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**PART I**

**Item 1. *Business.***

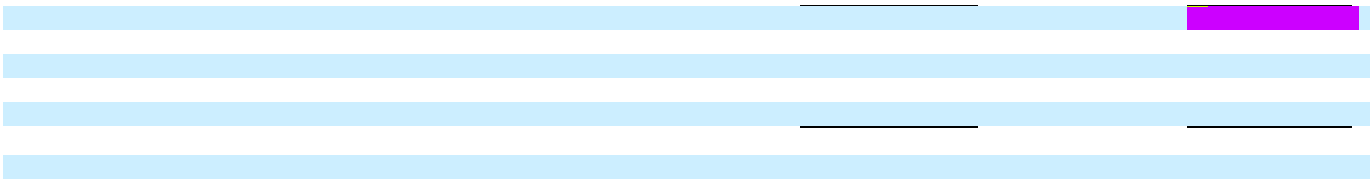
**Introduction**

Founded in 1847, Cleveland-Cliffs Inc is the largest producer of iron ore pellets in North America. We sell substantially all of our pellets to integrated steel companies in the United States and Canada. On April 19, 2005, Cliffs Asia Pacific, a wholly owned subsidiary of the Company, completed the acquisition of 80.4 percent of Portman, an usi

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[Table of Contents](#)

The A





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[Table of Contents](#)

Our term supply agreements expire between the end of 2010 and the end of 2018. The weighted average remaining duration is eight years.

Our sales are influenced by seasonal factors in the first quarter of the year as shipments and sales are restricted by weather unce

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[Table of Contents](#)

Under terms of the umbrella agreement, the Pellet Sale and Purchase Agreement dated as of April 10, 2002 for ISG Indiana Harboed as

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[Table of Contents](#)

supply 1.4 million tons of iron ore pellets in 2005 and, in 2006 and thereafter, to supply 100 percent of WCI's annual requirements up to a maximum of two million tons of iron ore pellets. The 2004 Pellet Agreement is for a ten-year term, which com f ò

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[Table of Contents](#)

and 1.4 million tons of pellets annually. The agreement supplants prior spot-sales agreements with AK Steel, which <sup>R</sup>n [ , Â

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## [Table of Contents](#)

were to 15 Chinese and three Japanese customers. No customer comprised more than 15 percent of Portman sales or 10 percent of our consolidated sales in 2006 or 2005. Portman's five largest customers accounted for approximately 46 percent of Portman's sales in 2006 (50 percent in 2005).

### **The iron ore and steel industries**

Almost all iron ore is used in steelmaking and therefore is dependent on the steel industry. The steel industry has hi tmmmmndne

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## [Table of Contents](#)

savings. By developing creative solutions for our customers during the industry restructuring, we have been able to generate term supply agreements with many of these companies, which have benefited our market position. Our creative solutions included acquisition of our partners' interline ,







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[Table of Contents](#)

example, in 2005, M

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[Table of Contents](#)

were to significantly reduce their purchases of iron ore products from us, or if we were unable to sell iron ore products to them on terms as favorable to us as the terms under our current term supply agreements, our North American sales, margins and profitability could suffer materially due to the high level of fixed costs and the high costs to idle or close mines. The majority of the iron ore we manage and produce is for our own acq

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[Table of Contents](#)

costs, including accelerated employment legacy costs, severance-related obligations, reclamation and other environmental actions,







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[Table of Contents](#)

**Our expenditures for postretireem**



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## [Table of Contents](#)

fluctuations in energy costs that can affect our production costs. We enter into forward fixed-price supply contracts for natural gas and diesel fuel for use in our operations. Those contracts are of limited duration and do not cover all of our fuel needs, and price increases in fuel costs could cause our profitability to decrease significantly.

