

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2015

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



Ohio
*(State or Other Jurisdiction of
Incorporation or Organization)*

34-1464672
*(I.R.S. Employer
Identification No.)*

200 Public Square, Cleveland, Ohio
(Address of Principal Executive Offices)

44114-2315
(Zip Code)

Registrant's Telephone Number, Including Area Code: (216) 694-5700
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class
Common Shares, par value \$0.125 per share

Name of Each Exchange on Which Registered
New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES NO

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 Act). YES NO

As of June 30, 2015, the aggregate market value of the voting and non-voting common shares held by non-affiliates of the registrant, based on the closing price of \$4.33 per share as reported on the New York Stock Exchange — Composite Index, was \$653,133,194 (excluded from this figure is the voting stock beneficially owned by the registrant's officers and directors).

The number of shares outstanding of the registrant's common shares, par value \$0.125 per share, was 180,111,831 as of February 22, 2016.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's proxy statement for its 2016 annual meeting of shareholders are incorporated by reference into Part III.

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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\$" 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
Amapá	Anglo Ferrous Amapá Mineração Ltda. and Anglo Ferrous Logística Amapá Ltda.
AG	Autogenous Grinding
Anglo	Anglo American plc
APBO	Accumulated Postretirement Benefit Obligation
ArcelorMittal	ArcelorMittal (as the parent company of ArcelorMittal Mines Canada, ArcelorMittal USA and ArcelorMittal Dofasco Inc., as well as, many other subsidiaries)
ArcelorMittal USA	ArcelorMittal USA LLC (including many of its North American affiliates, subsidiaries and representatives. References to ArcelorMittal USA comprise all such relationships unless a specific ArcelorMittal USA entity is referenced)
ASC	Accounting Standards Codification
BAML	Bank of America Merrill Lynch
BART	Best Available Retrofit Technology
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
BNSF	Burlington Northern Santa Fe, LLC
Canadian Entities	Collectively, the Bloom Lake Group, Wabush Group and certain other wholly-owned subsidiaries
CCAA	Companies' Creditors Arrangement Act (Canada)
CFR	Cost and freight
CLCC	Cliffs Logan County Coal LLC
Clean Water Act	Federal Water Pollution Control Act
CN	Canadian National Railway Company
CO ₂	Carbon Dioxide
Cockatoo Island	Cockatoo Island Joint Venture
Codification	FASB Accounting Standards Codification
CODM	Chief Operating Decision Maker
Compensation Committee	Compensation and Organization Committee of Cliffs' Board of Directors
Consent Order	Administrative Order by Consent
Consolidated Thompson	Consolidated Thompson Iron Mining Limited (now known as Cliffs Québec Iron Mining ULC)
CQIM	Cliffs Québec Iron Mining ULC (formerly known as Cliffs Québec Iron Mining Limited)
CSAPR	Cross-State Air Pollution Rule
DD&A	Depreciation, depletion and amortization
DEP	Department of Environmental Protection
Directors' Plan	Cliffs Natural Resources Inc. 2014 Nonemployee Directors' Compensation Plan
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
EPA	U.S. Environmental Protection Agency
EPS	Earnings per share
ERM	Enterprise Risk Management
Essar	Essar Steel Algoma Inc.
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
Fe	Iron
FeT	Total Iron
FIP	Federal Implementation Plan
FMSH Act	U.S. Federal Mine Safety and Health Act 1977, as amended
GAAP	Accounting principles generally accepted in the United States

Abbreviation or acronym	Term
GHG	Greenhouse gas
Hibbing	Hibbing Taconite Company
IRS	U.S. Internal Revenue Service
Koolyanobbing	Collective term for the operating deposits at Koolyanobbing, Mount Jackson and Windarling
LIBOR	London Interbank Offered Rate
LIFO	Last-in, first-out
LTVSMC	LTV Steel Mining Company
MDEQ	Michigan Department of Environmental Quality
MISO	Midcontinent Independent System Operator
MMBtu	Million British Thermal Units
Moody's	Moody's Investors Service, Inc., a subsidiary of Moody's Corporation, and its successors
MPCA	Minnesota Pollution Control Agency
MPSC	Michigan Public Service Commission
MPUC	Minnesota Public Utilities Commission
MSHA	U.S. Mine Safety and Health Administration
MWh	Megawatts per hour
NAAQS	National Ambient Air Quality Standards
NO ₂	Nitrogen dioxide
NO _x	Nitrogen oxide
Northshore	Northshore Mining Company
NPDES	National Pollutant Discharge Elimination System, authorized by the U.S. Clean Water Act
NRD	Natural Resource Damages
NSPS	New Source Performance Standards
NYSE	New York Stock Exchange
Oak Grove	Oak Grove Resources, LLC
OCI	Other comprehensive income (loss)
OPEB	Other postretirement benefits
OPEB cap	Medical premium maximums
P&P	Proven and Probable
PBO	Projected benefit obligation
Pinnacle	Pinnacle Mining Company, LLC
Reconciliation Act	Health Care and Education Reconciliation Act
ROA	Return on asset
RTWG	Rio Tinto Working Group
S&P	Standard & Poor's Rating Services, a division of Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc., and its successors
SEC	U.S. Securities and Exchange Commission
Seneca	Seneca Coal Resources, LLC
Severstal	Severstal Dearborn, LLC
Silver Bay Power	Silver Bay Power Company
SIP	State Implementation Plan
SO ₂	Sulfur dioxide
Sonoma	Sonoma Coal Project
Spider	Spider Resources Inc. (now known as 9129561 Ontario Inc. after the amalgamation of Cliffs Chromite Far North Inc. and Cliffs Chromite Ontario Inc. in April 2015)
SSR	System Support Resource
STRIPS	Separate Trading of Registered Interest and Principal of Securities
Substitute Rating Agency	A "nationally recognized statistical rating organization" within the meaning of Section 3 (a)(62) of the Exchange Act, selected by us (as certified by a certificate of officers confirming the decision of our Board of Directors) as a replacement agency of Moody's or S&P, or both of them, as the case may be
Tilden	Tilden Mining Company
TMDL	Total Maximum Daily Load
TRIR	Total Reportable Incident Rate
TSR	Total Shareholder Return
United Taconite	United Taconite LLC

Abbreviation or acronym	Term
U.S.	United States of America
U.S. Steel	United States Steel Corporation
USW	United Steelworkers
Vale	Companhia Vale do Rio Doce
VEBA	Voluntary Employee Benefit Association trusts
VWAP	Volume Weighted Average Price
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
WISCO	Wugang Canada Resources Investment Limited, a subsidiary of Wuhan Iron and Steel (Group) Corporation
Zamin	Zamin Ferrous Ltd
2008 Director's Plan	Nonemployee Directors' Compensation Plan, as amended and restated 12/31/2008
2012 Equity Plan	Cliffs Natural Resources Inc. Amended and Restated 2012 Incentive Equity Plan

PART I

Item 1. **Business**

Introduction

Cliffs Natural Resources Inc. traces its history back to 1847. Today, we are 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. Additionally, Cliffs operates an 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 with operating and financial transparency.

We are organized through a global commercial group responsible for sales and delivery of our products and operations groups responsible for the production of the iron ore that we market. Our continuing operations are organized according to geographic location: U.S. Iron Ore and Asia Pacific Iron Ore.

In the U.S., we currently own or co-own five iron ore mines in Michigan and Minnesota. We are currently operating the two iron mines in Michigan and one of the three iron ore mines in Minnesota. Two of our three iron ore operations in Minnesota are temporarily idled due to reductions in iron ore pellet nominations from our customers due to the continued oversupply of steel in the U.S. market as a result of record levels of imported steel which stems from excess supply in the global markets. Our Asia Pacific operations consist solely of our Koolyanobbing iron ore mining complex in Western Australia.

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 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 current year and historical North American Coal operating segment results are included in our financial statements and classified within discontinued operations. Refer to NOTE 14 - DISCONTINUED OPERATIONS for further discussion of the North American Coal segment discontinued operations.

Additionally, we continue to own two non-operating iron ore mines in Eastern Canada that are currently in restructuring proceedings in Montreal, Quebec, under the CCAA. The CCAA filing related to our Eastern Canadian Iron Ore operations is more fully described below in the Business Segments section and in NOTE 14 - DISCONTINUED OPERATIONS. Financial results prior to the respective deconsolidations of the Bloom Lake and Wabush Groups and subsequent expenses directly associated with the Bloom Lake Group, Wabush Group and certain other wholly-owned subsidiaries (collectively, the "Canadian Entities") are included in our financial statements and classified within discontinued operations.

Unless otherwise noted, discussion of our business and results of operations in this Annual Report on Form 10-K refers to our continuing operations.

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

We continue to execute the strategy that was established in 2014, which focuses on becoming a company fully centered on our U.S. Iron Ore business. We are the market-leading iron ore producer in the U.S., supplying differentiated iron ore pellets under long-term contracts, some of which begin to expire in December 2016, to the largest North American steel producers. Cliffs has the unique advantage of being a low cost producer of iron ore pellets in the U.S. market with significant transportation and logistics advantages to effectively serve the U.S. steel market. 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 cost operating 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 grow in the U.S., 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 pellets, 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 pellets. 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 this 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.

Business Segments

Our Company's continuing operations are organized and managed according to geographic location: U.S. Iron Ore and Asia Pacific Iron Ore.

Segment information reflects our business units, which are organized to meet customer requirements and global competition. 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, beginning in the third quarter of 2014, concurrent with the change in control on July 29, 2014, management began to evaluate segment performance based on 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 impairment of goodwill and other long-lived assets, impacts of discontinued operations, extinguishment of debt, severance and contractor termination costs and other costs associated with the change in control, foreign currency remeasurement, certain supplies inventory write-offs, and intersegment corporate allocations of selling, general and administrative costs. Management uses and believes that investors benefit from referring to these measures in evaluating operating and financial results, as well as in planning, forecasting and analyzing future periods as these financial measures approximate the cash flows associated with the operational earnings. Financial information about our segments, including financial information about geographic areas, is included in *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations* and NOTE 2 - SEGMENT REPORTING included in *Item 8. Financial Statements and Supplementary Data* of this Annual Report on Form 10-K.

U.S. Iron Ore

We are a major producer of iron ore pellets, primarily selling production from U.S. Iron Ore to integrated steel companies in the U.S. and Canada. We manage five iron ore mines located in Michigan and Minnesota. In Michigan, we are currently operating the two iron ore mines, Empire mine and Tilden mine. In Minnesota, we are currently operating one iron ore mine, Hibbing mine. The other two iron ore operations in Minnesota, United Taconite mine and Northshore mine, are temporarily idled due to reduced pellet demand from our customers. The idling of United Taconite mine began during August 2015 and the idling of Northshore mine began at the end of November 2015. Both mines are expected to be idled through at least the first quarter of 2016. The U.S.-based mines currently have an annual rated capacity of 32.9 million tons of iron ore pellet production, representing 56 percent of total U.S. pellet production capacity. Based on our equity ownership in these mines, our share of the annual rated production capacity is currently 25.5 million tons, representing 44 percent of total U.S. annual pellet capacity.

The following chart summarizes the estimated annual pellet production capacity and percentage of total U.S. pellet production capacity for each of the respective iron ore producers as of December 31, 2015:

U.S. Iron Ore Pellet

Annual Rated Capacity Tonnage		
	Current Estimated Capacity (Tons in Millions) ⁽¹⁾	Percent of Total U.S. Capacity
All Cliffs' managed mines	32.9	56.3%
Other U.S. mines		
U.S. Steel's Minnesota ore operations		
Minnesota Taconite	14.3	24.6
Keewatin Taconite	5.4	9.2
Total U.S. Steel	19.7	33.8
ArcelorMittal USA Minorca mine	2.8	4.8
Magnetation	3.0	5.1
Total other U.S. mines	25.5	43.7
Total U.S. mines	58.4	100.0%

⁽¹⁾ Tons are long tons (2,240 pounds)

Our U.S. iron ore production generally is sold pursuant to long-term supply agreements with various price adjustment provisions. For the year ended December 31, 2015, we produced a total of 26.1 million tons of iron ore pellets, including 19.3 million tons for our account and 6.8 million tons on behalf of steel company partners of the mines.

We produce various grades of iron ore pellets, including standard and fluxed, for use in our customers' blast furnaces as part of the steelmaking process. Additionally, as the EAF steel market continues to grow in the U.S., 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 pellets, 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 pellets. 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 this 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.

The variation in grades of iron ore pellets results from the specific chemical and metallurgical properties of the ores at each mine and whether or not fluxstone is added in the process. Although the grade or grades of pellets currently delivered to each customer are based on that customer's preferences, which depend in part on the characteristics of the customer's blast furnace operation, in many cases our iron ore pellets can be used interchangeably. Industry demand for the various grades of iron ore pellets depends on each customer's preferences and changes from time to time. In the event that a given mine is operating at full capacity, the terms of most of our pellet supply agreements allow some flexibility in providing our customers iron ore pellets from different mines.

Standard pellets require less processing, are generally the least costly pellets to produce and are called "standard" because no ground fluxstone, such as limestone or dolomite, is added to the iron ore concentrate before turning the concentrate into pellets. In the case of fluxed pellets, fluxstone is added to the concentrate, which produces pellets that can perform at higher productivity levels in the customer's specific blast furnace and will minimize the amount of fluxstone the customer may be required to add to the blast furnace.

Each of our U.S. Iron Ore mines is located near the Great Lakes. The majority of our iron ore pellets are transported via railroads to loading ports for shipment via vessel to steelmakers in North America.

Our U.S. Iron Ore sales are influenced by seasonal factors in the first quarter of the year as shipments and sales are restricted by the Army Corp of Engineers due to closure of the Soo Locks and the Welland Canal on the Great Lakes. During the first quarter, we continue to produce our products, but we cannot ship those products via lake vessel until the conditions on the Great Lakes are navigable, which causes our first and second quarter inventory levels to rise. Our limited practice of shipping product to ports on the lower Great Lakes or to customers' facilities prior to the transfer of title has somewhat mitigated the seasonal effect on first and second quarter inventories and sales, as shipment from this point to the customers' operations is not limited by weather-related shipping constraints. At December 31, 2015 and 2014, we had approximately 1.3 million and 1.4 million tons of pellets, respectively, in inventory at lower lakes or customers' facilities.

U.S. Iron Ore Customers

Our U.S. Iron Ore revenues primarily are derived from sales of iron ore pellets to the North American integrated steel industry, consisting of three major customers, two of which we currently have supply agreements. During the fourth quarter of 2015, we terminated the long term agreement with our third major customer as a result of the continual material breaches. Refer to the *Essar* section within *Concentration of Customers* below for further information. Generally, we have multi-year supply agreements with our customers. Sales volume under these agreements largely is dependent on customer requirements, and in many cases, we are the sole supplier of iron ore to the customer. Historically, each agreement has contained a base price that is adjusted annually using one or more adjustment factors. Factors that could result in a price adjustment include spot pricing, measures of general industrial inflation and steel prices. Additionally, certain of our supply agreements have a provision that limits the amount of price increase or decrease in any given year.

During 2015, 2014 and 2013, we sold 17.3 million, 21.8 million and 21.3 million tons of iron ore pellets, respectively, from our share of the production from our U.S. Iron Ore mines. The segment's three major customers together accounted for a total of 93 percent, 86 percent and 78 percent of U.S. Iron Ore product revenues for the years 2015, 2014 and 2013, respectively. Refer to *Concentration of Customers* below for additional information regarding our major customers.

Asia Pacific Iron Ore

Our Asia Pacific Iron Ore operations are located in Western Australia and consist solely of our wholly owned Koolyanobbing operation.

The Koolyanobbing operations serve the Asian iron ore markets with direct-shipped fines and lump ore. The lump products are fed directly to blast furnaces, while the fines products are used as sinter feed. The variation in the two export product grades reflects the inherent chemical and physical characteristics of the ore bodies mined as well as

the supply requirements of our customers. Production in 2015 was 11.7 million metric tons, compared with 11.4 million metric tons in 2014 and 11.1 million metric tons in 2013.

Koolyanobbing is a collective term for the deposits at Koolyanobbing, Mount Jackson and Windarling. There are approximately 70 miles separating the three mining areas. The operations at Windarling have been idled since the beginning of the fourth quarter of 2015 as a result of cost cutting measures. Banded iron formations host the mineralization, which is predominately hematite and goethite. Each deposit is characterized with different chemical and physical attributes and, in order to achieve customer product quality, ore in varying quantities from each deposit must be blended together.

Crushing and blending are undertaken at Koolyanobbing, where the crushing and screening plant is located. Once the blended ore has been crushed and screened into a direct lump and fines shipping product, it is transported by rail approximately 360 miles south to the Port of Esperance, via Kalgoorlie, for shipment to our customers in Asia.

Asia Pacific Iron Ore Customers

Asia Pacific Iron Ore's production is under contract with steel companies primarily in China, Japan and Korea. In March 2015, we extended the majority of our supply agreements with steel producers in China, and one steel producer in Japan, for two years. The remaining supply agreements with our China steel clients, as well as clients in Japan and Korea, will currently expire in March 2016, but we anticipate that the majority of these contracts will be renewed for the remainder of 2016 in conjunction with our customers' fiscal year. Pricing for our Asia Pacific Iron Ore Chinese customers consists of shorter-term pricing mechanisms of various durations up to 45 days based on the average of daily spot prices that are generally associated with the time of unloading of each shipment. Pricing with our Japanese and Korean customers is generally consistent with the inputs used with our Chinese customers, but the pricing inputs are fixed before shipment.

During 2015, 2014 and 2013, we sold 11.6 million, 11.5 million and 11.0 million metric tons of iron ore, respectively, from our Western Australia mines. No Asia Pacific Iron Ore customer comprised more than 10 percent of Cliffs consolidated sales in 2015, 2014 or 2013. The segment's five largest customers together accounted for a total of 47 percent, 38 percent and 42 percent of Asia Pacific Iron Ore product revenues for the years 2015, 2014 and 2013, respectively.

North American Coal

Throughout the majority of 2015, we owned and operated two low-volatile metallurgical coal operations located in Alabama and West Virginia. These low-volatile metallurgical coal operations had a rated capacity of 6.5 million tons of production annually. In the fourth quarter of 2015, we sold these 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. In 2015, we sold a total of 4.6 million tons, compared with 7.4 million tons in 2014 and 7.3 million tons in 2013. In the fourth quarter of 2014, we sold our CLCC assets, which consisted of two high-volatile metallurgical coal mines and a thermal coal mine. The sale was completed on December 31, 2014. Sales tons at the CLCC operations were 2.4 million tons and 2.2 million tons for the years ended December 31, 2014 and 2013, respectively, and are included in the sales tons disclosed above.

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. Refer to NOTE 14 - DISCONTINUED OPERATIONS for further discussion of the North American Coal segment discontinued operations.

Eastern Canadian Iron Ore

We continue to own two iron ore mines in Eastern Canada that are currently in restructuring proceedings in Montreal, Quebec, under the CCAA.

As disclosed in the first quarter of 2014, at the end of March 2014, we idled our Wabush Scully mine in Newfoundland and Labrador and in November 2014, we began to implement the permanent closure plan for the mine. The idle and ultimate closure was driven by the unsustainable high cost structure. Additionally, we disclosed in November 2014, that we were pursuing exit options for our Bloom Lake mine. As disclosed in January 2015, active production at the Bloom Lake mine had ceased and the mine had transitioned to "care-and-maintenance" mode. Together, the shutdown of the Wabush Scully mine and the cessation of operations at our Bloom Lake mine represented a complete curtailment of our Eastern Canadian Iron Ore operations.

During 2014 and 2013, we sold 7.2 million and 8.6 million metric tons of iron ore concentrate and pellets, respectively, from our Eastern Canadian Iron Ore mines.

As more fully described in NOTE 14 - DISCONTINUED OPERATIONS, in January 2015, we announced that the Bloom Lake Group commenced restructuring proceedings in Montreal, Quebec under the CCAA. At that time, we had recently 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 restructuring proceedings in Montreal, Quebec under the CCAA 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 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.

Refer to NOTE 14 - DISCONTINUED OPERATIONS for further discussion of the Eastern Canadian Iron Ore segment discontinued operations.

Investments

Amapá

On December 27, 2012, our Board of Directors authorized the sale of our 30 percent interest in Amapá. Per this original agreement, together with Anglo, we were to sell our respective interest in a 100 percent sale transaction to Zamin.

On March 28, 2013, an unknown event caused the Santana port shiploader to collapse into the Amazon River, preventing further ship loading by the mine operator, Anglo. In light of the Santana port shiploader collapse and subsequent evaluation of the effect that this event had on the carrying value of our investment in Amapá as of June 30, 2013, we recorded an impairment charge of \$67.6 million in the second quarter of 2013.

On August 28, 2013, we entered into additional agreements to sell our 30 percent interest in Amapá to Anglo for nominal cash consideration, plus the right to certain contingent deferred consideration upon the two-year anniversary of the closing. However, no contingent deferred consideration was earned upon the two-year anniversary. The closing was conditional on obtaining certain regulatory approvals and the additional agreement provided Anglo with an option to request that we transfer our interest in Amapá directly to Zamin. Anglo exercised this option and the transfer to Zamin closed in the fourth quarter of 2013. Our interest in Amapá previously was reported as our Latin American iron ore operating segment.

Applied Technology, Research and Development

We have been a leader in iron ore mining and process technology for more than 160 years. We operated some of the first mines on Michigan's Marquette Iron Range and pioneered early open-pit and underground mining methods. From the first application of electrical power in Michigan's underground mines to the use of today's sophisticated computers and global positioning satellite systems, we have been a leader in the application of new technology to the centuries-old business of mineral extraction. Today, our engineering and technical staffs are engaged in full-time technical support of our operations and improvement of existing products.

We are a pioneer in iron ore pelletizing with over 60 years of experience. We are able to produce customized pellets to meet each customer's blast furnace specifications, and produce both standard and fluxed pellets. Using our technical expertise and strong market position in the United States to increase our product offering, we have been working on producing DR-grade pellets. 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 pellets. In early 2016, we reached a significant milestone with positive results from the successful industrial trial of our DR-grade pellets.

With state-of-the-art equipment and experienced technical professionals, we remain on the forefront of mining technology. We have an unsurpassed reputation for our pelletizing technology, delivering a world-class quality product to our customers. We are a pioneer in the development of emerging reduction technologies, a leader in the extraction of value from challenging resources and a frontrunner in the implementation of safe and sustainable technology. Our technical experts are dedicated to excellence and deliver superior technical solutions tailored to our customer base.

Concentration of Customers

In 2015, 2014 and 2013 we had three customers that individually accounted for more than 10 percent of our consolidated product revenue. Product revenue from those customers represented in the chart below totaled approximately \$1.3 billion, \$1.9 billion and \$1.9 billion of our total consolidated product revenue in 2015, 2014 and 2013, respectively, and is attributable to our U.S. Iron Ore business segment. The following represents sales revenue from each of these customers as a percentage of our total consolidated product revenue, as well as the portion of product sales for U.S. Iron Ore that is attributable to each of these customers in 2015, 2014 and 2013, respectively:

Customer ²	Percentage of Total Product Revenue ¹		
	2015	2014	2013
ArcelorMittal	37%	29%	24%
AK Steel ³	21%	20%	14%
Essar ⁴	12%	13%	14%

¹ Excluding freight and venture partners' cost reimbursements.

² Includes subsidiaries.

³ Effective September 16, 2014, AK Steel completed the acquisition of Severstal North America's integrated steelmaking assets located in Dearborn, Michigan. For comparative purposes, we have combined historical data for all periods presented.

⁴ On October 5, 2015, we terminated the long term agreement with Essar.

Customer ²	Percentage of U.S. Iron Ore Product Revenue ¹		
	2015	2014	2013
ArcelorMittal	49%	40%	36%
AK Steel ³	29%	28%	21%
Essar ⁴	15%	18%	21%

¹ Excluding freight and venture partners' cost reimbursements.

² Includes subsidiaries.

³ Effective September 16, 2014, AK Steel completed the acquisition of Severstal North America's integrated steelmaking assets located in Dearborn, Michigan. For comparative purposes, we have combined historical data for all periods presented.

⁴ On October 5, 2015, we terminated the long term agreement with Essar.

ArcelorMittal USA

Our pellet supply agreements with ArcelorMittal USA are the basis for supplying pellets to ArcelorMittal USA, which is based on customer requirements, except for the Indiana Harbor East facility, which is based on customer contract obligations. The following table outlines the expiration dates for each of the respective agreements:

Facility	Agreement Expiration
Cleveland Works and Indiana Harbor West facilities	December 2016
Indiana Harbor East facility	January 2017

ArcelorMittal USA is a 62.3 percent equity participant in Hibbing, as well as, a 21.0 percent equity partner in Empire with limited rights and obligations.

In 2015, 2014 and 2013, our U.S. Iron Ore pellet sales to ArcelorMittal were 9.7 million, 10.2 million and 9.5 million tons, respectively.

AK Steel

On September 16, 2014, AK Steel announced an acquisition of Severstal North America's integrated steelmaking assets located in Dearborn, Michigan. We had a long-term relationship to supply iron ore pellets to Severstal's steelmaking assets at that location. Upon consummation of the acquisition, the contract was automatically assigned to AK Steel. The combination of sales pursuant to our preexisting sales agreement with AK Steel and the acquisition of the Dearborn facility with its sales agreement accounts for more than 10 percent of our consolidated product revenue in 2015, 2014 and 2013.

On August 29, 2013 we entered into a new agreement with AK Steel to provide iron ore pellets to AK Steel for use in its Middletown, Ohio and Ashland, Kentucky blast furnace facilities. This contract includes minimum and maximum tonnage requirements for each year between 2014 and 2023.

Under the original agreement entered into with Severstal in 2006, we supply all of the Dearborn, Michigan facility's blast furnace pellet requirements through 2022, subject to specified minimum and maximum requirements in certain years. AK Steel was the successor by merger of this contract and it remains in force. In September 2014, we entered into an amendment to the Dearborn contract with AK Steel to document the 2013 base pricing provisions, among other things, which resulted from an arbitration ruling in May 2014.

In 2015, 2014 and 2013, our U.S. Iron Ore pellet sales to AK Steel and the acquired Dearborn facility were 4.3 million, 5.8 million and 4.1 million tons, respectively.

Essar

Essar Steel Algoma Inc. ("Essar") is a Canadian steelmaker and a subsidiary of Essar Steel Holdings Limited. We had a long term supply agreement under which we were Essar's sole supplier of iron ore pellets through the end of 2016 and were required to deliver a set tonnage for less than Essar's entire requirements through 2024. There were multiple contract disputes that led to us filing a complaint in the Federal District Court in the Northern District of Ohio on January 12, 2015. During the litigation process we asserted additional claims of material breach as a result of Essar's actions during the 2015 calendar year.

On October 5, 2015, Cliffs terminated the long term agreement with Essar as a result of Essar's multiple and material breaches and ceased to supply Essar with pellets. On November 9, 2015, Essar filed for CCAA and Chapter 15 bankruptcy protection. We do not currently supply pellets to Essar and whether we will be required to supply pellets in the future is undetermined at this time. The Canadian Superior Court may require Cliffs to supply Essar under the terms of the agreement or other terms. Essar moved the Canadian CCAA Court to enter an injunction requiring us to supply pellets. We filed a motion to remove the case to Ohio due to the CCAA Court's lack of jurisdiction. On January 25, 2016, the CCAA Court determined that it has jurisdiction over the issue. We remain open to discussing supplying pellets on commercially reasonable terms consistent with a just-in-time iron ore supply arrangement. Our obligation during 2015 was also undetermined and was a claim that was to be determined in the U.S. litigation. We delivered approximately 2.5 million tons in 2015 prior to termination for which we received payment, but of that amount, approximately 860 thousand tons were carryover tons. Pricing under the terminated agreement had been based on a formula that includes international pellet prices.

In 2015, 2014 and 2013, our U.S. Iron Ore pellet sales to Essar were 2.5 million, 3.5 million and 3.4 million tons, respectively.

Competition

Throughout the world, we compete with major and junior mining companies, as well as metals companies, both of which produce steelmaking raw materials, including iron ore.

North America

In our U.S. Iron Ore business segment, we primarily sell our product to steel producers with operations in North America. We compete directly with steel companies that own interests in iron ore mines in the United States and/or Canada, including ArcelorMittal and U.S. Steel, and with major iron ore pellet exporters from Eastern Canada and Brazil. Additionally, in 2015, finished steel import market share was a record 29 percent in the U.S., up from 28 percent in 2014. As a result, steel utilization rates in North America were recorded at multi-year lows. The reduced demand for U.S. produced steel negatively affects the demand for iron ore pellets within North America.

A number of factors beyond our control affect the markets in which we sell our iron ore. Continued demand for our iron ore and the prices obtained by us primarily depend on the consumption patterns of the steel industry in the U.S., China and elsewhere around the world, as well as the availability, location, cost of transportation and competing prices.

Asia Pacific

In our Asia Pacific Iron Ore business segment, we export iron ore products to the Asia Pacific markets, including China, Japan, Korea and Taiwan. In the Asia Pacific marketplace, we compete with major iron ore exporters from Australia, Brazil and South Africa. These include Anglo, BHP Billiton, Fortescue Metals Group Ltd., Rio Tinto plc and Vale, among others.

Competition in steelmaking raw materials is predicated upon the usual competitive factors of price, availability of supply, product quality and performance, service and transportation cost to the consumer of the raw materials.

Environment

Our mining activities are subject to various laws and regulations governing the protection of the environment. We conduct our operations in a manner that is protective of public health and the environment and believe our operations are in compliance with applicable laws and regulations in all material respects.

Environmental issues and their management continued to be an important focus at each of our operations throughout 2015. In the construction of our facilities and in their operation, substantial costs have been incurred and will continue to be incurred to avoid undue effect on the environment. Our capital expenditures relating to environmental matters totaled approximately \$17 million, \$33 million and \$32 million, in 2015, 2014 and 2013, respectively. Approximately \$5 million, \$3 million and \$5 million of the 2015, 2014 and 2013 capital expenditures, respectively, relating to environmental matters is attributable to the North American Coal operations that were sold during December 2015. Additionally, approximately \$22 million and \$14 million of the 2014 and 2013 capital expenditures, respectively, relating to environmental matters, but excluding any expenditures relating to the Bloom Lake tailings and water management system, is attributable to the Eastern Canadian Iron Ore operations that are currently in restructuring proceedings under the CCAA. It is estimated that capital expenditures for environmental improvements will total approximately \$26 million in 2016 which is related to our U.S. Iron Ore operations for various water treatment, air quality, dust control, selenium management, tailings management and other miscellaneous environmental projects.

Regulatory Developments

Various governmental bodies continually promulgate new or amended laws and regulations that affect our Company, our customers and our suppliers in many areas, including waste discharge and disposal, the classification of materials and products, air and water discharges and many other environmental, health and safety matters. Although we believe that our environmental policies and practices are sound and do not expect that the application of any current laws or regulations reasonably would be expected to result in a material adverse effect on our business or financial condition, we cannot predict the collective adverse impact of the expanding body of laws and regulations.

Specifically, there are several notable proposed or potential rulemakings or activities that could potentially have a material adverse impact on our facilities in the future depending on their ultimate outcome: Climate Change and GHG Regulation, Regional Haze, NO₂ and SO₂ National Ambient Air Quality Standards, Cross State Air Pollution Rule, increased administrative and legislative initiatives related to mining activities, Mercury TMDL and Minnesota Taconite Mercury Reduction Strategy's evolving water quality standards for selenium, sulfate and conductivity and scope of the Clean Water Act and definition of "Waters of the United States".

Climate Change and GHG Regulation

With the complexities and uncertainties associated with the U.S. and global navigation of the climate change issue as a whole, one of our significant risks for the future is mandatory carbon legislation. Policymakers are in the design process of carbon regulation at the state, regional, national and international levels. The current regulatory patchwork of carbon compliance schemes presents a challenge for multi-facility entities to identify their near-term risks. Amplifying the uncertainty, the dynamic forward outlook for carbon regulation presents a challenge to large industrial companies to assess the long-term net impacts of carbon compliance costs on their operations. Our exposure on this issue includes both the direct and indirect financial risks associated with the regulation of GHG emissions, as well as potential physical risks associated with climate change. We are continuing to review the physical risks related to climate change utilizing a formal risk management process. As an energy-intensive business, our GHG emissions inventory captures a broad range of emissions sources, such as iron ore furnaces and kilns, diesel mining equipment and our wholly owned Silver Bay power generation plant, among others. As such, our most significant regulatory risks are: (1) the costs associated with on-site emissions levels (direct impacts), and (2) the costs passed through to us from power generators and distillate fuel suppliers (indirect impacts).

Internationally, mechanisms to reduce emissions are being implemented in various countries, with differing designs and stringency, according to resources, economic structure and politics. We expect that momentum to extend carbon regulation will continue with passage of the "Paris Climate Agreement" to keep global temperature rise to below two degrees Celsius. Continued political attention to issues concerning climate change, the role of human activity in it and potential mitigation through regulation may have a material impact on the company's customer base, operations and financial results in the future.

In the U.S., federal carbon regulation potentially presents a significantly greater impact to our operations. To date, the U.S. Congress has not legislated carbon constraints. In the absence of comprehensive federal carbon legislation, numerous state, regional, and federal regulatory initiatives are under development or are becoming effective, thereby creating a disjointed approach to carbon control. On May 13, 2010, the U.S. EPA promulgated the GHG Tailoring Rule establishing a mechanism for regulating GHG emissions from facilities through the Prevention of Significant Deterioration permitting program under the CAA. Under the GHG Tailoring Rule, as modified by the recent U.S. Supreme Court decision upholding some components of the rule, new projects that increase GHG emissions by a significant amount (generally more than 75,000 tons of CO₂ emissions per year) are subject to the PSD requirements, including the installation of best available control technology, if the project also significantly increases emissions of at least one non-GHG regulated criteria pollutant. We do not expect the Tailoring Rule provision to materially adversely affect our business in the near term and we cannot reliably estimate the long term impact of the regulation.

On June 25, 2013, President Obama issued a memorandum directing the EPA to develop carbon emission standards for both new and existing power plants under the Clean Air Act's NSPS. On October 23, 2015, EPA promulgated the "Clean Power Plan" which consists of NSPS regulating carbon dioxide from existing power plants at a level of approximately 32 percent below 2005 levels by 2030. States must submit Clean Power Plan SIPs by September 2016, though extension waivers until 2018 are available. These rules do not affect our Silver Bay combined heat and power generating facility. We anticipate that EPA will continue to work on additional GHG NSPS regulations for other industrial categories, including the iron and steel industry, however we cannot reliably estimate the timing or long term impact of future NSPS regulations.

Due to the EPA's Tailoring Rule and GHG NSPS regulations our business and customer base could suffer negative financial impacts over time as a result of increased energy, environmental and other costs in order to comply with the limitations that would be imposed on greenhouse gas emissions. We believe our exposure can be reduced substantially by numerous factors, including currently contemplated regulatory flexibility mechanisms, such as allowance allocations, fixed process emissions exemptions, offsets and international provisions; emissions reduction opportunities, including energy efficiency, biofuels, fuel flexibility, emerging shale gas, coal mine methane offset reduction; and business opportunities associated with pursuing combined heat and power partnerships and new products, including DRI pellets, fluxed pellets and other technology.

We have worked proactively to develop a comprehensive, enterprise-wide GHG management strategy aimed at considering all significant aspects associated with GHG initiatives to plan effectively for and manage climate change issues, including risks and opportunities as they relate to the environment, stakeholders, including shareholders and the public, legislative and regulatory developments, operations, products and markets.

Regional Haze

In June 2005, the EPA finalized amendments to its regional haze rules. The rules require states establish goals and emission reduction strategies for improving visibility in all Class I national parks and wilderness areas. Among the states with Class I areas are Michigan and Minnesota in which we currently own and manage mining operations. The first phase of the regional haze rule (2008-2018) requires analysis and installation of BART on eligible emission sources and incorporation of BART and associated emission limits into SIPs.

Minnesota submitted a regional haze SIP to the EPA on December 30, 2009, and a supplement to the SIP on May 8, 2012. Michigan submitted its regional haze SIP to the EPA on November 5, 2010. During the second quarter of 2012, the EPA also sent information requests to all taconite facilities requesting information on SO₂ and NO_x emissions and control technology assessments. On June 12, 2012, the EPA approved revisions to the Minnesota SIP addressing regional haze, but also announced it was deferring action on emission limitations that Minnesota intended to represent BART for taconite facilities. On August 15, 2012, the EPA proposed to deny the Michigan and Minnesota taconite SIP BART determinations and simultaneously proposed a separate FIP for taconite facilities. During the comment period for the proposed FIP rule, the taconite industry and other stakeholders developed detailed comments and shared information to address furnace specific case-by-case circumstances. On January 15, 2013, the EPA signed the final FIP for taconite facilities. The final FIP reflects progress toward a more technically and economically feasible regional haze implementation plan and eliminates the need for investing in additional SO₂ emission control equipment. However, we remain concerned about the technical and economic feasibility of EPA's BART determination for NO_x emissions and we filed a petition for review in the 8th Circuit Court and subsequently received a judicial stay of the FIP which enabled us to conduct a detailed engineering analysis to determine the impact of the regulations on each unique iron ore indurating furnace affected by this rule. The results of this analysis enabled us to reach a settlement with EPA which was incorporated into an amended rule and public noticed in the Federal Register on October 22, 2015. Cost estimates associated with the settlement are reflected in our 5-year capital plan.

NO₂ and SO₂ National Ambient Air Quality Standards

During the first half of 2010, the EPA promulgated rules that require states to use a combination of air quality monitoring and computer modeling to determine areas of each state that are in attainment with new NO₂ and SO₂ standards and those areas that are not in attainment with such standards. During the third quarter of 2011, the EPA issued guidance to the regulated community on conducting refined air quality dispersion modeling and implementing the new NO₂ and SO₂ standards. During June 2011, our Minnesota iron ore mining operations received a request from the MPCA to develop modeling and compliance plans by which each facility would demonstrate compliance with the NO₂ and SO₂ NAAQS pursuant to the Taconite Regional Haze SIP Long Term Strategy (LTS). Compliance with the LTS modeling demonstrations was originally set for June 30, 2017. On August 20, 2015, EPA released its final Data Requirement Rule (DRR) for characterizing SO₂ sources under the 2010 1 Hr SO₂ NAAQS. Cliffs' operation subject to the SO₂ DRR, Northshore Mining, is anticipated to demonstrate compliance with the SO₂ DRR without incurring additional capital investment. All of our other operations in Minnesota and Michigan are expected to be in attainment for NO₂ and SO₂ NAAQS without incurring additional capital investment. Further, Minnesota is expected to remove NAAQS modeling obligations under the LTS in light of reduction in haze emissions associated with pending amendment of the taconite Regional Haze FIP regulations. While we will continue to monitor these developments and assess potential impacts to Cliffs, we do not anticipate further capital investments will be necessary for the pending NO₂ and SO₂ DRR SIP rulemaking.

Cross State Air Pollution Rule

On July 6, 2011, the EPA promulgated the CSAPR, which was intended to be an emissions trading rule for SO₂ and NO_x. Northshore's Silver Bay Power Plant would have been subject to this rule; however Minnesota elected to follow EPA guidance allowing CSAPR to stand as BART. CSAPR was vacated by the D.C. Circuit Court during the third quarter of 2012. Late in 2014, the Supreme Court re-instated CSAPR with an effective date of January 1, 2015, re-instating the obligations of this rule for Silver Bay Power. In January, 2016, the 8th Circuit Court of Appeals re-affirmed EPA use of CSAPR is equal to or better than BART. Immediate compliance obligations are being met at this time, with the material obligation being procurement of the first year of emissions allowances by March 2016 for the 2015 operating year. Silver Bay Power has installed low NO_x burners to reduce emissions that will limit the cost exposure to the emission trading market. The allowance pricing market indicates the annual costs to comply with CSAPR will be less than \$0.2 million for 2015 and future allowance prices are anticipated to remain favorable under the existing framework. While we will continue to monitor the availability and pricing of CSAPR allowances and future EPA allocations of CSAPR allowances to Northshore's Silver Bay Power Plant, we do not anticipate exposure to material costs for existing CSAPR obligations and we cannot reasonably estimate the long term impact of CSAPR should EPA reduce the allocations in response to future lower ozone or PM_{2.5} regulations.

Mercury TMDL and Minnesota Taconite Mercury Reduction Strategy

TMDL regulations are contained in the Clean Water Act. As a part of Minnesota's Mercury TMDL Implementation Plan, in cooperation with the MPCA, the taconite industry developed a Taconite Mercury Reduction Strategy and signed a voluntary agreement in 2009 to effectuate its terms. The strategy includes a 75 percent target reduction of mercury air emissions from Minnesota pellet plants collectively by 2025. It recognizes that mercury emission control technology currently does not exist and will be pursued through a research effort. According to the voluntary agreement, any developed technology must meet the "adaptive management criteria" such that the technology must be economically feasible, must not impact pellet quality, and must not cause excessive corrosion in pellet furnaces, associated duct work and existing wet scrubbers on the furnaces.

According to the voluntary agreement, the mines proceeded with medium- and long-term testing of possible technologies. For Cliffs, the requirements in the voluntary agreement apply to the United Taconite and Hibbing facilities. At this time, we are unable to predict the potential impacts of the voluntary Taconite Mercury Reduction Strategy. However, a number of research projects were conducted between 2011 and 2014 as the industry continues to assess options for reduction. While injection of powdered activated carbon into furnace off-gasses for mercury capture in the wet scrubbers showed positive initial results, further testing during 2013 yielded lower overall potential. Alternate technologies are presently being assessed in our ongoing efforts to develop cost effective mercury reduction technologies for our indurating furnaces.

On September 22, 2014, Minnesota promulgated the Mercury Air Emissions Reporting and Reduction Rule mandating mercury air emissions reporting and reduction. The adopted rule expanded applicability to all of our Minnesota operations and requires submitting a mercury reduction plan in 2018 to reduce mercury emissions from all of our Minnesota taconite furnaces by 72 percent by January 2025. The adopted rule does not include all four Adaptive Management Criteria for evaluating mercury reduction, which were agreed upon in the October 2009 Minnesota's Mercury TMDL Implementation Plan.

To date, there is currently no proven technology to cost effectively reduce mercury emissions from taconite furnaces to the target level of 72 percent that would meet all four Adaptive Management Criteria. We remain concerned about the technical and economic feasibility to reduce taconite mercury emissions by 72 percent and are conducting detailed engineering analysis to determine the impact of the regulations on each unique iron ore indurating furnace affected by this rule. The results of this analysis will guide further dialog with the MPCA regarding our implementation of the requirements. Because development of the technology is in the early stages, any impacts to Cliffs are not estimable at this time.

Selenium Discharge Regulation

In Michigan, Empire and Tilden have developed compliance strategies to manage selenium according to the permit conditions. Empire and Tilden submitted the first permit required Selenium Storm Water Management Plan to the MDEQ in December 2011; and have updated it annually as required. The Selenium Storm Water Management Plan outlines the activities that will be undertaken to address selenium in storm water discharges from our Michigan operations. A prefeasibility engineering estimate for full scale implementation of the storm water collection and conveyance system by November 2017 is approximately \$24 million and is included in the 5-year capital plan. A storm water treatment system for both facilities is anticipated sometime before 2025. The cost of the future treatment systems could be significant, although we are continuing to assess and develop cost effective and sustainable treatment technologies.

Tilden's NPDES permit contains a compliance schedule for selenium with a limit of five µg/l that will be effective as of November 1, 2017, at Tilden's Gribben Tailings Basin outfall. Tilden initiated a prudent and feasible alternatives analysis to further define solutions and cost estimates. An engineering estimate for the selected suite of solutions indicates capital costs will be less than \$23 million. In July 2015, the EPA proposed new selenium fish tissue limits and lower lentic and lotic water column concentration criteria which may increase the cost for treatment. We are incorporating this contingency into our planning and treatment technology assessment.

Definition of "Waters of the United States" Under the Clean Water Act

The EPA and Army Corps of Engineers' promulgated the rule, "Definition of 'Waters of the United States' Under the Clean Water Act," 80 Fed. Reg. 37053 (June 29, 2015), which attempted to add clarity to which waters are jurisdictional under the federal Clean Water Act, and will apply to all Clean Water Act programs, including the Sec. 402 and Sec. 404 permitting programs, Sec. 311 spill prevention program and Sec. 401 state certification process. It is unclear how the federal and state agencies will implement and enforce the final rule, and how the courts will interpret going forward. The regulation may expand EPA's authority under the Clean Water Act to many traditionally unregulated mine features such as mine pits, pit lakes, on site ditches, water retention structures, and tailings basins creating a new burden on our U.S. facilities. This could further be interpreted to add questionable regulatory authority over the groundwater connections between these features and nearby traditionally navigable waters. On October 9, 2015, the U.S. Court of Appeals for the Sixth Circuit issued a nationwide stay of this rule while the jurisdiction and legality of the rule are decided in court. We are actively participating in the rulemaking development and assessing the potential impacts to our operations. Because the rule is being litigated, and until the rule is finally implemented, any impacts to Cliffs are not estimable at this time.

Minnesota's Proposed Sulfate Wild Rice Water Quality Standard

The Minnesota Legislature provided \$1.5 million in 2011 for a study to gather additional information about the effects of sulfate and other substances on the growth of wild rice, and to support an update to the sulfate wild rice water quality standard originally adopted in 1973 by the MPCA. The MPCA contracted with the University of Minnesota to conduct several research projects as part of this study. Concurrently, the Minnesota Chamber of Commerce contracted an independent lab to conduct companion research on the impacts of sulfate on wild rice. In March 2015, MPCA released a draft proposal for protecting wild rice from sulfate, which included a draft sulfate wild rice water quality standard, a draft list of waters where the standard would apply, and criteria for adding waters to that list. The draft wild rice water quality standard is an equation that utilizes measured sediment parameters to calculate a sulfate limit protective of wild rice. The independent research conducted by the independent lab contracted by the Minnesota Chamber of Commerce does not directly support the validity of the MPCA's proposed approach. The rulemaking has a legislated deadline for completion of January 15, 2018. Due to the proposed standard being based on measured sediment parameters that Cliffs is not in possession of near our operating facilities, and uncertainty regarding which waters the standard will apply to, the impacts of the proposed wild rice water quality standard to Cliffs are not estimable at this time.

Conductivity

Conductivity, the measurement of water's ability to conduct electricity, is a surrogate parameter that generally increases as the amount of dissolved minerals in water increases. In 2011, the EPA issued "A Field-Based Aquatic Life Benchmark for Conductivity in Central Appalachian Streams" which established a recommended conductivity benchmark of 300 $\mu\text{S}/\text{cm}$ for the region. The issuance of a benchmark outside of the established rulemaking process was subsequently the subject of litigation in National Mining Association v. Jackson, 880 F. Supp. 2d 119 (D.D.C. 2012) where the court ruled the benchmark is nothing more than a non-binding suggestion. Three years later in Ohio Valley Environmental Coalition, et al. v. Elk Run Coal Co., et al., 3:12-cv-00785 (S.D. W. Va.), a judicial decision held that levels of conductivity higher than the EPA's benchmark constituted a violation of the state's narrative water quality standards, were unsupported by science and contrary to decisions previously made by the West Virginia DEP and the West Virginia Supreme Court. In 2015, a group filed a petition with EPA Region 5 alleging that Minnesota was failing to properly implement the state NPDES program; and one of the various allegations asserts that MPCA should be assessing compliance with the state's narrative water quality standard against the EPA's conductivity benchmark for the Central Appalachian region. On December 30, 2015, the EPA provided MPCA a draft of the Protocol for Responding to Issues Related to Permitting and Enforcement which indicates that EPA staff will be reviewing available scientific basis in peer reviewed literature as well as promulgated standards. Since the EPA's review has yet to begin and the forthcoming findings and recommendations, if any, are unknown, the exact nature of the risk to Cliffs is unknown; however, direct application of the 300 $\mu\text{S}/\text{cm}$ benchmark to Cliffs' Minnesota-based assets may have a material impact.

For additional information on our environmental matters, refer to *Item 3. Legal Proceedings* and NOTE 11 - ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS in *Item 8. Financial Statements and Supplementary Data* of this Annual Report on Form 10-K.

Energy

Electricity

The state of Michigan is a deregulated electricity state, which affords our mines the ability to purchase electrical energy supply from various suppliers while continuing to purchase distribution service from the incumbent utility. As of September 1, 2013, our Tilden and Empire mines in Michigan exercised the right to purchase electrical supply from Integrys Energy Services while continuing to purchase distribution service from Wisconsin Electric Power Company. The pricing of electricity in the deregulated market is based on the Midwestern Independent System Operator Day-Ahead price. Beginning on February 1, 2015, we began purchasing our electricity supply from the Wisconsin Electric Power Company in a regulated fashion as we terminated our contract with Integrys Energy Services. As of February 1, 2015, Wisconsin Electric Power Company is the sole supplier of electric power to our Empire and Tilden mines. As of April 24, 2015, the Tilden and Empire mines executed special electricity contracts with Wisconsin Electric Power Company. The term of these contracts is through 2019. Wisconsin Electric Power Company provides 300 megawatts of electricity to Empire and Tilden at special rates that are regulated by the MPSC. The pricing under these contracts is generally fixed except Empire and Tilden are subject to frequent changes in Wisconsin Electric Power Company's power supply adjustment factor. Empire and Tilden may also incur additional liabilities depending on the outcome of various proceedings concerning MISO's revised cost allocation methodology for continued operation of the Presque Isle Power Plant in Michigan. If FERC were to decide to award SSR costs based on a revised cost allocation methodology applied retroactively, this could result in a substantial potential liability to our Empire and Tilden mines.

Electric power for the Hibbing and United Taconite mines is supplied by Minnesota Power. On September 16, 2008, the mines finalized agreements with terms from November 1, 2008 through December 31, 2015. The agreements were approved by the MPUC in 2009. The terms of the agreements included an automatic five-year extension that began January 1, 2016.

Silver Bay Power Company, a wholly owned subsidiary of ours, with a 115 megawatt power plant, provides the majority of Northshore's electrical energy requirements. Silver Bay Power has an interconnection agreement with Minnesota Power for backup power when excess generation is necessary.

Koolyanobbing and its associated satellite mines draw power from independent diesel-fueled power stations and generators. Diesel power generation capacity has been installed at the Koolyanobbing operations.

Process and Diesel Fuel

We have a long-term contract providing for the transport of natural gas on the Northern Natural Gas Pipeline for our U.S. Iron Ore operations. At U.S. Iron Ore, the Empire and Tilden mines have the capability of burning natural gas, coal or, to a lesser extent, oil. The Hibbing and Northshore mines have the capability to burn natural gas and oil. The United Taconite mine has the ability to burn coal, natural gas and petroleum coke. Consistent with 2015, we expect during 2016 our U.S. Iron Ore operations will utilize both natural gas and coal to heat furnaces and produce power at our Silver Bay Power facility.

All of our mines utilize diesel fuel mainly for our mobile fleet. Como Oil and Propane supplies diesel fuel to all of our U.S. Iron Ore locations from the Calumet refinery in Superior, Wisconsin. Our U.S. Iron Ore locations are contracted with Como Oil and Propane through the end of 2018.

Employees

As of December 31, 2015, we had a total of 2,638 employees.

	2015	2014	2013
U.S. Iron Ore ⁽¹⁾			
Salaried	509	658	700
Hourly ⁽³⁾	1,813	2,705	2,825
Total	2,322	3,363	3,525
Asia Pacific Iron Ore ⁽²⁾			
Salaried	90	139	177
Hourly	—	—	—
Total	90	139	177
North American Coal			
Salaried	—	237	379
Hourly	—	821	1,207
Total	—	1,058	1,586
Eastern Canadian Iron Ore ⁽²⁾			
Salaried	32	231	407
Hourly	41	320	973
Total	73	551	1,380
Corporate & Support Services			
Salaried	153	275	470
Hourly	—	—	—
Total	153	275	470
Total	2,638	5,386	7,138

⁽¹⁾ Includes our employees and the employees of the U.S. Iron Ore joint ventures.

⁽²⁾ Excludes contracted mining employees

⁽³⁾ Excludes the employees on lay-off as a result of the idling of the United Taconite and Northshore mines.

As of December 31, 2015, approximately 81.0 percent of our U.S. Iron Ore hourly employees were covered by collective bargaining agreements. This percentage includes the U.S. Iron Ore hourly employees that are on lay-off and excluded from the table above.

Hourly employees at our Michigan and Minnesota iron ore mining operations, excluding Northshore, are represented by the USW and are covered by labor agreements between the USW and our various operating entities. These labor agreements that cover approximately 2,000 USW-represented employees at our Empire and Tilden mines in Michigan, and our United Taconite and Hibbing mines in Minnesota had an original term of September 1, 2012 through September 30, 2015. We are actively negotiating with the USW for new agreements at those locations and have mutually extended our agreements indefinitely with either party able to terminate upon seven days' written notice. Employees at our Northshore operations are not represented by a union and are not, therefore, covered by a collective bargaining agreement.

Hourly employees at our Eastern Canadian Iron Ore operations also are represented by the USW. The labor agreement with the USW that covers our represented employees at Bloom Lake is effective from September 1, 2013 through August 31, 2016. The labor agreement with the USW that covers our represented employees at our Pointe Noire facility, is effective from March 1, 2014 through February 28, 2020. The costs associated with the Eastern Canadian Iron Ore employees that are shown in the chart above are not included in our consolidated results due to the deconsolidation of our Canadian Entities in 2015. Refer to NOTE 14 - DISCONTINUED OPERATIONS for further discussion of the Canadian Entities.

Hourly employees at our Lake Superior and Ishpeming railroads are represented by seven unions covering approximately 108 employees. The labor agreements that cover these employees reopened for bargaining on December

31, 2014 and we are actively bargaining with the seven unions that represent them for successor agreements. These employees negotiate under the Railway Labor Act, which provides that labor agreements remain in force until replaced by a successor agreement. Under the Railway Labor Act work stoppages cannot occur until the parties have engaged in substantial negotiations, have mediated any disputes and have received a release from the National Mediation Board.

Employees at our Asia Pacific Iron Ore, Corporate and Support Services are not represented by a union and are not, therefore, covered by collective bargaining agreements.

Safety

Safety is our primary core value as we continue toward a zero incident culture at our operating facilities. We continuously monitor, track and measure our safety performance and make changes where necessary. Best practices are shared globally to ensure each mine site can embed our policies, procedures and learnings for enhanced workplace safety. We measure progress toward achieving our objective against regularly established benchmarks, including measuring company-wide TRIR. During 2015, our TRIR (including contractors) was 1.71 per 200,000 man-hours worked.

Refer to *Exhibit 95 Mine Safety Disclosures (filed herewith)* for mine safety information required in accordance with Section 1503(a) of the Dodd-Frank Act.

Available Information

Our headquarters are located at 200 Public Square, Cleveland, Ohio 44114-2315, and our telephone number is (216) 694-5700. We are subject to the reporting requirements of the Exchange Act and its rules and regulations. The Exchange Act requires us to file reports, proxy statements and other information with the SEC. Copies of these reports and other information can be read and copied at:

SEC Public Reference Room
100 F Street N.E.
Washington, D.C. 20549

Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330.

The SEC maintains a website that contains reports, proxy statements and other information regarding issuers that file electronically with the SEC. These materials may be obtained electronically by accessing the SEC's home page at www.sec.gov.

We use our website, www.cliffsnaturalresources.com, as a channel for routine distribution of important information, including news releases, investor presentations and financial information. We also make available, free of charge on our website, our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after we electronically file these documents with, or furnish them to, the SEC. In addition, our website allows investors and other interested persons to sign up to receive automatic email alerts when we post news releases and financial information on our website.

We also make available, free of charge on our website, the charters of the Audit Committee, Governance and Nominating Committee and Compensation and Organization Committee as well as the Corporate Governance Guidelines and the Code of Business Conduct & Ethics adopted by our Board of Directors. These documents are available through our investor relations page on our website at ir.cliffsnaturalresources.com. The SEC filings are available by selecting "Financial Information" and then "SEC Filings," and corporate governance materials are available by selecting "Corporate Governance" for the Board Committee Charters, operational governance guidelines and the Code of Business Conduct and Ethics.

References to our website or the SEC's website do not constitute incorporation by reference of the information contained on such websites, and such information is not part of this Annual Report on Form 10-K.

Copies of the above-referenced information are also available, free of charge, by calling (216) 694-5700 or upon written request to:

Cliffs Natural Resources Inc.
Investor Relations
200 Public Square
Cleveland, OH 44114-2315

EXECUTIVE OFFICERS OF THE REGISTRANT

Following are the names, ages and positions of the executive officers of the Company as of February 24, 2016. Unless otherwise noted, all positions indicated are or were held with Cliffs Natural Resources Inc.

Name	Age	Position(s) Held
Lourenco Goncalves	58	Chairman of the Board, President and Chief Executive Officer (August 2014 - present); Chairman, President and Chief Executive Officer of Metals USA Holdings Corp., an American manufacturer and processor of steel and other metals (May 2006 - April 2013); President, Chief Executive Officer and a director of Metals USA Inc. (February 2003 - April 2006).
Terry G. Fedor	51	Executive Vice President, United States Iron Ore (January 2014 - present); Vice President (February 2011 - January 2014); Vice President and General Manager (March 2005 - February 2011) of ArcelorMittal Cleveland, a fully integrated steelmaking facility.
James D. Graham	50	Executive Vice President (November 2014 - present); Chief Legal Officer (March 2013 - present); Secretary (March 2014 - present); Vice President (January 2011 - October 2014); General Counsel - Global Operations (January 2011 - March 2013); Assistant General Counsel (April 2007 - December 2010).
Maurice D. Harapiak	54	Executive Vice President, Human Resources (June 2014 - present); Regional Director, Human Resources - Barrick Gold of North America, a gold mining company (November 2011 - June 2014); Senior Director, Human Resources, Capital Projects - Barrick Gold Corporation, a gold mining company (November 2007 - November 2011).
Terrence R. Mee	46	Executive Vice President, Global Commercial (October 2014 - present); Vice President, Global Iron Ore Sales (February 2014 - October 2014); Senior Vice President, Global Iron Ore Sales (March 2012 - February 2014); Senior Vice President, Global Iron Ore & Metallic Sales (January 2011 - March 2012); Vice President, Sales and Transportation (September 2007 - January 2011).
Clifford T. Smith	56	Executive Vice President, Business Development (April 2015 - present); Executive Vice President, Seaborne Iron Ore (January 2014 - April 2015); Executive Vice President, Global Operations (July 2013 - January 2014); Executive Vice President, Global Business Development (March 2013 - July 2013); Senior Vice President, Global Business Development (January 2011 - March 2013); Vice President, Latin American Operations (September 2009 - January 2011).
P. Kelly Tompkins	59	Executive Vice President and Chief Financial Officer (April 2015 - present); Executive Vice President, Business Development (October 2014 - April 2015); Executive Vice President, External Affairs and President, Global Commercial (November 2013 - October 2014); Chief Administrative Officer (July 2013 - November 2013); Executive Vice President, Legal, Government Affairs and Sustainability (May 2010 - July 2013). Chief Legal Officer (January 2011 - January 2013); President, Cliffs China (October 2012 - November 2013).
Timothy K. Flanagan	38	Vice President, Corporate Controller & Chief Accounting Officer (March 2012 - present); Assistant Controller (February 2010 - March 2012); and Director, Internal Audit (April 2008 - February 2010).

All executive officers serve at the pleasure of the Board. There are no arrangements or understandings between any executive officer and any other person pursuant to which an executive officer was selected to be an officer of the Company. There is no family relationship between any of our executive officers, or between any of our executive officers and any of our directors.

Item 1A. Risk Factors

An investment in our common shares or other securities is subject to risk inherent to our business and our industry. Described below are certain risks and uncertainties, the occurrences of which could have a material adverse effect on us. Before making an investment decision, you should consider carefully all of the risks described below together with the other information included in this report. The risks and uncertainties described below include known material risks that we face currently. Although we have significant risk management policies, practices and procedures aimed to mitigate these risks, uncertainties may nevertheless impair our business operation. This report is qualified in its entirety by these factors.

Our ERM function provides a framework for management's consideration of risk when making strategic, financial, operational and/or project decisions. The framework is based on ISO 31000, an internationally recognized risk

management standard. Management uses a consistent methodology to identify and assess risks, determine and implement risk mitigation actions, and monitor and communicate information about the Company's key risks. Through these processes, we have identified six categories of risk that we are subject to: (I) economic and market, (II) regulatory, (III) financial, (IV) operational, (V) development and sustainability and (VI) human capital. The following risk factors are presented according to these key risk categories.

I. ECONOMIC AND MARKET RISKS

The volatility of commodity prices, namely iron ore and steel, affects our ability to generate revenue, maintain stable cash flow and to fund our operations, including growth and expansion projects.

As a mining company, our profitability is dependent upon the price of the commodities that we sell to our customers and the price of the products our customers sell, namely iron ore and steel prices. The price of iron ore has fluctuated historically and is affected by factors beyond our control, including: steel inventories; international demand for raw materials used in steel production; rates of global economic growth, especially construction and infrastructure activity that requires significant amounts of steel; recession or reduced economic activity in the United States, China, India, Europe and other industrialized or developing countries; uncertainties or weaknesses in global economic conditions such as the sovereign debt crisis in Europe and the U.S. debt ceiling; changes in production capacity of other iron ore suppliers, especially as additional supplies come online or where there is a significant increase in imports of steel into the United States or Europe; weather-related disruptions or natural disasters that may impact the global supply of iron ore; and the proximity, capacity and cost of infrastructure and transportation.

Our earnings, therefore, may fluctuate with the prices of the commodities we sell. To the extent that the prices of iron ore and steel, including the average hot band steel price, subject to a pricing floor, significantly decline for an extended period of time, we may have to revise our operating plans, including curtailing production, reducing operating costs and capital expenditures and discontinuing certain exploration and development programs. We also may have to take impairments on our assets, inventory and/or goodwill. Sustained lower prices also could cause us to further reduce existing reserves if certain reserves no longer can be economically mined or processed at prevailing prices. We may be unable to decrease our costs in an amount sufficient to offset reductions in revenues and may incur losses. These events could have a material adverse effect on us.

Continued weaknesses in global economic conditions, reduced economic growth in China and oversupply of iron ore and excess steel or imported products could affect adversely our business.

The world price of iron ore is influenced strongly by global economic conditions, including international demand and supply for iron ore products. In particular, the current level of international demand for raw materials used in steel production is driven largely by industrial growth in China. Continued weaknesses in global economic conditions, including the slowing economic growth rate in China, has resulted, and could in the future result, in decreased demand for our products and, together with oversupply of imported products, has and may continue to lead to decreased prices, resulting in lower revenue levels and decreasing margins, which have in the past and may in the future affect adversely our business and negatively impact our financial results. For example, U.S. Iron Ore's realized revenue decreased 23 percent and 9 percent for the years ended December 31, 2015 and December 31, 2014, respectively, while the Fe fines spot price declined 43 percent and 29 percent over the same periods. We are not able to predict whether the global economic conditions will continue or worsen and the impact it may have on our operations and the industry in general going forward.

In addition, due to lower demand for our products and the decline in the prices for our products, we have incurred, and continue to incur, operating losses. We also have significant capital requirements, including interest payments to service our debt. If we incur significant losses in future periods, we may be unable to continue as a going concern. If we are unable to continue as a going concern, we may consider, among other options, restructuring our debt; however, there can be no assurance that these options will be undertaken and, if so undertaken, whether these efforts will succeed.

Capacity expansions within the mining industry could lead to lower global iron ore prices, impacting our profitability.

Expected global growth of iron ore demand, particularly from China, has resulted in iron ore suppliers expanding their production capacity. The supply of iron ore has increased due to these expansions. In the current iron ore market, the increases in our competitors' capacity has resulted in excess supply of these commodities, resulting in downward pressure on prices. This decrease in pricing has had, and will continue to have, an adverse impact on our sales, margins and profitability.

If steelmakers use methods other than blast furnace production to produce steel or use other inputs, or if their blast furnaces shut down or otherwise reduce production, the demand for our current iron ore products may decrease.

Demand for our iron ore products is determined by the operating rates for the blast furnaces of steel companies. However, not all finished steel is produced by blast furnaces; finished steel also may be produced by other methods that use scrap steel, pig iron, hot briquetted iron and direct reduced iron. North American steel producers also can produce steel using imported iron ore or semi-finished steel products, which eliminates the need for domestic iron ore. Future environmental restrictions on the use of blast furnaces also may reduce our customers' use of their blast furnaces. Maintenance of blast furnaces may require substantial capital expenditures. Our customers may choose not to maintain, or may not have the resources necessary to maintain, their blast furnaces. If our customers use methods to produce steel that do not use iron ore pellets, demand for our current iron ore products will decrease, which would affect adversely our sales, margins and profitability.

Due to economic conditions and volatility in commodity prices, or otherwise, our customers could approach us about modification of their supply agreements or fail to perform under such agreements. Modifications to our sales agreements or our customers' failures to perform under such agreements, including modifications or failures to perform due to such volatility, could impact adversely our sales, margins, profitability and cash flows.

Although we have contractual commitments for a majority of sales in our U.S. Iron Ore business for 2016, the uncertainty in global economic conditions may impact adversely the ability of our customers to meet their obligations. As a result of such market volatility, our customers could approach us about modifying their supply agreements or fail to perform under such agreements. Considering our limited base of current and potential customers, any modifications to our sales agreements or customers' failures to perform under such agreements could impact adversely our sales, margins, profitability and cash flows. For example, effective October 5, 2015, we terminated our long term supply agreement with Essar as a result of Essar's multiple and material breaches under the agreement. On November 9, 2015, Essar filed for CCAA and Chapter 15 bankruptcy protection. The Canadian Superior Court may require Cliffs to supply Essar under the terms of the agreement or other terms. Essar moved the Canadian CCAA Court to enter an injunction requiring us to supply pellets. We filed a motion to remove the case to Ohio due to the CCAA Court's lack of jurisdiction. On January 25, 2016, the CCAA Court determined that it has jurisdiction over the issue. We remain open to discussing supplying pellets on commercially reasonable terms consistent with a just-in-time iron ore supply arrangement. In addition to the termination of our long term supply agreement with Essar, other potential actions by our customers could result in additional contractual disputes and could ultimately require arbitration or litigation, either of which could be time consuming and costly. Other potential actions by our customers could also lead to a failure to renew existing contracts, such as our contracts with ArcelorMittal, which expire in December 2016 and January 2017. Any such disputes and/or failure to renew existing contracts on favorable terms, in particular contracts with ArcelorMittal, with whom we are actively negotiating new contracts, could impact adversely our sales, margins, profitability and cash flows.

II. REGULATORY RISKS

We are subject to extensive governmental regulation, which imposes, and will continue to impose, potential significant costs and liabilities on us. Future laws and regulation or the manner in which they are interpreted and enforced could increase these costs and liabilities or limit our ability to produce iron ore products.

New laws or regulations, or changes in existing laws or regulations, or the manner of their interpretation or enforcement, could increase our cost of doing business and restrict our ability to operate our business or execute our strategies. This includes, among other things, the possible taxation under U.S. law of certain income from foreign operations, compliance costs and enforcement under the Dodd-Frank Wall Street Reform and Consumer Protection Act, and costs associated with complying with the Patient Protection and Affordable Care Act and the Healthcare and Education Reconciliation Act of 2010 and the regulations promulgated thereunder. In addition, we are subject to various federal, provincial, state and local laws and regulations in each jurisdiction in which we have operations for human health and safety, air quality, water pollution, plant, wetlands, natural resources and wildlife protection, reclamation and restoration of mining properties, the discharge of materials into the environment, the effects that mining has on groundwater quality,

conductivity and availability, and related matters. Numerous governmental permits and approvals are required for our operations. We cannot be certain that we have been or will be at all times in complete compliance with such laws, regulations, permits and approvals. If we violate or fail to comply with these laws, regulations, permits or approvals, we could be fined or otherwise sanctioned by regulators. Compliance with the complex and extensive laws and regulations to which we are subject imposes substantial costs, which we expect will continue to increase over time because of increased regulatory oversight, adoption of increasingly stringent environmental standards, and increased demand for remediation services leading to shortages of equipment, supplies and labor, as well as other factors.

Specifically, there are several notable proposed or recently enacted rulemakings or activities to which we would be subject or that would further regulate and/or tax our customers, namely the North American integrated steel producer customers that may also require us or our customers to reduce or otherwise change operations significantly or incur significant additional costs, depending on their ultimate outcome. These emerging or recently enacted rules and regulations include: numerous air regulations, such as climate change and greenhouse gas regulation, regional haze regulation, NAAQS including but not limited to those for NO₂ and SO₂, the CSAPR; Minnesota's Mercury Air Emissions Reporting and Reduction Rule, Mercury Total Maximum Daily Load requirements and Taconite Mercury Reduction Strategy, selenium discharge regulation; expansion of federal jurisdictional authority to regulate groundwater, and various other water quality regulations. Such new or more stringent legislation, regulations, interpretations or orders, when enacted, could have a material adverse effect on our business, results of operations, financial condition or profitability.

Although the numerous regulations, operating permits and our management systems mitigate potential impacts to the environment, our operations may impact inadvertently the environment or cause exposure to hazardous substances, which could result in material liabilities to us.

Our operations currently use and have used in the past, hazardous materials, and, from time to time, we have generated solid and hazardous waste. We may be subject to claims under federal, provincial, state and local laws and regulations for toxic torts, natural resource damages and other damages as well as for the investigation and clean-up of soil, surface water, sediments, groundwater and other natural resources. Such claims for damages and reclamation may arise out of current or former conditions at sites that we own, lease or operate currently, as well as sites that we or our acquired companies have owned, leased or operated, and at contaminated sites that have always been owned, leased or operated by our joint-venture partners. Our liability for such claims may be joint and several, so that we may be held responsible for more than our share of the contamination or other damages, or even for the entire share. We are subject to a variety of potential liability exposures arising, or otherwise involved in investigation and remediation activities, at certain sites. In addition to currently owned, leased or operated sites, these include sites where we formerly conducted iron ore and/or coal mining or processing or other operations, inactive sites that we currently own, predecessor sites, acquired sites, leased land sites and third-party waste disposal sites. We may be named as a responsible party at other sites in the future and we cannot be certain that the costs associated with these additional sites will not be material.

We also could be subject to litigation for alleged bodily injuries arising from claimed exposure to hazardous substances allegedly used, released, or disposed of by us. In particular, we and certain of our subsidiaries were involved in various claims relating to the exposure of asbestos and silica to seamen who sailed until the mid-1980s on the Great Lakes vessels formerly owned and operated by certain of our subsidiaries. While several hundred of these claims against us had been combined in a multidistrict litigation docket and have since been dismissed and/or settled for non-material amounts, there remains a possibility that similar types of claims could be filed in the future.

Environmental impacts as a result of our operations, including exposures to hazardous substances or wastes associated with our operations, could result in costs and liabilities that could materially and adversely affect our margins, cash flow or profitability.

We may be unable to obtain and renew permits necessary for our operations or be required to provide additional financial assurance, which could reduce our production, cash flows, profitability and available liquidity. We also could face significant permit and approval requirements that could delay our commencement or continuation of existing or new production operations which, in turn, could affect materially our cash flows, profitability and available liquidity.

Prior to commencement of mining, we must submit to and obtain approval from the appropriate regulatory authority of plans showing where and how mining and reclamation operations are to occur. These plans must include information such as the location of mining areas, stockpiles, surface waters, haul roads, tailings basins and drainage from mining operations. All requirements imposed by any such authority, may be costly and time-consuming and may delay commencement or continuation of exploration or production operations.

Mining companies must obtain numerous permits that impose strict conditions on various environmental and safety matters in connection with iron ore mining. These include permits issued by various federal, state and provincial agencies and regulatory bodies. The permitting rules are complex and may change over time, making our ability to comply with the applicable requirements more difficult or impractical and costly, possibly precluding the continuance of ongoing operations or the development of future mining operations. Interpretations of rules may also change over time and may lead to requirements, such as additional financial assurance, making it more costly to comply. The public, including special interest groups and individuals, have certain rights under various statutes to comment upon, submit objections to, and otherwise engage in the permitting process, including bringing citizens' lawsuits to challenge such permits or mining activities. Accordingly, required permits may not be issued or renewed in a timely fashion (or at all), or permits issued or renewed may be conditioned in a manner that may restrict our ability to efficiently conduct our mining activities, including the requirement for additional financial assurances that we may not be able to provide on commercially reasonable terms or at all and which would further limit our borrowing base under our ABL Facility. Such inefficiencies could reduce our production, cash flows, profitability and available liquidity.

III. FINANCIAL RISKS

A substantial majority of our sales are made under term supply agreements to a limited number of customers that contain price-adjustment clauses that could affect adversely the stability and profitability of our operations.

For the twelve months ended December 31, 2015, a majority of our U.S. Iron Ore sales and our Asia Pacific Iron Ore sales were made under term supply agreements to a limited number of customers. More than 72 percent of our revenue is derived from the North American integrated steel industry. For the twelve months ended December 31, 2015, three customers together accounted for more than 93 percent of our U.S. Iron Ore product sales revenues (representing 70 percent of our consolidated revenues). Our Asia Pacific Iron Ore contracts are due to expire at various dates until March 2017 for the majority of our Chinese customers and March 2016 for the remainder of our Chinese customers and our Japanese and Korean customers. As of December 31, 2015, our U.S. Iron Ore contracts had an average remaining duration of approximately three years. Although we have contractual commitments for a majority of sales in our U.S. Iron Ore business for 2016, the uncertainty in global economic conditions may adversely impact the ability of our customers to meet their obligations. For example, of the potential customers in the North American integrated steel industry, two are in reorganization, and certain others have experienced financial difficulties. We cannot be certain that we will be able to renew or replace existing term supply agreements at approximately the same volume levels, prices or with similar profit margins when they expire. A loss of sales to our existing customers could have a substantial negative impact on our sales, margins, cash flows and profitability.

Our existing and future indebtedness may limit cash flow available to invest in the ongoing needs of our business, which could prevent us from fulfilling our obligations under our senior notes.

As of December 31, 2015, we had an aggregate principal amount of \$2,898.2 million of total debt, \$1,084.2 million of which was secured (excluding outstanding letters of credit, \$97 million of equipment loans, and \$74 million of capital leases), and \$285.2 million of cash on our balance sheet. As of December 31, 2015, no loans were drawn under the credit 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 letters of credit obligations totaled \$186.3 million and foreign exchange hedge obligations totaled \$0.5 million, thereby further reducing available borrowing capacity on our credit facility to \$179.2 million.

Our substantial level of indebtedness has required us to dedicate a substantial portion of our cash flow from operations to the payment of debt service, reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other general corporate purposes. Moreover, our level of indebtedness could have further consequences, including, increasing our vulnerability to adverse economic or industry conditions, limiting our ability to obtain additional financing in the future to enable us to react to changes in our business, or placing us at a competitive disadvantage compared to businesses in our industry that have less indebtedness.

Our substantial level of indebtedness could limit our ability to obtain additional financing on acceptable terms or at all for working capital, capital expenditures and general corporate purposes. Our liquidity needs could vary significantly and may be affected by general economic conditions, industry trends, performance and many other factors not within our control. If we are unable to generate sufficient cash flow from operations in the future to service our debt, we may be required to refinance all or a portion of our existing debt. However, we may not be able to obtain any such new or additional debt on favorable terms or at all.

Any failure to comply with covenants in the instruments governing our debt could result in an event of default which, if not cured or waived, would have a material adverse effect on us.

We may not be able to generate sufficient cash to service all of our debt, and may be forced to take other actions to satisfy our obligations under our debt, which may not be successful.

Our ability to make scheduled payments on or to refinance our debt obligations, including our senior notes, and to fund planned capital expenditures and expansion efforts and any strategic alliances or acquisitions we may make in the future depends on our ability to generate cash in the future and our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. We cannot assure you that we will maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our debt, including our senior notes.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay investments and capital expenditures, or to sell assets, seek additional capital or restructure or refinance our debt, including our senior notes. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. These measures may not be successful and may not permit us to meet our scheduled debt service obligations. If our operating results and available cash are insufficient to meet our debt service obligations, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. We may not be able to consummate those dispositions or to obtain the proceeds that we could realize from them, and these proceeds may not be adequate to meet any debt service obligations then due. Further, we may need to refinance all or a portion of our debt on or before maturity, and we may not be able to refinance any of our debt on commercially reasonable terms or at all. Additionally, additional or new financial assurances may be demanded by our vendors or regulatory agencies that we may not be able to provide on commercially reasonable terms or at all.

Changes in credit ratings issued by nationally recognized statistical rating organizations could affect adversely our cost of financing and the market price of our securities.

Credit rating agencies could further downgrade our ratings either due to factors specific to our business, a prolonged cyclical downturn in the mining industry, or macroeconomic trends (such as global or regional recessions) and trends in credit and capital markets more generally. The interest rate payable on our senior notes is subject to adjustment in the event of a change in the credit ratings and is currently at the maximum interest rate of 5.95 percent per annum. Any further decline in our credit ratings would likely result in an increase to our cost of financing, limit our access to the capital markets, significantly harm our financial condition and results of operations, hinder our ability to refinance existing indebtedness on acceptable terms and have an adverse effect on the market price of our securities.

We rely on our joint venture partners in our mines to meet their payment obligations and we are subject to risks involving the acts or omissions of our joint venture partners when we are not the manager of the joint venture.

We co-own and manage three of our five U.S. Iron Ore mines with various joint venture partners that are integrated steel producers or their subsidiaries, including ArcelorMittal and U.S. Steel. We rely on our joint venture partners to make their required capital contributions and to pay for their share of the iron ore that each joint venture produces. Our U.S. Iron Ore joint venture partners are often also our customers. If one or more of our joint venture partners fail to perform their obligations, the remaining joint venture partners, including ourselves, may be required to assume additional material obligations, including significant capital contribution, pension and postretirement health and life insurance benefit obligations. The premature closure of a mine due to the failure of a joint venture partner to perform its obligations could result in significant fixed mine-closure costs, including severance, employment legacy costs and other employment costs; reclamation and other environmental costs; and the costs of terminating long-term obligations, including energy and transportation contracts and equipment leases. For example, with respect to one of our two Eastern Canadian Iron Ore mines, the Bloom Lake mine, CQIM's joint venture partner did not fully participate in calls for capital contributions, resulting in additional financial burden for CQIM. This additional burden was one of multiple factors in CQIM's decision to file for a stay under CCAA.

We cannot control the actions of our joint venture partners, especially when we have a minority interest in a joint venture. Further, in spite of performing customary due diligence prior to entering into a joint venture, we cannot guarantee full disclosure of prior acts or omissions of the sellers or those with whom we enter into joint ventures. Such risks could have a material adverse effect on the business, results of operations or financial condition of our joint venture interests.

We may not be able to recover the carrying value when divesting assets or businesses.

When we divest assets or businesses, we may not be able to recover the carrying value of these assets, which potentially could have a material adverse impact on our results of operations, shareholders' equity and capital structure. Also, if we were to sell a percentage of a business, there are inherent risks of a joint venture relationship as noted in the risk factor above.

Our ability to collect payments from our customers depends on their creditworthiness.

Our ability to receive payment for products sold and delivered to our customers depends on the creditworthiness of our customers. With respect to our Asia Pacific business unit, payment typically is received as the products are shipped and much of the product is secured by bank letters of credit. By contrast, in our U.S. Iron Ore business unit, generally, we deliver iron ore products to our customers' facilities in advance of payment for those products. Under this practice for our U.S. customers, title and risk of loss with respect to U.S. Iron Ore products does not pass to the customer until payment for the pellets is received; however, there is typically a period of time in which pellets, for which we have reserved title, are within our customers' control. Where we have identified credit risk with certain customers, we have put in place alternate payment terms from time to time.

Consolidations in some of the industries in which our customers operate have created larger customers. These factors have caused some customers to be less profitable and increased our exposure to credit risk. Customers in other countries may be subject to other pressures and uncertainties that may affect their ability to pay, including trade barriers, exchange controls, and local, economic and political conditions. Downturns in the economy and disruptions in the global financial markets in recent years have affected the creditworthiness of our customers from time to time. Some of our customers are highly leveraged. If economic conditions worsen or prolonged global, national or regional economic recession conditions return, it is likely to impact significantly the creditworthiness of our customers and could, in turn, increase the risk we bear on payment default for the credit we provide to our customers and could limit our ability to collect receivables. Failure to receive payment from our customers for products that we have delivered could affect adversely our results of operations, financial condition and liquidity.

Our operating expenses could increase significantly if the price of electrical power, fuel or other energy sources increases.

Our mining operations require significant use of energy. Operating expenses at all of our mining locations are sensitive to changes in electricity prices and fuel prices, including diesel fuel and natural gas prices. These items make up approximately 25 to 30 percent in the aggregate of our operating costs in our U.S. Iron Ore locations, for example. Prices for electricity, natural gas and fuel oils can fluctuate widely with availability and demand levels from other users. During periods of peak usage, supplies of energy may be curtailed and we may not be able to purchase them at historical rates. A disruption in the transmission of energy, inadequate energy transmission infrastructure, or the termination of any of our energy supply contracts could interrupt our energy supply and affect adversely our operations. While we have some long-term contracts with electrical suppliers, we are exposed to fluctuations in energy costs that can affect our production costs. As an example, our mines in Minnesota are subject to changes in Minnesota Power's rates, such as rate changes that are reviewed and approved by the state public utilities commission in response to an application filed by Minnesota Power. We also enter into market-based pricing supply contracts for natural gas and diesel fuel for use in our operations. Those contracts expose us to price increases in energy costs, which could cause our profitability to decrease significantly. We are estimating that power rates for our electricity-intensive operations could increase above 2015 levels by up to 9.75 percent by 2020, representing an increase of approximately \$6 per MWh by 2020 for our U.S. operations.

In addition, U.S. public utilities are expected to pass through additional capital and operating cost increases related to new or pending U.S. environmental regulations that are expected to require significant capital investment and use of cleaner fuels in the future and which may impact U.S. coal-fired generation capacity. These environmental regulations could force the future closure of the Presque Isle Power Plant in the Upper Peninsula of Michigan which supplies electricity to our mines in Michigan.

The availability of capital may be limited.

We may need to access the capital markets to finance ongoing operations, any development of existing mining properties and our other cash requirements. Our substantial indebtedness could make it more difficult for us to borrow money in the future and may reduce the amount of money available to finance our operations and other business activities and may have other detrimental consequences, including the following: requiring us to dedicate a substantial portion of our cash flow from operations to the payment of principal, premium, if any, and interest on our debt, which will reduce funds available for other purposes; exposing us to the risk of increased interest costs if the underlying interest rates rise on our existing credit facility or other variable rate debt; making it more difficult to obtain surety bonds, letters of credit or other financing, particularly during periods in which credit markets are weak; causing a decline in our credit ratings; limiting our ability to compete with companies that are not as leveraged and that may be better positioned to withstand economic downturns; and limiting our flexibility in planning for, or reacting to, and increasing our vulnerability to, changes in our business, the industry in which we compete and general economic and market conditions. If we further increase our indebtedness, the related risks that we now face, including those described above, could intensify. We cannot predict the general availability or accessibility of capital to finance projects in the future.

We are subject to a variety of financial market risks.

Financial market risks include those caused by changes in the value of investments, changes in commodity prices, interest rates and foreign currency exchange rates. We have established policies and procedures to manage such risks; however, certain risks are beyond our control and our efforts to mitigate such risks may not be effective. These factors could have a material adverse effect on our results of operations.

We are subject to bankruptcy risks relating to our Canadian operations.

As previously disclosed, the Bloom Lake Group commenced the CCAA process in January 2015 to address the Bloom Lake Group's immediate liquidity issues and to preserve and protect its assets for the benefit of all stakeholders while restructuring and/or sale options are explored. In May 2015, the Wabush Group commenced restructuring proceedings and, as a result, the CCAA protection granted to the Bloom Lake Group has been extended to include the Wabush Group. Certain obligations of the Bloom Lake Group, including equipment loans, are guaranteed by Cliffs. Financial instruments are posted by Cliffs to support certain reclamation obligations of the Wabush Group. It is possible that (a) as part of the CCAA process (i) claims may be asserted by or on behalf of the Bloom Lake Group or the Wabush Group against non-debtor affiliates of the Bloom Lake Group and the Wabush Group and/or (ii) claims of non-debtor affiliates against the Bloom Lake Group or the Wabush Group may be challenged and (b) creditors of the Bloom Lake Group or the Wabush Group may assert claims against non-debtor affiliates of the Bloom Lake Group or the Wabush Group under the guarantees discussed above. While we anticipate the restructuring and/or sale of the Bloom Lake Group and the Wabush Group assets may mitigate these risks, to the extent that any claims are successful or the Bloom Lake Group's obligations guaranteed by Cliffs are not satisfied in full by any such restructuring or sale, Cliffs could be held liable for certain obligations.

