



Joining me today are Cleveland-Cliffs Chairman, President, and Chief Executive Officer, Joseph Carrabba, Alpha Natural Resources Chairman and Chief Executive Officer, Michael Quillen, and Cleveland-Cliffs Executive Vice President and Chief Financial Officer, Laurie Brlas.

At this time, I'll turn the call over to Joe for his prepared remarks.

J. Carrabba

Thank you, Steve, and good morning, everyone. We join you today from Alpha's headquarters in Abington, Virginia with a lot of the Alpha team and the Cliffs team, so we can go through this call.

I'm sure you have many questions, so let me quickly do a few brief comments, so we can get to your questions today.

Today, as you know, we are very pleased to announce also that the Board of Directors of Cleveland-Cliffs and Alpha Natural Resources have approved a definitive merger agreement to create one of the largest mining companies in the United States.

The formation of a leading diversified mining company and a major supplier to the global steel industry provides convincing value creation potential for shareholders of both companies by allowing us to capitalize on the strong outlook for iron ore, met coal, and potentially, for other higher demand commodities. The combined entity, which will be renamed Cliffs Natural Resources, will be the largest producer of iron ore in North America, and the largest producer of met coal within the United States. We will have a broad portfolio of various iron ore and metallurgical coal types to meet the growing needs of world steel producers and other consumers of raw materials.

We anticipate having annual sales volumes in excess of 30 million tons of iron ore, 18 million tons of met coal, and 17 million tons of thermal coal. This impressive scale will enable us to further lever the strengths of both companies, and compete very efficiently on the global stage. That being said, this merger is not only about getting bigger, it is, most importantly, about getting better.

I don't need to tell anyone listening on today's call about the sharply increasing demand for materials used to fuel the infrastructure build-out of the brick countries and other countries around the world. Cliffs Natural Resources will have a major presence in these materials, and we'll use this position to further diversify not only on the product front, but also geographically, and to enhance shareholder value in the year ahead.



The combined revenues of the two organizations in the current year will be approximately \$6.5 billion dollars, and generate close to \$1.9 billion in EBITDA. In 2009, we estimate consolidated revenues of roughly \$10 billion and EBITDA of \$4.7 billion.

We will be issuing approximately 71 million new shares for this transaction. We also have a commitment from JP Morgan to underwrite up to \$1.9 billion in cash, so that will cover the cash requirements and the <sup>2</sup>



- L. Brlas The \$10 billion is calculated assuming the mechanics of how the convert is paid out, and we can walk you through some of those details off-line if you need to, but that is that we expect to pay that off in the May coal and the stock that is flipped between the folks would get some cash and some stock on that.
- S. Gershuni One final question; you talked about synergies in 2010 and beyond, and you mentioned the lending and so forth. Sometimes that synergy is more of a revenue synergy. Can you talk to us about where you see costs going, and will this transaction result in true cost reductions?
- J. Carrabba The synergies are really built as much around the operating excellence that Alpha certainly brings to the existing coal mines that we bought through the PinnOak acquisition. Last year, I think the market power will have in procurement, and the different specialties that blend quite nicely within this group for operating parameters basically get us to the \$200 million.
- S. Gershuni Okay, perfect. Thank you very much.
- J. Carrabba Thank you.
- Moderator Your next question comes from the line of David MacGregor with Long Bow Research.
- D. MacGregor Good morning. Maybe just to follow-up on that last question, can you say whether you've entered into any commitments on pricing at this point for '09 on either side of this transaction on met coal?
- J. Carrabba We're very wide open, both companies. I can tell you on the Cliff side, we have no commitments for '09, and I think Alpha stays pretty uncommitted as well for the majority of their times as well.
- D. MacGregor Okay. Secondly, on the coal side, Alpha, according to the filings, you have 617 million tons of reserves. How expandable are those reserves, and can you give us some sense of magnitude? I realize this is somewhat conceptual, but any help you can provide would be great.
- M. Quillen The 617 is our SEC approved reserve number. Obviously, there's a criteria by which those tons are calculated, and, as an example, and we've reported previously, last year, we mined about three million tons that were not designated as a reserve. We have an opportunity in this market to