### **Equipment and supply shortages may impact our production.**

We have recently experienced longer lead times on equipment, tires, and supply needs due to the increased demand for these resources. As the global mining industry increases its capacity, demand for these resources will increase, potentially resulting in higher prices. Demand is



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[Table of Contents](#)

We entered into an agreement with Ispat effective December 31, 2002, that restructured the ownership of the Empire mine and increased our ownership from 46.7% to 50.0%.

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[Table of Contents](#)

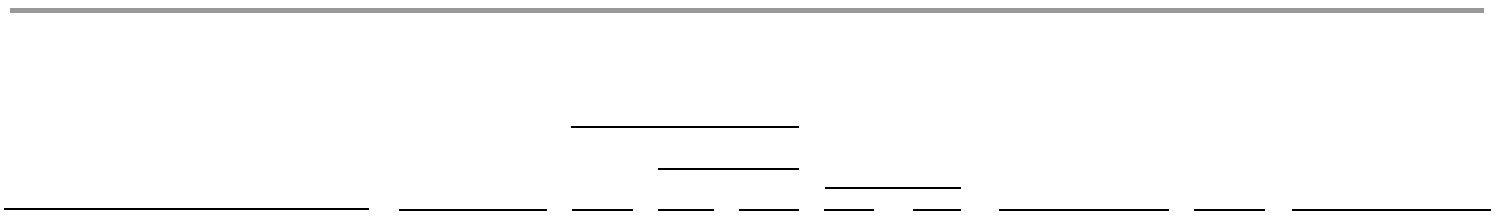
Silver Bay, Minnesota, near Lake



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All of the ore mined at the Koolyanobbing operat



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pit design and production schedules. The updated ore reserve estimate calculated a four percent increase



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**Table**

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[Table of Contents](#)

Various legislative bodies and federal and state agencies are continually promulgating new laws and regulations affecting us, ou







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[Table of Contents](#)

agreement as to the tariff rate to be charged to the Mines under the industrial tariff. Any impact ~ â

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[Table of Contents](#)

cash payment of \$2.25 million. In addition, East Greenfield deposited \$4.05 milli

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entered by the Court on November 7, 2006. The agreement provides for additional remedial measures, long-term maintenance and provisions for public access to various water bodies which we own or control. In the fourth quarter of 2006, the reserve was reduced by \$1.6 million to reflect our reduced liability.

*Northshore Resources, Inc.*



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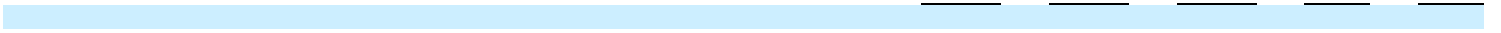
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common shares and per share amounts have been adjusted retro

















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estimate these adjustment factors. The price adjustment factors have been evaluated as embedded derivatives. We evaluated the embedded derivatives in the supply agreements in accordance with the provisions of SFAS 133a



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[Table of Contents](#)

We use our ore reserve estimates combined with our estimated annual production levels, to determine the mine closure dates utilized in recording the fair value liability

