

CLIFFS NATURAL RESOURCES INC.

FORM 8-K/A (Amended Current report filing)

Filed 12/13/94 for the Period Ending 09/30/94

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

CLEVELAND CLIFFS INC

FORM 8-K/A (Unscheduled Material Events)

Filed 12/13/1994 For Period Ending 9/30/1994

Address	1100 SUPERIOR AVE 18TH FLR CLEVELAND, Ohio 44114
Telephone	216-694-5700
CIK	0000764065
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K/A

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report

(Date of earliest event reported)

September 30, 1994

CLEVELAND-CLIFFS INC

(Exact name of registrant as specified in its charter)

Ohio	1-8944	34-1464672
-----	-----	-----
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS 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

Not Applicable

(Former name or former address, if changed since last report)

The Exhibit Index is located on page 3 of this filing.

CLEVELAND-CLIFFS INC

The undersigned Registrant hereby amends its response to Item No. 7 on the Form 8-K filed on October 13, 1994 to include the audited financial statements of Cyprus Northshore Mining Corporation and consolidated subsidiary as of December 31, 1993, the unaudited financial statements of Cyprus Northshore Mining Corporation and consolidated subsidiary as of September 30, 1994, and the related pro forma financial information.

**Item 7. Financial Statements, Pro Forma
Financial Information and Exhibits.**

(a) Cyprus Northshore Mining Corporation and Consolidated Subsidiary Financial Statements - December 31, 1993, attached as Exhibit 99.1 hereto

(b) Cyprus Northshore Mining Corporation and Consolidated Subsidiary Financial Statements (Unaudited) - September 30, 1994, attached as Exhibit 99.2 hereto

(c) Cleveland-Cliffs Inc and Consolidated Subsidiaries Pro Forma Financial Statements (Unaudited) - December 31, 1993 and September 30, 1994, attached as Exhibit 99.3 hereto

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 hereunto duly authorized.

CLEVELAND-CLIFFS INC
(Registrant)

By /s/John S. Brinzo

John S. Brinzo
Senior Executive - Finance

Date: December 13, 1994

EXHIBIT INDEX

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Exhibit 23

Consent of Independent Auditors

We consent to the incorporation by reference in Post-Effective Amendment Number 1 to the Registration Statement (Form S-8 No. 33-4555) pertaining to the Restricted Stock Plan of Cleveland-Cliffs Inc and the related prospectus and in the Registration Statement (Form S-8 No. 33-208033) pertaining to the 1987 Incentive Equity Plan of Cleveland-Cliffs Inc and the related prospectus and in the Registration Statement (Form S-8 No. 33-48357) pertaining to the 1992 Incentive Equity Plan and the related prospectus and in the Registration Statement (Form S-8 No. 33-56661) pertaining to the Northshore Mining Company and Silver Bay Power Company Retirement Savings Plan and the related prospectus of our report dated November 16, 1994, with respect to the consolidated financial statements of Cyprus Northshore Mining Corporation and consolidated subsidiary included in this Current Report on Form 8-K/A for the year ended December 31, 1993.

ERNST & YOUNG LLP

Cleveland, Ohio
December 9, 1994

EXHIBIT 99.1

**CYPRUS NORTSHORE MINING CORPORATION
AND CONSOLIDATED SUBSIDIARY**

FINANCIAL STATEMENTS

DECEMBER 31, 1993

with

REPORT OF INDEPENDENT AUDITORS

Report of Independent Auditors

Shareholder and Board of Directors
Northshore Mining Company

We have audited the accompanying statement of consolidated financial position of Cyprus Northshore Mining Corporation and consolidated subsidiary as of December 31, 1993, and the related statements of consolidated income, cash flows and shareholder's equity for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cyprus Northshore Mining Corporation and consolidated subsidiary at December 31, 1993, and the consolidated results of their operations and their cash flows for the year then ended, in conformity with generally accepted accounting principles.

