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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, 2005
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

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

Ohio	34-1464672
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

1100 Superior Avenue, Cleveland, Ohio 44114-2589
(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 is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

YES ☑ NO ☐

As of July 22, 2005, there were 21,882,764 Common Shares (par value $.50 per share) outstanding.

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PART I — FINANCIAL INFORMATION

ITEM 1 — FINANCIAL STATEMENTS

CLEVELAND-CLIFFS INC AND CONSOLIDATED SUBSIDIARIES

STATEMENT OF CONDENSED CONSOLIDATED OPERATIONS (UNAUDITED)

	(In Millions, Except Per Share Amounts) Three Months Ended June 30		(In Millions, Except Per Share Amounts) Six Months Ended June 30	
	2005	2004	2005	2004
REVENUES FROM PRODUCT SALES AND SERVICES				
Iron ore	$ 424.5	$ 257.5	$ 643.7	$ 421.4
Freight and venture partners' cost reimbursements	60.8	41.0	113.2	110.8
	485.3	298.5	756.9	532.2
COST OF GOODS SOLD AND OPERATING EXPENSES	(349.1)	(261.2)	(577.7)	(489.0)
SALES MARGIN	136.2	37.3	179.2	43.2
OTHER OPERATING INCOME (EXPENSE)				
Casualty insurance recoveries	10.6		10.6	
Royalties and management fee revenue	3.5	2.9	6.2	5.8
Administrative, selling and general expenses	(10.3)	(4.0)	(21.6)	(13.0)
Impairment of mining assets		(.8)		(1.8)
Provision for customer bankruptcy exposures				(1.6)
Miscellaneous — net	(1.8)		(2.8)	(.5)
	2.0	(1.9)	(7.6)	(11.1)
OPERATING INCOME	138.2	35.4	171.6	32.1
OTHER INCOME (EXPENSE)				
Interest income	3.1	2.6	7.0	5.2
Interest expense	(1.7)	(.2)	(1.9)	(.5)
Other — net	.4	.9	(9.3)	1.9
	1.8	3.3	(4.2)	6.6
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND MINORITY INTEREST	140.0	38.7	167.4	38.7
INCOME TAX EXPENSE	(36.5)	(5.9)	(43.5)	(5.9)
MINORITY INTEREST (net of tax $1.6)	(3.9)		(3.9)	
INCOME FROM CONTINUING OPERATIONS	99.6	32.8	120.0	32.8
INCOME FROM DISCONTINUED OPERATION (net of tax $.1 and $.4)	.1		.7	
INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	99.7	32.8	120.7	32.8
CUMULATIVE EFFECT OF ACCOUNTING CHANGE (net of tax $2.2)			4.2	
NET INCOME	99.7	32.8	124.9	32.8
PREFERRED STOCK DIVIDENDS	(1.4)	(1.4)	(2.8)	(2.5)
INCOME APPLICABLE TO COMMON SHARES	$ 98.3	$ 31.4	$ 122.1	$ 30.3
EARNINGS PER COMMON SHARE — BASIC				
Continuing operations	$ 4.52	$ 1.49	$ 5.42	$ 1.43
Discontinued operation	.01		.03	
Cumulative effect of accounting change			.19	
EARNINGS PER COMMON SHARE — BASIC	$ 4.53	$ 1.49	$ 5.64	$ 1.43
EARNINGS PER COMMON SHARE — DILUTED				
Continuing operations	$ 3.58	$ 1.21	$ 4.33	$ 1.21
Discontinued operation	.01		.03	
Cumulative effect of accounting change			.15	
EARNINGS PER COMMON SHARE — DILUTED	$ 3.59	$ 1.21	$ 4.51	$ 1.21
AVERAGE NUMBER OF SHARES (IN THOUSANDS)				
Basic	21,717	21,263	21,658	21,186
Diluted	27,802	27,242	27,728	27,158

See notes to condensed consolidated financial statements.

CLEVELAND-CLIFFS INC AND CONSOLIDATED SUBSIDIARIES

STATEMENT OF CONDENSED CONSOLIDATED FINANCIAL POSITION (UNAUDITED)

	(In Millions)	
	June 30 2005	December 31 2004
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 116.0	$ 216.9
Marketable securities		182.7
Trade accounts receivable — net	65.8	54.1
Receivables from associated companies	29.6	3.5
Product inventories	159.6	108.2
Work in process inventories	35.7	15.8
Supplies and other inventories	58.8	59.6
Deferred and refundable income taxes	39.0	41.5
Other	73.2	51.5
TOTAL CURRENT ASSETS	577.7	733.8
PROPERTIES	1,025.5	437.4
Allowances for depreciation and depletion	(171.5)	(153.5)
TOTAL PROPERTIES	854.0	283.9
OTHER ASSETS		
Long-term receivables	50.9	52.1
Deferred income taxes	34.3	44.2
Deposits and miscellaneous	37.4	18.4
Other investments	24.6	15.6
Intangible pension asset	12.6	12.6
Marketable securities	.8	.5
TOTAL OTHER ASSETS	160.6	143.4
TOTAL ASSETS	$1,592.3	$ 1,161.1
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 92.8	$ 73.3
Revolving credit facility	50.0	
Accrued employment costs	39.1	41.3
Pensions	31.1	31.0
Other post-retirement benefits	29.9	34.9
Income taxes	29.1	15.0
Accrued expenses	26.2	21.7
State and local taxes	21.4	21.9
Environmental and mine closure obligations	6.2	6.0
Payables to associated companies	.7	4.6
Other	8.7	7.4
TOTAL CURRENT LIABILITIES	335.2	257.1
PENSIONS, INCLUDING MINIMUM PENSION LIABILITY	51.3	42.7
OTHER POST-RETIREMENT BENEFITS	102.4	102.7
ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS	86.7	82.4
DEFERRED INCOME TAXES	142.7	
OTHER LIABILITIES	77.5	49.7
TOTAL LIABILITIES	795.8	534.6
MINORITY INTEREST	87.8	30.0
3.25% REDEEMABLE CUMULATIVE CONVERTIBLE PERPETUAL PREFERRED STOCK — ISSUED 172,500 SHARES	172.5	172.5
SHAREHOLDERS' EQUITY		
Common Shares — par value $.50 a share		
Authorized - 56,000,000 shares;		
Issued - 33,655,882 shares	16.8	16.8
Capital in excess of par value of shares	93.7	86.3
Retained earnings	683.1	565.3
Accumulated other comprehensive loss, net of tax	(93.3)	(81.0)
Cost of 11,777,767 Common Shares in treasury (2004 - 12,057,110 shares)	(165.6)	(169.4)
Unearned compensation	1.5	6.0
TOTAL SHAREHOLDERS' EQUITY	536.2	424.0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$1,592.3	$ 1,161.1

See notes to condensed consolidated financial statements.

CLEVELAND-CLIFFS INC AND CONSOLIDATED SUBSIDIARIES

STATEMENT OF CONDENSED CONSOLIDATED CASH FLOWS
(UNAUDITED)

	(In Millions, Brackets Indicate Cash Decrease) Six Months Ended June 30	
	2005	2004
CASH FLOW FROM CONTINUING OPERATIONS		
OPERATING ACTIVITIES		
Net income	$ 124.9	$ 32.8
Cumulative effect of accounting change	(4.2)	
Income from discontinued operation	(.7)	
Income from continuing operations	120.0	32.8
Depreciation and amortization:		
Consolidated	22.0	13.4
Share of associated companies	2.1	2.1
Loss on currency hedges	9.8	
Pensions and other post-retirement benefits	8.3	(11.0)
Deferred income taxes	7.6	
Accretion of asset retirement obligation	2.2	2.3
Gain on sale of assets	(.4)	(1.9)
Provision for customer bankruptcy exposures		1.6
Impairment of mining assets		1.8
Other		(3.2)
Total before changes in operating assets and liabilities	171.6	37.9
Changes in operating assets and liabilities:		
Marketable securities	182.7	
Other	(31.2)	(53.3)
Total changes in operating assets and liabilities	151.5	(53.3)
Net cash from (used by) operating activities	323.1	(15.4)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment:		
Consolidated	(46.1)	(19.3)
Share of associated companies	(4.6)	(1.5)
Investment in Portman Limited	(409.7)	
Payment of currency hedges	(9.8)	
Proceeds from sale of assets	.5	2.0
Proceeds from steel company debt		10.0
Proceeds from sale of ISG stock		3.8
Net cash used by investing activities	(469.7)	(5.0)
FINANCING ACTIVITIES		
Borrowing under Revolving Credit facility	50.0	
Proceeds from stock options exercised	3.5	7.6
Contributions by minority interest	1.1	2.9
Common Stock dividends	(4.3)	
Preferred Stock dividends	(2.8)	(1.1)
Issuance costs of Revolving Credit	(1.9)	
Proceeds from Convertible Preferred Stock		172.5
Repayment of long-term debt		(25.0)
Issuance costs of Convertible Preferred Stock		(6.4)
Net cash from financing activities	45.6	150.5
CASH FROM (USED BY) CONTINUING OPERATIONS	(101.0)	130.1
CASH FROM DISCONTINUED OPERATION — OPERATING ACTIVITIES	.1	
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(100.9)	130.1
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	216.9	67.8
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 116.0	$197.9

See notes to condensed consolidated financial statements.

CLEVELAND-CLIFFS INC AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2005

NOTE 1 – BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and should be read in conjunction with the financial statement footnotes and other information in our 2004 Annual Report on Form 10-K. In management's opinion, the quarterly unaudited condensed consolidated financial statements present fairly our financial position, results of operations and cash flows in accordance with accounting principles generally accepted in the United States.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, management evaluates its estimates and assumptions, including those related to revenue recognition, valuation of inventories, valuation of long-lived assets, post-employment benefits, income taxes, litigation and environmental liabilities. Management bases its estimates on historical experience, current business conditions and expectations and on various other assumptions it believes are reasonable under the circumstances. Actual results could differ from those estimates.

On November 9, 2004, the Board of Directors of the Company approved a two-for-one stock split of its Common Shares with a corresponding decrease in par value from $1.00 to $.50. The record date for the stock split was December 15, 2004 with a distribution date of December 31, 2004. Accordingly, all Common Shares, per share amounts, stock compensation plans and preferred stock conversion rates have been adjusted retroactively to reflect the stock split.

References to the "Company," "we," "us," "our," and "Cliffs" mean Cleveland-Cliffs Inc and consolidated subsidiaries. The condensed consolidated financial statements include the accounts of the Company and its controlled subsidiaries, including: Tilden Mining Company L.C. ("Tilden") in Michigan, 85 percent ownership; Empire Iron Mining Partnership ("Empire") in Michigan, 79 percent ownership; United Taconite LLC ("United Taconite") in Minnesota, 70 percent ownership; and Portman Limited ("Portman") in Western Australia, 80.4 percent ownership.

On April 19, 2005, Cleveland-Cliffs Australia Pty Limited ("Cliffs Australia"), a wholly-owned subsidiary of the Company, completed the acquisition of 80.4 percent of Portman's common stock. The acquisition was initiated on March 31, 2005 by the purchase of approximately 68.7 percent of the outstanding shares of Portman. The condensed consolidated balance sheet of the Company as of June 30, 2005 reflects the acquisition of Portman, effective March 31, 2005, under the purchase method of accounting. The 2005 results include revenue and expenses of Portman since the date of acquisition. See NOTE 3 – PORTMAN ACQUISITION for further discussion.

The Company also owns a 26.83 percent interest in the Wabush Mines Joint Venture ("Wabush") in Canada and a 23 percent interest in Hibbing Taconite Company ("Hibbing"), an unincorporated Joint Venture in Minnesota. Investments in joint ventures which we do not control, but have the ability to exercise significant influence over operating and financial policies, are accounted for under the equity method.

Quarterly results historically are not representative of annual results due to seasonal and other factors. Certain prior year amounts have been reclassified to conform to current year classifications.

NOTE 2 – ACCOUNTING POLICIES

In May 2005, FASB issued Statement No. 154, "Accounting Changes and Error Corrections" ("SFAS 154"). SFAS 154, which replaces Accounting Principles Board Opinion No. 20, "Accounting Changes" ("APB 20") and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statement" ("SFAS 3"), changes the requirements for accounting and reporting of a change in accounting principle. The statement is effective for accounting changes and correction of errors made in fiscal years beginning after December 15, 2005. Early adoption is permitted. Adoption of SFAS 154 is not expected to affect the Company's consolidated financial statements.

In March 2005, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations" ("FIN 47"). FIN 47 clarifies the term "conditional asset retirement obligation" as used in Statement of Financial Accounting Standards ("SFAS") No. 143, "Accounting for Asset Retirement Obligations." The Interpretation is effective for years ending after

December 15, 2005 with earlier adoption encouraged. Adoption of FIN 47 in the first quarter of 2005 did not impact the Company's consolidated financial statements.

On March 17, 2005, the Emerging Issues Task Force ("EITF") reached consensus on Issue No. 04-6, "Accounting for Stripping Costs Incurred during Production in the Mining Industry." The consensus clarifies that stripping costs incurred during the production phase of a mine are variable production costs that should be included in the cost of inventory. The consensus, which is effective for reporting periods beginning after December 15, 2005, permits early adoption. We elected to adopt EITF No. 04-6 in the first quarter ending March 31, 2005. As a result, we recorded an after-tax cumulative effect adjustment of $4.2 million, $.15 per diluted share, and increased product inventory by $6.4 million effective January 1, 2005. At its June 29, 2005 meeting, FASB ratified a modification to EITF No. 04-6 to clarify that the term "inventory produced" means "inventory extracted." We expect to complete our analysis of the impact of this modification in the third quarter.

On October 13, 2004, the FASB ratified EITF 04-8, "The Effect of Contingently Convertible Debt on Diluted Earnings Per Share." The consensus specified that the dilutive effect of contingently convertible debt and preferred stock ("CoCos") should be included in dilutive earnings per share computations (if dilutive), regardless of whether the market price trigger has been met. Previously, CoCos were only required to be included in the calculation of diluted earnings per share when the contingency was met. The effective date for EITF 04-8 implementation was for reporting periods ending after December 15, 2004. Earnings per share for 2004 have been restated from the date of issuance of the Company's preferred stock.

Cash Equivalents

We consider investments in highly liquid debt instruments with an initial maturity of three months or less to be cash equivalents.

Stock Compensation

Effective January 1, 2003, we adopted the fair value method, which is considered the preferable accounting method, of recording stock-based employee compensation as contained in SFAS No. 123, “Accounting for Stock-Based Compensation.” As prescribed in SFAS No. 148, “Accounting for Stock-Based Compensation-Transition and Disclosure,” we elected to use the “prospective method.” The prospective method requires expense to be recognized for all awards granted, modified or settled beginning in the year of adoption. Historically, we applied the intrinsic method as provided in Accounting Principles Board (“APB”) Opinion No. 25, “Accounting for Stock Issued to Employees” and related interpretations and accordingly, no compensation cost had been recognized for stock options in prior years. As a result of adopting the fair value method for stock options, any future awards will be expensed over the stock options’ vesting period. The following illustrates the pro forma effect on net income and earnings per common share as if we had applied the fair value recognition provisions of SFAS No. 123 to all awards unvested in each period.

	Pro Forma (In Millions, Except Per Common Share)			
	Three Months Ended June 30		Six Months Ended June 30	
	2005	2004	2005	2004
Net income as reported	$ 99.7	$ 32.8	$ 124.9	$ 32.8
Stock-based employee compensation:				
Add expense included in reported results	.6	.5	6.5	4.3
Deduct fair value based method	(.6)	(.9)	(2.8)	(2.7)
Add (deduct) income tax		.1	(1.3)	(.6)
Pro forma net income	$ 99.7	$ 32.5	$ 127.3	$ 33.8
Earnings attributable to common shares:				
Basic — as reported	$ 4.53	$ 1.49	$ 5.64	$ 1.43
Basic — pro forma	$ 4.53	$ 1.47	$ 5.75	$ 1.48
Diluted — as reported	$ 3.59	$ 1.21	$ 4.51	$ 1.21
Diluted — pro forma	$ 3.59	$ 1.20	$ 4.60	$ 1.25

In December 2004, FASB issued SFAS No. 123R, “Share-Based Payment” which replaces SFAS No. 123 and supersedes APB Opinion No. 25. SFAS No. 123R requires all share-based payments to employees be recognized in the financial statements at fair value and eliminates the intrinsic value method. The Statement, which is effective for periods beginning after December 15, 2005, is not expected to have a significant impact on our consolidated financial statements.

Derivatives

In the normal course of business, we use various instruments to hedge our exposure for purchases of commodities and foreign currency.

We enter into forward contracts for the purchase of commodities, primarily natural gas, which are used in our North American operations. Such contracts are in quantities expected to be delivered and used in the production process and are not intended for resale or speculative purposes.

Portman uses forward exchange contracts, options, collars and convertible collars to hedge its currency exposure for a portion of its sales receipts denominated in United States currency. The primary objective for the use of these instruments is to reduce the volatility of earnings due to changes in the Australian/United States currency exchange rate, and to protect against undue adverse movement in these exchange rates. All hedges are tested for effectiveness at inception and at each reporting period thereafter.

Income Taxes

Income taxes are based on income for financial reporting purposes calculated using our expected effective rate for 2005 and reflect a current tax liability (asset) for the estimated taxes payable (recoverable) on the current year tax return and expected 2005 changes in deferred taxes. Deferred tax assets or liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using enacted tax laws and rates. A valuation allowance is provided on deferred tax assets if it is determined that it is more likely than not that the asset will not be realized.

Revenue Recognition

Revenue is recognized on the sale of products when title to the product has transferred to the customer in accordance with the specified terms of each term supply agreement. Generally, the term supply agreements provide that title transfers to the customer when payment is received. Under some term supply agreements, we deliver the product to ports on the lower Great Lakes and/or to the customer's facilities prior to the transfer of title. Certain sales contracts include provisions for supplemental revenue or refunds based on annual steel pricing. We estimate these amounts for recognition at the time of sale. First half 2005 sales revenue includes $2.2 million of additional revenue on 2004 sales due to such changes. Revenue for the first six months of the year from product sales includes reimbursement for freight charges ($38.5 million in 2005 and $32.2 million in 2004) paid on behalf of customers and venture partners' cost reimbursements ($74.7 million in 2005 and $78.6 million in 2004) from minority interest partners for their share of North American mine costs.

Our rationale for delivering North American iron ore products to some customers in advance of payment for the products is to more closely relate timing of payment by customers to consumption, which also provides additional liquidity to our customers. Generally, our North American term supply agreements specify that title and risk of loss pass to the customer when payment for the pellets is received. This is a revenue recognition practice utilized to reduce our financial risk to customer insolvency. This practice is not believed to be widely used throughout the balance of the industry.

Revenue is recognized on the sale of services when the services are performed.

Portman's sales revenue is recognized at the F.O.B. point, which is generally when the product is loaded into the vessel. Foreign currency revenues are converted to Australian dollars at the currency exchange rate in effect at the time of the transaction.

Where we are joint venture participants in the ownership of a North American mine, our contracts entitle us to receive royalties and management fees, which we earn as the pellets are produced.