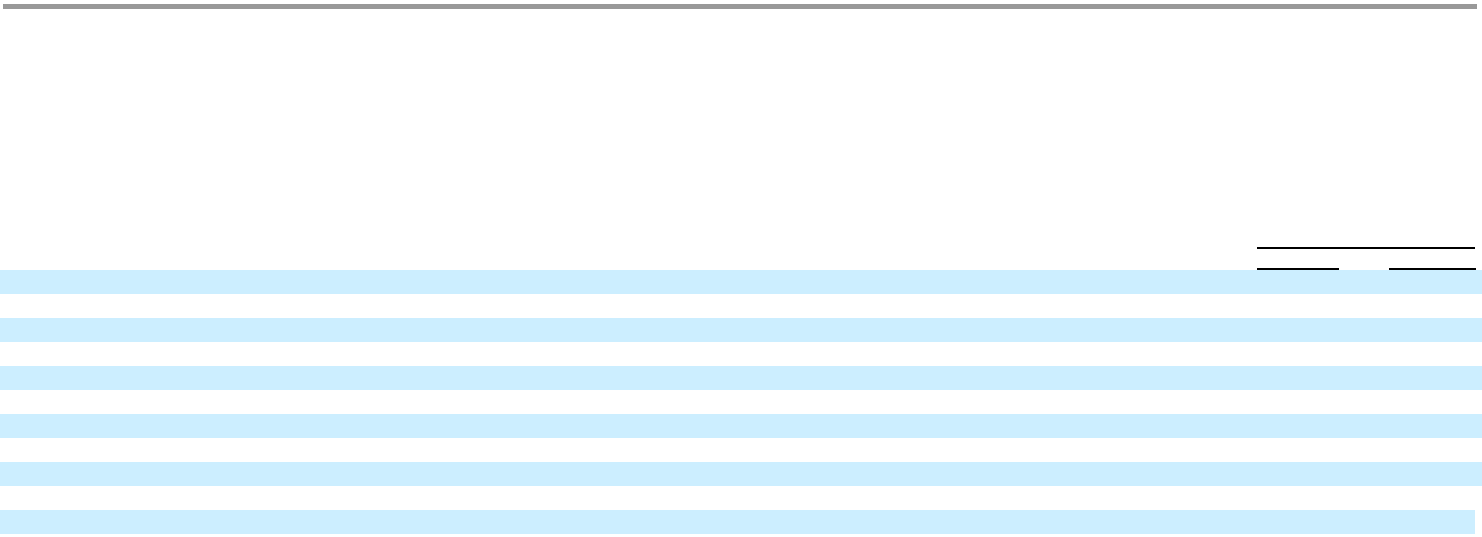
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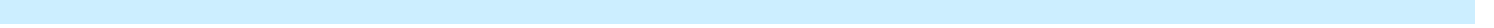
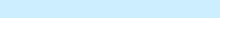
[Table of Contents](#)

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[Table of Contents](#)

Cleveland-Cliffs Inc and Cons

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[Table of Contents](#)

**Cleveland-Cliffs Inc and Consolidated Subsidiaries**

Notes to Consolidated Financial Statements — (Continued)

**Marketable Securities:** We deN







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[Table of Contents](#)

**Cleveland-Cliffs Inc and Consolidated Subsidiaries**

Notes to Consolidated Financial Statements — (Continued)

As required per





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[Table of Contents](#)

**Cleveland-Cliffs Inc and Consolidated Subsidiaries**

Notes to Consolidated Financial Statements — (Continued)

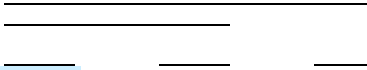
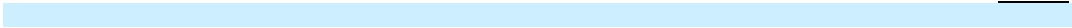
Effective January 1, 2006, we made a one-time election to adopt the transition method described in FSP No. FAS 123(R)-3, *Transition Election RV*

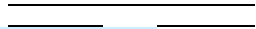
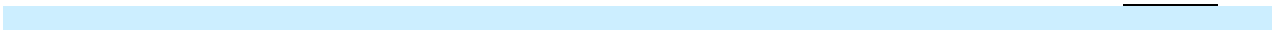
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[Table of Contents](#)

Cleveland-Cliffs Inc and Cons











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[Table of Contents](#)

Cleveland-Cliffs Inc and Consolidated Subsidiar

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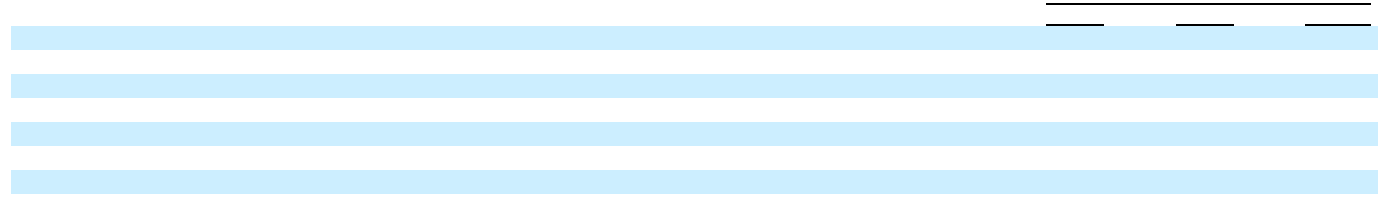
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[Table of Contents](#)

