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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 June 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

CLIFFS

CLIFFS NATURAL RESOURCES INC.

(Exact Name of Registrant as Specified in Its Charter)

Ohio	34-1464672
(State or Other Jurisdiction of Incorporation or Organization)	*(I.R.S. Employer Identification No.)*
200 Public Square, Cleveland, Ohio	44114-2315
(Address of Principal Executive Offices)	*(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 153,125,504 as of July 22, 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
CLCC	Cliffs Logan County Coal LLC
Chromite Project	Cliffs Chromite Ontario Inc.
Cockatoo Island	Cockatoo Island Joint Venture
Consolidated Thompson	Consolidated Thompson Iron Mining Limited (now known as Cliffs Quebec Iron Mining Limited)
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
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
SEC	U.S. Securities and Exchange Commission
Sonoma	Sonoma Coal Project
Tilden	Tilden Mining Company
TSR	Total Shareholder Return
United Taconite	United Taconite LLC
U.S.	United States of America
U.S. Steel	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 June 30,		Six Months Ended June 30,	
	2013	2012	**2013**	2012
REVENUES FROM PRODUCT SALES AND SERVICES				
Product	**$ 1,391.6**	$ 1,500.0	**$ 2,474.2**	$ 2,648.5
Freight and venture partners' cost reimbursements	**96.9**	79.4	**154.8**	143.2
	1,488.5	1,579.4	**2,629.0**	2,791.7
COST OF GOODS SOLD AND OPERATING EXPENSES	**(1,220.3)**	(1,136.0)	**(2,122.9)**	(2,056.5)
SALES MARGIN	**268.2**	443.4	**506.1**	735.2
OTHER OPERATING INCOME (EXPENSE)				
Selling, general and administrative expenses	**(48.9)**	(80.8)	**(97.3)**	(140.4)
Exploration costs	**(12.6)**	(29.1)	**(35.3)**	(47.9)
Miscellaneous - net	**55.3**	28.4	**56.8**	38.0
	(6.2)	(81.5)	**(75.8)**	(150.3)
OPERATING INCOME	**262.0**	361.9	**430.3**	584.9
OTHER INCOME (EXPENSE)				
Interest expense, net	**(40.7)**	(45.3)	**(89.8)**	(90.4)
Other non-operating expense	**(2.8)**	(2.2)	**(1.7)**	(0.4)
	(43.5)	(47.5)	**(91.5)**	(90.8)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND EQUITY LOSS FROM VENTURES	**218.5**	314.4	**338.8**	494.1
INCOME TAX BENEFIT (EXPENSE)	**(9.3)**	(41.9)	**(3.3)**	171.2
EQUITY LOSS FROM VENTURES, net of tax	**(67.9)**	(0.5)	**(73.4)**	(7.4)
INCOME FROM CONTINUING OPERATIONS	**141.3**	272.0	**262.1**	657.9
INCOME FROM DISCONTINUED OPERATIONS, net of tax	**—**	2.3	**—**	7.8
NET INCOME	**141.3**	274.3	**262.1**	665.7
LOSS (INCOME) ATTRIBUTABLE TO NONCONTROLLING INTEREST	**4.7**	(16.3)	**(9.1)**	(31.9)
NET INCOME ATTRIBUTABLE TO CLIFFS SHAREHOLDERS	**$ 146.0**	$ 258.0	**$ 253.0**	$ 633.8
PREFERRED STOCK DIVIDENDS	**(12.9)**	—	**(22.8)**	—
NET INCOME ATTRIBUTABLE TO COMMON SHAREHOLDERS	**$ 133.1**	$ 258.0	**$ 230.2**	$ 633.8
EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CLIFFS SHAREHOLDERS - BASIC				
Continuing operations	**$ 0.87**	$ 1.79	**$ 1.53**	$ 4.40
Discontinued operations	**—**	0.02	**—**	0.05
	$ 0.87	$ 1.81	**$ 1.53**	$ 4.45
EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CLIFFS SHAREHOLDERS - DILUTED				
Continuing operations	**$ 0.82**	$ 1.79	**$ 1.49**	$ 4.39
Discontinued operations	**—**	0.02	**—**	0.05
	$ 0.82	$ 1.81	**$ 1.49**	$ 4.44
AVERAGE NUMBER OF SHARES (IN THOUSANDS)				
Basic	**153,011**	142,380	**150,418**	142,303
Diluted	**178,428**	142,814	**169,708**	142,762
CASH DIVIDENDS DECLARED PER DEPOSITARY SHARE	**$ 0.44**	$ —	**$ 0.78**	$ —
CASH DIVIDENDS DECLARED PER COMMON SHARE	**$ 0.15**	$ 0.63	**$ 0.30**	$ 0.91

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

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Statements of Unaudited Condensed Consolidated Comprehensive Income

Cliffs Natural Resources Inc. and Subsidiaries

	(In Millions)			
	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2013	2012	**2013**	2012
NET INCOME ATTRIBUTABLE TO CLIFFS SHAREHOLDERS	**$ 146.0**	$ 258.0	**$ 253.0**	$ 633.8
OTHER COMPREHENSIVE INCOME (LOSS)				
Pension and OPEB liability, net of tax	**7.7**	7.1	**14.2**	13.3
Unrealized net gain (loss) on marketable securities, net of tax	**0.6**	(2.8)	**3.2**	(0.5)
Unrealized net loss on foreign currency translation	**(151.0)**	(17.4)	**(147.7)**	(6.5)
Unrealized net loss on derivative financial instruments, net of tax	**(44.4)**	(4.4)	**(51.4)**	(0.6)
OTHER COMPREHENSIVE INCOME (LOSS)	**(187.1)**	(17.5)	**(181.7)**	5.7
OTHER COMPREHENSIVE INCOME ATTRIBUTABLE TO THE NONCONTROLLING INTEREST	**(1.1)**	(1.5)	**(2.3)**	(3.0)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO CLIFFS SHAREHOLDERS	**$ (42.2)**	$ 239.0	**$ 69.0**	$ 636.5

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

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Statements of Unaudited Condensed Consolidated Financial Position

Cliffs Natural Resources Inc. and Subsidiaries

	(In Millions)	
	June 30, 2013	December 31, 2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**$ 263.3**	$ 195.2
Accounts receivable, net	**259.1**	329.0
Inventories	**529.2**	436.5
Supplies and other inventories	**252.9**	289.1
Derivative assets	**45.1**	78.6
Other current assets	**316.3**	321.6
TOTAL CURRENT ASSETS	**1,665.9**	1,650.0
PROPERTY, PLANT AND EQUIPMENT, NET	**11,189.6**	11,207.3
OTHER ASSETS		
Investments in ventures	**68.7**	135.8
Goodwill	**157.2**	167.4
Intangible assets, net	**115.0**	129.0
Deferred income taxes	**202.8**	91.8
Other non-current assets	**195.7**	193.6
TOTAL OTHER ASSETS	**739.4**	717.6
TOTAL ASSETS	**$ 13,594.9**	$ 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)	
	June 30, 2013	December 31, 2012
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	**$ 306.6**	$ 555.5
Accrued expenses	**425.4**	442.6
Income taxes payable	**107.1**	28.3
Current portion of debt	**—**	94.1
Deferred revenue	**20.8**	35.9
Derivative liabilities	**88.6**	13.2
Other current liabilities	**206.1**	211.9
TOTAL CURRENT LIABILITIES	**1,154.6**	1,381.5
PENSION AND POSTEMPLOYMENT BENEFIT LIABILITIES	**586.9**	618.3
ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS	**235.8**	252.8
DEFERRED INCOME TAXES	**1,098.2**	1,108.1
LONG-TERM DEBT	**3,323.3**	3,960.7
OTHER LIABILITIES	**412.3**	492.6
TOTAL LIABILITIES	**6,811.1**	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 $0.125 per share		
Authorized - 400,000,000 shares (2012 - 400,000,000 shares);		
Issued - 159,545,469 shares (2012 - 149,195,469 shares);		
Outstanding - 153,121,032 shares (2012 - 142,495,902 shares)	**19.8**	18.5
Capital in excess of par value of shares	**2,024.3**	1,774.7
Retained earnings	**3,401.9**	3,217.7
Cost of 6,424,437 common shares in treasury (2012 - 6,699,567 shares)	**(306.5)**	(322.6)
Accumulated other comprehensive loss	**(239.6)**	(55.6)
TOTAL CLIFFS SHAREHOLDERS' EQUITY	**5,631.2**	4,632.7
NONCONTROLLING INTEREST	**1,152.6**	1,128.2
TOTAL EQUITY	**6,783.8**	5,760.9
TOTAL LIABILITIES AND EQUITY	**$ 13,594.9**	$ 13,574.9

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

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Statements of Unaudited Condensed Consolidated Cash Flows

Cliffs Natural Resources Inc. and Subsidiaries

	(In Millions) Six Months Ended June 30,	
	2013	2012
OPERATING ACTIVITIES		
Net income	**$ 262.1**	$ 665.7
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation, depletion and amortization	**284.9**	249.4
Derivatives and currency hedges	**40.2**	9.0
Equity loss in ventures (net of tax)	**73.4**	7.4
Deferred income taxes	**(121.5)**	(259.2)
Changes in deferred revenue and below-market sales contracts	**(31.7)**	(23.2)
Other	**(29.6)**	(40.7)
Changes in operating assets and liabilities:		
Receivables and other assets	**87.2**	(86.4)
Product inventories	**(105.8)**	(265.9)
Payables and accrued expenses	**(70.3)**	(288.9)
Net cash provided (used) by operating activities	**388.9**	(32.8)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(501.2)**	(517.0)
Other investing activities	**0.9**	(3.9)
Net cash used by investing activities	**(500.3)**	(520.9)
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)**	(25.0)
Borrowings under credit facilities	**437.0**	550.0
Repayment under credit facilities	**(322.0)**	(225.0)
Contributions by joint ventures, net	**13.0**	31.5
Common stock dividends	**(46.0)**	(128.8)
Preferred stock dividends	**(10.0)**	—
Other financing activities	**(26.3)**	(11.1)
Net cash provided by financing activities	**193.3**	191.6
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**(13.8)**	(0.3)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**68.1**	(362.4)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**195.2**	521.6
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**$ 263.3**	$ 159.2

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 six months ended June 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.

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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 June 30, 2013 and December 31, 2012. Parentheses indicate a net liability.

				(In Millions)	
Investment	**Classification**	**Accounting Method**	**Interest Percentage**	**June 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	**6.4**	(2.1)
Other	*Investments in ventures*	Equity Method	Various	**32.9**	33.9
				$ 68.7	$ 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 our30 percent interest in Amapá. Together with Anglo American plc, we will be selling 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. The investigation into the root cause of the collapse is ongoing as Anglo American develops a business continuation plan. The previously announced sale transaction remains in place, but without a projected closing date until the port situation is clarified.

In light of the March 28, 2013 collapse of the Santana port shiploader and subsequent discussions with Anglo American plc, we have evaluated the carrying value of our investment in Amapá as of June 30, 2013 and do not expect to recover the amounts previously recorded in our financial statements, resulting in an impairment charge of $67.6 million in the second 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 as consideration under the asset sale agreement, 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. Final settlement of the sale was completed during the second quarter of 2013. We transferred approximately $18.6 million relating to the estimated cost of the rehabilitation, upon final settlement of the sale.

Discontinued Operations

On July 10, 2012, we entered into a definitive share and asset sale agreement to sell our45 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 - *Asia Pacific Iron Ore*	Units of production	Life of mine
Permits - *All Other*	Straight line	15 - 40
Utility contracts	Straight line	5
Leases - *North American Coal*	Units of production	Life of mine
Leases - *All Other*	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 depositary 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 depositary 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 depositary 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

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 five 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 six months ended June 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 June 30,				**Six Months Ended June 30,**			
	2013		2012		**2013**		2012	
Revenues from product sales and services:								
U.S. Iron Ore	**$ 701.7**	**47%**	$ 705.0	45%	**$ 1,111.8**	**42%**	$ 1,146.7	41%
Eastern Canadian Iron Ore	**213.9**	**14%**	303.9	19%	**459.2**	**17%**	524.6	19%
Asia Pacific Iron Ore	**327.0**	**22%**	361.3	23%	**597.8**	**23%**	721.1	26%
North American Coal	**245.9**	**17%**	209.2	13%	**460.2**	**18%**	399.2	14%
Other	**—**	**—%**	—	—%	**—**	**—%**	0.1	—%
Total revenues from product sales and services	**$ 1,488.5**	**100%**	$ 1,579.4	100%	**$ 2,629.0**	**100%**	$ 2,791.7	100%
Sales margin:								
U.S. Iron Ore	**$ 216.3**		$ 286.1		**$ 373.6**		$ 452.9	
Eastern Canadian Iron Ore	**(49.7)**		11.7		**(30.3)**		(2.6)	
Asia Pacific Iron Ore	**95.0**		146.8		**156.3**		271.9	
North American Coal	**6.6**		(9.6)		**8.4**		5.0	
Other	**—**		8.4		**(1.9)**		8.0	
Sales margin	**268.2**		443.4		**506.1**		735.2	
Other operating expense	**(6.2)**		(81.5)		**(75.8)**		(150.3)	
Other income (expense)	**(43.5)**		(47.5)		**(91.5)**		(90.8)	
Income from continuing operations before income taxes and equity loss from ventures	**$ 218.5**		$ 314.4		**$ 338.8**		$ 494.1	
Depreciation, depletion and amortization:								
U.S. Iron Ore	**$ 28.4**		$ 23.8		**$ 55.0**		$ 47.0	
Eastern Canadian Iron Ore	**42.4**		38.6		**83.5**		76.5	
Asia Pacific Iron Ore	**41.7**		39.8		**78.1**		69.8	
North American Coal	**28.4**		24.3		**60.9**		44.4	
Other	**3.4**		5.6		**7.4**		11.7	
Total depreciation, depletion and amortization	**$ 144.3**		$ 132.1		**$ 284.9**		$ 249.4	
Capital additions (1):								
U.S. Iron Ore	**$ 12.2**		$ 28.1		**$ 23.9**		$ 62.9	
Eastern Canadian Iron Ore	**186.8**		177.3		**353.8**		307.9	
Asia Pacific Iron Ore	**2.3**		16.9		**6.6**		126.2	
North American Coal	**15.7**		32.7		**26.8**		71.8	
Other	**1.1**		11.1		**2.7**		50.7	
Total capital additions	**$ 218.1**		$ 266.1		**$ 413.8**		$ 619.5	

(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)	
	June 30, 2013	December 31, 2012
Assets:		
U.S. Iron Ore	**$ 1,791.6**	$ 1,735.1
Eastern Canadian Iron Ore	**7,860.8**	7,605.1
Asia Pacific Iron Ore	**1,261.6**	1,506.3
North American Coal	**1,867.7**	1,877.8
Other	**643.9**	570.9
Total segment assets	**13,425.6**	13,295.2
Corporate	**169.3**	279.7
Total assets	**$ 13,594.9**	$ 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 theStatements of Unaudited Condensed Consolidated Financial Position as of June 30, 2013 and December 31, 2012:

	(In Millions)							
	Derivative Assets				**Derivative Liabilities**			
	June 30, 2013		December 31, 2012		**June 30, 2013**		December 31, 2012	
Derivative Instrument	**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:								
Foreign Exchange Contracts		**$ —**	*Derivative assets*	$ 16.2	*Derivative liabilities*	**$ 56.6**	*Derivative liabilities*	$ 1.9
Total derivatives designated as hedging instruments under ASC 815		**$ —**		$ 16.2		**$ 56.6**		$ 1.9
Derivatives not designated as hedging instruments under ASC 815:								
Customer Supply Agreements	*Derivative assets*	**$ 44.2**	*Derivative assets*	$ 58.9		**$ —**		$ —
Provisional Pricing Arrangements	*Derivative assets*	**0.9**	*Derivative assets*	3.5	*Derivative liabilities*	**32.0**	*Derivative liabilities*	11.3
Total derivatives not designated as hedging instruments under ASC 815		**$ 45.1**		$ 62.4		**$ 32.0**		$ 11.3
Total derivatives		**$ 45.1**		$ 78.6		**$ 88.6**		$ 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 June 30, 2013, we had outstanding Australian and Canadian foreign currency exchange contracts with notional amounts of $358.0 million and $611.7 million, respectively, in the form of forward contracts with varying maturity dates ranging from July 2013 to June 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 June 30, 2013 and 2012, there were 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 $24.7 million and $15.6 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 hedging instruments, net of tax in *Accumulated other comprehensive loss* in the Statements of Unaudited Condensed Consolidated Operations for the three and six months ended June 30, 2013 and 2012:

	(In Millions)				
Derivatives in Cash Flow Hedging Relationships	**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 June 30,			**Three Months Ended June 30,**	
	2013	2012		**2013**	2012
Australian Dollar Foreign Exchange Contracts *(hedge designation)*	**$ (31.3)**	$ 2.1	*Product revenues*	**$ 2.6**	$ (0.4)
Canadian Dollar Foreign Exchange Contracts *(hedge designation)*	**(10.9)**	(5.9)	*Cost of goods sold and operating expenses*	**(0.4)**	(0.2)
Total	**$ (42.2)**	$ (3.8)		**$ 2.2**	$ (0.6)
	Six Months Ended June 30,			**Six Months Ended June 30,**	
	2013	2012		**2013**	2012
Australian Dollar Foreign Exchange Contracts *(hedge designation)*	**$ (28.1)**	$ 5.1	*Product revenues*	**$ 4.4**	$ 2.7
Canadian Dollar Foreign Exchange Contracts *(hedge designation)*	**(19.1)**	(5.2)	*Cost of goods sold and operating expenses*	**(0.2)**	0.3
	$ (47.2)	$ (0.1)		**$ 4.2**	$ 3.0

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 $35.4 million and $59.5 million as *Product revenues* in the Statements of Unaudited Condensed Consolidated Operations for the three and six months ended June 30, 2013, respectively, related to the supplemental payments. This compares with *Product revenues* of $42.6 million and $82.0 million for the comparable respective periods in 2012. *Derivative assets*, representing the fair value of the pricing factors, were $44.2 million and $58.9 million in the June 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. We have recorded $0.9 million and $3.5 million, respectively, as *Derivative assets* and $32.0 million and $11.3 million, respectively, as *Derivative liabilities* in the Statements of Unaudited Condensed Consolidated Financial Position at June 30, 2013 and December 31, 2012, respectively, 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 June 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 $28.2 million and a net $31.1 million as a decrease in *Product revenues* in the Statements of Unaudited Condensed Consolidated Operations for the three and six months ended June 30, 2013, respectively, related to these arrangements. This compares with a net $5.2 million decrease and a net $2.2 million decrease in *Product revenues* for the comparable respective periods in 2012.

In instances when we were still working to revise components of the pricing calculations referenced within our supply agreements to incorporate new market inputs to the pricing mechanisms, we recorded certain shipments made to customers based on an agreed-upon provisional price. The shipments were recorded based on the provisional price until settlement of the market inputs to the pricing mechanisms were finalized. The lack of agreed-upon market inputs resulted in these provisional prices being characterized as derivatives. The derivative instrument, which will be settled and billed or credited once the determinations of the market inputs to the pricing mechanisms are finalized, was adjusted to fair value through *Product revenues* each reporting period based upon current market data and forward-looking estimates determined by management. During the third quarter of 2012, we reached final pricing settlements on the customer supply agreements in which components of the pricing calculations still were being revised. As such, at June 30, 2013, no shipments were recorded based upon this type of provisional pricing. For the three and six months ended June 30, 2012, we recognized $96.1 million as an increase in *Product revenues* in the Statements of Unaudited Condensed Consolidated Operations under the pricing provisions for certain shipments to one U.S. Iron Ore customer as we were still in the process of revising the terms of the related customer supply agreement.

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 six months ended June 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 June 30,		**Six Months Ended June 30,**	
		2013	2012	**2013**	2012
Foreign Exchange Contracts	*Other income (expense)*	**$ —**	$ —	**$ —**	$ 0.3
Customer Supply Agreements	*Product revenues*	**35.4**	42.6	**59.5**	82.0
Provisional Pricing Arrangements	*Product revenues*	**(28.2)**	98.3	**(31.1)**	98.3
Total		**$ 7.2**	$ 140.9	**$ 28.4**	$ 180.6

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 June 30, 2013 and December 31, 2012:

	(In Millions)					
	June 30, 2013			December 31, 2012		
Segment	**Finished Goods**	**Work-in Process**	**Total Inventory**	Finished Goods	Work-in Process	Total Inventory
U.S. Iron Ore	**$ 242.1**	**$ 22.2**	**$ 264.3**	$ 147.2	$ 22.9	$ 170.1
Eastern Canadian Iron Ore	**94.0**	**36.5**	**130.5**	62.6	44.2	106.8
Asia Pacific Iron Ore	**51.6**	**28.4**	**80.0**	36.7	37.2	73.9
North American Coal	**40.2**	**14.2**	**54.4**	36.7	49.0	85.7
Total	**$ 427.9**	**$ 101.3**	**$ 529.2**	$ 283.2	$ 153.3	$ 436.5

We recorded lower-of-cost-or-market inventory charges of $0.7 million and $2.7 million in *Cost of goods sold and operating expenses* in the Statements of Unaudited Condensed Consolidated Operations for the three and six months ended June 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 six months ended June 30, 2012, we recorded lower-of-cost-or-market inventory charges of $8.6 million and $9.9 million, respectively, for our North American Coal operations due to softening in the market prices for coal.

We recorded a lower-of-cost-or-market inventory charge during the second quarter of 2013 of $11.1 million relating to Wabush pellets that are contractually committed tons. We additionally recorded a lower-of-cost-or-market inventory charge during the second quarter of 2013 of $4.7 million relating to the Wabush sinter feed caused by higher costs as a result of the transition of product being produced and the forest fire that temporarily idled the mine in June. An unsaleable inventory impairment charge was recorded in the second quarter of 2013 relating to Wabush pellets of $10.6 million as a result of our idling of the Wabush pellet plant during the second quarter of 2013. All of these charges recorded during the second quarter were recorded in *Cost of goods sold and operating expenses* in the Statements of Unaudited Condensed Consolidated Operations for the three and six months ended June 30, 2013 for our Eastern Canadian Iron Ore operations.

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 June 30, 2013 and December 31, 2012:

	(In Millions)	
	June 30, 2013	December 31, 2012
Land rights and mineral rights	**$ 7,807.6**	$ 7,920.8
Office and information technology	**118.8**	92.4
Buildings	**184.9**	162.0
Mining equipment	**1,401.3**	1,290.7
Processing equipment	**2,069.5**	1,937.4
Railroad equipment	**218.9**	240.8
Electric power facilities	**62.1**	58.7
Port facilities	**100.7**	114.3
Interest capitalized during construction	**23.1**	20.8
Land improvements	**60.0**	43.9
Other	**37.5**	39.0
Construction in progress	**1,131.6**	1,123.9
	13,216.0	13,044.7
Allowance for depreciation and depletion	**(2,026.4)**	(1,837.4)
	$ 11,189.6	$ 11,207.3

We recorded depreciation and depletion expense of $138.9 million and $274.9 million in the Statements of Unaudited Condensed Consolidated Operations for the three and six months ended June 30, 2013, respectively. This compares with depreciation and depletion expense of $125.8 million and $237.2 million for the three and six months ended June 30, 2012, respectively.

The accumulated amount of capitalized interest included within construction in progress at June 30, 2013 is $28.6 million, of which $13.8 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 have 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.

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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 June 30,		Six Months Ended June 30,	
	2013	2012	**2013**	2012
REVENUES FROM PRODUCT SALES AND SERVICES				
Product	**$ —**	$ 46.6	**$ —**	$ 99.0
INCOME FROM DISCONTINUED OPERATIONS, net of tax	**$ —**	$ 2.3	**$ —**	$ 7.8

We recorded income from discontinued operations of $2.3 million, net of $1.0 million in tax expense, and income from discontinued operations of $7.8 million, net of $3.3 million in tax expense in *Income from Discontinued Operations, net of tax* in the Statements of Unaudited Condensed Consolidated Operations for the three and six months ended June 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 six months ended June 30, 2013 and the year ended December 31, 2012:

	(In Millions)											
	June 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	**—**	**—**	**(10.2)**	**—**	**—**	**(10.2)**	—	—	1.5	—	—	1.5
Ending Balance	**$ 2.0**	**$ —**	**$ 74.3**	**$ —**	**$ 80.9**	**$ 157.2**	$ 2.0	$ —	$ 84.5	$ —	$ 80.9	$ 167.4
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 June 30, 2013 and December 31, 2012:

		(In Millions)					
		June 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	*Intangible assets, net*	**$ 129.3**	**$ (33.3)**	**$ 96.0**	$ 136.1	$ (31.7)	$ 104.4
Utility contracts	*Intangible assets, net*	**54.7**	**(38.0)**	**16.7**	54.7	(32.4)	22.3
Leases	*Intangible assets, net*	**5.7**	**(3.4)**	**2.3**	5.7	(3.4)	2.3
Total intangible assets		**$ 189.7**	**$ (74.7)**	**$ 115.0**	$ 196.5	$ (67.5)	$ 129.0
Below-market sales contracts	*Other current liabilities*	**$ (46.0)**	**$ 7.6**	**$ (38.4)**	$ (46.0)	$ —	$ (46.0)
Below-market sales contracts	*Other liabilities*	**(250.7)**	**190.6**	**(60.1)**	(250.7)	181.6	(69.1)
Total below-market sales contracts		**$ (296.7)**	**$ 198.2**	**$ (98.5)**	$ (296.7)	$ 181.6	$ (115.1)

Amortization expense relating to intangible assets was $5.3 million and $10.0 million for the three and six months ended June 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 $4.5 million and $9.3 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 six months)	$ 11.0
2014	19.3
2015	8.5
2016	8.4
2017	8.4
2018	7.8
Total	$ 63.4

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 each of the three and six months ended June 30, 2013 and 2012, we recognized $14.7 million and $16.6 million, respectively, in *Product revenues* related to the below-market sales contracts. 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 six months)	$ 29.4
2014	23.1
2015	23.0
2016	23.0
Total	$ 98.5

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NOTE 8 - FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	(In Millions)			
	June 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	$ 140.0	$ —	$ —	$ 140.0
Derivative assets	—	—	45.1	45.1
Marketable securities	23.2	—	—	23.2
Foreign exchange contracts	—	—	—	—
Total	$ 163.2	$ —	$ 45.1	$ 208.3
Liabilities:				
Derivative liabilities	$ —	$ —	$ 32.0	$ 32.0
Foreign exchange contracts	—	56.6	—	56.6
Total	$ —	$ 56.6	$ 32.0	$ 88.6

	(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	$ 127.0	$ 16.2	$ 62.4	$ 205.6
Liabilities:				
Derivative liabilities	$ —	$ —	$ 11.3	$ 11.3
Foreign exchange contracts	—	1.9	—	1.9
Total	$ —	$ 1.9	$ 11.3	$ 13.2

Financial assets classified in Level 1 at June 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 June 30, 2013 and 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 June 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 June 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 June 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 6/30/2013	Balance Sheet Location	Valuation Technique	Unobservable Input	Range or Point Estimate (Weighted Average)
Provisional Pricing Arrangements	$ 0.9	*Derivative assets*	Market Approach	Managements Estimate of 62% Fe	$116
	$ 32.0	*Derivative liabilities*			
Customer Supply Agreement	$ 44.2	*Derivative assets*	Market Approach	Hot-Rolled Steel Estimate	$580 - $630 ($615)

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 first half 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 six months ended June 30, 2013 and 2012.

	(In Millions)			
	Derivative Assets (Level 3)			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	**2013**	2012
Beginning balance	**$ 53.3**	$ 69.2	**$ 62.4**	$ 157.9
Total gains				
Included in earnings	**32.4**	61.4	**60.4**	104.7
Settlements	**(40.6)**	(46.7)	**(77.7)**	(178.7)
Transfers into Level 3	**—**	—	**—**	—
Transfers out of Level 3	**—**	—	**—**	—
Ending balance - June 30	**$ 45.1**	$ 83.9	**$ 45.1**	$ 83.9
Total gains for the period included in earnings attributable to the change in unrealized gains on assets still held at the reporting date	**$ 32.4**	$ 61.4	**$ 60.4**	$ 104.7

	(In Millions)			
	Derivative Liabilities (Level 3)			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	**2013**	2012
Beginning balance	**$ (6.8)**	$ (1.1)	**$ (11.3)**	$ (19.5)
Total gains				
Included in earnings	**(25.2)**	(14.7)	**(32.0)**	(15.8)
Settlements	**—**	—	**11.3**	19.5
Transfers into Level 3	**—**	—	**—**	—
Transfers out of Level 3	**—**	—	**—**	—
Ending balance - June 30	**$ (32.0)**	$ (15.8)	**$ (32.0)**	$ (15.8)
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	**$ (25.2)**	$ (14.7)	**$ (32.0)**	$ (15.8)

Gains and losses included in earnings are reported in *Product revenues* in the Statements of Unaudited Condensed Consolidated Operations for the three and six months ended June 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 June 30, 2013 and December 31, 2012 were as follows:

		(In Millions)			
		June 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	**15.4**	**16.7**	19.3	21.3
Other	Level 2	**9.8**	**9.8**	10.9	10.9
Total receivables		**$ 25.2**	**$ 26.5**	$ 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**	**718.9**	699.4	759.4
Senior notes—$1.3 billion	Level 2	**1,289.5**	**1,450.6**	1,289.4	1,524.7
Senior notes—$400 million	Level 2	**398.3**	**440.5**	398.2	464.3
Senior notes—$500 million	Level 2	**496.1**	**514.7**	495.7	528.4
Revolving loan	Level 2	**440.0**	**440.0**	325.0	325.0
Total long-term debt		**$ 3,323.3**	**$ 3,564.7**	$ 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 is repaid in 2013. Interest is 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 classified as current and was 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 represents 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 $15.4 million and $19.3 million at June 30, 2013 and December 31, 2012, respectively, of which $10.0 million was recorded in *Other current assets* at June 30, 2013 and December 31, 2012. The fair value of the receivable of $16.7 million and $21.3 million at June 30, 2013 and December 31, 2012, respectively, is based on a discount rate of 2.40 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 June 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)				
	June 30, 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**	**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 to discussions with Anglo American plc, we have evaluated the carrying value of our investment in Amapá as of June 30, 2013 and do not expect to recover the amounts previously recorded in our financial statements, resulting in 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 our30 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 June 30, 2013 and December 31, 2012:

($ in Millions) June 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**	**790.3**	**(4)**
$400 Million 5.90% 2020 Senior Notes	**Fixed**	**5.98%**	**2020**	**400.0**	**398.3**	**(5)**
$500 Million 3.95% 2018 Senior Notes	**Fixed**	**4.14%**	**2018**	**500.0**	**496.1**	**(6)**
$1.75 Billion Credit Facility:						
Revolving Loan	**Variable**	**2.05%**	**2017**	**1,750.0**	**440.0**	**(7)**
Total debt				**$ 4,650.0**	**$ 3,323.3**	
Less current portion					**—**	
Long-term debt					**$ 3,323.3**	

($ 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	(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 down 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 June 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 June 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 June 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 $9.7 million and $9.8 million, respectively, based on an imputed interest rate of 6.34 percent.

(5) As of June 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 $1.7 million and $1.8 million, respectively, based on an imputed interest rate of 5.98 percent.

(6) As of June 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 $3.9 million and $4.3 million, respectively, based on an imputed interest rate of 4.14 percent.

