

Plan Announced To Increase Pellet Production In Michigan

Cleveland-Cliffs has announced a plan to increase pellet production at its Michigan operations by investing a half billion dollars in capital and extending the life of the Empire Mine.

The Empire Mine, which faced a potential closure by 2011, will now have a life-of-mine plan that includes pellet production through 2018. This additional pellet production—coupled with maximizing production at the Tilden Mine—would mean total annual pellet production capacity in excess of 13 million tons beginning next year. Compared to previous baseline production estimates, which represented a reduced Empire Mine operation, annual production at Michigan operations will now be increased by 2.6 million tons in 2009 and in excess of 5.0 million tons by 2011.

“This is a reflection of the opportunities available to Cliffs and the strength and viability of the Company to capitalize on the strong demand for iron ore,” said Donald J. Gallagher, president, Cleveland-Cliffs North American Business Unit. “The Strong market, along with our skilled and dedicated workforce, provided support for this decision. We are very pleased that the Cleveland-Cliffs’ Board of Directors has approved this plan and we are eager to move forward with the new production goals as rapidly as possible.”

To achieve the new production levels, total capital investment is projected at \$500 million to acquire new mining equipment and to reactivate several idled production lines at the Empire Mine concentrator plant.

Included in the additional mining equipment to be added over the next several years are four large production shovels, two new production drills and 18, 240-ton-capacity production trucks. Other supporting mining equipment and construction activity expenses will be included in the capital expenditures.

In addition to the capital investment, maximizing pellet production will increase Michigan employment. Projections call for adding approximately 375 new employees. This plan also means retention of the current Empire workforce of approximately 550 employees. That is a total of approximately 925 jobs, which will be created or retained with the implementation of this plan.

“This is great news for the Michigan Iron Range,” said U.S. Congressman Bart Stupak, whose district includes the mines. “In addition to this project being a great opportunity for Cliffs, it also will provide a big boost to the local economy as new direct employment opportunities are available and as the Company utilizes local vendors for additional services and supplies. I look forward to working with Cleveland-Cliffs to help accomplish this project.”

“We are very grateful for Congressman Stupak’s longtime support of iron mining in Michigan,” Gallagher said. “He has been steadfast in his commitment to the trade and energy policies that have allowed us to move forward with this project. We look forward to continuing to work with the Congressman as we develop this plan to maximize the resources in Michigan.”

While this pellet production plan is being implemented, the Company will continue development of an iron nugget production facility in Michigan. Plans to construct the Company’s first iron nugget plant at the Michigan operations were announced last August. Pre-engineering, pre-permitting the feasibility studies have continued since then. The facility will include an additional \$275 million capital investment. Once constructed, the plant will annually produce 500,000 tons of iron nuggets with an iron content of about 97 percent, similar to blast furnace-produced pig iron. Initial production at the nugget facility could begin by 2010.

“As we look forward to additional pellet production and bringing the new iron nugget plant online we welcome the opportunities for the future but also recognize the challenges that will be ahead of us,” Gallagher said. “We are confident that we have the leadership, workforce talent and community support to be successful. The Marquette Iron Range has been a mainstay of Cleveland-Cliffs since the Company was founded more than 160 years ago. We look forward to continuing to be a strong and viable member of the Upper Peninsula business community for many years to come.”