

**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 March 31, 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



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

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

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

44114-2315
(Zip Code)

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

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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 282,845,060 as of April 24, 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
CECL	Credit Expected Credit Losses model
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
LTVSMC	LTV Steel Mining Company
Metric ton	2,205 pounds
MMBtu	Million British Thermal Units
MSHA	U.S. Mine Safety and Health Administration
Monitor	FTI Consulting Canada Inc.
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 Index
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

PART I**Item 1. Financial Statements****Statements of Unaudited Condensed Consolidated Financial Position**

Cleveland-Cliffs Inc. and Subsidiaries

	(In Millions)	
	March 31, 2019	December 31, 2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 430.2	\$ 823.2
Accounts receivable, net	20.1	226.7
Inventories	312.7	87.9
Supplies and other inventories	97.3	93.2
Derivative assets	107.4	91.5
Income tax receivable, current	117.3	117.3
Other current assets	41.0	39.8
TOTAL CURRENT ASSETS	1,126.0	1,479.6
PROPERTY, PLANT AND EQUIPMENT, NET	1,410.3	1,286.0
OTHER ASSETS		
Deposits for property, plant and equipment	68.3	83.0
Income tax receivable, non-current	121.3	121.3
Deferred income taxes	466.6	464.8
Other non-current assets	113.8	94.9
TOTAL OTHER ASSETS	770.0	764.0
TOTAL ASSETS	\$ 3,306.3	\$ 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)	
	March 31, 2019	December 31, 2018
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 171.7	\$ 186.8
Accrued employment costs	42.1	74.0
Accrued interest	23.0	38.4
Partnership distribution payable	43.8	43.5
Other current liabilities	113.4	125.5
TOTAL CURRENT LIABILITIES	394.0	468.2
PENSION AND POSTEMPLOYMENT BENEFIT LIABILITIES	244.2	248.7
ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS	174.4	172.0
LONG-TERM DEBT	2,087.0	2,092.9
OTHER LIABILITIES	145.0	123.6
TOTAL LIABILITIES	3,044.6	3,105.4
COMMITMENTS AND CONTINGENCIES (REFER TO NOTE 20)		
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 - 282,839,140 shares (2018 - 292,611,569 shares)		
	37.7	37.7
Capital in excess of par value of shares	3,860.2	3,916.7
Retained deficit	(3,096.8)	(3,060.2)
Cost of 19,047,654 common shares in treasury (2018 - 9,275,225 shares)	(263.9)	(186.1)
Accumulated other comprehensive loss	(275.5)	(283.9)
TOTAL EQUITY	261.7	424.2
TOTAL LIABILITIES AND EQUITY	\$ 3,306.3	\$ 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 March 31,	
	2019	2018
REVENUES FROM PRODUCT SALES AND SERVICES		
Product	\$ 145.4	\$ 169.2
Freight	11.6	10.8
	<u>157.0</u>	<u>180.0</u>
COST OF GOODS SOLD	(126.1)	(118.5)
SALES MARGIN	30.9	61.5
OTHER OPERATING EXPENSE		
Selling, general and administrative expenses	(28.1)	(25.1)
Miscellaneous – net	(3.6)	(6.1)
	<u>(31.7)</u>	<u>(31.2)</u>
OPERATING INCOME (LOSS)	(0.8)	30.3
OTHER INCOME (EXPENSE)		
Interest expense, net	(25.1)	(32.4)
Other non-operating income	0.1	4.4
	<u>(25.0)</u>	<u>(28.0)</u>
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(25.8)	2.3
INCOME TAX BENEFIT (EXPENSE)	3.7	(15.7)
LOSS FROM CONTINUING OPERATIONS	(22.1)	(13.4)
LOSS FROM DISCONTINUED OPERATIONS, NET OF TAX	—	(70.9)
NET LOSS	\$ (22.1)	\$ (84.3)
LOSS PER COMMON SHARE – BASIC		
Continuing operations	\$ (0.08)	\$ (0.05)
Discontinued operations	—	(0.24)
	<u>\$ (0.08)</u>	<u>\$ (0.29)</u>
LOSS PER COMMON SHARE – DILUTED		
Continuing operations	\$ (0.08)	\$ (0.05)
Discontinued operations	—	(0.24)
	<u>\$ (0.08)</u>	<u>\$ (0.29)</u>
AVERAGE NUMBER OF SHARES (IN THOUSANDS)		
Basic	289,525	297,266
Diluted	289,525	297,266

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

Statements of Unaudited Condensed Consolidated Comprehensive Loss

Cleveland-Cliffs Inc. and Subsidiaries

	(In Millions)	
	Three Months Ended March 31,	
	2019	2018
NET LOSS	\$ (22.1)	\$ (84.3)
OTHER COMPREHENSIVE INCOME		
Changes in pension and other post-retirement benefits, net of tax	5.7	6.7
Changes in foreign currency translation	—	0.7
Changes in derivative financial instruments, net of tax	2.7	0.3
OTHER COMPREHENSIVE INCOME	8.4	7.7
TOTAL COMPREHENSIVE LOSS	\$ (13.7)	\$ (76.6)

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)	
	Three Months Ended March 31,	
	2019	2018
OPERATING ACTIVITIES		
Net loss	\$ (22.1)	\$ (84.3)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation, depletion and amortization	19.9	23.9
Gain on derivatives	(5.7)	(40.8)
Other	9.8	25.9
Changes in operating assets and liabilities:		
Receivables and other assets	199.9	196.3
Inventories	(224.8)	(193.0)
Payables, accrued expenses and other liabilities	(88.2)	(70.9)
Net cash used by operating activities	(111.2)	(142.9)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(132.7)	(12.4)
Deposits for property, plant and equipment	(1.4)	(59.0)
Other investing activities	8.5	—
Net cash used by investing activities	(125.6)	(71.4)
FINANCING ACTIVITIES		
Repurchase of common shares	(124.3)	—
Dividends paid	(14.8)	—
Repurchase of debt	(10.3)	—
Other financing activities	(8.4)	(7.0)
Net cash used by financing activities	(157.8)	(7.0)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	—	0.2
DECREASE IN CASH AND CASH EQUIVALENTS, INCLUDING CASH CLASSIFIED WITHIN OTHER CURRENT ASSETS RELATED TO DISCONTINUED OPERATIONS	(394.6)	(221.1)
LESS: DECREASE IN CASH AND CASH EQUIVALENTS FROM DISCONTINUED OPERATIONS, CLASSIFIED WITHIN OTHER CURRENT ASSETS	(1.6)	—
NET DECREASE IN CASH AND CASH EQUIVALENTS	(393.0)	(221.1)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	823.2	978.3
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 430.2	\$ 757.2

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	Common Shares	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 stock repurchases	(11.5)	—	—	—	(124.3)	—	(124.3)
Common stock 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

	(In Millions)							
	Number of Common Shares Outstanding	Common Shares	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)

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 loss and cash flows for the periods presented. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management bases its estimates on various assumptions and historical experience, which are believed to be reasonable; however, due to the inherent nature of estimates, actual results may differ significantly due to changed conditions or assumptions. The results of operations for the three months ended March 31, 2019 are not necessarily indicative of results to be expected for the year ending December 31, 2019 or any other future period. These unaudited condensed consolidated financial statements should be read in conjunction with the financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2018.

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 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 planned 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 14 - DISCONTINUED OPERATIONS for further information.

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.

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 March 31, 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 March 31, 2019 and December 31, 2018, our investment in Hibbing was \$10.8 million and \$15.4 million, respectively, classified as *Other liabilities* in the Statements of Unaudited Condensed Consolidated Financial Position.

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 will be classified as either operating or finance leases in the Statements of Unaudited Condensed Consolidated Operations. 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, CECL. CECL requires earlier recognition of credit losses, while also providing additional transparency about credit risk. The CECL model utilizes a lifetime expected credit loss measurement objective for the recognition of credit losses for receivables 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 are currently evaluating the impact of this standard on our 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. In our Metallics segment, we are currently constructing an HBI production plant in Toledo, Ohio. We expect to complete construction and begin production in 2020.

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 allow management and investors to focus on our ability to service our debt as well as illustrate how the business is performing. Additionally, EBITDA and Adjusted EBITDA assist management and investors in their analysis and forecasting as these measures approximate the cash flows associated with operational earnings.

The following tables present a summary of our reportable segments including a reconciliation of segment sales margin to *Income (loss) from Continuing Operations Before Income Taxes* and a reconciliation of *Net loss* to EBITDA and Adjusted EBITDA:

	(In Millions)	
	Three Months Ended March 31,	
	2019	2018
Revenues from product sales and services:		
Mining and Pelletizing	\$ 157.0	\$ 180.0
Sales margin:		
Mining and Pelletizing	\$ 30.9	\$ 61.5
Other operating expense	(31.7)	(31.2)
Other expense	(25.0)	(28.0)
Income (loss) from continuing operations before income taxes	<u>\$ (25.8)</u>	<u>\$ 2.3</u>

	(In Millions)	
	Three Months Ended March 31,	
	2019	2018
Net loss	\$ (22.1)	\$ (84.3)
Less:		
Interest expense, net	(25.1)	(33.5)
Income tax benefit (expense)	3.7	(15.7)
Depreciation, depletion and amortization	(19.9)	(23.9)
EBITDA	<u>\$ 19.2</u>	<u>\$ (11.2)</u>
Less:		
Foreign exchange remeasurement	\$ 0.1	\$ (0.4)
Impact of discontinued operations	—	(63.1)
Loss on extinguishment of debt	(0.3)	—
Severance costs	(1.7)	—
Adjusted EBITDA	<u>\$ 21.1</u>	<u>\$ 52.3</u>
EBITDA:		
Mining and Pelletizing	\$ 42.8	\$ 72.5
Metallics	(0.8)	(0.3)
Corporate and Other (including discontinued operations)	(22.8)	(83.4)
Total EBITDA	<u>\$ 19.2</u>	<u>\$ (11.2)</u>
Adjusted EBITDA:		
Mining and Pelletizing	\$ 47.5	\$ 77.1
Metallics	(0.8)	(0.3)
Corporate	(25.6)	(24.5)
Total Adjusted EBITDA	<u>\$ 21.1</u>	<u>\$ 52.3</u>

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

	(In Millions)	
	Three Months Ended March 31,	
	2019	2018
Depreciation, depletion and amortization:		
Mining and Pelletizing	\$ 18.5	\$ 15.8
Corporate	1.4	1.4
Total depreciation, depletion and amortization	<u>\$ 19.9</u>	<u>\$ 17.2</u>
Capital additions ¹ :		
Mining and Pelletizing	\$ 46.8	\$ 18.7
Metallics	82.4	60.0
Corporate	0.1	0.2
Total capital additions	<u>\$ 129.3</u>	<u>\$ 78.9</u>

¹Refer to NOTE 17 - CASH FLOW INFORMATION for additional information.

A summary of assets by segment is as follows:

	(In Millions)	
	March 31, 2019	December 31, 2018
Assets:		
Mining and Pelletizing	\$ 1,774.5	\$ 1,694.1
Metallics	350.0	265.9
Total segment assets	2,124.5	1,960.0
Corporate and Other (including discontinued operations)	1,181.8	1,569.6
Total assets	\$ 3,306.3	\$ 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 Producer Price Indices, 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 13 - DERIVATIVE INSTRUMENTS for further information on how our estimated and final revenue rates are determined.

A supply agreement with a customer provides for supplemental revenue or refunds based on the average annual daily market price for hot-rolled coil steel in the year the iron ore is consumed in the customer's blast furnaces. As control transfers prior to consumption, the supplemental revenue is recorded in accordance with ASC Topic 815. Refer to NOTE 13 - DERIVATIVE INSTRUMENTS for further information on supplemental revenue or refunds.

Included within *Revenues from product sales and services* is derivative revenue related to Topic 815 of \$5.5 million and \$43.8 million, for three months ended March 31, 2019 and 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 March 31	18.1	31.0	38.5	51.4
Increase (decrease)	\$ (2.9)	\$ 7.2	\$ —	\$ —

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 March 31, 2019 and December 31, 2018, installment amounts received in excess of sales totaled \$51.4 million related to this agreement. As of March 31, 2019 and December 31, 2018, deferred revenue of \$12.9 million was recorded in *Other current liabilities* and \$38.5 million 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 \$5.3 million and \$8.2 million was deferred and included in *Other current liabilities* in the Statements of Unaudited Condensed Consolidated Financial Position as of March 31, 2019 and December 31, 2018, respectively.

NOTE 5 - INVENTORIES

The following table presents the detail of our *Inventories* in the Statements of Unaudited Condensed Consolidated Financial Position :

	(In Millions)	
	March 31, 2019	December 31, 2018
Finished goods	\$ 287.7	\$ 77.8
Work-in-process	25.0	10.1
Total inventories	<u>\$ 312.7</u>	<u>\$ 87.9</u>

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT

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

	(In Millions)	
	March 31, 2019	December 31, 2018
Land rights and mineral rights	\$ 549.6	\$ 549.6
Office and information technology	70.5	70.0
Buildings	87.4	87.2
Mining equipment	568.4	548.5
Processing equipment	660.9	645.8
Electric power facilities	58.7	58.7
Land improvements	23.8	23.8
Asset retirement obligation	14.8	14.8
Other	25.5	25.2
Construction-in-progress	392.0	284.8
	<u>2,451.6</u>	<u>2,308.4</u>
Allowance for depreciation and depletion	(1,041.3)	(1,022.4)
	<u>\$ 1,410.3</u>	<u>\$ 1,286.0</u>

We recorded capitalized interest of \$4.0 million and \$1.0 million into construction-in-progress during the three months ended March 31, 2019 and 2018, respectively.

NOTE 7 - DEBT AND CREDIT FACILITIES

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

(In Millions)					
March 31, 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	\$ (5.5)	\$ (2.1)	\$ 392.4
Unsecured Notes:					
\$700 Million 4.875% 2021 Senior Notes	4.89%	114.0	(0.2)	—	113.8
\$316.25 Million 1.50% 2025 Convertible Senior Notes	6.26%	316.3	(5.3)	(73.0)	238.0
\$1.075 Billion 5.75% 2025 Senior Notes	6.01%	1,073.3	(9.5)	(14.1)	1,049.7
\$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	—
Fair Value Adjustment to Interest Rate Hedge					0.2
Long-term debt					<u>\$ 2,087.0</u>

(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					<u>\$ 2,092.9</u>

Debt Extinguishment

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

(In Millions)		
Three Months Ended March 31, 2019		
Debt Instrument	Debt Extinguished	Loss on Extinguishment
\$700 Million 4.875% 2021 Senior Notes	\$ 10.0	\$ 0.3
	<u>\$ 10.0</u>	<u>\$ 0.3</u>

Debt Maturities

The following represents a summary of our maturities of debt instruments based on the principal amounts outstanding at March 31, 2019:

	(In Millions)	
	Maturities of Debt	
2019	\$	—
2020		—
2021		114.0
2022		—
2023		—
2024		400.0
2025 and thereafter		1,688.0
Total maturities of debt	\$	2,202.0

ABL Facility

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

	(In Millions)	
	March 31, 2019	December 31, 2018
Available borrowing base on ABL Facility ¹	\$ 305.4	\$ 323.7
Letter of credit obligations and other commitments ²	(65.4)	(55.0)
Borrowing capacity available ³	\$ 240.0	\$ 268.7

¹ The ABL Facility has a maximum borrowing base of \$450 million, 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, environmental obligations and certain Metallica's contracts.

³ As of March 31, 2019 and December 31, 2018, we had no loans drawn under the ABL Facility.

NOTE 8 - FAIR VALUE MEASUREMENTS

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

	(In Millions)			
	March 31, 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	\$ —	\$ 357.6	\$ —	\$ 357.6
Derivative assets	—	0.7	106.7	107.4
Total	\$ —	\$ 358.3	\$ 106.7	\$ 465.0
Liabilities:				
Derivative liabilities	\$ —	\$ 0.7	\$ 9.8	\$ 10.5
Total	\$ —	\$ 0.7	\$ 9.8	\$ 10.5

(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 include derivative assets that consist of freestanding derivative instruments 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 average annual daily market price for hot-rolled coil steel in the year the iron ore product is consumed in the customer's blast furnaces. We account for these provisions as derivative instruments at the time of sale and adjust the derivative instruments to fair value through *Product revenues* each reporting period until the product is consumed and the amounts are settled. We had assets of \$106.4 million and \$89.3 million at March 31, 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 to be based on market inputs at a specified point in time in the future, per the terms of the supply agreements. The difference between the estimated final revenue rate at the date of sale and the estimated final revenue rate at the measurement date is characterized as a derivative 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 \$0.3 million and liabilities of \$9.8 million related to provisional pricing arrangements at March 31, 2019 compared to assets of \$2.1 million related to provisional pricing arrangements at December 31, 2018.

The following table illustrates information about 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 March 31, 2019	Balance Sheet Location	Valuation Technique	Unobservable Input	Range or Point Estimate (Weighted Average)
Customer supply agreement	\$ 106.4	<i>Derivative assets</i>	Market Approach	Management's Estimate of Market Hot-Rolled Coil Steel per net ton	\$735
				PPI Estimates	180 - 240 (208)
Provisional pricing arrangements	\$ 9.8	<i>Other current liabilities</i>	Market Approach	Management's Estimate of Platts 62% Price per dry metric ton for respective contract period	\$80

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

The significant unobservable inputs used in the fair value measurement of our provisional pricing arrangements include estimates for PPI data and management's estimate of Platts 62% Price based upon current market data and index pricing, which include forward-looking estimates determined by management.

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

	(In Millions)	
	Level 3 Assets	
	Three Months Ended March 31,	
	2019	2018
Beginning balance	\$ 91.4	\$ 49.5
Total gains included in earnings	15.3	44.3
Settlements	—	(0.2)
Ending balance - March 31	\$ 106.7	\$ 93.6
Total gains for the period included in earnings attributable to the change in unrealized gains on assets still held at the reporting date	\$ 15.3	\$ 44.5

	(In Millions)	
	Level 3 Liabilities	
	Three Months Ended March 31,	
	2019	2018
Beginning balance	\$ —	\$ (1.7)
Total losses included in earnings	(9.8)	(0.5)
Settlements	—	2.2
Ending balance - March 31	\$ (9.8)	\$ —
Total losses for the period included in earnings attributable to the change in unrealized losses on liabilities still held at the reporting date	\$ (9.8)	\$ —

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:

	Classification	(In Millions)			
		March 31, 2019		December 31, 2018	
		Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt:					
Secured Notes					
\$400 Million 4.875% 2024 Senior Notes	Level 1	\$ 392.4	\$ 398.0	\$ 392.1	\$ 370.2
Unsecured Notes					
\$700 Million 4.875% 2021 Senior Notes	Level 1	113.8	115.7	123.8	122.3
\$316.25 Million 1.50% 2025 Convertible Senior Notes	Level 1	238.0	432.5	235.2	352.4
\$1.075 Billion 5.75% 2025 Senior Notes	Level 1	1,049.7	1,035.5	1,048.8	962.0
\$800 Million 6.25% 2040 Senior Notes	Level 1	292.9	255.0	292.8	232.8
ABL Facility	Level 2	—	—	—	—
Fair value adjustment to interest rate hedge	Level 2	0.2	0.2	0.2	0.2
Total long-term debt		\$ 2,087.0	\$ 2,236.9	\$ 2,092.9	\$ 2,039.9

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

NOTE 9 - 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.