A court or regulatory body could find that we are responsible, in whole or in part, for liabilities we transferred to other entities.

As part of our strategy to focus on our U.S. iron ore operations we have sold or otherwise disposed of several non-core assets. Some of the transactions under which we sold or otherwise disposed of our non-core assets included provisions transferring certain liabilities to the purchasers or acquirers of those non-core assets. While we believe that all such transfers were completed properly and are legally binding, we may be at risk that some court or regulatory body could disagree and determine that we remain responsible for liabilities we intended to and did transfer.

IV. OPERATIONAL RISKS

Mine closures entail substantial costs. If we close one or more of our mines, our results of operations and financial condition would likely be affected adversely.

If we close any of our mines, our revenues would be reduced unless we were able to increase production at our other mines, which may not be possible. The closure of a mining operation involves significant fixed closure costs, including accelerated employment legacy costs, severance-related obligations, reclamation and other environmental costs, and the costs of terminating long-term obligations, including customer, energy and transportation contracts and equipment leases. We base our assumptions regarding the life of our mines on detailed studies we perform from time to time, but those studies and assumptions are subject to uncertainties and estimates that may not be accurate. We recognize the costs of reclaiming open pits, stockpiles, tailings ponds, roads and other mining support areas based on the estimated mining life of our property. If we were to significantly reduce the estimated life of any of our mines, the mine-closure costs would be applied to a shorter period of production, which would increase costs per ton produced and could significantly and adversely affect our results of operations and financial condition.

A North American mine permanent closure could accelerate and significantly increase employment legacy costs, including our expense and funding costs for pension and other postretirement benefit obligations. A number of employees would be eligible for immediate retirement under special eligibility rules that apply upon a mine closure. All employees eligible for immediate retirement under the pension plans at the time of the permanent mine closure also could be eligible for postretirement health and life insurance benefits, thereby accelerating our obligation to provide these benefits. Certain mine closures would precipitate a pension closure liability significantly greater than an ongoing operation liability. Finally, a permanent mine closure could trigger severance-related obligations, which can equal up to sixteen weeks of pay per employee in some jurisdictions, depending on length of service. As a result, the closure of one or more of our mines could adversely affect our financial condition and results of operations.

At the end of March 2014, we idled our Wabush Scully mine in Newfoundland and Labrador, and in the fourth quarter of 2014, we began to implement the permanent closure plan for the mine. Additionally, we disclosed in November 2014 that we were pursuing exit options for our Bloom Lake mine and as disclosed in January 2015, active production at Bloom Lake mine completely ceased and the mine transitioned to "care-and-maintenance" mode. To mitigate closure costs in connection with the potential shutdown of the Bloom Lake mine, our Canadian affiliates that operate the mine commenced restructuring proceedings under the CCAA. However, there can be no assurance that we will not have any material obligations in connection with the potential shutdown of the Bloom Lake mine despite the CCAA filing.

Our sales and competitive position depend on the ability to transport our products to our customers at competitive rates and in a timely manner.

In our U.S. Iron Ore operations, disruption of the lake and rail transportation services because of weather-related problems, including ice and winter weather conditions on the Great Lakes or St. Lawrence Seaway, climate change, strikes, lock-outs, or other events and lack of alternative transportation sources, could impair our ability to supply iron ore to our customers at competitive rates or in a timely manner and, thus, could adversely affect our sales, margins and profitability. Further, reduced dredging and environmental changes, particularly at Great Lakes ports, could impact negatively our ability to move our iron ore products because lower water levels restrict the tonnage that vessels can haul, resulting in higher freight rates.

Our Asia Pacific Iron Ore operations also are dependent upon rail and port capacity. Disruptions in rail service or availability of dock capacity could similarly impair our ability to supply iron ore to our customers, thereby adversely affecting our sales and profitability. In addition, our Asia Pacific Iron Ore operations are also in direct competition with the major world seaborne exporters of iron ore and our customers face higher transportation costs than most other Australian producers to ship our products to the Asian markets because of the location of our major shipping port on the south coast of Australia. Further, increases in transportation costs, including volatile fuel rates, decreased availability of ocean vessels or changes in such costs relative to transportation costs incurred by our competitors could make our products less competitive, restrict our access to certain markets and have an adverse effect on our sales, margins and profitability.

Natural disasters, weather conditions, disruption of energy, unanticipated geological conditions, equipment failures, and other unexpected events may lead our customers, our suppliers or our facilities to curtail production or shut down operations.

Operating levels within the mining industry are subject to unexpected conditions and events that are beyond the industry's control. Those events could cause industry members or their suppliers to curtail production or shut down a portion or all of their operations, which could reduce the demand for our iron ore products, and could affect adversely our sales, margins and profitability.

Interruptions in production capabilities inevitably will increase our production costs and reduce our profitability. We do not have meaningful excess capacity for current production needs, and we are not able to quickly increase production or re-start production at one mine to offset an interruption in production at another mine. Additionally, re-start production costs can be even higher if required to be taken during extremely cold weather conditions.

A portion of our production costs are fixed regardless of current operating levels. As noted, our operating levels are subject to conditions beyond our control that can delay deliveries or increase the cost of mining at particular mines for varying lengths of time. These include weather conditions (for example, extreme winter weather, tornadoes, floods, and the lack of availability of process water due to drought) and natural and man-made disasters, pit wall failures, unanticipated geological conditions, including variations in the amount of rock and soil overlying the deposits of iron ore, variations in rock and other natural materials and variations in geologic conditions and ore processing changes.

The manufacturing processes that take place in our mining operations, as well as in our processing facilities, depend on critical pieces of equipment. This equipment may, on occasion, be out of service because of unanticipated failures. In addition, many of our mines and processing facilities have been in operation for several decades, and the equipment is aged. In the future, we may experience additional material plant shutdowns or periods of reduced production because of equipment failures. Further, remediation of any interruption in production capability may require us to make large capital expenditures that could have a negative effect on our profitability and cash flows. Our business interruption insurance would not cover all of the lost revenues associated with equipment failures. Longer-term business disruptions could result in a loss of customers, which adversely could affect our future sales levels and, therefore, our profitability.

Regarding the impact of unexpected events happening to our suppliers, many of our mines are dependent on one source for electric power and for natural gas. A significant interruption in service from our energy suppliers due to terrorism or sabotage, weather conditions, natural disasters, or any other cause can result in substantial losses that may not be fully recoverable, either from our business interruption insurance or responsible third parties.

We are subject to risks involving operations and sales in multiple countries.

We supply raw materials to the global integrated steel industry with substantial assets located outside of the U.S. We conduct operations in the U.S. and Australia. As such, we are subject to additional risks beyond those relating to our U.S. operations, such as fluctuations in currency exchange rates; potentially adverse tax consequences due to overlapping or differing tax structures; burdens to comply with multiple and potentially conflicting foreign laws and regulations, including export requirements, tariffs, economic sanctions and other barriers, environmental health and safety requirements, and unexpected changes in any of these laws and regulations; the imposition of duties, tariffs, import and export controls and other trade barriers impacting the seaborne iron ore markets; difficulties in staffing and managing multi-national operations; political and economic instability and disruptions, including terrorist attacks; disadvantages of competing against companies from countries that are not subject to U.S. laws and regulations, including the Foreign Corrupt Practices Act; and uncertainties in the enforcement of legal rights and remedies in multiple jurisdictions. If we are unable to manage successfully the risks associated with operating our global business, these risks could have a material adverse effect on our business, results of operations or financial condition.

Our profitability could be affected adversely by the failure of outside contractors to perform.

Asia Pacific Iron Ore uses contractors to handle many of the operational phases of their mining and processing operations and, therefore, we are subject to the performance of outside companies on key production areas. A failure of any of these contractors to perform in a significant way would result in additional costs for us, which also could affect adversely our production rates and results of operations.

We may not be able to complete divestitures of our non-core assets at acceptable prices or at all.

As an extension of our re-focused U.S. Iron Ore strategy, we are currently in the process of streamlining our portfolio of non-core assets. Asia Pacific Iron Ore has been identified as a non-core asset and will be considered for monetization. However, we may not be able to sell any non-core assets at sales prices acceptable to us or at all. Gains

or losses on the sales of, or lost operating income from, non-core assets may affect our profitability. Moreover, we may incur asset impairment charges related to divestitures that reduce our profitability. Our divestiture activities may also present financial, managerial and operational risks. Those risks include diversion of management attention from existing businesses, difficulties separating personnel and financial and other systems, adverse effects on existing business relationships with suppliers and customers. Any of these factors could affect our financial condition and results of operations.

V. DEVELOPMENT AND SUSTAINABILITY RISKS

The cost and time to implement a strategic capital project may prove to be greater than originally anticipated.

We undertake strategic capital projects in order to enhance, expand or upgrade our mines and production capabilities. Our ability to achieve the anticipated volumes of production, revenues or otherwise realize acceptable returns on strategic capital projects that we may undertake is subject to a number of risks, many of which are beyond our control, including a variety of market (such as a volatile pricing environment for iron ore), operational, permitting and labor-related factors. Further, the cost to implement any given strategic capital project ultimately may prove to be greater and may take more time than originally anticipated. Inability to achieve the anticipated results from the implementation of our strategic capital projects, or the incurring of unanticipated implementation costs, penalties or inability to meet contractual obligations could affect adversely our results of operations and future earnings and cash flow generation.

We continually must replace reserves depleted by production. Exploration activities may not result in additional discoveries.

Our ability to replenish our ore reserves is important to our long-term viability. Depleted ore reserves must be replaced by further delineation of existing ore bodies or by locating new deposits in order to maintain production levels over the long term. Resource exploration and development are highly speculative in nature. Exploration projects involve many risks, require substantial expenditures and may not result in the discovery of sufficient additional mineral deposits that can be mined profitably. Once a site with mineralization is discovered, it may take several years from the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish recoverable proven and probable reserves and to construct mining and processing facilities. As a result, there is no assurance that current or future exploration programs will be successful and there is a risk that depletion of reserves will not be offset by discoveries or acquisitions. Given current market conditions, we have curtailed substantially any expenditures related to exploration at or near our mine sites.

We rely on estimates of our recoverable reserves, which is complex due to geological characteristics of the properties and the number of assumptions made.

We regularly evaluate our iron ore reserves based on revenues and costs and update them as required in accordance with SEC Industry Guide 7 and historically, the Canadian Institute of Mining, Metallurgy & Petroleum's Definition Standards on Mineral Resources and Mineral Reserves. In addition, our Asia Pacific Iron Ore business segment has published reserves that follow the Joint Ore Reserve Code in Australia, with certain changes to our Western Australian reserve values to make them comply with SEC requirements. There are numerous uncertainties inherent in estimating quantities of reserves of our mines, including many factors beyond our control.

Estimates of reserves and future net cash flows necessarily depend upon a number of variable factors and assumptions, such as production capacity, effects of regulations by governmental agencies, future prices for iron ore, future industry conditions and operating costs, severance and excise taxes, development costs and costs of extraction and reclamation, all of which may vary considerably from actual results. Estimating the quantity and grade of reserves requires us to determine the size, shape and depth of our mineral bodies by analyzing geological data, such as samplings of drill holes. In addition to the geology assumptions of our mines, assumptions are also required to determine the economic feasibility of mining these reserves, including estimates of future commodity prices and demand, the mining methods we use, and the related costs incurred to develop and mine our reserves. For these reasons, estimates of the economically recoverable quantities of mineralized deposits attributable to any particular group of properties, classifications of such reserves based on risk of recovery and estimates of future net cash flows prepared by different engineers or by the same engineers at different times may vary substantially as the criteria change. Estimated ore reserves could be affected by future industry conditions, geological conditions and ongoing mine planning. Actual volume and grade of reserves recovered, production rates, revenues and expenditures with respect to our reserves will likely vary from estimates, and if such variances are material, our sales and profitability could be affected adversely.

Defects in title or loss of any leasehold interests in our properties could limit our ability to mine these properties or result in significant unanticipated costs.

A portion of our mining operations are conducted on properties we lease, license or as to which we have easements or other possessory interests ("leased properties"). Consistent with industry practice, title to most of these leased properties and mineral rights are not usually verified until we make a commitment to develop a property, which may not occur until after we have obtained necessary permits and completed exploration of the leased property. In some cases, title with respect to leased properties is not verified at all because we instead rely on title information or representations and warranties provided by lessors or grantors. We do not maintain title insurance on our owned or leased properties. A title defect or the loss of any lease, license or easement for any leased property could adversely affect our ability to mine the associated reserves. In addition, from time to time the rights of third parties for competing uses of adjacent, overlying, or underlying lands such as for, roads, easements and public facilities may affect our ability to operate as planned if our title is not superior or arrangements cannot be negotiated.

Any challenge to our title could delay the exploration and development of some reserves, deposits or surface rights, cause us to incur unanticipated costs and could ultimately result in the loss of some or all of our interest in those reserves or surface rights. In the event we lose reserves, deposits or surface rights, we may have to shut down or significantly alter the sequence of our mining operations, which may adversely affect our future production, revenues and cash flows. Additionally, if we lose any leasehold interests relating to any of our pellet plants or loadout facilities, we may need to find an alternative location to process our iron ore and load it for delivery to customers, which could result in significant unanticipated costs. Finally, we could incur significant liability if we inadvertently mine on property we do not own or lease.

In order to continue to foster growth in our business and maintain stability of our earnings, we must maintain our social license to operate with our stakeholders.

As a mining company, maintaining a strong reputation and consistent operational and safety history is vital in order to continue to foster growth and maintain stability in our earnings. As sustainability expectations increase and regulatory requirements continue to evolve, maintaining our social license to operate becomes increasingly important. We strive to incorporate social license expectations in our ERM program. Our ability to maintain our reputation and strong operating history could be threatened, including by circumstances outside of our control. If we are not able to respond effectively to these and other challenges to our social license to operate, our reputation could be damaged significantly. Damage to our reputation could affect adversely our operations and ability to foster growth in our Company.

Estimates and timelines relating to new development and expansion projects are uncertain and we may incur higher costs and lower economic returns than estimated.

Mine development and expansion projects typically require a number of years and significant expenditures during the development or expansion phase before production is possible. Such projects could experience unexpected problems and delays during development, construction and mine start-up or expansion.

Our decision to develop a project typically is based on the results of feasibility studies, which estimate the anticipated economic returns of a project. The actual project profitability or economic feasibility may differ from such estimates as a result of any of the following factors, among others: changes in tonnage, grades and metallurgical characteristics of ore to be mined and processed; estimated future prices of the relevant ore; changes in customer demand; higher construction and infrastructure costs; the quality of the data on which engineering assumptions were made; higher production costs; adverse geotechnical conditions; availability of adequate labor force; availability and cost of water and power; availability and cost of transportation; fluctuations in inflation and currency exchange rates; availability and terms of financing; delays in obtaining environmental or other government permits or changes in laws and regulations including environmental laws and regulations; weather or severe climate impacts; and potential delays relating to social and community issues.

Our future development activities may not result in the expansion or replacement of current production with new production, or any such new production sites or facilities may be less profitable than currently anticipated, or may not be profitable at all, any of which could have a material adverse effect on our sales, margins and cash flows.

VI. HUMAN CAPITAL RISKS

Our profitability could be affected adversely if we fail to maintain satisfactory labor relations.

Production in our mines is dependent upon the efforts of our employees. We are party to labor agreements with various labor unions that represent employees at our operations. Such labor agreements are negotiated periodically, and, therefore, we are subject to the risk that these agreements may not be able to be renewed on reasonably satisfactory terms. It is difficult to predict what issues may arise as part of the collective bargaining process, and whether negotiations concerning these issues will be successful. Due to union activities or other employee actions, we could experience labor disputes, work stoppages, or other disruptions in our production of iron ore that could affect us adversely. The USW represents all hourly employees at our U.S. Iron Ore and Eastern Canadian Iron Ore operations owned and/or managed by Cliffs or its subsidiary companies except for Northshore. Our labor agreements with the USW at four of our U.S. Iron Ore operations expired on October 1, 2015, and have since been extended indefinitely. We continue to bargain with the USW in good faith with the expectation that we will be able to reach a mutually acceptable long-term extension of our agreements. At this time, we do not anticipate any type of labor disruption but since we are currently unable to estimate when our labor agreements will be finalized, there is an increased possibility of a disruption at our U.S. Iron Ore operations in 2016.

If we enter into a new labor agreement with any union that significantly increases our labor costs relative to our competitors or fail to come to an agreement upon expiry, our ability to compete may be materially and adversely affected.

We may encounter labor shortages for critical operational positions, which could affect adversely our ability to produce our products.

We are predicting a long-term shortage of skilled workers for the mining industry and competition for the available workers limits our ability to attract and retain employees. Additionally, at our U.S. mining locations, many of our mining operational employees are approaching retirement age. As these experienced employees retire, we may have difficulty replacing them at competitive wages.

Our expenditures for post-retirement benefit and pension obligations could be materially higher than we have predicted if our underlying assumptions differ from actual outcomes, there are mine closures, or our joint venture partners fail to perform their obligations that relate to employee pension plans.

We provide defined benefit pension plans and OPEB to certain eligible union and non-union employees in the United States, including our share of expense and funding obligations with respect to unconsolidated ventures. Our pension expense and our required contributions to our pension plans are affected directly by the value of plan assets, the projected and actual rate of return on plan assets, and the actuarial assumptions we use to measure our defined benefit pension plan obligations, including the rate at which future obligations are discounted.

We cannot predict whether changing market or economic conditions, regulatory changes or other factors will increase our pension expenses or our funding obligations, diverting funds we would otherwise apply to other uses.

We have calculated our unfunded pension and OPEB obligations based on a number of assumptions. If our assumptions do not materialize as expected, cash expenditures and costs that we incur could be materially higher. Moreover, we cannot be certain that regulatory changes will not increase our obligations to provide these or additional benefits. These obligations also may increase substantially in the event of adverse medical cost trends or unexpected rates of early retirement, particularly for bargaining unit retirees.

We depend on our senior management team and other key employees, and the loss of these employees could adversely affect our business.

Our success depends in part on our ability to attract and motivate our senior management and key employees. Achieving this objective may be difficult due to a variety of factors, including fluctuations in the global economic and industry conditions, competitors' hiring practices, cost reduction activities, and the effectiveness of our compensation programs. Competition for qualified personnel can be intense. We must continue to recruit, retain, and motivate our senior management and key personnel in order to maintain our business and support our projects. A loss of senior management and key personnel could prevent us from capitalizing on business opportunities, and our operating results could be adversely affected.

Item 1B. *Unresolved Staff Comments*

We have no unresolved comments from the SEC.

Item 2. Properties

The following map shows the locations of our operations and offices as of December 31, 2015:



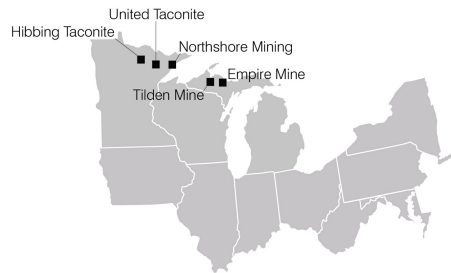
General Information about the Mines

All of our iron ore mining operations are open-pit mines. Additional pit development is underway as required by long-range mine plans. At our U.S. Iron Ore and Asia Pacific Iron Ore mines, drilling programs are conducted periodically for the purpose of refining guidance related to ongoing operations.

Geologic models are developed for all mines to define the major ore and waste rock types. Computerized block models for iron ore are constructed that include all relevant geologic and metallurgical data. These are used to generate grade and tonnage estimates, followed by detailed mine design and life of mine operating schedules.

U.S. Iron Ore

The following map shows the locations of our U.S. Iron Ore operations as of December 31, 2015:



We directly or indirectly own and operate interests in five U.S. Iron Ore mines located in Michigan and Minnesota from which we produced 19.3 million, 22.4 million and 20.3 million tons of iron ore pellets in 2015, 2014 and 2013, respectively, for our account. We produced 6.8 million, 7.3 million and 6.9 million tons, respectively, on behalf of the steel company partners of the mines.

Our U.S. Iron Ore mines produce from deposits located within the Biwabik and Negaunee Iron Formation, which are classified as Lake Superior type iron formations that formed under similar sedimentary conditions in shallow marine basins approximately two billion years ago. Magnetite and hematite are the predominant iron oxide ore minerals present, with lesser amounts of goethite and limonite. Quartz is the predominant waste mineral present, with lesser amounts of

other chiefly iron bearing silicate and carbonate minerals. The ore minerals liberate from the waste minerals upon fine grinding.

Mine	Cliffs Ownership	Infrastructure	Mineralization	Operating Since	Current Annual Capacity ^{1,2}	2015 Production ^{2,3}	Mineral Owned	Rights Leased
Empire	79%	Mine, Concentrator, Pelletizer	Magnetite	1963	5.5	3.0	53%	47%
Tilden	85%	Mine, Concentrator, Pelletizer, Railroad	Hematite & Magnetite	1974	8.0	7.6	100%	—%
Hibbing	23%	Mine, Concentrator, Pelletizer	Magnetite	1976	8.0	8.1	3%	97%
Northshore	100%	Mine, Concentrator, Pelletizer, Railroad	Magnetite	1990	6.0	4.3	—%	100%
United Taconite	100%	Mine, Concentrator, Pelletizer	Magnetite	1965	5.4	3.1	—%	100%

¹ Annual capacity is reported on a wet basis in millions of long tons, equivalent to 2,240 pounds.

² Figures reported on 100% basis.

³ 2015 Production from Empire includes 0.8 million long tons tolled to Tilden.

Empire Mine

The Empire mine is located on the Marquette Iron Range in Michigan's Upper Peninsula approximately 15 miles southwest of Marquette, Michigan. The Empire mine has produced between 3.0 million and 4.4 million tons of iron ore pellets annually over the past five years, of which between 0.8 million and 2.4 million tons annually over the past five years were tolled to Tilden mine. During 2015, Empire was temporarily idled for a summer shutdown beginning on June 26, 2015. The temporary idle ended during mid-October of 2015. The summer shutdown was required due to lower tolling requirements from Tilden mine, a result of reduced demand from our steel-producing customers.

We own 79 percent of Empire and a subsidiary of ArcelorMittal USA has retained the remaining 21 percent ownership in Empire with limited rights and obligations, which it has a unilateral right to put to us at any time. This right has not been exercised. Each partner takes its share of production pro rata; however, provisions in the partnership agreement allow additional or reduced production to be delivered under certain circumstances. As part of a 2014 extension agreement between us and ArcelorMittal, which amended certain terms of the 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 January 2017. The partnership agreement expires December 31, 2016. We own directly approximately one-half of the remaining ore reserves at the Empire mine and lease them to Empire. A subsidiary of ours leases the balance of the Empire reserves from other owners of such reserves and subleases them to Empire. Operations consist of an open pit truck and shovel mine, a concentrator that utilizes single stage crushing, AG mills, magnetic separation and floatation to produce a magnetite concentrate that is then supplied to the on-site pellet plant.

Tilden Mine

The Tilden mine is located on the Marquette Iron Range in Michigan's Upper Peninsula approximately five miles south of Ishpeming, Michigan. Over the past five years, the Tilden mine has produced between 7.5 million and 7.8 million tons of iron ore pellets annually. We own 85 percent of Tilden, with the remaining minority interest owned by a subsidiary of U.S. Steel. Each partner takes its share of production pro rata; however, provisions in the partnership agreement allow additional or reduced production to be delivered under certain circumstances. We own all of the ore reserves at the Tilden mine and lease them to Tilden. Operations consist of an open pit truck and shovel mine, a concentrator that utilizes single stage crushing, AG mills, magnetite separation and floatation to produce hematite and magnetic concentrates that are then supplied to the on-site pellet plant.

The Empire and Tilden mines are located adjacent to each other. The logistical benefits include a consolidated transportation system, more efficient employee and equipment operating schedules, reduction in redundant facilities and workforce and best practices sharing. Two railroads, one of which is wholly owned by us, link the Empire and Tilden

mines with Lake Michigan at the loading port of Escanaba, Michigan, and with the Lake Superior loading port of Marquette, Michigan.

Hibbing Mine

The Hibbing mine is located in the center of Minnesota's Mesabi Iron Range and is approximately ten miles north of Hibbing, Minnesota and five miles west of Chisholm, Minnesota. Over the past five years, the Hibbing mine has produced between 7.7 million and 8.1 million tons of iron ore pellets annually. We own 23 percent of Hibbing, a subsidiary of ArcelorMittal has a 62.3 percent interest and a subsidiary of U.S. Steel has a 14.7 percent interest. Each partner takes its share of production pro rata; however, provisions in the joint venture agreement allow additional or reduced production to be delivered under certain circumstances. Mining is conducted on multiple mineral leases having varying expiration dates. Mining leases routinely are renegotiated and renewed as they approach their respective expiration dates. Hibbing operations consist of an open pit truck and shovel mine, a concentrator that utilizes single stage crushing, AG mills and magnetic separation to produce a magnetite concentrate, which is then delivered to an on-site pellet plant. From the site, pellets are transported by BNSF rail to a ship loading port at Superior, Wisconsin, operated by BNSF.

Northshore Mine

The Northshore mine is located in northeastern Minnesota, approximately two miles south of Babbitt, Minnesota, on the northeastern end of the Mesabi Iron Range. Northshore's processing facilities are located in Silver Bay, Minnesota, near Lake Superior. Crude ore is shipped by a wholly owned railroad from the mine to the processing and dock facilities at Silver Bay. Over the past five years, the Northshore mine has produced between 3.9 million and 5.8 million tons of iron ore pellets annually. One of the four furnaces in the Northshore pellet plant was idled in January 2015. We ran a three furnace operation throughout 2015 until the complete idle of Northshore mine in late November 2015. The temporary idle is a result of historic levels of steel imports into the U.S. and reduced demand from our steel-producing customers. Northshore mine is expected to be idled at least through the first quarter of 2016.

The Northshore mine began production under our management and ownership on October 1, 1994. We own 100 percent of the mine. Mining is conducted on multiple mineral leases having varying expiration dates. Mining leases routinely are renegotiated and renewed as they approach their respective expiration dates. Northshore operations consist of an open pit truck and shovel mine where two stages of crushing occur before the ore is transported along a wholly owned 47-mile rail line to the plant site in Silver Bay. At the plant site, two additional stages of crushing occur before the ore is sent to the concentrator. The concentrator utilizes rod mills and magnetic separation to produce a magnetite concentrate, which is delivered to the pellet plant located on-site. The plant site has its own ship loading port located on Lake Superior.

United Taconite Mine

The United Taconite mine is located on Minnesota's Mesabi Iron Range in and around the city of Eveleth, Minnesota. The United Taconite concentrator and pelletizing facilities are located ten miles south of the mine, near the town of Forbes, Minnesota. Over the past five years, the United Taconite mine has produced between 3.1 million and 5.4 million tons of iron ore pellets annually. Currently, United Taconite mine is temporarily idled. The temporary idle began the first week of August 2015 and is a result of historic levels of steel imports into the U.S. and reduced demand from our steel-producing customers. United Taconite mine is expected to be idled at least through the first quarter of 2016.

We own 100 percent of the United Taconite mine. Mining is conducted on multiple mineral leases having varying expiration dates. Mining leases routinely are renegotiated and renewed as they approach their respective expiration dates. United Taconite operations consist of an open pit truck and shovel mine where two stages of crushing occur before the ore is transported by rail to the plant site located ten miles to the south. At the plant site an additional stage of crushing occurs before the ore is sent to the concentrator. The concentrator utilizes rod mills and magnetic separation to produce a magnetite concentrate, which is delivered to the pellet plant. From the site, pellets are transported by CN rail to a ship loading port at Duluth, Minnesota, operated by CN.

Asia Pacific Iron Ore

The following map shows the location of our Asia Pacific Iron Ore operation as of December 31, 2015:



In Australia, we own and operate the Koolyanobbing operations. We produced 11.7 million metric tons, 11.4 million metric tons and 11.1 million metric tons in 2015, 2014 and 2013, respectively.

The mineralization at the Koolyanobbing operations is predominantly hematite and goethite replacements in greenstone-hosted banded iron formations. Individual deposits tend to be small with complex ore-waste contact relationships. The reserves at the Koolyanobbing operations are derived from 10 separate mineral deposits distributed over a 70 mile operating radius.

Mine	Cliffs Ownership	Infrastructure	Mineralization	Operating Since	Current Annual Capacity ¹	2015 Production	Mineral Owned	Rights Leased
Koolyanobbing	100%	Mine, Road Haulage, Crushing-Screening Plant	Hematite & Goethite	1994	11.0	11.7	—%	100%

¹ Annual capacity is reported on a wet basis in millions of metric tons, equivalent to 2,205 pounds.

Koolyanobbing

The Koolyanobbing operations are located 250 miles east of Perth and approximately 30 miles northeast of the town of Southern Cross. Koolyanobbing produces lump and fines iron ore. Mining is conducted on multiple mineral leases having varying expiration dates. Mining leases routinely are renewed as they approach their respective expiration dates. In 2011, a significant permitting milestone was achieved with the granting of regulatory approvals necessary to develop above the water table at Windarling's W1 deposit. In 2013, environmental approvals were obtained for deepening of the Windarling W1 pit and deepening of the Koolyanobbing A/B/C pits. The operations at Windarling have been idled since the beginning of the fourth quarter of 2015 as a result of cost cutting measures.

Over the past five years, the Koolyanobbing operation has produced between 8.2 million and 11.7 million metric tons annually. The expansion project at Koolyanobbing increasing annual capacity to 11 million metric tons was completed in 2012. Ore material can be sourced from nine separate open pit mines and is delivered by typical production trucks or road trains to a crushing and screening facility located at Koolyanobbing. All of the ore from the Koolyanobbing operations is transported by rail to the Port of Esperance, 360 miles to the south, for shipment to Asian customers.

North American Coal

Throughout the majority of 2015, we directly owned and operated two North American coal mining complexes from which we produced a total of 4.3 million tons of coal in 2015. In the fourth quarter of 2015, we sold these two coal mining complexes, Pinnacle mine and Oak Grove mine, marking our exit from the coal business. The sale was completed on December 22, 2015. In 2014 and 2013, we produced 7.5 million and 7.2 million tons of coal, respectively. Prior to December 31, 2014, we also owned a third coal mining complex, CLCC. We no longer own CLCC as the sale of the CLCC assets was completed on December 31, 2014. The production tons above include 2.5 million tons and 2.1 million tons of coal produced by CLCC in 2014 and 2013, respectively. Our coal production at each mine was shipped within the U.S. by rail or barge. Coal for international customers was shipped through the ports of Mobile, Alabama; Norfolk, Virginia; and New Orleans, Louisiana.

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. Refer to NOTE 14 - DISCONTINUED OPERATIONS for further discussion of the North American Coal segment discontinued operations.

Eastern Canadian Iron Ore

We own interests in two non-operating iron ore mines in the Canadian Provinces of Québec and Newfoundland and Labrador from which we had been producing iron ore concentrate through December 2014 and produced iron ore pellets through June 2013. We produced 6.2 million and 8.7 million metric tons of iron ore product in 2014 and 2013, respectively, from these two mines. In May 2011, we acquired Consolidated Thompson along with its 75 percent interest in the Bloom Lake property. In the fourth quarter of 2013, our interest in Bloom Lake increased by an aggregate of 7.8 percent, bringing our interest to 82.8 percent in the Bloom Lake property.

As more fully described in NOTE 14 - DISCONTINUED OPERATIONS, in January 2015, we announced that the Bloom Lake Group commenced restructuring proceedings in Montreal, Quebec under the CCAA. 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 restructuring proceedings in Montreal, Quebec, under the CCAA 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 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.

Mineral Policy

We have a corporate policy prescribing internal control and procedures with respect to auditing and estimating of minerals. The procedures contained in the policy include the calculation of mineral estimates at each property by our engineers, geologists and accountants, as well as third-party consultants. Management compiles and reviews the calculations, and once finalized, such information is used to prepare the disclosures for our annual and quarterly reports. The disclosures are reviewed and approved by management, including our chief executive officer and chief financial officer. Additionally, the long-range mine planning and mineral estimates are reviewed annually by our Audit Committee. Furthermore, all changes to mineral estimates, other than those due to production, are adequately documented and submitted to senior operations officers for review and approval. Finally, periodic reviews of long-range mine plans and mineral reserve estimates are conducted at mine staff meetings, senior management meetings and by independent experts.

Mineral Reserves

Reserves are defined by SEC Industry Standard Guide 7 as that part of a mineral deposit that could be economically and legally extracted and produced at the time of the reserve determination. All reserves are classified as proven or probable and are supported by life-of-mine plans.

Reserve estimates are based on pricing that does not exceed the three-year trailing average of benchmark prices for iron ore adjusted to our realized price. For the three-year period 2013 to 2015, the average international benchmark price of 62 percent Fe CFR China was \$96 per dry metric ton.

We evaluate and analyze mineral reserve estimates in accordance with our mineral policy and SEC requirements. The table below identifies the year in which the latest reserve estimate was completed.

Property	Date of Latest Economic Reserve Analysis
U.S. Iron Ore	
Empire	2009
Tilden	2015
Hibbing	2015
Northshore	2015
United Taconite	2013
Asia Pacific Iron Ore	
Koolyanobbing	2013

Iron Ore Reserves

Ore reserve estimates for our iron ore mines as of December 31, 2015 were estimated from fully designed open pits developed using three-dimensional modeling techniques. These fully designed pits incorporate design slopes, practical mining shapes and access ramps to assure the accuracy of our reserve estimates. All of our remaining operations reserves have been adjusted net of 2015 production.

U.S. Iron Ore

All tonnages reported for our U.S. Iron Ore operating segment are in long tons of 2,240 pounds, have been rounded to the nearest 100,000 and are reported on a 100 percent basis.

**U.S. Iron Ore Mineral Reserves
as of December 31, 2015
(In Millions of Long Tons)**

Property	Cliffs Share	Proven		Probable		Proven & Probable		Saleable Product ^{2,3}		Previous Year	
		Tonnage	% Grade	Tonnage	% Grade	Tonnage	% Grade ⁵	Process Recovery ⁴	Tonnage	P&P Crude Ore	Saleable Product
Empire	79%	8.6	22.5	—	—	8.6	22.5	37%	3.2	14.6	4.7
Tilden Hematite ¹	85%	306.1	34.7	82.7	33.9	388.8	34.6	37%	143.5	584.3	199.6
Tilden Magnetite	85%	0.2	27.0	0.1	25.1	0.3	26.4	33%	0.1	77.7	29.5
Total Tilden	85%	306.3		82.8		389.1		37%	143.6	662.0	229.1
Hibbing	23%	238.5	19.6	24.7	19.6	263.2	19.6	26%	69.7	260.2	68.0
Northshore	100%	260.2	25.0	557.4	24.2	817.6	24.4	32%	264.3	1,036.3	351.8
United Taconite	100%	400.9	23.1	65.9	22.9	466.8	23.0	33%	156.2	475.1	159.2
Totals		1,214.5		730.8		1,945.3			637.0	2,448.2	812.8

¹ Tilden hematite reported grade is percent FeT; all other properties are percent magnetic iron

² Saleable product is a standard pellet containing 60 to 66 percent Fe calculated from both proven and probable mineral reserves

³ Saleable product is reported on a dry basis; shipped products typically contain 1 to 4 percent moisture

⁴ Process recovery includes all factors for converting crude ore tonnage to saleable product

⁵ Cutoff grades are 15 percent magnetic iron for Hibbing and Empire, 17 percent for United Taconite, 19 percent for Northshore and 20 percent for Tilden. Cutoff for Tilden hematite is 25 percent FeT.

Asia Pacific Iron Ore

All tonnages reported for our Asia Pacific Iron Ore operating segment are in metric tons of 2,205 pounds, have been rounded to the nearest 100,000 and are reported on a 100 percent basis.

**Asia Pacific Iron Ore Mineral Reserves
as of December 31, 2015
(In Millions of Metric Tons)¹**

Property	Cliffs Share	Proven		Probable		Proven & Probable		Previous Year Total Tonnage
		Tonnage	% Fe	Tonnage	% Fe	Tonnage	% Fe ²	
Koolyanobbing	100%	4.1	56.6	45.0	60.1	49.1	59.8	60.8

¹ Tonnages reported are saleable product reported on a dry basis; shipped products contain approximately 5 percent moisture

² Cutoff grade is 54 percent FeT

Item 3. Legal Proceedings

Alabama Dust Litigation. At the time of the sale of our Oak Grove mine to Seneca on December 22, 2015, three cases were pending in the Alabama state court system that comprise the Alabama Dust Litigation. Generally, these claims were asserted by nearby homeowners alleging that dust emanating from the Concord Preparation Plant causes damage to their properties. The defense and any liability relating to these lawsuits has been assumed by Seneca as part of the sale. As such, we will not continue to make disclosures relating to this litigation.

Bloom Lake Investigation. CQIM, Bloom Lake General Partner Limited and Bloom Lake were investigated by Environment Canada in relation to alleged violations of Section 36(3) of the Fisheries Act that prohibits the deposit of a

deleterious substance in water frequented by fish or in any place where the deleterious substance may enter any such water and Section 40(3) of the Fisheries Act in relation to an alleged failure to comply with a direction of an inspector. The investigation covered several alleged incidents that occurred between April 2011 and December 2014. The Bloom Lake investigation was settled on December 19, 2014, resolving all allegations and included a fine of C\$1.5 million and a contribution to the Environmental Damages Fund of C\$6.0 million. CQIM, Bloom Lake General Partner Limited and Bloom Lake entered into a Management Directive with Environment Canada which outlines compliance obligations to address these concerns going forward.

Empire NPDES Permit Enforcement. Empire received an enforcement letter on December 22, 2015 from the MDEQ alleging exceedances of the selenium effluent limit in 2014 and 2015. The letter invited Empire to resolve the matter via an Administrative Consent Order. Discussions with MDEQ regarding the foregoing alleged exceedances have not been concluded and the resolution of these matters is uncertain at this time. However, it is not anticipated that the Administrative Consent Order obligations will be material to us.

ERISA Litigation. On May 14, 2015, a lawsuit was filed in the United States District Court for the Northern District of Ohio captioned Paul Saumer, individually and on behalf of all others similarly situated, v. Cliffs Natural Resources Inc. et al., No. 1:15-CV-00954. This action was purportedly brought on behalf of the Northshore and Silver Bay Power Company Retirement Savings Plan (the "Plan") and certain participants and beneficiaries of the Plan during the class period, defined in the complaint as April 2, 2012 to the present, against Cliffs Natural Resources Inc., its investment committee, Northshore, the Employee Benefits Administration Department of Northshore, and certain current and former officers. Plaintiff amended the complaint to name as defendants additional current and former employees who served on the investment committee. The suit alleges that the defendants breached their duties to the plaintiffs and the Plan in violation of ERISA fiduciary rules by, among other things, continuing to offer and hold Cliffs Natural Resources Inc. stock as a Plan investment option during the class period. The relief sought includes a request for a judgment ordering the defendants to make good to the Plan all losses to the Plan resulting from the alleged breaches of fiduciary duties. The lawsuit has been referred to our insurance carriers. On December 16, 2015, defendants filed a motion to dismiss the lawsuit.

Essar Litigation. On January 12, 2015, The Cleveland-Cliffs Iron Company, Northshore Mining Company and Cliffs Mining Company (collectively, the "Cliffs Plaintiffs") filed a complaint against Essar in the U.S. District Court for the Northern District of Ohio, Eastern Division, asserting that Essar breached the parties' Pellet Sale and Purchase Agreement, as amended (the "Pellet Agreement") by, among other things, failing to take delivery of and pay for its nominated ore in 2014, failing to make certain payments under a true up provision, and disclosing confidential information. The complaint also seeks a declaration that Essar is not entitled to receive certain credit payments under the terms of the Pellet Agreement. The Cliffs Plaintiffs seek damages in excess of \$90 million. Essar filed an Answer and Counterclaim on February 11, 2015, seeking damages in excess of \$160 million for various alleged breaches of the Pellet Agreement, including failure to deliver ore, overcharging for certain deliveries, failure to pay certain credit payments and disclosing confidential information. The parties started the discovery process, with a discovery cutoff date set for October 30, 2015, and a trial date set for December 7, 2015. The parties agreed to attempt mediation of the claims. Two mediation sessions took place on March 7 and April 21, 2015. The mediations were unsuccessful. The Cliffs Plaintiffs filed a Motion for Partial Summary Judgment on July 31, 2015, which was granted in part on October 8, 2015. With respect to the Cliffs Plaintiffs' claim that Essar had breached by failing to take its 2014 nomination, the Court found that Essar had breached and had failed to take between 500,000 and 700,000 tons of its 2014 nomination. The summary judgment ruling also dismissed Essar's counterclaim that the Cliffs Plaintiffs had overcharged Essar by improperly measuring moisture levels. With respect to this claim, the Court found that there was "no basis" for Essar's claim that the Cliffs Plaintiffs had breached the contract. On October 5, 2015, the Cliffs Plaintiffs terminated the Pellet Agreement because of Essar's continual breach of the Pellet Agreement. On October 6, 2015, Essar filed motions for temporary restraining order and preliminary injunction. Essar withdrew both motions on October 15, 2015, before any order was entered on either motion.

On November 9, 2015, Essar filed for protection under CCAA in Canada in the Ontario Superior Court of Justice and Chapter 15 bankruptcy protection in the United States in the U.S. District Court for the District of Delaware. As a result of the stay related to Essar's bankruptcy proceedings, the litigation in U.S. District Court for the Northern District of Ohio was dismissed without prejudice stating that either party could reinstate the case upon application, if necessary, when the bankruptcy proceedings have concluded. Essar moved the CCAA Court to determine that the Cliffs Plaintiffs' termination of the Pellet Agreement was invalid and to reinstate the Pellet Agreement. The Cliffs Plaintiffs have objected based upon inappropriate jurisdiction and other grounds. On January 25, 2016, the CCAA Court determined that it has proper jurisdiction and instructed the parties to determine an appropriate procedure to try the facts in front of the CCAA Court. The Cliffs Plaintiffs filed an appeal of the CCAA Court's decision regarding proper jurisdiction on February 8, 2016.

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. Parties have filed petitions for rehearing on FERC's order as well as protests against MISO's compliance filing submitted pursuant to the order. FERC has deferred its decision on the issue of retroactive refunds until after it has approved MISO's allocation methodology in full. Should FERC award SSR costs based on the revised cost allocation methodology applied retroactively, our current estimate of the potential liability to our Empire and Tilden mines is approximately \$17.1 million. We, however, continue to challenge the imposition of any SSR costs before FERC and the U.S. Court of Appeals for the D.C. Circuit.

Pinnacle Mine Environmental Litigation. On June 22, 2010, the West Virginia DEP filed a lawsuit in the Wyoming County Circuit Court against the Pinnacle mine alleging past non-compliance with its NPDES discharge permit. The complaint seeks injunctive relief and penalties. An initial penalty proposal of \$1.0 million was offered by the West Virginia DEP in March 2012; however, Pinnacle disagrees with the alleged violations and has met with the DEP to present facts supporting a review and reduction of the proposed penalty. The defense and any liability relating to this lawsuit have been assumed by Seneca as part of the sale. As such, we will not continue to make disclosures relating to this litigation.

Pointe Noire Investigation. Wabush Mines was investigated by Environment Canada in relation to alleged violations of (i) Section 36(3) of the Fisheries Act, which prohibits the deposit of a deleterious substance in water frequented by fish or in any place where the deleterious substance may enter any such water, and (ii) Section 5.1 of the Migratory Bird Convention Act, 1994. The Québec Ministry of Sustainable Development, Environment, Wildlife and Parks also conducted an investigation into alleged violations of Section 8 of the Hazardous Material Regulation, which prohibits the discharge of a hazardous material to the environment. The investigations covered events surrounding and leading up to the alleged release of approximately 1,320 gallons of fuel oil into the Bay of Sept-Iles on September 1, 2013. We cooperated with the investigators and agency response officials. In April 2014, the Québec Ministry of Justice filed a penalty charge related to the incident. The Pointe Noire investigation was settled in December 2014. A fine of C\$750,000 and C\$61,000 in costs were paid. We are anticipating a report by the Québec Ministry related to their assessment of the cleanup activities performed by Wabush Mines and further direction related to requirements for additional environmental monitoring, if any.

Putative Class Action Lawsuits. In May 2014, alleged purchasers of our common shares filed suit in the U.S. District Court for the Northern District of Ohio against us and certain former officers and directors of the Company. The action is captioned Department of the Treasury of the State of New Jersey and Its Division of Investment v. Cliffs Natural Resources Inc., et al., No. 1:14-CV-1031. As amended, the action asserts violations of the federal securities laws based on alleged false or misleading statements or omissions during the period of March 14, 2012 to March 26, 2013, regarding operations at our Bloom Lake mine in Québec, Canada, and the impact of those operations on our finances and outlook, including sustainability of the dividend, and that the alleged misstatements caused our common shares to trade at artificially inflated prices. The parties have successfully mediated this dispute and reached a settlement in principle, subject to definitive documentation, shareholder notice and court approval. The lawsuit had been referred to our insurance carriers, who will be required to pay the entirety of the \$84 million settlement amount, if approved by the court. The court is expected to schedule a settlement approval hearing. The settlement of this lawsuit, if approved, will have no impact on our financial position or operations.

In June 2014, an alleged purchaser of the depositary shares issued by Cliffs in a public offering in February 2013 filed a putative class action, which is captioned Rosenberg v. Cliffs Natural Resources Inc., et al., and after a round of removal and remand motions, is now pending in the Cuyahoga County, Ohio, Court of Common Pleas, No. CV-14-828140. As amended, the suit asserts claims against us, certain current and former officers and directors of the Company, and several underwriters of the offering, alleging disclosure violations in the offering documents regarding operations at our Bloom Lake mine, the impact of those operations on our finances and outlook, and about the progress of our former exploratory chromite project in Ontario, Canada. The parties successfully mediated this dispute and reached a settlement agreement in principle, subject to definitive documentation, notice to class members and court approval. The settlement provides for a payment to the proposed class of \$10 million, which has been deposited into escrow by the insurance carriers. A court hearing, during which the parties will seek court approval of the proposed class action settlement, is scheduled for April 14, 2016.

Shareholder Derivative Lawsuits. In June and July 2014, alleged shareholders of Cliffs filed three derivative actions in the Cuyahoga County, Ohio, Court of Common Pleas asserting claims against certain current and former officers and directors of the Company. These actions, captioned Black v. Carrabba, et al., No. CV-14-827803, Asmussen v. Carrabba, et al., No. CV-14-829259, and Williams, et al. v. Carrabba, et al., No. CV-14-829499, allege that the individually named defendants violated their fiduciary duties to the Company by, among other things, disseminating false and

misleading information regarding operations at our Bloom Lake mine in Québec, Canada, and the impact of those operations on our finances and outlook, including sustainability of the dividend, failing to maintain internal controls, and failing to appropriately oversee and manage the Company. The complaints assert additional claims for unjust enrichment, abuse of control, gross mismanagement, overpayment upon departure of certain executives, and waste of corporate assets. The parties have reached a settlement in principle to settle all three cases, subject to definitive documentation, shareholder notice and court approval. Under the pending settlement, the Company will agree to enact or continue various corporate-governance related measures and to pay plaintiffs' attorneys' fees and expenses. The lawsuit had been referred to our insurance carriers who will pay \$775,000 for attorneys' fees and expenses to plaintiffs' lawyers. The settlement of these actions will have no impact on our financial position. Following the announcement of the settlement in principle of these three shareholder derivative cases, an additional derivative shareholder action, captioned Mansour v. Carrabba, et al., No. 16-CV-00390, was filed in the U.S. District Court for the Northern District of Ohio against the same defendants and alleging substantially identical claims. This additional lawsuit has been referred to our insurance carriers.

The Rio Tinto Mine Site. The Rio Tinto Mine Site is an historic underground copper mine located near Mountain City, Nevada, where tailings were placed in Mill Creek, a tributary to the Owyhee River. Site investigation and remediation work is being conducted in accordance with a Consent Order dated September 14, 2001, between the Nevada DEP and the RTWG composed of the Company, Atlantic Richfield Company, Teck Cominco American Incorporated and E. I. duPont de Nemours and Company. The Consent Order provides for technical review by the U.S. Department of the Interior Bureau of Indian Affairs, the U.S. Fish and Wildlife Service, U.S. Department of Agriculture Forest Service, the Nevada DEP and the Shoshone-Paiute Tribe of the Duck Valley Reservation (collectively, the "Rio Tinto Trustees"). In recognition of the potential for an NRD claim, the parties actively pursued a global settlement that would include the EPA and encompass both the remedial action and the NRD issues.

The Nevada DEP published a Record of Decision for the Rio Tinto Mine, which was signed on February 14, 2012, by the Nevada DEP and the EPA. On September 27, 2012, the agencies subsequently issued a proposed Consent Decree, which was lodged with the U.S. District Court for the District of Nevada and was finalized on May 20, 2013. Under the terms of the Consent Decree, the RTWG has agreed to pay over \$29 million in cleanup costs and natural resource damages to the site and surrounding area. Under the terms of the Consent Decree, the RTWG is responsible for removing mine tailings from Mill Creek, improving the creek to support redband trout, improving water quality in Mill Creek and the East Fork Owyhee River and long term monitoring of the site. Nevada DEP will oversee the cleanup, with input from EPA and monitoring from the Rio Tinto Trustees. The Company's share of the total settlement cost, which includes this remedial action, insurance and other oversight costs, was \$12.2 million. As of December 31, 2015, we had completed all required payments related to the Consent Decree.

Southern Natural Gas Lawsuit. On July 23, 2014, Southern Natural Gas Company, L.L.C. filed a lawsuit in the Circuit Court of Jefferson County, Alabama (Case No. 68-CV-2014-900533.00) against the Company and others. The suit seeks to prevent coal mining activity underneath a gas pipeline at our Oak Grove property and to require defendants to pay the costs associated with relocating that pipeline. The suit asserts claims for declaratory judgment and nuisance. This lawsuit was pending at the time of the sale of our Oak Grove mine to Seneca. The defense and any liability relating to this lawsuit has been assumed by Seneca as part of the sale, including the obligation to indemnify the Company as a named defendant. As such, we will not continue to make disclosures relating to this litigation.

Taconite MACT Compliance Review. EPA Region 5 issued Notices of Violation during the first quarter of 2014 to Empire, Tilden and United Taconite related to alleged historical violations of the Taconite MACT rule and certain elements of the respective state-issued Title V operating permits. While the matter has been referred to the DOJ for enforcement, it is not anticipated currently to have a material impact on our business.

Worldlink Arbitration. In October 2011, our wholly owned subsidiary, CQIM, along with Bloom Lake General Partner Limited and The Bloom Lake Iron Ore Mine Limited Partnership, instituted an arbitration claim against the Bloom Lake mine's former customer, Worldlink Resources Limited, for material and/or fundamental breaches of the parties' 2007 offtake agreement for the purchase and sale of iron concentrate produced at the Bloom Lake mine. Our subsidiaries filed the arbitration claim with the International Court of Arbitration of the International Chamber of Commerce pursuant to the dispute resolution provisions of the offtake agreement. Our subsidiaries terminated the offtake agreement with Worldlink in August 2011 due to Worldlink's failure to fulfill its obligations under the agreement and Worldlink's demand to renegotiate the price of the iron ore concentrate in spite of being party to a long-term offtake agreement. Our subsidiaries claimed damages for the breach of the offtake agreement in excess of \$85 million and Worldlink counterclaimed for damages in excess of \$100 million. In November 2014, the arbitrators decided in favor of Worldlink and awarded it damages in an amount of approximately \$71 million as well as approximately \$25 million in accrued interest from the date of termination of the offtake agreement in August 2011 and arbitration costs. This judgment has been included in the CCAA filing of the Bloom Lake Group and will be treated as an unsecured claim.

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 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, we have 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 15. Exhibits and Financial Statement Schedules* of this Annual Report on Form 10-K.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Stock Exchange Information

Our common shares (ticker symbol CLF) are listed on the NYSE.

Common Share Price Performance and Dividends

The following table sets forth, for the periods indicated, the high and low sales prices per common share as reported on the NYSE and the dividends declared per common share:

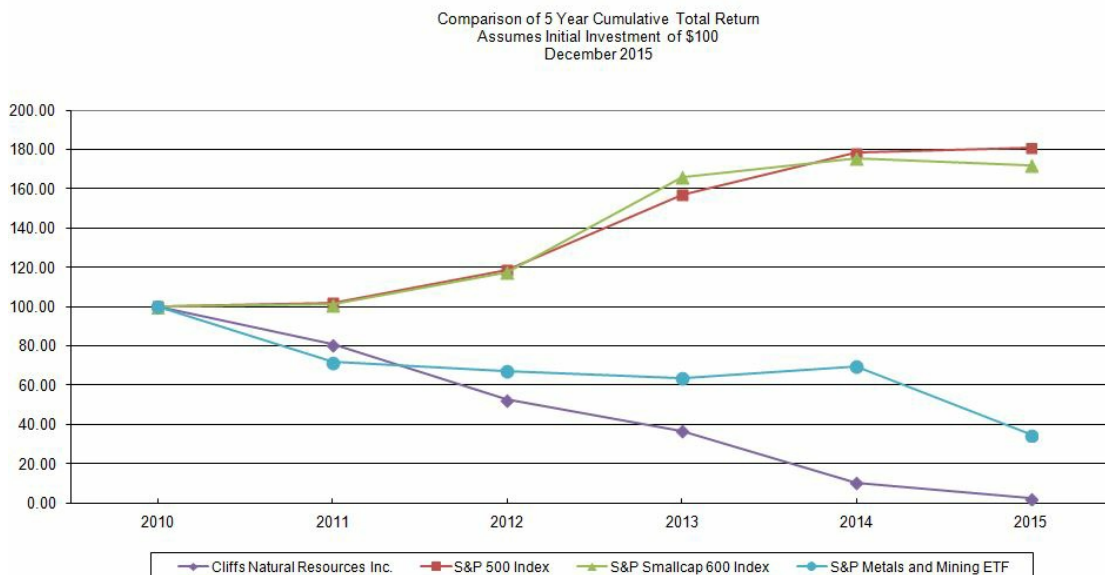
	2015			2014		
	High	Low	Dividends	High	Low	Dividends
First Quarter	\$ 9.39	\$ 4.12	\$ —	\$ 26.63	\$ 17.40	\$ 0.15
Second Quarter	6.87	4.27	—	21.25	13.60	0.15
Third Quarter	4.53	2.28	—	18.41	10.19	0.15
Fourth Quarter	3.73	1.42	—	11.70	5.63	0.15
Year	9.39	1.42	\$ —	26.63	5.63	\$ 0.60

At February 22, 2016, we had 1,274 shareholders of record.

On January 26, 2015, we announced that our Board of Directors had decided to eliminate the quarterly dividend of \$0.15 per share on our common shares. The decision was applicable to the first quarter of 2015 and all subsequent quarters.

Shareholder Return Performance

The following graph shows changes over the past five-year period in the value of \$100 invested in: (1) Cliffs' common shares; (2) S&P 500 Stock Index; (3) S&P Smallcap 600 Index; and (4) S&P Metals and Mining ETF Index. The values of each investment are based on price change plus reinvestment of all dividends reported to shareholders.



		2010	2011	2012	2013	2014	2015
Cliffs Natural Resources Inc.	Return %		-19.24	-34.76	-30.17	-71.56	-77.87
	Cum \$	100.00	80.76	52.69	36.79	10.46	2.32
S&P 500 Index - Total Returns	Return %		2.08	15.98	32.36	13.69	1.38
	Cum \$	100.00	102.08	118.39	156.70	178.15	180.61
S&P Smallcap 600 Index	Return %		0.99	16.30	41.29	5.73	-2.00
	Cum \$	100.00	100.99	117.45	165.65	175.95	171.95
S&P Metals and Mining ETF	Return %		-28.16	-6.60	-5.37	9.77	-50.51
	Cum \$	100.00	71.84	67.10	63.50	69.70	34.49

Issuer Purchases of Equity Securities

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 ⁽²⁾
October 1 - 31, 2015	—	\$ —	—	\$200,000,000
November 1 - 30, 2015	3,548	\$ 3.24	—	\$200,000,000
December 1 - 31, 2015	83,388	\$ 1.58	—	—
Total	86,936	\$ 1.65	—	—

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

(2) On August 25, 2014, the Board of Directors authorized a share repurchase plan pursuant to which we were permitted to buy back our outstanding common shares in the open market or in private negotiated transactions up to a maximum of \$200 million. No shares were purchased through December 31, 2015. The authorization expired on December 31, 2015.

Item 6. Selected Financial Data
Summary of Financial and Other Statistical Data - Cliffs Natural Resources Inc. and Subsidiaries

	2015 (g)	2014 (f)	2013 (e)	2012 (c)	2011 (b)
Financial data (in millions, except per share amounts) *					
Revenue from product sales and services	\$ 2,013.3	\$ 3,373.2	\$ 3,890.8	\$ 3,982.7	\$ 4,873.7
Cost of goods sold and operating expenses	(1,776.8)	(2,487.5)	(2,406.4)	(2,438.4)	(2,197.0)
Other operating expense	(85.2)	(755.6)	(104.1)	(239.3)	(201.5)
Operating income	151.3	130.1	1,380.3	1,305.0	2,475.2
Income from continuing operations	143.7	56.4	878.9	336.4	1,904.1
Loss from discontinued operations, net of tax	(892.1)	(8,368.0)	(517.1)	(1,463.0)	(91.5)
Net income (loss)	(748.4)	(8,311.6)	361.8	(1,126.6)	1,812.6
Loss (income) attributable to noncontrolling interest	(0.9)	1,087.4	51.7	227.2	(193.5)
Net income (loss) attributable to Cliffs shareholders	(749.3)	(7,224.2)	413.5	(899.4)	1,619.1
Preferred stock dividends	(38.4)	(51.2)	(48.7)	—	—
Income (loss) attributable to Cliffs common shareholders	\$ (787.7)	\$ (7,275.4)	\$ 364.8	\$ (899.4)	\$ 1,619.1
Earnings (loss) per common share attributable to Cliffs common shareholders - basic					
Continuing operations	\$ 0.63	\$ (0.14)	\$ 5.37	\$ 2.19	\$ 12.61
Discontinued operations	(5.77)	(47.38)	(2.97)	(8.51)	(1.06)
Earnings (loss) per common share attributable to Cliffs common shareholders - basic	\$ (5.14)	\$ (47.52)	\$ 2.40	\$ (6.32)	\$ 11.55
Earnings (loss) per common share attributable to Cliffs common shareholders - diluted					
Continuing operations	\$ 0.63	\$ (0.14)	\$ 4.95	\$ 2.18	\$ 12.53
Discontinued operations	(5.76)	(47.38)	(2.58)	(8.48)	(1.05)
Earnings (loss) per common share attributable to Cliffs common shareholders - diluted	\$ (5.13)	\$ (47.52)	\$ 2.37	\$ (6.30)	\$ 11.48
Total assets	\$ 2,135.5	\$ 3,147.2	\$ 13,102.9	\$ 13,549.6	\$ 14,516.6
Long-term debt obligations (including capital leases)	\$ 2,755.6	\$ 2,911.5	\$ 2,968.4	\$ 4,081.7	\$ 3,701.2
Net cash from operating activities	\$ 37.9	\$ 358.9	\$ 1,145.9	\$ 514.5	\$ 2,288.0
Distributions to preferred shareholders cash dividends (d)					
- Per depositary share	\$ 1.32	\$ 1.76	\$ 1.66	—	—
- Total	\$ 38.4	\$ 51.2	\$ 48.7	—	—
Distributions to common shareholders cash dividends (a)					
- Per share	\$ —	\$ 0.60	\$ 0.60	\$ 2.16	\$ 0.84
- Total	\$ —	\$ 92.5	\$ 91.9	\$ 307.2	\$ 118.9
Repurchases of common shares	—	—	—	—	\$ 289.8
Common shares outstanding - basic (millions)					
- Average for year	153.2	153.1	151.7	142.4	140.2
- At year-end	153.6	153.2	153.1	142.5	142.0
Iron ore production and sales statistics					
<i>(tons in millions - U.S. Iron Ore; metric tons in millions - Asia Pacific Iron Ore)</i>					
Production tonnage - U.S. Iron Ore	26.1	29.7	27.2	29.5	31.0
- Asia Pacific Iron Ore	11.7	11.4	11.1	11.3	8.9
Production tonnage - (Cliffs' share)					
- U.S. Iron Ore	19.3	22.4	20.3	22.0	23.7
Sales tonnage - U.S. Iron Ore	17.3	21.8	21.3	21.6	24.2
- Asia Pacific Iron Ore	11.6	11.5	11.0	11.7	8.6

* Management determined as of March 31, 2015, that our North American Coal operating segment met the criteria to be classified as held for sale under ASC 205, *Presentation of Financial Statements*. The North American Coal segment continued to meet the criteria throughout 2015 until we sold our North American Coal operations during the fourth quarter of 2015. As such, all current and historical North American Coal operating segment results are included in our financial statements and classified within discontinued operations.

On January 27, 2015, we announced that the Bloom Lake Group commenced restructuring proceedings (the "Bloom Filing") under the CCAA with the Québec Superior Court (Commercial Division) in Montreal (the "Court"). At that time, the Bloom Lake Group was no longer generating revenues and was not able to meet its obligations as they came due. The Bloom Filing addressed the Bloom Lake Group's immediate liquidity issues and permits the Bloom Lake Group to preserve and protect its assets for the benefit of all stakeholders while restructuring and sale options are explored. As part of the CCAA process, the Court approved the appointment of a Monitor and certain other financial advisors. Additionally, on May 20, 2015, we announced that the Wabush Group commenced restructuring proceedings (the "Wabush Filing") in the Court under the CCAA. 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 of each of their businesses and operations. The Wabush Group was no longer generating revenues and was not able to meet its obligations as they came due. The inclusion of the Wabush Group in the existing Bloom Filing will facilitate a more comprehensive restructuring and sale process of both the Bloom Lake Group and the Wabush Group which collectively include mine, port and rail assets and will lead to a more effective and streamlined exit from Eastern Canada. The Wabush Filing will also mitigate various legacy related long-term liabilities associated with the Wabush Group. As part of the Wabush Filing, the Court approved the appointment of a Monitor and certain other financial advisors. The Monitor of the Wabush Group is also the Monitor of the Bloom Lake Group. 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.

On July 10, 2012, we entered into a definitive share and asset sale agreement to sell our 45 percent economic interest in the Sonoma joint venture coal mine located in Queensland, Australia. Additionally, on September 27, 2011, we announced our plans to cease and dispose of the operations at the renewaFUEL biomass production facility in Michigan. On January 4, 2012, we entered into an agreement to sell the renewaFUEL assets to RNFL Acquisition LLC. The results of operations of the Sonoma joint venture and renewaFUEL operations are reflected as discontinued operations in the accompanying consolidated financial statements for all periods presented.

(a) During 2011 we paid quarterly common share dividends of \$0.14 per share. The increased 2011 cash dividends were paid on March 1, 2011, and June 1, 2011, to shareholders on record as of February 15, 2011, and April 29, 2011, respectively. On July 12, 2011, our Board of Directors increased the quarterly common share dividend by 100 percent to \$0.28 per share. The increased cash dividend was paid on September 1, 2011, December 1, 2011, and March 1, 2012, to our shareholders on record as of the close of business on August 15, 2011, November 18, 2011, and February 15, 2012, respectively. On March 13, 2012, our Board of Directors increased the quarterly common share dividend by 123 percent to \$0.625 per share. The increased cash dividend was paid on June 1, 2012, August 31, 2012 and December 3, 2012 to our shareholders on record as of April 27, 2012, August 15, 2012, and November 23, 2012, respectively. On February 11, 2013, our Board of Directors approved a reduction to our quarterly cash dividend rate by 76 percent to \$0.15 per share. The decreased dividend of \$0.15 per share was paid on March 1, 2013, June 3, 2013, September 3, 2013, and December 2, 2013 to our common shareholders of record as of the close of business on February 22, 2013, May 17, 2013, August 15, 2013, and November 22, 2013, respectively. Additionally, in 2014, the dividend of \$0.15 per share was paid on March 3, 2014, June 3, 2014, September 2, 2014 and December 1, 2014 to our common shareholders of record as of the close of business on February 21, 2014, May 23, 2014, August 15, 2014, and November 15, 2014, respectively. On January 26, 2015, we announced that our Board of Directors had decided to eliminate the quarterly dividend of \$0.15 per share on our common shares. The decision was applicable to the first quarter of 2015 and all subsequent quarters. The elimination of the common share dividend provides us with additional free cash flow of approximately \$92 million annually, which we intend to use for further debt reduction.

(b) On May 12, 2011, we completed our acquisition of Consolidated Thompson by acquiring all of the outstanding common shares of Consolidated Thompson for C\$17.25 per share in an all-cash transaction including total debt less cash. Consolidated Thompson was included within the entities under the CCAA filing. As noted above, 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.

In 2011, during our annual goodwill impairment test in the fourth quarter, a goodwill impairment charge of \$27.8 million was recorded for our CLCC reporting unit, within the North American Coal operating segment. As noted above, all current and historical North American Coal operating segment results are included in our financial statements and classified within discontinued operations.

(c) Upon performing our annual goodwill impairment test in the fourth quarter of 2012, goodwill impairment charges of \$997.3 million and \$2.7 million were recorded for our CQIM and Wabush reporting units, respectively, both within the Eastern Canadian Iron Ore operating segment. We also recorded an impairment charge of \$49.9 million related to our Eastern Canadian Iron Ore operations to reduce those assets to their estimated fair value as of December 31, 2012, due to the idling of the pelletizing facility at Pointe Noire. All of these charges impacted Other operating expense. The Eastern Canadian Iron Ore operations were included within the entities under the CCAA filing. As noted above, 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.

As a result of the approval for the sale of our 30 percent interest in Amapá, an impairment charge of \$365.4 million was recorded through Equity income (loss) from ventures for the year ended December 31, 2012.

(d) On March 20, 2013, our Board of Directors declared a cash dividend of \$13.6111 per preferred share, which is equivalent to approximately \$0.34 per depository share. The cash dividend was paid on May 1, 2013, to our preferred shareholders of record as of the close of business on April 15, 2013. On May 7, 2013, September 9, 2013, and November 11, 2013, our Board of Directors declared a quarterly cash dividend of \$17.50 per preferred share, which is equivalent to approximately \$0.44 per depository share. The cash dividends were paid on August 1, 2013, November 1, 2013, and February 3, 2014 to our preferred shareholders of record as of the close of business on July 15, 2013, October 15, 2013, and January 15, 2014, respectively. The cash dividend was paid on May 1, 2013 to our preferred shareholders of record as of the close of business on April 15, 2013. On February 11, 2014, May 13, 2014, September 8, 2014, and November 19, 2014, our Board of Directors declared a quarterly cash dividend of \$17.50 per preferred share, which is equivalent to approximately \$0.44 per depository share. The cash dividends were paid on May 1, 2014, August 1, 2014, November 3, 2014, and February 2, 2015, to our preferred shareholders of record as of the close of business on April 15, 2014, July 15, 2014, October 15, 2014, and January 15, 2015, respectively. On March 27, 2015, July 1, 2015, and September 10, 2015, our Board of Directors declared the quarterly cash dividend of \$17.50 per Preferred Share, which is equivalent to approximately \$0.44 per depository share. The cash dividend was paid on May 1, 2015, August 3, 2015, and November 2, 2015 to our shareholders of record as of the close of business on April 15, 2015, July 15, 2015, and October 15, 2015, respectively.

(e) Upon performing our annual goodwill impairment test in the fourth quarter of 2013, a goodwill impairment charge of \$80.9 million was recorded for our Cliffs Chromite Ontario and Cliffs Chromite Far North reporting units within our Ferroalloys operating segment. We also recorded other long-lived asset impairment charges of \$169.9 million, of which \$154.6 million relates to our Wabush reporting unit within our Eastern Canadian Iron Ore operating segment to reduce those assets to their estimated fair value as of December 31, 2013. These reporting units were included within the entities under the CCAA filing. As noted above, 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.

(f) During 2014, we recorded an impairment of goodwill and other long-lived assets of \$73.5 million. The goodwill impairment charge of \$73.5 million related to our Asia Pacific Iron Ore reporting unit. There were also other long-lived asset impairment charges of \$562.0 million related to our continuing operations including the Asia Pacific Iron Ore operating segment and our Other reportable segments. The other long-lived asset impairment charges which related to our discontinued operations were \$8,394.4 million related to our Wabush operation and Bloom Lake operation within our Eastern Canadian Iron Ore operating segment, and our CLCC thermal operation, Oak Grove operation and Pinnacle operation within our North American Coal operating segment, along with impairments charged to reporting units within our Other reportable segments. The impairment charges were primarily a result of changes in life-of-mine cash flows due to declining pricing for both global iron ore and low-volatile metallurgical coal, which impacts our estimate of long-term pricing, along with changes in strategic focus including exploratory phases of possible divestiture of the operations as the new Chief Operating Decision Maker views Eastern Canadian Iron Ore, Asia Pacific Iron Ore, North American Coal and Ferroalloys as non-core assets. The CLCC assets were sold in the fourth quarter of 2014 on December 31, 2014, resulting in a loss on sale of \$419.6 million. As noted above, all current and historical North American Coal operating segment results are included in our financial statement and classified within discontinued operations.

(g) On January 27, 2015, we announced that the Bloom Lake Group commenced restructuring proceedings (the "Bloom Filing") under the CCAA with the Québec Superior Court (Commercial Division) in Montreal (the "Court"). Additionally, on May 20, 2015, we announced that the Wabush Group commenced restructuring proceedings (the "Wabush Filing") in the Court under the CCAA. 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 of each of their businesses and operations.

Consistent with our strategy to extract maximum value from our current assets, on December 22, 2015, we sold our equity interests in all the remaining North American Coal operations to Seneca Coal Resources, LLC ("Seneca"). The sale included Pinnacle mine in West Virginia and Oak Grove mine in Alabama. Additionally, Seneca may pay Cliffs an earn-out of up to \$50 million contingent upon the terms of a revenue sharing agreement which extends through the year 2020. As noted above, all current and historical North American Coal operating segment results are included in our financial statement and classified within discontinued operations.

Item 7. 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. The following discussion should be read in conjunction with the Consolidated Financial Statements and related notes that appear elsewhere in this document.

Industry Overview

The key driver of our business is demand for steelmaking raw materials from U.S. steelmakers. In 2015, the U.S. produced approximately 79 million metric tons of crude steel or about 5 percent of total global crude steel production. This represents an approximate 10 percent decrease in U.S. crude steel production when compared to 2014. U.S. total steel capacity utilization was approximately 71 percent in 2015, which is an approximate 7 percent decrease from 2014. Additionally, in 2015, China produced approximately 804 million metric tons of crude steel, or approximately 50 percent of total global crude steel production. These figures represent an approximate 2 percent decrease in Chinese crude steel production when compared to 2014. Throughout 2015, global crude steel production decreased about 3 percent compared to 2014.

Throughout 2015, the Platts 62 percent Fe fines spot price has been driven down by a combination of reduced domestic steel demand from China and increased global iron ore production leading to excess supply, as well as mining cost deflation and a sharp fall in Australian and Brazilian currencies versus the U.S. dollar. In 2016, we do not expect to see meaningful improvement in iron ore prices without significant changes to the global iron ore supply-demand picture.

The iron ore supply-demand situation has not only adversely impacted iron ore producers, but also the global steel industry. Currently, the global steel industry is experiencing its worst conditions in over a decade, with prices for products falling even lower than those realized during the most recent recession - the 2008 global financial crisis. We believe that very low cost iron ore has contributed substantially to foreign steel exported out of China and other countries into the U.S. market. As a result of these imports, as well as the continued weakening of the oil and gas sector, domestic pricing for steel has been depressed and in turn, our customers' demand for pellets has fallen. In 2016, we expect these conditions to improve as recently imposed duties on unfairly traded steel should curb the steel imports entering the U.S, and as a result we expect to see domestic steel pricing rising throughout 2016.

The Platts 62 percent Fe fines spot price decreased 37 percent to an average price of \$47 per ton for the three months ended December 31, 2015 compared to the respective quarter of 2014. In comparison, the year to date Platts 62 percent Fe fines spot pricing has decreased 43 percent to an average price of \$56 per ton during the year ended December 31, 2015. These large decreases in the Platts 62 percent Fe fines spot price were driven by insufficient growth in Chinese demand to absorb the additional seaborne supply. The spot price volatility impacts our realized revenue rates, particularly in our Asia Pacific Iron Ore business segment because its contracts correlate heavily to world market spot pricing and to a lesser extent certain of our U.S. Iron Ore contracts.

As a result of our long-term contracts, for the three months and year ended December 31, 2015 when compared to the comparable prior year, our U.S. Iron Ore revenues experienced a realized revenue rate decrease of 25 percent and 23 percent, respectively, versus the much higher decreases in Platts 62 percent Fe fines spot price. Additionally, the first quarter sales tons for U.S. Iron Ore in both 2015 and 2014 include a substantial amount of carry over tonnage from prior year nominations which are priced based on prior year price formulas.

Our consolidated revenues for the years ended December 31, 2015 and 2014 were \$2.0 billion and \$3.4 billion, respectively, with net income from continuing operations per diluted share of \$0.63 and net loss from continuing operations per diluted share of \$0.14, respectively. Net income from continuing operations for the year ended December 31, 2015 was impacted positively by a \$392.9 million gain on extinguishment of debt. This was offset by lower sales margin which decreased by \$649.2 million for the year ended December 31, 2015 when compared to 2014 primarily driven by lower market pricing for our products and decreased sales volume partially offset by cost cutting measures and favorable foreign exchange rates. Additionally, results for the year ended December 31, 2015 were impacted negatively by the increase in income tax expense of \$255.3 million primarily due to the net increase in the valuation allowance on U.S. deferred tax assets, partially offset by the utilization of net operating losses. Net income from continuing operations in 2014 was impacted negatively by \$562.0 million of long-lived asset impairment recorded in the second half of 2014 along with \$73.5 million of goodwill impairment recorded in the third quarter of 2014.

Strategy

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

We continue the strategic shift to a company focused fully on our U.S. Iron Ore business. We are the market-leading iron ore producer in the U.S., supplying differentiated iron ore pellets under long-term contracts, some of which begin to expire at the end of 2016, to the largest North America steel producers. Cliffs has the unique advantage of being a low cost producer of iron ore pellets in the U.S. market. 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 grow in the U.S., 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 pellets, 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 pellets. 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 this 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.

Reviewing All Other Businesses for Either Optimization, Divestiture or Shutdown

We commenced restructuring proceedings for our Eastern Canadian Iron Ore businesses under the CCAA in the first quarter of 2015. During the second quarter of 2015, the CCAA protection granted to the Bloom Lake Group was extended to include the Wabush Group to facilitate the reorganization of each of their businesses and operations. For more information regarding the status of our divestiture of our Eastern Canadian Iron Ore business, see NOTE 14 - DISCONTINUED OPERATIONS for further information.

On December 22, 2015, we closed the sale of our remaining North American Coal business which included Pinnacle mine in West Virginia and Oak Grove mine in Alabama. The remaining North American Coal business was sold to Seneca Coal Resources, LLC. The sale marked our exit from the coal business and represents another very important step in the implementation of our U.S. Iron Ore pellet-centric, environmentally compliant strategy. Prior to this sale, it was determined by management as of March 31, 2015 that our North American Coal operating segment met the criteria to be classified as held for sale under ASC 205, *Presentation of Financial Statements*. For more information regarding the sale and the held for sale classification of our North American Coal business, see NOTE 14 - DISCONTINUED OPERATIONS for further information.

As an extension of our re-focused U.S. Iron Ore strategy, we continue to consider further divestiture of the Asia Pacific Iron Ore business. We believe the assets from this non-core segment have value and will only consummate a transaction where we believe the consideration fairly and adequately represents such value. Asia Pacific Iron Ore is a well-recognized and reliable supplier to steelmakers in Asia. As we consider selling this business, we will continue to operate Asia Pacific Iron Ore with very low total capital expenditures for the remaining life of mine.

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, balance sheet strength and financial flexibility to manage through current 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. We resized and streamlined our organization and support functions to better fit our new strategic direction. Our capital allocation plan is focused on strengthening our core U.S. Iron Ore operations to promote greater free cash flow generation.

Competitive Strengths

Resilient U.S. Iron Ore Operations

Our U.S. Iron Ore segment is the core focus of our business strategy. The U.S. Iron Ore segment is the primary contributor to our consolidated results, generating 76 percent of consolidated revenue and \$352 million of consolidated Adjusted EBITDA for the year ended December 31, 2015. U.S. Iron Ore produces differentiated iron ore pellets that are customized for use in customers' blast furnaces as part of the steelmaking process. The grades of pellets currently delivered to each customer are based on that customer's preferences, which depend in part on the characteristics of the customer's blast furnace operation. We believe our long history of supplying customized pellets to the U.S. steel producers has resulted in a co-dependent relationship between us and our customers. This technical and operational co-dependency

has enabled Cliffs to claim a substantial portion of the total U.S. iron ore market. Based on Cliffs' equity ownership in its U.S. mines, Cliffs' share of the annual rated production capacity is 25.5 million tons, representing 44 percent of total U.S. annual pellet capacity. Long-lived assets with an average mine life of approximately 20 years provide the opportunity to maintain our significant market position well into the future.

We believe U.S. Iron Ore is uniquely positioned in the global iron ore market due to its reduced exposure to seaborne iron ore pricing. More than half of U.S. Iron Ore production is sold through long-term contracts that are structured with various formula-based pricing mechanisms that reference seaborne pricing, inflation factors and steel prices and mitigate the impact of any one factor's price volatility on our business. U.S. Iron Ore's realized revenue rate decreased 25 percent and 23 percent for the three months and year ended December 31, 2015, respectively, compared to a 37 percent and 43 percent decline in the Platts 62 percent Fe fines spot price over the same periods.

In addition, we maintain lower costs compared to our competition as a result of our proximity to U.S. steelmaking operations. Our costs are lower as a result of inherent transportation advantages associated with our mine locations near the Great Lakes which allows for transportation via railroads and loading ports. U.S. Iron Ore mines also benefit from on-site pellet production and ore production facilities located a short distance from the mines. These advantages translated to cash production costs in the three months and year ended December 31, 2015 of \$45 per ton and \$54 per ton, respectively, which included the cost to mine, concentrate and pelletize, certain transportation costs and site administration costs.

Competitive Asia Pacific Iron Ore Operations

Although our annual production tonnage is substantially less than our competitors in the seaborne market, the Asia Pacific Iron Ore business maintains a competitive position with the major Australian iron ore producers. We produce a product mix of approximately 50 percent lump ore and 50 percent fines, which is a significantly higher lump mix than the major producers in Australia. This lump ore commands a premium in the seaborne market over iron ore fines.

Further, our Asia Pacific Iron Ore segment is a cost competitive producer and requires minimal ongoing sustaining capital expenditures to continue our operations. Cash production costs during the three months and year ended December 31, 2015, were \$26 per ton and \$31 per ton, respectively. Going forward, we will continue to operate Asia Pacific Iron Ore with a clear bias toward cash optimization.

Recent Developments

USW Labor Agreements

Our labor agreements with the USW at our Tilden, Empire, Hibbing and United Taconite mines were scheduled to expire at 12:01 a.m. on October 1, 2015. Prior to the expiration of these agreements, we agreed with the USW to extend these agreements indefinitely. Either party may terminate the agreements by providing the other party with 168 hours (i.e., seven days) notice. We continue to bargain with the USW in good faith with the expectation that we will be able to reach a mutually acceptable long-term extension of our agreements. At this time, we do not anticipate any type of labor disruption as the USW has committed to "continue working under the current terms and conditions of employment until a tentative agreement is reached."

Pellet Agreement with Essar

On October 6, 2015, we announced that, effective October 5, 2015, we terminated our Pellet Agreement with Essar. Our decision was made as a result of Essar's multiple and material breaches under the agreement. While the agreement has been terminated, we remain open to discussing supplying the Essar steel-making operation in Sault St. Marie or its successor with pellets on commercially reasonable terms consistent with a just-in-time iron ore supply arrangement.

Northshore

On November 17, 2015, we announced that we would be temporarily idling iron ore pellet production at our Northshore mining operation in Minnesota. The idling was a result of a reduction in iron pellet nominations from our customers. Until our domestic customers' blast furnace capacity utilization rates improve, our existing customer demand can be satisfied from our current pellet inventory. We completed the idling of the Northshore mine by the end of November. Our Northshore mine could be restarted and return to normal operating levels if recently filed and forthcoming trade cases were to result in increased pellet nominations from our customers. Conversely, if increased iron ore pellet demand does not materialize during this period, the idled state of production could be for an extended period of time. Currently, we anticipate that Northshore mine will be idled through the first quarter of 2016. The temporary idling resulted in reductions in force at the Northshore mine.

North American Coal Operations

On December 22, 2015, we closed the sale of our remaining North American Coal business which included Pinnacle mine in West Virginia and Oak Grove mine in Alabama. Pinnacle mine and Oak Grove mine were sold to Seneca Coal Resources, LLC ("Seneca") and the deal structure was a sale of equity interests of our remaining coal business. Additionally, Seneca may pay Cliffs an earn-out of up to \$50 million contingent upon the terms of a revenue sharing plan which extends through the year 2020.

The Pinnacle Complex includes the Pinnacle and Green Ridge mines, which are underground low-volatile metallurgical coal mines. The Pinnacle mine has been in operation since 1969. The Green Ridge mines became operational in 2004. In February 2010, the Green Ridge No. 1 mine was closed permanently due to exhaustion of the economic reserves at the mine. In addition, the Green Ridge No. 2 mine was idled in January 2012. Both facilities share preparation, processing and load-out facilities.

The Oak Grove mine is an underground low-volatile metallurgical coal mine. The mine has been in operation since 1972. Preparation, processing and rail load-out facilities are located on-site.

In 2015, the Pinnacle operations produced 2.4 million tons of metallurgical coal and the Oak Grove operations produced 1.9 million tons of metallurgical coal. In 2014, the Pinnacle operations produced 2.7 million tons of metallurgical coal and the Oak Grove operations produced 2.3 million tons of metallurgical coal.

We recorded a gain on the sale of Pinnacle mine and Oak Grove mine of approximately \$9.3 million on a pre-tax basis in the fourth quarter of 2015. The gain is recorded within *Loss from Discontinued Operations, net of tax* on the Statements of Consolidated Operations.

Prior to the sale, it was determined by management as of March 31, 2015 that our North American Coal operating segment met the criteria to be classified as held for sale under ASC 205, *Presentation of Financial Statements*. For more information regarding the sale and the held for sale classification of our North American Coal business, see NOTE 14 - DISCONTINUED OPERATIONS for further information.

Preferred Stock

In February 2013, we issued 731,250 shares of 7.00% Series A Mandatory Convertible Preferred Stock, Class A ("Series A preferred shares"). Under the terms of the Series A preferred shares, when and if declared by our Board of Directors, holders of the Series A preferred shares are entitled to cumulative dividends at an annual rate of 7.00 percent on the liquidation preference of \$1,000 per share. On January 4, 2016, we announced that, under the terms of our Series A preferred shares, the final quarterly dividend otherwise payable upon mandatory conversion of the Series A preferred shares on February 1, 2016, would not be paid in cash. Instead, pursuant to the terms of the Series A preferred shares, the conversion rate was increased such that holders of the Series A preferred shares received additional Cliffs' common shares in lieu of the accrued dividend at the time of the mandatory conversion. In accordance with applicable law, our Board of Directors determined not to declare a dividend payable in cash. The number of our common shares in the aggregate issued in lieu of the dividend was approximately 1.26 million. This resulted in an effective conversion rate of .9052 common shares, rather than .8621 common shares, per depositary share, each representing one-fortieth of a share of Series A preferred shares. 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.

Exchange Offers

On January 27, 2016, we announced the commencement of private offers to exchange (the "Exchange Offers") up to \$710 million aggregate principal amount of our newly issued 8.00 percent 1.5 Lien Senior Secured Notes due 2020 (the "New 1.5 Lien Notes") for certain outstanding notes (the "Existing Notes") of Cliffs, upon the terms and subject to the conditions set forth in our confidential offering memorandum dated January 27, 2016. Eligible holders were notified that they must validly tender their Existing Notes on February 9, 2016 (the "Early Tender Date"), in order to be eligible to receive the applicable total exchange consideration which includes an early tender premium. On February 10, 2016, we announced that as of the Early Tender Date, a total of approximately \$465.3 million principal amount of Existing Notes had been tendered in the Exchange Offers. We also announced that the Early Tender Date has been extended to February 26, 2016, and that the exchange consideration for the 3.95 percent Senior Notes due 2018 had been increased. Accordingly, all Existing Notes tendered prior to the extended Early Tender Date will be eligible to receive the total exchange consideration. The Exchange Offers will expire at 5:00 p.m., New York City time, on February 26, 2016 and tenders of Existing Notes may no longer be withdrawn after that time, except in certain limited circumstances described in the confidential offering memorandum and related letter of transmittal.

