CLIFFS NATURAL RESOURCES INC.
Form 10-K
February 14, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 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 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
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Shares, par value $0.125 per share	New York Stock Exchange and Professional Segment of NYSE Euronext Paris
Depositary Shares, each representing a 1/40th ownership interest in a share of 7.00% Series A Mandatory Convertible Preferred Stock, Class A	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
NONE
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ý NO ¨
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES ¨ NO ý
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 ý 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 ý NO ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

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

Large accelerated filer ý 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 Act). YES ¨ NO ý

As of June 28, 2013, the aggregate market value of the voting and non-voting common shares held by non-affiliates of the registrant, based on the closing price of $16.25 per share as reported on the New York Stock Exchange — Composite Index, was $2,577,942,533 (excluded from this figure is the voting stock beneficially owned by the registrant’s officers and directors).

The number of shares outstanding of the registrant’s common shares, par value $0.125 per share, was 153,087,255 as of February 10, 2014.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant’s proxy statement for its annual meeting of shareholders scheduled to be held on May 13, 2014 are incorporated by reference into Part III.

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DEFINITIONS

The following abbreviations or acronyms are used in the text. References in this report to the "Company," "we," "us," "our" and "Cliffs" are to Cliffs Natural Resources Inc. 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
Algoma	Essar Steel Algoma Inc.
Amapá	Anglo Ferrous Amapá Mineração Ltda. and Anglo Ferrous Logística Amapá Ltda.
AG	Autogenous Grinding
Anglo	Anglo American plc
APBO	Accumulated Postretirement Benefit Obligation
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
Barrick	Barrick Gold Corporation Inc.
BART	Best Available Retrofit Technology
Bloom Lake	The Bloom Lake Iron Ore Mine Limited Partnership
BNSF	Burlington Northern Santa Fe, LLC
Chromite Project	Cliffs Chromite Ontario Inc.
CIRB	Canadian Industrial Relations Board
CLCC	Cliffs Logan County Coal LLC
Clean Water Act	Federal Water Pollution Control Act
Cliffs Chromite Far North Inc.	Entity previously known as Spider Resources Inc.
Cliffs Chromite Ontario Inc.	Entity previously known as Freewest Resources Canada Inc.
CN	Canadian National Railway Company
Cockatoo Island	Cockatoo Island Joint Venture
Compensation Committee	Compensation and Organization Committee
Consent Order	Administrative Order by Consent
Consolidated Thompson	Consolidated Thompson Iron Mining Limited (now known as Cliffs Quebec Iron Mining Limited)
CQIM	Cliffs Quebec Iron Mining Limited
Cr^2O^3	Chromium Oxide
CSAPR	Cross-State Air Pollution Rule
DD&A	Depreciation, depletion and amortization
DEP	U.S. Department of Environment Protection
Directors' Plan	Nonemployee Directors' Compensation Plan, as amended and restated 12/31/2008
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
Dofasco	ArcelorMittal Dofasco Inc.
EBITDA	Earnings before interest, taxes, depreciation and amortization
Empire	Empire Iron Mining Partnership
EPA	U.S. Environmental Protection Agency
EPS	Earnings per share
EPSL	Esperance Port Sea and Land
ERM	Enterprise Risk Management

Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
Fe	Iron
(Fe,Mg) (Cr,Al,Fe)2O4	Mineral Chromite
FeT	Total Iron
FIP	Federal Implementation Plan
FMSH Act	U.S. Federal Mine Safety and Health Act 1977, as amended
Freewest	Freewest Resources Canada Inc. (now known as Cliffs Chromite Ontario Inc.)
GAAP	Accounting principles generally accepted in the United States
GHG	Greenhouse gas
Hibbing	Hibbing Taconite Company

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Abbreviation or acronym	Term
ICE Plan	Amended and Restated Cliffs 2007 Incentive Equity Plan, as amended
INR	INR Energy, LLC
IRS	U.S. Internal Revenue Service
Ispat	Ispat Inland Steel Company
Koolyanobbing	Collective term for the operating deposits at Koolyanobbing, Mount Jackson and Windarling
LCM	Lower of cost or market
LIBOR	London Interbank Offered Rate
LIFO	Last-in, first-out
LTVSMC	LTV Steel Mining Company
MDEQ	Michigan Department of Environmental Quality
MMBtu	Million British Thermal Units
Moody's	Moody's Investors Service, Inc., a subsidiary of Moody's Corporation, and its successors
MPCA	Minnesota Pollution Control Agency
MPI	Management Performance Incentive Plan
MPUC	Minnesota Public Utilities Commission
MRRT	Minerals Resource Rent Tax (Australia)
MSHA	U.S. Mine Safety and Health Administration
n/m	Not meaningful
NAAQS	National Ambient Air Quality Standards
NBCWA	National Bituminous Coal Wage Agreement
NDEP	Nevada Department of Environmental Protection
Ni	Nickel
NO_2	Nitrogen dioxide
NO_x	Nitrogen oxide
Northshore	Northshore Mining Company
NPDES	National Pollutant Discharge Elimination System, authorized by the U.S. Clean Water Act
NRD	Natural Resource Damages
NYSE	New York Stock Exchange
Oak Grove	Oak Grove Resources, LLC
OCI	Other comprehensive income (loss)
OPEB	Other postretirement benefits
OPEB cap	Medical premium maximums
P&P	Proven and Probable
PBO	Projected benefit obligation
Pinnacle	Pinnacle Mining Company, LLC
Pluton Resources	Pluton Resources Limited
Portman	Portman Limited (now known as Cliffs Asia Pacific Iron Ore Holdings Pty Ltd)
Reconciliation Act	Health Care and Education Reconciliation Act
Ring of Fire properties	Black Thor, Black Label and Big Daddy chromite deposits in Ontario, Canada
RTWG	Rio Tinto Working Group
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
SARs	Stock Appreciation Rights
SEC	U.S. Securities and Exchange Commission
Severstal	Severstal Dearborn, LLC
Silver Bay Power	Silver Bay Power Company
SIP	State Implementation Plan

SMCRA	Surface Mining Control and Reclamation Act
SO2	Sulfur dioxide
Sonoma	Sonoma Coal Project
Spider	Spider Resources Inc. (now known as Cliffs Chromite Far North Inc.)
STRIPS	Separate Trading of Registered Interest and Principal of Securities

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Abbreviation or acronym	Term
Substitute Rating Agency	A "nationally recognized statistical rating organization" within the meaning of Section 3 (a)(62) of the Exchange Act, selected by us (as certified by a certificate of officers confirming the decision of our Board of Directors) as a replacement agency of Moody's or S&P, or both of them, as the case may be
Tilden	Tilden Mining Company
TMDL	Total Maximum Daily Load
TRIR	Total Reportable Incident Rate
TSR	Total Shareholder Return
U/G	Underground
UMWA	United Mineworkers of America
United Taconite	United Taconite LLC
UP 1994	1994 Uninsured Pensioner Mortality Table
U.S.	United States of America
U.S. Steel Canada	United States Steel Corporation
USW	United Steelworkers
Vale	Companhia Vale do Rio Doce
VEBA	Voluntary Employee Benefit Association trusts
VNQDC Plan	2005 Voluntary NonQualified Deferred Compensation Plan, as amended
VWAP	Volume Weighted Average Price
Wabush	Wabush Mines Joint Venture
Weirton	ArcelorMittal Weirton Inc.
WISCO	Wugang Canada Resources Investment Limited, a subsidiary of Wuhan Iron and Steel (Group) Corporation
Zamin	Zamin Ferrous Ltd
2012 Equity Plan	Cliffs Natural Resources Inc. 2012 Incentive Equity Plan

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PART I

Item 1. Business

Introduction

Cliffs Natural Resources Inc. traces its corporate history back to 1847. Today, we are an international mining and natural resources company. 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. Driven by the core values of safety, social, environmental and capital stewardship, our associates across the globe endeavor to provide all stakeholders with operating and financial transparency. We are organized through a global commercial group responsible for sales and delivery of our products and a global operations group responsible for the production of the minerals that we market. Our 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, Ferroalloys and our Global Exploration Group.

In the U.S., we currently operate five iron ore mines in Michigan and Minnesota, four metallurgical coal operations 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. We also have other non-producing operations and investments around the world that provide us with optionality to diversify and expand our portfolio of assets in the future.

Industry Overview

The key driver of our business is global demand for steelmaking raw materials in both emerging and developed economies, with China and the U.S. representing the two largest markets for our Company. In 2013, China produced approximately 779 million metric tons of crude steel, or approximately 49 percent of total global crude steel production, whereas the U.S. produced approximately 87 million metric tons of crude steel, or about 5 percent of total crude steel production. These figures represent an approximate 8 percent increase and a 2 percent decrease, respectively, in crude steel production when compared to 2012.

Average global capacity utilization was about 78 percent in 2013, an approximate 2 percent increase from 2012; U.S. capacity utilization was approximately 77 percent in 2013, or about a 2 percent increase over the 2012 rate. These figures indicate that broader activity in the steel industry has increased year-over-year. Global crude steel production in 2013 grew about 4 percent compared to 2012, supported by generally improved macroeconomic fundamentals and continued, albeit tame, recovery in developed markets, including the U.S. and the Eurozone, as well as by the more rapid growth of emerging markets such as China. Broader growth in the U.S. was driven by increased personal consumption expenditures, private investment and exports, which were partly offset by decreased federal government spending and increased imports. Despite the U.S. experiencing a year-over-year decline in total crude steel production, both the automobile and oil and gas industries served as sources of healthy demand for steel in 2013. In China, investment in infrastructure remained the dominant driver of domestic steel demand and production, as its commodity-intensive growth continued.

The global price of iron ore is influenced significantly by Chinese demand and worldwide supply of iron ore. While the supply of iron ore continues to increase, the increase in 2013’s average spot market prices reflected slowing but continued economic growth expansion in China. The world market price that is utilized most commonly in our sales contracts is the Platts 62 percent Fe fines price. The Platts 62 percent Fe fines spot price increased 10.0 percent to an average price of $135 per ton for the three months ended December 31, 2013 compared to the respective quarter of 2012. In comparison, the year-to-date Platts pricing has increased 3.9 percent to an average price of $135 per metric ton during the full-year ended December 31, 2013. The spot price volatility impacts our realized revenue rates, particularly in our Eastern Canadian Iron Ore and Asia Pacific Iron Ore business segments because their contracts correlate heavily to world market spot pricing. However, the impact of this volatility on our U.S. Iron Ore revenues is muted and/or deferred partially because the pricing in our long-term contracts mostly is structured to be based on 12-month averages,

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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.

The metallurgical coal market continues to be in an oversupplied position due to increased supply from Australian producers. Additionally, low demand by European, Japanese and South American coking coal consumers has kept pricing low. Also, there has been recent closure of coke capacity in the U.S. impacting domestic markets. Consistent with the above, the quarterly benchmark price for premium low-volatile hard coking coal between Australian metallurgical coal suppliers and Japanese/Korean consumers decreased to a full-year average of $159 per metric ton in 2013 from $210 per metric ton in 2012. The decline in market pricing has impacted negatively realized revenue rates for our North American Coal business segment.

In 2014, we expect economic growth in the U.S. to accelerate, in part due to continued improvement in building construction, motor vehicle production, the labor market, and due to a further reduction in fiscal drag, ultimately supporting domestic steel production and thus the demand for steelmaking raw materials. We expect China’s economy will continue to expand rapidly, primarily driven by fixed asset investment while, correspondingly, increased Chinese domestic steel production will continue to require imported steelmaking raw materials to satisfy demand. However, we do expect China’s GDP growth to slow from 2013 that, when coupled with increased supply, environmental concerns and credit-tightening, could result in a weaker pricing environment for steelmaking raw materials. Nevertheless, growth in both the U.S. and China should provide a continued source of demand for our products in 2014.

Strategy

Through a number of acquisitions executed over recent years, we have increased our portfolio of assets, enhancing our production profile and project pipeline. In recent years, we have shifted from a merger and acquisition-based strategy to one that primarily focuses on organic growth and productivity initiatives. We believe our ability to gain scale and diversify our geographic footprint will increase our profitability, mitigate risk and ultimately enhance long-term shareholder value.

We believe our ability to execute our strategy is dependent on our financial position, balance sheet strength and financial flexibility to manage through the inevitable volatility in commodity prices. Throughout 2013, we took a number of deliberate steps to improve our financial position for the near and longer term. Looking ahead, we will continue to execute initiatives that improve our cost profile and increase long-term profitability. The cash generated from our operations in excess of that used for sustaining and license-to-operate capital spending and dividends will be evaluated and allocated towards initiatives that enhance shareholder value.

Recent Developments

Throughout 2013, there have been a number of changes to our Board of Directors and senior management team. Although three members of our Board of Directors departed, we welcomed four new directors in 2013. Consistent with our ongoing commitment to best practices in corporate governance, the Board separated the roles of chairman and chief executive officer and appointed an independent director as Chairman of the Board in July 2013. Our former Chairman, President and Chief Executive Officer, Joseph A. Carrabba, retired in November 2013, and the Board selected a new President and Chief Operating Officer, Gary B. Halverson. On February 13, 2014, the Board promoted Mr. Halverson to Chief Executive Officer. Prior to joining Cliffs, Mr. Halverson served as the interim chief operating officer for Barrick since September 2013 and also as its president – North America since December 2011. Previously, he served as Barrick’s president – Australia Pacific from December 2008 until December 2011 and as its director of operations – Australia Pacific from August 2006 to December 2008. James F. Kirsch assumed the role of Chairman of the Board in July 2013, and later was appointed, on an interim basis, as an executive officer with the title "Chairman", effective January 1, 2014. Also during the second half of 2013, three other executive officers left the Company. With the exception of the role filled by Mr. Halverson, these respective positions were assumed by current executive officers.

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On November 20, 2013, we indefinitely suspended our Chromite Project in Northern Ontario. Given the uncertain timeline and risks associated with the development of necessary infrastructure to bring this project online, we do not expect to allocate any significant additional capital to the project. Earlier in 2013, we suspended the environmental assessment activities because of pending issues impeding the progress of the project. We will continue to work with the Government of Ontario, First Nation communities and other interested parties to explore potential solutions related to the critical infrastructure issues for the Ring of Fire properties.

On February 11, 2014, we announced that we are exploring various strategic alternatives for our Bloom Lake mine. In the short term, we will continue to operate Bloom Lake mine Phase I operations on a reduced tailings and water management capital plan. We will continue to evaluate and will idle temporarily the operations if the pricing and operating costs justify such an alternative action. As a result, the Phase II expansion project remains on hold. We additionally announced our plan to idle our Wabush mine in Newfoundland and Labrador by the end of the first quarter of 2014. The idle is being driven by the unsustainable high cost structure, which results in operations that are not economically viable to run over time.

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, Ferroalloys and our Global Exploration Group. Ferroalloys and our Global Exploration Group operating segments do not meet the criteria for reportable segments. Amapá, which was sold in the fourth quarter of 2013, previously was reported through our Latin American Iron Ore operating segment, which did not meet the criteria for a reportable segment. Additionally, Sonoma, which was sold in the fourth quarter of 2012, previously was reported through our Asia Pacific Coal operating segment, which did not meet the criteria for a reportable segment.

The U.S. Iron Ore and North American Coal business segments are headquartered in Cleveland, Ohio. The Eastern Canadian Iron Ore business segment has headquarters in Montreal, Quebec, Canada. Our Asia Pacific headquarters is located in Perth, Australia. In addition, the Ferroalloys and Global Exploration Group operating segments currently are managed from our Cleveland, Ohio 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, which is 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. Financial information about our segments, including financial information about geographic areas, is included in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and NOTE 2 - SEGMENT REPORTING included in Item 8. Financial Statements and Supplementary Data of this Annual Report on Form 10-K.

U.S. Iron Ore

We are a major global iron ore producer, primarily selling production from U.S. Iron Ore to integrated steel companies in the U.S. and Canada. We manage and operate five iron ore mines located in Michigan and Minnesota. The U.S.-based mines currently have an annual rated capacity of 32.9 million tons of iron ore pellet production, representing 59 percent of total U.S. pellet production capacity. Based on our equity ownership in these mines, our share of the annual rated production capacity is currently 25.5 million tons, representing 46 percent of total U.S. annual pellet capacity.

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The following chart summarizes the estimated annual pellet production capacity and percentage of total U.S. pellet production capacity for each of the respective iron ore producers as of December 31, 2013:

U.S. Iron Ore Pellet
Annual Rated Capacity Tonnage

	Current Estimated Capacity (Tons in Millions)[1]	Percent of Total U.S. Capacity	
All Cliffs' managed mines	32.9	59.4	%
Other U.S. mines			
U.S. Steel's Minnesota ore operations			
Minnesota Taconite	14.3	25.8	
Keewatin Taconite	5.4	9.7	
Total U.S. Steel	19.7	35.5	
ArcelorMittal USA Minorca mine	2.8	5.1	
Total other U.S. mines	22.5	40.6	
Total U.S. mines	55.4	100.0	%

[1] Tons are long tons (2,240 pounds)

Our U.S. iron ore production generally is sold pursuant to long-term supply agreements with various price adjustment provisions. For the year ended December 31, 2013, we produced a total of 27.2 million tons of iron ore pellets, including 20.3 million tons for our account and 6.9 million tons on behalf of steel company partners of the mines. We produce various grades of iron ore pellets, including standard and fluxed, for use in our customers' blast furnaces as part of the steelmaking process. The variation in grades results from the specific chemical and metallurgical properties of the ores at each mine and whether or not fluxstone is added in the process. Although the grade or grades of pellets currently delivered to each customer are based on that customer's preferences, which depend in part on the characteristics of the customer's blast furnace operation, in many cases our iron ore pellets can be used interchangeably. Industry demand for the various grades of iron ore pellets depends on each customer's preferences and changes from time to time. In the event that a given mine is operating at full capacity, the terms of most of our pellet supply agreements allow some flexibility in providing our customers iron ore pellets from different mines. Standard pellets require less processing, are generally the least costly pellets to produce and are called "standard" because no ground fluxstone, such as limestone or dolomite, is added to the iron ore concentrate before turning the concentrate into pellets. In the case of fluxed pellets, fluxstone is added to the concentrate, which produces pellets that can perform at higher productivity levels in the customer's specific blast furnace and will minimize the amount of fluxstone the customer may be required to add to the blast furnace.

Each of our U.S. Iron Ore mines is located near the Great Lakes. The majority of our iron ore pellets are transported via railroads to loading ports for shipment via vessel to steelmakers in North America or into the international seaborne market via the St. Lawrence Seaway.

Our U.S. Iron Ore sales are influenced by seasonal factors in the first quarter of the year as shipments and sales are restricted by the Army Corp of Engineers due to closure of the Soo Locks and the Welland Canal on the Great Lakes. During the first quarter, we continue to produce our products, but we cannot ship those products via lake vessel until the conditions on the Great Lakes are navigable, which causes our first quarter inventory levels to rise. Our limited practice of shipping product to ports on the lower Great Lakes or to customers' facilities prior to the transfer of title has somewhat mitigated the seasonal effect on first quarter inventories and sales, as shipment from this point to the customers' operations is not limited by weather-

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related shipping constraints. At December 31, 2013 and 2012, we had approximately 1.2 million and 1.3 million tons of pellets, respectively, in inventory at lower lakes or customers' facilities.

U.S. Iron Ore Customers

Our U.S. Iron Ore revenues primarily are derived from sales of iron ore pellets to the North American integrated steel industry, consisting of five major customers. Generally, we have multi-year supply agreements with our customers. Sales volume under these agreements largely is dependent on customer requirements, and in many cases, we are the sole supplier of iron ore to the customer. Historically, each agreement has contained a base price that is adjusted annually using one or more adjustment factors. Factors that could result in a price adjustment include international iron ore prices, measures of general industrial inflation and steel prices. Additionally, certain of our supply agreements have a provision that limits the amount of price increase or decrease in any given year. In 2010, the world's largest iron ore producers moved away from the annual international benchmark pricing mechanism referenced in certain of our customer supply agreements, resulting in a shift in the industry toward shorter-term pricing arrangements linked to the spot market. These changes caused us to assess the impact a change to the historical annual pricing mechanism would have on certain of our larger existing U.S. Iron Ore customer supply agreements and resulted in modifications to certain of these agreements for the 2011 contract year. We reached final pricing settlements, which determine the calculation for our customers' prices, with all of U.S. Iron Ore customers by the end of the 2012 contract year.

During 2013, 2012 and 2011, we sold 21.3 million, 21.6 million and 24.2 million tons of iron ore pellets, respectively, from our share of the production from our U.S. Iron Ore mines. The segment's five largest customers together accounted for a total of 85 percent, 88 percent and 83 percent of U.S. Iron Ore product revenues for the years 2013, 2012 and 2011, respectively. Refer to Concentration of Customers below for additional information regarding our major customers.

Eastern Canadian Iron Ore

Production from our two iron ore mines located in Eastern Canada primarily is sold into the seaborne market to Asian steel producers. During the second quarter of 2013, 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. As such, the Canadian-based mines currently have an annual rated capacity of 12.8 million metric tons of iron ore concentrate production.

The following chart summarizes the estimated annual concentrate production capacity and percentage of total Eastern Canadian concentrate production capacity for each of the respective iron ore producers as of December 31, 2013:

Eastern Canadian Iron Ore Concentrate

Annual Rated Capacity Tonnage

	Current Estimated Capacity (Metric Tons in Millions)	Percent of Total Eastern Canadian Capacity	
All Cliffs' managed mines	12.8	21.8	%
Other Eastern Canadian mines			
Iron Ore Company of Canada	18.0	30.6	
ArcelorMittal Mines Canada	24.0	40.8	
Other[1]	4.0	6.8	
Total other Eastern Canadian mines	46.0	78.2	
Total Eastern Canadian mines	58.8	100.0	%

[1] Includes direct-shipped ore products

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On February 11, 2014, we announced our plan to idle our Wabush mine in Newfoundland and Labrador by the end of the first quarter of 2014, which will reduce our current estimated capacity to 7.2 million metric tons or 13.5 percent of the total Eastern Canadian capacity.

We produce a concentrate product at our Bloom Lake operation and, starting in the second half of 2013 through the idle in the first quarter of 2014, we are producing a concentrate product at our Wabush operation in Eastern Canada. The concentrate products are marketed toward steel producers, predominately based in Asia, that have sintering capabilities at their steel-making operations. The Bloom Lake concentrate is blended with other sinter fines and materials at high temperatures, creating a direct charge product used in blast furnace operations.

“High manganese” pellets, both in standard and fluxed grades, were the pellets produced through June 2013 at our Wabush operation in Eastern Canada, where there is more natural manganese in the crude ore than is found at our other operations. The manganese contained in the iron ore mined at Wabush cannot be removed entirely during the concentrating process.

Our Eastern Canadian iron ore production is sold pursuant to a mix of short-term pricing arrangements that are linked to the spot market. For the year ended December 31, 2013, we produced a total of 8.7 million metric tons of iron ore pellets and concentrate.

Both Eastern Canadian Iron Ore mines are located near the St. Lawrence Seaway. Our iron ore products are transported via railroads to loading ports for shipment via vessel to steelmakers in North America or into the international seaborne market.

Eastern Canadian Iron Ore Customers

Our Eastern Canadian Iron Ore revenues are derived from sales of iron ore concentrate and pellets to customers in Asia, Europe and North America. Due to the idled production of the Pointe Noire pellet plant in June 2013, sales will be derived from iron ore concentrate once all stockpiles of remaining pellets are sold. Sales volume under the agreements is dependent on customer requirements. We have various customers for iron ore concentrate and pellets, of which our partner in the Bloom Lake mine is considered a major customer for iron ore concentrate. ArcelorMittal is a customer of our Eastern Canadian Iron Ore operations and is an individually significant customer for Cliffs, but is not a material customer for the segment. Pricing for our Eastern Canadian Iron Ore customers consists primarily of short-term pricing arrangements that are linked to the spot market.

During 2013, 2012 and 2011, we sold 8.6 million, 8.9 million and 7.4 million metric tons of iron ore pellets and concentrate, respectively, from our Eastern Canadian Iron Ore mines, with the segment’s five largest customers together accounting for a total of 70 percent, 62 percent and 59 percent of Eastern Canadian Iron Ore product revenues, respectively. Refer to Concentration of Customers below for additional information regarding our major customers.

Asia Pacific Iron Ore

Our Asia Pacific Iron Ore operations are located in Western Australia and, as of December 31, 2013, consist solely of our wholly owned Koolyanobbing complex. Our 50 percent equity interest in Cockatoo Island also was included in these operations through September 2012, at which time we sold our interest.

The Koolyanobbing operations serve the Asian iron ore markets with direct-shipped fines and lump ore. The lump products are fed directly to blast furnaces, while the fines products are used as sinter feed. The variation in the two export product grades reflects the inherent chemical and physical characteristics of the ore bodies mined as well as the supply requirements of our customers. In September 2010, our Board of Directors approved a capital project at our Koolyanobbing operation, which was completed in the second quarter of 2012, and increased production capacity at Koolyanobbing to approximately 11.0 million metric tons annually. Production in 2013 was 11.1 million metric tons, compared with 10.7 million metric tons in 2012 and 8.2 million metric tons in 2011.

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Koolyanobbing is a collective term for the operating deposits at Koolyanobbing, Mount Jackson and Windarling. There are approximately 70 miles separating the three mining areas. Banded iron formations host the mineralization, which is predominately hematite and goethite. Each deposit is characterized with different chemical and physical attributes and, in order to achieve customer product quality, ore in varying quantities from each deposit must be blended together.

Crushing and blending are undertaken at Koolyanobbing, where the crushing and screening plant is located. Once the blended ore has been crushed and screened into a direct lump and fines shipping product, it is transported by rail approximately 360 miles south to the Port of Esperance, via Kalgoorlie, for shipment to our customers in Asia.

Cockatoo Island is located off the Kimberley coast of Western Australia, approximately 1,200 miles north of Perth and is only accessible by sea and air. Cockatoo Island produced a single high-grade iron ore product known as Cockatoo Island Premium Fines, which was almost pure hematite and contained very few contaminants. Ore was mined below the sea level on the southern edge of the island, which was facilitated by a sea wall. Ore was crushed and screened on-site to the final product sizing and the premium fines product was loaded directly to the vessels berthed at the island. Our production at Cockatoo Island continued until the completion of Stage 3 mining in September 2012. Our portion of Cockatoo's annual production of iron ore premium fines totaled 0.6 million metric tons and 0.7 million metric tons in 2012 and 2011, respectively. We had no production at Cockatoo Island in 2013 due to the sale of our interest in Cockatoo Island during the third quarter of 2012, as discussed below.

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 agreement was amended on August 31, 2012. On September 7, 2012, the closing date, Pluton Resources paid a nominal sum of AUD $4.00 and assumed ownership of the assets and responsibility for the environmental rehabilitation obligations and other assumed liabilities not inherently attached to the tenements acquired. The rehabilitation obligations and assumed liabilities that inherently are attached to the tenements were transferred to Pluton Resources upon registration by the Department of Mining and Petroleum denoting Pluton Resources as the tenement holder. Upon final settlement of the sale, which was completed during the second quarter of 2013, we extinguished approximately $18.6 million related to the estimated cost of the rehabilitation. As of December 31, 2013, we have no remaining rehabilitation obligations related to Cockatoo Island.

Asia Pacific Iron Ore Customers

Asia Pacific Iron Ore’s production is under contract with steel companies primarily in China and Japan. Generally, we have three-year term supply agreements with steel producers in China and two-year supply agreements in Japan. Pricing for our Asia Pacific Iron Ore customers consists of shorter-term pricing mechanisms of various durations up to one month based on the average of daily spot prices, that are generally associated with either the time of loading or unloading each shipment. The existing contracts are due to expire at various dates until March 2015 for our Chinese and Japanese customers.

During 2013, 2012 and 2011, we sold 11.0 million, 11.7 million and 8.6 million metric tons of iron ore, respectively, from our Western Australia mines. No Asia Pacific Iron Ore customer comprised more than 10 percent of Cliffs consolidated sales in 2013, 2012 or 2011. Asia Pacific Iron Ore’s five largest customers accounted for approximately 42 percent of the segment’s sales in 2013, 44 percent in 2012 and 50 percent in 2011.

North American Coal

We own and operate four metallurgical coal operations located in West Virginia and Alabama and one thermal coal mine located in West Virginia that currently have a rated capacity of 9.4 million tons of production annually. In 2013, we sold a total of 7.3 million tons, compared with 6.5 million tons in 2012 and 4.2 million tons in 2011.

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Metallurgical coal generally is sold at a premium over the more prevalently mined thermal coal, which generally is utilized to generate electricity. Metallurgical coal receives this premium because of its coking characteristics, which include contraction and expansion when heated, and volatility, which refers to the loss in mass when coal is heated in the absence of air. Coals with lower volatility are valued more highly than coals with a higher volatility.

Each of our North American coal mines are positioned near rail or barge lines providing access to international shipping ports, which allows for export of our coal production.

North American Coal Customers

North American Coal's metallurgical coal production is sold to global integrated steel and coke producers in Europe, North America, China, India and South America and its thermal coal production is sold to energy companies and distributors in North America and Europe. Approximately 70 percent of our 2013 and 2012 production was committed under contracts of at least one year. Approximately 50 percent of our projected 2014 production has been committed and priced. North American contract negotiations are largely completed, and international contract negotiations recently have begun. The remaining tonnage primarily is pending price negotiations with our international customers, which typically is dependent on settlements of Australian pricing for metallurgical coal. International customer contracts typically are negotiated on a fiscal year basis extending from April 1 through March 31, whereas customer contracts in North America typically are negotiated on a calendar year basis extending from January 1 through December 31.

International and North American sales represented 61 percent and 39 percent, respectively, of our North American Coal sales in 2013. This compares with 66 percent and 34 percent, respectively, in 2012 and 54 percent and 46 percent, respectively, in 2011. The segment's five largest customers together accounted for a total of 57 percent, 50 percent and 58 percent of North American Coal product revenues for the years 2013, 2012 and 2011, respectively. Refer to Concentration of Customers below for additional information regarding our major customers.

Investments

Amapá

On December 27, 2012, our Board of Directors authorized the sale of our 30 percent interest in Amapá. Per this original agreement, together with Anglo, we were to sell our respective interest in a 100 percent sale transaction to Zamin.

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

On August 28, 2013, we entered into additional agreements to sell our 30 percent interest in Amapá to Anglo for nominal cash consideration, plus the right to certain contingent deferred consideration upon the two-year anniversary of the closing. The closing was conditional on obtaining certain regulatory approvals and the additional agreement provided Anglo with an option to request that we transfer our interest in Amapá directly to Zamin. Anglo exercised this option and the transfer to Zamin closed in the fourth quarter of 2013. Our interest in Amapá previously was reported as our Latin American iron ore operating segment.

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Sonoma

On July 10, 2012, we entered into a definitive share and asset sale agreement to sell our 45 percent economic interest in the Sonoma joint venture coal mine located in Queensland, Australia. Upon completion of the transaction on November 12, 2012, we collected approximately AUD $141.0 million in net cash proceeds. The assets sold included our interests in the Sonoma mine along with our ownership of the affiliated wash plant, which were previously reported as our Asia Pacific Coal operating segment. Production and sales totaled approximately 2.8 million and 2.9 million metric tons of coal, respectively, through the same completion date. This compares with production and sales of approximately 3.5 million and 3.1 million metric tons in 2011, respectively.

Applied Technology, Research and Development

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

We continue to leverage our advanced technical expertise to develop and execute projects that concentrate and process low grade ores into high-quality products for international markets. With state-of-the-art equipment and experienced technical professionals, we remain on the forefront of mining technology. We have an unsurpassed reputation for our pelletizing technology, delivering a world-class quality product to a broad range of sophisticated end users. We are a pioneer in the development of emerging reduction technologies, a leader in the extraction of value from challenging resources and a frontrunner in the implementation of safe and sustainable technology. Our technical experts are dedicated to excellence and deliver superior technical solutions tailored to our expanding global customer base.