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

Defined Benefit Pension Costs

	(In Millions)	
	Three Months Ended March 31,	
	2019	2018
Service cost	\$ 4.1	\$ 4.7
Interest cost	8.7	7.6
Expected return on plan assets	(13.6)	(15.0)
Amortization:		
Prior service costs	0.3	0.5
Net actuarial loss	5.9	5.3
Net periodic benefit cost	\$ 5.4	\$ 3.1

Other Postretirement Benefits Credits

	(In Millions)			
	Three Months Ended March 31,			
	2019		2018	
Service cost	\$	0.4	\$	0.5
Interest cost		2.3		2.1
Expected return on plan assets		(4.2)		(4.6)
Amortization:				
Prior service credits		(0.5)		(0.8)
Net actuarial loss		1.3		1.2
Net periodic benefit credit	\$	(0.7)	\$	(1.6)

Based on funding requirements, we made pension contributions of \$3.2 million for the three months ended March 31, 2019, compared to pension contributions of \$2.3 million for the three months ended March 31, 2018. 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 months ended March 31, 2019 and 2018.

NOTE 10 - 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 historic and projected stock prices was developed for both the Company and our predetermined peer group of mining and metals companies. The fair value assumes that 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 of mining and metals companies using daily price intervals for all companies. The risk-free interest rate is the rate at the grant date on zero-coupon government bonds with a term commensurate with the remaining life of the performance period.

The following assumptions were utilized to estimate the fair value for the 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 11 - INCOME TAXES

Our 2019 estimated annual effective tax rate before discrete items is 12.9%. The estimated annual effective tax rate differs from the U.S. statutory rate of 21.0% primarily due to the deductions for percentage depletion in excess of cost depletion related to U.S. operations. The 2018 estimated annual effective tax rate before discrete items at March 31, 2018 was 0.1%. The rate in the comparable prior-year period was significantly lower due to the reversal of valuation allowance in the same period.

For the three months ended March 31, 2019 and 2018, we recorded discrete items that resulted in an income tax benefit of \$0.4 million and expense of \$15.7 million, respectively. The prior-year period expense of \$15.7 million primarily relates to the \$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 \$15.7 million reduction of an asset and did not result in a cash tax outlay.

NOTE 12 - ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS

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

	(In Millions)	
	March 31, 2019	December 31, 2018
Environmental	\$ 2.4	\$ 2.5
Mine closure ¹	174.9	172.4
Total environmental and mine closure obligations	177.3	174.9
Less current portion	2.9	2.9
Long-term environmental and mine closure obligations	\$ 174.4	\$ 172.0

¹ Includes our active operating mines, our indefinitely idled Empire mine and a closed mine formerly operating as LTVSMC.

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 operating mine sites was determined based on the exhaustion date of the remaining iron ore reserves. 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 amortization of the related asset and accretion of the liability is recognized over the estimated mine lives for our active operations.

The following represents a roll forward of our mine closure obligation liability for the three months ended March 31, 2019 and for the year ended December 31, 2018:

	(In Millions)	
	March 31, 2019	December 31, 2018
Asset retirement obligation at beginning of period	\$ 172.4	\$ 168.4
Accretion expense	2.6	9.5
Remediation payments	(0.1)	(1.0)
Revision in estimated cash flows	—	(4.5)
Asset retirement obligation at end of period	\$ 174.9	\$ 172.4

NOTE 13 - DERIVATIVE INSTRUMENTS

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

Derivative Instrument	(In Millions)							
	Derivative Assets				Derivative Liabilities			
	March 31, 2019		December 31, 2018		March 31, 2019		December 31, 2018	
	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	<i>Derivative assets</i>	\$ 0.7	<i>Derivative assets</i>	\$ 0.1	<i>Other current liabilities</i>	\$ 0.7	<i>Other current liabilities</i>	\$ 3.7
Derivatives not designated as hedging instruments under ASC 815:								
Customer supply agreement	<i>Derivative assets</i>	\$ 106.4	<i>Derivative assets</i>	\$ 89.3		\$ —		\$ —
Provisional pricing arrangements	<i>Derivative assets</i>	0.3	<i>Derivative assets</i>	2.1	<i>Other current liabilities</i>	9.8		—
Total derivatives not designated as hedging instruments under ASC 815		\$ 106.7		\$ 91.4		\$ 9.8		\$ —
Total derivatives		\$ 107.4		\$ 91.5		\$ 10.5		\$ 3.7

Derivatives Designated as Hedging Instruments - Cash Flow Hedges
Commodity Contracts

The following table presents our outstanding hedge contracts:

	(In Millions)					
	March 31, 2019			December 31, 2018		
	Notional Amount	Unit of Measure	Varying Maturity Dates	Notional Amount	Unit of Measure	Varying Maturity Dates
Natural gas	4.0	MMBtu	April 2019 - February 2020	1.8	MMBtu	January 2019 - August 2019
Diesel	7.5	Gallons	April 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 average annual daily steel market price for hot-rolled coil steel at the time the iron ore product is consumed in the customer's blast furnace. The supplemental pricing is characterized as a freestanding derivative and is required to be accounted for separately once 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 amounts are 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 Producer Price Indices, 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 contract and are integral to the host 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 ASC Topic 815 and is characterized as a derivative 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 provisional amounts represent the difference between the amount we expect to receive when revenue was initially measured at the point control transfers and our subsequent estimate of the final revenue rate based on the price calculation established in the supply agreements.

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)			
Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Three Months Ended March 31,	
		2019	2018
Customer supply agreements	<i>Product revenues</i>	\$ 17.1	\$ 41.9
Provisional pricing arrangements	<i>Product revenues</i>	(11.6)	1.9
Total		\$ 5.5	\$ 43.8

Refer to NOTE 8 - FAIR VALUE MEASUREMENTS for additional information.

NOTE 14 - DISCONTINUED OPERATIONS

The information below sets forth selected financial information related to operating results of our businesses classified as discontinued operations, which include our former 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 discontinued operations and the Statements of Unaudited Condensed Consolidated Financial Position present the assets and liabilities that were reclassified from the specified line items to assets and liabilities of discontinued operations. The charts below provide an asset group breakout for each financial statement line impacted by discontinued operations.

	(In Millions)	
	Three Months Ended March 31,	
	2019	2018
Income (loss) from discontinued operations, net of tax		
Asia Pacific Iron Ore	\$ (0.5)	\$ (71.3)
North American Coal	0.5	0.4
	\$ —	\$ (70.9)

	(In Millions)	
	Three Months Ended March 31,	
	2019	2018
Net cash used by operating activities		
Asia Pacific Iron Ore	\$ (0.8)	\$ (21.2)
	<u>\$ (0.8)</u>	<u>\$ (21.2)</u>
Net cash provided (used) by investing activities		
Asia Pacific Iron Ore	\$ 0.1	\$ (0.1)
	<u>\$ 0.1</u>	<u>\$ (0.1)</u>

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 planned 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.

Loss from Discontinued Operations

	(In Millions)	
	Three Months Ended March 31,	
	2019	2018
Loss from Discontinued Operations		
Revenues from product sales and services	\$ —	\$ 59.0
Cost of goods sold and operating expenses	—	(124.1)
Sales margin	—	(65.1)
Other operating expense	(0.4)	(2.5)
Other expense	(0.1)	(1.1)
Impairment of long-lived assets	—	(2.6)
Loss from discontinued operations, net of tax	<u>\$ (0.5)</u>	<u>\$ (71.3)</u>

NOTE 15 - CAPITAL STOCK

Share Repurchase Program

In November 2018, our Board of Directors authorized a program to repurchase outstanding common shares in the open market or in privately negotiated transactions, up to a maximum of \$200 million. We are not obligated to make any purchase and the program may be suspended or discontinued at any time. During the three months ended March 31, 2019, we repurchased 11.5 million common shares at a cost of \$124.3 million in the aggregate, including commissions and fees. As of March 31, 2019, there was \$28.6 million remaining under the authorization. The share repurchase program is active until December 31, 2019.

Dividends

On February 19, 2019, the Board of Directors declared a quarterly cash dividend on our common shares of \$0.05 per share. As a result, we have \$14.7 million in *Other current liabilities* in the Statements of Unaudited Condensed Consolidated Financial Position as of March 31, 2019. Subsequent to quarter end on April 15, 2019, the cash dividend was paid to shareholders of record as of the close of business on April 5, 2019.

On October 18, 2018, the Board of Directors declared a quarterly cash dividend on our common shares of \$0.05 per share. On January 15, 2019, the cash dividend was paid to shareholders of record as of the close of business on January 4, 2019.

NOTE 16 - 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	<u>\$ (275.4)</u>	<u>\$ (0.1)</u>	<u>\$ (275.5)</u>

	(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	<u>\$ (257.2)</u>	<u>\$ 226.1</u>	<u>\$ (0.2)</u>	<u>\$ (31.3)</u>

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

Details about Accumulated Other Comprehensive Loss Components	(In Millions)		Affected Line Item in the Statement of Unaudited Condensed Consolidated Operations
	Amount of (Gain)/Loss Reclassified into Income, Net of Tax		
	Three Months Ended March 31,		
	2019	2018	
Amortization of pension and OPEB liability:			
Prior service credits	\$ (0.2)	\$ (0.3)	<i>Other non-operating income</i>
Net actuarial loss	7.2	6.5	<i>Other non-operating income</i>
	<u>\$ 7.0</u>	<u>\$ 6.2</u>	
	(1.5)	—	<i>Income tax benefit (expense)</i>
	<u>\$ 5.5</u>	<u>\$ 6.2</u>	Net of taxes
Unrealized loss (gain) on derivative financial instruments:			
Commodity contracts	\$ 0.3	\$ (0.1)	<i>Cost of goods sold</i>
	(0.1)	—	<i>Income tax benefit (expense)</i>
	<u>\$ 0.2</u>	<u>\$ (0.1)</u>	Net of taxes
Total reclassifications for the period, net of tax	<u>\$ 5.7</u>	<u>\$ 6.1</u>	

NOTE 17 - CASH FLOW INFORMATION

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

	(In Millions)	
	Three Months Ended March 31,	
	2019	2018
Capital additions	\$ 129.3	\$ 78.9
Less:		
Non-cash accruals	(11.5)	7.5
Right-of-use assets – finance leases	15.1	—
Grants	(8.4)	—
Cash paid for capital expenditures including deposits	<u>\$ 134.1</u>	<u>\$ 71.4</u>

Non-Cash Financing Activities - Declared Dividends

On February 19, 2019, the Board of Directors declared a quarterly cash dividend on our common shares of \$0.05 per share. The cash dividend of \$14.7 million was paid on April 15, 2019 to shareholders of record as of the close of business on April 5, 2019.

NOTE 18 - RELATED PARTIES

One of our four operating mines, Hibbing, is a co-owned joint venture with companies that are integrated steel producers or their subsidiaries. We are the manager of Hibbing and rely on our joint venture partners to make their required capital contributions and to pay for their share of the iron ore pellets that we produce. The following is a summary of the mine ownership of the co-owned iron ore mine at March 31, 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			
	March 31,			
	2019		2018	
Product revenues from related parties	\$	41.1	\$	62.1
Total product revenues	\$	145.4	\$	169.2
Related party product revenue as a percent of total product revenue		28.3%		36.7%

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

Balance Sheet Location	(In Millions)	
	March 31, 2019	December 31, 2018
Accounts receivable, net	\$ 15.3	\$ 176.0
Derivative assets	106.4	89.3
Partnership distribution payable	(43.8)	(43.5)
Other current liabilities	(0.5)	(1.8)
	\$ 77.4	\$ 220.0

A supply agreement with one customer provides for supplemental revenue or refunds to the customer based on the average annual daily market price for hot-rolled coil steel at the time the product is consumed in the customer's blast furnace. The supplemental pricing is characterized as a freestanding derivative. Refer to NOTE 13 - DERIVATIVE INSTRUMENTS 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 first of which was paid upon the execution of the agreement, the second of which was paid in August 2018 and the final of which is due in August 2019. The remaining installment is reflected in *Partnership distribution payable* in the Statements of Unaudited Condensed Consolidated Financial Position as of March 31, 2019.

NOTE 19 - 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 March 31,	
	2019	2018
Loss from continuing operations	\$ (22.1)	\$ (13.4)
Loss from discontinued operations, net of tax	—	(70.9)
Net loss	<u>\$ (22.1)</u>	<u>\$ (84.3)</u>
Weighted average number of shares:		
Basic	289.5	297.3
\$316.25 million 1.50% 2025 Convertible Senior Notes	—	—
Employee stock plans	—	—
Diluted	<u>289.5</u>	<u>297.3</u>
Loss per common share - basic:		
Continuing operations	\$ (0.08)	\$ (0.05)
Discontinued operations	—	(0.24)
	<u>\$ (0.08)</u>	<u>\$ (0.29)</u>
Loss per common share - diluted:		
Continuing operations	\$ (0.08)	\$ (0.05)
Discontinued operations	—	(0.24)
	<u>\$ (0.08)</u>	<u>\$ (0.29)</u>

The following table summarizes the shares that have been excluded from the diluted earnings per share calculation as they were anti-dilutive:

	(In Millions)	
	Three Months Ended March 31,	
	2019	2018
\$316.25 million 1.50% 2025 Convertible Senior Notes	7.3	—
Employee stock plans	4.2	3.8
Total number of anti-dilutive shares	<u>11.5</u>	<u>3.8</u>

NOTE 20 - COMMITMENTS AND CONTINGENCIES

Purchase Commitments

In 2017, we began to incur capital commitments related to the construction of our HBI production plant in Toledo, Ohio. In total, we expect to spend approximately \$830 million on the HBI production plant, exclusive of construction-related contingencies and capitalized interest through 2020. Through March 31, 2019, we have entered into contracts and purchase orders for approximately \$780 million of the total capital investment for the HBI production plant, of which a total of approximately \$265 million has been expended project-to-date, including deposits. We expect expenditures of approximately \$290 million during the remaining nine months of 2019. Of the remaining committed capital, expenditures of approximately \$275 million are expected to be made during 2020.

Contingencies

We are currently the subject of, or party to, various claims and legal proceedings incidental to our operations. If management believes that a loss arising from these matters is probable and can reasonably be estimated, we record the amount of the loss or the minimum estimated liability when the loss is estimated using a range, and no point within the range is more probable than another. As additional information becomes available, any potential liability related to these matters is assessed and the estimates are revised, if necessary. Based on currently available information, management believes that the ultimate outcome of these matters, individually and in the aggregate, will not have a material effect on our financial position, results of operations or cash flows. However, 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 impact on the financial position and results of operations for the period in which the ruling occurs or future periods. However, we do not believe that any pending claims or legal proceedings will result in a material liability in relation to our consolidated financial statements.

NOTE 21 - SUBSEQUENT EVENTS

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

On April 24, 2019, the Company's Board of Directors authorized the Company to repurchase common shares in an additional amount of up to a maximum of \$100 million. On November 24, 2018, the Company's Board of Directors previously authorized share repurchases of up to a maximum amount of \$200 million, and approximately \$29 million of this earlier authorization remains available as of April 25, 2019. When combined with the additional amount of share repurchase authorization, the Company now has authorization to repurchase common shares up to a maximum of approximately \$129 million as of April 25, 2019. Such share repurchases may be made via acquisitions in the open market or privately negotiated transactions, including through accelerated share repurchases or pursuant to the terms of a Rule 10b5-1 plan. The Company is not obligated to make any purchases and the program may be suspended or discontinued at any time. The authorization is active until December 31, 2019.

NOTE 22 - 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 \$1.075 billion 5.75% 2025 Senior Notes issued by Cleveland-Cliffs Inc. See NOTE 7 - 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 March 31, 2019 and December 31, 2018. The unaudited condensed consolidating financial information is presented as if the Guarantor structure at March 31, 2019 existed for all periods presented.

Each of the Guarantor subsidiaries fully and unconditionally guarantee, on a joint and several basis, the obligations of Cleveland-Cliffs Inc. under the \$1.075 billion 5.75% 2025 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 indenture governing the \$1.075 billion 5.75% 2025 Senior Notes (the "Indenture") 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) upon designation of any Guarantor subsidiary as an "excluded subsidiary" (as defined in the Indenture); or
- (c) upon defeasance or satisfaction and discharge of the Indenture.