(7) As of June 30, 2013 and December 31, 2012, $440.0 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 June 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.

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$40.0 million ($36.6 million at June 30, 2013 and $41.6 million at December 31, 2012) 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. As of June 30, 2013, the outstanding bank guarantees under this facility totaled A$22.7 million ($20.8 million), thereby reducing borrowing capacity to A$17.3 million ($15.8 million). As of December 31, 2012, the outstanding bank guarantees under this 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

In conjunction with our acquisition of Consolidated Thompson, we issued standby letters of credit with certain financial institutions in order to support Consolidated Thompson's and 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 June 30, 2013 and December 31, 2012, these letter of credit obligations totaled $92.6 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 June 30, 2013:

	(In Millions)
	Maturities of Debt
2013 (July 1 - December 31)	$ —
2014	—
2015	—
2016	—
2017	—
2018 and thereafter	2,900.0
Total maturities of debt	$ 2,900.0

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 $7.4 million and $14.2 million for the three and six months ended June 30, 2013, respectively, compared with $6.2 million and $12.5 million for the same respective periods in 2012.

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

	(In Millions)	
	Capital Leases	Operating Leases
2013 (July 1 - December 31)	$ 35.8	$ 13.4
2014	65.0	20.1
2015	53.6	13.4
2016	38.2	8.3
2017	31.1	7.5
2018 and thereafter	84.6	21.5
Total minimum lease payments	$ 308.3	$ 84.2
Amounts representing interest	63.3	
Present value of net minimum lease payments	$ 245.0 (1)	

(1) The total is comprised of $50.5 million and $194.5 million classified as *Other current liabilities* and *Other liabilities*, respectively, in the Statements of Unaudited Condensed Consolidated Financial Position at June 30, 2013.

NOTE 11 - ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS

We had environmental and mine closure liabilities of $248.0 million and $265.1 million at June 30, 2013 and December 31, 2012, respectively. The following is a summary of the obligations as of June 30, 2013 and as of the year ended December 31, 2012:

	(In Millions)	
	June 30, 2013	December 31, 2012
Environmental	**$ 9.1**	$ 15.7
Mine closure		
LTVSMC	**19.1**	18.3
Operating mines:		
U.S. Iron Ore	**85.1**	81.2
Eastern Canadian Iron Ore	**75.0**	88.9
Asia Pacific Iron Ore	**20.2**	22.4
North American Coal	**39.5**	38.6
Total mine closure	**238.9**	249.4
Total environmental and mine closure obligations	**248.0**	265.1
Less current portion	**12.2**	12.3
Long term environmental and mine closure obligations	**$ 235.8**	$ 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 thesix months ended June 30, 2013 and the year ended December 31, 2012:

	(In Millions)	
	June 30, 2013	December 31, 2012 (1)
Asset retirement obligation at beginning of period	**$ 231.1**	$ 194.9
Accretion expense	**9.0**	17.6
Exchange rate changes	**(2.9)**	0.3
Revision in estimated cash flows	**(17.1)**	18.2
Payments	**(0.3)**	0.1
Asset retirement obligation at end of period	**$ 219.8**	$ 231.1

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

NOTE 12 - PENSIONS AND OTHER POSTRETIREMENT BENEFITS

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

Defined Benefit Pension Expense

	(In Millions)			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	**2013**	2012
Service cost	**$ 9.7**	$ 8.0	**$ 19.6**	$ 16.0
Interest cost	**11.7**	12.3	**23.2**	24.3
Expected return on plan assets	**(20.0)**	(15.0)	**(33.1)**	(29.8)
Amortization:				
Prior service costs	**0.8**	0.9	**1.5**	1.9
Net actuarial loss	**8.2**	7.6	**15.0**	15.0
Net periodic benefit cost	**$ 10.4**	$ 13.8	**$ 26.2**	$ 27.4

Other Postretirement Benefits Expense

	(In Millions)			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	**2013**	2012
Service cost	**$ 3.1**	$ 3.9	**$ 6.2**	$ 7.5
Interest cost	**4.4**	5.4	**8.7**	10.6
Expected return on plan assets	**(5.0)**	(4.3)	**(10.0)**	(8.6)
Amortization:				
Prior service costs	**(0.9)**	0.8	**(1.8)**	1.5
Net actuarial loss	**3.0**	2.7	**5.8**	5.6
Net periodic benefit cost	**$ 4.6**	$ 8.5	**$ 8.9**	$ 16.6

We made pension contributions of $11.4 million and $15.1 million for the three and six months ended June 30, 2013, respectively, compared to pension contributions of $7.6 million and $24.9 million for the three and six months ended June 30, 2012, respectively. The OPEB contributions, made annually in the first quarter, were $14.1 million and $21.9 million for the six months ended June 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 5.0 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 half of 2013 of approximately $13.7 million. 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

Depositary Shares

On February 21, 2013, we issued 29.25 million depositary shares, equivalent to 731,250 preferred shares, comprised of the 27.0 million depositary share offering and the exercise of an underwriters' over-allotment option to purchase an additional 2.25 million depositary shares. Each depositary 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 depositary 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 depositary 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 depositary 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 depositary 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 Stock 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 depositary 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 depositary share. The cash dividend of $12.9 million will be payable on August 1, 2013 to our shareholders of record as of the close of business on July 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 and June 3, 2013 to our common shareholders of record as of the close of business on February 22, 2013 and May 17, 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 six months ended June 30, 2013 and June 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	**253.0**	**9.1**	**262.1**
Other comprehensive income (loss)	**(184.0)**	**2.3**	**(181.7)**
Total comprehensive income	**69.0**	**11.4**	**80.4**
Issuance of common shares	**263.4**	**—**	**263.4**
Issuance of Preferred Shares	**731.3**	**—**	**731.3**
Stock and other incentive plans	**3.7**	**—**	**3.7**
Common and Preferred Shares dividends	**(68.9)**	**—**	**(68.9)**
Capital contribution by noncontrolling interest to subsidiary	**—**	**13.0**	**13.0**
June 30, 2013	**$ 5,631.2**	**$ 1,152.6**	**$ 6,783.8**

	(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	633.8	31.9	665.7
Other comprehensive income	2.7	3.0	5.7
Total comprehensive income	636.5	34.9	671.4
Stock and other incentive plans	2.3	—	2.3
Common shares dividends	(128.8)	—	(128.8)
Undistributed gains to noncontrolling interest	—	8.6	8.6
Capital contribution by noncontrolling interest to subsidiary	—	22.3	22.3
Acquisition of controlling interest	—	(8.0)	(8.0)
June 30, 2012	$ 6,295.0	$ 1,312.5	$ 7,607.5

The following table reflects the changes in *Accumulated other comprehensive income (loss)* related to Cliffs shareholders' equity for June 30, 2013 and June 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 loss before reclassifications	**(1.1)**	**2.5**	**3.3**	**(5.0)**	**$ (0.3)**
Amounts 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)**
Amounts 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)**

	(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, 2011	$ (408.9)	$ 2.6	$ 312.5	$ 1.2	$ (92.6)
Change during 2012	10.3	(0.5)	(6.5)	(0.6)	2.7
Balance June 30, 2012	$ (398.6)	$ 2.1	$ 306.0	$ 0.6	$ (89.9)

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

Details about Accumulated Other Comprehensive Income (Loss) Components	**Amount of Gain (Loss) Reclassified from Accumulated OCI into Income**		**Affected Line Item in the Statement of Unaudited Condensed Consolidated Operations**
	Three Months Ended June 30, 2013	**Six Months Ended June 30, 2013**	
Amortization of Pension and Postretirement Benefit Liability:			
Prior-service costs	**$ (0.1)**	**$ (0.3)**	(1)
Net actuarial loss	**11.2**	**20.8**	(1)
	11.1	**20.5**	Total before taxes
	(3.0)	**(6.0)**	*Income tax benefit (expense)*
	$ 8.1	**$ 14.5**	Net of taxes
Unrealized gain (loss) on securities:			
Sale of marketable securities	**$ (1.1)**	**$ (1.1)**	*Other non-operating expense*
Impairment	**$ 5.2**	**$ 5.3**	*Other non-operating expense*
	4.1	**4.2**	Total before taxes
	(0.5)	**(0.5)**	*Income tax benefit (expense)*
	$ 3.6	**$ 3.7**	Net of taxes
Unrealized gain (loss) on derivative financial instruments:			
Australian dollar foreign exchange contracts	**$ (3.7)**	**$ (6.3)**	*Product revenues*
Canadian dollar foreign exchange contracts	**0.6**	**0.3**	*Cost of goods sold and operating expenses*
	(3.1)	**(6.0)**	Total before taxes
	0.9	**1.8**	*Income tax benefit (expense)*
	$ (2.2)	**$ (4.2)**	Net of taxes
Total Reclassifications for the Period	**$ 9.5**	**$ 14.0**	

(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 June 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 June 30,		Six Months Ended June 30,	
	2013	2012	**2013**	2012
Product revenues from related parties	**$ 455.0**	$ 465.4	**$ 756.2**	$ 797.3
Total product revenues	**1,391.6**	1,500.0	**2,474.2**	2,648.5
Related party product revenue as a percent of total product revenue	**32.7%**	31.0%	**30.6%**	30.1%

Amounts due from related parties recorded in *Accounts receivable, net* and *Derivative assets,* including customer supply agreements and provisional pricing arrangements, were $155.4 million and $149.8 million at June 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 $25.3 million and $20.2 million at June 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 June 30,		Six Months Ended June 30,	
	2013	2012	**2013**	2012
Net Income from Continuing Operations attributable to Cliffs shareholders	**$ 146.0**	$ 255.7	**$ 253.0**	$ 626.0
Income from Discontinued Operations, net of tax	**—**	2.3	**—**	7.8
NET INCOME ATTRIBUTABLE TO CLIFFS SHAREHOLDERS	**$ 146.0**	$ 258.0	**$ 253.0**	$ 633.8
PREFERRED STOCK DIVIDENDS	**(12.9)**	—	**(22.8)**	—
NET INCOME ATTRIBUTABLE TO COMMON SHAREHOLDERS	**$ 133.1**	$ 258.0	**$ 230.2**	$ 633.8
Weighted Average Number of Shares:				
Basic	**153.0**	142.4	**150.4**	142.3
Depositary Shares	**25.2**	—	**19.1**	—
Employee Stock Plans	**0.2**	0.4	**0.2**	0.5
Diluted	**178.4**	142.8	**169.7**	142.8
Earnings per Common Share Attributable to Cliffs Shareholders - Basic:				
Continuing operations	**$ 0.87**	$ 1.79	**$ 1.53**	$ 4.40
Discontinued operations	**—**	0.02	**—**	0.05
	$ 0.87	$ 1.81	**$ 1.53**	$ 4.45
Earnings per Common Share Attributable to Cliffs Shareholders - Diluted:				
Continuing operations	**$ 0.82**	$ 1.79	**$ 1.49**	$ 4.39
Discontinued operations	**—**	0.02	**—**	0.05
	$ 0.82	$ 1.81	**$ 1.49**	$ 4.44

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 delaying 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 June 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 $1.1 billion had been expended. Of the remaining committed capital, expenditures of approximately $205 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 six months endedJune 30, 2013 and 2012 is as follows:

	(In Millions)	
	Six Months Ended June 30,	
	2013	2012
Capital additions	**$ 413.8**	$ 619.5
Cash paid for capital expenditures	**501.2**	517.0
Difference	**$ (87.4)**	$ 102.5
Non-cash accruals	**$ (87.4)**	$ 53.1
Capital leases	**—**	49.4
Total	**$ (87.4)**	$ 102.5

Non-Cash Financing Activities - Declared Dividends

On May 7, 2013, our board of directors declared the quarterly cash dividend on our7.00 percent Series A Mandatory Convertible Preferred Stock, Class A, of $17.50 per share, which is equivalent to approximately $0.44 per depositary share, each representing 1/40th of a share of Series A preferred stock. The cash dividend of $12.9 million will be payable on August 1, 2013 to our shareholders of record as of the close of business on July 15, 2013.

NOTE 21 - SUBSEQUENT EVENTS

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

On July 9, 2013, the Company announced the following executive management changes:

- Joseph Carrabba will retire as president and chief executive officer effective no later than December 31, 2013.
- Laurie Brlas retired as executive vice president and president, global operations, effective July 9, 2013.
- James Kirsch was elected non-executive chairman of the Board, replacing Mr. Carrabba's former role as chairman.

To facilitate the transition, the Company has formed an Office of the Chairman, led by Mr. Kirsch. Management has evaluated the financial impact of these executive management changes and does not anticipate a material impact on our future financial results.

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 operate five iron ore mines in Michigan and Minnesota, five 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 half of 2013, China produced approximately 390 million metric tons of crude steel, or approximately 49 percent of total global crude steel production, whereas the U.S. produced approximately 43 million metric tons of crude steel, or about six percent of total crude steel production. These figures represent an approximate eight percent increase and a six percent decrease, respectively, in crude steel production over the comparable period in 2012.

Global crude steel production continued to grow in the second quarter of 2013, led by increased production in a Chinese economy that grew at a substantial, albeit diminishing, rate. U.S. crude steel production declined in the first half of 2013 when compared to the same period in 2012, as a result of decreased demand for steel-intensive durable goods, as well as a draw down on steel product inventories, which were significantly lower when compared to 2012. Despite these factors, the pricing environment for steelmaking raw materials was healthy, which directly impacted our first half of 2013 performance.

During the remainder of 2013, we expect year-over-year steel production to rise in both the United States and in China. China's growth will be predicated on continued urbanization and the consequent demand for housing and durable goods. In the United States, steel demand is expected to increase due to an accelerating recovery in the domestic housing market and improving demand for automotive products and other durable goods. In addition, U.S. steel demand should benefit from the increased activity in the domestic oil and gas industry.

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 influenced heavily by Chinese demand, and the decrease in spot market prices in the first half of 2013 reflected slowing but continued economic growth 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 decreased 10.8 percent to an average price of $126 per ton for the three months ended June 30, 2013 compared to the respective quarter of 2012. In comparison, the year to date Platts pricing has decreased 3.9 percent to an average price of $137 per ton during the six months ended June 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 is mostly 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 half of 2013, capacity utilization among U.S. steelmaking facilities decreased to an average rate of approximately 77 percent when compared to an average rate of approximately 79 percent in the same period of 2012. The decline in domestic capacity utilization was in line with the trend in global capacity utilization, which decreased in the first half of 2013 to an average rate of approximately 79 percent when compared to an average rate of approximately 81 percent in the same period of 2012. Domestically, both the automotive industry and growth in the oil and natural gas industry supported U.S. steel demand in the first half of 2013, providing sources of healthy demand for our products, and should continue to do so throughout the remainder of 2013.

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 $210 per ton for the three months ended June 30, 2012 to $172 per ton during the second 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 six months ended June 30, 2012 to $169 per ton during the six months ended June 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 six months ended June 30, 2013 decreased to $1.5 billion and $2.6 billion, respectively, with net income from continuing operations per diluted share of $0.82 and $1.49, respectively. This compares with revenues of $1.6 billion and $2.8 billion, with net income from continuing operations per diluted share of $1.79 and $4.39, for the comparable periods in 2012. Revenues during the three and six months ended June 30, 2013 were impacted by a decrease in worldwide iron ore sales volumes offset partially by an increase in North American coal sales volumes. Additionally, revenues were driven by a decrease in the benchmark price as discussed above. Net income in the second quarter and first half of 2013 was impacted negatively by a $67.6 million asset impairment charge related to our investment in Amapá. Net income in the first half of 2012 was impacted positively by 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 half 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 delayed 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 attractive diversification opportunity for us. Currently, due to delayed approval of the Terms of Reference for the provincial environmental assessment process, uncertainty regarding the federal environmental assessment process due to the current judicial challenge by a number of the impacted First Nations, unresolved land surface rights issues following a February 2013 Mining and Land Commissioner hearing and unfinished agreements with the Province of Ontario that are critical to the project's economic viability, we have suspended temporarily 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.

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 six months ended June 30, 2013 and 2012:

	(In Millions)					
	Three Months Ended June 30,			Six Months Ended June 30,		
	2013	2012	Variance Favorable/ (Unfavorable)	**2013**	2012	Variance Favorable/ (Unfavorable)
Revenues from product sales and services	**$ 1,488.5**	$ 1,579.4	$ (90.9)	**$ 2,629.0**	$ 2,791.7	$ (162.7)
Cost of goods sold and operating expenses	**(1,220.3)**	(1,136.0)	(84.3)	**(2,122.9)**	(2,056.5)	(66.4)
Sales margin	**$ 268.2**	$ 443.4	$ (175.2)	**$ 506.1**	$ 735.2	$ (229.1)
Sales margin %	**18.0%**	28.1%	(10.1)%	**19.3%**	26.3%	(7.0)%

Revenues from Product Sales and Services

Sales revenue for the three and six months ended June 30, 2013 decreased $90.9 million and $162.7 million, respectively or 5.8 percent from each of the comparable periods in 2012. The decrease in sales revenue was primarily attributable to lower realized revenue rates. The decrease in our realized revenue rates during the first half of 2013 compared to the first half of 2012 was 4.3 percent, 1.6 percent, 8.5 percent and 11.2 percent for our U.S. Iron Ore, Eastern Canadian Iron Ore, Asia Pacific Iron Ore and North American Coal operations, respectively. The decrease in our realized revenue rates during the second quarter of 2013 compared to the second quarter of 2012 was 7.7 percent, 13.8 percent, 7.1 percent and 12.8 percent for our U.S. Iron Ore, Eastern Canadian Iron Ore, Asia Pacific Iron Ore and North American operations, respectively.

The decrease in sales revenue also resulted from lower worldwide iron ore sales volume of 1.0 million tons or $143.1 million during the first half of 2013 and 230 thousand tons or $39.8 million during the second quarter of 2013 as compared to the same periods in 2012. The declines partially were offset by increased North American Coal sales volume of 556 thousand tons or $67.2 million and 936 thousand tons or $112.6 million for the three and six months ended 2013, respectively, as compared to the same period in 2012.

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 six months ended June 30, 2013 were $1,220.3 million and $2,122.9 million, respectively, which represented an increase of $84.3 million and $66.4 million, or 7.4 percent and 3.2 percent, respectively, from the comparable prior-year periods. As a result of the increase in sales volume at our North American Coal operations, costs of goods sold and operating expenses increased by $70.4 million and $111.0 million for the three and six months ended June 30, 2013, respectively. Additionally, costs of goods sold and operating expenses increased at our U.S Iron Ore operations relating to increased idle costs of $19.2 million and $26.5 million for the three and six months ended June 30, 2013, respectively. Costs of goods sold and operating expenses at our Eastern Canadian Iron Ore operations increased by $26.4 million for the three and six months ended June 30, 2013 related to inventory write-downs. The increases were offset partially by a decrease in our worldwide iron ore sales volumes, which resulted in a reduction to costs of $38.5 million and $98.7 million for the three and six months ended June 30, 2013, respectively.

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)

Following is a summary of other operating income (expense) for the three and six months ended June 30, 2013 and 2012:

	(In Millions)					
	Three Months Ended June 30,			Six Months Ended June 30,		
	2013	2012	Variance Favorable/ (Unfavorable)	**2013**	2012	Variance Favorable/ (Unfavorable)
Selling, general and administrative expenses	**$ (48.9)**	$ (80.8)	$ 31.9	**$ (97.3)**	$ (140.4)	$ 43.1
Exploration costs	**(12.6)**	(29.1)	16.5	**(35.3)**	(47.9)	12.6
Miscellaneous - net	**55.3**	28.4	26.9	**56.8**	38.0	18.8
	$ (6.2)	$ (81.5)	$ 75.3	**$ (75.8)**	$ (150.3)	$ 74.5

Selling, general and administrative expenses during the three and six months ended June 30, 2013 decreased $31.9 million and $43.1 million, respectively, over the comparable periods in 2012 driven by reductions in outside service and technology spending of $17.9 million and $26.7 million respectively, as well as $9.4 million and $10.4 million of reduced general travel and employee-related expenses, respectively.

Exploration costs decreased by $16.5 million and $12.6 million during the three and six months ended June 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 $3.2 million and cost increases of $4.4 million in the second quarter and first half of 2013, respectively, over the comparable prior-year periods. The decrease in the second quarter compared with the comparable period in the prior year was comprised primarily of lower engineering costs, as the feasibility study costs for the base case were higher during the initial stages of the study in the prior year. The increase in the first half of 2013 compared to the comparable period in the prior year was comprised primarily of increased costs to prepare the environmental assessment draft and additional legal costs to address external open issues. Our Global Exploration Group had cost decreases of $12.9 million and $17.6 million in the second quarter and first half of 2013, respectively, over the comparable prior-year periods, due to lower drilling and professional services spend for certain projects.

Miscellaneous – net increased by $26.9 million and $18.8 million during the three and six months ended June 30, 2013, respectively, from the comparable periods in 2012. An increase of $38.6 million and $44.7 million for the three and six months ended June 30, 2013, respectively, 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. In addition, there were gains from the sale of assets of $19.3 million for the three and six months ended June 30, 2013 predominately related to the final transfer of assets associated with the closure of Cockatoo, partially offset by prior-year gains from the sale of assets of $7.0 million for the three and six months ended June 30, 2012. These incremental gains were offset partially by $6.9 million and $17.2 million for the three and six months ended June 30, 2012, respectively, of prior-year insurance recoveries and favorable dispute resolutions with vendors, which did not recur in the current year. Additionally, as a result of minimum contractual shipment tonnage not being met as a result of the delay in the Bloom Lake Phase II expansion, we incurred penalties of $5.6 million during the second quarter of 2013. 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 $33.2 million for the remainder of 2013.

Other Income (Expense)

Following is a summary of other income (expense) for the three and six months ended June 30, 2013 and 2012:

	(In Millions)					
	Three Months Ended June 30,			Six Months Ended June 30,		
	2013	2012	Variance Favorable/ (Unfavorable)	**2013**	2012	Variance Favorable/ (Unfavorable)
Interest expense, net	**$ (40.7)**	$ (45.3)	$ 4.6	**$ (89.8)**	$ (90.4)	$ 0.6
Other non-operating expense	**(2.8)**	(2.2)	(0.6)	**(1.7)**	(0.4)	(1.3)
	$ (43.5)	$ (47.5)	$ 4.0	**$ (91.5)**	$ (90.8)	$ (0.7)

The decrease in interest expense for the three months ended June 30, 2013 compared to the prior year period of 2012 is attributable to the increase in the amount of interest being capitalized in relation to the Bloom Lake Phase II expansion.

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 six months ended June 30, 2013 and 2012:

	(In Millions)					
	Three Months Ended June 30,			Six Months Ended June 30,		
	2013	2012	Variance	**2013**	2012	Variance
Income tax benefit (expense)	**$ (9.3)**	$ (41.9)	$ 32.6	**$ (3.3)**	$ 171.2	$ (174.5)
Effective tax rate	**4.3%**	13.3%	(9.0)%	**1.0%**	(34.6)%	35.6%

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

	(In Millions) Six Months Ended June 30,			
	2013		2012	
Tax at U.S. statutory rate of 35 percent	**$ 118.6**	**35.0 %**	$ 172.9	35.0 %
Increases/(Decreases) due to:				
Percentage depletion	**(66.4)**	**(19.6)**	(37.1)	(7.5)
Impact of foreign operations	**19.0**	**5.6**	(0.5)	(0.1)
Income not subject to tax	**(70.5)**	**(20.9)**	(42.7)	(8.6)
Other items - net	**16.3**	**4.9**	19.9	4.0
Provision for income tax and effective income tax rate before discrete items	**17.0**	**5.0**	112.5	22.8
Discrete items:				
Mineral Resources Rent Tax	**—**	**—**	(314.7)	(63.7)
Prior year adjustments made in current year	**(6.1)**	**(1.8)**	—	—
Foreign exchange remeasurement	**(2.2)**	**(0.7)**	60.5	12.2
Reversal of valuation allowance	**(5.6)**	**(1.6)**	—	—
Tax uncertainties	**0.2**	**0.1**	(29.0)	(5.9)
Other items - net	**—**	**—**	(0.5)	—
Provision for income tax expense (benefit) and effective income tax rate including discrete items	**$ 3.3**	**1.0 %**	$ (171.2)	(34.6)%

Our tax provision for the six months ended June 30, 2013, was an expense of $3.3 million and a 1.0 percent effective tax rate compared with a benefit of $171.2 million and an effective tax rate of negative 34.6 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 an increase 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 six months ended June 30, 2013, provide a benefit of approximately $13.7 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 six months ended June 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 5.0 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 six months ended June 30, 2013 of $67.9 million and $73.4 million, respectively, compares to $0.5 million and $7.4 million, for the respective periods in 2012. The equity loss from ventures for the three and six months ended June 30, 2013 primarily is comprised of the impairment charge of $67.6 million related to our 30 percent ownership interest in Amapá.

Income 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 net income of $2.3 million and $7.8 million for the three and six months ended June 30, 2012, respectively.

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 $3.3 million and the net income attributable to the noncontrolling interest was $2.2 million for the three and six months ended June 30, 2013, respectively, compared to net income attributable to noncontrolling interest of $5.7 million and $4.3 million for the comparable respective periods in 2012.

The net loss attributable to the noncontrolling interest of the Empire mining venture was $1.3 million and the net income attributable to the noncontrolling interest was $7.0 million for the three and six months ended June 30, 2013, respectively, compared to net income attributable to the noncontrolling interest of $10.6 million and $27.6 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 June 30, 2013 and 2012:

	(In Millions)						
	Three Months Ended June 30,		Changes due to:				
	2013	2012	Revenue and cost rate	Sales volume	Idle cost/production volume variance	Freight and reimburse-ment	Total change
Revenues from product sales and services	**$ 701.7**	$ 705.0	$ (52.3)	$ 33.6	$ —	$ 15.4	$ (3.3)
Cost of goods sold and operating expenses	**(485.4)**	(418.9)	(10.7)	(21.2)	(19.2)	(15.4)	(66.5)
Sales margin	**$ 216.3**	$ 286.1	$ (63.0)	$ 12.4	$ (19.2)	$ —	$ (69.8)

	Three Months Ended June 30,			
Per Ton Information	**2013**	2012	Difference	Percent change
Realized product revenue rate[1]	**$ 110.32**	$ 119.51	$ (9.19)	(7.7)%
Cost of goods sold and operating expenses rate[1] (excluding DDA)	**67.59**	62.59	5.00	8.0 %
Depreciation, depletion & amortization	**4.96**	4.37	0.59	13.5 %
Total cost of goods sold and operating expenses rate	**72.55**	66.96	5.59	8.3 %
Sales margin	**$ 37.77**	$ 52.55	$ (14.78)	(28.1)%

Sales tons[2] (In thousands)	**5,727**	5,444
Production tons[2] (In thousands)		
Total	**6,116**	7,224
Cliffs' share of total	**4,387**	5,366

[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 $216.3 million for the three months ended June 30, 2013, compared with a sales margin of $286.1 million for the three months ended June 30, 2012. The decline compared to the prior year primarily is attributable to an increase in cost of goods sold and operating expenses of $66.5 million. Sales margin per ton decreased 28.1 percent to $37.77 per ton in the second quarter of 2013 compared to the second quarter of 2012.

Revenue decreased by $18.7 million, excluding the increase of $15.4 million of freight and reimbursements from the prior year, predominantly as a result of:

- The decline of the average revenue rate resulted in a decrease of $52.3 million. The average realized product revenue rate declined by $9.19 per ton or 7.7 percent to $110.32 per ton in the second quarter of 2013 as a result of:
  - Reductions in customer pricing drove a decrease in the average realized rate by $4.16 per ton due primarily to a reduction in market pricing and lower hot-band-steel pricing, which are key components of many of our pricing mechanisms, offset by net positive contractual benefits due to year-over-year changes in the pricing mechanisms.

- Customer mix was unfavorable to average realized rates by $5.03 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.

- The reduction in revenue rate was offset partially by higher sales volumes of 283 thousand tons or $33.6 million:

  - We were able to place more export tons into Europe including contracts transferred from Wabush.

  - We benefited from additional customer demand including an additional spot contract with a major customer.

  - These volume increases were offset partially by the non-renewal of one customer contract, the bankruptcy of one customer in 2012 and reduced tonnage with another customer due to an unforeseen plant shutdown.

Cost of goods sold and operating expenses in the second quarter of2013 increased $51.1 million, excluding the increase of $15.4 million of freight and reimbursements from the same period in the prior year, primarily as a result of:

- Higher sales volumes that resulted in increased costs of $21.2 million compared to the comparable prior-year period.

- Higher idle costs of $19.2 million due to the previously announced temporarily idle of production at the Empire mine and the idle of two of the four production lines at our Northshore mine.

On a per-ton basis, cost of goods sold and operating expenses increased as a result of:

- Higher fixed costs of $4.62 per ton primarily due to the idling at Empire and Northshore mines increased mine development costs of $2.07 per ton and higher energy costs of $2.93 per ton. These costs were offset partially by lower labor, supplies and repairs and maintenance spending of $4.61 per ton.

- Increased depreciation, depletion and amortization rate period-over-period as a result of significant capital placed into service during 2012 at our Michigan operations.

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

	(In Millions)						
	Six Months Ended June 30,		Changes due to:				
	2013	2012	Revenue and cost rate	Sales volume	Idle cost/production volume variance	Freight and reimburse-ment	Total change
Revenues from product sales and services	**$ 1,111.8**	$ 1,146.7	$ (44.3)	$ (1.8)	$ —	$ 11.2	$ (34.9)
Cost of goods sold and operating expenses	**(738.2)**	(693.8)	(4.5)	(2.2)	(26.5)	(11.2)	(44.4)
Sales margin	**$ 373.6**	$ 452.9	$ (48.8)	$ (4.0)	$ (26.5)	$ —	$ (79.3)

	Six Months Ended June 30,			
Per Ton Information	**2013**	2012	Difference	Percent change
Realized product revenue rate[1]	**$ 113.63**	$ 118.69	$ (5.06)	(4.3)%
Cost of goods sold and operating expenses rate[1] (excluding DDA)	**64.98**	62.03	2.95	4.8 %
Depreciation, depletion & amortization	**6.24**	5.33	0.91	17.1 %
Total cost of goods sold and operating expenses rate	**71.22**	67.36	3.86	5.7 %
Sales margin	**$ 42.41**	$ 51.33	$ (8.92)	(17.4)%
Sales tons[2] (In thousands)	**8,810**	8,823		
Production tons[2] (In thousands)				
Total	**12,983**	14,346		
Cliffs' share of total	**9,601**	10,665		

[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 $373.6 million for the six months ended June 30, 2013, compared with a sales margin of $452.9 million for the six months ended June 30, 2012. The decline compared to the prior year is attributable to an increase in cost of goods sold and operating expenses of $44.4 million as well as a decrease in revenue of $34.9 million. Sales margin per ton decreased 17.4 percent to $42.41 in the first half of 2013 compared to the first half of 2012.

Revenue decreased by $46.1 million, excluding the increase of $11.2 million of freight and reimbursements from the prior year, predominantly due to the decline in the average revenue rate which resulted in a decrease of $44.3 million. The average year-to-date realized product revenue rate declined by $5.06 per ton or 4.3 percent to $113.63 per ton in 2013. This decline is a result of:

- Changes in customer pricing reduced the average revenue rate by $3.52 per ton. This was driven by the year-over-year reduction in market pricing, which is a key component of many of our pricing mechanisms, and hot-band-steel pricing, which impacts revenue generated from specific contracts, which was mitigated by favorable contractual changes to pricing mechanisms on certain contracts.
- Customer mix was unfavorable to realized revenue rates by $1.54 per ton partially due to higher sales tonnage to overseas customers, which have lower realized revenue rates driven by freight.

