
Cliffs Natural provides North American business update

Friday, 03 Jul, 2009

Cliffs Natural Resources Inc provided an update for its North American Business Unit, including 2009 North American Iron Ore contractual obligations for volume and the Company's expectations for North American Coal sales volumes.

North American Iron Ore

Cliffs indicated that based on amendments to customer supply agreements it expects to defer approximately one million tons of purchase obligations for iron ore pellets from customers to the first quarter of 2010.

As a result, the Company now has contractual obligations for 17 million tons of iron ore pellets in 2009 and expects to collect cash from customers for this amount in the current year. The amount of sales volume recognized in 2009 will depend on accounting principles for "bill and hold" sales. The 17 million tons referenced above excludes revenue recognition of 1.2 million tons deferred at the end of 2008, which are being recognized as these tons ship in 2009.

Recently, Vale and a steelmaker in Europe agreed to a price settlement decrease of approximately 48% for iron ore pellets. Assuming this settlement price is adopted by Eastern Canada and other iron ore pellet producers and combined with the impact of the amendments referenced above, the Company expects average revenue per ton in the North American Iron Ore business segment to be approximately USD 75 in 2009.

Currently, the North American Iron Ore business segment is expected to produce 15 million tons in 2009 at a cost of \$70 to \$80 per ton.

Extended Plant Shutdown at Hibbing Taconite

Cliffs also indicated that the owners of the Hibbing Taconite Joint Venture in Minnesota have made the decision to extend the plant's current shutdown status through the first quarter of 2010 as a result of continuing soft demand for iron ore pellets. The facility was originally shut down in May 2009, following an idling of two of Hibbing's three pelletizing furnaces in March 2009. The initial shutdown had been expected to last 15 weeks. Hibbing Taconite has the rated capacity of 8.0 million tons per year and employs approximately 700 people when operating at full capacity.

North American Coal

Cliffs also revised sales volume expectations for its North American Coal business segment to approximately 1.5 million short tons of coal at average revenue of approximately USD 100 per ton

Mr Don Gallagher president of Cliffs' North American Business Unit, said that "While we have begun to see preliminary signs of stabilization in the North American steelmaking industry, we will continue to ensure our production and inventory are balanced with customer demand."

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