UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2016

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _______to _______.

Commission File Number: 1-8944

CLIFFS NATURAL RESOURCES INC.

(Exact Name of Registrant as Specified in Its Charter)

Ohio	34-1464672
(State or Other Jurisdiction of Incorporation or Organization)	*(I.R.S. Employer Identification No.)*
200 Public Square, Cleveland, Ohio	44114-2315
(Address of Principal Executive Offices)	*(Zip Code)*

Registrant’s Telephone Number, Including Area Code: (216) 694-5700

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES ☒ NO ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES ☒ NO ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES ☐ NO ☒

The number of shares outstanding of the registrant’s common shares, par value $0.125 per share, was 230,599,846 as of October 24, 2016 .

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DEFINITIONS

The following abbreviations or acronyms are used in the text. References in this report to the “Company,” “we,” “us,” “our” and “Cliffs” are to Cliffs Natural Resources Inc. and subsidiaries, collectively. References to “A$” or “AUD” refer to Australian currency, “C$” or "CAD" to Canadian currency and “$” to United States currency.

Abbreviation or acronym	Term
ABL Facility	Syndicated Facility Agreement by and among Bank of America, N.A., as Administrative Agent and Australian Security Trustee, the Lenders that are parties hereto, Cliffs Natural Resources Inc., as Parent and a Borrower, and the Subsidiaries of Parent party hereto, as Borrowers dated as of March 30, 2015, as amended
ArcelorMittal	ArcelorMittal (as the parent company of ArcelorMittal Mines Canada, ArcelorMittal USA and ArcelorMittal Dofasco, as well as, many other subsidiaries)
ALJ	Administrative Law Judge
ASC	Accounting Standards Codification
ASU	Accounting Standards Updates
Bloom Lake	The Bloom Lake Iron Ore Mine Limited Partnership
Bloom Lake Group	Bloom Lake General Partner Limited and certain of its affiliates, including Cliffs Quebec Iron Mining ULC
Canadian Entities	Bloom Lake Group, Wabush Group and certain other wholly-owned Canadian subsidiaries
CCAA	Companies' Creditors Arrangement Act (Canada)
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
DR-grade pellets	Direct Reduction pellets
EAF	Electric Arc Furnace
EBITDA	Earnings before interest, taxes, depreciation and amortization
Empire	Empire Iron Mining Partnership
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
Fe	Iron
FERC	Federal Energy Regulatory Commission
FMSH Act	U.S. Federal Mine Safety and Health Act 1977, as amended
GAAP	Accounting principles generally accepted in the United States
Hibbing	Hibbing Taconite Company, an unincorporated joint venture
Koolyanobbing	Collective term for the operating deposits at Koolyanobbing, Mount Jackson and Windarling
LTVSMC	LTV Steel Mining Company
MISO	Midcontinent Independent System Operator, Inc.
MMBtu	Million British Thermal Units
MSHA	U.S. Mine Safety and Health Administration
Monitor	FTI Consulting Canada Inc.
Northshore	Northshore Mining Company
Oak Grove	Oak Grove Resources, LLC
OPEB	Other postretirement employment benefits
Pinnacle	Pinnacle Mining Company, LLC
Platts IODEX	Refers to the Platts daily iron ore assessment rate for “IODEX 62% Fe cost and freight North China” or seaborne traded iron ore fines as published in the McGraw-Hill Companies ‘Platts Steel Markets Daily’ report
Preferred Share	7.00 percent Series A Mandatory Convertible Preferred Stock, Class A, without par value
SEC	U.S. Securities and Exchange Commission
SG&A	Selling, general and administrative
Securities Act	Securities Act of 1933, as amended
SSR	System Support Resource
Tilden	Tilden Mining Company L.C.
TDR	Troubled debt restructuring
United Taconite	United Taconite LLC
U.S.	United States of America
Wabush	Wabush Mines Joint Venture
Wabush Group	Wabush Iron Co. Limited and Wabush Resources Inc., and certain of its affiliates, including Wabush Mines (an unincorporated joint venture of Wabush Iron Co. Limited and Wabush Resources Inc.), Arnaud Railway Company and Wabush Lake Railway Company
2015 Equity Plan	Cliffs Natural Resources Inc. 2015 Equity and Incentive Compensation Plan

PART I

Item 1. ***Financial Statements***

Statements of Unaudited Condensed Consolidated Financial Position

Cliffs Natural Resources Inc. and Subsidiaries

	(In Millions)	
	September 30, 2016	December 31, 2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**$ 132.2**	$ 285.2
Accounts receivable, net	**49.2**	40.2
Inventories	**317.3**	329.6
Supplies and other inventories	**84.0**	110.4
Short-term assets of discontinued operations	**—**	14.9
Loans to and accounts receivable from the Canadian Entities	**69.3**	72.9
Insurance coverage receivable	**—**	93.5
Other current assets	**47.6**	36.0
TOTAL CURRENT ASSETS	**699.6**	982.7
PROPERTY, PLANT AND EQUIPMENT, NET	**990.1**	1,059.0
OTHER ASSETS		
Other non-current assets	**83.2**	93.8
TOTAL OTHER ASSETS	**83.2**	93.8
TOTAL ASSETS	**$ 1,772.9**	$ 2,135.5

(continued)

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements .

Statements of Unaudited Condensed Consolidated Financial Position

Cliffs Natural Resources Inc. and Subsidiaries - (Continued)

	(In Millions)	
	September 30, 2016	December 31, 2015
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	**$ 81.3**	$ 106.3
Accrued expenses	**134.2**	156.0
Short-term liabilities of discontinued operations	**5.5**	6.9
Guarantees	**0.2**	96.5
Insured loss	**—**	93.5
Other current liabilities	**102.3**	122.5
TOTAL CURRENT LIABILITIES	**323.5**	581.7
PENSION AND POSTEMPLOYMENT BENEFIT LIABILITIES	**198.5**	221.0
ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS	**220.2**	231.2
LONG-TERM DEBT	**2,195.9**	2,699.4
OTHER LIABILITIES	**235.3**	213.8
TOTAL LIABILITIES	**3,173.4**	3,947.1
COMMITMENTS AND CONTINGENCIES (SEE NOTE 20)		
EQUITY		
CLIFFS SHAREHOLDERS' DEFICIT		
Preferred Stock - no par value		
Class A - 3,000,000 shares authorized		
7% Series A Mandatory Convertible, Class A, no par value and $1,000 per share liquidation preference		
Issued and Outstanding - no shares (2015 - 731,223 shares)	**—**	731.3
Class B - 4,000,000 shares authorized		
Common Shares - par value $0.125 per share		
Authorized - 400,000,000 shares (2015 - 400,000,000 shares);		
Issued - 236,346,794 shares (2015 - 159,546,224 shares);		
Outstanding - 230,594,581 shares (2015 - 153,591,930 shares)	**29.5**	19.8
Capital in excess of par value of shares	**3,336.0**	2,298.9
Retained deficit	**(4,653.4)**	(4,748.4)
Cost of 5,752,213 common shares in treasury (2015 - 5,954,294 shares)	**(255.2)**	(265.0)
Accumulated other comprehensive loss	**(1.2)**	(18.0)
TOTAL CLIFFS SHAREHOLDERS' DEFICIT	**(1,544.3)**	(1,981.4)
NONCONTROLLING INTEREST	**143.8**	169.8
TOTAL DEFICIT	**(1,400.5)**	(1,811.6)
TOTAL LIABILITIES AND DEFICIT	**$ 1,772.9**	$ 2,135.5

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements .

Statements of Unaudited Condensed Consolidated Operations

Cliffs Natural Resources Inc. and Subsidiaries

	(In Millions, Except Per Share Amounts)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	**2016**	2015
REVENUES FROM PRODUCT SALES AND SERVICES				
Product	**$ 508.6**	$ 542.5	**$ 1,237.0**	$ 1,399.9
Freight and venture partners' cost reimbursements	**44.7**	50.7	**118.0**	137.4
	553.3	593.2	**1,355.0**	1,537.3
COST OF GOODS SOLD AND OPERATING EXPENSES	**(467.9)**	(538.1)	**(1,147.2)**	(1,344.1)
SALES MARGIN	**85.4**	55.1	**207.8**	193.2
OTHER OPERATING INCOME (EXPENSE)				
Selling, general and administrative expenses	**(31.1)**	(22.4)	**(81.8)**	(82.2)
Miscellaneous - net	**(19.6)**	(3.5)	**(16.9)**	15.8
	(50.7)	(25.9)	**(98.7)**	(66.4)
OPERATING INCOME	**34.7**	29.2	**109.1**	126.8
OTHER INCOME (EXPENSE)				
Interest expense, net	**(48.7)**	(61.7)	**(156.2)**	(168.2)
Gain (loss) on extinguishment/restructuring of debt	**(18.3)**	79.2	**164.1**	392.9
Other non-operating income (expense)	**0.1**	(0.1)	**0.4**	(3.0)
	(66.9)	17.4	**8.3**	221.7
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	**(32.2)**	46.6	**117.4**	348.5
INCOME TAX BENEFIT (EXPENSE)	**7.1**	3.4	**1.7**	(169.9)
EQUITY LOSS FROM VENTURES, NET OF TAX	**—**	(0.1)	**—**	(0.1)
INCOME (LOSS) FROM CONTINUING OPERATIONS	**(25.1)**	49.9	**119.1**	178.5
LOSS FROM DISCONTINUED OPERATIONS, NET OF TAX	**(2.7)**	(43.9)	**(0.6)**	(869.0)
NET INCOME (LOSS)	**(27.8)**	6.0	**118.5**	(690.5)
LOSS (INCOME) ATTRIBUTABLE TO NONCONTROLLING INTEREST (Three and Nine Months Ended September 30, 2016 - No loss related to Discontinued Operations, Three Months Ended September 30, 2015 - No loss related to Discontinued Operations, Nine Months Ended September 30, 2015 - Loss of $7.7 million related to Discontinued Operations)	**2.0**	4.6	**(23.5)**	1.5
NET INCOME (LOSS) ATTRIBUTABLE TO CLIFFS SHAREHOLDERS	**$ (25.8)**	$ 10.6	**$ 95.0**	$ (689.0)
PREFERRED STOCK DIVIDENDS	**—**	(25.6)	**—**	(38.4)
NET INCOME (LOSS) ATTRIBUTABLE TO CLIFFS COMMON SHAREHOLDERS	**$ (25.8)**	$ (15.0)	**$ 95.0**	$ (727.4)
EARNINGS (LOSS) PER COMMON SHARE ATTRIBUTABLE TO CLIFFS SHAREHOLDERS - BASIC				
Continuing operations	**$ (0.11)**	$ 0.19	**$ 0.51**	$ 0.87
Discontinued operations	**(0.01)**	(0.29)	**—**	(5.62)
	$ (0.12)	$ (0.10)	**$ 0.51**	$ (4.75)
EARNINGS (LOSS) PER COMMON SHARE ATTRIBUTABLE TO CLIFFS SHAREHOLDERS - DILUTED				
Continuing operations	**$ (0.11)**	$ 0.19	**$ 0.51**	$ 0.87
Discontinued operations	**(0.01)**	(0.29)	**—**	(5.62)
	$ (0.12)	$ (0.10)	**$ 0.51**	$ (4.75)
AVERAGE NUMBER OF SHARES (IN THOUSANDS)				
Basic	**206,279**	153,237	**186,454**	153,213
Diluted	**206,279**	153,237	**188,471**	153,213
CASH DIVIDENDS DECLARED PER DEPOSITARY SHARE	**$ —**	$ 0.88	**$ —**	$ 1.32

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements .

Statements of Unaudited Condensed Consolidated Comprehensive Income (Loss)

Cliffs Natural Resources Inc. and Subsidiaries

	(In Millions)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	**2016**	2015
NET INCOME (LOSS) ATTRIBUTABLE TO CLIFFS SHAREHOLDERS	**$ (25.8)**	$ 10.6	**$ 95.0**	$ (689.0)
OTHER COMPREHENSIVE INCOME (LOSS)				
Changes in pension and other post-retirement benefits, net of tax	**7.1**	6.6	**19.0**	36.0
Unrealized net gain on marketable securities, net of tax	**—**	0.1	**—**	1.6
Unrealized net gain (loss) on foreign currency translation	**0.9**	(11.4)	**2.6**	157.1
Unrealized net gain (loss) on derivative financial instruments, net of tax	**0.7**	9.2	**(2.6)**	16.7
OTHER COMPREHENSIVE INCOME	**8.7**	4.5	**19.0**	211.4
OTHER COMPREHENSIVE LOSS (INCOME) ATTRIBUTABLE TO THE NONCONTROLLING INTEREST	**(0.9)**	(0.7)	**(2.2)**	9.3
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO CLIFFS SHAREHOLDERS	**$ (18.0)**	$ 14.4	**$ 111.8**	$ (468.3)

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements .

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Statements of Unaudited Condensed Consolidated Cash Flows

Cliffs Natural Resources Inc. and Subsidiaries

	(In Millions)	
	Nine Months Ended September 30,	
	2016	2015
OPERATING ACTIVITIES		
Net income (loss)	**$ 118.5**	$ (690.5)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation, depletion and amortization	**88.9**	99.1
Impairment of other long-lived assets	**—**	76.6
Deferred income taxes	**—**	160.0
Gain on extinguishment/restructuring of debt	**(164.1)**	(392.9)
(Gain) loss on deconsolidation, net of cash deconsolidated	**(3.2)**	654.8
Other	**9.0**	52.7
Changes in operating assets and liabilities:		
Receivables and other assets	**137.5**	293.1
Inventories	**21.6**	(76.2)
Payables, accrued expenses and other liabilities	**(136.1)**	(236.2)
Net cash provided (used) by operating activities	**72.1**	(59.5)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(45.8)**	(57.9)
Other investing activities	**6.3**	0.7
Net cash used by investing activities	**(39.5)**	(57.2)
FINANCING ACTIVITIES		
Repayment of equipment loans	**(95.6)**	(36.9)
Distributions of partnership equity	**(52.5)**	(31.7)
Debt issuance costs	**(5.2)**	(33.6)
Net proceeds from issuance of common shares	**287.6**	—
Proceeds from first lien notes offering	**—**	503.5
Repurchase of debt	**(301.0)**	(225.9)
Borrowings under credit facilities	**105.0**	309.8
Repayment under credit facilities	**(105.0)**	(309.8)
Preferred stock dividends	**—**	(38.4)
Other financing activities	**(19.3)**	(38.8)
Net cash provided (used) by financing activities	**(186.0)**	98.2
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**0.4**	(2.2)
DECREASE IN CASH AND CASH EQUIVALENTS	**(153.0)**	(20.7)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**285.2**	290.9
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**$ 132.2**	$ 270.2

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements .

See NOTE 17 - CASH FLOW INFORMATION .

Cliffs Natural Resources Inc. and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements

NOTE 1 - BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with SEC rules and regulations and, in the opinion of management, include all adjustments (consisting of normal recurring adjustments) necessary to present fairly, the financial position, results of operations, comprehensive income (loss) and cash flows for the periods presented. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management bases its estimates on various assumptions and historical experience, which are believed to be reasonable; however, due to the inherent nature of estimates, actual results may differ significantly due to changed conditions or assumptions. The results of operations for the three and nine months ended September 30, 2016 are not necessarily indicative of results to be expected for the year ending December 31, 2016 or any other future period. These unaudited condensed consolidated financial statements should be read in conjunction with the financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2015 .

As more fully described in the Form 10-K for the year ended December 31, 2015 , we announced in January 2015, that the Bloom Lake Group commenced CCAA proceedings (the "Bloom Filing") with the Quebec Superior Court (Commercial Division) in Montreal (the "Montreal Court"). Effective January 27, 2015, following the Bloom Filing, we deconsolidated the Bloom Lake Group and certain other wholly-owned subsidiaries comprising substantially all of our Canadian operations. Additionally, on May 20, 2015, the Wabush Group commenced CCAA proceedings (the "Wabush Filing") in the Montreal Court, which resulted in the deconsolidation of the remaining Wabush Group entities that were not previously deconsolidated. Financial results prior to the respective deconsolidations of the Bloom Lake and Wabush Groups and subsequent expenses directly associated with the Canadian Entities are included in our financial statements and classified within discontinued operations.

Also, for the majority of 2015, we operated two metallurgical coal operations in Alabama and West Virginia. In December 2015, we completed the sale of these two metallurgical coal operations, which marked our exit from the coal business. As of March 31, 2015, management determined that our North American Coal operating segment met the criteria to be classified as held for sale under *ASC 205, Presentation of Financial Statements* . As such, all presented North American Coal operating segment results are included and classified within discontinued operations in our financial statements.

Refer to NOTE 14 - DISCONTINUED OPERATIONS for further discussion of the Eastern Canadian Iron Ore and North American Coal segment's discontinued operations.

We report our results from continuing operations in two reportable segments: U.S. Iron Ore and Asia Pacific Iron Ore.

Basis of Consolidation

The unaudited condensed consolidated financial statements include our accounts and the accounts of our wholly-owned and majority-owned subsidiaries, including the following operations as of September 30, 2016 :

Name	Location	Ownership Interest	Operation	Status of Operations
Northshore	Minnesota	100.0%	Iron Ore	Active
United Taconite	Minnesota	100.0%	Iron Ore	Active
Tilden	Michigan	85.0%	Iron Ore	Active
Empire	Michigan	79.0%	Iron Ore	Idle
Koolyanobbing	Western Australia	100.0%	Iron Ore	Active

Intercompany transactions and balances are eliminated upon consolidation.

Equity Method Investments

Our 23 percent ownership interest in Hibbing is recorded as an equity method investment. As of September 30, 2016 and December 31, 2015 , our investment in Hibbing was $1.9 million and $2.4 million , respectively, classified as *Other liabilities* in the Statements of Unaudited Condensed Consolidated Financial Position .

Foreign Currency

Our financial statements are prepared with the U.S. dollar as the reporting currency. The functional currency of our Australian subsidiaries is the Australian dollar. The functional currency of all other international subsidiaries is the U.S. dollar. The financial statements of international subsidiaries are translated into U.S. dollars using the exchange rate at each balance sheet date for assets and liabilities and a weighted average exchange rate for each period for revenues, expenses, gains and losses. Where the local currency is the functional currency, translation adjustments are recorded as *Accumulated other comprehensive loss* . Income taxes generally are not provided for foreign currency translation adjustments. To the extent that monetary assets and liabilities, inclusive of intercompany notes, are recorded in a currency other than the functional currency, these amounts are remeasured each reporting period, with the resulting gain or loss being recorded in the Statements of Unaudited Condensed Consolidated Operations . Transaction gains and losses resulting from remeasurement of short-term intercompany loans are included in *Miscellaneous - net* in the Statements of Unaudited Condensed Consolidated Operations .

For the three and nine months ended September 30, 2016 , we incurred a net loss of $0.3 million and $1.2 million , respectively, from the impact of transaction gains and losses resulting from remeasurement. Of these amounts, for the three months ended September 30, 2016 , losses of $1.1 million and gains of $0.6 million and for the nine months ended September 30, 2016 , gains of $0.3 million and losses of $2.0 million resulted from remeasurement of cash and cash equivalents and remeasurement of certain obligations, respectively.

For the three and nine months ended September 30, 2015 , net gains of $2.4 million and $15.2 million , respectively, related to the impact of transaction gains and losses resulting from remeasurement. Of these amounts, for the three months ended September 30, 2015 , gains of $0.1 million and $1.3 million , respectively, resulted from remeasurement of short-term intercompany loans and cash and cash equivalents. Additionally, of these amounts for the nine months ended September 30, 2015 , gains of $11.1 million and $2.0 million resulted from remeasurement of short-term intercompany loans and cash and cash equivalents, respectively.

Significant Accounting Policies

A detailed description of our significant accounting policies can be found in the audited financial statements for the fiscal year ended December 31, 2015 included in our Annual Report on Form 10-K filed with the SEC. There have been no material changes in our significant accounting policies and estimates from those disclosed therein.

Recent Accounting Pronouncements

Issued and Not Effective

In February 2016, the FASB issued ASU No. 2016-02, Leases. The new standard requires recognition of lease assets and lease liabilities for leases previously classified as operating leases. The guidance is effective for fiscal years beginning after December 15, 2018. We are currently reviewing the guidance and assessing the potential impact on our consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, Stock Compensation - Improvements to Employee Share-Based Payment Accounting. The new standard is intended to simplify several aspects of the accounting for share-based payment award transactions. The guidance is effective for fiscal years beginning after December 15, 2016, and early adoption is permitted. We are currently reviewing the guidance and assessing the potential impact on our consolidated financial statements.

Issued and Adopted

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230) Classification of Certain Cash Receipts and Cash Payments. The new standard addresses eight specific changes to how cash receipts and cash payments are presented and classified in the statement of cash flows. The guidance is effective for interim and annual reporting periods beginning after December 15, 2017, and early adoption is permitted. We have adopted the guidance for the period ended September 30, 2016 and have applied this amended accounting guidance to the Statements of Unaudited Condensed Consolidated Cash Flows for all periods presented. The adoption of ASU 2016-15 did not have an impact on prior results reported in the Statements of Unaudited Condensed Consolidated Cash Flows .

NOTE 2 - SEGMENT REPORTING

Our continuing operations are organized and managed according to geographic location: U.S. Iron Ore and Asia Pacific Iron Ore. Our U.S. Iron Ore segment is a major supplier of iron ore pellets to the North American steel industry from our mines and pellet plants located in Michigan and Minnesota. The Asia Pacific Iron Ore segment is located in Western Australia and provides iron ore to the seaborne market for Asian steel producers. There were no intersegment revenues in the first nine months of 2016 or 2015.

We have historically evaluated segment performance based on sales margin, defined as revenues less cost of goods sold, and operating expenses identifiable to each segment. Additionally, we evaluate segment performance based on the key indicators of EBITDA, defined as net income (loss) before interest, income taxes, depreciation, depletion and amortization, and Adjusted EBITDA, defined as EBITDA excluding certain items such as impacts of impairment of other long-lived assets, discontinued operations, extinguishment/restructuring of debt, severance and contractor termination costs, foreign currency remeasurement, and intersegment corporate allocations of SG&A costs. These measures allow management and investors to focus on our ability to service our debt, as well as, illustrate how the business and each operating segment is performing. Additionally, EBITDA and Adjusted EBITDA assist management and investors in their analysis and forecasting as these measures approximate the cash flows associated with operational earnings.

The following tables present a summary of our reportable segments for the three and nine months ended September 30, 2016 and 2015 , including a reconciliation of segment sales margin to *Income (Loss) from Continuing Operations Before Income Taxes* and a reconciliation of *Net Income (Loss)* to EBITDA and Adjusted EBITDA:

	(In Millions)											
	Three Months Ended September 30,						Nine Months Ended September 30,					
	2016			2015			**2016**			2015		
Revenues from product sales and services:												
U.S. Iron Ore	**$**	**428.3**	**77%**	$	471.0	79%	**$**	**975.5**	**72%**	$	1,152.5	75%
Asia Pacific Iron Ore		**125.0**	**23%**		122.2	21%		**379.5**	**28%**		384.8	25%
Total revenues from product sales and services	**$**	**553.3**	**100%**	$	593.2	100%	**$**	**1,355.0**	**100%**	$	1,537.3	100%
Sales margin:												
U.S. Iron Ore	**$**	**66.5**		$	48.7		**$**	**149.7**		$	177.7	
Asia Pacific Iron Ore		**18.9**			6.4			**58.1**			15.5	
Sales margin		**85.4**			55.1			**207.8**			193.2	
Other operating expense		**(50.7)**			(25.9)			**(98.7)**			(66.4)	
Other income (expense)		**(66.9)**			17.4			**8.3**			221.7	
Income (loss) from continuing operations before income taxes	**$**	**(32.2)**		$	46.6		**$**	**117.4**		$	348.5	

	(In Millions)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	**2016**	2015
Net Income (Loss)	**$ (27.8)**	$ 6.0	**$ 118.5**	$ (690.5)
Less:				
Interest expense, net	**(48.7)**	(62.3)	**(156.2)**	(170.7)
Income tax benefit (expense)	**7.1**	4.8	**1.7**	(167.3)
Depreciation, depletion and amortization	**(26.8)**	(35.6)	**(88.9)**	(99.1)
EBITDA	**$ 40.6**	$ 99.1	**$ 361.9**	$ (253.4)
Less:				
Impairment of other long-lived assets	**$ —**	$ —	**$ —**	$ (3.3)
Impact of discontinued operations	**(2.7)**	(44.8)	**(0.6)**	(865.9)
Gain (loss) on extinguishment/restructuring of debt	**(18.3)**	79.2	**164.1**	392.9
Severance and contractor termination costs	**—**	2.2	**(0.1)**	(9.3)
Foreign exchange remeasurement	**(0.3)**	2.4	**(1.2)**	15.2
Adjusted EBITDA	**$ 61.9**	$ 60.1	**$ 199.7**	$ 217.0
EBITDA:				
U.S. Iron Ore	**$ 61.1**	$ 69.2	**$ 196.6**	$ 239.6
Asia Pacific Iron Ore	**21.2**	11.1	**69.6**	38.7
Other	**(41.7)**	18.8	**95.7**	(531.7)
Total EBITDA	**$ 40.6**	$ 99.1	**$ 361.9**	$ (253.4)
Adjusted EBITDA:				
U.S. Iron Ore	**$ 65.3**	$ 72.3	**$ 208.6**	$ 254.6
Asia Pacific Iron Ore	**23.7**	9.7	**73.2**	32.8
Other	**(27.1)**	(21.9)	**(82.1)**	(70.4)
Total Adjusted EBITDA	**$ 61.9**	$ 60.1	**$ 199.7**	$ 217.0

	(In Millions)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	**2016**	2015
Depreciation, depletion and amortization:				
U.S. Iron Ore	**$ 18.8**	$ 27.9	**$ 65.1**	$ 71.6
Asia Pacific Iron Ore	**6.3**	6.1	**19.2**	19.1
Other	**1.7**	1.6	**4.6**	5.2
Total depreciation, depletion and amortization	**$ 26.8**	$ 35.6	**$ 88.9**	$ 95.9
Capital additions [1]:				
U.S. Iron Ore	**$ 25.8**	$ 15.0	**$ 39.5**	$ 35.8
Asia Pacific Iron Ore	**0.2**	0.3	**0.2**	4.8
Other	**0.4**	2.4	**4.8**	6.0
Total capital additions	**$ 26.4**	$ 17.7	**$ 44.5**	$ 46.6

[1] Includes capital lease additions and non-cash accruals. Refer to NOTE 17 - CASH FLOW INFORMATION .

