

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2013

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



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

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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES

NO

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

The number of shares outstanding of the registrant's common shares, par value \$0.125 per share, was 153,124,101 as of October 21, 2013.

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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. 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
Amapá	Anglo Ferrous Amapá Mineração Ltda. and Anglo Ferrous Logística Amapá Ltda.
ArcelorMittal	ArcelorMittal (as the parent company of ArcelorMittal Mines Canada, ArcelorMittal USA and ArcelorMittal Dofasco, as well as, many other subsidiaries)
ArcelorMittal USA	ArcelorMittal USA LLC (including many of its North American affiliates, subsidiaries and representatives. References to ArcelorMittal USA comprise all such relationships unless a specific ArcelorMittal USA entity is referenced)
ASC	Accounting Standards Codification
Bloom Lake	The Bloom Lake Iron Ore Mine Limited Partnership
Chromite Project	Cliffs Chromite Ontario Inc.
CLCC	Cliffs Logan County Coal LLC
Cockatoo Island	Cockatoo Island Joint Venture
DD&A	Depreciation, depletion and amortization
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
EBITDA	Earnings before interest, taxes, depreciation and amortization
Empire	Empire Iron Mining Partnership
EPS	Earnings per share
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
Fe	Iron
FMSH Act	U.S. Federal Mine Safety and Health Act 1977, as amended
GAAP	Accounting principles generally accepted in the United States
Hibbing	Hibbing Taconite Company
ICE Plan	Amended and Restated Cliffs 2007 Incentive Equity Plan, as amended
Ispat	Ispat Inland Steel Company
Koolyanobbing	Collective term for the operating deposits at Koolyanobbing, Mount Jackson and Windarling
LIBOR	London Interbank Offered Rate
LTVSMC	LTV Steel Mining Company
MMBtu	Million British Thermal Units
Moody's	Moody's Investors Service, Inc., a subsidiary of Moody's Corporation, and its successors
MRRT	Minerals Resource Rent Tax (Australia)
MSHA	U.S. Mine Safety and Health Administration
n/m	Not meaningful
Northshore	Northshore Mining Company
Oak Grove	Oak Grove Resources, LLC
OCI	Other comprehensive income (loss)
OPEB	Other postretirement benefits
Pinnacle	Pinnacle Mining Company, LLC
Pluton Resources	Pluton Resources Limited
S&P	Standard & Poor's Rating Services, a division of Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc., and its successors
SEC	U.S. Securities and Exchange Commission
Severstal	Severstal Dearborn, LLC
Sonoma	Sonoma Coal Project
Substitute Rating Agency	A "nationally recognized statistical rating organization" within the meaning of Section 3 (a)(62) of the Exchange Act, selected by us (as certified by a certificate of officers confirming the decision of our board of directors) as a replacement agency of Moody's or S&P, or both of them, as the case may be
Tilden	Tilden Mining Company
TSR	Total Shareholder Return
United Taconite	United Taconite LLC
U.S.	United States of America
U.S. Steel Canada	United States Steel Corporation

Abbreviation or acronym	Term
VNQDC Plan	2005 Voluntary NonQualified Deferred Compensation Plan
VWAP	Volume Weighted Average Price
Wabush	Wabush Mines Joint Venture
WISCO	Wugang Canada Resources Investment Limited, a subsidiary of Wuhan Iron and Steel (Group) Corporation
2012 Equity Plan	Cliffs Natural Resources Inc. 2012 Incentive Equity Plan

PART I
Item 1. Financial Statements
Statements of Unaudited Condensed Consolidated Operations

Cliffs Natural Resources Inc. and Subsidiaries

	(In Millions, Except Per Share Amounts)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
REVENUES FROM PRODUCT SALES AND SERVICES				
Product	\$ 1,454.6	\$ 1,447.9	\$ 3,928.8	\$ 4,096.6
Freight and venture partners' cost reimbursements	92.0	97.0	246.8	240.2
	<u>1,546.6</u>	<u>1,544.9</u>	<u>4,175.6</u>	<u>4,336.8</u>
COST OF GOODS SOLD AND OPERATING EXPENSES	<u>(1,197.9)</u>	<u>(1,346.6)</u>	<u>(3,320.8)</u>	<u>(3,403.2)</u>
SALES MARGIN	348.7	198.3	854.8	933.6
OTHER OPERATING INCOME (EXPENSE)				
Selling, general and administrative expenses	(70.6)	(63.9)	(167.9)	(202.6)
Exploration costs	(10.6)	(45.6)	(45.9)	(95.2)
Miscellaneous - net	(43.5)	(12.5)	13.3	25.5
	<u>(124.7)</u>	<u>(122.0)</u>	<u>(200.5)</u>	<u>(272.3)</u>
OPERATING INCOME	224.0	76.3	654.3	661.3
OTHER INCOME (EXPENSE)				
Interest expense, net	(44.7)	(45.3)	(134.5)	(135.7)
Other non-operating income (expense)	(1.2)	1.4	(2.9)	1.0
	<u>(45.9)</u>	<u>(43.9)</u>	<u>(137.4)</u>	<u>(134.7)</u>
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND EQUITY LOSS FROM VENTURES	178.1	32.4	516.9	526.6
INCOME TAX BENEFIT (EXPENSE)	(65.7)	64.0	(69.0)	235.2
EQUITY LOSS FROM VENTURES, net of tax	(0.5)	(15.3)	(73.9)	(22.7)
INCOME FROM CONTINUING OPERATIONS	111.9	81.1	374.0	739.1
INCOME (LOSS) FROM DISCONTINUED OPERATIONS, net of tax	2.0	(2.7)	2.0	5.1
NET INCOME	113.9	78.4	376.0	744.2
LOSS (INCOME) ATTRIBUTABLE TO NONCONTROLLING INTEREST	3.3	6.7	(5.8)	(25.2)
NET INCOME ATTRIBUTABLE TO CLIFFS SHAREHOLDERS	\$ 117.2	\$ 85.1	\$ 370.2	\$ 719.0
PREFERRED STOCK DIVIDENDS	(12.9)	—	(35.9)	—
NET INCOME ATTRIBUTABLE TO CLIFFS COMMON SHAREHOLDERS	\$ 104.3	\$ 85.1	\$ 334.3	\$ 719.0
EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CLIFFS SHAREHOLDERS - BASIC				
Continuing operations	\$ 0.67	\$ 0.62	\$ 2.20	\$ 5.02
Discontinued operations	0.01	(0.02)	0.01	0.04
	<u>\$ 0.68</u>	<u>\$ 0.60</u>	<u>\$ 2.21</u>	<u>\$ 5.06</u>
EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CLIFFS SHAREHOLDERS - DILUTED				
Continuing operations	\$ 0.65	\$ 0.61	\$ 2.13	\$ 5.00
Discontinued operations	0.01	(0.02)	0.01	0.04
	<u>\$ 0.66</u>	<u>\$ 0.59</u>	<u>\$ 2.14</u>	<u>\$ 5.04</u>
AVERAGE NUMBER OF SHARES (IN THOUSANDS)				
Basic	153,029	142,396	151,288	142,332
Diluted	178,459	142,895	172,624	142,780
CASH DIVIDENDS DECLARED PER DEPOSITARY SHARE	\$ 0.44	\$ —	\$ 1.22	\$ —
CASH DIVIDENDS DECLARED PER COMMON SHARE	\$ 0.15	\$ 0.63	\$ 0.45	\$ 1.54

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Statements of Unaudited Condensed Consolidated Comprehensive Income

Cliffs Natural Resources Inc. and Subsidiaries

	(In Millions)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
NET INCOME ATTRIBUTABLE TO CLIFFS SHAREHOLDERS	\$ 117.2	\$ 85.1	\$ 370.2	\$ 719.0
OTHER COMPREHENSIVE INCOME (LOSS)				
Pension and OPEB liability, net of tax	6.6	7.6	20.8	20.9
Unrealized net gain (loss) on marketable securities, net of tax	4.4	(0.1)	7.6	(0.6)
Unrealized net gain (loss) on foreign currency translation	22.8	18.6	(124.9)	12.2
Unrealized net gain (loss) on derivative financial instruments, net of tax	28.3	14.2	(23.1)	13.6
OTHER COMPREHENSIVE INCOME (LOSS)	62.1	40.3	(119.6)	46.1
OTHER COMPREHENSIVE INCOME ATTRIBUTABLE TO THE NONCONTROLLING INTEREST	(0.9)	(1.5)	(3.2)	(4.5)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO CLIFFS SHAREHOLDERS	\$ 178.4	\$ 123.9	\$ 247.4	\$ 760.6

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Statements of Unaudited Condensed Consolidated Financial Position

Cliffs Natural Resources Inc. and Subsidiaries

	(In Millions)	
	September 30, 2013	December 31, 2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 298.8	\$ 195.2
Accounts receivable, net	291.7	329.0
Inventories	438.4	436.5
Supplies and other inventories	257.4	289.1
Derivative assets	72.7	78.6
Other current assets	310.6	321.6
TOTAL CURRENT ASSETS	1,669.6	1,650.0
PROPERTY, PLANT AND EQUIPMENT, NET	11,354.8	11,207.3
OTHER ASSETS		
Investments in ventures	71.5	135.8
Goodwill	158.6	167.4
Intangible assets, net	110.8	129.0
Deferred income taxes	5.3	91.8
Other non-current assets	196.1	193.6
TOTAL OTHER ASSETS	542.3	717.6
TOTAL ASSETS	\$ 13,566.7	\$ 13,574.9

(continued)

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements .

Statements of Unaudited Condensed Consolidated Financial Position

Cliffs Natural Resources Inc. and Subsidiaries - (Continued)

	(In Millions)	
	September 30, 2013	December 31, 2012
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 350.8	\$ 555.5
Accrued expenses	404.7	442.6
Income taxes payable	57.3	28.3
Current portion of debt	7.9	94.1
Deferred revenue	15.1	35.9
Derivative liabilities	36.1	13.2
Other current liabilities	188.6	211.9
TOTAL CURRENT LIABILITIES	1,060.5	1,381.5
PENSION AND POSTEMPLOYMENT BENEFIT LIABILITIES	556.1	618.3
ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS	299.5	252.8
DEFERRED INCOME TAXES	1,000.5	1,108.1
LONG-TERM DEBT	3,319.6	3,960.7
OTHER LIABILITIES	395.9	492.6
TOTAL LIABILITIES	6,632.1	7,814.0
COMMITMENTS AND CONTINGENCIES (SEE NOTE 19)		
EQUITY		
CLIFFS SHAREHOLDERS' EQUITY		
Preferred Stock - no par value		
Class A - 3,000,000 shares authorized		
7% Series A Mandatory Convertible, Class A, no par value and \$1,000 per share liquidation preference (See Note 15)		
Issued and Outstanding - 731,250 shares (2012 - none)	731.3	—
Class B - 4,000,000 shares authorized		
Common Shares - par value \$0.125 per share		
Authorized - 400,000,000 shares (2012 - 400,000,000 shares);		
Issued - 159,545,469 shares (2012 - 149,195,469 shares);		
Outstanding - 153,124,449 shares (2012 - 142,495,902 shares)		
	19.8	18.5
Capital in excess of par value of shares	2,029.8	1,774.7
Retained earnings	3,483.3	3,217.7
Cost of 6,421,264 common shares in treasury (2012 - 6,699,567 shares)	(306.1)	(322.6)
Accumulated other comprehensive loss	(178.4)	(55.6)
TOTAL CLIFFS SHAREHOLDERS' EQUITY	5,779.7	4,632.7
NONCONTROLLING INTEREST	1,154.9	1,128.2
TOTAL EQUITY	6,934.6	5,760.9
TOTAL LIABILITIES AND EQUITY	\$ 13,566.7	\$ 13,574.9

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements .

Statements of Unaudited Condensed Consolidated Cash Flows

Cliffs Natural Resources Inc. and Subsidiaries

	(In Millions)	
	Nine Months Ended September 30,	
	2013	2012
OPERATING ACTIVITIES		
Net income	\$ 376.0	\$ 744.2
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation, depletion and amortization	438.0	382.3
Derivatives and currency hedges	0.4	12.0
Equity loss in ventures (net of tax)	73.9	22.7
Deferred income taxes	(39.5)	(352.5)
Changes in deferred revenue and below-market sales contracts	(52.2)	(36.2)
Other	(18.3)	(55.7)
Changes in operating assets and liabilities:		
Receivables and other assets	36.2	(118.6)
Product inventories	(10.8)	(70.4)
Payables and accrued expenses	(117.8)	(252.3)
Net cash provided by operating activities	685.9	275.5
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(742.2)	(793.6)
Other investing activities	7.8	8.9
Net cash used by investing activities	(734.4)	(784.7)
FINANCING ACTIVITIES		
Net proceeds from issuance of Series A, Mandatory Convertible Preferred Stock, Class A	709.4	—
Net proceeds from issuance of common shares	285.3	—
Repayment of term loan	(847.1)	(49.9)
Borrowings under credit facilities	567.0	670.0
Repayment under credit facilities	(512.0)	(420.0)
Proceeds from equipment loan	62.1	—
Contributions by joint ventures, net	17.7	68.8
Common stock dividends	(68.8)	(217.8)
Preferred stock dividends	(23.0)	—
Other financing activities	(28.6)	(23.9)
Net cash provided by financing activities	162.0	27.2
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(9.9)	(0.1)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	103.6	(482.1)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	195.2	521.6
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 298.8	\$ 39.5

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.
See NOTE 20 - CASH FLOW INFORMATION.

Cliffs Natural Resources Inc. and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements

NOTE 1 - BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with SEC rules and regulations and, in the opinion of management, include all adjustments (consisting of normal recurring adjustments) necessary to present fairly, the financial position, results of operations, comprehensive income and cash flows for the periods presented. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. 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. The results of operations for the three and nine months ended September 30, 2013 are not necessarily indicative of results to be expected for the year ended December 31, 2013 or any other future period. These unaudited condensed consolidated financial statements should be read in conjunction with the financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2012.

Basis of Consolidation

The unaudited condensed consolidated financial statements include our accounts and the accounts of our wholly owned and majority-owned subsidiaries, including the following operations:

Name	Location	Ownership Interest	Operation
Northshore	Minnesota	100.0%	Iron Ore
United Taconite	Minnesota	100.0%	Iron Ore
Wabush	Newfoundland and Labrador/ Quebec, Canada	100.0%	Iron Ore
Bloom Lake	Quebec, Canada	75.0%	Iron Ore
Tilden	Michigan	85.0%	Iron Ore
Empire	Michigan	79.0%	Iron Ore
Koolyanobbing	Western Australia	100.0%	Iron Ore
Pinnacle	West Virginia	100.0%	Coal
Oak Grove	Alabama	100.0%	Coal
CLCC	West Virginia	100.0%	Coal

Intercompany transactions and balances are eliminated upon consolidation.

Also included in our consolidated results are Cliffs Chromite Ontario Inc. and Cliffs Chromite Far North Inc. Cliffs Chromite Ontario Inc. holds a 100 percent interest in each of the Black Label and Black Thor chromite deposits and, together with Cliffs Chromite Far North Inc., a 70 percent interest in the Big Daddy chromite deposit, all located in northern Ontario, Canada.

Equity Method Investments

Investments in unconsolidated ventures that we have the ability to exercise significant influence over, but not control, are accounted for under the equity method. The following table presents the detail of our investments in unconsolidated ventures and where those investments are classified in the Statements of Unaudited Condensed Consolidated Financial Position as of September 30, 2013 and December 31, 2012. Parentheses indicate a net liability.

Investment	Classification	Accounting Method	Interest Percentage	(In Millions)	
				September 30, 2013	December 31, 2012
Amapá	Investments in ventures	Equity Method	30	\$ 29.4	\$ 101.9
Cockatoo	Other liabilities ²	Equity Method	—	N/A	(25.3)
Hibbing	Investments in ventures ¹	Equity Method	23	8.3	(2.1)
Other	Investments in ventures	Equity Method	Various	33.8	33.9
				\$ 71.5	\$ 108.4

¹ At December 31, 2012 the classification for Hibbing was *Other liabilities*.

² At December 31, 2012 our ownership interest percentage for Cockatoo was 50 percent.

Amapá

On December 27, 2012, our board of directors authorized the sale of our 30 percent interest in Amapá. Per this original agreement, together with Anglo American plc, we were to sell our respective interest in a 100 percent sale transaction to a single entity.

On March 28, 2013, an unknown event caused the Santana port shiploader to collapse into the Amazon River, preventing further ship loading by the mine operator, Anglo American plc. In light of the March 28, 2013 collapse of the Santana port shiploader and subsequent evaluation of the effect that this event had on the carrying value of our investment in Amapá as of June 30, 2013, we recorded an impairment charge of \$67.6 million in the second quarter of 2013.

On August 28, 2013, we entered into an agreement to sell our 30 percent interest in Amapá to Anglo American plc for nominal cash consideration, plus the right to certain contingent deferred consideration upon the two year anniversary of the closing. The closing is conditional on obtaining certain regulatory approvals. The transaction is expected to close in the fourth quarter of 2013.

Cockatoo Island

On July 31, 2012, we entered into a definitive asset sale agreement with our joint venture partner, HWE Cockatoo Pty Ltd., to sell our beneficial interest in the mining tenements and certain infrastructure of Cockatoo Island to Pluton Resources, which was amended on August 31, 2012. On September 7, 2012, the closing date, Pluton Resources paid a nominal sum of AUD \$4.00 and assumed ownership of the assets and responsibility for the environmental rehabilitation obligations and other assumed liabilities not inherently attached to the tenements acquired. The rehabilitation obligations and assumed liabilities that are inherently attached to the tenements were transferred to Pluton Resources upon registration by the Department of Mining and Petroleum denoting Pluton Resources as the tenement holder. Upon final settlement of the sale, which was completed during the second quarter of 2013, we transferred approximately \$18.6 million related to the estimated cost of the rehabilitation.

Discontinued Operations

On July 10, 2012, we entered into a definitive share and asset sale agreement to sell our 45 percent economic interest in the Sonoma joint venture coal mine located in Queensland, Australia. Upon completion of the transaction on November 12, 2012, we collected approximately AUD \$141.0 million in net cash proceeds. The Sonoma operations previously were included in *Other* within our reportable segments.

Significant Accounting Policies

A detailed description of our significant accounting policies can be found in the audited financial statements for the fiscal year ended December 31, 2012 included in our Annual Report on Form 10-K filed with the SEC. The significant accounting policies requiring updates have been included within the disclosures below.

Other Intangible Assets and Liabilities

Other intangible assets are subject to periodic amortization on a straight-line basis over their estimated useful lives or on a units of production basis as follows:

Intangible Assets	Basis	Useful Life (years)
Permits - <i>Asia Pacific Iron Ore</i>	Units of production	Life of mine
Permits - <i>All Other</i>	Straight line	15 - 40
Utility contracts	Straight line	5
Leases - <i>North American Coal</i>	Units of production	Life of mine
Leases - <i>All Other</i>	Straight line	4.5 - 17.5

Earnings Per Share

We present both basic and diluted earnings per share amounts. Basic earnings per share amounts are calculated by dividing *Net Income Attributable to Cliffs Shareholders* less any paid or declared but unpaid dividends on our depository shares by the weighted average number of common shares outstanding during the period presented. Diluted earnings per share amounts are calculated by dividing *Net Income Attributable to Cliffs Shareholders* by the weighted average number of common shares, common share equivalents under stock plans using the treasury stock method and the number of common shares that would be issued under an assumed conversion of our outstanding depository shares, each representing a 1/40th interest in a share of our Series A Mandatory Convertible Preferred Stock, Class A, under the if-converted method. Our outstanding depository shares are convertible into common shares based on the volume weighted average of closing prices of our common stock over the 20 consecutive trading day period ending on the third day immediately preceding the end of the reporting period. Common share equivalents are excluded from EPS computations in the periods in which they have an anti-dilutive effect. See NOTE 18 - EARNINGS PER SHARE for further information.

Recent Accounting Pronouncements

On July 18, 2013, the FASB issued Accounting Standards Update No. 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*. ASU 2013-11 requires the netting of unrecognized tax benefits against a deferred tax asset for a loss or other carryforward that would apply in settlement of the uncertain tax positions. ASU 2013-11 is effective for interim and annual periods beginning after December 15, 2013. We will adopt ASU 2013-11 in the fourth quarter of 2013 on a prospective basis, which will impact the presentation of our non-current *Deferred income taxes* and unrecognized tax benefits (within non-current *Other liabilities*) in the Statements of Unaudited Condensed Consolidated Financial Position.

In February 2013, the FASB amended the guidance on the presentation of comprehensive income in order to improve the reporting of reclassifications out of accumulated other comprehensive income. The amendment does not change the current requirements for reporting net income or other comprehensive income in financial statements. Rather, it requires the entity to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount being reclassified is required under GAAP to be reclassified in its entirety to net income in the same reporting period. For other amounts that are not required under GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under GAAP that provide additional detail about those amounts. The new guidance was applied prospectively for reporting periods beginning after December 15, 2012. We adopted the provisions of guidance required for the period beginning January 1, 2013. Refer to NOTE 16 - SHAREHOLDERS' EQUITY for further information.

NOTE 2 - SEGMENT REPORTING

Our Company's primary operations are organized and managed according to product category and geographic location: U.S. Iron Ore, Eastern Canadian Iron Ore, Asia Pacific Iron Ore, North American Coal, Latin American Iron Ore, Ferroalloys and our Global Exploration Group. The U.S. Iron Ore segment is comprised of our interests in five U.S. mines that provide iron ore to the integrated steel industry. The Eastern Canadian Iron Ore segment is comprised of two Eastern Canadian mines that primarily provide iron ore to the seaborne market for Asian steel producers. The Asia Pacific Iron Ore segment is located in Western Australia and provides iron ore to the seaborne market for Asian steel producers. The North American Coal segment is comprised of our four metallurgical coal mines and one thermal coal mine that provide metallurgical coal primarily to the integrated steel industry and thermal coal primarily to the energy industry. There are no intersegment revenues.

The Latin American Iron Ore operating segment is comprised of our 30 percent Amapá interest in Brazil. The Ferroalloys operating segment is comprised of our interests in chromite deposits held in Northern Ontario, Canada and the Global Exploration Group is focused on early involvement in exploration activities to identify new projects for future development or projects that add significant value to existing operations. The Latin American Iron Ore, Ferroalloys and Global Exploration Group operating segments do not meet reportable segment disclosure requirements and, therefore, are not reported separately.

We evaluate segment performance based on sales margin, defined as revenues less cost of goods sold, and operating expenses 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 three and nine months ended September 30, 2013 and 2012, including a reconciliation of segment sales margin to *Income from Continuing Operations Before Income Taxes and Equity Loss from Ventures*:

	(In Millions)							
	Three Months Ended September 30,				Nine Months Ended September 30,			
	2013		2012		2013		2012	
Revenues from product sales and services:								
U.S. Iron Ore	\$ 782.4	51%	\$ 796.0	52 %	\$ 1,894.2	45%	\$ 1,942.7	45%
Eastern Canadian Iron Ore	284.2	18%	253.1	16 %	743.4	18%	777.8	18%
Asia Pacific Iron Ore	301.7	20%	254.2	16 %	899.5	22%	975.3	22%
North American Coal	178.3	11%	241.8	16 %	638.5	15%	640.9	15%
Other	—	—%	(0.2)	— %	—	—%	0.1	—%
Total revenues from product sales and services	\$ 1,546.6	100%	\$ 1,544.9	100 %	\$ 4,175.6	100%	\$ 4,336.8	100%
Sales margin:								
U.S. Iron Ore	\$ 273.5		\$ 255.9		\$ 647.1		\$ 708.9	
Eastern Canadian Iron Ore	(22.0)		(40.5)		(52.3)		(43.0)	
Asia Pacific Iron Ore	99.0		(15.8)		255.3		256.1	
North American Coal	(1.8)		(1.3)		6.6		3.8	
Other	—		—		(1.9)		7.8	
Sales margin	348.7		198.3		854.8		933.6	
Other operating expense	(124.7)		(122.0)		(200.5)		(272.3)	
Other expense	(45.9)		(43.9)		(137.4)		(134.7)	
Income from continuing operations before income taxes and equity (loss) from ventures	\$ 178.1		\$ 32.4		\$ 516.9		\$ 526.6	
Depreciation, depletion and amortization:								
U.S. Iron Ore	\$ 27.3		\$ 24.9		\$ 82.3		\$ 71.9	
Eastern Canadian Iron Ore	46.8		41.7		130.3		118.2	
Asia Pacific Iron Ore	38.0		40.2		116.1		110.0	
North American Coal	38.8		25.1		99.7		69.5	
Other	2.2		1.0		9.6		12.7	
Total depreciation, depletion and amortization	\$ 153.1		\$ 132.9		\$ 438.0		\$ 382.3	
Capital additions (1):								
U.S. Iron Ore	\$ 15.2		\$ 19.6		\$ 39.1		\$ 82.5	
Eastern Canadian Iron Ore	181.5		285.5		535.3		593.4	
Asia Pacific Iron Ore	2.0		5.8		8.6		132.0	
North American Coal	10.4		33.3		37.2		105.1	
Other	2.2		10.3		4.9		61.0	
Total capital additions	\$ 211.3		\$ 354.5		\$ 625.1		\$ 974.0	

(1) Includes capital lease additions and non-cash accruals. Refer to NOTE 20 - CASH FLOW INFORMATION.

A summary of assets by segment is as follows:

	(In Millions)	
	September 30, 2013	December 31, 2012
Assets:		
U.S. Iron Ore	\$ 1,770.6	\$ 1,735.1
Eastern Canadian Iron Ore	7,982.7	7,605.1
Asia Pacific Iron Ore	1,188.7	1,506.3
North American Coal	1,831.8	1,877.8
Other	696.5	570.9
Total segment assets	13,470.3	13,295.2
Corporate	96.4	279.7
Total assets	\$ 13,566.7	\$ 13,574.9

NOTE 3 - DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The following table presents the fair value of our derivative instruments and the classification of each in the Statements of Unaudited Condensed Consolidated Financial Position as of September 30, 2013 and December 31, 2012:

Derivative Instrument	(In Millions)							
	Derivative Assets				Derivative Liabilities			
	September 30, 2013		December 31, 2012		September 30, 2013		December 31, 2012	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments under ASC 815:								
Interest-rate Swaps	<i>Derivative assets</i>	\$ 1.7		\$ —		\$ —		\$ —
Foreign Exchange Contracts	<i>Derivative assets</i>	4.3		16.2	<i>Derivative liabilities</i>	22.0	<i>Derivative liabilities</i>	1.9
Total derivatives designated as hedging instruments under ASC 815		\$ 6.0		\$ 16.2		\$ 22.0		\$ 1.9
Derivatives not designated as hedging instruments under ASC 815:								
Commodity Contracts		\$ —		\$ —	<i>Derivative liabilities</i>	2.7		\$ —
Customer Supply Agreements	<i>Derivative assets</i>	62.1	<i>Derivative assets</i>	58.9		—		—
Provisional Pricing Arrangements	<i>Derivative assets</i>	4.6	<i>Derivative assets</i>	3.5	<i>Derivative liabilities</i>	11.4	<i>Derivative liabilities</i>	11.3
Total derivatives not designated as hedging instruments under ASC 815		\$ 66.7		\$ 62.4		\$ 14.1		\$ 11.3
Total derivatives		\$ 72.7		\$ 78.6		\$ 36.1		\$ 13.2

Derivatives Designated as Hedging Instruments

Cash Flow Hedges

Australian and Canadian Dollar Foreign Exchange Contracts

We are subject to changes in foreign currency exchange rates as a result of our operations in Australia and Canada. With respect to Australia, foreign exchange risk arises from our exposure to fluctuations in foreign currency exchange rates because the functional currency of our Asia Pacific operations is the Australian dollar. Our Asia Pacific operations receive funds in U.S. currency for their iron ore sales. The functional currency of our Canadian operations is the U.S. dollar; however, the production costs for these operations primarily are incurred in the Canadian dollar.

We use foreign currency exchange contracts to hedge our foreign currency exposure for a portion of our U.S. dollar sales receipts in our Australian functional currency entities and our Canadian dollar operating costs. For our Australian operations, U.S. dollars are converted to Australian dollars at the currency exchange rate in effect during the period the transaction occurred. For our Canadian operations, U.S. dollars are converted to Canadian dollars at the exchange rate in effect for the period the operating costs are incurred. The primary objective for the use of these instruments is to reduce exposure to changes in Australian and U.S. currency exchange rates and U.S. and Canadian currency exchange rates, respectively, and to protect against undue adverse movement in these exchange rates. These instruments qualify for hedge accounting treatment, and are tested for effectiveness at inception and at least once each reporting period. If and when any of our hedge contracts are determined not to be highly effective as hedges, the underlying hedged transaction is no longer likely to occur, or the derivative is terminated, hedge accounting is discontinued.

As of September 30, 2013, we had outstanding Australian and Canadian foreign currency exchange contracts with notional amounts of \$333.0 million and \$453.5 million, respectively, in the form of forward contracts with varying maturity dates ranging from October 2013 to September 2014. This compares with outstanding Australian and Canadian foreign currency exchange contracts with a notional amount of \$400.0 million and \$630.4 million, respectively, as of December 31, 2012.

Changes in fair value of highly effective hedges are recorded as a component of *Accumulated other comprehensive loss* in the Statements of Unaudited Condensed Consolidated Financial Position. Any ineffectiveness is recognized immediately in income and, as of September 30, 2013 and 2012, there was no material ineffectiveness recorded for these foreign exchange contracts. Amounts recorded as a component of *Accumulated other comprehensive loss* are reclassified into earnings in the same period the forecasted transaction affects earnings. Of the amounts remaining in *Accumulated other comprehensive loss* related to Australian hedge contracts and Canadian hedge contracts, we estimate that losses of \$13.4 million and gains of \$1.0 million (net of tax), respectively, will be reclassified into earnings within the next 12 months.