Business Segments

Our Company's primary continuing operations are organized and managed according to product category and 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*. As such, all current and historical 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

2015 Compared to 2014

The following is a summary of our consolidated results of operations for the years ended December 31, 2015 and 2014:

	(In Millions)		
	2015	2014	Variance Favorable/ (Unfavorable)
Revenues from product sales and services	\$ 2,013.3	\$ 3,373.2	\$ (1,359.9)
Cost of goods sold and operating expenses	(1,776.8)	(2,487.5)	710.7
Sales margin	\$ 236.5	\$ 885.7	\$ (649.2)
Sales margin %	11.7%	26.3%	(14.6)%

Revenues from Product Sales and Services

Sales revenue for the year ended December 31, 2015 decreased \$1,359.9 million, or 40.3 percent, from 2014. The decrease in sales revenue during 2015 compared to 2014 was primarily attributable to the decrease in market pricing for our products, including a reduction of one customer's full-year hot band steel price. Together these factors negatively impacted revenues by \$804.4 million for the year ended December 31, 2015.

Changes in world market pricing impacts our revenues each year. Iron ore revenues decreased \$804.4 million in 2015 compared to 2014 primarily due to the decrease in the Platts 62 percent Fe fines spot price, which declined 42.6 percent to an average price of \$56 per ton in 2015, and a decrease in one customer's full-year hot band steel price. The decrease in our realized revenue rates during 2015 compared to 2014 was 22.7 percent and 46.4 percent for our U.S. Iron Ore and Asia Pacific Iron Ore operations, respectively. Additionally, there was a decrease in revenues period-over-period as a result of lower iron ore sales volumes of \$458.1 million for the year ended December 31, 2015.

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 years ended December 31, 2015 and 2014 were \$1,776.8 million and \$2,487.5 million, respectively, a decrease of \$710.7 million, or 28.6 percent year-over-year.

Cost of goods sold and operating expenses for the year ended December 31, 2015 decreased by \$335.0 million as operational efficiencies and cost cutting efforts across each of our business units has reduced costs. Also, as a result of favorable foreign exchange rates in 2015 versus 2014, we realized lower costs of \$94.6 million. Additionally, there was a decrease in costs period-over-period as a result of lower iron ore sales volumes of \$299.1 million for the year ended December 31, 2015. These decreases in cost were partially offset by incrementally higher idle costs of \$61.5 million due to the temporary idle of our United Taconite mine which began in the first week of August 2015, the temporary idle of the Empire mine which began on June 26, 2015 and then came back on line during October 2015, and the one idled production line at our Northshore mine during all of 2015 followed by the complete temporary idle of Northshore mine in the end of November 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 years ended December 31, 2015 and 2014:

	(In Millions)		
	2015	2014	Variance Favorable/ (Unfavorable)
Selling, general and administrative expenses	\$ (110.0)	\$ (154.7)	\$ 44.7
Impairment of goodwill and other long-lived assets	(3.3)	(635.5)	632.2
Miscellaneous - net	28.1	34.6	(6.5)
	<u>\$ (85.2)</u>	<u>\$ (755.6)</u>	<u>\$ 670.4</u>

Selling, general and administrative expenses during the year ended December 31, 2015 decreased \$44.7 million over 2014. As a result of the reduction of the workforce, we reduced employment costs for the year ended December 31, 2015 by \$16.7 million. There were lower severance costs of \$14.1 million during the year ended December 31, 2015 versus 2014. Also, the year ended December 31, 2015 was impacted favorably by \$7.8 million due to a reduction in outside service spending and \$5.6 million due to a reduction in rent and operating lease spending.

Impairment of goodwill and other long-lived assets was \$3.3 million and \$635.5 million during the years ended December 31, 2015 and 2014, respectively. During the year ended December 31, 2014, we recorded goodwill impairment of \$73.5 million related to our Asia Pacific Iron Ore reporting unit. We also recorded other long-lived asset impairment charges of \$562.0 million during 2014. The charges were related to our Asia Pacific Iron Ore operating segment, along with impairments charged to reporting units within our *Other* reportable segments. The impairment charges were primarily a result of management determining that the carrying value of the asset groups may not be recoverable primarily due to long-term price forecasts as part of management's long-range planning process. Updated estimates of long-term prices for all products, specifically the Platts 62 percent Fe fines spot price, which particularly effects the Asia Pacific Iron Ore business segment because their contracts correlate heavily to world market spot pricing were lower than prior estimates. These estimates were updated based upon current market conditions, macro-economic factors influencing the balance of supply and demand for our products and expectations for future cost and capital expenditure requirements.

Additionally, a new CEO, Lourenco Goncalves, was appointed by the Board of Directors in early August 2014 and subsequently identified as the CODM in accordance with ASC 280, *Segment Reporting*. The new CODM views Asia Pacific Iron Ore as a non-core asset and continues to evaluate the business unit for a change in strategy including possible divestiture. These factors, among other considerations utilized in the individual impairment assessments, indicate that the carrying value of the respective asset group and Asia Pacific Iron Ore goodwill may not be recoverable. Refer to NOTE 6 - FAIR VALUE OF FINANCIAL INSTRUMENTS for further information.

The following is a summary of Miscellaneous - net for the year ended December 31, 2015 and 2014:

	(In Millions)		
	2015	2014	Variance Favorable/ (Unfavorable)
Foreign exchange remeasurement	\$ 16.3	\$ 29.0	\$ (12.7)
Insurance recoveries	7.6	—	7.6
Management and royalty fees	6.4	10.8	(4.4)
Gain (loss) on disposal of assets	3.4	(3.5)	6.9
Other	(5.6)	(1.7)	(3.9)
	<u>\$ 28.1</u>	<u>\$ 34.6</u>	<u>\$ (6.5)</u>

For the year ended December 31, 2015 there was an unfavorable impact of \$12.7 million due to the change in foreign exchange re-measurement driven primarily by lower Australian bank account balances that are denominated in U.S. dollars. Also, during 2015 there was an unfavorable impact on Miscellaneous - net due to bad debt expense of \$7.1 million that was recorded in the third quarter of 2015 related to one customer.

These unfavorable impacts were partially offset by \$7.6 million of insurance recoveries related to the clean-up of the Pointe Noire oil spill that occurred in September 2013. Additionally, net gain on disposal of assets was \$3.4 million during the year ended December 31, 2015, compared to a net loss on disposal of assets of \$3.5 million in 2014. The net gain on disposal of assets in 2015 was primarily attributable to a \$5.0 million gain on the sale of assets and equity related to our Global Exploration Group operations during the fourth quarter of 2015. Results for the Global Exploration Group are reported within our *Other* reportable segments.

Other Income (Expense)

The following is a summary of other income (expense) for the years ended December 31, 2015 and 2014:

	(In Millions)		
	2015	2014	Variance Favorable/ (Unfavorable)
Interest expense, net	(228.5)	(176.7)	(51.8)
Gain on extinguishment of debt	392.9	16.2	376.7
Other non-operating income (expense)	(2.6)	10.7	(13.3)
	<u>\$ 161.8</u>	<u>\$ (149.8)</u>	<u>\$ 311.6</u>

The increase in gain on extinguishment of debt during the year ended December 31, 2015 compared to the comparable prior year is a result of the corporate debt restructuring and debt repurchases of senior notes trading at a discount, as discussed in NOTE 5 - DEBT AND CREDIT FACILITIES.

Interest expense was unfavorably impacted by \$94.1 million for the year ended December 31, 2015 as we entered into new credit arrangements during the first quarter of 2015. Additionally, the year ended December 31, 2015 was unfavorably impacted by \$11.9 million due to unfavorable interest rates, as discussed in NOTE 5 - DEBT AND CREDIT FACILITIES. The unfavorable impact was offset partially by reduced interest expense of \$50.8 million for the year ended December 31, 2015 due to the extinguishment of certain Senior Notes and the revolving credit agreement during the first quarter of 2015, as discussed in NOTE 5 - DEBT AND CREDIT FACILITIES.

Additionally, other non-operating income during the year ended December 31, 2014 included a \$7.8 million gain on the sale of marketable securities.

Income Taxes

Our tax rate is affected by permanent items, such as depletion and the relative amount 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 years ended December 31, 2015 and 2014:

	(In Millions)		
	2015	2014	Variance
Income tax benefit (expense)	\$ (169.3)	\$ 86.0	\$ (255.3)
Effective tax rate	54.1%	436.5%	(382.4)%

A reconciliation of our income tax attributable to continuing operations computed at the U.S. federal statutory rate for the years ended December 31, 2015 and 2014 is as follows:

	(In Millions)			
	2015		2014	
Tax at U.S. statutory rate of 35 percent	\$ 109.6	35.0 %	\$ (6.9)	35.0 %
Increases/(Decreases) due to:				
Non-taxable loss (income) related to noncontrolling interests	(3.0)	(1.0)	(9.4)	47.7
Impact of tax law change	—	—	13.0	(66.0)
Percentage depletion in excess of cost depletion	(34.9)	(11.1)	(87.9)	446.2
Impact of foreign operations	(53.9)	(17.2)	51.4	(260.9)
Income not subject to tax	—	—	(27.7)	140.6
Goodwill impairment	—	—	22.7	(115.2)
State taxes, net	0.2	0.1	(25.4)	128.9
Settlement of financial guaranty	—	—	(347.1)	1,761.9
Valuation allowance reversal in current year	(104.6)	(33.4)	318.3	(1,615.7)
Valuation allowance on future tax benefits recorded in prior years	165.8	52.9	15.2	(77.2)
Tax uncertainties	84.1	26.9	—	—
Prior year adjustments made in current year	5.9	1.9	(6.3)	32.1
Other items - net	0.1	—	4.1	(20.9)
Provision for income tax benefit and effective income tax rate including discrete items	<u>\$ 169.3</u>	<u>54.1 %</u>	<u>\$ (86.0)</u>	<u>436.5 %</u>

Our tax provision for the year ended December 31, 2015 was an expense of \$169.3 million and a 54.1 percent effective tax rate compared with a benefit of \$86.0 million and an effective tax rate of 436.5 percent for the prior-year. The change in the income tax expense from the prior-year benefit is due primarily to placement of valuation allowances on previously recorded U.S. future tax benefits that management has determined are not recoverable. The impact of foreign operations relates to income in foreign jurisdictions where the statutory rates, ranging from zero percent to 30 percent, differ from the U.S. statutory rate of 35 percent. Other items include depletion as well as the reversal of valuation allowance related to current year realization of tax benefits.

For the year ended December 31, 2014, income not subject to tax includes the tax benefit of non-taxable interest income related to an intercompany note between the U.S. and Canada. This note was restructured on April 27, 2014 and no longer results in an income tax benefit after this date.

See NOTE 9 - INCOME TAXES for further information.

Loss from Discontinued Operations, net of tax

Loss from Discontinued Operations, net of tax was comprised primarily of the loss on discontinued operations related to our North American Coal operating segment and our Eastern Canadian Iron Ore operations.

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 operating segment was \$152.4 million and \$1,134.5 million for the years ended December 31, 2015 and 2014, respectively.

In January 2015, we announced that the Bloom Lake Group commenced restructuring proceedings in Montreal, Quebec under the CCAA. 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 restructuring proceedings in Montreal, Quebec under the CCAA 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 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 *Loss from Discontinued Operations, net of tax* related to the deconsolidated Canadian Entities was \$739.7 million and \$7,233.5 million for the years ended December 31, 2015 and 2014, respectively.

Refer to NOTE 14 - DISCONTINUED OPERATIONS for further information.

Noncontrolling Interest

Noncontrolling interest is comprised primarily 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 related to Bloom Lake was \$7.7 million and \$1,113.3 million for the years ended December 31, 2015 and 2014, respectively. The net income attributable to the noncontrolling interest related to the Empire mining venture was \$8.6 million and \$26.9 million for the years ended December 31, 2015 and 2014, respectively.

Results of Operations – Consolidated

2014 Compared to 2013

The following is a summary of our consolidated results of operations for the years ended December 31, 2014 and 2013:

	(In Millions)		
	2014	2013	Variance Favorable/ (Unfavorable)
Revenues from product sales and services	\$ 3,373.2	\$ 3,890.8	\$ (517.6)
Cost of goods sold and operating expenses	(2,487.5)	(2,406.4)	(81.1)
Sales margin	\$ 885.7	\$ 1,484.4	\$ (598.7)
Sales margin %	26.3%	38.2%	(11.9)%

Revenues from Product Sales and Services

Sales revenue for the year ended December 31, 2014 decreased \$517.6 million, or 13.3 percent, from 2013. The decrease in sales revenue during 2014 compared to 2013 was primarily attributable to the decrease in market pricing for our products, which impacted revenues by \$648.4 million for the year ended December 31, 2014. Changes in world market pricing impacts our revenues each year. During 2014, iron ore revenues were impacted primarily by the decrease in the Platts 62 percent Fe fines spot price, which declined 28.5 percent to an average price of \$97 per ton, resulting in decreased revenues of \$648.4 million. The decrease in our realized revenue rates during 2014 compared to 2013 was 9.5 percent and 32.8 percent for our U.S. Iron Ore and Asia Pacific Iron Ore, respectively. This decrease was partially offset by an increase in revenues period-over-period as a result of higher iron ore sales volumes of 1.0 million tons or \$115.6 million for the year ended December 31, 2014.

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 years ended December 31, 2014 and 2013 were \$2,487.5 million and \$2,406.4 million, respectively, an increase of \$81.1 million, or 3.4 percent, year-over-year.

Cost of goods sold and operating expenses for the year ended December 31, 2014 increased period-over-period primarily as a result of higher iron ore sales volumes of \$71.1 million for the year ended December 31, 2014. Additionally, we incurred higher costs at our U.S. Iron Ore operations of \$34.4 million primarily due to increased repairs and maintenance along with higher costs related to increased energy rates in early 2014. Partially offsetting these increases was a decrease in idle costs period-over-period of \$48.9 million for the year ended December 31, 2014.

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)

Following is a summary of other operating income (expense) for the years ended December 31, 2014 and 2013:

	(In Millions)		
	2014	2013	Variance Favorable/ (Unfavorable)
Selling, general and administrative expenses	\$ (154.7)	\$ (163.8)	\$ 9.1
Impairment of goodwill and other long-lived assets	(635.5)	(14.3)	(621.2)
Miscellaneous - net	34.6	74.0	(39.4)
	<u>\$ (755.6)</u>	<u>\$ (104.1)</u>	<u>\$ (651.5)</u>

Selling, general and administrative expenses during the year ended December 31, 2014 decreased \$9.1 million over 2013. The year ended December 31, 2014 was impacted favorably by \$22.2 million for employment costs related to cost savings actions and reduced year-over-year expense of \$10.5 million related to pension and other postemployment benefits. Offsetting these cost reductions was an increase in costs related to the proxy contest and the change in control of the majority of our Board of Directors. We incurred substantial costs associated with various advisors, including bankers, attorneys and others. Costs associated with these events were approximately \$26.2 million for the year ended December 31, 2014.

Impairment of goodwill and other long-lived assets were \$635.5 million and \$14.3 million during the years ended December 31, 2014 and 2013, respectively. During the year ended December 31, 2014, we recorded goodwill impairment of \$73.5 million related to our Asia Pacific Iron Ore reporting unit. We also recorded other long-lived asset impairment charges of \$562.0 million during 2014. The charges are related to our Asia Pacific Iron Ore operating segment, along with impairments charged to reporting units within our *Other* reportable segments. The impairment charges were primarily a result of management determining that the carrying value of the asset groups may not be recoverable primarily due to long-term price forecasts as part of management’s long-range planning process. Updated estimates of long-term prices for all products, specifically the Platts 62 percent Fe fines spot price, which particularly effects the Asia Pacific Iron Ore business segment because their contracts correlate heavily to world market spot pricing were lower than prior estimates. These estimates were updated based upon current market conditions, macro-economic factors influencing the balance of supply and demand for our products and expectations for future cost and capital expenditure requirements. Additionally, a new CEO, Lourenco Goncalves, was appointed by the Board of Directors in early August 2014 and subsequently identified as the CODM in accordance with ASC 280, *Segment Reporting*. The CODM views Asia Pacific Iron Ore as a non-core asset and continues to evaluate the business unit for a change in strategy including possible divestiture. These factors, among other considerations utilized in the individual impairment assessments, indicate that the carrying value of the respective asset groups and Asia Pacific Iron Ore goodwill may not be recoverable. Refer to NOTE 6 - FAIR VALUE OF FINANCIAL INSTRUMENTS for further information.

The following is a summary of Miscellaneous - net for the year ended December 31, 2014 and 2013:

	(In Millions)		
	2014	2013	Variance Favorable/ (Unfavorable)
Foreign exchange remeasurement	\$ 29.0	\$ 53.2	\$ (24.2)
Gain (loss) on disposal of assets	(3.5)	19.4	(22.9)
Exploration costs	(3.0)	(14.3)	11.3
Management and royalty fees	10.8	12.0	(1.2)
Other	1.3	3.7	(2.4)
	<u>\$ 34.6</u>	<u>\$ 74.0</u>	<u>\$ (39.4)</u>

For the year ended December 31, 2014, there was an unfavorable incremental impact of \$24.2 million due to the change in foreign exchange re-measurement on short-term intercompany notes, Australian bank accounts that are denominated in U.S. dollars and certain monetary financial assets and liabilities, which are denominated in something other than the functional currency of the entity.

Net loss on disposal of assets was \$3.5 million during the year ended December 31, 2014, compared to a net gain on disposal of assets of \$19.4 million in 2013. The net gain on disposal of assets in 2013 was primarily attributable to our final settlement of the sale of our beneficial interest in the mining tenements and certain infrastructure of Cockatoo Island during the second quarter of 2013. Upon final settlement of the sale, we extinguished approximately \$18.6 million related to the estimated cost of the rehabilitation. Our 50 percent equity interest in Cockatoo Island was included in our Asia Pacific operations prior to the sale.

Exploration costs decreased by \$11.3 million during the year ended December 31, 2014 from 2013, primarily due to decreases in costs at our Global Exploration Group operations. The Global Exploration Group is reported within our Other reportable segments. Our Global Exploration Group had cost decreases of \$8.0 million in 2014 over 2013, due to lower overhead and professional services spend. In alignment with our capital allocation strategy, we had minimal levels of exploration spending in 2014 and that has continued into the subsequent years.

Other Income (Expense)

Following is a summary of other income (expense) for the years ended December 31, 2014 and 2013:

	(In Millions)		
	2014	2013	Variance Favorable/ (Unfavorable)
Interest expense, net	(176.7)	(186.4)	9.7
Gain on extinguishment of debt	16.2	—	16.2
Other non-operating income (expense)	10.7	(3.0)	13.7
	<u>\$ (149.8)</u>	<u>\$ (189.4)</u>	<u>\$ 39.6</u>

The decrease in interest expense in 2014 compared to 2013 was attributable to reduced interest expense of \$7.1 million related to unamortized debt issuance costs being expensed upon our repayment of the balance of the term loan in February 2013 and \$7.9 million related to a decrease in borrowings on the revolving credit facility. This decrease was offset partially by additional interest expense related to the change in borrowing capacity of our revolving credit facility which resulted in \$3.7 million of unamortized debt issuance costs being expensed as of the effective date of the amendment and increased interest rates on the 3.95 senior notes which resulted in \$4.6 million of additional interest expense. Refer to NOTE 5 - DEBT AND CREDIT FACILITIES for further information.

The \$16.2 million gain on extinguishment of debt is related to our repurchase of debt in the fourth quarter of 2014. Refer to NOTE 5 - DEBT AND CREDIT FACILITIES for further information.

Additionally, other non-operating income increased by \$13.7 million during the year ended December 31, 2014 in comparison to 2013. Other non-operating income was impacted positively in 2014 by \$7.8 million related to the sale of marketable securities as a decision was made to liquidate the asset in 2014.

Income Taxes

Our tax rate is affected by permanent items, such as depletion and the relative amount 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 December 31, 2014 and 2013:

	(In Millions)		
	2014	2013	Variance
Income tax benefit (expense)	\$ 86.0	\$ (237.6)	\$ 323.6
Effective tax rate	436.5%	20.0%	416.5%

A reconciliation of our income tax attributable to continuing operations computed at the U.S. federal statutory rate for the years ended December 31, 2014 and 2013 is as follows:

	(In Millions)			
	2014		2013	
Tax at U.S. statutory rate of 35 percent	\$ (6.9)	35.0 %	\$ 416.8	35.0 %
Increases/(Decreases) due to:				
Non-taxable loss (income) related to noncontrolling interests	(9.4)	47.7	(5.4)	(0.5)
Impact of tax law change	13.0	(66.0)	—	—
Percentage depletion in excess of cost depletion	(87.9)	446.2	(97.6)	(8.2)
Impact of foreign operations	51.4	(260.9)	(48.7)	(4.1)
Income not subject to tax	(27.7)	140.6	(84.7)	(7.1)
Goodwill impairment	22.7	(115.2)	—	—
State taxes, net	(25.4)	128.9	5.6	0.5
Settlement of financial guaranty	(347.1)	1,761.9	—	—
Manufacturer's deduction	—	—	(9.3)	(0.8)
Valuation allowance - current year	318.3	(1,615.7)	53.2	4.5
Valuation allowance on tax benefits recorded in prior years	15.2	(77.2)	—	—
Tax uncertainties	—	—	12.5	1.1
Prior year adjustments made in current year	(6.3)	32.1	4.9	0.4
Other items - net	4.1	(20.9)	(9.7)	(0.8)
Provision for income tax benefit and effective income tax rate including discrete items	\$ (86.0)	436.5 %	\$ 237.6	20.0 %

Our tax provision for the year ended December 31, 2014 was a benefit of \$86.0 million and a 436.5 percent effective tax rate compared with an expense of \$237.6 million and an effective tax rate of 20.0 percent for the prior-year. The change in the income tax benefit from the prior-year expense is due primarily to the impairment of global long-lived assets offset by valuation allowances on future tax benefits that management has determined are not recoverable and the settlement of a financial guaranty. The impact of foreign operations relates to losses in foreign jurisdictions where the statutory rates, ranging from zero percent to 30 percent, differ from the U.S. statutory rate of 35 percent. Other items include non-deductible goodwill impairment as well as a decrease in the tax benefit from interest income not subject to tax.

For the years ended December 31, 2014 and 2013, income not subject to tax includes the tax benefit of non-taxable interest income related to an intercompany note between the U.S. and Canada. This note was restructured on April 27, 2014 and no longer results in an income tax benefit after this date.

See NOTE 9 - INCOME TAXES for further information.

Equity Loss from Ventures

Equity loss from ventures for the year ended December 31, 2014 of \$9.9 million compares to equity loss from ventures for the year ended December 31, 2013 of \$74.4 million. The equity loss from ventures for the year ended December 31, 2014 primarily is comprised of the impairment charge of \$9.2 million related to a Global Exploration Group investment. The equity loss from ventures for the year ended December 31, 2013 primarily is comprised of the impairment charge of \$67.6 million related to our 30 percent ownership interest in Amapá, the sale of which was approved by the Board of Directors in December 2012. The sale closed in the fourth quarter of 2013.

Loss from Discontinued Operations, net of tax

Loss from Discontinued Operations, net of tax was comprised primarily of the loss on discontinued operations related to our North American Coal operating segment and our Eastern Canadian Iron Ore operations. The *Loss from Discontinued Operations, net of tax* related to the North American Coal operating segment was \$1,134.5 million and \$9.3 million for the years ended December 31, 2014 and 2013, respectively. The *Loss from Discontinued Operations, net of tax* related to the deconsolidated Canadian Entities was \$7,233.5 million and \$509.8 million for the years ended December 31, 2014 and 2013, respectively.

Refer to NOTE 14 - DISCONTINUED OPERATIONS for further information.

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 related to Bloom Lake was \$1,113.3 million for the year ended December 31, 2014 compared to net loss attributable to the noncontrolling interest of \$66.5 million for the year ended December 31, 2013. The net income attributable to the noncontrolling interest of the Empire mining venture was \$26.9 and \$20.7 million for the years ended December 31, 2014 and 2013, respectively.

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, beginning in the third quarter of 2014, concurrent with the change in control on July 29, 2014, management began to evaluate segment performance based on 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 impairment of goodwill and other long-lived assets, impacts of discontinued operations, extinguishment of debt, severance and contractor termination costs and other costs associated with the change in control, foreign currency remeasurement, certain supplies inventory write-offs, and intersegment corporate allocations of selling, general and administrative costs. Management uses and believes that investors benefit from referring to these measures in evaluating operating and financial results, as well as in planning, forecasting and analyzing future periods as these financial measures approximate the cash flows associated with the operational earnings.

2015 Compared to 2014

	(In Millions)	
	2015	2014
Net Loss	\$ (748.4)	\$ (8,311.6)
Less:		
Interest expense, net	(231.4)	(185.2)
Income tax benefit (expense)	(163.3)	1,302.0
Depreciation, depletion and amortization	(134.0)	(504.0)
EBITDA	\$ (219.7)	\$ (8,924.4)
Less:		
Impairment of goodwill and other long-lived assets	\$ (3.3)	\$ (635.5)
Impact of discontinued operations	(892.0)	(9,332.5)
Gain on extinguishment of debt	392.9	16.2
Severance and contractor termination costs	(10.2)	(23.3)
Foreign exchange remeasurement	16.3	29.0
Proxy contest and change in control costs in SG&A	—	(26.6)
Supplies inventory write-off	(16.3)	—
Total Adjusted EBITDA	\$ 292.9	\$ 1,048.3
EBITDA:		
U.S. Iron Ore	\$ 317.6	\$ 805.6
Asia Pacific Iron Ore	35.3	(352.9)
Other (including discontinued operations)	(572.6)	(9,377.1)
Total EBITDA	\$ (219.7)	\$ (8,924.4)
Adjusted EBITDA:		
U.S. Iron Ore	\$ 352.1	\$ 833.5
Asia Pacific Iron Ore	32.7	252.9
Other	(91.9)	(38.1)
Total Adjusted EBITDA	\$ 292.9	\$ 1,048.3

EBITDA for the year ended December 31, 2015 increased by \$8.7 billion on a consolidated basis from 2014. The period-over-period change was driven primarily by the items detailed above in the EBITDA calculation. Adjusted EBITDA decreased by 755.4 million for the year ended December 31, 2015 from the comparable period in 2014. The decrease was primarily attributable to the lower consolidated sales margin. See further detail below for additional information regarding the specific factors that impacted each reportable segments' sales margin during 2015.

U.S. Iron Ore

The following is a summary of U.S. Iron Ore results for the years ended December 31, 2015 and 2014:

	(In Millions)						
	Year Ended December 31,		Changes due to:				Total change
	2015	2014	Revenue and cost rate	Sales volume	Idle cost/production volume variance	Freight and reimburse-ment	
Revenues from product sales and services	\$ 1,525.4	\$ 2,506.5	\$ (401.9)	\$ (465.4)	\$ —	\$ (113.8)	\$ (981.1)
Cost of goods sold and operating expenses	(1,298.3)	(1,796.1)	140.2	305.3	(61.5)	113.8	497.8
Sales margin	\$ 227.1	\$ 710.4	\$ (261.7)	\$ (160.1)	\$ (61.5)	\$ —	\$ (483.3)

Per Ton Information	Year Ended December 31,		Difference	Percent change
	2015	2014		
Realized product revenue rate ¹	\$ 79.12	\$ 102.36	\$ (23.24)	(22.7)%
Cash production cost	54.35	63.83	(9.48)	(14.9)%
Non-production cash cost	5.92	1.08	4.84	448.1 %
Cost of goods sold and operating expense rate ¹ (excluding DDA)	60.27	64.91	(4.64)	(7.1)%
Depreciation, depletion & amortization	5.72	4.92	0.80	16.3 %
Total cost of goods sold and operating expense rate	65.99	69.83	(3.84)	(5.5)%
Sales margin	\$ 13.13	\$ 32.53	\$ (19.40)	(59.6)%

Sales tons² (In thousands) **17,292** 21,840

Production tons² (In thousands)

Total **26,138** 29,733

Cliffs' share of total **19,317** 22,431

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 Tons are long tons (2,240 pounds).

Sales margin for U.S. Iron Ore was \$227.1 million for the year ended December 31, 2015, compared with the sales margin of \$710.4 million for the year ended December 31, 2014. The decline compared to the prior year is attributable to a decrease in revenue of \$981.1 million partially offset by a decrease in cost of goods sold and operating expenses of \$497.8 million. Sales margin per ton decreased 59.6 percent to \$13.13 during the year ended December 31, 2015 compared to 2014.

Revenue decreased by \$867.3 million, excluding the decrease of \$113.8 million of freight and reimbursements, from the prior year, predominantly due to:

- The average year-to-date realized product revenue rate declined by \$23.24 per ton or 22.7 percent to \$79.12 per ton in 2015, which resulted in a decrease of \$401.9 million. This decline is a result of:
 - Changes in customer pricing negatively affected the realized revenue rate by \$9 per ton driven primarily by the reduction in Platts 62 percent Fe fines spot price as well as other indices referenced in customer contracts;
 - Realized revenue rates impacted negatively by \$7 per ton primarily as a result of one major customer contract with a pricing mechanism affected by a reduction in their full-year hot band steel pricing; and

- Realized revenue rates impacted negatively by \$5 per ton related to one major customer contract with a reduced average selling price due to a change in the pricing mechanism as prescribed in the contract which shifted the contract from a fixed rate to a rate impacted by the Platts 62 percent Fe fines spot price, as well as other market rates plus the impact and timing of carryover tons.
- Lower sales volumes of 4,548 thousand tons or \$465.4 million due to:
 - A lower nomination in 2015 from one customer due to reduced 2015 demand, reduced demand from a customer due to the idling of its blast furnace beginning in March 2015 and the expiration of a contract with one customer at the end of 2014; and
 - Lower sales to one customer in 2015 due to the termination of a contract in the fourth quarter of the current year.
 - These decreases were partially offset by higher sales to one customer throughout 2015 due to a spot contract with the customer that began in the fourth quarter of 2014.

Cost of goods sold and operating expenses in 2015 decreased \$384.0 million, excluding the decrease of \$113.8 million of freight and reimbursements from the prior year, predominantly as a result of:

- Lower costs in 2015 in comparison to the prior year primarily driven by the reduction in salaried workforce headcount, along with reduced maintenance and repair costs based on cost reduction initiatives and condition-based monitoring, reduced stripping costs at Tilden and Hibbing based on new mine plans, and the year-over-year reduction in energy rates; and
- Decreased sales volumes, as discussed above, that decreased costs by \$305.3 million compared to the prior year.
- Partially offset by increased idle costs of \$61.5 million due to the idle of United Taconite mine which began in the first week of August 2015, the idle of the Empire mine which began on June 26 2015 and ended in mid-October 2015, and one idled production line at our Northshore mine during all of 2015, until the complete idle of Northshore mine in the end of November 2015.

Production

Cliffs' share of production tons in its U.S. Iron Ore segment decreased by 13.9 percent in 2015 when compared to 2014. Empire mine had a decrease in production of 1,045 thousand tons related to the idling of Empire that began on June 26, 2015 and ended during mid-October of 2015. United Taconite mine had a decrease in production of 1,866 thousand tons during 2015 compared to 2014, primarily due to the idling of United Taconite mine that began the first week of August 2015. There was a decrease in production of 965 thousand tons at the Northshore mine during 2015, as we ran a three furnace operation throughout 2015 until the complete idle of Northshore mine in the end of November 2015. This is compared to 2014 when we ran a two furnace operation at Northshore for the majority of the first quarter and then started up one idled furnace in February and the other in March.

Asia Pacific Iron Ore

The following is a summary of Asia Pacific Iron Ore results for the years ended December 31, 2015 and 2014:

	(In Millions)						
	Year Ended December 31,		Change due to:				Total change
	2015	2014	Revenue and cost rate	Sales volume	Exchange rate	Freight and reimburse-ment	
Revenues from product sales and services	\$ 487.9	\$ 866.7	\$ (402.5)	\$ 7.3	\$ (0.3)	\$ 16.7	\$ (378.8)
Cost of goods sold and operating expenses	(478.5)	(745.0)	194.8	(6.2)	94.6	(16.7)	266.5
Sales margin	<u>\$ 9.4</u>	<u>\$ 121.7</u>	<u>\$ (207.7)</u>	<u>\$ 1.1</u>	<u>\$ 94.3</u>	<u>\$ —</u>	<u>\$ (112.3)</u>

<i>Per Ton Information</i>	Year Ended December 31,		Difference	Percent change
	2015	2014		
Realized product revenue rate ¹	\$ 39.93	\$ 74.56	\$ (34.63)	(46.4)%
Cash production cost	30.82	49.29	(18.47)	(37.5)%
Non-production cash cost	6.13	2.07	4.06	196.1 %
Cost of goods sold and operating expense rate ¹ (excluding DDA)	36.95	51.36	(14.41)	(28.1)%
Depreciation, depletion & amortization	2.18	12.65	(10.47)	(82.8)%
Total cost of goods sold and operating expense rate	39.13	64.01	(24.88)	(38.9)%
Sales margin	<u>\$ 0.80</u>	<u>\$ 10.55</u>	<u>\$ (9.75)</u>	<u>(92.4)%</u>

Sales tons² (In thousands) **11,627** 11,531

Production tons² (In thousands) **11,722** 11,352

¹ We began selling a portion of our product on a CFR basis in 2014. As such, the information above excludes revenues and expenses related to freight, which are offsetting and have no impact on sales margin.

² Metric tons (2,205 pounds).

Sales margin for our Asia Pacific Iron Ore segment decreased to \$9.4 million during the year ended December 31, 2015 compared with \$121.7 million for the same period in 2014. Sales margin per ton decreased 92.4 percent to \$0.80 per ton in 2015 compared to 2014 primarily as a result of decreased pricing as discussed below.

Revenue decreased by \$395.5 million during the year ended December 31, 2015 over the prior year, excluding the increase of \$16.7 million of freight and reimbursements, primarily as a result of:

- An overall decrease to the average realized revenue rate, which resulted in a decrease of \$402.5 million, primarily as a result of a decrease in the Platts 62 percent Fe fines spot price to an average of \$56 per ton from \$97 per ton in the prior year.
- This decrease is partially offset by the higher sales volume of 11.6 million tons during the year ended December 31, 2015 compared with 11.5 million tons resulting in an increase in revenue of \$7.3 million.

Cost of goods sold and operating expenses in the year ended December 31, 2015 decreased \$283.2 million, excluding the increase of \$16.7 million of freight and reimbursements, compared to 2014 primarily as a result of:

- A reduction in depreciation, amortization and depletion expense of \$120.6 million primarily due to the long-lived asset impairments taken during the second half of 2014 and reduced mining costs of \$79.4 million mainly due to decreased mining and hauling volumes and increases in productivity related to maintenance, hauling and train loading, and lower headcount; and
- Favorable foreign exchange rate variances of \$94.6 million or \$8 per metric ton.

- These decreases were offset partially by higher sales volumes, as discussed above, that resulted in increased costs of \$6.2 million compared to the prior year.

Production

Production at our Asia Pacific Iron Ore segment during the year ended December 31, 2015 remained consistent when compared to 2014 with a slight increase of 370 thousand production tons or 3.3 percent. The increase in production tons compared to the prior year is mainly attributable to increased rail capacity.

2014 Compared to 2013

	(In Millions)	
	2014	2013
Net Income (Loss)	\$ (8,311.6)	\$ 361.8
Less:		
Interest expense, net	(185.2)	(179.1)
Income tax benefit (expense)	1,302.0	(55.1)
Depreciation, depletion and amortization	(504.0)	(593.3)
EBITDA	\$ (8,924.4)	\$ 1,189.3
Less:		
Impairment of goodwill and other long-lived assets	\$ (635.5)	\$ (14.3)
Impact of discontinued operations	(9,332.5)	(398.4)
Gain on extinguishment of debt	16.2	—
Severance and contractor termination costs	(23.3)	(16.6)
Foreign exchange remeasurement	29.0	53.2
Proxy contest and change in control costs in SG&A	(26.6)	—
Total Adjusted EBITDA	\$ 1,048.3	\$ 1,565.4
EBITDA:		
U.S. Iron Ore	\$ 805.6	\$ 1,000.1
Asia Pacific Iron Ore	(352.9)	543.0
Other (including discontinued operations)	(9,377.1)	(353.8)
Total EBITDA	\$ (8,924.4)	\$ 1,189.3
Adjusted EBITDA:		
U.S. Iron Ore	\$ 833.5	\$ 1,031.8
Asia Pacific Iron Ore	252.9	513.1
Other	(38.1)	20.5
Total Adjusted EBITDA	\$ 1,048.3	\$ 1,565.4

EBITDA for the year ended December 31, 2014 decreased by \$10.1 billion on a consolidated basis from 2013. The period-over-period change was driven primarily by the items detailed above in the EBITDA calculation. Adjusted EBITDA decreased by \$517.1 million for the year ended December 31, 2014 from the comparable period in 2013. The decrease was primarily attributable to the lower consolidated sales margin. See further detail below for additional information regarding the specific factors that impacted each reportable segment's sales margin during 2014.

U.S. Iron Ore

Following is a summary of U.S. Iron Ore results for the years ended December 31, 2014 and 2013:

	(In Millions)						
	Year Ended December 31,		Change due to				Total change
	2014	2013	Revenue and cost rate	Sales volume	Idle cost/Production volume variance	Freight and reimburse-ment	
Revenues from product sales and services	\$ 2,506.5	\$ 2,667.9	\$ (233.6)	\$ 60.8	\$ —	\$ 11.4	\$ (161.4)
Cost of goods sold and operating expenses	(1,796.1)	(1,766.0)	(34.4)	(33.2)	48.9	(11.4)	(30.1)
Sales margin	\$ 710.4	\$ 901.9	\$ (268.0)	\$ 27.6	\$ 48.9	\$ —	\$ (191.5)

<i>Per Ton Information</i>	Year Ended December 31,		Difference	Percent change
	2014	2013		
Realized product revenue rate ¹	\$ 102.36	\$ 113.08	\$ (10.72)	(9.5)%
Cash production cost	63.83	61.95	1.88	3.0 %
Non-production cash cost	1.08	3.13	(2.05)	(65.5)%
Cost of goods sold and operating expenses rate ¹ (excluding DDA)	64.91	65.08	(0.17)	(0.3)%
Depreciation, depletion & amortization	4.92	5.65	(0.73)	(12.9)%
Total cost of goods sold and operating expenses rate	69.83	70.73	(0.90)	(1.3)%
Sales margin	\$ 32.53	\$ 42.35	\$ (9.82)	(23.2)%

Sales tons ² (In thousands)	21,840	21,299
Production tons ² (In thousands)		
Total	29,733	27,234
Cliffs' share of total	22,431	20,271

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 Tons are long tons (2,240 pounds).

Sales margin for U.S. Iron Ore was \$710.4 million for the year ended December 31, 2014, compared with the sales margin of \$901.9 million for the year ended December 31, 2013. The decline compared to the prior year is attributable to a decrease in revenue of \$161.4 million as well as an increase in cost of goods sold and operating expenses of \$30.1 million. Sales margin per ton decreased 23.2 percent to \$32.53 during the year ended December 31, 2014 compared to 2013.

Revenue decreased by \$172.8 million, excluding the increase of \$11.4 million of freight and reimbursements, from the prior year, predominantly due to:

- The average year-to-date realized product revenue rate declined by \$10.72 per ton or 9.5 percent to \$102.36 per ton in 2014, which resulted in a decrease of \$233.6 million. This decline is a result of:
 - Changes in customer pricing negatively affected the realized revenue rate by \$6 per ton driven primarily by the period-over-period reduction in Platts 62 percent Fe fines spot price and by new base pricing from an additional contract; and

- Realized revenue rates impacted negatively by \$5 per ton related to one major customer contract with a reduced average selling price due to a contractual change in the 2014 pricing mechanism.
- Primarily offset by higher sales volumes of 541 thousand tons or \$60.8 million due to:
 - Higher Great Lakes sales due to increased contracted tons in 2014 from two customers due to separate contract extensions/amendments, higher demand from a customer due to the Great Lakes freeze preventing the customer from reaching its self-produced ore, along with increased nominations in 2014 for two major customer contracts.
 - Partially offset by decreased export sales due to increased 2014 Great Lakes nominations and low market pricing providing a disincentive for spot shipment opportunities along with reduced spot sales that occurred with one customer in the prior-year not recurring for as much tonnage in 2014.

Cost of goods sold and operating expenses in 2014 increased \$18.7 million, excluding the increase of \$11.4 million of freight and reimbursements from the prior year, predominantly as a result of:

- Higher costs related to increased mobile equipment repairs and increased maintenance and repair costs primarily driven by increased kiln repairs at Empire in 2014 due to the 2016 life-of-mine extension, mill repair at the Hibbing mine, along with higher costs related to increased energy rates in the first quarter of 2014; and
- Increased sales volumes, as discussed above, that increased costs by \$33.2 million compared to the prior year.
- Partially offset by lower idle costs of \$48.9 million due to restarting the two production lines at our Northshore mine during the first quarter of 2014 that were previously idled in January 2013 and the non-recurrence of the 2013 summer shutdown of the Empire mine in 2014.

Production

Cliffs' share of production tons in its U.S. Iron Ore segment increased by 10.7 percent in 2014 when compared to 2013. There was increased production at our Empire mine of 1.3 million tons in 2014 as a result of the non-recurrence of the summer shutdown that occurred in 2013, beginning early in the second quarter and ending in the third quarter. Additionally, there was an increase in production of 1.4 million tons at the Northshore mine during 2014, as we restarted the two idled furnaces in the first quarter of 2014. We had previously idled two of the four furnaces at the Northshore mine in January 2013. These increases were partially offset by decreased production of 260 thousand tons at our United Taconite mine due to extreme weather and unplanned maintenance outages.

Asia Pacific Iron Ore

Following is a summary of Asia Pacific Iron Ore results for the years ended December 31, 2014 and 2013:

	(In Millions)							
	Year Ended December 31,		Change due to					Total change
	2014	2013	Revenue and cost rate	Sales Volume	Exchange Rate	Freight and reimburse-ment		
Revenues from product sales and services	\$ 866.7	\$ 1,224.3	\$ (414.8)	\$ 54.8	\$ (4.5)	\$ 6.9	\$ (357.6)	
Cost of goods sold and operating expenses	(745.0)	(857.2)	102.7	(37.9)	54.3	(6.9)	112.2	
Sales margin	\$ 121.7	\$ 367.1	\$ (312.1)	\$ 16.9	\$ 49.8	\$ —	\$ (245.4)	

<i>Per Ton Information</i>	Year Ended December 31,		Difference	Percent change
	2014	2013		
Realized product revenue rate	\$ 74.56	\$ 110.87	\$ (36.31)	(32.8)%
Cash production cost	49.29	56.77	(7.48)	(13.2)%
Non-production cash cost	2.07	6.94	(4.87)	(70.2)%
Cost of goods sold and operating expenses rate (excluding DDA)	51.36	63.71	(12.35)	(19.4)%
Depreciation, depletion & amortization	12.65	13.92	(1.27)	(9.1)%
Total cost of goods sold and operating expenses rate	64.01	77.63	(13.62)	(17.5)%
Sales margin	\$ 10.55	\$ 33.24	\$ (22.69)	(68.3)%

Sales tons ¹ (In thousands) 11,531 11,043

Production tons ¹ (In thousands) 11,352 11,109

¹ We began selling a portion of our product on a CFR basis in 2014. As such, the information above excludes revenues and expenses related to freight, which are offsetting and have no impact on sales margin.

² Metric tons (2,205 pounds).

Sales margin for our Asia Pacific Iron Ore segment decreased to \$121.7 million during the year ended December 31, 2014 compared with \$367.1 million for the same period in 2013. Sales margin per metric ton decreased 68.3 percent to \$10.55 per metric ton in 2014 compared to 2013.

Revenue decreased by \$364.5 million during the year ended December 31, 2014 over the prior year, excluding the increase of \$6.9 million of freight and reimbursements, primarily as a result of:

- An overall decrease to the average realized revenue rate, which resulted in a decrease of \$414.8 million, primarily as a result of a decrease in the Platts 62 percent Fe fines spot price to an average of \$97 per ton from \$135 per ton in the prior year,
- Partially offset by the higher sales volume of 11.5 million tons during the year ended December 31, 2014 compared with 11.0 million tons during the prior year due to strong rail deliveries and increased production, resulting in an increase in revenue of \$54.8 million.

Cost of goods sold and operating expenses in the year ended December 31, 2014 decreased \$119.1 million, excluding the increase of \$6.9 million of freight and reimbursements, compared to 2013 primarily as a result of:

- Reduced mining costs of \$81.2 million mainly due to lower mining contractor costs primarily resulting from a focus on efficiencies across the operation, lower sales royalties of \$23.9 million primarily attributable to the decline in the Platts 62 percent Fe fines spot price, and lower logistics costs of \$12.0 million primarily attributable to the finalization of the port dispute. These cost savings are partially offset by an increase in site administration expenses of \$9.6 million due to realignment of head count to the sites and severance payments of \$1.6 million; and

- Favorable foreign exchange rate variances of \$54.3 million or \$5 per metric ton.
- These decreases were offset partially by higher sales volumes, as discussed above, that resulted in increased costs of \$37.9 million compared to the prior year.

Production

Production at our Asia Pacific Iron Ore segment increased 243 thousand metric tons or 2.2 percent during the year ended December 31, 2014 when compared to 2013. The increase in production tons compared to the prior year is mainly attributable to increased rail capacity as there were less train delays and better loading procedures implemented to get more tons into each wagon.

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 prioritizing all potential uses of future cash flows. 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 regulatory and permission to operate related projects and lowering selling, general and administrative expenses. We also may seek to reduce our debt, including, without limitation, through repurchases or exchanges of our debt securities. We believe these efforts, which have been underway for several quarters and will continue for the foreseeable future, are critical in light of the challenging market conditions arising from the reduced demand for our products and volatility in global commodity prices we experienced during 2015.

Based on our outlook for 2016, which is subject to continued changing demand from steelmakers that utilize our products and volatility in iron ore and domestic steel prices, we expect our anticipated capital expenditures and cash requirements to service our debt obligations during the next 12 months to exceed our estimated operating cash flows. Despite this, we maintain sufficient liquidity through the cash on our balance sheet and the availability provided by our ABL Facility to fund our normal business operations, including the servicing of our debt obligations, and we expect to be able to fund these requirements for the next 12 months.

If we see reduced demand from our customers and/or iron ore or steel prices were to deteriorate further during 2016 we would face further 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 refinancing our existing debt. 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 for our various businesses.

The following discussion summarizes the significant activities impacting our cash flows during 2015 as well as those expected to impact our future cash flows over the next 12 months. Refer to the Statements of Consolidated Cash Flows for additional information.

Operating Activities

Net cash provided by operating activities decreased to \$37.9 million for the year ended December 31, 2015, compared to cash provided by operating activities of \$358.9 million for 2014. The decrease in operating cash flows in 2015 was primarily due to lower operating results as previously discussed, which was partially offset by an income tax refund of \$211.4 million, mainly related to the U.S. Positively affecting our operating cash flows in 2015 and continuing into 2016 are the decreased costs associated with the temporary idles of United Taconite mine and Northshore mine.

Net cash provided by operating activities decreased to \$358.9 million for the year ended December 31, 2014, compared to Net cash provided by operating activities of \$1,145.9 million for 2013. The decrease in operating cash flows in 2014 was primarily due to lower operating results as previously discussed.

Throughout 2015, the Platts 62 percent Fe fines spot price has been driven down by a combination of reduced domestic steel demand from China and increased global iron ore production leading to excess supply, as well as mining cost deflation and a sharp fall in Australian and Brazilian currencies versus the U.S. dollar. In 2016, we do not expect to see meaningful improvement in iron ore prices without significant changes to the global iron ore supply-demand picture.

The iron ore supply-demand situation has not only adversely impacted iron ore producers, but also the global steel industry. Currently, the global steel industry is experiencing its worst conditions in over a decade, with prices for products falling even lower than those realized during the most recent recession - the 2008 global financial crisis. We

believe that very low cost iron ore has contributed substantially to foreign steel exported out of China and other countries into the U.S. market. As a result of these imports, as well as the continued weakening of the oil and gas sector, domestic pricing for steel has been depressed and in turn, our customers' demand for pellets has fallen. In 2016, we expect these conditions to improve as recently imposed duties on unfairly traded steel should curb the steel imports entering the U.S, and as a result we expect to see domestic steel pricing rising throughout 2016.

If necessary, our efficient tax structure allows us to repatriate cash from our foreign operations. Our U.S. cash and cash equivalents balance at December 31, 2015 was \$213.6 million, or approximately 74.9 percent of our consolidated total cash and cash equivalents balance of \$285.2 million.

Investing Activities

Net cash used in investing activities was \$103.2 million for the year ended December 31, 2015, compared with \$103.6 million for 2014. We had capital expenditures of \$80.8 million and \$284.1 million for the years ended December 31, 2015 and 2014, respectively. Offsetting our investments in property, plant and equipment, during 2014, we had cash proceeds from investing activities of \$155.0 million from the sale of CLCC.

Net cash used by investing activities was \$103.6 million for the year ended December 31, 2014, compared with \$811.3 million for 2013. We had capital expenditures of \$284.1 million and \$861.6 million for the years ended December 31, 2014 and 2013, respectively. Up until the first quarter of 2014, our main capital investment focus was on the construction of the Bloom Lake mine's operations, at which time we placed the Phase II expansion on hold. We subsequently determined that the Phase II expansion of the Bloom Lake mine was no longer a viable option for us and we shifted our focus to considering available possibilities and executing an exit option for Eastern Canadian Iron Ore operations that minimizes the cash outflows and associated liabilities. In December 2014, iron ore production at the Bloom Lake mine was suspended and the Bloom Lake mine was placed in "care-and-maintenance" mode. Prior to Bloom Lake mine entering "care and maintenance" mode, we spent approximately \$51 million and approximately \$426 million on the ramp-up and expansion projects at the Bloom Lake mine during the years ended December 31, 2014 and 2013, respectively, which predominately relates to work performed in 2013.

Additionally, we spent approximately \$81 million, \$232 million and \$394 million globally on expenditures related to sustaining capital during 2015, 2014 and 2013, respectively. Sustaining capital spend includes infrastructure, mobile equipment, environmental, safety, fixed equipment, product quality and health.

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 for capital expenditures in 2016 to be approximately \$50 million, the vast majority of which relates to our U.S. Iron Ore operations.

Financing Activities

Net cash provided by financing activities was \$61.0 million for the year ended December 31, 2015, compared with net cash used in financing activities of \$288.3 million for 2014. Net cash provided by financing activities included the issuance of First Lien Notes, which resulted in proceeds of \$503.5 million which were offset partially by the repurchase of senior notes of \$225.9 million and debt issuance costs of \$33.6 million. Additionally, net cash used by financing activities during 2015 and 2014 included \$45.4 million and \$20.9 million, respectively, for the repayment of the Canadian equipment loans, and \$51.2 million of preferred dividend distributions in each of those periods. On January 4, 2016, we announced that under the terms of our 7.00 percent Series A Mandatory Convertible Preferred Stock, Class A ("Series A preferred stock"), the final quarterly dividend would not be paid in cash. Refer to NOTE 21 - SUBSEQUENT EVENTS for further information. The year ended December 31, 2014 also included common dividend distributions of \$92.5 million. On January 26, 2015, we announced that our Board of Directors had decided to eliminate the quarterly dividend of \$0.15 per share on our common shares. The decision was applicable to the first quarter of 2015 and all subsequent quarters.

We anticipate that the remaining balance of the Canadian equipment loans that were guaranteed by the Company of approximately \$97 million will be re-paid from available cash within the next 12 months and as a result approximately \$74 million of letter of credit obligations associated with these guarantees will be released as well. We also had distributions of partnership equity of \$40.6 million for the year ended December 31, 2015 and we anticipate approximately \$47 million in partnership equity will be distributed within the next 12 months.

Net cash used in financing activities was \$288.3 million for the year ended December 31, 2014, compared with net cash used in financing activities of \$171.9 million for 2013. For the year ended December 31, 2013, net cash used includes dividend distributions of \$127.6 million. In 2013, we had net repayments under our credit facilities of \$325.0 million, which was partially offset by cash provided by financing activities of \$164.8 million from the Canadian equipment loans. Additionally, we completed public offerings of 29.25 million depositary shares and 10.35 million common shares,

resulting in net proceeds of \$709.4 million and \$285.3 million, respectively, after underwriting fees and discounts, of which a portion of the net proceeds were used to repay the \$847.1 million outstanding under the term loan.

The following represents our future cash commitments and contractual obligations as of December 31, 2015:

Contractual Obligations	Payments Due by Period ⁽¹⁾ (In Millions)				
	Total	Less than 1 Year	1 - 3 Year	3 - 5 Year	More Than 5 Years
Long-term debt	\$ 2,898.2	\$ —	\$ 311.2	\$ 1,681.7	\$ 905.3
Interest on debt ⁽²⁾	1,468.5	188.5	366.8	287.1	626.1
Operating lease obligations	36.8	8.4	13.7	9.7	5.0
Capital lease obligations	92.6	24.3	40.3	19.0	9.0
Guarantees and contingent liabilities	140.2	104.3	35.9	—	—
Purchase obligations:					
Open purchase orders	42.0	42.0	—	—	—
Minimum "take or pay" purchase commitments ⁽³⁾	284.1	111.0	93.6	38.7	40.8
Total purchase obligations	326.1	153.0	93.6	38.7	40.8
Other long-term liabilities:					
Pension funding minimums	300.8	1.2	53.0	64.5	182.1
OPEB claim payments	109.9	4.1	7.8	7.6	90.4
Environmental and mine closure obligations	234.0	2.8	18.3	19.1	193.8
Personal injury	3.8	1.6	1.6	0.4	0.2
Total other long-term liabilities	648.5	9.7	80.7	91.6	466.5
Total	\$ 5,610.9	\$ 488.2	\$ 942.2	\$ 2,127.8	\$ 2,052.7

⁽¹⁾ Includes our consolidated obligations.

⁽²⁾ Refer to NOTE 5 - DEBT AND CREDIT FACILITIES of the Consolidated Financial Statements for additional information regarding our debt and related interest rates.

⁽³⁾ Includes minimum railroad transportation obligations, minimum electric power demand charges, minimum coal, diesel and natural gas obligations and minimum port facility obligations.

The above table does not reflect \$156.2 million of unrecognized tax benefits, which we have recorded for uncertain tax positions as we are unable to determine a reasonable and reliable estimate of the timing of future payments.

Refer to NOTE 20 - COMMITMENTS AND CONTINGENCIES of the Consolidated Financial Statements for additional information regarding our future commitments and obligations.

Capital Resources

We expect to fund our business obligations from available cash, current and future operations and existing borrowing arrangements. We also may pursue other funding strategies in the capital markets to strengthen our liquidity. The following represents a summary of key liquidity measures as of December 31, 2015 and December 31, 2014:

	(In Millions)	
	December 31, 2015	December 31, 2014
Cash and cash equivalents	\$ 285.2	\$ 271.3
Available revolving credit facility ⁽¹⁾	\$ —	\$ 1,125.0
Revolving loans drawn	—	—
Available borrowing base on ABL Facility ⁽²⁾	366.0	—
ABL Facility loans drawn	—	—
Letter of credit obligations and other commitments	(186.8)	(149.5)
Borrowing capacity available	\$ 179.2	\$ 975.5

⁽¹⁾ On March 30, 2015 we eliminated our revolving credit facility and replaced it with the ABL Facility

⁽²⁾ The ABL Facility has the maximum borrowing base of \$550 million, determined by applying customary advance rates to eligible accounts receivable, inventory and certain mobile equipment.

Our primary source of funding is our ABL Facility, which matures on March 30, 2020. We also have cash on hand, generated by the business, which totaled \$285.2 million as of December 31, 2015. The combination of cash and availability under the ABL Facility gives us approximately \$464.4 million in liquidity entering the first quarter of 2016, which is expected to be used to fund operations, letter of credit obligations, sustaining capital expenditures and other cash commitments for at least the next 12 months. Based on anticipated cash used from financing activities, letters of credit obligations will decrease by approximately \$76 million in the next 12 months.

As of December 31, 2015, 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.

As previously noted, on January 27, 2016, we announced the Exchange Offers up to \$710 million aggregate principal amount of our New 1.5 Lien Notes due 2020 for certain Existing Notes of Cliffs, upon the terms and subject to the conditions set forth in our confidential offering memorandum dated January 27, 2016. To the extent that Existing Notes are exchanged, the capability to issue New 1.5 Lien Notes, subject to compliance with the Fixed Charge Coverage Ratio under our ABL Facility for purposes of additional liquidity, is proportionally reduced. Furthermore, the ability to issue these secured notes could be limited by market conditions. If demand for our products and pricing deteriorates further 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 could be difficult.

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 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 primarily relate 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 62 percent Fe fines spot rate 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 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 December 31, 2015, we recorded \$2.0 million as derivative assets included in *Other current assets* and \$3.4 million as derivative liabilities included in *Other current liabilities* in the Statements of Consolidated Financial Position related to our estimate of 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 \$1.4 million decrease, respectively, in *Product revenues* in the Statements of Consolidated Operations for the year ended December 31, 2015 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 steel at the steelmaker's facilities.

At December 31, 2015, we had derivative assets of \$5.8 million, representing the fair value of the pricing factors, based upon the amount of unconsumed tons and an estimated average hot-band steel 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 derivative assets of \$63.2 million as of December 31, 2014. We estimate that a \$75 positive change in the average hot-band steel price realized from the December 31, 2015 estimated price recorded would cause the fair value of the derivative instrument to increase by approximately \$51.9 million or a \$75 negative change in the average hot-band steel price realized from the December 31, 2015 estimated price recorded would cause the fair value of the derivative instrument to decrease by approximately \$44.1 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, primarily in relation to our iron ore operations. Our consolidated U.S. Iron Ore mining ventures consumed approximately 18.6 million MMBtu's of natural gas at an average delivered price of \$3.52 per MMBtu inclusive of the natural gas hedge impact or \$3.36 per MMBtu net of the natural gas hedge impact during 2015. Additionally, our consolidated U.S. Iron Ore mining ventures consumed approximately 23.0 million gallons of diesel fuel at an average delivered price of \$1.96 per gallon inclusive of the diesel fuel hedge impact or \$1.90 per gallon net of the diesel fuel hedge impact during 2015. Consumption of diesel fuel by our Asia Pacific operations was approximately 10.0 million gallons at an average delivered price of \$1.86 per gallon for the same period.

In the ordinary course of business, there may also be increases in electrical costs at our U.S. mine sites. Specifically, our Tilden and Empire mines in Michigan have 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 energy rates includes improving efficiency in energy usage, identifying alternative providers and utilizing the lowest cost alternative fuels. An energy hedging program has been implemented in order to manage the price risk of diesel and natural gas at our U.S. Iron Ore mines during the winter months of 2016. This program affects the period of January through March 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 electrical, natural gas and diesel fuel prices would result in a change of approximately \$8.8 million in our annual fuel and energy cost based on expected consumption for 2016.

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 December 31, 2015, we had no outstanding Australian foreign currency 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 September 2015. Due to the uncertainty of 2015 hedge exposures, we have suspended entering into new foreign exchange rate contracts. As discussed in NOTE 1 - BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES, 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. Refer to NOTE 13 - DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES for further information.

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 December 31, 2015, we had no amounts drawn on the ABL Facility.

The interest rate payable on the \$500.0 million senior notes due in 2018 may be subject to adjustments from time to time if either Moody's or S&P or, in either case, any Substitute Rating Agency thereof downgrades (or subsequently upgrades) the debt rating assigned to the notes. In no event shall (1) the interest rate for the notes be reduced to below the interest rate payable on the notes on the date of the initial issuance of notes or (2) the total increase in the interest rate on the notes exceed 2.00 percent above the interest rate payable on the notes on the date of the initial issuance of notes. Throughout 2014, the interest rate payable on the \$500.0 million senior notes due in 2018 was increased from 3.95 percent ultimately to 5.70 percent based on Substitute Rating Agency downgrades throughout the year. During the first quarter of 2015, subsequent to a downgrade, the interest rate was further increased to 5.95 percent. This maximum rate increase of 2.00 percent has resulted in an additional interest expense of \$6.2 million per annum based upon the \$311.2 million principal balance outstanding as of December 31, 2015.

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-band steel prices (all factors contained in certain of our supply agreements).

The U.S. Iron Ore table further assumes full-year hot-band steel pricing of approximately \$450 per short ton. We note that this estimate is based on our customer's realized prices and not an index or spot market price. In 2015,

the customer's realized price was approximately \$40 per ton higher than the U.S. Domestic Midwest Hot Rolled Coil Steel Index. In terms of sensitivity, for every \$50 per ton change in the customer's hot-rolled steel prices, our U.S. Iron Ore revenue realizations per ton would be expected to change by \$2.25 if steel prices increase, and \$1.75 if steel prices decrease.

The table below provides certain Platts IODEX averages for 2016 and the corresponding full-year realization for the U.S. Iron Ore and Asia Pacific Iron Ore segments.

2016 Full-Year Realized Revenues-Per-Ton Range Summary		
Platts IODEX (1)	U.S. Iron Ore (2)	Asia Pacific Iron Ore (3)
\$30	\$71 - \$73	\$19 - \$21
\$35	\$71 - \$73	\$23 - \$25
\$40	\$72 - \$74	\$28 - \$30
\$45	\$73 - \$75	\$32 - \$34
\$50	\$74 - \$76	\$36 - \$38
\$55	\$75 - \$77	\$40 - \$42
\$60	\$76 - \$78	\$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 steel pricing of approximately \$450 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 lump and fines, F.O.B. the port.

U.S. Iron Ore Outlook (Long Tons)

For 2016, we expect full-year sales volume of approximately 17.5 million tons from our U.S. Iron Ore business. In order to reduce pellet inventory levels and generate cash flow from working capital, we currently plan to produce approximately 16 million tons of iron ore pellets during 2016.

Our full-year 2016 U.S. Iron Ore cash production cost per ton expectation is \$50 - \$55. Our cash cost of goods sold per ton expectation is \$55 - \$60, representing a reduction of \$5 from the previously disclosed 2016 cash costs of goods sold per ton expectation of \$60 - \$65.

We anticipate depreciation, depletion and amortization to be approximately \$7 per ton for full-year 2016.

Labor Update

We remain in active negotiations with the United Steelworkers and are committed to reaching a fair and equitable agreement. The current contract has been extended by mutual agreement of both parties. The contract extension covers approximately 2,000 USW-represented workers at our Empire and Tilden mines in Michigan, and our United Taconite and Hibbing Taconite mines in Minnesota.

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

Our full-year 2016 Asia Pacific Iron Ore expected sales and production volume is approximately 11.5 million tons. The product mix is expected to contain 50 percent lump and 50 percent fines.

Based on a full-year average exchange rate of \$0.69 U.S. Dollar to Australian Dollar, we are expecting a full-year 2016 Asia Pacific Iron Ore cash production cost per ton of \$25 - \$30. Our cash cost of goods sold per ton expectation is expected to be \$30 - \$35. We indicated that for every \$0.01 change in this exchange rate on a full-year basis, our cash cost of goods sold is impacted by approximately \$6 million.

We anticipate depreciation, depletion and amortization to be approximately \$2 per 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)	17.5	11.5
Production volume (million tons)	16	11.5
Cash production cost per ton	\$50 - \$55	\$25 - \$30
Cash cost of goods sold per ton	\$55 - \$60	\$30 - \$35
DD&A per ton	\$7	\$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 lump and fines.

SG&A Expenses and Other Expectations

Full-year 2016 SG&A expenses are expected to be approximately \$95 million, a \$15 million reduction from the full-year 2015 expense. We also note that of the \$95 million expectation, approximately \$30 million is considered non-cash.

We expect full-year 2016 interest expense to be approximately \$240 million, of which approximately \$205 million is cash interest. Consolidated full-year 2016 depreciation, depletion and amortization is expected to be approximately \$145 million.

Capital Budget Update

We expect full-year 2016 capital expenditures to be \$50 million, a significant reduction compared to 2015 expenditures of \$83 million. The reduction is driven by the divestiture of the remaining coal assets as well as spending discipline exhibited in the U.S. Iron Ore business.

Recently Issued Accounting Pronouncements

Refer to NOTE 1 - BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES of the consolidated financial statements for a description of recent accounting pronouncements, including the respective dates of adoption and effects on results of operations and financial condition.

Critical Accounting Estimates

Management's discussion and analysis of financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with GAAP. Preparation of financial statements requires management to make assumptions, estimates and judgments that affect the reported amounts of assets, liabilities, revenues, costs and expenses, and the related disclosures of contingencies. 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. On a regular basis, management reviews the accounting policies, assumptions, estimates and judgments to ensure that our financial statements are fairly presented in accordance with GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material. Management believes that the following critical accounting estimates and judgments have a significant impact on our financial statements.

Revenue Recognition

U.S. Iron Ore and Asia Pacific Iron Ore Provisional Pricing Arrangements

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 inflation-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 benchmark and international pellet prices and changes in specified Producers Price Indices, including those for industrial commodities excluding fuel, cold rolled steel and strip, and fuel and related products. 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 Producer Price Indices remain an estimated component of the sales price throughout the contract year and are estimated each quarter using publicly available forecasts of such indices. The final indices referenced in certain of the U.S. Iron Ore supply contracts typically are not published by the U.S. Department of Labor until the second quarter of the subsequent year. As a result, we record an adjustment for the difference between the fourth quarter estimate and the final price in the following year.

Throughout the year, certain of our Asia Pacific Iron Ore customers have contract arrangements in which pricing settlements are based upon an average benchmark pricing for future periods. Most of the future periods are settled within three months. To the extent the particular pricing settlement period is subsequent to the reporting period, we estimate the final pricing settlement based upon information available. Similar to U.S. Iron Ore, the estimates are then adjusted to actual when the price settlement period elapses.

Historically, provisional pricing arrangement adjustments have not been material as they have represented a minor portion of U.S. and Asia Pacific Iron Ore's respective revenues for each of the three preceding fiscal years ended December 31, 2015, 2014 and 2013.

U.S. Iron Ore Customer Supply Agreements

In addition, certain supply agreements with one U.S. Iron Ore customer include provisions for supplemental revenue or refunds based on the customer's average annual steel pricing for the year that the product is consumed in the customer's blast furnaces. 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 marked 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 a market approach based on an estimate of the annual realized price of hot rolled steel at the steelmaker's facilities, and takes into consideration current market conditions and nonperformance risk. At December 31, 2015, we had a derivative asset of \$5.8 million, representing the fair value of the pricing factors, based upon the amount of unconsumed tons and an estimated average hot band steel 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 \$63.2 million as of December 31, 2014, based upon the amount of unconsumed tons and the related estimated average hot band steel price.

The customer's average annual price is not known at the time of sale and the actual price is received on a delayed basis at the end of the year, once the average annual price has been finalized. As a result, we estimate the average price and adjust the estimate to actual in the fourth quarter when the information is provided by the customer at the end of each year. Information used in developing the estimate includes such factors as production and pricing information from the customer, current spot prices, third-party analyst forecasts, publications and other industry information. The accuracy of our estimates typically increases as the year progresses based on additional information in the market becoming available and the customer's ability to more accurately determine the average price it will realize for the year. The following represents the historical accuracy of our pricing estimates related to the derivative as well as the impact on revenue resulting from the difference between the estimated price and the actual price for each quarter during 2015, 2014 and 2013 prior to receiving final information from the customer for tons consumed during each year:

	2015			2014			2013		
	Final Price	Estimated Price	Impact on Revenue (in millions)	Final Price	Estimated Price	Impact on Revenue (in millions)	Final Price	Estimated Price	Impact on Revenue (in millions)
First Quarter	\$483	\$563	(\$21.9)	\$651	\$645	\$1.5	\$622	\$630	(\$1.2)
Second Quarter	483	505	(9.9)	651	650	2.7	622	614	3.0
Third Quarter	483	489	(7.2)	651	653	(3.4)	622	633	(2.1)
Fourth Quarter	483	483	—	651	651	—	622	622	—

As an example, we estimate that a \$75 positive change in the average hot band steel price realized from the December 31, 2015 estimated price recorded for the unconsumed tons remaining at year end would cause the fair value of the derivative instrument to increase by approximately \$51.9 million. Additionally, we estimate that a \$75 negative change in the average hot band steel price realized from the December 31, 2015 estimated price recorded for the unconsumed tons remaining at year end would cause the fair value of the derivative instrument to decrease by approximately \$44.1 million, thereby impacting our consolidated revenues by the same amount.

Mineral Reserves

We regularly evaluate our mineral reserves and update them as required in accordance with SEC Industry Guide 7. The estimated mineral reserves could be affected by future industry conditions, geological conditions and ongoing mine planning. Maintenance of effective production capacity of the mineral reserve could require increases in capital and development expenditures. Generally, as mining operations progress, haul lengths and lifts increase. Alternatively, changes in economic conditions or the expected quality of mineral reserves could decrease capacity or mineral reserves. Technological progress could alleviate such factors or increase capacity of mineral reserves.

We use our mineral reserve estimates, combined with our estimated annual production levels, to determine the mine closure dates utilized in recording the fair value liability for asset retirement obligations. Refer to NOTE 11 - ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS, for further information. Since the liability represents the present value of the expected future obligation, a significant change in mineral reserves or mine lives would have a substantial effect on the recorded obligation. We also utilize mineral reserves for evaluating potential impairments of mine assets and in determining maximum useful lives utilized to calculate depreciation and amortization of long-lived mine assets. Increases or decreases in mineral reserves or mine lives could significantly affect these items.

Asset Retirement Obligations and Environmental Remediation Costs

The accrued mine closure obligations for our active mining operations provide for contractual and legal obligations associated with the eventual closure of the mining operations. Our obligations are determined based on detailed estimates adjusted for factors that a market participant would consider (i.e., inflation, overhead and profit), which are escalated at an assumed rate of inflation to the estimated closure dates, and then discounted using the current credit-adjusted risk-free interest rate. The estimate also incorporates incremental increases in the closure cost estimates and changes in estimates of mine lives. The closure date for each location is determined based on the exhaustion date of the remaining iron ore reserves, which is dependent on our estimate of mineral reserves. The estimated obligations are particularly sensitive to the impact of changes in mine lives given the difference between the inflation and discount rates. Changes in the base estimates of legal and contractual closure costs due to changes in legal or contractual requirements, available technology, inflation, overhead or profit rates also would have a significant impact on the recorded obligations.

We have a formal policy for environmental protection and restoration. Our obligations for known environmental matters at active and closed mining operations and other sites have been recognized based on estimates of the cost of investigation and remediation at each site. If the obligation can only be estimated as a range of possible amounts, with no specific amount being more likely, the minimum of the range is accrued. Management reviews its environmental remediation sites quarterly to determine if additional cost adjustments or disclosures are required. The characteristics of environmental remediation obligations, where information concerning the nature and extent of clean-up activities is not immediately available and which are subject to changes in regulatory requirements, result in a significant risk of increase to the obligations as they mature. Expected future expenditures are not discounted to present value unless the amount and timing of the cash disbursements can be reasonably estimated. Potential insurance recoveries are not recognized until realized. Refer to NOTE 11 - ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS, for further information.

Income Taxes

Our income tax expense, deferred tax assets and liabilities and reserves for unrecognized tax benefits reflect management's best assessment of estimated future taxes to be paid. We are subject to income taxes in both the U.S. and numerous foreign jurisdictions. Significant judgments and estimates are required in determining the consolidated income tax expense.

Deferred income taxes arise from temporary differences between tax and financial statement recognition of revenue and expense. In evaluating our ability to recover our deferred tax assets, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. In projecting future taxable income, we begin with historical results

adjusted for the results of discontinued operations and changes in accounting policies and incorporate assumptions including the amount of future state, federal and foreign pretax operating income, the reversal of temporary differences, and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment about the forecasts of future taxable income and are consistent with the plans and estimates we are using to manage the underlying businesses. In evaluating the objective evidence that historical results provide, we consider three years of cumulative operating income (loss).

At December 31, 2015 and 2014, we had a valuation allowance of \$ 3,372.5 million and \$1,152.3 million, respectively, against our deferred tax assets. Our losses in certain locations in recent periods represented sufficient negative evidence to require a full valuation allowance against certain deferred tax assets. Additionally, significant Alternative Minimum tax credits have been generated in recent years. Sufficient negative evidence suggests that the credits will not be realized in the foreseeable future, and a full valuation allowance has been recorded on the deferred tax asset. We intend to maintain a valuation allowance against the deferred tax assets related to these operating losses, credits and allowances until sufficient positive evidence exists to support the realization of such assets.

Changes in tax laws and rates also could affect recorded deferred tax assets and liabilities in the future. Management is not aware of any such changes that would have a material effect on the Company's results of operations, cash flows or financial position.

The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations in a multitude of jurisdictions across our global operations.

Accounting for uncertainty in income taxes recognized in the financial statements requires that a tax benefit from an uncertain tax position be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on technical merits.

We recognize tax liabilities in accordance with ASC 740, *Income Taxes*, and we adjust these liabilities when our judgment changes as a result of evaluation of new information not previously available. Due to the complexity of some of these uncertainties, the ultimate resolution may result in payment that is materially different from our current estimate of the tax liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which they are determined.

Valuation of Long-Lived Assets

In assessing the recoverability of our long-lived assets, significant assumptions regarding the estimated future cash flows and other factors to determine the fair value of the respective assets must be made, as well as the related estimated useful lives. If these estimates or their related assumptions change in the future as a result of changes in strategy or market conditions, we may be required to record impairment charges for these assets in the period such determination was made.

We monitor conditions that indicate that the carrying value of an asset or asset group may be impaired. In order to determine if assets have been impaired, assets are grouped and tested at the lowest level for which identifiable, independent cash flows are available. An impairment loss exists when projected undiscounted cash flows are less than the carrying value of the assets. The measurement of the impairment loss to be recognized is based on the difference between the fair value and the carrying value of the assets. Fair value can be determined using a market approach, income approach or cost approach. The impairment analysis and fair value determination can result in substantially different outcomes based on critical assumptions and estimates including the quantity and quality of remaining mineral reserves, future iron ore prices and production costs.

During 2015 and 2014, we identified factors that indicated the carrying values of certain asset groups may not be recoverable. Primary factors included the impact of estimated long-term price forecasts that were updated as part of management's long-range planning process. Updated estimates of long-term prices for all products, specifically the Platts 62 percent Fe fines spot price, which particularly affects the Asia Pacific Iron Ore business segment because their contracts correlate heavily to world market spot pricing, were lower than prior estimates. These estimates were updated based upon current market conditions, macro-economic factors influencing the balance of supply and demand for our products and expectations for future cost and capital expenditure requirements. Additional factors include our CEO, Lourenco Goncalves, appointed by the Board of Directors in early August 2014, and subsequently identified as the CODM in accordance with ASC 280, Segment Reporting. The CODM views Asia Pacific Iron Ore as non-core assets and has communicated plans to evaluate the business unit for a change in strategy including possible divestiture. These factors, among other considerations utilized in the individual impairment assessment, indicate that the carrying value of the respective asset group may not be recoverable, and resulted in an impairment of other long-lived assets

of \$562.0 million for the year ended December 31, 2014. Although certain factors indicated that the carrying value of certain asset groups may not be recoverable during 2015, an assessment was performed and no further impairment was indicated.

Refer to NOTE 1 - BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES, NOTE 4 - PROPERTY, PLANT AND EQUIPMENT and NOTE 6 - FAIR VALUE OF FINANCIAL INSTRUMENTS for further information regarding our policy on asset impairment, detail on our remaining PP&E and mineral rights and non-recurring fair value measurements.

Employee Retirement Benefit Obligations

We offer defined benefit pension plans, defined contribution pension plans and other postretirement benefit plans, primarily consisting of retiree healthcare benefits, to most employees in North America 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.

Following is a summary of our U.S. defined benefit pension and OPEB funding and expense for the years 2013 through 2016:

	Pension		OPEB	
	Funding	Expense	Funding	Expense
2013	\$ 42.9	\$ 46.8	\$ 19.0	\$ 3.2
2014	49.6	26.2	5.5	(2.5)
2015	35.7	23.9	3.5	4.4
2016 (Estimated)	1.2	16.3	4.1	(4.4)

Assumptions used in determining the benefit obligations and the value of plan assets for defined benefit pension plans and postretirement benefit plans (primarily retiree healthcare benefits) that we offer are evaluated periodically by management. Critical assumptions, such as the discount rate used to measure the benefit obligations, the expected long-term rate of return on plan assets, the medical care cost trend, and the rate of compensation increase are reviewed annually.

As of December 31, 2015 and 2014, we used the following assumptions:

	Pension and Other Benefits	
	2015	2014
U.S. plan discount rate		
Iron Hourly Pension Plan	4.27 %	3.83 %
Salaried Pension Plan	4.12	3.83
Ore Mining Pension Plan	4.28	3.83
SERP	4.22	3.83
Hourly OPEB Plan	4.32	3.83
Salaried OPEB Plan	4.22	3.83
U.S. rate of compensation increase - Salaried	3.00	3.00
U.S. rate of compensation increase - Hourly	2.00	2.50
U.S. pension plan expected return on plan assets	8.25	8.25
U.S. OPEB plan expected return on plan assets	7.00	7.00

The increase in the discount rates in 2015 was driven by the change in bond yields, which were up approximately 40 basis points compared to the prior year.

Additionally, on December 31, 2015, the assumed mortality improvement projection was changed from generational scale MP-2014 to generational scale MP-2015. The healthy mortality assumption remains the RP-2014 mortality tables with blue collar and white collar adjustments made for certain hourly and salaried groups to determine the expected life of our plan participants.

Following are sensitivities of potential further changes in these key assumptions on the estimated 2015 pension and OPEB expense and the pension and OPEB benefit obligations as of December 31, 2015:

	Increase in Expense (In Millions)		Increase in Benefit Obligation (In Millions)	
	Pension	OPEB	Pension	OPEB
Decrease discount rate .25 percent	\$ 2.2	\$ 0.6	\$ 25.5	\$ 8.3
Decrease return on assets 1 percent	6.7	2.4	N/A	N/A
Increase medical trend rate 1 percent	N/A	3.2	N/A	27.2

Changes in actuarial assumptions, including discount rates, employee retirement rates, mortality, compensation levels, plan asset investment performance and healthcare costs, are determined based on analyses of actual and expected factors. Changes in actuarial assumptions and/or investment performance of plan assets may have a significant impact on our financial condition due to the magnitude of our retirement obligations. Refer to NOTE 7 - PENSIONS AND OTHER POSTRETIREMENT BENEFITS in *Item 8. Financial Statements and Supplementary Data* of this Annual Report on Form 10-K for further information.

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, in particular considering borrowing base reductions from the sale of non-core assets such as North American Coal;
- 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;
- our ability to successfully consummate any or all of the senior note exchange offers;
- 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 and enter into or renew collective bargaining agreements on satisfactory terms;
- 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 7A. Quantitative and Qualitative Disclosures About Market Risk

Information regarding our Market Risk is presented under the caption *Market Risks*, which is included in *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations* and is incorporated by reference and made a part hereof.