- Sales tons were lower by 13 thousand tons due to the bankruptcy of one customer in 2012, non-renewal of one customer contract and reduced tonnage with another customer due to an unforeseen plant shutdown. These reductions were offset by higher exports, as we were able to place more export tons into Europe and additional demand including one additional spot contract with a major customer.

Cost of goods sold and operating expenses in the first half of 2013 increased $33.2 million, excluding the increase of $11.2 million of freight and reimbursements from the same period in the prior year, predominantly as a result of:

- Higher idle costs of $26.5 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.

On a per-ton basis, cost of goods sold and operating expenses year-to-date increased by 5.7 percent compared to the six months ended June 30, 2012 as a result of:

- Higher fixed costs of $2.21 per ton primarily related to the idling at Empire and Northshore mines and higher energy costs of $2.96 per ton.
- These costs were offset partially by lower labor, supplies and repairs and maintenance spending of $4.64 per ton.
- The increased depreciation, depletion and amortization rate period-over-period is a result of significant capital placed into service during 2012 at our Michigan operations.

Production

Cliffs' share of production in our U.S. Iron Ore segment decreased by 10.0 percent in the first half of 2013 when compared to the comparable period in 2012. Production during the three months ended June 30, 2013 was impacted negatively by our previously announced idling of the Empire mine, which is expected to resume production in August 2013. Additionally, as previously announced, beginning on January 5, 2013, we idled two of the four furnaces at the Northshore mine, resulting in decreased production when compared to the first half of 2012. Offsetting these declines was increased production at our Tilden mine in the first half of 2013 when compared to the first half of 2012 as a result of planned maintenance in the first half of 2012 that did not recur in the first half of 2013.

Eastern Canadian Iron Ore

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

	(In Millions)							
			Change due to:					
	Three Months Ended June 30,							
	2013	2012	Revenue and cost rate	Sales volume	Idle cost/ production volume variance	Inventory write-down	Exchange rate	Total change
Revenues from product sales and services	**$ 213.9**	$ 303.9	$ (26.7)	$ (63.3)	$ —	$ —	$ —	$ (90.0)
Cost of goods sold and operating expenses	**(263.6)**	(292.2)	(14.0)	56.8	9.3	(26.4)	2.9	28.6
Sales margin	**$ (49.7)**	$ 11.7	$ (40.7)	$ (6.5)	$ 9.3	$ (26.4)	$ 2.9	$ (61.4)

	Three Months Ended June 30,			
Per Ton Information	**2013**	2012	Difference	Percent change
Realized product revenue rate	**$ 110.66**	$ 128.39	$ (17.73)	(13.8)%
Cost of goods sold and operating expenses rate (excluding DDA)	**114.43**	107.14	7.29	6.8 %
Depreciation, depletion & amortization	**21.93**	16.31	5.62	34.5 %
Total cost of goods sold and operating expenses rate	**136.36**	123.45	12.91	10.5 %
Sales margin	**$ (25.70)**	$ 4.94	$ (30.64)	n/m
Sales tons[1] (In thousands)	**1,933**	2,367		
Production tons[1] (In thousands)	**2,111**	1,871		

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

We reported a sales margin loss for our Eastern Canadian Iron Ore segment of $49.7 million for the three months ended June 30, 2013, compared with a sales margin of $11.7 million for the three months ended June 30, 2012. Sales margin per ton decreased to a loss of $25.70 per ton in the second quarter of 2013 compared to a sales margin of $4.94 per ton in the second quarter of 2012.

Revenue decreased by $90.0 million and realized rates declined $17.73 per ton, for the three months ended June 30, 2013 when compared to the same period in the prior year, predominantly as a result of:

- Lower Wabush pellet sales volumes of 454 thousand tons, which resulted in lower revenues of $65.6 million due primarily to the transition and idling of pellet production at the Wabush Scully mine.
- Decreased revenue rate primarily driven by changes in spot market pricing offset by lower freight rates resulted in a decrease of $26.7 million.
    - A decrease in the Platts 62 percent Fe spot rate to an average of $126 per ton from $141 per ton in the comparable prior-year quarter resulted in a decrease of $15 per ton.

- 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 second quarter of 2013, 24 percent of products sold were pellets, compared to 39 percent in the comparable prior-year period, which resulted in the realized revenue rate decreasing by $2 per ton due to fewer sales with pellet premiums.
- Other decreases included lower market premiums for higher iron content and unfavorable provisional adjustments due to the falling Platts pricing in the quarter.
- Offset by a $4 per ton increase to net revenue due to lower freight rates. The Brazil to China benchmark freight rates decreased by nine percent in the second quarter of 2013 compared to the second quarter of 2012.

Cost of goods sold and operating expenses during the three months ended June 30, 2013 decreased from the same period last year by $28.6 million primarily due to:

- Lower Wabush pellet sales volumes resulted in decreased costs of $59.0 million compared to the comparable prior-year period.
- Incremental idle production costs of $9.3 million at our Wabush operations in the second quarter of 2012 did not recur.
- Offset by inventory write-downs at our Wabush operations of $26.4 million related to an unsaleable inventory impairment charge and lower-of-cost-or-market charges.
- Higher pellet inventory cost incurred in the second quarter of 2013 compared to the prior-year quarter resulted in increased costs of $15.1 million. Although production costs have decreased in 2013, there was greater fixed-cost leverage as a result of higher projected full-year production tons in the prior year.

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

	Six Months Ended June 30,		Change due to:					
(In Millions)	**2013**	2012	Revenue and cost rate	Sales volume	Idle cost/ Production volume variance	Inventory write-down	Exchange rate	Total change
Revenues from product sales and services	**$ 459.2**	$ 524.6	$ 5.5	$ (70.9)	$ —	$ —	$ —	$ (65.4)
Cost of goods sold and operating expenses	**(489.5)**	(527.2)	(17.4)	60.0	17.3	(26.4)	4.2	37.7
Sales margin	**$ (30.3)**	$ (2.6)	$ (11.9)	$ (10.9)	$ 17.3	$ (26.4)	$ 4.2	$ (27.7)

	Six Months Ended June 30,			
Per Ton Information	**2013**	2012	Difference	Percent change
Realized product revenue rate	**$ 121.10**	$ 123.06	$ (1.96)	(1.6)%
Cost of goods sold and operating expenses rate (excluding DDA)	**107.07**	105.72	1.35	1.3 %
Depreciation, depletion & amortization	**22.02**	17.95	4.07	22.7 %
Total cost of goods sold and operating expenses rate	**129.09**	123.67	5.42	4.4 %
Sales margin	**$ (7.99)**	$ (0.61)	$ (7.38)	n/m
Sales tons[1] (In thousands)	**3,792**	4,263		
Production tons[1] (In thousands)	**4,130**	3,932		

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

We reported a sales margin loss for our Eastern Canadian Iron Ore segment of $30.3 million for the six months ended June 30, 2013, compared with a sales margin loss of $2.6 million for the six months ended June 30, 2012. Sales margin per ton decreased to a loss of $7.99 per ton in the first half of 2013 compared to a sales margin loss of $0.61 per ton in the first half of 2012.

Revenue decreased by $65.4 million due to 471 thousand fewer tons sold. The reduction in tons sold is related primarily to the transition and idling of pellet production at the Wabush Scully mine as pellet sales decreased by 545 thousand tons period-over-period, which resulted in a decrease to revenue of $79.2 million in the first half of 2013 compared with the same period in 2012.

The average rate reduction of $1.96 per ton was the result of:

- Lower spot market pricing by $5 per ton as the average Platts 62 percent Fe rates declined from $142 per ton in the first half of 2012 to $137 per ton in the first half of 2013;
- Lower pellet premiums of $2 per ton mainly due to the change in product mix as we sold only 23 percent of our tons as pellets in the first half of 2013, compared to 33 percent in the first half of 2012. As our Eastern Canadian Iron Ore business 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; and

- Offset by lower freight rates improving the average revenue rate by $5 per ton. The Brazil to China benchmark freight rates decreased by 12 percent in the first half of 2013 compared to the first half of 2012.

Cost of goods sold and operating expenses during the six months ended June 30, 2013 decreased from the same period in 2012 by $37.7 million primarily due to:

- Lower Wabush pellet sales volumes resulted in decreased costs of $68.3 million compared to the comparable prior-year period.
- Incremental idle production costs at our Wabush operations of $17.3 million in the first half of 2012 did not recur.
- Lower costs of $10.2 million at our Bloom Lake mine resulted from reduced spending on external services and lower transshipping costs.
- Offset by $27.5 million of higher pellet inventory cost at Wabush incurred in the first half of 2013 compared to the prior year. Although production costs have decreased in the current year, there was greater fixed-cost leverage as a result of higher projected full-year production tons in the prior year.
- Further offset by inventory write-downs at our Wabush operations of $26.4 million related to an unsaleable inventory impairment charge and lower-of-cost-or-market charges.

Production

The Bloom Lake facility produced 2.8 million and 2.6 million metric tons of iron ore concentrate during the six months ended June 30, 2013 and 2012, respectively. Production at the Wabush facility was relatively flat year-over-year for the six-month period ending June 30, 2013. As previously announced, 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. Additionally, at the Bloom Lake mine, we are delaying 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.

Asia Pacific Iron Ore

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

	(In Millions)						
	Three Months Ended June 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	**$ 327.0**	$ 361.3	$ (18.9)	$ 17.8	$ (27.9)	$ (5.3)	$ (34.3)
Cost of goods sold and operating expenses	**(232.0)**	(214.5)	(25.0)	(10.2)	13.1	4.6	(17.5)
Sales margin	**$ 95.0**	$ 146.8	$ (43.9)	$ 7.6	$ (14.8)	$ (0.7)	$ (51.8)

	Three Months Ended June 30,			
Per Ton Information	**2013**	2012	Difference	Percent change
Realized product revenue rate	**$ 109.36**	$ 117.73	$ (8.37)	(7.1)%
Cost of goods sold and operating expenses rate (excluding DDA)	**63.65**	56.92	6.73	11.8 %
Depreciation, depletion & amortization	**13.95**	12.97	0.98	7.6 %
Total cost of goods sold and operating expenses rate	**77.60**	69.89	7.71	11.0 %
Sales margin	**$ 31.76**	$ 47.84	$ (16.08)	(33.6)%

Sales tons[1] (In thousands)	**2,990**	3,069
Production tons[1] (In thousands)	**2,916**	2,842

[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 decreased to $95.0 million during the three months ended June 30, 2013 compared with $146.8 million for the same period in 2012. Sales margin per ton decreased 33.6 percent to $31.76 per ton in the second quarter of 2013 compared to the second quarter of 2012.

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

- The decrease in the Platts 62 percent Fe spot rate to an average of $126 per ton from $141 per ton in the comparable prior-year quarter negatively impacted the revenue rate resulting in a decrease of $41.8 million or $14 per ton to our realized revenue rate.
- The low-grade iron ore sales campaign at lower spot pricing due to iron content in the prior period that did not recur in 2013 positively impacted the revenue rate resulting in an increase of $20.2 million or $7 per ton for the current period.
- 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 $27.9 million or 224 thousand tons in the second quarter of 2013, compared to the same period in the prior year.

- These decreases were partially offset by positive sales volume variance due to 145 thousand additional sales tons at Koolyanobbing in the second quarter of 2013 compared to the comparable period in the prior year as a result of timing of shipments, which resulted in $17.8 million of additional revenue.

Cost of goods sold and operating expenses in the three months ended June 30, 2013 increased $17.5 million compared to the comparable period in 2012 primarily as a result of:

- Higher sales volumes at Koolyanobbing, which resulted in higher costs of $10.2 million compared to the comparable period in the prior year;
- Higher costs of $23.4 million as a result of the absence of low-grade tons, which were produced at a lower cost; and
- These increases in costs were offset partially, as we completed the mining of Stage 3 at Cockatoo and sold our interest at the end of the third quarter of 2012, resulting in a decrease in costs of $13.1 million compared to the same period in the prior year.

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

	(In Millions)						
	Six Months Ended June 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	**$ 597.8**	$ 721.1	$ (43.3)	$ (10.7)	$ (59.7)	$ (9.6)	$ (123.3)
Cost of goods sold and operating expenses	**(441.5)**	(449.2)	(41.2)	6.6	34.3	8.0	7.7
Sales margin	**$ 156.3**	$ 271.9	$ (84.5)	$ (4.1)	$ (25.4)	$ (1.6)	$ (115.6)

	Six Months Ended June 30,			
Per Ton Information	**2013**	2012	Difference	Percent change
Realized product revenue rate	**$ 112.90**	$ 123.43	$ (10.53)	(8.5)%
Cost of goods sold and operating expenses rate (excluding DDA)	**68.63**	64.94	3.69	5.7 %
Depreciation, depletion & amortization	**14.75**	11.95	2.80	23.4 %
Total cost of goods sold and operating expenses rate	**83.38**	76.89	6.49	8.4 %
Sales margin	**$ 29.52**	$ 46.54	$ (17.02)	(36.6)%

Sales tons[1] (In thousands)	**5,295**	5,842
Production tons[1] (In thousands)	**5,588**	5,116

[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 $156.3 million during the six months ended June 30, 2013 compared with $271.9 million for the same period in 2012. Sales margin per ton decreased 36.6 percent to $29.52 per ton in the first half of 2013 compared to the first half of 2012.

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

- The decrease in the Platts 62 percent Fe spot rate to an average of $137 per ton from $142 per ton during the comparable first six months of the prior year negatively impacted the revenue rate resulting in a decrease of $27.7 million or $5 per ton to our realized revenue rate.
- Lower Fe standard grade product in 2013 compared to 2012 resulted in price reductions due to penalties in the first half of 2013 compared to the same period in 2012, which negatively impacted the revenue rate resulting in a decrease of $22.0 million or approximately $4 per ton.
- We completed the mining of Stage 3 at Cockatoo and sold our interest at the end of the third quarter of 2012, resulting in a revenue decrease of $59.7 million or 462 thousand tons compared to the same period in the prior year.
- Sales volume during the six months ended June 30, 2013 at Koolyanobbing decreased to 5.3 million metric tons compared with 5.4 million metric tons in the comparable period in 2012, resulting in a decrease in revenue of $10.7 million.

Cost of goods sold and operating expenses in the six months ended June 30, 2013 decreased $7.7 million compared to the comparable period in 2012 primarily as a result of:

- We completed the mining of Stage 3 at Cockatoo and sold our interest at the end of the third quarter of 2012, resulting in a decrease in costs of $34.3 million compared to the same period in the prior year.
- Lower sales volumes at Koolyanobbing resulted in lower costs of $6.6 million compared to the comparable period in the prior year.
- These decreases were offset primarily by higher logistics costs of $20.9 million mainly attributable to higher haulage and railed tons, higher ship-loading handling charge and higher mining and crushing costs of $14.4 million in the first six months of 2013 mainly due to increased production.

Production

Production at Asia Pacific Iron Ore increased by 9.2 percent during the six months ended June 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 429 thousand tons in total production during the first six months of 2013 compared to the comparable period in 2012.

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North American Coal

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

	(In Millions)						
			Change due to:				
	Three Months Ended June 30,		Revenue and cost rate	Sales volume	Idle cost/ production volume variance	Freight and reimbursement	Total change
	2013	2012					
Revenues from product sales and services	**$ 245.9**	$ 209.2	$ (32.5)	$ 67.2	$ —	$ 2.0	$ 36.7
Cost of goods sold and operating expenses	**(239.3)**	(218.8)	51.9	(70.4)	—	(2.0)	(20.5)
Sales margin	**$ 6.6**	$ (9.6)	$ 19.4	$ (3.2)	$ —	$ —	$ 16.2

	Three Months Ended June 30,			
Per Ton Information	**2013**	2012	Difference	Percent change
Realized product revenue rate[1]	**$ 104.89**	$ 120.32	$ (15.43)	(12.8)%
Cost of goods sold and operating expenses rate[1] (excluding DDA)	**88.12**	110.72	(22.6)	(20.4)%
Depreciation, depletion & amortization	**13.61**	15.87	(2.26)	(14.2)%
Total cost of goods sold and operating expenses rate	**101.73**	126.59	(24.86)	(19.6)%
Sales margin	**$ 3.16**	$ (6.27)	$ 9.43	n/m
Sales tons[2] (In thousands)	**2,087**	1,531		
Production tons[2] (In thousands)	**1,729**	1,348		

[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 increased to $6.6 million during the three months ended June 30, 2013, compared to a sales margin loss of $9.6 million during the three months ended June 30, 2012. Sales margin per ton increased to $3.16 per ton in the second quarter of 2013 compared to a sales margin loss of $6.27 per ton in the second quarter of 2012.

Revenues from product sales and services for the three months ended June 30, 2013 were $245.9 million, which is an increase of $34.7 million over the prior-year period, excluding the increase of $2.0 million of freight and reimbursements, primarily due to:

- Sales volume increased by 556 thousand tons or 36.3 percent during the second quarter of 2013 in comparison to the prior-year period resulting in an increase in revenue of $67.2 million, primarily due to:
    - Oak Grove mine had increased saleable coal available in the second quarter of 2013 compared to the prior year. The Oak Grove preparation plant only came into full operation during the second quarter of 2012 following needed repairs due to the severe weather damage that occurred in 2011. Consequently, time was needed to rebuild the inventory at the export terminals.
    - Increased production at Pinnacle due to more consistent demand.

- Our realized product revenue rate for the three months ended June 30, 2013 resulted in a decrease of $32.5 million or 12.8 percent on a per-ton basis. This decrease is due primarily to 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 coals.
- Product sales mix for low-volatile metallurgical, high-volatile metallurgical and thermal coal were 71.3 percent, 20.3 percent and 8.4 percent, respectively, in the second quarter of 2013 compared to 63.2 percent, 23.9 percent and 12.9 percent for the comparable period in 2012. The benefit from customer mix was favorable by $1.53 per ton or $3.2 million.

Cost of goods sold and operating expenses in the second quarter of 2013 increased $18.5 million, excluding the increase of $2.0 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, resulting in an additional $70.4 million of costs.
- The change in sales mix to more low-volatile coal, as discussed above, increased costs by $2.41 per ton or $5.0 million.
- Depreciation, depletion and amortization decreasing on a per-ton basis mainly due to increased sales volume, which decreased the rate by $3.70 per ton. This was offset partially by an additional $3.0 million or $1.44 per ton of depreciation, depletion and amortization in the second quarter of 2013 as the Lower War Eagle mine moved into the production stage of mining in November 2012.
- Partially offset by lower costs associated with supplies and parts of $10.52 per ton or $22.0 million and lower employment costs of $9.66 per ton or $20.2 million.

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

	(In Millions)						
	Six Months Ended June 30,		Change due to:				
	2013	2012	Revenue and cost rate	Sales volume	Idle cost/ production volume variance	Freight and reimbursement	Total change
Revenues from product sales and services	**$ 460.2**	$ 399.2	$ (51.8)	$ 112.6	$ —	$ 0.2	$ 61.0
Cost of goods sold and operating expenses	**(451.8)**	(394.2)	53.6	(111.0)	—	(0.2)	(57.6)
Sales margin	**$ 8.4**	$ 5.0	$ 1.8	$ 1.6	$ —	$ —	$ 3.4

	Six Months Ended June 30,			
Per Ton Information	**2013**	2012	Difference	Percent change
Realized product revenue rate[1]	**$ 107.38**	$ 120.97	$ (13.59)	(11.2)%
Cost of goods sold and operating expenses rate[1] (excluding DDA)	**89.49**	104.16	(14.67)	(14.1)%
Depreciation, depletion & amortization	**15.72**	15.11	0.61	4.0 %
Total cost of goods sold and operating expenses rate	**105.21**	119.27	(14.06)	(11.8)%
Sales margin	**$ 2.17**	$ 1.70	$ 0.47	27.6 %
Sales tons[2] (In thousands)	**3,874**	2,938		
Production tons[2] (In thousands)	**3,459**	3,105		

[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 increased to $8.4 million during the six months ended June 30, 2013, compared to a sales margin of $5.0 million during the six months ended June 30, 2012. Sales margin per ton increased 27.6 percent to $2.17 per ton in the first half of 2013 compared to the first half of 2012.

Revenues from product sales and services were $460.2 million, which is an increase of $60.8 million over the prior-year period, excluding the increase of $0.2 million of freight and reimbursements, primarily due to:

- Sales volume increases of 936 thousand tons or 31.9 percent during the first half of 2013 in comparison to the prior-year period resulted in an increase in revenue of $112.6 million, primarily due to:
  - Oak Grove mine had increased saleable coal available in the first half of 2013 compared to the prior year as the force majeure related to the April 2011 tornado extended into April 2012.
  - CLCC metallurgical coal was higher due to increased market demand in 2013.
- Our realized product revenue rate for the six months ended June 30, 2013 resulted in a decrease of $51.8 million or 11.2 percent on a per-ton basis. This decrease primarily is due to 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 coals.

- Product sales mix for low-volatile metallurgical, high-volatile metallurgical and thermal coal were 70.0 percent, 21.8 percent and 8.2 percent, respectively, in the first half of 2013 compared to 61.9 percent, 22.1 percent and 16.0 percent for the comparable period in 2012. The customer mix impact was favorable by $7.36 per ton or $28.5 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 half of2013 increased $57.4 million, excluding the increase of $0.2 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, resulting in an additional $111.0 million of costs.
- The change in sales mix to more low-volatile coal, as discussed above, increased costs by $2.86 per ton or $11.1 million.
- Partially offset by lower costs associated with supplies and parts of $6.95 per ton or $26.9 million and lower employment costs of $5.56 per ton or $21.5 million.

Production

Production of low- and high-volatile metallurgical coal increased 21.3 percent in the first half of2013 compared to the first half of 2012. Low-volatile production increased 431 thousand tons over the prior-year period due to more efficient longwall moves. High-volatile metallurgical coal production levels in the first half of 2013 increased 123 thousand tons or 18.2 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 requirements and existing supply agreements, which resulted in reduced production of 200 thousand tons in the first half 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 be less than our budgeted capital expenditures, expected debt payments, dividends and other cash requirements. However, 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 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 $388.9 million for the six months ended June 30, 2013, compared to cash used by operating activities of $32.8 million for the same period in 2012. Operating cash flows in the first half of 2013 resulted from improved inventory turnover rates, improved days sales outstanding and 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 accordingly as market conditions change. Throughout the first half 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 June 30, 2013 was $35.9 million, or approximately 13.6 percent of our consolidated total cash and cash equivalents balance of $263.3 million. As of June 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 $500.3 million for the six months ended June 30, 2013, compared with $520.9 million for the comparable period in 2012.

We had capital expenditures of $501.2 million and $517.0 million for the six months ended June 30, 2013 and June 30, 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 $329 million and approximately $209 million during the six months ended June 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 $161 million and $154 million globally on expenditures related to sustaining capital in the first half of 2013 and 2012, respectively. Sustaining capital spend includes infrastructure, mobile equipment, environmental, safety, fixed equipment, 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 $1 billion. This is comprised of sustaining capital expenditures of approximately $400 million for all of our operations and growth and productive capital expenditures of $600 million related to Bloom Lake mine's expansion to increase processing capabilities. Approximately $200 million of these expenditures relate to the on-going 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 near term. 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 half of 2013 was $193.3 million, compared to net cash provided by financing activities of $191.6 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 in financing activities in the first half of 2013 included net borrowings and repayments under the credit facility of $115.0 million offset by dividend distributions of $56.0 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 and June 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 first quarterly cash dividend was payable on May 1, 2013 to our shareholders of record as of the close of business on April 15, 2013.

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 June 30, 2013 and December 31, 2012:

	(In Millions)	
	June 30, 2013	December 31, 2012
Cash and cash equivalents	**$ 263.3**	$ 195.2
Available revolving credit facility	**$ 1,750.0**	$ 857.6
Revolving loans drawn	**(440.0)**	(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	**$ 1,282.3**	$ 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 $263.3 million as of June 30, 2013. The combination of cash and availability under the credit facility gave us $1,545.6 million in liquidity entering the third 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 June 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 ourStatements 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 June 30, 2013, we have recorded $0.9 million as current *Derivative assets* and $32.0 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 $28.2 million decrease and a net $31.1 million decrease, respectively, in *Product revenues* in the Statements of Unaudited Condensed Consolidated Operations for the three and six months ended June 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 June 30, 2013, we had a derivative asset of $44.2 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 June 30, 2013 estimated price recorded would cause the fair value of the derivative instrument to increase or decrease by approximately $30.0 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 8.7 million MMBtu's of natural gas at an average delivered price of $4.35 per MMBtu and 14.2 million gallons of diesel fuel at an average delivered price of $3.26 per gallon during the first half of 2013. Our consolidated Eastern Canadian Iron Ore mining ventures consumed approximately 3.7 million gallons of diesel fuel at an average delivered price of $4.34 per gallon during the first half of 2013. Our CLCC operations consumed approximately 1.5 million gallons of diesel fuel at an average delivered price of $3.37 per gallon during the first half of 2013. Consumption of diesel fuel by our Asia Pacific operations was approximately 7.3 million gallons at an average delivered price of $3.37 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 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 $15.6 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. Currently, we have suspended temporarily the environmental assessment activities due to delays related to the environmental assessment process, land surface rights and negotiations with the Province of Ontario. Inability to complete 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 June 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 and 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. We believe these results are temporary; however, continuation of these profitability trends could impact our ability to recover these values, which were $271.7 million at June 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 June 30, 2013, we had outstanding Australian and Canadian foreign exchange rate contracts with notional amounts of $358.0 million and $611.7 million, respectively, with varying maturity dates ranging from July 2013 to June 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 negative $3.1 million, and a 10 percent decrease would reduce the fair value to approximately negative $67.5 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 $44.1 million, and a 10 percent decrease would decrease the fair value to approximately negative $75.0 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 June 30, 2013:

	($ in Millions)			
Contract Maturity	**Notional Amount**	**Weighted Average Exchange Rate**	**Spot Rate**	**Fair Value**
Contract Portfolio (1) :				
AUD Contracts expiring in the next 12 months	$ 358.0	1.00	0.9138	$ (35.2)
CAD Contracts expiring in the next 12 months	611.7	1.02	1.0519	(21.4)
Total Hedge Contract Portfolio	$ 969.7			$ (56.6)

(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 June 30, 2013, we had $440.0 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 $4.4 million to interest expense on an annual basis.

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 are designated and qualify as cash flow hedges. These instruments did not have a material impact on our financial statements for the six months ended June 30, 2013 or the year ended December 31, 2012.

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% above the interest rate payable on the notes on the date of the initial issuance of notes. The maximum rate increase of 2.00% 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 ahead, the demand from our two largest end markets is expected to remain stable. For the remainder of the year, we anticipate modest growth in the U.S. economy, which is expected to support stable North American steelmaking utilization rates. In China, year-to-date average crude steel production is trending higher over the previous year, contributing to increased seaborne iron ore imports.

We expect pricing for the commodities we sell to remain volatile, with the potential to significantly decrease or increase 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 June 30, 2013 of $137 per ton (C.F.R. China), as a base price assumption for providing our revenues-per-ton sensitivities for our iron ore business segments. We indicated this assumption does not reflect our internal expectation of full-year seaborne iron ore pricing. As such, with $137 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 reflects the sales volume and realized price achieved for the first six months of 2013 results and our realized expectation for the remaining periods in 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	$115 - $120	$110 - $115
Sensitivity Per Ton (+/- $10)	+/- $1	+/- $5	+/- $5

(1) Based on the average year-to-date 62% Fe seaborne iron ore fines price (C.F.R. China) of $137 per ton as of June 30, 2013. We expect to update the year-to-date average iron ore price and the related sensitivities for our respective iron ore business segments in future reporting periods.

(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 considers 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 $615 per ton
- Approximately 50% 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.

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

For 2013, we are reducing our full-year sales volume expectation to 8 - 9 million tons from our previous expectation of 9 - 10 million tons. Full-year production volume is also expected to be 8 - 9 million tons. The decrease is primarily driven by lower volumes from Bloom Lake Mine related to lower than anticipated throughput and ore recovery rates. For the Eastern Canadian Iron Ore segment, we expect to sell approximately 1.5 million tons of iron ore pellets, with iron ore concentrate sales making up the remainder of the expected sales volume range.

For Bloom Lake Mine we are increasing our full-year cash-cost-per-ton expectation to $90 - $95 from our previous expectation of $85 - $90. The increase is primarily driven by additional mining expense expected to be incurred during the remainder of the year related to the mine development of Bloom Lake's ore body. At Wabush Mine, we are maintaining our full-year cash-cost-per-ton expectation of $115 - $120. Based on the above, we are increasing our full-year 2013 cash cost per ton in Eastern Canadian Iron Ore to $100 - $105 from our previous expectation of $95 - $100. Depreciation, depletion and amortization is expected to be approximately $18 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.

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 lowering our 2013 full-year Asia Pacific Iron Ore cash-cost-per-ton expectation to $65 - $70 from our previous expectation of $70 - $75 primarily driven by favorable foreign currency exchange rates. Depreciation, depletion and amortization is anticipated to be approximately $15 per ton for the year.

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 69 percent low-volatile metallurgical coal and 22 percent high-volatile metallurgical coal, with thermal coal making up the remainder.

We are lowering our full-year 2013 North American Coal revenues-per-ton outlook to $100 - $105 from our previous outlook of $110 - $115. The decrease is primarily driven by lower market pricing for metallurgical coal products.

We are decreasing our cash-cost-per-ton expectation to $90 - $95 from our previous expectation of $95 - $100. The decrease is driven by an overall focus to improve the operation's cost structure. Full-year 2013 depreciation, depletion and amortization is expected to be approximately $16 per ton.

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 - 9**	**11**	**7**
Production volume (million tons)	**20**	**8 - 9**	**11**	**7**
Cash cost per ton	**$65 - $70**	**$100 - $105**	**$65 - $70**	**$90 - $95**
DD&A per ton	**$6**	**$18**	**$15**	**$16**

(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 lowering our full-year 2013 SG&A expense expectation to approximately $215 million from our previous expectation of $230 million driven by an overall focus on cost management.

We are also decreasing our full-year cash outflows expectation by $10 million to approximately $75 million for future growth projects. This is comprised of approximately $25 million related to exploration and approximately $50 million related to our chromite project in Ontario, Canada, which is in the feasibility stage of development. As previously disclosed during the quarter, we have temporarily suspended the environmental assessment activities for the chromite project. We indicated that this decision was due to delays related to the environment assessment process, land surface rights and negotiations with the Province of Ontario.

We anticipate a full-year effective tax rate of approximately 2 percent for 2013. We are maintaining our full-year2013 depreciation, depletion and amortization of approximately $565 million.

Capital Budget Update and Other Uses of Cash

We are increasing our 2013 capital expenditures budget to approximately $1 billion from our previous expectation of $800 - $850 million due to additional spending at Bloom Lake Mine related to tailings and water management. We expect to fund the increase in our capital expenditure expectation from other borrowing arrangements, including lease financing.

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 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
April 1 - 30, 2013	—	$ —	—	—
May 1 - 31, 2013	1,177	$ 21.90	—	—
June 1 - 30, 2013	—	$ —	—	—
Total	**1,177**	**$ 21.90**	**—**	**—**

(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. 79.