A summary of assets by segment is as follows:

	(In Millions)	
	September 30, 2016	December 31, 2015
Assets:		
U.S. Iron Ore	**$ 1,429.0**	$ 1,476.4
Asia Pacific Iron Ore	**137.7**	202.5
Total segment assets	**1,566.7**	1,678.9
Corporate	**206.2**	441.7
Assets of Discontinued Operations	**—**	14.9
Total assets	**$ 1,772.9**	$ 2,135.5

NOTE 3 - INVENTORIES

The following table presents the detail of our *Inventories* in the Statements of Unaudited Condensed Consolidated Financial Position as of September 30, 2016 and December 31, 2015 :

	(In Millions)					
	September 30, 2016			December 31, 2015		
Segment	**Finished Goods**	**Work-in Process**	**Total Inventory**	Finished Goods	Work-in Process	Total Inventory
U.S. Iron Ore	**$ 248.8**	**$ 20.4**	**$ 269.2**	$ 252.3	$ 11.7	$ 264.0
Asia Pacific Iron Ore	**17.3**	**30.8**	**48.1**	20.8	44.8	65.6
Total	**$ 266.1**	**$ 51.2**	**$ 317.3**	$ 273.1	$ 56.5	$ 329.6

NOTE 4 - PROPERTY, PLANT AND EQUIPMENT

The following table indicates the value of each of the major classes of our consolidated depreciable assets as of September 30, 2016 and December 31, 2015 :

	(In Millions)	
	September 30, 2016	December 31, 2015
Land rights and mineral rights	**$ 500.5**	$ 500.5
Office and information technology	**63.6**	71.0
Buildings	**61.1**	60.4
Mining equipment	**598.7**	594.0
Processing equipment	**541.2**	516.8
Electric power facilities	**49.6**	46.4
Land improvements	**24.8**	24.8
Asset retirement obligation	**18.3**	87.9
Other	**28.4**	28.2
Construction in-progress	**37.9**	40.3
	1,924.1	1,970.3
Allowance for depreciation and depletion	**(934.0)**	(911.3)
	$ 990.1	$ 1,059.0

We recorded depreciation and depletion expense of $25.6 million and $85.1 million in the Statements of Unaudited Condensed Consolidated Operations for the three and nine months ended September 30, 2016 , respectively. This compares with depreciation and depletion expense of $ 34.6 million and $ 92.8 million for the three and nine months ended September 30, 2015 , respectively.

NOTE 5 - DEBT AND CREDIT FACILITIES

The following represents a summary of our long-term debt as of September 30, 2016 and December 31, 2015 :

($ in Millions)

September 30, 2016						
Debt Instrument	**Annual Effective Interest Rate**	**Total Principal Amount**	**Debt Issuance Costs**	**Undiscounted Interest/(Unamortized Discounts)**	**Total Debt**	
$700 Million 4.875% 2021 Senior Notes	**4.89%**	**$ 325.7**	**$ (1.2)**	**$ (0.2)**	**$ 324.3**	**(1)**
$1.3 Billion Senior Notes:						
$500 Million 4.80% 2020 Senior Notes	**4.83%**	**244.8**	**(0.7)**	**(0.2)**	**243.9**	**(2)**
$800 Million 6.25% 2040 Senior Notes	**6.34%**	**298.4**	**(2.5)**	**(3.4)**	**292.5**	**(3)**
$400 Million 5.90% 2020 Senior Notes	**5.98%**	**225.6**	**(0.7)**	**(0.5)**	**224.4**	**(4)**
$500 Million 3.95% 2018 Senior Notes	**6.15%**	**—**	**—**	**—**	**—**	**(5)**
$540 Million 8.25% 2020 First Lien Notes	**9.97%**	**540.0**	**(8.6)**	**(27.4)**	**504.0**	
$218.5 Million 8.00% 2020 1.5 Lien Notes	**N/A**	**218.5**	**—**	**70.0**	**288.5**	**(6)**
$544.2 Million 7.75% 2020 Second Lien Notes	**15.55%**	**430.1**	**(6.2)**	**(90.1)**	**333.8**	**(7)**
$550 Million ABL Facility:						
ABL Facility	**N/A**	**550.0**	**N/A**	**N/A**	**—**	**(8)**
Fair Value Adjustment to Interest Rate Hedge					**2.0**	
Total debt		**$ 2,833.1**			**$ 2,213.4**	
Less: Current portion					**17.5**	
Long-term debt					**$ 2,195.9**	

($ in Millions)

December 31, 2015						
Debt Instrument	Annual Effective Interest Rate	Total Principal Amount	Debt Issuance Costs	Unamortized Discounts	Total Debt	
$700 Million 4.875% 2021 Senior Notes	4.89%	$ 412.5	$ (1.7)	$ (0.2)	$ 410.6	
$1.3 Billion Senior Notes:						
$500 Million 4.80% 2020 Senior Notes	4.83%	306.7	(1.1)	(0.4)	305.2	
$800 Million 6.25% 2040 Senior Notes	6.34%	492.8	(4.3)	(5.8)	482.7	
$400 Million 5.90% 2020 Senior Notes	5.98%	290.8	(1.1)	(0.8)	288.9	
$500 Million 3.95% 2018 Senior Notes	6.30%	311.2	(0.9)	(1.2)	309.1	
$540 Million 8.25% 2020 First Lien Notes	9.97%	540.0	(10.5)	(32.1)	497.4	
$544.2 Million 7.75% 2020 Second Lien Notes	15.55%	544.2	(9.5)	(131.5)	403.2	
$550 Million ABL Facility:						
ABL Facility	N/A	550.0	N/A	N/A	—	(9)
Fair Value Adjustment to Interest Rate Hedge					2.3	
Total debt		$ 3,448.2			$ 2,699.4	

(1) On March 2, 2016, we exchanged as part of an exchange offer $76.3 million of the 4.875 percent senior notes for $30.5 million of the 8.00 percent 1.5 lien notes that were recorded at a carrying value of $41.5 million , including undiscounted interest payments as of the transaction date. Additionally, during the third quarter of 2016 we entered into a debt for equity exchange; see NOTE 15 - CAPITAL STOCK for further discussion of this transaction.

(2) On March 2, 2016, we exchanged as part of an exchange offer $44.7 million of the 4.80 percent senior notes for $17.9 million of the 8.00 percent 1.5 lien notes that were recorded at a carrying value of $24.4 million , including undiscounted interest payments as of the transaction date. Additionally, during the second and third quarters of 2016 we entered into a debt for equity exchange; see NOTE 15 - CAPITAL STOCK for further discussion of this transaction.

(3) On March 2, 2016, we exchanged as part of an exchange offer $194.4 million of the 6.25 percent senior notes for $75.8 million of the 8.00 percent 1.5 lien notes that were recorded at a carrying value of $103.0 million , including undiscounted interest payments as of the transaction date.

(4) On March 2, 2016, we exchanged as part of an exchange offer $65.1 million of the 5.90 percent senior notes for $26.0 million of the 8.00 percent 1.5 lien notes that were recorded at a carrying value of $35.4 million , including undiscounted interest payments as of the transaction date.

(5) See the section entitled " *$500 million 3.95 percent 2018 Senior Notes - Full Redemption* " below for further discussion related to this instrument. On March 2, 2016, we exchanged as part of an exchange offer $17.6 million of the 3.95 percent senior notes for $11.4 million of the 8.00 percent 1.5 lien notes that were recorded at a carrying value of $15.5 million , including undiscounted interest payments as of the transaction date. Additionally, during the first quarter of 2016, we entered into a debt for equity exchange; see NOTE 15 - CAPITAL STOCK for further discussion of this transaction.

(6) See the section entitled " *$218.5 million 8.00 percent 2020 Senior Secured 1.5 Lien Notes - 2016 Exchange Offers"* below for further discussion related to this instrument. As of September 30, 2016 , $17.5 million of the undiscounted interest is recorded as current and classified as *Other current liabilities* in the Statements of Unaudited Condensed Consolidated Financial Position.

(7) On March 2, 2016, we exchanged as part of an exchange offer $114.1 million of the 7.75 percent senior notes for $57.0 million of the 8.00 percent 1.5 lien notes that were recorded at a carrying value of $77.5 million , including undiscounted interest payments as of the transaction date.

(8) As of September 30, 2016 , no loans were drawn under the ABL Facility and we had total availability of $355.7 million as a result of borrowing base limitations. As of September 30, 2016 , the principal amount of letter of credit obligations totaled $108.8 million , thereby further reducing available borrowing capacity on our ABL Facility to $246.9 million .

(9) As of December 31, 2015 , no loans were drawn under the ABL Facility and we had total availability of $366.0 million as a result of borrowing base limitations. As of December 31, 2015 , the principal amount of letter of credit obligations totaled $186.3 million and commodity hedge obligations totaled $0.5 million , thereby further reducing available borrowing capacity on our ABL Facility to $179.2 million .

$500 million 3.95 percent 2018 Senior Notes - Full Redemption

On September 16, 2016, we redeemed in whole $283.6 million aggregate principal of the outstanding 3.95 percent senior notes due 2018 at a total redemption price of $301.0 million . As a result, we recorded a $19.9 million pre-tax loss on full retirement of long-term debt in the third quarter of 2016, which consisted of debt redemption premiums of $17.4 million and expenses of $2.5 million related to the write-off of unamortized debt issuance costs, unamortized bond discount and deferred losses on interest rate swaps. The loss was recorded against the *Gain (Loss) on extinguishment/restructuring of debt* in the Statements of Unaudited Condensed Consolidated Operations for the three and nine months ended September 30, 2016 .

$218.5 million 8.00 percent 2020 Senior Secured 1.5 Lien Notes - 2016 Exchange Offers

On March 2, 2016, we entered into an indenture among the Company, the guarantors party thereto and U.S. Bank National Association, as trustee and notes collateral agent, relating to our issuance of $218.5 million aggregate principal amount of 8.00 percent 1.5 Lien Senior Secured Notes due 2020 (the “1.5 Lien Notes”). The 1.5 Lien Notes were issued on March 2, 2016 in exchange offers for certain of our existing senior notes.

The 1.5 Lien Notes bear interest at a rate of 8.00 percent per annum. Interest on the 1.5 Lien Notes is payable semi-annually in arrears on March 31 and September 30 of each year, commencing on September 30, 2016. The 1.5 Lien Notes mature on September 30, 2020 and are secured senior obligations of the Company.

The 1.5 Lien Notes are jointly and severally and fully and unconditionally guaranteed on a senior secured basis by substantially all of our material U.S. subsidiaries and are secured (subject in each case to certain exceptions and permitted liens) on (i) a junior first-priority basis by substantially all of our U.S. assets, other than the ABL collateral (the "Notes Collateral"), which secures the 8.25 percent senior first lien notes due 2020 (the "First Lien Notes") obligations on a senior first-priority basis, the 7.75 percent senior second lien notes due 2020 (the "Second Lien Notes") obligations on a second-priority basis and the ABL Facility obligations on a third-priority basis, and (ii) a junior second-priority basis by our ABL collateral, which secures our ABL obligations on a first-priority basis, the First Lien Notes obligations on a senior second-priority basis and the Second Lien Notes obligations on a third-priority basis.

The terms of the 1.5 Lien Notes are governed by the 1.5 Lien Notes indenture. The 1.5 Lien Notes indenture contains customary covenants that, among other things, limit our ability to incur certain secured indebtedness, create liens on principal property and the capital stock or debt of a subsidiary that owns a principal property, use proceeds of dispositions of collateral, enter into certain sale and leaseback transactions, merge or consolidate with another company and transfer or sell all or substantially all of our assets. Upon the occurrence of a “change of control triggering event,” as defined in the 1.5 Lien Notes indenture, we are required to offer to repurchase the 1.5 Lien Notes at 101 percent of the aggregate principal amount thereof, plus any accrued and unpaid interest, if any, to, but excluding, the repurchase date.

We may redeem any of the 1.5 Lien Notes beginning on September 30, 2017. The initial redemption price is 104 percent of their principal amount, plus accrued and unpaid interest, if any, to, but excluding, the redemption date. The redemption price will decline after September 30, 2017 and will be 100 percent of its principal amount, plus accrued interest, beginning on September 30, 2019. We may also redeem some or all of the 1.5 Lien Notes at any time and from time to time prior to September 30, 2017 at a price equal to 100 percent of the principal amount thereof plus a “make-whole” premium, plus accrued and unpaid interest, if any, to, but excluding, the redemption date. In addition, at any time and from time to time on or prior to September 30, 2017, we may redeem in the aggregate up to 35 percent of the original aggregate principal amount of the 1.5 Lien Notes (calculated after giving effect to any issuance of additional 1.5 Lien Notes) with the net cash proceeds from certain equity offerings, at a redemption price of 108 percent , plus accrued and unpaid interest, if any, to, but excluding, the redemption date, so long as at least 65 percent of the original aggregate principal amount of the 1.5 Lien Notes (calculated after giving effect to any issuance of additional 1.5 Lien Notes) issued under the 1.5 Lien Notes indenture remain outstanding after each such redemption.

The 1.5 Lien Notes indenture contains customary events of default, including failure to make required payments, failure to comply with certain agreements or covenants, failure to pay or acceleration of certain other indebtedness, certain events of bankruptcy and insolvency and failure to pay certain judgments. An event of default under the 1.5 Lien Notes indenture will allow either the trustee or the holders of at least 25 percent in aggregate principal amount of the then-outstanding 1.5 Lien Notes issued under the 1.5 Lien Notes indenture to accelerate, or in certain cases, will automatically cause the acceleration of, the amounts due under the 1.5 Lien Notes.

We accounted for the 1.5 Lien Notes exchange as a TDR. For an exchange classified as TDR, if the future undiscounted cash flows of the newly issued debt are less than the net carrying value of the original debt, the carrying value of the newly issued debt is adjusted to the future undiscounted cash flow amount, a gain is recorded for the difference and no future interest expense is recorded. All future interest payments on the newly issued debt reduce the carrying value. Accordingly, we recognized a gain of $174.3 million in the *Gain (loss) on extinguishment/restructuring of debt* in the Statements of Unaudited Condensed Consolidated Operations for the nine months ended September 30, 2016 . As a result, our reported interest expense will be less than the contractual interest payments throughout the term of the 1.5 Lien Notes. Debt issuance costs incurred of $5.2 million related to the notes exchange were expensed and were included in the *Gain (loss) on extinguishment/restructuring of debt* in the Statements of Unaudited Condensed Consolidated Operations for the nine months ended September 30, 2016 .

Letters of Credit

We issued standby letters of credit with certain financial institutions in order to support business obligations including, but not limited to, workers compensation and environmental obligations. As of September 30, 2016 and December 31, 2015 , these letter of credit obligations totaled $108.8 million and $186.3 million , respectively.

Debt Maturities

The following represents a summary of our maturities of debt instruments, excluding borrowings on the ABL Facility, based on the principal amounts outstanding at September 30, 2016 :

	(In Millions)
	Maturities of Debt
2016 (October 1 - December 31)	$ —
2017	—
2018	—
2019	—
2020	1,659.0
2021	325.7
2022 and thereafter	298.4
Total maturities of debt	$ 2,283.1

NOTE 6 - FAIR VALUE MEASUREMENTS

We have various financial instruments that require fair value measurements classified as Level 1, Level 2 and Level 3 of the fair value hierarchy. The following discussion represents the assets and liabilities measured at fair value at September 30, 2016 and December 31, 2015 .

There were no Level 1 financial assets as of September 30, 2016 . Financial assets classified in Level 1 as of December 31, 2015 , include money market funds of $30.0 million . The valuation of these instruments is based upon unadjusted quoted prices for identical assets in active markets.

The derivative financial assets classified within Level 3 at September 30, 2016 and December 31, 2015 primarily relate to a freestanding derivative instrument related to certain supply agreements with one of our U.S. Iron Ore customers. The agreements include provisions for supplemental revenue or refunds based on the customer's annual steel pricing at the time the product is consumed in the customer's blast furnaces. We account for this provision as a derivative instrument at the time of sale and adjust this provision to fair value as an adjustment to *Product revenues* each reporting period until the product is consumed and the amounts are settled. The fair value of the instrument is determined using a market approach based on an estimate of the annual realized price of hot-rolled coil at the steelmaker's facilities, and takes into consideration current market conditions and nonperformance risk.

The Level 3 derivative assets and liabilities also consisted of derivatives related to certain provisional pricing arrangements with our U.S. Iron Ore and Asia Pacific Iron Ore customers at September 30, 2016 and December 31, 2015 . These provisional pricing arrangements specify provisional price calculations, where the pricing mechanisms generally are based on market pricing, with the final revenue rate to be based on market inputs at a specified point in time in the future, per the terms of the supply agreements. The difference between the estimated final revenue at the date of sale and the estimated final revenue rate is characterized as a derivative and is required to be accounted for separately once the revenue has been recognized. The derivative instrument is adjusted to fair value through *Product revenues* each reporting period based upon current market data and forward-looking estimates provided by management until the final revenue rate is determined.

The following table illustrates information about quantitative inputs and assumptions for the derivative assets and derivative liabilities categorized in Level 3 of the fair value hierarchy:

Qualitative/Quantitative Information About Level 3 Fair Value Measurements

	(In Millions) Fair Value at September 30, 2016	Balance Sheet Location	Valuation Technique	Unobservable Input	Range or Point Estimate per dry metric ton (Weighted Average)
Provisional pricing arrangements	$ 0.4	*Other current assets*	Market Approach	Management's Estimate of 62% Fe	$56
	$ 2.7	*Other current liabilities*			
Customer supply agreement	$ 28.0	*Other current assets*	Market Approach	Hot-Rolled Coil Estimate	$430 - $530 ($470)

The significant unobservable input used in the fair value measurement of our provisional pricing arrangements is management's estimate of 62 percent Fe fines spot price based upon current market data, including historical seasonality and forward-looking estimates determined by management. Significant increases or decreases in this input would result in a significantly higher or lower fair value measurement, respectively.

The significant unobservable input used in the fair value measurement of our customer supply agreement is the future hot-rolled coil price that is estimated based on projections provided by the customer, current market data, analysts' projections and forward-looking estimates determined by management. Significant increases or decreases in this input would result in a significantly higher or lower fair value measurement, respectively.

We recognize any transfers between levels as of the beginning of the reporting period. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the three and nine months ended September 30, 2016 or 2015 . The following tables represent a reconciliation of the changes in fair value of financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three and nine months ended September 30, 2016 and 2015 .

	(In Millions)			
	Derivative Assets (Level 3)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	**2016**	2015
Beginning balance	**$ 25.8**	$ 7.7	**$ 7.8**	$ 63.2
Total gains (losses)				
Included in earnings	**14.6**	15.0	**62.6**	28.1
Settlements	**(12.0)**	(12.3)	**(42.0)**	(80.9)
Transfers into Level 3	**—**	—	**—**	—
Transfers out of Level 3	**—**	—	**—**	—
Ending balance - September 30	**$ 28.4**	$ 10.4	**$ 28.4**	$ 10.4
Total gains for the period included in earnings attributable to the change in unrealized gains on assets still held at the reporting date	**$ 8.2**	$ 12.2	**$ 24.7**	$ 22.7

	(In Millions)			
	Derivative Liabilities (Level 3)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	**2016**	2015
Beginning balance	**$ (2.6)**	$ (8.0)	**$ (3.4)**	$ (9.5)
Total gains (losses)				
Included in earnings	**(2.9)**	(13.7)	**(12.8)**	(45.4)
Settlements	**2.8**	20.9	**13.5**	54.1
Transfers into Level 3	**—**	—	**—**	—
Transfers out of Level 3	**—**	—	**—**	—
Ending balance - September 30	**$ (2.7)**	$ (0.8)	**$ (2.7)**	$ (0.8)
Total losses for the period included in earnings attributable to the change in unrealized losses on liabilities still held at the reporting date	**$ (2.7)**	$ (0.5)	**$ (2.7)**	$ (0.8)

Gains and losses included in earnings are reported in *Product revenues* in the Statements of Unaudited Condensed Consolidated Operations for the three and nine months ended September 30, 2016 and 2015 .

The carrying amount for certain financial instruments (e.g., *Accounts receivable, net* , *Accounts payable* and *Accrued expenses*) approximates fair value and, therefore, has been excluded from the table below. A summary of the carrying amount and fair value of other financial instruments at September 30, 2016 and December 31, 2015 were as follows:

		(In Millions)			
		September 30, 2016		December 31, 2015	
	Classification	**Carrying Value**	**Fair Value**	Carrying Value	Fair Value
Long-term debt:					
Senior Notes—$700 million	Level 1	**$ 324.3**	**$ 260.6**	$ 410.6	$ 69.4
Senior Notes—$1.3 billion	Level 1	**536.4**	**400.7**	787.9	137.4
Senior Notes—$400 million	Level 1	**224.4**	**194.9**	288.9	52.8
Senior Notes—$500 million	Level 1	**—**	**—**	309.1	87.1
Senior First Lien Notes —$540 million	Level 1	**504.0**	**573.2**	497.4	414.5
Senior 1.5 Lien Notes —$218.5 million	Level 2	**288.5**	**210.9**	—	—
Senior Second Lien Notes —$544.2 million	Level 1	**333.8**	**402.8**	403.2	134.7
ABL Facility	Level 2	**—**	**—**	—	—
Fair value adjustment to interest rate hedge	Level 2	**2.0**	**2.0**	2.3	2.3
Total long-term debt		**$ 2,213.4**	**$ 2,045.1**	$ 2,699.4	$ 898.2

The fair value of long-term debt was determined using quoted market prices based upon current borrowing rates. The ABL Facility is variable rate interest and approximates fair value. See NOTE 5 - DEBT AND CREDIT FACILITIES for further information.

NOTE 7 - PENSIONS AND OTHER POSTRETIREMENT BENEFITS

We offer defined benefit pension plans, defined contribution pension plans and OPEB plans, primarily consisting of retiree healthcare benefits, to most employees in the United States as part of a total compensation and benefits program. We do not have employee retirement benefit obligations at our Asia Pacific Iron Ore operations. The defined benefit pension plans largely are noncontributory and benefits generally are based on employees' years of service and average earnings for a defined period prior to retirement or a minimum formula.

Historically, we selected a single-weighted discount rate to be used for all pension and OPEB plans based on the 10th to 90th percentile results. Beginning January 1, 2016, we elected to select a separate discount rate for each plan, based on 40th to 90th percentile results. The discount rates are determined by matching the projected cash flows used to determine the projected benefit obligation and accumulated postretirement benefit obligation to a projected yield curve of 688 Aa graded bonds. These bonds are either noncallable or callable with make-whole provisions. We made this change in order to more precisely measure our service and interest costs, by improving the correlation between projected benefit cash flows and the corresponding spot yield curve rates. As this change is treated as a change in estimate, the impact is reflected in the first nine months of the current fiscal year and prospectively, and historical measurements of service and interest cost were not affected.

This change in estimate is anticipated to reduce our current year annual net periodic benefit expense by approximately $8.2 million for our pension plans and by approximately $1.8 million for our OPEB plans. Accordingly, for the three and nine months ended September 30, 2016 , total service cost and interest cost for the defined benefit pension plans were $12.0 million and $35.9 million , respectively, a reduction of $1.9 million and $6.1 million , respectively, as a result of implementing the new approach.

For the three and nine months ended September 30, 2016 , total service cost and interest cost for the OPEB plans were $2.7 million and $8.1 million , respectively, a reduction of $0.2 million and $1.4 million , respectively, as a result of implementing the new approach.

The following are the components of defined benefit pension and OPEB expense for the three and nine months ended September 30, 2016 and 2015 :

Defined Benefit Pension Expense

	(In Millions)			
	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2016	2015	**2016**	2015
Service cost	**$ 4.2**	$ 3.1	**$ 13.2**	$ 15.7
Interest cost	**7.8**	9.0	**22.7**	27.9
Expected return on plan assets	**(13.6)**	(14.5)	**(41.0)**	(44.4)
Amortization:				
Prior service costs	**0.5**	0.5	**1.6**	1.7
Net actuarial loss	**5.4**	4.5	**15.9**	15.3
Curtailments/settlements	**—**	$ (0.1)	**—**	0.2
Net periodic benefit cost to continuing operations	**$ 4.3**	$ 2.5	**$ 12.4**	$ 16.4

Other Postretirement Benefits Expense

	(In Millions)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	**2016**	2015
Service cost	**$ 0.4**	$ (1.6)	**$ 1.3**	$ 1.4
Interest cost	**2.3**	2.1	**6.8**	8.6
Expected return on plan assets	**(4.3)**	(4.5)	**(12.8)**	(13.7)
Amortization:				
Prior service credits	**(0.9)**	0.6	**(2.8)**	(1.2)
Net actuarial loss	**1.7**	1.1	**4.5**	4.2
Net periodic benefit credit to continuing operations	**$ (0.8)**	$ (2.3)	**$ (3.0)**	$ (0.7)

We made pension contributions of $0.5 million and $0.7 million for the three and nine months ended September 30, 2016 , respectively, compared to pension contributions of $23.9 million and $34.1 million for the three and nine months ended September 30, 2015 , respectively. OPEB contributions are typically made on an annual basis in the first quarter of each year, but due to plan funding requirements being met, no OPEB contributions were required or made for the three and nine months ended September 30, 2016 and September 30, 2015 .

NOTE 8 - STOCK COMPENSATION PLANS

Employees' Plans

During the first quarter of 2016, the Compensation and Organization Committee of the Board of Directors approved grants under the 2015 Equity Plan of 3.4 million restricted share units to certain officers and employees with a grant date of February 23, 2016. The restricted share units granted under this award are subject to continued employment through the vesting date of December 31, 2018.

NOTE 9 - INCOME TAXES

Our 2016 estimated annual effective tax rate before discrete items is approximately 0.4 percent . The annual effective tax rate differs from the U.S. statutory rate of 35 percent primarily due to deductions for percentage depletion in excess of cost depletion related to U.S. operations, a deduction for worthless stock and the placement of valuation allowance from operations in the current year. The 2015 estimated annual effective tax rate before discrete items at September 30, 2015 was 2.1 percent .

For the three and nine months ended September 30, 2016 , we recorded discrete items that resulted in an income tax benefit of $2.9 million and $2.2 million , respectively. These items relate primarily to prior year adjustments due to a change in estimate of the 2015 net operating loss and corresponding reversal of valuation allowance and quarterly interest accrued on reserves for uncertain tax positions. For the three and nine months ended September 30, 2015 , there were discrete items that resulted in an income tax benefit of $4.5 million and income tax expense of $162.6 million , respectively. These items were related primarily to the recording of valuation allowances against existing deferred tax assets as a result of the determination that these would no longer be realizable.

NOTE 10 - LEASE OBLIGATIONS

We lease certain mining, production and other equipment under operating and capital leases. The capital leases are for varying lengths, generally at market interest rates and contain purchase and/or renewal options at the end of the terms. Our operating lease expense was $2.2 million and $6.8 million for the three and nine months ended September 30, 2016 , respectively, compared with $3.2 million and $9.5 million , respectively, for the same periods in 2015 .