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 March 31, 2019
(In Millions)

	Cleveland-Cliffs Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 426.8	\$ 0.7	\$ 2.7	\$ —	\$ 430.2
Accounts receivable, net	7.6	16.2	0.3	(4.0)	20.1
Inventories	—	312.7	—	—	312.7
Supplies and other inventories	—	97.3	—	—	97.3
Derivative assets	0.7	106.7	—	—	107.4
Income tax receivable, current	117.3	—	—	—	117.3
Other current assets	8.6	21.1	11.3	—	41.0
TOTAL CURRENT ASSETS	561.0	554.7	14.3	(4.0)	1,126.0
PROPERTY, PLANT AND EQUIPMENT, NET	12.0	1,347.5	50.8	—	1,410.3
OTHER ASSETS					
Deposits for property, plant and equipment	—	53.6	14.7	—	68.3
Income tax receivable, non-current	117.2	4.1	—	—	121.3
Deferred income taxes	465.4	—	1.2	—	466.6
Investment in subsidiaries	1,448.5	30.1	—	(1,478.6)	—
Long-term intercompany notes	—	—	121.3	(121.3)	—
Other non-current assets	16.6	95.8	1.4	—	113.8
TOTAL OTHER ASSETS	2,047.7	183.6	138.6	(1,599.9)	770.0
TOTAL ASSETS	\$ 2,620.7	\$ 2,085.8	\$ 203.7	\$ (1,603.9)	\$ 3,306.3
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	\$ 5.2	\$ 166.4	\$ 4.1	\$ (4.0)	\$ 171.7
Accrued employment costs	9.4	32.6	0.1	—	42.1
Accrued interest	23.0	—	—	—	23.0
Partnership distribution payable	—	43.8	—	—	43.8
Other current liabilities	27.9	78.4	7.1	—	113.4
TOTAL CURRENT LIABILITIES	65.5	321.2	11.3	(4.0)	394.0
PENSION AND POSTEMPLOYMENT BENEFIT LIABILITIES	64.1	414.8	(234.7)	—	244.2
ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS	—	154.6	19.8	—	174.4
LONG-TERM DEBT	2,087.0	—	—	—	2,087.0
LONG-TERM INTERCOMPANY NOTES	121.3	—	—	(121.3)	—
OTHER LIABILITIES	21.1	116.0	7.9	—	145.0
TOTAL LIABILITIES	2,359.0	1,006.6	(195.7)	(125.3)	3,044.6
EQUITY					
TOTAL EQUITY	261.7	1,079.2	399.4	(1,478.6)	261.7
TOTAL LIABILITIES AND EQUITY	\$ 2,620.7	\$ 2,085.8	\$ 203.7	\$ (1,603.9)	\$ 3,306.3

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
Inventories	—	87.9	—	—	87.9
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
Partnership distribution payable	—	43.5	—	—	43.5
Other current liabilities	30.6	86.7	8.2	—	125.5
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 (Loss)

For the Three Months Ended March 31, 2019

(In Millions)

	Cleveland-Cliffs Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
REVENUES FROM PRODUCT SALES AND SERVICES					
Product	\$ —	\$ 145.4	\$ —	\$ —	\$ 145.4
Freight	—	11.6	—	—	11.6
	—	157.0	—	—	157.0
COST OF GOODS SOLD	—	(126.1)	—	—	(126.1)
SALES MARGIN	—	30.9	—	—	30.9
OTHER OPERATING EXPENSE					
Selling, general and administrative expenses	(22.8)	(5.2)	(0.1)	—	(28.1)
Miscellaneous – net	—	(3.4)	(0.2)	—	(3.6)
	(22.8)	(8.6)	(0.3)	—	(31.7)
OPERATING INCOME (LOSS)	(22.8)	22.3	(0.3)	—	(0.8)
OTHER INCOME (EXPENSE)					
Interest expense, net	(24.7)	(0.5)	0.1	—	(25.1)
Other non-operating income (expense)	(1.4)	(3.2)	4.7	—	0.1
	(26.1)	(3.7)	4.8	—	(25.0)
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(48.9)	18.6	4.5	—	(25.8)
INCOME TAX BENEFIT (EXPENSE)	3.9	(0.1)	(0.1)	—	3.7
EQUITY IN INCOME OF SUBSIDIARIES	22.9	4.4	—	(27.3)	—
INCOME (LOSS) FROM CONTINUING OPERATIONS	(22.1)	22.9	4.4	(27.3)	(22.1)
INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX	—	(0.1)	0.1	—	—
NET INCOME (LOSS)	\$ (22.1)	\$ 22.8	\$ 4.5	\$ (27.3)	\$ (22.1)
OTHER COMPREHENSIVE INCOME	8.4	6.7	—	(6.7)	8.4
TOTAL COMPREHENSIVE INCOME (LOSS)	\$ (13.7)	\$ 29.5	\$ 4.5	\$ (34.0)	\$ (13.7)

Unaudited Condensed Consolidating Statement of Operations and Comprehensive Income (Loss)
For the Three Months Ended March 31, 2018
(In Millions)

	Cleveland-Cliffs Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
REVENUES FROM PRODUCT SALES AND SERVICES					
Product	\$ —	\$ 169.2	\$ —	\$ —	\$ 169.2
Freight	—	10.8	—	—	10.8
	—	180.0	—	—	180.0
COST OF GOODS SOLD	—	(118.5)	—	—	(118.5)
SALES MARGIN	—	61.5	—	—	61.5
OTHER OPERATING EXPENSE					
Selling, general and administrative expenses	(20.1)	(4.7)	(0.3)	—	(25.1)
Miscellaneous – net	(0.2)	(5.3)	(0.6)	—	(6.1)
	(20.3)	(10.0)	(0.9)	—	(31.2)
OPERATING INCOME (LOSS)	(20.3)	51.5	(0.9)	—	30.3
OTHER INCOME (EXPENSE)					
Interest expense, net	(31.9)	(0.8)	0.3	—	(32.4)
Other non-operating income (expense)	(0.9)	0.5	4.8	—	4.4
	(32.8)	(0.3)	5.1	—	(28.0)
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(53.1)	51.2	4.2	—	2.3
INCOME TAX EXPENSE	(15.6)	(0.1)	—	—	(15.7)
EQUITY IN INCOME (LOSS) OF SUBSIDIARIES	(15.7)	4.5	—	11.2	—
INCOME (LOSS) FROM CONTINUING OPERATIONS	(84.4)	55.6	4.2	11.2	(13.4)
INCOME (LOSS) FROM DISCONTINUED OPERATIONS, net of tax	0.1	0.2	(71.2)	—	(70.9)
NET INCOME (LOSS)	\$ (84.3)	\$ 55.8	\$ (67.0)	\$ 11.2	\$ (84.3)
OTHER COMPREHENSIVE INCOME	7.7	5.9	0.8	(6.7)	7.7
TOTAL COMPREHENSIVE INCOME (LOSS)	\$ (76.6)	\$ 61.7	\$ (66.2)	\$ 4.5	\$ (76.6)

Unaudited Condensed Consolidating Statement of Cash Flows
For the Three Months Ended March 31, 2019
(In Millions)

	Cleveland-Cliffs Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash used by operating activities	\$ (71.6)	\$ (38.4)	\$ (1.2)	\$ —	\$ (111.2)
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	(0.3)	(132.4)	—	—	(132.7)
Deposits for property, plant and equipment	—	(1.3)	(0.1)	—	(1.4)
Intercompany investing	(157.6)	(0.4)	—	158.0	—
Other investing activities	—	8.4	0.1	—	8.5
Net cash used by investing activities	(157.9)	(125.7)	—	158.0	(125.6)
FINANCING ACTIVITIES					
Repurchase of common shares	(124.3)	—	—	—	(124.3)
Dividends paid	(14.8)	—	—	—	(14.8)
Repurchase of debt	(10.3)	—	—	—	(10.3)
Intercompany financing	—	157.5	0.5	(158.0)	—
Other financing activities	(14.1)	6.6	(0.9)	—	(8.4)
Net cash provided (used) by financing activities	(163.5)	164.1	(0.4)	(158.0)	(157.8)
DECREASE IN CASH AND CASH EQUIVALENTS, INCLUDING CASH CLASSIFIED WITHIN OTHER CURRENT ASSETS RELATED TO DISCONTINUED OPERATIONS	(393.0)	—	(1.6)	—	(394.6)
LESS: DECREASE IN CASH AND CASH EQUIVALENTS FROM DISCONTINUED OPERATIONS, CLASSIFIED WITHIN OTHER CURRENT ASSETS	—	—	(1.6)	—	(1.6)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(393.0)	—	—	—	(393.0)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	819.8	0.7	2.7	—	823.2
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 426.8	\$ 0.7	\$ 2.7	\$ —	\$ 430.2

Unaudited Condensed Consolidating Statement of Cash Flows
For the Three Months Ended March 31, 2018
(In Millions)

	Cleveland-Cliffs Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash used by operating activities	\$ (54.7)	\$ (64.7)	\$ (23.5)	\$ —	\$ (142.9)
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	—	(12.3)	(0.1)	—	(12.4)
Deposits for property, plant and equipment	—	(54.4)	(4.6)	—	(59.0)
Intercompany investing	(137.7)	(4.8)	—	142.5	—
Net cash used by investing activities	(137.7)	(71.5)	(4.7)	142.5	(71.4)
FINANCING ACTIVITIES					
Intercompany financing	—	135.6	6.9	(142.5)	—
Other financing activities	(2.9)	(0.5)	(3.6)	—	(7.0)
Net cash provided (used) by financing activities	(2.9)	135.1	3.3	(142.5)	(7.0)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	—	—	0.2	—	0.2
DECREASE IN CASH AND CASH EQUIVALENTS, INCLUDING CASH CLASSIFIED WITHIN OTHER CURRENT ASSETS RELATED TO DISCONTINUED OPERATIONS	(195.3)	(1.1)	(24.7)	—	(221.1)
LESS: DECREASE IN CASH AND CASH EQUIVALENTS FROM DISCONTINUED OPERATIONS, CLASSIFIED WITHIN OTHER CURRENT ASSETS	—	—	—	—	—
NET DECREASE IN CASH AND CASH EQUIVALENTS	(195.3)	(1.1)	(24.7)	—	(221.1)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	948.9	2.1	27.3	—	978.3
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 753.6	\$ 1.0	\$ 2.6	\$ —	\$ 757.2

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 two months of 2019, the U.S. produced approximately 14 million metric tons of crude steel, which is up 7% when compared to the same period in 2018, or about 5% of total global crude steel production. U.S. total steel capacity utilization was approximately 82% in the first three months of 2019, which is an approximate 7% increase from the same period in 2018. Through the first two 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.

Through the first quarter of the year, economic conditions surrounding the markets that influence our profitability were, in the aggregate, 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, leading to capacity reductions in the seaborne iron ore market. Due in large part to these disruptions, the Platts 62% Price, a key component in our pellet pricing arrangements, averaged \$83 per metric ton in the first quarter, a 12% increase compared to \$74 per metric ton in the first quarter of 2018.

The Vale S.A. incident in Brazil also intensified the already prevailing shortage in the iron ore pellet market. This shortage, along with the continued global focus on iron ore product quality, pushed pellet premiums higher during the first quarter. The Atlantic Basin pellet premium, another important pricing factor in our contracts, averaged \$67 per metric ton for the first three months of 2019, a 16% increase compared to the same period in 2018. We believe the supply-demand dynamics of this market will continue to be favorable for us for the near term. Iron ore pellets remain scarce in the international market and new capacity is unlikely to come online in the near term due to the time and expense required to do so. We believe this scarcity will support and potentially increase these multi-year high premiums for pellet products in the foreseeable future.

The price for domestic hot-rolled coil steel, which is an important attribute in the calculation of supplemental revenue in a customer's supply agreement, averaged \$692 per net ton for the first three months of 2019, 9% lower than the same period last year. While purchasers scrambled to place steel orders in the wake of the Section 232 tariffs implemented in the first quarter of 2018, the market has since normalized and prices have remained stable during the first quarter of 2019. While prices averaged a lower rate compared to the prior-year first quarter, they still remain well above the prior decade's averages as tariffs have re-rated marginal import prices higher. Because the United States is the largest importer of steel in the world, we believe these tariffs should not only alleviate some national security concerns, but also keep the prices for domestic hot-rolled coil steel elevated above historical averages for as long as they remain in place. As such, we remain positive on our outlook for the domestic steel market.

For the three months ended March 31, 2019 and 2018, our consolidated revenues were \$157.0 million and \$180.0 million, respectively, with net loss from continuing operations per diluted share of \$0.08 and \$0.05, respectively.

First Quarter 2019 Recent Developments

Changes to our Executive Leadership

On February 12, 2019, Keith Koci was appointed Executive Vice President, Chief Financial Officer. Mr. Koci replaces Timothy K. Flanagan. Mr. Koci joins us from Metals USA Holdings Corp., where he served most recently as its Senior Vice President and Chief Financial Officer. Prior to that role, Mr. Koci served as Metals USA's Senior Vice President, Business Development from 2006 to 2013 and various other accounting and finance roles with increasing responsibility from 1998 to 2005.

Authorization for Additional Share Repurchases

On April 24, 2019, the Company's Board of Directors authorized the Company to repurchase common shares in an additional amount of up to a maximum of \$100 million. On November 24, 2018, the Company's Board of Directors previously authorized share repurchases of up to a maximum amount of \$200 million, and approximately \$29 million of this earlier authorization remains available as of April 25, 2019. When combined with the additional amount of share repurchase authorization, the Company now has authorization to repurchase common shares up to a maximum of approximately \$129 million as of April 25, 2019. Such share repurchases may be made via acquisitions in the open market or privately negotiated transactions, including through accelerated share repurchases or pursuant to the terms of a Rule 10b5-1 plan. The Company is not obligated to make any purchases and the program may be suspended or discontinued at any time. The authorization is active until December 31, 2019.

2019 Compared to 2018

Results of Operations

The following is a summary of Mining and Pelletizing results:

	(In Millions)					
	Three Months Ended March 31,		Changes due to:			
	2019	2018	Revenue and cost rate	Sales volume	Freight	Total change
Revenues from product sales and services	\$ 157.0	\$ 180.0	\$ (17.5)	\$ (6.3)	\$ 0.8	\$ (23.0)
Cost of goods sold	(126.1)	(118.5)	(11.1)	4.3	(0.8)	(7.6)
Sales margin	<u>\$ 30.9</u>	<u>\$ 61.5</u>	<u>\$ (28.6)</u>	<u>\$ (2.0)</u>	<u>\$ —</u>	<u>\$ (30.6)</u>

<i>Per Ton Information</i>	Three Months Ended March 31,		Difference	Percent change
	2019	2018		
Realized product revenue rate ¹	\$ 93.81	\$ 105.03	\$ (11.22)	(10.7)%
Cash cost of goods sold rate ^{1,2}	61.94	57.05	4.89	8.6 %
Depreciation, depletion & amortization	11.94	9.81	2.13	21.7 %
Total cost of goods sold	73.88	66.86	7.02	10.5 %
Sales margin	<u>\$ 19.93</u>	<u>\$ 38.17</u>	<u>\$ (18.24)</u>	<u>(47.8)%</u>

Sales tons ³ (In thousands)	1,550	1,611
Production tons ³ (In thousands)		
Total	5,679	5,890
Cliffs' share of total	4,401	4,500

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.

Sales margin was \$30.9 million for the three months ended March 31, 2019, compared with \$61.5 million for the three months ended March 31, 2018. Sales margin per long ton decreased 47.8% to \$19.93 in the first three months of 2019 compared to the first three months of 2018.

Revenue decreased by \$23.8 million during the three months ended March 31, 2019, compared to the prior-year period, excluding the domestic freight increase of \$0.8 million. This was driven by a decrease in the average year-to-date realized product revenue rate of \$11 per long ton, or 10.7%, during the three months ended March 31, 2019, compared to the first three months of 2018, which resulted in a decrease of \$18 million. This is predominantly due to:

- Changes in hot-rolled coil steel pricing, which had a negative effect on the realized revenue rate of \$19 per long ton, or \$30 million, during the first three months of 2019 compared to the first three months of 2018. The imposition of the Section 232 actions increased the first quarter of 2018 actual pricing and our full-year estimates for hot-rolled coil steel in 2018. Additionally, due to current market trends, there has been a slight decrease in the full-year estimates for 2019.
- This decrease was offset partially by higher full-year estimated Platts 62% Price as of March 31, 2019, compared to the prior-year period's full-year estimated Platts 62% Price as of March 31, 2018, which positively affected the realized revenue rate by \$8 per long ton, or \$12 million.

Cost of goods sold increased \$6.8 million during the three months ended March 31, 2019, excluding the domestic freight increase of \$0.8 million, compared to the same period in 2018, predominantly as a result of an unfavorable change in the full-year standard cost driven by higher maintenance costs of \$3 million, or \$2 per long ton, reduced energy rebates

of \$3 million, or \$2 per long ton, increased transportation rates of \$2 million, or \$1 per long ton, higher stripping costs of \$2 million, or \$1 per long ton and increased royalties of \$1 million, or \$1 per long ton.

Production

Our share of production was relatively consistent for the three months ended March 31, 2019 when compared to the same period in 2018, decreasing approximately 2%.

Other Operating Income (Expense)

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

	(In Millions)		
	Three Months Ended March 31,		
	2019	2018	Variance Favorable/ (Unfavorable)
Selling, general and administrative expenses	\$ (28.1)	\$ (25.1)	\$ (3.0)
Miscellaneous – net	(3.6)	(6.1)	2.5
	<u>\$ (31.7)</u>	<u>\$ (31.2)</u>	<u>\$ (0.5)</u>

Selling, general and administrative expenses for the three months ended March 31, 2019, had an unfavorable variance of \$3.0 million, from the comparable period in 2018, primarily due to increased employment costs, including severance and incentive-based compensation.

Other Income (Expense)

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

	(In Millions)		
	Three Months Ended March 31,		
	2019	2018	Variance Favorable/ (Unfavorable)
Interest expense, net	\$ (25.1)	\$ (32.4)	\$ 7.3
Other non-operating income (expense)			
Loss on extinguishment of debt	(0.3)	—	(0.3)
Net periodic benefit costs other than service cost component	—	3.6	(3.6)
Other	0.4	0.8	(0.4)
	<u>\$ (25.0)</u>	<u>\$ (28.0)</u>	<u>\$ 3.0</u>

Interest expense, net for the three months ended March 31, 2019 was \$7.3 million lower than the prior-year period, primarily due to capitalized interest related to the HBI production plant and upgrades at the Northshore plant. Additionally, debt restructuring activities during 2018 reduced the first quarter of 2019 interest expense.

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			
	March 31,			
	2019		2018	Variance
Income tax benefit (expense)	\$ 3.7	\$	(15.7)	\$ 19.4
Effective tax rate	14.3%		682.7%	(668.4)%

Our tax provision for the three months ended March 31, 2019 was a benefit of \$3.7 million and a 14.3% effective tax rate compared with a \$15.7 million expense and a 682.7% effective tax rate for the comparable prior-year period. The difference in the effective rate and income tax expense from the comparable prior-year periods primarily relates to discrete items recorded in each period as well as the reversal of valuation allowance in the prior year.

For the three months ended March 31, 2019 and 2018, we recorded discrete items that resulted in an income tax benefit of \$0.4 million and expense of \$15.7 million, respectively. The prior year expense of \$15.7 million primarily relates to the \$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 12.9%. This estimated annual effective tax rate differs from the U.S. statutory rate of 21% primarily due to the deductions for percentage depletion in excess of cost depletion related to U.S. operations. The 2018 estimated annual effective tax rate before discrete items at March 31, 2018 was 0.1%. The rate in the comparable prior-year period was significantly lower due to the reversal of valuation allowance in the same period.

Loss from Discontinued Operations, net of tax

During the three months ended March 31, 2018, we had a loss of \$70.9 million primarily due to the exit from our Asia Pacific Iron Ore operations, which was not repeated in 2019. Refer to NOTE 14 - 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 allow management and investors to focus on our ability to service our debt as well as illustrate how the business is performing. Additionally, EBITDA and Adjusted EBITDA assist management and investors in their analysis and forecasting as these measures approximate the cash flows associated with operational earnings.