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: July 26, 2013

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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	Pagination by Sequential Numbering System
3.1	Third Amended Articles of Incorporation of Cliffs Natural Resources Inc. (as filed with the Secretary of State of the State of Ohio on May 13, 2013)	Filed Herewith
4.1	Seventh Supplemental Indenture between Cliffs and U.S. Bank National Association, as trustee, dated May 7, 2013	Filed Herewith
10.1	*Non-Employee Director Phantom Stock Unit Award Agreement, by and between Cliffs Natural Resources Inc. and James F. Kirsch, dated July 9, 2013	Filed Herewith
10.2	*Severance Agreement, by and between Joseph A. Carrabba and Cliffs Natural Resources Inc. and its affiliates, dated July 17, 2013	Filed Herewith
10.3	**Pellet Supply Term Sheet for Pellet Sale and Purchase Agreement among The Cleveland-Cliffs Iron Company, Cliffs Mining Company, Northshore Mining Company and Essar Steel Algoma Inc., dated and effective May 31, 2013	Filed Herewith
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 Joseph A. Carrabba as of July 26, 2013	Filed Herewith
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 July 26, 2013	Filed Herewith
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 Joseph A. Carrabba, President and Chief Executive Officer of Cliffs Natural Resources Inc., as of July 26, 2013	Filed Herewith
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 July 26, 2013	Filed Herewith
95	Mine Safety Disclosures	Filed Herewith
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.

** Confidential treatment requested and/or approved as to certain portions, which portions have been omitted and filed separately with the Securities and Exchange Commission.

EXHIBIT 3.1

THIRD AMENDED ARTICLES OF INCORPORATION

OF

CLIFFS NATURAL RESOURCES INC.

FIRST: The name of the Corporation shall be Cliffs Natural Resources Inc.

SECOND: The location of the principal office of the Corporation in the State of Ohio shall be in Cleveland, Cuyahoga County, Ohio.

THIRD: The purpose for which the Corporation is formed is to engage in any lawful act or activity for which corporations may be formed under Sections 1701.01 through 1701.98, inclusive, of the Ohio Revised Code.

FOURTH: The maximum number of shares the Corporation is authorized to have outstanding is Four Hundred Seven Million (407,000,000) shares, consisting of the following:

(a) Three Million (3,000,000) shares of Serial Preferred Stock, Class A, without par value ("Class A Preferred Stock");

(b) Four Million (4,000,000) shares of Serial Preferred Stock, Class B, without par value ("Class B Preferred Stock"); and

(c) Four Hundred Million (400,000,000) Common Shares, par value $0.125 per share ("Common Shares").

DIVISION A: EXPRESS TERMS OF THE SERIAL PREFERRED STOCK, CLASS A, WITHOUT PAR VALUE

The Class A Preferred Stock shall have the following express terms:

SECTION 1. *Series* The Class A Preferred Stock may be issued from time to time in one or more series. All shares of Class A Preferred Stock shall be of equal rank and shall be identical, except in respect of the matters that may be fixed by the Directors as hereinafter provided, and each share of each series shall be identical with all other shares of such series, except as to the date from which dividends are cumulative. All shares of Class A Preferred Stock shall also be of equal rank and shall be identical with shares of Class B Preferred Stock except in respect of (i) the particulars that may be fixed and determined by the Directors as hereinafter provided, (ii) the voting rights and provisions for consent relating to Class A Preferred Stock as fixed and determined by Section 5 of this Division A and (iii) the conversion rights of any series of Class A Preferred Stock which may be fixed and determined by the Directors subject to the provisions of Section 6 of this Division A. Subject to the provisions of Sections 2 to 7, inclusive, of this Division A, which provisions shall apply to all Class A Preferred Stock, the Directors hereby are authorized to cause such shares to be issued in one or more series and with respect to each such series to fix:

(a) The designation of the series, which may be by distinguishing number, letter and/or title.

(b) The number of shares of the series, which number the Directors may (except where otherwise provided in the creation of the series) increase or decrease (but not below the number of shares thereof then outstanding).

(c) The dividend rights of the series which may be: cumulative or non-cumulative; at a specified rate, amount or proportion; or with or without further participation rights.

(d) The dates at which dividends, if declared, shall be payable, and the dates from which dividends, if cumulative, shall accumulate.

(e) The redemption rights and price or prices, if any, for shares of the series.

(f) The terms and amount of any sinking fund provided for the purchase or redemption of shares of the series.

(g) The amounts payable on shares of the series in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

(h) Whether the shares of the series shall be convertible into shares of any other class or series of the Corporation, and if so, the specification of such other class or series, the conversion price or prices or rate or rates, any adjustments thereof, the date or dates as of which such shares shall be convertible, and other terms and conditions upon which such conversion may be made.

(i) Restrictions (in addition to those set forth in Section 5(c) of this Division) on the issuance of shares of the same series or of any other class or series.

The Directors are authorized to adopt from time to time amendments to the Articles of Incorporation fixing, with respect to each such series, the matters described in clauses (a) to (i), inclusive, of this Section 1.

SECTION 2. *Dividends*.

(a) The holders of Class A preferred Stock of each series, in preference to the holders of Common Shares and of any other class of shares ranking junior to the Class A Preferred Stock, shall be entitled to receive out of any funds legally available therefor and when and as declared by the Directors dividends in cash at the rate for such series fixed in accordance with the provisions of Section 1 of this Division A and no more, payable on the dividend payment dates fixed for such series. Such dividends may be cumulative, in the case of shares of each particular series, from and after the date or dates fixed with respect to such series. No dividend may be paid upon or set apart for any of the Class A Preferred Stock on any dividend payment date unless (i) all dividends upon all Class A Preferred Stock then outstanding and all classes of stock then outstanding ranking prior to or on a parity with the Class A Preferred Stock for all dividend payment dates prior to such date shall have been paid or funds therefor set apart and (ii) at the same time a like dividend upon all series of Class A Preferred Stock then outstanding and all classes of stock then outstanding ranking prior to or on a parity with the Class A Preferred Stock and having a dividend payment date on such date, ratably in proportion to the respective dividend rates of each such series or class, shall be paid or funds therefor set apart. Accumulations of dividends, if any, shall not bear interest.

(b) For the purpose of this Division A, a dividend shall be deemed to have been paid or funds therefor set apart on any date if on or prior to such date the Corporation shall have deposited funds sufficient therefor with a bank or trust company and shall have caused checks drawn against such funds in appropriate amounts to be mailed to each holder of record entitled to receive such dividend at such holder’s address then appearing on the books of the Corporation.

(c) In no event so long as any Class A Preferred Stock shall be outstanding shall any dividends, except a dividend payable in Common Shares or other shares ranking junior to the Class A Preferred Stock, be paid or declared or any distribution be made except as aforesaid on the Common Shares or any other shares ranking junior to the Class A Preferred Stock, nor shall any Common Shares or any other shares ranking junior to the Class A Preferred Stock be purchased, retired or otherwise acquired by the Corporation (except out of the proceeds of the sale of Common Shares or other shares ranking junior to the Class A Preferred Stock received by the Corporation on or subsequent to the date on which shares of any series of Class A Preferred Stock are first issued), unless (i) all accrued and unpaid dividends upon all Class A Preferred Stock then outstanding for all dividend payment dates on or prior to the date of such action shall have been paid or funds therefor set apart and (ii) as of the date of such action there shall be no arrearages with respect to the redemption of Class A Preferred Stock of any series from any sinking fund provided for shares of such series in accordance with the provisions of Section 1 of this Division A.

SECTION 3. *Redemption*.

(a) Subject to the express terms of each series and to the provisions of Section 5(c)(iii) of this Division A, the Corporation (i) may from time to time redeem all or any part of the Class A Preferred Stock of any series at the time outstanding at the option of the Directors at the applicable redemption price for such series fixed in accordance with the provisions of Section 1 of this Division A, and (ii) shall from time to time make such redemptions of the Class A Preferred Stock of any series as may be required to fulfill the requirements of any sinking fund provided for shares of such series at the applicable sinking fund redemption price, fixed in accordance with the provisions of Section 1 of this Division A, together in each case with (A) all then accrued and unpaid dividends upon such shares for all dividend payment dates on or prior to the redemption date and (B) if the redemption date is not a dividend payment date for such series, a proportionate dividend, based on the number of elapsed days, for the period from the day after the most recent such dividend payment date through the redemption date.

(b) Notice of every such redemption shall be mailed, postage prepaid, to the holders of record of the Class A Preferred Stock to be redeemed at their respective addresses then appearing on the books of the Corporation, not less than 30 days nor more than 60 days prior to the date fixed for such redemption. At any time before or after notice has been given as above provided, the Corporation may deposit the aggregate redemption price of the shares of Class A Preferred Stock to be redeemed, together with an amount equal to the aggregate amount of dividends payable upon such redemption, with any bank or trust company in Cleveland, Ohio, or New York, New York, having capital and surplus of more than $50,000,000, named in such notice, and direct that such deposited amount be paid to the respective holders of the shares of Class A Preferred Stock so to be redeemed upon surrender of the stock certificate or certificates held by such holders. Upon the giving of such notice and the making of such deposit such holders shall cease to be shareholders with respect to such shares and shall have no interest in or claim against the Corporation with respect to such shares except only the right to receive such money from such bank or trust company without interest or to exercise, before the redemption date, any unexpired privileges of conversion. In case less than all of the outstanding shares of any series of Class A Preferred Stock are to be redeemed, the Corporation shall select, pro rata or by lot, the shares so to be redeemed in such manner as shall be prescribed by the Directors.

(c) If the holders of shares of Class A Preferred Stock which shall have been called for redemption shall not, within six years after such deposit, claim the amount deposited for the redemption thereof, any such bank or trust company shall, upon demand, pay over to the Corporation such unclaimed amounts and thereupon such bank or trust company and the Corporation shall be relieved of all responsibility in respect thereof to such holder.

(d) Any shares of Class A Preferred Stock which are (i) redeemed by the Corporation pursuant to the provisions of this Section 3, (ii) purchased and delivered in satisfaction of any sinking fund requirements provided for shares of any series of Class A Preferred Stock, (iii) converted in accordance with the express terms of any such series, or (iv) otherwise acquired by the Corporation, shall resume the status of authorized and unissued shares of Class A Preferred Stock without serial designation; provided, however, that any such shares which are converted in accordance with the express terms thereof shall not be reissued as convertible shares.

SECTION 4. *Liquidation*.

(a) (1) The holders of Class A Preferred Stock of any series, shall, in case of voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, be entitled to receive in full out of the assets of the Corporation, including its capital, before any amount shall be paid or distributed among the holders of the Common Shares or any other shares ranking junior to the Class A Preferred Stock, the amounts fixed with respect to shares of such series in accordance with Section 1 of this Division, plus an amount equal to (i) all then accrued and unpaid dividends upon such shares for all dividend payment dates on or prior to the date of payment of the amount due pursuant to such liquidation, dissolution or winding up, and (ii) if such date is not a dividend payment date for such series, a proportionate dividend, based on the number of elapsed days, for the period from the day after the most recent dividend payment date through the date of payment of the amount due pursuant to such liquidation, dissolution or winding up. In case the net assets of the Corporation legally available therefor are insufficient to permit the payment upon all outstanding shares of Class A Preferred Stock and all outstanding shares of stock of all classes ranking on a parity with the Class A Preferred Stock of the full preferential amount to which they are respectively entitled, then such net assets shall be distributed ratably upon outstanding shares of Class A Preferred Stock and all outstanding shares of stock of all classes ranking on a parity with the Class A Preferred Stock in proportion to the full preferential amount to which each such share is entitled.

(2) After payment to holders of Class A Preferred Stock of the full preferential amounts as aforesaid, holders of Class A Preferred Stock as such shall have no right or claim to any of the remaining assets of the Corporation.

(b) The merger or consolidation of the Corporation into or with any other corporation, or the merger of any other corporation into it, or the sale, lease or conveyance of all or substantially all the property or business of the Corporation, shall not be deemed to be a dissolution, liquidation or winding up for the purposes of this Division A.

SECTION 5. *Voting*.

(a) The holders of Class A Preferred Stock shall be entitled to one vote for each share of such stock upon all matters presented to the shareholders; and, except as otherwise provided herein or required by law, the holders of Class A Preferred Stock and the holders of Common Shares shall vote together as one class on all matters presented to the shareholders.

(b) (1) If, and so often as, the Corporation shall be in default in the payment of dividends on any series of Class A Preferred Stock at the time outstanding, or funds therefor have not been set apart, in an amount equivalent to six full quarterly dividends on any such series of Class A Preferred Stock whether or not consecutive and whether or not earned or declared, the holders of Class A Preferred Stock of all series, voting separately as a class, and in addition to any other rights which the shares of any series of Class A Preferred Stock may have to vote for Directors, shall thereafter be entitled to elect, as herein provided, two Directors of the Corporation; provided, however, that the special class voting rights provided for in this paragraph when the same shall have become vested shall remain so vested (i) in the case of cumulative dividends, until all accrued and unpaid dividends on the Class A Preferred Stock of all series then outstanding shall have been paid or funds therefor set apart, or (ii) in the case of non-cumulative dividends, until full dividends on the Class A Preferred Stock of all series than outstanding shall have been paid or funds therefor set apart regularly for a period of one year, whereupon the holders of Class A Preferred Stock shall be divested of their special class voting rights in respect of subsequent elections of Directors, subject to the revesting of such special class voting rights in the event hereinabove specified in this paragraph.

(2) In the event of default entitling the holders of Class A Preferred Stock to elect two Directors as specified in paragraph (1) of this subsection, a special meeting of such holders for the purpose of electing such Directors shall be called by the Secretary of the Corporation upon written request of, or may be called by, the holders of record of at least ten percent (10%) of the shares of Class A Preferred Stock of all series at the time outstanding, and notice thereof shall be given in the same manner as that required for the annual meeting of shareholders; provided, however, that the Corporation shall not be required to call such special meeting if the annual meeting of shareholders or any other special meeting of shareholders called or to be called for a different purpose shall be held within 120 days after the date of receipt of the foregoing written request from the holders of Class A Preferred Stock. At any meeting at which the holders of Class A Preferred Stock shall be entitled to elect Directors, the holders of thirty-five percent (35%) of the then outstanding shares of Class A Preferred Stock of all series, present in person or by proxy, shall be sufficient to constitute a quorum, and the vote of the holders of a majority of such shares so present at any such meeting at which there shall be such a quorum shall be sufficient to elect the Directors which the holders of Class A Preferred Stock are entitled to elect as hereinabove provided. Notwithstanding any provision of these Articles of Incorporation or the Regulations of the Corporation or any action taken by the holders of any class of shares fixing the number of Directors of the Corporation, the two Directors who may be elected by the holders of Class A Preferred Stock pursuant to this subsection shall serve in addition to any other Directors then in office or proposed to be elected otherwise than pursuant to this subsection. Nothing in this subsection shall prevent any change

otherwise permitted in the total number of Directors of the Corporation or require the resignation of any Director elected otherwise than pursuant to this subsection. Notwithstanding any classification of the other Directors of the Corporation, the two Directors elected by the holders of Class A Preferred Stock shall be elected annually for the terms expiring at the next succeeding annual meeting of shareholders; provided, however, that whenever the holders of Class A Preferred Stock shall be divested of the voting power as above provided, the terms of office of all persons elected as Directors by the holders of the Class A Preferred Stock as a class shall immediately terminate and the number of Directors shall be reduced accordingly.

(c) Except as hereinafter provided, the affirmative vote of the holders of at least two-thirds of the shares of Class A Preferred Stock at the time outstanding, given in person or by proxy at a meeting called for the purpose at which the holders of Class A Preferred Stock shall vote separately as a class, shall be necessary to effect, any one or more of the following (but so far as the holders of Class A Preferred Stock are concerned, such action may be effected with such vote):

(i) Any amendment, alteration or repeal of any of the provisions of the Articles of Incorporation or of the Regulations of the Corporation which affects adversely the preferences or voting or other rights of the holders of Class A Preferred Stock; provided, however, that for the purpose of this paragraph 5(c)(i) only, neither the amendment of the Articles of Incorporation so as to authorize, create or change the authorized or outstanding amount of Class A Preferred Stock or of any shares of any class ranking on a parity with or junior to the Class A Preferred Stock nor the amendment of the provisions of the Regulations so as to change the number of Directors of the Corporation shall be deemed to affect adversely the preferences or voting or other rights of the holders of Class A Preferred Stock; and provided further, that if such amendment, alteration or repeal affects adversely the preferences or voting or other rights of one or more but not all series of Class A Preferred Stock at the time outstanding, the affirmative vote or consent of the holders of at least two-thirds of the number of shares at the time outstanding of each series so affected, each such affected series voting separately as a series, shall also be required;

(ii) The authorization, creation or the increase in the authorized amount of any shares of any class or any security convertible into shares of any class, in either case, ranking prior to the Class A Preferred Stock; or

(iii) The purchase or redemption (for sinking fund purposes or otherwise) of less than all of the Class A Preferred Stock then outstanding except in accordance with a stock purchase offer made to all holders of record of Class A Preferred Stock, unless all dividends on all Class A Preferred Stock then outstanding for all previous dividend periods shall have been declared and paid or funds therefor set apart and all accrued sinking fund obligations applicable thereto shall have been complied with;

provided, however, that in the case of any authorization, creation or increase in the authorized amount of any shares of any class or security convertible into shares of any class, in either case, ranking prior to the Class A Preferred Stock no such consent of the holders of Class A Preferred Stock shall be required if the holders of Class A Preferred

Stock have previously received adequate notice of redemption to occur within 90 days. The foregoing proviso shall not apply and such consent of the holders of Class A Preferred Stock shall be required if any such redemption will be effected, in whole or in part, with the proceeds received from the sale of any such stock or security convertible into shares of any class, in either case, ranking prior to the Class A Preferred Stock.

(d) The affirmative vote of the holders of at least a majority of the shares of Class A Preferred Stock at the time outstanding, given in person or by proxy at a meeting called for the purpose at which the holders of Class A Preferred Stock shall vote separately as a class, shall be necessary to effect any one or more of the following (but so far as the holders of the Class A Preferred Stock are concerned, such action may be effected with such vote):

(i) The consolidation or merger of the Corporation with or into any other corporation to the extent any such consolidation or merger shall be required, pursuant to any applicable statute, to be approved by the holders of the shares of Class A Preferred Stock voting separately as a class; or

(ii) The authorization of any shares ranking on a parity with the Class A Preferred Stock or an increase in the authorized number of shares of Class A Preferred Stock.

(e) Neither the vote, consent nor any adjustment of the voting rights of holders of shares of Class A Preferred Stock shall be required for an increase in the number of Common Shares authorized or issued or for stock splits of the Common Shares or for stock dividends on any class of stock payable solely in Common Shares, and none of the foregoing actions shall be deemed to affect adversely the preferences or voting or other rights of Class A Preferred Stock within the meaning and for the purpose of this Division A.

SECTION 6. *Conversion*.

(a) If and to the extent that there are created series of Class A Preferred Stock which are convertible (hereinafter called "convertible series") into Common Shares, as such shares shall be constituted as of the date of conversion, or into shares of any other class or series of the Corporation (hereinafter collectively called "conversion shares"), the following terms and provisions shall be applicable to all of such series, except as may be otherwise expressly provided in the terms of any such series.

(1) The maximum amount of Common Shares which may be authorized to be received upon conversion by the holders of any shares of a convertible series shall not exceed one Common Share for each share of such convertible series, subject to any adjustments which shall be required pursuant to any antidilution mechanism which the Directors may approve in respect of such convertible series.

(2) The holder of each share of a convertible series may exercise the conversion privilege in respect thereof by delivering to any transfer agent for the respective series the certificate for the share to be converted and written notice that the holder elects to convert such share. Conversion shall be deemed to have been effected immediately prior to the close of business on the date when such delivery is made, and such date is referred to in this Section as the "conversion date". On the conversion date or as promptly thereafter as practicable the Corporation shall

deliver to the holder of the stock surrendered for conversion, or as otherwise directed by such holder in writing, a certificate for the number of full conversion shares deliverable upon the conversion of such stock and a check or cash in respect of any fraction of a share as provided in subsection (3) of this Section. The person in whose name the stock certificate is to be registered shall be deemed to have become a holder of the conversion shares of record on the conversion date. No adjustment shall be made for any dividends on shares of stock surrendered for conversion or for dividends on the conversion shares delivered on conversion.

(3) The Corporation shall not be required to deliver fractional shares upon conversion of shares of a convertible series. If more than one share of a convertible series shall be surrendered for conversion at one time by the same holder, the number of full conversion shares deliverable upon conversion thereof shall be computed on the basis of the aggregate number of shares so surrendered. If any fractional interest in a conversion share would otherwise be deliverable upon the conversion, the Corporation shall in lieu of delivering a fractional share therefor make an adjustment therefor in cash at the current market value thereof, computed (to the nearest cent) on the basis of the closing price of the conversion share on the last business day before the conversion date.

(4) For the purpose of this Section, the “closing price of the conversion shares” on any business day shall be the last reported sales price per share on such day, or, in case no such reported sale takes place on such day, the average of the reported closing bid and asked prices, in either case on the New York Stock Exchange, or, if the conversion shares are not listed or admitted to the trading on such Exchange, on the principal national securities exchange on which the conversion shares are listed or admitted to trading as determined by the Directors, which determination shall be conclusive, or, if not listed or admitted to trading on any national securities exchange, as quoted by the automated quotation system of the National Association of Securities Dealers, Inc., or, if not so quoted, the mean between the average bid and asked prices per conversion share in the over-the-counter market as furnished by any member of the National Association of Securities Dealers, Inc. selected from time to time by the Directors for that purpose; and “business day” shall be each day on which the New York Stock Exchange or other national securities exchange or automated quotation system or over-the-counter market used for purposes of the above calculation is open for trading.

(b) Upon conversion of any convertible series the stated capital of the conversion shares delivered upon such conversion shall be the aggregate par value of the shares so delivered having par value, or, in the case of conversion shares without par value, shall be an amount equal to the stated capital represented by each such share outstanding at the time of such conversion. The stated capital of the Corporation shall be correspondingly increased or reduced to reflect the difference between the stated capital of the shares of the convertible series so converted and the stated capital of the conversion shares delivered upon such conversion.

(c) In case of any reclassification or change of outstanding conversion shares (except a split or combination, or a change in par value, or a change from par value to no par value, or a change from no par value to par value) , provision shall be made as part of the terms of such reclassification or change that the holder of each share of each convertible series then outstanding shall have the right to receive upon the conversion of such share, at the conversion rate or price which otherwise would be in effect at the time of conversion, with substantially the same protection against dilution as is provided in the terms of such convertible series, the same kind and amount of stock and other securities and property as such holder would have owned or have been entitled to receive upon the happening of any of the events described above had such share been converted immediately prior to the happening of the event.

(d) In case the Corporation shall be consolidated with or shall merge into any other corporation, provision shall be made as a part of the terms of such consolidation or merger whereby the holder of each share of each convertible series outstanding immediately prior to such event shall thereafter be entitled to such conversion rights with respect to securities of the corporation resulting from such consolidation or merger as shall be substantially equivalent to the conversion rights specified in the terms of such convertible series; provided, however, that the provisions of this subsection (d) shall be deemed to be satisfied if such consolidation or merger shall be approved by the holders of Class A Preferred Stock in accordance with the provisions of Section 5(d) of this Division A.

(e) The issue of stock certificates on conversions of shares of each convertible series shall be without charge to the converting shareholder for any tax in respect of the issue thereof. The Corporation shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the registration of shares in any name other than that of the holder of the shares converted, and the Corporation shall not be required to deliver any such stock certificate unless and until the person or persons requesting the delivery thereof shall have paid to the Corporation the amount of such tax or shall have established to the satisfaction of the Corporation that such tax has been paid.

(f) The Corporation hereby reserves and shall at all times reserve and keep available, free from preemptive rights, out of its authorized but unissued shares or treasury shares, for the purpose of delivery upon conversion of shares of each convertible series, such number of conversion shares as shall from time to time be sufficient to permit the conversion of all outstanding shares of all convertible series of Class A Preferred Stock.

SECTION 7. *Definitions*. For the purpose of this Division A:

(a) Whenever reference is made to shares “ranking prior to the Class A Preferred Stock”, such reference shall mean and include all shares of the Corporation in respect of which the rights of the holders thereof either as to the payment of dividends or as to distributions in the event of a voluntary or involuntary liquidation, dissolution or winding up of the Corporation are given preference over the rights of the holders of Class A Preferred Stock.

(b) Whenever reference is made to shares “on a parity with the Class A Preferred Stock”, such reference shall mean and include all shares of Class B Preferred Stock and all other shares of the Corporation in respect of which the rights of the holders thereof (i) are not given preference over the rights of the holders of Class A Preferred Stock either as to the payment of dividends or as to distributions in the event of a voluntary or involuntary liquidation, dissolution or winding up of the Corporation and (ii) either as to the payment of dividends or as to distribution in the event of a voluntary or involuntary liquidation, dissolution or winding up of the Corporation, or as to both, rank on an equality (except as to the amounts fixed therefor) with the rights of the holders of Class A Preferred Stock.

(c) Whenever reference is made to shares "ranking junior to the Class A Preferred Stock" such reference shall mean and include all shares of the Corporation in respect of which the rights of the holders thereof both as to the payment of dividends and as to distributions in the event of a voluntary or involuntary liquidation, dissolution or winding up of the Corporation are junior and subordinate to the rights of the holders of the Class A Preferred Stock.

SUBDIVISION A-1

EXPRESS TERMS OF THE 7.00% SERIES A MANDATORY CONVERTIBLE PREFERRED STOCK, CLASS A

There is hereby established a series of Class A Preferred Stock to which the following provisions, in addition to the provisions of Division A of this Article Fourth ("**Division A**"), shall be applicable:

Section1. Designation of Series. The stock shall be designated "7.00% Series A Mandatory Convertible Preferred Stock" (hereinafter called "**Series A Preferred Stock**").

Section 2*. Number of Shares; Fractional Shares.* (a) The number of shares of Series A Preferred Stock shall be 675,000 (as increased from time to time, up to an aggregate of 776,250 shares of Series A Preferred Stock, by an amount equal to the number of any additional shares of Series A Preferred Stock underlying the Corporation's depositary shares purchased by the Underwriters pursuant to the exercise of their over-allotment option as set forth in the Underwriting Agreement), which number the Board of Directors may decrease (but not below the number of shares of the series then Outstanding).

(b) Each holder of a fractional interest in a share of Series A Preferred Stock shall be entitled, proportionately, to all the rights, preferences and privileges of the Series A Preferred Stock (including, without limitation, the conversion, dividend, voting and liquidation rights contained in this Subdivision.

Section 3. *Certain Definitions*.

"**Accumulated Dividend Amount**" shall have the meaning assigned to it in Section 8(d)(i) of this Subdivision.

"**Additional Conversion Amount**" shall have the meaning assigned to it in Section 8(b) of this Subdivision.

"**Additional Fundamental Change Amount**" shall have the meaning assigned to it in Section 8(d)(ix) of this Subdivision.

"**ADRs**" shall have the meaning assigned to it in Section 10(a) of this Subdivision.

"**Affiliate**" of any Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

“**Applicable Market Value**” means the Average VWAP per Common Share over the Final Averaging Period, subject to adjustment pursuant to Section 9 of this Subdivision.

“**Articles of Incorporation**” means the Corporation’s Second Amended Articles of Incorporation, as amended.

“**Average VWAP**” per Common Share over a certain period means the average of the VWAP per share for each Trading Day in such period. The “**Average VWAP**” per share of Capital Stock or share of equity interest, as applicable, over a certain period means the average of the per share volume-weighted average price for such security as displayed on the relevant Bloomberg page in respect of the period from 9:30 a.m. to 4:00 p.m., New York City time for each Trading Day in such period (or, if such price is not available, the market value per share of the relevant security on each such Trading Day as determined, using a volume-weighted average method, by a nationally recognized independent investment banking firm retained by the Corporation for this purpose).

“**Board of Directors**” means either the board of directors of the Corporation or any duly authorized committee of such board.

“**Business Day**” means any day other than a Saturday or Sunday or other day on which commercial banks in New York City are authorized or required by law or executive order to close.

“**Capital Stock**” means, for any entity, any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) stock issued by that entity.

“**Certificated Series A Preferred Stock**” shall have the meaning assigned to it in Section 13 of this Subdivision.

“**close of business**” means 5:00 p.m., New York City time.

“**Common Shares**” means the common shares of the Corporation, par value $0.125 per share.

“**Conversion and Dividend Disbursing Agent**” shall have the meaning assigned to it in Section 15(a) of this Subdivision.

“**Conversion Date**” shall have the meaning assigned to it in Section 8(e)(ii) of this Subdivision.

“**Conversion Price**” per share of Series A Preferred Stock means, on any date, the Liquidation Preference, *divided by* the Conversion Rate in effect on such date.

“**Conversion Rate**,” which is the number of Common Shares issuable upon conversion of each share of Series A Preferred Stock on the Mandatory Conversion Date, shall, subject to adjustment pursuant to Section 9 of this Subdivision, be as follows:

(a) if the Applicable Market Value of the Common Shares is greater than the Threshold Appreciation Price, then the Conversion Rate shall be the Minimum Conversion Rate;

(b) if the Applicable Market Value of the Common Shares is less than or equal to the Threshold Appreciation Price but equal to or greater than the Initial Price, then the Conversion

Rate shall be equal to $1,000, *divided by* the Applicable Market Value of the Common Shares, which will be between 28.1480 and 34.4840 of the Common Shares per share of Series A Preferred Stock; or

(c) if the Applicable Market Value of the Common Shares is less than the Initial Price, then the Conversion Rate shall be the Maximum Conversion Rate.

"**Corporation**" means Cliffs Natural Resources Inc., and shall include any successor to such Corporation.

"**Current Market Price**" means, for the purposes of determining the adjustment to the Fixed Conversion Rate for the purposes of:

(i) Section 9(b) of this Subdivision, Section 9(d) of this Subdivision in the event of an adjustment not relating to a Spin-Off and Section 9(e) of this Subdivision, the Average VWAP per Common Share over the five consecutive Trading Day period ending on the Trading Day before the ex-date with respect to the issuance or distribution requiring such computation;

(ii) Section 9(d) of this Subdivision in the event of an adjustment relating to a Spin-Off, the Average VWAP per Common Share, share of Capital Stock or share of equity interest, as applicable, over the first ten consecutive Trading Days commencing on, and including, the fifth Trading Day following the effective date of such distribution; and

(iii) Section 9(f) of this Subdivision, the Average VWAP per Common Share over the five consecutive Trading Day period ending on, and including, the seventh Trading Day after the Expiration Date of the tender or exchange offer.

"**Depositary**" means DTC or its successor depositary.

"**Distributed Property**" shall have the meaning assigned to it in Section 9(d) of this Subdivision.

"**Dividend Payment Date**" means February 1, May 1, August 1 and November 1 each year to, and including, February 1, 2016, commencing May 1, 2013.

A full "**Dividend Period**" shall mean the period from, and including, a Dividend Payment Date to, but excluding, the next Dividend Payment Date, except that the initial "**Dividend Period**" will commence on, and include, the Initial Issue Date and will end on, and exclude, the May 1, 2013 Dividend Payment Date.

"**Dividend Rate**" shall have the meaning assigned to it in Section 4(a) of this Subdivision.

"**Division A**" shall have the meaning assigned to it in the preamble to this Subdivision.

"**dollars**" or "**$**" shall have the meaning assigned to it in Section 12 of this Subdivision.

"**DTC**" shall mean The Depository Trust Company.

"**Early Conversion Additional Conversion Amount**" shall have the meaning assigned to it in Section 8(c)(ii) of this Subdivision.

