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CLIFFS NATURAL RESOURCES INC.

FORM 10-Q
(Quarterly Report)

Filed 07/25/02 for the Period Ending 06/30/02

Address	200 PUBLIC SQUARE STE. 3300 CLEVELAND, OH 44114-2315
Telephone	216-694-5700
CIK	0000764065
Symbol	CLF
SIC Code	1000 - Metal Mining
Industry	Metal Mining
Sector	Basic Materials
Fiscal Year	12/31

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CLEVELAND CLIFFS INC

FORM 10-Q
(Quarterly Report)

Filed 7/25/2002 For Period Ending 6/30/2002

Address	1100 SUPERIOR AVE 18TH FLR
	CLEVELAND, Ohio 44114
Telephone	216-694-5700
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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, 2002
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)	(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 ☐

As of July 19, 2002, there were 10,184,846 Common Shares (par value $1.00 per share) outstanding.

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PART I — FINANCIAL INFORMATION

CLEVELAND-CLIFFS INC AND CONSOLIDATED SUBSIDIARIES

STATEMENT OF CONSOLIDATED OPERATIONS

	(In Millions, Except Per Share Amounts)			
	Three Months Ended June 30		Six Months Ended June 30	
	2002	2001	2002	2001
REVENUES				
Product sales and services				
Iron ore	$ 135.9	$ 79.7	$ 183.8	$ 100.0
HBI		3.7		3.7
Total	135.9	83.4	183.8	103.7
Freight and minority interest	16.7	3.4	23.8	4.0
Total Product Sales and Services	152.6	86.8	207.6	107.7
Royalties and management fees	3.3	6.9	4.6	14.8
Total Operating Revenues	155.9	93.7	212.2	122.5
Interest income	.9	.9	2.0	2.0
Other income	2.6	2.2	5.9	4.6
Total Revenues	159.4	96.8	220.1	129.1
COSTS AND EXPENSES				
Cost of goods sold and operating expenses				
Iron ore	152.5	101.0	222.9	136.1
HBI		10.3		10.3
Total	152.5	111.3	222.9	146.4
Administrative, selling and general expenses	6.8	5.2	10.8	8.0
Idle expense and pre-operating loss of Cliffs and Associates Limited	2.5		5.8	5.8
Interest expense	2.0	2.5	3.9	4.6
Other expenses	1.8	1.4	3.1	3.9
Total Costs and Expenses	165.6	120.4	246.5	168.7
LOSS BEFORE INCOME TAXES, MINORITY INTEREST AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	(6.2)	(23.6)	(26.4)	(39.6)
INCOME TAXES (CREDIT)	(6.2)	(7.1)	(12.9)	(12.3)
LOSS BEFORE MINORITY INTEREST AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE		(16.5)	(13.5)	(27.3)
MINORITY INTEREST	.6	1.4	1.3	2.6
INCOME (LOSS) BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	.6	(15.1)	(12.2)	(24.7)
CUMULATIVE EFFECT OF ACCOUNTING CHANGE - NET OF $5.0 TAX				9.3
NET INCOME (LOSS)	$ .6	$ (15.1)	$ (12.2)	$ (15.4)
NET INCOME (LOSS) PER COMMON SHARE				
Basic and Diluted				
Before cumulative effect of accounting change	$ .06	$ (1.50)	$ (1.20)	$ (2.45)

Cumulative effect of accounting change — net of tax				.92
Net income (loss)	$ .06	$ (1.50)	$ (1.20)	$ (1.53)
AVERAGE NUMBER OF SHARES (IN THOUSANDS)				
Basic	10,182	10,118	10,114	10,110
Diluted	10,182	10,118	10,114	10,110

See notes to consolidated financial statements.

CLEVELAND-CLIFFS INC AND CONSOLIDATED SUBSIDIARIES

STATEMENT OF CONSOLIDATED FINANCIAL POSITION

	(In Millions)	
	June 30 2002	December 31 2001
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 143.2	$ 183.8
Trade accounts receivable — net	25.3	19.9
Receivables from associated companies	5.9	12.1
Inventories		
Product	118.1	84.8
Supplies and other	49.5	29.0
Deferred and refundable income taxes	6.5	20.9
Other	12.4	12.2
TOTAL CURRENT ASSETS	360.9	362.7
PROPERTIES	499.7	358.0
Allowances for depreciation and depletion	(107.0)	(97.7)
TOTAL PROPERTIES	392.7	260.3
INVESTMENTS IN ASSOCIATED IRON ORE VENTURES	34.1	131.7
OTHER ASSETS		
Prepaid pensions	42.3	46.1
Other investments	22.7	3.3
Miscellaneous	31.2	20.9
TOTAL OTHER ASSETS	96.2	70.3
TOTAL ASSETS	$ 883.9	$ 825.0
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Borrowings under revolving credit facility	$ 100.0	$ 100.0
Accounts payable and accrued expenses	99.7	64.7
Payables to associated companies	16.4	16.0
Environmental and closure obligations	8.7	9.1
TOTAL CURRENT LIABILITIES	224.8	189.8
LONG-TERM DEBT	70.0	70.0
POSTEMPLOYMENT BENEFIT LIABILITIES	94.0	69.2
ENVIRONMENTAL AND CLOSURE OBLIGATIONS	57.5	59.2
OTHER LIABILITIES	21.4	36.7
	467.7	424.9
MINORITY INTEREST		
Cliffs and Associates Limited	25.2	25.9
Tilden Mining Company L.C.	26.7	
SHAREHOLDERS' EQUITY		
Preferred Stock		
Class A - 500,000 shares authorized and unissued		
Class B - 4,000,000 shares authorized and unissued		

Common Shares — par value $1 a share		
Authorized - 28,000,000 shares;		
Issued - 16,827,941 shares	16.8	16.8
Capital in excess of par value of shares	71.7	66.2
Retained income	464.5	476.7
Accumulated other comprehensive loss, net of tax	(1.0)	(1.0)
Cost of 6,643,095 Common Shares in treasury (2001 - 6,685,988 shares)	(182.2)	(183.3)
Unearned compensation	(5.5)	(1.2)
TOTAL SHAREHOLDERS' EQUITY	364.3	374.2
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 883.9	$ 825.0

See notes to consolidated financial statements.

CLEVELAND-CLIFFS INC AND CONSOLIDATED SUBSIDIARIES

STATEMENT OF CONSOLIDATED CASH FLOWS

	(In Millions, Brackets Indicate Cash Decrease) Six Months Ended June 30	
	2002	2001
OPERATING ACTIVITIES		
Net loss	$ (12.2)	$ (15.4)
Depreciation and amortization:		
Consolidated	12.4	7.8
Share of associated iron ore ventures	4.0	5.5
Gain on sale of assets	(3.8)	(2.5)
Deferred income taxes	(3.4)	(6.0)
Minority interest in Cliffs and Associates Limited	(1.3)	(2.6)
Cumulative effect of accounting change — net of $5.0 tax		(9.3)
Other	1.0	1.3
Total before changes in operating assets and liabilities	(3.3)	(21.2)
Changes in operating assets and liabilities	(16.7)	(50.6)
Net cash used by operating activities	(20.0)	(71.8)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment:		
Consolidated		
Cliffs and Associates Limited		(5.5)
All other	(5.3)	(2.9)
Share of associated iron ore ventures	(2.3)	(.9)
Investment in steel company common stock	(13.0)	
Investment in power-related joint venture	(6.0)	
Proceeds from sale of assets	5.3	2.7
Other		(.4)
Net cash used by investing activities	(21.3)	(7.0)
FINANCING ACTIVITIES		
Borrowings under revolving credit facility		100.0
Contributions by minority shareholders	.7	6.5
Dividends		(2.1)
Net cash from financing activities	.7	104.4
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(40.6)	25.6
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	183.8	29.9
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$143.2	$ 55.5

See notes to consolidated financial statements.

CLEVELAND-CLIFFS INC AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE A — BASIS OF PRESENTATION

The accompanying unaudited 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 the Company’s 2001 Annual Report on Form 10-K. In management’s opinion, the quarterly unaudited consolidated financial statements present fairly the Company’s financial position, results of operations and cash flows in accordance with generally accepted accounting principles 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 is reasonable under the circumstances. Actual results could differ from those estimates.

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 the Tilden Mining Company L.C. (“Tilden”) since January 31, 2002 when the Company increased its ownership from 40 percent to 85 percent. Quarterly results historically are not representative of annual results due to seasonal and other factors. Certain prior year amounts have been reclassified to conform to current year classifications.

NOTE B — ACCOUNTING AND DISCLOSURE CHANGES

Effective January 1, 2001, the Company changed its method of accounting for investment gains and losses on pension assets for the calculation of net periodic pension cost from a method that deferred and amortized realized and unrealized gains and losses over five years for most pension plans to a method that recognizes the changes immediately. The cumulative effect of this accounting change related to prior years was a one-time non-cash credit of $9.3 million ($14.3 million pre-tax) recognized as of January 1, 2001. The pro forma effect of this change on 2001 results for the second quarter and first six months would have been less than $.1 million of income.

In July 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS 142 requires testing of goodwill and intangible assets with indefinite lives for impairment rather than amortizing them. The adoption of this statement in the first quarter of 2002 did not have a significant impact on the Company's financial results.

In July 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations," which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the related asset retirement costs. The statement requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred and capitalized as part of the carrying amount of the long-lived asset. When a liability is initially recorded, the entity capitalizes the cost by increasing the carrying value of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, a gain or loss is recorded. The statement is effective for fiscal years beginning after June 15, 2002. Based on preliminary analysis, the Company does not expect the cumulative effect charge, upon adoption of this standard, to exceed $20 million; however, the Company continues to refine its estimate of the effect of this standard on its consolidated financial statements.

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" which supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." Although retaining many of the provisions of SFAS No. 121, SFAS No. 144 establishes a uniform accounting model for long-lived assets to be disposed. This statement also requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows to be generated by the asset. If the carrying value of the asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. The Company's adoption of this statement in the first quarter of 2002 did not have a significant impact on its asset impairment policy or financial results.

NOTE C — REVENUE RECOGNITION

Revenue is recognized on sales of products when title has transferred, and on services when performed. Revenue for the first half of the year from product sales and services includes reimbursement for freight charges ($6.2 million – 2002; $4.0 million – 2001) paid on behalf of customers and cost reimbursement of $17.6 million from January 31, 2002 from a minority interest partner for its contractual share of mine costs.

Royalty and management fee revenue is recognized on production. Royalties and fees paid by the Company as a partner in the mines, which were previously reported in both revenues and cost of goods sold and operating expenses, have been eliminated. As a result, second quarter and first six months 2001 revenues and cost of goods sold have been restated and reduced by $3.2 million and $4.1 million, respectively. There was no impact on financial results.

NOTE D — ENVIRONMENTAL AND CLOSURE OBLIGATIONS

At June 30, 2002, the Company had an environmental and closure liability of $68.3 million, of which $8.8 million was classified as current. Activity in the first six months of 2002 included cost accruals of $.6 million and expenditures of $3.5 million, of which $2.8 million represents expenditures for mine closure responsibilities assumed in the October 2001 LTV Steel Mining Company (“LTVSMC”) transaction.

Mine closure obligations represent $51.0 million of the total obligation, including $44.4 million for LTVSMC, which closed early in 2001, and $4.2 million of accrued obligations at the Company’s five operating mines.

Environmental liabilities of $17.3 million represent the balance of the total obligation. The Company’s obligations for known environmental problems and active and closed mining operations, and other sites have been recognized based on the 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. Future expenditures are not discounted, and potential insurance recoveries have not been reflected. Additional environmental exposures could be incurred, the extent of which cannot be assessed.

The environmental liability includes the Company’s obligations related to:

- Seven sites which are independent of the Company’s iron mining operations. These include two State and Clean Water Act sites where the Company is named as a potentially responsible party, the Kipling site in Michigan, and the Rio Tinto mine site in Nevada. Significant site clean-up activities have taken place at Rio Tinto.

- Non-operating locations in Michigan, including nine former iron ore related sites and thirteen leased land sites.

- Miscellaneous remediation obligations at the Company’s operating units.

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NOTE E — SEGMENT REPORTING

The Company has two reportable segments offering different iron products and services to the steel industry. Iron Ore is the Company's dominant segment. The Ferrous Metallics segment consists of the hot briquetted iron ("HBI") project in Trinidad and Tobago and other development activities. "Other" includes non-reportable segments, and unallocated corporate administrative expense and other income and expense.

