PART II – OTHER INFORMATION

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43 ˝ ˝ ¡ Item 2 – Unregistered Sales of Equity2 a

amounts, stock compensation plans and preferred stock conversion rates have been adjusted retroactively to reflect the stock split.

References to the “Company” mean Cleveland-Cliffs Inc and consolidated subsidiaries. The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries, including: Tilden Mining Company L.C. (“Tilden”) in Michigan, 85 percent ownership; Empire Iron Mining Partnership (“Empire”) in Michigan, 79 percent ownership; and United Taconite LLC (“United Taconite”) in Minnesota, 70 percent ownership.

eOn March 31, 2005, the Company acquired approximately 68.7 percent of Portman Limited’s (“Portman”) common stock. As a result of this transaction, the Company’s Statement of Consolidated Financial Position at March 31, 2005 includes the consolidation of Portman. First quarter 2005 operating results do not inaludeaPortmanSeeNoolitt nedFct lyown t lnattin tPorns dhe er nei j ao8ng resultnsolial statemS ne n t 1e8lis of thoxi awrNtma mpany apt dFSn9 paj OFSSS 2005 c

December 15, 2005 with e

Compensation-Transition and Disclosure," the Company elected to use the "prospective method." The prospective method requires expense to bsc

customer's facilities prior to the transfer of title. Certain sales contracts include provisions for supplemental revenue or refunds based on annual steel pricing. The Company estimates these amounts for recognition at the time of sale. First quarter 2005 sales revenue includes $4.4 million of additional revenue on 2004 sales due to such changes. Revenue for the first three months of the year from product sales includes reimbursement for freight charges ($17.0 million in 2005 and $15.6 million in 2004) paid on behalf of customers and cost reimbursement ($35.4 million in 2005 and $54.2 million in 2004) from minority interest partners for their share of mine costs.

Our rationale for delivering 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 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.

Where we are joint venture participants in the ownership of a 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, the Company 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 March 31, 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

production to 8.0 million metric tons per year by 2006. The expanded level of production is fully committed to steel companies in China and Japan for the next several years. Portman's reserves currently total approximately 93 million metric tons, and it has an active exploration program underway to increase its reserves.

The purchase price of the 68.7 percent Portman interest was $371.7 million, summarized as follows:

	In Millions
Cash	$ 359.5
Acquisition Costs	12.2
Purchase Price	$ 371.7

Additionally, the Company incurred $9.8 million of foreign currency hedging costs related to this transaction which have been charged to first qfotpqhedging cg e b

	In Millions
Assets	
Current Assets	$ 84.2
Property, Plant and Equipment	477.5
Other Assets	30.9
Total Assets	592.6
Liabilities	
Current Liabilities	33.1
Long-Term Liabilities	140.8
Total Liabilities	173.9
Net Assets	418.7
Minority Interest	47.0
Purchase Price	$371.7

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 unit of production basis over the estimated reserve life.

Due to the acquisition date, the operating results of Portman for the three months ended March 31, 2005, had no effect on the Company's first quarter 2005 Statement of Consolidated Operations. Pro forma results of the Company's operations, assuming the acquisition had occurred at the beginning of 2004, are shown in the following table.

Pro Forma

(In Millions,

	(In Millions) Three Months Ended March 31	
	2005	2004
Net income	$ 25.2	$
Other comprehensive loss:		
Unrealized loss on securities – net of tax		(6.6)
Foreign currency translation	(2.2)	
Minimum pension liability		(2.1)
Total other comprehensive loss	(2.2)	(8.7)
Total comprehensive income (loss)	$ 23.0	$ (8.7)

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 months ended March 31, 2005 and 2004 were as follows:

Defined Benefit Pension Expense

	(In Millions) Three Months Ended March 31	
	2005	2004
Service cost	$ 3.0	$ 3.1
Interest cost	10.1	9.7
Expected return on plan assets	(11.2)	(9.4)
Amortizations:		
Unrecognized prior service costs	.7	.4
Net actuarial losses	3.2	2.9
Amortization of net asset (obligations)	(1.0)	(1.0)
Total cost	$ 4.8	$ 5.7

Other Postretirement Benefit Costs

	(In Millions) Three Months Ended March 31	
	2005	2004
Service cost	$ .9	$ 1.0
Interest cost	4.5	4.9
Expected return on plan assets	(1.8)	(1.2)
Amortizations:		
Unrecognized prior service costs (credits)	(1.6)	(1.1)
Net actuarial losses	3.5	2.5
Total cost	$ 5.5	$ 6.1