- J. Carrabba Thank you.
- L. Lu The question is, Joe, I wonder: are you comfortable with acquiring thermal coal assets? If so, do you plan to expand on that, or do you perhaps want to diversify the thermal assets and become a more pure iron ore and met coal, steel driven player?
- J. Carrabba Yes, Luther, we're quite comfortable acquiring thermal coal assets. As you know, outside of a few of the very rare exceptions like PinnOak, if you're in the met coal business, you're in the thermal coal business, and vice versa. Our Sonoma coal property in Australia that's just now starting up, as you know, is 50/50 thermal and met coal, so we're already in that business.
- We also see, to a certain point, of thermal coal playing into a good balance within our diversification strategy that takes some of our revenue outside of the steel sector. I don't think anybody wants to put all of their eggs in one basket, but it certainly plays quite well for now, and for the future.
- L. Lu Certainly, Rio Tinto has some assets available in the Powder River Basin. Would you be interested in taking a look at that?
- J. Carrabba I think we're going to focus right whert wheo eehallgt, buhnn



- M. Molnar My question is for Joe. What were the biggest risks you considered in making this offer? I'm just curious to peak into the thought process. Obviously, metallurgical coal is highly sought after. All coal is. What were the biggest risks, global slowdown, supply coming on line post-2009? Can you just walk us through that risk thought process?
- J. Carrabba I think, as always, we have a pretty good screen when we look at all, or any potential acquisitions in any type of minerals, and really, when we got down to it, we start with reserves. That's where everybody always steps past, but if you don't have the material in the ground, you don't have anyplace to go. We always step out and look at the logistics. Once we satisfied ourselves that the logistics were in place and gave us flexibility in the market, both for export and import, and a variety of different movements we could make with this coal in the future, we were satisfied.
- The third thing is the management team, which is all important. As you know, that is what's stopping people from progressing and growing organically or outside of it. Once we really had a chance, and we already knew from other discussions, the quality of this management team, those were the risk factors, and that's what we walked through to do that.
- Global slowdown, those things are very big macro scale types of issues that, while we don't ignore them, there's not a whole lot we can do about it either, and we have a hard time convincing ourselves we're going to see a large scale magnitude of global slowdown. There might be some blips, but certainly not in the long-term. We're long on the cycle. We're bullish on the cycle long-term, and once we got through those risk parameters, we were quite comfortable with the deal.
- M. Molnar One last question; when you think about met coal supply coming out of Australia, what is your view on when we might start to see significant supply come on-line of met coal out of Australia? Are you thinking 2010 timeframe, or do you think that will still be constrained due to logistical challenges, maybe even beyond 2010?
- J. Carrabba I think it will continue to be constrained on both port and rail. Most people focus on port, because those numbers are reported and it's rather easy. I think you have to go upstream to the rail to many of the northern links and the missing links. The railroads that they're now in the conceptual stage about have just been through state approvals, but there has been no feasibilities in construction, so I think we're some years out before we see those constraints lifted out of Australia.

- M. Molnar Thank you very much.
- Moderator Your next question comes from the line of Jorge Beristain with Deutsche Bank.
- J. Beristain Good morning, gentlemen, and congratulations on this forward-thinking deal.
- It would seem to me that you are now truly building what could be considered North America's premiere diversified metals and mining company, and I was wondering if you could expand a little bit on that theme. With you guys going into thermal coal, I was wondering if this is going to be more of a base that you're building. I also noticed that you re-named the company somewhat to move away a little bit from your Cleveland roots. I was wondering if you could talk about further consolidation opportunities that you see in the North American space.
- J. Carrabba We'll be glad to, Jorge. As you know, we've articulated our strategy many times. I know we do have big aspirations, and still do with our growth. This platform of combining these two companies really gives us the market size, and, more importantly, I think the management skills to really progress our strategy.
- As we've talked to many of the investors many times, we are looking at other minerals to grow significantly, and to continue on into the global diversified mining companies. We do have the skillsets that are complementary to other minerals, and we would continue to expand upon that base.
- J. Beristain Maybe if I could just do a very specific question. On the volume outlook for Alpha Natural Resources, can we assume roughly 21 million tons of coal sales in 2009?
- M. Quillen No, it would be closer to 30 million tons total sales in 2009, steam and met.
- J. Beristain All right, 30, and could you give me an idea of what your unit cash cost of average coal production is in 2008?
- M. Quillen It's going up I can tell you that. Every commodity that we purchase that is diesel fuel related or steel related continues to increase, but I will be



