefits or a reduction in the scope or value thereof;

(3) A change in circumstances which has substantially hindered executive's performance of his or her job;

(4) Certain corporate transactions;

(5) Cliffs relocates its principal executive offices in excess of 25 miles from the prior location; or

(6) Breach of the Severance Agreement.

For purposes of the Severance Agreements, "cause" generally means termination of an executive for the following acts: (1) conviction of a criminal violation involving fraud, embezzlement or theft in connection with his or her duties or in the course of his or her employment with Cliffs or any subsidiary of Cliffs; (2) intentional wrongful damage to property of Cliffs or any subsidiary of Cliffs; (3) intentional wrongful disclosure of secret processes or confidential information of Cliffs or any subsidiary of Cliffs; or (4) intentional wrongful engagement in any competitive activity.

In order to receive benefits under the Severance Agreements, the named executive officers may not disclose Cliffs' confidential and proprietary information, may not go into competition with Cliffs, and may not solicit Cliffs' employees to leave Cliffs' employment.

Potential Termination Payments to Named Executive Officers

The following tables show the benefits payable to the named executive officers currently serving Cliffs upon various types of terminations of employment and change in control assuming an effective date of December 31, 2008.

Joseph A. Carrabba

Benefit	*Voluntary Termination or For Cause Termination ($)*	*Retirement ($)*	*Involuntary Termination ($)*	*Change in Control Without Termination ($)*	*Termination Without Cause after Change in Control ($)*
Cash Severance	—	—	—	—	5,625,000
Bonus	—	—	—	—	1,085,000
Equity					
Restricted Stock Grants	—	—	1,429,345	1,429,345	1,429,345
Performance Shares	—	—	1,368,428	2,494,414	2,494,414
Retention Units	—	—	287,686	578,786	578,786
Retirement Benefits					
Pension	1,259,145	—	1,259,145	—	1,924,173
Retiree Welfare	—	—	—	—	131,344
Nonqualified Deferred Compensation	366,641	—	366,641	366,641	366,641
Other Benefits					
Health & Welfare	—	—	—	—	34,853
Outplacement	—	—	—	—	118,500
Perquisites	—	—	—	—	32,730
Tax Gross-Ups	—	—	—	—	4,304,395
Total	**1,625,786**	**—**	**4,711,245**	**4,869,186**	**18,125,180**

Potential Termination Payments to Named Executive Officers

Laurie Brlas

Benefit	*Voluntary Termination or For Cause Termination ($)*	*Retirement ($)*	*Involuntary Termination ($)*	*Change in Control Without Termination ($)*	*Termination Without Cause after Change in Control ($)*
Cash Severance	—	—	—	—	2,306,280
Bonus	—	—	—	—	347,760
Equity					
Restricted Stock Grants	—	—	—	—	—
Performance Shares	—	—	440,492	799,032	799,032
Retention Units	—	—	92,196	184,392	184,392
Retirement Benefits					
Pension	—	—	—	—	291,805
Retiree Welfare	—	—	—	—	—
Nonqualified Deferred Compensation	101,090	—	101,090	101,090	101,090
Other Benefits					
Health & Welfare	—	—	—	—	34,853
Outplacement	—	—	—	—	63,150
Perquisites	—	—	—	—	29,044
Tax Gross-Ups	—	—	—	—	1,546,700
Total	**101,090**	**—**	**633,778**	**1,084,514**	**5,704,106**

Donald J. Gallagher

Benefit	*Voluntary Termination or For Cause Termination ($)*	*Retirement ($)*	*Involuntary Termination ($)*	*Change in Control Without Termination ($)*	*Termination Without Cause after Change in Control ($)*
Cash Severance	—	—	—	—	2,314,200
Bonus	—	555,173	—	—	344,400
Equity					
Restricted Stock Grants	—	—	893,379	893,379	893,379
Performance Shares	—	—	453,725	816,960	816,960
Retention Units	—	—	94,330	186,954	186,954
Retirement Benefits					
Pension	1,379,967	1,379,967	1,379,967	—	1,638,466
Retiree Welfare	106,379	106,379	106,379	—	119,750
Nonqualified Deferred Compensation	1,686,106	1,686,106	1,686,106	1,686,106	1,686,106
Other Benefits					
Health & Welfare	—	—	—	—	34,853
Outplacement	—	—	—	—	64,050
Perquisites	—	—	—	—	33,746
Tax Gross-Ups	—	—	—	—	1,274,297
Total	**3,172,452**	**3,727,625**	**4,613,886**	**3,583,399**	**9,407,161**

Potential Termination Payments to Named Executive Officers

William R. Calfee

Benefit	Voluntary Termination or For Cause Termination ($)	Retirement ($)	Involuntary Termination ($)	Change in Control Without Termination ($)	Termination Without Cause after Change in Control ($)
Cash Severance	—	—	—	—	2,043,240
Bonus	—	490,177	—	—	304,080
Equity					
Restricted Stock Grants	—	—	446,638	446,638	446,638
Performance Shares	—	—	260,710	494,785	494,785
Retention Units	—	—	56,854	119,855	119,855
Retirement Benefits					
Pension	1,229,489	1,229,489	1,229,489	—	1,458,859
Retiree Welfare	116,787	116,787	116,787	—	116,787
Nonqualified Deferred Compensation	961,963	961,963	961,963	961,963	961,963
Other Benefits					
Health & Welfare	—	—	—	—	34,853
Outplacement	—	—	—	—	56,550
Perquisites	—	—	—	—	20,912
Tax Gross-Ups	—	—	—	—	—
Total	**2,308,239**	**2,798,416**	**3,072,441**	**2,023,241**	**6,058,522**

George W. Hawk, Jr.

Benefit	Voluntary Termination or For Cause Termination ($)	Retirement ($)	Involuntary Termination ($)	Change in Control Without Termination ($)	Termination Without Cause after Change in Control ($)
Cash Severance	—	—	—	—	1,041,000
Bonus	—	—	—	—	220,500
Equity					
Restricted Stock Grants	—	—	—	—	—
Performance Shares	—	—	246,284	455,859	455,859
Retention Units	—	—	52,501	107,563	107,563
Retirement Benefits					
Pension	48,520	—	48,520	—	170,854
Retiree Welfare	—	—	—	—	—
Nonqualified Deferred Compensation	25,022	—	25,022	25,022	25,022
Other Benefits					
Health & Welfare	—	—	—	—	23,423
Outplacement	—	—	—	—	45,000
Perquisites	—	—	—	—	8,054
Tax Gross-Ups	—	—	—	—	771,766
Total	**73,542**	**—**	**372,327**	**588,444**	**2,869,042**

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

None of the individuals who served as members of the Compensation Committee in 2008 was or has been an officer or employee of ours or engaged in transactions with us (other than in his or her capacity as director).

None of our executive officers serves as a director or member of the compensation committee of another entity, one of whose executive officers serves as a member of the Compensation Committee or a director of us.

AGREEMENTS AND TRANSACTIONS

We have entered into indemnification agreements with each current member of Cliffs' Board. The form and execution of the indemnification agreements were approved by our shareholders at the Annual Meeting convened on April 29, 1987. The indemnification agreements essentially provide that, to the extent permitted by Ohio law, we will indemnify the indemnitee against all expenses, costs, liabilities and losses (including attorneys' fees, judgments, fines or settlements) incurred or suffered by the indemnitee in connection with any suit in which the indemnitee is a party or otherwise involved as a result of his or her service as a member of Cliffs' Board. In connection with the indemnification agreements, we have a trust agreement with KeyBank National Association pursuant to which the parties to the indemnification agreements may be reimbursed with respect to enforcing their respective rights under the indemnification agreements.

In 2004 Cliffs and the USW reached an agreement pursuant to which the USW may designate a member to Cliffs' Board provided that the individual is acceptable to the Chairman, is recommended by the Board Affairs Committee, and is then approved by the full Cliffs' Board to be considered a Director nominee. In 2007, Susan Green was first proposed by the USW, elected to Cliffs' Board by Cliffs' shareholders in July, 2007, and re-elected in May, 2008.

In 2007, Cliffs pledged $1.25 million over five years to build infrastructure to connect the William G. Mather Steamship Museum, also known as the Mather Museum, and the Great Lakes Science Center in Cleveland, Ohio. The pledge was increased in 2008 to $1.65 million and accelerated to be paid over three years. As a result, an installment of $500,000 was paid by the Company through The Cleveland Cliffs Foundation in 2008. The Mather was Cliffs' flagship for many years. The purpose of the donation is to preserve Cliffs' history in the City of Cleveland. It will also make the Mather Museum a year round attraction. Mr. Ireland is a member of the Mather Museum board.

We recognize that transactions between us and any of our directors or executive officers can present potential or actual conflicts of interest and create the appearance that our decisions are based on considerations other than the best interests of our shareholders.

Pursuant to our Related Party Transactions Policy (available on our website at http://www.cliffsnaturalresources.com), we will only enter into related party transactions if our CEO and General Counsel determine that the transaction is comparable to those that could be obtained in arm's length dealings with an unrelated third party. If the transaction is approved by our CEO and General Counsel, our policy provides that the transaction must also be approved by the disinterested members of our Audit Committee for transactions in excess of $120,000. For purposes of our policy, we define a related person as any person who is a director, executive officer, nominee for director or an immediate family member of a director, an executive officer, or a nominee for director. We define a related party transaction as a transaction, agreement or relationship in which Cliffs was, is or will be a participant, and any related person who has or will have a direct or indirect material interest. Under our policy, any

related party transactions above the $120,000 threshold are reviewed by the Audit Committee at each quarterly committee meeting. Our policy also requires that all related party transactions in excess of $120,000 must be disclosed in our filings as required by the Securities Act of 1933, which we refer to as the Securities Act, and the Exchange Act, such as our Form 10-K and Form 10-Qs.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our Directors and officers and persons who own ten percent or more of a registered class of our equity securities to file reports of ownership and changes in ownership on Forms 3, 4 and 5 with the SEC. Directors, officers and ten percent or greater shareholders are required by SEC regulations to furnish us with copies of all Forms 3, 4 and 5 they file.

Based solely on our review of the copies of such forms we have received, and written representations by such persons, we believe that all of our Directors, officers and ten percent or greater shareholders complied with all filing requirements applicable to them with respect to transactions in our equity securities during the fiscal year ended December 31, 2008. In May, 2007, Cliffs' Board determined that George W. Hawk, Jr., General Counsel and Secretary, was an "executive officer" under the Exchange Act. A Form 3 and 4 was reported late for Mr. Hawk in June, 2008 when the reporting oversight was discovered.

RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

(Proposal No. 2)

It is proposed that our shareholders ratify the appointment by the Audit Committee of Deloitte & Touche LLP, or Deloitte, as Cliffs' independent registered public accounting firm, for the year ending December 31, 2009. We expect representatives of Deloitte to be present at the 2009 Annual Meeting and available to respond to appropriate questions submitted by shareholders. Such representatives will also be afforded an opportunity at such time to make such statements as they may desire.

Approval by the shareholders of the appointment of our independent registered public accounting firm is not required by law, any applicable stock exchange regulation or by our organizational documents, but the Audit Committee is submitting this matter to shareholders for ratification as a corporate governance practice. Ultimately, the Audit Committee retains full discretion and will make all determinations with respect to the appointment of the independent registered public accounting firm.

Independent Registered Public Accounting Firm Fees and Services

Fees for professional services provided by our independent registered public accounting firm in each of the last two fiscal years, in each of the following categories (in thousands) are as follows:

	2008	2007
Audit Fees (1)	$4,742	$3,745
Audit-Related Fees (2)	47	428
Tax Fees (3)	15	
All Other Fees (4)	1,574	
Total	$6,378	$4,173

(1) Audit fees consist of fees billed, or to be billed, for professional services rendered for the audit of our annual consolidated financial statements and internal control over financial reporting as of and for the years ended December 31, 2008 and 2007; reviews of our interim financial statements included in quarterly reports and services normally provided by our independent registered public accounting firm in connection with regulatory and statutory filings.

(2) Audit-related fees consist of fees billed or to be billed related to agreed upon procedures and in 2007 fees related to financial due diligence on a proposed acquisition.

(3) Tax fees in 2008 consist of fees related to tax consulting services.

(4) Other fees in 2008 consist of fees related primarily to merger integration consulting projects related to proposed transactions and consultation related to compensation and benefits strategies.

The Audit Committee's policy is to pre-approve all audit and non-audit services provided by our independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services. Pre-approval is generally provided for up to one year and any pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. The Audit Committee has delegated pre-approval authority to the Audit Committee Chairman, or any Audit Committee Member in his absence, when services are required on an expedited basis, with such pre-approval disclosed to the full Audit Committee at its next scheduled meeting. None of the fees paid to the independent registered public accounting firm under the categories "Audit-Related," and "Tax Fees" described above were approved by the Audit Committee after services were rendered pursuant to the de minimis exception established by the SEC.

Approval of Proposal No. 2 requires the affirmative vote of the holders of a majority of our Common Shares present in person or represented by proxy at the 2009 Annual Meeting and entitled to vote on the proposal.

Cliffs' Board unanimously recommends that you vote "FOR" Proposal No. 2 for the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2009.

AUDIT COMMITTEE REPORT

The Audit Committee of Cliffs' Board ("Committee") is composed of four independent directors and operates under a written charter adopted by the Board of Directors. The charter is reviewed and reassessed for adequacy annually by the Audit Committee and reviewed by the Audit Committee with the Board of Directors. The Audit Committee reviewed the existing charter on March 9, 2009 and recommended to the Board of Directors on March 10, 2009 that certain changes relating to updating references to applicable auditing standards and other immaterial changes be approved. The Board approved the revised charter on March 10, 2009. A copy of the charter, which the Board of Directors has adopted, is available at http://www.cliffsnaturalresources.com and by request at (800) 214-0739.

The members of the Audit Committee are Richard K. Riederer (Chairman), Susan M. Cunningham, Barry J. Eldridge, and James D. Ireland III, all of whom are independent of the Company in accordance with the listing standards of the NYSE and have the financial literacy and accounting or financial management expertise necessary to effectively discharge their responsibilities. The Audit Committee retains the Company's independent auditors.

Management is responsible for the Company's financial statements, systems of internal control and the financial reporting processes. Management is also responsible to attest, as of December 31, 2008, to the effectiveness of the Company's system of internal control over financial reporting in compliance with Sarbanes-Oxley Section 404 ("SOX 404").

The independent auditors are responsible for performing an audit of the Company's consolidated financial statements in accordance with Public Company Accounting Oversight Board ("PCAOB") standards and to issue a report thereon. The independent auditors are also responsible for performing an audit of the company's system of internal control over financial reporting and to provide an independent attestation as of December 31, 2008.

The Audit Committee's responsibility is to monitor and oversee these financial reporting processes on behalf of the Board of Directors. In fulfilling its oversight responsibilities, the Audit Committee reviewed the audited financial statements in the Annual Report with management and the independent auditors, including a discussion of the quality, not just the acceptability, of the accounting principles; the reasonableness of significant judgments; and the clarity of disclosures in the financial statements. The Audit Committee also reviewed management's report on their review of the system of internal control over financial reporting.

In this context, the Audit Committee met nine times in 2008 and held discussions with management and the independent auditors. The Audit Committee also regularly met in separate executive sessions with the independent auditors, the Company's chief internal auditor, management, and with Audit Committee members only. Furthermore, the Audit Committee has regularly reviewed the results of its executive sessions with the Chief Executive Officer, as appropriate.

Management has represented to the Audit Committee that the Company's consolidated financial statements were prepared in accordance with generally accepted accounting principles. The Audit Committee has reviewed and discussed the consolidated financial statements and critical accounting policies with management and the independent auditors. The Audit Committee discussed with the independent auditors matters required to be discussed under PCAOB standards and any other matters required to be discussed under applicable standards, including the statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1, AU section 380), as adopted by the PCAOB in Rule 3200T.

The Audit Committee has received the written disclosures and the letter from the Company's independent auditors required by applicable requirements of the PCAOB regarding the independent auditors' communications with the Audit Committee concerning independence and the Audit Committee discussed with the independent auditors that firm's independence, including consideration of the compatibility of non-audit services with the auditors' independence.

Based on the Audit Committee's discussion with management and the independent auditors and the Audit Committee's review of the representation of management and the report of the independent auditors to the Audit Committee, the Audit Committee approved the audited consolidated financial statements for inclusion in the Company's Annual Report on Form 10-K for the year ended December 31, 2008 filed with the SEC.

R. K. Riederer, chairman
S. M. Cunningham
B. J. Eldridge
J. D. Ireland III

ANNUAL REPORT

Cliffs' 2008 Annual Report to Shareholders, including financial statements, is being distributed to all shareholders together with this proxy statement, in satisfaction of the requirements of the SEC. Additional copies of this report are available upon request. To obtain additional copies of the 2008 Annual Report, please contact our Investor Relations Department at (800) 214-0739, or by email at ir@cliffsnaturalresources.com, or visit our website at http://www.cliffsnaturalresources.com, investor relations section, to submit your request.

GENERAL INFORMATION

The cost of soliciting proxies will be paid by us. Although we have not retained a proxy solicitor to aid in the solicitation of proxies, we may do so in the future if the need arises and do not believe that the cost of any such proxy solicitor will be material. In addition to solicitation by mail, solicitations may also be made by personal interview, fascimile and telephone. Arrangements will be made with brokerage houses and other custodians, nominees and fiduciaries to send proxies and proxy material to their principals, and we will reimburse them for their expenses in so doing. Our officers and other employees, as yet undesignated, may also request the return of proxies by telephone, fascimile, or in person, though none of them would receive any additional compensation for such requests.

Pursuant to regulations of the SEC, the material appearing under the captions "Audit Committee Report" and "Compensation Committee Report" are not deemed to be soliciting material or to be filed with the SEC or subject to Regulation 14A (other than provided therein) promulgated by the SEC or Section 18 of the Exchange Act except to the extent that we specifically incorporate this information by reference into any filing under the Securities Act or the Exchange Act.

The Common Shares represented by properly authorized proxies will be voted as specified. It is intended that the Common Shares represented by proxies on which no specification has been made will be voted **FOR** the election of the nominees for Director named herein or such substitute nominees as Cliffs' Board may designate and the ratification of Deloitte as our independent registered public accounting firm and at the discretion of the persons named as proxies on all other matters that may properly come before the 2009 Annual Meeting. At the 2009 Annual Meeting, the results of shareholder voting will be tabulated by the inspector of elections appointed for the 2009 Annual Meeting. We intend to treat properly authorized proxies as "present" for purposes of determining whether a quorum has been achieved at the 2009 Annual Meeting. The candidates for Director receiving a plurality of the votes will be elected. Votes withheld and broker non-votes in respect of the election of Directors will not be counted in determining the outcome of that vote. Abstentions will have the effect of votes against the proposal to ratify Deloitte as our independent registered public accounting firm, but broker non-votes will not be counted in determining the outcome of that vote.

If notice in writing shall be given by any shareholder to the President, a Vice President or the Secretary, not less than 48 hours before the time fixed for the holding of the 2009 Annual Meeting, that

such shareholder desires that the voting for the election of Directors shall be cumulative, and if an announcement of the giving of such notice is made upon the convening of the 2009 Annual Meeting by the chairman or secretary or by or on behalf of the shareholder giving such notice, each shareholder shall have the right to cumulate such voting power as he or she possesses at such election. Under cumulative voting a shareholder may cast for any one nominee as many votes as shall equal the number of Directors to be elected, multiplied by the number of his or her Common Shares. All of such votes may be cast for a single nominee or may be distributed among any two or more nominees as he or she may desire. If cumulative voting is invoked, and unless contrary instructions are given by a shareholder who signs a proxy, all votes represented by such proxy will be cast in such manner and in accordance with the discretion of the person acting as proxy as will result in the election of as many of Cliffs' Board's nominees as is possible.

OTHER BUSINESS

It is not anticipated that any other matters will be brought before the 2009 Annual Meeting for action; however, if any such other matters shall properly come before the 2009 Annual Meeting, it is intended that the persons authorized under proxies may, in the absence of instructions to the contrary, vote or act thereon in accordance with their best judgment.

SHAREHOLDER PROPOSALS

Deadline for Inclusion in Proxy Materials

Any proposal by a shareholder intended to be presented at the year 2010 Annual Meeting of Shareholders must be received by us on or before November 20, 2009 (or, if the date of 2010 Annual Meeting is more than 30 days before or after the date of the 2009 Annual Meeting, a reasonable time before we begin to print and send our proxy materials) to be included in our proxy materials relating to such meeting.

Discretionary Voting of Proxies

In accordance with Rule 14a-4 under the Exchange Act, if notice of a proposal by a shareholder intended to be presented at the year 2010 Annual Meeting is received by us after February 3, 2010 (or, if the date of the 2010 Annual Meeting is more than 30 days before or after the date of the 2009 Annual Meeting, a reasonable time before we begin to print and send our proxy materials), the persons authorized under our management proxies may exercise discretionary authority to vote or act on such proposal if the proposal is raised at our 2010 Annual Meeting.

Important Notice Regarding the Availability of Proxy Materials for the 2009 Annual Meeting of Shareholders to be held on May 12, 2009

This proxy statement, along with our 2008 Annual report, which includes our Form 10-K for the fiscal year ended December 31, 2008, are available upon request free of charge at www.proxyvote.com. The documents are also available upon request at (800) 214-0739, by email at ir@cliffsnaturalresources.com, or visit our website at http://www.cliffsnaturalresources.com under Investor Relations.

Annex A

INDEPENDENCE STANDARDS FOR DIRECTORS

The following standards will be applied by Cliffs' Board in determining whether individual directors qualify as "independent" under the Rules of the New York Stock Exchange. References to Cliffs includes its consolidated subsidiaries.

1. No director will qualify as "independent" unless the Board of Directors affirmatively determines that the director has no material relationship with Cliffs, either directly or as a partner, shareholder or officer of an organization that has a relationship with Cliffs. We will identify which directors are independent and disclose these affirmative determinations.
2. No director can be independent if the director is, or has been within the last three years, an employee of Cliffs.
3. No director can be independent whose immediate family member is or has been an executive officer of Cliffs within the last three years.
4. No director can be independent if the director received, or has an immediate family member who has received, during any twelve-month period within that last three years, more than $120,000 during any twelve-month period in direct compensation from Cliffs, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service).
5. No director can be independent if:
   a. the director or an immediate family member is a current partner of Cliffs' internal or external auditor;
   b. the director is a current employee of Cliffs' internal or external auditor;
   c. the director has an immediate family member who is a current employee of Cliffs' internal or external auditor and participates in such auditor's audit, assurance or tax compliance (but not tax planning) practice; or
   d. the director or an immediate family member was within the last three years (but is no longer) a partner or employee of such auditor and personally worked on Cliffs' audit within that time.
6. No director can be independent if the director or an immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of Cliffs' present executives at the same time serves or served on that company's compensation committee.
7. No director can be independent if the director is a current employee, or an immediate family member is an current executive officer, of a company (excluding charitable organizations) that has made payments to, or received payments from, Cliffs for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of $1 million, or 2% of such other company's consolidated gross revenues.
8. No director can be independent if Cliffs has made charitable contributions to any charitable organization in which such director serves as an executive officer if, within the preceding three years, contributions by Cliffs to such charitable organization in any single completed fiscal year of such charitable organization exceeded the greater of $1,000,000, or 2% of such charitable organization's consolidated gross revenues.

CLIFFS NATURAL RESOURCES INC.
200 Public Square, Suite 3300, Cleveland, OH 44114
P 216.694.5700 cliffsnaturalresources.com

Notice of Annual Meeting of Shareholders to be held on May 12, 2009 and Proxy Statement

EXHIBIT II - DEFINITIVE PROXY STATEMENT ON SCHEDULE 14A

CLIFFS NATURAL RESOURCES INC.
200 Public Square, Suite 3300, Cleveland, OH 44114
P 216.694.5700 cliffsnaturalresources.com

VOTE BY INTERNET - www.proxyvote.com
Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time on May 11, 2009. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS
If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

VOTE BY PHONE - 1-800-690-6903
Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time on May 11, 2009. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL
Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717. Voting instructions submitted by mail must be received by 11:59 p.m. Eastern Time on May 11, 2009.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

CLINR1 KEEP THIS PORTION FOR YOUR RECORDS

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED. DETACH AND RETURN THIS PORTION ONLY

CLIFFS NATURAL RESOURCES INC.

The Board of Directors recommends you vote "FOR" Proposals 1 and 2.

For all	Withhold All	For All Except
☐	☐	☐

To withhold authority to vote for any individual nominee(s), mark "For All Except" and write the number(s) of the nominee(s) on the line below.

_____

Vote On Directors

1 Election of Directors

Nominees:

01)	R. C. Cambre	06)	J. D. Ireland III
02)	J. A. Carrabba	07)	F. R. McAllister
03)	S. M. Cunningham	08)	R. Phillips
04)	B. J. Eldridge	09)	R. K. Riederer
05)	S. M. Green	10)	A. Schwartz

Vote on Proposals

	For	Against	Abstain
2. A proposal to ratify the appointment of Deloitte & Touche LLP as independent registered public accounting firm to examine our consolidated financial statements for the 2009 fiscal year.	☐	☐	☐

IN THEIR DISCRETION, THE PROXIES ARE AUTHORIZED TO VOTE UPON SUCH OTHER BUSINESS AS MAY PROPERLY COME BEFORE THE MEETING AND ANY ADJOURNMENTS AND POSTPONEMENTS THEREOF.

Authorized Signatures - This section must be completed for your vote to be counted. Date and Sign Below.

PLEASE SIGN EXACTLY AS NAME APPEARS HEREON. JOINT OWNERS SHOULD EACH SIGN. WHEN SIGNING AS ATTORNEY, EXECUTOR, ADMINISTRATOR, TRUSTEE OR GUARDIAN, PLEASE GIVE FULL TITLE AS SUCH.

Signature [PLEASE SIGN WITHIN BOX]	Date	Signature (Joint Owners)	Date

Our Annual Meeting of Shareholders will be held on the 41st floor of 200 Public Square, Cleveland, Ohio 44114-2315 on Tuesday, May 12, 2009 at 11:00 A.M. (Cleveland time). Shareholders of record at the close of business on March 16, 2009 are entitled to notice of and to vote at such meeting and any adjournments or postponements thereof.

We encourage you to take advantage of convenient ways to vote your common shares. You may appoint your proxies to vote these shares electronically over the Internet or via toll-free telephone, 24 hours a day, 7 days a week. Please note that all proxy appointments over the Internet or by telephone must be received by 11:59 p.m., Eastern Time, on May 11, 2009.

If your shares are not registered in your own name and you would like to attend the Annual Meeting, please bring evidence of your share ownership with you. You should be able to obtain evidence of your share ownership from the bank, broker, trustee or other nominee that holds the shares on your behalf.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:
The Notice and Proxy Statement and Annual Report are available at www.proxyvote.com.

CLINR2

CLIFFS NATURAL RESOURCES INC.
200 Public Square, Suite 3300, Cleveland, OH 44114
P 216.694.5700 cliffsnaturalresources.com

CLIFFS NATURAL RESOURCES INC.

This proxy is solicited on behalf of the Board of Directors.

The undersigned hereby appoints R.C. Cambre, S.M. Green, F.R. McAllister, R. Phillips, and A. Schwartz as proxies, each with the power of substitution, and hereby authorizes them to represent and to vote all of Cliffs Natural Resources Inc. common shares par value $0.125 per share, held of record by the undersigned on March 16, 2009, at the annual meeting of shareholders to be held on May 12, 2009, or at any adjournments or postponements thereof, as follows.

You are encouraged to specify your choices by marking the appropriate boxes, SEE REVERSE SIDE, but you need not mark any boxes if you wish to vote in accordance with the Board of Directors' recommendations. It is important that these shares are represented at this meeting, whether or not you attend the meeting in person. To make sure these shares are represented, we urge you to complete and mail the proxy card on the reverse side or to use the Internet or toll-free telephone voting system.

This proxy when properly signed will be voted in the manner directed herein. If no direction is made, this proxy will be voted "FOR" all of the Board of Directors' nominees and to ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm.

EXHIBIT III

EXCERPT FROM THE AMENDED ARTICLES OF INCORPORATION OF CLIFFS NATURAL RESOURCES INC.

200402102294

DATE	DOCUMENT ID	DESCRIPTION	FILING	EXPED	PENALTY	CERT	COPY
01/21/2004	200402102294	DOMESTIC/AMENDMENT TO ARTICLES (AMD)	50.00	100.00	.00	.00	.00

Receipt

This is not a bill. Please do not remit payment.

JONES DAY
ATTN: JENNIFER E. GLIEBE
41 S. HIGH ST., STE 1900
COLUMBUS, OH 43215

STATE OF OHIO
CERTIFICATE
Ohio Secretary of State, J. Kenneth Blackwell

649806

It is hereby certified that the Secretary of State of Ohio has custody of the business records for

CLEVELAND-CLIFFS INC

and, that said business records show the filing and recording of:

Document(s):	Document No(s):
DOMESTIC/AMENDMENT TO ARTICLES	**200402102294**

United States of America
State of Ohio
Office of the Secretary of State

Witness my hand and the seal of the Secretary of State at Columbus, Ohio this 20th day of January, A.D. 2004.

J. Kenneth Blackwell

Ohio Secretary of State

Prescribed by **J. Kenneth Blackwell**
Ohio Secretary of State
Central Ohio: (614) 466-3910
Toll Free: 1-877-SOS-FILE (1-877-767-3453)

www.state.oh.us/sos
e-mail: busserv@sos.state.oh.us

Expedite this Form: (Select One)	
Mail Form to one of the Following:	
◉ Yes	PO Box 1390 Columbus, OH 43216 *** Requires an additional fee of $100 ***
○ No	PO Box 1028 Columbus, OH 43216

Certificate of Amendment by Directors or Incorporators to Articles

(Domestic)

Filing Fee $50.00

(CHECK ONLY ONE (1) BOX)

(1) ☐ Amendment by Directors	(2) ☐ Amendment by Incorporators
☑ Amended by Directors (123-AMDD)	☐ Amended by Incorporators (124-AMDI)

Complete the general information in this section for the box checked above.

Name of Corporation: Cleveland-Cliffs Inc

Charter Number: 649806

☑ Please check if additional provisions attached hereto are incorporated herein and made a part of these articles of organization.

Complete the information in this section if box (1) is checked.

Name and Title of Officer: John E. Lenhard (name) — Secretary (title)

(CHECK ONLY ONE (1) BOX)

☐ A meeting of the directors was duly called and held on _____ (Date)

☑ In an writing signed by all the Directors pursuant to section 1701.54 of the ORC

The following resolution was adopted pursuant to section 1701.70(B) (1), (3) and (7) of the ORC:
(Insert proper paragraph number)

See attachment

FURTHER RESOLVED, that the following amended articles of incorporation be and the same are hereby adopted to supercede and take the place of the existing articles of incorporation and all amendments thereto.

Complete the information in this section if box (2) is checked.

WE, the undersigned, being all of the incorporators of the above named corporation, do certify that the subscriptions to shares have not been received and the initial directors are not named in the ariticles. We hereby have elected to amend the articles as follows:

REQUIRED
Must be authenticated **(signed)** by an authorized representative **(See Instructions)**

Authorized Representative — January 20, 2004 Date

John E. Lenhard
(Print Name)

Authorized Representative — Date

(Print Name)

Authorized Representative — Date

(Print Name)

AMENDED ARTICLES OF INCORPORATION

OF

CLEVELAND-CLIFFS INC

FIRST: The name of the Corporation shall be Cleveland-Cliffs Inc

SECOND: The location of the principal office of the Corporation in the State of Ohio shall be in Cleveland, Cuyahoga County, Ohio.

THIRD: The purpose for which the Corporation is formed is to engage in any lawful act or activity for which corporations may be formed under Sections 1701.01 through 1701.98, inclusive, of the Ohio Revised Code.

FOURTH: The maximum number of shares the Corporation is authorized to have outstanding is Thirty-Five Million (35,000,000) shares, consisting of the following:

(a) Three Million (3,000,000) shares of Serial Preferred Stock, Class A, without par value ("Class A Preferred Stock");

(b) Four Million (4,000,000) shares of Serial Preferred Stock, Class B, without par value ("Class B Preferred Stock"); and

(c) Twenty-Eight Million (28,000,000) Common Shares, par value $1.00 per share ("Common Shares").

DIVISION A:

EXPRESS TERMS OF THE SERIAL PREFERRED STOCK, CLASS A, WITHOUT PAR VALUE

The Class A Preferred Stock shall have the following express terms:

SECTION 1. *Series* The Class A Preferred Stock may be issued from time to time in one or more series. All shares of Class A Preferred Stock shall be of equal rank and shall be identical, except in respect of the matters that may be fixed by the Directors as hereinafter provided, and each share of each series shall be identical with all other shares of such series, except as to the date from which dividends are cumulative. All shares of Class A Preferred Stock shall also be of equal rank and shall be identical with shares of Class B Preferred Stock except in respect of (i) the particulars that may be fixed and determined by the Directors as hereinafter provided, (ii) the voting rights and provisions for consent relating to Class A Preferred Stock as fixed and determined by Section 5 of this Division A and (iii) the conversion rights of any series of Class A Preferred Stock which may be fixed and determined by the Directors subject to the provisions of Section 6 of this Division A. Subject to the provisions of Sections 2 to 7, inclusive, of this Division A, which provisions shall apply to all Class A Preferred Stock, the Directors hereby are authorized to cause such shares to be issued in one or more series and with respect to each such series to fix:

(a) The designation of the series, which may be by distinguishing number, letter and/or title.

(b) The number of shares of the series, which number the Directors may (except where otherwise provided in the creation of the series) increase or decrease (but not below the number of shares thereof then outstanding).

(c) The dividend rights of the series which may be: cumulative or non-cumulative; at a specified rate, amount or proportion; or with or without further participation rights.

(d) The dates at which dividends, if declared, shall be payable, and the dates from which dividends, if cumulative, shall accumulate.

(e) The redemption rights and price or prices, if any, for shares of the series.

(f) The terms and amount of any sinking fund provided for the purchase or redemption of shares of the series.

(g) The amounts payable on shares of the series in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

(h) Whether the shares of the series shall be convertible into shares of any other class or series of the Corporation, and if so, the specification of such other class or series, the conversion price or prices or rate or rates, any adjustments thereof, the date or dates as of which such shares shall be convertible, and other terms and conditions upon which such conversion may be made.

(i) Restrictions (in addition to those set forth in Section 5(c) of this Division) on the issuance of shares of the same series or of any other class or series.

The Directors are authorized to adopt from time to time amendments to the Articles of Incorporation fixing, with respect to each such series, the matters described in clauses (a) to (i), inclusive, of this Section 1.

SECTION 2. *Dividends.*

(a) The holders of Class A preferred Stock of each series, in preference to the holders of Common Shares and of any other class of shares ranking junior to the Class A Preferred Stock, shall be entitled to receive out of any funds legally available therefor and when and as declared by the Directors dividends in cash at the rate for such series fixed in accordance with the provisions of Section 1 of this Division A and no more, payable on the dividend payment dates fixed for such series. Such dividends may be cumulative, in the case of shares of each particular series, from and after the date or dates fixed with respect to such series. No dividend may be paid upon or set apart for any of the Class A Preferred Stock on any dividend payment date unless (i) all dividends upon all Class A Preferred Stock then outstanding and all classes of stock then outstanding ranking prior to or on a parity with the Class A Preferred Stock for all dividend payment dates prior to

such date shall have been paid or funds therefor set apart and (ii) at the same time a like dividend upon all series of Class A Preferred Stock then outstanding and all classes of stock then outstanding ranking prior to or on a parity with the Class A Preferred Stock and having a dividend payment date on such date, ratably in proportion to the respective dividend rates of each such series or class, shall be paid or funds therefor set apart. Accumulations of dividends, if any, shall not bear interest.

(b) For the purpose of this Division A, a dividend shall be deemed to have been paid or funds therefor set apart on any date if on or prior to such date the Corporation shall have deposited funds sufficient therefor with a bank or trust company and shall have caused checks drawn against such funds in appropriate amounts to be mailed to each holder of record entitled to receive such dividend at such holder's address then appearing on the books of the Corporation.

(c) In no event so long as any Class A Preferred Stock shall be outstanding shall any dividends, except a dividend payable in Common Shares or other shares ranking junior to the Class A Preferred Stock, be paid or declared or any distribution be made except as aforesaid on the Common Shares or any other shares ranking junior to the Class A Preferred Stock, nor shall any Common Shares or any other shares ranking junior to the Class A Preferred Stock be purchased, retired or otherwise acquired by the Corporation (except out of the proceeds of the sale of Common Shares or other shares ranking junior to the Class A Preferred Stock received by the Corporation on or subsequent to the date on which shares of any series of Class A Preferred Stock are first issued), unless (i) all accrued and unpaid dividends upon all Class A Preferred Stock then outstanding for all dividend payment dates on or prior to the date of such action shall have been paid or funds therefor set apart and (ii) as of the date of such action there shall be no arrearages with respect to the redemption of Class A Preferred Stock of any series from any sinking fund provided for shares of such series in accordance with the provisions of Section 1 of this Division A.

SECTION 3. *Redemption.*

(a) Subject to the express terms of each series and to the provisions of Section 5(c)(iii) of this Division A, the Corporation (i) may from time to time redeem all or any part of the Class A Preferred Stock of any series at the time outstanding at the option of the Directors at the applicable redemption price for such series fixed in accordance with the provisions of Section 1 of this Division A, and (ii) shall from time to time make such redemptions of the Class A Preferred Stock of any series as may be required to fulfill the requirements of any sinking fund provided for shares of such series at the applicable sinking fund redemption price, fixed in accordance with the provisions of Section 1 of this Division A, together in each case with (A) all then accrued and unpaid dividends upon such shares for all dividend payment dates on or prior to the redemption date and (B) if the redemption date is not a dividend payment date for such series, a proportionate dividend, based on the number of elapsed days, for the period from the day after the most recent such dividend payment date through the redemption date.

(b) Notice of every such redemption shall be mailed, postage prepaid, to the holders of record of the Class A Preferred Stock to be redeemed at their respective addresses then appearing on the books of the Corporation, not less than 30 days nor more than 60 days prior to the date fixed for such redemption. At any time before or after notice has been given as above provided, the Corporation may deposit the aggregate redemption price of the shares of Class A Preferred Stock to be redeemed, together with an amount equal to the aggregate amount of dividends payable upon such redemption, with any bank or trust company in Cleveland, Ohio, or New York, New York, having capital and surplus of more than $50,000,000, named in such notice, and direct that such deposited amount be paid to the respective holders of the shares of Class A Preferred Stock so to be redeemed upon surrender of the stock certificate or certificates held by such holders. Upon the giving of such notice and the making of such deposit such holders shall cease to be shareholders with respect to such shares and shall have no interest in or claim against the Corporation with respect to such shares except only the right to receive such money from such bank or trust company without interest or to exercise, before the redemption date, any unexpired privileges of conversion. In case less than all of the outstanding shares of any series of Class A Preferred Stock are to be redeemed, the Corporation shall select, pro rata or by lot, the shares so to be redeemed in such manner as shall be prescribed by the Directors.

(c) If the holders of shares of Class A Preferred Stock which shall have been called for redemption shall not, within six years after such deposit, claim the amount deposited for the redemption thereof, any such bank or trust company shall, upon demand, pay over to the Corporation such unclaimed amounts and thereupon such bank or trust company and the Corporation shall be relieved of all responsibility in respect thereof to such holder.

(d) Any shares of Class A Preferred Stock which are (i) redeemed by the Corporation pursuant to the provisions of this Section 3, (ii) purchased and delivered in satisfaction of any sinking fund requirements provided for shares of any series of Class A Preferred Stock, (iii) converted in accordance with the express terms of any such series, or (iv) otherwise acquired by the Corporation, shall resume the status of authorized and unissued shares of Class A Preferred Stock without serial designation; provided, however, that any such shares which are converted in accordance with the express terms thereof shall not be reissued as convertible shares.

SECTION 4. *Liquidation.*

(a) (1) The holders of Class A Preferred Stock of any series, shall, in case of voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, be entitled to receive in full out of the assets of the Corporation, including its capital, before any amount shall be paid or distributed among the holders of the Common Shares or any other shares ranking junior to the Class A Preferred Stock, the amounts fixed with respect to shares of such series in accordance with Section 1 of this Division, plus an amount equal to (i) all then accrued and unpaid dividends upon such shares for all dividend payment dates on or prior to the date of payment of the amount due pursuant to such liquidation, dissolution or winding up, and (ii) if such date is not a

dividend payment date for such series, a proportionate dividend, based on the number of elapsed days, for the period from the day after the most recent dividend payment date through the date of payment of the amount due pursuant to such liquidation, dissolution or winding up. In case the net assets of the Corporation legally available therefor are insufficient to permit the payment upon all outstanding shares of Class A Preferred Stock and all outstanding shares of stock of all classes ranking on a parity with the Class A Preferred Stock of the full preferential amount to which they are respectively entitled, then such net assets shall be distributed ratably upon outstanding shares of Class A Preferred Stock and all outstanding shares of stock of all classes ranking on a parity with the Class A Preferred Stock in proportion to the full preferential amount to which each such share is entitled.

(2) After payment to holders of Class A Preferred Stock of the full preferential amounts as aforesaid, holders of Class A Preferred Stock as such shall have no right or claim to any of the remaining assets of the Corporation.