“**Early Conversion Average Price**” shall have the meaning assigned to it in Section 8(c)(ii) of this Subdivision.

“**Early Conversion**” shall have the meaning assigned to it in Section 8(c)(i) of this Subdivision.

“**Early Conversion Date**” shall have the meaning assigned to it in Section 8(c)(ii) of this Subdivision.

“**Effective Date**” shall have the meaning assigned to it in Section 8(d)(ii) of this Subdivision.

“**ex-date**,” when used with respect to any issuance or distribution, means the first date on which the Common Shares trade without the right to receive such issuance or distribution.

“**Exchange Act**” shall mean the Securities Exchange Act of 1934, as amended.

“**Exchange Property**” shall have the meaning assigned to it in Section 10(a) of this Subdivision.

“**Expiration Date**” shall have the meaning assigned to it in Section 9(f) of this Subdivision.

“**Fair Market Value**” means the fair market value as determined in good faith by the Board of Directors, whose determination shall be conclusive and set forth in a resolution of the Board of Directors.

“**Final Averaging Period**” means the 20 consecutive Trading Day period beginning on, and including, the 23rd Scheduled Trading Day immediately preceding February 1, 2016.

“**Five-Day Average Price**” shall have the meaning assigned to it in Section 8(b) of this Subdivision.

“**Fixed Conversion Rates**” means the Minimum Conversion Rate and the Maximum Conversion Rate collectively.

“**Floor Price**” means $10.15, which amount represents approximately 35% of the Initial Price, subject to adjustment pursuant to Section 9 of this Subdivision.

“**Fundamental Change**” means the occurrence, at any time after the Initial Issue Date of: (i) the consummation of any transaction or event (whether by means of an exchange offer, liquidation, tender offer, consolidation, merger, combination, recapitalization or otherwise) in connection with which 90% or more of the Common Shares are exchanged for, converted into, acquired for or constitutes solely the right to receive consideration 10% or more of which is not common stock that is listed on, or immediately after the transaction or event will be listed on, any of The New York Stock Exchange, The NASDAQ Global Select Market or The NASDAQ Global Market; (ii) any “person” or “group” (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act, whether or not applicable), other than the Corporation, any of the Corporation’s majority-owned Subsidiaries or any of the Corporation’s or the Corporation’s majority-owned Subsidiaries’ employee benefit plans, becoming the “beneficial owner,” directly or indirectly, of more than 50% of the total voting power in the aggregate of all classes of capital stock then outstanding entitled to vote generally in elections of the Board of Directors; or (iii) the Common Shares (or any other security into which the Series A Preferred Stock becomes convertible in connection with a Reorganization Event) ceases to be listed or quoted on any of The New York Stock Exchange, The NASDAQ Global Select Market or The NASDAQ Global Market.

"**Fundamental Change Conversion Period**" shall have the meaning assigned to it in Section 8(d)(ii) of this Subdivision.

"**Fundamental Change Conversion Rate**" shall have the meaning assigned to it in Section 8(d)(ii) of this Subdivision.

"**Fundamental Change Dividend Make-Whole Amount**" shall have the meaning assigned to it in Section 8(d)(i) of this Subdivision.

"**Holder**" as applied to any share of the Series A Preferred Stock, or other similar terms, shall mean any Person in whose name at the time a particular share of Series A Preferred Stock is registered, who shall be treated by the Corporation and the Registrar as the absolute owner of those shares of Series A Preferred Stock for the purpose of making payment and settling conversions and for all other purposes.

"**Initial Dividend Threshold**" shall have the meaning assigned to it in Section 9(e) of this Subdivision.

"**Initial Issue Date**" means February 21, 2013, the first date of original issuance of the Series A Preferred Stock.

"**Initial Price**" equals $1,000, *divided by* the Maximum Conversion Rate, which quotient is initially equal to approximately $29.00, subject to adjustment pursuant to Section 9 of this Subdivision.

"**Last Reported Sale Price**" of the Common Shares on any date means the closing sale price per share (or if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average ask prices) on that date as reported in composite transactions for the principal U.S. national or regional securities exchange on which the Common Shares are traded. If the Common Shares are not listed for trading on a U.S. national or regional securities exchange on the relevant date, the "**Last Reported Sale Price**" shall be the last quoted bid price for the Common Shares in the over-the-counter market on the relevant date as reported by OTC Markets Group Inc. or a similar organization. If the Common Shares are not so quoted, the "**Last Reported Sale Price**" shall be the average of the mid-point of the last bid and ask prices for the Common Shares on the relevant date from each of at least three nationally recognized independent investment banking firms selected by the Corporation for this purpose.

"**Liquidation Preference**" shall have the meaning assigned to it in Section 6 of this Subdivision.

"**Mandatory Conversion**" shall have the meaning assigned to it in Section 8(b)(i) of this Subdivision.

"**Mandatory Conversion Date**" means the third Business Day immediately following the last Trading Day of the Final Averaging Period.

“**Maximum Conversion Rate**” means 34.4840 Common Shares per share of Series A Preferred Stock, which is equal to $1,000, *divided by* the Initial Price, subject to adjustment pursuant to Section 9 of this Subdivision.

“**Minimum Conversion Rate**” means 28.1480 Common Shares per share of Series A Preferred Stock, which is equal to $1,000, *divided by* the Threshold Appreciation Price, subject to adjustment pursuant to Section 9 of this Subdivision.

“**Notice of Conversion**” shall have the meaning assigned to it in Section 8(e)(ii) of this Subdivision.

“**Officer**” means the Chairman of the Board, the Vice Chairman of the Board, the President, the Chief Executive Officer, any Vice President, the Treasurer, any Assistant Treasurer, the Controller, any Assistant Controller, the Secretary or any Assistant Secretary of the Corporation.

“**Officer’s Certificate**” means a certificate that is delivered to the Conversion and Dividend Disbursing Agent and that is signed by an Officer of the Corporation.

“**Outstanding**” means, when used with respect to Series A Preferred Stock, as of any date of determination, all shares of Series A Preferred Stock outstanding as of such date; *provided*, however, that, in determining whether the Holders have given any request, demand, authorization, direction, notice, consent or waiver or taken any other action hereunder, Series A Preferred Stock owned by the Corporation or any Affiliate of the Corporation shall be deemed not to be Outstanding, except that, in determining whether the Registrar shall be protected in relying upon any such request, demand, authorization, direction, notice, consent, waiver or other action, only Series A Preferred Stock that the Registrar has actual knowledge of being so owned shall be deemed not to be Outstanding.

“**Paying Agent**” shall have the meaning assigned to it in Section 15(a) of this Subdivision.

“**Person**” means an individual, a corporation, an association, a partnership, a limited liability company, a joint venture, a joint stock company, a trust, an unincorporated organization or any other entity or organization, a government or political subdivision or an agency or instrumentality thereof.

“**Record Date**” means with respect to the dividends payable on February 1, May 1, August 1 and November 1 of each year, January 15, April 15, July 15 and October 15 of each year, respectively, regardless of whether such day is a Business Day.

“**Registrar**” shall mean Wells Fargo Bank, N.A., or any successor thereto, as may be designated by the Board of Directors.

“**Reorganization Common Stock**” shall have the meaning assigned to it in Section 10(b)(i) of this Subdivision.

“**Reorganization Event**” shall have the meaning assigned to it in Section 10(a) of this Subdivision.

“**Reorganization Valuation Percentage**” for any Reorganization Event shall be equal to (x) the arithmetic average of the Last Reported Sale Prices of one share of such Reorganization Common Stock over the relevant Reorganization Valuation Period (determined as if references to

"Common Shares" in the definition of "Last Reported Sale Price" were references to the "Reorganization Common Stock" for such Reorganization Event), *divided by* (y) the arithmetic average of the Last Reported Sale Prices of one Common Share over the relevant Reorganization Valuation Period.

"**Reorganization Valuation Period**" for any Reorganization Event means the five consecutive Trading Day period immediately preceding, but excluding, the effective date for such Reorganization Event.

"**Scheduled Trading Day**" means any day that is scheduled to be a Trading Day.

"**Securities Act**" means the Securities Act of 1933, as amended.

"**Series A Preferred Stock**" shall have the meaning assigned to it in Section 1 of this Subdivision.

"**Spin-Off**" shall have the meaning assigned to it in Section 9(d) of this Subdivision.

"**Stock Price**" shall have the meaning assigned to it in Section 8(d)(v) of this Subdivision.

"**Subdivision**" means this Subdivision A-1 of Article Fourth of the Articles of Incorporation.

"**Subsidiary**" means, with respect to any Person, (a) any corporation, association or other business entity of which more than fifty percent (50%) of the total voting power of shares of capital stock or other equity interests entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person (or a combination thereof) and (b) any partnership (i) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (ii) the only general partners of which are such Person or one or more Subsidiaries of such Person (or any combination thereof).

"**Threshold Appreciation Price**" means $1,000, *divided by* the Minimum Conversion Rate, which quotient is initially equal to approximately $35.53 per Common Share, subject to adjustment pursuant to Section 9 of this Subdivision.

"**Trading Day**" means a day on which the Common Shares (x) are not suspended from trading, and on which trading in the Common Shares is not limited, on any national or regional securities exchange or association or over-the-counter market during any period or periods aggregating one half-hour or longer; and (y) have traded at least once on the national or regional securities exchange or association or over-the-counter market that is the primary market for the trading of the Common Shares; *provided* that if the Common Shares are not traded on any such exchange, association or market, "**Trading Day**" means any Business Day.

"**Transfer Agent**" shall mean Wells Fargo Bank, N.A., or any successor thereto, as may be designated by the Board of Directors.

"**Trigger Event**" shall have the meaning assigned to it in Section 9(d) of this Subdivision.

"**Underwriters**" means J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc., Wells Fargo Securities, LLC, BMO Capital Markets

Corp., Credit Agricole Securities (USA) Inc., TD Securities (USA) LLC, Scotia Capital (USA) Inc. and Mizuho Securities USA Inc.

"**Underwriting Agreement**" means the Underwriting Agreement relating to the Series A Preferred Stock and the Corporation's depositary shares underlying the Series A Preferred Stock, dated as of February 14, 2013, among the Corporation and the Underwriters.

"**unit of Exchange Property**" shall have the meaning assigned to it in Section 10(a) of this Subdivision.

"**VWAP**" per Common Share on any Trading Day means the per share volume-weighted average price as displayed on Bloomberg page "CLF <Equity> AQR" (or its equivalent successor if such page is not available) in respect of the period from 9:30 a.m. to 4:00 p.m., New York City time, on such Trading Day; or, if such price is not available, " **VWAP**" means the market value per Common Share on such Trading Day as determined, using a volume-weighted average method, by a nationally recognized independent investment banking firm retained by the Corporation for this purpose.

Section 4. *Dividends.* Subject to the applicable express provisions of Division A:

(a) The dividend rate (the "**Dividend Rate**") for the Series A Preferred Stock shall be 7.00% per share per annum on the Liquidation Preference of Series A Preferred Stock. Cash dividends at such Dividend Rate shall be payable, when, as and if declared by the Board of Directors, out of funds legally available therefor, in quarterly installments on each Dividend Payment Date, commencing May 1, 2013. Such dividends will accumulate from the most recent date as to which dividends have been paid or, if no dividends have been paid, from the Initial Issue Date, whether or not in any Dividend Period or Dividend Periods there have been funds legally available for the payment of such dividends. Declared dividends will be payable on the relevant Dividend Payment Date to Holders of record as they appear on the stock register of the Corporation at the close of business on the immediately preceding Record Date, whether or not such Holders convert their shares of Series A Preferred Stock, or such shares of Series A Preferred Stock are automatically converted, after a Record Date and on or prior to the immediately succeeding Dividend Payment Date. If a Dividend Payment Date is not a Business Day, payment will be made on the next succeeding Business Day, without any interest or other payment in lieu of interest accruing with respect to this delay. Dividends payable for the initial Dividend Period and any partial Dividend Period shall be computed on the basis of a 360-day year of twelve 30-day months.

(b) The dividend on the Series A Preferred Stock for the initial Dividend Period will be $13.6111 per share of Series A Preferred Stock and will be payable, when, as and if declared by the Board of Directors, on May 1, 2013.

(c) The amount of dividends payable on each share of Series A Preferred Stock for each full Dividend Period (after the initial Dividend Period) shall be computed by dividing the Dividend Rate by four.

Section 5. *No Redemption; No Sinking Fund*. The provisions set forth in Section 3 of Division A and the proviso and immediately succeeding sentence immediately following Section 5(c)(iii) of Division A shall not apply to the Series A Preferred Stock. Instead, the Series A Preferred Stock shall not be redeemable by the Corporation or entitled to the benefits of any retirement or sinking fund.

Section 6*. Liquidation Preference.* Subject to the applicable express provisions of Division A, the Holders shall, in case of voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, be entitled to receive in full out of the assets of the Corporation, including its capital, before any amount shall be paid or distributed among the holders of the Common Shares or any other shares ranking junior to the Series A Preferred Stock, the amount of $1,000 per share of Series A Preferred Stock (the " **Liquidation Preference**"), *plus* an amount equal to (i) all then accrued and unpaid dividends for all Dividend Payment Dates on or prior to the date of payment of the amount due pursuant to such liquidation, dissolution or winding up, and (ii) if such date is not a Dividend Payment Date, a proportionate dividend, based on the number of elapsed days, for the period from the day after the most recent Dividend Payment Date through the date of payment of the amount due pursuant to such liquidation, dissolution or winding up. For so long as any Series A Preferred Stock is Outstanding, the Corporation shall not issue any Class A Preferred Stock with a liquidation preference less than $1,000 per share.

Section 7. *Voting*. Subject to the applicable express provisions of Division A, any Director of the Corporation elected by the holders of the Class A Preferred Stock in accordance with Section 5(b)(1) of Division A may be removed at any time without cause by the holders of record of a majority of the outstanding shares of the Class A Preferred Stock.

Section 8. *Conversion Rights*. (a) *Applicability of Division A Conversion Provisions*. The provisions related to conversion set forth in Section 6 of Division A shall not apply to the Series A Preferred Stock. Instead, the provisions related to conversion set forth in this Section 8 of this Subdivision shall apply to the Series A Preferred Stock and shall supersede and replace, in their entirety, the provisions related to conversion set forth in Section 6 of Division A.

(b) *Mandatory Conversion.* (i) Each share of the Series A Preferred Stock, unless previously converted pursuant to Section 8(c) or Section 8(d) of this Subdivision, shall automatically convert on the Mandatory Conversion Date (a "**Mandatory Conversion**") into a number of Common Shares equal to the Conversion Rate. If the Corporation declares a dividend for the Dividend Period ending on February 1, 2016, the Corporation will pay such dividend to the Holders on the applicable Record Date, as described under Section 4(a) of this Subdivision. If on or prior to January 15, 2016 the Corporation has not declared all or any portion of the accumulated and unpaid dividends on the Series A Preferred Stock, the Conversion Rate will be increased so that Holders receive an additional number of Common Shares equal to (x) the amount of accumulated and unpaid dividends that have not been declared (the "**Additional Conversion Amount**"), *divided by* (y) the greater of (A) the Floor Price and (B) 97% of the Average VWAP per Common Share over the five consecutive Trading Day period ending on the second Trading Day immediately preceding the applicable Dividend Payment Date (the "**Five-Day Average Price**"). To the extent that the Additional Conversion Amount exceeds the product of the number of additional Common Shares added to the Conversion Rate and 97% of the Five-Day Average Price, the Corporation shall, if it is legally able to do so, declare and pay such excess amount in cash *pro rata* to the Holders.

(ii) The person or persons entitled to receive the Common Shares issuable upon Mandatory Conversion of the Series A Preferred Stock shall be treated as the record holder(s) of such shares as of the close of business on the Mandatory Conversion Date. Except as provided in Section 9 of this Subdivision, prior to the close of business on the Mandatory Conversion Date, the Common Shares issuable upon conversion of the Series A Preferred Stock shall not be deemed to be outstanding for any purpose and Holders shall have no rights with respect to such Common Shares, including voting rights, rights to respond to tender offers and rights to receive any dividends or other distributions on such

Common Shares, by virtue of holding the Series A Preferred Stock, other than the rights set forth in Section 5 of Division A.

(c) *Conversion at the Option of the Holder.* (i) Other than during a Fundamental Change Conversion Period, Holders have the right to convert their shares of Series A Preferred Stock, in whole or in part (but in no event less than one share of Series A Preferred Stock), at any time prior to February 1, 2016 (an "**Early Conversion**"), into Common Shares at the Minimum Conversion Rate.

(ii) If as of the effective date of any Early Conversion (the "**Early Conversion Date**"), the Corporation has not declared all or any portion of the accumulated and unpaid dividends for all full Dividend Periods ending on a Dividend Payment Date prior to such Early Conversion Date, the Conversion Rate shall be increased so that converting Holders receive an additional number of Common Shares equal to (x) such amount of accumulated and unpaid dividends that have not been declared for such full Dividend Periods (the "**Early Conversion Additional Conversion Amount**"), *divided by* (y) the greater of (A) the Floor Price and (B) the Average VWAP per Common Share over the 20 consecutive Trading Day period ending on, and including, the third Trading Day immediately preceding the Early Conversion Date (the "**Early Conversion Average Price**"). To the extent that the Early Conversion Additional Conversion Amount exceeds the product of the number of additional Common Shares by which the Conversion Rate is increased and the Early Conversion Average Price, the Corporation shall not have any obligation to pay the shortfall in cash.

(iii) Except as described in clause (ii) above, upon any Early Conversion, the Corporation shall make no payment or allowance for unpaid dividends on such shares of Series A Preferred Stock, unless the relevant Early Conversion Date occurs after the Record Date for a declared dividend and on or prior to the immediately succeeding Dividend Payment Date, in which case such dividend shall be paid on such Dividend Payment Date to the Holder of record of the converted shares as of such Record Date, as described under Section 4(a) of this Subdivision.

(d) *Conversion at the Option of the Holder upon Fundamental Change; Fundamental Change Dividend Make-Whole Amount.* (i) If a Fundamental Change occurs on or prior to February 1, 2016, Holders shall have the right to: (x) convert their shares of Series A Preferred Stock, in whole or in part (but in no event less than one share of Series A Preferred Stock) (any such conversion pursuant to this Section 9(d) of this Subdivision being a "**Fundamental Change Conversion**") into Common Shares at the Fundamental Change Conversion Rate; (y) with respect to such converted shares, receive an amount equal to the present value, calculated using a discount rate of 5.00% per annum, of all dividend payments on such shares (excluding any accumulated and unpaid dividends for any Dividend Period prior to the Effective Date of the Fundamental Change, including for the Dividend Period, if any, from the Dividend Payment Date immediately preceding the Effective Date to, but excluding, the Effective Date (collectively, the "**Accumulated Dividend Amount**")) for all the remaining full Dividend Periods and for the partial Dividend Period from, and including, the Effective Date to, but excluding, the next Dividend Payment Date (the "**Fundamental Change Dividend Make-Whole Amount**"); and (z) with respect to such converted shares, to the extent that, as of the Effective Date of the Fundamental Change, there is any Accumulated Dividend Amount, receive payment of the Accumulated Dividend Amount, in the case of clauses (y) and (z), subject to the Corporation's right to increase the Fundamental Change Conversion Rate by a number of Common Shares in lieu of paying cash in respect of all or part of such amounts as set forth in Section 8(d)(ix) below; *provided* that, if the Effective Date or the Conversion Date falls after the Record Date for a declared dividend and prior to the next Dividend Payment Date, such dividend will be paid on such Dividend Payment Date to the Holders as of such Record Date, as described under Section 4(a) of this Subdivision, and will not be included in the Accumulated Dividend Amount, and the Fundamental Change Dividend Make-Whole Amount will not include the present value of the payment of such dividend.

(ii) To exercise the Fundamental Change Conversion right, Holders must submit their shares of Series A Preferred Stock for conversion at any time during the period (the "**Fundamental Change Conversion Period**") beginning on the effective date of such fundamental change (the "**Effective Date**") and ending at the close of business on the date that is 20 calendar days after the Effective Date (or, if earlier, the Mandatory Conversion Date) at the conversion rate per share of Series A Preferred Stock specified in the table below (the "**Fundamental Change Conversion Rate**"). Holders who do not submit their shares of Series A Preferred Stock for conversion during the Fundamental Change Conversion Period will not be entitled to convert their shares of Series A Preferred Stock at the Fundamental Change Conversion Rate or to receive the Fundamental Change Dividend Make-Whole Amount or the Accumulated Dividend Amount (or an increase in the Fundamental Change Conversion Rate in respect of all or part of such amounts, as the case may be).

(iii) The Corporation shall notify Holders of the anticipated Effective Date of a Fundamental Change at least 20 calendar days prior to such anticipated Effective Date or, if such prior notice is not practicable, notify Holders of the Effective Date of a Fundamental Change no later than such Effective Date. Such notice shall state:

(A) the event causing the Fundamental Change;

(B) the anticipated Effective Date or actual Effective Date, as the case may be;

(C) that Holders shall have the right to effect a Fundamental Change Conversion in connection with such Fundamental Change during the Fundamental Change Conversion Period;

(D) the Fundamental Change Conversion Period; and

(E) the instructions a Holder must follow to effect a Fundamental Change Conversion in connection with such Fundamental Change.

If the Corporation notifies Holders of a Fundamental Change later than the 20th calendar day prior to the Effective Date of a Fundamental Change, the Fundamental Change Conversion Period will be extended by a number of days equal to the number of days from, and including, the 20th calendar day prior to the Effective Date of the Fundamental Change to, but excluding, the date of the notice; *provided* that the Fundamental Change Conversion Period shall not be extended beyond the Mandatory Conversion Date.

(iv) Not later than the second Business Day following the Effective Date of a Fundamental Change, the Corporation shall notify Holders of (x) the Fundamental Change Conversion Rate; (y) the Fundamental Change Dividend Make-Whole Amount and whether the Corporation will increase the Fundamental Change Conversion Rate in lieu of paying such amount, or any portion thereof, by a number of Common Shares and, if applicable, the portion of such amount the Corporation will satisfy by increasing the Fundamental

Change Conversion Rate; and (z) the Accumulated Dividend Amount and whether the Corporation will increase the Fundamental Change Conversion Rate in lieu of paying such amount, or any portion thereof, by a number of Common Shares and, if applicable, the portion of such amount the Corporation will satisfy by so increasing the Fundamental Change Conversion Rate.

(v) The Fundamental Change Conversion Rate will be determined by reference to the table below based on the Effective Date of the transaction and the price (the "**Stock Price**") paid (or deemed paid) per Common Share in such transaction. If all holders of the Common Shares receive only cash in the Fundamental Change, the Stock Price shall be the cash amount paid per share. Otherwise the Stock Price shall be the Average VWAP per Common Share over the five consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the Effective Date.

(vi) The Stock Prices set forth in the first row of the table below (*i.e.*, the column headers) shall be adjusted as of any date on which the Fixed Conversion Rates are adjusted. The adjusted Stock Prices will equal the Stock Prices applicable immediately prior to such adjustment multiplied by a fraction, the numerator of which is the Minimum Conversion Rate immediately prior to the adjustment giving rise to the Stock Price adjustment and the denominator of which is the Minimum Conversion Rate as so adjusted. Each of the Fundamental Change Conversion Rates in the table will be subject to adjustment in the same manner and at the same time as each Fixed Conversion Rate as set forth in Section 9 of this Subdivision.

(vii) The following table sets forth the Fundamental Change Conversion Rate per share of Series A Preferred Stock for each Stock Price and Effective Date set forth below.

	Stock Price on Effective Date														
Effective Date	**$15.00**	**$20.00**	**$25.00**	**$29.00**	**$32.00**	**$35.53**	**$40.00**	**$45.00**	**$50.00**	**$55.00**	**$60.00**	**$65.00**	**$70.00**	**$80.00**	**$90.00**
February 21, 2013	28.5480	28.7280	28.5040	28.2760	28.1200	27.9680	27.8280	27.7280	27.6760	27.6600	27.6640	27.6840	27.7120	27.7800	27.8480
February 1, 2014	30.5640	30.4040	29.8080	29.3000	28.9600	28.6320	28.3160	28.0880	27.9480	27.8760	27.8440	27.8400	27.8480	27.8880	27.9360
February 1, 2015	32.6680	32.4240	31.4840	30.5560	29.9120	29.2840	28.7080	28.3160	28.1080	28.0080	27.9720	27.9640	27.9720	28.0000	28.0320
February 1, 2016	34.4840	34.4840	34.4840	34.4840	31.2520	28.1480	28.1480	28.1480	28.1480	28.1480	28.1480	28.1480	28.1480	28.1480	28.1480

The exact Stock Price and Effective Dates may not be set forth in the table, in which case:

(x) if the Stock Price is between two Stock Prices on the table or the Effective Date is between two Effective Dates on the table, the Fundamental Change Conversion Rate shall be determined by straight-line interpolation between the Fundamental Change Conversion Rates set forth for the higher and lower Stock Prices and the earlier and later Effective Dates, as applicable, based on a 365-day year;

(y) if the Stock Price is in excess of $90.00 per share (subject to adjustment in the same manner and at the same time as the Stock Prices set forth in the first row of the table above, as set forth in clause (vi) above), then the Fundamental Change Conversion Rate shall be the Minimum Conversion Rate; and

(z) if the Stock Price is less than $15.00 per share (subject to adjustment in the same manner and at the same time as the Stock Prices set forth in the first row of the table above, as set forth in clause (vi) above), then the Fundamental Change Conversion Rate shall be the Maximum Conversion Rate.

(viii) For any shares of Series A Preferred Stock that are converted during the Fundamental Change Conversion Period, subject to the limitations described in clause (ix) below, the Corporation may pay the Fundamental Change Dividend Make-Whole Amount and the Accumulated Dividend Amount, determined in its sole discretion, (x) in cash, (y) by increasing the Fundamental Change Conversion Rate by a number of Common Shares (calculated as described in clause (ix) below) or (z) through any combination of cash and an increase to the Fundamental Change Conversion Rate by a number of Common Shares (calculated as described in clause (ix) below).

(ix) The Corporation shall pay the Fundamental Change Dividend Make-Whole Amount and the Accumulated Dividend Amount in cash, except to the extent it elects on or prior to the second Business Day following the Effective Date of a Fundamental Change to increase the Fundamental Change Conversion Rate by a number of Common Shares in lieu of making all or any portion of such payments in cash. If the Corporation elects to increase the Fundamental Change Conversion Rate by a number of Common Shares in respect of any such payment, or any portion thereof, the number of Common Shares by which the Fundamental Change Conversion Rate shall be increased shall be valued for such purpose at 97% of the Stock Price. Notwithstanding the foregoing, in no event shall the additional number of Common Shares added to the Fundamental Change Conversion Rate in connection with the Fundamental Change Dividend Make-Whole Amount and the Accumulated Dividend Amount, in the aggregate, exceed a number equal to the sum of such amounts (the "**Additional Fundamental Change Amount**"), *divided by* the greater of the Floor Price and 97% of the Stock Price. To the extent that the Additional Fundamental Change amount exceeds the product of the number of Common Shares by which the Fundamental Change Conversion Rate is increased in respect of such Additional Fundamental Change Amount and 97% of the Stock Price, the Corporation shall, if it is legally able to do so, notwithstanding any notice by the Corporation to the contrary, pay such excess amount in cash.

(e) *Conversion Procedures upon Early Conversion*. (i) If a Holder elects to convert its shares of Series A Preferred Stock prior to the Mandatory Conversion Date in accordance with Section 8(c) or Section 8(d) of this Subdivision, such Holder must observe the conversion procedures set forth in this Section 8(e) of this Subdivision.

(ii) To convert a Holder's shares of Series A Preferred Stock, such Holder must surrender to the Corporation, at the principal office of the Corporation or at the office of the Transfer Agent as may be designated by the Board of Directors, the certificate or certificates for such shares of the Series A Preferred Stock to be converted accompanied by a complete and manually signed Notice of Conversion (as set forth in the form of Series A Preferred Stock certificate attached hereto) (a "**Notice of Conversion**") along with appropriate endorsements and transfer documents as required by the Registrar or Conversion and Dividend Disbursing Agent. The "**Conversion Date**" shall be the earlier of (x) the date on which the converting Holder has satisfied the foregoing requirements and (y) the Mandatory Conversion Date. A Holder who converts its shares of Series A Preferred Stock shall not be required to pay any taxes or duties relating to the issuance or delivery of Common Shares if such Holder exercises its conversion rights, except that such Holder shall be required to pay any tax or duty that may be payable relating to any transfer involved in the issuance or delivery of Common Shares in a name other than the name of such Holder. Such Common Shares shall be issued and delivered only after all applicable taxes and duties, if any, payable by the converting Holder have been paid in full and shall be issued on the later of the third Business Day immediately succeeding the Conversion Date and the Business Day after such Holder has paid in full all applicable taxes and duties, if any.

(iii) The person or persons entitled to receive the Common Shares issuable upon conversion of the Series A Preferred Stock shall be treated as the record holder(s) of such shares as of the close of business on the applicable Conversion Date. Prior to the close of business on the applicable Conversion Date, the Common Shares issuable upon conversion of the Series A Preferred Stock shall not be deemed to be outstanding for any purpose and a Holder of shares of the Series A Preferred Stock shall have no rights with respect to such Common Shares, including voting rights, rights to respond to tender offers and rights to receive any dividends or other distributions on such Common Shares, by virtue of holding the Series A Preferred Stock, other than the rights set forth in Section 5 of Division A.

(iv) In the event that an Early Conversion or Fundamental Change Conversion is effected with respect to shares of Series A Preferred Stock representing less than all the shares of Series A Preferred Stock held by a Holder, upon such Early Conversion or Fundamental Change Conversion, as the case may be, the Corporation shall execute and instruct the Registrar and Transfer Agent to countersign and deliver to the Holder thereof, at the expense of the Corporation, a certificate evidencing the shares of Series A Preferred Stock as to which Early Conversion or Fundamental Change Conversion, as the case may be, was not effected.

(v) In the event that a Holder shall not by written notice designate the name in which Common Shares to be issued upon conversion of such Series A Preferred Stock should be registered or, if applicable, the address to which the certificate or certificates representing such Common Shares should be sent, the Corporation shall be entitled to register such Common Shares, and make such payment, in the name of the Holder as shown on the records of the Corporation and, if applicable, to send the certificate or certificates representing such Common Shares to the address of such Holder shown on the records of the Corporation.

(vi) Shares of Series A Preferred Stock shall cease to be Outstanding on the applicable Conversion Date, subject to the right of Holders of such shares to receive Common Shares issuable upon conversion of such shares of Series A Preferred Stock and other amounts and Common Shares, if any, to which they are entitled pursuant to this Section 8 of this Subdivision and, if the applicable Conversion Date occurs after the Record Date for a declared dividend and prior to the immediately succeeding Dividend Payment Date, subject to the right of the Holders of such shares on such Record Date to receive payment of such declared dividend on such Dividend Payment Date pursuant to Section 4(a) of this Subdivision.

(f) *Fractional Shares*. No fractional Common Shares shall be issued to Holders of the Series A Preferred Stock upon conversion. In lieu of any fractional Common Shares otherwise issuable in respect of the aggregate number of shares of the Series A Preferred Stock of any Holder that are converted, that Holder will be entitled to receive an amount in cash (computed to the nearest cent) equal to the product of: (i) that same fraction; and (ii) the Average VWAP per Common share over the five consecutive Trading Day period ending on, and including, the second Trading Day immediately preceding the Conversion Date. If more than one share of the Series A Preferred Stock is surrendered for, or subject to, conversion at one time by or for the same Holder, the number of Common Shares issuable upon conversion thereof shall be computed on the basis of the aggregate number of shares of the Series A Preferred Stock so surrendered for, or subject to, conversion.

