

CLIFFS NATURAL RESOURCES INC.

Form 424B5

March 16, 2011

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Filed Pursuant to Rule 424(b)(5)
Registration No. 333-165376

The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and we are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion, dated March 16, 2011

Preliminary Prospectus Supplement

To Prospectus dated March 10, 2010

\$

Cliffs Natural Resources Inc.

\$ % Senior Notes due 2021

\$ 6.25% Senior Notes due 2040

We are offering \$ aggregate principal amount of % senior notes due 2021, which we refer to in this prospectus supplement as our 2021 senior notes, and an additional issuance of \$ aggregate principal amount of our 6.25% senior notes due 2040, \$500,000,000 aggregate principal amount of which have been issued previously, which we refer to as the existing 2040 senior notes. The 2040 senior notes offered by this prospectus supplement will become part of the same series as the existing 2040 senior notes for all purposes under the indenture and together are referred to in this prospectus supplement as the 2040 senior notes. We collectively refer to both series of notes offered hereby as our notes.

We will pay interest on the 2021 senior notes on and of each year, beginning on , 2011. We will pay interest on the 2040 senior notes on April 1 and October 1 of each year, beginning on October 1, 2011. The 2021 senior notes will mature on , 2021, and the 2040 senior notes will mature on October 1, 2040. The notes will be issued only in denominations of \$2,000 and integral multiples of \$1,000 above that amount.

We have the option to redeem some or all of the notes at any time and from time to time, as described under the heading Description of the Notes Optional Redemption. If a change of control triggering event occurs, we will be required to offer to purchase the notes at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of purchase. See Description of the Notes Change of Control Triggering Event.

The 2021 senior notes will be subject to a special mandatory redemption in the event our pending acquisition of Consolidated Thompson Iron Mines Limited, or Consolidated Thompson, is not consummated on or prior to July 29, 2011, or if prior to July 29, 2011, the definitive arrangement agreement with Consolidated Thompson is terminated, subject to certain conditions. In such an event, the 2021 senior notes will be redeemed at a price equal to 101% of the principal amount thereof plus accrued and unpaid interest from the date of initial issuance, or the most recent date to which interest has been paid or provided for, whichever is later, to but excluding the special mandatory redemption date.

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The notes will be our senior unsecured obligations and will rank equally with all of our other existing and future senior unsecured and unsubordinated indebtedness, but will be effectively junior to any secured indebtedness which we may incur in the future. The notes will not be the obligation of any of our subsidiaries. For a more detailed description of the notes, see Description of the Notes.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the notes or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

See **Risk Factors** beginning on page S-12 of this prospectus supplement and the risk factors contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010, which are incorporated by reference herein, for a discussion of certain risks that you should consider in connection with an investment in the notes.

	Per 2021		Per 2040	
	Senior Note	Total	Senior Note	Total
Public Offering Price(1)(2)	%	\$	%	\$
Underwriting Discount	%	\$	%	\$
Proceeds to us (before expenses)(1)(2)	%	\$	%	\$

(1) In the case of the 2021 senior notes, plus accrued interest, if any, from _____, 2011.

(2) In the case of the 2040 senior notes, plus accrued interest, if any, from _____, 2011.

The notes will not be listed on any securities exchange. Currently, there is no public market for the notes.

The underwriters expect to deliver the notes to purchasers through the book-entry delivery system of The Depository Trust Company for the benefit of its participants, including Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme, on or about _____, 2011 in the case of the 2021 senior notes, and on or about April 1, 2011 in the case of the 2040 senior notes. Purchasers who wish to trade their notes prior to the third business day before the applicable date of delivery will be required to specify alternate settlement arrangements to prevent a failed settlement. For a more detailed description of the alternate settlement cycle, see Underwriting.

Joint Book-Running Managers

BofA Merrill Lynch

Citi
, 2011

J.P. Morgan

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About This Prospectus Supplement

We provide information to you about this offering in two separate documents. The accompanying prospectus provides general information about us and the securities we may offer from time to time, some of which may not apply to this offering. This prospectus supplement describes the specific details regarding this offering. Generally, when we refer to the prospectus, we are referring to both documents combined. Additional information is incorporated by reference in this prospectus supplement. If information in this prospectus supplement is inconsistent with the accompanying prospectus, you should rely on this prospectus supplement.

We have not authorized anyone to provide any information other than contained or incorporated by reference in this prospectus supplement or in any free writing prospectus prepared by or on behalf of us or to which we have referred you. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. You should not assume that the information contained in this prospectus supplement, the accompanying prospectus or any document incorporated by reference is accurate as of any date other than the date mentioned on the cover page of these documents. We are not, and the underwriters are not, making offers to sell the securities in any jurisdiction in which an offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make an offer or solicitation.

References in this prospectus supplement to the terms we, us, the Company or Cliffs or other similar terms mean Cliffs Natural Resources Inc. and its consolidated subsidiaries, unless we state otherwise or the context indicates otherwise. As used in this prospectus supplement, the term ton means a long ton (equal to 2,240 pounds) when referring to our North American Iron Ore business segment, the term ton means a short ton (equal to 2,000 pounds) when referring to our North American Coal business segment and the term metric ton means a metric ton (equal to 1,000 kilograms or 2,205 pounds).

Where You Can Find More Information

We are subject to the informational reporting requirements of the Securities Exchange Act of 1934. We file annual, quarterly and current reports, proxy statements and other information with the SEC. Our SEC filings are available over the Internet at the SEC's website at www.sec.gov. You may read and copy any reports, statements and other information filed by us at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call 1-800-SEC-0330 for further information on the Public Reference Room. You may also inspect our SEC reports and other information at the New York Stock Exchange, 20 Broad Street, New York, New York 10005, or at our website at www.cliffsnaturalresources.com. The information contained on or accessible through our website is not part of this prospectus supplement, other than the documents that we file with the SEC that are incorporated by reference in this prospectus supplement or the accompanying prospectus.

Information We Incorporate By Reference

The SEC allows us to incorporate by reference into this prospectus supplement the information in documents we file with it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this prospectus supplement and information that we file later with the SEC will automatically update and supersede this information. Any statement contained in any document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this prospectus supplement to the extent that a statement contained in or omitted from this prospectus supplement, or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein, modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement.

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We incorporate by reference the documents listed below and any future filings we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act until the completion of the offering of securities described in this prospectus supplement:

our Annual Report on Form 10-K for the year ended December 31, 2010;

our Current Reports on Form 8-K, as filed with the SEC on January 7, 2011, January 12, 2011, January 14, 2011, January 18, 2011, February 8, 2011, February 9, 2011 and March 8, 2011; and

our Preliminary Proxy Statement on Schedule 14A, as filed with the SEC on March 14, 2011.

We will not, however, incorporate by reference in this prospectus supplement any documents or portions thereof that are not deemed filed with the SEC, including any information furnished pursuant to Item 2.02 or Item 7.01 of our current reports on Form 8-K unless, and except to the extent, specified in such current reports. You may obtain copies of these filings without charge by accessing the investor relations section of cliffsnaturalresources.com or by requesting the filings in writing or by telephone at the following address.

Cliffs Natural Resources Inc.

Investor Relations

200 Public Square

Suite 3300

Cleveland, Ohio 44114

Telephone Number: (216) 694-5700

Disclosure Regarding Forward-Looking Statements

This prospectus supplement and the accompanying prospectus, including the documents incorporated by reference, contain statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements may be identified by the use of predictive, future-tense or forward-looking terminology, such as believes, anticipates, expects, estimates, intends, may, will or similar terms. These statements speak only as of the date of this prospectus supplement or the date of the document incorporated by reference, as applicable, and we undertake no ongoing obligation, other than that imposed by law, to update these statements. These statements appear in a number of places in this prospectus supplement, including the documents incorporated by reference, and relate to, among other things, our intent, belief or current expectations of our directors or our officers with respect to: our future financial condition; results of operations or prospects; estimates of our economic iron ore and coal reserves; our business and growth strategies; and our financing plans and forecasts. You are cautioned that any such forward-looking statements are not guarantees of future performance and involve significant risks and uncertainties, and that actual results may differ materially from those contained in or implied by the forward-looking statements as a result of various factors, some of which are unknown, including, without limitation:

the ability to successfully complete the pending acquisition of Consolidated Thompson;

the ability to successfully integrate acquired companies into our operations, including without limitation, Consolidated Thompson if it is successfully acquired;

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uncertainty or weaknesses in global economic conditions, including downward pressure on prices;

trends affecting our financial condition, results of operations or future prospects;

the ability to reach agreement with our iron ore customers regarding modifications to sales contract pricing escalation provisions to reflect a shorter-term or spot-based pricing mechanism;

the outcome of any contractual disputes with our customers or significant energy, material or service providers;

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the outcome of any arbitration or litigation;

changes in sales volume or mix;

the impact of price-adjustment factors on our sales contracts;

the ability of our customers to meet their obligations to us on a timely basis or at all;

our actual economic ore reserves;

the success of our business and growth strategies;

our ability to successfully identify and consummate any strategic investments;

events or circumstances that could impair or adversely impact the viability of a mine and the carrying value of associated assets;

impacts of increasing governmental regulation including failure to receive or maintain required environmental permits, approvals, modifications or other authorization of, or from, any governmental or regulatory entity;

adverse changes in currency values;

the success of our cost-savings efforts;

our ability to maintain adequate liquidity and successfully implement our financing plans;

our ability to maintain appropriate relations with unions and employees;

uncertainties associated with unanticipated geological conditions, natural disasters, weather conditions, disruption of energy, equipment failures and other unexpected events;

risks related to international operations; and

the potential existence of significant deficiencies or material weakness in our internal control over financial reporting.

These factors and the other risk factors described in this prospectus supplement and the accompanying prospectus, including the documents incorporated by reference, are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable factors also could harm our results. Consequently, there can be no assurance that the actual results or developments anticipated by us will be realized or, even if substantially realized, that they will have the

expected consequences to or effects on us. Given these uncertainties, prospective investors are cautioned not to place undue reliance on such forward-looking statements.

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Summary

This summary highlights information about us and the notes being offered by this prospectus supplement. This summary is not complete and may not contain all of the information that you should consider prior to investing in our notes. For a more complete understanding of our company, we encourage you to read this entire document, including the information incorporated by reference in this document and the other documents to which we have referred.

Our Company

Cliffs Natural Resources Inc. is an international mining and natural resources company that traces its corporate history back to 1847. We are the largest producer of iron ore pellets in North America, a major supplier of direct-shipping lump and fines iron ore out of Australia and a significant producer of metallurgical coal. With core values of environmental and capital stewardship, our colleagues across the globe endeavor to provide all stakeholders operating and financial transparency as embodied in the Global Reporting Initiative framework. Our company's primary operations are currently organized according to product category and geographic location: North American Iron Ore; North American Coal; Asia Pacific Iron Ore; Asia Pacific Coal; Latin American Iron Ore; Alternative Energies; Ferroalloys; and our Global Exploration Group. The Asia Pacific Coal, Latin American Iron Ore, Alternative Energies, FerroAlloys and Global Exploration Group operating segments do not meet reportable segment disclosure requirements and therefore are not separately reported.

In North America, we operate six iron ore mines in Michigan, Minnesota and Eastern Canada, five metallurgical coal mines located in West Virginia and Alabama and one thermal coal mine located in West Virginia. Our Asia Pacific operations are comprised of two iron ore mining complexes in Western Australia and a 45% economic interest in a coking and thermal coal mine in Queensland, Australia. In Latin America, we have a 30% interest in Amapá, a Brazilian iron ore operation. Our Ferroalloys operations are comprised of our recently acquired chromite deposits in Northern Ontario, Canada. Our operations also include our 95% controlling interest in renevaFUEL located in Michigan. In addition, our Global Exploration Group was established in 2009 and is focused on early involvement in exploration activities to identify new world-class projects for future development or projects that add significant value to existing operations.

The following map shows our global footprint:

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North American Iron Ore

We are the largest producer of iron ore pellets in North America and primarily sell our production to integrated steel companies. We manage and operate six North American iron ore mines located in Michigan, Minnesota and Eastern Canada that currently have an annual rated capacity of 38.4 million tons of iron ore pellet production, representing 45.3% of total North American pellet production capacity.¹ Based on our equity ownership in the North American mines we currently operate, our share of the annual rated pellet production capacity is currently 29.9 million tons, representing 35.3% of total North American annual pellet capacity.²

Our North American Iron Ore revenues are primarily derived from sales of iron ore pellets to the North American integrated steel industry, consisting of seven major customers. Generally, we have multi-year supply agreements with our customers. Sales volume under these agreements is largely dependent on customer requirements, and in many cases, we are the sole supplier of iron ore pellets to the customer. 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 pellet 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 North American Iron Ore customer supply agreements. We reached final pricing settlements with some of our North American Iron Ore customers through the fourth quarter of 2010 for the 2010 contract year.

Each of our North American Iron Ore mines is located near the Great Lakes or, in the case of Wabush, near the St. Lawrence Seaway, which provides us access to the seaborne market. The majority of our iron ore pellets are transported via railroads to loading ports for shipment via vessel to steelmakers.

For the year ended December 31, 2010, we produced a total of 32 million tons of iron ore pellets, including 25.4 million tons for our account and 6.6 million tons on behalf of steel company owners of the mines. For the year ended December 31, 2009, we produced a total of 19.6 million tons of iron ore pellets, including 17.1 million tons for our account and 2.5 million tons on behalf of steel company owners of the mines. For the year ended December 31, 2008, we produced a total of 35.2 million tons of iron ore pellets, including 22.9 million tons for our account and 12.3 million tons on behalf of steel company owners of the mines. For the years ended December 31, 2010, 2009 and 2008, we sold 26.2 million, 16.4 million and 22.7 million tons of iron ore pellets, respectively, from our share of production from our North American Iron Ore mines.

At the end of 2010, our North American Iron Ore mines had proven and probable mineral reserves totaling approximately 906 million tons.

We have been a leader in iron ore mining technology for more than 160 years. We 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 computer networks 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.

¹ North American pellet capacity as reported includes plants in the U.S. and Canada, but excludes Mexico.

² On February 1, 2010, we acquired U.S. Steel Canada's 44.6% interest and ArcelorMittal Dofasco's 28.6% interest in Wabush, thereby increasing our ownership interest in Wabush from 26.8% as of December 31, 2009 to 100% as of December 31, 2010.

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We will continue to leverage our strong technical competencies in the mining, processing and concentrating of lower-grade ores into high quality products that are critical inputs depended on by North American integrated steel producers.

North American Coal

We are a leading supplier of metallurgical coal in North America. As of December 31, 2010, we owned and operated five metallurgical coal mines 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. The metallurgical coal mines produce either high-quality, low-volatility or high-quality, high-volatility metallurgical coals, which are used to make coke, a key component in the steelmaking process. These coals generally sell at a premium over the more prevalent and mined, thermal coal, which is generally used to generate electricity. Metallurgical coal receives this premium because of its coking characteristics, which include expansion and contraction when heated, and volatility, which refers to the loss in mass when coal is heated in the absence of air. Coals with lower volatility produce more efficient coke for steelmaking and are more highly valued than coals with a higher volatility, all else being equal. At the end of 2010, we had over 350 million tons of metallurgical coal in-place proven and probable reserves.

At the end of 2010, we estimate a total of approximately 163.2 million tons of total proven and probable recoverable reserves of metallurgical coal and, further, we estimate a total of approximately 61.8 million tons of proven and probable recoverable reserves of thermal coal. For the year ended December 31, 2010, we sold a total of 3.3 million tons, compared with 1.9 million tons for the year ended December 31, 2009 and 3.2 million tons for the year ended December 31, 2008. Each of our North American coal mines is positioned near rail or barge lines providing access to international shipping ports, which allows for export of our coal production. International and North American sales represented 55% and 45%, respectively, of our North American Coal sales in 2010.

Asia Pacific Iron Ore

Our Asia Pacific Iron Ore operations are located in Western Australia and include our 100% owned Koolyanobbing complex and our 50% equity interest in Cockatoo Island. We serve the Asian iron ore markets with direct-shipping fines and lump ore. Production in 2010 was 9.3 million metric tons, compared with 8.3 million metric tons in 2009 and 7.7 million metric tons in 2008. We have recently announced an expansion program that is anticipated to increase annual production to 11.0 million metric tons annually beginning in 2012.

At the end of 2010, we had approximately 101.3 million metric tons of proven and probable reserves in our Asia Pacific Iron Ore business. In recent years, through a near-mine drilling program our reserve base has remained relatively constant, despite annual production of approximately eight million metric tons of iron ore.

We have five-year term supply agreements with steel producers in China and Japan that account for approximately 82% and 18% respectively, of sales. The contracts were renegotiated for the period 2008 through 2012. Sales volume under the agreements is partially dependent on customer requirements. As a result of the move away from the annual international benchmark pricing mechanism in 2010, we renegotiated the terms of our supply agreements with our Chinese and Japanese Asia Pacific Iron Ore customers moving to shorter-term pricing mechanisms of various durations based on the average daily spot prices, with certain pricing mechanisms that have a duration of up to a quarter. This change was effective in the first quarter of 2010 for our Chinese customers and the second quarter of 2010 for our Japanese customers. During 2010, 2009 and 2008, we sold 9.3 million, 8.5 million and 7.8 million metric tons of iron ore, respectively, from our Western Australia mines.

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Investments

Amapá. We are a 30% minority interest owner in Amapá, which consists of an iron ore deposit, a 120-mile railway connecting the mine location to an existing port facility and 71 hectares of real estate on the banks of the Amazon River, reserved for a loading terminal. Amapá initiated production in late December 2007. The remaining 70% of Amapá is owned by Anglo American plc.

As the operator of the property, Anglo American declared commercial production achievement during 2010 with annual production totaling 4.0 million metric tons, compared with 2.7 million metric tons and 1.2 million metric tons in 2009 and 2008, respectively. Anglo American has indicated that it expects Amapá will produce and sell 4.5 million metric tons of iron ore fines products in 2011 and 5.1 million metric tons in 2012 based on continued improvements in operational processes. The majority of Amapá's production is committed under a long-term supply agreement with an operator of an iron oxide pelletizing plant in the Kingdom of Bahrain.

Sonoma. We own a 45% economic interest in Sonoma, located in Queensland, Australia. Production and sales totaled approximately 3.5 million metric tons, respectively, in 2010. This compares with production and sales of approximately 2.8 million and 3.1 million metric tons and 2.4 million and 2.1 million metric tons in 2009 and 2008, respectively. The project is expected to produce approximately 3.6 million metric tons of coal annually in 2011 and beyond. Production is expected to include a mix of approximately two-thirds thermal and one-third metallurgical grade coal. In 2009, Sonoma experienced intrusions in the coal seams which affected raw coal quality, recoverability in the washing process, and ultimately the quantity of metallurgical coal in the production mix. As a result, the geological model for Sonoma has been enhanced to reflect the presence of the intrusions and to refine the mining sequence in order to optimize the mix of metallurgical and thermal coal despite being lower than initially planned levels. Sonoma has economically recoverable reserves of 20 million metric tons. Of the 3.5 million metric tons produced in 2010, approximately 3.0 million metric tons were committed under supply agreements. As of December 31, 2010, approximately 2.0 million metric tons, of the 3.6 metric tons expected to be produced in 2011, are committed under supply agreements.

Growth Strategy and Recent Developments

Over recent years, we have been executing a strategy designed to achieve scale in the mining industry and focused on serving the world's largest and fastest growing steel markets. Throughout 2010, we continued to increase our operating scale and presence as an international mining and natural resources company by expanding both geographically and through the minerals we mine and market. The long-term outlook remains healthy and we are now focusing on our growth projects with sustained investment in our core businesses. Our growth in North America, as well as acquisitions in minerals outside of iron ore and coal, illustrates the execution of this strategy during 2010.

We also expect to achieve growth through early involvement in exploration activities by partnering with junior mining companies, which provide us low-cost entry points for potentially significant reserve additions. We established a global exploration group in 2009, led by professional geologists who have the knowledge and experience to identify new world-class projects for future development or projects that add significant value to existing operations.

Specifically, we continued our strategic growth as an international mining and natural resources company through the following transactions in 2010:

Freewest. On January 27, 2010, we acquired all of the remaining outstanding shares of Freewest Resources Canada Inc., or Freewest, for C\$1.00 per share, including its interest in the Ring of Fire properties in Northern Ontario Canada which comprise three premier chromite deposits. The acquisition of Freewest is consistent with our strategy to broaden our geographic and mineral diversification and allows us to apply our expertise in open-pit mining and mineral processing to a chromite ore resource base that could form the foundation of North

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America's only ferrochrome production operation. The planned mine is expected to produce 1 million to 2 million metric tons of high-grade chromite ore annually, which would be further processed into 400 thousand to 800 thousand metric tons of ferrochrome.

Wabush. On February 1, 2010, we acquired entities from our former partners that held their respective interests in the Wabush Mines Joint Venture, or Wabush, for \$103 million, thereby increasing our ownership interest to 100%. With Wabush's 5.5 million tons of production capacity, acquisition of the remaining interest has increased our North American Iron Ore equity production capacity by approximately 4.0 million tons and has added more than 50 million tons of additional reserves. Furthermore, acquisition of the remaining interest has provided us additional access to the seaborne iron ore markets serving steelmakers in Europe and Asia.

Spider. We commenced a formal cash offer to acquire all of the outstanding common shares of Spider Resources Inc., or Spider, a Canadian-based mineral exploration company, for C\$0.19 per share during the second quarter of 2010. On July 6, 2010, all of the conditions to acquire the remaining common shares of Spider had been satisfied or waived and we increased our ownership percentage to 52%, representing a majority of the common shares outstanding on a fully-diluted basis. Subsequently, we extended the cash offer to permit additional shares to be tendered and taken up, thereby increasing our ownership percentage in Spider to 85% as of July 26, 2010. Effective October 6, 2010, we completed the acquisition of all of the remaining shares of Spider through an amalgamation. Consequently, we own 100% of Spider as of December 31, 2010 and have obtained majority ownership of the Big Daddy chromite deposit located in Northern Ontario. The Big Daddy chromite deposit is one of the three premier chromite deposits that we originally acquired interest in through the Freewest acquisition as discussed above.