Item 8. Financial Statements and Supplementary Data**Statements of Consolidated Financial Position**

Cliffs Natural Resources Inc. and Subsidiaries

	(In Millions)	
	December 31,	
	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 285.2	\$ 271.3
Accounts receivable, net	40.2	122.7
Inventories	329.6	260.1
Supplies and other inventories	110.4	118.6
Income tax receivable	5.7	217.6
Short-term assets of discontinued operations	14.9	326.9
Loans to and accounts receivables from the Canadian Entities	72.9	0.4
Insurance coverage receivable	93.5	—
Other current assets	30.3	107.7
TOTAL CURRENT ASSETS	982.7	1,425.3
PROPERTY, PLANT AND EQUIPMENT, NET	1,059.0	1,070.5
OTHER ASSETS		
Deferred income taxes	—	175.5
Long-term assets of discontinued operations	—	383.0
Other non-current assets	93.8	92.9
TOTAL OTHER ASSETS	93.8	651.4
TOTAL ASSETS	\$ 2,135.5	\$ 3,147.2

(continued)

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

Statements of Consolidated Financial Position

Cliffs Natural Resources Inc. and Subsidiaries - (Continued)

	(In Millions)	
	December 31,	
	2015	2014
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 106.3	\$ 166.1
Accrued employment costs	53.0	73.8
State and local taxes payable	35.2	40.7
Accrued expenses	85.7	99.4
Accrued royalties	17.3	28.5
Short-term liabilities of discontinued operations	6.9	399.4
Guarantees	96.5	—
Insured loss	93.5	—
Other current liabilities	87.3	146.6
TOTAL CURRENT LIABILITIES	581.7	954.5
POSTEMPLOYMENT BENEFIT LIABILITIES		
Pensions	209.7	246.0
Other postretirement benefits	11.3	22.3
TOTAL POSTEMPLOYMENT BENEFIT LIABILITIES	221.0	268.3
ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS	231.2	165.6
LONG-TERM DEBT	2,699.4	2,826.5
LONG-TERM LIABILITIES OF DISCONTINUED OPERATIONS	—	427.5
OTHER LIABILITIES	213.8	239.1
TOTAL LIABILITIES	3,947.1	4,881.5
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 (See Note 15)		
Issued and Outstanding - 731,223 shares (2014 - 731,223)	731.3	731.3
Class B - 4,000,000 shares authorized		
Common Shares - par value \$0.125 per share		
Authorized - 400,000,000 shares (2014 - 400,000,000 shares);		
Issued - 159,546,224 shares (2014 - 159,546,224 shares);		
Outstanding - 153,591,930 shares (2014 - 153,246,754 shares)	19.8	19.8
Capital in excess of par value of shares	2,298.9	2,309.8
Retained deficit	(4,748.4)	(3,960.7)
Cost of 5,954,294 common shares in treasury (2014 - 6,299,470 shares)	(265.0)	(285.7)
Accumulated other comprehensive loss	(18.0)	(245.8)
TOTAL CLIFFS SHAREHOLDERS' DEFICIT	(1,981.4)	(1,431.3)
NONCONTROLLING INTEREST (DEFICIT)	169.8	(303.0)
TOTAL DEFICIT	(1,811.6)	(1,734.3)
TOTAL LIABILITIES AND DEFICIT	\$ 2,135.5	\$ 3,147.2

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

Statements of Consolidated Operations

Cliffs Natural Resources Inc. and Subsidiaries

	(In Millions, Except Per Share Amounts)		
	Year Ended December 31,		
	2015	2014	2013
REVENUES FROM PRODUCT SALES AND SERVICES			
Product	\$ 1,832.4	\$ 3,095.2	\$ 3,631.8
Freight and venture partners' cost reimbursements	180.9	278.0	259.0
	2,013.3	3,373.2	3,890.8
COST OF GOODS SOLD AND OPERATING EXPENSES	(1,776.8)	(2,487.5)	(2,406.4)
SALES MARGIN	236.5	885.7	1,484.4
OTHER OPERATING INCOME (EXPENSE)			
Selling, general and administrative expenses	(110.0)	(154.7)	(163.8)
Impairment of goodwill and other long-lived assets	(3.3)	(635.5)	(14.3)
Miscellaneous - net	28.1	34.6	74.0
	(85.2)	(755.6)	(104.1)
OPERATING INCOME	151.3	130.1	1,380.3
OTHER INCOME (EXPENSE)			
Interest expense, net	(228.5)	(176.7)	(186.4)
Gain on extinguishment of debt	392.9	16.2	—
Other non-operating income (expense)	(2.6)	10.7	(3.0)
	161.8	(149.8)	(189.4)
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND EQUITY LOSS FROM VENTURES	313.1	(19.7)	1,190.9
INCOME TAX BENEFIT (EXPENSE)	(169.3)	86.0	(237.6)
EQUITY LOSS FROM VENTURES, net of tax	(0.1)	(9.9)	(74.4)
INCOME FROM CONTINUING OPERATIONS	143.7	56.4	878.9
LOSS FROM DISCONTINUED OPERATIONS, net of tax	(892.1)	(8,368.0)	(517.1)
NET INCOME (LOSS)	(748.4)	(8,311.6)	361.8
LOSS (INCOME) ATTRIBUTABLE TO NONCONTROLLING INTEREST			
(Year Ended December 31, 2015 - Loss of \$7.7 million related to Discontinued Operations, Year Ended December 31, 2014 - Loss of \$1,113.3 million and Year Ended December 31, 2013 - Loss of \$66.5 million related to Discontinued Operations)	(0.9)	1,087.4	51.7
NET INCOME (LOSS) ATTRIBUTABLE TO CLIFFS SHAREHOLDERS	\$ (749.3)	\$ (7,224.2)	\$ 413.5
PREFERRED STOCK DIVIDENDS	(38.4)	(51.2)	(48.7)
NET INCOME (LOSS) ATTRIBUTABLE TO CLIFFS COMMON SHAREHOLDERS	\$ (787.7)	\$ (7,275.4)	\$ 364.8
EARNINGS (LOSS) PER COMMON SHARE ATTRIBUTABLE TO CLIFFS SHAREHOLDERS - BASIC			
Continuing operations	\$ 0.63	\$ (0.14)	\$ 5.37
Discontinued operations	(5.77)	(47.38)	(2.97)
	\$ (5.14)	\$ (47.52)	\$ 2.40
EARNINGS (LOSS) PER COMMON SHARE ATTRIBUTABLE TO CLIFFS SHAREHOLDERS - DILUTED			
Continuing operations	\$ 0.63	\$ (0.14)	\$ 4.95
Discontinued operations	(5.76)	(47.38)	(2.58)
	\$ (5.13)	\$ (47.52)	\$ 2.37
AVERAGE NUMBER OF SHARES (IN THOUSANDS)			
Basic	153,230	153,098	151,726
Diluted	153,605	153,098	174,323
CASH DIVIDENDS DECLARED PER DEPOSITARY SHARE	\$ 1.32	\$ 1.76	\$ 1.66
CASH DIVIDENDS DECLARED PER COMMON SHARE	\$ —	\$ 0.60	\$ 0.60

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

Statements of Consolidated Comprehensive Income (Loss)

Cliffs Natural Resources Inc. and Subsidiaries

	(In Millions)		
	Year Ended December 31,		
	2015	2014	2013
NET INCOME (LOSS) ATTRIBUTABLE TO CLIFFS SHAREHOLDERS	\$ (749.3)	\$ (7,224.2)	\$ 413.5
OTHER COMPREHENSIVE INCOME (LOSS)			
Pension and OPEB liability, net of tax	45.2	(91.0)	208.3
Unrealized net gain (loss) on marketable securities, net of tax	1.7	(7.2)	3.1
Unrealized net gain (loss) on foreign currency translation	155.6	(42.3)	(208.6)
Unrealized net gain (loss) on derivative financial instruments, net of tax	20.7	2.8	(29.6)
OTHER COMPREHENSIVE INCOME (LOSS)	223.2	(137.7)	(26.8)
OTHER COMPREHENSIVE LOSS (INCOME) ATTRIBUTABLE TO THE NONCONTROLLING INTEREST	4.6	4.8	(30.5)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO CLIFFS SHAREHOLDERS	\$ (521.5)	\$ (7,357.1)	\$ 356.2

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

Statements of Consolidated Cash Flows

Cliffs Natural Resources Inc. and Subsidiaries

	(In Millions)		
	Year Ended December 31,		
	2015	2014	2013
OPERATING ACTIVITIES			
Net income (loss)	\$ (748.4)	\$ (8,311.6)	\$ 361.8
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:			
Depreciation, depletion and amortization	134.0	504.0	593.3
Impairment of goodwill and other long-lived assets	76.6	9,029.9	250.8
Equity loss in ventures (net of tax)	(0.1)	9.9	74.4
Deferred income taxes	159.8	(1,153.9)	(138.1)
Changes in deferred revenue and below-market sales contracts	(42.6)	(18.0)	(52.8)
Gain on extinguishment of debt	(392.9)	(16.2)	—
Loss on deconsolidation, net of cash deconsolidated	668.3	—	—
Loss (gain) on sale of North American Coal mines	(9.3)	419.6	—
Other	113.1	(21.5)	(3.3)
Changes in operating assets and liabilities:			
Receivables and other assets	369.1	(82.8)	138.8
Product inventories	(62.0)	37.8	30.8
Payables and accrued expenses	(227.7)	(38.3)	(109.8)
Net cash provided by operating activities	37.9	358.9	1,145.9
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(80.8)	(284.1)	(861.6)
Investments in DIP and prepetition financing	(14.0)	—	—
Proceeds (uses) from sale of North American Coal mines	(15.2)	155.0	—
Other investing activities	6.8	25.5	50.3
Net cash used in investing activities	(103.2)	(103.6)	(811.3)
FINANCING ACTIVITIES			
Net proceeds from issuance of Series A, Mandatory Convertible Preferred Stock, Class A	—	—	709.4
Net proceeds from issuance of common shares	—	—	285.3
Proceeds from first lien notes offering	503.5	—	—
Debt issuance costs	(33.6)	(9.0)	—
Repayment of term loan	—	—	(847.1)
Borrowings under credit facilities	309.8	1,219.5	670.5
Repayment under credit facilities	(309.8)	(1,219.5)	(995.5)
Proceeds from equipment loans	—	—	164.8
Repayments of equipment loans	(45.4)	(20.9)	(3.0)
Repurchase of debt	(225.9)	(28.8)	—
Contributions (to)/by joint ventures, net	0.1	(25.7)	23.3
Distributions of partnership equity	(40.6)	—	—
Common stock dividends	—	(92.5)	(91.9)
Preferred stock dividends	(51.2)	(51.2)	(35.7)
Other financing activities	(45.9)	(60.2)	(52.0)
Net cash provided by (used in) financing activities	61.0	(288.3)	(171.9)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(1.4)	(11.6)	(22.4)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5.7)	(44.6)	140.3
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	290.9	335.5	195.2
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 285.2	\$ 290.9	\$ 335.5

*The accompanying notes are an integral part of these consolidated financial statements.
See NOTE 17 - CASH FLOW INFORMATION.*

Statements of Consolidated Changes in Equity

Cliffs Natural Resources Inc. and Subsidiaries

	(In Millions)									
	Cliffs Shareholders									
	Number of Depository Shares	Depository Shares	Number of Common Shares	Common Shares	Capital in Excess of Par Value of Shares	Retained Earnings	Common Shares in Treasury	Accumulated Other Comprehensive Income (Loss)	Non- Controlling Interest	Total
January 1, 2013	—	\$ —	142.5	\$ 18.5	\$ 1,774.7	\$ 3,217.7	\$ (322.6)	\$ (55.6)	\$ 1,128.2	\$ 5,760.9
Comprehensive income										
Net income (loss)	—	—	—	—	—	413.5	—	—	(51.7)	361.8
Other comprehensive income (loss)	—	—	—	—	—	—	—	(57.3)	30.5	(26.8)
Total comprehensive income (loss)	—	—	—	—	—	—	—	—	(21.2)	335.0
Equity offering	—	—	10.4	1.3	284.0	—	—	—	—	285.3
Capital contribution by noncontrolling interest to subsidiary	—	—	—	—	0.2	(0.6)	—	—	5.6	5.2
Acquisition of controlling interest	—	—	—	—	295.4	(82.7)	—	—	(314.8)	(102.1)
Undistributed losses to noncontrolling interest	—	—	—	—	—	—	—	—	17.0	17.0
Stock and other incentive plans	—	—	0.3	—	(2.9)	—	17.1	—	—	14.2
Depository Shares	29.3	731.3	—	—	(21.9)	—	—	—	—	709.4
Common stock dividends (\$0.60 per share)	—	—	—	—	—	(91.9)	—	—	—	(91.9)
Preferred stock dividends (\$1.66 per depository share)	—	—	—	—	—	(48.7)	—	—	—	(48.7)
December 31, 2013	29.3	\$ 731.3	153.2	\$ 19.8	\$ 2,329.5	\$ 3,407.3	\$ (305.5)	\$ (112.9)	\$ 814.8	\$ 6,884.3
Comprehensive income										
Net loss	—	—	—	—	—	(7,224.2)	—	—	(1,087.4)	(8,311.6)
Other comprehensive income (loss)	—	—	—	—	—	—	—	(132.9)	(4.8)	(137.7)
Total comprehensive income (loss)	—	—	—	—	—	—	—	—	(1,092.2)	(8,449.3)
Capital contribution to noncontrolling interest to subsidiary	—	—	—	—	—	—	—	—	(0.1)	(0.1)
Distributions to noncontrolling interest	—	—	—	—	—	—	—	—	(25.5)	(25.5)
Stock and other incentive plans	—	—	—	—	(19.7)	—	19.8	—	—	0.1
Common stock dividends (\$0.60 per share)	—	—	—	—	—	(92.5)	—	—	—	(92.5)
Preferred stock dividends (\$1.76 per depository share)	—	—	—	—	—	(51.3)	—	—	—	(51.3)
December 31, 2014	29.3	\$ 731.3	153.2	\$ 19.8	\$ 2,309.8	\$ (3,960.7)	\$ (285.7)	\$ (245.8)	\$ (303.0)	\$ (1,734.3)
Comprehensive income										
Net income (loss)	—	—	—	—	—	(749.3)	—	—	0.9	(748.4)
Other comprehensive income (loss)	—	—	—	—	—	—	—	227.8	(4.6)	223.2
Total comprehensive income (loss)	—	—	—	—	—	—	—	—	(3.7)	(525.2)
Capital contribution to noncontrolling interest to subsidiary	—	—	—	—	—	—	—	—	0.2	0.2
Distributions to noncontrolling interest	—	—	—	—	—	—	—	—	(0.2)	(0.2)
Distributions of partnership equity	—	—	—	—	—	—	—	—	(51.7)	(51.7)
Effect of deconsolidation	—	—	—	—	—	—	—	—	528.2	528.2
Stock and other incentive plans	—	—	0.3	—	(10.9)	—	20.7	—	—	9.8
Preferred stock dividends (\$1.32 per depository share)	—	—	—	—	—	(38.4)	—	—	—	(38.4)
December 31, 2015	29.3	\$ 731.3	153.5	\$ 19.8	\$ 2,298.9	\$ (4,748.4)	\$ (265.0)	\$ (18.0)	\$ 169.8	\$ (1,811.6)

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

Cliffs Natural Resources Inc. and Subsidiaries

Notes to Consolidated Financial Statements

NOTE 1 - BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Business Summary

We are 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 five iron ore mines and pellet plants located in Michigan and Minnesota. Additionally, Cliffs operates an iron ore mining complex in Western Australia. Our continuing operations are organized according to geography: U.S. Iron Ore and Asia Pacific Iron Ore.

As more fully described in NOTE 14 - DISCONTINUED OPERATIONS, in January 2015, we announced that the Bloom Lake Group commenced restructuring proceedings in Montreal, Quebec under the CCAA. 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 restructuring proceedings in Montreal, Quebec under the CCAA 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 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.

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 current year and historical North American Coal operating segment results are included in our financial statements and classified within discontinued operations. Refer to NOTE 14 - DISCONTINUED OPERATIONS for further discussion of the North American Coal segment discontinued operations.

Significant Accounting Policies

We consider the following policies to be beneficial in understanding the judgments that are involved in the preparation of our consolidated financial statements and the uncertainties that could impact our financial condition, results of operations and cash flows.

Use of Estimates

The preparation of financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The more significant areas requiring the use of management estimates and assumptions related to mineral reserves future realizable cash flow; environmental, reclamation and closure obligations; valuation of long-lived assets and investments; valuation of inventory; valuation of post-employment, post-retirement and other employee benefit liabilities; valuation of tax assets; reserves for contingencies and litigation; and the fair value of derivative instruments. Actual results could differ from estimates. On an ongoing basis, management reviews estimates. Changes in facts and circumstances may alter such estimates and affect the results of operations and financial position in future periods.

Basis of Consolidation

The consolidated financial statements include our accounts and the accounts of our wholly owned and majority-owned subsidiaries, including the following operations at December 31, 2015:

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	Active
Koolyanobbing	Western Australia	100.0%	Iron Ore	Active

Intercompany transactions and balances are eliminated upon consolidation.

Equity Method Investments

Investments in unconsolidated ventures that we have the ability to exercise significant influence over, but not control, are accounted for under the equity method. The following table presents the detail of our investments in unconsolidated ventures and where those investments are classified in the Statements of Consolidated Financial Position as of December 31, 2015 and December 31, 2014. Parentheses indicate a net liability.

Investment	Classification	Accounting Method	Ownership Interest	(In Millions)	
				December 31, 2015	December 31, 2014
Hibbing	<i>Other liabilities</i> ⁽¹⁾	Equity Method	23%	\$ (2.4)	\$ 3.1
Other ⁽²⁾	<i>Other non-current assets</i>	Equity Method	Various	—	1.0
				\$ (2.4)	\$ 4.1

⁽¹⁾ At December 31, 2014, the classification for Hibbing was *Other non-current assets*.

⁽²⁾ At December 31, 2015, no Other equity method investments remain.

Hibbing

Our share of equity income (loss) is eliminated against consolidated product inventory upon production, and against *Cost of goods sold and operating expenses* when sold. This effectively reduces our cost for our share of the mining ventures' production cost, reflecting the cost-based nature of our participation in unconsolidated ventures.

Amapá

On March 28, 2013, an unknown event caused the Santana port shiploader to collapse into the Amazon River, preventing further ship loading by the mine operator, Anglo. In light of the March 28, 2013 collapse of the Santana port shiploader and subsequent evaluation of the effect that this event had on the carrying value of our investment in Amapá as of June 30, 2013, we recorded an impairment charge of \$67.6 million in the second quarter of 2013.

On August 28, 2013, we entered into additional agreements to sell our 30 percent interest in Amapá to Anglo for nominal cash consideration, plus the right to certain contingent deferred consideration upon the two-year anniversary of the closing. However, no contingent deferred consideration was earned upon the two-year anniversary. The closing was conditional on obtaining certain regulatory approvals and the additional agreement provided Anglo with an option to request that we transfer our interest in Amapá directly to Zamin. Anglo exercised this option and the transfer to Zamin was completed in the fourth quarter of 2013.

Noncontrolling Interests

During the fourth quarter of 2013, CQIM's interest in Bloom Lake increased by an aggregate of 7.8 percent after CQIM paid both its own and WISCO's proportionate shares of the cash call for the first half of 2013. As a result of our cash call payments, CQIM was issued a total of 457,556 new Bloom Lake units, increasing our interest to 82.8 percent

in Bloom Lake and diluting WISCO's interest to 17.2 percent. The new unit issuance decreased equity attributable to WISCO by \$314.8 million for the year ended December 31, 2013 by decreasing WISCO's interest in Bloom Lake's accumulated deficit. We accounted for the increase in ownership as an equity transaction, which resulted in a \$314.8 million increase to equity attributable to Cliffs' shareholders. As discussed above, as of January 27, 2015, we deconsolidated the Bloom Lake Group following the CCAA filing. Financial results prior to the deconsolidation of the Bloom Lake Group and subsequent expenses directly associated with the Canadian Entities are included in our financial statements. See NOTE 14 - DISCONTINUED OPERATIONS for further information.

Cash Equivalents

Cash and cash equivalents include cash on hand and on deposit as well as all short-term securities held for the primary purpose of general liquidity. We consider investments in highly liquid debt instruments with an original maturity of three months or less from the date of acquisition to be cash equivalents. We routinely monitor and evaluate counterparty credit risk related to the financial institutions by which our short-term investment securities are held.

Trade Accounts Receivable and Allowance for Doubtful Accounts

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is our best estimate of the amount of probable credit losses in Cliffs' existing accounts receivable. We establish provisions for losses on accounts receivable when it is probable that all or part of the outstanding balance will not be collected. We regularly review our accounts receivable balances and establish or adjust the allowance as necessary using the specific identification method. The allowance for doubtful accounts was \$7.1 million at December 31, 2015. There was no allowance for doubtful accounts at December 31, 2014. There was bad debt expense of \$7.1 million for the year ended December 31, 2015. There was no bad debt expense for the years ended December 31, 2014 and 2013.

Inventories

U.S. Iron Ore

U.S. Iron Ore product inventories are stated at the lower of cost or market. Cost of iron ore inventories is determined using the LIFO method.

We had approximately 1.3 million tons and 1.4 million tons of finished goods stored at ports and customer facilities on the lower Great Lakes to service customers at December 31, 2015 and 2014, respectively. We maintain ownership of the inventories until title has transferred to the customer, usually when payment is received. Maintaining ownership of the iron ore products at ports on the lower Great Lakes reduces risk of non-payment by customers.

Asia Pacific Iron Ore

Asia Pacific Iron Ore product inventories are stated at the lower of cost or market. Costs of inventories are being valued on a weighted average cost basis. We maintain ownership of the inventories until title has transferred to the customer, which generally is when the product is loaded into the vessel.

Supplies and Other Inventories

Supply inventories include replacement parts, fuel, chemicals and other general supplies, which are expected to be used or consumed in normal operations. Supply inventories also include critical spares. Critical spares are replacement parts for equipment that is critical for the continued operation of the mine or processing facilities.

Supply inventories are stated at the lower of cost or market using average cost, less an allowance for obsolete and surplus items. The allowance for obsolete and surplus items was \$31.8 million and \$16.0 million at December 31, 2015 and 2014, respectively.

Derivative Financial Instruments and Hedging Activities

We are exposed to certain risks related to the ongoing operations of our business, including those caused by changes in commodity prices, interest rates and foreign currency exchange rates. We have established policies and procedures, including the use of certain derivative instruments, to manage such risks, if deemed necessary.

Derivative financial instruments are recognized as either assets or liabilities in the Statements of Consolidated Financial Position and measured at fair value. On the date a derivative instrument is entered into, we generally designate a qualifying derivative instrument as a hedge of the variability of cash flows to be received or paid related to a recognized asset or liability or forecasted transaction (cash flow hedge). We formally document all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as cash flow hedges to specific firm commitments or forecasted transactions. We also formally assess both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of the related hedged items. When it is determined that a derivative is not highly effective as a hedge or that it has ceased to be a highly effective hedge, we discontinue hedge accounting prospectively and record all future changes in fair value in the period of the instrument's earnings or losses.

For derivative instruments that have been designated as cash flow hedges, the effective portion of the changes in fair value are recorded in accumulated other comprehensive income (loss) and any portion that is ineffective is recorded in current period earnings or losses. Amounts recorded in accumulated other comprehensive income (loss) are reclassified to earnings or losses in the period the underlying hedged transaction affects earnings or when the underlying hedged transaction is no longer reasonably possible of occurring.

For derivative instruments that have not been designated as cash flow hedges, changes in fair value are recorded in the period of the instrument's earnings or losses.

According to our global hedge policy, the policy allows for hedging not more than 75 percent, but not less than 40 percent for up to 12 months and not less than 10 percent for up to 15 months, of forecasted net currency exposures that are probable to occur. Full hedge compliance under the policy has been waived through December 31, 2016. The waiver was a result of the evaluation of the potential risk of being over hedged and the uncertainty of the 2015 and 2016 currency exposures. During 2015, we did not enter into any new foreign currency exchange contracts to hedge our foreign currency exposure and we do not expect to enter into any during 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.

Refer to NOTE 13 - DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES for further information.

Property, Plant and Equipment

Our properties are stated at the lower of cost less accumulated depreciation or fair value. Depreciation of plant and equipment is computed principally by the straight-line method based on estimated useful lives, not to exceed the mine lives. The Northshore, United Taconite, Empire and Tilden operations use the double-declining balance method of depreciation for certain mining equipment. The Asia Pacific Iron Ore operation uses the production output method for certain mining equipment. Depreciation is provided over the following estimated useful lives:

Asset Class	Basis	Life
Buildings	Straight line	45 Years
Mining equipment	Straight line/Double declining balance	3 to 20 Years
Processing equipment	Straight line	10 to 45 Years
Electric power facilities	Straight line	10 to 45 years
Land improvements	Straight line	20 to 45 years
Office and information technology	Straight line	3 to 15 Years

Depreciation continues to be recognized when operations are idled temporarily.

Refer to NOTE 4 - PROPERTY, PLANT AND EQUIPMENT for further information.

Capitalized Stripping Costs

During the development phase, stripping costs are capitalized as a part of the depreciable cost of building, developing and constructing a mine. These capitalized costs are amortized over the productive life of the mine using the units of production method. The production phase does not commence until the removal of more than a de minimis amount of saleable mineral material occurs in conjunction with the removal of overburden or waste material for purposes of obtaining access to an ore body. The stripping costs incurred in the production phase of a mine are variable production costs included in the costs of the inventory produced (extracted) during the period that the stripping costs are incurred.

Stripping costs related to expansion of a mining asset of proven and probable reserves are variable production costs that are included in the costs of the inventory produced during the period that the stripping costs are incurred.

Other Intangible Assets and Liabilities

Other intangible assets are subject to periodic amortization on a straight-line basis over their estimated useful lives as follows:

Intangible Assets	Basis	Useful Life (years)
Permits - <i>Asia Pacific Iron Ore</i>	Units of production	Life of mine
Permits - <i>USIO</i>	Straight line	28

Asset Impairment

Long-Lived Tangible and Intangible Assets

We monitor conditions that may affect the carrying value of our long-lived tangible and intangible assets when events and circumstances indicate that the carrying value of the asset groups may not be recoverable. In order to determine if assets have been impaired, assets are grouped and tested at the lowest level for which identifiable, independent cash flows are available ("asset group"). An impairment loss exists when projected undiscounted cash flows are less than the carrying value of the asset group. The measurement of the impairment loss to be recognized is based on the difference between the fair value and the carrying value of the asset group. Fair value can be determined using a market approach, income approach or cost approach.

As a result of these assessments during 2015, we recorded no material impairment charges related to long-lived tangible or intangible assets at our continuing operations. During 2014, we recorded a long-lived tangible asset impairment charge of \$537.8 million and an intangible asset impairment charge of \$13.8 million in our Statements of Consolidated Operations related to our continuing operations. There were no long-lived tangible or intangible asset impairments during 2013 related to our continuing operations.

Refer to NOTE 4 - PROPERTY, PLANT AND EQUIPMENT, NOTE 12 - GOODWILL AND OTHER INTANGIBLE ASSETS AND LIABILITIES and NOTE 6 - FAIR VALUE OF FINANCIAL INSTRUMENTS for further information.

Fair Value Measurements

Valuation Hierarchy

ASC 820, *Fair Value Measurements and Disclosures*, establishes a three-level valuation hierarchy for classification of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. Inputs refer broadly to the assumptions that market participants would use in pricing an asset or liability. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources. Unobservable inputs are inputs that reflect our own views about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The three-tier hierarchy of inputs is summarized below:

- Level 1 — Valuation is based upon quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 — Valuation is based upon quoted prices for similar assets and liabilities in active markets, or other inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 — Valuation is based upon other unobservable inputs that are significant to the fair value measurement.

The classification of assets and liabilities within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement in its entirety. Valuation methodologies used for assets and liabilities measured at fair value are as follows:

Cash Equivalents

Where quoted prices are available in an active market, cash equivalents are classified within Level 1 of the valuation hierarchy. Cash equivalents classified in Level 1 at December 31, 2015 and 2014 include money market funds. Valuation of these instruments is determined using a market approach and is based upon unadjusted quoted prices for identical assets in active markets.

Derivative Financial Instruments

Derivative financial instruments valued using financial models that use as their basis readily observable market parameters are classified within Level 2 of the valuation hierarchy. Such derivative financial instruments include substantially all of our foreign currency exchange contracts and derivative financial instruments that are valued based upon published pricing settlements realized by other companies in the industry. Derivative financial instruments that are valued based upon models with significant unobservable market parameters and are normally traded less actively, are classified within Level 3 of the valuation hierarchy.

Refer to NOTE 6 - FAIR VALUE OF FINANCIAL INSTRUMENTS and NOTE 7 - PENSIONS AND OTHER POSTRETIREMENT BENEFITS for further information.

Pensions and Other Postretirement Benefits

We offer defined benefit pension plans, defined contribution pension plans and other postretirement benefit plans, primarily consisting of retiree healthcare benefits, to most employees in North America as part of a total compensation and benefits program. We do not have employee pension or post-retirement benefit obligations at our Asia Pacific Iron Ore operations.

We recognize the funded or unfunded status of our postretirement benefit obligations on our December 31, 2015 and 2014 Statements of Consolidated Financial Position based on the difference between the market value of plan assets and the actuarial present value of our retirement obligations on that date, on a plan-by-plan basis. If the plan assets exceed the retirement obligations, the amount of the surplus is recorded as an asset; if the retirement obligations exceed the plan assets, the amount of the underfunded obligations are recorded as a liability. Year-end balance sheet adjustments to postretirement assets and obligations are recorded as *Accumulated other comprehensive loss*.

The actuarial estimates of the PBO and APBO retirement obligations incorporate various assumptions including the discount rates, the rates of increases in compensation, healthcare cost trend rates, mortality, retirement timing and employee turnover. The discount rate is determined based on the prevailing year-end rates for high-grade corporate bonds with a duration matching the expected cash flow timing of the benefit payments from the various plans. The remaining assumptions are based on our estimates of future events by incorporating historical trends and future expectations. The amount of net periodic cost that is recorded in the Statements of Consolidated Operations consists of several components including service cost, interest cost, expected return on plan assets, and amortization of previously unrecognized amounts. Service cost represents the value of the benefits earned in the current year by the participants. Interest cost represents the cost associated with the passage of time. Certain items, such as plan amendments, gains and/or losses resulting from differences between actual and assumed results for demographic and economic factors affecting the obligations and assets of the plans, and changes in other assumptions are subject to deferred recognition for income and expense purposes. The expected return on plan assets is determined utilizing the weighted average of expected returns for plan asset investments in various asset categories based on historical performance, adjusted for current trends. See NOTE 7 - PENSIONS AND OTHER POSTRETIREMENT BENEFITS for further information.

Asset Retirement Obligations

Asset retirement obligations are recognized when incurred and recorded as liabilities at fair value. The fair value of the liability is determined as the discounted value of the expected future cash flow. The asset retirement obligation is accreted over time through periodic charges to earnings. In addition, the asset retirement cost is capitalized as part of the asset's carrying value and amortized over the life of the related asset. Reclamation costs are adjusted periodically to reflect changes in the estimated present value resulting from the passage of time and revisions to the estimates of either the timing or amount of the reclamation costs. We review, on an annual basis, unless otherwise deemed necessary, the asset retirement obligation at each mine site in accordance with the provisions of ASC 410, *Asset Retirement and Environmental Obligations*. We perform an in-depth evaluation of the liability every three years in addition to routine annual assessments.

Future remediation costs for inactive mines are accrued based on management's best estimate at the end of each period of the costs expected to be incurred at a site. Such cost estimates include, where applicable, ongoing maintenance and monitoring costs. Changes in estimates at inactive mines are reflected in earnings in the period an estimate is revised. See NOTE 11 - ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS for further information.

Environmental Remediation Costs

We have a formal policy for environmental protection and restoration. Our mining and exploration activities are subject to various laws and regulations governing protection of the environment. We conduct our operations to protect the public health and environment and believe our operations are in compliance with applicable laws and regulations in all material respects. Our environmental liabilities, including obligations for known environmental remediation exposures at active and closed mining operations and other sites, have been recognized based on the estimated cost of investigation and remediation at each site. If the cost only can be estimated as a range of possible amounts with no point in the range being more likely, the minimum of the range is accrued. Future expenditures are not discounted unless the amount and timing of the cash disbursements reasonably can be estimated. It is possible that additional environmental obligations could be incurred, the extent of which cannot be assessed. Potential insurance recoveries have not been reflected in the determination of the liabilities. See NOTE 11 - ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS for further information.

Revenue Recognition

We sell our products pursuant to comprehensive supply agreements negotiated and executed with our customers. Revenue is recognized from a sale when persuasive evidence of an arrangement exists, the price is fixed or determinable, the product is delivered in accordance with F.O.B. terms, title and risk of loss have transferred to the customer in accordance with the specified provisions of each supply agreement and collection of the sales price reasonably is assured. Our U.S. Iron Ore and Asia Pacific Iron Ore supply agreements provide that title and risk of loss transfer to the customer either upon loading of the vessel, shipment or, as is the case with some of our U.S. Iron Ore supply agreements, when payment is received. Under certain term supply agreements, we ship the product to ports on the lower Great Lakes or to the customers' facilities prior to the transfer of title. Our rationale for shipping iron ore products to certain customers and retaining title until payment is received for these products is to minimize credit risk exposure.

Iron ore sales are recorded at a sales price specified in the relevant supply agreements resulting in revenue and a receivable at the time of sale. Upon revenue recognition for provisionally priced sales, a freestanding derivative is created for the difference between the sales price used and expected future settlement price. The derivative, which does not qualify for hedge accounting, is adjusted to fair value through *Product revenues* as a revenue adjustment each reporting period based upon current market data and forward-looking estimates determined by management until the final sales price is determined. The principal risks associated with recognition of sales on a provisional basis include iron ore price fluctuations between the date initially recorded and the date of final settlement. For revenue recognition, we estimate the future settlement rate; however, if significant changes in iron ore prices occur between the provisional pricing date and the final settlement date, we might be required to either return a portion of the sales proceeds received or bill for the additional sales proceeds due based on the provisional sales price. Refer to NOTE 13 - DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES for further information.

In addition, certain supply agreements with one customer include provisions for supplemental revenue or refunds based on the customer's annual steel pricing for the year the product is consumed in the customer's blast furnaces. We account for this provision as a free standing derivative instrument at the time of sale and record this provision at fair value until the year the product is consumed and the amounts are settled as an adjustment to revenue. Refer to NOTE 13 - DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES for further information.

Revenue from product sales also includes reimbursement for freight charges paid on behalf of customers and freight costs to move product from the port of Esperance to ports in China, which are included in *Freight and venture partners' cost reimbursements* separate from *Product revenues*. Revenue is recognized for the expected reimbursement of services when the services are performed.

Deferred Revenue

The terms of one of our U.S. Iron Ore pellet supply agreements required supplemental payments to be paid by the customer during the period 2009 through 2012, with the option to defer a portion of the 2009 monthly amount in exchange for interest payments until the deferred amount was repaid in 2013. Installment amounts received under this arrangement in excess of sales are classified as deferred revenue in the Statements of Consolidated Financial Position upon receipt of payment. Revenue is recognized over the life of the supply agreement, which extends until 2022, in equal annual installments. As of December 31, 2015 and 2014, installment amounts received in excess of sales totaled \$89.9 million and \$102.8 million, respectively. As of December 31, 2015, deferred revenue of \$12.8 million was recorded in *Other current liabilities* and \$77.1 million was recorded as long term in *Other liabilities* in the Statements of Consolidated Financial Position. As of December 31, 2014, deferred revenue of \$12.8 million was recorded in *Other current liabilities* and \$90.0 million was recorded as long term in *Other liabilities* in the Statements of Consolidated Financial Position.

In 2014, due to the payment terms and the timing of cash receipts near year-end, cash receipts exceeded shipments. The shipments were completed early in the subsequent years. We considered whether revenue should be recognized on these sales under the "bill and hold" guidance provided by the SEC Staff; however, based upon the assessment performed, revenue recognition on these transactions totaling \$29.3 million was deferred on the December 31, 2014 Statements of Consolidated Financial Position.

Cost of Goods Sold

Cost of goods sold and operating expenses represents all direct and indirect costs and expenses applicable to the sales and revenues of our mining operations. Operating expenses primarily represent the portion of the Tilden mining venture costs for which we do not own; that is, the costs attributable to the share of the mine's production owned by the other joint venture partner in the Tilden mine. The mining venture functions as a captive cost company; it supplies product only to its owners effectively for the cost of production. Accordingly, the noncontrolling interests' revenue amounts are stated at cost of production and are offset by an equal amount included in *Cost of goods sold and operating expenses* resulting in no sales margin reflected for the noncontrolling partner participant. As we are responsible for product fulfillment, we act as a principal in the transaction and, accordingly, record revenue under these arrangements on a gross basis.

The following table is a summary of reimbursements in our U.S. Iron Ore operations for the years ended December 31, 2015, 2014 and 2013:

	(In Millions)		
	Year Ended December 31,		
	2015	2014	2013
Reimbursements for:			
Freight	\$ 105.3	\$ 163.0	\$ 177.3
Venture partners' cost	52.0	108.0	82.2
Total reimbursements	<u>\$ 157.3</u>	<u>\$ 271.0</u>	<u>\$ 259.5</u>

In 2014, we began selling a portion of our Asia Pacific Iron Ore product on a CFR basis. As a result, \$23.6 million and \$6.9 million of freight was included in *Cost of goods sold and operating expenses* for the years ended December 31, 2015 and 2014, respectively. There was no freight for the year ended December 31, 2013.

Where we have joint ownership of a mine, our contracts entitle us to receive royalties and/or management fees, which we earn as the pellets are produced.

Repairs and Maintenance

Repairs, maintenance and replacement of components are expensed as incurred. The cost of major equipment overhauls is capitalized and depreciated over the estimated useful life, which is the period until the next scheduled overhaul, generally five years. All other planned and unplanned repairs and maintenance costs are expensed when incurred.

Share-Based Compensation

The fair value of each performance share grant is estimated on the date of grant using a Monte Carlo simulation to forecast relative TSR performance. Consistent with the guidelines of ASC 718, *Stock Compensation*, a correlation matrix of historic and projected stock prices was developed for both the Company and its predetermined peer group of mining and metals companies. The fair value assumes that performance goals will be achieved.

The expected term of the grant represents the time from the grant date to the end of the service period for each of the three plan-year agreements. We estimated the volatility of our common shares and that of the peer group of mining and metals companies using daily price intervals for all companies. The risk-free interest rate is the rate at the grant date on zero-coupon government bonds, with a term commensurate with the remaining life of the performance plans.

The fair value of stock options is estimated on the date of grant using a Black-Scholes model using the grant date price of our common shares and option exercise price, and assumptions regarding the option's expected term, the volatility of our common shares, the risk-free interest rate, and the dividend yield over the option's expected term.

Upon vesting of share-based compensation awards, we issue shares from treasury stock before issuing new shares.

Refer to NOTE 8 - STOCK COMPENSATION PLANS for additional information.

Income Taxes

Income taxes are based on income for financial reporting purposes, calculated using tax rates by jurisdiction, and reflect a current tax liability or asset for the estimated taxes payable or recoverable on the current year tax return and expected annual changes in deferred taxes. Any interest or penalties on income tax are recognized as a component of income tax expense.

We account for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

We record net deferred tax assets to the extent we believe these assets will more likely than not be realized. In making such determination, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial results of operations.

Accounting for uncertainty in income taxes recognized in the financial statements requires that a tax benefit from an uncertain tax position be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on technical merits.

See NOTE 9 - INCOME TAXES for further information.

Discontinued Operations

In April 2014, the FASB issued ASU 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*, which changes the criteria for reporting discontinued operations and requires additional disclosures about discontinued operations. The standard requires that an entity report as a discontinued operation only a disposal that represents a strategic shift in operations that has a major effect on its operations and financial results. ASU 2014-08 is effective prospectively for new disposals that occur within annual periods beginning on or after December 15, 2014. Early adoption was permitted and we adopted ASU 2014-08 during the three months ended December 31, 2014.

North American Coal Operations

As we execute our strategy to focus on strengthening our U.S. Iron Ore operations, management determined as of March 31, 2015 that our North American Coal operating segment met the criteria to be classified as held for sale under ASC 205, *Presentation of Financial Statements* and continued to meet the criteria throughout 2015. In December 2015, we completed the sale of our remaining two metallurgical coal operations, Oak Grove and Pinnacle mines, which marked our exit from the coal business. Our plan to sell the Oak Grove and Pinnacle mine assets represented a strategic shift in our business. For this reason, our previously reported North American Coal operating segment results for all periods, prior to the March 31, 2015 held for sale determination, are classified as discontinued operations. Additionally, the results for the remainder of 2015 were reported as discontinued operations. This also includes our CLCC assets, which were sold during the fourth quarter of 2014. Refer to NOTE 14 - DISCONTINUED OPERATIONS for further discussion of our discontinued operations.

Canadian Operations

As more fully described in NOTE 14 - DISCONTINUED OPERATIONS, in January 2015, we announced that the Bloom Lake Group commenced restructuring proceedings in Montreal, Quebec under the CCAA. 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 restructuring proceedings in Montreal, Quebec under the CCAA 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 of each of their businesses and operations. Our Canadian exit represents 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 deconsolidations as well as costs to exit are classified as discontinued operations.

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 Consolidated Operations. Transaction gains and losses resulting from remeasurement of short-term intercompany loans are included in *Miscellaneous - net* in our Statements of Consolidated Operations. For the year ended December 31, 2015, net gains of \$16.3 million related to the impact of transaction gains and losses resulting from remeasurement. Of these amounts, for the year ended December 31, 2015, gains of \$11.5 million and \$1.5 million resulted from remeasurement of short-term intercompany loans and cash and cash equivalents, respectively. For the year ended December 31, 2014, net gains of \$29.0 million related to the impact of transaction gains and losses resulting from remeasurement. Of these amounts, for the year ended December 31, 2014, gains of \$19.7 million and \$10.6 million, resulted from remeasurement of short-term intercompany loans and cash and cash equivalents, respectively. For the year ended December 31, 2013, net gains of \$53.2 million related to the impact of transaction gains and losses resulting from remeasurement. Of these amounts, for the year ended December 31, 2013, gains of \$33.0 million and \$20.4 million, resulted from remeasurement of short-term intercompany loans and cash and cash equivalents, respectively.

Earnings Per Share

We present both basic and diluted earnings per share amounts for continuing operations and discontinued operations. Basic earnings per share amounts are calculated by dividing *Net Income (Loss) from Continuing Operations Attributable to Cliffs Shareholders* less any paid or declared but unpaid dividends on our depository shares by the weighted average number of common shares outstanding during the period presented. Diluted earnings per share amounts are calculated by dividing *Net Income (Loss) from Continuing Operations Attributable to Cliffs Shareholders* by the weighted average number of common shares, common share equivalents under stock plans using the treasury stock method and the number of common shares that would be issued under an assumed conversion of our outstanding depository shares,

each representing a 1/40th interest in a share of our Series A Mandatory Convertible Preferred Stock, Class A, under the if-converted method. Our outstanding depositary shares are convertible into common shares based on the volume weighted average of closing prices of our common shares over the 20 consecutive trading day period ending on the third day immediately preceding the end of the reporting period. Common share equivalents are excluded from EPS computations in the periods in which they have an anti-dilutive effect. See NOTE 19 - EARNINGS PER SHARE for further information.

Recent Accounting Pronouncements

Issued and Not Effective

In July 2015, the FASB issued ASU 2015-11, *Simplifying the Measurement of Inventory*, which specifies that an entity should measure inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. The new standard does not apply to inventory that is measured using LIFO; therefore, it is not applicable to our U.S. Iron Ore inventory values, but does apply to our Asia Pacific Iron Ore inventories which are valued using the average cost method. The update is effective for financial statement periods beginning after December 15, 2016, including interim periods within those fiscal years. The amendments in ASU 2015-11 should be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. We do not expect the adoption of this pronouncement to have an impact on our financial statements and related disclosures.

In August 2014, the FASB issued ASU 2014-15, *Disclosure of Uncertainties About an Entity's Ability to Continue as a Going Concern*. ASU 2014-15 will explicitly require management to assess an entity's ability to continue as a going concern, and to provide related footnote disclosure in certain circumstances. ASU 2014-15 is intended to define management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. Specifically, ASU 2014-15 provides a definition of the term "substantial doubt" and requires an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). It also requires certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans and requires an express statement and other disclosures when substantial doubt is not alleviated. The new standard will be effective for all entities in the first annual period ending after December 15, 2016 and for annual periods and interim periods thereafter. Earlier adoption is permitted. We are currently evaluating the impact the adoption of the guidance will have on the Statements of Consolidated Financial Position, Statements of Consolidated Operations or Statements of Consolidated Cash Flows.

In May 2014, the FASB issued ASU 2014-09, *Revenues from Contracts with Customers*. The new revenue guidance broadly replaces the revenue guidance provided throughout the Codification. The core principle of the revenue guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The new revenue guidance also requires the capitalization of certain contract acquisition costs. Reporting entities must prepare new disclosures providing qualitative and quantitative information on the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. New disclosures also include qualitative and quantitative information on significant judgments, changes in judgments, and contract acquisition assets. At issuance, ASU 2014-09 was effective starting in 2017 for calendar-year public entities, and interim periods within that year. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers: Deferral of the Effective Date*, which defers the adoption of ASU 2014-09 to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. We are still evaluating the impact of the updated guidance on the Statements of Consolidated Financial Position, Statements of Consolidated Operations or Statements of Consolidated Cash Flows.

Issued and Adopted

In October 2015, the FASB issued ASU 2015-17, *Balance Sheet Classification of Deferred Taxes*. This update simplifies the presentation of deferred income taxes, by requiring that deferred tax liabilities and assets be classified as non-current in a classified statement of financial position. This update is effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods; however, early adoption is permitted. This guidance can also be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. We adopted the guidance during the period ended December 31, 2015 and have applied this amended accounting guidance to our deferred tax liabilities and assets for all periods presented. The adoption of ASU 2015-17 did not have an impact on our Statements of Consolidated Operations or Statements of Consolidated Cash Flows. The impact of the adoption of the guidance resulted in any current deferred tax assets or liabilities being reclassified to non-current deferred tax assets or liabilities on the Statements of Consolidated Financial Position. The current deferred tax assets were \$23.7 million at December 31, 2014. The current deferred tax liabilities were \$4.0 million at December 31, 2014.

In April 2015, the FASB issued ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. This ASU requires retrospective adoption and will be effective for us beginning in our first quarter of 2016. Early adoption is permitted. We adopted the guidance at December 31, 2015. The new guidance was applied retrospectively for reporting periods ending on or before December 31, 2015. The adoption of ASU 2015-03 did not have an impact on our Statements of Consolidated Operations or Statements of Consolidated Cash Flows. The impact of the adoption of the guidance resulted in reclassification of the unamortized debt issuance costs on the Statements of Consolidated Financial Position from *Other non-current assets* to *Long-term debt*. The unamortized debt issuance costs were \$29.1 million and \$16.8 million at December 31, 2015 and December 31, 2014, respectively.

NOTE 2 - SEGMENT REPORTING

Our continuing operations are organized and managed according to geographic location: U.S. Iron Ore and Asia Pacific Iron Ore. The U.S. Iron Ore segment is comprised of our interests in five U.S. mines that provide iron ore to the integrated steel industry. 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 product revenues in 2015 or 2014. Intersegment revenues for 2013 were eliminated in consolidation.

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, beginning in the third quarter of 2014, concurrent with the change in control on July 29, 2014, management began to evaluate segment performance based on 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 impairment of goodwill and other long-lived assets, impacts of discontinued operations, extinguishment of debt, severance and contractor termination costs and other costs associated with the change in control, foreign currency remeasurement, certain supplies inventory write-offs, and intersegment corporate allocations of selling, general and administrative costs. Management believes that investors benefit from referring to these measures in evaluating operating and financial results, as well as in planning, forecasting and analyzing future periods as these financial measures approximate the cash flows associated with the operational earnings.

The following tables present a summary of our reportable segments for the years ended December 31, 2015, 2014 and 2013, including a reconciliation of segment sales margin to *Income (Loss) from Continuing Operations Before Income Taxes and Equity Loss from Ventures* and a reconciliation of *Net Income (Loss)* to EBITDA and Adjusted EBITDA:

	(In Millions)					
	2015		2014		2013	
Revenues from product sales and services:						
U.S. Iron Ore	\$ 1,525.4	76%	\$ 2,506.5	74%	\$ 2,667.9	69%
Asia Pacific Iron Ore	487.9	24%	866.7	26%	1,224.3	31%
Other (including inter-segment revenue eliminations)	—	—%	—	—%	(1.4)	—%
Total revenues from product sales and services	<u>\$ 2,013.3</u>	<u>100%</u>	<u>\$ 3,373.2</u>	<u>100%</u>	<u>\$ 3,890.8</u>	<u>100%</u>
Sales margin:						
U.S. Iron Ore	\$ 227.1		\$ 710.4		\$ 901.9	
Asia Pacific Iron Ore	9.4		121.7		367.1	
Eliminations with discontinued operations	—		53.6		217.3	
Other (including inter-segment sales margin eliminations)	—		—		(1.9)	
Sales margin	<u>236.5</u>		<u>885.7</u>		<u>1,484.4</u>	
Other operating income (expense)	(85.2)		(755.6)		(104.1)	
Other income (expense)	161.8		(149.8)		(189.4)	
Income (Loss) from Continuing Operations Before Income Taxes and Equity Loss from Ventures	<u>\$ 313.1</u>		<u>\$ (19.7)</u>		<u>\$ 1,190.9</u>	

(In Millions)

	2015	2014	2013
Net Income (Loss)	\$ (748.4)	\$ (8,311.6)	\$ 361.8
Less:			
Interest expense, net	(231.4)	(185.2)	(179.1)
Income tax benefit (expense)	(163.3)	1,302.0	(55.1)
Depreciation, depletion and amortization	(134.0)	(504.0)	(593.3)
EBITDA	<u>\$ (219.7)</u>	<u>\$ (8,924.4)</u>	<u>\$ 1,189.3</u>
Less:			
Impairment of goodwill and other long-lived assets	\$ (3.3)	\$ (635.5)	\$ (14.3)
Impact of discontinued operations	(892.0)	(9,332.5)	(398.4)
Gain on extinguishment of debt	392.9	16.2	—
Severance and contractor termination costs	(10.2)	(23.3)	(16.6)
Foreign exchange remeasurement	16.3	29.0	53.2
Proxy contest and change in control in SG&A	—	(26.6)	—
Supplies inventory write-off	(16.3)	—	—
Total Adjusted EBITDA	<u>\$ 292.9</u>	<u>\$ 1,048.3</u>	<u>\$ 1,565.4</u>
EBITDA:			
U.S. Iron Ore	\$ 317.6	\$ 805.6	\$ 1,000.1
Asia Pacific Iron Ore	35.3	(352.9)	543.0
Other (including discontinued operations)	(572.6)	(9,377.1)	(353.8)
Total EBITDA	<u>\$ (219.7)</u>	<u>\$ (8,924.4)</u>	<u>\$ 1,189.3</u>
Adjusted EBITDA:			
U.S. Iron Ore	\$ 352.1	\$ 833.5	\$ 1,031.8
Asia Pacific Iron Ore	32.7	252.9	513.1
Other	(91.9)	(38.1)	20.5
Total Adjusted EBITDA	<u>\$ 292.9</u>	<u>\$ 1,048.3</u>	<u>\$ 1,565.4</u>

(In Millions)

	2015	2014	2013
Depreciation, depletion and amortization:			
U.S. Iron Ore	\$ 98.9	\$ 107.4	\$ 120.3
Asia Pacific Iron Ore	25.3	145.9	153.7
Other	6.6	7.7	10.8
Total depreciation, depletion and amortization	<u>\$ 130.8</u>	<u>\$ 261.0</u>	<u>\$ 284.8</u>
Capital additions ⁽¹⁾ :			
U.S. Iron Ore	\$ 58.2	\$ 48.4	\$ 53.3
Asia Pacific Iron Ore	5.4	10.8	13.0
Other	8.6	6.3	4.5
Total capital additions	<u>\$ 72.2</u>	<u>\$ 65.5</u>	<u>\$ 70.8</u>

⁽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)		
	December 31, 2015	December 31, 2014	December 31, 2013
Assets:			
U.S. Iron Ore	\$ 1,476.4	\$ 1,464.9	\$ 1,537.9
Asia Pacific Iron Ore	202.5	306.2	1,176.8
Total segment assets	1,678.9	1,771.1	2,714.7
Corporate	441.7	666.2	204.2
Assets of Discontinued Operations	14.9	709.9	10,184.0
Total assets	\$ 2,135.5	\$ 3,147.2	\$ 13,102.9

Included in the consolidated financial statements are the following amounts relating to geographic location:

	(In Millions)		
	2015	2014	2013
Revenue			
United States	\$ 1,206.4	\$ 1,923.2	\$ 1,543.9
China	370.8	662.7	1,165.3
Canada	282.4	430.5	758.5
Other countries	153.7	356.8	423.1
Total revenue	\$ 2,013.3	\$ 3,373.2	\$ 3,890.8
Property, Plant and Equipment, Net			
United States	\$ 1,012.7	\$ 998.1	\$ 1,120.6
Australia	46.3	72.4	750.2
Total Property, Plant and Equipment, Net	\$ 1,059.0	\$ 1,070.5	\$ 1,870.8

Concentrations in Revenue

In 2015, 2014 and 2013 three customers accounted for more than 10 percent of our consolidated product revenue. Total product revenue from these customers represents approximately \$1.3 billion, \$1.9 billion and \$1.9 billion of our total consolidated product revenue in 2015, 2014 and 2013, respectively, and is attributable to our U.S. Iron Ore business segment.

The following table represents the percentage of our total revenue contributed by each category of products and services in 2015, 2014, and 2013:

	2015	2014	2013
Revenue Category			
Iron ore	91%	92%	93%
Freight and venture partners' cost reimbursements	9%	8%	7%
Total revenue	100%	100%	100%

NOTE 3 - INVENTORIES

The following table presents the detail of our *Inventories* in the Statements of Consolidated Financial Position as of December 31, 2015 and 2014:

Segment	(In Millions)					
	December 31, 2015			December 31, 2014		
	Finished Goods	Work-in Process	Total Inventory	Finished Goods	Work-in Process	Total Inventory
U.S. Iron Ore	\$ 252.3	\$ 11.7	\$ 264.0	\$ 132.1	\$ 13.5	\$ 145.6
Asia Pacific Iron Ore	20.8	44.8	65.6	26.4	88.1	114.5
Total	\$ 273.1	\$ 56.5	\$ 329.6	\$ 158.5	\$ 101.6	\$ 260.1

Asia Pacific Iron Ore had long-term work-in-process stockpiles of \$6.8 million classified as *Other non-current assets* in the Statements of Consolidated Financial Position at December 31, 2015. There were no long-term work-in-process stockpiles as of December 31, 2014.

U.S. Iron Ore

The excess of current cost over LIFO cost of iron ore inventories was \$87.8 million and \$119.0 million at December 31, 2015 and 2014, respectively. As of December 31, 2015, the product inventory balance for U.S. Iron Ore increased, resulting in a LIFO increment in 2015. The effect of the inventory build was an increase in *Inventories* of \$118.8 million in the Statements of Consolidated Financial Position for the year ended December 31, 2015. As of December 31, 2014, the product inventory balance for U.S. Iron Ore increased, resulting in a LIFO increment in 2014. The effect of the inventory build was an increase in *Inventories* of \$44.8 million in the Statements of Consolidated Financial Position for the year ended December 31, 2014.

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 December 31, 2015 and 2014:

	(In Millions)	
	December 31,	
	2015	2014
Land rights and mineral rights	\$ 500.5	\$ 500.5
Office and information technology	71.0	73.7
Buildings	60.4	59.8
Mining equipment	594.0	585.1
Processing equipment	516.8	510.2
Electric power facilities	46.4	46.8
Land improvements	24.8	24.7
Asset retirement obligation	87.9	26.5
Other	28.2	28.5
Construction in-progress	40.3	14.4
	1,970.3	1,870.2
Allowance for depreciation and depletion	(911.3)	(799.7)
	\$ 1,059.0	\$ 1,070.5

We recorded depreciation expense of \$119.2 million, \$173.0 million and \$191.5 million in the Statements of Consolidated Operations for the years ended December 31, 2015, 2014 and 2013, respectively.

During the second half of 2014, due to lower than previously expected profits as a result of decreased iron ore pricing expectations and increased costs, we determined that indicators of impairment with respect to certain of our long-lived assets or asset groups existed. Our asset groups generally consist of the assets and liabilities of one or more

mines, preparation plants and associated reserves for which the lowest level of identifiable cash flows largely are independent of cash flows of other mines, preparation plants and associated reserves.

As a result of these assessments during 2014, we determined that the future cash flows associated with our Asia Pacific Iron Ore asset group and other asset groups were not sufficient to support the recoverability of the carrying value of these productive assets. Accordingly, during 2014, an other long-lived asset impairment charge of \$537.8 million was recorded as *Impairment of goodwill and other long-lived assets* in the Statements of Consolidated Operations related to property, plant and equipment. The fair value estimates were calculated using income and market approaches. Refer to NOTE 6 - FAIR VALUE OF FINANCIAL INSTRUMENTS for further discussion of these impairments and related fair value estimates.

Although certain factors indicated that the carrying value of certain asset groups may not be recoverable during 2015, an assessment was performed and no further impairment was indicated for the year ended December 31, 2015.

The net book value of the land rights and mineral rights as of December 31, 2015 and 2014 is as follows:

	(In Millions)	
	December 31,	
	2015	2014
Land rights	\$ 11.6	\$ 11.6
Mineral rights:		
Cost	\$ 488.9	\$ 488.9
Depletion	(108.4)	(101.0)
Net mineral rights	\$ 380.5	\$ 387.9

Accumulated depletion relating to mineral rights, which was recorded using the unit-of-production method, is included in *Cost of goods sold and operating expenses*. We recorded depletion expense of \$7.4 million, \$79.6 million and \$84.9 million in the Statements of Consolidated Operations for the years ended December 31, 2015, 2014 and 2013, respectively. As discussed above, during 2014 we performed impairment assessments with respect to certain of our long-lived assets or asset groups. As a result of these assessments, we recorded an other long-lived asset impairment charge related to mineral rights of \$297.2 million associated primarily with our Asia Pacific Iron Ore asset group.

NOTE 5 - DEBT AND CREDIT FACILITIES

The following represents a summary of our long-term debt as of December 31, 2015 and 2014:

(\$ in Millions)						
December 31, 2015						
Debt Instrument	Type	Annual Effective Interest Rate	Final Maturity	Total Principal Amount	Total Debt	
\$700 Million 4.875% 2021 Senior Notes	Fixed	4.89%	2021	\$ 412.5	\$ 410.6	(1)
\$1.3 Billion Senior Notes:						
\$500 Million 4.80% 2020 Senior Notes	Fixed	4.83%	2020	306.7	305.2	(2)
\$800 Million 6.25% 2040 Senior Notes	Fixed	6.34%	2040	492.8	482.7	(3)
\$400 Million 5.90% 2020 Senior Notes	Fixed	5.98%	2020	290.8	288.9	(4)
\$500 Million 3.95% 2018 Senior Notes	Fixed	6.30%	2018	311.2	309.1	(5)
\$540 Million 8.25% 2020 First Lien Notes	Fixed	9.97%	2020	540.0	497.4	(6)
\$544.2 Million 7.75% 2020 Second Lien Notes	Fixed	15.55%	2020	544.2	403.2	(7)
\$550 Million ABL Facility:						
ABL Facility	Variable	N/A	2020	550.0	—	(8)
Fair Value Adjustment to Interest Rate Hedge					2.3	
Total debt				\$ 3,448.2	\$ 2,699.4	

(\$ in Millions)						
December 31, 2014						
Debt Instrument	Type	Annual Effective Interest Rate	Final Maturity	Total Face Amount	Total Debt	
\$700 Million 4.875% 2021 Senior Notes	Fixed	4.89%	2021	\$ 690.0	\$ 686.0	(1)
\$1.3 Billion Senior Notes:						
\$500 Million 4.80% 2020 Senior Notes	Fixed	4.83%	2020	490.0	487.2	(2)
\$800 Million 6.25% 2040 Senior Notes	Fixed	6.34%	2040	800.0	783.3	(3)
\$400 Million 5.90% 2020 Senior Notes	Fixed	5.98%	2020	395.0	391.9	(4)
\$500 Million 3.95% 2018 Senior Notes	Fixed	5.17%	2018	480.0	475.3	(5)
\$1.125 Billion Credit Facility:						
Revolving Credit Agreement	Variable	2.94%	2017	1,125.0	—	(9)
Fair Value Adjustment to Interest Rate Hedge					2.8	
Long-term debt				<u>\$ 3,980.0</u>	<u>\$ 2,826.5</u>	

(1) During the third quarter of 2015, we purchased \$10.7 million of outstanding 4.875 percent senior notes that were trading at 50.0 percent of par which resulted in a gain on extinguishment of \$5.3 million. In addition, during the first quarter of 2015, we purchased \$58.3 million of outstanding 4.875 percent senior notes that were trading at 52.0 percent of par, which resulted in a gain on extinguishment of \$20.0 million. Also during the first quarter, on March 27, 2015, we exchanged as part of a tender offer \$208.5 million of the 4.875 percent senior notes for \$170.3 million of the 7.75 percent second lien notes at a discount of \$46.0 million based on an imputed interest rate of 15.55 percent, resulting in a gain on extinguishment of \$83.1 million, net of amounts expensed for unamortized original issue discount and deferred origination fees.

During the fourth quarter of 2014, we purchased \$ 10.0 million of outstanding 4.875 percent senior notes that were trading at a discount of 40.5 percent which resulted in a gain on the extinguishment of debt of \$4.1 million.

As of December 31, 2015, the \$700.0 million 4.875 percent senior notes were recorded at a par value of \$412.5 million less debt issuance costs of \$1.7 million and unamortized discounts of \$0.2 million, based on an imputed interest rate of 4.89 percent. As of December 31, 2014, the \$700.0 million 4.875 percent senior notes were recorded at a par value of \$690.0 million less debt issuance costs of \$3.5 million and unamortized discounts of \$0.5 million, based on an imputed interest rate of 4.89 percent.

(2) During the third quarter of 2015, we purchased \$1.8 million of outstanding 4.80 percent senior notes that were trading at 50.0 percent of par, which resulted in a gain on extinguishment of \$0.9 million. In addition, during the first quarter of 2015, we purchased \$43.8 million of outstanding 4.80 percent senior notes that were trading at 54.3 percent of par, which resulted in a gain on extinguishment of \$15.6 million. Also during the first quarter, on March 27, 2015, we exchanged as part of a tender offer \$137.8 million of the 4.80 percent senior notes for \$112.9 million of the 7.75 percent second lien notes at a discount of \$30.5 million based on an imputed interest rate of 15.55 percent, resulting in a gain on extinguishment of \$54.6 million, net of amounts expensed for unamortized original issue discount and deferred origination fees.

During the fourth quarter of 2014, we purchased \$ 10.0 million of outstanding 4.80 percent senior notes that were trading at a discount of 40.25 percent which resulted in a gain on the extinguishment of debt of \$ 4.0 million.

As of December 31, 2015, the \$500.0 million 4.80 percent senior notes were recorded at a par value of \$306.7 million less debt issuance costs of \$1.1 million and unamortized discounts of \$0.4 million, based on an imputed interest rate of 4.83 percent. As of December 31, 2014, the \$500.0 million 4.80 percent senior notes were recorded at a par value of \$490.0 million less debt issuance costs of \$2.2 million and unamortized discounts of \$0.6 million, based on an imputed interest rate of 4.83 percent.

- (3) During the first quarter of 2015, we purchased \$45.9 million of outstanding 6.25 percent senior notes that were trading at 52.5 percent of par, which resulted in a gain on extinguishment of \$15.0 million. Also during the first quarter, on March 27, 2015, we exchanged as part of a tender offer \$261.3 million of the 6.25 percent senior notes for \$203.5 million of the 7.75 percent second lien notes at a discount of \$55.0 million based on an imputed interest rate of 15.55 percent, resulting in a gain on extinguishment of \$107.3 million, net of amounts expensed for unamortized original issue discount and deferred origination fees.

As of December 31, 2015, the \$800.0 million 6.25 percent senior notes were recorded at par value of \$492.8 million less debt issuance costs of \$4.3 million and unamortized discounts of \$5.8 million, based on an imputed interest rate of 6.34 percent. As of December 31, 2014, the \$800.0 million 6.25 percent senior notes were recorded at par value of \$800.0 million less debt issuance costs of \$7.2 million and unamortized discounts of \$9.5 million, based on an imputed interest rate of 6.34 percent.

- (4) During the third quarter of 2015, we purchased \$36.0 million of outstanding 5.90 percent senior notes that were trading at 50.0 percent of par, which resulted in a gain on extinguishment of \$18.0 million. In addition, during the first quarter of 2015, we purchased \$1.3 million of outstanding 5.90 percent senior notes that were trading at 58.0 percent of par, which resulted in a gain on extinguishment of \$0.3 million. Also during the first quarter, on March 27, 2015, we exchanged as part of a tender offer \$67.0 million of the 5.90 percent senior notes for \$57.5 million of the 7.75 percent second lien notes at a discount of \$15.5 million based on an imputed interest rate of 15.55 percent, resulting in a gain on extinguishment of \$24.5 million, net of amounts expensed for unamortized original issue discount and deferred origination fees.

During the fourth quarter of 2014, we purchased \$5.0 million of outstanding 5.90 percent senior notes that were trading at a discount of 38.125 percent which resulted in a gain on the extinguishment of debt of \$1.9 million.

As of December 31, 2015, the \$400.0 million 5.90 percent senior notes were recorded at a par value of \$290.8 million less debt issuance costs of \$1.1 million and unamortized discounts of \$0.8 million, based on an imputed interest rate of 5.98 percent. As of December 31, 2014, the \$400.0 million 5.90 percent senior notes were recorded at a par value of \$395.0 million less debt issuance costs of \$1.8 million and unamortized discounts of \$1.3 million, based on an imputed interest rate of 5.98 percent.

- (5) During the third quarter, on August 28, 2015, we purchased for cash as part of a tender offer, \$124.8 million of the 3.95 percent senior notes for \$68.6 million, resulting in a gain on extinguishment of \$54.9 million, net of amounts expensed for reacquisition costs, unamortized original issue discount and deferred origination fees. In addition, during the first quarter of 2015, we purchased \$44.0 million of outstanding 3.95 percent senior notes that were trading at 77.5 percent of par, which resulted in a gain on the extinguishment of debt of \$7.1 million.

During the fourth quarter of 2014, we purchased \$20.0 million of outstanding 3.95 percent senior notes that were trading at a discount of 30.875 percent which resulted in a gain on the extinguishment of debt of \$6.2 million.

As of December 31, 2015, the \$500.0 million 3.95 percent senior notes were recorded at a par value of \$311.2 million less debt issuance cost of \$0.9 million and unamortized discounts of \$1.2 million, based on an imputed interest rate of 6.30 percent. As of December 31, 2014, the \$500.0 million 3.95 percent senior notes were recorded at a par value of \$480.0 million less debt issuance costs of \$2.1 million and unamortized discounts of \$2.6 million, based on an imputed interest rate of 5.17 percent.

- (6) As of December 31, 2015, the \$540.0 million 8.25 percent first lien notes were recorded at a par value of \$540.0 million less debt issuance costs of \$10.5 million and unamortized discounts of \$32.1 million, based on an imputed interest rate of 9.97 percent.
- (7) As of December 31, 2015, the \$544.2 million 7.75 percent second lien notes were recorded at a par value of \$544.2 million less debt issuance costs of \$9.5 million and unamortized discounts of \$131.5 million, based on an imputed interest rate of 15.55 percent. See NOTE 6 - FAIR VALUE OF FINANCIAL INSTRUMENTS for further discussion of unamortized discount as a result of the exchange offers.
- (8) As of December 31, 2015, no loans were drawn under the \$550.0 million 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.

- (9) As of December 31, 2014, we had no revolving loans drawn under the revolving credit agreement, which had total availability of \$ 1.125 billion as of December 31, 2014. As of December 31, 2014, the principal amount of letter of credit obligations totaled \$149.5 million, thereby reducing available borrowing capacity to \$975.5 million.

Revolving Credit Facility

As of March 30, 2015, we eliminated the revolving credit agreement which was last amended on January 22, 2015 (Amendment No. 6). The revolving credit agreement was replaced with our ABL Facility.

As of December 31, 2014, we were in compliance with all applicable financial covenants related to the revolving credit agreement.

ABL Facility

On March 30, 2015, we entered into a new senior secured asset-based revolving credit facility with various financial institutions. The ABL Facility will mature upon the earlier of March 30, 2020 or 60 days prior to the maturity of the New First Lien Notes (as defined below) and certain other material debt, and provides for up to \$550.0 million in borrowings, comprised of (i) a \$450.0 million U.S. tranche, including a \$250.0 million sublimit for the issuance of letters of credit and a \$100.0 million sublimit for U.S. swingline loans, and (ii) a \$100.0 million Australian tranche, including a \$50.0 million sublimit for the issuance of letters of credit and a \$20.0 million sublimit for Australian swingline loans. Availability under both the U.S. tranche and Australian tranche of the ABL Facility is limited to an eligible U.S. borrowing base and Australian borrowing base, as applicable, determined by applying customary advance rates to eligible accounts receivable, inventory and certain mobile equipment.

The ABL Facility and certain bank products and hedge obligations are guaranteed by us and certain of our existing wholly-owned U.S. and Australian subsidiaries and are required to be guaranteed by certain of our future U.S. and Australian subsidiaries; provided, however, that the obligations of any U.S. entity will not be guaranteed by any Australian entity. Amounts outstanding under the ABL Facility will be secured by (i) a first-priority security interest in the ABL Collateral (as defined herein), including, in the case of the Australian tranche only, ABL Collateral owned by a borrower or guarantor that is organized under the laws of Australia, and (ii) a third-priority security interest in the Notes Collateral (as defined herein). The priority of the security interests in the ABL Collateral and the Notes Collateral of the lenders under the ABL Facility and the holders of the First Lien Notes are set forth in intercreditor provisions contained in an ABL intercreditor agreement.

The ABL Collateral generally consists of the following assets: accounts receivable and other rights to payment, inventory, as-extracted collateral, investment property, certain general intangibles and commercial tort claims, certain mobile equipment, commodities accounts, deposit accounts, securities accounts and other related assets and proceeds and products of each of the foregoing.

Borrowings under the ABL Facility bear interest, at our option, at a base rate, an Australian base rate or, if certain conditions are met, a LIBOR rate, in each case plus an applicable margin. The base rate is equal to the greater of the federal funds rate plus ½ of 1 percent, the LIBOR rate based on a one-month interest period plus 1 percent and the floating rate announced by BAML as its "prime rate." The Australian base rate is equal to the LIBOR rate as of 11:00 a.m. on the first business day of each month for a one-month period. The LIBOR rate is a per annum fixed rate equal to LIBOR with respect to the applicable interest period and amount of LIBOR rate loan requested.

The ABL Facility contains customary representations and warranties and affirmative and negative covenants including, among others, covenants regarding the maintenance of certain financial ratios if certain conditions are triggered, covenants relating to financial reporting, covenants relating to the payment of dividends on, or purchase or redemption of our capital stock, covenants relating to the incurrence or prepayment of certain debt, covenants relating to the incurrence of liens or encumbrances, compliance with laws, transactions with affiliates, mergers and sales of all or substantially all of our assets and limitations on changes in the nature of our business.

The ABL Facility provides for customary events of default, including, among other things, the event of nonpayment of principal, interest, fees, or other amounts, a representation or warranty proving to have been materially incorrect when made, failure to perform or observe certain covenants within a specified period of time, a cross-default to certain material indebtedness, the bankruptcy or insolvency of the Company and certain of its subsidiaries, monetary judgment defaults of a specified amount, invalidity of any loan documentation, a change of control of the Company, and ERISA defaults resulting in liability of a specified amount. In the event of a default by us (beyond any applicable grace or cure period, if any), the administrative agent may and, at the direction of the requisite number of lenders, shall declare all amounts owing under the ABL Facility immediately due and payable, terminate such lenders' commitments to make loans under the ABL Facility and/or exercise any and all remedies and other rights under the ABL Facility. For certain defaults related

to insolvency and receivership, the commitments of the lenders will be automatically terminated and all outstanding loans and other amounts will become immediately due and payable.

As of December 31, 2015, 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.

\$540 Million 8.25 percent 2020 Senior Secured First Lien Notes - 2015 Offering

On March 30, 2015, 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 \$540 million aggregate principal amount of 8.25 percent Senior First Lien Notes due 2020 (the "First Lien Notes"). The First Lien Notes were sold on March 30, 2015 in a private transaction exempt from the registration requirements of the Securities Act.

The First Lien Notes bear interest at a rate of 8.25 percent per annum. Interest on the First Liens Notes is payable semi-annually in arrears on March 31 and September 30 of each year, commencing on September 30, 2015. The First Lien Notes mature on March 31, 2020 and are secured senior obligations of the Company.

The First 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) by (i) a first-priority lien on substantially all of our U.S. assets, other than the ABL Collateral (the "Notes Collateral"), and (ii) a second-priority lien on the U.S. ABL Collateral, which is junior to a first-priority lien for the benefit of the lenders under the ABL Facility. The First Lien Notes and guarantees are general senior obligations of the Company and the applicable guarantor; are effectively senior to all of our unsecured indebtedness, to the extent of the value of the collateral; together with other obligations secured equally and ratably with the First Lien Notes, are effectively (i) senior to our existing and future ABL obligations, to the extent and value of the Notes Collateral and (ii) senior to our obligations under the Second Lien Notes, to the extent and value of the collateral; are effectively subordinated to (i) our existing and future ABL obligations, to the extent and value of the ABL Collateral, and (ii) any existing or future indebtedness that is secured by liens on assets that do not constitute a part of the collateral, to the extent of the value of such assets; will rank equally in right of payment with all existing and future senior indebtedness, and any guarantees thereof; will rank equally in priority as to the Notes Collateral with any future debt secured equally and ratably with the First Lien Notes incurred after March 30, 2015; rank senior in right of payment to all existing and future subordinated indebtedness; and structurally subordinated to all existing and future indebtedness and other liabilities of our subsidiaries that do not guarantee the First Lien Notes. The relative priority of the liens securing our First Lien Notes obligations and Second Lien Notes obligations compared to the liens securing our obligations under the ABL Facility and certain other matters relating to the administration of security interests are set forth in intercreditor agreements.

The terms of the First Lien Notes are governed by the First Lien Notes indenture. The First Lien Notes indenture contains customary covenants that, among other things, limit our ability to incur 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 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 indenture, we are required to offer to repurchase the First 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 First Lien Notes beginning on March 31, 2018. The initial redemption price is 108.25 percent of their principal amount, plus accrued and unpaid interest, if any, to, but excluding, the redemption date. The redemption price will decline after 2018 and will be 100 percent of their principal amount, plus accrued interest, beginning on June 30, 2019. We may also redeem some or all of the First Lien Notes at any time and from time to time prior to March 31, 2018 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 March 31, 2018, we may redeem in the aggregate up to 35 percent of the original aggregate principal amount of the First Lien Notes (calculated after giving effect to any issuance of additional First Lien Notes) with the net cash proceeds of certain equity offerings, at a redemption price of 108.25 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 First Lien Notes (calculated after giving effect to any issuance of additional First Lien Notes) issued under the First Lien Notes indenture remain outstanding after each such redemption.

The First 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 First Lien indenture will allow either the trustee or the holders of at least 25 percent in aggregate principal amount of the then-

outstanding First Lien Notes issued under such indenture to accelerate, or in certain cases, will automatically cause the acceleration of the amounts due under the First Lien Notes.

\$544 Million 7.75 percent 2020 Senior Secured Second Lien Notes - 2015 Offering

On March 30, 2015, we also entered into an indenture among the Company, the guarantors and U.S. Bank National Association, as trustee and notes collateral agent, relating to our issuance of \$544.2 million aggregate principal amount of 7.75 percent second lien senior secured notes due 2020 (the "Second Lien Notes"). The Second Lien Notes were issued on March 30, 2015 in exchange offers for certain of our existing senior notes.

The Second Lien Notes bear interest at a rate of 7.75 percent per annum. Interest on the Second Lien Notes is payable semi-annually in arrears on March 31 and September 30 of each year, commencing on September 30, 2015. The Second Lien Notes mature on March 31, 2020 and are secured senior obligations of the Company.

The Second Lien Notes have substantially similar terms to those of the First Lien Notes except with respect to their priority security interest in the collateral. The Second 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) by (i) a second-priority lien (junior to the First Lien Notes) on substantially all of our U.S. assets, other than the ABL Collateral, and (ii) a third-priority lien (junior to the ABL Facility and the First Lien Notes) on the U.S. ABL Collateral.

The Company may redeem any of the Second Lien Notes beginning on March 31, 2017. The initial redemption price is 103.875 percent of their principal amount, plus accrued and unpaid interest, if any, to, but excluding, the redemption date. The redemption price will decline each year after March 31, 2017 and will be 100 percent of their principal amount, plus accrued interest, beginning on March 31, 2019. The Company may also redeem some or all of the Second Lien Notes at any time and from time to time prior to March 31, 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 March 31, 2017, the Company may redeem in the aggregate up to 35 percent of the original aggregate principal amount of the Second Lien Notes (calculated after giving effect to any issuance of additional Second Lien Notes) with the net cash proceeds of certain equity offerings, at a redemption price of 107.75 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 Second Lien Notes (calculated after giving effect to any issuance of additional Second Lien Notes) issued under the Second Lien Notes Indenture remain outstanding after each such redemption.

\$500 Million Senior Notes — 2012 Offering

On December 6, 2012, we completed a \$500 million public offering of senior notes at 3.95 percent due January 15, 2018. Interest is fixed and is payable on January 15 and July 15 of each year, beginning on July 15, 2013 until maturity. The senior notes are unsecured obligations and rank equally in right of payment with all our other existing and future unsecured and unsubordinated indebtedness. There are no subsidiary guarantees of the interest and principal amounts.

The senior notes may be redeemed any time at our option not less than 30 days nor more than 60 days after prior notice is sent to the holders of the applicable series of notes. The senior notes are redeemable at a redemption price equal to the greater of (1) 100 percent of the principal amount of the notes to be redeemed or (2) the sum of the present values of the remaining scheduled payments of principal and interest on the notes to be redeemed, discounted to the redemption date on a semi-annual basis at the treasury rate plus 50 basis points with respect to the 2018 senior notes, plus, in each case, accrued and unpaid interest to the date of redemption.

In addition, if a change of control triggering event occurs with respect to the senior notes, as defined in the agreement, we will be required to offer to purchase the notes of the applicable series at a purchase price equal to 101 percent of the principal amount, plus accrued and unpaid interest, if any, to the date of purchase.

The terms of the senior notes contain certain customary covenants; however, there are no financial covenants.

Interest Rate Adjustment Based on Rating Events

The interest rate payable on the \$500.0 million 3.95 percent senior notes may be subject to adjustments from time to time if either Moody's or S&P or, in either case, any Substitute Rating Agency thereof downgrades (or subsequently upgrades) the debt rating assigned to the senior notes. In no event shall (1) the interest rate for the senior notes be reduced to below the interest rate payable on the senior notes on the date of the initial issuance of senior notes or (2) the total increase in the interest rate on the senior notes exceed 2.00 percent above the interest rate payable on the

senior notes on the date of the initial issuance of senior notes. During 2014, the interest rate payable on the \$500.0 million 3.95 percent senior notes was increased from 3.95 percent ultimately to 5.70 percent based on Substitute Rating Agency downgrades throughout the year. During the first quarter of 2015, subsequent to a downgrade, the interest rate was further increased and is currently at the maximum interest rate of 5.95 percent per annum.

\$1 Billion Senior Notes — 2011 Offering

On March 23, 2011 and April 1, 2011, respectively, we completed a \$1 billion public offering of senior notes consisting of two tranches: a 10-year tranche of \$700 million aggregate principal amount at 4.88 percent senior notes due April 1, 2021, and a 30-year tranche of \$300 million aggregate principal amount at 6.25 percent senior notes due October 1, 2040, of which \$500 million aggregate principal amount previously was issued during September 2010. Interest is fixed and is payable on April 1 and October 1 of each year, beginning on October 1, 2011, for both series of senior notes until maturity. The senior notes are unsecured obligations and rank equally in right of payment with all our other existing and future unsecured and unsubordinated indebtedness. There are no subsidiary guarantees of the interest and principal amounts. The net proceeds from the senior notes offering were used to fund a portion of the acquisition of Consolidated Thompson and to pay the related fees and expenses.

The senior notes may be redeemed any time at our option not less than 30 days nor more than 60 days after prior notice is sent to the holders of the applicable series of notes. The senior notes are redeemable at a redemption price equal to the greater of (1) 100 percent of the principal amount of the notes to be redeemed or (2) the sum of the present values of the remaining scheduled payments of principal and interest on the notes to be redeemed, discounted to the redemption date on a semi-annual basis at the treasury rate plus 25 basis points with respect to the 2021 senior notes and 40 basis points with respect to the 2040 senior notes, plus, in each case, accrued and unpaid interest to the date of redemption. However, if the 2021 senior notes are redeemed on or after the date that is three months prior to their maturity date, the 2021 senior notes will be redeemed at a redemption price equal to 100 percent of the principal amount of the notes to be redeemed plus accrued and unpaid interest to the date of redemption.

In addition, if a change of control triggering event occurs with respect to the senior notes, as defined in the agreement, we will be required to offer to purchase the notes of the applicable series at a purchase price equal to 101 percent of the principal amount, plus accrued and unpaid interest, if any, to the date of purchase.

The terms of the senior notes contain certain customary covenants; however, there are no financial covenants.

\$1 Billion Senior Notes — 2010 Offering

On September 20, 2010, we completed a \$1 billion public offering of senior notes consisting of two tranches: a 10-year tranche of \$500 million aggregate principal amount at 4.80 percent due October 1, 2020, and a 30-year tranche of \$500 million aggregate principal amount at 6.25 percent due October 1, 2040. Interest is fixed and is payable on April 1 and October 1 of each year, beginning on April 1, 2011, for both series of senior notes until maturity. The senior notes are unsecured obligations and rank equally in right of payment with all of our other existing and future senior unsecured and unsubordinated indebtedness. There are no subsidiary guarantees of the interest and principal amounts.

A portion of the net proceeds from the senior notes offering was used on September 22, 2010 to repay \$350 million outstanding under our credit facility. A portion of the net proceeds was also used for general corporate purposes, including funding of capital expenditures and were used to fund a portion of the acquisition of Consolidated Thompson and related expenses.

The senior notes may be redeemed any time at our option not less than 30 days nor more than 60 days after prior notice is sent to the holders of the applicable series of notes. The senior notes are redeemable at a redemption price equal to the greater of (1) 100 percent of the principal amount of the notes to be redeemed or (2) the sum of the present values of the remaining scheduled payments of principal and interest on the notes to be redeemed, discounted to the redemption date on a semi-annual basis at the treasury rate plus 35 basis points with respect to the 2020 senior notes and 40 basis points with respect to the 2040 senior notes, plus, in each case, accrued and unpaid interest to the date of redemption. In addition, if a change of control triggering event occurs with respect to the notes, we will be required to offer to purchase the notes at a purchase price equal to 101 percent of the principal amount, plus accrued and unpaid interest to the date of purchase.

The terms of the senior notes contain certain customary covenants; however, there are no financial covenants.

\$400 Million Senior Notes Offering — 2010 Offering

On March 17, 2010, we completed a \$400 million public offering of senior notes due March 15, 2020. Interest at a fixed rate of 5.90 percent is payable on March 15 and September 15 of each year, beginning on September 15, 2010, until maturity on March 15, 2020. The senior notes are unsecured obligations and rank equally in right of payment with all of our other existing and future senior unsecured and unsubordinated indebtedness. There are no subsidiary guarantees of the interest and principal amounts.

A portion of the net proceeds from the senior notes offering was used on March 31, 2010 to repay our \$200 million term loan under our credit facility, as well as to repay on May 27, 2010 our share of Amapá's remaining debt outstanding of \$100.8 million. In addition, we used the remainder of the net proceeds to help fund the acquisitions of Spider and CLCC during the third quarter of 2010.

The senior notes may be redeemed any time at our option not less than 30 days nor more than 60 days after prior notice is sent to the holders of the applicable series of notes. The senior notes are redeemable at a redemption price equal to the greater of (1) 100 percent of the principal amount of the notes to be redeemed or (2) the sum of the present values of the remaining scheduled payments of principal and interest on the notes to be redeemed, discounted to the redemption date on a semi-annual basis, plus accrued and unpaid interest to the date of redemption. In addition, if a change of control triggering event occurs, we will be required to offer to purchase the notes at a purchase price equal to 101 percent of the principal amount, plus accrued and unpaid interest to the date of purchase.

The terms of the senior notes contain certain customary covenants; however, there are no financial covenants.

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 December 31, 2015 and December 31, 2014, these letter of credit obligations totaled \$186.3 million and \$149.5 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 December 31, 2015:

	(In Millions)	
	Maturities of Debt	
2016	\$	—
2017		—
2018		311.2
2019		—
2020		1,681.7
2021 and thereafter		905.3
Total maturities of debt	\$	2,898.2

NOTE 6 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The following represents the assets and liabilities of the Company measured at fair value at December 31, 2015 and 2014:

Description	(In Millions)			
	December 31, 2015			
	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Cash equivalents	\$ 30.0	\$ —	\$ —	\$ 30.0
Derivative assets	—	—	7.8	7.8
Total	\$ 30.0	\$ —	\$ 7.8	\$ 37.8
Liabilities:				
Derivative liabilities	\$ —	\$ 0.6	\$ 3.4	\$ 4.0
Total	\$ —	\$ 0.6	\$ 3.4	\$ 4.0

Description	(In Millions)			
	December 31, 2014			
	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Derivative assets	\$ —	\$ —	\$ 63.2	\$ 63.2
Available-for-sale marketable securities	4.3	—	—	4.3
Total	\$ 4.3	\$ —	\$ 63.2	\$ 67.5
Liabilities:				
Derivative liabilities	\$ —	\$ —	\$ 9.5	\$ 9.5
Foreign exchange contracts	—	31.5	—	31.5
Total	\$ —	\$ 31.5	\$ 9.5	\$ 41.0

Financial assets classified in Level 1 at December 31, 2015 include money market funds. Financial assets classified in Level 1 at December 31, 2014 include available-for-sale marketable securities. The valuation of these instruments is based upon unadjusted quoted prices for identical assets in active markets.

The valuation of financial assets and liabilities classified in Level 2 is determined using a market approach based upon quoted prices for similar assets and liabilities in active markets, or other inputs that are observable. Level 2 securities primarily include derivative financial instruments valued using financial models that use as their basis readily observable market parameters. At December 31, 2015, such derivative financial instruments included our commodity hedge contracts. The fair value of the commodity hedge contracts is based on forward market prices and represents the estimated amount we would receive or pay to terminate these agreements at the reporting date, taking into account creditworthiness, nonperformance risk and liquidity risks associated with current market conditions. At December 31, 2014, such derivative financial instruments included our foreign currency exchange contracts. The fair value of the foreign currency exchange contracts was based on forward market prices and represented the estimated amount we would receive or pay to terminate these agreements at the reporting date, taking into account creditworthiness, nonperformance risk and liquidity risks associated with current market conditions.

The derivative assets classified within Level 3 at December 31, 2015 and December 31, 2014 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 steel at the steelmaker's facilities, and takes into consideration current market conditions and nonperformance risk.

The Level 3 derivative assets and liabilities at December 31, 2015 and December 31, 2014 also consisted of derivatives related to certain provisional pricing arrangements with our U.S. Iron Ore and Asia Pacific Iron Ore customers. 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 12/31/2015	Balance Sheet Location	Valuation Technique	Unobservable Input	Range or Point Estimate (Weighted Average)
Provisional Pricing Arrangements	\$ 2.0	<i>Other current assets</i>	Market Approach	Management's Estimate of 62% Fe	\$43
	\$ 3.4	<i>Other current liabilities</i>			
Customer Supply Agreement	\$ 5.8	<i>Other current assets</i>	Market Approach	Hot-Rolled Steel Estimate	\$415 - \$450 (\$430)

The significant unobservable input used in the fair value measurement of the reporting entity's 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 the reporting entity's customer supply agreements is the future hot-rolled steel price that is estimated based on current market data, analysts' projections, projections provided by the customer 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, including both transfers into and out of levels. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the years ended December 31, 2015 and 2014. 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 years ended December 31, 2015 and 2014.

	(In Millions)			
	Derivative Assets (Level 3)		Derivative Liabilities (Level 3)	
	Year Ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014
Beginning balance - January 1	\$ 63.2	\$ 57.7	\$ (9.5)	\$ (1.0)
Total gains (losses)				
Included in earnings	35.1	187.8	(61.0)	(9.5)
Settlements	(90.5)	(182.3)	67.1	1.0
Transfers into Level 3	—	—	—	—
Transfers out of Level 3	—	—	—	—
Ending balance - December 31	<u>\$ 7.8</u>	<u>\$ 63.2</u>	<u>\$ (3.4)</u>	<u>\$ (9.5)</u>
Total gains (losses) for the period included in earnings attributable to the change in unrealized gains (losses) on assets still held at the reporting date	<u>\$ 29.1</u>	<u>\$ 187.8</u>	<u>\$ (3.4)</u>	<u>\$ (9.5)</u>

Gains and losses included in earnings are reported in *Product revenues* in the Statements of Consolidated Operations for the years ended December 31, 2015 and 2014.