Future minimum payments under capital leases and non-cancellable operating leases at September 30, 2016 are as follows:

	(In Millions)	
	Capital Leases	**Operating Leases**
2016 (October 1 - December 31)	$ 6.4	$ 2.3
2017	23.4	8.9
2018	18.9	7.6
2019	10.5	4.9
2020	9.4	4.9
2021 and thereafter	9.4	5.0
Total minimum lease payments	$ 78.0	$ 33.6
Amounts representing interest	14.2	
Present value of net minimum lease payments	$ 63.8 [(1)]	

[(1)] The total is comprised of $18.3 million and $45.5 million classified as *Other current liabilities* and *Other liabilities* , respectively, in the Statements of Unaudited Condensed Consolidated Financial Position at September 30, 2016 .

NOTE 11 - ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS

We had environmental and mine closure liabilities of $222.8 million and $234.0 million at September 30, 2016 and December 31, 2015 , respectively. The following is a summary of the obligations as of September 30, 2016 and December 31, 2015 :

	(In Millions)	
	September 30, 2016	December 31, 2015
Environmental	**$ 3.0**	$ 3.6
Mine closure		
LTVSMC	**25.0**	24.1
Operating mines:		
U.S. Iron Ore	**176.8**	189.9
Asia Pacific Iron Ore	**18.0**	16.4
Total mine closure	**219.8**	230.4
Total environmental and mine closure obligations	**222.8**	234.0
Less current portion	**2.6**	2.8
Long term environmental and mine closure obligations	**$ 220.2**	$ 231.2

Mine Closure

The accrued closure obligation for our active mining operations provides for contractual and legal obligations associated with the eventual closure of the mining operations. The accretion of the liability and amortization of the related asset is recognized over the estimated mine lives for each location.

The following represents a rollforward of our asset retirement obligation liability related to our active mining locations for the nine months ended September 30, 2016 and for the year ended December 31, 2015 :

	(In Millions)	
	September 30, 2016	December 31, 2015
Asset retirement obligation at beginning of period	**$ 206.3**	$ 142.4
Accretion expense	**8.4**	6.5
Exchange rate changes	**0.9**	(1.1)
Revision in estimated cash flows	**(20.8)**	58.5
Asset retirement obligation at end of period	**$ 194.8**	$ 206.3

The revisions in the estimated cash flows recorded during the nine months ended September 30, 2016 relate primarily to revisions of the timing of the estimated cash flows related to one of our U.S. mines. For the year ended December 31, 2015 , the revisions in estimated cash flows recorded during the year related primarily to revisions in the timing of the estimated cash flows and the technology associated with required storm water management systems expected to be implemented subsequent to the indefinite idling of the Empire mine.

NOTE 12 - GOODWILL AND OTHER INTANGIBLE ASSETS AND LIABILITIES

Goodwill

The carrying amount of goodwill for the nine months ended September 30, 2016 and the year ended December 31, 2015 was $2.0 million and related to our U.S. Iron Ore operating segment.

Other Intangible Assets and Liabilities

The following table is a summary of intangible assets and liabilities as of September 30, 2016 and December 31, 2015 :

		(In Millions)					
		September 30, 2016			December 31, 2015		
	Classification	**Gross Carrying Amount**	**Accumulated Amortization**	**Net Carrying Amount**	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Definite-lived intangible assets:							
Permits	*Other non-current assets*	**$ 78.7**	**$ (23.8)**	**$ 54.9**	$ 78.4	$ (20.2)	$ 58.2
Total intangible assets		**$ 78.7**	**$ (23.8)**	**$ 54.9**	$ 78.4	$ (20.2)	$ 58.2
Below-market sales contracts	*Other current liabilities*	**$ (23.1)**	**$ 15.4**	**$ (7.7)**	$ (23.1)	$ —	$ (23.1)
Below-market sales contracts	*Other liabilities*	**(205.8)**	**205.8**	**—**	(205.8)	205.8	—
Total below-market sales contracts		**$ (228.9)**	**$ 221.2**	**$ (7.7)**	$ (228.9)	$ 205.8	$ (23.1)

Amortization expense relating to intangible assets was $1.2 million and $3.8 million for the three and nine months ended September 30, 2016 , respectively, and is recognized in *Cost of goods sold and operating expenses* in the Statements of Unaudited Condensed Consolidated Operations . Amortization expense relating to intangible assets was $0.9 million and $3.1 million , respectively, for the comparable periods in 2015. The estimated amortization expense relating to intangible assets for the remainder of this year and each of the five succeeding years is as follows:

	(In Millions)
	Amount
Year Ending December 31,	
2016 (remaining three months)	$ 1.0
2017	4.2
2018	4.2
2019	2.5
2020	2.5
2021	2.5
Total	$ 16.9

The below-market sales contract is classified as a liability and recognized over the term of the underlying contract, which expires December 31, 2016. For the three and nine months ended September 30, 2016 and September 30, 2015 , we recognized $7.7 million and $15.4 million , respectively, in *Product revenues* related to the below-market sales contract. The remaining $7.7 million is estimated to be recognized in *Product revenues* during the remainder of 2016.

NOTE 13 - DERIVATIVE INSTRUMENTS

The following table presents the fair value of our derivative instruments and the classification of each in the Statements of Unaudited Condensed Consolidated Financial Position as of September 30, 2016 and December 31, 2015 :

	(In Millions)							
	Derivative Assets				**Derivative Liabilities**			
	September 30, 2016		December 31, 2015		**September 30, 2016**		December 31, 2015	
Derivative Instrument	**Balance Sheet Location**	**Fair Value**	Balance Sheet Location	Fair Value	**Balance Sheet Location**	**Fair Value**	Balance Sheet Location	Fair Value
Customer supply agreement	*Other current assets*	**28.0**	*Other current assets*	5.8		**—**		—
Provisional pricing arrangements	*Other current assets*	**0.4**	*Other current assets*	2.0	*Other current liabilities*	**2.7**	*Other current liabilities*	3.4
Commodity contracts		**—**		—		**—**	*Other current liabilities*	0.6
Total derivatives not designated as hedging instruments under ASC 815		**$ 28.4**		$ 7.8		**$ 2.7**		$ 4.0

Derivatives Not Designated as Hedging Instruments

Customer Supply Agreements

Most of our U.S. Iron Ore long-term supply agreements are comprised of a base price with annual price adjustment factors. The base price is the primary component of the purchase price for each contract. The indexed price adjustment factors are integral to the iron ore supply contracts and vary based on the agreement, but typically include adjustments based upon changes in specified price indices, including those for industrial commodities, energy and cold rolled steel and changes in the Platts IODEX. The pricing adjustments generally operate in the same manner, with each factor typically comprising a portion of the price adjustment, although the weighting of each factor varies based upon the specific terms of each agreement. In most cases, these adjustment factors have not been finalized at the time our product is sold. In these cases, we historically have estimated the adjustment factors at each reporting period based upon the best

third-party information available. The estimates are then adjusted to actual when the information has been finalized. The price adjustment factors have been evaluated to determine if they contain embedded derivatives. The price adjustment factors share the same economic characteristics and risks as the host contract and are integral to the host contract as inflation adjustments; accordingly, they have not been separately valued as derivative instruments. Certain of our term supply agreements contain price collars, which typically limit the percentage increase or decrease in prices for our products during any given year.

A certain supply agreement with one U.S. Iron Ore customer provides for supplemental revenue or refunds to the customer based on the customer's average annual steel pricing at the time the product is consumed in the customer's blast furnace. The supplemental pricing is characterized as a freestanding derivative and is required to be accounted for separately once the product is shipped. The derivative instrument, which is finalized based on a future price, is adjusted to fair value as a revenue adjustment each reporting period until the pellets are consumed and the amounts are settled.

We recognized a $7.1 million and $26.8 million net gain in *Product revenues* in the Statements of Unaudited Condensed Consolidated Operations for the three and nine months ended September 30, 2016 , respectively, related to the supplemental payments. This compares with *Product revenues* of $11.6 million and $22.1 million for the comparable periods in 2015 . *Other current assets* , representing the fair value of the pricing factors, were $28.0 million and $5.8 million in the September 30, 2016 and December 31, 2015 Statements of Unaudited Condensed Consolidated Financial Position , respectively.

Provisional Pricing Arrangements

Certain of our U.S. Iron Ore and Asia Pacific Iron Ore customer supply agreements specify provisional price calculations, where the pricing mechanisms generally are based on market pricing, with the final revenue rate to be based on market inputs at a specified period in time in the future, per the terms of the supply agreements. U.S. Iron Ore sales revenue primarily is recognized when cash is received. For U.S. Iron Ore sales, the difference between the provisionally agreed-upon price and the estimated final revenue rate is characterized as a freestanding derivative and must be accounted for separately once the provisional revenue has been recognized. Asia Pacific Iron Ore sales revenue is initially recorded at the provisionally agreed-upon price with the pricing provision embedded in the receivable. The pricing provision is an embedded derivative that must be bifurcated and accounted for separately from the receivable. Subsequently, the derivative instruments for both U.S. Iron Ore and Asia Pacific Iron Ore are adjusted to fair value through *Product revenues* each reporting period based upon current market data and forward-looking estimates provided by management until the final revenue rate is determined. At September 30, 2016 and December 31, 2015 , we recorded $0.4 million with our U.S. Iron Ore customers and $2.0 million with our Asia Pacific Iron Ore customers, respectively, as *Other current assets* in the Statements of Unaudited Condensed Consolidated Financial Position related to our estimate of the final revenue rate. At September 30, 2016 and December 31, 2015 , we recorded $2.7 million with our Asia Pacific Iron Ore customers and $3.4 million with our U.S. Iron Ore and Asia Pacific Iron Ore customers, respectively, as *Other current liabilities* in the Statements of Unaudited Condensed Consolidated Financial Position related to our estimate of the final revenue rate. These amounts represent the difference between the provisional price agreed upon with our customers based on the supply agreement terms and our estimate of the final revenue rate based on the price calculations established in the supply agreements. As a result, we recognized a $4.5 million and $22.9 million net increase in *Product revenues* in the Statements of Unaudited Condensed Consolidated Operations for the three and nine months ended September 30, 2016 , respectively, related to these arrangements. This compares with a net $7.6 million increase and a net $0.2 million decrease in *Product revenues* for the comparable periods in 2015.

The following summarizes the effect of our derivatives that are not designated as hedging instruments in the Statements of Unaudited Condensed Consolidated Operations for the three and nine months ended September 30, 2016 and 2015 :

(In Millions)

Derivatives Not Designated as Hedging Instruments	**Location of Gain (Loss) Recognized in Income on Derivative**	**Amount of Gain (Loss) Recognized in Income on Derivative**			
		Three Months Ended September 30,		**Nine Months Ended September 30,**	
		2016	2015	**2016**	2015
Customer supply agreement	*Product revenues*	**7.1**	11.6	**26.8**	22.1
Provisional pricing arrangements	*Product revenues*	**4.5**	7.6	**22.9**	(0.2)
Foreign exchange contracts	*Other non-operating income (expense)*	**—**	(1.1)	**—**	(3.6)
Commodity contracts	*Cost of goods sold and operating expenses*	**—**	—	**—**	(3.4)
Foreign exchange contracts	*Product revenues*	**—**	(2.1)	**—**	(11.8)
		$ 11.6	**$ 16.0**	**$ 49.7**	$ 3.1

Refer to NOTE 6 - FAIR VALUE MEASUREMENTS for additional information.

NOTE 14 - DISCONTINUED OPERATIONS

The information below sets forth selected financial information related to operating results of our businesses classified as discontinued operations which include our former North American Coal and Canadian operations. The chart below provides an asset group breakout for each financial statement line impacted by discontinued operations.

(In Millions)			Canadian Operations			
		North American Coal	Eastern Canadian Iron Ore	Other	Total Canadian Operations	Total of Discontinued Operations
Statements of Unaudited Condensed Consolidated Operations						
Loss from Discontinued Operations, net of tax	**QTD September 30, 2016**	**$ (1.8)**	**$ (0.9)**	**$ —**	**$ (0.9)**	**$ (2.7)**
Loss from Discontinued Operations, net of tax	QTD September 30, 2015	$ (29.8)	$ (14.1)	$ —	$ (14.1)	$ (43.9)
Income (Loss) from Discontinued Operations, net of tax	**YTD September 30, 2016**	**$ (3.8)**	**$ 3.2**	**$ —**	**$ 3.2**	**$ (0.6)**
Loss from Discontinued Operations, net of tax	YTD September 30, 2015	$ (137.0)	$ (731.9)	$ (0.1)	$ (732.0)	$ (869.0)
Statements of Unaudited Condensed Consolidated Financial Position						
Short-term assets of discontinued operations	**As of September 30, 2016**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Short-term liabilities of discontinued operations	**As of September 30, 2016**	**$ 5.5**	**$ —**	**$ —**	**$ —**	**$ 5.5**
Short-term assets of discontinued operations	As of December 31, 2015	$ 14.9	$ —	$ —	$ —	$ 14.9
Short-term liabilities of discontinued operations	As of December 31, 2015	$ 6.9	$ —	$ —	$ —	$ 6.9
Non-Cash Operating and Investing Activities						
Depreciation, depletion and amortization:	YTD September 30, 2015	$ 3.2	$ —	$ —	$ —	$ 3.2
Purchase of property, plant and equipment	YTD September 30, 2015	$ 13.1	$ —	$ —	$ —	$ 13.1
Impairment of other long-lived assets	YTD September 30, 2015	$ 73.4	$ —	$ —	$ —	$ 73.4

North American Coal Operations

Loss on Discontinued Operations

Our previously reported North American Coal operating segment results are classified as discontinued operations for all periods presented. The closing of the sale of our Oak Grove and Pinnacle mines on December 22, 2015, completed a strategic shift in our business.

Loss from Discontinued Operations	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
	(In Millions)			
Revenues from product sales and services	$ —	$ 78.8	$ —	$ 338.1
Cost of goods sold and operating expenses	—	(102.9)	—	(377.2)
Sales margin	—	(24.1)	—	(39.1)
Other operating expense	(1.8)	(7.4)	(3.8)	(25.7)
Other expense	—	(0.4)	—	(1.4)
Loss from discontinued operations before income taxes	(1.8)	(31.9)	(3.8)	(66.2)
Impairment of long-lived assets	—	—	—	(73.4)
Income tax benefit	—	2.1	—	2.6
Loss from discontinued operations, net of tax	$ (1.8)	$ (29.8)	$ (3.8)	$ (137.0)

Recorded Assets and Liabilities

Assets and Liabilities of Discontinued Operations [1]	September 30, 2016	December 31, 2015
	(In Millions)	
Other current assets	$ —	$ 14.9
Total assets of discontinued operations	$ —	$ 14.9
Accrued liabilities	$ 1.2	$ —
Other current liabilities [1]	4.3	6.9
Total liabilities of discontinued operations	$ 5.5	$ 6.9

[1] At September 30, 2016 and December 31, 2015, we had $4.0 million and $7.8 million, respectively, of contingent liabilities associated with our exit from the coal business recorded on our parent company.

Income Taxes

We recognized no tax benefit or expense for the three and nine months ended September 30, 2016 in *Loss from Discontinued Operations, net of tax* , related to our North American Coal investments. For the three and nine months ended September 30, 2015, we recognized a tax benefit of $2.1 million and $2.6 million , respectively, in *Loss from Discontinued Operations, net of tax* . This benefit was primarily the result of a loss on our North American Coal investments.

Canadian Operations

Status of CCAA Proceedings

On March 8, 2016, certain of the Canadian Entities completed the sale of their port and rail assets located in Pointe-Noire, Quebec to Societe Ferroviaire et Portuaire de Pointe-Noire S.E.C., an affiliate of Investissement Quebec, for CAD $66.75 million in cash and the assumption of certain liabilities.

On April 11, 2016, certain of the Canadian Entities completed the sale of the Bloom Lake Mine and Labrador Trough South mineral claims located in Quebec, as well as certain rail assets located in Newfoundland & Labrador, to Quebec Iron Ore Inc., an affiliate of Champion Iron Mines Limited, for CAD $10.5 million in cash and the assumption of certain liabilities.

After payment of sale expenses and taxes and repayment of the DIP financing, the net proceeds from these and certain other divestitures by the Canadian Entities are currently being held by the Monitor, on behalf of the Canadian Entities, to fund the costs of the CCAA proceedings and for eventual distribution to creditors of the Canadian Entities pending further order of the Montreal Court.

Gain (Loss) on Discontinued Operations

Our decision in 2015 to exit Canada represented a strategic shift in our business. For this reason, our previously reported Eastern Canadian Iron Ore and Ferroalloys operating segment results for all periods prior to the respective 2015 deconsolidations as well as costs to exit are classified as discontinued operations.

	(In Millions)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
Gain (Loss) from Discontinued Operations	**2016**	2015	**2016**	2015
Revenues from product sales and services	**$ —**	$ —	**$ —**	$ 11.3
Cost of goods sold and operating expenses	**—**	—	**—**	(11.1)
Sales margin	**—**	—	**—**	0.2
Other operating expense	**—**	—	**—**	(33.8)
Other expense	**—**	—	**—**	(1.0)
Loss from discontinued operations before income taxes	**—**	—	**—**	(34.6)
Gain (loss) from deconsolidation	**(0.9)**	(13.4)	**3.2**	(697.4)
Income tax expense	**—**	(0.7)	**—**	—
Gain (loss) from discontinued operations, net of tax	**$ (0.9)**	$ (14.1)	**$ 3.2**	$ (732.0)

Canadian Entities loss from deconsolidation totaled $0.9 million and gain from deconsolidation totaled $3.2 million for the three and nine months ended September 30, 2016 , respectively, which included the following:

	(In Millions)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	**2016**	2015
Investment impairment on deconsolidation [1]	**$ (0.9)**	$ (13.9)	**$ 3.2**	$ (494.3)
Contingent liabilities	**—**	0.5	**—**	(203.1)
Total gain (loss) from deconsolidation	**$ (0.9)**	$ (13.4)	**$ 3.2**	$ (697.4)

[1] Includes the adjustment to fair value of our remaining interest in the Canadian Entities.

We have no gain or loss from deconsolidation attributable to contingent liabilities for the three and nine months ended September 30, 2016 compared to a gain of $0.5 million and a loss of $203.1 million for the three and nine months ended September 30, 2015, respectively. As a result of the deconsolidation we recorded accrued expenses for the estimated probable loss related to claims that may be asserted against us, primarily under guarantees of certain debt arrangements and leases for a loss on deconsolidation of $203.1 million , for the nine months ended September 30, 2015.

Investments in the Canadian Entities

Cliffs continues to indirectly own a majority of the interest in the Canadian Entities but has deconsolidated those entities because Cliffs no longer has a controlling interest as a result of the Bloom Filing and the Wabush Filing. At the respective date of deconsolidation, January 27, 2015 or May 20, 2015 and subsequently at each reporting period, we adjusted our investment in the Canadian Entities to fair value with a corresponding charge to *Loss from Discontinued Operations, net of tax* . As the estimated amount of the Canadian Entities' liabilities exceeded the estimated fair value of the assets available for distribution to its creditors, the fair value of Cliffs' equity investment is approximately zero .

Amounts Receivable from the Canadian Entities

Prior to the deconsolidations, various Cliffs wholly-owned entities made loans to the Canadian Entities for the purpose of funding its operations and had accounts receivable generated in the ordinary course of business. The loans, corresponding interest and the accounts receivable were considered intercompany transactions and eliminated in our consolidated financial statements. Since the deconsolidations, the loans, associated interest and accounts receivable are considered related party transactions and have been recognized in our consolidated financial statements at their

estimated fair value of $69.3 million and $72.9 million in the Statements of Unaudited Condensed Consolidated Financial Position at September 30, 2016 and December 31, 2015, respectively.

Contingent Liabilities

Certain liabilities consisting primarily of equipment loans and environmental obligations of the Canadian Entities were secured through corporate guarantees and standby letters of credit. As of September 30, 2016 , we have liabilities of $0.2 million and $37.9 million , respectively, in our consolidated results, classified as *Guarantees* and *Other liabilities* in the Statements of Unaudited Condensed Consolidated Financial Position . As of December 31, 2015, we had liabilities of $96.5 million and $35.9 million , respectively, in our consolidated results, classified as *Guarantees* and *Other liabilities* in the Statements of Unaudited Condensed Consolidated Financial Position .

Contingencies

The recorded expenses include an accrual for the estimated probable loss related to claims that may be asserted against us, primarily under guarantees of certain debt arrangements and leases. The beneficiaries of those guarantees may seek damages or other related relief as a result of our exit from Canada. Our probable loss estimate is based on the expectation that claims will be asserted against us and negotiated settlements will be reached, and not on any determination that it is probable we would be found liable were these claims to be litigated. Our estimates involve significant judgment and are based on currently available information, an assessment of the validity of certain claims and estimated payments by the Canadian Entities. We are not able to reasonably estimate a range of possible losses in excess of the accrual because there are significant factual and legal issues to be resolved. We believe that it is reasonably possible that future changes to our estimates of loss and the ultimate amount paid on these claims could be material to our results of operations in future periods. Any such losses would be reported in discontinued operations.

Items Measured at Fair Value on a Non-Recurring Basis

The following table presents information about the financial assets and liabilities that were measured on a fair value basis at September 30, 2016 for the Canadian Operations. The table also indicates the fair value hierarchy of the valuation techniques used to determine such fair value.

	(In Millions)				
	September 30, 2016				
Description	**Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**	**Total Gains**
Assets:					
Loans to and accounts receivables from the Canadian Entities	**$ —**	**$ —**	**$ 69.3**	**$ 69.3**	**$ 3.2**
Liabilities:					
Contingent liabilities	**$ —**	**$ —**	**$ 38.1**	**$ 38.1**	**$ —**

We determined the fair value and recoverability of our Canadian investments by comparing the estimated fair value of the remaining underlying assets of the Canadian Entities to remaining estimated liabilities. We recorded the contingent liabilities at book value which best approximated fair value.

Outstanding liabilities include accounts payable and other liabilities, forward commitments, unsubordinated related party payables, lease liabilities and other potential claims. Potential claims include an accrual for the estimated probable loss related to claims that may be asserted against the Bloom Lake Group and Wabush Group under certain contracts. Claimants may seek damages or other related relief as a result of the Canadian Entities' exit from Canada. Based on our estimates, the fair value of liabilities exceeds the fair value of assets.

To assess the fair value and recoverability of the amounts receivable from the Canadian Entities, we estimated the fair value of the underlying net assets of the Canadian Entities available for distribution to their creditors in relation to the estimated creditor claims and the priority of those claims.

Our estimates involve significant judgment and are based on currently available information, an assessment of the validity of certain claims and estimated payments made by the Canadian Entities. Our ultimate recovery is subject to the final liquidation value of the Canadian Entities. Further, the final liquidation value and ultimate recovery of the creditors of the Canadian Entities, including Cliffs Natural Resources and various subsidiaries, may impact our estimates of contingent liability exposure described previously.

DIP Financing

In connection with the Wabush Filing on May 20, 2015, the Montreal Court approved an agreement to provide a debtor-in-possession credit facility (the "DIP financing") to the Wabush Group, which provided for borrowings under the facility up to $10.0 million . The DIP financing was secured by a court-ordered charge over the assets of the Wabush Group. As of December 31, 2015, there was $6.8 million drawn and outstanding under the DIP financing funded by Wabush Iron Co. Limited's parent company, Cliffs Mining Company. During the three months ended March 31, 2016, the Wabush Group made an additional draw of $1.5 million . We subsequently received a repayment of $8.3 million and as a result, there was no outstanding balance due under the DIP financing arrangement from Wabush Iron Co. Limited's parent company, Cliffs Mining Company as of September 30, 2016.

Income Taxes

We recognized no tax benefit for the three and nine months ended September 30, 2016 in *Gain (loss) from discontinued operations, net of tax* . For the three months ended September 30, 2015, we recognized a tax expense of $0.7 million in *Gain (loss) from discontinued operations, net of tax* . We recognized no tax benefit or expense for the nine months ended September 30, 2015 in *Gain (loss) from discontinued operations, net of tax .*

NOTE 15 - CAPITAL STOCK

Preferred Shares Conversion to Common Shares

On January 4, 2016, we announced that our Board of Directors determined the final quarterly dividend of our Preferred Shares would not be paid in cash, but instead, pursuant to the terms of the Preferred Shares, the conversion rate was increased such that holders of the Preferred Shares received additional common shares in lieu of the accrued dividend at the time of the mandatory conversion of the Preferred Shares on February 1, 2016. The number of our common shares in the aggregate issued in lieu of the dividend was 1.3 million . This resulted in an effective conversion rate of 0.9052 common shares, rather than 0.8621 common shares, per depositary share, each representing 1/40 th of a Preferred Share. Upon conversion on February 1, 2016, an aggregate of 26.5 million common shares were issued, representing 25.2 million common shares issuable upon conversion and 1.3 million that were issued in lieu of a final cash dividend.

Debt for Equity Exchange

During the third quarter of 2016, we entered into a privately negotiated exchange agreement whereby we issued an aggregate of 2.3 million common shares, representing less than one percent of our outstanding common shares, in exchange for $4.5 million aggregate principal amount of our 4.80 percent senior notes due 2020 and $10.5 million aggregate principal amount of our 4.875 percent senior notes due 2021. Accordingly, we recognized a gain of $1.6 million in *Gain (loss) on extinguishment/restructuring of debt* in the Statements of Unaudited Condensed Consolidated Operations for the three and nine months ended September 30, 2016 . The issuance of the common shares in exchange for our senior notes due 2020 and 2021 was made in reliance on the exemption from registration provided in Section 3(a)(9) of the Securities Act.

During the second quarter of 2016, we entered into a privately negotiated exchange agreement whereby we issued an aggregate of 1.8 million common shares, representing less than one percent of our outstanding common shares, in exchange for $12.6 million aggregate principal amount of our senior notes due 2020. Accordingly, we recognized a gain of $3.6 million in *Gain (loss) on extinguishment/restructuring of debt* in the Statements of Unaudited Condensed Consolidated Operations for the nine months ended September 30, 2016 . The issuance of the common shares in exchange for our senior notes due 2020 was made in reliance on the exemption from registration provided in Section 3(a)(9) of the Securities Act.

During the first quarter of 2016, we entered into a privately negotiated exchange agreement whereby we issued an aggregate of 1.8 million common shares, representing less than one percent of our outstanding common shares, in exchange for $10.0 million aggregate principal amount of our senior notes due 2018. Accordingly, we recognized a gain of $4.5 million in *Gain (loss) on extinguishment/restructuring of debt* in the Statements of Unaudited Condensed Consolidated Operations for the nine months ended September 30, 2016 . The issuance of the common shares in exchange for our senior notes due 2018 was made in reliance on the exemption from registration provided in Section 3(a)(9) of the Securities Act.

Common Share Public Offering

On August 10, 2016, we issued 44.4 million common shares in a public offering. We received net proceeds of approximately $287.6 million at a public offering price of $6.75 per common share. The proceeds from the issuance of our common shares were used to fully redeem our senior notes due 2018.