The following summarizes the effect of our derivatives designated as cash flow hedging instruments, net of tax in *Accumulated other comprehensive loss* in the Statements of Unaudited Condensed Consolidated Operations for the three and nine months ended September 30, 2013 and 2012:

Derivatives in Cash Flow Hedging Relationships	(In Millions)				
	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion)		Location of Gain (Loss) Reclassified from Accumulated OCI into Earnings (Effective Portion)	Amount of Gain (Loss) Reclassified from Accumulated OCI into Earnings (Effective Portion)	
	Three Months Ended September 30,			Three Months Ended September 30,	
	2013	2012		2013	2012
Australian Dollar Foreign Exchange Contracts (hedge designation)	\$ 2.9	\$ 1.4	Product revenues	\$ (8.9)	\$ 5.1
Canadian Dollar Foreign Exchange Contracts (hedge designation)	9.2	11.3	Cost of goods sold and operating expenses	(7.3)	1.3
Total	\$ 12.1	\$ 12.7		\$ (16.2)	\$ 6.4
	Nine Months Ended September 30,			Nine Months Ended September 30,	
	2013	2012		2013	2012
Australian Dollar Foreign Exchange Contracts (hedge designation)	\$ (25.2)	\$ 7.5	Product revenues	\$ (4.5)	\$ 7.8
Canadian Dollar Foreign Exchange Contracts (hedge designation)	(9.9)	6.2	Cost of goods sold and operating expenses	(7.5)	1.6
	\$ (35.1)	\$ 13.7		\$ (12.0)	\$ 9.4

Fair Value Hedges

Interest Rate Hedges

Interest rate risk is managed using a portfolio of variable- and fixed-rate debt composed of short- and long-term instruments, such as U.S. treasury lock agreements and interest rate swaps. From time to time, these instruments, which are derivative instruments, are entered into to facilitate the maintenance of the desired ratio of variable- to fixed-rate debt. These derivative instruments, with a notional amount of \$250.0 million, are designated and qualify as fair value hedges as of September 30, 2013. These instruments did not have a material impact on our financial statements for the year ended December 31, 2012.

For derivative instruments that are designated and qualify as fair-value hedges, the gain or loss on the hedge instrument as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in current net income. We include the gain or loss on the derivative instrument and the offsetting loss or gain on the hedged item in *Other non-operating income (expense)*. The net gain or loss recognized in *Other non-operating income (expense)* for the three and nine months ended September 30, 2013 and 2012 were as follows:

(In Millions)					
Derivatives in Fair Value Hedging Relationships	Location of Gain Recognized in Income on Derivative	Net Gain Recognized in Income on Derivative			
		Three Months Ended September 30,		Nine Months Ended September 30,	
		2013	2012	2013	2012
Interest Rate Swaps	<i>Other non-operating income (expense)</i>	\$ 0.1	\$ —	\$ 0.1	\$ —

Derivatives Not Designated as Hedging Instruments

Customer Supply Agreements

Most of our U.S. Iron Ore long-term supply agreements are comprised of a base price with annual price adjustment factors, some of which are subject to annual price collars in order to limit the percentage increase or decrease in prices for our iron ore pellets during any given year. The base price is the primary component of the purchase price for each contract. The inflation-indexed price adjustment factors are integral to the iron ore supply contracts and vary based on the agreement, but typically include adjustments based upon changes in the Platts 62 percent Fe market rate and/or international pellet prices and changes in specified Producers Price Indices, including those for all commodities, industrial commodities, energy and steel. The pricing 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. In most cases, these adjustment factors have not been finalized at the time our product is sold. In these cases, we historically have estimated the adjustment factors at each reporting period based upon the best third-party information available. The estimates are then adjusted to actual when the information has been finalized. The price adjustment factors have been evaluated to determine if they contain embedded derivatives. 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 U.S. Iron Ore customer provide for supplemental revenue or refunds to the customer 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 a freestanding derivative and is required to be accounted for separately once the product is shipped. The derivative instrument, which is finalized based on a future price, is adjusted to fair value as a revenue adjustment each reporting period until the pellets are consumed and the amounts are settled. We recognized \$53.9 million and \$113.4 million as *Product revenues* in the Statements of Unaudited Condensed Consolidated Operations for the three and nine months ended September 30, 2013, respectively, related to the supplemental payments. This compares with *Product revenues* of \$49.8 million and \$131.8 million for the comparable respective periods in 2012. *Derivative assets*, representing the fair value of the pricing factors, were \$62.1 million and \$58.9 million in the September 30, 2013 and December 31, 2012 Statements of Unaudited Condensed Consolidated Financial Position, respectively.

Provisional Pricing Arrangements

Certain of our U.S. Iron Ore, Eastern Canadian Iron Ore and Asia Pacific Iron Ore customer supply agreements specify provisional price calculations, where the pricing mechanisms generally are based on

market pricing, with the final revenue rate to be based on market inputs at a specified point in time in the future, per the terms of the supply agreements. The difference between the provisionally agreed-upon price and the estimated final revenue rate is characterized as a freestanding derivative and is required to be accounted for separately once the provisional revenue has been recognized. The derivative instrument is adjusted to fair value through *Product revenues* each reporting period based upon current market data and forward-looking estimates provided by management until the final revenue rate is determined. At September 30, 2013 and December 31, 2012, we recorded \$4.6 million and \$3.5 million, respectively, as *Derivative assets* and \$11.4 million and \$11.3 million, respectively, as *Derivative liabilities* in the Statements of Unaudited Condensed Consolidated Financial Position related to our estimate of final revenue rate with our U.S. Iron Ore, Eastern Canadian Iron Ore and Asia Pacific Iron Ore customers at September 30, 2013 and related to our U.S. Iron Ore and Eastern Canadian Iron Ore customers at December 31, 2012. These amounts represent the difference between the provisional price agreed upon with our customers based on the supply agreement terms and our estimate of the final revenue rate based on the price calculations established in the supply agreements. As a result, we recognized a net \$24.3 million increase and a net \$6.8 million decrease in *Product revenues* in the Statements of Unaudited Condensed Consolidated Operations for the three and nine months ended September 30, 2013, respectively, related to these arrangements. This compares with a net \$8.1 million decrease and a net \$10.3 million decrease in *Product revenues* for the comparable respective periods in 2012.

The following summarizes the effect of our derivatives that are not designated as hedging instruments in the Statements of Unaudited Condensed Consolidated Operations for the three and nine months ended September 30, 2013 and 2012:

(In Millions)					
Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivative	Amount of Gain/(Loss) Recognized in Income on Derivative			
		Three Months Ended September 30,		Nine Months Ended September 30,	
		2013	2012	2013	2012
Foreign Exchange Contracts	<i>Other income (expense)</i>	\$ —	\$ —	\$ —	\$ 0.3
Foreign Exchange Contracts	<i>Income (Loss) from Discontinued Operations, net of tax</i>	—	1.1	—	1.1
Commodity Contracts	<i>Other non-operating income (expense)</i>	(2.7)	—	(2.7)	—
Customer Supply Agreements	<i>Product revenues</i>	53.9	49.8	113.4	131.8
Provisional Pricing Arrangements	<i>Product revenues</i>	24.3	(10.3)	(6.8)	(10.3)
Total		<u>\$ 75.5</u>	<u>\$ 40.6</u>	<u>\$ 103.9</u>	<u>\$ 122.9</u>

Refer to NOTE 8 - FAIR VALUE OF FINANCIAL INSTRUMENTS for additional information.

NOTE 4 - INVENTORIES

The following table presents the detail of our *Inventories* in the Statements of Unaudited Condensed Consolidated Financial Position as of September 30, 2013 and December 31, 2012:

Segment	(In Millions)					
	September 30, 2013			December 31, 2012		
	Finished Goods	Work-in Process	Total Inventory	Finished Goods	Work-in Process	Total Inventory
U.S. Iron Ore	\$ 160.4	\$ 20.3	\$ 180.7	\$ 147.2	\$ 22.9	\$ 170.1
Eastern Canadian Iron Ore	54.2	36.2	90.4	62.6	44.2	106.8
Asia Pacific Iron Ore	54.0	34.7	88.7	36.7	37.2	73.9
North American Coal	55.6	23.0	78.6	36.7	49.0	85.7
Total	\$ 324.2	\$ 114.2	\$ 438.4	\$ 283.2	\$ 153.3	\$ 436.5

We recorded a lower-of-cost-or-market inventory charge during the third quarter of 2013 of \$5.9 million relating to concentrate inventory primarily driven by extended maintenance shutdowns that resulted in higher costs and reduced fixed-cost leverage. We recorded these charges in *Cost of goods sold and operating expenses* in the Statements of Unaudited Condensed Consolidated Operations for our Eastern Canadian Iron Ore operations. For the nine months ended September 30, 2013, the lower-of-cost-or-market inventory charge recorded was \$10.6 million concentrate inventory. During the first half of 2013, the Wabush concentrate inventory charge was caused by higher costs as a result of transitioning into concentrate-only production and the forest fire that temporarily idled the mine in June.

Additionally, as a result of the idling of our Wabush pellet plant during the second quarter of 2013, we recorded a lower-of-cost-or-market inventory charge of \$11.1 million relating to Wabush pellets that are contractually committed tons, and we recorded an unsaleable inventory impairment charge of \$10.6 million relating to Wabush pellets. Both of these charges were recorded in *Cost of goods sold and operating expenses* in the second quarter of 2013 and included in the Statements of Unaudited Condensed Consolidated Operations for the nine months ended September 30, 2013 for our Eastern Canadian Iron Ore operations. No lower-of-cost-or-market inventory adjustments were recorded for the three and nine months ended September 30, 2012 within the Eastern Canadian Iron Ore operating segment results.

We recorded lower-of-cost-or-market inventory charges of \$2.6 million and \$5.3 million in *Cost of goods sold and operating expenses* in the Statements of Unaudited Condensed Consolidated Operations for the three and nine months ended September 30, 2013, respectively, for our North American Coal operations. These charges were a result of market declines and costs associated with operational and geological issues. For the three and nine months ended September 30, 2012, we recorded lower-of-cost-or-market inventory charges of \$8.0 million and \$17.9 million, respectively, for our North American Coal operations due to market prices for coal.

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT

The following table indicates the value of each of the major classes of our consolidated depreciable assets as of September 30, 2013 and December 31, 2012:

	(In Millions)	
	September 30, 2013	December 31, 2012
Land rights and mineral rights	\$ 7,826.5	\$ 7,920.8
Office and information technology	119.3	92.4
Buildings	214.0	162.0
Mining equipment	1,554.7	1,290.7
Processing equipment	2,172.8	1,937.4
Railroad equipment	222.3	240.8
Electric power facilities	82.9	58.7
Port facilities	103.8	114.3
Interest capitalized during construction	25.5	20.8
Land improvements	63.0	43.9
Other	91.8	39.0
Construction in progress	1,049.2	1,123.9
	13,525.8	13,044.7
Allowance for depreciation and depletion	(2,171.0)	(1,837.4)
	\$ 11,354.8	\$ 11,207.3

We recorded depreciation and depletion expense of \$148.3 million and \$423.1 million in the Statements of Unaudited Condensed Consolidated Operations for the three and nine months ended September 30, 2013, respectively. This compares with depreciation and depletion expense of \$127.7 million and \$364.9 million for the three and nine months ended September 30, 2012, respectively.

The accumulated amount of capitalized interest included within construction in progress at September 30, 2013 is \$30.1 million, of which \$15.3 million was capitalized during 2013. At December 31, 2012, \$17.1 million of capitalized interest was included within construction in progress, of which \$15.4 million was capitalized during 2012.

NOTE 6 - DISCONTINUED OPERATIONS

The table below sets forth selected financial information related to operating results of our business classified as discontinued operations. While the reclassification of revenues and expenses related to discontinued operations for prior periods has no impact upon previously reported net income, the Statements of Unaudited Condensed Consolidated Operations present the revenues and expenses that were reclassified from the specified line items to discontinued operations. During the fourth quarter of 2012, we sold our 45 percent economic interest in Sonoma. The Sonoma operations previously were included in *Other* within our reportable segments.

The following table presents detail of our operations related to our Sonoma operations in the Statements of Unaudited Condensed Consolidated Operations:

	(In Millions)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
REVENUES FROM PRODUCT SALES AND SERVICES				
Product	\$ —	\$ 42.6	\$ —	\$ 141.6
INCOME (LOSS) FROM DISCONTINUED OPERATIONS, net of tax				
	\$ 2.0	\$ (2.7)	\$ 2.0	\$ 5.2

Income (Loss) from Discontinued Operations, net of tax during the three and nine months ended September 30, 2013 relates to additional income tax benefit resulting from the actual tax gain from the sale of Sonoma as included on the 2012 tax return, which was filed during the three months ended September 30, 2013.

We recorded a loss from discontinued operations of \$2.7 million, net of \$1.2 million in income tax credits, and income from discontinued operations of \$5.2 million, net of \$2.1 million in tax expense in *Income (Loss) from Discontinued Operations, net of tax* for the three and nine months ended September 30, 2012, respectively, related to our previously owned interest in the Sonoma operations.

NOTE 7 - GOODWILL AND OTHER INTANGIBLE ASSETS AND LIABILITIES

Goodwill

The following table summarizes changes in the carrying amount of goodwill allocated by operating segment for the nine months ended September 30, 2013 and the year ended December 31, 2012:

	(In Millions)											
	September 30, 2013						December 31, 2012					
	U.S. Iron Ore	Eastern Canadian Iron Ore	Asia Pacific Iron Ore	North American Coal	Other	Total	U.S. Iron Ore	Eastern Canadian Iron Ore	Asia Pacific Iron Ore	North American Coal	Other	Total
Beginning Balance	\$ 2.0	\$ —	\$ 84.5	\$ —	\$ 80.9	\$ 167.4	\$ 2.0	\$ 986.2	\$ 83.0	\$ —	\$ 80.9	\$ 1,152.1
Arising in business combinations	—	—	—	—	—	—	—	13.8	—	—	—	13.8
Impairment	—	—	—	—	—	—	—	(1,000.0)	—	—	—	(1,000.0)
Impact of foreign currency translation	—	—	(8.8)	—	—	(8.8)	—	—	1.5	—	—	1.5
Ending Balance	<u>\$ 2.0</u>	<u>\$ —</u>	<u>\$ 75.7</u>	<u>\$ —</u>	<u>\$ 80.9</u>	<u>\$ 158.6</u>	<u>\$ 2.0</u>	<u>\$ —</u>	<u>\$ 84.5</u>	<u>\$ —</u>	<u>\$ 80.9</u>	<u>\$ 167.4</u>
Accumulated Goodwill Impairment Loss	\$ —	\$ (1,000.0)	\$ —	\$ (27.8)	\$ —	\$ (1,027.8)	\$ —	\$ (1,000.0)	\$ —	\$ (27.8)	\$ —	\$ (1,027.8)

Other Intangible Assets and Liabilities

Following is a summary of intangible assets and liabilities as of September 30, 2013 and December 31, 2012:

		(In Millions)					
		September 30, 2013			December 31, 2012		
Classification		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Definite-lived intangible assets:							
Permits	<i>Intangible assets, net</i>	\$ 130.3	\$ (35.7)	\$ 94.6	\$ 136.1	\$ (31.7)	\$ 104.4
Utility contracts	<i>Intangible assets, net</i>	54.7	(40.8)	13.9	54.7	(32.4)	22.3
Leases	<i>Intangible assets, net</i>	5.7	(3.4)	2.3	5.7	(3.4)	2.3
Total intangible assets		<u>\$ 190.7</u>	<u>\$ (79.9)</u>	<u>\$ 110.8</u>	<u>\$ 196.5</u>	<u>\$ (67.5)</u>	<u>\$ 129.0</u>
Below-market sales contracts	<i>Other current liabilities</i>	\$ (46.0)	\$ 13.3	\$ (32.7)	\$ (46.0)	\$ —	\$ (46.0)
Below-market sales contracts	<i>Other liabilities</i>	(250.7)	199.6	(51.1)	(250.7)	181.6	(69.1)
Total below-market sales contracts		<u>\$ (296.7)</u>	<u>\$ 212.9</u>	<u>\$ (83.8)</u>	<u>\$ (296.7)</u>	<u>\$ 181.6</u>	<u>\$ (115.1)</u>

Amortization expense relating to intangible assets was \$4.8 million and \$14.9 million for the three and nine months ended September 30, 2013, respectively, and is recognized in *Cost of goods sold and operating expenses* in the Statements of Unaudited Condensed Consolidated Operations. Amortization expense relating to intangible assets was \$4.8 million and \$14.1 million for the comparable respective periods in 2012. The estimated amortization expense relating to intangible assets for each of the five succeeding years is as follows:

		(In Millions)
		Amount
Year Ending December 31		
2013 (remaining three months)	\$	6.1
2014		19.3
2015		8.5
2016		8.4
2017		8.4
2018		7.8
Total	\$	<u>58.5</u>

The below-market sales contracts are classified as a liability and recognized over the term of the underlying contracts, which have remaining lives ranging from one to four years. For the three and nine months ended September 30, 2013, we recognized \$14.7 million and \$31.3 million, respectively, in *Product revenues* related to the below-market sales contracts, compared with \$14.7 million and \$31.3 million for the three and nine months ended September 30, 2012, respectively. The following amounts are estimated to be recognized in *Product revenues* for the remainder of this year and each of the three succeeding fiscal years:

		(In Millions)
		Amount
Year Ending December 31		
2013 (remaining three months)	\$	14.7
2014		23.0
2015		23.0
2016		23.1
Total	\$	<u>83.8</u>

NOTE 8 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The following represents the assets and liabilities of the Company measured at fair value at September 30, 2013 and December 31, 2012:

(In Millions)				
September 30, 2013				
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	\$ 192.0	\$ —	\$ —	\$ 192.0
Derivative assets	—	1.7	66.7	68.4
Marketable securities	26.7	—	—	26.7
Foreign exchange contracts	—	4.3	—	4.3
Total	<u>\$ 218.7</u>	<u>\$ 6.0</u>	<u>\$ 66.7</u>	<u>\$ 291.4</u>
Liabilities:				
Derivative liabilities	\$ —	\$ 2.7	\$ 11.4	\$ 14.1
Foreign exchange contracts	—	22.0	—	22.0
Total	<u>\$ —</u>	<u>\$ 24.7</u>	<u>\$ 11.4</u>	<u>\$ 36.1</u>

(In Millions)				
December 31, 2012				
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	\$ 100.0	\$ —	\$ —	\$ 100.0
Derivative assets	—	—	62.4	62.4
Marketable securities	27.0	—	—	27.0
Foreign exchange contracts	—	16.2	—	16.2
Total	<u>\$ 127.0</u>	<u>\$ 16.2</u>	<u>\$ 62.4</u>	<u>\$ 205.6</u>
Liabilities:				
Derivative liabilities	\$ —	\$ —	\$ 11.3	\$ 11.3
Foreign exchange contracts	—	1.9	—	1.9
Total	<u>\$ —</u>	<u>\$ 1.9</u>	<u>\$ 11.3</u>	<u>\$ 13.2</u>

Financial assets classified in Level 1 at September 30, 2013 and December 31, 2012 include money market funds and available-for-sale marketable securities. The valuation of these instruments 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. Level 2 securities primarily include derivative financial instruments valued using financial models that use as their basis readily observable market parameters. At September 30, 2013, such derivative financial instruments included our existing foreign currency exchange contracts, commodity contracts, and

interest rate swaps. At December 31, 2012, such derivative financial instruments included our existing foreign currency exchange contracts. The fair value of the foreign currency exchange contracts is based on forward market prices and represents the estimated amount we would receive or pay to terminate these agreements at the reporting date, taking into account creditworthiness, nonperformance risk and liquidity risks associated with current market conditions.

The derivative financial assets classified within Level 3 at September 30, 2013 and December 31, 2012 included a freestanding derivative instrument related to certain supply agreements with one of our U.S. Iron Ore 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 adjust this provision to fair value as an adjustment to *Product revenues* each reporting period until the product is consumed and the amounts are settled. The fair value of the instrument is determined using a market approach based on an estimate of the annual realized price of hot-rolled steel at the steelmaker's facilities, and takes into consideration current market conditions and nonperformance risk.

The Level 3 derivative assets and liabilities at September 30, 2013 and December 31, 2012, also consisted of derivatives related to certain provisional pricing arrangements with our U.S. Iron Ore, Eastern Canadian Iron Ore and Asia Pacific Iron Ore customers at September 30, 2013 and our U.S. Iron Ore and Eastern Canadian Iron Ore customers at December 31, 2012. These provisional pricing arrangements specify provisional price calculations, where the pricing mechanisms generally are based on market pricing, with the final revenue rate to be based on market inputs at a specified point in time in the future, per the terms of the supply agreements. The difference between the provisionally agreed-upon price and the estimated final revenue rate is characterized as a derivative and is required to be accounted for separately once the revenue has been recognized. The derivative instrument is adjusted to fair value through *Product revenues* each reporting period based upon current market data and forward-looking estimates provided by management until the final revenue rate is determined.

The following table illustrates information about quantitative inputs and assumptions for the derivative assets and derivative liabilities categorized in Level 3 of the fair value hierarchy:

Qualitative/Quantitative Information About Level 3 Fair Value Measurements					
(\$ in millions)	Fair Value at 9/30/2013	Balance Sheet Location	Valuation Technique	Unobservable Input	Range or Point Estimate (Weighted Average)
Provisional Pricing Arrangements	\$ 4.6	<i>Derivative assets</i>	Market Approach	Management's Estimate of 62% Fe	\$131
	\$ 11.4	<i>Derivative liabilities</i>			
Customer Supply Agreement	\$ 62.1	<i>Derivative assets</i>	Market Approach	Hot-Rolled Steel Estimate	\$590 - \$660 (\$630)

The significant unobservable input used in the fair value measurement of the reporting entity's provisional pricing arrangements is management's estimate of 62 percent Fe price based upon current market data, including historical seasonality and forward-looking estimates determined by management. Significant increases or decreases in this input would result in a significantly higher or lower fair value measurement, respectively.

The significant unobservable input used in the fair value measurement of the reporting entity's customer supply agreements is the future hot-rolled steel price that is estimated based on current market data, analysts' projections, projections provided by the customer and forward-looking estimates determined by management. Significant increases or decreases in this input would result in a significantly higher or lower fair value measurement, respectively.

Substantially all of the financial assets and liabilities are carried at fair value or contracted amounts that approximate fair value.

We recognize any transfers between levels as of the beginning of the reporting period, including both transfers into and out of levels. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the nine months of 2013 or 2012. The following tables represent 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 three and nine months ended September 30, 2013 and 2012.

	(In Millions)			
	Derivative Assets (Level 3)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Beginning balance	\$ 45.1	\$ 83.9	\$ 62.4	\$ 157.9
Total gains				
Included in earnings	57.6	24.9	118.0	129.6
Settlements	(36.0)	(52.9)	(113.7)	(231.6)
Transfers into Level 3	—	—	—	—
Transfers out of Level 3	—	—	—	—
Ending balance - September 30	<u>\$ 66.7</u>	<u>\$ 55.9</u>	<u>\$ 66.7</u>	<u>\$ 55.9</u>
Total gains for the period included in earnings attributable to the change in unrealized gains on assets still held at the reporting date	<u>\$ 57.6</u>	<u>\$ 24.9</u>	<u>\$ 118.0</u>	<u>\$ 129.6</u>

	(In Millions)			
	Derivative Liabilities (Level 3)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Beginning balance	\$ (32.0)	\$ (15.8)	\$ (11.3)	\$ (19.5)
Total gains				
Included in earnings	20.6	4.1	(11.4)	(11.7)
Settlements	—	—	11.3	19.5
Transfers into Level 3	—	—	—	—
Transfers out of Level 3	—	—	—	—
Ending balance - September 30	<u>\$ (11.4)</u>	<u>\$ (11.7)</u>	<u>\$ (11.4)</u>	<u>\$ (11.7)</u>
Total gains (losses) for the period included in earnings attributable to the change in unrealized gains (losses) on liabilities still held at the reporting date	<u>\$ 20.6</u>	<u>\$ 4.1</u>	<u>\$ (11.4)</u>	<u>\$ (11.7)</u>

Gains and losses included in earnings are reported in *Product revenues* in the Statements of Unaudited Condensed Consolidated Operations for the three and nine months ended September 30, 2013 and 2012.

The carrying amount for certain financial instruments (e.g. *Accounts receivable, net, Accounts payable* and *Accrued expenses*) approximate fair value and, therefore, have been excluded from the table below. A summary of the carrying amount and fair value of other financial instruments at September 30, 2013 and December 31, 2012 were as follows:

		(In Millions)			
		September 30, 2013		December 31, 2012	
	Classification	Carrying Value	Fair Value	Carrying Value	Fair Value
Other receivables:					
Customer supplemental payments	Level 2	\$ —	\$ —	\$ 22.3	\$ 21.3
ArcelorMittal USA—Receivable	Level 2	13.4	14.3	19.3	21.3
Other	Level 2	10.1	10.1	10.9	10.9
Total receivables		\$ 23.5	\$ 24.4	\$ 52.5	\$ 53.5
Long-term debt:					
Term loan—\$1.25 billion	Level 2	\$ —	\$ —	\$ 753.0	\$ 753.0
Senior notes—\$700 million	Level 2	699.4	719.2	699.4	759.4
Senior notes—\$1.3 billion	Level 2	1,289.6	1,442.2	1,289.4	1,524.7
Senior notes—\$400 million	Level 2	398.4	439.7	398.2	464.3
Senior notes—\$500 million	Level 2	496.3	528.4	495.7	528.4
Revolving loan	Level 2	380.0	380.0	325.0	325.0
Equipment Loan Facilities	Level 2	54.2	54.2	—	—
Fair Value Adjustment to Interest Rate Hedge	Level 2	1.7	1.7	—	—
Total long-term debt		\$ 3,319.6	\$ 3,565.4	\$ 3,960.7	\$ 4,354.8

The fair value of the receivables and debt are based on the fair market yield curves for the remainder of the term expected to be outstanding.

The terms of one of our U.S. Iron Ore pellet supply agreements required supplemental payments to be paid by the customer during the period 2009 through 2012, with the option to defer a portion of the 2009 monthly amount up to \$22.3 million in exchange for interest payments until the deferred amount was repaid in 2013. Interest was payable by the customer quarterly and began in September 2009 at the higher of 9 percent or the prime rate plus 350 basis points. During the first half of 2013, payments totaling \$22.3 million on the outstanding amount due were made by the customer and the receivable was fully repaid by the end of June 2013. As of December 31, 2012, the receivable of \$22.3 million was classified as current and recorded in *Other current assets* in the Statements of Unaudited Condensed Consolidated Financial Position as all supplemental payments to be paid by the customer were due by the end of 2013. The fair value of the receivable of \$21.3 million at December 31, 2012 is based on a discount rate of 2.81 percent, which represented the estimated credit-adjusted risk-free interest rate for the period the receivable was outstanding.

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 79.0 percent in exchange for the 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 \$13.4 million and \$19.3 million at September 30, 2013 and December 31, 2012, respectively, of which \$10.0 million was recorded in *Other current assets* at September 30, 2013 and December 31, 2012. The fair value

of the receivable of \$14.3 million and \$21.3 million at September 30, 2013 and December 31, 2012, respectively, is based on a discount rate of 1.98 percent and 2.85 percent, respectively, which represents the estimated credit-adjusted risk-free interest rate for the period the receivable is outstanding.

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 9 - DEBT AND CREDIT FACILITIES for further information.

Items Measured at Fair Value on a Non-Recurring Basis

The following tables present information about the impairment charges on both financial and nonfinancial assets that were measured on a fair value basis at September 30, 2013 and December 31, 2012. The table also indicates the fair value hierarchy of the valuation techniques used to determine such fair value.

(In Millions)					
September 30, 2013					
Description	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Total Losses
Assets:					
Investment in ventures impairment - Amapá	—	—	—	\$ —	\$ 67.6

In light of the March 28, 2013 collapse of the Santana port shiploader and subsequent evaluation of the effect that this event had on the carrying value of our investment in Amapá as of June 30, 2013, we recorded an impairment charge of \$67.6 million in the second quarter of 2013.

(In Millions)					
December 31, 2012					
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:					
Investment in ventures impairment - Amapá	\$ —	\$ —	\$ 72.5	\$ 72.5	

On December 27, 2012, the board of directors approved the sale of our 30 percent investment in Amapá, which is recorded as an equity method investment in the Statements of Unaudited Condensed Consolidated Operations. The carrying value of the investment was reduced to fair value of \$72.5 million as of December 31, 2012, resulting in an impairment charge of \$365.4 million, which was recorded in the fourth quarter of 2012. We believe the sum of the sale proceeds approximates fair value. The fair value of the proceeds (and therefore the portion of the equity method investment measured at fair value) was determined using a probability-weighted cash flow approach.

NOTE 9 - DEBT AND CREDIT FACILITIES

The following represents a summary of our long-term debt as of September 30, 2013 and December 31, 2012:

(\$ in Millions)						
September 30, 2013						
Debt Instrument	Type	Annual Effective Interest Rate	Final Maturity	Total Face Amount	Total Debt	
\$700 Million 4.875% 2021 Senior Notes	Fixed	4.89%	2021	\$ 700.0	\$ 699.4	(2)
\$1.3 Billion Senior Notes:						
\$500 Million 4.80% 2020 Senior Notes	Fixed	4.83%	2020	500.0	499.2	(3)
\$800 Million 6.25% 2040 Senior Notes	Fixed	6.34%	2040	800.0	790.4	(4)
\$400 Million 5.90% 2020 Senior Notes	Fixed	5.98%	2020	400.0	398.4	(5)
\$500 Million 3.95% 2018 Senior Notes	Fixed	4.14%	2018	500.0	496.3	(6)
\$1.75 Billion Credit Facility:						
Revolving Loan	Variable	2.08%	2017	1,750.0	380.0	(7)
Equipment Loans	Fixed	Various	2020	62.1	62.1	
Fair Value Adjustment to Interest Rate Hedge						1.7
Total debt				\$ 4,712.1	\$ 3,327.5	
Less current portion						7.9
Long-term debt					\$ 3,319.6	

(\$ in Millions)						
December 31, 2012						
Debt Instrument	Type	Annual Effective Interest Rate	Final Maturity	Total Face Amount	Total Debt	
\$1.25 Billion Term Loan	Variable	1.83%	2016	\$ 847.1	\$ 847.1	(1)
\$700 Million 4.875% 2021 Senior Notes	Fixed	4.88%	2021	700.0	699.4	(2)
\$1.3 Billion Senior Notes:						
\$500 Million 4.80% 2020 Senior Notes	Fixed	4.80%	2020	500.0	499.2	(3)
\$800 Million 6.25% 2040 Senior Notes	Fixed	6.25%	2040	800.0	790.2	(4)
\$400 Million 5.90% 2020 Senior Notes	Fixed	5.90%	2020	400.0	398.2	(5)
\$500 Million 3.95% 2018 Senior Notes	Fixed	4.14%	2018	500.0	495.7	(6)
\$1.75 Billion Credit Facility:						
Revolving Loan	Variable	2.02%	2017	1,750.0	325.0	(7)
Total debt				\$ 5,497.1	\$ 4,054.8	
Less current portion						94.1
Long-term debt					\$ 3,960.7	

- (1) During the first quarter of 2013, the term loan was repaid in full through repayments totaling \$847.1 million. As of December 31, 2012, \$402.8 million had been paid on the original \$1.25 billion term loan and, of the remaining term loan, \$94.1 million was classified as *Current portion of debt*. The current classification was based upon the principal payment terms of the arrangement requiring principal payments on each three-month anniversary following the funding of the term loan.