(b) The merger or consolidation of the Corporation into or with any other corporation, or the merger of any other corporation into it, or the sale, lease or conveyance of all or substantially all the property or business of the Corporation, shall not be deemed to be a dissolution, liquidation or winding up for the purposes of this Division A.

SECTION 5. *Voting.*

(a) The holders of Class A Preferred Stock shall be entitled to one vote for each share of such stock upon all matters presented to the shareholders; and, except as otherwise provided herein or required by law, the holders of Class A Preferred Stock and the holders of Common Shares shall vote together as one class on all matters presented to the shareholders.

(b) (1) If, and so often as, the Corporation shall be in default in the payment of dividends on any series of Class A Preferred Stock at the time outstanding, or funds therefor have not been set apart, in an amount equivalent to six full quarterly dividends on any such series of Class A Preferred Stock whether or not consecutive and whether or not earned or declared, the holders of Class A Preferred Stock of all series, voting separately as a class, and in addition to any other rights which the shares of any series of Class A Preferred Stock may have to vote for Directors, shall thereafter be entitled to elect, as herein provided, two Directors of the Corporation; provided, however, that the special class voting rights provided for in this paragraph when the same shall have become vested shall remain so vested (i) in the case of cumulative dividends, until all accrued and unpaid dividends on the Class A Preferred Stock of all series then outstanding shall have been paid or funds therefor set apart, or (ii) in the case of non-cumulative dividends, until full dividends on the Class A Preferred Stock of all series than outstanding shall have been paid or funds therefor set apart regularly for a period of one year, whereupon the holders of Class A Preferred Stock shall be divested of their special class voting rights in respect of subsequent elections of Directors, subject to the

revesting of such special class voting rights in the event hereinabove specified in this paragraph.

(2) In the event of default entitling the holders of Class A Preferred Stock to elect two Directors as specified in paragraph (1) of this subsection, a special meeting of such holders for the purpose of electing such Directors shall be called by the Secretary of the Corporation upon written request of, or may be called by, the holders of record of at least ten percent (10%) of the shares of Class A Preferred Stock of all series at the time outstanding, and notice thereof shall be given in the same manner as that required for the annual meeting of shareholders; provided, however, that the Corporation shall not be required to call such special meeting if the annual meeting of shareholders or any other special meeting of shareholders called or to be called for a different purpose shall be held within 120 days after the date of receipt of the foregoing written request from the holders of Class A Preferred Stock. At any meeting at which the holders of Class A Preferred Stock shall be entitled to elect Directors, the holders of thirty-five percent (35%) of the then outstanding shares of Class A Preferred Stock of all series, present in person or by proxy, shall be sufficient to constitute a quorum, and the vote of the holders of a majority of such shares so present at any such meeting at which there shall be such a quorum shall be sufficient to elect the Directors which the holders of Class A Preferred Stock are entitled to elect as hereinabove provided. Notwithstanding any provision of these Articles of Incorporation or the Regulations of the Corporation or any action taken by the holders of any class of shares fixing the number of Directors of the Corporation, the two Directors who may be elected by the holders of Class A Preferred Stock pursuant to this subsection shall serve in addition to any other Directors then in office or proposed to be elected otherwise than pursuant to this subsection. Nothing in this subsection shall prevent any change otherwise permitted in the total number of Directors of the Corporation or require the resignation of any Director elected otherwise than pursuant to this subsection. Notwithstanding any classification of the other Directors of the Corporation, the two Directors elected by the holders of Class A Preferred Stock shall be elected annually for the terms expiring at the next succeeding annual meeting of shareholders; provided, however, that whenever the holders of Class A Preferred Stock shall be divested of the voting power as above provided, the terms of office of all persons elected as Directors by the holders of the Class A Preferred Stock as a class shall immediately terminate and the number of Directors shall be reduced accordingly.

(c) Except as hereinafter provided, the affirmative vote of the holders of at least two-thirds of the shares of Class A Preferred Stock at the time outstanding, given in person or by proxy at a meeting called for the purpose at which the holders of Class A Preferred Stock shall vote separately as a class, shall be necessary to effect, any one or more of the following (but so far as the holders of Class A Preferred Stock are concerned, such action may be effected with such vote):

(i) Any amendment, alteration or repeal of any of the provisions of the Articles of Incorporation or of the Regulations of the Corporation which affects adversely the preferences or voting or other rights of the holders of Class A Preferred Stock; provided, however, that

for the purpose of this paragraph 5(c)(i) only, neither the amendment of the Articles of Incorporation so as to authorize, create or change the authorized or outstanding amount of Class A Preferred Stock or of any shares of any class ranking on a parity with or junior to the Class A Preferred Stock nor the amendment of the provisions of the Regulations so as to change the number of Directors of the Corporation shall be deemed to affect adversely the preferences or voting or other rights of the holders of Class A Preferred Stock; and provided further, that if such amendment, alteration or repeal affects adversely the preferences or voting or other rights of one or more but not all series of Class A Preferred Stock at the time outstanding, the affirmative vote or consent of the holders of at least two-thirds of the number of shares at the time outstanding of each series so affected, each such affected series voting separately as a series, shall also be required;

(ii) The authorization, creation or the increase in the authorized amount of any shares of any class or any security convertible into shares of any class, in either case, ranking prior to the Class A Preferred Stock; or

(iii) The purchase or redemption (for sinking fund purposes or otherwise) of less than all of the Class A Preferred Stock then outstanding except in accordance with a stock purchase offer made to all holders of record of Class A Preferred Stock, unless all dividends on all Class A Preferred Stock then outstanding for all previous dividend periods shall have been declared and paid or funds therefor set apart and all accrued sinking fund obligations applicable thereto shall have been complied with;

provided, however, that in the case of any authorization, creation or increase in the authorized amount of any shares of any class or security convertible into shares of any class, in either case, ranking prior to the Class A Preferred Stock no such consent of the holders of Class A Preferred Stock shall be required if the holders of Class A Preferred Stock have previously received adequate notice of redemption to occur within 90 days. The foregoing proviso shall not apply and such consent of the holders of Class A Preferred Stock shall be required if any such redemption will be effected, in whole or in part, with the proceeds received from the sale of any such stock or security convertible into shares of any class, in either case, ranking prior to the Class A Preferred Stock.

(d) The affirmative vote of the holders of at least a majority of the shares of Class A Preferred Stock at the time outstanding, given in person or by proxy at a meeting called for the purpose at which the holders of Class A Preferred Stock shall vote separately as a class, shall be necessary to effect any one or more of the following (but so far as the holders of the Class A Preferred Stock are concerned, such action may be effected with such vote):

(i) The consolidation or merger of the Corporation with or into any other corporation to the extent any such consolidation or merger shall be required, pursuant to any applicable statute, to be approved by the

holders of the shares of Class A Preferred Stock voting separately as a class; or

(ii) The authorization of any shares ranking on a parity with the Class A Preferred Stock or an increase in the authorized number of shares of Class A Preferred Stock.

(e) Neither the vote, consent nor any adjustment of the voting rights of holders of shares of Class A Preferred Stock shall be required for an increase in the number of Common Shares authorized or issued or for stock splits of the Common Shares or for stock dividends on any class of stock payable solely in Common Shares, and none of the foregoing actions shall be deemed to affect adversely the preferences or voting or other rights of Class A Preferred Stock within the meaning and for the purpose of this Division A.

SECTION 6. *Conversion.*

(a) If and to the extent that there are created series of Class A Preferred Stock which are convertible (hereinafter called "convertible series") into Common Shares, as such shares shall be constituted as of the date of conversion, or into shares of any other class or series of the Corporation (hereinafter collectively called "conversion shares"), the following terms and provisions shall be applicable to all of such series, except as may be otherwise expressly provided in the terms of any such series.

(1) The maximum amount of Common Shares which may be authorized to be received upon conversion by the holders of any shares of a convertible series shall not exceed one Common Share for each share of such convertible series, subject to any adjustments which shall be required pursuant to any antidilution mechanism which the Directors may approve in respect of such convertible series.

(2) The holder of each share of a convertible series may exercise the conversion privilege in respect thereof by delivering to any transfer agent for the respective series the certificate for the share to be converted and written notice that the holder elects to convert such share. Conversion shall be deemed to have been effected immediately prior to the close of business on the date when such delivery is made, and such date is referred to in this Section as the "conversion date". On the conversion date or as promptly thereafter as practicable the Corporation shall deliver to the holder of the stock surrendered for conversion, or as otherwise directed by such holder in writing, a certificate for the number of full conversion shares deliverable upon the conversion of such stock and a check or cash in respect of any fraction of a share as provided in subsection (3) of this Section. The person in whose name the stock certificate is to be registered shall be deemed to have become a holder of the conversion shares of record on the conversion date. No adjustment shall be made for any dividends on shares of stock surrendered for conversion or for dividends on the conversion shares delivered on conversion.

(3) The Corporation shall not be required to deliver fractional shares upon conversion of shares of a convertible series. If more than one share of a convertible series shall be surrendered for conversion at one time by the same holder, the number of full conversion shares deliverable upon conversion thereof shall be computed on the basis of the aggregate number of shares so surrendered. If any fractional interest in a conversion share would otherwise be deliverable upon the conversion, the Corporation shall in lieu of delivering a fractional share therefor make an adjustment therefor in cash at the current market value thereof, computed (to the nearest cent) on the basis of the closing price of the conversion share on the last business day before the conversion date.

(4) For the purpose of this Section, the "closing price of the conversion shares" on any business day shall be the last reported sales price per share on such day, or, in case no such reported sale takes place on such day, the average of the reported closing bid and asked prices, in either case on the New York Stock Exchange, or, if the conversion shares are not listed or admitted to the trading on such Exchange, on the principal national securities exchange on which the conversion shares are listed or admitted to trading as determined by the Directors, which determination shall be conclusive, or, if not listed or admitted to trading on any national securities exchange, as quoted by the automated quotation system of the National Association of Securities Dealers, Inc., or, if not so quoted, the mean between the average bid and asked prices per conversion share in the over-the-counter market as furnished by any member of the National Association of Securities Dealers, Inc. selected from time to time by the Directors for that purpose; and "business day" shall be each day on which the New York Stock Exchange or other national securities exchange or automated quotation system or over-the-counter market used for purposes of the above calculation is open for trading.

(b) Upon conversion of any convertible series the stated capital of the conversion shares delivered upon such conversion shall be the aggregate par value of the shares so delivered having par value, or, in the case of conversion shares without par value, shall be an amount equal to the stated capital represented by each such share outstanding at the time of such conversion. The stated capital of the Corporation shall be correspondingly increased or reduced to reflect the difference between the stated capital of the shares of the convertible series so converted and the stated capital of the conversion shares delivered upon such conversion.

(c) In case of any reclassification or change of outstanding conversion shares (except a split or combination, or a change in par value, or a change from par value to no par value, or a change from no par value to par value) , provision shall be made as part of the terms of such reclassification or change that the holder of each share of each convertible series then outstanding shall have the right to receive upon the conversion of such share, at the conversion rate or price which otherwise would be in effect at the time of conversion, with substantially the same protection against dilution as is provided in the terms of such convertible series, the same kind and amount of stock and other securities and property as such holder would have owned or have been entitled to receive upon the

happening of any of the events described above had such share been converted immediately prior to the happening of the event.

(d) In case the Corporation shall be consolidated with or shall merge into any other corporation, provision shall be made as a part of the terms of such consolidation or merger whereby the holder of each share of each convertible series outstanding immediately prior to such event shall thereafter be entitled to such conversion rights with respect to securities of the corporation resulting from such consolidation or merger as shall be substantially equivalent to the conversion rights specified in the terms of such convertible series; provided, however, that the provisions of this subsection (d) shall be deemed to be satisfied if such consolidation or merger shall be approved by the holders of Class A Preferred Stock in accordance with the provisions of Section 5(d) of this Division A.

(e) The issue of stock certificates on conversions of shares of each convertible series shall be without charge to the converting shareholder for any tax in respect of the issue thereof. The Corporation shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the registration of shares in any name other than that of the holder of the shares converted, and the Corporation shall not be required to deliver any such stock certificate unless and until the person or persons requesting the delivery thereof shall have paid to the Corporation the amount of such tax or shall have established to the satisfaction of the Corporation that such tax has been paid.

(f) The Corporation hereby reserves and shall at all times reserve and keep available, free from preemptive rights, out of its authorized but unissued shares or treasury shares, for the purpose of delivery upon conversion of shares of each convertible series, such number of conversion shares as shall from time to time be sufficient to permit the conversion of all outstanding shares of all convertible series of Class A Preferred Stock.

SECTION 7. *Definitions*. For the purpose of this Division A:

(a) Whenever reference is made to shares "ranking prior to the Class A Preferred Stock", such reference shall mean and include all shares of the Corporation in respect of which the rights of the holders thereof either as to the payment of dividends or as to distributions in the event of a voluntary or involuntary liquidation, dissolution or winding up of the Corporation are given preference over the rights of the holders of Class A Preferred Stock.

(b) Whenever reference is made to shares "on a parity with the Class A Preferred Stock", such reference shall mean and include all shares of Class B Preferred Stock and all other shares of the Corporation in respect of which the rights of the holders thereof (i) are not given preference over the rights of the holders of Class A Preferred Stock either as to the payment of dividends or as to distributions in the event of a voluntary or involuntary liquidation, dissolution or winding up of the Corporation and (ii) either as to the payment of dividends or as to distribution in the event of a voluntary or involuntary liquidation, dissolution or winding up of the Corporation, or as to both, rank

on an equality (except as to the amounts fixed therefor) with the rights of the holders of Class A Preferred Stock.

(c) Whenever reference is made to shares "ranking junior to the Class A Preferred Stock" such reference shall mean and include all shares of the Corporation in respect of which the rights of the holders thereof both as to the payment of dividends and as to distributions in the event of a voluntary or involuntary liquidation, dissolution or winding up of the Corporation are junior and subordinate to the rights of the holders of the Class A Preferred Stock.

DIVISION B:

Express Terms of the Serial Preferred Stock,
Class B, Without Par Value

The Class B Preferred Stock shall have the following express terms:

SECTION 1. *Series*. The Class B Preferred Stock may be issued from time to time in one or more series. All shares of Class B Preferred Stock shall be of equal rank and shall be identical, except in respect of the matters that may be fixed by the Directors as hereinafter provided, and each share of each series shall be identical with all other shares of such series, except as to the date from which dividends are cumulative. All shares of Class B Preferred Stock shall also be of equal rank and shall be identical with shares of Class A Preferred Stock except in respect of (i) the particulars that may be fixed and determined by the Directors as hereinafter provided, (ii) the voting rights and provisions for consent relating to Class B Preferred Stock, as fixed and determined by Section 5 of this Division B and (iii) any conversion rights which the Directors may grant any series of Class A Preferred Stock which rights shall not be granted in respect of any series of Class B Preferred Stock. Subject to the provisions of Sections 2 to 7, inclusive, of this Division B, which provisions shall apply to all Class B Preferred Stock, the Directors hereby are authorized to cause such shares to be issued in one or more series and with respect to each such series to fix:

(a) The designation of the series, which may be by distinguishing number, letter and/or title.

(b) The number of shares of the series, which number the Directors may (except where otherwise provided in the creation of the series) increase or decrease (but not below the number of shares thereof then outstanding).

(c) The dividend rights of the series which may be: cumulative or non-cumulative; at a specified rate, amount or proportion; or with or without further participation rights.

(d) The dates at which dividends, if declared, shall be payable, and the dates from which dividends, if cumulative, shall accumulate.

(e) The redemption rights and price or prices, if any, for shares of the series.

(f) The terms and amount of any sinking fund provided for the purchase or redemption of shares of the series.

(g) The amounts payable on shares of the series in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

(h) Restrictions (in addition to those set forth in Section 5(c) of this Division) on the issuance of shares of the same series or of any other class or series.

The Directors are authorized to adopt from time to time amendments to the Articles of Incorporation fixing, with respect to each such series, the matters described in clauses (a) to (h), inclusive, of this Section 1.

SECTION 2. *Dividends.*

(a) The holders of Class B Preferred Stock of each series, in preference to the holders of Common Shares and of any other class of shares ranking junior to the Class B Preferred Stock, shall be entitled to receive out of any funds legally available therefor and when and as declared by the Directors dividends in cash at the rate for such series fixed in accordance with the provisions of Section 1 of this Division B and no more, payable on the dividend payment dates fixed for such series. Such dividends may be cumulative, in the case of shares of each particular series, from and after the date or dates fixed with respect to such series. No dividend may be paid upon or set apart for any of the Class B Preferred Stock on any dividend payment date unless (i) all dividends upon all series of Class B Preferred Stock then outstanding and all classes of stock then outstanding ranking prior to or on a parity with the Class B Preferred Stock for all dividend payment dates prior to such date shall have been paid or funds therefor set apart and (ii) at the same time a like dividend upon all series of Class B Preferred Stock then outstanding and all classes of stock then outstanding ranking prior to or on a parity with the Class B Preferred Stock and having a dividend payment date on such date, ratably in proportion to the respective dividend rates of each such series or class, shall be paid or funds therefor set apart. Accumulations of dividends, if any, shall not bear interest.

(b) For the purpose of this Division B, a dividend shall be deemed to have been paid or funds therefor set apart on any date if on or prior to such date the Corporation shall have deposited funds sufficient therefor with a bank or trust company and shall have caused checks drawn against such funds in appropriate amounts to be mailed to each holder of record entitled to receive such dividend at such holder's address then appearing on the books of the Corporation.

(c) In no event so long as any Class B Preferred Stock shall be outstanding shall any dividends, except a dividend payable in Common Shares or other shares ranking junior to the Class B Preferred Stock, be paid or declared or any distribution be made except as aforesaid on the Common Shares or any other shares ranking junior to the Class B Preferred Stock, nor shall any Common Shares or any other shares ranking junior to the Class B Preferred Stock be purchased, retired or otherwise acquired by the Corporation (except out of the proceeds of the sale of Common Shares or other shares ranking junior to the Class B Preferred Stock received by the Corporation on or subsequent to the date on which shares of any series of Class B Preferred Stock are first issued) , unless (i) all accrued and unpaid dividends upon all Class B Preferred Stock then outstanding for all dividend payment dates on or prior to the date of such action shall have been paid or funds therefor set apart and (ii) as of the date of such action there shall be no arrearages with respect to the redemption of Class B Preferred Stock of any series from any sinking fund provided for shares of such series in accordance with the provisions of Section 1 of this Division B.

SECTION 3. *Redemption.*

(a) Subject to the express terms of each series and to the provisions of Section 5(c)(iii) of this Division B, the Corporation (i) may from time to time redeem all or any part of the Class B Preferred Stock of any series at the time outstanding at the option of the Directors at the applicable redemption price for such series fixed in accordance with the provisions of Section 1 of this Division B, and (ii) shall from time to time make such redemptions of the Class B Preferred Stock of any series as may be required to fulfill the requirements of any sinking fund provided for shares of such series at the applicable sinking fund redemption price, fixed in accordance with the provisions of Section 1 of this Division B, together in each case with (A) all then accrued and unpaid dividends upon such shares for all dividend payment dates on or prior to the redemption date and (B) if the redemption date is not a dividend payment date for such series, a proportionate dividend, based on the number of elapsed days, for the period from the day after the most recent such dividend payment date through the redemption date.

(b) Notice of every such redemption shall be mailed, postage prepaid, to the holders of record of the Class B Preferred Stock to be redeemed at their respective addresses then appearing on the books of the Corporation, not less than 30 days nor more than 60 days prior to the date fixed for such redemption. At any time before or after notice has been given as above provided, the Corporation may deposit the aggregate redemption price of the shares of Class B Preferred Stock to be redeemed, together with an amount equal to the aggregate amount of dividends payable upon such redemption, with any bank or trust company in Cleveland, Ohio, or New York, New York, having capital and surplus of more than $50,000,000, named in such notice, and direct that such deposited amount be paid to the respective holders of the shares of Class B Preferred Stock so to be redeemed upon surrender of the stock certificate or certificates held by such holders. Upon the giving of such notice and the making of such deposit such holders shall cease to be shareholders with respect to such shares and shall have no interest in or claim against the Corporation with respect to such shares except only the right to receive such money from such bank or trust company without interest or to exercise, before the redemption date, any unexpired privileges of conversion. In case less than all of the outstanding shares of any series of Class B Preferred Stock are to be redeemed, the Corporation shall select, pro rata or by lot, the shares so to be redeemed in such manner as shall be prescribed by the Directors.

(c) If the holders of shares of Class B Preferred Stock which shall have been called for redemption shall not, within six years after such deposit, claim the amount deposited for the redemption thereof, any such bank or trust company shall, upon demand, pay over to the Corporation such unclaimed amounts and thereupon such bank or trust company and the Corporation shall be relieved of all responsibility in respect thereof to such holders.

(d) Any shares of Class B Preferred Stock which are (i) redeemed by the Corporation pursuant to the provisions of this Section 3, (ii) purchased and delivered in satisfaction of any sinking fund requirements provided for shares of any series of Class B Preferred Stock, (iii) converted in accordance with the express terms of any such series,

or (iv) otherwise acquired by the Corporation, shall resume the status of authorized and unissued shares of Class B Preferred Stock without serial designation; provided, however, that any such shares which are converted in accordance with the express terms thereof shall not be reissued as convertible shares.

SECTION 4. *Liquidation.*

(a) (1) The holders of Class B Preferred Stock of any series, shall, in case of voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, be entitled to receive in full out of the assets of the Corporation, including its capital, before any amount shall be paid or distributed among the holders of the Common Shares or any other shares ranking junior to the Class B Preferred Stock, the amounts fixed with respect to shares of such series in accordance with Section 1 of this Division, plus an amount equal to (i) all then accrued and unpaid dividends upon such shares for all dividend payment dates on or prior to the date of payment of the amount due pursuant to such liquidation, dissolution or winding up, and (ii) if such date is not a dividend payment date for such series, a proportionate dividend, based on the number of elapsed days, for the period from the day after the most recent dividend payment date through the date of payment of the amount due pursuant to such liquidation, dissolution or winding up. In case the net assets of the Corporation legally available therefor are insufficient to permit the payment upon all outstanding shares of Class B Preferred Stock and all outstanding shares of stock of all classes ranking on a parity with the Class B Preferred Stock of the full preferential amount to which they are respectively entitled, then such net assets shall be distributed ratably upon outstanding shares of Class B Preferred Stock and all outstanding shares of stock of all classes ranking on a parity with the Class B Preferred Stock in proportion to the full preferential amount to which each such share is entitled.

(2) After payment to holders of Class B Preferred Stock of the full preferential amounts as aforesaid, holders of Class B Preferred Stock as such shall have no right or claim to any of the remaining assets of the Corporation.

(b) The merger or consolidation of the Corporation into or with any other corporation, or the merger of any other corporation into it, or the sale, lease or conveyance of all or substantially all the property or business of the Corporation, shall not be deemed to be a dissolution, liquidation or winding up for the purposes of this Division B.

SECTION 5. *Voting.*

(a) Except as otherwise provided herein or required by law, the holders of Class B Preferred Stock shall not be entitled to vote.

(b) (1) If, and so often as, the Corporation shall be in default in the payment of dividends on any series of Class B Preferred Stock at the time outstanding, or funds therefor have not been set apart, in an amount equivalent to six full quarterly dividends on any such series of Class B Preferred Stock, whether or not consecutive and whether or

not earned or declared, the holders of Class B Preferred Stock of all series, voting separately as a class, shall thereafter be entitled to elect, as herein provided, two Directors of the Corporation; provided, however, that the special class voting rights provided for in this paragraph when the same shall have become vested shall remain so vested (i) in the case of cumulative dividends, until all accrued and unpaid dividends on the Class B Preferred Stock of all series then outstanding shall have been paid or funds therefor set apart, or (ii) in the case of non-cumulative dividends, until full dividends on the Class B Preferred Stock of all series then outstanding shall have been paid or funds therefor set apart regularly for a period of one year, whereupon the holders of Class B Preferred Stock shall be divested of their special class voting rights in respect of subsequent elections of Directors, subject to the revesting of such special class voting rights in the event hereinabove specified in this paragraph.

(2) In the event of default entitling the holders of Class B Preferred Stock to elect two Directors as specified in paragraph (1) of this subsection, a special meeting of such holders for the purpose of electing such Directors shall be called by the Secretary of the Corporation upon written request of, or may be called by, the holders of record of at least ten percent (10%) of the shares of Class B Preferred Stock of all series at the time outstanding, and notice thereof shall be given in the same manner as that required for the annual meeting of shareholders; provided, however, that the Corporation shall not be required to call such special meeting if the annual meeting of shareholders or any other special meeting of shareholders called or to be called for a different purpose shall be held within 120 days after the date of receipt of the foregoing written request from the holders of Class B Preferred Stock. At any meeting at which the holders of Class B Preferred Stock shall be entitled to elect Directors, the holders of thirty-five percent (35%) of the then outstanding shares of Class B Preferred Stock of all series, present in person or by proxy, shall be sufficient to constitute a quorum, and the vote of the holders of a majority of such shares so present at any such meeting at which there shall be such a quorum shall be sufficient to elect the Directors which the holders of Class B Preferred Stock are entitled to elect as hereinabove provided. Notwithstanding any provision of these Articles of Incorporation or the Regulations of the Corporation or any action taken by the holders of any class of shares fixing the number of Directors of the Corporation, the two Directors who may be elected by the holders of Class B Preferred Stock pursuant to this subsection shall serve in addition to any other Directors then in office or proposed to be elected otherwise than pursuant to this subsection. Nothing in this subsection shall prevent any change otherwise permitted in the total number of Directors of the Corporation or require the resignation of any Director elected otherwise than pursuant to this subsection. Notwithstanding any classification of the other Directors of the Corporation, the two Directors elected by the holders of Class B Preferred Stock shall be elected annually for the terms expiring at the next succeeding annual meeting of shareholders; provided, however, that whenever the holders of Class B Preferred Stock shall be divested of the voting power as above provided, the terms of office of all persons elected as Directors by the holders of the Class B Preferred Stock as a class shall immediately terminate and the number of Directors shall be reduced accordingly.

(c) Except as hereinafter provided, the affirmative vote of the holders of at least two-thirds of the shares of Class B Preferred Stock at the time outstanding, given in person or by proxy at a meeting called for the purpose at which the holders of Class B Preferred Stock shall vote separately as a class, shall be necessary to effect any one or more of the following (but so far as the holders of Class B Preferred Stock are concerned, such action may be affected with such vote):

(i) Any amendment, alteration or repeal of any of the provisions of the Articles of Incorporation or of the Regulations of the Corporation which affects adversely the preferences or voting or other rights of the holders of Class B Preferred Stock; provided, however, that for the purpose of this paragraph 5(c)(i) only, neither the amendment of the Articles of Incorporation so as to authorize, create or change the authorized or outstanding amount of Class B Preferred Stock or of any shares of any class ranking on a parity with or junior to the Class B Stock nor the amendment of the provisions of the Regulations so as to change the number of Directors of the Corporation shall be deemed to affect adversely the preferences or voting or other rights of the holders of Class B Preferred Stock; and provided further, that if such amendment, alteration or repeal affects adversely the preference or voting or other rights of one or more but not all series of Class B Preferred Stock at the time outstanding, the affirmative vote or consent of the holders of at least two-thirds of the number of shares at the time outstanding of each series so affected, each such affected series voting separately as a series, shall also be required;

(ii) The authorization, creation or the increase in the authorized amount of any shares of any class or any security convertible into shares of any class, in either case, ranking prior to the Class B Preferred Stock; or

(iii) The purchase or redemption (for sinking fund purposes or otherwise) of less than all of the Class B Preferred Stock then outstanding except in accordance with a stock purchase offer made to all holders of record of Class B Preferred Stock, unless all dividends on all Class B Preferred Stock then outstanding for all previous dividend periods shall have been declared and paid or funds therefor set apart and all accrued sinking fund obligations applicable thereto shall have been complied with;

provided, however, that in the came of any authorization, creation or increase in the authorized amount of any shares of any class or security convertible into shares of any class, in either case, ranking prior to the Class B Preferred Stock no such consent of the holders of Class B Preferred Stock shall be required if the holders of Class B Preferred Stock have previously received adequate notice of redemption to occur within 90 days. The foregoing proviso shall not apply and such consent of the holders of Class B Preferred Stock shall be required if any such redemption will be effected, in whole or in part, with the proceeds received from the sale of any such stock or security convertible into shares of any class, in either case, ranking prior to the Class B Preferred Stock.

(d) The affirmative vote of the holders of at least a majority of the shares of Class B Preferred Stock at the time outstanding, given in person or by proxy at a meeting called for the purpose at which the holders of Class B Preferred Stock shall vote separately as a class, shall be necessary to effect any one or more of the following (but so far as the holders of the Class B Preferred Stock are concerned, such action may be effected with such vote):

(i) The consolidation or merger of the Corporation with or into any other corporation to the extent any such consolidation or merger shall be required, pursuant to any applicable statute, to be approved by the holders of the shares of Class B Preferred Stock voting separately as a clams; or

(ii) The authorization of any shares ranking on a parity with the Class B Preferred Stock or an increase in the authorized number of shares of Class B Preferred Stock.

(e) Neither the vote or consent of the holders of shares of Class B Preferred Stock shall be required for an increase in the number of Common Shares authorized or issued or for stock splits of the Commons Shares or for stock dividends on any class of stock payable solely in Common Shares, and none of the foregoing actions shall be deemed to affect adversely the preferences or voting or other rights of Class B Preferred Stock within the meaning and for the purpose of this Division B.

SECTION 6. *Conversion*. There Shall not be created any series of Class B Preferred Stock which will be convertible into Common Shares or into shares of any other class or series of the Corporation.

SECTION 7. *Definitions*. For the purpose of this Division B:

(a) Whenever reference is made to shares "ranking prior to the Class B Preferred Stock", such reference shall mean and include all shares of the Corporation in respect of which the rights of the holders thereof either as to the payment of dividends or as to distribution in the event of a voluntary or involuntary liquidation, dissolution or winding up of the Corporation are given preference over the rights of the holders of Class B Preferred Stock.

(b) Whenever reference is made to shares "on a parity with the Class B Preferred Stock", such reference shall mean and include all shares of Class A Preferred Stock and all other shares of the Corporation in respect of which the rights of the holders thereof (i) are not given preference over the right of the holders of Class B Preferred Stock either as to the payment of dividends or as to distributions in the event of a voluntary or involuntary liquidation, dissolution or winding up of the Corporation and (ii) either as to the payment of dividends or as to distribution in the event of a voluntary or involuntary liquidation, dissolution or winding up of the Corporation, or as to both, rank on an equality (except as to the amounts fixed therefor) with the rights of the holders of Class B Preferred Stock.

(c) Whenever reference is made to shares "ranking junior to the Class B Preferred Stock" such reference shall mean and include all shares of the Corporation in respect of which the rights of the holders thereof both as to the payment of dividends and as to distributions in the event of a voluntary or involuntary liquidation, dissolution or winding up of the Corporation are junior and subordinate to the rights of the holders of the Class B Preferred Stock.

DIVISION C:

Express Terms of Common Shares,
Par Value $1.00 Per Share

The Common Shares shall be subject to the express terms of the Class A Preferred Stock and the Class B Preferred Stock and of any series of such classes. Each Common Share shall be equal to every other Common Share. The holders of Common Shares shall have such rights as are provided by law and shall be entitled to one vote for each share held by them upon all matters presented to the shareholders.

FIFTH: The amount of stated capital with which the Corporation will begin business is Five Hundred Dollars ($500.00).

SIXTH: No holders of any class of shares of the Corporation shall have any preemptive right to purchase or to have offered to them for purchase, any shares or other securities of the Corporation, whether now or hereafter authorized.

SEVENTH: The Corporation may from time to time, pursuant to authorization by the Directors and without action by the shareholders, purchase or otherwise acquire shares of the Corporation of any class or classes in such manner, upon such terms and in such amounts as the Directors shall determine, subject however, to such limitation or restriction, if any, as is contained in the express terms of any class of shares of the Corporation outstanding at the time of the purchase or acquisition in question.

EIGHTH: Any and every statute of the State of Ohio hereafter enacted whereby the rights, powers or privileges of corporations or of the shareholders of corporations organized under the laws of the State of Ohio are increased or diminished or are in any way affected, or whereby effect is given to the action taken by any number, less than all, of the shareholders of any such corporation, shall apply to the Corporation and shall be binding not only upon the Corporation but upon every shareholder of the Corporation to the same extent as if such statute had been in force at the date of filing of these Articles of Incorporation of the Corporation in the office of the Secretary of State of Ohio.

NINTH: The right to amend, alter, change or repeal any clause or provision of these Articles of Incorporation, in the manner now or hereafter prescribed by law, is hereby reserved to the Corporation; and all rights conferred on officers, Directors and shareholders herein are granted subject to such reservation.

Doc ID --> 200433600076

DATE:	DOCUMENT ID	DESCRIPTION	FILING	EXPED	PENALTY	CERT	COPY
12/01/2004	200433600076	DOMESTIC/AMENDMENT TO ARTICLES (AMD)	********	100.00	.00	.00	5.00

Receipt

This is not a bill. Please do not remit payment.

C.T. CORPORATION SYSTEM
17 S. HIGH STREET
TIM ROBERSON
COLUMBUS, OH 43215

STATE OF OHIO
CERTIFICATE
Ohio Secretary of State, J. Kenneth Blackwell

649806

It is hereby certified that the Secretary of State of Ohio has custody of the business records for

CLEVELAND-CLIFFS INC

and, that said business records show the filing and recording of:

Document(s)	Document No(s):
DOMESTIC/AMENDMENT TO ARTICLES	**200433600076**

United States of America
State of Ohio
Office of the Secretary of State

Witness my hand and the seal of the Secretary of State at Columbus, Ohio this 30th day of November, A.D. 2004.

J. Kenneth Blackwell

Ohio Secretary of State

Doc ID --> 200433600076

NOV-30-2004 15:01 CT CORPORATION CLEVELAND 216 621 4059 P.03/05

Prescribed by **J. Kenneth Blackwell**
Ohio Secretary of State
Central Ohio: (614) 466-3910
Toll Free: 1-877-SOS-FILE (1-877-767-3453)

www.state.oh.us/sos
e-mail: busserv@sos.state.oh.us

Expedite this Form: (Select One)

- ◉ Yes — PO Box 1390, Columbus, OH 43216 — *** Requires an additional fee of $100 ***
- ○ No — PO Box 1028, Columbus, OH 43216

Certificate of Amendment by Directors or Incorporators to Articles

(Domestic)

Filing Fee $50.00

(CHECK ONLY ONE (1) BOX)

(1) ☑ Amendment by Directors ☐ Amended by Directors (123-AMOD)

(2) ☐ Amendment by Incorporators ☐ Amended by Incorporators (124-AMOI)

Complete the general information in this section for the box checked above.

Name of Corporation: Cleveland-Cliffs Inc

Charter Number: 649606

☑ Please check if additional provisions attached hereto are incorporated herein and made a part of these articles of organization.

Complete the information in this section if box (1) is checked.

Name and Title of Officer: John E. Lenhard (name) — Secretary (title)

(CHECK ONLY ONE (1) BOX)

☑ A meeting of the directors was duly called and held on November 9, 2004 (Date)

☐ In an writing signed by all the Directors pursuant to section 1701.54 of the ORC

The following resolution was adopted pursuant to section 1701.70(B) (9) and (10) of the ORC: (insert proper paragraph number)

RESOLVED: That pursuant to Sections 1701.70(B)(9) and (10) of the Ohio Revised Code, the Directors hereby adopt an amendment to the portion of Article FOURTH of the Amended Articles of Incorporation that precedes Division A (1) to change each issued and unissued authorized Common Share into two Common Shares, (2) to proportionately increase the authorized number of Common Shares from 28,000,000 to 56,000,000 shares, and (3) to decrease the par value of the issued and unissued Common Shares from $1.00 per (continued on attachment)

540 Page 1 of 2 Last Revised: May 2002

NOV-30-2004 15:01 CT CORPORATION CLEVELAND 216 621 4059 P.04/05

Complete the information in this section if box (2) is checked.

WE, the undersigned, being all of the incorporators of the above named corporation, do certify that the subscriptions to shares have not been received and the initial directors are not named in the articles. We hereby have elected to amend the articles as follows:

REQUIRED
Must be authenticated (signed) by an authorized representative
(See Instructions)

Authorized Representative — Date: November 30, 2004

John E. Lenhard
(Print Name)

Authorized Representative — Date

(Print Name)

Authorized Representative — Date

(Print Name)

ATTACHMENT TO
CERTIFICATE OF AMENDMENT BY DIRECTORS TO ARTICLES
OF
CLEVELAND-CLIFFS INC

share to $0.50 per share in order to prevent an increase in the aggregate par value of the outstanding Common Shares as a result of the Stock Split, so that as amended said portion of Article FOURTH shall read in its entirety as follows:

"FOURTH: The maximum number of shares the Corporation is authorized to have outstanding is Sixty-Three Million (63,000,000) shares, consisting of the following:

(a) Three Million (3,000,000) shares of Serial Preferred Stock, Class A, without par value ("Class A Preferred Stock");

(b) Four Million (4,000,000) shares of Serial Preferred Stock, Class B, without par value ("Class B Preferred Stock"); and

(c) Fifty-Six Million (56,000,000) Common Shares, par value $0.50 per share ("Common Shares").

Each Common Share issued or unissued at the close of business on the date on which this amendment becomes effective shall automatically be changed into two Common Shares. Upon the effectiveness of this amendment, each certificate representing Common Shares immediately prior to the effectiveness of this amendment shall continue to represent the same number of Common Shares from and after the effectiveness of this amendment, and as soon as practicable thereafter there shall be distributed to each holder of record of Common Shares at the close of business on the date on which this amendment becomes effective a notification regarding the additional Common Share(s) issued to such holder, which additional Common Share(s) will be issued in book-entry form."

EXHIBIT III - EXCERPT FROM THE AMENDED ARTICLES OF INCORPORATION OF CLIFFS (4)

200615900122

DATE:	DOCUMENT ID	DESCRIPTION	FILING	EXPED	PENALTY	CERT	COPY
06/08/2006	200615900122	DOMESTIC/AMENDMENT TO ARTICLES (AMD)	*********	100.00	.00	.00	5.00

Receipt

This is not a bill. Please do not remit payment.

C.T. CORPORATION SYSTEM
17 S. HIGH STREET
COLUMBUS, OH 43215

STATE OF OHIO
CERTIFICATE
Ohio Secretary of State, J. Kenneth Blackwell

649806

It is hereby certified that the Secretary of State of Ohio has custody of the business records for

CLEVELAND-CLIFFS INC

and, that said business records show the filing and recording of:

Document(s):
DOMESTIC/AMENDMENT TO ARTICLES

Document No(s):
200615900122

United States of America
State of Ohio
Office of the Secretary of State

Witness my hand and the seal of the Secretary of State at Columbus, Ohio this 7th day of June, A.D. 2006.

J. Kenneth Blackwell

Ohio Secretary of State

Prescribed by J. Kenneth Blackwell
Ohio Secretary of State
Central Ohio: (614) 466-3910
Toll Free: 1-877-SOS-FILE (1-877-767-3453)

www.state.oh.us/sos
e-mail: busserv@sos.state.oh.us

Expedite this Form: (Select One)	
Mail Form to one of the Following:	
◉ Yes	PO Box 1390 Columbus, OH 43216 *** Requires an additional fee of $100 ***
○ No	PO Box 1028 Columbus, OH 43216

Certificate of Amendment by Directors or Incorporators to Articles

(Domestic)

Filing Fee $50.00

(CHECK ONLY ONE (1) BOX)

(1) ☑ Amendment by Directors ☐ Amended by Directors (123-AMDD)	(2) ☐ Amendment by Incorporators ☐ Amended by Incorporators (124-AMDI)

Complete the general information in this section for the box checked above.

Name of Corporation: Cleveland-Cliffs Inc

Charter Number: 649806

☑ Please check if additional provisions attached hereto are incorporated herein and made a part of these articles of organization.

Complete the information in this section if box (1) is checked.

Name and Title of Officer: Donald Gallagher (name) — Executive Vice President (title)

(CHECK ONLY ONE (1) BOX)

☑ A meeting of the directors was duly called and held on May 9, 2006 (Date)

☐ In an writing signed by all the Directors pursuant to section 1701.54 of the ORC

The following resolution was adopted pursuant to section 1701.70(B) (9) and (10) of the ORC:
(Insert proper paragraph number)

RESOLVED: That pursuant to Sections 1701.70(B)(9) and (10) of the Ohio Revised Code, the Directors hereby adopt an amendment to the portion of Article FOURTH of the Amended Articles of Incorporation that precedes Division A (1) to change each issued and unissued authorized Common Share into two Common Shares, (2) to proportionately increase the authorized number of Common Shares from 56,000,000 to 112,000,000 shares, and (3) to decrease the par value of the issued and unissued Common Shares from $0.50 per (continued on attachment)

Complete the information in this section if box (2) is checked.