ERNST & YOUNG LLP

Cleveland, Ohio
November 16, 1994

STATEMENT OF CONSOLIDATED FINANCIAL POSITION

CYPRUS NORTHSHORE MINING CORPORATION AND CONSOLIDATED SUBSIDIARY

(In Thousands)
December 31,
1993

ASSETS

CURRENT ASSETS

Cash	\$	72
Accounts receivable:		
Trade		7,601
Other		163

		7,764
Inventories:		
Concentrates		818
Finished products		14,027
Supplies and coal (net of reserve - \$1,467)		9,179

		24,024
Deferred income taxes		846
Other current assets		195

		32,901

		32,901

TOTAL CURRENT ASSETS

PROPERTIES

Land		4,526
Plant and equipment		80,221

		84,747
Allowance for depreciation and amortization		(47,198)

		37,549

TOTAL PROPERTIES

OTHER ASSETS

Deferred income taxes		158
Other assets		81

		239

TOTAL OTHER ASSETS

TOTAL ASSETS

\$ 70,689
=====

See notes to consolidated financial statements.

STATEMENT OF CONSOLIDATED FINANCIAL POSITION

CYPRUS NORTHSHORE MINING CORPORATION AND CONSOLIDATED SUBSIDIARY

(In Thousands)
December 31,
1993

LIABILITIES AND SHAREHOLDER'S EQUITY		-----
CURRENT LIABILITIES		
Trade accounts payable	\$ 3,725	
Taxes payable:		
Federal and state income	2,004	
Other	4,895	
Accrued employment costs	1,709	
Royalties payable	1,720	
Other current liabilities	3,485	

TOTAL CURRENT LIABILITIES	17,538	
POSTEMPLOYMENT BENEFIT LIABILITIES	1,271	
OTHER LIABILITIES	1,360	
SHAREHOLDER'S EQUITY		
Capital stock-par value \$1 a share		
Authorized-1,000 shares		
Issued-100 shares	--	
Capital in excess of		
par value of shares	93,104	
Intercompany account with		
Cyprus Amax Minerals Company	(11,266)	
Retained deficit	(31,318)	

TOTAL SHAREHOLDER'S EQUITY	50,520	

COMMITMENTS - NOTE D		
	TOTAL LIABILITIES AND	
	SHAREHOLDER'S EQUITY	\$ 70,689
		=====

See notes to consolidated financial statements.

STATEMENT OF CONSOLIDATED INCOME

CYPRUS NORTHSHORE MINING CORPORATION AND CONSOLIDATED SUBSIDIARY

	(In Thousands)
	Year Ended
	December 31,
	1993

REVENUES	
Product sales and service	\$ 98,238
Other income	599

	98,837
COSTS AND EXPENSES	
Cost of sales	71,652
Depreciation and amortization	2,870
Royalties	4,269
State and local taxes	5,766
Administrative, selling and general expenses	1,269
Other expenses	153

Total Costs and Expenses	85,979

INCOME BEFORE INCOME TAXES	12,858
INCOME TAXES	4,544

NET INCOME	\$ 8,314
	=====

See notes to consolidated financial statements.

STATEMENT OF CONSOLIDATED CASH FLOWS

CYPRUS NORTHSHORE MINING CORPORATION AND CONSOLIDATED SUBSIDIARY

(In Thousands,
Brackets Indicate
Cash Decrease)
Year Ended
December 31,
1993

OPERATING ACTIVITIES	
Net income	\$ 8,314
Adjustments to reconcile net income to net cash from operations:	
Depreciation and amortization	2,870
Deferred income tax provision	2,170
Loss on disposal of assets	15
Other	258

Total before changes in operating assets and liabilities	13,627
Changes in operating assets and liabilities:	
Receivables (increase)	(1,759)
Inventories (increase)	(2,660)
Other current assets decrease	209
Payables and accrued liabilities increase	5,518

Total changes in operating assets and liabilities	1,308

Net cash from operating activities	14,935
INVESTING ACTIVITIES	
Purchase of plant, property and equipment	(2,340)
Proceeds from sale of assets	267

Net cash (used by) investing activities	(2,073)
FINANCING ACTIVITIES	
Increase in intercompany account with Cyprus Amax Minerals Company	(8,116)
Decrease in capital in excess of par value of shares	(4,716)

Net cash (used by) financing activities	(12,832)

INCREASE IN CASH	30
CASH AT BEGINNING OF YEAR	42

CASH AT END OF YEAR	\$ 72
	=====
State taxes paid on income	\$ 370
See notes to consolidated financial statements.	

