


CLEVELAND-CLIFFS INC AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2004

NOTE A – BASIS OF PAL



[Table of Contents](#)

six months of 2004, an



[Table of Contents](#)

("Severstal"). Severstal, as part of the acquisition of assets of Rouge, has assumed the Company's pellet sales contract with Rouge with minimal modifications. The contract provides that the Company would be the sole supplier of iron ore pellets through 2012. The Company sold 3.0 million tons to Rouge in 2003 and 1.1 million tons in the first six months of 2004. Additionally, in the first quarter 2004, Rouge repaid the \$10 million secured loan balance outstanding plus accrued interest.

On January 29, 2004, Stelco applied and obtained bankruptcy-court protection from creditors in Ontario Superior Court under the Companies' Creditors Arrangement Act. Pellet sales to Stelco totaled .4 million tons in the first six months of 2004 and .1 million tons in the full year 2003. Stelco Inc. 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 met its cash call requirements at the mining ventures to date. The Company currently expects Stelco to continue its participation in the mining ventures. On May 27, 2004, Stelco obtained an extension of the stay period under its court-ordered restructuring process until September 30, 2004. CC

NOTE J – SUBSEQUENT EVENTS

Discontinued Operation

On July 23, 2004, Cliffs and Associates Limited ("CAL"), an aFREQUENT EV







[Table of Contents](#)

payment to the joint venture on c



[Table of Contents](#)

In the first half 2004, our Wabush operation in Canada represented approximately 7 percent of the Company's pellet production. Wabush operations are subject to currency fluctuations between U.S. and Canadian dollars. The Company currently does not hedge its exposure to currency exchange fluctuations. During 2003 and the first half 2004, the value of the Canadian dollar rose ag

[Table of Contents](#)

“estimates,” “intends,” “may,” “will” or.

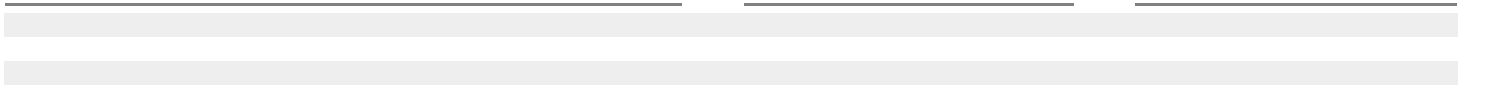


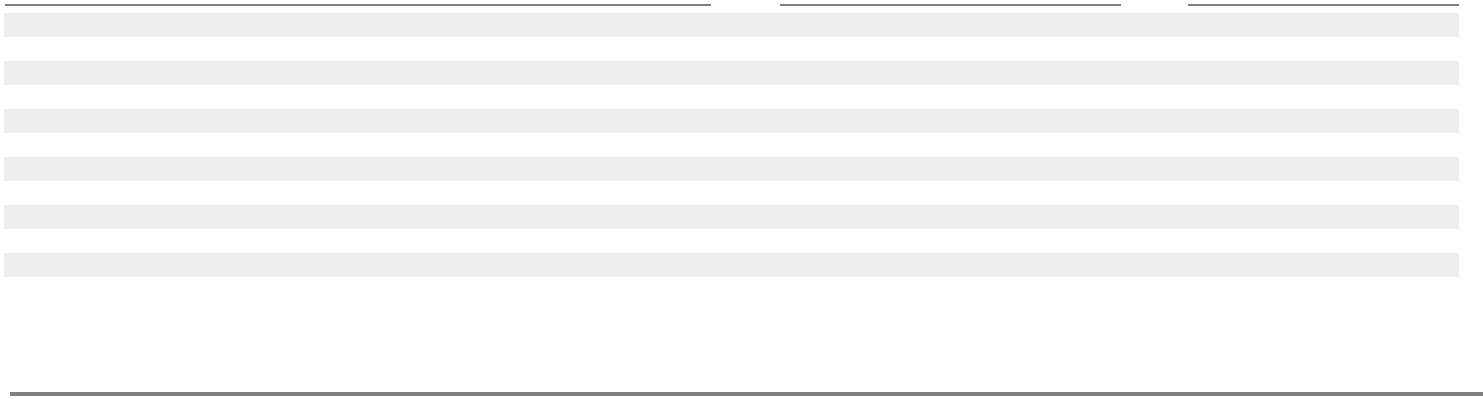


[Table of Contents](#)