(g) *Reservation of Shares; Shares to Be Fully Paid; Compliance with Governmental Requirements; Listing of Common Shares.* The Corporation covenants and agrees that:

(i) it shall at all times reserve and keep available, free from preemptive rights, solely for issuance upon conversion of shares of the Series A Preferred Stock a number of its authorized but unissued Common Shares or treasury shares equal to the maximum number of Common Shares deliverable by the Corporation upon conversion of all Outstanding shares of the Series A Preferred Stock;

(ii) prior to the delivery of any securities that the Corporation shall be obligated to deliver upon conversion of the Series A Preferred Stock, it shall comply with all applicable federal and state laws and regulations that require action to be taken by the Corporation (including, without limitation, the registration or approval, if required, of any Common Shares to be provided for the purpose of conversion of the Series A Preferred Stock hereunder); and

(iii) all Common Shares issued and delivered upon conversion of the Series A Preferred Stock shall, upon such issuance and delivery, be duly and validly issued and fully paid and nonassessable, free of all liens and charges and not subject to any preemptive rights.

(h) To the extent a shelf registration statement is required in the reasonable judgment of the Corporation in connection with the issuance of or for resales of the Common Shares issued in connection with any increases to the Conversion Rate as described in Section 8(b) or Section 8(c) of this Subdivision or to the Fundamental Change Conversion Rate as described in Section 8(d) of this Subdivision, the Corporation shall, to the extent such a registration statement is not currently filed and effective, use its reasonable best efforts to file and maintain the effectiveness of such a shelf registration statement until the earlier of such time as all such Common Shares have been resold thereunder and such time as all such Common Shares are freely tradable without registration. To the extent applicable, the Corporation shall also use its reasonable best efforts to have the Common Shares qualified or registered under applicable state securities laws, if required, and approved for listing on The New York Stock Exchange (or if the Common Shares are not listed on The New York Stock Exchange, on the principal other U.S. national or regional securities exchange on which the Common Shares are then listed).

Section 9*. Adjustments to the Conversion Rate.* Each Fixed Conversion Rate shall be adjusted by the Corporation if:

(a) *Share Dividends and Distributions.* The Corporation issues Common Shares to all or substantially all holders of the Common Shares as a dividend or other distribution, in which event, each Fixed Conversion Rate in effect at the close of business on the date fixed for determination of the holders of the Common Shares entitled to receive such dividend or other distribution shall be divided by a fraction:

(i) the numerator of which shall be the number of Common Shares outstanding at the close of business on the date fixed for such determination, and

(ii) the denominator of which shall be the sum of the number of Common Shares outstanding at the close of business on the date fixed for such determination and the total number of Common Shares constituting such dividend or other distribution.

Any increase made pursuant to this Section 9(a) of this Subdivision shall become effective immediately after the close of business on the date fixed for such determination. If any dividend or distribution described in this Section 9(a) of this Subdivision is declared but not so paid or made, each Fixed Conversion Rate shall be decreased, effective as of the date the Board of Directors publicly announces its decision not to make such dividend or distribution, to such Fixed Conversion Rate that would be in effect if such dividend or distribution had not been declared. For the purposes of this Section 9(a) of this Subdivision, the number of Common Shares outstanding at the close of business on the date fixed for such determination shall not include shares held in treasury but shall include any shares issuable in respect of any scrip certificates issued in lieu of fractions of Common Shares. The Corporation shall not pay any dividend or make any distribution on Common Shares held in treasury.

(b) *Issuance of Share Purchase Rights.* The Corporation issues to all or substantially all holders of the Common Shares rights or warrants (other than rights or warrants issued pursuant to a dividend reinvestment plan or share purchase plan or other similar plans) entitling them, for a period of up to 45 calendar days from the date of issuance of such rights or warrants, to subscribe for or purchase Common Shares at less than the Current Market Price of the Common Shares, in which case each Fixed Conversion Rate in effect at the close of business on the date fixed for determination of the holders of the Common Shares entitled to receive such rights or warrants shall be increased by multiplying such Fixed Conversion Rate by a fraction:

(i) the numerator of which shall be the sum of the number of Common Shares outstanding at the close of business on the date fixed for such determination and the number of Common Shares issuable pursuant to such rights or warrants, and

(ii) the denominator of which shall be the sum of the number of Common Shares outstanding at the close of business on the date fixed for such determination and the number of Common Shares equal to the quotient of the aggregate offering price payable to exercise such rights or warrants, *divided by* the Current Market Price of the Common Shares.

Any increase made pursuant to this Section 9(b) of this Subdivision shall become effective immediately after the close of business on the date fixed for such determination. In the event that such rights or warrants described in this Section 9(b) of this Subdivision are not so issued, each Fixed Conversion Rate shall be decreased, effective as of the date the Board of Directors publicly announces its decision not to issue such rights or warrants, to such Fixed Conversion Rate that would then be in effect if such issuance had not been declared. To the extent that such rights or warrants are not exercised prior to their expiration or Common Shares are otherwise not delivered pursuant to such rights or warrants upon the exercise of such rights or warrants, each Fixed Conversion Rate shall be decreased to such fixed conversion rate that would then be in effect had the increase made upon the issuance of such rights or warrants been made on the basis of the delivery of only the number of Common Shares actually delivered. In determining whether any rights or warrants entitle the holders thereof to subscribe for or purchase Common Shares at less than the Current Market Price, and in determining the aggregate offering price payable for such Common Shares, there shall be taken into account any consideration received for such rights or warrants and the value of such consideration (if other than cash) to be determined by the Board of Directors. For the purposes of this Section 9(b) of this Subdivision, the number of Common Shares at the time outstanding shall not include shares held in treasury but shall include any shares issuable in respect of any scrip certificates issued in lieu of fractions of Common Shares. The Corporation shall not issue any such rights or warrants in respect of Common Shares held in treasury.

(c) *Subdivisions and Combinations of the Common Shares.* The Corporation subdivides or combines the Common Shares, in which event each Fixed Conversion Rate in effect at the close of business on the effective date of such subdivision or combination shall be multiplied by a fraction:

(i) the numerator of which shall be the number of Common Shares that would be outstanding immediately after, and solely as a result of, such subdivision or combination, and

(ii) the denominator of which shall be the number of Common Shares outstanding immediately prior to such subdivision or combination.

Any adjustment made pursuant to this Section 9(c) of this Subdivision shall become effective immediately after the close of business on the effective date of such subdivision or combination.

(d) *Security or Asset Distribution.* The Corporation distributes to all or substantially all holders of the Common Shares evidences of its indebtedness, shares of its Capital Stock, securities, rights to acquire its Capital Stock, cash or other assets (excluding any dividend or distribution covered by Section 9(a) of this Subdivision, any rights or warrants covered by Section 9(b) of this Subdivision, any dividend or distribution covered by Section 9(e) of this Subdivision and any Spin-Off to which the provisions set forth in this Section 9(d) of this Subdivision shall apply) (any of the foregoing, the "**Distributed Property**"), in which event each Fixed Conversion Rate in effect at the close of business on the date fixed for the determination of holders of the Common Shares entitled to receive such distribution shall be multiplied by a fraction:

(i) the numerator of which shall be the Current Market Price of the Common Shares, and

(ii) the denominator of which shall be the Current Market Price of the Common Shares *minus* the Fair Market Value (as determined by the Board of Directors) on such date fixed for determination, of the portion of the Distributed Property so distributed applicable to one Common Share.

In the event that the Corporation makes a distribution to all holders of the Common Shares consisting of Capital Stock of, or similar equity interests in, or relating to a Subsidiary or other business unit of the Corporation (herein referred to as a "**Spin-Off**"), each Fixed Conversion Rate in effect at the close of business on the date fixed for the determination of holders of the Common Shares entitled to receive such distribution shall be multiplied by a fraction:

(i) the numerator of which shall be the sum of the Current Market Price of the Common Shares and the Fair Market Value, as determined by the Board of Directors, of the portion of those shares of Capital Stock or similar equity interests so distributed applicable to one Common Share as of the fifteenth Trading Day after the effective date for such distribution (or, if such shares of Capital Stock or equity interests are listed on a national or regional securities exchange, the Current Market Price of such securities), and

(ii) the denominator of which shall be the Current Market Price of the Common Shares.

Any increase made pursuant to this Section 9(d) of this Subdivision shall become effective immediately after the close of business on the date fixed for the determination of the holders of the Common Shares entitled to receive such distribution. In the event that such distribution described in this Section 9(d) of this Subdivision is not so made, each Fixed Conversion Rate shall be decreased, effective as of the date the Board of Directors publicly announces its decision not to make such distribution, to such Fixed Conversion Rate that would then be in effect if such distribution had not been declared. If an adjustment to each Fixed Conversion Rate is required under Section 9(d) of this Subdivision during the Final Averaging Period in respect of shares of Series A Preferred Stock that are subject to Mandatory Conversion, delivery of the Common Shares issuable upon Mandatory Conversion of the Series A Preferred Stock shall be delayed to the extent necessary in order to complete the calculations provided for in this Section 9(d) of this Subdivision.

For purposes of this Section 9(d) of this Subdivision (and subject in all respects to Section 9(b) of this Subdivision), rights, options or warrants distributed by the Corporation to all or substantially all holders of Common Shares entitling the holders thereof to subscribe for or purchase shares of the Corporation's Capital Stock (either initially or under certain circumstances), which rights, options or warrants, until the occurrence of a specified event or events ("**Trigger Event**"): (i) are deemed to be transferred with such Common Shares; (ii) are not exercisable; and (iii) are also issued in respect of future issuances of Common Shares, shall be deemed not to have been distributed for purposes of this Section 9(d) of this Subdivision (and no adjustment to each Fixed Conversion Rate under this Section 9(d) of this Subdivision will be required) until the occurrence of the earliest Trigger Event, whereupon such rights, options and warrants shall be deemed to have been distributed and an appropriate adjustment (if any is required) to each Fixed Conversion Rate shall be made under this Section 9(d) of this Subdivision. If any such right, option or warrant, including any such existing rights, options or warrants distributed prior to the Initial Issue Date, are subject to events, upon the occurrence of which such rights, options or warrants become exercisable to purchase different securities, evidences of indebtedness or other assets, then the date of the occurrence of any and each such event shall be deemed to be the date of distribution and date fixed for the determination of holders of the Common Shares entitled to receive the relevant distribution with respect to new rights, options or warrants with such rights (in which case the existing rights, options or warrants shall be deemed to terminate and expire on such date without exercise by any of the holders thereof). In addition, in the event of any distribution (or deemed distribution) of rights, options or warrants, or any Trigger Event or other event of the type described in the preceding sentence with respect thereto that was counted for purposes of calculating a distribution amount for which an adjustment to each Fixed Conversion Rate under this Section 9(d) of this Subdivision was made, (1) in the case of any such rights, options or warrants that shall all have been redeemed or repurchased without exercise by any holders thereof, each Fixed Conversion Rate shall be readjusted upon such final redemption or repurchase to give effect to such distribution or Trigger Event, as the case may be, as though it were a cash distribution, equal to the per share redemption or repurchase price received by a holder or holders of Common Shares with respect to such rights, options or warrants (assuming such holder had retained such rights, options or warrants), made to all holders of Common Shares as of the date of such redemption or repurchase, and (2) in the case of such rights, options or warrants that shall have expired or been terminated without exercise by any holders thereof, each Fixed Conversion Rate shall be readjusted as if such rights, options and warrants had not been issued.

For purposes of this Section 9(d) and Section 9(a) and Section 9(b) of this Subdivision, any dividend or distribution to which this Section 9(d) of this Subdivision is applicable that also includes Common Shares, or rights, options or warrants to subscribe for or purchase Common Shares (or both), shall be deemed instead to be (1) a dividend or distribution of the evidences of indebtedness, assets or shares of capital stock other than such Common Shares or rights, options or warrants (and any Fixed Conversion Rate adjustment required by this Section 9(d) of this Subdivision with respect to such dividend or distribution shall then be made) immediately followed by (2) a dividend or distribution of such Common Shares or such rights, options or warrants (and any further Fixed Conversion Rate adjustment required by Section 9(a) and Section 9(b) of this Subdivision with respect to such dividend or distribution shall then be made), except (A) the date fixed for determination of the holders of the Common Shares entitled to receive such dividend or distribution shall be substituted as "the date fixed for determination of the holders of the Common Shares entitled to receive such dividend or other distribution", "the date fixed for determination of the holders of the Common Shares entitled to receive such rights or warrants" and "the date fixed for such determination" within the meaning of Section 9(a) and Section 9(b) of this Subdivision and (B) any Common Shares included in such dividend or distribution shall not be deemed "outstanding at the close of business on the date fixed for such determination" within the meaning of Section 9(a) of this Subdivision.

(e) *Cash Distributions*. The Corporation makes a distribution consisting exclusively of cash to all or substantially all holders of the Common Shares other than a regular, quarterly cash dividend that does not exceed $0.15 per Common Share (the "**Initial Dividend Threshold**") (excluding any cash that is distributed in a Reorganization Event, any dividend or distribution in connection with the liquidation, dissolution or winding up of the Corporation and any consideration payable as part of a tender or exchange offer covered by Section 9(f) of this Subdivision), in which event, each Fixed Conversion Rate in effect at the close of business on the date fixed for determination of the holders of the Common Shares entitled to receive such distribution shall be multiplied by a fraction,

(i) the numerator of which shall be the Current Market Price of the Common Shares *minus* the Initial Dividend Threshold (*provided* that if the relevant distribution is not a regular quarterly cash dividend, the Initial Dividend Threshold shall be deemed to be zero), and

(ii) the denominator of which shall be the Current Market Price of the Common Shares *minus* the amount per Common Share of such distribution.

The Initial Dividend Threshold shall be subject to adjustment in a manner inversely proportional to adjustments to the Fixed Conversion Rates; *provided* that no adjustment shall be made to the Initial Dividend Threshold for any adjustment to the Fixed Conversion Rates pursuant to this Section 9(e) of this Subdivision.

Any increase made pursuant to this Section 9(e) of this Subdivision shall become effective immediately after the close of business on the date fixed for the determination of the holders of the Common Shares entitled to receive such distribution. In the event that any distribution described in this Section 9(e) of this Subdivision is not so made, each Fixed Conversion Rate shall be decreased, effective as of the date the Board of Directors publicly announces its decision not to make such distribution, to such Fixed Conversion Rate which would then be in effect if such distribution had not been declared.

(f) *Self-Tender Offers and Exchange Offers.* The Corporation or any of its Subsidiaries successfully completes a tender or exchange offer pursuant to a Schedule TO or registration statement on Form S-4 for the Common Shares (excluding any securities convertible or exchangeable for the Common Shares), where the cash and the value of any other consideration included in the payment per Common Share exceeds the Current Market Price of the Common Shares, in which event each Fixed Conversion Rate in effect at the close of business on the date of expiration of the tender or exchange offer (the "**Expiration Date**") shall be multiplied by a fraction:

(i) the numerator of which shall be equal to the sum of (x) the aggregate cash and the Fair Market Value (as determined by the Board of Directors) on the Expiration Date of any other consideration paid or payable for shares purchased in such tender or exchange offer; and (y) the product of (A) the Current Market Price of the Common Shares and (B) the number of Common Shares outstanding immediately after such tender or exchange offer expires (after giving effect to the purchase or exchange of shares pursuant to such tender or exchange offer), and

(ii) the denominator of which shall be equal to the product of (x) the Current Market Price of the Common Shares and (y) the number of Common Shares outstanding immediately prior to the time such tender or exchange offer expires.

Any adjustment made pursuant to this Section 9(f) of this Subdivision shall become effective immediately after the close of business on the seventh Trading Day immediately following the Expiration Date. In the event that the Corporation, or one of its Subsidiaries, is obligated to purchase the Common Shares pursuant to any such tender offer or exchange offer, but the Corporation, or such Subsidiary, is permanently prevented by applicable law from effecting any such purchases, or all such purchases are rescinded, then each Fixed Conversation Rate shall be readjusted to be such Fixed Conversion Rate that would then be in effect if such tender offer or exchange offer had not been made. Except as set forth in the preceding sentence, if the application of this Section 9(f) of this Subdivision to any tender offer or exchange offer would result in a decrease in each Fixed Conversation Rate, no adjustment shall be made for such tender offer or exchange offer under this Section 9(f) of this Subdivision. If an adjustment to each Fixed Conversion Rate is required pursuant to this Section 9(f) of this Subdivision during the Final Averaging Period in respect of shares of Series A Preferred Stock that are subject to Mandatory Conversion, delivery of the related conversion consideration will be delayed to the extent necessary in order to complete the calculations provided for in this Section 9(f) of this Subdivision.

(g) Except with respect to a Spin-Off, in cases where the Fair Market Value of the Distributed Property (in the case of an adjustment to the Fixed Conversion Rates to be made pursuant to Section 9(d) of this Subdivision) or cash (in the case of an adjustment to the Fixed Conversion Rates to be made pursuant to Section 9(e) of this Subdivision) applicable to one Common Share distributed to shareholders equals or exceeds the Average VWAP per Common Share over the five consecutive Trading Day period ending on the Trading Day before the ex-date for such distribution, rather than being entitled to an adjustment in each Fixed Conversion Rate, Holders shall be entitled to receive upon conversion, in addition to a number of Common Shares otherwise deliverable on the applicable Conversion Date, the kind and amount of the Distributed Property comprising the distribution that such Holder would have received if such Holder had owned, immediately prior to the date fixed for determining the holders of the Common Shares entitled to receive the distribution, for each share of Series A Preferred Stock, a number of Common Shares equal to the Maximum Conversion Rate in effect on the date of such distribution.

(h) *Rights Plans.* To the extent that the Corporation has a rights plan in effect with respect to the Common Shares on any Conversion Date, upon conversion of any shares of the Series A Preferred Stock, a converting Holder shall receive, in addition to Common Shares, the rights under the rights plan, unless, prior to such Conversion Date, the rights have separated from the Common Shares, in which case each Fixed Conversion Rate shall be adjusted at the time of separation as if the Corporation made a distribution to all holders of the Common Shares as described in Section 9(d) of this Subdivision, subject to readjustment in the event of the expiration, termination or redemption of such rights. Any distribution of rights or warrants pursuant to a rights plan that would allow a Holder to receive upon conversion, in addition to any Common Shares, the rights described therein (unless such rights or warrants have separated from the Common Shares) shall not constitute a distribution of rights or warrants that would entitle such Holder to an adjustment to the Fixed Conversion Rates.

(i) *Adjustment for Tax Reasons.* The Corporation may make such increases in the Fixed Conversion Rates, in addition to those required by this Section 9 of this Subdivision, as the Corporation deems advisable in order to avoid or diminish any income tax to holders of the Common Shares resulting from any dividend or distribution of Common Shares (or issuance of rights or warrants to acquire Common Shares) or from any event treated as such for income tax purposes or for any other reason. The Corporation may only make such a discretionary adjustment if it makes the same proportionate adjustment to each Fixed Conversion Rate.

To the extent permitted by applicable law, the Corporation from time to time may also increase the Fixed Conversion Rates by any amount if the Board of Directors shall have made a determination that such increase would be in the best interests of the Corporation, which determination shall be conclusive. Whenever the Fixed Conversion Rates are increased pursuant to the preceding sentence, the Corporation shall mail to Holders and file with the Conversion and Dividend Disbursing Agent a notice of the increase, and such notice shall state each increased Fixed Conversion Rate and the period during which it will be in effect. The Corporation may only make such a discretionary adjustment if it makes the same proportionate adjustment to each Fixed Conversion Rate.

(j) *Calculation of Adjustments.* Adjustments to the Fixed Conversion Rates under this Section 9 of this Subdivision shall be calculated to the nearest 1/10,000th of a share. Prior to the Mandatory Conversion Date, no adjustment in a Fixed Conversion Rate shall be required unless the adjustment would require an increase or decrease of at least one percent in such Fixed Conversion Rate. If any adjustment is not required to be made because it would not change the Fixed Conversion Rates by at least one percent, then the adjustment shall be carried forward and taken into account in any subsequent adjustment; *provided*, *however*, that with respect to adjustments to be made to the Fixed Conversion Rates pursuant to this Section 9 of this Subdivision, the Corporation shall make such adjustments, regardless of whether such aggregate adjustments amount to one percent or more of the Fixed Conversion Rates, no later than February 1 of each calendar year; *provided further* that on the earlier of any Mandatory Conversion, any Early Conversion Date and any Effective Date of a Fundamental Change, adjustments to the Fixed Conversion Rates shall be made with respect to any such adjustment carried forward that has not been taken into account before such date.

Before taking any action which would cause an adjustment increasing a Fixed Conversion Rate to an amount that would cause the relevant Conversion Price to be reduced below the then par value, if any, of the Common Shares issuable upon conversion of the Series A Preferred Stock, the Corporation will take all corporate action which may, in the opinion of its counsel, be necessary in order that the Corporation may validly and legally issue such Common Shares at such adjusted Fixed Conversion Rate.

(k) The Fixed Conversion Rates will not be adjusted:

(i) upon the issuance of any Common Shares pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on securities of the Corporation and the investment of additional optional amounts in Common Shares under any plan;

(ii) upon the issuance of Common Shares or rights or warrants to purchase those shares pursuant to any present or future employee, director or consultant benefit plan or program of or assumed by the Corporation or any Subsidiary of the Corporation;

(iii) upon the issuance of any Common Shares pursuant to any option, warrant, right, or exercisable, exchangeable or convertible security outstanding as of the Initial Issue Date;

(iv) for a change solely in the par value of the Common Shares; or

(v) for accumulated and unpaid dividends on the Series A Preferred Stock, except as set forth in Section 8(b), Section 8(c) and Section 8(d) of this Subdivision.

To the extent the Series A Preferred Stock becomes convertible into cash, assets, property or securities (other than Capital Stock of the Corporation or any other Person), no adjustment need be made thereafter as to the cash, assets, property or securities. Interest will not accrue on any cash into which the Series A Preferred Stock is convertible.

(l) No adjustment to the Fixed Conversion Rates shall be made if Holders may participate, at the same time, upon the same terms and otherwise on the same basis as holders of the Common Shares and solely as a result of holding the Series A Preferred Stock, in the transaction that would otherwise give rise to such adjustment as if they held, for each share of Series A Preferred Stock, a number of Common Shares equal to the Maximum Conversion Rate then in effect.

(m) Whenever the Fixed Conversion Rates and the Fundamental Change Conversion Rates are to be adjusted as herein provided, the Corporation shall, as soon as practicable, file with the Conversion and Dividend Disbursing Agent an Officer’s Certificate setting forth the Fixed Conversion Rates and the Fundamental Change Conversion Rates after such adjustment and setting forth, in reasonable detail, a brief statement of the facts requiring such adjustment. Unless and until an officer of the Conversion and Dividend Disbursing Agent shall have received such Officer’s Certificate, the Conversion and Dividend Disbursing Agent shall not be deemed to have knowledge of any adjustment of the Fixed Conversion Rates and the Fundamental Change Conversion Rates and may assume that the last the Fixed Conversion Rates and the Fundamental Change Conversion Rates, as the case may be, of which it has knowledge are still in effect. As soon as practicable after delivery of such certificate, the Corporation shall prepare a notice of such adjustment of the Fixed Conversion Rates and the Fundamental Change Conversion Rates setting forth the adjusted the Fixed Conversion Rates and Fundamental Change Conversion Rates and the date on which each adjustment becomes effective and shall promptly mail such notice of such adjustment of the Fixed Conversion Rates and the Fundamental Change Conversion Rates to the Holders at their address in the register. Failure to deliver such notice shall not affect the legality or validity of any such adjustment.

(n) If an adjustment is made to the Fixed Conversion Rates, (1) an inversely proportional adjustment also will be made to the Threshold Appreciation Price and the Initial Price solely for the purposes of determining which clause of the definition of "Conversion Rate" will apply on the Mandatory Conversion Date and (2) an inversely proportional adjustment also will be made to the Floor Price. Whenever any provision of this Subdivision requires the Corporation or the Board of Directors to calculate the VWAP per Common Share over a span of multiple days, the Board of Directors shall make appropriate adjustments (including, without limitation, to the Applicable Market Value, the Early Conversion Average Price, the Stock Price and the Five-Day Average Price (as the case may be)) to account for any adjustments to the Initial Price, the Threshold Appreciation Price and the Fixed Conversion Rates (as the case may be) that become effective, or any event that would require such an adjustment if the ex-date, effective date or Expiration Date (as the case may be) of such event occurs, during the relevant period used to calculate such prices or values (as the case may be).

(o) If:

(i) the date fixed for determination of the holders of the Common Shares entitled to receive a dividend or distribution on the Common Shares occurs after the end of the Final Averaging Period and before the Mandatory Conversion Date, and

(ii) that dividend or distribution would have resulted in an adjustment of the number of Common Shares issuable to Holders had such date fixed for such determination occurred on or before the last Trading Day of the Final Averaging Period,

then the Corporation shall deem the Holders to be holders of record, for each share of Series A Preferred Stock that they hold, of a number of Common Shares equal to the Conversion Rate for purposes of that dividend or distribution. In such case, the Holders would receive the dividend or distribution on the Common Shares together with the number of Common Shares issuable upon Mandatory Conversion of the Series A Preferred Stock.

Section 10. *Reclassifications, Reclassifications and Changes in the Common Shares.* (B) In the event of:

(i) any consolidation or merger of the Corporation with or into another Person (other than a merger or consolidation in which the Corporation is the continuing corporation and in which the Common Shares outstanding immediately prior to the merger or consolidation are not exchanged for cash, securities or other property of the Corporation or another Person);

(ii) any sale, transfer, lease or conveyance to another Person of all or substantially all of the property and assets of the Corporation;

(iii) any reclassification of the Common Shares into securities, including securities other than the Common Shares; or

(iv) any statutory exchange of the securities of the Corporation with another Person (other than in connection with a merger or acquisition),

in each case, as a result of which the Common Shares would be converted into, or exchanged for, securities, cash or property (each, a "**Reorganization Event**"), each share of Series A Preferred Stock outstanding immediately prior to such Reorganization Event shall, without the consent of the Holders, become convertible into the kind of securities, cash and other property that such Holder would have been entitled to receive if such Holder had converted its Series A Preferred Stock into Common Shares immediately prior to such Reorganization Event (such securities, cash and other property, the "**Exchange Property**," with each "**unit of Exchange Property**" meaning the kind and amount of Exchange Property that a holder of one Common Share is entitled to receive). For purposes of the foregoing, the type and amount of Exchange Property in the case of any Reorganization Event that causes the Common Shares to be converted into the right to receive more than a single type of consideration (determined based in part upon any form of shareholder election) shall be deemed to be the weighted average of the types and amounts of consideration received by the holders of the Common Shares that affirmatively make such an election (or of all holders of the Common Shares if none makes an election). The Corporation shall notify Holders of the weighted average as soon as practicable after such determination is made. The number of units of Exchange Property for each share of Series A Preferred Stock converted following the effective date of such Reorganization Event shall be determined as if references to the Common Shares in the definition of "Conversion Rate" applicable upon Mandatory Conversion pursuant to Section 8(b) of this Subdivision, conversion at the option of the holder pursuant to Section 8(c) of this Subdivision and conversion at the option of the holder upon a Fundamental Change pursuant to Section 8(d) of this Subdivision were to units of Exchange Property (without interest thereon and without any right to dividends or distributions thereon which have a record date prior to the date such shares of Series A Preferred Stock are actually converted). For the purpose of determining which clause of the definition of "Conversion Rate" shall apply upon Mandatory Conversion, and for the purpose of calculating the Conversion Rate if clause (b) of the definition thereof is applicable, the value of a unit of Exchange Property shall be determined in good faith by the Board of Directors, except that if a unit of Exchange Property includes common stock or American Depositary Receipts ("**ADRs**") that are traded on a U.S. national securities exchange, the value of such common stock or ADRs shall be the average over the Final Averaging Period of the volume-weighted average prices for such common stock or ADRs, as displayed on the applicable Bloomberg screen (as determined in good faith by the Board of Directors); or, if such price is not available, the average market value per share of such common stock or ADRs over such period as determined, using a volume-weighted average method, by a nationally recognized independent investment banking firm retained by the Corporation for this purpose. The Corporation (or any successor to the Corporation) shall, as soon as reasonably practicable (but in any event within 20 calendar days) after the occurrence of any Reorganization Event, provide written notice to the Holders of such occurrence and of the kind and amount of cash, securities or other property that constitute the Exchange Property. Failure to deliver such notice will not affect the operation of the provisions described in this Section 10 of this Subdivision.

(b) In connection with any Reorganization Event, the Initial Dividend Threshold shall be subject to adjustment as described in clause (i), clause (ii) or clause (iii) below, as the case may be.

(i) In the case of a Reorganization Event in which the Exchange Property (determined, as appropriate, pursuant to subsection (a) above and excluding any dissenters' appraisal rights) is composed entirely of shares of common stock (the "**Reorganization Common Stock**"), the Initial Dividend Threshold at and after the effective time of such Reorganization Event will be equal to (x) the Initial Dividend Threshold immediately prior to the effective time of such Reorganization Event, *divided by* (y) the number of shares of Reorganization Common Stock that a holder of one Common Share would receive in such Reorganization Event (such quotient rounded down to the nearest cent).

(ii) In the case of a Reorganization Event in which the Exchange Property (determined, as appropriate, pursuant to subsection (a) above and excluding any dissenters' appraisal rights) is composed in part of shares of Reorganization Common Stock, the Initial Dividend Threshold at and after the effective time of such Reorganization Event will be equal to (x) the Initial Dividend Threshold immediately prior to the effective time of such Reorganization Event, *multiplied by* (y) the Reorganization Valuation Percentage for such Reorganization Event (such product rounded down to the nearest cent).

(iii) For the avoidance of doubt, in the case of a Reorganization Event in which the Exchange Property (determined, as appropriate, pursuant to subsection (a) above and excluding any dissenters' appraisal rights) is composed entirely of consideration other than shares of common stock, the Initial Dividend Threshold at and after the effective time of such Reorganization Event will be equal to zero.

Section 11. *Transfer Agent and Registrar*. The duly appointed Transfer Agent and Registrar for the Series A Preferred Stock shall be Wells Fargo Bank, N.A. The Corporation may, in its sole discretion, remove the Transfer Agent in accordance with the agreement between the Corporation and the Transfer Agent; *provided* that the Corporation shall appoint a successor transfer agent who shall accept such appointment prior to the effectiveness of such removal.

Section 12. *Currency.* All shares of Series A Preferred Stock shall be denominated in U.S. currency, and all payments and distributions thereon or with respect thereto shall be made in U.S. currency. All references herein to "**$**"or "**dollars**" refer to U.S. currency.

Section 13. *Form.* (a) The Series A Preferred Stock shall be issued in the form of one or more definitive shares in fully registered form in substantially the form attached hereto as Exhibit A (each, a "**Certificated Series A Preferred Stock**"), which is hereby incorporated in and expressly made a part of this Certificate. Each Certificated Series A Preferred Stock shall reflect the number of shares of Series A Preferred Stock represented thereby, and may have notations, legends or endorsements required by law, stock exchange rules, agreements to which the Corporation is subject, if any, or usage (*provided* that any such notation, legend or endorsement is in a form acceptable to the Corporation). Each Certificated Series A Preferred Stock shall be registered in the name or names of the Person or Persons specified by the Depositary in a written instrument to the Registrar.