On December 8, 2003, Congress passed the Medr r g

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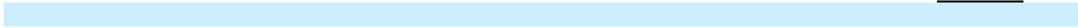
Furnace Site in Kipling, Michigan and requested that the Company voluntarily undertake actions to remediate the site. The Company owned and operated a portion of the site from approximately 1902 through 1925 when it sold the property to CITGO Petroleum Company ("CITGO"). CITGO in turn operated at the site and thereafter sold the northern portion of the site to a third party. This northern portion of the site was the location of the majority of the Company's former operations. CITGO has been working formally with MDEQ to address the portions of the site impacted by CITGO's operations on the property, which occurred between 1925 and 1986. CITGO submitted a remedial action plan in August 2003 to the MDEQ. However, the MDEQ subsequently rejected this remedial action plan as being inadequate.

The Company responded to the 1991 letter by performing a hydrogeological investigation at the site pursuant to Michigan's Natural Resources and Environmental Protection Act, which allows parties to conduct environmental response activity without state agency oversight. The Company's initial investigation took place in 1996, with follow-up monitoring occurring in 1998 through 2003. The Company developed a proposed remedial action plan to address materials associated with its former operations at the site. The Company currently estimates the cost of implementing its proposed remedial action to be approximately $.3 million, which expenditures were previously provided in the Company's environmental reserve. The Company has not yet implemented the proposed remedial action plan.

By a letter dated June 10, 2004, the MDEQ made a new demand to both CITGO and the Company to take responsive activities at the property, including development and submittal of a remedial action plan to the MDEQ for approval. The Company met with the MDEQ to discuss this letter and submitted a response. Subsequently, the Company and CITGO agreed to cooperate in the development of a joint remedial action plan as encouraged by MDEQ. Additional investigative work at the site has been undertaken by CITGO. At this time, it is unclear whether the MDEQ, once it is apprised of the Company's response activities at the site to date, will require it to conduct further investigations or implement a remedial action plan going beyond what it has already developed internally. Conducting further investigations, revising the Company's proposed remedial action plan or implementing the plan could result in much higher costs than currently anticipated.



Company’s share of uncon fruaN ł l ao

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, with Stelco fil e

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

The $37.1 million increase in sales margin was due to higher sales price realization partially offset by higher production costs and modestly lower sales volume.

	(In Millions) First Quarter		
	2005	2004	Change
Sales (tons)	4.0	4.3	(.3)
Revenue from product sales and services*	$ 219.2	$ 163.9	$ 55.3
Cost of goods sold and operating expenses*	176.2	158.0	18.2
Sales margin	$ 43.0	$ 5.9	$ 37.1

* Excludes revenues and cost of goods sold and operating expenses related to freight and minority interest.

- Sales revenues (excluding freight and minority interest) increased $55.3 million, or 34 percent, due to higher sales prices, $65.4 million, partly offset by lower sales volume, $10.1 million. The more than 40 percent increase 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 known contractual increases, including base price increases, lag year adjustments and capped pricing in one contract. Included in first quarter 2005 revenues was approximately .9 million tons of 2005 sales at 2004 contractual pricing and $4.4 million of price increase on 2004 sales. Sales volume in the first quarter of 2005 was 4.0 million tons, which represented a .3 million ton decrease from the first quarter 2004. Cliffs continues to forecast total-year North American sales of approximately 24 million tons.

- Cost of goods sold and operating expenses (excluding freight and minority interest) increased $18.2 million, or 12 percent, reflecting higher unit production costs of $28.0 million partly offset by lower sales volume, $9.8 million. The $28.0 million increase in unit production costs reflected higher maintenance spending due in part to

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 the Company's sales volume and, including their equity share of Empire and Hibbing production, accounted for 52 percent of the Company's managed production. The Company does not expect the merger to affect its contractual relationships with Mittal for the foreseeable future.

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 2003. WCI purchased 1.7 million tons, or 8 percent of
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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, the Company 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, with Stelco filing a restructuring plan with the court by May 30, 2005. In addition, on April 26, 2005, the Ontario Superior Court extended the stay period for Stelco until July 8, 2005.

PORTMAN ACQUISITION

On March 31, 2005, the Company purchased 68.7 percent of the outstanding shares of Portman, a Western Australia-based independent iron ore mining and exploration company. Portman’s current annualized production is approximately 5.7 million metric tons per year and it presently has an $43 million project underway that is expected to increase production to 8.0 million metric tons per year by 2006. The expanded level of production is fully committed to steel companies in China and Japan for approximately five years. Portman’s reserves currently total approximately 93 million metric tons and it has an active exploration program underway to increase its reserves.