- (2) As of September 30, 2013 and December 31, 2012, the \$700 million 4.875 percent senior notes were recorded at a par value of \$700 million less unamortized discounts of \$0.6 million for each period, based on an imputed interest rate of 4.89 percent.
- (3) As of September 30, 2013 and December 31, 2012, the \$500 million 4.80 percent senior notes were recorded at a par value of \$500 million less unamortized discounts of \$0.8 million for each period, based on an imputed interest rate of 4.83 percent.
- (4) As of September 30, 2013 and December 31, 2012, the \$800 million 6.25 percent senior notes were recorded at par value of \$800 million less unamortized discounts of \$9.6 million and \$9.8 million, respectively, based on an imputed interest rate of 6.34 percent.
- (5) As of September 30, 2013 and December 31, 2012, the \$400 million 5.90 percent senior notes were recorded at a par value of \$400 million less unamortized discounts of \$1.6 million and \$1.8 million, respectively, based on an imputed interest rate of 5.98 percent.
- (6) As of September 30, 2013 and December 31, 2012, the \$500 million 3.95 percent senior notes were recorded at a par value of \$500 million less unamortized discounts of \$3.7 million and \$4.3 million, respectively, based on an imputed interest rate of 4.14 percent.
- (7) As of September 30, 2013 and December 31, 2012, \$380.0 million and \$325.0 million revolving loans were drawn under the credit facility, respectively, and the principal amount of letter of credit obligations totaled \$27.7 million for each period, thereby reducing available borrowing capacity to \$1.3 billion and \$1.4 billion for each period, respectively.

Credit Facility and Term Loan

On February 8, 2013, we amended the Term Loan Agreement among Cliffs Natural Resources Inc. and various lenders dated March 4, 2011, as amended, or term loan, and the Amended and Restated Multicurrency Credit Agreement among Cliffs Natural Resources Inc. and various lenders dated August 11, 2011 (as further amended by Amendment No. 1 as of October 16, 2012), or amended credit agreement, to effect the following:

- Suspend the current Funded Debt to EBITDA ratio requirement for all quarterly measurement periods in 2013, after which point it will revert back to the period ending March 31, 2014 until maturity.
- Require a Minimum Tangible Net Worth of approximately \$4.6 billion as of each of the three-month periods ended March 31, 2013, June 30, 2013, September 30, 2013 and December 31, 2013. Minimum Tangible Net Worth, in accordance with the amended credit agreement and term loan, is defined as total equity less goodwill and intangible assets.
- Maintain a Maximum Total Funded Debt to Capitalization of 52.5 percent from the amendments' effective date through the period ending December 31, 2013.
- The amended agreements retain the Minimum Interest Coverage Ratio requirement of 2.5 to 1.0.

During February 2013, we repaid the \$847.1 million outstanding balance under the term loan through the use of proceeds from the 2013 public equity offerings. Additionally, as a result of the term loan repayment, the remaining deferred financing costs associated with the issuance of the term loan of \$7.1 million were expensed. Upon the repayment of the term loan, the financial covenants associated with the term loan no longer were applicable.

Per the terms of the amended credit agreement, we are subject to higher borrowing costs. The applicable interest rate is determined by reference to the former Funded Debt to EBITDA ratio. Based on the amended terms, borrowing costs could increase as much as 0.5 percent relative to the outstanding borrowings, as well as 0.1 percent on unborrowed amounts. Furthermore, the amended credit agreement places certain restrictions upon our declaration and payment of dividends, our ability to consummate acquisitions and the debt levels of our subsidiaries.

As of September 30, 2013, we were in compliance with all applicable financial covenants related to the amended credit agreement.

At December 31, 2012, prior to the amendments made on February 8, 2013 that are discussed above, the terms of the term loan and amended credit agreement each contained customary covenants that require compliance with certain financial covenants based on: (1) debt to earnings ratio (Total Funded Debt to EBITDA, as those terms are defined in the amended credit agreement), as of the last day of each fiscal quarter cannot exceed (i) 3.5 to 1.0, if none of the \$270.0 million private placement senior notes due 2013 remain outstanding, or otherwise (ii) the then applicable maximum multiple under the \$270.0 million private placement senior notes due 2013 and (2) interest coverage ratio (Consolidated EBITDA to Interest Expense, as those terms are defined in the amended credit agreement), for the preceding four quarters must not be less than 2.5 to 1.0 on the last day of any fiscal quarter. As the \$270.0 million private placement senior notes due 2013 were repaid on December 28, 2012 with proceeds from the 2012 public debt offering, the financial covenant relating to the outstanding notes no longer was applicable. As of December 31, 2012, we were in compliance with the financial covenants related to both the term loan and the amended credit agreement.

Equipment Loans

During September 2013, we entered into \$62.1 million of seven-year installment equipment loans with various interest rates. The loans are secured by equipment from our Eastern Canadian Iron Ore operations. Proceeds from the borrowings were used for general corporate purposes.

Short-Term Facilities

Asia Pacific Iron Ore maintains a bank contingent instrument and cash advance facility. The facility, which is renewable annually at the bank's discretion, provides A\$30.0 million (\$27.9 million) at September 30, 2013 in credit for contingent instruments, such as performance bonds, and the ability to request a cash advance facility to be provided at the discretion of the bank. The facility limit was reduced from A\$40.0 million to A\$30.0 million during the third quarter of 2013. At December 31, 2012, the facility provided A\$40.0 million (\$41.6 million) in credit for contingent instruments. As of September 30, 2013, the outstanding bank guarantees under the facility totaled A\$27.5 million (\$25.6 million), thereby reducing borrowing capacity to A\$2.5 million (\$2.3 million). As of December 31, 2012, the outstanding bank guarantees under the facility totaled A\$25.0 million (\$26.0 million), thereby reducing borrowing capacity to A\$15.0 million (\$15.6 million). We have provided a guarantee of the facility, along with certain of our Australian subsidiaries. The terms of the short-term facility contain certain customary covenants; however, there are no financial covenants.

Letters of Credit

We issued standby letters of credit with certain financial institutions in order to support Bloom Lake's general business obligations. In addition, we issued standby letters of credit with certain financial institutions during the third quarter of 2011 in order to support Wabush's obligations. As of September 30, 2013 and December 31, 2012, these letter of credit obligations totaled \$43.3 million and \$96.9 million, respectively. All of these standby letters of credit are in addition to the letters of credit provided for under the amended credit agreement.

Debt Maturities

The following represents a summary of our maturities of debt instruments, excluding borrowings on the amended credit agreement, based on the principal amounts outstanding at September 30, 2013:

	(In Millions)	
	<u>Maturities of Debt</u>	
2013 (October 1 - December 31)	\$	1.9
2014		7.9
2015		8.3
2016		8.6
2017		8.9
2018 and thereafter		2,926.5
Total maturities of debt	\$	<u>2,962.1</u>

NOTE 10 - 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 \$5.3 million and \$19.5 million for the three and nine months ended September 30, 2013, respectively, compared with \$6.7 million and \$19.2 million for the same respective periods in 2012.

Future minimum payments under capital leases and non-cancellable operating leases at September 30, 2013 are as follows:

	(In Millions)	
	<u>Capital Leases</u>	<u>Operating Leases</u>
2013 (October 1 - December 31)	\$ 18.2	\$ 8.2
2014	65.5	20.0
2015	87.0	13.5
2016	36.1	8.3
2017	28.6	7.5
2018 and thereafter	54.2	21.5
Total minimum lease payments	\$ 289.6	\$ 79.0
Amounts representing interest	54.4	
Present value of net minimum lease payments	\$ 235.2	(1)

- (1) The total is comprised of \$51.3 million and \$183.9 million classified as *Other current liabilities* and *Other liabilities*, respectively, in the Statements of Unaudited Condensed Consolidated Financial Position at September 30, 2013.

NOTE 11 - ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS

We had environmental and mine closure liabilities of \$310.2 million and \$265.1 million at September 30, 2013 and December 31, 2012, respectively. The following is a summary of the obligations as of September 30, 2013 and as of the year ended December 31, 2012:

	(In Millions)	
	September 30, 2013	December 31, 2012
Environmental	\$ 8.4	\$ 15.7
Mine closure		
LTVSMC	19.4	18.3
Operating mines:		
U.S. Iron Ore	139.6	81.2
Eastern Canadian Iron Ore	76.6	88.9
Asia Pacific Iron Ore	26.2	22.4
North American Coal	40.0	38.6
Total mine closure	301.8	249.4
Total environmental and mine closure obligations	310.2	265.1
Less current portion	10.7	12.3
Long term environmental and mine closure obligations	\$ 299.5	\$ 252.8

Mine Closure

Our mine closure obligations are for our four consolidated U.S. operating iron ore mines, our two Eastern Canadian operating iron ore mines, our Asia Pacific operating iron ore mine, our five operating North American coal mines and a closed operation formerly operating as LTVSMC.

The accrued closure obligation for our active mining operations provides for contractual and legal obligations associated with the eventual closure of the mining operations. The accretion of the liability and amortization of the related asset is recognized over the estimated mine lives for each location.

The following represents a rollforward of our asset retirement obligation liability related to our active mining locations for the nine months ended September 30, 2013 and the year ended December 31, 2012:

	(In Millions)	
	September 30, 2013	December 31, 2012 ⁽¹⁾
Asset retirement obligation at beginning of period	\$ 231.1	\$ 194.9
Accretion expense	13.6	17.6
Exchange rate changes	2.8	0.3
Revision in estimated cash flows	35.2	18.2
Payments	(0.3)	0.1
Asset retirement obligation at end of period	\$ 282.4	\$ 231.1

(1) Represents a 12-month rollforward of our asset retirement obligation at December 31, 2012.

The revisions in estimated cash flows recorded during the nine months ended September 30, 2013 primarily include estimated asset retirement costs for one of our U.S. Iron Ore mines associated with required storm water management systems expected to be implemented subsequent to the closure of the mine.

NOTE 12 - PENSIONS AND OTHER POSTRETIREMENT BENEFITS

The following are the components of defined benefit pension and OPEB expense for the three and nine months ended September 30, 2013 and 2012:

Defined Benefit Pension Expense

	(In Millions)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Service cost	\$ 9.6	\$ 8.0	\$ 29.2	\$ 24.0
Interest cost	11.2	12.1	34.4	36.4
Expected return on plan assets	(16.2)	(14.9)	(49.3)	(44.7)
Amortization:				
Prior service costs	0.8	1.1	2.3	3.0
Net actuarial loss	7.5	7.4	22.5	22.4
Settlements	—	0.4	—	0.4
Net periodic benefit cost	<u>\$ 12.9</u>	<u>\$ 14.1</u>	<u>\$ 39.1</u>	<u>\$ 41.5</u>

Other Postretirement Benefits Expense

	(In Millions)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Service cost	\$ 3.0	\$ 3.7	\$ 9.2	\$ 11.2
Interest cost	4.3	5.3	13.0	15.9
Expected return on plan assets	(5.0)	(4.3)	(15.0)	(12.9)
Amortization:				
Prior service costs	(0.9)	0.7	(2.7)	2.2
Net actuarial loss	2.9	2.8	8.7	8.4
Net periodic benefit cost	<u>\$ 4.3</u>	<u>\$ 8.2</u>	<u>\$ 13.2</u>	<u>\$ 24.8</u>

We made pension contributions of \$36.1 million and \$51.2 million for the three and nine months ended September 30, 2013, respectively, compared to pension contributions of \$7.6 million and \$32.5 million for the three and nine months ended September 30, 2012, respectively. The OPEB contributions, made annually in the first quarter, were \$14.1 million and \$21.9 million for the nine months ended September 30, 2013 and 2012, respectively.

NOTE 13 - STOCK COMPENSATION PLANS**Employees' Plans**

On March 11, 2013, the Compensation and Organization Committee ("Committee") of the board of directors approved a grant under our shareholder-approved 2012 Equity Plan for the 2013 to 2015 performance period. A total of 1.0 million shares were granted under the award, consisting of 0.8 million performance shares and 0.2 million restricted share units.

The 2012 Equity Plan was approved by our board of directors on March 13, 2012 and our shareholders approved it on May 8, 2012, effective as of March 13, 2012. The 2012 Equity Plan replaced the ICE Plan. The maximum number of shares that may be issued under the 2012 Equity Plan is 6.0 million common shares. During 2012, a total of 23.6 thousand and 426.6 thousand shares were granted under the 2012 Equity Plan and the ICE Plan, respectively.

The ICE Plan was terminated on May 8, 2012 and no additional grants will be issued from the ICE Plan after this date; however, all awards previously granted under the ICE Plan continue in full force and effect in accordance with the terms of the award.

For the outstanding ICE Plan and Equity Plan awards, each performance share, if earned, entitles the holder to receive common shares or cash within a range between a threshold and maximum number of our common 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 performance share or unit grants vest over a period of three years and are intended to be paid out in common shares or cash in certain circumstances. Performance for the 2011 to 2013 performance period is measured on the basis of two factors: 1) relative TSR for the period and 2) three-year cumulative free cash flow. The relative TSR for the 2011 to 2013 performance period is measured against the constituents of the S&P Metals and Mining ETF Index on the last day of trading of the performance period. Performance for the 2012 to 2014 and for the 2013 to 2015 performance periods are measured only on the basis of relative TSR for the period and measured against the constituents of the S&P Metals and Mining ETF Index on the last day of trading of the performance period. The final payouts for the 2011 to 2013 performance period, the 2012 to 2014 performance period and the 2013 to 2015 performance period will vary from zero to 200 percent of the original grant. The restricted share units are subject to continued employment, are retention based, will vest at the end of the respective performance period, and are payable in common shares or cash in certain circumstances at a time determined by the Committee at its discretion.

Upon the occurrence of a change in control, all performance shares, restricted share units, restricted stock, performance units and retention units granted to a participant will vest and become nonforfeitable and will be paid out in cash.

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. A correlation matrix of historic and projected stock prices was developed for both the Company and our predetermined peer group of mining and metals companies. The fair value assumes that performance goals will be achieved.

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 estimate the volatility of our common shares 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 first quarter of 2013 performance share grants:

Grant Date	Grant Date Market Price	Average Expected Term (Years)	Expected Volatility	Risk-Free Interest Rate	Dividend Yield	Fair Value	Fair Value (Percent of Grant Date Market Price)
March 11, 2013	\$ 23.83	2.81	52.9%	0.40%	2.52%	\$ 17.01	71.38%

The fair value of the restricted share units is determined based on the closing price of the Company's common shares on the grant date. The restricted share units granted under either the ICE Plan or 2012 Equity Plan vest over a period of three years.

NOTE 14 - INCOME TAXES

Our 2013 estimated annual effective tax rate before discrete items is approximately 16.2 percent. This estimated annual effective tax rate differs from the U.S. statutory rate of 35 percent primarily due to deductions for percentage depletion in excess of cost depletion related to U.S. operations, income not subject to tax and foreign taxes and benefits derived from operations outside the United States, which are taxed at rates lower than the U.S. statutory rate of 35 percent. There were discrete items booked in the first nine months of 2013 of approximately \$14.7 million benefit. These adjustments relate primarily to deferred tax balances, which include the amendments of prior year income tax returns and the reversal of a previously recorded valuation allowance for which it was determined the benefit of the associated deferred tax asset is realizable.

NOTE 15 - CAPITAL STOCK

Depository Shares

On February 21, 2013, we issued 29.25 million depository shares, equivalent to 731,250 preferred shares, comprised of the 27.0 million depository share offering and the exercise of an underwriters' over-allotment option to purchase an additional 2.25 million depository shares. Each depository share represents a 1/40th interest in a share of our 7.00 percent Series A Mandatory Convertible Preferred Stock, Class A, without par value, or Preferred Share, at a price of \$25 per depository share for total net proceeds of approximately \$709.4 million, after underwriter fees and discounts. Each Preferred Share has an initial liquidation preference of \$1,000 per share (equivalent to a \$25 liquidation preference per depository share). When and if declared by our board of directors, we will pay cumulative dividends on each Preferred Share at an annual rate of 7.00 percent on the liquidation preference. We will pay declared dividends in cash on February 1, May 1, August 1 and November 1 of each year, commencing on May 1, 2013 and to, and including February 1, 2016. Holders of the depository shares are entitled to a proportional fractional interest in the rights and preferences of the Preferred Shares, including conversion, dividend, liquidation and voting rights, subject to the provisions of the deposit agreement.

The Preferred Shares may be converted, at the option of the holder, at the minimum conversion rate of 28.1480 of our common shares (equivalent to 0.7037 of our common shares per depository share) at any time prior to February 1, 2016 or other than during a fundamental change conversion period, subject to anti-dilution adjustments. If not converted prior to that time, each Preferred Share will convert automatically on February 1, 2016 into between 28.1480 and 34.4840 common shares, par value \$0.125 per share, subject to anti-dilution adjustments. The number of common shares issuable on conversion will be determined based on the average VWAP per share of our common shares during the 20 trading day period beginning on, and including, the 23rd scheduled trading day prior to February 1, 2016, subject to customary anti-dilution adjustments. Upon conversion, a minimum of 20.6 million common shares and a maximum of 25.2 million common shares will be issued.

If certain fundamental changes involving the Company occur, holders of the Preferred Shares may convert their shares into a number of common shares at the conversion rate that will be adjusted under certain circumstances, and such holders also will be entitled to a fundamental change dividend make-whole amount. The Preferred Shares are not redeemable.

Common Share Public Offering

On February 21, 2013, we issued 10.35 million common shares, comprised of the 9.0 million common share offering and the exercise of an underwriters' over-allotment option to purchase an additional 1.35 million common shares. We received net proceeds of approximately \$285.3 million at a closing price of \$29.00 per common share.

Dividends

On March 20, 2013, our board of directors declared a cash dividend of \$13.6111 per Preferred Share, which is equivalent to approximately \$0.34 per depository share. The cash dividend was paid on May 1, 2013 to our shareholders of record as of the close of business on April 15, 2013. On May 7, 2013, our board of directors declared the quarterly cash dividend of \$17.50 per Preferred Share, which is equivalent to approximately \$0.44 per depository share. The cash dividend was paid on August 1, 2013 to our shareholders of record as of the close of business on July 15, 2013. On September 9, 2013, our board of directors declared the quarterly cash dividend of \$17.50 per Preferred Share, which is equivalent to approximately \$0.44 per depository share. The cash dividend of \$12.9 million will be paid on November 1, 2013 to our shareholders of record as of the close of business on October 15, 2013.

A \$0.28 per common share cash dividend was paid on March 1, 2012 to our shareholders of record as of the close of business on February 15, 2012. On March 13, 2012, our board of directors increased the quarterly common share dividend by 123 percent to \$0.625 per share. The increased cash dividend of \$0.625 per share was paid on June 1, 2012, August 31, 2012 and December 3, 2012 to our common shareholders of record as of the close of business on April 27, 2012, August 15, 2012 and November 23, 2012, respectively. On February 11, 2013, our board of directors approved a reduction to our quarterly cash dividend rate by 76 percent to \$0.15 per share. Our board of directors took this step in order to improve the future cash flows available for investment in the Phase II expansion at Bloom Lake, as well as to preserve our investment-grade credit ratings. The decreased dividend of \$0.15 per share was paid on March 1, 2013, June 3, 2013 and September 3, 2013 to our common shareholders of record as of the close of business on February 22, 2013, May 17, 2013 and August 15, 2013, respectively.

NOTE 16 - SHAREHOLDERS' EQUITY

The following table reflects the changes in shareholders' equity attributable to both Cliffs and the noncontrolling interests primarily related to Bloom Lake, Tilden and Empire of which Cliffs owns 75 percent, 85 percent and 79 percent, respectively, for the nine months ended September 30, 2013 and September 30, 2012:

	(In Millions)		
	Cliffs Shareholders' Equity	Noncontrolling Interest	Total Equity
December 31, 2012	\$ 4,632.7	\$ 1,128.2	\$ 5,760.9
Comprehensive income			
Net income	370.2	5.8	376.0
Other comprehensive income (loss)	(122.8)	3.2	(119.6)
Total comprehensive income	247.4	9.0	256.4
Issuance of common shares	285.3	—	285.3
Issuance of Preferred Shares	709.4	—	709.4
Stock and other incentive plans	9.6	—	9.6
Common and Preferred Shares dividends	(104.7)	—	(104.7)
Capital contribution by noncontrolling interest to subsidiary	—	17.7	17.7
September 30, 2013	\$ 5,779.7	\$ 1,154.9	\$ 6,934.6

	(In Millions)		
	Cliffs Shareholders' Equity	Noncontrolling Interest	Total Equity
December 31, 2011	\$ 5,785.0	\$ 1,254.7	\$ 7,039.7
Comprehensive income			
Net income	719.0	25.2	744.2
Other comprehensive income	41.6	4.5	46.1
Total comprehensive income	760.6	29.7	790.3
Stock and other incentive plans	9.0	—	9.0
Common shares dividends	(217.8)	—	(217.8)
Undistributed gains to noncontrolling interest	—	11.3	11.3
Capital contribution by noncontrolling interest to subsidiary	—	64.7	64.7
Acquisition of controlling interest	—	(8.0)	(8.0)
September 30, 2012	\$ 6,336.8	\$ 1,352.4	\$ 7,689.2

The following table reflects the changes in *Accumulated other comprehensive income (loss)* related to Cliffs shareholders' equity for September 30, 2013 and September 30, 2012:

(In Millions)					
	Postretirement Benefit Liability, net of tax	Unrealized Net Gain (Loss) on Securities, net of tax	Unrealized Net Gain (Loss) on Foreign Currency Translation	Net Unrealized Gain (Loss) on Derivative Financial Instruments, net of tax	Accumulated Other Comprehensive Income (Loss)
Balance December 31, 2012	\$ (382.7)	\$ 2.1	\$ 316.3	\$ 8.7	\$ (55.6)
Other comprehensive income (loss) before reclassifications	(1.1)	2.5	3.3	(5.0)	(0.3)
Net loss (gain) reclassified from accumulated other comprehensive income (loss)	6.4	0.1	—	(2.0)	4.5
Balance March 31, 2013	\$ (377.4)	\$ 4.7	\$ 319.6	\$ 1.7	\$ (51.4)
Other comprehensive loss before reclassifications	(1.5)	(2.0)	(152.0)	(42.2)	(197.7)
Net loss (gain) reclassified from accumulated other comprehensive income (loss)	8.1	3.6	—	(2.2)	9.5
Balance June 30, 2013	\$ (370.8)	\$ 6.3	\$ 167.6	\$ (42.7)	\$ (239.6)
Other comprehensive income (loss) before reclassifications	(0.6)	3.5	22.8	12.1	37.8
Net loss (gain) reclassified from accumulated other comprehensive income (loss)	6.3	0.9	—	16.2	23.4
Balance September 30, 2013	\$ (365.1)	\$ 10.7	\$ 190.4	\$ (14.4)	\$ (178.4)

(In Millions)					
	Postretirement Benefit Liability, net of tax	Unrealized Net Gain (Loss) on Securities, net of tax	Unrealized Net Gain on Foreign Currency Translation	Net Unrealized Gain on Derivative Financial Instruments, net of tax	Accumulated Other Comprehensive Income (Loss)
Balance December 31, 2011	\$ (408.9)	\$ 2.6	\$ 312.5	\$ 1.2	\$ (92.6)
Change during 2012	16.4	(0.6)	12.2	13.6	41.6
Balance September 30, 2012	\$ (392.5)	\$ 2.0	\$ 324.7	\$ 14.8	\$ (51.0)

The following table reflects the details about *Accumulated other comprehensive income (loss)* components related to Cliffs shareholders' equity for the three and nine months ended September 30, 2013:

Details about Accumulated Other Comprehensive Income (Loss) Components	(In Millions)		Affected Line Item in the Statement of Unaudited Condensed Consolidated Operations
	Amount of (Gain)/Loss Reclassified into Income		
	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2013	
Amortization of Pension and Postretirement Benefit Liability:			
Prior-service costs	\$ (0.1)	\$ (0.4)	(1)
Net actuarial loss	10.4	31.2	(1)
	10.3	30.8	Total before taxes
	(4.0)	(10.0)	Income tax benefit (expense)
	<u>\$ 6.3</u>	<u>\$ 20.8</u>	Net of taxes
Unrealized gain (loss) on marketable securities:			
Sale of marketable securities	\$ 0.6	\$ (0.5)	Other non-operating income (expense)
Impairment	—	5.3	Other non-operating income (expense)
	0.6	4.8	Total before taxes
	0.3	(0.2)	Income tax benefit (expense)
	<u>\$ 0.9</u>	<u>\$ 4.6</u>	Net of taxes
Unrealized gain (loss) on derivative financial instruments:			
Australian dollar foreign exchange contracts	\$ 12.7	\$ 6.4	Product revenues
Canadian dollar foreign exchange contracts	11.0	11.3	Cost of goods sold and operating expenses
	23.7	17.7	Total before taxes
	(7.5)	(5.7)	Income tax benefit (expense)
	<u>\$ 16.2</u>	<u>\$ 12.0</u>	Net of taxes
Total Reclassifications for the Period	\$ 23.4	\$ 37.4	

(1) These accumulated other comprehensive income components are included in the computation of net periodic benefit cost. See NOTE 12 - PENSIONS AND OTHER POSTRETIREMENT BENEFITS for further information.

NOTE 17 - RELATED PARTIES

Three of our five U.S. iron ore mines and one of our two Eastern Canadian iron ore mines are owned 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 and concentrate that we produce. The joint venture partners are also our customers. The following is a summary of the mine ownership of these iron ore mines at September 30, 2013:

Mine	Cliffs Natural Resources	ArcelorMittal	U.S. Steel Canada	WISCO
Empire	79.0%	21.0%	—	—
Tilden	85.0%	—	15.0%	—
Hibbing	23.0%	62.3%	14.7%	—
Bloom Lake	75.0%	—	—	25.0%

ArcelorMittal has a unilateral right to put its interest in the Empire mine to us, but has not exercised this right to date.

Product revenues from related parties were as follows:

	(In Millions)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Product revenues from related parties	\$ 455.5	\$ 476.1	\$ 1,211.6	\$ 1,279.6
Total product revenues	1,454.6	1,447.9	3,928.8	4,096.6
Related party product revenue as a percent of total product revenue	31.3%	32.9%	30.8%	31.2%

Amounts due from related parties recorded in *Accounts receivable, net* and *Derivative assets*, including customer supply agreements and provisional pricing arrangements, were \$124.2 million and \$149.8 million at September 30, 2013 and December 31, 2012, respectively. Amounts due to related parties recorded in *Other current liabilities*, including provisional pricing arrangements and liabilities to related parties, were \$38.5 million and \$20.2 million at September 30, 2013 and December 31, 2012, respectively.

NOTE 18 - EARNINGS PER SHARE

The following table summarizes the computation of basic and diluted earnings per share:

	(In Millions, Except Per Share Amounts)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net Income from Continuing Operations attributable to Cliffs shareholders	\$ 115.2	\$ 87.8	\$ 368.2	\$ 713.9
Income from Discontinued Operations, net of tax	2.0	(2.7)	2.0	5.1
NET INCOME ATTRIBUTABLE TO CLIFFS SHAREHOLDERS	\$ 117.2	\$ 85.1	\$ 370.2	\$ 719.0
PREFERRED STOCK DIVIDENDS	(12.9)	—	(35.9)	—
NET INCOME ATTRIBUTABLE TO CLIFFS COMMON SHAREHOLDERS	\$ 104.3	\$ 85.1	\$ 334.3	\$ 719.0
Weighted Average Number of Shares:				
Basic	153.0	142.4	151.3	142.3
Depositary Shares	25.2	—	21.1	—
Employee Stock Plans	0.2	0.5	0.2	0.5
Diluted	178.4	142.9	172.6	142.8
Earnings per Common Share Attributable to				
Cliffs Common Shareholders - Basic:				
Continuing operations	\$ 0.67	\$ 0.62	\$ 2.20	\$ 5.02
Discontinued operations	0.01	(0.02)	0.01	0.04
	\$ 0.68	\$ 0.60	\$ 2.21	\$ 5.06
Earnings per Common Share Attributable to				
Cliffs Common Shareholders - Diluted:				
Continuing operations	\$ 0.65	\$ 0.61	\$ 2.13	\$ 5.00
Discontinued operations	0.01	(0.02)	0.01	0.04
	\$ 0.66	\$ 0.59	\$ 2.14	\$ 5.04

NOTE 19 - COMMITMENTS AND CONTINGENCIES
Purchase Commitments

In 2011, we began to incur capital commitments related to the expansion of the Bloom Lake mine. The Phase II expansion project includes expansion of the mine and the mine's processing capabilities. The capital investment also includes common infrastructure necessary to sustain current operations and support the expansion. As previously announced, we are continuing to delay certain components of the Phase II expansion at the Bloom Lake mine, including the completion of the concentrator and load-out facility. Common infrastructure projects necessary to sustain current operations and support the expansion are continuing as planned. Through September 30, 2013, approximately \$1.3 billion of the total capital investment for the Bloom Lake expansion project had been committed, of which a total of approximately \$1.2 billion had been expended. Of the remaining committed capital, expenditures of approximately \$104 million are expected to be made during the remainder of 2013.