The carrying amount for certain financial instruments (e.g. *Accounts receivable, net*, *Accounts payable* and *Accrued expenses*) approximate fair value and, therefore, have been excluded from the table below. A summary of the carrying amount and fair value of other financial instruments at December 31, 2015 and 2014 were as follows:

	Classification	(In Millions)			
		December 31, 2015		December 31, 2014	
		Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt:					
Senior Notes—\$700 million	Level 1	\$ 410.6	\$ 69.4	\$ 686.0	\$ 367.3
Senior Notes—\$1.3 billion	Level 1	787.9	137.4	1,270.5	704.0
Senior Notes—\$400 million	Level 1	288.9	52.8	391.9	228.1
Senior Notes—\$500 million	Level 1	309.1	87.1	475.3	312.0
Senior First Lien Notes—\$540 million	Level 1	497.4	414.5	—	—
Senior Second Lien Notes—\$544.2 million	Level 1	403.2	134.7	—	—
ABL Facility	Level 2	—	—	—	—
Fair Value Adjustment to Interest Rate Hedge	Level 2	2.3	2.3	2.8	2.8
Total long-term debt		<u>\$ 2,699.4</u>	<u>\$ 898.2</u>	<u>\$ 2,826.5</u>	<u>\$ 1,614.2</u>

The fair value of long-term debt was determined using quoted market prices or discounted cash flows based upon current borrowing rates. The revolving loan and equipment loan facilities are variable rate interest and approximate fair value. See NOTE 5 - DEBT AND CREDIT FACILITIES for further information.

Items Measured at Fair Value on a Non-Recurring Basis

The following tables present information about the impairment charges on both financial and nonfinancial assets and liabilities that were measured on a fair value basis at March 31, 2015 and December 31, 2014. There were no financial and non-financial assets and liabilities that were measured on a non-recurring fair value basis at December 31, 2015. The tables also indicate the fair value hierarchy of the valuation techniques used to determine such fair value.

(In Millions)					
March 31, 2015					
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
Liabilities:					
\$544.2 Million 7.75% 2020 Second Lien Notes	\$ —	\$ 397.2	\$ —	\$ 397.2	\$ 269.5
	\$ —	\$ 397.2	\$ —	\$ 397.2	\$ 269.5

The \$544.2 million 7.75 percent Second Lien Notes issued in the exchange offers were recorded as an extinguishment of debt as the change in debt terms was considered substantial. As such, the newly issued Second Lien Senior Notes were recorded at fair value at the issuance date. In order to determine the fair value of the Second Lien Senior Notes on the date of the exchange, we utilized the median bid-ask spread obtained from various investment banks for the exchange date. The bid-ask spread is indicative of the fair value of the notes on the exchange date. The 27.0 percent discount equated to a discount of \$147.0 million on the issue value of \$544.2 million, or an estimated fair value of \$397.2 million.

(In Millions)					
Year Ended December 31, 2014					
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 Losses
Assets:					
Goodwill impairment - Asia Pacific Iron Ore reporting unit	\$ —	\$ —	\$ —	\$ —	\$ 73.5
Other long-lived assets - Property, plant and equipment and Mineral rights:					
Asia Pacific Iron Ore reporting unit	—	—	72.4	72.4	526.5
Other reporting units	—	—	—	—	11.3
Other long-lived assets - Intangibles and other long-term assets:					
Asia Pacific Iron Ore reporting unit	—	—	7.0	7.0	24.2
Investment in ventures impairment - Global Exploration	—	—	—	—	9.2
	\$ —	\$ —	\$ 79.4	\$ 79.4	\$ 644.7

Financial Assets

During the third quarter of 2014, an impairment charge of \$9.2 million to investment in ventures was recorded within our Global Exploration operating segment as a decision was made to abandon the investment during the period.

Non-Financial Assets

During the third and fourth quarter of 2014, we identified factors that indicated the carrying values of the asset groups in the chart above may not be recoverable primarily due to long-term price forecasts as part of management's long-range planning process. Updated estimates of long-term prices for all products, specifically the Platts 62 percent Fe fines spot price were lower than prior estimates. This especially affects the Asia Pacific Iron Ore business segment because their contracts correlate heavily to world market spot pricing, which were updated based upon current market conditions, macro-economic factors influencing the balance of supply and demand for our products and expectations for future cost and capital expenditure requirements.

Additionally, our CEO, Lourenco Goncalves, was appointed by the Board of Directors in early August 2014 and was subsequently identified as the CODM in accordance with ASC 280, *Segment Reporting*. Our CODM views Asia Pacific Iron Ore as a non-core asset and has communicated plans to evaluate the business unit for a change in strategy including possible divestiture. These factors, among other considerations utilized in the individual impairment assessments, indicate that the carrying value of the respective asset groups in the chart above and Asia Pacific Iron Ore goodwill may not be recoverable.

During the third quarter of 2014, a goodwill impairment charge of \$73.5 million was recorded for our Asia Pacific Iron Ore reporting segment. Based on our review of the fair value hierarchy, the inputs used in these fair value measurements were considered Level 3 inputs.

We also recorded impairment charges to property, plant and equipment, mineral rights, intangible assets and other long-term assets during the second half of 2014 related to our Asia Pacific Iron Ore operating segment, along with impairments charged to reporting units within our *Other* reportable segments. A detailed break out of the impairment charges is shown in the chart above. The recorded impairment charges reduce the related assets to their estimated fair value as we determined that the future cash flows associated with these operations were not sufficient to support the recoverability of the carrying value of these assets. Fair value was determined based on management's best estimate within a range of fair values, which is considered a Level 3 input, and resulted in an asset impairment charge of \$562.0 million. The Level 3 inputs used to determine fair value included models developed and market inputs obtained by management which provided a range of fair value estimates of property, plant and equipment. Management's models include internally developed long-term future cash flow estimates, capital expenditure and cost estimates, market inputs to determine long-term pricing assumptions, discount rates, and foreign exchange rates.

NOTE 7 - PENSIONS AND OTHER POSTRETIREMENT BENEFITS

We offer defined benefit pension plans, defined contribution pension plans and other postretirement benefit 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.

The labor agreements we have with the USW at our U.S. Iron Ore operations cover approximately 2,000 USW-represented employees at our Empire and Tilden mines in Michigan and our United Taconite and Hibbing mines in Minnesota, or 81.0 percent of our total U.S. Iron Ore hourly workforce. This percentage includes the U.S. Iron Ore hourly employees that are on lay-off.

We offer retiree medical coverage to hourly retirees of our USW-represented mines. The 2012 USW agreement set temporary maximum monthly medical premiums for participants who retired prior to January 1, 2015. These premium maximums expired on December 31, 2015 and reverted to increasing premiums based on the terms of the 2012 bargaining agreement. The agreements also provide for an OPEB cap that limits the amount of contributions that we have to make toward retiree medical insurance coverage for each retiree and spouse of a retiree per calendar year who retired on or after January 1, 2015. The amount of the annual OPEB cap is based upon the gross plan costs we incurred in 2014. The OPEB cap applies to employees who retired on or after January 1, 2015 and does not apply to surviving spouses.

In addition, we currently provide various levels of retirement health care and OPEB to some full-time employees who meet certain length of service and age requirements (a portion of which is pursuant to collective bargaining agreements). Most plans require retiree contributions and have deductibles, co-pay requirements and benefit limits. Most bargaining unit plans require retiree contributions and co-pays for major medical and prescription drug coverage. There is a cap on our cost for medical coverage under the salaried plans. The annual limit applies to each covered participant and equals \$7,000 for coverage prior to age 65, with the retiree's participation adjusted based on the age at which the retiree's benefits commence. Beginning in 2015, Cliffs changed the delivery of the post-65 salaried retiree

medical benefit program, including salaried retirees from our Northshore operation, from an employer sponsored plan to the combination of an employer subsidy plan and an individual supplemental Medicare insurance plan purchased through a Medicare exchange. This allows the program to take full advantage of available government subsidies and more efficient pricing in the Medicare market. For participants at our Northshore operation, the annual limit ranges from \$4,020 to \$4,500 for coverage prior to age 65. Covered participants pay an amount for coverage equal to the excess of (i) the average cost of coverage for all covered participants, over (ii) the participant's individual limit, but in no event will the participant's cost be less than 15.0 percent of the average cost of coverage for all covered participants. For Northshore participants, the minimum participant cost is a fixed dollar amount. We do not provide OPEB for most salaried employees hired after January 1, 1993. Retiree healthcare coverage is provided through programs administered by insurance companies whose charges are based on benefits paid.

In December 2003, The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 was enacted. This act introduced a prescription drug benefit under Medicare Part D as well as a federal subsidy to sponsors of retiree healthcare benefit plans that provide a benefit that at least actuarially is equivalent to Medicare Part D. Our measures of the accumulated postretirement benefit obligation and net periodic postretirement benefit cost as of December 31, 2004 and for periods thereafter reflect amounts associated with the subsidy. We elected to adopt the retroactive transition method for recognizing the cost reduction in 2004.

The Pinnacle and Oak Grove mines were sold in December 2015, and the liabilities representing vested benefits at the time of the sale remained with Cliffs. The sale triggered a curtailment event for the Salaried Pension Plan. Liabilities for other postretirement benefits were transferred as part of the sale, and associated adjustments were made to the *Accumulated other comprehensive loss* balances as they pertained to Pinnacle and Oak Grove participants in the Hourly OPEB plan. Accordingly, all amounts shown below include retained obligations of vested employees of the North American Coal mines. Further, all disclosures presented include the annual expense, contributions and obligations associated with the retained vested benefits of these participants.

The following table summarizes the annual expense recognized related to the retirement plans for 2015, 2014 and 2013:

	(In Millions)		
	2015	2014	2013
Defined benefit pension plans	\$ 23.9	\$ 26.2	\$ 46.8
Defined contribution pension plans	3.6	4.4	5.0
Other postretirement benefits	4.4	(2.5)	3.2
Total	\$ 31.9	\$ 28.1	\$ 55.0

The following tables and information provide additional disclosures for our consolidated plans.

Obligations and Funded Status

The following tables and information provide additional disclosures for the periods ending December 31, 2015 and 2014:

	(In Millions)			
	Pension Benefits		Other Benefits	
	2015	2014	2015	2014
Change in benefit obligations:				
Benefit obligations — beginning of year	\$ 998.0	\$ 891.2	\$ 295.8	\$ 265.1
Service cost (excluding expenses)	22.7	26.1	1.9	1.9
Interest cost	37.7	40.2	11.5	11.9
Plan amendments	—	—	—	(0.9)
Actuarial (gain) loss	(67.7)	113.4	(27.0)	37.4
Benefits paid	(78.7)	(71.4)	(20.6)	(25.3)
Participant contributions	—	—	4.0	4.8
Federal subsidy on benefits paid	—	—	0.4	0.9
Curtailment gain	(1.2)	(1.5)	—	—
Benefit obligations — end of year	<u>\$ 910.8</u>	<u>\$ 998.0</u>	<u>\$ 266.0</u>	<u>\$ 295.8</u>
Change in plan assets:				
Fair value of plan assets — beginning of year	\$ 749.8	\$ 712.5	\$ 269.3	\$ 251.8
Actual return on plan assets	(6.4)	59.1	(3.9)	31.9
Participant contributions	—	—	0.4	0.8
Employer contributions	35.7	49.6	1.3	5.2
Asset transfers	0.2	—	—	—
Benefits paid	(78.7)	(71.4)	(16.5)	(20.4)
Fair value of plan assets — end of year	<u>\$ 700.6</u>	<u>\$ 749.8</u>	<u>\$ 250.6</u>	<u>\$ 269.3</u>
Funded status at December 31:				
Fair value of plan assets	\$ 700.6	\$ 749.8	\$ 250.6	\$ 269.3
Benefit obligations	(910.8)	(998.0)	(266.0)	(295.8)
Funded status (plan assets less benefit obligations)	<u>\$ (210.2)</u>	<u>\$ (248.2)</u>	<u>\$ (15.4)</u>	<u>\$ (26.5)</u>
Amount recognized at December 31	<u>\$ (210.2)</u>	<u>\$ (248.2)</u>	<u>\$ (15.4)</u>	<u>\$ (26.5)</u>
Amounts recognized in Statements of Financial Position:				
Current liabilities	\$ (0.5)	\$ (2.2)	\$ (4.1)	\$ (4.2)
Noncurrent liabilities	(209.7)	(246.0)	(11.3)	(22.3)
Net amount recognized	<u>\$ (210.2)</u>	<u>\$ (248.2)</u>	<u>\$ (15.4)</u>	<u>\$ (26.5)</u>
Amounts recognized in accumulated other comprehensive loss:				
Net actuarial loss	\$ 290.9	\$ 311.8	\$ 91.5	\$ 99.3
Prior service cost (credit)	7.5	9.8	(39.5)	(42.9)
Net amount recognized	<u>\$ 298.4</u>	<u>\$ 321.6</u>	<u>\$ 52.0</u>	<u>\$ 56.4</u>
The estimated amounts that will be amortized from accumulated other comprehensive loss into net periodic benefit cost in 2016:				
Net actuarial loss	\$ 21.1		\$ 5.5	
Prior service cost	2.2		(3.7)	
Net amount recognized	<u>\$ 23.3</u>		<u>\$ 1.8</u>	

(In Millions)								
2015								
	Pension Plans					Other Benefits		
	Salaried	Hourly	Mining	SERP	Total	Salaried	Hourly	Total
Fair value of plan assets	\$ 258.3	\$ 436.7	\$ 5.6	\$ —	\$ 700.6	\$ —	\$ 250.6	\$ 250.6
Benefit obligation	(340.0)	(558.6)	(8.6)	(3.6)	(910.8)	(38.2)	(227.8)	(266.0)
Funded status	\$ (81.7)	\$ (121.9)	\$ (3.0)	\$ (3.6)	\$ (210.2)	\$ (38.2)	\$ 22.8	\$ (15.4)

2014								
	Pension Plans					Other Benefits		
	Salaried	Hourly	Mining	SERP	Total	Salaried	Hourly	Total
Fair value of plan assets	\$ 288.3	\$ 454.9	\$ 6.6	\$ —	\$ 749.8	\$ —	\$ 269.3	\$ 269.3
Benefit obligation	(379.2)	(603.9)	(9.2)	(5.7)	(998.0)	(41.6)	(254.2)	(295.8)
Funded status	\$ (90.9)	\$ (149.0)	\$ (2.6)	\$ (5.7)	\$ (248.2)	\$ (41.6)	\$ 15.1	\$ (26.5)

The accumulated benefit obligation for all defined benefit pension plans was \$898.9 million and \$980.6 million at December 31, 2015 and 2014, respectively. The decrease in the accumulated benefit obligation primarily is a result of an increase in the discount rates.

Components of Net Periodic Benefit Cost

(In Millions)						
	Pension Benefits			Other Benefits		
	2015	2014	2013	2015	2014	2013
Service cost	\$ 22.7	\$ 26.1	\$ 32.9	\$ 6.4	\$ 1.8	\$ 4.0
Interest cost	37.7	40.3	36.4	13.4	11.9	12.6
Expected return on plan assets	(59.8)	(58.1)	(52.3)	(18.3)	(17.1)	(20.0)
Amortization:						
Prior service costs (credits)	2.3	2.5	2.8	(3.7)	(3.6)	(3.6)
Net actuarial loss	20.8	14.0	27.0	6.6	4.5	10.2
Curtailments and settlements	0.2	1.4	—	—	—	—
Net periodic benefit cost	\$ 23.9	\$ 26.2	\$ 46.8	\$ 4.4	\$ (2.5)	\$ 3.2
Curtailment effects	(1.2)	—	—	—	—	—
Current year actuarial (gain)/loss	(0.7)	109.7	(128.0)	0.2	22.2	(68.6)
Amortization of net loss	(21.0)	(15.4)	(27.0)	(6.6)	(4.5)	(10.2)
Current year prior service (credit) cost	—	—	0.8	—	(0.9)	—
Amortization of prior service (cost) credit	(2.3)	(2.5)	(2.8)	3.7	3.6	3.6
Total recognized in other comprehensive income	\$ (25.2)	\$ 91.8	\$ (157.0)	\$ (2.7)	\$ 20.4	\$ (75.2)
Total recognized in net periodic cost and other comprehensive income	\$ (1.3)	\$ 118.0	\$ (110.2)	\$ 1.7	\$ 17.9	\$ (72.0)

Additional Information

(In Millions)						
	Pension Benefits			Other Benefits		
	2015	2014	2013	2015	2014	2013
Effect of change in mine ownership & noncontrolling interest	\$ 48.4	\$ 51.2	\$ 46.3	\$ 5.5	\$ 5.9	\$ 4.8
Actual return on plan assets	(6.4)	59.1	80.3	(3.9)	31.9	11.0

Assumptions

The discount rate for determining PBO is determined individually for each plan. For our pension and other postretirement benefit plans, we used a discount rate as of December 31, 2015 of 4.27 percent for Iron Hourly, 4.12 percent for Salaried, 4.28 percent for Ore Mining and 4.22 percent for SERP, and 4.22 percent for Salaried OPEB, and 4.32 percent for Hourly OPEB, compared with a discount rate of 3.83 percent as of December 31, 2014. The discount rates are determined by matching the projected cash flows used to determine the PBO and APBO to a projected yield curve of 688 Aa graded bonds in the 40th to 90th percentiles. These bonds are either noncallable or callable with make-whole provisions. For the year ended December 31, 2014, bonds in the 10th to 90th percentile were utilized. The portion of the increases in discount rates due to market conditions resulted in decreases to our plan projected benefit obligations of approximately \$31.5 million and \$13.6 million for the pension and other postretirement benefit plans, respectively. In addition, the portion of the increases in discount rates due to the change to the 40th to 90th percentiles measurement resulted in decreases to our plan projected benefit obligations of approximately \$8.3 million and \$2.7 million for the pension and other postretirement benefit plans, respectively.

On December 31, 2015, the assumed mortality improvement projection was changed from generational scale MP-2014 to generational scale MP-2015. The healthy mortality assumption remains the RP-2014 mortality tables with blue collar adjustments for the Iron Hourly and Hourly PRW plans, with white collar adjustments for the SERP and Salaried PRW Plan, and without collar adjustments for the Salaried and Ore Mining. The adoption of the new projection scale resulted in decreases to our projected benefit obligations totaling approximately \$15.1 million or 1.5 percent for the pension plans and \$7.9 million or 2 percent for the OPEB plans.

The rates of retirement and termination for certain groups were also updated as a result of a recent experience review .

Weighted-average assumptions used to determine benefit obligations at December 31 were:

	Pension Benefits				Other Benefits			
	2015		2014		2015		2014	
Discount rate								
Iron Hourly Pension Plan	4.27	%	3.83	%	N/A	%	N/A	%
Salaried Pension Plan	4.12		3.83		N/A		N/A	
Ore Mining Pension Plan	4.28		3.83		N/A		N/A	
SERP	4.22		3.83		N/A		N/A	
Hourly OPEB Plan	N/A		N/A		4.32		3.83	
Salaried OPEB Plan	N/A		N/A		4.22		3.83	
Salaried rate of compensation increase	3.00		3.00		3.00		3.00	
Hourly rate of compensation increase (ultimate)	2.00		2.50		N/A		N/A	

Weighted-average assumptions used to determine net benefit cost for the years 2015, 2014 and 2013 were:

	Pension Benefits						Other Benefits			
	2015		2014		2013		2015		2014	2013
Discount rate	3.83	%	4.57	%	3.70	%	3.83	%	4.57	%
Expected return on plan assets	8.25		8.25		8.25		7.00		7.00	
Salaried rate of compensation increase	3.00		4.00		4.00		3.00		4.00	
Hourly rate of compensation increase	2.50		3.00		4.00		N/A		N/A	

Assumed health care cost trend rates at December 31 were:

	2015	2014
Health care cost trend rate assumed for next year	6.75 %	7.00 %
Ultimate health care cost trend rate	5.00	5.00
Year that the ultimate rate is reached	2023	2023

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A change of one percentage point in assumed health care cost trend rates would have the following effects:

	(In Millions)	
	Increase	Decrease
Effect on total of service and interest cost	\$ 3.4	\$ (2.6)
Effect on postretirement benefit obligation	27.2	(22.6)

Plan Assets

Our financial objectives with respect to our pension and VEBA plan assets are to fully fund the actuarial accrued liability for each of the plans, to maximize investment returns within reasonable and prudent levels of risk, and to maintain sufficient liquidity to meet benefit obligations on a timely basis.

Our investment objective is to outperform the expected ROA assumption used in the plans' actuarial reports over the life of the plans. The expected ROA takes into account historical returns and estimated future long-term returns based on capital market assumptions applied to the asset allocation strategy. The expected return is net of investment expenses paid by the plans. In addition, investment performance is monitored on a quarterly basis by benchmarking to various indices and metrics for the one-, three- and five-year periods.

The asset allocation strategy is determined through a detailed analysis of assets and liabilities by plan, which defines the overall risk that is acceptable with regard to the expected level and variability of portfolio returns, surplus (assets compared to liabilities), contributions and pension expense.

The asset allocation review process involves simulating capital market behaviors including global asset class performance, inflation and interest rates in order to evaluate various asset allocation scenarios and determine the asset mix with the highest likelihood of meeting financial objectives. The process includes factoring in the current funded status and likely future funded status levels of the plans by taking into account expected growth or decline in the contributions over time.

The asset allocation strategy varies by plan. The following table reflects the actual asset allocations for pension and VEBA plan assets as of December 31, 2015 and 2014, as well as the 2016 weighted average target asset allocations as of December 31, 2015. Equity investments include securities in large-cap, mid-cap and small-cap companies located in the U.S. and worldwide. Fixed income investments primarily include corporate bonds and government debt securities. Alternative investments include hedge funds, private equity, structured credit and real estate.

Asset Category	Pension Assets			VEBA Assets		
	2016 Target Allocation	Percentage of Plan Assets at December 31,		2016 Target Allocation	Percentage of Plan Assets at December 31,	
		2015	2014		2015	2014
Equity securities	45.0%	44.0%	45.6%	8.0%	8.8%	8.6%
Fixed income	28.0%	27.7%	28.7%	80.1%	78.2%	79.3%
Hedge funds	5.0%	5.8%	5.5%	4.2%	4.5%	4.3%
Private equity	7.0%	4.7%	4.2%	2.6%	2.2%	2.3%
Structured credit	7.5%	8.9%	8.7%	2.1%	2.3%	2.3%
Real estate	7.5%	8.2%	6.7%	3.0%	4.0%	3.2%
Cash	—%	0.7%	0.6%	—%	—%	—%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Pension

The fair values of our pension plan assets at December 31, 2015 and 2014 by asset category are as follows:

Asset Category	(In Millions)			
	December 31, 2015			
	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Equity securities:				
U.S. large-cap	\$ 150.5	\$ —	\$ —	\$ 150.5
U.S. small/mid-cap	40.6	—	—	40.6
International	116.8	—	—	116.8
Fixed income	166.3	27.9	—	194.2
Hedge funds	—	—	40.7	40.7
Private equity	—	—	33.1	33.1
Structured credit	—	—	62.1	62.1
Real estate	—	—	57.5	57.5
Cash	5.1	—	—	5.1
Total	\$ 479.3	\$ 27.9	\$ 193.4	\$ 700.6

Asset Category	(In Millions)			
	December 31, 2014			
	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Equity securities:				
U.S. large-cap	\$ 168.4	\$ —	\$ —	\$ 168.4
U.S. small/mid-cap	45.9	—	—	45.9
International	127.7	—	—	127.7
Fixed income	183.1	31.8	—	214.9
Hedge funds	—	—	41.5	41.5
Private equity	—	—	31.2	31.2
Structured credit	—	—	65.4	65.4
Real estate	—	—	50.0	50.0
Cash	4.8	—	—	4.8
Total	\$ 529.9	\$ 31.8	\$ 188.1	\$ 749.8

Following is a description of the inputs and valuation methodologies used to measure the fair value of our plan assets.

Equity Securities

Equity securities classified as Level 1 investments include U.S. large-, small- and mid-cap investments and international equity. These investments are comprised of securities listed on an exchange, market or automated quotation system for which quotations are readily available. The valuation of these securities is determined using a market approach, and is based upon unadjusted quoted prices for identical assets in active markets.

Fixed Income

Fixed income securities classified as Level 1 investments include bonds and government debt securities. These investments are comprised of securities listed on an exchange, market or automated quotation system for which quotations are readily available. The valuation of these securities is determined using a market approach, and is based upon unadjusted quoted prices for identical assets in active markets. Also included in Fixed Income is a portfolio of U.S. Treasury STRIPS, which are zero-coupon bearing fixed income securities backed by the full faith and credit of the U.S. government. The securities sell at a discount to par because there are no incremental coupon payments. STRIPS are not issued directly by the Treasury, but rather are created by a financial institution, government securities broker or government securities dealer. Liquidity on the issue varies depending on various market conditions; however, in general the STRIPS market is slightly less liquid than that of the U.S. Treasury Bond market. The STRIPS are priced daily through a bond pricing vendor and are classified as Level 2.

Hedge Funds

Hedge funds are alternative investments comprised of direct or indirect investment in offshore hedge funds with an investment objective to achieve an attractive risk-adjusted return with moderate volatility and moderate directional market exposure over a full market cycle. The valuation techniques used to measure fair value attempt to maximize the use of observable inputs and minimize the use of unobservable inputs. Considerable judgment is required to interpret the factors used to develop estimates of fair value. Valuations of the underlying investment funds are obtained and reviewed. The securities that are valued by the funds are interests in the investment funds and not the underlying holdings of such investment funds. Thus, the inputs used to value the investments in each of the underlying funds may differ from the inputs used to value the underlying holdings of such funds.

In determining the fair value of a security, the fund managers may consider any information that is deemed relevant, which may include one or more of the following factors regarding the portfolio security, if appropriate: type of security or asset; cost at the date of purchase; size of holding; last trade price; most recent valuation; fundamental analytical data relating to the investment in the security; nature and duration of any restriction on the disposition of the security; evaluation of the factors that influence the market in which the security is purchased or sold; financial statements of the issuer; discount from market value of unrestricted securities of the same class at the time of purchase; special reports prepared by analysts; information as to any transactions or offers with respect to the security; existence of merger proposals or tender offers affecting the security; price and extent of public trading in similar securities of the issuer or compatible companies and other relevant matters; changes in interest rates; observations from financial institutions; domestic or foreign government actions or pronouncements; other recent events; existence of shelf registration for restricted securities; existence of any undertaking to register the security; and other acceptable methods of valuing portfolio securities.

Private Equity Funds

Private equity funds are alternative investments that represent direct or indirect investments in partnerships, venture funds or a diversified pool of private investment vehicles (fund of funds).

Investment commitments are made in private equity funds based on an asset allocation strategy, and capital calls are made over the life of the funds to fund the commitments. As of December 31, 2015, remaining commitments total \$48.1 million for both our pension and other benefits. Committed amounts are funded from plan assets when capital calls are made. Investment commitments are not pre-funded in reserve accounts. Refer to the valuation methodologies for equity securities above for further information.

The valuation of investments in private equity funds initially is performed by the underlying fund managers. In determining the fair value, the fund managers may consider any information that is deemed relevant, which may include: type of security or asset; cost at the date of purchase; size of holding; last trade price; most recent valuation; fundamental analytical data relating to the investment in the security; nature and duration of any restriction on the disposition of the security; evaluation of the factors that influence the market in which the security is purchased or sold; financial statements of the issuer; discount from market value of unrestricted securities of the same class at the time of purchase; special reports prepared by analysts; information as to any transactions or offers with respect to the security; existence of merger proposals or tender offers affecting the security; price and extent of public trading in similar securities of the issuer or compatible companies and other relevant matters; changes in interest rates; observations from financial institutions; domestic or foreign government actions or pronouncements; other recent events; existence of shelf registration for restricted securities; existence of any undertaking to register the security; and other acceptable methods of valuing portfolio securities.

The valuations are obtained from the underlying fund managers, and the valuation methodology and process is reviewed for consistent application and adherence to policies. Considerable judgment is required to interpret the factors used to develop estimates of fair value.

Private equity investments are valued quarterly and recorded on a one-quarter lag. For alternative investment values reported on a lag, current market information is reviewed for any material changes in values at the reporting date. Capital distributions for the funds do not occur on a regular frequency. Liquidation of these investments would require sale of the partnership interest.

Structured Credit

Structured credit investments are alternative investments comprised of collateralized debt obligations and other structured credit investments that are priced based on valuations provided by independent, third-party pricing agents, if available. Such values generally reflect the last reported sales price if the security is actively traded. The third-party pricing agents may also value structured credit investments at an evaluated bid price by employing methodologies that utilize actual market transactions, broker-supplied valuations, or other methodologies designed to identify the market value of such securities. Such methodologies generally consider such factors as security prices, yields, maturities, call features, ratings and developments relating to specific securities in arriving at valuations. Securities listed on a securities exchange, market or automated quotation system for which quotations are readily available are valued at the last quoted sale price on the primary exchange or market on which they are traded. Debt obligations with remaining maturities of 60 days or less may be valued at amortized cost, which approximates fair value.

Structured credit investments are valued monthly and recorded on a one-month lag. For alternative investment values reported on a lag, current market information is reviewed for any material changes in values at the reporting date. Historically, redemption requests have been considered quarterly, subject to notice of 90 days, although the advisor is currently only requiring notice of 65 days. During the fourth quarter of 2015, a redemption request for tender of \$8 million was executed in order to bring the portfolio more in line with the target allocation for this asset category. The tender was effective as of December 31, 2015, with the funds targeted for distribution during the first quarter of 2016.

Real Estate

The real estate portfolio for the pension plans is an alternative investment primarily comprised of two funds with strategic categories of real estate investments. All real estate holdings are appraised externally at least annually, and appraisals are conducted by reputable, independent appraisal firms that are members of the Appraisal Institute. All external appraisals are performed in accordance with the Uniform Standards of Professional Appraisal Practices. The property valuations and assumptions of each property are reviewed quarterly by the investment advisor and values are adjusted if there has been a significant change in circumstances relating to the property since the last external appraisal. The valuation methodology utilized in determining the fair value is consistent with the best practices prevailing within the real estate appraisal and real estate investment management industries, including the Real Estate Information Standards, and standards promulgated by the National Council of Real Estate Investment Fiduciaries, the National Association of Real Estate Investment Fiduciaries, and the National Association of Real Estate Managers. In addition, the investment advisor may cause additional appraisals to be performed. Two of the funds' fair values are updated monthly, and there is no lag in reported values. Redemption requests for these two funds are considered on a quarterly basis, subject to notice of 45 days.

During 2011, a new real estate fund of funds investment was added for the Empire, Tilden, Hibbing and United Taconite VEBA plans as a result of the asset allocation review process. This fund invests in pooled investment vehicles that in turn invest in commercial real estate properties. Valuations are performed quarterly and financial statements are prepared on a semi-annual basis, with annual audited statements. Asset values for this fund are reported with a one-quarter lag and current market information is reviewed for any material changes in values at the reporting date. In most cases, values are based on valuations reported by underlying fund managers or other independent third-party sources, but the fund has discretion to use other valuation methods, subject to compliance with ERISA. Valuations are typically estimates and subject to upward or downward revision based on each underlying fund's annual audit. Withdrawals are permitted on the last business day of each quarter subject to a 65-day prior written notice.

The following represents the effect of fair value measurements using significant unobservable inputs (Level 3) on changes in plan assets for the years ended December 31, 2015 and 2014:

(In Millions)						
Year Ended December 31, 2015						
	Hedge Funds	Private Equity Funds	Structured Credit Fund	Real Estate	Total	
Beginning balance — January 1, 2015	\$ 41.5	\$ 31.2	\$ 65.4	\$ 50.0	\$ 188.1	
Actual return on plan assets:						
Relating to assets still held at the reporting date	(0.8)	1.5	(3.3)	8.1	5.5	
Relating to assets sold during the period	—	2.5	—	—	2.5	
Purchases	—	5.7	—	—	5.7	
Sales	—	(7.8)	—	(0.6)	(8.4)	
Ending balance — December 31, 2015	<u>\$ 40.7</u>	<u>\$ 33.1</u>	<u>\$ 62.1</u>	<u>\$ 57.5</u>	<u>\$ 193.4</u>	

(In Millions)						
Year Ended December 31, 2014						
	Hedge Funds	Private Equity Funds	Structured Credit Fund	Real Estate	Total	
Beginning balance — January 1, 2014	\$ 38.8	\$ 29.1	\$ 61.0	\$ 40.9	\$ 169.8	
Actual return on plan assets:						
Relating to assets still held at the reporting date	2.7	3.2	4.4	5.2	15.5	
Relating to assets sold during the period	—	3.0	—	—	3.0	
Purchases	—	1.4	—	5.4	6.8	
Sales	—	(5.5)	—	(1.5)	(7.0)	
Ending balance — December 31, 2014	<u>\$ 41.5</u>	<u>\$ 31.2</u>	<u>\$ 65.4</u>	<u>\$ 50.0</u>	<u>\$ 188.1</u>	

VEBA

Assets for other benefits include VEBA trusts pursuant to bargaining agreements that are available to fund retired employees' life insurance obligations and medical benefits. The fair values of our other benefit plan assets at December 31, 2015 and 2014 by asset category are as follows:

(In Millions)					
December 31, 2015					
Asset Category	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	
Equity securities:					
U.S. large-cap	\$ 11.1	\$ —	\$ —	\$ 11.1	
U.S. small/mid-cap	2.8	—	—	2.8	
International	8.2	—	—	8.2	
Fixed income	158.1	37.9	—	196.0	
Hedge funds	—	—	11.2	11.2	
Private equity	—	—	5.5	5.5	
Structured credit	—	—	5.8	5.8	
Real estate	—	—	10.0	10.0	
Cash	—	—	—	—	
Total	<u>\$ 180.2</u>	<u>\$ 37.9</u>	<u>\$ 32.5</u>	<u>\$ 250.6</u>	

(In Millions)

December 31, 2014

Asset Category	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Equity securities:				
U.S. large-cap	\$ 11.6	\$ —	\$ —	\$ 11.6
U.S. small/mid-cap	2.9	—	—	2.9
International	8.6	—	—	8.6
Fixed income	174.5	39.1	—	213.6
Hedge funds	—	—	11.5	11.5
Private equity	—	—	6.2	6.2
Structured credit	—	—	6.1	6.1
Real estate	—	—	8.7	8.7
Cash	0.1	—	—	0.1
Total	\$ 197.7	\$ 39.1	\$ 32.5	\$ 269.3

Refer to the pension asset discussion above for further information regarding the inputs and valuation methodologies used to measure the fair value of each respective category of plan assets.

The following represents the effect of fair value measurements using significant unobservable inputs (Level 3) on changes in plan assets for the year ended December 31, 2015 and 2014:

(In Millions)

Year Ended December 31, 2015

	Hedge Funds	Private Equity Funds	Structured Credit Fund	Real Estate	Total
Beginning balance — January 1, 2015	\$ 11.5	\$ 6.2	\$ 6.1	\$ 8.7	\$ 32.5
Actual return on plan assets:					
Relating to assets still held at the reporting date	(0.3)	0.3	(0.3)	1.3	1.0
Relating to assets sold during the period	—	0.4	—	—	0.4
Purchases	—	0.1	—	—	0.1
Sales	—	(1.5)	—	—	(1.5)
Ending balance — December 31, 2015	\$ 11.2	\$ 5.5	\$ 5.8	\$ 10.0	\$ 32.5

(In Millions)

Year Ended December 31, 2014

	Hedge Funds	Private Equity Funds	Structured Credit Fund	Real Estate	Total
Beginning balance — January 1, 2014	\$ 24.6	\$ 6.0	\$ 13.5	\$ 13.2	\$ 57.3
Actual return on plan assets:					
Relating to assets still held at the reporting date	0.5	1.0	0.4	0.9	2.8
Relating to assets sold during the period	0.6	0.4	0.4	0.5	1.9
Purchases	—	0.1	—	—	0.1
Sales	(14.2)	(1.3)	(8.2)	(5.9)	(29.6)
Ending balance — December 31, 2014	\$ 11.5	\$ 6.2	\$ 6.1	\$ 8.7	\$ 32.5

Contributions

Annual contributions to the pension plans are made within income tax deductibility restrictions in accordance with statutory regulations. In the event of plan termination, the plan sponsors could be required to fund additional shutdown and early retirement obligations that are not included in the pension obligations. The Company currently has no intention to shutdown, terminate or withdraw from any of its employee benefit plans.

Company Contributions	(In Millions)			
	Pension Benefits	Other Benefits		
		VEBA	Direct Payments	Total
2014	\$ 49.6	\$ —	\$ 5.5	\$ 5.5
2015	35.7	—	3.5	3.5
2016 (Expected) ⁽¹⁾	1.2	—	4.1	4.1

⁽¹⁾ Pursuant to the bargaining agreement, benefits can be paid from VEBA trusts that are at least 70 percent funded (all VEBA trusts are over 70 percent funded at December 31, 2015). Funding obligations have been suspended as Hibbing's, UTAC's, Tilden's and Empire's share of the value of their respective trust assets have reached 90 percent of their obligation.

VEBA plans are not subject to minimum regulatory funding requirements. Amounts contributed are pursuant to bargaining agreements.

Contributions by participants to the other benefit plans were \$4.0 million for the year ended December 31, 2015 and \$4.8 million for the year ended December 31, 2014.

Estimated Cost for 2016

For 2016, we estimate net periodic benefit cost as follows:

	(In Millions)
Defined benefit pension plans	\$ 16.3
Other postretirement benefits	(4.4)
Total	\$ 11.9

Estimated Future Benefit Payments

	(In Millions)			
	Pension Benefits	Other Benefits		
		Gross Company Benefits	Less Medicare Subsidy	Net Company Payments
2016	\$ 74.6	\$ 18.2	\$ 0.8	\$ 17.4
2017	63.4	18.3	0.9	17.4
2018	63.0	18.3	1.0	17.3
2019	62.4	18.1	1.1	17.0
2020	62.4	17.7	1.2	16.5
2021-2025	306.8	84.7	6.9	77.8

Other Potential Benefit Obligations

While the foregoing reflects our obligation, our total exposure in the event of non-performance is potentially greater. Following is a summary comparison of the total obligation:

	(In Millions)	
	December 31, 2015	
	Defined Benefit Pensions	Other Benefits
Fair value of plan assets	\$ 700.6	\$ 250.6
Benefit obligation	(910.8)	(266.0)
Underfunded status of plan	\$ (210.2)	\$ (15.4)
Additional shutdown and early retirement benefits	\$ (23.2)	\$ (3.2)

NOTE 8 - STOCK COMPENSATION PLANS

At December 31, 2015, we have outstanding awards under two share-based compensation plans, which are described below. The compensation cost that has been charged against income for those plans was \$13.9 million, \$21.5 million and \$19.1 million in 2015, 2014 and 2013, respectively, which primarily was recorded in *Selling, general and administrative expenses* in the Statements of Consolidated Operations. The total income tax benefit recognized in the Statements of Consolidated Operations for share-based compensation arrangements was \$7.5 million and \$6.7 million for 2014 and 2013, respectively. There was no income tax benefit recognized for the year ended December 31, 2015, due to the full valuation allowance.

Employees' Plans

The 2015 Equity Plan was approved by our Board of Directors on March 26, 2015 and by our shareholders on May 19, 2015. The 2015 Equity Plan replaced the 2012 Amended Equity Plan. The maximum number of shares that may be issued under the 2015 Equity Plan is 12.9 million common shares. No additional grants were issued from the 2012 Amended Equity Plan after the date of approval of the 2015 Equity Plan; however, all awards previously granted under the 2012 Amended Equity Plan will continue in full force and effect in accordance with the terms of outstanding awards.

During the third quarter of 2015, the Compensation Committee approved grants under the 2015 Equity Plan of 1.5 million restricted share units to certain officers and employees with a grant date of September 10, 2015. The restricted share units granted under this award are subject to continued employment through the vesting date of December 15, 2017.

During the first quarter of 2015, the Compensation Committee approved grants under the 2012 Amended Equity Plan to certain officers and employees for the 2015 to 2017 performance period. Shares granted under the awards consisted of 0.9 million performance shares, 0.9 million restricted share units and 0.4 million stock options.

On February 10, 2014, upon recommendation by the Compensation Committee, our Board of Directors approved and adopted, subject to the approval of our shareholders at the 2014 Annual Meeting, the 2012 Amended Equity Plan. The principal reason for amending and restating the 2012 Equity Plan was to increase the number of common shares available for issuance by 5.0 million common shares. This amended plan was approved by our shareholders at the 2014 Annual Meeting held on July 29, 2014.

Subsequent to our 2014 Annual Meeting of Shareholders, where shareholders elected six new directors, our board changed substantially. Such an event constituted a change in control pursuant to our incentive equity plans and applicable award agreements. As a result, all of the outstanding and unvested equity incentives awarded to participants prior to October 2013 became vested. Accordingly, this resulted in recognizing \$11.7 million of additional equity-based compensation expense in the accompanying financial statements, representing the remaining unrecognized compensation expense of the awards. For any equity grants awarded after September 2013, the vesting of all such grants will accelerate and pay out in cash only following a participant's qualifying termination of employment associated with the change in control and if the common shares are not substituted with a replacement award. This potential liability for additional double-trigger payments for share-based compensation in cash will expire on August 6, 2016.

Performance Shares

The outstanding performance share or unit grants vest over a period of three years and are intended to be paid out in common shares or cash in certain circumstances. Performance is measured on the basis of relative TSR for the period and measured against the constituents of the S&P Metals and Mining ETF Index on the last day of trading of the relevant performance period. The final payouts for the outstanding performance period grants will vary from zero to 200 percent of the original grant depending on whether and to what extent the Company achieves certain objectives and performance goals as established by the Compensation Committee.

Following is a summary of our performance share award agreements currently outstanding :

Performance Share Plan Year	Performance Shares Granted	Estimated Forfeitures	Expected to Vest	Grant Date	Performance Period
2015	410,105	111,877	298,228	February 9, 2015	1/1/2015 - 12/31/2017
2015	464,470	96,149	368,321	January 12, 2015	1/1/2015 - 12/31/2017
2014	400,000	27,774	372,226	November 17, 2014	8/7/2014 - 12/31/2017
2014	199,450	32,653	166,797	July 29, 2014	1/1/2014 - 12/31/2016
2014	106,120	16,351	89,769	May 12, 2014	1/1/2014 - 12/31/2016
2014	230,265	142,017	88,248	February 10, 2014	1/1/2014 - 12/31/2016

Performance-Based Restricted Stock Units

For the outstanding performance-based restricted stock units, the award may be earned and settled based upon certain VWAP performance for the Company's common shares, (Threshold VWAP, Target VWAP, or Maximum VWAP) for any period of ninety (90) consecutive calendar days during a performance period commencing August 7, 2014 and ending December 31, 2017.

Restricted Share Units

The outstanding restricted share units are subject to continued employment, are retention based, will vest in equal thirds on each of December 31, 2015, December 31, 2016 and December 31, 2017, and are payable in common shares or cash in certain circumstances at a time determined by the Compensation Committee at its discretion.

Stock Options

The stock options that were granted during the first quarter of 2015 vest on December 31, 2017, subject to continued employment through the vesting date, are exercisable at a strike price of \$7.70 after the vesting date and expire on January 12, 2025. The stock options that were granted on November 17, 2014 vest in equal thirds on each of December 31, 2015, December 31, 2016 and December 31, 2017 subject to continued employment through each vesting date, and are exercisable cumulatively at a strike price of \$13.83 after each vesting date and expire on November 17, 2021.

Employee Stock Purchase Plan

On March 26, 2015, upon recommendation by the Compensation Committee, our Board of Directors approved and adopted, subject to the approval of Cliffs' shareholders at the 2015 Annual Meeting, the Cliffs Natural Resources Inc. 2015 Employee Stock Purchase Plan. This plan was approved by our shareholders at the 2015 Annual Meeting held May 19, 2015. 10 million common shares have been registered for issuance under this plan and zero common shares have been purchased. We sought shareholder approval of this plan for the purpose of qualifying the reserved common shares for special tax treatment under Section 423 of the Internal Revenue Code of 1986, as amended.

Nonemployee Directors

Equity Grants

During 2015 our nonemployee directors were entitled to receive restricted share awards under the Directors' Plan. For 2015, nonemployee directors were granted a number of restricted shares, with a value equal to \$85,000, based on the closing price of our common shares on May 19, 2015, the date of the Company's 2015 annual meeting of shareholders, subject to any deferral election and pursuant to the terms of the Directors' Plan and an award agreement, effective on May 19, 2015.

At our 2014 annual meeting, the shareholders approved the Directors' Plan which became effective December 1, 2014. The Directors' Plan authorizes us to issue up to 300,000 common shares from time to time to nonemployee Directors. Under the Share Ownership Guidelines in effect for 2015 ("Guidelines"), a Director is required by the end of five years from date of election to hold common shares with a market value of at least \$250,000. The Directors' Plan offers the nonemployee Director the opportunity to defer all or a portion of the awards granted.

Directors receive dividends, if any, on their restricted share awards and may elect that all cash dividends with respect to restricted shares be deferred and reinvested in additional common shares. Those additional common shares are subject to the same restrictions as the underlying award. Cash dividends not subject to a deferral election will be paid to the director without restriction.

The 2008 Directors' Plan in effect for most of 2014 provided for an Annual Equity Grant ("Equity Grant") to be awarded at our annual meeting each year to all nonemployee Directors elected or re-elected by the shareholders and a pro-rata amount was awarded to new directors upon their appointment. The value of the Equity Grant was payable in restricted shares with a three-year vesting period from the date of grant. The closing market price of our common shares on October 16, 2014 was divided into the number of common shares remaining available for issuance under the 2008 Directors' Plan to determine the number of restricted shares awarded as the Equity Grant. In 2014, nonemployee Directors each received Equity Grants valued at \$85,000 which was bifurcated into two tranches since the 2008 Director's Plan did not have a sufficient number of shares available for issuance. The first tranche of the 2014 Equity Grant was granted under the 2008 Directors' Plan on October 16, 2014 and valued at \$42,500. The second tranche was granted under the Directors' Plan on December 2, 2014 and valued at \$42,500.

For the last three years, Equity Grant shares have been awarded to elected or re-elected nonemployee Directors as follows:

Year of Grant	Unrestricted Equity Grant Shares	Restricted Equity Grant Shares	Deferred Equity Grant Shares
2013	3,985	31,506	7,970
2014	—	73,635	—
2015	—	109,408	25,248

Starting in July, 2015, the Governance and Nominating Committee recommended, and the Board adopted, a Nonemployee Director Retainer Share Election Program pursuant to which nonemployee directors may elect to receive all or any portion of their annual retainer and any other fees earned in cash in Cliffs' common shares. Election is voluntary and irrevocable for the applicable election period and shares issued under this program must be held for six months from the issuance date. The number of shares received each quarter are calculated by dividing the value of the quarterly cash retainer amount by the closing market price of the date of payment.

Other Information

The following table summarizes the share-based compensation expense that we recorded for continuing operations in 2015, 2014 and 2013:

	(In Millions, except per share amounts)		
	2015	2014	2013
Cost of goods sold and operating expenses	\$ 4.0	\$ 5.6	\$ 4.9
Selling, general and administrative expenses	9.9	15.9	14.2
Reduction of operating income (loss) from continuing operations before income taxes and equity loss from ventures	13.9	21.5	19.1
Income tax benefit ⁽¹⁾	—	(7.5)	(6.7)
Reduction of net income attributable to Cliffs shareholders	<u>\$ 13.9</u>	<u>\$ 14.0</u>	<u>\$ 12.4</u>
Reduction of earnings per share attributable to Cliffs shareholders:			
Basic	<u>\$ 0.09</u>	<u>\$ 0.09</u>	<u>\$ 0.08</u>
Diluted	<u>\$ 0.09</u>	<u>\$ 0.09</u>	<u>\$ 0.07</u>

⁽¹⁾ No income tax benefit for the year ended December 31, 2015, due to the full valuation allowance.

Determination of Fair Value
Performance Shares

The fair value of each performance share grant is estimated on the date of grant using a Monte Carlo simulation to forecast relative TSR performance. A correlation matrix of historic and projected stock prices was developed for both the Company and our predetermined peer group of mining and metals companies. The fair value assumes that performance goals will be achieved.

The expected term of the grant represents the time from the grant date to the end of the service period for each of the three plan-year agreements. We estimate the volatility of our common shares and that of the peer group of mining and metals companies using daily price intervals for all companies. The risk-free interest rate is the rate at the grant date on zero-coupon government bonds, with a term commensurate with the remaining life of the performance period.

The following assumptions were utilized to estimate the fair value for the 2015 performance share grants:

Grant Date	Grant Date Market Price	Average Expected Term (Years)	Expected Volatility	Risk-Free Interest Rate	Dividend Yield	Fair Value	Fair Value (Percent of Grant Date Market Price)
January 12, 2015	\$ 7.70	2.97	58.3%	0.91%	—%	\$ 11.56	150.13%
February 9, 2015	\$ 6.57	2.89	58.3%	0.87%	—%	\$ 9.86	150.13%

Stock Options

The fair value of each stock option grant is estimated on the date of grant using a Black-Scholes valuation model. The expected term of the option grant is determined using the simplified method. We estimate the volatility of our common shares using historical stock prices with consistent frequency over the most recent historical period equal to the option's expected term. The risk-free interest rate is the rate at the grant date on zero-coupon government bonds, with a term commensurate with the expected term.

The following assumptions were utilized to estimate the fair value for the stock options granted in 2015:

Grant Date	Grant Date Market Price	Average Expected Term (Years)	Expected Volatility	Risk-Free Interest Rate	Dividend Yield	Fair Value
January 12, 2015	\$ 7.70	6.47	75.3%	1.60%	—%	\$ 5.23

Restricted Share Units

The fair value of the restricted share units is determined based on the closing price of our common shares on the grant date. The restricted share units granted under the 2015 Equity Plan vest over 27 months. The restricted share units granted under either the 2012 Equity Plan or the 2012 Amended Equity Plan generally vest over a period of three years.

Stock option, restricted share awards and performance share activity under our long-term equity plans and Directors' Plans are as follows:

	2015	2014	2013
	Shares	Shares	Shares
Stock options:			
Outstanding at beginning of year	250,000	—	—
Granted during the year	412,710	250,000	—
Vested	—	—	—
Forfeited/canceled	(55,221)	—	—
Outstanding at end of year	607,489	250,000	—
Restricted awards:			
Outstanding and restricted at beginning of year	523,176	586,084	393,787
Granted during the year	2,482,415	531,030	396,844
Vested	(477,157)	(423,822)	(118,973)
Forfeited/canceled	(190,364)	(170,116)	(85,574)
Outstanding and restricted at end of year	2,338,070	523,176	586,084
Performance shares:			
Outstanding at beginning of year	1,072,376	1,040,453	772,484
Granted during the year ⁽¹⁾	874,575	1,233,685	806,271
Issued ⁽²⁾	(242,920)	(796,624)	(289,054)
Forfeited/canceled	(207,542)	(405,138)	(249,248)
Outstanding at end of year	1,496,489	1,072,376	1,040,453
Vested or expected to vest as of December 31, 2015	3,934,901		
Directors' retainer and voluntary shares:			
Outstanding at beginning of year	—	7,329	2,880
Granted during the year	—	2,281	8,136
Forfeited/canceled	—	—	(1,521)
Vested	—	(9,610)	(2,166)
Outstanding at end of year	—	—	7,329
Reserved for future grants or awards at end of year:			
Employee plans	11,917,635		
Directors' plans	91,299		
Total	12,008,934		

(1) The shares granted in 2013 include 54,051 shares related to the 23% payout associated with the prior-year pool as actual payout exceeded target.

(2) For the year ended December 31, 2015, the shares vesting due to the change in control were paid out in cash, at target, and valued as of the respective participants' termination dates. For the year ended December 31, 2014, the shares vesting on December 31, 2013 were valued as of February 10, 2014, and the shares vesting due to the change in a majority of our Board of Directors that triggered the acceleration of vesting and payout of outstanding equity grants under our equity plans on August 6, 2014 were paid out in cash, at target, and valued as of that date. For the year ended December 31, 2013, the shares vested on December 31, 2012 were valued as of February 21, 2013.

A summary of our outstanding share-based awards as of December 31, 2015 is shown below:

	Shares	Weighted Average Grant Date Fair Value
Outstanding, beginning of year	1,845,552	\$ 16.55
Granted	3,769,700	\$ 6.78
Vested	(720,077)	\$ 16.15
Forfeited/expired	(453,127)	\$ 10.50
Outstanding, end of year	4,442,048	\$ 8.93

A summary of our stock option grants vested or expected to vest as of December 31, 2015 is shown below:

	Shares	Weighted-Average Exercise Price	Aggregate Intrinsic Value	Weighted-Average Remaining Contractual Term (Years)
Expected to vest	490,902	\$ 9.67	\$ —	7.90
Exercisable	83,334	\$ 13.83	\$ —	5.88

The total compensation cost related to outstanding awards not yet recognized is \$23.5 million at December 31, 2015. The weighted average remaining period for the awards outstanding at December 31, 2015 is approximately 2.6 years.

NOTE 9 - INCOME TAXES

Income (Loss) from Continuing Operations Before Income Taxes and Equity Loss from Ventures includes the following components:

	(In Millions)		
	2015	2014	2013
United States	\$ 314.2	\$ (447.5)	\$ 840.8
Foreign	(1.1)	427.8	350.1
	<u>\$ 313.1</u>	<u>\$ (19.7)</u>	<u>\$ 1,190.9</u>

The components of the provision (benefit) for income taxes on continuing operations consist of the following:

	(In Millions)		
	2015	2014	2013
Current provision (benefit):			
United States federal	\$ 8.2	\$ (125.2)	\$ 110.4
United States state & local	0.3	(0.6)	4.0
Foreign	0.9	11.7	94.8
	<u>9.4</u>	<u>(114.1)</u>	<u>209.2</u>
Deferred provision (benefit):			
United States federal	165.8	20.4	35.0
United States state & local	—	(24.9)	3.0
Foreign	(5.9)	32.6	(9.6)
	<u>159.9</u>	<u>28.1</u>	<u>28.4</u>
Total provision on income (loss) from continuing operations	<u>\$ 169.3</u>	<u>\$ (86.0)</u>	<u>\$ 237.6</u>

Reconciliation of our income tax attributable to continuing operations computed at the U.S. federal statutory rate is as follows:

	(In Millions)					
	2015		2014		2013	
Tax at U.S. statutory rate of 35 percent	\$ 109.6	35.0 %	\$ (6.9)	35.0 %	\$ 416.8	35.0 %
Increase (decrease) due to:						
Non-taxable income related to noncontrolling interests	(3.0)	(1.0)	(9.4)	47.7	(5.4)	(0.5)
Impact of tax law change	—	—	13.0	(66.0)	—	—
Percentage depletion in excess of cost depletion	(34.9)	(11.1)	(87.9)	446.2	(97.6)	(8.2)
Impact of foreign operations	(53.9)	(17.2)	51.4	(260.9)	(48.7)	(4.1)
Income not subject to tax	—	—	(27.7)	140.6	(84.7)	(7.1)
Goodwill impairment	—	—	22.7	(115.2)	—	—
State taxes, net	0.2	0.1	(25.4)	128.9	5.6	0.5
Settlement of financial guaranty	—	—	(347.1)	1,761.9	—	—
Valuation allowance - current year	(104.6)	(33.4)	318.3	(1,615.7)	53.2	4.5
Valuation allowance on tax benefits - prior	165.8	52.9	15.2	(77.2)	—	—
Tax uncertainties	84.1	26.9	—	—	12.5	1.1
Prior year adjustment in current year	5.9	1.9	(6.3)	32.1	4.9	0.4
Other items — net	0.1	—	4.1	(20.9)	(19.0)	(1.6)
Income tax (benefit) expense	<u>\$ 169.3</u>	<u>54.1 %</u>	<u>\$ (86.0)</u>	<u>436.5 %</u>	<u>\$ 237.6</u>	<u>20.0 %</u>

The components of income taxes for other than continuing operations consisted of the following:

	(In Millions)		
	2015	2014	2013
Other comprehensive (income) loss:			
Pension/OPEB liability	\$ —	\$ 37.1	\$ 83.2
Mark-to-market adjustments	0.3	3.6	1.8
Other	5.9	0.2	(9.8)
Total	<u>\$ 6.2</u>	<u>\$ 40.9</u>	<u>\$ 75.2</u>
Paid in capital — stock based compensation	\$ —	\$ (4.8)	\$ 3.5
Discontinued Operations	\$ (6.0)	\$ (1,216.0)	\$ (184.5)

Significant components of our deferred tax assets and liabilities as of December 31, 2015 and 2014 are as follows:

	(In Millions)	
	2015	2014
Deferred tax assets:		
Pensions	\$ 106.6	\$ 99.5
Postretirement benefits other than pensions	36.5	50.4
Alternative minimum tax credit carryforwards	218.7	219.1
Investments in ventures	4.9	—
Asset retirement obligations	5.3	29.4
Operating loss carryforwards	2,791.6	679.0
Product inventories	57.2	25.6
Property, plant and equipment and mineral rights	189.8	337.8
State and local	59.9	41.9
Lease liabilities	18.3	14.1
Other liabilities	148.9	95.6
Total deferred tax assets before valuation allowance	3,637.7	1,592.4
Deferred tax asset valuation allowance	(3,372.5)	(1,152.3)
Net deferred tax assets	265.2	440.1
Deferred tax liabilities:		
Property, plant and equipment and mineral rights	(35.5)	—
Investment in ventures	(206.6)	(198.0)
Intangible assets	(1.5)	(7.3)
Product inventories	(2.5)	(3.1)
Other assets	(19.1)	(65.9)
Total deferred tax liabilities	(265.2)	(274.3)
Net deferred tax assets (liabilities)	\$ —	\$ 165.8

Following is a summary of the deferred tax amounts as reported in the Statements of Consolidated Financial Position:

	(In Millions)	
	2015	2014
Deferred tax assets:		
United States	\$ —	\$ 165.8
Foreign	—	9.7
Total deferred tax assets	—	175.5
Deferred tax liabilities:		
United States	—	—
Foreign	—	9.7
Total deferred tax liabilities	—	9.7
Net deferred tax assets (liabilities)	\$ —	\$ 165.8

At December 31, 2015 and 2014, we had \$218.7 million and \$219.1 million, respectively, of gross deferred tax assets related to U.S. alternative minimum tax credits that can be carried forward indefinitely.

We had gross domestic (including states) and foreign net operating loss carryforwards, inclusive of discontinued operations, of \$3.9 billion, and \$11.1 billion, respectively, at December 31, 2015. We had gross domestic and foreign net operating loss carryforwards at December 31, 2014 of \$1.9 billion and \$4.5 billion, respectively. The U.S. Federal

net operating losses will begin to expire in 2035 and state net operating losses will begin to expire in 2019. The foreign net operating losses will begin to expire in 2022. We had foreign tax credit carryforwards of \$5.8 million at December 31, 2015 and \$5.8 million at December 31, 2014. The foreign tax credit carryforwards will begin to expire in 2020. Additionally, there is a net operating loss carryforward, inclusive of discontinued operations, of \$1.6 billion for Alternative Minimum Tax. No benefit has been recorded in the financials for this attribute as ASC 740, *Income Taxes*, does not allow for the recording of deferred taxes under alternative taxing systems.

We recorded a \$2.2 billion net increase in the valuation allowance of certain deferred tax assets where management believes that realization of the related deferred tax assets is not more likely than not. Of this amount, a \$165.8 million increase was recorded through continuing operations and relates to domestic deferred tax assets recorded in prior years for which future utilization is currently uncertain. A \$111.5 million decrease, also recorded through continuing operations, relates to the reversal of deferred tax assets due to current year operating activities. The remainder of the \$2.2 billion increase relates primarily to foreign deferred tax assets that were generated through discontinued operations in which it is more likely than not that the assets will not be realized.

At December 31, 2015 and 2014, we had no cumulative undistributed earnings of foreign subsidiaries included in consolidated retained earnings. Accordingly, no provision has been made for U.S. deferred taxes related to future repatriation of earnings.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	(In Millions)		
	2015	2014	2013
Unrecognized tax benefits balance as of January 1	\$ 72.6	\$ 71.8	\$ 53.5
Increases for tax positions in prior years	6.7	—	13.0
Increases for tax positions in current year	78.5	5.9	5.3
Increase due to foreign exchange	—	(0.2)	—
Settlements	(1.1)	—	—
Lapses in statutes of limitations	(0.5)	(3.7)	—
Other	—	(1.2)	—
Unrecognized tax benefits balance as of December 31	<u>\$ 156.2</u>	<u>\$ 72.6</u>	<u>\$ 71.8</u>

At December 31, 2015 and 2014, we had \$156.2 million and \$72.6 million, respectively, of unrecognized tax benefits recorded. Of this amount, \$21.5 million and \$23.2 million were recorded in *Other liabilities* and \$134.7 million and \$49.4 million were recorded as *Other non-current assets* in the Statements of Consolidated Financial Position for both years. If the \$156.2 million were recognized, only \$21.5 million would impact the effective tax rate. We do not expect that the amount of unrecognized tax benefits will change significantly within the next twelve months. At December 31, 2015 and 2014, we had \$2.1 million and \$1.6 million, respectively, of accrued interest and penalties related to the unrecognized tax benefits recorded in *Other liabilities* in the Statements of Consolidated Financial Position.

On July 18, 2013, the FASB issued Accounting Standards Update No. 2013-11. *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists* (ASU 2013-11). ASU 2013-11 requires the netting of unrecognized tax benefits against a deferred tax asset for a loss or other carryforward that would apply in settlement of the uncertain tax positions except where the deferred tax asset or other carryforward are not available for use. The adoption of the pronouncement does not have an impact in the presentation of our financial statement.

Tax years that remain subject to examination are years 2010 and forward for the U.S. and 2011 and forward for Australia.

NOTE 10 - LEASE OBLIGATIONS

We lease certain mining, production and other equipment under operating and capital leases. The 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 \$12.0 million, \$17.8 million and \$23.6 million for the years ended December 31, 2015, 2014 and 2013, respectively. Capital lease assets were \$32.5 million and \$72.7 million at December 31, 2015 and 2014, respectively. In 2014 we had impairment charges of \$64.0 million on our capital lease assets at our Asia Pacific Iron Ore operations. Corresponding accumulated amortization of capital leases included in respective allowances for depreciation were \$8.7 million and \$14.9 million at December 31, 2015 and 2014, respectively.

Future minimum payments under capital leases and non-cancellable operating leases at December 31, 2015 are as follows:

	(In Millions)	
	Capital Leases	Operating Leases
2016	\$ 24.3	\$ 8.4
2017	22.3	7.2
2018	18.0	6.5
2019	10.0	4.8
2020	9.0	4.9
2021 and thereafter	9.0	5.0
Total minimum lease payments	\$ 92.6	\$ 36.8
Amounts representing interest	18.5	
Present value of net minimum lease payments	\$ 74.1 ⁽¹⁾	

⁽¹⁾ The total is comprised of \$17.9 million and \$56.2 million classified as *Other current liabilities* and *Other liabilities*, respectively, in the Statements of Consolidated Financial Position at December 31, 2015.

NOTE 11 - ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS

We had environmental and mine closure liabilities of \$234.0 million and \$170.8 million at December 31, 2015 and 2014, respectively. Payments in 2015 and 2014 were \$2.6 million and \$3.1 million, respectively. The following is a summary of the obligations as of December 31, 2015 and 2014:

	(In Millions)	
	December 31,	
	2015	2014
Environmental	\$ 3.6	\$ 5.5
Mine closure		
LTVSMC	24.1	22.9
Operating mines:		
U.S. Iron Ore	189.9	120.9
Asia Pacific Iron Ore	16.4	21.5
Total mine closure	230.4	165.3
Total environmental and mine closure obligations	234.0	170.8
Less current portion	2.8	5.2
Long-term environmental and mine closure obligations	\$ 231.2	\$ 165.6

Environmental

Our mining and exploration activities are subject to various laws and regulations governing the protection of the environment. We conduct our operations to protect the public health and environment and believe our operations are in compliance with applicable laws and regulations in all material respects. Our environmental liabilities of \$3.6 million and \$5.5 million at December 31, 2015 and 2014, respectively, including obligations for known environmental remediation exposures at various active and closed mining operations and other sites, have been recognized based on the estimated cost of investigation and remediation at each site. If the cost only can be estimated as a range of possible amounts with no specific amount being more likely, the minimum of the range is accrued. Future expenditures are not discounted unless the amount and timing of the cash disbursements readily are known. Potential insurance recoveries have not been reflected. Additional environmental obligations could be incurred, the extent of which cannot be assessed.

The Rio Tinto Mine Site

The Rio Tinto Mine Site is a historic underground copper mine located near Mountain City, Nevada, where tailings were placed in Mill Creek; a tributary to the Owyhee River. Site investigation and remediation work is being conducted in accordance with a Consent Order dated September 14, 2001 between the Nevada DEP and the RTWG composed of the Company, Atlantic Richfield Company, Teck Cominco American Incorporated and E. I. duPont de Nemours and Company. The Consent Order provides for technical review by the Rio Tinto Trustees. In recognition of the potential for an NRD claim, the parties actively pursued a global settlement that included the EPA and encompass both the remedial action and the NRD issues.

The Nevada DEP published a Record of Decision for the Rio Tinto Mine, which was signed on February 14, 2012 by the Nevada DEP and the EPA. On September 27, 2012, the agencies subsequently issued a proposed Consent Decree, which was lodged with the U.S. District Court for the District of Nevada and subsequently finalized on May 20, 2013. Under the terms of the Consent Decree, the RTWG has agreed to pay over \$29.0 million in cleanup costs and natural resource damages to the site and surrounding area. The Company's share of the total settlement cost, which includes remedial action, insurance and other oversight costs was \$12.2 million. As of December 31, 2015, we have no remaining required payments related to the Consent Decree compared to as of December 31, 2014, when we had \$2.5 million in the Statements of Consolidated Financial Position related to this issue.

Mine Closure

Our mine closure obligations of \$230.4 million and \$165.3 million at December 31, 2015 and 2014, respectively, include our five consolidated U.S. operating iron ore mines, our Asia Pacific operating iron ore mine and a closed operation formerly operating as LTVSMC.

Management periodically performs an assessment of the obligation to determine the adequacy of the liability in

relation to the closure activities still required at the LTVSMC site. The LTVSMC closure liability was \$24.1 million and \$22.9 million at December 31, 2015 and 2014, respectively. MPCA is presently working on an NPDES permit reissuance for this facility that could modify the closure liability, but the scale of that change will not be understood until the permit has been drafted and issued.

The accrued closure obligation for our active mining operations provides for contractual and legal obligations associated with the eventual closure of the mining operations. We performed a detailed assessment of our asset retirement obligations related to our active mining locations most recently in 2014 in accordance with our accounting policy, which requires us to perform an in-depth evaluation of the liability every three years in addition to routine annual assessments.

For the assessments performed, we determined the obligations based on detailed estimates adjusted for factors that a market participant would consider (i.e., inflation, overhead and profit) and then discounted the obligation using the current credit-adjusted risk-free interest rate based on the corresponding life of mine. The estimate also incorporates incremental increases in the closure cost estimates and changes in estimates of mine lives. The closure date for each location was determined based on the exhaustion date of the remaining iron ore reserves. 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 roll forward of our asset retirement obligation liability related to our active mining locations for the years ended December 31, 2015 and 2014:

	(In Millions)	
	December 31,	
	2015	2014
Asset retirement obligation at beginning of period	\$ 142.4	\$ 177.6
Accretion expense	6.5	5.7
Exchange rate changes	(1.1)	(2.4)
Revision in estimated cash flows	58.5	(38.5)
Asset retirement obligation at end of period	\$ 206.3	\$ 142.4

The revisions in estimated cash flows recorded during the year ended December 31, 2015 relate 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 one of our U.S. Iron Ore mines.

For the year ended December 31, 2014, the revisions in estimated cash flows recorded during the year primarily included a downward revision of estimated asset retirement costs for one of our U.S. Iron Ore mines associated with required storm water management systems. The mine life was extended during 2014, effectively converting certain asset retirement costs to capital costs over the remaining life-of-mine.

NOTE 12 - GOODWILL AND OTHER INTANGIBLE ASSETS AND LIABILITIES

Goodwill

Goodwill represents the excess purchase price paid over the fair value of the net assets of acquired companies and is not subject to amortization. We assign goodwill arising from acquired companies to the reporting units that are expected to benefit from the synergies of the acquisition. Our reporting units are either at the operating segment level or a component one level below our operating segments that constitutes a business for which management generally reviews production and financial results of that component. Decisions often are made as to capital expenditures, investments and production plans at the component level as part of the ongoing management of the related operating segment. We have determined that our Asia Pacific Iron Ore operating segment constitutes a separate reporting unit and that Northshore within our U.S. Iron Ore operating segment constitutes a reporting unit. Goodwill is allocated among and evaluated for impairment at the reporting unit level in the fourth quarter of each year or as circumstances occur that potentially indicate that the carrying amount of these assets may exceed their fair value.

During the third quarter of 2014, a goodwill impairment charge of \$73.5 million was recorded for our Asia Pacific Iron Ore reporting segment. The impairment charge was a result of downward long-term pricing estimates as determined through management's long-range planning process.

Refer to NOTE 6 - FAIR VALUE OF FINANCIAL INSTRUMENTS for further information.

The following table summarizes changes in the carrying amount of goodwill allocated by operating segment for the years ended December 31, 2015 and December 31, 2014:

	(In Millions)					
	December 31, 2015			December 31, 2014		
	U.S. Iron Ore	Asia Pacific Iron Ore	Total	U.S. Iron Ore	Asia Pacific Iron Ore	Total
Beginning Balance	\$ 2.0	\$ —	\$ 2.0	\$ 2.0	\$ 72.5	\$ 74.5
Impairment	—	—	—	—	(73.5)	(73.5)
Impact of foreign currency translation	—	—	—	—	1.0	1.0
Ending Balance	\$ 2.0	\$ —	\$ 2.0	\$ 2.0	\$ —	\$ 2.0
Accumulated goodwill impairment loss	\$ —	\$ (73.5)	\$ (73.5)	\$ —	\$ (73.5)	\$ (73.5)

Other Intangible Assets and Liabilities

Following is a summary of intangible assets and liabilities as of December 31, 2015 and December 31, 2014:

Classification	(In Millions)					
	December 31, 2015			December 31, 2014		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Definite-lived intangible assets:						
Permits <i>Other non-current assets</i>	\$ 78.4	\$ (20.2)	\$ 58.2	\$ 79.2	\$ (16.5)	\$ 62.7
Total intangible assets	\$ 78.4	\$ (20.2)	\$ 58.2	\$ 79.2	\$ (16.5)	\$ 62.7
Below-market sales contracts <i>Other current liabilities</i>	\$ (23.1)	\$ —	\$ (23.1)	\$ (23.0)	\$ —	\$ (23.0)
Below-market sales contracts <i>Other liabilities</i>	(205.8)	205.8	—	(205.9)	182.8	(23.1)
Total below-market sales contracts	\$ (228.9)	\$ 205.8	\$ (23.1)	\$ (228.9)	\$ 182.8	\$ (46.1)

Amortization expense relating to intangible assets was \$4.2 million, \$8.4 million and \$8.4 million for the years ended December 31, 2015, 2014 and 2013, and is recognized in *Cost of goods sold and operating expenses* in the Statements of Consolidated Operations. During the year ended December 31, 2014, an impairment charge of \$13.8 million was recorded related to the permits intangible asset and is recognized in *Impairment of goodwill and other long-lived assets* in the Statements of Consolidated Operations. There were no impairment charges recorded for definite-lived intangible assets in 2015 or 2013. The estimated amortization expense relating to intangible assets for each of the five succeeding years is as follows:

Year Ending December 31	(In Millions)
	Amount
2016	3.8
2017	4.3
2018	4.1
2019	3.5
2020	2.5
Total	\$ 18.2

The below-market sales contract is classified as a liability and recognized over the term of the underlying contract, which has a remaining life of approximately one year and expires December 31, 2016. For the years ended December 31, 2015, 2014 and 2013, we recognized \$23.1 million, \$23.1 million and \$26.9 million, respectively, in *Product revenues* related to below-market sales contracts. We estimate that \$23.1 million will be recognized in *Product revenues* for the succeeding fiscal year.

NOTE 13 - DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The following table presents the fair value of our derivative instruments and the classification of each in the Statements of Consolidated Financial Position as of December 31, 2015 and December 31, 2014:

Derivative Instrument	(In Millions)							
	Derivative Assets				Derivative Liabilities			
	December 31, 2015		December 31, 2014		December 31, 2015		December 31, 2014	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments under ASC 815:								
Foreign Exchange Contracts	—	—	—	—	—	—	Other current liabilities	21.6
Total derivatives designated as hedging instruments under ASC 815	<u>\$ —</u>	<u>—</u>	<u>\$ —</u>	<u>—</u>	<u>\$ —</u>	<u>—</u>		<u>\$ 21.6</u>
Derivatives not designated as hedging instruments under ASC 815:								
Foreign Exchange Contracts	\$ —	—	\$ —	—	\$ —	—	Other current liabilities	\$ 9.9
Commodity Contracts	—	—	—	—	Other current liabilities	0.6		—
Customer Supply Agreements	Other current assets	5.8	Other current assets	63.2		—		—
Provisional Pricing Arrangements	Other current assets	2.0		—	Other current liabilities	3.4	Other current liabilities	9.5
Total derivatives not designated as hedging instruments under ASC 815:	<u>\$ 7.8</u>	<u>—</u>	<u>\$ 63.2</u>	<u>—</u>	<u>\$ 4.0</u>	<u>—</u>		<u>\$ 19.4</u>
Total derivatives	<u>\$ 7.8</u>	<u>—</u>	<u>\$ 63.2</u>	<u>—</u>	<u>\$ 4.0</u>	<u>—</u>		<u>\$ 41.0</u>

Derivatives Designated as Hedging Instruments
Cash Flow Hedges
Australian Foreign Exchange Contracts

We are subject to changes in foreign currency exchange rates as a result of our operations in Australia. With respect to Australia, foreign exchange risk arises from our exposure to fluctuations in foreign currency exchange rates because 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.

We were using foreign currency exchange contracts to hedge our foreign currency exposure for a portion of our U.S. dollar sales receipts in our Australian functional currency entities. For our Australian operations, U.S. dollars were converted to Australian dollars at the currency exchange rate in effect during the period the transaction occurred. The primary objective for the use of these instruments was to reduce exposure to changes in currency exchange rates and to protect against undue adverse movement in these exchange rates. These instruments qualify for hedge accounting treatment and are tested for effectiveness at inception and at least once each reporting period. If and when any of our hedge contracts are determined not to be highly effective as hedges, the underlying hedged transaction is no longer likely to occur, or the derivative is terminated, hedge accounting is discontinued. As discussed in NOTE 1 - BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES, we suspended entering into new foreign exchange rate contracts and we have waived compliance with our current derivative financial instruments and hedging activities policy through December 31, 2016.

As of December 31, 2015, we had no outstanding Australian foreign currency exchange contracts. This compares with outstanding Australian foreign currency exchange contracts with a notional amount of \$220.0 million as of December 31, 2014.

Changes in fair value of highly effective hedges are recorded as a component of *Accumulated other comprehensive loss* in the Statements of Consolidated Financial Position. Any ineffectiveness is recognized immediately in income. As of December 31, 2015 and 2014, there was no material ineffectiveness recorded for foreign exchange contracts that were classified as cash flow hedges. However, certain Australian hedge contracts were de-designated during the first quarter of 2015 and no longer qualified for hedge accounting treatment. All of these de-designated hedges were settled and were no longer outstanding by March 31, 2015. The de-designated hedges are discussed within the *Derivatives Not Designated as Hedging Instruments* section of this footnote. Amounts recorded as a component of *Accumulated other comprehensive loss* are reclassified into earnings in the same period the forecasted transactions affect earnings. As of December 31, 2015, no amounts remain in *Accumulated other comprehensive loss* related to the designated Australian hedge contracts as the last forecasted transaction occurred in October 2015.

Interest Rate Risk Management

Interest rate risk is managed using a portfolio of variable-rate and fixed-rate debt composed of short-term and long-term instruments, such as U.S. treasury lock agreements and variable-to-fixed interest rate swaps. From time to time, these instruments, which are derivative instruments, are entered into to facilitate the maintenance of the desired ratio of variable-rate to fixed-rate debt.

In the second quarter of 2012, we entered into U.S. treasury lock agreements with a notional value of \$200.0 million to hedge the exposure to the possible rise in the interest rate prior to the issuance of the five-year senior notes due 2018 discussed in NOTE 5 - DEBT AND CREDIT FACILITIES. These derivative instruments were designated and qualified as cash flow hedges. The U.S. treasury locks were settled in the fourth quarter of 2012 upon the issuance of \$500.0 million principal amount of the senior notes due 2018 for a cumulative after-tax loss of \$1.3 million, which was recorded in *Accumulated other comprehensive loss* and is being amortized to *Other non-operating income (expense)* over the life of the senior notes due 2018. Approximately \$0.1 million net of tax was recognized in earnings in both 2014 and 2015 and approximately \$0.1 million net of tax is expected to be recognized in earnings in 2016.

The following summarizes the effect of our derivatives designated as cash flow hedging instruments, net of tax in *Accumulated other comprehensive loss* in the Statements of Consolidated Operations for the years ended December 31, 2015, 2014 and 2013:

Derivatives in Cash Flow Hedging Relationships	(In Millions)						
	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion)			Location of Gain (Loss) Reclassified from Accumulated OCI into Earnings (Effective Portion)	Amount of Gain (Loss) Reclassified from Accumulated OCI into Earnings (Effective Portion)		
	Year Ended December 31,				Year Ended December 31,		
	2015	2014	2013		2015	2014	2013
Australian Dollar Foreign Exchange Contracts (hedge designation)	\$ (2.0)	\$ (13.9)	\$ (34.7)	Product revenues	\$ (7.4)	\$ (13.2)	\$ (11.9)
Australian Dollar Foreign Exchange Contracts (prior to de-designation)	(4.5)	—	—	Product revenues	(11.3)	—	—
Canadian Dollar Foreign Exchange Contracts (hedge designation)	—	—	(12.9)	Cost of goods sold and operating expenses	—	—	(8.2)
Canadian Dollar Foreign Exchange Contracts (prior to de-designation)	—	(14.3)	(4.1)	Cost of goods sold and operating expenses	—	(17.7)	(1.9)
Treasury Locks	—	—	—	Other non-operating income (expense)	(0.1)	(0.1)	(0.1)
Total	\$ (6.5)	\$ (28.2)	\$ (51.7)		\$ (18.8)	\$ (31.0)	\$ (22.1)

Derivatives Not Designated as Hedging Instruments

Foreign Exchange Contracts

During the first quarter of 2015, in connection with our refinancing initiatives, we discontinued hedge accounting and early-settled certain of our Australian foreign currency exchange contracts associated with Asia Pacific Iron Ore operations. Subsequent to de-designation, no further foreign currency exchange rate contracts were entered into for the Asia Pacific Iron Ore operations. The amounts that were previously recorded as a component of *Accumulated other comprehensive loss* prior to de-designation and remaining in *Accumulated other comprehensive loss* as of de-designation were reclassified to earnings and a corresponding realized loss was recognized when the forecasted cash flow occurred. For the year ended December 31, 2015, we reclassified losses of \$12.6 million from *Accumulated other comprehensive loss* and recorded the amounts as *Product revenues* in the Statements of Consolidated Operations upon the occurrence of the forecasted cash flows associated with each de-designated and early-settled contract. For the year ended December 31, 2015, prior to the de-designation of the Asia Pacific Iron Ore hedges at the end of the first quarter of 2015, we reclassified losses of \$6.3 million from *Accumulated other comprehensive loss* related to contracts that matured during the year, and recorded the amounts as *Product revenues* in the Statements of Consolidated Operations. As of December 31, 2015, no gains or losses remain in *Accumulated other comprehensive loss* related to the effective cash flow hedge contracts prior to de-designation and early-settlement.

During the fourth quarter of 2014, we discontinued hedge accounting for Canadian foreign currency exchange contracts for all outstanding contracts associated with Bloom Lake operations as projected future cash flows were no longer considered probable or reasonably possible, but we continued to hold these instruments as economic hedges to manage currency risk. Our parent company held the Canadian foreign currency exchange contracts and the contracts were unaffected by Bloom Lake General Partner Limited and certain of its affiliates filing under the CCAA on January 27, 2015. Subsequent to de-designation, no further foreign currency exchange contracts were entered into for the Bloom Lake operations. As of December 31, 2015 no de-designated foreign exchange rate contracts remained outstanding. All outstanding Canadian de-designated foreign exchange rate contracts settled by the end of September 2015. As of December 31, 2014, the de-designated outstanding foreign exchange rate contracts had a notional amount of \$183.0 million in the form of forward contracts.

The amounts that were previously recorded as a component of *Accumulated other comprehensive loss* prior to de-designation and remaining in *Accumulated other comprehensive loss* as of December 31, 2014 were reclassified to earnings upon the de-designation of the hedges as the hedges would not be effective prospectively due to the projected future cash flows associated with the hedges no longer being considered probable or reasonably possible. We reclassified losses of \$7.3 million from *Accumulated other comprehensive loss* related to contracts that had not matured during the year, and recorded the amounts as *Cost of goods sold and operating expenses* on the Statements of Consolidated Operations. A corresponding realized gain or loss was recognized in each period until settlement of the related economic hedge during 2015. For the year ended December 31, 2015, the change in fair value of these de-designated foreign currency exchange contracts resulted in net losses of \$3.6 million.

We previously discontinued hedge accounting for Canadian foreign currency exchange contracts for all outstanding contracts associated with the Wabush operation and the Ferroalloys operating segment as projected future cash flows were no longer considered probable, but we continued to hold these instruments as economic hedges to manage currency risk. Subsequent to de-designation, no further foreign currency exchange contracts were entered into for the Wabush operation or the Ferroalloys operating segment. As of December 31, 2015 and 2014, there were no outstanding de-designated foreign currency exchange rate contracts as all remaining de-designated foreign exchange contracts matured during the second quarter of 2014.

Prior to the maturation of the contracts and as a result of discontinued hedge accounting, the instruments were prospectively adjusted to fair value each reporting period through *Cost of goods sold and operating expenses* in the Statements of Consolidated Operations. For the years ended December 31, 2014 and 2013, the change in fair value of our de-designated foreign currency exchange contracts resulted in net losses of \$3.3 million and \$0.6 million, respectively. The amounts that were previously recorded as a component of *Accumulated other comprehensive loss* prior to de-designation were reclassified to earnings and a corresponding realized gain or loss was recognized when the forecasted cash flow occurred. For the years ended December 31, 2014 and 2013, we reclassified losses of \$0.5 million and \$1.9 million, respectively, from *Accumulated other comprehensive loss* related to contracts that matured during the year, and recorded the amounts as *Cost of goods sold and operating expenses* in the Statements of Consolidated Operations. All the remaining contracts matured during the second quarter of 2014 and as of the period ended June 30, 2014, no gains or losses remained in *Accumulated other comprehensive loss* related to the effective cash flow hedge contracts prior to de-designation.

Fair Value Hedges

Interest Rate Hedges

Our fixed-to-variable interest rate swap derivative instruments, with a notional amount of \$250.0 million, were de-designated and settled during August 2014. Prior to settlement, the derivatives were designated and qualified as fair value hedges. The objective of the hedges was to offset changes in the fair value of our debt instruments associated with fluctuations in the benchmark LIBOR interest rate as part of our risk management strategy.

Prior to de-designation and settlement, when the interest rate swap derivative instruments were designated and qualified as fair-value hedges, the gain or loss on the hedge instrument as well as the offsetting loss or gain on the hedged item attributable to the hedged risk were recognized in net income. We included the gain or loss on the derivative instrument and the offsetting loss or gain on the hedged item in *Other non-operating income (expense)*. The net gains recognized in *Other non-operating income (expense)* for the year ended December 31, 2014 were \$0.3 million.

For the year ended December 31, 2013, the fixed-to-variable interest rate swap derivative instruments were designated and qualified as fair-value hedges. The gain or loss on the hedge instrument as well as the offsetting loss or gain on the hedged item attributable to the hedged risk was recognized in net income. We included the gain or loss on the derivative instrument and the offsetting loss or gain on the hedged item in *Other non-operating income (expense)*. The net gain recognized in *Other non-operating income (expense)* for year ended December 31, 2013 was \$0.1 million.

