

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 13D

Under the Securities Exchange Act of 1934
(Amendment No.)*

Cliffs Natural Resources Inc.
(Name of Issuer)

Common Shares, par value \$0.125 per share
(Title of Class of Securities)

18683K101
(CUSIP Number)

Casablanca Capital LP
450 Park Avenue, Suite 1403
New York, NY 10022
Attn: Douglas Taylor
(212) 759-5626

David E. Rosewater, Esq.
Schulte Roth & Zabel LLP
919 Third Avenue
New York, New York 10022
(Name, Address and Telephone Number of Person
Authorized to Receive Notices and Communications)

January 27, 2014
(Date of Event Which Requires Filing of This Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of Rule 13d-1(e), Rule 13d-1(f) or Rule 13d-1(g), check the following box. []

(Page 1 of 11 Pages)

* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

1	NAME OF REPORTING PERSONS Casablanca Capital LP	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) <input type="checkbox"/> (b) <input type="checkbox"/>	
3	SEC USE ONLY	
4	SOURCE OF FUNDS OO, AF (See Item 3)	
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDING IS REQUIRED PURSUANT TO ITEM 2(d) or 2(e) <input type="checkbox"/>	
6	CITIZENSHIP OR PLACE OF ORGANIZATION Delaware	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER 0
	8	SHARED VOTING POWER 7,906,520
	9	SOLE DISPOSITIVE POWER 0
	10	SHARED DISPOSITIVE POWER 7,906,520
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH PERSON 7,906,520	
12	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES <input type="checkbox"/>	
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) (see Item 5) 5.2%	
14	TYPE OF REPORTING PERSON IA; PN	

1	NAME OF REPORTING PERSONS Donald G. Drapkin	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) <input type="checkbox"/> (b) <input type="checkbox"/>	
3	SEC USE ONLY	
4	SOURCE OF FUNDS OO; AF (See Item 3)	
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDING IS REQUIRED PURSUANT TO ITEM 2(d) or 2(e) <input type="checkbox"/>	
6	CITIZENSHIP OR PLACE OF ORGANIZATION United States	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER 0
	8	SHARED VOTING POWER 7,906,520
	9	SOLE DISPOSITIVE POWER 0
	10	SHARED DISPOSITIVE POWER 7,906,520
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH PERSON 7,906,520	
12	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES <input type="checkbox"/>	
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) (see Item 5) 5.2%	
14	TYPE OF REPORTING PERSON IN	

1	NAME OF REPORTING PERSONS Douglas Taylor	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) <input type="checkbox"/> (b) <input type="checkbox"/>	
3	SEC USE ONLY	
4	SOURCE OF FUNDS OO; AF (See Item 3)	
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDING IS REQUIRED PURSUANT TO ITEM 2(d) or 2(e) <input type="checkbox"/>	
6	CITIZENSHIP OR PLACE OF ORGANIZATION United States	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER 0
	8	SHARED VOTING POWER 7,906,520
	9	SOLE DISPOSITIVE POWER 0
	10	SHARED DISPOSITIVE POWER 7,906,520
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH PERSON 7,906,520	
12	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES <input type="checkbox"/>	
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) (see Item 5) 5.2%	
14	TYPE OF REPORTING PERSON IN	

Item 1. SECURITY AND ISSUER

This statement relates to the common shares, par value \$0.125 per share (the "Common Stock"), of Cliffs Natural Resources Inc., an Ohio corporation (the "Issuer"). The principal executive office of the Issuer is located at 200 Public Square, Suite 330, Cleveland, Ohio 44114-2315.

Item 2. IDENTITY AND BACKGROUND

(a) This statement is filed by (i) Casablanca Capital LP, a Delaware limited partnership ("Casablanca"); (ii) Donald G. Drapkin ("Mr. Drapkin"); and (iii) Douglas Taylor ("Mr. Taylor" and together with Casablanca and Mr. Drapkin, the "Reporting Persons"). Each of Messrs. Drapkin and Taylor, as the co-managing members of Casablanca's general partner, Casablanca Capital GP, LLC, a Delaware limited liability company ("Casablanca GP"), are in a position to indirectly determine the voting and investment decisions regarding the Issuer's securities held by Casablanca's investment advisory clients, including the Accounts (as defined in Item 5).

(b) The principal business address of each of the Reporting Persons and Casablanca GP is 450 Park Avenue, Suite 1403, New York, New York 10022.

(c) The principal business of Casablanca is to serve as an investment advisor, exempt from registration with the Securities and Exchange Commission (the "SEC") under the Investment Advisers Act of 1940, as amended, on behalf of various clients, including individuals and institutions. The principal occupation of Mr. Drapkin is serving as a co-managing member of Casablanca GP and as a member of the management committee and the Chairman of Casablanca. The principal occupation of Mr. Taylor is serving as a co-managing member of Casablanca GP and as a member of the management committee and the Chief Executive Officer of Casablanca. The principal business of Casablanca GP is serving as the general partner to Casablanca.

(d) None of the Reporting Persons has, during the last five years, been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors).

(e) None of the Reporting Persons has, during the last five years, been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

(f) Mr. Drapkin and Mr. Taylor are each United States citizens.

Item 3. SOURCE AND AMOUNT OF FUNDS OR OTHER CONSIDERATION

The Reporting Persons used a total of approximately \$200,784,000 (including brokerage commissions) in the aggregate to acquire the shares of Common Stock reported in this Schedule 13D.

The source of funding for the purchase of the Common Stock is cash on hand and working capital of the Accounts. The shares of Common Stock reported herein are or may be held from time to time in margin accounts established by the Accounts with their respective brokers or banks and a portion of the purchase price for the Common Stock may be obtained through margin borrowing. Securities positions which may be held in the margin accounts, including the Common Stock, may be pledged as collateral security for the repayment of debit balances in the margin accounts.