Issuance of Preferred Stock

In January 2004, we completed an offering of $172.5 million of redeemable cumulative convertible perpetual preferred stock, without par value, issued at $1,000 per share. The preferred stock pays quarterly cash dividends at a rate of 3.25 percent per annum, has a liquidation preference of $1,000 per share and is convertible into the

Company's common shares at an adjusted rate of 32.3354 common shares per share of preferred stock, which is equivalent to an adjusted conversion price of $30.93 per share at June 30, 2005, subject to further adjustment in certain circumstances. Each share of preferred stock may be converted by the holder: (1) if during any fiscal quarter ending after March 31, 2004 the closing sale price of the Company's common stock for at least 20 trading days in a period of 30 consecutive trading days ending on the last trading day of the preceding quarter exceeds 110 percent of the applicable conversion price on such trading day ($34.02 at June 30, 2005; this threshold was met as of June 30, 2005). The satisfaction of this condition allows conversion of the preferred stock during the fiscal quarter ending September 30, 2005 only. Conversion may continue after such quarter if certain conditions set forth in our amended articles of incorporation are satisfied; (2) if during the five business day period after any five consecutive trading-day period in which the trading price per share of preferred stock for each day of that period was less than 98 percent of the product of the closing sale price of our common stock and the applicable conversion rate on each such day; (3) upon the occurrence of certain corporate transactions; or (4) if the preferred stock has been called for redemption. On or after January 20, 2009, the Company, at its option, may redeem some or all of the preferred stock at a redemption price equal to 100 percent of the liquidation preference, plus accumulated but unpaid dividends, but only if the closing price exceeds 135 percent of the conversion price, subject to adjustment, for 20 trading days within a period of 30 consecutive trading days ending on the trading day before the date we give the redemption notice. We may also exchange the preferred stock for convertible subordinated debentures in certain circumstances. We have reserved approximately 5.6 million common treasury shares for possible future issuance for the conversion of the preferred stock. Our shelf registration statement with respect to the resale of the preferred stock, the convertible subordinated debentures that we may issue in exchange for the preferred stock and the common shares issuable upon conversion of the preferred stock and the convertible subordinated debentures was declared effective by the SEC on July 22, 2004. The preferred stock is classified for accounting purposes as "temporary equity" reflecting certain provisions of the agreement that could, under remote circumstances, require us to redeem the preferred stock for cash. The net proceeds after offering expenses were approximately $166 million.

NOTE 3 – PORTMAN ACQUISITION

On April 19, 2005, Cliffs Australia completed the acquisition of 80.4 percent of the outstanding shares of Portman, a Western Australia-based independent iron ore mining and exploration company. The acquisition was initiated on March 31, 2005 by the purchase of approximately 68.7 percent of the outstanding shares of Portman. The assets consist primarily of iron ore inventory, land, mineral rights and iron ore reserves. The purchase price of the 80.4 percent interest was $433.8 million, including $13.3 million of acquisition costs. Additionally, we incurred $9.8 million of foreign currency hedging costs related to this transaction, which were charged to first quarter 2005 operations. The acquisition increased our customer base in China and Japan and established our presence in the Australian mining industry. Portman's current estimate of 2005 production (excluding its .6 million tonne share of the 50 percent-owned Cockatoo Island joint venture) is approximately 6.2 million metric tonnes. Portman curently has a $43 million project underway that is expected to increase its wholly-owned production capacity to 8 million metric tonnes per year by 2006. The production is fully committed to steel companies in China and Japan for approximately five years. Portman's reserves currently total approximately 92 million metric tonnes, and it has an active exploration program underway to increase its reserves.

The acquisition and related costs were financed with existing cash and marketable securities and $175.0 million of interim borrowings under a new three-year $350 million revolving credit facility. See NOTE 4 – REVOLVING CREDIT FACILITY.

The condensed consolidated balance sheet of the Company as of June 30, 2005 reflects the acquisition of Portman, effective March 31, 2005, under the purchase method of accounting. Assets acquired and liabilities assumed have been recorded at estimated fair values as of the acquisition date as determined by our management based on currently available information. An appraisal of assets and liabilities is currently underway and is expected to be substantially complete by December 31, 2005. It is currently anticipated that a significant portion of the purchase price will be allocated to iron ore reserves, which will be depleted on a units of production basis over the productive life of the reserves. Estimates of these amounts have been reflected in the preliminary allocation of purchase price. Such amounts are subject to adjustment based on the completion of valuations and appraisals. Accordingly, the preliminary purchase price allocation as of March 31, 2005, summarized below, is subject to further revision.

	In Millions
Assets	
Current Assets	$ 88.4
Property, Plant and Equipment	539.0
Other Assets	26.7
Total Assets	654.1
Liabilities	
Current Liabilities	34.7
Long-Term Liabilities	158.1
Total Liabilities	192.8
Net Assets	461.3
Minority Interest	(27.5)
Purchase Price	$433.8

The following unaudited pro forma information summarizes the results of operations for the three-month and six-month periods ended June 30, 2005 and 2004, as if the Portman acquisition had been completed as of the beginning of each of the periods presented. The pro forma information gives effect to actual operating results prior to the acquisition. Adjustments were made to cost of goods sold for depletion costs incurred related to the preliminary allocation of purchase price to iron ore reserves, interest expense, income taxes and minority interest related to the acquisition, and are reflected in the pro forma information. These pro forma amounts do not purport to be indicative of the results that would have actually been obtained if the acquisition had occurred as of the beginning of the periods presented or that may be obtained in the future.

	Pro Forma In Millions, Except Per Common Share			
	Three Month Period Ended June 30		Six Month Period Ended June 30	
	2005	2004	2005	2004
Total Revenues	$ 485.3	$ 331.6	$812.6	$604.6
Income Before Cumulative Effect of Accounting Change	99.7	23.5	122.4	20.6
Cumulative Effect of Accounting Change			4.2	
Net Income	$ 99.7	$ 23.5	$126.6	$ 20.6
Earnings Per Common Share – Basic:				
Before Cumulative Effect of Accounting Change	$ 4.53	$ 1.04	$ 5.51	$ .85
Cumulative Effect of Accounting Change			.19	
Earnings Per Common Share – Basic	$ 4.53	$ 1.04	$ 5.70	$ .85
Earnings Per Common Share – Diluted:				
Before Cumulative Effect of Accounting Change	$ 3.59	$ .86	$ 4.42	$ .76
Cumulative Effect of Accounting Change			.15	
Earnings Per Common Share – Diluted	$ 3.59	$ .86	$ 4.57	$ .76

NOTE 4 – REVOLVING CREDIT FACILITY

On March 28, 2005, we entered into a $350 million unsecured credit agreement with a syndicate of 13 financial institutions. The new facility provides $350 million in borrowing capacity under a revolving credit line, with a choice of interest rates and maturities, subject to the three-year term of the agreement. The $350 million credit agreement replaced an existing $30 million unsecured revolving credit facility, which was scheduled to expire on April 29, 2005. The new facility has various financial covenants based on earnings, debt, total capitalization, and fixed cost coverage. As of June 30, 2005, the Company was in compliance with the covenants in the credit agreement.

Interest rates range from LIBOR plus 1.25 percent to LIBOR plus 2.0 percent, based on debt and earnings, or the prime rate. As of June 30, 2005, the Company had $50.0 million outstanding at an average annual interest rate of 4.44 percent. The maximum amount of borrowings outstanding during the second quarter of 2005 was $175.0 million. The outstanding balance was repaid on July 5, 2005.

Portman is party to a A$40 million credit agreement. The facility has various covenants based on earnings, asset ratios and fixed cost coverage. The floating interest rate is 80 basis points over the 90-day bank bill swap rate in Australia. Under this facility, Portman has remaining borrowing capacity of A$29.5 million on June 30, 2005, after reduction of A$10.5 million for commitments under outstanding performance bonds.

Portman secured five-year financing from its customers in China as part of its long-term sales agreements to assist with the funding of its expansion of its Koolyanobbing mining operation. The borrowings, totaling $7.3 million, accrue interest annually at five percent. The borrowings require a $.7 million principal payment plus accrued interest to be made each January 31 for the next four years with the remaining balance due in full in January 2010.

NOTE 5 – SEGMENT REPORTING

As a result of the Portman acquisition, we have organized into two operating and reporting segments: North America and Australia. The North America segment represents approximately 84 percent of our consolidated revenues for the three-month period ended June 30, 2005 and is comprised of our mining operations in the United States and Canada. The Australia segment, also referred to as Portman, represents approximately 16 percent of our consolidated revenues for the same period and is comprised of the acquired 80.4 percent Portman interest in Western Australia. There were no intersegment revenues in the second quarter of 2005.

The North America segment is comprised of our six iron ore mining operations in Michigan, Minnesota and Eastern Canada. We manufacture 13 grades of iron ore pellets, including standard, fluxed and high manganese, for use in our customers' blast furnaces as part of the steel making process. Each of the mines has crushing, concentrating and pelletizing facilities used in the production process. More than 95 percent of the pellets are sold to integrated steel companies in the United States and Canada, using a single sales force.

The Australia segment is comprised of the acquired 80.4 percent interest in Portman in Western Australia. The Portman operations include production facilities at the Koolyanobbing Iron Ore Project and a 50 percent interest in a joint venture at Cockatoo Island, manufacturing lump ore and direct shipping fines for our customers in China and Japan. The Koolyanobbing facility has crushing and screening facilities used in the production process. Production is fully committed to steel companies in China and Japan for approximately five years.

We primarily evaluate performance based on operating segment income, defined as revenues less expenses identifiable to each segment. We have classified certain administrative expenses as unallocated corporate expenses.

The following table presents a summary of our segments for the three and six month periods ended June 30, 2005 and 2004 based on the current reporting structure. A reconciliation of segment operating income to income before income taxes and minority interest is as follows:

	In Millions			
	Three Months Ended June 30		Six Months Ended June 30	
	2005	2004	2005	2004
Revenues from product sales and services:*				
North America	$356.7	$257.5	$575.9	$421.4
Australia	67.8		67.8	
Total revenues from product sales and services*	$424.5	$257.5	$643.7	$421.4
Segment operating income:				
North America	$127.7	$ 39.9	$172.3	$ 45.1
Australia	18.8		18.8	
Segment operating income	146.5	39.9	191.1	45.1
Unallocated corporate expenses	(8.3)	(4.0)	(19.5)	(13.0)
Other income (expense)	1.8	2.8	(4.2)	6.6
Income before income taxes and minority interest	$140.0	$ 38.7	$167.4	$ 38.7
Capital expenditures:				
North America	$ 21.2	$ 8.2	$ 40.3	$ 20.8
Australia	10.4		10.4	
Total capital expenditures	$ 31.6	$ 8.2	$ 50.7	$ 20.8

	In Millions	
	June 30 2005	December 31 2004
Segment total assets:		
North America	$ 917.5	$ 1,161.1
Australia	674.8	
Total consolidated assets	$1,592.3	$ 1,161.1

* Excludes freight and venture partners' cost reimbursements.

NOTE 6 – COMPREHENSIVE INCOME (LOSS)

Following are the components of comprehensive income (loss) for the three-month and six-month periods ended June 30, 2005 and 2004:

	(In Millions)			
	Three Months Ended June 30		Six Months Ended June 30	
	2005	2004	2005	2004
Net income	$99.7	$ 32.8	$124.9	$ 32.8
Other comprehensive loss:				
Unrealized loss on securities – net of tax		(30.4)		(37.0)
Foreign currency translation	(6.7)		(8.9)	
Minimum pension liability – net of tax				(2.1)
Total other comprehensive loss	(6.7)	(30.4)	(8.9)	(39.1)
Total comprehensive income (loss)	$93.0	$ 2.4	$116.0	$ (6.3)

The unrealized loss on securities of $30.4 million and $37.0 million in the second quarter and first six months of 2004, respectively, primarily reflected the change in market value on approximately 5.0 million shares of International Steel Group, Inc. ("ISG") common stock held directly by the Company. We sold our directly held common stock and recorded a gain of $152.7 million ($99.3 million after-tax) in the second half of 2004.

NOTE 7 – PENSIONS AND OTHER POSTRETIREMENT BENEFITS

The components of net periodic defined benefit pension expense and other postretirement benefit ("OPEB") cost for the three-month and six-month periods ended June 30, 2005 and 2004 were as follows:

Defined Benefit Pension Expense

	(In Millions)			
	Three Months Ended June 30		Six Months Ended June 30	
	2005	2004	2005	2004
Service cost	$ 3.0	$ 3.1	$ 6.0	$ 6.3
Interest cost	10.1	9.7	20.2	19.3
Expected return on plan assets	(11.1)	(9.4)	(22.3)	(18.8)
Amortizations:				
Unrecognized prior service costs	.6	.4	1.3	.8
Net actuarial losses	3.1	2.9	6.3	5.8
Amortization of net asset (obligations)	(1.0)	(1.0)	(2.0)	(2.0)
Total cost	$ 4.7	$ 5.7	$ 9.5	$ 11.4

Other Postretirement Benefit Costs

	(In Millions)			
	Three Months Ended June 30		Six Months Ended June 30	
	2005	2004	2005	2004
Service cost	$ .9	$ 1.0	$ 1.8	$ 2.1
Interest cost	4.5	4.8	9.0	9.7
Expected return on plan assets	(1.8)	(1.2)	(3.6)	(2.4)
Amortizations:				
Unrecognized prior service costs (credits)	(2.0)	(1.1)	(3.6)	(2.2)
Net actuarial losses	3.7	2.7	7.2	5.2
Total cost	$ 5.3	$ 6.2	$10.8	$12.4

On December 8, 2003, Congress passed the Medicare Prescription Drug, Improvement and Modernization Act of 2003 ("Medicare Act"). In May 2004, FASB issued Staff Position No. 106-2 ("FSP 106-2"), "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003," which supersedes FSP 106-1. FSP 106-2 provides guidance on the accounting for the effects of the Medicare Act for employers that sponsor postretirement health care plans that provide prescription drug benefits and requires certain disclosures regarding the effect of the subsidy provided by the Medicare Act. We adopted FSP 106-2 in the second quarter of 2004 and applied the retroactive transition method. As a result, the 2004 net OPEB cost reflected pre-tax cost reductions of approximately $.6 million in the second quarter and $1.3 million in the first half. First quarter 2004 results were restated to reduce the originally reported net loss by $.6 million or $.03 per share.

NOTE 8 – ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS

At June 30, 2005, the Company, including its share of unconsolidated ventures, had environmental and mine closure liabilities of $104.1 million, of which $6.2 million was classified as current. Payments in the first six months of 2005 were $2.4 million (2004 — $3.5 million). Following is a summary of the obligations:

	(In Millions)	
	June 30 2005	December 31 2004
Environmental	$ 12.2	$ 13.0
Mine Closure		
LTV Steel Mining Company	32.2	33.8
Operating mines	59.7	52.2
Total mine closure	91.9	86.0
Total environmental and mine closure obligations	$104.1	$ 99.0

Environmental

Our environmental liabilities of $12.2 million at June 30, 2005, including obligations for known environmental remediation exposures at active and closed mining operations and other sites, have been recognized based on the estimated cost of investigation and remediation at each site. If the cost can only be estimated as a range of possible amounts with no specific amount being most likely, the minimum of the range is accrued in accordance with SFAS No. 5, “Accounting for Contingencies.” Future expenditures are not discounted, and potential insurance recoveries have not been reflected. Additional environmental obligations could be incurred, the extent of which cannot be assessed.

The environmental liability includes our obligations related to five sites that are independent of our iron mining operations, seven former iron ore-related sites, two leased land sites where we are lessor and miscellaneous remediation obligations at our operating units. Included in the obligation are Federal and State sites where the Company is named as a potentially responsible party (“PRP”): the Rio Tinto mine site in Nevada, the Milwaukee Solvay site in Wisconsin, and the Pellestar site in Michigan, where significant site clean-up activities have taken place, and the Kipling and Deer Lake sites in Michigan.

Milwaukee Solvay Site

In September 2002, the Company received a draft of a proposed Administrative Order by Consent from the United States Environmental Protection Agency (“EPA”), for clean-up and reimbursement of costs associated with the Milwaukee Solvay coke plant site in Milwaukee, Wisconsin. The plant was operated by a predecessor of the Company from 1973 to 1983, which predecessor was acquired by the Company in 1986. In January 2003, the Company completed the sale of the plant site and property to a third party. Following this sale, an Administrative Order by Consent (“Consent Order”) was entered into with the EPA by the Company, the new owner and another third party who had operated on the site. In connection with the Consent Order, the new owner agreed to take responsibility for the removal action and agreed to indemnify the Company for all costs and expenses in connection with the removal action. In the third quarter of 2003, the new owner, after completing a portion of the removal, experienced financial difficulties. In an effort to continue progress on the removal action, the Company expended approximately $1.8 million in the second half of 2003, $2.1 million in 2004 and $.2 million in the first six months of 2005. At this time, the Company believes the requirements of the removal action have been substantially completed.

On August 26, 2004, the Company received a Request for Information pursuant to Section 104(e) of CERCLA relative to the investigation of additional contamination below the ground surface at the Milwaukee Solvay site. The Request for Information was also sent to thirteen other PRPs. On July 14, 2005, the Company received a General Notice Letter from EPA notifying the Company that EPA believes the Company may be liable under CERCLA and requesting the Company, along with other PRPs, voluntarily perform clean-up activities at the site. The Company has responded to the General Notice Letter indicating that there had been no communications with other PRPs but also indicating the Company’s willingness to begin the process of negotiation with the EPA and other interested parties regarding a Consent Order. Subsequently, on July 26, 2005, the Company received correspondence from the EPA with a proposed Consent Order and informing the Company that three other PRPs had also expressed interest in negotiating with EPA. At this time, the nature and extent of the contamination, the required remediation, the total cost of the clean-up and the cost sharing responsibilities of the PRPs cannot be determined, although the EPA has advised the Company that it has incurred $.5 million in past response costs, which the EPA will seek to recover from the Company and the other PRPs. The Company increased its environmental reserve for Milwaukee Solvay by $.5 million in the first half of 2005 for potential additional exposure.

Rio Tinto

The Rio Tinto Mine Site is a historic underground copper mine located near Mountain City, NV, where tailings were placed in Mill Creek, a tributary to the Owyhee River. Remediation work is being conducted in accordance with a Consent Order between the Nevada Department of Environmental Protection (“NDEP”) and the Rio Tinto Working Group (“RTWG”) composed of the Company, Atlantic Richfield Company, Teck Cominco American Incorporated, and E. I. du Pont de Nemours and Company. The Consent Order provides for technical review by the U.S. Department of the Interior Bureau of Indian Affairs, the U.S. Fish & Wildlife Service, U.S. Department of Agriculture Forest Service, the NDEP and the Shoshone-Paiute Tribes of the Duck Valley Reservation (collectively, “Rio Tinto Trustees”) located downstream on the Owyhee River. The AOC Statement of Work is currently projected to continue through 2006 with the objective of supporting the selection of the final remedy for the Site. Costs are shared pursuant to the terms of a Participation Agreement between the parties of the RTWG, who have reserved the right to renegotiate any future participation or cost sharing following the completion of the Consent Order. The Company has previously provided an environmental reserve, which it believes is adequate to fund its obligations to complete the Consent Order.

The Rio Tinto Trustees have made available for public comment their plans for the assessment of natural resource damages. The RTWG commented on the plans and also are in discussions with the Trustees informally about those plans. The notice of plan availability is a step in the damage assessment process. The studies presented in the plan may lead to a Natural Resources Damages claim. There is no monetized Natural Resources Damages claim at this time.

Mine Closure

The mine closure obligation of $91.9 million includes the accrued obligation at June 30, 2005 for a closed operation formerly known as the LTV Steel Mining Company and for our active operating mines. The closed operation obligation results from an October 2001 transaction where subsidiaries of the Company received a net payment of $50 million and certain other assets and assumed environmental and certain facility closure obligations of $50 million, which obligations have declined to $32.2 million at June 30, 2005, as a result of expenditures totaling $17.8 million since 2001 ($1.6 million in the first half of 2005).