Exploration

We have several projects and potential opportunities to diversify our products, expand our production volumes and develop large-scale ore bodies through early involvement in exploration activities. We achieve this by partnering with junior mining companies, which provide us low-cost entry points for potentially significant reserve additions. Our global exploration group is led by professional geologists who have the knowledge and experience to identify new projects for future development or projects that add significant value to existing operations. We spent approximately $10.8 million, $73.3 million and $48.4 million on exploration activities in 2013, 2012, and 2011, respectively. In alignment with our capital allocation strategy, we anticipate significantly decreased levels of exploration spending in 2014.

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Concentration of Customers

We had one customer, ArcelorMittal, that individually accounted for more than 10 percent of our consolidated product revenue in each period during 2013, 2012 and 2011. Product revenue from ArcelorMittal represented approximately $1.0 billion, $0.9 billion, and $1.4 billion of our total consolidated product revenue in 2013, 2012 and 2011, respectively, and is attributable to our U.S. Iron Ore, Eastern Canadian Iron Ore and North American Coal business segments. The following represents sales revenue from ArcelorMittal as a percentage of our total consolidated product revenue, as well as the portion of product sales for U.S. Iron Ore, Eastern Canadian Iron Ore and North American Coal that is attributable to ArcelorMittal in 2013, 2012 and 2011, respectively:

	Percentage of Total Product Revenue[1]		
Customer[2]	2013	2012	2011
ArcelorMittal	19 %	17 %	21 %

[1] Excluding freight and venture partners' cost reimbursements.
[2] Includes subsidiaries.

	Percentage of U.S. Iron Ore Product Revenue[1]			Percentage of Eastern Canadian Iron Ore Product Revenue[1]			Percentage of North American Coal Product Revenue[1]		
Customer[2]	2013	2012	2011	2013	2012	2011	2013	2012	2011
ArcelorMittal	36 %	32 %	38 %	10 %	9 %	10 %	7 %	5 %	7 %

[1] Excluding freight and venture partners' cost reimbursements.
[2] Includes subsidiaries.

On April 8, 2011, we entered into an Omnibus Agreement with ArcelorMittal USA in order to settle pending arbitrations. The Omnibus Agreement, among other things, amends the Pellet Sale and Purchase Agreement dated December 31, 2002 (the "Supply Agreement") covering the Indiana Harbor East facility. Under the terms of the settlement, the parties established specific pricing levels for 2009 and 2010 pellet sales and revised the pricing calculation for the remainder of the term of the Supply Agreement. It was also agreed that a world market-based pricing mechanism would be used beginning in 2011 and through the remainder of the contract term covering the Supply Agreement. As a result of this new pricing, both parties agreed to forego future price re-openers.

Our pellet supply agreements with ArcelorMittal USA are the basis for supplying pellets to ArcelorMittal USA, which is based on customer requirements, except for the Indiana Harbor East facility, which is based on customer excess requirements. As discussed above, the Omnibus Agreement amended the Supply Agreement covering the Indiana Harbor East facility in April 2011. The following table outlines the expiration dates for each of the respective agreements:

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

We also have an agreement with ArcelorMittal's Weirton facility, expiring in 2018; however, it is a non-operational facility.

ArcelorMittal USA is a 62.3 percent equity participant in Hibbing and a 21.0 percent equity partner in Empire with limited rights and obligations.

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In 2013, 2012 and 2011, our U.S. Iron Ore pellet sales to ArcelorMittal were 9.5 million, 8.6 million and 8.7 million tons, respectively, and our Eastern Canadian Iron Ore pellet and concentrate sales to ArcelorMittal were 0.9 million, 0.7 million and 0.7 million metric tons, respectively.

Our current North American Coal supply agreements with ArcelorMittal run through December 31, 2014 and are based on an annual tonnage commitment for the 12-month fiscal period. Contracts are renewed annually and priced on a quarterly basis, with pricing generally in line with Australian pricing for metallurgical coal. In 2013, 2012 and 2011, our North American Coal sales to ArcelorMittal were 0.5 million, 0.3 million and 0.2 million tons, respectively.

Competition

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

North America

In our U.S. Iron Ore business segment, we primarily sell our product to steel producers with operations in North America. In our Eastern Canadian Iron Ore business segment, we primarily provide our product to the seaborne market for Asian steel producers. We compete directly with steel companies that own interests in iron ore mines, including ArcelorMittal and U.S. Steel, and with major iron ore exporters from Australia and Brazil.

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

A number of factors beyond our control affect the markets in which we sell our iron ore and coal. Continued demand for our iron ore and metallurgical coal and the prices obtained by us primarily depend on the consumption patterns of the steel industry in China, the U.S. and elsewhere around the world, as well as the availability, location, cost of transportation and competing prices. Coal consumption patterns primarily are affected by demand, environmental and other governmental regulations and technological developments. The most important factors on which we compete are delivered price, coal quality characteristics such as heat value, sulfur, ash, volatile matter and moisture content and reliability of supply. Metallurgical coal, which primarily is used to make coke, a key component in the steelmaking process, generally sells at a premium over thermal coal due to its higher quality and value in the steelmaking process.

Asia Pacific

In our Asia Pacific Iron Ore business segment, we export iron ore products to the Asia Pacific markets, including China, Japan and Taiwan. In the Asia Pacific marketplace, we compete with major iron ore exporters from Australia, Brazil, South Africa and India. These include Anglo, BHP Billiton, Fortescue Metals Group Ltd., Rio Tinto plc and Vale, among others.

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

Environment

Our mining and exploration activities are subject to various laws and regulations governing the protection of the environment. We conduct our operations in a manner that is protective of public health and the environment and believe our operations are in compliance with applicable laws and regulations in all material respects.

Environmental issues and their management continued to be an important focus at each of our operations throughout 2013. In the construction of our facilities and in their operation, substantial costs have

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been incurred and will continue to be incurred to avoid undue effect on the environment. Our capital expenditures relating to environmental matters totaled approximately $32 million, $31 million and $36 million, in 2013, 2012 and 2011, respectively. It is estimated that capital expenditures for environmental improvements will total approximately $42 million in 2014. Estimated expenditures in 2014 are comprised of approximately $25 million for projects at our Eastern Canadian Iron Ore operations, $13 million for projects in our U.S. Iron Ore operations and $4 million in our North American Coal operations for various water treatment, air quality, (dust) control, selenium management, tailings management and other miscellaneous environmental projects.

Regulatory Developments

Various governmental bodies continually are promulgating new or amended laws and regulations that affect our Company, our customers and our suppliers in many areas, including waste discharge and disposal, the classification of materials and products, air and water discharges and many other environmental, health and safety matters. Although we believe that our environmental policies and practices are sound and do not expect that the application of any current laws or regulations reasonably would be expected to result in a material adverse effect on our business or financial condition, we cannot predict the collective adverse impact of the expanding body of laws and regulations. Specifically, there are several notable proposed or potential rulemakings or activities that could potentially have a material adverse impact on our facilities in the future depending on their ultimate outcome: Climate Change and GHG Regulation, Regional Haze, NO_2 and SO_2 National Ambient Air Quality Standards, Cross State Air Pollution Rule, increased administrative and legislative initiatives related to coal mining activities, Mercury TMDL and Minnesota Taconite Mercury Reduction Strategy, and Selenium Discharge Regulation.

Climate Change and GHG Regulation

With the complexities and uncertainties associated with the U.S. and global navigation of the climate change issue as a whole, one of our significant risks for the future is mandatory carbon legislation. Policymakers are in the design process of carbon regulation at the state, regional, national and international levels. The current regulatory patchwork of carbon compliance schemes presents a challenge for multi-facility entities to identify their near-term risks. Amplifying the uncertainty, the dynamic forward outlook for carbon regulation presents a challenge to large industrial companies to assess the long-term net impacts of carbon compliance costs on their operations. Our exposure on this issue includes both the direct and indirect financial risks associated with the regulation of GHG emissions, as well as potential physical risks associated with climate change. We are continuing to review the physical risks related to climate change utilizing a formal risk management process.

Internationally, mechanisms to reduce emissions are being implemented in various countries, with differing designs and stringency, according to resources, economic structure and politics. We expect that momentum to extend carbon regulation following the expiration in 2012 of the first commitment period under the Kyoto Protocol will continue. Australia and Canada are signatories to the Kyoto Protocol. As such, our facilities in each of these countries are impacted by the Kyoto Protocol, but in varying degrees according to the mechanisms each country establishes for compliance and each country’s commitment to reducing emissions. Australia and Canada are considered Annex 1 countries, meaning that they are obligated to reduce their emissions under the Protocol. The impact of the Kyoto Protocol on our Canadian operations recently has been brought into question by the December 2011 announcement by the Canadian Environment Minister that Canada would withdraw from the Kyoto Protocol and, furthermore, that Canada would repeal its Kyoto Protocol Implementation Act.

In Australia, legislation for a carbon tax took effect in July 2012. The direct impact of the carbon tax on our Asia Pacific operations primarily occurs through increased fuel costs. The tax is estimated to result in an increase in direct costs of approximately A$3.5 million per year. However, recent developments are likely to lead to changes to the carbon legislation. In September 2013, a new government was elected and announced its intention to repeal the carbon legislation. Hence it remains uncertain whether repeal legislation will be passed.

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On December 15, 2011, Quebec issued final GHG cap-and-trade regulation based on the Western Climate Initiative guidelines that became effective January 1, 2013. Phase 1 of the Quebec GHG emission reduction objective is to reduce GHG emissions by 20 percent below 1990 levels by 2020. The mining and utility sectors, among others, are sectors included in the cap-and-trade program. The Quebec framework has provisions for "free" allocations for our sector, which will minimize the impact to our business. According to Phase 1 of the GHG cap-and-trade program, the estimated direct impact to our Eastern Canadian Iron Ore operations begins at $1 million per year in 2015 and escalates to an estimated $3 million per year in 2020. Additional indirect "pass-through" financial impacts related to energy rates and transportation fuel consumption are estimated to increase our exposure; however, the overall impact is not anticipated to have a material impact on our business.

In the U.S., federal carbon regulation potentially presents a significantly greater impact to our operations. To date, the U.S. has not legislated carbon constraints. In the absence of comprehensive federal carbon legislation, numerous state and regional regulatory initiatives are under development or are becoming effective, thereby creating a disjointed approach to carbon control. On June 25, 2013, President Obama issued a memorandum directing the EPA to develop carbon emission standards for both new and existing power plants under the Clean Air Act's New Source Performance Standards (NSPS). On January 8, 2014, the EPA proposed NSPS regulating carbon dioxide emissions from new fossil fuel-fired power plants and the EPA is expected to propose standards for modified power plants and for existing plants under the Clean Air Act by June 1, 2014 in separate actions.

As an energy-intensive business, our GHG emissions inventory captures a broad range of emissions sources, such as iron ore furnaces and kilns, coal thermal driers, diesel mining equipment and a wholly owned power generation plant, among others. As such, our most significant regulatory risks are: (1) the costs associated with on-site emissions levels, and (2) the costs passed through to us from power generators and distillate fuel suppliers.

We believe our exposure can be reduced substantially by numerous factors, including currently contemplated regulatory flexibility mechanisms, such as allowance allocations, fixed process emissions exemptions, offsets and international provisions; emissions reduction opportunities, including energy efficiency, biofuels, fuel flexibility, emerging shale gas, and coal mine methane offset reduction; and business opportunities associated with new products and technology.

We have worked proactively to develop a comprehensive, enterprise-wide GHG management strategy aimed at considering all significant aspects associated with GHG initiatives to plan effectively for and manage climate change issues, including risks and opportunities as they relate to the environment, stakeholders, including shareholders and the public, legislative and regulatory developments, operations, products and markets.

Regional Haze

In June 2005, the EPA finalized amendments to its regional haze rules. The rules require states establish goals and emission reduction strategies for improving visibility in all Class I national parks and wilderness areas. Among the states with Class I areas are Michigan, Minnesota, Alabama and West Virginia in which we currently own and manage mining operations. The first phase of the regional haze rule (2008-2018) requires analysis and installation of BART on eligible emission sources and incorporation of BART and associated emission limits into SIPs.

Minnesota submitted a regional haze SIP to the EPA on December 30, 2009, and a supplement to the SIP on May 8, 2012. Michigan submitted its regional haze SIP to the EPA on November 5, 2010. During the second quarter of 2012, the EPA also sent information requests to all taconite facilities requesting information on SO_2 and NOx emissions and control technology assessments. On June 12, 2012, the EPA approved revisions to the Minnesota SIP addressing regional haze, but also announced it was deferring action on emission limitations that Minnesota intended to represent BART for taconite facilities. On August 15, 2012, the EPA proposed to deny the Michigan and Minnesota taconite SIP BART determinations and simultaneously proposed a separate FIP for taconite facilities. During the comment period for the proposed FIP rule, the

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taconite industry and other stakeholders developed detailed comments and shared information to address furnace specific case-by-case circumstances. On January 15, 2013, the EPA signed the final FIP for taconite facilities. The final FIP reflects progress toward a more technically and economically feasible regional haze implementation plan and eliminates the need for investing in additional SO_2 emission control equipment. However, we remain concerned about the technical and economic feasibility of EPA's BART determination for NOx emissions and are conducting detailed engineering analysis to determine the impact of the regulations on each unique iron ore indurating furnace affected by this rule. The results of this analysis will guide further dialogue with the EPA regarding our implementation of the regional haze FIP requirements.

NO_2 and SO_2 National Ambient Air Quality Standards

During the first half of 2010, the EPA promulgated rules that require states to use a combination of air quality monitoring and computer modeling to determine areas of each state that are in attainment with new NO_2 and SO_2 standards (attainment areas) and those areas that are not in attainment with such standards (nonattainment areas). During the third quarter of 2011, the EPA issued guidance to the regulated community on conducting refined air quality dispersion modeling and implementing the new NO_2 and SO_2 standards. The NO_2 and SO_2 standards have been challenged by various large industry groups. Accordingly, at this time, we are unable to predict the final impact of these standards. During June 2011, our Minnesota iron ore mining operations received a request from the MPCA to develop modeling and compliance plans and timelines by which each facility would demonstrate compliance with present and proposed NAAQS as well as regional haze requirements outlined in the SIP. Compliance must be achieved by June 30, 2017 according to the initial state orders, although the EPA has indicated that the SO_2 attainment designation timelines have been extended out to 2020. We continue to assess options by which to achieve compliance and seek alignment between the state and federal expectations.

Cross State Air Pollution Rule

On July 6, 2011, the EPA promulgated the CSAPR, which was intended to be an emissions trading rule for SO_2 and NOx. Northshore's Silver Bay Power Plant would have been subject to this rule, however Minnesota elected to follow EPA guidance allowing CSAPR to stand as BART. CSAPR was vacated by the D.C. Circuit Court during the third quarter of 2012. Although the CSAPR requirements were vacated, this would likely result in Silver Bay Power Plant Unit 2 again being subject to a site-specific BART determination under the regional haze rule that, in 2008, included application of control equipment to reduce SO_2 and NOx. Minnesota has yet to re-evaluate BART determinations for Minnesota facilities that would have been subject to CSAPR, but emission reductions of some form are likely. We presently are re-evaluating compliance options in light of this rule change.

Increased Administrative and Legislative Initiatives Related to Coal Mining Activities

Although the focus of significantly increased government activity related to coal mining in the U.S. is generally targeted at eliminating or minimizing the adverse environmental impacts of mountaintop coal mining practices, these initiatives have the potential to impact all types of coal operations, including subsurface longwall mining typically deployed for recovering metallurgical coal. Specifically, the coordinated efforts by various federal agencies to further regulate mountaintop mining have slowed issuance of the permits required by many mining projects in Appalachia. Due to the developing nature of these initiatives and their potential to disrupt even routine mining and water permit practices in the coal industry, we are unable to predict whether these initiatives could have a material effect on our coal operations in the future. We are working closely with our trade associations to monitor the various rulemaking developments in an effort to enable us to develop viable strategies to minimize the financial impact to the business.

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Mercury TMDL and Minnesota Taconite Mercury Reduction Strategy

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

According to the voluntary agreement, the mines proceeded with medium- and long-term testing of possible technologies. Initial testing will be completed on one straight-grate and one grate-kiln furnace among the mines. If technically and economically feasible, developed mercury emission control technology must then be installed on taconite furnaces by 2025. For Cliffs, the requirements in the voluntary agreement will apply to the United Taconite and Hibbing facilities. At this time, we are unable to predict the potential impacts of the Taconite Mercury Reduction Strategy. However, a number of research projects were conducted between 2011 and 2013 as the industry continues to assess options for reduction. While injection of powdered activated carbon into furnace off-gasses for mercury capture in the wet scrubbers showed positive initial results, further testing during 2013 yielded lower overall potential. Alternate technologies are presently being assessed for potential further pilot testing.

Late in 2013, Minnesota also published a draft mercury control rule for the state that would require annual mercury emissions reporting and could require installation of mercury emission control equipment on all Cliffs' Minnesota facilities. Installation of emission control equipment may be required on Northshore's Silver Bay Power Plant by January 1, 2018 to achieve a 70% reduction of mercury emissions. The rule as proposed would formalize elements of the aforementioned voluntary agreement.

Selenium Discharge Regulation

Our North American Coal operations have numerous NPDES permits with either selenium discharge limits, selenium compliance schedules with effective dates in the future, or draft permits with selenium limits. We have achieved, or have projects underway that will achieve compliance at all discharges. As such, we do not believe this issue will likely have a material impact to our North American Coal operations.

In Michigan, the MDEQ issued renewed NPDES permits for our Empire mine in December 2011 and for our Tilden mine in 2012. Our Michigan operations at Empire and Tilden are developing compliance strategies to meet new selenium process water limits according to the permit conditions. Empire and Tilden submitted the Selenium Storm Water Management Plan to the MDEQ in December 2011. The Selenium Storm Water Management Plan outlines the activities that will be undertaken to address selenium in storm water discharges from our Michigan operations. The activities include the evaluation of structural controls, non-structural controls, site specific standards, and evaluation of potential impacts to groundwater. Preliminary selenium treatability results from studies in 2013 were positive for the utilization of passive treatment systems. A pilot treatment system was installed during the third quarter of 2012 with good initial results, but evaluation work continues with the installation of an additional system in 2013. An initial estimate for full scale implementation of storm water treatment systems and structural selenium controls at both facilities is approximately $63 million. The results from the evaluation of existing pilot and demonstration scale work will determine if these structural controls are utilized, or if alternatives must be applied.

Tilden's NPDES permit renewal became effective on November 1, 2012. The permit contains a compliance schedule for selenium with a limit of five µg/l that will be effective as of November 1, 2017 at Tilden's Gribben Tailings Basin outfall. Preliminary engineering for end-of-pipe solutions indicates capital costs could range from $96 million to $146 million with annual operating and maintenance costs ranging from $2 million to $30 million. Tilden has initiated a prudent and feasible alternatives analysis to further define solutions and cost estimates with the requirement of completing pilot testing by May 1, 2015.

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Other Developments

Clean Water Act Section 404

In the U.S., Section 404 of the Clean Water Act requires permits from the U.S. Army Corps of Engineers to construct mines and associated projects, such as freshwater impoundments, tailings impoundments and refuse disposal fills, in areas that affect jurisdictional waters. Any coal mining activity requiring both a Section 404 permit and a SMCRA permit in the Appalachian region currently undergoes an enhanced review from the U.S. Army Corps of Engineers, the EPA and the Office of Surface Mining. With the acquisition of the CLCC properties during the third quarter of 2010, we obtained a development surface coal mine project, the Toney Fork No. 3, which is subject to the enhanced review process adopted by federal agencies in 2009 for Section 404 permitting. There currently are two proposed valley fills in the Toney Fork No. 3 plan; therefore, an extensive review process can be expected. We expect on-going negotiations with the EPA will conclude with the issuance of the required Section 404 permit well before construction of the mine is scheduled. The other development surface mine project acquired through the acquisition of CLCC, Toney Fork West, does not require Section 404 permitting. The renewal date for the existing Toney Fork No. 2 permit is May 28, 2015.

For additional information on our environmental matters, refer to Item 3. Legal Proceedings and NOTE 12 - ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS in Item 8. Financial Statements and Supplementary Data of this Annual Report on Form 10-K.

Energy

Electricity

The state of Michigan is a deregulated electricity state, which affords our mines the ability to purchase electrical energy supply from various suppliers while continuing to purchase distribution service from the incumbent utility. As of September 1, 2013, our Tilden and Empire mines in Michigan exercised the right to purchase electrical supply from Integrys Energy Services while continuing to purchase distribution service from Wisconsin Electric Power Company. The pricing of electricity in the deregulated market is based on the Midwestern Independent System Operator Day-Ahead price.

Electric power for the Hibbing and United Taconite mines is supplied by Minnesota Power. On September 16, 2008, the mines finalized agreements with terms from November 1, 2008 through December 31, 2015. The agreements were approved by the MPUC in 2009.

Silver Bay Power Company, a wholly owned subsidiary of ours, with a 115 megawatt power plant, provides the majority of Northshore’s electrical energy requirements. Silver Bay Power has an interconnection agreement with Minnesota Power for backup power when excess generation is necessary.

Wabush has a 20-year agreement with Newfoundland Power, which continues until December 31, 2014. This agreement allows for an exchange of water rights in return for the power needs for Wabush’s mining operations. The Wabush pelletizing operation and the Bloom Lake operation in Quebec are served by Quebec Hydro, which provides power under non-negotiated rates that are set on an annual basis.

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

Electrical power to the Pinnacle Complex and CLCC is supplied by the Appalachian Power Company under two regulated electrical supply contracts. Both contracts specify the applicable rate schedule, minimum monthly charge and power capacity furnished. Rates, terms and conditions of the contracts are subject to the approval of the Public Service Commission of West Virginia.

Koolyanobbing and its associated satellite mines draw power from independent diesel-fueled power stations and generators. Diesel power generation capacity has been installed at the Koolyanobbing operations.

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Process Fuel

We have a long-term contract providing for the transport of natural gas on the Northern Natural Gas Pipeline for our U.S. Iron Ore operations. Our Pinnacle and Oak Grove coal operations also use natural gas, but purchase it through their local regulated utility, Mountaineer Gas and Alabama Gas Co., respectively. At U.S. Iron Ore, the Empire and Tilden mines have the capability of burning natural gas, coal or, to a lesser extent, oil. The Hibbing and Northshore mines have the capability to burn natural gas and oil. The United Taconite mine has the ability to burn coal, natural gas and petroleum coke. Although all of the U.S. Iron Ore mines have the capability of burning natural gas, the pelletizing operations for the U.S. Iron Ore mines utilize alternate fuels where practical. At Eastern Canadian Iron Ore, the Wabush mine has the capability to burn bunker fuel, stove and furnace oils and coke breeze and the Bloom Lake mine has the ability to burn stove and furnace oils. Our Eastern Canadian Iron Ore process fuel is primarily supplied by Imperial Oil, a subsidiary of Exxon Mobil, through long-term contracts.

Employees

As of December 31, 2013, we had a total of 7,138 employees.

	U.S. Iron Ore [1]	Eastern Canadian Iron Ore [3]	North American Coal	Asia Pacific Iron Ore [3]	Corporate& Support Services	Other [2]	Total
Salaried	700	407	379	177	442	28	2,133
Hourly	2,825	973	1,207	—	—	—	5,005
Total	3,525	1,380	1,586	177	442	28	7,138

[1] Includes our employees and the employees of the U.S. Iron Ore joint ventures.

[2] Includes the employees in our Ferroalloys operating segment and our Global Exploration Group with the exception of contracted mining employees.

[3] Excludes contracted mining employees.

As of December 31, 2013, approximately 84.2 percent of our U.S. Iron Ore hourly employees, approximately 99.0 percent of our Eastern Canadian Iron Ore hourly employees and approximately 66.3 percent of our North American Coal hourly employees were covered by collective bargaining agreements.

Hourly employees at our Michigan and Minnesota iron ore mining operations, excluding Northshore, are represented by the USW. We entered into a 37-month labor contract, effective September 1, 2012 through September 30, 2015, that covers approximately 2,400 USW-represented workers at our Empire and Tilden mines in Michigan, and our United Taconite and Hibbing mines in Minnesota. Employees at our Northshore operations are not represented by a union and are not, therefore, covered by a collective bargaining agreement.

Hourly employees at our Eastern Canadian Iron Ore operations also are represented by the USW. The five-year labor agreement for our Wabush mine, effective March 1, 2009 through February 28, 2014, provides for a 15 percent increase in labor costs over the term of the agreement, inclusive of benefits.

In August 2013, we entered into a new labor agreement with the USW covering our represented employees at Bloom Lake. It has a three-year term that runs from September 1, 2013 through August 31, 2016. The new agreement provides us with workforce flexibility.

In November 2013, we entered into a new labor agreement with the USW covering our represented employees at our Pointe Noire facility, which is part of our Wabush operations. It has a six-year term and runs from March 1, 2014 to February 28, 2020. It provides for a 26 percent increase in the cost of employment over the life of the contract. We also obtained the USW’s consent to an application we made to the Canadian Industrial Relations Board to have this workforce governed by Canadian federal labor law. Following entrance of this agreement, the CIRB granted our application, providing us with significantly more flexibility to manage potential future labor disruptions.

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Hourly employees at our Lake Superior and Ishpeming railroads are represented by seven unions covering approximately 120 employees. We have current labor agreements with all seven railway labor unions. These employees negotiate under the Railway Labor Act and there is currently a moratorium on bargaining. That moratorium will expire on December 31, 2014. Bargaining with these unions will commence after the moratorium expires and normally continues long after the moratorium has expired. Work stoppages cannot occur until the parties have mediated under the Railway Labor Act.

Hourly production and maintenance employees at our Pinnacle Complex and Oak Grove mines are represented by the UMWA. We entered into collective bargaining agreements with the UMWA effective July 1, 2011 that expire on December 31, 2016. Those collective bargaining agreements are identical in all material respects to the NBCWA of 2011 between the UMWA and the Bituminous Coal Operators' Association. Employees at our CLCC operations are not represented by a union and are not, therefore, covered by a collective bargaining agreement.

Employees at our Asia Pacific Iron Ore, Corporate & Support Services, Ferroalloys operations and our Global Exploration Group are not represented by a union and are not, therefore, covered by collective bargaining agreements.

Safety

Safety is our primary core value as we continue towards a zero incident culture at our operating facilities. We continuously monitor, track and measure our safety performance and make changes where necessary. Best practices are shared globally to ensure each mine site can embed our policies, procedures and learnings for enhanced workplace safety.

We measure progress toward achieving our objective against regularly established benchmarks, including measuring company-wide TRIR. During 2013, our TRIR (including contractors) was 3.05 per 200,000 man-hours worked. Refer to Exhibit 95 Mine Safety Disclosures (filed herewith) for mine safety information required in accordance with Section 1503(a) of the Dodd-Frank Act.

Available Information

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

SEC Public Reference Room
100 F Street N.E.
Washington, D.C. 20549

Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains a website that contains reports, proxy statements and other information regarding issuers that file electronically with the SEC. These materials may be obtained electronically by accessing the SEC's home page at www.sec.gov.

We use our website, www.cliffsnaturalresources.com, as a channel for routine distribution of important information, including news releases, investor presentations and financial information. We also make available, free of charge on our website, our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after we electronically file these documents with, or furnish them to, the SEC. In addition, our website allows investors and other interested persons to sign up to receive automatic email alerts when we post news releases and financial information on our website.

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We also make available, free of charge on our website, the charters of the Audit Committee, Governance and Nominating Committee, Compensation and Organization Committee and Strategy and Sustainability Committee as well as the Corporate Governance Guidelines and the Code of Business Conduct & Ethics adopted by our Board of Directors. These documents are available through our investor relations page on our website at ir.cliffsnaturalresources.com. The SEC filings are available by selecting “Financial Information” and then “SEC Filings,” material and corporate governance is available by selecting “Corporate Governance” for the Board Committee Charters, operational governance guidelines and the Code of Business Conduct and Ethics.

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

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

Cliffs Natural Resources Inc.
Investor Relations
200 Public Square
Cleveland, OH 44114-2315

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EXECUTIVE OFFICERS OF THE REGISTRANT

Following are the names, ages and positions of the executive officers of the Company as of February 14, 2014. Unless otherwise noted, all positions indicated are or were held with Cliffs Natural Resources Inc.

Name	Age	Position(s) Held
James F. Kirsch	56	Chairman of the Board and interim executive officer of Cliffs (Jan. 2014-present); non-executive Chairman of the Board (July 2013-Dec. 2013); Director (March 2010-present); and Chairman (Dec. 2006-Nov. 2012); President and Chief Executive Officer (Nov. 2005-Nov. 2012) of Ferro Corporation, a global supplier of technology-based materials
Gary B. Halverson	55	Director, President and Chief Executive Officer (Feb. 2014-present); Chief Operating Officer (Nov. 2013-Feb. 2014); Interim Chief Operating Officer (Sept. 2013-Nov. 2013), President-North America (Dec. 2011-Nov. 2013), and President-Australia Pacific (Dec. 2008-Dec. 2011) for Barrick Gold Corporation Inc., an international gold mining company
William C. Boor	47	Executive Vice President, Corporate Development & Chief Strategy Officer (Feb. 2014-present); Senior Vice President, Strategy & Business Development (July 2013-Feb. 2014);Senior Vice President, Global Ferroalloys (Jan. 2011-July 2013); President - Ferroalloys (May 2010-Jan. 2011); and Senior Vice President, Business Development (May 2007-May 2010)
Terry G. Fedor	49	Executive Vice President, United States Iron Ore (Jan. 2014-present); Vice President (Feb. 2011 - Jan. 2014); Vice President and General Manager (March 2005 - Feb. 2011) of ArcelorMittal Cleveland, a fully integrated steelmaking facility, which included oversight for Weirton, Warren, Monessen and Lackawanna
Terrance M. Paradie	45	Executive Vice President (March 2013-present); Chief Financial Officer (Oct. 2012-present); Senior Vice President (Jan. 2011-March 2013); Assistant General Manager-Michigan Operations (March 2012-Sept. 2012); Corporate Controller (Oct. 2007-March 2012); Chief Accounting Officer (July 2009-March 2012); and Vice President (Oct. 2007-Jan. 2011)
Clifford T. Smith	54	Executive Vice President, Seaborne Iron Ore (Jan. 2014-present); Executive Vice President, Global Operations (July 2013-Jan. 2014); Executive Vice President, Global Business Development (March 2013-July 2013); Senior Vice President, Global Business Development (Jan. 2011-March 2013); Vice President, Latin American Operations (Sept. 2009-Jan. 2011); and General Manager-Business Development (Oct. 2006-Sept. 2009)
P. Kelly Tompkins	57	Executive Vice President, External Affairs & President, Global Commercial (Nov. 2013-present); Chief Administrative Officer (July 2013-Nov. 2013); Executive Vice President, Legal, Government Affairs and Sustainability (May 2010-July 2013); Chief Legal Officer (Jan. 2011-Jan. 2013); President, Cliffs China (Oct. 2012-Nov. 2013); and Executive Vice President and Chief Financial Officer (June 2008-May 2010) of RPM International Inc., a specialty coatings and sealants manufacturer
David L. Webb	56	Executive Vice President (Jan. 2014-present); Senior Vice President, Global Coal (July 2011-Jan. 2014); and Vice President and General Manager of Mid-West Operations for Patriot Coal Corp., a producer of thermal and metallurgical coal (2007-June 2011)
Carolyn E. Cheverine	51	Vice President and General Counsel (Jan. 2013-present); Secretary (Oct. 2011-present); General Counsel-Corporate Affairs (Oct. 2011-Jan. 2013); and Senior Counsel (May 2002-Oct. 2011) of The Lubrizol Corporation, a lubricant additives and specialty chemicals manufacturer
Timothy K. Flanagan	36	

Vice President, Corporate Controller & Chief Accounting Officer (March 2012-present); Assistant Controller (Feb. 2010-March 2012); and Director, Internal Audit (April 2008-Feb. 2010)

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All executive officers serve at the pleasure of the Board. There are no arrangements or understandings between any executive officer and any other person pursuant to which an executive officer was selected to be an officer of the Company. There is no family relationship between any of our executive officers, or between any of our executive officers and any of our directors.

