UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2019

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______ to ______.

Commission File Number: 1-8944

CLIFFS

CLEVELAND-CLIFFS INC.
(Exact Name of Registrant as Specified in Its Charter)

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

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common shares, par value $0.125 per share	CLF	New York Stock Exchange

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 every Interactive Data File required to be submitted 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 such files).

Yes ☒ No ☐

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Yes ☐ No ☒

The number of shares outstanding of the registrant's common shares, par value $0.125 per share, was 270,082,088 as of October 21, 2019.

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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 Cleveland-Cliffs Inc. and subsidiaries, collectively.

Abbreviation or acronym	Term
A&R 2015 Equity Plan	Cliffs Natural Resources Inc. Amended and Restated 2015 Equity and Incentive Compensation Plan
ABL Facility	Amended and Restated Syndicated Facility Agreement by and among Bank of America, N.A., as Administrative Agent and Australian Security Trustee, the Lenders that are parties hereto, as the Lenders, Cleveland-Cliffs Inc., as Parent and a Borrower, and the Subsidiaries of Parent party hereto, as Borrowers dated as of March 30, 2015, and Amended and Restated as of February 28, 2018
Adjusted EBITDA	EBITDA excluding certain items such as extinguishment/restructuring of debt, impacts of discontinued operations, foreign currency exchange remeasurement, impairment of other long-lived assets, severance and intersegment corporate allocations of SG&A costs
ArcelorMittal	ArcelorMittal (as the parent company of ArcelorMittal Mines Canada, ArcelorMittal USA and ArcelorMittal Dofasco, as well as many other subsidiaries)
AMT	Alternative Minimum Tax
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
Bloom Lake Group	Bloom Lake General Partner Limited and certain of its affiliates, including Cliffs Quebec Iron Mining ULC
CCAA	Companies' Creditors Arrangement Act (Canada)
Compensation Committee	Compensation and Organization Committee of the Board of Directors
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
DR-grade	Direct Reduction-grade
EBITDA	Earnings before interest, taxes, depreciation and amortization
Empire	Empire Iron Mining Partnership
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
Fe	Iron
FMSH Act	U.S. Federal Mine Safety and Health Act 1977, as amended
GAAP	Accounting principles generally accepted in the United States
HBI	Hot briquetted iron
Hibbing	Hibbing Taconite Company, an unincorporated joint venture
Hot-rolled coil steel price	Estimated average annual daily market price for hot-rolled coil steel
Long ton	2,240 pounds
Metric ton	2,205 pounds
MMBtu	Million British Thermal Units
MSHA	U.S. Mine Safety and Health Administration
Net ton	2,000 pounds
Northshore	Northshore Mining Company
OPEB	Other postretirement employment benefits
Platts 62% Price	Platts IODEX 62% Fe Fines CFR North China
PPI	Producer Price Indices
SEC	U.S. Securities and Exchange Commission
SG&A	Selling, general and administrative
Tilden	Tilden Mining Company L.C.
Topic 606	ASC Topic 606, Revenue from Contracts with Customers
Topic 815	ASC Topic 815, Derivatives and Hedging
TSR	Total shareholder return
United Taconite	United Taconite LLC
U.S.	United States of America
U.S. Steel	U.S Steel Corporation and all subsidiaries
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

PART I

Item 1. ***Financial Statements***

Statements of Unaudited Condensed Consolidated Financial Position

Cleveland-Cliffs Inc. and Subsidiaries

	(In Millions)	
	September 30, 2019	December 31, 2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**$ 399.3**	$ 823.2
Accounts receivable, net	**164.9**	226.7
Finished goods inventories	**162.2**	77.8
Work-in-process inventories	**55.2**	10.1
Supplies and other inventories	**110.8**	93.2
Derivative assets	**72.8**	91.5
Income tax receivable, current	**58.7**	117.3
Other current assets	**40.7**	39.8
TOTAL CURRENT ASSETS	**1,064.6**	1,479.6
PROPERTY, PLANT AND EQUIPMENT, NET	**1,769.9**	1,286.0
OTHER ASSETS		
Deposits for property, plant and equipment	**41.6**	83.0
Income tax receivable, non-current	**62.7**	121.3
Deferred income taxes	**437.5**	464.8
Other non-current assets	**114.9**	94.9
TOTAL OTHER ASSETS	**656.7**	764.0
TOTAL ASSETS	**$ 3,491.2**	$ 3,529.6

(continued)

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

Statements of Unaudited Condensed Consolidated Financial Position

Cleveland-Cliffs Inc. and Subsidiaries - (Continued)

	(In Millions)	
	September 30, 2019	December 31, 2018
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	**$ 212.8**	$ 186.8
Accrued employment costs	**57.3**	74.0
Accrued interest	**34.1**	38.4
Derivative liabilities	**32.6**	3.7
Partnership distribution payable	**—**	43.5
Other current liabilities	**121.7**	121.8
TOTAL CURRENT LIABILITIES	**458.5**	468.2
PENSION AND POSTEMPLOYMENT BENEFIT LIABILITIES	**233.2**	248.7
ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS	**179.1**	172.0
LONG-TERM DEBT	**2,109.1**	2,092.9
OTHER LIABILITIES	**151.4**	123.6
TOTAL LIABILITIES	**3,131.3**	3,105.4
COMMITMENTS AND CONTINGENCIES (REFER TO NOTE 19)		
EQUITY		
SHAREHOLDERS' EQUITY		
Preferred Stock - no par value		
Class A - 3,000,000 shares authorized		
Class B - 4,000,000 shares authorized		
Common Shares - par value $0.125 per share		
Authorized - 600,000,000 shares (2018 - 600,000,000 shares);		
Issued - 301,886,794 shares (2018 - 301,886,794 shares);		
Outstanding - 270,075,445 shares (2018 - 292,611,569 shares)	**37.7**	37.7
Capital in excess of par value of shares	**3,867.7**	3,916.7
Retained deficit	**(2,889.0)**	(3,060.2)
Cost of 31,811,349 common shares in treasury (2018 - 9,275,225 shares)	**(390.9)**	(186.1)
Accumulated other comprehensive loss	**(265.6)**	(283.9)
TOTAL EQUITY	**359.9**	424.2
TOTAL LIABILITIES AND EQUITY	**$ 3,491.2**	$ 3,529.6

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

Statements of Unaudited Condensed Consolidated Operations

Cleveland-Cliffs Inc. and Subsidiaries

	(In Millions, Except Per Share Amounts)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	**2019**	2018
REVENUES FROM PRODUCT SALES AND SERVICES				
Product	**$ 515.0**	$ 684.7	**$ 1,357.8**	$ 1,525.9
Freight	**40.6**	57.1	**98.0**	110.2
	555.6	741.8	**1,455.8**	1,636.1
COST OF GOODS SOLD	**(400.7)**	(480.2)	**(1,007.0)**	(1,028.5)
SALES MARGIN	**154.9**	261.6	**448.8**	607.6
OTHER OPERATING EXPENSE				
Selling, general and administrative expenses	**(25.5)**	(29.1)	**(82.2)**	(78.9)
Miscellaneous – net	**(7.8)**	(7.0)	**(19.0)**	(18.7)
	(33.3)	(36.1)	**(101.2)**	(97.6)
OPERATING INCOME	**121.6**	225.5	**347.6**	510.0
OTHER INCOME (EXPENSE)				
Interest expense, net	**(25.3)**	(29.5)	**(76.5)**	(93.1)
Gain (loss) on extinguishment of debt	**—**	—	**(18.2)**	0.2
Other non-operating income	**0.3**	4.3	**1.3**	13.1
	(25.0)	(25.2)	**(93.4)**	(79.8)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	**96.6**	200.3	**254.2**	430.2
INCOME TAX EXPENSE	**(4.8)**	(0.5)	**(23.1)**	(14.4)
INCOME FROM CONTINUING OPERATIONS	**91.8**	199.8	**231.1**	415.8
INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX	**(0.9)**	238.0	**(1.5)**	102.8
NET INCOME	**$ 90.9**	$ 437.8	**$ 229.6**	$ 518.6
EARNINGS (LOSS) PER COMMON SHARE – BASIC				
Continuing operations	**$ 0.34**	$ 0.67	**$ 0.83**	$ 1.40
Discontinued operations	**—**	0.80	**(0.01)**	0.35
	$ 0.34	$ 1.47	**$ 0.82**	$ 1.75
EARNINGS (LOSS) PER COMMON SHARE – DILUTED				
Continuing operations	**$ 0.33**	$ 0.64	**$ 0.80**	$ 1.37
Discontinued operations	**—**	0.77	**—**	0.34
	$ 0.33	$ 1.41	**$ 0.80**	$ 1.71
AVERAGE NUMBER OF SHARES (IN THOUSANDS)				
Basic	**269,960**	297,878	**278,418**	297,587
Diluted	**276,578**	310,203	**287,755**	303,518

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

Statements of Unaudited Condensed Consolidated Comprehensive Income

Cleveland-Cliffs Inc. and Subsidiaries

	(In Millions)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	**2019**	2018
NET INCOME	**$ 90.9**	$ 437.8	**$ 229.6**	$ 518.6
OTHER COMPREHENSIVE INCOME (LOSS)				
Changes in pension and other post-retirement benefits, net of tax	**5.8**	6.8	**17.3**	20.2
Changes in foreign currency translation	**—**	(228.3)	**—**	(225.4)
Changes in derivative financial instruments, net of tax	**0.4**	0.3	**1.0**	0.8
OTHER COMPREHENSIVE INCOME (LOSS)	**6.2**	(221.2)	**18.3**	(204.4)
TOTAL COMPREHENSIVE INCOME	**$ 97.1**	$ 216.6	**$ 247.9**	$ 314.2

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

Statements of Unaudited Condensed Consolidated Cash Flows

Cleveland-Cliffs Inc. and Subsidiaries

	(In Millions)	
	Nine Months Ended September 30,	
	2019	2018
OPERATING ACTIVITIES		
Net income	**$ 229.6**	$ 518.6
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	**63.1**	68.6
Deferred income taxes	**22.7**	—
Loss (gain) on extinguishment of debt	**18.2**	(0.2)
Change in derivatives	**48.4**	(136.4)
Gain on foreign currency translation	**—**	(228.1)
Other	**49.4**	5.7
Changes in operating assets and liabilities:		
Receivables and other assets	**156.5**	96.2
Inventories	**(129.4)**	(57.1)
Payables, accrued expenses and other liabilities	**(70.4)**	(78.6)
Net cash provided by operating activities	**388.1**	188.7
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(447.9)**	(111.4)
Deposits for property, plant and equipment	**(12.8)**	(83.3)
Other investing activities	**11.2**	21.0
Net cash used by investing activities	**(449.5)**	(173.7)
FINANCING ACTIVITIES		
Repurchase of common shares	**(252.9)**	—
Dividends paid	**(45.1)**	—
Proceeds from issuance of debt	**720.9**	—
Debt issuance costs	**(6.8)**	(1.5)
Repurchase of debt	**(729.3)**	(16.3)
Distributions of partnership equity	**(44.2)**	(44.2)
Other financing activities	**(9.5)**	(45.7)
Net cash used by financing activities	**(366.9)**	(107.7)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**—**	(2.3)
DECREASE IN CASH AND CASH EQUIVALENTS, INCLUDING CASH CLASSIFIED WITHIN OTHER CURRENT ASSETS RELATED TO DISCONTINUED OPERATIONS	**(428.3)**	(95.0)
LESS: DECREASE IN CASH AND CASH EQUIVALENTS FROM DISCONTINUED OPERATIONS, CLASSIFIED WITHIN OTHER CURRENT ASSETS	**(4.4)**	(13.8)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(423.9)**	(81.2)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**823.2**	978.3
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**$ 399.3**	$ 897.1

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

Statements of Unaudited Condensed Consolidated Changes in Equity

Cleveland-Cliffs Inc. and Subsidiaries

	(In Millions)						
	Number of Common Shares Outstanding	Par Value of Common Shares Issued	Capital in Excess of Par Value of Shares	Retained Deficit	Common Shares in Treasury	Accumulated Other Comprehensive Loss	Total
December 31, 2018	292.6	$ 37.7	$ 3,916.7	$ (3,060.2)	$ (186.1)	$ (283.9)	$ 424.2
Comprehensive income (loss)							
Net loss	—	—	—	(22.1)	—	—	(22.1)
Other comprehensive income	—	—	—	—	—	8.4	8.4
Total comprehensive loss							(13.7)
Stock and other incentive plans	1.7	—	(56.5)	—	46.5	—	(10.0)
Common share repurchases	(11.5)	—	—	—	(124.3)	—	(124.3)
Common share dividends ($0.05 per share)	—	—	—	(14.5)	—	—	(14.5)
March 31, 2019	282.8	$ 37.7	$ 3,860.2	$ (3,096.8)	$ (263.9)	$ (275.5)	$ 261.7
Comprehensive income							
Net income	—	—	—	160.8	—	—	160.8
Other comprehensive income	—	—	—	—	—	3.7	3.7
Total comprehensive income							164.5
Stock and other incentive plans	0.1	—	3.4	—	1.2	—	4.6
Common share repurchases	(12.9)	—	—	—	(128.6)	—	(128.6)
Common share dividends ($0.06 per share)	—	—	—	(16.6)	—	—	(16.6)
June 30, 2019	270.0	$ 37.7	$ 3,863.6	$ (2,952.6)	$ (391.3)	$ (271.8)	$ 285.6
Comprehensive income							
Net income	—	—	—	90.9	—	—	90.9
Other comprehensive income	—	—	—	—	—	6.2	6.2
Total comprehensive income							97.1
Stock and other incentive plans	0.1	—	4.1	—	0.4	—	4.5
Common share dividends ($0.10 per share)	—	—	—	(27.3)	—	—	(27.3)
September 30, 2019	270.1	$ 37.7	$ 3,867.7	$ (2,889.0)	$ (390.9)	$ (265.6)	$ 359.9

	(In Millions)							
	Number of Common Shares Outstanding	Par Value of Common Shares Issued	Capital in Excess of Par Value of Shares	Retained Deficit	Common Shares in Treasury	Accumulated Other Comprehensive Loss	Non-Controlling Interest	Total
December 31, 2017	297.4	$ 37.7	$ 3,933.9	$ (4,207.3)	$ (169.6)	$ (39.0)	$ 0.2	$ (444.1)
Adoption of accounting standard	—	—	—	34.0	—	—	—	34.0
Comprehensive income (loss)								
Net loss	—	—	—	(84.3)	—	—	—	(84.3)
Other comprehensive income	—	—	—	—	—	7.7	—	7.7
Total comprehensive loss								(76.6)
Stock and other incentive plans	0.3	—	(15.8)	—	17.7	—	—	1.9
March 31, 2018	297.7	$ 37.7	$ 3,918.1	$ (4,257.6)	$ (151.9)	$ (31.3)	$ 0.2	$ (484.8)
Comprehensive income								
Net income	—	—	—	165.1	—	—	—	165.1
Other comprehensive income	—	—	—	—	—	9.1	—	9.1
Total comprehensive income								174.2
Distributions to noncontrolling interest	—	—	—		—	—	(0.2)	(0.2)
Stock and other incentive plans	0.1	—	0.2	—	4.3	—	—	4.5
June 30, 2018	297.8	$ 37.7	$ 3,918.3	$ (4,092.5)	$ (147.6)	$ (22.2)	$ —	$ (306.3)
Comprehensive income (loss)								
Net income	—	—	—	437.8	—	—	—	437.8
Other comprehensive loss	—	—	—	—	—	(221.2)		(221.2)
Total comprehensive income								216.6
Stock and other incentive plans	0.2	—	(5.0)	—	8.5	—	—	3.5
September 30, 2018	298.0	$ 37.7	$ 3,913.3	$ (3,654.7)	$ (139.1)	$ (243.4)	$ —	$ (86.2)

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

Cleveland-Cliffs Inc. and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements

NOTE 1 - BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with SEC rules and regulations and, in the opinion of management, include all adjustments (consisting of normal recurring adjustments) necessary to present fairly the financial position, results of operations, comprehensive income, cash flows and changes in equity for the periods presented. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management bases its estimates on various assumptions and historical experience, which are believed to be reasonable; however, due to the inherent nature of estimates, actual results may differ significantly due to changed conditions or assumptions. The results of operations for the three and nine months ended September 30, 2019 are not necessarily indicative of results to be expected for the year ending December 31, 2019 or any other future period. Certain prior period amounts have been reclassified to conform with the current year presentation. These unaudited condensed consolidated financial statements should be read in conjunction with the financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2018.

We have two reportable segments - the Mining and Pelletizing segment and the Metallics segment. Unless otherwise noted, discussion of our business and results of operations in this Quarterly Report on Form 10-Q refers to our continuing operations.

As more fully described in the Form 10-K for the year ended December 31, 2018, in 2018 we committed to a course of action leading to the permanent closure of the Asia Pacific Iron Ore mining operations. As a result of our exit, management determined that our Asia Pacific Iron Ore operating segment met the criteria to be classified as held for sale and a discontinued operation under *ASC Topic 205, Presentation of Financial Statements*. As such, all Asia Pacific Iron Ore operating segment results are classified within discontinued operations. Refer to NOTE 13 - DISCONTINUED OPERATIONS for further information.

Basis of Consolidation

The unaudited condensed consolidated financial statements include our accounts and the accounts of our wholly-owned subsidiaries, including the following operations as of September 30, 2019:

Name	Location	Business Segment	Status of Operations
Northshore	Minnesota	Mining and Pelletizing	Active
United Taconite	Minnesota	Mining and Pelletizing	Active
Tilden	Michigan	Mining and Pelletizing	Active
Empire	Michigan	Mining and Pelletizing	Indefinitely Idled
Toledo HBI	Ohio	Metallics	Construction Stage

Intercompany transactions and balances are eliminated upon consolidation.