- L. Brlas We haven't given, obviously, significant detail on our '09 projections yet, but we need to separate our iron ore from our coal business. In our iron ore business we have pretty mature business improvement practices in place, and we have very stable costs there with the exception of the impact that energy has had in the current year. So we feel pretty good about at least holding that relatively stable.
- On the coal side, we've been new in this business and we've had some challenges with rock intrusions, and we've said that we expect our costs to be declining over the next two years on a cost per ton basis on the coal business. Hopefully, after we close this transaction, we make that happen even faster.
- J. Hill The second subject, what value does Cliffs ascribe to Alpha's non-coal assets, such as the limestone mining, flu gas desulphurization, etc., and how important is that to the profile going forward?
- J. Carrabba John, I think it's small, but it's exploratory at this point in time. As all of us, we're looking for complementary businesses to get into as we all try to expand even horizontally or vertically in these types of things, but it's a very small part of the transaction.
- J. Hill Last, but certainly not least, Alpha has benefited from superb marketing and market insight over the years. It's one thing to say we're going to maintain that edge and maintain that capability, but how really are we bringing that across, and how are we going to have the Alpha team continue with their opportunistic strategic views of these markets and have the latitude to be as entrepreneurial as they've been in the past?
- J. Carrabba I guess the infernal is that Cliffs isn't intrepid.
- J. Hill Not at all.
- J. Carrabba That's fine, John. Listen, that's part of the spirits and the combination of the synergies that we enjoy very much. We're fans of Alpha's marketing group, big fans, as I think the whole industry is really, and we look forward to incorporating and rolling this expertise together and keep the success rolling.
- M. Quillen John, let me address that also. We're familiar with certainly some of the people in the Cliffs team on the coal side, and they certainly are talented individuals. You've heard me use this example before. One thing that our



very quickly, and both teams cooperated and worked very hard to get the right deal for their appropriate shareholders, but it made sense probably within the last month.

- T. Robson Okay, and finally, you said also in passing this is not the end of your growth ambitions, and we've mentioned other commodities before, like molly, manganese, and so on. EBITDA at \$4.7 billion a year and with good commodity prices gives you a lot of cash flow. It gives you a lot of cash generation that you can use to buy other assets. Do you see yourselves still doing sizeable deals in the coming years?
- J. Carrabba Absolutely. I think the strength of this deal when you see the details that come out, it still gives us a lot of room well within a nice tidy capital structure, Tony, to make things continue to happen in the other areas that we've talked about in these sectors with other minerals. Again, I can't underemphasize, we even have more management expertise now. It's easy to do the deal, but to execute after we get done.
- T. Robson Okay, thank you.
- J. Carrabba Thank you, Tony.
- Moderator Your next question comes from the line of Mark Parr with KeyBanc.
- M. Parr Good morning.
- J. Carrabba Good morning, Mark.
- S. Baisden Welcome to the party, Mark.
- M. Parr You guys sure know how to give one. Holy smoke! I have lots of questions. As you might suspect, I am clearly delighted to be part of the party, and look forward to working with you guys. I want to congratulate you on this major step in your growth.
- Laurie, I was wondering if I could go through some of the assumptions that if you use the \$4.7 billion in EBITDA for '09. What are the DNA assumptions that we should be thinking about associated with Alpha, with Cliffs, and then the incremental amortization associated with the acquisition?