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 the Platts 62 percent Fe fines spot price and/or international pellet prices and changes in specified Producer Price Indices, including those for industrial commodities, energy and steel. 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 \$27.1 million, \$187.8 million and \$149.2 million as *Product revenues* in the Statements of Consolidated Operations for the years ended December 31, 2015, 2014 and 2013, respectively, related to the supplemental payments. *Other current assets*, representing the fair value of the pricing factors, were \$5.8 million and \$63.2 million in the December 31, 2015 and December 31, 2014 Statements of 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 is primarily 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 recorded initially 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 December 31, 2015 we recorded \$2.0 million as *Other current assets* in the Statements of Consolidated Financial Position related to our estimate of the final revenue rate with any of our customers. At December 31, 2014, we recorded no *Other current assets* in the Statements of Consolidated Financial Position related to our estimate of the final revenue rate with any of our customers. At December 31, 2015 and December 31, 2014, we recorded \$3.4 million and \$9.5 million, respectively, as *Other current liabilities* in the Statements of Consolidated Financial Position related to our estimate of 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 revenue rate based on the price calculations established in the supply agreements. As a result, we recognized a net \$1.4 million decrease in *Product revenues* in the Statements of Consolidated Operations for the year ended December 31, 2015 related to these arrangements. This compares with a net \$9.5 million decrease and a net \$7.5 million decrease in *Product revenues* for the comparable periods in 2014 and 2013.

The following summarizes the effect of our derivatives that are not designated as hedging instruments in the Statements of Consolidated Operations for the years ended December 31, 2015, 2014 and 2013:

(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		
		Year Ended December 31,		
		2015	2014	2013
Foreign Exchange Contracts	<i>Other non-operating income (expense)</i> ⁽¹⁾	\$ (3.6)	\$ (16.9)	\$ (0.6)
Foreign Exchange Contracts	<i>Product revenues</i>	(12.6)	—	—
Commodity Contracts	<i>Cost of goods sold and operating expenses</i>	(4.0)	—	—
Customer Supply Agreements	<i>Product revenues</i>	27.1	187.8	149.2
Provisional Pricing Arrangements	<i>Product revenues</i>	(1.4)	(9.5)	(7.5)
Total		<u>\$ 5.5</u>	<u>\$ 161.4</u>	<u>\$ 141.1</u>

⁽¹⁾ At December 31, 2014 and 2013, the location of the Gain (Loss) Recognized in Income on Derivative for Foreign Exchange Contracts was *Cost of goods sold and operating expenses*.

Refer to NOTE 6 - FAIR VALUE OF FINANCIAL INSTRUMENTS 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. While the reclassification of revenues and expenses related to discontinued operations from prior periods have no impact upon previously reported net income, the Statements of Consolidated Operations present the revenues and expenses that were reclassified from the specified line items to discontinued operations and the Statements of Consolidated Financial Position present the assets and liabilities that were reclassified from the specified line items to assets and liabilities of discontinued operations.

The chart below provides an asset group breakout for each financial statement line impacted by discontinued operations.

		(In Millions)						
		North American Coal	Canadian Operations		Total Canadian Operations	Total of Discontinued Operations		
			Eastern Canadian Iron Ore	Other				
Statements of Consolidated Operations								
	YTD							
Loss from Discontinued Operations, net of tax	December 31, 2015	\$ (152.4)	\$ (638.7)	\$ (101.0)	\$ (739.7)	\$	\$	(892.1)
	YTD							
Loss from Discontinued Operations, net of tax	December 31, 2014	\$ (1,134.5)	\$ (6,952.9)	\$ (280.6)	\$ (7,233.5)	\$	\$	(8,368.0)
	YTD							
Loss from Discontinued Operations, net of tax ⁽¹⁾	December 31, 2013	\$ (9.3)	\$ (370.4)	\$ (139.4)	\$ (509.8)	\$	\$	(519.1)
Statements of Consolidated Financial Position								
	As of							
Short-term assets of discontinued operations	December 31, 2015	\$ 14.9	\$ —	\$ —	\$ —	\$	\$	14.9
	As of							
Long-term assets of discontinued operations	December 31, 2015	\$ —	\$ —	\$ —	\$ —	\$	\$	—
	As of							
Short-term liabilities of discontinued operations	December 31, 2015	\$ 6.9	\$ —	\$ —	\$ —	\$	\$	6.9
	As of							
Long-term liabilities of discontinued operations	December 31, 2015	\$ —	\$ —	\$ —	\$ —	\$	\$	—
	As of							
Short-term assets of discontinued operations	December 31, 2014	\$ 140.1	\$ 183.5	\$ 3.3	\$ 186.8	\$	\$	326.9
	As of							
Long-term assets of discontinued operations	December 31, 2014	\$ 113.3	\$ 256.0	\$ 13.7	\$ 269.7	\$	\$	383.0
	As of							
Short-term liabilities of discontinued operations	December 31, 2014	\$ 80.1	\$ 316.3	\$ 3.0	\$ 319.3	\$	\$	399.4
	As of							
Long-term liabilities of discontinued operations	December 31, 2014	\$ 117.3	\$ 304.6	\$ 5.6	\$ 310.2	\$	\$	427.5
Non-Cash Operating and Investing Activities								
	YTD							
Depreciation, depletion and amortization:	December 31, 2015	\$ 3.2	\$ —	\$ —	\$ —	\$	\$	3.2
	YTD							
Purchase of property, plant and equipment	December 31, 2015	\$ 15.9	\$ —	\$ —	\$ —	\$	\$	15.9
	YTD							
Impairment of goodwill and other long-lived assets	December 31, 2015	\$ 73.4	\$ —	\$ —	\$ —	\$	\$	73.4
	YTD							
Depreciation, depletion and amortization:	December 31, 2014	\$ 106.9	\$ 135.6	\$ 0.5	\$ 136.1	\$	\$	243.0
	YTD							
Purchase of property, plant and equipment	December 31, 2014	\$ 29.9	\$ 190.3	\$ —	\$ 190.3	\$	\$	220.2
	YTD							
Impairment of goodwill and other long-lived assets	December 31, 2014	\$ 857.5	\$ 7,269.2	\$ 267.6	\$ 7,536.8	\$	\$	8,394.3
	YTD							
Depreciation, depletion and amortization:	December 31, 2013	\$ 128.9	\$ 178.6	\$ 1.0	\$ 179.6	\$	\$	308.5
	YTD							
Purchase of property, plant and equipment	December 31, 2013	\$ 64.1	\$ 718.3	\$ 1.0	\$ 719.3	\$	\$	783.4
	YTD							
Impairment of goodwill and other long-lived assets	December 31, 2013	\$ —	\$ 154.6	\$ 81.8	\$ 236.4	\$	\$	236.4

⁽¹⁾ Loss from Discontinued Operations, net of tax during the year end December 31, 2013 also includes an additional income tax benefit of \$2.0 million resulting from the actual tax gain from the Sale of Sonoma as included in the 2012 tax return, which was filed during the year ended December 31, 2013. During the fourth quarter of 2012, we sold our 45 percent economic interest in Sonoma. The Sonoma operations previously were included in *Other* within our reportable segments.

North American Coal Operations

Background

As we continue to execute our strategy which focuses on strengthening our U.S. Iron Ore operations, management determined as of March 31, 2015 that our North American Coal operating segment met the criteria to be classified as held for sale under ASC 205, *Presentation of Financial Statements*. The North American Coal segment continued to meet the criteria throughout 2015 until we sold our held for sale North American Coal operations during the fourth quarter of 2015. As such, all current and historical North American Coal operating segment results are included in our financial statements and classified within discontinued operations.

In the first quarter of 2015, as part of the held for sale classification assigned to North American Coal, an impairment of \$73.4 million was recorded. The impairment charge was to reduce the assets to their estimated fair value which was determined based on potential sales scenarios. No further impairment was recorded in 2015.

Consistent with our strategy to extract maximum value from our current assets, we sold all the remaining North American Coal operations during the fourth quarter of 2015. On December 22, 2015, we closed the sale of our remaining North American Coal business which included Pinnacle mine in West Virginia and Oak Grove mine in Alabama. Pinnacle mine and Oak Grove mine were sold to Seneca and the deal structure was a sale of equity interests of our remaining coal business. Additionally, Seneca may pay Cliffs an earn-out of up to \$50 million contingent upon the terms of a revenue sharing agreement which extends through the year 2020. However, we have not recorded a gain contingency in relation to this earn-out. We recorded the results of this sale in our fourth quarter earnings within *Loss from Discontinued Operations, net of tax* as the transaction closed on December 22, 2015.

On December 31, 2014, we completed the sale of our CLCC assets in West Virginia to Coronado Coal II, LLC, an affiliate of Coronado Coal LLC, for \$174.0 million in cash and the assumption of certain liabilities, of which \$155.0 million was collected as of December 31, 2014. We recorded the results of this sale in our fourth quarter earnings within *Loss from Discontinued Operations, net of tax* as the transaction closed on December 31, 2014.

Loss on Discontinued Operations

Our planned sale of the Oak Grove and Pinnacle mine assets represented a strategic shift in our business. For that reason, our previously reported North American Coal operating segment results for all periods, prior to the March 31, 2015 held for sale determination, are classified as discontinued operations. On December 22, 2015, we completed the sale of the Oak Grove and Pinnacle mines, which marked our exit from the coal business. Historic results also include our CLCC assets, which were sold during the fourth quarter of 2014.

	(In Millions)		
	Twelve Months Ended December 31,		
	2015	2014	2013
<i>Loss from Discontinued Operations</i>			
Revenues from product sales and services	\$ 392.9	\$ 687.1	\$ 821.9
Cost of goods sold and operating expenses	(449.2)	(822.9)	(836.4)
Sales margin	(56.3)	(135.8)	(14.5)
Other operating (expense)/income	(30.4)	(20.8)	13.8
Gain (loss) on sale of coal mines	9.3	(419.6)	—
Other expense	(1.8)	(3.0)	(2.4)
Loss from discontinued operations before income taxes	(79.2)	(579.2)	(3.1)
Impairment of long-lived assets	(73.4)	(857.5)	—
Income tax benefit (expense)	0.2	302.2	(6.2)
Loss from discontinued operations, net of tax	\$ (152.4)	\$ (1,134.5)	\$ (9.3)

Items Measured at Fair Value on a Non-Recurring Basis

The following table presents information about the impairment charge on non-financial assets that was measured on a fair value basis at March 31, 2015 for the North American Coal operations. There were no financial and non-financial assets and liabilities that were measured on a non-recurring fair value basis at December 31, 2015 for the North American Coal operations. The table also indicates the fair value hierarchy of the valuation techniques used to determine such fair value.

Description	(In Millions)				
	March 31, 2015				
	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Total Losses
Assets:					
Other long-lived assets - Property, plant and equipment and Mineral rights: North American Coal operating unit	\$ —	\$ —	\$ 20.4	\$ 20.4	\$ 73.4
	\$ —	\$ —	\$ 20.4	\$ 20.4	\$ 73.4

In the first quarter of 2015, as part of the held for sale classification assigned to North American Coal, an impairment charge of \$73.4 million was recorded. The impairment charge was to reduce the assets to their estimated fair value which was determined based on potential sales scenarios. We determined the fair value and recoverability of our North American Coal operating segment by comparing the estimated fair value of the underlying assets and liabilities to the estimated sales price of the operating segment held for sale. No further impairment was recorded in 2015.

Recorded Assets and Liabilities

	(In Millions)	
	December 31, 2015	December 31, 2014
Assets and Liabilities of Discontinued Operations ⁽¹⁾		
Accounts receivable, net	\$ —	\$ 44.8
Inventories	—	50.3
Supplies and other inventories	—	28.2
Other current assets	14.9	16.8
Property, plant and equipment, net	—	94.7
Other non-current assets	—	18.6
Total assets of discontinued operations	\$ 14.9	\$ 253.4
Accounts payable	\$ —	\$ 22.4
Accrued liabilities	—	27.9
Other current liabilities	6.9	29.8
Pension and postemployment benefit liabilities	—	47.1
Environmental and mine closure obligations	—	33.9
Other liabilities	—	36.3
Total liabilities of discontinued operations	\$ 6.9	\$ 197.4

⁽¹⁾ At December 31, 2015, we also recorded \$7.8 million of contingent liabilities associated with our exit from the coal business. These contingent liabilities are recorded on our parent company.

As part of the CLCC asset sale during the fourth quarter of 2014, there was an amount placed in escrow to cover decreases in working capital, indemnity obligations and regulatory liabilities. The amount held in escrow was \$14.9 million and \$17.5 million at December 31, 2015, and 2014, respectively and recorded within *Short-term assets of discontinued operations* and *Long-term assets of discontinued operations*, respectively, on the Statements of Consolidated Financial Position.

Income Taxes

We have recognized a tax benefit of \$0.2 million and \$302.2 million for the years ended December 31, 2015 and 2014, respectively, in *Loss from Discontinued Operations, net of tax*, related to a loss on our North American Coal investments. The benefit for the year ended December 31, 2014 is primarily the result of the impairment of long-lived assets in the third quarter of 2014. We recognized a tax expense of \$6.2 million for the year ended December 31, 2013 in *Loss from Discontinued Operations, net of tax*, related to the impact of the North American Coal losses on the AMT credit and associated valuation allowance.

Canadian Operations

Background

On November 30, 2013, we suspended indefinitely our Chromite Project in Northern Ontario. The Chromite Project remained suspended throughout 2014 and until final sale in 2015. Our Wabush Scully iron ore mine in Newfoundland and Labrador was idled by the end of the first quarter of 2014 and subsequently began to commence permanent closure in the fourth quarter of 2014. During 2014, we also limited exploration spending on the Labrador Trough South property in Québec. In November 2014, we announced that we were pursuing exit options for our Eastern Canadian Iron Ore operations. In December 2014, iron ore production at the Bloom Lake mine was suspended and the Bloom Lake mine was placed in "care-and-maintenance" mode. Together, the suspension of exploration efforts, shutdown of the Wabush Scully mine and the cessation of operations at our Bloom Lake mine represent a complete curtailment of our Canadian operations.

On January 27, 2015, we announced the Bloom Filing under the CCAA with the Québec Court in Montreal. At that time, the Bloom Lake Group was no longer generating revenues and was not able to meet its obligations as they came due. The Bloom Filing addressed the Bloom Lake Group's immediate liquidity issues and permits the Bloom Lake Group to preserve and protect its assets for the benefit of all stakeholders while restructuring and sale options are explored. As part of the CCAA process, the Court approved the appointment of a Monitor and certain other financial advisors.

Additionally, on May 20, 2015, we announced the Wabush Filing in the Court under the CCAA. 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 of each of their businesses and operations. The Wabush Group was no longer generating revenues and was not able to meet its obligations as they came due. The inclusion of the Wabush Group in the existing Bloom Filing facilitates a more comprehensive restructuring and sale process of both the Bloom Lake Group and the Wabush Group which collectively include mine, port and rail assets and leads to a more effective and streamlined exit from Eastern Canada. The Wabush Filing also mitigates various legacy related long-term liabilities associated with the Wabush Group. As part of the Wabush Filing, the Court approved the appointment of a Monitor and certain other financial advisors. The Monitor of the Wabush Group is also the Monitor of the Bloom Lake Group.

As a result of the Bloom Filing on January 27, 2015, we no longer have a controlling interest in the Bloom Lake Group. For that reason, we deconsolidated the Bloom Lake Group and certain other wholly-owned subsidiaries effective January 27, 2015, which resulted in a pretax impairment loss on deconsolidation and other charges, totaling \$818.7 million that was recorded in the first quarter of 2015. The pretax loss on deconsolidation includes the derecognition of the carrying amounts of the Bloom Lake Group and certain other wholly-owned subsidiaries assets, liabilities and accumulated other comprehensive loss and the recording of our remaining interests at fair value.

As a result of the Wabush Filing, we deconsolidated certain Wabush Group wholly-owned subsidiaries effective May 20, 2015. The certain wholly-owned subsidiaries that were deconsolidated effective May 20, 2015 are Wabush Group entities that were not deconsolidated as part of the deconsolidation effective January 27, 2015 as discussed previously in this section. This deconsolidation, effective May 20, 2015, resulted in a pretax gain on deconsolidation and other charges, totaling \$134.7 million. The pretax gain on deconsolidation includes the derecognition of the carrying amounts of these certain deconsolidated Wabush Group wholly-owned subsidiaries' assets, liabilities and accumulated other comprehensive loss and the adjustment of our remaining interests in the Canadian Entities to fair value.

Subsequent to each of the deconsolidations discussed above, we utilized the cost method to account for our investment in the Canadian Entities, which has been reflected as zero in our Statements of Consolidated Financial Position as of December 31, 2015 based on the estimated fair value of the Canadian Entities' net assets. Loans to and accounts receivable from the Canadian Entities are recorded at an estimated fair value of \$72.9 million classified as *Loans to and accounts receivables from the Canadian Entities* in the Statements of Consolidated Financial Position as of December 31, 2015.

Loss on Discontinued Operations

Our Canadian exit represents 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 deconsolidations, as well as costs to exit, are classified as discontinued operations.

	(In Millions)		
	Twelve Months Ended December 31,		
	2015	2014	2013
Loss from Discontinued Operations			
Revenues from product sales and services	\$ 11.3	\$ 563.5	\$ 978.7
Cost of goods sold and operating expenses	(11.1)	(808.4)	(1,082.0)
Eliminations with continuing operations	—	(53.6)	(217.3)
Sales margin	0.2	(298.5)	(320.6)
Other operating (expense)/income	(33.8)	(306.3)	(151.5)
Other expense	(1.0)	(5.6)	10.0
Loss from discontinued operations before income taxes	(34.6)	(610.4)	(462.1)
Loss from deconsolidation	(710.9)	—	—
Impairment of long-lived assets	—	(7,536.8)	(236.4)
Income tax benefit	5.8	913.7	188.7
Loss from discontinued operations, net of tax	<u>\$ (739.7)</u>	<u>\$ (7,233.5)</u>	<u>\$ (509.8)</u>

Canadian Entities loss from deconsolidation totaled \$710.9 million for the twelve months ended December 31, 2015 and included the following:

	(In Millions)	
	Twelve Months Ended December 31,	
	2015	
Investment impairment on deconsolidation ⁽¹⁾	\$	(507.8)
Guarantees and contingent liabilities		(203.1)
Total loss from deconsolidation	<u>\$</u>	<u>(710.9)</u>

⁽¹⁾ Includes the adjustment to fair value of our remaining interest in the Canadian Entities.

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 twelve months ended December 31, 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 dates 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. Additionally, we procured funding subsequent to the deconsolidation through a debtor-in-possession credit facility (the "DIP financing"). 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 \$72.9 million classified as *Other current assets* in the Statements of Consolidated Financial Position at December 31, 2015.

Guarantees and 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 December 31, 2015, we have liabilities of \$96.5 million and \$35.9 million in our consolidated results, classified as *Guarantees and Other liabilities*, respectively, in the Statements of 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. Our estimates 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 December 31, 2015 for the Canadian Operations. The table also indicates the fair value hierarchy of the valuation techniques used to determine such fair value.

Description	(In Millions)				
	December 31, 2015				
	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Total Losses
Assets:					
Loans to and accounts receivables from the Canadian Entities	\$ —	\$ —	\$ 72.9	\$ 72.9	\$ 507.8
Liabilities:					
Guarantees and contingent liabilities	\$ —	\$ —	\$ 132.4	\$ 132.4	\$ 203.1

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 guarantees and 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.

Pre-Petition Financing

Prior to the Wabush Filing on May 20, 2015, a secured credit facility (the "Pre-Petition financing") was put into place to provide support to the Wabush Group for ongoing business activities until the DIP financing was in place. As of December 31, 2015, there was a total of \$7.2 million drawn and outstanding under the Pre-Petition financing funded by Wabush Iron Co. Limited's parent company, Cliffs Mining Company. The Pre-Petition financing amount of \$7.2 million is included within the *Loans to and accounts receivables from the Canadian Entities* of \$72.9 million. The Pre-Petition financing is secured by certain equipment of the Wabush Group.

DIP Financing

In connection with the Wabush Filing on May 20, 2015, the Court approved the DIP financing to the Wabush Group, which provides for borrowings under the facility up to \$10.0 million. 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. At December 31, 2015, the DIP financing is included within *Loans to and accounts receivables from the Canadian Entities* on the Statements of Consolidated Financial Position. The DIP financing is secured by a court order over the assets of the Wabush Group.

Recorded Assets and Liabilities

	(In Millions)	
<i>Assets and Liabilities of Discontinued Operations</i>	December 31, 2014	
Cash and cash equivalents	\$	19.7
Accounts receivable, net		37.9
Inventories		16.3
Supplies and other inventories		48.5
Income tax receivable		20.1
Other current assets		44.3
Property, plant and equipment, net		249.8
Other non-current assets		19.9
Total Assets	\$	456.5
Accounts payable	\$	83.6
Accrued expenses		200.0
Other current liabilities		35.7
Pension and postemployment benefit liabilities		79.8
Environmental and mine closure obligations		56.5
Other liabilities		173.9
Total Liabilities	\$	629.5

Income Taxes

We recognized a tax benefit of \$5.8 million and \$913.7 million for the years ended December 31, 2015 and 2014, respectively, in *Loss from Discontinued Operations, net of tax*. The benefit for the year ended December 31, 2014 was the result of the impairment of long-lived assets in the third quarter of 2014 offset by the placement of a valuation allowance against the Canadian operations net deferred tax assets. Canadian deferred tax assets relating to both historical and current year net operating losses were included in our equity investment in the Canadian Subsidiaries that has been reduced to zero. We recognized a tax benefit of \$188.7 million for the year ended December 31, 2013 in *Loss from Discontinued Operations, net of tax* related to losses in our Canadian operations.

NOTE 15 - CAPITAL STOCK

Preferred Shares

On February 21, 2013, we issued 29.25 million depositary shares, representing an aggregate of 731,250 preferred shares, comprised of the 27.0 million depositary share offering and the exercise of an underwriters' over-allotment option to purchase an additional 2.25 million depositary shares. Each depositary share represents a 1/40th interest in a share of our 7.00 percent Series A Mandatory Convertible Preferred Stock, Class A, without par value ("Series A preferred share") at a price of \$25 per depositary share for total net proceeds of approximately \$709.4 million, after underwriter fees and discounts. Each Series A preferred share has an initial liquidation preference of \$1,000 per share (equivalent to a \$25 liquidation preference per depositary share). Pursuant to the terms of the Series A preferred shares, unless earlier converted at the option of the holder, each Series A preferred share automatically converted into common shares on February 1, 2016. When and if declared by our Board of Directors, we paid cumulative dividends on each Series A preferred share at an annual rate of 7.00 percent on the liquidation preference. We declared dividends in cash on February 1, May 1, August 1 and November 1 of each year, commencing on May 1, 2013. Upon determination by our Board of Directors, the final quarterly dividend was not paid in cash, but instead, pursuant to the terms of the Series A preferred shares, the conversion rate was increased such that holders of the Series A preferred shares received additional common shares in lieu of the accrued dividend at the time of the mandatory conversion on February 1, 2016. The number of common shares in the aggregate that were issued in lieu of the final dividend was 1.3 million based on an effective conversion rate of 0.9052 common shares, rather than 0.8621 common shares, per depositary share, each representing a 1/40th interest in a Series A preferred share.

Prior to the mandatory conversion, holders of the depositary shares were entitled to a proportional fractional interest in the rights and preferences of the Series A preferred shares, including conversion, dividend, liquidation and voting rights, subject to the provisions of the deposit agreement. The Series A preferred shares were convertible, at the option of the holder, at the minimum conversion rate of 28.1480 of our common shares (equivalent to 0.7037 of our common shares per depositary share) at any time prior to February 1, 2016 or other than during a fundamental change conversion period, subject to anti-dilution adjustments. If not converted prior to that time, each Series A preferred share converted automatically on February 1, 2016 into between 28.1480 and 34.4840 common shares, par value \$0.125 per share, subject to anti-dilution adjustments. The number of common shares issued on conversion was determined based on the average VWAP per share of our common shares during the 20 trading day period beginning on, and including, the 23rd scheduled trading day prior to February 1, 2016, subject to customary anti-dilution adjustments. 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.

Common Share Public Offering

On February 21, 2013, we issued 10.35 million common shares, comprised of the 9.0 million common share offering and the exercise of an underwriters' option to purchase an additional 1.35 million common shares. We received net proceeds of approximately \$285.3 million at a closing price of \$29.00 per common share.

Dividends

On March 27, 2015, July 1, 2015 and September 10, 2015, our Board of Directors declared the quarterly cash dividend of \$17.50 per Preferred Share, which is equivalent to approximately \$0.44 per depository share. The cash dividend was paid on May 1, 2015, August 3, 2015 and November 2, 2015 to our shareholders of record as of the close of business on April 15, 2015, July 15, 2015 and October 15, 2015, respectively.

On February 11, 2014, May 13, 2014, September 8, 2014 and November 19, 2014, our Board of Directors declared the quarterly cash dividend of \$17.50 per Preferred Share, which is equivalent to approximately \$0.44 per depository share. The cash dividend was paid on May 1, 2014, August 1, 2014, November 3, 2014 and February 2, 2015, to our Preferred Shareholders of record as of the close of business on April 15, 2014, July 15, 2014, October 15, 2014 and January 15, 2015, respectively.

On February 11, 2013, our Board of Directors approved a reduction to our quarterly cash dividend rate by 76 percent to \$0.15 per share. Our Board of Directors took this step in order to provide us with additional free cash flow as well as to preserve our investment-grade credit ratings. The cash dividend of \$0.15 per share was paid on March 3, 2014, June 3, 2014, September 2, 2014 and December 1, 2014 to our common shareholders of record as of close of business on February 21, 2014, May 23, 2014, August 15, 2014 and November 15, 2014.

On January 26, 2015, we announced that our Board of Directors had decided to eliminate the quarterly dividend of \$0.15 per share on our common shares. The decision was applicable to the first quarter of 2015 and all subsequent quarters.

NOTE 16 - ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The components of *Accumulated other comprehensive loss* within Cliffs shareholders' deficit and related tax effects allocated to each are shown below as of December 31, 2015, 2014 and 2013:

	(In Millions)		
	Pre-tax Amount	Tax Benefit (Provision)	After-tax Amount
As of December 31, 2013:			
Postretirement benefit liability	\$ (299.3)	\$ 94.4	\$ (204.9)
Foreign currency translation adjustments	106.7	—	106.7
Unrealized net loss on derivative financial instruments	(30.0)	9.1	(20.9)
Unrealized gain on securities	9.3	(3.1)	6.2
	<u>\$ (213.3)</u>	<u>\$ 100.4</u>	<u>\$ (112.9)</u>
As of December 31, 2014:			
Postretirement benefit liability	\$ (425.3)	\$ 134.2	\$ (291.1)
Foreign currency translation adjustments	64.4	—	64.4
Unrealized net loss on derivative financial instruments	(25.9)	7.8	(18.1)
Unrealized gain on securities	(1.3)	0.3	(1.0)
	<u>\$ (388.1)</u>	<u>\$ 142.3</u>	<u>\$ (245.8)</u>
As of December 31, 2015:			
Postretirement benefit liability	\$ (364.8)	\$ 123.4	\$ (241.4)
Foreign currency translation adjustments	220.7	—	220.7
Unrealized net gain on derivative financial instruments	2.2	0.4	2.6
Unrealized gain on securities	0.1	—	0.1
	<u>\$ (141.8)</u>	<u>\$ 123.8</u>	<u>\$ (18.0)</u>

The following tables reflect the changes in *Accumulated other comprehensive income (loss)* related to Cliffs shareholders' equity for December 31, 2015, 2014 and 2013:

	(In Millions)				
	Postretirement Benefit Liability, 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	9.1	5.4	(26.4)	1.9	(10.0)
Net loss (gain) reclassified from accumulated other comprehensive income (loss)	40.6	(4.3)	182.7	18.8	237.8
Balance December 31, 2015	<u>\$ (241.4)</u>	<u>\$ 0.1</u>	<u>\$ 220.7</u>	<u>\$ 2.6</u>	<u>\$ (18.0)</u>

	(In Millions)				
	Postretirement Benefit Liability, 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, 2013	\$ (204.9)	\$ 6.2	\$ 106.7	\$ (20.9)	\$ (112.9)
Other comprehensive income (loss) before reclassifications	(97.0)	1.3	(42.3)	(28.2)	(166.2)
Net loss (gain) reclassified from accumulated other comprehensive income (loss)	10.8	(8.5)	—	31.0	33.3
Balance December 31, 2014	<u>\$ (291.1)</u>	<u>\$ (1.0)</u>	<u>\$ 64.4</u>	<u>\$ (18.1)</u>	<u>\$ (245.8)</u>

	(In Millions)				
	Postretirement Benefit Liability, 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, 2012	\$ (382.7)	\$ 2.1	\$ 316.3	\$ 8.7	\$ (55.6)
Other comprehensive income (loss) before reclassifications	151.3	(0.9)	(209.6)	(51.7)	(110.9)
Net loss (gain) reclassified from accumulated other comprehensive income (loss)	26.5	5.0	—	22.1	53.6
Balance December 31, 2013	<u>\$ (204.9)</u>	<u>\$ 6.2</u>	<u>\$ 106.7</u>	<u>\$ (20.9)</u>	<u>\$ (112.9)</u>

The following table reflects the details about *Accumulated other comprehensive income (loss)* components related to Cliffs shareholders' equity for the year ended December 31, 2015:

Details about Accumulated Other Comprehensive Income (Loss) Components	(In Millions)			Affected Line Item in the Statement of Consolidated Operations
	Amount of (Gain)/Loss Reclassified into Income			
	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013	
Amortization of Pension and Postretirement Benefit Liability:				
Prior service costs ⁽¹⁾	\$ (1.4)	\$ (1.1)	\$ (0.8)	
Net actuarial loss ⁽¹⁾	27.4	18.5	37.2	
Curtailments/Settlements ⁽¹⁾	0.2	1.4	—	
Effect of deconsolidation ⁽²⁾	15.1	—	—	<i>Loss from Discontinued Operations, net of tax</i>
	41.3	18.8	36.4	Total before taxes
	(0.7)	(5.8)	(14.3)	<i>Income tax benefit (expense)</i>
	\$ 40.6	\$ 13.0	\$ 22.1	Net of taxes
Unrealized gain (loss) on marketable securities:				
Sale of marketable securities	\$ (2.6)	\$ (11.4)	\$ (0.2)	<i>Other non-operating income (expense)</i>
Impairment	(2.0)	(0.5)	5.3	<i>Other non-operating income (expense)</i>
	(4.6)	(11.9)	5.1	Total before taxes
	0.3	3.4	(0.1)	<i>Income tax benefit (expense)</i>
	\$ (4.3)	\$ (8.5)	\$ 5.0	Net of taxes
Unrealized gain (loss) on foreign currency translation:				
Effect of deconsolidation ⁽³⁾	\$ 182.7	\$ —	\$ —	<i>Loss from Discontinued Operations, net of tax</i>
	—	—	—	<i>Income tax benefit (expense)</i>
	\$ 182.7	\$ —	\$ —	Net of taxes
Unrealized gain (loss) on derivative financial instruments:				
Australian dollar foreign exchange contracts	\$ 26.9	\$ 18.9	\$ 17.0	<i>Product revenues</i>
Canadian dollar foreign exchange contracts	—	26.7	15.3	<i>Cost of goods sold and operating expenses</i>
	26.9	45.6	32.3	Total before taxes
	(8.1)	(14.6)	(10.2)	<i>Income tax benefit (expense)</i>
	\$ 18.8	\$ 31.0	\$ 22.1	Net of taxes
Total Reclassifications for the Period	\$ 237.8	\$ 35.5	\$ 49.2	

(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 postretirement benefit liabilities that were deconsolidated. See NOTE 14 - DISCONTINUED OPERATIONS for further information.

(3) 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 years ended December 31, 2015, 2014 and 2013 is as follows:

	(In Millions)		
	Year Ended December 31,		
	2015	2014	2013
Capital additions ⁽¹⁾	\$ 96.7	\$ 235.5	\$ 752.3
Cash paid for capital expenditures	80.8	284.1	861.6
Difference	\$ 15.9	\$ (48.6)	\$ (109.3)
Changes in non-cash accruals	\$ 14.4	\$ (58.5)	\$ (109.3)
Capital leases	1.5	9.9	—
Total	\$ 15.9	\$ (48.6)	\$ (109.3)

⁽¹⁾ Includes capital additions of \$72.2 million and \$24.5 million related to continuing operations and discontinued operations, respectively, for the year ended December 31, 2015. Includes capital additions of \$65.5 million and \$170.0 million related to continuing operations and discontinued operations, respectively, for the year ended December 31, 2014. Includes capital additions of \$70.8 million and \$681.5 million related to continuing operations and discontinued operations, respectively, for the year ended December 31, 2013.

Cash payments for interest and income taxes in 2015, 2014 and 2013 are as follows:

	(In Millions)		
	2015	2014	2013
Taxes paid on income ⁽¹⁾	\$ 5.0	\$ 47.3	\$ 153.3
Income tax refunds ⁽²⁾	211.4	54.7	49.4
Interest paid on debt obligations ⁽³⁾	185.6	176.5	174.4

⁽¹⁾ Includes taxes paid on income that relate to the deconsolidated Canadian Entities for the years ended December 31, 2013 of \$3.7 million.

⁽²⁾ Includes income tax refunds that relate to the deconsolidated Canadian Entities for the years ended December 31, 2014 and 2013 of \$47.8 million and \$20.8 million, respectively.

⁽³⁾ Includes interest paid on the corporate guarantees of the equipment loans that relate to discontinued operations for the years ended December 31, 2015, 2014 and 2013 of \$4.8 million, \$6.1 million and \$1.0 million, respectively.

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. One or more of the joint venture partners are also our customers. The following is a summary of the mine ownership of these iron ore mines at December 31, 2015:

Mine	Cliffs Natural Resources	ArcelorMittal	U.S. Steel
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 a 2014 extension agreement 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 January 2017. During the year ended December 31, 2015, we recorded distributions of \$51.7 million to ArcelorMittal under this agreement of which \$40.6 million was paid as of December 31, 2015.

Product revenues from related parties were as follows:

	(In Millions)		
	Year Ended December 31,		
	2015	2014	2013
Product revenues from related parties	\$ 671.1	\$ 1,011.4	\$ 1,038.8
Total product revenues	1,832.4	3,095.2	3,631.8
Related party product revenue as a percent of total product revenue	36.6%	32.7%	28.6%

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 \$15.8 million and \$127.6 million at December 31, 2015 and 2014, respectively. Amounts due to related parties recorded in *Other current liabilities*, including provisional pricing arrangements and liabilities to related parties, were \$14.5 million and \$11.8 million at December 31, 2015 and 2014, respectively.

A supply agreement with one of our customers includes provisions for supplemental revenue or refunds based on the customer's annual steel pricing for the year the product is consumed in the customer's blast furnace. The supplemental pricing is characterized as a freestanding derivative. Refer to NOTE 13 - DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES for further information.

NOTE 19 - EARNINGS PER SHARE

The following table summarizes the computation of basic and diluted earnings per share attributable to Cliffs shareholders:

	(In Millions, Except Per Share Amounts)		
	Year Ended December 31,		
	2015	2014	2013
Income from Continuing Operations	\$ 143.7	\$ 56.4	\$ 878.9
Income from Continuing Operations Attributable to Noncontrolling Interest	(8.6)	(25.9)	(14.8)
Net Income from Continuing Operations attributable to Cliffs shareholders	\$ 135.1	\$ 30.5	\$ 864.1
Loss from Discontinued Operations, net of tax	(884.4)	(7,254.7)	(450.6)
NET INCOME (LOSS) ATTRIBUTABLE TO CLIFFS SHAREHOLDERS	\$ (749.3)	\$ (7,224.2)	\$ 413.5
PREFERRED STOCK DIVIDENDS	(38.4)	(51.2)	(48.7)
NET INCOME (LOSS) ATTRIBUTABLE TO CLIFFS COMMON SHAREHOLDERS	\$ (787.7)	\$ (7,275.4)	\$ 364.8
Weighted Average Number of Shares:			
Basic	153.2	153.1	151.7
Depository Shares	—	—	22.1
Employee Stock Plans	0.4	—	0.5
Diluted	153.6	153.1	174.3
Earnings (loss) per Common Share Attributable to Cliffs Common Shareholders - Basic:			
Continuing operations	\$ 0.63	\$ (0.14)	\$ 5.37
Discontinued operations	(5.77)	(47.38)	(2.97)
	\$ (5.14)	\$ (47.52)	\$ 2.40
Earnings (loss) per Common Share Attributable to Cliffs Common Shareholders - Diluted:			
Continuing operations	\$ 0.63	\$ (0.14)	\$ 4.95
Discontinued operations	(5.76)	(47.38)	(2.58)
	\$ (5.13)	\$ (47.52)	\$ 2.37

The diluted earnings per share calculation excludes 25.3 million and 25.2 million depository shares that were anti-dilutive for the years ended December 31, 2015 and 2014, respectively. Additionally, the year ended December 31, 2014 diluted earnings per share calculation also excludes 0.7 million of equity plan awards. There was no anti-dilution for the year ended December 31, 2013.

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, not covered by insurance, will result in a material liability in relation to our consolidated financial statements. Currently, we have an insurance coverage receivable to cover settlement of the following putative class action and derivative shareholder lawsuits:

In May 2014, alleged purchasers of our common shares filed suit in the U.S. District Court for the Northern District of Ohio against us and certain former officers and directors of the Company. The action is captioned Department of the Treasury of the State of New Jersey and Its Division of Investment v. Cliffs Natural Resources Inc., et al., No. 1:14-CV-1031. As amended, the action asserts violations of the federal securities laws based on alleged false or misleading statements or omissions during the period of March 14, 2012 to March 26, 2013, regarding operations at our Bloom Lake mine in Québec, Canada, and the impact of those operations on our finances and outlook, including sustainability of the dividend, and that the alleged misstatements caused our common shares to trade at artificially inflated prices. The parties have successfully mediated this dispute and reached a settlement in principle, subject to definitive documentation, shareholder notice and court approval. The lawsuit had been referred to our insurance carriers, who will be required to pay the entirety of the \$84 million settlement amount, if approved by the court. The court is expected to schedule a settlement approval hearing.

In June 2014, an alleged purchaser of the depositary shares issued by Cliffs in a public offering in February 2013 filed a putative class action, which is captioned Rosenberg v. Cliffs Natural Resources Inc., et al., and after a round of removal and remand motions, is now pending in the Cuyahoga County, Ohio, Court of Common Pleas, No. CV-14-828140. As amended, the suit asserts claims against us, certain current and former officers and directors of the Company, and several underwriters of the offering, alleging disclosure violations in the offering documents regarding operations at our Bloom Lake mine, the impact of those operations on our finances and outlook, and about the progress of our former exploratory chromite project in Ontario, Canada. The parties successfully mediated this dispute and reached a settlement agreement in principle, subject to definitive documentation, notice to class members and court approval. The settlement provides for a payment to the proposed class of \$10 million, which has been deposited into escrow by the insurance carriers. A court hearing, during which the parties will seek court approval of the proposed class action settlement, is scheduled for April 14, 2016.

In June and July 2014, alleged shareholders of Cliffs filed three derivative actions in the Cuyahoga County, Ohio, Court of Common Pleas asserting claims against certain current and former officers and directors of the Company. These actions, captioned Black v. Carrabba, et al., No. CV-14-827803, Asmussen v. Carrabba, et al., No. CV-14-829259, and Williams, et al. v. Carrabba, et al., No. CV-14-829499, allege that the individually named defendants violated their fiduciary duties to the Company by, among other things, disseminating false and misleading information regarding operations at our Bloom Lake mine in Québec, Canada, and the impact of those operations on our finances and outlook, including sustainability of the dividend, failing to maintain internal controls, and failing to appropriately oversee and manage the Company. The complaints assert additional claims for unjust enrichment, abuse of control, gross mismanagement, overpayment upon departure of certain executives, and waste of corporate assets. The parties have reached a settlement in principle to settle all three cases, subject to definitive documentation, shareholder notice and court approval. Under the pending settlement, the Company will agree to enact or continue various corporate-governance related measures and to pay plaintiffs' attorneys' fees and expenses. The lawsuit had been referred to our insurance carriers who will pay \$775,000 for attorneys' fees and expenses to plaintiffs' lawyers. The settlement of these actions will have no impact on our financial position. Following the announcement of the settlement in principle of these three shareholder derivative cases, an additional derivative shareholder action, captioned Mansour v. Carrabba, et al., No. 16-CV-00390, was filed in the U.S. District Court for the Northern District of Ohio against the same defendants and alleging substantially identical claims. This additional lawsuit has been referred to our insurance carriers.

Environmental Matters

We had environmental liabilities of \$3.6 million and \$5.5 million at December 31, 2015 and 2014, respectively, including obligations for known environmental remediation exposures at active and closed mining operations and other sites. These amounts have been recognized based on the estimated cost of investigation and remediation at each site, and include site studies, design and implementation of remediation plans, legal and consulting fees, and post-remediation monitoring and related activities. If the cost can only be estimated as a range of possible amounts with no specific amount being more likely, the minimum of the range is accrued. Future expenditures are not discounted unless the amount and timing of the cash disbursements are readily known. Potential insurance recoveries have not been reflected. Additional environmental obligations could be incurred, the extent of which cannot be assessed. The amount of our ultimate liability with respect to these matters may be affected by several uncertainties, primarily the ultimate cost of required remediation and the extent to which other responsible parties contribute. Refer to NOTE 11 - ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS for further information.

Tax Matters

The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax regulations. We recognize liabilities for anticipated tax audit issues based on our estimate of whether, and the extent to which, additional taxes will be due. If we ultimately determine that payment of these amounts is unnecessary, we reverse the liability and recognize a tax benefit during the period in which we determine that the liability is no longer necessary. We also recognize tax benefits to the extent that it is more likely than not that our positions will be sustained when challenged by the taxing authorities. To the extent we prevail in matters for which liabilities have been established, or are required to pay amounts in excess of our liabilities, our effective tax rate in a given period could be materially affected. An unfavorable tax settlement would require use of our cash and result in an increase in our effective tax rate in the year of resolution. A favorable tax settlement would be recognized as a reduction in our effective tax rate in the year of resolution. Refer to NOTE 9 - INCOME TAXES for further information.

NOTE 21 - SUBSEQUENT EVENTS

Preferred Shares

On January 4, 2016, we announced that under the terms of our 7.00 percent Series A Mandatory Convertible Preferred Stock, Class A ("Series A preferred shares"), the final quarterly dividend would not be paid in cash. Instead, pursuant to the terms of the Series A preferred shares, the conversion rate was increased such that holders of the Series A preferred shares received additional common shares in lieu of the accrued dividend at the time of the mandatory conversion of the Series A preferred shares on February 1, 2016. In accordance with applicable law, our Board of Directors determined not to declare a dividend payable in cash. The number of our common shares in the aggregate issued in lieu of the dividend was approximately 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 1/40th of a share of Series A preferred shares. 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.

Exchange Offers

On January 27, 2016, we announced the Exchange Offers for up to \$710 million aggregate principal amount of our New 1.5 Lien Notes for certain Existing Notes of Cliffs, upon the terms and subject to the conditions set forth in our confidential offering memorandum dated January 27, 2016. Eligible holders were notified that they must validly tender their Existing Notes on February 9, 2016, the Early Tender Date, in order to be eligible to receive the applicable total exchange consideration, which includes an early tender premium. On February 10, 2016, we announced that as of the Early Tender Date, a total of approximately \$465.3 million principal amount of Existing Notes had been tendered in the Exchange Offers. We also announced that the Early Tender Date has been extended to February 26, 2016, and that the exchange consideration for the 3.95 percent Senior Notes due 2018 had been increased. Accordingly, all Existing Notes tendered prior to the extended Early Tender Date will be eligible to receive the total exchange consideration. The Exchange Offers will expire at 5:00 p.m., New York City time, on February 26, 2016, and tenders of Existing Notes may no longer be withdrawn after that time, except in certain limited circumstances described in the offering memorandum and related letter of transmittal.

NOTE 22 - QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The sum of quarterly EPS may not equal EPS for the year due to discrete quarterly calculations.

	(In Millions, Except Per Share Amounts)				
	2015				
	Quarters				
	First	Second	Third	Fourth	Year
Revenues from product sales and services	\$ 446.0	\$ 498.1	\$ 593.2	\$ 476.0	\$ 2,013.3
Sales margin	80.8	57.3	55.1	43.3	236.5
Income (Loss) from Continuing Operations	\$ 166.8	\$ (38.2)	\$ 49.9	\$ (34.8)	\$ 143.7
Loss (Income) from Continuing Operations attributable to Noncontrolling Interest	1.9	(5.0)	4.6	(2.4)	(8.6)
Net Income (Loss) from Continuing Operations attributable to Cliffs shareholders	168.7	(43.2)	54.5	(37.2)	135.1
Loss from Discontinued Operations, net of tax	(928.5)	103.4	(43.9)	(23.1)	(884.4)
NET INCOME (LOSS) ATTRIBUTABLE TO CLIFFS SHAREHOLDERS	(759.8)	60.2	10.6	(60.3)	(749.3)
PREFERRED STOCK DIVIDENDS	(12.8)	—	(25.6)	—	(38.4)
NET INCOME (LOSS) ATTRIBUTABLE TO CLIFFS COMMON SHAREHOLDERS	\$ (772.6)	\$ 60.2	\$ (15.0)	\$ (60.3)	\$ (787.7)
Earnings per common share attributable to Cliffs common shareholders — Basic:					
Continuing Operations	\$ 1.02	\$ (0.28)	\$ 0.19	\$ (0.24)	\$ 0.63
Discontinued Operations	(6.06)	0.67	(0.29)	(0.15)	(5.77)
	<u>\$ (5.04)</u>	<u>\$ 0.39</u>	<u>\$ (0.10)</u>	<u>\$ (0.39)</u>	<u>\$ (5.14)</u>
Earnings per common share attributable to Cliffs common shareholders — Diluted:					
Continuing Operations	\$ 0.94	\$ (0.28)	\$ 0.19	\$ (0.24)	\$ 0.63
Discontinued Operations	(5.20)	0.67	(0.29)	(0.15)	(5.76)
	<u>\$ (4.26)</u>	<u>\$ 0.39</u>	<u>\$ (0.10)</u>	<u>\$ (0.39)</u>	<u>\$ (5.13)</u>

The diluted earnings per share calculation for the second, third and fourth quarter of 2015 exclude depository shares that were anti-dilutive ranging between 25.2 million and 25.6 million and equity plan awards ranging between 0.1 million and 0.3 million that were anti-dilutive. There was no anti-dilution in the first quarter of 2015.

	(In Millions, Except Per Share Amounts)				
	2014				
	Quarters				Year
	First	Second	Third	Fourth	
Revenues from product sales and services	\$ 615.5	\$ 747.7	\$ 979.7	\$ 1,030.3	\$ 3,373.2
Sales margin	190.0	183.5	256.2	256.0	885.7
Income (Loss) from Continuing Operations	\$ 69.7	\$ 90.9	\$ (274.2)	\$ 170.0	\$ 56.4
Loss (Income) from Continuing Operations attributable to Noncontrolling Interest	0.4	(3.6)	(2.5)	(3.4)	(25.9)
Net Income (Loss) from Continuing Operations attributable to Cliffs shareholders	\$ 70.1	\$ 87.3	\$ (276.7)	\$ 166.6	\$ 30.5
Loss from Discontinued Operations, net of tax	(140.4)	(76.4)	(5,602.9)	(1,451.8)	(7,254.7)
NET INCOME (LOSS) ATTRIBUTABLE TO CLIFFS SHAREHOLDERS	\$ (70.3)	\$ 10.9	\$ (5,879.6)	\$ (1,285.2)	\$ (7,224.2)
PREFERRED STOCK DIVIDENDS	(12.8)	(12.8)	(12.8)	(12.8)	(51.2)
NET INCOME (LOSS) ATTRIBUTABLE TO CLIFFS COMMON SHAREHOLDERS	(83.1)	(1.9)	(5,892.4)	(1,298.0)	(7,275.4)
Earnings per common share attributable to Cliffs common shareholders — Basic:					
Continuing Operations	\$ 0.37	\$ 0.49	\$ (1.89)	\$ 1.00	\$ (0.14)
Discontinued Operations	(0.92)	(0.50)	(36.60)	(9.48)	(47.38)
	\$ (0.55)	\$ (0.01)	\$ (38.49)	\$ (8.48)	\$ (47.52)
Earnings per common share attributable to Cliffs common shareholders — Diluted:					
Continuing Operations	\$ 0.37	\$ 0.48	\$ (1.89)	\$ 0.94	\$ (0.14)
Discontinued Operations	(0.91)	(0.50)	(36.60)	(8.13)	(47.38)
	\$ (0.54)	\$ (0.02)	\$ (38.49)	\$ (7.19)	\$ (47.52)

The diluted earnings per share calculation for the first, second and third quarters of 2014 exclude depository shares that were anti-dilutive totaling 25.2 million. Additionally, the third quarter of 2014 diluted earnings per share calculation also excludes 0.5 million of equity plan awards. There was no anti-dilution for the fourth quarter of 2014.

Fourth Quarter Results

Consistent with our strategy to extract maximum value from our current assets, we sold all the remaining North American Coal operations during the fourth quarter of 2015. On December 22, 2015, we closed the sale of our remaining North American Coal business, which included Pinnacle mine in West Virginia and Oak Grove mine in Alabama. Pinnacle mine and Oak Grove mine were sold to Seneca and the deal structure was a sale of equity interests of our remaining coal business. Additionally, Seneca may pay Cliffs an earn-out of up to \$50 million contingent upon the terms of a revenue sharing agreement which extends through the year 2020. We recorded the results of this sale in our fourth quarter earnings within *Loss from Discontinued Operations, net of tax* as the transaction closed on December 22, 2015.

During the fourth quarter of 2014, we recorded impairment charges for our continuing operations of \$256.9 million primarily related to Asia Pacific Iron Ore and driven mainly by the changes in life-of-mine cash flows due to declining market pricing. There was also an additional \$1.0 billion of impairment charges recorded during the fourth quarter of 2014 in *Loss from Discontinued Operations, net of tax* primarily related to Bloom Lake. Also, during the fourth quarter of 2014, we completed the sale of the CLCC assets for \$174.0 million in cash and the assumption of certain liabilities, of which \$155.0 million has been collected, and resulted in a loss on the sale of these assets of \$419.6 million. We recorded the results of this sale in our 2014 fourth quarter earnings within *Loss from Discontinued Operations, net of tax* as historical North American Coal results are classified as discontinued operations. The fourth quarter 2014 results additionally included an income tax benefit of \$207.3 million, which includes the benefits related to the continuing operations impairment charges.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Cliffs Natural Resources Inc.
Cleveland, Ohio

We have audited the accompanying statements of consolidated financial position of Cliffs Natural Resources Inc. and subsidiaries (the "Company") as of December 31, 2015 and 2014, and the related statements of consolidated operations, comprehensive income (loss), cash flows, and changes in equity for each of the three years in the period ended December 31, 2015. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Cliffs Natural Resources Inc. and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2015, based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 24, 2016 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP

Cleveland, Ohio
February 24, 2016

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Cliffs Natural Resources Inc.
Cleveland, Ohio

We have audited the internal control over financial reporting of Cliffs Natural Resources Inc. and subsidiaries (the "Company") as of December 31, 2015, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report on Internal Control Over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2015 of the Company and our report dated February 24, 2016 expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ Deloitte & Touche LLP

Cleveland, Ohio
February 24, 2016

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. 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.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined under Rule 13a-15(f) promulgated under the Exchange Act.

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's consolidated financial statements for external purposes in accordance with generally accepted accounting principles.

Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit the preparation of the consolidated financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with appropriate authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management conducted an assessment of the Company's internal control over financial reporting as of December 31, 2015 using the framework specified in *Internal Control - Integrated Framework* (2013), published by the Committee of Sponsoring Organizations of the Treadway Commission. Based on such assessment, management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2015.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2015 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report that appears herein.

February 24, 2016

Changes in Internal Control Over Financial Reporting

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

Item 9B. Other Information

None.

PART III

Item 10. *Directors, Executive Officers and Corporate Governance*

The information required to be furnished by this Item will be set forth in our definitive proxy statement for the 2016 Annual Meeting of Shareholders (the "Proxy Statement") under the headings "Board Meetings and Committees - Audit Committee", "Business Ethics Policy", "Independence and Related Party Transactions", "Information Concerning Director Nominees" and "Section 16(a) Beneficial Ownership Reporting Compliance", and is incorporated herein by reference and made a part hereof from the Proxy Statement. The information regarding executive officers required by this Item is set forth in *Part I - Item 1. Business* hereof under the heading "Executive Officers of the Registrant", which information is incorporated herein by reference and made a part hereof.

Item 11. *Executive Compensation*

The information required to be furnished by this Item will be set forth in our Proxy Statement under the headings "Director Compensation", "Compensation Committee Report", "Compensation Committee Interlocks and Insider Participation" and "Executive Compensation" and is incorporated herein by reference and made a part hereof from the Proxy Statement.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

The information required to be furnished by this Item regarding "Securities Authorized for Issuance Under Equity Compensation Plans", "Related Stockholder Matters" and "Security Ownership" will be set forth in the Proxy Statement under the headings "Independence and Related Party Transactions", "Ownership of Equity Securities of the Company" and "Equity Compensation Plan Information", respectively, and is incorporated herein by reference and made part hereof from the Proxy Statement.

Item 13. *Certain Relationships and Related Transactions, and Director Independence*

The information required to be furnished by this Item will be set forth in the definitive Proxy Statement under the heading "Independence and Related Party Transactions" and is incorporated herein by reference and made a part hereof from the Proxy Statement.

Item 14. *Principal Accountant Fees and Services*

The information required to be furnished by this Item will be set forth in the Proxy Statement under the heading "Ratification of Independent Registered Public Accounting Firm" and is incorporated herein by reference and made a part hereof from the Proxy Statement.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a)(1) and (2) - List of Financial Statements and Financial Statement Schedules.

The following consolidated financial statements of Cliffs Natural Resources Inc. are included at *Item 8. Financial Statements and Supplementary Data* above:

- Statements of Consolidated Financial Position - December 31, 2015 and 2014
- Statements of Consolidated Operations - Years ended December 31, 2015, 2014 and 2013
- Statements of Consolidated Comprehensive Income - Years ended December 31, 2015, 2014 and 2013
- Statements of Consolidated Cash Flows - Years ended December 31, 2015, 2014 and 2013
- Statements of Consolidated Changes in Equity - Years ended December 31, 2015, 2014 and 2013
- Notes to Consolidated Financial Statements

The following consolidated financial statement schedule of Cliffs Natural Resources Inc. is included herein in Item 15(d) and attached as Exhibit 99(a):

Schedule II - Valuation and Qualifying Accounts

All other schedules for which provision is made in the applicable accounting regulation of the SEC are not required under the related instructions or are inapplicable, and therefore have been omitted.

(3) List of Exhibits - Refer to Exhibit Index on pages 174 - 180, which is incorporated herein by reference.

(c) Exhibits listed in Item 15(a)(3) above are incorporated herein by reference.

(d) The schedule listed above in Item 15(a)(1) and (2) is attached as Exhibit 99(a) and incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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 and Chief Accounting Officer

Date: February 24, 2016

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Signatures</u>	<u>Title</u>	<u>Date</u>
<u>/s/ C. L. Goncalves</u> C. L. Goncalves	Chairman, President, Chief Executive Officer and Director (Principal Executive Officer)	February 24, 2016
<u>/s/ P. K. Tompkins</u> P. K. Tompkins	Executive Vice President & Chief Financial Officer (Principal Financial Officer)	February 24, 2016
<u>/s/ T. K. Flanagan</u> T. K. Flanagan	Vice President, Corporate Controller & Chief Accounting Officer (Principal Accounting Officer)	February 24, 2016
<u>*</u> J. T. Baldwin	Director	February 24, 2016
<u>*</u> R. P. Fisher, Jr.	Director	February 24, 2016
<u>*</u> S. M. Green	Director	February 24, 2016
<u>*</u> J. A. Rutkowski, Jr.	Director	February 24, 2016
<u>*</u> J. S. Sawyer	Director	February 24, 2016
<u>*</u> M. D. Siegal	Director	February 24, 2016
<u>*</u> G. Stoliar	Director	February 24, 2016
<u>*</u> D. C. Taylor	Director	February 24, 2016

* The undersigned, by signing his name hereto, does sign and execute this Annual Report on Form 10-K pursuant to a Power of Attorney executed on behalf of the above-indicated officers and directors of the registrant and filed herewith as Exhibit 24 on behalf of the registrant.

By: /s/ P. K. Tompkins

(P. K. Tompkins, as Attorney-in-Fact)

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
	<u>Plan of purchase, sale, reorganization, arrangement, liquidation or succession</u>
2.1	***Asset Purchase Agreement, dated as of December 2, 2014, by and among Cliffs Natural Resources Inc., Cliffs Logan County Coal LLC, Toney's Fork Land, LLC, Southern Eagle Land, LLC and Cliffs Logan County Coal Terminals LLC and Coronado Coal II, LLC (filed as Exhibit 2.1 to Cliffs' Form 10-K for the period ended December 31, 2014 and incorporated herein by reference)
2.2	***Amendment to Asset Purchase Agreement, effective as of December 31, 2014, by and among Cliffs Natural Resources Inc., Cliffs Logan County Coal LLC, Toney's Fork Land, LLC, Southern Eagle Land, LLC and Cliffs Logan County Coal Terminals LLC and Coronado Coal II, LLC (filed as Exhibit 2.2 to Cliffs' Form 10-K for the period ended December 31, 2014 and incorporated herein by reference)
2.3	***Unit Purchase Agreement, dated as of December 22, 2015, by and among Cliffs Natural Resources Inc., CLF PinnOak LLC and Seneca Coal Resources, LLC (filed herewith)
	<u>Articles of Incorporation and By-Laws of Cliffs Natural Resources Inc.</u>
3.1	Third Amended Articles of Incorporation of Cliffs (as filed with the Secretary of State of the State of Ohio on May 13, 2013 (filed as Exhibit 3.1 to Cliffs' Form 8-K on May 13, 2013 and incorporated herein by reference)
3.2	Regulations of Cleveland-Cliffs Inc. (filed as Exhibit 3.2 to Cliffs' Form 10-K for the period ended December 31, 2011 and incorporated herein by reference)
	<u>Instruments defining rights of security holders, including indentures</u>
4.1	Form of Indenture between Cliffs Natural Resources Inc. and U.S. Bank National Association, as trustee, dated March 17, 2010 (filed as Exhibit 4.1 to Cliffs' Form S-3 No. 333-165376 on March 10, 2010 and incorporated herein by reference)
4.2	Form of 5.90% Notes due 2020 First Supplemental Indenture between Cliffs Natural Resources Inc. and U.S. Bank National Association, as trustee, dated March 17, 2010, including Form of 5.90% Notes due 2020 (filed as Exhibit 4.2 to Cliffs' Form 8-K on March 16, 2010 and incorporated herein by reference)
4.3	Form of 4.80% Notes due 2020 Second Supplemental Indenture between Cliffs Natural Resources Inc. and U.S. Bank National Association, as trustee, dated September 20, 2010, including Form of 4.80% Notes due 2020 (filed as Exhibit 4.3 to Cliffs' Form 8-K on September 17, 2010 and incorporated herein by reference)
4.4	Form of 6.25% Notes due 2040 Third Supplemental Indenture between Cliffs Natural Resources Inc. and U.S. Bank National Association, as trustee, dated September 20, 2010, including Form of 6.25% Notes due 2040 (filed as Exhibit 4.4 to Cliffs' Form 8-K on September 17, 2010 and incorporated herein by reference)
4.5	Form of 4.875% Notes due 2021 Fourth Supplemental Indenture between Cliffs and U.S. Bank National Association, as trustee, dated March 23, 2011, including Form of 4.875% Notes due 2021 (filed as Exhibit 4.1 to Cliffs' Form 8-K on March 23, 2011 and incorporated herein by reference)
4.6	Fifth Supplemental Indenture between Cliffs and U.S. Bank National Association, as trustee, dated March 31, 2011 (filed as Exhibit 4(b) to Cliffs' Form 10-Q for the period ended June 30, 2011 and incorporated herein by reference)
4.7	Form of 3.95% Notes due 2018 Sixth Supplemental Indenture between Cliffs and U.S. Bank National Association, as trustee, dated December 13, 2012, including form of 3.95% Notes due 2018 (filed as Exhibit 4.1 to Cliffs' Form 8-K on December 13, 2012 and incorporated herein by reference)
4.8	Indenture between Cliffs Natural Resources Inc., the guarantors parties thereto, and U.S. Bank National Association, as trustee and notes collateral agent, dated March 30, 2015, including Form of 8.250% Senior Secured Notes due 2020 (filed as Exhibit 4.1 to Cliffs' Form 10-Q for the period ended March 31, 2015 and incorporated herein by reference)

4.9	Indenture between Cliffs Natural Resources Inc., the guarantors parties thereto, and U.S. Bank National Association, as trustee and notes collateral agent, dated March 30, 2015, including Form of 7.75% Second Lien Senior Secured Notes due 2020 (filed as Exhibit 4.2 to Cliffs' Form 10-Q for the period ended March 31, 2015 and incorporated herein by reference)
4.10	Form of Common Share Certificate (filed as Exhibit 4.1 to Cliffs' Form 10-Q for the period ended September 30, 2014 and incorporated herein by reference)
	Material Contracts
10.1	* Form of Change in Control Severance Agreement, effective January 1, 2014 (covering existing grants) (filed as Exhibit 10.1 to Cliffs' Form 10-K for the period ended December 31, 2013 and incorporated herein by reference)
10.2	* Form of Change in Control Severance Agreement (covering newly hired officers) (filed as Exhibit 10.4 to Cliffs' Form 8-K/A on September 16, 2014 and incorporated herein by reference)
10.3	* Form of 2015 Change in Control Severance Agreement (filed as Exhibit 10.3 to Cliffs' 10-Q for the period ended March 31, 2015 and incorporated herein by reference)
10.4	* Cliffs Natural Resources Inc. 2012 Non-Qualified Deferred Compensation Plan (effective January 1, 2012) dated November 8, 2011 (filed as Exhibit 10.1 to Cliffs' Form 8-K on November 8, 2011 and incorporated herein by reference)
10.5	* Form of Indemnification Agreement between Cliffs Natural Resources Inc. and Directors (filed as Exhibit 10.5 to Cliffs' Form 10-K for the period ended December 31, 2011 and incorporated herein by reference)
10.6	* Cliffs Natural Resources Inc. Nonemployee Directors' Compensation Plan (Amended and Restated as of December 31, 2008) (filed as Exhibit 10(nnn) to Cliffs' Form 10-K for the period ended December 31, 2008 and incorporated herein by reference)
10.7	* 2014 Nonemployee Directors' Compensation Plan (filed as Exhibit 10.2 to Cliffs' Form 8-K on August 4, 2014 and incorporated herein by reference)
10.8	* Trust Agreement No. 1 (Amended and Restated effective June 1, 1997), dated June 12, 1997, by and between Cleveland-Cliffs Inc and KeyBank National Association, Trustee, with respect to the Cleveland-Cliffs Inc Supplemental Retirement Benefit Plan, Severance Pay Plan for Key Employees and certain executive agreements (filed as Exhibit 10.10 to Cliffs' Form 10-K for the period ended December 31, 2011 and incorporated herein by reference)
10.9	* Trust Agreement No. 1 Amendments to Exhibits, effective as of January 1, 2000, by and between Cleveland-Cliffs Inc and KeyBank National Association, as Trustee (filed as Exhibit 10.11 to Cliffs' Form 10-K for the period ended December 31, 2011 and incorporated herein by reference)
10.10	* First Amendment to Trust Agreement No. 1, effective September 10, 2002, by and between Cleveland-Cliffs Inc and KeyBank National Association, as Trustee (filed as Exhibit 10.12 to Cliffs' Form 10-K for the period ended December 31, 2011 and incorporated herein by reference)
10.11	* Second Amendment to Trust Agreement No. 1 between Cliffs Natural Resources Inc. (f/k/a Cleveland-Cliffs Inc) and KeyBank National Association, Trustee, entered into and effective as of December 31, 2008 (filed as Exhibit 10(y) to Cliffs' Form 10-K for the period ended December 31, 2008 and incorporated herein by reference)
10.12	* Third Amendment to Trust Agreement No. 1 between Cliffs Natural Resources Inc. (f/k/a Cleveland-Cliffs Inc) and KeyBank National Association, Trustee, entered into and effective as July 28, 2014 (filed as Exhibit 10.15 to Cliffs' Form 10-K for the period ended December 31, 2014 and incorporated herein by reference)
10.13	* Amended and Restated Trust Agreement No. 2, effective as of October 15, 2002, by and between Cleveland-Cliffs Inc and KeyBank National Association, Trustee, with respect to Executive Agreements and Indemnification Agreements with the Company's Directors and certain Officers, the Company's Severance Pay Plan for Key Employees, and the Retention Plan for Salaried Employees (filed as Exhibit 10.14 to Cliffs' Form 10-K for the period ended December 31, 2011 and incorporated herein by reference)
10.14	* Second Amendment to Amended and Restated Trust Agreement No. 2 between Cliffs Natural Resources Inc. (f/k/a Cleveland-Cliffs Inc) and KeyBank National Association, Trustee, entered into and effective as of December 31, 2008 (filed as Exhibit 10(aa) to Cliffs' Form 10-K for the period ended December 31, 2008 and incorporated herein by reference)
10.15	* Third Amendment to Amended and Restated Trust Agreement No. 2 between Cliffs Natural Resources Inc. (f/k/a Cleveland-Cliffs Inc) and KeyBank National Association, Trustee, entered into and effective as of July 28, 2014 (filed as Exhibit 10.18 to Cliffs' Form 10-K for the period ended December 31, 2014 and incorporated herein by reference)

10.16	* Trust Agreement No. 5, dated as of October 28, 1987, by and between Cleveland-Cliffs Inc and KeyBank National Association, Trustee, with respect to certain deferred compensation agreements (filed as Exhibit 10.16 to Cliffs' Form 10-K for the period ended December 31, 2011 and incorporated herein by reference)
10.17	* First Amendment to Trust Agreement No. 5, dated as of May 12, 1989, by and between Cleveland-Cliffs Inc and KeyBank National Association, Trustee (filed as Exhibit 10.17 to Form 10-K of Cliffs' for the period ended December 31, 2011 and incorporated herein by reference)
10.18	* Second Amendment to Trust Agreement No. 5, dated as of April 9, 1991, by and between Cleveland-Cliffs Inc and KeyBank National Association, Trustee (filed as Exhibit 10.18 to Form 10-K of Cliffs' for the period ended December 31, 2011 and incorporated herein by reference)
10.19	* Third Amendment to Trust Agreement No. 5, dated as of March 9, 1992, by and between Cleveland-Cliffs Inc and KeyBank National Association, Trustee (filed as Exhibit 10.19 to Cliffs' Form 10-K for the period ended December 31, 2011 and incorporated herein by reference)
10.20	* Fourth Amendment to Trust Agreement No. 5, dated November 18, 1994, by and between Cleveland-Cliffs Inc and KeyBank National Association, Trustee (filed as Exhibit 10.20 to Cliffs' Form 10-K for the period ended December 31, 2011 and incorporated herein by reference)
10.21	* Fifth Amendment to Trust Agreement No. 5, dated May 23, 1997, by and between Cleveland-Cliffs Inc and KeyBank National Association, Trustee (filed as Exhibit 10.19 to Cliffs' Form 10-K for the period ended December 31, 2011 and incorporated herein by reference)
10.22	*Sixth Amendment to Trust Agreement No. 5 between Cliffs Natural Resources Inc. (f/k/a Cleveland-Cliffs Inc) and KeyBank National Association, Trustee, entered into and effective as of December 31, 2008 (filed as Exhibit 10(hh) to Cliffs' Form 10-K for the period ended December 31, 2008 and incorporated herein by reference)
10.23	*Seventh Amendment to Trust Agreement No. 5 between Cliffs Natural Resources Inc. (f/k/a Cleveland-Cliffs Inc) and KeyBank National Association, Trustee, entered into and effective as of July 28, 2014 (filed as Exhibit 10.26 to Cliffs' Form 10-K for the period ended December 31, 2014 and incorporated herein by reference)
10.24	* Trust Agreement No. 7, dated as of April 9, 1991, by and between Cleveland-Cliffs Inc and KeyBank National Association, Trustee, with respect to the Cleveland-Cliffs Inc Supplemental Retirement Benefit Plan (filed as Exhibit 10.23 to Cliffs' Form 10-K for the period ended December 31, 2011 and incorporated herein by reference)
10.25	* First Amendment to Trust Agreement No. 7, by and between Cleveland-Cliffs Inc and KeyBank National Association, Trustee, dated as of March 9, 1992 (filed as Exhibit 10.24 to Cliffs' Form 10-K for the period ended December 31, 2011 and incorporated herein by reference)
10.26	* Second Amendment to Trust Agreement No. 7, dated November 18, 1994, by and between Cleveland-Cliffs Inc and KeyBank National Association, Trustee (filed as Exhibit 10.25 to Cliffs' Form 10-K for the period ended December 31, 2011 and incorporated herein by reference)
10.27	* Third Amendment to Trust Agreement No. 7, dated May 23, 1997, by and between Cleveland-Cliffs Inc and KeyBank National Association, Trustee (filed as Exhibit 10.26 to Cliffs' Form 10-K for the period ended December 31, 2011 and incorporated herein by reference)
10.28	* Fourth Amendment to Trust Agreement No. 7, dated July 15, 1997, by and between Cleveland-Cliffs Inc and KeyBank National Association, Trustee (filed as Exhibit 10.27 to Cliffs' Form 10-K for the period ended December 31, 2011 and incorporated herein by reference)
10.29	* Amendment to Exhibits to Trust Agreement No. 7, effective as of January 1, 2000, by and between Cleveland-Cliffs Inc and KeyBank National Association, Trustee (filed as Exhibit 10.28 to Cliffs' Form 10-K for the period ended December 31, 2011 and incorporated herein by reference)
10.30	* Sixth Amendment to Trust Agreement No. 7 between Cliffs Natural Resources Inc. (f/k/a Cleveland-Cliffs Inc) and KeyBank National Association, Trustee, entered into and effective as of December 31, 2008 (filed as Exhibit 10(o) to Cliffs' Form 10-K for the period ended December 31, 2008 and incorporated herein by reference)
10.31	* Seventh Amendment to Trust Agreement No. 7 between Cliffs Natural Resources Inc. (f/k/a Cleveland-Cliffs Inc) and KeyBank National Association, Trustee, entered into and effective as of July 28, 2014 (filed as Exhibit 10.34 to Cliffs' Form 10-K for the period ended December 31, 2014 and incorporated herein by reference)
10.32	* Termination and Fifth Amendment to Trust Agreement No. 8 between Cliffs Natural Resources Inc. (f/k/a Cleveland-Cliffs Inc) and KeyBank National Association, Trustee, entered into and effective as of October 28, 2015 (filed herewith)

10.33	* Termination and Third Amendment to Trust Agreement No. 9 between Cliffs Natural Resources Inc. (f/k/a Cleveland-Cliffs Inc) and KeyBank National Association, Trustee, entered into and effective as of October 28, 2015 (filed herewith)
10.34	* Trust Agreement No. 10, dated as of November 20, 1996, by and between Cleveland-Cliffs Inc and KeyBank National Association, Trustee, with respect to the Cleveland-Cliffs Inc Nonemployee Directors' Compensation Plan (filed as Exhibit 10.36 to Cliffs' Form 10-K for the period ended December 31, 2011 and incorporated herein by reference)
10.35	*First Amendment to Trust Agreement No. 10 between Cliffs Natural Resources Inc. (f/k/a Cleveland-Cliffs Inc) and KeyBank National Association, Trustee, entered into and effective as of December 31, 2008 (filed as Exhibit 10.35 to Cliffs' Form 10-K for the period ended February 26, 2009 and incorporated herein by reference)
10.36	* Second Amendment to Trust Agreement No. 10 between Cliffs Natural Resources Inc. (f/k/a Cleveland-Cliffs Inc) and KeyBank National Association, Trustee, entered into and effective as of July 28, 2014 (filed as Exhibit 10.45 to Cliffs' Form 10-K for the period ended December 31, 2014 and incorporated herein by reference)
10.37	*Severance Agreement and Release, by and between Terrance M. Paradie and Cliffs Natural Resources Inc., dated April 14, 2015 (filed as Exhibit 10.4 to Cliffs' Form 10-Q for the period ended March 31, 2015 and incorporated herein by reference)
10.38	*Severance Agreement and Release, by and between David Webb and Cliffs Natural Resources Inc., dated October 31, 2015 (filed herewith)
10.39	*Letter Agreement, by and between Lourenco Goncalves and Cliffs Natural Resources Inc., signed as of September 11, 2014 (filed as Exhibit 10.1 to Cliffs' Form 8-K/A on September 16, 2014 and incorporated herein by reference)
10.40	*Cleveland-Cliffs Inc and Subsidiaries Management Performance Incentive Plan Summary, effective January 1, 2004 (filed as Exhibit 10.47 to Cliffs' Form 10-K for the period ended December 31, 2011 and incorporated herein by reference)
10.41	*Cliffs Natural Resources Inc. 2012 Executive Management Performance Incentive Plan effective March 13, 2012 (filed as Exhibit 10.3 to Cliffs' Form 8-K on May 14, 2012 and incorporated herein by reference)
10.42	*Cliffs Natural Resources Inc. 2012 Incentive Equity Plan effective March 13, 2012 (filed as Exhibit 10.1 to Cliffs Form 8-K on May 14, 2012 and incorporated herein by reference)
10.43	*First Amendment to Cliffs Natural Resources Inc. 2012 Incentive Plan effective September 11, 2012 (filed as Exhibit 10.2 to Cliffs' Form 10-Q for the period ended September 30, 2012 and incorporated herein by reference)
10.44	*Form of Cliffs Natural Resources Inc. Restricted Share Unit Award Memorandum and Restricted Share Unit Award Agreement under the 2012 Incentive Equity Plan (filed as Exhibit 10.77 to Cliffs' Form 10-K for the period ended December 31, 2013 and incorporated herein by reference)
10.45	*Form of Cliffs Natural Resources Inc. Restricted Share Unit Award Memorandum (Graduated Vesting 50%) and Restricted Share Unit Award Agreement under the 2012 Incentive Equity Plan (filed as Exhibit 10.78 to Cliffs' Form 10-K for the period ended December 31, 2013 and incorporated herein by reference)
10.46	*Form of Cliffs Natural Resources Inc. Restricted Share Unit Award Memorandum (Graduated Vesting 33%) and Restricted Share Unit Award Agreement under the 2012 Incentive Equity Plan (filed as Exhibit 10.79 to Cliffs' Form 10-K for the period ended December 31, 2013 and incorporated herein by reference)
10.47	*Cliffs Natural Resources Inc. Amended and Restated 2012 Incentive Equity Plan (filed as Exhibit 10.1 to Cliffs' Form 8-K on August 4, 2014 and incorporated herein by reference)
10.48	*Form of Cliffs Natural Resources Inc. Amended and Restated 2012 Incentive Equity Plan Restricted Share Unit Award Memorandum (Graduated Vesting 50% - July 2014 Grant) and Restricted Share Unit Award Agreement (filed as Exhibit 10.64 to Cliffs' Form 10-K for the period ended December 31, 2014 and incorporated herein by reference)
10.49	*Form of Cliffs Natural Resources Inc. Amended and Restated 2012 Incentive Equity Plan Restricted Share Unit Award Memorandum (3-Year Vesting - July 2014 Grant) and Restricted Share Unit Award Agreement (filed as Exhibit 10.65 to Cliffs' Form 10-K for the period ended December 31, 2014 and incorporated herein by reference)
10.50	*Form of Cliffs Natural Resources Inc. Amended and Restated 2012 Incentive Equity Plan Performance Share Award Memorandum (3-Year Vesting - July 2014 Grant) and Performance Share Award Agreement (filed as Exhibit 10.66 to Cliffs' Form 10-K for the period ended December 31, 2014 and incorporated herein by reference)

10.51	*Form of Cliffs Natural Resources Inc. Amended and Restated 2012 Incentive Equity Plan Non-Qualified Stock Option Award Memorandum (2014 Grant) and Stock Option Award Agreement (filed as Exhibit 10.2 to Cliffs' Form 8-K/A on September 16, 2014 and incorporated herein by reference)
10.52	*Form of Cliffs Natural Resources Inc. Amended and Restated 2012 Incentive Equity Plan Performance Unit Award Memorandum (2014 Grant) and Performance Unit Award Agreement (filed as Exhibit 10.3 to Cliffs' Form 8-K/A on September 16, 2014 and incorporated herein by reference)
10.53	*Form of Cliffs Natural Resources Inc. Amended and Restated 2012 Incentive Equity Plan Non-Qualified Stock Option Award Memorandum (3-Year Vesting - January 2015 Grant) and Stock Option Award Agreement (filed as Exhibit 10.69 to Cliffs' Form 10-K for the period ended December 31, 2014 and incorporated herein by reference)
10.54	*Form of Cliffs Natural Resources Inc. Amended and Restated 2012 Incentive Equity Plan Restricted Share Unit Award Memorandum (Graduated Vesting 33% - January 2015 Grant) and Restricted Share Unit Award Agreement (filed as Exhibit 10.70 to Cliffs' Form 10-K for the period ended December 31, 2014 and incorporated herein by reference)
10.55	*Form of Cliffs Natural Resources Inc. Amended and Restated 2012 Incentive Equity Plan Performance Share Award Memorandum (3-Year Vesting - January 2015 Grant) and Performance Share Award Agreement (filed as Exhibit 10.71 to Cliffs' Form 10-K for the period ended December 31, 2014 and incorporated herein by reference)
10.56	*Form of Cliffs Natural Resources Inc. Amended and Restated 2012 Incentive Equity Plan Restricted Share Unit Award Memorandum (Graduated Vesting 33% - February 2015 Grant) and Restricted Share Unit Award Agreement (filed as Exhibit 10.72 to Cliffs' Form 10-K for the period ended December 31, 2014 and incorporated herein by reference)
10.57	*Form of Cliffs Natural Resources Inc. Amended and Restated 2012 Incentive Equity Plan Performance Share Award Memorandum (3 year Vesting - February 2015 Grant) and Restricted Share Unit Award Agreement (filed as Exhibit 10.73 to Cliffs' Form 10-K for the period ended December 31, 2014 and incorporated herein by reference)
10.58	*Cliffs Natural Resources Inc. 2015 Equity and Incentive Compensation Plan (filed as Exhibit 10.1 to Cliffs' Form 8-K on May 21, 2015 and incorporated herein by reference)
10.59	*Form of Cliffs Natural Resources Inc. 2015 Equity and Incentive Compensation Plan Restricted Stock Unit Award Memorandum (Vesting on December 15, 2017) and Restricted Stock Unit Award Agreement (filed as Exhibit 10.1 to Cliffs' Form 10-Q for the period ended September 30, 2015 and incorporated herein by reference)
10.60	*Form of Cliffs Natural Resources Inc. 2015 Equity and Incentive Compensation Plan Cash Retention Award Memorandum (Vesting February 2017) and Cash Retention Award Agreement (filed as Exhibit 10.2 to Cliffs' Form 10-Q for the period ended September 30, 2015 and incorporated herein by reference)
10.61	*Form of Cliffs Natural Resources Inc. 2015 Equity and Incentive Compensation Plan Restricted Stock Unit Award Memorandum (Vesting May 2018) and Restricted Stock Unit Award Agreement (filed herewith)
10.62	*Cliffs Natural Resources Inc. Supplemental Retirement Benefit Plan (as Amended and Restated effective December 1, 2006) dated December 31, 2008 (filed as Exhibit 10(mmm) to Cliffs' Form 10-K for the period ended December 31, 2008 and incorporated herein by reference)
10.63	*Cliffs Natural Resources Inc. 2015 Employee Stock Purchase Plan (filed as Exhibit 4.4 to Cliffs' Registration Statement on Form S-8 on August 20, 2015 and incorporated herein by reference)
10.64	** Pellet Sale and Purchase Agreement, dated and effective as of April 10, 2002, by and among The Cleveland-Cliffs Iron Company, Cliffs Mining Company, Northshore Mining Company, Northshore Sales Company, International Steel Group Inc., ISG Cleveland Inc., and ISG Indiana Harbor Inc. (filed as Exhibit 10.84 to Cliffs' Form 10-K for the period ended December 31, 2013 and incorporated herein by reference)
10.65	** First Amendment to Pellet Sale and Purchase Agreement, dated and effective December 16, 2004 by and among The Cleveland-Cliffs Iron Company, Cliffs Mining Company, Northshore Mining Company, Cliffs Sales Company (formerly known as Northshore Sales Company), International Steel Group Inc., ISG Cleveland Inc. and ISG Indiana Harbor (filed as Exhibit 10.85 to Cliffs' Form 10-K for the period ended December 31, 2013 and incorporated herein by reference)

10.66	** Pellet Sale and Purchase Agreement, dated and effective as of December 31, 2002 by and among The Cleveland-Cliffs Iron Company, Cliffs Mining Company, and Ispat Inland Inc. (filed as Exhibit 10.86 to Cliffs' Form 10-K for the period ended December 31, 2013 and incorporated herein by reference)
10.67	** 2011 Omnibus Agreement, dated as of April 8, 2011 and effective as of March 31, 2011, by and among ArcelorMittal USA LLC, as successor in interest to Ispat Inland Inc., ArcelorMittal Cleveland Inc. (formerly known as ISG Cleveland Inc.), ArcelorMittal Indiana Harbor LLC (formerly known as ISG Indiana Harbor Inc.) and Cliffs Natural Resources Inc., The Cleveland-Cliffs Iron Company, Cliffs Mining Company, Northshore Mining Company and Cliffs Sales Company (formerly known as Northshore Sales Company) (filed as Exhibit 10(a) to Cliffs' Form 10-Q for the period ended June 30, 2011 and incorporated herein by reference)
10.68	**2014 Extension Agreement dated as of February 24, 2014 but effective as of January 1, 2014, among ArcelorMittal USA LLC, Cliffs Natural Resources Inc., The Cleveland-Cliffs Iron Company and Cliffs Mining Company (filed as Exhibit 10.1 to Cliffs' Form 10-Q/A filed on October 8, 2014 for the period ended March 31, 2014 and incorporated herein by reference)
10.69	Amended and Restated Multicurrency Credit Agreement entered into as of August 11, 2011, among Cliffs, certain foreign subsidiaries of the Company from time to time party thereto, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, JPMorgan Chase Bank, N.A., as Syndication Agent and L/C Issuer, Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Securities LLC, Citigroup Global Markets Inc., PNC Capital Markets Inc. and U.S. Bank National Association, as Joint Lead Arrangers and Joint Book Managers, Fifth Third Bank and RBS Citizens, N.A., as Co-Documentation Agents, and the various institutions from time to time party thereto (filed as Exhibit 10(a) to Cliffs' Form 8-K on August 17, 2011 and incorporated herein by reference)
10.70	Amendment No. 1, dated as of October 16, 2012 to Amended and Restated Multicurrency Credit Agreement (filed as Exhibit 10.1 to Cliffs' Form 8-K on October 19, 2012 and incorporated herein by reference)
10.71	Amendment No. 2 to the Amended and Restated Multicurrency Credit Agreement dated as of February 8, 2013 (filed as Exhibit 10.92 to Cliffs' Form 10-K for the period ended December 31, 2012 and incorporated herein by reference)
10.72	Amendment No. 3, dated as of June 30, 2014, to the Amended and Restated Multicurrency Credit Agreement, dated as of August 11, 2011, among Cliffs Natural Resources Inc., the foreign subsidiaries of Cliffs Natural Resources Inc. from time to time party thereto, the lenders from time to time party thereto and Bank of America, N.A., as Administrative Agent (filed as Exhibit 10.1 to Cliffs' Form 8-K on June 30, 2014 and incorporated herein by reference)
10.73	Amendment No. 4, dated as of September 9, 2014, to the Amended and Restated Multicurrency Credit Agreement, dated as of August 11, 2011, among the Company, the foreign subsidiaries of the Company from time to time party thereto, the lenders from time to time party thereto and Bank of America, N.A., as Administrative Agent (filed as Exhibit 10.1 to Cliffs' Form 8-K on September 12, 2014 and incorporated herein by reference)
10.74	Amendment No. 5, dated as of October 24, 2014, to the Amended and Restated Multicurrency Credit Agreement, dated as of August 11, 2011, among the Company, the foreign subsidiaries of the Company from time to time party thereto, the lenders from time to time party thereto and Bank of America, N.A., as Administrative Agent (filed as Exhibit 10.2 to Cliffs' Form 10-Q for the period ended on September 30, 2014 and incorporated herein by reference)
10.75	Amendment No. 6, dated as of January 22, 2015, to the Amended and Restated Multicurrency Credit Agreement, dated as of August 11, 2011, among the Company, the foreign subsidiaries of the Company from time to time party thereto, the lenders from time to time party thereto and Bank of America, N.A., as Administrative Agent (filed as Exhibit 10.86 to Cliffs' Form 10-K for the period ended December 31, 2014 and incorporated herein by reference)
10.76	Syndicated Facility Agreement, dated as of March 30, 2015, by and among Bank of America, N.A., as Administrative Agent and Australian Security Trustee, the Lenders that are Parties hereto, as the Lenders, Cliffs Natural Resources Inc., as Parent and a Borrower, and the Subsidiaries of Parent Party hereto, as Borrowers (filed as Exhibit 10.2 to Cliffs' Form 10-Q for the period ended March 31, 2015 and incorporated herein by reference)
10.77	Agreement between Cliffs Natural Resources Inc. and Casablanca Capital LP, dated October 7, 2014 (filed as Exhibit 99.1 to Cliffs' Form 8-K on October 14, 2014 and incorporated herein by reference)
12	Ratio of Earnings To Combined Fixed Charges And Preferred Stock Dividend Requirements (filed herewith)
21	Subsidiaries of the Registrant (filed herewith)

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23	Consent of Independent Registered Public Accounting Firm (filed herewith)
24	Power of Attorney (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 February 24, 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 February 24, 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 February 24, 2016 (filed 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 February 24, 2016 (filed herewith)
95	Mine Safety Disclosures (filed herewith)
99(a)	Schedule II – Valuation and Qualifying Accounts (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

* Indicates management contract or other compensatory arrangement.