NOTE 16 - SHAREHOLDERS' EQUITY (DEFICIT)

The following table reflects the changes in shareholders' equity (deficit) attributable to both Cliffs and the noncontrolling interests primarily related to Tilden and Empire of which Cliffs owns 85 percent and 79 percent , respectively, for the nine months ended September 30, 2016 and September 30, 2015 :

	(In Millions)		
	Cliffs Shareholders' Equity (Deficit)	Noncontrolling Interest (Deficit)	Total Equity (Deficit)
December 31, 2015	**$ (1,981.4)**	**$ 169.8**	**$ (1,811.6)**
Comprehensive income			
Net income	**95.0**	**23.5**	**118.5**
Other comprehensive income	**16.8**	**2.2**	**19.0**
Total comprehensive income	**111.8**	**25.7**	**137.5**
Issuance of common shares	**315.2**	**—**	**315.2**
Stock and other incentive plans	**10.1**	**—**	**10.1**
Distributions of partnership equity	**—**	**(48.8)**	**(48.8)**
Undistributed losses to noncontrolling interest	**—**	**(2.9)**	**(2.9)**
September 30, 2016	**$ (1,544.3)**	**$ 143.8**	**$ (1,400.5)**

	(In Millions)		
	Cliffs Shareholders' Equity (Deficit)	Noncontrolling Interest (Deficit)	Total Equity (Deficit)
December 31, 2014	$ (1,431.3)	$ (303.0)	$ (1,734.3)
Comprehensive income (loss)			
Net loss	(689.0)	(1.5)	(690.5)
Other comprehensive income (loss)	220.7	(9.3)	211.4
Total comprehensive loss	(468.3)	(10.8)	(479.1)
Effect of deconsolidation	—	528.2	528.2
Stock and other incentive plans	6.0	—	6.0
Preferred share dividends	(38.4)	—	(38.4)
Distributions to noncontrolling interest	—	(40.7)	(40.7)
Undistributed losses to noncontrolling interest	—	(1.2)	(1.2)
September 30, 2015	$ (1,932.0)	$ 172.5	$ (1,759.5)

The following table reflects the changes in *Accumulated other comprehensive income (loss)* related to Cliffs shareholders' equity for September 30, 2016 and September 30, 2015 :

	(In Millions)				
	Changes in Pension and Other Post-Retirement Benefits, net of tax	**Unrealized Net Gain (Loss) on Securities, net of tax**	**Unrealized Net Gain (Loss) on Foreign Currency Translation**	**Net Unrealized Gain (Loss) on Derivative Financial Instruments, net of tax**	**Accumulated Other Comprehensive Income (Loss)**
Balance December 31, 2015	$ (241.4)	$ 0.1	$ 220.7	$ 2.6	$ (18.0)
Other comprehensive income (loss) before reclassifications	(1.5)	(0.1)	4.4	(3.4)	(0.6)
Net loss reclassified from accumulated other comprehensive income (loss)	6.3	—	—	—	6.3
Balance March 31, 2016	$ (236.6)	$ —	$ 225.1	$ (0.8)	$ (12.3)
Other comprehensive income (loss) before reclassifications	(0.4)	—	(2.7)	0.1	(3.0)
Net loss reclassified from accumulated other comprehensive income (loss)	6.3	—	—	—	6.3
Balance June 30, 2016	$ (230.7)	$ —	$ 222.4	$ (0.7)	$ (9.0)
Other comprehensive income (loss) before reclassifications	(0.5)	—	0.9	—	0.4
Net loss reclassified from accumulated other comprehensive income (loss)	6.7	—	—	0.7	7.4
Balance September 30, 2016	$ (224.5)	$ —	$ 223.3	$ —	$ (1.2)

	(In Millions)				
	Changes in Pension and Other Post-Retirement Benefits, net of tax	Unrealized Net Gain (Loss) on Securities, net of tax	Unrealized Net Gain (Loss) on Foreign Currency Translation	Net Unrealized Gain (Loss) on Derivative Financial Instruments, net of tax	Accumulated Other Comprehensive Income (Loss)
Balance December 31, 2014	$ (291.1)	$ (1.0)	$ 64.4	$ (18.1)	$ (245.8)
Other comprehensive income (loss) before reclassifications	9.3	2.8	(14.7)	(7.1)	(9.7)
Net loss (gain) reclassified from accumulated other comprehensive income (loss)	30.3	(2.0)	182.7	6.3	217.3
Balance March 31, 2015	$ (251.5)	$ (0.2)	$ 232.4	$ (18.9)	$ (38.2)
Other comprehensive income (loss) before reclassifications	1.3	1.0	1.2	0.5	4.0
Net loss (gain) reclassified from accumulated other comprehensive income (loss)	(1.6)	(0.9)	—	7.8	5.3
Balance June 30, 2015	$ (251.8)	$ (0.1)	$ 233.6	$ (10.6)	$ (28.9)
Other comprehensive income (loss) before reclassifications	(0.7)	0.1	(11.4)	4.8	(7.2)
Net loss reclassified from accumulated other comprehensive income (loss)	6.6	—	—	4.4	11.0
Balance September 30, 2015	$ (245.9)	$ —	$ 222.2	$ (1.4)	$ (25.1)

The following table reflects the details about *Accumulated other comprehensive income (loss)* components related to Cliffs shareholders' equity for the three and nine months ended September 30, 2016 :

Details about Accumulated Other Comprehensive Income (Loss) Components	(In Millions) Amount of (Gain)/Loss Reclassified into Income				Affected Line Item in the Statement of Unaudited Condensed Consolidated Operations
	Three Months Ended September 30,		Nine Months Ended September 30,		
	2016	2015	**2016**	2015	
Amortization of pension and postretirement benefit liability:					
Prior service costs [1]	**$ (0.4)**	$ 1.1	**$ (1.2)**	$ 0.5	
Net actuarial loss [1]	**7.1**	5.6	**20.4**	19.5	
Settlements/curtailments [1]	**—**	(0.1)	**—**	0.2	
Effect of deconsolidation [2]	**—**	—	**—**	15.1	*Loss from Discontinued Operations, net of tax*
	6.7	6.6	**19.2**	35.3	Total before taxes
	—	—	**—**	—	*Income tax benefit (expense)*
	$ 6.7	$ 6.6	**$ 19.2**	$ 35.3	Net of taxes
Unrealized gain (loss) on marketable securities:					
Impairment	**—**	—	**—**	(3.2)	*Other non-operating income (expense)*
	—	—	**—**	0.3	*Income tax benefit (expense)*
	$ —	$ —	**$ —**	$ (2.9)	Net of taxes
Unrealized gain (loss) on foreign currency translation:					
Effect of deconsolidation [2]	**$ —**	$ —	**$ —**	$ 182.7	*Loss from Discontinued Operations, net of tax*
	—	—	**—**	—	*Income tax benefit (expense)*
	$ —	$ —	**$ —**	$ 182.7	Net of taxes
Unrealized gain (loss) on derivative financial instruments:					
Australian dollar foreign exchange contracts	**$ —**	$ 6.3	**$ —**	$ 26.4	*Product revenues*
Treasury lock	**1.2**	—	**1.2**	—	*Gain (loss) on extinguishment/restructuring of debt*
	(0.5)	(1.9)	**(0.5)**	(7.9)	*Income tax benefit (expense)*
	$ 0.7	$ 4.4	**$ 0.7**	$ 18.5	Net of taxes
Total Reclassifications for the Period	**$ 7.4**	$ 11.0	**$ 19.9**	$ 233.6	

[1] These accumulated other comprehensive income components are included in the computation of net periodic benefit cost. See NOTE 7 - PENSIONS AND OTHER POSTRETIREMENT BENEFITS for further information.

[2] Represents Canadian accumulated currency translation adjustments that were deconsolidated. See NOTE 14 - DISCONTINUED OPERATIONS for further information.

NOTE 17 - CASH FLOW INFORMATION

A reconciliation of capital additions to cash paid for capital expenditures for the nine months ended September 30, 2016 and 2015 is as follows:

	(In Millions)	
	Nine Months Ended September 30,	
	2016	2015
Capital additions [(1)]	**$ 44.5**	$ 69.0
Cash paid for capital expenditures	**45.8**	57.9
Difference	**$ (1.3)**	$ 11.1
Non-cash accruals	**$ (1.3)**	$ 10.4
Capital leases	**—**	0.7
Total	**$ (1.3)**	$ 11.1

(1) Includes capital additions of $44.5 million related to continuing operations for the nine months ended September 30, 2016 . Includes capital additions of $46.6 million and $22.4 million related to continuing operations and discontinued operations, respectively, for the nine months ended September 30, 2015 .

NOTE 18 - RELATED PARTIES

Three of our five U.S. iron ore mines are owned with various joint venture partners that are integrated steel producers or their subsidiaries. We are the manager of each of the mines we co-own and rely on our joint venture partners to make their required capital contributions and to pay for their share of the iron ore pellets that we produce. The joint venture partners are also our customers. The following is a summary of the mine ownership of these iron ore mines at September 30, 2016 :

Mine	Cliffs Natural Resources	ArcelorMittal	U.S. Steel Corporation
Empire	79.0%	21.0%	—
Tilden	85.0%	—	15.0%
Hibbing	23.0%	62.3%	14.7%

ArcelorMittal has a unilateral right to put its interest in the Empire mine to us, but has not exercised this right to date. Furthermore, as part of the 2014 extension agreement that was entered into between us and ArcelorMittal, which amended certain terms of the Empire partnership agreement, certain minimum distributions of the partners’ equity amounts are required to be made on a quarterly basis beginning in the first quarter of 2015 and will continue through the first quarter of 2017. During the three and nine months ended September 30, 2016 , we recorded distributions of $7.4 million and $48.8 million , respectively, under this agreement of which $41.4 million was paid as of September 30, 2016 . In addition, we paid $11.1 million in January 2016 related to 2015 distributions. During the three and nine months ended September 30, 2015 , we recorded distributions of $9.0 million and $40.7 million under this agreement, of which $31.7 million was paid as of September 30, 2015 .

Product revenues from related parties were as follows:

	(In Millions)							
	Three Months Ended September 30,				Nine Months Ended September 30,			
	2016		2015		**2016**		2015	
Product revenues from related parties	**$**	**223.4**	$	208.0	**$**	**568.4**	$	468.0
Total product revenues		**508.6**		542.5		**1,237.0**		1,399.9
Related party product revenue as a percent of total product revenue		**43.9%**		38.3%		**45.9%**		33.4%

Amounts due from related parties recorded in *Accounts receivable, net* and *Other current assets* , including trade accounts receivable, a customer supply agreement and provisional pricing arrangements, were $52.2 million and $15.8 million at September 30, 2016 and December 31, 2015 , respectively. Amounts due to related parties recorded in *Accounts payable* , including provisional pricing arrangements, were $7.4 million at September 30, 2016 and amounts including provisional pricing arrangements and liabilities to related parties were $14.5 million at December 31, 2015 .

NOTE 19 - EARNINGS PER SHARE

The following table summarizes the computation of basic and diluted earnings (loss) per share:

	(In Millions, Except Per Share Amounts)							
	Three Months Ended September 30,				Nine Months Ended September 30,			
	2016		2015		**2016**		2015	
Income (Loss) from Continuing Operations	**$**	**(25.1)**	$	49.9	**$**	**119.1**	$	178.5
Loss (Income) from Continuing Operations Attributable to Noncontrolling Interest		**2.0**		4.6		**(23.5)**		(6.2)
Net Income (Loss) from Continuing Operations Attributable to Cliffs Shareholders	**$**	**(23.1)**	$	54.5	**$**	**95.6**	$	172.3
Loss from Discontinued Operations, net of tax		**(2.7)**		(43.9)		**(0.6)**		(861.3)
Net Income (Loss) Attributable to Cliffs Shareholders	**$**	**(25.8)**	$	10.6	**$**	**95.0**	$	(689.0)
Preferred Stock Dividends		**—**		(25.6)		**—**		(38.4)
Net Income (Loss) Attributable to Cliffs Common Shareholders	**$**	**(25.8)**	$	(15.0)	**$**	**95.0**	$	(727.4)
Weighted Average Number of Shares:								
Basic		**206.3**		153.2		**186.5**		153.2
Employee Stock Plans		**—**		—		**2.0**		—
Diluted		**206.3**		153.2		**188.5**		153.2
Earnings (Loss) per Common Share Attributable to Cliffs Common Shareholders - Basic:								
Continuing operations	**$**	**(0.11)**	$	0.19	**$**	**0.51**	$	0.87
Discontinued operations		**(0.01)**		(0.29)		**—**		(5.62)
	$	**(0.12)**	$	(0.10)	**$**	**0.51**	$	(4.75)
Earnings (Loss) per Common Share Attributable to Cliffs Common Shareholders - Diluted:								
Continuing operations	**$**	**(0.11)**	$	0.19	**$**	**0.51**	$	0.87
Discontinued operations		**(0.01)**		(0.29)		**—**		(5.62)
	$	**(0.12)**	$	(0.10)	**$**	**0.51**	$	(4.75)

The diluted earnings per share calculation excludes 25.2 million depositary shares that were anti-dilutive for the three and nine months ended September 30, 2015. Additionally, the diluted earnings per share calculation excludes 3.0 million shares for the three months ended September 30, 2016, and 0.1 million shares and 0.2 million shares for the three and nine months ended September 30, 2015, related to equity plan awards that would have been anti-dilutive.

NOTE 20 - COMMITMENTS AND CONTINGENCIES

Contingencies

Litigation

We are currently a party to various claims and legal proceedings incidental to our operations. If management believes that a loss arising from these matters is probable and can reasonably be estimated, we record the amount of the loss, or the minimum estimated liability when the loss is estimated using a range, and no point within the range is more probable than another. As additional information becomes available, any potential liability related to these matters is assessed and the estimates are revised, if necessary. Based on currently available information, management believes that the ultimate outcome of these matters, individually and in the aggregate, will not have a material effect on our financial position, results of operations or cash flows. However, litigation is subject to inherent uncertainties, and unfavorable rulings could occur. An unfavorable ruling could include monetary damages, additional funding requirements or an injunction. If an unfavorable ruling were to occur, there exists the possibility of a material impact on the financial position and results of operations of the period in which the ruling occurs, or future periods. However, we do not believe that any pending litigation will result in a material liability in relation to our consolidated financial statements. Currently, we have recorded a liability in *Accrued expenses* in the Statements of Unaudited Condensed Consolidated Financial Position related to the following matter:

Michigan Electricity Matters. On February 19, 2015, in connection with various proceedings before FERC with respect to certain cost allocations for continued operation of the Presque Isle Power Plant in Marquette, Michigan, FERC issued an order directing MISO to submit a revised methodology for allocating SSR costs that identified the load serving entities that require the operation of SSR units at the power plant for reliability purposes. On September 17, 2015, FERC issued an order conditionally approving MISO’s revised allocation methodology. On September 22, 2016, FERC denied requests for rehearing of the February 19 order, rejecting arguments that FERC did not have the authority to order refunds in a cost allocation case and to impose retroactive surcharges to effectuate such refunds. FERC, however, suspended any refunds and surcharges pending its review of a July 25, 2016 ALJ initial decision on the appropriate amount of SSR compensation. Should FERC award SSR costs based on retroactive surcharges and the amount of SSR compensation not be adjusted, our current estimate of the potential liability to the Empire and Tilden mines is approximately $13.6 million , based on MISO's June 14, 2016 refund report (as revised in MISO's July 20, 2016 errata refund report) for the Escanaba, White Pine and Presque Isle SSRs. We, however, continue to vigorously challenge both the amount of the SSR compensation and the imposition of any SSR costs before FERC and the U.S. Court of Appeals for the D.C. Circuit.

NOTE 21 - SUBSEQUENT EVENTS

We have evaluated subsequent events through the date of financial issuance.

Item 2. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is designed to provide a reader of our financial statements with a narrative from the perspective of management on our financial condition, results of operations, liquidity and other factors that may affect our future results. We believe it is important to read our MD&A in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2015 as well as other publicly available information.

Overview

Cliffs Natural Resources Inc. is a leading mining and natural resources company in the United States. We are a major supplier of iron ore pellets to the North American steel industry from our mines and pellet plants located in Michigan and Minnesota. We also operate the Koolyanobbing iron ore mining complex in Western Australia. Driven by the core values of safety, social, environmental and capital stewardship, our employees endeavor to provide all stakeholders operating and financial transparency.

The key driver of our business is demand for steelmaking raw materials from U.S. steelmakers, which is heavily influenced by the global steel market and, in particular, Chinese steel production. In the first nine months of 2016, the U.S. produced approximately 60 million metric tons of crude steel or about 5 percent of total global crude steel production, which is flat when compared to the same period in 2015. U.S. total steel capacity utilization was approximately 72 percent in the first nine months of 2016, which is also flat compared to the same period in 2015. Additionally, in the first nine months of 2016, China produced approximately 604 million metric tons of crude steel, or approximately 50 percent of total global crude steel production, which is flat when compared to the same period in 2015. Through the first nine months of 2016, global crude steel production is flat compared to the same period in 2015.

Through the first nine months of 2016, the Platts IODEX has, despite its volatility, remained at encouraging levels. We believe this is the result of improved sentiment about steel demand in China and signs of high-cost capacity closures. In addition, major supply additions from both Brazil and Australia anticipated to come online this year have experienced difficulties ramping up and completion dates have been further delayed. Furthermore, we believe the new management teams at the major Australian iron ore producers will show more supply discipline for the remainder of the year and through 2017, which could help maintain or even improve these current price levels.

The Platts IODEX price decreased 7 percent to an average price of $54 per metric ton for the nine months ended September 30, 2016 compared to the respective period of 2015; however, the average price of $54 per metric ton is up from the low of approximately $39 per metric ton we encountered in December 2015. The spot price volatility impacts our realized revenue rates, particularly in our Asia Pacific Iron Ore business segment because its contracts correlate heavily to Platts IODEX pricing, and to a lesser extent certain of our U.S. Iron Ore contracts.

While iron ore prices remained at encouraging levels during the third quarter, we did see a substantial decline in the price of hot-rolled coil in the United States. While still remaining at a level considerably higher than its lows in January 2016, the price of hot-rolled coil dropped over $100 per short ton during the third quarter. We believe this is a result of attempts by China to circumvent anti-dumping and countervailing duties by using other countries as an intermediary, most notably Vietnam. This issue was addressed in late September with a circumvention case against Vietnam made by the domestic U.S. mills, who are seeking to impose duties on these imports as well. We also believe the price weakness is attributable to normal seasonality of the business, as well as the uncertain political environment in the United States with respect to the November Presidential election. As these uncertainties subside and trade case enforcement continues, we believe the hot-rolled coil pricing environment in the United States will improve.

For the three months ended September 30, 2016 , our consolidated revenues were $553.3 million and net loss from continuing operations per diluted share was $0.11 . This compares with consolidated revenues of $593.2 million and net income from continuing operations per diluted share of $0.19 for the comparable period in 2015. The net loss from continuing operations for the three months ended September 30, 2016 , was impacted negatively by an $18.3 million loss on extinguishment of debt versus a gain on extinguishment/restructuring of debt of $79.2 million for the three months ended September 30, 2015.

For the nine months ended September 30, 2016 , our consolidated revenues were $1,355.0 million and net income from continuing operations per diluted share was $0.51 . This compares with consolidated revenues of $1,537.3 million and net income from continuing operations per diluted share of $0.87 for the comparable period in 2015. Net income from continuing operations in the nine months ended September 30, 2016 and September 30, 2015, were impacted positively as a result of gains on the extinguishment/restructuring of debt of $164.1 million and $392.9 million ,

respectively. Results for the nine months ended September 30, 2015 were impacted negatively by income tax expense primarily due to the placement of a valuation allowance against U.S. deferred tax assets.

Strategy

The Company is Focused on our Core U.S. Iron Ore Business

We are the market-leading iron ore producer in the United States, supplying differentiated iron ore pellets under long-term contracts to the largest North America integrated steel producers. We have the unique advantage of not only being a low cost producer of iron ore pellets in the U.S. market, but also having the technical expertise to create custom-made pellets for the specific blast furnaces that we supply. Pricing structures contained in and the long-term supply provided by our existing contracts, along with our low-cost operating profile, positions U.S. Iron Ore as our most stable business. We expect to continue to strengthen our U.S. Iron Ore operating cost profile through continuous operational improvements and disciplined capital allocation policies. Strategically, we continue to develop various entry options into the EAF market. As the EAF steel market continues to capture a growing share of the United States steel market, there is an opportunity for our iron ore to serve this market by providing pellets to the alternative metallics market to produce direct reduced iron, hot briquetted iron and/or pig iron. In 2015, we produced and shipped a batch trial of DR-grade pellets, a source of lower silica iron units for the production of direct reduced iron. In early 2016, we reached a significant milestone with positive results from the successful industrial trial of our DR-grade pellets. While we are still in the early stages of developing our alternative metallic business, we believe the trial will open up a new opportunity for us to diversify our product mix and add new customers to our U.S. Iron Ore segment beyond the traditional blast furnace clientele. Additionally, during 2016, we commenced construction of the necessary assets and infrastructure required to produce a specialized, super-flux pellet called "Mustang" at United Taconite in order to provide a customized pellet that meets our customer's pellet specification requirements.

Maintaining Discipline on Costs and Capital Spending and Improving our Financial Flexibility

We believe our ability to execute our strategy is dependent on our financial position; therefore, we remain focused on improving the strength of our balance sheet and creating financial flexibility to manage through lower demand for our products and volatility in commodity prices. We have developed a highly disciplined financial and capital expenditure plan with a focus on improving our cost profile and increasing long-term profitability.

Recent Developments

On August 10, 2016, we issued approximately 44.4 million common shares at a public offering price of $6.75 per share. Net proceeds from the public offering were $287.6 million, including underwriter commissions and other expenses. On August 17, 2016, we announced that we would redeem the entirety of our outstanding 3.95 percent senior notes due 2018. The aggregate principal amount outstanding on these notes was $283.6 million. We made total payments to the holders of the senior notes in the amount of $301.0 million in aggregate, plus accrued and unpaid interest to date. The 3.95 percent senior notes were redeemed in full on September 16, 2016.

On March 23, 2016, we announced the indefinite idle of the Empire mine. We notified employees and government officials of layoffs resulting from the idle by issuing notices under the Worker Adjustment and Retraining Notification Act (WARN) on April 14, June 9, and August 15, 2016. The Empire mine continued to produce iron ore pellets until it was indefinitely idled on August 3, 2016. We plan to continue shipping Empire's remaining pellets into 2017. Empire's ongoing indefinite idle costs are now included in *Miscellaneous - net* within the Statements of Unaudited Condensed Consolidated Operations .

On September 29, 2016, the United Steelworkers ratified a new three-year labor agreement with the Company that covers employees at our Tilden and Empire mines in Michigan, and United Taconite and Hibbing Taconite mines in Minnesota. The new contract is retroactively effective from October 1, 2015 through September 30, 2018. The agreement included a signing bonus of $3.5 million, which is recorded within the Statements of Unaudited Condensed Consolidated Operations .

Business Segments

Our Company's primary continuing operations are organized and managed according to geographic location: U.S. Iron Ore and Asia Pacific Iron Ore. As of March 31, 2015, management determined that our North American Coal operating segment met the criteria to be classified as held for sale under *ASC 205, Presentation of Financial Statements* . In the fourth quarter of 2015, we sold two low-volatile metallurgical coal operations, Pinnacle mine and Oak Grove mine, marking our exit from the coal business. The sale was completed on December 22, 2015. As such, all presented North American Coal operating segment results are included in our financial statements and classified within discontinued operations.

Additionally, as a result of the CCAA filing of the Bloom Lake Group on January 27, 2015, and the Wabush Group on May 20, 2015, we no longer have a controlling interest over the Bloom Lake Group and certain other wholly-owned subsidiaries, and we no longer have a controlling interest over the Wabush Group. The Bloom Lake Group, Wabush Group and certain of each of their wholly-owned subsidiaries were previously reported as Eastern Canadian Iron Ore and Other reportable segments. As such, we deconsolidated the Bloom Lake Group and certain other wholly-owned subsidiaries as of January 27, 2015. Additionally, as a result of the Wabush Filing on May 20, 2015, we deconsolidated certain Wabush Group wholly-owned subsidiaries effective May 20, 2015. The wholly-owned subsidiaries deconsolidated effective May 20, 2015 are Wabush Group entities that were not deconsolidated as part of the deconsolidation effective January 27, 2015. Financial results prior to the respective deconsolidations of the Bloom Lake and Wabush Groups and subsequent expenses directly associated with the Canadian Entities are included in our financial statements and classified within discontinued operations.

Results of Operations – Consolidated

2016 Compared to 2015

The following is a summary of our consolidated results of operations for the three and nine months ended September 30, 2016 and 2015 :

	(In Millions)					
	Three Months Ended September 30,			Nine Months Ended September 30,		
	2016	2015	Variance Favorable/ (Unfavorable)	**2016**	2015	Variance Favorable/ (Unfavorable)
Revenues from product sales and services	**$ 553.3**	$ 593.2	$ (39.9)	**$ 1,355.0**	$ 1,537.3	$ (182.3)
Cost of goods sold and operating expenses	**(467.9)**	(538.1)	70.2	**(1,147.2)**	(1,344.1)	196.9
Sales margin	**$ 85.4**	$ 55.1	$ 30.3	**$ 207.8**	$ 193.2	$ 14.6
Sales margin %	**15.4%**	9.3%	6.1%	**15.3%**	12.6%	2.7%

Revenues from Product Sales and Services

Sales revenue for the three months ended September 30, 2016 decreased $39.9 million , or 6.7 percent , from the comparable period in 2015 , which primarily was attributable to the decrease in sales volume. Iron ore sales volumes from our U.S. Iron Ore operations decreased 313 thousand long tons or a decrease of $24.0 million in revenue and our Asia Pacific Iron Ore operations decreased 127 thousand metric tons or a decrease in revenue of $5.3 million , for the three months ended September 30, 2016 . These decreases in sales volumes and revenue were mainly attributable to the termination of a customer contract in the fourth quarter of the prior year that was reinstated in June 2016, for nominations to begin in 2017 and customer dock space limitations, partially offset by additional short term contracts for fewer nominated tons. Additionally, during the three months ended September 30, 2016 , iron ore revenues from our U.S. Iron Ore operations decreased $15.8 million due to unfavorable pricing compared to the prior-year period. This was offset partially by our Asia Pacific Iron Ore operations that had increased revenue of $11.2 million due to favorable pricing compared to the prior-year period. Our realized revenue rates during the third quarter of 2016 compared to the third quarter of 2015 decreased 3.9 percent and increased 9.9 percent for our U.S. Iron Ore and Asia Pacific Iron Ore operations, respectively.

Sales revenue for the nine months ended September 30, 2016 decreased $182.3 million , or 11.9 percent , from the comparable period in 2015 , which primarily was driven from our U.S. Iron Ore Operations as a result of lower sales volumes of 1,448 thousand long tons equating to a decrease in revenue of $117.5 million and from lower pricing for a decrease of $45.1 million . The decrease in volume mainly was attributable to the termination of a customer contract in the fourth quarter of the prior year that was reinstated in June 2016, for nominations to begin in 2017, lower demand for two major customer contracts and partially offset by additional short term contracts for fewer nominated tons. Lower pricing primarily was driven by the negative inflation of certain price indices, the reduction in the Platts IODEX price, and the impact of higher carryover pricing in the prior-year period than the 2016 period.