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 effect on our financial position, results of operations or cash flows. However, litigation is subject to inherent uncertainties, and unfavorable rulings could occur. An unfavorable ruling could include monetary damages, additional funding requirements or an injunction. If an unfavorable ruling were to occur, there exists the possibility of a material 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 unaudited condensed consolidated financial statements.

NOTE 20 - CASH FLOW INFORMATION

A reconciliation of capital additions to cash paid for capital expenditures for the nine months ended September 30, 2013 and 2012 is as follows:

	(In Millions)	
	Nine Months Ended September 30,	
	2013	2012
Capital additions	\$ 625.1	\$ 974.0
Cash paid for capital expenditures	742.2	793.6
Difference	\$ (117.1)	\$ 180.4
Non-cash accruals	\$ (117.1)	\$ 125.1
Capital leases	—	55.3
Total	\$ (117.1)	\$ 180.4

Non-Cash Financing Activities - Declared Dividends

On September 9, 2013, our board of directors declared the quarterly cash dividend on our 7.00 percent Series A Mandatory Convertible Preferred Stock, Class A, of \$17.50 per share, which is equivalent to approximately \$0.44 per depository share, each representing 1/40th of a share of Series A preferred stock. The cash dividend of \$12.9 million will be payable on November 1, 2013 to our shareholders of record as of the close of business on October 15, 2013.

NOTE 21 - SUBSEQUENT EVENTS

We have evaluated subsequent events through the date of financial statement issuance.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is designed to provide a reader of our financial statements with a narrative from the perspective of management on our financial condition, results of operations, liquidity and other factors that may affect our future results. We believe it is important to read our MD&A in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2012 as well as other publicly available information.

Overview

Cliffs Natural Resources Inc. traces its corporate history back to 1847. Today, we are an international mining and natural resources company. A member of the S&P 500 Index, we are a major global iron ore producer and a significant producer of high- and low-volatile metallurgical coal. Our Company's operations are organized according to product category and geographic location: U.S. Iron Ore, Eastern Canadian Iron Ore, Asia Pacific Iron Ore, North American Coal, Latin American Iron Ore, Ferroalloys and our Global Exploration Group.

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. In the United States, we currently operate five iron ore mines in Michigan and Minnesota, four metallurgical coal mines located in West Virginia and Alabama, and one thermal coal mine located in West Virginia. We also operate two iron ore mines in Eastern Canada. Our Asia Pacific operations consist solely of our Koolyanobbing iron ore mining complex in Western Australia. In Ontario, Canada, we have a major chromite project in the feasibility study stage of development. In addition, our Global Exploration Group is focused on early involvement in exploration activities to identify new world-class projects for future development or projects that add significant value to existing operations.

The key driver of our business is global demand for steelmaking raw materials in both developed and emerging economies, with China and the United States representing the two largest markets for our Company. In the first nine months of 2013, China produced approximately 587 million metric tons of crude steel, or approximately 49 percent of total global crude steel production, whereas the U.S. produced approximately 65 million metric tons of crude steel, or about 5 percent of total crude steel production. These figures represent an approximate 9 percent increase and a 4 percent decrease, respectively, in crude steel production over the comparable period in 2012.

Global crude steel production continued to grow in the third quarter of 2013, led by increased production in a resilient Chinese economy that grew at an increased rate in the third quarter in part due to minor reforms to domestic lending policies. U.S. crude steel production declined in the first nine months of 2013 when compared to the same period in 2012, partly due to increased import competition. 2013 appears to mark a return to the pre-financial crisis trend in crude steel production, after a strong recovery year in 2012. Despite these factors, the pricing environment for steelmaking raw materials was healthy, which directly impacted our first nine months of 2013 performance.

During the remainder of 2013, we expect year-over-year steel production to rise in China, and to remain stable near the current pace in the United States. China's growth will be predicated on continued urbanization and the consequent demand for housing and durable goods. In the United States, steel production faces the challenge of increased imports, partially offset by healthy demand from motor vehicle producers and continued demand from construction activities.

We continue to expect that Chinese steel production will outpace the growth in Chinese iron ore production, which will face increasing production costs due primarily to diminishing iron ore grades and rising wages. Chinese iron ore, while abundant, is a lower grade than Australian and Brazilian ore, containing less than two thirds of the equivalent iron ore content on average.

The global price of iron ore is significantly influenced by Chinese demand, and the change in spot market prices in the first nine months of 2013 reflected strong and continued economic expansion in China. The world market price that is utilized most commonly in our sales contracts is the Platts 62 percent Fe fines price, which has reflected this trend. The Platts 62 percent Fe fines spot price increased 17.0 percent to an average price of \$133 per ton for the three months ended September 30, 2013 compared to the respective quarter of 2012. In comparison, the year-to-date Platts pricing has increased 2.0 percent to an average price of \$135 per ton during the nine months ended September 30, 2013. The spot price volatility impacts our realized revenue rates, particularly in our Eastern Canadian Iron Ore and Asia Pacific Iron Ore business segments as the related contracts are correlated heavily to world market spot pricing. However, the impact of this volatility on our U.S. Iron Ore revenues is muted slightly because the pricing in our long-term contracts mostly is structured to be based on 12-month averages, including some contracts with established annual

price collars. Additionally, contracts often are priced partially or completely on other indices instead of world market spot prices.

During the first nine months of 2013 and 2012, capacity utilization among U.S. steelmaking facilities remained unchanged at an average rate of approximately 77 percent. Domestic capacity utilization was in line with the trend in global capacity utilization, which also remained unchanged in the first nine months of 2013 at an average rate of approximately 79 percent, when compared to the same period in 2012. Domestically, both the automotive industry, housing market activity and growth in the oil and natural gas industry supported U.S. steel demand in the first nine months of 2013, providing sources of healthy demand for our products, but was offset by increased imports due in part to a strengthening U.S. dollar.

The metallurgical coal market continues to be in an oversupplied position. This is due largely to low demand by European, Japanese and South American coking coal consumers and increased supply from Australia producers. As a result, the benchmark Platts price for premium low-volatile hard coking coal decreased from \$225 per ton for the three months ended September 30, 2012 to \$145 per ton during the third quarter of 2013. In comparison, the year-to-date benchmark Platts price for premium low-volatile hard coking coal decreased from \$223 per ton for the nine months ended September 30, 2012 to \$161 per ton during the nine months ended September 30, 2013. The decline in market pricing has impacted negatively realized revenue rates for our North American Coal business segment.

Our consolidated revenues for the three and nine months ended September 30, 2013 were \$1.5 billion and \$4.2 billion, respectively, with net income from continuing operations per diluted share of \$0.65 and \$2.13, respectively. This compares with revenues of \$1.5 billion and \$4.3 billion, with net income from continuing operations per diluted share of \$0.61 and \$5.00, for the comparable periods in 2012. Net income in the first nine months of 2013 was impacted negatively by a \$67.6 million asset impairment charge related to our investment in Amapá. Net income in the first nine months of 2012 was impacted positively by \$277.8 million of discrete tax items, primarily due to the enactment of the MRRT in Australia.

Growth Strategy and Strategic Transactions

Through a number of strategic acquisitions executed over recent years, we have increased significantly our portfolio of assets, enhancing our production profile and growth project pipeline. Our capital allocation strategy is designed to prioritize among all potential uses of future cash flows in a manner that is most meaningful for shareholders. We plan on using future cash flows to develop organic growth projects and to reduce debt over time. Maintaining financial flexibility as commodity pricing changes throughout the business cycle is imperative to our ability to execute our strategic initiatives.

As we continue to expand our operating scale and geographic presence as an international mining and natural resources company, we have shifted our strategy from a merger and acquisition-based strategy to one that primarily focuses on organic growth and expansion initiatives. Our focus is investing in the expansion of our seaborne iron ore production capabilities driven by our belief in the long-term outlook for the seaborne iron ore market. Throughout the first nine months of 2013, we continued to make investments in Bloom Lake, our large-scale seaborne iron ore growth project in Eastern Canada. Maximizing Bloom Lake's production capabilities represents an opportunity to create significant shareholder value. We expect the Phase II expansion at Bloom Lake to meaningfully enhance our future earnings and cash flow generation by increasing sales volume and reducing unit operating costs. As previously announced, we have continued to delay certain components of the Bloom Lake Phase II expansion, including the completion of the concentrator and load-out facility. Common infrastructure projects necessary to sustain current operations and support the expansion are continuing as planned. The commencement of Phase II's construction activities will depend on a number of factors, including but not limited to, market conditions, iron ore pricing and project milestones, which we continue to monitor.

We also own additional development properties, known as Labrador Trough South, located in Quebec that potentially could allow us to leverage parts of our existing infrastructure in Eastern Canada to supply additional iron ore into the seaborne market in future years if developed.

Our chromite project, which was moved into the feasibility study stage of development in May of 2012, continues to represent an opportunity for us to diversify; however, certain project-related activities have been deferred pending satisfactory resolution of unresolved issues. In June 2013, we announced a temporary suspension of the environmental assessment activities for the project due to delayed approval of the Terms of Reference for the provincial environmental assessment process, uncertainty regarding the federal environmental assessment process, unresolved land surface rights issues and unfinished economic agreements with the Province of Ontario. Early in September 2013, the First Nations-initiated judicial challenge to the federal environmental assessment process was resolved when certain of the First Nation communities that initiated the challenge decided to withdraw and have the matter dismissed in favor of negotiating a process with the Company. Separately, on September 10, 2013, the Ontario Mining and Lands Commissioner ruled in favor of an unpatented mining claim holder by dismissing an application filed by us to dispense with the need for that claimholder's consent to use a portion of the surface of that claimholder's claims for a road for the project. We have filed to appeal this decision by the Mining and Lands Commissioner. Delayed approval of the Terms of Reference for the provincial environmental assessment process and unfinished agreements with the Province of Ontario that are critical to the project's economic viability also remain outstanding; therefore, we have not resumed the environmental assessment activities for the project.

Business Segments

Our Company's primary operations are organized and managed according to product category and geographic location: U.S. Iron Ore, Eastern Canadian Iron Ore, Asia Pacific Iron Ore, North American Coal, Latin American Iron Ore, Ferroalloys and our Global Exploration Group. The Latin American Iron Ore, Ferroalloys and Global Exploration Group operating segments do not meet the criteria for reportable segments.

Results of Operations – Consolidated

2013 Compared to 2012

The following is a summary of our consolidated results of operations for the three and nine months ended September 30, 2013 and 2012:

	(In Millions)					
	Three Months Ended September 30,			Nine Months Ended September 30,		
	2013	2012	Variance Favorable/ (Unfavorable)	2013	2012	Variance Favorable/ (Unfavorable)
Revenues from product sales and services	\$ 1,546.6	\$ 1,544.9	\$ 1.7	\$ 4,175.6	\$ 4,336.8	\$ (161.2)
Cost of goods sold and operating expenses	(1,197.9)	(1,346.6)	148.7	(3,320.8)	(3,403.2)	82.4
Sales margin	<u>\$ 348.7</u>	<u>\$ 198.3</u>	<u>\$ 150.4</u>	<u>\$ 854.8</u>	<u>\$ 933.6</u>	<u>\$ (78.8)</u>
Sales margin %	<u>22.5%</u>	<u>12.8%</u>	<u>9.7%</u>	<u>20.5%</u>	<u>21.5%</u>	<u>(1.0)%</u>

Revenues from Product Sales and Services

Sales revenue for the three and nine months ended September 30, 2013 increased \$1.7 million and decreased \$161.2 million, respectively from each of the comparable periods in 2012.

The increase in sales revenue during the third quarter of 2013 primarily was attributable to higher realized revenue rates of \$47.3 million, offset by lower worldwide sales volumes of \$38.0 million. The increase in our realized revenue rates during the third quarter of 2013 compared to the third quarter of 2012 were 2.0 percent, 2.8 percent and 28.4 percent for our U.S. Iron Ore, Eastern Canadian Iron Ore and Asia Pacific Iron Ore operations, respectively, which were offset partially by a decrease in realized revenue rates of 23.2 percent at our North American Coal operations. Offsetting the overall higher realized revenue rates was the decrease in lower worldwide iron ore sales volume of \$32.9 million or 298 thousand tons during the third quarter of 2013 as compared to the same period in 2012.

The decrease in sales revenue during the first nine months of 2013 compared to the first nine months of 2012 primarily was attributable to lower worldwide iron ore sales volumes of \$169.9 million or 1.3 million tons and lower realized revenue rates of \$109.6 million, partially offset by higher North American Coal sales volumes of \$110.6 million or 897 thousand tons. The decrease in our realized revenue rates during the first nine months of 2013 compared to the first nine months of 2012 was 15.3 percent, 1.7 percent and 0.7 percent for our North American Coal, U.S. Iron Ore and Eastern Canadian Iron Ore operations, respectively. These realized revenue rate decreases were offset partially by an increased realized revenue rate of 1.1 percent for our Asia Pacific Iron Ore operations.

Refer to “Results of Operations – Segment Information” for additional information regarding the specific factors that impacted revenue during the period.

Cost of Goods Sold and Operating Expenses

Cost of goods sold and operating expenses for the three and nine months ended September 30, 2013 were \$1,197.9 million and \$3,320.8 million, respectively, which represented a decrease of \$148.7 million and \$82.4 million, or 11.0 percent and 2.4 percent, respectively, from the comparable prior-year periods.

Cost of goods sold and operating expenses for the three months ended September 30, 2013 decreased primarily as a result of cost rate decreases of \$95.8 million and a favorable foreign exchange rate impact of \$36.5 million. Cost rate decreases of \$47.9 million, \$20.7 million, \$19.4 million and \$7.8 million at our North American Coal, Asia Pacific Iron Ore, U.S. Iron Ore and Eastern Canadian Iron Ore operations, respectively, primarily were driven by favorable fixed-cost leverage as a result of strong production period-over-period at our North American Coal operations and lower mining costs at our Asia Pacific Iron Ore operations.

Cost of goods sold and operating expenses for the nine months ended September 30, 2013 decreased primarily as a result of cost rate decreases of \$83.8 million and a favorable foreign exchange rate impact of \$50.2 million. Cost rate decreases of \$105.6 million at our North American Coal operations were driven primarily by favorable fixed-cost leverage as a result of strong production period-over-period. These cost decreases were offset partially by additional costs of \$32.3 million related to inventory write-downs at our Eastern Canadian Iron Ore operations during the nine months ended September 30, 2013.

Refer to “Results of Operations – Segment Information” for additional information regarding the specific factors that impacted our operating results during the period.

Other Operating Income (Expense)

The following is a summary of other operating income (expense) for the three and nine months ended September 30, 2013 and 2012:

	(In Millions)					
	Three Months Ended September 30,			Nine Months Ended September 30,		
	2013	2012	Variance Favorable/ (Unfavorable)	2013	2012	Variance Favorable/ (Unfavorable)
Selling, general and administrative expenses	\$ (70.6)	\$ (63.9)	\$ (6.7)	\$ (167.9)	\$ (202.6)	\$ 34.7
Exploration costs	(10.6)	(45.6)	35.0	(45.9)	(95.2)	49.3
Miscellaneous - net	(43.5)	(12.5)	(31.0)	13.3	25.5	(12.2)
	<u>\$ (124.7)</u>	<u>\$ (122.0)</u>	<u>\$ (2.7)</u>	<u>\$ (200.5)</u>	<u>\$ (272.3)</u>	<u>\$ 71.8</u>

Selling, general and administrative expenses during the three and nine months ended September 30, 2013 increased \$6.7 million and decreased \$34.7 million, respectively, over the comparable periods in 2012. The three and nine months ended September 30, 2013 was impacted by \$8.2 million in severance costs related to the voluntary and involuntary terminations as a result of cost savings actions and unfavorable incremental legal matter costs of approximately \$6.6 million for the three and nine months ended September

30, 2013 compared to the same prior-year periods. These increases in selling, general and administrative expenses were offset partially by reductions in outside service and technology spending during the three and nine months ended September 30, 2013 by \$7.1 million and \$33.8 million, respectively, over the comparable periods in 2012. Additionally, general travel and employee-related expenses were \$8.7 million lower for the nine months ended September 30, 2013 as compared to the comparable period in 2012.

Exploration costs decreased by \$35.0 million and \$49.3 million during the three and nine months ended September 30, 2013, respectively, from the comparable periods in 2012, primarily due to decreases in costs at our Ferroalloys and Global Exploration Group operating segments. Our Ferroalloys operating segment had cost decreases of \$14.9 million and \$10.5 million in the third quarter and first nine months of 2013, respectively, over the comparable prior-year periods. During 2012, there were increased engineering and drilling costs due to the external resources utilized to support the Chromite Project feasibility study that were not recurring in 2013. Our Global Exploration Group had cost decreases of \$17.8 million and \$35.3 million in the third quarter and first nine months of 2013, respectively, over the comparable prior-year periods, due to lower drilling and professional services spend for certain projects.

Miscellaneous – net was unfavorable by \$31.0 million and \$12.2 million during the three and nine months ended September 30, 2013, respectively, from the comparable periods in 2012. The three months ended September 30, 2013 were impacted negatively as a result of the Pointe Noire oil spill during the period as we incurred casualty losses of \$17.8 million and as a result of minimum contractual shipment tonnage not being met as a result of the delay in the Bloom Lake Phase II expansion, which resulted in incurred penalties of \$15.9 million. Additionally, an unfavorable incremental increase of \$11.2 million was due to the change in foreign exchange re-measurement on short-term intercompany notes, Australian bank accounts that are denominated in U.S. dollars and certain monetary financial assets and liabilities, which are denominated in something other than the functional currency of the entity. These unfavorable items were offset partially by the decrease in the incremental losses from the sale of assets of \$10.8 million and insurance recoveries of \$6.2 million compared to the comparable prior-year period.

The nine months ended September 30, 2013 were impacted negatively by \$17.8 million and \$21.5 million, respectively, as a result of the Pointe Noire oil spill and Bloom Lake Phase II minimum contractual shipment penalties, as discussed above. Additionally, there was a decrease of \$10.9 million in net insurance recoveries related to Oak Grove mine and various legal settlements period-over-period. These unfavorable period-over-period impacts were offset partially by an increase of \$33.9 million due to the change in foreign exchange re-measurement on short-term intercompany notes, Australian bank accounts that are denominated in U.S. dollars and certain monetary financial assets and liabilities, which are denominated in something other than the functional currency of the entity. In addition, there were incremental gains from the sale of assets of \$23.0 million for the nine months ended September 30, 2013 predominately related to the final transfer of assets associated with the closure of Cockatoo.

Failure to meet minimum monthly shipment requirements as a result of the continued delay in the Bloom Lake Phase II expansion is expected to result in penalties of approximately \$16 million for the remainder of 2013 and each quarter until the Bloom Lake Phase II expansion is completed.

Other Income (Expense)

The following is a summary of other income (expense) for the three and nine months ended September 30, 2013 and 2012:

	(In Millions)					
	Three Months Ended September 30,			Nine Months Ended September 30,		
	2013	2012	Variance Favorable/ (Unfavorable)	2013	2012	Variance Favorable/ (Unfavorable)
Interest expense, net	\$ (44.7)	\$ (45.3)	\$ 0.6	\$ (134.5)	\$ (135.7)	\$ 1.2
Other non-operating income (expense)	(1.2)	1.4	(2.6)	(2.9)	1.0	(3.9)
	<u>\$ (45.9)</u>	<u>\$ (43.9)</u>	<u>\$ (2.0)</u>	<u>\$ (137.4)</u>	<u>\$ (134.7)</u>	<u>\$ (2.7)</u>

Income Taxes

Our tax rate is affected by permanent items, such as depletion and the relative amount of income we earn in various foreign jurisdictions with tax rates that differ from the U.S. statutory rate. It also is affected by discrete items that may occur in any given period, but are not consistent from period to period. The following represents a summary of our tax provision and corresponding effective rates for the three and nine months ended September 30, 2013 and 2012:

	(In Millions)					
	Three Months Ended September 30,			Nine Months Ended September 30,		
	2013	2012	Variance	2013	2012	Variance
Income tax benefit (expense)	\$ (65.7)	\$ 64.0	\$ (129.7)	\$ (69.0)	\$ 235.2	\$ (304.2)
Effective tax rate	36.9%	(197.5)%	234.4%	13.3%	(44.7)%	58.0%

A reconciliation of the statutory rate to the effective tax rate for the nine months ended September 30, 2013 and 2012 is as follows:

	(In Millions)			
	Nine Months Ended September 30,			
	2013		2012	
Tax at U.S. statutory rate of 35 percent	\$ 180.9	35.0 %	\$ 184.3	35.0 %
Increases/(Decreases) due to:				
Percentage depletion	(61.0)	(11.8)	(86.4)	(16.4)
Impact of foreign operations	10.3	2.1	20.0	3.8
Income not subject to tax	(68.7)	(13.3)	(86.9)	(16.5)
Valuation allowance on future tax benefits	21.2	4.1	—	—
Other items - net	1.0	0.1	11.6	2.2
Provision for income tax and effective income tax rate before discrete items	83.7	16.2	42.6	8.1
Discrete items:				
Mineral Resources Rent Tax	—	—	(314.9)	(59.8)
Prior year adjustments made in current year	(13.4)	(2.6)	—	—
Foreign exchange remeasurement	(1.4)	(0.3)	62.1	11.8
Valuation allowance	(8.8)	(1.7)	—	—
Tax uncertainties	8.9	1.7	(23.7)	(4.5)
Other items - net	—	—	(1.3)	(0.3)
Provision for income tax expense (benefit) and effective income tax rate including discrete items	<u>\$ 69.0</u>	<u>13.3 %</u>	<u>\$ (235.2)</u>	<u>(44.7)%</u>

Our tax provision for the nine months ended September 30, 2013 was an expense of \$69.0 million and a 13.3 percent effective tax rate compared with a benefit of \$235.2 million and an effective tax rate of negative 44.7 percent for the comparable prior-year period. The difference in the effective rate from the prior year is due primarily to the enactment of the MRRT by the Australian federal government in March 2012 offset by the effect of currency elections on remeasurement made in 2012 and a decrease in 2013 of favorable impact of permanent items, including depletion and income not subject to tax relative to income before taxes.

Discrete items for the nine months ended September 30, 2013, provided a benefit of approximately \$14.7 million. These adjustments relate primarily to adjustments to deferred tax balances, which include the amendments of prior-year income tax returns and the reversal of a previously recorded valuation allowance for which it was determined the benefit of the associated deferred tax asset is realizable. Discrete items for the nine months ended September 30, 2012 related to the enactment of the MRRT by the Australian federal government and the impact of currency elections on remeasurement of deferred tax assets and liabilities. The MRRT had a financial statement tax benefit of \$314.7 million, which partially was offset by the impact of currency elections on remeasurement of deferred tax assets and liabilities of \$60.5 million.

Our 2013 estimated annual effective tax rate before discrete items is approximately 16.2 percent. This estimated annual effective tax rate differs from the U.S. statutory rate of 35 percent primarily due to deductions for percentage depletion in excess of cost depletion related to U.S. operations, income not subject to tax and foreign taxes and benefits derived from operations outside the U.S., which are taxed at rates lower than the U.S. statutory rate of 35 percent.

See NOTE 14 - INCOME TAXES for further information.

Equity Loss from Ventures

Equity loss from ventures for the three and nine months ended September 30, 2013 of \$0.5 million and \$73.9 million, respectively, compares to \$15.3 million and \$22.7 million, for the respective periods in 2012. The equity loss from ventures for the nine months ended September 30, 2013 primarily is comprised of the impairment charge of \$67.6 million related to our 30 percent ownership interest in Amapá.

Income (Loss) from Discontinued Operations, net of tax

Income from discontinued operations, net of tax is comprised of the 45 percent economic interest in the Sonoma joint venture coal mine. The Sonoma joint venture coal mine, the sale of which occurred in the fourth quarter of 2012, resulted in a net loss of \$2.7 million and net income of \$5.2 million for the three and nine months ended September 30, 2012, respectively. Income from discontinued operations, net of tax in the current period relates to additional income tax benefit resulting from the actual tax gain from the sale of Sonoma included on the 2012 tax return, which was filed during the three months ended September 30, 2013.

Noncontrolling Interest

Noncontrolling interest primarily is comprised of our consolidated, but less-than-wholly owned subsidiaries at the Bloom Lake and Empire mining operations. The net loss attributable to the noncontrolling interest related to Bloom Lake was \$14.2 million and \$12.0 million for the three and nine months ended September 30, 2013, respectively, compared to a net loss attributable to noncontrolling interest of \$2.0 million and net income attributable to the noncontrolling interest of \$2.3 million for the comparable respective periods in 2012.

The net income attributable to the noncontrolling interest of the Empire mining venture was \$10.9 million and \$17.9 million for the three and nine months ended September 30, 2013, respectively, compared to a net loss attributable to the noncontrolling interest of \$4.4 million and net income attributable to the noncontrolling interest of \$23.2 million for the comparable respective periods in 2012.

Results of Operations – Segment Information

We are 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 and operating expenses identifiable to each segment. This measure of operating performance is an effective measurement as we focus on reducing production costs.

2013 Compared to 2012

U.S. Iron Ore

The following is a summary of U.S. Iron Ore results for the three months ended September 30, 2013 and 2012:

	(In Millions)						
	Three Months Ended September 30,		Changes due to:				Total change
	2013	2012	Revenue and cost rate	Sales volume	Idle cost/production volume variance	Freight and reimburse- ment	
Revenues from product sales and services	\$ 782.4	\$ 796.0	\$ 14.7	\$ (33.2)	\$ —	\$ 4.9	\$ (13.6)
Cost of goods sold and operating expenses	(508.9)	(540.1)	19.4	18.5	(1.8)	(4.9)	31.2
Sales margin	\$ 273.5	\$ 255.9	\$ 34.1	\$ (14.7)	\$ (1.8)	\$ —	\$ 17.6

<i>Per Ton Information</i>	Three Months Ended September 30,		Difference	Percent change
	2013	2012		
Realized product revenue rate ¹	\$ 112.67	\$ 110.51	\$ 2.16	2.0 %
Cost of goods sold and operating expenses rate ¹ (excluding DDA)	64.81	67.81	(3.00)	(4.4)%
Depreciation, depletion & amortization	4.34	3.79	0.55	14.5 %
Total cost of goods sold and operating expenses rate	69.15	71.60	(2.45)	(3.4)%
Sales margin	\$ 43.52	\$ 38.91	\$ 4.61	11.8 %

Sales tons ² (In thousands)	6,285	6,576
Production tons ² (In thousands)		
Total	7,000	6,914
Cliffs' share of total	5,176	5,075

¹ Excludes revenues and expenses related to domestic freight, which are offsetting and have no impact on sales margin. Revenues also exclude venture partner cost reimbursements.

² Tons are long tons (2,240 pounds).

Sales margin for U.S. Iron Ore was \$273.5 million for the three months ended September 30, 2013, compared with a sales margin of \$255.9 million for the three months ended September 30, 2012. Sales margin per ton increased 11.8 percent to \$43.52 per ton in the third quarter of 2013 compared to the third quarter of 2012.

Revenue decreased by \$18.5 million, excluding the increase of \$4.9 million of freight and reimbursements from the prior year, predominantly as a result of:

- Lower sales volumes of 291 thousand tons or \$33.2 million:
 - Primarily driven by reduced tonnage with a customer due to their force majeure, the expiration of one contract with a continuing customer, lower full-year nomination by a customer and timing of shipments due to inventory level management; and
 - Partially offset by the placement of more export tons into Europe, including pellet contracts transferred from Wabush, and additional spot contracts with a major customer.

- Offset by the increase to the average revenue rate, which resulted in an increase of \$14.7 million. The average realized product revenue rate increased by \$2.16 per ton or 2.0 percent to \$112.67 per ton in the third quarter of 2013 as a result of:
 - Increases in customer pricing drove the average realized rate up by \$7 per ton primarily due to an increase in market pricing and increased supplemental revenue due to changes in hot-band-steel pricing, which are key pricing mechanisms in most of our contracts. Additionally, one customer contract increased the average rate by \$4 per ton due to the previously negotiated reset of the contract base rate; and
 - Offset by the change in customer mix, which was unfavorable to the average realized rates by \$5 per ton due to increased sales with overseas customers, which have lower realized rates due to higher freight costs as well as an unfavorable mix with our Great Lakes customers. Additionally, realized revenue rates were impacted negatively by \$3 per ton as a result of recently extended contracts.

Cost of goods sold and operating expenses in the third quarter of 2013 decreased \$36.1 million, excluding the increase of \$4.9 million of freight and reimbursements from the same period in the prior year, primarily as a result of:

- The third quarter of 2012 being impacted adversely due to \$25.0 million of higher cost inventory being sold due to LIFO effects; and
- Lower sales volumes that resulted in decreased costs of \$18.5 million compared to the comparable prior-year period.

On a per-ton basis, depreciation, depletion and amortization rate increased period-over-period as a result of capital placed into service during 2012 and in 2013 at our Michigan operations.

The following is a summary of U.S. Iron Ore results for the nine months ended September 30, 2013 and 2012:

	(In Millions)						
	Nine Months Ended September 30,		Changes due to:				Total change
	2013	2012	Revenue and cost rate	Sales volume	Idle cost/production volume variance	Freight and reimburse- ment	
Revenues from product sales and services	\$ 1,894.2	\$ 1,942.7	\$ (28.5)	\$ (36.1)	\$ —	\$ 16.1	\$ (48.5)
Cost of goods sold and operating expenses	(1,247.1)	(1,233.8)	14.2	13.4	(24.8)	(16.1)	(13.3)
Sales margin	\$ 647.1	\$ 708.9	\$ (14.3)	\$ (22.7)	\$ (24.8)	\$ —	\$ (61.8)

<i>Per Ton Information</i>	Nine Months Ended September 30,		Difference	Percent change
	2013	2012		
Realized product revenue rate ¹	\$ 113.23	\$ 115.19	\$ (1.96)	(1.7)%
Cost of goods sold and operating expenses rate ¹ (excluding DDA)	64.91	64.48	0.43	0.7 %
Depreciation, depletion & amortization	5.45	4.67	0.78	16.7 %
Total cost of goods sold and operating expenses rate	70.36	69.15	1.21	1.7 %
Sales margin	\$ 42.87	\$ 46.04	\$ (3.17)	(6.9)%

Sales tons ² (In thousands)	15,095	15,399
Production tons ² (In thousands)		
Total	19,983	21,260
Cliffs' share of total	14,777	15,739

¹ Excludes revenues and expenses related to domestic freight, which are offsetting and have no impact on sales margin. Revenues also exclude venture partner cost reimbursements.