Item 4. PURPOSE OF TRANSACTION

The shares of Common Stock reported in this Schedule 13D have been purchased and held for investment purposes in the ordinary course of business on behalf of client accounts over which the Reporting Persons have shared discretionary investment or voting power. The Reporting Persons initially invested in the Issuer because they believed the stock was undervalued and represented a potentially profitable investment opportunity.

The Reporting Persons and their representatives have, from time to time, engaged in discussions with management and the board of directors of the Issuer (the "Board") regarding, among other things, the Issuer's business, management, Board composition and strategic alternatives and direction. At such meetings, certain representatives of the Reporting Persons expressed their view that the Issuer is significantly undervalued and recommended several steps the Issuer should take to increase stockholder value.

On January 27, 2014, the Reporting Persons sent a letter (the "Letter") to the Board. In the Letter, the Reporting Persons expressed their disappointment in the Issuer's historical financial underperformance and further clarified their recommendations for the Board that if implemented would, in the Reporting Persons' view, materially increase the Issuer's valuation. Specifically, the Reporting Persons recommended that the Issuer (i) spin off Bloom Lake, together with Asia Pacific and its other international assets; (ii) double the dividend issued to its stockholders and convert the U.S. Iron Ore business and North American Coal business to an entity structured as a master limited partnership; (iii) significantly cut its SG&A and exploration expenses; (iv) optimize its cash costs and operating profitability; (v) divest its infrastructure and other non-core assets; and (vi) set identifiable milestones and objective targets for return on capital, which should be clearly articulated to the market. Concurrently with the filing of this Schedule 13D, the Reporting Persons issued a press release (the "Press Release") containing the full text of the Letter. The foregoing summary of the Letter and Press Release is qualified in its entirety by reference to the full texts of the Letter and Press Release, copies of which are attached hereto as Exhibit 1 and Exhibit 2, respectively, and are incorporated by reference herein.

The Reporting Persons intend to continue to discuss the matters described above, including but not limited to the foregoing specific recommendations, with the Issuer's management and the Board as well as other stockholders of the Issuer and third parties and may take other steps seeking to bring about changes to increase shareholder value as well as pursue other plans or proposals that relate to or could result in any of the matters set forth in clauses (a)-(j) of Item 4 of Schedule 13D.

Depending on various factors including, without limitation, the Issuer's financial position and strategic direction, actions taken by the Board, price levels of the Common Stock, other investment opportunities available to the Reporting Persons, conditions in the securities market and general economic and industry conditions, the Reporting Persons may in the future take such actions with respect to their investment in the Issuer as they deem appropriate including, without limitation, purchasing additional shares of Common Stock and/or other equity, debt, notes, instruments or other securities of the Issuer (collectively, "Securities"), disposing of any or all of their Securities, in the open market or otherwise, at any time and from time to time, and engaging in any hedging or similar transactions with respect to the Securities. The Reporting Persons reserve the right to change their intention with respect to any and all matters referred to in subparagraphs (a) – (j) of Schedule 13D.

Item 5. INTEREST IN SECURITIES OF THE ISSUER.

(a) The aggregate number and percentage of shares of Common Stock to which this Schedule 13D relates is 7,906,520 shares of Common Stock, constituting approximately 5.2% of the Issuer's currently outstanding Common Stock. The aggregate number and percentage of shares of Common Stock reported herein are based upon the 153,124,101 shares of Common Stock outstanding as of October 21, 2013, as reported in the Issuer's Quarterly Report on Form 10-Q for the period ended September 30, 2013, filed with the SEC on October 25, 2013.

- (i) Casablanca:
- (a) As of the date hereof, Casablanca may be deemed the beneficial owner of 7,906,520 shares of Common Stock.
Percentage: Approximately 5.2% as of the date hereof.
- (b)
1. Sole power to vote or direct vote: 0
 2. Shared power to vote or direct vote: 7,906,520 shares of Common Stock
 3. Sole power to dispose or direct the disposition: 0
 4. Shared power to dispose or direct the disposition: 7,906,520 shares of Common Stock
- (ii) Mr. Drapkin:
- (a) As of the date hereof, Mr. Drapkin may be deemed the beneficial owner of 7,906,520 shares of Common Stock.
Percentage: Approximately 5.2% as of the date hereof.
- (b)
1. Sole power to vote or direct vote: 0
 2. Shared power to vote or direct vote: 7,906,520 shares of Common Stock
 3. Sole power to dispose or direct the disposition: 0
 4. Shared power to dispose or direct the disposition: 7,906,520 shares of Common Stock
- (iii) Mr. Taylor:
- (a) As of the date hereof, Mr. Taylor may be deemed the beneficial owner of 7,906,520 shares of Common Stock.
Percentage: Approximately 5.2% as of the date hereof.
- (b)
1. Sole power to vote or direct vote: 0
 2. Shared power to vote or direct vote: 7,906,520 shares of Common Stock
 3. Sole power to dispose or direct the disposition: 0
 4. Shared power to dispose or direct the disposition: 7,906,520 shares of Common Stock

(b) Casablanca serves as investment advisor to certain investment funds or managed accounts (collectively, the "Accounts"), and may be deemed to have beneficial ownership over the shares of Common Stock held for such Accounts. Each of Messrs. Drapkin and Taylor, as co-managing members of Casablanca GP, are in a position to indirectly determine the voting and investment decisions regarding the Issuer's securities held by the Accounts.

(c) Information concerning transactions in the Common Stock effected by the Accounts during the past sixty days is set forth in Schedule A hereto and is incorporated herein by reference. Unless otherwise indicated, all of such transactions were effected in the open market.

(d) The investment advisory clients that constitute the economic beneficiaries of the Accounts have the right to receive, or the power to direct the receipt of dividends from, or the proceeds from the sale of, Common Stock to which this Schedule 13D relates.