STATEMENT OF CONSOLIDATED SHAREHOLDER'S EQUITY

CYPRUS NORTHSHORE MINING CORPORATION AND CONSOLIDATED SUBSIDIARY

	In Thousands				
	Capital Stock	Capital In Excess of Par Value of Shares	Inter- Company	Retained Deficit	Total
Balance, December 31, 1992	\$ --	\$97,820	\$ (3,150)	\$(39,632)	\$55,038
Net income	--	--	--	8,314	8,314
Return of capital to Cyprus Amax Minerals Company	--	(4,716)	--	--	(4,716)
Increase in intercompany account with Cyprus Amax Minerals Company	--	--	(8,116)	--	(8,116)
Balance, December 31, 1993	\$ --	\$93,104	\$(11,266)	\$(31,318)	\$50,520

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CYPRUS NORTHSHORE MINING CORPORATION AND CONSOLIDATED SUBSIDIARY

ACCOUNTING POLICIES

BASIS OF CONSOLIDATION: Cyprus Northshore Mining Corporation (the "Company") is a wholly-owned subsidiary of Cyprus Amax Minerals Company ("Cyprus"). The consolidated financial statements include the accounts of Cyprus Silver Bay Power Corporation ("Power"), a wholly-owned subsidiary of the Company. All intercompany balances and transactions between Company and Power have been eliminated.

BUSINESS: The Company's primary business is the production and sale of iron ore pellets. Crude ore is mined at Babbitt, Minnesota and railed to Silver Bay, Minnesota where it is concentrated, pelletized and shipped primarily to integrated steel company customers by lake carriers. One customer accounts for 72.4 percent of the Company's revenues. Electric power is generated at Power's 115 megawatt power station located at Silver Bay, Minnesota for use in iron ore processing with excess capacity sold to a utility company.

CASH: The Company maintains small cash accounts for local expenditures. All cash receipts from sales and cash disbursements for employment, material and service costs are transacted through Cyprus cash accounts (see Note A).

INVENTORIES: Product inventories, primarily finished pellets, are stated at the lower of cost or market. The cost of product inventories is determined using the first-in, first-out method. The cost of supplies and coal inventories is determined by the average cost method.

PROPERTIES: Properties are stated on the basis of cost. Depreciation of plant and equipment is computed principally by the straight-line method based on estimated useful lives. Mine development costs are charged to operations as incurred. Gains or losses upon retirement or replacement of equipment and facilities are credited or charged to income, as appropriate.

INCOME TAXES: The operations of the Company are included in the consolidated federal income tax returns filed by Cyprus, the parent company. The accompanying consolidated financial statements reflect income tax expense on a separate company basis. The Company has recorded income tax based on statutory tax rates applied to the Company's reported book income adjusted for permanent differences.

POSTRETIREMENT BENEFITS: In December, 1990, the Financial Accounting Standards Board ("FASB") issued Statement 106, "Accounting for Postretirement Benefits Other than Pensions" which requires that the projected future expense of providing postretirement benefits, such as health care and life insurance, be recognized as employees render service instead of when the benefits are paid. Statement 106 requires the assumption that present benefit plans continue at escalating costs. The Company adopted the provisions of this standard in its financial statements for the year ended December 31, 1992.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

CYPRUS NORTSHORE MINING CORPORATION AND CONSOLIDATED SUBSIDIARY

ACCOUNTING POLICIES - Continued

POSTEMPLOYMENT BENEFITS: In November, 1992, the FASB issued Statement 112, "Employers' Accounting for Postemployment Benefits." Statement 112 requires accrual basis accounting for benefits provided to former or inactive employees after employment but before retirement. Although Statement 112 is effective for years beginning after December 15, 1993, the Company adopted provisions of this standard in its financial statements for the year ended December 31, 1992.

CONTINGENCIES: The Company's policy is to conduct business in a manner that promotes environmental quality. The Company's environmental obligations have been recognized based on specific estimates for known conditions and required investigations. Any potential insurance recoveries have not been reflected in the determination of the reserve. At December 31, 1993, the Company had an environmental reserve of \$1,198,000, of which \$12,000 was current. Environmental expenditures under current laws and regulations are not expected to materially impact the Company's consolidated financial statements.