	(In Millions)				
	Iron Ore	Ferrous Metallics	Segments Total	Other	Consolidated Total
Second Quarter 2002					
Sales and services to external customers	$152.6	$	$152.6	$	$152.6
Royalties and management fees	3.3		3.3		3.3
Total operating revenues	155.9		155.9		155.9
Income (loss) before income taxes and minority interest	4.5	(3.5)	1.0	(7.2)	(6.2)
Investments in associated iron ore ventures	34.1		34.1		34.1
Other identifiable assets	700.5	134.1	834.6	15.2	849.8
Total assets	734.6	134.1	868.7	15.2	883.9
Second Quarter 2001					
Sales and services to external customers	$ 83.1	$ 3.7	$ 86.8	$	$ 86.8
Royalties and management fees	6.9		6.9		6.9
Total operating revenues	90.0	3.7	93.7		93.7
Loss before income taxes and minority interest	(10.5)	(6.7)	(17.2)	(6.4)	(23.6)
Investments in associated iron ore ventures	132.4		132.4		132.4
Other identifiable assets	479.7	139.3	619.0	29.8	648.8
Total assets	612.1	139.3	751.4	29.8	781.2
First Six Months 2002					
Sales and services to external customers	$207.6	$	$207.6	$	$207.6
Royalties and management fees	4.6		4.6		4.6
Total operating revenues	212.2		212.2		212.2
Loss before income taxes and minority interest	(7.3)	(7.6)	(14.9)	(11.5)	(26.4)
First Six Months 2001					
Sales and services to external customers	$104.0	$ 3.7	$107.7	$	$107.7
Royalties and management fees	14.8		14.8		14.8
Total operating revenues	118.8	3.7	122.5		122.5
Loss before income taxes and minority interest	(15.9)	(12.7)	(28.6)	(11.0)	(39.6)

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NOTE F — INCOME TAXES

In March 2002, the "Job Creation and Worker Assistance Act of 2002" ("Act") was enacted by Congress. Provisions of the Act provide for the carryback of net operating losses for tax years 2002 and 2001 for up to five years. Previously, the limitation was two years. As a result, the Company was able to utilize its tax loss generated in 2001 and reduce loss carryforwards by approximately $45 million and related deferred tax assets by about $15 million from December 31, 2001. Partially offsetting was an increase in alternative minimum tax credit carryforwards by approximately $8 million since December 31, 2001. The Company received a cash refund in the second quarter of 2002 of $11.6 million, an increase of $7.7 million compared to the year-end expectation. There was no impact on earnings as a result of this change. In the second quarter 2002, a favorable tax adjustment of $4.4 million was recorded reflecting the Company's assessment of its tax obligations and expected outcome of certain audit issues for prior tax years.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

COMPARISON OF SECOND QUARTER AND FIRST SIX MONTHS — 2002 AND 2001

Net income was $.6 million, or $.06 per share (all per share earnings are "diluted earnings per share" unless stated otherwise) in the second quarter, and a net loss of $12.2 million, or $1.20 per share for the first six months. In the second quarter and first six months of 2001, the Company had net losses of $15.1 million, or $1.50 per share, and $24.7 million, or $2.45 per share, respectively, before a $9.3 million after-tax credit relating to the cumulative effect of an accounting change. Following is a summary of results:

	(In Millions, Except Per Share)			
	Second Quarter		First Six Months	
	2002	2001	2002	2001
Income (loss) before cumulative effect of accounting change:				
Amount	$ .6	$(15.1)	$(12.2)	$(24.7)
Per share	.06	(1.50)	(1.20)	(2.45)
Cumulative effect of accounting change:				
Amount				9.3
Per share				.92
Net income (loss):				
Amount	.6	(15.1)	(12.2)	(15.4)
Per share	.06	(1.50)	(1.20)	(1.53)

Second Quarter

The loss before income taxes and minority interest for the second quarter 2002 was $6.2 million, an improvement of $17.4 million from the second quarter of 2001. The improvement in pre-tax results was mainly due to higher pellet sales and production volume, and lower Cliffs and Associates Limited ("CAL") losses, partially offset by lower royalties and management fees, increased corporate expense and higher business development expenses.

Following is a summary of the pellet sales margin:

	(In Millions) Second Quarter		
	2002	2001	Increase
Sales (tons)	3.9	2.3	1.6
Revenue from product sales and services*	$135.9	$ 79.7	$56.2
Cost of goods sold and operating expenses*	135.8	97.6	38.2
Sales margin (loss)	$ .1	$(17.9)	$18.0

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

Included in the second quarter 2002 cost of goods sold and operating expense was approximately $3 million of fixed costs related to production curtailments compared to $20 million in the same quarter last year.

First Half

The loss before income taxes and minority interest for the first six months 2002 was $26.4 million, an improvement of $13.2 million from the comparable 2001 period. The improvement was primarily due to:

- An improved pellet sales margin, namely reflecting higher sales and production volume, is summarized as follows:

	(In Millions) First Six Months		
	2002	2001	Increase
Sales (tons)	5.2	2.8	2.4
Revenue from product sales and services*	$183.8	$100.0	$83.8
Cost of goods sold and operating expenses*	199.1	132.1	67.0
Sales margin (loss)	$ (15.3)	$ (32.1)	$16.8

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

Included in 2002 cost of goods sold and operating expenses was approximately $17 million of fixed costs related to production curtailments versus $25 million in 2001.

- Royalties and management fees from partners decreased $10.2 million from last year mainly due to reduced production at Empire Mine in 2002, and the Company's increased ownership in Tilden Mine in 2002. Also, royalties and fees paid by the Company as a partner in the mines, which were previously reported in both revenues and cost of goods sold and operating expenses, have been eliminated. As a result, second quarter and first six months 2001 revenues from royalties and management fees and cost of goods sold have been restated and reduced by $3.2 million and $4.1 million, respectively. This had no impact on financial results.

- The loss from CAL of $5.8 million, or $4.5 million net of minority interest, in the first six months of 2002 compared to a loss of $12.4 million, or $9.8 million net of minority interest, in the first half of 2001. The $5.3 million improvement for 2002 reflects cost reduction efforts including an approximate 30 percent reduction in employees and fixed cost reductions from critical suppliers.

- Administrative, selling and general expenses were $2.8 million higher in the first six months of 2002 compared to the same period in 2001, primarily due to higher pension expense, increased medical and other post-retirement benefits and higher incentive compensation as a result of the increase in the share price of the Company's common stock.

- Other income was $1.3 million higher in 2002 principally due to higher sales of non-strategic assets.

- Other expenses in 2002 were $.8 million lower than 2001. Higher business development expenditures in 2002 primarily related to the Mesabi Nugget project, were more than offset by a $2.1 million pre-tax charge for restructuring activities in 2001.

- Interest income was unchanged from 2001. Lower interest expense in 2002 was due to lower interest rates partially offset by higher average borrowings under the revolving credit facility.

Included in the second quarter and first six months of 2002 was a $4.4 million favorable income tax adjustment. The adjustment reflects the Company's assessment of its tax obligations and expected outcome of certain audit issues relating to prior tax years.

IRON ORE

Iron ore pellet production at the Company's managed mines increased to 7.4 million tons in the second quarter of 2002 from 6.5 million tons in 2001. The Company's share of second quarter production of 3.8 million tons was 2.0 million tons above last year. Total production in the first half of 2002 was 12.0 million tons versus 13.4 million tons in first half 2001. The Company's share of production for the first six months was 6.3 millions tons, a 1.7 million tons increase from the first six months of

2001. Production for the full year is expected to be about 27 million tons, with the Company's share to be about 14.6 million tons.

The Empire Mine, which was idled in the fourth quarter 2001, resumed production in April 2002. Empire was idled for three weeks in July to complete planned maintenance and vacation scheduling. There are no production curtailments currently scheduled for the remainder of the year; however, production schedules at all mines remain subject to change.

The significant increases in the Company's share of production is mainly due to the Company's increased ownership and higher production at Tilden in 2002. Partly offsetting was a decrease in pellet production from Empire. In July 2002, the Company acquired an additional 8 percent interest in the Hibbing Mine from Bethlehem Steel Corporation for the assumption of approximately $6 million of net mine liabilities. The acquisition increases the Company's ownership of Hibbing from 15 percent to 23 percent, and its share of the mine's annual capacity by .6 million tons.

On January 31, 2002, the Company acquired a 45 percent ownership interest in the Tilden Mine from Algoma Steel Inc. ("Algoma") for the assumption of Tilden liabilities of approximately $14 million. The acquisition increased the Company's ownership in the mine to 85 percent, and annual production capacity by 3.5 million tons to 6.6 million tons. Concurrently, a sales agreement was executed that made the Company the sole supplier of iron ore pellets purchased by Algoma for a 15-year period. Sales to Algoma are expected to approach 3 million tons in 2002.

On March 5, 2002, a subsidiary of LTV Corporation ("LTV") rejected its 25 percent interest in the Empire Mine. Previously, LTV filed for protection under Chapter 11 of the U.S. Bankruptcy Code on December 29, 2000, and in November 2001, discontinued meeting its Empire obligations. Ispat Inland Inc. and the Company are funding fixed obligations in proportion to their respective ownership.

In April 2002, the Company signed a long-term agreement to supply iron ore pellets to International Steel Group Inc. ("ISG"), which had purchased the principal steel making and finishing assets of LTV. Under terms of the agreement, the Company became the sole supplier of pellets purchased by ISG for a 15-year period beginning in 2002. Pellet sales to ISG in 2002 are expected to exceed 2 million tons, depending on ISG's actual production scale-up. Sales over the remainder of the contract term will depend on ISG's pellet requirements. The Company invested $13 million in ISG common stock, representing approximately 7 percent of ISG's equity. The investment is being accounted for under the "cost method" and is included in "Other Investments."

In July 2002, the Company announced an amendment of its iron ore pellet sales agreement with Rouge Industries, Inc. ("Rouge"), which provides that the Company will be the sole supplier of iron ore pellets to Rouge. Sales to Rouge, which were less than 1 million tons in 2001, are expected to approximate 1.3 million tons in 2002. Rouge is expected to purchase in excess of 3 million tons per year beginning in 2003, and has annual minimum obligations through 2007. The Company also announced that it has loaned $10 million to Rouge on a secured basis, with final maturity in 2007.

Pellet sales in the second quarter of 2002 were 3.9 million tons compared to 2.3 million tons in 2001. Pellet sales in the first half of 2002 were 5.2 million tons, a 2.4 million ton increase from the first six months of 2001. While there continues to be uncertainty regarding the pellet requirements of customers, sales volume for 2002 is currently forecasted to be between 14.0 million and 14.5 million tons.

The Company's share of capital expenditures at the five mining ventures and supporting operations is expected to approximate $19 million in 2002, with $7.6 million having occurred through June 30, 2002.

The United States Environmental Protection Agency ("EPA") recently has developed and issued rules to regulate air pollution emissions to maximum achievable control technology ("MACT") standards for many different industry segments and types of facilities. The EPA is considering rules to regulate air pollution emissions from iron ore processing facilities, including facilities in Michigan and Minnesota owned and operated by the Company. The EPA has not released the proposed rules for comment and evaluation. If the EPA issues rules regulating air pollution emissions from iron ore processing facilities to MACT standards, the Company likely will incur significant costs to comply with the new rules. Accordingly, it is not possible at this time to determine the impact, if any, the proposed rules or any final rules will have on the Company.

FERROUS METALLICS

CAL operations remained idle during the first half of 2002. The Company's share of idle costs was $4.5 million on a pre-tax basis. Holding costs have been reduced while protecting the assets and retaining a highly skilled core workforce. In the first half of 2001, the Company's share of CAL's pre-operating costs was $9.8 million on a pre-tax basis.

The market for ferrous metallics products, including HBI, has been improving as steel prices have risen. The Company is reviewing the market and working to develop an adequate volume of sales that could allow the restart of the facility.

The primary business risk faced by the Company in ferrous metallics is the ability of the facility to sustain profitable operations. The Company has determined its CAL investment at June 30, 2002 is not impaired based on expected resumption of operations and future cash flows.

On April 4, 2002 the Company signed an agreement to participate in Phase II of the Mesabi Nugget Project. Other participants include Kobe Steel, Ltd., Steel Dynamics, Inc., Ferrometrics, Inc. and the State of Minnesota. A $24 million pilot plant will be constructed at the Company's Northshore Mine to test and develop Kobe Steel's technology for converting iron ore into nearly pure iron in nugget form. The Company's contribution to the project through the pilot plant testing and development phase, will be $4.5 million. If the pilot plant is successful, construction of a commercial size facility capable of producing 300,000 tons annually could start as early as 2004.