(b) The Chairman of the Board of Directors or the President or a Vice President and the Secretary, an Assistant Secretary, the Treasurer or an Assistant Treasurer of the Corporation shall sign each share of Certificated Series A Preferred Stock for the Corporation, in accordance with the Corporation's code of regulations and applicable law, including Section 1701.24 of the Ohio Revised Code, by manual or facsimile signature. If an Officer whose signature is on a Certificated Series A Preferred Stock no longer holds that office at the time the Transfer Agent countersigned the Certificated Series A Preferred Stock, the Certificated Series A Preferred Stock shall be valid nevertheless. The Certificated Series A Preferred Stock shall not be valid until an authorized signatory of the Transfer Agent manually countersigns such Certificated Series A Preferred Stock. The signature shall be conclusive evidence that the Certificated Series A Preferred Stock has been authenticated under this Subdivision. Each Certificated Series A Preferred Stock shall be dated the date of its countersignature.

Section 14. *Replacement Certificates.* The Corporation shall replace any mutilated certificate at the Holder's expense upon surrender of that certificate to the Corporation. The Corporation shall replace certificates that become destroyed, stolen or lost at the Holder's expense upon delivery to the Corporation of reasonably satisfactory evidence that the certificate has been destroyed, stolen or lost, together with any indemnity that may be reasonably required by the Corporation; *provided* that the Corporation shall not be required to issue any additional certificates representing the Series A Preferred Stock on or after the Mandatory Conversion Date. In place of the delivery of a replacement certificate following the Mandatory Conversion Date, the Transfer Agent, upon delivery of the evidence and indemnity described in the immediately preceding sentence, shall deliver the consideration due upon Mandatory Conversion pursuant to the terms of the Series A Preferred Stock formerly evidenced by the certificate.

Section 15. *Paying Agent and Conversion and Dividend Disbursing Agent*. (a) The Corporation shall maintain in the Borough of Manhattan, City of New York, State of New York (i) an office or agency where Series A Preferred Stock may be presented for payment (the "**Paying Agent**") and (ii) an office or agency where Series A Preferred Stock may be presented for conversion (the "**Conversion and Dividend Disbursing Agent**"). The Transfer Agent shall act as Paying Agent and Conversion and Dividend Disbursing Agent, unless another Paying Agent or Conversion and Dividend Disbursing Agent is appointed by the Corporation. The Corporation may appoint the Registrar, the Paying Agent and the Conversion and Dividend Disbursing Agent and may appoint one or more additional paying agents and one or more additional conversion and dividend disbursing agents in such other locations as it shall determine. The term "**Paying Agent**" includes any additional paying agent and the term "**Conversion and Dividend Disbursing Agent**" includes any additional conversion and dividend disbursing agent. The Corporation may change any Paying Agent or Conversion and Dividend Disbursing Agent without prior notice to any holder. The Corporation shall notify the Registrar of the name and address of any Paying Agent or Conversion and Dividend Disbursing Agent appointed by the Corporation. If the Corporation fails to appoint or maintain another entity as Paying Agent or Conversion and Dividend Disbursing Agent, the Registrar shall act as such. The Corporation or any of its Affiliates may act as Paying Agent, Registrar, coregistrar or Conversion and Dividend Disbursing Agent.

(b) Payments due on the Series A Preferred Stock shall be payable at the office or agency of the Corporation maintained for such purpose in The City of New York and at any other office or agency maintained by the Corporation for such purpose. Payments shall be payable by United States dollar check drawn on, or wire transfer (*provided* that appropriate wire instructions have been received by the Registrar at least 15 days prior to the applicable date of payment) to a U.S. dollar account maintained by the holder with, a bank located in New York City; *provided* that at the option of the Corporation, payment of dividends may be made by check mailed to the address of the Person entitled thereto as such address shall appear in the Series A Preferred Stock register.

Section 16. *Notices*. Any notice or demand that by any provision of this Subdivision is required or permitted to be given or served by the Transfer Agent or by the Holders on the Corporation shall be deemed to have been sufficiently given or made, for all purposes if given or served by being deposited postage prepaid by registered or certified mail in a post office letter box addressed (until another address is filed by the Corporation with the Transfer Agent) to Cliffs Natural Resources Inc., 200 Public Square, Suite 3300, Cleveland, OH 44114, Attention: General Counsel. Any notice, direction, request or demand hereunder to or upon the Transfer Agent shall be deemed to have been sufficiently given or made, for all purposes, if given or served by being deposited postage prepaid by registered or certified mail in a post office letter box addressed to Wells Fargo Bank, N.A., Attn: Relationship Management, 110 Centre Pointe Curve, Suite 101, Mendota Heights, Minnesota 55120-4101.

The Transfer Agent, by notice to the Corporation, may designate additional or different addresses for subsequent notices or communications.

Any notice or communication mailed to a Holder shall be mailed to it by first class mail, postage prepaid, at its address as it appears on the stock register and shall be sufficiently given to it if so mailed within the time prescribed.

Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.

In case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice to Holders by mail, then such notification as shall be made with the approval of the Transfer Agent shall constitute a sufficient notification for every purpose hereunder.

Section 17. *Transfer Taxes*. The Corporation shall pay any and all stock transfer and documentary stamp taxes that may be payable in respect of any issuance or delivery of shares of Mandatory Convertible Preferred Stock or Common Shares or other securities issued on account of Mandatory Convertible Preferred Stock (including upon conversion) pursuant hereto or certificates representing such shares or securities. The Corporation shall not, however, be required to pay any such tax that may be payable in respect of any transfer involved in the issuance or delivery of Common Shares or other securities in a name other than that in which the shares of Mandatory Convertible Preferred Stock with respect to which such Common Shares or other securities are issued or delivered were registered, and shall not be required to make any such issuance or delivery unless and until the Person otherwise entitled to such issuance or delivery has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid or is not payable.

Section 18. *Headings*. The headings of the Sections of this Subdivision are for convenience of reference only and shall not define, limit or affect any of the provisions hereof.

DIVISION B:

Express Terms of the Serial Preferred Stock, Class B, Without Par Value

The Class B Preferred Stock shall have the following express terms:

SECTION 1. *Series*. The Class B Preferred Stock may be issued from time to time in one or more series. All shares of Class B Preferred Stock shall be of equal rank and shall be identical, except in respect of the matters that may be fixed by the Directors as hereinafter provided, and each share of each series shall be identical with all other shares of such series, except as to the date from which dividends are cumulative. All shares of Class B Preferred Stock shall also be of equal rank and shall be identical with shares of Class A Preferred Stock except in respect of (i) the particulars that may be fixed and determined by the Directors as hereinafter provided, (ii) the voting rights and provisions for consent relating to Class B Preferred Stock, as fixed and determined by Section 5 of this Division B and (iii) any conversion rights which the Directors may grant any series of Class A Preferred Stock which rights shall not be granted in respect of any series of Class B Preferred Stock. Subject to the provisions of Sections 2 to 7, inclusive, of this Division B, which provisions shall apply to all Class B Preferred Stock, the Directors hereby are authorized to cause such shares to be issued in one or more series and with respect to each such series to fix:

(a) The designation of the series, which may be by distinguishing number, letter and/or title.

(b) The number of shares of the series, which number the Directors may (except where otherwise provided in the creation of the series) increase or decrease (but not below the number of shares thereof then outstanding).

(c) The dividend rights of the series which may be: cumulative or non-cumulative; at a specified rate, amount or proportion; or with or without further participation rights.

(d) The dates at which dividends, if declared, shall be payable, and the dates from which dividends, if cumulative, shall accumulate.

(e) The redemption rights and price or prices, if any, for shares of the series.

(f) The terms and amount of any sinking fund provided for the purchase or redemption of shares of the series.

(g) The amounts payable on shares of the series in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

(h) Restrictions (in addition to those set forth in Section 5(c) of this Division) on the issuance of shares of the same series or of any other class or series.

The Directors are authorized to adopt from time to time amendments to the Articles of Incorporation fixing, with respect to each such series, the matters described in clauses (a) to (h), inclusive, of this Section 1.

SECTION 2. *Dividends*.

(a) The holders of Class B Preferred Stock of each series, in preference to the holders of Common Shares and of any other class of shares ranking junior to the Class B Preferred Stock, shall be entitled to receive out of any funds legally available therefor and when and as declared by the Directors dividends in cash at the rate for such series fixed in accordance with the provisions of Section 1 of this Division B and no more, payable on the dividend payment dates fixed for such series. Such dividends may be cumulative, in the case of shares of each particular series, from and after the date or dates fixed with respect to such series. No dividend may be paid upon or set apart for any of the Class B Preferred Stock on any dividend payment date unless (i) all dividends upon all series of Class B Preferred Stock then outstanding and all classes of stock then outstanding ranking prior to or on a parity with the Class B Preferred Stock for all dividend payment dates prior to such date shall have been paid or funds therefor set apart and (ii) at the same time a like dividend upon all series of Class B Preferred Stock then outstanding and all classes of stock then outstanding ranking prior to or on a parity with the Class B Preferred Stock and having a dividend payment date on such date, ratably in proportion to the respective dividend rates of each such series or class, shall be paid or funds therefor set apart. Accumulations of dividends, if any, shall not bear interest.

(b) For the purpose of this Division B, a dividend shall be deemed to have been paid or funds therefor set apart on any date if on or prior to such date the Corporation shall have deposited funds sufficient therefor with a bank or trust company and shall have caused checks drawn against such funds in appropriate amounts to be mailed to each holder of record entitled to receive such dividend at such holder’s address then appearing on the books of the Corporation.

(c) In no event so long as any Class B Preferred Stock shall be outstanding shall any dividends, except a dividend payable in Common Shares or other shares ranking junior to the Class

B Preferred Stock, be paid or declared or any distribution be made except as aforesaid on the Common Shares or any other shares ranking junior to the Class B Preferred Stock, nor shall any Common Shares or any other shares ranking junior to the Class B Preferred Stock be purchased, retired or otherwise acquired by the Corporation (except out of the proceeds of the sale of Common Shares or other shares ranking junior to the Class B Preferred Stock received by the Corporation on or subsequent to the date on which shares of any series of Class B Preferred Stock are first issued) , unless (i) all accrued and unpaid dividends upon all Class B Preferred Stock then outstanding for all dividend payment dates on or prior to the date of such action shall have been paid or funds therefor set apart and (ii) as of the date of such action there shall be no arrearages with respect to the redemption of Class B Preferred Stock of any series from any sinking fund provided for shares of such series in accordance with the provisions of Section 1 of this Division B.

SECTION 3. *Redemption*.

(a) Subject to the express terms of each series and to the provisions of Section 5(c)(iii) of this Division B, the Corporation (i) may from time to time redeem all or any part of the Class B Preferred Stock of any series at the time outstanding at the option of the Directors at the applicable redemption price for such series fixed in accordance with the provisions of Section 1 of this Division B, and (ii) shall from time to time make such redemptions of the Class B Preferred Stock of any series as may be required to fulfill the requirements of any sinking fund provided for shares of such series at the applicable sinking fund redemption price, fixed in accordance with the provisions of Section 1 of this Division B, together in each case with (A) all then accrued and unpaid dividends upon such shares for all dividend payment dates on or prior to the redemption date and (B) if the redemption date is not a dividend payment date for such series, a proportionate dividend, based on the number of elapsed days, for the period from the day after the most recent such dividend payment date through the redemption date.

(b) Notice of every such redemption shall be mailed, postage prepaid, to the holders of record of the Class B Preferred Stock to be redeemed at their respective addresses then appearing on the books of the Corporation, not less than 30 days nor more than 60 days prior to the date fixed for such redemption. At any time before or after notice has been given as above provided, the Corporation may deposit the aggregate redemption price of the shares of Class B Preferred Stock to be redeemed, together with an amount equal to the aggregate amount of dividends payable upon such redemption, with any bank or trust company in Cleveland, Ohio, or New York, New York, having capital and surplus of more than $50,000,000, named in such notice, and direct that such deposited amount be paid to the respective holders of the shares of Class B Preferred Stock so to be redeemed upon surrender of the stock certificate or certificates held by such holders. Upon the giving of such notice and the making of such deposit such holders shall cease to be shareholders with respect to such shares and shall have no interest in or claim against the Corporation with respect to such shares except only the right to receive such money from such bank or trust company without interest or to exercise, before the redemption date, any unexpired privileges of conversion. In case less than all of the outstanding shares of any series of Class B Preferred Stock are to be redeemed, the Corporation shall select, pro rata or by lot, the shares so to be redeemed in such manner as shall be prescribed by the Directors.

(c) If the holders of shares of Class B Preferred Stock which shall have been called for redemption shall not, within six years after such deposit, claim the amount deposited for the redemption thereof, any such bank or trust company shall, upon demand, pay over to the Corporation such unclaimed amounts and thereupon such bank or trust company and the Corporation shall be relieved of all responsibility in respect thereof to such holders.

(d) Any shares of Class B Preferred Stock which are (i) redeemed by the Corporation pursuant to the provisions of this Section 3, (ii) purchased and delivered in satisfaction of any sinking fund requirements provided for shares of any series of Class B Preferred Stock, (iii) converted in accordance with the express terms of any such series, or (iv) otherwise acquired by the Corporation, shall resume the status of authorized and unissued shares of Class B Preferred Stock without serial designation; provided, however, that any such shares which are converted in accordance with the express terms thereof shall not be reissued as convertible shares.

SECTION 4. *Liquidation*.

(a) (1) The holders of Class B Preferred Stock of any series, shall, in case of voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, be entitled to receive in full out of the assets of the Corporation, including its capital, before any amount shall be paid or distributed among the holders of the Common Shares or any other shares ranking junior to the Class B Preferred Stock, the amounts fixed with respect to shares of such series in accordance with Section 1 of this Division, plus an amount equal to (i) all then accrued and unpaid dividends upon such shares for all dividend payment dates on or prior to the date of payment of the amount due pursuant to such liquidation, dissolution or winding up, and (ii) if such date is not a dividend payment date for such series, a proportionate dividend, based on the number of elapsed days, for the period from the day after the most recent dividend payment date through the date of payment of the amount due pursuant to such liquidation, dissolution or winding up. In case the net assets of the Corporation legally available therefor are insufficient to permit the payment upon all outstanding shares of Class B Preferred Stock and all outstanding shares of stock of all classes ranking on a parity with the Class B Preferred Stock of the full preferential amount to which they are respectively entitled, then such net assets shall be distributed ratably upon outstanding shares of Class B Preferred Stock and all outstanding shares of stock of all classes ranking on a parity with the Class B Preferred Stock in proportion to the full preferential amount to which each such share is entitled.

(2) After payment to holders of Class B Preferred Stock of the full preferential amounts as aforesaid, holders of Class B Preferred Stock as such shall have no right or claim to any of the remaining assets of the Corporation.

(b) The merger or consolidation of the Corporation into or with any other corporation, or the merger of any other corporation into it, or the sale, lease or conveyance of all or substantially all the property or business of the Corporation, shall not be deemed to be a dissolution, liquidation or winding up for the purposes of this Division B.

SECTION 5. *Voting*.

(a) Except as otherwise provided herein or required by law, the holders of Class B Preferred Stock shall not be entitled to vote.

(b) (1) If, and so often as, the Corporation shall be in default in the payment of dividends on any series of Class B Preferred Stock at the time outstanding, or funds therefor have not been set apart, in an amount equivalent to six full quarterly dividends on any such series of Class B Preferred Stock, whether or not consecutive and whether or not earned or declared, the holders of Class B Preferred Stock of all series, voting separately as a class, shall thereafter be entitled to elect, as herein provided, two Directors of the Corporation; provided, however, that the special class voting rights provided for in this paragraph when the same shall have become vested shall remain so vested (i) in the case of cumulative dividends, until all accrued and unpaid dividends on the Class B Preferred Stock of all series then outstanding shall have been paid or funds therefor set apart, or (ii) in the case of non-cumulative dividends, until full dividends on the Class B Preferred Stock of all series then outstanding shall have been paid or funds therefor set apart regularly for a period of one year, whereupon the holders of Class B Preferred Stock shall be divested of their special class voting rights in respect of subsequent elections of Directors, subject to the revesting of such special class voting rights in the event hereinabove specified in this paragraph.

(2) In the event of default entitling the holders of Class B Preferred Stock to elect two Directors as specified in paragraph (1) of this subsection, a special meeting of such holders for the purpose of electing such Directors shall be called by the Secretary of the Corporation upon written request of, or may be called by, the holders of record of at least ten percent (10%) of the shares of Class B Preferred Stock of all series at the time outstanding, and notice thereof shall be given in the same manner as that required for the annual meeting of shareholders; provided, however, that the Corporation shall not be required to call such special meeting if the annual meeting of shareholders or any other special meeting of shareholders called or to be called for a different purpose shall be held within 120 days after the date of receipt of the foregoing written request from the holders of Class B Preferred Stock. At any meeting at which the holders of Class B Preferred Stock shall be entitled to elect Directors, the holders of thirty-five percent (35%) of the then outstanding shares of Class B Preferred Stock of all series, present in person or by proxy, shall be sufficient to constitute a quorum, and the vote of the holders of a majority of such shares so present at any such meeting at which there shall be such a quorum shall be sufficient to elect the Directors which the holders of Class B Preferred Stock are entitled to elect as hereinabove provided. Notwithstanding any provision of these Articles of Incorporation or the Regulations of the Corporation or any action taken by the holders of any class of shares fixing the number of Directors of the Corporation, the two Directors who may be elected by the holders of Class B Preferred Stock pursuant to this subsection shall serve in addition to any other Directors then in office or proposed to be elected otherwise than pursuant to this subsection. Nothing in this subsection shall prevent any change otherwise permitted in the total number of Directors of the Corporation or require the resignation of any Director elected otherwise than pursuant to this subsection. Notwithstanding any classification of the other Directors of the Corporation, the two Directors elected by the holders of Class B Preferred Stock shall be elected annually for the terms expiring at the next succeeding annual meeting of shareholders; provided, however, that whenever the holders of Class B Preferred Stock shall be divested of the voting power as above provided, the terms of office of all persons elected as Directors by the holders of the Class B Preferred Stock as a class shall immediately terminate and the number of Directors shall be reduced accordingly.

(c) Except as hereinafter provided, the affirmative vote of the holders of at least two-thirds of the shares of Class B Preferred Stock at the time outstanding, given in person or by proxy at a meeting called for the purpose at which the holders of Class B Preferred Stock shall vote separately as a class, shall be necessary to effect any one or more of the following (but so far as the holders of Class B Preferred Stock are concerned, such action may be affected with such vote):

(i) Any amendment, alteration or repeal of any of the provisions of the Articles of Incorporation or of the Regulations of the Corporation which affects adversely the preferences or voting or other rights of the holders of Class B Preferred Stock; provided, however, that for the purpose of this paragraph 5(c)(i) only, neither the amendment of the Articles of Incorporation so as to authorize, create or change the authorized or outstanding amount of Class B Preferred Stock or of any shares of any class ranking on a parity with or junior to the Class B Stock nor the amendment of the provisions of the Regulations so as to change the number of Directors of the Corporation shall be deemed to affect adversely the preferences or voting or other rights of the holders of Class B Preferred Stock; and provided further, that if such amendment, alteration or repeal affects adversely the preference or voting or other rights of one or more but not all series of Class B Preferred Stock at the time outstanding, the affirmative vote or consent of the holders of at least two-thirds of the number of shares at the time outstanding of each series so affected, each such affected series voting separately as a series, shall also be required;

(ii) The authorization, creation or the increase in the authorized amount of any shares of any class or any security convertible into shares of any class, in either case, ranking prior to the Class B Preferred Stock; or

(iii) The purchase or redemption (for sinking fund purposes or otherwise) of less than all of the Class B Preferred Stock then outstanding except in accordance with a stock purchase offer made to all holders of record of Class B Preferred Stock, unless all dividends on all Class B Preferred Stock then outstanding for all previous dividend periods shall have been declared and paid or funds therefor set apart and all accrued sinking fund obligations applicable thereto shall have been complied with;

provided, however, that in case of any authorization, creation or increase in the authorized amount of any shares of any class or security convertible into shares of any class, in either case, ranking prior to the Class B Preferred Stock no such consent of the holders of Class B Preferred Stock shall be required if the holders of Class B Preferred Stock have previously received adequate notice of redemption to occur within 90 days. The foregoing proviso shall not apply and such consent of the holders of Class B Preferred Stock shall be required if any such redemption will be effected, in whole or in part, with the proceeds received from the sale of any such stock or security convertible into shares of any class, in either case, ranking prior to the Class B Preferred Stock.

(d) The affirmative vote of the holders of at least a majority of the shares of Class B Preferred Stock at the time outstanding, given in person or by proxy at a meeting called for the purpose at which the holders of Class B Preferred Stock shall vote separately as a class, shall be necessary to effect any one or more of the following (but so far as the holders of the Class B Preferred Stock are concerned, such action may be effected with such vote):

(i) The consolidation or merger of the Corporation with or into any other corporation to the extent any such consolidation or merger shall be required, pursuant to any applicable statute, to be approved by the holders of the shares of Class B Preferred Stock voting separately as a clams; or

(ii) The authorization of any shares ranking on a parity with the Class B Preferred Stock or an increase in the authorized number of shares of Class B Preferred Stock.

(e) Neither the vote or consent of the holders of shares of Class B Preferred Stock shall be required for an increase in the number of Common Shares authorized or issued or for stock splits of the Commons Shares or for stock dividends on any class of stock payable solely in Common Shares, and none of the foregoing actions shall be deemed to affect adversely the preferences or voting or other rights of Class B Preferred Stock within the meaning and for the purpose of this Division B.

SECTION 6. *Conversion*. There Shall not be created any series of Class B Preferred Stock which will be convertible into Common Shares or into shares of any other class or series of the Corporation.

SECTION 7. *Definitions*. For the purpose of this Division B:

(a) Whenever reference is made to shares “ranking prior to the Class B Preferred Stock”, such reference shall mean and include all shares of the Corporation in respect of which the rights of the holders thereof either as to the payment of dividends or as to distribution in the event of a voluntary or involuntary liquidation, dissolution or winding up of the Corporation are given preference over the rights of the holders of Class B Preferred Stock.

(b) Whenever reference is made to shares “on a parity with the Class B Preferred Stock”, such reference shall mean and include all shares of Class A Preferred Stock and all other shares of the Corporation in respect of which the rights of the holders thereof (i) are not given preference over the right of the holders of Class B Preferred Stock either as to the payment of dividends or as to distributions in the event of a voluntary or involuntary liquidation, dissolution or winding up of the

Corporation and (ii) either as to the payment of dividends or as to distribution in the event of a voluntary or involuntary liquidation, dissolution or winding up of the Corporation, or as to both, rank on an equality (except as to the amounts fixed therefor) with the rights of the holders of Class B Preferred Stock.

(c) Whenever reference is made to shares “ranking junior to the Class B Preferred Stock” such reference shall mean and include all shares of the Corporation in respect of which the rights of the holders thereof both as to the payment of dividends and as to distributions in the event of a voluntary or involuntary liquidation, dissolution or winding up of the Corporation are junior and subordinate to the rights of the holders of the Class B Preferred Stock.

DIVISION C:

Express Terms of Common Shares,
Par Value $1.00 Per Share

The Common Shares shall be subject to the express terms of the Class A Preferred Stock and the Class B Preferred Stock and of any series of such classes. Each Common Share shall be equal to every other Common Share. The holders of Common Shares shall have such rights as are provided by law and shall be entitled to one vote for each share held by them upon all matters presented to the shareholders.

FIFTH: The amount of stated capital with which the Corporation will begin business is Five Hundred Dollars ($500.00).

SIXTH: No holders of any class of shares of the Corporation shall have any preemptive right to purchase or to have offered to them for purchase, any shares or other securities of the Corporation, whether now or hereafter authorized.

SEVENTH: The Corporation may from time to time, pursuant to authorization by the Directors and without action by the shareholders, purchase or otherwise acquire shares of the Corporation of any class or classes in such manner, upon such terms and in such amounts as the Directors shall determine, subject however, to such limitation or restriction, if any, as is contained in the express terms of any class of shares of the Corporation outstanding at the time of the purchase or acquisition in question.

EIGHTH: Any and every statute of the State of Ohio hereafter enacted whereby the rights, powers or privileges of corporations or of the shareholders of corporations organized under the laws of the State of Ohio are increased or diminished or are in any way affected, or whereby effect is given to the action taken by any number, less than all, of the shareholders of any such corporation, shall apply to the Corporation and shall be binding not only upon the Corporation but upon every shareholder of the Corporation to the same extent as if such statute had been in force at the date of filing of these Articles of Incorporation of the Corporation in the office of the Secretary of State of Ohio.

NINTH: The right to amend, alter, change or repeal any clause or provision of these Articles of Incorporation, in the manner now or hereafter prescribed by law, is hereby reserved to the Corporation; and all rights conferred on officers, Directors and shareholders herein are granted subject to such reservation.

TENTH: Except as may otherwise be required by these Articles of Incorporation, notwithstanding any provisions of Chapter 1701 of the Ohio Revised Code now or hereafter in force requiring, for any action to be taken by the Corporation pursuant to such Chapter, the affirmative vote of the holders of shares entitling them to exercise two-thirds of the voting power of the Corporation or of any class or classes of shares thereof, such action (unless otherwise expressly prohibited by such statute) may be taken by the affirmative vote of the holders of shares entitling them to exercise a majority of the voting power of the Corporation or of such class or classes. Notwithstanding the foregoing, the immediately preceding sentence of this Article TENTH shall not apply in respect of (a) any action taken by written consent of shareholders under Section 1701.11(A)(1)(c) (or any successor provision) of the Ohio Revised Code, (b) any action taken by written consent of shareholders under Section 1701.54(A) (or any successor provision) of the Ohio Revised Code, or (c) any action of shareholders under Section 1704.03(A)(3) (or any successor provision) of the Ohio Revised Code.

EXHIBIT A

FORM OF 7.00% SERIES A MANDATORY CONVERTIBLE
PREFERRED STOCK, CLASS A

Number: ___ ____________ Shares

CUSIP NO.: 18683K 507

7.00% Series A Mandatory Convertible Preferred Stock, Class A
(without par value per share)
(liquidation preference $1,000.00 per share)
OF

CLIFFS NATURAL RESOURCES INC.

FACE OF SECURITY

CLIFFS NATURAL RESOURCES INC., an Ohio corporation (the "**Corporation**"), hereby certifies that [_____] (the "**Holder**") is the registered owner of [_____] fully paid and non-assessable shares of preferred stock of the Corporation designated the 7.00% Series A Mandatory Convertible Preferred Stock, Class A, without par value per share and with a liquidation preference of $1,000.00 per share (the "**Series A Preferred Stock**"). The shares of Series A Preferred Stock are transferable on the books and records of the Registrar, in person or by a duly authorized attorney, upon surrender of this certificate duly endorsed and in proper form for transfer. The designation, rights, privileges, restrictions, preferences and other terms and provisions of the Series A Preferred Stock represented hereby are issued and shall in all respects be subject to the provisions of the Second Amended Articles of Incorporation of the Corporation, as amended, dated May 25, 2011, as the same may be amended from time to time in accordance with their terms (the "**Articles**"). Capitalized terms used herein but not defined shall have the respective meanings given them in the Articles. The Corporation will provide a copy of the Articles to a Holder without charge upon written request to the Corporation at its principal place of business.

Reference is hereby made to select provisions of the Series A Preferred Stock set forth on the reverse hereof, and to the Articles, which select provisions and the Articles shall for all purposes have the same effect as if set forth at this place.

Upon receipt of this certificate, the Holder is bound by the Articles and is entitled to the benefits thereunder.

Unless the Transfer Agent's Certificate of Authentication hereon has been properly executed, the shares of Series A Preferred Stock evidenced hereby shall not be entitled to any benefit under the Articles or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, Cliffs Natural Resources Inc. has executed this certificate as of the date set forth below.

CLIFFS NATURAL RESOURCES INC.

By: ____

Name:

Title:

By: ____

Name:

Title:

Dated: _______________

TRANSFER AGENT'S CERTIFICATE OF AUTHENTICATION

This is one of the certificates representing shares of Series A Preferred Stock referred to in the within mentioned Articles.

Wells Fargo Bank, N.A.,
as Transfer Agent

By: ____

Name:

Title: Authorized Signatory

Dated: ____________________

REVERSE OF SECURITY

CLIFFS NATURAL RESOURCES INC.

7.00% Series A Mandatory Convertible Preferred Stock, Class A

Dividends on each share of Series A Preferred Stock shall be payable in cash at a rate per annum set forth on the face hereof or as provided in the Articles.

The shares of Series A Preferred Stock shall not be redeemable by the Corporation. The shares of Series A Preferred Stock shall be convertible into the Corporation's Common Shares in the manner and according to the terms set forth in the Articles.

The Corporation shall furnish to any Holder without charge a copy of the express terms of the shares of Series A Preferred Stock represented by this certificate and of the other classes and series of shares that the Corporation is authorized to issue within five days of receipt of written request thereof.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned assigns and transfers the shares of Series A Preferred Stock evidenced hereby to:

____

____

(Insert assignee's social security or tax identification number)

____

(Insert address and zip code of assignee)

____

____

and irrevocably appoints:

____

agent to transfer the shares of Series A Preferred Stock evidenced hereby on the books of the Transfer Agent and Registrar. The agent may substitute another to act for him or her.

Date: __________________

Signature: ______________________

(Sign exactly as your name appears on the other side of this Series A Preferred Stock Certificate)

Signature Guarantee: _____________________ [1]

---

[1] Signature must be guaranteed by an "eligible guarantor institution" (i.e., a bank, stockbroker, savings and loan association or credit union) meeting the requirements of the Registrar, which requirements include membership or participation in the Securities Transfer Agents Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

EXHIBIT 4.1

CLIFFS NATURAL RESOURCES INC.

Seventh Supplemental Indenture

Dated as of May 7, 2013

U.S. BANK NATIONAL ASSOCIATION,

as Trustee

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SEVENTH SUPPLEMENTAL INDENTURE

Seventh Supplemental Indenture, dated as of May 7, 2013 (the "**Seventh Supplemental Indenture**"), to the Prior Supplemental Indentures (as defined below), is by and between CLIFFS NATURAL RESOURCES INC., an Ohio corporation (the "**Company**"), and U.S. BANK NATIONAL ASSOCIATION, as trustee (the "**Trustee**").