Equity Method Investments

Our 23% ownership interest in Hibbing is recorded as an equity method investment. As of September 30, 2019 and December 31, 2018, our investment in Hibbing was $14.0 million and $15.4 million, respectively, classified as *Other liabilities* in the Statements of Unaudited Condensed Consolidated Financial Position.

Foreign Currency

Our financial statements are prepared with the U.S. dollar as the reporting currency and the functional currency of all subsidiaries is the U.S. dollar. In August 2018, management determined that there were significant changes in economic factors related to our Australian subsidiaries. The change in economic factors was a result of the sale and conveyance of substantially all assets and liabilities of our Australian subsidiaries to third parties, representing a significant change in operations. As such, the functional currency for the Australian subsidiaries changed from the Australian dollar to the U.S. dollar, requiring all remaining Australian denominated monetary balances to be remeasured through the Statements of Unaudited Condensed Consolidated Operations.

As a result of the liquidation of the Australian subsidiaries' assets, the historical impact of foreign currency translation recorded in *Accumulated other comprehensive loss* in the Statements of Unaudited Condensed Consolidated Financial Position of $228.1 million was reclassified and recognized as a gain in *Income (loss) from discontinued operations, net of tax* in the Statements of Unaudited Condensed Consolidated Operations for the three and nine months ended September 30, 2018. Refer to NOTE 13 - DISCONTINUED OPERATIONS for further information regarding our Australian subsidiaries.

Significant Accounting Policies

A detailed description of our significant accounting policies can be found in the audited financial statements for the fiscal year ended December 31, 2018 included in our Annual Report on Form 10-K filed with the SEC. There have been no material changes in our significant accounting policies and estimates from those disclosed therein.

NOTE 2 - NEW ACCOUNTING STANDARDS

Issued and Adopted

In February 2016, the FASB issued *ASU No. 2016-02, Leases (Topic 842)*. The new standard requires lessees to recognize a right-of-use asset and a lease liability on the balance sheet for all leases except for short-term leases. For lessees, leases are classified as either operating or finance leases. We adopted this standard on its effective date of January 1, 2019 using the optional alternative approach, which requires application of the new guidance at the beginning of the standard's effective date. Adoption of the updated standard did not have a material effect on our consolidated financial statements.

Issued and Not Effective

In June 2016, the FASB issued *ASU No. 2016-13, Financial Instruments–Credit Losses (Topic 326),* which introduces a new accounting model, Current Expected Credit Losses ("CECL"). CECL requires earlier recognition of credit losses, while also providing additional transparency about credit risk. CECL utilizes a lifetime expected credit loss measurement objective for the recognition of credit losses at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. We plan to adopt this standard on its effective date of January 1, 2020, and do not expect the standard to have a material effect on our consolidated financial statements.

NOTE 3 - SEGMENT REPORTING

In alignment with our strategic goals, our Company's continuing operations are organized and managed in two operating segments according to our differentiated products. Our Mining and Pelletizing segment is a major supplier of iron ore pellets to the North American steel industry from our mines and pellet plants located in Michigan and Minnesota. Our Metallics segment includes our HBI production plant in Toledo, Ohio, which is currently under construction and expected to be completed during the first half of 2020. During the second quarter of 2019, Northshore mine began supplying DR-grade pellets to our Metallics segment, which will be used as feedstock for the HBI production plant when we begin production in 2020. All intersegment sales were eliminated in consolidation.

We evaluate performance based on sales margin, defined as revenues less cost of goods sold identifiable to each segment. Additionally, we evaluate performance on a segment basis, as well as a consolidated basis, based on EBITDA and Adjusted EBITDA. These measures are used by management, investors, lenders and other external users of our financial statements to assess our operating performance and to compare operating performance to other companies in the iron ore industry. In addition, management believes EBITDA and Adjusted EBITDA are useful measures to assess the earnings power of the business without the impact of capital structure and can be used to assess our ability to service debt and fund future capital expenditures in the business.

The following tables present a summary of our reportable segments including a reconciliation of segment revenues to total *Revenues from product sales and services*, segment sales margin to total *Sales margin* and a reconciliation of *Net income* to EBITDA and Adjusted EBITDA:

	(In Millions)					
	Three Months Ended September 30, 2019			Nine Months Ended September 30, 2019		
	Mining and Pelletizing	Metallics	Total	Mining and Pelletizing	Metallics	Total
Operating segment revenues from product sales and services	$ 590.6	$ —	$ 590.6	$ 1,494.8	$ —	$ 1,494.8
Elimination of intersegment revenues	(35.0)	—	(35.0)	(39.0)	—	(39.0)
Total revenues from product sales and services	$ 555.6	$ —	$ 555.6	$ 1,455.8	$ —	$ 1,455.8
Operating segment sales margin	$ 165.8	$ —	$ 165.8	$ 461.3	$ —	$ 461.3
Elimination of intersegment sales margin	(10.9)	—	(10.9)	(12.5)	—	(12.5)
Total sales margin	$ 154.9	$ —	$ 154.9	$ 448.8	$ —	$ 448.8

Revenues from product sales and services of $741.8 million and $1,636.1 million, respectively, and sales margin of $261.6 million and $607.6 million, respectively, related to our Mining and Pelletizing segment accounted for all of our consolidated revenues and sales margin for the three and nine months ended September 30, 2018.

	(In Millions)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	**2019**	2018
Net income	**$ 90.9**	$ 437.8	**$ 229.6**	$ 518.6
Less:				
Interest expense, net	**(25.4)**	(29.7)	**(76.8)**	(95.5)
Income tax expense	**(4.8)**	(0.5)	**(23.1)**	(14.4)
Depreciation, depletion and amortization	**(22.2)**	(19.2)	**(63.1)**	(68.6)
EBITDA	**$ 143.3**	$ 487.2	**$ 392.6**	$ 697.1
Less:				
Impact of discontinued operations	**$ (0.8)**	$ 238.2	**$ (1.2)**	$ 120.4
Gain (loss) on extinguishment of debt	**—**	—	**(18.2)**	0.2
Severance costs	**—**	—	**(1.7)**	—
Foreign exchange remeasurement	**—**	(0.2)	**—**	(0.7)
Impairment of long-lived assets	**—**	(1.1)	**—**	(1.1)
Adjusted EBITDA	**$ 144.1**	$ 250.3	**$ 413.7**	$ 578.3
EBITDA:				
Mining and Pelletizing	**$ 177.5**	$ 273.1	**$ 494.9**	$ 641.6
Metallics	**(2.1)**	(1.0)	**(4.0)**	(2.5)
Corporate and Other (including discontinued operations)	**(32.1)**	215.1	**(98.3)**	58.0
Total EBITDA	**$ 143.3**	$ 487.2	**$ 392.6**	$ 697.1
Adjusted EBITDA:				
Mining and Pelletizing	**$ 182.7**	$ 279.5	**$ 510.7**	$ 657.9
Metallics	**(2.1)**	(1.0)	**(4.0)**	(2.5)
Corporate	**(36.5)**	(28.2)	**(93.0)**	(77.1)
Total Adjusted EBITDA	**$ 144.1**	$ 250.3	**$ 413.7**	$ 578.3

The following table summarizes our depreciation, depletion and amortization and capital additions:

	(In Millions)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	**2019**	2018
Depreciation, depletion and amortization:				
Mining and Pelletizing	**$ 20.8**	$ 17.8	**$ 58.9**	$ 49.2
Corporate	**1.4**	1.4	**4.2**	4.2
Total depreciation, depletion and amortization	**$ 22.2**	$ 19.2	**$ 63.1**	$ 53.4
Capital additions[1]:				
Mining and Pelletizing	**$ 22.1**	$ 51.8	**$ 104.5**	$ 97.2
Metallics	**160.5**	40.6	**398.0**	143.6
Corporate	**2.1**	0.2	**3.1**	1.1
Total capital additions	**$ 184.7**	$ 92.6	**$ 505.6**	$ 241.9

[1] Refer to NOTE 16 - CASH FLOW INFORMATION for additional information.

A summary of assets by segment is as follows:

	(In Millions)	
	September 30, 2019	December 31, 2018
Assets:		
Mining and Pelletizing	**$ 1,793.9**	$ 1,694.1
Metallics	**708.5**	265.9
Total segment assets	**2,502.4**	1,960.0
Corporate and Other (including discontinued operations)	**988.8**	1,569.6
Total assets	**$ 3,491.2**	$ 3,529.6

NOTE 4 - REVENUE

We sell primarily a single product, iron ore pellets, in the North American market. Revenue is recognized generally when iron ore is delivered to our customers. Revenue is measured at the point that control transfers and represents the amount of consideration we expect to receive in exchange for transferring goods. We offer standard payment terms to our customers, generally requiring settlement within 30 days.

We enter into supply contracts of varying lengths to provide customers iron ore pellets to use in their blast furnaces. Blast furnaces run continuously with a constant feed of iron ore and, once shut down, cannot easily be restarted. As a result, we ship iron ore in large quantities for storage and use by customers at a later date. Customers do not simultaneously receive and consume the iron ore. Based on our assessment of the factors that indicate the pattern of satisfaction, we transfer control of the iron ore at a point in time upon shipment or delivery of the product. The customer is able to direct the use of, and obtain substantially all of the benefits from, the product at the time the product is delivered.

Most of our customer supply agreements specify a provisional price, which is used for initial billing and cash collection. Revenue recorded in accordance with Topic 606 is calculated using the expected revenue rate at the point when control transfers. The final settlement includes market inputs for a specified period of time, which may vary by customer, but typically include one or more of the following published rates: Platts 62% Price, Atlantic Basin pellet premiums, Platts international indexed freight rates and changes in specified PPI, including industrial commodities, fuel and steel. Changes in the expected revenue rate from the date control transfers through final settlement of contract terms is recorded in accordance with Topic 815. Refer to NOTE 12 - DERIVATIVE INSTRUMENTS for further information on how our estimated and final revenue rates are determined.

A supply agreement with one customer provides for supplemental revenue or refunds based on the hot-rolled coil steel price in the year the iron ore is consumed in the customer's blast furnaces. As control transfers prior to consumption, the supplemental revenue or refunds are recorded in accordance with ASC Topic 815. Refer to NOTE 12 - DERIVATIVE INSTRUMENTS for further information on supplemental revenue or refunds.

Included within *Revenues from product sales and services* related to Topic 815 is a derivative loss of $40.9 million and a derivative gain of $43.4 million for the three and nine months ended September 30, 2019, respectively, and derivative gains of $135.9 million and $334.4 million for the three and nine months ended September 30, 2018, respectively.

Deferred Revenue

The table below summarizes our deferred revenue balances:

	(In Millions)			
	Deferred Revenue (Current)		Deferred Revenue (Long-Term)	
	2019	2018	**2019**	2018
Opening balance as of January 1	**$ 21.0**	$ 23.8	**$ 38.5**	$ 51.4
Closing balance as of September 30	**18.3**	16.1	**30.0**	42.8
Decrease	**$ (2.7)**	$ (7.7)	**$ (8.5)**	$ (8.6)

The terms of one of our pellet supply agreements required supplemental payments to be paid by the customer during the period 2009 through 2012. Installment amounts received under this arrangement in excess of sales were classified as *Other current liabilities* and *Other liabilities* in the Statements of Unaudited Condensed 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 September 30, 2019 and December 31, 2018, installment amounts received in excess of sales totaled $42.8 million and $51.3 million, respectively, related to this agreement. As of September 30, 2019 and December 31, 2018, deferred revenue of $12.8 million was recorded in *Other current liabilities* and $30.0 million and $38.5 million, respectively, was recorded as long-term in *Other liabilities* in the Statements of Unaudited Condensed Consolidated Financial Position, related to this agreement.

Due to the payment terms and the timing of cash receipts near a period end, cash receipts can exceed shipments for certain customers. Revenue recognized on these transactions totaling $5.5 million and $8.2 million was deferred and included in *Other current liabilities* in the Statements of Unaudited Condensed Consolidated Financial Position as of September 30, 2019 and December 31, 2018, respectively.

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT

The following table indicates the carrying value of each of the major classes of our depreciable assets:

	(In Millions)	
	September 30, 2019	December 31, 2018
Land rights and mineral rights	**$ 549.7**	$ 549.6
Office and information technology	**72.9**	70.0
Buildings	**101.2**	87.2
Mining equipment	**577.0**	548.5
Processing equipment	**755.5**	645.8
Electric power facilities	**58.7**	58.7
Land improvements	**23.8**	23.8
Asset retirement obligation	**14.8**	14.8
Other	**29.2**	25.2
Construction-in-progress	**668.9**	284.8
	2,851.7	2,308.4
Allowance for depreciation and depletion	**(1,081.8)**	(1,022.4)
	$ 1,769.9	$ 1,286.0

We recorded capitalized interest into property, plant and equipment of $7.0 million and $16.9 million for the three and nine months ended September 30, 2019, respectively, and $1.8 million and $3.9 million for the three and nine months ended September 30, 2018, respectively.

NOTE 6 - DEBT AND CREDIT FACILITIES

The following represents a summary of our long-term debt:

(In Millions)					
September 30, 2019					
Debt Instrument	**Annual Effective Interest Rate**	**Total Principal Amount**	**Debt Issuance Costs**	**Unamortized Discounts**	**Total Debt**
Secured Notes:					
$400 Million 4.875% 2024 Senior Notes	**5.00%**	**$ 400.0**	**$ (4.9)**	**$ (1.9)**	**$ 393.2**
Unsecured Notes:					
$316.25 Million 1.50% 2025 Convertible Senior Notes	**6.26%**	**316.3**	**(4.8)**	**(67.7)**	**243.8**
$1.075 Billion 5.75% 2025 Senior Notes	**6.01%**	**473.3**	**(3.8)**	**(5.8)**	**463.7**
$750 Million 5.875% 2027 Senior Notes	**6.49%**	**750.0**	**(6.5)**	**(28.0)**	**715.5**
$800 Million 6.25% 2040 Senior Notes	**6.34%**	**298.4**	**(2.2)**	**(3.3)**	**292.9**
ABL Facility	**N/A**	**450.0**	**N/A**	**N/A**	**—**
Long-term debt					**$ 2,109.1**

(In Millions)					
December 31, 2018					
Debt Instrument	Annual Effective Interest Rate	Total Principal Amount	Debt Issuance Costs	Unamortized Discounts	Total Debt
Secured Notes:					
$400 Million 4.875% 2024 Senior Notes	5.00%	$ 400.0	$ (5.7)	$ (2.2)	$ 392.1
Unsecured Notes:					
$700 Million 4.875% 2021 Senior Notes	4.89%	124.0	(0.2)	—	123.8
$316.25 Million 1.50% 2025 Convertible Senior Notes	6.26%	316.3	(5.5)	(75.6)	235.2
$1.075 Billion 5.75% 2025 Senior Notes	6.01%	1,073.3	(9.9)	(14.6)	1,048.8
$800 Million 6.25% 2040 Senior Notes	6.34%	298.4	(2.3)	(3.3)	292.8
ABL Facility	N/A	450.0	N/A	N/A	—
Fair Value Adjustment to Interest Rate Hedge					0.2
Long-term debt					$ 2,092.9

$750 Million 5.875% Senior Notes due 2027 Offering

On May 13, 2019, we entered into an indenture among the Company, the guarantors party thereto and U.S. Bank National Association, as trustee, relating to the issuance of $750 million aggregate principal amount of 5.875% 2027 Senior Notes. The 5.875% 2027 Senior Notes were issued at 96.125% of face value. The 5.875% 2027 Senior Notes were issued in a private transaction exempt from the registration requirements of the Securities Act of 1933. Pursuant to the registration rights agreement executed as part of this offering, we agreed to file a registration statement with the SEC with respect to a registered offer to exchange the 5.875% 2027 Senior Notes for publicly registered notes within 365 days of the closing date, with all significant terms and conditions remaining the same.

The 5.875% 2027 Senior Notes bear interest at a rate of 5.875% per annum, payable semi-annually in arrears on June 1 and December 1 of each year, commencing on December 1, 2019. The 5.875% 2027 Senior Notes mature on June 1, 2027.

The 5.875% 2027 Senior Notes are unsecured obligations and rank equally in right of payment with all of our existing and future unsecured and unsubordinated indebtedness. The 5.875% 2027 Senior Notes are guaranteed on a senior unsecured basis by our material direct and indirect wholly-owned domestic subsidiaries and, therefore, are structurally senior to any of our existing and future indebtedness that is not guaranteed by such guarantors and are structurally subordinated to all existing and future indebtedness and other liabilities of our subsidiaries that do not guarantee the 5.875% 2027 Senior Notes.

The 5.875% 2027 Senior Notes may be redeemed, in whole or in part, at 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 5.875% 2027 Senior Notes. The following is a summary of redemption prices for our 5.875% 2027 Senior Notes:

Redemption Period	Redemption Price[1]	Restricted Amount
Prior to June 1, 2022 - using proceeds of equity issuance	105.875 %	Up to 35% of original aggregate principal
Prior to June 1, 2022[2]	100.000	
Beginning on June 1, 2022	102.938	
Beginning on June 1, 2023	101.958	
Beginning on June 1, 2024	100.979	
Beginning on June 1, 2025 and thereafter	100.000	

[1] Plus accrued and unpaid interest, if any, up to but excluding the redemption date.

[2] Plus a "make-whole" premium.

In addition, if a change in control triggering event, as defined in the indenture, occurs with respect to the 5.875% 2027 Senior Notes, we will be required to offer to purchase the notes at a purchase price equal to 101% of the aggregate principal amount, plus accrued and unpaid interest, if any, to, but not including, the date of purchase.