The accrued closure obligation for our active mining operations of $59.7 million at June 30, 2005 reflects the adoption of SFAS No. 143, “Accounting for Asset Retirement Obligations,” as of January 1, 2002, to provide for contractual and legal obligations associated with the eventual closure of the mining operations (including Portman as of March 31, 2005). We determined the obligations, based on detailed estimates, adjusted for factors that an outside third party would consider (i.e., inflation, overhead and profit), escalated to the estimated closure dates and then discounted using a credit adjusted risk-free interest rate of 10.25 percent (12.0 percent for United Taconite and 5.5 percent for Portman). The closure date for each location was determined based on the exhaustion date of the remaining economic iron ore reserves. The accretion of the liability and amortization of the property and equipment are recognized over the estimated mine lives for each location.

The following summarizes our asset retirement obligation liability:

	(In Millions)	
	June 30 2005	December 31 2004
Asset Retirement Obligation at Beginning of Year	$52.2	$ 45.2
Accretion Expense	4.8	4.6
Portman Acquisition	2.7	
Minority Interest		.2
Revision in Estimated Cash Flows		2.2
Asset Retirement Obligation at End of Period	$59.7	$ 52.2

NOTE 9 – INCOME TAXES

We originally recorded a full valuation allowance in 2002 when it was determined that it was more likely than not that the deferred tax asset may not be realized. At June 30, 2004, we had a full deferred tax valuation allowance of $120.7 million. In the fourth quarter of 2004, we determined, based on the existence of sufficient evidence, that we no longer required the majority of our valuation allowance and reversed the allowance, other than $9.2 million related to a net operating loss carryforward of $26.4 million attributable to pre-consolidation separate return years of one of our subsidiaries. The net operating loss carryforwards will begin to expire in 2021. In the second quarter of 2005, $3.6 million of the remaining valuation reserve was reversed based on estimated taxable income of the subsidiary in 2005. At June 30, 2005, we continue to maintain a $5.6 million valuation allowance.

NOTE 10 – LEASE OBLIGATIONS

The Company and its ventures lease certain mining, production and other equipment under operating and capital leases. Future minimum payments under capital leases and non-cancellable operating leases, including our share of ventures, at June 30, 2005, are expected to be:

	(In Millions)			
	Company Share		Total	
	Capital Leases	Operating Leases	Capital Leases	Operating Leases
2005 (July 1 – December 31)	$ 3.0	$ 8.2	$ 4.8	$ 13.4
2006	5.7	13.6	8.7	21.7
2007	6.1	9.5	7.4	12.7
2008	3.7	6.3	4.5	7.1
2009	3.7	6.0	4.4	6.1
2010 and thereafter	20.7	5.8	20.9	5.8
Total minimum lease payments	42.9	$ 49.4	50.7	$ 66.8
Amounts representing interest	11.5		12.1	
Present value of net minimum lease payments	$31.4		$38.6	

Total minimum lease payments include $33.4 million for capital leases and $2.8 million for operating leases associated with the Portman acquisition. Our share of total minimum lease payments, $92.3 million, is comprised of our consolidated obligation of $83.9 million and our share of unconsolidated ventures' obligations of $8.4 million, principally related to Hibbing and Wabush.

Additionally, Portman has long-term contracts with port and rail facilities with minimum "take or pay" clauses. The port contract includes minimum tonnage requirements of 2.5 million metric tonnes from 2005 through 2015 at an annual cost of A$1.25 million. The rail contract includes minimum take or pay requirements of 4.3 million metric tonnes, or A$54.3 million, in 2005 and 5 million metric tonnes from 2006 through 2012 at an annual cost of A$50.2 million. Portman also has capital commitments of A$37.3 million at June 30, 2005, related to the production expansion to 8 million metric tonnes.

NOTE 11 – BANKRUPTCY OF CUSTOMERS

On September 16, 2003, WCI Steel Inc. ("WCI") petitioned for protection under chapter 11 of the U.S. Bankruptcy Code. At the time of the filing, the Company had a trade receivable exposure of $4.9 million, which was fully reserved in the third quarter of 2003. WCI purchased 1.7 million tons, or 8 percent of total tons sold in 2004, and has purchased approximately .4 million tons in 2005. On October 14, 2004, the Company and the current owners of WCI reached agreement for the Company to supply 1.4 million tons of iron ore pellets in 2005 and, in 2006 and thereafter, to supply one hundred percent of WCI's annual requirements up to a maximum of two million tons of iron ore pellets. The new agreement, which is for a ten-year term beginning in 2005 and provides for the Company's recovery of its $4.9 million pre-petition receivable, plus $.9 million of subsequent pricing adjustments, over time, was approved by the Bankruptcy Court on November 16, 2004. At this juncture, the Bankruptcy Court has denied the confirmation of two competing plans of reorganization filed by (i) WCI, jointly with its current owner, and (ii) a group of WCI's secured noteholders. Each of these parties has appealed the Bankruptcy Court's denial of confirmation to the United States District Court for the Northern District of Ohio. Further, the secured noteholders have filed an amended plan of reorganization with the Bankruptcy Court, and WCI has stated its intention to file (together with its current owner), in the near future, an amended plan of reorganization. Currently the Bankruptcy Court has tentatively scheduled September 12, 2005 for the commencement of the hearing on the disclosure statements associated with the competing amended plans and November 14, 2005 as the date for commencing the hearing on the competing amended plans of reorganization (assuming the disclosure statements are approved).

On January 29, 2004, Stelco Inc. ("Stelco") applied and obtained Bankruptcy Court protection from creditors in Ontario Superior Court under the Companies' Creditors Arrangement Act. Pellet sales to Stelco totaled 1.2 million tons in 2004 and .1 million tons in 2003. Stelco is a 44.6 percent participant in Wabush, and U.S. subsidiaries of Stelco (which have not filed for bankruptcy protection) own 14.7 percent of Hibbing and 15 percent of Tilden. At the time of the filing, we had no trade receivable exposure to Stelco. Additionally, Stelco has continued to operate and has met its cash call requirements at the mining ventures to date. On March 1, 2005, Stelco announced that it had rejected all offers for the sale of its core businesses. Subsequently, on March 30, 2005, the Ontario Superior Court authorized Stelco to attempt to restructure itself by accessing the capital markets. On July 15, 2005, Stelco filed an outline of its restructuring plan with the Bankruptcy Court. On July 18, 2005, the Court extended the stay period under Stelco's Court-supervised restructuring until September 9, 2005. The Court also adjourned a United Steelworkers motion, seeking to remove Stelco's exclusivity to develop a restructuring plan, until August 16, 2005, thereby allowing Stelco the opportunity to discuss its reorganization plan with the stakeholders.

NOTE 12 – DISCONTINUED OPERATION

On July 23, 2004, Cliffs and Associates Limited ("CAL"), an affiliate of the Company jointly owned by a subsidiary of the Company (82.3945 percent) and Outokumpu Technology GmbH (17.6055 percent), a German company (formerly known as Lurgi Metallurgie GmbH), completed the sale of CAL's Hot Briquette Iron ("HBI") facility located in Trinidad and Tobago to International Steel Group (a large U.S. steel producer which subsequently merged with Mittal Steel Company N.V. or "Mittal" in April 2005). Terms of the sale include a purchase price of $8.0 million plus assumption of liabilities. CAL may receive up to $10 million in future payments contingent on HBI production and shipments. We recorded after-tax income of approximately $3.1 million in 2004 and $.7 million in the first half of 2005. The income is classified under "Discontinued Operation" in the Statement of Condensed Consolidated Operations.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

Cleveland-Cliffs Inc (the “Company,” “we,” “us,” “our,” and “Cliffs”) is the largest producer of iron ore pellets in North America. We sell the majority of our pellets to integrated steel companies in the United States and Canada. We manage and operate six North American iron ore mines located in Michigan, Minnesota and Eastern Canada that currently have a rated capacity of 37.7 million tons of iron ore production annually, representing approximately 46.1 percent of the current total North American pellet production capacity. Based on our percentage ownership of the mines we operate, our share of the rated pellet production capacity is currently 23.1 million tons annually, representing 28 percent of total North American annual pellet capacity.

On April 19, 2005, Cleveland-Cliffs Australia Pty Limited, a wholly-owned subsidiary of the Company, completed the acquisition of 80.4 percent of Portman Limited (“Portman”), the third largest iron ore mining company in Australia. The acquisition was initiated on March 31, 2005 by the purchase of approximately 68.7 percent of the outstanding shares of Portman. Portman serves the Asian iron ore markets with direct-shipping fines and lump ore from two iron ore projects, both located in Western Australia. Portman’s current estimate of 2005 production (excluding its .6 million tonne share of the 50 percent-owned Cockatoo Island joint venture) is approximately 6.2 million metric tonnes. Portman currently has a $43 million project underway that is expected to increase its wholly-owned production capacity to eight million metric tonnes per year by 2006. The production is fully committed to steel companies in China and Japan for approximately five years.

The Portman acquisition represents a significant milestone in our long-term strategy to seek additional iron ore mine investment opportunities and to transition our Company from primarily a mine management company and mineral holder to an international merchant mining company.

The purchase price for the 80.4 percent interest in Portman was $433.8 million, including $13.3 million of acquisition costs. Additionally, we incurred $9.8 million of foreign currency hedging costs related to the transaction, which were charged to first quarter operations. Portman had 2004 revenues of A$195 million.

The acquisition and related costs were financed with existing cash and marketable securities and $175.0 million of interim borrowings under a new three-year $350 million revolving credit facility.

Our condensed statement of consolidated financial position as of June 30, 2005 reflects the acquisition of Portman, effective March 31, 2005, under the purchase method of accounting. Assets acquired and liabilities assumed have been recorded at estimated fair values as of the acquisition date as determined by our management based on the information currently available. An appraisal of assets and liabilities is currently underway and is expected to be substantially complete by December 31, 2005. It is currently anticipated that a significant portion of the purchase price will be allocated to iron ore reserves, which will be depleted on a units of production basis over the productive life of the reserve. Estimates of these amounts have been reflected in the preliminary allocation of purchase price. These amounts are subject to adjustment based on the completion of valuations and appraisals. Accordingly, the preliminary purchase price allocation as of March 31, 2005, is subject to revision.

As a result of the Portman acquisition, we now operate in two reportable segments: the North American segment and the Australian segment, also referred to as Portman. See NOTE 5 – SEGMENT REPORTING to the unaudited condensed consolidated financial statements for a further discussion of the nature of our operations and related financial disclosures for the reportable segments.

RESULTS OF OPERATIONS

Net income was $99.7 million in the second quarter of 2005 and $124.9 million for the first half, compared to net income of $32.8 million in the second quarter and first half of 2004. Income attributable to common shares was $3.59 per share (all per share amounts are “diluted” and have been adjusted to reflect the December 2004 two-for-one stock split) and $4.51 per share in the second quarter and first half of 2005, respectively, compared to net income of $1.21 per share for the second quarter and first half of 2004, respectively. First half net income in 2005 includes $.7 million of after-tax income from a discontinued operation (see NOTE 12 – DISCONTINUED OPERATION) and $4.2 million of after-tax income related to the cumulative effect of an accounting change. Following is a summary of results:

	(In Millions Except Per Share)			
	Second Quarter		First Half	
	2005	2004	2005	2004
Income From Continuing Operations:				
Amount	$ 99.6	$ 32.8	$120.0	$ 32.8
Per Diluted Share	$ 3.58	$ 1.21	$ 4.33	$ 1.21
Income From Discontinued Operation:				
Amount	.1		.7	
Per Diluted Share	.01		.03	
Cumulative Effect of Accounting Change:				
Amount			4.2	
Per Diluted Share			.15	
Net Income:				
Amount	$ 99.7	$ 32.8	$124.9	$ 32.8
Per Diluted Share	$ 3.59	$ 1.21	$ 4.51	$ 1.21

The increase in second quarter and first half net income primarily reflected higher North American sales margins, the inclusion of earnings from Portman since March 31, 2005, when Cliffs acquired a controlling interest, and a business interruption insurance recovery related to a production curtailment in 2003. The increase in first half net income also included $4.2 million of after-tax income from the cumulative effect of an accounting change and $.7 million of after-tax income related to its discontinued operation in Trinidad and Tobago, which was sold in 2004.

Income from continuing operations in 2005 was $99.6 million in the second quarter and $120.0 million in the first half as compared to $32.8 million in both periods in 2004. The increase in second quarter and first half income from continuing operations of $66.8 million and $87.2 million, respectively, reflected higher income before income taxes of $101.3 million in the quarter and $128.7 million in the first half partially offset by higher income taxes of $30.6 million and $37.6 million for the respective periods, and an earnings reduction of $3.9 million in both periods for after-tax income attributable to the minority interest owners of Portman. The pretax earnings increases from 2004 principally reflected higher North American sales margins of $78.0 million for the second quarter and $115.1 million for the first half, the inclusion of Portman's $20.9 million of second quarter sales margins, and a business interruption insurance recovery of $10.6 million in the second quarter of 2005.

The significant increases in North American sales margins in the 2005 periods versus 2004 were primarily due to higher sales price realizations partially offset by higher production costs. Sales volume increased modestly in the second quarter and was slightly lower in the first half.

- Sales revenue (excluding freight and venture partners' cost reimbursements) increased $99.2 million in the quarter and $154.5 million in the first half. The increase in sales revenue were due to higher sales prices, $94.4 million in the quarter and $160.9 million in the first half, and a sales volume increase in the second quarter, $4.8 million, and decrease in the first half, $6.4 million. The more than 36 percent increases in sales prices primarily reflected the effect on Cliffs' term sales contract price adjustment factors of an approximate 86 percent increase in international pellet pricing, higher steel pricing, higher PPI – all commodities and other contractual increases, including base price increases and lag-year adjustments. Included in first-half 2005 revenues was approximately .9 million tons of 2005 sales at 2004 contract prices and $2.2 million of price adjustments on 2004 sales. Second-quarter 2005 revenue was also impacted by modest spot sales tonnage and higher estimated PPI-all commodities escalation. Sales volume in the second quarter of 2005 was 6.0 million tons, which represented a .1 million ton increase from the second quarter of 2004. First half 2005 sales of 10.0 million tons were .2 million tons lower than the first half of 2004. Cliffs' forecast of total-year 2005 North American sales is estimated to be approximately 22.5 million tons.
- Cost of goods sold and operating expenses (excluding freight and venture partners' cost reimbursements) increased $21.2 million in the second quarter and $39.4 million in the first half. The increases primarily reflected higher unit production costs of $17.1 million for the second quarter and $45.2 million in the first half. Higher sales volume in the second quarter accounted for additional costs

of $4.1 million while lower first half sales volume reduced costs $5.8 million. The increases in unit production costs included higher energy and supply pricing, $12.7 million in the second quarter and $24.0 million in the first half, increased maintenance spending, $3.5 million in the second quarter and $16.1 million in the first half, and higher royalty rates, $4.1 million in the second quarter and $8.1 million in the first half, due to increased pellet sales pricing. Considering these factors, total-year 2005 North American unit production costs are expected to increase approximately nine percent from the 2004 cost of goods sold and operating expenses (excluding freight and venture partners' cost reimbursements) of $37.56 per ton.

The pre-tax earnings changes for the second quarter and first half of 2005 versus the comparable 2004 periods also included:

- Sales margin of $20.9 million on 1.5 million tonnes of Portman's sales in the second quarter and first half of 2005 reflecting results since the March 31, 2005 acquisition. The Company's consolidated financial statements reflect the inclusion of its approximate 80 percent interest in Portman based on a preliminary allocation of the $433.8 million acquisition cost.
- A business interruption insurance recovery of $10.6 million in the second quarter of 2005 related to a five-week production curtailment at the Empire and Tilden mines in 2003 due to the loss of electric power as a result of flooding in the Upper Peninsula of Michigan. Future recoveries may be forthcoming from claims for lost tax benefits and reimbursement of insurance deductibles through subrogation.
- Higher royalties and management fee revenue of $.6 million in the second quarter and $.4 million in the first half, primarily reflecting increased production at Tilden and higher Wabush management fees due to the increase in Eastern Canadian pellet prices.
- Higher administrative, selling and general expense of $6.3 million in the second quarter and $8.6 million in the first half principally reflecting higher stock-based compensation and the inclusion of $2.0 million of Portman's second quarter 2005 expense.

- Lower impairment of mining asset charges, $.8 million in the second quarter and $1.8 million in the first half, reflecting the capitalization of expenditures at Empire commencing January 1, 2005 based on a current cash flow analysis, which incorporated significant pellet pricing increases.
- Provision for customer bankruptcy exposures in the first quarter of 2004, $1.6 million, related to a subsidiary of Weirton Steel Corporation.
- Increased interest income of $.5 million in the second quarter and $1.8 million in the first half reflecting higher average cash balances and slightly higher rates.
- Increased interest expense of $1.5 million in the second quarter and $1.4 million in the first half principally reflected borrowings in 2005 under Cliffs' new $350 million revolving credit facility to supplement funds required for the Portman acquisition.
- Higher miscellaneous – net expense of $2.3 million in the second quarter and first half includes higher development expenses related to the Mesabi Nugget project and higher state and local taxes on pellet inventory. The second quarter and first half of 2005 includes $.9 million of Portman's expense.
- Higher other-net expense of $11.2 million in the first half primarily reflects $9.8 million of currency hedging costs associated with the Portman acquisition.

Change in Accounting

On March 17, 2005, the Emerging Issues Task Force ("EITF") reached consensus on Issue No. 04-6, "Accounting for Stripping Costs Incurred during Production in the Mining Industry." The consensus clarifies that stripping costs incurred during the production phase of a mine are variable production costs that should be included in the cost of inventory. The consensus, which is effective for reporting periods beginning after December 15, 2005, permits early adoption. We elected to adopt EITF No. 04-6 in the first quarter ending March 31, 2005. As a result, we recorded an after-tax cumulative effect adjustment of $4.2 million, $.15 per diluted share, and increased product inventory by $6.4 million effective January 1, 2005. At its June 29, 2005 meeting, the Financial Accounting Standards Board ratified a modification to EITF No. 04-6 to clarify that the term "inventory produced" means "inventory extracted." We expect to complete our analysis of the impact of this modification in the third quarter.

Income Taxes

We originally recorded a full valuation allowance in 2002 when it was determined that it was more likely than not that the deferred tax asset may not be realized. At June 30, 2004, we had a full deferred tax valuation allowance of $120.7 million. In the fourth quarter of 2004, we determined, based on the existence of sufficient evidence, that we no longer required the majority of our valuation allowance and reversed the allowance other than $9.2 million related to a net operating loss carryforward of $26.4 million attributable to pre-consolidation separate return years of one of our subsidiaries. The net operating loss carryforwards will begin to expire in 2021. In the second quarter of 2005, $3.6 million of the remaining valuation reserve was reversed based on estimated taxable income of the subsidiary in 2005. At June 30, 2005, we continue to maintain a $5.6 million valuation allowance.

North American Sales and Production Volume

Pellet sales in the second quarter of 2005 were 6.0 million tons compared with 5.9 million tons in 2004. First half sales were 10.0 million tons compared with 10.2 million tons in the same period last year. While there is uncertainty regarding the pellet requirements of customers, North American annual sales volume is forecasted at approximately 22.5 million tons in 2005 compared to sales of 22.6 million tons in 2004.