CASH FLOW, LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2002, the Company had cash and cash equivalents of $143.2 million compared to $55.5 million at June 30, 2001. Since December 31, 2001, cash and cash equivalents decreased $40.6 million, primarily due to higher iron ore pellet inventories, $33.3 million, investment in steel company common stock, $13.0 million, capital expenditures, $7.6 million, and investment in a power-related joint venture, $6.0 million, partially offset by a federal tax refund, $11.6 million, and proceeds from sales of non-strategic assets, $5.3 million.

At the end of June, there were 4.1 million tons of pellets in inventory at a cost of $118 million, an increase of 1.1 million tons, from December 31, 2001, reflecting normal seasonal patterns. Pellet inventory at June 30, 2001 was 5.3 million tons, or $151 million.

Long-term debt of the Company consists of $70 million of senior unsecured notes, which bear a fixed interest rate of 7.0 percent and are scheduled to be repaid on December 15, 2005. The Company has $100 million outstanding of its revolving credit agreement which expires on May 31, 2003. The loan interest rate on the revolving credit agreement is based on the LIBOR rate plus a premium and is fixed through the middle of September 2002 at an average rate of 2.3 percent. The note and revolving credit agreements require the Company to meet certain covenants related to net worth, leverage and other provisions. The Company is in compliance with the debt covenants, exceeding the requirements by more than $13 million at June 30, 2002 ($8 million at March 31, 2002) for the most restrictive covenant (net worth) in the revolving credit facility. Anticipated cash flows and current financial resources are expected to meet the Company’s needs during 2002. Financing alternatives remain under review to determine their ability to provide adequate funding at the lowest possible cost.

The carrying amount and fair value of the Company’s long-term debt and revolving credit facility at June 30, 2002 are as follows:

	(In Millions)	
	Carrying Amount	Fair Value
Long-term debt	$ 70.0	$67.8
Revolving credit facility	100.0	99.4

The fair value of the long-term debt and revolving credit facility was determined based on a discounted cash flow analysis and estimated current borrowing rates.

Following is a summary of common shares outstanding:

	2002	2001	2000
March 31	10,180,849	10,143,272	10,714,796
June 30	10,184,846	10,148,939	10,502,367
September 30		10,143,509	10,292,356
December 31		10,141,953	10,119,402

STRATEGIC INVESTMENTS

The Company is pursuing investment opportunities to broaden its scope as a supplier of iron products to the steel industry. In the normal course of business, the Company examines opportunities to strengthen its position by evaluating various investment opportunities consistent with its strategy. In the event of any future acquisitions or joint venture opportunities, the Company may consider using available liquidity, incurring additional indebtedness, project financing, or other sources of funding to make investments.

FORWARD-LOOKING STATEMENTS

Cautionary Statements

Certain expectations and projections regarding future performance of the Company referenced in this report are forward-looking statements. These expectations and projections are based on currently available financial, economic and competitive data, along with the Company's operating plans, and are subject to certain future events and uncertainties. We caution readers that in addition to factors described elsewhere in this report, the following factors, among others, could cause the Company's actual results in 2002 and thereafter to differ significantly from those expressed.

Steel Company Customers/Partners: More than 95 percent of the Company's revenue is derived from the North American integrated steel industry, consisting of fourteen current or potential customers or partners. Of the fourteen companies (not all of whom are current customers or partners of the Company), four companies are in reorganization, and certain others have experienced financial difficulties. Loss of major sales contracts or the failure of customers or partners to perform under existing arrangements due to financial difficulties could adversely affect the Company. Rejection of major contracts and/or partner agreements by customers and/or partners under provisions related to bankruptcy/reorganization represents a major uncertainty.

Demand for Iron Ore Pellets: Demand for iron ore is a function of the operating rates for the blast furnaces of North American steel companies. Demand for iron ore can be displaced by lower iron production in North America due to imports of finished steel, semi-finished steel, replacement by electric furnace production, or insufficient resources to reline or adequately maintain blast furnaces. Most of the Company's sales contracts are requirements-based or provide for flexibility of volume above a minimum level.

Mine Operating Risks: The Company's iron ore operations are volume sensitive with a portion of its costs fixed irrespective of current operating levels. Iron ore operations can be affected by unanticipated geological conditions, ore processing changes, availability and cost of key components of production (e.g., labor, electric power and fuel), and weather conditions (e.g., extreme winter weather and availability of process water due to draught).

Mine Closure Risks: Although ore reserves are long-lived, premature closure or reduced operating levels of an iron ore mine could accelerate significant employment legacy costs and environmental closure obligations, and result in asset impairment charges.

Trinidad Operations: The Company is developing a ferrous metallics business, with the Trinidad operation being the first step. The major uncertainties confronting the Trinidad operation are demand for and pricing volatility of the product, process difficulties, the failure of technology to perform as anticipated and potential asset impairment charges and closure obligations for the facility.

Litigation; Taxes; Environmental Exposures: The Company's operations are subject to various governmental, tax, environmental and other laws and regulations, and potentially to claims for various legal, environmental and tax matters. While the Company carries liability insurance which it believes to be appropriate to its businesses, and has provided accounting reserves for such matters which it believes to be adequate, in accordance with SFAS No. 5, an unanticipated liability or increase in a currently identified liability arising out of litigation, tax, or environmental proceeding could have a material adverse effect on the Company.

Financing Considerations: The Company's ability to obtain adequate financing at a competitive interest rate is dependent upon the Company's financial performance. The Company's bank facility expires in less than one year, with replacement on comparable terms uncertain. Furthermore, the Company has limited flexibility in maintaining compliance with the financial covenants of its bank debt.

The Company is under no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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PART II — OTHER INFORMATION

Item 1. Legal Proceedings

The United States Environmental Protection Agency ("EPA") has conducted an investigation of structures, soil and groundwater at the former Milwaukee Solvay Coke plant site in Milwaukee, Wisconsin. This plant was last operated by a predecessor of the Company during the years 1973 to 1983, which predecessor was acquired by the Company in 1986. Based upon the results of this investigation, in the second quarter of 2002, the EPA determined that a removal action should be conducted on the property with respect to the contents of certain above ground storage tanks and various sections of alleged asbestos-containing materials on pipes and other parts of structures located on the property. Currently, the Company anticipates that it will negotiate with the EPA regarding the terms of a Consent Order limited to the removal of these areas of contaminants. The associated cost of removal is not expected to exceed $2.0 million, which amount has been reserved by the Company.

Item 2. Changes in Securities and Use of Proceeds

On May 15, 2002, pursuant to the Cleveland-Cliffs Inc Voluntary Non-Qualified Deferred Compensation Plan ("VNQDC Plan"), the Company sold 96 shares of common stock, par value $1.00 per share, of Cleveland-Cliffs Inc ("Common Shares") for an aggregate consideration of $2,664.00 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 one managerial employee under the VNQDC Plan.

Item 4. Submission of Matters to Vote of Security Holders

The Company's Annual Meeting of Shareholders was held on May 14, 2002. At the meeting the Company's shareholders acted upon the election of Directors, and a proposal to ratify the appointment of the Company's independent auditors. In the election of Directors, all 9 nominees named in the Company's Proxy Statement, dated March 25, 2002, 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 or her name:

NOMINEES	FOR	WITHHELD
John S. Brinzo	9,332,572	33,209
Ronald C. Cambre	9,337,136	28,645
Ranko Cucuz	9,333,852	31,929
David H. Gunning	9,330,398	35,383
James D. Ireland III	9,335,705	30,076
Francis R. McAllister	9,337,399	28,382
John C. Morley	9,329,005	36,776
Stephen B. Oresman	9,334,419	31,362
Alan Schwartz	9,336,247	29,534

Votes cast in person and by proxy at such meeting for and against the adoption of the proposal ratifying the appointment of the firm of Ernst & Young LLP, independent auditors, to examine the books of account and other records of the Company and its consolidated subsidiaries for the year 2002 were as follows: 9,300,895 Common Shares were cast for the adoption of the proposal; 57,918 Common Shares were cast against the adoption of the proposal, an 6,968 Common Shares abstained from voting on the adoption of the proposal.

There were no broker non-votes with respect to the election of directors; or the ratification of the independent auditors.

Item 6. Exhibits and Reports on Form 8-K

(a) List of Exhibits — Refer to Exhibit Index on page 20.

(b) During the quarter for which this 10-Q Report is filed, the Company filed Current Reports on Form 8-K, dated April 4, April 12, April 15, May 14 and June 14, 2002, covering information reported under **Item 9. Regulation FD Disclosure.** The Company also filed a Current Report on Form 8-K dated July 24, 2002, covering information reported under **Item 9. Regulation FD Disclosure.** There were no financial statements filed as part of the Current Reports on Form 8-K.

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 25, 2002

By /s/ C. B. Bezik

C. B. Bezik
Senior Vice President-Finance and
Principal Financial Officer

EXHIBIT INDEX

Exhibit Number	Exhibit	
10(a)	* Pellet Sale and Purchase Agreement, dated and effective as of April 10, 2002, by and among The Cleveland-Cliffs Iron Company, Cliffs Mining Company, Northshore Mining Company, Northshore Sales Company, International Steel Group Inc., ISG Cleveland Inc., and ISG Indiana Harbor Inc.	Filed Herewith
10(b)	Cleveland-Cliffs Inc and Subsidiaries Management Performance Incentive Plan, effective January 1, 2002 (Summary Description)	Filed Herewith
99(a)	Cleveland-Cliffs Inc News Release published on July 24, 2002, with respect to 2002 second quarter results	Filed Herewith

* Confidential treatment requested as to certain portions, which portions have been omitted and filed separately with the Securities and Exchange Commission.

Exhibit 10(a)

**CONFIDENTIAL TREATMENT
CLEVELAND-CLIFFS, INC HAS REQUESTED THAT THE
MARKED PORTIONS OF THIS DOCUMENT BE ACCORDED
CONFIDENTIAL TREATMENT PURSUANT TO RULE 24b-2
UNDER THE SECURITIES EXCHANGE ACT OF 1934**

PELLET SALE AND PURCHASE AGREEMENT

THIS AGREEMENT, entered into, dated and effective as of April 10, 2002 ("Agreement"), by and among THE CLEVELAND-CLIFFS IRON COMPANY, an Ohio corporation ("Iron"), CLIFFS MINING COMPANY, a Delaware corporation ("Mining"), NORTHSHORE MINING COMPANY, a Delaware corporation ("Northshore"), NORTHSHORE SALES COMPANY, an Ohio corporation ("Sales"; Iron, Mining, Northshore and Sales being collectively referred to herein as "Cliffs"), INTERNATIONAL STEEL GROUP INC., a Delaware corporation ("ISG"), ISG CLEVELAND INC., a Delaware corporation, ("ISG Cleveland"), and ISG INDIANA HARBOR INC., a Delaware corporation ("ISG Indiana Harbor"; ISG, ISG Cleveland and ISG Indiana Harbor being collectively referred to herein as "Steel").

RECITALS

WHEREAS, Cliffs desires to sell to Steel and Steel desires to purchase from Cliffs certain quantities of grades of iron ore standard pellets as follows: (i) such grades of iron ore standard pellets being those produced at the Empire Iron Mining Partnership iron ore pellet plant ("Empire Pellets"), located in Palmer, Michigan ("Empire Mine"); (ii) such grades of iron ore standard pellets being those produced at the Northshore Mining Company iron ore pellet plant ("Northshore Pellets"), located in Silver Bay, Minnesota ("Northshore Mine"); (iii) such grades of iron ore standard pellets being those produced at the Hibbing Taconite Company Joint Venture iron ore pellet plant ("Hibbing Pellets"), located in Hibbing, Minnesota ("Hibbing Mine"); or (iv) such other pellet grades as may be mutually agreed to by the parties hereto (such Empire Pellets, Northshore Pellets, Hibbing

Pellets, and other mutually agreed upon pellets collectively being referred to herein as "Cliffs Pellets"), all on the conditions contained herein.

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth, Cliffs and Steel agree as follows:

SECTION 1. - DEFINITIONS.

The terms quoted in the above parentheses of the first introductory paragraph of this Agreement and the WHEREAS clause, other terms quoted throughout this Agreement, and the terms defined below in this Section 1 shall have the meanings assigned to them for purposes of this Agreement. Attached as Appendix I to this Agreement is a locator list of all defined terms used throughout the Agreement.