ITEM 4. CONTROLS AND PROCEDURES

The Company maintains disclosure controls and procedures that are designed to ensure that information req





II	Greater than \$25,000,000 but less than or equal to \$50,000,000	.00%	1.75%
III	Greater than \$50,000,000	.00%	1.25%

</TABLE>

For purposes hereof, the term "

the general direction and control of, a membooCc

Federal funds brokers selected by the Bank for sale to the Bank at face value of
Federal funds in the sec

clause (l) shall not exceed \$5,000,000;

(m) Investments in that joint venture commonly known as the Mesabi Nugget Project, provided that the aggregate amount of

shall have been pledged pursuant to authority

Voting Stock (except directors' qualifying shares) of which are owned by any one or more of the Borrower and the Borrower's other Wholly-Owned Subsidiaries at o

Section 2.10. Terminations. The Borrower shall have the right, at an

such Subsidiary qualifies as a Subsidiary Guarantor, or in the event that any

such

non-compliance, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect or result in a Lien upon any of its material Property not permitted hereunder.

Section 6.è I nef.

will not, and will not permit any of its Subsidiaries to, wind up, liquidate or dissolve its affairs or agree to any merger or consolidation, or convey, sell, lease or otherwise dispose of all or any part of its operating property, including any disposition as part of any sale-leaseback transactions exclm

subsidiaries are subject pursuant to this Agreement, such other covenants, without further action, shall be deemed to be incorporated herein and the Bank shall be entitled to the benefit of such covenants at all times so long as such other covenants remain outstanding; provided that, this Section 6.18 shall not operate to incorporate any (a) reporting requirements under Capital Le ebee)

thereto under this Agreement; provided, however, the Borrower may elect to convert the principal amount of the affected Portion into another type of Portion available hereunder, subject to the terms and conditions of this Agreement (but shall not be liable for any indemnity costs pursuant to Section 8.5 hereof).

Section 8.2. Unavailability of Deposits or Inability to Ascertain Adjusted LIBOR. Notwithstanding any other provision of this Agreement or the Note, if the Bank shall determine prior to the commencement of any Interest Period that deposits in the a... Ce

for the credit which is the sub

effective unless the same shall be in writing and signed by the Bank. No notice to or demand on the Borrower in any case shall entitle the Borrower to any other or further notice or demand in similar or other circumstances.

Section 9.4. Costs and Expenses; Indemnification. The Borrower agrees to pay on demand the reasonable costs and expenses of the Bank in connection with the negotiation,

to time to one or more other Persons; pro r

2. I have reviewed the terms of

included in Line A5)

8. ine A5)

Cliffs Reduced Iron Corporation	DE	100%
Cliffs Reduced Iron Management Company	DE	100%
Iron Mining LLC	DE	100%
Northshore Mining Company	DE	100%
Seignelay Resources, Inc.	DE	100%
S EEE *		

SCHEDULE 5.11

LITIGATION

NONE

SCHEDULE 5.16

WELFARE PLANS

1. Progra ... CAW ` `

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permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such court has been brought in an inconvenient forum. EACH GUARANTOR AND THE BANK HEREBY IRREVOCABLY WAIVE ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS GUARANTY OR THE TRANSACTIONS CONTEMPLATED HEREBY.