The terms of the 5.875% 2027 Senior Notes contain certain customary covenants; however, there are no financial covenants.

Debt issuance costs of $6.8 million were incurred related to the offering of the 5.875% 2027 Senior Notes and are included in *Long-term debt* in the Statements of Unaudited Condensed Consolidated Financial Position.

Debt Extinguishments - 2019

The net proceeds from the issuance of $750 million aggregate principal amount of 5.875% 2027 Senior Notes, along with cash on hand, were used to redeem in full all of our outstanding 4.875% 2021 Senior Notes and to fund the repurchase of $600 million aggregate principal amount of our outstanding 5.75% 2025 Senior Notes in a tender offer. The following is a summary of the debt extinguished and the respective loss on extinguishment:

	(In Millions)	
	Nine Months Ended September 30, 2019	
Debt Instrument	**Debt Extinguished**	**(Loss) on Extinguishment**
$700 Million 4.875% 2021 Senior Notes	**$ 124.0**	**$ (5.3)**
$1.075 Billion 5.75% 2025 Senior Notes	**600.0**	**(12.9)**
	$ 724.0	**$ (18.2)**

Debt Extinguishments - 2018

The following is a summary of the debt extinguished with cash and the respective gain on extinguishment:

	(In Millions)			
	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2018	
Debt Instrument	Debt Extinguished	Gain on Extinguishment	Debt Extinguished	Gain on Extinguishment
$400 Million 5.90% 2020 Senior Notes	$ —	$ —	$ 0.5	$ —
$500 Million 4.80% 2020 Senior Notes	—	—	0.1	—
$700 Million 4.875% 2021 Senior Notes	1.0	—	14.2	0.1
$1.075 Billion 5.75% 2025 Senior Notes	—	—	1.7	0.1
	$ 1.0	$ —	$ 16.5	$ 0.2

Debt Maturities

The following represents a summary of our maturities of debt instruments based on the principal amounts outstanding at September 30, 2019:

	(In Millions)
	Maturities of Debt
2019	$ —
2020	—
2021	—
2022	—
2023	—
2024	400.0
2025 and thereafter	1,838.0
Total maturities of debt	$ 2,238.0

ABL Facility

The following represents a summary of our borrowing capacity under the ABL Facility:

	(In Millions)	
	September 30, 2019	December 31, 2018
Available borrowing base on ABL Facility [1]	**$ 400.8**	$ 323.7
Letter of credit obligations [2]	**(34.1)**	(55.0)
Borrowing capacity available [3]	**$ 366.7**	$ 268.7

[1] The ABL Facility has a maximum borrowing base of $450 million. The available borrowing base is determined by applying customary advance rates to eligible accounts receivable, inventory and certain mobile equipment.

[2] 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.

[3] As of September 30, 2019 and December 31, 2018, we had no loans drawn under the ABL Facility.

NOTE 7 - FAIR VALUE MEASUREMENTS

The following represents the assets and liabilities measured at fair value:

	(In Millions)			
	September 30, 2019			
	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	$ —	$ 272.5	$ —	$ 272.5
Derivative assets	—	—	72.8	72.8
Total	$ —	$ 272.5	$ 72.8	$ 345.3
Liabilities:				
Derivative liabilities	$ —	$ 2.4	$ 30.2	$ 32.6
Total	$ —	$ 2.4	$ 30.2	$ 32.6

	(In Millions)			
	December 31, 2018			
	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	$ 0.8	$ 542.6	$ —	$ 543.4
Derivative assets	—	0.1	91.4	91.5
Total	$ 0.8	$ 542.7	$ 91.4	$ 634.9
Liabilities:				
Derivative liabilities	$ —	$ 3.7	$ —	$ 3.7
Total	$ —	$ 3.7	$ —	$ 3.7

Financial assets classified in Level 1 included money market funds. 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 assets include commercial paper, certificates of deposit and commodity hedge contracts. Level 2 liabilities include commodity hedge contracts.

The Level 3 assets and liabilities consist of a freestanding derivative instrument related to a certain supply agreement and derivative assets and liabilities related to certain provisional pricing arrangements with our customers.

The supply agreement included in our Level 3 assets contains provisions for supplemental revenue or refunds based on the hot-rolled coil steel price in the year the iron ore product is consumed in the customer’s blast furnaces. We account for these provisions as a derivative instrument at the time of sale and adjust the derivative instrument to fair value through *Product revenues* each reporting period until the product is consumed and the amounts are settled. We had assets of $71.2 million and $89.3 million at September 30, 2019 and December 31, 2018, respectively, related to this supply agreement.

The provisional pricing arrangements included in our Level 3 assets/liabilities specify provisional price calculations, where the pricing mechanisms generally are based on market pricing, with the final revenue rate 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 rate at the date of sale and the estimated final revenue rate at the measurement date is characterized as a derivative instrument and is required to be accounted for separately once the revenue has been recognized. The derivative instruments 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 rates are determined. We had assets of $1.6 million and $2.1 million related to provisional pricing arrangements at September 30, 2019 and December 31, 2018, respectively. In addition, we had liabilities of $30.2 million related to provisional pricing arrangements at September 30, 2019.

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

Qualitative/Quantitative Information About Level 3 Fair Value Measurements

	(In Millions) Fair Value at September 30, 2019		Balance Sheet Location	Valuation Technique	Unobservable Input	Range or Point Estimate (Weighted Average)
Customer supply agreement	$	71.2	*Derivative assets*	Market Approach	Management's Estimate of Hot-Rolled Coil Steel Price per net ton	$631 - $700 $(633)
Provisional pricing arrangements	$	1.6	*Derivative assets*	Market Approach	Management's Estimate of Platts 62% Price per dry metric ton for respective contract period	$100
Provisional pricing arrangements	$	30.2	*Derivative liabilities*	Market Approach	PPI Estimates	172 - 214 (198)
					Management's Estimate of Platts 62% Price per dry metric ton for respective contract period	$87 - $100 $(96)
					Atlantic Basin Pellet Premium per metric ton	$59

The significant unobservable input used in the fair value measurement of our customer supply agreement is a forward-looking estimate of the hot-rolled coil steel price determined by management.

The significant unobservable inputs used in the fai r value measurement of our provisional pricing arrangements for our derivative assets and liabilities include management's estimate of Platts 62% Price based upon current market data and index pricing, which includes forward-looking estimates determined by management. Our significant unobservable inputs used in the fair value measurement of our provisional pricing arrangements for our derivative liabilities also include estimates for PPI data and the Atlantic Basin pellet premium.

The following tables reconcile the changes in fair value of financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	(In Millions) Level 3 Assets			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	**2019**	2018
Beginning balance	**$ 118.1**	$ 174.6	**$ 91.4**	$ 49.5
Total gains (losses) included in earnings	**(6.5)**	139.0	**83.1**	341.8
Settlements	**(38.8)**	(123.0)	**(101.7)**	(200.7)
Ending balance - September 30	**$ 72.8**	$ 190.6	**$ 72.8**	$ 190.6
Total gains (losses) for the period included in earnings attributable to the change in unrealized gains on assets still held at the reporting date	**$ (6.5)**	$ 15.9	**$ 81.8**	$ 141.0

	(In Millions) Level 3 Liabilities			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	**2019**	2018
Beginning balance	**$ —**	$ (3.0)	**$ —**	$ (1.7)
Total losses included in earnings	**(34.4)**	(3.1)	**(39.7)**	(7.4)
Settlements	**4.2**	0.4	**9.5**	3.4
Ending balance - September 30	**$ (30.2)**	$ (5.7)	**$ (30.2)**	$ (5.7)
Total losses for the period included in earnings attributable to the change in unrealized losses on liabilities still held at the reporting date	**$ (30.2)**	$ (2.7)	**$ (30.2)**	$ (5.7)

The carrying values of certain financial instruments (e.g., *Accounts receivable, net*, *Accounts payable* and *Other current liabilities*) approximates fair value and, therefore, have been excluded from the table below. A summary of the carrying value and fair value of other financial instruments were as follows:

		(In Millions)			
		September 30, 2019		December 31, 2018	
	Classification	**Carrying Value**	**Fair Value**	Carrying Value	Fair Value
Long-term debt:					
Secured Notes					
$400 Million 4.875% 2024 Senior Notes	Level 1	**$ 393.2**	**$ 408.9**	$ 392.1	$ 370.2
Unsecured Notes					
$700 Million 4.875% 2021 Senior Notes	Level 1	**—**	**—**	123.8	122.3
$316.25 Million 1.50% 2025 Convertible Senior Notes	Level 1	**243.8**	**345.8**	235.2	352.4
$1.075 Billion 5.75% 2025 Senior Notes	Level 1	**463.7**	**466.2**	1,048.8	962.0
$750 Million 5.875% 2027 Senior Notes	Level 1	**715.5**	**712.2**	—	—
$800 Million 6.25% 2040 Senior Notes	Level 1	**292.9**	**254.4**	292.8	232.8
ABL Facility	Level 2	**—**	**—**	—	—
Fair value adjustment to interest rate hedge	Level 2	**—**	**—**	0.2	0.2
Total long-term debt		**$ 2,109.1**	**$ 2,187.5**	$ 2,092.9	$ 2,039.9

The fair value of long-term debt was determined using quoted market prices.

NOTE 8 - PENSIONS AND OTHER POSTRETIREMENT BENEFITS

We offer defined benefit pension plans, defined contribution pension plans and OPEB plans, primarily consisting of retiree healthcare benefits, to most employees as part of a total compensation and benefits program. The defined benefit pension plans are noncontributory and benefits generally are based on a minimum formula or employees' years of service and average earnings for a defined period prior to retirement.

On August 12, 2019, Cliffs Mining Company, our subsidiary, ceased performing manager duties at Hibbing and transitioned those duties to ArcelorMittal. In connection with this transition, Cliffs Mining Company and ArcelorMittal entered into a transition agreement, pursuant to which the Ore Mining Companies Pension Plan previously sponsored by Cliffs Mining Company is now sponsored by ArcelorMittal Hibbing Management LLC. In connection with the transfer of manager duties at Hibbing, Hibbing employees previously employed by Cliffs Mining Company concluded their employment and became employed by an ArcelorMittal controlled group entity. All non-Hibbing active and retired participants were transferred to our salaried pension plan. This transition did not have a material impact on our consolidated financial statements in the three or nine months ended September 30, 2019.

The following are the components of defined benefit pension and OPEB costs:

Defined Benefit Pension Costs

	(In Millions)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	**2019**	2018
Service cost	**$ 4.6**	$ 4.7	**$ 12.9**	$ 14.0
Interest cost	**8.9**	7.6	**26.2**	22.7
Expected return on plan assets	**(13.7)**	(15.0)	**(41.0)**	(45.0)
Amortization:				
Prior service costs	**0.3**	0.6	**0.9**	1.7
Net actuarial loss	**5.9**	5.3	**17.7**	15.9
Net periodic benefit cost	**$ 6.0**	$ 3.2	**$ 16.7**	$ 9.3

Other Postretirement Employment Benefits Credits

	(In Millions)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	**2019**	2018
Service cost	**$ 0.5**	$ 0.6	**$ 1.3**	$ 1.6
Interest cost	**2.3**	2.1	**7.0**	6.2
Expected return on plan assets	**(4.2)**	(4.6)	**(12.6)**	(13.8)
Amortization:				
Prior service credits	**(0.5)**	(0.7)	**(1.5)**	(2.2)
Net actuarial loss	**1.3**	1.3	**3.8**	3.8
Net periodic benefit credit	**$ (0.6)**	$ (1.3)	**$ (2.0)**	$ (4.4)

Based on funding requirements, we made defined benefit pension contributions of $5.6 million and $12.3 million for the three and nine months ended September 30, 2019, respectively, compared to defined benefit pension contributions of $18.3 million and $23.9 million for the three and nine months ended September 30, 2018, respectively. OPEB contributions are typically made on an annual basis in the first quarter of each year, but due to plan funding requirements being met, no OPEB contributions were required or made for the three and nine months ended September 30, 2019 and 2018.

NOTE 9 - STOCK COMPENSATION PLANS

Employees' Plans

On February 19, 2019, the Compensation Committee approved grants under the A&R 2015 Equity Plan to certain officers and employees for the 2019 to 2021 performance period. Shares granted under the awards consisted of 0.6 million restricted stock units and 0.6 million performance shares.

Restricted stock units granted during 2019 are subject to continued employment, are retention based and are payable in common shares. The outstanding restricted stock units that were granted in 2019 cliff vest on December 31, 2021.

Performance shares are subject to continued employment, and each performance share, if earned, entitles the holder to be paid out in common shares. Performance is measured on the basis of relative TSR for the period of January 1, 2019 to December 31, 2021 and measured against the constituents of the SPDR S&P Metals and Mining ETF Index at the beginning of the relevant performance period. The final payouts for the outstanding performance period grants will vary from zero to 200% 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.

Determination of Fair Value

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 historical and projected share prices was developed for both the Company and our predetermined peer group of mining and metals companies. The fair value assumes that the objective will be achieved.

The expected term of the grant represents the time from the grant date to the end of the service period. We estimate the volatility of our common shares and that of the peer group 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 2019 performance share grant:

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)
February 19, 2019	$ 11.24	2.87	67.5%	2.55%	—%	$ 18.31	162.90%

NOTE 10 - INCOME TAXES

Our 2019 estimated annual effective tax rate before discrete items as of September 30, 2019 is 9.6%. The estimated annual effective tax rate differs from the U.S. statutory rate of 21.0% primarily due to the deduction for percentage depletion in excess of cost depletion related to our Mining and Pelletizing segment operations. The 2018 estimated annual effective tax rate before discrete items as of September 30, 2018 was 0.1%, which was significantly lower due to the reversal of valuation allowances in the same period.

For the three and nine months ended September 30, 2019, we recorded discrete items that resulted in an income tax benefit of $0.5 million and $1.3 million, respectively. For the three and nine months ended September 30, 2018, we recorded discrete items that resulted in an income tax expense of $0.2 million and $13.9 million, respectively. The $13.9 million expense relates primarily to a $14.5 million reduction of the refundable AMT credit recorded in *Income tax receivable, non-current* in our Statements of Unaudited Condensed Consolidated Financial Position based on sequestration guidance issued by the Internal Revenue Service during the first quarter of 2018. This position was subsequently reversed by the Internal Revenue Service during the fourth quarter of 2018. The prior-year period expense was a reduction of an asset and did not result in a cash tax outlay.

NOTE 11 - ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS

The following is a summary of our environmental and mine closure obligations:

	(In Millions)	
	September 30, 2019	December 31, 2018
Environmental	**$ 2.1**	$ 2.5
Mine closure[1]	**179.5**	172.4
Total environmental and mine closure obligations	**181.6**	174.9
Less current portion	**2.5**	2.9
Long-term environmental and mine closure obligations	**$ 179.1**	$ 172.0

[1] Includes our active operating mines, our indefinitely idled Empire mine and a closed mine formerly operating as LTV Steel Mining Company.

Mine Closure

The accrued closure obligation for our active mining operations provides for contractual and legal obligations associated with the eventual closure of the mining operations. The closure date for each of our active mine sites was determined based on the exhaustion date of the remaining iron ore reserves. The amortization of the related asset and accretion of the liability is recognized over the estimated mine lives for our active operations. The closure date and expected timing of the capital requirements to meet our obligations for our indefinitely idled or closed mines is determined based on the unique circumstances of each property. For indefinitely idled or closed mines, the accretion of the liability is recognized over the anticipated timing of remediation.

The following is a roll forward of our mine closure obligation liability:

	(In Millions)	
	Nine Months Ended September 30, 2019	Year Ended December 31, 2018
Asset retirement obligation at beginning of period	**$ 172.4**	$ 168.4
Accretion expense	**7.6**	9.5
Remediation payments	**(0.5)**	(1.0)
Revision in estimated cash flows	**—**	(4.5)
Asset retirement obligation at end of period	**$ 179.5**	$ 172.4

NOTE 12 - DERIVATIVE INSTRUMENTS

The following table presents the fair value of our derivative instruments and the classification of each in the Statements of Unaudited Condensed Consolidated Financial Position:

	(In Millions)							
	Derivative Assets				Derivative Liabilities			
	September 30, 2019		December 31, 2018		**September 30, 2019**		December 31, 2018	
Derivative Instrument	**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:								
Commodity contracts		**$ —**	*Derivative assets*	$ 0.1	*Derivative liabilities*	**$ 2.4**	*Derivative liabilities*	$ 3.7
Derivatives not designated as hedging instruments under ASC 815:								
Customer supply agreement	*Derivative assets*	**$ 71.2**	*Derivative assets*	$ 89.3		**$ —**		$ —
Provisional pricing arrangements	*Derivative assets*	**1.6**	*Derivative assets*	2.1	*Derivative liabilities*	**30.2**		—
Total derivatives not designated as hedging instruments under ASC 815		**$ 72.8**		$ 91.4		**$ 30.2**		$ —
Total derivatives		**$ 72.8**		$ 91.5		**$ 32.6**		$ 3.7

Derivatives Designated as Hedging Instruments - Cash Flow Hedges

Commodity Contracts

The following table presents our outstanding hedge contracts:

	(In Millions)					
	September 30, 2019			December 31, 2018		
	Notional Amount	**Unit of Measure**	**Varying Maturity Dates**	Notional Amount	Unit of Measure	Varying Maturity Dates
Natural gas	**7.0**	MMBtu	October 2019 - November 2020	1.8	MMBtu	January 2019 - August 2019
Diesel	**2.4**	Gallons	October 2019 - December 2019	11.0	Gallons	January 2019 - December 2019

Derivatives Not Designated as Hedging Instruments

Customer Supply Agreement

A supply agreement with one customer provides for supplemental revenue or refunds to the customer based on the hot-rolled coil steel price at the time the iron ore product is consumed in the customer's blast furnaces. The supplemental pricing is characterized as a freestanding derivative instrument and is required to be accounted for separately once control transfers to the customer. The derivative instrument, which is finalized based on a future price, 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 pellets are consumed and the price is settled.