CLCC. On July 30, 2010, we acquired all of the coal operations of privately-owned INR Energy, LLC, or INR, for \$775.9 million, and since that date, the operations acquired from INR have been conducted through our wholly-owned subsidiary known as Cliffs Logan County Coal, or CLCC. CLCC is a producer of high-volatile metallurgical and thermal coal located in southern West Virginia. CLCC's operations include two underground continuous mining method metallurgical coal mines and one open surface thermal coal mine, a coal preparation and processing facility as well as a large, long-life reserve base with an estimated 59 million tons of metallurgical coal and 62 million tons of thermal coal. This reserve base increases our total global reserve base to over 166 million tons of metallurgical coal and over 67 million tons of thermal coal. This acquisition represents an opportunity for us to add complementary high-quality coal products and provides certain advantages, including among other things, long-life mine assets, operational flexibility, and new equipment.

We plan to continue our strategic growth as an international mining and natural resources company in 2011. Specifically:

Consolidated Thompson. On January 11, 2011, we entered into a definitive arrangement agreement with Consolidated Thompson to acquire all of its common shares in an all-cash transaction including net debt, valued at approximately C\$4.9 billion, or C\$17.25 per share, which we refer to as the Arrangement Agreement. The proposed acquisition, which we refer to as the Acquisition, reflects our strategy to build scale by owning expandable and exportable steelmaking raw material assets serving international markets. On February 25, 2011, the shareholders of Consolidated Thompson approved the plan of arrangement pursuant to which the Acquisition will be completed. Completion of the Acquisition is subject to additional customary closing conditions, including government and regulatory approvals.

Consolidated Thompson is a Canadian exploration and development mining company producing iron ore of high-quality concentrate. Consolidated Thompson operates an iron ore mine and processing facility near Bloom Lake in Quebec, Canada. Wuhan Iron and Steel (Group) Corporation, which we refer to as Wuhan, is a 25% partner in the Bloom Lake property. The Bloom Lake property is currently ramping up towards an initial production rate of 8.0 million metric tons of iron ore concentrate per year, which Consolidated Thompson

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expects to increase to 16.0 million metric tons per year by mid-2013. Consolidated Thompson also owns two additional development properties, Lamêlée and Peppler Lake, in Quebec. The Bloom Lake, Lamêlée and Peppler Lake properties are in close proximity to our own Canadian operations and will allow us to leverage our port facilities and supply this ore to the seaborne market. All of Consolidated Thompson's current production capacity is contracted under long-term off-take arrangements with large Asian customers at sales-per-ton rates that move with the global seaborne prices. The Acquisition is expected to further diversify our customer base by increasing sales to these customers, including Wuhan, Worldlink Resources Limited and SK Networks Co., Ltd., a subsidiary of SK Group. In addition, we expect to realize approximately \$75 million in pre-tax annual operating synergies in connection with the Acquisition.

Bridge Credit Agreement. On March 4, 2011, we entered into an unsecured bridge credit agreement with a syndicate of banks. The bridge credit agreement provides for up to a \$2,450 million bridge credit facility, which we refer to as the bridge credit facility, that matures one year from the date of the funding. The commitments under the bridge credit facility will continue to reduce prior to the closing date of the Acquisition as we obtain permanent financing. Borrowings under the bridge credit facility will bear interest at a floating rate based upon a negotiated base rate or the LIBOR rate plus a margin depending on our credit rating and the length of time the borrowings, if any, remain outstanding.

New Term Loan. On March 4, 2011, we entered into a new unsecured term loan agreement with a syndicate of banks. The term loan agreement provides for a \$1,250 million term loan, which we refer to as the new term loan, that matures on the fifth anniversary of the date the new term loan is funded, and requires principal payments on each three-month anniversary following funding of the new term loan. Borrowings under the new term loan will bear interest at a floating rate based upon a negotiated base rate or the LIBOR rate plus a margin depending on the leverage ratio.

The bridge credit facility and the new term loan contain certain representation and warranties, certain affirmative and negative covenants, certain financial covenants and events of default customary for such financings.

We intend to use borrowings under the bridge credit facility and our new term loan, along with the net proceeds from this offering, to pay a portion of the purchase price of the Acquisition. We do not intend to borrow under the bridge credit facility or our new term loan until the funding, which is expected to be not more than three business days prior to the date of closing of the pending Acquisition.

Corporate Information

Our principal executive offices are located at 200 Public Square, Suite 3300, Cleveland, Ohio 44114. Our main telephone number is (216) 694-5700, and our website address is www.cliffsnaturalresources.com. The information contained on or accessible through our website is not part of this prospectus supplement, other than the documents that we file with the SEC that are incorporated by reference in this prospectus supplement or the accompanying prospectus.

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The Offering

The following summary contains basic information about the notes and is not intended to be complete. It does not contain all of the information that is important to you. For a more detailed description of the notes, please refer to the section entitled "Description of the Notes" in this prospectus supplement and the section entitled "Description of Debt Securities" in the accompanying prospectus.

Issuer	Cliffs Natural Resources Inc.
Notes offered	\$ aggregate principal amount of notes, consisting of \$ aggregate principal amount of 2021 senior notes and \$ aggregate principal amount of 2040 senior notes. The offered amount of the 2040 senior notes will constitute an additional issuance of our 2040 senior notes, \$500,000,000 aggregate principal amount of which have been previously issued and are outstanding.
Maturity	The 2021 senior notes will mature on , 2021. The 2040 senior notes will mature on October 1, 2040.
Interest rate	The 2021 senior notes will bear interest at % per year. The 2040 senior notes will bear interest at 6.25% per year.
Interest payment dates	The 2021 senior notes will pay interest on and of each year, commencing on , 2011. The 2040 senior notes will pay interest on April 1 and October 1 of each year, commencing on October 1, 2011.
Ranking	The notes will be our senior unsecured obligations and will rank equally with all of our other senior unsecured indebtedness, including all other unsubordinated debt securities issued under the indenture, from time to time outstanding. The indenture does not restrict the issuance by us or our subsidiaries of senior unsecured indebtedness. See "Description of the Notes."
Form and denomination	The notes will be issued in fully registered form in denominations of \$2,000 or integral multiples of \$1,000 in excess thereof.
Further issuances	We may create and issue further notes ranking equally and ratably with either series of notes offered by this prospectus supplement in all respects, so that such further notes will be consolidated and form a single series with the applicable series of notes offered by this prospectus supplement and will have the same terms as to status, redemption or

otherwise.

Optional redemption

We may redeem the notes of either series, in whole or in part, at any time and from time to time, as described under the heading "Description of the Notes - Optional Redemption."

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If the 2021 senior notes are redeemed on or after the date that is three months prior to their maturity date, the 2021 senior notes will be redeemed at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest to the date of redemption.

Mandatory special redemption

The 2021 senior notes will be subject to a special mandatory redemption in the event the Acquisition is not consummated on or prior to July 29, 2011, or if prior to July 29, 2011, the Arrangement Agreement is terminated other than in connection with the consummation of the Acquisition and is not otherwise amended or replaced. In such an event, the 2021 senior notes will be redeemed at a price equal to 101% of the principal amount thereof plus accrued and unpaid interest from the date of initial issuance, or the most recent date to which interest has been paid or provided for, whichever is later, to but excluding, the special mandatory redemption date, such redemption being a special mandatory redemption. The special mandatory redemption date means the date no later than the tenth business day following the earlier to occur of (a) July 29, 2011, if the Acquisition has not been completed on or prior to July 29, 2011 and (b) the date that the Arrangement Agreement is terminated other than in connection with the consummation of the Acquisition and is not otherwise amended or replaced. See Description of the Notes Special Mandatory Redemption.

Offer to repurchase upon change of control triggering event

If we experience a Change of Control Triggering Event (as defined herein), we will be required, unless we have already exercised our option to redeem the notes of the applicable series, to offer to purchase the notes of the applicable series at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of purchase. See Description of the Notes Change of Control Triggering Event.

Certain covenants

The indenture governing the notes contains covenants that restrict our ability, with certain exceptions, to:

incur debt secured by liens; and

engage in sale and leaseback transactions.

See Description of the Notes Certain Covenants.

DTC eligibility

The notes of each series will be represented by global certificates deposited with, or on behalf of, The Depository Trust Company, which we refer to as DTC, or its nominee. See Description of the Notes Book-Entry Delivery and Settlement.

Same-day settlement

Beneficial interests in the notes will trade in DTC's same-day funds settlement system until maturity. Therefore, secondary market trading activity in such interests will be settled in immediately available funds.

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Use of proceeds	We expect to receive net proceeds, after deducting underwriting discounts but before deducting other offering expenses, of approximately \$ million from this offering. We intend to use the net proceeds from this offering, together with cash on hand and borrowings under the bridge credit facility and our new term loan, to fund the Acquisition and to pay related fees and expenses. The closing of this offering is expected to occur prior to the consummation of the Acquisition. If the Acquisition is not consummated, we are required to redeem the 2021 senior notes in a special mandatory redemption as further described under Description of the Notes Special Mandatory Redemption and we intend to use the net proceeds from the 2040 senior notes offered hereby for general corporate purposes, including, without limitation, to fund capital expenditures and other strategic acquisitions. See Use of Proceeds.
No listing of the notes	We do not intend to apply to list the notes on any securities exchange or to have the notes quoted on any automated quotation system.
Governing law	The notes will be, and the indenture is, governed by the laws of the State of New York.
Risk factors	Investing in the notes involves risk. See Risk Factors on page S-12 of this prospectus supplement, in the accompanying prospectus and the documents incorporated by reference herein or therein for a discussion of certain risks you should consider in connection with an investment in the notes.
Trustee, registrar and paying agent	U.S. Bank National Association

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The table below sets forth a summary of our financial and other statistical data for the periods presented. We derived the financial data as of and for the years ended December 31, 2010, 2009 and 2008 from our audited consolidated financial statements. The table below also sets forth unaudited summary pro forma condensed consolidated financial data for the year ended December 31, 2010, which we have derived from the historical financial statements of Cliffs and Consolidated Thompson and should be read in conjunction with the unaudited pro forma condensed consolidated financial and other data included elsewhere in this prospectus supplement. The unaudited condensed consolidated pro forma statement of operations data set forth below gives effect to the Acquisition as if it had occurred on January 1, 2010 and the unaudited condensed consolidated pro forma balance sheet data set forth below gives effect to the Acquisition as if it had occurred as of December 31, 2010. The summary pro forma condensed consolidated financial information set forth below should not be considered indicative of actual results that would have been achieved had the Acquisition occurred on the respective dates indicated and do not purport to indicate balance sheet data or results of operations as of any future date or for any future period. We cannot assure you that the assumptions used in the preparation of the pro forma condensed consolidated financial information will prove to be correct. Prospective investors should read the summary consolidated and pro forma financial and other statistical data in conjunction with our consolidated financial statements, the related notes and other financial information incorporated by reference into this prospectus supplement.

	Year Ended December 31,			Pro Forma for the Year Ended December 31, 2010
	2008(a)	2009	2010(b)	
Financial data (in millions)				
Revenue from product sales and services	\$ 3,609.1	\$ 2,342.0	\$ 4,682.2	\$ 4,984.8
Cost of goods sold and operating expenses	(2,449.4)	(2,033.1)	(3,158.7)	(3,455.5)
Other operating expense	(220.8)	(78.7)	(258.5)	(298.6)
Operating income	938.9	230.2	1,265.0	1,230.7
Net income(c)	537.0	204.3	1,019.7	890.5
Less: Net income (loss) attributable to noncontrolling interest	21.2	(0.8)	(0.2)	13.9
Net income attributable to Cliffs shareholders	515.8	205.1	1,019.9	876.6
Preferred stock dividends	(1.1)			
Income attributable to Cliffs common shareholders	514.7	205.1	1,019.9	876.6
Total assets	4111.1	4,639.3	7,778.2	13,365.6
Long-term obligations	580.2	644.3	1,881.3	4,254.7
Ratio of earnings to fixed charges	15.2x	6.1x	18.7x	
Net cash from operating activities	853.2	185.7	1,320.0	
Redeemable cumulative convertible perpetual preferred stock	0.2			
Distributions to preferred shareholders cash dividends	1.1			
Distributions to common shareholders cash dividends(d)	36.1	31.9	68.9	
Iron ore and coal production and sales statistics				
(tons in millions North America; metric tons in millions Asia Pacific)				
Production tonnage North American iron ore	35.2	19.6	32.0	35.0(e)
North American coal	3.5	1.7	3.2	
Asia Pacific iron ore	7.7	8.3	9.3	
Production tonnage North American iron ore (Cliffs share)	22.9	17.1	25.4	
Sales tonnage North American iron ore	22.7	16.4	26.2	28.9(e)
North American coal	3.2	1.9	3.3	
Asia Pacific iron ore	7.8	8.5	9.3	

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- (a) On May 21, 2008, Portman authorized a tender offer to repurchase shares, and as a result, our ownership interest in Portman increased from 80.4% to 85.2% on June 24, 2008. On September 10, 2008, we announced an off-market takeover offer to acquire the remaining shares in Portman, which closed on November 3, 2008. We subsequently proceeded with a compulsory acquisition of the remaining shares and have full ownership of Portman as of December 31, 2008. Results for 2008 reflect the increase in our ownership of Portman since the date of each step acquisition.
- (b) On 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%. 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.
- (c) 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.
- (d) On May 12, 2009, our Board of Directors enacted a 55% 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.
- (e) The pro forma statistical data for the year ended December 31, 2010 reflects actual Consolidated Thompson iron ore concentrate production and sales of 3.0 million and 2.7 million metric tons, respectively. The Consolidated Thompson production and sales results for 2010 were impacted by ramp-up activities at the Bloom Lake mine. Annual production capacity of 8 million metric tons is expected to be reached during 2011.

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Risk Factors

An investment in the notes involves risk. Prior to making a decision about investing in our notes, and in consultation with your own financial and legal advisors, you should carefully consider the following risk factors, as well as the risk factors discussed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010, which are incorporated herein by reference. You should also refer to the other information in this prospectus supplement and the accompanying prospectus, including our consolidated financial statements and the related notes incorporated by reference in this prospectus supplement. Additional risks and uncertainties that are not yet identified may also materially harm our business, operating results and financial condition.

Risks Related to this Offering and the Notes

The notes are subject to prior claims of any secured creditors and the creditors of our subsidiaries, and if a default occurs we may not have sufficient funds to fulfill our obligations under the notes.

The notes are our unsecured general obligations, ranking equally with our other senior unsecured indebtedness and liabilities but junior to any secured indebtedness and effectively subordinated to the debt and other liabilities of our subsidiaries. The indenture governing the notes permits us and our subsidiaries to incur secured debt under specified circumstances. If we incur any secured debt, our assets and the assets of our subsidiaries will be subject to prior claims by our secured creditors. In the event of our bankruptcy, liquidation, reorganization or other winding up, assets that secure debt will be available to pay obligations on the notes only after all debt secured by those assets has been repaid in full. Holders of the notes will participate in our remaining assets ratably with all of our unsecured and unsubordinated creditors, including our trade creditors.

If we incur any additional obligations that rank equally with the notes, including trade payables, the holders of those obligations will be entitled to share ratably with the holders of the notes in any proceeds distributed upon our insolvency, liquidation, reorganization, dissolution or other winding up. This may have the effect of reducing the amount of proceeds paid to you. If there are not sufficient assets remaining to pay all of these creditors, all or a portion of the notes then outstanding would remain unpaid.

The indenture does not limit the amount of indebtedness that we and our subsidiaries may incur.

The indenture under which the notes will be issued does not limit the amount of indebtedness that we and our subsidiaries may incur. The indenture does not contain any financial covenants or other provisions that would afford the holders of the notes any substantial protection in the event we participate in a highly leveraged transaction.

Our existing and future indebtedness may limit cash flow available to invest in the ongoing needs of our business, which could prevent us from fulfilling our obligations under the notes.

After giving effect to this notes offering, and after giving effect to borrowings under the bridge credit facility, our new term loan and the debt that will be assumed in the Acquisition, our total indebtedness at December 31, 2010 would have been approximately \$ million. Additionally, we have the ability under our existing credit facility to incur substantial additional indebtedness in the future. Our level of indebtedness could have important consequences to you. For example, it could:

require us to dedicate a substantial portion of our cash flow from operations to the payment of debt service, reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other general corporate purposes;

increase our vulnerability to adverse economic or industry conditions;

limit our ability to obtain additional financing in the future to enable us to react to changes in our business; or

place us at a competitive disadvantage compared to businesses in our industry that have less indebtedness.

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Additionally, any failure to comply with covenants in the instruments governing our debt could result in an event of default which, if not cured or waived, would have a material adverse effect on us.

To service our indebtedness, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control. We also depend on the business of our subsidiaries to satisfy our cash needs. If we cannot generate the required cash, we may not be able to make the necessary payments under the notes.

Our ability to make payments on our indebtedness, including the notes, and to fund planned capital expenditures will depend on our ability to generate cash in the future. Our ability to generate cash, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

A significant portion of our operations is conducted through our subsidiaries. As a result, our ability to service our debts, including our obligations under the notes and other obligations, is dependent to some extent on the earnings of our subsidiaries and the payment of those earnings to us in the form of dividends, loans or advances and through repayment of loans or advances from us. Our subsidiaries are separate and distinct legal entities. Our subsidiaries have no obligation to pay any amounts due on the notes or to provide us with funds to meet our payment obligations on the notes, whether in the form of dividends, distributions, loans or other payments. In addition, any payment of dividends, loans or advances by our subsidiaries could be subject to statutory or contractual restrictions. Payments to us by our subsidiaries will also be contingent upon our subsidiaries' earnings and business considerations. Our right to receive any assets of any of our subsidiaries upon their liquidation or reorganization, and therefore the right of the holders of the notes to participate in those assets, will be effectively subordinated to the claims of that subsidiary's creditors, including trade creditors. In addition, even if we are a creditor of any of our subsidiaries, our rights as a creditor would be subordinate to any security interest in the assets of our subsidiaries and any indebtedness of our subsidiaries senior to that held by us. Finally, changes in the laws of foreign jurisdictions in which we operate may adversely affect the ability of some of our foreign subsidiaries to repatriate funds to us.

Additionally, our historical financial results have been, and we anticipate that our future financial results will be, subject to fluctuations. We cannot assure you that our business will generate sufficient cash flow from our operations or that future borrowings will be available to us in an amount sufficient to enable us to pay our indebtedness, including the notes, or to fund our other liquidity needs and make necessary capital expenditures.

An active trading market for the notes may not develop.

There is no existing market for the notes and we do not intend to apply for listing of the notes on any securities exchange or any automated quotation system. Accordingly, there can be no assurance that a trading market for the notes will ever develop or will be maintained. Further, there can be no assurance as to the liquidity of any market that may develop for the notes, your ability to sell your notes or the price at which you will be able to sell your notes. Future trading prices of the notes will depend on many factors, including prevailing interest rates, our financial condition and results of operations, the then-current ratings assigned to the notes and the market for similar debt securities. Any trading market that develops would be affected by many factors independent of and in addition to the foregoing, including:

the time remaining to the maturity of the notes;

the outstanding amount of the notes;

the terms related to optional redemption of the notes; and

the level, direction and volatility of market interest rates generally.

The underwriters have advised us that they currently intend to make a market in the notes of each series, but they are not obligated to do so and may cease market-making at any time in their sole discretion without notice.

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Risks Related to the Acquisition

Failure to successfully and efficiently integrate Consolidated Thompson into our operations may adversely affect our operations and financial condition.

The proceeds of this offering will be used to pay a portion of the purchase price of the acquisition of Consolidated Thompson. The integration of Consolidated Thompson into our operations will be a significant undertaking and will require significant attention from our management team. The Acquisition involves the integration of two companies that previously operated independently and the unique business culture of the two companies may prove to be incompatible. This integration is a complex, costly and time-consuming process, and we cannot assure you that this process will be successful. In addition, the integration of Consolidated Thompson into our operations will require significant one-time costs for tasks such as site visits and audits and may be difficult to execute, and we cannot guaranty or accurately estimate these costs at this time. Additional integration challenges include, among other things:

managing a larger company than before completion of the Acquisition;

retaining existing employees;

the possibility of faulty assumptions underlying our expectations for the integration process;

incorporating new facilities into our business operations;

coordinating sales and delivery functions;

integrating mining logistics, information, communication and other systems;

maintaining our standards, controls, procedures and policies; and

unforeseen expenses, liabilities or delays associated with the Acquisition.

We may not achieve the benefits we expect from the Acquisition if we are unable to successfully overcome these integration challenges.

We may not realize the growth opportunities and cost synergies that are anticipated from our Acquisition of Consolidated Thompson.

The benefits we expect to achieve as a result of our acquisition of Consolidated Thompson will depend, in part, on our ability to realize anticipated growth opportunities and cost synergies. Our success in realizing these growth opportunities and cost synergies, and the timing of this realization, depends on the successful integration of Consolidated Thompson's business and operations with our business and operations. Even if we are able to integrate our business with Consolidated Thompson's business successfully, this integration may not result in the realization of the full benefits of the growth opportunities and cost synergies we currently expect from this integration within the anticipated time frame or at all. For example, we may be unable to eliminate duplicative costs. Moreover, we anticipate that we will incur substantial expenses in connection with the integration of our business with Consolidated Thompson's business. While we anticipate that certain expenses will be incurred, such expenses are difficult to estimate accurately, and may exceed current estimates. Accordingly, the benefits from the Acquisition may be offset by costs incurred or delays in integrating the companies, which could cause our revenue assumptions to be inaccurate.

Our historical and pro forma condensed consolidated financial information may not be representative of our results as a combined company.

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The pro forma condensed consolidated financial information included in this prospectus supplement is constructed from the separate financial statements of us and Consolidated Thompson and may not represent the financial information that would result from operations of the combined companies. In addition, the pro forma condensed consolidated financial information presented in this prospectus supplement is based in part on certain assumptions regarding the Acquisition that we believe are reasonable. We cannot assure you that our

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assumptions will prove to be accurate over time. Accordingly, the historical and pro forma condensed consolidated financial information included in this prospectus supplement may not reflect what our results of operations and financial condition would have been had we been a combined entity during the periods presented, or what our results of operations and financial condition will be in the future. The challenge of integrating previously independent businesses makes evaluating our business and our future financial prospects difficult. Our potential for future business success and operating profitability must be considered in light of the risks, uncertainties, expenses and difficulties typically encountered by recently combined companies.