(e) Not applicable.

Item 6. CONTRACTS, ARRANGEMENTS, UNDERSTANDINGS OR RELATIONSHIPS WITH RESPECT TO SECURITIES OF THE ISSUER

The Reporting Persons are parties to an agreement with respect to the joint filing of this Schedule 13D and any amendments thereto. A copy of such agreement is attached as Exhibit 3 hereto and is incorporated by reference herein.

Other than the joint filing agreement filed as an exhibit hereto, the Reporting Persons have no contracts, arrangements, understandings or relationships with any persons with respect to securities of the Issuer.

Item 7. EXHIBITS

<u>Exhibit</u>	<u>Description</u>
1	Letter to the Board, dated January 27, 2014.
2	Press Release, dated January 28, 2014.
3	Joint Filing Agreement, dated January 27, 2014.

SIGNATURES

After reasonable inquiry and to the best of its knowledge and belief, each of the undersigned certifies that the information set forth in this statement is true, complete and correct.

Date: January 27, 2014

CASABLANCA CAPITAL LP

By: /s/ Douglas Taylor
Name: Douglas Taylor
Title: Chief Executive Officer

/s/ Donald G. Drapkin
Donald G. Drapkin

/s/ Douglas Taylor
Douglas Taylor

Schedule A

Transaction History of the Reporting Persons with respect to the Common Stock

This Schedule sets forth information with respect to each purchase and sale of shares of Common Stock that were effectuated by the Reporting Persons during the past sixty days. Unless otherwise indicated, all transactions were effectuated in the open market through a broker and all prices include brokerage commissions.

<u>Trade Date</u>	<u>Shares Purchased (Sold)</u>	<u>Average Price Per Share (\$)*</u>	<u>Range of Prices Per Share</u>
11/14/2013	25,000	27.0304	26.99 - 27.12
11/14/2013	144,025	27.1071	27.06 - 27.135
11/15/2013	21,000	27.4436	27.37 - 27.5
11/15/2013	324,092	27.4682	27.335 - 27.5
11/18/2013	25,000	27.4944	27.48 - 27.5
11/18/2013	814,001	27.472	27.325 - 27.5
11/19/2013	10,000	27.5	27.5 - 27.5
11/19/2013	7,304	27.493	27.4758 - 27.5
11/20/2013	150,000	27.2582	27.02 - 27.51
11/20/2013	792,590	27.3497	27.09 - 27.51
11/21/2013	200,000	26.5501	26.28 - 26.94
11/21/2013	190,300	27.1588	26.8992 - 27.46
11/21/2013	609,700	26.607	26.29 - 26.975
11/22/2013	100,000	25.8251	25.67 - 26.07
11/22/2013	714,744	25.7961	25.435 - 26.1848
11/26/2013	131,455	24.8924	24.61 - 25.32
11/26/2013	348,545	24.8533	24.545 - 25.18
12/5/2013	76,114	24.9976	24.945 - 25.0
12/5/2013	73,886	24.9976	24.975 - 25.0
12/6/2013	350,000	24.6417	24.45 - 24.96
12/11/2013	732,296	24.2936	23.8733 - 24.84
12/12/2013	40,100	23.6686	23.49 - 23.8
12/12/2013	200,000	23.6649	23.295 - 23.92
12/13/2013	18,700	23.7167	23.44 - 24.0
12/13/2013	101,100	23.5873	23.47 - 23.75
12/16/2013	10,000	23.4062	23.225 - 23.5
12/16/2013	10,865	23.4657	23.42 - 23.475
12/17/2013	65,000	23.4499	23.37 - 23.5
1/3/2014	100,800	24.9854	24.935 - 25.01
1/6/2014	125,200	24.501	24.31 - 24.55
1/7/2014	250,000	24.3836	24.2367 - 24.51
1/8/2014	204,703	24.5351	24.33 - 24.63
1/9/2014	140,000	24.1416	23.775 - 24.5157
1/9/2014	360,000	23.2588	22.76 - 23.61
1/27/2014	340,000	19.1694	18.76 - 19.51
1/27/2014	100,000	19.6046	19.51 - 19.68

* Each transaction was executed in multiple trades in the open market. The price reported above reflects the weighted average sale price per share of Common Stock sold. The range of sale prices for each transaction is set

forth above. The Reporting Persons hereby undertake to provide upon request to the SEC staff, the Issuer or a security holder of the Issuer full information regarding the number of shares and prices at which any transaction was effected.

Letter to the Board, dated January 27, 2014

CASABLANCA CAPITAL LP

January 27, 2014

James F. Kirsch
Executive Chairman
Cliffs Natural Resources Inc.
200 Public Square, Suite 3300
Cleveland, OH 44114

Dear Jim:

Funds managed by Casablanca Capital LP own approximately 5.2% of the outstanding common stock of Cliffs Natural Resources Inc., making us one of your largest shareholders.

Over the past six weeks, we have met twice and had a number of constructive follow-up conversations with you and senior members of the executive team. During our discussions, we expressed our view that Cliffs is significantly undervalued and recommended steps management take to enhance shareholder value. You have indicated that you will seriously consider our proposals and share them with the Board.

First and foremost, we urge you to spin off Bloom Lake, together with Asia Pacific, to create “Cliffs International.” Cliffs operates two distinct iron ore businesses with very different risk/reward profiles. The Cliffs International assets are directly exposed to the competitive “seaborne” iron ore market, and the large Bloom Lake project is still in the development stage. In contrast, the “Cliffs USA” iron ore assets benefit from unique supply and demand characteristics and barriers to entry in the Great Lakes, generate strong cash flow and enjoy long-term contracts, which provide volume and price visibility.