Provisional Pricing Arrangements

Certain of our supply agreements specify provisional price calculations, where the pricing mechanisms generally are based on market pricing, with the final revenue rate based on certain market inputs at a specified period in time in the future, per the terms of the supply agreements. Market inputs are tied to indexed price adjustment factors that are integral to the iron ore supply contracts and vary based on the agreement. The pricing mechanisms typically include adjustments based upon changes in the Platts 62% Price, Atlantic Basin pellet premiums, Platts international indexed freight rates and changes in specified PPI, including those for industrial commodities, fuel 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. The price adjustment factors have been evaluated to determine if they qualify as embedded derivatives. The price adjustment factors share the same economic characteristics and risks as the host sales contract and are integral to the host sales contract as inflation adjustments; accordingly, they have not been separately valued as derivative instruments.

Revenue is recognized generally upon delivery to our customers. Revenue is measured at the point that control transfers and represents the amount of consideration we expect to receive in exchange for transferring goods. Changes in the expected revenue rate from the date that control transfers through final settlement of contract terms is recorded in accordance with Topic 815 and is characterized as a derivative instrument and accounted for separately. Subsequently, the derivative instruments 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.

The following summarizes the effect of our derivatives that are not designated as hedging instruments in the Statements of Unaudited Condensed Consolidated Operations:

		(In Millions)			
		Three Months Ended September 30,		Nine Months Ended September 30,	
Derivatives Not Designated as Hedging Instruments	**Location of Gain (Loss) Recognized in Income on Derivatives**	**2019**	2018	**2019**	2018
Customer supply agreements	*Product revenues*	**$ 7.6**	$ 139.7	**$ 82.2**	$ 337.1
Provisional pricing arrangements	*Product revenues*	**(48.5)**	(3.8)	**(38.8)**	(2.7)
Total		**$ (40.9)**	$ 135.9	**$ 43.4**	$ 334.4

Refer to NOTE 7 - FAIR VALUE MEASUREMENTS for additional information.

NOTE 13 - DISCONTINUED OPERATIONS

The information below sets forth selected financial information related to operating results of our businesses classified as discontinued operations, which include our former Asia Pacific Iron Ore, North American Coal and Canadian 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 Unaudited Condensed Consolidated Operations present the revenues and expenses that were reclassified from the specified line items to *Income (loss) from discontinued operations, net of tax* and the Statements of Unaudited Condensed Consolidated Financial Position present the assets and liabilities that were reclassified from the specified line items to *Other current assets*, *Other current liabilities* and *Other liabilities*. The charts below provide an asset group breakout for each financial statement line impacted by discontinued operations.

	(In Millions)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	**2019**	2018
Income (loss) from discontinued operations, net of tax				
Asia Pacific Iron Ore	**$ (0.1)**	$ 242.3	**$ (1.1)**	$ 117.6
North American Coal	**(0.8)**	(4.3)	**(0.4)**	(4.2)
Canadian Operations	**—**	—	**—**	(10.6)
	$ (0.9)	$ 238.0	**$ (1.5)**	$ 102.8

	(In Millions)	
	Nine Months Ended September 30,	
	2019	2018
Net cash used by operating activities		
Asia Pacific Iron Ore	**$ (1.9)**	$ (77.0)
Canadian Operations	**—**	(14.6)
	$ (1.9)	$ (91.6)
Net cash provided by investing activities		
Asia Pacific Iron Ore	**$ 0.1**	$ 17.8
	$ 0.1	$ 17.8

For the nine months ended September 30, 2018, we had $27.1 million of non-cash financing activities related to the release of asset retirement obligations at Asia Pacific Iron Ore as part of the sale of substantially all remaining assets.

Asia Pacific Iron Ore Operations

Background

In January 2018, we announced that we would accelerate the time frame for the planned closure of our Asia Pacific Iron Ore mining operations in Australia. In April 2018, we committed to a course of action leading to the permanent closure of the Asia Pacific Iron Ore mining operations and, as planned, completed our final shipment in June 2018. Factors considered in this decision included increasingly discounted prices for lower-iron-content ore and the quality of the remaining iron ore reserves.

During 2018, we sold all of the assets of our Asia Pacific Iron Ore business through a series of sales to third parties. As a result of our exit, management determined that our Asia Pacific Iron Ore operating segment met the criteria to be classified as held for sale and a discontinued operation under *ASC Topic 205, Presentation of Financial Statements.* As such, all Asia Pacific Iron Ore operating segment results are classified within discontinued operations.

Income (Loss) from Discontinued Operations

	(In Millions)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
Income (Loss) from Discontinued Operations	**2019**	2018	**2019**	2018
Revenues from product sales and services	**$ —**	$ —	**$ —**	$ 129.1
Cost of goods sold	**—**	(0.5)	**—**	(230.7)
Sales margin	**—**	(0.5)	**—**	(101.6)
Other operating expense	**—**	14.8	**(0.8)**	(4.0)
Other expense	**(0.1)**	(0.1)	**(0.3)**	(2.3)
Gain on foreign currency translation	**—**	228.1	**—**	228.1
Impairment of long-lived assets	**—**	—	**—**	(2.6)
Income (loss) from discontinued operations, net of tax	**$ (0.1)**	$ 242.3	**$ (1.1)**	$ 117.6

Gain on Foreign Currency Translation

As a result of the liquidation of the Australian subsidiaries' net assets, the historical changes in foreign currency translation recorded in *Accumulated other comprehensive loss* in the Statements of Unaudited Condensed Consolidated Financial Position totaling $228.1 million was reclassified and recognized as a gain in *Income (loss) from discontinued operations, net of tax* in the Statements of Unaudited Condensed Consolidated Operations for the three and nine months ended September 30, 2018.

Canadian Operations

During 2015, we announced that the Bloom Lake Group and the Wabush Group commenced restructuring proceedings in Montreal, Quebec under the CCAA to address the immediate liquidity issues and to preserve and protect their assets for the benefit of all stakeholders while restructuring and/or sale options were explored.

The Bloom Lake Group and the Wabush Group filed a joint plan of compromise and arrangement that was approved by the required majorities of each unsecured creditor class and was sanctioned by the Court in June 2018. During July 2018, amendments were made to the plan to address the manner in which certain distributions under the plan would be effected and the plan was implemented.

During the third quarter of 2018, under the terms of the amended plan, we and certain of our wholly-owned subsidiaries made a C$19.0 million cash contribution to the Wabush Group pension plans and agreed to contribute into the CCAA estate any remaining distributions or payments we may be entitled to receive as creditors of the Bloom Lake Group and the Wabush Group for distribution to other creditors. The original plan did not resolve certain employee claims asserted against us and certain of our affiliates outside of the CCAA proceedings. The amended plan resolved those employee claims, all claims by the Bloom Lake Group, the Wabush Group and their respective creditors against us as well as all of our claims against the Bloom Lake Group and the Wabush Group.

NOTE 14 - SHAREHOLDERS' EQUITY

Share Repurchase Program

On November 26, 2018, we announced a program to repurchase outstanding common shares in the open market or in privately negotiated transactions, up to a maximum of $200 million, excluding commissions and fees. On April 24, 2019, we announced that our Board of Directors increased the common share repurchase authorization by an additional $100 million, excluding commissions and fees. During the nine months ended September 30, 2019, we repurchased 24.4 million common shares at a cost of $252.9 million in the aggregate, including commissions and fees. As of September 30, 2019, there was $0.2 million available under the authorization. The share repurchase program is effective until December 31, 2019.

Dividends

On September 3, 2019, our Board of Directors declared a regular quarterly cash dividend on our common shares of $0.06 per share. In addition, on September 3, 2019, our Board of Directors declared a special cash dividend of $0.04 per share, for a total dividend distribution of $0.10 per share. We have accrued dividends recorded of $28.2 million in *Other current liabilities* in the Statements of Unaudited Condensed Consolidated Financial Position as of September 30, 2019. Subsequent to quarter end, on October 15, 2019, both the regular and special cash dividends were paid to shareholders of record as of the close of business on October 4, 2019.

On May 31, 2019, our Board of Directors declared a quarterly cash dividend on our common shares of $0.06 per share. The cash dividend was paid on July 15, 2019, to our shareholders of record as of the close of business on July 5, 2019. On each of October 18, 2018 and February 19, 2019, our Board of Directors declared a quarterly cash dividend on our common shares of $0.05 per share. The cash dividends were paid on January 15, 2019 and April 15, 2019, to our shareholders of record as of the close of business on January 4, 2019 and April 5, 2019, respectively.

NOTE 15 - ACCUMULATED OTHER COMPREHENSIVE LOSS

The following tables reflect the changes in *Accumulated other comprehensive loss* related to shareholders' equity (deficit):

	(In Millions)		
	Postretirement Benefit Liability, net of tax	**Derivative Financial Instruments, net of tax**	**Accumulated Other Comprehensive Loss**
December 31, 2018	$ (281.1)	$ (2.8)	$ (283.9)
Other comprehensive income before reclassifications	0.2	2.5	2.7
Net loss reclassified from accumulated other comprehensive loss	5.5	0.2	5.7
March 31, 2019	$ (275.4)	$ (0.1)	$ (275.5)
Other comprehensive income (loss) before reclassifications	0.3	(2.3)	(2.0)
Net loss reclassified from accumulated other comprehensive loss	5.5	0.2	5.7
June 30, 2019	$ (269.6)	$ (2.2)	$ (271.8)
Other comprehensive income (loss) before reclassifications	0.3	(0.5)	(0.2)
Net loss reclassified from accumulated other comprehensive loss	5.5	0.9	6.4
September 30, 2019	$ (263.8)	$ (1.8)	$ (265.6)

	(In Millions)			
	Postretirement Benefit Liability, net of tax	Foreign Currency Translation	Derivative Financial Instruments, net of tax	Accumulated Other Comprehensive Loss
December 31, 2017	$ (263.9)	$ 225.4	$ (0.5)	$ (39.0)
Other comprehensive income before reclassifications	0.5	0.7	0.4	1.6
Net loss (gain) reclassified from accumulated other comprehensive loss	6.2	—	(0.1)	6.1
March 31, 2018	$ (257.2)	$ 226.1	$ (0.2)	$ (31.3)
Other comprehensive income before reclassifications	0.2	2.2	0.2	2.6
Net loss reclassified from accumulated other comprehensive loss	6.5	—	—	6.5
June 30, 2018	$ (250.5)	$ 228.3	$ —	$ (22.2)
Other comprehensive income (loss) before reclassifications	0.3	(0.2)	0.2	0.3
Net loss (gain) reclassified from accumulated other comprehensive loss	6.5	(228.1)	0.1	(221.5)
September 30, 2018	$ (243.7)	$ —	$ 0.3	$ (243.4)

The following table reflects the details about *Accumulated other comprehensive loss* components related to shareholders' equity (deficit):

Details about Accumulated Other Comprehensive Loss Components	(In Millions) Amount of (Gain)/Loss Reclassified into Income, Net of Tax				Affected Line Item in the Statement of Unaudited Condensed Consolidated Operations
	Three Months Ended September 30,		Nine Months Ended September 30,		
	2019	2018	**2019**	2018	
Amortization of pension and OPEB liability:					
Prior service credits	**$ (0.2)**	$ (0.1)	**$ (0.6)**	$ (0.5)	*Other non-operating income*
Net actuarial loss	**7.2**	6.6	**21.5**	19.7	*Other non-operating income*
	$ 7.0	$ 6.5	**$ 20.9**	$ 19.2	
	(1.5)	—	**(4.4)**	—	*Income tax expense*
	$ 5.5	$ 6.5	**$ 16.5**	$ 19.2	Net of taxes
Changes in foreign currency translation:					
Gain on foreign currency translation	**$ —**	$ (228.1)	**$ —**	$ (228.1)	*Income (loss) from discontinued operations, net of tax*
	$ —	$ (228.1)	**$ —**	$ (228.1)	
Unrealized loss (gain) on derivative financial instruments:					
Commodity contracts	**$ 1.2**	$ 0.1	**$ 1.7**	$ —	*Cost of goods sold*
	(0.3)	—	**(0.4)**	—	*Income tax expense*
	$ 0.9	$ 0.1	**$ 1.3**	$ —	Net of taxes
Total reclassifications for the period, net of tax	**$ 6.4**	$ (221.5)	**$ 17.8**	$ (208.9)	

NOTE 16 - CASH FLOW INFORMATION

A reconciliation of capital additions to cash paid for capital expenditures is as follows:

	(In Millions)	
	Nine Months Ended September 30,	
	2019	2018
Capital additions[1]	**$ 505.6**	$ 242.0
Less:		
Non-cash accruals	**26.1**	42.2
Right-of-use assets – finance leases	**29.3**	7.6
Grants	**(10.5)**	(2.5)
Cash paid for capital expenditures including deposits	**$ 460.7**	$ 194.7

[1] Includes capital additions related to discontinued operations of $0.1 million, for the nine months ended September 30, 2018.

Non-Cash Financing Activities - Declared Dividends

On September 3, 2019, our Board of Directors declared a regular quarterly and special cash dividend on our common shares, for a total of $0.10 per share. The cash dividend of $27.0 million was paid on October 15, 2019 to shareholders of record as of the close of business on October 4, 2019.

NOTE 17 - RELATED PARTIES

Hibbing is a co-owned joint venture with companies that are integrated steel producers or their subsidiaries. In 2018, we tendered our resignation as the mine manager of the Hibbing mine and we transitioned this role to the majority owner in August 2019. The following is a summary of the mine ownership of the co-owned iron ore mine at September 30, 2019:

Mine	Cleveland-Cliffs Inc.	ArcelorMittal	U.S. Steel
Hibbing	23.0%	62.3%	14.7%

Product revenues from related parties were as follows:

	(In Millions)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	**2019**	2018
Product revenues from related parties	**$ 262.0**	$ 392.4	**$ 718.9**	$ 863.8
Total product revenues	**$ 515.0**	$ 684.7	**$ 1,357.8**	$ 1,525.9
Related party product revenue as a percent of total product revenue	**50.9%**	57.3%	**52.9%**	56.6%

The following table presents the classification of related party assets and liabilities in the Statements of Unaudited Condensed Consolidated Financial Position:

	(In Millions)	
Balance Sheet Location	**September 30, 2019**	December 31, 2018
Accounts receivable, net	**$ 108.7**	$ 176.0
Derivative assets	**71.2**	89.3
Other current assets	**0.2**	—
Derivative liabilities	**(26.1)**	—
Partnership distribution payable	**—**	(43.5)
Other current liabilities	**(1.4)**	(1.8)
	$ 152.6	$ 220.0

A supply agreement with one customer provides for supplemental revenue or refunds to the customer based on the hot-rolled coil steel price at the time the product is consumed in the customer's blast furnaces. The supplemental pricing is characterized as a freestanding derivative. Refer to NOTE 12 - DERIVATIVE INSTRUMENTS for further information.

During 2017, our ownership interest in Empire increased to 100% as we reached an agreement to distribute the noncontrolling interest net assets of $132.7 million to ArcelorMittal, in exchange for its interest in Empire. The net assets were agreed to be distributed in three installments of $44.2 million each, the balance of which was recorded in *Partnership distribution payable* in the Statements of Unaudited Condensed Consolidated Financial Position. The final installment was paid in August 2019.

NOTE 18 - EARNINGS PER SHARE

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

	(In Millions, Except Per Share Amounts)			
	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2019	2018	**2019**	2018
Income from continuing operations	**$ 91.8**	$ 199.8	**$ 231.1**	$ 415.8
Income (loss) from discontinued operations, net of tax	**(0.9)**	238.0	**(1.5)**	102.8
Net income	**$ 90.9**	$ 437.8	**$ 229.6**	$ 518.6
Weighted average number of shares:				
Basic	**270.0**	297.9	**278.4**	297.6
Convertible senior notes	**3.7**	8.0	**5.8**	1.9
Employee stock plans	**2.9**	4.3	**3.6**	4.0
Diluted	**276.6**	310.2	**287.8**	303.5
Earnings (loss) per common share - basic:				
Continuing operations	**$ 0.34**	$ 0.67	**$ 0.83**	$ 1.40
Discontinued operations	**—**	0.80	**(0.01)**	0.35
	$ 0.34	$ 1.47	**$ 0.82**	$ 1.75
Earnings (loss) per common share - diluted:				
Continuing operations	**$ 0.33**	$ 0.64	**$ 0.80**	$ 1.37
Discontinued operations	**—**	0.77	**—**	0.34
	$ 0.33	$ 1.41	**$ 0.80**	$ 1.71

NOTE 19 - COMMITMENTS AND CONTINGENCIES

Purchase Commitments

HBI production plant

In 2017, we began to incur capital commitments related to the construction of our HBI production plant in Toledo, Ohio. We now expect to reach commercial production ahead of schedule, in the first half of 2020. Due to the advanced construction timeline and more certain visibility of the start–up date, a portion of the budgeted contingency has been allocated. In total, we expect to spend approximately $830 million plus a contingency of up to 20% on the HBI production plant, excluding capitalized interest, through 2020. As of September 30, 2019, we have contracts and purchase orders in place for approximately $390 million. We expect cash capital expenditures of approximately $180 million during the remaining three months of 2019 and approximately $245 million during 2020.

