

CLIFFS NATURAL RESOURCES INC.

Form 10-Q

July 28, 2016

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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 June 30, 2016

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number: 1-8944

CLIFFS NATURAL RESOURCES INC.

(Exact Name of Registrant as Specified in Its Charter)

Ohio 34-1464672

(State or Other Jurisdiction of (I.R.S. Employer

Incorporation or Organization) Identification No.)

200 Public Square, Cleveland, Ohio 44114-2315

(Address of Principal Executive Offices) (Zip Code)

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

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

YES  NO

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

YES  NO

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

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

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

YES  NO

The number of shares outstanding of the registrant's common shares, par value \$0.125 per share, was 183,870,057 as of July 25, 2016.

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## DEFINITIONS

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

Abbreviation or acronym	Term
ABL Facility	Syndicated Facility Agreement by and among Bank of America, N.A., as Administrative Agent and Australian Security Trustee, the Lenders that are parties hereto, Cliffs Natural Resources Inc., as Parent and a Borrower, and the Subsidiaries of Parent party hereto, as Borrowers dated as of March 30, 2015
ArcelorMittal	ArcelorMittal (as the parent company of ArcelorMittal Mines Canada, ArcelorMittal USA and ArcelorMittal Dofasco, as well as, many other subsidiaries)
ASC	Accounting Standards Codification
ASU	Accounting Standards Updates
Bloom Lake	The Bloom Lake Iron Ore Mine Limited Partnership
Bloom Lake Group	Bloom Lake General Partner Limited and certain of its affiliates, including Cliffs Quebec Iron Mining ULC
Canadian Entities	Bloom Lake Group, Wabush Group and certain other wholly-owned Canadian subsidiaries
CCAA	Companies' Creditors Arrangement Act (Canada)
Chromite Project	Cliffs Chromite Ontario Inc.
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
DR-grade pellets	Direct Reduction pellets
EAF	Electric Arc Furnace
EBITDA	Earnings before interest, taxes, depreciation and amortization
Empire	Empire Iron Mining Partnership
Essar	Essar Steel Algoma Inc.
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
Fe	Iron
GAAP	Accounting principles generally accepted in the United States
Hibbing	Hibbing Taconite Company
Koolyanobbing	Collective term for the operating deposits at Koolyanobbing, Mount Jackson and Windarling
LTVSMC	LTV Steel Mining Company
MMBtu	Million British Thermal Units
Monitor	FTI Consulting Canada Inc.
Moody's	Moody's Investors Service, Inc., a subsidiary of Moody's Corporation, and its successors
Northshore	Northshore Mining Company
N/M	Not meaningful
Oak Grove	Oak Grove Resources, LLC
OPEB	Other postretirement employment benefits
Pinnacle	Pinnacle Mining Company, LLC
Platts IODEX	Refers to the Platts daily iron ore assessment rate for “IODEX 62% Fe cost and freight North China” or seaborne traded iron ore fines as published in the McGraw-Hill Companies ‘Platts Steel Markets Daily’ report
Preferred Share	7.00 percent Series A Mandatory Convertible Preferred Stock, Class A, without par value
S&P	Standard & Poor's Rating Services, a division of Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc., and its successors

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SEC	U.S. Securities and Exchange Commission
SG&A	Selling, general and administrative
Securities Act	Securities Act of 1933, as amended
Substitute Rating Agency	A "nationally recognized statistical rating organization" within the meaning of Section 3(a)(62) of the Exchange Act, selected by us (as certified by a certificate of officers confirming the decision of our Board of Directors) as a replacement agency of Moody's or S&P, or both of them, as the case may be
Tilden	Tilden Mining Company
TDR	Troubled debt restructuring
United Taconite	United Taconite LLC
U.S.	United States of America
Wabush	Wabush Mines Joint Venture
Wabush Group	Wabush Iron Co. Limited and Wabush Resources Inc., and certain of its affiliates, including Wabush Mines (an unincorporated joint venture of Wabush Iron Co. Limited and Wabush Resources Inc.), Arnaud Railway Company and Wabush Lake Railway Company
2015 Equity Plan	Cliffs Natural Resources Inc. 2015 Equity and Incentive Compensation Plan