	(In Millions)	
	Three Months Ended March 31,	
	2019	2018
Net loss	\$ (22.1)	\$ (84.3)
Less:		
Interest expense, net	(25.1)	(33.5)
Income tax benefit (expense)	3.7	(15.7)
Depreciation, depletion and amortization	(19.9)	(23.9)
EBITDA	<u>\$ 19.2</u>	<u>\$ (11.2)</u>
Less:		
Foreign exchange remeasurement	\$ 0.1	\$ (0.4)
Impact of discontinued operations	—	(63.1)
Loss on extinguishment of debt	(0.3)	—
Severance costs	(1.7)	—
Adjusted EBITDA	<u>\$ 21.1</u>	<u>\$ 52.3</u>
EBITDA:		
Mining and Pelletizing	\$ 42.8	\$ 72.5
Metallics	(0.8)	(0.3)
Corporate and Other (including discontinued operations)	(22.8)	(83.4)
Total EBITDA	<u>\$ 19.2</u>	<u>\$ (11.2)</u>
Adjusted EBITDA:		
Mining and Pelletizing	\$ 47.5	\$ 77.1
Metallics	(0.8)	(0.3)
Corporate	(25.6)	(24.5)
Total Adjusted EBITDA	<u>\$ 21.1</u>	<u>\$ 52.3</u>

EBITDA increased \$30.4 million for the three months ended March 31, 2019 on a consolidated basis from the comparable period in 2018. The favorable variance in EBITDA for the three months ended March 31, 2019 was driven primarily by the impact of the \$63.1 million from *Loss from discontinued operations, net of tax* during the prior-year period that did not recur in 2019, partially offset by a decrease in sales margin of \$30.6 million.

Adjusted EBITDA decreased \$31.2 million for the three months ended March 31, 2019 from the comparable period in 2018, which was driven by a decrease in sales margin of \$30.6 million compared to the prior-year period.

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 as well as reducing operating costs, 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 three months of 2019, we took action consistent with our capital allocation priorities of returning capital to shareholders, maintaining the strength of our balance sheet, improving our financial flexibility and executing on opportunities that will allow us to increase our long-term profitability. We have remained focused on protecting our business based on our actions to allocate capital to both sustaining our existing operations and our two major capital projects: the HBI plant in Toledo, Ohio and 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.

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 existing 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 activities impacting our cash flows during the three months ended March 31, 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 used by operating activities was \$111.2 million and \$142.9 million for the three months ended March 31, 2019 and 2018, respectively. The incremental decrease in cash used by operating activities during the first quarter of 2019 primarily was due to prior year uses of cash by our discontinued operations.

Our U.S. cash and cash equivalents balance at March 31, 2019 was \$428.7 million, or 99.7% of our consolidated total cash and cash equivalents balance of \$430.2 million. Additionally, we had a cash balance at March 31, 2019 of \$10.8 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 \$125.6 million for the three months ended March 31, 2019, compared with \$71.4 million for the comparable period in 2018. During the first three months of 2019, we had net cash outflows, including deposits, of approximately \$90 million on development of the HBI production plant and approximately \$20 million on the upgrades at Northshore Mine. Additionally, we spent approximately \$13 million and \$12 million on expenditures related to sustaining capital during the three months ended March 31, 2019 and 2018, respectively. Sustaining capital spend includes infrastructure, mobile equipment, environment, safety, fixed equipment, product quality and health.

We anticipate total cash used for capital expenditures, excluding amounts attributable to construction-related contingencies and capitalized interest, during the next 12 months to be approximately \$530 million. Included within this estimate is approximately \$100 million for sustaining capital, \$400 million related to development of the HBI production plant and \$30 million for upgrades at the Northshore plant. In total, including amounts spent to date, we expect to spend approximately \$830 million on the HBI production plant and \$90 million on the Northshore upgrades, exclusive of construction-related contingencies and capitalized interest, through 2020.

Financing Activities

Net cash used by financing activities in the first three months of 2019 was \$157.8 million, compared to \$7.0 million for the comparable period in 2018. Net cash used by financing activities during the first three months of 2019 primarily related to the repurchase of 11.5 million common shares for \$124.3 million in the aggregate under the \$200 million program authorized by our Board on November 24, 2018. On April 25, 2019, we announced Board authorization to repurchase up to an additional \$100 million of common shares. Approximately \$29 million of the original authorization remains available. When combined with the additional amount of share repurchase authorization, as of April 25, 2019, we have total share repurchase authorization remaining of up to approximately \$129 million.

Additional uses of cash from financing activities included a cash dividend on our common shares of \$14.8 million, and the repurchase of debt of \$10.3 million. Uses of cash for financing activities during the first three months of 2018 primarily related to the repayment of lease liabilities.

We anticipate future uses of cash for financing activities during the next 12 months to include quarterly cash dividend payments of approximately \$15 million per quarter and our final \$44 million distribution of Empire partnership equity.

Capital Resources

The following represents a summary of key liquidity measures:

	(In Millions)	
	March 31, 2019	December 31, 2018
Cash and cash equivalents	\$ 430.2	\$ 823.2
Cash and cash equivalents from discontinued operations, included within <i>other current assets</i>	10.8	12.4
Total cash and cash equivalents	\$ 441.0	\$ 835.6
Available borrowing base on ABL Facility ¹	\$ 305.4	\$ 323.7
ABL Facility loans drawn	—	—
Letter of credit obligations and other commitments	(65.4)	(55.0)
Borrowing capacity available	\$ 240.0	\$ 268.7

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

Our primary sources of funding are cash on hand, which totaled \$441.0 million as of March 31, 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 \$681.0 million in liquidity entering the second 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 March 31, 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 primarily the sale of 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 average annual daily market price for hot-rolled coil steel at the time the iron ore product is consumed in the customer's blast furnaces. At March 31, 2019, we had derivative assets of \$106.4 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 average daily market price for hot-rolled coil steel realized from the March 31, 2019 estimated price recorded would cause the fair value of the derivative instrument to increase or decrease by approximately \$25.5 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.

Volatile Energy and Fuel Costs

The cost of energy is an important factor affecting the production costs at our iron ore operations. Our operations consumed 4.0 million MMBtu's of natural gas at an average delivered price of \$4.46 per MMBtu during the first three months of 2019. Additionally, our operations consumed 4.7 million gallons of diesel fuel at an average delivered price of \$2.14 per gallon during the first three 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 full-year hedging program to manage the price risk of natural gas and diesel at our Mining and Pelletizing mines. 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 nine 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 \$8.8 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 estimates of economic and market conditions over the projected period, including growth rates in revenues and costs, estimates of future expected changes in operating margins and capital expenditures. If the carrying value of the asset group is higher than its undiscounted 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 March 31, 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 March 31, 2019, we had no amounts drawn on the ABL Facility.

Supply Concentration Risks

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

Outlook

<i>Per Long Ton Information</i>	2019 Outlook Summary
	Mining and Pelletizing
Cost of goods sold rate	\$74 - \$79
Less:	
Freight expense rate ¹	\$8
Depreciation, depletion & amortization rate	\$4
Cash cost of goods sold rate	<u>\$62 - \$67</u>
Sales volume (million long tons) ²	20.0
Production volume (million long tons)	20.0

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

²This includes approximately 500,000 long tons of intercompany sales volumes to Cliffs' HBI facility.

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, including iron ore prices of \$85 per metric ton, steel prices of \$691 per short ton, and pellet premiums of \$67 per metric ton, we would expect to realize Mining and Pelletizing revenue rates in the range of \$108 to \$113 per long ton, a \$6 per long ton increase versus the comparable range provided last quarter. Assuming spot prices as of April 24, 2019, including an iron ore price of \$94 per metric ton, a steel price of \$676 per short ton, and a pellet premium of \$66 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 \$111 to \$116 per long ton for the full-year 2019.

For 2019, we maintained our full-year sales and production volume expectation of 20 million long tons. Our full-year 2019 Mining and Pelletizing cash cost of goods sold 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 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 \$80 million.

Based on refined projections, our 2019 effective tax rate is now expected to be approximately 12-14%. However, due to our net operating loss position, our cash tax payments are still expected to be zero. We also expect to receive \$117 million in cash tax refunds during the second quarter of 2019, which is earlier than previously expected.

Our total capital expenditures expectation of approximately \$555 million (including capitalized interest) for the year 2019 is maintained.

Forward-Looking Statements

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

- 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 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 the business of Cliffs, 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 consolidated financial statements.

	(In Millions)	
	Three Months Ended March 31,	
	2019	2018
Cost of goods sold	\$ 126.1	\$ 118.5
Less:		
Freight	11.6	10.8
Depreciation, depletion & amortization	18.5	15.8
Cash cost of goods sold	<u>\$ 96.0</u>	<u>\$ 91.9</u>

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

Bluestone Litigation. On April 7, 2017, the Company was served with an Amended Complaint adding Cliffs, among others, as a defendant to a lawsuit brought by Bluestone Coal Corporation and Double-Bonus Mining Company against Pinnacle Mining Company, LLC and Target Drilling, Inc. in the U.S. District Court for the Southern District of West Virginia. The Amended Complaint alleges that the defendants deviated from plans authorized by plaintiffs and MSHA in the drilling of a borehole in 2013 and 2014 at the Pinnacle mine and through an inactive portion of plaintiffs' mine. Plaintiffs further allege negligence and trespass in the drilling of the borehole and claim compensatory and punitive damages due to flooding. On October 3, 2018, the parties reached a settlement in full. We do not believe that our portion of the agreed-upon amount will have a material adverse impact on our business. The Court entered an order dismissing the case with prejudice subject to reopening on good cause shown within 90 days. However, on October 14, 2018, Mission Coal Company, LLC and ten of its affiliates, including Pinnacle Mining Company, LLC, 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. We do not believe the bankruptcy petition will have a material adverse effect on our settlement. In light of the Mission Coal bankruptcy, the Court granted plaintiffs' motion to extend the deadline for potentially reopening the Bluestone case on good cause shown for an additional 120 days. As of April 12, 2019, the bankruptcy court lifted the automatic stay on the Bluestone litigation as it applied to non-debtor defendants, and Bluestone has moved to finalize the settlement with the non-debtor parties.

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
January 1 - 31, 2019	19,882	\$ 7.53	18,400	\$ 152,512,897
February 1 - 28, 2019	6,016,477	\$ 11.37	4,773,252	\$ 98,087,097
March 1 - 31, 2019	6,756,243	\$ 10.29	6,756,243	\$ 28,595,269
	12,792,602	\$ 10.79	11,547,895	

¹ Includes 1,244,707 shares that 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 the 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. Subsequent to the period indicated above, on April 25, 2019, we announced that the Board of Directors authorized the repurchase of additional common shares up to a maximum of \$100 million. When combined with the additional amount of share repurchase authorization, we now have share repurchase authorization remaining of up to a maximum of approximately \$129 million. 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

Adoption of Form of Director and Officer Indemnification Agreement

On April 24, 2019, the Board of Directors approved a new form of Director and Officer Indemnification Agreement (the “Indemnification Agreement”) to be entered into by and between the Company and its directors and officers (each, an “Indemnitee”). The Indemnification Agreement provides that the Company will indemnify the Indemnitee against certain expenses and costs arising out of claims to which he or she becomes subject to in connection with his or her service to the Company. The Indemnification Agreement contains customary terms and conditions and establishes certain customary procedures and presumptions.

The Company intends to enter into a new Indemnification Agreement with each current member of the Board, the Company’s current executive officers and certain other Company officers. Each new Indemnification Agreement with a current director or officer will replace and supersede the prior indemnification agreement between the Company and such director or officer, if such director or officer was a party to a prior indemnification agreement.

The above description of the Indemnification Agreement does not purport to be complete and is qualified in its entirety by reference to the Indemnification Agreement, the form of which is filed as Exhibit 10.2 hereto and incorporated herein by reference.

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
10.1	* Severance Agreement and Release, by and between Timothy K. Flanagan and Cleveland-Cliffs Inc., effective February 12, 2019 (filed herewith)
10.2	* Form of Director and Officer Indemnification Agreement between Cleveland-Cliffs Inc. and Directors and Officers (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 April 25, 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 Koci as of April 25, 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 April 25, 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 Koci, Executive Vice President, Chief Financial Officer of Cleveland-Cliffs Inc., as of April 25, 2019 (filed herewith)
95	Mine Safety Disclosures (filed herewith)
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Indicates management contract or other compensatory arrangement.

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: April 25, 2019

SEVERANCE AGREEMENT**BEFORE SIGNING THIS SEVERANCE AGREEMENT (THE "AGREEMENT"), YOU ARE ADVISED TO CONSULT WITH AN ATTORNEY. YOUR SIGNATURE MUST BE NOTARIZED.**

This Agreement is entered into knowingly and voluntarily by and between Timothy K. Flanagan ("Employee"), and Cleveland-Cliffs Inc. and its affiliates identified in Section III.A below (collectively, the "Company"). Employee and the Company are referred to each individually as a "Party" and collectively as the "Parties."

RECITALS

A. Employee's employment with the Company was terminated without cause effective February 12, 2019 (the "Termination Date"). As of the Termination Date, Employee ceased to serve as Executive Vice President, Chief Financial Officer of the Company, and shall promptly resign from any other position that he may have held with the Company.

B. The Company desires to provide for Employee to cooperate with the Company following the Termination Date to help effect a smooth transition and to assist the Company, on the terms described herein, with respect to disputes that may arise regarding matters that were under his responsibility during his past employment.

C. Employee and the Company desire to establish the terms for an amicable separation of Employee's employment on the Termination Date, to facilitate an appropriate transition of Employee's responsibilities to the Company and to settle fully and finally any and all differences between them which have arisen, or may arise, out of the employment relationship and/or the termination of that relationship.

D. The Company desires to offer Employee the payments and benefits described herein in connection with Employee's termination of employment.

E. Receipt of the payments and benefits described herein requires (i) execution and notarization, (ii) delivery to the Company, and (iii) non-revocation, of both this Agreement and the Release (as defined below), all within the time frames specified in the Release.

AGREEMENT**I. TERMINATION, SEVERANCE PAYMENTS AND BENEFITS**

A. As of the Termination Date, Employee's employment with the Company shall cease, he shall cease to be the Executive Vice President, Chief Financial Officer of the Company, and he shall promptly resign from any other positions that he may hold with the Company as of the Termination Date. Employee agrees to execute any further documents required to effectuate such resignations as reasonably may be requested by the Company. As of the Termination Date, Employee shall be released from his duties with the Company except as expressly provided in this Agreement and cease to have any authority to conduct business on behalf of the Company. Employee will continue to receive his base salary and employee benefits, in the ordinary course of business consistent with past practice, through the Termination Date.

B. Subject to Section I.C., Employee shall receive the following payments (collectively, the "Payments") and benefits (collectively, the "Benefits") if Employee (i) executes this Agreement, (ii) signs, notarizes and delivers the release of claims in the form attached hereto as Exhibit A (the "Release") no earlier than the calendar day following the Termination Date and no later than the day after the end of the time period described in Section V.A. of the Release; and (iii) does not revoke the Release prior to the "Effective Date" (as defined in Section V.D. of the Release):

1. Cash payments equal to One Million Six Hundred Ninety-Six Thousand and 00/100 Dollars (\$1,696,000), which is equal to twenty-four (24) months Base Pay ($\$424,000 * 2 = \$848,000$) plus two times an additional amount that represents an annual incentive bonus payable at target ($\$424,000 * 100\% * 2 = \$848,000$). The cash payments shall be made in three equal installments of Five Hundred Sixty-Five Thousand Three Hundred Thirty-Three and 33/100 Dollars (\$565,333.33) less appropriate federal, State of Ohio and local withholdings and deductions. The first installment shall be paid within thirty (30) days after the Effective Date. The second installment shall be paid on the one-year anniversary of the Effective Date. The third installment shall be paid on the two-year anniversary of the Effective Date.
2. Provided that the Employee properly and timely completes and submits all of the necessary documentation relating to the receipt of COBRA coverage for medical, dental and vision benefits, the

Company shall pay the premiums for medical, dental and vision COBRA continuation coverage for Employee and Employee's COBRA qualified beneficiaries for a maximum of eighteen (18) months, subject to shortening of this period if (i) Employee becomes eligible for comparable coverage with a new employer at no cost to Employee or (ii) Employee or Employee's COBRA qualified beneficiaries become ineligible for COBRA continuation coverage.

3. Employee shall be entitled to vest in the performance share ("PSU") awards (including applicable dividend equivalent rights that would have been paid on the earned PSUs had the earned PSUs been issued and outstanding Common Shares on the record date for the dividend or distribution) held by him on the date hereof and listed on Schedule I based on actual performance through the entire applicable performance period of each such award, in each case with the number of shares earned prorated by multiplying (1) the number of shares earned, without regard to this sentence, by (2) the quotient of (i) the number of full months in the applicable performance period through the Termination Date, over (ii) the number of full months in such performance period; with the number of shares so earned to be paid out in the manner and at the time (but not prior to the Effective Date) specified by the terms of each such award.
4. Employee shall be entitled to vest in the restricted stock unit ("RSU") awards (including applicable dividend equivalent rights that would have been paid on the RSUs had the RSUs been issued and outstanding Common Shares on the record date for the dividend or distribution) held by him on the date hereof and listed on Schedule I, with the number of shares earned in the case of each such award prorated by multiplying (1) the number of shares earned, without regard to this sentence, by (2) the quotient of (i) the number of full months in the applicable vesting period through the Termination Date, over (ii) the number of full months in such vesting period; with the number of shares so earned to be paid out in the manner and at the time (but not prior to the Effective Date) specified in Schedule I.
5. Employee shall be entitled to vest in the performance cash awards held by him on the date hereof and listed on Schedule I, with the amount of cash earned in the case of each such award prorated by multiplying (1) the number of cash earned, without regard to this sentence, by (2) the quotient of (i) the number of full months in the applicable vesting period through the Termination Date, over (ii) the number of full months in such vesting period; with the amount of cash so earned to be paid out in the manner and at the time (but not prior to the Effective Date) specified by the terms of each such award.
6. Company provided C-suite executive-level outplacement services through a provider selected in the reasonable discretion of the Company.
7. Company provided financial planning services through The Ayco Company, L.P., under the same terms and conditions as Employee enjoyed while employed by the Company through April 15, 2021.
8. Employee shall continue to be covered by any provision for indemnification by the Company in effect on the date of the execution of this Agreement. In addition, the Company shall continue to maintain D&O coverage that covers past executives to the same extent that it covers present executives. Finally, in the event of a change in control in which the Company is not the survivor, the Company shall use its reasonable best efforts to require as part of such transaction that the surviving company provide indemnification and D&O coverage that covers the past executives of the Company.
9. As provided in the Company's 2012 Non-Qualified Deferred Compensation Plan (the "NQDC Plan"), by September 2, 2019, the Company shall pay to Employee the full amount of his balance in the NQDC Plan, in a single lump sum, less applicable tax withholdings.
10. As provided in the Company's Supplemental Retirement Benefit Plan (the "SERP"), by September 2, 2019, the Company shall pay to Employee the full amount of his balance in the SERP, in a single lump sum, less applicable tax withholdings.