NOTE A - INTERCOMPANY ACCOUNT WITH CYPRUS

The intercompany account with Cyprus included in the statement of financial position represents a net balance as the result of various transactions between the Company and Cyprus. The account is non-interest bearing and is settled every six months by an adjustment to capital in excess of par value of shares. The balance is primarily the result of the Company's participation in Cyprus' central cash management program, wherein virtually all the Company's cash is received by Cyprus and all significant cash disbursements are made by Cyprus. Other transactions include the Company's calculated share of the current portion of Cyprus' consolidated federal income tax liability, and corporate charges incurred by Cyprus on behalf of the Company. An analysis of transactions in the intercompany account for the year ended December 31, 1993 follows:

	(In Thousands)
Cash receipts from sales and other revenues	\$97,319
Operating cost and expense disbursements	(83,445)
Corporate charges by Cyprus	(1,042)
Settlement to capital in excess of par value of shares	(4,716)
Net increase	8,116
Balance:	
Beginning of year	3,150
End of year	\$11,266

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

CYPRUS NORTSHORE MINING CORPORATION AND CONSOLIDATED SUBSIDIARY

NOTE B - RETIREMENT BENEFITS

PENSION PLANS

A defined benefit pension plan covering all hourly employees of the Company is sponsored by the Company, and a defined benefit pension plan covering all salaried employees of Cyprus, including all salaried employees of the Company, is sponsored by Cyprus. The plans are noncontributory and salaried pension plan benefits generally are based on employees' years of service and average earnings for a defined period prior to retirement; hourly pension plan benefits are based on employees' years of service at a defined rate. Pension costs are funded to the extent necessary to meet Federal requirements.

The components of 1993 pension cost attributed to the Company were as follows:

	(In Thousands)
Service cost-benefits earned during the period	\$ 508
Interest cost on projected benefit obligation	185
Actual return on plan assets	(137)
Net amortization and deferral	5

Total pension cost	\$ 561 =====

The Company's pension funds were held in the Cyprus Minerals Master Trust with the funds contributed by Cyprus and its other affiliated companies. Plan assets principally include diversified marketable equity securities and corporate and government debt securities. Salaried plan assets have been estimated. The following table presents a reconciliation of the funded status of the Company's plans at December 31, 1993.

	(In Thousands)
Plan assets at fair value	\$ 2,105
Actuarial present value of benefit obligation:	
Vested benefits	--
Nonvested benefits	2,256

Accumulated benefit obligation	2,256
Effect of projected compensation levels	913

Projected benefit obligation	3,169

Plan assets (less than) projected benefit obligation	(1,064)
Unrecognized prior service costs	31
Unrecognized net loss	846

Accrued cost	\$ (187) =====

The discount rate and rate of increase in compensation levels used in determining the actuarial present value of the projected benefit obligation at December 31, 1993 were 7.5 percent and 5.5 percent, respectively. The expected long-term rate of return on plan assets was 9 percent in 1993.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

CYPRUS NORTSHORE MINING CORPORATION AND CONSOLIDATED SUBSIDIARY

NOTE B - RETIREMENT BENEFITS - Continued

POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

In addition to the Company's defined benefit pension plans, the Company currently provides retirement health care and life insurance benefits. The medical plans provide benefits for most employees who reach normal, or in certain cases, early retirement age while employed by the Company. The postretirement medical plans are contributory, with annual adjustments to retiree contributions, and contain certain other cost-sharing features such as deductibles and coinsurance. The Company's practice is to prefund a portion of the following year's projected medical cost in amounts determined at the discretion of management.

The following table presents a reconciliation of the funded status of the Company's plans at December 31, 1993.

	(In Thousands)
Accumulated postretirement benefit obligation:	
Retirees	\$ --
Fully eligible active plan participants	--
Other active plan participants	1,183

	1,183
Plan assets	0

Accumulated postretirement benefit cost	1,183
Unamortized (loss)	(99)

Accumulated postretirement benefit obligation	\$ 1,084
	=====

Net periodic postretirement benefit cost for 1993 includes the following components:

	(In Thousands)
Service cost	\$ 320
Interest cost	85

Net periodic postretirement benefit cost	\$ 405
	=====

The incremental increase in 1993 postretirement benefit cost was \$401,000. The weighted-average annual assumed rate of increase in the per capita cost of covered benefits was 14 percent for 1993, 13.5 percent for 1994, decreasing .5 percent per year for 13 years reaching 7 percent in 2006 and remaining at that level thereafter.

The health care cost trend rate assumption has a significant effect on the amounts reported. For example, changing the assumed health care cost trend rate by one percentage point would change the accumulated postretirement benefit obligation as of December 31, 1993, by \$56,000 and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for 1993 by \$14,000.