Consolidated Thompson is an exploration and development mining company whose full potential has not yet been realized, and we may encounter unexpected set-backs in bringing operations up to their full potential, which could hinder our ability to realize the full value of the Acquisition or decrease the anticipated value of the Acquisition.

Consolidated Thompson is an exploration and development mining company. Mining operations generally involve a high degree of risk and Consolidated Thompson's operations are subject to the hazards and risks normally encountered in the exploration, development and production of iron ore, including environmental hazards and periodic interruptions in both production and transportation due to inclement or hazardous weather conditions. Such risks could result in damage to, or destruction of, mineral properties or producing facilities, personal injury, environmental damage, delays in mining, monetary losses and possible legal liability.

Development projects generally have a limited operating history upon which to base estimates of future cash capital and operating costs. For development projects, resource estimates and estimates of cash operating costs are, to a large extent, based upon the interpretation of geologic data obtained from drill holes and other sampling techniques, and feasibility studies, which derive estimates of capital and operating costs based upon anticipated tonnage and grades of ore to be mined and processed, ground conditions, the configuration of the ore body, expected recovery rates of minerals from the ore, estimated operating costs and other factors. As a result, future actual production, cash operating costs and economic returns could differ significantly from those estimated. It is not unusual for new mining operations to experience problems during the start-up phase, and delays in the commencement and initial acceleration of production often can occur. Any of these events could hinder our ability to realize the full value of the Acquisition or decrease the anticipated value of the Acquisition.

Consolidated Thompson's ability to increase present iron ore production levels through the successful development of new mines and/or the expansion of existing mining operations is subject to numerous uncertainties and conditions.

Consolidated Thompson's ability to increase present iron ore production levels is dependent, in part, on the successful development of new mines and/or the expansion of existing mining operations, including the planned increase of production capacity at its Bloom Lake Property from 8 million metric tons per year to 16 million metric tons per year and development of its Lamêlée Property and Pepler Lake Property. Development and expansion projects rely on the accuracy of predicted factors including: capital and operating costs; metallurgical recoveries; reserve estimates; and future metal prices. Development and expansion projects are also subject to accurate feasibility studies, the acquisition of surface or land rights, the issuance of necessary governmental permits, including environmental permits, and obtaining governmental approvals necessary for the operation of a project. As a result of the substantial expenditures involved, developments are also prone to material cost overruns versus budget. Any one of the above factors could delay or restrict our ability to increase present iron ore production levels and have a material adverse effect on our business, results of operations and financial condition.

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The historical financial statements of Consolidated Thompson may not be representative of the future financial position, future results of operations or future cash flows of the Consolidated Thompson business as part of our company nor do they reflect what the financial position, results of operations or cash flows of the Consolidated Thompson business would have been as a part of our company during the periods presented.

To date, Consolidated Thompson has only recorded revenues from operations in three quarters and net income from operations in two quarters. The development of Consolidated Thompson's assets, which involved heavy investments that were not off-set by revenue, resulted in significant losses in previous periods. Since production has begun, these historical financial statements may not be representative of Consolidated Thompson's future financial position, results of operations or cash flows. Additionally, there are a number of factors that may result in differences between the historical financial statements of Consolidated Thompson and the future financial position, results of operations or cash flows of Consolidated Thompson's business as part of our company.

The holders of the 2040 senior notes will not have the benefit of the special mandatory redemption provisions if the Arrangement Agreement is terminated other than in connection with the consummation of the Acquisition or the Acquisition is not consummated on or prior to July 29, 2011.

The special mandatory redemption provisions are applicable only to the 2021 senior notes. If the definitive arrangement agreement is terminated other than in connection with the consummation of the Acquisition or the Acquisition is not consummated on or prior to July 29, 2011, the 2040 senior notes will remain outstanding and we will use the proceeds of the 2040 senior notes for general corporate purposes as further described under Use of Proceeds .

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Use of Proceeds

We expect to receive net proceeds, after deducting underwriting discounts but before deducting other offering expenses, of approximately \$ million from this offering. We intend to use the net proceeds from this offering, together with cash on hand and borrowings under the bridge credit facility and our new term loan, to fund the Acquisition of Consolidated Thompson and to pay related fees and expenses. Pending final use, we may invest the net proceeds from this offering in short-term marketable securities.

The closing of this offering is expected to occur prior to the consummation of the Acquisition. If the Acquisition is not consummated, we will be required to redeem the 2021 senior notes in a special mandatory redemption and we intend to use the net proceeds from the 2040 senior notes offered hereby for general corporate purposes, including, without limitation, to fund capital expenditures and other strategic acquisitions.

The following table sets forth the anticipated sources and uses of funds in connection with this offering, the Acquisition and related financing.

Sources of Funds		Uses of Funds	
2021 senior notes offered hereby	\$	Consolidated Thompson acquisition	\$ 4,501.8
2040 senior notes offered hereby		Transaction fees and expenses	95.9
Cash on hand		Total	\$ 4,597.7
Bridge credit facility			
New term loan			
Total	\$ 4,597.7		

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The following table sets forth our cash and cash equivalents and consolidated capitalization as of December 31, 2010:

on a historical basis;

as adjusted to give effect to this offering; and

pro forma as adjusted to give effect to this offering, our borrowing under the bridge credit facility and the new term loan and the anticipated application of the use proceeds therefrom in connection with the Acquisition as described under Use of Proceeds, as well as the debt that will be assumed in the Acquisition.

You should read this table in conjunction with our consolidated financial statements, the related notes and other financial information contained in our Annual Report on Form 10-K for the year ended December 31, 2010, which is incorporated by reference in this prospectus supplement, as well as the other financial information incorporated by reference in this prospectus supplement and the accompanying prospectus.

(in millions)	As of December 31, 2010		
	Actual	As adjusted	Pro forma as adjusted
Cash and cash equivalents	\$ 1,566.7	\$	\$ 234.4
Capitalization:			
Long-term debt			
Revolving portion of credit facility(1)	\$	\$	\$
Bridge credit facility			1,038.2
New term loan			1,250.0
Private placement senior notes	325.0	325.0	325.0
2020 5.9% senior notes	397.8	397.8	397.8
2020 4.8% senior notes	499.0	499.0	499.0
Senior notes offered hereby(2)			
Existing 2040 6.25% senior notes	491.3	491.3	491.3
Consolidated Thompson unsecured credit facility			49.8
Consolidated Thompson convertible debentures			253.9
Total long-term debt	\$ 1,713.1	\$	\$
Total equity	\$ 3,838.7	\$ 3,838.7	\$ 4,964.2
Total capitalization	\$ 5,551.8	\$	\$

(1) As of December 31, 2010, no revolving loans were drawn under the credit facility; however, the principal amount of letter of credit obligations totaled \$64.7 million, reducing available borrowing capacity to \$535.3 million.

(2) Includes 2021 senior notes and 2040 senior notes offered hereby, net of discount.

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Unaudited Pro Forma Condensed Consolidated Financial Information

The following unaudited pro forma condensed consolidated financial information (Pro Forma Information) is based upon the historical consolidated financial information of Cliffs, which is incorporated by reference in this prospectus supplement, and Consolidated Thompson, which is included elsewhere in this prospectus supplement, and has been prepared to reflect the pending Acquisition of Consolidated Thompson by Cliffs. The unaudited pro forma condensed consolidated statement of financial position as of December 31, 2010 is presented as if the Acquisition and related financing had occurred on that date. The unaudited pro forma condensed consolidated statement of operations for the year ended December 31, 2010 assumes that the Acquisition and related financing occurred on January 1, 2010. The historical consolidated financial information has been adjusted to give effect to estimated pro forma events that are (1) directly attributable to the Acquisition, (2) factually supportable and (3) with respect to the statement of operations, expected to have a continuing impact on the consolidated results of operations.

The Pro Forma Information gives effect to the Acquisition of all of the common shares of Consolidated Thompson by Cliffs in an all cash transaction, including net debt. Cliffs will allocate the purchase price of the Acquisition to the assets acquired and the liabilities assumed based on their estimated fair values. Any excess of purchase price over the fair value of the net assets acquired will be recorded as goodwill. The Pro Forma Information should be read in conjunction with the historical consolidated financial statements and accompanying notes of Cliffs, which are incorporated by reference in this prospectus supplement, and Consolidated Thompson, which are included elsewhere in the prospectus supplement.

The Pro Forma Information has been prepared for illustrative purposes only and is not necessarily indicative of the consolidated financial position or results of operations in future periods or the results that actually would have been realized had Cliffs acquired Consolidated Thompson during the specified periods. The pro forma adjustments are based on the preliminary information available at the time of the preparation of this prospectus supplement. For purposes of this Pro Forma Information, Cliffs has made a preliminary allocation of the estimated purchase price to the tangible assets acquired and liabilities assumed based on various estimates of their fair value. The allocation of the purchase price as of the date of acquisition may differ materially from the information presented in the accompanying Pro Forma Information due to changes in the fair value of the related assets and liabilities between December 31, 2010 and the date of acquisition, and as a further and more comprehensive analysis is completed.

Additionally, the Pro Forma Information does not reflect the cost of any integration activities or benefits that may result from synergies that may be derived from any integration activities. This includes our on-going evaluation of our global tax structure necessary to support our current and future business requirements. Therefore, the actual amounts reflected in our statement of consolidated operations may differ materially from the information presented in the accompanying Pro Forma Information.

Certain amounts in the historical Consolidated Thompson consolidated financial statements have been reclassified to conform to Cliffs' financial statement presentation. Management expects that there could be additional reclassifications following the Acquisition. Consolidated Thompson's historical functional currency, the Canadian dollar, has been assumed for the preparation of the Pro Forma Information. The Consolidated Thompson historical financial statements have been translated from Canadian dollars to U.S. dollars for purposes of the Pro Forma Information. The Consolidated Thompson historical statement of operations has been translated using the average foreign exchange rate prevailing during the twelve months ended December 31, 2010, at an average rate of \$0.97 Canadian dollars/U.S. dollars, and the Consolidated Thompson historical statement of financial position has been translated using the foreign exchange rate as of December 31, 2010, at an exchange rate of \$1.00 Canadian dollars/U.S. dollars. The functional currency of Consolidated Thompson will be evaluated by management upon the close of the Acquisition and prior to the consolidation of Consolidated Thompson into Cliffs' consolidated results. Based upon the outcome of such an evaluation, the translation of Consolidated Thompson's monetary assets and liabilities could result in additional foreign currency gains or losses included in earnings.

Table of Contents**CLIFFS NATURAL RESOURCES INC. AND SUBSIDIARIES****UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS OF DECEMBER 31, 2010**

	Cliffs Natural Resources Historical	Consolidated Thompson Historical	(in millions) Pro Forma Adjustments (Note 3)		Pro Forma Consolidated
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 1,566.7	\$ 234.4	\$ (1,470.8)	(b)	\$ 234.4
			(42.2)	(d)	
			(53.7)	(e)	
Accounts receivable	359.1	94.4	(26.9)	(a)	426.6
Inventories	269.2	35.8	(2.7)	(a)	357.3
			55.0	(c)	
Supplies and other inventories	148.1		2.7	(a)	150.8
Other current assets	240.6	28.4	26.9	(a)	303.8
			7.9	(d)	
TOTAL CURRENT ASSETS	2,583.7	393.0	(1,503.8)		1,472.9
PROPERTY, PLANT AND EQUIPMENT, NET	3,979.2	1,326.7	4,125.6	(c)	9,431.5
OTHER ASSETS					
Marketable securities	85.9	4.0			89.9
Investments in ventures	514.8				514.8
Goodwill	196.5		1,163.5	(c)	1,360.0
Intangible assets, net	175.8				175.8
Other	242.3	24.7	53.7	(e)	320.7
TOTAL OTHER ASSETS	1,215.3	28.7	1,217.2		2,461.2
TOTAL ASSETS	\$ 7,778.2	\$ 1,748.4	\$ 3,839.0		\$ 13,365.6
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	\$ 266.5	\$ 110.6	\$ (1.0)	(a)	\$ 375.2
			(0.9)	(c)	
Bridge facility			1,038.2	(e)	1,038.2
Current portion of long-term debt		16.5	(16.5)	(a)	
Other current liabilities	762.2		17.5	(a)	779.7
TOTAL CURRENT LIABILITIES	1,028.7	127.1	1,037.3		2,193.1
POSTEMPLOYMENT BENEFIT LIABILITIES	528.0				528.0
DEFERRED INCOME TAXES	63.7	61.5	854.6	(c)	979.8
SENIOR NOTES	1,713.1		742.8	(e)	2,455.9
NEW TERM LOAN			1,250.0	(e)	1,250.0
OTHER LONG-TERM DEBT		223.4	(76.9)	(a)	49.8
			(96.7)	(c)	
CONVERTIBLE DEBENTURES		253.9			253.9
OTHER LIABILITIES	606.0	8.0	76.9	(a)	690.9
TOTAL LIABILITIES	3,939.5	673.9	3,788.0		8,401.4
COMMITMENTS AND CONTINGENCIES					
EQUITY					
CLIFFS SHAREHOLDERS' EQUITY					

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Preferred stock no par value					
Class A 3,000,000 shares authorized and unissued					
Class B 4,000,000 shares authorized and unissued					
Common Shares par value \$0.125 per share					
Authorized 224,000,000 shares;					
Issued 138,845,469 shares					
Outstanding 135,456,999 shares	17.3	966.1	(966.1)	(f)	17.3
Warrants		11.6	(11.6)	(f)	
Capital in excess of par value of shares	896.3	45.2	(45.2)	(f)	896.3
Retained Earnings	2,924.1	(109.3)	(34.3)	(d)	2,889.8
			109.3	(f)	
Cost of 3,388,470 common shares in treasury	(37.7)				(37.7)
Accumulated other comprehensive income	45.9	1.4	(1.4)	(f)	45.9
TOTAL CLIFFS SHAREHOLDERS' EQUITY	3,845.9	915.0	(949.3)		3,811.6
NONCONTROLLING INTEREST	(7.2)	159.5	1,000.3	(c)	1,152.6
TOTAL EQUITY	3,838.7	1,074.5	51.0		4,964.2
TOTAL LIABILITIES AND EQUITY	\$ 7,778.2	\$ 1,748.4	\$ 3,839.0		\$ 13,365.6

The accompanying notes are an integral part of this unaudited pro forma condensed consolidated financial information.

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CLIFFS NATURAL RESOURCES INC. AND SUBSIDIARIES

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

TWELVE MONTHS ENDED DECEMBER 31, 2010

	Cliffs Natural Resources Historical	Consolidated Thompson Historical	(in millions) Pro Forma Adjustments (Note 3)		Pro Forma Consolidated
REVENUES FROM PRODUCT SALES AND SERVICES					
Product	\$ 4,416.8	\$ 316.1	\$ (13.5)	(g)	\$ 4,719.4
Freight and venture partners cost reimbursements	265.4				265.4
	4,682.2	316.1	(13.5)		4,984.8
COST OF GOODS SOLD AND OPERATING EXPENSES					
	(3,158.7)	(167.8)	(67.0)	(a)	(3,455.5)
			(75.5)	(h)	
			13.5	(g)	
SALES MARGIN					
	1,523.5	148.3	(142.5)		1,529.3
OTHER OPERATING INCOME (EXPENSE)					
Selling, general and administrative expenses	(238.0)	(38.4)			(276.4)
Miscellaneous net	(20.5)	(76.2)	64.8	(a)	(22.2)
			9.7	(i)	
	(258.5)	(114.6)	74.5		(298.6)
OTHER INCOME (EXPENSE)					
Interest income	9.9	0.5			10.4
Interest expense	(69.7)	(12.9)	8.1	(j)	(218.4)
			(143.9)	(j)	
Other net	93.0	(18.6)	2.2	(a)	76.6
	33.2	(31.0)	(133.6)		(131.4)
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND EQUITY INCOME FROM VENTURES					
	1,298.2	2.7	(201.6)		1,099.3
INCOME TAX (EXPENSE) BENEFIT	(292.0)	1.7	68.0	(k)	(222.3)
EQUITY INCOME FROM VENTURES	13.5				13.5
NET INCOME					
	1,019.7	4.4	(133.6)		890.5
LESS: NET INCOME (LOSS) ATTRIBUTABLE TO NONCONTROLLING INTEREST					
	(0.2)	14.1			13.9
NET INCOME (LOSS) ATTRIBUTABLE TO CLIFFS COMMON SHAREHOLDERS					
	\$ 1,019.9	\$ (9.7)	\$ (133.6)		\$ 876.6
EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CLIFFS SHAREHOLDERS BASIC					
	\$ 7.54				\$ 6.48
EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CLIFFS SHAREHOLDERS DILUTED					
	\$ 7.49				\$ 6.44
AVERAGE NUMBER OF SHARES (IN THOUSANDS)					
Basic	135,301				135,301
Diluted	136,138				136,138
CASH DIVIDENDS PER SHARE					
	0.51				0.51

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The accompanying notes are an integral part of this unaudited pro forma condensed consolidated financial information.

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Table of Contents**Notes to Unaudited Pro Forma Condensed Consolidated Financial Information****Note 1. Basis of Presentation**

On January 11, 2011, we entered into a definitive arrangement agreement with Consolidated Thompson to acquire all of its common shares in an all-cash transaction, including net debt, valued at C\$17.25 per share. The Acquisition reflects our strategy to build scale by owning expandable and exportable steelmaking raw material assets serving international markets. On February 25, 2011, the shareholders of Consolidated Thompson approved the plan of arrangement pursuant to which the Acquisition will be completed. Completion of the Acquisition is subject to additional customary closing conditions, including government and regulatory approvals.

The accompanying Pro Forma Information presents the pro forma consolidated financial position and results of operations of the combined company based upon the historical financial statements of Cliffs and Consolidated Thompson, after giving effect to the Acquisition adjustments described in these notes, and is intended to reflect the impact of the Acquisition on Cliffs. Certain amounts in Consolidated Thompson's historical financial statements have been reclassified to conform to Cliffs' presentation. In addition, the Consolidated Thompson historical financial statements have been translated from Canadian dollars to U.S. dollars for purposes of the Pro Forma Information.

The Acquisition has been accounted for in the Pro Forma Information by allocating the total purchase price of the Acquisition to the assets acquired and liabilities assumed based upon their estimated fair values. The allocation of the purchase price to assets acquired and liabilities assumed in the unaudited pro forma condensed consolidated statement of financial position has been based upon management's preliminary valuation estimates. Such allocations will be finalized based on additional valuation and other studies. Accordingly, the purchase price allocation adjustments and related impacts on the Pro Forma Information are preliminary and are subject to revisions, which may be material, after the closing of the Acquisition.

Note 2. Purchase Price (Dollars in Millions, Except Share Prices)

As of the closing date of the Acquisition: (a) each outstanding Consolidated Thompson common share will be acquired by Cliffs for a cash payment of C\$17.25; (b) each outstanding option and warrant that is in the money will be acquired for cancellation for C\$17.25 less the exercise price; (c) each outstanding performance share unit will be acquired for cancellation for C\$17.25; and, (d) all outstanding Quinto rights will be acquired for cancellation for C\$17.25 per each underlying Consolidated Thompson common share. In addition, Cliffs negotiated a preliminary agreement to purchase the outstanding Consolidated Thompson senior secured notes directly from the note holders for \$122.5 million. The senior secured notes have a face amount of \$100 million, a stated interest rate of 8.5 percent and were scheduled to mature in 2017.

As of December 31, 2010, the preliminary estimated total purchase price of the proposed transaction, exclusive of Consolidated Thompson cash, is as follows:

Cash consideration:	
Cash paid to Consolidated Thompson stockholders	\$ 4,125.2
Cash paid to Consolidated Thompson option holders	171.2
Cash paid to Consolidated Thompson warrant holders	70.8
Cash paid for Quinto rights	3.1
Cash paid for performance share units	9.0
Cash paid to Consolidated Thompson senior secured note holders	122.5
 Total preliminary estimated purchase price	 \$ 4,501.8

For purposes of the Pro Forma Information, the cash consideration component of the preliminary estimated purchase price has been estimated to be funded by approximately \$1.5 billion of Cliffs cash on hand and approximately \$3.0 billion of new debt consisting of \$1.25 billion related to a new term loan, \$0.74 billion related to the notes offered by this prospectus supplement and \$1.04 billion related to a bridge facility.

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The sources of the cash to be used to fund the Acquisition and our anticipated post-Acquisition financing structure, inclusive of the assumed debt obligations of Consolidated Thompson, are based upon our current assumptions. However, we continue to evaluate the structure of our permanent financing for the transaction by, among other things, considering accessing the capital markets depending on market conditions during 2011. Changes to the anticipated financing structure could change materially from what is presented as we continue our analysis and finalize the permanent financing structure.

Additionally, Consolidated Thompson is party to certain management contracts with employees and directors which contain certain change of control provisions for contingent payments if their employment should be terminated with Cliffs. These payments were not included in the estimated purchase price calculated above, as we have assumed that this provision of the contracts has not been triggered in the Pro Forma Information presented. However, if such an occurrence were to take place, payments under the change of control provisions of these contracts could be approximately \$20 million.

Included among the liabilities assumed in the Acquisition are the Consolidated Thompson convertible debentures which as a result of the Acquisition may be converted by their holders into cash in accordance with the provisions of the convertible debenture indenture. The convertible debentures were not included in the estimated purchase price calculated above due to the fact that the treatment of the convertible debentures was not addressed in the plan of arrangement. While it has been assumed that these convertible debentures will not be converted for the purpose of the Pro Forma Information, a conversion of 100 percent of the aggregate principal amount of the convertible debentures at the premium conversion ratio would result in a cash payment of approximately \$336 million and the Unaudited Pro Forma Condensed Consolidated Statement of Operations would no longer reflect the mark-to-market loss on derivative liabilities of \$28.3 million. On March 9, 2011, Consolidated Thompson launched a consent solicitation in order to amend the convertible debenture indenture in order to give Consolidated Thompson a redemption right.

Note 3. Pro Forma Adjustments (Table Amounts in Millions)

The Pro Forma Information includes the following pro forma adjustments to reflect (1) the effects of additional financing necessary to complete the Acquisition and (2) the allocation of the purchase price, including adjusting assets and liabilities to fair value, with related changes in revenues, costs and expenses:

Balance sheet pro forma adjustments:

(a) Reflects reclassification adjustments described in Note 4. *Reclassification Adjustments*.