² Tons are long tons (2,240 pounds).

Sales margin for U.S. Iron Ore was \$647.1 million for the nine months ended September 30, 2013, compared with sales margin of \$708.9 million for the nine months ended September 30, 2012. The decline compared to the prior year is attributable to a decrease in revenue of \$48.5 million as well as an increase in cost of goods sold and operating expenses of \$13.3 million. Sales margin per ton decreased 6.9 percent to \$42.87 in the first nine months of 2013 compared to the first nine months of 2012.

Revenue decreased by \$64.6 million, excluding the increase of \$16.1 million of freight and reimbursements from the prior year, predominantly due to:

- Lower sales volumes of 304 thousand tons or \$36.1 million:
 - Primarily driven by reduced tonnage with a customer due to their force majeure, the expiration of one contract with a continuing customer, lower full-year nomination by a customer and the bankruptcy of one customer in 2012; and
 - Partially offset by the placement of an additional 1.1 million export tons primarily into Europe including pellet contracts transferred from Wabush as well as trial and spot cargoes in Europe during the first nine months of 2013 when compared to the same prior-year period. We additionally benefited from additional customer demand, specifically additional spot contracts with a major customer.

- A decline in the average revenue rate, which resulted in a decrease of \$28.5 million also was a contributing factor to the decrease in year-over-year revenues. The average year-to-date realized product revenue rate declined by \$1.96 per ton or 1.7 percent to \$113.23 per ton in 2013. This decline is a result of:
 - Unfavorable customer mix impacted the realized revenue rates by \$3 per ton primarily due to higher sales tonnage to overseas customers, which have lower realized revenue rates driven by freight;
 - Realized revenue rates were impacted negatively by \$2 per ton as a result of recently extended contracts; and
 - Offset by one customer contract that increased the average rate by \$3 per ton due to the reset of the contract base rate.

Cost of goods sold and operating expenses in the first nine months of 2013 decreased \$2.8 million, excluding the increase of \$16.1 million of freight and reimbursements from the same period in the prior year, predominantly as a result of:

- Lower sales volumes decreased costs by \$13.4 million compared to the comparable prior-year period;
- Lower costs of \$13.0 million attributable to the change in sales mix to include less Empire-ArcelorMittal equity tons when compared to the prior year; and
- Offset by higher idle costs of \$24.8 million due to the previously announced temporary idling of production at the Empire mine and the idle of two of the four production lines at our Northshore mine.

Production

Cliffs' share of production in our U.S. Iron Ore segment decreased by 6.1 percent in the first nine months of 2013 when compared to the comparable period in 2012. As previously announced, beginning on January 5, 2013, we idled two of the four furnaces at the Northshore mine, resulting in decreased production of 0.4 million and 1.1 million tons when compared to the first three and nine months of 2012, respectively. Additionally, production at Empire during the three months ended September 30, 2013 was 0.6 million tons higher than the prior-year quarter as a result of increased production due to the duration of the summer idle period-over-period.

Eastern Canadian Iron Ore

The following is a summary of Eastern Canadian Iron Ore results for the three months ended September 30, 2013 and 2012:

	(In Millions)							
	Three Months Ended September 30,		Change due to:					Total change
	2013	2012	Revenue and cost rate	Sales volume	Idle cost/production volume variance	Inventory write-down	Exchange rate	
Revenues from product sales and services	\$ 284.2	\$ 253.1	\$ 8.7	\$ 22.4	\$ —	\$ —	\$ —	\$ 31.1
Cost of goods sold and operating expenses	(306.2)	(293.6)	7.8	(30.4)	4.0	(5.6)	11.6	(12.6)
Sales margin	\$ (22.0)	\$ (40.5)	\$ 16.5	\$ (8.0)	\$ 4.0	\$ (5.6)	\$ 11.6	\$ 18.5

<i>Per Ton Information</i>	Three Months Ended September 30,		Difference	Percent change
	2013	2012		
Realized product revenue rate	\$ 109.52	\$ 106.57	\$ 2.95	2.8 %
Cost of goods sold and operating expenses rate (excluding DDA)	99.96	106.06	(6.10)	(5.8)%
Depreciation, depletion & amortization	18.03	17.56	0.47	2.7 %
Total cost of goods sold and operating expenses rate	117.99	123.62	(5.63)	(4.6)%
Sales margin	\$ (8.47)	\$ (17.05)	\$ 8.58	n/m

Sales tons ¹ (In thousands)	2,595	2,375
Production tons ¹ (In thousands)	2,198	2,255

¹ Tons are metric tons (2,205 pounds).

We reported a sales margin loss for our Eastern Canadian Iron Ore segment of \$22.0 million for the three months ended September 30, 2013, compared with a sales margin loss of \$40.5 million for the three months ended September 30, 2012. Sales margin per ton improved to a loss of \$8.47 per ton in the third quarter of 2013 compared to a sales margin loss of \$17.05 per ton in the third quarter of 2012.

Revenue increased by \$31.1 million and realized rates increased \$2.95 per ton for the three months ended September 30, 2013 when compared to the same period in the prior year, predominantly as a result of:

- Higher Wabush sinter feed sales volumes of 705 thousand tons, offset partially by lower pellet sales volumes of 446 thousand tons due to idling of pellet production at the Wabush Scully mine during the second quarter of 2013. The increase in volume at Wabush resulted in an additional \$24.0 million in revenue during the period, offset slightly by the decrease in volume at Bloom Lake that reduced revenue by \$1.6 million; and
- An increase driven by changes in spot market pricing offset by lower pellet premiums due to a shift in product mix resulted in an increase of \$8.7 million primarily as a result of:
 - An increase in the Platts 62 percent Fe spot rate to an average of \$133 per ton from \$113 per ton in the comparable prior-year quarter resulted in an increase of \$19 per ton, partially offset by timing impacts of \$9 per ton period-over-period. The timing impacts mostly are related to 2012 pricing where the rapid fall in Platts pricing was mitigated by pricing mechanisms based on annual averages and/or 90-plus day lag periods;
 - A reduction in average pellet premiums as our Eastern Canadian Iron Ore segment ceased pellet production at our Wabush facility in June 2013 and going forward will only be producing sinter feed, pellet sales will continue to decrease as a percentage of the product mix in the future. During the third quarter of 2013, 16 percent of products sold were pellets, compared to 38 percent in the comparable prior-year period, which resulted in the realized revenue rate decreasing by \$3 per ton due to lower average pellet premiums; and
 - A reduction due to higher freight rates decreasing the average revenue rate by \$3 per ton. The Brazil to China benchmark freight rates increased by 29 percent in the third quarter of 2013 compared to the third quarter of 2012.

Cost of goods sold and operating expenses during the three months ended September 30, 2013 increased from the same period last year by \$12.6 million primarily due to:

- Higher Wabush sales volumes resulting in increased costs of \$32.1 million compared to the comparable prior-year period;
- Offset partially by favorable foreign exchange rate variances of \$11.6 million; and
- Lower cost during the third quarter of 2013 compared to the third quarter of 2012 as a result of the lower-of-cost-or-market adjustments recorded on the pellet and concentrate inventories that were recorded during the second quarter of 2013 and due to the change in product mix to include lower cost concentrate sales during the third quarter of 2013.

The following is a summary of Eastern Canadian Iron Ore results for the nine months ended September 30, 2013 and 2012:

(In Millions)								
	Nine Months Ended September 30,		Change due to:					Total change
	2013	2012	Revenue and cost rate	Sales volume	Idle cost/ Production volume variance	Inventory write- down	Exchange rate	
	Revenues from product sales and services	\$ 743.4	\$ 777.8	\$ 5.6	\$ (40.0)	\$ —	\$ —	
Cost of goods sold and operating expenses	(795.7)	(820.8)	(12.9)	33.7	22.3	(32.3)	14.3	25.1
Sales margin	\$ (52.3)	\$ (43.0)	\$ (7.3)	\$ (6.3)	\$ 22.3	\$ (32.3)	\$ 14.3	\$ (9.3)

<i>Per Ton Information</i>	Nine Months Ended September 30,		Difference	Percent change
	2013	2012		
Realized product revenue rate	\$ 116.39	\$ 117.17	\$ (0.78)	(0.7)%
Cost of goods sold and operating expenses rate (excluding DDA)	104.18	105.85	(1.67)	(1.6)%
Depreciation, depletion & amortization	20.40	17.81	2.59	14.5 %
Total cost of goods sold and operating expenses rate	124.58	123.66	0.92	0.7 %
Sales margin	\$ (8.19)	\$ (6.49)	\$ (1.70)	n/m

Sales tons ¹ (In thousands)	6,387	6,638
Production tons ¹ (In thousands)	6,329	6,189

¹ Tons are metric tons (2,205 pounds).

We reported a sales margin loss for our Eastern Canadian Iron Ore segment of \$52.3 million for the nine months ended September 30, 2013, compared with a sales margin loss of \$43.0 million for the nine months ended September 30, 2012. Sales margin per ton decreased to a loss of \$8.19 per ton in the first nine months of 2013 compared to a sales margin loss of \$6.49 per ton in the first nine months of 2012.

Revenue decreased by \$34.4 million primarily due to 251 thousand fewer tons sold. The reduction in tons sold resulted in a decrease to revenue of \$40.0 million, which is related primarily to the transition and idling of pellet production at the Wabush Scully mine as pellet sales decreased by 1.0 million tons period-over-period, offset partially by the sale of 705 thousand tons of sinter feed in the first nine months of 2013 compared with the same period in 2012.

Overall revenue rate was similar between years as Platts pricing rates were higher by 2 percent, but this was offset by the reduction in average pellet premiums due to decreased pellet sales.

Cost of goods sold and operating expenses during the nine months ended September 30, 2013 decreased from the same period in 2012 by \$25.1 million primarily due to:

- Lower Wabush sales volumes resulted in decreased costs of \$40.1 million compared to the comparable prior-year period, offset partially by higher sales volumes at Bloom Lake that resulted in increased costs of \$6.4 million;

- Incremental idle production costs at our Wabush operations of \$22.3 million in the first nine months of 2012 did not recur; and
- Offset by inventory write-downs of \$32.3 million related to lower-of-cost-or-market charges of \$21.7 million and an unsaleable inventory impairment charge of \$10.6 million recorded during the first nine months of 2013.

Production

The Bloom Lake facility produced 4.3 million and 4.0 million metric tons of iron ore concentrate during the nine months ended September 30, 2013 and 2012, respectively. As previously announced, at the Bloom Lake mine, we are continuing to delay certain components of the Phase II expansion, including the completion of the concentrator and load-out facility. Common infrastructure projects necessary to sustain current operations and support the expansion are continuing as planned. The commencement of Phase II's construction activities will depend on a number of factors, including but not limited to, market conditions, iron ore pricing and project milestones, which we continue to monitor.

Production at the Wabush facility was 2.0 million and 2.2 million metric tons during the nine-month period ending September 30, 2013 and 2012, respectively. Due to high production costs and lower pellet premium pricing, we idled production at our Pointe Noire iron ore pellet plant and transitioned to producing an iron ore concentrate product from our Wabush Scully mine during June 2013.

Asia Pacific Iron Ore

The following is a summary of Asia Pacific Iron Ore results for the three months ended September 30, 2013 and 2012:

	(In Millions)						
	Three Months Ended September 30,		Change due to:				Total change
	2013	2012	Revenue and cost rate	Sales volume	Completion of Cockatoo Mining Stage 3	Exchange rate	
Revenues from product sales and services	\$ 301.7	\$ 254.2	\$ 72.3	\$ (6.6)	\$ (15.5)	\$ (2.7)	\$ 47.5
Cost of goods sold and operating expenses	(202.7)	(270.0)	20.7	7.0	14.7	24.9	67.3
Sales margin	\$ 99.0	\$ (15.8)	\$ 93.0	\$ 0.4	\$ (0.8)	\$ 22.2	\$ 114.8

Per Ton Information	Three Months Ended September 30,		Difference	Percent change
	2013	2012		
Realized product revenue rate	\$ 108.88	\$ 84.79	\$ 24.09	28.4 %
Cost of goods sold and operating expenses rate (excluding DDA)	59.44	76.65	(17.21)	(22.5)%
Depreciation, depletion & amortization	13.71	13.41	0.30	2.2 %
Total cost of goods sold and operating expenses rate	73.15	90.06	(16.91)	(18.8)%
Sales margin	\$ 35.73	\$ (5.27)	\$ 41.00	n/m

Sales tons ¹ (In thousands)	2,771	2,998
Production tons ¹ (In thousands)	2,798	2,908

¹ Metric tons (2,205 pounds). Cockatoo Island production and sales are reflected at our 50 percent share during the second quarter of 2012.

Sales margin for Asia Pacific Iron Ore increased to \$99.0 million during the three months ended September 30, 2013 compared with a sales margin loss of \$15.8 million for the same period in 2012. Sales margin per ton increased to \$35.73 per ton in the third quarter of 2013 compared to a sales margin loss of \$5.27 per ton in the third quarter of 2012.

Revenue increased in the third quarter of 2013 over the prior-year period, primarily as a result of:

- Our realized product revenue rate for the three months ended September 30, 2013 resulted in an increase of \$72.3 million or 28.4 percent on a per-ton basis. This increase is a result of:
 - The increase in the Platts 62 percent Fe spot rate to an average of \$133 per ton from \$113 per ton in the comparable prior-year quarter positively impacted the revenue rate resulting in an increase of \$50.9 million or \$18 per ton to our realized revenue rate;
 - The low-grade iron ore sales campaign in 2012 that did not recur in 2013 positively impacted the revenue rate variance resulting in an increase of \$18.0 million or \$7 per ton;

- Timing of shipments in the third quarter of 2013 versus the comparable prior-year quarter provided a period-over-period benefit to our realized revenue rate of \$16.3 million or \$6 per ton on standard product. The benefit to our realized revenue rate in the current quarter primarily resulted from the proportion of low-grade material selling early in the third quarter of 2012 when the Platts 62 percent Fe spot rate was higher than quarter average versus the amount of standard product selling in the latter half of the third quarter of 2012 when the Platts 62 percent Fe spot rate was lower than quarter average, which resulted in a lower realized revenue rate for the third quarter of 2012; and
- Offset by a reduction to our realized revenue rate of \$14.0 million or \$5 per ton due to an increase in foreign exchange contract hedging losses period over period.
- Offset partially by negative sales volume movement of 78 thousand tons at Koolyanobbing that resulted in a decrease in revenue of \$6.6 million during the third quarter of 2013 in comparison to the prior-year period; and
- Additionally, we completed the mining of Stage 3 at Cockatoo and sold our interest during the third quarter of 2012, resulting in a revenue decrease of \$15.5 million or 149 thousand tons in the third quarter of 2013, compared to the same period in the prior year.

Cost of goods sold and operating expenses in the three months ended September 30, 2013 decreased \$67.3 million compared to the comparable period in 2012 primarily as a result of:

- Favorable cost of goods sold rate variance of \$20.7 million driven mainly by lower mining costs of \$18.0 million due to less waste movement in the third quarter of 2013, compared to the same period in the prior year;
- Favorable foreign exchange rate variances of \$24.9 million;
- The completion of the mining of Stage 3 at Cockatoo and the sale of our interest at the end of the third quarter of 2012, resulting in a decrease in costs of \$14.7 million compared to the same period in the prior year; and
- Lower sales volumes at Koolyanobbing, as discussed above, which resulted in lower costs of \$7.0 million compared to the same period in the prior year.

The following is a summary of Asia Pacific Iron Ore results for the nine months ended September 30, 2013 and 2012:

(In Millions)							
	Nine Months Ended September 30,		Change due to:				
	2013	2012	Revenue and cost rate	Sales volume	Completion of Cockatoo Mining Stage 3	Exchange rate	Total change
	Revenues from product sales and services	\$ 899.5	\$ 975.3	\$ 16.7	\$ (18.6)	\$ (75.2)	\$ 1.3
Cost of goods sold and operating expenses	(644.2)	(719.2)	(23.1)	13.3	48.9	35.9	75.0
Sales margin	\$ 255.3	\$ 256.1	\$ (6.4)	\$ (5.3)	\$ (26.3)	\$ 37.2	\$ (0.8)

<i>Per Ton Information</i>	Nine Months Ended September 30,		Difference	Percent change
	2013	2012		
Realized product revenue rate	\$ 111.53	\$ 110.33	\$ 1.20	1.1 %
Cost of goods sold and operating expenses rate (excluding DDA)	65.48	68.91	(3.43)	(5.0)%
Depreciation, depletion & amortization	14.40	12.44	1.96	15.8 %
Total cost of goods sold and operating expenses rate	79.88	81.35	(1.47)	(1.8)%
Sales margin	\$ 31.65	\$ 28.98	\$ 2.67	9.2 %

Sales tons ¹ (In thousands)	8,065	8,840
Production tons ¹ (In thousands)	8,386	8,024
¹ Metric tons (2,205 pounds). Cockatoo Island production and sales are reflected at our 50 percent share during the first half of 2012.		

Sales margin for Asia Pacific Iron Ore decreased to \$255.3 million during the nine months ended September 30, 2013 compared with \$256.1 million for the same period in 2012. Sales margin per ton increased 9.2 percent to \$31.65 per ton in the first nine months of 2013 compared to the first nine months of 2012.

Revenue decreased in the first nine months of 2013 over the prior-year period primarily as a result of:

- The completion of the mining of Stage 3 at Cockatoo and the sale of our interest at the end of the third quarter of 2012, resulting in a revenue decrease of \$75.2 million or 611 thousand tons compared to the same period in the prior year;
- Due to timing of shipments, the sales volume during the nine months ended September 30, 2013 at Koolyanobbing decreased to 8.1 million tons compared with 8.2 million tons in the comparable period in 2012, resulting in a decrease in revenue of \$18.6 million; and
- These decreases were offset partially by our realized product revenue rate for the nine months ended September 30, 2013 that resulted in an increase of \$16.7 million or 1.1 percent on a per-ton basis. This increase is a result of:
 - The low-grade iron ore sales campaign in 2012 that did not recur in 2013, which positively impacted the revenue rate variance resulting in an increase of \$39.1 million or \$5 per ton;

- The Platts 62 percent Fe index increased to an average of \$135 per ton from \$133 per ton during the comparable first nine months of the prior year, which positively impacted the revenue rate resulting in an increase of \$21.3 million or \$2 per ton to our realized revenue rate; and
- Offset by the lower iron ore content on standard product in 2013 resulting in a reduction of realized product revenue rate of \$28.4 million or \$4 per ton along with minor reductions due to higher price adjustments, unfavorable foreign exchange impacts and unfavorable product mix impact from the loss of Cockatoo's fines sales, which had higher iron content.

Cost of goods sold and operating expenses in the nine months ended September 30, 2013 decreased \$75.0 million compared to the comparable period in 2012 primarily as a result of:

- The completion of the mining of Stage 3 at Cockatoo and the sale of our interest at the end of the third quarter of 2012, resulting in a decrease in costs of \$48.9 million compared to the same period in the prior year;
- Lower sales volumes at Koolyanobbing, as discussed above, resulted in lower costs of \$13.3 million compared to the comparable period in the prior year;
- Favorable foreign exchange rate variances of \$35.9 million; and
- These decreases were offset partially by higher logistics costs of \$27.3 million mainly attributable to higher road haulage and railed tons as well as higher ship-loading handling charges in the first nine months of 2013.

Production

Production at Asia Pacific Iron Ore increased 362 thousand tons or 4.5 percent during the nine months ended September 30, 2013 when compared to the comparable period in 2012. The completion of the Koolyanobbing expansion project provided additional ore processing and rail and port capabilities that drove performance increases at this mine. We completed the mining of Stage 3 at Cockatoo and sold our interest during the third quarter of 2012, resulting in a decrease of 586 thousand tons in total production during the first nine months of 2013 compared to the comparable period in 2012.

North American Coal

The following is a summary of North American Coal results for the three months ended September 30, 2013 and 2012:

	(In Millions)						
	Three Months Ended September 30,		Change due to:				Total change
	2013	2012	Revenue and cost rate	Sales volume	Idle cost/ production volume variance	Freight and reimbursement	
Revenues from product sales and services	\$ 178.3	\$ 241.8	\$ (48.4)	\$ (5.1)	\$ —	\$ (10.0)	\$ (63.5)
Cost of goods sold and operating expenses	(180.1)	(243.1)	47.9	5.1	—	10.0	63.0
Sales margin	<u>\$ (1.8)</u>	<u>\$ (1.3)</u>	<u>\$ (0.5)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (0.5)</u>

<i>Per Ton Information</i>	Three Months Ended September 30,		Difference	Percent change
	2013	2012		
Realized product revenue rate ¹	\$ 98.95	\$ 128.88	\$ (29.93)	(23.2)%
Cost of goods sold and operating expenses rate ¹ (excluding DDA)	76.16	114.56	(38.40)	(33.5)%
Depreciation, depletion & amortization	23.91	15.10	8.81	58.3 %
Total cost of goods sold and operating expenses rate	100.07	129.66	(29.59)	(22.8)%
Sales margin	<u>\$ (1.12)</u>	<u>\$ (0.78)</u>	<u>\$ (0.34)</u>	<u>n/m</u>

Sales tons ² (In thousands)	1,623	1,662
Production tons ² (In thousands)	2,077	1,434

¹ Excludes revenues and expenses related to domestic freight, which are offsetting and have no impact on sales margin.

² Tons are short tons (2,000 pounds).

Sales margin for North American Coal decreased to a sales margin loss of \$1.8 million during the three months ended September 30, 2013, compared to a sales margin loss of \$1.3 million during the three months ended September 30, 2012. Sales margin per ton decreased to a loss of \$1.12 per ton in the third quarter of 2013 compared to a sales margin loss of \$0.78 per ton in the third quarter of 2012.

Revenues from product sales and services for the three months ended September 30, 2013 were \$178.3 million, which is a decrease of \$53.5 million over the prior-year period, excluding the decrease of \$10.0 million of freight and reimbursements, primarily due to:

- Our realized product revenue rate for the three months ended September 30, 2013 resulted in a decrease of \$48.4 million or 23.2 percent on a per-ton basis. This decline is a result of:
 - The downward trend in market pricing period-over-period including a 36 percent reduction in the coal benchmark price, partially mitigated by annually priced contracts; and
 - Product sales mix for low-volatile metallurgical, high-volatile metallurgical and thermal coal were 64.4 percent, 24.1 percent and 11.5 percent, respectively, in the third quarter of 2013 compared to 68.8 percent, 20.9 percent and 10.3 percent for the comparable period in 2012. Customer mix also is unfavorable as 2013 includes a higher percentage

of export tons sold in current market conditions and fewer domestic tons of our low-volatile metallurgical coal. The total mix impact was unfavorable by \$7 per ton or \$11.2 million.

Cost of goods sold and operating expenses in the third quarter of 2013 decreased \$53.0 million, excluding the decrease of \$10.0 million of freight and reimbursements from the comparable period in the prior year, predominantly as a result of:

- Increased production in the third quarter of 2013 resulted in a favorable impact on the cost-per-ton rate which provided the benefit of \$32 per ton or \$46.2 million; and
- Offset slightly by the change in sales mix to less low-volatile coal, as discussed above, which increased costs by \$4 per ton or \$5.8 million.

The following is a summary of North American Coal results for the nine months ended September 30, 2013 and 2012:

	(In Millions)						
	Nine Months Ended September 30,		Change due to:				Total change
			Revenue and cost rate	Sales volume	Idle cost/ production volume variance	Freight and reimbursement	
2013	2012						
Revenues from product sales and services	\$ 638.5	\$ 640.9	\$ (103.4)	\$ 110.6	\$ —	\$ (9.6)	\$ (2.4)
Cost of goods sold and operating expenses	(631.9)	(637.1)	105.6	(110.0)	—	9.6	5.2
Sales margin	\$ 6.6	\$ 3.8	\$ 2.2	\$ 0.6	\$ —	\$ —	\$ 2.8

Per Ton Information	Nine Months Ended September 30,			
	2013	2012	Difference	Percent change
Realized product revenue rate ¹	\$ 104.91	\$ 123.80	\$ (18.89)	(15.3)%
Cost of goods sold and operating expenses rate ¹ (excluding DDA)	85.57	107.87	(22.30)	(20.7)%
Depreciation, depletion & amortization	18.14	15.11	3.03	20.1 %
Total cost of goods sold and operating expenses rate	103.71	122.98	(19.27)	(15.7)%
Sales margin	\$ 1.20	\$ 0.82	\$ 0.38	46.3 %

Sales tons ² (In thousands)	5,497	4,600
Production tons ² (In thousands)	5,536	4,539

¹Excludes revenues and expenses related to domestic freight, which are offsetting and have no impact on sales margin.

² Tons are short tons (2,000 pounds).

Sales margin for North American Coal increased to \$6.6 million during the nine months ended September 30, 2013, compared to a sales margin of \$3.8 million during the nine months ended September 30, 2012. Sales margin per ton increased 46.3 percent to \$1.20 per ton in the first nine months of 2013 compared to the first nine months of 2012.

Revenues from product sales and services were \$638.5 million, which is an increase of \$7.2 million over the prior-year period, excluding the decrease of \$9.6 million of freight and reimbursements, predominantly due to:

- Sales volume increases of 897 thousand tons or 19.5 percent during the first nine months of 2013 in comparison to the prior-year period resulted in an increase in revenue of \$110.6 million, primarily due to:
 - Increases in saleable coal at Oak Grove mine available in the first nine months of 2013 compared to the prior year as the force majeure related to the April 2011 tornado extended into April 2012; and
 - Higher sales of Pinnacle low-volatile metallurgical coal due to increased production and CLCC high-volatile metallurgical due to increased market demand in 2013.
- Our realized product revenue rate for the nine months ended September 30, 2013 resulted in a decrease of \$103.4 million or 15.3 percent on a per-ton basis. This decline is a result of:
 - The downward trend in market pricing period-over-period, mitigated by annually priced contracts, carry-over contracts and product mix from our high-volatile metallurgical coal; and
 - Offset slightly by product sales mix for low-volatile metallurgical, high-volatile metallurgical and thermal coal were 68.4 percent, 22.4 percent and 9.2 percent, respectively, in the first nine months of 2013 compared to 64.4 percent, 21.6 percent and 14.0 percent, respectively, for the comparable period in 2012. The total mix impact was favorable by \$3 per ton or \$14.5 million based on the higher price of low-volatile coal and lower rates for thermal coal.

Cost of goods sold and operating expenses in the first nine months of 2013 increased \$4.4 million, excluding the decrease of \$9.6 million of freight and reimbursements from the comparable period in the prior year, predominantly as a result of:

- Higher sales volume attributable to additional low-volatile metallurgical coal sales, as discussed above, resulted in an additional \$110.0 million of costs;
- The change in sales mix to more low-volatile coal, as discussed above, increased costs by \$2 per ton or \$8.2 million; and
- Offset by decreased costs related to labor of \$43.8 million and maintenance and external services of \$63.6 million due to reduced headcount, cost savings measures and more effective operating efficiency.

Production

Production of low- and high-volatile metallurgical coal increased 30.4 percent in the first nine months of 2013 compared to the first nine months of 2012. Low-volatile production increased 991 thousand tons over the prior-year period due to improved operating efficiency. High-volatile metallurgical coal production levels in the first nine months of 2013 increased 187 thousand tons or 19.0 percent as a result of the Lower War Eagle mine moving into production during the fourth quarter of 2012, offset partially by the closure of Dingess-Chilton during the first quarter of 2013. During 2012 and continuing into 2013, we experienced a decline in the demand for thermal coal. Accordingly, on June 15, 2012, we reduced production at our thermal mine to one shift to align production with customer demands and existing supply agreements, which resulted in reduced production of 180 thousand tons in the first nine months of 2013 compared to the same period in 2012.

Liquidity, Cash Flows and Capital Resources

Our primary sources of liquidity are cash generated from our operating and financing activities. Our capital allocation process is focused on prioritizing all potential uses of future cash flows to maximize shareholder returns. We continue to focus on maximizing shareholder return and cash generation in our business operations as well as reductions of any discretionary expenditures in order to ensure we are positioned to face the challenges and uncertainties of the volatile pricing markets for our products.

Based on current mine plans and subject to future iron ore and coal prices and demand, we expect estimated operating cash flows and cash flows from investing activities that generate an inflow in 2013 to approximate our budgeted capital expenditures, dividends and other cash requirements. We maintain adequate liquidity via financing arrangements to fund our normal business operations and strategic initiatives. Based on current market conditions, we expect to be able to fund these requirements for at least the next 12 months through operations and our existing credit facility.

Refer to "Outlook" for additional guidance regarding expected future results, including projections on pricing, sales volume and production for our various businesses.

The following discussion summarizes the significant activities impacting our cash flows during the three months ended as well as those expected to impact our future cash flows over the next 12 months. Refer to the Statements of Unaudited Condensed Consolidated Cash Flows for additional information.

Operating Activities

Net cash provided by operating activities improved to \$685.9 million for the nine months ended September 30, 2013, compared to cash provided by operating activities of \$275.5 million for the same period in 2012. Increased operating cash flows in the first nine months of 2013 resulted from an overall reduction of cash spend, primarily due to the timing of payments related to 2011 income taxes in early 2012.

Our long-term outlook remains stable, although we have and plan to respond to the uncertain near-term outlook by adjusting our operating strategy as market conditions change. Throughout the first nine months of 2013, capacity utilization among steelmaking facilities in North America remained steady. We expect modest growth from the U.S. economy, sustaining a healthy business in the United States. Crude steel production and iron ore imports in Asia continue to generate demand for our products in the seaborne market. We are monitoring continually the economic environment in which we operate in an effort to take advantage of opportunities presented by the markets for our commodity-driven business.