Contingencies

We are currently the subject of, or party to, various claims and legal proceedings incidental to our operations. These claims and legal proceedings are 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 effect on the financial position and results of operations for the period in which the ruling occurs or future periods. However, based on currently available information we do not believe that any pending claims or legal proceedings will result in a material effect in relation to our consolidated financial statements.

NOTE 20 - SUBSEQUENT EVENTS

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

NOTE 21 - SUPPLEMENTARY GUARANTOR INFORMATION

The accompanying unaudited condensed consolidating financial information has been prepared and presented pursuant to SEC Regulation S-X, Rule 3-10, "Financial Statements of Guarantors and Issuers of Guaranteed Securities Registered or Being Registered." Certain of our subsidiaries (the "Guarantors") have guaranteed the obligations under the 5.75% 2025 Senior Notes and the 5.875% 2027 Senior Notes issued by Cleveland-Cliffs Inc. See NOTE 6 - DEBT AND CREDIT FACILITIES for further information.

The following presents the unaudited condensed consolidating financial information for: (i) the Parent Company and the Issuer of the guaranteed obligations (Cleveland-Cliffs Inc.); (ii) the Guarantor subsidiaries, on a combined basis; (iii) the non-guarantor subsidiaries, on a combined basis; (iv) consolidating eliminations; and (v) Cleveland-Cliffs Inc. and subsidiaries on a consolidated basis. Each Guarantor subsidiary is 100% owned by the Parent Company as of September 30, 2019 and December 31, 2018. The unaudited condensed consolidating financial information is presented as if the Guarantor structure at September 30, 2019 existed for all periods presented.

Each of the Guarantor subsidiaries fully and unconditionally guarantees, on a joint and several basis, the obligations of Cleveland-Cliffs Inc. under the 5.75% 2025 Senior Notes and the 5.875% 2027 Senior Notes. The guarantee of a Guarantor subsidiary will be automatically and unconditionally released and discharged, and such Guarantor subsidiary's obligations under the guarantee and the related indentures governing the 5.75% 2025 Senior Notes and the 5.875% 2027 Senior Notes (the "Indentures") will be automatically and unconditionally released and discharged, upon:

(a) any sale, exchange, transfer or disposition of such Guarantor subsidiary (by merger, consolidation, or the sale of) or the capital stock of such Guarantor subsidiary after which the applicable Guarantor subsidiary is no longer a subsidiary of the Company or the sale of all or substantially all of such Guarantor subsidiary's assets (other than by lease);

(b) designation of any Guarantor subsidiary as an "excluded subsidiary" (as defined in the Indentures); or

(c) defeasance or satisfaction and discharge of the Indentures.

Each entity in the unaudited consolidating financial information follows the same accounting policies as described in the consolidated financial statements. The accompanying unaudited condensed consolidating financial information has been presented on the equity method of accounting for all periods presented. Under this method, investments in subsidiaries are recorded at cost and adjusted for the subsidiaries' cumulative results of operations, capital contributions and distributions, and other changes in equity. Elimination entries include consolidating and eliminating entries for investments in subsidiaries, and intra-entity activity and balances.

Unaudited Condensed Consolidating Statement of Financial Position
As of September 30, 2019
(In Millions)

	Cleveland-Cliffs Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	$ 396.2	$ 0.4	$ 2.7	$ —	$ 399.3
Accounts receivable, net	7.4	161.4	0.2	(4.1)	164.9
Finished goods inventories	—	162.2	—	—	162.2
Work-in-process inventories	—	55.2	—	—	55.2
Supplies and other inventories	—	110.8	—	—	110.8
Derivative assets	—	72.8	—	—	72.8
Income tax receivable, current	58.7	—	—	—	58.7
Other current assets	9.3	22.9	8.5	—	40.7
TOTAL CURRENT ASSETS	471.6	585.7	11.4	(4.1)	1,064.6
PROPERTY, PLANT AND EQUIPMENT, NET	12.3	1,706.8	50.8	—	1,769.9
OTHER ASSETS					
Deposits for property, plant and equipment	—	27.1	14.5	—	41.6
Income tax receivable, non-current	58.6	4.1	—	—	62.7
Deferred income taxes	436.3	—	1.2	—	437.5
Investment in subsidiaries	1,780.5	39.7	—	(1,820.2)	—
Long-term intercompany notes	—	—	121.3	(121.3)	—
Other non-current assets	15.6	98.0	1.3	—	114.9
TOTAL OTHER ASSETS	2,291.0	168.9	138.3	(1,941.5)	656.7
TOTAL ASSETS	$ 2,774.9	$ 2,461.4	$ 200.5	$ (1,945.6)	$ 3,491.2
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	$ 4.7	$ 207.8	$ 4.4	$ (4.1)	$ 212.8
Accrued employment costs	17.1	40.1	0.1	—	57.3
Accrued interest	34.1	—	—	—	34.1
Derivative liabilities	2.4	30.2	—	—	32.6
Partnership distribution payable	—	—	—	—	—
Other current liabilities	38.5	75.9	7.3	—	121.7
TOTAL CURRENT LIABILITIES	96.8	354.0	11.8	(4.1)	458.5
PENSION AND POSTEMPLOYMENT BENEFIT LIABILITIES	63.3	414.2	(244.3)	—	233.2
ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS	—	159.7	19.4	—	179.1
LONG-TERM DEBT	2,109.1	—	—	—	2,109.1
LONG-TERM INTERCOMPANY NOTES	121.3	—	—	(121.3)	—
OTHER LIABILITIES	24.5	120.8	6.1	—	151.4
TOTAL LIABILITIES	2,415.0	1,048.7	(207.0)	(125.4)	3,131.3
EQUITY					
TOTAL EQUITY	359.9	1,412.7	407.5	(1,820.2)	359.9
TOTAL LIABILITIES AND EQUITY	$ 2,774.9	$ 2,461.4	$ 200.5	$ (1,945.6)	$ 3,491.2

Unaudited Condensed Consolidating Statement of Financial Position
As of December 31, 2018
(In Millions)

	Cleveland-Cliffs Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	$ 819.8	$ 0.7	$ 2.7	$ —	$ 823.2
Accounts receivable, net	9.2	221.3	0.3	(4.1)	226.7
Finished goods inventories	—	77.8	—	—	77.8
Work-in-process inventories	—	10.1	—	—	10.1
Supplies and other inventories	—	93.2	—	—	93.2
Derivative assets	0.1	91.4	—	—	91.5
Income tax receivable, current	117.3	—	—	—	117.3
Other current assets	10.0	16.9	12.9	—	39.8
TOTAL CURRENT ASSETS	956.4	511.4	15.9	(4.1)	1,479.6
PROPERTY, PLANT AND EQUIPMENT, NET	13.3	1,221.9	50.8	—	1,286.0
OTHER ASSETS					
Deposits for property, plant and equipment	—	68.4	14.6	—	83.0
Income tax receivable, non-current	117.2	4.1	—	—	121.3
Deferred income taxes	463.6	—	1.2	—	464.8
Investment in subsidiaries	1,262.3	50.8	—	(1,313.1)	—
Long-term intercompany notes	—	—	121.3	(121.3)	—
Other non-current assets	8.0	85.4	1.5	—	94.9
TOTAL OTHER ASSETS	1,851.1	208.7	138.6	(1,434.4)	764.0
TOTAL ASSETS	$ 2,820.8	$ 1,942.0	$ 205.3	$ (1,438.5)	$ 3,529.6
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	$ 5.3	$ 181.4	$ 4.2	$ (4.1)	$ 186.8
Accrued employment costs	28.5	45.4	0.1	—	74.0
Accrued interest	38.4	—	—	—	38.4
Derivative liabilities	3.7	—	—	—	3.7
Partnership distribution payable	—	43.5	—	—	43.5
Other current liabilities	26.9	86.7	8.2	—	121.8
TOTAL CURRENT LIABILITIES	102.8	357.0	12.5	(4.1)	468.2
PENSION AND POSTEMPLOYMENT BENEFIT LIABILITIES	64.3	414.4	(230.0)	—	248.7
ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS	—	152.1	19.9	—	172.0
LONG-TERM DEBT	2,092.9	—	—	—	2,092.9
LONG-TERM INTERCOMPANY NOTES	121.3	—	—	(121.3)	—
OTHER LIABILITIES	15.3	99.5	8.8	—	123.6
TOTAL LIABILITIES	2,396.6	1,023.0	(188.8)	(125.4)	3,105.4
EQUITY					
TOTAL EQUITY	424.2	919.0	394.1	(1,313.1)	424.2
TOTAL LIABILITIES AND EQUITY	$ 2,820.8	$ 1,942.0	$ 205.3	$ (1,438.5)	$ 3,529.6

Unaudited Condensed Consolidating Statement of Operations and Comprehensive Income
For the Three Months Ended September 30, 2019
(In Millions)

	Cleveland-Cliffs Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
REVENUES FROM PRODUCT SALES AND SERVICES					
Product	$ —	$ 515.0	$ —	$ —	$ 515.0
Freight	—	40.6	—	—	40.6
	—	555.6	—	—	555.6
COST OF GOODS SOLD	—	(400.7)	—	—	(400.7)
SALES MARGIN	—	154.9	—	—	154.9
OTHER OPERATING EXPENSE					
Selling, general and administrative expenses	(20.7)	(4.7)	(0.1)	—	(25.5)
Miscellaneous – net	—	(7.7)	(0.1)	—	(7.8)
	(20.7)	(12.4)	(0.2)	—	(33.3)
OPERATING INCOME (LOSS)	(20.7)	142.5	(0.2)	—	121.6
OTHER INCOME (EXPENSE)					
Interest income (expense), net	(24.9)	(0.6)	0.2	—	(25.3)
Other non-operating income (expense)	(0.9)	(3.4)	4.6	—	0.3
	(25.8)	(4.0)	4.8	—	(25.0)
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(46.5)	138.5	4.6	—	96.6
INCOME TAX EXPENSE	(4.8)	—	—	—	(4.8)
EQUITY IN INCOME OF SUBSIDIARIES	142.2	4.6	—	(146.8)	—
INCOME FROM CONTINUING OPERATIONS	90.9	143.1	4.6	(146.8)	91.8
LOSS FROM DISCONTINUED OPERATIONS, NET OF TAX	—	(0.3)	(0.6)	—	(0.9)
NET INCOME	$ 90.9	$ 142.8	$ 4.0	$ (146.8)	$ 90.9
OTHER COMPREHENSIVE INCOME	6.2	6.8	—	(6.8)	6.2
TOTAL COMPREHENSIVE INCOME	$ 97.1	$ 149.6	$ 4.0	$ (153.6)	$ 97.1

Unaudited Condensed Consolidating Statement of Operations and Comprehensive Income (Loss)
For the Three Months Ended September 30, 2018
(In Millions)

	Cleveland-Cliffs Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
REVENUES FROM PRODUCT SALES AND SERVICES					
Product	$ —	$ 684.7	$ —	$ —	$ 684.7
Freight	—	57.1	—	—	57.1
	—	741.8	—	—	741.8
COST OF GOODS SOLD	—	(480.2)	—	—	(480.2)
SALES MARGIN	—	261.6	—	—	261.6
OTHER OPERATING EXPENSE					
Selling, general and administrative expenses	(23.1)	(5.7)	(0.3)	—	(29.1)
Miscellaneous – net	—	(6.5)	(0.5)	—	(7.0)
	(23.1)	(12.2)	(0.8)	—	(36.1)
OPERATING INCOME (LOSS)	(23.1)	249.4	(0.8)	—	225.5
OTHER INCOME (EXPENSE)					
Interest income (expense), net	(29.2)	(0.4)	0.1	—	(29.5)
Other non-operating income (expense)	(0.9)	0.1	5.1	—	4.3
	(30.1)	(0.3)	5.2	—	(25.2)
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(53.2)	249.1	4.4	—	200.3
INCOME TAX EXPENSE	(0.3)	—	(0.2)	—	(0.5)
EQUITY IN INCOME OF SUBSIDIARIES	471.0	4.7	—	(475.7)	—
INCOME FROM CONTINUING OPERATIONS	417.5	253.8	4.2	(475.7)	199.8
INCOME FROM DISCONTINUED OPERATIONS, net of tax	20.3	12.9	204.8	—	238.0
NET INCOME	$ 437.8	$ 266.7	$ 209.0	$ (475.7)	$ 437.8
OTHER COMPREHENSIVE INCOME (LOSS)	(221.2)	6.1	(230.5)	224.4	(221.2)
TOTAL COMPREHENSIVE INCOME (LOSS)	$ 216.6	$ 272.8	$ (21.5)	$ (251.3)	$ 216.6

Unaudited Condensed Consolidating Statement of Operations and Comprehensive Income
For the Nine Months Ended September 30, 2019
(In Millions)

	Cleveland-Cliffs Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
REVENUES FROM PRODUCT SALES AND SERVICES					
Product	$ —	$ 1,357.8	$ —	$ —	$ 1,357.8
Freight	—	98.0	—	—	98.0
	—	1,455.8	—	—	1,455.8
COST OF GOODS SOLD	—	(1,007.0)	—	—	(1,007.0)
SALES MARGIN	—	448.8	—	—	448.8
OTHER OPERATING EXPENSE					
Selling, general and administrative expenses	(67.1)	(14.7)	(0.4)	—	(82.2)
Miscellaneous – net	—	(17.9)	(1.1)	—	(19.0)
	(67.1)	(32.6)	(1.5)	—	(101.2)
OPERATING INCOME (LOSS)	(67.1)	416.2	(1.5)	—	347.6
OTHER INCOME (EXPENSE)					
Interest income (expense), net	(75.0)	(1.9)	0.4	—	(76.5)
Loss on extinguishment of debt	(18.2)	—	—	—	(18.2)
Other non-operating income (expense)	(3.0)	(9.8)	14.1	—	1.3
	(96.2)	(11.7)	14.5	—	(93.4)
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(163.3)	404.5	13.0	—	254.2
INCOME TAX EXPENSE	(22.7)	(0.3)	(0.1)	—	(23.1)
EQUITY IN INCOME OF SUBSIDIARIES	415.5	13.3	—	(428.8)	—
INCOME FROM CONTINUING OPERATIONS	229.5	417.5	12.9	(428.8)	231.1
INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX	0.1	(0.3)	(1.3)	—	(1.5)
NET INCOME	$ 229.6	$ 417.2	$ 11.6	$ (428.8)	$ 229.6
OTHER COMPREHENSIVE INCOME	18.3	20.1	—	(20.1)	18.3
TOTAL COMPREHENSIVE INCOME	$ 247.9	$ 437.3	$ 11.6	$ (448.9)	$ 247.9

Unaudited Condensed Consolidating Statement of Operations and Comprehensive Income (Loss)
For the Nine Months Ended September 30, 2018
(In Millions)

	Cleveland-Cliffs Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
REVENUES FROM PRODUCT SALES AND SERVICES					
Product	$ —	$ 1,525.9	$ —	$ —	$ 1,525.9
Freight	—	110.2	—	—	110.2
	—	1,636.1	—	—	1,636.1
COST OF GOODS SOLD	—	(1,028.5)	—	—	(1,028.5)
SALES MARGIN	—	607.6	—	—	607.6
OTHER OPERATING EXPENSE					
Selling, general and administrative expenses	(62.9)	(15.3)	(0.7)	—	(78.9)
Miscellaneous – net	(0.4)	(16.9)	(1.4)	—	(18.7)
	(63.3)	(32.2)	(2.1)	—	(97.6)
OPERATING INCOME (LOSS)	(63.3)	575.4	(2.1)	—	510.0
OTHER INCOME (EXPENSE)					
Interest income (expense), net	(91.9)	(1.8)	0.6	—	(93.1)
Gain on extinguishment of debt	0.2	—	—	—	0.2
Other non-operating income (expense)	(2.6)	0.8	14.9	—	13.1
	(94.3)	(1.0)	15.5	—	(79.8)
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(157.6)	574.4	13.4	—	430.2
INCOME TAX EXPENSE	(13.8)	(0.2)	(0.4)	—	(14.4)
EQUITY IN INCOME OF SUBSIDIARIES	665.7	13.8	—	(679.5)	—
INCOME FROM CONTINUING OPERATIONS	494.3	588.0	13.0	(679.5)	415.8
INCOME FROM DISCONTINUED OPERATIONS, net of tax	24.3	12.8	65.7	—	102.8
NET INCOME	$ 518.6	$ 600.8	$ 78.7	$ (679.5)	$ 518.6
OTHER COMPREHENSIVE INCOME (LOSS)	(204.4)	18.0	(227.5)	209.5	(204.4)
TOTAL COMPREHENSIVE INCOME (LOSS)	$ 314.2	$ 618.8	$ (148.8)	$ (470.0)	$ 314.2

Unaudited Condensed Consolidating Statement of Cash Flows
For the Nine Months Ended September 30, 2019
(In Millions)