The discount rate used in determining the accumulated postretirement benefit obligation was 7.5 percent at December 31, 1993.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

CYPRUS NORTHSHORE MINING CORPORATION AND CONSOLIDATED SUBSIDIARY

NOTE B - RETIREMENT BENEFITS - Continued

SAVINGS PLAN

Cyprus sponsors a defined contribution savings plan covering all non-represented employees of Cyprus, including all employees of the Company. Contributions by employees of up to 16 percent of base pay are matched by 75% of the first 6 percent of base pay by the Company. The Company matching contribution may only be used to purchase common stock of Cyprus. Total purchases for the year ended December 31, 1993 were \$446,000.

NOTE C - INCOME TAXES

Significant components of the Company's deferred tax assets and liabilities as of December 31, 1993 were:

	(In Thousands)

Deferred tax assets:	
Supplies and coal reserves	\$ 499
Postemployment benefit liabilities	432
Environmental reserve	407
Accrued employment costs	347
All other	139

Total deferred tax assets	1,824
Deferred tax liabilities:	
Plant and equipment	820

Net deferred tax assets	\$1,004
	=====

Components of the provision for income taxes for 1993 were as follows:

	(In Thousands)

Current:	
Federal	\$1,979
State	395

	2,374
Deferred	2,170

Total income taxes	\$4,544
	=====

Reconciliation of the effective income tax rate and United States Federal statutory rate for 1993 was as follows:

Statutory tax rate	34.0%
Increase (decrease) due to:	
Effect of state income taxes	2.1
Stock ownership plan dividends	(.8)

Effective income tax rate	35.3%
	=====

CYPRUS NORTSHORE MINING CORPORATION AND CONSOLIDATED SUBSIDIARY

NOTE D - COMMITMENTS

During 1991, Power and Northern States Power Company (the "Utility") entered into a 20-year contract which commits Power to make available to the Utility 40 megawatts of excess capacity. Revenue received by Power for this commitment is subject to escalation. The contract is based on Power maintaining a Qualifying Facility ("QF") status which obligates Power to maintain steam co-generation capability. Loss of QF status would reduce revenues received by Power. The contract may be terminated by either party for breach or force majeure continuing for 12 months and is at present in good standing.

NOTE E - LITIGATION

The Company is periodically involved in litigation incidental to its operations. Management believes that any pending litigation will not result in material liability in relation to the Company's consolidated financial statements.

NOTE F - SUBSEQUENT EVENT

On September 30, 1994, Cleveland-Cliffs Inc acquired, through its wholly-owned subsidiary Cliffs Minnesota Minerals Company, all of the outstanding shares of stock of the Company (renamed Northshore Mining Company) and Power (renamed Silver Bay Power Company) from Cyprus.

EXHIBIT 99.2

**CYPRUS NORTSHORE MINING CORPORATION
AND CONSOLIDATED SUBSIDIARY**

FINANCIAL STATEMENTS

(UNAUDITED)

SEPTEMBER 30, 1994

STATEMENT OF CONSOLIDATED FINANCIAL POSITION (UNAUDITED)

CYPRUS NORTHSHORE MINING CORPORATION AND CONSOLIDATED SUBSIDIARY

(In Thousands)
September 30,
1994

ASSETS

CURRENT ASSETS

Cash	\$	5
Accounts receivable:		
Trade		12,883
Other		538

		13,421
Inventories:		
Concentrates		589
Finished products		13,192
Supplies and coal (net of reserve - \$1,469)		8,680

		22,461
Deferred income taxes		634
Other current assets		2,173

		38,694
	TOTAL CURRENT ASSETS	38,694

PROPERTIES

Land		4,499
Plant and equipment		87,786

		92,285
Allowance for depreciation and amortization		(53,710)

		38,575
	TOTAL PROPERTIES	38,575

OTHER ASSETS

		35

	TOTAL ASSETS	\$ 77,304
		=====

See notes to consolidated financial statements (unaudited).