(b) Reflects the estimated \$1.5 billion net payment of cash from Cliffs' cash on hand for the consideration to be paid for the Acquisition of all outstanding Consolidated Thompson common shares, options, warrants, performance share units, and Quinto rights, as well as negotiated purchase of the outstanding Consolidated Thompson senior secured notes directly from the note holders.

Proceeds from new term loan	\$ 1,250.0
Proceeds from notes offered hereby	742.8
Proceeds from bridge facility	1,038.2
Cash paid to Consolidated Thompson stockholders	(4,125.2)
Cash paid to Consolidated Thompson option holders	(171.2)
Cash paid to Consolidated Thompson warrant holders	(70.8)
Cash paid for Quinto rights	(3.1)
Cash paid for performance share units	(9.0)
Cash paid to Consolidated Thompson senior secured note holders	(122.5)
	\$ (1,470.8)

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(c) The net assets to be acquired from Consolidated Thompson, the pro forma adjustments to reflect the fair value of Consolidated Thompson's net reported assets and other purchase accounting adjustments are estimated as follows:

Consolidated Thompson net assets at book value on December 31, 2010	\$ 915.0
Adjustment to eliminate historical senior secured notes	96.7
Adjustment to eliminate the historical liability related to performance share units	0.9
Adjustment to fair value of inventories	55.0
Adjustment to fair value of mineral lands	4,125.6
Adjustment to fair value of noncontrolling interest	(1,000.3)
Adjustment to deferred tax liabilities to reflect fair value adjustments	(854.6)
Net assets and liabilities acquired	3,338.3
Preliminary allocation to goodwill	1,163.5
Total purchase price	\$ 4,501.8

The allocation of the purchase price is based upon management's preliminary estimates and certain assumptions with respect to the fair value of the assets acquired and liabilities assumed. The ultimate fair values of the assets acquired and liabilities assumed will be determined as of the date of the close of the Acquisition and may differ materially from the amounts disclosed above in the pro forma purchase price allocation due to changes in fair value of the related assets and liabilities between December 31, 2010 and the close of the Acquisition, and as a further and more comprehensive analysis is completed, which may include the identification of certain intangible assets not included above. As a result, the actual allocation of the purchase price and the corresponding amortization may result in materially different adjustments than those noted above.

The mineral lands are amortized using the units of production method. The estimated depletion expense on the preliminary adjustment to fair value for the mineral lands for each of the five succeeding fiscal years is as follows:

Year Ending December 31	Amount
2011	\$ 49.8
2012	54.6
2013	101.0
2014	109.2
2015	109.2
Total	\$ 423.8

(d) Reflects transaction costs net of tax incurred in connection with the Acquisition of Consolidated Thompson.

(e) Reflects the expected borrowings under a \$1.25 billion new term loan, \$0.74 billion of notes offered by this prospectus supplement and a \$1.04 billion bridge facility to fund the portion of the cash consideration required for the Acquisition not funded by cash on hand as described in (b) above. The adjustment also includes the estimated \$53.7 million of deferred debt issuance costs expected to be incurred by Cliffs in connection with the debt issuance.

(f) Reflects the elimination of Consolidated Thompson's historical stockholders' equity.

Income statement pro forma adjustments:

(g) Reflects the elimination of the Cliffs' *Product Revenues* and the Consolidated Thompson *Cost of Goods Sold and Operating Expenses* recognized under the Arnaud Railway agreement between Cliffs' Wabush mine and Consolidated Thompson during the year ended December 31, 2010.

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(h) Reflects the estimated expense of the \$55.0 million preliminary fair value adjustment to inventories, as the acquired inventory has been estimated to be sold during 2010. The adjustment also includes the estimated \$20.5 million estimated depletion expense associated with the preliminary fair value adjustment to mineral lands. For purposes of preparing the Pro Forma Information, the estimated depletion expense was based off of production tons of approximately 3.0 million during 2010.

(i) Reflects the elimination of \$9.7 million of expenses related to stock-based compensation expense recognized during 2010 based upon the anticipated settlement of the options, performance share units and the warrants upon the close of the Acquisition.

(j) Reflects the elimination of Consolidated Thompson's historical interest expense of \$8.1 million on the senior secured notes based upon Cliffs negotiations to purchase such debt directly from the senior secured note holders. The adjustment also reflects the pro forma interest expense on Cliffs' incremental borrowings needed to fund a portion of the cash consideration required for the Acquisition and the associated amortization of deferred debt issuance costs. The adjustment assumes that the borrowings are as of the beginning of the period presented and that the variable interest rates under the new term loan and the bridge facility are based on the one month LIBOR rate plus a margin. A 12.5 basis-point change in interest rates on the Acquisition-related debt would increase (decrease) interest expense by approximately \$2.8 million for the year ended December 31, 2010, excluding the debt offered hereby.

(k) Reflects the recognition of the income tax consequences of the pro forma adjustments identified above. The adjustments have been tax effected at the appropriate statutory rates. We are in the process of evaluating our global tax structure necessary to support our current and future business requirements. Therefore, the actual amounts reflected in our statement of consolidated operations may differ materially from the information presented in the Pro Forma Information.

Note 4. Reclassification Adjustments (Table Amounts in Millions)

As noted above, certain amounts in Consolidated Thompson's historical financial statements have been reclassified to conform to Cliffs presentation.

		Pro Forma Reclassification Adjustments (a)
PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS		
Cost of goods sold and operating expenses	Note i)	\$ (67.0)
Miscellaneous net	Note i)	64.8
Other net	Note i)	2.2
PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION		
Accounts Receivable	Note ii)	\$ (26.9)
Inventories	Note iv)	(2.7)
Supplies and other inventories	Note iv)	2.7
Other current assets	Note ii)	26.9
Accounts payable	Note iv)	(1.0)
Current portion of long-term debt	Note iii)	(16.5)
Other current liabilities	Note iii & iv)	17.5
OTHER LONG-TERM DEBT	Note iii)	(76.9)
OTHER LIABILITIES	Note iii)	76.9

Note i) Reflects the reclassification of Consolidated Thompson start-up expenses of \$64.7 million and amortization expense of \$1.8 million from *Miscellaneous net* to *Cost of Goods Sold and Operating Expenses* and the reclassification of \$1.7 million of Consolidated Thompson foreign exchange losses to *Miscellaneous net* from *Other net*. Also, reflects the reclassification of \$0.5 million of accretion expenses from *Other net* to *Cost of Goods Sold and Operating Expenses*.

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Note ii) Reflects the reclassification of \$26.9 million of Consolidated Thompson receivables related to goods and services and provincial taxes and other accounts receivable from *Accounts receivable* to *Other current assets*.

Note iii) Reflects the reclassification of \$16.5 million of Consolidated Thompson current capital lease obligations and \$76.9 million of Consolidated Thompson noncurrent capital lease obligations from *Current portion of long-term debt* and *Other long-term debt* to *Other current liabilities* and *Other liabilities*, respectively.

Note iv) Reflects other miscellaneous reclassifications as reflected in the table above.

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Description of the Notes

The 2021 senior notes (as defined herein) will constitute a series of debt securities to be issued under the indenture dated as of March 17, 2010 (the base indenture) between us and U.S. Bank National Association, as trustee (the trustee), as supplemented by a fourth supplemental indenture to be dated as of _____, 2011 (the fourth supplemental indenture and, in such case, together with the base indenture, the indenture). We will issue additional 6.25% notes due 2040 (the 2040 senior notes) under the base indenture, as supplemented by the third supplemental indenture dated September 20, 2010 (the third supplemental indenture and, in such case, together with the base indenture, the indenture). The following description is only a summary of the material provisions of the notes and the indenture. You should read these documents in their entirety because they, and not this description, define your rights as holders of the notes. The following summary does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the Trust Indenture Act of 1939 (the TIA), and to all of the provisions of the indenture and those terms made a part of the indenture by reference to the TIA. Unless the context requires otherwise, all references to we, us, our, and Cliffs in this section refer solely to Cliffs Natural Resources Inc. and not to its subsidiaries.

The following description of the particular terms of the notes offered hereby supplements the general description of debt securities set forth in the accompanying prospectus.

General

The 2021 senior notes will be issued in an initial aggregate principal amount of \$ _____ and will mature on _____, 2021 (the 2021 senior notes). The 2040 senior notes will be issued in an aggregate principal amount of \$ _____ and will mature on October 1, 2040. The 2040 senior notes offered hereby will constitute an additional issuance of our 6.25% senior notes due 2040, \$500,000,000 aggregate principal of which have been previously issued and are outstanding (the existing 2040 senior notes), and will be substantially identical in all respects to the existing 2040 senior notes (except for the issue price, the issue date, and the initial interest payment date), will have the same CUSIP number as the existing 2040 senior notes and will trade as the same class. The notes will be issued only in fully registered form without coupons in minimum denominations of \$2,000 and integral multiples of \$1,000 above that amount. The notes will not be entitled to any sinking fund.

In the case of the 2021 senior notes, interest will accrue at the applicable rate per annum shown on the cover of this prospectus supplement from _____, 2011, or from the most recent date to which interest has been paid or provided for, payable semi-annually on _____ of each year, beginning on _____, 2011, to the persons in whose names the notes are registered in the security register at the close of business on the _____ or _____ preceding the relevant interest payment date, except that interest payable at maturity shall be paid to the same persons to whom principal of the notes is payable. Interest will be computed on the notes on the basis of a 360-day year of twelve 30-day months.

In the case of the 2040 senior notes, interest will accrue at the applicable rate per annum shown on the cover of this prospectus supplement from _____, 2011 or from the most recent date to which interest has been paid or provided for, payable semi-annually on April 1 and October 1 of each year, beginning on October 1, 2011, to the persons in whose names the notes are registered in the security register at the close of business on the March 15 or September 15 preceding the relevant interest payment date, except that interest payable at maturity shall be paid to the same persons to whom principal of the notes is payable. Interest will be computed on the notes on the basis of a 360-day year of twelve 30-day months.

The indenture does not limit the amount of notes that we may issue. We may from time to time, without notice to or the consent of the registered holders of either series of notes, create and issue additional notes ranking equally and ratably with either series of notes being issued in this offering in all respects (other than the issue price, the date of issuance, the payment of interest accruing prior to the issue date of such additional notes

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and the first payment of interest following the issue date of such additional notes), provided that such notes must be part of the same issue as the applicable series of notes being issued in this offering for U.S. federal income tax purposes. Any such additional notes shall be consolidated and form a single series with the applicable series of notes being issued in this offering, including for purposes of voting and redemptions. Unless the context otherwise requires, for all purposes of the indenture and this Description of the Notes, references to the notes include the existing 2040 senior notes and any additional notes offered hereby.

The indenture does not limit our ability, or the ability of our subsidiaries, to incur additional indebtedness. The indenture and the terms of the notes will not contain any covenants (other than those described herein) designed to afford holders of any notes protection in a highly leveraged or other transaction involving us that may adversely affect holders of the notes.

There are no public trading markets for the notes, and we do not intend to apply for listing of the notes on any national securities exchange or for quotation of the notes on any automated dealer quotation system.

Ranking

The notes will be our senior unsecured obligations and will rank equally in right of payment with any of our existing and future unsecured and unsubordinated indebtedness. The notes will be effectively subordinated to any of our future secured indebtedness to the extent of the value of the assets securing such indebtedness and effectively junior to liabilities of our subsidiaries. As of December 31, 2010, the aggregate principal amount of our indebtedness was approximately \$1,713.1 million (excluding intercompany liabilities), consisting of \$1,713.1 million senior notes payable.

The notes will not be guaranteed by any of our subsidiaries and will therefore be structurally subordinated to all existing and future indebtedness and other obligations, including trade payables, of our subsidiaries. As of December 31, 2010, our subsidiaries had no liabilities (excluding intercompany liabilities).

Optional Redemption

We may, at our option, at any time and from time to time redeem (i) prior to the date that is three months prior to their maturity date, the 2021 senior notes or (ii) the 2040 senior notes, in whole or in part, on not less than 30 nor more than 60 days prior notice mailed to the holders of the applicable series of notes, with a copy provided to the trustee. The notes of either or both series will be redeemable at a redemption price, to be calculated by us, plus accrued and unpaid interest to the date of redemption, equal to the greater of (1) 100% of the principal amount of the notes to be redeemed and (2) the sum of the present values of the remaining scheduled payments of principal and interest on the notes to be redeemed (not including interest accrued to the date of redemption), discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus _____ basis points with respect to the 2021 senior notes and 40 basis points with respect to the 2040 senior notes, plus, in each case, accrued and unpaid interest on the notes to be redeemed to the date of redemption.

If the 2021 senior notes are redeemed on or after the date that is three months prior to their maturity date, the 2021 senior notes will be redeemed at a redemption price equal to 100% of the principal amount of the notes to be redeemed plus accrued and unpaid interest to the date of redemption.

Comparable Treasury Issue means the United States Treasury security selected by an Independent Investment Banker that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the notes.

Independent Investment Banker means one of the Reference Treasury Dealers appointed by us.

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Comparable Treasury Price means, with respect to any redemption date, (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (2) if we obtain fewer than six such Reference Treasury Dealer Quotations, the average of all Quotations obtained.

Reference Treasury Dealer means each of Citigroup Global Markets Inc. and J.P. Morgan Securities LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated their respective successors and two other nationally recognized investment banking firms that are Primary Treasury Dealers specified from time to time by us, except that if any of the foregoing ceases to be a primary U.S. government securities dealer in the United States (a Primary Treasury Dealer), we are required to designate as a substitute another nationally recognized investment banking firm that is a Primary Treasury Dealer.

Reference Treasury Dealer Quotations means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by us, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to us by such Reference Treasury Dealer as of 3:30 p.m., New York City time, on the third business day preceding such redemption date.

Treasury Rate means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity (computed as of the third business day immediately preceding such redemption date) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

On and after any redemption date, interest will cease to accrue on the notes called for redemption. Prior to any redemption date, we are required to deposit with a paying agent money sufficient to pay the redemption price of and accrued interest on the notes to be redeemed on such date. If we are redeeming less than all the notes, the trustee under the indenture must select the notes to be redeemed by such method as the trustee deems fair and appropriate in accordance with methods generally used at the time of selection by fiduciaries in similar circumstances.

Special Mandatory Redemption

We intend to use the net proceeds from this offering, together with cash on hand and borrowings under the bridge credit facility and our new term loan, to fund the Acquisition and to pay related fees and expenses as described under the heading Use of Proceeds. The closing of this offering is expected to occur prior to the consummation of the Acquisition. The 2021 senior notes will be subject to a special mandatory redemption in the event the Acquisition is not consummated on or prior to July 29, 2011, or if prior to July 29, 2011, the definitive arrangement agreement with Consolidated Thompson dated January 11, 2011 (the Arrangement Agreement) governing the Acquisition is terminated other than in connection with the consummation of the Acquisition and is not otherwise amended or replaced (each such event, a redemption event). In such an event, the 2021 senior notes will be redeemed at a price equal to 101% of the principal amount thereof plus accrued and unpaid interest from the date of initial issuance, or the most recent date to which interest has been paid or provided for, whichever is later, to but excluding the special mandatory redemption date (the special mandatory redemption). The special mandatory redemption date means the date no later than the tenth business day following the earlier to occur of (a) July 29, 2011, if the Acquisition has not been completed on or prior to July 29, 2011 and (b) the date that the Arrangement Agreement is terminated other than in connection with the consummation of the Acquisition and is not otherwise amended or replaced.

We, either directly or through the trustee on our behalf, will cause a notice of the special mandatory redemption to be mailed, with a copy to the trustee, not later than five business days after the occurrence of the redemption event to each holder at its registered address. Such notice will also specify the special mandatory redemption date. If funds sufficient to pay the special mandatory redemption price of all 2021 senior notes to be redeemed on the special mandatory redemption date are deposited with the paying agent on or before such

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special mandatory redemption date, and certain other conditions are satisfied, on and after such special mandatory redemption date, the 2021 senior notes will cease to bear interest and all rights under the 2021 senior notes shall terminate.

Change of Control Triggering Event

Upon the occurrence of a Change of Control Triggering Event with respect to the notes of either series, unless we have exercised our right to redeem the notes of the applicable series as described under **Optional Redemption** by giving irrevocable notice to the trustee in accordance with the indenture, each holder of notes of the applicable series will have the right to require us to purchase all or a portion of such holder's applicable series of notes pursuant to the offer described below (the **Change of Control Offer**), at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of purchase (the **Change of Control Payment**), subject to the rights of holders of the applicable series of notes on the relevant record date to receive interest due on the relevant interest payment date.

Unless we have exercised our right to redeem the notes of the applicable series, within 30 days following the date upon which the Change of Control Triggering Event occurred with respect to the applicable series of notes, or at our option, prior to any Change of Control but after the public announcement of the pending Change of Control, we will be required to send, by first class mail, a notice to each holder of the applicable series of notes, with a copy to the trustee, which notice will govern the terms of the Change of Control Offer. Such notice will state, among other things, the purchase date, which must be no earlier than 30 days nor later than 60 days from the date such notice is mailed, other than as may be required by law (the **Change of Control Payment Date**). The notice, if mailed prior to the date of consummation of the Change of Control, will state that the Change of Control Offer is conditioned on the Change of Control being consummated on or prior to the Change of Control Payment Date.

On the Change of Control Payment Date, we will, to the extent lawful:

accept or cause a third party to accept for payment all notes or portions of notes properly tendered pursuant to the Change of Control Offer;

deposit or cause a third party to deposit with the paying agent an amount equal to the Change of Control Payment in respect of all notes or portions of notes properly tendered; and

deliver or cause to be delivered to the trustee the notes properly accepted together with an officers' certificate stating the aggregate principal amount of notes or portions of notes being repurchased and that all conditions precedent to the Change of Control Offer and to the repurchase by us of notes pursuant to the Change of Control Offer have been complied with.

We will not be required to make a Change of Control Offer with respect to the applicable series of notes if a third party makes such an offer in the manner, at the times and otherwise in compliance with the requirements for such an offer made by us and such third party purchases all the notes of the applicable series properly tendered and not withdrawn under its offer.

We will comply in all material respects with the requirements of Rule 14e-1 under the Securities Exchange Act of 1934, as amended (the **Exchange Act**), and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the notes of the applicable series as a result of a Change of Control Triggering Event. To the extent that the provisions of any such securities laws or regulations conflict with the Change of Control Offer provisions of the notes of the applicable series, we will comply with those securities laws and regulations and will not be deemed to have breached our obligations under the Change of Control Offer provisions of the notes by virtue of any such conflict.

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For purposes of the foregoing discussion of a Change of Control Offer, the following definitions are applicable:

Change of Control means the occurrence of any of the following after the date of issuance of the notes:

1. the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the assets of Cliffs and its subsidiaries taken as a whole to any person or group (as those terms are used in Section 13(d)(3) of the Exchange Act) other than to Cliffs or one of its subsidiaries;
2. the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any person or group (as those terms are used in Section 13(d)(3) of the Exchange Act, it being agreed that an employee of Cliffs or any of its subsidiaries for whom shares are held under an employee stock ownership, employee retirement, employee savings or similar plan and whose shares are voted in accordance with the instructions of such employee shall not be a member of a group (as that term is used in Section 13(d)(3) of the Exchange Act) solely because such employee's shares are held by a trustee under said plan) becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of Voting Stock representing more than 50% of the voting power of our outstanding Voting Stock or of the Voting Stock of any of Cliffs' direct or indirect parent companies;
3. we consolidate with, or merge with or into, any Person, or any Person consolidates with, or merge with or into, us, in any such event pursuant to a transaction in which any of our outstanding Voting Stock or Voting Stock of such other Person is converted into or exchanged for cash, securities or other property, other than any such transaction where our Voting Stock outstanding immediately prior to such transaction constitutes, or is converted into or exchanged for, Voting Stock representing at least a majority of the voting power of the Voting Stock of the surviving Person immediately after giving effect to such transaction;
4. the first day on which a majority of the members of our board of directors or the board of directors of any of Cliffs' direct or indirect parent companies are not Continuing Directors; or
5. the adoption of a plan relating to our liquidation or dissolution.

Notwithstanding the foregoing, a transaction will not be deemed to involve a Change of Control solely because we become a direct or indirect wholly-owned subsidiary of a holding company if the direct or indirect holders of the Voting Stock of such holding company immediately following that transaction are substantially the same as the holders of our Voting Stock immediately prior to that transaction.

Change of Control Triggering Event means, with respect to either series of notes, (i) the rating of such notes is lowered by each of the Rating Agencies on any date during the period (the Trigger Period) commencing on the earlier of (a) the occurrence of a Change of Control and (b) the first public announcement by us of any Change of Control (or pending Change of Control), and ending 60 days following consummation of such Change of Control (which Trigger Period will be extended following consummation of a Change of Control for so long as any of the Rating Agencies has publicly announced that it is considering a possible ratings change), and (ii) such notes are rated below Investment Grade by each of the Rating Agencies on any day during the Trigger Period; provided that a Change of Control Triggering Event will not be deemed to have occurred in respect of a particular Change of Control if each Rating Agency making the reduction in rating does not publicly announce or confirm or inform the trustee at our request that the reduction was the result, in whole or in part, of any event or circumstance comprised of or arising as a result of, or in respect of, the Change of Control.

Notwithstanding the foregoing, no Change of Control Triggering Event will be deemed to have occurred in connection with any particular Change of Control unless and until such Change of Control has actually been consummated.

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Continuing Director means, as of any date of determination, any member of the applicable board of directors who: (1) was a member of such board of directors on the date of issuance of the notes or (2) was nominated for election, elected or appointed to such board of directors with the approval of a majority of the Continuing Directors who were members of such board of directors at the time of such nomination, election or appointment (either by a specific vote or by approval of a proxy statement in which such member was named as a nominee for election as a director).

Investment Grade means a rating of Baa3 or better by Moody's (or its equivalent under any successor rating category of Moody's) and a rating of BBB- or better by S&P (or its equivalent under any successor rating category of S&P), and the equivalent investment grade credit rating from any replacement rating agency or rating agencies selected by us under the circumstances permitting us to select a replacement agency and in the manner for selecting a replacement agency, in each case as set forth in the definition of **Rating Agency**.