Item 1A. Risk Factors

An investment in our common shares or other securities is subject to risk inherent to our business and our industry. Described below are certain risks and uncertainties, the occurrences of which could have a material adverse effect on us. Before making an investment decision, you should consider carefully all of the risks described below together with the other information included in this report. The risks and uncertainties described below are not the only ones we face. Although we have significant risk management policies, practices and procedures aimed to mitigate these risks, uncertainties may nevertheless impair our business operation. This report is qualified in its entirety by these factors.

Our ERM function provides a framework for management's consideration of risk when making strategic, financial, operational and/or project decisions. The framework is based on ISO 31000, an internationally recognized risk management standard. Management uses a consistent methodology to identify and assess risks, determine and implement risk mitigation actions, and monitor and communicate information about the Company's key risks. Through these processes, we have identified six categories of risk that we are subject to: (I) economic and market, (II) regulatory, (III) financial, (IV) operational, (V) development and sustainability and (VI) human capital. The following risk factors are presented according to these key risk categories.

I. ECONOMIC AND MARKET RISKS

The volatility of commodity prices, namely iron ore and coal, affects our ability to generate revenue, maintain stable cash flow and to fund our operations, including growth and expansion projects.

As a mining company, our profitability is dependent upon the price of the commodities that we sell to our customers, namely iron ore and coal. The prices of iron ore and coal have fluctuated historically and are affected by factors beyond our control, including: steel inventories; international demand for raw materials used in steel production; rates of global economic growth, especially construction and infrastructure activity that requires significant amounts of steel; recession or reduced economic activity in the U.S., China, India, Europe and other industrialized or developing countries; uncertainties or weaknesses in global economic conditions such as the sovereign debt crisis in Europe and the U.S. debt ceiling; changes in production capacity of other iron ore and metallurgical coal suppliers, especially as additional supplies come online; weather-related disruptions or natural disasters that may impact the global supply of iron ore and metallurgical coal; and the proximity, capacity and cost of infrastructure and transportation.

Our earnings, therefore, may fluctuate with the prices of the commodities we sell. To the extent that the prices of these commodities significantly decline for an extended period of time, we may have to revise our operating plans, including curtailing production, reducing operating costs and capital expenditures and discontinuing certain exploration and development programs. We also may have to take impairments on our assets, inventory and/or goodwill. Sustained lower prices also could cause us to reduce existing reserves if certain reserves no longer can be economically mined or processed at prevailing prices. We may be unable to decrease our costs in an amount sufficient to offset reductions in revenues and may incur losses. These events could have a material adverse effect on us.

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Uncertainty or weaknesses in global economic conditions and reduced economic growth in China could affect adversely our business.

The world prices of iron ore and coal are influenced strongly by international demand and global economic conditions. Uncertainties or weaknesses in global economic conditions, including the ongoing sovereign debt crisis in Europe and the U.S. debt ceiling, could affect adversely our business and negatively impact our financial results. In addition, the current level of international demand for raw materials used in steel production is driven largely by industrial growth in China. If the economic growth rate in China slows for an extended period of time, or if another global economic downturn were to occur, we would likely see decreased demand for our products and decreased prices, resulting in lower revenue levels and decreasing margins. We are not able to predict whether the global economic conditions will continue or worsen and the impact it may have on our operations and the industry in general going forward.

Capacity expansions within the mining industry could lead to lower global iron ore and coal prices, impacting our profitability.

Continued global growth of iron ore and coal demand, particularly from China, resulted in iron ore and metallurgical coal suppliers expanding their production capacity. The supply of both iron ore and metallurgical coal has increased due to these expansions. In the current iron ore and coal markets, an increase in our competitors' capacity could result in excess supply of these commodities, resulting in downward pressure on prices. This decrease in pricing would adversely impact our sales, margins and profitability.

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

Demand for our iron ore and coal products is determined by the operating rates for the blast furnaces of steel companies. However, not all finished steel is produced by blast furnaces; finished steel also may be produced by other methods that use scrap steel, pig iron, hot briquetted iron and direct reduced iron. North American steel producers also can produce steel using imported iron ore or semi-finished steel products, which eliminates the need for domestic iron ore. Environmental restrictions on the use of blast furnaces also may reduce our customers' use of their blast furnaces. Maintenance of blast furnaces may require substantial capital expenditures. Our customers may choose not to maintain, or may not have the resources necessary to maintain, their blast furnaces. If our customers use methods to produce steel that do not use iron ore and coal products, demand for our iron ore and coal products will decrease, which would affect adversely our sales, margins and profitability.

Due to economic conditions and volatility in commodity prices, our customers could approach us about their supply agreements. Modifications to our sales agreements potentially could be made due to such volatility, which could impact adversely our sales, margins, profitability and cash flows.

Although we have contractual commitments for sales in our U.S. Iron Ore and Eastern Canadian Iron Ore business for 2014 and beyond, the uncertainty in global economic conditions may adversely impact the ability of our customers to meet their obligations. As a result of such market volatility, our customers could approach us about modifying their supply agreements. Any modifications to our sales agreements could adversely impact our sales, margins, profitability and cash flows. These discussions or potential actions by our customers could also result in contractual disputes, which could ultimately require arbitration or litigation, either of which could be time consuming and costly. Any such disputes could impact adversely our sales, margins, profitability and cash flows.

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II. REGULATORY RISKS

We are subject to extensive governmental regulation, which imposes, and will continue to impose, potential significant costs and liabilities on us. Future laws and regulation or the manner in which they are interpreted and enforced could increase these costs and liabilities or limit our ability to produce iron ore and coal products.

New laws or regulations, or changes in existing laws or regulations, or the manner of their interpretation or enforcement, could increase our cost of doing business and restrict our ability to operate our business or execute our strategies. This includes, among other things, the possible taxation under U.S. law of certain income from foreign operations, compliance costs and enforcement under the Dodd-Frank Act, and costs associated with complying with the Patient Protection and Affordable Care Act and the Healthcare and Education Reconciliation Act of 2010 and the regulations promulgated thereunder. In addition, we are subject to various federal, provincial, state and local laws and regulations in each jurisdiction in which we have operations for employee health and safety, air quality, water pollution, plant and wildlife protection, reclamation and restoration of mining properties, the discharge of materials into the environment, the effects that mining has on groundwater quality and availability, and related matters.

Numerous governmental permits and approvals are required for our operations. We cannot be certain that we have been or will be at all times in complete compliance with such laws, regulations and permits. If we violate or fail to comply with these laws, regulations or permits, we could be fined or otherwise sanctioned by regulators. Compliance with the complex and extensive laws and regulations that we are subject to imposes substantial costs, which we expect will continue to increase over time because of increased regulatory oversight, adoption of increasingly stringent environmental standards, and increased demand for remediation services leading to shortages of equipment, supplies and labor, as well as other factors.

Specifically, there are several notable proposed or recently enacted rulemakings or activities to which we would be subject or that would further regulate and/or tax our customers, namely the North American integrated steel producer customers that may also require us or our customers to reduce or otherwise change operations significantly or incur additional costs, depending on their ultimate outcome. These emerging or recently enacted rules and regulations include: numerous air regulations, such as Climate Change and GHG Regulation, Regional Haze, NO_2 and SO_2 National Ambient Air Quality Standards, Cross State Air Pollution Rule; increased administrative and legislative initiatives related to coal mining activities; Mercury TMDL and Minnesota Taconite Mercury Reduction Strategy; Selenium Discharge Regulation; expansion of federal jurisdictional authority to regulate groundwater, and various other water quality regulations. Such new legislation, regulations, interpretations or orders, when enacted, could have a material adverse effect on our business, results of operations, financial condition or profitability.

Although the numerous regulations, operating permits and our management systems mitigate potential impacts to the environment, our operations may inadvertently impact the environment or cause exposure to hazardous substances, which could result in material liabilities to us.

Our operations currently use and have used in the past, hazardous materials, and, from time to time, we have generated limited quantities of hazardous waste. We may be subject to claims under federal, provincial, state and local laws and regulations for toxic torts, natural resource damages and other damages as well as for the investigation and clean up of soil, surface water, sediments, groundwater and other natural resources. Such claims for damages and reclamation may arise out of current or former conditions at sites that we own or operate currently, as well as sites that we or our acquired companies have owned or operated, and at contaminated sites that have always been owned or operated by our joint-venture parties. Our liability for such claims may be joint and several, so that we may be held responsible for more than our share of the contamination or other damages, or even for the entire share. We are subject to a variety of potential liability exposures arising at certain sites where we currently do not conduct operations. These include sites where we formerly conducted iron ore and/or coal mining or processing or other operations, inactive sites that we currently own, predecessor sites, acquired sites, leased land sites and third-party waste disposal sites. We may be named as a responsible party at other sites in the future and we cannot be certain that the costs associated with these additional sites will not be material.

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We also could be held liable for any and all consequences arising out of human exposure to hazardous substances used, released, or disposed of by us. In particular, we and certain of our subsidiaries are involved in various claims relating to the exposure of asbestos and silica to seamen who sailed until the mid-1980s on the Great Lakes vessels formerly owned and operated by certain of our subsidiaries. The full impact of these claims continues to be unknown. Uncertainty also remains as to whether insurance coverage will be sufficient and whether other defendants named in these claims will be able to fund any costs arising out of these claims.

Environmental impacts as a result of our operations, including exposures to hazardous substances or wastes associated with our operations, could result in costs and liabilities that could materially and adversely affect our margins, cash flow or profitability.

We may be unable to obtain and renew permits necessary for our operations, which could reduce our production, cash flows and profitability. We also could face significant permit and approval requirements that could delay our commencement or continuation of exploration and production operations, which, in turn, could affect materially our cash flows and profitability.

Prior to commencement of mining, we must submit to and obtain approval from the appropriate regulatory authority of plans showing where and how mining and reclamation operations are to occur. These plans must include information such as the location of mining areas, stockpiles, surface waters, haul roads, tailings basins and drainage from mining operations. All requirements imposed by any such authority may be costly and time-consuming and may delay commencement or continuation of exploration or production operations.

Mining companies must obtain numerous permits that impose strict conditions on various environmental and safety matters in connection with coal and iron ore mining. These include permits issued by various federal and state agencies and regulatory bodies. The permitting rules are complex and may change over time, making our ability to comply with the applicable requirements more difficult or impractical and costly, possibly precluding the continuance of ongoing operations or the development of future mining operations. The public, including special interest groups and individuals, have certain rights under various statutes to comment upon, submit objections to, and otherwise engage in the permitting process, including bringing citizens' lawsuits to challenge such permits or mining activities. Accordingly, required permits may not be issued or renewed in a timely fashion (or at all), or permits issued or renewed may be conditioned in a manner that may restrict our ability to efficiently conduct our mining activities. Such inefficiencies could reduce our production, cash flows and profitability.

Our North American coal operations are subject to increasing levels of regulatory oversight making it more difficult to obtain and maintain necessary operating permits.

The current political and regulatory environment in the U.S. is disposed negatively toward coal mining, with particular focus on certain categories of mining such as mountaintop removal techniques. Therefore, our coal mining operations in North America are subject to increasing levels of scrutiny. Emerging U.S. regulatory efforts targeted at eliminating or minimizing the adverse environmental impacts of mountaintop coal mining practices have impacted all types of coal operations. These regulatory initiatives could cause material impacts, delays, or disruptions to our coal operations due to our inability to obtain new or renewed permits or modifications to existing permits.

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

III. FINANCIAL RISKS

A substantial majority of our sales are made under term supply agreements to a limited number of customers that contain price-adjustment clauses that could affect adversely the stability and profitability of our operations.

In 2013, a majority of our U.S. Iron Ore and Eastern Canadian Iron Ore sales, the majority of our North American Coal sales, and almost all of our Asia Pacific Iron Ore sales were made under term supply agreements to a limited number of customers. In 2013, five customers together accounted for approximately 60 percent of our U.S. Iron Ore, Eastern Canadian Iron Ore, and North American Coal product sales revenues (representing more than 46 percent of our consolidated revenues). For North American Coal, prices typically are agreed upon for a 12-month period and typically are adjusted each year. Our Asia Pacific Iron Ore contracts are due to expire at various dates until March 2015 for our Chinese and Japanese customers. Our U.S. Iron Ore contracts have an average remaining duration of six years. We have one major customer contract for the life of the mine with the remaining contracts set to expire no later than 2016 for our Eastern Canadian Iron Ore contracts. We cannot be certain that we will be able to renew or replace existing term supply agreements at the same volume levels, prices or with similar profit margins when they expire. A loss of sales to our existing customers could have a substantial negative impact on our sales, margins and profitability.

Our U.S. Iron Ore term supply agreements contain a number of price adjustment provisions, or price escalators, including adjustments based on general industrial inflation rates, the price of steel and the international price of iron ore pellets, among other factors, that are out of our control and that may adjust the prices under those agreements generally on an annual basis. Several of our Eastern Canadian Iron Ore customers have multi-year pricing arrangements that contain pricing adjustments that reference certain published market prices for iron ore. During the first quarter of 2010, the world's largest iron ore producers moved away from the annual international benchmark pricing mechanism in favor of a shorter-term, more flexible pricing system. The change in the international pricing system prompted modification of our sales contracts to take into account the new international pricing methodology. We finalized shorter-term pricing arrangements with our customers by the end of 2012.

Changes in credit ratings issued by nationally recognized statistical rating organizations could affect adversely our cost of financing and the market price of our securities.

Credit rating agencies could downgrade our ratings (which currently are deemed “investment grade” levels) either due to our capital structure, factors specific to our business, changes in our geographical footprint, a prolonged cyclical downturn in the mining industry, or macroeconomic trends (such as global or regional recessions) and trends in credit and capital markets more generally. There can be no assurance that we will maintain our current ratings. Any decline in our credit ratings, including a loss of investment-grade status, could result in an increase in our cost of funds, limit our access to the capital markets, trigger additional collateral or funding requirements, decrease the number of investors and counterparties that are willing to lend to us, significantly harm our financial condition and results of operations, hinder our ability to refinance existing indebtedness on acceptable terms and have an adverse effect on the market price of our securities.

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

We co-own and manage three of our five U.S. Iron Ore mines and one of our two Eastern Canadian Iron Ore mines with various joint venture partners that are integrated steel producers or their subsidiaries, including ArcelorMittal, U.S. Steel Canada Inc., and WISCO. We rely on our joint venture partners to make their required capital contributions and to pay for their share of the iron ore that each joint venture produces. Our U.S. Iron Ore and Eastern Canadian Iron Ore joint venture partners are also our customers. If one or more of our joint venture partners fail to perform their obligations, the remaining joint venture partners, including ourselves, may be required to assume additional material obligations, including significant capital contribution, pension and postretirement health and life insurance benefit obligations. The premature closure of a mine due to the failure of a joint venture partner to perform its obligations could result in significant fixed mine-closure costs, including severance, employment legacy costs and other employment costs; reclamation and other environmental costs; and the costs of terminating long-term obligations, including energy and transportation contracts and equipment leases.

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

We may not be able to recover the carrying value when divesting assets or businesses.

When we divest assets or businesses, we may not be able to recover the carrying value of these assets, which potentially could have a material adverse impact on our results of operations, shareholders' equity and capital structure. Also, if we were to sell a percentage of a business, there are inherent risks of a joint venture relationship as noted in the risk factor above.

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

Our ability to receive payment for products sold and delivered to our customers depends on the creditworthiness of our customers. With respect to our Asia Pacific and Eastern Canadian Iron Ore business units, payment typically is received as the products are shipped and much of the product is secured by bank letters of credit. By contrast, in our U.S. Iron Ore business unit, generally, we deliver iron ore products to our customers' facilities in advance of payment for those products. Under this practice for our U.S. customers, title and risk of loss with respect to U.S. Iron Ore products does not pass to the customer until payment for the pellets is received; however, there is typically a period of time in which pellets, for which we have reserved title, are within our customers' control. Where we have identified credit risk with certain customers, we have put in place alternate payment terms from time to time.

Consolidations in some of the industries in which our customers operate have created larger customers. These factors have caused some customers to be less profitable and increased our exposure to credit risk. Customers in other countries may be subject to other pressures and uncertainties that may affect their ability to pay, including trade barriers, exchange controls, and local, economic and political conditions. Downturns in the economy and disruptions in the global financial markets in recent years have affected the creditworthiness of our customers from time to time. The extreme market disruption in 2008, among other things, severely limited liquidity and credit availability. Some of our customers are highly leveraged. If economic conditions worsen or prolonged global, national or regional economic recession conditions return, it is likely to impact significantly the creditworthiness of our customers and could, in turn, increase the risk we bear on payment default for the credit we provide to our customers and could limit our ability to collect receivables. Failure to receive payment from our customers for products that we have delivered could affect adversely our results of operations, financial condition and liquidity.

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

Our mining operations and development projects require significant use of energy. Operating expenses at all of our mining locations are sensitive to changes in electricity prices and fuel prices, including diesel fuel and natural gas prices. These items make up approximately 20 to 25 percent in the aggregate of our operating costs in our U.S. Iron Ore locations, for example. Prices for electricity, natural gas and fuel oils can fluctuate widely with availability and demand levels from other users. During periods of peak usage, supplies of energy may be curtailed and we may not be able to purchase them at historical rates. A disruption in the transmission of energy, inadequate energy transmission infrastructure, or the termination of any of our energy supply contracts could interrupt our energy supply and affect adversely our operations. While we have some long-term contracts with electrical suppliers, we are exposed to fluctuations in energy costs that can affect our production costs. As an example, our mines in Minnesota are subject to changes in Minnesota Power's rates, such as rate changes that are reviewed and approved by the state public utilities commission in response to an application filed by Minnesota Power. We also enter into market-based pricing supply contracts for electricity, natural gas and diesel fuel for use in our operations. Those contracts expose us to price increases in energy costs, which could cause our profitability to decrease significantly.

In addition, U.S. public utilities are expected to pass through additional capital and operating cost increases related to new, pending U.S. environmental regulations that are expected to require significant capital investment and use of cleaner fuels over the next 10 years and may impact U.S. coal-fired generation capacity. We are estimating that power rates for our electricity-intensive operations could increase above 2013 levels by up to 8 percent by 2016, representing an annual power spend increase of approximately $21 million by 2016 for our U.S. operations.

The availability of capital for exploration, acquisitions and mine development may be limited.

In order to grow our business or sustain current development, we may need to access the capital markets to finance exploration, acquisitions and continued development of existing mining properties. During the global economic crisis, access to capital to finance new projects and acquisitions was extremely limited. We cannot predict the general availability or accessibility of capital to finance such projects in the future.

We are subject to a variety of financial market risks.

Financial market risks include those caused by changes in the value of investments, changes in commodity prices, interest rates and foreign currency exchange rates. We have established policies and procedures to manage such risks; however, certain risks are beyond our control and our efforts to mitigate such risks may not be effective. These factors could have a material adverse effect on our results of operations.

We may not pay dividends on our common shares.

Holders of our common shares are entitled to receive only such dividends as our Board of Directors may declare out of funds legally available for such payments. We are incorporated in Ohio and governed by the Ohio General Corporation Law, which allows a corporation to pay dividends, in general, in an amount that cannot exceed its surplus, as determined under Ohio law. Furthermore, holders of our common shares may be subject to prior dividend rights of holders of our preferred stock or depositary shares representing such preferred stock then outstanding. Our ability to pay dividends will be subject to our future earnings, capital requirements and financial condition, as well as our compliance with covenants and financial ratios related to existing or future indebtedness. Although we historically have declared cash dividends on our common shares, we are not required to declare cash dividends on our common shares and our Board of Directors may reduce, defer or eliminate our common share dividend in the future.

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IV.OPERATIONAL RISKS

Mine closures entail substantial costs. If we close one or more of our mines, our results of operations and financial condition would likely be affected adversely.

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

A North American mine permanent closure could increase significantly and accelerate employment legacy costs, including our expense and funding costs for pension and other postretirement benefit obligations. A number of employees would be eligible for immediate retirement under special eligibility rules that apply upon a mine closure. All employees eligible for immediate retirement under the pension plans at the time of the permanent mine closure also could be eligible for postretirement health and life insurance benefits, thereby accelerating our obligation to provide these benefits. Certain mine closures would precipitate a pension closure liability significantly greater than an ongoing operation liability. Finally, a permanent mine closure could trigger severance-related obligations, which can equal up to sixteen weeks of pay per employee in some jurisdictions, depending on length of service. As a result, the closure of one or more of our mines could adversely affect our financial condition and results of operations.

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

In our U.S. Iron Ore operations, disruption of the lake and ocean-going vessels and rail transportation services because of weather-related problems, including ice and winter weather conditions on the Great Lakes or St. Lawrence Seaway, strikes, lock-outs, or other events and lack of alternative transportation sources, could impair our ability to supply iron ore to our customers at competitive rates or in a timely manner and, thus, could adversely affect our sales, margins and profitability. Similarly, our North American Coal operations depend on international vessels and rail transportation services, as well as the availability of dock capacity, and any disruptions to those services or the lack of dock capacity could impair our ability to supply coal to our customers at competitive rates or in a timely manner and, thus, could adversely affect our sales and profitability. Further, reduced dredging and environmental changes, particularly at Great Lakes ports, could impact negatively our ability to move our iron ore and coal products because lower water levels restrict the tonnage that vessels can haul, resulting in higher freight rates.

Our Asia Pacific Iron Ore and Eastern Canadian Iron Ore operations also are dependent upon rail and port capacity. Disruptions in rail service or availability of dock capacity could similarly impair our ability to supply iron ore to our customers, thereby adversely affecting our sales and profitability. In addition, our Asia Pacific Iron Ore operations are also in direct competition with the major world seaborne exporters of iron ore and our customers face higher transportation costs than most other Australian producers to ship our products to the Asian markets because of the location of our major shipping port on the south coast of Australia. Further, increases in transportation costs, including volatile fuel rates, decreased availability of ocean vessels or changes in such costs relative to transportation costs incurred by our competitors could make our products less competitive, restrict our access to certain markets and have an adverse effect on our sales, margins and profitability.

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

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

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

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

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

Regarding the impact of unexpected events happening to our suppliers, many of our mines are dependent on one source for electric power and for natural gas. A significant interruption in service from our energy suppliers due to terrorism, weather conditions, natural disasters, or any other cause can result in substantial losses that may not be fully recoverable, either from our business interruption insurance or responsible third parties.

We are subject to risks involving operations and sales in multiple countries.

We supply raw materials to the global integrated steel industry with substantial assets located outside of the U.S. We conduct operations in the U.S., Canada and Australia. As such, we are subject to additional risks beyond those relating to our U.S. operations, such as fluctuations in currency exchange rates; potentially adverse tax consequences due to overlapping or differing tax structures; burdens to comply with multiple and potentially conflicting foreign laws and regulations, including export requirements, tariffs and other barriers, environmental health and safety requirements, and unexpected changes in any of these laws and regulations; the imposition of duties, tariffs, import and export controls and other trade barriers impacting the seaborne iron ore and coal markets; difficulties in staffing and managing multi-national operations; political and economic instability and disruptions, including terrorist attacks; disadvantages of competing against companies from countries that are not subject to U.S. laws and regulations, including the Foreign Corrupt Practices Act; and uncertainties in the enforcement of legal rights and remedies in multiple jurisdictions. If we are unable to manage successfully the risks associated with expanding our global business, these risks could have a material adverse effect on our business, results of operations or financial condition.

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

Asia Pacific Iron Ore and Eastern Canadian Iron Ore use contractors to handle many of the operational phases of their mining and processing operations and, therefore, we are subject to the performance of outside companies on key production areas. A failure of any of these contractors to perform in a significant way would result in additional costs for us, which also could affect adversely our production rates and results of operations.

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

The geological characteristics of coal reserves, such as depth of overburden and coal seam thickness, make them complex and costly to mine. As mines become depleted, replacement reserves may not be available when required or, if available, may not be capable of being mined at costs comparable to those characteristic of the depleting mines, and, therefore, decisions to defer mine development activities may adversely impact our ability to substantially increase future coal production. These factors could materially adversely affect our mining operations and cost structures, which could affect adversely our sales, profitability and cash flows.

V.DEVELOPMENT AND SUSTAINABILITY RISKS

The cost and time to implement a strategic capital project may prove to be greater than originally anticipated.

We undertake strategic capital projects in order to enhance, expand or upgrade our mines and production capabilities. Our ability to achieve the anticipated increased volumes, revenues or otherwise realize acceptable returns on strategic capital projects that we may undertake is subject to a number of risks, many of which are beyond our control, including a variety of market (such as a volatile pricing environment for iron ore), operational, permitting and labor-related factors. Further, the cost to implement any given strategic capital project ultimately may prove to be greater and may take more time than originally anticipated. For example, we have invested in the Bloom Lake mine, our large-scale seaborne iron ore project in Eastern Canada. Maximizing the Bloom Lake mine's production capabilities through the Phase II expansion project has the potential to increase sales volumes and reduce unit operating costs. Nonetheless, due to the higher than anticipated costs and changes in the pricing environment, we have put on hold the Phase II expansion, including completion of the concentrator and load-out facility, while we explore various strategic alternatives. Further, we will continue to operate Bloom Lake mine Phase I operations but on a reduced tailings capital plan as long as the pricing environment is constructive. Inability to achieve the anticipated results from the implementation of this expansion or any of our strategic capital projects, or the incurring of unanticipated implementation costs, penalties or inability to meet contractual obligations could affect adversely our results of operations and future earnings and cash flow generation.

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

Our ability to grow successfully through acquisitions depends upon our ability to identify, negotiate, complete and integrate suitable acquisitions and to obtain necessary financing. We cannot provide assurance that we will be able to identify successfully strategic candidates or acquire any such businesses. In addition, the costs of acquiring other businesses could increase if competition for acquisition candidates increases. Additionally, the success of an acquisition is subject to other risks and uncertainties, including our ability to realize operating efficiencies and various assumptions expected from an acquisition; the size or quality of the mineral potential; delays in realizing the benefits of an acquisition; difficulties in retaining key employees, customers or suppliers of the acquired businesses; difficulties in maintaining uniform controls, procedures, standards and policies throughout acquired companies; the risks associated with the assumption of contingent or undisclosed liabilities of acquisition targets; the impact of changes to our allocation of purchase price; and the ability to generate future cash flows or the availability of financing.

Moreover, any acquisition opportunities we pursue could affect materially our liquidity and capital resources and may require us to incur indebtedness, seek equity capital or both. Future acquisitions could also result in us assuming more long-term liabilities relative to the value of the acquired assets than we have assumed in our previous acquisitions.

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We continually must replace reserves depleted by production. Our exploration activities may not result in additional discoveries.

Our ability to replenish our ore reserves is important to our long-term viability. Depleted ore reserves must be replaced by further delineation of existing ore bodies or by locating new deposits in order to maintain production levels over the long term. Resource exploration and development are highly speculative in nature. Our exploration projects involve many risks, require substantial expenditures and may not result in the discovery of sufficient additional mineral deposits that can be mined profitably. Once a site with mineralization is discovered, it may take several years from the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish recoverable proven and probable reserves and to construct mining and processing facilities. As a result, there is no assurance that current or future exploration programs will be successful and there is a risk that depletion of reserves will not be offset by discoveries or acquisitions.

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

We regularly evaluate our U.S. iron ore, Eastern Canadian iron ore, and coal reserves based on revenues and costs and update them as required in accordance with SEC Industry Guide 7 and Canada's National Instrument 43-101. In addition, our Asia Pacific Iron Ore business segment has published reserves that follow the Joint Ore Reserve Code in Australia, with certain changes to our Western Australian reserve values to make them comply with SEC requirements. There are numerous uncertainties inherent in estimating quantities of reserves of our mines, including many factors beyond our control.

Estimates of reserves and future net cash flows necessarily depend upon a number of variable factors and assumptions, such as production capacity, effects of regulations by governmental agencies, future prices for iron ore and coal, future industry conditions and operating costs, severance and excise taxes, development costs and costs of extraction and reclamation, all of which may vary considerably from actual results. Estimating the quantity and grade of reserves requires us to determine the size, shape and depth of our mineral bodies by analyzing geological data, such as samplings of drill holes, tunnels and other underground workings. In addition to the geology assumptions of our mines, assumptions are also required to determine the economic feasibility of mining these reserves, including estimates of future commodity prices and demand, the mining methods we use, and the related costs incurred to develop and mine our reserves. For these reasons, estimates of the economically recoverable quantities of mineralized deposits attributable to any particular group of properties, classifications of such reserves based on risk of recovery and estimates of future net cash flows prepared by different engineers or by the same engineers at different times may vary substantially as the criteria change. Estimated ore and coal reserves could be affected by future industry conditions, geological conditions and ongoing mine planning. Actual volume and grade of reserves recovered, production rates, revenues and expenditures with respect to our reserves will likely vary from estimates, and if such variances are material, our sales and profitability could be affected adversely.

Any defects in title of leasehold interests in our properties could limit our ability to mine these properties or could result in significant unanticipated costs.

We conduct a significant part of our mining operations on properties that we lease. These leases were entered into over a period of many years by some of our predecessors, and title to our leased properties and mineral rights may not be thoroughly verified until a permit to mine the property is obtained. Our right to mine some of our proven and probable reserves, for iron ore or coal, may be materially adversely affected if there were defects in title or boundaries. In order to obtain leases or mining contracts to conduct our mining operations on property where these defects exist, we may in the future have to incur unanticipated costs, which could affect adversely our profitability.

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In order to continue to foster growth in our business and maintain stability of our earnings, we must maintain our social license to operate with our stakeholders.

As a mining company, maintaining a strong reputation and consistent operational and safety history is vital in order to continue to foster growth and maintain stability in our earnings. As sustainability expectations increase and regulatory requirements continue to evolve, maintaining our social license to operate becomes increasingly important. We strive to incorporate social license expectations in our ERM program. Our ability to maintain our reputation and strong operating history could be threatened, including by circumstances outside of our control. If we are not able to respond effectively to these and other challenges to our social license to operate, our reputation could be damaged significantly. Damage to our reputation could affect adversely our operations and ability to foster growth in our Company.

Estimates and timelines relating to new development and expansion projects are uncertain and we may incur higher costs and lower economic returns than estimated.

Mine development projects typically require a number of years and significant expenditures during the development phase before production is possible. Such projects could experience unexpected problems and delays during development, construction and mine start-up. For example, our Chromite project, which was moved into the feasibility study stage of development in May 2012, was suspended in November 2013 because of an uncertain timeline and risks associated with the development of necessary infrastructure critical to the project's economic viability.

Our decision to develop a project typically is based on the results of feasibility studies, which estimate the anticipated economic returns of a project. The actual project profitability or economic feasibility may differ from such estimates as a result of any of the following factors, among others:

- changes in tonnage, grades and metallurgical characteristics of ore to be mined and processed;
- estimated future prices of the relevant ore;
- changes in customer demand;
- higher construction and infrastructure costs;
- the quality of the data on which engineering assumptions were made;
- higher production costs;
- adverse geotechnical conditions;
- availability of adequate labor force;
- availability and cost of water and power;
- availability and cost of transportation;
- fluctuations in inflation and currency exchange rates;
- availability and terms of financing;
- delays in obtaining environmental or other government permits or changes in the laws and regulations related to those permits;
- weather or severe climate impacts; and
- potential delays relating to social and community issues.