Our share of second quarter 2005 production was 5.9 million tons compared with 5.6 million tons in the same period last year. For the first half of 2005, our share of production was 10.7 million tons, compared with 10.1 million tons last year. North American production is forecasted to be 37.2 million tons (our share 22.9 million tons) this year. Following is a summary of production tonnage (long tons of pellets) for 2005 and 2004:

	(Tons in Millions)					
	Second Quarter		First Half		Full Year	
	2005	2004	2005	2004	2005*	2004
Empire	1.2	1.1	2.4	2.5	5.1	5.4
Tilden	2.4	2.1	3.8	3.5	8.2	7.8
Michigan Mines	3.6	3.2	6.2	6.0	13.3	13.2
Hibbing	2.1	2.0	4.0	4.0	8.3	8.3
Northshore	1.2	1.3	2.4	2.5	4.9	5.0
United Taconite	1.2	1.0	2.3	2.0	5.2	4.1
Wabush	1.3	1.4	2.4	2.7	5.5	3.8
Total	9.4	8.9	17.3	17.2	37.2	34.4
Cliffs' Share of Total	5.9	5.6	10.7	10.1	22.9	21.7

* Estimate

During 2004, we approved capacity expansion projects at our United Taconite and Northshore mines in Minnesota. An idled pellet furnace at United Taconite was re-started in the fourth quarter of 2004 to add approximately 1.0 million tons (our share .7 million tons) to annual production capacity. Our plan to re-start an idled furnace at our wholly-owned Northshore mine in mid-2005 has been deferred until 2006 due to permitting delays. The expansion will increase Northshore's annual production capacity by approximately .8 million tons. A further expansion at United Taconite is being evaluated.

On December 17, 2004, Ispat International N.V. completed its acquisition of LNM Holdings N.V. to form Mittal Steel Company N.V. ("Mittal"). On April 13, 2005, Mittal completed its acquisition of International Steel Group Inc. ("ISG") resulting in the world's largest steel company. In December 2004, ISG and the Company amended their term supply agreement, which runs through 2016, to increase the base price and moderate the supplemental steel price sharing provisions. ISG was our largest customer with total pellet purchases in 2004 of 8.9 million tons. Additionally, ISG/Mittal is a 62.3 percent equity participant in Hibbing. Our pellet sales to Ispat Inland Steel Company ("Ispat Inland"), a wholly-owned subsidiary of Ispat International N.V., totaled 2.6 million tons in 2004. Ispat Inland/Mittal is also a 21 percent equity partner in Empire. Our sales to ISG/Mittal and Ispat Inland/Mittal are under agreements that are not scheduled to expire for at least ten years. For 2004, the combined sales to ISG and Ispat Inland accounted for 51 percent of our sales volume and, including their equity share of Empire and Hibbing production, accounted for 52 percent of our managed production. We do not expect the merger to affect our contractual relationships with Mittal for the foreseeable future.

Australian Sales and Production Volume

Portman's sales of lump and fines ore was 1.5 million metric tonnes in the second quarter of 2005. Portman's current estimate of total year 2005 sales is 6.7 million tonnes, including 1.4 million tonnes sold in the first quarter prior to the acquisition.

Portman's production totaled 1.6 million tonnes (including its .1 million tonne share of the Cockatoo Island joint venture) in the second quarter of 2005. Portman's current estimate of total year 2005 production is 6.8 million tonnes (.6 million from Cockatoo Island) including 1.5 million tonnes in the first quarter prior to the acquisition. Portman currently has a $43 million project underway to increase its wholly-owned production capacity to 8 million metric tonnes per year by 2006.

WISCONSIN ELECTRIC POWER COMPANY DISPUTE

Two of the Company's mines, Tilden Mining Company, L.C. and Empire Iron Mining Partnership ("the Mines"), currently purchase their electric power from Wisconsin Electric Power Company ("WEPCo") pursuant to the terms of special contracts specifying prices based on WEPCo's "actual costs". Effective April 1, 2005, WEPCo unilaterally changed its method of calculating the energy charges to the Mines. It is the Mines' contention that WEPCo's new billing methodology is inconsistent with the terms of the parties' contracts and a dispute has arisen between WEPCo and the Mines over the pricing issue. Pursuant to the terms of the relevant contracts, the undisputed amounts are being paid to WEPCo, while the disputed amounts are being deposited into an interest-bearing escrow account maintained by a bank. The Mines notified WEPCo in May 2005 of their intention to submit this dispute to arbitration, but a formal Demand for Arbitration has been temporarily withheld while the parties continue discussions and the Mines seek to obtain pertinent information from WEPCo. For the three month period ended June 30, 2005, the Mines have deposited $15.5 million into the escrow account, of which $7.7 million was deposited in July. An amount of $12.3 million, included in the escrow deposit which will be recovered in early-2006 under uncontested provisions of the contract, is recorded in “Other” current assets on the June 30, 2005 Statement of Condensed Consolidated Financial Position. Additionally, WEPCo is questioning whether the Company has complied with the notification provisions related to Tilden’s annual pellet production in excess of 7 million tons.

BANKRUPTCY OF CUSTOMERS

On September 16, 2003, WCI Steel Inc. (“WCI”) petitioned for protection under chapter 11 of the U.S. Bankruptcy Code. At the time of the filing, the Company had a trade receivable exposure of $4.9 million, which was fully reserved in the third quarter of 2003. WCI purchased 1.7 million tons, or 8 percent of total tons sold in 2004, and has purchased approximately .4 million tons in 2005. On October 14, 2004, the Company and the current owners of WCI reached agreement for the Company to supply 1.4 million tons of iron ore pellets in 2005 and, in 2006 and thereafter, to supply one hundred percent of WCI’s annual requirements up to a maximum of two million tons of iron ore pellets. The new agreement, which is for a ten-year term beginning in 2005 and provides for the Company’s recovery of its $4.9 million pre-petition receivable plus $.9 million of subsequent pricing adjustments, over time, was approved by the Bankruptcy Court on November 16, 2004. At this juncture, the Bankruptcy Court has denied the confirmation of two competing plans of reorganization filed by (i) WCI, jointly with its current owner, and (ii) a group of WCI’s secured noteholders. Each of these parties has appealed the Bankruptcy Court’s denial of confirmation to the United States District Court for the Northern District of Ohio. Further, the secured noteholders have filed an amended plan of reorganization with the Bankruptcy Court, and WCI has stated its intention to file (together with its current owner), in the near future, an amended plan of reorganization. Currently the Bankruptcy Court has tentatively scheduled September 12, 2005 for the commencement of the hearing on the disclosure statements associated with the competing amended plans and November 14, 2005 as the date for commencing the hearing on the competing amended plans of reorganization (assuming the disclosure statements are approved).

On January 29, 2004, Stelco Inc. (“Stelco”) applied for and obtained Bankruptcy Court protection from creditors in Ontario Superior Court under the Companies’ Creditors Arrangement Act. Pellet sales to Stelco totaled 1.2 million tons in 2004 and .1 million tons in 2003. Stelco is a 44.6 percent participant in Wabush, and U.S. subsidiaries of Stelco (which have not filed for bankruptcy protection) own 14.7 percent of Hibbing and 15 percent of Tilden. At the time of the filing, we had no trade receivable exposure to Stelco. Additionally, Stelco has continued to operate and has met its cash call requirements at the mining ventures to date. On March 1, 2005, Stelco announced that it had rejected all offers for the sale of its core businesses. Subsequently, on March 30, 2005, the Ontario Superior Court authorized Stelco to attempt to restructure itself by accessing the capital markets. On July 15, 2005, Stelco filed an outline of its restructuring plan with the Bankruptcy Court. On July 18, 2005, the Court extended the stay period under Stelco’s Court-supervised restructuring until September 9, 2005. The Court also adjourned a United Steelworkers motion, seeking to remove Stelco’s exclusivity to develop a restructuring plan, until August 16, 2005, thereby allowing Stelco the opportunity to discuss its reorganization plan with the stakeholders.

PORTMAN ACQUISITION

On April 19, 2005, Cliffs Australia completed the acquisition of 80.4 percent of the outstanding shares of Portman, a Western Australia-based independent iron ore mining and exploration company. The acquisition was initiated on March 31, 2005 by the purchase of approximately 68.7 percent of the outstanding shares of Portman. The assets consist primarily of iron ore inventory, land, mineral rights and iron ore reserves. The purchase price of the 80.4 percent interest was $433.8 million, including $13.3 million of acquisition costs. Additionally, we incurred $9.8 million of foreign currency hedging costs related to this transaction, which were charged to first quarter 2005 operations. The acquisition increased our customer base in China and Japan and established our presence in the Australian mining industry. Portman’s current estimate of 2005 production (excluding its .6 million tonne share of the 50 percent-owned Cockatoo Island joint venture) is approximately 6.2 million metric tonnes. Portman currently has a $43 million project underway that is expected to increase its wholly-owned production capacity to 8 million metric tonnes per year by 2006. The production is fully committed to steel companies in China and Japan for approximately five years. Portman's reserves currently total approximately 92 million metric tonnes, and it has an active exploration program underway to increase its reserves.

The acquisition and related costs were financed with existing cash and marketable securities and $175.0 million of interim borrowings under a new three-year $350 million revolving credit facility. See NOTE 4 – REVOLVING CREDIT FACILITY.

The condensed consolidated balance sheet of the Company as of June 30, 2005 reflects the acquisition of Portman, effective March 31, 2005, under the purchase method of accounting. Assets acquired and liabilities assumed have been recorded at estimated fair values as of the March 31, 2005 initial acquisition date as determined by our management based on currently available information. An appraisal of assets and liabilities is currently underway and is expected to be substantially complete by December 31, 2005. It is currently anticipated that a significant portion of the purchase price will be allocated to iron ore reserves, which will be depleted on a units of production basis over the productive life of the reserves. Estimates of these amounts have been reflected in the preliminary allocation of purchase price. Such amounts are subject to adjustment based on the completion of the valuations and appraisals. Accordingly, the preliminary purchase price, summarized below, is subject to further revision.

	In Millions
Assets	
Current Assets	$ 88.4
Property, Plant and Equipment	539.0
Other Assets	26.7
Total Assets	654.1
Liabilities	
Current Liabilities	34.7
Long-Term Liabilities	158.1
Total Liabilities	192.8
Net Assets	461.3
Minority Interest	(27.5)
Purchase Price	$433.8

CASH FLOW, LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2005, the Company had cash and cash equivalents of $116.0 million. Following is a summary of cash activity for the first six months of 2005:

	In Millions
Investment in Portman (net of $24.1 million Portman cash)	$ (409.7)
Capital expenditures	(50.7)
Increase in inventories and prepaid expenses	(42.4)
Payment of currency hedges	(9.8)
Dividends on common and preferred stock	(7.1)
Decrease in payables and accrued expenses	(1.2)
Proceeds from sale of marketable securities	182.7
Net cash from operating activities before changes in operating assets and liabilities	171.6
Net borrowings under revolving credit facility	50.0
Decrease in receivables	12.4
Other	3.3
Decrease in cash and cash equivalents	(100.9)
Cash and cash equivalents at beginning of period	216.9
Cash and cash equivalents at end of period	$ 116.0

At June 30, 2005, there were 4.1 million tons of pellets in inventory at a cost of $150.9 million, which was .8 million tons or $42.7 million higher than December 31, 2004. Pellet inventory at June 30, 2004 was 4.1 million tons, or $130.8 million. At June 30, 2005, Portman had .8 million tonnes of finished product inventory.

Our share of capital expenditures, including 2005 expenditures related to capacity expansions, at the seven mining ventures and supporting operations is expected to approximate $170 million in 2005, including approximately $48 million for expansion and related activity at Portman since the March 31, 2005 acquisition. We incurred $50.7 million of capital expenditures through June 30, 2005. We expect to fund our expenditures from operations.

The $182.7 million proceeds from marketable securities reflects the sale of highly liquid marketable securities used in connection with our acquisition of Portman.

On March 28, 2005, we entered into a $350 million unsecured credit agreement with a syndicate of 13 financial institutions. The new facility provides $350 million in borrowing capacity under a revolving credit line, with a choice of interest rates and maturities subject to the three-year term of the agreement. The $350 million credit agreement replaced an existing $30 million unsecured revolving credit facility, which was scheduled to expire on April 29, 2005. The new facility has various financial covenants based on earnings, debt, total capitalization, and fixed cost coverage. Interest rates range from LIBOR plus 1.25 percent to LIBOR plus 2.0 percent, based on debt and earnings, or the prime rate. As of June 30, 2005, we had a total of $50.0 million outstanding at an average annual interest rate of 4.44 percent. We are in compliance with the covenants in the credit agreement as of June 30, 2005. The outstanding balance was repaid on July 5, 2005.

Portman is party to a A$40 million credit agreement. The facility has various covenants based on earnings, asset ratios and fixed cost coverage. The floating interest rate is 80 basis points over the 90-day bank bill swap rate in Australia. Under this facility, Portman has remaining borrowing capacity of A$29.5 million at June 30, 2005, after reduction of A$10.5 million for commitments under outstanding performance bonds.

Portman secured five-year financing from its customers in China as part of its long-term supply agreements to assist with the funding of the expansion of its Koolyanobbing mining operation. The borrowings, totaling $7.3 million, accrue interest annually at five percent. The borrowings require a $.7 million principal payment plus accrued interest to be made each January 31 for the next four years with the remaining balance due in full in January 2010.

Following is a summary of our common shares outstanding:

	2005	2004	2003
March 31	21,874,123	21,368,074	20,646,842
June 30	21,878,115	21,391,302	20,645,162
September 30		21,588,386	20,636,704
December 31		21,598,772	20,996,030

On July 12, 2005, the Company increased its quarterly common share dividend to $.20 per share from $.10 per share. The dividend is payable on September 1, 2005 to shareholders of record on August 12, 2005.

ENVIRONMENTAL

Our environmental liabilities of $12.2 million at June 30, 2005, including obligations for known environmental remediation exposures at active and closed mining operations and other sites, have been recognized based on the estimated cost of investigation and remediation at each site. If the cost can only be estimated as a range of possible amounts with no specific amount being most likely, the minimum of the range is accrued in accordance with SFAS No. 5, "Accounting for Contingencies." Future expenditures are not discounted, and potential insurance recoveries have not been reflected. Additional environmental obligations could be incurred, the extent of which cannot be assessed.

The environmental liability includes our obligations related to five sites that are independent of our iron mining operations, seven former iron ore-related sites, two leased land sites where we are lessor and miscellaneous remediation obligations at our operating units. Included in the obligation are Federal and State sites where the Company is named as a potentially responsible party ("PRP"): the Rio Tinto mine site in Nevada, the Milwaukee Solvay site in Wisconsin, and the Pellestar site in Michigan, where significant site cleanup activities have taken place, and the Kipling and Deer Lake sites in Michigan.

Milwaukee Solvay Site

In September 2002, the Company received a draft of a proposed Administrative Order by Consent from the United States Environmental Protection Agency ("EPA"), for cleanup and reimbursement of costs associated with the Milwaukee Solvay coke plant site in Milwaukee, Wisconsin. The plant was operated by a predecessor of the Company from 1973 to 1983, which predecessor was acquired by the Company in 1986. In January 2003, the Company completed the sale of the plant site and property to a third party. Following this sale, an Administrative Order by Consent ("Consent Order") was entered into with the EPA by the Company, the new owner and another third party who had operated on the site. In connection with the Consent Order, the new owner agreed to take responsibility for the removal action and agreed to indemnify the Company for all costs and expenses in connection with the removal action. In the third quarter of 2003, the new owner, after completing a portion of the removal, experienced financial difficulties. In an effort to continue progress on the removal action, the Company expended approximately $1.8 million in the second half of 2003, $2.1 million in 2004 and $.2 million in the first six months of 2005. At this time, the Company believes the requirements of the removal action have been substantially completed.

On August 26, 2004, the Company received a Request for Information pursuant to Section 104(e) of CERCLA relative to the investigation of additional contamination below the ground surface at the Milwaukee Solvay site. The Request for Information was also sent to thirteen other PRPs. On July 14, 2005, the Company received a General Notice Letter from EPA notifying the Company that EPA believes the Company may be liable under CERCLA and requesting the Company, along with other PRPs, voluntarily perform clean-up activities at the site. The Company has responded to the General Notice Letter indicating that there had been no communications with other PRPs but also indicating the Company’s willingness to begin the process of negotiation with the EPA and other interested parties regarding a Consent Order. Subsequently, on July 26, 2005, the Company received correspondence from the EPA with a proposed Consent Order and informing the Company that three other PRPs had also expressed interest in negotiating with EPA. At this time, the nature and extent of the contamination, the required remediation, the total cost of the cleanup and the cost sharing responsibilities of the PRPs cannot be determined, although the EPA has advised the Company that it has incurred $.5 million in past response costs, which the EPA will seek to recover from the Company and the other PRPs. The Company increased its environmental reserve for Milwaukee Solvay by $.5 million in the first half of 2005 for potential additional exposure.

Rio Tinto

The Rio Tinto Mine Site is a historic underground copper mine located near Mountain City, NV, where tailings were placed in Mill Creek, a tributary to the Owyhee River. Remediation work is being conducted in accordance with a Consent Order between the Nevada Department of Environmental Protection (“NDEP”) and the Rio Tinto Working Group (“RTWG”) composed of the Company, Atlantic Richfield Company, Teck Cominco American Incorporated, and E. I. du Pont de Nemours and Company. The Consent Order provides for technical review by the U.S. Department of the Interior Bureau of Indian Affairs, the U.S. Fish & Wildlife Service, U.S. Department of Agriculture Forest Service, the NDEP and the Shoshone-Paiute Tribes of the Duck Valley Reservation (collectively, “Rio Tinto Trustees”) located downstream on the Owyhee River. The Consent Order Statement of Work is currently projected to continue through 2006 with the objective of supporting the selection of the final remedy for the Site. Costs are shared pursuant to the terms of a Participation Agreement between the parties of the RTWG, who have reserved the right to renegotiate any future participation or cost sharing following the completion of the Consent Order. The Company has previously provided an environmental reserve, which it believes is adequate to fund its obligations to complete the Consent Order.

The Rio Tinto Trustees have made available for public comment their plans for the assessment of natural resource damages. The RTWG commented on the plans and also are in discussions with the Trustees informally about those plans. The notice of plan availability is a step in the damage assessment process. The studies presented in the plan may lead to a Natural Resources Damages claim. There is no monetized Natural Resources Damages claim at this time.

Pellestar

In the third quarter of 2003, we, along with a number of PRPs, entered into a Consent Order to implement an EPA-approved Removal Action Plan (“RAP”) at the Pellestar site, located in Negaunee Township, Marquette County, Michigan (the “Site”). Clean-up activities under the RAP have been completed. Our share of the cost of the clean-up was $.2 million. Our only outstanding obligation under the Consent Order is the payment of our share of EPA oversight costs, which are approximately $11,000.

PENSIONS AND OTHER POSTRETIREMENT BENEFITS

The Company and its mining ventures sponsor defined benefit pension plans covering substantially all its North American employees. These plans are largely noncontributory, and benefits are generally based on employees’ years of service and average earnings for a defined period prior to retirement. Additionally, the Company and its North American ventures provide other post retirement benefits (“OPEB”) to most full-time employees in North America who meet certain length of service and age requirements. Our pension and medical costs (including OPEB) had increased substantially over the past several years. Lower interest rates, lower asset returns and continued escalation of medical costs had been the predominant causes of the increases. We have taken actions to control pension and medical costs. Effective July

1, 2003, we implemented changes to U.S. salaried employee plans to reduce costs by more than an estimated $8.0 million on an annualized basis. Benefits under the current defined benefit formula were frozen for affected U.S. salaried employees, and a new cash balance formula was instituted. Increases in affected U.S. salaried retiree healthcare co-pays became effective for retirements after June 30, 2003. A cap on our share of annual medical premiums was also implemented for existing and future U.S. salaried retirees.