** Confidential treatment requested and/or approved as to certain portions, which portions have been omitted and filed separately with the Securities and Exchange Commission.

*** Certain immaterial schedules and exhibits to this exhibit have been omitted pursuant to the provisions of Regulation S-K, Item 601(b)(2). A copy of any of the omitted schedules and exhibits will be furnished to the Securities and Exchange Commission upon request.

UNIT PURCHASE AGREEMENT

by and among

CLIFFS NATURAL RESOURCES INC.,

CLF PINNOAK LLC

and

SENECA COAL RESOURCES, LLC

Dated as of and effective as of December 22, 2015

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4.14(b)	Labor Matters: Compliance with Laws
4.15(a)	Taxes: Tax Returns
4.15(b)	Taxes: Payments
4.15(c)	Taxes: Audits
4.16	Transactions with Affiliates

4.17	Brokers
4.18	Insurance
4.19	Inventories
4.20	Indebtedness
4.21(a)	Accounts Receivable
4.21(b)	Accounts Receivable
4.22	Bank Accounts
6.10(a)	U.S. Steel Notifications: Employees
6.10(b)	U.S. Steel Notifications: Notices
6.11(a)	Bonds
6.13	Proceeds from Sale of Lucchini Account Receivable
7.1(f)	Director and Officer Resignations
7.1(h)	Required Consents
7.1(i)	Remaining Liens

UNIT PURCHASE AGREEMENT

This UNIT PURCHASE AGREEMENT, dated as of and effective as of December 22, 2015 (this "Agreement"), is made and entered into by and among Cliffs Natural Resources Inc., an Ohio corporation ("Parent"), CLF PinnOak LLC, a Delaware limited liability company ("Seller"), and Seneca Coal Resources, LLC, a Delaware limited liability company ("Purchaser").

RECITALS:

- A. Parent is the ultimate parent entity of Seller and will benefit from the consummation of the transactions contemplated by this Agreement.
- B. Seller is the record and beneficial owner of all of the outstanding equity interests (the "Units") of Cliffs North American Coal LLC, a Delaware limited liability company ("CNAC").
- C. CNAC is the record and beneficial owner of all of the outstanding equity interests of each of (i) Pinnacle Mining Company, LLC, a Delaware limited liability company ("PMC"), (ii) Pinnacle Land Company, LLC, a Delaware limited liability company ("PLC"), (iii) Oak Grove Resources, LLC, a Delaware limited liability company ("OGR"), (iv) Oak Grove Land Company, LLC, a Delaware limited liability company ("OGLC"), and (v) Beard Pinnacle, LLC, an Oklahoma limited liability company ("Beard Pinnacle") and, collectively with PMC, PLC, OGR and OGLC, the "Companies").
- D. Seller desires to sell, and Purchaser desires to purchase, the Units on the terms and subject to the conditions set forth in this Agreement.
- E. Parent and Seller believe it is in the best interest of Parent and Seller to consummate the transactions contemplated by this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE I. DEFINITIONS

Section 1.1 Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings:

"1974 UMWA Pension Plan" means the United Mine Workers of America 1974 Pension Plan.

"Action" means any claim, action, suit, arbitration, inquiry, proceeding or investigation by or before any Governmental Authority.

"Affiliate" means, with respect to any specified Person, any other Person that, directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with such specified Person. For purposes of this definition, "control" means, as to any Person, the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise, and the term "controlled" shall have a correlative meaning.

"Bill of Sale" means a bill of sale to be executed by Seller on the Closing Date in a form reasonably acceptable to Purchaser and Parent.

"Bonds" means any financial assurances, including third party guarantees, as set forth on Section 6.11(a) of the Disclosure Schedule provided to any (i) third party or (ii) Governmental Authority, in either case with respect to the operation of the Business.

"Business" means the mining, processing, preparation and selling of coal from the surface and underground coal mines and related operations owned or operated by CNAC and its Subsidiaries.

"Business Day" means any day that is not a Saturday, Sunday or other day on which banks are required or authorized by Law to be closed in The City of New York.

"Change of Control" means, as to any Person, the occurrence of any of the following events: (i) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 40% or more of the combined voting power of the then outstanding voting stock of such Person; (ii) consummation of a reorganization, merger or consolidation involving such Person, a sale or other disposition of all or substantially all of the assets or business of such Person, or any other similar transaction involving such Person (each, a "Business Combination"), unless, in each case, immediately following such Business Combination, (A) all or substantially all of the individuals and entities who were the beneficial owners of voting stock of such Person immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the combined voting power of the then outstanding shares of voting stock of the entity resulting from such Business Combination (including an entity that as a result of such transaction owns such Person or all or substantially all of such Person's assets either directly or through one or more subsidiaries) in substantially the same proportions relative to each other as their ownership, immediately prior to such Business Combination, of the voting stock of such Person, (B) no individual, entity or group (other than such Person, such entity resulting from such Business Combination, or any employee benefit plan (or related trust) sponsored or maintained by such Person, any subsidiary of such Person or such entity resulting from such Business Combination) beneficially owns, directly or indirectly, 40% or more of the combined voting power of the then outstanding shares of voting stock of the entity resulting from such Business Combination, and (C) a majority of the members of the board of directors (or equivalent) of the entity resulting from such Business Combination were members of the board of directors (or equivalent) of such Person at the time of the execution of the initial agreement or of the action of the board of directors (or equivalent) of such Person providing for such Business Combination; or (iii) a complete liquidation or dissolution of such Person, except pursuant to a Business Combination that complies with clauses (A), (B) and (C) of clause (ii) above. For purposes of this definition, voting stock means securities (whether described as stock or otherwise) entitled to vote generally in the election of directors (or equivalent).

"Cleanup" means all actions required to: (i) cleanup, remove, treat or remediate Hazardous Materials in the indoor or outdoor environment; (ii) prevent the Release of Hazardous Materials so that they do not migrate, endanger or threaten to endanger public health or welfare or the indoor or outdoor environment; (iii) perform pre-remedial studies and investigations and post-remedial monitoring and care; or (iv) respond to any government requests for information or documents in any way relating to cleanup, removal, treatment or remediation or potential cleanup, removal, treatment or remediation of Hazardous Materials in the indoor or outdoor environment.

"Closing Date" means the date hereof.

"Coal Inventories" means, collectively, the Raw Coal and the Finished Goods Coal.

"Code" means the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

"Contract" means any oral or written note, bond, contract, lease or other agreement.

"Disclosure Schedule" means the disclosure schedule executed by Parent and Seller and delivered to Purchaser on the date hereof.

"Environmental Claim" means any claim, action, cause of action, investigation, request for information, notice of violation or other notice (written or oral) by any Person alleging potential liability (including potential liability for investigatory costs, Cleanup costs, governmental response costs, natural resources damages, property damages, personal injuries or penalties) arising out of, based on or resulting from (i) the presence, manufacture, generation, processing, distribution, use, treatment, storage, disposal, transport, recycling, reclaiming, handling or Release into the indoor or outdoor environment of any Hazardous Material in, on, beneath or from any property currently owned, operated or leased by CNAC or any of its Subsidiaries or (ii) circumstances forming the basis of any violation, or alleged violation, of any Environmental Law on or prior to the Closing Date by CNAC or any of its Subsidiaries.

"Environmental Law" means any Law currently in effect and relating to the regulation or protection of human health, safety or the indoor or outdoor environment or to emissions, discharges, Releases or threatened Releases, or otherwise relating to the manufacture, generation, processing, distribution, use, treatment, storage, disposal, transport, recycling, reclaiming or other handling of Hazardous Materials.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations promulgated thereunder.

"Escrow Account" means the account established pursuant to the Escrow Agreement.

"Escrow Agent" means Delaware Trust Company.

"Escrow Agreement" means the agreement dated as of the date hereof among Parent, Seller, Purchaser and the Escrow Agent in respect of certain monies to be deposited with the Escrow Agent pursuant to the Override Right Agreement.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"Existing Title Insurance Policies" means all title insurance policies insuring (i) the surface title, fee title or mineral title, as applicable, with respect to the Owned Real Property and (ii) the leasehold title to the Leased Real Property.

"Farming and Residential Leases" means leases and license agreements pursuant to which CNAC or one of its Subsidiaries leases or licenses portions of the Owned Real Property to third parties for residential and/or farming purposes and that are set forth in Section 1.1(a) of the Disclosure Schedule.

"Finished Goods Coal" means the Tons of stockpiled coal located on properties owned, leased, operated or controlled by or on behalf of the Business or held by other Persons on behalf of the Companies or their Affiliates, other than Raw Coal, which are of suitable quality on a standalone or blended basis (with other available existing stockpiled coal) to be sold without further processing.

"GAAP" means United States generally accepted accounting principles as applied consistent with past practice.

"Governmental Authority" means any United States federal, state or local or any non-United States government, governmental, regulatory or administrative authority, agency or commission or court, tribunal or judicial or arbitral body.

"Governmental Order" means any order, writ, judgment, injunction, decree, stipulation, determination or award entered by or with any Governmental Authority.

"Hazardous Material" means: (i) any petroleum or petroleum products, flammable explosives, radioactive materials, asbestos in any form that is or could become friable, urea formaldehyde foam insulation and transformers or other equipment that contain dielectric fluid containing levels of polychlorinated biphenyls; (ii) any chemicals or other materials or substances that are now defined as or included in the definition of "hazardous substance", "hazardous waste", "hazardous material", "extremely hazardous substance", "restricted hazardous waste", "toxic substance", "pollutant", "contaminant" or words of similar import under any Environmental Law; and (iii) any other chemical or other material or substance, exposure to which is now prohibited, limited or regulated by any Governmental Authority under any Environmental Law.

"Indebtedness" of any Person means all obligations of such Person, without duplication, (i) for borrowed money and (ii) in the nature of guarantees of the obligations described in clause (i) of any other Person.

"Indemnified Party" means a Purchaser Indemnified Party or a Seller Indemnified Party.

"Indemnifying Party" means a Purchaser Indemnifying Party or a Seller Indemnifying Party.

"Independent Accounting Firm" means BDO USA, LLC; provided, that if such Person is unavailable, then such Person instead shall be a mutually acceptable nationally or regionally recognized firm of independent certified public accountants that has not provided material services to either Parent or Purchaser or their respective Affiliates in the

preceding three years or, if no such firm is available and willing to serve, then a mutually acceptable expert in public accounting, in each case, upon which Parent and Purchaser shall have agreed.

"Intellectual Property" means: (i) trademarks, service marks, trade names, Internet domain names, designs, logos, slogans and general intangibles of like nature, together with goodwill, registrations and applications relating to the foregoing; (ii) patents and copyrights (including registrations and applications for any of the foregoing); and (iii) software, confidential information, technology, know-how, inventions, processes, formulae, algorithms, models and methodologies.

"Knowledge of Parent" means the actual knowledge of the individuals set forth in Section 1.1(b) of the Disclosure Schedule, in each case after reasonable inquiry of management of CNAC and its Subsidiaries.

"Law" means any United States federal, state or local or non-United States statute, law, ordinance, regulation, rule, code, Governmental Order or other requirement of law.

"Liabilities" means, as to any Person, all debts, liabilities and obligations, direct, indirect, absolute or contingent, of such Person, whether accrued, vested or otherwise, whether in contract, tort, strict liability or otherwise.

"Lien" means any mortgage, deed of trust, pledge, hypothecation, security interest, encumbrance, charge, adverse claim, title defect or lien of any kind.

"Material Adverse Effect" means any fact, condition, change or event that would, or could reasonably be expected to, individually or in the aggregate, materially and adversely affect (a) the results of operations or financial condition of the Business, taken as a whole, or (b) the ability of CNAC and its Subsidiaries to operate the Business immediately after the Closing in the manner operated immediately prior to the Closing; provided, however, that none of the following shall be deemed in themselves (either alone or in combination) to constitute, and none of the following shall be taken into account in determining whether there has been, a Material Adverse Effect so long as none of the following have a disproportionate effect on the Business: (i) any fact, condition, change or event that (A) arises out of or relates to a deterioration in general economic conditions or in the industry in which the Business operates generally, including a decline in prices or demand for coal or steel, increases in costs of transportation and raw materials, and labor shortages, or (B) is generally applicable to the United States economy or securities markets or the world economy or international securities markets; (ii) any fact, condition, change or event that arises out of or relates to any act of terrorism or war (whether or not declared); (iii) any fact, condition, change or event that arises out of or relates directly to the consummation of the transactions contemplated hereby; and (iv) any fact, condition, change or event that arises out of or relates to any change in accounting requirements or principles imposed upon the Business by Law or GAAP or any change in applicable Law or the interpretation thereof.

"Override Right Agreement" means the agreement dated as of the date hereof among Parent, Seller and Purchaser pursuant to which Purchaser shall be obligated (subject to the terms thereof) to make quarterly payments for the calendar quarters in the years 2016 through 2020.

"Parent Marks and Websites" means the trademarks, service marks, trade names, brand names, logos, domain names and websites of Parent and its Affiliates (other than CNAC and its Subsidiaries) that are used in the Business.

"Permitted Liens" means the following: (i) Liens for Taxes, assessments or other governmental charges or levies that are not yet due or payable or that are being contested in good faith by appropriate proceedings; (ii) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, materialmen and repairmen; (iii) Liens incurred or deposits made in the ordinary course of the business in connection with workers' compensation, unemployment insurance or other types of social security; (iv) Liens referenced in Schedule B of the Existing Title Insurance Policies; (v) Liens of a type that would appear on a Schedule B of a title insurance policy that are Liens customarily applying to real property (such as ordinary course utility easements) that were not referenced in Schedule B of the Existing Title Insurance Policies only because updated versions of such Existing Title Insurance Policies were not procured as of the date hereof; and (vi) defects of title, easements, rights-of-way and restrictions that do not, individually or in the aggregate, materially interfere with the ordinary conduct of the Business as presently conducted; provided, in each case, that such Permitted Liens neither individually nor in the aggregate have had, and would not reasonably be expected to have, a Material Adverse Effect on the operation of the Business as currently conducted.

"Person" means any natural person, general or limited partnership, corporation, limited liability company, firm, association or other legal entity.

"Raw Coal" means unprocessed coal severed and located in stockpiles on the Real Property, which requires processing.

"Real Property" means, collectively, the Leased Real Property and the Owned Real Property.

"Release" means any release, spill, emission, discharge, leaking, pumping, injection, deposit, disposal, dispersal, leaching or migration into the indoor or outdoor environment (including ambient air, surface water, groundwater and surface or subsurface strata) or into or out of any property, including the movement of Hazardous Materials through or in the air, soil, surface water, groundwater or property.

"Representatives" means, as to any Person, its members, managers, directors, officers, employees, affiliates, representatives (including financial advisors, attorneys and accountants), agents and potential sources of financing.

"Specified Current Assets" means the sum of "trade accounts receivables - net" plus "other current assets" of CNAC and its Subsidiaries as of the Closing Date, in each case, without duplication, determined in accordance with GAAP consistently applied in accordance with past practices, where each of "trade accounts receivables - net" and "other current assets" definitionally corresponds to such line items on the consolidating statement of financial position of CNAC as of September 30, 2015 provided by Parent to Purchaser prior to November 18, 2015.

"Specified Current Liabilities" means the difference of "current liabilities" less "payables to associated companies" of CNAC and its Subsidiaries as of the Closing Date, in each case, without duplication, determined in accordance with GAAP consistently applied in accordance with past practices, where each of "current liabilities" and "payables to associated companies" definitionally corresponds to such line items on the consolidating statement of financial position of CNAC as of September 30, 2015 provided by Parent to Purchaser prior to November 18, 2015.

"Subsidiary" means, with respect to any specified Person, any Person with respect to which such specified Person, directly or indirectly, owns or controls (i) more than 50% of the capital stock or other equity interests of such Person or (ii) capital stock or other equity interests representing more than 50% of the general voting power under ordinary circumstances of such Person, including any specified Person with the power to elect a majority of the board of directors (or equivalent) of such Person or with the power to direct the business and policies of such Person. Each of the Companies is a Subsidiary of CNAC.

"Tax" or "Taxes" means any and all income, excise, gross receipts, ad valorem, sales, use, employment, franchise, profits, gains, property, transfer, severance, production, payroll or intangibles taxes, together with any interest, penalties, additions to tax and additional amounts imposed by any Tax authority with respect thereto.

"Tax Returns" means all returns and reports (including elections, declarations, amendments, schedules, information returns or attachments thereto) required to be supplied to a Tax authority relating to Taxes.

"Ton" means 2,000 pounds.

"WARN Act" means the Worker Adjustment and Retraining Notification Act, as amended.

Section 1.2 Index of Other Defined Terms. Each of the terms set forth below shall have the respective meaning ascribed thereto in the following sections:

<u>Term</u>	<u>Section</u>
Agreement	Preamble
Base Receivables	2.3(e)
Beard Pinnacle	Recitals
Business Combination	1.1 (in definition of Change of Control)
Claim Notice	8.5(a)
Closing	2.5
CNAC	Recitals

Collected Receivables	2.3(e)
Companies	Recitals
Consideration	2.2
Cut-Off Date	8.5(a)
Delaware Courts	9.10
Dispute Notice	2.3(b)
Dispute Period	2.3(b)
Employee Plan	4.13(a)
Employment and Labor Laws	4.14(b)
Environmental Authorizations	4.12(a)
ERISA Affiliate	4.13(a)
Financial Statements	4.5(a)
Guarantees	6.19
Interested Party	4.16
Interim Balance Sheet	4.5(b)
Interim Financial Statements	4.5(b)
Leased Real Property	4.9(a)
Leases	4.9(a)
Loss	8.2
Losses	8.2
Lucchini Receivable	6.13
Multiemployer Pension Plan	4.13(e)
OGLC	Recitals
OGR	Recitals
Owned Real Property	4.9(b)
Parent	Preamble
Pending Actions	6.12
PLC	Recitals
PMC	Recitals
Position Statement	2.3(d)
Pre-Closing Period	6.5(b)
Purchaser	Preamble
Purchaser Calculation	2.3(b)
Purchaser Indemnified Party	8.2
Purchaser Indemnifying Party	8.3
Resolution Period	2.3(c)
Seller	Preamble
Seller Indemnified Party	8.3
Seller Indemnifying Party	8.2
Signatory Companies	6.7(a)
Specified Net Current Asset Difference	2.3(a)
Straddle Period	6.5(b)
Tax Claim	6.5(f)
Third Party Claim	8.5(a)
Transfer Taxes	6.5(a)
Units	Recitals

Section 1.3 Interpretation.

- (a) Words in the singular shall be deemed to include the plural and vice versa, and words of one gender shall be held to include the other genders as the context requires.
- (b) The terms “hereof”, “herein”, “hereunder” and “herewith” and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement and not to any particular provision of this Agreement, and Article and Section references are to Articles and Sections of this Agreement unless otherwise specified.
- (c) The word “including” and words of similar import when used in this Agreement shall mean “including without limitation” unless otherwise specified.
- (d) Provisions shall apply, when appropriate, to successive events and transactions.
- (e) The word “will” shall be construed to have the same meaning and effect as the word “shall”.
- (f) Except as otherwise expressly provided herein, all references to “dollars”, “\$” or dollar amounts shall be deemed references to the lawful currency of the United States of America.
- (g) Whenever the context may require, reference to any Person includes such Person’s successors and assigns but only if such successors and assigns are not prohibited by this Agreement, and reference to a Person in a particular capacity excludes such Person in any other capacity or individually.
- (h) Whenever the context may require, reference to any party means a party to this Agreement.
- (i) Whenever the context may require, reference to any Contract means such Contract as amended, restated, reformed, supplemented or otherwise modified and in effect from time to time in accordance with the terms thereof, as well as to all addenda, amendments, annexes, exhibits and schedules thereto.
- (j) Reference to any Law or section or other provision thereof means that Law or section or other provision thereof from time to time in effect and constituting the substantive amendment, codification, modification, reenactment or replacement of such Law or section or other provision thereof.
- (k) Whenever the context may require, the word “or” is used in the inclusive sense of “and/or”.
- (l) Whenever the context may require, with respect to the determination of any period of time, “from” means “from and including” and “to” or “until” means “to but excluding”.
- (m) Unless otherwise specified herein, all accounting terms used herein shall be interpreted and all accounting determinations hereunder shall be made in accordance with GAAP.

ARTICLE II.
PURCHASE AND SALE; CONSIDERATION; CLOSING

Section 2.1 Purchase and Sale. On the terms and subject to the conditions set forth in this Agreement, at the Closing, Seller shall sell to Purchaser, and Purchaser shall purchase from Seller, all of the right, title and interest of Seller in and to the Units, free and clear of all Liens.

Section 2.2 Consideration. Purchaser shall, as consideration for the Units, subject to adjustment after Closing in accordance with the terms of Section 2.3, (a) assume the Liabilities of CNAC and the Companies and (b) enter into the Override Right Agreement in favor of Seller (as so adjusted, the “Consideration”).

Section 2.3 Adjustments to Consideration. All adjustments to the Consideration shall be determined and (if applicable) paid as set forth in this Section 2.3.

(a) The Consideration shall be increased by the amount, if any, by which the Specified Current Assets are greater than the Specified Current Liabilities (such excess amount, if any, the "Specified Net Current Asset Difference").

(b) Within 90 days after the Closing Date, Purchaser shall prepare and deliver to Parent Purchaser's calculation of the Specified Current Assets and the Specified Current Liabilities (such delivery, the "Purchaser Calculation"). Without limiting any other obligation of Parent or Seller under this Agreement, Parent and Seller will make available or cause to be made available to Purchaser and its Representatives upon reasonable notice and at reasonable times all personnel and information necessary to assist Purchaser and its Representatives in connection with the preparation of the Purchaser Calculation. Parent shall have 45 days from the date Purchaser delivers the Purchaser Calculation to Parent (such period, the "Dispute Period") to notify Purchaser, in writing, as to whether Parent agrees or disagrees with the Purchaser Calculation, which such notice shall identify in reasonable detail those items and amounts to which Parent objects, the reasons therefor and Parent's proposed calculation of the Specified Current Assets and the Specified Current Liabilities and the portion, if any, of the Purchaser Calculation that Parent does not dispute (such written notice, the "Dispute Notice"). During the Dispute Period, Parent and its accountants shall be permitted to review (during regular business hours and upon reasonable prior notice) the working papers of Purchaser and (where applicable) Purchaser's accountants to the extent relating to the matters set forth in the Purchaser Calculation, in each case as is reasonably requested in writing by Parent. If Parent fails to deliver a Dispute Notice to Purchaser during the Dispute Period, Purchaser's calculation of the Specified Current Assets and the Specified Current Liabilities shall be deemed to be final and correct and shall be binding upon all parties. If Parent delivers a Dispute Notice to Purchaser with respect to some, but not all, of the amounts or items included in the Purchaser Calculation during the Dispute Period, then Parent shall be deemed to have agreed with Purchaser's calculations of all amounts set forth in such Purchaser Calculation that were not disputed in such duly and timely delivered Dispute Notice.

(c) If Parent delivers a Dispute Notice to Purchaser during the Dispute Period, Parent and Purchaser shall, for a period of 30 days from the date the Dispute Notice is delivered to Purchaser (such period, the "Resolution Period"), negotiate in good faith and use commercially reasonable efforts to amicably resolve the items in dispute. Any items so resolved shall be deemed to be final and correct as so resolved and shall be binding upon each of the parties hereto.

(d) If Parent and Purchaser are unable in good faith to resolve all of the items in dispute during the Resolution Period, then, upon the expiration of the Resolution Period or such earlier date as Purchaser and Parent mutually agree, either Purchaser or Parent may refer the items remaining in dispute in writing to the Independent Accounting Firm and shall deliver to the Independent Accounting Firm, at the time of such referral, the Purchaser Calculation and the Dispute Notice. Within five Business Days after referral of the matter to the Independent Accounting Firm, Purchaser and Parent shall agree on the procedures to be followed by the Independent Accounting Firm (including procedures with regard to presentation of evidence). Such procedures shall not alter the accounting policies, practices and principles to be applied to the calculation of the Specified Current Assets and the Specified Current Liabilities, which will be those required by this Agreement. If Purchaser and Parent are unable to agree upon such procedures before the end of five Business Days after referral of the dispute to the Independent Accounting Firm, the Independent Accounting Firm shall establish such procedures giving due regard to the intention of Purchaser and Parent to resolve disputes as quickly, efficiently and inexpensively as possible, which procedures may be, but need not be, those proposed by Purchaser or Parent. The parties shall also furnish the Independent Accounting Firm with such other information and documents as the Independent Accounting Firm may reasonably request in order for it to resolve the items in dispute. Parent and Purchaser shall also, within 20 days of the date the items in dispute are referred to the Independent Accounting Firm, provide the Independent Accounting Firm with a written statement (a "Position Statement") describing in reasonable detail their respective positions on the items in dispute (copies of which will be provided by the Independent Accounting Firm to the other party after such time, if any, that both parties have delivered a Position Statement to the Independent Accounting Firm). If any party fails to timely deliver its Position Statement to the Independent Accounting Firm, the Independent Accounting Firm shall resolve the items in dispute solely upon the basis of the information otherwise provided to it. The Independent Accounting Firm shall resolve all disputed items in a written determination to be delivered to Purchaser and Parent within 30 days after such matter is referred to it; provided, however, that any delay in delivering such determination shall not invalidate such determination or deprive the Independent Accounting Firm of jurisdiction to resolve the items in dispute; provided, further, that, in resolving any disputed item, the Independent

Accounting Firm shall adhere to the definitions contained in this Agreement and the practices and other principles referred to herein. In no event shall the Independent Accounting Firm assign a value to the Specified Net Current Asset Difference that is greater than the highest or less than the lowest calculation thereof proposed by Purchaser in the Purchaser Calculation and Parent in the Dispute Notice. The decision of the Independent Accounting Firm, acting as an expert and not as an arbitrator, shall be final and binding upon the parties hereto and shall not be subject to judicial review. The fees and expenses of the Independent Accounting Firm shall be borne by Parent, on the one hand, and Purchaser, on the other hand, in equal portions, unless the Independent Accounting Firm decides, based on its determination with respect to the reasonableness of the respective positions of the parties, that the fees and expenses shall be borne in unequal proportions.

(e) Within seven days after the final determination of the Specified Current Assets and the Specified Current Liabilities and the calculation of any Specified Net Current Asset Difference (whether through failure of Parent to timely deliver a Dispute Notice, agreement of the parties or determination of the Independent Accounting Firm), if there is a positive Specified Net Current Asset Difference, then Purchaser shall pay such Specified Net Current Asset Difference to Seller in immediately available funds via wire transfer (in which case there shall be an immediate upward adjustment of the Consideration in such amount); provided, however, that Purchaser shall pay any portion of such Specified Net Current Asset Difference (i) not earlier than the final determination of such Specified Net Current Asset Difference, (ii) only after such time that CNAC and its Subsidiaries have received payment of trade accounts receivable of CNAC and its Subsidiaries reflected in the Specified Current Assets up to the dollar amount whereby the Specified Net Current Asset Difference would have been zero (such dollar amount, the "Base Receivables") and (iii) once the threshold in Section 2.3(e)(ii) is met, only as and when (and to the extent) CNAC and its Subsidiaries have received payment of trade accounts receivable of CNAC and its Subsidiaries reflected in the Specified Current Assets in an amount exceeding the Base Receivables (such amount exceeding the Base Receivables, the "Collected Receivables"). In order to effectuate the payment of any Specified Net Current Asset Difference, Purchaser agrees (A) to use efforts to collect such Collected Receivables that are not materially less than the efforts it otherwise employs to collect the Base Receivables or other trade accounts receivable of the Business, (B) that, with respect to any amounts collected by CNAC and its Subsidiaries from any payor that has trade accounts receivable reflected in the Specified Current Assets, for purposes of this Section 2.3, such amounts shall, unless otherwise expressly provided by the payor, be attributable to the Specified Current Assets prior to being attributed to any trade accounts receivable that are not Specified Current Assets, (C) to remit to Seller, on a weekly basis commencing the week following the final determination of any Specified Net Current Asset Difference, the amount of the Base Receivables and the Collected Receivables, and (D) to provide to Seller, concurrent with any such remittance of Collected Receivables, a list setting forth in respect of such Collected Receivables (x) the payor of each portion of such Collected Receivables and (y) the amount of Collected Receivables paid by each such payor.

(f) The dispute resolution procedures set forth in this Section 2.3 are the sole and exclusive means and remedy for determining and calculating the Specified Current Assets, the Specified Current Liabilities and any Specified Net Current Asset Difference and the components thereof, other than in the event of fraud or willful misconduct, in which case the aggrieved party shall be entitled to such other rights and remedies as are permitted by applicable Law.

Section 2.4 Allocation of Consideration. Purchaser and Parent shall mutually agree in good faith upon an allocation of the Consideration and other consideration (including any Liabilities treated as assumed for Tax purposes), if any, among the assets of CNAC and its Subsidiaries in accordance with the U.S. Treasury regulations promulgated under Section 1060 of the Code; provided, however, that if Purchaser and Parent are unable to agree upon such allocation within 30 days after the final determination of the Consideration pursuant to Section 2.3, such allocation shall be determined by the Independent Accounting Firm, with such determination being binding on the parties hereto, in which case the costs, fees and expenses of the Independent Accounting Firm in connection therewith shall be borne equally by Purchaser and Parent. Parent and Purchaser shall act in accordance with the allocation determined pursuant to this Section 2.4, whether through mutual agreement or determination by the Independent Accounting Firm, in the preparation and filing of any Tax Return and in all communications with any Governmental Authority relating to Taxes.

Section 2.5 Closing. The closing of the transactions contemplated hereby (the "Closing") will take place effective as of the close of business on the Closing Date (New York City time) on the date hereof. At the Closing, there shall be delivered to Seller and Purchaser, as applicable, the documents to be delivered pursuant to Article VII.

ARTICLE III.
REPRESENTATIONS AND WARRANTIES RELATING TO PARENT AND SELLER

Each of Parent and Seller, jointly and severally, represents and warrants to Purchaser as follows:

Section 3.1 Organization and Authority. Each of Parent and Seller is a corporation or limited liability company, respectively, duly incorporated or formed, respectively, validly existing and in good standing under the Laws of the State of Ohio or the State of Delaware, respectively. Each of Parent and Seller has the full legal right and power and all authority required by Law to enter into this Agreement, to carry out its obligations hereunder and to consummate the transactions contemplated hereby. This Agreement has been duly authorized, executed and delivered by or on behalf of Parent and Seller, and (assuming due authorization, execution and delivery by Purchaser) this Agreement constitutes the legal, valid and binding obligation of each of Parent and Seller, enforceable against each in accordance with its terms, subject to the effect of any applicable bankruptcy, reorganization, insolvency, moratorium, fraudulent conveyance or similar Laws affecting creditors' rights generally and subject, as to enforceability, to the effect of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Section 3.2 No Conflict. Assuming all consents, approvals, authorizations and other actions described in Section 3.3 have been obtained, and except as may result from any facts or circumstances relating solely to Purchaser, the execution and delivery of and performance of obligations under this Agreement by each of Parent and Seller and the consummation by each of Parent and Seller of the transactions contemplated hereby do not and will not violate or conflict with the organizational documents of Parent or Seller or any Law applicable to Parent or Seller, except for any such violations or conflicts of any Law as would not materially delay the ability of Parent or Seller to perform its respective material obligations under this Agreement or consummate the transactions contemplated hereby.

Section 3.3 Consents and Approvals. Except as set forth in Section 3.3 of the Disclosure Schedule, the execution and delivery of this Agreement by each of Parent and Seller do not, and the performance by each of Parent and Seller of its obligations hereunder will not, require any consent, approval, authorization or other action by, or filing with or notification to, any Governmental Authority or other Person, except (a) where failure to obtain such consent, approval, authorization or action, or to make such filing or notification, would not prevent Parent or Seller from performing any of its respective material obligations under this Agreement or consummating the transactions contemplated hereby or (b) as may be necessary as a result of any facts or circumstances relating solely to Purchaser.

Section 3.4 Ownership of the Units. Seller is the lawful owner of the Units. Upon the consummation of the transactions contemplated hereby, Purchaser will acquire title to the Units being sold by Seller, free and clear of all Liens. The Units are uncertificated.

Section 3.5 Legal Proceedings. There are no Actions pending or, to the Knowledge of Parent, threatened against, relating to or affecting Parent or Seller that would reasonably be expected to result in the issuance of a Governmental Order restraining, enjoining or otherwise prohibiting or making illegal the consummation of any of the transactions contemplated hereby.

Section 3.6 Permitting. None of Parent, Seller, CNAC, any Subsidiary of CNAC or any Person that, together with any Affiliate of Parent, Seller, CNAC or any Subsidiary of CNAC, owns 10% or more of the equity interests of Parent, Seller, CNAC or any Subsidiary of CNAC has been subject to any bond forfeiture, permit suspension or revocation instituted by any Governmental Authority that would prohibit the transfer of any Environmental Authorizations to Purchaser. None of Parent, Seller, CNAC, any Subsidiary of CNAC or any Person "owned or controlled" by Parent, Seller, CNAC, any Subsidiary of CNAC has been notified by the Federal Office of Surface Mining or the agency of any state administering the Surface Mining Control and Reclamation Act (or any comparable state statute) that it is currently (a) ineligible to receive additional surface mining permits or (b) under investigation to determine whether its eligibility to receive such permits should be revoked, i.e., "permit blocked".

ARTICLE IV.
REPRESENTATIONS AND WARRANTIES RELATING TO CNAC AND ITS SUBSIDIARIES

Each of Parent and Seller, jointly and severally, represents and warrants to Purchaser as follows:

Section 4.1 Organization and Authority. CNAC is a limited liability company duly formed, validly existing and in good standing under the Laws of the State of Delaware and has full limited liability company power and authority to conduct its business as and to the extent now conducted and to own, use and lease its assets and properties. CNAC is duly qualified, licensed or admitted to do business and is in good standing in those jurisdictions set forth in Section 4.1 of the Disclosure Schedule, which are the only jurisdictions in which the ownership, use or leasing of its assets and properties, or the conduct or nature of its business, makes such qualification, licensing or admission necessary, except for those jurisdictions in which the failure by CNAC to be so qualified, licensed or admitted and in good standing would not have a Material Adverse Effect.

Section 4.2 Subsidiaries. Each Subsidiary of CNAC and each such Subsidiary's jurisdiction of formation is set forth in Section 4.2(a) of the Disclosure Schedule. Each Subsidiary of CNAC is a limited liability company duly formed, validly existing and in good standing under the Laws of its jurisdiction of formation and has full limited liability company power and authority to conduct its business as and to the extent now conducted and to own, use and lease its assets and properties. Each Subsidiary of CNAC is duly qualified, licensed or admitted to do business and is in good standing in those jurisdictions set forth in Section 4.2(b) of the Disclosure Schedule, which are the only jurisdictions in which the ownership, use or leasing of its assets and properties, or the conduct or nature of its business, makes such qualification, licensing or admission necessary, except for those jurisdictions in which the failure by such Subsidiary to be so qualified, licensed or admitted and in good standing would not have a Material Adverse Effect. All of the outstanding equity interests or other voting securities of each Subsidiary of CNAC are owned directly by CNAC free and clear of all Liens. Other than the Companies, CNAC does not own, directly or indirectly, any equity interest in any Person, nor is CNAC a partner or member of any partnership, limited liability company or joint venture. Beard Pinnacle's assets were sold in 2008 such that the operations of Beard Pinnacle have ceased and it no longer is a going concern.

Section 4.3 No Conflict. Assuming all consents, approvals, authorizations and other actions described in Section 3.3 have been obtained, and except as set forth in Section 4.3 of the Disclosure Schedule or as may result from any facts or circumstances relating solely to Purchaser, the execution and delivery of and performance of obligations under this Agreement by each of Parent and Seller and the consummation by each of Parent and Seller of the transactions contemplated hereby do not and will not (a) violate or conflict with the certificate of formation (or equivalent) or limited liability company agreement (or equivalent) of CNAC or any Subsidiary of CNAC, (b) violate or conflict with any Law applicable to CNAC or any Subsidiary of CNAC or (c) result in any material breach of, or constitute a material default (or event that with the giving of notice or lapse of time, or both, would become a material default) under, or give to any Person any rights of termination, amendment, acceleration or cancellation of, or result in the creation of any Lien (other than a Permitted Lien) on any of the assets or properties of CNAC or any Subsidiary of CNAC pursuant to, any Contract to which CNAC or any Subsidiary of CNAC is a party or by which any of their respective assets or properties are bound.

Section 4.4 Capitalization. Section 4.4 of the Disclosure Schedule sets forth the entire authorized equity interests of CNAC and the total percentage of issued and outstanding limited liability company units, all of which are owned, of record and beneficially, by Seller. The Units are validly issued, fully paid and nonassessable, and none of the Units are subject to any preemptive rights. There are no outstanding options, warrants, calls, rights or other Contracts or instruments of any character (including any member, limited liability company or operating agreement, buy-sell agreement or other similar agreement) requiring, and there are no securities of CNAC outstanding that upon conversion or exchange would require, the issuance, sale or transfer of any additional membership interests, units or other equity securities of CNAC or other securities convertible into, exchangeable for or evidencing the right to subscribe for or purchase membership interests, units or other equity securities of CNAC. None of the Units were issued, or, since issuance, have been transferred, in violation of Law or Contract, including any preemptive right, right of first refusal or other similar right of any Person. There are no restrictions on the transfer of the Units as contemplated in this Agreement.

Section 4.5 Financial Statements and Condition; No Undisclosed Liabilities; Absence of Certain Facts or Events.

(a) Prior to the execution of this Agreement, Parent has made available to Purchaser copies of the unaudited consolidated balance sheets of the Business as of December 31, 2014 and 2013 and the related unaudited consolidated statements of income for the years then ended (the "Financial Statements"). Except as set forth in the notes thereto, the Financial Statements have been prepared in accordance with GAAP consistently applied throughout the periods indicated and present fairly, in all material respects, the consolidated financial position (and changes in financial position, if any) of the Business as of the dates and for the periods referred to therein, all in accordance with GAAP.

(b) Prior to the execution of this Agreement, Parent has made available to Purchaser copies of the unaudited consolidated balance sheet of the Business as of November 30, 2015 (the "Interim Balance Sheet") and the related unaudited consolidated statements of income for the eleven-month period then ended (the "Interim Financial Statements"). Subject to normal (as to type and amount) year-end adjustments and the absence of disclosure normally made in footnotes, the Interim Financial Statements have been prepared in accordance with GAAP consistently applied throughout the periods indicated and present fairly, in all material respects, the consolidated financial position (and changes in financial position, if any) of the Business as of the date and for the period referred to therein, all in accordance with GAAP.

(c) Except as set forth in Section 4.5(c) of the Disclosure Schedule and except for the execution and delivery of this Agreement and the transactions to take place pursuant hereto on or prior to the Closing Date, since September 30, 2015, the Business has been operated in all material respects in the ordinary course and there has not been any Material Adverse Effect.

(d) Except as set forth in Section 4.5(d) of the Disclosure Schedule or in the Interim Financial Statements, neither CNAC nor any of its Subsidiaries had at the date of the Interim Financial Statements, or since that date has incurred, any Liabilities of any nature, whether absolute, accrued, contingent or otherwise and whether due or to become due, except Liabilities:

- (i) that are accrued or reserved against in the Interim Financial Statements or reflected in the notes thereto;
- (ii) that were incurred after the date of the Interim Financial Statements in the ordinary course of business;
- (iii) that have been fully discharged or paid before the date of this Agreement; or
- (iv) that, in the aggregate, would not have a Material Adverse Effect.

Section 4.6 Absence of Litigation. Except as set forth in Section 4.6 of the Disclosure Schedule, as of the date hereof, (a) there are no Actions pending or, to the Knowledge of Parent, threatened against CNAC or any Subsidiary of CNAC or any of their respective assets or properties that would have a Material Adverse Effect or would prevent Parent or Seller from consummating the transactions contemplated hereby and (b) none of CNAC, any Subsidiary of CNAC or any of their respective assets or properties are subject to any outstanding Governmental Order. None of the Actions or Governmental Orders set forth in Section 4.6 of the Disclosure Schedule are reasonably likely to prevent Parent or Seller from consummating the transactions contemplated hereby.

Section 4.7 Compliance with Laws. Except as set forth in Section 4.7 of the Disclosure Schedule or for Environmental Laws (which are addressed in Section 4.12) or for Employment and Labor Laws (which are addressed in Section 4.14), the Business is currently being operated in compliance in all material respects with all currently applicable Laws that apply to the Business, and no written or oral notice, charge, claim, Action or assertion has been received by Parent, Seller, CNAC or any Subsidiary of CNAC or, to the Knowledge of Parent, has been filed, commenced or threatened against CNAC or any Subsidiary of CNAC alleging any violation of any of the foregoing, in each case except (a) for citations issued by the Mine Safety and Health Administration or any similar state regulatory agency that can be reasonably abated without material cost or expense to CNAC or any of its Subsidiaries in the ordinary course

of CNAC's and its Subsidiaries' continuing operations or (b) for violations the existence of which would not have a Material Adverse Effect.

Section 4.8 Material Contracts.

(a) Section 4.8 of the Disclosure Schedule contains a list of each of the following Contracts (other than the Leases) to which CNAC or a Subsidiary of CNAC is a party:

- (i) all Contracts (other than the Employee Plans) providing for a commitment of employment or consultation services;
- (ii) all Contracts with any Person containing any provision or covenant prohibiting or limiting the ability of CNAC or a Subsidiary of CNAC to engage in any business activity or compete with any Person or prohibiting or limiting the ability of any Person to compete with CNAC or a Subsidiary of CNAC (other than restrictions on other parties pursuant to agreements pertaining to Business Combinations or acquisitions);
- (iii) all partnership, joint venture, shareholders' or other similar Contracts with any Person;
- (iv) all Contracts relating to Indebtedness of CNAC or a Subsidiary of CNAC;
- (v) all Contracts granting any right of first refusal or right of first offer or similar right or that materially limit or purport to materially limit the ability of CNAC or any Subsidiary of CNAC to own, operate, sell, transfer, pledge or otherwise dispose of the properties or assets of its business;
- (vi) all material Contracts providing for the indemnification by CNAC or any Subsidiary of CNAC of any Person in connection with the Business;
- (vii) all Contracts providing for any payments by CNAC or any Subsidiary of CNAC that are conditioned, in whole or in part, on a Change of Control of CNAC or any of its Subsidiaries or transactions of the type contemplated hereby;
- (viii) any collective bargaining agreement;
- (ix) any employment agreement with, or any agreement or arrangement that contains any guaranteed compensation, equity commitments, commission or other production bonuses, severance pay or post-employment liabilities or obligations (other than as required by Law) to, any current or former employees, non-employee directors or officers or other Persons that have performed or are performing consulting or other independent contractor services for CNAC or any Subsidiary of CNAC;
- (x) any Contract with an Interested Party; and
- (xi) all other Contracts (other than the Employee Plans) that require the payment pursuant to the terms of any such Contract by or to CNAC or a Subsidiary of CNAC of more than \$1,000,000.

(b) Each Contract required to be disclosed in Section 4.8 of the Disclosure Schedule is in full force and effect and constitutes a legal, valid and binding agreement, enforceable, in all material respects, in accordance with its terms, of CNAC or the applicable Subsidiary and, to the Knowledge of Parent, of each other party thereto, other than Contracts that have expired by their terms. Neither CNAC nor the applicable Subsidiary nor, to the Knowledge of Parent, any other party to such Contract is in violation or breach of or default under any such Contract (or with notice or lapse of time, or both, would be in violation or breach of or default under any such Contract), the effect of which would have a Material Adverse Effect.

Section 4.9 Real Property.

(a) Section 4.9(a) of the Disclosure Schedule contains a true and complete list of all of the leases, licenses, subleases, agreements containing easements or subsidence rights in favor of CNAC or any of its Subsidiaries,

and all other similar occupancy agreements, including all amendments or other modifications thereto (collectively, the "Leases"), pursuant to which CNAC or any of its Subsidiaries leases, licenses, subleases or otherwise occupies real property (such real property, collectively, the "Leased Real Property"). The Leased Real Property is the only real property leased, subleased, licensed or otherwise occupied by CNAC or any of its Subsidiaries that is used in connection with the Business, other than the Owned Real Property and any real property occupied or otherwise used by CNAC or any of its Subsidiaries pursuant to appurtenant easements and similar rights that constitute Permitted Liens. CNAC or the applicable Subsidiary has a good and valid leasehold interest in all of the Leased Real Property, free and clear of any Liens (other than Permitted Liens). The Leases are in full force and effect. Neither CNAC nor the applicable Subsidiary nor, to the Knowledge of Parent, any other party to any Lease is in material default under the Leases. To the Knowledge of Parent, no event has occurred that, with notice or lapse of time, or both, would constitute a material breach or default by CNAC or such Subsidiary or any other party to any Lease under any of the Leases. Parent has made available to Purchaser or its Representatives copies of the Leases and all certificates of occupancy, title reports, title insurance policies, preliminary mining title opinions, surveys and similar documents with respect to the Leased Real Property that are in the possession of Parent, Seller, CNAC or any of the Subsidiaries of CNAC, and the copies of the Leases made available by Parent are true, correct and complete in all material respects. Neither the use of the Leased Real Property by CNAC or the applicable Subsidiary nor, to the Knowledge of Parent, the Leased Real Property itself contravenes or violates any building, zoning, administrative, occupational safety and health or other applicable Law in any material respect.

(b) Section 4.9(b)(i) of the Disclosure Schedule contains a true and complete list of all real property owned by CNAC or any of its Subsidiaries (the "Owned Real Property"). Except as set forth in Section 4.9(b)(ii) of the Disclosure Schedule, reasonable access to that portion of the Owned Real Property on which CNAC or any of its Subsidiaries are currently conducting mining, processing or reclamation operations is available through publicly dedicated streets or a validly existing easement, which access is consistent with past practice. Except as would not have a Material Adverse Effect, CNAC or the applicable Subsidiary has good and valid title to all of the Owned Real Property, free and clear of any Liens (other than Permitted Liens). None of the Owned Real Property, or the use thereof, contravenes or violates any building, zoning, administrative, occupational safety and health or other applicable Law in any material respect. Parent has made available to Purchaser or its Representatives copies of all deeds, leases, mortgages, deeds of trust, certificates of occupancy, title insurance policies (including the Existing Title Insurance Policies), title reports, surveys and documents evidencing recorded and unrecorded easements, rights-of-way and similar restrictions and rights (and all amendments thereto) with respect to the Owned Real Property, to the extent the same are in the possession of Parent, Seller, CNAC or a Subsidiary of CNAC. Other than the Farming and Residential Leases and other than as set forth in Section 4.9(b)(iii) of the Disclosure Schedule, neither CNAC nor any of its Subsidiaries is a party to any lease, license, sublease, agreement containing easements or subsidence rights in favor of CNAC or any of its Subsidiaries or similar occupancy agreement under which it leases, licenses, subleases or otherwise makes any of the Owned Real Property available for occupancy by any third party (other than an Affiliate). All of the Farming and Residential Leases are terminable by CNAC or the applicable Subsidiary without cost to CNAC or such Subsidiary upon not more than 90 days' prior notice.

(c) CNAC and its Subsidiaries, as applicable, have obtained all easements and rights of way required to use and operate the Owned Real Property and the Leased Real Property in all material respects in connection with the Business and to comply with applicable Law (other than any non-compliance that would not have a Material Adverse Effect). Neither CNAC nor any Subsidiary of CNAC is in material default under any document evidencing such easement or right of way and, to the Knowledge of Parent, (i) all such documents are in full force and effect, (ii) the other party to each such document is not in material default thereunder and (iii) no event has occurred that, with notice or lapse of time, or both, would constitute a material breach or default by CNAC or such Subsidiary or the other party under any such document.

(d) Parent has made available to Purchaser or its Representatives all studies relating to the coal reserves associated with the Business's mines that were prepared by, or at the request of, and that are in the possession of, Parent, Seller, CNAC or any of CNAC's Subsidiaries. Neither Parent nor Seller makes any representation or warranty with respect to the accuracy or completeness of any such study.

Section 4.10 Personal Property. Except as set forth in Section 4.10 of the Disclosure Schedule, CNAC and its Subsidiaries own, have a valid leasehold interest in or have the legal right to use all of the tangible personal property necessary to carry on the Business as currently conducted, free and clear of all Liens (other than Permitted Liens) in all material respects. Except as set forth in Section 4.5(c) of the Disclosure Schedule and Section 4.10 of the Disclosure Schedule, all of the tangible personal property of CNAC and its Subsidiaries (other than Coal Inventories, which are

addressed in Section 4.19) are in a good state of maintenance, operating condition and repair, ordinary wear and tear excepted, and, to the extent necessary, are being used or are useful in accordance with the current operating plan of the Business. Except as set forth in Section 4.10 of the Disclosure Schedule, all tangible personal property of CNAC and its Subsidiaries are in the possession of CNAC and its Subsidiaries.

Section 4.11 Intellectual Property. Section 4.11(a) of the Disclosure Schedule contains a true and complete list of all Intellectual Property owned by CNAC or any of its Subsidiaries that is material to the Business. There are no pending or, to the Knowledge of Parent, threatened claims of which Parent, Seller, CNAC or a Subsidiary of CNAC has been given written notice by any Person against its use of such Intellectual Property. CNAC and its Subsidiaries have such ownership of or such rights by license, lease or other agreement to the Intellectual Property as set forth in Section 4.11(b) of the Disclosure Schedule as are necessary to conduct the Business as currently conducted. CNAC and its Subsidiaries own and have good and exclusive title to each item of such Intellectual Property owned by it, free and clear of any Liens, except for Permitted Liens. None of the Intellectual Property is subject to any Action or Governmental Order restricting in a material respect the use, transfer or licensing thereof by CNAC or any of its Subsidiaries or affecting in a material respect the validity, use or enforceability of such Intellectual Property. The Parent Marks and Websites set forth in Section 4.11(c) of the Disclosure Schedule will not be included in the Intellectual Property owned by CNAC or any of its Subsidiaries following the Closing.

Section 4.12 Environmental.

(a) Except as set forth in Section 4.12(a)(i) of the Disclosure Schedule or for matters that have been fully resolved, each of CNAC, the Subsidiaries of CNAC and, to the Knowledge of Parent, their respective predecessors are, and at all times since August 1, 2007 have been, in compliance in all material respects with all applicable Environmental Laws (which compliance includes the possession by CNAC, each Subsidiary of CNAC and their respective predecessors of all permits, approvals, consents, licenses, waivers and other governmental authorizations required under applicable Environmental Laws ("Environmental Authorizations") and compliance with the terms and conditions thereof). The Environmental Authorizations are set forth in Section 4.12(a)(ii) of the Disclosure Schedule. None of Parent, Seller, CNAC or any Subsidiary of CNAC has received any communication (written or oral), whether from a Governmental Authority, citizens group, employee or otherwise, alleging that the Business is or was not in such compliance.

(b) Except as set forth in Section 4.12(b) of the Disclosure Schedule, none of Parent, Seller, CNAC or any of the Subsidiaries of CNAC has received notice of an Environmental Claim, other than any such Environmental Claim that has been fully resolved with no further liability to CNAC or any of its Subsidiaries.

(c) Except as set forth in Section 4.12(c) of the Disclosure Schedule, neither CNAC nor any of its Subsidiaries is subject to any pending or existing Governmental Order, settlement, schedule of compliance or other restriction arising under any Environmental Law.

(d) Except as set forth in Section 4.12(d) of the Disclosure Schedule, neither CNAC nor any Subsidiary of CNAC has placed, stored, deposited, discharged, Released, buried, dumped or disposed of Hazardous Materials at, on or beneath any property that is owned or operated by CNAC or any Subsidiary of CNAC, except for inventories of such substances to be used, and wastes generated therefrom, in the ordinary course of business and in accordance with applicable Environmental Laws or as would not be expected to require any reporting, assessment, Cleanup, response or other remedial action under any Environmental Law or to pay for the cost of any such action pursuant to any Environmental Law.

(e) Parent has delivered or otherwise made available for inspection to Purchaser (i) copies and results of any material reports, studies, analyses, tests or monitoring possessed or initiated by Parent, Seller, CNAC or any Subsidiary of CNAC or any of their Affiliates pertaining to Hazardous Materials in, on, beneath or adjacent to any property currently owned, operated or leased by CNAC or any of its Subsidiaries or regarding compliance with applicable Environmental Laws by CNAC and each Subsidiary of CNAC and (ii) copies of all material Environmental Authorizations issued to CNAC and each of its Subsidiaries within the past five years.

(f) Except as set forth in Section 4.12(f) of the Disclosure Schedule, without in any way limiting the generality of the foregoing, to the Knowledge of Parent, any properties owned or operated by CNAC or any of its Subsidiaries do not contain any: underground storage tanks or related piping; asbestos or asbestos-containing material;

polychlorinated biphenyls; underground injection wells; radioactive materials; surface impoundments; landfills; sumps; or septic tanks or waste disposal pits in which any Hazardous Materials have been discharged, buried, incinerated, deposited, placed or disposed.

(g) Except as set forth in Section 4.12(g) of the Disclosure Schedule, neither CNAC nor any of its Subsidiaries has sent any Hazardous Material to a site that, pursuant to any Environmental Law, has been placed or, to the Knowledge of Parent, proposed for placement on the National Priorities List or any similar state list or is subject to a Governmental Order from any Governmental Authority to take "removal", "response", "corrective" or other Cleanup action or to pay for the cost of any such action at the site under any Environmental Law.

Section 4.13 Employee Benefit Plans. As it relates to the Business:

(a) Section 4.13(a) of the Disclosure Schedule sets forth a true and complete list of all the following: (i) each "employee benefit plan", as such term is defined in Section 3(3) of ERISA, that CNAC, any Subsidiary of CNAC or any entity that is treated as a single employer under Section 414 of the Code or Section 4001 of ERISA with CNAC or any Subsidiary of CNAC (an "ERISA Affiliate") currently sponsors or maintains; and (ii) each other plan, program, policy, Contract or arrangement (not including any collective bargaining agreement) providing for bonuses, pensions, deferred pay, stock or stock related awards, severance pay, salary continuation or similar benefits, hospitalization, medical, dental or disability benefits, life insurance or other employee benefits, or compensation, whether or not insured or funded, that is sponsored or maintained by or pursuant to which CNAC, any Subsidiary of CNAC or any ERISA Affiliate has any liability or that constitutes an employment or severance agreement or arrangement currently in effect with any employee, officer or director of CNAC, any Subsidiary of CNAC or any ERISA Affiliate, but not including any Multiemployer Pension Plan (each, an "Employee Plan").

(b) Each Employee Plan has been established, operated, funded and maintained in all material respects in accordance with its terms and the terms of any collective bargaining agreement, if applicable, and in compliance in all material respects with applicable Laws and the rules and regulations thereunder, including ERISA and the Code.

(c) None of CNAC, any Subsidiary of CNAC, any ERISA Affiliate or any of their respective current or former directors, officers, Employee Plan fiduciaries, employees or any other Persons has engaged directly or indirectly in any "prohibited transaction", as such term is defined in Section 4975 of the Code or Section 406 of ERISA, with respect to which CNAC, any Subsidiary of CNAC or any ERISA Affiliate has or could have any liability. All contributions, insurance premiums and other payments required to be made to the Employee Plans (or to any Person pursuant to the terms thereof) have been made or paid in a timely fashion. None of CNAC, any Subsidiary of CNAC or any ERISA Affiliate has any liability with respect to any Employee Plan, or any other benefit or compensation plan, program, policy, Contract or arrangement, other than for contributions, payments or benefits due in the ordinary course or other ordinary course expenses under the Employee Plans currently sponsored by CNAC, its Subsidiaries and the ERISA Affiliates. Except for any collective bargaining agreements or employment Contracts, CNAC, its Subsidiaries and the ERISA Affiliates have retained the right to unilaterally amend or terminate each Employee Plan currently sponsored by them to the fullest extent permitted by Law.

(d) Except as set forth in Section 4.13(d) of the Disclosure Schedule, CNAC, its Subsidiaries and the ERISA Affiliates are not required, nor have they or any one of them ever been required, to contribute with regard to a "multiemployer plan" as defined under Section 3(37)(A) or 4001(a)(3) of ERISA or Section 414(f) of the Code. CNAC, its Subsidiaries and the ERISA Affiliates have timely made all contributions required under Law or Contract to any multiemployer plan.

(e) Except as set forth in Section 4.13(e) of the Disclosure Schedule, CNAC, its Subsidiaries and the ERISA Affiliates are not required, nor have they or any one of them ever been required, to contribute with regard to a "multiemployer pension plan" as defined under Section 3(37) of ERISA or a plan described in Section 4063(a) of ERISA (the "Multiemployer Pension Plan"). No surety bonds or escrow accounts were required to be posted by CNAC, its Subsidiaries and the ERISA Affiliates to meet the requirements of Section 4204(a)(1)(B) of ERISA or under the terms of any multiemployer pension plan in connection with any complete or partial withdrawal (as described in Sections 4204 and 4205 of ERISA) resulting from the transactions effectuated pursuant to that certain Asset Purchase Agreement by and among CNAC Resources, LLC, U.S. Steel Mining Company, LLC, USS Coal Sales, LLC and United States Steel Corporation dated as of May 23, 2003.

(f) None of CNAC, any Subsidiary of CNAC or any ERISA Affiliate has made or suffered a “complete withdrawal” or a “partial withdrawal”, as defined respectively in Sections 4203 and 4205 of ERISA, and no event has occurred that presents a risk of such withdrawal.

(g) Except for the Multiemployer Pension Plan, no Employee Plan is subject to Title IV of ERISA.

(h) Each Employee Plan that is intended to meet the requirements of a qualified plan under Section 401(a) of the Code has received a favorable determination letter or opinion letter from the Internal Revenue Service that such Employee Plan is so qualified, and nothing has occurred that would reasonably be expected to adversely affect the qualified status of such Employee Plan. All such Employee Plans have been timely amended to meet the requirements of the Code and applicable regulations and guidance issued thereunder. In all material respects, all of the Employee Plans and any related trusts currently satisfy, and for all prior periods have satisfied, in form and operation, all requirements for any Tax-favored treatment intended for such plan or trust or applicable to plans or trusts of its type, including, as applicable, Sections 105, 106, 125, 401(a), 401(k) and 501 of the Code.

(i) Except as set forth in Section 4.13(i) of the Disclosure Schedule, there are no Actions, suits, hearings, audits, arbitrations, inquiries, investigations or other proceedings or any events for such (other than routine claims for benefits) pending or, to the Knowledge of Parent, threatened with respect to any Employee Plan.

(j) Except as set forth in Section 4.13(j) of the Disclosure Schedule, none of the Employee Plans (i) provides for the payment of separation, severance, termination, Change of Control or similar benefits, (ii) promises or provides retiree medical or life insurance benefits to any current or former employee, officer or director of CNAC, any Subsidiary of CNAC or any ERISA Affiliate or otherwise provides life insurance or medical or health benefits to persons who are not current employees or their dependents, except as required by Part 6 of Title I of ERISA or any similar state law, (iii) requires any payment or accelerated vesting as a result of the transactions contemplated by this Agreement or (iv) is subject to Section 409A of the Code.

(k) With respect to each Employee Plan, Seller has provided or made available to Purchaser true and complete copies, where applicable, of (i) the current plan document and all amendments thereto, (ii) the annual report on Form 5500 for the most recent two years, (iii) the most recent summary plan description, (iv) the most recent Internal Revenue Service determination letter, (v) all material Contracts, arrangements or agreements related to each Employee Plan and (vi) all material correspondence received from any governmental agency with respect to an Employee Plan.

(l) Except as set forth in Section 4.13(l) of the Disclosure Schedule, the consummation of the transactions contemplated by this Agreement will not (i) entitle any employee to severance pay, unemployment compensation or any other payment, except as expressly provided in this Agreement, or (ii) accelerate the time of payment or vesting or increase the amount of compensation due any employee.

(m) No prior payment of any amount, nor any payment due or to become due in connection with the transactions contemplated by this Agreement, by CNAC or any Subsidiary of CNAC or any ERISA Affiliate is or shall be an “excess parachute payment” under Section 280G of the Code.

(n) CNAC, each Subsidiary of CNAC and each ERISA Affiliate are in compliance in all material respects with the requirements of Parts 6 and 7, Subtitle B of Title I of ERISA.

(o) With respect to each Employee Plan that is (or but for an exemption could be) subject to Section 409A of the Code, such plan has been maintained and administered in good faith compliance with the requirements of Section 409A of the Code and the guidance promulgated thereunder.

(p) To the Knowledge of Parent, the Memorandum of Understanding Regarding Eligibility for Retiree Health Care between U.S. Steel Mining Company, LLC and the United Mine Workers of America, International Union, dated as of May 6, 2003, and the related Agreement between the International Union, United Mine Workers of America, and United States Steel Corporation, dated May 6, 2003, each remain in full force and effect, and the transactions contemplated by this Agreement will not alter their full force and effectiveness.

Section 4.14 Labor Matters.

(a) Except as set forth in Section 4.14(a) of the Disclosure Schedule, as of the date hereof: (i) neither CNAC nor any Subsidiary of CNAC is party to, or bound by, any collective bargaining or other labor union agreement applicable to employees, and no collective bargaining agreement is presently being negotiated by CNAC or a Subsidiary of CNAC; (ii) from August 1, 2007 to the date hereof, there has been no actual or, to the Knowledge of Parent, threatened material labor dispute, material grievance, material arbitration, strike, work stoppage, slowdown or lockout involving CNAC or any Subsidiary of CNAC; (iii) from August 1, 2007 to the date hereof, to the Knowledge of Parent, there has been no labor union organizing activities with respect to any employees of CNAC and each Subsidiary of CNAC; (iv) there is no material charge or complaint against CNAC or any Subsidiary of CNAC before the National Labor Relations Board or any comparable state agency currently pending or threatened in a writing addressed to CNAC or such Subsidiary; and (v) from August 1, 2007 to the date hereof, there has been no "mass layoff" or "plant closing" as defined by the WARN Act with respect to CNAC and each Subsidiary of CNAC.

(b) Except as set forth in Section 4.14(b) of the Disclosure Schedule, each of CNAC and its Subsidiaries currently are in material compliance with all Laws relating to the employment of personnel, including all such Laws relating to wages, hours, the WARN Act, collective bargaining, discrimination, civil rights, safety and health, mine safety and workers' compensation (collectively, the "Employment and Labor Laws"), in each case except for citations issued by the Mine Safety and Health Administration or any similar state regulatory agency that can be reasonably abated without material cost or expense to CNAC or any of its Subsidiaries in the ordinary course of CNAC's and its Subsidiaries' continuing operations.

Section 4.15 Taxes. Except as set forth in Section 4.15(a) of the Disclosure Schedule, CNAC and its Subsidiaries, as applicable, have timely filed all Tax Returns required to be filed by them, and all such Tax Returns are complete and correct in all material respects. Except as set forth in Section 4.15(b) of the Disclosure Schedule, all Taxes of CNAC and its Subsidiaries shown on any such Tax Returns have been paid, other than Taxes that are not yet due or that, if due, are not delinquent or are being contested in good faith by appropriate proceedings or have not been finally determined. None of Parent, Seller, CNAC or any Subsidiary of CNAC has received any written notice of deficiency from a Governmental Authority for any Tax against CNAC or any of its Subsidiaries that has not been finally and conclusively resolved. None of Parent, Seller, CNAC or any of the Subsidiaries of CNAC is a "foreign person" within the meaning of Section 1445 of the Code. Except as set forth in Section 4.15(c) of the Disclosure Schedule, there are no Tax claims, audits or proceedings pending or, to the Knowledge of Parent, threatened in connection with CNAC or any of its Subsidiaries or with respect to which CNAC or any of its Subsidiaries could have any Liability. There are not currently in force any waivers or agreements binding upon CNAC or any of its Subsidiaries for the extension of time for the assessment or payment of any Tax. CNAC and each Subsidiary of CNAC, as applicable, has properly withheld and paid all Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, creditor or other third party with respect to the Business. None of the assets of the Business are subject to any Liens due to Taxes (other than Taxes not yet due and payable). No written claim has been received by, or communicated in writing to, Parent, Seller, CNAC or any of the Subsidiaries of CNAC from a Taxing authority in a jurisdiction where CNAC or any Subsidiary of CNAC does not file Tax Returns contending that CNAC or any such Subsidiary is or may be subject to Tax in such jurisdiction. Each of CNAC and its Subsidiaries is, and at all times since August 1, 2007 has been, treated as a disregarded or transparent entity for certain federal Tax purposes.

Section 4.16 Transactions with Affiliates. Except as set forth in Section 4.16 of the Disclosure Schedule, none of Parent, Seller, any Affiliate of Parent or Seller, any officer, director or employee of Parent or Seller or any Affiliate of CNAC or any Subsidiary of CNAC (an "Interested Party") is a party to any Contract or transaction with CNAC or any of its Subsidiaries (except for employment arrangements of CNAC or any Subsidiary of CNAC for compensation or employee benefits for services performed and except for the provision of corporate overhead, cash management or procurement services provided by Parent or an Affiliate of Parent for the benefit of the Business) or has any interest in any property or asset of CNAC or a Subsidiary of CNAC.

Section 4.17 Brokers. Except as set forth in Section 4.17 of the Disclosure Schedule, no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Parent, Seller, CNAC or any of its Subsidiaries. Parent is solely responsible for the fees and expenses of Deutsche Bank.

Section 4.18 Insurance. Section 4.18 of the Disclosure Schedule contains a true and complete list of all insurance policies carried by or covering CNAC and its Subsidiaries with respect to their businesses, assets and properties, together with, in respect of each such policy, the name of the insurer, the policy number, the type of policy and the amount of coverage. True and complete summaries of each such policy have previously been made available to Purchaser. All such policies are in full force and effect (except for policies that by their terms are expired and will be replaced in the ordinary course of business), and no notice of cancellation has been received with respect to any such policy. All premiums with respect to such policies covering all periods up to and including the Closing Date have been paid.

Section 4.19 Inventories. Except as set forth in Section 4.19 of the Disclosure Schedule, all of the Coal Inventories of the Business, whether reflected in the Financial Statements or otherwise, consist, in all material respects, of a good quality and quantity usable and salable in the ordinary and usual course of business. Except as set forth in Section 4.19 of the Disclosure Schedule, all of the Coal Inventories of the Business are in the possession of CNAC and its Subsidiaries.

Section 4.20 Indebtedness. Except as set forth in Section 4.20 of the Disclosure Schedule, none of CNAC or any of its Subsidiaries has any Indebtedness.

Section 4.21 Accounts Receivable. Except as set forth in Section 4.21(a) of the Disclosure Schedule, all the accounts receivable of CNAC and its Subsidiaries, whether reflected on the Interim Balance Sheet or otherwise, (a) represent actual, valid obligations incurred by the applicable account debtors owing to CNAC and its Subsidiaries, (b) have arisen from bona fide transactions in the ordinary course of business, (c) are adequately reserved and properly stated on the books and records of CNAC and its Subsidiaries in accordance with GAAP and (d) except as set forth in Schedule 4.21(b) of the Disclosure Schedule, have terms of payment and age consistent with the historical practice of the Business. Each of CNAC and its Subsidiaries has good and marketable title to the such accounts receivable, free and clear of all Liens. None of the accounts receivable of CNAC and its Subsidiaries are factored or subject to any setoff or counterclaim, and CNAC and its Subsidiaries have written off all uncollectible accounts receivable.

Section 4.22 Bank Accounts. Section 4.22 of the Disclosure Schedule sets forth a true, correct and complete list of all bank and savings accounts, certificates of deposit and safe deposit boxes of CNAC and its Subsidiaries and those Persons authorized to sign thereon.

Section 4.23 Ownership of Mines. The Companies collectively own the mines commonly known as the Pinnacle mine in Wyoming County, West Virginia and the Oak Grove mine in Jefferson County, Alabama.

ARTICLE V.
REPRESENTATIONS AND WARRANTIES RELATING TO PURCHASER

Purchaser represents and warrants to Parent and Seller as follows:

Section 5.1 Organization and Authority. Purchaser is a limited liability company duly formed, validly existing and in good standing under the Laws of the State of Delaware. Purchaser has the full legal right and power and all authority required by Law to enter into this Agreement, to carry out its obligations hereunder and to consummate the transactions contemplated hereby. This Agreement has been duly authorized, executed and delivered by or on behalf of Purchaser, and (assuming due authorization, execution and delivery by Parent and Seller) this Agreement constitutes the legal, valid and binding obligation of Purchaser, enforceable against Purchaser in accordance with its terms, subject to the effect of any applicable bankruptcy, reorganization, insolvency, moratorium, fraudulent conveyance or similar Laws affecting creditors' rights generally and subject, as to enforceability, to the effect of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Section 5.2 No Conflict. Assuming all consents, approvals, authorizations and other actions described in Section 5.3 have been obtained, and except as may result from any facts or circumstances relating solely to Parent or Seller, the execution and delivery of and performance of obligations under this Agreement by Purchaser and the consummation by Purchaser of the transactions contemplated hereby do not and will not violate or conflict with the organizational documents of Purchaser or any Law applicable to Purchaser, except for any such violations or conflicts of any Law as would not materially delay the ability of Purchaser to perform its material obligations under this Agreement or consummate the transactions contemplated hereby.

Section 5.3 Consents and Approvals. The execution and delivery of this Agreement by Purchaser do not, and the performance by Purchaser of its obligations hereunder will not, require any consent, approval, authorization or other action by, or filing with or notification to, any Governmental Authority or other Person, except (a) where failure to obtain such consent, approval, authorization or action, or to make such filing or notification, would not prevent Purchaser from performing any of its material obligations under this Agreement or (b) as may be necessary as a result of any facts or circumstances relating solely to Parent or Seller.

Section 5.4 Legal Proceedings. There are no Actions pending or, to the actual knowledge of the executive officers of Purchaser after reasonable inquiry, threatened against, relating to or affecting Purchaser that would reasonably be expected to result in the issuance of a Governmental Order restraining, enjoining or otherwise prohibiting or making illegal the consummation of any of the transactions contemplated hereby.

Section 5.5 Purchase for Investment. The Units will be acquired by Purchaser (or, if applicable, its permitted assignee pursuant to Section 9.6) for its own account for the purpose of investment, it being understood that the right to dispose of such Units shall be entirely within the discretion of Purchaser (or such assignee, as the case may be).

Section 5.6 Permitting. Neither Purchaser nor any Person that, together with any Affiliate of Purchaser, owns 10% or more of the equity interests of Purchaser has been subject to any bond forfeiture, permit suspension or revocation instituted by any Governmental Authority that would prohibit the transfer of any Environmental Authorizations to Purchaser. Neither Purchaser nor any Person "owned or controlled" by Purchaser has been notified by the Federal Office of Surface Mining or the agency of any state administering the Surface Mining Control and Reclamation Act (or any comparable state statute) that it is currently (a) ineligible to receive additional surface mining permits or (b) under investigation to determine whether its eligibility to receive such permits should be revoked, i.e., "permit blocked".

Section 5.7 Brokers. No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Purchaser.

Section 5.8 Due Diligence: Reliance on Experts.

(a) Purchaser acknowledges and agrees that it has made its own inquiry and investigation into, and, based thereon, has formed an independent judgment concerning, the Business, and, in connection with such inquiries and investigations, Purchaser has relied on its own financial, legal and other experts and advisors in arriving at Purchaser's decision to execute, deliver and consummate this Agreement and the transactions contemplated hereby. Purchaser is not relying on any representations and warranties of Parent or Seller (including any reserve estimates, projections or information) except as expressly set forth in Article III and Article IV.

(b) In connection with Purchaser's investigation of the Business, Purchaser has received from Parent certain estimates, projections and other forecasts for the Business and certain plan and budget information. Purchaser acknowledges that there are uncertainties inherent in attempting to make such estimates, projections, forecasts, plans and budgets, that Purchaser is familiar with such uncertainties and that Purchaser is taking full responsibility for making its own evaluation of the adequacy and accuracy of all estimates, projections, forecasts, plans and budgets so furnished to it. For the avoidance of doubt, neither Parent nor Seller makes any representation or warranty with respect to any estimates, projections, forecasts, plans or budgets referred to in this Section 5.8(b).

ARTICLE VI.
ADDITIONAL AGREEMENTS

Section 6.1 Access to Information. For a period of three years after the Closing, Purchaser shall (a) retain the books and records of CNAC and the Companies relating to the Business that relate to periods ending on or prior to the Closing Date and (b) upon reasonable notice, afford the Representatives of Parent reasonable access (including the right to make, at Parent's expense, photocopies) for reasonable and necessary business purposes, during normal business hours, to such books and records.

Section 6.2 Confidentiality Agreement Termination. The Confidentiality Agreement dated as of November 3, 2015 between Parent and Thomas M. Clarke and the obligations of the parties thereunder are hereby terminated, other than with respect to any Confidential Information (as defined therein) of Parent that does not relate to the Business.

Section 6.3 Consents and Related Matters. Upon the terms and subject to the conditions set forth in this Agreement, each party hereto shall use its respective commercially reasonable efforts promptly: (a) to take, or to cause to be taken, all actions, and to do, or to cause to be done, and to assist and cooperate with the other parties hereto in doing, all things necessary, proper or advisable under applicable Law or otherwise, to consummate and make effective the transactions contemplated by this Agreement; (b) to obtain from any Governmental Authority or third parties any actions, non-actions, clearances, waivers, consents, approvals, authorizations, permits or orders required to be obtained by any party hereto or any of their respective Affiliates in connection with the authorization, execution and delivery of and performance of obligations under this Agreement and the consummation of the transactions contemplated hereby; and (c) furnish all information required for any application or other filing to be made pursuant to any applicable Law or any applicable regulations of any Governmental Authority in connection with the transactions contemplated by this Agreement and to supply promptly any additional information and documentary material that may be requested in connection with such filings or applications.

Section 6.4 Employee Matters.

(a) From and after the Closing Date until the one-year anniversary of the Closing Date, Purchaser shall cause each employee of CNAC and its Subsidiaries (to the extent each such employee continues to be employed by Purchaser, CNAC or any Subsidiary of CNAC following the Closing) who is not covered by a collective bargaining agreement as of the Closing Date to be given full credit for all service with CNAC or any Subsidiary of CNAC (and any predecessor entity, to the extent CNAC or a Subsidiary of CNAC gives service credit for service with such predecessor entity) before the Closing Date for purposes of eligibility and vesting under any employee benefit plans or arrangements of Purchaser or any of its Affiliates (other than CNAC or any Subsidiary of CNAC) in which such employee participates on or after the Closing Date, to the same extent such service is recognized by CNAC or any of its Affiliates immediately prior to the Closing Date (except to the extent that the crediting of such service would result in duplication of benefits). In the event that such an employee shall participate in any employee welfare benefit plans of Purchaser or its Affiliates (other than CNAC or any Subsidiary of CNAC) in the calendar year containing the Closing Date and such participation commences other than at the expiration of the plan year under the corresponding welfare benefit plan maintained for such employee by CNAC or any Affiliate of CNAC immediately prior to such participation, Purchaser shall, or shall cause its Affiliates (other than CNAC or any Subsidiary of CNAC) to, (i) waive all limitations as to pre-existing condition exclusions and waiting periods with respect to such employee under such employee welfare benefit plans of Purchaser or its Affiliates, other than to the extent limitations or waiting periods that are already in effect with respect to such employee under such corresponding welfare benefit plan maintained for such employee by CNAC or any Affiliate of CNAC immediately prior to such participation have not been satisfied as of such participation date, and (ii) provide each such employee with credit for any co-insurance and deductibles paid in the calendar year of the Closing prior to such participation date in satisfying any deductible or out-of-pocket requirements under such employee welfare benefit plans of Purchaser or its Affiliates.

(b) Commencing January 1, 2016, and continuing through at least December 31, 2016, Purchaser shall provide, or to cause to be provided, to each employee of CNAC and its Subsidiaries (to the extent each such employee continues to be employed by Purchaser, CNAC or any Subsidiary of CNAC following the Closing) who is not covered by a collective bargaining agreement as of the Closing Date, employee benefit and compensation programs

that are no less favorable than those provided to such employees immediately prior to the Closing Date (except for the "Pension Plan for Employees of Cliffs Natural Resources Inc. and its Associated Employers" described in Section 6.4(c)).

(c) Effective as of the Closing Date, the active participation of each employee of CNAC and its Subsidiaries who is not covered by a collective bargaining agreement as of the Closing Date in the "Pension Plan for Employees of Cliffs Natural Resources Inc. and its Associated Employers" will cease and otherwise terminate, and each such employee will have the options provided to such employee as provided and set forth in such "Pension Plan for Employees of Cliffs Natural Resources Inc. and its Associated Employers".

(d) Notwithstanding the foregoing, Parent will continue to provide medical, dental, vision and prescription drug coverages under its existing Employee Plans through December 31, 2015; provided, however, that Purchaser agrees (i) that it is solely responsible for any and all claims made under any such Parent Employee Plan after the Closing Date and (ii) to reimburse, in full, Parent for any claims paid by Parent. To that end, Purchaser agrees to reimburse Parent within five (5) Business Days after Parent's delivery to Purchaser of evidence of each such claim paid under the Parent Employee Plans per sub-clause (i) above.

(e) Nothing herein shall require Purchaser to continue employment of any employee for any period of time or, except as otherwise specifically provided in this Section 6.4, on any specific terms or conditions after the Closing.

Section 6.5 Tax Matters: Straddle Period.

(a) Purchaser and Parent agree to share equally the payment of all sales, use, value added, documentary, stamp, gross receipts, registration, transfer, conveyance, excise, recording, license and other similar taxes and fees arising out of or in connection with or attributable to the transactions effected pursuant to this Agreement ("Transfer Taxes"). Parent shall prepare and in a timely manner file all Tax Returns in respect of Transfer Taxes. The parties hereto shall reasonably cooperate with each other in attempting to minimize Transfer Taxes.

(b) Purchaser shall prepare and file, or cause to be prepared and filed, all Tax Returns for each of CNAC and the Companies for all periods ending after the Closing Date, which Tax Returns shall be consistent with past practice. In the case of Tax Returns for periods starting on or before the Closing Date and ending after the Closing Date (a "Straddle Period"), Purchaser shall provide Parent with an opportunity to review and comment on such Tax Returns no less than 30 days prior to the due date thereof. Purchaser shall make, or cause to be made, any changes to such Tax Returns reasonably requested by Parent so long as none of such changes result in any additional Taxes to Purchaser, CNAC or any of the Companies. Parent shall prepare and file, or cause to be prepared and filed, all Tax Returns required to be filed by CNAC and its Subsidiaries for all periods ending on or before the Closing Date (a "Pre-Closing Period"). As soon as practicable, but in any event within 15 days after Parent's or Purchaser's request, as the case may be, Purchaser shall deliver to Parent, or Parent shall deliver to Purchaser, as the case may be, such information and other data relating to the Tax Returns and Taxes of CNAC and its Subsidiaries, and shall provide such other assistance as may reasonably be requested, to cause the completion and filing of all Tax Returns or to respond to audits by any taxing authorities with respect to any Tax Returns or taxable periods or to otherwise enable Parent or Purchaser to satisfy their accounting or Tax requirements.

(c) In the case of Taxes that are payable with respect to a taxable period that begins before and ends after the Closing Date, the portion of any such Taxes that are attributable to a Pre-Closing Period shall be:

(i) in the case of Taxes (A) based upon, or related to, income, receipts, profits, wages, capital or net worth, (B) imposed in connection with the sale, transfer or assignment of property or (C) required to be withheld, deemed to be the amount that would be payable if the taxable year ended with the Closing Date; and

(ii) in the case of all other Taxes, deemed to be the amount of such Taxes for the entire period multiplied by a fraction, the numerator of which is the number of days in the period ending on the Closing Date and the denominator of which is the number of days in the entire period.

(d) Notwithstanding anything else in this Agreement to the contrary, in the event Purchaser, CNAC or any Subsidiary of CNAC undertakes one or more corporate actions or similar actions (including any transfer of ownership interests or any merger or recapitalization) or makes after the Closing any election on or effective as of the

Closing Date involving (directly or indirectly) CNAC or any Subsidiary of CNAC, such transactions shall be deemed to have occurred on the day immediately following the Closing Date for all purposes, and no Taxes resulting therefrom shall be borne by Parent or Seller. In no event shall any Taxes resulting from any amendment or restatement of the governing documents of CNAC or the Companies made after the Closing Date be borne directly or indirectly by Parent or Seller. Purchaser agrees that Parent and Seller are to have no liability for any Tax resulting from any action of Purchaser, CNAC or any Company (from and after the Closing).

(e) After the Closing, without the prior written consent of Parent, which consent shall not be unreasonably withheld, conditioned or delayed, neither CNAC nor any Company shall (and Purchaser shall not permit CNAC or any Company to), to the extent it may affect or relate to Parent or Seller, make, change or rescind any Tax election, amend any Tax Return, take any position on any Tax Return, take any other action, omit to take any action or enter into any other transaction that would have the effect of increasing the Tax Liability or reducing any Tax asset of CNAC or any Company in respect of any Pre-Closing Period or portion of any Straddle Period allocable to a Pre-Closing Period.

(f) After the Closing, Purchaser shall give written notice to Parent of the receipt of any written notice by Purchaser, CNAC or any Company that involves any assessment of Taxes, notice of Tax deficiency, adjustment of Taxes, audit or examination of any Tax Returns or the assertion of any claim or the commencement of any litigation relating to the Taxes or Tax Returns of CNAC or any Company in respect of any Pre-Closing Period or Straddle Period (a "Tax Claim"). At Parent's discretion, Parent shall, at its own cost, have the right to control the contest or resolution of any such Tax Claim insofar as the Tax Claim relates to the Pre-Closing Period or the portion of any Straddle Period allocable to a Pre-Closing Period.

(g) Any Tax refunds (including all interest thereon) for any Pre-Closing Period or Straddle Period (to the extent allocable to a Pre-Closing Period) that are received by CNAC or any Company after the Closing and any credits or other items derived from any Pre-Closing Period or Straddle Period (to the extent allocable to a Pre-Closing Period) that reduce Purchaser's, CNAC's or any Company's Tax Liability for any period shall be for the account of Parent, and Purchaser shall (and Purchaser shall cause CNAC or any Company, as applicable, to) pay over to Parent any such refund or the amount of any such credit or other item within 30 days after such receipt or reduction in Tax Liability (as appropriate); provided, however, that Purchaser shall in any event have the right to use any net operating loss carryforwards (to the extent that such net operating losses constitute an attribute of Purchaser after the Closing Date).

(h) After the Closing Date, the parties hereto shall provide each other with such cooperation and information relating to the Business as such other parties may reasonably request in writing in (i) filing any Tax Return or amended Tax Return or claim for Tax refund, (ii) determining any Tax Liability or right to refund of Taxes, (iii) conducting or defending any Action in respect of Taxes, (iv) preparing any related tax forms (including Forms K-1) or (v) effectuating the terms of this Agreement. The parties hereto shall retain all Tax Returns, schedules and work papers, and all material documents relating thereto with respect to the Business, until the expiration of the applicable statute of limitation (and, to the extent notified by any party hereto to the others, as applicable, any extensions thereof) with respect to the Tax periods to which such Tax Returns and other documents relate and, unless such Tax Returns and other documents are offered and delivered to the other parties hereto, as applicable, until the final determination of any Tax in respect of such periods. Notwithstanding the foregoing, no party hereto shall be unreasonably required to prepare any document, or determine any information, not then in its possession in response to a request under this Section 6.5(h).