WE, the undersigned, being all of the incorporators of the above named corporation, do certify that the subscriptions to shares have not been received and the initial directors are not named in the ariticles. We hereby have elected to amend the articles as follows:

REQUIRED
Must be authenticated (signed) by an authorized representative
(See Instructions)

Donald Gallagher
Authorized Representative

June 7, 2006
Date

Donald Gallagher
(Print Name)

Authorized Representative

Date

(Print Name)

Authorized Representative

Date

(Print Name)

ATTACHMENT TO
CERTIFICATE OF AMENDMENT BY DIRECTORS TO ARTICLES
OF
CLEVELAND-CLIFFS INC

share to $0.25 per share in order to prevent an increase in the aggregate par value of the outstanding Common Shares as a result of the Stock Split, so that as amended said portion of Article FOURTH shall read in its entirety as follows:

"FOURTH: The maximum number of shares the Corporation is authorized to have outstanding is One Hundred Nineteen Million (119,000,000) shares, consisting of the following:

(a) Three Million (3,000,000) shares of Serial Preferred Stock, Class A, without par value ("Class A Preferred Stock");

(b) Four Million (4,000,000) shares of Serial Preferred Stock, Class B, without par value ("Class B Preferred Stock"); and

(c) One Hundred Twelve Million (112,000,000) Common Shares, par value $0.25 per share ("Common Shares").

Each Common Share issued or unissued at the close of business on the date on which this amendment becomes effective shall automatically be changed into two Common Shares. Upon the effectiveness of this amendment, each certificate representing Common Shares immediately prior to the effectiveness of this amendment shall continue to represent the same number of Common Shares from and after the effectiveness of this amendment, and as soon as practicable thereafter there shall be distributed to each holder of record of Common Shares at the close of business on the date on which this amendment becomes effective a notification regarding the additional Common Share(s) issued to such holder, which additional Common Share(s) will be issued in book-entry form."

The amendment shall become effective at 5 p.m. Eastern Time on June 15, 2006.

Doc ID --> 200811201072

DATE:	DOCUMENT ID	DESCRIPTION	FILING	EXPED	PENALTY	CERT	COPY
04/21/2008	200811201072	DOMESTIC/AMENDMENT TO ARTICLES (AMD)	*********	300.00	.00	.00	.00

Receipt

This is not a bill. Please do not remit payment.

CT CORPORATION SYSTEM
4400 EASTON COMMONS WAY
SUITE 125
COLUMBUS, OH 43219

STATE OF OHIO
CERTIFICATE
Ohio Secretary of State, Jennifer Brunner

649806

It is hereby certified that the Secretary of State of Ohio has custody of the business records for

CLEVELAND-CLIFFS INC

and, that said business records show the filing and recording of:

Document(s)	Document No(s):
DOMESTIC/AMENDMENT TO ARTICLES	**200811201072**

United States of America
State of Ohio
Office of the Secretary of State

Witness my hand and the seal of the Secretary of State at Columbus, Ohio this 21st day of April, A.D. 2008.

Jennifer Brunner

Ohio Secretary of State

Doc ID --> 200811201072

Prescribed by:
The Ohio Secretary of State
Central Ohio: (614) 466-3910
Toll Free: 1-877-SOS-FILE (1-877-767-3453)

www.sos.state.oh.us
e-mail: busserv@sos.state.oh.us

Expedite this Form: (Select One)	
Mail Form to one of the Following:	
◉ Yes	PO Box 1390 Columbus, OH 43216
*** Requires an additional fee of $100 ***	
○ No	PO Box 1329 Columbus, OH 43216

Certificate of Amendment by Directors or Incorporators to Articles

(Domestic)

Filing Fee $50.00

(CHECK ONLY ONE (1) BOX)

(1) ☑ Amendment by Directors ☐ Amended by Directors (123-AMDD)

(2) ☐ Amendment by Incorporators ☐ Amended by Incorporators (124-AMDI)

RECEIVED SECRETARY OF STATE 2008 APR 18 PM 4:04 CLIENT SERVICE CENTER

Complete the general information in this section for the box checked above.

Name of Corporation: Cleveland-Cliffs Inc

Charter Number: 649606

☑ Please check if additional provisions attached hereto are incorporated herein and made a part of these articles of organization.

Complete the information in this section if box (1) is checked.

Name and Title of Officer: George W. Hawk, Jr. (name) — General Counsel & Secretary (title)

(CHECK ONLY ONE (1) BOX)

☑ A meeting of the directors was duly called and held on March 11, 2008 (Date)

☐ In an writing signed by all the Directors pursuant to section 1701.54 of the ORC

The following resolution was adopted pursuant to section 1701.70(B) (9) and (10) of the ORC: (insert proper paragraph number)

RESOLVED: That pursuant to Sections 1701.70(B)(9) and (10) of the Ohio Revised Code, the Directors hereby adopt an amendment to the portion of Article FOURTH of the Amended Articles of Incorporation that precedes Division A (1) to change each issued and unissued authorized Common Share into two Common Shares, (2) to proportionately increase the authorized number of Common Shares from 112,000,000 to 224,000,000 shares, and (3) to decrease the par value of the (continued on attachment)

540 Page 1 of 2 Last Revised: May 2002

Doc ID --> 200811201072

Complete the information in this section if box (2) is checked.

WE, the undersigned, being all of the incorporators of the above named corporation, do certify that the subscriptions to shares have not been received and the initial directors are not named in the articles. We hereby have elected to amend the articles as follows:

REQUIRED
Must be authenticated (signed) by an authorized representative
(See Instructions)

Authorized Representative — April 21, 2008 Date

George W. Hawk, Jr.
(Print Name)

Authorized Representative — Date

(Print Name)

Authorized Representative — Date

(Print Name)

ATTACHMENT TO
CERTIFICATE OF AMENDMENT BY DIRECTORS TO ARTICLES
OF
CLEVELAND-CLIFFS INC

issued and unissued Common Shares from $0.25 per share to $0.125 per share in order to prevent an increase in the aggregate par value of the outstanding Common Shares as a result of the Stock Split, so that as amended said portion of Article FOURTH shall read in its entirety as follows:

"FOURTH: The maximum number of shares the Corporation is authorized to have outstanding is Two Hundred Thirty-One Million (231,000,000) shares, consisting of the following:

(a) Three Million (3,000,000) shares of Serial Preferred Stock, Class A, without par value ("Class A Preferred Stock");

(b) Four Million (4,000,000) shares of Serial Preferred Stock, Class B, without par value ("Class B Preferred Stock"); and

(c) Two Hundred Twenty-Four Million (224,000,000) Common Shares, par value $0.125 per share ("Common Shares").

Each Common Share issued or unissued at the close of business on the date on which this amendment becomes effective shall automatically be changed into two Common Shares. Upon the effectiveness of this amendment, each certificate representing Common Shares immediately prior to the effectiveness of this amendment shall continue to represent the same number of Common Shares from and after the effectiveness of this amendment, and as soon as practicable thereafter there shall be distributed to each holder of record of Common Shares at the close of business on the date on which this amendment becomes effective a notification regarding the additional Common Share(s) issued to such holder, which additional Common Share(s) will be issued in book-entry form."

The amendment shall become effective at 5 p.m. Eastern Time on May 1, 2008.

CLI-1591083v2

EXHIBIT III - EXCERPT FROM THE AMENDED ARTICLES OF INCORPORATION OF CLIFFS

CH 649806

UNITED STATES OF AMERICA,
STATE OF OHIO,
OFFICE OF THE SECRETARY OF STATE

I, Jennifer Brunner, Secretary of State of the State of Ohio, do hereby certify that the foregoing is a true and correct copy, consisting of 1 pages, as taken from the original record now in my official custody as Secretary of State.

WITNESS my hand and official seal at Columbus, Ohio, this 2-06 day of May A.D. 2008

JENNIFER BRUNNER
Secretary of State

By: _____

NOTICE: This is an official certification only when reproduced in red ink

Doc ID --> 200828001974

DATE:	DOCUMENT ID	DESCRIPTION	FILING	EXPED	PENALTY	CERT	COPY
10/07/2008	200828001974	DOMESTIC/AMENDMENT TO ARTICLES (AMD)	50.00	100.00	.00	.00	.00

Receipt

This is not a bill. Please do not remit payment.

CT CORPORATION SYSTEM
4400 EASTON COMMONS WAY, SUITE 125
ATTN: TIMOTHY ROBERSON
COLUMBUS, OH 43219

STATE OF OHIO
CERTIFICATE
Ohio Secretary of State, Jennifer Brunner

649806

It is hereby certified that the Secretary of State of Ohio has custody of the business records for

CLIFFS NATURAL RESOURCES INC.

and, that said business records show the filing and recording of:

Document(s)
DOMESTIC/AMENDMENT TO ARTICLES

Document No(s):
200828001974

United States of America
State of Ohio
Office of the Secretary of State

Witness my hand and the seal of the Secretary of State at Columbus, Ohio this 3rd day of October, A.D. 2008.

Jennifer Brunner

Ohio Secretary of State

Doc ID --> 200828001974

Prescribed by:
The Ohio Secretary of State
Central Ohio: (614) 466-3910
Toll Free: 1-877-SOS-FILE (1-877-767-3453)

www.sos.state.oh.us
e-mail: busserv@sos.state.oh.us

Expedite this Form: (Select One)

Yes — PO Box 1390, Columbus, OH 43216 — ** Requires an additional fee of $100 **

No — PO Box 1028, Columbus, OH 43216

Certificate of Amendment by Directors or Incorporators to Articles

(Domestic)

Filing Fee $50.00

(CHECK ONLY ONE (1) BOX)

(1) ☒ Amendment by Directors
☐ Amended by Directors (123-AMDD)

(2) ☐ Amendment by Incorporators
☐ Amended by Incorporators (124-AMDI)

Complete the general information in this section for the box checked above.

Name of Corporation: Cleveland-Cliffs Inc

Charter Number: 649805

☐ Please check if additional provisions attached hereto are incorporated herein and made a part of these articles of organization.

Complete the information in this section if box (1) is checked.

Name and Title of Officer: George W. Hawk, Jr. (name) — General Counsel and Secretary (title)

(CHECK ONLY ONE (1) BOX)

☒ A meeting of the directors was duly called and held on September 9, 2008 (Date)

☐ In an writing signed by all the Directors pursuant to section 1701.54 of the ORC

The following resolution was adopted pursuant to section 1701.70(B) (6) of the ORC: (Insert proper paragraph number)

Resolved: That pursuant to Section 1701.70(B)(6) of the Ohio Revised Code, the Directors hereby adopt an amendment to Article FIRST of the Amended Articles of Incorporation to change the name of the Corporation to be Cliffs Natural Resources Inc., effective as of October 15, 2008.

RECEIVED
SECRETARY OF STATE
2008 OCT -3 PM 12:36
CLIENT SERVICE CENTER

Doc ID --> 200828001974

Complete the information in this section if box (2) is checked.

WE, the undersigned, being all of the incorporators of the above named corporation, do certify that the subscriptions to shares have not been received and the initial directors are not named in the articles. We hereby have elected to amend the articles as follows:

REQUIRED
Must be authenticated (signed) by an authorized representative
(See instructions)

Authorized Representative
George W. Hawk, Jr.
(Print Name)

October 2, 2008
Date

Authorized Representative
(Print Name)

Date

Authorized Representative
(Print Name)

Date

540 [illegible]

Page 2 of 2

Last Revised: May 2007

EXHIBIT IV

REGULATIONS OF CLIFFS NATURAL RESOURCES INC.

REGULATIONS
OF
CLEVELAND-CLIFFS INC

(These Regulations were adopted by the sole shareholder by unanimous written action pursuant to Section 1701.54 of the Ohio Revised Code on February 25, 1985.)

ARTICLE I

SHAREHOLDERS' MEETINGS

SECTION 1. *Annual Meeting*

The annual meeting of shareholders shall be held at 3:00 o'clock p.m., on the fourth Wednesday in April in each year, if not a legal holiday, and if a legal holiday, then on the next day not a legal holiday, or, if in any particular year the date and time so determined for the annual meeting shall not be acceptable to a majority of the Directors, then such annual meeting shall be held on such other date and time during such year as shall be fixed and approved by a majority of the Directors, for the election of Directors and the consideration of reports to be laid before such meeting. Upon due notice, there may also be considered and acted upon at an annual meeting any matter which could properly be considered and acted upon at a special meeting, in which case and for which purpose the annual meeting shall also be considered as, and shall be, a special meeting. When the annual meeting is not held or Directors are not elected thereat, they may be elected at a special meeting called for that purpose.

SECTION 2. *Special Meetings*

Special meetings of shareholders may be called by the Chairman or the President or a Vice President, or by the Directors by action at a meeting, or by three or more of the Directors acting without a meeting, or by the person or persons who hold not less than twenty-five percent of all shares outstanding and entitled to be voted on any proposal to be subjected at said meeting.

Upon request in writing delivered either in person or by registered mail to the President or Secretary by any person or persons entitled to call a meeting of shareholders, such officer shall forthwith cause to be given, to the shareholders entitled thereto, notice of a meeting to be held not less than twenty nor more than sixty days after the receipt of such request, as such officer shall fix. If such notice is not given within twenty days after the delivery or mailing of such request, the person or persons calling the meeting may fix the time of meeting and give, or cause to be given, notice in the manner hereinafter provided.

SECTION 3. *Place of Meetings*

Any meeting of shareholders may be held either at the principal office of the Company or at such other place within or without the State of Ohio as may be designated in the notice of said meeting.

SECTION 4. *Notice of Meetings*

Not more than sixty days nor less than twenty days before the date fixed for a meeting of shareholders, whether annual or special, written notice of the time, place and purposes of such meeting shall be given by or at the direction of the Chairman, the President, a Vice President, the Secretary or an Assistant Secretary. Such notice shall be given either by personal delivery or by mail to each shareholder of record entitled to notice of such meeting. If such notice is mailed, it shall be addressed to the shareholders at their respective addresses as they appear on the records of the

Company, and notice shall be deemed to have been given on the day so mailed. Notice of adjournment of a meeting need not be given if the time and place to which it is adjourned are fixed and announced at such meeting.

SECTION 5 *Shareholders Entitled to Notice and to Vote*

If the record date shall not be fixed pursuant to statutory authority, the record date for the determination of the shareholders who are entitled to notice of a meeting of shareholders shall be the close of business on the date next preceding the day on which such notice is given and the record date for the determination of shareholders who are entitled to vote at such a meeting of shareholders shall be the close of business on the date next preceding the day on which the meeting is held.

SECTION 6. *Quorum*

To constitute a quorum at any meeting of shareholders, there shall be present in person or by proxy shareholders of record entitled to exercise not less than a majority of the voting power of the Company in respect of any one of the purposes for which the meeting is called.

The shareholders present in person or by proxy, whether or not a quorum be present, may adjourn the meeting from time to time.

ARTICLE II

DIRECTORS

SECTION 1. *Election, Number and Term of Office*

The Directors shall be elected at the annual meeting of shareholders, or if not so elected, at a special meeting of shareholders called for that purpose, and each Director shall hold office until the date fixed by these Regulations for the next succeeding annual meeting of shareholders and until his successor is elected, or until his earlier resignation, removal from office, or death. At any meeting of shareholders at which Directors are to be elected, only persons nominated as candidates shall be eligible for election.

The number of Directors, which shall not be less than three, may be fixed or changed at a meeting of the shareholders called for the purpose of electing Directors at which a quorum is present, by the affirmative vote of the holders of a majority of the shares represented at the meeting and entitled to vote on such proposal. In case the shareholders at any meeting for the election of Directors shall fail to fix the number of Directors to be elected, the number elected shall be deemed to be the number of Directors so fixed.

The number of Directors fixed as hereinabove in this Section provided may also be increased or decreased by the Directors at a meeting or by action without a meeting, and the number of Directors as so changed shall be the number of Directors until further changed in accordance with this Section; provided, that no such decrease in the number of Directors shall result in the removal of any incumbent Director or in the reduction of the term of any incumbent Director. Any decrease in the number of Directors to less than the number of Directors then in office shall become effective as the resignation, removal from office, death or expiration of the term of any incumbent Director occurs. In the event that the Directors increase the number of Directors, the Directors who are in office may fill any vacancy created thereby.

SECTION 2. *Quorum*

A majority of the number of Directors then in office shall be necessary to constitute a quorum for the transaction of business, but if at any meeting of the Directors there shall be less than a quorum present, a majority of those present may adjourn the meeting from time to time without notice other than announcement at the meeting until a quorum shall attend.

SECTION 3. *Committees*

The Directors may from time to time create a committee or committees of Directors to act in the intervals between meetings of the Directors and may delegate to such committee or committees any of the authority of the Directors other than that of filling vacancies among the Directors or in any committee of the Directors. No committee shall consist of less than three Directors. The Directors may appoint one or more Directors as alternate members of any such committee, who may take the place of any absent member or members at any meeting of such committee.

Unless otherwise ordered by the Directors, a majority of the members of any committee appointed by the Directors pursuant to this Section shall constitute a quorum at any meeting thereof, and the act of a majority of the members present at a meeting at which a quorum is present shall be the act of such committee. Action may be taken by any such committee without a meeting by a writing or writings signed by all of its members. Any such committee may prescribe its own rules for calling and holding meetings and its method of procedure, subject to any rules prescribed by the Directors, and shall keep a written record of all action taken by it.

ARTICLE III

OFFICERS

SECTION 1. *Officers*

The Company may have a Chairman and shall have a President (both of whom shall be Directors), a Secretary and a Treasurer. The Company may also have one or more Vice Presidents and such other officers and assistant officers as the Directors may deem necessary. All of the officers and assistant officers shall be elected by the Directors.

SECTION 2. *Authority and Duties of Officers*

The officers of the Company shall have such authority and shall perform such duties as are customarily incident to their respective offices, or as may be specified from time to time by the Directors regardless of whether such authority and duties are customarily incident to such office.

ARTICLE IV

INDEMNIFICATION AND INSURANCE

SECTION 1. *Indemnification*

The Company shall indemnify, to the full extent then permitted by law, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a Director, officer, employee or agent of the Company, or is or was serving at the request of the Company as a director, trustee, officer, employee or agent of another corporation, domestic or foreign, nonprofit or for profit, partnership, joint venture, trust or other enterprise; provided, however, that the Company shall indemnify any such agent (as opposed to any director, officer or employee) of the Company to an extent greater than that required by law only if and to the extent that the Directors may, in their discretion, so determine. The indemnification provided hereby shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any law, the Articles of Incorporation or any agreement, vote of shareholders or of disinterested Directors or otherwise, both as to action in official capacities and as to action in another capacity while he is a Director, officer, employee or agent, and shall continue as to a person who has ceased to be a Director, trustee, officer, employee or agent and shall inure to the benefit of heirs, executors and administrators of such a person.

SECTION 2. *Insurance*

The Company may, to the full extent then permitted by law and authorized by the Directors, purchase and maintain insurance on behalf of any persons described in Section 1 of this Article IV against any liability asserted against and incurred by any such person in any such capacity, or arising out of his status as such, whether or not the Company would have the power to indemnify such person against such liability.

ARTICLE V

MISCELLANEOUS

SECTION 1. *Transfer and Registration of Certificates*

The Directors shall have authority to make or adopt such rules and regulations as they deem expedient concerning the issuance, transfer and registration of certificates for shares and the shares represented thereby and may appoint transfer agents and registrars thereof.

SECTION 2. *Substituted Certificates*

Any person claiming a certificate for shares to have been lost, stolen or destroyed shall make an affidavit or affirmation of that fact and, if required by the Directors, shall give the Company and its registrar or registrars and its transfer agent or agents a bond of indemnity satisfactory to the Directors or to the President or a Vice President and the Secretary or the Treasurer, and, if required by the Directors or such officers, shall advertise the same in such manner as may be required, whereupon a new certificate may be executed and delivered of the same tenor and for the same number of shares as the one alleged to have been lost, stolen or destroyed.

SECTION 3. *Corporate Seal*

The seal of the Company shall be circular in form with the name of the Company stamped around the margin and the words "Corporate Seal" stamped across the center.

SECTION 4. *Amendments*

These Regulations may be amended by the affirmative vote of the shareholders of record entitled to exercise a majority of the voting power on such proposal.

EXHIBIT V

CURRENT REPORT ON FORM 8-K FURNISHED BY CLIFFS NATURAL RESOURCES INC. TO THE SEC ON FEBRUARY 26, 2009, RELATING TO THE FOURTH-QUARTER AND FULL-YEAR RESULTS FOR THE PERIODS ENDED DECEMBER 31, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): February 25, 2009

CLIFFS NATURAL RESOURCES INC.
(Exact Name of Registrant as Specified in Its Charter)

OHIO **(State or Other Jurisdiction of Incorporation)**	**1-8944** **(Commission File Number)**	**34-1464672** **(IRS Employer Identification No.)**
200 Public Square, Suite 3300, Cleveland, Ohio **(Address of Principal Executive Offices)**		**44114-2315** **(Zip Code)**

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

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

EXHIBIT V - CURRENT REPORT ON FORM 8-K

ITEM 2.02. Results of Operations and Financial Condition.

On February 25, 2009, Cliffs Natural Resources Inc. issued a news release announcing fourth-quarter and full-year results for the periods ended December 31, 2008, a copy of which is attached as Exhibit 99(a) to this Current Report on Form 8-K. This information shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act") or incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

ITEM 9.01. Financial Statements and Exhibits.

(d) Exhibits:

Exhibit Number	Exhibit	
99(a)	Cliffs Natural Resources Inc. published a news release on February 25, 2009 captioned, "Cliffs Natural Resources Inc. Reports Fourth-Quarter and Full-Year 2008 Results"	Filed Herewith

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

Cliffs Natural Resources Inc.

By: /s/ George W. Hawk, Jr.
Name: George W. Hawk, Jr.
Title: General Counsel and Secretary

Dated: February 26, 2009

INDEX TO EXHIBITS

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EXHIBIT V - CURRENT REPORT ON FORM 8-K

Exhibit 99(a)

NEWS RELEASE

Cliffs Natural Resources Inc. Reports Fourth-Quarter and Full-Year 2008 Results

- ***Full-Year Revenues Increase 59% to a Record $3.61 Billion, with Net Income of $516 Million, or $4.76 Per Diluted Share***
- ***Cash From Operations Increases 195% to $853 Million, from $289 Million in 2007***
- ***Company Begins 2009 with $179 Million in Cash and Cash Equivalents, Approximately $750 Million in Available Liquidity and Strong Outlook for Cash Flow in 2009***
- ***Fourth-Quarter Revenue Reaches $916 Million, Up 17% from 2007***

CLEVELAND—Feb. 25, 2009— Cliffs Natural Resources Inc. **(NYSE: CLF)** today reported fourth-quarter and full-year results for the periods ended Dec. 31, 2008. Record full-year revenues of $3.61 billion increased $1.33 billion, or 59%, from the previous record set in 2007. The increase was driven by a $624.2 million, or 36%, increase in North American Iron Ore sales; a $325.2 million, or 73%, increase in Asia Pacific Iron Ore sales; a $261.1 million increase in year-over-year sales generated from the Company's North American Coal business (Editors' Note: Cliffs acquired its North American Coal business segment in July 2007); and $123.4 million in revenue contributed in 2008 from the Company's interest in the Sonoma Coal Project. Net income for the year was $515.8 million, or $4.76 per diluted share, compared with $270.0 million, or $2.57 per diluted share on a split-adjusted basis, in 2007.

Cliffs indicated its net income for 2008 was negatively affected by $303.4 million pre-tax, or $1.92 per diluted share, from non-recurring items, including:

- $90.1 million pre-tax, or $0.54 per diluted share after-tax, impact resulting from costs related to its terminated merger with Alpha Natural Resources, Inc.;
- $188.2 million pre-tax, or $1.22 per diluted share after-tax, impact of negative mark-to-market adjustments related to currency hedging; and,
- $25.1 million, or $0.16 per diluted share after-tax, related to impairment of investment securities in two junior mining and exploration companies.

Joseph A. Carrabba, Cliffs' chairman, president and chief executive officer, said, "Notwithstanding the high degree of uncertainty that developed in the last quarter of the year, Cliffs delivered strong financial performance in 2008 resulting from a highly favorable pricing environment for a majority of the year and exceptional execution by our commercial sales and operating teams. While optimistic the global economic environment will improve at some point, we have appropriately taken aggressive steps to manage our production, optimize inventory levels and position the Company to maximize cash generation in 2009."

Other 2008 Highlights

Cliffs completed a number of significant corporate development and operational achievements in 2008 designed to advance its strategy of achieving scale in the mining industry and focused on serving the world's largest and fastest growing steel markets. These include:

- Acquiring the remaining 20% minority interest in Portman Limited (ASX: PMM) that Cliffs Natural Resources did not own at the beginning of 2008 (resulting in the elimination of an income adjustment for the related minority interest);
- Acquiring its minority partner's 30% interest in the United Taconite iron ore mining operation in Minnesota (resulting in 1.6 million additional equity tons of iron ore production capacity);
- Executing a $325 million private placement of Senior Notes in June prior to the onset of the difficult credit environment, the first traunch of which is not due until 2013; and,
- Repositioning the organization under the Cliffs Natural Resources Inc. corporate name and the formal adoption of "Cliffs," the one-word moniker by which the Company is commonly known. The Cliffs brand is graphically depicted through a new visual identity suggestive of the Company's core mining business, which operates above ground and below.

Fourth-Quarter Consolidated Results

Consolidated fourth-quarter revenues were $916.3 million, an increase of 17%, compared with $782.5 million in the same quarter last year. The increase for the quarter was driven by a $37.7 million increase in revenues from the Company's Asia Pacific Iron Ore segment, an $18.6 million increase in revenues from the North American Iron Ore segment, a $37.0 million increase in sales generated by the North American Coal segment, and $40.5 million from a new revenue stream generated from the Company's interest in the Sonoma Coal Project.

In the fourth quarter, Cliffs achieved a sales margin increase of 75% to $285.9 million, from $163.3 million in the same period of 2007. The increase was primarily the result of a $53.5 million year-over-year increase in sales margin from the North American Iron Ore segment. This increase occurred despite the segment not recognizing revenue for approximately 1.2 million tons of iron ore pellets, or an estimated $80 million, for which cash was collected. Revenue related to these tons is being deferred until the product is delivered in 2009, in accordance with accounting guidance for "bill and hold" sales. Cliffs' Asia Pacific based businesses also

achieved year over year increases in sales margin, including a $41.8 million, or 169% increase in Asia Pacific Iron Ore and $19.1 million in sales margin generated from the Company's interest in the Sonoma Coal Project. Offsetting the consolidated sales margin increase, was a $7.6 million dollar sales margin loss in Cliffs' North American Coal segment.

Consolidated operating income for the fourth quarter increased 6% to $147.3 million from $138.9 million in the 2007 fourth quarter, despite the negative impact from $90.1 million in costs related to the terminated merger agreement with Alpha, as described above.

Fourth-quarter 2008 net income decreased 42% to $53.9 million, or $0.47 per diluted share, from $93.7 million, or $0.88 per diluted share on a split-adjusted basis, in 2007. Cliffs noted that fourth quarter net income for 2008 includes approximately $209.1 million pre-tax, or $1.24 per diluted share of non-recurring items, including:

- $90.1 million pre-tax, or $0.51 per diluted share after-tax impact from terminated merger costs, referenced above;
- $93.9 million pre-tax, or $0.58 per diluted share after-tax, of negative mark-to-market adjustments related to currency hedging; and,
- $25.1 million, or $0.15 per diluted share after-tax, related to impairment of investment securities in two junior mining and exploration companies.

Carrabba added: "While the income statement reflects a decline in net income, perhaps the most indicative measure of our performance in the fourth quarter is the fact that we generated $271 million in cash from operations, a 30% increase compared with the $208 million generated in the same period of 2007. This increase is the result of the unique structural design of our North American contracts – which were designed to optimize cash flow in the event of difficult economic environments – and was further augmented by proactive efforts to conserve cash spending at our mines along with strong cash generation from our Asia Pacific operations."

North American Iron Ore

	Three Months Ended Dec. 31,		Year Ended Dec. 31,	
	2008	2007	2008	2007
North American Iron Ore Sales (Long Tons) - In Thousands	**6,512**	**8,269**	**22,691**	**22,265**
Sales Margin - In Millions				
Revenues from iron ore sales and services	**$ 636.1**	$ 617.5	**$2,369.6**	$1,745.4
Cost of goods sold and operating expenses	**428.3**	463.2	**1,565.3**	1,347.5
Sales margin	**$ 207.8**	$ 154.3	**$ 804.3**	$ 397.9
Sales Margin - Per Ton				
Revenues from iron ore sales and services*	**$ 89.16**	$ 66.42	**$ 92.56**	$ 66.01
Cash cost**	**53.01**	46.47	**54.21**	46.31
Depreciation, depletion and amortization	**4.24**	1.29	**2.91**	1.83
Cost of goods sold and operating expenses*	**57.25**	47.76	**57.12**	48.14
Sales margin	**$ 31.91**	$ 18.66	**$ 35.45**	$ 17.87

* Excludes revenues and expenses related to freight and venture partners' cost reimbursement, which are offsetting and have no impact on operating results.

** Cash cost per ton is defined as Cost of goods sold and operating expenses per ton less Depreciation, depletion and amortization per ton.

Fourth-quarter 2008 North American Iron Ore pellet sales volume was 6.5 million tons, a 21% decrease from the 8.3 million tons sold in the fourth quarter of 2007. During the fourth quarter, Cliffs received cash payment for nearly 7.7 million tons of iron ore. 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, or an estimated $80 million, was deferred from the quarter until the product is delivered in 2009.

North American Iron Ore revenues per ton were $89.16 during the fourth quarter, up 34% from the comparable quarter in 2007. The increase was driven by higher year-over-year prices for iron ore and steel. This occurred despite a steep sequential quarter decline in commodities pricing, including spot prices for iron ore and steel from the third quarter. Cost per ton of $57.25 was up 20% from the year-ago quarter. The increase is primarily attributed to higher labor costs (resulting from the Company's new labor agreement with the United Steel Workers, which was reached in September 2008), stripping and repair costs related to the previously announced expansion project at Cliffs' Michigan operations and higher prices for steel related products used at the mines, such as wear materials used to mine and grind ores.

For the full year, pellet sales volume totaled a record 22.7 million tons, which was slightly above 2007. Revenues per ton increased 40% to $92.56 for the year with cost per ton of $57.12 up 19% from 2007. The increase in full year per-ton costs is primarily related spending that was done in preparation for the expansion project noted above, increased average energy costs, higher labor costs due to the new labor agreement and increased royalties.

North American Iron Ore Production

	(In Millions) (1)			
	Three Months Ended Dec. 31		Full Year Ended Dec. 31	
	2008	2007	**2008**	2007
Total North American Iron Ore Mine Production	**8.0**	8.8	**35.2**	34.6
Cliffs Natural Resources Equity Share of Total Production	**5.3**	5.4	**22.9**	21.8

(1) Long tons of pellets of 2,240 pounds

Cliffs' equity share of its total North American Iron Ore mine production was 5.3 million tons in the fourth quarter and 22.9 million tons for the year. Higher equity tons produced associated with increased equity ownership at United Taconite was largely offset by production curtailments at several of Cliffs' mines in the fourth quarter.

As previously announced, in late October Cliffs began executing plans to reduce production at its six North American Iron Ore mines to a current annualized rate of approximately 15 million equity tons. This plan was enacted based on current market uncertainties and corresponding blast furnace capacity utilization in North America. Cliffs also indicated it will continue to monitor the marketplace and adjust its production up or down as needed.

North American Coal

	Three Months Ended Dec. 31, 2008	Three Months Ended Dec. 31, 2007	Year Ended Dec. 31, 2008	Five Months Ended Dec. 31, 2007***
North American Coal Sales (Short Tons) - In Thousands	**773**	724	**3,241**	1,171
Sales Margin - In Millions				
Revenues from coal sales and services	**$ 88.3**	$ 51.3	**$ 346.3**	$ 85.2
Cost of goods sold and operating expenses	**95.9**	67.1	**392.7**	116.9
Sales margin	**$ (7.6)**	$ (15.8)	**$ (46.4)**	$ (31.7)
Sales Margin - Per Ton				
Revenues from coal sales and services*	**$100.78**	$ 70.72	**$ 92.95**	$ 70.77
Cash cost**	**95.47**	75.69	**91.38**	82.55
Depreciation, depletion and amortization	**15.14**	16.85	**15.89**	15.28
Cost of goods sold and operating expenses*	**110.61**	92.54	**107.27**	97.83
Sales margin	**$ (9.83)**	$(21.82)	**$ (14.32)**	$ (27.07)

* Excludes revenues and expenses related to freight, which is offsetting and has no impact on operating results
** Cash cost per ton is defined as Cost of goods sold and operating expenses per ton less Depreciation, depletion and amortization per ton.
*** Figures reflect operations since Cliffs' July 2007 acquisition

For the fourth quarter, metallurgical coal sales volume was 773,000 short tons, with average revenues per ton of $100.78. This compares with sales volume of 724,000 short tons in the fourth quarter of 2007 and average revenues per ton of $70.72. The 43% increase in revenue per ton is the result of strong market pricing for metallurgical coal throughout 2008.

Reported cost per ton for the fourth quarter was $110.61. Throughout 2008, including the fourth quarter, costs were impacted by extended long-term mine planning and development activities, as well as the hiring and training of miners, increased supply and service costs and higher royalty expenses.

The net effect of the above factors was a fourth quarter loss of $7.6 million at the sales margin level.

For the full year, sales volume totaled 3.2 million tons. Revenues per ton increased 31% to $92.95 for the year with cost per ton of $107.27.

North American Coal Production

	(In Millions) (1)			
	Three Months Ended Dec. 31,		Year Ended Dec. 31,	Five Months Ended Dec. 31,
Mine	2008	2007	2008	2007*
Pinnacle Complex	**0.7**	0.6	**2.5**	0.7
Oak Grove Mine	**0.2**	0.2	**1.0**	0.4
Total	**0.9**	0.8	**3.5**	1.1

* Figures reflect operations since Cliffs' July 2007 acquisition
(1) Short tons of coal (2,000 pounds)

Cliffs produced 922,000 short tons of metallurgical coal in the fourth quarter and 3.5 million tons for the full year. The Company has previously indicated that, in order to align inventory with current demand, it has temporarily halted underground mining at the Pinnacle Complex in West Virginia for the month of February. As a result of this and other curtailment actions, Cliffs is currently operating its North American Coal segment at an annualized production rate of approximately 3.6 million tons. Cliffs also indicated it will continue to monitor the marketplace and adjust its production up or down as needed.

Asia Pacific Iron Ore

	Three Months Ended Dec. 31,		Year Ended Dec. 31,	
	2008	2007	2008	2007
Asia-Pacific Iron Ore Sales (Tonnes) - In Thousands	**1,747**	1,923	**7,800**	8,144
Sales Margin - In Millions				
Revenues from iron ore sales and services	**$ 151.4**	$ 113.7	**$769.8**	$444.6
Cost of goods sold and operating expenses	**84.8**	88.9	**421.2**	348.8
Sales margin	**$ 66.6**	$ 24.8	**$348.6**	$ 95.8
Sales Margin - Per Tonne				
Revenues from iron ore sales and services	**$ 86.66**	$ 59.13	**$98.69**	$54.59
Cash cost*	**31.83**	39.37	**44.56**	36.86
Inventory fair value adjustment	**6.81**	—	**1.97**	—
Depreciation, depletion and amortization	**9.90**	6.86	**7.47**	5.97
Cost of goods sold and operating expenses	**48.54**	46.23	**54.00**	42.83
Sales margin	**$ 38.12**	$ 12.90	**$44.69**	$11.76

* Cash cost per tonne is defined as Cost of goods sold and operating expenses per tonne less Depreciation, depletion and amortization per tonne. In the 2008 fourth quarter and full year, an adjustment for marking inventory to fair value is also excluded.

Fourth-quarter 2008 Asia Pacific Iron Ore sales volume decreased 9% to 1.7 million tonnes, compared with 1.9 million tonnes in the 2007 fourth quarter. The decrease was primarily the result of customers deferring shipments at the end of the year as steel demand sharply declined in Asia during December.

Revenues per tonne for the fourth quarter increased 47% to $86.66, compared with $59.13 in the prior year. Per-tonne cost in Asia Pacific Iron Ore, which increased 5% from the previous year to $48.54, was negatively impacted by necessary movements of

stockpiles due to product mix demand from customers, as well as increased royalty and mining costs. These impacts were partially offset by favorable exchange rate movements of the Australian dollar compared with the U.S. dollar.

Full-year sales volume decreased 4% to 7.8 million tonnes, compared with 8.1 million tonnes in 2007. The decrease was primarily the result of less iron ore from Cockatoo Island available for sale in 2008, compared with 2007. Revenues per tonne for 2008 of $98.69 increased 81%, with cost per tonne of $54.00 up 26%, compared with 2007. Costs for the full year were negatively impacted by unfavorable foreign exchange rates throughout a majority of 2008, necessary movements of stockpiles due to product mix demand from customers and increased royalty and mining costs.

Asia Pacific Iron Ore Production

	(In Millions) (1)			
	Three Months Ended Dec. 31,		Year Ended Dec. 31,	
Mine:	**2008**	2007	**2008**	2007
Koolyanobbing	**2.0**	1.9	**7.3**	7.7
Cockatoo Island	**—**	0.2	**0.4**	0.7
Total	**2.0**	2.1	**7.7**	8.4

(1) Tonnes are metric tons (2,205 pounds). Cockatoo production reflects Cliffs' 50 percent share.

Fourth-quarter production in Asia Pacific Iron Ore was 2.0 million tonnes, virtually flat when compared with the fourth quarter of 2007. No product was produced at Cockatoo Island in the fourth quarter, as Cliffs is in the midst of a capital project to extend mining operations via the construction of a sea wall that began in the third quarter 2008. Production at Cockatoo is expected to resume during the third quarter of 2009. This project is expected to enable production to continue for approximately two additional years, through June 2011.

Full-year production in 2008 was 7.7 million tonnes, compared with 8.4 million tonnes in 2007. Cliffs' Asia Pacific Iron Ore segment is currently planning to produce approximately 8.6 million tonnes in 2009.

Sonoma Coal Project

In the fourth quarter of 2008, Cliffs' share of sales volume for its 45% economic interest in the Sonoma Coal Project was 328,000 tonnes. Revenues and sales margin generated for Cliffs were $40.5 million and $19.1 million, respectively.

Cliffs' share of sales volume for the full year was 933,000 tonnes. Revenues and sales margin generated for Cliffs' 2008 full year were $123.4 million and $53.2 million, respectively.

The Sonoma Coal Project is ramping up as expected and anticipated total production will be approximately 3.5 million tonnes in 2009.

Liquidity

At year-end, Cliffs had $179.0 million of cash and cash equivalents and total liquidity of approximately $750 million, with no borrowings drawn on its $600 million revolving credit facility. The Company had $525 million in long-term borrowings, comprised of a $200 million term loan due in 2012, and $325 million in Senior Notes in two tranches due in 2013 and 2015, respectively.

Major uses of cash in 2008 included approximately:

- $240 million of net debt repayment under the Company's credit facility;
- $485 million for the acquisition of the Portman Limited minority interest;
- $183 million for capital expenditures;
- $104 million for the United Taconite minority interest acquisition; and,
- $93 million in investments in ventures and other securities, primarily Cliffs' equity positions in Golden West Resources (ASX: GWR) and AusQuest Limited (ASX: AQD).

For the year, Cliffs generated over $850 million in cash from operations. In 2009, the Company expects to again generate meaningful cash flow from operations. However, due to the seasonality of its businesses, it will use cash for operating activities in the first half with cash generated from operating activities occurring in the third and fourth quarters.

Outlook

Given the current macroeconomic environment and the impact on demand for steelmaking raw materials in the intermediate term, Cliffs' priority in 2009 is to generate and preserve cash in order to maintain its high degree of financial flexibility.

While the Cliffs' management team has taken swift action to bring production levels at all of its businesses in line with current demand, a great deal of uncertainty remains in the marketplace.

North American Iron Ore Outlook

For 2009, Cliffs said it has contractual obligations for approximately 18 million tons of sales volume. These commitments, combined with eventual revenue recognition of the 1.2 million tons deferred in 2008 and discussed above, total approximately 19 million tons of sales volume for 2009. This sales volume total assumes the Company will recognize “bill and hold” sales anticipated to occur in the fourth quarter of 2009. In addition, the Company noted that, based on current market uncertainties and corresponding blast furnace capacity utilization in North America, it must continue to monitor the marketplace as well as the financial health of its customers.

With annual price settlements for iron ore in 2009 not yet concluded, the Company is unable to provide guidance on average revenue per ton in its North American Iron Ore business segment. The Company has previously indicated its average revenue per ton in 2009 will benefit from contractual base-price adjustments, lag-year adjustments and price caps and floors contained in most of its current supply agreements. Actual realized average revenue per ton will ultimately depend on sales volume levels, World Pellet Prices, production input costs and/or steel prices (all of which are factors in the Company’s formula based pricing in the North American Iron Ore business segment).

Cliffs said, at the current annualized production rate in its North American Iron Ore business segment, 2009 cost per ton is expected to be $70 - $80. The expected increase from 2008 cost per ton is the result of reduced leverage over fixed costs resulting from lower year-over-year production levels.

North American Coal Outlook

Cliffs begins 2009 with approximately 1.6 million tons of coal under contractual obligation or approximately 45% of its current annualized production rate. This coal is priced at an average of $108 per ton, which includes production earmarks to fulfill obligations for tons deferred as a result of past production disruptions.

With negotiations for international metallurgical coal contracts not yet concluded, Cliffs is unable to provide guidance for uncommitted 2009 production in its North American Coal business segment. Currently there is no precise indication where prices will settle for the high quality, low volatility coal that Cliffs produces.

In 2009, Cliffs will continue to execute its extended long-term mine planning and development activities at its North American Coal mines designed to ultimately increase annual production and improve cost per ton. As a result, cost per ton for the year is expected to be approximately $110 - $120.

Asia Pacific Iron Ore Outlook

Asia Pacific Iron Ore 2009 sales volume is expected to be 8.4 million tonnes, with production of 8.6 million tonnes. With annual price settlements for iron ore in 2009 not yet concluded, the Company is unable to provide guidance on average revenue per tonne in its Asia Pacific Iron Ore business segment. Cliffs expects Asia Pacific Iron Ore costs per tonne of approximately $50 - $60.

Sonoma Coal Project Outlook

Cliffs has a 45% economic interest in the Sonoma Coal Project and expects total production of approximately 3.5 million tonnes for 2009. Sonoma is expected to have sales volume of 3.3 million tonnes and an approximate 60%/40% mix between thermal and metallurgical coal respectively. Per-tonne costs at Sonoma are expected to be $85 - $95. The increase from 2008 cost-per-tonne levels is the result of an anticipated special royalty payment under Cliffs' agreement with its partner, QCoal, that occurs when the mine exceeds a certain performance threshold.

Amapá Iron Ore Project Update

In the third quarter of 2008, Cliffs' new partner in the Amapá project, Anglo American, closed its acquisition of MMX's 70% share of the project and assumed management control over the venture. Throughout the year the ramp-up of operations was significantly slower than previously anticipated, with annual production totaling 1.2 million tonnes. Anglo American and Cliffs continue to study all aspects of the project and are taking proactive steps to ensure production is ramped up to the design annual capacity of 6.5 million tonnes. Cliffs expects to incur an equity loss related to the project of approximately $50 million to $60 million in 2009.

SG&A Expenses and Other Expectations

As a result of limited headcount rationalization including the elimination and combination of some executive and management positions, combined with tight cost controls, SG&A expenses are anticipated to be approximately flat to slightly down in 2009 from 2008 levels. Cliffs anticipates an effective tax rate of approximately 26% to 28% for the year. Cliffs also expects 2009 capital expenditures of approximately $200 million and depreciation and amortization of approximately $215 million.

Cliffs Natural Resources will host a conference call to discuss its fourth-quarter and full-year 2008 results tomorrow, Feb. 26, 2009, at 10 a.m. ET. The call will be broadcast live on Cliffs' website at www.cliffsnaturalresources.com . A replay of the call will be available on the website for 30 days.

To be added to Cleveland-Cliffs' e-mail distribution list, please click on the link below:

http://www.cpg-llc.com/clearsite/clf/emailoptin.html

About Cliffs Natural Resources Inc.

Cliffs Natural Resources (NYSE: CLF) is 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 Global Reporting Initiative (GRI) framework. Our company is organized through three geographic business units:

The North American business unit is comprised of six iron ore mines located in Michigan, Minnesota and Eastern Canada, and two coking coal mining complexes located in West Virginia and Alabama. The Asia Pacific business unit is comprised of two iron ore mining complexes in Western Australia and a coking and thermal coal mine in Queensland, Australia. The South American business unit includes a 30% interest in the Amapá Project, an iron ore project in the state of Amapá in Brazil, as well as a number of smaller greenfield projects not yet in production.

Over recent years, Cliffs has 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.

News releases and other information on the Company are available on the Internet at:

http://www.cliffsnaturalresources.com or

www.cliffsnaturalresources.com/Investors/Pages/default.aspx?b=1041&1=1

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995

This news release contains predictive statements that are intended to be made as "forward-looking" within the safe harbor protections of the Private Securities Litigation Reform Act of 1995. Although the Company believes that its forward-looking statements are based on reasonable assumptions, such statements are subject to risk and uncertainties.

Actual results may differ materially from such statements for a variety of reasons, including: the impact of the global economic crisis on the North American and global integrated steel industry; the length and extent of any potential and current production curtailments at both our customer's facility and at our iron ore and coal mining operations; changes in the sales volumes or mix; the impact of any decreases in international prices for iron ore and/or metallurgical coal resulting from the global economic crisis; the impact of price-adjustment factors on the Company's sales contracts; changes in demand for iron ore pellets by North American integrated steel producers, or changes in Asian iron ore demand due to changes in steel utilization rates, operational factors, electric furnace production or imports into the United States and Canada of semi-finished steel or pig iron; the impact of consolidation and rationalization in the steel industry; availability of capital equipment and component parts; availability of float capacity; the impact of the global economic crisis on our ability to maintain adequate liquidity and on our ability to access capital market; changes in the financial condition of the Company's partners and/or customers; rejection of major contracts and/or venture agreements by customers

and/or participants under provisions of the U.S. Bankruptcy Code or similar statutes in other countries; events or circumstances that could impair or adversely impact the viability of a mine and the carrying value of associated assets; inability to achieve expected production levels; reductions in current resource estimates; impacts of increasing governmental regulation including failure to receive or maintain required environmental permits; problems with productivity, third party contractors, labor disputes, weather conditions, fluctuations in ore grade, tons mined, changes in cost factors including energy costs, transportation, mine closure obligations and employee benefit costs; the ability to identify, acquire and integrate strategic acquisition candidates; risks associated with operations in multiple countries and the effect of these various risks on the Company's future cash flows, debt levels, liquidity and financial position.

Reference is also made to the detailed explanation of the many factors and risks that may cause such predictive statements to turn out differently, set forth in the Company's Annual Report and Reports on Form 10-K, Form 10-Q and previous news releases filed with the Securities and Exchange Commission, which are publicly available on Cliffs Natural Resources' website. The information contained in this document speaks as of the date of this news release and may be superseded by subsequent events.

SOURCE: Cliffs Natural Resources Inc.

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— FINANCIAL TABLES FOLLOW —

# # #

Cliffs Natural Resources Inc. and Subsidiaries
Statements of Consolidated Operations
(In Millions, Except EPS)

	(In Millions, Except Per Share Amounts)			
	Fourth Quarter		Year	
	2008 (unaudited)	2007 (unaudited)	2008	2007
REVENUES FROM PRODUCT SALES AND SERVICES				
Product	**$ 850.4**	$ 714.1	**$ 3,294.8**	$ 1,997.3
Freight and venture partners' cost reimbursements	**65.9**	68.4	**314.3**	277.9
	916.3	782.5	**3,609.1**	2,275.2
COST OF GOODS SOLD AND OPERATING EXPENSES	**(630.4)**	(619.2)	**(2,449.4)**	(1,813.2)
SALES MARGIN	**285.9**	163.3	**1,159.7**	462.0
OTHER OPERATING INCOME (EXPENSE)				
Casualty recoveries	**—**	—	**10.5**	3.2
Royalties and management fee revenue	**5.7**	4.2	**21.7**	14.5
Selling, general and administrative expenses	**(48.0)**	(38.8)	**(186.4)**	(114.2)
Terminated acquisition costs	**(90.1)**	—	**(90.1)**	—
Severance costs	**(2.2)**	—	**(2.2)**	—
Gain on sale of other assets - net	**1.7**	18.4	**22.8**	18.4
Miscellaneous - net	**(5.7)**	(8.2)	**2.9**	(2.3)
	(138.6)	(24.4)	**(220.8)**	(80.4)
OPERATING INCOME	**147.3**	138.9	**938.9**	381.6
OTHER INCOME (EXPENSE)				
Changes in fair value of derivative instruments, net	**(93.9)**	—	**(188.2)**	—
Impairment of securities	**(25.1)**	—	**(25.1)**	—
Interest income	**8.4**	4.5	**26.2**	20.0
Interest expense	**(12.1)**	(11.6)	**(39.8)**	(22.6)
Other - net	**0.9**	—	**4.3**	1.7
	(121.8)	(7.1)	**(222.6)**	(0.9)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES, MINORITY INTEREST AND EQUITY LOSS FROM VENTURES	**25.5**	131.8	**716.3**	380.7
BENEFIT (PROVISION) FOR INCOME TAXES	**29.4**	(27.3)	**(144.2)**	(84.1)
MINORITY INTEREST (net of tax)	**7.9**	(2.9)	**(21.2)**	(15.6)
EQUITY LOSS FROM VENTURES	**(8.9)**	(8.1)	**(35.1)**	(11.2)
INCOME FROM CONTINUING OPERATIONS	**53.9**	93.5	**515.8**	269.8
INCOME FROM DISCONTINUED OPERATIONS (net of tax)	**—**	0.2	**—**	0.2
NET INCOME	**53.9**	93.7	**515.8**	270.0
PREFERRED STOCK DIVIDENDS	**—**	(1.0)	**(1.1)**	(5.2)
INCOME APPLICABLE TO COMMON SHARES	**$ 53.9**	$ 92.7	**$ 514.7**	$ 264.8
EARNINGS PER COMMON SHARE - BASIC	**$ 0.48**	$ 1.07	**$ 5.07**	$ 3.19
EARNINGS PER COMMON SHARE - DILUTED	**$ 0.47**	$ 0.88	**$ 4.76**	$ 2.57
AVERAGE NUMBER OF SHARES				
Basic	**113.1**	86.6	**101.5**	83.0
Diluted	**113.8**	106.0	**108.3**	105.0

Cliffs Natural Resources Inc. and Subsidiaries
Statements of Consolidated Financial Position
(In Millions)

	December 31 (In Millions)	
	2008	2007
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**$ 179.0**	$ 157.1
Accounts receivable	**68.5**	84.9
Inventories	**265.4**	241.9
Supplies and other inventories	**101.2**	77.0
Deferred and refundable taxes	**54.8**	19.7
Derivative assets	**76.9**	69.5
Other	**115.9**	104.5
TOTAL CURRENT ASSETS	**861.7**	754.6
PROPERTY, PLANT AND EQUIPMENT, NET	**2,456.1**	1,823.9
OTHER ASSETS		
Investments in ventures	**305.3**	265.3
Marketable securities	**25.4**	55.7
Intangible assets, net	**109.6**	—
Long-term receivables	**33.4**	38.0
Prepaid pensions – salaried	**—**	6.7
Deferred income taxes	**251.2**	42.1
Deposits and miscellaneous	**68.4**	89.5
TOTAL OTHER ASSETS	**793.3**	497.3
TOTAL ASSETS	**$4,111.1**	$3,075.8
LIABILITIES AND SHAREHOLDERS' EQUITY		
TOTAL CURRENT LIABILITIES	**844.9**	399.6
PENSION AND OTHER POSTRETIREMENT BENEFITS	**448.0**	204.8
ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS	**104.9**	123.2
DEFERRED INCOME TAXES	**67.3**	189.0
SENIOR NOTES	**325.0**	—
REVOLVING CREDIT FACILITY	**—**	240.0
TERM LOAN	**200.0**	200.0
BELOW-MARKET SALES CONTRACTS	**183.6**	—
CONTINGENT CONSIDERATION	**—**	99.5
DEFERRED PAYMENT	**—**	96.2
DERIVATIVE LIABILITIES	**34.3**	—
OTHER LIABILITIES	**149.1**	107.3
TOTAL LIABILITIES	**2,357.1**	1,659.6
MINORITY INTEREST	**3.3**	117.8
3.25% REDEEMABLE CUMULATIVE CONVERTIBLE PERPETUAL PREFERRED STOCK	**0.2**	134.7
SHAREHOLDERS' EQUITY	**1,750.5**	1,163.7
COMMITMENTS AND CONTINGENCIES		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$4,111.1**	$3,075.8

EXHIBIT VI

CONSOLIDATED FINANCIAL STATEMENTS OF CLIFFS NATURAL RESOURCES INC. AND SUBSIDIARIES FOR THE FISCAL YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006

EXHIBIT VI CONSOLIDATED FINANCIAL STATEMENTS OF CLIFFS NATURAL RESOURCES INC. AND SUBSIDIARIES FOR THE FISCAL YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006

Statements of Consolidated Financial Position

Cliffs Natural Resources Inc. and Subsidiaries

	December 31 (In Millions)		
	2008	2007	2006
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	**$ 179.0**	$ 157.1	$ 351.7
Accounts receivable	**68.5**	84.9	32.3
Inventories	**265.4**	241.9	200.9
Supplies and other inventories	**101.2**	77.0	77.5
Deferred and refundable taxes	**54.8**	19.7	9.7
Derivative assets	**76.9**	69.5	32.9
Other	**115.9**	104.5	77.3
TOTAL CURRENT ASSETS	**861.7**	754.6	782.3
PROPERTY, PLANT AND EQUIPMENT, NET	**2,456.1**	1,823.9	884.9
OTHER ASSETS			
Investments in ventures	**305.3**	265.3	7.0
Marketable securities	**25.4**	55.7	28.9
Intangible assets, net	**109.6**	-	-
Long-term receivables	**33.4**	38.0	43.7
Prepaid pensions - salaried	**-**	6.7	2.2
Deferred income taxes	**251.2**	42.1	107.0
Deposits and miscellaneous	**68.4**	89.5	83.7
TOTAL OTHER ASSETS	**793.3**	497.3	272.5
TOTAL ASSETS	**$ 4,111.1**	$ 3,075.8	$ 1,939.7

See notes to consolidated financial statements.

EXHIBIT VI - CONSOLIDATED FINANCIAL STATEMENTS OF CLIFFS

Statements of Consolidated Financial Position
Cliffs Natural Resources Inc. and Subsidiaries

	December 31 (In Millions)		
	2008	2007	2006
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable	**$ 201.0**	$ 149.9	$ 142.4
Accrued employment costs	**98.9**	73.2	48.0
Other postretirement benefits	**17.9**	11.2	18.3
Income taxes payable	**99.3**	11.5	29.1
State and local taxes payable	**45.5**	33.6	25.6
Below-market sales contracts - current	**30.3**	-	-
Environmental and mine closure obligations	**12.2**	7.6	8.8
Accrued expenses	**46.1**	50.1	28.1
Deferred revenue	**86.8**	28.4	62.6
Derivative liabilities	**194.3**	1.4	-
Other	**12.6**	32.7	12.0
TOTAL CURRENT LIABILITIES	**844.9**	399.6	374.9
POSTEMPLOYMENT BENEFIT LIABILITIES			
Pensions	**250.1**	90.0	140.4
Other postretirement benefits	**197.9**	114.8	139.0
TOTAL POSTEMPLOYMENT BENEFIT LIABILITIES	**448.0**	204.8	279.4
ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS	**104.9**	123.2	95.1
DEFERRED INCOME TAXES	**67.3**	189.0	117.9
SENIOR NOTES	**325.0**	-	-
REVOLVING CREDIT FACILITY	**-**	240.0	-
TERM LOAN	**200.0**	200.0	-
BELOW-MARKET SALES CONTRACTS	**183.6**	-	-
CONTINGENT CONSIDERATION	**-**	99.5	-
DEFERRED PAYMENT	**-**	96.2	-
DERIVATIVE LIABILITIES	**34.3**	-	-
OTHER LIABILITIES	**149.1**	107.3	68.5
TOTAL LIABILITIES	**2,357.1**	1,659.6	935.8
MINORITY INTEREST	**3.3**	117.8	85.8
3.25% REDEEMABLE CUMULATIVE CONVERTIBLE PERPETUAL PREFERRED STOCK - ISSUED 172,500 SHARES 205, 134,715 AND 172,300 OUTSTANDING IN 2008, 2007 AND 2006	**0.2**	134.7	172.3
SHAREHOLDERS' EQUITY			
Preferred stock - no par value			
Class A - 3,000,000 shares authorized and unissued			
Class B - 4,000,000 shares authorized and unissued			
Common Shares - par value $0.125 per share			
Authorized - 224,000,000 shares;			
Issued - 134,623,528 shares; Outstanding - 113,508,990 shares	**16.8**	16.8	16.8
Capital in excess of par value of shares	**442.2**	116.6	103.2
Retained Earnings	**1,799.9**	1,316.2	1,078.5
Cost of 21,114,538 common shares in treasury (2007 - 47,455,922 shares AND 2006 - 52,812,828)	**(113.8)**	(255.6)	(282.8)
Accumulated other comprehensive loss	**(394.6)**	(30.3)	(169.9)
TOTAL SHAREHOLDERS' EQUITY	**1,750.5**	1,163.7	745.8
COMMITMENTS AND CONTINGENCIES			
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 4,111.1**	$ 3,075.8	$ 1,939.7

See notes to consolidated financial statements.

EXHIBIT VI - CONSOLIDATED FINANCIAL STATEMENTS OF CLIFFS

Statements of Consolidated Operations
Cliffs Natural Resources Inc. and Subsidiaries

	(In Millions, Except Per Share Amounts)		
	Year Ended December 31,		
	2008	2007	2006
REVENUES FROM PRODUCT SALES AND SERVICES			
Product	**$ 3,294.8**	$ 1,997.3	$ 1,669.1
Freight and venture partners' cost reimbursements	**314.3**	277.9	252.6
	3,609.1	2,275.2	1,921.7
COST OF GOODS SOLD AND OPERATING EXPENSES	**(2,449.4)**	(1,813.2)	(1,507.7)
SALES MARGIN	**1,159.7**	462.0	414.0
OTHER OPERATING INCOME (EXPENSE)			
Casualty recoveries	**10.5**	3.2	-
Royalties and management fee revenue	**21.7**	14.5	11.7
Selling, general and administrative expenses	**(188.6)**	(114.2)	(72.4)
Terminated acquisition costs	**(90.1)**	-	-
Gain on sale of other assets - net	**22.8**	18.4	-
Miscellaneous - net	**2.9**	(2.3)	12.4
	(220.8)	(80.4)	(48.3)
OPERATING INCOME	**938.9**	381.6	365.7
OTHER INCOME (EXPENSE)			
Changes in fair value of derivative instruments, net	**(188.2)**	-	-
Impairment of securities	**(25.1)**	-	-
Interest income	**26.2**	20.0	17.2
Interest expense	**(39.8)**	(22.6)	(5.3)
Other - net	**4.3**	1.7	10.2
	(222.6)	(0.9)	22.1
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES, MINORITY INTEREST AND EQUITY LOSS FROM VENTURES	**716.3**	380.7	387.8
PROVISION FOR INCOME TAXES	**(144.2)**	(84.1)	(90.9)
MINORITY INTEREST (net of tax of $9.1, $4.7, and $7.3 in 2008, 2007 and 2006)	**(21.2)**	(15.6)	(17.1)
EQUITY LOSS FROM VENTURES	**(35.1)**	(11.2)	-
INCOME FROM CONTINUING OPERATIONS	**515.8**	269.8	279.8
INCOME FROM DISCONTINUED OPERATIONS (net of tax of $0.2 in 2007 and 2006)	**-**	0.2	0.3
NET INCOME	**515.8**	270.0	280.1
PREFERRED STOCK DIVIDENDS	**(1.1)**	(5.2)	(5.6)
INCOME APPLICABLE TO COMMON SHARES	**$ 514.7**	$ 264.8	$ 274.5
EARNINGS PER COMMON SHARE - BASIC			
Continuing operations	**$ 5.07**	$ 3.19	$ 3.26
Discontinued operations	**-**	-	-
EARNINGS PER COMMON SHARE - BASIC	**$ 5.07**	$ 3.19	$ 3.26
EARNINGS PER COMMON SHARE - DILUTED			
Continuing operations	**$ 4.76**	$ 2.57	$ 2.60
Discontinued operations	**-**	-	-
EARNINGS PER COMMON SHARE - DILUTED	**$ 4.76**	$ 2.57	$ 2.60
AVERAGE NUMBER OF SHARES (IN THOUSANDS)			
Basic	**101,471**	82,988	84,144
Diluted	**108,288**	105,026	107,654

See notes to consolidated financial statements.

EXHIBIT VI - CONSOLIDATED FINANCIAL STATEMENTS OF CLIFFS

Statements of Consolidated Cash Flows
Cliffs Natural Resources Inc. and Subsidiaries

	(In Millions) Year Ended December 31,		
	2008	2007	2006
CASH FLOW FROM CONTINUING OPERATIONS			
OPERATING ACTIVITIES			
Net income	**$ 515.8**	$ 270.0	$ 280.1
Income from discontinued operations	**-**	(0.2)	(0.3)
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation, depletion and amortization	**201.1**	107.2	73.9
Minority interest, net	**21.2**	15.6	17.1
Share-based compensation	**21.4**	11.8	4.9
Equity loss in ventures (net of tax)	**35.1**	11.2	-
Environmental and mine closure obligations	**3.7**	1.3	(1.6)
Pensions and other postretirement benefits	**(32.9)**	(35.4)	(40.3)
Deferred income taxes	**(88.5)**	(33.1)	(4.8)
Derivatives and currency hedges	**58.4**	(15.4)	(8.0)
Impairment of securities	**25.1**	-	-
Gain on sale of assets	**(20.5)**	(17.9)	(9.9)
Property damage recoveries	**(10.5)**	-	-
Excess tax benefit from share-based compensation	**(3.5)**	(4.3)	(1.2)
Casualty recoveries	**-**	(3.2)	-
Proceeds from casualty recoveries	**-**	3.2	-
Other	**27.0**	5.9	(0.2)
Changes in operating assets and liabilities:			
Receivables and other assets	**(55.4)**	18.0	73.0
Product inventories	**(44.6)**	3.2	(29.9)
Deferred revenue and below-market sales contracts	**58.0**	(34.2)	62.4
Payables and accrued expenses	**142.3**	(14.8)	3.4
Sales of marketable securities	**-**	-	13.6
Purchases of marketable securities	**-**	-	(3.7)
Net cash from operating activities	**853.2**	288.9	428.5
INVESTING ACTIVITIES			
Purchase of PinnOak	**-**	(343.8)	-
Purchase of minority interest in Portman	**(485.1)**	-	-
Purchase of minority interest in United Taconite	**(104.4)**	-	-
Purchase of property, plant and equipment	**(182.5)**	(199.5)	(119.5)
Investments in ventures	**(62.7)**	(180.6)	(13.4)
Investment in marketable securities	**(30.4)**	(85.3)	-
Redemption of marketable securities	**17.8**	40.6	-
Proceeds from sale of assets	**41.2**	23.2	5.5
Proceeds from property damage insurance recoveries	**10.5**	-	-
Net cash used by investing activities	**(795.6)**	(745.4)	(127.4)
FINANCING ACTIVITIES			
Borrowings under credit facility	**540.0**	1,195.0	-
Repayments under credit facility	**(780.0)**	(755.0)	-
Repayment of PinnOak debt	**-**	(159.6)	-
Borrowings under senior notes	**325.0**	-	-
Common stock dividends	**(36.1)**	(20.9)	(20.2)
Preferred stock dividends	**(1.1)**	(5.5)	(5.6)
Repayment of other borrowings	**(8.4)**	(6.9)	(3.9)
Repurchases of common stock	**-**	(2.2)	(121.5)
Issuance costs of revolving credit	**-**	(1.0)	(1.0)
Excess tax benefit from share-based compensation	**3.5**	4.3	1.2
Contributions by (to) joint ventures, net	**(10.5)**	1.9	1.9
Proceeds from stock options exercised	**-**	-	0.7
Net cash from (used by) financing activities	**32.4**	250.1	(148.4)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**(68.1)**	11.8	5.9
CASH FROM (USED BY) CONTINUING OPERATIONS	**21.9**	(194.6)	158.6
CASH FROM DISCONTINUED OPERATIONS - OPERATING	**-**	-	0.3
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**21.9**	(194.6)	158.9
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**157.1**	351.7	192.8
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 179.0**	$ 157.1	$ 351.7

See notes to consolidated financial statements.

EXHIBIT VI - CONSOLIDATED FINANCIAL STATEMENTS OF CLIFFS

Statements of Consolidated Shareholders' Equity

Cliffs Natural Resources Inc. and Subsidiaries

	(In Millions)						
	Number of Common Shares	Common Shares	Capital in Excess of Par Value of Shares	Retained Earnings	Common Shares in Treasury	Accumulated Other Compre-hensive Income (Loss)	Total
January 1, 2006	43.8	$ 16.8	$ 100.5	$ 824.2	$ (164.3)	$ (125.6)	$ 651.6
Comprehensive income							
Net income	-	-	-	280.1	-	-	280.1
Other comprehensive income							
Minimum pension and OPEB liability	-	-	-	-	-	17.9	17.9
Unrealized gain on marketable securities	-	-	-	-	-	7.9	7.9
Unrealized gain on foreign currency translation	-	-	-	-	-	34.3	34.3
Unrealized gain on derivative instruments	-	-	-	-	-	6.3	6.3
Total comprehensive income	-	-	-	-	-	-	346.5
Effect of implementing SFAS 158	-	-	-	-	-	(110.7)	(110.7)
Stock options exercised	-	-	0.3	-	0.4	-	0.7
Stock and other incentive plans	0.4	-	2.3	-	2.5	-	4.8
Stock split	42.4	-	-	-	-	-	-
Repurchases of common stock	(4.8)	-	-	-	(121.5)	-	(121.5)
Conversion of preferred stock	-	-	0.1	-	0.1	-	0.2
Preferred stock dividends	-	-	-	(5.6)	-	-	(5.6)
Common stock dividends	-	-	-	(20.2)	-	-	(20.2)
December 31, 2006	81.8	16.8	103.2	1,078.5	(282.8)	(169.9)	745.8
Comprehensive income							
Net income	-	-	-	270.0	-	-	270.0
Other comprehensive income							
Pension and OPEB liability	-	-	-	-	-	38.8	38.8
Unrealized net gain on marketable securities	-	-	-	-	-	0.6	0.6
Unrealized net gain on foreign currency translation	-	-	-	-	-	86.9	86.9
Unrealized loss on interest rate swap	-	-	-	-	-	(0.9)	(0.9)
Unrealized gain on derivative instruments	-	-	-	-	-	14.2	14.2
Total comprehensive income	-	-	-	-	-	-	409.6
Effect of implementing FIN 48	-	-	-	(7.7)	-	-	(7.7)
Stock options exercised	-	-	-	-	0.2	-	0.2
Stock and other incentive plans	0.4	-	4.1	-	2.5	-	6.6
Repurchases of common stock	-	-	-	-	(2.2)	-	(2.2)
Conversion of preferred stock	5.0	-	9.3	1.6	26.7	-	37.6
Preferred stock dividends	-	-	-	(5.3)	-	-	(5.3)
Common stock dividends	-	-	-	(20.9)	-	-	(20.9)
December 31, 2007	87.2	$ 16.8	$ 116.6	$ 1,316.2	$ (255.6)	$ (30.3)	$ 1,163.7
Comprehensive income							
Net income	-	-	-	515.8	-	-	515.8
Other comprehensive income							
Pension and OPEB liability	-	-	-	-	-	(188.5)	(188.5)
Unrealized net loss on marketable securities	-	-	-	-	-	(10.3)	(10.3)
Unrealized net loss on foreign currency translation	-	-	-	-	-	(165.1)	(165.1)
Unrealized loss on interest rate swap	-	-	-	-	-	(0.8)	(0.8)
Unrealized gain on derivative instruments	-	-	-	-	-	0.4	0.4
Total comprehensive income	-	-	-	-	-	-	151.5
Equity purchase of minority interest	4.3	-	141.8	-	23.2	-	165.0
PinnOak settlement	4.0	-	131.5	-	21.5	-	153.0
Stock and other incentive plans	-	-	19.2	-	0.8	-	20.0
Conversion of preferred stock	18.0	-	33.1	5.1	96.3	-	134.5
Preferred stock dividends	-	-	-	(1.1)	-	-	(1.1)
Common stock dividends	-	-	-	(36.1)	-	-	(36.1)
December 31, 2008	113.5	$ 16.8	$ 442.2	$ 1,799.9	$ (113.8)	$ (394.6)	$ 1,750.5

See notes to consolidated financial statements.

Cliffs Natural Resources Inc. and Subsidiaries

Notes to Consolidated Financial Statements

NOTE 1 — BUSINESS SUMMARY AND SIGNIFICANT ACCOUNTING POLICIES

Business Summary

We are an international mining company, the largest producer of iron ore pellets in North America and a supplier of metallurgical coal to the global steelmaking industry. We operate six iron ore mines in Michigan, Minnesota and Eastern Canada, and two coking coal mining complexes in West Virginia and Alabama. We also own 100 percent of Portman, a large iron ore mining company in Australia, serving the Asian iron ore markets with direct-shipping fines and lump ore. In addition, we have a 30 percent interest in Amapá, a Brazilian iron ore project, and a 45 percent economic interest in Sonoma, an Australian coking and thermal coal project. 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. On October 3, 2008, we filed an amendment to our amended articles of incorporation to change the name of the corporation to Cliffs Natural Resources Inc., effective October 15, 2008. Our ticker symbol, CLF, has remained the same.

Accounting Policies

We consider the following policies to be beneficial in understanding the judgments that are involved in the preparation of our consolidated financial statements and the uncertainties that could impact our financial condition, results of operations and cash flows. All common shares and per share amounts have been adjusted retroactively to reflect the two-for-one stock split effective May 15, 2008.

Basis of Consolidation

The consolidated financial statements include our accounts and the accounts of our consolidated subsidiaries, including the following significant subsidiaries:

Name	Location	Ownership Interest	Operation
Northshore	Minnesota	100.0%	Iron Ore
United Taconite	Minnesota	100.0%	Iron Ore
Pinnacle	West Virginia	100.0%	Coal
Oak Grove	Alabama	100.0%	Coal
Portman	Western Australia	100.0%	Iron Ore
Tilden	Michigan	85.0%	Iron Ore
Empire	Michigan	79.0%	Iron Ore

Intercompany accounts are eliminated upon consolidation.

On May 21, 2008, Portman authorized 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 the 176 million shares outstanding in Portman and indicated we would not participate in the tender buyback. The tender period closed on June 24, 2008. Under the buyback, 9.8 million fully paid ordinary shares were tendered at a price of $14.10 (A$14.66) per share. The total consideration paid under the buyback was $136.5 million (A$143.3 million). 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 at December 31, 2008 had full ownership of Portman. See NOTE 2 – ACQUISITIONS, DIVESTITURES & OTHER INVESTMENTS for further information.

Effective July 1, 2008, we acquired the remaining 30 percent interest in United Taconite. 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. The consolidation of the United Taconite minority interest, together with our Northshore property, represents two wholly-owned iron ore subsidiaries in North America. See NOTE 2 – ACQUISITIONS, DIVESTITURES & OTHER INVESTMENTS for further information.

Our investments in ventures include our 30 percent equity interest in Amapá, an iron ore project located in Brazil, our 30 percent interest in AusQuest, a diversified Australian exploration company, our 23 percent equity interest in Hibbing, an unincorporated joint venture in Minnesota, our 26.83 percent equity interest in Wabush, an unincorporated joint venture located in Canada, and Portman's 50 percent non-controlling interest in Cockatoo Island.

Investments in certain joint ventures (Wabush, Cockatoo Island, Hibbing) in which our ownership is 50 percent or less, or in which we do not have control but have the ability to exercise significant influence over operating and financial policies, are accounted for under the equity method. Our share of equity income (loss) is eliminated against consolidated product inventory upon production, and against cost of goods sold and operating expenses when sold. This effectively reduces our cost for our share of the mining venture's production to its cost, reflecting the cost-based nature of our participation in unconsolidated ventures.

Through various interrelated arrangements, we achieve a 45 percent economic interest in Sonoma, despite the ownership percentages of the individual components of Sonoma. We own 100 percent of CAWO, 8.33 percent of the exploration permits and applications for mining leases for the real estate that is involved in Sonoma ("Mining Assets") and 45 percent of the infrastructure, including the construction of a rail loop and related equipment ("Non-Mining Assets"). CAWO is consolidated as a wholly-owned subsidiary, and as a result of being the primary beneficiary, we absorb greater than 50 percent of the residual returns and expected losses of CAWO. We record our ownership share of the Mining Assets and Non-Mining Assets and share in the respective costs. Although SMM does not have sufficient equity at risk and accordingly is a VIE under paragraph 5(a) of FIN 46R, *Consolidation of Variable Interest Entities,* we are not the primary beneficiary of SMM. Accordingly, we account for our investment in SMM in accordance with the equity method.

Our 30 percent ownership interest in Amapá, in which we do not have control but have the ability to exercise significant influence over operating and financial policies, is accounted for under the equity method. Accordingly, our share of the results from Amapá is reflected as *Equity loss from ventures* on the Statements of Consolidated Operations. The financial information of Amapá included in our financial statements is as of and for the periods ended November 30, 2008 and 2007. The earlier cut-off is to allow for sufficient time needed by Amapá to properly close and prepare complete financial information, including consolidating and eliminating entries, conversion to U.S. GAAP and review and approval by the Company. There were no intervening transactions or events which materially affect Amapá's financial position or results of operations that were not reflected in our year-end financial statements.

On September 11, 2008, we announced a strategic alliance and subscription and option agreement with AusQuest, a diversified Australian exploration company. Under the agreement reached, we acquired a 30 percent fully diluted interest in AusQuest through a staged issuance of shares and options. Our 30 percent ownership interest in AusQuest, in which we do not have control but have the ability to exercise significant influence over operating and financial policies, is accounted for under the equity method. Accordingly, our share of the results from AusQuest is reflected as *Equity loss from ventures* on the Statements of Consolidated Operations. The financial information of AusQuest included in our financial statements is as of and for the period from the date of acquisition through November 30, 2008. The earlier cut-off is to allow for sufficient time needed by AusQuest to properly close and prepare complete financial

information, including consolidating and eliminating entries, conversion to U.S. GAAP and review and approval by the Company. There were no intervening transactions or events which materially affect AusQuest's financial position or results of operations that were not reflected in our year-end financial statements.

The following table presents the detail of our investments in ventures and where those investments are classified on the Statements of Consolidated Financial Position. Parentheses indicate a net liability.

			(In Millions)		
		Interest	December 31,		
Investment	Classification	Percentage	2008	2007	2006
Amapá	*Investments in ventures*	30	$ 266.3	$ 247.2	$ -
AusQuest	*Investments in ventures*	30	19.2	-	-
Wabush	*Investments in ventures*	27	12.1	5.8	5.3
Cockatoo	*Other liabilities*	50	(13.5)	(9.9)	(2.9)
Hibbing	*Other liabilities*	23	(22.1)	(0.3)	(9.9)
Other	*Investments in ventures*		7.7	12.3	1.7
			$ 269.7	$ 255.1	$ (5.8)

Revenue Recognition

North American Iron Ore

Revenue is recognized on the sale of products when title to the product has transferred to the customer in accordance with the specified provisions of each term supply agreement and all applicable criteria for revenue recognition have been satisfied. Most of our North American Iron Ore term supply agreements provide that title and risk of loss transfer to the customer when payment is received. This is a practice utilized to reduce our financial risk due to customer insolvency but is not believed to be widely used throughout the industry.

We recognize revenue based on the gross amount billed to a customer as we earn revenue from the sale of the goods or services. Revenue from product sales also includes reimbursement for freight charges paid on behalf of customers in *Freight and Venture Partners' Cost Reimbursements* separate from product revenue, in accordance with EITF 00-10, *Accounting for Shipping and Handling Fees and Costs.*

The mining ventures function as captive cost companies; they supply product only to their owners effectively on a cost basis. Accordingly, the minority interests' revenue amounts are stated at cost of production and are offset in entirety by an equal amount included in cost of goods sold resulting in no sales margin reflected in minority interest participants. As we are responsible for product fulfillment, we retain the risks and rewards of a principal in the transaction and accordingly record revenue under these arrangements on a gross basis in accordance with EITF 99-19, *Reporting Revenue Gross as a Principal Versus Net as an Agent*, in *Freight and Venture Partners' Cost Reimbursements*.

The following table is a summary of reimbursements in our North American Iron Ore operations for the years ended December 31, 2008, 2007 and 2006:

	(In Millions)		
	Year Ended December 31,		
	2008	2007	2006
Reimbursements for:			
Freight	$ 98.5	$ 78.3	$ 70.4
Venture partners' cost	170.8	197.3	182.2
Total reimbursements	$ 269.3	$ 275.6	$ 252.6

Under some term supply agreements, we ship the product to ports on the lower Great Lakes or to the customer's facilities prior to the transfer of title. Our rationale for shipping iron ore products to some customers and retaining title until payment is received for these products is to minimize credit risk exposure. In addition, certain supply agreements with one customer include provisions for supplemental revenue or refunds based on the customer's annual steel pricing for the year the product is consumed in the customer's blast furnaces. We account for this provision as a derivative instrument at the time of sale and record this provision at fair value until the year the product is consumed and the amounts are settled as an adjustment to revenue.

We have long-term supply agreements with several North American Iron Ore customers which include take-or-pay provisions that require the customer to purchase a specified number of tons of pellets each calendar year. In order to comply with the take-or-pay provisions of their existing long-term supply agreements, certain of our customers purchased and paid for approximately 0.3 million tons of iron ore pellets in stockpiles at the end of 2008. The customers requested via a fixed shipping schedule that we delay shipment of the iron ore until 2009, when the Great Lakes waterways re-open for shipping. We recorded revenue of $25.4 million in the fourth quarter of 2008 related to these transactions. This compares to $87 million of revenue recorded under similar arrangements in the fourth quarter of 2007.

Where we are joint venture participants in the ownership of a mine, our contracts entitle us to receive royalties and/or management fees, which we earn as the pellets are produced. Revenue is recognized on the sale of services when the services are performed.

North American Coal

We recognize revenue when title passes to the customer. For domestic coal sales, this generally occurs when coal is loaded into rail cars at the mine. For export coal sales, this generally occurs when coal is loaded into the vessels at the terminal. Revenue from product sales in 2008 and 2007 included reimbursement for freight charges paid on behalf of customers of $45.0 million and $2.3 million, respectively. Amounts reported for 2007 are for the five months ended December 31, 2007 since the July 31, 2007 date of acquisition.

Asia Pacific Iron Ore

Sales revenue is recognized at the F.O.B. point, which is generally when the product is loaded into the vessel.

Deferred Revenue

In 2008, the terms of one of our North American Iron Ore pellet supply agreements require a prepayment by the customer for one estimated weekly shipment of pellets in addition to the amount of the bi-weekly invoice for shipments previously made. In 2007, the terms of the agreement required semi-monthly installments equaling 1/24th of the estimated total purchase value of the calendar-year nomination. In both years, revenue related to this supply agreement has been recognized when title transfers upon shipment of the pellets. Installment amounts received in excess of sales totaled $14.6 million, which were recorded as

Deferred revenue on the Statements of Consolidated Financial Position at December 31, 2007. As of December 31, 2008 all revenue related to the supply agreement has been recognized.

In 2008, certain customers purchased and paid for 1.2 million tons of pellets in order to meet minimum contractual purchase requirements under the terms of take-or-pay contracts. The inventory was stored at our facilities in upper lakes stockpiles. At the request of the customers, the ore was not shipped. We considered whether revenue should be recognized on these sales under the "bill and hold" guidance provided in SEC Staff Accounting Bulletin No. 104 Topic 13; however, since a fixed shipment schedule was not established prior to year-end, revenue recognition on these transactions, totaling $82.9 million, was deferred on the December 31, 2008 Statements of Consolidated Financial Position and will be recognized upon shipment.

Two of our North American Iron Ore customers purchased and paid for approximately 1.5 million tons of iron ore pellets in stockpiles in the fourth quarter of 2007. The customers requested the Company to not ship the iron ore pellets until the spring of 2008 under a fixed shipment schedule, when the Great Lakes waterways re-opened for shipping. Freight revenue related to these transactions of $13.8 million was deferred on the Statements of Consolidated Financial Position at December 31, 2007 and subsequently recognized in 2008 upon shipment. First and second quarter 2008 freight revenues included $5.3 million and $8.5 million, respectively, related to the shipment of 0.6 million and 0.9 million respective tons of pellets from the stockpiles.

Two of our North American Iron Ore customers purchased and paid for a total of 1.2 million tons of pellets in December 2006 under terms of take-or-pay contracts. The inventory was stored at our facilities in upper lakes stockpiles. At the request of the customers, the ore was not shipped. We considered whether revenue should be recognized on these sales under the "bill and hold" guidance discussed in SEC Staff Accounting Bulletin No. 104 Topic No. 13, but because a fixed shipment schedule was not established prior to year-end, revenue recognition on these transactions, totaling $62.6 million, was deferred on the December 31, 2006 Statements of Consolidated Financial Position until the product was delivered in 2007.

Use of Estimates

The preparation of financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from estimates. On an ongoing basis, management reviews estimates. Changes in facts and circumstances may alter such estimates and affect results of operations and financial position in future periods.

Cash Equivalents

Cash and cash equivalents include cash on hand and in the bank as well as all short-term securities held for the primary purpose of general liquidity. We consider investments in highly liquid debt instruments with an original maturity of three months or less from the date of acquisition to be cash equivalents. We routinely monitor and evaluate counterparty credit risk related to the financial institutions by which our short-term investment securities are held.

Marketable Securities

Our marketable securities are classified as either held-to-maturity or available-for-sale. We account for marketable securities in accordance with the provisions of SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities* ("SFAS 115"). SFAS 115 addresses the accounting and reporting for investments in fixed maturity securities and for equity securities with readily determinable fair values. We determine the appropriate classification of debt and equity securities at the time of purchase and re-evaluate such designation as of each balance sheet date. In addition, we review our investments on an ongoing basis for indications of possible impairment. We review impairments in accordance with FSP SFAS 115-1 and 124-1, *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments,* to determine the classification of the impairment as temporary or other-than-temporary. Once

identified, the determination of whether the impairment is temporary or other-than-temporary requires significant judgment. The primary factors that we consider in classifying the impairment include the extent and time the fair value of each investment has been below cost. If a decline in fair value is judged other than temporary, the basis of the individual security is written down to fair value as a new cost basis, and the amount of the write-down is included as a realized loss.

In 2008, we recorded impairment charges of $25.1 million related to declines in the fair value of our available-for-sale securities which we concluded were other than temporary. As of December 31, 2008, our investments in PolyMet and Golden West had fair values totaling $6.2 million and $4.7 million, respectively, compared with a cost of $14.2 million and $21.8 million, respectively. The metals and mining industry and our investees are susceptible to changes in the U.S. and global economies and the industries of their customers. Their businesses have been adversely affected by the slowdown of the global economy, particularly during the last quarter of 2008 when our investments became impaired. The severity of the impairments in relation to the carrying amounts of the individual investments is consistent with the macroeconomic market and industry developments. However, we have evaluated the near-term prospects of the issuers in relation to the severity and rapid decline in the fair value of each of these investments, and based upon that evaluation, we could not reasonably assert that the impairment period would be temporary primarily as a result of the global economic crisis and the corresponding uncertainties in the market. Refer to NOTE 4 – MARKETABLE SECURITIES for further information.

Derivative Financial Instruments

The following table presents the fair value of our derivative instruments and the classification of each on the Statements of Consolidated Financial Position as of December 31, 2008, 2007 and 2006:

(In Millions)

	Derivative Assets				Derivative Liabilities			
Derivative Instrument	Balance Sheet Location	Fair Value **2008**	2007	2006	Balance Sheet Location	Fair Value **2008**	2007	2006
Foreign Exchange Contracts	Derivative assets	**$ 0.3**	$ 15.7	$ 6.3	Derivative liabilities (current)	**$ 77.5**	$ -	$ -
	Deposits and miscellaneous	**0.6**	5.9	3.6	Derivative liabilities (long-term)	**34.3**	-	-
Customer Supply Agreements	Derivative assets	**76.6**	53.8	26.6		**-**	-	-
Discount Pricing Provision		**-**	-	-	Derivative liabilities (current)	**7.7**	-	-
United Taconite Purchase Provision		**-**	-	-	Derivative liabilities (current)	**106.5**	-	-
Interest Rate Swap		**-**	-	-	Derivative liabilities (current)	**2.6**	1.4	-
Total Derivatives		**$ 77.5**	$ 75.4	$ 36.5		**$ 228.6**	$ 1.4	$ -

Our Asia Pacific operations receive funds in United States currency for their iron ore and coal sales. We use forward exchange contracts, call options, collar options and convertible collar options to hedge our foreign currency exposure for a portion of our sales receipts. United States currency is converted to Australian dollars at the currency exchange rate in effect at the time of the transaction. The primary objective for the use of these instruments is to reduce exposure to changes in Australian and United States currency exchange rates and to protect against undue adverse movement in these exchange rates. Effective July 1, 2008, we discontinued hedge accounting for these derivatives, but continue to hold these instruments as economic hedges to manage currency risk. At December 31, 2008, we had approximately $869.0 million of outstanding exchange rate contracts in the form of call options, collar options, convertible collar options and forward exchange contracts with varying maturity dates ranging from January 2009 to August 2011.

Upon de-designation of these cash flow hedges, the instruments are prospectively marked to fair value each reporting period through *Changes in fair value of derivative instruments, net* on the Statements of Consolidated Operations. In 2008 the mark-to-market adjustments resulted in a net unrealized loss of $188.2 million, based on a spot rate of 0.69 at December 31, 2008. The amounts that were previously recorded as a component of *Other comprehensive income* are reclassified to earnings and a corresponding realized gain or loss is recognized upon settlement of the related contracts. Since the July 1, 2008 date of de-designation, we reclassified a $25.0 million gain out of *Accumulated other comprehensive loss* related to contracts that settled during the period, which was recorded as *Product revenues* on the Statements of Consolidated Operations for the year ended December 31, 2008. In 2008, 2007 and 2006, ineffectiveness resulting in an $8.6 million loss, a $17.0 million loss, and a $2.7 million gain, respectively, was recorded in *Miscellaneous – net* on the Statements of Consolidated Operations. As of December 31, 2008, approximately $19.0 million of gains remains in *Accumulated other comprehensive loss* related to the effective cash flow hedge contracts prior to de-designation. Of this amount, we estimate $14.9 million will be reclassified to *Product revenues* in the next 12 months upon settlement of the related contracts.

The purchase agreement for the acquisition of the remaining 30 percent interest in United Taconite contains a penalty provision in the event the 1.2 million tons of pellets, included as part of the purchase consideration, are not delivered by a specified date. The penalty provision, which is not a fixed amount or a fixed amount per unit, causes net settlement in this arrangement, and therefore causes the obligation to be accounted for as a derivative instrument, which is based on the future Eastern Canadian pellet price. The instrument is marked to fair value each reporting period until the pellets are delivered and the amounts are settled. A derivative liability of $106.5 million, representing the fair value of the pellets that have not yet been delivered, was recorded as current *Derivative liabilities* on the Statement of Consolidated Financial Position at December 31, 2008. Refer to NOTE 2 – ACQUISITIONS, DIVESTITURES & OTHER INVESTMENTS and NOTE 11 – FAIR VALUE OF FINANCIAL INSTRUMENTS for further information.

Most of our North American Iron Ore long-term supply agreements are comprised of a base price with annual price adjustment factors. These price adjustment factors vary based on the agreement but typically include adjustments based upon changes in international pellet prices, changes in specified Producers Price Indices including those for all commodities, industrial commodities, energy and steel. The adjustments generally operate in the same manner, with each factor typically comprising a portion of the price adjustment, although the weighting of each factor varies based upon the specific terms of each agreement. One of our term supply agreements contains price collars, which typically limit the percentage increase or decrease in prices for our iron ore pellets during any given year. In most cases, these adjustment factors have not been finalized at the time our product is sold; we routinely estimate these adjustment factors. The price adjustment factors have been evaluated to determine if they contain embedded derivatives. We evaluated the embedded derivatives in the supply agreements in accordance with the provisions of SFAS, 133, *Accounting for Derivative Instruments and Hedging Activities,* as amended by SFAS 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities — an amendment of FASB Statement No. 133.* The price adjustment factors share the same economic characteristics and risks as the host contract and are integral to the host contract as inflation adjustments; accordingly they have not been separately valued as derivative instruments.

Certain supply agreements with one North American Iron Ore customer provide for supplemental revenue or refunds based on the customer's average annual steel pricing at the time the product is consumed in the customer's blast furnace. The supplemental pricing is characterized as an embedded derivative and is required to be accounted for separately from the base contract price. The embedded derivative instrument, which is finalized based on a future price, is marked to fair value as a revenue adjustment each reporting period until the pellets are consumed and the amounts are settled. We recognized $225.5 million, $98.3 million, and $107.9 in 2008, 2007, and 2006 respectively, as *Product revenues* on the Statements of Consolidated Operations related to the supplemental payments. Derivative assets, representing the fair value of the pricing factors, were $76.6 million, $53.8 million, and $26.6 million respectively, on the December 31, 2008, 2007, and 2006 Statements of Consolidated Financial Position.

Certain supply agreements primarily with our Asia Pacific Iron Ore customers provide for revenue or refunds based on the ultimate settlement of annual international benchmark pricing provisions. The pricing provisions are characterized as freestanding derivatives and are required to be accounted for separately once iron ore is shipped. The derivative instrument, which is settled and billed once the annual international benchmark price is settled, is marked to fair value as a revenue adjustment each reporting period based upon the estimated forward settlement until the benchmark is actually settled. The fair value of the instrument is determined based on the forward price expectation of the annual international benchmark price. We recognized $160.6 million as *Product revenues* on the Statement of Consolidated Operations for the year ended December 31, 2008, related to the 2008 pricing provisions. The derivative instrument was settled during the second quarter of 2008 upon settlement of annual international benchmark prices, and is therefore not reflected on the Statement of Consolidated Financial Position at December 31, 2008.

In the fourth quarter of 2008, we negotiated additional sales with certain of our Asia Pacific Iron Ore customers who had previously fulfilled their 2008 purchase commitments under current year contracts and required additional tonnage. In response to the economic downturn and its impact on the global steel industry, we agreed that the provisional pricing for these shipments would be at a discount to 2008 benchmark prices to reflect the decline in steel demand and prices, with final pricing being based upon 2009 benchmark prices once they are settled. The discount pricing provisions are characterized as freestanding derivatives and are required to be accounted for separately once the iron ore is shipped. The derivative instrument, which is settled and billed once the 2009 international benchmark price is settled, is marked to fair value as a revenue adjustment each reporting period based upon the estimated forward settlement until the benchmark is actually settled. We recognized approximately $34.3 million as *Product revenues* on the Statement of Consolidated Operations for the year ended December 31, 2008, related to the shipment of approximately 0.4 million tonnes under these pricing provisions. As of December 31, 2008, the 2009 international benchmark prices have not yet settled. Therefore, we have recorded approximately $7.7 million as current *Derivative liabilities* on the Statement of Consolidated Financial Position at December 31, 2008.

In the normal course of business, we enter into forward contracts designated as normal purchases, for the purchase of commodities, primarily natural gas and diesel fuel, which are used in our North American Iron Ore operations. Such contracts are in quantities expected to be delivered and used in the production process and are not intended for resale or speculative purposes.

Effective October 19, 2007, we entered into a $100 million fixed interest rate swap to convert a portion of our floating rate debt to fixed rate debt. Interest on borrowings under our credit facility is based on a floating rate, dependent in part on the LIBOR rate, exposing us to the effects of interest rate changes. The objective of the hedge is to eliminate the variability of cash flows in interest payments for forecasted floating rate debt, attributable to changes in benchmark LIBOR interest rates. The changes in the cash flows of the interest rate swap are expected to offset the changes in the cash flows attributable to fluctuations in benchmark LIBOR interest rates for forecasted floating rate debt.

To support hedge accounting, we designate floating-to-fixed interest rate swaps as cash flow hedges of the variability of future cash flows at the inception of the swap contract. In accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, the fair value of our outstanding hedges is recorded as an asset or liability on the consolidated balance sheet. Ineffectiveness is measured quarterly based on the “hypothetical derivative” method from Implementation Issue G7, *Measuring the Ineffectiveness of a Cash Flow Hedge of Interest Rate Risk under Paragraph 30(b) When the Shortcut Method Is Not Applied*. Accordingly, the calculation of ineffectiveness involves a comparison of the fair value of the interest rate swap and the fair value of a hypothetical swap, which has terms that are identical to the hedged item. To the extent the change in the mark-to-market on the hedge is equal to or less than the change in the mark-to-market on the hypothetical derivative, then the entire change is recorded in *Other Comprehensive Income*. If the change is greater, the ineffective portion will be recognized immediately in income. The amount charged to *Other comprehensive income* for 2008 and 2007 was $1.2 million and $0.9 million, respectively. *Derivative liabilities* of $2.6 million and $1.4 million were recorded on the Statements of Consolidated Financial Position as of December 31, 2008 and 2007, respectively. There was no ineffectiveness recorded for the interest rate swap in 2008 or 2007.

Inventories

The following table presents the detail of our *Inventories* on the Statements of Consolidated Financial Position at December 31, 2008, 2007 and 2006:

	(In Millions)								
	2008			2007			2006		
Segment	Finished Goods	Work-in Process	Total Inventory	Finished Goods	Work-in Process	Total Inventory	Finished Goods	Work-in Process	Total Inventory
North American Iron Ore	$ 135.3	$ 13.5	$ 148.8	$ 114.3	$ 16.5	$ 130.8	$ 129.5	$ 14.0	$ 143.5
North American Coal	15.0	6.7	21.7	8.3	0.8	9.1	-	-	-
Asia Pacific Iron Ore	30.6	55.1	85.7	30.2	71.8	102.0	20.8	36.6	57.4
Other	6.6	2.6	9.2	-	-	-	-	-	-
Total	$ 187.5	$ 77.9	$ 265.4	$ 152.8	$ 89.1	$ 241.9	$ 150.3	$ 50.6	$ 200.9

North American Iron Ore

North American Iron Ore product inventories are stated at the lower of cost or market. Cost of iron ore inventories is determined using the LIFO method. The excess of current cost over LIFO cost of iron ore inventories was $84.5 million, $58.4 million and $60.4 million at December 31, 2008, 2007, and 2006, respectively. As of December 31, 2008, the product inventory balance for North American Iron Ore increased to $135.3 million, resulting in an additional LIFO layer being added in the current year. This was primarily attributable to the fact that 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, we deferred revenue recognition for approximately 1.2 million tons of iron ore until the product is delivered in 2009. Therefore, the product remains recorded in our inventory as of December 31, 2008. During 2007, the inventory balance declined, causing liquidation of LIFO layers. There was no liquidation of LIFO layers in 2006.

We had approximately 0.4 million tons, 0.8 million tons, and 0.8 million tons stored at ports on the lower Great Lakes to service customers at December 31, 2008, 2007 and 2006, respectively. We maintain ownership of the inventories until title has transferred to the customer, usually when payment is made. Maintaining iron ore products at ports on the lower Great Lakes reduces risk of non-payment by customers, as we retain title to the product until payment is received from the customer. It also assists the customers by more closely relating the timing of the customer's payments for the product to the customer's consumption of the products and by providing a portion of the three-month supply of inventories of iron ore the customers require during the winter when product shipments are curtailed over the Great Lakes. We track the movement of the inventory and verify the quantities on hand.

North American Coal

At acquisition, the fair value of PinnOak's inventory was determined utilizing estimated selling price less costs to sell. In the second quarter of 2008, we finalized the purchase price allocation related to the PinnOak acquisition. Inventories are stated at the lower of cost or market. Cost of coal inventories includes labor, supplies and operating overhead and related costs and is calculated using the average production cost. We maintain ownership until coal is loaded into rail cars at the mine for domestic sales and until loaded in the vessels at the terminal for export sales.

Asia Pacific Iron Ore

Asia Pacific Iron Ore product inventories are stated at the lower of cost or market. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to the inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a

weighted average basis. We maintain ownership of the inventories until title has transferred to the customer at the F.O.B. point, which is generally when the product is loaded into the vessel.

Iron Ore and Coal Reserves

We review iron ore and coal reserves based on current expectations of revenues and costs, which are subject to change. Iron ore and coal reserves include only proven and probable quantities which can be economically and legally mined and processed utilizing existing technology.

Property, Plant and Equipment

North American Iron Ore

North American Iron Ore properties are stated at cost. Depreciation of plant and equipment is computed principally by the straight-line method based on estimated useful lives, not to exceed the estimated economic iron ore reserves. Depreciation is provided over the following estimated useful lives:

Asset Class	Basis	Life
Buildings	Straight line	45 Years
Mining equipment	Straight line	10 to 20 Years
Processing equipment	Straight line	15 to 45 Years
Information technology	Straight line	2 to 7 Years

Depreciation is not curtailed when operations are temporarily idled.

North American Coal

North American Coal properties are stated at cost. Depreciation is provided over the estimated useful lives, not to exceed the mine lives and is calculated by the straight-line method. Depreciation is provided over the following estimated useful lives:

Asset Class	Basis	Life
Buildings	Straight line	30 Years
Mining equipment	Straight line	2 to 12 Years
Processing equipment	Straight line	2 to 10 Years
Information technology	Straight line	2 to 3 Years

Asia Pacific Iron Ore

Our Asia Pacific Iron Ore properties are stated at cost. Depreciation at Portman is calculated by the straight-line method or production output basis provided over the following estimated useful lives:

Asset Class	Basis	Life
Plant and equipment	Straight line	5 - 13 Years
Plant and equipment and mine assets	Production output	12 Years
Motor vehicles, furniture & equipment	Straight line	3 - 5 Years

The following table indicates the value of each of the major classes of our consolidated depreciable assets as of December 31, 2008, 2007 and 2006:

	(In Millions)		
	December 31,		
	2008 [(1)]	2007	2006
Land rights and mineral rights	**$ 1,731.0**	$ 1,174.3	$ 469.2
Office and information technology	**37.8**	39.0	34.9
Buildings	**65.3**	57.3	51.1
Mining equipment	**248.5**	221.1	101.0
Processing equipment	**421.6**	244.0	214.8
Railroad equipment	**70.9**	103.3	96.4
Electric power facilities	**57.1**	54.1	30.2
Port facilities	**87.5**	76.6	42.9
Interest capitalized during construction	**19.7**	19.1	19.0
Land improvements	**20.4**	10.1	10.0
Other	**25.4**	32.7	10.5
Construction in progress	**120.0**	123.2	27.3
	2,905.2	2,154.8	1,107.3
Allowance for depreciation and depletion	**(449.1)**	(330.9)	(222.4)
	$ 2,456.1	$ 1,823.9	$ 884.9

(1) We are in the process of evaluating purchase accounting related to the 2008 acquisition of the remaining interests in Portman and United Taconite. Therefore, allocation of each purchase price to property, plant and equipment and the related depreciation is preliminary and subject to modification in the future.

Depreciation expense and amortization of capitalized interest for 2008, 2007 and 2006 were as follows:

	(In Millions)		
	2008	2007	2006
Depreciation	**$ 113.5**	$ 69.3	$ 42.7
Capitalized interest	**5.6**	2.0	2.0

The costs capitalized and classified as *Land rights and mineral rights* represent lands where we own the surface and/or mineral rights. The value of the land rights is split between surface only, surface and minerals, and minerals only.

Our North American Coal operation leases coal mining rights from a third party through lease agreements that extend through the earlier of July 1, 2023 or until all merchantable and mineable coal has been extracted. Our interest in coal reserves and resources was valued using a discounted cash flow method. The fair value was estimated based upon the present value of the expected future cash flows from coal operations over the life of the reserves.

Our Asia Pacific Iron Ore operation's interest in iron ore reserves and resources was valued using a discounted cash flow method. The fair value was estimated based upon the present value of the expected future cash flows from iron ore operations over the economic lives of the mines.

The net book value of the land rights and mineral rights as of December 31, 2008, 2007 and 2006 is as follows:

	(In Millions)		
	December 31,		
	2008 (1)	2007	2006
Land rights	**$ 29.0**	$ 16.6	$ 4.9
Mineral rights:			
Cost	**$ 1,702.0**	$ 1,157.7	$ 464.3
Less depletion	**139.3**	97.3	52.1
Net mineral rights	**$ 1,562.7**	$ 1,060.4	$ 412.2

(1) We are in the process of evaluating purchase accounting related to the 2008 acquisition of the remaining interests in Portman and United Taconite. Therefore, allocation of each purchase price to mineral rights and the related depletion is preliminary and subject to modification in the future.

Accumulated depletion relating to mineral rights, which was recorded using the unit-of-production method, is included in *Allowances for depreciation and depletion*.

Assets Held for Sale

We consider businesses to be held for sale when management approves and commits to a formal plan to actively market a business for sale. Upon designation as held for sale, the carrying value of the assets of the business are recorded at the lower of their carrying value or their estimated fair value, less costs to sell. The Company ceases to record depreciation expense at that time.

Preferred Stock

In January 2004, we issued 172,500 shares of redeemable cumulative convertible perpetual preferred stock, without par value, at $1,000 per share. The preferred stock pays quarterly cash dividends at a rate of 3.25 percent per annum and can be converted into our common shares at an adjusted rate of 133.0646 common shares per share of preferred stock. The preferred stock is classified as “temporary equity” reflecting certain provisions of the agreement that could, under remote circumstances, require us to redeem the preferred stock for cash. Refer to NOTE 13 — CAPITAL STOCK for further information.

Asset Impairment

Long-Lived Assets and Intangible Assets

We monitor conditions that may affect the carrying value of our long-lived and intangible assets when events and circumstances indicate that the carrying value of the assets may be impaired. We determine impairment based on the asset’s ability to generate cash flow greater than the carrying value of the asset, using an undiscounted probability-weighted analysis. If projected undiscounted cash flows are less than the carrying value of the asset, the asset is adjusted to its fair value.

Various factors in 2008 related to our North American Coal segment, primarily adverse mining conditions and production delays, have contributed to negative sales margins and outlook projections reflecting reduced revenues and increased costs on a per ton basis compared with amounts previously projected for 2008. Additional costs have also been incurred for repairs and maintenance as a result of mechanical problems caused by adverse geological conditions, delays associated with equipment replacements and availability of experienced mining personnel. However, these operational factors are primarily attributable to the recent acquisition of the business and are deemed to be short-term in nature. In addition, over the past several months, significant changes have taken place in the North American and global economy. In the third quarter of 2008, these changes also began to impact the global steel industry.

As part of 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.

Based upon each of these factors, most notably the recent decline in the steel industry and resulting impact on future pricing projections, we determined that indicators of impairment may exist, and accordingly, evaluated impairment of long-lived assets for our North American Coal segment in the fourth quarter of 2008 under the provisions of SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. Based on this assessment, indicators of impairment were apparent relative to the operations of our Oak Grove mine based on projected losses associated with the use of the long-lived assets at this location. As a result, our evaluation included performing a test for recoverability specific to the assets of Oak Grove based on the ability of the assets to generate cash flow greater than the carrying value of the assets, using an undiscounted probability-weighted analysis. The results of this analysis have indicated that the projected undiscounted cash flows directly associated with the assets exceed the carrying value of the assets. In particular, the operational factors and additional costs addressed above are believed to be short term in nature based upon the recent acquisition of the business. In addition, we continue to observe and monitor the declines in pricing and the potential impact on our business as a result of the recent economic downturn in the industry. While pricing is projected to be significantly lower than early 2008 spot rates in the market, we expect pricing to continue at a rate higher than we have historically realized at our North American Coal segment. Therefore, future operations at our Oak Grove mine are expected to generate sufficient cash flows to support the recovery of the carrying value of its long-lived assets.

Equity Investments

In accordance with APB Opinion 18, *The Equity Method of Accounting for Investments in Common Stock*, we evaluate the loss in value of our equity method investments each reporting period to determine whether the loss is other than temporary. The primary factors that we consider in evaluating the impairment include the extent and time the fair value of each investment has been below cost, the financial condition and near-term prospects of the investment, and our intent and ability to hold the investment to recovery. If a decline in fair value is judged other than temporary, the basis of the investment is written down to fair value as a new cost basis, and the amount of the write-down is included as a realized loss.

Our investment in Amapá resulted in an equity loss of $35.1 million in 2008 compared with a loss of $11.2 million in 2007. Based upon the increase in equity losses resulting from start-up costs and production delays in 2008, we determined that indicators of impairment may exist relative to our investment in Amapá. Accordingly, we performed an assessment of the potential impairment of our investment during the fourth quarter of 2008 using a discounted cash flow model to determine the fair value of our investment in relation to its carrying value as of December 31, 2008. Based upon the analysis performed, we have determined that our investment is not impaired. In addition, we will continue to evaluate the results of our investment on a quarterly basis while monitoring the declines in pricing and the potential impact on our business as a result of the recent economic downturn in the industry.

In 2008, we made an initial investment of $18.0 million (A$26 million) to acquire a 30 percent interest in AusQuest, a publicly-traded minerals exploration company in Australia whose shares are traded on the ASX. Our 30 percent ownership interest in AusQuest, in which we do not have control but have the ability to exercise significant influence over operating and financial policies, is accounted for under the equity method. As a result of the global credit crisis and weakening economy, the market price declined to $0.07 per share (A$0.10 per share) at December 31, 2008 compared with our average cost upon purchase of $0.28 per share (A$0.40 per share). As a result of the decline in fair value, we performed an assessment of the impairment of our investment during the fourth quarter of 2008 to determine whether the loss was considered other than temporary. The severity of the impairments in relation to the carrying amounts of the individual investments was deemed to be consistent with the macroeconomic market and industry developments. In addition, we have evaluated the near-term prospects of AusQuest in relation to the severity and duration of the impairment. Based upon that evaluation and our intent and ability to hold the investment for a reasonable period of time sufficient for a forecasted recovery of fair value, we do not consider the investment to be other than temporarily impaired at December 31, 2008.

Repairs and Maintenance

Repairs, maintenance and replacement of components are expensed as incurred. The cost of major power plant overhauls is deferred and amortized over the estimated useful life, which is the period until the next scheduled overhaul, generally five years. All other planned and unplanned repairs and maintenance costs are expensed when incurred.

Insurance Recoveries

Potential insurance recoveries can relate to property damage, business interruption, including profit recovery, and expenditures to mitigate loss. We account for insurance recoveries under the guidelines established by SFAS 5, *Accounting for Contingencies,* which indicate that the proceeds from property damage insurance claims are to be recognized only when realization of the claim is probable and only to the extent of loss recoveries. Insurance recoveries that result in a gain, and proceeds from business interruption insurance are recognized when realized in *Casualty recoveries* in the Statements of Consolidated Operations.

Pensions and Other Postretirement Benefits

We offer defined benefit pension plans, defined contribution pension plans and other postretirement benefit plans, primarily consisting of retiree healthcare benefits, to most employees in North America as part of a total compensation and benefits program. This includes employees of PinnOak, who became employees of the Company through the July 2007 acquisition. We do not have employee retirement benefit obligations at our Asia Pacific Iron Ore operations.

Under the provisions of SFAS 158 *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans — an amendment of FASB Statements No. 87, 88, 106, and 132(R),* (effective December 31, 2006), we recognized the funded status of our postretirement benefit obligations on our December 31, 2008 and 2007 Statements of Consolidated Financial Position based on the market value of plan assets and the actuarial present value of our retirement obligations on that date. For each plan, we determine if the plan assets exceed the benefit obligations or vice-versa. If the plan assets exceed the retirement obligations, the amount of the surplus is recorded as an asset; if the retirement obligations exceed the plan assets, the amount of the underfunded obligations are recorded as a liability. Year-end balance sheet adjustments to postretirement assets and obligations are charged to other comprehensive income.

The market value of plan assets is measured at the year-end balance sheet date. The PBO is determined based upon an actuarial estimate of the present value of pension benefits to be paid to current employees and retirees. The APBO represents an actuarial estimate of the present value of OPEB benefits to be paid to current employees and retirees.

The actuarial estimates of the PBO and APBO retirement obligations incorporate various assumptions including the discount rates, the rates of increases in compensation, healthcare cost trend rates, mortality, retirement timing and employee turnover. The discount rate is determined based on the prevailing year-end rates for high-grade corporate bonds with a duration matching the expected cash flow timing of the benefit payments from the various plans. The remaining assumptions are based on our estimates of future events incorporating historical trends and future expectations. The amount of net periodic cost that is recorded in the Consolidated Statements of Operations consists of several components including service cost, interest cost, expected return on plan assets, and amortization of previously unrecognized amounts. Service cost represents the value of the benefits earned in the current year by the participants. Interest cost represents the cost associated with the passage of time. In addition, the net periodic cost is affected by the anticipated income from the return on invested assets, as well as the income or expense resulting from the recognition of previously deferred items. Certain items, such as plan amendments, gains and/or losses resulting from differences between actual and assumed results for demographic and economic factors affecting the obligations and assets of the plans, and changes in plan

assumptions are subject to deferred recognition for income and expense purposes. The expected return on plan assets is determined utilizing the weighted average of expected returns for plan asset investments in various asset categories based on historical performance, adjusted for current trends. See NOTE 9 — PENSIONS AND OTHER POSTRETIREMENT BENEFITS for further information.

Income Taxes

Income taxes are based on income for financial reporting purposes calculated using our expected annual effective rate and reflect a current tax liability or asset for the estimated taxes payable or recoverable on the current year tax return and expected annual changes in deferred taxes. Any interest or penalties on income tax are recognized as a component of income tax expense.

We account for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

Under the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income* Taxes ("FIN 48"), which we adopted effective January 1, 2007, we record net deferred tax assets to the extent we believe these assets will more likely than not be realized. In making such determination, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial results of operations. In the event we were to determine that we would be able to realize our deferred income tax assets in the future in excess of their net recorded amount, we would make an adjustment to the valuation allowance which would reduce the provision for income taxes. See NOTE 10 – INCOME TAXES for further information.

Asset Retirement Obligations

Asset retirement obligations are recognized when incurred and recorded as liabilities at fair value. The fair value of the liability is determined as the discounted value of the expected future cash flow. The asset retirement obligation is accreted over time through periodic charges to earnings. In addition, the asset retirement cost is capitalized as part of the asset's carrying value and amortized over the life of the related asset. Reclamation costs are periodically adjusted to reflect changes in the estimated present value resulting from the passage of time and revisions to the estimates of either the timing or amount of the reclamation costs. We review, on an annual basis, unless otherwise deemed necessary, the asset retirement obligation at each mine site in accordance with FASB Statement No. 143, *Accounting for Asset Retirement Obligations*. We perform an in-depth evaluation of the liability every three years in addition to routine annual assessments.

Future remediation costs for inactive mines are accrued based on management's best estimate at the end of each period of the costs expected to be incurred at a site. Such cost estimates include, where applicable, ongoing maintenance and monitoring costs. Changes in estimates at inactive mines are reflected in earnings in the period an estimate is revised.

Environmental Remediation Costs

We have a formal policy for environmental protection and restoration. Our mining and exploration activities are subject to various laws and regulations governing protection of the environment. We conduct our operations to protect the public health and environment and believe our operations are in compliance with applicable laws and regulations in all material respects. Our environmental liabilities, including obligations for known environmental remediation exposures at active and closed mining operations and other sites, have been recognized based on the estimated cost of investigation and remediation at each site. If the cost can only be estimated as a range of possible amounts with no specific amount being more

likely, the minimum of the range is accrued in accordance with SFAS 5. Future expenditures are not discounted unless the amount and timing of the cash disbursements can be reasonably estimated. It is possible that additional environmental obligations could be incurred, the extent of which cannot be assessed. Potential insurance recoveries have not been reflected in the determination of the liabilities. See NOTE 7 — ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS for further information.

Share-Based Compensation

Effective January 1, 2006, we adopted the fair value recognition provisions of SFAS 123(R), *Share-Based Payment*, using the modified prospective transition method. Because we elected to use the modified prospective transition method, results for prior periods have not been restated. Under this transition method, share-based compensation expense for 2006 included compensation expense for all share-based compensation awards granted prior to January 1, 2006 based on the grant date estimated fair value, which is being amortized on a straight-line basis over the remaining service periods of the awards.

Effective January 1, 2006, we made a one-time election to adopt the transition method described in FSP No. FAS 123(R)-3, *Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards.* This election resulted in the reclassification of excess tax benefits as presented in the Statements of Consolidated Cash Flows, from operating activities to financing activities. In March 2005, the SEC issued SAB 107, which provided supplemental implementation guidance for SFAS 123(R). We have applied the provisions of SAB 107 upon our adoption of SFAS 123(R). See NOTE 12 — STOCK COMPENSATION PLANS for information on the impact of our adoption of SFAS 123(R) and the assumptions we use to calculate the fair value of share-based compensation.

Capitalized Stripping Costs

Stripping costs during the development of a mine, before production begins, are capitalized as a part of the depreciable cost of building, developing and constructing a mine. These capitalized costs are amortized over the productive life of the mine using the units of production method. The productive phase of a mine is deemed to have begun when saleable minerals are extracted (produced) from an ore body, regardless of the level of production. The production phase does not commence with the removal of de minimus saleable mineral material that occurs in conjunction with the removal of overburden or waste material for purposes of obtaining access to an ore body. The stripping costs incurred in the production phase of a mine are variable production costs included in the costs of the inventory produced (extracted) during the period that the stripping costs are incurred.

Stripping costs related to expansion of a mining asset of proven and probable reserves are variable production costs that are included in the costs of the inventory produced during the period that the stripping costs are incurred.

Earnings Per Share

We present both basic and diluted EPS amounts. Basic EPS are calculated by dividing income applicable to common shares by the weighted average number of common shares outstanding during the period presented. Diluted EPS are calculated by dividing net income by the weighted average number of common shares, common share equivalents and convertible preferred stock outstanding during the period, utilizing the treasury share method for employee stock plans. Common share equivalents are excluded from EPS computations in the periods in which they have an anti-dilutive effect. See NOTE 15 — EARNINGS PER SHARE for further information.

Fair Value Measurements

Valuation Hierarchy

SFAS No. 157, *Fair Value Measurements* ("SFAS 157") establishes a three-level valuation hierarchy for classification of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date.

- Level 1 – Valuation is based upon quoted prices (unadjusted) for identical assets or liabilities in active markets.

- Level 2 – Valuation is based upon quoted prices for similar assets and liabilities in active markets, or other inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

- Level 3 – Valuation is based upon other unobservable inputs that are significant to the fair value measurement.

The classification of assets and liabilities within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement in its entirety. Valuation methodologies used for assets and liabilities measured at fair value are as follows:

Cash Equivalents

Where quoted prices are available in an active market, cash equivalents are classified within Level 1 of the valuation hierarchy. Cash equivalents classified in Level 1 at December 31, 2008 include money market funds. The valuation of these instruments is determined using a market approach and is based upon unadjusted quoted prices for identical assets in active markets. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. In these instances, the valuation is based upon quoted prices for similar assets and liabilities in active markets, or other inputs that are observable for substantially the full term of the financial instrument, and the related financial instrument is therefore classified within Level 2 of the valuation hierarchy. Level 2 securities include short-term investments such as commercial paper for which the value of each investment is a function of the purchase price, purchase yield, and maturity date.

Marketable Securities

Where quoted prices are available in an active market, marketable securities are classified within Level 1 of the valuation hierarchy. Marketable securities classified in Level 1 at December 31, 2008 include available-for-sale securities. The valuation of these instruments is determined using a market approach and is based upon unadjusted quoted prices for identical assets in active markets.

Derivative Financial Instruments

Derivative financial instruments valued using financial models that use as their basis readily observable market parameters are classified within Level 2 of the valuation hierarchy. Such derivative financial instruments include substantially all of our foreign currency exchange contracts and interest rate swap agreements. Derivative financial instruments that are valued based upon models with significant unobservable market parameters, and that are normally traded less actively, are classified within Level 3 of the valuation hierarchy.

Non-Financial Assets and Liabilities

We have deferred the adoption of SFAS 157 until January 1, 2009 with respect to non-financial assets and liabilities in accordance with the provisions of FSP FAS 157-2. Items that are recognized or disclosed at fair value for which we have not applied the provisions of SFAS 157 include asset retirement

obligations, guarantees and certain other items. See NOTE 11 – FAIR VALUE OF FINANCIAL INSTRUMENTS for further information.

Foreign Currency Translation

In accordance with SFAS 52, financial statements of international subsidiaries are translated into U.S. dollars using the exchange rate at each balance sheet date for assets and liabilities and a weighted average exchange rate for each period for revenues, expenses, gains and losses. Where the local currency is the functional currency, translation adjustments are recorded as *Accumulated other comprehensive loss*. Where the U.S. dollar is the functional currency, translation adjustments are recorded in the Statements of Consolidated Operations. Income taxes are generally not provided for foreign currency translation adjustments.

Recent Accounting Pronouncements

In December 2008, the FASB issued FSP No. FAS 132(R)-1, *Employers' Disclosures about Postretirement Benefit Plan Assets*. The FSP requires disclosure of additional information about investment allocation, fair values of major categories of assets, the development of fair value measurements, and concentrations of risk. The FSP is effective for fiscal years ending after December 15, 2009; however, earlier application is permitted. We will adopt the FSP upon its effective date and will report the required disclosures for our fiscal year ending December 31, 2009.

In November 2008, the FASB ratified EITF Issue No. 08-6, *Equity method Investment Accounting Considerations* ("EITF 08-6"). EITF 08-6 addresses certain effects associated with the impact of SFAS 141R and SFAS 160 on the accounting for equity method investments including initial recognition and measurement and subsequent measurement considerations. The consensus indicates, among other things, that transaction costs for an investment should be included in the cost of the equity method investment, and shares subsequently issued by the equity method investee that reduce the investor's ownership percentage should be accounted for as if the investor had sold a proportionate share of its investment, with gains or losses recorded through earnings. EITF 08-6 is effective, on a prospective basis, for fiscal years beginning after December 15, 2008 and interim periods within those fiscal years. We do not expect the implementation of this standard to have a material impact on our consolidated results of operations or financial condition.

In October 2008, the FASB issued FSP No. FAS 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active*, which amends SFAS 157, by clarifying the application of the standard when the market for a financial asset is inactive. Specifically, the FSP clarifies how (1) management's internal assumptions should be considered in measuring fair value when observable data are not present, (2) observable market information from an inactive market should be taken into account, and (3) the use of broker quotes or pricing services should be considered in assessing the relevance of observable and unobservable data to measure fair value. This FSP was effective immediately upon its October 10, 2008 issuance and applies as well to prior periods for which financial statements have not yet been issued. Revisions resulting from a change in valuation technique are required to be accounted for as a change in estimate. This FSP was applied in our assessment of the fair values of our financial assets and liabilities accounted for under SFAS 157, but did not result in a material change to our fair value measurements or related disclosures at December 31, 2008.

In February 2008, the FASB issued FSP No. FAS 157-1, *Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13* ("FSP 157-1"). FSP 157-1 amends SFAS 157 to remove certain leasing transactions from its scope. In addition, on February 12, 2008, the FASB issued FSP FAS 157-2, *Effective Date of FASB Statement No. 157*, which amends SFAS 157 by delaying its effective date by one year for non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. This pronouncement was effective upon issuance. We have deferred the adoption of SFAS 157 with respect to all non-financial assets and liabilities in accordance with the provisions of this pronouncement. On January 1, 2009, SFAS 157 will be applied to all other fair value measurements for which the application

was deferred under FSP FAS 157-2. We are currently assessing the impact SFAS 157 will have in relation to non-financial assets and liabilities on our consolidated financial statements. See NOTE 11 – FAIR VALUE OF FINANCIAL INSTRUMENTS for further information.

In May 2008, the FASB issued FASB Statement No. 162, *The Hierarchy of Generally Accepted Accounting Principles* ("SFAS 162"). SFAS 162 identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with U.S. GAAP. SFAS 162 is effective 60 days following the SEC's approval of the PCAOB's related amendments to remove the GAAP hierarchy from auditing standards, where it has previously resided. We are evaluating the impact SFAS 162 will have on our consolidated financial statements upon adoption, but do not expect this Statement to result in a material change in current practice.

In April 2008, the FASB issued FSP No. FAS 142-3, *Determination of the Useful Life of Intangible Assets*. This FSP amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, *Goodwill and Other Intangible Assets* ("SFAS 142"). The objective of this FSP is to improve the consistency between the useful life of a recognized intangible asset under SFAS 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS 141(R), and other U.S. GAAP. This FSP applies to all intangible assets, whether acquired in a business combination or otherwise and shall be effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years and applied prospectively to intangible assets acquired after the effective date. Early adoption is prohibited. We are currently evaluating the impact adoption of this FSP will have on our consolidated financial statements.

In March 2008, the FASB issued Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133,* ("SFAS 161"). This Statement amends and expands the disclosure requirements of Statement 133 to provide users of financial statements with an enhanced understanding of how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations and how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. The new requirements apply to derivative instruments and non-derivative instruments that are designated and qualify as hedging instruments and related hedged items accounted for under SFAS 133. The Statement is effective for fiscal years and interim periods beginning after November 15, 2008. Early application is encouraged. We are currently evaluating the impact adoption of this Statement will have on our consolidated financial statements.

In December 2007, the FASB issued Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51*. This Statement amends ARB 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS 160 clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. This Statement is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Earlier adoption is prohibited. We are evaluating the impact of this Statement on our consolidated financial statements.

In December 2007, the FASB issued Statement No. 141 (revised 2007), *Business Combinations*. This Statement establishes principles and requirements for how the acquirer in a business combination recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree at the acquisition date fair value. SFAS 141(R) requires information to be disclosed to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Early adoption is not permitted.

In December 2007, the EITF ratified Issue No. 07-1, *Accounting for Collaborative Arrangements,* ("EITF 07-1"). The Issue defines collaborative arrangements and establishes reporting requirements for transactions between participants in a collaborative arrangement and between participants in the arrangement and third parties. EITF 07-1 is effective for fiscal years beginning after December 15, 2008 and interim periods within those fiscal years. We are evaluating the impact of this Issue on our consolidated financial statements.

NOTE 2 – ACQUISITIONS, DIVESTITURES & OTHER INVESTMENTS

In accordance with FASB Statement No. 141, *Business Combinations* ("SFAS 141"), we allocate the cost of acquisitions to the assets acquired and liabilities assumed based on their estimated fair values. The excess of the cost over the fair value of the net assets acquired is recorded as goodwill.

United Taconite

Effective July 1, 2008, we acquired the remaining 30 percent interest in United Taconite. Upon consummation of the purchase, our ownership interest increased from 70 percent to 100 percent. The acquisition of the remaining minority interest was completed in order to strengthen our core North American Iron Ore business. The consolidation of the United Taconite minority interest, together with our Northshore property, represents two wholly-owned iron ore subsidiaries in North America.