In addition, we urge the Board to take the following initiatives:

- Double the dividend (which would be paid by Cliffs USA going forward)
- Convert the U.S. assets to a Master Limited Partnership (“MLP”)
- Significantly cut SG&A and exploration expense
- Optimize cash costs and operating profitability
- Divest infrastructure and other non-core assets
- Set clear objectives for return on capital
- Hire strategic and financial advisors to assist in evaluating and executing these measures

Casablanca believes that implementing these recommendations would create substantial shareholder value and result in an implied valuation range with a midpoint of \$53.00 per Cliffs share—over 2.5x Cliffs’ most recent trading price.^[1]

[1] Based on Cliffs’ closing price of \$19.40 on January 27, 2014

Background

Cliffs has significantly underperformed both its peer group and the broader market in recent years.^[2] For most of 2013, the company held the title of "biggest loser" in the S&P 500 (finishing the year in the number two spot), and remains one of the most shorted equities in the index.

Cliffs' stock price has lost more than 80% in value since its five-year high of \$101.43 in mid-2011. In the past five years, the company spent approximately \$8 billion (more than its current enterprise value) on what we view as ill-conceived acquisitions and development projects—efforts that contributed less than 3% to segment EBITDA on an LTM basis.

We recognize that the current management team and many Board members were not responsible for these decisions. However, we believe the company continues to lag in implementing the strategic actions and operational improvements necessary to drive shareholder value. When most major mining companies have announced sharp revisions to their capital allocation and cost management policies, Cliffs' Board and management have, from our perspective, been slow to respond to the end of the commodities supercycle and the increasing need for capital discipline.

Drowning in Bloom Lake

In 2011, Cliffs paid \$4.9 billion to acquire the largely undeveloped Bloom Lake project in Eastern Canada. It has since spent approximately \$1.5 billion on development and sustaining capex. Management has issued a continuous stream of negative revisions to the project's budget, timeline, and expected operating margins, in what strikes us as an open-ended process of trial and error.

Taking management's guidance at face value, optimizing Bloom Lake under the Cliffs umbrella will continue to be a difficult and expensive proposition: if Cliffs moves forward with the project, it estimates another \$1.25 billion will be needed to complete the critical Phase II, while take-or-pay and production penalties (\$60 – \$80 million per year) will persist if the project is halted.^[3]

We believe many investors remain doubtful of management's ability to develop and profitably operate Bloom Lake. In fact, our analysis indicates Cliffs currently trades with a *negative* \$2 billion value drag from Bloom Lake. We believe this value leakage must be addressed at a structural level.

The Case for Separating the International and Domestic Assets

We believe that because of Bloom Lake, Cliffs is incorrectly treated as a proxy short for the global iron ore price. We see no reason for Cliffs to be sacrificing itself to the iron ore bears when it has other alternatives available to it.

^[2] Peer group defined as SPDR Metals & Mining Exchange Traded Fund (XME), per the company's most recent proxy statement. Broader market defined as S&P 500 and Dow Jones Industrial Average. Cliffs underperformed each of these indices in each of the last one-, three- and five-year periods. For example, performance versus the XME was as follows: one-year XME -14% vs. CLF -50%; three-year XME -39% vs. CLF -76%; five-year XME +52% vs. CLF -17% (per Bloomberg, as of January 24, 2014).

^[3] Phase II completion budget based on company guidance of \$450 million for remaining development capex plus \$200 million maintenance capex required for four years. Take-or-pay and production penalties based on company guidance of \$15–\$20 million per quarter, annualized.

By separating its international assets from its core, low-risk U.S. business, we expect Cliffs would provide investors with a reason to appropriately value all of its assets. We therefore propose spinning off Bloom Lake, together with the mature Asia Pacific assets and the rest of the Eastern Canadian assets, to create a new, separately traded “Cliffs International” that targets growth-oriented natural resources investors.

The assets that would remain with “Cliffs USA” enjoy critical mass and high-quality cash flows—the U.S. Iron Ore assets produced over \$1 billion of segment-level EBITDA in the last 12 months. We believe these assets qualify for MLP treatment, are well-suited to that market, and that investors will pay a premium for them once they are structurally separated from Cliffs’ commodity-sensitive and development assets.

A Seaborne Iron Ore Pure-Play Should Attract a Premium Valuation

Unlike Cliffs’ domestic businesses, all of its operating international businesses sell directly into the seaborne iron ore market, competing head-to-head with other global iron ore players. Under the Cliffs umbrella, these assets appear to lack meaningful operational synergies with the domestic assets and to be a significant drain on management resources.

Spinning them off should create a viable, standalone company that could self-finance its growth. By including Cliffs’ Asia Pacific division in Cliffs International, the new company would gain mature assets that should provide sufficient credit support and cash flows to complete Bloom Lake. Cliffs International could operate effectively without an investment grade rating (although our analysis indicates it would require less than 2x leverage to meet all of its needs), and its growth prospects should be sufficient to attract investors without the need to pay a dividend.

Cliffs International would gain the flexibility to pursue a more aggressive strategic agenda, with a new investor base that should be more accepting of opportunistic, synergy-enhancing M&A (currently an unthinkable proposition in our view). It should attract best-in-class managers with skill sets and incentives that are more closely aligned with a development and growth-oriented strategy. In addition, Cliffs International may become an acquisition candidate or joint venture partner for any of several large-cap multinational players, who likely have little strategic interest in Cliffs’ U.S. business, but would place a premium on a pure-play seaborne iron ore company.