Pursuant to the new four-year labor agreement reached with the USWA, effective August 1, 2004, OPEB expense for 2004 has decreased $4.9 million to reflect negotiated plan changes, which capped our share of future bargaining unit retirees' healthcare premiums at 2008 levels for the years 2009 and beyond. The new agreements also provide that the Company's U.S. managed ventures fund an estimated $220 million into bargaining unit pension plans and VEBAs during the term of the contracts.

Year 2004 OPEB expense also reflects an estimated cost reduction of $4.1 million due to the effect of the Medicare Prescription Drug, Improvement and Modernization Act of 2003. We elected to adopt the retroactive transition method for recognizing the OPEB cost reduction in the second quarter of 2004. Accordingly, first quarter 2004 results have been restated to reduce the originally reported net loss by $.6 million or $.03 per share.

Following is a summary of our defined benefit pension and OPEB funding and expense for the years 2002 through 2005:

	(In Millions)			
	Pension		OPEB	
	Funding	Expense	Funding	Expense
2002	$ 1.1	$ 7.2	$ 16.8	$ 21.5
2003	6.4	32.0	17.0	29.1
2004	63.0	23.1	30.9	28.5
2005 (Estimated)	33.9	19.1	35.2	21.8

Year 2005 estimated pension and OPEB expense reflects a reduction in the discount rate from 6.25 percent to 5.75 percent. Further decreases in long-term interest rates in 2005 would likely result in higher pension and OPEB expenses in 2006, which amounts have not yet been estimated.

MARKET RISKS

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

Our investment policy relating to our short-term investments (classified as cash equivalents) is to preserve principal and liquidity while maximizing the short-term return through investment of available funds. The carrying value of these investments approximates fair value on the reporting dates.

The rising cost of energy is an important issue affecting us. Energy costs account for approximately 25 percent of North American production costs. Recent trends indicate that electric power, natural gas and oil costs can be expected to increase over time, although the direction and magnitude of short-term changes are difficult to predict. Our strategy to address increasing energy rates includes improving efficiency in energy usage and utilizing the lowest cost alternative fuels. Our mining ventures enter into forward contracts for certain commodities, primarily natural gas, as a hedge against price volatility. Such contracts are in quantities expected to be delivered and used in the production process. At June 30, 2005, the notional amount of the outstanding forward contracts was $19.1 million (Company share — $16.3 million), with an unrecognized fair value gain of $.9 million (Company share — $.8 million) based on June 30, 2005 forward rates. The contracts mature at various times through December 2005. If the forward rates were to change 10 percent from the month-end rate, the value and potential cash flow effect on the contracts would be approximately $2.0 million (Company share $1.7 million).

Our Wabush mine operation in Canada represents approximately seven percent of our North American pellet production. This operation is subject to currency exchange fluctuations between the U.S. and Canadian dollars; however, we do not hedge our exposure to this currency exchange fluctuation. Since 2003, the value of the Canadian dollar rose against the U.S. dollar from $.64 U.S. dollar per Canadian dollar at the beginning of 2003 to $.82 U.S. dollar per Canadian dollar at June 30, 2005, an increase of 28 percent. The average exchange rate increased to $.81 U.S. dollar per Canadian dollar in the first six months of 2005 from an average of $.75 U.S. dollar per Canadian dollar for 2003, an increase of eight percent. We do not believe that the recent increase in the U.S./Canadian exchange rate is a trend that will continue in the long-term; however, short-term fluctuations cannot reasonably be predicted.

Portman hedges a portion of its United States currency-denominated sales in accordance with a formal policy. The primary objective for using derivative financial instruments is to reduce the earnings volatility attributable to changes in Australian and United States currency fluctuations. The instruments are subject to formal documentation, intended to achieve qualifying hedge treatment, and are tested at inception and at each reporting period as to effectiveness. Changes in fair value for highly effective hedges are recorded as a component of other comprehensive income. Ineffective portions are charged to operations. At June 30, 2005, Portman had outstanding A$428.9 million in the form of call options, collars, convertible collars and forward exchange contracts with varying maturity dates ranging from July 2005 to March 2008, and a fair value based on the June 30, 2005 spot rate of A$13.5 million. A one percent change in rates from the month-end rate would change the fair value and cash flow by approximately A$3.3 million.

STRATEGIC INVESTMENTS

We intend to continue to pursue investment and operations management opportunities to broaden our scope as a supplier of iron ore to the integrated steel industry through the acquisition of additional mining interests to strengthen our market position. We are particularly focused on expanding our international investments to leverage our expertise in mining, concentrating and pelletizing ores to capitalize on global demand for steel and iron ore in areas such as China. Our innovative United Taconite joint venture with Laiwu Steel Group, Ltd. and our Portman acquisition are examples of our ability to expand geographically, and we intend to continue to pursue similar opportunities in other regions. In addition, we will continue to investigate opportunities in North America. In the event of any future acquisitions or joint-venture opportunities, we may consider using available liquidity or other sources of funding to make investments.

Mesabi Nugget Project

In 2002, we agreed to participate in Phase II of the Mesabi Nugget Project. Other participants include Kobe Steel, Ltd., Steel Dynamics, Inc., Ferrometrics, Inc. and the State of Minnesota. Construction of a $16 million pilot plant at our Northshore mine, to test and develop Kobe Steel’s technology for converting iron ore into nearly pure iron in nugget form, was completed in May 2003. The high-iron-content product could be utilized to replace steel scrap as a raw material for electric steel furnaces and blast furnaces or basic oxygen furnaces of integrated steel producers or as feedstock for the foundry industry. A third operating phase of the pilot plant test in 2004 confirmed the commercial viability of this technology. The pilot plant ended operations August 3, 2004. The product has been used by four electric furnace producers and one foundry with favorable results. Preliminary construction engineering and environmental permitting activities have been initiated for two potential commercial plant locations (one in Butler, Indiana near Steel Dynamics’ steelmaking facilities and one at the Company’s Cliffs Erie site in Hoyt Lakes, Minnesota). A non-binding term sheet for a commercial plant was executed in March 2005, and a decision to proceed with construction engineering was made in April. On July 26, 2005, the Minnesota Pollution Control Agency Citizens’ Board unanimously approved environmental permitting for the Cliffs Erie site, subject to appeal. We would be the supplier of iron ore and have a minority interest in the first commercial plant. Our contribution to the project to-date has totaled $6.3 million ($1.0 million in the first half of 2005), including significant contributions of in-kind facilities and services.

FORWARD-LOOKING STATEMENTS

Cautionary Statements

This report contains statements that constitute “forward-looking statements.” These forward-looking statements may be identified by the use of predictive, future-tense or forward-looking terminology, such as “believes,” “anticipates,” “expects,” “estimates,” “intends,” “may,” “will” or similar terms. 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. These statements appear in a number of places in this report and include statements regarding our intent, belief or current expectations of our directors or our officers with respect to, among other things:

- trends affecting our financial condition, results of operations or future prospects;
- estimates of our economic iron ore reserves;
- our business and growth strategies;
- our financing plans and forecasts; and
- the potential existence of significant deficiencies or material weaknesses in internal controls over financial reporting that may be identified during the performance of testing required under Section 404 of the Sarbanes-Oxley Act of 2002.

You are cautioned that any such forward-looking statements are not guarantees of future performance and involve significant risks and uncertainties, and that actual results may differ materially from those contained in the forward-looking statements as a result of various factors, some of which are unknown. The factors that could adversely affect our actual results and performance include, without limitation:

- decreased steel production in North America, China and Japan caused by global overcapacity of steel, intense competition in the steel industry, increased imports of steel into the United States, consolidation in the steel industry, cyclicality in the steel market and other factors, all of which could result in decreased demand for our iron ore products;
- use by steel makers of products other than North American and Australian iron ore in the production of steel;
- uncertainty about the continued demand for steel to support industrial growth in China;
- the highly competitive nature of the iron ore mining industry;
- our dependence on our North American term supply agreements with a limited number of customers as the steel industry consolidation continues (as evidenced by the recent merger of ISG and Ispat Inland to form Mittal);
- changes in demand for our products under the requirements contracts we have with our customers;
- the provisions of our North American term supply agreements, including price adjustment provisions that may not allow us to match international prices for iron ore products;
- fluctuation in international prices for iron ore that may negatively impact our profitability;
- the substantial costs of mine closures, and the uncertainties regarding mine life and estimates of ore reserves;
- uncertainty relating to our North American customers' pending bankruptcy or reorganization proceedings, and the creditworthiness of our customers;
- our change in strategy from a manager of iron ore mines to primarily a merchant of iron ore to steel company customers;

- increases in the cost or length of time required to complete capacity expansions;
- inability of the capacity expansions to achieve expected additional production;
- our reliance on our joint venture partners to meet their obligations;
- unanticipated geological conditions, natural disasters, interruptions in electrical or other power sources and equipment failures, which could cause shutdowns or production curtailments for us or our steel industry customers;
- increases in our costs of electrical power, fuel or other energy sources;
- uncertainties relating to governmental regulation of our mines and our processing facilities, including under environmental laws;
- uncertainties relating to our pension plans;
- uncertainties relating to our ability to identify and consummate any strategic investments;
- adverse changes in currency values;
- uncertainties related to the appraisal of acquisitions and the related allocation of purchase price to the acquired assets and assumed liabilities;
- uncertainties relating to labor relations, including the potential for, and duration of, work stoppages; and
- the success of our cost reduction efforts.

You are urged to carefully consider these factors and the "— Risks Relating to the Company" included in our Annual Report on Form 10-K for the year ended December 31, 2004. All forward-looking statements attributable to us are expressly qualified in their entirety by the foregoing cautionary statements.

ITEM 3. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

Information regarding Market Risk of the Company is presented under the caption “Market Risk” which is included in our Annual Report on Form 10-K for the year ended December 31, 2004 and in the Management’s Discussion and Analysis section of this report.

ITEM 4. CONTROLS AND PROCEDURES

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

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

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

Wisconsin Electric Power Company. Two of the Company's mines, Tilden Mining Company, L.C. and Empire Iron Mining Partnership ("the Mines"), currently purchase their electric power from Wisconsin Electric Power Company ("WEPCo") pursuant to the terms of special contracts specifying prices based on WEPCo's "actual costs". Effective April 1, 2005, WEPCo unilaterally changed its method of calculating the energy charges to the Mines. It is the Mines' contention that WEPCo's new billing methodology is inconsistent with the terms of the parties' contracts and a dispute has arisen between WEPCo and the Mines over the pricing issue. Pursuant to the terms of the relevant contracts, the undisputed amounts are being paid to WEPCo, while the disputed amounts are being deposited into an interest-bearing escrow account maintained by a bank. The Mines notified WEPCo in May 2005 of their intention to submit this dispute to arbitration, but a formal Demand for Arbitration has been temporarily withheld while the parties continue discussions and the Mines seek to obtain pertinent information from WEPCo. For the three month period ended June 30, 2005, the Mines have deposited $15.5 million into the escrow account, of which $7.7 million was deposited in July. An amount of $12.3 million, included in the escrow deposit which will be recovered in early-2006 under uncontested provisions of the contract, is recorded in "Other" current assets on the June 30, 2005 Statement of Condensed Consolidated Financial Position. Additionally, WEPCo is questioning whether the Company has complied with the notification provisions related to Tilden's annual pellet production in excess of 7 million tons.

Milwaukee Solvay Site. In September 2002, the Company received a draft of a proposed Administrative Order by Consent from the United States Environmental Protection Agency ("EPA"), for clean-up and reimbursement of costs associated with the Milwaukee Solvay coke plant site in Milwaukee, Wisconsin. The plant was operated by a predecessor of the Company from 1973 to 1983, which predecessor was acquired by the Company in 1986. In January 2003, the Company completed the sale of the plant site and property to a third party. Following this sale, an Administrative Order by Consent ("Consent Order") was entered into with the EPA by the Company, the new owner and another third party who had operated on the site. In connection with the Consent Order, the new owner agreed to take responsibility for the removal action and agreed to indemnify the Company for all costs and expenses in connection with the removal action. In the third quarter of 2003, the new owner, after completing a portion of the removal, experienced financial difficulties. In an effort to continue progress on the removal action, the Company expended approximately $1.8 million in the second half of 2003, $2.1 million in 2004 and $.2 million in the first six months of 2005. At this time, the Company believes the requirements of the removal action have been substantially completed.

On August 26, 2004, the Company received a Request for Information pursuant to Section 104(e) of CERCLA relative to the investigation of additional contamination below the ground surface at the Milwaukee Solvay site. The Request for Information was also sent to thirteen other PRPs. On July 14, 2005, the Company received a General Notice Letter from EPA notifying the Company that EPA believes the Company may be liable under CERCLA and requesting the Company, along with other PRPs, voluntarily perform clean-up activities at the site. The Company has responded to the General Notice Letter indicating that there had been no communications with other PRPs but also indicating the Company’s willingness to begin the process of negotiation with the EPA and other interested parties regarding a Consent Order. Subsequently, on July 26, 2005, the Company received correspondence from the EPA with a proposed Consent Order and informing the Company that three other PRPs had also expressed interest in negotiating with EPA. At this time, the nature and extent of the contamination, the required remediation, the total cost of the clean-up and the cost sharing responsibilities of the PRPs cannot be determined, although the EPA has advised the Company that it has incurred $.5 million in past response costs, which the EPA will seek to recover from the Company and the other PRPs. The Company increased its environmental reserve for Milwaukee Solvay by $.5 million in the first half of 2005 for potential additional exposure.

Rio Tinto. The Rio Tinto Mine Site is a historic underground copper mine located near Mountain City, NV, where tailings were placed in Mill Creek, a tributary to the Owyhee River. Remediation work is being conducted in accordance with a Consent Order between the Nevada Department of Environmental Protection (“NDEP”) and the Rio Tinto Working Group (“RTWG”) composed of the Company, Atlantic Richfield Company, Teck Cominco American Incorporated, and E. I. du Pont de Nemours and Company. The Consent Order provides for technical review by the U.S. Department of the Interior Bureau of Indian Affairs, the U.S. Fish & Wildlife Service, U.S. Department of Agriculture Forest Service, the NDEP and the Shoshone-Paiute Tribes of the Duck Valley Reservation (collectively, “Rio Tinto Trustees”) located downstream on the Owyhee River. The Consent Order Statement of Work is currently projected to continue through 2006 with the objective of supporting the selection of the final remedy for the Site. Costs are shared pursuant to the terms of a Participation Agreement between the parties of the RTWG, who have reserved the right to renegotiate any future participation or cost sharing following the completion of the Consent Order. The Company has previously provided an environmental reserve, which it believes is adequate to fund its obligations to complete the Consent Order.

The Rio Tinto Trustees have made available for public comment their plans for the assessment of natural resource damages. The RTWG commented on the plans and also are in discussions with the Trustees informally about those plans. The notice of plan availability is a step in the damage assessment process. The studies presented in the plan may lead to a Natural Resources Damages claim. There is no monetized Natural Resources Damages claim at this time.

Mountain West Mines. On May 4, 2004, The Cleveland-Cliffs Iron Company (“Iron”), a subsidiary of the Company, was sued along with two other defendants in the United States District Court for the District of Wyoming. The plaintiff, Mountain West Mines, Inc. ("Mountain West"), asserted that Iron and the other defendants were liable to it for a historical and continuing four percent overriding royalty interest on all yellowcake uranium produced from the Powder River Basin in Wyoming and sold by Iron or certain other entities with which Iron had conducted business. Mountain West sought an uncertain amount from Iron. On March 1, 2005, Mountain West, and Iron and the other defendants submitted cross-motions for summary judgment. U.S. Magistrate Judge Beaman conducted oral arguments on the cross-motions on April 29, 2005, and on May 27, 2005, he issued a Report and Recommendation on the cross-motions, recommending that Mountain West's complaint be dismissed. On July 13, 2005, United States District Judge Brimmer adopted the Magistrate Judge's Report and Recommendation in its entirety, rejected the objections to the report that had been filed by Mountain West, dismissed Mountain West's complaint, and entered judgment in favor of Iron on its counterclaim for a declaration that, other than as controlled by a limited contractual exception, Iron is not liable for any royalties other than on yellowcake uranium Iron produces. It is unknown at this time if Mountain West will appeal.

Pellestar. In the third quarter of 2003, we, along with a number of PRPs, entered into a Consent Order to implement an EPA-approved Removal Action Plan ("RAP") at the Pellestar site, located in Negaunee Township, Marquette County, Michigan (the "Site"). Clean-up activities under the RAP have been completed. Our share of the cost of the clean-up was $.2 million. Our only outstanding obligation under the Consent Order is the payment of our share of EPA oversight costs, which are approximately $11,000.

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

(a) Pursuant to the Cleveland-Cliffs Inc Voluntary Non-Qualified Deferred Compensation Plan ("VNQDC Plan"), the Company sold a total of 100 shares of common stock, par value $.50 per share, of Cleveland-Cliffs Inc ("Common Shares") for an aggregate consideration of $5,620.96 to the Trustee of the Trust maintained under the VNQDC Plan, as detailed below:

Date	Shares	Amount
May 13, 2005	76	$4,033.32
March 31, 2005	18	1,307.70
November 30, 2004	4	193.28
November 15, 2004	2	86.66
Total	100	$5,620.96

These sales were made in reliance on Rule 506 of Regulation D under the Securities Act of 1933 pursuant to an election made by two managerial employees under the VNQDC Plan.

Item 4. Submission of Matters to a Vote of Security Holders

The Company's Annual Meeting of Shareholders was held on May 10, 2005. At the meeting the Company's shareholders acted upon (i) the election of Directors, and (ii) the approval of the appointment of Deloitte & Touche LLP as the Company's independent auditors.

In the election of Directors, all nine nominees named in the Company's Proxy Statement, dated March 21, 2005, were elected to hold office until the next Annual Meeting of Shareholders and until their respective successors are elected. Each nominee received the number of votes set opposite his name:

NOMINEES	FOR	WITHHELD
John S. Brinzo	19,201,533	949,535
Ronald C. Cambre	19,450,284	700,784
Ranko Cucuz	19,449,490	701,578
David H. Gunning	19,224,599	926,469
James D. Ireland III	19,226,923	924,145
Francis R. McAllister	19,449,843	701,225
Roger Phillips	19,449,899	701,169
Richard K. Riederer	19,450,805	700,263
Alan Schwartz	19,226,114	924,954

There were no broker non-votes with respect to the election of Directors.

For the ratification of Deloitte & Touche LLP as independent auditors, the voting was as follows:

For	20,124,130
Against	19,386
Abstain	7,552

Item 6. Exhibits

(a) List of Exhibits-Refer to Exhibit Index on page 55

SIGNATURE

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

Date: July 28, 2005

By /s/ Donald J. Gallagher
Donald J. Gallagher
Executive Vice President, Chief
Financial Officer and Treasurer

EXHIBIT INDEX

Exhibit Number	Exhibit	
10(a)	* Severance Agreement between Cleveland-Cliffs Inc and Joseph A. Carrabba dated May 23, 2005	Filed Herewith
10(b)	* Employment Agreement between Cleveland-Cliffs Inc and Joseph A. Carrabba dated April 29, 2005	Filed Herewith
10(c)	* Form of Restricted Shares Agreement under the 1992 Incentive Equity Plan (As Amended and Restated as of May 13, 1997) as amended, effective May 23, 2005 between Cleveland-Cliffs Inc and Joseph A. Carrabba	Filed Herewith
31(a)	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 John S. Brinzo, Chairman and Chief Executive Officer for Cleveland-Cliffs Inc, as of July 28, 2005	Filed Herewith
31(b)	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 Donald J. Gallagher, Executive Vice President, Chief Financial Officer and Treasurer, as of July 28, 2005	Filed Herewith
32(a)	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 John S. Brinzo, Chairman and Chief Executive Officer for Cleveland-Cliffs Inc, as of July 28, 2005	Filed Herewith
32(b)	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 Donald J. Gallagher, Executive Vice President, Chief Financial Officer and Treasurer, as of July 28, 2005	Filed Herewith

* Reflects management contract or other compensatory arrangement required to be filed as an Exhibit pursuant to Item 15(c) of this Report.