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## PART I

## Item 1. Financial Statements

## Statements of Unaudited Condensed Consolidated Financial Position

## Cliffs Natural Resources Inc. and Subsidiaries

	(In Millions)	
	June 30, 2016	December 31, 2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 108.2	\$ 285.2
Accounts receivable, net	61.5	40.2
Inventories	391.2	329.6
Supplies and other inventories	102.0	110.4
Short-term assets of discontinued operations	—	14.9
Loans to and accounts receivable from the Canadian Entities	70.2	72.9
Insurance coverage receivable	0.8	93.5
Other current assets	45.3	36.0
TOTAL CURRENT ASSETS	779.2	982.7
PROPERTY, PLANT AND EQUIPMENT, NET	993.1	1,059.0
OTHER ASSETS		
Other non-current assets	78.7	93.8
TOTAL OTHER ASSETS	78.7	93.8
TOTAL ASSETS	\$1,851.0	\$ 2,135.5

(continued)

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

Table of ContentsStatements of Unaudited Condensed Consolidated Financial Position  
Cliffs Natural Resources Inc. and Subsidiaries - (Continued)

	(In Millions)	
	June 30, 2016	December 31, 2015
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$91.9	\$ 106.3
Accrued expenses	141.1	156.0
Short-term liabilities of discontinued operations	4.4	6.9
Guarantees	0.2	96.5
Insured loss	0.8	93.5
Other current liabilities	137.7	122.5
<b>TOTAL CURRENT LIABILITIES</b>	<b>376.1</b>	<b>581.7</b>
<b>PENSION AND POSTEMPLOYMENT BENEFIT LIABILITIES</b>	<b>206.4</b>	<b>221.0</b>
<b>ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS</b>	<b>217.4</b>	<b>231.2</b>
<b>LONG-TERM DEBT</b>	<b>2,489.7</b>	<b>2,699.4</b>
<b>OTHER LIABILITIES</b>	<b>240.3</b>	<b>213.8</b>
<b>TOTAL LIABILITIES</b>	<b>3,529.9</b>	<b>3,947.1</b>
<b>COMMITMENTS AND CONTINGENCIES (SEE NOTE 20)</b>		
<b>EQUITY</b>		
<b>CLIFFS SHAREHOLDERS' DEFICIT</b>		
Preferred Stock - no par value		
Class A - 3,000,000 shares authorized		
7% Series A Mandatory Convertible, Class A, no par value and \$1,000 per share liquidation preference		
Issued and Outstanding - no shares (2015 - 731,223 shares)	—	731.3
Class B - 4,000,000 shares authorized		
Common Shares - par value \$0.125 per share		
Authorized - 400,000,000 shares (2015 - 400,000,000 shares);		
Issued - 189,622,349 shares (2015 - 159,546,224 shares);		
Outstanding - 183,864,626 shares (2015 - 153,591,930 shares)	23.7	19.8
Capital in excess of par value of shares	3,037.5	2,298.9
Retained deficit	(4,627.4 )	(4,748.4 )
Cost of 5,757,723 common shares in treasury (2015 - 5,954,294 shares)	(255.5 )	(265.0 )
Accumulated other comprehensive loss	(9.0 )	(18.0 )
<b>TOTAL CLIFFS SHAREHOLDERS' DEFICIT</b>	<b>(1,830.7 )</b>	<b>(1,981.4 )</b>
<b>NONCONTROLLING INTEREST</b>	<b>151.8</b>	<b>169.8</b>
<b>TOTAL DEFICIT</b>	<b>(1,678.9 )</b>	<b>(1,811.6 )</b>
<b>TOTAL LIABILITIES AND DEFICIT</b>	<b>\$1,851.0</b>	<b>\$ 2,135.5</b>

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

Table of ContentsStatements of Unaudited Condensed Consolidated Operations  
Cliffs Natural Resources Inc. and Subsidiaries