Refer to "Results of Operations – Segment Information" for additional information regarding the specific factors that impacted revenue during the period.

Cost of Goods Sold and Operating Expenses

Cost of goods sold and operating expenses for the three and nine months ended September 30, 2016 were $467.9 million and $1,147.2 million , which represented a decrease of $70.2 million and $196.9 million , respectively, or 13.0 percent and 14.6 percent , respectively, from the comparable prior-year periods.

Cost of goods sold and operating expenses for the three months ended September 30, 2016 decreased as a result of operational efficiencies and cost cutting efforts across each of our business units which reduced costs by $25.4 million. Additionally, lower idle costs and lower iron ore sales volumes decreased costs by $21.1 million and $22.2 million, respectively, compared to the third quarter of 2015. These decreases in cost were offset partially by higher costs of $4.5 million for our Asia Pacific Iron Ore segment as a result of unfavorable foreign exchange rates.

Cost of goods sold and operating expenses for the nine months ended September 30, 2016 decreased as a result of operational efficiencies and cost cutting efforts across each of our business units which reduced costs by $106.3 million. Additionally, lower iron ore sales volumes and favorable foreign exchange rates decreased costs by $84.8 million and $8.6 million , respectively, compared to the nine months ended September 30, 2015. These decreases in cost were offset partially by higher idle costs of $22.2 million compared to the nine months ended September 30, 2015.

Refer to " *Results of Operations – Segment Information* " for additional information regarding the specific factors that impacted our operating results during the period.

Other Operating Income (Expense)

The following is a summary of other operating income (expense) for the three and nine months ended September 30, 2016 and 2015 :

	(In Millions)					
	Three Months Ended September 30,			Nine Months Ended September 30,		
	2016	2015	Variance Favorable/ (Unfavorable)	**2016**	2015	Variance Favorable/ (Unfavorable)
Selling, general and administrative expenses	**$ (31.1)**	$ (22.4)	$ (8.7)	**$ (81.8)**	$ (82.2)	$ 0.4
Miscellaneous - net	**(19.6)**	(3.5)	(16.1)	**(16.9)**	15.8	(32.7)
	$ (50.7)	$ (25.9)	$ (24.8)	**$ (98.7)**	$ (66.4)	$ (32.3)

Selling, general and administrative expenses during the three and nine months ended September 30, 2016 increased by $8.7 million and decreased by $0.4 million , respectively, from the comparable periods in 2015. The increase for the three months ended September 30, 2016 compared to the prior-year period was driven by increased external services costs of $2.5 million in addition to increased staff costs of $4.0 million, which included $3.5 million of union signing bonuses. The decrease for the nine months ended September 30, 2016 compared to the prior-year period was driven by decreased external services costs of $3.8 million partially offset by an increase of $2.1 million of rent and operating lease expenses.

The following is a summary of Miscellaneous - net for the three and nine months ended September 30, 2016 and 2015 :

	(In Millions)					
	Three Months Ended September 30,			Nine Months Ended September 30,		
	2016	2015	Variance Favorable/ (Unfavorable)	**2016**	2015	Variance Favorable/ (Unfavorable)
Foreign exchange remeasurement	**$ (0.3)**	$ 2.4	$ (2.7)	**$ (1.2)**	$ 15.2	$ (16.4)
Insurance recovery	**—**	—	—	**—**	7.6	(7.6)
Management and royalty fees	**0.9**	0.9	—	**6.8**	4.0	2.8
Empire idle costs	**(8.2)**	—	(8.2)	**(8.2)**	—	(8.2)
Michigan Electricity Matters accrual	**(12.4)**	—	(12.4)	**(12.4)**	—	(12.4)
Other	**0.4**	(6.8)	7.2	**(1.9)**	(11.0)	9.1
	$ (19.6)	$ (3.5)	$ (16.1)	**$ (16.9)**	$ 15.8	$ (32.7)

Miscellaneous - net for the three and nine months ended September 30, 2016 decreased by $16.1 million and $32.7 million , respectively, from the comparable periods in 2015. For the three and nine months ended September 30, 2016 there was an unfavorable consolidated impact of $12.4 million related to the FERC ruling on the Michigan Electricity Matters and $8.2 million of Empire idle costs related to the indefinite idle of the mine. Additionally, for the three months ended September 30, 2016 , there was an incremental unfavorable impact of $2.7 million due to the change in foreign exchange remeasurement of cash and cash equivalents and remeasurement of certain obligations. These unfavorable impacts were offset partially by $7.1 million of bad debt expense related to one customer that was recorded in the third quarter of 2015.

For the nine months ended September 30, 2016 , there was an incremental unfavorable impact of $16.4 million primarily driven by the gain of $11.1 million from the remeasurement of short-term intercompany loans during the nine months ended September 30, 2015 . Additionally, the nine months ended September 30, 2015 was impacted favorably by $7.6 million of insurance recovery related to the clean-up of the Pointe Noire oil spill that occurred in September 2013, which was not repeated during 2016. These unfavorable impacts were offset partially by $7.1 million and $3.3 million of bad debt expense and impairment of other long-lived assets, respectively, during the nine months ended September 30, 2015.

Other Income (Expense)

The following is a summary of other income (expense) for the three and nine months ended September 30, 2016 and 2015 :

	(In Millions)					
	Three Months Ended September 30,			Nine Months Ended September 30,		
	2016	2015	Variance Favorable/ (Unfavorable)	**2016**	2015	Variance Favorable/ (Unfavorable)
Interest expense, net	**$ (48.7)**	$ (61.7)	$ 13.0	**$ (156.2)**	$ (168.2)	$ 12.0
Gain (loss) on extinguishment/restructuring of debt	**(18.3)**	79.2	(97.5)	**164.1**	392.9	(228.8)
Other non-operating income (expense)	**0.1**	(0.1)	0.2	**0.4**	(3.0)	3.4
	$ (66.9)	$ 17.4	$ (84.3)	**$ 8.3**	$ 221.7	$ (213.4)

Interest expense for the three and nine months ended September 30, 2016 was impacted favorably by $11.2 million and $6.6 million, respectively, versus the comparable prior periods as a result of the debt restructuring activities that occurred during March 2015 and March 2016. These debt restructurings resulted in a net reduction of the outstanding principal balance of our senior notes. Additionally, there was a $2.7 million favorable impact due to the reduction of equipment loans and a $1.4 million favorable impact due to the reduction of capital lease interest for the nine months ended September 30, 2016 compared to the prior-year to date period.

The loss on extinguishment/restructuring of debt for the three months ended September 30, 2016 was $18.3 million , primarily related to the redemption of our 3.95 percent senior notes due 2018 compared to a gain of $79.2 million related to debt restructuring activities that occurred during the three months ended September 30, 2015. The gain on extinguishment/restructuring of debt for the nine months ended September 30, 2016 was $164.1 million , primarily related to the issuance of 1.5 Lien Notes through the exchange offer on March 2, 2016 compared to $392.9 million related to the corporate debt restructuring that occurred during the nine months ended September 30, 2015.

Refer to NOTE 5- DEBT AND CREDIT FACILITIES for further discussion.

Income Taxes

Our effective tax rate is impacted by permanent items, such as depletion and the relative mix of income we earn in various foreign jurisdictions with tax rates that differ from the U.S. statutory rate. It also is affected by discrete items that may occur in any given period, but are not consistent from period to period. The following represents a summary of our tax provision and corresponding effective rates for the three and nine months ended September 30, 2016 and 2015:

	(In Millions)					
	Three Months Ended September 30,			Nine Months Ended September 30,		
	2016	2015	Variance	**2016**	2015	Variance
Income tax benefit (expense)	**$ 7.1**	$ 3.4	$ 3.7	**$ 1.7**	$ (169.9)	$ 171.6
Effective tax rate	**22.1%**	(7.3)%	29.4%	**(1.5)%**	48.8%	(50.3)%

A reconciliation of the statutory rate to the effective tax rate for the nine months ended September 30, 2016 is as follows:

	(In Millions)			
	Nine Months Ended September 30,			
	2016		2015	
Tax at U.S. statutory rate of 35 percent	**$ 41.1**	**35.0 %**	$ 121.9	35.0 %
Increases/(Decreases) due to:				
Percentage depletion	**(21.9)**	**(18.7)**	(35.6)	(10.2)
Worthless stock deduction	**(45.4)**	**(38.7)**	—	—
Impact of foreign operations	**(0.9)**	**(0.8)**	1.5	0.4
Non-taxable income related to non-controlling interest	**(4.3)**	**(3.7)**	(4.2)	(1.2)
Valuation allowance build (reversal) on current year operations	**28.4**	**24.2**	(76.7)	(22.0)
Other items - net	**3.5**	**3.1**	0.4	0.1
Provision for income tax and effective income tax rate before discrete items	**0.5**	**0.4**	7.3	2.1
Discrete Items:				
Tax uncertainties	**0.7**	**0.6**	0.3	0.1
Prior year adjustments made in current year	**21.0**	**17.9**	3.8	1.1
Valuation allowance (reversal) on prior year assets	**(23.9)**	**(20.4)**	158.5	45.5
Provision for income tax expense and effective income tax rate including discrete items	**$ (1.7)**	**(1.5)%**	$ 169.9	48.8 %

Our tax provision for the nine months ended September 30, 2016 was a benefit of $1.7 million and a negative 1.5 percent effective tax rate compared with an expense of $169.9 million for the comparable prior-year period. The decrease in the expense is due to the prior year recording of valuation allowances against existing deferred tax assets.

For the three and nine months ended September 30, 2016 , we recorded discrete items that resulted in an income tax benefit of $2.9 million and $2.2 million , respectively. These items primarily relate to prior year adjustments due to a change in estimate of the 2015 net operating loss and corresponding reversal of valuation allowance and quarterly interest accrued on reserves for uncertain tax positions. For the three and nine months ended September 30, 2015, there were discrete items that resulted in an income tax benefit of $4.5 million and an income tax expense of $162.6 million , respectively. The year-to-date amount was largely related to the recording of valuation allowances against existing deferred tax assets as a result of the determination that they would no longer be realizable.

Our 2016 estimated annual effective tax rate before discrete items is 0.4 percent. This estimated annual effective tax rate differs from the U.S. statutory rate of 35 percent primarily due to deductions for percentage depletion in excess of cost depletion related to U.S. operations, a deduction for worthless stock and the placement of valuation allowance from operations in the current year.

Income (Loss) from Discontinued Operations, net of tax

During the nine months ended September 30, 2016 , we recorded a loss from discontinued operations of $0.6 million , net of tax, attributable to a net loss of $3.8 million , for the nine months ended September 30, 2016 , primarily from certain disputes related to the sale of our North American Coal segment. This loss was offset partially by a gain from foreign currency remeasurement of our *Loans to and accounts receivable from the Canadian Entities* of $3.2 million in the Statements of Unaudited Condensed Consolidated Financial Position .

As of March 31, 2015, management determined that our North American Coal operating segment met the criteria to be classified as held for sale under ASC 205, *Presentation of Financial Statements* . As such, all current year and historical North American Coal operating segment results are included in our financial statements and classified within discontinued operations. The loss from discontinued operations, net of tax related to the North American Coal segment was $1.8 million and $3.8 million , for the three and nine months ended September 30, 2016 , respectively, compared to $29.8 million and $137.0 million in the comparable prior periods.

In January 2015, we announced that the Bloom Lake Group commenced CCAA proceedings. At that time, we had suspended Bloom Lake operations and for several months had been exploring options to sell certain of our Canadian assets, among other initiatives. Effective January 27, 2015, following the CCAA filing of the Bloom Lake Group, we deconsolidated the Bloom Lake Group and certain other wholly-owned subsidiaries comprising substantially all of our Canadian operations. Additionally, on May 20, 2015, the Wabush Group commenced CCAA proceedings which resulted in the deconsolidation of the remaining Wabush Group entities that were not previously deconsolidated. The Wabush Group was no longer generating revenues and was not able to meet its obligations as they came due. As a result of this action, the CCAA protections granted to the Bloom Lake Group were extended to include the Wabush Group to facilitate the reorganization or divestiture of each of their businesses and operations. Financial results prior to the respective deconsolidations of the Bloom Lake and Wabush Groups and subsequent expenses directly associated with the Canadian Entities are included in our financial statements and classified within discontinued operations. The impact of discontinued operations, net of tax related to the deconsolidated Canadian Entities was a loss of $0.9 million and a gain of $3.2 million for the three and nine months ended September 30, 2016, respectively, compared to a loss from discontinued operations, net of tax of $14.1 million and $732.0 million , for the three and nine months ended September 30, 2015, respectively.

Noncontrolling Interest

Noncontrolling interest primarily is comprised of our consolidated, but less-than-wholly-owned subsidiary at our Empire mining venture and through the CCAA filing on January 27, 2015, the Bloom Lake operations. The net loss attributable to the noncontrolling interest of the Empire mining venture was $2.0 million for the three months ended September 30, 2016 and net income attributable to the noncontrolling interest of the Empire mining venture was $23.5 million for the nine months ended September 30, 2016 . This is compared to net loss attributable to the noncontrolling interest of $4.6 million and net income attributable to the noncontrolling interest of $6.2 million for the three and nine months ended September 30, 2015, respectively. There was no net income or loss attributable to the noncontrolling interest related to Bloom Lake for the three months ended September 30, 2016 and September 30, 2015. There was no net income or loss attributable to the noncontrolling interest related to Bloom Lake for the nine months ended September 30, 2016 compared to net loss attributable to the noncontrolling interest of $7.7 million for the nine months ended September 30, 2015.

Results of Operations – Segment Information

We have historically evaluated segment performance based on sales margin, defined as revenues less cost of goods sold, and operating expenses identifiable to each segment. Additionally, we evaluate segment performance based on the key indicators of EBITDA, defined as net income (loss) before interest, income taxes, depreciation, depletion and amortization, and Adjusted EBITDA, defined as EBITDA excluding certain items such as impacts of impairment of other long-lived assets, discontinued operations, extinguishment/restructuring of debt, severance and contractor termination costs, foreign currency remeasurement, and intersegment corporate allocations of SG&A costs. These measures allow management and investors to focus on our ability to service our debt, as well as, illustrate how the business and each operating segment is performing. Additionally, EBITDA and Adjusted EBITDA assist management and investors in their analysis and forecasting as these measures approximate the cash flows associated with operational earnings.

EBITDA and Adjusted EBITDA

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	**2016**	2015
Net Income (Loss)	**$ (27.8)**	$ 6.0	**$ 118.5**	$ (690.5)
Less:				
Interest expense, net	**(48.7)**	(62.3)	**(156.2)**	(170.7)
Income tax benefit (expense)	**7.1**	4.8	**1.7**	(167.3)
Depreciation, depletion and amortization	**(26.8)**	(35.6)	**(88.9)**	(99.1)
EBITDA	**$ 40.6**	$ 99.1	**$ 361.9**	$ (253.4)
Less:				
Impairment of other long-lived assets	**$ —**	$ —	**$ —**	$ (3.3)
Impact of discontinued operations	**(2.7)**	(44.8)	**(0.6)**	(865.9)
Gain (loss) on extinguishment/restructuring of debt	**(18.3)**	79.2	**164.1**	392.9
Severance and contractor termination costs	**—**	2.2	**(0.1)**	(9.3)
Foreign exchange remeasurement	**(0.3)**	2.4	**(1.2)**	15.2
Adjusted EBITDA	**$ 61.9**	$ 60.1	**$ 199.7**	$ 217.0
EBITDA:				
U.S. Iron Ore	**$ 61.1**	$ 69.2	**$ 196.6**	$ 239.6
Asia Pacific Iron Ore	**21.2**	11.1	**69.6**	38.7
Other	**(41.7)**	18.8	**95.7**	(531.7)
Total EBITDA	**$ 40.6**	$ 99.1	**$ 361.9**	$ (253.4)
Adjusted EBITDA:				
U.S. Iron Ore	**$ 65.3**	$ 72.3	**$ 208.6**	$ 254.6
Asia Pacific Iron Ore	**23.7**	9.7	**73.2**	32.8
Other	**(27.1)**	(21.9)	**(82.1)**	(70.4)
Total Adjusted EBITDA	**$ 61.9**	$ 60.1	**$ 199.7**	$ 217.0

EBITDA for the three and nine months ended September 30, 2016 decreased $58.5 million and increased $615.3 million , respectively, on a consolidated basis, from the comparable periods in 2015. The period-over-period change primarily was driven by the impact of our discontinued operations in addition to the impact from debt restructuring/extinguishment activities for the nine months ended September 30, 2016 and 2015. Adjusted EBITDA increased $1.8 million and decreased $17.3 million for the three and nine months ended September 30, 2016 from the comparable period in 2015. The increase for the three months ended September 30, 2016 from the comparable period primarily was attributable to the higher consolidated sales margin. The decrease for the nine months ended September 30, 2016 from the comparable period primarily was attributable to an incremental unfavorable impact from foreign exchange remeasurement and Empire idle costs included within *Miscellaneous - net* within the Statements of Unaudited Condensed Consolidated Operations. See further detail below for additional information regarding the specific factors that impacted each reportable segments' sales margin during the three and nine months ended September 30, 2016 and 2015.

2016 Compared to 2015

U.S. Iron Ore

The following is a summary of U.S. Iron Ore results for the three months ended September 30, 2016 and 2015 :

	(In Millions)						
	Three Months Ended September 30,		Changes due to:				
	2016	2015	Revenue and cost rate	Sales volume	Idle cost/production volume variance	Freight and reimburse-ment	Total change
Revenues from product sales and services	**$ 428.3**	$ 471.0	$ (15.8)	$ (24.0)	$ —	$ (2.9)	$ (42.7)
Cost of goods sold and operating expenses	**(361.8)**	(422.3)	19.3	17.2	21.1	2.9	60.5
Sales margin	**$ 66.5**	$ 48.7	$ 3.5	$ (6.8)	$ 21.1	$ —	$ 17.8

	Three Months Ended September 30,			
Per Ton Information	**2016**	2015	Difference	Percent change
Realized product revenue rate [1]	**$ 73.50**	$ 76.52	$ (3.02)	(3.9)%
Cash production cost [2]	**55.69**	48.99	6.70	13.7 %
Non-production cash cost [2]	**1.68**	13.85	(12.17)	(87.9)%
Cost of goods sold and operating expenses rate [1] (excluding DDA)	**57.37**	62.84	(5.47)	(8.7)%
Depreciation, depletion & amortization	**3.56**	4.98	(1.42)	(28.5)%
Total cost of goods sold and operating expenses rate	**60.93**	67.82	(6.89)	(10.2)%
Sales margin	**$ 12.57**	$ 8.70	$ 3.87	44.5 %
Sales tons [3] (In thousands)	**5,287**	5,600		
Production tons [3] (In thousands)				
Total	**5,722**	5,716		
Cliffs' share of total	**3,857**	4,099		

[1] Excludes revenues and expenses related to domestic freight, which are offsetting and have no impact on sales margin. Revenues also exclude venture partner cost reimbursements.

[2] Cash production cost per long/metric ton is defined as cost of goods sold and operating expenses per ton less depreciation, depletion and amortization; as well as idle costs, period costs, costs of services and inventory effects per long/metric ton. Non-production cash cost per long/metric ton is defined as the sum of idle costs, period costs (including royalties), costs of services, and inventory effects per long/metric ton.

[3] Tons are long tons (2,240 pounds).

Sales margin for U.S. Iron Ore was $66.5 million for the three months ended September 30, 2016 , compared with sales margin of $48.7 million for the three months ended September 30, 2015 . The increase compared to the prior-

year period is attributable to a decrease in cost of goods sold and operating expenses of $60.5 million partially offset by lower revenue of $42.7 million . Sales margin per long ton increased 44.5 percent to $12.57 per long ton in the third quarter of 2016 compared to the third quarter of 2015.

Revenue decreased by $39.8 million , excluding the decrease of $2.9 million of freight and reimbursements, in the third quarter of 2016 over the prior-year period, predominantly due to:

- Lower sales volumes of 313 thousand long tons which resulted in lower revenues of $24.0 million due to:
  - A termination of a customer contract in the fourth quarter of the prior year that was reinstated in June of 2016, to begin in 2017, offset partially by fewer nominated tons on short term contracts with the customer in the interim; and
  - Space limitations at a third party and customer locations for different ore grades which limited that customer's ability to take iron ore pellets in the quarter.
  - These decreases were offset partially by additional sales in the third quarter of 2016 that resulted from a short-term contract with a customer that we made no sales to in 2015.
- The realized product revenue rate declined by $3.02 per long ton or 3.9 percent to $73.50 per long ton in third quarter of 2016, which resulted in a decrease of $15.8 million . This decline is a result of:
  - Changes in customer pricing negatively affected the realized revenue rate by $2 per long ton driven primarily by the negative inflation projections of certain price indices and lower full-year world pricing than the 2015 period;
  - An unfavorable variance of $1 per long ton due to overall net lower contracted pricing terms for two customers which were based on stated negotiated rates compared to the prior-year period; and
  - A decrease in revenue rate of $1 per long ton due to lower projected hot-rolled coil pricing for one customer compared to the prior-year period.
  - Partially offset by an increase in service revenue from increased rail activity for approximately $1 per long ton.

Cost of goods sold and operating expenses in the third quarter of 2016 decreased $57.6 million , excluding the decrease of $2.9 million of freight and reimbursements from the same period in the prior-year period, predominantly as a result of:

- Lower idle costs of $21.1 million as a result of the Empire mine idle during the third quarter of 2015 and due to the United Taconite mine which started production again in August of 2016 versus the idle that began in August 2015. Additionally, our Northshore mine was in full production during the third quarter of 2016 versus the one idled production line at Northshore during the third quarter of 2015;
- Decreased sales volumes as discussed above that decreased costs by $17.2 million compared to the prior-year period; and
- Lower costs in the third quarter of 2016 in comparison to the prior-year period primarily driven by the reduction in maintenance and repair spend due to cost reduction initiatives and condition based monitoring, year-over-year reduction in energy rates and lower employment costs.

The following is a summary of U.S. Iron Ore results for the nine months ended September 30, 2016 and 2015 :

	(In Millions)						
	Nine Months Ended September 30,		Changes due to:				
	2016	2015	Revenue and cost rate	Sales volume	Idle cost/production volume variance	Freight and reimburse-ment	Total change
Revenues from product sales and services	**$ 975.5**	$ 1,152.5	$ (45.1)	$ (117.5)	$ —	$ (14.4)	$ (177.0)
Cost of goods sold and operating expenses	**(825.8)**	(974.8)	72.2	84.6	(22.2)	14.4	149.0
Sales margin	**$ 149.7**	$ 177.7	$ 27.1	$ (32.9)	$ (22.2)	$ —	$ (28.0)

Per Ton Information	Nine Months Ended September 30, **2016**	2015	Difference	Percent change
Realized product revenue rate [1]	**$ 76.82**	$ 80.85	$ (4.03)	(5.0)%
Cash production cost [2]	**50.02**	57.25	(7.23)	(12.6)%
Non-production cash cost [2]	**7.87**	4.11	3.76	91.5 %
Cost of goods sold and operating expenses rate [1] (excluding DDA)	**57.89**	61.36	(3.47)	(5.7)%
Depreciation, depletion & amortization	**5.74**	5.60	0.14	2.5 %
Total cost of goods sold and operating expenses rate	**63.63**	66.96	(3.33)	(5.0)%
Sales margin	**$ 13.19**	$ 13.89	$ (0.70)	(5.0)%
Sales tons [3] (In thousands)	**11,343**	12,791		
Production tons [3] (In thousands)				
Total	**16,622**	20,019		
Cliffs' share of total	**11,059**	14,978		

[1] Excludes revenues and expenses related to domestic freight, which are offsetting and have no impact on sales margin. Revenues also exclude venture partner cost reimbursements.

[2] Cash production cost per long/metric ton is defined as cost of goods sold and operating expenses per ton less depreciation, depletion and amortization; as well as idle costs, period costs, costs of services and inventory effects per long/metric ton. Non-production cash cost per long/metric ton is defined as the sum of idle costs, period costs (including royalties), costs of services, and inventory effects per long/metric ton.

[3] Tons are long tons (2,240 pounds).

Sales margin for U.S. Iron Ore was $149.7 million for the nine months ended September 30, 2016 , compared with $177.7 million for the nine months ended September 30, 2015. The decline compared to the prior-year period is attributable to a decrease in revenue of $177.0 million partially offset by lower cost of goods sold and operating expenses of $149.0 million . Sales margin per long ton decreased 5.0 percent to $13.19 in the first nine months of 2016 compared to the first nine months of 2015.

Revenue decreased by $162.6 million , excluding the freight and reimbursements decrease of $14.4 million , from the prior-year period, predominantly due to:

- Lower sales volumes of 1.4 million long tons, which resulted in lower revenues of $117.5 million due to:
  - A termination of a customer contract in the fourth quarter of the prior year that was reinstated in June 2016, to begin 2017, offset partially by fewer nominated tons on short term contracts with the customer in the interim; and
  - Lower demand from two customer locations primarily due to their inventory levels which resulted from idled blast furnaces at the customer's facilities.

- These decreases were offset partially by additional sales in 2016 that resulted from a short-term contract with a customer that we made no sales to in 2015.

- The average year-to-date realized product revenue rate declined by $4.03 per long ton or 5.0 percent to $76.82 per long ton in nine months ended September 30, 2016, which resulted in a decrease of $45.1 million , compared to the prior-year period. The decline is a result of:

    - Changes in customer pricing negatively affected the realized revenue rate by $4 per long ton driven primarily by the negative inflation of certain price indices, the reduction in Platts IODEX price and the impact of higher carryover pricing in the prior-year period than the 2016 period; and

    - An unfavorable variance of $1 per long ton due to overall net lower contracted pricing terms for two customers that were based on stated negotiated rates compared to the prior-year period.

    - These decreases were offset partially by an increase in realized revenue rates of a $1 per long ton as a result of one major customer contract with a pricing mechanism tied to the full-year estimate of their hot-rolled coil pricing. The estimate in 2016 has increased since the beginning of the year, compared to 2015 when the estimate was revised lower.

Cost of goods sold and operating expenses in the first nine months of 2016 decreased $134.6 million , excluding the freight and reimbursements decrease of $14.4 million from the same period in the prior year, predominantly as a result of:

- Decreased sales volumes as discussed above that decreased costs by $84.6 million compared to the prior-year period; and

- Lower costs in comparison to the prior-year period primarily driven by the reduction in maintenance and repair costs resulting from cost reduction initiatives and condition based monitoring, year-over-year reduction in energy rates, and lower employment costs.