Cleveland-Cliffs Inc and Cons







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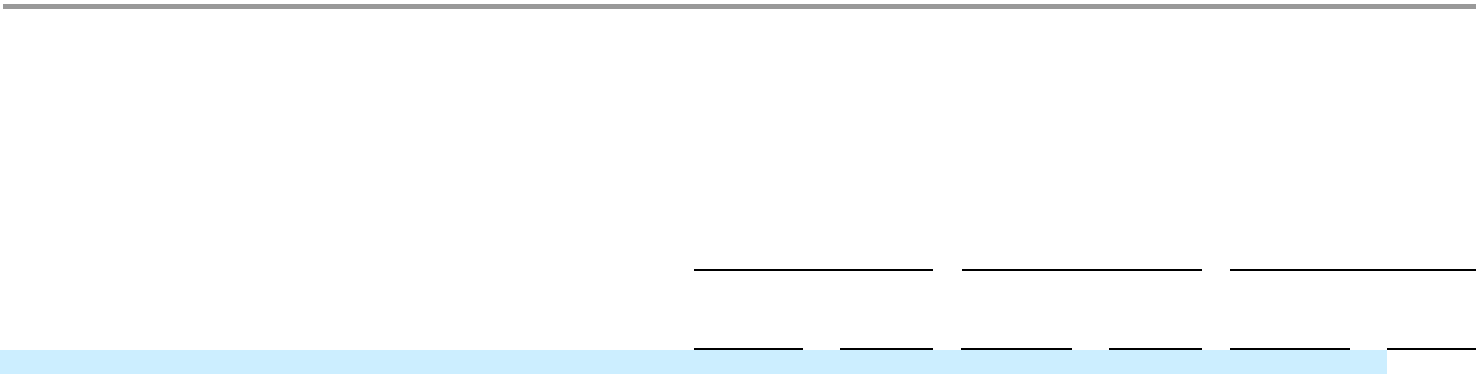
**Cleveland-Cliffs Inc and Consolidated Subsidiaries**

Notes to Consolidated Financial Statements — (Continued)

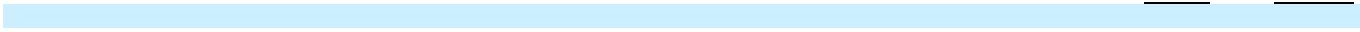
Our income from continuing operations for 2006 includes \$10.3 million in pre-tax share-based

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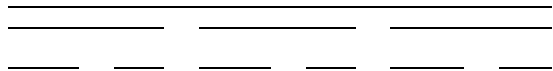
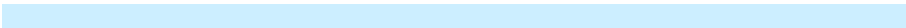


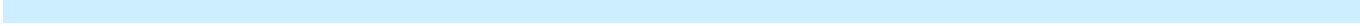
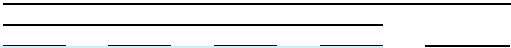












**Report of Independent Registered P**







**Management Report on Internal Controls Over Financial Reporting**

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control system was designed to provide reasonable assurance to the Company's management and Board of Directors regarding the preparation and fair presentation of published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2006. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control — Integrated Framework*. Based on its assessment, management believes that, as of December 31, 2006, the Company's internal control over financial reporting were not effective, based on those criteria.

100% 100% 100% 67% 100%





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[Table of Contents](#)

**Name, Age and Principal Occupation and  
Employment During Past Five Years**

**First Became Director**

**ROGER PHILLIPS**, 67, Former President and Chief Executive Officer of IPSCO Inc., a North American steel producing company,  
from February 1982 through January 2002. a mc. cuuuuuA ua ples O Inep oupr. pa IP2002.