Recently, the company raised the possibility of bringing in a joint venture partner for Bloom Lake. Like a spin-off, a joint venture could also provide varying degrees of separation between Bloom Lake and the rest of Cliffs. However, we fear Cliffs faces considerable execution risks in attempting a joint venture and that it might need to cede significant value potential to a third party in order to complete it. A successful joint venture, in our view, would require Cliffs to find a cash-paying counterparty, on reasonable terms, in a reasonable time frame—a complex undertaking. We believe the spin-off alternative likely preserves more value for Cliffs shareholders with fewer execution risks. In a spin-off, shareholders should retain all the upside potential associated with completing Bloom Lake (to the extent they choose to hold the Cliffs International shares they receive), and the execution appears to be far more within Cliffs’ control. While we acknowledge that completing a spin-off would involve some time and complexity, we believe the process is far more transparent and the company would be able to keep investors (and potential strategic and financial partners) apprised of progress in a more open manner than would be the case in a privately-negotiated process. Finally, the company could continue to pursue other alternatives, including a joint

venture, as it prepares Cliffs International for a spin-off, and would retain the option to alter course should a more attractive solution manifest itself in the interim.

With the expected new investor base committed to the international story, Cliffs International should command a valuation that reflects the option value embedded in Bloom Lake. Similarly constituted mining companies trade at valuations that appear to incorporate such option value (median 6.4x 2014E EBITDA^[4] vs. 4.5x our 2014E EBITDA for Cliffs)^[5]. Conservatively assuming a 6.0x multiple **implies a value of approximately \$15.00 per share for Cliffs International.**^[6]

The Market Is Ready for an Iron Ore MLP

“Cliffs USA” would have significant growth and capital-return opportunities. Its U.S. Iron Ore assets are ideally positioned to participate in the recovery of the U.S. automotive and construction sectors, the high-quality pellets it produces are well suited for the emerging direct reduced iron (“DRI”) manufacturing process, and the company’s North American Coal assets continue to show signs of recovery. We expect a more focused management team will find opportunities to reduce operating costs and enhance margins. From a financial point of view, even after assuming all of Cliffs’ current debt burden, we believe the U.S. business would enjoy investment-grade credit metrics, could immediately support a dividend at twice Cliffs’ current payout and would continue to generate positive free cash flow.

In addition, we believe the increasingly institutional MLP investor base will be attracted to an iron-ore offering. Our research indicates a strong demand for offerings that afford MLP investors diversification from the typical energy-focused MLP offerings, provided that cash flow for distributions is protected by contracts and there are credible prospects for growth. Cliffs USA would have both of these attributes. We envision that Cliffs USA would become a separately traded, parent-level GP holding company, with the U.S. assets distributed in a public offering to MLP investors, either immediately or in stages.

Cliffs should **immediately double its dividend** and proceed with converting its U.S. assets to an MLP as quickly as reasonably practical. Doubling the dividend alone implies a valuation of **approximately \$23.00 per share for Cliffs USA** (assuming a \$1.20 per share dividend and a dividend yield of approximately 5%),

^[4] Examples of companies we believe to have a comparable mix of development and operating assets include Kumba Iron Ore and Ferrexpo (which have assets located in what we believe to be less favorable jurisdictions than Cliffs International’s, and therefore believe them to merit a less favorable valuation) and Hudbay Minerals Inc and Lundin Mining Corp. (which mine different metals, and might therefore merit a premium valuation over Cliffs International’s). As of January 24, 2014, the median 2014E EBITDA multiple for these companies was 6.4x (per Bloomberg).

^[5] In calculating Cliffs’ enterprise value and EBITDA multiple, we exclude the Bloom Lake portion of non-controlling interest (\$1,074 million at the time of the Consolidated Thompson acquisition), and adjust EBITDA to reflect Cliffs’ 75% interest in the asset. We employ this methodology out of a belief that including the carrying value of the non-controlling interest would overstate Cliffs’ actual enterprise value and artificially inflate its implied trading multiples.

^[6] We assume Cliffs International is spun off at Cliffs’ current common share count, with a conservative capital structure that includes approximately \$200 million of cash, no debt and a \$500 million undrawn credit facility. Our projections for Cliffs International assume an average annual iron ore price per tonne as follows: \$120 in 2014, \$115 in 2015 and \$110 in 2016 and thereafter.

implying a multiple of approximately 7.0x our 2014E EBITDA^[7]), and we estimate an **incremental \$10.00 per share of value upside from an MLP conversion.**^[8]

Additional Value Upside: Cut SG&A and Exploration

While we welcome management's recent change in tone on costs, the cost-cutting effort appears to lack intensity and urgency. **Cliffs has consistently operated at SG&A levels close to twice those of its diversified mining peers.**^[9] While management's growing emphasis on cost containment is a step in the right direction, we believe a fundamental rethinking of Cliffs' operating structure is necessary. According to public filings, Cliffs has eight separate corporate offices, two corporate jets, and close to 600 employees in the SG&A function (more than double the headcount five years ago). Operating in line with peer metrics would reduce Cliffs' SG&A budget by \$115 million—far more than the \$15 million target suggested by management.

In addition, Cliffs has indicated an expected 2013 exploration budget of \$65 million (reduced from \$80 million only after it failed to obtain permits on its non-core chromite project). Given the work to be done on Cliffs' existing portfolio, the company should immediately cease all development activity and bring its exploration spending below \$10 million per annum.

The above-proposed changes to SG&A and exploration expense alone would increase EBITDA by \$170 million—a **savings that would generate approximately \$5.00 per share of value** (assuming a one-year forward EBITDA multiple of 5.0x), with no impact on output.

Optimize Cash Costs and Operating Profitability

With management freed from the distraction of running a geographically disparate international portfolio, it will be better able to focus on improving operating profit at its core business (and Cliffs International's managers will be able to do the same). We believe that in the current environment, management will find numerous opportunities to reduce cash costs. Potential areas include streamlining purchasing and warehousing, renegotiating agreements with outside contractors and internalizing functions, maximizing production output of the current workforce, reevaluating existing mine plans and optimizing throughput. We believe such steps could substantially enhance margins and ensure continued profitability, including in a lower commodity price environment. We encourage management to articulate its targets in these areas and its plans for meeting them.