	(In Millions, Except Per Share Amounts)			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
<b>REVENUES FROM PRODUCT SALES AND SERVICES</b>				
Product	\$452.8	\$454.3	\$728.4	\$857.4
Freight and venture partners' cost reimbursements	43.4	43.8	73.3	86.7
	496.2	498.1	801.7	944.1
<b>COST OF GOODS SOLD AND OPERATING EXPENSES</b>	(404.7 )	(440.8 )	(679.3 )	(806.0 )
<b>SALES MARGIN</b>	91.5	57.3	122.4	138.1
<b>OTHER OPERATING INCOME (EXPENSE)</b>				
Selling, general and administrative expenses	(22.5 )	(30.8 )	(50.7 )	(59.8 )
Miscellaneous - net	5.7	(0.8 )	2.7	19.3
	(16.8 )	(31.6 )	(48.0 )	(40.5 )
<b>OPERATING INCOME</b>	74.7	25.7	74.4	97.6
<b>OTHER INCOME (EXPENSE)</b>				
Interest expense, net	(50.7 )	(63.6 )	(107.5 )	(106.5 )
Gain on extinguishment/restructuring of debt	3.6	—	182.4	313.7
Other non-operating income (expense)	0.2	(2.1 )	0.3	(2.9 )
	(46.9 )	(65.7 )	75.2	204.3
<b>INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES</b>	27.8	(40.0 )	149.6	301.9
<b>INCOME TAX BENEFIT (EXPENSE)</b>	2.1	1.8	(5.4 )	(173.3 )
<b>INCOME (LOSS) FROM CONTINUING OPERATIONS</b>	29.9	(38.2 )	144.2	128.6
<b>INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX</b>	(0.4 )	103.4	2.1	(825.1 )
<b>NET INCOME (LOSS)</b>	29.5	65.2	146.3	(696.5 )
<b>INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST</b>				
(Three and Six Months Ended June 30, 2016 - No loss related to Discontinued Operations, Three Months Ended June 30, 2015 - No loss related to Discontinued Operations, Six Months Ended June 30, 2015 - Loss of \$7.7 million related to Discontinued Operations)	(16.7 )	(5.0 )	(25.5 )	(3.1 )
<b>NET INCOME (LOSS) ATTRIBUTABLE TO CLIFFS SHAREHOLDERS</b>	\$12.8	\$60.2	\$120.8	\$(699.6)
<b>PREFERRED STOCK DIVIDENDS</b>	—	—	—	(12.8 )
<b>NET INCOME (LOSS) ATTRIBUTABLE TO CLIFFS COMMON SHAREHOLDERS</b>	\$12.8	\$60.2	\$120.8	\$(712.4)
<b>EARNINGS (LOSS) PER COMMON SHARE ATTRIBUTABLE TO CLIFFS SHAREHOLDERS - BASIC</b>				
Continuing operations	\$0.07	\$(0.28 )	\$0.67	\$0.74
Discontinued operations	—	0.67	0.01	(5.39 )
	\$0.07	\$0.39	\$0.68	\$(4.65 )
<b>EARNINGS (LOSS) PER COMMON SHARE ATTRIBUTABLE TO CLIFFS SHAREHOLDERS - DILUTED</b>				
Continuing operations	\$0.07	\$(0.28 )	\$0.67	\$0.70
Discontinued operations	—	0.67	0.01	(4.62 )

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	\$0.07	\$0.39	\$0.68	\$(3.92 )
AVERAGE NUMBER OF SHARES (IN THOUSANDS)				
Basic	182,330	153,232	177,003	153,203
Diluted	184,557	153,232	178,305	178,685
CASH DIVIDENDS DECLARED PER DEPOSITARY SHARE	\$—	\$—	\$—	\$0.44

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

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Table of ContentsStatements of Unaudited Condensed Consolidated Comprehensive Income (Loss)  
Cliffs Natural Resources Inc. and Subsidiaries

	(In Millions)			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
NET INCOME (LOSS) ATTRIBUTABLE TO CLIFFS SHAREHOLDERS	\$12.8	\$60.2	\$120.8	\$(699.6)
OTHER COMPREHENSIVE INCOME (LOSS)				
Changes in pension and other post-retirement benefits, net of tax	6.5	0.6	11.9	29.4
Unrealized net gain on marketable securities, net of tax	—	0.7	—	1.5
Unrealized net gain (loss) on foreign currency translation	(2.7 )	0.5	1.7	168.5
Unrealized net gain (loss) on derivative financial instruments, net of tax	0.2	8.3	(3.3 )	7.5
OTHER COMPREHENSIVE INCOME	4.0	10.1	10.3	206.9
OTHER COMPREHENSIVE LOSS (INCOME) ATTRIBUTABLE TO THE NONCONTROLLING INTEREST	(0.7 )	(0.8 )	(1.3 )	10.0
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO CLIFFS SHAREHOLDERS	\$16.1	\$69.5	\$129.8	\$(482.7)

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

Table of ContentsStatements of Unaudited Condensed Consolidated Cash Flows  
Cliffs Natural Resources Inc. and Subsidiaries