Moody's means Moody's Investors Service, Inc., a subsidiary of Moody's Corporation, and its successors.

Rating Agency means each of Moody's and S&P; provided, that if any of Moody's or S&P ceases to provide rating services to issuers or investors, we may appoint another nationally recognized statistical rating organization within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act as a replacement for such Rating Agency.

S&P means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors.

Voting Stock of any specified Person as of any date means the capital stock of such Person that is at the time entitled to vote generally in the election of the board of directors of such Person.

For purposes of the notes, the following definition is applicable:

Person means any individual, corporation, partnership, limited liability company, business trust, association, joint-stock company, joint venture, trust, incorporated or unincorporated organization or government or any agency or political subdivision thereof.

The definition of **Change of Control** includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of all or substantially all of the properties or assets of Cliffs and its subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase **substantially all**, there is no precise, established definition of the phrase under applicable law. Accordingly, the applicability of the requirement that we offer to repurchase the notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of Cliffs and its subsidiaries taken as a whole to another Person or group may be uncertain.

Certain Covenants

Restriction on Liens

We will not, nor will we permit any Domestic Subsidiary to, incur, issue, assume or guarantee any Debt secured by a Lien upon any Principal Property or on any shares of stock or indebtedness of any Domestic Subsidiary (whether such Principal Property, shares of stock or indebtedness is now owned or hereafter acquired) without in any such case effectively providing that the notes (together with, if we shall so determine, any other indebtedness of or guaranteed by us or such Domestic Subsidiary ranking equally with the notes then existing or thereafter created) shall be secured equally and ratably with such Debt, except that the foregoing restrictions shall not apply to:

- (i) Liens on property, shares of stock or indebtedness of or guaranteed by any Person existing at the time such Person becomes a Domestic Subsidiary;

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- (ii) Liens on property existing at the time of acquisition thereof, or to secure the payment of all or part of the purchase or construction price of property, or to secure Debt incurred or guaranteed for the purpose of financing all or part of the purchase or construction price of property or the cost of improvements on property, which Debt is incurred or guaranteed prior to, at the time of, or within 180 days after the later of such acquisition or completion of such improvements or construction or commencement of commercial operation of the property;
- (iii) Liens in favor of us or any Subsidiary;
- (iv) Liens on property of a Person existing at the time such Person is merged into or consolidated with us or a Domestic Subsidiary or at the time of a purchase, lease or other acquisition of the property of a Person as an entirety or substantially as an entirety by us or a Domestic Subsidiary;
- (v) Liens on our property or that of a Domestic Subsidiary in favor of the United States of America or any State thereof, or any political subdivision thereof, or in favor of any other country, or any political subdivision thereof, to secure certain payments pursuant to any contract or statute or to secure any indebtedness incurred or guaranteed for the purpose of financing all or any part of the purchase price or the cost of construction of the property subject to such Liens (including, but not limited to, Liens incurred in connection with pollution control industrial revenue bond or similar financing);
- (vi) Liens imposed by law, for example mechanics', workmen's, repairmen's or other similar Liens arising in the ordinary course of business;
- (vii) pledges or deposits under workmen's compensation or similar legislation or in certain other circumstances;
- (viii) Liens in connection with legal proceedings;
- (ix) Liens for taxes or assessments or governmental charges or levies not yet due or delinquent, of which can thereafter be paid without penalty, or which are being contested in good faith by appropriate proceedings;
- (x) Liens consisting of restrictions on the use of real property that do not interfere materially with the property's use;
- (xi) Liens existing on the date of the indenture; and
- (xii) any refinancing, extension, renewal or replacement (or successive refinancings, extensions, renewals or replacements), in whole or in part, of any Lien referred to in any of the foregoing clauses.

Notwithstanding the above, we and any one or more of our Subsidiaries may, without securing the notes, incur, issue, assume or guarantee secured Debt which would otherwise be subject to the foregoing restrictions, provided that after giving effect thereto the aggregate amount of Debt which would otherwise be subject to the foregoing restrictions then outstanding (not including secured Debt permitted under the foregoing exceptions) plus Attributable Debt relating to sale and leaseback transactions (as described below) does not exceed 15% of our Consolidated Net Tangible Assets.

Restrictions on Sale and Leaseback Transactions.

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Sale and leaseback transactions by us or any Domestic Subsidiary of any Principal Property (whether now owned or hereafter acquired) are prohibited unless:

- (i) we or such Domestic Subsidiary would be entitled under the indenture to issue, assume or guarantee Debt secured by a Lien upon such Principal Property at least equal in amount to the Attributable Debt in respect of such transaction without equally and ratably securing the notes, provided that such Attributable Debt shall thereupon be deemed to be Debt subject to the provisions described above under Restrictions on Liens or

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- (ii) within 180 days, an amount in cash equal to such Attributable Debt is applied to the retirement of Funded Debt (debt that matures at or is extendible or renewable at the option of the obligor to a date more than twelve months after the date of the creation of such Debt) ranking pari passu with the notes, an amount not less than the greater of:

the net proceeds of the sale of the Principal Property leased pursuant to the arrangement, or

the fair market value of the Principal Property so leased. The restrictions described above do not apply to the following:

- (i) a sale and leaseback transaction between us and a Domestic Subsidiary or between Domestic Subsidiaries, or that involves the taking back of a lease for a period of less than three years, or
- (ii) if, at the time of the sale and leaseback transaction, after giving effect to the transaction, the total discounted net amount of rent required to be paid during the remaining term of any lease relating to sale and leaseback transactions (other than transactions permitted by the previous bullet points) plus all outstanding secured Debt pursuant to the Restriction on Liens covenant above, does not exceed 15% of our Consolidated Net Tangible Assets.

Certain Definitions Relating to Our Restrictive Covenants. Following are the meanings of the terms that are important in understanding the restrictive covenants previously described.

Attributable Debt means the present value (discounted at the rate of interest implicit in the terms of the lease) of the obligation of a lessee for net rental payments during the remaining term of any lease (including any period for which such lease has been extended or may, at the option of the lessor, be extended).

Consolidated Net Tangible Assets means the aggregate amount of assets (less applicable reserves and other properly deductible items) after deducting therefrom (a) all current liabilities (excluding any indebtedness for money borrowed having a maturity of less than 12 months from the date of the most recent consolidated balance sheet of Cliffs but which by its terms is renewable or extendable beyond 12 months from such date at the option of the borrower) and (b) all goodwill, trade names, patents, unamortized debt discount and expense and any other like intangibles, all as set forth on the most recent consolidated balance sheet of Cliffs and computed in accordance with U.S. generally accepted accounting principles.

Debt means indebtedness for money borrowed that in accordance with applicable generally accepted accounting principles would be reflected on the balance sheet of the obligor as a liability as of the date on which Debt is to be determined.

Domestic Subsidiary means a Subsidiary that owns or leases any Principal Property except a Subsidiary (a) that transacts any substantial portion of its business and regularly maintains any substantial portion of its fixed assets outside of the United States or (b) that is engaged primarily in financing the operation of us or our Subsidiaries, or both, outside the United States.

Liens means any mortgage, pledge, lien or other encumbrance.

Principal Property means a single manufacturing or processing plant, warehouse distribution facility or office owned or leased by the Company or a Domestic Subsidiary which has a net book value in excess of 5% of Consolidated Net Tangible Assets other than a plant, warehouse, office, or portion thereof which, in the opinion of the Company's Board of Directors, is not of material importance to the business conducted by the Company and its Subsidiaries as an entirety.

Subsidiary means any corporation, partnership or other legal entity (a) the accounts of which are consolidated with ours in accordance with U.S. generally accepted accounting principles and (b) of which, in the case of a corporation, more than 50% of the outstanding voting stock is owned, directly or indirectly, by us or by one or more other Subsidiaries, or by us and one or more other Subsidiaries or, in the case of any partnership or other legal entity, more than 50% of the ordinary equity capital interests is, at the time, directly or indirectly owned or controlled by us or by one or more of the Subsidiaries or by us and one or more of the Subsidiaries.

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Events of Default

You will have special rights if an event of default occurs and is not cured, as further described in the section "Events of Default" in the accompanying prospectus.

The term "event of default" with respect to either series of the notes means any of the following:

a default in the payment of any interest on the applicable series of the notes, when such payment becomes due and payable, and continuance of that default for a period of 30 days (unless the entire amount of the payment is deposited by Cliffs with the trustee or with a paying agent prior to the expiration of such period of 30 days);

default in the payment of principal on the applicable series of the notes when such payment becomes due and payable;

default in the performance or breach of any other covenant or warranty by us in the indenture, which default continues uncured for a period of 60 days after written notice thereof has been given, by registered or certified mail, to us by the trustee or to us and the trustee by the holders of at least 25% in principal amount of the outstanding debt securities of that series, as provided in the indenture; or

certain events of bankruptcy, insolvency or reorganization of Cliffs.

Book-Entry Delivery and Settlement

Upon issuance, the notes of each series will be represented by one or more fully registered global certificates, each of which we refer to as a global security. Each such global security will be deposited with or on behalf of the Depository Trust Company ("DTC"), and registered in the name of DTC or a nominee thereof. Purchasers of the notes can hold beneficial interests in the global notes only through DTC, or through the accounts that Clearstream Banking, société anonyme, Luxembourg, or Euroclear Bank, S.A./N.V., as operator of the Euroclear System, maintain as participants in DTC.

A description of DTC's procedures with respect to the global securities is set forth in the sections "Description of Debt Securities" "Transfer and Exchange" "Global Debt Securities and Book-Entry System" in the accompanying prospectus.

Trustee

U.S. Bank National Association is the trustee under the indenture. Initially, the trustee will also act as the paying agent, registrar and custodian for the notes. In the ordinary course of their businesses, affiliates of the trustee have engaged in commercial banking transactions with us, and may in the future engage in commercial banking and other transactions with us.

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Material U.S. Federal Tax Considerations

The following is a summary of the material United States federal income and estate tax considerations relating to the ownership and disposition of the notes. It is not a complete analysis of all the potential tax considerations relating to the notes. This summary is based upon the provisions of the Internal Revenue Code of 1986, as amended, or the Code, Treasury Regulations promulgated under the Code, and currently effective administrative rulings and judicial decisions, all relating to the United States federal income tax treatment of debt instruments as of the date hereof. These authorities may be changed, perhaps with retroactive effect, so as to result in United States federal income tax consequences different from those set forth below.

This summary assumes that you purchased your outstanding notes upon their initial issuance at their initial offering price and that you held your outstanding notes, and you will hold your notes, as capital assets for United States federal income tax purposes. This summary does not address the tax considerations arising under the laws of any foreign, state or local jurisdiction. In addition, this discussion does not address all tax considerations that may be applicable to holders particular circumstances or to holders that may be subject to special tax rules, such as, for example:

holders subject to the alternative minimum tax;

banks, insurance companies, or other financial institutions;

tax-exempt organizations;

dealers in securities or commodities;

expatriates;

traders in securities that elect to use a mark-to-market method of accounting for their securities holdings;

U.S. Holders (as defined below) whose functional currency is not the United States dollar;

persons that will hold the notes as a position in a hedging transaction, straddle, conversion transaction or other risk reduction transaction;

persons deemed to sell the notes under the constructive sale provisions of the Code; or

partnerships or other pass-through entities.

If a partnership holds notes, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership that will hold notes, you should consult your tax advisor regarding the tax consequences of holding the notes to you.

You are urged to consult your tax advisor with respect to the application of United States federal income tax laws to your particular situation as well as any tax consequences arising under the United States federal estate or gift tax rules or under the laws of any state, local, foreign or other taxing jurisdiction or under any applicable tax treaty.

Consequences to U.S. Holders

The following is a summary of the general United States federal income tax consequences that will apply to you if you are a U.S. Holder of the notes. Certain consequences to Non-U.S. Holders of the notes are described under Consequences to Non-U.S. Holders, below. U.S. Holder means a beneficial owner of a note that is, for United States federal income tax purposes:

a citizen or resident of the United States;

a corporation (or other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States or any political subdivision of the United States;

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an estate the income of which is subject to United States federal income taxation regardless of its source; or

a trust that (1) is subject to the supervision of a court within the United States and the control of one or more U.S. persons or (2) has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

Payments of Interest

Stated interest on the notes will be taxable to you as ordinary income at the time it is paid or accrued in accordance with your method of accounting for United States federal income tax purposes.

Amortizable Bond Premium

If a U.S. Holder purchases a note for an amount that is greater than the principal amount, the U.S. Holder will be considered to have purchased the note with amortizable bond premium. In general, amortizable bond premium with respect to any note will be equal in amount to the excess, if any, of the tax basis over the principal amount. The U.S. Holder may elect to amortize this bond premium, using a constant yield method, over the remaining term of the note. A U.S. Holder may generally use the amortizable bond premium allocable to an accrual period to offset stated interest required to be included in such holder's income with respect to the note in that accrual period. A U.S. Holder who elects to amortize bond premium must reduce the U.S. Holder's tax basis in the note by the amount of the premium amortized in any year. An election to amortize bond premium applies to all taxable debt obligations then owned and thereafter acquired by the U.S. Holder and may be revoked only with the consent of the Internal Revenue Service.

Disposition of Notes

Upon the sale, exchange, redemption or other taxable disposition of a note, you will recognize taxable gain or loss equal to the difference between the amount realized on such disposition (except to the extent any amount realized is attributable to accrued but unpaid interest, which is treated as interest as described above) and your adjusted tax basis in the note. A U.S. Holder's adjusted tax basis in a note generally will equal the cost of the note to such holder.

Gain or loss recognized on the disposition of a note generally will be capital gain or loss, and will be long-term capital gain or loss if, at the time of such disposition, the U.S. Holder's holding period for the note is more than 12 months. The deductibility of capital losses by U.S. Holders is subject to certain limitations.

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to certain payments of principal, premium (if any) and interest on and the proceeds of certain sales of notes unless you are an exempt recipient. Backup withholding (currently at a rate of 28%) will apply to such payments if you fail to provide your taxpayer identification number or certification of exempt status or have been notified by the Internal Revenue Service, or IRS, that payments to you are subject to backup withholding.

Any amounts withheld under the backup withholding rules will generally be allowed as a refund or a credit against your United States federal income tax liability provided that you furnish the required information to the IRS on a timely basis.

For taxable years beginning after December 31, 2012, U.S. Holders that are individuals, estates or trusts and whose income exceeds certain thresholds generally will be subject to a 3.8% Medicare contribution tax on unearned income, including, among other things, interest and gain on the disposition of notes. U.S. Holders should consult their own tax advisors regarding the effect, if any, of such tax on their investment in notes.

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Consequences to Non-U.S. Holders

Non-U.S. Holders

As used in this prospectus supplement, the term **Non-U.S. Holder** means a beneficial owner of a note that is, for United States federal income tax purposes:

a nonresident alien individual;

a foreign corporation;

an estate the income of which is not subject to United States federal income taxation on a net income basis; or

a trust that (1) is either not subject to the supervision of a court within the United States or does not have any United States person with authority to control all substantial decisions of the trust and (2) does not have a valid election in effect under applicable Treasury regulations to be treated as a United States person.

If a partnership, including any entity treated as a partnership for United States federal income tax purposes, is a holder of a note, the United States federal income tax treatment of a partner in such a partnership will generally depend on the status of the partner and the activities of the partnership. Partners in such a partnership should consult their tax advisors as to the particular United States federal income tax consequences applicable to them of acquiring, holding or disposing of the notes.

Under United States federal income tax law, and subject to the discussion of backup withholding below, if you are a Non-U.S. Holder of a note:

The withholding agent generally will not be required to deduct United States withholding tax from payments of interest to you if:

1. you do not actually or constructively own 10% or more of the total combined voting power of all classes of our stock entitled to vote;
2. you are not a controlled foreign corporation that is directly or indirectly related to us through stock ownership;
3. you are not a bank whose receipt of interest on a note is pursuant to a loan agreement entered into in the ordinary course of business; and
4. the withholding agent does not have actual knowledge or reason to know that you are a United States person and

you have furnished to the withholding agent an IRS Form W-8BEN or an acceptable substitute form upon which you certify, under penalties of perjury, that you are a non-United States person;

in the case of payments made outside the United States to you at an offshore account (generally, an account maintained by you at a bank or other financial institution at any location outside the United States), you have furnished to the withholding agent documentation that establishes your identity and your status as a non-United States person;

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the withholding agent has received a withholding certificate (furnished on an appropriate IRS Form W-8 or an acceptable substitute form or statement) from a person claiming to be a (1) withholding foreign partnership, (2) qualified intermediary, or (3) securities clearing organization, bank or other financial institution that holds customers' securities in the ordinary course of its trade or business, and such person is permitted to certify under United States Treasury regulations, and does certify, either that it assumes primary withholding tax responsibility with respect to the interest payment or has received an IRS Form W-8BEN (or acceptable substitute form) from you or from other holders of notes on whose behalf it is receiving payment; or

the withholding agent otherwise possesses documentation upon which it may rely to treat the payment as made to a non-United States person in accordance with United States Treasury regulations.

If you cannot satisfy the requirements described above, payments of interest made to you on the notes will generally be subject to the 30% United States federal withholding of tax, unless you provide the withholding agent either with (1) a properly executed IRS Form W-8BEN (or successor form) claiming an exemption from (or a reduction of) withholding under the benefits of an applicable tax treaty or (2) a properly executed IRS Form W-8ECI (or successor form) stating that interest paid on the note is not subject to withholding of tax because the interest is effectively connected with your conduct of a trade or business in the United States (and, generally in the case of an applicable tax treaty, attributable to your permanent establishment in the United States).

Generally, no deduction for any United States federal withholding of tax will be made from any principal payments or from gain that you realize on the sale, exchange or other disposition of your note. In addition, a Non-U.S. Holder of a note will not be subject to United States federal income tax on gain realized on the sale, exchange or other disposition of such note, unless: (1) that gain or income is effectively connected with the conduct of a trade or business in the United States by the Non-U.S. Holder or (2) the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of that disposition, and certain other conditions are met. If you are described in clause (1), see *Income or Gain Effectively Connected with a United States Trade or Business*, below. If you are described in clause (2), any gain realized from the sale, redemption, exchange, retirement or other taxable disposition of the notes will be subject to United States federal income tax at a 30% rate (or lower applicable treaty rate), although the amount of gain subject to tax may be offset by certain losses.

Further, generally, a note held by an individual who at death is not a citizen or resident of the United States should not be includible in the individual's gross estate for United States federal estate tax purposes if:

the decedent did not actually or constructively own 10% or more of the total combined voting power of all classes of our stock entitled to vote at the time of death, and

the income on the note would not have been, if received at the time of death, effectively connected with a United States trade or business of the decedent.

Income or Gain Effectively Connected with a United States Trade or Business

If any interest on the notes or gain from the sale, redemption, exchange, retirement or other taxable disposition of the notes is effectively connected with a United States trade or business conducted by you (and, generally in the case of an applicable tax treaty, attributable to your permanent establishment in the United States), then the income or gain will be subject to United States federal income tax at regular graduated income tax rates, but will not be subject to United States withholding of tax if certain certification requirements are satisfied. You can generally meet these certification requirements by providing a properly executed IRS Form W-8ECI or appropriate substitute form to us, or our paying agent. If you are a corporation, the portion of your earnings and profits that is effectively connected with your United States trade or business (and, generally in the case of an applicable tax treaty, attributable to your permanent establishment in the United States) may be subject to an additional branch profits tax at a 30% rate, although an applicable tax treaty may provide for a lower rate.

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Backup Withholding and Information Reporting

Generally, information returns will be filed with the United States IRS in connection with payments on the notes. Information reporting may be filed with the IRS in respect of payments on the notes and proceeds from the sale or other disposition of the notes. You may be subject to backup withholding of tax on these payments unless you comply with certain certification procedures to establish that you are not a United States person. The certification procedures required to claim an exemption from withholding tax on interest described above will satisfy the certification requirements necessary to avoid backup withholding as well. The amount of any backup withholding from a payment to you will be allowed as a credit against your United States federal income tax liability and may entitle you to a refund, provided that the required information is timely furnished to the IRS.

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Certain ERISA Considerations

The following summary regarding certain aspects of the United States Employee Retirement Income Security Act of 1974, as amended, or ERISA, and the Code is based on ERISA and the Code, judicial decisions and United States Department of Labor and IRS regulations and rulings that are in existence on the date of this prospectus supplement. This summary is general in nature and does not address every issue pertaining to ERISA that may be applicable to us, the notes or a particular investor. Accordingly, each prospective investor, including plan fiduciaries, should consult with his, her or its own advisors or counsel with respect to the advisability of an investment in the notes, and potentially adverse consequences of such investment, including, without limitation, certain ERISA-related issues that affect or may affect the investor with respect to this investment and the possible effects of changes in the applicable laws.

ERISA and the Code impose certain requirements on employee benefit plans that are subject to Title I of ERISA and plans subject to Section 4975 of the Code (each such employee benefit plan or plan, a Plan) and on those persons who are fiduciaries with respect to Plans. In considering an investment of the assets of a Plan subject to Title I of ERISA in the notes, a fiduciary must, among other things, discharge its duties solely in the interest of the participants of such Plan and their beneficiaries and for the exclusive purpose of providing benefits to such participants and beneficiaries and defraying reasonable expenses of administering the Plan. A fiduciary must act prudently and must diversify the investments of a Plan subject to Title I of ERISA so as to minimize the risk of large losses, as well as discharge its duties in accordance with the documents and instruments governing such Plan. In addition, ERISA generally requires fiduciaries to hold all assets of a Plan subject to Title I of ERISA in trust and to maintain the indicia of ownership of such assets within the jurisdiction of the district courts of the United States. A fiduciary of a Plan subject to Title I of ERISA should consider whether an investment in the notes satisfies these requirements.

An investor who is considering acquiring the notes with the assets of a Plan must consider whether the acquisition and holding of the notes will constitute or result in a non-exempt prohibited transaction. Section 406(a) of ERISA and Sections 4975(c)(1)(A), (B), (C) and (D) of the Code prohibit certain transactions that involve a Plan and a party in interest as defined in Section 3(14) of ERISA or a disqualified person as defined in Section 4975(e)(2) of the Code with respect to such Plan. Examples of such prohibited transactions include, but are not limited to, sales or exchanges of property (such as the notes) or extensions of credit between a Plan and a party in interest or disqualified person. Section 406(b) of ERISA and Sections 4975(c)(1)(E) and (F) of the Code generally prohibit a fiduciary with respect to a Plan from dealing with the assets of the Plan for its own benefit (for example when a fiduciary of a Plan uses its position to cause the Plan to make investments in connection with which the fiduciary (or a party related to the fiduciary) receives a fee or other consideration).