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Divest Infrastructure and Other Non-Core Assets

Cliffs has a vast portfolio of non-core assets that are a distraction and burden its balance sheet. The nickel, chromite and other development projects should be divested. We also see no reason why the company should own railroads, a power plant or port assets. We believe these assets are attractive to infrastructure-oriented investors and specialized strategic acquirers who would value them more highly and are likely to run them better. Where it makes sense to do so, Cliffs could maintain ownership benefits through appropriately structured contracts with a buyer.

Set Clear Objectives for Return on Capital

Management has admitted the need for improving capital allocation, but has so far provided little specificity. Across the mining sector, many of the majors have provided highly specific targets for project hurdle rates and company-level return on capital. Cliffs needs to be equally clear, setting identifiable milestones and providing comprehensive disclosure on its progress towards meeting them. By establishing and clearly articulating these metrics, we believe the company will bolster investor confidence and further instill a corporate culture committed to improving profitability.

Conclusion

The steps outlined above, taken together, would result in an implied **midpoint valuation of \$53.00 per share—over 2.5x Cliffs' current market value**. There is additional upside potential from elements we have not quantified such as improving operating profitability and divesting non-core assets. By taking these steps, we believe Cliffs can highlight and enhance the unique strengths of its businesses and unlock significant shareholder value.

We urge the Board to announce a comprehensive strategic review and to hire strategic and financial advisors to assist it in evaluating these and other potential alternatives.

We hope to engage the Board in a constructive dialogue that will result in immediate meaningful action on these topics, but remain prepared to take all necessary steps to protect and enhance the value of our investment. Cliffs has a bright future, and we look forward to working with you and participating in it.

Very truly yours,



Donald G. Drapkin
Chairman



Douglas Taylor
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Gregory S. Donat
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cc: Susan M. Cunningham
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Janice K. Henry
Stephen Johnson
Richard K. Riederer
Richard A. Ross
Timothy W. Sullivan

Press Release, dated January 28, 2014

Casablanca Capital Files 13D and Sends Letter to Cliffs Natural Resources

*Outlines Recommendations To Reorganize, Improve Performance
And Increase Shareholder Value*

*Urges Board to Spin Off International Assets, Double Dividend,
Convert U.S. Assets to MLP and Slash Costs*

*Believes Shares Should Be Valued at \$53.00, Over 2.5x Current Price,
If Its Recommendations Are Implemented*

New York, NY, January 28, 2014—Casablanca Capital LP, the beneficial owner of approximately 5.2% of Cliffs Natural Resources Inc. (NYSE: CLF) today filed a Schedule 13D with the U.S. Securities and Exchange Commission (SEC) disclosing its position as one of the company's largest shareholders and outlining recommendations to dramatically increase shareholder value.

Casablanca urges Cliffs to spin off the company's international assets, double the annual dividend paid to shareholders, convert its U.S. assets to an MLP and significantly cut costs. If Cliffs implements these recommendations, Casablanca believes the shares should be valued at \$53.00, over 2.5x its current price.

The full text of a letter Casablanca sent to James F. Kirsch, the Executive Chairman of Cliffs, which was included in the 13D filing, is as follows:

January 27, 2014

James F. Kirsch
Executive Chairman
Cliffs Natural Resources Inc.
200 Public Square, Suite 3300
Cleveland, OH 44114

Dear Jim:

Funds managed by Casablanca Capital LP own approximately 5.2% of the outstanding common stock of Cliffs Natural Resources Inc., making us one of your largest shareholders.

Over the past six weeks, we have met twice and had a number of constructive follow-up conversations with you and senior members of the executive team. During our discussions, we expressed our view that Cliffs is significantly undervalued and recommended steps management take to enhance shareholder value. You have indicated that you will seriously consider our proposals and share them with the Board.

First and foremost, we urge you to spin off Bloom Lake, together with Asia Pacific, to create "Cliffs International." Cliffs operates two distinct iron ore businesses with very different risk/reward profiles. The Cliffs International assets are directly exposed to the competitive "seaborne" iron ore market, and the large Bloom Lake project is still in the development stage. In contrast, the "Cliffs USA" iron ore assets benefit from unique supply and demand

characteristics and barriers to entry in the Great Lakes, generate strong cash flow and enjoy long-term contracts, which provide volume and price visibility.

In addition, we urge the Board to take the following initiatives:

- Double the dividend (which would be paid by Cliffs USA going forward)
- Convert the U.S. assets to a Master Limited Partnership (“MLP”)
- Significantly cut SG&A and exploration expense
- Optimize cash costs and operating profitability
- Divest infrastructure and other non-core assets
- Set clear objectives for return on capital
- Hire strategic and financial advisors to assist in evaluating and executing these measures

Casablanca believes that implementing these recommendations would create substantial shareholder value and result in an implied valuation range with a midpoint of \$53.00 per Cliffs share—over 2.5x Cliffs’ most recent trading price.^[1]

Background

Cliffs has significantly underperformed both its peer group and the broader market in recent years.^[2] For most of 2013, the company held the title of “biggest loser” in the S&P 500 (finishing the year in the number two spot), and remains one of the most shorted equities in the index.

Cliffs’ stock price has lost more than 80% in value since its five-year high of \$101.43 in mid-2011. In the past five years, the company spent approximately \$8 billion (more than its current enterprise value) on what we view as ill-conceived acquisitions and development projects—efforts that contributed less than 3% to segment EBITDA on an LTM basis.

We recognize that the current management team and many Board members were not responsible for these decisions. However, we believe the company continues to lag in implementing the strategic actions and operational improvements necessary to drive shareholder value. When most major mining companies have announced sharp revisions to their capital allocation and cost management policies, Cliffs’ Board and management have, from our perspective, been slow to respond to the end of the commodities supercycle and the increasing need for capital discipline.