RECITALS:

WHEREAS, the Company and the Trustee have heretofore executed and delivered an Indenture, dated as of March 17, 2010 (as amended, supplemented or otherwise modified, the "**Base Indenture**");

WHEREAS, the Company and the Trustee have heretofore executed and delivered a first supplemental indenture, dated as of March 17, 2010 (the "**First Supplemental Indenture**"), to the Base Indenture, pursuant to which the Company has issued $400,000,000 initial aggregate principal amount of the Company's 5.900% Notes due 2020 (the "**5.900% Notes due 2020**");

WHEREAS, the Company and the Trustee have heretofore executed and delivered a second supplemental indenture, dated as of September 20, 2010 (the "**Second Supplemental Indenture**"), to the Base Indenture, pursuant to which the Company has issued $500,000,000 initial aggregate principal amount of the Company's 4.80% Notes due 2020 (the "**4.80% Notes due 2020**");

WHEREAS, the Company and the Trustee have heretofore executed and delivered a third supplemental indenture, dated as of September 20, 2010 (the "**Third Supplemental Indenture)**, to the Base Indenture, pursuant to which the Company has issued $800,000,000 initial aggregate principal amount of the Company's 6.25% Notes due 2040 (the "**6.25% Notes due 2040**");

WHEREAS, the Company and the Trustee have heretofore executed and delivered a fourth supplemental indenture, dated as of March 23, 2011 (the "**Fourth Supplemental Indenture**"), to the Base Indenture, pursuant to which the Company has issued $700,000,000 initial aggregate principal amount of the Company's 4.875% Notes due 2021 (the "**4.875% Notes due 2021**");

WHEREAS, the Company and the Trustee have heretofore executed and delivered a fifth supplemental indenture, dated as of March 31, 2011 (the "**Fifth Supplemental Indenture**"), to the Base Indenture;

WHEREAS, the Company and the Trustee have heretofore executed and delivered a sixth supplemental indenture, dated as of December 13, 2012 (the "**Sixth Supplemental Indenture**" and, collectively with the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture and the Fifth Supplemental Indenture, the "**Prior Supplemental Indentures**"), to the Base Indenture, pursuant to which the Company has issued $500,000,000 initial aggregate principal amount of the Company's 3.950% Notes due 2018 (the "**3.950% Notes due 2018**" and, collectively with the 5.900% Notes due 2020, the 4.80% Notes due 2020, the 6.25% Notes Due 2040 and the 4.875% Notes Due 2021, the "**Notes**");

WHEREAS, Section 9.1(a) of the Base Indenture provides that the Company and the Trustee, as applicable, may amend or supplement certain of the provisions of the Base Indenture or the Securities without the consent of the Holders to cure any ambiguity, defect or inconsistency;

WHEREAS, the Company desires to cure a defect in the Base Indenture by correcting erroneous cross references to various Event of Default provisions;

WHEREAS, the consent of any Holder is not required to effect the amendments set forth herein;

WHEREAS, the execution of this Seventh Supplemental Indenture by the parties hereto is in all respects authorized by the provisions of the Base Indenture and all acts and requirements necessary to make this Seventh Supplemental Indenture a valid agreement of the Company and the Trustee, in accordance with its terms, have been done;

NOW, THEREFORE, THIS SEVENTH SUPPLEMENTAL INDENTURE WITNESSETH: in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Company and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders of the Notes, that the Base Indenture is supplemented and amended, to the extent expressed herein, as follows:

ARTICLE 1

NATURE OF AMENDMENT

Section 1.01. *Scope of Supplemental Indenture; General*.

This Seventh Supplemental Indenture supplements and, to the extent inconsistent therewith, replaces the provisions of the Base Indenture to which provisions reference is hereby made.

ARTICLE 2

AMENDMENT

Section 2.01. *Amendment to Section 6.2 of Base Indenture*.

The first paragraph of Section 6.2 of the Base Indenture is hereby deleted in its entirety and replaced with the following:

Section 6.2. <u>Acceleration of Maturity; Rescission and Annulment</u>

"If an Event of Default with respect to Securities of any Series at the time outstanding occurs and is continuing (other than an Event of Default referred to in Section 6.1(e) or (f)) then in every such case the Trustee or the Holders of not less than 25% in principal amount of the outstanding Securities of that Series may declare the principal amount (or, if any Securities of that Series are Discount Securities, such portion of the principal amount as may be specified in the terms of such

Securities) of and accrued and unpaid interest, if any, on all of the Securities of that Series to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by Holders), and upon any such declaration such principal amount (or specified amount) and accrued and unpaid interest, if any, shall become immediately due and payable. If an Event of Default specified in Section 6.1(e) or (f) shall occur, the principal amount (or specified amount) of and accrued and unpaid interest, if any, on all outstanding Securities shall ipso facto become and be immediately due and payable without any notice, declaration or other act on the part of the Trustee or any Holder."

Section 2.02. *Amendment to Section 7.7 of Base Indenture*.

The fifth paragraph of Section 7.7 of the Base Indenture is hereby deleted in its entirety and replaced with the following:

Section 7.7. Compensation and Indemnity.

"When the Trustee incurs expenses or renders services after an Event of Default specified in Section 6.1(e) or (f) occurs, the expenses (including reasonable charges and expenses of its accountants, experts and attorneys) and the compensation to the Trustee for the services are intended to constitute expenses of administration under any Bankruptcy Law."

ARTICLE 3

EFFECTIVENESS

Section 3.01. *Effectiveness of Seventh Supplemental Indenture*.

This Seventh Supplemental Indenture shall become effective immediately upon its execution and delivery by the Company and the Trustee.

ARTICLE 4

MISCELLANEOUS

Section 4.01. *Governing Law*.

THIS SEVENTH SUPPLEMENTAL INDENTURE WILL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO ITS PRINCIPLES OF CONFLICTS OF LAW.

Section 4.02. *Capitalized Terms*.

Except with respect to the capitalized terms used in the amendments to Sections 6.2 and 7.7 of the Base Indenture, capitalized terms used but not defined herein have the meanings ascribed to such terms in the Base Indenture.

Section 4.03. *Recitals*.

The recitals contained herein shall be taken as the statements of the Company, and the Trustee assumes no responsibility for their correctness.

[*Signatures on Following Page*]

IN WITNESS WHEREOF, the parties hereto have caused this Seventh Supplemental Indenture to be duly executed, all as of the date first above written.

CLIFFS NATURAL RESOURCES INC.

By: /s/ Terrance M. Paradie

Name: Terrance M. Paradie
Title: Senior Vice President and Chief Financial Officer

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: /s/ Elizabeth A. Thuning

Name: Elizabeth A. Thuning
Title: Vice President

EXHIBIT 10.1

EXECUTION VERSION

NON-EMPLOYEE DIRECTOR
PHANTOM STOCK UNIT AWARD AGREEMENT

This PHANTOM STOCK UNIT AWARD AGREEMENT (the "Agreement"), dated as of July 9, 2013, is made by and between Cliffs Natural Resources Inc. (the "Company"), and James F. Kirsch (the "Director").

RECITALS:

WHEREAS, the Director is a member of the Board of Directors of the Company (the "Board"); and

WHEREAS, in connection with the Director's appointment as non-executive Chairman of the Board, the members of the Board who are "non-employee directors" (as defined in Rule 16b-3 promulgated under the Securities Exchange Act of 1934) (the "Applicable Directors") have determined that it is in the best interests of the Company and its shareholders to grant to the Director an award of phantom stock units ("Phantom Stock Units"), representing the right to a cash payment with respect to the number Phantom Stock Units set forth herein on a future date, subject to the terms and conditions contained in this Agreement.

NOW, THEREFORE, for and in consideration of the premises and the covenants of the parties contained in this Agreement, and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto, for themselves, their successors and assigns, hereby agree as follows:

1. Grant of Phantom Stock Units. The Company, by action of the Board taken solely by the Applicable Directors, hereby grants to the Director, as of the date hereof, **45,760** Phantom Stock Units, on the terms and conditions hereinafter set forth. The Phantom Stock Units represent the unfunded, unsecured right of the Director to receive a cash payment of the "Settlement Value" (as defined below) on the "Payment Date" (as defined below).

   For purposes of this Agreement, "Settlement Value" shall be defined as the product of the number of Phantom Stock Units subject to this Agreement and the closing price on the New York Stock Exchange of a share of the Company's common shares (a "Share") on December 31, 2013.

2. Payment of Settlement Value; Forfeiture.

   (a) The Company shall, subject to Section 2(b) hereof, pay to the Director the Settlement Value as a lump sum cash payment (less applicable tax withholding, if any) on January 2, 2014 (the "Payment Date").

(b) Notwithstanding the foregoing, in the event that the Director voluntarily resigns from the Board or voluntarily steps down as non-executive Chairman of the Board, in each case other than at the request of the Board and prior to the Payment Date, the Phantom Stock Units shall automatically and without further action be cancelled and forfeited by the Director, and the Director shall have no further right or interest in or with respect to the Phantom Stock Units or the payment of the Settlement Value.

(c) Upon the payment of the Settlement Value in accordance with Section 3(a) of this Agreement, the Phantom Stock Units shall be extinguished.

3. Adjustments Upon Certain Events. In the event of any change in the outstanding Shares by reason of any stock split, reorganization, recapitalization, merger, consolidation, amalgamation, spin-off or combination transaction or exchange of Shares or other corporate exchange, or any distribution to shareholders of Shares (with the exception of any dividends other than extraordinary dividends) or any transaction similar to the foregoing (collectively, an "Adjustment Event"), the Board may, in its sole discretion and without liability to any person, adjust the number of Phantom Stock Units and the method of computing the Settlement Value to reflect such Adjustment Event; provided that such adjustment shall be consistent with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended and any applicable guidance thereunder ("Section 409A of the Code").

4. Authority of the Board. The Board shall have final authority to interpret and construe this Agreement and to make any and all determinations under this Agreement, and its decision shall be binding and conclusive upon the Director and his legal representative in respect of any questions arising under this Agreement.

5. No Right to Continued Service as a Director. Nothing in this Agreement shall be construed as giving the Director the right to continue to serve as a director of the Company, or in any other capacity with the Company.

6. No Acquired Rights. In receiving the grant of Phantom Stock Units under this Agreement, the Director acknowledges and accepts that the Board has the power to amend or terminate this Agreement at any time and that the opportunity given to the Director to receive the grant of Phantom Stock Units or the payment of the Settlement Value under this Agreement is entirely at the discretion of the Board and does not obligate the Company or any of its affiliates to offer any same or similar grants or payments in the future (whether on the same or different terms); provided that, no amendment to this Agreement by the Board shall adversely affect the rights of the Director hereunder without the written consent of the Director.

7. No Funding; No Rights of a Shareholder. The Director's interest in the Phantom Stock Units is that of a general, unsecured creditor of the Company. The Director shall not have any rights as a shareholder of the Company in respect of the Phantom Stock Units.

8. Assignment. The Director's rights under this Agreement may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Director otherwise

than by will or by the laws of descent and distribution, and any purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance not permitted by this Section 8 shall be void and unenforceable against the Company or any affiliate.

9. Governing Law. This Agreement shall be construed and interpreted in accordance with the laws of the State of Ohio without regard to principles of conflicts of law thereof, or principals of conflicts of laws of any other jurisdiction which could cause the application of the laws of any jurisdiction other than the State of Ohio.

10. Headings. The headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.

11. Section 409A of the Code. Notwithstanding anything in this Agreement to the contrary, any payments hereunder that would be subject to a penalty tax or accelerated income tax under Section 409A of the Code shall be deferred until the earliest date that such payments may be made without the imposition of such tax.

12. Successors. The terms of this Agreement shall be binding upon and inure to the benefit of the Company and its successors and assigns, and of the Director and the beneficiaries, executors, administrators, heirs and successors of the Director.

13. Notices. Any notice hereunder to any party shall be effective upon receipt (or refusal of receipt) and shall be in writing and delivered personally, transmitted by email (delivery receipt requested, upon confirmation of receipt), sent by telecopy, or sent by certified or registered mail, postage prepaid, as follows:

If to the Company:

Cliffs Natural Resources Inc.
200 Public Square, Suite 3300 Cleveland, OH 44114
Attention: General Counsel

If to the Director, to the address last set forth on the records of the Company

or, in either case, at any other address as one party shall have specified by notice in writing to the other party.

14. Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each other provision of this Agreement shall be severable and enforceable to the extent permitted by law.

15. Signature in Counterparts. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day first written above.

CLIFFS NATURAL RESOURCES INC.

By: /s/ Kelly Tompkins
Name: Kelly Tompkins
Title: EVP, Chief Administrative Officer and President, Cliffs China

By: /s/ James F. Kirsch
James F. Kirsch

EXHIBIT 10.2

EXECUTION VERSION

SEVERANCE AGREEMENT

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

This Agreement is entered into as of July 17, 2013 by and between Joseph A. Carrabba ("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 will terminate on December 31, 2013 or, at the request of the Company's Board of Directors (the "Board"), such earlier date on which a successor Chief Executive Officer commences employment with the Company (the "Retirement Date"). On the Retirement Date, Employee will cease to serve as President and Chief Executive Officer of the Company, and shall resign from any other position that he then holds with the Company, including without limitation as a member of the Board.

B. Employee and the Company desire to establish the terms for an amicable separation of Employee's employment on the Retirement Date, 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.

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

D. Receipt of the payments and benefits described herein requires (i) execution and notarization, (ii) delivery to the Company, and (iii) non-revocation, of the Release (as defined below), all within the time frames specified in the Release.

AGREEMENT

I. TERMINATION, SEVERANCE PAYMENTS AND BENEFITS

A. On the Retirement Date, Employee's employment with the Company shall cease, he shall cease to be the President and Chief Executive Officer of the Company, and he shall resign from any other positions that he then holds with the Company as of the Retirement Date, including without limitation as a member of the Board. As of the Retirement 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. Employee will continue to receive his base salary and employee benefits, in the ordinary course of business consistent with past practice, through the Retirement Date.

B. Subject to Section I.C, Employee shall receive the following payments (collectively, the "Payments") and benefits (collectively, the "Benefits") if Employee (1) executes this Agreement, (2) signs, notarizes and delivers the release of claims in the form attached hereto ("Release") not earlier than the calendar day following the Retirement Date and not later than the date provided therein (i.e., five (5) calendar days following the Retirement Date); and (3) does not revoke the Release prior to the “Effective Date” (as defined in Section V.D. of the Release):

- Employee shall continue to participate in the Company’s Executive Management Performance Incentive Plan (the “EMPI Plan”) 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 (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. For the avoidance of doubt, (1) Employee’s EMPI Plan bonus in respect of 2013 shall not be prorated, even if the Retirement Date occurs prior to December 31, 2013, (2) Employee shall not participate in the EMPI Plan for 2014 and subsequent years, and (3) Employee engaging in any competitive activity shall not result in the forfeiture of Employee’s EMPI Plan bonus.
- A cash payment equal to $5,280,000, which is equal to twenty-four (24) months Base Pay ($1,100,000 * 2 = $2,200,000) plus two times an additional amount that represents an annual incentive bonus payable at target ($1,100,000 * 140% * 2 = $3,080,000), paid, **less** appropriate withholdings and deductions, in a lump sum within thirty (30) days after the Retirement Date, but not prior to the Effective Date.
- A cash payment in respect of Employee’s earned but unused vacation for 2013, paid, **less** appropriate withholdings and deductions, in a lump sum within thirty (30) days after the Retirement Date, but not prior to the Effective Date.
- If the Retirement Date occurs prior to December 31, 2013, a cash payment equal to the base salary Employee would have earned for the period from the Retirement Date through December 31, 2013 had he continued to work through December 31, 2013, **less** appropriate withholdings and deductions, in a lump sum within thirty (30) days after the Retirement Date, but not prior to the Effective Date.
- Continued 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 (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, 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 end of the month during which Employee attains age sixty-five (65); <u>provided</u>, <u>that</u>, in the event that Employee’s spouse on the date hereof (the “Spouse”) has not attained age sixty-five (65) at the time that coverage under the Active Health Care Plan ends in accordance with this subsection, the Spouse shall be eligible to participate in the Company’s “access only” retiree medical plan until the Spouse attains age sixty-five (65), as long as Employee or the Spouse timely and properly pays the applicable premiums under the “access only” retiree medical plan.

  The costs of the coverage described under this Section II.B (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 him 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 by multiplying (1) the number of shares earned, without regard to this sentence, by (2) the quotient of (i) the number of full months in the applicable performance period through December 31, 2013, over (ii) the number of full months in such performance period; with the number of shares so earned to be paid out in the manner and at the time (but not prior to the Effective Date) specified by the terms of each such award. For the avoidance of doubt, notwithstanding anything to the contrary contained in any other plan, policy or arrangement, Employee engaging in any competitive activity shall not result in the forfeiture of the performance share awards held by him on the date hereof.

◦ Employee shall be entitled to vest in the restricted share unit awards held by him on the date hereof, with the number of shares earned in the case of each such award prorated by multiplying (1) the number of shares earned, without regard to this sentence, by (2) the quotient of (i) the number of full months in the applicable vesting period through December 31, 2013, over (ii) the number of full months in such vesting period; with the number of shares so earned to be paid out in the manner and at the time (but not prior to the Effective Date) specified by the terms of each such award. For the avoidance of doubt, notwithstanding anything to the contrary contained in any other plan, policy or arrangement, Employee engaging in any competitive activity shall not result in the forfeiture of the restricted share unit awards held by him on the date hereof.

◦ The equity grants made to Employee on each of December 17, 2009 and March 8, 2010 (the "Strategic Initiative Grants") shall remain outstanding and shall vest on the later of (1) December 31, 2013 or (2) the Effective Date. The number of shares paid out pursuant to each Strategic Initiative Grant will be determined in the sole discretion of the Compensation Committee of the Board based on its evaluation of Employee's performance through the Retirement Date; provided that such number of shares shall be no less than the target number of shares, and no greater than the maximum number of shares. For the avoidance of doubt, notwithstanding anything to the contrary contained in any other plan, policy or agreement, neither Employee's termination of employment on the Retirement Date, nor Employee engaging in any competitive activity, shall result in the forfeiture of the Strategic Initiative Grants.

◦ 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 as it provides such indemnification for its active senior executives. In addition, the Company shall continue to maintain D&O coverage that covers past executives to the same extent that it covers present 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 the past executives of the Company.

C. Should Employee breach any of the covenants contained in Sections V (relating to the covenant of confidentiality, but excluding for purposes of this Section I.C any immaterial breach with respect to immaterial confidential information), VII (relating to covenant to cooperate with the Company), and VIX (relating to the covenant not to solicit employees) of this Agreement, Employee shall be required to return the Payments and the value of the 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 under this Agreement.

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

E. The term "Base Pay" shall mean Employee's rate of annual base salary in effect as of the Retirement 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 Agreement;
- The Company is not obligated to pay, and will not pay, to Employee any Payment or Benefits until this Agreement and the Release have become effective;
- Employee executes this Agreement knowingly and voluntarily, in order to induce 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 Agreement;
- No other person or entity has an interest in the claims, demands, obligations or causes of action referred to in this Agreement;
- The Payments and Benefits that Employee will receive in exchange for executing this Agreement and the Release are in addition to anything of value to which Employee is already entitled;
- The Payments and 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 and Benefits provided for in this Agreement 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 Payment and Benefits 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 Payments and Benefits shall be treated as having been given in exchange for the other covenants, agreements 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;
- With the payments contemplated by this Agreement, the Company will have paid Employee for all vacation and any other paid time off accrued through the Retirement Date;
- As of the date of execution of this Agreement, Employee has not filed any administrative charges or lawsuits arising out of or relating to Employee's 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 Agreement, 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 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 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 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 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 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 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 the date this Agreement 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 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 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 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 or welfare plan of the Company; or
- Claims arising out of acts or practices which occur after the execution of this Agreement.

The Company agrees to indemnify Employee for actions occurring during his employment to the same extent provided during his employment. This provision is not meant to expand Company's obligations.

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 Retirement Date.

VI. RETURN OF COMPANY PROPERTY

A. Employee agrees to return to the Company by the fifth (5th) calendar day following the Retirement Date 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, as of the fifth (5th) calendar day following the Retirement Date, he will not retain any documents or other property belonging to Company. For the avoidance of doubt, Employee shall not be required to return to the Company items not material to the business of the Company or its affiliates that are of nominal or sentimental value.

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

VII. COOPERATION

During the period from the Date hereof through the Retirement Date, Employee shall use his best efforts to perform his duties to the Company. Following the Retirement Date, Employee shall continue to 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. Employee's responsibilities under this Section VII shall terminate on the first anniversary of the Retirement Date; provided, that, Employee agrees to cooperate after such first anniversary to assist the Company in connection with disputes with third parties involving the Company with respect to periods of active employment by Employee with the Company. In no event will the Company unduly interfere with the business of Employee.

VIII. 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 that Employee was employed by the Company, Employee's duties, length of employment, and salary. 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. Nothing herein shall prevent the Company from testifying truthfully in a legal proceeding or governmental administrative proceeding.

IX. NON-SOLICITATION

Employee agrees that, during his period of employment and the period beginning on his Retirement Date and ending twelve (12) months following the Retirement Date, Employee shall not directly or indirectly contact, approach or solicit for the purpose of offering employment to, or directly or indirectly actually 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 IX shall not preclude Employee from soliciting for employment (but shall, for the avoidance of doubt, prohibit hiring) any such person who responds to a general solicitation through a public medium that is not targeted at such person.

X. 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.

XI. 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.

XII. 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 benefit, but such waiver shall in no way excuse the other Party from the performance of any of its/his other obligations under this Agreement.

XIII. 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.

XIV. 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.

XV. 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.

XVI. ATTORNEYS' FEES AND COSTS

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.

XVII. SECTION 409A

The Parties acknowledge that Employee shall incur a “separation from service,” within the meaning of Section 409A of the Code (“Section 409A”), no later than the Retirement Date. Notwithstanding anything in this Agreement to the contrary, if Employee is considered a “specified employee” (as 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 the 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 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: July 17, 2013

/s/ Joseph A. Carrabba

Joseph A. Carrabba

State of OHIO)

) ss

County of CUYAHOGA)

On this17th day of July, 2013, before me personally appeared Joseph A. Carrabba, to me known to be the person described in and who executed the Severance Agreement and acknowledged that he/she executed the same as his/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

EXHIBIT 10.3

CONFIDENTIAL TREATMENT
CLIFFS NATURAL RESOURCES INC. HAS REQUESTED THAT THE MARKED PORTIONS OF THIS DOCUMENT BE ACCORDED CONFIDENTIAL TREATMENT PURSUANT TO RULE 24B-2 UNDER THE SECURITIES EXCHANGE ACT OF 1934

ESSAR STEEL ALGOMA INC.
PELLET SUPPLY TERM SHEET

I. Parties: Essar Steel Algoma Inc. ("Essar") and The Cleveland-Cliffs Iron Company ("CCIC"), Cliffs Mining Company ("CMC") and Northshore Mining Company ("Northshore" and collectively with CCIC and CMC, "Cliffs"). Essar and Cliffs may each be referred to as "Party" or together as "Parties."

II. Agreement and Term Sheet: A. Essar and Cliffs are currently parties to Pellet Sale and Purchase Agreement entered into and effective as of January 31, 2002, as amended ("Agreement"). The Agreement has been amended seven times, and each of the amendments is fully incorporated into the Agreement.

B. The Parties agree that this Term Sheet shall further amend the Agreement, however, to the extent the Term Sheet does not alter the Agreement, the Agreement shall remain in full force and effect and shall govern the Parties' relationship. In the event the Term Sheet and the Agreement contradict one another, the Term Sheet shall govern.

C. The Parties agree that this Term Sheet shall be effective as of May 31, 2013. The Parties further agree to enter into a definitive agreement which shall supersede and replace the Agreement ("Definitive Agreement"). The Definitive Agreement shall incorporate this Term Sheet and the Agreement, as amended, into one complete document. All other terms and conditions contained in this Term Sheet and the Agreement shall remain in full force and effect until the Definitive Agreement is fully executed.

III. Term: January 1, 2013 through December 31, 2024 (12 years). "Contract year" is defined as January 1 through December 31.

IV. Volume: A. For the Contract year 2013 the Annual Requirements[1] volume shall be fixed at ***. *** terms set forth in Section XII of this Term Sheet.

B. For the Contract years 2014, 2015 and 2016 the Annual Requirements volume shall be ***. The Parties shall apply the nomination process contained in Section 5 of the Agreement, *** terms set forth Section XIII of this Term Sheet.

C. For the Contract years 2017 through and including 2024 Cliffs shall sell and deliver to Essar, and Essar shall purchase and receive from Cliffs and pay Cliffs for ***. *** terms set forth in Section XIII of this Term Sheet.

D. For the Contract years 2017 through and including 2024, in the event Essar operates a second blast furnace, then Cliffs shall deliver and Essar shall take and pay for ***.

<u>V. Grades:</u> The grades for the Cliffs Pellets shall remain the same as in the Agreement.

<u>VI. 2013 Price:</u> A. The price for 2013 Annual Requirements shall be calculated pursuant to the Agreement, ***.

1. In the event Essar elects ***.

B. ***

C. ***

<u>VII. *:</u>** ***

<u>VIII. 2014 Price:</u> The Parties have agreed that the price for 2014 Annual Requirements tonnage is ***.

<u>IX. 2015 and 2016 Price:</u> A. The price for Annual Requirements for the Contract years 2015 and 2016 shall be calculated in the following manner:

1. ***
2. ***
3. ***
4. ***
5. ***
6. ***
7. ***
8. ***
9. ***

B. ***

X. 2017-2024 Price:

A. The price for Contract Requirements for the contract years 2017 through and including 2024 shall be calculated in the following manner:

1. ***
2. ***
3. ***
4. ***
5. ***
6. ***
7. ***
8. ***
9. ***

B. ***

XI. *:** Per Section VIII above, ***.

XII. *:** A. ***

B. ***

C. ***

(A) ***	(B) ***	(C) ***	(D) ***
***	***	***	***
***	***	***	***
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***	***	***	***
***	***	***	***
***	***	***	***

XIII. *:** A. ***

1. ***

2. ***

XIV. Delivery: A. ***

B. ***

CONFIDENTIAL MATERIAL HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION. ASTERISKS DENOTE SUCH OMISSIONS.

Essar Steel Algoma Inc.

By:	/s/ Indranil Sinha
Title:	G.M. (PLS)
Date:	7th June 2013

CLIFFS MINING COMPANY

By:	/s/ Terrence R. Mee
Title:	Sr. Vice President
Date:	June 7, 2013

THE CLEVELAND-CLIFFS IRON COMPANY

By:	/s/ Terrence R. Mee
Title:	Sr. Vice President
Date:	June 7, 2013

NORTHSHORE MINING COMPANY

By:	/s/ Terrence R. Mee
Title:	Sr. Vice President
Date:	June 7, 2013

CONFIDENTIAL MATERIAL HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION. ASTERISKS DENOTE SUCH OMISSIONS.

EXHIBIT B-3

CLIFFS SALES COMPANY

ESSAR STEEL ALGOMA INC.

***

***[1]	
***	***
***	***
***	***
***[2]	***
***	***
***	***

[1] ***

[2] ***

CONFIDENTIAL MATERIAL HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION. ASTERISKS DENOTE SUCH OMISSIONS.

EXHIBIT B-4

CLIFFS SALES COMPANY

ESSAR STEEL ALGOMA INC.

***

***	
***	
***[1]	***
***[1]	***
***[2]	***
***	***
***	***
***[3]	***
***[4]	***
***	***
***	***
***	***
***	***
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***	***
***	***
***[5]	***
***	***
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***	***
***	***

1***

2***

3***

4***

5***

CONFIDENTIAL MATERIAL HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION. ASTERISKS DENOTE SUCH OMISSIONS.

EXHIBIT B-5

CLIFFS SALES COMPANY

ESSAR STEEL ALGOMA INC.

***

***	
***	
***[1]	***
***[1]	***
***[2]	***
***	***
***	***
***[3]	***
***[4]	***
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***[5]	***
***	***
***	***
***	***
***	***

1***

2***

3***

4***

5***

Exhibit 31.1

CERTIFICATION

I, Joseph A. Carrabba, 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: July 26, 2013

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

Exhibit 31.2

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: July 26, 2013

By: /s/ Terrance M. Paradie

Terrance M. Paradie

Executive Vice President & Chief Financial Officer

Exhibit 32.1

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 June 30, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-Q"), I, Joseph A. Carrabba, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

(1) The Form 10-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: July 26, 2013

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

Exhibit 32.2

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 June 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: July 26, 2013

By: /s/ Terrance M. Paradie

Terrance M. Paradie

Executive Vice President & Chief Financial Officer

Exhibit 95

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 June 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 June 30, 2013:

Mine Name/ MSHA ID No.	Operation	(A) Section 104 S&S Citations	(B) Section 104(b) Orders	(C) Section 104(d) Orders	(D) Section 107(a) Citations & Orders	(E) Total Dollar Value of MSHA Proposed Assessments (1)	(F) Legal Actions Pending as of Last Day of Period		(G) Legal Actions Initiated During Period	(H) Legal Actions Resolved During Period
		Three Months Ended June 30, 2013								
Pinnacle Mine / 4601816	Coal	18	1	—	—	$ 25,646	47	(2)	8	22
Pinnacle Plant / 4605868	Coal	—	—	—	—	—	—		—	—
Green Ridge #1 / 4609030	Coal	—	—	—	—	—	1	(3)	—	—
Green Ridge #2 / 4609222	Coal	—	—	—	—	—	7	(4)	—	2
Oak Grove / 0100851	Coal	36	—	8	—	4,189	38	(5)	7	2
Concord Plant / 0100329	Coal	—	—	—	—	—	—		—	—
Dingess-Chilton / 4609280	Coal	—	—	—	—	—	26	(6)	6	11
Powellton / 4609217	Coal	12	—	—	—	12,763	29	(7)	2	8
Saunders Prep / 4602140	Coal	2	—	—	—	443	1	(8)	—	—
Toney Fork / 4609101	Coal	—	—	—	—	—	5	(9)	2	4
Elk Lick Tipple / 4604315	Coal	—	—	—	—	—	—		—	1
Lower War Eagle / 4609319	Coal	21	—	—	—	21,062	12	(10)	3	—
Elk Lick Chilton / 4609390	Coal	—	—	—	—	—	—		—	—
Tilden / 2000422	Iron Ore	—	—	—	—	162	—		—	—
Empire / 2001012	Iron Ore	1	—	—	—	—	6	(11)	—	—
Northshore Plant / 2100831	Iron Ore	4	—	—	—	5,494	5	(12)	2	—
Northshore Mine / 2100209	Iron Ore	2	—	—	—	—	11	(13)	2	4
Hibbing / 2101600	Iron Ore	25	1	—	1	131,560	12	(14)	2	5
United Taconite Plant / 2103404	Iron Ore	15	—	—	—	213,538	9	(15)	4	—
United Taconite Mine / 2103403	Iron Ore	4	—	—	—	—	1	(16)	—	—

(1) Amounts included under the heading "Proposed Assessments" are the total dollar amounts for proposed assessments received from MSHA on or before June 30, 2013.

(2) Included in this number are 23 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.

(3) This number consists of 1 pending legal action related to contests of proposed penalties referenced in Subpart C of FMSH Act's procedural rules.

(4) This number consists of 7 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 6 pending legal actions related to contests of citations and orders referenced in Subpart B of FMSH Act's procedural rules; 29 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 18 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 23 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 5 pending legal actions related to contests of proposed penalties referenced in Subpart C of FMSH Act's procedural rules.

(10) 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.

(11) This number consists of 5 pending legal actions related to contests of proposed penalties referenced in Subpart C of FMSH Act's procedural rules; and 1 appeal of judges' decisions or orders to FMSH Act's procedural rules.

(12) This number consists of 5 pending legal actions related to contests of proposed penalties referenced in Subpart C of FMSH Act's procedural rules.

(13) This number consists of 11 pending legal actions related to contests of proposed penalties referenced in Subpart C of FMSH Act's procedural rules.

(14) 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 1 appeal of judges' decisions or orders to FMSH Act's procedural rules.

(15) Included in this number are 4 pending legal actions related to contests of citations and orders referenced in Subpart B of FMSH Act's procedural rules and 5 pending legal actions related to contests of proposed penalties referenced in Subpart C of FMSH Act's procedural rules.

(16) This number consists of 1 pending legal action related to contests of proposed penalties referenced in Subpart C of FMSH Act's procedural rules.