Exhibit 10(a)

SEVERANCE AGREEMENT

THIS SEVERANCE AGREEMENT (this “Agreement”), dated as of May 23, 2005 is made and entered by and between Cleveland-Cliffs Inc, an Ohio corporation (the “Company”), and Joseph A. Carrabba (the “Executive”).

WITNESSETH:

WHEREAS, the Executive is a senior executive of the Company or one or more of its Subsidiaries and is expected to make major contributions to the short- and long-term profitability, growth and financial strength of the Company;

WHEREAS, the Company recognizes that, as is the case for most publicly held companies, the possibility of a Change in Control (as defined below) exists;

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

WHEREAS, the Company wishes to ensure that its senior executives are not practically disabled from discharging their duties in respect of a proposed or actual transaction involving a Change in Control; and

WHEREAS, the Company desires to provide additional inducement for the Executive to continue to remain in the employ of the Company.

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

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

(a) “Base Pay” means the Executive’s annual base salary rate as in effect from time to time.

(b) “Board” means the Board of Directors of the Company.

(c) “Cause” means that, prior to any termination pursuant to Section 3(b), the Executive shall have committed:

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

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

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

(iv) intentional wrongful engagement in any Competitive Activity;

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

(d) "Change in Control" means the occurrence during the Term of any of the following events:

(i) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 30% or more of the combined voting power of the then outstanding Voting Stock of the Company; provided, however, that for purposes of this Section 1(d)(i), the following acquisitions shall not constitute a Change in Control: (A) any issuance of Voting Stock of the Company directly from the Company that is approved by the Incumbent Board (as defined in Section 1(d)(ii), below), (B) any acquisition by the Company of Voting Stock of the Company, (C) any acquisition of Voting Stock of the Company by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Subsidiary, or (D) any acquisition of Voting Stock of the Company by any Person pursuant to a Business Combination that complies with clauses (A), (B) and (C) of Section 1(d)(iii), below; or

(ii) individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a Director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the Directors then comprising the Incumbent Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without objection to such nomination) shall be deemed to have been a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest (within the meaning of Rule 14a-11 of the Exchange Act) with respect to the election or removal of Directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) consummation of a reorganization, merger or consolidation involving the Company, a sale or other disposition of all or substantially all of the assets of the Company, or any other transaction involving the Company (each, a "Business Combination"), unless, in each case, immediately following such Business Combination, (A) all or substantially all of the individuals and entities who were the beneficial owners of Voting Stock of the Company immediately prior to such Business Combination beneficially own, directly or indirectly, more than 55% of the combined voting power of the then outstanding shares of Voting Stock of the entity resulting from such Business Combination (including, without limitation, an entity which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions relative to each other as their ownership, immediately prior to such Business Combination, of the Voting Stock of the Company, (B) no Person (other than the Company, such entity resulting from such Business Combination, or any employee benefit plan (or related trust) sponsored or maintained by the Company, any Subsidiary or such entity resulting from such Business Combination) beneficially owns, directly or indirectly, 30% or more of the combined voting power of the then outstanding shares of Voting Stock of the entity resulting from such Business Combination, and (C) at least a majority of the members of the Board of Directors of the entity resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of the Board providing for such Business Combination; or

(iv) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company, except pursuant to a Business Combination that complies with clauses (A), (B) and (C) of Section 1(d)(iii).

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

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

(g) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(h) "Incentive Pay" means an annual bonus, incentive or other payment of compensation, in addition to Base Pay, made or to be made in regard to services rendered in any year or other period pursuant to any bonus, incentive, profit-sharing, performance, discretionary pay or similar agreement, policy, plan, program or arrangement (whether or not funded) of the Company or a Subsidiary, or any successor thereto.

(i) "Industry Service" means professionally related service, prior to his employment by the Company or a Subsidiary, by the Executive as an employee within the iron, steel and mining industries or service within an industry to which such Executive's position with the Company relates. The Executive shall be given credit for one year of Industry Service for every two years of service with the Company, as designated in writing by, or in minutes of the actions of, the Compensation and Organization Committee of the Board, and such years of credited Industry Service shall be defined as "Credited Years of Industry Service."

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

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

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

(m) "Supplemental Retirement Plan" or "SRP" means the Cleveland-Cliffs Inc Supplemental Retirement Benefit Plan (as Amended and Restated as of January 1, 2001), as it may be amended prior to a Change in Control, and modified as provided in Annex A, Paragraph (3).

(n) "Term" means the period commencing as of the date hereof and expiring as of the later of (i) the close of business on December 31, 2005, or (ii) the expiration of the Severance Period; provided, however, that (A) commencing on January 1, 2006 and each January 1 thereafter, the term of this Agreement will automatically be extended for an additional year unless, not later than September 30 of the immediately preceding year, the Company or the Executive shall have given notice that it or the Executive, as the case may be, does not wish to have the Term extended and (B) subject to the last sentence of Section 9, if, prior to a Change in Control, the Executive ceases for any reason to be an officer of the Company and any Subsidiary, thereupon without further action the Term shall be deemed to have expired and this Agreement will immediately terminate and be of no further effect. For purposes of this Section 1(n), the Executive shall not be deemed to have ceased to be an employee of the Company and any Subsidiary by reason of the transfer of Executive's employment between the Company and any Subsidiary, or among any Subsidiaries.

(o) "Termination Date" means the date on which the Executive's employment is terminated pursuant to Section 3 (the effective date of which shall be the date of termination, or such other date that may be specified by the Executive if the termination is pursuant to Section 3(b)).

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

2. Operation of Agreement. This Agreement will be effective and binding immediately upon its execution, but, anything in this Agreement to the contrary notwithstanding, this Agreement will not be operative unless and until a Change in Control occurs. Upon the occurrence of a Change in Control at any time during the Term, without further action, this Agreement shall become immediately operative, including without limitation, the last sentence of Section 9 notwithstanding that the Term may have theretofore expired.

3. Termination Following a Change in Control. (a) In the event of the occurrence of a Change in Control, the Executive's employment may be terminated by the Company or a Subsidiary during the Severance Period and the Executive shall be entitled to the benefits provided by Section 4 unless such termination is the result of the occurrence of one or more of the following events:

(i) The Executive's death;

(ii) If the Executive becomes permanently disabled within the meaning of, and begins actually to receive disability benefits pursuant to, the long-term disability plan in effect for, or applicable to, the Executive immediately prior to the Change in Control; or

(iii) Cause.

If, during the Severance Period, the Executive's employment is terminated by the Company or any Subsidiary other than pursuant to Section 3(a)(i), 3(a)(ii) or 3(a)(iii), the Executive will be entitled to the benefits provided by Section 4 hereof.

(b) In the event of the occurrence of a Change in Control, the Executive may terminate employment with the Company and any Subsidiary during the Severance Period with the right to severance compensation as provided in Section 4 upon the occurrence of one or more of the following events (regardless of whether any other reason, other than Cause as hereinabove provided, for such termination exists or has occurred, including without limitation other employment):

(i) Failure to elect or reelect or otherwise to maintain the Executive in the office or the position, or a substantially equivalent office or position, of or with the Company and/or a Subsidiary (or any successor thereto by operation of law or otherwise), as the case may be, which the Executive held immediately prior to a Change in Control, or the removal of the Executive as a Director of the Company and/or a Subsidiary (or any successor thereto) if the Executive shall have been a Director of the Company and/or a Subsidiary immediately prior to the Change in Control;

(ii) (A) A significant adverse change in the nature or scope of the authorities, powers, functions, responsibilities or duties attached to the position with the Company and any Subsidiary which the Executive held immediately prior to the Change in Control, (B) a reduction in the Executive's Base Pay, (C) a reduction in the Executive's opportunity to receive Incentive Pay from the Company and any Subsidiary, or (D) the termination or denial of the Executive's rights to Employee Benefits or a reduction in the scope or value thereof, any of which is not remedied by the Company within 10 calendar days after receipt by the Company of written notice from the Executive of such change, reduction or termination, as the case may be;

(iii) A determination by the Executive (which determination will be conclusive and binding upon the parties hereto provided it has been made in good faith and in all events will be presumed to have been made in good faith unless otherwise shown by the Company by clear and convincing evidence) that a change in circumstances has occurred following a Change in Control, including, without limitation, a change in the scope of the business or other activities for which the Executive was responsible immediately prior to the Change in Control, which has rendered the Executive substantially unable to carry out, has substantially hindered Executive's performance of, or has caused Executive to suffer a substantial reduction in, any of the authorities, powers, functions, responsibilities or duties attached to the position held by the Executive immediately prior to the Change in Control, which situation is not remedied within 10 calendar days after written notice to the Company from the Executive of such determination;

(iv) The liquidation, dissolution, merger, consolidation or reorganization of the Company or transfer of all or substantially all of its business and/or assets, unless the successor or successors (by liquidation, merger, consolidation, reorganization, transfer or otherwise) to which all or substantially all of its business and/or assets have been transferred (by operation of law or otherwise) assumed all duties and obligations of the Company under this Agreement pursuant to Section 11(a);

(v) The Company relocates its principal executive offices (if such offices are the principal location of Executive's work), or requires the Executive to have his principal location of work changed, to any location that, in either case, is in excess of 25 miles from the location thereof immediately prior to the Change in Control, without his prior written consent; or

(vi) Without limiting the generality or effect of the foregoing, any material breach of this Agreement by the Company or any successor thereto which is not remedied by the Company within 10 calendar days after receipt by the Company of written notice from the Executive of such breach.

(c) A termination by the Company pursuant to Section 3(a) or by the Executive pursuant to Section 3(b) will not affect any rights that the Executive may have pursuant to any agreement, policy, plan, program or arrangement of the Company or Subsidiary providing Employee Benefits, which rights shall be governed by the terms thereof, except for any rights to severance compensation to which the Executive may be entitled upon termination of employment under any severance pay policy, plan, program or arrangement of the Company, which rights shall, during the Severance Period, be superseded by this Agreement.

4. Severance Compensation. (a) If, following the occurrence of a Change in Control, the Company or Subsidiary terminates the Executive's employment during the Severance Period other than pursuant to Section 3(a)(i), 3(a)(ii) or 3(a)(iii), or if the Executive terminates his employment pursuant to Section 3(b), the Company will pay to the Executive the amounts described in Annex A within ten business days after the Termination Date, or, if later, upon the expiration of the revocation period provided for in Exhibit A, and will continue to provide to the Executive the benefits described on Annex A for the periods described therein.

(b) Without limiting the rights of the Executive at law or in equity, if the Company fails to make any payment or provide any benefit required to be made or provided hereunder on a timely basis, the Company will pay interest on the amount or value thereof at an annualized rate of interest equal to the so-called composite "prime rate" as quoted from time to time during the relevant period in the Midwest Edition of The Wall Street Journal, plus 2%. Such interest will be payable as it accrues on demand. Any change in such prime rate will be effective on and as of the date of such change.

(c) Notwithstanding any provision of this Agreement to the contrary, the parties' respective rights and obligations under this Section 4 and under Sections 5, 7, 8 and the last sentence of Section 9 and Paragraph (3) of Annex A will survive any termination or expiration of this Agreement or the termination of the Executive's employment following a Change in Control for any reason whatsoever.

(d) Unless otherwise expressly provided by the applicable policy, plan, program or agreement, after the occurrence of a Change in Control, the Company shall pay in cash to the Executive a lump sum amount equal to the value of any annual bonus or long-term incentive pay (including, without limitation, incentive-based annual cash bonuses and performance units, but not including any equity-based compensation or compensation provided under a qualified plan) earned or granted with respect to the Executive's service during the performance period or periods that includes the date on which the Change in Control occurred, disregarding any applicable vesting requirements; provided that such amount shall be calculated at the plan target rate, but prorated on the portion of the Executive's service that had elapsed during the applicable performance period. Such payment shall take into account service rendered through the payment date and shall be made at the earlier of (i) the date prescribed for payment pursuant to the applicable plan, program or agreement, and (ii) within five business days after the Termination Date.

(e) Notwithstanding any provision to the contrary in any applicable policy, plan, program or agreement, upon the occurrence of a Change in Control, all equity incentive grants and awards held by the Executive shall become fully vested and all stock options held by the Executive shall become fully exercisable.

5. Certain Additional Payments by the Company. (a) Anything in this Agreement to the contrary notwithstanding, in the event that this Agreement shall become operative and it shall be determined (as hereafter provided) that any payment (other than the Gross-Up payments provided for in this Section 5) or distribution by the Company or any of its affiliates to or for the benefit of the Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise pursuant to or by reason of any other agreement, policy, plan, program or arrangement, including without limitation any stock option, performance share, performance unit, stock appreciation right or similar right, or the lapse or termination of any restriction on or the vesting or exercisability of any of the foregoing (a "Payment"), would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code") (or any successor provision thereto) by reason of being considered "contingent on a change in ownership or control" of the Company, within the meaning of Section 280G of the Code (or any successor provision thereto) or to any similar tax imposed by state or local law, or any interest or penalties with respect to such tax (such tax or taxes, together with any such interest and penalties, being hereafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment or payments (collectively, a "Gross-Up Payment"); provided, however, that no Gross-up Payment shall be made with respect to the Excise Tax, if any, attributable to (i) any incentive stock option, as defined by Section 422 of the Code ("ISO") granted prior to the execution of this Agreement, or (ii) any stock appreciation or similar right, whether or not limited, granted in tandem with any ISO described in clause (i). The Gross-Up Payment shall be in an amount such that, after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payment.

(b) Subject to the provisions of Section 5(f), all determinations required to be made under this Section 5, including whether an Excise Tax is payable by the Executive and the amount of such Excise Tax and whether a Gross-Up Payment is required to be paid by the Company to the Executive and the amount of such Gross-Up Payment, if any, shall be made by a nationally recognized accounting firm (the "Accounting Firm") selected by the Executive in his sole discretion. The Executive shall direct the Accounting Firm to submit its determination and detailed supporting calculations to both the Company and the Executive within 30 calendar days after the Termination Date, if applicable, and any such other time or times as may be requested by the Company or the Executive. If the Accounting Firm determines that any Excise Tax is payable by the Executive, the Company shall pay the required Gross-Up Payment to the Executive within five business days after receipt of such determination and calculations with respect to any Payment to the Executive. If the Accounting Firm determines that no Excise Tax is payable by the Executive, it shall, at the same time as it makes such determination, furnish the Company and the Executive an opinion that the Executive has substantial authority not to report any Excise Tax on his federal, state or local income or other tax return. As a result of the uncertainty in the application of Section 4999 of the Code (or any successor provision thereto) and the possibility of similar uncertainty regarding applicable state or local tax law at the time of any determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made (an "Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts or fails to pursue its remedies pursuant to Section 5(f) and the Executive thereafter is required to make a payment of any Excise Tax, the Executive shall direct the Accounting Firm to determine the amount of the Underpayment that has occurred and to submit its determination and detailed supporting calculations to both the Company and the Executive as promptly as possible. Any such Underpayment shall be promptly paid by the Company to, or for the benefit of, the Executive within five business days after receipt of such determination and calculations.

(c) The Company and the Executive shall each provide the Accounting Firm access to and copies of any books, records and documents in the possession of the Company or the Executive, as the case may be, reasonably requested by the Accounting Firm, and otherwise cooperate with the Accounting Firm in connection with the preparation and issuance of the determinations and calculations contemplated by Section 5(b). Any determination by the Accounting Firm as to the amount of the Gross-Up Payment shall be binding upon the Company and the Executive.

(d) The federal, state and local income or other tax returns filed by the Executive shall be prepared and filed on a consistent basis with the determination of the Accounting Firm with respect to the Excise Tax payable by the Executive. The Executive shall make proper payment of the amount of any Excise Payment, and at the request of the Company, provide to the Company true and correct copies (with any amendments) of his federal income tax return as filed with the Internal Revenue Service and corresponding state and local tax returns, if relevant, as filed with the applicable taxing authority, and such other documents reasonably requested by the Company, evidencing such payment. If prior to the filing of the Executive's federal income tax return, or corresponding state or local tax return, if relevant, the Accounting Firm determines that the amount of the Gross-Up Payment should be reduced, the Executive shall within five business days pay to the Company the amount of such reduction.

(e) The fees and expenses of the Accounting Firm for its services in connection with the determinations and calculations contemplated by Section 5(b) shall be borne by the Company. If such fees and expenses are initially paid by the Executive, the Company shall reimburse the Executive the full amount of such fees and expenses within five business days after receipt from the Executive of a statement therefor and reasonable evidence of his payment thereof.

(f) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service or any other taxing authority that, if successful, would require the payment by the Company of a Gross-Up Payment. Such notification shall be given as promptly as practicable but no later than 10 business days after the Executive actually receives notice of such claim and the Executive shall further apprise the Company of the nature of such claim and the date on which such claim is requested to be paid (in each case, to the extent known by the Executive). The Executive shall not pay such claim prior to the earlier of (i) the expiration of the 30-calendar-day period following the date on which he gives such notice to the Company and (ii) the date that any payment of amount with respect to such claim is due. If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) provide the Company with any written records or documents in his possession relating to such claim reasonably requested by the Company;

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including without limitation accepting legal representation with respect to such claim by an attorney competent in respect of the subject matter and reasonably selected by the Company;

(iii) cooperate with the Company in good faith in order effectively to contest such claim; and

(iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including interest and penalties) incurred in connection with such contest and shall indemnify and hold harmless the Executive, on an after-tax basis, for and against any Excise Tax or income tax, including interest and penalties with respect thereto, imposed as a result of such representation and payment of costs and expenses. Without limiting the foregoing provisions of this Section 5(f), the Company shall control all proceedings taken in connection with the contest of any claim contemplated by this Section 5(f) and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim (provided, however, that the Executive may participate therein at his own cost and expense) and may, at its option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay the tax claimed and sue for a refund, the Company shall advance the amount of such payment to the Executive on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income or other tax, including interest or penalties with respect thereto, imposed with respect to such advance; and provided further, however, that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which the contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of any such contested claim shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(g) If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 5(f), the Executive receives any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 5(f)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after any taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 5(f), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial or refund prior to the expiration of 30 calendar days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of any such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid by the Company to the Executive pursuant to this Section 5.

6. No Mitigation Obligation. The Company hereby acknowledges that it will be difficult and may be impossible for the Executive to find reasonably comparable employment following the Termination Date and that the non-competition covenant contained in Section 8 will further limit the employment opportunities for the Executive. In addition, the Company acknowledges that its severance pay plans applicable in general to its salaried employees do not provide for mitigation, offset or reduction of any severance payment received thereunder. Accordingly, the payment of the severance compensation by the Company to the Executive in accordance with the terms of this Agreement is hereby acknowledged by the Company to be reasonable, and the Executive will not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, nor will any profits, income, earnings or other benefits from any source whatsoever create any mitigation, offset, reduction or any other obligation on the part of the Executive hereunder or otherwise, except as expressly provided in the last sentence of Paragraph (2) set forth on Annex A.