	Cleveland-Cliffs Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided (used) by operating activities	$ (11.0)	$ 402.8	$ (3.7)	$ —	$ 388.1
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	(1.2)	(446.7)	—	—	(447.9)
Deposits for property, plant and equipment	—	(12.3)	(0.5)	—	(12.8)
Intercompany investing	(83.6)	(1.2)	—	84.8	—
Other investing activities	—	10.4	0.8	—	11.2
Net cash provided (used) by investing activities	(84.8)	(449.8)	0.3	84.8	(449.5)
FINANCING ACTIVITIES					
Repurchase of common shares	(252.9)	—	—	—	(252.9)
Dividends paid	(45.1)	—	—	—	(45.1)
Proceeds from issuance of debt	720.9	—	—	—	720.9
Debt issuance costs	(6.8)	—	—	—	(6.8)
Repurchase of debt	(729.3)	—	—	—	(729.3)
Distributions of partnership equity	—	(44.2)	—	—	(44.2)
Intercompany financing	—	83.1	1.7	(84.8)	—
Other financing activities	(14.6)	7.8	(2.7)	—	(9.5)
Net cash provided (used) by financing activities	(327.8)	46.7	(1.0)	(84.8)	(366.9)
DECREASE IN CASH AND CASH EQUIVALENTS, INCLUDING CASH CLASSIFIED WITHIN OTHER CURRENT ASSETS RELATED TO DISCONTINUED OPERATIONS	(423.6)	(0.3)	(4.4)	—	(428.3)
LESS: DECREASE IN CASH AND CASH EQUIVALENTS FROM DISCONTINUED OPERATIONS, CLASSIFIED WITHIN OTHER CURRENT ASSETS	—	—	(4.4)	—	(4.4)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(423.6)	(0.3)	—	—	(423.9)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	819.8	0.7	2.7	—	823.2
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 396.2	$ 0.4	$ 2.7	$ —	$ 399.3

Unaudited Condensed Consolidating Statement of Cash Flows
For the Nine Months Ended September 30, 2018
(In Millions)

	Cleveland-Cliffs Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided (used) by operating activities	$ (100.6)	$ 425.6	$ (136.3)	$ —	$ 188.7
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	(1.1)	(110.2)	(0.1)	—	(111.4)
Deposits for property, plant and equipment	—	(78.1)	(5.2)	—	(83.3)
Intercompany investing	185.7	(6.3)	120.7	(300.1)	—
Other investing activities	—	3.1	17.9	—	21.0
Net cash provided (used) by investing activities	184.6	(191.5)	133.3	(300.1)	(173.7)
FINANCING ACTIVITIES					
Debt issuance costs	(1.5)	—	—	—	(1.5)
Repurchase of debt	(16.3)	—	—	—	(16.3)
Distributions of partnership equity	—	(44.2)	—	—	(44.2)
Intercompany financing	(120.7)	(188.6)	9.2	300.1	—
Other financing activities	(1.9)	(1.5)	(42.3)	—	(45.7)
Net cash used by financing activities	(140.4)	(234.3)	(33.1)	300.1	(107.7)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	—	—	(2.3)	—	(2.3)
DECREASE IN CASH AND CASH EQUIVALENTS, INCLUDING CASH CLASSIFIED WITHIN OTHER CURRENT ASSETS RELATED TO DISCONTINUED OPERATIONS	(56.4)	(0.2)	(38.4)	—	(95.0)
LESS: DECREASE IN CASH AND CASH EQUIVALENTS FROM DISCONTINUED OPERATIONS, CLASSIFIED WITHIN OTHER CURRENT ASSETS	—	—	(13.8)	—	(13.8)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(56.4)	(0.2)	(24.6)	—	(81.2)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	948.9	2.1	27.3	—	978.3
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 892.5	$ 1.9	$ 2.7	$ —	$ 897.1

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

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is designed to provide a reader of our financial statements with a narrative from the perspective of management on our financial condition, results of operations, liquidity and other factors that may affect our future results. We believe it is important to read our MD&A in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2018 as well as other publicly available information.

Overview

Founded in 1847, Cleveland-Cliffs Inc. is the largest and oldest independent iron ore mining 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. By 2020, we expect to be the sole producer of HBI in the Great Lakes region with the development of our first production plant in Toledo, Ohio. Driven by the core values of safety, social, environmental and capital stewardship, our employees endeavor to provide all stakeholders with operating and financial transparency.

The key driver of our business is demand for steelmaking raw materials from U.S. steelmakers. During the first eight months of 2019, the U.S. produced approximately 59 million metric tons of crude steel, which is 4% higher than the same period in 2018, representing about 5% of total global crude steel production. U.S. total steel capacity utilization was approximately 81% in the first eight months of 2019, which is an approximate 3% increase from the same period in 2018. Through the first eight months of 2019, global crude steel production increased about 4% compared to the same period in 2018, driven by an approximate 9% increase in Chinese crude steel production.

For the first nine months of 2019, conditions in the global iron ore market were at their most favorable levels since 2014. In January 2019, a tailings dam operated by Vale S.A., the largest iron ore miner in the world, suffered a catastrophic failure resulting in hundreds of fatalities in Brumadinho, Brazil. The fallout of this disaster has led to multiple disruptions in iron ore supply. Due in large part to these disruptions and China's healthy steel production levels, the Platts 62% Price, a key component in our supply contracts, averaged $95 per metric ton in the first nine months of 2019, a 38% increase compared to $69 per metric ton in the first nine months of 2018.

The Atlantic Basin pellet premium, another important pricing factor in our contracts, averaged $64 per metric ton for the first nine months of 2019, a 10% increase compared to the same period in 2018. Despite this year-over-year increase, the market for pellets has deteriorated rapidly over the past quarter. Given both the weak steel market conditions in Europe and declining demand for high-quality iron ore products in China, pellet suppliers have lowered premiums dramatically. This has driven the Atlantic Basin Pellet Premium index to a current three-year low, representing a substantial deterioration from the multi-year highs seen earlier in the year.

The price for domestic hot-rolled coil steel, which is an important attribute in the calculation of supplemental revenue in one customer supply agreement, averaged $625 per net ton for the first nine months of 2019, 26% lower than the same period last year. While purchasers scrambled to place steel orders in the wake of the Section 232 tariffs implemented last year, the U.S. market has since cooled and prices have moved substantially lower due to inventory destocking and increased supply, in a market with effectively flat apparent demand. In addition, scrap steel prices are at three-year lows due to lack of export demand, putting additional pressure on pricing in the steel supply chain.

For the three and nine months ended September 30, 2019, our consolidated revenues were $555.6 million and $1,455.8 million, respectively, with net income from continuing operations of $0.33 and $0.80 per diluted share, respectively. For the three and nine months ended September 30, 2018, our consolidated revenues were $741.8 million and $1,636.1 million, respectively, with net income from continuing operations of $0.64 and $1.37 per diluted share, respectively.

Third Quarter 2019 Recent Developments

Hibbing Mine Management

On August 12, 2019, our subsidiary, Cliffs Mining Company, ceased performing manager duties at Hibbing and transitioned those duties to ArcelorMittal. In connection with this transition, Cliffs Mining Company and ArcelorMittal entered into a transition agreement, pursuant to which the Ore Mining Companies Pension Plan previously sponsored by Cliffs Mining Company is now sponsored by ArcelorMittal Hibbing Management LLC. In connection with the transfer of manager duties at Hibbing, Hibbing employees previously employed by Cliffs Mining Company are now employed by an ArcelorMittal controlled group entity. All non-Hibbing active and retired participants were transferred to our salaried pension plan.

Common Share Dividends

On September 3, 2019, our Board of Directors declared a regular quarterly cash dividend on our common shares of $0.06 per share. In addition to the regular dividend, on September 3, 2019, our Board of Directors declared a special cash dividend of $0.04 per share, for a total dividend distribution of $0.10 per share. Both the regular and special cash dividends were paid on October 15, 2019 to shareholders of record as of the close of business on October 4, 2019.

Results of Operations

The following is a summary of Mining and Pelletizing results for the three months ended September 30, 2019 and 2018:

	(In Millions)					
	Three Months Ended September 30,		Changes due to:			
	2019	2018	Revenue and cost rate	Sales volume	Freight	Total change
Revenues from product sales and services	**$ 590.6**	$ 741.8	$ (63.2)	$ (71.4)	$ (16.6)	$ (151.2)
Cost of goods sold	**(424.8)**	(480.2)	(7.7)	46.5	16.6	55.4
Sales margin	**$ 165.8**	$ 261.6	$ (70.9)	$ (24.9)	$ —	$ (95.8)

	Three Months Ended September 30,			
Per Ton Information	**2019**	2018	Difference	Percent change
Realized product revenue rate[1]	**$ 95.65**	$ 105.65	$ (10.00)	(9.5)%
Cash cost of goods sold rate[1,2]	**63.20**	62.54	0.66	1.1 %
Depreciation, depletion & amortization	**3.62**	2.75	0.87	31.6 %
Total cost of goods sold	**66.82**	65.29	1.53	2.3 %
Sales margin	**$ 28.83**	$ 40.36	$ (11.53)	(28.6)%
Sales tons[3] (In thousands)	**5,750**	6,481		
Production tons[3] (In thousands)	**5,159**	4,719		

[1] Excludes revenues and expenses related to domestic freight, which are offsetting and have no impact on sales margin.

[2] Cash cost of goods sold rate is a non-GAAP financial measure. Refer to "Non-GAAP Reconciliation" for reconciliation in dollars back to our consolidated financial statements.

[3] Tons are long tons. Includes Cliffs' 23% share of the Hibbing mine production. Includes intercompany sales to our Metallics segment of 346 thousand long tons, for the three months ended September 30, 2019.

Sales margin was $165.8 million for the three months ended September 30, 2019, compared with $261.6 million for the three months ended September 30, 2018. Sales margin decreased 28.6% to $28.83 per long ton during the three months ended September 30, 2019, compared to the three months ended September 30, 2018.

Revenue decreased by $134.6 million during the three months ended September 30, 2019, compared to the prior-year period, excluding the domestic freight decrease of $16.6 million, driven by:

- Lower sales volume of 0.7 million long tons, which resulted in decreased revenue of $71 million, due to decreased customer demand;
- A decrease in the average year-to-date realized product revenue rate of $10.00 per long ton, or 9.5%, during the three months ended September 30, 2019, compared to the prior-year period, which resulted in a decrease of $63.2 million, predominantly due to:
    - A decrease in the hot-rolled coil steel price, which negatively affected the realized revenue rate by $20 per long ton, or $117 million, during the third quarter of 2019; and
    - Lower full-year estimated pellet premiums, which negatively affected the realized revenue rate by $5 per long ton, or $27 million.
    - These decreases were offset partially by an increase in the full-year estimated Platts 62% Price as of September 30, 2019, compared to the prior-year period's full-year estimated Platts 62% Price, which positively affected the realized revenue rate by $17 per long ton, or $96 million.

Cost of goods sold decreased $38.8 million during the three months ended September 30, 2019, excluding the domestic freight decrease of $16.6 million, compared to the same period in 2018. This is predominantly due to:

- A decrease in sales volume of 0.7 million long tons, which resulted in decreased costs of $47 million.
- This decrease was offset partially by an increase in the cost of goods sold rate of $1.53 per long ton, or 2.3%, during the three months ended September 30, 2019, compared to the prior-year period, which resulted in an increase of $7.7 million, predominantly due to an unfavorable change in the full-year standard cost driven by:
    - Lower ore recovery, which increased costs by $5 million, or $1 per long ton, increased commodity supply usage of $5 million, or $1 per long ton, increased maintenance costs of $4 million, or $1 per long ton, and increased depreciation of $3 million, or $1 per long ton; and
    - An unfavorable impact of $8 million, or $1 per long ton, to the full-year standard cost as a result of an expected LIFO layer liquidation in the prior year which was not recurring.
    - These increases were offset partially by decreased royalties and labor costs of $7 million, or $1 per long ton.

Production

Production increased by 9% for the three months ended September 30, 2019, when compared to the same period in 2018. The increase in production volume primarily is attributable to increased operating times due to the timing and duration of planned annual shutdowns and maintenance at United Taconite and Tilden, respectively.

The following is a summary of Mining and Pelletizing results for the nine months ended September 30, 2019 and 2018:

	(In Millions)					
	Nine Months Ended September 30,		Changes due to:			
	2019	2018	Revenue and cost rate	Sales volume	Freight	Total change
Revenues from product sales and services	**$ 1,494.8**	$ 1,636.1	$ (78.0)	$ (51.1)	$ (12.2)	$ (141.3)
Cost of goods sold	**(1,033.5)**	(1,028.5)	(50.6)	33.4	12.2	(5.0)
Sales margin	**$ 461.3**	$ 607.6	$ (128.6)	$ (17.7)	$ —	$ (146.3)

	Nine Months Ended September 30,			
Per Ton Information	**2019**	2018	Difference	Percent change
Realized product revenue rate[1]	**$ 103.26**	$ 108.53	$ (5.27)	(4.9)%
Cash cost of goods sold rate[1,2]	**64.80**	61.81	2.99	4.8 %
Depreciation, depletion & amortization	**4.35**	3.50	0.85	24.3 %
Total cost of goods sold	**69.15**	65.31	3.84	5.9 %
Sales margin	**$ 34.11**	$ 43.22	$ (9.11)	(21.1)%
Sales tons[3] (In thousands)	**13,527**	14,060		
Production tons[3] (In thousands)	**14,737**	14,731		

[1] Excludes revenues and expenses related to domestic freight, which are offsetting and have no impact on sales margin.

[2] Cash cost of goods sold rate is a non-GAAP financial measure. Refer to "Non-GAAP Reconciliation" for reconciliation in dollars back to our consolidated financial statements.

[3] Tons are long tons. Includes Cliffs' 23% share of the Hibbing mine production. Includes intercompany sales to our Metallics segment of 384 thousand long tons, for the nine months ended September 30, 2019.

Sales margin was $461.3 million for the nine months ended September 30, 2019, compared with $607.6 million for the nine months ended September 30, 2018. Sales margin decreased 21.1% to $34.11 per long ton in the first nine months of 2019 compared to the first nine months of 2018.

Revenue decreased by $129.1 million during the nine months ended September 30, 2019, compared to the prior-year period, excluding the domestic freight decrease of $12.2 million, driven by:

- A decrease in the average year-to-date realized product revenue rate of $5.27 per long ton, or 4.9%, during the nine months ended September 30, 2019, compared to the prior-year period, which resulted in a decrease of $78 million, predominantly due to:
  - A decrease in the hot-rolled coil steel price, which negatively affected the realized revenue rate by $20 per long ton, or $267 million, during the nine months ended September 30, 2019.
  - This decrease was offset partially by higher full-year estimated Platts 62% Price as of September 30, 2019, compared to the prior-year period, which positively affected the realized revenue rate by $15 per long ton, or $204 million.
- Lower sales volume of 0.5 million long tons, which resulted in decreased revenue of $51 million, due to decreased customer demand.

Cost of goods sold increased $17.2 million during the nine months ended September 30, 2019, excluding the domestic freight decrease of $12.2 million, compared to the same period in 2018. This is predominantly due to:

- An unfavorable change in the full-year standard cost driven by:

- Increased stripping and lower ore recovery, which together increased costs by $19 million, or $1 per long ton, increased commodity supply usage of $11 million, or $1 per long ton, increased depreciation of $10 million, or $1 per long ton, and increased maintenance of $9 million, or $1 per long ton;
- An unfavorable impact of $19 million, or $1 per long ton, to the full-year standard cost as a result of an expected LIFO layer liquidation in the prior year which was not recurring;
- Offset partially by decreased royalties and labor costs of $16 million, or $1 per long ton.

• This increase was offset partially by a decrease in sales volume of 0.5 million long tons, which resulted in decreased costs of $33 million period-over-period.

Production

Production for the nine months ended September 30, 2019 was consistent with the same period in 2018.

Other Operating Expense

The following is a summary of *Other operating expense*:

	(In Millions)					
	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	Variance Favorable/ (Unfavorable)	**2019**	2018	Variance Favorable/ (Unfavorable)
Selling, general and administrative expenses	**$ (25.5)**	$ (29.1)	$ 3.6	**$ (82.2)**	$ (78.9)	$ (3.3)
Miscellaneous – net:						
Empire idle costs	**(5.5)**	(4.5)	(1.0)	**(14.8)**	(14.1)	(0.7)
Metallics startup costs	**(2.0)**	(1.1)	(0.9)	**(3.9)**	(2.5)	(1.4)
Other	**(0.3)**	(1.4)	1.1	**(0.3)**	(2.1)	1.8
Total Miscellaneous – net	**(7.8)**	(7.0)	(0.8)	**(19.0)**	(18.7)	(0.3)
	$ (33.3)	$ (36.1)	$ 2.8	**$ (101.2)**	$ (97.6)	$ (3.6)

Other Income (Expense)

The following is a summary of *Other income (expense)*:

	(In Millions)					
	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	Variance Favorable/ (Unfavorable)	**2019**	2018	Variance Favorable/ (Unfavorable)
Interest expense, net	**$ (25.3)**	$ (29.5)	$ 4.2	**$ (76.5)**	$ (93.1)	$ 16.6
Gain (loss) on extinguishment of debt	**—**	—	—	**(18.2)**	0.2	(18.4)
Other non-operating income (expense):						
Net periodic benefit costs other than service cost component	**(0.3)**	3.4	(3.7)	**(0.4)**	10.7	(11.1)
Other	**0.6**	0.9	(0.3)	**1.7**	2.4	(0.7)
	$ (25.0)	$ (25.2)	$ 0.2	**$ (93.4)**	$ (79.8)	$ (13.6)

Interest expense, net for the three and nine months ended September 30, 2019 was $4.2 million and $16.6 million lower than the prior-year periods, respectively, primarily due to an increase in capitalized interest related to construction of the HBI production plant and upgrades at the Northshore plant. Additionally, debt restructuring activities during 2018 reduced 2019 interest expense.

The loss on extinguishment of debt of $18.2 million for the nine months ended September 30, 2019, primarily related to the redemption of all of our then-outstanding 4.875% Senior Notes due 2021 and the repurchase of $600 million aggregate principal amount of our 5.75% Senior Notes due 2025 completed during the second quarter of 2019.

Refer to NOTE 8 - PENSIONS AND OTHER POSTRETIREMENT BENEFITS for further detail on the components of net periodic benefit costs other than service cost component.