The aggregate acquisition price for the remaining interest in United Taconite was approximately $450.7 million, which included cash in the amount of $104.4 million, approximately $165 million of our common shares, and approximately 1.2 million tons of iron ore pellets, valued at $181.3 million, to be provided throughout 2008 and 2009. The value of the iron ore pellets was determined based on estimated iron unit content of 65 percent at the 2008 Eastern Canadian pellet price of approximately $2.33 per iron unit on July 10, 2008.

The purchase agreement included a provision which gave the seller the right to put the common shares back to us for $165 million of cash if the shares were not registered by a specified date. As a result of this provision, a current liability of $165 million was recorded in the third quarter of 2008 as *Unregistered common shares issued* prior to the shares being registered. The purchase and sale agreement related to the acquisition also provided for a below-market guarantee if our stock value should decline from the date of closing of the transaction to the closing share price on the trading day immediately prior to the date we filed a resale registration statement with the SEC to allow United Mining Co., Ltd., a subsidiary of Laiwu Steel Group, to resell the shares received in the transaction. We were obligated to issue additional shares to compensate United Mining for the decrease. On October 3, 2008, after the close of the market, we issued approximately 2.8 million additional shares to satisfy the below-market guarantee provision of the agreement, thereby increasing the total shares issued in the transaction to approximately 4.3 million. We filed the registration statement for the 4.3 million shares on October 6, 2008, and as a result, the $165 million previously recorded as *Unregistered common shares issued* was reclassified to *Shareholders' Equity* in the fourth quarter and reflected as such on the Statement of Consolidated Financial Position at December 31, 2008.

The Statement of Consolidated Financial Position as of December 31, 2008 reflects the acquisition of the remaining interest in United Taconite, effective July 1, 2008, under the purchase method of accounting in accordance with SFAS 141. The transaction constituted a step acquisition of a non-controlling interest. As of the date of the step acquisition of the minority interest, the then historical cost basis of the minority interest balance was eliminated, and the increased ownership obtained was accounted for by increasing United Taconite's basis from historical cost to fair value for the portion of the assets acquired and liabilities assumed based on the 30 percent additional ownership acquired.

We are in the process of conducting a valuation of the assets acquired and liabilities assumed related to the acquisition, most notably, property, plant and equipment, mineral reserves, and sales contracts, and the final allocation will be made when completed. Accordingly, allocation of the purchase

price is preliminary and subject to modification in the future. The following represents the preliminary allocation of the aggregate purchase price as of the date of acquisition:

	(In Millions)
Purchase price	$ 450.7
Carrying value of net assets acquired	$ 25.3
Fair value adjustments:	
ASSETS	
Land	7.5
Plant and equipment	90.8
Mineral reserves	480.6
Intangible assets	75.4
LIABILITIES	
Below market sales contracts	(228.9)
Fair value of net assets acquired	$ 450.7

The intangible assets acquired include $72.3 million and $3.1 million of permits and leases, respectively. See NOTE 3 –INTANGIBLE ASSETS AND LIABILITIES for further information.

Portman Share Repurchase and Buyout

On May 21, 2008, Portman authorized 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 the 176 million shares outstanding in Portman and indicated we would not participate in the tender buyback. The tender period closed on June 24, 2008. Under the buyback, 9.8 million fully paid ordinary shares were tendered at a price of $14.10 (A$14.66) per share. The total consideration paid under the buyback was $136.5 million (A$143.3 million). 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 Limited 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 at a purchase price of approximately $348.6 million (A$528.4 million) and at December 31, 2008 had full ownership of Portman. A portion of the purchase price for the acquisition of the remaining interest in Portman was financed through our revolving credit facility. Refer to NOTE 5 – DEBT AND CREDIT FACILITIES for further information.

Each of these transactions constituted a step acquisition of a non-controlling interest. In accordance with SFAS 141, we have accounted for the acquisition of the minority interest in Portman by the purchase method. As a result of each step acquisition, the then historical cost basis of the minority interest balance was reduced to the extent of the percentage interest sold. The increased ownership obtained was then accounted for by increasing Portman's basis from historical cost to fair value for the portion of the assets acquired and liabilities assumed based on the additional ownership acquired.

We are in the process of conducting a valuation of the assets acquired and liabilities assumed related to each step acquisition, most notably, inventory, mineral reserves and plant and equipment, and the final allocations will be made when completed. Accordingly, allocation of the purchase price related to each transaction is preliminary and subject to modification in the future.

The following represents the preliminary allocation of the aggregate purchase price paid to acquire both the additional 4.8 percent interest and the remaining 14.8 percent interest in Portman as of each date of acquisition:

	(In Millions)
Purchase price	$ 499.9
Carrying value of net assets acquired	$ 85.6
Fair value adjustments:	
Inventory	59.1
Plant and equipment	18.6
Mineral reserves	238.2
Intangible assets	40.1
Deferred tax asset	58.3
Fair value of net assets acquired	$ 499.9

The intangible assets acquired represent mining permits associated with Portman's operations. See NOTE 3 –INTANGIBLE ASSETS AND LIABILITIES for further information.

While we increased the carrying value of Portman's net assets upon each step acquisition, under Australian income tax law we could only step up the tax base of Portman's net assets once we obtained 100 percent ownership of Portman and elected to include the entity in our Australian consolidated income tax return. Upon purchase of the initial 80.4 percent interest and the additional 4.8 percent interest acquired through the share repurchase, we had recorded deferred tax liabilities. However, upon acquisition of the remaining 14.8 percent interest, the overall difference between the carrying value and the tax bases of Portman's net assets, excluding goodwill, for which amortization is not deductible under Australian income tax laws, resulted in a deferred tax asset. In conjunction with the purchase accounting for the additional 14.8 percent interest, the offset to the deferred tax asset and reversal of the existing deferred tax liability was the elimination of goodwill. Refer to NOTE 10 – INCOME TAXES for further information.

PinnOak

On July 31, 2007, we completed our acquisition of 100 percent of PinnOak, a privately-owned United States producer of high-quality, low-volatile metallurgical coal. The acquisition furthered our growth strategy and expanded our diversification of products for the integrated steel industry. The assets acquired consisted primarily of coal mining rights and mining equipment and are included in our North American Coal segment. The purchase price of PinnOak and its subsidiary operating companies was $450 million in cash, of which $108.4 million was deferred under the initial purchase agreement until December 31, 2009, plus the assumption of approximately $160 million in debt, which was repaid at closing. The deferred portion of the purchase price was discounted using a six percent credit-adjusted risk free rate and was recorded as $96.2 million of *Deferred payment* on the Statement of Consolidated Financial Position at December 31, 2007. The purchase agreement also included a contingent earn-out, which ranged from $0 to approximately $300 million dependent upon PinnOak's performance in 2008 and 2009. As a result, a liability was recorded representing the lesser of the maximum amount of contingent consideration or the excess prior to the pro rata allocation of purchase price. The contingent consideration totaled $99.5 million at December 31, 2007.

The Statements of Consolidated Financial Position as of December 31, 2008 and 2007 reflect the acquisition of PinnOak, effective July 31, 2007, under the purchase method of accounting. The total cost of the acquisition had been allocated to the assets acquired and the liabilities assumed based upon their estimated fair values at the date of the acquisition. We finalized the purchase price allocation in the second quarter of 2008 as follows:

	(In Millions)
ASSETS	
Current assets	$ 80.8
Property, plant and equipment	156.7
Mineral rights	676.5
Asset held for sale	14.0
Other assets	3.7
Total assets	$ 931.7
LIABILITIES	
Current liabilities	$ 62.5
Long-term liabilities	268.0
Total liabilities	330.5
Purchase price	$ 601.2

On October 3, 2008, we entered into a payment agreement with the former owners of PinnOak, to accelerate the payment of the deferred portion of the purchase price and settle the contingent earn-out associated with the initial purchase agreement. Under the settlement agreement, we issued four million of our common shares to the former owners in PinnOak. Issuance of the shares satisfied all of our payment obligations in connection with the PinnOak acquisition. Under the agreement, we also agreed to file a resale registration statement with the SEC to allow the former owners of PinnOak to sell the shares received in this transaction. We filed the registration statement for the four million shares on October 7, 2008.

The fair value of the four million shares issued was $153.1 million based on a closing stock price of $38.27 on October 3, 2008. The total book value of the liability recorded at the date of settlement, including both the deferred payment and contingent consideration, was $279.1 million. Therefore, in accordance with the provisions of SFAS 141, the excess liability was allocated to reduce proportionately the amounts assigned to the long-lived assets acquired, including mineral rights, $92.8 million, property, plant and equipment, $17.2 million, and land, $1.6 million. As a result of the allocation, depreciation was reduced by approximately $0.5 million, and amortization of mineral rights was reduced by approximately $0.3 million in 2008.

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 reached, 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. Our 30 percent ownership interest in AusQuest, in which we do not have control but have the ability to exercise significant influence over operating and financial policies, is accounted for under the equity method.

Amapá

On March 5, 2007, we acquired a 30 percent interest in the Amapá Project, a Brazilian iron ore project, through the acquisition of 100 percent of the shares of Centennial Amapá for approximately $133

million. 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 consummated the acquisition of a controlling interest in MMX's 51 percent interest in the Minas-Rio iron ore project and its 70 percent interest in Amapá and assumed management control over the venture.

The Amapá Project consists of a significant 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. The Amapá Project began production of sinter fines in late-December 2007. Anglo has indicated that it plans to complete construction of the concentrator and continue to ramp-up operations. Once fully operational, production is targeted at 6.5 million tonnes of fines products annually.

Total project funding requirements are estimated to be between $550 million and $650 million (Company share $165 million to $195 million), including approximately $415 million to $490 million (Company share $125 million to $147 million) to be funded with project debt, and approximately $135 million to $160 million (Company share $40 million to $48 million) to be funded with equity contributions. As of December 31, 2008 and 2007, Amapá had debt outstanding of approximately $493 million and $419 million, respectively. We are committed to funding 30 percent of the equity contributions and have guaranteed 30 percent of the total debt outstanding, or $148 million and $101 million, at December 31, 2008 and 2007, respectively, until the project meets certain performance criteria. Approximately $210 million of short-term debt is due to mature during the first quarter of 2009. We, along with Anglo, are currently negotiating extensions for these short-term obligations. Refer to NOTE 5 – DEBT AND CREDIT FACILITIES for further information.

Under the majority ownership of MMX, Amapá's functional currency was previously determined to be the Brazilian real. The analysis performed to determine the functional currency at the time indicated a mixed outcome assessment of the pertinent determining economic factors as set forth under SFAS No. 52, *Foreign Currency Translation* ("SFAS 52"), including, for example, sales being priced in U.S. dollars and operating costs being largely incurred in Brazilian real. The change in control of Amapá to Anglo in August 2008 resulted in the review of financial, operating and treasury policies of the entity under new management. This, along with recent efforts to mitigate exposures related to fluctuations in foreign currency exchange rates resulted in the reassessment of the accounting principles related to the determination of Amapá's functional currency during the fourth quarter of 2008.

SFAS 52 lists six indicators to consider in identifying the functional currency of a foreign entity: cash flow, sales prices, sales market, expenses, financing, and intercompany transactions and arrangements. The following is a summary of how certain of the functional currency indicators listed in SFAS 52 have been affected by recent changes in the economic facts and circumstances influencing our operations at Amapá:

Intercompany Transactions and Arrangements. Amapá continues to experience delays with project ramp-up and currently has insufficient resources in place to address the start-up issues, including project construction overruns, production delays and lower volumes. With limited cash inflows currently being generated from sales revenues, Amapá has had to place a greater reliance on capital contributions from the equity partners than initially anticipated. It is estimated that a total of between $50 million and $100 million in capital funding will be required in 2009 in order to keep the project operating. The source of the equity contributions from both owners is out of U.S. dollar denominated accounts.

Financing. The current debt arrangements indicate a shift in the overall financing structure toward U.S dollar denominated debt. In addition, as a result of the change in control, Brazilian real currency exposure exists in the consolidated accounts. This has caused a change in local management's approach to currency risk mitigation and treasury policies. As a result, Amapá's treasury function will focus on reducing exposure to the Brazilian real and will act under the instruction of Anglo to reduce currency exposure rather than operating autonomously. In addition, Amapá is now managed on a U.S. dollar basis, and is required to report and monitor ongoing performance in U.S. dollars.

Sales Price and Market. Amapá's sales are priced in U.S. dollars, based on international iron ore prices, which are set annually. While this does not reflect a change from the factors that were present when Amapá's functional currency was initially determined, recent price increases, greater than previously anticipated, have resulted in higher revenues being generated on U.S. dollar-priced commodities.

Consideration of each of these factors in the aggregate justified a change in the functional currency of Amapá. As a result, effective October 1, 2008, we changed the functional currency of Amapá from the local currency to the U.S. dollar reporting currency primarily due to changes in the debt structure under which the entity is financed as well as changes in the treasury, risk mitigation and financial reporting policies under which the entity's operations are managed, resulting in the U.S. dollar becoming the currency of the primary economic environment in which the business operates.

In 2008, adjustments resulting from translating the foreign currency financial statements of Amapá into the U.S. dollar have been included as a separate component of accumulated other comprehensive loss. The cumulative translation adjustment totaled $44.6 million as of the date of the change in functional currency. In accordance with SFAS 52, changes in functional currency from a foreign currency to the reporting currency are accounted for on a prospective basis. Therefore, upon the change in the functional currency to the U.S. dollar, Amapá no longer generates such translation adjustments, and the translated amounts for nonmonetary assets at September 30, 2008 have become the accounting basis for those assets in the period of the change and subsequent periods. The cumulative translation adjustments from prior periods will continue to remain a component of accumulated other comprehensive loss until the time we decide to sell or liquidate our investment in Amapá.

Sonoma

On April 18, 2007, we executed agreements to participate in Sonoma, a coking and thermal coal project located in Queensland, Australia. As of December 31, 2007, we invested $120.1 million to acquire and develop mining tenements and related infrastructure including the construction of a washplant, which will produce coal to meet the growing global demand. In 2008, we invested an additional $12.8 million in the project. Our total investment in Sonoma is estimated to be approximately $132.9 million. Immediately preceding our investment in the Sonoma Project, QCoal owned exploration permits and applications for mining leases for the real estate that is involved in the Sonoma Project ("Mining Assets"); however, development of the Mining Assets requires significant infrastructure including the construction of a rail loop and related equipment ("Non-Mining Assets") and a facility that prepares the extracted coal for sale (the "Washplant"). Pursuant to a combination of interrelated agreements creating a structure whereby we own 100 percent of the Washplant, 8.33 percent of the Mining Assets and 45 percent of the Non-Mining Assets of Sonoma, we obtained a 45 percent economic interest in the collective operations of Sonoma. The following substantive legal entities exist within the Sonoma structure:

- CAC, a wholly owned Cliffs subsidiary, is the conduit for Cliffs' investment in Sonoma.

- CAWO, a wholly owned subsidiary of CAC, owns the Washplant and receives 40 percent of Sonoma coal production in exchange for providing coal washing services to the remaining Sonoma participants.

- SMM is the appointed operator of the mine assets, non-mine assets, and the Washplant. We own a 45 percent interest in SMM.

- Sonoma Sales, a wholly owned subsidiary of QCoal, is the sales agent for the participants of the coal extracted and processed in the Sonoma Project.

The objective of Sonoma is to mine and process coking and thermal coal for the benefit of the participants. Pursuant to the terms of the agreements that comprise the Sonoma Project, Cliffs through CAC:

- Paid $34.9 million of the total estimated cost of $37.6 million for an 8.33 percent undivided interest in the Mining Assets and a 45 percent undivided interest in the Non-Mining Assets and other expenditures, and

- Paid $85.2 million of the total estimated cost of $90.1 million to construct the Washplant for a total investment of approximately $127.7 million.

While the individual components of our investment are disproportionate to the overall economics of the investment, the total investment is the same as if we had acquired a 45 percent interest in the Mining Assets and had committed to funding 45 percent of the cost of developing the Non-Mining Assets and the Washplant. In particular, the terms of the interrelated agreements under which we obtain our 45 percent interest provide that, we, through a wholly owned subsidiary, constructed and hold title to the Washplant. We wash all of the coal produced by the Sonoma Project for a fee based upon a cost to wash plus an arrangement such that we only bear 45 percent of the cost of owning and operating the Washplant. In addition, we have committed to purchasing certain amounts of coal from the other participants such that we take title to 45 percent of the coal mined. In addition, several agreements were entered into which provide for the allocation of mine and Washplant reclamation obligations such that we are responsible for 45 percent of the reclamation costs. Lastly, management agreements were entered into that allocate the costs of operating the mine to each participant based upon their respective ownership interests in SMM, 45 percent in our case. Once the coal is washed, each participant then engages Sonoma Sales to sell their coal to third parties for which Sonoma Sales earns a fee under an agreement with fixed and variable elements.

The legal entities were evaluated for consolidation under FIN 46(R) as follows:

CAWO — CAC owns 100 percent of the legal equity in CAWO; however, CAC is limited in its ability to make significant decisions about CAWO because the significant decisions are made by, or subject to approval of, the Operating Committee of the Sonoma Project, of which CAC is only entitled to 45 percent of the vote. As a result, we determined that CAWO is a VIE and that CAC should consolidate CAWO as the primary beneficiary because it absorbs greater than 50 percent of the residual returns and expected losses.

Sonoma Sales — We, including our related parties, do not have voting rights with respect to Sonoma Sales and are not party to any contracts that represent significant variable interests in Sonoma Sales. Therefore, even if Sonoma Sales were a variable interest entity, it has been determined that we are not the primary beneficiary and therefore would not consolidate Sonoma Sales.

SMM — SMM does not have sufficient equity at risk and is therefore a VIE under FIN 46R. Through CAC, we have a 45 percent voting interest in SMM and a contractual requirement to reimburse SMM for 45 percent of the costs that it incurs in connection with managing the Sonoma Project. However, we, along with our related parties, do not have any contracts that would cause us to absorb greater than 50 percent of SMM's expected losses, and therefore, we are not considered to be the primary beneficiary of SMM. Thus, we account for our investment in SMM in accordance with the equity method rather than consolidate the entity. The effect of SMM on our financial statements is determined to be minimal.

Mining and Non-Mining Assets — Since we have an undivided interest in these assets and Sonoma is in an extractive industry, we have pro rata consolidated our share of these assets and costs in accordance with EITF 00-1.

Mining operations reached a milestone in December 2007, when the first coal was extracted from the mine. Severe flooding at the mine in mid-February 2008 caused delays in scheduled shipments. However, despite these factors, our share of total production in 2008 reached approximately 1.1 million tonnes with sales volume of 0.9 million tonnes. In addition, for the year ended December 31, 2008, Sonoma generated average revenue of $132 per tonne, and per tonne costs were $75 for the year.

We have entered into arrangements with providers of credit facilities to guarantee our 45 percent share of certain Sonoma performance requirements relating to environmental compliance and take-or-pay provisions of port and rail contracts. At December 31, 2008 and 2007, our 45 percent of such guarantees amounted to $8.8 million and $9.5 million, respectively.

Sale of Synfuel

On June 4, 2008, we completed the sale of our wholly owned subsidiary, Cliffs Synfuel Corp. ("Synfuel"). Under the agreement, Oil Shale Exploration Company-Skyline, LLC acquired 100 percent of Synfuel for $24 million. As additional consideration for the stock, a perpetual nonparticipating royalty interest was granted initially equal to $0.02 per barrel of shale oil and $0.01 per barrel of shale oil produced from lands covered by existing State of Utah oil shale leases, plus 25 percent of royalty payments from conventional oil and gas operations. We recorded a gain of $19 million upon completion of the transaction.

Alpha Natural Resources

On November 17, 2008, we announced the termination of the definitive merger agreement with Alpha Natural Resources, Inc., under which we would have acquired all outstanding shares of Alpha, as previously announced on July 16, 2008. Both our Board of Directors and Alpha's Board of Directors made the decision after considering various issues, including the current macroeconomic environment, uncertainty in the steel industry, shareholder dynamics, and the risks and costs of potential litigation. Considering these issues, each board determined that termination of the merger agreement was in the best interest of its equity holders. Under the terms of the settlement agreement, we were required to pay Alpha a $70 million termination fee, which was financed through our revolving credit facility and paid in November 2008. As a result, $90.1 million in termination fees and associated acquisition costs were expensed in the fourth quarter of 2008 upon termination of the definitive merger agreement.

NOTE 3 – INTANGIBLE ASSETS AND LIABILITIES

Following is a summary of intangible assets and liabilities at December 31, 2008, based upon our preliminary purchase price allocations related to recent acquisitions completed in 2008:

		(In Millions)		
	Classification	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Definite lived intangible assets:				
Permits	*Intangible assets*	$ 109.3	$ (1.8)	$ 107.5
Leases	*Intangible assets*	3.1	(1.0)	2.1
Total intangible assets		$ 112.4	$ (2.8)	$ 109.6
Below-market sales contracts	*Current liabilities*	$ (30.3)	$ -	$ (30.3)
Below-market sales contracts	*Long-term liabilities*	(198.7)	15.1	(183.6)
Total below-market sales contracts		$ (229.0)	$ 15.1	$ (213.9)

The intangible assets are subject to periodic amortization on a straight-line basis over their estimated useful lives. Permits are being amortized over estimated useful lives ranging from 15 to 28 years, and leases are being amortized over estimated useful lives ranging from 1.5 to 4.5 years. Amortization expense relating to intangible assets was $2.8 million for the year ended December 31, 2008. The estimated amortization expense relating to intangible assets for each of the five succeeding fiscal years is as follows: 2009 — $6.9 million, 2010 — $5.1 million, 2011 — $5.1 million, 2012 — $5.1 million, and 2013 — $5.0 million.

The below-market sales contracts are classified as a liability and recognized over the terms of the contracts, which range from 3.5 to 8.5 years. The following amounts will be recognized in earnings related

to the below-market sales contracts for each of the five succeeding fiscal years: 2009 — $30.3 million, 2010 — $30.3 million, 2011 — $30.3 million, 2012 — $27.0 million, and 2013 — $27.0 million.

Intangible assets subject to amortization are reviewed for potential impairment whenever events or circumstances indicate that carrying amounts may not be recoverable.

NOTE 4 – MARKETABLE SECURITIES

At December 31, 2008, 2007 and 2006, we had $30.2 million, $74.6 million, $28.9 million respectively, of marketable securities as follows:

	(In Millions) December 31,		
	2008	2007	2006
Held to maturity - current	$ 4.8	$ 18.9	$ -
Held to maturity - non-current	14.2	25.8	-
	19.0	44.7	-
Available for sale - non-current	11.2	29.9	28.9
Total	$ 30.2	$ 74.6	$ 28.9

Marketable securities classified as held-to-maturity are measured and stated at amortized cost. The amortized cost, gross unrealized gains and losses and fair value of investment securities held-to-maturity at December 31, 2008 and 2007 are summarized as follows:

	December 31, 2008 (In Millions)			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Asset backed securities	$ 2.1	$ -	$ (0.6)	$ 1.5
Floating rate notes	16.9	-	(1.1)	15.8
Total	$ 19.0	$ -	$ (1.7)	$ 17.3

	December 31, 2007 (In Millions)			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Asset backed securities	$ 23.1	$ -	$ (1.4)	$ 21.7
Floating rate notes	21.6	-	(0.1)	21.5
Total	$ 44.7	$ -	$ (1.5)	$ 43.2

Investment securities held-to-maturity at December 31, 2008 and 2007 have contractual maturities as follows:

	(In Millions)	
	December 31,	
	2008	2007
Asset backed securities:		
Within 1 year	$ -	$ 18.9
1 to 5 years	2.1	4.2
	$ 2.1	$ 23.1
Floating rate notes:		
Within 1 year	$ 4.8	$ -
1 to 5 years	12.1	21.6
	$ 16.9	$ 21.6

The following table shows our gross unrealized losses and fair value of investment securities held-to-maturity, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2008 and 2007:

	Less than 12 months (In Millions)			
	December 31, 2008		December 31, 2007	
	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value
Asset backed securities	$ -	$ -	$ 1.4	$ 21.7
Floating rate notes	0.1	1.7	0.1	21.5
	$ 0.1	$ 1.7	$ 1.5	$ 43.2

	12 months or longer (In Millions)			
	December 31, 2008		December 31, 2007	
	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value
Asset backed securities	$ 0.6	$ 1.5	$ -	$ -
Floating rate notes	1.0	14.1	-	-
	$ 1.6	$ 15.6	$ -	$ -

We believe that the unrealized losses on the held-to-maturity portfolio at December 31, 2008 are temporary and are related to market interest rate fluctuations and not to deterioration in the creditworthiness of the issuers. We intend to hold these investments until maturity.

Marketable securities classified as available-for-sale are stated at fair value, with unrealized holding gains and losses included in *Other comprehensive income*. The amortized cost, gross unrealized gains and losses and fair value of investment securities available-for-sale at December 31, 2008, 2007 and 2006 are summarized as follows:

	(In Millions)			
	December 31, 2008			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Equity securities (without contractual maturity)	$ 12.0	$ -	$ (0.8)	$ 11.2

	(In Millions)			
	December 31, 2007			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Equity securities (without contractual maturity)	$ 14.2	$ 15.7	$ -	$ 29.9

	(In Millions)			
	December 31, 2006			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Equity securities (without contractual maturity)	$ 14.2	$ 14.7	$ -	$ 28.9

We own 9.2 million shares of PolyMet Corp common stock, representing 6.7 percent of issued shares as a result of the sale of certain land, crushing and concentrating and other ancillary facilities located at our Cliffs Erie site (formerly owned by LTVSMC) to PolyMet. We have the right to participate in up to 6.7 percent of any future financing, and PolyMet has the first right to acquire or place our shares should we choose to sell. We classify the shares as available-for-sale and record unrealized mark-to-market changes in the fair value of the shares through *Other comprehensive income* each reporting period, unless the loss is deemed to be other than temporary.

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. We do not exercise significant influence, and at December 31, 2008, the investment is classified as an available-for-sale security. Accordingly, we record unrealized mark-to-market changes in the fair value of the investment through *Other comprehensive income* each reporting period, unless the loss is deemed to be other than temporary.

In 2008, we recorded impairment charges of $25.1 million related to declines in the fair value of our available-for-sale securities which we concluded were other than temporary. As of December 31, 2008, our investments in PolyMet and Golden West had fair values totaling $6.2 million and $4.7 million, respectively, compared with a cost of $14.2 million and $21.8 million, respectively. The metals and mining industry and our investees are susceptible to changes in the U.S. and global economies and the industries of their customers. Their principal customers are part of the global steel industry, and their businesses have been adversely affected by the slowdown of the global economy, particularly during the last quarter of 2008 when our investments became impaired. The severity of the impairments in relation to the carrying amounts of the individual investments is consistent with the macroeconomic market and industry developments. However, we have evaluated the near-term prospects of the issuers in relation to the severity and rapid decline in the fair value of each of these investments, and based upon that evaluation, we could not reasonably assert

that the impairment period would be temporary primarily as a result of the global economic crisis and the corresponding uncertainties in the market.

NOTE 5 – DEBT AND CREDIT FACILITIES

On June 25, 2008, we entered into a $325 million private placement consisting of $270 million of 6.31 percent Five-Year Senior Notes due June 15, 2013, and $55 million of 6.59 percent Seven-Year Senior Notes due June 15, 2015. Interest will be paid on the notes for both tranches on June 15 and December 15 until their respective maturities. The notes are unsecured obligations with interest and principal amounts guaranteed by certain of our domestic subsidiaries. The notes and guarantees were not required to be registered under the Securities Act of 1933, as amended, and were placed with qualified institutional investors. We used the proceeds to repay senior unsecured indebtedness and for general corporate purposes.

The terms of the note purchase agreement contain customary covenants that require compliance with certain financial covenants based on: (1) debt to earnings ratio and (2) interest coverage ratio. As of December 31, 2008, we were in compliance with the financial covenants in the note purchase agreement.

On August 17, 2007, we entered into a five-year unsecured credit facility with a syndicate of 13 financial institutions. The facility provides $800 million in borrowing capacity, comprised of $200 million in term loans and $600 million in revolving loans, swing loans and letters of credit. Loans are drawn with a choice of interest rates and maturities, subject to the terms of the agreement. Interest rates are either (1) a range from LIBOR plus 0.45 percent to LIBOR plus 1.125 percent based on debt and earning levels or (2) the prime rate or the prime rate plus 1.125 percent, based on debt and earnings. The credit facility has two financial covenants based on: (1) debt to earnings ratio and (2) interest coverage ratio. As of December 31, 2008 and 2007, we were in compliance with the financial covenants in the credit agreement.

The credit agreement replaces a $500 million credit agreement dated June 23, 2006 between Cliffs and various lenders, which was scheduled to expire June 23, 2011. It also replaces a credit agreement dated July 26, 2007 between Cliffs and various lenders for a $150 million revolving credit facility scheduled to expire July 24, 2008. We incurred $0.8 million of expense in 2007, recorded in *Interest expense* on the Statements of Consolidated Operations, related to the accelerated write-off of debt issuance costs due to the replacement of the $500 million credit facility.

As of December 31, 2008 and 2007, no revolving loans and $240 million in revolving loans, respectively, were drawn under the credit facility and the principal amount of letter of credit obligations totaled $21.5 million and $16.2 million, respectively. We also had $200 million drawn in term loans, with $578.5 million and $343.8 million of borrowing capacity available under the $800 million credit facility at December 31, 2008 and 2007, respectively. The weighted average annual interest rate for outstanding revolving and term loans under the credit facility was 5.02 percent and 5.81 percent as of December 31, 2008 and 2007, respectively. After the effect of interest rate hedging, the respective weighted average annual borrowing rates were 5.10 percent and 5.68 percent in 2008 and 2007, respectively.

Portman has a $27.6 million (A$40 million) multi-option facility, under which an $82.9 million (A$120 million) cash facility was added effective June 23, 2008 and terminated on September 30, 2008. The $27.6 million (A$40 million) multi-option facility, which was finalized in April 2007, has a floating interest rate of 20 basis points over the 90-day bank bill swap rate in Australia. The outstanding bank commitments totaled $18.8 million (A$27.2 million) and $8.6 million (A$12.5 million) in performance bonds, reducing borrowing capacity to $8.8 million (A$12.8 million) and $19.0 million (A$27.5) million at December 31, 2008 and 2007, respectively. The facility agreement contains financial covenants as follows: (1) debt to earnings ratio and (2) interest coverage ratio. As of December 31, 2008 and 2007, Portman was in compliance with the financial covenants of the credit facility agreement. On February 9, 2009, Portman entered into an amending deed, which added a $55.3 million (A$80 million) cash facility to the existing multi-option facility. The cash facility did not cause any change to the financial covenants in place under the multi-option facility. We have provided a guarantee of the combined facilities, along with certain of our Australian subsidiaries.

In 2005, Portman secured five-year financing from its customers in China as part of its long-term sales agreements to assist with the funding of the expansion of its Koolyanobbing mining operations. The borrowings, totaling $5.4 million, $6.2 million and $6.9 million at December 31, 2008, 2007, and 2006, respectively, accrue interest annually at five percent. The borrowings require a principal payment of approximately $0.8 million plus accrued interest to be made January 31, 2009, with the balance due in full on January 31, 2010.

At December 31, 2008 and 2007, Amapá had total project debt outstanding of approximately $493 million and $419 million, respectively, for which we have provided a several guarantee on our 30 percent share. At December 31, 2008, Amapá had total short-term loans outstanding of $210.3 million for which we provided a several guarantee on our share. We have provided several guarantees on our 30 percent share of the total debt outstanding, or $148 million and $101 million, at December 31, 2008 and 2007, respectively. Our estimate of the aggregate fair value of the outstanding guarantees is $6.7 million as of December 31, 2008, which is reflected in *Other Liabilities* on the Statements of Consolidated Financial Position. The fair value was estimated using a discounted cash flow model based upon the spread between guaranteed and non-guaranteed debt over the period the debt is expected to be outstanding. Capital contributions in 2008 and 2007 totaled $106 million (Company share $32.0 million) and $89 million (Company share $26.7 million), respectively. Amapá and its lenders have agreed to suspend all operating and financial loan covenants with the exception of debt to equity ratio requirements through June 30, 2009.

Substantially all of the financial debt instruments are carried at fair value or contracted amounts that approximate fair value. Refer to NOTE 11 – FAIR VALUE OF FINANCIAL INSTRUMENTS for further information.

NOTE 6 – SEGMENT REPORTING

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 North American Iron Ore segment is comprised of our interests in six North American mines that provide iron ore to the integrated steel industry. The North American Coal segment is comprised of our two North American coking coal mining complexes that provide metallurgical coal to the integrated steel industry. The Asia Pacific Iron Ore segment, which is comprised of Portman, is located in Western Australia and provides iron ore to steel producers in China and Japan. There are no intersegment revenues.

The Asia Pacific Coal operating segment is comprised of our 45 percent economic interest in Sonoma, located in Queensland, Australia, which is in the early stages of production. The Latin American Iron Ore operating segment is comprised of our 30 percent Amapá interest in Brazil, which is also in the early stages of production. As a result, the Asia Pacific Coal and Latin American Iron Ore operating segments do not meet reportable segment disclosure requirements and therefore are not separately reported.

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.

The following table presents a summary of our reportable segments for the years ended December 31, 2008, 2007 and 2006. A reconciliation of segment sales margin to income from continuing operations before income taxes, minority interest and equity loss from ventures is as follows:

	(In Millions)					
	2008		2007		2006	
Revenues from product sales and services:						
North American Iron Ore	$ 2,369.6	66%	$1,745.4	77%	$ 1,560.7	81%
North American Coal	346.3	10%	85.2	4%	-	0%
Asia Pacific Iron Ore	769.8	21%	444.6	19%	361.0	19%
Other	123.4	3%	-		-	0%
Total revenues from product sales and services for reportable segments	$ 3,609.1	100%	$2,275.2	100%	$ 1,921.7	100%
Sales margin:						
North American Iron Ore	$ 804.3		$ 397.9		$ 327.4	
North American Coal	(46.4)		(31.7)		-	
Asia Pacific Iron Ore	348.6		95.8		86.6	
Other	53.2		-		-	
Sales margin	1,159.7		462.0		414.0	
Other operating expense	(220.8)		(80.4)		(48.3)	
Other income (expense)	(222.6)		(0.9)		22.1	
Income from continuing operations before income taxes, minority interest and equity loss from ventures	$ 716.3		$ 380.7		$ 387.8	
Depreciation, depletion and amortization:						
North American Iron Ore	$ 66.0		$ 40.7		$ 33.0	
North American Coal	51.5		17.9		-	
Asia Pacific Iron Ore	73.7		48.6		40.9	
Other	9.9		-		-	
Total depreciation and amortization	$ 201.1		$ 107.2		$ 73.9	
Capital additions (1):						
North American Iron Ore	$ 53.3		$ 64.4		$ 80.6	
North American Coal	96.6		11.1		-	
Asia Pacific Iron Ore	67.8		39.3		31.9	
Other	14.9		120.3		-	
Total capital additions	$ 232.6		$ 235.1		$ 112.5	
Assets:						
North American Iron Ore	$ 1,818.5		$ 968.9		$ 1,154.0	
North American Coal	773.7		773.2		-	
Asia Pacific Iron Ore	1,210.9		1,083.8		785.7	
Other	308.0		249.9		-	
Total assets	$ 4,111.1		$3,075.8		$ 1,939.7	

(1) Includes capital lease additions.

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.

Included in the consolidated financial statements are the following amounts relating to geographic locations:

	(In Millions)		
	2008	2007	2006
Revenue (1)			
United States	**$ 1,617.0**	$ 1,271.1	$ 1,100.0
China	**774.2**	419.9	367.4
Canada	**573.6**	382.0	377.2
Japan	**263.4**	135.7	74.4
Other countries	**380.9**	66.5	2.7
Total revenue	**$ 3,609.1**	$ 2,275.2	$ 1,921.7
Long-lived assets			
Australia	**$ 763.5**	$ 691.6	$ 522.5
United States	**1,692.6**	1,132.3	362.4
Total long-lived assets	**$ 2,456.1**	$ 1,823.9	$ 884.9

(1) Revenue is attributed to countries based on the location of the customer and includes both *Product sales and services.* The 2007 and 2006 amounts previously included *Royalties and management fees* of $14.5 million and $11.7 million, respectively.

NOTE 7 – ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS

We had environmental and mine closure liabilities of $117.1 million, $130.8 million, and $103.9 million at December 31, 2008, 2007, and 2006, respectively. Payments in 2008 were $6.2 million compared with $9.2 million in 2007 and $15.6 million in 2006. The following is a summary of the obligations at December 31, 2008, 2007 and 2006:

	(In Millions)		
	December 31,		
	2008	2007	2006
Environmental	$ 16.4	$ 12.3	$ 13.0
Mine closure			
LTVSMC	13.9	22.5	28.2
Operating mines:			
North American Iron Ore	44.1	61.8	54.7
North American Coal	31.1	20.4	-
Asia Pacific Iron Ore	7.8	9.5	8.0
Other	3.8	4.3	-
Total mine closure	100.7	118.5	90.9
Total environmental and mine closure obligations	117.1	130.8	103.9
Less current portion	12.2	7.6	8.8
Long term environmental and mine closure obligations	$ 104.9	$ 123.2	$ 95.1

Environmental

Our mining and exploration activities are subject to various laws and regulations governing the protection of the environment. We conduct our operations to protect the public health and environment and believe our operations are in compliance with applicable laws and regulations in all material respects. Our environmental liabilities of $16.4 million, $12.3 million, and $13.0 million at December 31, 2008, 2007, and 2006, respectively, including obligations for known environmental remediation exposures at active and closed mining operations and other sites, have been recognized based on the estimated cost of investigation and remediation at each site. If the cost can only be estimated as a range of possible amounts with no specific amount being more likely, the minimum of the range is accrued in accordance with SFAS 5. Future expenditures are not discounted unless the amount and timing of the cash disbursements are readily

known. Potential insurance recoveries have not been reflected. Additional environmental obligations could be incurred, the extent of which cannot be assessed.

The environmental liability includes our obligations related to four sites that are independent of our iron mining operations, two former iron ore-related sites, two leased land sites where we are lessor and miscellaneous remediation obligations at our operating units. Three of these sites are Federal and State sites where we are named as a PRP: the Rio Tinto mine site in Nevada and the Kipling and Deer Lake sites in Michigan.

Milwaukee Solvay Site

In September 2002, we received a draft of a proposed Administrative Order by Consent from the EPA, for clean-up and reimbursement of costs associated with the Milwaukee Solvay coke plant site in Milwaukee, Wisconsin. The plant was operated from 1973 to 1983 by a company we acquired in 1986. In January 2003, we completed the sale of the plant site and property to a third party. Following this sale, we entered into an Administrative Order by Consent ("Solvay Consent Order") with the EPA, the new owner and another third party who had operated on the site. In connection with this order, the new owner agreed to take responsibility for the removal action and agreed to indemnify us for all costs and expenses in connection with the removal action. In the third quarter of 2003, the new owner, after completing a portion of the removal, experienced financial difficulties. In an effort to continue progress on the removal action, we expended $0.9 million in the second half of 2003, $2.1 million in 2004 and $0.4 million in 2005 secured by a mortgage on the property. In September 2005, we received a notice of completion from the EPA documenting that all work had been fully performed in accordance with the order.

In August 2006, we sold our mortgage on the site to East Greenfield. East Greenfield acquired the mortgage for the assumption of all environmental obligations and a cash payment of $2.25 million. In addition, East Greenfield deposited $4.5 million into an escrow account to fund any remaining environmental clean-up activities and to purchase insurance coverage with a $5 million limit. In the third quarter of 2006, we reduced our environmental reserve related to this site by $2.7 million to reflect our reduced liability. Subsequently, in December 2006, the Company and five other PRPs entered an Administrative Settlement Agreement and AOC with the EPA to conduct a Remedial Investigation/Feasibility Study and to reimburse certain response costs incurred by the EPA. In January 2007, the PRP Group, including our Company, entered into an AOC to conduct a Remedial Investigation/Feasibility Study for the site, to include surface, subsurface and sediment sampling. The PRP Group has retained a consultant to conduct the site investigation. Following a series of meetings with the EPA and Wisconsin Department of Natural Resources, a work plan for the Remedial Investigation/Feasibility Study was drafted and submitted to the EPA. Comments on the draft were received in December 2007 with a final plan being approved by the EPA in 2008. Milwaukee Solvay's work group authorized Burns and McDonnell to begin the implementation of the approved Remedial Investigation/Feasibility Study. Field activities began in the fall of 2008 and will continue into the spring of 2009. Upon completion of the field work the information will be used to develop any remedial activities determined by the results of the remedial investigation.

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 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, which are currently under review. The expense was included in *Selling, general and administrative expenses* on the Statements of Consolidated Operations.

Kipling Furnace Site

In November 1991, the MDEQ notified us that it believed we were liable for contamination at the Kipling Furnace site in Kipling, Michigan and requested that we voluntarily undertake actions to remediate the site. We owned and operated a portion of the site from approximately 1902 through 1925 when we sold the property to CITGO Petroleum Company. CITGO, in turn, operated at the site, and thereafter, sold the northern portion of the site to a third party. This northern portion of the site was the location of the majority of our former operations. CITGO has been working formally with MDEQ to address the portions of the site impacted by CITGO's operations on the property, which occurred between 1925 and 1986. CITGO submitted a remedial action plan in August 2003 to the MDEQ. However, the MDEQ subsequently rejected this remedial action plan as being inadequate.