[SIGNATURE PAGE TO FOLLOW]

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

IN . "GUARANTORS"

THE CLEVELAND-CLIFFS IRON COMPANY;
NORTHSHORE SALES COMPANY;
CLIFFS MINING COMPANY;
CLIFFS MINING SERVICES COMPANY;
IRONUNITS LLC;
NORTHSHORE MINING COMPANY;
LAKE SUPERIOR & ISHPEMING RAILROAD COMPANY;
and
CLIFFS MINNESOTA MINING COMPANY

By: /NCN WA

NOW, THEREFORE, FOR V

SEVERANCE AGREEMENT

THIS SEVERANCE AGREEMENT (this "Agreement"), dated as of March 9, 2004 is made and entered by and between Cleveland-Cliffs Inc, an Ohio corporation (the "Company"), and Edward C. Dowling (the "Executive").

WITNESSETH:

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

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

(i) The acquisition by any individual, entity or group
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sales for its most recently ost tsféc rts sofssyc eceó sallllllll tsyosvâsffor ces âshítsefttlst y écs

(iii) A determination by the Executive

whatsoever.

- (d) Unless otherwise expressly provided by the applicable policy, plan, program or a...aCr

state or lo

- (iii) cooperate with the Company in good faith in order effectively to contest such claim; and
- (iv) permit the Company to participate in any proceedings relating to such claim;

provided

any action to declare this Agreement

(B)

occurs.

The Company hereby waives the discretionary right, at any time subsequent to the date of a Change in Control, to amend or terminate the SRP as to the Executive as provided in paragraph 7 thereof or to terminate the rights of the Executive as provided in the Exp as Coe reiom toecutive

to Executive as set forth in Sections 4, 5, and 7 of the Agreement.

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

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

Exh. A-2

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

Dated: _____

Executive

Exh. A-3

(i) The acquisition by any individual, entity or group
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whatsoever.

(d) Unless otherwise expressly provided

on his federal,

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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
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competent in respect of the subject matter and reasonably selected by the Company;

- (iii) cooperate with the Company in good faith in order effectively to contest such claim; and
- (iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including interest and penalties) incurred

zero. Any payments of compensation, pension or other benefits by the Trustee pursuant to Trust Agreement

(i) not more than 180 days prior to the date on which a Change in Control occurs, and (ii) following the commencement of any discussion with a third person that ultimately results in a Change in Control, shall be deemed to be a termination or removal of the Executive after a Change in Control, if the termination or removal occurs after a Change in Control.

dissimilar provisions or conditions at the same or at any prio

The calculation of the SRP Payment and its actua

CLEVELAND-CLIFFS INC
SEVERANCE AGREEMENT

EXHIBIT A

Form of Release

WHEREAS, the ExeFel R

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

(d) He may, within 7 days after execution, revo,a

CLEVELAND-

10. Generally, bonus payments o pax@pantswill bb m p

CLEVELAND-CLIFFS INCC \

Company for each Director pursuant to Article V.

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(o) "Deferred Shares": The Required Retainer Shares and Voluntary Shares credited to a Director's Deferred Share Account pursuant to Articles IV and VI and payable to a Director pursuant to Article VII.

(p) "Deferred Share Account": The account maintained on the books of the Company for each Director pursuant to Article VI.

(q) "Director": An individual duly elected or chosen as a Director of the Company who is not also an employee of the Company or any of its subsidiaries.

(r) "Director Share Ownership Guidelines": Guidelines relating to ownership of shares by Directors as established by the Administrator from time to time.

(s) "Fair Market Value": The fair market value of the shares of the Company as determined by the Administrator.

Restricted Shares.

ARTICLE III. RESTRICTED SHARES, REQUIRED RETAINER SHARES
AND VOLUNTARY SHARES

3.1 Automatic

Combination that complies with clauses (A), (B) and (C) of Section 3.1(b)(iii) of Article III.

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For purposes of this Section 3.1(b) of Article III, voting stock means securities entitled to vote generally in the election of directors, and subsidiary means an entity in

elected to defer unde

(a) by payment in cash in a single lump sum;

(b) by payment in cash in not greater

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 misstate a material fact.