Drowning in Bloom Lake

In 2011, Cliffs paid \$4.9 billion to acquire the largely undeveloped Bloom Lake project in Eastern Canada. It has since spent approximately \$1.5 billion on development and sustaining capex. Management has issued a continuous stream of negative revisions to the project’s budget, timeline, and expected operating margins, in what strikes us as an open-ended process of trial and error.

^[1] Based on Cliffs’ closing price of \$19.40 on January 27, 2014.

^[2] Peer group defined as SPDR Metals & Mining Exchange Traded Fund (XME), per the company’s most recent proxy statement. Broader market defined as S&P 500 and Dow Jones Industrial Average. Cliffs underperformed each of these indices in each of the last one-, three- and five-year periods. For example, performance versus the XME was as follows: one-year XME -14% vs. CLF -50%; three-year XME -39% vs. CLF -76%; five-year XME +52% vs. CLF -17% (per Bloomberg, as of January 24, 2014).

Taking management's guidance at face value, optimizing Bloom Lake under the Cliffs umbrella will continue to be a difficult and expensive proposition: if Cliffs moves forward with the project, it estimates another \$1.25 billion will be needed to complete the critical Phase II, while take-or-pay and production penalties (\$60 – \$80 million per year) will persist if the project is halted. ^[3]

We believe many investors remain doubtful of management's ability to develop and profitably operate Bloom Lake. In fact, our analysis indicates Cliffs currently trades with a *negative* \$2 billion value drag from Bloom Lake. We believe this value leakage must be addressed at a structural level.

The Case for Separating the International and Domestic Assets

We believe that because of Bloom Lake, Cliffs is incorrectly treated as a proxy short for the global iron ore price. We see no reason for Cliffs to be sacrificing itself to the iron ore bears when it has other alternatives available to it.

By separating its international assets from its core, low-risk U.S. business, we expect Cliffs would provide investors with a reason to appropriately value all of its assets. We therefore propose spinning off Bloom Lake, together with the mature Asia Pacific assets and the rest of the Eastern Canadian assets, to create a new, separately traded "Cliffs International" that targets growth-oriented natural resources investors.

The assets that would remain with "Cliffs USA" enjoy critical mass and high-quality cash flows—the U.S. Iron Ore assets produced over \$1 billion of segment-level EBITDA in the last 12 months. We believe these assets qualify for MLP treatment, are well-suited to that market, and that investors will pay a premium for them once they are structurally separated from Cliffs' commodity-sensitive and development assets.

A Seaborne Iron Ore Pure-Play Should Attract a Premium Valuation

Unlike Cliffs' domestic businesses, all of its operating international businesses sell directly into the seaborne iron ore market, competing head-to-head with other global iron ore players. Under the Cliffs umbrella, these assets appear to lack meaningful operational synergies with the domestic assets and to be a significant drain on management resources.

Spinning them off should create a viable, standalone company that could self-finance its growth. By including Cliffs' Asia Pacific division in Cliffs International, the new company would gain mature assets that should provide sufficient credit support and cash flows to complete Bloom Lake. Cliffs International could operate effectively without an investment grade rating (although our analysis indicates it would require less than 2x leverage to meet all of its needs), and its growth prospects should be sufficient to attract investors without the need to pay a dividend.

Cliffs International would gain the flexibility to pursue a more aggressive strategic agenda, with a new investor base that should be more accepting of opportunistic, synergy-enhancing M&A (currently an unthinkable proposition in our view). It should attract best-in-class managers with skill sets and incentives that are more closely aligned with a development and growth-oriented strategy. In addition, Cliffs International may become an acquisition candidate or joint venture

^[1] Phase II completion budget based on company guidance of \$450 million for remaining development capex plus \$200 million maintenance capex required for four years. Take-or-pay and production penalties based on company guidance of \$15–\$20 million per quarter, annualized.

partner for any of several large-cap multinational players, who likely have little strategic interest in Cliffs' U.S. business, but would place a premium on a pure-play seaborne iron ore company.

Recently, the company raised the possibility of bringing in a joint venture partner for Bloom Lake. Like a spin-off, a joint venture could also provide varying degrees of separation between Bloom Lake and the rest of Cliffs. However, we fear Cliffs faces considerable execution risks in attempting a joint venture and that it might need to cede significant value potential to a third party in order to complete it. A successful joint venture, in our view, would require Cliffs to find a cash-paying counterparty, on reasonable terms, in a reasonable time frame—a complex undertaking. We believe the spin-off alternative likely preserves more value for Cliffs shareholders with fewer execution risks. In a spin-off, shareholders should retain all the upside potential associated with completing Bloom Lake (to the extent they choose to hold the Cliffs International shares they receive), and the execution appears to be far more within Cliffs' control. While we acknowledge that completing a spin-off would involve some time and complexity, we believe the process is far more transparent and the company would be able to keep investors (and potential strategic and financial partners) apprised of progress in a more open manner than would be the case in a privately-negotiated process. Finally, the company could continue to pursue other alternatives, including a joint venture, as it prepares Cliffs International for a spin-off, and would retain the option to alter course should a more attractive solution manifest itself in the interim.