We responded to the 1991 letter by performing a hydrogeological investigation at the site in 1996, with follow-up monitoring occurring in 1998 through 2003. We developed a proposed remedial action plan to address materials associated with our former operations at the site. We currently estimate the cost of implementing our proposed remedial action to be $0.3 million, which was previously provided for in our environmental reserve. We have not yet implemented the proposed remedial action plan.

In June 2004, the MDEQ made a new demand to both CITGO and the Company to take responsive actions at the property, including development and submittal of a remedial action plan to the department for approval. CITGO and the Company agreed to cooperate in the development of a joint remedial action plan as encouraged by MDEQ. Additional investigative work at the site has been undertaken by CITGO. At this time, it is unclear whether the MDEQ, once aware of our response activities at the site to date, will require further investigations or implement a remedial action plan going beyond what has already been developed. Conducting further investigations, revising our proposed remedial action plan, or implementing the plan, could result in higher costs than recorded. In addition, an access agreement with the current owners will be required to conduct the remediation.

Deer Lake

Deer Lake is a reservoir located near Ishpeming, Michigan that historically provided water storage for the Carp River Power Plant that was razed in 1972. Elevated concentrations of mercury in Deer Lake fish were noted in 1981. Three known sources of mercury to the lake were atmospheric deposition, historic

use of mercury in gold amalgamation on the west side of the lake, and releases of mercury to the City of Ishpeming sewer system, including waste assay solutions from a laboratory operated by Cliffs. The State of Michigan filed suit in 1982 alleging that we had liability for the mercury releases. A Consent Agreement was entered in 1984 that required certain remediation and mitigation, which was performed, and by 2003 mercury concentrations in fish had declined significantly. Subsequently, we engaged in negotiations with the State to comprehensively and completely resolve our liability for mercury releases. An amendment to the Consent Agreement between the Company and the State was entered by the Court on November 7, 2006. The agreement provides for additional remedial measures, long-term maintenance and provisions for public access to various water bodies which we own or control. All 2008 activities outlined in the amended Consent Agreement were completed.

Northshore Air Permit Matters

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 court of appeals' ruling, Northshore filed a major permit amendment on August 28, 2008. On November 25, 2008, in response to the proposed amendment, MCPA 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.

In October 2008, Northshore received the final results of a peer-reviewed study, which 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.

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.

Koolyanobbing Operations

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 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 WAEPA. If the recommendations of the WAEPA are accepted, we will challenge any such decision.

Mine Closure

Our mine closure obligation of $100.7 million, $118.5 million, and $90.9 million at December 31, 2008, 2007, and 2006, respectively, includes our four consolidated North American operating iron ore mines, our two consolidated North American operating coal mining complexes, our Asia Pacific operating iron ore mines, the coal mine at Sonoma and a closed operation formerly known as LTVSMC.

Management periodically performs an assessment of the obligation, most recently in the fourth quarter of 2008, to determine the adequacy of the liability in relation to the closure activities still required at the LTVSMC site. As a result of this assessment, the LTVSMC closure was decreased to $13.9 million at December 31, 2008 from $22.5 million at December 31, 2007 and $50 million at December 31, 2006. The decrease was attributable to a decline in the estimated future cash flows of $5.2 million combined with payments of $3.4 million made during the year.

In 2008, we performed a detailed assessment of our asset retirement obligations related to our active mining locations in accordance with our Company's accounting policy, which requires us to perform an in-depth evaluation of the liability every three years in addition to routine annual assessments. As a result of this assessment, the accrued closure obligation for our active mining operations decreased from $96.0 million at December 31, 2007 to $86.8 million at December 31, 2008. The liability provides for contractual and legal obligations associated with the eventual closure of the mining operations. We determined the obligations based on detailed estimates adjusted for factors that a market participant would consider (i.e., inflation, overhead and profit), escalated at an assumed 3.5 percent rate of inflation to the estimated closure dates, and then discounted using the current credit-adjusted risk-free interest rate based

on the corresponding life of mine. The estimate also incorporates incremental increases in the closure cost estimates and changes in estimates of mine lives. The closure date for each location was determined based on the exhaustion date of the remaining iron ore reserves. The accretion of the liability and amortization of the related asset is recognized over the estimated mine lives for each location. The $9.2 million decrease in the liability is primarily attributable to an increase in the life of mine at Empire and the resulting impact on future estimated cash flows. The following represents a rollforward of our asset retirement obligation liability related to our active mining locations for the years ended December 31, 2008, 2007, and 2006:

	(In Millions)		
	December 31,		
	2008	2007	2006
Asset retirement obligation at beginning of period	$ 96.0	$ 62.7	$ 52.5
Accretion expense	7.3	6.6	5.1
PinnOak acquisition	-	19.9	-
Sonoma investment	-	4.3	-
Reclassification adjustments	1.0	1.1	-
Exchange rate changes	(3.1)	0.9	0.7
Revision in estimated cash flows	(14.4)	0.5	4.4
Asset retirement obligation at end of period	$ 86.8	$ 96.0	$ 62.7

NOTE 8 – LEASE OBLIGATIONS

We lease certain mining, production and other equipment under operating and capital leases. The leases are for varying lengths, generally at market interest rates and contain purchase and/or renewal options at the end of the terms. Our operating lease expense was $20.8 million, $14.7 million, and $14.2 million in 2008, 2007 and 2006, respectively. Capital leases were $73.9 million, $68.2 million, and $37.2 million at December 31, 2008, 2007, and 2006, respectively. Corresponding accumulated amortization of capital leases included in respective allowances for depreciation were $18.3 million, $15.2 million, and $12.8 million at December 31, 2008, 2007, and 2006, respectively. Future minimum payments under capital leases and non-cancellable operating leases at December 31, 2008 are as follows:

	(In Millions)	
	Capital Leases	Operating Leases
2009	$ 11.6	$ 26.3
2010	10.6	24.6
2011	10.3	20.3
2012	10.0	15.4
2013	8.9	15.5
2014 and thereafter	31.3	32.9
Total minimum lease payments	82.7	$ 135.0
Amounts representing interest	20.4	
Present value of net minimum lease payments	$ 62.3	

Total minimum capital lease payments of $82.7 million include $5.2 million and $77.5 million, for our North American Iron Ore segment and Asia Pacific Iron Ore segment, respectively. Total minimum operating lease payments of $135.0 million include $124.9 million for our North American Iron Ore segment, $9.9 million for our Asia Pacific Iron Ore segment, and $0.2 million for our North American Coal segment.

NOTE 9 – PENSIONS AND OTHER POSTRETIREMENT BENEFITS

We offer defined benefit pension plans, defined contribution pension plans and other postretirement benefit plans to most employees in our North American Iron Ore operations as part of a total compensation and benefits program. Employees of the North American Coal segment receive similar benefits as our North

American Iron Ore operations, except for defined benefit plans. We do not have employee retirement benefit obligations at our Asia Pacific operations.

The defined benefit pension plans are largely noncontributory and benefits are generally based on employees' years of service and average earnings for a defined period prior to retirement or a minimum formula. On September 12, 2006, the Company's Board of Directors approved modifications to the pension benefits provided to salaried participants. The modifications retroactively reinstated the final average pay benefit formula (previously terminated and replaced with a cash balance formula in July 2003) to allow for additional accruals through June 30, 2008 or the continuation of benefits under an improved cash balance formula, whichever is greater. The change increased the PBO by $15.1 million and pension expense by $1.1 million in 2006. 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. The changes enhanced the minimum pension formula by increasing the benefit dollar multipliers and renewed the lump sum special payments for certain employees retiring in the near future. The changes also included renewal of payments to surviving spouses of certain retirees. The result of the changes is an increase of $5.6 million in PBO and $1.8 million in 2008 pension expense.

In addition, we currently provide various levels of retirement health care and OPEB to most full-time employees who meet certain length of service and age requirements (a portion of which are pursuant to collective bargaining agreements). Most plans require retiree contributions and have deductibles, co-pay requirements, and benefit limits. Most bargaining unit plans require retiree contributions and co-pays for major medical and prescription drug coverage. There is an annual limit on our cost for medical coverage under the U.S. salaried plans. The annual limit applies to each covered participant and equals $7,000 for coverage prior to age 65 and $3,000 for coverage after age 65, with the retiree's participation adjusted based on the age at which retiree's benefits commence. For participants at our Northshore operation, the annual limit ranges from $4,020 to $4,500 for coverage prior to age 65, and equals $2,000 for coverage after age 65. Covered participants pay an amount for coverage equal to the excess of (i) the average cost of coverage for all covered participants, over (ii) the participant's individual limit, but in no event will the participant's cost be less than 15 percent of the average cost of coverage for all covered participants. For Northshore participants, the minimum participant cost is a fixed dollar amount. We do not provide OPEB for most U.S. salaried employees hired after January 1, 1993. OPEB are provided through programs administered by insurance companies whose charges are based on benefits paid.

Our North American Coal segment is required under an agreement with the UMWA to pay amounts into the UMWA pension trusts based principally on hours worked by UMWA-represented employees. These multi-employer pension trusts provide benefits to eligible retirees through a defined benefit plan. The UMWA 1993 Benefit Plan is a defined contribution plan that was created as the result of negotiations for the NBCWA of 1993. The Plan provides healthcare insurance to orphan UMWA retirees who are not eligible to participate in the Combined Fund or the 1992 Benefit Fund or whose last employer signed the 1993 or later NBCWA and who subsequently goes out of business. Contributions to the Trust are at a rate of $5.27 in 2008 and $4.00 in 2007 per hour worked and amounted to $9.8 million in 2008 and $2.6 million for the five-month period in 2007 after the PinnOak acquisition.

Pursuant to the four-year labor agreements reached with the USW for U.S. employees, effective January 1, 2009, negotiated plan changes removed the cap on our share of future bargaining unit retirees' healthcare premiums and provided a maximum on the amount retirees will contribute for health care benefits during the term of the agreement. The agreements also provide that we and our partners fund an estimated $90 million into bargaining unit pension plans and VEBAs during the term of the contracts.

In December 2003, The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 was enacted. This act introduced a prescription drug benefit under Medicare Part D as well as a federal subsidy to sponsors of retiree healthcare benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. Our measures of the accumulated postretirement benefit obligation and net periodic postretirement benefit cost as of December 31, 2004, and for periods thereafter reflect amounts associated with the subsidy. As a result, OPEB expense for 2008, 2007 and 2006 reflect estimated cost

reductions of $2.8 million, $2.5 million and $3.0 million, respectively. We elected to adopt the retroactive transition method for recognizing the OPEB cost reduction in 2004. The following table summarizes the annual costs related to the retirement plans for 2008, 2007 and 2006:

	(In Millions)		
	2008	2007	2006
Defined benefit pension plans	**$ 20.3**	$ 17.4	$ 23.0
Defined contribution pension plans	**7.2**	5.1	4.6
Other postretirement benefits	**8.6**	4.5	9.8
Total	**$ 36.1**	$ 27.0	$ 37.4

The following tables and information provide additional disclosures for our consolidated plans.

Obligations and Funded Status

The following tables and information provide additional disclosures for the years ended December 31, 2008, 2007 and 2006:

EXHIBIT VI - CONSOLIDATED FINANCIAL STATEMENTS OF CLIFFS

	(In Millions)					
	Pension Benefits			Other Benefits		
Change in benefit obligations:	**2008**	2007	2006	**2008**	2007	2006
Benefit obligations - beginning of year	**$ 680.8**	$ 706.7	$ 698.0	**$ 252.7**	$ 272.2	$ 301.2
Service cost (excluding expenses)	**12.6**	11.4	10.1	**3.4**	2.1	2.2
Interest cost	**41.4**	38.9	38.2	**16.3**	14.5	14.8
Plan amendments	**6.7**	-	14.1	**33.7**	-	-
Actuarial loss (gain)	**11.7**	(29.8)	(9.9)	**16.2**	(28.0)	(30.8)
Benefits paid	**(46.6)**	(46.4)	(43.8)	**(19.7)**	(22.4)	(19.2)
Participant contributions	**-**	-	-	**3.6**	3.3	2.9
Federal subsidy on benefits paid	**-**	-	-	**1.2**	1.2	1.1
Acquisitions	**-**	-	-	**-**	9.8	-
Benefit obligations - end of year	**$ 706.6**	$ 680.8	$ 706.7	**$ 307.4**	$ 252.7	$ 272.2
Change in plan assets:						
Fair value of plan assets - beginning of year	**$ 596.3**	$ 568.7	$ 511.5	**$ 126.7**	$ 114.9	$ 86.9
Actual return on plan assets	**(118.2)**	41.5	60.3	**(39.8)**	6.7	12.8
Employer contributions	**24.9**	32.5	40.7	**4.8**	5.2	15.4
Asset transfers	**(0.4)**	-	-	**-**	-	-
Benefits paid	**(46.6)**	(46.4)	(43.8)	**(0.1)**	(0.1)	(0.2)
Fair value of plan assets - end of year	**$ 456.0**	$ 596.3	$ 568.7	**$ 91.6**	$ 126.7	$ 114.9
Funded status at December 31:						
Fair value of plan assets	**$ 456.0**	$ 596.3	$ 568.7	**$ 91.6**	$ 126.7	$ 114.9
Benefit obligations	**(706.6)**	(680.8)	(706.7)	**(307.4)**	(252.7)	(272.2)
Funded status (plan assets less benefit obligations)	**$ (250.6)**	$ (84.5)	$ (138.0)	**$ (215.8)**	$ (126.0)	$ (157.3)
Amount recognized at December 31	**$ (250.6)**	$ (84.5)	$ (138.0)	**$ (215.8)**	$ (126.0)	$ (157.3)
Amounts recognized in Statements of Financial Position:						
Noncurrent assets	**$ -**	$ 6.7	$ 2.1	**$ -**	$ -	$ -
Current liabilities	**(0.5)**	(1.5)	-	**(17.9)**	(11.2)	(18.3)
Noncurrent liabilities	**(250.1)**	(89.7)	(140.1)	**(197.9)**	(114.8)	(139.0)
Net amount recognized	**$ (250.6)**	$ (84.5)	$ (138.0)	**$ (215.8)**	$ (126.0)	$ (157.3)
Amounts recognized in accumulated other comprehensive income:						
Net actuarial loss	**$ 327.8**	$ 160.0	$ 194.4	**$ 131.3**	$ 70.8	$ 101.9
Prior service (credit) cost	**25.2**	22.4	26.2	**15.3**	(22.2)	(27.8)
Transition asset	**-**	-	-	**(12.1)**	(15.1)	(18.2)
Net amount recognized	**$ 353.0**	$ 182.4	$ 220.6	**$ 134.5**	$ 33.5	$ 55.9
The estimated amounts that will be amortized from accumulated other comprehensive income into net periodic benefit cost in 2009:						
Net actuarial loss	**$ 26.6**			**$ 10.3**		
Prior service cost	**3.9**			**1.8**		
Transition asset	**-**			**(3.0)**		
Net amount recognized	**$ 30.5**			**$ 9.1**		

	(In Millions)							
	2008							
	Pension Plans					Other Postretirement Benefits		
	Salaried	Hourly	Mining	SERP	Total	Salaried	Hourly	Total
Fair value of plan assets	**$ 178.2**	**$ 277.6**	**$ 0.2**	**$ -**	**$ 456.0**	**$ -**	**$ 91.6**	**$ 91.6**
Benefit obligation	**(250.4)**	**(449.2)**	**(2.0)**	**(5.0)**	**(706.6)**	**(52.4)**	**(255.0)**	**(307.4)**
Funded status	**$ (72.2)**	**$ (171.6)**	**$ (1.8)**	**$ (5.0)**	**$ (250.6)**	**$ (52.4)**	**$ (163.4)**	**$ (215.8)**

	2007							
	Pension Plans					Other Postretirement Benefits		
	Salaried	Hourly	Mining	SERP	Total	Salaried	Hourly	Total
Fair value of plan assets	$ 253.4	$ 342.8	$ 0.1	$ -	$ 596.3	$ -	$ 126.7	$ 126.7
Benefit obligation	(243.4)	(430.6)	(1.6)	(5.2)	(680.8)	(54.8)	(197.9)	(252.7)
Funded status	$ 10.0	$ (87.8)	$ (1.5)	$ (5.2)	$ (84.5)	$ (54.8)	$ (71.2)	$ (126.0)

	2006							
	Pension Plans					Other Postretirement Benefits		
	Salaried	Hourly	Mining	SERP	Total	Salaried	Hourly	Total
Fair value of plan assets	$ 255.5	$ 312.9	$ 0.3	$ -	$ 568.7	$ 0.1	$ 114.8	$ 114.9
Benefit obligation	(253.4)	(449.0)	(0.8)	(3.5)	(706.7)	(57.7)	(214.5)	(272.2)
Funded status	$ 2.1	$ (136.1)	$ (0.5)	$ (3.5)	$ (138.0)	$ (57.6)	$ (99.7)	$ (157.3)

The accumulated benefit obligation for all defined benefit pension plans was $693.2 million, $657.6 million and $681.0 at December 31, 2008, 2007, and 2006, respectively.

Recent deterioration in the securities markets has negatively impacted the value of the assets included in our defined benefit pension plans and postretirement welfare plans based upon the value of our plan assets and obligations at December 31, 2008. The decline in fair value of our plan assets, combined with negotiated plan changes, has resulted in increased total estimated pension and OPEB costs for 2009 of $71.5 million as compared to total benefit costs of $28.9 million in 2008. Further, the decline in fair value has resulted in estimated cash contributions for 2009 of $67.4 million in accordance with our current funding strategy, which is $22.8 million higher than our 2008 funding.

Components of Net Periodic Benefit Cost

	(In Millions)					
	Pension Benefits			**Other Benefits**		
	2008	2007	2006	**2008**	2007	2006
Service cost	**$ 12.6**	$ 11.4	$ 10.1	**$ 3.4**	$ 2.1	$ 2.2
Interest cost	**41.4**	38.9	38.2	**16.3**	14.5	14.8
Expected return on plan assets	**(48.3)**	(47.1)	(42.6)	**(10.4)**	(10.1)	(8.2)
Amortization:						
Net (asset)	**-**	-	(2.1)	**(3.0)**	(3.0)	(3.0)
Prior service costs (credits)	**4.0**	3.8	2.8	**(3.8)**	(5.6)	(5.6)
Net actuarial loss	**10.6**	10.4	16.6	**6.1**	6.5	9.6
Net periodic benefit cost	**$ 20.3**	$ 17.4	$ 23.0	**$ 8.6**	$ 4.4	$ 9.8
Current year actuarial (gain)/loss	**178.2**	(24.0)	N/A	**66.6**	(24.5)	N/A
Amortization of net (loss)	**(10.6)**	(10.4)	N/A	**(6.1)**	(6.5)	N/A
Current year prior service cost	**6.7**	-	N/A	**33.7**	-	N/A
Amortization of prior service (cost) credit	**(4.0)**	(3.8)	N/A	**3.8**	5.6	N/A
Amortization of transition asset	**-**	-	N/A	**3.0**	3.0	N/A
Total recognized in other comprehensive income	**$ 170.3**	$ (38.2)	N/A	**$ 101.0**	$ (22.4)	N/A
Total recognized in net periodic cost and other comprehensive income	**$ 190.6**	$ (20.8)	N/A	**$ 109.6**	$ (18.0)	N/A

Additional Information

	(In Millions)					
	Pension Benefits			Other Benefits		
	2008	2007	2006	**2008**	2007	2006
Effect of change in mine ownership & minority interest	**$ 50.4**	$ 45.8	$ 47.0	**$ 8.6**	$ 5.4	$ 7.1
Actual return on plan assets	**(118.2)**	41.5	60.3	**(39.8)**	6.6	12.8

Assumptions

Our 2008 discount rate of 6.00 percent remained consistent with 2007. The U.S. discount rates are determined by matching the projected cash flows used to determine the PBO and APBO to a projected yield curve of approximately 300 Aa graded bonds in the 10th to 90th percentiles. These bonds are either noncallable or callable with make-whole provisions. The duration matching produced rates ranging from 5.99 percent to 6.08 percent for our plans. Based upon these results, we selected a December 31, 2008 discount rate of 6.00 percent for our plans.

At December 31, 2007 we increased our discount rate to 6.00 percent from 5.75 percent at December 31, 2006. The U.S. discount rates are determined by matching the projected cash flows used to determine the PBO and APBO to a projected yield curve of approximately 400 Aa graded bonds in the 10th and 90th percentiles. These bonds are either noncallable or callable with make-whole provisions. The duration matching produced rates ranging from 5.97 percent to 6.12 percent for our plans.

Weighted-average assumptions used to determine benefit obligations at December 31 were:

	Pension Benefits			Other Benefits		
	2008	2007	2006	**2008**	2007	2006
Discount rate	**6.00 %**	6.00 %	5.75 %	**6.00 %**	6.00 %	5.75 %
Rate of compensation increase	**4.00**	4.13	4.16	**4.00**	4.50	4.50

Weighted-average assumptions used to determine net benefit cost for the years 2008, 2007 and 2006 were:

	Pension Benefits			Other Benefits		
	2008	2007	2006	**2008**	2007	2006
Discount rate	**6.00/7.00 %** (1)	5.75 %	5.50/5.75 % (2)	**6.00 %**	5.75 %	5.50
Expected return on plan assets	**8.50**	8.50	8.50	**8.50**	8.50	8.50
Rate of compensation increase	**4.13**	4.16	4.12	**4.50**	4.50	4.50

(1) The 2008 fiscal year SFAS 87 expense was re-measured on October 7, 2008 at 7.00 percent to recognize benefit improvements for hourly employees due to union negotiations.
(2) The 2006 fiscal year SFAS 87 expense was re-measured on September 12, 2006 at 5.75 percent to recognize benefit improvements for salaried participants.

Assumed health care cost trend rates at December 31 were:

	2008	2007	2006
Health care cost trend rate assumed for next year	**6.50 %**	7.00 %	7.50 %
Ultimate health care cost trend rate	**5.00**	5.00	5.00
Year that the ultimate rate is reached	**2012**	2012	2012

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A change of one percentage point in assumed health care cost trend rates would have the following effects:

	(In Millions)	
	Increase	Decrease
Effect on total of service and interest cost	$ 2.9	$ (2.3)
Effect on postretirement benefit obligation	32.1	(26.3)

Plan Assets

The returns and risks associated with alternative investment strategies in relation to the current and projected liabilities of the various pension and VEBA plans are reviewed regularly to determine appropriate asset allocation strategies for each plan.

Pension

The pension plan asset allocation at December 31, 2008, 2007, and 2006 and the target allocation for 2009 are as follows:

		Percentage of Plan Assets at December 31,		
Asset Category	2009 Target Allocation	2008	2007	2006
Equity securities	46.0 %	**43.2 %**	53.0 %	54.8 %
Debt securities	35.0	**36.3**	32.6	31.5
Real estate	4.0	**5.2**	4.2	3.9
Hedge funds	15.0	**15.2**	10.1	9.7
Cash	-	**0.1**	0.1	0.1
Total	100.0 %	**100.0 %**	100.0 %	100.0 %

	(In Millions) Assets at December 31,		
Asset Category	2008	2007	2006
Equity securities	**$ 197.2**	$ 315.8	$ 311.4
Debt securities	**165.4**	194.0	179.1
Real estate	**23.5**	25.3	22.4
Hedge funds	**69.2**	60.4	55.0
Cash	**0.7**	0.8	0.8
Total	**$ 456.0**	$ 596.3	$ 568.7

The expected return on plan assets represents the weighted average of expected returns for each asset category. Expected returns are determined based on historical performance, adjusted for current trends. The expected return is net of benefit plan expenses.

VEBA

Assets for other benefits include VEBA trusts pursuant to bargaining agreements that are available to fund retired employees' life insurance obligations and medical benefits. The other benefit plan asset allocation at December 31, 2008, 2007, and 2006 and target allocation for 2009 are as follows:

Asset Category	2009 Target Allocation	Percentage of Plan Assets at December 31, 2008	2007	2006
Equity securities	49.9 %	**48.4 %**	58.8 %	60.7 %
Debt securities	35.2	**36.6**	36.0	34.0
Hedge funds	14.9	**14.8**	5.0	5.1
Cash	-	**0.2**	0.2	0.2
Total	100.0 %	**100.0 %**	100.0 %	100.0 %

Asset Category	(In Millions) Assets at December 31, 2008	2007	2006
Equity securities	**$ 44.3**	$ 74.5	$ 69.8
Debt securities	**33.5**	45.6	39.1
Hedge funds	**13.6**	6.4	5.8
Cash	**0.2**	0.2	0.2
Total	**$ 91.6**	$ 126.7	$ 114.9

The expected return on plan assets represents the weighted average of expected returns for each asset category. Expected returns are determined based on historical performance, adjusted for current trends. The expected return is net of benefit plan expenses.

Annual contributions to the pension plans are made within income tax deductibility restrictions in accordance with statutory regulations. In the event of plan termination, the plan sponsors could be required to fund additional shutdown and early retirement obligations that are not included in the pension obligations.

	(In Millions)			
		Other Benefits		
Company Contributions	Pension Benefits	VEBA	Direct Payments	Total
2006	$ 40.7	$ 15.4	$ 15.0	$ 30.4
2007	32.5	5.2	17.8	23.0
2008	24.9	4.8	14.9	19.7
2009 (Expected)*	32.1	17.4	17.9	35.3

* Pursuant to the bargaining agreement, benefits can be paid from VEBA trusts that are at least 70 percent funded (no VEBA trusts are 70 percent funded at December 31, 2008).

VEBA plans are not subject to minimum regulatory funding requirements. Amounts contributed are pursuant to bargaining agreements.

Contributions by participants to the other benefit plans were $3.6 million, $3.3 million, and $2.9 million for years ended December 31, 2008, 2007, and 2006, respectively.

We are currently considering various options for the amount to be contributed to the pension plans during 2009. The amounts shown are subject to modification based upon finalization of our funding strategy.

Estimated Cost for 2009

For 2009, we estimate net periodic benefit cost as follows:

	(In Millions)
Defined benefit pension plans	$ 48.3
Defined contribution plans	7.5
Other postretirement benefits	23.2
Total	$ 79.0

Estimated Company Benefit Payments

	(In Millions)			
		Other Benefits		
	Pension Benefits	Gross Company Benefits	Less Medicare Subsidy	Net Company Payments
2009	$ 50.9	$ 19.1	$ 1.2	$ 17.9
2010	53.8	20.1	1.1	19.0
2011	53.0	21.2	1.1	20.1
2012	57.5	22.1	1.2	20.9
2013	55.1	22.6	1.3	21.3
2014-2018	296.4	124.0	8.1	115.9

Other Potential Benefit Obligations

While the foregoing reflects our obligation, our total exposure in the event of non-performance is potentially greater. Following is a summary comparison of the total obligation:

	(In Millions) December 31, 2008	
	Defined Benefit Pensions	Other Benefits
Fair value of plan assets	$ 456.0	$ 91.6
Benefit obligation	706.6	307.4
Underfunded status of plan	$ (250.6)	$ (215.8)
Additional shutdown and early retirement benefits	$ 62.1	$ 23.4

NOTE 10 – INCOME TAXES

Income from continuing operations before income taxes and minority interest includes the following components:

	(In Millions)		
	2008	2007	2006
United States	**$ 566.6**	$ 312.3	$ 304.9
Foreign	**149.7**	68.4	82.9
	$ 716.3	$ 380.7	$ 387.8

The components of the provision for income taxes on continuing operations consist of the following:

	(In Millions)		
	2008	2007	2006
Current provision:			
United States federal	**$ 151.4**	$ 67.7	$ 59.0
United States state & local	**3.7**	1.0	2.1
Foreign	**77.6**	48.5	34.6
	232.7	117.2	95.7
Deferred provision (benefit):			
United States federal	**(54.1)**	(12.7)	10.4
United States state & local	**(4.1)**	(2.9)	(0.5)
Foreign	**(30.3)**	(17.5)	(14.7)
	(88.5)	(33.1)	(4.8)
Total provision on continuing operations	**$ 144.2**	$ 84.1	$ 90.9

Reconciliation of our income tax attributable to continuing operations computed at the United States federal statutory rate is as follows:

	(In Millions)		
	2008	2007	2006
Tax at U.S. statutory rate of 35 percent	**$ 250.6**	$ 133.3	$ 135.7
Increase (decrease) due to:			
Percentage depletion in excess of cost depletion	**(101.1)**	(46.9)	(32.7)
Tax effect of foreign operations	**(6.5)**	(6.6)	(8.6)
State taxes, net	**(0.7)**	(2.4)	1.6
Manufacturer's deduction	**(6.9)**	(4.3)	(1.2)
Valuation allowance	**(0.8)**	13.0	-
Other items - net	**9.6**	(2.0)	(3.9)
Income tax expense	**$ 144.2**	$ 84.1	$ 90.9

The 2008 effective tax rate of 20.1 percent reflects benefits from deductions for percentage depletion in excess of cost depletion related to U.S. operations as well as benefits derived from operations outside of the U.S., which are taxed at rates lower than the U.S. statutory rate of 35 percent.

The components of income taxes for other than continuing operations consisted of the following:

	(In Millions)		
	2008	2007	2006
Discontinued operations	**$ -**	$ 0.2	$ 0.2
Other comprehensive (income) loss:			
Minimum pension/OPEB liability	**(99.8)**	20.1	9.7
Mark-to-market adjustments	**(1.4)**	7.1	6.9
	(101.2)	27.2	16.6
Cumulative effect of implementing SFAS 158	**-**	-	(60.4)
Paid in capital - stock based compensation	**(3.5)**	(4.3)	1.4

Significant components of our deferred tax assets and liabilities as of December 31, 2008, 2007 and 2006 are as follows:

	(In Millions)		
	2008	2007	2006
Deferred tax assets:			
Pensions	**$ 114.8**	$ 48.6	$ 62.7
Postretirement benefits other than pensions	**77.9**	38.5	41.9
Deferred revenue	**-**	-	23.2
Alternative minimum tax credit carryforwards	**67.6**	20.4	12.8
Capital loss carryforwards	**-**	13.2	11.9
Development	**15.1**	13.6	11.9
Asset retirement obligations	**22.8**	18.4	7.7
Operating loss carryforwards	**11.1**	13.4	2.2
Product inventories	**31.6**	10.6	-
Contingent purchase price	**-**	43.7	-
Properties	**39.4**	-	-
Financial Derivatives	**33.5**	-	-
Other liabilities	**75.5**	49.1	31.7
Total deferred tax assets before valuation allowance	**489.3**	269.5	206.0
Deferred tax asset valuation allowance	**17.6**	26.3	11.9
Net deferred tax assets	**471.7**	243.2	194.1
Deferred tax liabilities:			
Properties	**86.7**	257.0	135.2
Investment in ventures	**102.6**	99.4	20.5
FIN 48	**14.1**	0.2	-
Product inventories	**-**	-	12.9
Other assets	**32.6**	16.8	28.1
Total deferred tax liabilities	**236.0**	373.4	196.7
Net deferred tax assets (liabilities)	**$ 235.7**	$ (130.2)	$ (2.6)

The total net deferred tax liability of $130.2 at December 31, 2007 changed to a total net deferred tax asset of $235.7 at December 31, 2008. This change in balance is primarily attributable to the increase in deferred tax assets related to financial derivatives, pension and postretirement benefits, as well as the acquisition of the remaining minority shares of Portman during the quarter that provided for an adjustment to the historic tax basis of Portman's assets to approximate the price paid for the shares.

The deferred tax amounts are classified on the Statements of Consolidated Financial Position as current or long-term in accordance with the asset or liability to which they relate. Following is a summary:

	(In Millions)		
	2008	2007	2006
Deferred tax assets:			
United States			
Current	**$ 28.0**	$ 17.3	$ 9.4
Long-term	**178.2**	42.1	107.0
Total United States	**206.2**	59.4	116.4
Foreign			
Current	**23.8**	0.6	-
Long-term	**73.0**	-	-
Total deferred tax assets	**303.0**	60.0	116.4
Deferred tax liabilities:			
Foreign			
Current	**-**	2.6	2.0
Long-term	**67.3**	187.6	117.0
Total deferred tax liabilities	**67.3**	190.2	119.0
Net deferred tax assets (liabilities)	**$ 235.7**	$ (130.2)	$ (2.6)

At December 31, 2008, 2007, and 2006 we had $67.6 million, $20.4 million, and $12.8 million respectively, of deferred tax assets related to United States alternative minimum tax credits that can be carried forward indefinitely.

We had United States state and foreign net operating losses of $85.4 million and $38.9 million, respectively, at December 31, 2008. The state net operating losses will begin to expire in 2022, and the foreign net operating loss can be carried forward indefinitely. The tax benefit related to the foreign net operating loss carryforward is $11.1 million.

Gross deferred tax assets as of December 31, 2008, 2007, and 2006 have been reduced by $17.6 million, $26.3 million, and $11.9 million, respectively, to amounts that are considered more-likely-than-not to be realized. At December 31, 2008 our valuation allowance maintained against certain gross deferred tax assets decreased by $8.7 million, which primarily includes a provision of $17.6 million and a release of $26.3 million related to the utilization of Australian net operating losses and the write-off of the deferred tax asset related to Australian capital losses. Of the $26.3 million, $13.2 million was reflected through goodwill.

At December 31, 2008, cumulative undistributed earnings of foreign subsidiaries included in consolidated retained earnings amounted to $195.7 million. These earnings are indefinitely reinvested in international operations. Accordingly, no provision has been made for deferred taxes related to a future repatriation of these earnings, nor is it practicable to estimate the amount of income taxes that would have to be provided if we were to conclude that such earnings will be remitted in the foreseeable future.

On January 1, 2007, we adopted the provisions of FIN 48. FIN 48 prescribes a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken (or expected to be taken) in a tax return. This Interpretation also provides guidance on derecognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, accounting for income taxes in interim periods and income tax disclosures. The effects of applying this Interpretation resulted in a decrease of $7.7 million to retained earnings as of January 1, 2007.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	(In Millions)	
	2008	2007
Unrecognized tax benefits balance as of January 1	**$ 15.2**	$ 12.3
Increases for tax positions in prior years	**19.9**	2.9
Increases for tax positions in current year	**24.9**	-
Increase (decrease) due to foreign exchange	**(1.6)**	-
Settlements	**(4.7)**	-
Lapses in statutes of limitations	**-**	-
Unrecognized tax benefits balance as of December 31	**$ 53.7**	$ 15.2

At December 31, 2008 and 2007, we had $53.7 million and $15.2 million, respectively, of unrecognized tax benefits recorded in *Other liabilities* on the Statements of Consolidated Financial Position. If the $53.7 million were recognized, $50.7 million would impact the effective tax rate. It is reasonably possible that unrecognized tax benefits will significantly decrease within the next 12 months as a result of settlement of an audit. An estimate of the range of the possible change cannot be reasonably determined at this time. We recognized potential accrued interest and penalties of $5.8 million related to unrecognized tax benefits in income tax expense in 2008. At December 31, 2008 and 2007, we had $11.6 million and $11.0 million, respectively, of accrued interest related to the unrecognized tax benefits.

Tax years that remain subject to examination are years 2003 and forward for the United States, 1993 and forward for Canada, and 1994 and forward for Australia.

NOTE 11 – FAIR VALUE OF FINANCIAL INSTRUMENTS

We adopted the provisions of SFAS 157 as of January 1, 2008, with respect to financial instruments. We have deferred the adoption of SFAS 157 with respect to non-financial assets and liabilities in accordance with the provisions of FSP FAS 157-2. Items that are recognized or disclosed at fair value for which we have not applied the provisions of SFAS 157 include asset retirement obligations, guarantees and certain other items. No transition adjustment was necessary as of January 1, 2008 upon the adoption of SFAS 157. We have also applied the provisions of FSP FAS 157-3 in our assessment of the fair values of our financial assets and liabilities accounted for under SFAS 157.

The following represents the financial assets and liabilities of the Company measured at fair value on a recurring basis in accordance with SFAS 157 at December 31, 2008:

	(In Millions)			
Description	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Cash equivalents	$ 40.4	$ -	$ -	$ 40.4
Derivative assets	-	-	76.6	76.6
Marketable securities	10.9	0.3	-	11.2
Foreign exchange contracts	-	0.9	-	0.9
Total	$ 51.3	$ 1.2	$ 76.6	$ 129.1
Liabilities:				
Interest rate swap	$ -	$ 2.6	$ -	$ 2.6
Foreign exchange contracts	-	111.8	-	111.8
Derivative liabilities	-	-	114.2	114.2
Total	$ -	$ 114.4	$ 114.2	$ 228.6

Financial assets classified in Level 1 at December 31, 2008 include money market funds and available-for-sale marketable securities. The valuation of these instruments is determined using a market approach, taking into account current interest rates, creditworthiness, and liquidity risks in relation to current market conditions, and is based upon unadjusted quoted prices for identical assets in active markets.

The valuation of financial assets and liabilities classified in Level 2 is determined using a market approach based upon quoted prices for similar assets and liabilities in active markets, or other inputs that are observable for substantially the full term of the financial instrument. Level 2 securities primarily include derivative financial instruments valued using financial models that use as their basis readily observable market parameters. At December 31, 2008, such derivative financial instruments include substantially all of our foreign exchange hedge contracts and interest rate exchange agreements. The fair value of the interest rate swap and foreign exchange hedge contracts is based on a forward LIBOR curve and forward market prices, respectively, and represents the estimated amount we would receive or pay to terminate these agreements at the reporting date, taking into account current interest rates, creditworthiness, nonperformance risk, and liquidity risks associated with current market conditions.

The derivative financial asset classified within Level 3 is an embedded derivative instrument included in certain supply agreements with one of our customers. The agreements include provisions for supplemental revenue or refunds based on the customer's annual steel pricing at the time the product is consumed in the customer's blast furnaces. We account for this provision as a derivative instrument at the time of sale and record this provision at fair value, based on an income approach when the product is consumed and the amounts are settled, as an adjustment to revenue. The fair value of the instrument is determined based on a future price of the average hot rolled steel price at certain steelmaking facilities and other inflationary indices, and takes into consideration current market conditions and nonperformance risk.

The derivative financial liabilities classified within Level 3 are comprised of two instruments. One of the instruments is a derivative included in the purchase agreement for the acquisition of the remaining 30 percent interest in United Taconite. The agreement contains a penalty provision in the event the 1.2 million tons of pellets, included as part of the purchase consideration, are not delivered by a specified date. The derivative instrument associated with the undelivered pellets is based on the future Eastern Canadian pellet price. The instrument is marked to fair value each reporting period, using a market approach, until the pellets are delivered and the amounts are settled. The fair value of the instrument is determined based on the remaining amount of tons to be delivered, the percentage of estimated iron units and the current Eastern Canadian pellet price per iron unit, and also takes into consideration current market conditions and other risks, including nonperformance risk.

Level 3 derivative liabilities also include freestanding derivatives related to certain supply agreements primarily with our Asia Pacific customers that provide for discounts on December 2008 shipments based on the ultimate settlement of the 2009 international benchmark pricing provisions. The discount provisions are characterized as freestanding derivatives and are required to be accounted for separately once the iron ore is shipped. The derivative instrument, which is settled and billed once the 2009 international benchmark price is settled, is marked to fair value as a revenue adjustment each reporting period based upon the estimated forward settlement until the benchmark is actually settled. The fair value of the instrument is determined based on the forward price expectation of the 2009 annual international benchmark price and takes into account current market conditions and other risks, including nonperformance risk.

Substantially all of the financial assets and liabilities are carried at fair value or contracted amounts that approximate fair value. We had no financial assets and liabilities measured at fair value on a non-recurring basis in accordance with SFAS 157 at December 31, 2008.

The following represents a reconciliation of the changes in fair value of financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended December 31, 2008:

	(In Millions)	
	December 31, 2008	
	Derivative Assets	Derivative Liabilities
Beginning balance - January 1, 2008	$ 53.8	$ -
Total gains (losses)		
Included in earnings	386.0	(50.6)
Included in other comprehensive income	-	-
Settlements	(363.2)	(24.2)
Transfers in (out) of Level 3	-	189.0
Ending balance - December 31, 2008	$ 76.6	$ 114.2
Total gains (losses) for the period included in earnings attributable to the change in unrealized gains or losses on assets and liabilities still held at December 31, 2008	$ 225.5	$ (50.6)

Gains included in earnings are reported in *Product revenue* on the Statement of Consolidated Operations for the year ended December 31, 2008.

With respect to changes in Level 3 financial instruments, transfers in during 2008 included the derivative instrument included in the purchase agreement for the acquisition of the remaining 30 percent interest in United Taconite and the discount pricing provisions on December 2008 shipments related to certain supply agreements with our Asia Pacific Iron Ore customers. In addition, we had freestanding derivatives related to certain supply agreements primarily with our Asia Pacific customers that provide for revenue or refunds based on the ultimate settlement of annual international benchmark pricing provisions. The pricing provisions are characterized as freestanding derivatives and are required to be accounted for separately once iron ore is shipped. The derivative instrument, which is settled and billed once the annual international benchmark price is settled, is marked to fair value as a revenue adjustment each reporting period based upon the estimated forward settlement until the benchmark is actually settled. The fair value of the instrument is determined based on the forward price expectation of the annual international benchmark price. We recognized $160.6 million as *Product revenues* on the Statement of Consolidated Operations for the year ended December 31, 2008, related to the 2008 pricing provisions. The derivative instrument was settled during the second quarter of 2008 upon settlement of annual international benchmark prices, and is therefore not reflected on the Statement of Consolidated Financial Position at December 31, 2008.