C. Should Employee breach any of the covenants contained in Sections V (relating to the covenant of confidentiality), VII (relating to covenant to cooperate with the Company after the Termination Date), VIII (relating to the covenant not to disparage the Company), IX (relating to the covenant not to solicit employees), and Section X (relating to the covenant not to compete) of this Agreement, Employee shall be required to return the Payments described in Section I.B.1 and the value of the Benefits already received under this Agreement in excess of one (1) month's Base Pay within seven (7) days of demand by the Company, and shall receive no further Payments or Benefits under this Agreement.

D. Subject to Section I.C., should Employee die prior to receipt of the Payments set forth in Section I.B., then the Payments will be payable to Employee's estate or otherwise inure to the benefit of his/her heirs.

E. The term "Base Pay" shall mean Employee's rate of annual base salary in effect as of the Termination Date. Base Pay does not include pension contributions made by the Company, welfare or other fringe benefits paid for by the Company, expense reimbursements, overtime pay, bonuses, commissions, incentive pay, or any other special compensation.

II. REPRESENTATIONS AND WARRANTIES

Employee understands, acknowledges and agrees that:

- Employee has the sole right and exclusive authority to execute this Agreement.
- The Company is not obligated to pay, and will not pay, to Employee any Payment or Benefits until this Agreement and the Release have become effective.
- Employee executes this Agreement knowingly and voluntarily, in order to induce Company to provide the Payments and Benefits.
- Employee has not sold, assigned, transferred, conveyed or otherwise disposed of any of the claims, demands, obligations or causes of action referred to in this Agreement.
- No other person or entity has an interest in the claims, demands, obligations or causes of action referred to in this Agreement.
- The Payments and Benefits that Employee will receive in exchange for executing this Agreement and the Release are in addition to anything of value to which Employee is already entitled.
- The Payments and Benefits provided for in this Agreement are the only consideration that Employee ever will receive from the Company or any Released Parties (as defined below) for any and all claims, demands, obligations or causes of action released by this Agreement and the Release.
- The Payments and Benefits provided for in this Agreement are not intended to be provided in addition to any payments or benefits that now may be due or in the future become due or payable to Employee under the Worker Adjustment and Retraining Notification ("WARN") Act (if applicable). Therefore, if WARN Act payments are or become due to Employee, any Payment and Benefits made under this Agreement in excess of one month's Base Pay, up to the full amount necessary to satisfy such obligation, shall be treated as having been paid in satisfaction of any such obligation, and the rest of the Payments and Benefits shall be treated as having been given in exchange for the other covenants, agreements and obligations of this Agreement and the Release.
- This Agreement and its terms shall not be construed as an admission of any liability whatsoever on the part of the Company or any other Released Parties described in this Agreement, by which/whom any liability is and always has been expressly denied.
- With the payments contemplated by this Agreement, the Company will have paid Employee for all vacation and any other paid time off accrued through the Termination Date with the exception of whatever Employee is entitled to receive as a retiree of the Company.

III. RELEASE

A. Employee, for himself, and his marital community (if any), agents, heirs, executors, administrators, and assigns, hereby knowingly and voluntarily fully releases and forever discharges from any and all agreements, debts, claims, demands, actions, judgments, causes of action, and liabilities of every kind or nature, known or unknown, that Employee, individually or as a member of a class, ever had or now has to date, the following (referred to collectively as the "Released Parties"):

- Cleveland-Cliffs Inc.;
- Northshore Mining Company;
- Silver Bay Power Company;
- Tilden Mining Company LC;
- Empire Iron Mining Partnership;
- Cliffs Mining Company;
- Hibbing Taconite Company Joint Venture;
- United Taconite LLC;

- The Cleveland-Cliffs Iron Company;
- Cliffs Mining Services Company;
- Lake Superior & Ishpeming Railroad Company;
- Cliffs International Management Company LLC;
- Cliffs Sales Company;
- IronUnits, LLC;
- All affiliates of Cleveland-Cliffs Inc. not already listed above, including any corporation or other entity which is controlled by or under common control with Cleveland-Cliffs Inc., or which is in the same affiliated service group or otherwise required to be aggregated with Cleveland-Cliffs Inc. under Sections 414 or 1563 of the Internal Revenue Code;
- All current or former owners, officers, directors, shareholders, members, employees, managers, agents, attorneys, partners and insurers of the above entities; and
- The predecessors, successors, and assigns of the above entities and individuals and the spouses, children, and family members of the individuals.

B. Without limiting the generality of this Agreement, Employee acknowledges and agrees that this Agreement is intended to bar every claim, demand, and cause of action, including without limitation any and all claims arising under the following laws, as amended from time to time:

- The federal Civil Rights Acts of 1866, 1871, 1964 and 1991 and all similar state civil rights statutes;
- The Employee Retirement Income Security Act of 1974;
- The Fair Labor Standards Act;
- The Rehabilitation Act of 1973;
- The Occupational Safety and Health Act;
- The Mine Safety and Health Act;
- The Health Insurance Portability and Accountability Act;
- The Age Discrimination in Employment Act;
- The Older Workers Benefit Protection Act;
- The Americans with Disabilities Act;
- The National Labor Relations Act;
- The Family and Medical Leave Act;
- The Equal Pay Act;
- The Worker Adjustment and Retraining Notification Act;
- The Lilly Ledbetter Fair Pay Act;
- State wage payment statutes;
- State wage and hour statutes;
- State employment statutes;
- Any statutes regarding the making and enforcing of contracts;
- Any whistleblower statute; and
- All similar provisions under all other federal, state and local laws.

C. Without limiting the generality of this Agreement, Employee further acknowledges and agrees that this Agreement is intended to bar all equitable claims and all common law claims, including without limitation claims of or for:

- Breach of an express or an implied contract;

- Breach of the covenant of good faith and fair dealing;
- Unpaid wages, salary, bonuses (including but not limited to any bonus or payment under the 2018 and 2019 Executive Management Performance Incentive Plans), commissions, vacation or other employee benefits;
- Unjust enrichment;
- Negligent or intentional interference with contractual relations;
- Negligent or intentional interference with prospective economic relations;
- Estoppel;
- Fraud;
- Negligence;
- Negligent or intentional misrepresentation;
- Personal injury;
- Slander;
- Libel;
- Defamation;
- False light;
- Injurious falsehood;
- Invasion of privacy;
- Wrongful discharge;
- Failure to hire;
- Retaliatory discharge;
- Constructive discharge;
- Negligent or intentional infliction of emotional distress;
- Negligent hiring, supervision or retention;
- Loss of consortium;
- Any claims that may relate to drug and/or alcohol testing; and
- Any claims for change in control payments or benefits under any agreement, including without limitation that certain 2016 Change in Control Severance Agreement between Employee and the Company dated August 7, 2016.

D. Employee further understands, acknowledges and agrees that this Agreement is a general release, and that Employee further waives and assumes the risk of any and all claims which exist as of the date this Agreement is executed, including those of which Employee does not know or suspect to exist, whether through ignorance, oversight, error, negligence, or otherwise, and which, if known, would materially affect Employee's decision to sign this Agreement.

E. Employee further understands, acknowledges and agrees that this Agreement waives any right Employee has to recover damages in any lawsuit brought by Employee as well as in a lawsuit brought by any third party, including without limitation the Equal Employment Opportunity Commission (the "EEOC") or any similar state agency. Employee is not, however, waiving the right to file a charge with the EEOC or any similar state agency, to participate in a proceeding with such an agency, or to cooperate with any such agency in its investigation.

- F. This Agreement shall not be interpreted to release or require the release of the Company or the Released Parties from any:
- Claims for Payments or Benefits under this Agreement including without limitation any claim for indemnification coverage provided under Section I.B.8.; or
 - Claims for benefits under any pension plan or welfare plan of the Company; or

- Claims arising out of acts or practices which occur after the execution of this Agreement.

IV. REPRESENTATION OF UNDERSTANDING OF RELEASE

Company advises Employee to consult an attorney of Employee's choosing before entering into this agreement and Employee acknowledges that it has done so. Employee represents and warrants that Employee has read all of the terms of this Agreement and that Employee fully understands and voluntarily accepts these terms. Employee further acknowledges and agrees that Employee has been given a reasonable period of time within which to consider this Agreement.

V. CONFIDENTIAL INFORMATION AND COVENANTS

Employee represents that, to the best of Employee's knowledge during Employee's employment with the Company, Employee has not materially breached any confidentiality agreement to which Employee is a party. Employee further represents and warrants that Employee will continue to abide by the terms of any confidentiality agreement applicable to Employee after the Termination Date that was entered into on or after February 14, 2017 and that related to a potential or possible material transaction with respect to the Company.

VI. RETURN OF COMPANY PROPERTY

A. Employee agrees to return to the Company within five (5) calendar days following the Termination Date all originals and copies of the Company's property, documents and information in Employee's possession, regardless of the form on which such information has been maintained or stored, including without limitation, computer disks, tapes or other forms of electronic storage, Company credit cards (including telephone credit cards), mobile phone, computer equipment or hardware, tools, equipment, keys, identification, software, computer access codes, disks and instructional manuals, and all other property prepared by, or for, or belonging to the Company. Employee further agrees that, as of the fifth calendar day following the Termination Date, he will not retain any documents or other property belonging to Company. For the avoidance of doubt, Employee shall not be required to return to the Company items not material to the business of the Company or its affiliates that are of nominal or sentimental value.

B. Employee must comply fully with this Section VI before the Company is obligated to perform under Section I.

VII. COOPERATION

Following the Termination Date, Employee shall reasonably cooperate with the Company in effecting a smooth transition, and shall provide such information as the Company may reasonably request regarding operations and information within Employee's knowledge while Employee was employed by the Company. Employee shall provide reasonable assistance and cooperation to the Company with respect to disputes that may have arisen or may arise regarding matters that were within Employee's responsibilities during his employment. This reasonable assistance and cooperation includes but is not limited to the provision of complete and truthful information and documents in his possession and control regarding such matters, responding to inquiries, meeting with counsel, and cooperating in preparing for and providing truthful and accurate testimony in any proceedings. No such cooperation shall unreasonably interfere with Employee's employment. In addition, any travel or other out of pocket costs associated with such cooperation shall be paid or promptly reimbursed by the Company.

VIII. NON-DISPARAGEMENT

Employee shall not make any negative statements orally or in writing about Employee's employment with the Company, about the Company or its affiliates or any of its employees or products, to anyone other than to the EEOC or any similar state agency, Employee's immediate family, and Employee's legal representatives or financial advisors. Nothing in this Agreement shall prevent Employee from testifying truthfully in a legal proceeding or governmental administrative proceeding. Employee may indicate on employment applications that Employee was employed by the Company, Employee's duties, length of employment, salary, and benefits. The Company shall not make any negative statements orally or in writing about Employee's employment with the Company to anyone other than to the EEOC or any similar state agency and the Company's legal representatives. Nothing herein shall prevent the Company or its representatives from testifying truthfully in a legal proceeding or governmental administrative proceeding.

IX. NON-SOLICITATION

Employee agrees that, during his period of employment and the period beginning on his Termination Date and ending twenty-four (24) months following the Termination Date, Employee shall not directly or indirectly contact, approach or solicit for the purpose of offering employment to, or directly or indirectly actually hire, any person employed by the Company or its affiliates in its Accounting, Finance, or Treasury Departments (or who was employed by the Company or its affiliates during the six (6) month period immediately prior to such solicitation or hire), without the prior

written consent of the Company; provided, however, that this Section IX shall not preclude Employee from soliciting for employment (but shall, for the avoidance of doubt, prohibit hiring) any such person who responds to a general solicitation through a public medium that is not targeted at such person.

X. Non-Competition

Employee agrees that, during his period of employment and the period beginning on his Termination Date and ending twenty-four (24) months following the Termination Date, Employee shall not engage, directly or indirectly, either as proprietor, stockholder, partner, officer, employee or otherwise, in the same or similar activities as were performed for the Company in any business in the United States which distributes or sells iron ore (in any form), hot briquetted iron, or steel manufacturing that utilizes iron ore (in any form) or hot briquetted iron.

XI. NO DUTY TO MITIGATE

Employee has no obligation to seek other employment or otherwise mitigate the obligations of the Company under this Agreement. To the extent that, following the Termination Date, the Employee becomes employed by or is otherwise compensated for services by any natural person, partnership, corporation, limited liability company, governmental entity, or other entity or organization, any such compensation shall not offset, reduce, or otherwise modify the Company's obligations with respect to the Payments described in Section I.B.1.

XII. SEVERABILITY

In the event that any provision(s) of this Agreement is found to be unenforceable for any reason whatsoever, the unenforceable provision shall be considered to be severable, and the remainder of this Agreement shall continue in full force and effect.

XIII. BINDING EFFECT

This Agreement shall be binding upon and operate to the benefit of Employee, the Company, the Released Parties, and their successors and assigns.

XIV. WAIVER

No waiver of any of the terms of this Agreement shall constitute a waiver of any other terms, whether or not similar, nor shall any waiver be a continuing waiver. No waiver shall be binding unless executed in writing by the Party making the waiver. The Company or Employee may waive any provision of this Agreement intended for its/his benefit, but such waiver shall in no way excuse the other Party from the performance of any of its/his other obligations under this Agreement.

XV. GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the laws of the State of Ohio, without regard to the principles of conflicts of law, except to the extent those laws are preempted by federal law.

XVI. SUBSEQUENT MODIFICATIONS

The terms of this Agreement may be altered or amended, in whole or in part, only upon the signed written agreement of all Parties to this Agreement. No oral agreement may modify any term of this Agreement.

XVII. ENTIRE AGREEMENT

This Agreement constitutes the sole and entire agreement of the Parties with respect to the subject matter hereof, and supersedes any and all prior and contemporaneous agreements, promises, representations, negotiations, and understandings of the Parties, whether written or oral. There are no agreements of any nature whatsoever among the Parties except as expressly stated herein.

XVIII. ATTORNEYS' FEES AND COSTS

The Company shall pay Employee's reasonable attorneys' fees and costs incurred in connection with the negotiation, execution, delivery and performance of this Agreement.

XIX. SECTION 409A

The Parties acknowledge that Employee shall incur a "separation from service," within the meaning of Section 409A of the Code ("Section 409A"), no later than the Termination Date. Notwithstanding anything in this Agreement to the contrary, if Employee is considered a "specified employee" (as defined in Section 409A), any amounts paid or provided under this Agreement shall, to the extent necessary in order to avoid the imposition of a penalty tax on Employee under Section 409A, be delayed for six months after Employee's "separation from service" within the meaning

of Section 409A, and the accumulated amounts shall be paid in a lump sum within ten (10) calendar days after the end of the six (6)-month period. If Employee dies during the six-month postponement period prior to the payment of such accumulated amounts, the payments which are deferred on account of Section 409A shall be paid to the personal representative of Employee's estate within 60 calendar days after the date of Employee's death. For purposes of this Agreement, each amount to be paid or benefit to be provided to Employee pursuant to this Agreement shall be construed as a separate identified payment for purposes of Section 409A. All reimbursements and in-kind benefits provided under the Agreement shall be made or provided in accordance with the requirements of Section 409A to the extent applicable, including, where applicable, the requirement that (i) any reimbursement is for expenses incurred during the period of time specified in this Agreement, (ii) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during a calendar year may not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year, (iii) the reimbursement of an eligible expense will be made no later than the last calendar day of the calendar year following the year in which the expense is incurred, and (iv) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

[Signature Page Follows]

CLEVELAND-CLIFFS INC.

/s/ Maurice D. Harapiak

Executive Vice President, Chief Human Resources & Administration
Officer

Date: March 4, 2019

/s/ Timothy K. Flanagan

Timothy K. Flanagan

STATE OF OHIO)
) SS.
COUNTY OF CUYAHOGA)

On this 4th day of March, 2019, before me personally appeared Timothy K. Flanagan, to me known to be the person described in and who executed this Severance Agreement and acknowledged that he/she executed the same as his/her free act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal in the County and State aforesaid, the day and year first above written.

/s/ Sheila Ann Maio

Notary Public

My Commission Expires:
October 17, 2020

Schedule I

Grant Date	Type of Award	Number of Shares or Amount at time of Grant (subject to performance where applicable and proration as detailed in Section I.B of this Agreement)	Vesting Date/Incentive Period
2/21/2017	RSU	24,265	12/31/2019 (Paid by September 2, 2019 on prorated basis)
2/21/2017	PSU	24,265	1/1/2017 - 12/31/2019
2/21/2017	Performance Cash	\$238,000	1/1/2017 - 12/31/2019
2/21/2018	RSU	32,773	12/31/2020 (Paid by September 2, 2019 on prorated basis)
2/21/2018	PSU	32,773	1/1/2018 - 12/31/2020
2/21/2018	Performance Cash	\$245,140	1/1/2018 - 12/31/2020

Exhibit A

Release Agreement

See attached.

RELEASE

BEFORE SIGNING THIS RELEASE (THE "RELEASE"), YOU ARE ADVISED TO CONSULT WITH AN ATTORNEY. YOUR SIGNATURE MUST BE NOTARIZED.

This Release is entered into knowingly and voluntarily on the date specified on the signature page hereto by Timothy K. Flanagan ("Employee"), in favor of Cleveland-Cliffs Inc. and its affiliates identified in Section III.A below (collectively, the "Company").

RECITALS

A. Employee and the Company previously entered into that certain Severance Agreement (the "Severance Agreement").

B. Employee's employment as the Executive Vice President, Chief Financial Officer of the Company terminated effective as of February 12, 2019 (the "Termination Date").

C. Employee is entitled to certain "Payments" and "Benefits" (as each such term is defined in the Severance Agreement) subject to, among other things, Employee's execution and non-revocation of this Release.

D. Employee and the Company desire to settle fully and finally any and all differences between them which have arisen, or may arise, out of the employment relationship and/or the termination of that relationship.