ERISA and the Code contain certain exemptions from the prohibited transactions described above, and the Department of Labor has issued several exemptions, although certain exemptions do not provide relief from the prohibitions on self-dealing contained in Section 406(b) of ERISA and Sections 4975(c)(1)(E) and (F) of the Code. Exemptions include Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code pertaining to certain transactions with non-fiduciary service providers; Department of Labor Prohibited Transaction Class Exemption (PTCE) 95-60, applicable to transactions involving insurance company general accounts; PTCE 90-1, regarding investments by insurance company pooled separate accounts; PTCE 91-38, regarding investments by bank collective investment funds; PTCE 84-14, regarding investments effected by a qualified professional asset manager; and PTCE 96-23, regarding investments effected by an in-house asset manager. There can be no assurance that any of these exemptions will be available with respect to the acquisition of the notes, even if the specified conditions are met. Under Section 4975 of the Code, excise taxes or other liabilities may be imposed on disqualified persons who participate in non-exempt prohibited transactions (other than a fiduciary acting only as such).

In addition, because the acquisition and holding of the notes may be deemed to involve an extension of credit or other transaction between a Plan and a party in interest or disqualified person, the notes may not be purchased or held by any Plan, or any person investing plan assets of any such Plan, if we or any of our affiliates

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(a) has investment or administrative discretion with respect to the assets of the Plan used to effect such purchase; (b) has the authority or responsibility to give, or regularly gives, investment advice with respect to such assets, for a fee and pursuant to an agreement or understanding that such advice (1) will serve as a primary basis for investment decisions with respect to such assets, and (2) will be based on the particular investment needs of such Plan; or (c) unless one of the above exemptions applies, is an employer maintaining or contributing to such Plan.

As a general rule, a governmental plan, as defined in Section 3(32) of ERISA (a Governmental Plan), a church plan, as defined in Section 3(33) of ERISA, that has not made an election under Section 410(d) of the Code (a Church Plan) and non-U.S. plans are not subject to the requirements of ERISA or Section 4975 of the Code. Accordingly, assets of such plans may be invested without regard to the fiduciary and prohibited transaction considerations described above. Although a Governmental Plan, a Church Plan or a non-U.S. plan is not subject to ERISA or Section 4975 of the Code, it may be subject to other United States federal, state or local laws or non-United States laws that regulate its investments (a Similar Law). A fiduciary of a Government Plan, a Church Plan or a non-U.S. plan should make its own determination as to the requirements, if any, under any Similar Law applicable to the acquisition of the notes.

The notes may be acquired by a Plan, an entity whose underlying assets include plan assets by reason of investments in such entity by any Plans (a Plan Asset Entity), and any person investing in plan assets of any Plan or Plan Asset Entity or by a Governmental Plan, a Church Plan or a non-U.S. plan, but only if the acquisition will not result in a non-exempt prohibited transaction under ERISA or Section 4975 of the Code or a violation of Similar Law. Therefore, any investor in the notes will be deemed to represent and warrant to us and the trustee that (1)(a) it is not (i) a Plan, (ii) a Plan Asset Entity, (iii) a Governmental Plan, (iv) a Church Plan or (v) a non-U.S. plan, (b) it is a Plan or a Plan Asset Entity and the acquisition and holding of the notes will not result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code, or (c) it is a Governmental Plan, a Church Plan or a non-U.S. plan that is not subject to (i) ERISA, (ii) Section 4975 of the Code or (iii) any Similar Law that prohibits or taxes (in terms of an excise or penalty tax) the acquisition or holding of the notes; and (2) it will notify us and the trustee immediately if, at any time, it is no longer able to make the representations contained in clause (1) above. Any purported transfer of the notes to a transferee that does not comply with the foregoing requirements shall be null and *void ab initio*.

This offer is not a representation by us or the underwriters that an acquisition of the notes meets all legal requirements applicable to investments by Plans, Plan Asset Entities, Governmental Plans, Church Plans or non-U.S. plans or that such an investment is appropriate for any particular Plan, entities whose underlying assets include assets of a Plan, Governmental Plan, Church Plan or non-U.S. plan.

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Underwriting

Subject to the terms and conditions in the underwriting agreement among us, Citigroup Global Markets Inc., J.P. Morgan Securities LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representatives of the underwriters named below, we have agreed to sell to each underwriter, and each underwriter has severally agreed to purchase from us, the principal amount of notes set forth opposite the names of the underwriters below:

Underwriter	Principal Amount of 2021 Senior Notes	Principal Amount of 2040 Senior Notes
Citigroup Global Markets Inc.	\$	\$
J.P. Morgan Securities LLC		
Merrill Lynch, Pierce, Fenner & Smith Incorporated		
Total	\$	\$

The underwriting agreement provides that the underwriters severally and not jointly agree to purchase all of the notes if any of them are purchased. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the non-defaulting underwriters may be increased or the underwriting agreement may be terminated.

The underwriters initially propose to offer the notes to the public at the public offering prices that appear on the cover page of this prospectus supplement. The underwriters may offer the notes to selected dealers at the public offering price minus a concession of up to % of the principal amount of the 2021 senior notes and % of the principal amount of the 2040 senior notes. In addition, the underwriters may allow, and those selected dealers may reallow, a concession of up to % of the principal amount of the 2021 senior notes and % of the principal amount of the 2040 senior notes to certain other dealers. After the initial offering, the underwriters may change the public offering price and any other selling terms. The underwriters may offer and sell the notes through certain of their affiliates.

The following table shows the underwriting discounts and commissions to be paid to the underwriters in connection with this offering (expressed as a percentage of the principal amount of the notes).

	Paid by Us
Per 2021 senior note	%
Per 2040 senior note	%

In the underwriting agreement, we have agreed that:

We will pay our expenses related to the offering, which we estimate will be approximately \$0.5 million.

We will indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, or contribute to payments that the underwriters may be required to make in respect of those liabilities.

The underwriters are offering the notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the notes, and other conditions contained in the underwriting agreement, such as the receipt by the underwriters of an officer's certificate and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

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The 2021 senior notes are a new issue of securities, and there is currently no established trading market for the 2021 senior notes. The 2040 senior notes offered hereby are a reopening of the existing 2040 senior notes and will become part of the same series as the existing 2040 senior notes. We do not intend to apply for the notes to be listed on any securities exchange or to arrange for the notes to be quoted on any quotation system. The underwriters have advised us that they intend to make a market in each series of notes, but they are not obligated to do so. The underwriters may discontinue any market making in either series of notes at any time in their sole discretion without notice. Accordingly, we cannot assure you that liquid trading markets will develop for the notes, that you will be able to sell your notes at a particular time or that the prices that you receive when you sell will be favorable.

In connection with the offering of the notes, the underwriters may engage in over-allotment, stabilizing transactions and syndicate covering transactions. Over-allotment involves sales in excess of the offering size, which creates a short position for the underwriters. Stabilizing transactions involve bids to purchase the notes in the open market for the purpose of pegging, fixing or maintaining the price of the notes. Syndicate-covering transactions involve purchases of the notes in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions and syndicate-covering transactions may cause the prices of the notes to be higher than it would otherwise be in the absence of those transactions. If the underwriters engage in stabilizing or syndicate-covering transactions, they may discontinue them at any time without notice.

We expect that delivery of the 2021 senior notes will be made to investors on or about _____, 2011, which will be the 5th business day following the date of this prospectus supplement (such settlement being referred to as T+5). Under Rule 15c6-1 under the Exchange Act, trades in the secondary market are required to settle in three business days (such settlement being referred to as T+3), unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade notes on the date of this prospectus supplement or the next succeeding business day will be required, by virtue of the fact that the notes initially will settle in T+5, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the notes who wish to trade the Notes on the date of this prospectus supplement or the next succeeding business day should consult their advisors.

We expect that delivery of the 2040 senior notes will be made to investors on or about April 1, 2011, which will be the 12th business day following the date of this prospectus supplement (such settlement being referred to as T+12). Under Rule 15c6-1 under the Exchange Act, trades in the secondary market are required to settle in three business days (such settlement being referred to as T+3), unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade notes on the date of this prospectus supplement or the next succeeding eight business days will be required, by virtue of the fact that the notes initially will settle in T+12, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the notes who wish to trade the Notes on the date of this prospectus supplement or the next succeeding eight business days should consult their advisors.

Selling Restrictions

The notes may be offered and sold in the United States and certain jurisdictions outside of the United States in which such offer and sale is permitted.

European Economic Area

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), including each Relevant Member State that has implemented the 2010 PD Amending Directive with regard to persons to whom an offer of securities is addressed and the denomination per unit of the offer of securities (each, an Early Implementing Member State), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date), no offer of securities will be made to the public in that Relevant Member State (other than offers (the Permitted Public Offers) where a prospectus will be published in relation to the

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securities that has been approved by the competent authority in a Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive), except that with effect from and including that Relevant Implementation Date, offers of securities may be made to the public in that Relevant Member State at any time:

- A. to qualified investors as defined in the Prospectus Directive, including:
- (a) (in the case of Relevant Member States other than Early Implementing Member States), legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities, or any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than 43.0 million and (iii) an annual turnover of more than 50.0 million as shown in its last annual or consolidated accounts; or
 - (b) (in the case of Early Implementing Member States), persons or entities that are described in points (1) to (4) of Section I of Annex II to Directive 2004/39/EC, and those who are treated on request as professional clients in accordance with Annex II to Directive 2004/39/EC, or recognized as eligible counterparties in accordance with Article 24 of Directive 2004/39/EC unless they have requested that they be treated as non-professional clients; or
- B. to fewer than 100 (or, in the case of Early Implementing Member States, 150) natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted in the Prospectus Directive, subject to obtaining the prior consent of the representatives for any such offer; or
- C. in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of securities shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or of a supplement to a prospectus pursuant to Article 16 of the Prospectus Directive.

Each person in a Relevant Member State (other than a Relevant Member State where there is a Permitted Public Offer) who initially acquires any securities or to whom any offer is made will be deemed to have represented, acknowledged and agreed that (A) it is a qualified investor, and (B) in the case of any securities acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (x) the securities acquired by it in the offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors as defined in the Prospectus Directive, or in circumstances in which the prior consent of the underwriters has been given to the offer or resale, or (y) where securities have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors as defined in the Prospectus Directive, the offer of those securities to it is not treated under the Prospectus Directive as having been made to such persons.

For the purpose of the above provisions, the expression "an offer to the public" in relation to any securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer of any securities to be offered so as to enable an investor to decide to purchase any securities, as the same may be varied in the Relevant Member State by any measure implementing the Prospectus Directive in the Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71 EC (including the 2010 PD Amending Directive, in the case of Early Implementing Member States) and includes any relevant implementing measure in each Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

United Kingdom

Each underwriter has represented and agreed that it and each of its affiliates:

- (a) has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of

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the Financial Services and Markets Act 2000 (the FSMA) received by it in connection with the issue or sale of the notes in circumstances in which Section 21(1) of the FSMA does not apply to the Company; and

(b) has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the notes in, from or otherwise involving the United Kingdom.

Other Relationships

Certain of the underwriters and their affiliates have provided in the past to us and our affiliates and may provide from time to time in the future, various financial advisory and/or derivatives, commercial banking or investment banking and other services for us and such affiliates in the ordinary course of their business, for which they have received and may continue to receive customary fees and commissions. In particular, affiliates of Citigroup Global Markets Inc., J.P. Morgan Securities LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated are parties to and lenders under our bridge credit facility and our new term loan. Our bridge credit facility and our new term loan were negotiated on an arms length basis and contain customary terms pursuant to which the lenders receive customary fees. Please see Summary Growth Strategy and Recent Developments for additional information on the bridge credit facility and the new term loan. In addition, J.P. Morgan Securities LLC is acting as our financial advisor in connection with our proposed Acquisition and will receive a contingent payment in the event of a successful completion of the Acquisition. In addition, from time to time, certain of the underwriters and their affiliates may effect transactions for their own account or the account of customers, and hold on behalf of themselves or their customers, long or short positions in our debt or equity securities or loans, and may do so in the future.

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Legal Matters

Jones Day will pass upon the validity of the notes. Certain legal matters relating to the offering of the notes will be passed upon for the underwriters by Davis Polk & Wardwell LLP.

Experts

The consolidated financial statements, and the related financial statement schedule, incorporated in this prospectus supplement by reference from Cliffs Natural Resources Inc.'s Annual Report on Form 10-K for the year ended December 31, 2010, and the effectiveness of Cliffs Natural Resources Inc.'s internal control over financial reporting have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports, which are incorporated herein by reference. Such financial statements and financial statement schedule have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

The consolidated financial statements of Consolidated Thompson Iron Mines Limited as at December 31, 2010 and 2009 and for each of the years in the three year period ended December 31, 2010 have been included in this prospectus supplement in reliance upon the report of KPMG LLP, independent auditors, appearing elsewhere in this prospectus supplement, and upon the authority of said firm as experts in accounting and auditing.

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**Audited Annual
Financial Statements, including a Canadian GAAP to US GAAP
reconciliation note**

Years ended

December 31, 2010, 2009 and 2008

(Expressed in thousands of Canadian dollars)

March 9, 2011

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Independent Auditors Report

The Board of Directors

Consolidated Thompson Iron Mines Limited

We have audited the accompanying consolidated balance sheets of Consolidated Thompson Iron Mines Limited (the Company) as at December 31, 2010 and 2009, and the related consolidated statements of operations and comprehensive income, cash flows and shareholders equity for each of the years in the three-year period ended December 31, 2010. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2010 in conformity with Canadian generally accepted accounting principles.

/s/ KPMG LLP *

Chartered Accountants

Montréal, Canada

March 9, 2011

* CA Auditor permit No. 8821

Table of Contents**CONSOLIDATED THOMPSON IRON MINES LIMITED**

CONSOLIDATED BALANCE SHEETS

(expressed in thousands of Canadian dollars)

As at December 31,

	2010	2009
ASSETS		
Current		
Cash and cash equivalents	\$ 234,148	\$ 184,924
Restricted cash equivalents		1,305
Amounts receivable (Note 5)	94,383	24,714
Inventories (Note 6)	35,790	516
Prepaid expenses and advances (Note 7)	28,326	39,674
	392,647	251,133
Long-term advances and deferred costs	3,340	32,969
Restricted cash equivalents		9,080
Long-term investments (Note 8)	4,016	3,977
Mining assets (Note 9)	1,138,677	53,803
Mineral exploration and development properties (Note 10)	191,839	772,699
Future income tax (Note 19)	18,799	
	\$ 1,749,318	\$ 1,123,661
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 11)	\$ 110,313	\$ 61,020
Current portion of long-term debt (Note 12)	16,524	7,249
	126,837	68,269
Long-term debt (Note 12)	223,210	30,008
Convertible debentures (Note 13)	167,041	
Asset retirement obligations (Note 14)	8,035	2,619
Future income and mining taxes (Note 19)	61,355	51,566
	459,641	84,193
Non-controlling interest (Note 15)	160,337	112,663
SHAREHOLDERS EQUITY		
Common shares (Note 16)	955,260	882,097
Warrants (Note 17)	11,605	19,088
Equity component of convertible debentures (Note 13)	53,263	
Contributed surplus	45,180	51,349
Accumulated deficit	(64,250)	(95,275)
Accumulated other comprehensive income	1,445	1,277
	1,002,503	858,536
	\$ 1,749,318	\$ 1,123,661

Nature of operations (Note 1)

Commitments and contingencies (Note 24)

Subsequent events (Note 25)

Approved on behalf of the Board of Directors:

Signed Hon. Brian V. Tobin , Director Signed Bernard Wilson, FCA , Director

-- The accompanying notes are an integral part of the consolidated financial statements --

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Table of Contents**CONSOLIDATED THOMPSON IRON MINES LIMITED****CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**

(expressed in thousands of Canadian dollars, except per share amounts)

Years ended December 31,

	2010	2009	2008
Sales	\$ 325,488	\$	\$
Cost of sales (including amortization of \$18,210)	168,742		
Selling, general and administrative	36,248	35,034	10,214
Start-up expenses	65,848	6,330	
Stock-based compensation (Note 18)	9,961	12,223	15,924
Amortization	1,790	921	77
Income (loss) before the undernoted	42,899	(54,508)	(26,215)
Interest income	514	2,196	8,742
Interest expense (Note 11)	(16,597)	(208)	(55)
Accretion expense on asset retirement obligations (Note 14)	(554)		
Unrealized gain (loss) on investments (warrants)	254	(2)	1,650
Realized gain on available-for-sale financial assets	4,571		
Other income	117		
Foreign exchange gain (loss)	6,394	(2,349)	3,116
Write-off of other assets (Note 17)		(9,372)	
Income (loss) before mining and income taxes	37,598	(64,243)	(12,762)
Mining and income tax recovery (Note 19)	(9,001)	(275)	
Non-controlling interest	(15,574)	3,468	
Net income (loss)	31,025	(60,500)	(12,762)
Other comprehensive income items			
Unrealized gain on available-for-sale financial assets for the year, net of future income taxes of \$(612) (2009 \$275)	4,038	2,533	1,803
Realized gain on available-for-sale financial assets for the year, net of future income taxes of \$701 (2009 nil)	(3,870)		
Reversal of previously recognized unrealized gain on acquisition of Quinto Mining Corporation (Note 4)			(3,096)
Comprehensive income (loss)	\$ 31,193	\$ (57,967)	\$ (14,055)
Net earnings (loss) per share (Note 20)			
Basic	\$ 0.13	\$ (0.35)	\$ (0.12)
Diluted	\$ 0.13	\$ (0.35)	\$ (0.12)
Weighted average common shares outstanding (in thousands) (Note 20)			
Basic	232,785	170,781	106,615
Diluted	247,793	170,781	106,615

-- The accompanying notes are an integral part of the consolidated financial statements --

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Table of Contents**CONSOLIDATED THOMPSON IRON MINES LIMITED****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(expressed in thousands of Canadian dollars)

Years ended December 31,

	2010	2009	2008
CASH PROVIDED BY (USED IN):			
OPERATING ACTIVITIES:			
Net income (loss) for the year	\$ 31,025	\$ (60,500)	\$ (12,762)
Charges not affecting cash:			
Stock-based compensation	9,961	12,223	15,924
Warrants issued for WISCO agreement		5,437	
Amortization	20,000	921	77
Unrealized (gain) loss on warrants	(254)	2	(1,650)
Unrealized foreign exchange loss on restricted cash	1,083	97	(226)
Accretion expense	554		
Realized gain on available for sale financial assets	(4,571)		
Unrealized foreign exchange loss on long-term debt	(18,129)		
Future mining and income taxes	(8,921)	(225)	734
Non-controlling interest	15,574	(3,468)	
Write-off of other assets		9,372	
Net change in non-cash working capital	(37,993)	(45,968)	(11,687)
	8,329	(82,109)	(9,590)
INVESTING ACTIVITIES:			
Mining assets, mineral exploration and development properties (note 9 and 10)	(466,538)	(374,001)	(134,204)
Decrease in short-term investments		5,000	
Cash acquired through Quinto acquisition, net of cash paid		(63)	5,238
Decrease in long-term advances and deferred costs	29,629	21,405	(53,374)
Proceeds from disposal of available-for-sale financial assets	6,950		
Acquisition of long-term investments	(2,105)	(1,000)	(3,250)
Decrease in restricted cash equivalents	9,302	17,962	(22,677)
	(422,762)	(330,697)	(208,267)
FINANCING ACTIVITIES:			
Shares issued through public offering		92,690	179,400
Shares issued through private placements		249,422	
Issuance of long-term debt and convertible debentures, net of issuance costs of \$13,464	384,128		
Units of Bloom Lake LP issued to Wisco	32,100	116,131	
Shares issued from exercise of options and warrants	47,579	4,168	2,206
Share issue costs	(150)	(10,976)	(8,673)
	463,657	451,435	172,933
Increase in cash and cash equivalents	49,224	38,629	(44,924)
Cash and cash equivalents, beginning of year	184,924	146,295	191,219
Cash and cash equivalents, end of year	\$ 234,148	\$ 184,924	\$ 146,295

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Cash and cash equivalents consists of:			
Cash	\$ 55,613	\$ 40,320	\$ 4,498
Cash equivalents	178,535	144,604	141,797
	\$ 234,148	\$ 184,924	\$ 146,295

Supplemental information (Note 11)

-- The accompanying notes are an integral part of the consolidated financial statements --

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Table of Contents**CONSOLIDATED THOMPSON IRON MINES LIMITED****CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY**

(expressed in thousands of Canadian dollars)

Years ended December 31,

	2010	2009	2008
Common shares			
Balance, beginning of year	\$ 882,097	\$ 542,749	\$ 243,063
Issued on acquisition of Quinto Mining Corporation			123,767
Issued through public offering		92,690	179,400
Issued through private placements		249,422	
Cash proceeds on options exercised	29,067	3,007	1,882
Transfer from contributed surplus from exercise of options	15,189	1,722	2,556
Cash proceeds on warrants exercised	18,512	1,161	324
Transfer on exercise of warrants	10,395	2,472	430
Share issue costs		(11,126)	(8,673)
Balance, end of year	\$ 955,260	\$ 882,097	\$ 542,749
Warrants			
Balance, beginning of year	\$ 19,088	\$ 6,751	\$
Issued on acquisition of Quinto Mining Corporation			14,842
Issued	2,912	14,809	
Exercised	(10,395)	(2,472)	(430)
Expired			(7,661)
Balance, end of year	\$ 11,605	\$ 19,088	\$ 6,751
Equity component of convertible debentures			
Balance, beginning of year	\$	\$	\$
Issued (Note 13)	53,263		
Balance, end of year	\$ 53,263	\$	\$
Contributed surplus			
Balance, beginning of year	\$ 51,349	\$ 40,848	\$ 14,842
Stock options issued in acquisition of Quinto Mining Corporation			5,277
Stock options expense	9,020	12,223	15,924
Stock options exercised	(15,189)	(1,722)	(2,556)
Warrants expired			7,661
Balance, end of year	\$ 45,180	\$ 51,349	\$ 40,848
Deficit			
Balance, beginning of year	\$ (95,275)	\$ (34,775)	\$ (22,013)
Net income (loss) for the year	31,025	(60,500)	(12,762)
Balance, end of year	\$ (64,250)	\$ (95,275)	\$ (34,775)
Accumulated other comprehensive income			

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Balance, beginning of year	\$ 1,277	\$ (1,256)	\$ 37
Unrealized gain on available-for-sale financial assets for the year, net of future income taxes of \$(612) (2009 \$275)	4,038	2,533	1,803
Realized gain on available for-sale financial assets for the year, net of future income tax of \$701 (2009 nil)	(3,870)		
Reversal of previously unrealized gain on acquisition of Quinto Mining Corporation, net of income taxes			(3,096)
Balance, end of year	\$ 1,445	\$ 1,277	\$ (1,256)
Total shareholders equity	\$ 1,002,503	\$ 858,536	\$ 554,317

-- The accompanying notes are an integral part of the consolidated financial statements --

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CONSOLIDATED THOMPSON IRON MINES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amount expressed in thousands of Canadian dollars, except per share amounts)

For the years ended December 31, 2010 and 2009

1. NATURE OF OPERATIONS

Consolidated Thompson Iron Mines Limited (the Corporation, or Consolidated Thompson) is a mining company with mineral exploration and development activities focused on iron ore. Based in Montréal, Canada, it has iron ore rich mining properties in the well known Labrador Trough that spans North-Eastern Québec and Western Newfoundland and Labrador. The Corporation began producing iron ore concentrate in 2010 at its Bloom Lake mine and its initial sales were recorded in the second quarter of 2010. The Company is moving towards an initial production rate of 8.0 million tonnes per year of high quality iron ore concentrate. The Bloom Lake mine is located near the city of Fermont, in the Province of Québec, Canada.