The purchase price of the 68.7 percent Portman interest was $371.7 million, summarized as follows:

	In Millions
Cash	$ 359.5
Acquisition Costs	12.2
Purchase Price	$ 371.7

Additionally, the Company incurred $9.8 million of foreign currency hedging costs related to this transaction that have been charged to first quarter operations. The Company funded the acquisition with existing cash and marketable securities and $75.0 million of borrowings under its nekibiumdera i))it

The balance sheet of Portman has been consolidated with that of the Company effective March 31, 2005 based on a preliminary allocation of the purchase price. Final allocation of the purchase price will be made when the evaluation of fair values has been completed. Due to the acquisition date, the operating results of Portman for the three months ended March 31, 2005 had no effect on the Company's first quarter 2005 Statement of Consolidated Operations.

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 tons from 2005 through 2015 at an annual cost of A$1.25 million. The rail 1t contrac

facility which was scheduled to expire on April 29, 2005. The new facility has various loan covenants based on earnings, debt, total capitalization, and fixed cost coverage, none of which are restrictive at this time. Interest rates range from LIBOR plus 1.25 percent to LIBOR plus 2.0 percent, based on certain covenant levels, or the prime rate. On March 29, 2005, the Company borrowed $75.0 million in conjunction with the Portman acquisition. As of April 27, 2005, the Company has a total of $175.0 million outstanding at an average interest rate of 4.71 percent.

Portman is party to a A$40 million secured credit agreement. The agreement is secured by a first ranking fixed and floating charge over the assets of Portman. 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$29.8 million at March 31, 2005, after reduction of A$10.2 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 $4.8 million, accrue interest annually at five percent. The borrowings require a $.5 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. Portman expects to receive additional funding of $3.4 million by June 2005 under similar terms.

Following is a summary of the Company's common shares outstanding:

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

PENSIONS AND OTHER POSTRETIREMENT BENEFITS

The Company and its mining ventures sponsor defined benefit pension plans covering substantially all employees. These plans are largely noncontributory, and

	(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.

MARKET RISKS

The Company is 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. The Company has established policies and procedures to manage such risks; however, certain risks are beyond the control of the Company.

The Company's investment policy relating to its short-term investments (classified as cash equivalents) is to preserve principal and liquidity while maximizing the bvestment cy n entoc C

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earliest environmental approval expected in the first half of 2005. 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. The Company would be the supplier of iron ore and have a minority interest in the first commercial plant.

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 th {

- 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 the Company's 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 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 the Company's 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.

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

PART II – OTHER INFORMATION

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

(a) On February 18 and March 2, 2005, pursuant to the Cleveland-Cliffs Inc Voluntary Non-Qualified Deferred Compensation Plan (“VNQDC Plan”), the Company sold a total of 264 shares of common stock, par value $.50 per share, of Cleveland-Cliffs Inc (“Common Shares”) for an aggregate consideration of $17,755.20 to the Trustee of the Trust maintained under the VNQDC Plan. 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.

(b) The table below sets forth information regarding repurchases by Cleveland-Cliffs Inc of its Common Shares during the periods indicated.

ISSUER PURCHASES OF EQUITY SECURITIES[1]

EXHIBIT INDEX

Exhibit Number	Exhibit	
4(a)	Multicurrency Credit Agreement, entered into as of March 28, 2005, among Cleveland-Cliffs Inc, various institutions from time to time as lenders, Fifth Third Bank as Administrative Agent and L/C Issuer, and Fleet National Bank as Syndication Agent (filed as Exhibit 4(a) to Form 8-K of Cleveland-Cliffs Inc on March 31, 2005 and incorporated by reference)	Not Applicable
10(a)	* Form of Restricted Shares Agreement under the Incentive Equity Plan (As Amended and Restated as of May 13, 1997) as amended, granted on March 8, 2005 (filed as Exhibit 10(a) to Form 8-K of Cleveland-Cliffs Inc on March 14, 2005 and incorporated by reference)	Not Applicable
10(b)	* Form of Long-Term Incentive Program Participant Grant and Agreement for Performance Period 2005-2007 (filed as Exhibit 10(a) to Form 8-K of Cleveland-Cliffs Inc on March 15, 2005 and incorporated by reference)	Not Applicable
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, President and Chief Executive Officer for Cleveland-Cliffs Inc, as of April 29, 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, Senior Vice President, Chief Financial Officer and Treasurer, as of April 29, 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 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 faCleveland- my m2. emnotmotmot

(d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: April 29, 2005

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

Exhibit 32(a)

CERTIFICATION PURSUANT TO
18 9

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 March 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the “Form 10-Q”), I, Donald J. Gallagher, Senior 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: April 29, 2005

/s/ Donald J. Gallagher

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