- L. Brlas            Again, we'll put a lot of that detail into the proxy. We're not really prepared to show quite that much detail yet today, but we've gone through it and we'll give it to you in that form.
- M. Parr            Okay. Just for rounding purposes, or just discussion purposes, if I was going to use something around \$400 million for the combined entities, would that be reasonable, or within the ballpark?
- S. Baisden        It seems a little high to me just off of first blood. Admittedly, Mark, I'm not really familiar with Alpha's DNA, so why don't we follow-up with you on that and we'll try to give you a good feel for it.
- M. Parr            Okay, I'll let that go for the time being.
- Another question I had just related to cap ex in '09 and 2010. I know that Cliffs had just announced recently a major cap ex program at Empire and Tilden. I was just wondering what you think the combined cap ex could be for '09, and then, if you have any guidance on 2010 or 2011, that would be really helpful.
- J. Carrabba        Mark, as you can imagine, our planning session is just starting to kick off for '09, not only for both companies starting to combine cap ex considerations, but certainly, for ourselves. I'll speak for Cliffs. Our budgeting session is just starting, so it's a little premature to give you numbers. If I did, they would just be very broad, and I'm sure they would be inaccurate at this point in time.
- M. Parr            Has Alpha made any public disclosures regarding cap ex for '09 or 2010?
- M. Quillen        No, we haven't released any numbers yet for that. We obviously are looking, because of the tightness in the equipment market, it's something by combing these two companies. Our iron ore side and our open pit surface mining side, on our side, we have 500 units of just Caterpillar equipment, and they have, so we have a lot of things to sit down and look at and see where we can gain efficiency in that. They impact the capital structure somewhat, but basically, from our side, our capital program should go at approximately the same dollar range for our continuing growth. Then we'll look at whatever organic opportunities are out there.
- L. Brlas            I think, consistent with what Mike just said, the Michigan piece is definitely outside our normal capital spending. Outside of that, our capital spending would be relatively consistent, and then Mike is saying the same

thing on Alpha's side. So I think you wouldn't be horribly far off if you assume that would continue, and then, as Mike said, if we find any opportunities to create synergies there, that would be upside to the way you're thinking about it.

M. Parr

Okay.

S. Baisden

Mark, just for a point of referencAlpha, jus wouldwould bAF





M. Dudas            Good answer, Mike. Could you talk about two issues? One, I'm sure you're extremely quite aware of the PinnOak assets. Do you see great opportunities there with the skillsets that Alpha brings? Secondly, how important do you think this combination is driven by labor retention and the ability to get quality people to be able to take advantage of what's going to be a pretty strong market?

M. Quillen            We are very familiar with those assets. Obviously, we've been in and out of those mines over the years and looked at the process when it was briefly for sale and Cliffs acquired it. The real advantage that we see to that is the quality and the things we can do with optimizing, for our customers, the best blend toms, tsw.









- J. Carrabba We don't have that guidance at this point in time. I'm sure, as we get into it, and as we start our releases, that may be indicative, but we just don't have that information at this point in time.
- P. Forward Okay, so there's no rough royalty figure plus other sales sensitive costs you might be able to give?
- J. Carrabba I'm sorry, I don't have that information at this time.
- M. Quillen Paul, you're familiar with we always recognize that, regardless of anything else happening, we're going to pay about 10% out in severance, tax, and royalties, so for every dollar, the maximum we would ever get would be \$0.90 because of those two fixed costs. But there are a lot of other factors that are much more in our sights right now on managing costs, and that's availability, diesel fuel, and all those oil related costs. Of course, we're part of the problem, but the steel costs are very much a factor that surcharges are a significant issue that we're monitoring right now. I would suspect that those issues are the same issues that Cliffs is going to encounter.
- J. Carrabba Absolutely. We all face the same inflationary levers in these businesses.
- P. Forward Okay, great and congratulations.
- J. Carrabba Thank you.
- S. Baisden Thank you, everyone. On behalf of Cleveland-Cliffs and Alpha Natural Resources, I want to thank you for joining us on today's call. Ted Pile and I are going to be taking calls all day, and, in some instances, will be available for joint calls. As always, we can be reached through our offices to address any follow up.





Participants In Solicitation

Cleveland-Cliffs and Alpha and their respective directors and executive officers and other members of management and employees may be deemed to be participants in the solicitation of proxies in respect of the proposed merger. Information concerning Cleveland-Cliffs' participants is set forth in the proxy statement dated March 26, 2008, for Cleveland-Cliffs' 2008 annual meeting of shareholders as filed with the SEC on Schedule 14A. Information concerning Alpha' participants is set forth in the proxy statement, dated April 2, 2008, for Alpha's 2008 annual meeting of stockholders as filed with the SEC on Schedule 14A. Additional information regarding the interests of participants of Cleveland-Cliffs and Alpha in the solicitation of proxies in respect of the proposed merger will be included in the registration statement and joint proxy statement/prospectus and other relevant materials to be filed with the SEC when they become available.