7. Legal Fees and Expenses. (a) It is the intent of the Company that the Executive not be required to incur legal fees and the related expenses associated with the interpretation, enforcement or defense of Executive's rights under this Agreement by litigation or otherwise because the cost and expense thereof would substantially detract from the benefits intended to be extended to the Executive hereunder. Accordingly, if it should appear to the Executive that the Company has failed to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes or threatens to take any action to declare this Agreement void or unenforceable, or institutes any litigation or other action or proceeding designed to deny, or to recover from, the Executive the

benefits provided or intended to be provided to the Executive hereunder, the Company irrevocably authorizes the Executive from time to time to retain counsel of Executive's choice, at the expense of the Company as hereafter provided, to advise and represent the Executive in connection with any such interpretation, enforcement or defense, including without limitation the initiation or defense of any litigation or other legal action, whether by or against the Company or any Director, officer, stockholder or other person affiliated with the Company, in any jurisdiction. Notwithstanding any existing or prior attorney-client relationship between the Company and such counsel, the Company irrevocably consents to the Executive's entering into an attorney-client relationship with such counsel, and in that connection the Company and the Executive agree that a confidential relationship shall exist between the Executive and such counsel. Without respect to whether the Executive prevails, in whole or in part, in connection with any of the foregoing, the Company will pay and be solely financially responsible for any and all attorneys' and related fees and expenses incurred by the Executive in connection with any of the foregoing; provided that, in regard to such matters, the Executive has not acted in bad faith or with no colorable claim of success.

(b) To ensure that the provisions of this Agreement can be enforced by the Executive, certain trust arrangements ("Trusts") have been established between KeyTrust Company of Ohio, N.A., as Trustee ("Trustee"), and the Company. Each of Trust Agreement No. 1 (Amended and Restated Effective June 1, 1997, as amended) ("Trust Agreement No. 1"), Trust Agreement No. 2 (Amended and Restated Effective October 15, 2002, as amended) ("Trust Agreement No. 2"), and Trust Agreement No. 7 dated April 9, 1991, as amended ("Trust Agreement No. 7"), as it may be subsequently amended and/or restated, between the Trustee and the Company, sets forth the terms and conditions relating to payment from Trust Agreement No. 1 of compensation, pension benefits and other benefits pursuant to the Agreement owed by the Company, payment from Trust Agreement No. 2 for attorneys' fees and related fees and expenses pursuant to Section 7(a) hereof owed by the Company, and payment from Trust Agreement No. 7 of pension benefits owed by the Company. Executive shall make demand on the Company for any payments due Executive pursuant to Section 7(a) hereof prior to making demand therefor on the Trustee under Trust Agreement No. 2.

(c) Upon the earlier to occur of (i) a Change in Control or (ii) a declaration by the Board that a Change Control is imminent, the Company shall promptly to the extent it has not previously done so, and in any event within five (5) business days:

(A) transfer to Trustee to be added to the principal of the Trust under Trust Agreement No. 1 a sum equal to (I) the present value on the date of the Change in Control (or on such fifth business day if the Board has declared a Change in Control to be imminent) of the payments to be made to Executive under the provisions of Annex A and Section 5 hereof, such present value to be computed using the assumptions set forth in Annex A hereof and the computations provided for in Section 5 hereof less (II) the balance in the Executive's accounts provided for in Trust Agreement No. 1 as of the most recent completed valuation thereof, as certified by the Trustee under Trust Agreement No. 1 less (III) the balance in the Executive's accounts provided for in Trust Agreement No. 7 as of the most recently completed valuation thereof, as certified by the Trustee under Trust Agreement No. 7; provided, however, that if the Trustee under Trust Agreement No. 1 and/or Trust Agreement No. 7 does not so certify by the end of the fourth (4th) business day after the earlier of such Change in Control or declaration, then the balance of such respective account shall be deemed to be zero. Any payments of compensation, pension or other benefits by the Trustee pursuant to Trust Agreement No. 1 or Trust Agreement No. 7 shall, to the extent thereof, discharge the Company's obligation to pay compensation, pension and other benefits hereunder, it being the intent of the Company that assets in such Trusts be held as security for the Company's obligation to pay compensation, pension and other benefits under this Agreement; and

(B) transfer to the Trustee to be added to the principal of the Trust under Trust Agreement No. 2 the sum of TWO HUNDRED FIFTY THOUSAND DOLLARS ($250,000) less any principal in such Trust on such fifth business day. Any payments of the Executive's attorneys' and related fees and expenses by the Trustee pursuant to Trust Agreement No. 2 shall, to the extent thereof, discharge the Company's obligation hereunder, it being the intent of the Company that assets in such Trust be held as security for the Company's obligation under Section 7(a) hereof. Executive understands and acknowledges that the entire corpus of the Trust under Trust Agreement No. 2 will be $250,000 and that said amount will be available to discharge not only the obligations of the Company to Executive under Section 7(a) hereof, but also similar obligations of the Company to other executives and employees under similar provisions of other agreements and plans.

8. Competitive Activity; Confidentiality; Nonsolicitation. (a) During the Term and for a period ending two years following the Termination Date, if the Executive shall have received or shall be receiving benefits under Section 4, and, if applicable, Section 5, the Executive shall not, without the prior written consent of the Company, which consent shall not be unreasonably withheld, engage in any Competitive Activity.

(b) During the Term, the Company agrees that it will disclose to Executive its confidential or proprietary information (as defined in this Section 8(b)) to the extent necessary for Executive to carry out his obligations to the Company. The Executive hereby covenants and agrees that he will not, without the prior written consent of the Company, during the Term or thereafter disclose to any person not employed by the Company, or use in connection with engaging in competition with the Company, any confidential or proprietary information of the Company. For purposes of this Agreement, the term "confidential or proprietary information" will include all information of any nature and in any form that is owned by the Company and that is not publicly available (other than by Executive's breach of this Section 8(b)) or generally known to persons engaged in businesses similar or related to those of the Company. Confidential or proprietary information will include, without limitation, the Company's financial matters, customers, employees, industry contracts, strategic business plans, product development (or other proprietary product data), marketing plans, and all other secrets and all other information of a confidential or proprietary nature. For purposes of the preceding two sentences, the term "Company" will also include any Subsidiary (collectively, the "Restricted Group"). The foregoing obligations imposed by this Section 8(b) will not apply (i) during the Term, in the course of the business of and for the benefit of the Company, (ii) if such confidential or proprietary information will have become, through no fault of the Executive, generally known to the public or (iii) if the Executive is required by law to make disclosure (after giving the Company notice and an opportunity to contest such requirement).

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

9. Employment Rights. Nothing expressed or implied in this Agreement will create any right or duty on the part of the Company or the Executive to have the Executive remain in the employment of the Company or any Subsidiary prior to or following any Change in Control. Any termination of employment of the Executive or the removal of the Executive from the office or position in the Company or any Subsidiary that occurs (i) not more than 180 days prior to the date on which a Change in Control occurs, and (ii) following the commencement of any discussion with a third person that ultimately results in a Change in Control, shall be deemed to be a termination or removal of the Executive after a Change in Control for purposes of this Agreement.

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

11. Successors and Binding Agreement. (a) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, reorganization or otherwise) to all or substantially all of the business or assets of the Company, by agreement in form and substance reasonably satisfactory to the

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

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

(c) This Agreement is personal in nature and neither of the parties hereto shall, without the consent of the other, assign, transfer or delegate this Agreement or any rights or obligations hereunder except as expressly provided in Sections 11(a) and 11(b). Without limiting the generality or effect of the foregoing, the Executive's right to receive payments hereunder will not be assignable, transferable or delegable, whether by pledge, creation of a security interest, or otherwise, other than by a transfer by Executive's will or by the laws of descent and distribution and, in the event of any attempted assignment or transfer contrary to this Section 11(c), the Company shall have no liability to pay any amount so attempted to be assigned, transferred or delegated.

12. Notices. For all purposes of this Agreement, all communications, including without limitation notices, consents, requests or approvals, required or permitted to be given hereunder will be in writing and will be deemed to have been duly given when hand delivered or dispatched by electronic facsimile 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 three business days after having been sent by a nationally recognized overnight courier service such as FedEx, UPS, or Purolator, addressed to the Company (to the attention of the Secretary of the Company) at its principal executive office and to the Executive at his principal residence, or to such other address as any party may have furnished to the other in writing and in accordance herewith, except that notices of changes of address shall be effective only upon receipt.

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

14. Validity. If any provision of this Agreement or the application of any provision hereof to any person or circumstances is held invalid, unenforceable or otherwise illegal, the remainder of this Agreement and the application of such provision to any other person or circumstances will not be affected, and the provision so held to be

invalid, unenforceable or otherwise illegal will be reformed to the extent (and only to the extent) necessary to make it enforceable, valid or legal.

15. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by the Executive 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 will 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 which are not set forth expressly in this Agreement. References to Sections are to references to Sections of this Agreement.

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

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

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

CLEVELAND-CLIFFS INC

By: /s/ J. S. Brinzo

J. S. Brinzo

Chairman and Chief Executive Officer

/s/ Joseph A. Carrabba

Joseph A. Carrabba

Severance Compensation

(1) A lump sum payment in an amount equal to three (3) times the sum of (A) Base Pay (at the highest rate in effect for any period prior to the Termination Date), plus (B) Incentive Pay (in an amount equal to not less than the greater of (i) the target bonus and/or target award opportunity for the fiscal year immediately preceding the year in which the Change in Control occurred, or (ii) the target bonus and/or target award opportunity for the fiscal year in which the Termination Date occurs).

(2) For a period of thirty-six (36) months following the Termination Date (the "Continuation Period"), the Company will arrange to provide the Executive with Employee Benefits that are welfare benefits (but not stock option, performance share, performance unit, stock purchase, stock appreciation or similar compensatory benefits) substantially similar to those that the Executive was receiving or entitled to receive immediately prior to the Termination Date (or, if greater, immediately prior to the reduction, termination, or denial described in Section 3(b)(ii)). If and to the extent that any benefit described in this Paragraph 2 is not or cannot be paid or provided under any policy, plan, program or arrangement of the Company or any Subsidiary, as the case may be, then the Company will itself pay or provide for the payment to the Executive, his dependents and beneficiaries, of such Employee Benefits along with, in the case of any benefit described in this Paragraph 2 which is subject to tax because it is not or cannot be paid or provided under any such policy, plan, program or arrangement of the Company or any Subsidiary, an additional amount such that after payment by the Executive, or his dependents or beneficiaries, as the case may be, of all taxes so imposed, the recipient retains an amount equal to such taxes. Notwithstanding the foregoing, or any other provision of the Agreement, for purposes of determining the period of continuation coverage to which the Executive or any of his dependents is entitled pursuant to Section 4980B of the Code (or any successor provision thereto) under the Company's medical, dental and other group health plans, or successor plans, the Executive's "qualifying event" shall be the termination of the Continuation Period and the Executive shall be considered to have remained actively employed on a full-time basis through that date. Without otherwise limiting the purposes or effect of Section 5, Employee Benefits otherwise receivable by the Executive pursuant to this Paragraph 2 will be reduced to the extent comparable welfare benefits are actually received by the Executive from another employer during the Continuation Period following the Executive's Termination Date, and any such benefits actually received by the Executive shall be reported by the Executive to the Company.

(3) A lump sum payment (the "SRP Payment") in an amount equal to the sum of the future pension benefits (converted to a lump sum of actuarial equivalence) which the Executive would have been entitled to receive three (3) years following the Termination Date under the SRP, and as modified by this Paragraph (3) (assuming Base Salary and Incentive Pay as determined in Paragraph (1), if the Executive had remained in the full-time employment of the Company until three (3) years following the Termination Date.

The calculation of the SRP Payment and its actuarial equivalence shall be made as of the Termination Date. The lump sum of actuarial equivalence shall be calculated as of three (3) years following the Termination Date using the assumptions and factors used in the SRP, and such sum shall be discounted to the date of payment using a discount rate prescribed for purposes of valuation computations under Section 280G of the Internal Revenue Code of 1986, as amended (the "Code") or any successor provision thereto, or if no rate is so prescribed, a rate equal to the then "applicable interest rate" under Section 417(e)(3)(A)(ii)(II) of the Code for the month in which the Termination Date occurs.

The Company hereby waives the discretionary right, at any time subsequent to the date of a Change in Control, to amend or terminate the SRP as to the Executive as provided in paragraph 7 thereof or to terminate the rights of the Executive or his beneficiary under the SRP in the event Executive engages in a competitive business as provided in any plan or arrangement between the Company and the Executive or applicable to the Executive, including but not limited to, the provisions of paragraph 4 of the SRP, or any similar provisions of any such plan or arrangement or other plan or arrangement supplementing or superseding the same. This Paragraph (3) shall constitute a "Supplemental Agreement" as defined in Paragraph 1.J of the SRP. If the Company shall terminate the Executive's employment during the Severance Period, other than for Cause pursuant to Section 3(a)(i), 3(a)(ii) or 3(a)(iii) of the Agreement, or if the Executive shall terminate his employment pursuant to Section 3(b) of the Agreement, or if, following the end of the Severance Period, the Executive's employment is terminated for any reason, for the purposes of computing the Executive's period of continuous service and of calculating and paying his benefit under the SRP:

(A) At the time of his termination of employment with the Company (by death or otherwise), the Executive shall be credited with years of continuous service for benefit accrual and eligibility equal to the greater of (i) the number of his actual years of continuous service or (ii) the number of years of continuous service he would have had if he had continued his employment with the Company for three (3) years after the Termination Date, and had he attained the greater of (iii) his actual chronological age, (iv) sixty-five, or (v) his chronological age three (3) years after the Termination Date. In addition, the Executive shall be eligible for a 30-year pension benefit based upon his years of continuous service as computed under the preceding sentence. Such Executive shall be eligible to commence a 30-year pension benefit on the earlier of (vi) the date upon which the Executive would have otherwise reached 30 years of continuous service with the Company but for his termination of employment after the Change in Control at which time the Executive shall be deemed to be age 65, or (vii) the date upon which the sum of the Executive's years of continuous service (as computed in the first sentence of this subparagraph (A)) and the Executive's Credited Years of Industry Service is equal to 30 years of service, at which time the Executive shall be deemed to be age 65; and

(B) The Executive shall be a "Participant" in the SRP, notwithstanding any limitations therein. The terms of the Agreement and this Annex A shall take precedence to the extent they are contrary to provisions contained in the SRP.

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

(4) Base Salary through the Termination Date plus prorata Incentive Pay for the year in which the Termination Date occurs calculated at the greater of (i) the target bonus and/or target opportunity or (ii) actual performance, in each case for the fiscal year in which the Termination Date occurs.

(5) In lieu of the Executive's right to receive deferred compensation under the Voluntary Non-Qualified Deferred Compensation Plan or any other plan providing for deferral of income or amounts otherwise payable to the Executive, a lump sum payment in cash in an amount equal to 100% of the Executive's cash and stock account balances under such plans.

(6) Outplacement services by a firm selected by the Executive, at the expense of the Company in an amount up to 15% of the Executive's Base Pay.

(7) Post-retirement medical, hospital, surgical and prescription drug coverage for the lifetime of the Executive, his spouse and any eligible dependents equivalent to that which would have been furnished on the day prior to the Change in Control to an officer of the Company who retired on such date with full eligibility for such benefits.

CLEVELAND-CLIFFS INC
SEVERANCE AGREEMENT

EXHIBIT A

Form of Release

WHEREAS, the Executive's employment has been terminated in accordance with Section 3 of the Severance Agreement (the "Agreement") dated as of May 23, 2005 between the Executive and Cleveland-Cliffs Inc; and

WHEREAS, the Executive is required to sign this Release in order to receive the Severance Compensation (as such term is defined in the Agreement) as described in Annex A of the Agreement and the other benefits described in the Agreement.

NOW THEREFORE, in consideration of the promises and agreements contained herein and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, and intending to be legally bound, the Executive agrees as follows:

1. This Release is effective on the date hereof and will continue in effect as provided herein.

2. In consideration of the payments to be made and the benefits to be received by the Executive pursuant to the Agreement, which the Executive acknowledges are in addition to payments and benefits which the Executive would be entitled to receive absent the Agreement (other than severance pay and benefits under any other severance plan, policy, program or arrangement sponsored by Cleveland-Cliffs Inc), the Executive, for himself and his dependents, successors, assigns, heirs, executors and administrators (and his and their legal representatives of every kind), hereby releases, dismisses, remises and forever discharges Cleveland-Cliffs Inc, its predecessors, parents, subsidiaries, divisions, related or affiliated companies, officers, directors, stockholders, members, employees, heirs, successors, assigns, representatives, agents and counsel (the "Company") from any and all arbitrations, claims, including claims for attorney's fees, demands, damages, suits, proceedings, actions and/or causes of action of any kind and every description, whether known or unknown, which Executive now has or may have had for, upon, or by reason of any cause whatsoever ("claims"), against the Company, including but not limited to:

(a) any and all claims arising out of or relating to Executive's employment by or service with the Company and his termination from the Company;

(b) any and all claims of discrimination, including but not limited to claims of discrimination on the basis of sex, race, age, national origin, marital status, religion or handicap, including, specifically, but without limiting the generality of the foregoing, any claims under the Age Discrimination in Employment Act, as amended, Title VII of the Civil Rights Act of 1964, as amended, the Americans with Disabilities Act, Ohio Revised

Code Section 4101.17 and Ohio Revised Code Chapter 4112, including Sections 4112.02 and 4112.99 thereof; and

(c) any and all claims of wrongful or unjust discharge or breach of any contract or promise, express or implied.

3. Executive understands and acknowledges that the Company does not admit any violation of law, liability or invasion of any of his rights and that any such violation, liability or invasion is expressly denied. The consideration provided for this Release is made for the purpose of settling and extinguishing all claims and rights (and every other similar or dissimilar matter) that Executive ever had or now may have against the Company to the extent provided in this Release. Executive further agrees and acknowledges that no representations, promises or inducements have been made by the Company other than as appear in the Agreement.

4. Executive further agrees and acknowledges that:

(a) The release provided for herein releases claims to and including the date of this Release;

(b) He has been advised by the Company to consult with legal counsel prior to executing this Release, has had an opportunity to consult with and to be advised by legal counsel of his choice, fully understands the terms of this Release, and enters into this Release freely, voluntarily and intending to be bound;

(c) He has been given a period of 21 days to review and consider the terms of this Release, prior to its execution and that he may use as much of the 21 day period as he desires; and

(d) He may, within 7 days after execution, revoke this Release. Revocation shall be made by delivering a written notice of revocation to the Vice President Human Resources at the Company. For such revocation to be effective, written notice must be actually received by the Vice President Human Resources at the Company no later than the close of business on the 7th day after Executive executes this Release. If Executive does exercise his right to revoke this Release, all of the terms and conditions of the Release shall be of no force and effect and the Company shall not have any obligation to make payments or provide benefits to Executive as set forth in Sections 4, 5, and 7 of the Agreement.

5. Executive agrees that he will never file a lawsuit or other complaint asserting any claim that is released in this Release.

6. Executive waives and releases any claim that he has or may have to reemployment after__________.

IN WITNESS WHEREOF, the Executive has executed and delivered this Release on the date set forth below.

Dated:____________________ ____

Executive

Exhibit 10(b)

Direct: (216) 694-5400
Fax: (216) 241-6842
jsbrinzo a@cleveland-cliffs.com

CLEVELAND-CLIFFS INC

JOHN S. BRINZO
CHAIRMAN
AND
CHIEF EXECUTIVE OFFICER

April 18, 2005

CONFIDENTIAL

Mr. Joe Carrabba
5018 49th Street
Yellow Knife, Northwest Territories, X1A3R6 Canada

Dear Joe:

This letter confirms my verbal offer to you for the position of President and Chief Operating Officer with Cleveland-Cliffs Inc. In this role, you will report directly to me.