Income Taxes

Our effective tax rate is impacted by permanent items, primarily depletion. 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:

	(In Millions)					
	Three Months Ended September 30,			**Nine Months Ended September 30,**		
	2019	2018	Variance	**2019**	2018	Variance
Income tax expense	**$ (4.8)**	$ (0.5)	$ (4.3)	**$ (23.1)**	$ (14.4)	$ (8.7)
Effective tax rate	**5.0%**	0.2%	4.8%	**9.1%**	3.3%	5.8%

The difference in the effective rate and income tax expense from the comparable prior-year periods primarily relates to the reversal of valuation allowances in the prior year as well as discrete items recorded in each period.

For the three and nine months ended September 30, 2019, we recorded discrete items that resulted in an income tax benefit of $0.5 million and $1.3 million, respectively. For the three and nine months ended September 30, 2018, we recorded discrete items that resulted in an income tax expense of $0.2 million and $13.9 million, respectively. The $13.9 million expense relates primarily to a $14.5 million reduction of the refundable AMT credit recorded in *Income tax receivable, non-current* in our Statements of Unaudited Condensed Consolidated Financial Position based on the sequestration guidance issued by the Internal Revenue Service during the first quarter of 2018. This position was subsequently reversed by the Internal Revenue Service during the fourth quarter of 2018. The prior-year period expense was a reduction of an asset and did not result in a cash tax outlay.

Our 2019 estimated annual effective tax rate before discrete items is 9.6%. This estimated annual effective tax rate differs from the U.S. statutory rate of 21% primarily due to the deduction for percentage depletion in excess of cost depletion related to our Mining and Pelletizing segment operations. The 2018 estimated annual effective tax rate before discrete items at September 30, 2018 was 0.1%, which was significantly lower due to the reversal of valuation allowances in the same period.

Income (Loss) from Discontinued Operations, net of tax

During the three and nine months ended September 30, 2019, we recorded a loss from discontinued operations of $0.9 million and $1.5 million, respectively. During the three and nine months ended September 30, 2018, we recorded income of $238.0 million and $102.8 million, respectively, primarily due to the exit from our Asia Pacific Iron Ore operations. As a result of the liquidation of the Australian subsidiaries' net assets, the historical changes in foreign currency translation recorded in *Accumulated other comprehensive loss* in the Statements of Unaudited Condensed Consolidated Financial Position totaling $228.1 million was reclassified and recognized as a gain in *Income (loss) from discontinued operations, net of tax*. Refer to NOTE 13 - DISCONTINUED OPERATIONS for further information.

EBITDA and Adjusted EBITDA

We evaluate performance based on EBITDA and Adjusted EBITDA, which are non-GAAP measures. These measures are used by management, investors, lenders and other external users of our financial statements to assess our operating performance and to compare operating performance to other companies in the iron ore industry. In addition, management believes EBITDA and Adjusted EBITDA are useful measures to assess the earnings power of the business without the impact of capital structure and can be used to assess our ability to service debt and fund future capital expenditures in the business.

	(In Millions)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	**2019**	2018
Net income	**$ 90.9**	$ 437.8	**$ 229.6**	$ 518.6
Less:				
Interest expense, net	**(25.4)**	(29.7)	**(76.8)**	(95.5)
Income tax expense	**(4.8)**	(0.5)	**(23.1)**	(14.4)
Depreciation, depletion and amortization	**(22.2)**	(19.2)	**(63.1)**	(68.6)
EBITDA	**$ 143.3**	$ 487.2	**$ 392.6**	$ 697.1
Less:				
Impact of discontinued operations	**$ (0.8)**	$ 238.2	**$ (1.2)**	$ 120.4
Gain (loss) on extinguishment of debt	**—**	—	**(18.2)**	0.2
Severance costs	**—**	—	**(1.7)**	—
Foreign exchange remeasurement	**—**	(0.2)	**—**	(0.7)
Impairment of other long-lived assets	**—**	(1.1)	**—**	(1.1)
Adjusted EBITDA	**$ 144.1**	$ 250.3	**$ 413.7**	$ 578.3
EBITDA:				
Mining and Pelletizing	**$ 177.5**	$ 273.1	**$ 494.9**	$ 641.6
Metallics	**(2.1)**	(1.0)	**(4.0)**	(2.5)
Corporate and Other (including discontinued operations)	**(32.1)**	215.1	**(98.3)**	58.0
Total EBITDA	**$ 143.3**	$ 487.2	**$ 392.6**	$ 697.1
Adjusted EBITDA:				
Mining and Pelletizing	**$ 182.7**	$ 279.5	**$ 510.7**	$ 657.9
Metallics	**(2.1)**	(1.0)	**(4.0)**	(2.5)
Corporate	**(36.5)**	(28.2)	**(93.0)**	(77.1)
Total Adjusted EBITDA	**$ 144.1**	$ 250.3	**$ 413.7**	$ 578.3

EBITDA decreased $343.9 million and $304.5 million for the three and nine months ended September 30, 2019, respectively, on a consolidated basis from the comparable periods in 2018. The unfavorable variance for the three months ended September 30, 2019 was driven primarily by the impact of the $238.2 million from *Income (loss) from discontinued operations, net of tax* during the prior-year period that did not recur in 2019 and a decrease in sales margin of $106.7 million. The unfavorable variance for the nine months ended September 30, 2019, was driven primarily by the impact of the $120.4 million from *Income (loss) from discontinued operations, net of tax* during the prior-year period that did not recur in 2019, a decrease in sales margin of $158.8 million and a loss on extinguishment of debt totaling $18.2 million.

Adjusted EBITDA decreased $106.2 million and $164.6 million for the three and nine months ended September 30, 2019, respectively, from the comparable periods in 2018. The unfavorable variance for the three and nine months ended September 30, 2019 was driven by a decrease in sales margin of $106.7 million and $158.8 million, respectively, compared to the prior-year periods.

Liquidity, Cash Flows and Capital Resources

Our primary sources of liquidity are *Cash and cash equivalents* and cash generated from our operating and financing activities. Our capital allocation decision-making process is focused on returning capital to shareholders while maintaining the strength of our balance sheet and creating financial flexibility to manage through the inherent cyclical demand for our products and volatility in commodity prices. We are focused on maximizing the cash generation of our operations, reducing operating costs, and aligning capital investments with our strategic priorities and the requirements of our business plan, including regulatory and permission-to-operate related projects.

During the first nine months of 2019, we took action in alignment with our capital allocation priorities. First, we repurchased 24.4 million common shares for $252.9 million in the aggregate under the $300 million share repurchase program and increased our quarterly cash dividend by 20%, along with declaring a special cash dividend. Second, we focused on protecting our business by allocating capital to both sustaining our existing operations and our two major expansion capital projects: the HBI plant in Toledo, Ohio and the completion of the upgrade to the Northshore plant to replace up to 3.5 million long tons of blast furnace pellet production with DR-grade pellet production. Finally, using the net proceeds from the issuance of our 5.875% Senior Notes due 2027, along with cash generated by operations, we redeemed in full all of our outstanding 4.875% Senior Notes due 2021 and repurchased $600 million aggregate principal amount of our outstanding 5.75% Senior Notes due 2025 pursuant to a tender offer. Accordingly, we have no debt maturing until 2024.

Based on our outlook for the next 12 months, which is subject to continued changing demand from steelmakers that utilize our products and volatility in iron ore and domestic steel prices, we expect to generate cash from operations sufficient to meet the needs of our operations, service our debt obligations and fund our dividends.

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

The following discussion summarizes the significant items impacting our cash flows during the nine months ended September 30, 2019 and 2018 as well as expected impacts to our future cash flows over the next 12 months. Refer to the Statements of Unaudited Condensed Consolidated Cash Flows for additional information.

Operating Activities

Net cash provided by operating activities was $388.1 million and $188.7 million for the nine months ended September 30, 2019 and September 30, 2018, respectively. The incremental increase in cash provided by operating activities during the first nine months of 2019 compared to 2018 primarily was due to the collection of the $117.3 million income tax receivable in the current year and prior-year uses of cash by our discontinued operations, which were not recurring in the current period.

Our U.S. cash and cash equivalents balance at September 30, 2019 was $397.7 million, or 99.6% of our consolidated total cash and cash equivalents balance of $399.3 million. Additionally, we had a cash balance at September 30, 2019 of $8.0 million classified as part of *Other current assets* in the Statements of Unaudited Condensed Consolidated Financial Position, which will be utilized to support the completion of our exit from Australia.

Investing Activities

Net cash used by investing activities was $449.5 million for the nine months ended September 30, 2019, compared with $173.7 million for the comparable period in 2018. During the first nine months of 2019, we had net cash outflows, including deposits, of approximately $355 million on development of the HBI production plant and approximately $40 million on the upgrades at Northshore. This compares to net cash outflows, including deposits, during the first nine months of 2018 of approximately $120 million on development of the HBI production plant and approximately $30 million on the upgrades at Northshore. Additionally, we spent approximately $49 million and $45 million on sustaining capital expenditures during the nine months ended September 30, 2019 and 2018, respectively. Sustaining capital spend includes infrastructure, mobile equipment, fixed equipment, product quality, environment, health and safety.

We anticipate total cash used for capital expenditures during the next 12 months to be approximately $540 million, excluding amounts attributable to capitalized interest. Included within this estimate is approximately $115 million for sustaining capital and $425 million related to development of the HBI production plant.

Financing Activities

Net cash used by financing activities in the first nine months of 2019 was $366.9 million, compared to $107.7 million for the comparable period in 2018. Net cash used by financing activities during the first nine months of 2019 primarily related to the repurchase of 24.4 million common shares for $252.9 million in the aggregate under the $300 million share repurchase program. Additionally, we issued $750 million aggregate principal amount of 5.875% 2027 Senior Notes, which provided net proceeds of approximately $714 million. The net proceeds from the notes offering, along with cash on hand, were used to redeem in full all of our then-outstanding 4.875% 2021 Senior Notes and to purchase $600 million aggregate principal amount of our outstanding 5.75% 2025 Senior Notes pursuant to a tender offer. In total, during the first nine months of 2019, we purchased $724.0 million aggregate principal amount of senior notes for $729.3 million in cash.

Additional uses of cash from financing activities during the first nine months of 2019 included payments of cash dividends on our common shares of $45.1 million and a cash payment of $44.2 million related to the third and final annual installment of the distribution of Empire partnership equity. Uses of cash from financing activities during the first nine months of 2018 primarily related to a cash payment of $44.2 million for the second annual installment of distribution of the Empire partnership equity, $41.4 million for repayments of lease liabilities related to the discontinuation of our Asia Pacific Iron Ore operations and the repurchase of debt for $16.3 million.

We anticipate future uses of cash for financing activities during the next 12 months to include regular quarterly cash dividend payments of approximately $16 million per quarter. Additionally, we declared a special cash dividend of $0.04 per common share, or approximately $11 million, which was paid on October 15, 2019.

Capital Resources

The following represents a summary of key liquidity measures:

	(In Millions)	
	September 30, 2019	December 31, 2018
Cash and cash equivalents	**$ 399.3**	$ 823.2
Cash and cash equivalents from discontinued operations, included within *other current assets*	**8.0**	12.4
Total cash and cash equivalents	**$ 407.3**	$ 835.6
Available borrowing base on ABL Facility [1]	**$ 400.8**	$ 323.7
ABL Facility loans drawn	**—**	—
Letter of credit obligations	**(34.1)**	(55.0)
Borrowing capacity available	**$ 366.7**	$ 268.7

[1] The ABL Facility has a maximum borrowing base of $450 million. The available borrowing base is determined by applying customary advance rates to eligible accounts receivable, inventory and certain mobile equipment.

Our primary sources of funding are cash on hand, which totaled $407.3 million as of September 30, 2019, cash generated by our business, availability under the ABL Facility and other financing activities. The combination of cash and availability under the ABL Facility gives us $774.0 million in liquidity entering the fourth quarter of 2019, which is expected to be adequate to fund operations, letter of credit obligations, sustaining and expansion capital expenditures and other cash commitments for at least the next 12 months.

As of September 30, 2019, 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.

Off-Balance Sheet Arrangements

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

Market Risks

We are subject to a variety of risks, including those caused by changes in commodity prices 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 primarily a single product, iron ore pellets, in the North American market. Our financial results can vary significantly as a result of fluctuations in the market prices of iron ore, hot-rolled coil steel and iron ore pellet premiums. World market prices for these commodities have fluctuated historically and are affected by numerous factors beyond our control. The world market price that is most commonly utilized in our iron ore sales contracts is the Platts 62% Price, 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.

Customer Supply Agreement

A supply agreement with one customer provides for supplemental revenue or refunds based on the hot-rolled coil steel price at the time the iron ore product is consumed in the customer’s blast furnaces. At September 30, 2019, we had derivative assets of $71.2 million, representing the fair value of the pricing factors, based upon the amount of unconsumed long tons and an estimated average hot-rolled coil steel price for the period in which the iron ore is expected to be consumed in the customer's blast furnaces, subject to final pricing at a future date. We estimate that a $75 positive or negative change in the hot-rolled coil steel price realized from the September 30, 2019 estimates would cause the fair value of the derivative instrument to increase or decrease by approximately $24 million, respectively, 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.

Provisional Pricing Arrangements

Certain of our customer supply agreements specify provisional price calculations, where the pricing mechanisms generally are based on market pricing, with the final revenue rate based on market inputs at a specified point in time in the future, per the terms of the supply agreements. At September 30, 2019, we had derivative assets of $1.6 million and derivative liabilities of $30.2 million, reflected as part of our revenue, representing the fair value of the provisional price calculations. We estimate that a positive or negative $10 change in fourth quarter pricing from management's estimate of the Platts 62% Price would cause the fair value of the net derivative instrument position for provisional pricing arrangements to increase or decrease by approximately $14 million, respectively. Additionally, we estimate that a positive or negative $10 change in fourth quarter pricing from management's estimate of the Atlantic Basin Pellet Premium would cause the fair value of the net derivative instrument position for provisional pricing arrangements to increase or decrease by approximately $11 million, respectively. We have not entered into any hedging programs to mitigate the risk of adverse price fluctuations.

Volatile Energy and Fuel Costs

The cost of energy is an important factor affecting production costs at our iron ore operations. Our consolidated operations consumed 11.0 million MMBtu’s of natural gas at an average delivered price of $3.31 per MMBtu during the first nine months of 2019. Additionally, our consolidated operations consumed 13.2 million gallons of diesel fuel at an average delivered price of $2.15 per gallon during the first nine months of 2019.

Our strategy to address volatile natural gas and diesel rates includes improving efficiency in energy usage, identifying alternative providers and utilizing the lowest cost alternative fuels. We utilize a hedging program to manage the price risk of natural gas and diesel at our operations. 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. Based on the expected consumption for the remaining three months of 2019, a 10% change in our current average year-to-date prices for both natural gas and diesel fuel would result in a change of approximately $2.5 million in our annual fuel and energy cost.

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

Valuation of Other Long-Lived Assets

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

A comparison of each asset group's carrying value to the estimated undiscounted net future cash flows expected to result from the use of the assets, including cost of disposition, is used to determine if an asset is recoverable. Projected future cash flows reflect management's best estimate of economic and market conditions over the projected period, including growth rates in revenues and costs, and estimates of future expected changes in operating margins and capital expenditures. If the carrying value of the asset group is higher than its undiscounted net future cash flows, the asset group is measured at fair value and the difference is recorded as a reduction to the long-lived assets. We estimate fair value using a market approach, an income approach or a cost approach. As of September 30, 2019, no impairment factors were present that would indicate that the carrying value of our asset groups may not be recoverable; as a result, no impairment assessment was required.

Interest Rate Risk

Interest payable on our senior notes is at fixed rates. Interest payable under our ABL Facility is at a variable rate based upon the base rate plus the base rate margin depending on the excess availability. As of September 30, 2019, we had no amounts drawn on the ABL Facility.

Supply Concentration Risks

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

Outlook

	2019 Outlook Summary
Per Long Ton Information	**Mining and Pelletizing**
Cost of goods sold rate	$73 - $78
Less:	
Freight expense rate[1]	$7
Depreciation, depletion & amortization rate	$4
Cash cost of goods sold rate	$62 - $67
Sales volume (million long tons)	19.5
Production volume (million long tons)	20.0

[1] Freight has an offsetting amount in revenue and has no impact on sales margin.

Mining and Pelletizing Outlook (Long Tons)

Based on the assumption that relevant pricing indices will average for the remainder of 2019 their respective year-to-date averages, we would expect to realize Mining and Pelletizing revenue rates in the range of $101 to $106 per long ton. Assuming spot prices as of October 22, 2019, including an iron ore price of $86 per metric ton, a hot-rolled coil steel price of $479 per short ton, and a pellet premium of $36 per metric ton, will average these levels for the remainder of 2019, we would expect to realize Mining and Pelletizing revenue rates in the range of $97 to $102 per long ton for the full-year 2019.

The 2019 sales volume expectation was revised to 19.5 million long tons, driven by seaborne export economics and timing. Our full-year 2019 Mining and Pelletizing cash cost of goods sold rate expectation is maintained at $62 to $67 per long ton.

Other Outlook

Our full-year 2019 SG&A expense expectation of $120 million is being maintained. We also note that of the $120 million expectation, approximately $20 million is considered non-cash. Our full-year 2019 net interest expense expectation is maintained at $100 million. Full-year 2019 depreciation, depletion and amortization is expected to be approximately $85 million.

We have lowered our effective tax rate expectation for 2019 to approximately 10 percent, from our previous expectation of 12-14 percent. Due to our net operating loss position, our cash tax payments are expected to be zero.

Our 2019 total capital expenditures expectation was reduced to approximately $625-$675 million, from our previous expectation of $650-$700 million.