The carrying amount and fair value of our long-term receivables and long-term debt at December 31, 2008, 2007 and 2006 were as follows:

	(In Millions)					
	2008		2007		2006	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term receivables [1]	**$ 43.4**	**$ 46.3**	$ 50.0	$ 61.4	$ 55.7	$ 68.4
Long-term debt:						
Senior notes	**$ 325.0**	**$ 277.9**	$ -	$ -	$ -	$ -
Term loan	**200.0**	**200.0**	200.0	200.0	-	-
Revolving loan	**-**	**-**	240.0	240.0	-	-
Customer borrowings	**5.4**	**5.2**	6.2	5.7	6.9	6.6
Total long-term debt	**$ 530.4**	**$ 483.1**	$ 446.2	$ 445.7	$ 6.9	$ 6.6

(1) Includes current portion.

The fair value of the long-term receivable from ArcelorMittal USA of $46.1 million, $60.9 million and $68.4 million at December 31, 2008, 2007, and 2006, respectively, is based on a discount rate of 10 percent, which represents the estimated credit-adjusted risk-free interest rate at December 31, 2008 for the

period the receivable is outstanding. Asia Pacific Iron Ore has a non-interest bearing rail credit receivable of $0.2 million, $0.5 million and $0.8 million at December 31, 2008, 2007, and 2006, respectively.

The fair value of long-term debt was determined using quoted market prices or discounted cash flows based upon current borrowing rates. The term loan and revolving loan are variable rate interest and approximate fair value. See NOTE 5 –DEBT AND CREDIT FACILITIES.

NOTE 12 – STOCK COMPENSATION PLANS

Nonemployee Directors

The Directors' Plan was amended in 2001 to authorize us to issue up to 800,000 common shares to Nonemployee Directors. The Directors' Plan provides for Director Share Ownership Guidelines ("Guidelines"). A Director is required by the end of a four-year period to own either (i) a total of at least 8,000 common shares, or (ii) hold common shares with a market value of at least $100,000. If the Nonemployee Director does not meet the Guidelines assessed December 1, annually, the Nonemployee Director must take a portion of the annual retainer in common shares ("Required Retainer") until such time the Nonemployee Director reaches the Guidelines. Once the Nonemployee Director meets the Guidelines, the Nonemployee Director may elect to receive the Required Retainer in cash. Prior to May 1, 2008, Nonemployee Directors not meeting the Guidelines had to take $15,000 of the annual retainer of $32,500 in common shares. Effective May 1, 2008, Nonemployee Directors not meeting the Guidelines must take $20,000 of the annual retainer of $50,000 in common shares.

In order to help Nonemployee Directors achieve their Guidelines, the Directors' Plan also provides for an Annual Equity Grant ("Equity Grant"). The Equity Grant is awarded at our Annual Meeting each year to all Nonemployee Directors elected or re-elected by the shareholders. The value of the Equity Grant is payable in restricted shares with a three-year vesting period from the date of grant. The closing market price of our common shares on our Annual Meeting Date is divided into the Equity Grant to determine the number of restricted shares awarded. Prior to May 1, 2008, Nonemployee Directors received an annual retainer fee of $32,500 and an annual equity award of $32,500. Effective May 1, 2008, the annual retainer fee and annual equity awards for independent directors were increased to $50,000 and $75,000, respectively. A Director may elect to defer the Equity Grant into the Nonemployee Directors' Deferred Compensation Plan ("Compensation Plan"). A Director who is 69 or older at the Equity Grant date will receive common shares with no restrictions.

For the last three years, restricted Equity Grant shares have been awarded to elected or re-elected Directors as follows:

Date of Grant	Restricted Equity Grant Shares	Deferred Equity Grant Shares
May 8, 2006	9,156	1,308
July 27, 2007	7,488	936
May 13, 2008	4,824	804

The Directors' Plan offers the Nonemployee Director the opportunity to defer all or a portion of the Annual Directors' Retainer fees, Chair retainers, meeting fees, and the Equity Grant into the Compensation Plan.

Employees' Plans

On July 27, 2007, shareholders of the Company adopted the 2007 ICE Plan, resulting in the discontinuation of the previous 1992 ICE Plan, as amended in 1999 effective as of March 13, 2007 and will expire on March 13, 2013. The 2007 ICE Plan authorizes up to 4,000,000 of our common shares to be issued as stock options, SAR's, restricted shares, restricted share units, retention units, deferred shares, and performance shares or performance units. Any of the foregoing awards may be made subject to attainment of performance goals over a performance period of one or more years. Each stock option and

SAR will reduce the common shares available under the 2007 ICE Plan by one common share. Each other award will reduce the common shares available under the 2007 ICE Plan by two common shares. No participant in any fiscal year can be granted in the aggregate of a number of Shares having a Fair Market Value on the Date of Grant equal to more than $5 million. The performance shares are intended to meet the requirements of Internal Revenue code section 162(m) for deduction while the retention units are not.

The adoption of the 2007 ICE Plan also resulted in the discontinuation of other various incentive and long-term compensation programs maintained under the 1992 ICE Plan. All outstanding grants made under the 1992 ICE Plan prior to July 27, 2007 continue in effect in accordance with their terms of the existing incentive plans until vested or expired.

We issued the following amounts of restricted stock and restricted stock units with a three-year vesting period during the last three years out of the respective plans as follows:

Year of Grant	1992 ICE Plan	2007 ICE Plan
2006	313,364	-
2007	10,000	145,500
2008	-	56,670

There were no options issued in 2008, 2007 or 2006.

We recorded other stock-based compensation expense of $22.5 million in 2008, $12.4 million in 2007, and $10.3 million in 2006, primarily in *Selling, general and administrative expenses* on the Statements of Consolidated Operations.

Our other stock-based compensation expense is comprised of performance shares, including retention units, and restricted stock. Following is a summary of our Performance Share Award Agreements currently outstanding:

Performance Share Plan Year	Performance Shares Outstanding	Forfeitures (1)	Grant Date	Performance Period
2008	143,532	15,948	March 10, 2008	1/1/2008-12/31/2010
2008	350	-	August 29, 2008	1/1/2008 - 12/31/2010
2007	3,740	-	October 1, 2007	1/1/2007-12/31/2009
2007	215,112	53,778	July 27, 2007	1/1/2007-12/31/2009
2006	13,600	-	December 11, 2006	1/1/2006-12/31/2008
2006	28,220	-	September 1, 2006	1/1/2006-12/31/2008
2006	136,627	49,333	May 8, 2006	1/1/2006-12/31/2008
2006	21,492	173	September 1, 2006	1/1/2006-12/31/2008

(1) The 2008, 2007 and 2006 Plans are based on assumed forfeitures.

On March 10, 2008, the Compensation and Organization Committee ("Committee") of the Board of Directors approved a grant under our shareholder approved 2007 ICE Plan for the performance period 2008-2010. The grant consisted of 75 percent in performance shares and 25 percent in restricted share units. The grant included a total of 216,000 performance shares and restricted share units.

For all three outstanding plan year agreements, each performance share, if earned, entitles the holder to receive a number of common shares within the range between a threshold and maximum number of shares, with the actual number of common shares earned dependent upon whether the Company achieves certain objectives and performance goals as established by the Committee. The restricted share units are subject to continued employment, are retention based, will vest at the end of the performance period for the performance shares, and are payable in shares at a time determined by the Committee in its discretion. The performance shares granted under the ICE Plan vest over a period of three years and measure performance on the basis of two factors, 1) relative TSR for the period, as measured against a

predetermined peer group of mining and metals companies, and 2) three-year cumulative free cash flow. For the 2008, 2007 and 2006 plan year agreements, the TSR calculated payout may be reduced by up to 50 percent in the event that the Company's pre-tax RONA for the incentive period falls below 12 percent. The final payout for all three plan year agreements vary from zero to 150 percent of the performance shares awarded.

Upon the occurrence of a change in control, all performance shares and restricted share units granted to a participant will vest and become nonforfeitable and will be paid out in cash.

2006, 2007 and 2008 Performance Share Modifications

On May 12, 2008, the Committee of the Board of Directors approved two changes to the calculations used to determine the final payouts under the performance shares granted in 2006 (for the 2006-2008 performance period) and 2007 (for the 2007-2009 performance period) under our 1992 ICE Plan (as Amended and Restated as of May 13, 1997) and our 2007 ICE Plan, respectively.

The first change approved by the Committee relates to the calculation of TSR relative to the companies in our peer group. Under the plan modification, if any of the companies in the peer group are removed because the company has ceased to be publicly traded or has experienced a major restructuring by reason of a Chapter 11 filing or a spin-off of more than 50 percent of any such company's assets, the calculation will be based upon the greater of (1) TSR based only on the remaining companies in the original peer group or (2) TSR based on the remaining companies in the original peer group plus the addition of the Standard & Poor's Metals and Minerals Exchange Traded Fund.

The second change approved by the Committee is in relation to the 2006 performance share plan year and relates to the method of evaluating performance during the applicable period. The Committee had previously adopted a new methodology under the 2007 ICE Plan for the calculation of TSR based on the Cumulative Method (where the calculation of TSR is based on the cumulative TSR between the start and the end of the performance period). Prior to this change, TSR was based on the Quarterly Method (where the calculation of TSR is based on a cumulative quarter-by-quarter basis), which effectively weighted the early quarters in the period more heavily than later quarters. Executive officers were given a choice as to which of these methods would apply to their grants of Performance Shares made in 2005 (for the 2005-2007 performance period) and 2006 (for the 2006-2008 performance period). On May 12, 2008, the Committee determined that payouts with respect to the 2006-2008 performance period would be based on the Cumulative Method unless the payout would be greater under the Quarterly Method, in which case the Quarterly Method would be used for those payouts. As a result of these modifications, we recorded additional stock-based compensation expense of $9.5 million in *Selling, general and administrative expenses* on the Statement of Consolidated Operations for the year ended December 31, 2008.

On August 11, 2008, the Committee of the Board of Directors approved an amendment to our 2007 ICE Plan. The amendment was adopted to amend the definition of a "Change in Control" in the plan to ensure that performance shares and retention units awarded in 2007 and 2008, under the plan, will not be earned as a result of the consummation of a merger or similar transaction. The amendment was made because the Committee was of the view that, at the time that it approved the plan in 2007, it did not intend for awards under the plan to become earned in connection with transactions such as a merger. This modification did not result in any significant changes to the valuation of the awards granted under the plan.

Impact of the Adoption of SFAS 123(R)

We adopted the fair value recognition provisions of SFAS 123(R) effective January 1, 2006 using the modified prospective transition method. Under existing restricted stock plans awarded prior to January 1, 2006, we continue to recognize compensation cost for awards to retiree-eligible employees without substantive forfeiture risk over the nominal vesting period. This recognition method differs from the requirements for immediate recognition for awards granted with similar provisions after the January 1, 2006 adoption of SFAS 123(R). The following table summarizes the share-based compensation expense that we recorded for continuing operations in accordance with SFAS 123(R) for 2008, 2007 and 2006:

	(In Millions, except EPS)		
	2008	2007	2006
Cost of goods sold	**$ 2.1**	$ 0.4	$ 0.6
Selling, general and administrative expense	**20.4**	12.0	9.7
Reduction of operating income from continuing operations before income taxes and minority interest	**22.5**	12.4	10.3
Income tax benefit	**(7.9)**	(4.3)	(3.6)
Reduction of net income	**$ 14.6**	$ 8.1	$ 6.7
Reduction of earnings per share:			
Basic	**$ 0.14**	$ 0.10	$ 0.08
Diluted	**$ 0.13**	$ 0.08	$ 0.06

Prior to the adoption of SFAS 123(R), we presented all tax benefits for actual deductions in excess of compensation expense as operating cash flows on our Statements of Consolidated Cash Flows. SFAS 123(R) requires the cash flows resulting from the tax benefits for tax deductions in excess of the compensation expense to be classified as financing cash flows. Accordingly, we classified $3.5 million, $4.3 million and $1.2 million in excess tax benefits as cash from financing activities rather than cash from operating activities on our Statements of Consolidated Cash Flows for the years ended December 31, 2008, 2007 and 2006, respectively.

Determination of Fair Value

The fair value of each grant is estimated on the date of grant using a Monte Carlo simulation to forecast relative TSR performance. Consistent with the guidelines of SFAS 123(R), a correlation matrix of historic and projected stock prices was developed for both the Company and its predetermined peer group of mining and metals companies. The fair value assumes that performance goals will be achieved. If such goals are not met, no compensation cost is recognized and any recognized compensation cost is reversed.

The expected term of the grant represents the time from the grant date to the end of the service period for each of the three plan year agreements. We estimated the volatility of our common stock and that of the peer group of mining and metals companies using daily price intervals for all companies. The risk-free interest rate is the rate at the grant date on zero-coupon government bonds, with a term commensurate with the remaining life of the performance plans.

The following assumptions were utilized to estimate the fair value for the 2008 grant and 2007 and 2006 plan year modifications:

Plan Year	Grant/Modification Date	Grant/Modification Date Market Price[1]	Average Expected Term (Years)	Expected Volatility	Risk-Free Interest Rate	Dividend Yield	Fair Value (Percent of Grant/Modification Date Market Price)
2008	March 10, 2008	$ 52.59	2.81	43.8%	1.93%	0.62%	58.23%
2007	May 12, 2008	90.28	1.64	45.8%	2.22%	0.39%	143.70%
2006	May 12, 2008	90.28	0.64	53.8%	1.86%	0.39%	143.95%

(1) Adjusted to reflect 2:1 stock split that occurred on May 15, 2008.

The table below illustrates the change in the fair value as a result of the 2006 and 2007 plan year modifications:

Plan Year	Pre-modification Calculation Method [1]	Pre-modification Fair Value	Change in Fair Value	Revised Fair Value
2006	Cumulative	$ 122.55	$ 7.18	$ 129.73
2006	Quarterly	30.45	99.28	129.73
2007	Cumulative	128.71	1.25	129.96

[1] As a result of the choice given to executive officers between the Cumulative and Quarterly methods under the 2006 plan, the pre-modification fair value for this plan is presented separately for each election. This was not an option under the 2007 plan, and therefore, a single pre-modification fair value is presented.

Stock option, restricted stock, deferred stock allocation and performance share activity under our Incentive Equity Plans and Nonemployee Directors' Compensation Plans are as follows:

	2008		**2007**		**2006**	
	Shares	**Weighted-Average Exercise Price**	**Shares**	**Weighted-Average Exercise Price**	**Shares**	**Weighted-Average Exercise Price**
Stock options (1):						
Options outstanding at beginning of year	**11,800**	**$ 5.42**	23,600	$ 5.04	108,536	$ 7.35
Granted during the year	**-**		-		-	
Exercised	**(9,300)**	**6.47**	(11,800)	4.66	(84,936)	7.99
Cancelled or expired	**-**		-		-	
Options outstanding at end of year	**2,500**	**5.42**	11,800	5.42	23,600	5.04
Options exercisable at end of year	**2,500**	**5.42**	11,800	5.42	23,600	5.04
Restricted awards:						
Awarded and restricted at beginning of year	**514,714**		649,324		386,360	
Awarded during the year	**62,672**		164,692		324,416	
Vested	**(261,702)**		(299,302)		(61,452)	
Cancelled	**-**		-		-	
Awarded and restricted at end of year	**315,684**		514,714		649,324	
Performance shares:						
Allocated at beginning of year	**723,544**		861,672		1,644,236	
Allocated during the year	**194,881**		390,888		236,160	
Issued	**(236,520)**		(529,016)		(405,036)	
Forfeited/cancelled	**(87,790)**		-		(613,688)	
Allocated at end of year	**594,115**		723,544		861,672	
Vested or expected to vest at December 31, 2008	**562,673**					
Directors' retainer and voluntary shares:						
Awarded at beginning of year	**1,100**		1,100		3,712	
Awarded during the year	**2,772**		-		2,164	
Issued	**(1,689)**		-		(4,776)	
Awarded at end of year	**2,183**		1,100		1,100	
Reserved for future grants or awards at end of year:						
Employee plans	**5,663,472**		1,842,306		2,668,592	
Directors' plans	**151,263**		158,572		173,548	
Total	**5,814,735**		2,000,878		2,842,140	

(1) The remaining stock options are from the January 12, 1999 grant pool and have an expiration date of January 12, 2009.

The intrinsic value of options exercised during 2008, 2007 and 2006 was $0.5 million, $0.1 million and $0.7 million, respectively.

A summary of our non-vested shares as of December 31, 2008 is shown below:

	Shares	Weighted Average Grant Date Fair Value
Nonvested, beginning of year	1,239,358	$ 23.53
Granted	225,274	37.99
Vested	(464,860)	22.08
Forfeited/expired	(87,790)	46.43
Nonvested, end of year	911,982	$ 27.37

The total compensation cost related to non-vested awards not yet recognized is $15.7 million at December 31, 2008. The weighted average remaining period for the awards outstanding at December 31, 2008 is approximately two years.

NOTE 13 – CAPITAL STOCK

Shareholder Rights Plan

On October 8, 2008, our Board of Directors adopted a shareholder rights plan and declared a dividend of one common share purchase right for each outstanding common share. The dividend was paid to shareholders of record on October 29, 2008.

Under the rights plan, the rights initially trade together with the common shares and are not exercisable. In the absence of further action by our Board of Directors, the rights will become exercisable and allow the holder to acquire common shares at a discounted price if a person or group acquires 10 percent or more of the outstanding common shares (or any additional common shares in the case of a person or group that already beneficially owns 10 percent or more of our outstanding common shares on October 13, 2008) without the prior approval of our Board of Directors. Rights held by persons who exceed the applicable threshold will be void. Under certain circumstances, the rights will entitle the holder to buy shares in an acquiring entity at a discounted price.

The rights plan also includes an exchange option. In general, after the rights become exercisable, our Board of Directors may, at its option, effect an exchange of part or all of the rights (other than rights that have become void) at a ratio of one common share for each right, subject to adjustment in certain circumstances. The rights are redeemable at any time prior to the time that they become exercisable for $0.001 per right, subject to adjustment in certain circumstances. Unless earlier amended, redeemed or exchanged, the rights will expire on October 29, 2011.

The issuance of the rights was not a taxable event, does not affect our reported financial condition or results of operations, including our earnings per share, and does not change the manner in which our common shares are currently traded.

Common Stock

On March 11, 2008, a two-for-one stock split of our common shares was declared. As a result, each shareholder of record received one additional share of our common stock for every share held. The new shares were distributed on May 15, 2008. Pursuant to the effectuation of the stock split, the par value of our common stock was adjusted from $0.25 per share to $0.125 per share, and the number of authorized common shares was increased accordingly from 112 million to 224 million shares. As a result of the stock split, the preferred stock conversion rate was also adjusted from 66.1881 to 133.0646. All common shares

and per share amounts reported herein have been adjusted retroactively to reflect the two-for-one stock split effective May 15, 2008.

Preferred Stock

In January 2004, we completed an offering of $172.5 million of redeemable cumulative convertible perpetual preferred stock, without par value, issued at $1,000 per share. The preferred stock pays quarterly cash dividends at a rate of 3.25 percent per annum, has a liquidation preference of $1,000 per share and is convertible into our common shares at an adjusted rate of 133.0646 common shares per share of preferred stock, which is equivalent to an adjusted conversion price of $7.52 per share at December 31, 2008, subject to further adjustment in certain circumstances. Each share of preferred stock may be converted by the holder if during any quarter ending after March 31, 2004 the closing sale price of our common stock for at least 20 trading days in a period of 30 consecutive trading days ending on the last trading day of the preceding quarter exceeds 110 percent of the applicable conversion price on such trading day ($8.27 at December 31, 2008; this threshold was met as of December 31, 2008).

Accordingly, on February 14, 2006, we deregistered 92,655 shares of Preferred Stock, $172.5 million in aggregate principal amount of debentures and approximately 11.2 million common shares that have not been resold. The preferred stock is classified for accounting purposes as “temporary equity” reflecting certain provisions of the agreement that could, under remote circumstances (the delisting of our common stock on a U.S. national securities exchange or quotation thereof in an inter-dealer quotation system of any registered U.S. national securities association), require us to redeem the preferred stock for cash. If we are in a default in the payment of six quarterly dividends on the preferred stock, the holders of the preferred stock will thereafter be entitled to elect two directors until all accrued and unpaid dividends are paid.

During 2008, 134,510 preferred shares were converted at a conversion rate of 133.0646 to 17,898,519 common shares, reducing our preferred stock outstanding to 205 shares at December 31, 2008. The following is a summary of the activity of the preferred stock during 2008, 2007, and 2006:

	2008	2007	2006
Number of preferred shares at beginning of the period	**134,715**	172,300	172,500
Number of preferred shares converted	**134,510**	37,585	200
Number of preferred shares at end of the period	**205**	134,715	172,300
Redemption value at end of the period (in millions)	**$ 0.7**	$ 898.8	$ 546.7
Number of common shares issued from Treasury upon conversion	**17,898,519**	4,975,296	26,132

Refer to NOTE 19 – SUBSEQUENT EVENTS for further information.

NOTE 14 – ACCUMULATED OTHER COMPREHENSIVE LOSS

The components of *Accumulated other comprehensive loss* and related tax effects allocated to each are shown below as of December 31, 2008, 2007 and 2006:

	(In Millions)		
	Pre-tax Amount	Tax Benefit (Provision)	After-tax Amount
As of December 31, 2006:			
Minimum postretirement benefit liability	$ (80.3)	$ (2.6)	$ (82.9)
Foreign currency translation adjustments	9.6	-	9.6
Unrealized gain on derivative financial instruments	6.4	(1.9)	4.5
Unrealized gain on securities	14.7	(5.1)	9.6
Cumulative effect of implementing SFAS 158	(171.1)	60.4	(110.7)
	$ (220.7)	$ 50.8	$ (169.9)
As of December 31, 2007:			
Postretirement benefit liability	$ (192.5)	$ 37.7	$ (154.8)
Foreign currency translation adjustments	96.5	-	96.5
Unrealized net gain on derivative financial instruments	26.7	(8.0)	18.7
Unrealized loss on interest rate swap	(1.4)	0.5	(0.9)
Unrealized gain on securities	15.7	(5.5)	10.2
	$ (55.0)	$ 24.7	$ (30.3)
As of December 31, 2008:			
Postretirement benefit liability	**$ (480.8)**	**$ 137.5**	**$ (343.3)**
Foreign currency translation adjustments	**(68.6)**	**-**	**(68.6)**
Unrealized net gain on derivative financial instruments	**27.3**	**(8.2)**	**19.1**
Unrealized loss on interest rate swap	**(2.6)**	**0.9**	**(1.7)**
Unrealized loss on securities	**(0.2)**	**0.1**	**(0.1)**
	$ (524.9)	**$ 130.3**	**$ (394.6)**

The following table reflects the changes in *Accumulated other comprehensive loss* for 2008, 2007 and 2006:

	(In Millions)						
	Postretirement Benefit Liability	Adoption of SFAS No. 158	Unrealized Net Gain (Loss) on Securities	Foreign Currency Translation	Unrealized (Loss) on Interest Rate Swap	Unrealized Net Gain (Loss) on Derivative Financial Instruments	Accumulated Other Comprehensive Gain (Loss)
Balance December 31, 2005	$ (100.8)	$ -	$ 1.7	$ (24.7)	$ -	$ (1.8)	$ (125.6)
Change during 2006	17.9	(110.7)	7.9	34.3	-	6.3	(44.3)
Balance December 31, 2006	(82.9)	(110.7)	9.6	9.6	-	4.5	(169.9)
Change during 2007	**(71.9)**	**110.7**	**0.6**	**86.9**	**(0.9)**	**14.2**	**139.6**
Balance December 31, 2007	**(154.8)**	**-**	**10.2**	**96.5**	**(0.9)**	**18.7**	**(30.3)**
Change during 2008	**(188.5)**	**-**	**(10.3)**	**(165.1)**	**(0.8)**	**0.4**	**(364.3)**
Balance December 31, 2008	**$ (343.3)**	**$ -**	**$ (0.1)**	**$ (68.6)**	**$ (1.7)**	**$ 19.1**	**$ (394.6)**

NOTE 15 – EARNINGS PER SHARE

The following table summarizes the computation of basic and diluted earnings per share:

	(In Millions, Except per Share)					
	2008		2007		2006	
	Amount	**Per Share**	Amount	Per Share	Amount	Per Share
Income from continuing operations	**$ 515.8**	**$ 5.08**	$ 269.8	$ 3.25	$ 279.8	$ 3.33
Preferred dividend	**(1.1)**	**(.01)**	(5.2)	(.06)	(5.6)	(.07)
Income from continuing operations applicable to common shares	**514.7**	**5.07**	264.6	3.19	274.2	3.26
Discontinued operations	**-**	**-**	0.2	-	0.3	-
Income applicable to common shares - basic	**514.7**	**$ 5.07**	264.8	$ 3.19	274.5	$ 3.26
Dilutive effect preferred dividend	**1.1**		5.2		5.6	
Income applicable to common shares plus assumed conversions - diluted	**$ 515.8**	**$ 4.76**	$ 270.0	$ 2.57	$ 280.1	$ 2.60
Average number of shares (in thousands)						
Basic	**101,471**		82,988		84,144	
Employee stock plans	**1,485**		528		962	
Convertible preferred stock	**5,332**		21,510		22,548	
Diluted	**108,288**		105,026		107,654	

NOTE 16 – COMMITMENTS AND CONTINGENCIES

Purchase Commitments

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. As of December 31, 2008, capital expenditures related to this purchase were approximately $11.7 million. Remaining expenditures of approximately $27 million will be made throughout 2009, based on the percentage of project completion. The project is expected to be completed by the end of the first quarter in 2010.

In July 2008, we incurred an additional capital commitment for the purchase of a new longwall plow system for our Pinnacle mine in West Virginia. The system, which requires a capital investment of approximately $84.4 million, will replace the current longwall plow system in an effort to reduce maintenance costs and increase production at the mine. As of December 31, 2008, capital expenditures related to this purchase were $29.6 million. Remaining expenditures of $53.8 million and $1.0 million will be made in 2009 and 2010, respectively, with the equipment expected to be delivered in 2009.

Contingencies

Litigation

We are currently a party to various claims and legal proceedings incidental to our operations. If management believes that a loss arising from these matters is probable and can reasonably be estimated, we record the amount of the loss, or the minimum estimated liability when the loss is estimated using a range, and no point within the range is more probable than another. As additional information becomes available, any potential liability related to these matters is assessed and the estimates are revised, if necessary. Based on currently available information, management believes that the ultimate outcome of these matters, individually and in the aggregate, will not have a material adverse effect on our financial position or overall trends in results of operations. However, litigation is subject to inherent uncertainties, and unfavorable rulings could occur. An unfavorable ruling could include monetary damages or an injunction prohibiting us from selling our products. If an unfavorable ruling were to occur, there exists the possibility of a material adverse impact on the financial position and results of operations of the period in which the ruling occurs, or future periods. However, we believe that any pending litigation will not result in a material liability in relation to our consolidated financial statements. Refer to Part 1 – Item 3, *Legal Proceedings*, for additional information.

Environmental Matters

We had environmental liabilities of $16.4 million, $12.3 million, and $13.0 million at December 31, 2008, 2007, and 2006, respectively, including obligations for known environmental remediation exposures at active and closed mining operations and other sites. These amounts have been recognized based on the estimated cost of investigation and remediation at each site, and include site studies, design and implementation of remediation plans, legal and consulting fees, and post-remediation monitoring and related activities. If the cost can only be estimated as a range of possible amounts with no specific amount being more likely, the minimum of the range is accrued in accordance with SFAS 5. Future expenditures are not discounted unless the amount and timing of the cash disbursements are readily known. Potential insurance recoveries have not been reflected. Additional environmental obligations could be incurred, the extent of which cannot be assessed. The amount of our ultimate liability with respect to these matters may be affected by several uncertainties, primarily the ultimate cost of required remediation and the extent to which other responsible parties contribute. Refer to NOTE 7 – ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS for further information.

Tax Matters

The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax regulations. We recognize liabilities for anticipated tax audit issues based on our estimate of whether, and the extent to which, additional taxes will be due. If we ultimately determine that payment of these amounts is unnecessary, we reverse the liability and recognize a tax benefit during the period in which we determine that the liability is no longer necessary. We also recognize tax benefits to the extent that it is more likely than not that our positions will be sustained when challenged by the taxing authorities. To the extent we prevail in matters for which liabilities have been established, or are required to pay amounts in excess of our liabilities, our effective tax rate in a given period could be materially affected. An unfavorable tax settlement would require use of our cash and result in an increase in our effective tax rate in the year of resolution. A favorable tax settlement would be recognized as a reduction in our effective tax rate in the year of resolution.

Guarantees

We are party to financing arrangements under which we issue guarantees on behalf of certain of our unconsolidated subsidiaries. In the event of non-payment, we are obligated to make payment in accordance with the provisions of the guarantee arrangement. At December 31, 2008 and 2007, Amapá had total project debt outstanding of approximately $493 million and $419 million, respectively, for which we have provided a several guarantee on our 30 percent share. Amapá and its lenders have agreed to suspend all operating and financial loan covenants with the exception of debt to equity ratio requirements through June 30, 2009. At December 31, 2008, Amapá had total short-term loans outstanding of $210.3 million for which we provided a several guarantee on our share. We have provided several guarantees on our 30 percent share of the total debt outstanding, or $148 million and $101 million, at December 31, 2008 and 2007, respectively. Our estimate of the aggregate fair value of the outstanding guarantees is $6.7 million as of December 31, 2008, which is reflected in *Other Liabilities* on the Statements of Consolidated Financial Position. The fair value was estimated using a discounted cash flow model based upon the spread between guaranteed and non-guaranteed debt over the period the debt is expected to be outstanding. Should we be required to pay any portion of the total amount of the loans we have guaranteed, we could attempt to recover some or all of that amount from guaranteed parties. We hold no collateral in respect of the guarantees.

NOTE 17 – CASH FLOW INFORMATION

A reconciliation of capital additions to cash paid for capital expenditures for the years ended December 31, 2008, 2007 and 2006 is as follows:

	(In Millions)		
	2008	2007	2006
Capital additions	**$ 232.6**	$ 235.1	$ 112.5
Cash paid for capital expenditures	**182.5**	199.5	119.5
Difference	**$ 50.1**	$ 35.6	$ (7.0)
Non-cash accruals	**$ 25.7**	$ 4.7	$ (7.0)
Capital leases	**24.4**	30.9	-
Total	**$ 50.1**	$ 35.6	$ (7.0)

Cash payments for interest and income taxes in 2008, 2007 and 2006 are as follows:

	(In Millions)		
	2008	2007	2006
Taxes paid on income	**$ 175.5**	$ 123.6	$ 95.7
Interest paid on debt obligations	**26.3**	16.6	2.7

Non-cash investing activities in 2008 include the issuance of $165 million of unregistered common shares and the commitment to provide 1.2 million tons of iron ore pellets as part of the consideration paid to acquire the remaining 30 percent interest in United Taconite. Non-cash investing activities during the year also include the issuance of four million of our common shares at a stock price of $38.27 to the former owners of PinnOak to accelerate the deferred payment and settle the contingent earn-out associated with the initial purchase agreement. Refer to NOTE 2 – ACQUISITIONS, DIVESTITURES & OTHER INVESTMENTS for further information.

NOTE 18 – RELATED PARTIES

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. We are the manager of each of the mines we co-own and 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. The joint venture partners are also our customers. The following is a summary of the mine ownership of these four North American iron ore mines at December 31, 2008:

	Percent ownership		
Mine	Cliffs Natural Resources	ArcelorMittal	U. S. Steel Canada
Empire	79.0	21.0	-
Tilden	85.0	-	15.0
Hibbing	23.0	62.3	14.7
Wabush	26.8	28.6	44.6

ArcelorMittal has a unilateral right to put its interest in the Empire Mine to us, but has not exercised this right to date.

In 2007 we were the co-owner of five of our six North American iron ore mines. However, we acquired the remaining 30 percent interest in United Taconite from Laiwu Steel Group in July 2008, increasing our ownership interest from 70 percent to 100 percent.

Product revenues to related parties were as follows:

	(In Millions)		
	2008	2007	2006
Product revenues to related parties	**$ 1,020.5**	$ 754.3	$ 649.2
Total product revenues	**3,294.8**	1,997.3	1,669.1
Related party product revenue as a percent of total product revenue	31.0 **%**	37.8 %	38.9 %

Accounts receivable from related parties were $2.9 million, $11.1 million, and $2.7 million at December 31, 2008, 2007, and 2006, respectively.

In 2002, we entered into an agreement with Ispat that restructured the ownership of the Empire mine and increased our ownership from 46.7 percent to 79 percent in exchange for assumption of all mine liabilities. Under the terms of the agreement, we indemnified Ispat from obligations of Empire in exchange for certain future payments to Empire and to us by Ispat of $120.0 million, recorded at a present value of $43.2 million, $49.4 million, and $54.9 million at December 31, 2008, 2007, and 2006, respectively. Of these amounts, $33.2 million, $37.4 million and $42.9 million were classified as *Long-term receivable* at December 31, 2008, 2007, and 2006 respectively, with the balances current, over the 12-year life of the supply agreement.

Supply agreements with one of our customers include provisions for supplemental revenue or refunds based on the customer's annual steel pricing for the year the product is consumed in the customer's blast furnace. The supplemental pricing is characterized as an embedded derivative. See *Derivative Financial Instruments* in NOTE 1 - BUSINESS SUMMARY AND SIGNIFICANT ACCOUNTING POLICIES for further information.

NOTE 19 – SUBSEQUENT EVENTS

Convertibility of Preferred Stock and Redemption Notice

On January 13, 2009, we announced that the trading price condition for the conversion right of our 3.25 percent redeemable cumulative convertible perpetual preferred stock has been satisfied and, as a result, holders can surrender their shares for conversion at any time. The trading price condition for the preferred shares was satisfied because the closing share price of our common shares for at least 20 of the last 30 trading days of the fiscal 2008 fourth quarter exceeded 110 percent of the then applicable conversion price of the preferred stock. The preferred stock was also convertible during each of the previous 16 fiscal quarters due to the satisfaction of the trading price condition during the applicable periods of the relevant preceding fiscal quarters.

In addition to announcing the convertibility of the shares, on January 13, 2009, we also provided the required notice of our intent to redeem the 205 convertible preferred shares that remain outstanding. As a result, holders of the preferred stock could elect to convert their shares in lieu of having them redeemed, provided that surrender for conversion occurred on or prior to February 11, 2009. The conversion rate of 133.0646 common shares per share of preferred stock equates to a conversion price of approximately $7.52 per common share, subject to adjustment in certain circumstances, including payment of dividends on the common shares.

As of February 11, 2009, all remaining preferred shares had been converted to 27,278 shares of common stock at a conversion rate of 133.0646. Total common shares are being issued out of treasury.

Temporary Production Curtailments

On February 24, 2009, we announced production curtailments and temporary facility shutdowns that will affect our Hibbing and Northshore mining and pelletizing operations in Minnesota. At Hibbing, pellet production will be reduced by an additional 2.75 million tons in 2009. This production adjustment represents a 50 percent decrease from the mine's original 2009 plan to produce 5.5 million tons. The reduction will be

accomplished by idling a second of the facility's three pelletizing furnaces at the end of March and then initiating a complete shutdown of the facility for approximately 15 weeks beginning in May. One pelletizing line is then expected to restart at the beginning of September, which will operate through the end of 2009 to reach the anticipated total pellet production of 2.75 million tons. In addition, as a result of the production curtailment, employee headcount will be reduced by approximately 83 employees, with layoffs commencing at the end of April 2009.

At Northshore, a one-month production shutdown will occur during April. The curtailment will reduce production at Northshore to approximately 3.7 million tons in 2009. Northshore anticipates restarting its two larger pelletizing lines at the beginning of May.

We also temporarily halted production at our Pinnacle Mine Complex in February 2009. Pinnacle produces metallurgical coal for the steel industry. Metallurgical coal demand has been reduced as the steel industry has cut back production in response to the global economic slowdown. The Pinnacle and Green Ridge No. 1 mines have both halted production during February, while the prep plant continues to operate on a reduced schedule to serve customer requirements. The Green Ridge No. 2 mine was previously idled. Mines at the Pinnacle Complex were estimated to produce approximately 85,000 tons in February 2009. The temporary shutdown affected approximately 360 employees, and mine local leadership of the United Mine Workers of America was notified of the production curtailment. The month-long production curtailment at Pinnacle is necessary to balance our production and inventory with customer demand.

NOTE 20 – QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The sum of quarterly EPS may not equal EPS for the year due to discrete quarterly calculations.

	(In Millions, Except Per Common Share)				
	2008				
	Quarters				
	First	**Second**	**Third**	**Fourth**	**Year**
Revenues from product sales and services	**$ 494.4**	**$ 1,008.6**	**$ 1,189.7**	**$ 916.4**	**$ 3,609.1**
Sales margin	**82.4**	**426.3**	**365.0**	**286.0**	**1,159.7**
Income before extraordinary gain and cumulative effect of accounting change	**16.7**	**270.2**	**174.9**	**54.0**	**515.8**
Net income	**16.7**	**270.2**	**174.9**	**54.0**	**515.8**
Earnings per share					
Basic	**$ 0.18**	**$ 2.75**	**$ 1.67**	**$ 0.48**	**$ 5.07**
Diluted	**0.16**	**2.57**	**1.61**	**0.47**	**4.76**

Our 2007 financial statements include PinnOak's results since the July 31, 2007 acquisition.

EXHIBIT VI - CONSOLIDATED FINANCIAL STATEMENTS OF CLIFFS

	2007				
	Quarters				
	First	Second	Third	Fourth	Year
Revenues from product sales and services	$ 325.5	$ 547.6	$ 619.6	$ 782.5	$ 2,275.2
Sales margin	61.8	129.6	107.3	163.3	462.0
Income before extraordinary gain and cumulative effect of accounting change	32.5	86.9	56.9	93.7	270.0
Net income	32.5	86.9	56.9	93.7	270.0
Earnings per share					
Basic	$ 0.39	$ 1.05	$ 0.67	$ 1.07	$ 3.19
Diluted	0.31	0.83	0.54	0.89	2.57

	2006				
	Quarters				
	First	Second	Third	Fourth	Year
Revenues from product sales and services	$ 306.4	$ 486.2	$ 580.1	$ 549.0	$ 1,921.7
Sales margin	55.4	128.7	132.5	97.4	414.0
Income before extraordinary gain and cumulative effect of accounting change	37.9	83.1	89.1	70.0	280.1
Net income	37.9	83.1	89.1	70.0	280.1
Earnings per share					
Basic	$ 0.42	$ 0.96	$ 1.07	$ 0.85	$ 3.26
Diluted	0.34	0.77	0.84	0.67	2.60

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
Cliffs Natural Resources Inc.
Cleveland, Ohio

We have audited the internal control over financial reporting of Cliffs Natural Resources Inc. and subsidiaries (the "Company") as of December 31, 2008, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report on Internal Controls Over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2008 of the Company and our report dated February 26, 2009 expressed an unqualified opinion on those financial statements and financial statement schedule and included an explanatory paragraph regarding the Company’s adoption of new accounting standards.

/s/ DELOITTE & TOUCHE LLP

Cleveland, Ohio
February 26, 2009

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
Cliffs Natural Resources Inc.
Cleveland, Ohio

We have audited the accompanying statements of consolidated financial position of Cliffs Natural Resources Inc. and subsidiaries (the "Company") as of December 31, 2008, 2007, and 2006, the related statements of consolidated operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2008. Our audits also included the financial statement schedule (Schedule II – Valuation and Qualifying Accounts). These financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Cliffs Natural Resources Inc. and subsidiaries as of December 31, 2008, 2007, and 2006, the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Notes 1 and 11 to the consolidated financial statements the Company adopted Statement of Financial Accounting Standards (SFAS) Statement No. 157, *Fair Value Measurements,* in 2008. As discussed in Notes 1 and 10 to the consolidated financial statements, the Company adopted FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, in 2007. Additionally, as discussed in Notes 1, 9, and 12 to the consolidated financial statements, the Company adopted SFAS No. 123(R), *Share-Based Payment,* and SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans,* in 2006.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2008, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 26, 2009 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Cleveland, Ohio
February 26, 2009

Cliffs Natural Resources Inc. and Subsidiaries
Schedule II - Valuation and Qualifying Accounts
(Dollars in Millions)

		Additions				
Classification	**Balance at Beginning of Year**	**Charged to Cost and Expenses**	**Charged to Other Accounts**	**Acquisition**	**Deductions**	**Balance at End of Year**
Year Ended December 31, 2008:						
Deferred Tax Valuation Allowance	$ 26.3	$ 9.5	$ 8.1	$ (13.3)	$ 13.0	$ 17.6
Allowance for Doubtful Accounts	-	-	-	-	-	-
Year Ended December 31, 2007:						
Deferred Tax Valuation Allowance	$ 11.9	$ 13.0	$ 1.4	$ -	$ -	$ 26.3
Allowance for Doubtful Accounts	-	-	-	-	-	-
Year Ended December 31, 2006:						
Deferred Tax Valuation Allowance	$ 11.1	$ -	$ 0.8	$ -	$ -	$ 11.9
Allowance for Doubtful Accounts	2.9	(2.9)	-	-	-	-