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[Table of Contents](#)

*Market for Talent.* The Compensation Committee conducts an annual review of market data to determine appropriate compensation levels for executive officers. The Compensation Committee also reviews the compensation of other senior executives and key employees. The Compensation Committee's review includes an analysis of the compensation of executives and key employees of peer companies, as well as an analysis of the compensation of executives and key employees of the company. The Compensation Committee's review also includes an analysis of the compensation of executives and key employees of the company's subsidiaries and affiliates. The Compensation Committee's review is based on the information provided by the company's management and other sources. The Compensation Committee's review is completed by the end of each year. The Compensation Committee's review is based on the information provided by the company's management and other sources. The Compensation Committee's review is completed by the end of each year.



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## [Table of Contents](#)

incentive opportunity based solely on executives remaining with us. In 2006, the Compensation Committee awarded executive officers 15 percent of their long-term incentive opportunity in the form of retention units. Each retention unit represents the value of one common share and is payable in cash based upon the participant's continued employment throughout the three-year retention period.

During 2006, the retention g

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## [Table of Contents](#)

In evaluating these changes as they impacted our named executive officers, the Compensation Committee considered market practices, our financial history, the specific impact on these changes for each executive individually and on a relative basis to each other, and the total compensation pay history for each executive to ensure that the Compensation Committee had not previously provided other compensation elements to executives that would mitigate the need to enhance the pension arrangements. The impact on each of the named executive officers affected by these changes is reflected in the "2006 Summary Compensation Table" in the "Change in Pension Value and Nonqualified Deferred Compensation Earnings" column. Other details about the benefits are described in the narrative accompanying the "2006 Pension BenefitsZlcive infig





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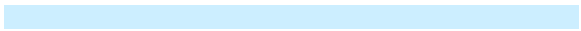
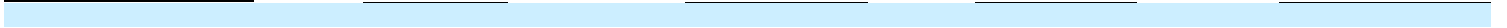
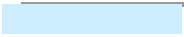
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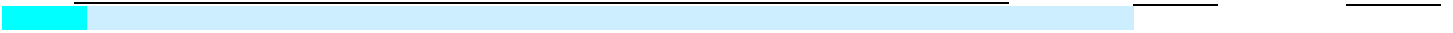
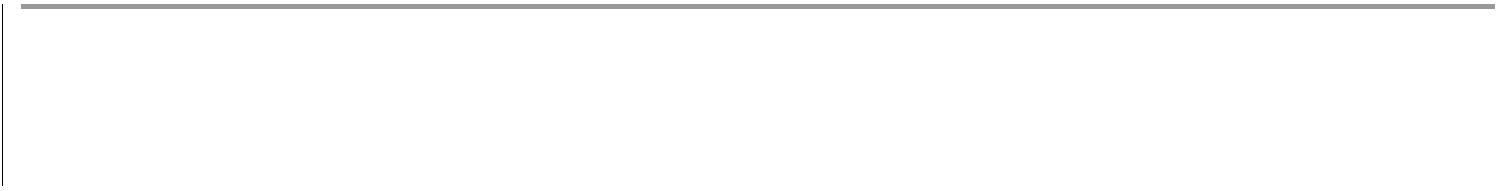
















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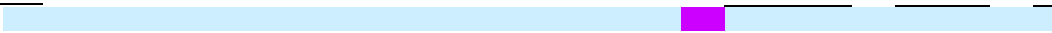
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**Table of Contents**

officers is involuntarily terminated during the two years after a change in control, for a reason other than cause, he or she will be entitled to the following additional benefits:

- (1) A lump sum pa





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[Table of Contents](#)

restricted shares a



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**Mine Plan**

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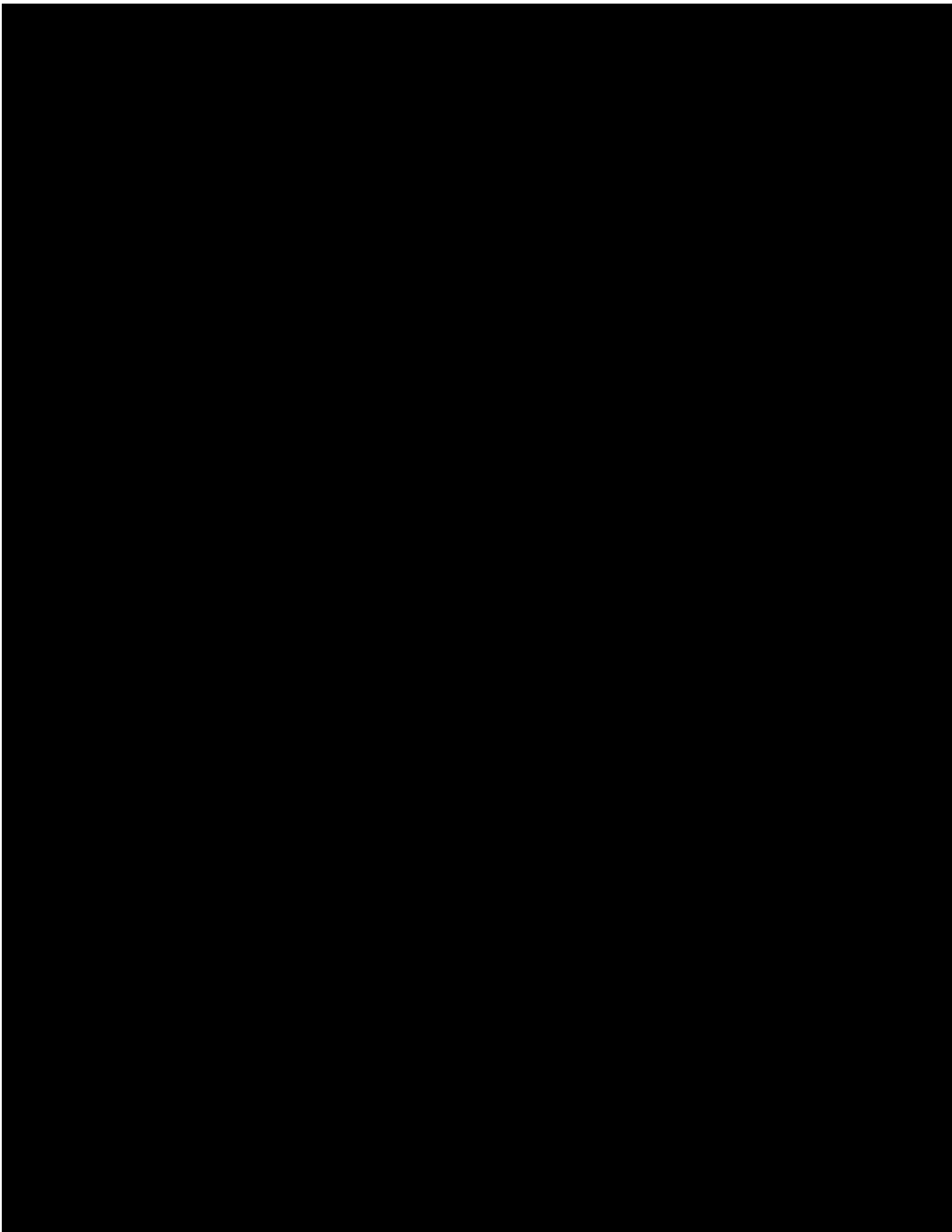




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[Table of Contents](#)

- (8) The information shown above and in this footnote was taken from the Schedule 13G, dated February 6, 2007 and filed with the SEC on February 12, 2007, by Capital Research and Management Company, an









**EXHIBIT INDEX**

All documents referenced below were filed pursuant to the Securities Exchange Act of 1934 by Cleveland-Cliffs Inc, file number 1-09844, unless otherwise indiE

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Exhibit  
Number

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Exhibit  
Number  
23

Pagination by  
Sequential  
Numbering System

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**SHARE PURCHASE AGREEMENT**

This Share Purchase Agreement (this "Agreement"), dated as of December 12, 2006, is made and entered into by and among Cliffs International Lux IV Sarl, a Luxembourg corporation ("Buyer"), Centennial Asset Mining

















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case, with or without the lapse of time or the giving of notice, or both) in material breach or default thereunder.