AGREEMENT**I. REPRESENTATIONS AND WARRANTIES**

Employee understands, acknowledges and agrees that:

- Employee has the sole right and exclusive authority to execute this Release.
- The Company is not obligated to pay, and will not pay, to Employee any Payment or Benefits under the Severance Agreement until this Release has become effective.
- Employee executes this Release knowingly and voluntarily, in order to induce Company to provide the Payments and Benefits under the Severance Agreement.
- Employee has not sold, assigned, transferred, conveyed or otherwise disposed of any of the claims, demands, obligations or causes of action referred to in this Release.
- No other person or entity has an interest in the claims, demands, obligations or causes of action referred to in this Release.
- The Payments and Benefits that Employee will receive under the Severance Agreement in exchange for executing this Release are in addition to anything of value to which Employee is already entitled.
- The Payments and Benefits provided for in the Severance Agreement are the only consideration that Employee ever will receive from the Company or any Released Parties (as defined below) for any and all claims, demands, obligations or causes of action released by this Release.
- The Payments and Benefits provided for in the Severance Agreement are not intended to be provided in addition to any payments or benefits that now may be due or in the future become due or payable to Employee under the Worker Adjustment and Retraining Notification ("WARN") Act (if applicable). Therefore, if WARN Act payments are or become due to Employee, any Payment and Benefits made under the Severance Agreement in excess of one month's Base Pay (as defined in the Severance Agreement), up to the full amount necessary to satisfy such obligation, shall be treated as having been paid in satisfaction of any such obligation, and the rest of the Payments and Benefits under the Severance Agreement shall be treated as having been given in exchange for the other covenants, agreements and obligations of this Release.
- This Release and its terms shall not be construed as an admission of any liability whatsoever on the part of the Company or any other Released Parties described in this Release, by which/whom any liability is and always has been expressly denied.
- With the payments contemplated by the Severance Agreement, the Company will have paid Employee for all vacation and any other paid time off accrued through the Termination Date.

II. RELEASE

A. Employee, for himself, and his marital community (if any), agents, heirs, executors, administrators, and assigns, hereby knowingly and voluntarily fully releases and forever discharges from any and all agreements, debts, claims, demands, actions, judgments, causes of action, and liabilities of every kind or nature, known or unknown, that Employee, individually or as a member of a class, ever had or now has to date, the following (referred to collectively as the "Released Parties"):

- Cleveland-Cliffs Inc.;
- Northshore Mining Company;
- Silver Bay Power Company;
- Tilden Mining Company LC;
- Empire Iron Mining Partnership;
- Cliffs Mining Company;
- Hibbing Taconite Company Joint Venture;
- United Taconite LLC;
- The Cleveland-Cliffs Iron Company;
- Cliffs Mining Services Company;
- Lake Superior & Ishpeming Railroad Company;
- Cliffs International Management Company LLC;
- Cliffs Sales Company;
- IronUnits, LLC;
- All affiliates of Cleveland-Cliffs Inc. not already listed above, including any corporation or other entity which is controlled by or under common control with Cleveland-Cliffs Inc., or which is in the same affiliated service group or otherwise required to be aggregated with Cleveland-Cliffs Inc. under Sections 414 or 1563 of the Internal Revenue Code;
- All current or former owners, officers, directors, shareholders, members, employees, managers, agents, attorneys, partners and insurers of the above entities; and
- The predecessors, successors, and assigns of the above entities and individuals and the spouses, children, and family members of the individuals.

B. Without limiting the generality of this Release, Employee acknowledges and agrees that this Release is intended to bar every claim, demand, and cause of action, including without limitation any and all claims arising under the following laws, as amended from time to time:

- The federal Civil Rights Acts of 1866, 1871, 1964 and 1991 and all similar state civil rights statutes;
- The Employee Retirement Income Security Act of 1974;
- The Fair Labor Standards Act;
- The Rehabilitation Act of 1973;
- The Occupational Safety and Health Act;
- The Mine Safety and Health Act;
- The Health Insurance Portability and Accountability Act;
- The Age Discrimination in Employment Act;
- The Older Workers Benefit Protection Act;
- The Americans with Disabilities Act;
- The National Labor Relations Act;
- The Family and Medical Leave Act;

- The Equal Pay Act;
- The Worker Adjustment and Retraining Notification Act;
- The Lilly Ledbetter Fair Pay Act;
- State wage payment statutes;
- State wage and hour statutes;
- State employment statutes;
- Any statutes regarding the making and enforcing of contracts;
- Any whistleblower statute; and
- All similar provisions under all other federal, state and local laws.

C. Without limiting the generality of this Release, Employee further acknowledges and agrees that this Release is intended to bar all equitable claims and all common law claims, including without limitation claims of or for:

- Breach of an express or an implied contract;
- Breach of the covenant of good faith and fair dealing;
- Unpaid wages, salary, bonuses (including but not limited to any bonus or payment under the 2018 and 2019 Executive Management Performance Incentive Plans), commissions, vacation or other employee benefits;
- Unjust enrichment;
- Negligent or intentional interference with contractual relations;
- Negligent or intentional interference with prospective economic relations;
- Estoppel;
- Fraud;
- Negligence;
- Negligent or intentional misrepresentation;
- Personal injury;
- Slander;
- Libel;
- Defamation;
- False light;
- Injurious falsehood;
- Invasion of privacy;
- Wrongful discharge;
- Failure to hire;
- Retaliatory discharge;
- Constructive discharge;
- Negligent or intentional infliction of emotional distress;
- Negligent hiring, supervision or retention;
- Loss of consortium;
- Any claims that may relate to drug and/or alcohol testing; and
- Any claims for change in control payments or benefits under any agreement, including without limitation that certain 2016 Change in Control Severance Agreement between Employee and the Company dated August 7, 2016.

D. Employee further understands, acknowledges and agrees that this Release is a general release, and that Employee further waives and assumes the risk of any and all claims which exist as of the date this Release is executed, including those of which Employee does not know or suspect to exist, whether through ignorance, oversight, error, negligence, or otherwise, and which, if known, would materially affect Employee's decision to sign this Release.

E. Employee further understands, acknowledges and agrees that this Release waives any right Employee has to recover damages in any lawsuit brought by Employee as well as in a lawsuit brought by any third party, including without limitation the Equal Employment Opportunity Commission (the "EEOC") or any similar state agency. Employee is not, however, waiving the right to file a charge with the EEOC or any similar state agency, to participate in a proceeding with such an agency, or to cooperate with any such agency in its investigation.

F. This Release shall not be interpreted to release or require the release of the Company or the Released Parties from any:

- Claims for Payments or Benefits under the Severance Agreement;
or
- Claims for benefits under any pension plan or welfare plan of the Company (including any other plan or program covered by the Employee Retirement Income Security Act of 1974); or
- Claims arising out of acts, omissions, or practices which occur after the execution of this Release.

III. REPRESENTATION OF UNDERSTANDING OF RELEASE

Employee acknowledges that Employee has been advised to and has had the opportunity to consult an attorney of Employee's own choosing before entering into this Release. Employee represents and warrants that Employee has read all of the terms of this Release and that Employee fully understands and voluntarily accepts these terms. Employee further acknowledges and agrees that Employee has been given a reasonable period of time within which to consider this Release.

IV. RELEASE OF FEDERAL AGE DISCRIMINATION CLAIMS

Employee understands and agrees that a waiver of claims under the Age Discrimination in Employment Act, as amended by the Older Workers Benefit Protection Act (29 U.S.C. § 621, et seq.) (the "ADEA"), is not effective unless it is "knowing and voluntary," and that the ADEA imposes certain minimum requirements for a waiver of ADEA claims to be knowing and voluntary. Employee acknowledges and agrees that Employee is knowingly and voluntarily giving up any rights or claims for relief Employee may have under the ADEA regarding the Company's conduct or the conduct of any Released Parties. However, Employee acknowledges and agrees that Employee is not giving up the right to challenge the validity of this Release under the ADEA.

V. TIME TO CONSIDER AND CANCEL RELEASE; EFFECTIVE DATE

A. Employee acknowledges that he has been provided at least twenty-one (21) calendar days from the receipt of this Release to decide whether to sign it and is advised to consult with an attorney before doing so. Employee is not to sign this Release unless Employee understands its provisions and is doing so voluntarily.

B. This Release shall be signed and notarized no earlier than the calendar day following the Termination Date, but no later than twenty-one (21) calendar days after Employee has received it. Further, this Release shall be delivered to (or postmarked for delivery to) Maurice D. Harapiak, Executive Vice President, Chief Human Resources & Administration Officer, Cleveland-Cliffs Inc., 200 Public Square, Suite 3300, Cleveland, OH 44114, no later than twenty-one (21) days after Employee has received it.

C. After Employee has signed this Release, Employee has seven (7) days to change his/her mind and notify the Company in writing that Employee has revoked this Release. If Employee so revokes this Release, this Release will be null and void, and will have no force or effect. Written notice of a cancellation of this Release must actually be received by the Company at the following address and must be postmarked within the time frame described above in order to be effective: Maurice D. Harapiak, Executive Vice President, Chief Human Resources & Administration Officer, Cleveland-Cliffs Inc., 200 Public Square, Suite 3300, Cleveland, OH 44114.

D. If Employee (i) signs, notarizes and delivers the Severance Agreement; (ii) signs, notarizes and delivers this Release within the time frames and in accordance with the provisions of Section V.B; and (iii) does not revoke this Release within the time frames and in accordance with the provisions of Section V.C., this Release shall become effective on the eighth day after Employee signed it (the "Effective Date").

E. Employee understands that if he revokes this Release, it shall not be effective or enforceable and Employee will not receive any Payments or Benefits under the Severance Agreement.

VI. RESIGNATION AND RE-EMPLOYMENT

A. Employee represents that he has irrevocably resigned from any and all corporate offices with Cleveland-Cliffs Inc. or any of the Released Parties which he held in his capacity as an employee of the Company including without limitation positions as an officer, director, member, manager, agent, or partner of any such entities. Employee further agrees to execute any further documents required to effectuate such resignations as may be requested by the Company.

B. Employee hereby forever gives up, waives and releases any right to be hired, employed, recalled or reinstated by the Company or any affiliate of the Company.

VII. RETURN OF COMPANY PROPERTY

A. Employee agrees to return to the Company within five (5) calendar days following the Termination Date all originals and copies of the Company's property, documents and information in Employee's possession, regardless of the form on which such information has been maintained or stored, including without limitation, computer disks, tapes or other forms of electronic storage, Company credit cards (including telephone credit cards), computer equipment or hardware, tools, equipment, keys, identification, software, computer access codes, disks and instructional manuals, and all other property prepared by, or for, or belonging to the Company. Employee further agrees that, as of the fifth calendar day following the Termination Date, he will not retain any documents or other property belonging to Company. For the avoidance of doubt, Employee shall not be required to return to the Company items not material to the business of the Company or its affiliates that are of nominal or sentimental value.

B. By signing this Release, Employee affirms that Employee either (i) has no Company property remaining in his possession or control or, (ii) if Employee does have any such property in his possession or control, Employee has provided the Company a list of such property, the reason why Employee has been unable to return it to the Company, and the date by which Employee intends to return such property to the Company.

C. Employee must comply fully with this Section VII before the Company is obligated to perform under Section I of the Severance Agreement.

VIII. SEVERABILITY

In the event that any provision(s) of this Release is found to be unenforceable for any reason whatsoever, the unenforceable provision shall be considered to be severable, and the remainder of this Release shall continue in full force and effect.

IX. BINDING EFFECT

This Release shall be binding upon and operate to the benefit of Employee, the Company, the Released Parties, and their successors and assigns.

X. WAIVER

No waiver of any of the terms of this Release shall constitute a waiver of any other terms, whether or not similar, nor shall any waiver be a continuing waiver. No waiver shall be binding unless executed in writing by the Party making the waiver. The Company or Employee may waive any provision of this Release intended for its/his benefit, but such waiver shall in no way excuse the other Party from the performance of any of its/his other obligations under this Release.

XI. GOVERNING LAW

This Release shall be governed by and construed in accordance with the laws of the State of Ohio, without regard to the principles of conflicts of law, except to the extent those laws are preempted by federal law.

XII. SUBSEQUENT MODIFICATIONS

The terms of this Release may be altered or amended, in whole or in part, only upon the signed written agreement of all Parties to the Severance Agreement. No oral agreement may modify any term of this Release.

XIII. ENTIRE AGREEMENT

The Severance Agreement and this Release constitute the sole and entire agreement of the Parties with respect to the subject matter hereof, and supersede any and all prior and contemporaneous agreements, promises, representations, negotiations, and understandings of the Parties, whether written or oral. There are no agreements of any nature whatsoever among the Parties except as expressly stated herein.

Date: March 4, 2019

/s/ Timothy K. Flanagan

Timothy K. Flanagan

STATE OF OHIO)
) SS.
COUNTY OF CUYAHOGA)

On this 4th day of March, 2019, before me personally appeared Timothy K. Flanagan, to me known to be the person described in and who executed this Severance Agreement and acknowledged that he/she executed the same as his/her free act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal in the County and State aforesaid, the day and year first above written.

/s/ Sheila Ann Maio

Notary Public

My Commission Expires:
October 17, 2020

DIRECTOR AND OFFICER INDEMNIFICATION AGREEMENT

This Director and Officer Indemnification Agreement, dated as of _____, _____ (this "**Agreement**"), is made by and between Cleveland-Cliffs Inc., an Ohio corporation (the "**Company**"), and _____ ("**Indemnitee**").

RECITALS:

- A. Section 1701.59 of the ORC provides that the business and affairs of a corporation shall be managed by or under the direction of its directors.
- B. By virtue of the managerial prerogatives vested in the directors and officers of an Ohio corporation, directors and officers act as fiduciaries of the corporation and its shareholders.
- C. Thus, it is critically important to the Company and its shareholders that the Company be able to attract and retain the most capable persons reasonably available to serve as directors and officers of the Company.
- D. In recognition of the need for corporations to be able to induce capable and responsible persons to accept and continue in positions in corporate management, Ohio law authorizes (and in some instances requires) corporations to indemnify their directors and officers, and further authorizes corporations to purchase and maintain insurance for the benefit of their directors and officers.
- E. Indemnification by a corporation serves the dual policies of (1) allowing corporate officials to resist unjustified lawsuits, secure in the knowledge that, if vindicated, the corporation will bear the expense of litigation and (2) encouraging capable women and men to serve as corporate directors and officers, secure in the knowledge that the corporation will absorb the costs of defending their honesty and integrity.
- F. Ohio law also authorizes a corporation to pay in advance of the final disposition of an action, suit or proceeding the expenses incurred by a director or officer in the defense thereof, and any such right to the advancement of expenses may be made separate and distinct from any right to indemnification and need not be subject to the satisfaction of any standard of conduct or otherwise affected by the merits of any claims against the director or officer.
- G. Lawsuits challenging the judgment and actions of directors and officers of corporations are frequent, and the high costs of defending those lawsuits, and the related threat to directors' and officers' personal assets made individuals less willing to undertake the responsibilities imposed on corporate directors and officers.
- H. Federal legislation and rules adopted by the Securities and Exchange Commission and the national securities exchanges have imposed additional disclosure and corporate governance obligations on directors and officers of public companies and have exposed such directors and officers to new and substantially broadened civil liabilities.
- I. These legislative and regulatory initiatives have also exposed directors and officers of public companies to a significantly greater risk of criminal proceedings, with attendant defense costs and potential criminal fines and penalties.
- J. Under Ohio law, a director's and officer's right to be reimbursed for the costs of defense of criminal actions does not depend upon the merits of the claims asserted against the director or officer and indemnification of the director or officer against criminal fines is permitted if the director or officer satisfies the applicable standard of conduct.
- K. Indemnitee is a director or officer of the Company and his or her willingness to serve in such capacity is predicated, in substantial part, upon the Company's willingness to indemnify him or her in accordance with the principles reflected above, to the fullest extent permitted by the laws of the state of Ohio, and upon the other undertakings set forth in this Agreement.
- L. Therefore, in recognition of the need to provide Indemnitee with substantial and contractual protection against personal liability, in order to procure Indemnitee's continued service as a director or officer of the Company

and to enhance Indemnitee's ability to serve the Company in an effective manner, and in order to provide such protection pursuant to express contract rights (intended to be enforceable irrespective of, among other things, any amendment to the Company's articles of incorporation or regulations (collectively, the "**Constituent Documents**"), any change in the composition of the Company's Board of Directors (the "**Board**") or any change-in-control or business combination transaction relating to the Company), the Company wishes to provide in this Agreement for the indemnification of and the advancement of Expenses (as defined in Section 1(e)) to Indemnitee as set forth in this Agreement and for the continued coverage of Indemnitee under the Company's directors' and officers' liability insurance policies.

M. In light of the considerations referred to in the preceding recitals, it is the Company's intention and desire that the provisions of this Agreement be construed liberally, subject to their express terms, to maximize the protections to be provided to Indemnitee hereunder.

AGREEMENT:

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

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

(a) "**Claim**" means (i) any threatened, asserted, pending or completed claim, demand, action, suit or proceeding, whether civil, criminal, administrative, arbitral, investigative or other, and whether made pursuant to federal, state or other law; and (ii) any threatened, pending or completed inquiry or investigation, whether made, instituted or conducted by or at the behest of the Company or any other person, including any federal, state or other court or governmental entity or agency and any committee or other representative of any corporate constituency, that Indemnitee determines might lead to the institution of any such claim, demand, action, suit or proceeding.

(b) "**Controlled Affiliate**" means any corporation, limited liability company, partnership, joint venture, trust or other entity or enterprise, whether or not for profit, that is directly or indirectly controlled by the Company. For purposes of this definition, "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of an entity or enterprise, whether through the ownership of voting securities, through other voting rights, by contract or otherwise; *provided* that direct or indirect beneficial ownership of capital stock or other interests in an entity or enterprise entitling the holder to cast 20% or more of the total number of votes generally entitled to be cast in the election of directors (or persons performing comparable functions) of such entity or enterprise shall be deemed to constitute control for purposes of this definition.

(c) "**Disinterested Director**" means a director of the Company who is not and was not a party to the Claim in respect of which indemnification is sought by Indemnitee.

(d) "**ERISA Losses**" means any taxes, penalties or other liabilities under the Employee Retirement Income Security Act of 1974, as amended, or Section 4975 of the Internal Revenue Code of 1986, as amended.

(e) "**Expenses**" means attorneys' and experts' fees and expenses and all other costs and expenses paid or payable in connection with investigating, defending, being a witness in or participating in (including on appeal), or preparing to investigate, defend, be a witness in or participate in (including on appeal), any Claim, other than the fees, expenses and costs in respect of which the Company is expressly stated in Section 15 to have no obligation.