- Partially offset by increased costs of $22.2 million from the United Taconite mine idle that began in August 2015 and continued until the last week of August 2016 and the Northshore mine full idle that began in November 2015 through May 2016 versus the one idled production line during the first nine months of 2015.

Production

Cliffs' share of production in its U.S. Iron Ore segment decreased by 5.9 percent during the third quarter of 2016 when compared to the same period in 2015 . The decrease in production volumes primarily is attributable to idled mining operations, our election to take additional incremental production tons from Tilden in the third quarter of 2015 and timing of maintenance.

Cliffs' share of production in its U.S. Iron Ore segment decreased by 26.2 percent in the first nine months of 2016 when compared to the same period in 2015 . The decrease in production volumes primarily is attributable to the idled mining facilities. Our United Taconite operation was idled until August 2016 versus operating at full production for most of the comparable period in 2015, until it was idled at the beginning of August 2015, causing a decrease in production volume of 2.7 million long tons. Secondly, our Northshore mining operations were fully idled, including all four furnaces until May 2016 compared to running a three furnace operation through September 30, 2015, causing a decrease in production of 1.7 million long tons. These decreases were offset partially by higher production at Empire of 1.4 million long tons excluding tolled tons for the nine months ended September 30, 2016 compared to the prior-year period, due to the plant idle that started at the end of June 2015 and ended in October 2015, versus the indefinite idle that began in August 2016.

Asia Pacific Iron Ore

The following is a summary of Asia Pacific Iron Ore results for the three months ended September 30, 2016 and 2015 :

	(In Millions)						
	Three Months Ended September 30,		Change due to:				
	2016	2015	Revenue and cost rate	Sales volume	Exchange rate	Freight and reimburse-ment	Total change
Revenues from product sales and services	**$ 125.0**	$ 122.2	$ 12.2	$ (5.3)	$ (1.0)	$ (3.1)	$ 2.8
Cost of goods sold and operating expenses	**(106.1)**	(115.8)	6.1	5.0	(4.5)	3.1	9.7
Sales margin	**$ 18.9**	$ 6.4	$ 18.3	$ (0.3)	$ (5.5)	$ —	$ 12.5

	Three Months Ended September 30,			
Per Ton Information	**2016**	2015	Difference	Percent change
Realized product revenue rate [1]	**$ 42.87**	$ 39.00	$ 3.87	9.9 %
Cash production cost [2]	**26.10**	26.87	(0.77)	(2.9)%
Non-production cash cost [2]	**7.77**	7.85	(0.08)	(1.0)%
Cost of goods sold and operating expenses rate (excluding DDA) [1]	**33.87**	34.72	(0.85)	(2.4)%
Depreciation, depletion & amortization	**2.25**	2.08	0.17	8.2 %
Total cost of goods sold and operating expenses rate	**36.12**	36.80	(0.68)	(1.8)%
Sales margin	**$ 6.75**	$ 2.20	$ 4.55	206.8 %
Sales tons [3] (In thousands)	**2,799**	2,926		
Production tons [3] (In thousands)	**2,968**	2,928		

[1] The information above excludes revenues and expenses related to freight, which are offsetting and have no impact on sales margin.

[2] Cash production cost per long/metric ton is defined as cost of goods sold and operating expenses per ton less depreciation, depletion and amortization; as well as idle costs, period costs, costs of services and inventory effects per long/metric ton. Non-production cash cost per long/metric ton is defined as the sum of idle costs, period costs (including royalties), costs of services, and inventory effects per long/metric ton.

[3] Metric tons (2,205 pounds).

Sales margin for Asia Pacific Iron Ore increased to $18.9 million during the three months ended September 30, 2016 compared with $6.4 million for the same period in 2015 and sales margin per metric ton increased 206.8 percent to $6.75 per metric ton in the third quarter of 2016 compared to the third quarter of 2015. The increase compared to the prior-year period primarily is attributable to a decrease in cost of goods sold and operating expenses of $9.7 million in addition to higher revenue of $2.8 million .

Revenue increased $5.9 million in the third quarter of 2016 over the prior-year period, excluding the decrease of $3.1 million of freight and reimbursements, primarily as a result of:

- The average year-to-date realized product revenue rate increased by $3.87 per metric ton or 9.9 percent to $42.87 per metric ton in third quarter of 2016 compared to the prior-year period, which resulted in an increase of $11.2 million , including the impact of foreign exchange. This increase is a result of:
    - Changes in benchmark pricing positively affected the realized revenue rate by $4 per metric ton driven by the increase in Platts IODEX price;
    - A favorable variance of $3 per metric ton improvement due to a $8.5 million hedging impact in 2015 that was not repeated in 2016, due to the suspension of the hedging program that protected against volatility in exchange rates; and

  - Lower average Australia to Asia freight rates in the third quarter compared to the prior-year period, which is a component in the formula pricing, favorably affected the revenue rate by $1 per metric ton.
  - Partially offset by a decrease in revenue rate of $4 per metric ton due to price adjustments to meet market competition to compensate for varying quality ores and a reduction in iron content.
- The sales volume decreased by 127 thousand metric tons, or 4.3 percent, to 2.8 million metric tons in the third quarter of 2016 compared to the prior-year period. The decrease in tons sold resulted in decreased revenue of $5.3 million for the three months ended September 30, 2016 and was due to one less shipment or 16 total shipments during the period compared to 17 total shipments during the three months ended September 30, 2015. Adverse weather conditions delayed the loading of the last scheduled shipment for the third quarter of 2016.
- Cost of goods sold and operating expenses in the three months ended September 30, 2016 decreased $ 6.6 million , excluding the decrease of $3.1 million of freight and reimbursements, compared to the same period in 2015 primarily as a result of:
  - A reduction in production costs in the current period that were lower compared to the weighted average cost of inventory for a favorable change of $10.4 million;
  - Decreased costs of $5.0 million as a result of lower sales volumes as discussed above compared to the same period in the prior year; and
  - A reduction in transportation costs and administrative costs of $4.0 million from reduced rail freight rates, employment costs and contractor fees also reduced costs.
  - Partially offset by increased mining and maintenance costs of $4.8 million which were driven by increased mining activities during the three months ended September 30, 2016, and an environmental reserve adjustment of $3.1 million that benefited the prior-year period and was not repeated in 2016; and
  - Partially offset by unfavorable foreign exchange rate variances of $4.5 million .

The following is a summary of Asia Pacific Iron Ore results for the nine months ended September 30, 2016 and 2015 :

	(In Millions)						
	Nine Months Ended September 30,		Change due to:				
	2016	2015	Revenue and cost rate	Sales volume	Exchange rate	Freight and reimburse-ment	Total change
Revenues from product sales and services	**$ 379.5**	$ 384.8	$ 4.0	$ (0.3)	$ (4.0)	$ (5.0)	$ (5.3)
Cost of goods sold and operating expenses	**(321.4)**	(369.3)	34.1	0.2	8.6	5.0	47.9
Sales margin	**$ 58.1**	$ 15.5	$ 38.1	$ (0.1)	$ 4.6	$ —	$ 42.6

	Nine Months Ended September 30,			
Per Ton Information	**2016**	2015	Difference	Percent change
Realized product revenue rate [1]	**$ 41.99**	$ 42.01	$ (0.02)	— %
Cash production cost [2]	**27.16**	32.62	(5.46)	(16.7)%
Non-production cash cost [2]	**5.95**	5.42	0.53	9.8 %
Cost of goods sold and operating expenses rate (excluding DDA) [1]	**33.11**	38.04	(4.93)	(13.0)%
Depreciation, depletion & amortization	**2.21**	2.19	0.02	0.9 %
Total cost of goods sold and operating expenses rate	**35.32**	40.23	(4.91)	(12.2)%
Sales margin	**$ 6.67**	$ 1.78	$ 4.89	274.7 %
Sales tons [3] (In thousands)	**8,705**	8,710		
Production tons [3] (In thousands)	**8,575**	8,655		

[1] The information above excludes revenues and expenses related to freight, which are offsetting and have no impact on sales margin.

[2] Cash production cost per long/metric ton is defined as cost of goods sold and operating expenses per ton less depreciation, depletion and amortization; as well as idle costs, period costs, costs of services and inventory effects per long/metric ton. Non-production cash cost per long/metric ton is defined as the sum of idle costs, period costs (including royalties), costs of services, and inventory effects per long/metric ton.

[3] Metric tons (2,205 pounds).

Sales margin for Asia Pacific Iron Ore increased to $58.1 million for the nine months ended September 30, 2016 compared with $15.5 million for the same period in 2015 and sales margin per metric ton increased $4.89 per metric ton or 274.7 percent for the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015. The increase compared to the prior-year period primarily is attributable to a decrease in cost of goods sold and operating expenses of $47.9 million partially offset by lower revenue of $5.3 million .

Revenue decreased $0.3 million in the nine months ended September 30, 2016 over the prior-year period, excluding the freight and reimbursements decrease of $5.0 million , primarily as a result of:

- The year-to-date realized revenue from product and services increased by $4.0 million , excluding the impact of foreign exchange rates, during the nine months ended September 30, 2016, compared to the prior-year period. This increase is a result of:
    - A $3 per metric ton improvement due to a $28.8 million hedging impact in 2015 that was not repeated in 2016, due to the suspension of the hedging program that protected against volatility in exchange rates; and
    - Lower average Australia to Asia freight rates compared to the prior-year to date period, which is a component in the formula pricing, favorably affected the revenue rate by $2 per metric ton.

  - Partially offset by changes in benchmark pricing which negatively affected the realized revenue rate by $3 per metric ton driven by the reduction in Platts IODEX price; and
  - Lower lump premiums of a $1 per metric ton due to lower average spot pricing and required discounts on those premiums.
- The increase in average year-to-date realized product revenue rate was offset partially by unfavorable foreign exchange rate variances of $4.0 million .

Cost of goods sold and operating expenses in the nine months ended September 30, 2016 decreased $42.9 million , excluding the freight and reimbursements decrease of $5.0 million , compared to the same period in 2015 primarily as a result of:

- A reduction in mining costs of $12.2 million from mining efficiencies and transportation costs of $13.6 million due to decreased hauling volumes and reduced freight costs as a result of a revised mine plan;
- Reduced administration and employment costs of $17.2 million due to lower headcount and contractor fees; and
- Favorable foreign exchange rate variances of $8.6 million .
- Partially offset by the impact of depleting our finished goods stock piles which has a weighted average cost of inventory that is higher than current production costs, for increased expense of $7.6 million.

Production

Production at our Asia Pacific Iron Ore mining complex during the three and nine months ended September 30, 2016 remained fairly consistent when compared to the same periods in 2015 and varied only slightly due to inclement weather during 2016.

Liquidity, Cash Flows and Capital Resources

Our primary sources of liquidity are cash generated from our operating and financing activities. Our capital allocation process is focused on improving the strength of our balance sheet and creating financial flexibility to manage through current demand for our products and volatility in commodity prices. We are focused on the preservation of liquidity in our business through the maximization of cash generation of our operations as well as reducing operating costs, limiting capital investments to those required to meet the current business plan, including regulatory and permission-to-operate related projects and lowering SG&A expenses. During the quarter, we issued common shares in a public offering, which provided net proceeds of $287.6 million that we used to fully redeem our senior notes due 2018. As demonstrated in prior periods, we will continue to seek more opportunities to reduce our debt, including, without limitation, through further repurchases or exchange of our debt securities, including in exchange for our common shares. Despite the improving conditions we experienced during the first nine months of 2016, we believe these efforts, which have been ongoing and will continue for the foreseeable future, remain a priority.

Based on our outlook for the next twelve months, which is subject to continued changing demand from steel makers that utilize our products and volatility in iron ore and domestic steel prices, we expect to generate cash from operations sufficient to meet our anticipated capital expenditures and cash requirements to service our debt obligations for the next 12 months. Furthermore, we maintain incremental liquidity through the cash on our balance sheet and the availability provided by our ABL Facility.

Despite improving conditions, if we see reduced demand from our customers and/or iron ore or steel prices deteriorate significantly, we would face pressure on our available liquidity. If this was the case, we would need to consider the sale of assets, further expense reductions and the possibility of issuing the remaining capacity under our senior secured notes. There is a possibility that these further actions would not be sufficient to maintain adequate levels of available liquidity particularly if industry conditions deteriorated severely.

Refer to “Outlook” for additional guidance regarding expected future results, including projections on pricing, sales volume and production.

The following discussion summarizes the significant activities impacting our cash flows during the nine months ended September 30, 2016 and 2015 as well as known expected impacts to our future cash flows over the next 12 months. Refer to the Statements of Unaudited Condensed Consolidated Cash Flows for additional information.

Operating Activities

Net cash provided by operating activities was $72.1 million for the nine months ended September 30, 2016 , compared to net cash used by operating activities of $59.5 million for the same period in 2015 . The increase in operating cash flows in the first nine months of 2016 primarily was due to lower operating costs previously discussed and improved cash flows from working capital. The most significant driver in the working capital changes was a result of effectively managing our inventory levels and matching those levels to meet our customers' demand. This can be seen by a decrease in finished goods inventory during the first nine months of 2016 of $7.0 million compared to the $120.2 million build of finished goods inventory that occurred during the same period in 2015. Additionally, we have responsibly managed our costs and remained focused on reducing our liabilities, as can be seen by the overall decrease in current liabilities to $323.5 million as of September 30, 2016 down from $669.9 million as of September 30, 2015.

Through the first nine months of 2016, the Platts IODEX has, despite its volatility, remained at encouraging levels. We believe this is the result of improved sentiment about steel demand in China and signs of high-cost capacity closures. Furthermore, major supply additions from both Brazil and Australia anticipated to come online this year have experienced difficulties ramping up and completion dates have been further delayed. In addition, we believe the new management teams at the major Australian iron ore producers will show more supply discipline for the remainder of the year and through 2017, which could help maintain or even improve these current price levels.

While iron ore prices remained at encouraging levels during the third quarter, we did see a substantial decline in the price of hot-rolled coil in the United States. While still remaining at a level considerably higher than its lows in January 2016, the price of hot-rolled coil dropped over $100 per short ton during the third quarter. We believe this is a result of attempts by China to circumvent antidumping and countervailing duties by using other countries as an intermediary, most notably Vietnam. This issue was addressed in late September with a circumvention case against Vietnam made by the domestic U.S. mills, who are seeking to impose duties on these imports as well. We also believe the price weakness is attributable to normal seasonality of the business, as well as the uncertain political environment in the United States with respect to the November Presidential election. As these uncertainties subside and trade case enforcement continues, we believe the hot-rolled coil pricing environment in the United States will improve.

We believe we have sufficient capital resources for the next 12 months to support our operations and other financial obligations through cash generated from operations, our financing arrangements augmented by our efficient tax structure that allows us to repatriate cash from our foreign operations, if necessary. Our U.S. cash and cash equivalents balance at September 30, 2016 was $78.7 million, or approximately 59.5 percent of our consolidated total cash and cash equivalents balance of $132.2 million .

Investing Activities

Net cash used by investing activities was $39.5 million for the nine months ended September 30, 2016 , compared with $57.2 million for the comparable period in 2015 . We spent approximately $31.0 million and $58.0 million globally on expenditures related to sustaining capital during the nine months ended September 30, 2016 and 2015, respectively. Sustaining capital spend includes infrastructure, mobile equipment, environment, safety, fixed equipment, product quality and health.

We are maintaining our full-year 2016 capital expenditures expectation of $75 million, which includes approximately $30 million in capital spend required to produce a specialized, super-flux pellet called "Mustang" at United Taconite in order to meet a customer's pellet specification requirements.

In alignment with our strategy to focus on allocating capital among key priorities related to liquidity management, and business investment, we anticipate total cash used during the next twelve months of $60 million on capital expenditures related to constructing necessary infrastructure to produce the Mustang pellet. During the first nine months of 2016, we incurred capital expenditures of $15 million for this project.

Financing Activities

Net cash used by financing activities in the first nine months of 2016 was $186.0 million , compared to $98.2 million provided by financing activities for the comparable period in 2015 . Net cash used by financing activities included paying off the remaining balance of our equipment loans, which resulted in cash outflows of $95.6 million . Additionally, we redeemed all of our outstanding senior notes due 2018 for $301.0 million , which was offset partially by net proceeds from the issuance of common shares of $287.6 million . We made further cash outflows related to financing activities attributable to distributions of partnership equity of $52.5 million and we anticipate approximately $29 million in partnership equity will be distributed within the next 12 months. Net cash provided by financing activities in the first nine months of 2015 included issuance of First Lien Notes, which resulted in net proceeds excluding debt issuance costs of $503.5

million , which was offset partially by the redemption of senior notes of $225.9 million and debt issuance costs of $33.6 million . Cash used by financing activities in the first nine months of 2015 included payments on our equipment loans of $36.9 million . Additionally, in the first nine months of 2015 cash dividends of $38.4 million were paid on Preferred Shares and $31.7 million was attributable to distributions of partnership equity.

Capital Resources

We expect to fund our business obligations from available cash, operations and existing borrowing arrangements. We also may pursue other funding strategies in the equity and/or debt markets to strengthen our liquidity. The following represents a summary of key liquidity measures as of September 30, 2016 and December 31, 2015 :

	(In Millions)	
	September 30, 2016	December 31, 2015
Cash and cash equivalents	**$ 132.2**	$ 285.2
Available borrowing base on ABL Facility [1]	**355.7**	366.0
ABL Facility loans drawn	**—**	—
Letter of credit obligations and other commitments	**(108.8)**	(186.8)
Borrowing capacity available	**$ 246.9**	$ 179.2

[1] The ABL Facility has a maximum borrowing base of $550 million, determined by applying customary advance rates to eligible accounts receivable, inventory and certain mobile equipment.

Our primary sources of funding are cash on hand, which totaled $132.2 million as of September 30, 2016 , cash generated by our business and availability under the ABL Facility. The combination of cash and availability under the ABL Facility gives us approximately $379.1 million in liquidity entering the fourth quarter of 2016, which is expected to be adequate to fund operations, letter of credit obligations, sustaining capital expenditures and other cash commitments for at least the next 12 months.

As of September 30, 2016 , we were in compliance with the ABL Facility liquidity requirements and, therefore, the springing financial covenant requiring a minimum Fixed Charge Coverage Ratio of 1.0 to 1.0 was not applicable. We believe that the cash on hand and the ABL Facility provide us sufficient liquidity to support our operating, investing and financing activities. We have the capability to issue additional 1.5 Lien Notes and additional Second Lien Notes, both subject to compliance with the Fixed Charge Coverage Ratio and other applicable covenants under our ABL Facility. Available capacity of these secured notes could however be limited by market conditions. If demand for our products and pricing deteriorates and persists for a continued period of time, we believe our ability to maintain the required Fixed Charge Coverage Ratio of 1.0 to 1.0 would be difficult, and we may have to seek a waiver from the lenders under our ABL Facility, which we may not be able to obtain.

Off-Balance Sheet Arrangements

In the normal course of business, we are a party to certain arrangements that are not reflected on our Statements of Unaudited Condensed Consolidated Financial Position . These arrangements include minimum "take or pay" purchase commitments, such as minimum electric power demand charges, minimum coal, diesel and natural gas purchase commitments, minimum railroad transportation commitments and minimum port facility usage commitments; financial instruments with off-balance sheet risk, such as bank letters of credit and bank guarantees; and operating leases, which relate primarily to equipment and office space.

Market Risks

We are subject to a variety of risks, including those caused by changes in commodity prices, foreign currency exchange rates and interest rates. We have established policies and procedures to manage such risks; however, certain risks are beyond our control.

Pricing Risks

Commodity Price Risk

Our consolidated revenues include the sale of iron ore pellets, iron ore lump and iron ore fines. Our financial results can vary significantly as a result of fluctuations in the market prices of iron ore. World market prices for these

commodities have fluctuated historically and are affected by numerous factors beyond our control. The world market price that most commonly is utilized in our iron ore sales contracts is the Platts IODEX pricing, which can fluctuate widely due to numerous factors, such as global economic growth or contraction, change in demand for steel or changes in availability of supply.

Provisional Pricing Arrangements

Certain of our U.S. Iron Ore and Asia Pacific Iron Ore customer supply agreements specify provisional price calculations, where the pricing mechanisms generally are based on market pricing, with the final revenue rate to be based on market inputs at a specified point in time in the future, per the terms of the supply agreements. The difference between the provisionally agreed-upon price and the estimated final revenue rate is characterized as a freestanding derivative and is required to be accounted for separately once the revenue has been recognized. The derivative instrument is adjusted to fair value through *Product revenues* each reporting period based upon current market data and forward-looking estimates provided by management until the final revenue rate is determined.

At September 30, 2016 , we have recorded $0.4 million as derivative assets included in *Other current assets* and $2.7 million as derivative liabilities included in *Other current liabilities* in the Statements of Unaudited Condensed Consolidated Financial Position related to our estimate of the final revenue rate with our U.S. Iron Ore and Asia Pacific Iron Ore customers. These amounts represent the difference between the provisional price agreed upon with our customers based on the supply agreement terms and our estimate of the final sales rate based on the price calculations established in the supply agreements. As a result, we recognized a net $4.5 million and $22.9 million decrease in *Product revenues* in the Statements of Unaudited Condensed Consolidated Operations for the three and nine months ended September 30, 2016 , respectively, related to these arrangements.

Customer Supply Agreements

A certain supply agreement with one U.S. Iron Ore customer provides for supplemental revenue or refunds based on the customer's average annual steel pricing at the time the product is consumed in the customer's blast furnace. The supplemental pricing is characterized as a freestanding derivative, which is finalized based on a future price, and is adjusted to fair value as a revenue adjustment each reporting period until the pellets are consumed and the amounts are settled. The fair value of the instrument is determined using an income approach based on an estimate of the annual realized price of hot-rolled coil at the steelmaker's facilities.

At September 30, 2016 , we had a derivative asset of $28.0 million , representing the fair value of the pricing factors, based upon the amount of unconsumed tons and an estimated average hot-rolled coil price related to the period in which the tons are expected to be consumed in the customer's blast furnace at each respective steelmaking facility, subject to final pricing at a future date. This compares with a derivative asset of $5.8 million as of December 31, 2015 . We estimate that a $75 positive change in the average hot-rolled coil price realized from the September 30, 2016 estimated price recorded would cause the fair value of the derivative instrument to increase by approximately $36.4 million and a $75 negative change in the average hot-rolled coil price realized from the September 30, 2016 estimated price recorded would cause the fair value of the derivative instrument to decrease by approximately $30.7 million, thereby impacting our consolidated revenues by the same amount.

We have not entered into any hedging programs to mitigate the risk of adverse price fluctuations; however certain of our term supply agreements contain price collars, which typically limit the percentage increase or decrease in prices for our products during any given year.

Volatile Energy and Fuel Costs

The volatile cost of energy is an important issue affecting our production costs at our iron ore operations. Our consolidated U.S. Iron Ore mining ventures consumed approximately 13.3 million MMBtu's of natural gas at an average delivered price of $2.85 per MMBtu inclusive of the natural gas hedge impact or $2.87 per MMBtu net of the natural gas hedge impact during the first nine months of 2016 . Additionally, our consolidated U.S. Iron Ore mining ventures consumed approximately 13.2 million gallons of diesel fuel at an average delivered price of $1.57 per gallon inclusive of the diesel fuel hedge impact or $1.52 per gallon net of the diesel fuel hedge impact during the first nine months of 2016 . The hedging of natural gas and diesel is further discussed later in this section. Consumption of diesel fuel by our Asia Pacific operations was approximately 7.1 million gallons at an average delivered price of $1.53 per gallon for the same period.

In the ordinary course of business, there may also be increases in prices relative to electrical costs at our U.S. mine sites. Specifically, our Tilden mine in Michigan has entered into large curtailable special contracts with Wisconsin Electric Power Company. Charges under those special contracts are subject to a power supply cost recovery mechanism that is based on variations in the utility's actual fuel and purchase power expenses.

Our strategy to address increasing natural gas and diesel rates includes improving efficiency in energy usage, identifying alternative providers and utilizing the lowest cost alternative fuels. An energy hedging program was implemented in order to manage the price risk of diesel and natural gas at our U.S. Iron Ore mines during the first quarter of 2016. We will continue to monitor relevant energy markets for risk mitigation opportunities and may make additional forward purchases or employ other hedging instruments in the future as warranted and deemed appropriate by management. Assuming we do not enter into further hedging activity in the near term, a 10 percent change in natural gas and diesel fuel prices would result in a change of approximately $2.0 million in our annual fuel and energy cost based on expected consumption for 2016. Based on our electrical contracts with our suppliers we are not susceptible to risks associated with fluctuations in electricity rates.

Valuation of Other Long-Lived Assets

Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances that would indicate that the carrying value of the assets may not be recoverable. Such indicators may include, among others: a significant decline in expected future cash flows; a sustained, significant decline in market pricing; a significant adverse change in legal or environmental factors or in the business climate; changes in estimates of our recoverable reserves; unanticipated competition; and slower growth or production rates. Any adverse change in these factors could have a significant impact on the recoverability of our long-lived assets and could have a material impact on our consolidated statements of operations and statement of financial position.

A comparison of each asset group's carrying value to the estimated undiscounted future cash flows expected to result from the use of the assets, including cost of disposition, is used to determine if an asset is recoverable. Projected future cash flows reflect management's best estimates of economic and market conditions over the projected period, including growth rates in revenues and costs, estimates of future expected changes in operating margins and capital expenditures. If the carrying value of the asset group is higher than its undiscounted future cash flows, the asset group is measured at fair value and the difference is recorded as a reduction to the long-lived assets. We estimate fair value using a market approach, an income approach or a cost approach.

Foreign Currency Exchange Rate Risk

We are subject to changes in foreign currency exchange rates as a result of our operations in Australia, which could impact our financial condition. With respect to Australia, foreign exchange risk arises from our exposure to fluctuations in foreign currency exchange rates because our reporting currency is the U.S. dollar, but the functional currency of our Asia Pacific operations is the Australian dollar. Our Asia Pacific operations receive funds in U.S. currency for their iron ore sales and incur costs in Australian currency.

At September 30, 2016 , we had no outstanding Australian foreign exchange rate contracts for which we elected hedge accounting. Our last outstanding Australian foreign exchange rate contract held as a cash flow hedge matured in October 2015. We have suspended entering into new foreign exchange rate contracts for the remainder of 2016. We have waived compliance with our current derivative financial instruments and hedging activities policy through December 31, 2016. In the future, we may enter into additional hedging instruments as needed in order to further hedge our exposure to changes in foreign currency exchange rates.

Interest Rate Risk

Interest payable on our senior notes is at fixed rates. Interest payable under our ABL Facility is at a variable rate based upon the base rate plus the base rate margin depending on the excess availability. As of September 30, 2016 , we had no amounts drawn on the ABL Facility.

Supply Concentration Risks

Many of our mines are dependent on one source each of electric power and natural gas. A significant interruption or change in service or rates from our energy suppliers could impact materially our production costs, margins and profitability.