STATEMENT OF CONSOLIDATED FINANCIAL POSITION (UNAUDITED)

CYPRUS NORTHSHORE MINING CORPORATION AND CONSOLIDATED SUBSIDIARY

	(In Thousands)
	September 30,
	1994

LIABILITIES AND SHAREHOLDER'S EQUITY	
CURRENT LIABILITIES	
Trade accounts payable	\$ 2,610
Taxes payable:	
Federal and state income	229
Other	4,589
Accrued employment costs	1,377
Royalties payable	2,025
Other current liabilities	2,372

TOTAL CURRENT LIABILITIES	13,202
POSTEMPLOYMENT BENEFIT LIABILITIES	1,491
DEFERRED INCOME TAXES	1,291
OTHER LIABILITIES	1,487
SHAREHOLDER'S EQUITY	
Capital stock-par value \$1 a share	
Authorized-1,000 shares	
Issued-100 shares	--
Capital in excess of par value of shares	87,238
Retained deficit	(27,405)

TOTAL SHAREHOLDER'S EQUITY	59,833

TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	\$ 77,304
	=====

See notes to consolidated financial statements (unaudited).

STATEMENT OF CONSOLIDATED INCOME (UNAUDITED)

CYPRUS NORTHSORE MINING CORPORATION AND CONSOLIDATED SUBSIDIARY

	(In Thousands) Nine Months Ended September 30, 1994
REVENUES	
Product sales and service	\$ 77,648
Other income	167

	77,815
COSTS AND EXPENSES	
Cost of sales	59,647
Depreciation and amortization	2,340
Royalties	3,216
State and local taxes	5,267
Administrative, selling and general expenses	1,011
Other expenses	120

Total Costs and Expenses	71,601

INCOME BEFORE INCOME TAXES	6,214
INCOME TAXES	2,301

NET INCOME	\$ 3,913
	=====

See notes to consolidated financial statements (unaudited).

STATEMENT OF CONSOLIDATED CASH FLOWS (UNAUDITED)

CYPRUS NORTHSHORE MINING CORPORATION AND CONSOLIDATED SUBSIDIARY

(In Thousands,
Brackets Indicate
Cash Decrease)
Nine Months Ended
September 30,
1994

OPERATING ACTIVITIES

Net Income	\$ 3,913
Adjustments to reconcile net income to net cash (used by) operations:	
Depreciation and amortization	2,340
Deferred income tax provision	1,661
Loss on disposal of assets	8
Other	393

Total before changes in operating assets and liabilities	8,315
Changes in operating assets and liabilities:	
Receivables (increase)	(5,657)
Inventories decrease	1,563
Other current assets (increase)	(1,978)
Payables and accrued liabilities (decrease)	(4,336)

Total changes in operating assets and liabilities	(10,408)

Net cash (used by) operating activities	(2,093)

INVESTING ACTIVITIES

Purchase of plant, property and equipment	(3,509)
Proceeds from sale of assets	135

Net cash (used by) investing activities	(3,374)

FINANCING ACTIVITIES

Decrease in intercompany account with Cyprus Amax Minerals Company	11,266
Decrease in capital in excess of par value of shares	(5,866)

Net cash from financing activities	5,400

DECREASE IN CASH	(67)
CASH AT BEGINNING OF PERIOD	72

CASH AT END OF PERIOD	\$ 5
	=====

See notes to consolidated financial statements (unaudited).

STATEMENT OF CONSOLIDATED SHAREHOLDER'S EQUITY (UNAUDITED)

CYPRUS NORTSHORE MINING CORPORATION AND CONSOLIDATED SUBSIDIARY

In Thousands

	Capital Stock	Capital In Excess of Par Value of Shares	Inter- Company	Retained Deficit	Total
Balance, December 31, 1993	\$ --	\$93,104	\$(11,266)	\$(31,318)	\$50,520
Net income	--	--	--	3,913	3,913
Return of capital to Cyprus Amax Minerals Company	--	(5,866)	--	--	(5,866)
Decrease in intercompany account with Cyprus Amax Minerals Company	--	--	11,266	--	11,266
Balance, September 30, 1994	\$ --	\$87,238	\$ --	\$(27,405)	\$59,833

See notes to consolidated financial statements (unaudited).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

CYPRUS NORTHSHORE MINING CORPORATION AND CONSOLIDATED SUBSIDIARY

NOTE A - BASIS OF PRESENTATION

The accompanying unaudited financial statements have been prepared in accordance with the instructions to Form 8-K and should be read in conjunction with the financial statement footnotes and other information in Cyprus Northshore Mining Corporation and consolidated subsidiary's (the "Company") 1993 audited financial statements. In management's opinion, the unaudited financial statements present fairly the Company's financial position and results of operations.

NOTE B - ACQUISITION BY CLEVELAND-CLIFFS INC

On September 30, 1994, Cleveland-Cliffs Inc acquired, through its wholly-owned subsidiary Cliffs Minnesota Minerals Company, all of the outstanding shares of stock of the Company (renamed Northshore Mining Company) and Cyprus Silver Bay Power Corporation (renamed Silver Bay Power Company) from Cyprus Amax Minerals Company.

EXHIBIT 99.3

**CLEVELAND-CLIFFS INC
AND CONSOLIDATED SUBSIDIARIES**

PRO FORMA FINANCIAL STATEMENTS (UNAUDITED)

DECEMBER 31, 1993

AND

SEPTEMBER 30, 1994

PRO FORMA COMBINED FINANCIAL STATEMENTS (UNAUDITED)

CLEVELAND-CLIFFS INC

The accompanying pro forma combined statements of operations for the year ended December 31, 1993 and the nine months ended September 30, 1994 give effect to the acquisition of all of the outstanding shares of stock of Cyprus Northshore Mining Corporation (renamed Northshore Mining Company) and its consolidated subsidiary, Cyprus Silver Bay Power Corporation (renamed Silver Bay Power Company) by Cliffs Minnesota Minerals Company, a wholly-owned subsidiary of Cleveland-Cliffs Inc, from Cyprus Amax Minerals Company ("Cyprus") on September 30, 1994. The pro forma information is based on the historic financial statements of Cleveland-Cliffs Inc and Cyprus Northshore Mining Corporation giving effect to the transaction under the purchase method of accounting and the assumptions and adjustments in the accompanying notes to the pro forma combined financial statements.

The pro forma combined statements of operations have been prepared by the management of Cleveland-Cliffs Inc based upon the financial statements of Cyprus Northshore Mining Corporation. The pro forma adjustments are based upon the preliminary estimate of the fair value of the assets acquired and liabilities assumed. The final allocation of the purchase price will be made when the complete study of the fair value of the assets and liabilities has been finalized. The pro forma combined financial statements may not be indicative of the results that actually would have occurred if the combination had occurred on January 1, 1993 or which may occur in the future. The pro forma combined financial statements and notes should be read in conjunction with the audited financial statements of Cleveland-Cliffs Inc included in the annual report on Form 10-K and Cyprus Northshore Mining Corporation contained elsewhere herein for the year ended December 31, 1993 and the unaudited interim financial statements of Cleveland-Cliffs Inc included in Form 10-Q and Cyprus Northshore Mining Corporation contained elsewhere herein for the nine months ended September 30, 1994. A pro forma statement of financial position has not been included since the transaction has been recorded in the unaudited consolidated financial statements of Cleveland-Cliffs Inc as reported in Form 10-Q for the nine months ended September 30, 1994.

PRO FORMA COMBINED STATEMENT OF OPERATIONS (UNAUDITED)

CLEVELAND-CLIFFS INC

Year Ended December 31, 1993

(In Millions, Except Per Share Amounts)

	Cleveland- Cliffs (1)	Northshore Mining (2)	Pro Forma Adjustments	Pro Forma Combined
REVENUES:				
Product sales and services	\$268.1	\$98.2	\$ --	\$366.3
Royalties and management fees	39.7	--	--	39.7
	-----	-----	-----	-----
Total operating revenues	307.8	98.2	--	406.0
Recovery on bankruptcy claim	35.7	--	--	35.7
Investment income (securities)	9.1	--	(3.6) (a)	5.5
Other income	3.3	.6	(.4) (b)	3.5
	-----	-----	-----	-----
TOTAL REVENUES	355.9	98.8	(4.0)	450.7
COST AND EXPENSES:				
Cost of goods sold and operating expenses	252.8	78.8	1.2 (c)	332.8
Administrative, selling and general expenses	15.2	1.3	--	16.5
Interest Expense	6.6	--	--	6.6
Other expenses	5.6	5.9	--	11.5
	-----	-----	-----	-----
TOTAL COST AND EXPENSES	280.2	86.0	1.2	367.4
	-----	-----	-----	-----
INCOME BEFORE INCOME TAXES	75.7	12.8	(5.2)	83.3
INCOME TAXES (CREDITS)	21.1	4.5	(2.0) (d)	23.6
	-----	-----	-----	-----
NET INCOME	\$ 54.6	\$ 8.3	\$(3.2)	\$ 59.7
	=====	=====	=====	=====
INCOME PER COMMON SHARE	\$ 4.55			\$ 4.98
	=====			=====
WEIGHTED AVERAGE NUMBER OF COMMON SHARES ISSUED AND OUTSTANDING				
	12.0			12.0
	=====			=====

(1) Derived from Cleveland-Cliffs Inc audited statement of consolidated income for the year ended December 31, 1993.