Our U.S. operations and our financing arrangements provide sufficient liquidity and, consequently, we do not need to repatriate earnings from our foreign operations; however, if we repatriated these earnings, we would be subject to income tax. Our U.S. cash and cash equivalents balance at September 30, 2013 was \$47.0 million, or approximately 15.7 percent of our consolidated total cash and cash equivalents balance of \$298.8 million. As of September 30, 2013 and December 31, 2012, we had available borrowing capacity of \$1.3 billion and \$1.4 billion, respectively, under our \$1.75 billion U.S.-based revolving credit facility. Additionally, historically we have been able to raise additional capital through private financings and public debt and equity offerings, the bulk of which, to date, have been U.S.-based. If the demand from the U.S. and Asian economies weakened and pricing deteriorated for a prolonged period, we have the financial and operational flexibility to reduce production, delay capital expenditures, sell assets and reduce overhead costs to provide liquidity in the absence of cash flow from operations.

Investing Activities

Net cash used by investing activities was \$734.4 million for the nine months ended September 30, 2013, compared with \$784.7 million for the comparable period in 2012.

We had capital expenditures of \$742.2 million and \$793.6 million for the nine months ended September 30, 2013 and 2012, respectively. As we remain focused on organic growth and expansion, our main capital focus has been on the construction of the Bloom Lake mine's operations. On the ramp-up and expansion projects at Bloom Lake mine, we have spent approximately \$473 million and approximately \$356 million during the nine months ended September 30, 2013 and 2012, respectively. We continue to evaluate the timing to recommence the construction and eventual completion of Bloom Lake Phase II. The timing and amount of the capital expenditures related to the project's completion are dependent heavily on future market conditions, economic factors, project scope adjustments and other factors that we continue to evaluate.

Additionally, we spent approximately \$236 million and \$203 million globally on expenditures related to sustaining capital in the first nine months of 2013 and 2012, respectively. Sustaining capital spend includes infrastructure, mobile equipment, environmental, safety, fixed equipment, product quality and health.

In alignment with our strategy to focus on organic growth and expansion initiatives and, based upon our long-term outlook, we anticipate total cash used for capital expenditures in 2013 to be approximately \$950 million. This is comprised of sustaining and productive capital expenditures of approximately \$480 million for all of our operations and growth capital expenditures of \$470 million related to Bloom Lake mine's expansion to increase processing capabilities. Approximately \$200 million of the sustaining expenditures relate to the ongoing development of the tailings and water management systems at Bloom Lake. Annual spending at these levels for the tailings and water management systems is expected to continue over the next few years. We expect to fund our full-year capital expenditure expectation from available cash, current and future operations, and other borrowing arrangements, including lease financing.

Financing Activities

Net cash provided by financing activities in the first nine months of 2013 was \$162.0 million, compared to net cash provided by financing activities of \$27.2 million for the comparable period in 2012. We completed a public offering of 10.35 million of our common shares in February 2013. The net proceeds from the offering were approximately \$285.3 million at a sales price to the public of \$29 per share. We also issued 29.25 million depositary shares for total net proceeds of approximately \$709.4 million, after underwriting fees and discounts. A portion of the net proceeds from the share offerings were used to repay the \$847.1 million outstanding under the term loan.

Additionally, cash provided by financing activities in the first nine months of 2013 included proceeds from equipment loans of \$62.1 million, net borrowings and repayments under the credit facility of \$55.0 million offset by dividend distributions of \$91.8 million. During the first quarter of 2013, the board of directors approved a reduction to the quarterly dividend to \$0.15 per share. Quarterly dividends at the new rate were payable on March 1, 2013, June 3, 2013 and September 3, 2013. Additionally, we have dividends payable on our Preferred Shares, which are represented by our depositary shares, at an annual rate of 7.00 percent on the liquidation preference of \$1,000 per Preferred Share (or the equivalent of \$25 per depositary share). The declared quarterly cash dividends were payable on May 1, 2013 and August 1, 2013 to our shareholders of record as of the close of business on April 15, 2013 and July 15, 2013, respectively.

Capital Resources

We expect to fund our business obligations from available cash, current and future operations and existing borrowing arrangements. We also may pursue other funding strategies in the capital markets to strengthen our liquidity. The following represents a summary of key liquidity measures as of September 30, 2013 and December 31, 2012:

	(In Millions)	
	September 30, 2013	December 31, 2012
Cash and cash equivalents	\$ 298.8	\$ 195.2
Available revolving credit facility	\$ 1,750.0	\$ 857.6
Revolving loans drawn	(380.0)	(325.0)
Senior notes	2,900.0	2,900.0
Senior notes drawn	(2,900.0)	(2,900.0)
Term loan	—	847.1
Term loan drawn	—	(847.1)
Letter of credit obligations and other commitments	(27.7)	(27.7)
Borrowing capacity available	\$ 1,342.3	\$ 504.9

Our primary source of funding is a \$1.75 billion revolving credit facility, which matures on October 16, 2017. We also have cash generated by the business and cash on hand, which totaled \$298.8 million as of September 30, 2013. The combination of cash and availability under the credit facility gave us \$1,641.1 million in liquidity entering the fourth quarter of 2013, which is expected to be used to fund operations, capital expenditures and finance strategic initiatives.

On February 8, 2013, we amended both the amended credit agreement and the term loan to effect the following:

- Suspend the current Funded Debt to EBITDA ratio requirement for all quarterly measurement periods in 2013, after which point it will revert back to the debt to earnings ratio for the period ending March 31, 2014 until maturity.
- Require a Minimum Tangible Net Worth of approximately \$4.6 billion as of each of the three-month periods ended March 31, 2013, June 30, 2013, September 30, 2013 and December 31, 2013. Minimum Tangible Net Worth, in accordance with the amended credit agreement and term loan, is defined as total equity less goodwill and intangible assets.
- Maintain a Maximum Total Funded Debt to Capitalization of 52.5 percent from the amendments' effective date through the period ending December 31, 2013.
- The amended agreements retain the Minimum Interest Coverage Ratio requirement of 2.5 to 1.0.

Through the use of proceeds from the February 2013 public equity offering, we repaid the total amount outstanding under the term loan of \$847.1 million. Upon the repayment of the term loan, the financial covenants associated with the term loan are no longer applicable.

Per the terms of the amended credit agreement, we are subject to higher borrowing costs. The applicable interest rate is determined by reference to the former Funded Debt to EBITDA ratio; however, as discussed above, this is not a financial covenant of the amended agreements until March 31, 2014. Based on the amended terms, borrowing costs could increase as much as 0.5 percent relative to the outstanding borrowings, as well as 0.1 percent on unborrowed amounts. Furthermore, the amended credit agreement places certain restrictions upon our declaration and payment of dividends, our ability to consummate acquisitions and the debt levels of our subsidiaries.

The above liquidity as of December 31, 2012 reflected the availability of our revolving credit facility to the extent it would not have resulted in a violation of our Funded Debt to EBITDA maximum ratio of 3.5 to 1.0. As of February 8, 2013 and as a result of the execution of the amendments to the amended credit agreement and term loan in consideration of the temporary financial covenants in place, our availability under the \$1.75 billion revolving credit facility is no longer restricted. Once the Funded Debt to EBITDA ratio returns to a level of 3.5 to 1 effective March 31, 2014, available liquidity under our revolving credit facility will be predicated on compliance with this covenant.

We are subject to certain financial covenants contained in the amended credit agreement and were subject to certain financial covenants related to the term loan until payoff during February 2013. As of September 30, 2013 and December 31, 2012, we were in compliance with all applicable financial covenants and expect to be in compliance with all applicable covenants for the next 12 months.

At December 31, 2012, the amended credit agreement and term loan have two financial covenants based on: (1) debt to earnings ratio (Total Funded Debt to EBITDA, as those terms are defined in the amended credit agreement), as of the last day of each fiscal quarter cannot exceed 3.5 to 1.0 and (2) interest coverage ratio (Consolidated EBITDA to Interest Expense, as those terms are defined in the amended credit agreement), for the preceding four quarters must not be less than 2.5 to 1.0 on the last day of any fiscal quarter.

We believe that the amended revolving credit agreement provides us sufficient liquidity to support our operating and investing activities. We continue to focus on achieving a capital structure that achieves the optimal mix of debt, equity and other off-balance sheet financing arrangements.

Several credit markets may provide additional capacity should that become necessary. The bank market may provide funding through a term loan, bridge loan, credit facility or through exercising the \$250 million accordion in our current revolving credit facility. The risk associated with the bank market is significant increases in borrowing costs as a result of limited capacity. As in all debt markets, capacity is a global issue that impacts the bond market. Our issuance of a \$500 million public offering of five-year senior notes in December 2012 provides evidence that capacity in the bond markets has improved and remains stable for investment grade companies compared to conditions impacting such markets in previous years. This transaction represents the successful execution of our strategy to increase liquidity and extend debt maturities to align with longer-term capital structure needs.

Off-Balance Sheet Arrangements

In the normal course of business, we are a party to certain arrangements that are not reflected on our Statements of Unaudited Condensed Consolidated Financial Position. These arrangements include minimum "take or pay" purchase commitments, such as minimum electric power demand charges, minimum coal, diesel and natural gas purchase commitments, minimum railroad transportation commitments and minimum port facility usage commitments; financial instruments with off-balance sheet risk, such as bank letters of credit and bank guarantees; and operating leases, which primarily relate to equipment and office space.

Market Risks

We are subject to a variety of risks, including those caused by changes in commodity prices, foreign currency exchange rates and interest rates. We have established policies and procedures to manage such risks; however, certain risks are beyond our control.

Pricing Risks

Commodity Price Risk

Our consolidated revenues include the sale of iron ore pellets, iron ore concentrate, iron ore lump, low-volatile metallurgical coal, high-volatile metallurgical coal and thermal coal. Our financial results can vary significantly as a result of fluctuations in the market prices of iron ore and coal. World market prices for these commodities have fluctuated historically and are affected by numerous factors beyond our control. The world market price that most commonly is utilized in our iron ore sales contracts is the Platts 62 percent Fe fines

pricing, which can fluctuate widely due to numerous factors, such as global economic growth, demand for steel and unforeseen disruptions in supply.

Provisional Pricing Arrangements

Certain of our U.S. Iron Ore, Eastern Canadian Iron Ore and Asia Pacific Iron Ore customer supply agreements specify provisional price calculations, where the pricing mechanisms generally are based on market pricing, with the final revenue rate to be based on market inputs at a specified point in time in the future, per the terms of the supply agreements. The difference between the provisionally agreed-upon price and the estimated final revenue rate is characterized as a derivative and is required to be accounted for separately once the revenue has been recognized. The derivative instrument is adjusted to fair value through *Product revenues* each reporting period based upon current market data and forward-looking estimates provided by management until the final revenue rate is determined.

At September 30, 2013, we have recorded \$4.6 million as current *Derivative assets* and \$11.4 million as derivative liabilities included in *Other current liabilities* in the Statements of Unaudited Condensed Consolidated Financial Position related to our estimate of final sales rate with our U.S. Iron Ore, Eastern Canadian Iron Ore and Asia Pacific Iron Ore customers. These amounts represent the difference between the provisional price agreed upon with our customers based on the supply agreement terms and our estimate of the final sales rate based on the price calculations established in the supply agreements. As a result, we recognized a net \$24.3 million increase and a net \$6.8 million decrease, respectively, in *Product revenues* in the Statements of Unaudited Condensed Consolidated Operations for the three and nine months ended September 30, 2013 related to these arrangements.

Customer Supply Agreements

Certain supply agreements with one U.S. 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 a freestanding derivative, which is finalized based on a future price, and is adjusted to fair value as a revenue adjustment each reporting period until the pellets are consumed and the amounts are settled. The fair value of the instrument is determined using an income approach based on an estimate of the annual realized price of hot-rolled steel at the steelmaker's facilities.

At September 30, 2013, we had a derivative asset of \$62.1 million, representing the fair value of the pricing factors, based upon the amount of unconsumed tons and an estimated average hot-band steel price related to the period in which the tons are expected to be consumed in the customer's blast furnace at each respective steelmaking facility, subject to final pricing at a future date. This compares with a derivative asset of \$58.9 million as of December 31, 2012. We estimate that a \$75 change in the average hot-band steel price realized from the September 30, 2013 estimated price recorded would cause the fair value of the derivative instrument to increase or decrease by approximately \$45.1 million, thereby impacting our consolidated revenues by the same amount.

We have not entered into any hedging programs to mitigate the risk of adverse price fluctuations; however, certain of our term supply agreements contain price collars, which typically limit the percentage increase or decrease in prices for our products during any given year.

Volatile Energy and Fuel Costs

The volatile cost of energy is an important issue affecting our production costs, primarily in relation to our iron ore operations. Our consolidated U.S. Iron Ore mining ventures consumed approximately 12.8 million MMBtu's of natural gas at an average delivered price of \$4.22 per MMBtu and 21.3 million gallons of diesel fuel at an average delivered price of \$3.24 per gallon during the first nine months of 2013. Our consolidated Eastern Canadian Iron Ore mining ventures consumed approximately 5.2 million gallons of diesel fuel at an average delivered price of \$4.37 per gallon during the first nine months of 2013. Our CLCC operations consumed approximately 2.0 million gallons of diesel fuel at an average delivered price of \$3.38 per gallon

during the first nine months of 2013. Consumption of diesel fuel by our Asia Pacific operations was approximately 10.9 million gallons at an average delivered price of \$3.35 per gallon for the same period.

In the ordinary course of business, there also will be likely increases in prices relative to electrical costs at our U.S. mine sites. As the cost of producing electricity increases, energy companies regularly seek to reclaim those costs from the mine sites, which often results in tariff disputes.

Our strategy to address increasing energy rates includes improving efficiency in energy usage, identifying alternative providers and utilizing the lowest cost alternative fuels. At the present time we have no specific plans to enter into hedging activity and do not plan to enter into any new forward contracts for natural gas or diesel fuel in the near term. We will continue to monitor relevant energy markets for risk mitigation opportunities and may make additional forward purchases or employ other hedging instruments in the future as warranted and deemed appropriate by management. Assuming we do not enter into further hedging activity in the near term, a 10 percent change in natural gas and diesel fuel prices would result in a change of approximately \$5.3 million in our annual fuel and energy cost based on expected consumption for the remainder of 2013.

Valuation of Goodwill and Other Long-Lived Assets

We assign goodwill arising from acquired businesses to the reporting units that are expected to benefit from the synergies of the acquisition. Goodwill is tested for impairment at the reporting unit level (operating segment or one level below an operating segment) on an annual basis as of October 1st and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. These events or circumstances could include a significant change in the business climate, legal factors, operating performance indicators, curtailment of project development activities, competition or sale or disposition of a significant portion of a reporting unit.

Application of the goodwill impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities to reporting units, assignment of goodwill to reporting units and determination of the fair value of each reporting unit. The fair value of each reporting unit is estimated using a discounted cash flow methodology, which considers forecasted cash flows discounted at an estimated weighted average cost of capital. Assessing the recoverability of our goodwill requires significant assumptions regarding the estimated future cash flows and other factors to determine the fair value of a reporting unit including, among other things, estimates related to long-term price expectations, expected results of anticipated exploration activities, foreign currency exchange rates, expected capital expenditures and working capital requirements expected at commencement of production, which are based upon our long-range plan and life of mine estimates. The assumptions used to calculate the fair value of a reporting unit may change from year to year based on operating results, current market conditions or changes to expectations of market trends and other factors. Changes in these assumptions could materially affect the determination of fair value for each reporting unit.

Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances that would indicate that the carrying value of the assets may not be recoverable. Such indicators may include, among others: a significant decline in expected future cash flows; a sustained, significant decline in market pricing; a significant adverse change in legal or environmental factors or in the business climate; changes in estimates of our recoverable reserves; unanticipated competition; and slower growth or production rates. Any adverse change in these factors could have a significant impact on the recoverability of our long-lived assets and could have a material impact on our consolidated statements of operations and statement of financial position.

A comparison of each asset group's carrying value to the estimated undiscounted future cash flows expected to result from the use of the assets, including cost of disposition, is used to determine if an asset is recoverable. Projected future cash flows reflect management's best estimates of economic and market conditions over the projected period, including growth rates in revenues and costs, estimates of future expected changes in operating margins and capital expenditures. If the carrying value of the asset group is higher than its undiscounted future cash flows, the asset group is measured at fair value and the difference is recorded

as a reduction to the long-lived assets. We estimate fair value using a market approach, an income approach or a cost approach.

The assessments for goodwill and long-lived asset impairment are sensitive to changes in key assumptions. These key assumptions include, but are not limited to, forecasted long-term pricing, production costs, capital expenditures and a variety of economic assumptions (e.g. discount rate, inflation rates, exchange rates and tax rates).

A portion of our goodwill balance was recognized upon the acquisition of Freewest Resources Canada Inc. and Spider Resources Inc., together known as our Ferroalloys reporting unit. Since the acquisitions, we have completed prefeasibility studies and are in the process of completing feasibility studies to prepare for development of the chromite properties. In June 2013, we announced a temporary suspension of the environmental assessment activities for the project due to delayed approval of the Terms of Reference for the provincial environmental assessment process, uncertainty regarding the federal environmental assessment process, unresolved land surface rights issues and unfinished economic agreements with the Province of Ontario. Early in September 2013, the First Nations-initiated judicial challenge to the federal environmental assessment process was resolved when certain of the First Nations communities that initiated the challenge decided to withdraw and have the matter dismissed in favor of negotiating with the Company. Separately, on September 10, 2013, the Ontario Mining and Lands Commissioner ruled in favor of an unpatented mining claim holder by dismissing an application filed by us to dispense with the need for that claimholder's consent to use a portion of the surface of that claimholder's claims for a road for the project. We have filed to appeal this decision by the Mining and Lands Commissioner. Delayed approval of the Terms of Reference for the provincial environmental assessment process and unfinished agreements with the Province of Ontario that are critical to the project's economic viability also remain outstanding; therefore, we have not resumed the environmental assessment activities for the project. We will continue our work with the Province of Ontario and First Nation communities on these issues as we determine how and when to advance the project. The current quarter developments do not indicate a material change to the fair value of the project, and we will continue to evaluate impact to fair value from changes in the status of these items. Inability to complete or significant delays in completion of these feasibility studies or results that indicate insufficient return on investment may result in an inability to recover the carrying value of recognized goodwill and long-lived assets, which were \$80.9 million and \$274.0 million at September 30, 2013, respectively. As a result of our most recent analysis, the fair value of the reporting unit exceeded its carrying value by a substantial amount. The fair value is highly sensitive to any deterioration of the aforementioned assumptions as well as impact of adverse developments in our feasibility study and therefore may result in an impairment charge.

We have experienced higher than expected production costs at our Wabush iron ore mining operation, due to a variety of factors that has resulted in continued declines in our profitability of that business, which represents an asset group for purposes of testing our long-lived assets for recoverability. Continuation of these profitability trends could impact our ability to recover these values, which were \$288.2 million at September 30, 2013.

Foreign Currency Exchange Rate Risk

We are subject to changes in foreign currency exchange rates primarily as a result of our operations in Australia and Canada, which could impact our financial condition. With respect to Australia, foreign exchange risk arises from our exposure to fluctuations in foreign currency exchange rates because our reporting currency is the U.S. dollar, but the functional currency of our Asia Pacific operations is the Australian dollar. Our Asia Pacific operations receive funds in U.S. currency for their iron ore sales and incur costs in Australian currency. For our Canadian operations, the functional currency is the U.S. dollar; however, the production costs for these operations primarily are incurred in the Canadian dollar. We began hedging our exposure to the Canadian dollar in January 2012. The primary objective for the use of these instruments is to reduce exposure to changes in Australian and U.S. currency exchange rates and Canadian and U.S. currency exchange rates, respectively, and to protect against undue adverse movement in these exchange rates.

At September 30, 2013, we had outstanding Australian and Canadian foreign exchange rate contracts with notional amounts of \$333.0 million and \$453.5 million, respectively, with varying maturity dates ranging from October 2013 to September 2014 for which we elected hedge accounting. To evaluate the effectiveness of our hedges, we conduct sensitivity analysis. A 10 percent increase in the value of the Australian dollar from the month-end rate would increase the fair value of these contracts to approximately \$7.4 million, and a 10 percent decrease would reduce the fair value to approximately negative \$45.3 million. A 10 percent increase in the value of the Canadian dollar from the month-end rate would increase the fair value of these contracts to approximately \$51.9 million, and a 10 percent decrease would decrease the fair value to approximately negative \$39.9 million. We may enter into additional hedging instruments in the near future as needed in order to further hedge our exposure to changes in foreign currency exchange rates.

The following table represents our foreign currency exchange contract position for contracts held as cash flow hedges as of September 30, 2013:

Contract Maturity	(\$ in Millions)			
	Notional Amount	Weighted Average Exchange Rate	Spot Rate	Fair Value
Contract Portfolio (1) :				
AUD Contracts expiring in the next 12 months	\$ 333.0	0.98	0.9317	\$ (19.1)
CAD Contracts expiring in the next 12 months	453.5	1.04	1.0309	1.4
Total Hedge Contract Portfolio	\$ 786.5			\$ (17.7)

(1) Includes collar options and forward contracts.

Refer to NOTE 3 - DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES for further information.

Interest Rate Risk

Interest payable on our senior notes is at fixed rates. Interest payable under our revolving credit facility is at a variable rate based upon the base rate or the LIBOR rate plus a margin depending on a leverage ratio. As of September 30, 2013, we had \$380.0 million drawn on the revolving credit facility. A 100 basis point change to the base rate or the LIBOR rate under the revolving credit facility would result in a change of approximately \$3.8 million to interest expense on an annual basis.

The interest rate payable on the \$500.0 million senior notes due in 2018 may be subject to adjustments from time to time if either Moody's or S&P or, in either case, any substitute rating agency thereof downgrades (or subsequently upgrades) the debt rating assigned to the notes. In no event shall (1) the interest rate for the notes be reduced to below the interest rate payable on the notes on the date of the initial issuance of notes or (2) the total increase in the interest rate on the notes exceed 2.00 percent above the interest rate payable on the notes on the date of the initial issuance of notes. The maximum rate increase of 2.00 percent for the interest rate payable on the notes would result in an additional interest expense of \$10.0 million per annum.

Supply Concentration Risks

Many of our mines are dependent on one source each of electric power and natural gas. A significant interruption or change in service or rates from our energy suppliers could impact materially our production costs, margins and profitability.

Outlook

Looking forward, we expect China to maintain a healthy steelmaking pace through year end, driven by broader economic growth and the positive impact of domestic lending policy reforms. Robust Chinese steel production is expected to remain a source of healthy demand for our Eastern Canadian Iron Ore and

Asia Pacific Iron Ore businesses. We also anticipate the demand for our U.S. Iron Ore and North American Coal businesses to remain healthy, despite lower year-over-year steel production in North America.

We expect pricing for the commodities we sell to remain volatile, with the potential to significantly increase or decrease at any point in time. Due to this expected volatility and for the purpose of providing a full-year outlook, we will utilize the year-to-date average Platts 62 percent Fe seaborne iron ore spot price as of Sept. 30, 2013 of \$135 per ton (C.F.R. China) as a base price assumption for providing our revenues-per-ton sensitivities for our iron ore business segments. This assumption does not reflect our internal expectation of full-year seaborne iron ore pricing. As such, using \$135 per ton as the iron ore price assumption for the remainder of the year, included in the table below is the expected full-year revenues-per-ton range for our iron ore business segments and the per-ton sensitivity for each \$10-per-ton variance from the price assumption. The sensitivities per ton for each respective iron ore business segment below reflect the sales volume and realized price achieved for the first nine months of 2013 results and our realized expectation for the remainder of 2013.

2013 Realized Revenue Sensitivity Summary (1)			
	U.S. Iron Ore (2)	Eastern Canadian Iron Ore (3)	Asia Pacific Iron Ore (4)
Revenues Per Ton	\$110 - \$115	\$110 - \$115	\$110 - \$115
Sensitivity Per Ton (+/- \$10)	+/- \$1	+/- \$2	+/- \$2

(1) Based on the average year-to-date 62 percent Fe seaborne iron ore fines price (C.F.R. China) of \$135 per ton as of Sept. 30, 2013.

(2) U.S. Iron Ore tons are reported in long tons.

(3) Eastern Canadian Iron Ore tons are reported in metric tons, F.O.B. Eastern Canada.

(4) Asia Pacific Iron Ore tons are reported in metric tons, F.O.B. the port.

The revenues-per-ton sensitivities consider various contract provisions, lag-year adjustments and pricing caps and floors contained in certain supply agreements. Actual realized revenues per ton for the full year will depend on iron ore price changes, customer mix, freight rates, production input costs and/or steel prices (all factors contained in certain of our supply agreements).

U.S. Iron Ore Outlook (Long Tons)

For 2013, we are maintaining our sales and production volume expectation of 21 million tons and 20 million tons, respectively.

The U.S. Iron Ore revenues-per-ton sensitivity included within the 2013 revenue sensitivity summary table above also includes the following assumptions:

- 2013 U.S. and Canada blast furnace steel production of 40 - 45 million tons
- 2013 average hot-rolled steel pricing of \$630 per ton
- Approximately 55 percent of the expected 2013 sales volume is linked to seaborne iron ore pricing

We are maintaining our 2013 full-year U.S. Iron Ore cash-cost-per-ton expectation of \$65 - \$70, and depreciation, depletion and amortization is expected to be approximately \$6 per ton.

In 2014, we expect to sell approximately 22 - 23 million tons from our U.S. Iron Ore business. This is primarily attributable to increased customer demand from North American steelmaking customers.

Eastern Canadian Iron Ore Outlook (Metric Tons, F.O.B. Eastern Canada)

For 2013, we are increasing our full-year sales and production volume expectation of 8 - 9 million tons to 8.5 - 9 million tons. We will sell approximately 1.5 million tons of iron ore pellets from our Eastern Canadian Iron Ore segment, with iron ore concentrate sales making up the remainder of the expected full-year sales volume range.

We are maintaining our full-year cash-cost-per-ton expectation for Bloom Lake and Wabush mines of \$90 - \$95 and \$115 - \$120, respectively. Further, we are maintaining our full-year 2013 cash cost per ton in Eastern Canadian Iron Ore of \$100 - \$105. Depreciation, depletion and amortization is expected to be approximately \$19 per ton for full-year 2013.

The Eastern Canadian Iron Ore revenues-per-ton sensitivity is included within the 2013 revenues-per-ton sensitivity table above.

Looking ahead, we continue to evaluate the long-term strategic fit of Wabush Mine and viability of Bloom Lake's Phase II expansion project. Driven by this ongoing evaluation, we will only provide our expected full-year 2014 sales volume for Bloom Lake's Phase I of approximately 5.5 - 6 million tons of iron ore concentrate.

Asia Pacific Iron Ore Outlook (Metric Tons, F.O.B. the port)

We are maintaining our full-year 2013 Asia Pacific Iron Ore expected sales and production volumes of approximately 11 million tons. The product mix is expected to be approximately half lump and half fines iron ore.

The Asia Pacific Iron Ore revenues-per-ton sensitivity is included within the 2013 revenues-per-ton sensitivity table above. We are maintaining our 2013 full-year Asia Pacific Iron Ore cash-cost-per-ton expectation of \$65 - \$70. Depreciation, depletion and amortization is anticipated to be approximately \$15 per ton for the year.

In 2014, we expect to sell approximately 10 - 11 million tons from our Asia Pacific Iron Ore business, comprised of approximately 50 percent lump iron ore and 50 percent fines iron ore.

North American Coal Outlook (Short Tons, F.O.B. the mine)

We are maintaining our full-year 2013 North American Coal expected sales and production volumes of approximately 7 million tons. Sales volume mix is anticipated to be approximately 70 percent low-volatile metallurgical coal and 21 percent high-volatile metallurgical coal, with thermal coal making up the remainder.

We are maintaining our full-year 2013 North American Coal revenues-per-ton outlook of \$100 - \$105.

We are decreasing our North American Coal full-year cash-cost-per-ton expectation to \$85 - \$90 from our previous expectation of \$90 - \$95. The decrease is driven by continued improvement in the operation's cost structure and production volumes. Full-year 2013 depreciation, depletion and amortization is expected to be approximately \$17 per ton.

In 2014, we expect to sell approximately 6 - 7 million tons from our North American Coal business, comprised of approximately 68 percent low-volatile metallurgical coal, 23 percent high-volatile metallurgical coal and 9 percent thermal coal.

The following table provides a summary of our 2013 guidance for our four business segments:

	2013 Outlook Summary			
	U.S. Iron Ore (1)	Eastern Canadian Iron Ore (2)	Asia Pacific Iron Ore (3)	North American Coal (4)
Sales volume (million tons)	21	8.5 - 9	11	7
Production volume (million tons)	20	8.5 - 9	11	7
Cash cost per ton	\$65 - \$70	\$100 - \$105	\$65 - \$70	\$85 - \$90
DD&A per ton	\$6	\$19	\$15	\$17

(1) U.S. Iron Ore tons are reported in long tons.

(2) Eastern Canadian Iron Ore tons are reported in metric tons, F.O.B. Eastern Canada.

(3) Asia Pacific Iron Ore tons are reported in metric tons, F.O.B. the port.

(4) North American Coal tons are reported in short tons, F.O.B. the mine.

SG&A Expenses and Other Expectations

We are maintaining our full-year 2013 SG&A expense expectation of approximately \$215 million.

We are also decreasing our full-year cash outflows expectation by \$10 million to approximately \$65 million for future growth projects. This is comprised of approximately \$15 million related to exploration and approximately \$50 million related to our chromite project in Ontario, Canada, which is in the feasibility stage of development.

We anticipate a full-year effective tax rate of approximately 13 percent for 2013. We are increasing our full-year 2013 depreciation, depletion and amortization by \$10 million to approximately \$575 million.

Capital Budget Update

We are decreasing our 2013 capital expenditures budget to approximately \$950 million from our previous expectation of \$1 billion due to lower investments in Eastern Canada.

Recently Issued Accounting Pronouncements

Refer to NOTE 1 - BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES of the unaudited condensed 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.