Outlook

We provide full-year expected revenues-per-ton ranges based on different assumptions of seaborne iron ore prices. We indicated that each different pricing assumption holds all other assumptions constant, including customer mix, as well as industrial commodity prices, freight rates, energy prices, production input costs and/or hot-rolled coil prices (all factors contained in certain of our supply agreements).

The U.S. Iron Ore table further assumes full-year hot-rolled coil pricing of approximately $470 per short ton. We note that this estimate is based on our customers' realized prices and not an index or spot market price, valid through the end of 2016. This represents a $10 decrease from the previous full-year price estimate of $480 per short ton. For every $50 per short ton change in the customers' full-year hot-rolled coil prices, our U.S. Iron Ore revenue realizations per long ton in 2016 would be expected to increase or decrease $2.00 if steel prices increase or decrease, respectively.

The table below provides certain Platts IODEX averages for the remaining three months of 2016 and the corresponding full-year realization for the U.S. Iron Ore and Asia Pacific Iron Ore segments. The estimates consider actual Platts IODEX rates and our actual revenue realizations for the first nine months of 2016.

2016 Full-Year Realized Revenues-Per-Ton Range Summary		
Oct. - Dec. Platts IODEX (1)	**U.S. Iron Ore (2)**	**Asia Pacific Iron Ore (3)**
$40	$75 - $77	$38 - $40
$45	$75 - $77	$39 - $41
$50	$75 - $77	$40 - $42
$55	$75 - $77	$41 - $43
$60	$75 - $77	$42 - $44
$65	$75 - $77	$43 - $45
$70	$75 - $77	$45 - $47

(1) The Platts IODEX is the benchmark assessment based on a standard specification of iron ore fines with 62% iron content (C.F.R. China).

(2) U.S. Iron Ore tons are reported in long tons of pellets. This table assumes full-year hot-rolled coil pricing of approximately $470 per short ton, which is based on customer realizations and not a public index.

(3) Asia Pacific Iron Ore tons are reported in metric tons of lumps and fines, F.O.B. the port.

U.S. Iron Ore Outlook (Long Tons)

We are maintaining our full-year sales volume expectation of 18 million long tons. Our 2016 production volume guidance of 16.5 million long tons is also maintained.

We are maintaining our cash production cost per long ton [2] expectation of $50 - $55 and the cash cost of goods sold per long ton [2] expectation of $55 - $60.

We anticipate depreciation, depletion and amortization to be approximately $5 per long ton for full-year 2016.

Asia Pacific Iron Ore Outlook (Metric Tons, F.O.B. the port)

We are maintaining our full-year 2016 Asia Pacific Iron Ore sales and production volume forecast of approximately 11.5 million metric tons. The product mix is expected to contain 50 percent lump and 50 percent fines.

Based on a full-year average exchange rate of $0.75 U.S. Dollar to Australian Dollar, we are maintaining our full-year 2016 Asia Pacific Iron Ore cash production cost per metric ton [2] expectation of $25 - $30. The cash cost of goods sold per metric ton [2] is also unchanged at $30 - $35. We indicated that for every $0.01 change in this exchange rate for the remainder of the year, our full-year cash cost of goods sold is impacted by approximately $2 million.

We anticipate depreciation, depletion and amortization to be approximately $2 per metric ton for full-year 2016.

The following table provides a summary of our 2016 guidance for our two business segments:

	2016 Outlook Summary	
	U.S. Iron Ore (A)	**Asia Pacific Iron Ore (B)**
Sales volume (million tons)	**18**	**11.5**
Production volume (million tons)	**16.5**	**11.5**
Cash production cost per ton [2]	**$50 - $55**	**$25 - $30**
Cash cost of goods sold per ton [2]	**$55 - $60**	**$30 - $35**
DD&A per ton	**$5**	**$2**

(A) U.S. Iron Ore tons are reported in long tons of pellets.

(B) Asia Pacific Iron Ore tons are reported in metric tons of lumps and fines.

[2] Cash production cost per long/metric ton is defined as cost of goods sold and operating expenses per ton less depreciation, depletion and amortization; as well as period costs, costs of services and inventory effects per long/metric ton. Cash cost per long/metric ton is defined as cost of goods sold and operating expenses per ton less depreciation, depletion and amortization per long/metric ton.

SG&A Expenses and Other Expectations

Our full-year 2016 SG&A expenses expectation is $104 million, a $4 million increase from the previous expectation, primarily driven by the un-forecasted $4 million USW labor contract signing bonus.

We are decreasing our full-year 2016 interest expense expectation to be approximately $200 million. Of the $200 million expectation, approximately $170 million is considered cash and $30 million is considered non-cash.

Consolidated full-year 2016 depreciation, depletion and amortization is expected to be approximately $120 million.

Capital Budget Update

We are maintaining our full-year 2016 capital expenditures expectation of $75 million.

Forward-Looking Statements

This report contains statements that constitute "forward-looking statements" within the meaning of the federal securities laws. As a general matter, forward-looking statements relate to anticipated trends and expectations rather than historical matters. Forward-looking statements are subject to uncertainties and factors relating to Cliffs' operations and business environment that are difficult to predict and may be beyond our control. Such uncertainties and factors may cause actual results to differ materially from those expressed or implied by the forward-looking statements. These statements speak only as of the date of this report, and we undertake no ongoing obligation, other than that imposed by law, to update these statements. Uncertainties and risk factors that could affect Cliffs' future performance and cause results to differ from the forward-looking statements in this report include, but are not limited to:

- trends affecting our financial condition, results of operations or future prospects, particularly the continued volatility of iron ore prices;
- availability of capital and our ability to maintain adequate liquidity;
- our level of indebtedness could limit cash flow available to fund working capital, capital expenditures, acquisitions and other general corporate purposes or ongoing needs of our business, which could prevent us from fulfilling our debt obligations;
- continued weaknesses in global economic conditions, including downward pressure on prices caused by oversupply or imported products, including the impact of any reduced barriers to trade, recently filed and forthcoming trade cases, reduced market demand and any change to the economic growth rate in China;
- our ability to reach agreement with our iron ore customers regarding any modifications to sales contract provisions, renewals or new arrangements;

- uncertainty relating to restructurings in the steel industry and/or affecting the steel industry;
- our ability to maintain appropriate relations with unions and employees;
- the impact of our customers reducing their steel production or using other methods to produce steel;
- our ability to successfully execute an exit option for our Canadian Entities that minimizes the cash outflows and associated liabilities of such entities, including the CCAA process;
- our ability to successfully identify and consummate any strategic investments and complete planned divestitures;
- our ability to successfully diversify our product mix and add new customers beyond our traditional blast furnace clientele;
- the outcome of any contractual disputes with our customers, joint venture partners or significant energy, material or service providers or any other litigation or arbitration;
- the ability of our customers and joint venture partners to meet their obligations to us on a timely basis or at all;
- the impact of price-adjustment factors on our sales contracts;
- changes in sales volume or mix;
- our actual levels of capital spending;
- our actual economic iron ore reserves or reductions in current mineral estimates, including whether any mineralized material qualifies as a reserve;
- events or circumstances that could impair or adversely impact the viability of a mine and the carrying value of associated assets, as well as any resulting impairment charges;
- the results of prefeasibility and feasibility studies in relation to projects;
- impacts of existing and increasing governmental regulation and related costs and liabilities, including failure to receive or maintain required operating and environmental permits, approvals, modifications or other authorization of, or from, any governmental or regulatory entity and costs related to implementing improvements to ensure compliance with regulatory changes;
- our ability to cost-effectively achieve planned production rates or levels;
- uncertainties associated with natural disasters, weather conditions, unanticipated geological conditions, supply or price of energy, equipment failures and other unexpected events;
- adverse changes in currency values, currency exchange rates, interest rates and tax laws;
- risks related to international operations;
- availability of capital equipment and component parts;
- the potential existence of significant deficiencies or material weakness in our internal control over financial reporting; and
- problems or uncertainties with productivity, tons mined, transportation, mine-closure obligations, environmental liabilities, employee-benefit costs and other risks of the mining industry.

For additional factors affecting the business of Cliffs, refer to *Part I – Item 1A. Risk Factors.* You are urged to carefully consider these risk factors.

Item 3. *Quantitative and Qualitative Disclosures About Market Risk*

Information regarding our Market Risk is presented under the caption *Market Risks* , which is included in our Annual Report on Form 10-K for the year ended December 31, 2015 and in the Management's Discussion and Analysis section of this report.

Item 4. ***Controls and Procedures***

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our President and Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure based solely on the definition of "disclosure controls and procedures" in Rule 13a-15(e) promulgated under the Exchange Act. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of the end of the period covered by this report, we carried out an evaluation under the supervision and with the participation of our management, including our President and Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our President and Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective.

There have been no changes in our internal control over financial reporting or in other factors that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

Item 1. *Legal Proceedings*

Michigan Electricity Matters. See Note 20 of the notes to our condensed consolidated financial statements included in Item 1 of Part 1 of this report for a description of the FERC proceedings to determine, among other things, allocation of SSR costs, whether retroactive surcharges are permissible and the total amount of SSR compensation, all of which is currently subject to appeal. Such description is incorporated by reference into this Item 1 by reference.

Item 1A. *Risk Factors*

Our Annual Report on Form 10-K for the year ended December 31, 2015 includes a detailed discussion of our risk factors.

Item 2. *Unregistered Sales of Equity Securities and Use of Proceeds*

The following table presents information with respect to repurchases by the Company of our common shares during the periods indicated.

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares (or Units) Purchased [(1)]	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet be Purchased Under the Plans or Programs
July 1 - 31, 2016	94	$ 1.58	—	$ —
August 1 - 31, 2016	—	$ —	—	$ —
September 1 - 30, 2016	—	$ —	—	$ —
	94	**$ 1.58**	**—**	**$ —**

[(1)] These shares were delivered to us by employees to satisfy tax withholding obligations due upon the vesting or payment of stock awards.

During the third quarter of 2016, we entered into a privately negotiated exchange agreement whereby we issued an aggregate of 2.28 million common shares, representing less than one percent of our outstanding common shares, in exchange for $10.5 million aggregate principal amount of our senior notes due 2021 and $4.5 million principal amount of our senior notes due 2020. The issuance of the common shares in exchange for our senior notes due 2021 and 2020, respectively, was made in reliance on the exemption from registration provided in Section 3(a)(9) of the Securities Act.

Item 4. *Mine Safety Disclosures*

We are committed to protecting the occupational health and well-being of each of our employees. Safety is one of our Company's core values and we strive to ensure that safe production is the first priority for all employees. Our internal objective is to achieve zero injuries and incidents across the Company by focusing on proactively identifying needed prevention activities, establishing standards and evaluating performance to mitigate any potential loss to people, equipment, production and the environment. We have implemented intensive employee training that is geared toward maintaining a high level of awareness and knowledge of safety and health issues in the work environment through the development and coordination of requisite information, skills and attitudes. We believe that through these policies our Company has developed an effective safety management system.

Under the Dodd-Frank Act, each operator of a coal or other mine is required to include certain mine safety results within its periodic reports filed with the SEC. As required by the reporting requirements included in §1503(a) of the Dodd-Frank Act and Item 104 of Regulation S-K, the required mine safety results regarding certain mining safety and health matters for each of our mine locations that are covered under the scope of the Dodd-Frank Act are included in Exhibit 95 of *Item 6. Exhibits* of this Quarterly Report on Form 10-Q.

Item 6. Exhibits

(a) List of Exhibits — Refer to Exhibit Index on pg. 64 .

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CLIFFS NATURAL RESOURCES INC.

By: /s/ Timothy K. Flanagan

Name: Timothy K. Flanagan

Title: Vice President, Corporate Controller, Treasurer and Chief Accounting Officer

Date: October 27, 2016

EXHIBIT INDEX

All documents referenced below have been filed pursuant to the Securities Exchange Act of 1934 by Cliffs Natural Resources Inc., file number 1-09844, unless otherwise indicated.

Exhibit Number	Exhibit
10.1	* Form of 2016 Change in Control Severance Agreement (filed herewith)
31.1	Certification Pursuant to 15 U.S.C. Section 7241, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, signed and dated by Lourenco Goncalves as of October 27, 2016 (filed herewith)
31.2	Certification Pursuant to 15 U.S.C. Section 7241, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, signed and dated by P. Kelly Tompkins as of October 27, 2016 (filed herewith)
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed and dated by Lourenco Goncalves, Chairman, President and Chief Executive Officer of Cliffs Natural Resources Inc., as of October 27, 2016 (furnished herewith)
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed and dated by P. Kelly Tompkins, Executive Vice President and Chief Financial Officer of Cliffs Natural Resources Inc., as of October 27, 2016 (furnished herewith)
95	Mine Safety Disclosures (filed herewith)
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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* Indicates management contract or other compensatory arrangement.

EXHIBIT 10.1

2016 CHANGE IN CONTROL
SEVERANCE AGREEMENT

This 2016 CHANGE IN CONTROL SEVERANCE AGREEMENT (this " Agreement "), dated and effective as of this __ of ________, 2016 (the " Effective Date ") is made and entered into by and between Cliffs Natural Resources Inc., an Ohio corporation (the " Company "), and ________________ (the " Executive ").

RECITALS:

WHEREAS, the Executive is a key employee of the Company or one of its Subsidiaries who has made and is expected to make major contributions to the short- and long-term profitability, growth and financial strength of the Company;

WHEREAS, the Company recognizes that the possibility of a Change in Control (as defined below) exists and that such possibility, and the uncertainty it may create among management, may result in the distraction or departure of management personnel, to the detriment of the Company and its shareholders;

WHEREAS, the Company desires to assure itself of both present and future continuity of management and desires to establish certain minimum severance benefits for certain of its executives, including the Executive, applicable in the event of a Change in Control;

WHEREAS, the Company wishes to ensure that its executives are not distracted from discharging their duties in respect of the possibility of a Change in Control; and

WHEREAS, the Company desires to provide additional inducement for the Executive to continue to remain in the employ of the Company[; and]

[WHEREAS, the Company and the Executive previously entered into the Change in Control Severance Agreement dated as of _________ __, 201_ (the " Prior Agreement "); and

WHEREAS, the Company and the Executive now desire to replace the Prior Agreement as hereinafter provided].

NOW, THEREFORE, the Company and the Executive agree as follows:

1 . **Certain Defined Terms .** In addition to terms defined elsewhere herein, the following terms have the following meanings when used in this Agreement with initial capital letters:

(a) " Accounting Firm " means such nationally recognized certified public accounting firm mutually agreeable to both the Executive and the Company.

(b) " Agreement Payment " means a Payment paid or payable pursuant to this Agreement (disregarding any reduction applied pursuant to Section 10).

(c) " Base Pay " means the Executive's annual base salary rate as in effect from time to time.

(d) " Board " means the Board of Directors of the Company.

(e) " Cause " means that, prior to any termination of employment, the Executive shall have committed:

(i) and been convicted of (or given a plea of nolo contendere in connection with) a criminal violation involving fraud, embezzlement or theft in connection with his duties or in the course of his employment with the Company or any Subsidiary;

(ii) intentional wrongful damage to property of the Company or any Subsidiary;

(iii) intentional wrongful disclosure of secret processes or confidential information of the Company or any Subsidiary; or

(iv) intentional wrongful engagement in any Competitive Activity;

and any such act shall have been demonstrably and materially harmful to the Company or any Subsidiary. For purposes of this Agreement, no act or failure to act on the part of the Executive shall be deemed "intentional" if it was due primarily to an error in judgment or negligence, but shall be deemed "intentional" only if done or omitted to be done by the Executive not in good faith and without reasonable belief that the Executive's action or omission was in the best interest of the Company or Subsidiary, as applicable. Notwithstanding the foregoing, the Executive shall not be deemed to have been terminated for " Cause " hereunder unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three quarters of the Board then in office at a meeting of the Board called and held for such purpose, after reasonable notice to the Executive and an opportunity for the Executive, together with the Executive's counsel (if the Executive chooses to have counsel present at such meeting), to be heard before the Board, finding that, in the good faith opinion of the Board, the Executive committed an act constituting " Cause " as herein defined and specifying the particulars thereof in detail. Nothing herein will limit the right of the Executive or his beneficiaries to contest the validity or propriety of any such determination.

(f) " Change in Control " means as defined in the Cliffs 2015 Equity and Incentive Compensation Plan:

(i) any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a " **Person** ") becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 35% or more of either (i) the then-outstanding Common Shares (the " **Outstanding Company Common Stock** ") or (ii) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the " **Outstanding Company Voting Securities** "); provided , however , that, for purposes of this definition, the following acquisitions shall not constitute a Change in Control: (A) any acquisition directly from the Company, (B) any acquisition by the Company, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Affiliate or (D) any acquisition pursuant to a transaction that complies with **Sections 12(c)(i)** , **(c)(ii)** and **(c)(iii)** below

(ii) individuals who, as of the date hereof, constitute the Board (the " **Incumbent Board** ") cease for any reason to constitute at least a majority of the Board; provided , however , that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (either by a specific vote or by approval of the proxy statement of the Company in which such individual is named as a nominee for director, without objection to such nomination) shall be considered as though such

individual was a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest (as described in Rule 14a-12(c) of the Exchange Act) with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;

(iii) consummation of a reorganization, merger, statutory share exchange or consolidation or similar transaction involving the Company or any of its subsidiaries, a sale or other disposition of all or substantially all of the assets of the Company, or the acquisition of assets or securities of another entity by the Company or any of its subsidiaries (each, a " **Business Combination** "), in each case unless, following such Business Combination, (i) all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding Company Common Stock and the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the then-outstanding shares of common stock (or, for a non-corporate entity, equivalent securities) and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors (or, for a non-corporate entity, equivalent governing body), as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity that, as a result of such transaction, owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and the Outstanding Company Voting Securities, as the case may be, (ii) no Person (excluding any entity resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such entity resulting from such Business Combination) beneficially owns, directly or indirectly, 35% or more of, respectively, the then-outstanding shares of common stock (or, for a non-corporate entity, equivalent securities) of the entity resulting from such Business Combination or the combined voting power of the then-outstanding voting securities of such entity, except to the extent that such ownership existed prior to the Business Combination, and (iii) at least a majority of the members of the board of directors (or, for a non-corporate entity, equivalent governing body) of the entity resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of the Board providing for such Business Combination; or

(iv) approval by the Shareholders of a complete liquidation or dissolution of the Company.

(g) " Code " shall mean the Internal Revenue Code of 1986 and regulations thereunder, both as amended from time to time.

(h) " Competitive Activity " means the Executive's participation, without the written consent of an officer of the Company, in the management of any business enterprise if such enterprise engages in substantial and direct competition with the Company and such enterprise's sales of any product or service competitive with any product or service of the Company amounted to at least 10% of the Company's net sales for its most recently completed fiscal year. "Competitive Activity" will not include (i) the ownership of less than 5% of the securities in any such enterprise and/or the exercise of rights appurtenant thereto or (ii) participation in the management of any such enterprise other than in connection with the competitive operations of such enterprise.

(i) “ Continuation Period ” means the [ ] period commencing on the date of the Executive’s Separation from Service.

(j) “ Disability ” means the Executive becomes permanently disabled within the meaning of, and begins actually to receive disability benefits pursuant to, the long-term disability plan in effect for, or applicable to, the Executive immediately prior to the Change in Control.

(k) “ Employee Benefits ” means the benefits as provided under any and all employee retirement income, incentive compensation and/or welfare benefit policies, plans, programs or arrangements in which the Executive is entitled to participate, including without limitation any savings, pension, supplemental executive retirement, or other retirement income or welfare benefit, deferred compensation, incentive compensation, group or other life, health, medical/hospital or other insurance (whether funded by actual insurance or self-insured by the Company or a Subsidiary), disability, salary continuation, expense reimbursement and other employee benefit policies, plans, programs or arrangements that may now exist or any equivalent successor policies, plans, programs or arrangements that may be adopted hereafter by the Company or a Subsidiary, providing perquisites, benefits and service credit for benefits at least as great in value in the aggregate as are payable thereunder prior to a Change in Control.

(l) “ Exchange Act ” means the Securities Exchange Act of 1934, as amended.

(m) “ Good Reason ” means the initial occurrence, without the Executive’s consent, of one or more of the following events:

(i) a material diminution in his Base Pay;

(ii) a material diminution in his authority, duties or responsibilities;

(iii) a material change in the principal executive offices in excess of 50 miles at which he must perform services;

(iv) a material reduction in his Incentive Pay opportunity; and

(v) any other action or inaction that constitutes a material breach by his employer of the employment agreement, if any, under which he provides services;

provided , however , that “Good Reason” shall not be deemed to exist unless:

(A) the Executive has provided notice to his employer of the existence of one or more of the conditions listed in (i) through (v) above within 90 days after the initial occurrence of such condition or conditions;

(B) such condition or conditions have not been cured by his employer within 30 days after receipt of such notice; and

(C) the Executive actually terminates his employment with his employer within 60 days after his employer’s receipt of such notice.

(n) " Incentive Pay" means an annual bonus, incentive or other payment of compensation, in addition to Base Pay, made or to be made in regard to services rendered in any year pursuant to the Executive Management Performance Incentive Plan (“EMPI”), or the Management Performance Incentive (“MPI”) Plan or replacement plan. "Incentive Pay"

does not include any stock option, stock appreciation, stock purchase, restricted stock, private equity, long-term incentive or similar plan, program, arrangement or grant, whether or not provided under a plan, program or arrangement described in the preceding sentence.

(o) " Net After-Tax Receipt " means the present value of a Payment net of all taxes imposed on the Executive with respect thereto under Code Sections 1 and 4999 and under applicable state and local laws, determined by applying the highest marginal rate under Code Section 1 and under state and local laws which applied to the Executive's taxable income for the immediately preceding taxable year, or such other rate(s) as the Executive shall certify, in the Executive's sole discretion, as likely to apply to the Executive in the relevant tax year(s).

(p) " Parent " shall mean the entity that owns at least 50% of the total fair market value and total voting power that employs the Executive.

(q) " Payment " means any payment or distribution in the nature of compensation (within the meaning of Code Section 280G(b)(2)) to or for the benefit of the Executive, whether paid or payable pursuant to this Agreement or otherwise.

(r) " Protection Period " means the period of time commencing on the date of the first occurrence of a Change in Control and continuing until the earlier of (i) the second anniversary of the occurrence of the Change in Control, or (ii) the Executive's death.

(s) " Qualifying Termination " has the meaning given to it in Section 3.

(t) " Reduced Amount " means the amount of Agreement Payments that (i) has a present value that is less than the present value of all Agreement Payments and (ii) results in aggregate Net After-Tax Receipts for all Payments that are greater than the Net After-Tax Receipts for all Payments that would result if the aggregate present value of Agreement Payments were any other amount that is less than the present value of all Agreement Payments.

(u) " Retirement Plans " means the Company defined benefit pension plan, supplemental executive retirement, excess benefits and retiree medical, life and similar benefit plans providing retirement perquisites, benefits and service credit for benefits at least as great in value in the aggregate as are payable thereunder prior to a Change in Control.

(v) " Separation from Service " means the Executive's "separation from service" within the meaning of Code Section 409A with the Company and all members of the Controlled Group, for any reason, including, without limitation, quit, discharge, or retirement, or a leave of absence (including military leave, sick leave, or other bona fide leave of absence such as temporary employment by the government if the period of such leave exceeds the greater of six months or the period for which the Executive's right to reemployment is provided either by statute or by contract). "Separation from Service" also means the permanent decrease in the Executive's service for the Company and all Controlled Group members to a level that is no more than 20% of its prior level. For this purpose, whether a Separation from Service has occurred is determined based on whether it is reasonably anticipated that no further services as an employee will be performed by the Executive after a certain date or that the level of bona fide services the Executive will perform after such date (whether as an employee or as an independent contractor) would permanently decrease to no more than 20% of the average level of bona fide services performed (whether as an employee or an independent contractor) over the immediately preceding

36-month period (or the full period of services if the Executive has been providing services less than 36 months).

(w) "Severance Compensation" means the severance pay and other benefits provided by Section 4(a).

(x) "Subsidiary" means an entity in which the Company directly or indirectly beneficially owns 50% or more of the outstanding capital or profits interests or Voting Stock.

(y) "Supplemental Retirement Plan" or "SERP" means the Cliffs Natural Resources Inc. Supplemental Retirement Benefit Plan (as Amended and Restated as of December 1, 2006), as it may be amended prior to a Change in Control.

(z) "Term" means the period commencing as of **August 7, 2016** and expiring as of the later of (i) the close of business on December 31, 2017 or (ii) the expiration of the Protection Period; provided, however, that (A) on January 1, 2018, and each January 1 thereafter, the Term will automatically be extended for one additional year unless, not later than 90 days prior to the date of any such extension and so long as a Change in Control has not occurred, the Company or the Executive shall have given notice that it or the Executive, as the case may be, does not wish to have the Term extended and (B) if, prior to a Change in Control, the Executive ceases for any reason to be an Officer of the Company and any Subsidiary, thereupon without further action the Term shall be deemed to have expired and this Agreement will immediately terminate upon such cessation and be of no further effect.

(aa) "Voting Stock" means securities of the Company entitled to vote generally in the election of directors.

2. **Right to Severance Compensation**. Subject to Sections 6, 7 and 11, the Executive shall be entitled to receive the Severance Compensation provided under Section 4 from the Company in accordance with Section 4, if there has been a Change in Control of the Company and (ii) following the occurrence of the Change in Control, the Executive incurs a Qualifying Termination during the Protection Period.

3. **Qualifying Termination**.

(a) A Qualifying Termination shall be the occurrence of either one of the following event:

(i) The Executive's employment is terminated by the Company or any Subsidiary without Cause during the Protection Period; or

(ii) The Executive terminates employment with the Company or any Subsidiary for Good Reason during the Protection Period.

(b) For purposes of this Agreement, a Qualifying Termination shall not include the Executive's termination of employment by reason of death or Disability, the Executive's voluntary termination of employment other than pursuant to Section 3(a)(ii), or a termination of the Executive's employment by the Company or any Subsidiary for Cause.

(c) The Executive's Qualifying Termination will not affect any rights that the Executive may have pursuant to any agreement, policy, plan, program or arrangement of the Company or Subsidiary providing Employee Benefits, which rights shall be governed by the terms thereof, except for any rights to severance compensation to which the Executive may be entitled upon Separation from Service under any severance pay policy, plan, program

or arrangement of the Company (including the Prior Agreement), which rights shall, during the Protection Period, be superseded and replaced by this Agreement.

4. **Severance Compensation** . For purposes of this Agreement, "Severance Compensation" shall include each of the following:

(a) If, following the occurrence of a Change in Control, the Executive incurs a Qualifying Termination during the Protection Period, the Company will pay or provide to the Executive the payments and other benefits described below at the times and in the manner described therein.