(2) Derived from Cyprus Northshore Mining Corporation audited statement of consolidated income for the year ended December 31, 1993.

See notes to pro forma combined financial statements (unaudited).

PRO FORMA COMBINED STATEMENT OF OPERATIONS (UNAUDITED)

CLEVELAND-CLIFFS INC

Nine Months Ended September 30, 1994

(In Millions, Except Per Share Amounts)

	Cleveland-Cliffs (1)	Northshore Mining (2)	Pro Forma Adjustments	Pro Forma Combined
REVENUES:				
Product sales and services	\$205.6	\$77.6	\$ --	\$283.2
Royalties and management fees	33.3	--	--	33.3
Total operating revenues	238.9	77.6	--	316.5
Investment income (securities)	5.8	--	--	5.8
Other income	.8	.2	--	1.0
TOTAL REVENUE	245.5	77.8	--	323.3
COST AND EXPENSES:				
Cost of goods sold and operating expenses	187.1	65.2	.7 (e)	253.0
Administrative, selling and general expenses	12.9	1.0	--	13.9
Interest expense	4.9	--	--	4.9
Other expenses	4.2	5.4	--	9.6
TOTAL COST AND EXPENSES	209.1	71.6	.7	281.4
INCOME BEFORE INCOME TAXES	36.4	6.2	(.7)	41.9
INCOME TAXES (CREDITS)	9.0	1.6	(.3) (f)	10.3
NET INCOME	\$ 27.4	\$ 4.6	\$ (.4)	\$ 31.6
INCOME PER COMMON SHARE	\$ 2.27			\$ 2.62
WEIGHTED AVERAGE NUMBER OF COMMON SHARES ISSUED AND OUTSTANDING	12.1			12.1

(1) Derived from Cleveland-Cliffs Inc unaudited statement of consolidated income for the nine months ended September 30, 1994.

(2) Derived from Cyprus Northshore Mining Corporation unaudited statement of consolidated income for the nine months ended September 30, 1994.

See notes to pro forma combined financial statements (unaudited).

CLEVELAND-CLIFFS INC

December 31, 1993 and September 30, 1994

NOTE A - PRO FORMA ADJUSTMENTS

Pro forma adjustments relating to the pro forma combined statements of operations have been provided assuming the acquisition was consummated on January 1, 1993. The pro forma adjustments for the year ended December 31, 1993 are as follows:

- (a) Elimination of investment income on acquisition cash purchase price, \$3.6 million.
- (b) Elimination of a non-recurring recovery on a casualty loss, \$4 million.
- (c) Depreciation expense increased to reflect the fair value of the assets acquired, \$.5 million. Write-off of deferred maintenance, \$.7 million.
- (d) Favorable tax effect of pro forma adjustments, \$2.0 million.

The pro forma adjustments for the nine months ended September 30, 1994 are as follows:

- (e) Depreciation expense increased to reflect the fair value of the assets acquired, \$.2 million. Write-off of deferred maintenance, \$.5 million.
- (f) Favorable tax effect of pro forma adjustments, \$.3 million.

NOTE B - ADMINISTRATIVE EXPENSE

The pro forma combined statements of operations include administrative expense charges for the year ended December 31, 1993, and the nine months ended September 30, 1994, by Cyprus Amax Minerals Company, parent of Cyprus Northshore Mining Corporation, which have been considered by management of Cleveland-Cliffs Inc to be comparable to administrative expense charges which would have been incurred by Cyprus Northshore Mining Corporation if the acquisition by Cleveland-Cliffs Inc had taken place January 1, 1993.

NOTE C - INVESTMENT INCOME

Income from Cleveland-Cliffs Inc investments has been adjusted for the year ended December 31, 1993 for the effect of the acquisition cash purchase price, and has not been adjusted for the nine months ended September 30, 1994 in the pro forma combined statements of operations. Management believes there was no investment income in 1994 attributable to cash that would have been invested in the acquisition.