(a). The words, "Steel's Annual Pellet Tonnage Requirements", as used herein, shall mean for any year a tonnage amount equal to Steel's total annual iron ore pellet tonnage requirements required for consumption in Steel's iron and steel making facilities in any year at ISG Cleveland, located in Cleveland, Ohio ("Cleveland Works") and at ISG Indiana Harbor, located in Indiana Harbor, Indiana ("Indiana Harbor Works").

(b). The word "pellets", as used herein, shall mean iron-bearing products obtained by the pelletizing of iron ore or iron ore concentrates, suitable for making iron in blast furnaces.

(c). The word "ton", as used herein, shall mean a gross ton of 2,240 pounds avoirdupois natural weight.

(d). The words "net ton", as used herein, shall mean a ton of 2,000 pounds avoirdupois natural weight.

(e). The word "year", as used herein, shall mean a calendar year commencing on January 1 and ending December 31.

(f). The words "shuttle tons", as used herein, shall mean pellets which are destined for Cleveland Works deliveries, which are first unloaded from vessel onto a dock which is not a Steel dock or a dock designated by Steel pursuant to Section 8(a).

SECTION 2. - SALE AND PURCHASE/TONNAGE.

During each of the years 2002 through 2016, and each year thereafter as long as this Agreement remains in effect, Cliffs shall sell and deliver to Steel and Steel shall purchase and receive from Cliffs and pay for a tonnage of Cliffs Pellets which tonnage shall be equal to Steel's Annual Pellet Tonnage Requirements for each such year.

SECTION 3. - QUALITY

(a). Cliffs Pellets when loaded for shipment will be consistent with the typical specifications and analysis limits set forth in Exhibit 1.

(b). In the event the monthly average vessel analysis exceeds one standard deviation as set forth in Exhibit 1, Cliffs will take such actions as shall be necessary to achieve specification conformity. If specification conformity cannot be achieved, Steel and Cliffs shall negotiate in good faith to determine what actions or remedies, if any, are appropriate. If any two vessel shipments made during any calendar month have analysis that exceeds the analysis limits in the

CONFIDENTIAL MATERIAL HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION. ASTERISKS DENOTE SUCH OMISSION.

specifications set forth in Exhibit 1, Steel may refuse any subsequent vessel shipments during that calendar month, and Steel shall not be required to accept any subsequent shipments until Cliffs has taken action to remedy the non-conformity so that future shipments will be within the analysis limits. If more than two vessel shipments made during any calendar month have analysis that exceeds such limits, Cliffs and Steel shall negotiate an appropriate cost adjustment (if any) for the cargoes in excess of the first cargo that exceeded the analysis limits, based upon the additional costs (if any) to Steel associated with the quality specifications in the additional vessel shipments made during that calendar month that exceeded such analysis limits.

(c). Shuttle tons from the Cleveland Bulk Terminal shall be sampled and analyzed for the - 1/4" size fraction as they are being loaded into a vessel for delivery to Steel's dock. Shuttle tons shall not have a significant increase in the - 1/4" size fraction versus the non-shuttle tons delivered to the Cleveland Works pursuant to Section 8(a). In the event that two shuttle tons vessel shipments during any month display an increase in the - 1/4" size fraction of [*
* * *] or more versus non-shuttle delivered tons, Steel and Cliffs shall meet to determine the cause of the significant increase and the corrective action to reduce the significant increase. If a corrective action cannot be implemented to reduce the - 1/4" size fraction below the [* * * *] increase, then Steel and Cliffs shall meet to work out a good faith adjustment.

SECTION 4. - NOTIFICATION AND NOMINATION.

(a). With respect to the tonnage of Cliffs Pellets to be purchased by Steel for the year 2002, as provided in Section 2, on or before April 30 of the current year, Steel shall notify Cliffs in writing of Steel's preliminary tonnage of Steel's Annual Pellet Tonnage Requirements which Steel shall purchase from Cliffs. Such notification shall include: (i) Steel's Annual Operating Plan for the balance of the current year detailed by months, as such Annual Operating Plan relates to Steel's planned monthly consumption of all pellets for such year; (ii) the tonnage of Cliffs Pellets which Steel expects to purchase in the current year from Cliffs; and (iii) Steel's planned monthly pellet consumption for the first four months of the year 2003.

(b). With respect to the tonnage of Cliffs Pellets to be purchased by Steel for each of the years 2003 through 2016, as provided in Section 2, on or before November 1 of each of the years prior to the years above, Steel shall notify Cliffs in writing of Steel's preliminary tonnage of Steel's Annual Pellet Tonnage Requirements which Steel shall purchase from Cliffs. Such notification shall include: (i) Steel's Annual Operating Plan for the following year detailed by months, as such Annual Operating Plan relates to Steel's planned monthly consumption of all pellets for such year ("Steel's AOP"); (ii) the tonnage of Cliffs Pellets which Steel expects to purchase in the following year from Cliffs; (iii) Steel's expected total pellet inventory as of December 31 for the then current year; (iv) Steel's planned total pellet inventory on December 31 for the following year; and (v) Steel's planned monthly pellet consumption for the first four months of the year which succeeds the following year.

(c). With respect to the tonnage of Empire Pellets, Northshore Pellets and Hibbing Pellets which Cliffs will have available for sale to Steel in 2002, on or before May 31, 2002, and in each succeeding year on or before December 31 of each year prior to the years in Section 4(b) above, Cliffs shall notify Steel in writing as to the tonnage of Empire Pellets, Northshore Pellets and Hibbing Pellets Cliffs shall sell to Steel, which tonnage shall equal Steel's Annual Pellet Tonnage Requirements for such year.

(d). With respect to Steel's Annual Pellet Tonnage Requirements as provided for in Sections 4(a) and 4(b) above, Steel shall notify Cliffs by the 15th day of each month for the year in determination: (i) Steel's actual consumption of all pellets for the previous month, and (ii) Steel's planned monthly consumption of all pellets for the balance of the year and the first four months of the following year. In the first month's notice of each such year, as provided for under this Section (d), Steel shall also advise Cliffs of Steel's actual total pellet inventory as of December 31 for the previous year.

(e). If during the course of the year, Steel's Annual Pellet Tonnage Requirements decrease from Steel's preliminary nomination provided pursuant to
Section 4(b) above, then the tonnage of Cliffs Pellets which Steel shall purchase from Cliffs shall be reduced by an amount equal to the shortfall of the actual pellet consumption versus the nominated pellet consumption. In addition, Steel's Annual Pellet Tonnage Requirements shall not be modified so as to change Steel's planned total pellet inventory at the end of the then current year unless such modification is agreed to by Cliffs.

CONFIDENTIAL MATERIAL HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION. ASTERISKS DENOTE SUCH OMISSION.

(f). If, during the course of the year, Steel's Annual Pellet Tonnage Requirements increase from Steel's preliminary nomination provided pursuant to
Section 4(b) above, then Steel shall notify Cliffs in writing of any such increase in Steel's Annual Pellet Tonnage Requirements. Cliffs shall advise Steel in writing within fifteen (15) days of receipt of Steel's notice as to Cliffs' ability to supply all or any portion of such increased tonnage, which Cliffs shall sell and Steel shall purchase as provided for in Cliffs notice at the contract prices provided for in this Agreement. In the event Cliffs cannot supply any portion of such increased tonnage, Steel and Cliffs shall work together to attempt to procure such additional tonnage for Steel.

(g). In each year after 2004, upon reasonable notification and by mutual agreement, Steel may, for trial purposes, substitute up to 5% of Steel's Annual Pellet Tonnage Requirements for Northshore Pellets and/or Empire Pellets with another grade of Cliffs' produced pellets ("Substitute Pellets"). In the event an additional cost is incurred by Cliffs in producing or delivering the Substitute Pellets, then an appropriate price adjustment shall be made to the contract price for the tonnage of Substitute Pellets.

SECTION 5. - PRICE, ADJUSTMENTS AND [****].

(a). The price for the Cliffs Pellets, either currently at or to be delivered to Steel's Cleveland Works or other dock area designated by Steel pursuant to Section 8(a), shall be as follows: (i) for the year 2002, the
[* * * *] Northshore Pellets and Hibbing Pellets (which are currently located at Steel's Cleveland Works blast furnace ore yard) sold by Cliffs and purchased by Steel shall be

[* * * *] per ton; (ii) the price for the [* * * *] Northshore Pellets and Hibbing Pellets (which are currently located at the Lorain Pellet Terminal, Lorain, Ohio) sold by Cliffs and purchased by Steel shall be [* * * *] per ton; and (iii) except for the price [* * * *] as provided for the specific Cliffs Pellets as described in Sections 5(a)(i) and 5(a)(ii) above, all other Cliffs Pellets sold by Cliffs and purchased by Steel in the year 2002 shall have a final year 2002 price of [* * * *] per iron unit (which at the expected natural iron content of [* * * *] for Northshore pellets equals [* * * *] per ton).

(b). The price for the Cliffs Pellets, either currently at or to be delivered to Steel's Indiana Harbor Works shall be as follows: (i) for the year 2002, the [* * * *] Empire Pellets (which are currently located at Steel's Indiana Harbor Works blast furnace ore yard) sold by Cliffs and purchased by Steel shall be [* * * *] per ton; and (ii) except for the price [* * * *] for the specific Cliffs Pellets described in Section 5(b)(i) above, all other Cliffs Pellets sold by Cliffs and purchased by Steel in the year 2002, shall have a final year 2002 price of [* * * *] per iron unit (which at the expected natural iron content of [* * * *] for Empire pellets equals [* * * *] per ton).

(c). The prices for the specific grades of Cliffs Pellets sold and purchased in each of the years 2003 and thereafter for the Cleveland Works or other dock area designated by Steel pursuant to Section 8(a), and the Indiana Harbor Works shall be based on the 2002 base prices per iron unit as described in Section 5(a) (iii) and 5(b)(ii) above ("2002 base prices per iron unit for each of the Cleveland Works and the Indiana Harbor Works"), which 2002 base prices per iron

unit for each of the Cleveland Works and the Indiana Harbor Works shall then be adjusted, up or down, in the year 2003 and each year thereafter by an amount as determined in accordance with Section 5(d) below.

(d). In order to determine the adjusted prices to be paid each year for the Cliffs Pellets, as provided for under Section 5(c), the 2002 base prices per iron unit for each of the Cleveland Works and the Indiana Harbor Works and each of the following respective year's then adjusted prices per iron unit for each of the Cleveland Works and the Indiana Harbor Works shall be further adjusted, up or down, each year for the year in determination as follows:

(1) Divide (x) the numerator, which is the amount by which the [* * * *] for the calendar year in determination changes (up or down) from the immediately preceding calendar year's [* * * *]; by (y) the denominator, which is the immediately preceding calendar year's [* * * *], and multiply the result obtained by [* * * *]; and

(2) Multiply the results determined in (1) above by the preceding year's adjusted prices per iron unit for each of the Cleveland Works and the Indiana Harbor Works which will then equal the current year's price adjustment per iron unit for each of the Cleveland Works and the Indiana Harbor Works; and

(3) Add the result determined in (2) above to the preceding year's adjusted price per iron unit for each of the Cleveland Works and the Indiana Harbor Works, which then will equal the

current year's adjusted prices per iron unit for each of the Cleveland Works and the Indiana Harbor Works.

Those adjusted prices per iron unit for each of the Cleveland Works and the Indiana Harbor Works shall then become the contract's year final price for the Cliffs Pellets delivered to the Cleveland Works and the Indiana Harbor Works for the year in determination, and shall be the starting base for determining the following year's adjusted prices per iron unit for the Cleveland Works and the Indiana Harbor Works.

(e). The price for all tons sold by Cliffs to Steel shall be based on actual natural iron content shipped. Notwithstanding the previous sentence, payments for the years 2002 through 2004, as described in Section 6(a), shall be based on actual natural iron content consumed by Steel.

(f). Attached as Exhibit 2 is an example of the adjustment formula applying the provisions of Sections 5(c) and 5(d).

(g). (i) Beginning in 2003, an [* * * *] shall be made in each year, wherein Cliffs shall pay Steel or Steel shall pay Cliffs, as the case may be, if [* * * *] average annual [* * * *] for actual [* * * *] in any contract year is
[* * * *] or [* * * *]. The amount of the [* * * *] shall be determined as follows:

(1) In any contract year in which [* * * *] average [* * * *] for actual [* * * *] is [* * * *], Cliffs shall pay Steel an amount equal to: (w) the amount [* * * *], (x) multiplied by
[* * * *], (y) multiplied by the contract year's average weighted pellet price per ton

for the Cliffs Pellets consumed by Steel, (z) multiplied by the total tons of Cliffs Pellets which Steel consumed in the contract year.