The Corporation relies heavily on a small number of significant customers, including one customer that represents 50% of the Corporation's expected output of 8 million tonnes of iron ore concentrate per year (that customer also being a shareholder of the Corporation and owning 25% of The Bloom Lake Iron Ore Mines Limited Partnership (Bloom Lake LP) (Note 15)). As a result of this reliance on a small number of customers, the Corporation could be subject to adverse consequences if any of these customers breaches its purchase commitments.

The Corporation also relies on two main rail transportation suppliers to haul iron ore concentrate on a distance of approximately 500 kilometres. Shipping products to customers, recognizing revenues and generating profits is dependent on the products being hauled by these suppliers. Any disruption in their services could affect the operations and profitability of the Corporation. Long-term contracts were signed with these suppliers to secure services. However, if any of these suppliers would breach their commitments, the Corporation could be subject to adverse consequences.

As at December 31, 2010, with sales generating significant positive cash flows, the Corporation believes it has access to sufficient liquidities to ramp-up its production to its projected annualized output of 8 million tonnes of iron ore concentrate, to finance its capital investments and for working capital.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP), which include the following significant accounting policies.

a) Principles of consolidation

These consolidated financial statements include the accounts of the Corporation and its subsidiaries Bloom Lake LP, 75% owned, which was created on July 23, 2009, and Quinto Mining Corporation (Quinto), 100% owned, which was acquired on June 27, 2008. All intercompany balances and transactions have been eliminated.

b) Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reported period. Such estimates and assumptions affect the carrying value of assets as well as the evaluation of asset retirement obligations and reclamation costs and impact decisions as to when exploration and development

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CONSOLIDATED THOMPSON IRON MINES LIMITED

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costs should be capitalized, amortized or expensed. Other significant estimates made by the Corporation include ore reserves and resources, factors affecting valuations of stock-based compensation, valuation allowance determination on future income tax assets and amortization periods of mining properties. The Corporation regularly reviews its estimates and assumptions. However, actual results could differ from these estimates and these differences could be material.

c) Foreign exchange

Monetary assets and liabilities of the Corporation's operations denominated in currencies other than the Canadian dollar are translated into Canadian dollars at the rates of exchange at the balance sheet dates. Non-monetary assets and liabilities are translated at historical exchange rates prevailing at each transaction date. Revenue and expenses are translated at average exchange rates throughout the reporting period, with the exception of depreciation, depletion and amortization which is translated at historical exchange rates. Gains and losses on translation of foreign currencies are included in earnings.

d) Cash and cash equivalents

Cash and cash equivalents are comprised of unrestricted cash on hand and highly liquid investments with a maturity date of three months or less from the date of acquisition. As of December 31, 2010, cash equivalents bear interest at rates ranging between 0.7% and 1.1% in Canadian dollars and at 0.1% in US dollars.

e) Inventories

Iron ore concentrate inventories are valued at the lower of cost and net realizable value. The cost of iron ore concentrate inventories is increased based on the production costs including the cost of materials, labour, operating supplies, sub-contractors expenses, mine site production overheads and amortization to the applicable stage of processing, and decreases in iron ore concentrate inventories are charged back to processing costs using the weighted average cost per tonne.

Ore stockpiles are valued at the lower of cost and net realizable value. The cost of ore stockpiles is increased based on the related current mining cost of the period, and decreases in ore stockpiles are charged back to processing costs using the weighted average cost per tonne.

Mine supplies are valued at the lower of average purchase cost and net realizable value.

If there is a recovery in the net realizable value, the inventories are written back up.

-- The accompanying notes are an integral part of the consolidated financial statements --

Table of Contents**CONSOLIDATED THOMPSON IRON MINES LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Tabular amount expressed in thousands of Canadian dollars, except per share amounts)

For the years ended December 31, 2010 and 2009

f) Mining assets

Property and equipment are recorded at cost less accumulated amortization and are amortized based on their useful lives, as shown in the table below, except that for assets under capital leases, the amortization period may not exceed the term of the lease.

Category	Method	Period
Lodging furniture and facilities	Straight-line	8 and 35 years
Rolling stock	Straight-line	3 years
Mobile mining equipment	Units of use	Useful life of equipment in hours
Railcars	Straight-line	Based on lease term
Leasehold improvement	Straight-line	Based on lease term
Other office equipment	Straight-line	2 to 5 years
Mining property	Units of production	Useful life of mine

Mining costs associated with stripping activities are expensed unless the stripping activity can be shown to represent a betterment to the mineral property which requires such costs be capitalized. Capitalized stripping costs are amortized over the reserves that directly benefit from the stripping activity on a units-of-production basis.

g) Impairment of long-lived assets

Long-lived assets are reviewed for impairment periodically or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss must be recognized if the carrying amount of a long-lived asset exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition. In that event, the asset must be written down to its fair value and an impairment loss is recorded in earnings. Net estimated future cash flows from each long-lived asset are calculated based on anticipated future production (proven and probable reserves as well as value beyond proven and probable reserves), estimated iron ore prices, operating costs, capital expenditures and site restoration expenses. Management's estimate of future cash flows is subject to risk and uncertainties and it is reasonably possible that changes could occur with evolving economic conditions, which may affect the recoverability of the Corporation's long-lived assets and may have a material effect on the Corporation's results of operations and financial position.

h) Mineral exploration and development properties

Exploration and development expenses relating to properties in which the Corporation has an interest are deferred until the properties are brought into production, at which time they are amortized on a unit-of-production basis. Other general exploration expenses are charged to operations as incurred. The cost of properties abandoned or sold and their related deferred exploration costs are expensed to operations in the year of abandonment or sale.

-- The accompanying notes are an integral part of the consolidated financial statements --

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Costs include the cash consideration and the fair value of the shares issued for the acquisition of properties. Properties acquired under option agreements or by joint ventures, whereby payments are made at the sole discretion of the Corporation, are recorded in the accounts at the time of payment.

The Corporation reviews capitalized costs on its properties on a periodic basis and will recognize impairment in value based upon current exploration or production results, if any, and upon management's assessment of the recoverability of the cost of the properties from the future undiscounted cash flows and/or the proceeds from their disposal.

The Corporation qualifies for certain exploration tax credits associated with the exploration and development of its properties located in Québec. Recoverable amounts are offset against deferred exploration costs incurred when the Corporation has complied with the terms and conditions of the program and the amount of government assistance is reasonably assured.

i) Asset retirement obligations

The Corporation is required to record a liability for the estimated future costs associated with legal obligations relating to the reclamation and closure of its mineral exploration and development properties. This amount is initially recorded at its discounted value using the Corporation credit-adjusted risk-free interest rate with subsequent annual recognition of an accretion amount on the discounted liability. An equivalent amount is recorded as an increase to mineral exploration and development properties and amortized over the useful life of the properties using the unit-of-production basis. The liability is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation with a corresponding increase in the carrying value of the related long-lived asset.

j) Income taxes

The Corporation follows the asset and liability method of accounting for income taxes. Under this method, income tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the amounts reported in the financial statements of the Corporation and their respective tax bases, using enacted or substantively enacted income tax rates. The effect of a change in income tax rates on future tax liabilities and assets is recognized in income in the year when the change is enacted or substantively enacted. The Company provides a valuation allowance for future tax assets when it is more likely than not that some portion or all of the future tax assets will not be realized.

k) Stock-based compensation

The Corporation has stock-based compensation plans which are described in Note 18. For stock option awards, the Corporation applies the fair value based method of accounting. Under this method, the fair value of the stock options at the date of grant is amortized over the vesting period, with the offsetting credit to contributed surplus. When stock options are exercised, the proceeds are credited to common shares, together with related portion previously recorded to contributed surplus.

Performance share units (PSU) are recognized in compensation expense and accrued liabilities when it is probable that the performance will be achieved. PSU are re-measured at each reporting period, until settlement, using the trading price of the underlying shares at the end the period. The liability is adjusted at the end of each period to reflect the lapse of time and changes in the estimated future cash flows underlying the obligations.

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l) Revenue

Revenue from the sale of iron ore is recognized when persuasive evidence, usually in the form of an executed sales agreement, indicating there has been a transfer of risks and rewards to the customer, no further work or processing is required by the Corporation, the quantity and quality of the goods has been determined with reasonable accuracy, the price is fixed or determinable, and collectability is reasonably assured. This is generally when the title passes.

In the majority of sales of iron ore concentrate, sales agreements specify that title passes on the bill of lading date, which is the date the goods are delivered to the shipping agent. For such sales, revenue is recognized on the bill of lading date.

In cases where the terms of the executed sales agreement allow for an adjustment to the sales price based on a survey of the goods by the customer (for instance an assay for mineral content), revenue recognition is based on the most recently determined estimate of product specifications.

m) Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing net income (loss) by the weighted-average number of the Corporation's common shares outstanding during the period. Diluted earnings per share is calculated by using the treasury stock method and the if-converted method. The treasury stock method assumes that any proceeds obtained on exercise of options and warrants, including unrecognized compensation costs of stock-based compensation, would be used to purchase common shares of the Corporation at the average market price during the period. The weighted average number of common shares outstanding is then adjusted by the difference between the number of common shares issued from the exercise of options and warrants and common shares repurchased from the related proceeds. If the Corporation has a net loss, diluted loss per share is calculated using the basic weighted average shares outstanding because to do otherwise would be anti-dilutive.

The dilutive effect of the convertible debentures is reflected in diluted earnings per share by application of the if-converted method, if dilutive. Under the if-converted method, convertible debentures are assumed to have been converted at the beginning of the period (or at time of issuance, if later) and the resulting common shares are included in the denominator for purposes of calculating diluted earnings per share. Net income (loss) is also adjusted to remove the financial expense (net of taxes) recorded during the year in relation to the convertible debentures.

n) Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one contract party and a financial liability or equity instrument of another party. Financial instruments are recognized on the balance sheet when the Corporation becomes party to the contractual obligations of the instrument.

Financial instruments, including derivatives, are included on the balance sheet and are measured at their fair value with the exception of loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and recognition of changes in fair values of financial instruments depend on their initial classification. Held-for-trading financial assets are measured at fair value and all gains and losses are included in net income in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in other comprehensive income until the assets are removed from the balance sheet.

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For the years ended December 31, 2010 and 2009

The classification of the Corporation's financial instruments in the various categories is presented in the following table:

Categories	Financial instruments
Held-for-trading financial assets	Cash and cash equivalents
	Restricted cash equivalents
	Long-term investments, warrants
Loans and receivables	Amounts receivable
Available-for-sale financial assets	Long-term investments, other than warrants
Other liabilities	Accounts payable and accrued liabilities
	Long-term debt
	Convertible debentures

Financial instruments that comprise a liability component and an equity component are classified separately on the balance sheet on initial recognition in accordance with the substance of the contractual obligations.

Derivatives instruments, including embedded derivatives, are recorded as either assets or liabilities and are measured at their fair value unless exempted from derivative treatment as a normal purchase and sale. All changes in the fair value of derivatives are recognized in earnings unless specific hedge criteria are met. As of December 31, 2010 and 2009, the Corporation did not have any derivative instruments.

3. CHANGES IN ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS**a) Accounting changes**

Stock-based Compensation

On April 1, 2010, the Corporation decided to change its method of accounting for fair value of common share stock options issued to directors, officers, key employees and consultants. Under the Canadian Institute of Chartered Accountants (CICA) Handbook (HB) Section 3870, *Stock-based Compensation and Other Stock-based Payments*, the fair value of a stock-option award having different vesting dates can be calculated as one award or several separate awards, each award with different expected lives for options that vest each year. For example, compensation cost for an award with a graded vesting schedule, such as an award that vests 33 percent per year over three years, is accrued as if the grant were a series of awards rather than a single award. Each award in the series is accounted for as if it had its own separate service period and vesting date. In the past, the Corporation calculated the fair value of stock option award as one award, even if it had different vesting periods and recorded expense on a straight-line basis. This change in accounting policy did not have a material impact on the stock-options issued prior to April 1, 2010. This accounting policy conforms to the International Financial Reporting Standards (IFRS) to be applied to stock-based compensation beginning on January 1, 2011.

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b) Recent accounting pronouncements

(i) Section 1582, *Business Combinations*

In January 2009, the CICA issued HB Section 1582, *Business Combinations*, replacing Section 1581, *Business Combinations*. The previous Section was removed in order to adopt the relevant extracts of the IFRS 3, *Business Combinations*. The new Section establishes standards for the recognition, measurement, presentation and disclosure of business combinations.

This new standard is applicable to business combinations realized during fiscal years beginning on or after January 1, 2011. This new Section requires that most identifiable assets, liabilities, non-controlling interests and goodwill acquired in a business combination be recorded at full fair value and that liabilities associated with restructuring or exit activities be recognized only if they meet the definition of a liability as of the acquisition date. In addition, direct acquisition costs must be expensed when incurred. This new standard will have no impact on the current consolidated financial statements.

(ii) Section 1601, *Consolidated Financial Statements*, and Section 1602, *Non-controlling interests*

Section 1601, *Consolidated Financial Statements*, replaces and carries forward existing guidance from Section 1600, *Consolidated Financial Statements*, on the aspects of the preparation of consolidated financial statements subsequent to a business combination other than non-controlling interests.

Section 1602, *Non-controlling interests*, provides guidance on accounting for non-controlling interests subsequent to a business combination. This Section replicates the provisions of International Accounting Standard 27 (IAS 27), *Consolidated and Separate Financial Statements*, other than the disclosure requirements. Under this new Section, non-controlling interests in subsidiaries must be presented in the consolidated balance sheet with equity, but separated from the parent shareholders' equity. In the statements of operations, a non-controlling interest must not be deducted in arriving at the consolidated net income, but must be allocated to the controlling interest and the non-controlling interest according to their percentage of ownership.

Sections 1601 and 1602 must be implemented concurrently with Section 1582, *Business Combinations*, discussed above. Both Sections are applicable for fiscal years beginning on or after January 1, 2011 with earlier adoption permitted as of the beginning of a fiscal year. Section 1602 is to be applied retrospectively, with certain exceptions, which will have an impact for the Corporation on the presentation of the non-controlling interest in the financial statements as described above. Section 1601 will have no impact on these consolidated financial statements.

(iii) International Financial Reporting Standards (IFRS)

In February 2008, the Canadian Accounting Standards Board (AcSB) confirmed that publicly accountable enterprises would be required to apply, and report in accordance with IFRS, in full and without modification, effective in fiscal years beginning on or after January 1, 2011 (the Changeover date). In the Corporation's reporting in those periods following the Changeover date, the Corporation will be required to present comparative data for equivalent periods in the previous fiscal year, making January 1, 2010 the Transition date for the Corporation. The Corporation will implement these standards in its first quarter of fiscal year 2011.

-- The accompanying notes are an integral part of the consolidated financial statements --

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4. ACQUISITION OF QUINTO MINING CORPORATION

In January 2008, the Corporation participated as an investor in a non-brokered private placement of Quinto acquiring five million units of Quinto at a price of \$0.65 per unit. Each unit consisted of one common share and one-half of one common share purchase warrant of Quinto, with each whole warrant exercisable to purchase one additional common share for \$1.00 per share at any time prior to January 10, 2010.

On April 21, 2008, the Corporation announced it had signed a letter of agreement with Quinto, whereby the Corporation would acquire all of the outstanding shares of Quinto in exchange for common shares of Consolidated Thompson (the Transaction). The Transaction was completed on June 27, 2008 and the Corporation issued 14,291,789 common shares valued at \$8.66 per share (closing price of the Corporation's shares on the Toronto Stock Exchange on the date of completion) and made cash payments of \$71,000 to former Quinto shareholders. Outstanding Quinto options were exchanged for replacement Consolidated Thompson options on the same basis as the exchange of the Quinto shares for Consolidated Thompson shares. In addition, upon exercising Quinto common share purchase warrants, the holders of the warrants will receive Consolidated Thompson shares and cash on same basis as the exchange of Quinto shares for Consolidated Thompson shares. The acquisition was accounted for as a purchase of assets.

Quinto's assets included two iron properties in Québec, Pepler Lake and Lamêlée, and the Lac Gueret graphite property, also in Québec.

The purchase price was calculated as follows:

Common shares issued (14,291,789)	\$ 123,767
Cash	71
Fair value of stock options issued	5,277
Fair value of warrants assumed	14,842
Cash to be paid on warrants	14
5,000,000 previously owned Quinto shares, at acquisition cost	2,905
2,500,000 previously owned Quinto common share purchase warrants, at fair value	2,096
Transaction costs	1,500
	\$ 150,472

Net assets acquired:

Cash and cash equivalents	\$ 6,760
Short-term investments	5,000
Amounts receivable	548
Prepaid expenses and advances	1,169
Mineral exploration and development properties	188,211
Accounts payable and accrued liabilities	(434)
Future income taxes	(50,782)
	\$ 150,472

-- The accompanying notes are an integral part of the consolidated financial statements --

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For the years ended December 31, 2010 and 2009

5. AMOUNTS RECEIVABLE

	December 31,	
	2010	2009
Account receivable for the sale of iron ore	\$ 67,532	\$
Goods and services and provincial sales tax	22,480	23,471
Other	4,371	1,243
	\$ 94,383	\$ 24,714

6. INVENTORIES

	December 31,	
	2010	2009
Mined ore	\$ 15,103	\$ 280
Crushed ore	832	
Iron ore concentrate	17,161	
Spare parts and other	2,694	236
	\$ 35,790	\$ 516

7. PREPAID EXPENSES AND ADVANCES

	December 31,	
	2010	2009
Payment in Respect of Rail Transportation(i)	\$ 25,752	\$ 25,752
Other	2,574	13,922
	\$ 28,326	\$ 39,674

- (i) In 2008, the Corporation signed a rail transportation agreement (the Agreement) with Quebec North Shore & Labrador Railway Corporation, Inc. (QNS&L) for the mine life. The Agreement provided that iron ore concentrate from the Corporation's Bloom Lake property would be carried on the QNS&L railway from the Wabush Lake Junction in Labrador City, Newfoundland and Labrador to the Sept-Iles Junction in Sept-Iles, Quebec, a distance of approximately 500 km. Concurrently, the Corporation advanced \$51,500,000 pursuant to the terms of the Agreement. The Corporation is required to pay minimum monthly fees of \$4,992,230 starting in January 2010

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even if the minimum monthly shipments of iron ore concentrate are not met. Starting January 1, 2010, the Corporation deducted on its invoices an amount of \$2,146,000 per month from the \$51.5 million advance and will continue to do so until December 2011 (24 month period). As a result, a portion of the advance \$25,752,000 (\$25,752,000 in 2009) is classified as short-term as at December 31, 2010 under *Prepaid expenses and advances*. The balance of nil (\$25,748,000 in 2009) was classified as *Long-term advances and deferred costs*.

-- *The accompanying notes are an integral part of the consolidated financial statements* --

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8. LONG-TERM INVESTMENTS

The following table details the fair value of the investments at December 31, 2010 and 2009:

	December 31,	
	2010	2009
Energizer Resource(i)	\$ 3,858	\$
Largo Resources(ii)	158	2,833
Labrador Iron Mines Limited		1,144
	\$ 4,016	\$ 3,977

- (i) In March 2010, the Corporation acquired 6,666,667 common shares and 6,666,667 common share purchase warrants of Energizer Resource Inc. for \$2,105,200. Each Energizer Warrant entitles the holder thereof to purchase one Energizer Common Share for \$0.50 during the 36 months following the later of (i) March 15, 2010, and (ii) the date on which the Energizer common shares become listed on the TSX Venture Exchange. The Energizer Common Shares were listed on the TSX Venture Exchange on May 5, 2010.
- (ii) In February 2009, the Corporation acquired 16,666,666 common shares of Largo Resources for \$1,000,000. During 2010, the Corporation disposed of 16,222,566 common shares for gross proceeds of \$4,638,350. The balance of 444,100 common shares was sold on December 30, 2010 for settlement in January 2011.