Forward-Looking Statements

This report contains statements that constitute "forward-looking statements" within the meaning of the federal securities laws. As a general matter, forward-looking statements relate to anticipated trends and expectations rather than historical matters. Forward-looking statements are subject to uncertainties and factors relating to our 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 our future performance and cause results to differ from the forward-looking statements in this report include, but are not limited to:

- uncertainty and weaknesses in global economic conditions, including downward pressure on prices caused by oversupply or imported products, reduced market demand and risks related to U.S. government actions with respect to Section 232 of the Trade Expansion Act (as amended by the Trade Act of 1974), the United States-Mexico-Canada Agreement and/or other trade agreements, treaties or policies;
- continued volatility of iron ore and steel prices and other trends, which may impact the price-adjustment calculations under our sales contracts;
- our ability to successfully diversify our product mix and add new customers beyond our traditional blast furnace clientele;
- our ability to cost-effectively achieve planned production rates or levels, including at our HBI plant;
- our ability to successfully identify and consummate any strategic investments or development projects, including our HBI plant;
- the impact of our customers reducing their steel production due to increased market share of steel produced using other methods or lighter-weight steel alternatives;
- our actual economic iron ore reserves or reductions in current mineral estimates, including whether any mineralized material qualifies as a reserve;
- 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;
- problems or uncertainties with sales volume or mix, productivity, tons mined, transportation, mine closure obligations, environmental liabilities, employee-benefit costs and other risks of the mining industry;
- 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 maintain adequate liquidity, our level of indebtedness and the availability of capital could limit cash flow available to fund working capital, planned capital expenditures, acquisitions and other general corporate purposes or ongoing needs of our business;
- our ability to continue to pay cash dividends, and the amount and timing of any cash dividends;

- our ability to maintain appropriate relations with unions and employees;
- the ability of our customers, joint venture partners and third party service providers to meet their obligations to us on a timely basis or at all;
- events or circumstances that could impair or adversely impact the viability of a mine or production plant and the carrying value of associated assets, as well as any resulting impairment charges;
- uncertainties associated with natural disasters, weather conditions, unanticipated geological conditions, supply or price of energy, equipment failures and other unexpected events;
- adverse changes in interest rates and tax laws; and
- the potential existence of significant deficiencies or material weakness in our internal control over financial reporting.

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

Non-GAAP Reconciliation

We present cash cost of goods sold rate per long ton, which is a non-GAAP financial measure that management uses in evaluating operating performance. We believe our presentation of non-GAAP cash cost of goods sold is useful to investors because it excludes depreciation, depletion and amortization, which are non-cash, and freight, which has no impact on sales margin, thus providing a more accurate view of the cash outflows related to the sale of iron ore. The presentation of this measure is not intended to be considered in isolation from, as a substitute for, or as superior to, the financial information prepared and presented in accordance with GAAP. The presentation of this measure may be different from non-GAAP financial measures used by other companies. Below is a reconciliation in dollars of this non-GAAP financial measure to our Mining and Pelletizing segment cost of goods sold.

	(In Millions)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	**2019**	2018
Cost of goods sold	**$ 424.8**	$ 480.2	**$ 1,033.5**	$ 1,028.5
Less:				
Freight	**40.6**	57.1	**98.0**	110.2
Depreciation, depletion & amortization	**20.8**	17.8	**58.9**	49.2
Cash cost of goods sold	**$ 363.4**	$ 405.3	**$ 876.6**	$ 869.1

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

Information regarding our Market Risk is presented under the caption *Market Risks*, which is included in our Annual Report on Form 10-K for the year ended December 31, 2018, and in the Management's Discussion and Analysis section of this report.

Item 4. *Controls and Procedures*

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including the Chief Executive Officer and the 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 the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, the Chief Executive Officer and the Chief Financial Officer concluded that our disclosure controls and procedures were effective.

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

PART II - OTHER INFORMATION

Item 1. *Legal Proceedings*

Mesabi Metallics Adversary Proceeding. On September 7, 2017, Mesabi Metallics Company LLC (f/k/a Essar Steel Minnesota LLC) ("Mesabi Metallics") filed a complaint against Cleveland-Cliffs Inc. in the Essar Steel Minnesota LLC and ESML Holdings Inc. bankruptcy proceeding that is pending in the United States Bankruptcy Court, District of Delaware. Mesabi Metallics alleges tortious interference with its contractual rights and business relations involving certain vendors, suppliers and contractors, violations of federal and Minnesota antitrust laws through monopolization, attempted monopolization and restraint of trade, violation of the automatic stay, and civil conspiracy with unnamed Doe defendants. Mesabi Metallics amended its complaint to add additional defendants, including, among others, our subsidiary, Cleveland-Cliffs Minnesota Land Development Company LLC ("Cliffs Minnesota Land"), and to add additional claims, including avoidance and recovery of unauthorized post-petition transfers of real estate interests, claims disallowance, civil contempt and declaratory relief. Mesabi Metallics seeks, among other things, unspecified damages and injunctive relief. Cliffs and Cliffs Minnesota Land filed counterclaims against Mesabi Metallics, Chippewa Capital Partners ("Chippewa"), and Thomas M. Clarke ("Clarke") for tortious interference and civil conspiracy, as well as additional claims against Chippewa and Clarke for aiding and abetting tortious interference, for which we seek, among other things, damages and injunctive relief. Our counterclaim against Clarke for libel was dismissed on jurisdictional grounds. The parties filed various dispositive motions on certain of the claims, including a motion for partial summary judgment to settle a dispute over real estate transactions between Cliffs Minnesota Land and Glacier Park Iron Ore Properties LLC ("GPIOP"). A ruling in favor of Cliffs, Cliffs Minnesota Land and GPIOP was issued on July 23, 2018, finding that Mesabi Metallics' leases had terminated and upholding Cliffs' and Cliffs Minnesota Land's purchase and lease of the contested real estate interests. Mesabi Metallics filed a Motion for Leave to File an Interlocutory Appeal, which was denied on September 10, 2019. We believe the claims asserted against us are unmeritorious and intend to continue to vigorously defend any remaining claims in the lawsuit.

Seneca Coal Resources Litigation. We were a plaintiff in a lawsuit we filed against Seneca Coal Resources, LLC ("Seneca") and others on December 20, 2016, alleging, among other things, breach of the Unit Purchase Agreement dated December 22, 2015 ("UPA"), wherein Seneca purchased certain of our coal properties. We amended the complaint to include claims of fraudulent transfers and violations of the Racketeer Influenced and Corrupt Organizations provisions of the Organized Crime Control Act of 1970 against individual defendants, including Clarke. This dispute was pending in the Delaware Superior Court. On July 2, 2018, Seneca filed suit against us, a subsidiary of ours, and certain of our employees, in the Delaware Chancery Court, alleging that we failed to disclose certain liabilities in connection with the UPA and seeking monetary damages or, alternatively, reformation of the UPA. The lawsuit filed in Chancery Court asserted identical claims to those that Seneca filed as counterclaims in Delaware Superior Court on the same day, and the two cases proceeded as one consolidated matter in the Superior Court. We filed motions to dismiss certain claims against us and to dismiss all claims against our employees individually. On October 14, 2018, while our motion to dismiss was pending, Mission Coal Company, LLC and ten of its affiliates, including Seneca and certain of our former coal properties, filed a petition in the U.S. Bankruptcy Court for the Northern District of Alabama for relief under Chapter 11 of Title 11 of the U.S. Bankruptcy Code. On December 4, 2018, the Court entered an order staying all proceedings in this litigation due to Mission Coal Company's bankruptcy filing. On August 20, 2019, pursuant to a stipulation among the parties, the Court dismissed this litigation in its entirety with prejudice.

Item 1A. *Risk Factors*

Our Annual Report on Form 10-K for the year ended December 31, 2018, includes a detailed discussion of our risk factors.

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

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

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares (or Units) Purchased[1]		Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs		Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs[2]
July 1 - 31, 2019	1,502	$	10.72	—	$	229,356
August 1 - 31, 2019	3,615	$	8.45	—	$	229,356
September 1 - 30, 2019	13,951	$	11.45	—	$	229,356
Total	**19,068**	**$**	**10.83**	**—**		

[1] All 19,068 shares were delivered to us to satisfy tax withholding obligations due upon the vesting or payment of stock awards.

[2] On November 26, 2018, we announced a new share repurchase program which was authorized by our Board of Directors, pursuant to which we may buy back our outstanding common shares in the open market or in private negotiated transactions up to a maximum of $200 million, excluding commissions and fees. On April 25, 2019, we announced that our Board of Directors increased the common share repurchase authorization by an additional $100 million, excluding commissions and fees. The program may be executed through open-market purchases, including through Rule 10b5-1 agreements, or privately negotiated transactions. The authorization is effective until December 31, 2019.

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 6. Exhibits* of this Quarterly Report on Form 10-Q.

Item 5. ***Other Information***

None.

Item 6. Exhibits

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

Exhibit Number	Exhibit
4.1	Form of Common Share Certificate (filed herewith)
31.1	Certification Pursuant to 15 U.S.C. Section 7241, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, signed and dated by Lourenco Goncalves as of October 23, 2019 (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 Keith A. Koci as of October 23, 2019 (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 Cleveland-Cliffs Inc., as of October 23, 2019 (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 Keith A. Koci, Executive Vice President, Chief Financial Officer of Cleveland-Cliffs Inc., as of October 23, 2019 (filed herewith)
95	Mine Safety Disclosures (filed herewith)
101	The following financial information from Cleveland-Cliffs Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2019 formatted in Inline XBRL (Extensible Business Reporting Language) includes: (i) the Condensed Consolidated Statements of Financial Position, (ii) the Condensed Consolidated Statements of Operations, (iii) the Condensed Consolidated Statements of Comprehensive Income, (iv) the Condensed Consolidated Statements of Cash Flows, (v) the Condensed Consolidated Statements of Changes in Equity, and (vi) Notes to the Condensed Consolidated Financial Statements.
104	The cover page from this Quarterly Report on Form 10-Q, formatted in Inline XBRL.

SIGNATURES

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

CLEVELAND-CLIFFS INC.

By:	/s/ R. Christopher Cebula	
	Name:	R. Christopher Cebula
	Title:	Vice President, Corporate Controller & Chief Accounting Officer

Date: October 23, 2019

EXHIBIT 4.1

NUMBER

CLIFFS

SHARES

SPECIMEN

CLEVELAND-CLIFFS INC.

INCORPORATED UNDER THE LAWS OF THE STATE OF OHIO

SEE REVERSE FOR CERTAIN DEFINITIONS

COMMON STOCK

CUSIP 185899 10 1

THIS CERTIFIES THAT:

SPECIMEN - NOT NEGOTIABLE

IS THE OWNER OF

FULLY PAID AND NON-ASSESSABLE COMMON SHARES OF THE PAR VALUE OF $0.125 EACH OF

CLEVELAND-CLIFFS INC.

transferable on the books of the Company by the registered holder thereof in person or by duly authorized attorney, upon surrender of this certificate properly endorsed. This certificate and the shares represented hereby are issued and shall be held subject to all the provisions of the Articles of the Company filed in the office of the Secretary of State of Ohio (copies of which are on file with the Company and with the Transfer Agent) to which the holder by acceptance hereof assents. This certificate is not valid unless countersigned by the Transfer Agent and registered by the Registrar.

WITNESS the facsimile seal of the Company and the facsimile signatures of its duly authorized officers.

DATED:

CLEVELAND-CLIFFS INC. CORPORATE SEAL 1985 OHIO

COUNTERSIGNED AND REGISTERED:
BROADRIDGE CORPORATE ISSUER SOLUTIONS, INC.
TRANSFER AGENT AND REGISTRAR

BY:

AUTHORIZED SIGNATURE

SPECIMEN
NOT NEGOTIABLE

CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

James D. Graham

SECRETARY

EXHIBIT 4.1

CLEVELAND-CLIFFS INC.

A COPY OF THE EXPRESS TERMS OF THE SHARES REPRESENTED BY THIS CERTIFICATE AND OF ALL OTHER CLASSES AND SERIES OF SHARES WHICH CLEVELAND-CLIFFS INC. IS AUTHORIZED TO ISSUE WILL BE MAILED TO ANY SHAREHOLDER WITHOUT CHARGE WITHIN FIVE DAYS AFTER RECEIPT FROM SUCH SHAREHOLDER OF A WRITTEN REQUEST THEREFOR. SUCH REQUESTS SHOULD BE ADDRESSED TO THE SECRETARY OF CLEVELAND-CLIFFS INC., 200 PUBLIC SQUARE, SUITE 3300, CLEVELAND, OHIO 44114-2315.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common
TEN ENT - as tenants by the entireties
JT TEN - as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT - ....Custodian....................
(Cust) (Minor)
under Uniform Gifts to Minors Act ....
(State)

Additional abbreviations may also be used though not in the above list.

*For Value Received,*________________________ *hereby sell, assign and transfer unto*

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

____

(PLEASE PRINT OR TYPE NAME AND ADDRESS, INCLUDING ZIP CODE, OF ASSIGNEE)

____

____

____ *Shares*
of the stock represented by the within Certificate, and do hereby irrevocably constitute and appoint

____ *Attorney*
to transfer the said stock on the books of the within-named Corporation with full power of substitution in the premises.

Dated ________________________

Signature(s):

X____________________________________

X____________________________________

NOTICE: THE SIGNATURE(S) TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATSOEVER.

Signature(s) Guaranteed

By ____________________________________
ALL GUARANTEES MUST BE MADE BY A FINANCIAL INSTITUTION (SUCH AS A BANK OR BROKER) WHICH IS A PARTICIPANT IN THE SECURITIES TRANSFER AGENTS MEDALLION PROGRAM ("STAMP"), THE NEW YORK STOCK EXCHANGE, INC. MEDALLION SIGNATURE PROGRAM ("MSP"), OR THE STOCK EXCHANGES MEDALLION PROGRAM ("SEMP") AND MUST NOT BE DATED. GUARANTEES BY A NOTARY PUBLIC ARE NOT ACCEPTABLE.

Exhibit 31.1

CERTIFICATION

I, Lourenco Goncalves, certify that:

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

Date: October 23, 2019

By: /s/ Lourenco Goncalves

Lourenco Goncalves
Chairman, President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Keith A. Koci, certify that:

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

Date: October 23, 2019

By: /s/ Keith A. Koci

Keith A. Koci
Executive Vice President, Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report of Cleveland-Cliffs Inc. (the "Company") on Form 10-Q for the period ended September 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-Q"), I, Lourenco Goncalves, Chairman, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

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

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

Date: October 23, 2019

By: /s/ Lourenco Goncalves

Lourenco Goncalves
Chairman, President and Chief Executive Officer

Exhibit 32.2

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

In connection with the Quarterly Report of Cleveland-Cliffs Inc. (the “Company”) on Form 10-Q for the period ended September 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the “Form 10-Q”), I, Keith A. Koci, Executive Vice President, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to such officer’s knowledge:

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

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

Date: October 23, 2019

By: /s/ Keith A. Koci
Keith A. Koci
Executive Vice President, Chief Financial Officer

Exhibit 95

Mine Safety Disclosures

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

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

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

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

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

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

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

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

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

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

During the three months ended September 30, 2019, our U.S. mine locations did not receive any flagrant violations under section 110(b)(2) of the FMSH Act (30 U.S.C. 820(b)(2)), or any written notices of a pattern of violations, or the potential to have such a pattern of violations, under section 104(e) of the FMSH Act (30 U.S.C. 814(e)). In addition, there were no mining-related fatalities at any of our U.S. mine locations during this same period.

Following is a summary of the information listed above for the three months ended September 30, 2019:

Mine Name/ MSHA ID No.	Operation	(A) Section 104 S&S Citations	(B) Section 104(b) Orders	(C) Section 104(d) Citations & Orders	(D) Section 107(a) Orders	(E) Total Dollar Value of MSHA Proposed Assessments (1)	(F) Legal Actions Pending as of Last Day of Period		(G) Legal Actions Instituted During Period	(H) Legal Actions Resolved During Period
		Three Months Ended September 30, 2019								
Tilden / 2000422	Iron Ore	—	—	—	—	$ —	1	(2)	1	3
Empire / 2001012	Iron Ore	—	—	—	—	—	—		—	—
Northshore Plant / 2100831	Iron Ore	—	—	—	—	—	7	(3)	1	5
Northshore Mine / 2100209	Iron Ore	—	—	—	—	—	4	(4)	2	1
Hibbing / 2101600 (7)	Iron Ore	—	—	—	—	—	4	(5)	2	1
United Taconite Plant / 2103404	Iron Ore	—	—	—	—	—	1	(6)	1	1
United Taconite Mine / 2103403	Iron Ore	—	—	—	—	—	—		—	—

(1) Amounts included under the heading “Total Dollar Value of MSHA Proposed Assessments” are the total dollar amounts for proposed assessments received from MSHA for the three months ended September 30, 2019.

(2) This number consists of 1 pending legal action related to contests of proposed penalties referenced in Subpart C of FMSH Act's procedural rules.

(3) This number consists of 3 pending legal actions related to contests of proposed penalties referenced in Subpart C, and 4 pending legal actions related to appeals of judges' decisions or orders to FMSHRC referenced in Subpart H of FMSH Act's procedural rules.

(4) This number consists of 4 pending legal actions related to contests of citations and orders referenced in Subpart B of FMSH Act's procedural rules.

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

(6) This number consists of 1 pending legal action related to contests of proposed penalties referenced in Subpart C of FMSH Act's procedural rules.

(7) On August 12, 2019, Cliffs Mining Company, our subsidiary, ceased performing manager duties at Hibbing (including operating the mine) and transitioned those duties to ArcelorMittal. As a result, data for Hibbing / 2101600 is for the period July 1, 2019 through August 11, 2019.