(2) In any contract year in which [* * * *] average [* * * *] for actual [* * * *] is [* * * *], Steel shall pay Cliffs an amount equal to: (w) the amount [* * * *] (x) multiplied by
[* * * *], (y) multiplied by the contract year's average weighted pellet price per ton for the Cliffs Pellets consumed by Steel, (z) multiplied by the total tons of Cliffs Pellets which Steel consumed in the contract year.

(3) For the purpose of estimating the [* * * *], a [* * * *] payment calculation shall be made by [* * * *] following the end of each quarter, using the formula provided for in Sections 5(g)(i)(1) and 5(g)(i)(2) above for each quarter. This calculation (and payment, if any) shall be based on
[* * * *] average [* * * *] for actual [* * * *] for the quarter and the pellet tonnage consumed by Steel in that quarter. Within 30 days following each quarter [* * * *] shall notify [* * * *] in writing of the amount (if any) payable by Cliffs to Steel or Steel to Cliffs, and a quarterly payment, if any, shall be made by Cliffs to Steel or Steel to Cliffs, as the case may be, within 45 days after the end of each quarter.

CONFIDENTIAL MATERIAL HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION. ASTERISKS DENOTE SUCH OMISSION.

(4) The final [* * * *] calculation shall be made after the end of the year in accordance with Sections 5(g)(i)(1) and 5(g)(i)(2) above which will reflect [* * * *] actual average annual [* *
* *] for actual [* * * *] for the full calendar year, and an adjustment will be made to reflect any difference between the actual year's [* * * *] and the quarterly estimated payments that were made during the year. Payment due, from either party, as a result of the actual annual calculation shall be made by February 15 of the year following the contract year.

(5) Attached as Exhibits 3 and 4 are examples of the calculations applying the provisions of Sections 5(g)(i) and 5(g)(ii).

(ii) In the event that in any year [* * * *] annual total [* * * *] are less than [* * * *] of [* * * *] total annual [* * * *], then Cliffs and Steel agree to substitute another [* * * *] for the [* *
* *] which substituted [* * * *] comprises an amount in excess of [*
* * *] of [* * * *] total annual [* * * *] in order to determine the
[* * * *]. The [* * * *] and [* * * *] which are used for the [* * * *], as provided for in Section 5(g)(i) above, shall be adjusted as follows: (i) the actual average [* * * *] of [* * * *] substituted
[* * * *] from the previous year, less (ii) the [* * * *] from the previous year, (iii) with the difference between (i) and (ii) above being added to both the [* * * *] and the [* * * *] to determine the revised [* * * *] for the substituted [* * * *] in order to determine the [* * * *].

CONFIDENTIAL MATERIAL HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION. ASTERISKS DENOTE SUCH OMISSION.

SECTION 6. - PAYMENTS AND ADJUSTMENTS.

(a). For the years 2002 through 2004 and for all tonnage delivered through March 31, 2005, Steel shall pay Cliffs [* * * *], via wire transfer, an amount to be equal to the result of: (i) Steel's planned pellet consumption for the [*
* * *] period beginning with the [* * * *], less (ii) the pellets which Steel has in its inventory on [* * * *] for both the Cleveland Works and the Indiana Harbor Works, (iii) with the difference between (i) and (ii) above being multiplied by the appropriate estimated price per ton. The appropriate estimated price per ton shall be calculated by multiplying the contract year's estimated price per iron unit with Steel's estimated iron content of the Cliffs Pellets being consumed during the following [* * * *] period.

(b). Beginning with vessel deliveries on April 1, 2005, Cliffs shall invoice Steel for an amount based on the estimated prices per ton for the contract year for [* * * *] pellet shipment deliveries [* * * *] to Steel's Cleveland Works and Indiana Harbor Works with payment to be made by Steel to Cliffs via wire transfer on the [* * * *] following the [* * * *] pellet deliveries.

(c). Following each contract year, final adjustments and payments shall be determined as follows:

(1) The adjustment for the actual average natural iron content of Cliffs Pellets shall be determined by Cliffs and verified in detail in writing to Steel by an officer of Cliffs, such verification due no later than January 31 of the year following a contract year,

and the payment from Cliffs to Steel or Steel to Cliffs, as the case may be, shall be made by February 15 of that year;

(2) The final [* * * *] shall be determined by [* * * *] and verified in detail in writing to [* * * *] by an officer of [* * * *], such verification due no later than January 31 of the year following a contract year, and payment from Cliffs to Steel or Steel to Cliffs, as the case may be, shall be made by February 15 of that year; and

(3) The adjustment to the contract year's price identified pursuant to Section 5(d) shall be made by [* * * *] by March 15 of the following year (using the most recent final estimate of the [* * * *] which shall be verified in writing by an officer of [* * * *]. Cliffs shall issue an invoice or credit memo, as the case may be, to Steel, and payment from Cliffs to Steel or Steel to Cliffs, as the case may be, shall be made by April 15 of that year.

(d). During each of the years 2002 through 2005, Cliffs shall have the right to conduct a minimum of two pellet stockpile surveys each year at each of the Cleveland Works and Indiana Harbor Works to verify (i) the tonnage of [* * * *] which Steel has [* * * *] and (ii) the tonnage of [* * * *] currently [* * * *] in stockpile at the Cleveland Works and the Indiana Harbor Works. In the event that the pellet stockpile survey results vary by more than [* * * *] (above or below) from [* * * *] (after taking into account actual iron units shipped versus actual iron units consumed), then Cliffs shall issue an invoice or credit memo, as the case may be,

to Steel, for the amount of the difference in the stockpile survey results that vary by more than [* * * *] above or below [* * * *], and payment from Cliffs to Steel or Steel to Cliffs, as the case may be, shall be made within 30 days following the pellet stockpile survey. If the pellet stockpile survey results vary by [* * * *] or more (above or below) from [* * * *] (after taking into account actual iron units shipped versus actual iron units consumed), then Cliffs and Steel shall have an independent third party conduct another pellet stockpile survey. The results of the independent third party survey shall be final and Cliffs shall issue an invoice or credit memo, as the case may be, to Steel, and payment from Cliffs to Steel or Steel to Cliffs, as the case may be, shall be made within 30 days following the independent third party's pellet stockpile survey.

(e). At their own expense, Cliffs and/or Steel shall have an annual right to have the information and calculations relating to the contract price, [* * * *], and adjustments verified by an independent third party auditor. In the event Steel shall fail to make payment when due of all amounts, Cliffs, in addition to all other remedies available to Cliffs in law or in equity, shall have the right, but not the obligation, to withhold further performance by Cliffs under this Agreement until all claims Cliffs may have against Steel under this Agreement are fully satisfied.

(f). All payments shall be made in U.S. dollars.

SECTION 7. - SAMPLING AND ANALYSES.

All pellet sampling procedures and analytical tests conducted on Cliffs Pellets sold to Steel to demonstrate compliance with typical specifications and analysis limits shall be performed on each pellet vessel shipment. Test methods

to be used shall be the appropriate ASTM or ISO standard methods published at the time of testing or the customary procedures and practices, or any other procedures and practices that may be mutually agreed to by Cliffs and Steel. Steel may, at any time and from time to time through one or more authorized representatives, and with prior notice to Cliffs be present during production, loading, or to observe sampling and analysis of pellets being processed for shipment to Steel.

SECTION 8. - DELIVERY, STORAGE AND TRANSFER OF OWNERSHIP.

(a). Cliffs shall deliver to Steel the annual tonnage of Cliffs Pellets for the Cleveland Works to the Cleveland Work's blast furnace ore yard or other vessel dock in the Cleveland, Ohio area that Steel designates. Steel shall make dock storage space available so that Cliffs can deliver and have in inventory in
[* * * *] name up to [* * * *] tons of pellets at any time and Steel will work to make more dock storage space available if practicable.

(b). Cliffs shall deliver to Steel the annual tonnage of Cliffs Pellets for the Indiana Harbor Works to the Indiana Harbor Works' blast furnace ore yard and Steel shall make dock storage space available so that Cliffs can deliver and have in inventory in [* * * *] up to [* * * *] tons of pellets at any time.

(c). Title, and all risk of loss, damage or destruction of Cliffs Pellets shall transfer to Steel upon [* * * *] or upon [* * * *], as the case may be.

SECTION 9. - SHIPMENTS.

Shipments of Cliffs Pellets shall be in approximately equal amounts over the nine month period of April through December each year during the term of this

Agreement to ensure an adequate amount of inventory to allow a working pellet pile at Steel's blast furnace ore docks. Cliffs shall work to annually direct ship a minimum of [* * * *] of Steel's pellet requirements for Steel's Cleveland Works.

SECTION 10. - WEIGHTS.

(a). Except as set forth in Section 10(b) below, vessel bill of lading weight determined by certified railroad scale weights, certified belt scale weights, or certified bin scale weights in accordance with the procedures in effect from time to time at each of the loading ports shall be accepted by the parties as finally determining the amount of Cliffs Pellets delivered to Steel pursuant to this Agreement.

(b). Steel shall have the right to have a draft survey performed on vessels by an independent third party contractor at the loading port (where the pellets are first loaded into a vessel for shipment) at Steel's expense and Steel shall afford Cliffs an opportunity to have a representative present by providing Cliffs a minimum of two days' notice prior to having any draft survey performed. If the vessel bill of lading weight is more than [* * * *] higher or more than [* * * *] lower than the draft survey weight, then the draft survey weight shall be the weight used in calculating the value of the cargo. In the event that the variance is greater than [* * * *], Cliffs and Steel will investigate and remedy the cause of the variance.

SECTION 11. - EMPLOYMENT OF VESSELS.

Cliffs assumes the obligation for arranging and providing appropriate vessels for the transportation of the Cliffs Pellets delivered by Cliffs to Steel

hereunder. Steel shall arrange for suitable pellet unloading facilities at the Cleveland Works and Indiana Harbor Works blast furnace ore yards ports.

SECTION 12. - WARRANTIES.

THERE ARE NO WARRANTIES, EXPRESS OR IMPLIED, WHICH EXTEND BEYOND THE PROVISIONS OF THIS AGREEMENT, INCLUDING ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR INTENDED PURPOSE. All notices for substantial variance in specifications of the Cliffs Pellets from the specifications and analysis limits described in Exhibit 1 shall be given in writing delivered to Cliffs within sixty (60) calendar days after completion of discharge of the Cliffs Pellets at the Cleveland Works or Indiana Harbor Works blast furnace ore yards, or any claim arising from any substantial variance shall be deemed waived by Steel. Each party shall afford the other party prompt and reasonable opportunity to inspect the Cliffs Pellets as to which any notice is given as above stated. No claim will be entertained after the Cliffs Pellets have been consumed. The Cliffs Pellets shall not be returned to Cliffs without prior written consent of Cliffs. In no event shall Cliffs be liable for Steel's cost of processing, lost profits, injury to good will or any other special or consequential damages.

SECTION 13. - FORCE MAJEURE.

No party hereto shall be liable for damages resulting from failure to produce, deliver or accept all or any of the Cliffs Pellets as described herein, if and to the extent that such production, delivery or acceptance would be contrary to or would constitute a violation of any regulation, order or requirement of a recognized governmental body or agency, or if such failure is caused by or results directly or

indirectly from acts of God, war, insurrections, interference by foreign powers, strikes, labor disputes, fires, floods, embargoes, accidents, acts of terrorism, or uncontrollable delays at the mines or either steel plant, on the railroads, docks or in transit, shortage of transportation facilities, disasters of navigation, or other causes, similar or dissimilar, that are beyond the control of the party charged with a failure to deliver or to accept the Cliffs Pellets. A party claiming a force majeure shall give the other party prompt notice of the force majeure, including the particulars thereof and, insofar as known, the probable extent and duration of the force majeure. To the extent a force majeure is claimed hereunder by a party hereto, such shall relieve the other party from fulfilling its corresponding agreement hereunder to the party claiming such force majeure, but only for the period affected by and to the extent of the claimed force majeure, unless otherwise mutually agreed to by the parties. The party that is subject to a force majeure shall use commercially reasonable efforts to cure or remove the force majeure event as promptly as possible to resume performance of its obligations under this Agreement.

SECTION 14. - NOTICES.