9. MINING ASSETS

	December 31, 2010		
	Cost	Accumulated amortization	Net
Lodging facilities and furnitures	\$ 10,569	\$ (545)	\$ 10,024
Mobile mining equipment	5,878	(851)	5,027
Mobile mining equipment under capital lease	63,351	(11,587)	51,764
Railcars under capital lease	51,225	(1,491)	49,734
Other	1,192	(555)	637
Total property & equipment	\$ 132,215	\$ (15,029)	\$ 117,186
Mine site infrastructure	\$ 586,536	\$ (5,126)	\$ 581,410
Railroad infrastructure	177,536	(1,173)	176,363
Port infrastructure	181,082	(1,075)	180,007
Asset retirement obligation	7,481	(65)	7,416

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Other	6,795	(60)	6,735
Total mining property	\$ 959,430	\$ (7,499)	\$ 951,931
Construction in progress	\$ 69,560	\$	\$ 69,560
Total mining assets	\$ 1,161,205	\$ (22,528)	\$ 1,138,677

-- The accompanying notes are an integral part of the consolidated financial statements --

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amount expressed in thousands of Canadian dollars, except per share amounts)

For the years ended December 31, 2010 and 2009

		December 31, 2009	
	Cost	Accumulated amortization	Net
Lodging facilities and furnitures	\$ 10,075	\$ (164)	\$ 9,911
Mobile mining equipment	5,895	(182)	5,713
Mobile mining equipment under capital lease	38,426	(640)	37,786
Other	712	(319)	393
Total property & equipment	\$ 55,108	\$ (1,305)	\$ 53,803
Total mining assets	\$ 55,108	\$ (1,305)	\$ 53,803

Amortization expense of \$20,000,000 (\$921,000 in 2009 and \$77,000 in 2008) was recognized and recorded during 2010 in the consolidated statement of operations. In 2010, with the operations starting at the Bloom Lake mine, an amount of \$959,430,000 was transferred from mineral exploration and development properties to mining assets.

10. MINERAL EXPLORATION AND DEVELOPMENT PROPERTIES

	Balance, beginning of year	December 31, 2010 Investments during the year	Transfers to mining property	Balance, end of year
<u>Bloom Lake Property</u>				
Acquisition cost	\$ 621	\$	\$ (621)	\$
Exploration and development expenditures	460,248	126,287	(586,535)	
Asset retirement obligation	2,619	4,862	(7,481)	
ITUM agreement	6,175		(6,175)	
Railroad infrastructure	84,575	92,961	(177,536)	
Port infrastructure	27,394	153,688	(181,082)	
	581,632	377,798	(959,430)	
<u>Peppler Lake / Lam��lee Property</u>				
Allocated cost of acquisition of Quinto Mining Corporation	\$ 188,211	\$	\$	\$ 188,211
Exploration and development expenditure	2,856	772		3,628
	191,067	772		191,839
	\$ 772,699	\$ 378,570	\$ (959,430)	\$ 191,839

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The following table shows the components of the interest expense for the years ended December 31, 2010, 2009 and 2008:

	2010	2009	2008
Long-term debt	\$ 10,590	\$	\$
Convertible debentures	1,556		
Capital leases obligations	3,222	45	
Other	1,229	163	55
	\$ 16,597	\$ 208	\$ 55

12. LONG-TERM DEBT

	Interest rate	Maturity	December 31, 2010	December 31, 2009
Revolving senior secured credit facility(i)	Floating	2014	\$	\$
Senior secured bonds(ii)	8.5%	2017	99,460	
Less: Unamortized debt issue costs			(2,850)	
Unsecured term credit facility(iii)	5.0%	2015	49,730	
Capital lease obligations	2.7% to 8.4%	2012 to 2030	93,394	37,257
			239,734	37,257
Less: current portion			(16,524)	(7,249)
			\$ 223,210	\$ 30,008

- (i) In December, 2010, the Corporation entered into a US\$250 million senior secured revolving credit facility with a syndicate of banks. This facility has a maturity of December 2014 and can be used for general corporate purposes. The maturity can be extended annually, subject to the lender's consent. The facility can be drawn in Canadian or US dollars and bear interest at floating rates based on LIBOR or Bankers Acceptance, plus a margin based on the leverage ratio of the Corporation (margin of 3.0% as of December 31, 2010). A portion of the facility can also be used for the issuance of letters of credit. The Corporation and its subsidiary, Bloom Lake LP, have the ability to borrow under the facility. As at December 31, 2010, no amount was drawn on the facility, and letters of credit totaling \$33.9 million were outstanding, reducing the availability under the facility. Upfront costs incurred to enter into the credit facility amounting to \$3,327,000 have been recorded as deferred costs and will be amortized over the term of the facility with the other debt issue costs.
- (ii) In January 2010, the Corporation issued US\$100 million senior secured bonds. The senior secured bonds have a term to maturity of 7 years from the date of issue, provide for semi-annual interest payments at a rate of 8.5% per annum and are subject to redemption by the Corporation at any time after 4 years from the date of issue at pre-determined prices. In consideration of the commitment, the Corporation issued 750,000 warrants (Note 17) valued at \$2.9 million. The value of the warrants has been accounted for as a reduction in long-term debt and will be amortized over the term of the bonds with the other debt issue costs using the effective interest rate method. Considering

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- the amortization of debt issue costs, the effective interest rate of the bonds is 9.1%.
- (iii) In January 2010, the Corporation entered into a credit agreement with SK Networks Co. Ltd (SKN), a subsidiary of the Korean conglomerate SK Group. The credit agreement provides for a US\$50 million

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unsecured five-year term facility, which was drawn in full. The facility is non-amortizing and carries a fixed annual interest rate of 5% payable on a semi-annual basis. The principal amount of the facility can be repaid by the Corporation at any time. Principal repayments on capital lease obligations in each of the next five years and thereafter amount to:

	Capital leases
2011	\$ 20,334
2012	20,055
2013	18,406
2014	14,062
2015	5,779
Thereafter	74,315
	152,951
Less: Amounts representing interest	(59,557)
	\$ 93,394

13. CONVERTIBLE DEBENTURES

	Interest rate	Maturity	December 31, 2010	December 31, 2009
Unsecured convertible debentures	5.0%	2017	\$ 174,353	\$
Less: Unamortized debt issue costs			(7,312)	
			\$ 167,041	\$

On November 29, 2010, the Corporation issued US\$230 million of convertible unsecured debentures. The convertible debentures mature on November 30, 2017 and bear interest at a rate of 5.0% per annum, payable semi-annually on May 31 and November 30 of each year. The convertible debentures may be converted at any time, at the option of the holder, into common shares of the Corporation at a conversion rate of approximately 65.6 common shares per US\$1,000 principal amount of convertible debentures based on a conversion price of US\$15.2439 per common share. On or after November 29, 2013 and until maturity, the Corporation may, at its option, redeem the convertible debentures at par plus accrued and unpaid interest, provided that the weighted average closing price of the Corporation's common shares on the TSX during the last 30 consecutive trading days is at least 125% of the conversion price. The Corporation may also, at its option and subject to certain conditions, elect to satisfy its obligation to repay all or any portion of the principal amounts and interest of the convertible debentures that are to be redeemed or repaid at maturity, by issuing common shares. The number of common shares a holder will receive in respect of each convertible debenture will be determined by dividing the principal amount of the convertible debentures that are to be redeemed or repaid at maturity by 95% of the market price of the common shares. The conversion option was assigned a residual value of \$53.3 million, net of transactions costs of \$2.5 million allocated to the conversion option, and is included in shareholder's equity. The liability portion is being accreted such that the liability at maturity will equal the nominal amount of the convertible debentures. Considering the amortization of the conversion option and the debt issue costs, the effective interest rate of the convertible debentures is 10.6%. In 2010, the Corporation recorded an accretion expense of

\$548,000 (nil in 2009 and 2008) on the convertible debentures presented in the interest expense.

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14. ASSET RETIREMENT OBLIGATIONS

The Corporation's activities are subject to various laws and regulations regarding the environmental restoration and closure provisions for which the Corporation estimates future costs. The provision may be revised on the basis of amendments to such laws and regulations and the availability of new information such as changes in reserves corresponding to a change in the mine life, acquisition or construction of a new mine. The Corporation has recorded a liability for asset retirement obligations of \$8,035,000 at December 31, 2010 (\$2,619,000 at December 31, 2009). These obligations consist of costs associated with reclamation and monitoring activities and the removal of tangible assets at the Corporation's Bloom Lake site.

In 2009, the Corporation determined that the amount required to settle its asset retirement obligations was \$28,600,000 (based on current dollars), mainly paid near the closure of the mine. During 2010, the timing of the future cash flows was revised to provide for a progressive rehabilitation of the mine site, specifically for tailing disposal areas, with the other closure costs mainly paid near the closure of the mine. This change resulted in an increase of \$3,656,000 of the asset retirement obligation. The estimated future cash flows required were also increased by \$3,260,000 (based on current dollars) following the approval of the reclamation plan by the Ministère des Ressources Naturelles et de la Faune du Québec. This change resulted in an increase of \$1,206,000 of the asset retirement obligation.

These estimated future cash flows are projected in the future using an inflation rate of 2.5%, and discounted back using a credit-adjusted risk-free interest rate of 8.5% in the case of the initial provision, and 7.0% in the case of the increase in the amount in 2010. The estimated closure date is determined based on the remaining economic iron ore reserves under the existing mining plan based on the initial production rate of 8.0 million tonnes per year of iron ore concentrate.

An accretion expense of \$554,000 (nil in 2009 and 2008) has been recorded in the consolidated statement of operations in 2010.

15. NON-CONTROLLING INTEREST

On July 20, 2009, the Corporation closed a definitive subscription agreement with Wuhan Iron and Steel (Group) Corporation (WISCO) whereby WISCO agreed to pay the Corporation US\$240 million in exchange for 38,681,023 common shares of the Corporation issued at \$2.72, which represented approximately 19.9% of the issued shares on a post-investment basis, and an interest of 25% in the limited partnership established to operate the Bloom Lake mine, The Bloom Lake Iron Ore Mine Limited Partnership (Bloom Lake LP). A first payment of US\$200 million was made on July 20, 2009 by WISCO as payment for the common shares issued by the Corporation and the 25% interest in the limited partnership. A second payment of US\$30 million was made on May 25, 2010 upon commencement of the commercial production at the Bloom Lake mine as defined in the subscription agreement. The balance of the investment by WISCO in the limited partnership in the amount of US\$10 million will be payable upon the mine reaching an annualized production rate of 8 million tonnes per year of iron ore concentrate for three consecutive months. WISCO has committed to purchase at fair market value for the mine life 4 million tonnes of iron ore concentrate per year.

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16. COMMON SHARES

Authorized:

Unlimited common shares

Unlimited Class A preferred shares, issuable in series

Common shares issued:

The following are the common share transactions during the years ended December 31, 2010 and 2009:

	Number of shares	Value
Balance, December 31, 2007	81,395,628	\$ 243,063
Public offering(iii)	23,000,000	179,400
On acquisition of Quinto Mining Corporation(iv)	14,291,789	123,767
Exercise of options	605,000	1,882
Exercise of options option valuation		2,556
Exercise of warrants	86,500	324
Exercise of warrants warrant valuation		430
Share issue costs		(8,673)
Balance, December 31, 2008	119,378,917	\$ 542,749
Public offering(i)	35,650,000	92,690
Private placement(ii)	71,456,023	249,422
Exercise of options	1,040,000	3,007
Exercise of options option valuation		1,722
Exercise of warrants	414,550	1,161
Exercise of warrants warrant valuation		2,472
Share issue costs		(11,126)
Balance, December 31, 2009	227,939,490	\$ 882,097
Exercise of options	6,587,834	29,067
Exercise of options option valuation		15,189
Exercise of warrants	4,594,024	18,512
Exercise of warrants warrant valuation		10,395
Balance, December 31, 2010	239,121,348	\$ 955,260

- (i) On April 27, 2009, the Corporation closed a public offering consisting of 35,650,000 common shares at a price of \$2.60 per common share, including the exercise of an over-allotment option of 4,650,000 common shares, for aggregate gross proceeds of \$92,690,000. As consideration, the underwriters received a cash commission of 4.5% (\$4,171,000) of the total gross proceeds. Total share issue costs were

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\$4,821,000.

(ii) On July 20, 2009, the Corporation closed a definitive subscription agreement with WISCO whereby WISCO agreed to pay the Corporation \$105,212,000 for 38,681,023 common shares of the Corporation issued at \$2.72. Direct issue costs of \$150,000 were incurred in relation to this private placement.

On September 17, 2009, the Corporation closed a private placement financing consisting of 32,775,000 common shares at a price of \$4.40 per common share, including the exercise of an over-allotment option of

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4,275,000 common shares, for aggregate gross proceeds of \$144,210,000. As consideration, the underwriters received a cash commission of 4.0% (\$5,768,000) of the total gross proceeds. Total share issue costs were \$6,155,000.

- (iii) On March 27, 2008, the Corporation closed a public offering consisting of 23,000,000 common shares at a price of \$7.80 per common share for gross proceeds of \$179,400,000. As consideration, the underwriters received a cash commission of 4.5% (\$8,073,000) of the total gross proceeds. Total share issue costs were \$8,673,000.
- (iv) On June 27, 2008, the Corporation acquired all of the outstanding common shares of Quinto in exchange for common shares of the Corporation at an exchange ratio of five common shares of Quinto for one common share of the Corporation. The Corporation issued 14,291,789 common shares valued at \$8.66 for a value of \$123,767,000.

17. WARRANTS

The following are the warrant transactions during the years ended December 31, 2010 and 2009:

	Number of warrants	Value \$	Weighted average exercise price \$
Balance, December 31, 2007		\$	\$
On acquisition of Quinto Mining Corporation(iv)	2,987,000	14,842	3.88
Exercised	(86,500)	(430)	3.75
Expired	(1,541,150)	(7,661)	3.75
Balance, December 31, 2008	1,359,350	\$ 6,751	\$ 4.04
Issued(i)	5,250,000	9,372	3.75
Issued(ii)	3,088,343	5,437	4.05
Exercised	(414,550)	(2,472)	2.80
Balance, December 31, 2009	9,283,143	\$ 19,088	\$ 3.93
Issued(iii)	750,000	2,912	6.75
Exercised	(4,594,024)	(10,395)	4.03
Balance, December 31, 2010	5,439,119	\$ 11,605	\$ 4.24

- (i) On June 4, 2009, the Corporation entered into a final term sheet providing for a US\$50 million stand-by secured note facility. At the signing of this facility, the Corporation issued 3,500,000 warrants to the lenders with an exercise price of \$3.75 and an expiry date that is three years from the date of issue. On July 27, 2009, the term sheet was amended to increase the stand-by secured note facility by US\$25 million to US\$ 75 million. At the signing of this amendment, the Corporation issued 1,750,000 common share warrants to the lenders at the same exercise price of \$3.75 and an expiry date that is three years from the date of issue. The facility was available until December 31, 2009, but was not drawn as other financing alternatives having more favourable conditions were under negotiation at that time. These warrants were valued at \$9,372,000 using the Black-Scholes option pricing model. This amount was initially capitalized as deferred financing cost, and as the facility was not used, the amount was then written-off in the consolidated statement of operations in 2009.

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- (ii) On July 20, 2009, the Corporation closed a definitive subscription agreement with WISCO. A portion of the expenses related to the search for financing and the negotiation with WISCO was paid by issuing warrants.

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As a result, 3,088,343 warrants were issued with an exercise price of \$4.05 and an expiry date that is two years from the date of issue. These warrants were valued at \$5,437,000 using the Black-Scholes option pricing model and were expensed under *General and administrative expenses* on the consolidated statement of operations.

- (iii) In January 2010, the Corporation entered into a financing agreement to issue senior secured bonds (Note 12). In consideration of this capital commitment, 750,000 warrants were issued with an exercise price of \$6.75 and an expiry date that is three years from the date of issue. These warrants were valued at \$2,912,000 using the Black-Scholes option pricing model. The value of the warrants has been accounted for as a reduction in long-term debt and is being amortized on the life of the senior secured bonds using the effective interest rate method.
- (iv) On June 27, 2008, the date the acquisition of Quinto was completed, 14,932,000 common share purchase warrants of Quinto were outstanding, excluding the 2,500,000 common share purchase warrants held by the Corporation. Upon exercising Quinto warrants, the holders of the warrants will receive Consolidated Thompson shares and cash on same basis as the exchange of Quinto shares for Consolidated Thompson shares. These warrants were valued at \$14,842,000 using the Black-Scholes option pricing model and have been included as part of the acquisition cost of Quinto, as outlined in Note 4.

As of December 31, 2010, the following warrants were outstanding and exercisable:

Exercise prices	Number of warrants	Weighted average remaining contractual life (in years)
\$3.75	3,250,000	1.5
\$4.05	1,439,119	0.6
\$6.75	750,000	2.1
\$4.24	5,439,119	1.3

18. STOCK-BASED COMPENSATION**Stock Option Plan**

The Corporation has a stock option plan established with the intent of advancing the interests of the Corporation by encouraging and enabling the acquisition of an equity interest by directors, officers, key employees and consultants. The aggregate maximum number of common shares that could be issued under the stock option plan is 23,059,066. The options are non-assignable and may be granted for a term not exceeding ten years. The exercise price of the options is fixed by the board of directors of the Corporation and such exercise price shall not be lower than the closing market price on the day preceding the date of the grant, subject to all applicable regulatory requirements. The stock option plan contains vesting acceleration provisions in the event of a change of control of the Corporation.

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The following are the stock option transactions during the years ended December 31, 2010 and 2009:

	Number of options	Weighted average exercise price
Balance, December 31, 2008	9,915,000	\$ 5.70
Issued	10,310,000	3.52
Exercised	(1,040,000)	2.89
Forfeited	(725,000)	3.80
Balance, December 31, 2009	18,460,000	\$ 4.72
Issued	3,185,675	9.12
Exercised	(6,587,834)	4.41
Forfeited	(105,000)	5.27
Balance, December 31, 2010	14,952,841	\$ 5.80

Following Quinto's acquisition by the Corporation in 2008, all of the outstanding stock options of Quinto were exchanged for stock options of the Corporation at an exchange ratio of five stock options of Quinto for one stock option of the Corporation. The options were valued at \$5,277,000 using the Black-Scholes option pricing model and have been included as part of the acquisition cost of Quinto, as outlined in Note 4.

As of December 31, 2010, the following stock options were outstanding and exercisable:

Range of exercise prices	Options outstanding			Options exercisable	
	Number of options	Weighted average exercise price	Weighted average remaining contractual life years	Number of options	Weighted average exercise price
\$0.87	100,000	\$ 0.87	0.1	100,000	\$ 0.87
\$2.60 \$3.80	5,207,833	\$ 3.15	3.0	4,232,833	\$ 3.00
\$4.37 \$6.00	4,496,666	\$ 5.65	2.6	3,821,667	\$ 5.71
\$6.65 \$9.23	3,966,367	\$ 7.71	3.3	2,494,467	\$ 7.89
\$11.48 \$12.46	1,181,975	\$ 12.02	5.0	141,667	\$ 11.70
	14,952,841	\$ 5.80	3.1	10,790,633	\$ 5.18

During the year ended December 31, 2010, 3,185,675 stock options (10,310,000 in 2009 and 4,675,000 in 2008) were granted to directors, officers, employees and consultants of the Corporation. The options issued in December 2010 vest in December 2013, and options issued during the year, prior to December, either vest immediately, subject to a four-month hold period, or vest on December 31, 2012, or vest in three equal instalments over a period of two years, with the first instalment vesting on the date of grant and the second and third instalments vesting on the first and second anniversary of the date of grant, respectively. The options issued during the last two quarters of 2009 vest in three equal instalments over a period of two years, with the first instalment vesting on the date of grant and the second and third instalments vesting on the

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first and second anniversary of the date of grant, respectively. The options issued before July 1, 2009 vested immediately, subject to a four-month hold period.

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The fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	Year ended December 31,		
	2010	2009	2008
Expected dividend yield	0%	0%	0%
Expected volatility	79%	86%	76%
Risk-free interest rate	1.41%	1.23%	2.84%
Expected life	2.8 years	2.5 years	3 years
Weighted average grant date fair value	\$ 4.54	\$ 1.76	\$ 3.41

An expense of \$9,020,000 (\$12,223,000 in 2009 and 15,924,000 in 2008) for the option issued was recorded under stock-based compensation in the consolidated statement of operations, with a corresponding increase in contributed surplus.

Performance Share Units (PSUs)

In June 2010, the Corporation established a Performance Share Unit Plan (the PSU Plan) with the intent of advancing the interests of the Corporation in allowing certain designated executives and officers to participate in the long term success of the Corporation and to promote a greater alignment of their interests with the interests of the Corporation's shareholders. The PSU Plan is non-dilutive and awards under the plan will be settled in cash on the vesting date based on the percentage of achievement (not exceeding 200%) of the performance objective set by the Board at the time of the grant, and the value of the common shares of the Corporation on the vesting date. In 2010, a total of 521,100 PSUs were issued under the PSU Plan. A tranche of 304,700 PSUs will vest in December 2012 and a second tranche of 216,400 PSUs will vest in December 2013. In both cases, the vesting will be subject to the achievement of the performance objectives determined by the Board. The PSU Plan contains vesting acceleration provisions in the event of a change of control of the Corporation.

At the end of each reporting period, the progress towards the achievement of the established objectives is considered to estimate the liability to be recorded. An expense of \$941,000 (nil in 2009 and 2008) was recorded with a corresponding liability as of December 31, 2010 in relation to the outstanding PSUs.

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19. INCOME TAXES

The information in this note includes the income tax assets and liabilities of the Corporation and its corporate wholly-owned subsidiaries, and its proportionate share of the future tax assets and liabilities derived from the temporary differences of Bloom Lake LP.

a) Provision for income and mining taxes

Major items causing the Corporation's income tax rate to differ from the Canadian combined federal and provincial statutory rate of approximately 29.9% (30.9% in 2009) are as follows:

	Year ended December 31,		
	2010	2009	2008
Income (loss) before mining and income taxes	\$ 37,598	\$ (64,243)	\$ (12,762)
Tax expense (recovery) at combined statutory rates	11,329	(19,851)	(3,969)
Adjustments to income (loss) resulting from:			
Stock-based compensation	2,978	3,777	4,960
Provincial mining duty taxes	6,864		
Non controlling interest	(4,104)		
Other permanent differences and other	(3,412)	3,865	52
Change in valuation allowance	(22,656)	11,934	(1,043)
Mining and income tax recovery	\$ (9,001)	\$ (275)	\$

The provision for mining and income taxes (recovery) is made up of the following components:

	Year ended December 31,		
	2010	2009	2008
Current			
Federal and provincial income taxes	\$	\$	\$
Provincial mining tax recovery	(80)	(50)	734
	(80)	(50)	734