Section 6.6 Public Announcements. Any press releases, public announcements or other disclosures regarding the transactions contemplated hereby shall be made only with the mutual consent of Parent and Purchaser, except as required by Law or by a stock exchange or automated quotation system, in which case the party hereto required to make the release, announcement or disclosure shall allow the other parties hereto reasonable time to comment on such release, announcement or disclosure in advance of such release, announcement or disclosure.

Section 6.7 Labor Agreement.

(a) Purchaser acknowledges that PMC, PLC, OGR and OGLC (the "Signatory Companies") are signatory to collective bargaining agreements with the United Mine Workers of America (the "Wage Agreements") as disclosed on Section 4.14(a) of the Disclosure Schedule (as any such Wage Agreement shall be amended, restated, reformed, supplemented or otherwise modified from time to time). Purchaser agrees that the Signatory Companies

will, on and after the Closing Date, comply with all of the terms of the Wage Agreements, including the obligation to contribute to the 1974 UMWA Pension Plan, in accordance with the terms of the Wage Agreements. In the event that any of the Signatory Companies withdraws from the 1974 UMWA Pension Plan at any time on or after the Closing Date, Purchaser and the Signatory Companies will be solely responsible for satisfaction of any withdrawal liability due to the 1974 UMWA Pension Plan pursuant to ERISA and for timely making any and all periodic or other payments of withdrawal liability required by Law, and none of Purchaser, any of the Signatory Companies or any Affiliate of or related to the Signatory Companies shall have any claim against Parent or Seller for payment of all or any portion of any withdrawal liability assessed against Purchaser, any of the Signatory Companies or any Affiliate thereof to Purchaser; provided, however, that this does not relieve or waive any obligations of Parent or Seller under their express representations, warranties and covenants in this Agreement or any breach by Parent or Seller thereof.

(b) In the event of complete or partial withdrawal from the 1974 UMWA Pension Plan by Purchaser takes place after the Closing Date, Purchaser shall pay or cause the Signatory Companies to pay each installment of withdrawal liability applicable to the Signatory Companies on or after the Closing Date prior to the due date of each such payment and shall provide Parent with notice of each installment payment. In the event of any breach by Purchaser of any of its obligations under this Section 6.7(b), Parent shall have the right to seek injunctive relief or to take any action necessary to prevent or cure any actual or threatened default by Purchaser.

Section 6.8 Further Action.

(a) For a period of 12 months from and after the Closing Date, each of the parties hereto shall (i) execute and deliver such documents and other papers, (ii) furnish or cause to be furnished to each other and their Representatives access (including the ability to make copies), during normal business hours, to such information and assistance relating to the Business (to the extent within the control of such party or any of its Affiliates), provided that any such assistance shall be furnished in such manner as to minimize disruptions to the continuing business of Parent and Seller, only to the extent Parent or Seller have personnel reasonably available to them to perform such assistance, and that any out-of-pocket costs attributable to such assistance shall be borne by Purchaser, and (iii) take such further actions, in each case as may be reasonably required to carry out the provisions of this Agreement and give effect to the transactions contemplated hereby, including as is reasonably necessary for financial reporting, Tax and accounting matters and for defense or prosecution of any Actions.

(b) Without limitation of the foregoing, to the extent Purchaser's payroll service provider is unable to timely provide its usual payroll services (including remission of pay and furnishing of year-end tax-related documentation (such as Forms W-2) to employees), solely for the period following the Closing Date through December 31, 2015, Parent and Seller shall (i) cooperate with Purchaser to cause such payroll service provider to provide such services using, if necessary, the payroll systems in use for the Business prior to Closing, (ii) fund the payroll (including, for the avoidance of doubt, accrued vacation) (and provide evidence of such funding to Purchaser), and (iii) if necessary, cause customary information to be inputted into such payroll systems to effectuate such usual payroll services; provided, however, that Purchaser acknowledges and agrees to reimburse Parent \$2,000,000 of such payroll funding paid per sub-clause (ii) no later than December 31, 2016. The Parties further agree that neither Parent nor Seller shall be required to provide any payroll services or funding after December 31, 2015.

(c) In addition to the requirements set forth in Section 6.1 above, upon reasonable advance written notice from Parent, Purchaser agrees, and agrees to cause CNAC and the Subsidiaries, as applicable, to make site personnel (in particular the local accountants and controllers) available to Parent for a reasonable period, not to exceed six (6) months, following the Closing Date in order to provide information to Parent and Seller to assist in closing out Parent's and Seller's books.

(d) With respect to that certain Storage and Handling Agreement, dated July 1, 2010, between CNAC and IC Railmarine Terminal Co. (as assigned to Raven Energy, LLC on June 15, 2011), as disclosed in Sections 4.8(vi) and (xi) of the Disclosure Schedule, notwithstanding anything to the contrary herein, Parent agrees to pay, on behalf of CNAC, upon the written request of Purchaser, up to a maximum of \$2,206,250, any liquidated damages assessed in connection with and pursuant to Section 4.1(a) of such Storage and Handling Agreement; provided, that to the extent that Purchaser shall confirm in writing at any time that such maximum amount shall be irrevocably reduced (without payment of the amount of such reduction by Parent), then Purchaser shall be entitled to apply the amount of such reduction on a dollar-for-dollar basis against Purchaser's payment obligation pursuant to the proviso to Section 6.8(b). To accomplish the foregoing, promptly upon Parent's receipt of such invoice, whether directly or from Purchaser

or CNAC if received by them (in which event, Purchaser shall or shall cause CNAC to forward such invoice to Parent), Parent will pay the invoice when due in accordance with its terms.

Section 6.9 Tax Treatment. The parties hereto hereby acknowledge and agree that for Tax purposes the purchase of Units pursuant to this Agreement will be treated as the direct taxable purchase by Purchaser of the assets of CNAC and the Companies from Seller.

Section 6.10 U.S. Steel Notifications. With respect to those employees listed in Section 6.10(a) of the Disclosure Schedule, from and after the Closing Date, as each such listed employee retires, Purchaser agrees, in a timely manner, to notify U.S. Steel Corporation of such retirement, which notice will be sent in accordance with the instructions provided in Section 6.10(b) of the Disclosure Schedule.

Section 6.11 Release and Replacement of Bonds. Purchaser shall (i) file replacement surety bonds with the applicable Governmental Authority and cause the release of Parent's Bonds within 45 days from the Closing Date or (ii) obtain assignments of such Bonds to Purchaser, in either case with the reasonable assistance of Parent and Seller. Purchaser shall reimburse Parent for (x) the pro rata portion of the annual premiums and (y) the monthly letter of credit interest charges, in each case related to the Bonds, starting from the date that is 45 days after the Closing Date and ending at such time that Purchaser obtains the release and replacement or assignment of the Bonds.

Section 6.12 Dismissal from Certain Pending Actions. From and after the Closing, Purchaser agrees to cooperate with Parent, at Parent's expense, to cause Parent and any Affiliate of Parent (other than CNAC or a Subsidiary of CNAC) to be dismissed as a party to any Action for which CNAC or a Subsidiary of CNAC is, or Purchaser as of the Closing becomes, responsible, including all Actions set forth in Section 4.6 of the Disclosure Schedule (without giving effect for this purpose to any portions of Section 4.6 of the Disclosure Schedule that cross-reference other sections of the Disclosure Schedule) (such Actions set forth in Section 4.6 of the Disclosure Schedule (without giving effect for this purpose to any portions of Section 4.6 of the Disclosure Schedule that cross-reference other sections of the Disclosure Schedule) being the "Pending Actions").

Section 6.13 Proceeds from Sale of Lucchini Account Receivable. With respect to the account receivable disclosed in Section 6.13 of the Disclosure Schedule (the "Lucchini Receivable"), to the extent that, after the Closing Date, any proceeds are received by Purchaser, CNAC or a Company relating to the sale, prior to the Closing, of the Lucchini Receivable, such recipient agrees to forward to Parent, promptly after such receipt of the same, any and all payments received in respect of the Lucchini Receivable (which Lucchini Receivable, the parties hereto agree, will not be included in the calculation of the Specified Current Assets, since it is fully reserved for in the Financial Statements).

Section 6.14 Escrow Agent Expenses. The fees and expenses of the Escrow Agent shall be paid by Purchaser.

Section 6.15 No Disparagement. After the Closing Date, (a) neither Parent nor Seller will disparage the Business, CNAC, any Company or Purchaser or any of their respective equity owners or Representatives and (b) Purchaser will not disparage Parent, Seller or any of their respective Affiliates (other than CNAC or any Subsidiaries of CNAC) or Representatives.

Section 6.16 Deposits. For the avoidance of doubt, Purchaser will retain all deposits of CNAC and its Subsidiaries for utilities and other purchased goods and services.

Section 6.17 Use of Cliffs Name. After the Closing, neither Purchaser nor CNAC shall, directly or indirectly, use or do business, allow any of its respective Affiliates to use or do business or assist any third party in using or doing business under the name "Cliffs" or any derivations thereof (or any other names confusingly similar to such names),

provided that CNAC shall be able to continue to use "Cliffs" in its legal name and shall be permitted to exhaust any existing supplies of marketing, packaging and similar materials for a reasonable period of time following the Closing not to exceed 30 calendar days, after which time Purchaser shall cause CNAC to change CNAC's legal name with the Secretary of State of the State of Delaware.

Section 6.18 Equity Certificates. Within five Business Days following the Closing, Parent and Seller shall deliver or cause to be delivered to Purchaser any and all certificates evidencing CNAC's 100% equity ownership interest in the Subsidiaries of CNAC.

Section 6.19 Release of Guarantees. Purchaser shall use commercially reasonable efforts promptly after the Closing to obtain releases of the guarantees (or similar arrangements) of Parent, Seller and their Affiliates (other than CNAC and its Subsidiaries) that (a) are set forth in Section 4.8(iv) of the Disclosure Schedule (for the avoidance of doubt, not including any such guarantees (or similar arrangements) relating to Parent's bank debt as provided to U.S. Bank National Association or Bank of America, N.A.) or (b) are otherwise identified in writing from time to time after the Closing Date to Purchaser by Parent (collectively, the "Guarantees"). With respect to any Guarantee identified by Parent pursuant to sub-clause (b), promptly following such notice thereof to Purchaser, Purchaser shall use commercially reasonable efforts to obtain a release of such Guarantee. For the avoidance of doubt, "commercially reasonable efforts" for purposes of this Section 6.19 shall not require the payment of any out-of-pocket costs or expenses or payment of consideration to any party from which any such release is sought.

ARTICLE VII. CLOSING DELIVERABLES

Section 7.1 Closing Deliverables. At the Closing:

- (a) Parent and Seller shall execute and deliver to Purchaser the Disclosure Schedule.
- (b) Seller shall execute and deliver to Purchaser the Bill of Sale.
- (c) Parent, Seller, Purchaser and the Escrow Agent shall execute and deliver the Escrow Agreement.
- (d) Parent, Seller and Purchaser shall execute and deliver the Override Right Agreement.
- (e) Parent shall execute and deliver to Purchaser certifications that neither Parent nor Seller is a foreign person in accordance with Section 1445 of the Code.
- (f) Parent shall deliver to Purchaser resignations of each of the directors and officers of CNAC and the Subsidiaries of CNAC set forth in Section 7.1(f) of the Disclosure Schedule.
- (g) Parent shall deliver to Purchaser evidence reasonably satisfactory to Purchaser that any and all (i) Tax sharing, allocation, compensation or similar Contracts that include one or more of CNAC or any Subsidiary of CNAC, on the one hand, and any other Person or Persons, on the other hand, and (ii) powers of attorney relating to Tax matters concerning CNAC or any Subsidiary of CNAC, have been terminated.
- (h) Parent shall deliver to Purchaser evidence reasonably satisfactory to Purchaser that the notices, consents and approvals set forth in Section 7.1(h) of the Disclosure Schedule, have been secured.
- (i) Parent shall deliver to Purchaser evidence reasonably satisfactory to Purchaser that any Liens, other than the Permitted Liens and the Liens set forth in Section 7.1(i) of the Disclosure Schedule, on the assets of the Business have been released.
- (j) Parent shall deliver to Purchaser evidence reasonably satisfactory to Purchaser that, as of the Closing Date, CNAC and its Subsidiaries have (i) at least \$25,000,000 of supplies and other inventories (not

including coal inventories), (ii) at least \$19,000,000 of trade accounts receivables that are not subject to any Liens, (iii) no more than \$16,500,000 of accounts payable and (iv) no Indebtedness owing to any other Person.

(k) Parent shall deliver to Purchaser evidence reasonably satisfactory to Purchaser that (i) all Indebtedness owed to CNAC or any Subsidiary of CNAC by Parent or Seller or any Affiliate of Parent or Seller (other than CNAC or any Subsidiary of CNAC) has been paid in full and (ii) all other intercompany agreements and arrangements (including any intercompany payables or receivables) between CNAC or any Subsidiary of CNAC, on the one hand, and Parent or Seller or any Affiliate of Parent or Seller (other than CNAC or any Subsidiary of CNAC), on the other hand, have been settled and terminated.

(l) Parent shall deliver to Purchaser evidence reasonably satisfactory to Purchaser that all Taxes of CNAC and its Subsidiaries due and payable on or prior to Closing have been paid.

(m) Parent shall deliver or cause to be delivered to Purchaser copies certified by the Secretary (or equivalent) of each of CNAC and each Subsidiary of CNAC that its respective certificate of formation (or equivalent) and limited liability company agreement (or equivalent) (it being acknowledged that Beard Pinnacle does not have a limited liability company agreement (or equivalent)) attached thereto are true, correct and complete and in full force and effect as of the Closing Date.

(n) Parent shall deliver or cause to be delivered to Purchaser the company seal, equity transfer ledgers and minute books of each of CNAC and each Subsidiary of CNAC and originals or copies of all other books and records of each of CNAC and each Subsidiary of CNAC (or evidence satisfactory to Purchaser that CNAC and its Subsidiaries will be in the possession of such books and records at the Closing).

(o) Parent shall deliver or cause to be delivered a good standing certificate (or equivalent) of each of Parent, Seller, CNAC and each Subsidiary of CNAC dated no more than five Business Days prior to the Closing Date.

ARTICLE VIII. SURVIVAL AND INDEMNIFICATION

Section 8.1 Survival. The representations and warranties contained in Article IV and Article V shall survive until 18 months after the Closing; provided, however, that the representations and warranties contained in Section 4.1, Section 4.2, Section 4.3(a), Section 4.3(b), Section 4.4, Section 4.12, Section 4.13, Section 4.15, Section 4.17, Section 5.1 and Section 5.7 and the representations and warranties as to title to assets in Section 4.9 and Section 4.10 shall survive in accordance with the applicable statute of limitations; provided, further, however, that if written notice of a claim has been given before the expiration of the applicable representations and warranties, then the relevant representations and warranties shall survive as to such claim, until such claim has been finally resolved. The representations and warranties contained in Article III shall survive in perpetuity. Any covenant or agreement that contemplates or may involve actions to be taken or obligations in effect after the Closing shall survive in accordance with its respective terms.

Section 8.2 Indemnification by Parent and Seller. Purchaser and its Affiliates, successors and assigns (each, a "Purchaser Indemnified Party") shall, solely to the extent provided herein, be indemnified and held harmless by Parent and Seller (collectively, the "Seller Indemnifying Party"), jointly and severally, for and against any and all losses, damages, claims and judgments, including attorney's fees (both those incurred in connection with the defense or prosecution of the indemnifiable claim and those incurred in connection with the enforcement of this provision), actually suffered or incurred by them (each, a "Loss" and collectively, "Losses"), arising out of or resulting from:

(a) the breach of any representation or warranty made by Parent or Seller contained in this Agreement, determined in each case without regard to qualification by Material Adverse Effect or materiality or similar exceptions or qualifications;

(b) the breach of any covenant or agreement of Parent or Seller contained in this Agreement;

(c) any foreign, federal, state or local income Taxes imposed on or payable by CNAC or any of its Subsidiaries for any Pre-Closing Period (or portion of any Straddle Period allocable to a Pre-Closing Period under Section 6.5(c));

(d) any claims of any broker, finder or other Person acting in a similar capacity on behalf of Parent, Seller or any of their respective Affiliates in connection with the transactions contemplated hereby based upon arrangements made by or on behalf of Parent, Seller or any of their respective Affiliates; and

(e) any and all Actions incident to any of the foregoing or such indemnification.

Section 8.3 Indemnification by Purchaser. Parent and Seller and their respective Affiliates (other than CNAC and the Subsidiaries of CNAC), successors and assigns (each, a "Seller Indemnified Party") shall, solely to the extent provided herein, be indemnified and held harmless by Purchaser (a "Purchaser Indemnifying Party") for and against any and all Losses arising out of or resulting from:

(a) the breach of any representation or warranty made by Purchaser contained in this Agreement, determined in each case without regard to qualification by Material Adverse Effect or materiality or similar exceptions or qualifications;

(b) the breach of any covenant or agreement of Purchaser contained in this Agreement;

(c) any of the Pending Actions (but which, for the avoidance of doubt, shall not impact or offset any obligations pursuant to the Override Right Agreement or the Escrow Agreement);

(d) the Bonds as provided for in Section 6.11 and the Guarantees as provided for in Section 6.19 (notwithstanding whether any such Bonds or Guarantees are released and replaced or remain in effect after the Closing Date);

(e) any claims of any broker, finder or other Person acting in a similar capacity on behalf of Purchaser or any of its Affiliates in connection with the transactions contemplated hereby based upon arrangements made by or on behalf of Purchaser or any of its Affiliates; and

(f) any and all Actions incident to any of the foregoing or such indemnification.

Section 8.4 Limits on Indemnification. Notwithstanding anything to the contrary contained in this Agreement, except for claims based on fraud, which shall not be subject to the limitations in this Section 8.4:

(a) no amount of indemnity shall be payable as a result of any claim in respect of a Loss arising under Section 8.2(a) or Section 8.3(a) unless the Purchaser Indemnified Party or the Seller Indemnified Party, as the case may be, has given the Seller Indemnifying Party or the Purchaser Indemnifying Party, as the case may be, a Claim Notice with respect to such claim prior to the applicable Cut-Off Date; and

(b) the sole source of funds for the payment of any claims against the Seller Indemnifying Party pursuant to this Article VIII shall be payments (if any) made or to be made to the Escrow Account (and available after disbursement of monies from the Escrow Account for any matters set forth in the Escrow Agreement other than obligations covered by this Article VIII), which payments (if any) derive from the Override Right Agreement (and, accordingly, the Seller Indemnifying Party shall not be required to make any payments pursuant to this Article VIII in excess of the amounts (if any) provided by the Escrow Account via the Override Right Agreement (and available after disbursement of monies from the Escrow Account for any matters set forth in the Escrow Agreement other than obligations covered by this Article VIII)).

Section 8.5 Notice of Loss; Claims.

(a) An Indemnified Party shall promptly, and in any event within 30 calendar days, or, in the case of any Third Party Claim, within ten calendar days, after the Indemnified Party has in good faith determined that an

event has occurred that would be reasonably expected to give rise to a right of indemnification under this Article VIII, notify the Indemnifying Party in writing of the matter that the Indemnified Party has in good faith determined gives rise or is reasonably expected to give rise to such right of indemnification under this Agreement (including a pending or threatened claim or demand asserted by a third party against the Indemnified Party, such claim being a "Third Party Claim"), stating the amount of the Loss, if known, and method of computation thereof, describing in reasonable detail the facts and circumstances with respect to such matter and containing a reference to the provisions of this Agreement in respect of which such right of indemnification is claimed or arises (a "Claim Notice"); provided, however, that the failure to provide such notice shall not release the Indemnifying Party from any of its obligations under this Article VIII except to the extent that the Indemnifying Party is prejudiced by such failure. Anything in this Article VIII to the contrary notwithstanding, notices for claims in respect of a breach of a representation or warranty must be delivered before the expiration of the survival period, if any, for such representation or warranty as specified in Section 8.1 (the "Cut-Off Date").

(b) At any time after the receipt of a Claim Notice from an Indemnified Party pursuant to Section 8.5(a) regarding a Third Party Claim, the Indemnifying Party shall be entitled to assume and control the defense of such Third Party Claim with all expenses to be paid by the Indemnifying Party and through counsel of its choice (provided that such counsel is not reasonably objected to by the Indemnified Party) if it gives notice of its intention to do so to the Indemnified Party and the proceeding or claim involves money damages and not an injunction or other equitable relief that could have an adverse effect on the Business; provided, however, that the Indemnifying Party shall reimburse the Indemnified Party's expenses incurred in the defense of such Third Party Claim prior to the date (if any) the Indemnifying Party ultimately does assume such defense; provided, further, that if (i) there exists or is reasonably likely to exist a conflict of interest that would make it inappropriate in the reasonable judgment of the Indemnified Party for the same counsel to represent both the Indemnified Party and the Indemnifying Party or (ii) the Indemnifying Party fails to provide reasonable assurance to the Indemnified Party of the Indemnifying Party's financial capacity to defend such Third Party Claim and provide indemnification with respect to such Third Party Claim, then the Indemnified Party shall be entitled to retain its own counsel, at the expense of the Indemnifying Party. If the Indemnifying Party exercises the right to undertake any such defense against any such Third Party Claim as provided above, the Indemnified Party shall cooperate with the Indemnifying Party in such defense. Whether or not the Indemnifying Party has exercised such right, the Indemnified Party shall make available to the Indemnifying Party, at the Indemnifying Party's expense, all witnesses, pertinent records, materials and information in the Indemnified Party's possession or under the Indemnified Party's control relating thereto as is reasonably requested by the Indemnifying Party; provided, however, that any access to employees shall be conducted in such a manner as not to interfere unreasonably with the operations of the business of the Indemnified Party and its Affiliates. Similarly, in the event the Indemnified Party is, directly or indirectly, conducting the defense against any such Third Party Claim, the Indemnifying Party shall cooperate with the Indemnified Party in such defense and make available to the Indemnified Party, at the Indemnifying Party's expense, all such witnesses, records, materials and information in the Indemnifying Party's possession or under the Indemnifying Party's control relating thereto as is reasonably required by the Indemnified Party; and in such event, the Indemnified Party shall consult with, and give due consideration to the advice of, the Indemnifying Party as may be reasonably requested by the Indemnifying Party regarding the defense of such Third Party Claim. Notwithstanding any other provision in this Article VIII, the Indemnifying Party shall not have the obligation to indemnify any Loss with respect to a Third Party Claim for which the Indemnified Party is conducting the defense if the Indemnified Party has failed to consult with the Indemnifying Party after the Indemnifying Party has requested, in writing, such consultation regarding such Third Party Claim. If the Indemnifying Party assumes the defense in accordance with this Section 8.5(b), the Indemnified Party shall have the right to participate in the defense thereof and to employ counsel (not reasonably objected to by the Indemnifying Party), at its own expense, separate from the counsel employed by the Indemnifying Party, it being understood that the Indemnifying Party shall control such defense. Whether or not the Indemnifying Party shall have assumed the defense of a Third Party Claim, neither the Indemnifying Party nor the Indemnified Party shall admit any Liability with respect to, or compromise, discharge or settle, such Third Party Claim without the other's prior written consent (which consent shall not be unreasonably withheld, conditioned or delayed); provided, that, if the Indemnifying Party assumes the defense of such Third Party Claim, no such consent shall be required if (A) there is no finding or admission of any violation of Laws or any violation of the rights of any Person, (B) the sole relief provided is monetary damages that are paid in full by the Indemnifying Party and (C) the Indemnified Party shall have no Liability with respect to any compromise or settlement of such Third Party Claims effected without its consent. If notice is given to an Indemnifying Party of the assertion of any Third Party Claim and the Indemnifying Party does not, within 20 Business Days after the Indemnified Party's notice is given, give notice to the Indemnified Party of its election to assume the defense of such Third Party Claim, the Indemnifying Party will be bound by any determination made in such Third Party Claim or any compromise or settlement effected by the Indemnified Party.

(c) At any time after the receipt of a Claim Notice from an Indemnified Party pursuant to Section 8.5(a) regarding a non-Third Party Claim, the Indemnifying Party shall have 30 Business Days from the date of receipt of such Claim Notice in which to either pay the amount of the non-Third Party Claim or give written notice of its intent to dispute the non-Third Party Claim, in which case the Indemnifying Party and the Indemnified Party shall then be required to negotiate in good faith for a period not to exceed 15 Business Days to attempt to resolve the non-Third Party Claim. If the non-Third Party Claim is not disputed in a timely fashion as set forth above, the non-Third Party Claim shall be immediately due and payable upon expiration of the 30 Business Day notice period. If the non-Third Party Claim is timely disputed but not resolved within the 15 Business Day negotiation period, the non-Third Party Claim shall be resolved pursuant to Section 9.10.

Section 8.6 Nature of Payments. Any indemnity payments made under this Article VIII shall be treated for Tax purposes as an adjustment of the Consideration.

Section 8.7 Exclusive Remedy. Except in the case of fraud and except as provided in Section 2.3 and Section 2.4 and any Actions for injunctive relief or specific performance as set forth in this Agreement, any Action (whether such claim sounds in tort, contract or otherwise and including statutory rights and remedies) based upon, relating to or arising out of this Agreement must be brought by the parties hereto in accordance with the indemnification provisions and applicable limitations of this Article VIII, which shall constitute the sole and exclusive remedy of all parties hereto and their Affiliates, successors and assigns for any such Actions.

ARTICLE IX. MISCELLANEOUS

Section 9.1 Expenses. Except as may be otherwise specified herein, all costs and expenses, including fees and disbursements of counsel, financial advisors and accountants, incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such costs and expenses.

Section 9.2 Notices. All notices, requests, demands, claims and other communications hereunder will be in writing. Any notice, request, demand, claim or other communication hereunder shall be deemed duly given (i) three Business Days after it is sent by registered or certified mail, return receipt requested, postage prepaid, (ii) one Business Day after it is sent for next day delivery by a nationally recognized overnight courier or (iii) at the time of delivery if personally delivered or if transmitted via facsimile (with confirmation of receipt), in each case addressed to the intended recipient as set forth below:

(a) if to Purchaser:

Seneca Coal Resources, LLC
15 Appledore Lane
P.O. Box 87
Natural Bridge, Virginia 24578
Attention: Thomas M. Clarke
with a copy to:
Pillsbury Winthrop Shaw Pittman LLP
1540 Broadway
New York, New York 10036-4039
Attention: David S. Baxter
Facsimile: 212-858-1500

(b) if to Parent or Seller:

c/o Cliffs Natural Resources Inc.
200 Public Square, Suite 3300
Cleveland, Ohio 44114
Attention: James D. Graham, Chief Legal Officer
Facsimile: 216-694-6509
with a copy to:
Hahn, Loeser & Parks LLP
200 Public Square, Suite 2800
Cleveland, Ohio 44114
Attention: Robert Ross Facsimile: 216-274-2559

Section 9.3 Headings. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

Section 9.4 Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any Law or public policy, all other terms and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner adverse to any party hereto. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties hereto as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the greatest extent possible.

Section 9.5 Entire Agreement. This Agreement and the documents referred to in Article VII constitute the entire agreement of the parties hereto with respect to the subject matter hereof and supersede all prior agreements and undertakings, both written and oral, between or among the parties hereto with respect to the subject matter hereof.

Section 9.6 Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties hereto (whether by operation of law or otherwise) without the prior written consent of the other parties hereto, except that Purchaser may, without such prior written consent, at any time, (a) transfer or assign its rights, interests or obligations under this Agreement to one or more of its Affiliates, provided that, in the case of assignment of obligations, any such Affiliate agrees in writing to be bound by all of the terms, conditions and provisions herein, but no such assignment shall relieve Purchaser of its obligations hereunder, and (b) grant a security interest in its rights under this Agreement to its lender or lenders, if any, as security for Purchaser's obligations to any such lender or lenders (and any such lender or lenders may exercise their rights and remedies with respect to such security interest). Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of and be enforceable by the parties and their respective permitted successors and assigns.

Section 9.7 No Third Party Beneficiaries. Except as expressly provided herein (including Article VIII), (a) this Agreement is for the sole benefit of the parties hereto and their permitted successors and assigns and (b) nothing herein, express or implied, is intended to or shall confer upon any other Person any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

Section 9.8 Amendment. This Agreement may not be amended or modified except by an instrument in writing signed by each of Parent, Seller and Purchaser specifically referencing this Agreement.

Section 9.9 Specific Performance. The parties hereto agree that irreparable damage would occur in the event any provision of this Agreement was not performed in accordance with the terms hereof and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy at law or equity, without the necessity of demonstrating the inadequacy of money damages.

Section 9.10 Governing Law; Submission to Jurisdiction. This Agreement shall be governed by and construed in accordance with the Laws of the State of New York applicable to Contracts to be made and performed entirely therein without giving effect to the principles of conflicts of law thereof or of any other jurisdiction. Each of the parties hereto hereby (a) expressly and irrevocably submits to the exclusive personal jurisdiction of the United States District Court for the District of Delaware and to the jurisdiction of any other competent court of the State of Delaware located in New Castle County (collectively, the "Delaware Courts"), preserving, however, all rights of removal to such federal court under 28 U.S.C. 1441 in connection with all disputes arising out of or in connection with this Agreement or the transactions contemplated hereby and (b) agrees not to commence any litigation relating thereto except in such courts. If the aforementioned courts do not have subject matter jurisdiction, then such proceeding shall be brought in any other state or federal court located in the State of Delaware, preserving, however, all rights of removal to such federal court under 28 U.S.C. 1441. Each party hereto hereby waives the right to any other jurisdiction or venue for any litigation arising out of or in connection with this Agreement or the transactions contemplated hereby to which any of them may be entitled by reason of its present or future domicile. Notwithstanding the foregoing, each of the parties hereto agrees that each of the other parties hereto shall have the right to bring any action or proceeding for enforcement of a judgment entered by the Delaware Courts in any other court or jurisdiction. Each of the parties hereto further agrees that service of any notice, process, summons or other document to such party's respective address listed herein in one of the manners set forth in Section 9.2 shall be deemed in every respect effective service of process in any such Action.

Section 9.11 Waiver of Jury Trial. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED IN CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE ACTIONS OF ANY PARTY HERETO IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE AND ENFORCEMENT THEREOF.

Section 9.12 Counterparts. This Agreement may be executed in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by electronic transmission (including email) shall be effective as delivery of a manually executed counterpart of this Agreement.

Section 9.13 Waiver. The rights and remedies of the parties to this Agreement are cumulative and not alternative. Any of the terms or conditions of this Agreement that may be lawfully waived may be waived in writing at any time by each party hereto that is entitled to the benefits thereof. Any waiver of any of the provisions of this Agreement by any party hereto, including the waiver of any failure of another party hereto to comply with any of its covenants, obligations or agreements herein contained, shall be binding only if set forth in an instrument in writing signed on behalf of such waiving party. No failure or delay to enforce any provision of this Agreement or in exercising any power, privilege or right under this Agreement shall be deemed to or shall constitute a waiver thereof nor in any way affect the validity of this Agreement or any part hereof or the right of any party hereto thereafter to enforce each and every such provision, and no waiver of any of the provisions of this Agreement shall be deemed to or shall constitute a waiver of any other

provision hereof (whether or not similar) nor shall such waiver constitute a continuing waiver. No waiver of any of the provisions of this Agreement shall be held to be a waiver of any subsequent breach or non-compliance.

{Signature Page Follows}

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above by their respective officers or other authorized persons thereunto duly authorized.

CLIFFS NATURAL RESOURCES INC.

By: /s/ James D. Graham
Name: James D. Graham
Title: Executive Vice President, Chief
Legal Officer and Secretary

CLF PINNOAK LLC

By: /s/ Clifford T. Smith
Name: Clifford T. Smith
Title: President

SENECA COAL RESOURCES, LLC

By: /s/ Thomas M. Clarke
Name: Thomas M. Clarke
Title: Treasurer

{Signature page to Unit Purchase Agreement}

FIFTH AMENDMENT TO TRUST AGREEMENT NO. 8

This Fifth Amendment to Trust Agreement No. 8 is entered into effective as of October 28, 2015 by and between Cliffs Natural Resources Inc., f/k/a Cleveland-Cliffs Inc., an Ohio corporation (the "Company"), and KeyBank National Association, the successor in interest to Key Trust Company of Ohio, N.A., a national banking association, as Trustee (the "Trustee"). Capitalized terms not defined herein shall have the meanings assigned to such terms in Trust Agreement No. 8.

WITNESSETH

WHEREAS, on April 9, 1991 the Company and the Trustee entered into Trust Agreement No. 8;

WHEREAS, Section 12 of Trust Agreement No. 8 provides that such Trust Agreement may be amended by the Company and the Trustee;

WHEREAS, Section 9(c) of Trust Agreement No. 8 provides that Exhibit A thereto may be amended by the Company by providing to the Trustee an amendment thereto;

WHEREAS, Section 12(b) of Trust Agreement No. 8 provides that the Trust shall terminate on the date on which the Trust no longer contains any assets, or, if earlier, the date on which each Director is entitled to no further payments thereunder;

WHEREAS, Section 12(c) of Trust Agreement No. 8 provides that any assets remaining in the Trust shall be returned to the Company; and

NOW, THEREFORE, the Company and the Trustee hereby amend Trust Agreement No. 8 to provide as follows:

1. Exhibit A is amended in its entirety to read as attached hereto, to clarify that no Director is entitled to further payments under the Trust Agreement No. 8.
 2. In accordance with Section 12(b) of Trust Agreement No. 8, the Trust is hereby terminated.
 3. In accordance with Section 12(c) any assets remaining in the Trust shall be returned to the Company.
-

IN WITNESS WHEREOF, the Company and the Trustee have caused counterparts of this Fifth Amendment to be executed on this 24th day of November, 2015, each of which shall be an original Amendment.

CLIFFS NATURAL RESOURCES INC.

By: /s/ James D. Graham
Title: Executive Vice President, Chief Legal Officer and Secretary

KEYBANK NATIONAL ASSOCIATION, AS TRUSTEE

By: /s/ Lester Dryja
Title: Vice President

By: /s/ Thor Haraldsson
Title: Senior Vice President

CLIFFS NATURAL RESOURCES INC.
PARTICIPANTS IN RETIREMENT PLAN FOR NON-EMPLOYEE DIRECTORS

No Participants

THIRD AMENDMENT TO TRUST AGREEMENT NO. 9

This Third Amendment to Trust Agreement No. 9 is entered into effective as of October 28, 2015 by and between Cliffs Natural Resources Inc., f/k/a Cleveland-Cliffs Inc., an Ohio corporation (the "Company"), and KeyBank National Association, the successor in interest to Key Trust Company of Ohio, N.A., a national banking association, as Trustee (the "Trustee"). Capitalized terms not defined herein shall have the meanings assigned to such terms in Trust Agreement No. 9.

WITNESSETH

WHEREAS, on November 20, 1996 the Company and the Trustee entered into Trust Agreement No. 9;

WHEREAS, Sections 1.6 and 9.2 of Trust Agreement No. 9 provide that Exhibit A thereto may be amended by the Company by providing to the Trustee amendments thereto; and

WHEREAS, Section 11.1 of Trust Agreement No. 9 provides that Trust Agreement No. 9 may be amended at any time and to any extent by a written instrument executed by the Trustee and the Company without the consent of any Trust Beneficiary, provided that the amendment does not adversely affect any Trust Beneficiary, and provided further that no amendment shall have the effect of altering Section 11.2; and

WHEREAS, Section 11.2 of Trust Agreement No. 9 provides that the Trust shall terminate on or after the fifth anniversary of the date of a Change of Control upon the earliest to occur of (i) a joint determination by the Trustee and the Directors made on or after the fifth anniversary of the date of a Change of Control that no Trust Beneficiary is or will be entitled to any further payment of Benefits or (ii) such time as the Trustee shall have received consents from all of the Directors to the termination of Trust Agreement No. 9.

WHEREAS, it has been determined that there exists no Trust Beneficiary who is or will be entitled to any further payment of Benefits and no Directors from whom to seek consent to terminate the Trust so only the Trustee need consent; and

NOW, THEREFORE, the Company and the Trustee hereby amend Trust Agreement No. 9 to provide as follows:

1. Exhibit A is amended in its entirety to read as attached hereto, to clarify that no Trust Beneficiary is or will be entitled to any further payment of Benefits.
 2. In accordance with Section 11.2 of the Trust, the Trust is hereby terminated.
 3. In accordance with Section 11.3 any assets remaining in the Trust, less all payments, expenses, taxes and other charges under Trust Agreement No. 9 as of the date of termination shall be returned to the Company.
-

IN WITNESS WHEREOF, the Company and the Trustee have caused counterparts of this Third Amendment to be executed on this 24th day of November, 2015, each of which shall be an original Amendment.

CLIFFS NATURAL RESOURCES INC.

By: /s/ James D. Graham
Title: Executive Vice President, Chief Legal Officer and Secretary

KEYBANK NATIONAL ASSOCIATION, AS TRUSTEE

By: /s/ Lester Dryja
Title: Vice President

By: /s/ Thor Haraldsson
Title: Senior Vice President

Effective October 28, 2015

CLIFFS NATURAL RESOURCES INC.
NONEMPLOYEE DIRECTORS' SUPPLEMENTAL COMPENSATION PLAN PARTICIPANTS

No Participants or Trust Beneficiaries

SEVERANCE AGREEMENT AND RELEASE

THIS Severance Agreement and Release ("Agreement") is made between David Webb (the "Executive") and Cliffs Natural Resources Inc., an Ohio corporation (the "Company"), as of the date set forth below. The Executive and Company may be referred to as the "Parties".

WHEREAS, the Company and the Executive are parties to a Change in Control Severance Agreement, which was executed on January 24, 2014 and which became effective on January 1, 2014 (the "CIC Agreement");

WHEREAS, on August 6, 2014, the Company incurred a "Change in Control" as defined in the CIC Agreement;

WHEREAS, on October 31, 2015, the Company terminated the employment of the Executive without "Cause" (as defined in the CIC Agreement) in connection with the Change in Control;

WHEREAS, as a result of such termination of employment, the Executive has become entitled to certain benefits and payments under the CIC Agreement;

WHEREAS, under the CIC Agreement, the Executive is required to sign a release in order to receive the Severance Compensation (as defined under the CIC Agreement and outlined below) and to receive other benefits or payments as provided under the CIC Agreement; and

WHEREAS, the Parties wish to clarify, interpret, and specify the rights of and payments to the Executive in this Agreement, to embody the release required of the Executive in order to trigger the payments and benefits to be provided under the CIC Agreement to the Executive, and to confirm the continued effectiveness of certain prior agreements between the Parties.

NOW THEREFORE, in consideration of the promises and agreements contained herein and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, and intending to be legally bound, the Parties agree as follows:

This Agreement is effective on the date hereof and will continue in effect as provided herein. Capitalized terms that are not defined herein shall have the meanings ascribed to them in the CIC Agreement.

1. **SEVERANCE
PAYMENT.**

Pursuant to the payment terms and structure within Annex A of the CIC Agreement, the Company shall make the following payments to or for the benefit of the Executive:

(a) An aggregate cash payment in the amount of \$1,543,992 less appropriate withholdings

- 2 years of 2015 Base Pay (\$402,000 * 2 = \$804,000);
- 2 years of Incentive Pay at Target for 2015 (\$321,600 * 2 = \$643,200);
- Accrued but unused 2015 vacation (\$16,492);
- Financial planning perquisites (\$20,000).
- Outplacement service (15 % of base pay = \$60,300); and

(b) Payment of equity under Executives 2014-2016 LTI Grant which was made to Executive on February 10, 2014. Executive shall receive \$96,902 reflective of an equity payout inclusive of accrued dividends less applicable withholdings, reflective of vested grants and/or awards under the 2012 Incentive Equity Plan, as amended, to be paid immediately within the first three days of the seventh month after the Executive's Separation from Service.

(c) Payment of shares under the Executives 2015-2017 LTI Grant made to Executive on January 12, 2015. Payment shall be paid through the issuance of prorated Restricted Stock Units (RSU's) totaling 7,620 shall be paid in shares within the first three days of the seventh month after the Executive's Separation from Service. Executive shall also retain prorated Performance Shares (PS's) totaling 7,620. If Performance share metrics are met and performance shares are paid they shall be paid to Executive in February of 2018.

(d) Payment of shares under the Executives 2014 retention grant made to the Executive on July 29, 2014. Remaining 50% of grant (12,270 RSU's) shall be paid through the issuance of shares, less applicable withholdings, within the first three days of the seventh month after the Executive's Separation from Service. At the time of payment, the Company shall also pay to the Executive, in cash, the amount of any dividend equivalents to which he is entitled under the award agreement.

A lump sum payment, less applicable withholdings, representing the sum of the present values of the Executive's full accrued benefit under the Accrued SERP Payment and the Non-accrued SERP Payment. Amount shall be paid to the Executive pursuant to the SERP, in a single lump sum, within the first three days of the seventh month after the Executive's Separation from Service. The amount of this lump sum payment is currently estimated to be \$238,562.59. However, such amount will be increased or decreased, as applicable, depending on the interest crediting rate for the period. At the time of payment, the Company will provide Executive with the final calculation made by the Company's actuary of the lump sum payment

2. OTHER BENEFITS OR PAYMENTS.

Health & Welfare Benefits. Pursuant to the provisions of paragraphs (1) through (3) of Annex A to the CIC Agreement, for the duration of the Continuation Period, the Company shall continue to cover the Executive under all of the health and welfare plans in which the Executive was participating on October 31, 2015, all at Company expense.

3. RELEASE (the "Release").

In consideration of the payments to be made and the benefits to be received by the Executive pursuant to this Agreement, and the CIC Agreement, which the Executive acknowledges are in addition to payments and benefits which the Executive would be entitled to receive absent this Agreement and the CIC Agreement (other than severance pay and benefits under any other severance plan, policy, program or arrangement sponsored by Cliffs Natural Resources Inc.), the Executive, for himself and his dependents, successors, assigns, heirs, executors and administrators (and his and their legal representatives of every kind), hereby releases, dismisses, remises and forever discharges Cliffs Natural Resources Inc., its predecessors, parents, subsidiaries, divisions, related or affiliated companies, officers, directors, stockholders, members, executives, heirs, successors, assigns, representatives, agents and counsel (the "Released Parties") from any and all arbitrations, claims, including claims for attorney's fees (other than as provided in the CIC Agreement), demands, damages, suits, proceedings, actions and/or causes of action of any kind and every description, whether known or unknown, which the Executive now has or may have had for, upon, or by reason of any cause whatsoever ("claims"), against the Released Parties, including but not limited to:

(a) any and all claims arising out of or relating to the Executive's employment by or service with the Company and his termination from the Company other than any claims arising under this Agreement, the CIC Agreement, or under any executive benefit programs or executive compensation programs not specifically addressed in this Agreement or the CIC Agreement;

(b) any and all claims of discrimination, including but not limited to claims of discrimination on the basis of sex, race, age, national origin, marital status, religion or handicap, including, specifically, but without limiting the generality of the foregoing, any claims under the Age Discrimination in Employment Act, as amended, Title VII of the Civil Rights Act of 1964, as amended, the Americans with Disabilities Act, Ohio Revised Code Section 4101.17 and Ohio Revised Code Chapter 4112, including Sections 4112.02 and 4112.99 thereof; and

(c) any and all claims of wrongful or unjust discharge or breach of any contract or promise, express or implied.

The Executive hereby gives up any and all rights or claims to be a class representative or otherwise participate in any class action on behalf of any employee benefit plan of the Company or any Subsidiary.

The Executive understands and acknowledges that the Company does not admit any violation of law, liability or invasion of any of his rights and that any such violation, liability or invasion is expressly denied. The consideration provided for this Release is made for the purpose of settling and extinguishing all claims and rights (and every other similar or dissimilar matter) that the Executive ever had or now may have against the Company to the extent provided in this Release. The Executive further agrees and acknowledges that no representations, promises or inducements have been made by the Company other than as appear in the Agreement.

The Executive further agrees and acknowledges that:

The release provided for herein releases claims to and including the date of this Release;

(d) He has been advised by the Company to consult with legal counsel prior to executing this Release, has had an opportunity to consult with and to be advised by legal counsel of his choice, fully understands the terms of this Release, and enters into this Release freely, voluntarily and intending to be bound;

(e) He has been given a period of 21 days, commencing on the day after his Separation from Service, to review and consider the terms of this Release, prior to its execution and that he may use as much of the 21 day period as he desires; and

(f) He may, within seven days after execution, revoke this Release. Revocation shall be made by delivering a written notice of revocation to the Executive Vice President, Human Resources at the Company. For such revocation to be effective, written notice must be actually received by the Executive Vice President, Human Resources at the Company no later than the close of business on the seventh day after the Executive executes this Release. If Executive does exercise his right to revoke this Release, all of the terms and conditions of the Release shall be of no force and effect and the Company shall not have any obligation to make payments or provide benefits to the Executive otherwise required as a result of the Agreement.

The Executive agrees that he will never file a lawsuit or other complaint asserting any claim that is released in this Release.

The Executive waives and releases any claim that he has or may have to reemployment after October 31, 2015.

4. **OTHER PROVISIONS.**

(a) Effect of Executive's Death. Should the Executive die before receipt of all payments under this Agreement, the unpaid amounts shall be payable to the Executive's estate or otherwise inure to the benefit of his heirs. If the Executive dies before the end of the Continuation Period, the Employee Benefits shall continue to be made available or paid to the Executive's surviving spouse and dependents for the duration of the Continuation Period.

(b) Non-Disparagement. The Executive shall not make any negative statements orally or in writing about the Executive's employment with the Company, about the Company or its affiliates or any of its executives or products, to anyone other than to the EEOC or any similar state agency, Executive's immediate family, and the Executive's legal representatives or financial advisors. Nothing herein shall prevent the Executive from testifying truthfully in a legal proceeding or governmental administrative proceeding. The Executive may indicate on employment applications and during interviews that the Executive was employed by the Company, the Executive's duties, length of employment, and compensation. The Company shall not make any negative statements orally or in writing about the Executive's employment with the Company to anyone other than to the EEOC or any similar state agency and the Company's legal representatives and the Company has instructed its senior executives not to make such statements. Nothing herein shall prevent the Company from testifying truthfully in a legal proceeding or governmental administrative proceeding.

(c) Severability. In the event that one or more provisions of this Agreement is found to be unenforceable for any reason whatsoever, the unenforceable provision or provisions shall be considered to be severable, and the remainder of this Agreement shall continue in full force and effect.

(d) Binding Effect. This Agreement shall be binding upon and operate to the benefit of the Executive and Released Parties, and their successors and assigns.

(e) Waiver. No waiver of any of the terms of this Agreement shall constitute a waiver of any other terms, whether or not similar, nor shall any waiver be a continuing waiver. No waiver shall be binding unless executed in writing by the Party making the waiver. The Company or the Executive may waive any provision of this Agreement intended for such Party's benefit, but such waiver shall in no way excuse the other Party from the performance of any of such Party's other obligations under this Agreement.

(f) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Ohio, without regard to the principles of conflicts of law, except to the extent those laws are preempted by federal law.

(g) Subsequent Modifications. The terms of this Agreement may be altered or amended, in whole or in part, only upon the signed written agreement of the Parties.

(h) Effect on Other Agreements: Indemnification. Notwithstanding the Release by the Executive contained in this Agreement, or anything else to the contrary, the rights and duties of the Parties under the CIC Agreement shall continue and be of full force and effect in accordance with its terms. The Company agrees to indemnify the Executive for actions occurring prior to the Termination Date and in connection with the execution, delivery and performance of this Agreement to the same extent as if he were a party to an indemnification agreement with the Company in the form of the indemnification agreement to which the Company is a party with members of its board of directors. Following the Termination Date, Employee shall continue to be covered by any provision for indemnification by the Company in effect on the date of the execution of this Agreement for so long and to the same extent that the Company provides the same or more favorable indemnification to the members of the Company's board of directors or its active senior executives, whichever is more favorable. In addition, the Company shall continue to maintain D&O coverage that covers the Executive to the same extent that it covers the members of the Company's board of directors or its active senior executives, whichever is more favorable. Finally, in the event of a transaction resulting in a Change in Control of the Company subsequent to the date hereof in which the Company is not the surviving entity, the Company shall use its reasonable best efforts to require as part of such transaction that the surviving company provide indemnification and D&O coverage that covers the Executive to the extent described in this paragraph, provided that the Company shall, in any event, use its reasonable best efforts to require that the surviving company provide the Executive with the same indemnification rights and D&O coverage as are provided to the senior executives who remain with the Company following the Change in Control and to the then current and former members of its board of directors, whichever is more favorable.

[signature page follows]

Dated: November 9, 2015

EXECUTIVE:
/s/ David L. Webb

Dated: November 9, 2015

COMPANY:
CLIFFS NATURAL RESOURCES INC.
By: /s/ Maurice D. Harapiak
Its: EVP Human Resources

CLIFFS NATURAL RESOURCES INC.
2015 EQUITY AND INCENTIVE COMPENSATION PLAN
RESTRICTED STOCK UNIT AWARD MEMORANDUM

Employee:	PARTICIPANT NAME
Date of Grant:	GRANT DATE
Number of Common Shares Subject to Award:	SHARES GRANTED
Vesting Date:	MAY 26, 2018

Additional terms and conditions of your award are included in the Restricted Stock Unit Award Agreement. As a condition to your receipt of this award, you must log on to Fidelity's website at www.netbenefits.fidelity.com and accept the terms and conditions of this award within 90 calendar days of your Date of Grant. If you do not accept the terms and conditions of this award within such time at www.netbenefits.fidelity.com, this award may be forfeited and immediately terminate.

Note: Article 2.1 of the Restricted Stock Unit Award Agreement contains provisions that restrict your activities. These provisions apply to you and, by accepting this award, you agree to be bound by these restrictions.

**CLIFFS NATURAL RESOURCES INC.
2015 EQUITY AND INCENTIVE COMPENSATION PLAN**

Restricted Stock Unit Award Agreement

This Restricted Stock Unit Award Agreement (this "Agreement") is between Cliffs Natural Resources Inc., an Ohio corporation (the "Company"), and you, the person named in the Restricted Stock Unit Award Memorandum (the "Award Memorandum") who is an employee of the Company or a Subsidiary of the Company (the "Participant"). For purposes of this Agreement, "Employer" means the entity (the Company or Subsidiary) that employs the Participant on the applicable date. This Agreement is effective as of the Date of Grant set forth in the Award Memorandum.

The Company wishes to award to the Participant Restricted Stock Units representing the opportunity to earn a number of Common Shares, subject to the terms and conditions set forth in this Agreement, in order to carry out the purpose of the Cliffs Natural Resources Inc. 2015 Equity and Incentive Compensation Plan (the "Plan"). All capitalized terms not defined in this Agreement shall have the same meaning as set forth in the Plan. See Section 2 of the Plan for a list of certain defined terms.

In the event of a conflict between the terms of this Agreement, the Award Memorandum and the terms of the Plan, the terms of the Plan shall govern. In the event of a conflict between the terms of this Agreement and the Award Memorandum, the terms of this Agreement shall govern.

ARTICLE 1.

Grant and Terms of Restricted Stock Units

1.1 Grant of Restricted Stock Units. Pursuant to the Plan, the Company has granted to the Participant the number of Restricted Stock Units as specified in the Award Memorandum, with dividend equivalents ("Restricted Stock Units"), effective as of the Date of Grant.

1.2 Vesting As Condition of Payment. The Restricted Stock Units evidenced by this Agreement and these terms and conditions shall only result in the issuance of Common Shares (or cash or a combination of Common Shares and cash, as decided by the Committee in its sole discretion) equal in number to the Restricted Stock Units to the extent the Participant is "Vested" in the Restricted Stock Units on the date the Restricted Stock Units are to be paid as specified in Section 1.4. The Restricted Stock Units will become Vested as follows:

(a) **Employment Through Vesting Period.** The Participant will become 100% Vested in all the Restricted Stock Units subject to this award if the Participant remains in the continuous employ of the Company or a Subsidiary throughout the period beginning on the Date of Grant and ending on the Vesting Date, as set forth in the Award Memorandum ("Vesting Period").

(b) **Death or Disability.** The Participant will become 100% Vested in all the Restricted Stock Units evidenced by this Agreement if the Participant experiences a termination of employment with the Company because of the Participant's death or Disability (as defined herein) during the Vesting Period.

(c) **Retirement or Termination without Cause.** If the Participant experiences a termination of employment with the Company because of Retirement (as defined herein) or a termination of employment by the Company without Cause (as defined herein) during the Vesting Period, the Participant shall become Vested in a prorated number of Restricted Stock Units equal to the product of the number of Restricted Stock Units subject to this award, multiplied by a fraction, the numerator of which is the number of full months the Participant was employed with the Company or a Subsidiary between the Date of Grant and the date of the Participant's termination of employment, and the denominator of which is 36, rounded down to the nearest whole Restricted Stock Unit.

(d) **Change in Control.** In the event a Change in Control occurs during the Vesting Period, the Participant will become Vested in the Restricted Stock Units only to the extent provided in Section 1.3.

In the event the Participant otherwise terminates employment prior to becoming Vested in the Restricted Stock Units or the Participant's employment is terminated by the Company for Cause, the Participant shall forfeit all rights to any Restricted Stock Units evidenced by this Agreement.

1.3 Change in Control Vesting.

(a) If the Participant remains in the continuous employ of the Company or a Subsidiary throughout the period beginning on the Date of Grant and ending on the date of a Change in Control, the Participant will become 100% Vested in all the Restricted Stock Units evidenced by this Agreement upon the Change in Control, except to the extent that an award meeting the requirements of Section 1.3(f) (a "Replacement Award") is provided to the Participant in accordance with Section 1.3(f) to replace, adjust or continue the award of Restricted Stock Units covered by this Agreement (the "Replaced Award"). If a Replacement Award is provided, references to Restricted Stock Units in this Agreement shall be deemed to refer to the Replacement Award after the Change in Control.

(b) If, upon or after receiving a Replacement Award, the Participant experiences a termination of employment with the Company or a Subsidiary of the Company (or any of their successors) (as applicable, the "Successor") by reason of the Participant terminating employment for Good Reason or the Successor terminating Participant's employment other than for Cause, in each case within a period of two years after the Change in Control and during the Vesting Period, the Participant shall become 100% Vested in the Replacement Award upon such termination.

(c) If a Replacement Award is provided, notwithstanding anything in this Agreement to the contrary, any outstanding Restricted Stock Units that at the time of the Change in Control are not subject to a "substantial risk of forfeiture" (within the meaning of Section 409A of the Code) will be deemed to be Vested at the time of such Change in Control and will be paid as provided for in Section 1.4(c).

(d) For purposes of this Agreement, "Disability" shall mean a medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months and that results in the Participant: (i) being unable to engage in any substantial gainful activity; or (ii) receiving income replacement benefits for a period of not less than three months under an accident or health plan covering employees of the Company.

(e) For purposes of this Agreement, "Retirement" means (i) retirement from active employment with the Company or a Subsidiary on or after the age of 65 or (ii) the Participant's retirement from active employment with the Company or a Subsidiary on and after the attainment of any of the following: (A) at least age 55 and at least 5 years of vesting service under the terms of the Company-sponsored pension plan then applicable to the Participant, if any, with additional service, if any, as may be recognized by the Committee in its sole discretion; (B) at least age 55 and at least 15 years of Continuous Service; or (C) at least 30 years of Continuous Service. For this purpose, "Continuous Service" shall be determined pursuant to Part A of the Pension Plan for Employees of Cliffs Natural Resources Inc. and Its Associated Employers, and if the Participant is not a participant in a Company-sponsored pension plan, such Participant's years of vesting service shall be determined under the rules of Part A of the Pension Plan for Employees of Cliffs Natural Resources Inc. and Its Associated Employers.

(f) For purposes of this Agreement, a "Replacement Award" means an award: (i) of the same type (e.g., time-based restricted stock units) as the Replaced Award; (ii) that has a value at least equal to the value of the Replaced Award; (iii) that relates to publicly traded equity securities of the Company or its successor in the Change in Control or another entity that is affiliated with the Company or its successor following the Change in Control; (iv) if the Participant holding the Replaced Award is subject to U.S. federal income tax under the Code, the tax consequences of which to such Participant under the Code are not less favorable to such Participant than the tax consequences of the Replaced Award; and (v) the other terms and conditions of which are not less favorable to the Participant holding the Replaced Award than the terms and conditions of the Replaced Award (including the provisions that would apply in the event of a subsequent Change in Control). A Replacement Award may be granted only to the extent it does not result in the Replaced Award or Replacement Award failing to comply with or be exempt from Section 409A of the Code. Without limiting the generality of the foregoing, the Replacement Award may take the form of a continuation of the Replaced Award if the requirements of the two preceding sentences are satisfied. The determination of whether the conditions of this Section 1.3(f) are satisfied will be made by the Committee, as constituted immediately before the Change in Control, in its sole discretion.

(g) For purposes of this Agreement, a termination for "Cause" shall mean that, prior to termination of employment, the Participant shall have committed: (i) and been convicted of a criminal violation involving fraud, embezzlement or theft in connection with his or her duties or in the course of his or her employment with the Company or any Affiliate (or the Successor, if applicable); (ii) intentional wrongful damage to property of

the Company or any Affiliate (or the Successor, if applicable); (iii) intentional wrongful disclosure of secret processes or confidential information of the Company or any Affiliate (or the Successor, if applicable); 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 Affiliate (or the Successor, if applicable). For purposes of this Agreement, no act or failure to act on the part of the Participant 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 Participant not in good faith and without reasonable belief that the Participant's action or omission was in the best interest of the Company or an Affiliate (or the Successor, if applicable).

(h) A termination "for Good Reason" shall mean the Participant's termination of employment with the Successor as a result of the initial occurrence, without the Participant's consent, of one or more of the following events:

(i) a material diminution in the Participant's annual base salary rate as in effect from time to time ("Base Pay");

a material diminution in the Participant's authority, duties or responsibilities;

(ii) a material change in the geographic location at which the Participant must perform services;

(iii) a reduction in the Participant's opportunity regarding 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 or other period pursuant to any bonus, incentive, profit-sharing, performance, discretionary pay or similar agreement, policy, plan, program or arrangement (whether or not funded) of the Successor; and

(iv) any other action or inaction that constitutes a material breach by the Participant's employer of the employment agreement, if any, under which the Participant provides services.

Notwithstanding the foregoing, "Good Reason" shall not be deemed to exist unless: (A) the Participant has provided notice to his or her 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; and (B) such condition or conditions have not been cured by the Participant's employer within 30 days after receipt of such notice.

1.4 Payment of Restricted Stock Units.

(a) Payment After the Vesting Period. Subject to Sections 1.4(b) and (c), the Restricted Stock Units that are Vested as of the Vesting Date shall be paid after the end of the Vesting Period, but in any event no later than 2-½ months after the end of the Vesting Period to the extent they have not been previously paid to the Participant.

(b) Payment After Death, Disability, Retirement or Termination Without Cause. Notwithstanding Section 1.4(a), if the Participant experiences a termination of employment with the Company because of the Participant's death, Disability, or Retirement, or a termination of employment by the Company without Cause during the Vesting Period, the Vested Restricted Stock Units will be paid within 30 days following the date of such termination. Any payment of Restricted Stock Units to a deceased Participant shall be paid to the estate of the Participant, unless the Participant files a completed Designation of Death Beneficiary with the Company in accordance with its procedures.

(c) Change in Control. Notwithstanding Section 1.4(a) and Section 1.4(b), to the extent any Restricted Stock Units are Vested as of a Change in Control, such Vested Restricted Stock Units will be paid within 10 days of the Change in Control; provided, however, that if such Change in Control would not qualify as a permissible date of distribution under Section 409A(a)(2)(A) of the Code, and the regulations thereunder, and where Section 409A of the Code applies to such distribution, payment will be made on the date that would have otherwise applied pursuant to this Section 1.4.

(d) Payment Following a Change in Control. Notwithstanding Section 1.2 and 1.4(a), if, during the two-year period following a Change in Control, the Participant experiences a qualifying termination of employment (as described in Section 1.3(b)), the Restricted Stock Units that are Vested as of the date of such termination of employment shall be paid within 10 days of such termination of employment to the extent they have not been previously paid to the Participant; provided, however, that if such Change in Control would not qualify

as a permissible date of distribution under Section 409A(a)(2)(A) of the Code, and the regulations thereunder, and where Section 409A of the Code applies to such distribution, payment will be made on the date that would have otherwise applied pursuant to this Section 1.4. Notwithstanding the foregoing to the contrary, to the extent payment is due within 10 days of the termination of employment, if the Participant on the date of such termination of employment is a "specified employee" (within the meaning of Section 409A of the Code determined using the identification methodology selected by the Company from time to time), payment for the Restricted Stock Units will be made on the first day of the seventh month after the date of Participant's termination of employment or, if earlier, the date of the Participant's death.

(e) General. The Committee, in its sole discretion, may settle the Restricted Stock Units in cash or a combination of Common Shares and cash, in lieu of issuing only Common Shares. In the event that all or any portion of the Restricted Stock Units shall be paid in cash, the cash equivalent of one Restricted Stock Unit shall be equal to the Market Value per Share on the last trading day of the Vesting Period or, if earlier, the trading day immediately prior to the payment date. Notwithstanding the foregoing, no Restricted Stock Units granted hereunder may be paid in cash in lieu of Common Shares to any Participant who is subject to the Cliffs Natural Resources Inc. Directors' and Officers' Share Ownership Guidelines ("Share Ownership Guidelines") unless and until such Participant is either in compliance with, or no longer subject to, such Share Ownership Guidelines; provided, however, that the Committee may withhold Common Shares to the extent necessary to satisfy income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related item withholding requirements, as described in Section 4.3. In addition, the Committee may restrict 50% of the Common Shares to be issued in satisfaction of the total Restricted Stock Units, before income tax withholding, so that they cannot be sold by the Participant unless immediately after such sale the Participant is in compliance with the Share Ownership Guidelines that are applicable to the Participant at the time of sale.

(f) Payment Obligation. Prior to payment, the Company shall only have an unfunded and unsecured obligation to make payment of Restricted Stock Units to the Participant. The Restricted Stock Units evidenced by this Agreement that have not yet been earned, and any interests of the Participant with respect thereto, are not transferable other than pursuant to the laws of descent and distribution, or in accordance with Section 1.4(b).

(g) No Shareholder Rights. The Participant shall have no rights of ownership in the Common Shares underlying the Restricted Stock Units and no right to vote the Common Shares underlying the Restricted Stock Units until the date on which the Common Shares underlying the Restricted Stock Units are issued or transferred to the Participant pursuant to this Section 1.4.

ARTICLE 2. **Other Terms and Conditions**

2.1 Non-Compete and Confidentiality

(a) A Participant shall not render services for any organization or engage directly or indirectly in any business that is a competitor of the Company or any Affiliate of the Company, or which organization or business is or plans to become prejudicial to or in conflict with the business interests of the Company or any Affiliate of the Company or distribute any secret or confidential information belonging to the Company or any Affiliate of the Company.

(b) Failure to comply with Section 2.1(a) above will cause a Participant to forfeit the right to Restricted Stock Units and require the Participant to reimburse the Company for the taxable income received on Restricted Stock Units that have been paid out in Common Shares within the 90-day period preceding the Participant's termination of employment.

ARTICLE 3. **Acknowledgments**

3.1 Acknowledgments. In accepting the award, the Participant acknowledges, understands and agrees to the following:

- (a) The Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;
- (b) The grant of the Restricted Stock Units is voluntary and occasional and does not create any contractual or other right to receive future grants of Restricted Stock Units, or benefits in lieu of Restricted Stock Units, even if Restricted Stock Units have been granted in the past;
- (c) All decisions with respect to future Restricted Stock Units or other grants, if any, will be at the sole discretion of the Company;
- (d) The Participant's participation in the Plan is voluntary;
- (e) The Restricted Stock Unit Award and the Participant's participation in the Plan shall not create a right to employment or be interpreted as forming an employment or services contract with the Company or any Subsidiary and shall not interfere with the ability of the Company, or any Subsidiary, as applicable, to terminate the Participant's employment or service relationship (if any);
- (f) The future value of the underlying Common Shares is unknown, indeterminable and cannot be predicted with certainty;
- (g) No claim or entitlement to compensation or damages shall arise from forfeiture of any Restricted Stock Units resulting from the Participant ceasing to provide employment or other services to the Company or a Subsidiary (for any reason whatsoever whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Participant is employed or the terms of the Participant's employment agreement, if any), and in consideration of the grant of the Restricted Stock Units to which the Participant is otherwise not entitled, the Participant irrevocably agrees never to institute any claim against the Company or any of its Subsidiaries, and the Participant waives his or her ability, if any, to bring any such claim, and releases the Company and its Subsidiaries from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, the Participant shall be deemed irrevocably to have agreed not to pursue such claim and agrees to execute any and all documents necessary to request dismissal or withdrawal of such claim;
- (h) Neither the Plan nor the Restricted Stock Units shall be construed to create an employment relationship where any employment relationship did not otherwise already exist;
- (i) The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Participant's participation in the Plan, or the Participant's acquisition or sale of the underlying Common Shares. The Participant is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Restricted Stock Units;
- (j) The Restricted Stock Units and the Common Shares subject to the Restricted Stock Units, and the income and value of same, are not part of normal or expected compensation for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments; and
- (k) The Company reserves the right to impose other requirements on participation in the Restricted Stock Units and on any Common Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable in order to comply with local law or other applicable rules or facilitate the administration of the Plan, and to require the Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

ARTICLE 4.
General Provisions

4.1 Compliance with Law. The Company shall make reasonable efforts to comply with all applicable federal and state securities laws; provided, however, notwithstanding any other provision of the Agreement and these terms and conditions, the Company shall not be obligated to issue any Common Shares pursuant to the Agreement and these terms and conditions if the issuance or payment thereof would result in a violation of any such law; provided, however, that the Common Shares will be issued at the earliest date at which the Company reasonably anticipates that the issuance of the Common Shares will not cause such violation.

4.2 Dividend Equivalents. During the period beginning on the Date of Grant and ending on the date that the Restricted Stock Units are paid in accordance with Section 1.4, the Participant will be entitled to dividend equivalents on Restricted Stock Units equal to the cash dividend or distribution that would have been paid on the Restricted Stock Units had the Restricted Stock Units been issued and outstanding Common Shares on the record date for the dividend or distribution. Such accrued dividend equivalents (a) will vest and become payable upon the same terms and at the same time of settlement as the Restricted Stock Units to which they relate, and (b) will be denominated and payable solely in cash.

4.3 Withholding Taxes. To the extent that the Company is required to withhold federal, state, local or foreign taxes in connection with any payment made or benefit realized by the Participant under this Agreement, and the amounts available to the Company for such withholding are insufficient, it will be a condition to the receipt of such payment or the realization of such benefit that the Participant make arrangements satisfactory to the Company for payment of the balance of such taxes required to be withheld, which arrangements (in the discretion of the Committee) may include relinquishment of a portion of such benefit. If the Participant's benefit is to be received in the form of Common Shares, and the Participant fails to make arrangements for the payment of tax, then, unless otherwise determined by the Committee, the Company will withhold Common Shares having a value equal to the amount required to be withheld. Notwithstanding the foregoing, when the Participant is required to pay the Company an amount required to be withheld under applicable income and employment tax laws, the Participant may elect, unless otherwise determined by the Committee, to satisfy the obligation, in whole or in part, by having withheld, from the shares required to be delivered to the Participant, Common Shares having a value equal to the amount required to be withheld or by delivering to the Company other Common Shares held by the Participant. The shares used for tax withholding will be valued at an amount equal to the fair market value on the date the benefit is to be included in the Participant's income. In no event will the market value of the Common Shares to be withheld and delivered pursuant to this Section to satisfy applicable withholding taxes in connection with the benefit exceed the minimum amount of taxes required to be withheld.

4.4 Continuous Employment. For purposes of this Agreement, the continuous employment of the Participant with the Company shall not be deemed to have been interrupted, and the Participant shall not be deemed to have separated from service with the Company, by reason of the transfer of his employment among the Company or Subsidiaries or an approved leave of absence, unless otherwise indicated in the Plan or if required to comply with Section 409A of the Code.

4.5 Relation to Other Benefits. Any economic or other benefit to the Participant under the Agreement and these terms and conditions or the Plan shall not be taken into account in determining any benefits to which the Participant may be entitled under any profit-sharing, retirement or other benefit or compensation plan maintained by the Company or a Subsidiary and shall not affect the amount of any life insurance coverage available to any beneficiary under any life insurance plan covering employees of the Company or Subsidiary.

4.6 Adjustments. Restricted Stock Units evidenced by this Agreement are subject to adjustment as provided in Section 11 of the Plan.

4.7 These Terms and Conditions Subject to Plan. The Restricted Stock Units covered under the Agreement and all of the terms and conditions hereof are subject to all of the terms and conditions of the Plan, a copy of which is available upon request.

4.8 Transferability. Except as otherwise provided in the Plan, the Restricted Stock Units are non-transferable and any attempts to assign, pledge, hypothecate or otherwise alienate or encumber (whether by law or otherwise) any Restricted Stock Units shall be null and void.

4.9 Data Privacy. The Participant hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Participant's personal data as described in this Agreement and any other Restricted Stock Unit award materials by and among, as applicable, the Company or Subsidiaries for the exclusive purpose of implementing, administering and managing the Participant's participation in the Plan.

The Participant understands that the Company or Subsidiary may hold certain personal information about the Participant, including, but not limited to, the Participant's name, home address and telephone number, date of birth, social security number or other identification number, salary, nationality, job title, any Common Shares of or directorships in the Company that are held, details of all Restricted Stock Units or any other entitlement to Common Shares awarded, canceled, exercised, vested, unvested or outstanding in the Participant's favor, for the exclusive purpose of implementing, administering and managing the Plan ("Data").

The Participant understands that Data will be transferred to the Company's broker, or such other stock plan service provider as may be selected by the Company in the future, which is assisting the Company with the implementation, administration and management of the Plan. The Participant understands that the recipients' use of the Data may be located in the United States or elsewhere, and that the recipients' country (e.g., the United States) may have different data privacy laws and protections than the Participant's country. The Participant understands that if he or she resides outside the United States, he or she may request a list with the names and addresses of any potential recipients of the Data by contacting his or her local human resources representative. The Participant authorizes the Company, the Company's broker and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing the Participants' participation in the Plan. The Participant understands that Data will be held only as long as is necessary to implement, administer and manage the Participant's participation in the Plan. The Participant understands if he or she resides outside the United States, he or she may, at any time, view their respective Data, request additional information about the storage and processing of their Data, require any necessary amendments to their Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing his or her local human resources representative. Further, the Participant understands that he or she is providing the consents herein on a purely voluntary basis. If the Participant does not consent, or if the Participant later seeks to revoke his or her consent, his or her employment status or service and career with the Employer will not be adversely affected; the only adverse consequence of refusing or withdrawing the Participant's consent is that the Company would not be able to grant Restricted Stock Units or other equity awards or administer or maintain such awards. Therefore, the Participant understands that refusing or withdrawing his or her consent may affect the Participant's ability to participate in the Plan. For more information on the consequences of the Participant's refusal to consent or withdrawal of consent, the Participant understands that he or she may contact his or her local human resources representative.

4.10 Amendments. This Agreement can be amended at any time by the Committee. Any amendment to the Plan shall be deemed to be an amendment to this Agreement to the extent that the amendment is applicable hereto. Except for amendments necessary to bring this Agreement into compliance with current law including Section 409A of the Code, no amendment to this Agreement shall materially and adversely affect the rights of the Participant without the Participant's written consent.

4.11 Severability. The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

4.12 Electronic Delivery. The Company may, in its sole discretion, decide to deliver any documents related to the Restricted Stock Units by electronic means. By accepting this award of Restricted Stock Units, the Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

4.13 Headings. Headings are given to the articles or sections of this Agreement solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of this Agreement or any provision hereof.

4.14 Governing Law. This Agreement is governed by and construed in accordance with the internal substantive laws of the State of Ohio.

4.15 Section 409A of the Code. To the extent applicable, it is intended that this Agreement and the Plan comply with the provisions of Section 409A of the Code. This Agreement and the Plan shall be administered in a manner consistent with this intent, and any provision that would cause the Agreement or the Plan to fail to satisfy Section 409A of the Code shall have no force and effect until amended to comply with Section 409A of the Code (which amendment may be retroactive to the extent permitted by Section 409A of the Code and may be made by the Company without the consent of the Participant). The terms "termination of employment," "terminates employment," and similar words and phrases used in this Agreement mean a "separation from service" within the meaning of Treasury Regulation section 1.409A-1(h).

[Acceptance Page Contained in Exhibit A]

Exhibit A

ELECTRONIC ACCEPTANCE

Acceptance by the Participant

By selecting the "Accept Grant" box on the website of the Company's administrative agent, the Participant acknowledges acceptance of, and consents to be bound by, the Plan and this Agreement and any other rules, agreements or other terms and conditions incorporated herein by reference.

IF I FAIL TO ACKNOWLEDGE ACCEPTANCE OF THE AWARD WITHIN NINETY (90) DAYS OF THE DATE OF GRANT SET FORTH IN THE AGREEMENT, THE COMPANY MAY DETERMINE THAT THIS AWARD HAS BEEN FORFEITED.

PARTICIPANT NAME

Participant Name

ELECTRONIC SIGNATURE

Participant Signature

ACCEPTANCE DATE

Date

**Ratio of Earnings To Combined Fixed Charges
And Preferred Stock Dividend Requirements
(In Millions)**

	Year Ended December 31,				
	2015	2014	2013	2012	2011
Consolidated pretax income (loss) from continuing operations	\$ 313.1	\$ (19.7)	\$ 1,190.9	\$ 1,105.4	\$ 2,370.3
Undistributed earnings of non-consolidated affiliates	(0.1)	(9.9)	(74.4)	(404.8)	9.7
Amortization of capitalized interest	0.3	0.3	2.3	3.7	3.6
Interest expense	230.0	178.3	189.9	208.8	210.1
Acceleration of debt issuance costs	11.3	3.6	—	0.2	—
Interest portion of rental expense	0.9	2.3	2.1	2.8	3.6
Total Earnings	\$ 555.5	\$ 154.9	\$ 1,310.8	\$ 916.1	\$ 2,597.3
Interest expense	\$ 230.0	\$ 178.3	\$ 189.9	\$ 208.8	\$ 210.1
Acceleration of debt issuance costs	11.3	3.6	—	0.2	—
Interest portion of rental expense	0.9	2.3	2.1	2.8	3.6
Preferred Stock dividend requirements	38.4	51.2	48.7	—	—
Fixed Charges Requirements	\$ 280.6	\$ 235.4	\$ 240.7	\$ 211.8	\$ 213.7
Fixed Charges and Preferred Stock Dividend Requirements	\$ 280.6	\$ 235.4	\$ 240.7	\$ 211.8	\$ 213.7
RATIO OF EARNINGS TO FIXED CHARGES	2.0	(A)	5.4	4.3	12.2
RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDEND REQUIREMENTS	2.0	(A)	5.4	4.3	12.2

(A) For the year ended December 31, 2014, there was a deficiency of earnings to cover the fixed charges of \$235.4 million.

SIGNIFICANT SUBSIDIARIES
CLIFFS NATURAL RESOURCES INC. AS OF DECEMBER 31, 2015

Name	Cliffs' Effective Ownership	Place of Incorporation
Cleveland-Cliffs International Holding Company	100%	Delaware, USA
Cliffs Finance US LLC	100%	Ohio, USA
Cliffs Finance Lux SCS	100%	Luxembourg
Cliffs (Gibraltar) Holdings Limited	100%	Gibraltar
Cliffs (Gibraltar) Holdings Limited Luxembourg S.C.S.	100%	Luxembourg
Cliffs (Gibraltar) Limited	100%	Gibraltar
Cliffs Mining Company	100%	Delaware, USA
Cliffs Minnesota Mining Company	100%	Delaware, USA
Cliffs Natural Resources Pty Ltd.	100%	WA Australia
Cliffs Natural Resources Holdings Pty Ltd.	100%	WA Australia
Cliffs Natural Resources Luxembourg S.a.r.l	100%	Luxembourg
Cliffs TIOP Holding, LLC	100%	Delaware, USA
Cliffs TIOP, Inc.	100%	Michigan, USA
Cliffs UTAC Holding LLC	100%	Delaware, USA
The Cleveland-Cliffs Iron Company	100%	Ohio, USA
Tilden Mining Company L.C.	85%	Michigan, USA

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in:

Registration Statement No. 333-56661 on Form S-8 (as amended by Post-Effective Amendment No.1) pertaining to the Northshore Mining Company and Silver Bay Power Company Retirement Savings Plan and the related prospectus;

Registration statement No. 333-06049 on Form S-8 pertaining to the Cliffs Natural Resources Inc. Nonemployee Directors' Compensation Plan;

Registration Statement No. 333-64008 on Form S-8 (as amended by Post-Effective Amendment No.1 and Post-Effective Amendment No.2) pertaining to the Cliffs Natural Resources Inc. Nonemployee Directors' Compensation Plan (as amended and restated as of January 1, 2004);

Registration Statement No. 333-184620 on Form S-8 pertaining to the Cliffs Natural Resources Inc. 2012 Incentive Equity Plan;

Registration Statement No. 333-197687 on Form S-8 pertaining to the Cliffs Natural Resources Inc. Amended and Restated 2012 Incentive Equity Plan;

Registration Statement No. 333-197688 on Form S-8 pertaining to the Cliffs Natural Resources Inc. 2014 Nonemployee Directors' Compensation Plan;

Registration Statement No. 333-204369 on Form S-8 pertaining to the Cliffs Natural Resources Inc. 2015 Equity and Incentive Compensation Plan; and

Registration Statement No. 333-206487 on Form S-8 pertaining to the Cliffs Natural Resources Inc. 2015 Employee Stock Purchase Plan.

of our reports relating to the consolidated financial statements and financial statement schedule of Cliffs Natural Resources Inc. and the effectiveness of Cliffs Natural Resources Inc.'s internal control over financial reporting dated February 24, 2016 appearing in the Annual Report on Form 10-K of Cliffs Natural Resources Inc. for the year ended December 31, 2015.

/s/ Deloitte & Touche LLP

Cleveland, Ohio
February 24, 2016

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned Directors and officers of Cliffs Natural Resources Inc., an Ohio corporation ("Company"), hereby constitute and appoint C. Lourenco Goncalves, P. Kelly Tompkins, James D. Graham and Timothy K. Flanagan, and each of them, their true and lawful attorney or attorneys-in-fact, with full power of substitution and revocation, for them and in their name, place and stead, to sign on their behalf as a Director or officer of the Company, or both, as the case may be, an Annual Report on Form 10-K pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2015, and to sign any and all amendments to such Annual Report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney or attorneys-in-fact, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as they might or could do in person, hereby ratifying and confirming all that said attorney or attorneys-in-fact or any of them or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Executed as of the 11th day of February, 2016.

/s/ C. L. Goncalves

C. L. Goncalves
Chairman, President and Chief Executive Officer

/s/ J. T. Baldwin

J. T. Baldwin, Director

/s/ S. M. Green

S. M. Green, Director

/s/ J. S. Sawyer

J. S. Sawyer, Director

/s/ G. Stoliar

G. Stoliar, Director

/s/ T. K. Flanagan

T. K. Flanagan,
Vice President, Corporate Controller &
Chief Accounting Officer

/s/ D. C. Taylor

D. C. Taylor, Director

/s/ R. P. Fisher, Jr.

R. P. Fisher, Jr., Director

/s/ J. A. Rutkowski, Jr.

J. A. Rutkowski, Jr., Director

/s/ M. D. Siegal

M. D. Siegal, Director

/s/ P. K. Tompkins

P. K. Tompkins,
Executive Vice President & Chief Financial Officer

CERTIFICATION

I, Lourenco Goncalves, certify that:

1. I have reviewed this annual report on Form 10-K 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: February 24, 2016

By: /s/ Lourenco Goncalves

Lourenco Goncalves

Chairman, President and Chief Executive Officer

**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 Annual Report of Cliffs Natural Resources Inc. (the "Company") on Form 10-K for the period ended December 31, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-K"), 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-K 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-K 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-K.

Date: February 24, 2016

By: /s/ Lourenco Goncalves _____

Lourenco Goncalves

Chairman, President and Chief Executive Officer

**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 Annual Report of Cliffs Natural Resources Inc. (the "Company") on Form 10-K for the period ended December 31, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-K"), 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-K 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-K 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-K.

Date: February 24, 2016

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

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 year ended December 31, 2015, our U.S. mine locations did not receive any flagrant violations under Section 110(b)(2) of the FMSH Act and no written notices of a pattern of violations, or the potential to have a pattern of such 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 year ended December 31, 2015:

		Year Ended December 31, 2015								
		(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) Orders	Section 107(a) Citations & 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	
Pinnacle Mine / 4601816	Coal	87	2	—	—	\$ 369,276	6 (2)	5	1	
Pinnacle Plant / 4605868	Coal	3	—	—	—	\$ 4,776	—	—	—	
Green Ridge #1 / 4609030	Coal	—	—	—	—	—	—	—	—	
Green Ridge #2 / 4609222	Coal	—	—	—	—	—	—	—	—	
Oak Grove / 0100851	Coal	90	—	—	—	\$ 188,984	28 (3)	5	4	
Concord Plant / 0100329	Coal	—	—	—	—	\$ 1,000	—	—	—	
Tilden / 2000422	Iron Ore	93	—	2	—	\$ 410,178	10 (4)	1	3	
Empire / 2001012	Iron Ore	52	—	—	—	\$ 83,529	10 (5)	1	4	
Northshore Plant / 2100831	Iron Ore	13	—	—	—	\$ 153,991	15 (6)	4	10	
Northshore Mine / 2100209	Iron Ore	2	—	—	1	\$ 4,897	—	—	—	
Hibbing / 2101600	Iron Ore	28	—	—	—	\$ 331,643	23 (7)	43	46	
United Taconite Plant / 2103404	Iron Ore	23	—	—	—	\$ 451,255	—	4	16	
United Taconite Mine / 2103403	Iron Ore	7	—	2	—	\$ 157,247	8 (8)	8	2	

- (1) Amounts included under the heading "Total Dollar Value of MSHA Proposed Assessments" are the total dollar amounts for proposed assessments received from MSHA on or before December 31, 2015.
- (2) This number consists of 6 pending legal actions related to contests of proposed penalties referenced in Subpart C of FMSH Act's procedural rules.
- (3) This number consists of 25 pending legal actions related to contests of proposed penalties referenced in Subpart C of FMSH Act's procedural rules, 2 pending legal actions related to contests of citations and orders referenced in Subpart B of FMSH Act's procedural rules and 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.
- (4) This number consists of 8 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.
- (5) This number consists of 9 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.
- (6) This number consists of 15 pending legal actions related to contests of proposed penalties referenced in Subpart C of FMSH Act's procedural rules.
- (7) This number consists of 2 pending legal actions related to contests of proposed penalties referenced in Subpart C of FMSH Act's procedural rules, 17 pending legal actions related to contests of citations and orders referenced in Subpart B of FMSH Act's procedural rules, and 4 appeals of judges' decisions or orders to the Federal Mine Safety and Health Review Commission referenced in Subpart H of FMSH Act's procedural rules.
- (8) This number consists of 2 pending legal actions related to contests of proposed penalties referenced in Subpart C of FMSH Act's procedural rules, 2 pending legal actions related to complaints of discharge, discrimination, or interference referenced in Subpart E of FMSH Act's procedural rules, and 4 pending legal actions related to contests of citations and orders referenced in Subpart B of FMSH Act's procedural rules.

Cliffs Natural Resources Inc. and Subsidiaries
Schedule II – Valuation and Qualifying Accounts
(Dollars in Millions)

Classification	Additions					Balance at End of Year
	Balance at Beginning of Year	Charged to Cost and Expenses	Charged to Other Accounts	Acquisition	Deductions	
Year Ended December 31, 2015:						
Deferred Tax Valuation Allowance	\$ 1,152.3	\$ 54.3	\$ 2,165.9	\$ —	\$ —	\$ 3,372.5
Accounts Receivable Allowance	\$ —	\$ 7.1	\$ —	\$ —	\$ —	\$ 7.1
Year Ended December 31, 2014:						
Deferred Tax Valuation Allowance	\$ 849.6	\$ 634.9	\$ (12.6)	\$ —	\$ 319.6	\$ 1,152.3
Accounts Receivable Allowance	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Year Ended December 31, 2013:						
Deferred Tax Valuation Allowance	\$ 858.4	\$ 72.1	\$ (65.5)	\$ —	\$ 15.4	\$ 849.6
Accounts Receivable Allowance	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —