





## BUSINESS

### Overview

Founded in 1847, we are the largest producer of high-quality iron ore pellets in North America, and sell the majority of our pellets to integrated steel companies in the United States and Canada. We operate six iron ore mines located in Michigan, Minnesota and Eastern Canada, which currently have the capacity to produce 36.9 million tons of iron ore pellets annually. Based on our percentage ownership of the mines we operate, our share of the pellet production capacity is currently 22.5 million tons annually, representing approximately 28% of total North American annual pellet capacity. We sell our share of iron ore production to integrated steel producers, generally pursuant to term supply agreements with various price adjustment provisions.

We manufacture 13 grades of iron ore pellets, including standard, fluxed and high manganese, for a variety of applications. We have repositioned ourselves from a manager of iron ore mines on behalf of steel company owners to primarily a merchant of iron ore to steel company customers and continue to seek additional investment opportunities in the North American iron ore industry. In response to the restructuring and consolidation of the steel industry, we believe we are leading this restructuring by focusing on our strategic goal to be the pre-eminent supplier of iron ore to our customers.

For the year ended December 31, 2002, we produced a total of 27.9 million tons of iron ore including 4.7 million tons for our account and 13.2 million tons on behalf of the steel company owners in the mines.

**Risk Factors** — Risks Relating to the Steel Industry — Excess global capacity and the availability of competitive substitute materials have resulted in intense competition in the steel industry, which may further reduce steel prices and reduce



achieve sustainable, long-term efficient production. With a larger ownership position in a given mine, we are able to make operating and capital decisions faster and more efficiently, and we aspire to le m





- Ispat Inland Inc. (“Ispat Inland”)

We currently have a term supply agreement with Ispat Inland under which we are its sole outside supplier of iron ore pellets through 2014.

- Weirton

We recently entered into an interim supply agreement with Weirton that modified our current supply agreement with Weirton. The modified term supply agreement provides that we will supply Weirton with the greater of 67% of Weirton’s pellet requirements or 2.1 million net tons for the calendar years 2004 and 2005. Thereafter, the modified term supply agreement provides that we will supply all of Weirton’s pellet requirements through 2009, which term may be extended to 2012 under certain circumstances.

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4.0 million tons of Wabush pellets to Laiwu. We made our first direct Wabush shipment to Laiwu in December 2003.

*Tilden Mine Equipment Outage.* On November 26, 2003, our Tilden facility experienced a crack in a kiln

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agreement, which runs through 2009, will be extended for the life of the power-related lease (discussed below), which is scheduled to be c ed to b



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satisfactory condition, although they require routine capital and maintenance expenditures on an ongoing basis. See “Risk Factors — Risks Relating to Our Company Ji—i0

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alleged asbestos containing materials on pipes and other parts of structures located on the property. In September 2002, we received from the EPA a proposed Consent Order limited to the removal of these areas of contaminants and reimbursement of its costs. In January 2003, we completed the sale of the plant site and property to a third party ("new owner") that agreed to assume obligations for both removal pursuant to a Consent Order with the EPA, which Consent Order was executed on the

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## RISK FACTORS

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to deliver iron ore pellets meeting quality thresholds for certain characteristics, such as chemical makeup. Failure to meet these specifications could result in the company not meeting its quality thresholds.

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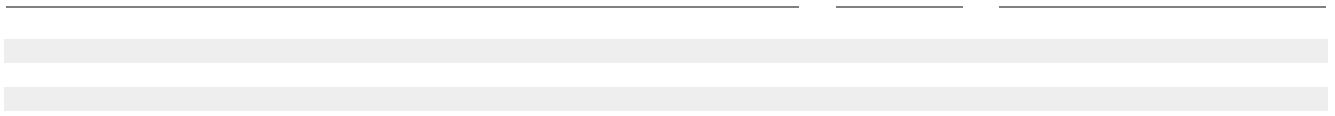
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## FORWARD-LOOKING STATEMENTS

This report contains statements that constitute "forward-lookin



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## EXHIBITS

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