(c) Each of the Exploration Agreement ahn



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expected to prevent the issuance of

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(b) and except for the collective bargaining agreement that is currentS











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environmental consultants, to make available all environmental data and reports in their possession relating to the Amapá Companies, and, at Buyer's sole election and expense, to update previously prepared environmental reports relating to the Amapá Companies.

4.3 Actions Consistent with Representations, Warranties and Covenants Prior to the Closing Seller will not, without the prior written consent of Buyer, take or omit to take any action, and Seller will recommend to MMX S.A. that it not take or omit to take any action, that would cause any of the representations or warranties of Seller contained e r



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and records, including all files, invoices, forms, accounts, correspondence, production records, technical, accounting, manufacturing and procedural manuals and employment records, relating to the Amapá Project, the Amapá Railway, the Santana Port and the Amapá Companies (collectively, "Records") to the extent reasonably requested by the other in connection with tax and financial reporting matters (including any Tax Return relating to state or local real property transfer or gains Taxes), audits, legal proceedings, governmental investigations and other business purposes; *provided, however*, that nothing herein will obligate any party to take actions that would unreasonably disrupt the no

Seller shall provide to Buyer, as soon as available, true and correct copies of the December 31, 2006 unaudited balance









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the Quotaholders Agreement, and contemplates, among other matters, the resignations of the current managers of Logística and election of n











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was entitled to receive such notice was deprived of ~ u

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**ARTICLE IX  
BATISTA UNDERTAKING**

Batista hereby, irrev











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**Defined Term**  
MMX Amapá  
MMX S.A.  
MPBA Letter Agreement  
Newco Brazil

**Section**  
Recitals  
Preamble  
3.2.5(f)











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AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED, as a  
Lender

By /s/ John W. Wade

Name John W. Wade

Title Director

[Signp













U.S. BANK NATIONAL ASSOCIATION, as a Lender

By           /s/ Da



---

HARRIS N.A., as a Lender

By /s/ Thad D. Rasche  
Name Thad Rasche  
Title Director

[Signature page to First Amendment to Multicurrency Credit Agreement]





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B

BANK HAPOALIM B.M., as a Lender

By /s/ J. Surless  
Name



**CLEVELAND-CLIFFS INC**  
**SECOND AMENDMENT TO MULTICURRENCY CREDIT AGREEMENT**

This Second Amendment to Multicurrency Credit Agreement (herein, the "*Amendment*") is entered into as of Feb i



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(l) Investments in securities of trade creditors or customers in the ordinary course of business that are received (i) in settlement of *bona fide* disputes or pursuant to any plan of reorganization or liqui2

"Permitted Investment Amount" means an amount equal to (a) U.S. \$150,000,000 plus (b) 20% of positive Consolidated Net Income for each fiscal year of the Borrower commencing with its fiscal year meeting (we) \$0h 22Ee

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SECTION 3. *REPRESENTATIONS AND WARRANTIES.*

The Borrower represents and warrants to the Lenders that (i)

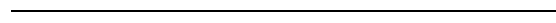






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FORTIS CAPITAL CORP., as a Lender

By  Riah

Name Douglas Riah

Title Managing Director

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PNC BANK, NATIONAL ASSOCIATION, as a Lender

By Joseph B e

---

U.S. BANK NATIONAL ASSOCIATION, as a Lender

By /s/ David J. Dannemiller  
Name David J. Dannemiller  
Title VP

[Signature page to Second Amendment to Multicurrency Credit Agreement]



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**REAFFIRMATION AND CONSENT OF GUARANTORS**

Each of the undersigned heretofore executed and delivered to the Lenders a Guaranty Agreement dated as of June 23, 2006 (the "*Guaranty*"). Each of the undersigned hereby consents to the Second Amendment to Multicurrency Credit Agreement as set forth above and confirms that its Guaranty, all obligations thereunder, and all Collateral Documents, and the Liens created and provided for thereby, executed and delivered or to be executed and delivered hereunder, shall be deemed to be in full force and effect.