(f) "**Incumbent Directors**" means the individuals who, as of the date hereof, are members of the Board and any individual becoming a member of the Board subsequent to the date hereof whose election, nomination for election by the Company's shareholders, or appointment, was approved by a vote of at least two-thirds of the then Incumbent Directors (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without objection to such nomination); *provided, however*, that an individual shall not be an Incumbent Director if such individual's election or appointment to the Board occurs as a result of an actual or threatened election contest (as described in Rule 14a-12(c) of the Securities Exchange Act of 1934, as amended) with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board.

(g) **"Indemnifiable Claim"** means any Claim based upon, arising out of or resulting from (i) any actual, alleged or suspected act or failure to act by Indemnitee in his or her capacity as a director, officer, employee or agent of the Company or as a director, officer, employee, member, manager, trustee or agent of any other corporation, limited liability company, partnership, joint venture, trust or other entity or enterprise, whether or not for profit (including any employee benefit plan or related trust), as to which Indemnitee is or was serving at the request of the Company as a director, officer, employee, member, manager, trustee or agent, (ii) any actual, alleged or suspected act or failure to act by Indemnitee in respect of any business, transaction, communication, filing, disclosure or other activity of the Company or any other entity or enterprise referred to in clause (i) of this sentence, or (iii) Indemnitee's status as a current or former director, officer, employee or agent of the Company or as a current or former director, officer, employee, member, manager, trustee or agent of the Company or any other entity or enterprise referred to in clause (i) of this sentence or any actual, alleged or suspected act or failure to act by Indemnitee in connection with any obligation or restriction imposed upon Indemnitee by reason of such status; *provided, however*, that except for compulsory counterclaims, Indemnifiable Claim shall not include any Claim initiated by Indemnitee against the Company or any director or officer of the Company unless (1) the Incumbent Directors consented to the initiation of such Claim prior to its initiation, (2) the Incumbent Directors authorize the Company to join in such Claim, or (3) such Claim is initiated solely to enforce Indemnitee's rights under this Agreement. In addition to any service at the actual request of the Company, for purposes of this Agreement, Indemnitee shall be deemed to be serving or to have served at the request of the Company as a director, officer, employee, member, manager, trustee or agent of another entity or enterprise if Indemnitee is or was serving as a director, officer, employee, member, manager, trustee or agent of such entity or enterprise and (i) such entity or enterprise is or at the time of such service was a Controlled Affiliate, (ii) such entity or enterprise is or at the time of such service was an employee benefit plan (or related trust) sponsored or maintained by the Company or a Controlled Affiliate, or (iii) the Company or a Controlled Affiliate directly or indirectly caused or authorized Indemnitee to be nominated, elected, appointed, designated, employed, engaged or selected to serve in such capacity.

(h) **"Indemnifiable Losses"** means any and all Losses relating to, arising out of or resulting from any Indemnifiable Claim.

(i) **"Independent Counsel"** means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent: (i) the Company (or any Subsidiary) or Indemnitee in any matter material to either such party (other than with respect to matters concerning Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements), or (ii) any other named (or, as to a threatened matter, reasonably likely to be named) party to the Indemnifiable Claim giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement.

(j) **"Losses"** means any and all Expenses, damages, losses, liabilities, judgments, fines, penalties (whether civil, criminal or other), ERISA Losses and amounts paid in settlement, including all interest, assessments and other charges paid or payable in connection with or in respect of any of the foregoing.

(k) **"ORC"** means the Ohio Revised Code.

(l) **"Subsidiary"** means an entity in which the Company directly or indirectly beneficially owns more than 50% of the outstanding Voting Stock.

(m) **"Voting Stock"** means securities entitled to vote generally in the election of directors (or similar governing bodies).

2. **Indemnification Obligation.** Subject to Section 8, the Company shall indemnify, defend and hold harmless Indemnitee, to the fullest extent permitted or required by the laws of the State of Ohio in effect on the date hereof or as such laws may from time to time hereafter be amended to increase the scope of such permitted or required indemnification, against any and all Indemnifiable Claims and Indemnifiable Losses; *provided, however*, that no repeal or amendment of any law of the State of Ohio shall in any way diminish or adversely affect the rights of Indemnitee pursuant to this Agreement in respect of any occurrence or matter arising prior to any such repeal or amendment.

3. **Advancement of Expenses.** Indemnitee shall have the right to advancement by the Company prior to the final disposition of any Indemnifiable Claim of any and all reasonable Expenses relating to, arising out of or

resulting from any Indemnifiable Claim paid or incurred by Indemnitee or which Indemnitee determines are reasonably likely to be paid or incurred by Indemnitee. Indemnitee's right to such advancement is not subject to the satisfaction of any standard of conduct and is not conditioned upon any prior determination that Indemnitee is entitled to indemnification under this Agreement with respect to the Indemnifiable Claim or the absence of any prior determination to the contrary. Without limiting the generality or effect of the foregoing, within five business days after any request by Indemnitee, the Company shall, in accordance with such request (but without duplication), (a) pay such Expenses on behalf of Indemnitee, (b) advance to Indemnitee funds in an amount sufficient to pay such Expenses, or (c) reimburse Indemnitee for such Expenses; *provided* that Indemnitee shall repay, without interest any amounts actually advanced to Indemnitee that, at the final disposition of the Indemnifiable Claim to which the advance related, were in excess of amounts paid or payable by Indemnitee in respect of Expenses relating to, arising out of or resulting from such Indemnifiable Claim. In connection with any such payment, advancement or reimbursement, Indemnitee shall execute and deliver to the Company an undertaking in the form attached hereto as Exhibit A (subject to Indemnitee filling in the blanks therein and selecting from among the bracketed alternatives therein), which need not be secured and shall be accepted by the Company without reference to Indemnitee's ability to repay the Expenses. For purposes of obtaining payments of Expenses in advance of final disposition of any Indemnifiable Claim, Indemnitee shall be eligible to execute Part A of the undertaking by which Indemnitee undertakes to reasonably incur actual Expenses in defending an Indemnifiable Claim. The undertaking need not be secured and the Company must accept the undertaking without reference to Indemnitee's ability to repay the Expenses. Unless at the time of Indemnitee's act or omission at issue, the Constituent Documents prohibit such advances by specific reference to ORC Section 1701.13(E)(5)(a) or unless the only liability asserted against Indemnitee in the subject action, suit or proceeding is pursuant to ORC Section 1701.95, Indemnitee shall be eligible to execute Part A of the undertaking by which Indemnitee undertakes to: (i) repay such amount if it is proved by clear and convincing evidence in a court of competent jurisdiction that Indemnitee's action or failure to act involved an act or omission undertaken with deliberate intent to cause injury to the Company or undertaken with reckless disregard for the best interests of the Company; and (ii) reasonably cooperate with the Company concerning the action, suit, proceeding or claim. In all cases, Indemnitee shall be eligible to execute Part B of the undertaking by which Indemnitee undertakes to repay such amount if it ultimately is determined that Indemnitee is not entitled to be indemnified by the Company under this Agreement or otherwise. In the event that Indemnitee is eligible to and does execute both Part A and Part B of the undertaking, the Expenses which are paid by the Company pursuant thereto shall be required to be repaid by Indemnitee only if Indemnitee is required to do so under the terms of both Part A and Part B of the undertaking. In no event shall Indemnitee's right to the payment, advancement or reimbursement of Expenses pursuant to this Section 3 be conditioned upon any undertaking that is less favorable to Indemnitee than, or that is in addition to, the undertaking set forth in Exhibit A.

4. **Indemnification for Additional Expenses.** Without limiting the generality or effect of the foregoing, the Company shall indemnify and hold harmless Indemnitee against and, if requested by Indemnitee, shall reimburse Indemnitee for, or advance to Indemnitee, within five business days of such request, any and all reasonable Expenses paid or incurred by Indemnitee or which Indemnitee determines are reasonably likely to be paid or incurred by Indemnitee in connection with any Claim made, instituted or conducted by Indemnitee, in each case to the fullest extent permitted or required by the laws of the State of Ohio in effect on the date hereof or as such laws may from time to time hereafter be amended to increase the scope of such permitted or required indemnification, reimbursement or advancement of such Expenses, for (a) indemnification or payment, advancement or reimbursement of Expenses by the Company under any provision of this Agreement, or under any other agreement or provision of the Constituent Documents now or hereafter in effect relating to Indemnifiable Claims, and/or (b) recovery under any directors' and officers' liability insurance policies maintained by the Company; *provided, however*, that Indemnitee shall return, without interest, any such advance of Expenses (or portion thereof) which remains unspent at the final disposition of the Claim to which the advance related.

5. **Contribution.** To the fullest extent permissible under applicable law in effect on the date hereof or as such law may from time to time hereafter be amended to increase the scope of permitted or required indemnification, if the indemnification provided for in this Agreement is unavailable to Indemnitee for any reason whatsoever, the Company, in lieu of indemnifying Indemnitee, shall contribute to the payment of any and all Indemnifiable Claims or Indemnifiable Losses, in such proportion as is fair and reasonable in light of all of the circumstances in order to reflect (i) the relative benefits received by the Company and Indemnitee as a result of the event(s) and/or transaction(s) giving cause to such Indemnifiable Claim or Indemnifiable Loss and/or (ii) the relative fault of the Company (and its other directors, officers, employees and agents) and Indemnitee in connection with such event(s) and/or transaction(s); *provided* that such contribution shall not be required where it is determined, pursuant to a final disposition of such Indemnifiable Claim or Indemnifiable Loss in accordance with Section 8 or pursuant to the last sentence of Section 9(a), that Indemnitee is not entitled to indemnification by the Company with respect to such Indemnifiable Claim or Indemnifiable Loss. The Company will indemnify and hold harmless Indemnitee from any claim of contribution that

may be brought by directors, officers, employees or other agents or representatives of the Company, other than Indemnitee, who may be jointly liable with Indemnitee.

6. **Partial Indemnity.** If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of any Indemnifiable Loss, but not for all of the total amount thereof, the Company shall indemnify Indemnitee for the portion thereof to which Indemnitee is entitled.

7. **Procedure for Notification.** To obtain indemnification under this Agreement in respect of an Indemnifiable Claim or Indemnifiable Loss, Indemnitee shall submit to the Company a written request therefor, including a brief description (based upon information then available to Indemnitee) of such Indemnifiable Claim or Indemnifiable Loss. If, at the time of the receipt of such request, the Company has directors' and officers' liability insurance in effect under which coverage for such Indemnifiable Claim or Indemnifiable Loss is potentially available, the Company shall give prompt written notice of such Indemnifiable Claim or Indemnifiable Loss to the applicable insurers in accordance with the procedures set forth in the applicable policies. The Company shall provide to Indemnitee a copy of such notice delivered to the applicable insurers, and copies of all subsequent correspondence between the Company and such insurers regarding the Indemnifiable Claim or Indemnifiable Loss, in each case substantially concurrently with the delivery or receipt thereof by the Company. If requested by Indemnitee, the Company shall use its best efforts when reasonable, at the Company's expense, to enforce on behalf of and for the benefit of Indemnitee all rights (including rights to receive payment) that may exist under the applicable policies of insurance in relation to such Indemnifiable Claim or Indemnifiable Loss. The failure by Indemnitee to timely notify the Company of any Indemnifiable Claim or Indemnifiable Loss shall not relieve the Company from any liability hereunder unless, and only to the extent that, the Company did not otherwise learn of such Indemnifiable Claim or Indemnifiable Loss and such failure results in forfeiture by the Company of substantial defenses, rights or insurance coverage.

8. **Determination of Right to Indemnification.**

(a) To the extent that Indemnitee shall have been successful on the merits or otherwise in defense of any Indemnifiable Claim or any portion thereof or in defense of any issue or matter therein, including through a dismissal without prejudice, Indemnitee shall be indemnified against Indemnifiable Losses relating to, arising out of or resulting from such Indemnifiable Claim in accordance with Section 2 and no Standard of Conduct Determination (as defined in Section 8(b)) shall be required with respect to such Indemnifiable Claim.

(b) To the extent that the provisions of Section 8(a) are inapplicable to an Indemnifiable Claim that shall have been finally disposed of, any determination of whether Indemnitee has satisfied any applicable standard of conduct under Ohio law that is a legally required condition precedent to indemnification of Indemnitee hereunder against Indemnifiable Losses relating to, arising out of or resulting from such Indemnifiable Claim (a "**Standard of Conduct Determination**") shall be made as follows: (i) by a majority vote of the Disinterested Directors, even if less than a quorum of the Board, (ii) if such Disinterested Directors so direct, by a majority vote of a committee of Disinterested Directors designated by a majority vote of all Disinterested Directors, or (iii) if there are no such Disinterested Directors or if Indemnitee so requests, by Independent Counsel, selected by the Indemnitee and approved by the Board (such approval not to be unreasonably withheld, delayed or conditioned), in a written opinion addressed to the Board, a copy of which shall be delivered to Indemnitee; *provided, however,* that if at the time of any Standard of Conduct Determination Indemnitee is neither a director nor an officer of the Company, such Standard of Conduct Determination may be made by or in the manner specified by the Board, any duly authorized committee of the Board or any duly authorized officer of the Company (unless Indemnitee requests that such Standard of Conduct Determination be made by Independent Counsel, in which case such Standard of Conduct Determination shall be made by Independent Counsel). Indemnitee will cooperate with the person or persons making such Standard of Conduct Determination, including providing to such person or persons, upon reasonable advance request, any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. The Company shall indemnify and hold harmless Indemnitee against and, if requested by Indemnitee, shall reimburse Indemnitee for, or advance to Indemnitee, within five business days of such request, any and all reasonable costs and expenses (including attorneys' and experts' fees and expenses) incurred by Indemnitee in so cooperating with the person or persons making such Standard of Conduct Determination.

(c) The Company shall use its reasonable efforts to cause any Standard of Conduct Determination required under Section 8(b) to be made as promptly as practicable. If (i) the person or persons empowered or selected under Section 8 to make the Standard of Conduct Determination shall not have made a determination within 30 days after the later of (A) receipt by the Company of written notice from Indemnitee advising the Company of the final disposition of the applicable Indemnifiable Claim (the date of such receipt being the "**Notification Date**") and (B) the

selection of an Independent Counsel, if such determination is to be made by Independent Counsel, and (ii) Indemnitee shall have fulfilled his or her obligations set forth in the second sentence of Section 8(b), then Indemnitee shall be deemed to have satisfied the applicable standard of conduct; *provided* that such 30-day period may be extended for a reasonable time, not to exceed an additional 30 days, if the person or persons making such determination in good faith requires such additional time for obtaining or evaluating any documentation or information relating thereto.

(d) If (i) Indemnitee shall be entitled to indemnification hereunder against any Indemnifiable Losses pursuant to Section 8(a), (ii) no determination of whether Indemnitee has satisfied any applicable standard of conduct under Ohio law is a legally required condition precedent to indemnification of Indemnitee hereunder against any Indemnifiable Losses, or (iii) Indemnitee has been determined or deemed pursuant to Section 8(b) or (c) to have satisfied any applicable standard of conduct under Ohio law which is a legally required condition precedent to indemnification of Indemnitee hereunder against any Indemnifiable Losses, then the Company shall pay to Indemnitee, within five business days after the later of (x) the Notification Date in respect of the Indemnifiable Claim or portion thereof to which such Indemnifiable Losses are related, out of which such Indemnifiable Losses arose or from which such Indemnifiable Losses resulted and (y) the earliest date on which the applicable criterion specified in clause (i), (ii) or (iii) above shall have been satisfied, an amount equal to the amount of such Indemnifiable Losses.

9. **Presumption of Entitlement.**

(a) In making a determination of whether Indemnitee has been successful on the merits or otherwise in defense of any Indemnifiable Claim or any portion thereof or in defense of any issue or matter therein, the Company acknowledges that a resolution, disposition or outcome short of dismissal or final judgment, including outcomes that permit Indemnitee to avoid expense, delay, embarrassment, injury to reputation, distraction, disruption or uncertainty, may constitute such success. In the event that any Indemnifiable Claim or any portion thereof or issue or matter therein is resolved or disposed of in any manner other than by adverse judgment against Indemnitee (including any resolution or disposition thereof by means of settlement with or without payment of money or other consideration), it shall be presumed that Indemnitee has been successful on the merits or otherwise in defense of such Indemnifiable Claim or portion thereof or issue or matter therein. The Company may overcome such presumption only by its adducing clear and convincing evidence to the contrary.

(b) In making any Standard of Conduct Determination, the person or persons making such determination shall presume that Indemnitee has satisfied the applicable standard of conduct, and the Company may overcome such presumption only by its adducing clear and convincing evidence to the contrary. The knowledge and/or action, or failure to act, of any other director, officer, employee, agent or representative of the Company will not be imputed to Indemnitee for purposes of any Standard of Conduct Determination. Any Standard of Conduct Determination that Indemnitee has satisfied the applicable standard of conduct shall be final and binding in all respects, including with respect to any litigation or other action or proceeding initiated by Indemnitee to enforce his or her rights hereunder. Any Standard of Conduct Determination that is adverse to Indemnitee may be challenged by Indemnitee in the state or federal courts in the State of Ohio. No determination by the Company (including by its directors or any Independent Counsel) that Indemnitee has not satisfied any applicable standard of conduct shall create a presumption that Indemnitee has not met any applicable standard of conduct.

(c) Without limiting the generality or effect of Section 9(b), (i) to the extent that any Indemnifiable Claim relates to any entity or enterprise (other than the Company) referred to in clause (i) of the first sentence of the definition of "Indemnifiable Claim," Indemnitee shall be deemed to have satisfied the applicable standard of conduct if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the interests of such entity or enterprise (or the owners or beneficiaries thereof, including in the case of any employee benefit plan the participants and beneficiaries thereof) and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his or her conduct was unlawful, and (ii) in all cases, any belief of Indemnitee that is based on the records or books of account of the Company, including financial statements, or on information supplied to Indemnitee by the directors or officers of the Company in the course of their duties, or on the advice of legal counsel for the Company, the Board, any committee of the Board or any director, or on information or records given or reports made to the Company, the Board, any committee of the Board or any director by an independent certified public accountant or by an appraiser or other expert selected by or on behalf of the Company, the Board, any committee of the Board or any director shall be deemed to be reasonable.

10. **No Adverse Presumption.** For purposes of this Agreement, the termination of any Claim by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of *nolo contendere* or its

equivalent, will not create a presumption that Indemnitee did not meet any applicable standard of conduct or that indemnification hereunder is otherwise not permitted.