The following are the details of this offer:

BASE SALARY

Your starting salary will be $450,000 per year, payable semi-monthly. Individual performance and salaries of elected officers are periodically reviewed by the Compensation and Organization Committee of the Board of Directors based on recommendations of the Chief Executive Officer.

MANAGEMENT PERFORMANCE INCENTIVE PLAN

Effective with your starting date, you will participate in the Management Performance Incentive Plan, which provides an annual target cash bonus of $225,000 (50 percent of your salary). The actual bonus awards can be 0 to 200 percent of target based upon Board Compensation Committee judgment of individual, unit and corporate performance as recommended by the CEO. Your 2005 award will not be prorated (based on confirmation that you will not receive a year 2005 bonus from your current employer) and will be at least 100% of your target bonus.

LONG-TERM EQUITY INCENTIVE PLAN

You will participate in the Long Term Equity Incentive Plan and be eligible to receive annual Performance Share awards (including Retention Units) based on the Plan formula. Normally, the grant size will be determined based upon a market review and analysis and your then current job position. While you remain in the position of President and Chief Operating Officer, the grant size will normally, subject to market reviews and analysis, be approximately 100% of your then base salary. However, for 2005, your 2005 equity incentive award will be a combination of Performance Shares and restricted stock.

For 2005 your performance share award will be 3,800 Performance Shares of Cleveland-Cliffs Inc stock. The Performance Shares vest into actual shares on a three-year moving cycle based on achieving corporate objectives of return on investment and stock price performance against a peer group. Fifteen percent of your award, or 570 shares, represents “retention units” and will vest after three years based on your continuing employment to that date. The 2005 award, to the extent earned, would be converted to an actual number of shares in early 2008 based on total 2005-2007 corporate performance and your continued employment to that date. The shares earned and issued can range from 0 to 175 percent of the Performance Share award. Your participation in the Performance Share award will be computed as though you had been an employee of the Company beginning on January 1, 2005 and shall not be prorated because of your being hired during 2005.

In addition, for 2005, you will receive an award of restricted stock under the Long Term Equity Incentive Plan of 3,800 Shares of restricted stock as of your first day of employment with Cliffs (your “Date of Employment”). One third of such shares of restricted stock will vest and the restrictions will lapse on each of the first three anniversaries of your Date of Employment. The restricted stock shall also vest and the restrictions shall lapse if your employment is involuntarily terminated by the Company or your employment responsibilities and duties are substantially diminished within three years after a corporate change-of-control. You understand that the Company will withhold any and all withholding taxes applicable to the restricted stock from your other compensation payments at the times and in the amounts specified by law and regulations.

SIGNING BONUS

You will receive a $250,000 signing bonus payable as soon as practical after your Date of Employment with Cliffs.

RELOCATION ALLOWANCE

You will be reimbursed for reasonable expenses for transfer of household personal property, relocation travel for you and your spouse, and residence-finding visits by you and your spouse to the Cleveland area. Reimbursement will be made for temporary Cleveland housing rental expense until you establish a permanent residence in the Cleveland area, subject to a time limit which we can work out.

In addition, the Company will reimburse your realtor’s fees (up to a maximum of 6%) and the normal closing costs you incur with the sale of your home in Yellow Knife and the purchase of a home in the Cleveland, Ohio area. You will also be eligible for interim living expenses and will be reimbursed for your reasonable travel expenses to Yellow Knife as frequently as every other weekend, as you may elect for a reasonable period to be determined.

SEVERANCE PROTECTION

Separately, the Company will enter into a change-of-control severance agreement with you. This agreement will provide, among other things, three years’ compensation (base salary plus target bonus) in the event your position is eliminated or substantially diminished following a corporate change-of-control.

EMPLOYEE BENEFIT PLANS

Subject to the eligibility rules of the various plans, you will be entitled to participate in the pension, 401(k), life insurance, hospitalization and medical plans or insurance coverage, disability, other employee benefit plans, programs and arrangements, and executive perquisites that are generally made available by the Company to employees in your position from time to time including certain non-qualified deferred compensation and supplemental retirement plans. Attached is a brief summary of these benefits. Of course, the terms of the benefit plans themselves will be determinative of the plan's features subject to the following:

Supplemental Employee Retirement Plan

In addition to your normal accruals under the Supplemental Employee Retirement Plan, you will be given an initial credit to your cash balance account of $1,000,000 as of your Date of Employment. Such credit, along with all other credits that you subsequently earn, will vest and be payable in accordance with the terms of the Supplemental Employee Retirement Plan.

Vacation Benefits

You will be eligible for four (4) weeks of vacation during 2005 and during each calendar year thereafter.

Retiree Medical Coverage

Subsidized retiree medical coverage is not a part of the Company's retirement benefit program for employees hired or rehired after January 1, 1993.

Periodic Review of Benefit Plans

The Company periodically reviews all employee benefit plans and programs to ensure that employees are offered competitive and affordable benefits. Accordingly, from time to time, changes may be made to meet the future needs of employees, or to conform with industry trends and practices or Company conditions. The Company reserves the right to amend or terminate any such employee benefit plan, program or perquisite at any time and for any reason without the consent of any employee or participant.

TERMS OF EMPLOYMENT

This offer is contingent upon your successful completion of a Company pre-employment physical and drug/alcohol screen, which will be administered and evaluated consistent with the Americans with Disabilities Act of 1990.

By accepting this offer as President and COO, you agree to act honestly, in good faith, and in the Company's best interests, and to exercise the degree of skill and diligence that a person having your expertise and knowledge of the Company's affairs would reasonably be expected to exercise in comparable circumstances. Further, you agree to devote yourself exclusively and full-time to the Company's business and not to be employed or engaged in other businesses without the Company's prior written approval. You agree to observe and abide by all the Company's policies, rules and procedures, as may be in effect from time to time, including the Company's Code of Business Conduct and Ethics policy. A copy of that policy is enclosed.

In accordance with corporate policy, this letter and your response are not meant to constitute a contract of employment for any specific period of time and you will remain, at all times, an employee at-will, which means that you will not be obligated to remain employed by the Company for any specific period of time. Likewise, the Company is not obligated to employ you for any specific period of time. Absolutely no one except the Board of Directors of the Company may change the at-will nature of our relationship, and then only in writing. Any reliance on any representations, oral or otherwise, contrary to "employment-at-will" is unreasonable.

Joe, I look forward to you joining the Cliffs' team and working with you. We believe that you will find the challenges to be significant, the rewards to be competitive, and the satisfaction to be substantial in working for a highly professional organization with a proud history in a vital industry.

Please confirm in writing your acceptance of this offer and return the signed copy of the enclosed Employee Invention and Secrecy Agreement with your confirmation.

If you have any questions regarding the terms of the offer or the responsibility of the position, please do not hesitate to contact me or Randy Kummer.

Very truly yours,
/s/ John S. Brinzo
John S. Brinzo

Acceptance of Offer:

I have read and understand and accept all the terms of the offer of employment as set forth in the foregoing letter. I have not relied on any agreements or representations, express or implied, that are not set forth expressly in the foregoing letter.

April 29, 2005
Date

/s/ Joe Carrabba

Joe Carrabba

JSB/drm

Enclosure
cc: Randy L. Kummer
Personnel File

Exhibit 10(c)

CLEVELAND-CLIFFS INC

Restricted Shares Agreement

WHEREAS, Joseph A. Carrabba (the “Grantee”) is an employee of Cleveland-Cliffs Inc (the “Company”) or a Subsidiary; and

WHEREAS, the execution of a restricted shares agreement (“Agreement”) in the form hereof has been authorized by a resolution of the Compensation and Organization Committee (the “Committee”) of the Board of Directors (individually a “Director” and collectively the “Board”) of the Company that was duly adopted on April 13, 2005;

NOW, THEREFORE, pursuant to the Company’s 1992 Incentive Equity Plan (as Amended and Restated as of May 13, 1997), as amended (the “Plan”), the Company hereby grants to the Grantee 3,800 shares of the Company’s common stock, par value $.50 per share (the “Common Shares”), effective May 23, 2005 (the “Date of Grant”) subject to the terms and conditions of the Plan and the following terms, conditions, limitations and restrictions:

1. Issuance of Common Shares. The Common Shares covered by this Agreement shall be fully paid and nonassessable and shall be represented by a certificate(s) registered in the name of the Grantee and bearing a legend referring to the restrictions hereinafter set forth.

2. Restrictions on Transfer of Common Shares. The Common Shares subject to this Agreement may not be transferred, sold, pledged, exchanged, assigned or otherwise encumbered or disposed of by the Grantee, except to the Company, until they have become nonforfeitable in accordance with Section 3 hereof; provided, however, that the Grantee’s interest in the Common Shares covered by this Agreement may be transferred at any time by will or the laws of descent and distribution. Any purported transfer, encumbrance or other disposition of the Common Shares covered by this Agreement that is in violation of this Section 2 shall be null and void, and the other party to any such purported transaction shall not obtain any rights to or interest in the Common Shares covered by this Agreement. When and as permitted by the Plan, the Company may waive the restrictions set forth in this Section 2 with respect to all or any portion of the Common Shares covered by this Agreement.

3. Vesting of Common Shares. (a) The Common Shares covered by this Agreement shall become one hundred percent (100%) nonforfeitable in accordance with the following schedule, provided the Grantee remains in the continuous employ of the Company or a Subsidiary until each date provided below:

Date of Vesting	Number of Shares Vesting
May 23, 2006	1,267
May 23, 2007	1,267
May 23, 2008	1,266

For the purposes of this Agreement: “Subsidiary” shall mean a corporation, partnership, joint venture, unincorporated association or other entity in which the Company has a direct or indirect ownership or other equity interest; the continuous employment of the Grantee with the Company or a subsidiary shall not be deemed to have been interrupted, and the Grantee shall not be deemed to have ceased to be an employee of the Company or a Subsidiary, by reason of (i) the transfer of his employment among the Company and its Subsidiaries or (ii) a leave of absence approved by the Committee for illness, military or governmental service or other reasons.

(b) Notwithstanding the provisions of Section 3(a) hereof, all of the Common Shares covered by this Agreement shall become nonforfeitable upon any change in control of the Company that shall occur while the Grantee is an employee of the Company or a Subsidiary, but only if the Grantee's employment is involuntarily terminated by the Company or if his employment responsibilities and duties are substantially diminished within three (3) years after such change in control. For the purposes of this Agreement, the term "change in control" shall mean the occurrence of any of the following events:

(i) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act of 1934, as amended, (the "Exchange Act") (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 30% or more of the combined voting power of the then outstanding voting stock of the Company; provided, however, that for purposes of this Section 3(b)(i), the following acquisitions shall not constitute a Change in Control: (A) any issuance of voting stock of the Company directly from the Company that is approved by the Incumbent Board (as defined in Section 3(b)(ii), below), (B) any acquisition by the Company of voting stock of the Company, (C) any acquisition of voting stock of the Company by any employee benefit plan (or related trust) sponsored or maintained by the Company or any subsidiary, or (D) any acquisition of voting stock of the Company by any Person pursuant to a Business Combination (as defined in Section (b) (iii) below) that complies with clauses (A), (B) and (C) of Section 3(b)(iii), below; or

(ii) individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a Director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the Directors then comprising the Incumbent Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without objection to such nomination) shall be deemed to have been a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest (within the meaning of Rule 14a-11 of the Exchange Act) with respect to the election or removal of Directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) consummation of a reorganization, merger or consolidation involving the Company, a sale or other disposition of all or substantially all of the assets of the Company, or any other transaction involving the Company (each, a "Business Combination"), unless, in each case, immediately following such Business Combination, (A) all or substantially all of the individuals and entities who were the beneficial owners of voting stock of the Company immediately prior to such Business Combination beneficially own, directly or indirectly, more than 55% of the combined voting power of the then outstanding shares of voting stock of the entity resulting from such Business Combination (including, without limitation, an entity which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions relative to each other as their ownership, immediately prior to such Business Combination, of the voting stock of the Company, (B) no Person (other than the Company, such entity resulting from such Business Combination, or any employee benefit plan (or related trust) sponsored or maintained by the Company, any subsidiary or such entity resulting from such Business Combination) beneficially owns, directly or indirectly, 30% or more of the combined voting power of the then outstanding shares of voting stock of the entity resulting from such Business Combination, and (C) at least a majority of the members of the Board of Directors of the entity resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of the Board providing for such Business Combination; or

(iv) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company, except pursuant to a Business Combination that complies with clauses (A), (B) and (C) of Section 3(b)(iii).

(c) For purposes of Section 3(b), voting stock means securities entitled to vote generally in the election of directors, and subsidiary means an entity in which the Company directly or indirectly beneficially owns 50% or more of the outstanding capital or profits interests or voting stock.

(d) Notwithstanding the provisions of Section 3(a), the Common Shares covered by this Agreement will become nonforfeitable on May 23, 2008 in the event that the employment of the Grantee with the Company and its Subsidiaries shall be terminated prior to May 23, 2008 by reason of:

(i) his disability, death, or involuntary termination by the Company for a reason other than "Cause" as defined in Section 3(e) below.

(e) For purposes of this Section 3, the term "Cause" shall mean that the Grantee shall have prior to any termination of employment committed:

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

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

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

For purposes of this Agreement, no act or failure to act on the part of the Executive shall be deemed “intentional” if it was due primarily to an error in judgment or negligence, but shall be deemed “intentional” only if done or omitted to be done by the Executive not in good faith and without reasonable belief that the Executive’s action or omission was in the best interest of the Company.

4. Forfeiture of Common Shares.

(a) Any of the Common Shares covered by this Agreement that have not become nonforfeitable in accordance with Section 3 hereof shall be forfeited if the Grantee ceases to be employed by the Company or a Subsidiary at any time prior to May 23, 2008 for a reason other than the reasons set forth in Section 3(d) hereof. In the event of a forfeiture, the certificates representing all of the Common Shares covered by this Agreement that have not become nonforfeitable in accordance with Section 3 hereof shall be cancelled.

(b) The Grantee shall not render services for any organization or engage directly or indirectly in any business which is a competitor of the Company or any affiliate of the Company, or which organization or business is or plans to become prejudicial to or in conflict with the business interests of the Company or any affiliate of the Company.

(c) Failure to comply with the provisions of subsection (b) above will cause a Grantee to: (i) forfeit his/her right to Common Shares covered by this Agreement, and (ii) reimburse the Company for the value of any Common Shares that vest in the Grantee within the 90-day period preceding his/her violation of subsection (b) above.

(d) Failure of the Grantee to repay to the Company the amount to be reimbursed in subsection (c) above within three days of termination of employment will result in the offset of said amount from the Grantee’s account balance in the Voluntary Non-Qualified Deferred Compensation Plan (if applicable) and/or from any accrued salary or vacation pay owed at the date of termination of employment or from future earnings payable by the Grantee’s next employer.

5. Dividend, Voting and Other Rights. The Grantee shall have all of the rights of a shareholder with respect to the Common Shares covered by this Agreement, including the right to vote the Common Shares and receive any dividends that may be paid thereon; provided, however, that any additional Common shares that the Grantee may become entitled to receive pursuant to a share dividend or a merger or reorganization in which the Company is the surviving corporation or any other change in the capital structure of the

Company shall be subject to the same restrictions as the Common Shares covered by this Agreement.

6. Retention of Share Certificate(s) by Company. The certificate(s) representing the Common Shares covered by this Agreement shall be held in custody by the Company in book entry form together with a stock power endorsed in blank by the Grantee with respect thereto, until those shares have become nonforfeitable in accordance with Section 3 hereof.

7. Compliance with Law. The Company shall make reasonable efforts to comply with all applicable federal and state securities laws; provided, however, notwithstanding any other provision of this Agreement, the Company shall not be obligated to issue any restricted or unrestricted Common Shares pursuant to this Agreement if the issuance thereof would result in a violation of any such law. To the extent that the Ohio Securities Act shall be applicable to this Agreement, the Company shall not be obligated to issue any restricted or unrestricted Common Shares or other securities pursuant to this Agreement, unless those shares or other securities are (a) exempt from registration thereunder, (b) the subject of a transaction that is exempt from compliance therewith, (c) registered by description or qualification thereunder or (d) the subject of a transaction that shall have been registered by description thereunder.

8. Adjustments. The Committee shall make any adjustments in the number or kind of shares of stock or other securities covered by this Agreement that the Committee may determine to be equitably required to prevent any dilution or expansion of the Grantee's rights under this Agreement that otherwise would result from any (a) stock dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company, (b) merger, consolidation, separation, reorganization or partial or complete liquidation involving the Company or (c) other transaction or event having an effect similar to any of those referred to in Section 8(a) and 8(b) hereof. Furthermore, in the event that any transaction or event described or referred to in the immediately preceding sentence shall occur, the Committee may provide in substitution of any or all of the Grantee's rights under this Agreement such alternative consideration as the Committee may determine in good faith to be equitable under the circumstances.

9. Withholding Taxes. If the Company shall be required to withhold any federal, state, local or foreign tax in connection with any issuance of restricted or unrestricted Common Shares or other securities pursuant to this Agreement, the Grantee shall pay the tax or make provisions that are satisfactory to the Company for the payment thereof.

10. Right to Terminate Employment. No provision of this Agreement shall limit in any way whatsoever any right that the Company or a Subsidiary may otherwise have to terminate the employment of the Grantee at any time.

11. Relation to Other Benefits. Any economic or other benefit to the Grantee under this Agreement or the Plan shall not be taken into account in determining any benefits to which the Grantee may be entitled under any profit-sharing, retirement or other benefit or compensation plan maintained by the Company or a Subsidiary and shall not affect the amount of any life insurance coverage available to any beneficiary under any life insurance plan covering employees of the Company or a Subsidiary.

12. Amendments. Any amendment to the Plan shall be deemed to be an amendment to this Agreement to the extent that the amendment is applicable heretoprovided, however, that no amendment shall adversely affect the rights of the Grantee with respect to the Common Shares or other securities covered by this Agreement without the Grantee's consent.

13. Severability. In the event that one or more of the provisions of this Agreement shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.

14. Governing Law. This Agreement is made under, and shall be construed in accordance with, the laws of the State of Ohio.

This Agreement is executed by the Company on this 21st day of June, 2005.

CLEVELAND-CLIFFS INC

By /s/ Randy L. Kummer
Randy L. Kummer
Senior Vice President - Human Resources

The undersigned Grantee hereby acknowledges receipt of an executed original of this Agreement and accepts the right to receive the Common Shares or other securities covered hereby, subject to the terms and conditions of the Plan and the terms and conditions hereinabove set forth.

/s/ Joseph A. Carrabba
Grantee
Date: June 21, 2005

Exhibit 31(a)

CERTIFICATION

I, John S. Brinzo, 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 quarterly 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: July 28, 2005

By /s/ John S. Brinzo
John S. Brinzo
Chairman and Chief Executive Officer

Exhibit 31(b)

CERTIFICATION

I, Donald J. Gallagher, 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 quarterly 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: July 28, 2005

By /s/ Donald J. Gallagher
Donald J. Gallagher
Executive Vice President, Chief Financial Officer and Treasurer

Exhibit 32(a)

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 June 30, 2005 as filed with the Securities and Exchange Commission on the date hereof (the “Form 10-Q”), I, John S. Brinzo, Chairman 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: July 28, 2005

/s/ John S. Brinzo
John S. Brinzo
Chairman and Chief Executive Officer

Exhibit 32(b)

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 June 30, 2005 as filed with the Securities and Exchange Commission on the date hereof (the “Form 10-Q”), I, Donald J. Gallagher, Executive Vice President, Chief Financial Officer and Treasurer 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: July 28, 2005

/s/ Donald J. Gallagher

Donald J. Gallagher
Executive Vice President, Chief
Financial Officer and Treasurer