Our future development activities may not result in the expansion or replacement of current production with new production, or one or more of these new production sites or facilities may be less profitable than currently anticipated, or may not be profitable at all, any of which could have a material adverse effect on our sales, margins and cash flows.

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VI.HUMAN CAPITAL RISKS

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

Production in our mines is dependent upon the efforts of our employees. We are party to labor agreements with various labor unions that represent employees at our operations. Such labor agreements are negotiated periodically, and, therefore, we are subject to the risk that these agreements may not be able to be renewed on reasonably satisfactory terms. It is difficult to predict what issues may arise as part of the collective bargaining process, and whether negotiations concerning these issues will be successful. Due to union activities or other employee actions, we could experience labor disputes, work stoppages, or other disruptions in our production of coal and iron ore that could affect us adversely. The USW represents all hourly employees at our U.S. Iron Ore and Eastern Canadian Iron Ore operations owned and/or managed by Cliffs or its subsidiary companies except for Northshore.

Effective September 1, 2012, our Empire and Tilden mines in Michigan, and United Taconite and Hibbing mines in Minnesota, entered into 37-month labor agreements with the USW that cover approximately 2,400 USW-represented employees at those mines. Those agreements terminate on September 30, 2015. Effective March 1, 2009, Wabush entered into a five-year labor agreement with the USW that covers approximately 700 hourly employees, which is effective through February 28, 2014. In August 2013, our Bloom Lake operation in Quebec entered into a new labor agreement with the USW covering approximately 370 hourly employees. It has a three-year term that runs from September 1, 2013 through August 31, 2016. In November 2014, our Pointe Noire operation in Quebec entered into a new labor agreement with the USW that covers approximately 180 hourly employees. It has a six-year term and runs from March 1, 2014 through February 28, 2020. The UMWA represents approximately 800 hourly employees at our Pinnacle location in West Virginia and our Oak Grove location in Alabama. A new five and one-half year labor agreement with respect to those mines was entered into with the UMWA, effective July 1, 2011 through December 31, 2016. Approximately 120 hourly employees at the railroads we own that transport products among our facilities are represented by seven separate rail unions. We have current labor agreements with all seven of those unions. The moratorium for bargaining as to each of those unions under the Railway Labor Act will expire on December 31, 2014. If we enter into a new labor agreement with any union that significantly increases our labor costs relative to our competitors or fail to come to an agreement upon expiry, our ability to compete may be materially and adversely affected.

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

We are predicting a long-term shortage of skilled workers for the mining industry and competition for the available workers limits our ability to attract and retain employees. The mining industry is experiencing a skills shortage in Australia and Canada and other countries in which we do not have operations currently. Additionally, at our mining locations, many of our mining operational employees are approaching retirement age. As these experienced employees retire, we may have difficulty replacing them at competitive wages.

Our expenditures for post-retirement benefit and pension obligations could be materially higher than we have predicted if our underlying assumptions differ from actual outcomes, there are mine closures, or our joint venture partners fail to perform their obligations that relate to employee pension plans.

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

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

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Signatories to labor agreements with the UMWA have participated for decades in the UMWA 1974 Pension Plan (the "1974 PP"). The 1974 PP has been underfunded for a number of years and has a current total underfunded liability in excess of $5 billion. Our Pinnacle and Oak Grove mines are signatories to labor agreements with the UMWA, making them participants in the 1974 PP. As of the most recent estimate, Pinnacle and Oak Grove's combined share of this underfunded liability was estimated to be approximately $342 million. If Pinnacle or Oak Grove were to withdraw from the 1974 PP or if a mass withdrawal were to occur, we would become obligated to pay this amount to the 1974 PP.

We have calculated our unfunded pension and OPEB obligations based on a number of assumptions. If our assumptions do not materialize as expected, cash expenditures and costs that we incur could be materially higher. Moreover, we cannot be certain that regulatory changes will not increase our obligations to provide these or additional benefits. These obligations also may increase substantially in the event of adverse medical cost trends or unexpected rates of early retirement, particularly for bargaining unit retirees. At our U.S. iron ore mines where the hourly employees are represented by the USW, the new labor agreement includes a retiree medical cap effective for those hourly employees who retire after January 1, 2015. Early retirement rates likely would increase substantially in the event of a mine closure.

We depend on our senior management team and other key employees, and the loss of these employees could adversely affect our business.

Our success depends in part on our ability to attract and motivate our senior management and key employees. Achieving this objective may be difficult due to a variety of factors, including fluctuations in the global economic and industry conditions, competitors' hiring practices, cost reduction activities, and the effectiveness of our compensation programs. Competition for qualified personnel can be intense. We must continue to recruit, retain, and motivate our senior management and key personnel in order to maintain our business and support our projects. A loss of senior management and key personnel could prevent us from capitalizing on business opportunities, and our operating results could be adversely affected.

Item 1B. Unresolved Staff Comments

We have no unresolved comments from the SEC.

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Item 2. Properties

The following map shows the locations of our operations and offices as of December 31, 2013:

General Information about the Mines

All of our iron ore mining operations are open-pit mines that are in production. Additional pit development is underway as required by long-range mine plans. At our U.S. Iron Ore, Eastern Canadian Iron Ore and Asia Pacific Iron Ore mines, drilling programs are conducted periodically for the purpose of refining guidance related to ongoing operations.

Our North American Coal operations consist of both underground and surface mines. Drilling programs are conducted periodically for the purpose of refining guidance related to ongoing operations.

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

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U.S. Iron Ore

The following map shows the locations of our U.S. Iron Ore operations as of December 31, 2013:

We directly or indirectly own and operate interests in five U.S. Iron Ore mines located in Michigan and Minnesota from which we produced 20.3 million, 22.0 million and 23.7 million tons of iron ore pellets in 2013, 2012 and 2011, respectively, for our account. We produced 6.9 million, 7.5 million and 7.3 million tons, respectively, on behalf of the steel company partners of the mines.

Our U.S. Iron Ore mines produce from deposits located within the Biwabik and Negaunee Iron Formation, which are classified as Lake Superior type iron formations that formed under similar sedimentary conditions in shallow marine basins approximately two billion years ago. Magnetite and hematite are the predominant iron oxide ore minerals present, with lesser amounts of goethite and limonite. Quartz is the predominant waste mineral present, with lesser amounts of other chiefly iron bearing silicate and carbonate minerals. The ore minerals liberate from the waste minerals upon fine grinding.

Mine	Cliffs Ownership	Infrastructure	Mineralization	Operating Since	Current Annual Capacity[1,2]	2013 Production[2,3]	Mineral Owned	Rights Leased
Empire	79%	Mine, Concentrator, Pelletizer	Magnetite	1963	5.5	3.0	53%	47%
Tilden	85%	Mine, Concentrator, Pelletizer, Railroad	Hematite & Magnetite	1974	8.0	7.5	100%	—%
Hibbing	23%	Mine, Concentrator, Pelletizer	Magnetite	1976	8.0	7.7	3%	97%
Northshore	100%	Mine, Concentrator, Pelletizer, Railroad	Magnetite	1990	6.0	3.9	—%	100%
United Taconite	100%	Mine, Concentrator, Pelletizer	Magnetite	1965	5.4	5.2	—%	100%

[1] Annual capacity is reported on a wet basis in millions of long tons, equivalent to 2,240 pounds.

[2] Figures reported on 100% basis.

[3] 2013 Production from Empire includes 1.7 million long tons tolled to Tilden.

Empire Mine

The Empire mine is located on the Marquette Iron Range in Michigan’s Upper Peninsula approximately 15 miles southwest of Marquette, Michigan. The Empire mine has produced between 3.0 million and 4.9 million tons of iron ore pellets annually over the past five years, of which between 0.7 million and 1.9 million long annually over the past five years were tolled to Tilden mine.

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We own 79 percent of Empire and a subsidiary of ArcelorMittal USA has retained the remaining 21 percent ownership in Empire with limited rights and obligations, which it has a unilateral right to put to us at any time. This right has not been exercised. Each partner takes its share of production pro rata; however, provisions in the partnership agreement allow additional or reduced production to be delivered under certain circumstances. We own directly approximately one-half of the remaining ore reserves at the Empire mine and lease them to Empire. A subsidiary of ours leases the balance of the Empire reserves from other owners of such reserves and subleases them to Empire. Operations consist of an open pit truck and shovel mine, a concentrator that utilizes single stage crushing, AG mills, magnetic separation and floatation to produce a magnetite concentrate that is then supplied to the on-site pellet plant.

Tilden Mine

The Tilden mine is located on the Marquette Iron Range in Michigan's Upper Peninsula approximately five miles south of Ishpeming, Michigan. Over the past five years, the Tilden mine has produced between 4.9 million and 7.8 million tons of iron ore pellets annually. We own 85 percent of Tilden, with the remaining minority interest owned by a subsidiary of U.S. Steel Canada Inc. Each partner takes its share of production pro rata; however, provisions in the partnership agreement allow additional or reduced production to be delivered under certain circumstances. We own all of the ore reserves at the Tilden mine and lease them to Tilden. Operations consist of an open pit truck and shovel mine, a concentrator that utilizes single stage crushing, AG mills, magnetite separation and floatation to produce hematite and magnetic concentrates that are then supplied to the on-site pellet plant.

The Empire and Tilden mines are located adjacent to each other. The logistical benefits include a consolidated transportation system, more efficient employee and equipment operating schedules, reduction in redundant facilities and workforce and best practices sharing. Two railroads, one of which is wholly owned by us, link the Empire and Tilden mines with Lake Michigan at the loading port of Escanaba, Michigan and with the Lake Superior loading port of Marquette, Michigan.

Hibbing Mine

The Hibbing mine is located in the center of Minnesota's Mesabi Iron Range and is approximately ten miles north of Hibbing, Minnesota and five miles west of Chisholm, Minnesota. Over the past five years, the Hibbing mine has produced between 1.7 million and 8.1 million tons of iron ore pellets annually. We own 23 percent of Hibbing, a subsidiary of ArcelorMittal has a 62.3 percent interest and a subsidiary of U.S. Steel has a 14.7 percent interest. Each partner takes its share of production pro rata; however, provisions in the joint venture agreement allow additional or reduced production to be delivered under certain circumstances. Mining is conducted on multiple mineral leases having varying expiration dates. Mining leases routinely are renegotiated and renewed as they approach their respective expiration dates. Hibbing operations consist of an open pit truck and shovel mine, a concentrator that utilizes single stage crushing, AG mills and magnetic separation to produce a magnetite concentrate, which is then delivered to an on-site pellet plant. From the site, pellets are transported by BNSF rail to a ship loading port at Superior, Wisconsin operated by BNSF.

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Northshore Mine

The Northshore mine is located in northeastern Minnesota, approximately two miles south of Babbitt, Minnesota on the northeastern end of the Mesabi Iron Range. Northshore's processing facilities are located in Silver Bay, Minnesota, near Lake Superior. Crude ore is shipped by a wholly owned railroad from the mine to the processing and dock facilities at Silver Bay. Over the past five years, the Northshore mine has produced between 3.2 million and 5.8 million tons of iron ore pellets annually. As previously announced, two of the four production lines at Northshore were idled beginning January 5, 2013. The idled lines are expected to reopen during the first quarter of 2014. The Northshore mine began production under our management and ownership on October 1, 1994. We own 100 percent of the mine. Mining is conducted on multiple mineral leases having varying expiration dates. Mining leases routinely are renegotiated and renewed as they approach their respective expiration dates. Northshore operations consist of an open pit truck and shovel mine where two stages of crushing occur before the ore is transported along a wholly owned 47-mile rail line to the plant site in Silver Bay. At the plant site, two additional stages of crushing occur before the ore is sent to the concentrator. The concentrator utilizes rod mills and magnetic separation to produce a magnetite concentrate, which is delivered to the pellet plant located on-site. The plant site has its own ship loading port located on Lake Superior.

United Taconite Mine

The United Taconite mine is located on Minnesota's Mesabi Iron Range in and around the city of Eveleth, Minnesota. The United Taconite concentrator and pelletizing facilities are located ten miles south of the mine, near the town of Forbes, Minnesota. Over the past five years, the United Taconite mine has produced between 3.8 million and 5.4 million tons of iron ore pellets annually. We own 100 percent of the mine. Mining is conducted on multiple mineral leases having varying expiration dates. Mining leases routinely are renegotiated and renewed as they approach their respective expiration dates. United Taconite operations consist of an open pit truck and shovel mine where two stages of crushing occur before the ore is transported by rail to the plant site located ten miles to the south. At the plant site an additional stage of crushing occurs before the ore is sent to the concentrator. The concentrator utilizes rod mills and magnetic separation to produce a magnetite concentrate, which is delivered to the pellet plant. From the site, pellets are transported by CN rail to a ship loading port at Duluth, Minnesota operated by CN.

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Eastern Canadian Iron Ore

The following map shows the locations of our Eastern Canadian Iron Ore operations as of December 31, 2013:

We own and operate interests in two iron ore mines in the Canadian Provinces of Quebec and Newfoundland and Labrador from which we produce iron ore concentrate and produced iron ore pellets through June 2013. We produced 8.7 million, 8.5 million and 6.9 million metric tons of iron ore product in 2013, 2012 and 2011, respectively, from these two mines. In May 2011, we acquired Consolidated Thompson along with its 75 percent interest in the Bloom Lake property. In the fourth quarter of 2013, our interest increased by an aggregate of 7.8 percent, bringing our interest to 82.8 percent in the Bloom Lake property.

Our Eastern Canadian mines produce from deposits located within the area known as the Labrador Trough and are composed of iron formations, which are classified as Lake Superior type. Lake Superior type iron formations consist of banded sedimentary rocks that formed under similar conditions in shallow marine basins approximately two billion years ago. The Labrador Trough region experienced considerable metamorphism and folding of the original iron deposits. Magnetite and hematite are the predominant iron oxide ore minerals present, with lesser amounts of goethite and limonite. Quartz is the predominant waste mineral present, with lesser amounts of other chiefly iron bearing silicate minerals. The ore minerals liberate from the waste minerals upon fine grinding.

Mine	Cliffs Ownership	Infrastructure	Mineralization	Operating Since	Current Annual Capacity[1, 2]	2013 Production[2]	Mineral Rights Owned	Rights Leased
Wabush	100%	Mine, Concentrator, Pelletizer, Railroad	Hematite	1965	5.6	2.8	—%	100%
Bloom Lake	82.8%	Mine, Concentrator, Railroad	Hematite	2010	7.2	5.9	100%	—%

[1] Annual capacity is reported on a wet basis in millions of metric tons, equivalent to 2,205 pounds.

[2] Figures reported on 100% basis.

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Wabush Mine

The Wabush mine has been in operation since 1965. Over the past five years, the Wabush mine has produced between 2.7 million and 3.9 million metric tons of iron ore pellets and concentrate annually. Mining is conducted on several mineral leases having varying expiration dates. Mining leases are routinely renegotiated and renewed as they approach their respective expiration dates. The Wabush mine and concentrator are located in Wabush, Newfoundland and Labrador, and the pelletizing operations and dock facility are located in Pointe Noire, Quebec. At the mine, operations consist of an open pit truck and shovel mine, a concentrator that utilizes single stage crushing, AG mills and gravity separation to produce an iron concentrate. Concentrates are shipped by rail 300 miles to Pointe Noire where they were pelletized for shipment via vessel within Canada, to the U.S. and other international destinations. Concentrates are shipped directly from Pointe Noire for sinter feed.

On February 11, 2014, we announced our plan to idle our Wabush mine in Newfoundland and Labrador by the end of the first quarter of 2014. The idle is being driven by the unsustainable high cost structure, which results in operations that are not economically viable to run over time. Additionally, during the second quarter of 2013, the pellet plant operations were idled at Pointe Noire.

Bloom Lake Mine

The Bloom Lake mine and concentrator are located approximately nine miles southwest of Fermont, Quebec. As previously mentioned, our acquisition of Consolidated Thompson in May 2011 included a 75 percent majority ownership in the Bloom Lake operation. During the fourth quarter of 2013, CQIM's interest in the property increased by an aggregate of 7.8 percent to 82.8 percent after CQIM paid both its own and WISCO’s proportionate shares of the cash call for the first half of 2013. As a result, WISCO's interest was diluted to 17.2 percent. Since the acquisition in May 2011, the Bloom Lake mine has produced between 3.5 million and 5.9 million metric tons of iron ore concentrate annually. Phase I of the Bloom Lake mine was commissioned in March 2010, and it consists of an open pit truck and shovel mine, a concentrator that utilizes single stage crushing, an AG mill and gravity separation to produce an iron concentrate. From the site, concentrate is transported 320 miles by rail to a ship loading port in Pointe Noire, Quebec.

On February 11, 2014, we announced that we are exploring various strategic alternatives for our Bloom Lake mine. In the short term, we will continue to operate Bloom Lake mine Phase I operations on a reduced tailings and water management capital plan. We will continue to evaluate and will idle temporarily the operations if the pricing and operating costs justify such an alternative action. As a result, the Phase II expansion project remains on hold.

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Asia Pacific Iron Ore

The following map shows the location of our Asia Pacific Iron Ore operation as of December 31, 2013:

In Australia, we own and operate the Koolyanobbing operations and owned and operated a 50 percent interest in the Cockatoo Island iron ore mine until we sold it in September 2012. We produced 11.1 million metric tons, 11.3 million metric tons and 8.9 million metric tons in 2013, 2012 and 2011, respectively. The 2012 and 2011 production tons include tons produced at the Koolyanobbing operations and the Cockatoo Island iron ore mine.

The mineralization at the Koolyanobbing operations is predominantly hematite and goethite replacements in greenstone-hosted banded iron formations. Individual deposits tend to be small with complex ore-waste contact relationships. The reserves at the Koolyanobbing operations are derived from 14 separate mineral deposits distributed over a 70 mile operating radius.

Mine	Cliffs Ownership	Infrastructure	Mineralization	Operating Since	Current Annual Capacity[1]	2013 Production	Mineral Owned	Rights Leased
Koolyanobbing	100%	Mine, Road Haulage, Crushing-Screening Plant	Hematite & Goethite	1994	11.0	11.1	—%	100%

[1] Annual capacity is reported on a wet basis in millions of metric tons, equivalent to 2,205 pounds.

Koolyanobbing

The Koolyanobbing operations are located 250 miles east of Perth and approximately 30 miles northeast of the town of Southern Cross. Koolyanobbing produces lump and fines iron ore. Mining is conducted on multiple mineral leases having varying expiration dates. Mining leases routinely are renewed as they approach their respective expiration dates. Ongoing exploration programs targeting extensions to the iron ore mineralization, including regional exploration targets in the Yilgarn Mineral Field, were active in 2013. In 2011, a significant permitting milestone was achieved with the granting of regulatory approvals necessary to develop above the water table at Windarling's W1 deposit. In 2013, environmental approvals were obtained for deepening of the Windarling W1 pit and deepening of the Koolyanobbing A/B/C pits. Final environmental approvals also were received in 2013 for the Deception project.

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Over the past five years, the Koolyanobbing operation has produced between 8.2 million and 11.1 million metric tons annually. The expansion project at Koolyanobbing increasing annual capacity to 11 million metric tons was completed in 2012. Ore material is sourced from nine separate open pit mines and delivered by typical production trucks or road trains to a crushing and screening facility located at Koolyanobbing. All of the ore from the Koolyanobbing operations is transported by rail to the Port of Esperance, 360 miles to the south, for shipment to Asian customers.

North American Coal

The following map shows the locations of our North American Coal operations as of December 31, 2013:

We directly own and operate three North American coal mining complexes from which we produced a total of 7.2 million, 6.4 million and 5.0 million tons of coal in 2013, 2012 and 2011, respectively. Our coal production at each mine is shipped within the U.S. by rail or barge. Coal for international customers is shipped through the ports of Mobile, Alabama; Newport News, Virginia; and New Orleans, Louisiana.

Coal seams mined at all of our North American Coal operations are Pennsylvanian Age and derived from the Pocahontas 3 and 4 seams at the Pinnacle Complex and the Blue Creek Seam at Oak Grove, which produce high quality, low ash metallurgical products, while multiple seams are mined at the CLCC underground and surface mines producing both metallurgical and thermal products.

Mine	Cliffs Ownership	Infrastructure	Primary Coal Type	Operating Since	Current Annual Capacity[1]	2013 Production	Mineral Rights Owned	Leased
Pinnacle Complex	100%	U/G Mine, Preparation Plant, Load-out	Low-Vol Metallurgical	1969	4.0	2.8	—%	100%
Oak Grove	100%	U/G Mine, Preparation Plant, Load-out	Low-Vol Metallurgical	1972	2.5	2.3	—%	100%
Cliffs Logan County Coal	100%	U/G Mine, Preparation Plant, Load-out	High-Vol Metallurgical	2008	1.7	1.5	—%	100%
Cliffs Logan County Coal	100%	Surface Mine	Thermal	2005	1.2	0.6	—%	100%

[1] Annual capacity is on a wet basis in millions of short tons, equivalent to 2,000 pounds.

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Pinnacle Complex

The Pinnacle Complex includes the Pinnacle and Green Ridge mines and is located approximately 30 miles southwest of Beckley, West Virginia. The Pinnacle mine has been in operation since 1969. Over the past five years, the Pinnacle mine has produced between 0.7 million and 2.8 million tons of coal annually. The Green Ridge mines have been in operation since 2004 and have ranged from no production to 0.2 million tons of coal annually. In February 2010, the Green Ridge No. 1 mine was closed permanently due to exhaustion of the economic reserves at the mine. In addition, the Green Ridge No. 2 mine was idled in January 2012. Pinnacle utilizes continuous miners and a longwall plow system; Green Ridge utilizes only continuous miners. Both facilities share preparation, processing and load-out facilities.

Oak Grove

The Oak Grove mine is located approximately 25 miles southwest of Birmingham, Alabama. The mine has been in operation since 1972. Over the past five years, the Oak Grove mine has produced between 0.9 million and 2.3 million tons of coal annually. In 2011, a new shaft and support facilities were commissioned in order to reduce the transport time for supplies and personnel to the working face. The previous shaft still is utilized in a support role. Oak Grove utilizes a long wall shearer with continuous miners. Preparation, processing and rail load-out facilities are located on-site. The preparation plant at Oak Grove incurred significant tornado damage during 2011. The plant rebuild included new equipment and improvements to the process design that enhanced the performance of the plant, which returned to normal operating capacity in January 2012.

Cliffs Logan County Coal

Cliffs Logan County Coal property is located within Boone, Logan and Wyoming counties in southern West Virginia. CLCC currently produces metallurgical and thermal coal from surface and underground mines that are served by a preparation plant and unit-train load out facility on the CSX Transportation. Two underground mines, the Powellton No. 1 and Lower War Eagle, produce high-volatile metallurgical coal using room and pillar retreat mining methods using continuous miner equipment. The Toney Fork No. 2 surface mine produces thermal coal with a combination of contour strip area mining and point removal methods.

The Powellton and Dingess-Chilton mines have been in operation since 2008. The Lower War Eagle mine was in development in 2011 and became fully operational in November 2012. Over the past five years, the Powellton mine has produced between 0.3 million and 0.8 million tons of coal annually and the Dingess-Chilton mine production has ranged from 0.1 million tons to 0.6 million tons of coal annually. In March 2013, the Dingess-Chilton mine was closed permanently due to exhaustion of economic reserves. Lower War Eagle produced 0.6 million tons in 2013 and 0.1 million tons in 2012 after moving out of the development phase. The Toney Fork No. 2 mine has been in operation since 2005. Over the past five years, the Toney Fork No. 2 mine has produced between 0.6 million and 1.2 million tons of coal annually.

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Advanced Exploration and Development Properties

The following map shows the locations of our advanced exploration and development properties as of December 31, 2013:

We have several advanced exploration projects located in the Canadian provinces of British Columbia, Ontario and Québec in different stages of evaluation at this time. Work completed on these properties includes geological mapping, drilling and sampling programs, and initial and advance stage engineering studies.

Chromite Project

Cliffs Chromite Ontario's primary assets are situated in the Ring of Fire area, James Bay lowlands, of northern Ontario. These chromite properties are located approximately 155 miles north of the town of Nakina (on the CN railroad mainline) and about 50 miles east of the First Nations community of Webequie. We have a controlling position in three chromite deposits that occur in close proximity to each other: a 100 percent interest in each of the Black Label and Black Thor chromite deposits and a 70 percent interest in the Big Daddy chromite deposit. KWG Resources Inc. owns the remaining 30 percent. We have completed a prefeasibility study on the Black Thor deposit, the largest of the three deposits. On November 20, 2013, we indefinitely suspended our Chromite Project in Northern Ontario. Given the uncertain timeline and risks associated with the development of necessary infrastructure to bring this project online, we do not expect to allocate any significant additional capital to the project. Earlier in 2013, we suspended the environmental assessment activities because of pending issues impeding the progress of the project. We will continue to work with the Government of Ontario, First Nation communities and other interested parties to explore potential solutions related to the critical infrastructure issues for the Ring of Fire properties.

These chromite deposits are orthomagmatic stratiform deposits of unusual thickness and size. Mineralization consists of chromite crystals [$(Fe,Mg)\ (Cr,Al,Fe)_2O_4$] ranging from massive chromite bands to interbedded and disseminated chromite.

Decar Property

The Decar Property is located 56 miles northwest of Fort St. James, British Columbia, Canada and consists of 60 mineral claims covering 95 square miles. We own a 60 percent interest in the Decar Property and First Point Minerals Corp. owns the remaining 40 percent. In 2012, 2011 and 2010, we performed exploration activities on the property and in 2013 completed a scoping study to further evaluate the potential economics and viability of an operation producing a high-grade nickel concentrate that could be marketable to various end users. In 2013 our interest in the property increased from 51 percent to 60 percent as a result of completing the scoping study in accordance with the 2009 option agreement between Cliffs and First Point Minerals.

The mineralization consists of the nickel-iron alloy awaruite ($Ni_{2-3}Fe$). Awaruite is disseminated in serpentinized peridotite; it occurs as relatively coarse grains between 50 to 400 μm in size. Awaruite has been observed throughout the entire extent of the peridotite but four zones of stronger mineralization have

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been identified. The four zones are the Baptiste, Sidney, Target B and Van targets. Exploration programs, resource definition drilling and engineering studies associated with the scoping study have focused on the Baptiste prospect.

Labrador Trough South

The Labrador Trough South property is located approximately 150 miles north of Sept-Iles, Québec and 30 miles southwest of the town of Fermont, Québec. Provincial highway 389 crosses the south and east sides of the property and provides year-round access. The property consists of a total of 636 non-contiguous claims covering roughly 130 square miles. Several areas containing iron mineralization have been further defined utilizing aerial geophysics, outcrop mapping and diamond drilling. These areas are known as: Lamêlée, Peppler Lake, Hobdad, Lac Jean and Faber. To date, most of the exploration efforts have focused on the first three areas. Cliffs acquired 100 percent ownership of the claims as part of the Consolidated Thompson acquisition in 2011.

The Labrador Trough South property is situated in the Knob Lake Group of sedimentary rocks including Lake Superior-type banded iron formations. Here, the Labrador Trough is crossed by the Grenville Front. Trough rocks in the Grenville Province are highly metamorphosed, complexly folded and structurally dislocated. The high-grade metamorphism of the Grenville Province is responsible for recrystallization of both iron oxides and silica producing coarse-grained sugary quartz, magnetite, specular hematite schists and gneisses that are of improved quality for concentrating and processing. Potentially recoverable minerals in the project are predominantly magnetite and subordinate hematite.

Mineral Policy

We have a corporate policy relating to internal control and procedures with respect to auditing and estimating of minerals. In 2012, we revised our policy regarding the estimation and reporting of mineralized materials and mineral reserves to better align with international best practices. The procedures contained in the policy include the calculation of mineral estimates at each property by our engineers, geologists and accountants, as well as third-party consultants. Management compiles and reviews the calculations, and once finalized, such information is used to prepare the disclosures for our annual and quarterly reports. The disclosures are reviewed and approved by management, including our president and chief financial officer. Additionally, the long-range mine planning and mineral estimates are reviewed annually by our Audit Committee. Furthermore, all changes to mineral estimates, other than those due to production, are adequately documented and submitted to senior operations officers for review and approval. Finally, periodic reviews of long-range mine plans and mineral reserve estimates are conducted at mine staff meetings, senior management meetings and by independent experts.

Mineral Reserves

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

Reserve estimates are based on pricing that does not exceed the three-year trailing average of benchmark prices for iron ore and coal adjusted to our realized price. For the three-year period 2010 to 2012, the average international benchmark price of 62 percent Fe CFR China was $149 per dry metric ton. For the same period, the benchmark coal prices FOB U.S. East Coast were $238 per metric ton for low-vol, $194 per metric ton for high-vol, and $63 per short ton for thermal.

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We evaluate and analyze mineral reserve estimates in accordance with our mineral policy and SEC requirements. The table below identifies the year in which the latest reserve estimate was completed.

Property	Date of Latest Economic Reserve Analysis
U.S. Iron Ore	
Empire	2009
Tilden	2011
Hibbing	2012
Northshore	2012
United Taconite	2013
Eastern Canadian Iron Ore	
Bloom Lake	2011
Asia Pacific Iron Ore	
Koolyanobbing	2013
North American Coal	
Pinnacle Complex	2013
Oak Grove	2012
CLCC	2011

Iron Ore Reserves

Ore reserve estimates for our iron ore mines as of December 31, 2013 were estimated from fully designed open pits developed using three-dimensional modeling techniques. These fully designed pits incorporate design slopes, practical mining shapes and access ramps to assure the accuracy of our reserve estimates. New estimates were completed in 2013 for the following operations: United Taconite and Koolyanobbing. With the expiration of our partnership agreement and anticipated closure of Empire at the end of 2014, we are only reporting the amount of reserves at Empire that are planned to be extracted during the year. In the second quarter of 2013, we made the decision to idle the pellet plant at Pointe Noire and only produce an iron ore concentrate from our Wabush facility. Subsequently, in the first quarter of 2014, we made the decision to idle all production at our Wabush mine by the end of the quarter. As a result, the reserves previously reported for Wabush are now included in our Mineralized Material estimates. All of our remaining operations reserves have been adjusted net of 2013 production.

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U.S. Iron Ore

All tonnages reported for our U.S. Iron Ore operating segment are in long tons of 2,240 pounds, have been rounded to the nearest 100,000 and are reported on a 100 percent basis.

U.S. Iron Ore Mineral Reserves
as of December 31, 2013
(In Millions of Long Tons)

		Proven		Probable		Proven & Probable		Saleable Product [2,3]		Previous Year	
Property	Cliffs Share	Tonnage	% Grade	Tonnage	% Grade	Tonnage	% Grade[5]	Process Recovery[4]	Tonnage	P&P Crude Ore	Saleable Product
Empire	79 %	4.7	21.7	—	—	4.7	21.7	30%	1.4	22.4	6.2
Tilden Hematite[1]	85 %	474.6	35.7	130.0	36.1	604.6	35.8	34%	207.2	625.2	214.3
Tilden Magnetite	85 %	72.9	29.0	11.7	29.2	84.6	29.0	38%	31.9	89.0	33.5
Total Tilden	85 %	547.5		141.7		689.2		35%	239.1	714.2	247.8
Hibbing	23 %	266.8	19.0	20.7	18.9	287.5	19.0	26%	75.4	316.1	82.8
Northshore	100 %	338.8	25.5	712.6	24.8	1,051.4	25.0	34%	356.9	1,063.1	360.7
United Taconite	100 %	423.5	23.1	65.9	22.9	489.4	23.1	34%	164.1	386.7	125.8
Totals		1,581.3		940.9		2,522.2			836.9	2,502.5	823.3

[1] Tilden hematite reported grade is percent FeT; all other properties are percent magnetic iron
[2] Saleable product is a standard pellet containing 60 to 66 percent Fe calculated from both proven and probable mineral reserves
[3] Saleable product is reported on a dry basis; shipped products typically contain 1 to 4 percent moisture
[4] Process recovery includes all factors for converting crude ore tonnage to saleable product
[5] Cutoff grades are 15 percent magnetic iron for Hibbing and Empire, 17 percent for United Taconite, 19 percent for Northshore and 20 percent for Tilden. Cutoff for Tilden hematite is 25 percent FeT.

New economic reserve analyses were completed for United Taconite in 2013. Based on the analysis, saleable product reserves increased by 43.4 million tons at United Taconite as a result of updated life-of-mine operating plans and production schedules, partially offset by 2013 production of 5.1 million tons.

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Eastern Canadian Iron Ore

All tonnages reported for our Eastern Canadian Iron Ore operating segment are in metric tons of 2,205 pounds, have been rounded to the nearest 100,000 and are reported on a 100 percent basis.

Eastern Canadian Iron Ore Mineral Reserves
as of December 31, 2013
(In Millions of Metric Tons)

		Proven		Probable		Proven & Probable		Saleable Product[1,2]		Previous Year	
Property	Cliffs Share	Tonnage	% Fe	Tonnage	% Fe	Tonnage	% Fe[4]	Process Recovery[3]	Tonnage	P&P Crude Ore	Saleable Product
Bloom Lake	82.8 %	249.8	29.2	765.3	28.3	1,015.1	28.5	34%	350.1	1,034.5	355.8

[1] Bloom Lake product is an iron concentrate containing 66 percent Fe calculated from both proven and probable mineral reserves.
[2] Saleable product is reported on a dry basis, shipped products contain 3 percent moisture
[3] Process recovery includes all factors for converting crude ore tonnage to saleable product
[4] Cutoff grade is 20 percent FeT

In the second quarter of 2013, we idled the pellet plant at Pointe Noire and decided to produce only an iron ore concentrate from our Wabush facility. Subsequently, on February 11, 2014, we announced that we made the decision to idle all production at our Wabush mine by the end of the first quarter of 2014. As a result, the reserves previously reported for Wabush now are included in our Mineralized Material estimates.

Asia Pacific Iron Ore

All tonnages reported for our Asia Pacific Iron Ore operating segment are in metric tons of 2,205 pounds, have been rounded to the nearest 100,000 and are reported on a 100 percent basis.

Asia Pacific Iron Ore Mineral Reserves
as of December 31, 2013
(In Millions of Metric Tons)[1]

		Proven		Probable		Proven & Probable		Previous Year Total
Property	Cliffs Share	Tonnage	% Fe	Tonnage	% Fe	Tonnage	% Fe[2]	Tonnage
Koolyanobbing	100%	3.8	58.0	60.7	60.4	64.5	60.3	78.1

[1] Tonnages reported are saleable product reported on a dry basis; shipped products contain 3 percent moisture
[2] Cutoff grade is 54 percent FeT

New economic reserve analyses were completed for Koolyanobbing in 2013. Based on the analysis, saleable product reserves decreased by 2.1 million metric tons as a result of updated life-of-mine operating plans and production schedules.

Coal Reserves

Coal reserves estimates for our North American underground and surface mines as of December 31, 2013 were estimated using three-dimensional modeling techniques, coupled with scheduled mine plans. The CLCC operations and Oak Grove operations reserves have not changed net of 2013 mine production.

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North American Coal

All tonnages reported for our North American Coal operating segment are in short tons of 2,000 pounds, have been rounded to the nearest 100,000 and are reported on a 100 percent basis.

Recoverable Coal Reserves
as of December 31, 2013
(In Millions of Short Tons)[1]

					Reserve Classification			Quality		Previous Year
Property/Seam	Cliffs Share	Category[2]	Coal Type	Mine Type	Proven	Probable	Total P&P	% Sulfur	As Received Btu/lb	Total P&P
Pinnacle Complex										
Pocahontas No 3	100%	Assigned	Metallurgical	U/G	31.7	9.9	41.6	0.92	14,000	45.8
Pocahontas No 4	100%	Unassigned	Metallurgical	U/G	2.8	0.5	3.3	0.51	14,000	3.3
Oak Grove										
Blue Creek Seam	100%	Assigned	Metallurgical	U/G	31.0	4.0	35.0	0.57	14,000	37.3
Cliffs Logan County Coal										
Multi-Seam Underground	100%	Assigned	Metallurgical	U/G	32.9	19.0	51.9	1.00	15,500	53.4
Multi-Seam Surface	100%	Assigned	Metallurgical	Surface	5.2	1.0	6.2	0.90	15,300	6.2
Multi-Seam Surface	100%	Assigned	Thermal[3]	Surface	42.3	7.4	49.7	0.89	13,300	50.4
Totals					145.9	41.8	187.7			196.4

[1] Recoverable coal is reported on a wet basis containing 6 percent moisture
[2] Assigned reserves represent coal that can be mined without a significant capital expenditure, whereas unassigned reserves will require significant capital expenditures before production could be realized
[3] CLCC thermal reserves do not meet U.S. compliance standards as defined by Phase II of the Clean Air Act as coal having a sulfur dioxide content of 1.2 pounds or less per million BTU

New economic reserve analyses were completed for Pinnacle operations in 2013. Total recoverable coal reserves decreased 1.4 million tons at Pinnacle, net of 2013 production.

Mineralized Material

“Mineralized material” is a concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. Mineralized material has been delineated by appropriate sampling to establish continuity and support an estimate of tonnage with an average grade of the selected metals, minerals or quality. We have various properties in either advanced exploration, development or operational stages that contain considerable amounts of mineralized material that could eventually be converted into reserves given favorable operating and market conditions. Future production from mineralized material would require additional economic and engineering studies, permitting and significant capital expenditures before any potential value could be realized. A deposit of mineralized material does not qualify as a reserve until a comprehensive evaluation, based upon unit costs, grade, recoveries and other material factors, concludes both economic and legal feasibility. Further, for new projects a “final” or “bankable” feasibility study is required prior to the reporting of mineral reserves.

Readers are cautioned not to assume that any of these mineralized materials will ever be converted into mineral reserves. Our mineralized material estimates contain only material classified as measured or indicated. Materials classified as inferred have a greater amount of uncertainty as to their future ability to be upgraded and are not included

in the estimates reported.

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All tonnages are reported in metric tons of 2,205 pounds, have been rounded to the nearest 100,000 and are reported on a 100 percent basis.

Wabush

As described above, the reserves for Wabush have been reclassified as mineralized material because all production at our Wabush mine will be idled by the end of the first quarter of 2014. Mineralized material reported is based on the 2012 reported reserves net of 2013 production.

Mineralized Material Not in Reserves
as of December 31, 2013
(In Millions of Metric Tons)

Deposit	Cliffs Share	Tonnage[1,2]	%Fe
Wabush	100%	200.4	35.1

[1] Includes only materials classified as measured and indicated
[2] Cutoff grade is 25 percent weight recovery (16.5 percent Fe)

Chromite Project

We hold mineral interests in three currently defined chromite deposits that contain mineralized materials. In 2013, a new mineralized material estimate was completed based on the latest exploration drilling and geological model for our Black Thor and Black Label deposits. Reportable mineralized material increased 25.7 million and 1.1 million metric tons at the Black Thor and Black Label deposits, respectively. The mineralized material estimate for Big Daddy remains unchanged from the 2012 estimate.

Mineralized Material Not in Reserves
as of December 31, 2013
(In Millions of Metric Tons)

Deposit	Cliffs Share	Tonnage[1,2]	%Cr^2O^3
Black Thor	100%	137.7	31.5
Black Label	100%	5.4	25.3
Big Daddy	70%	29.1	31.7
Totals		172.2	31.3

[1] Includes only materials classified as measured and indicated
[2] Cutoff grade is 20 percent Cr^2O^3 for all deposits

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Decar Property

The Decar property is a nickel exploration project that is currently at the prefeasibility stage. Exploration and early stage studies have defined mineralized material estimates for the Baptiste deposit located on the Decar property. The latest mineralized material estimate for Decar was completed in 2012; there were no changes to this estimate in 2013.

Mineralized Material Not in Reserves
as of December 31, 2013
(In Millions of Metric Tons)

Deposit	Cliffs Share	Tonnage[1,2]	%Ni
Baptiste	60%	1,159.5	0.12

[1] Includes only materials classified as measured and indicated
[2] Cutoff grade is 0.06 percent Davis Tube Recoverable Nickel

Labrador Trough South

As previously mentioned, Labrador Trough South is a collection of iron deposits acquired in the purchase of Consolidated Thompson. In 2012, we conducted exploration activities and updated the mineralized material estimates for several of the deposits. In 2013, there were no changes to the mineralized material estimates.

Mineralized Material Not in Reserves
as of December 31, 2013
(In Millions of Metric Tons)

Deposit	Cliffs Share	Tonnage[1,2]	%FeT
Lamêlée	100%	271.7	29.4
Peppler Lake	100%	326.8	28.0
Totals		598.5	28.6

[1] Includes only materials classified as measured and indicated
[2] Cutoff grade is 18 percent FeT

Item 3. Legal Proceedings

Alabama Dust Litigation. There are currently three cases in the Alabama state court system that comprise the Alabama Dust Litigation. Generally, these claims are brought by nearby homeowners who allege that dust emanating from the Concord Preparation Plant causes damage to their properties. All three of these cases are active and settlement discussions are proceeding. It is possible that these types of complaints may continue to be filed in the future, but the overall impact of these cases is not anticipated currently to have a material financial impact on our business.

Bloom Lake Investigation. CQIM, Bloom Lake General Partner Limited and Bloom Lake currently are being investigated by Environment Canada in relation to alleged violations of Section 36(3) of the Fisheries Act that prohibits the deposit of a deleterious substance in water frequented by fish or in any place where the deleterious substance may enter any such water and Section 40(3) of the Fisheries Act in relation to an alleged failure to comply with a direction of an inspector. Based on current information, the investigation covers several alleged incidents that occurred between April 2011 and October 2012. Bloom Lake has been informed that the Quebec Ministry of Sustainable Development, Environment, Wildlife and Parks has commenced an investigation into alleged violations of the Environment Quality Act related to incidents involving alleged releases of suspended solids to the environment in early August 2012 and in September 2012. At this stage,

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we are cooperating with Environment Canada and the Quebec Ministry and, although the possible outcome of the investigations and the risk of loss cannot be determined, we do not believe they will have a material financial impact to the Company.

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

Maritime Asbestos Litigation. The Cleveland-Cliffs Iron Company and/or The Cleveland-Cliffs Steamship Company have been named defendants in 489 actions brought from 1986 to date by former seamen claiming damages for various illnesses allegedly suffered as the result of exposure to airborne asbestos fibers while serving as crew members aboard the vessels previously owned or managed by our entities until the mid-1980s. All of these actions have been consolidated into multidistrict proceedings in the Eastern District of Pennsylvania, along with approximately 30,000 other cases from various jurisdictions that were filed against other defendants. Through a series of court orders, the docket has been reduced to approximately 3,500 active cases. We are a named defendant in approximately 50 cases. These cases are in the discovery phase. The court has dismissed the remainder of the cases without prejudice. Those dismissed cases could be reinstated upon application by plaintiffs' counsel. The claims against our entities are insured in amounts that vary by policy year; however, the manner in which coverage will be applied remains uncertain. Our entities continue to vigorously contest these claims and have made no settlements on them.

Pinnacle Mine Environmental Litigation. On June 22, 2010, the West Virginia DEP filed a lawsuit in the Wyoming County Circuit Court against the Pinnacle mine alleging past non-compliance with its NPDES discharge permit. The complaint seeks injunctive relief and penalties. An initial penalty proposal of $1.0 million was offered by the West Virginia DEP in March 2012; however, Pinnacle disagrees with the alleged violations and has met with the DEP to present facts supporting a review and reduction of the proposed penalty.

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

The Rio Tinto Mine Site. The Rio Tinto Mine Site is an historic underground copper mine located near Mountain City, Nevada, where tailings were placed in Mill Creek, a tributary to the Owyhee River. Site investigation and remediation work is being conducted in accordance with a Consent Order dated September 14, 2001 between the NDEP and the RTWG composed of the Company, Atlantic Richfield Company, Teck Cominco American Incorporated and E. I. duPont de Nemours and Company. The Consent Order provides for technical review by the U.S. Department of the Interior Bureau of Indian Affairs, the U.S. Fish and Wildlife Service, U.S. Department of Agriculture Forest Service, the NDEP and the Shoshone-Paiute Tribe of the Duck

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Valley Reservation (collectively, "Rio Tinto Trustees"). In recognition of the potential for an NRD claim, the parties actively pursued a global settlement that would include the EPA and encompass both the remedial action and the NRD issues.

The NDEP published a Record of Decision for the Rio Tinto Mine, which was signed on February 14, 2012 by the NDEP and the EPA. On September 27, 2012, the agencies subsequently issued a proposed Consent Decree, which was lodged with the U.S. District Court for the District of Nevada and opened for 30-day public comment on October 4, 2012. The Consent Decree subsequently was finalized on May 20, 2013. Under the terms of the Consent Decree, the RTWG has agreed to pay over $29 million in cleanup costs and natural resource damages to the site and surrounding area. The Company's share of the total settlement cost, which includes remedial action, insurance and other oversight costs, is approximately $12 million.

Under the terms of the Consent Decree, the RTWG will be responsible for removing mine tailings from Mill Creek, improving the creek to support redband trout and improving water quality in Mill Creek and the East Fork Owyhee River. Previous cleanup projects included filling in old mine shafts, grading and covering leach pads and tailings, and building diversion ditches. NDEP will oversee the cleanup, with input from EPA and monitoring from the nearby Shoshone-Paiute Tribes of Duck Valley.

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

Worldlink Arbitration. Our wholly owned subsidiary, CQIM, along with the Bloom Lake General Partner Limited and Bloom Lake, instituted an arbitral claim against Bloom Lake’s former customer, Worldlink Resources Limited (“Worldlink”), in October 2011 for material and/or fundamental breaches of the parties’ 2007 offtake agreement for the purchase and sale of iron concentrate produced at the Bloom Lake mine. We filed the arbitration claim with the International Court of Arbitration of the International Chamber of Commerce pursuant to the dispute resolution provisions of the offtake agreement. Bloom Lake terminated the offtake agreement with Worldlink in August 2011 due to Worldlink’s failure to fulfill its obligations under the agreement and Worldlink’s demand to renegotiate the price of the iron ore concentrate in spite of being party to a long-term offtake agreement. Our damages for the breach of the offtake agreement are in excess of $75 million and Worldlink has counterclaimed for damages in excess of $100 million. We strongly disagree with Worldlink’s defenses and counterclaims and intend to vigorously pursue our claim. The main hearing is scheduled to take place in May 2014 and a decision is expected later in 2014.

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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 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, we have 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 15. Exhibits and Financial Statement Schedules of this Annual Report on Form 10-K.

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Stock Exchange Information

Our common shares (ticker symbol CLF) are listed on the NYSE and the Professional Segment of NYSE Euronext Paris.

Common Share Price Performance and Dividends

The following table sets forth, for the periods indicated, the high and low sales prices per common share as reported on the NYSE and the dividends declared per common share:

	2013			2012		
	High	Low	Dividends	High	Low	Dividends
First Quarter	$40.40	$17.95	$0.15	$78.85	$59.40	$0.28
Second Quarter	23.75	15.50	0.15	71.60	44.40	0.625
Third Quarter	25.95	15.41	0.15	50.89	32.25	0.625
Fourth Quarter	28.98	19.88	0.15	46.50	28.05	0.625
Year	40.40	15.41	$0.60	78.85	28.05	$2.155

At February 10, 2014, we had 1,375 shareholders of record.

Shareholder Return Performance

The following graph shows changes over the past five-year period in the value of $100 invested in: (1) Cliffs' common shares; (2) S&P 500 Stock Index; (3) S&P 500 Steel Group Index; and (4) S&P Midcap 400 Index. The values of each investment are based on price change plus reinvestment of all dividends reported to shareholders.

		2008	2009	2010	2011	2012	2013
Cliffs Natural Resources Inc.	Return %		81.92	70.69	-19.24	-34.74	-30.37
	Cum $	100.00	181.92	310.52	250.79	163.68	113.97
S&P 500 Index - Total Returns	Return %		26.47	15.07	2.11	16.00	32.39
	Cum $	100.00	126.47	145.53	148.60	172.38	228.21
S&P 500 Steel Index	Return %		28.88	33.86	-23.01	-11.84	13.86
	Cum $	100.00	128.88	172.52	132.83	117.10	133.33
S&P Midcap 400 Index	Return %		37.37	26.64	-1.74	17.86	33.50
	Cum $	100.00	137.37	173.96	170.93	201.46	268.95

Issuer Purchases of Equity Securities

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
October 1 - 31, 2013	107	$21.03	—	—
November 1 - 30, 2013	186	$25.01	—	—
December 1 - 31, 2013	1,430	$26.21	—	—
Total	1,723	$25.76	—	—

[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 6. Selected Financial Data

Summary of Financial and Other Statistical Data
Cliffs Natural Resources Inc. and Subsidiaries

	2013 (f)	2012 (d)	2011 (c)	2010 (b)	2009
Financial data (in millions, except per share amounts) *					
Revenue from product sales and services	$5,691.4	$5,872.7	$6,563.9	$4,483.8	$2,197.4
Cost of goods sold and operating expenses	(4,542.1)	(4,700.6)	(3,953.0)	(3,025.1)	(1,907.3)
Other operating expense	(478.3)	(1,480.9)	(314.1)	(225.9)	(70.9)
Operating income (loss)	671.0	(308.8)	2,296.8	1,232.8	219.2
Income (loss) from continuing operations	359.8	(1,162.5)	1,792.5	997.4	198.3
Income and gain on sale from discontinued operations, net of tax	2.0	35.9	20.1	22.5	6.8
Net income (loss)	361.8	(1,126.6)	1,812.6	1,019.9	205.1
Loss (income) attributable to noncontrolling interest	51.7	227.2	(193.5)	—	—
Net income (loss) attributable to Cliffs shareholders	413.5	(899.4)	1,619.1	1,019.9	205.1
Preferred stock dividends	(48.7)	—	—	—	—
Income (loss) attributable to Cliffs common shareholders	364.8	(899.4)	1,619.1	1,019.9	205.1
Earnings (loss) per common share attributable to Cliffs shareholders - basic					
Continuing operations	2.39	(6.57)	11.41	7.37	1.51
Discontinued operations	0.01	0.25	0.14	0.17	0.05
Earnings (loss) per common share attributable to Cliffs shareholders - basic	2.40	(6.32)	11.55	7.54	1.56
Earnings (loss) per common share attributable to Cliffs shareholders - diluted					
Continuing operations	2.36	(6.57)	11.34	7.32	1.58
Discontinued operations	0.01	0.25	0.14	0.17	0.05
Earnings (loss) per common share attributable to Cliffs shareholders - diluted	2.37	(6.32)	11.48	7.49	1.63
Total assets	13,121.9	13,574.9	14,541.7	7,778.2	4,639.3
Long-term debt obligations (including capital leases)	3,189.5	4,196.3	3,821.5	1,881.3	644.3
Net cash from operating activities	1,145.9	514.5	2,288.8	1,320.0	185.7
Distributions to preferred shareholders cash dividends (e)					
- Per depositary share	1.66	—	—	—	—
- Total	48.7	—	—	—	—
Distributions to common shareholders cash dividends (a)					
- Per share	0.60	2.16	0.84	0.51	0.26
- Total	91.9	307.2	118.9	68.9	31.9
Repurchases of common shares	—	—	289.8	—	—
Common shares outstanding - basic (millions)					
- Average for year	151.7	142.4	140.2	135.3	125.0
- At year-end	153.1	142.5	142.0	135.5	131.0

Iron ore and coal production and sales statistics

(tons in millions - U.S. Iron Ore and North American Coal; metric tons in millions - Asia Pacific Iron Ore and Eastern Canadian Iron Ore)

Production tonnage - U.S. Iron Ore	27.2	29.5	31.0	28.1	16.9
- Eastern Canadian Iron Ore	8.7	8.5	6.9	3.9	2.7
- Asia Pacific Iron Ore	11.1	11.3	8.9	9.3	8.3
- North American Coal	7.2	6.4	5.0	3.2	1.7
Production tonnage - (Cliffs' share)					
- U.S. Iron Ore	20.3	22.0	23.7	21.5	15.0
- Eastern Canadian Iron Ore	8.7	8.5	6.9	3.9	2.1
Sales tonnage - U.S. Iron Ore	21.3	21.6	24.2	23.0	13.7
- Eastern Canadian Iron Ore	8.6	8.9	7.4	3.3	2.7
- Asia Pacific Iron Ore	11.0	11.7	8.6	9.3	8.5
- North American Coal	7.3	6.5	4.2	3.3	1.9

* On July 10, 2012, we entered into a definitive share and asset sale agreement to sell our 45 percent economic interest in the Sonoma joint venture coal mine located in Queensland, Australia. Additionally, on September 27, 2011, we announced our plans to cease and dispose of the operations at the renewaFUEL biomass production facility in Michigan. On January 4, 2012, we entered into an agreement to sell the renewaFUEL assets to RNFL Acquisition LLC. The results of operations of the Sonoma joint venture and renewaFUEL operations are reflected as discontinued operations in the accompanying consolidated financial statements for all periods presented.

(a) On May 12, 2009, our Board of Directors enacted a 55 percent reduction in our quarterly common share dividend to $0.04 from $0.0875 for the second and third quarters of 2009 in order to enhance financial flexibility. The $0.04 common share dividends were paid on June 1, 2009 and September 1, 2009 to shareholders of record as of May 22, 2009 and August 14, 2009, respectively. In the fourth quarter of 2009, the dividend was reinstated to its previous level. On May 11, 2010, our Board of Directors increased our quarterly common share dividend from $0.0875 to $0.14 per share. The increased cash dividend was paid on June 1, 2010, September 1, 2010 and December 1, 2010 to shareholders on record as of May 14, 2010, August 13, 2010 and November 19, 2010, respectively. In addition, the increased cash dividend was paid on March 1, 2011 and June 1, 2011 to shareholders on record as of February 15, 2011 and April 29, 2011, respectively. On July 12, 2011, our Board of Directors increased the quarterly common share dividend by 100 percent to $0.28 per share. The increased cash dividend was paid on September 1, 2011, December 1, 2011 and March 1, 2012 to our shareholders on record as of the close of business on August 15, 2011, November 18, 2011 and February 15, 2012, respectively. 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 was paid on June 1, 2012, August 31, 2012 and December 3, 2012 to our shareholders on record as of 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. The decreased dividend of $0.15 per share was paid on March 1, 2013, June 3, 2013, September 3, 2013 and December 2, 2013 to our common shareholders of record as the close of business on February 22, 2013, May 17, 2013, August 15, 2013 and November 22, 2013, respectively.

(b) On January 27, 2010, we acquired all of the remaining outstanding shares of Freewest, including its interest in the Ring of Fire properties in Northern Ontario Canada. On February 1, 2010, we acquired entities from our former partners that held their respective interests in Wabush, thereby increasing our ownership interest from 26.8 percent to 100 percent. On July 30, 2010, we acquired all of the coal operations of privately owned INR, and since that date, the operations acquired from INR have been conducted through our wholly owned subsidiary known as CLCC. Results for 2010 include Freewest's, Wabush's and CLCC's results since the respective acquisition dates. As a result of acquiring the remaining ownership interest in Freewest and Wabush, our 2010 results were impacted by realized gains of $38.6 million primarily related to the increase in fair value of our previous ownership interest in each investment held prior to the business acquisition.

In December 2010, we completed a legal entity restructuring that resulted in a change to deferred tax liabilities of $78.0 million on certain foreign investments to a deferred tax asset of $9.4 million for tax basis in excess of book basis on foreign investments as of December 31, 2010. A valuation allowance of $9.4 million was recorded against this asset due to the uncertainty of realization. The deferred tax changes were recognized as a reduction to our income tax provision in 2010.

(c) On May 12, 2011, we completed our acquisition of Consolidated Thompson by acquiring all of the outstanding common shares of Consolidated Thompson for C$17.25 per share in an all-cash transaction including net debt. Results for 2011 include the results for Consolidated Thompson since the acquisition date.

In 2011, during our annual goodwill impairment test in the fourth quarter, a goodwill impairment charge of $27.8 million was recorded for our CLCC reporting unit, within the North American Coal operating segment, impacting Other operating expense.

(d) Upon performing our annual goodwill impairment test in the fourth quarter of 2012, goodwill impairment charges of $997.3 million and $2.7 million were recorded for our CQIM and Wabush reporting units, respectively, both within the Eastern Canadian Iron Ore operating segment. We also recorded an impairment charge of $49.9 million related to our Eastern Canadian Iron Ore operations to reduce those assets to their estimated fair value as of December 31, 2012 due to the idling of the pelletizing facility at Pointe Noire. All of these charges impacted Other operating expense.

As a result of the approval for the sale of our 30 percent interest in Amapá, an impairment charge of $365.4 million was recorded through Equity income (loss) from ventures for the year ended December 31, 2012.

(e) 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 preferred shareholders of record as of the close of business on April 15, 2013. On May 7, 2013, and September 9, 2013, our Board of Directors declared a quarterly cash dividend of $17.50 per preferred share, which is equivalent to approximately $0.44 per depositary share. The cash dividends were paid on August 1, 2013, and November 1, 2013 to our preferred shareholders of record as of the close of business on July 15, 2013, and October 15, 2013, respectively. On November 11, 2013, our Board of Directors declared a quarterly cash dividend of $17.50 per preferred share, which is equivalent to approximately $0.44 per depositary share. The cash dividend of $12.8 million will be paid on February 3, 2014 to our preferred shareholders of record as of the close of business on January 15, 2014.

(f) Upon performing our annual goodwill impairment test in the fourth quarter of 2013, a goodwill impairment charge of $80.9 million was recorded for our Cliffs Chromite Ontario and Cliffs Chromite Far North reporting units within our Ferroalloys operating segment. We also recorded other long-lived asset impairment charges of $169.9 million, of which $154.6 million relates to our Wabush reporting unit within our Eastern Canadian Iron Ore operating segment to reduce those assets to their estimated fair value as of December 31, 2013. All of these charges impacted Other operating expense.

Item 7. 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.

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. Driven by the core values of safety, social, environmental and capital stewardship, our associates across the globe endeavor to provide all stakeholders with operating and financial transparency. We are organized through a global commercial group responsible for sales and delivery of our products and a global operations group responsible for the production of the minerals that we market. Our 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, Ferroalloys and our Global Exploration Group.

In the U.S., we currently operate five iron ore mines in Michigan and Minnesota, four metallurgical coal operations 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. We also have other non-producing operations and investments around the world that provide us with optionality to diversify and expand our portfolio of assets in the future.

The key driver of our business is global demand for steelmaking raw materials in both emerging and developed economies, with China and the U.S. representing the two largest markets for our Company. In 2013, China produced approximately 779 million metric tons of crude steel, or approximately 49 percent of total global crude steel production, whereas the U.S. produced approximately 87 million metric tons of crude steel, or about 5 percent of total crude steel production. These figures represent an approximate 8 percent increase and a 2 percent decrease, respectively, in crude steel production when compared to 2012.

Average global capacity utilization was about 78 percent in 2013, an approximate 2 percent increase from 2012; U.S. capacity utilization was approximately 77 percent in 2013, or about a 2 percent increase over the 2012 rate. These figures indicate that broader activity in the steel industry has increased year-over-year. Global crude steel production in 2013 grew about 4 percent compared to 2012, supported by generally improved macroeconomic fundamentals and continued, albeit tame, recovery in developed markets, including the U.S. and the Eurozone, as well as by the more rapid growth of emerging markets such as China. Broader growth in the U.S. was driven by increased personal consumption expenditures, private investment and exports, which were offset partly by decreased federal government spending and increased imports. Despite the U.S. experiencing a year-over-year decline in total crude steel production, both the automobile and oil and gas industries served as sources of healthy demand for steel in 2013. In China, investment in infrastructure remained the dominant driver of domestic steel demand and production, as its commodity-intensive growth continued.

The global price of iron ore is influenced significantly by Chinese demand and worldwide supply of iron ore. While the supply of iron ore continues to increase, the increase in 2013’s average spot market prices reflected slowing but continued economic growth expansion in China. The world market price that is utilized most commonly in our sales contracts is the Platts 62 percent Fe fines price. The Platts 62 percent Fe fines spot price increased 10.0 percent to an average price of $135 per metric ton for the three months ended December 31, 2013 compared to the respective quarter of 2012. In comparison, the year-to-date Platts pricing has increased 3.9 percent to an average price of $135 per metric ton during the full-year ended December 31, 2013. The spot price volatility impacts our realized revenue rates, particularly in our Eastern Canadian Iron Ore and Asia Pacific Iron Ore business segments because their contracts correlate heavily to world market spot pricing. However, the impact of this volatility on our U.S. Iron Ore revenues is muted and/or deferred partially because the pricing in our long-term contracts is mostly structured to be based on 12-month averages,

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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.

The metallurgical coal market continues to be in an oversupplied position due to increased supply from Australian producers. Additionally, low demand by European, Japanese and South American coking coal consumers has kept pricing low. Also, there has been recent closure of coke capacity in the U.S. impacting domestic markets. Consistent with the above, the quarterly benchmark price for premium low-volatile hard coking coal between Australian metallurgical coal suppliers and Japanese/Korean consumers decreased to a full-year average of $159 per metric ton in 2013 from $210 per metric ton in 2012. The decline in market pricing has impacted negatively realized revenue rates for our North American Coal business segment.

In 2014, we expect economic growth in the U.S. to accelerate, in part due to continued improvement in building construction, motor vehicle production, the labor market and due to a further reduction in fiscal drag, ultimately supporting domestic steel production and thus the demand for steelmaking raw materials. We expect China's economy will continue to expand rapidly, primarily driven by fixed asset investment while, correspondingly, increased Chinese domestic steel production will continue to require imported steelmaking raw materials to satisfy demand. However, we do expect China's GDP growth to slow from 2013 that, when coupled with increased supply, environmental concerns and credit-tightening, could result in a weaker pricing environment for steelmaking raw materials. Nevertheless, growth in both the U.S. and China should provide a continued source of demand for our products in 2014.

Our consolidated revenues for the years ended December 31, 2013 and 2012 were $5.7 billion and $5.9 billion, respectively, with net income from continuing operations per diluted share of $2.36 and net loss from continuing operations per diluted share of $6.57, respectively. Net income in 2013 was impacted negatively by $154.6 million of other long-lived asset impairment charges related to our Wabush operations within our Eastern Canadian Iron Ore operating segment, an $80.9 million goodwill impairment charge related to our Cliffs Chromite Ontario and Cliffs Chromite Far North reporting units within our Ferroalloys operating segment and a $67.6 million asset impairment charge related to our investment in Amapá. This was offset by lower exploration spending in 2013, primarily related to the Chromite project. Earnings in 2012 were impacted adversely by impairment charges including impairment of goodwill and other long-lived assets of $1,049.9 million within our Eastern Canadian Iron Ore operating segment and a $365.4 million impairment charge related to our investment in Amapá. Additional items that adversely impacted earnings in 2012 included the establishment of valuation allowances against certain deferred tax assets and higher spending, which partially were offset by total increased iron ore and coal sales volumes at most of our operations around the world.

Strategy

Through a number of acquisitions executed over recent years, we have increased our portfolio of assets, enhancing our production profile and project pipeline. In recent years, we have shifted from a merger and acquisition-based strategy to one that primarily focuses on organic growth and productivity initiatives. We believe our ability to gain scale and diversify our geographic footprint will increase our profitability, mitigate risk, and ultimately enhance long-term shareholder value.

We believe our ability to execute our strategy is dependent on our financial position, balance sheet strength and financial flexibility to manage through the inevitable volatility in commodity prices. Throughout 2013, we took a number of deliberate steps to improve our financial position for the near and longer term. Looking ahead, we will continue to execute initiatives that improve our cost profile and increase long-term profitability. The cash generated from our operations in excess of that used for sustaining and license-to-operate capital spending and dividends will be evaluated and allocated towards initiatives that enhance shareholder value.

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Recent Developments

Throughout 2013, there have been a number of changes to our Board of Directors and senior management team. Although three members of our Board of Directors departed, we welcomed four new directors in 2013. Consistent with our ongoing commitment to best practices in corporate governance, the Board separated the roles of chairman and chief executive officer and appointed an independent director as Chairman of the Board in July 2013. Our former Chairman, President and Chief Executive Officer, Joseph A. Carrabba, retired in November 2013, and the Board selected a new President and Chief Operating Officer, Gary B. Halverson. On February 13, 2014, the Board promoted Mr. Halverson to Chief Executive Officer. Prior to joining Cliffs, Mr. Halverson served as the interim chief operating officer for Barrick since September 2013 and also as its president – North America since December 2011. Previously, he served as Barrick's president – Australia Pacific from December 2008 until December 2011 and as its director of operations – Australia Pacific from August 2006 to December 2008. James F. Kirsch assumed the role of Chairman of the Board in July 2013, and later was appointed, on an interim basis, as an executive officer with the title "Chairman", effective January 1, 2014. Also during the second half of 2013, three other executive officers left the Company. With the exception of the role filled by Mr. Halverson, these respective positions were assumed by current executive officers.

On November 20, 2013, we indefinitely suspended our Chromite Project in Northern Ontario. Given the uncertain timeline and risks associated with the development of necessary infrastructure to bring this project online, we do not expect to allocate any significant additional capital to the project. Earlier in 2013, we suspended the environmental assessment activities because of pending issues impeding the progress of the project. We will continue to work with the Government of Ontario, First Nation communities and other interested parties to explore potential solutions related to the critical infrastructure issues for the Ring of Fire properties.

On February 11, 2014, we announced that we are exploring various strategic alternatives for our Bloom Lake mine. In the short term, we will continue to operate Bloom Lake mine Phase I operations on a reduced tailings and water management capital plan. We will continue to evaluate and will idle temporarily the operations if the pricing and operating costs justify such an alternative action. As a result, the Phase II expansion project remains on hold. We additionally announced our plan to idle our Wabush mine in Newfoundland and Labrador by the end of the first quarter of 2014. The idle is being driven by the unsustainable high cost structure, which results in operations that are not economically viable to run over time.

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, Ferroalloys and our Global Exploration Group. The Ferroalloys and Global Exploration Group operating segments do not meet the criteria for reportable segments.

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Results of Operations – Consolidated

2013 Compared to 2012

The following is a summary of our consolidated results of operations for the years ended December 31, 2013 and 2012:

	(In Millions)		
	2013	2012	Variance Favorable/ (Unfavorable)
Revenues from product sales and services	$5,691.4	$5,872.7	$(181.3)
Cost of goods sold and operating expenses	(4,542.1)	(4,700.6)	158.5
Sales margin	$1,149.3	$1,172.1	$(22.8)
Sales margin %	20.2%	20.0%	0.2%

Revenues from Product Sales and Services

Sales revenue for the year ended December 31, 2013 decreased $181.3 million, or 3.1 percent, from 2012.

The decrease in sales revenue during 2013 compared to 2012 primarily was attributable to lower worldwide iron ore sales volumes of 1.4 million metric tons, or $174.7 million, and lower realized revenue rates for coal products of 15.5 percent year-over-year, which has resulted in a decrease of $135.1 million. These decreases were offset partially by higher North American Coal sales volumes of 762 thousand tons, or $91.1 million.

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 years ended December 31, 2013 and 2012 were $4,542.1 million and $4,700.6 million, respectively, a decrease of $158.5 million, or 3.4 percent year-over-year.

Cost of goods sold and operating expenses for the year ended December 31, 2013 decreased primarily as a result of cost rate decreases of $143.7 million and a favorable foreign exchange rate impact of $70.9 million. Cost rate decreases of $122.1 million at our North American Coal operations were driven primarily by favorable fixed-cost leverage as a result of increased production period-over-period. These cost decreases were offset partially by additional costs of $72.5 million related to supply and product inventory write-downs predominately at our Wabush mine within our Eastern Canadian Iron Ore operations during the year ended December 31, 2013.

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

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Other Operating Income (Expense)

The following is a summary of other operating income (expense) for the years ended December 31, 2013 and 2012:

	(In Millions)		
	2013	2012	Variance Favorable/ (Unfavorable)
Selling, general and administrative expenses	$(231.6)	$(282.5)	$50.9
Exploration costs	(59.0)	(142.8)	83.8
Impairment of goodwill and other long-lived assets	(250.8)	(1,049.9)	799.1
Miscellaneous - net	63.1	(5.7)	68.8
	$(478.3)	$(1,480.9)	$1,002.6

Selling, general and administrative expenses during the year ended December 31, 2013 decreased $50.9 million over 2012. The year ended December 31, 2013 was impacted positively by reductions in outside service spending, general travel and employee-related expenses and technology spending of $42.7 million, $20.5 million and $7.1 million, respectively. These decreases were offset partially by $16.4 million in severance costs related to the voluntary and involuntary terminations as a result of cost savings actions for the year ended December 31, 2013 compared to 2012.

Exploration costs decreased by $83.8 million during the year ended December 31, 2013 from 2012, primarily due to decreases in costs at our Ferroalloys and Global Exploration Group operating segments. Our Global Exploration Group had cost decreases of $48.6 million in 2013 over 2012, due to lower drilling and professional services spend for certain projects. Our Ferroalloys operating segment had cost decreases of $28.8 million in 2013 over 2012. During 2012, there were increased engineering and drilling costs for external resources utilized to support the Chromite Project feasibility study. In alignment with our capital allocation strategy, we anticipate significantly decreased levels of exploration spending in 2014.

During the fourth quarter of 2013, we continued to experience higher than expected production costs and operational inefficiencies at our Wabush operations within our Eastern Canadian Iron Ore operating segment that have 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. Driven by the unsustainable high cost structure, which was not economically viable to continue running the operations, we announced on February 11, 2014, we will be idling the production of our Wabush mine by the end of the first quarter. Upon completion of an impairment analysis, it was determined the fair value was less than the carrying value of the asset group, which resulted in an impairment of other long-lived assets of $154.6 million at December 31, 2013.

Additionally during the fourth quarter of 2013, a goodwill impairment charge of $80.9 million was recorded for our Cliffs Chromite Ontario and Cliffs Chromite Far North reporting units within our Ferroalloys operating segment. The goodwill impairment charge was primarily a result of the decision to indefinitely suspend the Chromite Project and to not allocate additional capital for the project given the uncertain timeline and risks associated with the development of necessary infrastructure to bring the project online.

During the fourth quarter of 2012, upon performing our 2012 annual goodwill impairment assessments, a goodwill impairment charge of $997.3 million was recorded for our CQIM reporting unit within the Eastern Canadian Iron Ore operating segment. The impairment charge for our CQIM reporting unit was driven by the project’s lower than anticipated long-term profitability coupled with delays in achieving full operational capacity and higher capital and operating costs. Additionally, a goodwill impairment charge of $2.7 million was recorded for our Wabush reporting unit. This charge was primarily a result of downward adjustments to our long-term pricing estimates and higher operating costs due to lower production.

Miscellaneous – net was favorable by $68.8 million during the year ended December 31, 2013 from 2012. The year ended December 31, 2013 was impacted positively as a result of incremental gains of $67.3

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million due to 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. Additionally, there was an increase of $31.6 million and $24.3 million, respectively, in net insurance recoveries related to North American Coal mines and various legal settlements period-over-period. These incremental increases were offset partially by the incurred casualty losses in 2013 of $19.1 million related to the Pointe Noire oil spill as well as minimum contractual rail shipment tonnage not being met due to the delay in the Bloom Lake II expansion, which resulted in incurred penalties of $37.3 million.

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

As of a result of our decision to idle the Wabush operations by the end of the first quarter, we estimate the impact of the idling to be approximately $100 million in 2014. These costs include idling costs, employment-related expenditures and contract costs.

Other Income (Expense)

The following is a summary of other income (expense) for the years ended December 31, 2013 and 2012:

	(In Millions)		
	2013	2012	Variance Favorable/ (Unfavorable)
Changes in fair value of foreign currency contracts, net	$(3.5)	$(0.1)	$(3.4)
Interest expense, net	(179.1)	(195.6)	16.5
Other non-operating income (expense)	0.9	2.7	(1.8)
	$(181.7)	$(193.0)	$11.3

The decrease in interest expense in 2013 compared to 2012 was attributable primarily due to reduced interest expense of $35.7 million related to the repurchase of the $325.0 million private placement senior notes. This decrease was offset partially by additional interest expense of $20.3 million related to the $500 million 3.95 percent senior notes issued in December 2012. Refer to NOTE 10 - DEBT AND CREDIT FACILITIES for further information.

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 years ended December 31, 2013 and 2012:

	(In Millions)		
	2013	2012	Variance
Income tax expense	$(55.1)	$(255.9)	$200.8
Effective tax rate	11.3%	(51.0)%	62.3%

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A reconciliation of our income tax attributable to continuing operations computed at the U.S. federal statutory rate for the years ended December 31, 2013 and 2012 is as follows:

	(In Millions)					
	2013			2012		
Tax at U.S. statutory rate of 35 percent	$171.3	35.0	%	$(175.6)	35.0	%
Increases/(Decreases) due to:						
Foreign exchange remeasurement	(2.6)	(0.5)		62.3	(12.4)	
Non-taxable loss (income) related to noncontrolling interests	(1.5)	(0.3)		61.0	(12.0)	
Impact of tax law change	—	—		(357.1)	71.2	
Percentage depletion in excess of cost depletion	(97.6)	(19.9)		(109.1)	21.7	
Impact of foreign operations	(10.2)	(2.1)		65.2	(13.0)	
Income not subject to tax	(106.6)	(21.8)		(108.0)	21.5	
Goodwill impairment	20.5	4.2		202.2	(40.3)	
State taxes, net	5.6	1.1		7.3	(1.5)	
Manufacturer's deduction	(7.9)	(1.6)		(4.7)	0.9	
Valuation allowance	73.0	14.9		634.5	(126.5)	
Tax uncertainties	19.6	5.3		(14.8)	2.9	
Prior year adjustments made in current year	(11.4)	(3.6)		(5.7)	1.1	
Other items - net	2.9	0.6		(1.6)	0.4	
Income tax expense	$55.1	11.3	%	$255.9	(51.0)	%

In 2013, our income tax expense decreased by $200.8 million compared to 2012. The decrease in income tax expense year over year relates primarily to various items recorded in 2012 including the placement of a full valuation allowance on the asset related to the Alternative Minimum Tax credit, the effect of currency elections on remeasurement, and the goodwill impairment related to Bloom Lake. Additionally, we recorded approximately $11.4 million of tax benefit in 2013 related primarily to adjustments to prior-year current and deferred tax balances.

See NOTE 15 - INCOME TAXES for further information.

Equity Loss from Ventures

Equity loss from ventures for the year ended December 31, 2013 of $74.4 million compares to equity loss from ventures for the year ended December 31, 2012 of $404.8 million. The equity loss from ventures for the year ended December 31, 2013 primarily is comprised of the impairment charge of $67.6 million related to our 30 percent ownership interest in Amapá, the sale of which was approved by the Board of Directors in December 2012. The sale closed in the fourth quarter of 2013. The equity loss from ventures for 2012 was comprised primarily of an impairment charge of $365.4 million related to the sale of our ownership interest in Amapá. Additionally, our equity loss consisted of our share of operating losses of $4.9 million for the year ended December 31, 2013, compared with operating losses of $31.4 million for 2012. Amapá’s equity loss from operations in 2012 was attributable primarily to our share of a settlement charge taken in the third quarter of 2012 for the termination of a transportation agreement that resulted in a $10.2 million loss and a $5.5 million adjustment related to tax credits that we determined would not be realizable.

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Income and Gain on Sale from Discontinued Operations, net of tax

Income and Gain on Sale from Discontinued Operations, net of tax was comprised primarily of the gain on the sale of Sonoma and the loss on the operations of the 45 percent economic interest in the Sonoma joint venture coal mine for the year ended December 31, 2012. The sale of Sonoma resulted in a net gain of $38.0 million that was recorded upon the completion of the sale on November 12, 2012. The Sonoma joint venture operations resulted in a net loss of $2.1 million for the year ended December 31, 2012. Income from discontinued operations, net of tax in the current period relates to additional income tax benefit resulting from the actual tax gain from the sale of Sonoma included on the 2012 tax return, which was filed during the three months ended September 30, 2013.

Noncontrolling Interest

Noncontrolling interest primarily is comprised of our consolidated, but less-than-wholly owned subsidiaries at the Bloom Lake and Empire mining operations. The net loss attributable to the noncontrolling interest related to Bloom Lake was $66.5 million and $252.0 million for the years ended December 31, 2013 and 2012, respectively. The net loss in 2012 was driven by an impairment of goodwill of $997.3 million, of which $249.3 million was allocated to the noncontrolling interest.

The net income attributable to the noncontrolling interest related to the Empire mining venture was $20.7 million and $25.9 million for the years ended December 31, 2013 and 2012, respectively.

Results of Operations – Consolidated

2012 Compared to 2011

The following is a summary of our consolidated results of operations for the years ended December 31, 2012 and 2011:

	(In Millions)		
	2012	2011	Variance Favorable/ (Unfavorable)
Revenues from product sales and services	$5,872.7	$6,563.9	$(691.2)
Cost of goods sold and operating expenses	(4,700.6)	(3,953.0)	(747.6)
Sales margin	$1,172.1	$2,610.9	$(1,438.8)
Sales margin %	20.0%	39.8%	(19.8)%

Revenues from Product Sales and Services

Sales revenue for the year ended December 31, 2012 decreased $691.2 million, or 10.5 percent, from 2011. The decrease in sales revenue resulted primarily from lower market pricing for our products and the recording of negotiated favorable settlements with certain customers in 2011 that did not recur in 2012. The decrease in revenue was offset partially by higher sales volumes for the majority of our operating segments.

World benchmark pricing heavily influences our revenues each year. The Platts 62 percent Fe fines spot price for iron ore decreased 23.1 percent to an average price of $130 in 2012, which resulted in a decrease of $1,250.7 million of consolidated iron ore revenue in 2012 compared to the prior year. Our realized sales price for our U.S. Iron Ore operations was 15.7 percent lower per ton in 2012 compared to 2011, or a 10.7 percent decrease per ton excluding the impact of 2011 arbitration settlements. The realized sales price for our Eastern Canadian Iron Ore operations was on average 29.0 percent lower per metric ton, compared to the prior year. Our realized sales price for our Asia Pacific Iron Ore operating segment was on average 32.6 percent and 27.8 percent lower for lump and fines, respectively, over the prior year.

The decrease in revenue due to pricing was offset partially by higher sales volumes resulting in increased consolidated revenues of $601.2 million. Our North American Coal operating segment sales volumes increased 56.7 percent. The increase was primarily a result of increased inventory availability in 2012

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compared to 2011 as we experienced operational issues at Pinnacle mine and had extensive tornado damage at Oak Grove mine. Our Asia Pacific Iron Ore operating segment sales volumes increased 36.0 percent as a result of the completion of the Koolyanobbing expansion project, which provided additional ore processing and rail and port capabilities. Additionally, our Eastern Canadian Iron Ore sales volumes increased 20.7 percent as a result of incremental tonnage available as a result of our acquisition of Consolidated Thompson in May 2011. Offsetting the aforementioned volume increases was our U.S. Iron Ore operating segment, which had decreased sales volume of 10.8 percent as a result of lower year-over-year domestic demand.

In 2011, an additional $159.2 million of revenue was recognized at our U.S. Iron Ore operating segment resulting from the negotiated settlement we reached with ArcelorMittal USA. During 2011, we finalized the pricing on sales for Algoma's 2010 pellet nomination, which resulted in an additional $23.4 million of revenues.

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 year ended December 31, 2012 was $4,700.6 million, an increase of $747.6 million, or 18.9 percent, from 2011. Higher costs as a result of increased sales volumes resulted in increases of $239.3 million and $270.2 million at our Asia Pacific Iron Ore and North American Coal segments, respectively. The increase in the sales volumes at our Eastern Canadian Iron Ore operations as a result of the acquisition of Consolidated Thompson in May 2011 resulted in $168.6 million of additional incremental costs in 2012.

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 years ended December 31, 2012 and 2011:

	(In Millions)		
	2012	2011	Variance Favorable/ (Unfavorable)
Selling, general and administrative expenses	$(282.5)	$(248.3)	$(34.2)
Exploration costs	(142.8)	(80.5)	(62.3)
Impairment of goodwill and other long-lived assets	(1,049.9)	(27.8)	(1,022.1)
Consolidated Thompson acquisition costs	—	(25.4)	25.4
Miscellaneous - net	(5.7)	67.9	(73.6)
	$(1,480.9)	$(314.1)	$(1,166.8)

Selling, general and administrative expenses during the year ended December 31, 2012 increased $34.2 million, from 2011. The increase was due primarily to $12.7 million of additional cost associated with legal matters, $11.4 million of higher outside consulting and advisory services costs and $7.9 million of higher information technology and office-related costs.

Exploration costs increased by $62.3 million during the year ended December 31, 2012 from 2011, primarily due to increases in costs at our Global Exploration Group and our Ferroalloys operating segment. Our Global Exploration Group had cost increases of $18.0 million in 2012 over 2011, due to higher spending levels for certain projects that advanced in the stage of exploration activity. The spending for 2012 was comprised mainly of drilling and professional services expenditures. The increase of $33.7 million in 2012 at our Ferroalloys operating segment was comprised primarily of higher environmental and engineering costs and other feasibility study costs related to the Chromite Project as we advanced the project from the prefeasibility stage of development in 2011 to feasibility in 2012.

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During the fourth quarter of 2012, we performed our annual goodwill impairment assessments, and a goodwill impairment charge of $997.3 million was recorded for our CQIM reporting unit within the Eastern Canadian Iron Ore operating segment. The impairment charge for our CQIM reporting unit was driven by the project's lower than anticipated long-term profitability coupled with delays in achieving full operational capacity and higher capital and operating costs. Additionally, a goodwill impairment charge of $2.7 million was recorded for our Wabush reporting unit. This charge was primarily a result of downward adjustments to our long-term pricing estimates and higher operating costs due to lower production. In comparison, during 2011, upon performing our annual goodwill impairment test, a goodwill impairment charge of $27.8 million was recorded for our CLCC reporting unit within the North American Coal operating segment. The impairment charge for the CLCC reporting unit was driven by our overall outlook on coal pricing in light of economic conditions, increases in our anticipated costs to bring the Lower War Eagle mine into production and increases in our anticipated sustaining capital cost for the lives of the CLCC mines that currently are operating.

During 2011, we incurred acquisition costs related to our acquisition of Consolidated Thompson of $25.4 million, which were comprised primarily of investment banker fees and legal fees incurred throughout the negotiation and completion of the acquisition.

Miscellaneous – net decreased by $73.6 million during the year ended December 31, 2012 from 2011. A decrease of $23.2 million was due to the change in foreign exchange re-measurement on short-term intercompany notes, Australian bank accounts that are denominated in U.S. dollars and certain monetary financial assets and liabilities, which are denominated in something other than the functional currency of the entity. Various other contractual issues in our Eastern Canadian Iron Ore operating segment resulted in approximately $29.0 million of additional expense in 2012. Additionally, driven by the disposal of assets, we also recognized lower year-over-year gains of $17.9 million.

Other Income (Expense)

Following is a summary of other income (expense) for the years ended December 31, 2012 and 2011:

	(In Millions)		
	2012	2011	Variance Favorable/ (Unfavorable)
Changes in fair value of foreign currency contracts, net	$(0.1)	$101.9	$(102.0)
Interest expense, net	(195.6)	(206.2)	10.6
Other non-operating income (expense)	2.7	(2.0)	4.7
	$(193.0)	$(106.3)	$(86.7)

The favorable changes in the fair value of our foreign currency exchange contracts held as economic hedges during 2011 in the Statements of Consolidated Operations primarily were a result of hedging a portion of the purchase price for the acquisition of Consolidated Thompson by entering into Canadian dollar foreign currency exchange forward contracts and an option contract. The favorable changes in fair value of these Canadian dollar foreign currency exchange forward contracts and an option contract for the year ended December 31, 2011 resulted in net realized gains of $93.1 million, realized upon the maturity of the related contracts.

The decrease in interest expense in 2012 compared to 2011 was attributable mainly to $38.3 million related to the termination of the bridge credit facility during the year ended December 31, 2011. The decrease was offset partially by make-whole payments during 2012 when we repurchased $15.1 million five-year and seven-year private placement notes and a full year of interest expense on our $1.0 billion public offering of senior notes completed in two tranches in March and April 2011, resulting in an incremental increase of $12.5 million. Additionally, we capitalized interest of $15.4 million during the year ended December 31, 2012 compared to $1.7 million in 2011. See NOTE 10 - DEBT AND CREDIT FACILITIES for further information.

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Income Taxes

Our tax rate was 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 was affected by discrete items that may occur in any given year, but were not consistent from year to year. The following represents a summary of our tax provision and corresponding effective rates for the years ended December 31, 2012 and 2011:

	(In Millions)		
	2012	2011	Variance
Income tax expense	$(255.9)	$(407.7)	$151.8
Effective tax rate	(51.0)%	18.6 %	(69.6)%

Reconciliation of our income tax attributable to continuing operations computed at the U.S. federal statutory rate is as follows:

	(In Millions)			
	2012		2011	
Tax at U.S. statutory rate of 35 percent	$(175.6)	35.0 %	$766.7	35.0 %
Increases/(Decreases) due to:				
Foreign exchange remeasurement	62.3	(12.4)	(62.6)	(2.9)
Non-taxable loss (income) related to noncontrolling interests	61.0	(12.0)	(63.6)	(2.9)
Impact of tax law change	(357.1)	71.2	—	—
Percentage depletion in excess of cost depletion	(109.1)	21.7	(153.4)	(7.0)
Impact of foreign operations	65.2	(13.0)	(44.0)	(2.0)
Income not subject to tax	(108.0)	21.5	(67.5)	(3.1)
Goodwill impairment	202.2	(40.3)	—	—
Non-taxable hedging income	—	—	(32.4)	(1.5)
State taxes, net	7.3	(1.5)	7.5	0.3
Manufacturer's deduction	(4.7)	0.9	(11.9)	(0.5)
Valuation allowance	634.5	(126.5)	49.5	2.3
Tax uncertainties	(14.8)	2.9	17.7	0.8
Other items - net	(7.3)	1.5	1.7	0.1
Income tax expense	$255.9	(51.0)%	$407.7	18.6 %

In 2012, our income tax expense decreased by $151.8 million compared to 2011. The reduction in income tax was due primarily to a significant decrease in our global pre-tax book income combined with the impact of consistent permanent book tax differences, such as percentage depletion, on decreased global pre-tax book income as compared to the prior year. This reduction was offset, however, by other significant items that occurred throughout the year. We concluded that it was not more likely than not that the deferred tax asset related to the Alternative Minimum Tax Credit would be utilized and a full valuation allowance in the amount of $226.4 million was recorded in the fourth quarter. Annually in the fourth quarter, we evaluate our long range income forecasts; as this long range forecast was a critical data point, the Company updated its evaluation of its Alternative Minimum Tax Credit carryforward, concluding a full valuation allowance was required to state the credit at its net realizable value.

Additionally, currency elections made during 2012 impacted the remeasurement of deferred tax assets and liabilities resulting in a net tax expense of $60.5 million. Finally, the book goodwill impairment related to the Bloom Lake reporting unit in the amount of $997.3 million was non-deductible for tax purposes and as a result no tax benefit was recorded for this charge.

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The MRRT legislation was passed by the Australian Senate on March 19, 2012 and received Royal Assent on March 29, 2012, thereby enacting the law. The MRRT commenced on July 1, 2012 and broadly aims to tax existing and future iron ore and coal projects at an effective tax rate of 22.5 percent. As a result of the legislation, based on valuations and modeling carried out on our Australian projects, the starting base deferred tax asset was determined to be $357.1 million. We determined that this deferred tax asset was not realizable based upon updated long-range income forecasts and, as a result, a full valuation allowance was established. The net impact of MRRT to the results of operations for the full year 2012 was nominal. Additionally, based on current estimations of the MRRT, we expect that this tax will have no effect on our income tax expense for the life of our current Australian mining operations. See NOTE 15 - INCOME TAXES for further information.

Equity Income (Loss) from Ventures

Equity loss from ventures for the year ended December 31, 2012 of $404.8 million compares to equity income from ventures for the year ended December 31, 2011 of $9.7 million. The equity loss from ventures for 2012 was comprised primarily of an impairment charge of $365.4 million related to our 30 percent ownership interest in Amapá, the sale of which the Board approved in December 2012. The sale closed during the fourth quarter of 2013. Additionally, our equity loss consisted of our share of operating losses of $31.4 million for the year ended December 31, 2012, compared with operating income of $32.4 million for the same period in 2011. Amapá's equity loss from operations in 2012 was attributable primarily to our share of a settlement charge taken in the third quarter of 2012 for the termination of a transportation agreement that resulted in a $10.2 million loss and a $5.5 million adjustment related to tax credits that we determined would not be realizable. Additionally, although sales volumes exceeded the prior year, sales margin was lower primarily as a result of decreases in market pricing and sales mix. The equity income from Amapá for the year ended December 31, 2011 was offset partially by the impairment of $19.1 million recorded on our investment in AusQuest Limited in which, at December 31, 2011, we had a 30 percent ownership interest.

Income and Gain on Sale from Discontinued Operations, net of tax

Income and Gain on Sale from Discontinued Operations, net of tax was comprised of the gain on the sale of Sonoma, the loss on the operations of the 45 percent economic interest in Sonoma through the sale on November 12, 2012, and the loss on the operations at the renewaFUEL biomass production facility. The sale of Sonoma resulted in a net gain of $38.0 million that was recorded upon the completion of the sale on November 12, 2012. The Sonoma joint venture operations resulted in a net loss of $2.1 million and net income of $38.6 million for the years ended December 31, 2012 and 2011, respectively. The change in operations year-over-year mainly was attributed to unfavorable sales price and mix.

The renewaFUEL operations resulted in a loss of $0.1 million for the year ended December 31, 2012, compared to a loss of $18.5 million, net of $9.2 million in tax benefits for the year ended December 31, 2011, which included a $16.0 million impairment charge, taken to write down the renewaFUEL assets to fair value.

Noncontrolling Interest

Noncontrolling interest primarily was comprised of our consolidated, but less-than-wholly owned subsidiaries at Bloom Lake and the Empire mining operations. Bloom Lake experienced a net loss of $1,147.9 million, of which $252.0 million was attributable to the noncontrolling interest in 2012 compared to net income during 2011 of $186.8 million, of which $56.9 million was attributable to the noncontrolling interest. This net loss in 2012 was driven by an impairment of goodwill of $997.3 million, of which $249.3 million was allocated to the noncontrolling interest. This did not impact earnings comparably in 2011.

The Empire mining venture had net income of $116.9 million, of which $25.9 million was attributable to the noncontrolling interest in 2012. This compares to net income of $501.8 million during 2011, of which $136.6 million was attributable to the noncontrolling interest. The reduction was driven by the 2012 curtailed production and decreased year-over-year pricing.

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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 years ended December 31, 2013 and 2012:

(In Millions)

	Year Ended December 31,		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	$2,667.9	$2,723.3	$(24.5)	$(39.6)	$ —	$ 8.7	$(55.4)
Cost of goods sold and operating expenses	(1,766.0)	(1,747.1)	11.7	10.4	(32.3)	(8.7)	(18.9)
Sales margin	$901.9	$976.2	$(12.8)	$(29.2)	$ (32.3)	$ —	$(74.3)

Per Ton Information	Year Ended December 31, 2013	2012	Difference	Percent change
Realized product revenue rate[1]	$113.08	$114.29	$(1.21)	(1.1)%
Cost of goods sold and operating expense rate[1] (excluding DDA)	65.08	64.50	0.58	0.9 %
Depreciation, depletion & amortization	5.65	4.66	0.99	21.2 %
Total cost of goods sold and operating expense rate	70.73	69.16	1.57	2.3 %
Sales margin	$42.35	$45.13	$(2.78)	(6.2)%
Sales tons[2] (In thousands)	21,299	21,633		
Production tons[2] (In thousands)				
Total	27,234	29,526		
Cliffs' share of total	20,271	21,992		

[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 $901.9 million for the year ended December 31, 2013, compared with the sales margin of $976.2 million for the year ended December 31, 2012. The decline compared to the prior year is attributable

to a decrease in revenue of $55.4 million as well as an increase in cost of goods sold and operating expenses of $18.9 million. Sales margin per ton decreased 6.2 percent to $42.35 during the year ended December 31, 2013 compared to 2012.

Revenue decreased by $64.1 million, excluding the increase of $8.7 million of freight and reimbursements, from the prior year, predominantly due to:

•Lower sales volumes of 334 thousand tons or $39.6 million:

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Primarily driven by the expiration of one contract with a continuing customer, a lower full-year nomination by a customer, reduced tonnage with a customer due to their force majeure and the bankruptcy of one customer in 2012; and

- Partially offset by the placement of an additional 1.2 million export tons primarily due to pellet contracts transferred from Wabush as well as trial and spot cargoes in Europe during 2013 when compared to the prior year. We additionally benefited from additional customer demand, specifically additional spot contracts with a major customer in the Great Lakes region.

A decline in the average revenue rate, which resulted in a decrease of $24.5 million also was a contributing factor to the decrease in year-over-year revenues. The average year-to-date realized product revenue rate declined by $1.21 per ton or 1.1 percent to $113.08 per ton in 2013. This decline is a result of:

- Unfavorable customer mix impacted the realized revenue rates by $3 per ton primarily due to higher sales tonnage to overseas customers, which have lower realized revenue rates driven by additional transportation costs to move inventory from the U.S. Iron Ore mine locations to the international port locations in Quebec, which reduces our realized revenue rate per ton;
- Realized revenue rates were impacted negatively by $1 per ton as a result of discounts given during 2013 as a part of recently extended contracts; and
- Partially offset by one customer contract that increased the average rate by $3 per ton due to the reset of their contract base rate.

Cost of goods sold and operating expenses in 2013 increased $10.2 million, excluding the increase of $8.7 million of freight and reimbursements compared to the prior year, predominantly as a result of:

- Higher idle costs of $32.3 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, offset by;
- Lower sales volumes decreased costs by $10.4 million compared to the comparable prior-year period;
- Lower costs of $12.0 million attributable to timing of tolling cost distribution to Empire mine partner ArcelorMittal when compared to the prior year; and
- Lower costs of $11.6 million due to a reduction in electrical energy rates at Empire and Tilden mines as a result of switching energy suppliers, reduced contractor spend of $29.4 million and optimized maintenance spend of $21.1 million and partially offset by increased costs of $16.6 million due to higher rates for natural gas and supplies as well as increased costs of $17.5 million related to deeper pit hauls as compared to 2012.

Production

Cliffs' share of production in our U.S. Iron Ore segment decreased by 7.8 percent during the year ended December 31, 2013 when compared to 2012. As previously announced, beginning on January 5, 2013, we idled two of the four furnaces at the Northshore mine, resulting in decreased production of 1.4 million tons when compared to the year ended December 31, 2012. During the first quarter of 2014, we plan to restart the two idled furnaces, which we expect will increase production by 1.3 million tons in 2014.

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Eastern Canadian Iron Ore

The following is a summary of Eastern Canadian Iron Ore results for the years ended December 31, 2013 and 2012:

(In Millions)

	Year Ended December 31,		Change due to:					
	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	$978.7	$1,008.9	$27.7	$(57.9)	$—	$—	$—	$(30.2)
Cost of goods sold and operating expenses	(1,082.0)	(1,130.3)	32.1	53.4	26.3	(72.5)	9.0	48.3
Sales margin	$(103.3)	$(121.4)	$59.8	$(4.5)	$26.3	$(72.5)	$9.0	$18.1

Per Ton Information	Year Ended December 31, 2013	2012	Difference	Percent change
Realized product revenue rate	$114.45	$112.93	$1.52	1.3 %
Cost of goods sold and operating expense rate (excluding DDA)	105.66	108.59	(2.93)	(2.7)%
Depreciation, depletion & amortization	20.87	17.93	2.94	16.4 %
Total cost of goods sold and operating expense rate	126.53	126.52	0.01	— %
Sales margin	$(12.08)	$(13.59)	$1.51	n/m
Sales tons[1] (In thousands)	8,551	8,934		
Production tons[1] (In thousands)	8,655	8,515		

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

We reported a sales margin loss for our Eastern Canadian Iron Ore segment of $103.3 million for the year ended December 31, 2013, compared with a sales margin loss of $121.4 million for the year ended December 31, 2012. Sales margin per metric ton improved to a loss of $12.08 per metric ton for the year ended December 31, 2013 compared to a sales margin loss of $13.59 per metric ton for 2012.

Revenue decreased by $30.2 million for the year ended December 31, 2013 when compared to prior year, primarily due to:

- Lower sales volumes of 383 thousand metric tons. The reduction in tons sold resulted in a decrease to revenue of $57.9 million, which is related primarily to the transition and idling of pellet production at the Wabush Scully mine as pellet sales decreased by 1.7 million metric tons period-over-period, offset partially by the sale of 1.4 million more metric tons of Wabush Scully mine sinter feed in 2013 compared with 2012; and
- Partially offset by the increase to the average revenue rate, which resulted in an increase of $27.7 million, driven by changes in spot market pricing offset by lower pellet premiums due to a shift in product mix, primarily as a result of: An increase to the Platts 62 percent Fe spot rate to an average of $135 per metric ton from $130 per metric ton in the prior year resulted in an increase of $5 per metric ton.

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An increase due to favorable provisional pricing adjustments related to prior-year sales and higher premiums for iron content in comparison to the prior year, increasing the average revenue rate by $2 per metric ton and $1 per metric ton, respectively;

Offset by a change in product mix as our Eastern Canadian Iron Ore segment ceased pellet production at our Wabush facility in June 2013 and is only producing sinter feed. Pellet sales will continue to decrease as a percentage of the product mix in the future. During 2013, 17 percent of products sold were pellets, compared to 36 percent in the prior year, which resulted in the realized revenue rate decreasing by $4 per metric ton due to lower average pellet premiums; and

Further offset by timing impacts of a negative $2 per metric ton period over period, primarily due to approximately 300 thousand metric tons of carryover pellets that were in sold in 2012 and based on 2011 contract pricing, which was substantially higher due to 2011 full-year market pricing.

Cost of goods sold and operating expenses during the year ended December 31, 2013 decreased from 2012 by $48.3 million primarily due to:

- Lower sales volumes at the Wabush and Bloom Lake facilities resulting in decreased costs of $50.3 million and $3.1 million, respectively, compared to the prior year;
- Incremental idle production costs at our Wabush operations of $26.3 million in 2012 that did not recur;
- Favorable foreign exchange rate variances of $9.0 million; and
- Partially offset by inventory write-downs primarily at our Wabush mine of $68.0 million related to a supplies inventory write-down of $29.7 million, lower-of-cost-or-market charges of $19.8 million and unsaleable inventory impairment charges of $18.5 million recorded during 2013.

Production

The Bloom Lake facility produced 5.9 million and 5.4 million metric tons of iron ore concentrate during the years ended December 31, 2013 and 2012, respectively. During the first quarter of 2014, we announced that we are exploring various strategic alternatives for our Bloom Lake mine. In the short term, we will continue to operate Bloom Lake mine Phase I operations on a reduced tailings and water management capital plan. We will continue to evaluate and will idle temporarily the operations if the pricing and operating costs justify such an alternative action. As a result, the Phase II expansion project remains on hold.

Production at the Wabush facility was 2.8 million and 3.1 million metric tons during the years ended December 31, 2013 and 2012, respectively. Due to high production costs and lower pellet premium pricing, we idled production at our Pointe Noire iron ore pellet plant and transitioned to producing an iron ore concentrate product from our Wabush Scully mine during June 2013. During the first quarter of 2014, we announced our plan to idle our Wabush mine in Newfoundland and Labrador by the end of the first quarter of 2014. The idle is being driven by the unsustainable high cost structure, which results in operations that are not economically viable to run over time.

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Asia Pacific Iron Ore

The following is a summary of Asia Pacific Iron Ore results for the years ended December 31, 2013 and 2012:

(In Millions)

	Year Ended December 31,		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	$1,224.3	$1,259.3	$39.5	$(0.2)	$(77.0)	$2.7	$(35.0)
Cost of goods sold and operating expenses	(857.2)	(948.3)	(22.2)	0.2	51.2	61.9	91.1
Sales margin	$367.1	$311.0	$17.3	$—	$(25.8)	$64.6	$56.1

	Year Ended December 31,			
Per Ton Information	2013	2012	Difference	Percent change
Realized product revenue rate	$110.87	$107.81	$3.06	2.8 %
Cost of goods sold and operating expense rate (excluding DDA)	63.71	68.18	(4.47)	(6.6)%
Depreciation, depletion & amortization	13.92	13.00	0.92	7.1 %
Total cost of goods sold and operating expense rate	77.63	81.18	(3.55)	(4.4)%
Sales margin	$33.24	$26.63	$6.61	24.8 %
Sales tons[1] (In thousands)	11,043	11,681		
Production tons[1] (In thousands)	11,109	11,260		

[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 our Asia Pacific Iron Ore segment increased to $367.1 million during the year ended December 31, 2013 compared with $311.0 million for the same period in 2012. Sales margin per metric ton increased 24.8 percent to $33.24 per metric ton in 2013 compared to 2012.

Revenue decreased by $35.0 million during the year ended December 31, 2013 over the prior year primarily as a result of:

- The completion of the mining of Stage 3 at Cockatoo and the sale of our interest at the end of the third quarter of 2012, resulting in a revenue decrease of $77.0 million or 636 thousand metric tons compared to the prior year; and
- These decreases were offset partially by an increase in our realized product revenue rate for the year ended December 31, 2013 that resulted in an increase of $39.5 million or 2.8 percent on a per-ton basis. This increase is driven mainly by:

The Platts 62 percent Fe index increased to an average of $135 per metric ton from $130 per metric ton during the prior year, which positively impacted the revenue rate resulting in an increase of $56.6 million or $5 per metric ton to our realized revenue rate;

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The low-grade iron ore sales campaign in 2012 that did not recur in 2013, which positively impacted the revenue rate variance resulting in an increase of $40.6 million or $4 per metric ton; and

Offset by a reduction to our realized revenue rate due to:

Unfavorable change in foreign exchange contract hedging impacts of $26.7 million or $2 per metric ton period over period; and

Lower iron ore content on standard product in 2013 resulting in a reduction of realized product revenue rate of $22.7 million or $2 per metric ton.

Cost of goods sold and operating expenses in the year ended December 31, 2013 decreased $91.1 million compared to 2012 primarily as a result of:

- The completion of the mining of Stage 3 at Cockatoo and the sale of our interest at the end of the third quarter of 2012, resulting in a decrease in costs of $51.2 million in 2013 compared to the prior year;
- Favorable foreign exchange rate variances of $61.9 million or $6 per metric ton; and
- Partially offset by higher logistics costs of $29.6 million mainly attributable to higher railed tons and higher ship-loading handling charges in 2013 slightly mitigated by lower mining and crushing costs of $6.6 million due to improved efficiencies.

Production

Production at our Asia Pacific Iron Ore segment decreased 151 thousand metric tons or 1.3 percent during the year ended December 31, 2013 when compared to 2012. We completed the mining of Stage 3 at Cockatoo and sold our interest during the third quarter of 2012, resulting in a decrease of 590 thousand metric tons in total production during the year 2013 compared to 2012. The decrease was offset partially by the increased production of 439 thousand metric tons at Koolyanobbing in 2013 resulting from the completion of the Koolyanobbing expansion project during mid-2012, which provided additional ore processing and rail and port capabilities that drove performance increases at this mine.

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North American Coal

The following is a summary of North American Coal results for the years ended December 31, 2013 and 2012:

(In Millions)

	Year Ended December 31,		Change due to:			
	2013	2012	Revenue and cost rate	Sales volume	Freight and reimbursement	Total change
Revenues from product sales and services	$821.9	$881.1	$(135.1)	$91.1	$ (15.2)	$(59.2)
Cost of goods sold and operating expenses	(836.4)	(882.9)	122.1	(90.8)	15.2	46.5
Sales margin	$(14.5)	$(1.8)	$(13.0)	$0.3	$ —	$(12.7)

Per Ton Information	Year Ended December 31, 2013	2012	Difference	Percent change
Realized product revenue rate[1]	$101.20	$119.79	$(18.59)	(15.5)%
Cost of goods sold and operating expense rate[1] (excluding DDA)	85.47	104.99	(19.52)	(18.6)%
Depreciation, depletion & amortization	17.72	15.08	2.64	17.5 %
Total cost of goods sold and operating expense rate	103.19	120.07	(16.88)	(14.1)%
Sales margin	$(1.99)	$(0.28)	$(1.71)	n/m
Sales tons[2] (In thousands)	7,274	6,512		
Production tons[2] (In thousands)	7,221	6,394		

[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 the North American Coal segment decreased to a loss of $14.5 million during the year ended December 31, 2013, compared to a sales margin loss of $1.8 million during the year ended December 31, 2012. Sales margin per ton decreased to a loss of $1.99 per ton in 2013 compared to a sales margin loss of $0.28 per ton in the prior year.

Revenues from product sales and services were $821.9 million, which is a decrease of $44.0 million over the prior-year period, excluding the decrease of $15.2 million of freight and reimbursements, predominantly due to:

- A decrease in our realized product revenue rate of $135.1 million or 15.5 percent on a per-ton basis for the year ended December 31, 2013. This decline is a result of:
  - The downward trend in market pricing period over period, including a 24 percent decrease in the quarterly benchmark price, partially mitigated by annually priced contracts, carryover contracts and product mix from our high-volatile metallurgical coal; and
  - Slightly offset by a shift in product sales mix. The sales mix for low-volatile metallurgical, high-volatile metallurgical and thermal coal was 69.6 percent, 21.6 percent and 8.8 percent, respectively, in 2013 compared to 68.1 percent, 19.9 percent and 12.0 percent, respectively, for 2012. The total mix impact was favorable by $1 per ton based on the higher price of low-volatile coal and lower rates for thermal coal.

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- Partially offset by a sales volume increase of 762 thousand tons or 11.7 percent during the year ended December 31, 2013 in comparison to the prior year resulted in an increase in revenue of $91.1 million, primarily due to:
  - Increases in low-volatile and high-volatile metallurgical coal sales of 907 thousand tons in 2013 due to increased production volumes when compared to the prior year and the force majeure related to the April 2011 tornado that extended into April 2012; and
  - Partially offset by a reduction in thermal coal sales of 145 thousand tons due to reduced market demand.

Cost of goods sold and operating expenses in 2013 decreased $31.3 million, excluding the decrease of $15.2 million of freight and reimbursements from the comparable period in the prior year, predominantly as a result of:

- Decreased costs related to labor of approximately $40.0 million and maintenance and external services of approximately $75.0 million at our mines with full operating production in 2012 and 2013 due to reduced headcount, cost savings measures and more effective operating efficiency;
- Favorable variance in the lower-of-cost-or-market inventory charge of $13.3 million in comparison to the prior-year period as the lower-of-cost-or-market inventory charges at December 31, 2013 and 2012 were $11.1 million and $24.4 million, respectively; and
- Partially offset by higher sales volume attributable to additional low-volatile and high-volatile metallurgical coal sales, as discussed above, resulted in an additional $90.8 million of costs; and
- The accelerated closure of the Dingess-Chilton mine during the first quarter of 2013 and Lower War Eagle mine moving into the production stage of mining in November 2012 resulted in the recording of $18.0 million or $2 per ton of additional depreciation and depletion during 2013.

Production

Production of low- and high-volatile metallurgical coal increased 18.2 percent in 2013 compared to 2012. Low-volatile production increased 803 thousand tons over the prior year due to improved operating efficiency. High-volatile metallurgical coal production levels in 2013 increased 212 thousand tons or 16.3 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. Beginning in the second quarter of 2012 and continuing through 2013, we experienced a decline in demand for thermal coal. Accordingly, over this time period, we reduced production at our thermal mine to one shift to align production with customer demands. This resulted in reduced production of 188 thousand tons in 2013 compared to 2012. Due to increased thermal coal demand in 2014, we will increase production at our thermal coal mine to two shifts beginning in the first quarter of 2014 to align production with 2014 customer demand.

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2012 Compared to 2011

U.S. Iron Ore

Following is a summary of U.S. Iron Ore results for the years ended December 31, 2012 and 2011:

	(In Millions)							
	Year Ended December 31,		Change due to					
	2012	2011	ArcelorMittal Settlement	Sales Price and Rate	Sales Volume	Idle cost/Production volume variance	Freight and reimburse-ment	Total change
Revenues from product sales and services	$2,723.3	$3,509.9	$(159.2)	$(299.3)	$(354.7)	$ —	$ 26.6	$(786.6)
Cost of goods sold and operating expenses	(1,747.1)	(1,830.6)	—	(41.6)	175.1	(23.4)	(26.6)	83.5
Sales margin	$976.2	$1,679.3	$(159.2)	$(340.9)	$(179.6)	$ (23.4)	$ —	$(703.1)

	Year Ended December 31,			
Per Ton Information	2012	2011	Difference	Percent change
Realized product revenue rate[1]	$114.29	$135.53	$(21.24)	(15.7)%
Cost of goods sold and operating expenses rate[1] (excluding DDA)	64.50	62.70	1.80	2.9 %
Depreciation, depletion & amortization	4.66	3.56	1.10	30.9 %
Total cost of goods sold and operating expenses rate	69.16	66.26	2.90	4.4 %
Sales margin	$45.13	$69.27	$(24.14)	(34.8)%
Sales tons [2]	21,633	24,243		
Production tons [2]:				
Total	29,527	30,966		
Cliffs' share of total	21,992	23,681		

[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 $976.2 million for the year ended December 31, 2012, compared with a sales margin of $1,679.3 million for the year ended December 31, 2011. The decline compared to the prior year was attributable to a decrease in revenue of $786.6 million, offset by a slight decrease in cost of goods sold and operating

expenses of $83.5 million. A decrease in revenue of $299.3 million for the year ended December 31, 2012 was a result of a decreased sales price due to changes in the market, as previously discussed, compared to the prior year. The decrease in revenue also was impacted by the ArcelorMittal USA price re-opener settlement, which caused revenue to increase $159.2 million in 2011. Additionally, the Algoma 2010 nomination sales price “true-up” arbitration agreement resulted in an additional $23.4 million of revenue in 2011. Our realized sales price during the year ended December 31, 2012 was an average decrease per ton of 15.7 percent over 2011, or an average decrease per ton of 10.7 percent, excluding the impact of the arbitration settlements.

Sales volumes decreased by $354.7 million in 2012 over 2011 primarily due to lower year-over-year domestic demand, the majority of the decline resulting from specific customer financial difficulties. We had not delivered this tonnage in the export market, due to reductions in market pricing.

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Cost of goods sold and operating expenses in 2012 decreased $110.1 million, excluding the increase of $26.6 million of freight and reimbursements from the prior year, predominantly as a result of:

- Lower sales volumes that resulted in decreased costs of $175.1 million compared to the prior year; and
- Partially offset by increased costs of $41.6 million in our pellet operation primarily caused by increased production costs which was mainly triggered by higher labor costs of $28.1 million driven by pension, OPEB and profit sharing rate increases and an increase of $24.8 million related to mine development at our Michigan operations. The increased costs were offset partially by the sale of fines at our Michigan operations.

Production

Four of the five U.S. Iron Ore mines primarily operated at full capacity during the year ended December 31, 2012 to ensure that we were positioned to meet customer demand. We curtailed production at the Empire mine near the end of the second quarter of 2012 as a result of decreased demand by one of our customers that resulted in a decrease in Empire's production of 57.6 percent during the year ended December 31, 2012 as compared to the year ended December 31, 2011. Production at Empire resumed late in the third quarter of 2012.

During the year ended December 31, 2012, our Northshore mine production was impacted negatively by unforeseen power outages as well as infrastructure failures due to storms that resulted in a decrease in Northshore’s production of 8.5 percent during the year ended December 31, 2012 as compared to the year ended December 31, 2011.

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Eastern Canadian Iron Ore

Following is a summary of Eastern Canadian Iron Ore results for the years ended December 31, 2012 and 2011:

	(In Millions)						
	Year Ended December 31,		Change due to				
	2012	2011 [1]	Sales Price and Rate	Sales Volume	Idle cost / Production volume variance	Exchange Rate	Total change
Revenues from product sales and services	$1,008.9	$1,178.1	$(387.4)	$218.2	$—	$—	$(169.2)
Cost of goods sold and operating expenses	(1,130.3)	(887.2)	(130.8)	(136.5)	13.8	10.4	(243.1)
Sales margin	$(121.4)	$290.9	$(518.2)	$81.7	$13.8	$10.4	$(412.3)

	Year Ended December 31,			
Per Ton Information	2012	2011	Difference	Percent change
Realized product revenue rate	$112.93	$159.12	$(46.19)	(29.0)%
Cost of goods sold and operating expenses rate (excluding DDA)	108.59	94.92	13.67	14.4 %
Inventory step-up	—	8.08	(8.08)	n/m
Depreciation, depletion & amortization	17.93	16.83	1.10	6.5 %
Total cost of goods sold and operating expenses rate	126.52	119.83	6.69	5.6 %
Sales margin	$(13.59)	$39.29	$(52.88)	(134.6)%
Sales metric tons [2]	8,934	7,404		
Production metric tons [2]	8,515	6,909		

[1] Consolidated Thompson was acquired on May 12, 2011.

[2] Metric tons (2,205 pounds).

We reported sales margin loss for Eastern Canadian Iron Ore of $121.4 million for the year ended December 31, 2012, compared with a sales margin of $290.9 million for the year ended December 31, 2011. The reduction, compared with the prior year, was attributable to lower realized sales price while experiencing increased costs. Eastern Canadian Iron Ore sold 8.9 million metric tons during the year ended December 31, 2012 compared with 7.4 million metric tons in 2011. This increase in sales volume was attributable directly to 1.8 million metric tons of incremental sales in 2012 due to the acquisition of Consolidated Thompson in May 2011, resulting in $267.7 million of additional sales volume revenue for the year ended December 31, 2012. The increased sales volumes provided through the acquisition were offset partially by lower sales volumes at Wabush due to reduced customer nominations and production shortfalls associated with equipment failure downtime during the year ended December 31, 2012. This resulted in a reduction of revenue of $49.5 million compared to the year ended December 31, 2011. In addition, sales price decreased by $387.4 million when compared to 2011. The Eastern Canadian Iron Ore realized sales price was, on average, a 29.0 percent decrease per metric ton, primarily due to a decrease in the Platts benchmark pricing, as previously discussed, compared to the same period in 2011. Although sales price had the most significant impact on our revenues, we also sold a higher mix of concentrate product, which generally realizes a lower sales price than iron ore pellets.

Higher cost of goods sold and operating expenses during the year ended December 31, 2012 increased from 2011 by $243.1 million primarily due to:

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- Significant increase in sales volume as a result of the acquisition of Consolidated Thompson in May 2011, resulting in $168.6 million of additional cost for the year ended December 31, 2012, partially offset by lower Wabush pellet sales volumes, which resulted in lower costs of $32.1 million compared to 2011;
- Increased costs of $112.2 million in our concentrate operation primarily caused by increased production costs, which were mainly triggered by higher spending of $79.7 million on contractors and repairs and maintenance, an increase of $16.0 million caused by higher mine development and $5.7 million of increased rail transportation charges;
- Increased costs of $78.3 million in our pellet operation primarily caused by increased production costs, which were mainly triggered by higher spending of $38.6 million on contractors and repairs and maintenance, an increase of $20.9 million caused by lower concentrator throughput and $10.7 million of increased energy costs; and
- The year-over-year cost increase was offset partially by the non-recurring adjustment recorded in 2011 in which we amortized an additional $59.8 million of stepped-up value of inventory that resulted from the purchase accounting for the acquisition of Consolidated Thompson.

Production

The increase in production levels over the prior year was the result of the incremental tonnage available from the Bloom Lake operations from our acquisition of Consolidated Thompson in May 2011 offset by decreased production at the Wabush Scully mine. The Bloom Lake facility produced 5.4 million metric tons of iron ore concentrate during the year ended December 31, 2012 compared to 3.5 million metric tons in our ownership period in 2011. Production at the Wabush facility declined to 3.1 million metric tons of iron ore pellets in 2012 compared to 3.4 million metric tons during 2011 as a result of lower throughput due to challenging ore characterization and operational issues that resulted in downtime for maintenance and repairs during the year ended December 31, 2012 as compared to 2011.

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Asia Pacific Iron Ore

Following is a summary of Asia Pacific Iron Ore results for the years ended December 31, 2012 and 2011:

	(In Millions)					
	Year Ended December 31,		Change due to			
	2012	2011	Sales Price and Rate	Sales Volume	Exchange Rate	Total change
Revenues from product sales and services	$1,259.3	$1,363.5	$(564.0)	$457.7	$2.1	$(104.2)
Cost of goods sold and operating expenses	(948.3)	(664.0)	(41.7)	(239.3)	(3.3)	(284.3)
Sales margin	$311.0	$699.5	$(605.7)	$218.4	$(1.2)	$(388.5)

	Year Ended December 31,			
Per Ton Information	2012	2011	Difference	Percent change
Realized product revenue rate	$107.81	$158.77	$(50.96)	(32.1)%
Cost of goods sold and operating expenses rate (excluding DDA)	68.18	65.57	2.61	4.0 %
Depreciation, depletion & amortization	13.00	11.75	1.25	10.6 %
Total cost of goods sold and operating expenses rate	81.18	77.32	3.86	5.0 %
Sales margin	$26.63	$81.45	$(54.82)	(67.3)%
Sales metric tons [1]	11,681	8,588		
Production metric tons [1]	11,260	8,922		

[1] Metric tons (2,205 pounds). Cockatoo Island production and sales reflects our 50 percent share.

Sales margin for Asia Pacific Iron Ore decreased to $311.0 million during the year ended December 31, 2012 compared with $699.5 million for 2011. Revenue decreased in 2012 primarily as a result of a decrease in the Platts market benchmark pricing for iron ore in comparison to 2011 and was offset partially by higher sales volume. The change in our realized price for the year ended December 31, 2012 compared to 2011 was on average a 32.6 percent and 27.8 percent decrease per metric ton for our standard lump and fines, respectively. Additionally, due to limited standard grade ore product availability during 2012, we processed and shipped low-grade iron ore product. During the year ended December 31, 2012, we shipped approximately 1.3 million metric tons of low-grade iron ore. The average realized price for the low-grade iron ore was approximately 29.9 percent lower than the sales price of our standard iron ore sold during the year ended December 31, 2012.

Sales volume during the year ended December 31, 2012 increased to 11.7 million metric tons compared with 8.6 million metric tons in 2011, resulting in an increase in revenue of $457.7 million. Increased port and rail capacity made available through the completion of our Koolyanobbing expansion project allowed more tonnage to be shipped. These shipments included an additional 1.8 million metric tons of standard lump and fines and 1.3 million metric tons of low-grade iron ore product in 2012 over the prior year.

Cost of goods sold and operating expenses in 2012 increased $284.3 million compared to 2011 primarily as a result of:

- Higher sales volumes resulting in higher costs of $239.3 million compared to prior year;

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- Higher mining costs of $53.0 million mainly attributable to increased volume and stripping costs and higher logistic costs of $24.6 million due to higher haulage and railed tons compared to the prior year;
- Higher depreciation costs of $22.9 million mainly attributable to increased fixed assets related to the Koolyanobbing expansion project; and
- Partially offset by lower royalties of $35.3 million and lower Cockatoo Island mining costs in 2012 of $24.5 million due to the winding down of Stage 3 mining.

Production

Production at Asia Pacific Iron Ore increased by 26.2 percent in 2012 when compared to 2011. The completion of the Koolyanobbing expansion project provided additional ore processing and rail and port capabilities that drove this performance increase. Koolyanobbing production increased 29.6 percent which included approximately 1.3 million metric tons of low-grade iron ore during the year ended December 31, 2012. We completed the mining of Stage III and sold our interest in Cockatoo Island at the end of the third quarter of 2012 which resulted in a decrease of 14.6 percent in total production during 2012 compared to 2011.

North American Coal

Following is a summary of North American Coal results for the years ended December 31, 2012 and 2011:

	(In Millions)						
			Change Due to				
	Year Ended December 31,		Sales Price and Rate	Sales Volume	Idle cost / Production volume variance	Freight and reimbursement	Total change
	2012	2011					
Revenues from product sales and services	$881.1	$512.1	$6.3	$280.0	$—	$82.7	$369.0
Cost of goods sold and operating expenses	(882.9)	(570.5)	(17.5)	(270.2)	58.0	(82.7)	(312.4)
Sales margin	$(1.8)	$(58.4)	$(11.2)	$9.8	$58.0	$—	$56.6

	Year Ended December 31,			
Per Ton Information	2012	2011	Difference	Percent change
Realized product revenue rate[1]	$119.79	$118.82	$0.97	0.8 %
Cost of goods sold and operating expenses rate[1] (excluding DDA)	104.99	112.05	(7.06)	(6.3)%
Depreciation, depletion & amortization	15.08	20.81	(5.73)	(27.5)%
Total cost of goods sold and operating expenses rate	120.07	132.86	(12.79)	(9.6)%
Sales margin	$(0.28)	$(14.04)	$13.76	(98.0)%
Sales tons [2]	6,512	4,156		
Production tons [2]	6,394	5,035		

[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 a loss of $1.8 million during the year ended December 31, 2012, compared to the loss of $58.4 million in 2011. Revenue during the year ended December 31, 2012 increased 72.1

percent over the prior year period to $881.1 million primarily due to higher sales

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volumes during 2012. North American Coal sold 6.5 million tons during the year ended December 31, 2012 compared with 4.2 million tons in 2011, resulting in an increase in revenue of $280.0 million. Increased inventory availability and sales volume in 2012 was a result of the 2011 operational issues at Pinnacle mine and tornado damage at Oak Grove mine, plus strong production performance in 2012 compared to the prior year. Our realized price for the year ended December 31, 2012 at our North American Coal operating segment remained flat in comparison to 2011. Product sales mix for low-volatile, high-volatile and thermal coal were 68.1 percent, 19.9 percent and 12.0 percent, respectively, in 2012 compared to 38.6 percent, 31.4 percent and 30.0 percent for the comparable period in 2011. The realized sales price per ton was, on average, a 13.8 percent decrease, 4.1 percent decrease and 5.5 percent increase for low-volatile, high-volatile and thermal coal, respectively, over the prior year.

Cost of goods sold and operating expenses in 2012 increased $229.7 million, excluding the increase of $82.7 million of freight and reimbursements from the prior year, predominantly as a result of:

- Higher sales volume attributable to additional low-volatile metallurgical coal sales, as discussed above, resulting in a cost increase of $270.2 million;
- Increase in costs due to a $24.4 million LCM inventory write-down primarily driven by a softening market in both low- and high-volatility metallurgical coal; and
- During the year ended December 31, 2011, fixed costs of $58.0 million being recorded as idle costs as there were operational issues caused by carbon monoxide at the Pinnacle mine and the effects of the April 2011 tornado at Oak Grove mine, which both resulted in temporary production curtailments. These fixed costs would have been included in the rate during 2012 as we did not experience similar temporary production curtailments.

Production

Increased low-volatile metallurgical coal production levels in 2012 were achieved at the Pinnacle and Oak Grove mines. Pinnacle mine’s increased production of 81.1 percent compared to the prior year was a result of positive longwall production performance during 2012 and depressed production in the prior year due to elevated carbon monoxide levels. Oak Grove mine’s production levels for the year ended December 31, 2012 increased by 57.2 percent due mainly to the installation of a new longwall shearer during 2012. Additionally, Oak Grove mine’s preparation plant was impacted negatively by the effects of the April 2011 tornado. The production levels at the Oak Grove preparation plant resumed operating at partial capacity in January 2012 and reached normal operating levels during April 2012.

High-volatile metallurgical coal production levels at CLCC in 2012 remained consistent in comparison to 2011.

During 2012, we experienced a decline in the demand for thermal coal used in power generation. 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.

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 to slightly exceed our budgeted capital expenditures, dividends and other cash requirements. We maintain adequate liquidity via financing arrangements to fund our normal business operations and strategic initiatives. Based on current market conditions, we expect to be able to fund these requirements for at least the next 12 months through operations and our existing credit facility.

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

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The following discussion summarizes the significant activities impacting our cash flows during 2013 as well as those expected to impact our future cash flows over the next 12 months. Refer to the Statements of Consolidated Cash Flows for additional information.

Operating Activities

Net cash provided by operating activities improved to $1,145.9 million for the year ended December 31, 2013, compared to cash provided by operating activities of $514.5 million for 2012. The increase in operating cash flow in 2013 primarily was due to the timing of payments related to 2011 income taxes in early 2012, other changes in working capital and reduced exploration and selling, general and administrative costs.

Our long-term outlook remains stable, although we have and plan to continue to respond to the uncertain near-term outlook by adjusting our operating strategy as market conditions change. Throughout 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 U.S.. 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 order to react to fluctuations in pricing due to global economic growth or contraction, change in demand for steel or changes in availability of supply.

On February 11, 2014, the Company announced its plan to idle its Wabush mine in Newfoundland and Labrador by the end of the first quarter of 2014. Estimated impact of the idling is expected to include idling costs, employment-related expenditures and contract costs of approximately $100 million in 2014.

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 December 31, 2013 was $151.0 million, or approximately 45.0 percent of our consolidated total cash and cash equivalents balance of $335.5 million. As of December 31, 2013, we had full availability on our borrowing capacity of our $1.75 billion U.S.-based revolving credit facility. This compares to available borrowing capacity of $504.9 million under this revolving credit facility due to covenant restrictions at December 31, 2012. 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 $811.3 million for the year ended December 31, 2013, compared with $961.8 million for the comparable period in 2012.

We had capital expenditures of $861.6 million and $1,127.5 million for the years ended December 31, 2013 and 2012, respectively. Our main capital investment 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 $426 million and approximately $475 million during the years ended December 31, 2013 and 2012, respectively. In addition, the expenditures for the Bloom Lake tailings and water management system totaled $191 million and $99 million in 2013 and 2012, respectively. On February 11, 2014, we announced that we are indefinitely suspending Phase II expansion at our Bloom Lake mine. In the short term, we will continue to operate Bloom Lake mine Phase I operations on a reduced tailings and water management capital plan. We also announced that we would idle the Phase I operations if pricing significantly decreases for an extended period of time.

Additionally, we spent approximately $203 million and $329 million globally on expenditures related to sustaining capital excluding Bloom Lake tailings and water management in 2013 and 2012, respectively. Sustaining capital spend includes infrastructure, mobile equipment, environmental, safety, fixed equipment, product quality and health.

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In alignment with our strategy to focus on allocating capital in a prudent balance among key priorities related to liquidity management, business investment and increasing long-term shareholder value, we anticipate total cash used for capital expenditures in 2014 to be approximately $375 million to $425 million. This includes approximately $64 million in cash carryover capital, with the remainder comprised of sustaining and permission to operate capital. This significantly lower year-over-year capital expenditure budget will position the Company to generate meaningfully more free cash flow versus prior years.

Financing Activities

Net cash used by financing activities during 2013 was $171.9 million, compared to net cash provided by financing activities of $119.6 million for 2012. We completed a public offering of 10.35 million of our common shares in February 2013. The net proceeds from the offering were approximately $285.3 million at a sales price to the public of $29 per share. We also issued 29.25 million depositary shares for total net proceeds of approximately $709.4 million, after underwriting fees and discounts. A portion of the net proceeds from the share offerings were used to repay the $847.1 million outstanding under the term loan.

Additionally, cash provided by financing activities during 2013 included proceeds from equipment loans of $164.8 million, offset by net borrowings and repayments under the credit facility of $325.0 million and dividend distributions of $127.6 million. During the first quarter of 2013, the Board of Directors approved a reduction to the quarterly dividend to $0.15 per share. Quarterly dividends at the new rate were payable on March 1, 2013, June 3, 2013, September 3, 2013 and December 2, 2013. Additionally, we have dividends payable on our preferred shares, which are represented by our depositary shares, at an annual rate of 7.00 percent on the liquidation preference of $1,000 per preferred share (or the equivalent of $25 per depositary share). The declared quarterly cash dividends were payable on May 1, 2013, August 1, 2013 and November 1, 2013.

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The following represents our future cash commitments and contractual obligations as of December 31, 2013:

	Payments Due by Period [1] (In Millions)				
Contractual Obligations	Total	Less than 1 Year	1 - 3 Year	3 - 5 Year	More Than 5 Years
Long-term debt	$3,061.7	$20.9	$44.5	$548.2	$2,448.1
Interest on debt [2]	2,039.7	157.6	312.6	299.0	1,270.5
Operating lease obligations	69.9	20.0	21.2	14.0	14.7
Capital lease obligations	263.9	64.2	120.5	47.0	32.2
Purchase obligations:					
Bloom Lake expansion project	40.0	40.0	—	—	—
Open purchase orders	211.9	205.6	6.3	—	—
Minimum royalty payments	187.8	82.9	65.6	25.6	13.7
Minimum "take or pay" purchase commitments [3]	7,128.4	502.9	846.6	566.0	5,212.9
Total purchase obligations	7,568.1	831.4	918.5	591.6	5,226.6
Other long-term liabilities:					
Pension funding minimums	309.0	68.3	111.7	68.3	60.7
OPEB claim payments	647.7	7.9	15.1	15.1	609.6
Environmental and mine closure obligations	321.0	11.3	19.7	35.9	254.1
Personal injury	14.3	3.7	4.4	0.4	5.8
Total other long-term liabilities	1,292.0	91.2	150.9	119.7	930.2
Total	$14,295.3	$1,185.3	$1,568.2	$1,619.5	$9,922.3

[1] Includes our consolidated obligations.

[2] For the $500 million senior notes, interest is calculated using a fixed rate of 3.95 percent from 2014 to maturity in January 2018. For the $400 million senior notes, interest is calculated using a fixed rate of 5.90 percent from 2014 to maturity in March 2020. For the $1.3 billion senior notes, interest is calculated for the $500 million 10-year notes using a fixed rate of 4.80 percent from 2014 to maturity in October 2020, and the $800 million 30-year notes using a fixed rate of 6.25 percent from 2014 to maturity in October 2040. For the $700 million senior notes, interest is calculated using a fixed rate of 4.88 percent from 2014 to maturity in April 2021. For the $161.7 million of equipment loans, interest is calculated using the fixed rate associated with each of the equipment loans from 2014 to maturity in 2020.

[3] Includes minimum railroad transportation obligations, minimum electric power demand charges, minimum coal, diesel and natural gas obligations and minimum port facility obligations.

The above table does not reflect $74.4 million of unrecognized tax benefits, which we have recorded for uncertain tax positions as we are unable to determine a reasonable and reliable estimate of the timing of future payments.

Refer to NOTE 20 - COMMITMENTS AND CONTINGENCIES of the Consolidated Financial Statements for additional information regarding our future commitments and obligations.

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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 December 31, 2013 and December 31, 2012:

	(In Millions)	
	December 31, 2013	December 31, 2012
Cash and cash equivalents	$335.5	$195.2
Available revolving credit facility	$1,750.0	$857.6
Revolving loans drawn	—	(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	(8.4)	(27.7)
Borrowing capacity available	$1,741.6	$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 $335.5 million as of December 31, 2013. The combination of cash and availability under the credit facility gave us $2.1 billion in liquidity entering the first quarter of 2014, which is expected to be used to fund operations, capital expenditures and finance strategic initiatives.

On February 8, 2013, we amended both the amended revolving 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 revolving 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 ended December 31, 2013.
- The amended agreements retain the Minimum Interest Coverage Ratio requirement of 2.5 to 1.0.

Through the use of the proceeds from the February 2013 public equity offerings, 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 were no longer applicable.

Pursuant to the terms of the amended revolving 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 revolving credit agreement places certain restrictions upon our declaration and payment of dividends, our ability to consummate acquisitions and the debt levels of our subsidiaries.

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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 revolving 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 revolving credit agreement and were subject to certain financial covenants related to the term loan until its payoff during February 2013. As of December 31, 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 revolving credit agreement and term loan had two financial covenants based on: (1) debt to earnings ratio (Total Funded Debt to EBITDA, as those terms are defined in the amended revolving 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 revolving credit agreement), for the preceding four quarters must not be less than 2.5 to 1.0 on the last day of any fiscal quarter.

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

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

Off-Balance Sheet Arrangements

In the normal course of business, we are a party to certain arrangements that are not reflected on our Statements of 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

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pricing, which can fluctuate widely due to numerous factors, such as global economic growth or contraction, change in demand for steel or changes in availability of 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 December 31, 2013, we have recorded $3.1 million as Other current assets and $10.3 million as derivative liabilities included in Other current liabilities in the Statements of 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 $7.2 million decrease, respectively, in Product revenues in the Statements of Consolidated Operations for the year ended December 31, 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 December 31, 2013, we had a derivative asset of $55.8 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 December 31, 2013 estimated price recorded would cause the fair value of the derivative instrument to increase or decrease by approximately $58.7 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 contained 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 17.6 million MMBtu’s of natural gas at an average delivered price of $4.34 per MMBtu and 28.7 million gallons of diesel fuel at an average delivered price of $3.23 per gallon during 2013. Our consolidated Eastern Canadian Iron Ore mining ventures consumed approximately 7.7 million gallons of diesel fuel at an average delivered price of $4.16 per gallon during 2013. Our CLCC operations consumed approximately 2.5 million gallons of diesel fuel at an average delivered price of $3.40 per gallon during 2013. Consumption of diesel fuel by our Asia Pacific operations was approximately 14.8 million gallons at an average delivered price of $3.33 per gallon for the same period.

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In the ordinary course of business, there also will be likely increases in prices relative to electrical costs at our U.S. mine sites related specifically to our Tilden and Empire mines in Michigan because we exercised our right to purchase electrical supply in the deregulated market during 2013, which is based on the Midwestern Independent System Operator Day-Ahead price. Additionally, as the cost of producing electricity increases, energy companies regularly seek to reclaim those costs from the mine sites, which often results in tariff disputes.

Our strategy to address increasing energy rates includes improving efficiency in energy usage, identifying alternative providers and utilizing the lowest cost alternative fuels. At the present time, we have no specific plans to enter into hedging activity and do not plan to enter into any new forward contracts for natural gas or diesel fuel in the near term. We will continue to monitor relevant energy markets for risk mitigation opportunities and may make additional forward purchases or employ other hedging instruments in the future as warranted and deemed appropriate by management. Assuming we do not enter into further hedging activity in the near term, a 10 percent change in electrical, natural gas and diesel fuel prices would result in a change of approximately $30.4 million in our annual fuel and energy cost based on expected consumption for 2014.

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

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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).

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 December 31, 2013, we had outstanding Australian and Canadian foreign exchange rate contracts with notional amounts of $323.0 million and $285.9 million, respectively, with varying maturity dates ranging from January 2014 to December 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 $8.6 million, and a 10 percent decrease would reduce the fair value to approximately negative $51.6 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 $27.3 million, and a 10 percent decrease would decrease the fair value to approximately negative $29.5 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 December 31, 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	$323.0	0.95	0.8917	$(21.5)
CAD Contracts expiring in the next 12 months	285.9	1.05	1.0623	(4.0)
Total Hedge Contract Portfolio	$608.9			$(25.5)

[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 December 31, 2013, we had no amounts drawn on the revolving credit facility.

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

Supply Concentration Risks

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

Outlook

In 2014, we expect accelerating economic growth in the United States to support domestic steel production and thus demand for steelmaking raw materials. We expect China's economy will expand at a pace near the official government target rate, primarily driven by fixed asset investment. As a result, increased steel production will continue to require both domestic and imported steelmaking raw materials to satisfy demand. Growth in these key markets is anticipated to provide continued demand for our products.

Due to the commodity pricing volatility for the products we sell and for the purpose of providing a full-year outlook, we will utilize the year-to-date average 62% Fe seaborne iron ore spot price as of January 31, 2014, which was $128 per ton (C.F.R. China), as a base price assumption for providing our full-year 2014 revenues-per-ton sensitivities for our iron ore business segments. With $128 per ton as a base price assumption for full-year 2014, included in the table below is the expected revenues-per-ton range for our iron ore business segments and the per-ton sensitivity for each $10 per ton variance from the base price assumption.

	2014 Full-Year Realized Revenue Sensitivity Summary (1)		
	U.S. Iron Ore (2)	Eastern Canadian Iron Ore (3)	Asia Pacific Iron Ore (4)
Revenues Per Ton	$105 - $110	$95 - $100	$100 - $105
Sensitivity Per Ton (+/- $10)	+/- $2	+/- $9	+/- $9

(1) Based on the average year-to-date 62% Fe seaborne iron ore fines price (C.F.R. China) of $128 per ton as of January 31, 2014.

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

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

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

The revenues-per-ton sensitivities consider various contract provisions and lag-year adjustments 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 2014, we are maintaining our full-year sales and production volume expectation of 22 - 23 million tons for our U.S. Iron Ore business.

The U.S. Iron Ore revenues-per-ton sensitivity included within the 2014 revenue sensitivity summary table above also includes the following assumptions:

- 2014 average hot-rolled steel pricing of approximately $640 per ton

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- 25 - 30% of the expected 2014 sales volume is linked to seaborne iron ore pricing

Our full-year 2014 U.S. Iron Ore cash-cost-per-ton expectation is $65 - $70. This expectation includes the year-over-year fixed cost leverage from higher sales volumes; however, this is more than offset by increased planned maintenance activity. Depreciation, depletion and amortization for full-year 2014 is expected to be approximately $7 per ton.

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

Our full-year 2014 Eastern Canadian Iron Ore expected sales and production volumes are 6 - 7 million tons, comprised of virtually all iron ore concentrate. This includes 500,000 tons from Wabush Mine and the remainder from Bloom Lake Mine.

The Eastern Canadian Iron Ore revenues-per-ton sensitivity is included within the 2014 revenues-per-ton sensitivity table above. Full-year 2014 cash cost per ton in Eastern Canadian Iron Ore is expected to be $85 - $90. Depreciation, depletion and amortization is expected to be approximately $25 per ton for full-year 2014.

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

Our full-year 2014 Asia Pacific Iron Ore expected sales and production volumes are 10 - 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 2014 revenues-per-ton sensitivity table above. Full-year 2014 Asia Pacific Iron Ore cash cost per ton is expected to be approximately $60 - $65, lower than the previous year's cash costs primarily due to favorable foreign exchange rate assumptions. We anticipate depreciation, depletion and amortization to be approximately $14 per ton for full-year 2014.

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

For 2014, we are increasing our North American Coal expected sales and production volumes to 7 - 8 million tons, driven by higher thermal coal production. The sales volume mix is anticipated to be approximately 67% low-volatile metallurgical coal and 21% high-volatile metallurgical coal, with thermal coal making up the remainder.

Our full-year 2014 North American Coal revenues-per-ton outlook is $85 - $90. We have approximately 50% of our expected 2014 sales volume committed and priced at approximately $87 per short ton at the mine. The revenue-per-ton expectation includes all anticipated thermal coal sales volume for 2014, which realizes a lower price than our metallurgical coal products. Cash cost per ton is anticipated to be $85 - $90. Full-year 2014 depreciation, depletion and amortization is expected to be approximately $15 per ton.

The following table provides a summary of our 2014 guidance for our four business segments:

	2014 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)	22 - 23	6 - 7	10 - 11	7 - 8
Production volume (million tons)	22 - 23	6 - 7	10 - 11	7 - 8
Cash cost per ton	$65 - $70	$85 - $90	$60 - $65	$85 - $90
DD&A per ton	$7	$25	$14	$15

(1) U.S. Iron Ore tons are reported in long tons.
(2) Eastern Canadian lron 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.

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SG&A Expenses and Other Expectations

We are reducing our year-over-year SG&A and exploration expenses by approximately $90 million. Full-year 2014 SG&A expenses are expected to be approximately $185 million. The decrease is primarily driven by expected reductions in employee-related expenses, outside services and legal settlements. Our full-year cash outflow expectation for exploration and chromite-related spending is approximately $15 million.

Also, as previously disclosed, we expect to incur approximately $100 million in costs related to the Wabush Mine idle. We also expect our full-year 2014 depreciation, depletion and amortization to be approximately $600 million.

Capital Budget Update

We expect our full-year 2014 capital expenditures budget to be $375 - $425 million. This includes approximately $100 million in cash carryover capital, with the remainder primarily comprised of sustaining and license-to-operate capital.

Recently Issued Accounting Pronouncements

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

Critical Accounting Estimates

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

Revenue Recognition

U.S., Eastern Canadian and Asia Pacific Iron Ore Provisional Pricing Arrangements

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 benchmark and 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 Producer Price Indices remain an estimated component of the sales price throughout the contract year and are estimated each quarter using publicly available forecasts of such indices. The final indices

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referenced in certain of the U.S. Iron Ore supply contracts typically are not published by the U.S. Department of Labor until the second quarter of the subsequent year. As a result, we record an adjustment for the difference between the fourth quarter estimate and the final price in the following year.

Throughout the year, certain of our Eastern Canadian and Asia Pacific Iron Ore customers have contract arrangements in which pricing settlements are based upon an average benchmark pricing for future periods. Most of the future periods are settled within three months. To the extent the particular pricing settlement period is subsequent to the reporting period, we estimate the final pricing settlement based upon information available. Similar to U.S. Iron Ore, the estimates are then adjusted to actual when the price settlement period elapses.

Historically, provisional pricing arrangement adjustments have not been material as they have represented less than half of one percent of U.S., Eastern Canadian and Asia Pacific Iron Ore's respective revenues for each of the three preceding fiscal years ended December 31, 2013, 2012 and 2011.

U.S. Iron Ore Customer Supply Agreements

In addition, certain supply agreements with one U.S. Iron Ore customer include provisions for supplemental revenue or refunds based on the customer's average annual steel pricing for the year that the product is consumed in the customer's blast furnaces. 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 marked 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 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. At December 31, 2013, we had a derivative asset of $55.8 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, based upon the amount of unconsumed tons and the related estimated average hot band steel price.

The customer's average annual price is not known at the time of sale and the actual price is received on a delayed basis at the end of the year, once the average annual price has been finalized. As a result, we estimate the average price and adjust the estimate to actual in the fourth quarter when the information is provided by the customer at the end of each year. Information used in developing the estimate includes such factors as production and pricing information from the customer, current spot prices, third-party analyst forecasts, publications and other industry information. The accuracy of our estimates typically increases as the year progresses based on additional information in the market becoming available and the customer's ability to more accurately determine the average price it will realize for the year. The following represents the historical accuracy of our pricing estimates related to the derivative as well as the impact on revenue resulting from the difference between the estimated price and the actual price for each quarter during 2013, 2012 and 2011 prior to receiving final information from the customer for tons consumed during each year:

	2013			2012			2011		
	Final Price	Estimated Price	Impact on Revenue (in millions)	Final Price	Estimated Price	Impact on Revenue (in millions)	Final Price	Estimated Price	Impact on Revenue (in millions)
First Quarter	$622	$630	($1.2)	$650	$698	($9.8)	$700	$715	($0.7)
Second Quarter	622	614	3.0	650	678	(7.9)	700	731	(5.8)
Third Quarter	622	633	(2.1)	650	663	(3.3)	700	716	(4.3)
Fourth Quarter	622	622	—	650	650	—	700	700	—

We estimate that a $75 change in the average hot band steel price realized from the December 31, 2013 estimated price recorded for the unconsumed tons remaining at year end would cause the fair value

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of the derivative instrument to increase or decrease by approximately $58.7 million, thereby impacting our consolidated revenues by the same amount.

Mineral Reserves

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

We use our mineral reserve estimates, combined with our estimated annual production levels, to determine the mine closure dates utilized in recording the fair value liability for asset retirement obligations. Refer to NOTE 12 - ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS, for further information. Since the liability represents the present value of the expected future obligation, a significant change in mineral reserves or mine lives would have a substantial effect on the recorded obligation. We also utilize economic mineral reserves for evaluating potential impairments of mine assets and in determining maximum useful lives utilized to calculate depreciation and amortization of long-lived mine assets. Increases or decreases in mineral reserves or mine lives could significantly affect these items.

Asset Retirement Obligations and Environmental Remediation Costs

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

We have a formal policy for environmental protection and restoration. Our obligations for known environmental matters at active and closed mining operations and other sites have been recognized based on estimates of the cost of investigation and remediation at each site. If the obligation can only be estimated as a range of possible amounts, with no specific amount being more likely, the minimum of the range is accrued. Management reviews its environmental remediation sites quarterly to determine if additional cost adjustments or disclosures are required. The characteristics of environmental remediation obligations, where information concerning the nature and extent of clean-up activities is not immediately available and which are subject to changes in regulatory requirements, result in a significant risk of increase to the obligations as they mature. Expected future expenditures are not discounted to present value unless the amount and timing of the cash disbursements can be reasonably estimated. Potential insurance recoveries are not recognized until realized. Refer to NOTE 12 - ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS, for further information.

Income Taxes

Our income tax expense, deferred tax assets and liabilities and reserves for unrecognized tax benefits reflect management's best assessment of estimated future taxes to be paid. We are subject to income taxes in both the U.S. and numerous foreign jurisdictions. Significant judgments and estimates are required in determining the consolidated income tax expense.

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Deferred income taxes arise from temporary differences between tax and financial statement recognition of revenue and expense. In evaluating our ability to recover our deferred tax assets, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. In projecting future taxable income, we begin with historical results adjusted for the results of discontinued operations and changes in accounting policies and incorporate assumptions including the amount of future state, federal and foreign pretax operating income, the reversal of temporary differences, and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment about the forecasts of future taxable income and are consistent with the plans and estimates we are using to manage the underlying businesses. In evaluating the objective evidence that historical results provide, we consider three years of cumulative operating income (loss).

At December 31, 2013 and 2012, we had a valuation allowance of $864.1 million and $858.4 million, respectively, against our deferred tax assets. Our losses in certain locations in recent periods represented sufficient negative evidence to require a full valuation allowance against certain deferred tax assets. Additionally, significant Alternative Minimum tax credits have been generated in recent years. Sufficient negative evidence suggests that the credits will not be realized in the foreseeable future, and a full valuation allowance has been recorded on the deferred tax asset. We intend to maintain a valuation allowance against the deferred tax assets related to these operating losses, credits and allowances until sufficient positive evidence exists to support the realization of such assets.

Changes in tax laws and rates also could affect recorded deferred tax assets and liabilities in the future. Management is not aware of any such changes that would have a material effect on the Company's results of operations, cash flows or financial position.

The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations in a multitude of jurisdictions across our global operations.

Accounting for uncertainty in income taxes recognized in the financial statements requires that a tax benefit from an uncertain tax position be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on technical merits.

We recognize tax liabilities in accordance with ASC 740, and we adjust these liabilities when our judgment changes as a result of evaluation of new information not previously available. Due to the complexity of some of these uncertainties, the ultimate resolution may result in payment that is materially different from our current estimate of the tax liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which they are determined.

Valuation of Goodwill

Goodwill represents the excess purchase price paid over the fair value of the net assets of acquired companies. We assign goodwill arising from acquired companies to the reporting units that are expected to benefit from the synergies of the acquisition. Our reporting units are either at the operating segment level or a component one level below our operating segments that constitutes a business for which management generally reviews production and financial results of that component. Decisions are often made as to capital expenditures, investments and production plans at the component level as part of the ongoing management of the related operating segment. We have determined that our Asia Pacific Iron Ore and Ferroalloys operating segments constitute separate reporting units, that CQIM and our Wabush mine within our Eastern Canadian Iron Ore operating segment constitute reporting units, that CLCC within our North American Coal operating segment constitutes a reporting unit and that our Northshore mine within our U.S. Iron Ore operating segment constitutes a reporting unit. Goodwill is allocated among and evaluated for impairment at the reporting unit level in the fourth quarter of each year or as circumstances occur that potentially indicate that the carrying amount of these assets may not be recoverable.

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We use a two-step process to test goodwill for impairment. In the first step, we generally use a discounted cash flow analysis to determine the fair value of each reporting unit, which considers forecasted cash flows discounted at an estimated weighted average cost of capital. In assessing the valuation of our goodwill, significant assumptions regarding the estimated future cash flows and other factors to determine the fair value of a reporting unit must be made, including among other things, estimates related to long-term price expectations, foreign currency exchange rates, expected capital expenditures and working capital requirements, which are based upon our long-range plan and life of mine estimates. If the discounted cash flow analysis yields a fair value estimate less than the reporting unit's carrying value, we would proceed to step two of the impairment test. In the second step, the implied fair value of the reporting unit's goodwill is determined by allocating the reporting unit's fair value to the assets and liabilities other than goodwill in a manner similar to a purchase price allocation. In performing this allocation of fair value to the assets and liabilities of the reporting unit, we typically utilize third-party valuation firms to support the fair values allocated. The resulting implied fair value of the goodwill that results from the application of this second step is then compared to the carrying amount of the goodwill and, if the carrying amount exceeds the implied fair value, an impairment charge is recorded for the difference. If these estimates were to change in the future as a result of changes in strategy or market conditions, we may be required to record impairment charges for these assets in the period such determination was made.

During the fourth quarter of 2013, a goodwill impairment charge of $80.9 million was recorded for our Cliffs Chromite Ontario and Cliffs Chromite Far North reporting units within our Ferroalloys operating segment. The impairment charge was primarily a result of the decision to indefinitely suspend the Chromite Project and to not allocate significant additional capital for the project given the uncertain timeline and risks associated with the development of necessary infrastructure to bring the project online.

After performing our annual goodwill impairment test in the fourth quarter of 2012, we determined that $997.3 million and $2.7 million, respectively, of goodwill associated with our CQIM and Wabush reporting units, which are both included in the Eastern Canadian Iron Ore segment, was impaired as the carrying value of these reporting units exceeded their fair value. Additionally, during our annual goodwill impairment test in the fourth quarter of 2011, we determined that $27.8 million of goodwill associated with our CLCC reporting unit included in the North American Coal segment was impaired as the carrying value with this reporting unit exceeded its fair value.

As of December 31, 2013, the remaining value of goodwill associated with our Asia Pacific Iron Ore and U.S. Iron Ore segments totaled $72.5 million and $2.0 million, respectively. No goodwill remained within our Eastern Canadian Iron Ore, Ferroalloys or North American Coal segments as of December 31, 2013.

No impairment charges were identified in connection with our annual goodwill impairment test with respect to any of our other identified reporting units. The fair values for our Asia Pacific Iron Ore segment and Northshore reporting unit were substantially in excess of our carrying values.

Refer to NOTE 1 - BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES, for further information regarding our policy on goodwill impairment.

Valuation of Long-Lived Assets

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

We monitor conditions that indicate that the carrying value of an asset or asset group may be impaired. In order to determine if assets have been impaired, assets are grouped and tested at the lowest level for which identifiable, independent cash flows are available. An impairment loss exists when projected undiscounted cash flows are less than the carrying value of the assets. The measurement of the impairment loss to be recognized is based on the difference between the fair value and the carrying value of the assets.

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Fair value can be determined using a market approach, income approach or cost approach. The impairment analysis and fair value determination can result in substantially different outcomes based on critical assumptions and estimates including the quantity and quality of remaining economic ore reserves, future iron ore prices and production costs. During the fourth quarter of 2013, we continued to experience higher than expected production costs and operational inefficiencies at our Wabush operations within our Eastern Canadian Iron Ore operating segment that have 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. Upon completion of an impairment analysis, it was determined the fair value was less than the carrying value of the asset group, which resulted in an impairment of other long-lived assets of $154.6 million at December 31, 2013.

Due to lower than previously expected profits as a result of decreased iron ore pricing expectations and higher than anticipated production costs, we determined that indicators of impairment with respect to certain of our long-lived assets groups existed at December 31, 2012. Our asset groups generally consist of the assets and liabilities of one or more mines, preparation plants and associated reserves for which the lowest level of identifiable cash flows largely are independent of cash flows of other mines, preparation plants and associated reserves. As a result of this assessment, we determined that the cash flows associated with our Eastern Canadian pelletizing operations were not sufficient to support the recoverability of the carrying value of these productive assets. Accordingly, an asset impairment charge of $49.9 million was recorded related to the Wabush mine property, plant and equipment that were reported in our Eastern Canadian Iron Ore operating segment during the fourth quarter of 2012. No impairment charges were identified in connection with our other long-lived asset groups as of December 31, 2012.

For the purpose of testing the recoverability of our long-lived assets, we consider the Bloom Lake iron ore operation to be an asset group. During 2013, we have experienced higher than expected production costs in the current operation of the Bloom Lake iron ore mine. Additionally, capital expenditure expectations to complete the Phase II expansion and required tailings and water management systems have surpassed original expectations. Both conditions have a negative impact on the profitability and cash flows of that business. Continuation of such trends, changes in forecasted long-term pricing and/or other economic assumptions (e.g., discount rate, inflation rates, exchange rates and tax rates) could impact our ability to recover the carrying value of our long-lived asset group, which was approximately $4.9 billion at December 31, 2013.

Refer to NOTE 1 - BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES, for further information regarding our policy on asset impairment.

Employee Retirement Benefit Obligations

We offer defined benefit pension plans, defined contribution pension plans and other postretirement benefit plans, primarily consisting of retiree healthcare benefits, to most employees in North America as part of a total compensation and benefits program. We do not have employee retirement benefit obligations at our Asia Pacific Iron Ore operations. The defined benefit pension plans largely are noncontributory and benefits generally are based on employees' years of service and average earnings for a defined period prior to retirement or a minimum formula.

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Following is a summary of our defined benefit pension and OPEB funding and expense for the years 2011 through 2014:

	Pension Funding	Expense	OPEB Funding	Expense
2011	$70.1	$37.8	$37.4	$26.8
2012	67.7	55.2	39.0	28.1
2013	53.7	52.1	25.5	17.4
2014 (Estimated)	68.2	28.0	7.9	8.3

Assumptions used in determining the benefit obligations and the value of plan assets for defined benefit pension plans and postretirement benefit plans (primarily retiree healthcare benefits) that we offer are evaluated periodically by management. Critical assumptions, such as the discount rate used to measure the benefit obligations, the expected long-term rate of return on plan assets, the medical care cost trend, and the rate of compensation increase are reviewed annually.

As of December 31, 2013 and 2012, we used the following assumptions:

	Pension and Other Benefits			
	2013		2012	
U.S. plan discount rate	4.57	%	3.70	%
Canadian pension plan discount rate	4.50		3.75	
Canadian OPEB plan discount rate	4.75		4.00	
Rate of compensation increase - Salaried	4.00		4.00	
Rate of compensation increase - Hourly (Ultimate)	3.00		4.00	
U.S. pension plan expected return on plan assets	8.25		8.25	
U.S. OPEB plan expected return on plan assets	7.00		8.25	
Canadian expected return on plan assets	7.25		7.25	

The increase in the discount rates in 2013 was driven by the change in bond yields, which were up approximately 75 basis points compared to the prior year.

Additionally, on December 31, 2013, we adopted the IRS 2014 prescribed mortality tables (separate pre-retirement and postretirement) to determine the expected life of our plan participants, replacing the IRS 2013 prescribed mortality tables for our U.S. plans. The assumed mortality remained the same as the previous year for our Canadian plans, UP 1994 with full projection.

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Following are sensitivities of potential further changes in these key assumptions on the estimated 2014 pension and OPEB expense and the pension and OPEB benefit obligations as of December 31, 2013:

	Increase in Expense (In Millions)		Increase in Benefit Obligation (In Millions)	
	Pension	OPEB	Pension	OPEB
Decrease discount rate .25 percent	$2.5	$0.8	$32.6	$10.7
Decrease return on assets 1 percent	9.0	2.4	N/A	N/A
Increase medical trend rate 1 percent	N/A	6.1	N/A	38.2

Changes in actuarial assumptions, including discount rates, employee retirement rates, mortality, compensation levels, plan asset investment performance and healthcare costs, are determined based on analyses of actual and expected factors. Changes in actuarial assumptions and/or investment performance of plan assets may have a significant impact on our financial condition due to the magnitude of our retirement obligations. Refer to NOTE 13 - PENSIONS AND OTHER POSTRETIREMENT BENEFITS in Item 8. Financial Statements and Supplementary Data of this Annual Report on Form 10-K for further information.

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:

- trends affecting our financial condition, results of operations or future prospects, particularly the continued volatility of iron ore and coal prices;
- uncertainty or weaknesses in global economic conditions, including downward pressure on prices, reduced market demand, increases in supply and any slowing of the economic growth rate in China;
- our ability to successfully identify and consummate any strategic investments or capital projects and complete planned divestitures;
- 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 cost effectively achieve planned production rates or levels;
- changes in sales volume or mix;
- 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 impact of price-adjustment factors on our sales contracts;
- 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;
- our actual economic iron ore and coal reserves or reductions in current mineral estimates, including whether any mineralized material qualifies as a reserve;

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- 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, as well as any resulting impairment charges;
- the results of prefeasibility and feasibility studies in relation to development 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;
- 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;
- the potential existence of significant deficiencies or material weakness in our internal controls over financial reporting; and
- problems or uncertainties with leasehold interests, productivity, tons mined, transportation, mine-closure obligations, environmental liabilities, employee-benefit costs and other risks of the mining industry.

For additional factors affecting the business of Cliffs, refer to Part I – Item 1A. Risk Factors. You are urged to carefully consider these risk factors.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Information regarding our Market Risk is presented under the caption Market Risks, which is included in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and is incorporated by reference and made a part hereof.

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Item 8. Financial Statements and Supplementary Data

Statements of Consolidated Financial Position
Cliffs Natural Resources Inc. and Subsidiaries

	(In Millions) December 31, 2013	2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$335.5	$195.2
Accounts receivable, net	270.0	329.0
Inventories	391.4	436.5
Supplies and other inventories	216.0	289.1
Deferred and refundable income taxes	110.7	105.4
Other current assets	236.4	294.8
TOTAL CURRENT ASSETS	1,560.0	1,650.0
PROPERTY, PLANT AND EQUIPMENT, NET	11,153.4	11,207.3
OTHER ASSETS		
Other non-current assets	408.5	