11. **Non-Exclusivity.** The rights of Indemnitee hereunder will be in addition to any other rights Indemnitee may have against the Company under the Constituent Documents, or the substantive laws of the Company's jurisdiction of incorporation, any other contract or otherwise (collectively, "**Other Indemnity Provisions**"); *provided, however*, that (a) to the extent that Indemnitee otherwise would have any greater right to indemnification under any Other Indemnity Provision, Indemnitee will be deemed to have such greater right hereunder and (b) to the extent that any change is made to any Other Indemnity Provision which permits any greater right to indemnification than that provided under this Agreement as of the date hereof, Indemnitee will be deemed to have such greater right hereunder. The Company will not adopt any amendment to any of the Constituent Documents the effect of which would be to deny, diminish or encumber Indemnitee's right to indemnification under this Agreement or any Other Indemnity Provision.

12. **Liability Insurance and Funding.** For the duration of Indemnitee's service as a director and/or officer of the Company, and thereafter for so long as Indemnitee shall be subject to any pending or possible Indemnifiable Claim, the Company shall use reasonable efforts (taking into account the scope and amount of coverage available relative to the cost thereof and other relevant factors, including changes in the Company's business and/or industry) to cause to be maintained in effect policies of directors' and officers' liability insurance providing coverage for current and former directors and/or officers of the Company. Upon request, the Company shall provide Indemnitee with a copy of all directors' and officers' liability insurance applications, binders, policies, declarations and endorsements. The Company shall not discontinue or significantly reduce the scope or amount of coverage from one policy period to the next without the prior approval thereof by a majority vote of the Incumbent Directors, even if less than a quorum. In all policies of directors' and officers' liability insurance obtained by the Company, Indemnitee shall be included as an insured in such a manner as to provide Indemnitee the same rights and benefits, subject to the same limitations, as are accorded to the Company's directors and officers most favorably insured by such policy. The Company may, but shall not be required to, create a trust fund, grant a security interest or use other means, including a letter of credit, to ensure the payment of such amounts as may be necessary to satisfy its obligations to indemnify and advance expenses pursuant to this Agreement.

13. **Subrogation.** In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the related rights of recovery of Indemnitee against other persons or entities (other than Indemnitee's successors), including any entity or enterprise referred to in clause (i) of the definition of "Indemnifiable Claim" in Section 1(g). Indemnitee shall execute all papers reasonably required to evidence such rights (all of Indemnitee's reasonable Expenses, including attorneys' fees and charges, related thereto to be reimbursed by or, at the option of Indemnitee, advanced by the Company).

14. **No Duplication of Payments.** The Company shall not be liable under this Agreement to make any payment to Indemnitee in respect of any Indemnifiable Losses to the extent Indemnitee has otherwise actually received and is entitled to retain payment (net of any Expenses incurred in connection therewith and any repayment by Indemnitee made with respect thereto) under any insurance policy, the Constituent Documents and Other Indemnity Provisions or otherwise (including from any entity or enterprise referred to in clause (i) of the definition of "Indemnifiable Claim" in Section 1(g)) in respect of such Indemnifiable Losses otherwise indemnifiable hereunder.

15. **Defense of Claims.** Except for any Indemnifiable Claim asserted by or in the right of the Company (as to which Indemnitee shall be entitled to exclusively control the defense), the Company shall be entitled to participate in the defense of any Indemnifiable Claim or to assume the defense thereof, with counsel reasonably satisfactory to Indemnitee. The Company's participation in the defense of any Indemnifiable Claim of which the Company has not assumed the defense will not in any manner affect the rights of Indemnitee under this Agreement, including Indemnitee's right to control the defense of such Indemnifiable Claims. With respect to the period (if any) commencing at the time at which the Company notifies Indemnitee that the Company has assumed the defense of any Indemnifiable Claim and continuing for so long as the Company shall be using its reasonable best efforts to provide an effective defense of such Indemnifiable Claim, the Company shall have the right to control the defense of such Indemnifiable Claim and shall have no obligation under this Agreement in respect of any attorneys' or experts' fees or expenses or any other costs or expenses paid or incurred by Indemnitee in connection with defending such Indemnifiable Claim (other than such costs and expenses paid or incurred by Indemnitee in connection with any cooperation in the Company's defense of such Indemnifiable Claim or other action undertaken by Indemnitee at the request of the Company or with the consent of the Company (which consent shall not be unreasonably withheld, conditioned or delayed)); *provided* that if Indemnitee believes, after consultation with counsel selected by Indemnitee, that (a) the use of counsel chosen by the Company to represent Indemnitee would present such counsel with an actual or potential conflict, (b) the named

parties in any such Indemnifiable Claim (including any impleaded parties) include both the Company and Indemnitee and Indemnitee shall conclude that there may be one or more legal defenses available to him or her that are different from or in addition to those available to the Company, or (c) any such representation by such counsel chosen by the Company would be precluded under the applicable standards of professional conduct then prevailing, then Indemnitee shall be entitled to retain and use the services of separate counsel (but not more than one law firm plus, if applicable, local counsel in respect of any particular Indemnifiable Claim) at the Company's expense. Nothing in this Agreement shall limit Indemnitee's right to retain or use his or her own counsel at his or her own expense in connection with any Indemnifiable Claim; *provided* that in all events Indemnitee shall not unreasonably interfere with the conduct of the defense by the Company of any Indemnifiable Claim that the Company shall have assumed and of which the Company shall be using its reasonable best efforts to provide an effective defense. The Company shall not be liable to Indemnitee under this Agreement for any amounts paid in settlement of any threatened or pending Indemnifiable Claim effected without the Company's prior written consent. The Company shall not, without the prior written consent of Indemnitee, effect any settlement of any threatened or pending Indemnifiable Claim to which Indemnitee is, or could have been, a party unless such settlement solely involves the payment of money and includes a complete and unconditional release of Indemnitee from all liability on any claims that are the subject matter of such Indemnifiable Claim. Neither the Company nor Indemnitee shall unreasonably withhold, condition or delay its consent to any proposed settlement; *provided* that Indemnitee may withhold consent to any settlement that does not provide a complete and unconditional release of Indemnitee.

16. **Successors and Binding Agreement.**

(a) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation, reorganization or otherwise) to all or substantially all of the business or assets of the Company, by agreement in form and substance satisfactory to Indemnitee and his or her counsel, expressly to assume and agree to perform this Agreement in the same manner and to the same extent the Company would be required to perform if no such succession had taken place. This Agreement shall be binding upon and inure to the benefit of the Company and any successor to the Company, including any person acquiring directly or indirectly all or substantially all of the business or assets of the Company whether by purchase, merger, consolidation, reorganization or otherwise (and such successor will thereafter be deemed the "**Company**" for purposes of this Agreement), but shall not otherwise be assignable or delegatable by the Company.

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

(c) This Agreement is personal in nature and neither of the parties hereto shall, without the consent of the other, assign or delegate this Agreement or any rights or obligations hereunder except as expressly provided in Sections 16(a) and 16(b). Without limiting the generality or effect of the foregoing, Indemnitee's right to receive payments hereunder shall not be assignable, whether by pledge, creation of a security interest or otherwise, other than by a transfer by Indemnitee's will or by the laws of descent and distribution, and, in the event of any attempted assignment or transfer contrary to this Section 16(c), the Company shall have no liability to pay any amount so attempted to be assigned or transferred.

17. **Notices.** For all purposes of this Agreement, all communications, including notices, consents, requests or approvals, required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when hand delivered or dispatched by electronic facsimile or email transmission (with receipt thereof orally confirmed), or five business days after having been mailed by United States registered or certified mail, return receipt requested, postage prepaid or one business day after having been sent for next-day delivery by a nationally recognized overnight courier service, addressed to the Company (to the attention of the Secretary of the Company) and to Indemnitee at the applicable address shown on the signature page hereto, or to such other address as any party hereto may have furnished to the other in writing and in accordance herewith, except that notices of changes of address will be effective only upon receipt.

18. **Governing Law.** The validity, interpretation, construction and performance of this Agreement shall be governed by and construed in accordance with the substantive laws of the State of Ohio, without giving effect to the principles of conflict of laws of such State. The Company and Indemnitee each hereby irrevocably consent to the jurisdiction of the state and federal courts located in State of Ohio for all purposes in connection with any action or proceeding which arises out of or relates to this Agreement and agree that any action instituted under this Agreement shall be brought only in the state and federal courts located in State of Ohio.

19. **Validity.** If any provision of this Agreement or the application of any provision hereof to any person or circumstance is held invalid, unenforceable or otherwise illegal, the remainder of this Agreement and the application of such provision to any other person or circumstance shall not be affected, and the provision so held to be invalid, unenforceable or otherwise illegal shall be reformed to the extent, and only to the extent, necessary to make it enforceable, valid or legal. In the event that any court or other adjudicative body shall decline to reform any provision of this Agreement held to be invalid, unenforceable or otherwise illegal as contemplated by the immediately preceding sentence, the parties thereto shall take all such action as may be necessary or appropriate to replace the provision so held to be invalid, unenforceable or otherwise illegal with one or more alternative provisions that effectuate the purpose and intent of the original provisions of this Agreement as fully as possible without being invalid, unenforceable or otherwise illegal. This Agreement shall replace and supersede the indemnification agreement in effect between Indemnitee and the Company immediately prior to the execution and delivery of this Agreement by Indemnitee and the Company.

20. **Miscellaneous.** No provision of this Agreement may be waived, modified or discharged unless such waiver, modification or discharge is agreed to in writing signed by Indemnitee and the Company. No waiver by either party hereto at any time of any breach by the other party hereto or compliance with any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, expressed or implied with respect to the subject matter hereof have been made by either party hereto that are not set forth expressly in this Agreement.

21. **Legal Fees and Expenses; Interest.**

(a) It is the intent of the Company that Indemnitee not be required to incur legal fees and or other Expenses associated with the interpretation, enforcement or defense of Indemnitee's rights under this Agreement by litigation or otherwise because the cost and expense thereof would substantially detract from the benefits intended to be extended to Indemnitee hereunder. Accordingly, without limiting the generality or effect of any other provision hereof, if it should appear to Indemnitee that the Company has failed to comply with any of its obligations under this Agreement (including its obligations under Section 3) or in the event that the Company or any other person takes or threatens to take any action to declare this Agreement void or unenforceable, or institutes any litigation or other action or proceeding designed to deny, or to recover from, Indemnitee the benefits provided or intended to be provided to Indemnitee hereunder, the Company irrevocably authorizes Indemnitee from time to time to retain counsel of Indemnitee's choice, at the expense of the Company as hereafter provided, to advise and represent Indemnitee in connection with any such interpretation, enforcement or defense, including the initiation or defense of any litigation or other legal action, whether by or against the Company or any director, officer, shareholder or other person affiliated with the Company, in any jurisdiction. Notwithstanding any existing or prior attorney-client relationship between the Company and such counsel, the Company irrevocably consents to Indemnitee's entering into an attorney-client relationship with such counsel, and in that connection the Company and Indemnitee agree that a confidential relationship shall exist between Indemnitee and such counsel. The Company will pay and be solely financially responsible for any and all reasonable attorneys' and related fees and expenses incurred by Indemnitee in connection with any of the foregoing to the fullest extent permitted or required by the laws of the State of Ohio in effect on the date hereof or as such laws may from time to time hereafter be amended to increase the scope of such permitted or required payment of such fees and expenses.

(b) Any amount due to Indemnitee under this Agreement that is not paid by the Company by the date on which it is due will accrue interest at the maximum legal rate under Ohio law from the date on which such amount is due to the date on which such amount is paid to Indemnitee.

22. **Certain Interpretive Matters.** Unless the context of this Agreement otherwise requires, (a) "it" or "its" or words of any gender include each other gender, (b) words using the singular or plural number also include the plural or singular number, respectively, (c) the terms "hereof," "herein," "hereby" and derivative or similar words refer to this entire Agreement, (d) the terms "Article", "Section" or "Exhibit" refer to the specified Section or Exhibit of or to this Agreement, (e) the terms "include," "includes" and "including" will be deemed to be followed by the words "without limitation" (whether or not so expressed), and (f) the word "or" is disjunctive but not exclusive. Whenever this Agreement refers to a number of days, such number will refer to calendar days unless business days are specified and whenever action must be taken (including the giving of notice or the delivery of documents) under this Agreement during a certain period of time or by a particular date that ends or occurs on a non-business day, then such period or date will be extended until the immediately following business day. As used herein, "business day" means any day other than Saturday, Sunday or a United States federal holiday.

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

[Signatures Appear on Following Page]

IN WITNESS WHEREOF, Indemnitee has executed and the Company has caused its duly authorized representative to execute this Agreement as of the date first above written.

CLEVELAND-CLIFFS INC.
200 Public Square, Suite 3300
Cleveland, Ohio 44114

By: _____
Name:
Title

[INDEMNITEE]
[Address]

[Indemnitee]

EXHIBIT A
UNDERTAKING

STATE OF OHIO)
) SS
COUNTY OF)

I, _____, being first duly sworn, do depose and say as follows:

1. This Undertaking is submitted pursuant to the Director and Officer Indemnification Agreement, dated _____, _____, between Cleveland-Cliffs Inc., an Ohio corporation (the "**Company**") and the undersigned.

2. I am requesting payment of Expenses that I have reasonably incurred or will reasonably incur in defending an Indemnifiable Claim referred to in the aforesaid Director and Officer Indemnification Agreement.

3. The Expenses for which payment is requested are, in general, all expenses related to _____.

4. Part A

I hereby undertake to (a) repay the amounts paid pursuant hereto if and to the extent it is proved by clear and convincing evidence in a court of competent jurisdiction that my action or failure to act which is the subject of the matter described herein involved an act or omission undertaken with deliberate intent to cause injury to the Company or undertaken with reckless disregard for the best interests of the Company and (b) reasonably cooperate with the Company concerning the action, suit, proceeding or claim.

[Indemnatee Name]

5. Part B

I hereby undertake to repay the amounts paid pursuant hereto if and to the extent it ultimately is determined that I am not entitled to be indemnified by the Company for all or part of such amounts under the aforesaid Director and Officer Indemnification Agreement or otherwise.

Indemnatee shall not be eligible to execute Part A of this Undertaking if, at the time of Indemnatee's act or omission at issue, the Articles or the Regulations of the Company prohibit such advances by specific reference to the ORC Section 1701.13(E)(5)(a), or if the only liability asserted against Indemnatee is in an action, suit, or proceeding on the Company's behalf pursuant to ORC Section 1701.95. In the event that Indemnatee is eligible to and does execute both Part A and Part B hereof, the costs, charges, and expenses which are paid by the Company pursuant hereto shall be required to be repaid by Indemnatee only if Indemnatee is required to do so under the terms of both Part A and Part B.

[Indemnatee Name]

Subscribed and sworn to before me, a Notary Public in and for said County and State, this _____ day of _____, _____.

[Seal]

My commission expires the _____ day of _____, _____.

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: April 25, 2019

By: /s/ Lourenco Goncalves

Lourenco Goncalves
Chairman, President and Chief Executive Officer

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: April 25, 2019

By: /s/ Keith A. Koci

Keith A. Koci

Executive Vice President, Chief Financial Officer

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

In connection with the Quarterly Report of Cleveland-Cliffs Inc. (the "Company") on Form 10-Q for the period ended March 31, 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: April 25, 2019

By: /s/ Lourenco Goncalves

Lourenco Goncalves
Chairman, President and Chief Executive Officer

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

In connection with the Quarterly Report of Cleveland-Cliffs Inc. (the "Company") on Form 10-Q for the period ended March 31, 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: April 25, 2019

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

Mine Safety Disclosures

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

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

- (A) The total number of violations of mandatory health or safety standards that could significantly and substantially contribute to the cause and effect of a coal or other mine safety or health hazard under section 104 of the FMSH Act (30 U.S.C. 814) for which the operator received a citation from MSHA;
- (B) The total number of orders issued under section 104(b) of the FMSH Act (30 U.S.C. 814(b));
- (C) The total number of citations and orders for unwarrantable failure of the mine operator to comply with mandatory health or safety standards under section 104(d) of the FMSH Act (30 U.S.C. 814(d));
- (D) The total number of imminent danger orders issued under section 107(a) of the FMSH Act (30 U.S.C. 817(a));
- (E) The total dollar value of proposed assessments from MSHA under the FMSH Act (30 U.S.C. 801 et seq.);
- (F) Legal actions pending before the Federal Mine Safety and Health Review Commission involving such coal or other mine as of the last day of the period;
- (G) Legal actions initiated before the Federal Mine Safety and Health Review Commission involving such coal or other mine during the period; and
- (H) Legal actions resolved before the Federal Mine Safety and Health Review Commission involving such coal or other mine during the period.

During the three months ended March 31, 2019, our U.S. mine locations did not receive any flagrant violations under section 110(b)(2) of the FMSH Act or any written notices of a pattern of violations, or the potential to have such a pattern of violations, under section 104(e) of the FMSH Act. In addition, there were no mining-related fatalities at any of our U.S. mine locations during this same period.

Following is a summary of the information listed above for the three months ended March 31, 2019:

		Three Months Ended March 31, 2019								
		(A)	(B)	(C)	(D)	(E)	(F)		(G)	(H)
Mine Name/ MSHA ID No.	Operation	Section 104 S&S Citations	Section 104(b) Orders	Section 104(d) Citations & Orders	Section 107(a) Orders	Total Dollar Value of MSHA Proposed Assessments (1)	Legal Actions Pending as of Last Day of Period		Legal Actions Initiated During Period	Legal Actions Resolved During Period
Tilden / 2000422	Iron Ore	9	—	—	—	\$ 197,041	4	(2)	3	3
Empire / 2001012	Iron Ore	—	—	—	—	—	—	—	—	—
Northshore Plant / 2100831	Iron Ore	2	—	—	—	20,020	5	(3)	—	3
Northshore Mine / 2100209	Iron Ore	1	—	—	1	363	—	—	—	—
Hibbing / 2101600	Iron Ore	6	—	—	—	12,056	3	(4)	1	2
United Taconite Plant / 2103404	Iron Ore	16	—	—	—	138,053	—	—	—	—
United Taconite Mine / 2103403	Iron Ore	4	—	—	—	2,012	—	—	—	—

- (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 March 31, 2019.
- (2) This number consists of 4 pending legal actions related to contests of proposed penalties referenced in Subpart C of FMSH Act's procedural rules.
- (3) This number consists of 1 pending legal action related to the contest 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 3 pending legal actions related to contests of proposed penalties referenced in Subpart C of FMSH Act's procedural rules.