All notices, consents, reports and other documents authorized and required to be given pursuant to this Agreement shall be given in writing and either personally served on an officer of the parties hereto to whom it is given or mailed, postage prepaid, or sent by telegram or facsimile addressed as follows:

If to Cliffs:

1100 Superior Avenue - 15th Floor
Cleveland, Ohio 44114-2589

Attention: Secretary

cc: Vice President-Sales Facsimile: (216) 694-5385

If to Steel:

3100 East 45th Street
Cleveland, Ohio 44127

Attention: Vice President, Finance

and Administration Facsimile: (216) 429-6003

provided, however, that any party may change the address to which notices or other communications to it shall be sent by giving to the other party written notice of such change, in which case notices and other communications to the party giving the notice of the change of address shall not be deemed to have been sufficiently given or delivered unless addressed to it at the new address as stated in said notice.

SECTION 15. - TERM.

(a). The term of this Agreement shall commence as of April 10, 2002 and continue through December 31, 2016. Unless either party has given written notice of termination to the other party by December 31, 2014 (two years prior to termination), this Agreement shall continue on an annual basis after December 31, 2016 (original termination year) subject to subsequent termination by either party upon not less than two years' prior written notification to the other party, in which case the Agreement shall terminate at the end of the second succeeding year.

(b). This Agreement shall remain valid and fully enforceable for the fulfillment of obligations incurred prior to termination.

SECTION 16. - AMENDMENT.

This Agreement may not be modified or amended except by an instrument

in writing signed by the parties hereto.

SECTION 17. - MERGER, TRANSFER AND ASSIGNMENT.

(a). Steel shall not merge, consolidate or reorganize with any person, partnership, corporation or other entity unless the surviving or resulting person, partnership, corporation or other entity assumes in writing all of Steel's obligations under this Agreement. Any obligations required to be assumed by a surviving or resulting person, partnership, corporation or entity in accordance with this Section 17(a) shall be limited to the Steel obligations under this Agreement, and this Section 17(a) is not intended (i) to impose and shall not be deemed to impose upon any such surviving or resulting person, partnership, corporation or entity, including Steel, any obligation with respect to any pellet requirements it may have for any facility or facilities it owns or operates other than the Cleveland Works and the Indiana Harbor Works, nor (ii) to allow the surviving or resulting person, partnership, corporation or other entity to substitute any other pellet tonnage available from any other pellet purchase or pellet equity commitment of such surviving or resulting person, partnership, corporation or other entity in order to satisfy the assumed obligations under this Agreement for the Cleveland Works and Indiana Harbor Works.

(b). Steel shall not sell or transfer all or any of the blast furnace operations at (i) the Cleveland Works, (ii) the Indiana Harbor Works, or (iii) both the Cleveland Works and the Indiana Harbor Works to any other person, partnership, corporation, joint venture or other entity ("Transferee") unless the Transferee assumes in writing all of Steel's obligations under this Agreement, as

such obligations relate to the Cleveland Works and/or the Indiana Harbor Works being sold or transferred. Any obligations required to be assumed by a Transferee in accordance with this Section 17(b) shall be limited to the Steel obligations under this Agreement relating to the particular facility or facilities sold or transferred. This Section 17(b) is not intended (i) to impose and shall not be deemed to impose upon any such Transferee any obligation with respect to any pellet requirements such Transferee may have for any facility or facilities such Transferee owns or operates other than the Cleveland Works and/or the Indiana Harbor Works, nor (ii) to allow such Transferee to substitute any other pellet tonnage available from any other pellet purchase or pellet equity commitment of such Transferee in order to satisfy the assumed obligations under this Agreement.

(c). Steel shall not assign its rights or delegate its obligations under this Agreement except as provided in Section 17(a) or 17(b).

(d). Cliffs shall not merge, consolidate or reorganize with any person, partnership, corporation or other entity unless the surviving or resulting person, partnership, corporation or other entity assumes in writing all of Cliffs' obligations under this Agreement. Cliffs shall not sell or transfer all or substantially all of its iron ore business to any other person, partnership, corporation, joint venture or other entity ("Cliffs Transferee") unless the Cliffs Transferee assumes in writing all of Cliffs' obligations under this Agreement.

(e). Cliffs shall not assign its rights or delegate its obligations under this Agreement except as provided in Section 17(d).

(f). All the covenants, stipulations and agreements herein contained shall inure to the benefit of and bind the parties hereto and their respective successors, transferees and permitted assigns, and any of the latter's subsequent successors, transferees and permitted assigns.

SECTION 18. - WAIVER.

No waiver of any of the terms of this Agreement shall be valid unless in writing. No waiver or any breach of any provision hereof or default under any provisions hereof shall be deemed a waiver of any subsequent breach or default of any kind whatsoever.

SECTION 19. - CONFIDENTIALITY.

(a). Cliffs and Steel acknowledge that this Agreement contains certain pricing, adjustment and term provisions which are confidential, proprietary or of a sensitive commercial nature and which would put Cliffs or Steel at a competitive disadvantage if disclosed to the public, including without limitation, Sections 3(b) and (c), Section 5, Section 6 and all of the Schedules and Exhibits hereto ("Confidential Information"). Cliffs and Steel agree that all provisions of this Agreement shall be kept confidential and, without the prior written consent of the other party, shall not be disclosed to any party not a party to this Agreement except as required by law or governmental or judicial order and except that disclosure of the existence of this Agreement shall not be precluded by this Section 19.

(b). If either party is required by law or governmental or judicial order or receives legal process or court or agency directive requesting or requiring

disclosure of any of the Confidential Information contained in this Agreement, such party will promptly notify the other party prior to disclosure to permit such party to seek a protective order or take other appropriate action to preserve the confidentiality of such Confidential Information. If either party determines to file this Agreement with the Securities and Exchange Commission ("Commission") or any other federal, state or local governmental or regulatory authority, or with any stock exchange or similar body, such determining party will use its best efforts to obtain confidential treatment of such Confidential Information pursuant to any applicable rule, regulation or procedure of the Commission and any applicable rule, regulation or procedure relating to confidential filings made with any such other authority or exchange. If the Commission (or any such other authority or exchange) denies such party's request for confidential treatment of such Confidential Information, such party will use its best efforts to obtain confidential treatment of the portions thereof that the other party designates. Each party will allow the other party to participate in seeking to obtain such confidential treatment for Confidential Information.

SECTION 20. - GOVERNING LAW.

This Agreement shall in all respects, including matters of construction, validity and performance, be governed by and be construed in accordance with the laws of the State of Ohio.

SECTION 21. - REPRESENTATIONS AND WARRANTIES.

(a). Steel represents and warrants to Cliffs that (i) the execution and delivery of this Agreement by Steel and the performance of its obligations

hereunder have been duly authorized by all requisite corporate action, (ii) neither the execution and delivery of this Agreement, nor the performance of its obligations hereunder by Steel shall, or after the lapse of time or giving of notice shall, conflict with, violate or result in a breach of, or constitute a default under the certificate of incorporation or bylaws of Steel or any law, statute, rule or regulation applicable to it, or conflict with, violate or result in a breach of or constitute a default under the material agreement to which it is a party or by which it or any of its properties is bound, or any judgment, order, award or decree to which Steel is a party or by which it is bound, or require any approval, consent, authorization or other action by any court, governmental authority or regulatory body or any creditor of Steel or any other person or entity, and (iii) this Agreement constitutes a valid and binding obligation of Steel and is enforceable against Steel in accordance with its terms.

(b). Cliffs represents and warrants to Steel that: (i) the execution and delivery of this Agreement by Cliffs and the performance of its obligations hereunder have been duly authorized by all requisite corporate actions, (ii) neither the execution and delivery of this Agreement nor the performance of its obligations hereunder by Cliffs shall, or after the lapse of time or giving of notice shall, conflict with, violate or result in a breach of, or constitute a default under the certificate of incorporation or bylaws of Cliffs or any law, statute, rule or regulation applicable to it, or conflict with, violate or result in the breach of or constitute a default under any material agreement to which it is a party or by

which it or any of its properties is bound, or any judgment, order, award or decree to which Cliffs is a party or by which it is bound, or require any approval, consent, authorization or other action by any court, governmental authority or regulatory body or any creditor of Cliffs or any other person or entity, and (iii) this Agreement constitutes a valid and binding obligation of Cliffs and is enforceable against Cliffs in accordance with its terms.

SECTION 22. - COUNTERPARTS.

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

IN WITNESS WHEREOF, the parties have executed this Agreement effective as of April 10th, 2002.

THE CLEVELAND-CLIFFS IRON COMPANY	*INTERNATIONAL STEEL GROUP INC*
/s/ Donald J. Gallagher	*/s/ Rodney Mott*
Vice President	*Vice President*
CLIFFS MINING COMPANY	*ISG CLEVELAND INC.*
/s/ Donald J. Gallagher	*/s/ Rodney Mott*
Vice President	*Vice President*
NORTHSHORE MINING COMPANY	*ISG INDIANA HARBOR INC*
/s/ Donald J. Gallagher	*/s/ Rodney Mott*
Vice President	*Vice President*
NORTHSHORE SALES COMPANY	
/s/ Donald J. Gallagher	
Vice President	

CONFIDENTIAL MATERIAL HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION. ASTERISKS DENOTE SUCH OMISSION

APPENDIX 1

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EXHIBIT 1

CLEVELAND-CLIFFS STANDARD ACID PELLET TYPICAL ANALYSIS AS LOADED TO VESSEL FOR SHIPMENT

		EMPIRE MINE			NORTHSHORE MINE		
	Report Frequency	Typical	[* * * *]	[* * * *] [* * * *]	Typical	[* * * *]	[* * * *]
MOISTURE	V	[* * * *]			[* * * *]		
A. DRY CHEMICAL ANALYSIS							
Total Iron	V	[* * * *]			[* * * *]		
SiO2	V	[* * * *]	[* * * *]	[* * * *]	[* * * *]	[* * * *]	[* * * *]
AI2O3	V	[* * * *]			[* * * *]		
CaO	V	[* * * *]			[* * * *]		
MgO	V	[* * * *]			[* * * *]		
Mn	V	[* * * *]			[* * * *]		
Phos	V	[* * * *]	[* * * *]	[* * * *]	[* * * *]	[* * * *]	[* * * *]
S	SA	[* * * *]			[* * * *]		
TiO2	SA	[* * * *]			[* * * *]		
Na2O	V	[* * * *]			[* * * *]		
K2O	V	[* * * *]			[* * * *]		
B. SIZING, WT. %							
% + 1/2"	V	[* * * *]			[* * * *]		
% - 1/2" x + 3/8"	V	[* * * *]			[* * * *]		
% - 3/8" x + 1/4"	V	[* * * *]			[* * * *]		
% - 1/4"	V	[* * * *]	[* * * *]	[* * * *]	[* * * *]	[* * * *]	[* * * *]
% - 28 mesh							
C. TUMBLE TEST							
% + 1/4" before tumble	V	[* * * *]			[* * * *]		
% + 1/4" after tumble	V	[* * * *]	[* * * *]	[* * * *]	[* * * *]	[* * * *]	[* * * *]
Q Index	V	[* * * *]			[* * * *]		
Tumble Index - 28 mesh	V	[* * * *]			[* * * *]		
D. COMPRESSION TEST (1)							
Minus 1/2" by plus 7/16"							
Minus 1/2" by plus 3/8"	SA	[* * * *]			V [* * * *]		
% -300 lbs.					V [* * * *]		

	HIBBING TACONITE		
	Typical	[* * * *]	[Analysis Limits]
MOISTURE	[* * * *]		
A. DRY CHEMICAL ANALYSIS			
Total Iron	[* * * *]		
SiO2	[* * * *]	[* * * *]	[* * * *]
AI2O3	[* * * *]		
CaO	[* * * *]		
MgO	[* * * *]		
Mn	[* * * *]		
Phos	SA [* * * *]		
S	[* * * *]		
TiO2	[* * * *]		
Na2O	[* * * *]		
K2O	[* * * *]		
B. SIZING, WT. %			
% + 1/2"	[* * * *]		
% - 1/2" x + 3/8"	[* * * *]		
% - 3/8" x + 1/4"	[* * * *]		
% - 1/4"	[* * * *]	[* * * *]	[* * * *]
% - 28 mesh			
C. TUMBLE TEST			
% + 1/4" before tumble	[* * * *]		
% + 1/4" after tumble	[* * * *]	[* * * *]	[* * * *]
Q Index	[* * * *]		
Tumble Index - 28 mesh	[* * * *]		
D. COMPRESSION TEST (1)			
Minus 1/2" by plus 7/16"	V [* * * *]		
Minus 1/2" by plus 3/8"			
% -300 lbs.	V [* * * *]		

```
TYPICAL ANALYSIS     - 2002 EXPECTED AVERAGE CARGO ANALYSIS
[* * * *]            - [* * * *]
[* * * *]            - [* * * *]
LETTER "V" DENOTES   - ANALYSIS TO BE PROVIDED ON EACH VESSEL SHIPMENT OF PELLETS
```