Forward-Looking Statements

This report contains statements that constitute "forward-looking statements" within the meaning of the federal securities laws. As a general matter, forward-looking statements relate to anticipated trends and expectations rather than historical matters. Forward-looking statements are subject to uncertainties and factors relating to Cliffs' operations and business environment that are difficult to predict and may be beyond our control. Such uncertainties and factors may cause actual results to differ materially from those expressed or implied by the forward-looking statements. 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. Uncertainties and risk factors that could affect Cliffs' future performance and cause results to differ from the forward-looking statements in this report include, but are not limited to:

- uncertainty or weaknesses in global economic conditions, including downward pressure on prices, reduced market demand and any slowing of the economic growth rate in China;
- trends affecting our financial condition, results of operations or future prospects, particularly the continued volatility of iron ore and coal prices;

- our ability to successfully integrate acquired companies into our operations and achieve post-acquisition synergies, including without limitation, Cliffs Quebec Iron Mining Limited (formerly Consolidated Thompson Iron Mining Limited);
- our ability to successfully identify and consummate any strategic investments and complete planned divestitures;
- the outcome of any contractual disputes with our customers, joint venture partners or significant energy, material or service providers or any other litigation or arbitration;
- the ability of our customers and joint venture partners to meet their obligations to us on a timely basis or at all;
- our ability to reach agreement with our iron ore customers regarding modifications to sales contract pricing escalation provisions to reflect a shorter-term or spot-based pricing mechanism;
- the impact of price-adjustment factors on our sales contracts;
- changes in sales volume or mix;
- our actual economic iron ore and coal reserves or reductions in current mineral estimates, including whether any mineralized material qualifies as a reserve;
- the impact of our customers using other methods to produce steel or reducing their steel production;
- events or circumstances that could impair or adversely impact the viability of a mine and the carrying value of associated assets;
- the results of prefeasibility and feasibility studies in relation to projects;
- impacts of existing and increasing governmental regulation and related costs and liabilities, including failure to receive or maintain required operating and environmental permits, approvals, modifications or other authorization of, or from, any governmental or regulatory entity and costs related to implementing improvements to ensure compliance with regulatory changes;
- our ability to cost effectively achieve planned production rates or levels;
- uncertainties associated with natural disasters, weather conditions, unanticipated geological conditions, supply or price of energy, equipment failures and other unexpected events;
- adverse changes in currency values, currency exchange rates, interest rates and tax laws;
- availability of capital and our ability to maintain adequate liquidity and successfully implement our financing plans;
- our ability to maintain appropriate relations with unions and employees and enter into or renew collective bargaining agreements on satisfactory terms;
- risks related to international operations;
- availability of capital equipment and component parts;
- the potential existence of significant deficiencies or material weakness in our internal controls over financial reporting;
- problems or uncertainties with productivity, tons mined, transportation, mine-closure obligations, environmental liabilities, employee-benefit costs and other risks of the mining industry; and
- the risk factors identified in Part I - Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2012.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Information regarding our Market Risk is presented under the caption *Market Risks*, which is included in our Annual Report on Form 10-K for the year ended December 31, 2012 and in the Management's Discussion and Analysis section of this report.

Item 4. 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.

There have been no changes in our internal control over financial reporting or in other factors that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. See "Management's Report on Internal Control Over Financial Reporting" and "Report of Independent Registered Public Accounting Firm" in our Annual Report on Form 10-K for the year ended December 31, 2012.

PART II

Item 1. *Legal Proceedings*

EPSL Arbitration. On December 20, 2012, Esperance Port Authority (trading as Esperance Port Sea and Land) and Cliffs Asia Pacific Iron Ore Pty Ltd nominated an arbitrator to determine disputes that have arisen between the parties in relation to the proper construction and operation of certain clauses in the operating agreement that was first made between the parties on September 25, 2000 (as varied). Among several other issues, we are in dispute with EPSL over the "maximum tonnage" that EPSL is obligated to handle and, in particular, whether EPSL legally is obligated to handle 11.5 million tonnes per annum of ore. The operating agreement does not expressly include a maximum or minimum annual tonnage provision, but has a clause setting forth the minimum take-or-pay obligations. We assert that the maximum tonnage for which EPSL is obliged to provide the services is the capacity of the port at any given time to handle iron ore. On October 18, 2013, the parties entered into a partial settlement agreement that adjourns the November 2013 hearing date to April 2014 in order to allow the parties time to negotiate a full and final settlement, provides for a conditional settlement of matters in dispute up to December 31, 2013 and also sets an interim charging rate beginning in 2014.

Pointe Noire Investigation. Wabush Mines currently is being investigated by Environment Canada in relation to alleged violations of (i) Section 36(3) of the Fisheries Act, which prohibits the deposit of a deleterious substance in water frequented by fish or in any place where the deleterious substance may enter any such water, and (ii) Section 5.1 of the Migratory Bird Convention Act, 1994. The Quebec Ministry of Sustainable Development, Environment, Wildlife and Parks also has commenced an investigation into alleged violations of Section 8 of the Hazardous Material Regulation, which prohibits the discharge of a hazardous material to the environment. Based on current information, the investigations cover events surrounding and leading up to the alleged release of approximately 1,320 gallons of fuel oil into the Bay of Sept Iles on September 1, 2013. Our response actions were able to successfully contain and capture a substantial amount of oil. We are cooperating with the investigators and agency response officials. The possible outcome of the investigations and the risk of loss cannot be determined at this time.

Severstal Pricing Arbitration. Severstal filed a demand for arbitration against Cliffs Sales Company, The Cleveland-Cliffs Iron Company, and Cliffs Mining Company in May 2013 over the pricing calculation for pellets beginning in 2013. Severstal filed the arbitration claim pursuant to the dispute resolution provisions of the Amended and Restated Pellet Sale and Purchase Agreement, dated January 1, 2006, and as amended to date, or the sales agreement. The parties amended the sales agreement in 2008 to revise the calculation of the base price for pellets, beginning in 2013, to include a pricing calculation utilizing current market price indices. Severstal has been paying "under protest" the invoices for the pellets pursuant to our calculation. We have countered the arbitral demand of Severstal by seeking a declaration that our calculation of the 2013 base price is the correct calculation under the sales agreement.

Item 1A. *Risk Factors*

Our Annual Report on Form 10-K for the year ended December 31, 2012 includes a detailed discussion of our risk factors.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table presents information with respect to repurchases by the Company of our common shares during the periods indicated.

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares (or Units) Purchased (1)	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet be Purchased Under the Plans or Programs
July 1 - 31, 2013	584	\$ 17.52	—	—
August 1 - 31, 2013	168	\$ 22.47	—	—
September 1 - 30, 2013	4,995	\$ 22.09	—	—
Total	5,747	\$ 21.64	—	—

- (1) These shares were delivered to us by employees to satisfy tax withholding obligations due upon the vesting or payment of stock awards or scheduled distributions from our VNQDC Plan.

Item 4. Mine Safety Disclosures

We are committed to protecting the occupational health and well-being of each of our employees. Safety is one of our Company's core values, and we strive to ensure that safe production is the first priority for all employees. Our internal objective is to achieve zero injuries and incidents across the Company by focusing on proactively identifying needed prevention activities, establishing standards and evaluating performance to mitigate any potential loss to people, equipment, production and the environment. We have implemented intensive employee training that is geared toward maintaining a high level of awareness and knowledge of safety and health issues in the work environment through the development and coordination of requisite information, skills and attitudes. We believe that through these policies, our Company has developed an effective safety management system.

Under the Dodd-Frank Act, each operator of a coal or other mine is required to include certain mine safety results within its periodic reports filed with the SEC. As required by the reporting requirements included in §1503(a) of the Dodd-Frank Act and Item 104 of Regulation S-K, the required mine safety results regarding certain mining safety and health matters for each of our mine locations that are covered under the scope of the Dodd-Frank Act are included in Exhibit 95 of *Item 6. Exhibits* of this Quarterly Report on Form 10-Q.

Item 6. Exhibits

- (a) List of Exhibits — Refer to Exhibit Index on pg. [81](#).

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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/ Timothy K. Flanagan

Name: Timothy K. Flanagan

Title: Vice President, Corporate
Controller and Chief Accounting Officer

Date: October 25, 2013

EXHIBIT INDEX

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

Exhibit Number	Exhibit
10.1	*Severance Agreement and Release, by and between Laurie Brias and Cliffs Natural Resources Inc. and its affiliates, dated August 20, 2013
10.2	*Severance Agreement, by and between David B. Blake and Cliffs Natural Resources Inc. and its affiliates, dated August 21, 2013
31.1	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 P. Kelly Tompkins as of October 25, 2013
31.2	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 Terrance M. Paradie as of October 25, 2013
32.1	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 P. Kelly Tompkins, Executive Vice President, Chief Administrative Officer & President - Cliffs China of Cliffs Natural Resources Inc., as of October 25, 2013
32.2	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 Terrance M. Paradie, Executive Vice President and Chief Financial Officer of Cliffs Natural Resources Inc., as of October 25, 2013
95	Mine Safety Disclosures
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Indicates management contract or other compensatory arrangement.

SEVERANCE AGREEMENT AND RELEASE

Before signing this Severance Agreement and Release (the "Release"), you are advised to consult with an attorney. Your signature must be notarized.

This Release is entered into knowingly and voluntarily on the date specified on the signature page hereto, by and between Laurie Brlas ("Employee") and Cliffs Natural Resources Inc. and its affiliates identified in Section III. A below (collectively, the "Company"). Employee and the Company are referred to each individually as a "Party" and collectively as the "Parties."

RECITALS

A. Employee's employment with the Company terminated effective July 31, 2013 (the "Termination Date"). On the Termination Date, Employee ceased to serve as Executive Vice President and President, Global Operations, of the Company, and resigned from any other positions that she then held with the Company.

B. Employee received this Release on August 20, 2013 ("Receipt Date").

C. Employee and the Company desire to establish an amicable separation of Employee's employment to facilitate an appropriate transition of Employee's responsibilities as to the Company and to settle fully and finally any and all differences between them which have arisen, or may arise, out of the employment relationship and/or the termination of that relationship.

D. The Company desires to offer Employee the payments and benefits described herein in connection with Employee's termination of employment.

E. Receipt of the payments and benefits described herein requires (i) execution and notarization, (ii) delivery to the Company, and (iii) non-revocation, of this Release, all within the time frames specified in Section VI.

AGREEMENT**I. SEVERANCE PAYMENTS AND BENEFITS**

A. Subject to Section I.B, Employee shall receive the following payments (collectively, the "Payments") and benefits (collectively, the "Benefits") if Employee (1) signs, notarizes and delivers this Release within the time frames and in accordance with the provisions of Section VI.B; and (2) does not revoke the Release prior to the "Effective Date" (as defined in Section VI.D):

- A cash payment equal to \$2,232,000, which is equal to twenty-four (24) months Base Pay ($\$620,000 * 2 = \$1,240,000$) plus two times an additional amount that represents an annual incentive bonus payable at target ($\$620,000 * 80\% * 2 = \$992,000$) paid, **less** appropriate withholdings and deductions, in a lump sum within thirty (30) days after the Receipt Date, but not prior to the Effective Date.
 - A cash payment equal to \$71,540, as compensation for Employee's earned but unused vacation for 2013, paid, **less** appropriate withholdings and deductions, in a lump sum within thirty (30) days after the Receipt Date, but not prior to the Effective Date.
-

- A cash payment equal to the Executive Management Performance Incentive Plan (the “EMPI Plan”) bonus for 2013, with the bonus payout to be determined based on actual performance during the applicable performance period and paid, **less** appropriate withholdings and deductions, in a lump sum when the 2013 EMPI Plan bonuses are paid to active employees of the Company, which is expected to be in the first quarter of 2014. For the avoidance of doubt, (i) Employee’s EMPI Plan bonus in respect of 2013 shall not be pro-rated, and (ii) Employee shall not participate in the EMPI Plan for 2014 and subsequent years.
- Continued coverage following the Termination Date under the medical, prescription drug, dental, and vision benefit programs under the health care plan for active employees offered by the Company, if any (the “Active Health Care Plan”), for Employee and Employee’s eligible dependents, through the period described below as long as Employee or Employee’s eligible dependents timely and properly pay(s) the same portion of the costs of such coverages as is paid by similarly situated active employees. Such coverages will end, as to Employee or any eligible dependent, and Employee’s rights under COBRA shall commence, at the earlier of:
 - The date Employee or the eligible dependent, as applicable, fail(s) to pay his or her share of the costs for such coverages;
 - The death of Employee or the eligible dependent, as applicable;
or
 - The second anniversary of the Termination Date.

The costs of the coverage described under this Section I.A (other than the portion paid by Employee or any eligible dependent) shall be reported to the Internal Revenue Service as taxable income to Employee to the extent required to avoid the benefits provided pursuant to such coverage being taxable to Employee or an eligible dependent pursuant to Section 105(h) of the Internal Revenue Code of 1986, as amended (the “Code”), or any successor provision. In the event that prior to the expiration of this obligation, as described above, Employee obtains health care coverage(s) from one or more subsequent employers, it is understood that during such employment the Company’s Active Health Care Plan will be secondary to the coverage(s) provided by the subsequent employer(s) notwithstanding the coordination of benefit provisions of such other coverage(s) and, thus, the availability of benefits under the Company’s Active Health Care Plan will be determined after those of the coverage(s) provided by the subsequent employers and may be reduced because of benefits payable under the other coverage(s).

- Employee shall be entitled to vest in the performance share awards held by her on the date hereof based on actual performance through the entire applicable performance period of each such award, in each case with the number of shares earned prorated based on the number of full months that Employee is employed during such performance period through the Termination Date, with the number of shares so earned to be paid out in the manner and at the time specified by the terms of each such award.
- Employee shall be entitled to vest in the restricted share unit awards held by her on the date hereof, with the number of shares earned in the case of each such award prorated based on the number of full months that Employee is employed during the applicable vesting period through the Termination Date, with the number of shares earned to be paid out in the manner and at the time specified by the terms of each such award.

- Provided that Employee properly and timely completes and submits all of the necessary documentation relating to the provision of outplacement services, the Company shall pay for outplacement services provided by a firm, chosen by Employee from a list of vendors approved by the Company, for a maximum of twenty-four (24) consecutive months following the Termination Date, with the final Company payments for outplacement services to be made no later than December 31, 2016.
- Employee shall be entitled to retain her current mobile telephone number.

B. Should Employee breach any of the covenants contained in Sections VII (relating to the covenant of confidentiality, but excluding for purposes of this Section I.B any immaterial breach with respect to immaterial confidential information), IX (relating to the covenant to cooperate with the Company), and XII (relating to the covenant not to solicit employees) of this Release, Employee shall be required to return the Payments and the value of the Benefits already received under this Release in excess of one (1) month's Base Pay within seven (7) days of demand by the Company, and shall receive no further Payments or Benefits under this Release.

C. Subject to Section I.B, should Employee die prior to receipt of the Payments set forth in Section I.A, then the Payments will be payable to Employee's estate or otherwise inure to the benefit of her heirs.

D. The term "Base Pay" shall mean Employee's rate of annual base salary in effect as of the Termination Date. Base Pay does not include pension contributions made by the Company, welfare or other fringe benefits paid for by the Company, expense reimbursements, overtime pay, bonuses, commissions, incentive pay, or any other special compensation.

II. REPRESENTATIONS AND WARRANTIES

Employee understands, acknowledges and agrees that:

- Employee has the sole right and exclusive authority to execute this Release;
- The Company is not obligated to pay, and will not pay, to Employee any Payments or Benefits until this Release has become effective;
- Employee executes this Release knowingly and voluntarily, in order to induce the Company to provide the Payments and Benefits;
- Employee has not sold, assigned, transferred, conveyed or otherwise disposed of any of the claims, demands, obligations or causes of action referred to in this Release;
- No other person or entity has an interest in the claims, demands, obligations or causes of action referred to in this Release;
- The Payments and Benefits that Employee will receive in exchange for executing this Release are in addition to anything of value to which Employee is already entitled;
- The Payments and Benefits provided for in this Release are the only consideration that Employee ever will receive from the Company or any Released Parties (as defined below) for any and all claims, demands, obligations or causes of action released by this Release;
- The Payments and Benefits provided for in this Release are not intended to be provided in addition to any payments or benefits that now may be due or in the future become due or payable to Employee under the Worker Adjustment and Retraining Notification ("WARN") Act (if applicable). Therefore, if WARN Act payments are or become due to Employee, any Payments and Benefits made under this Release in excess of one

month's Base Pay, up to the full amount necessary to satisfy such obligation, shall be treated as having been paid in satisfaction of any such obligation, and the rest of the Payments and Benefits shall be treated as having been given in exchange for the other covenants, agreements and obligations of this Release;

- This Release and its terms shall not be construed as an admission of any liability whatsoever on the part of the Company or any other Released Parties described in this Release, by which/whom any liability is and always has been expressly denied;
- With the payments contemplated by this Release, the Company will have paid Employee for all vacation and any other paid time off which has been accrued through the Termination Date;
- As of the date of execution of this Release, Employee has not filed any administrative charges or lawsuits arising out of or relating to her employment with the Company or the separation of that employment. If Employee cannot represent that the statement in this paragraph is true, initial here: _____; and
- As of the date of execution of this Release, Employee has no work-related injury and is medically stationary with no impairment of earning capacity. If Employee cannot represent that the statement in this paragraph is true, initial here: _____.

III. RELEASE

A. Employee, for herself, and her marital community (if any), agents, heirs, executors, administrators, and assigns, hereby knowingly and voluntarily fully releases and forever discharges from any and all agreements, debts, claims, demands, actions, judgments, causes of action, and liabilities of every kind or nature, known or unknown, that Employee, individually or as a member of a class, ever had or now has, the following (referred to collectively as the "Released Parties"):

- Cliffs Natural Resources Inc.;
- Cliffs North American Coal LLC;
- Pinnacle Mining Company, LLC;
- Oak Grove Resources, LLC;
- Cliffs Logan County Coal LLC;
- Cliffs Quebec Iron Mining Limited;
- The Bloom Lake Iron Ore Mine Limited Partnership;
- Cliffs Canadian Shared Services Inc.;
- Northshore Mining Company;
- Silver Bay Power Company;
- Tilden Mining Company LC;
- Empire Iron Mining Partnership;
- Cliffs Mining Company;
- Hibbing Taconite Company Joint Venture;
- United Taconite LLC;
- The Cleveland-Cliffs Iron Company;
- Cliffs Mining Services Company;
- Lake Superior & Ishpeming Railroad Company;
- Wabush Iron Co. Ltd.;
- Wabush Mines Joint Venture;

- Cliffs International Management Company LLC;
- Cliffs Sales Company;
- Cliffs Natural Resources Exploration Ltda.;
- Cliffs Natural Resources Pty Ltd.;
- All affiliates of Cliffs Natural Resources Inc. not already listed above, including without limitation any corporation or other entity which is controlled by or under common control with Cliffs Natural Resources Inc., or which is in the same affiliated service group or otherwise required to be aggregated with Cliffs Natural Resources Inc. under Sections 414 or 1563 of the Internal Revenue Code;
- All current or former owners, officers, directors, shareholders, members, employees, managers, agents, attorneys, partners and insurers of the above entities; and
- The predecessors, successors, and assigns of the above entities and individuals and the spouses, children, and family members of the above individuals.

B. Without limiting the generality of this Release, Employee acknowledges and agrees that this Release is intended to bar every claim, demand, and cause of action, including without limitation any and all claims arising under the following laws, as amended from time to time:

- The federal Civil Rights Acts of 1866, 1871, 1964 and 1991 and all similar state civil rights statutes;
- The Employee Retirement Income Security Act of 1974;
- The Fair Labor Standards Act;
- The Rehabilitation Act of 1973;
- The Occupational Safety and Health Act;
- The Mine Safety and Health Act;
- The Health Insurance Portability and Accountability Act;
- The Age Discrimination in Employment Act;
- The Americans with Disabilities Act;
- The National Labor Relations Act;
- The Family and Medical Leave Act;
- The Equal Pay Act;
- The Worker Adjustment and Retraining Notification Act;
- The Lily Ledbetter Fair Pay Act;
- The Ohio Civil Rights Act;
- State wage payment statutes;
- State employment statutes;
- Any statutes regarding the making and enforcing of contracts;
- Any whistleblower statute; and
- All similar provisions under all other federal, state and local laws.

C. Without limiting the generality of this Release, Employee further acknowledges and agrees that this Release is intended to bar all equitable claims and all common law claims, including without limitation claims of or for:

- Breach of an express or an implied contract;
- Breach of the covenant of good faith and fair dealing;
- Unpaid wages, salary, commissions, vacation or other employee benefits;
- Unjust enrichment;
- Negligent or intentional interference with contractual relations;
- Negligent or intentional interference with prospective economic relations;
- Estoppel;
- Fraud;
- Negligence;
- Negligent or intentional misrepresentation;
- Personal injury;
- Slander;
- Libel;
- Defamation;
- False light;
- Injurious falsehood;
- Invasion of privacy;
- Wrongful discharge;
- Failure to hire;
- Retaliatory discharge;
- Constructive discharge;
- Negligent or intentional infliction of emotional distress;
- Negligent hiring, supervision or retention;
- Loss of consortium; and
- Any claims that may relate to drug and/or alcohol testing.

D . Employee further understands, acknowledges and agrees that this Release contains a general release, and that Employee further waives and assumes the risk of any and all claims which exist as of the date this Release is executed, including those of which Employee does not know or suspect to exist, whether through ignorance, oversight, error, negligence, or otherwise, and which, if known, would materially affect Employee's decision to sign this Release.

E. Employee further understands, acknowledges and agrees that this Release waives any right Employee has to recover damages in any lawsuit brought by Employee as well as in a lawsuit brought by any third party, including without limitation the Equal Employment Opportunity Commission (the "EEOC") or any similar state agency. Employee is not, however, waiving the right to file a charge with the EEOC or any similar state agency.

F. This Release shall not be interpreted to release or require the release of the Company or the Released Parties from any:

- Claims for Payments or Benefits under this Release;
- or

- Claims for benefits under any qualified and nonqualified retirement and deferred compensation plans or arrangements of the Company in which Employee was an eligible participant immediately prior to the Termination Date; or
- Claims arising out of acts or practices which occur after the execution of this Release.

The Company agrees to indemnify Employee for actions occurring prior to the Termination Date to the same extent provided during her employment. Following the Termination Date, Employee shall continue to be covered by any provision for indemnification by the Company in effect on the date of the execution of this Agreement for so long and to the same extent that the Company provides the same or more favorable indemnification to its active senior executives. In addition, the Company shall continue to maintain D&O coverage that covers Employee to the same extent that it covers the Company's active senior executives. Finally, in the event of a change in control in which the Company is not the survivor, the Company shall use its reasonable best efforts to require as part of such transaction that the surviving company provide indemnification and D&O coverage that covers Employee to the extent described in this paragraph, provided that the Company shall, in any event, use its reasonable best efforts to require that the surviving company provide Employee with the same indemnification rights and D&O coverage as are provided to the senior executives who remain with the Company following the change in control.

IV. REPRESENTATION OF UNDERSTANDING OF RELEASE

Employee acknowledges that Employee has had the opportunity to consult an attorney of Employee's own choosing before entering into this Release. Employee represents and warrants that Employee has read all of the terms of this Release and that Employee fully understands and voluntarily accepts these terms. Employee further acknowledges and agrees that Employee has been given a reasonable period of time within which to consider this Release.

V. RELEASE OF FEDERAL AGE DISCRIMINATION CLAIMS

Employee understands and agrees that a waiver of claims under the Age Discrimination in Employment Act, as amended by the Older Workers Benefit Protection Act (29 U.S.C. § 621, et seq.) (the "ADEA"), is not effective unless it is "knowing and voluntary," and that the ADEA imposes certain minimum requirements for a waiver of ADEA claims to be knowing and voluntary. Employee acknowledges and agrees that Employee is knowingly and voluntarily giving up any rights or claims for relief Employee may have under the ADEA regarding the Company's conduct or the conduct of any Released Parties. However, Employee acknowledges and agrees that Employee is not giving up the right to challenge the validity of this Release under the ADEA.

VI. TIME TO CONSIDER AND CANCEL RELEASE; EFFECTIVE DATE

A. Employee acknowledges that she has had at least twenty-one (21) calendar days from the Receipt Date to decide whether to sign this Release and is advised to consult with an attorney before doing so. Employee is not to sign this Release unless Employee understands its provisions and is doing so voluntarily.

B. This Release shall be signed and notarized no later than twenty-one (21) calendar days following the Receipt Date. Further, this Release shall be delivered to (or postmarked for delivery to) James R. Michaud, Executive Vice President, Chief Human Resources Officer, Cliffs Natural Resources, 200 Public Square, Suite 3300, Cleveland, OH 44114, no later than twenty-one (21) calendar days following the Receipt Date.

C. After Employee has signed this Release, Employee has seven (7) days to change her mind and notify the Company in writing that Employee has revoked this Release. If Employee so revokes this Release, this Release will be null and void, and will have no force or effect. Written notice of a cancellation of this Release must actually be received by the Company at the following address and must be postmarked within the time frame described above in order to be effective: James R. Michaud, Executive Vice President, Chief Human Resources Officer, Cliffs Natural Resources, 200 Public Square, Suite 3300, Cleveland, OH 44114.

D. If Employee (i) signs, notarizes and delivers this Release within the time frames and in accordance with the provisions of Section VI.B; and (ii) does not revoke this Release within the time frames and in accordance with the provisions of Section VI.C, this Release shall become effective on the eighth (8th) day after Employee signed it (the "Effective Date").

E. Employee understands that if she revokes this Release, it shall not be effective or enforceable and Employee will not receive any Payments or Benefits under this Release.

VII. CONFIDENTIAL INFORMATION AND COVENANTS

Employee represents that, during Employee's employment with the Company, Employee has not breached the Employee Invention and Secrecy Agreement between Employee and the Company dated November 22, 2006 ("Confidentiality Agreement"). Employee further represents and warrants that Employee will continue to abide by the terms of the Confidentiality Agreement after the Termination Date.

VIII. RETURN OF COMPANY PROPERTY

A. Employee has returned to the Company as of the date of this Release all originals and copies of the Company's property, documents and information in Employee's possession, regardless of the form on which such information has been maintained or stored, including without limitation, computer disks, tapes or other forms of electronic storage, Company credit cards (including telephone credit cards), tools, equipment, keys, identification, software, computer access codes, disks and instructional manuals, and all other property prepared by, or for, or belonging to the Company. Employee further agrees that she will not retain any documents or other property belonging to Company, except as provided below.

B. By signing this Release, Employee affirms that Employee either (i) has no Company property remaining in her possession or control or, (ii) if Employee does have any such property in her possession or control, Employee has provided the Company a list of such property, the reason why Employee has been unable to return it to the Company, and the date by which Employee intends to return such property to the Company. Notwithstanding the foregoing, the Company acknowledges that the Employee may retain copies of emails or correspondence, in each case, that are/is personal or relate(s) to civic or charitable activities. Furthermore, the Company agrees that Employee shall retain her mobile phone, iPad and laptop computer, in each case, as permitted in accordance with Company policy; that such devices have been inspected by the Company; and the Company is satisfied that such devices do not contain any proprietary or confidential information of the Company.

C. Employee must comply fully with this Section VIII before the Company is obligated to perform under Section I.

IX. COOPERATION

Following the Termination Date, Employee shall fully and reasonably cooperate with the Company in effecting a smooth transition, and shall timely provide such information as the Company may reasonably request regarding operations and information within Employee's knowledge while Employee was employed by the Company.

X. RESIGNATION AND RE-EMPLOYMENT

A. Employee hereby represents that she has irrevocably resigned from any and all corporate offices with the Company and any of the Released Parties which she held in her capacity as an employee of the Company including without limitation positions as an officer, director, member, manager, agent, or partner of any such entities. Employee further agrees to execute any further documents required to effectuate such resignations as may be requested by the Company.

B. Employee hereby forever gives up, waives and releases any right to be hired, employed, recalled or reinstated by the Company or any affiliate of the Company.

XI. NON-DISPARAGEMENT

Employee shall not make any negative statements orally or in writing about Employee's employment with the Company, about the Company or its affiliates or any of its employees or products, to anyone other than to the EEOC or any similar state agency, Employee's immediate family, and Employee's legal representatives or financial advisors. Nothing herein shall prevent Employee from testifying truthfully in a legal proceeding or governmental administrative proceeding. Employee may indicate on employment applications and during interviews that Employee was employed by the Company, Employee's duties, length of employment, and compensation. Employee may also indicate on employment applications and during interviews that Employee departed from the Company on an agreed basis and in good standing at the Company, and, if asked, the Company will characterize Employee's departure on the same terms. The Company shall not make any negative statements orally or in writing about Employee's employment with the Company to anyone other than to the EEOC or any similar state agency and the Company's legal representatives and the Company has instructed its senior executives not to make such statements. Nothing herein shall prevent the Company from testifying truthfully in a legal proceeding or governmental administrative proceeding.

XII. NON-SOLICITATION

Employee agrees that, during her period of employment and the period beginning on the Termination Date and ending twelve (12) months following the Termination Date, Employee shall not, directly or indirectly, personally contact, approach or solicit for the purpose of offering employment to, or, directly or indirectly, actually personally hire, any person employed by the Company or its affiliates (or who was employed by the Company or its affiliates during the six (6) month period immediately prior to such solicitation or hire), without the prior written consent of the Company; provided, however, that this Section XII shall not preclude Employee from soliciting for employment (but shall, for the avoidance of doubt, prohibit Employee from actually, directly or indirectly, personally hiring) any such person who responds to a general solicitation through a public medium that is not targeted at such person.

XIII. SEVERABILITY

In the event that any provision(s) of this Release are/is found to be unenforceable for any reason whatsoever, the unenforceable provision shall be considered to be severable, and the remainder of this Release shall continue in full force and effect.

XIV. BINDING EFFECT

This Release shall be binding upon and operate to the benefit of Employee, the Company, the Released Parties, and their successors and assigns.

XV. WAIVER

No waiver of any of the terms of this Release shall constitute a waiver of any other terms, whether or not similar, nor shall any waiver be a continuing waiver. No waiver shall be binding unless executed in writing by the Party making the waiver. The Company or Employee may waive any provision of this Release intended for its/her benefit, but such waiver shall in no way excuse the other Party from the performance of any of its/her other obligations under this Release.