With the expected new investor base committed to the international story, Cliffs International should command a valuation that reflects the option value embedded in Bloom Lake. Similarly constituted mining companies trade at valuations that appear to incorporate such option value (median 6.4x 2014E EBITDA^[4] vs. 4.5x our 2014E EBITDA^[5]). Conservatively assuming a 6.0x multiple **implies a value of approximately \$15.00 per share for Cliffs International.** ^[6]

The Market Is Ready for an Iron Ore MLP

"Cliffs USA" would have significant growth and capital-return opportunities. Its U.S. Iron Ore assets are ideally positioned to participate in the recovery of the U.S. automotive and construction sectors, the high-quality pellets it produces are well suited for the emerging direct reduced iron ("DRI") manufacturing process, and the company's North American Coal assets continue to show signs of recovery. We expect a more focused management team will find opportunities to reduce operating costs and enhance margins. From a financial point of view, even after assuming all of Cliffs' current debt burden, we believe the U.S. business would enjoy

^[4] Examples of companies we believe to have a comparable mix of development and operating assets include Kumba Iron Ore and Ferrexpo (which have assets located in what we believe to be less favorable jurisdictions than Cliffs International's, and therefore believe them to merit a less favorable valuation) and Hudbay Minerals Inc and Lundin Mining Corp. (which mine different metals, and might therefore merit a premium valuation over Cliffs International's). As of January 24, 2014, the median 2014E EBITDA multiple for these companies was 6.4x (per Bloomberg).

^[5] In calculating Cliffs' enterprise value and EBITDA multiple, we exclude the Bloom Lake portion of non-controlling interest (\$1,074 million at the time of the Consolidated Thompson acquisition), and adjust EBITDA to reflect Cliffs' 75% interest in the asset. We employ this methodology out of a belief that including the carrying value of the non-controlling interest would overstate Cliffs' actual enterprise value and artificially inflate its implied trading multiples.

^[6] We assume Cliffs International is spun off at Cliffs' current common share count, with a conservative capital structure that includes approximately \$200 million of cash, no debt and a \$500 million undrawn credit facility. Our projections for Cliffs International assume an average annual iron ore price per tonne as follows: \$120 in 2014, \$115 in 2015 and \$110 in 2016 and thereafter.

investment-grade credit metrics, could immediately support a dividend at twice Cliffs' current payout and would continue to generate positive free cash flow.

In addition, we believe the increasingly institutional MLP investor base will be attracted to an iron-ore offering. Our research indicates a strong demand for offerings that afford MLP investors diversification from the typical energy-focused MLP offerings, provided that cash flow for distributions is protected by contracts and there are credible prospects for growth. Cliffs USA would have both of these attributes. We envision that Cliffs USA would become a separately traded, parent-level GP holding company, with the U.S. assets distributed in a public offering to MLP investors, either immediately or in stages.

Cliffs should **immediately double its dividend** and proceed with converting its U.S. assets to an MLP as quickly as reasonably practical. Doubling the dividend alone implies a valuation of **approximately \$23.00 per share for Cliffs USA** (assuming a \$1.20 per share dividend and a dividend yield of approximately 5%, implying a multiple of approximately 7.0x our 2014E EBITDA^[7]), and we estimate an **incremental \$10.00 per share of value upside from an MLP conversion.**^[8]

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Donald G. Drapkin
Chairman



Douglas Taylor
Chief Executive Officer



Gregory S. Donat
Partner & Portfolio Manager

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For a full copy of the 13D filing, please access the public filing at www.sec.gov.

About Casablanca Capital LP

Casablanca Capital is an Event Driven and Activist investment manager based in New York, founded in 2010 by Donald G. Drapkin and Douglas Taylor. Casablanca invests in high quality but underperforming public companies that have multiple levers to unlock shareholder value. The firm seeks to engage with the management, boards, and shareholders of those companies in a constructive dialogue in order to enhance shareholder value through improved operational efficiencies, strategic divestitures, capital structure optimization and increased corporate focus. In 2011, Casablanca successfully initiated a campaign at Mentor Graphics Corporation to improve profitability and enhance value at the company, working with shareholders to elect three nominees to Mentor's Board.

Cautionary Statement Regarding Opinions and Forward-Looking Statements

Certain information contained herein constitutes "forward-looking statements" with respect to Cliffs Natural Resources Inc. ("Cliffs"), which can be identified by the use of forward-looking terminology such as "may," "will," "seek," "should," "could," "expect," "anticipate," "project," "estimate," "intend," "continue" or "believe" or the negatives thereof or other variations thereon or comparable terminology. Such statements are not guarantees of future performance or activities. Due to various risks, uncertainties and assumptions, actual events or results or actual performance may differ materially from those reflected or contemplated in such forward-looking statements. The opinions of Casablanca Capital LP ("Casablanca") are for general informational purposes only and do not have regard to the specific investment objective, financial situation, suitability or particular need of any specific person, and should not be taken

as advice on the merits of any investment decision. This material does not recommend the purchase or sale of any security. Casablanca reserves the right to change any of its opinions expressed herein at any time as it deems appropriate. Casablanca disclaims any obligation to update the information contained herein. Casablanca and/or one or more of the investment funds it manages may purchase additional Cliffs shares or sell all or a portion of their shares or trade in securities relating to such shares.

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Contact:

Sard Verbinnen & Co

George Sard/Matt Benson

212-687-8080

Joint Filing Agreement, dated January 27, 2014

PURSUANT TO RULE 13d-1(k)

The undersigned acknowledge and agree that the foregoing statement on Schedule 13D is filed on behalf of each of the undersigned and that all subsequent amendments to this statement on Schedule 13D may be filed on behalf of each of the undersigned without the necessity of filing additional joint filing agreements. The undersigned acknowledge that each shall be responsible for the timely filing of such amendments, and for the completeness and accuracy of the information concerning him or it contained herein and therein, but shall not be responsible for the completeness and accuracy of the information concerning the others, except to the extent that he or it knows that such information is inaccurate.

Dated: January 27, 2014

CASABLANCA CAPITAL, LP

By: /s/ Douglas Taylor
Name: Douglas Taylor
Title: Chief Executive Officer

/s/ Donald G. Drapkin
Donald G. Drapkin

/s/ Douglas Taylor
Douglas Taylor