LETTER "SA" DENOTES - ANALYSIS TO BE DONE ON A COMPOSITE SAMPLE OF SEMI-ANNUAL

VESSEL SHIPMENTS

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EXHIBIT 2

PRICE ADJUSTMENT FORMULA

EMPIRE, HIBBING, AND NORTHSHORE PELLETS

FOR YEARS 2003 THROUGH 2016

CURRENT YEAR'S PRICE ADJUSTMENT CALCULATION

1. SECTION 5(d)

```
[* * * *]                                               X    [* * * *]  =  A

                            [* * * *]


      A     X    Preceding Year's Adjusted Price Per Iron Unit    =    Current Year's Price Adjustment Per Iron Unit
```

CURRENT YEAR'S ADJUSTED PRICE PER IRON UNIT

Current Year's Price Adjustment Per Iron Unit	+	Preceding Year's Adjusted Price Per Iron Unit	=	Current Year's Adjusted Price Per Iron Unit

CURRENT YEAR'S ESTIMATED PELLET PRICE PER TON

Current Year's Adjusted Price Per Iron Unit	X	Current Year's Expected Natural Iron Content	=	Current Year's Estimated Pellet Price Per Ton

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EXHIBIT 3

[* * * *] FORMULA

EMPIRE, HIBBING, AND NORTHSHORE PELLETS

FOR YEARS 2003 THROUGH 2016

	EXAMPLE 1	EXAMPLE 2	EXAMPLE 3	EXAMPLE 4	EXAMPLE 5	EXAMPLE 6
[* * * *]	[* * * *]	[* * * *]	[* * * *]	[* * * *]	[* * * *]	[* * * *]

**CONFIDENTIAL MATERIAL HAS BEEN
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SECURITIES AND EXCHANGE COMMISSION.
ASTERISKS DENOTE SUCH OMISSIONS.**

EXHIBIT 4

SUBSTITUTE [* * * *] EXAMPLE
[* * * *]
FOR YEARS 2002 THROUGH 2016

Contract [* * * *]

Contract [* * * *]

In The Event That [* * * *] Annual Total [* * * *] Are Less Than [* * * *], Then Steel And Cliffs Agree To Substitute Another [* * * *]

- Substitute [* * * *]

DETERMINE SUBSTITUTE [* * * *]

(1) Current Year's Actual Average [* * * *] of Substituted [* * * *] - Prior

```
Year's [* * * *] = A

   (2) A + [* * * *]   =   [* * * *]

   (3) A + [* * * *]   =   [* * * *]
```

RESULTS FROM (2) AND (3) ABOVE DETERMINE SUBSTITUTE[* * * *]

Exhibit 10 (b)

CLEVELAND-CLIFFS INC AND SUBSIDIARIES MANAGEMENT PERFORMANCE INCENTIVE PLAN SUMMARY

EFFECTIVE JANUARY 1, 2002

1. The Management Performance Incentive Plan ("MPI Plan") provides a significant financial incentive for designated management employees of Cleveland-Cliffs Inc and subsidiaries ("Company") to maximize Company, unit, and personal performance in achieving current results and longer range objectives. The MPI Plan is designed to place a significant portion of annual compensation at risk with performance and to provide above average compensation for outstanding performance.

2. The MPI Plan is administered by the Company's Compensation and Organization Committee ("Committee") which is composed of non-employee Directors, none of whom are eligible to participate in the MPI Plan.

3. Participants in the MPI Plan are officers and salaried employees in designated management positions. The number of designated management positions is controlled through the broadband system to maintain an efficient ratio of management to non-management employees.

4. Utilizing the broadband system, the management positions fall under one of six separate salary ranges ("Bands"), with each Band defining a broad range of salaries and specifying a percentage target bonus ("Percentage Target Bonus") applicable to all positions within that Band. The general objective is to establish salary control points based on the 50th percentile of market survey data. Position salaries are based on national compensation data and internal organizational relationships and are periodically reviewed to maintain a compensation level which is competitive with similar positions in similar companies.

5. The national compensation data includes determination of typical performance bonus payments for management positions at various responsibility levels. This data is used to determine a competitive Percentage Target Bonus applicable to each Band which Percentage Target Bonus is applied to salaries within that Band to determine the participants' respective target bonuses ("Target Bonuses"). The Percentage Target Bonus may be revised periodically according to survey data.

6. The Chief Executive Officer ("CEO") approves the Bands for all management positions except Bands for officer positions, which are approved by the Committee.

7. Each year the Committee will approve a bonus funding structure which will be used to determine the bonus pool for the then current year. The bonus funding structure will be based on the Company's performance as measured by a scorecard formula ("Scorecard") utilizing performance drivers, which reflect the criteria for attainment of objectives for that year ("Performance Drivers") at threshold, target and outstanding performance levels ("Performance Standards"). The Performance Drivers will be assigned specific weightings to be applied in determining final overall performance for the year ("Total Weighted Performance"). The Performance Standards required under the Scorecard with respect to each Performance Driver will be calibrated each year based upon the current business environment with a minimum bonus opportunity at defined threshold levels for officers and other management positions. Bonus pool funding is based upon the percentage level of the Company's achievement of the Performance Standards set by the Scorecard for each Performance Driver ("Funding Percentages"), and the weighting assigned to each Funding Percentage for the year. Notwithstanding the established Performance Standards for such year, and if otherwise warranted, the Committee has the discretion to increase Funding Percentages with respect to each Performance Driver so as to have an overall result in Total Weighted Performance up to 35% of the Target Bonuses for officers and up to 50% of the Target Bonuses for other management positions.

8. In the January following the close of each year, the bonus pool will be determined using the Scorecard. Such funded bonus pool can be zero and cannot exceed 300% of the officers' aggregate Target Bonuses and cannot exceed 200% of the aggregate Target Bonuses for other management positions. The funded pool will be distributed to participants based on Target Bonuses and performance. Upon approval of the Committee, an additional bonus pool of 10% of target bonuses will be set aside for distribution at the discretion of the CEO. When used, discretionary awards will reward participants whose contributions to achievement of the Company's performance objectives exceeded all expectations.

9. At the discretion of the Committee and subject to the availability of authorized stock, bonus payments to participants may be made in cash or shares of the Company's stock or a combination thereof, and restrictions may be placed on the vesting of any stock award.

10. Generally, bonus payments to participants will be made by the end of February for the prior calendar year after audited financial results are determined.

11. Following designation as a participant in the MPI Plan and prior to the payment of a bonus, neither the participant nor the estate or anyone claiming through such participant has any right to share in the bonus pool for such year. However, the MPI Plan provides, at the sole discretion of the Committee and CEO, that awards may be made to a participant whose employment terminates during the calendar

year or to the participant's beneficiaries when circumstances warrant favorable consideration for an award for such year.

12. A participant has no right, title or interest in any assets of the Company and subsidiaries by reason of any award made pursuant to this MPI Plan and such award reflects only an unsecured contractual obligation to make the payment to the participant of the approved award under the terms and conditions of the MPI Plan.

13. The Board of Directors may modify or terminate this MPI Plan at any time.

Exhibit 99(a)

Cleveland-Cliffs Inc
NEWSRELEASE 1100 Superior Avenue Cleveland, Ohio 44114-2589

CLEVELAND-CLIFFS REPORTS RESULTS FOR SECOND QUARTER 2002

Cleveland, OH - July 24, 2002 -- Cleveland-Cliffs Inc (NYSE:CLF) today reported net income of $.6 million, or $.06 per diluted share, for the second quarter of 2002, which compared with a net loss of $15.1 million, or $1.50 per diluted share, in the second quarter of 2001. Cliffs reported a net loss of $12.2 million, or $1.20 per diluted share, for the first half of 2002. Cliffs' first half 2001 loss was $24.7 million, or $2.45 per diluted share, before recognizing a $9.3 million credit relating to the cumulative effect of an accounting change. In 2001, the Company changed its method of accounting for investment gains and losses on pension assets for the calculation of pension expense. Therefore, the net loss for the first half of 2001 was $15.4 million, or $1.53 per diluted share. Following is a summary of results:

	(IN MILLIONS, EXCEPT PER SHARE)			
	SECOND QUARTER		FIRST HALF	
	2002	2001	2002	2001
Income (Loss) Before Cumulative Effect of Accounting Change:				
Amount	$ .6	$(15.1)	$(12.2)	$(24.7)
Per Share	.06	(1.50)	(1.20)	(2.45)
Cumulative Effect of Accounting Change:				
Amount	--	--	--	9.3
Per Share	--	--	--	.92
Net Income (Loss)				
Amount	.6	(15.1)	(12.2)	(15.4)
Per Share	.06	(1.50)	(1.20)	(1.53)

The improvement in second quarter and first half results was primarily due to higher pellet sales and production volume, a decrease in the loss from Cliffs and Associates Limited (CAL), increased income from the sale of non-strategic assets and an adjustment related to prior years' tax liabilities. In the second quarter of 2002, a favorable tax adjustment of $4.4 million was recorded reflecting Cliffs' continuing assessment of its tax liabilities for prior years. Partly offsetting were lower royalties and management fees, and higher administrative costs. Fixed costs related to production curtailments, which are included in cost of goods sold and operating expenses, were approximately $3 million in the second quarter of 2002 versus $20 million in 2001. Costs of production curtailments in first half results were $17 million in 2002 and $25 million in 2001. Royalty and management fee income from partners was lower than last year due mainly to the extended shutdown of operations at the Empire Mine in 2002, and Cliffs' increased ownership of the Tilden Mine in 2002. Higher administrative costs in 2002 are primarily due to increased pension and medical expenses and the impact of the increase in Cliffs' stock price on the costs of certain incentive compensation plans.

IRON ORE ACTIVITIES

Iron ore pellet sales in the second quarter of 2002 were 3.9 million tons compared to 2.3 million tons in 2001. First half sales were 5.2 million tons in 2002 versus 2.8 million tons in 2001. About half of the increase in both periods was the sale of pellets to Algoma Steel under a new sales arrangement, which replaced Algoma's prior equity interest in the Tilden Mine. The balance represented additional sales to other customers.

Iron ore pellet production at Cliffs-managed mines increased to 7.4 million tons in the second quarter of 2002 from 6.5 million tons in 2001. Cliffs' share of second quarter production was 2.0 million tons above last year. Following is a summary of production tonnage for the second quarter and the first half, and the current forecast for the full year, comparative with 2001:

	(TONS IN MILLIONS)					
	2ND QUARTER		1ST HALF		FULL YEAR	
	2002	2001	2002	2001	2002 E	2001
Empire	1.1	1.4	1.1	3.3	3.7	5.7
Tilden	2.2	1.0	3.8	2.7	7.8	6.4
Michigan Mines	3.3	2.4	4.9	6.0	11.5	12.1
Hibbing	2.1	1.8	3.4	2.8	7.5	6.1
Northshore	1.0	.8	1.8	1.7	4.1	2.8
Wabush	1.0	1.5	1.9	2.9	4.1	4.4
Total	7.4	6.5	12.0	13.4	27.2	25.4
Cliffs' Share of Total	3.8	1.8	6.3	4.6	14.6	7.8

The Empire Mine was idle for the entire first quarter of 2002 and resumed production in April. Empire was idled again for three weeks in July for planned maintenance and vacation scheduling. There are no other production curtailments currently scheduled for the remainder of the year.

The significant increases in Cliffs' share of production are mainly due to the Company's increased ownership of Tilden and the higher production level at Tilden in 2002. Partly offsetting was a decrease in pellets from Empire. In July, Cliffs acquired an additional 8 percent interest in the Hibbing Mine from Bethlehem Steel Corporation for the assumption of on-going net mine liabilities associated with the interest, which were about $6 million at the time of the transaction. Cliffs' increased ownership will enable the mine to operate at a higher production level with lower costs for the balance of 2002. This acquisition, which increases Cliffs' ownership of Hibbing from 15 percent to 23 percent, reflects Cliffs' improved ore sales outlook and represents another step in the Company's strategy to lead the remaking of the iron ore industry in the United States.

Earlier today, Cliffs announced an amendment of its iron ore pellet sales agreement with Rouge Industries, Inc., which provides that Cliffs will be the sole supplier of iron ore pellets to Rouge. Sales to Rouge, which were less than 1 million

tons in 2001, are expected to approximate 1.3 million tons in 2002. Rouge is expected to purchase in excess of 3 million tons per year beginning in 2003, and has annual minimum obligations through 2007. Cliffs also announced that it has loaned $10 million to Rouge on a secured basis, with final maturity in 2007.