XVI. GOVERNING LAW

This Release shall be governed by and construed in accordance with the laws of the State of Ohio, without regard to the principles of conflicts of law, except to the extent those laws are preempted by federal law.

XVII. SUBSEQUENT MODIFICATIONS

The terms of this Release may be altered or amended, in whole or in part, only upon the signed written agreement of all Parties to this Release. No oral agreement may modify any term of this Release.

XVIII. ENTIRE AGREEMENT

This Release constitutes the sole and entire agreement of the Parties with respect to the subject matter hereof, and supersedes any and all prior and contemporaneous agreements, promises, representations, negotiations, and understandings of the Parties, whether written or oral. There are no agreements of any nature whatsoever among the Parties except as expressly stated herein.

XIX. ATTORNEYS' FEES AND COSTS

This Section XIX shall not apply to any litigation arising out of a challenge to the validity of this Release under the ADEA, or any litigation in which the validity of this Release under the ADEA is an issue. In the event of litigation arising out of any other alleged breach of this Release, the prevailing Party shall be entitled to an award of its reasonable attorneys' fees and costs.

XX. SECTION 409A

Parties agree that Employee incurred a "separation from service" within the meaning of Section 409A of the Code ("Section 409A"), no later than the Termination Date. Notwithstanding anything in this Release to the contrary, if Employee is considered a "specified employee" (as defined in Section 409A), any amounts paid or provided under this Release shall, to the extent necessary in order to avoid the imposition of a penalty tax on Employee under Section 409A, be delayed for six

months after Employee's "separation from service" within the meaning of Section 409A, and the accumulated amounts shall be paid in a lump sum within ten (10) calendar days after the end of the six (6)-month period. If Employee dies during the six-month postponement period prior to the payment of benefits, the payments which are deferred on account of Section 409A shall be paid to the personal representative of Employee's estate within 60 calendar days after the date of Employee's death. For purposes of this Release, each amount to be paid or benefit to be provided to Employee pursuant to this Release shall be construed as a separate identified payment for purposes of Section 409A. All reimbursements and in-kind benefits provided under this Release shall be made or provided in accordance with the requirements of Section 409A, including, where applicable, the requirement that (i) any reimbursement is for expenses incurred during the period of time specified in this Release, (ii) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during a calendar year may not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year, (iii) the reimbursement of an eligible expense will be made no later than the last calendar day of the calendar year following the year in which the expense is incurred, and (iv) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

[Signature Page Follows]

Date: August 20, 2013

/s/ Laurie Brlas

Laurie Brlas

STATE OF OHIO)
) ss
COUNTY of CUYAHOGA)

On this 20th day of August, 2013, before me personally appeared Laurie Brlas, to me known to be the person described in and who executed the Severance Agreement and Release and acknowledged that she executed the same as her free act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal in the County and State aforesaid, the day and year first above written.

/s/ Robert J. Bonko

Notary Public

My Commission Expires:

No expiration date

CLIFFS NATURAL RESOURCES INC.

/s/ James Michaud

James Michaud

Executive Vice President, Chief Human Resources
Officer

[Brlas Severance Agreement and Release Signature Page]

SEVERANCE AGREEMENT

YOU ARE ADVISED TO CONSULT WITH AN ATTORNEY PRIOR TO EXECUTING THIS SEVERANCE AGREEMENT. YOUR SIGNATURE MUST BE NOTARIZED.

This Severance Agreement (the "Agreement") is entered into knowingly and voluntarily by and between David B. Blake ("Employee") and Cliffs Natural Resources Inc. and its affiliates identified in Section III.A, below (collectively, the "Company"). Employee and the Company may be collectively referred to as the "Parties."

RECITALS

A. Employee has decided to voluntarily resign from his position with the Company as the Senior Vice President of Eastern Canadian Operations and terminate his employment effective October 31, 2013 (the "Termination Date").

B. The Company agrees to pay Employee all wages and other compensation earned through the Termination Date.

C. Employee and the Company desire to establish the terms for an amicable termination of Employee's employment, to facilitate an appropriate transition of Employee's responsibilities, and to settle fully and finally any and all differences between them which have arisen, or may arise, out of the employment relationship and/or the termination of that relationship.

D. The Company desires to offer Employee the payments and benefits described herein in connection with Employee's termination of employment in exchange for Employee entering into the Release.

E. Receipt of the payments and benefits described herein requires (1) execution and notarization; (2) delivery to the Company; and (3) non-revocation of the Release, all within the time frames specified in Release.

AGREEMENT

I. TERMINATION, SEVERANCE PAYMENTS AND BENEFITS

A. On the Termination Date, Employee's employment with the Company shall cease, he shall cease to be an officer of the Company, and he shall resign from any positions that he then holds with the Company as of the Termination Date. As of the Termination Date, Employee shall be released from his duties with the Company and cease to have any authority to conduct business on behalf of the Company.

B. Subject to Section I.D., Employee shall receive the following benefits and payments (collectively the "Payment" or "Benefits") if Employee (1) executes this Agreement; (2) signs, notarizes and delivers the Release in the form attached hereto as Exhibit A (the "Release") no earlier than the calendar day following the Termination Date and no later than five calendar days following the Termination Date; and (3) does not revoke the Release prior to the Effective Date (as defined in Section V.D. of the Release):

1. The Company shall continue to provide coverage under the medical, prescription drug, dental and vision benefit programs under the health care plan for active employees offered by the Company, if any, for Employee and Employee's eligible dependents, through December 31, 2013 as long as Employee or Employee's eligible dependents timely and properly pay(s) the same portion of the costs of such coverages as is paid by similarly situated active employees.
2. Provided that Employee timely elects to receive and properly completes and submits all of the necessary documentation relating to the receipt of COBRA coverage, the Company shall pay the premiums for COBRA continuation coverage for Employee and Employee's COBRA qualified beneficiaries (the "COBRA Payment") for a maximum period of eighteen (18) months following the termination of his active-employee benefits (i.e., through June 30, 2015). COBRA assistance is subject to shortening of this period if Employee or Employee's COBRA qualified beneficiaries become ineligible for COBRA continuation coverage.
3. Employee shall continue to participate in the Company's Executive Management Performance Incentive Plan (the "EMPI Plan") through October 31, 2013 and shall receive a ten-month pro-rata payment, if any, for the 2013 plan year with the bonus payout to be determined based on actual performance during the applicable performance period and paid, less appropriate withholdings and deductions, in a lump sum when (but not prior to the Effective Date), and at the rate, the EMPI Plan bonuses are paid to active employees of the Company, which is expected to be in the first quarter of 2014. Employee shall not participate in the EMPI Plan for 2014 or any subsequent year.
4. Direct reimbursement of the reasonable fees and expenses of Employee's chosen outplacement consultant for a maximum period of eighteen (18) months following the Termination Date.

B. All Payments made pursuant to this Agreement shall be subject to all required and/or customary taxes, withholdings and deductions.

C. The term "Base Pay" shall mean Employee's base salary, calculated at Employee's base salary rate in effect as of the Termination Date. Base Pay does not include pension contributions made by the Company, welfare or other fringe benefits paid for by the Company, expense reimbursements, overtime pay, bonuses, commissions, incentive pay, or any other special compensation.

D. Should Employee breach any of the provisions of Sections V, VI, VII, VIII, IX, or X of this Agreement, Employee shall be required to return the Payment and Benefits already received under this Agreement in excess of one (1) Month's Base Pay within seven (7) days of demand by the Company, and shall receive no further Payments or Benefits.

II. REPRESENTATIONS AND WARRANTIES

Employee understands, acknowledges and agrees that:

- Employee has the sole right and exclusive authority to execute this Agreement.

- The Company is not obligated to pay, and will not pay, to Employee any Payment or Benefits until this Agreement has become effective.
- Employee signs this Agreement knowingly and voluntarily, in order to induce Company to provide the Benefits.
- Employee has not sold, assigned, transferred, conveyed or otherwise disposed of any of the claims, demands, obligations or causes of action referred to in this Agreement.
- No other person or entity has an interest in the claims, demands, obligations or causes of action referred to in this Agreement.
- The Benefits that Employee will receive in exchange for signing this Agreement and the Release is in addition to anything of value to which Employee is already entitled.
- The Benefits provided for in this Agreement are the only consideration that Employee ever will receive from the Company or any Released Parties (as defined below) for any and all claims, demands, obligations or causes of action released by this Agreement and the Release.
- The Payments provided for in this Agreement are not intended to be provided in addition to any payments or benefits that may now be due or in the future become due or payable to Employee under the Worker Adjustment and Retraining Notification (“WARN”) Act (if applicable). Therefore, if WARN Act payments are or become due to Employee, any Payment made under this Agreement in excess of one Month’s Base Pay, up to the full amount necessary to satisfy such obligation, shall be treated as having been paid in satisfaction of any such obligation, and the rest of the Benefits shall be treated as having been given in exchange for the other terms and obligations of this Agreement and the Release.
- This Agreement and its terms shall not be construed as an admission of any liability whatsoever on the part of the Company or any other Released Parties described in this Agreement, by which/whom any liability is and always has been expressly denied.
- As of the date of execution of this Agreement, Employee has not filed any administrative charges or lawsuits arising out of or relating to his employment with the Company or the separation of that employment.
- As of the date of execution of this Agreement, Employee has no work-related injury and is medically stationary with no impairment of earning capacity.

III. RELEASE

A. Employee, for himself, and his marital community (if any), agents, heirs, executors, administrators, and assigns, hereby knowingly and voluntarily fully releases and forever discharges from any and all agreements, debts, claims, demands, actions, judgments, causes of action, and liabilities of every kind or nature, known or unknown, that Employee, individually or as a member of a class, ever had or now has, the following (referred to as the “Released Parties”):

- Cliffs Natural Resources Inc.;
- Cliffs North American Coal LLC;
- Pinnacle Mining Company, LLC;
- Oak Grove Resources, LLC;

- Cliffs Logan County Coal LLC;
- Cliffs Quebec Iron Mining Limited;
- The Bloom Lake Iron Ore Mine Limited Partnership;
- Cliffs Canadian Shared Services Inc.;
- Northshore Mining Company;
- Silver Bay Power Company;
- Tilden Mining Company LC;
- Empire Iron Mining Partnership;
- Cliffs Mining Company;
- Hibbing Taconite Company Joint Venture;
- United Taconite LLC;
- The Cleveland-Cliffs Iron Company;
- Cliffs Mining Services Company;
- Lake Superior & Ishpeming Railroad Company;
- Wabush Iron Co. Ltd.;
- Wabush Mines Joint Venture;
- Cliffs International Management Company LLC;
- Cliffs Sales Company;
- Cliffs Natural Resources Exploration Ltda.;
- Cliffs Natural Resources Pty Ltd.;
- All affiliates of Cliffs Natural Resources Inc. not already listed above, including any corporation or other entity which is controlled by or under common control with Cliffs Natural Resources Inc., or which is in the same affiliated service group or otherwise required to be aggregated with Cliffs Natural Resources Inc. under Sections 414 or 1563 of the Internal Revenue Code;
- All current or former owners, officers, directors, shareholders, members, employees, managers, agents, attorneys, partners and insurers of the above entities; and
- The predecessors, successors, and assigns of the above entities and individuals and the spouses, children, and family members of the individuals.

B. Without limiting the generality of this Agreement, Employee acknowledges and agrees that this Agreement is intended to bar every claim, demand, and cause of action, including without limitation any and all claims arising under:

- The federal Civil Rights Acts of 1866, 1871, 1964 and 1991 and all similar state civil rights statutes;
- The Employee Retirement Income Security Act of 1974;
- The Fair Labor Standards Act;
- The Rehabilitation Act of 1973;
- The Occupational Safety and Health Act;
- The Mine Safety and Health Act;
- The Health Insurance Portability and Accountability Act;
- The Age Discrimination in Employment Act;
- The Older Workers Benefit Protection Act;
- The Americans with Disabilities Act;
- The National Labor Relations Act;
- The Family and Medical Leave Act;
- The Equal Pay Act;
- The Worker Adjustment and Retraining Notification Act;

- The Lilly Ledbetter Fair Pay Act;
- The Ohio Civil Rights Act;
- State wage payment statutes;
- State wage and hour statutes;
- State employment statutes;
- Any statutes regarding the making and enforcing of contracts;
- Any whistleblower statute; and
- All similar provisions under all other federal, state and local laws.

C. Without limiting the generality of this Agreement, Employee further acknowledges and agrees that this Agreement is intended to bar all equitable claims and all common law claims, including without limitation claims of or for:

- Breach of an express or an implied contract;
- Breach of the covenant of good faith and fair dealing;
- Unpaid wages, salary, commissions, vacation or other employee benefits;
- Unjust enrichment;
- Negligent or intentional interference with contractual relations;
- Negligent or intentional interference with prospective economic relations;
- Estoppel;
- Fraud;
- Negligence;
- Negligent or intentional misrepresentation;
- Personal injury;
- Slander;
- Libel;
- Defamation;
- False light;
- Injurious falsehood;
- Invasion of privacy;
- Wrongful discharge;
- Failure to hire;
- Retaliatory discharge;
- Constructive discharge;
- Negligent or intentional infliction of emotional distress;
- Negligent hiring, supervision or retention;
- Loss of consortium; and
- Any claims that may relate to drug and/or alcohol testing.

D . Employee further understands, acknowledges and agrees that this Agreement is a general release, and that Employee further waives and assumes the risk of any and all claims which exist as of this date, including those of which Employee does not know or suspect to exist, whether through ignorance, oversight, error, negligence, or otherwise, and which, if known, would materially affect Employee's decision to sign this Agreement.

E. Employee further understands, acknowledges and agrees that this Agreement waives any right Employee has to recover damages in any lawsuit brought by Employee as well as in any lawsuit brought on his behalf by any other person or entity, including without limitation by the United States Equal Employment Opportunity Commission (EEOC) or any similar state

agency. Employee is not, however, waiving the right to file a charge with the EEOC or any similar state agency.

F. This Agreement shall not be interpreted to release or require the release of the Company or the Released Parties from any:

- Claims for Payments or Benefits under this Agreement;
or
- Claims for benefits under any pension plan of the Company;
or
- Claims arising out of acts or practices which occur after the execution of this Agreement.

IV. REPRESENTATION OF UNDERSTANDING OF RELEASE

Employee acknowledges that Employee has had the opportunity to consult an attorney of Employee's own choosing before entering into this Agreement. Employee represents and warrants that Employee has read all of the terms of this Agreement; and that Employee fully understands and voluntarily accepts these terms. Employee further acknowledges and agrees that Employee has been given a reasonable period of time within which to consider this Agreement.

V. CONFIDENTIAL INFORMATION AND COVENANTS

Employee represents that, during Employee's employment with the Company, Employee has not breached any confidentiality agreement to which Employee is a party. Employee further represents and warrants that Employee will continue to abide by the terms of any confidentiality agreement applicable to Employee after the Termination Date.

VI. RETURN OF COMPANY PROPERTY

A. Employee agrees to return to the Company all originals and copies of the Company's property, documents and information in Employee's possession, regardless of the form on which such information has been maintained or stored, including without limitation, computer disks, tapes or other forms of electronic storage, Company credit cards (including telephone credit cards), tools, equipment, keys, identification, software, computer access codes, disks and instructional manuals, and all other property prepared by, or for, or belonging to the Company. Employee further agrees that he will not retain any documents or other property belonging to Company.

B. By signing this Agreement, Employee affirms that Employee either (1) has no Company property remaining in his possession or control or, (2) if Employee does have any such property in his possession or control, Employee has provided the Company a list of such property, the reason why Employee has been unable to return it to the Company, and the date by which Employee intends to return such property to the Company.

VII. COOPERATION

Employee shall cooperate with the Company in effecting a smooth transition, and shall timely provide such information as the Company may reasonably request regarding operations and information within Employee's knowledge while Employee was employed by the Company. Employee further agrees to execute any documentation necessary to resign any positions that he holds with the Company as of the Termination Date.

VIII. NON-DISPARAGEMENT

Employee shall not voluntarily make any negative statements orally or in writing about Employee's employment with the Company, about the Company or its affiliates or any of its employees or products, to anyone other than to the EEOC or any similar state agency, Employee's immediate family, and Employee's legal representatives or financial advisors. Nothing herein shall prevent Employee from testifying truthfully in a legal proceeding or governmental administrative proceeding. Employee may indicate on employment applications that Employee was employed by the Company, Employee's duties, length of employment, and salary.

IX. NON-COMPETITION

Employee covenants and agrees that, during the twelve (12) month period following the Termination Date, Employee shall not, directly or indirectly, anywhere in North America, on behalf of any Competitive Business perform the same or substantially the same job duties Employee performed at any time while employed by the Company. For purposes of this Section IX, the term "Competitive Business" shall include any firm, partnership, joint venture, corporation and/or any other entity and/or person that mines, processes, manufactures, markets, distributes, and/or sells iron ore or iron ore related assets.

X. NON-SOLICITATION

Employee covenants and agrees that, during the twelve (12) month period following the Termination Date, Employee shall not directly or indirectly contact, approach or solicit for the purpose of offering employment to, or directly or indirectly actually hire or cause to be hired by any organization or company with which Employee is affiliated, any person employed by the Company or its affiliates (or who was employed by the Company or its affiliates during the six (6) month period immediately prior to such solicitation or hire), without the prior written consent of the Company.

XI. SEVERABILITY

In the event that any provision(s) of this Agreement is found to be unenforceable for any reason whatsoever, the unenforceable provision shall be considered to be severable, and the remainder of this Agreement shall continue in full force and effect.

XII. BINDING EFFECT

This Agreement shall be binding upon and operate to the benefit of Employee, the Company, the Released Parties, and their successors and assigns.

XIII. WAIVER

No waiver of any of the terms of this Agreement shall constitute a waiver of any other terms, whether or not similar, nor shall any waiver be a continuing waiver. No waiver shall be binding unless executed in writing by the party making the waiver. The Company or Employee may waive any provision of this Agreement intended for its/his/her benefit, but such waiver shall in no way excuse the other from the performance of any of its/his/her other obligations under this Agreement.

XIV. GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the laws of the State of Ohio, without regard to the principles of conflicts of law, except to the extent those laws are preempted by federal law.

XV. SUBSEQUENT MODIFICATIONS

The terms of this Agreement may be altered or amended, in whole or in part, only upon the signed written agreement of all Parties to this Agreement. No oral agreement may modify any term of this Agreement.

XVI. ENTIRE AGREEMENT

This Agreement constitutes the sole and entire agreement of the Parties with respect to the subject matter hereof, and supersedes any and all prior and contemporaneous agreements, promises, representations, negotiations, and understandings of the Parties, whether written or oral. There are no agreements of any nature whatsoever among the parties except as expressly stated herein.

XVII. ATTORNEYS' FEES AND COSTS

This Section XVII shall not apply to any litigation arising out of a challenge to the validity of the Release under the ADEA, or any litigation in which the validity of the Release under the ADEA is an issue. In the event of litigation arising out of any other alleged breach of this Agreement, the prevailing party shall be entitled to an award of its reasonable attorneys' fees and costs.

XVIII. SECTION 409A

The Parties acknowledge that Employee shall incur a "separation from service," within the meaning of Section 409A of the Internal Revenue Code ("Section 409A"), no later than the Termination Date. Notwithstanding anything in this Agreement to the contrary, if Employee is considered a "specified employee" (as that term is defined in Section 409A), any amounts paid or provided under this Agreement shall, to the extent necessary in order to avoid the imposition of a penalty tax on employee under Section 409A, be delayed for six months after Employee's "separation from service" within the meaning of Section 409A, and the accumulated amounts shall be paid in a lump sum within ten (10) calendar days after the end of the six (6) month period. If Employee dies during the six-month postponement period prior to the payment of benefits, the payments which are deferred on account of Section 409A shall be paid to the personal representative of Employee's estate within 60 calendar days after the date of Employee's death. For purposes of this Agreement, each amount to be paid or benefit to be provided to Employee pursuant to this Agreement shall be construed as a separate identified payment for purposes of Section 409A. All reimbursements and in-kind benefits provided under this Agreement shall be made or provided in accordance with the requirements of Section 409A, including, where applicable, the requirement that (i) any reimbursement is for expenses incurred during the period of time specified in this Agreement, (ii) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during a calendar year, (iii) the reimbursement of an eligible expense will be made no later than the last calendar day of the calendar year following the year in which the expense is incurred, and (iv) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

[Signature Page Follows]

CLIFFS NATURAL RESOURCES INC.

/s/ James Michaud

James Michaud
Executive Vice President, Chief Human
Resources Officer

Date: August 21, 2013

/s/ David B. Blake

David B. Blake

STATE OF OHIO)
) ss.
COUNTY OF CUYAHOGA)

On this 21st day of August, 2013, before me personally appeared David B. Blake, to me known to be the person described in and who executed the Severance Agreement and acknowledged that he executed the same as his free act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal in the County and State aforesaid, the day and year first above written.

/s/ Robert J. Bonko

Notary Public

My Commission Expires:

No expiration date

CERTIFICATION

I, P. Kelly Tompkins, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 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: October 25, 2013

By: /s/ P. Kelly Tompkins

P. Kelly Tompkins
Executive Vice President, Chief
Administrative Officer & President - Cliffs
China

CERTIFICATION

I, Terrance M. Paradie, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 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: October 25, 2013

By: /s/ Terrance M. Paradie

Terrance M. Paradie
Executive Vice President & Chief Financial
Officer

**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 Quarterly Report of Cliffs Natural Resources Inc. (the "Company") on Form 10-Q for the period ended September 30, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-Q"), I, P. Kelly Tompkins, Executive Vice President, Chief Administrative Officer & President - Cliffs China 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-Q 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-Q 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-Q.

Date: October 25, 2013

By: /s/ P. Kelly Tompkins _____

P. Kelly Tompkins
Executive Vice President, Chief
Administrative Officer & President - Cliffs
China

**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 Quarterly Report of Cliffs Natural Resources Inc. (the "Company") on Form 10-Q for the period ended September 30, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-Q"), I, Terrance M. Paradie, Executive Vice President & 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-Q 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-Q 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-Q.

Date: October 25, 2013

By: /s/ Terrance M. Paradie

Terrance M. Paradie
Executive Vice President & Chief Financial
Officer

Mine Safety Disclosures

The operation of our mines located in the United States is subject to regulation by MSHA under the FMSH Act. MSHA inspects these mines on a regular basis and issues various citations and orders when it believes a violation has occurred under the FMSH Act. We present information below regarding certain mining safety and health citations that MSHA has issued with respect to our mining operations. In evaluating this information, consideration should be given to factors such as: (i) the number of citations and orders will vary depending on the size of the mine; (ii) the number of citations issued will vary from inspector to inspector and mine to mine, and (iii) citations and orders can be contested and appealed and, in that process, are often reduced in severity and amount, and are sometimes dismissed.

Under the Dodd-Frank Act, each operator of a coal or other mine is required to include certain mine safety results within its periodic reports filed with the SEC. As required by the reporting requirements included in §1503(a) of the Dodd-Frank Act, we present the following items regarding certain mining safety and health matters, for the period presented, for each of our mine locations that are covered under the scope of the Dodd-Frank Act:

- (A) The total number of violations of mandatory health or safety standards that could significantly and substantially contribute to the cause and effect of a coal or other mine safety or health hazard under section 104 of the FMSH Act (30 U.S.C. 814) for which the operator received a citation from MSHA;
- (B) The total number of orders issued under section 104(b) of the FMSH Act (30 U.S.C. 814(b));
- (C) The total number of citations and orders for unwarrantable failure of the mine operator to comply with mandatory health or safety standards under section 104(d) of the FMSH Act (30 U.S.C. 814(d));
- (D) The total number of imminent danger orders issued under section 107(a) of the FMSH Act (30 U.S.C. 817(a));
- (E) The total dollar value of proposed assessments from MSHA under the FMSH Act (30 U.S.C. 801 et seq.);
- (F) Legal actions pending before Federal Mine Safety and Health Review Commission involving such coal or other mine as of the last day of the period;
- (G) Legal actions initiated before the Federal Mine Safety and Health Review Commission involving such coal or other mine during the period; and
- (H) Legal actions resolved before the Federal Mine Safety and Health Review Commission involving such coal or other mine during the period.

During the three months ended September 30, 2013, our U.S. mine locations did not receive any flagrant violations under Section 110(b)(2) of the FMSH Act and no written notices of a pattern of violations, or the potential to have a pattern of such violations, under section 104(e) of the FMSH Act. In addition, there were no mining-related fatalities at any of our U.S. mine locations during this same period.

Following is a summary of the information listed above for the three months ended September 30, 2013:

		Three Months Ended September 30, 2013							
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
Mine Name/ MSHA ID No.	Operation	Section 104 S&S Citations	Section 104(b) Orders	Section 104(d) Orders	Section 107(a) Citations & Orders	Total Dollar Value of MSHA Proposed Assessments (1)	Legal Actions Pending as of Last Day of Period	Legal Actions Initiated During Period	Legal Actions Resolved During Period
Pinnacle Mine / 4601816	Coal	22	—	1	—	\$ 22,297	46 (2)	5	7
Pinnacle Plant / 4605868	Coal	—	—	—	—	845	2 (3)	—	—
Green Ridge #1 / 4609030	Coal	—	—	—	—	—	—	—	1
Green Ridge #2 / 4609222	Coal	—	—	—	—	—	4 (4)	—	3
Oak Grove / 0100851	Coal	56	—	2	—	38,750	41 (5)	—	3
Concord Plant / 0100329	Coal	—	—	—	—	262	—	—	—
Dingess-Chilton / 4609280	Coal	—	—	—	—	668	20 (6)	—	6
Powellton / 4609217	Coal	8	—	—	—	14,693	30 (7)	3	2
Saunders Prep / 4602140	Coal	—	—	—	—	—	1 (8)	1	1
Toney Fork / 4609101	Coal	4	—	—	—	—	4 (9)	—	1
Elk Lick Tipple / 4604315	Coal	1	—	—	—	—	1 (10)	1	—
Lower War Eagle / 4609319	Coal	20	—	3	—	37,151	9 (11)	3	6
Elk Lick Chilton / 4609390	Coal	—	—	—	—	—	—	—	—
Tilden / 2000422	Iron Ore	9	—	—	—	86,213	1 (12)	—	—
Empire / 2001012	Iron Ore	—	—	—	—	—	5 (13)	—	—
Northshore Plant / 2100831	Iron Ore	3	—	—	—	31,342	8 (14)	—	—
Northshore Mine / 2100209	Iron Ore	1	—	—	—	4,032	1 (15)	—	—
Hibbing / 2101600	Iron Ore	—	—	—	—	—	16 (16)	—	—
United Taconite Plant / 2103404	Iron Ore	8	—	—	—	91,853	12 (17)	4	1
United Taconite Mine / 2103403	Iron Ore	—	—	—	—	—	1 (18)	1	—

- (1) Amounts included under the heading "Total Dollar Value of MSHA Proposed Assessments" are the total dollar amounts for proposed assessments received from MSHA on or before September 30, 2013.
- (2) Included in this number are 21 pending legal actions related to contests of citations and orders referenced in Subpart B of FMSH Act's procedural rules; 24 pending legal actions related to contests of proposed penalties referenced in Subpart C of FMSH Act's procedural rules; and 1 pending legal action related to complaints of discharge, discrimination or interference referenced in Subpart E of FMSH Act's procedural rules.
- (3) This number consists of 2 pending legal actions related to contests of proposed penalties referenced in Subpart C of FMSH Act's procedural rules.
- (4) This number consists of 4 pending legal actions related to contests of proposed penalties referenced in Subpart C of FMSH Act's procedural rules.
- (5) Included in this number are 8 pending legal actions related to contests of citations and orders referenced in Subpart B of FMSH Act's procedural rules; 30 pending legal actions related to contests of proposed penalties referenced in Subpart C of FMSH Act's procedural rules; 1 pending legal action related to complaints for compensation referenced in Subpart D of FMSH Act's procedural rules; and 2 appeals of judges' decisions or orders to FMSH Act's procedural rules.
- (6) Included in this number are 8 pending legal actions related to contests of citations and orders referenced in Subpart B of FMSH Act's procedural rules; and 12 pending legal actions related to contests of proposed penalties referenced in Subpart C of FMSH Act's procedural rules.
- (7) Included in this number are 6 pending legal actions related to contests of citations and orders referenced in Subpart B of FMSH Act's procedural rules and 24 pending legal actions related to contests of proposed penalties referenced in Subpart C of FMSH Act's procedural rules.
- (8) This number consists of 1 pending legal action related to contests of proposed penalties referenced in Subpart C of FMSH Act's procedural rules.
- (9) This number consists of 4 pending legal actions related to contests of proposed penalties referenced in Subpart C of FMSH Act's procedural rules.
- (10) This number consists of 1 pending legal action related to contests of proposed penalties referenced in Subpart C of FMSH Act's procedural rules.
- (11) This number consists of 9 pending legal actions related to contests of proposed penalties referenced in Subpart C of FMSH Act's procedural rules.
- (12) This number consists of 1 appeal of judges' decisions or orders to FMSH Act's procedural rules.
- (13) This number consists of 5 pending legal actions related to contests of proposed penalties referenced in Subpart C of FMSH Act's procedural rules.
- (14) This number consists of 8 pending legal actions related to contests of proposed penalties referenced in Subpart C of FMSH Act's procedural rules.

- (15) This number consists of 1 pending legal action related to contests of proposed penalties referenced in Subpart C of FMSH Act's procedural rules.
- (16) Included in this number are 5 pending legal actions related to contests of citations and orders referenced in Subpart B of FMSH Act's procedural rules; 6 pending legal actions related to contests of proposed penalties referenced in Subpart C of FMSH Act's procedural rules; and 5 appeals of judges' decisions or orders to FMSH Act's procedural rules.
- (17) Included in this number are 2 pending legal actions related to contests of citations and orders referenced in Subpart B of FMSH Act's procedural rules and 10 pending legal actions related to contests of proposed penalties referenced in Subpart C of FMSH Act's procedural rules.
- (18) This number consists of 1 pending legal action related to contests of proposed penalties referenced in Subpart C of FMSH Act's procedural rules.