(b) A lump sum payment in an amount equal to the number of years in the Continuation Period multiplied by the sum of (i) Base Pay (at the highest rate in effect during the 5-year period prior to the Executive's Separation from Service), plus (ii) Incentive Pay (in an amount equal to not less than the greatest of (A) the target bonus and/or target award opportunity for the fiscal year immediately preceding the year in which the Change in Control occurs, (B) the target bonus and/or target award opportunity for the fiscal year in which the Change in Control occurs or (C) the target bonus and/or target award opportunity for the fiscal year in which the Executive's Separation from Service occurs). Such payment shall be made by the later of 10 business days after the Executive's Separation from Service or the end of the 7-day revocation period that applies, but in no event shall payment occur after the 35 th day following the Executive's Separation from Service.

(c) A lump sum payment (the " Non-accrued SERP Payment ") payable within the first 5 days of the seventh month after the Executive's Separation from Service in an amount equal to the actuarial equivalent of the future pension benefits which the Executive would have been entitled to accrue under the SERP during the Continuation Period, (including Base Salary and Incentive Pay), if the Executive had remained in the full-time employment of the Company for the entire Continuation Period. The calculation of the SERP Payments shall be made as of the date 6 months after Executive's Separation from Service using the assumptions and factors used in the salaried pension plan for similar calculations.

The Company hereby waives the discretionary right, at any time subsequent to the date of a Change in Control, to amend or terminate the SERP as to the Executive as provided in Paragraph 7 thereof or to terminate the rights of the Executive or his beneficiary under the SERP in the event the Executive engages in a competitive business as provided in any plan or arrangement between the Company and the Executive or applicable to the Executive.

This Section 4(c) shall constitute a " Supplemental Agreement " as defined in Paragraph 1.J of the SERP. The terms of the Agreement shall not replace the SERP with respect to the Executive, but shall take precedence to the extent they are contrary to provisions contained in the SERP.

Payment of the SERP Payment by the Company shall be deemed to be a satisfaction of all obligations of the Company to the Executive under the SERP.

(d) Reasonable outplacement services by a firm selected by the Executive, at the expense of the Company in an amount up to $10,000. Such outplacement services shall be provided within a period ending no later than the end of the second taxable year of the Executive following the year in which the Executive's Separation from Service occurred and the fees for such services shall be paid by the Company within 5 days of receipt of an invoice from the outplacement provider for its services or within 5 days of the time

the Executive presents the provider's invoice for such services to the Company, provided in either case that the invoice shall be submitted no later than 5 days prior to the end of the third taxable year of the Executive following the year in which his Separation from Service occurred.

(e) Company provided tax and financial planning services up to $10,000 per year through the AYCO Company equal to the number of years in the Continuation period.

(f) During the Continuation Period, the Company will arrange to provide the Executive with medical, dental, and vision benefits that are the same as those that the Executive was receiving or entitled to receive immediately prior to the Executive's Separation from Service (or, if greater, immediately prior to the Change in Control); provided , however , that if such medical, dental, and vision benefits are subject to income tax, the reimbursement of an eligible expense shall be made on or before the last day of the Executive's taxable year following the taxable year in which the medical, dental, or vision expense was incurred. Without otherwise limiting the purposes or effect of Section 4(d) of the Agreement, the medical, dental, and vision benefits otherwise receivable by the Executive pursuant to this Section 4(d) will be reduced to the extent comparable medical, dental, and vision benefits are actually received by the Executive from another employer during the Continuation Period following the Executive's Separation from Service, and any such benefits actually received by the Executive shall be reported by the Executive to the Company.

(g) If and to the extent that any benefit described in Section 4(f) is not or cannot be paid or provided under a policy, plan, program or arrangement of the Company or any Subsidiary, as the case may be, then the Company will itself pay or provide for the payment to the Executive, his dependents and beneficiaries, of such Employee Benefits.

5. **Indemnification of Legal Fees and Expenses: Security for Payment** .

It is the intent of the Company that the Executive not be required to incur legal fees and the related expenses associated with the interpretation, enforcement or defense of the Executive's rights under this Agreement by litigation or otherwise because the cost and expense thereof would substantially detract from the benefits intended to be extended to the Executive hereunder. Accordingly, if it should appear to the Executive that the Company has failed to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes or threatens to take any action to declare this Agreement void or unenforceable, or institutes any litigation or other action or proceeding designed to deny, or to recover from the Executive the benefits provided or intended to be provided to the Executive hereunder, the Company irrevocably authorizes the Executive from time to time to retain counsel of the Executive's choice, at the expense of the Company as hereafter provided, to advise and represent the Executive in connection with any such interpretation, enforcement or defense, including without limitation the initiation or defense of any litigation or other legal action, whether by or against the Company or any Director, officer, stockholder or other person affiliated with the Company, in any jurisdiction. Notwithstanding any existing or prior attorney - client relationship between the Company and such counsel, the Company irrevocably consents to the Executive's entering into an attorney - client relationship with such counsel, and in that connection the Company and the Executive agree that a confidential relationship shall exist between the Executive and such counsel. Without respect to whether the Executive prevails, in whole or part, in connection with any of the foregoing, the Company will pay and be solely financially responsible for any and all attorneys' and related fees and expenses incurred by the Executive in connection with any of the foregoing, which fees shall be paid within 30 days of the day the Executive submits to the Company an invoice from such counsel for the fees and expenses, which invoice shall be submitted no later than 30 days prior to the end of the taxable year of the Executive following

the year in which the expenses were incurred. Notwithstanding any provision to the contrary, this Section 5 shall only apply in the event that a Change in Control occurs.

6. **Competitive Activity; Confidentiality; Non-solicitation** .

(a) During the Term and for the duration of the Continuation Period, if the Executive shall have received or shall be receiving benefits under Section 4, the Executive shall not, without the prior written consent of the Company, engage in any Competitive Activity anywhere in the United States.

(b) During the Term, the Company agrees that it will disclose to the Executive its confidential or proprietary information (as defined in this Section 6(b)) to the extent necessary for the Executive to carry out his obligations to the Company. The Executive hereby covenants and agrees that he will not, without the prior written consent of the Company, during the Term or thereafter disclose to any person not employed by the Company, or use in connection with engaging in competition with the Company, any confidential or proprietary information of the Company. For purposes of this Agreement, the term "confidential or proprietary information" will include all information of any nature and in any form that is owned by the Company and that is not publicly available (other than by the Executive's breach of this Section 6(b)) or generally known to persons engaged in businesses similar or related to those of the Company. Confidential or proprietary information will include, without limitation, the Company's financial matters, customers, employees, industry contracts, strategic business plans, product development (or other proprietary product data), marketing plans, and all other secrets and all other information of a confidential or proprietary nature. For purposes of the preceding two sentences, the term " Company " will also include any Subsidiary (collectively, the " Restricted Group "). The foregoing obligations imposed by this Section 6(b) will not apply (i) during the Term, in the course of the business of and for the benefit of the Company, (ii) if such confidential or proprietary information will have become, through no fault of the Executive, generally known to the public or (iii) if the Executive is required by law to make disclosure (after giving the Company notice and an opportunity to contest such requirement).

(c) The Executive hereby covenants and agrees that during the Term and for the duration of the Continuation Period, the Executive will not, without the prior written consent of the Company, on behalf of the Executive or on behalf of any person, firm or company, directly or indirectly, attempt to influence, persuade or induce, or assist any other person in so persuading or inducing, any employee of the Restricted Group to give up, or to not commence, employment or a business relationship with the Restricted Group.

(d) The Executive further agrees that he shall return, within 10 days of the effective date of his termination as an employee of the Company and any Subsidiary, in good condition, all property of the Company and any Subsidiary then in his possession, including, without limitation, whether in hard copy or in media (i) property, documents and/or all other materials (including copies, reproductions, summaries and/or analyses) which constitute, refer or relate to confidential or proprietary information of the Company or any Subsidiary, (ii) keys to property of the Company or any Subsidiary, (iii) files and (iv) blueprints or other drawings.

(e) The Executive further acknowledges and agrees that his obligation of confidentiality shall survive until and unless such confidential or proprietary information of the Company or any Subsidiary shall have become, through no fault of the Executive, generally known to the public or the Executive is required by law (after providing the Company with notice and opportunity to contest such requirement) to make disclosure. The Executive's obligations under this Section are in addition to, and not in limitation or preemption of,

all other obligations of confidentiality which the Executive may have to the Company and any Subsidiary under general legal or equitable principles or statutes.

(f) During the term and for the duration of the Continuation Period, the Executive further agrees that he will not, directly or indirectly:

(i) induce or attempt to induce customers, business relations or accounts of the Company or any of the Subsidiaries to relinquish their contracts or relationships with the Company or any of the Subsidiaries; or

(ii) solicit, entice, assist or induce other employees, agents or independent contractors to leave the employ of the Company or any of the Subsidiaries or to terminate their engagements with the Company and/or any of the Subsidiaries or assist any competitors of the Company or any of the Subsidiaries in securing the services of such employees, agents or independent contractors.

7. **Release** . Receipt of Severance Compensation and other benefits or amounts by the Executive under this Agreement, is conditioned upon the Executive executing and delivering to the Company a release.. Such release must be executed and delivered by no later than the fifth day following the expiration of the applicable 21-day review period that commences on the day after Executive's Separation from Service, and no payment of any Severance Compensation will be made until the expiration of the 7-day revocation period that follows the date on which the Executive executes the release.

8. **Employment Rights** . Nothing expressed or implied in this Agreement shall create any right or duty on the part of the Company, a Subsidiary or the Executive to have the Executive remain in the employment of the Company or a Subsidiary at any time prior to or following a Change in Control.

9. **Withholding of Taxes** . The Company may withhold from any amounts payable under this Agreement all federal, state, city or other taxes as the Company is required to withhold pursuant to any applicable law, regulation or ruling.

10. **Code Section 280G** .

(a) Notwithstanding any other provisions in this Agreement, in the event that any payment or benefit received or to be received by the Executive (including, without limitation, any payment or benefit received in connection with a Change in Control or the termination of Employee's employment, whether pursuant to the terms of this Agreement or any other plan, program, arrangement or agreement) (all such payments and benefits, together, the "Total Payments") would be subject (in whole or in part) to any excise tax imposed under Code Section 4999, or any successor provision thereto (the "Excise Tax"), then, after taking into account any reduction in the Total Payments provided by reason of Code Section 280G in such other plan, agreement, arrangement or program, the Total Payments shall be reduced (but in no event to less than zero) in the following order to the extent necessary so that no portion of the Total Payments is subject to the Excise Tax: (i) cash payments that do not constitute deferred compensation within the meaning of Code Section 409A, (ii) acceleration of vesting of equity and equity-based awards and non-cash benefits that do not constitute deferred compensation within the meaning of Section 409A of the Code and (iii) all other cash payments, acceleration of vesting of equity and equity-based awards and non-cash benefits that do constitute deferred compensation within the meaning of Code Section 409A (the payments and benefits in clauses (i), (ii) and (iii), together, the "Potential Payments"); provided, however, that the Potential Payments shall only be reduced if (A) the net amount of the Total Payments,

as so reduced (and after subtracting the net amount of federal, state, municipal and local income taxes on such reduced Total Payments and after taking into account the phase out of itemized deductions and personal exemptions attributable to such reduced Total Payments), is greater than or equal to (B) the net amount of the Total Payments without such reduction (but after subtracting the net amount of federal, state, municipal and local income taxes on such Total Payments and the amount of Excise Tax to which the Employee would be subject in respect of such unreduced Total Payments and after taking into account the phase out of itemized deductions and personal exemptions attributable to such unreduced Total Payments).

(b) All determination under this Section 10 shall be made by a nationally recognized accounting firm or law firm selected by the Company (the "Tax Advisor"). The Company and the Executive will each provide the Tax Advisor access to and copies of any books, records and documents in the possession of the Company or the Executive, as the case may be, reasonably requested by the Tax Advisor, and otherwise cooperate with the Tax Advisor in connection with the preparation and issuance of the determinations and calculations contemplated by this Section 10.

11. **Successors; Binding Agreement; Entire Agreement.**

(a)The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, reorganization or otherwise) to all or substantially all of the business or assets of the Company, by agreement in form and substance reasonably satisfactory to the Executive, expressly to assume and agree to perform this Agreement in the same manner and to the same extent the Company would be required to perform if no such succession had taken place. This Agreement will be binding upon and inure to the benefit of the Company and any successor to the Company, including without limitation any persons acquiring directly or indirectly all or substantially all of the business or assets of the Company whether by purchase, merger, consolidation, reorganization or otherwise (and such successor shall thereafter be deemed the "Company" for the purposes of this Agreement), but will not otherwise be assignable, transferable or delegable by the Company.

(b) This Agreement will inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees and legatees.

(c) This Agreement is personal in nature and neither of the parties hereto shall, without the consent of the other, assign, transfer or delegate this Agreement or any rights or obligations hereunder except as expressly provided in Sections 12(a) and 12(b). Without limiting the generality or effect of the foregoing, the Executive's right to receive Severance Compensation and other benefits hereunder will not be assignable, transferable or delegable, whether by pledge, creation of a security interest, or otherwise, other than by a transfer by the Executive's will or by the laws of descent and distribution and, in the event of any attempted assignment or transfer contrary to this Section 12(c), the Company shall have no liability to pay any amount so attempted to be assigned, transferred or delegated.

(d) The obligation of the Company to provide Severance Compensation and other benefits hereunder shall represent an unsecured obligation of the Company.

(e) The Company recognizes that each Executive will have no adequate remedy at law for breach by the Company of any of the agreements contained herein and, in the event of any such breach, the Company hereby agrees and consents that each Executive shall

be entitled to a decree of specific performance, mandamus or other appropriate remedy to enforce performance of obligations of the Company under this Agreement.

(f) This Agreement contains the entire understanding of the Company and the Executive with respect to the subject matter hereof and replaces the Prior Agreement, which Prior Agreement shall, without further action, be superseded and replaced without further effect as of the Effective Date.

12. **Governing Law**. The validity, interpretation, construction and performance of this Agreement will be governed by and construed in accordance with the substantive laws of the State of Ohio, without giving effect to the principles of conflict of laws of such State.

13. **Effect on Prior Agreements**. This Agreement contains the entire understanding of the Company and the Executive with respect to the subject matter hereof and shall expressly replace, supersede, and render null, void and invalid any prior severance pay agreement or agreements of a similar nature previously entered into by the Company and Employee with respect to the subject matter of this Agreement, including, without limitation, the Prior Agreement; provided however, for the avoidance of doubt, the restriction covenant provisions in this Agreement shall not supersede any similar restrictive covenant provisions in any other agreement entered into by and between the Company and Employee that would be in effect upon a termination of employment for any reason other than a Qualifying Termination following a Change in Control.

14. **Validity**. If any provision of this Agreement or the application of any provision hereof to any person or circumstances is held invalid, unenforceable or otherwise illegal, the remainder of this Agreement and the application of such provision to any other person or circumstances will not be affected, and the provision so held to be invalid, unenforceable or otherwise illegal will be reformed to the extent (and only to the extent) necessary to make it enforceable, valid or legal.

15. **Administration of This Agreement.**

(a) In General. This Agreement shall be administered by the Company.

(b) Delegation of Duties. The Company may delegate any of its administrative duties, including, without limitation, duties with respect to the processing, review, investigation, approval and payment of Severance Compensation under this Agreement, and any severance pay generally, to named administrator or administrators.

(c) Regulations. The Company shall promulgate any rules and regulations it deems necessary in order to carry out the purposes of this Agreement or to interpret the terms and conditions of this Agreement; provided, however, that no rule, regulation or interpretation shall be contrary to the provisions of this Agreement.

16. **Amendment and Termination**. The Company reserves the right, except as hereinafter provided, at any time and from time to time, to amend, modify, change or terminate this Agreement and/or any action by the Compensation and Organization Committee of the Company's Board of Directors relating thereto, including any Annex or Exhibit thereto; provided, however, that any such amendment, modification, change or termination that adversely affects the rights of the Executive under this Agreement may not be made without the written consent of the Executive except as provided in the next sentence; and provided further that any such amendment or termination shall be made only if permitted in accordance with the requirements of Code Section 409A. Notwithstanding anything in this Agreement to the contrary, Executive acknowledges and agrees that this Agreement and the payments and benefits provided for hereunder are subject to the terms and conditions of the Company's clawback policy (if any) as may be effect from time to time specifically to implement Section 10D of the Exchange Act and

any applicable rules or regulations promulgated thereunder (including applicable rules and regulations of any national securities exchange on which the Company's common shares may be traded) (the "Compensation Recovery Policy"), and that applicable sections of this Agreement shall be deemed superseded by and subject to the terms and conditions of the Compensation Recovery Policy from and after the effective date thereof.

17. **Construction** . The masculine gender, when used in this Agreement, shall be deemed to include the feminine gender and the singular number shall include the plural, unless the context clearly indicates to the contrary.

18. **Counterparts** . This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same agreement.

19. **Code Section 409A** .

(a) General . The amounts payable under this Agreement are intended to be exempt or excluded from the application of Code Section 409A, or are otherwise intended to avoid the incurrence of tax penalties under Code Section 409A and, with respect to amounts payable under this Agreement that are subject to Code Section 409A, this Agreement shall in all respects be administered in accordance with Code Section 409A. Each payment under this Agreement shall be treated as a separate payment for purposes of Code Section 409A. In no event may the Executive, directly or indirectly, designate the calendar year of any payment to be made under this Agreement. Prior to the Change in Control but within the time period permitted by the applicable Treasury Regulations (or such later time as may be permitted under Code Section 409A or any IRS or Department of Treasury rules or other guidance issued thereunder), the Company may, in consultation with the Executive, modify the Agreement, in the least restrictive manner necessary and without any diminution in the value of the payments to the Executive, in order to avoid the incurrence of tax penalties under Code Section 409A. Notwithstanding anything herein to the contrary, the tax treatment of the benefits provided under this Agreement is not warranted or guaranteed. Neither the Company, its affiliates nor their respective boards of directors shall be held liable for any taxes, interest, penalties, or other similar monetary amounts owed by Executive or other taxpayers as a result of the Agreement.

(b) Separation from Service; Specified Employee . For clarity, the amounts payable under this Agreement shall only be paid following the Executive's Separation from Service. If a termination of the Executive's employment does not constitute a Separation from Service, any amounts payable under this Agreement shall be delayed until after the date Executive incurs a Separation from Service. For clarity, the foregoing provision shall not cause any forfeiture of the payments due to the Executive under this Agreement, but shall only act as a delay until such time as Executive incurs a Separation from Service. Notwithstanding anything herein to the contrary, in the event that the Executive is a "specified employee" within the meaning of Code Section 409A (as determined in accordance with the methodology established by the Company as in effect on the Separation from Service) (a " Specified Employee "), amounts and benefits that constitute "nonqualified deferred compensation" within the meaning of Code Section 409A that would otherwise be payable and or provided under this Agreement during the six-month period immediately following the Separation from Service shall instead be paid, with interest determined as of the Separation from Service, or provided, on the first normal payroll date after the date that is six months following the Executive's Separation from Service (the " Delayed Payment Date "). If the Executive dies following the Separation from Service and prior to the payment of any amounts delayed to the Delayed Payment

Date on account of Code Section 409A, such amounts shall be paid to the personal representative of the Executive's estate within 30 days after the date of the Executive's death.

(c) Reimbursements and In-Kind Benefits. All reimbursements and in-kind benefits provided under this Agreement that constitute "nonqualified deferred compensation" within the meaning of Code Section 409A shall be made or provided in accordance with Code Section 409A, including, without limitation, that (i) in no event shall reimbursements by the Company under this Agreement be made later than the end of the calendar year next following the calendar year in which the applicable fees and expenses were incurred, provided, that the Executive shall have submitted an invoice for such fees and expenses at least 10 days before the end of the calendar year next following the calendar year in which such fees and expenses were incurred; (ii) the amount of in-kind benefits that the Company is obligated to pay or provide in any given calendar year (other than medical reimbursements described in Treas. Reg. § 1.409A-3(i)(1)(iv)(B)) shall not affect the in-kind benefits that the Company is obligated to pay or provide in any other calendar year; (iii) the Executive's right to have the Company pay or provide such reimbursements and in-kind benefits may not be liquidated or exchanged for any other benefit; and (iv) in no event shall the Company's obligations to make such reimbursements or to provide such in-kind benefits apply later than the Executive's remaining lifetime (or if longer, through the 20th anniversary of the Effective Date). Prior to the Change in Control but within the time period permitted by the applicable Treasury Regulations (or such later time as may be permitted under Code Section 409A or any IRS or Department of Treasury rules or other guidance issued thereunder), the Company may, in consultation with the Executive, modify the Agreement, in the least restrictive manner necessary and without any diminution in the value of the payments to the Executive, in order to avoid the incurrence of tax penalties under Code Section 409A.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered as of the date first above written.

EXECUTIVE		**CLIFFS NATURAL RESOURCES INC.**	
Print name:	____________________	Signature:	____________________
Signature:	____________________	Print name:	____________________
Dated:	____________________	Business Title:	____________________
		Dated:	____________________

Exhibit 31.1

CERTIFICATION

I, Lourenco Goncalves, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cliffs Natural Resources Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected or is reasonably likely to materially affect the registrant’s internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 27, 2016

By: /s/ Lourenco Goncalves

Lourenco Goncalves

Chairman, President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, P. Kelly Tompkins, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cliffs Natural Resources Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected or is reasonably likely to materially affect the registrant’s internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 27, 2016

By: /s/ P. Kelly Tompkins

P. Kelly Tompkins

Executive Vice President & Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Cliffs Natural Resources Inc. (the “Company”) on Form 10-Q for the period ended September 30, 2016 , as filed with the Securities and Exchange Commission on the date hereof (the “Form 10-Q”), I, Lourenco Goncalves, Chairman, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to such officer’s knowledge:

(1) The Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Form 10-Q.

Date: October 27, 2016

By: /s/ Lourenco Goncalves

Lourenco Goncalves
Chairman, President and Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Cliffs Natural Resources Inc. (the “Company”) on Form 10-Q for the period ended September 30, 2016 , as filed with the Securities and Exchange Commission on the date hereof (the “Form 10-Q”), I, P. Kelly Tompkins, Executive Vice President & Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to such officer’s knowledge:

(1) The Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Form 10-Q.

Date: October 27, 2016

By: /s/ P. Kelly Tompkins
P. Kelly Tompkins
Executive Vice President & Chief Financial Officer

Exhibit 95

Mine Safety Disclosures

The operation of our mines located in the United States is subject to regulation by MSHA under the FMSH Act. MSHA inspects these mines on a regular basis and issues various citations and orders when it believes a violation has occurred under the FMSH Act. We present information below regarding certain mining safety and health citations that MSHA has issued with respect to our mining operations. In evaluating this information, consideration should be given to factors such as: (i) the number of citations and orders will vary depending on the size of the mine; (ii) the number of citations issued will vary from inspector to inspector and mine to mine, and (iii) citations and orders can be contested and appealed and, in that process, are often reduced in severity and amount, and are sometimes dismissed.

Under the Dodd-Frank Act, each operator of a coal or other mine is required to include certain mine safety results within its periodic reports filed with the SEC. As required by the reporting requirements included in §1503(a) of the Dodd-Frank Act, we present the following items regarding certain mining safety and health matters, for the period presented, for each of our mine locations that are covered under the scope of the Dodd-Frank Act:

(A) The total number of violations of mandatory health or safety standards that could significantly and substantially contribute to the cause and effect of a coal or other mine safety or health hazard under section 104 of the FMSH Act (30 U.S.C. 814) for which the operator received a citation from MSHA;

(B) The total number of orders issued under section 104(b) of the FMSH Act (30 U.S.C. 814(b));

(C) The total number of citations and orders for unwarrantable failure of the mine operator to comply with mandatory health or safety standards under section 104(d) of the FMSH Act (30 U.S.C. 814(d));

(D) The total number of imminent danger orders issued under section 107(a) of the FMSH Act (30 U.S.C. 817(a));

(E) The total dollar value of proposed assessments from MSHA under the FMSH Act (30 U.S.C. 801 et seq.);

(F) Legal actions pending before the Federal Mine Safety and Health Review Commission involving such coal or other mine as of the last day of the period;

(G) Legal actions initiated before the Federal Mine Safety and Health Review Commission involving such coal or other mine during the period; and

(H) Legal actions resolved before the Federal Mine Safety and Health Review Commission involving such coal or other mine during the period.

During the three and nine months ended September 30, 2016 , our U.S. mine locations did not receive any flagrant violations under section 110(b)(2) of the FMSH Act or any written notices of a pattern of violations, or the potential to have such a pattern of violations, under section 104(e) of the FMSH Act. In addition, there were no mining-related fatalities at any of our U.S. mine locations during this same period.

Following is a summary of the information listed above for the three months ended September 30, 2016 :

		Three Months Ended September 30, 2016								
		(A)	(B)	(C)	(D)	(E)	(F)		(G)	(H)
Mine Name/ MSHA ID No.	Operation	Section 104 S&S Citations	Section 104(b) Orders	Section 104(d) Citations & Orders	Section 107(a) Orders	Total Dollar Value of MSHA Proposed Assessments (1)	Legal Actions Pending as of Last Day of Period		Legal Actions Initiated During Period	Legal Actions Resolved During Period
Tilden / 2000422	Iron Ore	31	—	10	—	$ 60,998	20	(2)	10	2
Empire / 2001012	Iron Ore	—	—	—	—	—	11	(3)	—	—
Northshore Plant / 2100831	Iron Ore	—	—	—	—	—	4	(4)	1	—
Northshore Mine / 2100209	Iron Ore	—	—	—	—	—	—		—	—
Hibbing / 2101600	Iron Ore	—	—	—	—	—	10	(5)	4	—
United Taconite Plant / 2103404	Iron Ore	7	—	—	—	—	—		—	—
United Taconite Mine / 2103403	Iron Ore	—	—	—	—	—	—		—	7

(1) Amounts included under the heading “Total Dollar Value of MSHA Proposed Assessments” are the total dollar amounts for proposed assessments received from MSHA for the three months ended September 30, 2016 .

(2) This number consists of 9 pending legal actions related to contests of citations and orders referenced in Subpart B of FMSH Act's procedural rules, 9 pending legal actions related to contests of proposed penalties referenced in Subpart C of FMSH Act's procedural rules, 1 appeal of judges' decisions or orders to the Federal Mine Safety and Health Review Commission referenced in Subpart H of FMSH Act's procedural rules, and 1 pending legal action related to complaints of discharge, discrimination, or interference referenced in Subpart E of FMSH Act's procedural rules.

(3) This number consists of 10 pending legal actions related to contests of proposed penalties referenced in Subpart C of FMSH Act's procedural rules and 1 pending legal action related to complaints of discharge, discrimination, or interference referenced in Subpart E of FMSH Act's procedural rules.

(4) This number consists of 4 pending legal actions related to contests of proposed penalties referenced in Subpart C of FMSH Act's procedural rules.

(5) This number consists of 8 pending legal actions related to contests of proposed penalties referenced in Subpart C of FMSH Act's procedural rules and 2 pending legal actions related to contests of citations and orders referenced in Subpart B of FMSH Act's procedural rules.