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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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	

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
[illegible]		(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		

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.

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 effects of contingently convertible debt and preferred stock c

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.

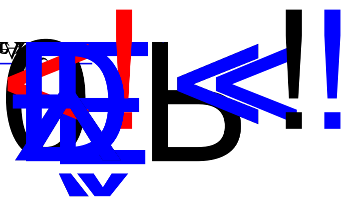
The acquisition and related costs were financed with existing cash and marketable securities and $175.0 million of interim borrowings under a new three-year $350 million revolving credit facility. See NOTE 4 – REVOLVING CREDIT FACILITY.

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

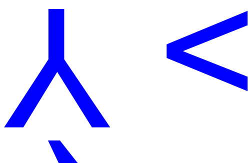
based on the completion of valuations and appraisals. Accordingly, the preliminary purchase price allocation as of March 31, 2005, summarized below, is subject to further revision.

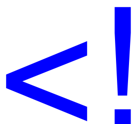
	In Millions
Assets	
Current Assets	$ 88.4
Property, Plant and Equipment	539.0
Other Assets	26.7
Total Assets	654.1
Liabilities	
Current Liabilities	34.7
Long-Term Liabilities	158.1
Total Liabilities	192.8
Net Assets	461.3
Minority Interest	(27.5)
Purchase Price	$433.8

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 Chg				





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 s makcon

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

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

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

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

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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.

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	$ 1.21e	$ 4.33	$ 1.21
Income From Discontinued Operation:				
Amount	.1		.7	
Per Diluted Share	.01		.03	
Cumulative Effect of Accounting Change:				

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

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 (the secomillion inof siinecs and sinec cfilityllaneousupp1.6 millis rusltheenggnif6 ir sesitis and sli.6 seco chiofi.lnels r

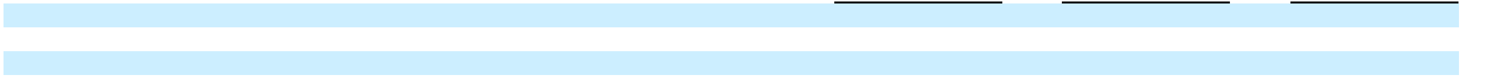
	(Tons in Millions)					
	Second Quarter		First Half		Full Year	
	2005	2004	2005	2004	2005*	2004
Empire	1.2	1.1	2.4	2.5	5.1	5.4
Tilden	2.4	2.1	3.8	3.5	8.2	7.8
Michigan Mines	3.6	3.2	6.2	6.0	13.3	13.2
Hibbing	2.1	2.0	4.0	4.0	8.3	8.3
Northshore	1.2	1.3	2.4	2.5	4.9	5.0
United Taconite	1.2	1.0				

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 Komu

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



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 [illegible]dite. In c(R98R the pera rde2n c owne rde

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 ¾y and

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 reserve

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 rest[illegible]

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.

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.

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:

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

Herewith

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

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(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 Izv

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 executive

(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 Executi ath;

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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

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. Exe

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 choe f(dentiii ny on˝chet

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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 h

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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

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

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 purposeJ n Daa

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.

<u>Form of Release</u>

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 ut andanthe Agreement, whichttox ut ileofoxec in

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

Dated:____________________ ____

Executive

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.

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

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 æment ntб̋ ẽriming a bursele ofd for reasfation tiving æm Kn e in Yell

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:

Su ation and

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

(ii) intentional wrongful damage to propergful ¡

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 hereto; provided, 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. ly enGtoveshranlilnbge rt aininue to fr

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

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