FERROUS METALLICS ACTIVITIES

CAL remained idle during the first half of 2002 due to weak market conditions. Cliffs' share of CAL pre-tax idle costs were $1.9 million in the second quarter and $4.5 million in the first half. The Company's share of CAL's pre-tax loss in 2001 was $5.2 million in the second quarter and $9.8 million in the first half.

The market for ferrous metallics products, including HBI, has been improving as steel prices have risen. We are cautiously watching the market and working to assemble a book of business that could allow the restart of our plant in Trinidad and Tobago.

LIQUIDITY

At June 30, 2002, Cliffs had cash and cash equivalents of $143 million, including $100 million borrowed under the Company's unsecured revolving credit facility. The $100 million revolving credit facility does not expire until May 2003; however, the Company continues to evaluate refinancing alternatives. The Company's $70 million of senior unsecured notes are due in December 2005.

OUTLOOK

Fundamentals in the United States and Canadian steel industry continue to improve, largely due to reductions in steelmaking capacity and inventory restocking. Backlogs have been extended and steel prices have made significant gains. There has been a modest improvement in the overall demand for steel products, but the economic recovery remains sluggish.

John S. Brinzo, Cliffs' Chairman and Chief Executive Officer, said, "With most steelmakers running their mills at high utilization rates, the demand for iron ore pellets is strong. We are raising our pellet sales forecast for the year 2002 to a range of 14.0 to 14.5 million tons, which compares with our previous forecast of 13 million tons and sales of 8.4 million tons in 2001. The majority of the increase is attributable to higher projected sales to International Steel Group (ISG), which is well ahead of its original start-up plan. ISG started up one blast furnace in Cleveland and one furnace in Indiana Harbor in the second quarter. The second Cleveland furnace went into production in mid-July and the second Indiana furnace, which is undergoing a mini-reline, is expected to restart later this year."

While global steelmakers have been universally critical of President Bush's tariffs on steel imports, global steel prices have been improving along with U.S. prices. Despite the improvement in global steel prices, the major international pellet producers in Brazil and Canada settled for a 5.5 percent to 6.2 percent decrease in pellet prices for the 2002 iron ore year. While this impacts the pricing on a number of Cliffs' multi-year

sales contracts, the Company's average price realization is less influenced by the international price than in prior years.

Brinzo concluded, "While business conditions have improved, we still expect to report a loss for the full year 2002. We are expecting a modest operating profit in the second half of 2002, and look for improvement in our financial results in 2003. Our projected sales volume should allow us to operate at capacity levels beginning in 2003. We have intensified our focus on cost reduction and preservation of financial flexibility so that we can restore our profitability and continue to lead the consolidation of the domestic iron ore business."

* * * * * * * * * * * * * * * * * *

Cleveland-Cliffs is the largest supplier of iron ore products to the North American steel industry and is developing a significant ferrous metallics business. Subsidiaries of the Company manage and hold equity interests in five iron ore mines in Michigan, Minnesota and Eastern Canada. Cliffs has a major iron ore reserve position in the United States and is a substantial iron ore merchant. References in this news release to "Cliffs" and "Company" include subsidiaries and affiliates as appropriate in the context.

This news release contains predictive statements that are intended to be made as "forward-looking" within the safe harbor protections of the Private Securities Litigation Reform Act of 1995. Although the Company believes that its forward-looking statements are based on reasonable assumptions, such statements are subject to risks and uncertainties.

Actual results may differ materially from such statements for a variety of factors; such as: demand for iron ore pellets by North American integrated steel producers due to changes in steel utilization rates, operational or start-up factors, electric furnace production or imports of semi-finished steel or pig iron; changes in the financial condition of the Company's partners and/or customers; rejection of major contracts and/or venture agreements by customers and/or participants under provisions of the U. S. Bankruptcy Code or similar statutes in other countries; changes in imports of steel, iron ore, or ferrous metallic products; changes in the market price of HBI; events or circumstances that could impair or adversely impact the viability of a mine or other operation and the carrying value of associated assets; and changes in domestic or international economic and political conditions.

Reference is made to the detailed explanation of the many factors and risks that may cause such predictive statements to turn out differently, as set forth in the Company's Annual Report for 2001 and Reports on Form 10-K and 10-Q and previous news releases filed with the Securities and Exchange Commission, which are available publicly on Cliffs' web site. The information contained in this document speaks as of the date of this news release and may be superceded by subsequent events.

Cliffs will host a conference call on second quarter 2002 results tomorrow, July 25, at 10:00 a.m. EDT. The call will be broadcast live on Cliffs' website at http://www.cleveland-cliffs.com. A replay of the call will be available on the website for

30 days. Cliffs will file its second quarter 10-Q Report with the Securities and Exchange Commission on July 25. For a more complete discussion of operations and financial position, please refer to the 10-Q Report.

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News releases and other information on the Company are available on the Internet at http://www.cleveland-cliffs.com

CLEVELAND-CLIFFS INC

STATEMENT OF CONSOLIDATED OPERATIONS

(In Millions Except Per Share Amounts)	Three Months Ended June 30, 2002	Three Months Ended June 30, 2001	Six Months Ended June 30, 2002	Six Months Ended June 30, 2001
REVENUES				
Product sales and services				
Iron ore	$ 135.9	$ 79.7	$ 183.8	$ 100.0
HBI		3.7		3.7
Total	135.9	83.4	183.8	103.7
Freight and minority interest	16.7	3.4	23.8	4.0
Total product sales and services	152.6	86.8	207.6	107.7
Royalties and management fees	3.3	6.9	4.6	14.8
Total operating revenues	155.9	93.7	212.2	122.5
Interest income	.9	.9	2.0	2.0
Other income	2.6	2.2	5.9	4.6
TOTAL REVENUES	159.4	96.8	220.1	129.1
COSTS AND EXPENSES				
Cost of goods sold and operating expenses				
Iron ore	152.5	101.0	222.9	136.1
HBI		10.3		10.3
Total	152.5	111.3	222.9	146.4
Administrative, selling and general expenses	6.8	5.2	10.8	8.0
Idle expense and pre-operating loss of Cliffs and Associates Limited	2.5		5.8	5.8
Interest expense	2.0	2.5	3.9	4.6
Other expenses	1.8	1.4	3.1	3.9
TOTAL COSTS AND EXPENSES	165.6	120.4	246.5	168.7
LOSS BEFORE INCOME TAXES, MINORITY INTEREST AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	(6.2)	(23.6)	(26.4)	(39.6)
INCOME TAXES (CREDIT)	(6.2)	(7.1)	(12.9)	(12.3)
LOSS BEFORE MINORITY INTEREST AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE		(16.5)	(13.5)	(27.3)
MINORITY INTEREST	.6	1.4	1.3	2.6
INCOME (LOSS) BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	.6	(15.1)	(12.2)	(24.7)
CUMULATIVE EFFECT OF ACCOUNTING CHANGE - NET OF $5.0 TAX				9.3
NET INCOME (LOSS)	$ .6	$ (15.1)	$ (12.2)	$ (15.4)
NET INCOME (LOSS) PER COMMON SHARE				
Basic and Diluted				
Before cumulative effect of accounting change	$ .06	$ (1.50)	$ (1.20)	$ (2.45)
Cumulative effect of accounting change - net of tax				.92
Net income (loss)	$ .06	$ (1.50)	$ (1.20)	$ (1.53)
AVERAGE NUMBER OF SHARES				
Basic	10.2	10.1	10.1	10.1
Diluted	10.2	10.1	10.1	10.1

CLEVELAND-CLIFFS INC

STATEMENT OF CONSOLIDATED CASH FLOWS

(In Millions, Brackets Indicate Decrease in Cash)	Three Months Ended June 30, 2002	Three Months Ended June 30, 2001	Six Months Ended June 30, 2002	Six Months Ended June 30, 2001
OPERATING ACTIVITIES				
Net income (loss)	$ .6	$ (15.1)	$ (12.2)	$ (15.4)
Depreciation and amortization:				
Consolidated	6.8	4.0	12.4	7.8
Share of associated iron ore ventures	1.9	2.4	4.0	5.5
Gain on sale of assets	(1.3)	(1.1)	(3.8)	(2.5)
Deferred income taxes	(6.2)	(4.5)	(3.4)	(6.0)
Minority interest in Cliffs and Associates Limited	(.6)	(1.4)	(1.3)	(2.6)
Cumulative effect of accounting change - net of $5.0 tax				(9.3)
Other	4.3	.2	1.0	1.3
Total before changes in operating assets and liabilities	5.5	(15.5)	(3.3)	(21.2)
Changes in operating assets and liabilities	8.5	(19.4)	(16.7)	(50.6)
Net cash from (used by) operating activities	14.0	(34.9)	(20.0)	(71.8)
INVESTING ACTIVITIES				
Purchase of property, plant and equipment:				
Consolidated:				
Cliffs and Associates Limited		(.1)		(5.5)
All other	(1.1)	(.8)	(5.3)	(2.9)
Share of associated iron ore ventures	(1.7)	(.6)	(2.3)	(.9)
Investment in steel company common stock	(13.0)		(13.0)	
Investment in power-related joint venture			(6.0)	
Proceeds from sale of assets	2.8	1.2	5.3	2.7
Other				(.4)
Net cash used by investing activities	(13.0)	(.3)	(21.3)	(7.0)
FINANCING ACTIVITIES				
Borrowings under revolving credit facility		35.0		100.0
Contributions by minority shareholders	.1	1.3	.7	6.5
Dividends		(1.1)		(2.1)
Net cash from financing activities	.1	35.2	.7	104.4
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ 1.1	$	$ (40.6)	$ 25.6

CLEVELAND-CLIFFS INC

STATEMENT OF CONSOLIDATED FINANCIAL POSITION

	June 30, 2002	Dec. 31, 2001	June 30, 2001
	(In Millions)		
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 143.2	$ 183.8	$ 55.5
Trade accounts receivable - net	25.3	19.9	32.4
Receivables from associated companies	5.9	12.1	13.6
Inventories			
Product	118.1	84.8	152.0
Supplies and other	49.5	29.0	23.7
Deferred and refundable income taxes	6.5	20.9	25.0
Other	12.4	12.2	12.1
TOTAL CURRENT ASSETS	360.9	362.7	314.3
PROPERTIES - NET	392.7	260.3	273.2
INVESTMENTS IN ASSOCIATED IRON ORE VENTURES	34.1	131.7	132.4
OTHER ASSETS	96.2	70.3	61.3
TOTAL ASSETS	$ 883.9	$ 825.0	$ 781.2
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Borrowings under revolving credit facility	$ 100.0	$ 100.0	$ 100.0
Accounts payable and accrued expenses	108.4	73.8	77.8
Payables to associated companies	16.4	16.0	6.6
TOTAL CURRENT LIABILITIES	224.8	189.8	184.4
LONG-TERM DEBT	70.0	70.0	70.0
POSTEMPLOYMENT BENEFIT LIABILITIES	94.0	69.2	65.2
ENVIRONMENTAL AND CLOSURE OBLIGATIONS	57.5	59.2	17.1
OTHER LIABILITIES	21.4	36.7	41.1
	467.7	424.9	377.8
MINORITY INTEREST			
Cliffs and Associates Limited	25.2	25.9	27.8
Tilden Mining Company L.C.	26.7		
SHAREHOLDERS' EQUITY	364.3	374.2	375.6
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 883.9	$ 825.0	$ 781.2

NOTES TO UNAUDITED FINANCIAL STATEMENTS

1. On January 31, 2002, Cliffs acquired Algoma Steel's 45 percent interest in the Tilden Mine, which increased Cliffs' ownership of Tilden from 40 percent to 85 percent. As a result of this transaction, Tilden became a consolidated subsidiary of Cliffs. Stelco, Inc. remains the owner of the other 15 percent of Tilden. In comparing the consolidated statement of financial position at June 30, 2002 and December 31, 2001, there are significant changes that are mainly due to the full consolidation of Tilden versus accounting for Tilden by the equity method. Consolidation of Tilden also increases sales revenues and cost of goods sold to account for Tilden cost reimbursements from the minority owner.

2. Royalties and fees paid by Cliffs as a partner in the mines, which were previously reported in both revenues and cost of goods sold and operating expenses, have been eliminated. There was no impact on financial results.

3. In management's opinion, the unaudited financial statements present fairly the Company's financial position and results. All supplementary information required by generally accepted accounting principles for complete financial statements has not been included. For further information, please refer to the Company's latest Annual Report.

End of Filing

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