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SECTION 2. *AMENDMENTS TO CREDIT AGREEMENT.*

Upon satisfaction of the conditions precedent set fS





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*"LENDERS"*

FIFTH THIRD BANK, an Ohio banking corporation,  
as a Nt pc

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BANK OF AMERICA, N.A.

By /s/ Sandra Guerrieri  
Name Sandra Guerrieri  
Title Vice President

**[SIGNATURE PAGE TO THIRD AMENDMENT AND**









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NATIONAL AUSTRALIA BANK LIMITED,  
A.B.N. 12 004 044 937, as Lender

By /s/ Richard Marten

Name RICHARD MARTEN

Title ASSOCIATE DEAN

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JL Her  
10/11/11  
10/11/11  
10/11/11

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US Bank, N.A.

By /s/ David J. Dannemiller  
Name David J. Dannemiller  
Title Vice President

IS

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Wachovia Bank, N.A.

**Bit**      "      ,      ,      m

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CLEVELATT









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*"LENDERS"*

FIFTH THIRD BANK, an Ohio banking corp p

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IN WITNESS WHEREOF, Cleveland-Cliffs Inc, pursuant to the order of its Board of Directors, has executed

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CLEVELAND-CLIFFS INC  
Amendment  
to  
Restricted Shares Agreement

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WHEREAS, the fifth ~

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2.2 ISSUANCE OF PERFORMANCE SHARES. The Performance Shares covered by this Agreement shall only result in the issuance of Common Shares (or cash or a combination thereof) as determined by the Committee in its sole discretion, after the completion of the performance period.

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(b). In the event a Participant voluntarily terminated employment or is terminated by the Company with cause, the Participant shall forfeit all right to any Performance Shares







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PERFORMED  
BY  
DATE

Exhibit 10(ff)





CLEVELAND-CLIFFS INC  
Amendment No. 1  
to  
Long-Term Incentive Program Partici

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WHEREAS, the Company desi





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WHEREAS, the Company desires to amend the Brinzo Participant Grants, effective September 1, 2006, in order to accelerate the vesting of the Performance Shares and Retention Units granted thereunder;

NOW, THEREFORE, pursuant to Section W,

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2005 and 2006 Brinzo Participant Grants

(3) Section 2.6 of Brinzo's 2005 and 2006 Participant Grants are hereby amended by the addition of a new subsection (c) to read as fo

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WHERE

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April 13, 2007

Partic





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**CONFIDENTIAL MATERIAL HAS BEEN  
OMITTED AND FILED SEPARATELY WITH THE  
SECURITIES AND EXCHANGE COMMISSION.  
ASUÆRTERIAL HA**



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[\*\*\*\*\*], with any r

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“Surcharge Reduction” to the extent so provided in such Section 2(b), shall not be replaced or superseded by this Agreement but shall apply in respect of iron ore pellets allocated to the Inland Works in any year pursuant to







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(ii) If Mittal shall [\*\*\*\*\*] f













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constitute a default under, any of the terms, conditions or prd

6.1 Reaffirmation of the Church's Faith and Mission









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facsimile transmission with the same force and effect as if the same were a fully executed and delivered original manual counterpart.



















Subsidiaries of Cleveland-Cliffs Inc

Name of

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**Name of Subsidiary**

---

**Jurisdiction of  
Incorporation or  
Organization**

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906  
OF THE SAE**

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