	(In Millions)	
	Six Months	
	Ended	
	June 30,	
	2016	2015
<b>OPERATING ACTIVITIES</b>		
Net income (loss)	\$146.3	\$(696.5)
Adjustments to reconcile net income (loss) to net cash used by operating activities:		
Depreciation, depletion and amortization	62.1	63.5
Impairment of other long-lived assets	—	76.6
Deferred income taxes	—	162.6
Gain on extinguishment/restructuring of debt	(182.4 )	(313.7 )
(Gain) loss on deconsolidation, net of cash deconsolidated	(4.1 )	641.4
Other	5.2	54.3
Changes in operating assets and liabilities:		
Receivables and other assets	103.6	136.6
Inventories	(52.2 )	(217.4 )
Payables, accrued expenses and other liabilities	(97.8 )	(155.6 )
Net cash used by operating activities	(19.3 )	(248.2 )
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(20.2 )	(34.4 )
Other investing activities	5.9	0.4
Net cash used by investing activities	(14.3 )	(34.0 )
<b>FINANCING ACTIVITIES</b>		
Repayment of equipment loans	(95.6 )	(1.9 )
Distributions of partnership equity	(28.1 )	(17.1 )
Debt issuance costs	(5.2 )	(33.6 )
Proceeds from first lien notes offering	—	503.5
Repurchase of debt	—	(133.3 )
Borrowings under credit facilities	105.0	309.8
Repayment under credit facilities	(105.0 )	(309.8 )
Preferred stock dividends	—	(25.6 )
Other financing activities	(13.6 )	(23.6 )
Net cash provided (used) by financing activities	(142.5 )	268.4
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(0.9 )	(0.9 )
DECREASE IN CASH AND CASH EQUIVALENTS	(177.0 )	(14.7 )
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	285.2	290.9
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$108.2	\$276.2

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

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Cliffs Natural Resources Inc. and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements

**NOTE 1 - BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

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

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

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

Intercompany transactions and balances are eliminated upon consolidation.

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Equity Method Investments

Our 23 percent ownership interest in Hibbing is recorded as an equity method investment. As of June 30, 2016 and December 31, 2015, our investment in Hibbing was \$3.7 million and \$2.4 million, respectively, classified as Other liabilities in the Statements of Unaudited Condensed Consolidated Financial Position.

Foreign Currency

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

For the three and six months ended June 30, 2016, we incurred a net gain of \$0.2 million and a net loss of \$0.9 million, respectively, from the impact of transaction gains and losses resulting from remeasurement. Of these amounts, for the three months ended June 30, 2016, gains of \$0.5 million and losses of \$0.2 million and for the six months ended June 30, 2016, gains of \$1.5 million and losses of \$2.6 million resulted from remeasurement of cash and cash equivalents and remeasurement of certain obligations, respectively.

For the three and six months ended June 30, 2015, net losses of \$0.8 million and gains of \$12.7 million, respectively, related to the impact of transaction gains and losses resulting from remeasurement. Of these amounts, for the three months ended June 30, 2015, losses of \$0.7 million resulted from remeasurement of cash and cash equivalents, respectively. Additionally, of these amounts for the six months ended June 30, 2015, gains of \$12.4 million and \$0.7 million resulted from remeasurement of short-term intercompany loans and cash and cash equivalents, respectively.

Significant Accounting Policies

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

Recent Accounting Pronouncements

Issued and Not Effective

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

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

NOTE 2 - SEGMENT REPORTING

Our continuing operations are organized and managed according to geographic location: U.S. Iron Ore and Asia Pacific Iron Ore. The U.S. Iron Ore segment is comprised of our interests in five U.S. mines that provide iron ore to the integrated steel industry. The Asia Pacific Iron Ore segment is located in Western Australia and provides iron ore to the seaborne market for Asian steel producers. There were no intersegment revenues in the first half of 2016 or 2015.

We have historically evaluated segment performance based on sales margin, defined as revenues less cost of goods sold, and operating expenses identifiable to each segment. Additionally, we evaluate segment performance based on the key indicators of EBITDA, defined as net income (loss) before interest, income taxes, depreciation, depletion and

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amortization, and Adjusted EBITDA, defined as EBITDA excluding certain items such as impacts of discontinued operations, extinguishment/restructuring of debt, severance and contractor termination costs, foreign currency remeasurement, and intersegment corporate allocations of SG&A costs. These measures allow management and investors to focus on our ability to service our debt, as well as, illustrate how the business and each operating segment is performing. Additionally, EBITDA and Adjusted EBITDA assist management and investors in their analysis and forecasting as these measures approximate the cash flows associated with operational earnings.

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

(In Millions)

Three Months Ended June 30, 2016	Six Months Ended June 30, 2015
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