CLIFFS NATURAL RESOURCES INC.

FORM 10-Q
(Quarterly Report)

Filed 08/12/98 for the Period Ending 06/30/98

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 10-Q
(Quarterly Report)

Filed 8/12/1998 For Period Ending 6/30/1998

Address	1100 SUPERIOR AVE 18TH FLR
	CLEVELAND, Ohio 44114
Telephone	216-694-5700
CIK	0000764065
Industry	Metal Mining
Sector	Basic Materials
Fiscal Year	12/31

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, 1998

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 X NO

As of July 31, 1998, there were 11,325,347 Common Shares (par value $1.00 per share) outstanding.

PART I - FINANCIAL INFORMATION

CLEVELAND-CLIFFS INC

STATEMENT OF CONSOLIDATED INCOME

	(In Millions, Except Per Share Amounts)			
	Three Months Ended June 30		Six Months Ended June 30	
	1998	1997	1998	1997
REVENUES				
Product sales and services	$ 143.2	$ 102.7	$ 170.4	$ 123.2
Royalties and management fees	12.9	12.4	21.3	20.7
Total Operating Revenues	156.1	115.1	191.7	143.9
Investment income (securities)	.8	1.2	2.2	3.4
Recovery of excess closedown provision	-	4.3	-	4.3
Other income	1.0	1.5	1.8	1.8
TOTAL REVENUES	157.9	122.1	195.7	153.4
COSTS AND EXPENSES				
Cost of goods sold and operating expenses	127.2	96.1	157.3	117.1
Administrative, selling and general expenses	4.9	3.5	9.6	7.2
Interest expense	.1	.8	.3	1.7
Other expenses	2.9	2.2	5.0	3.5
TOTAL COSTS AND EXPENSES	135.1	102.6	172.2	129.5
INCOME BEFORE INCOME TAXES	22.8	19.5	23.5	23.9
INCOME TAXES				
Currently payable	3.4	2.7	3.5	3.3
Deferred	2.5	3.9	2.6	4.7
TOTAL INCOME TAXES	5.9	6.6	6.1	8.0
NET INCOME	$ 16.9	$ 12.9	$ 17.4	$ 15.9
NET INCOME PER COMMON SHARE				
Basic	$ 1.49	$ 1.14	$ 1.53	$ 1.40
Diluted	$ 1.48	$ 1.13	$ 1.52	$ 1.39
AVERAGE NUMBER OF SHARES (IN THOUSANDS)				
Basic	11,326	11,371	11,325	11,373
Diluted	11,423	11,421	11,413	11,422

See notes to financial statements

CLEVELAND-CLIFFS INC

STATEMENT OF CONSOLIDATED FINANCIAL POSITION

	(In Millions)	
ASSETS	June 30 1998	December 31 1997
CURRENT ASSETS		
Cash and cash equivalents	$ 71.7	$115.9
Accounts receivable - net	73.2	73.4
Inventories		
Finished products	72.6	45.7
Work in process	1.2	.6
Supplies	13.7	15.1
	87.5	61.4
Federal income taxes	10.7	7.5
Other	5.9	7.6
TOTAL CURRENT ASSETS	249.0	265.8
PROPERTIES	192.8	272.3
Allowances for depreciation and depletion	(58.2)	(138.3)
TOTAL PROPERTIES	134.6	134.0
INVESTMENTS IN ASSOCIATED COMPANIES	225.9	218.3
OTHER ASSETS		
Prepaid pensions	41.4	40.4
Other	39.7	35.8
TOTAL OTHER ASSETS	81.1	76.2
TOTAL ASSETS	$690.6	$694.3

LIABILITIES AND SHAREHOLDERS' EQUITY	June 30 1998	December 31 1997
CURRENT LIABILITIES	$ 78.0	$ 91.8
LONG-TERM OBLIGATIONS	70.0	70.0
POSTEMPLOYMENT BENEFIT LIABILITIES	69.8	70.1
OTHER LIABILITIES	56.8	55.0
SHAREHOLDERS' EQUITY		
Preferred Stock		
Class A - no par value		
Authorized - 500,000 shares; Issued - none	-	-
Class B - no par value		
Authorized - 4,000,000 shares; Issued - none	-	-
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	73.3	69.8
Retained income	481.5	472.1
Accumulated other comprehensive loss, net of tax	(2.2)	(2.0)
Cost of 5,505,894 Common Shares in treasury		
(1997 - 5,519,027 shares)	(147.7)	(146.2)
Unearned compensation	(5.7)	(3.1)
TOTAL SHAREHOLDERS' EQUITY	416.0	407.4
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$690.6	$694.3

See notes to financial statements

CLEVELAND-CLIFFS INC

STATEMENT OF CONSOLIDATED CASH FLOWS

	(In Millions, Brackets Indicate Cash Decrease) Six Months Ended June 30	
	1998	1997
OPERATING ACTIVITIES		
Net income	$ 17.4	$ 15.9
Depreciation and amortization:		
Consolidated	4.3	3.5
Share of associated companies	6.3	6.0
Decrease in Savage River closedown reserve	-	(16.1)
Provision for deferred income taxes	2.6	4.8
Other	(2.3)	.6
Total before changes in operating assets and liabilities	28.3	14.7
Changes in operating assets and liabilities	(42.7)	(75.3)
NET CASH (USED BY) OPERATING ACTIVITIES	(14.4)	(60.6)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment:		
Consolidated	(6.1)	(5.0)
Share of associated companies	(13.8)	(19.2)
Purchase of Wabush interest	-	(15.0)
Other	1.3	4.8
NET CASH (USED BY) INVESTING ACTIVITIES	(18.6)	(34.4)
FINANCING ACTIVITIES		
Dividends	(8.0)	(7.4)
Repurchases of Common Shares	(3.2)	(1.7)
NET CASH (USED BY) FINANCING ACTIVITIES	(11.2)	(9.1)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	-	.2
DECREASE IN CASH AND CASH EQUIVALENTS	(44.2)	(103.9)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	115.9	165.4
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 71.7	$ 61.5

See notes to financial statements

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1998

NOTE A - BASIS OF PRESENTATION

The accompanying unaudited 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 1997 Annual Report on Form 10-K. In management's opinion, the quarterly unaudited financial statements present fairly the Company's financial position and results in accordance with generally accepted accounting principles.

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. Actual results could differ from those estimates.

References to the "Company" mean Cleveland-Cliffs Inc and consolidated subsidiaries, unless otherwise indicated. Quarterly results 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

In June, 1997, the Financial Accounting Standards Board ("FASB") issued Statement 131, "Disclosures About Segments of an Enterprise and Related Information." This statement changes the way that segment information is defined and reported in annual and interim financial statements. Statement 131 is effective for fiscal years beginning after December 15, 1997, although segment information is not required to be reported in interim financial statements in 1998. Management is evaluating the new standard and has not determined what effect it may have on future disclosures.

In February, 1998, the FASB issued Statement 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits," effective for fiscal years beginning after December 15, 1997. The objective of this statement is to improve and standardize disclosures about pensions and other postretirement benefits and does not change the measurement or recognition of pensions or other postretirement benefits.

In June, 1998, the FASB issued Statement 133, "Accounting for Derivative Instruments and for Hedging Activities," effective for fiscal years beginning after June 15, 1999. This statement will provide comprehensive and consistent standards for the recognition and measurement of derivatives and hedging activities. Management is evaluating the new standard, but does not expect it to have a material impact on the Company's consolidated financial statements.

In March, 1998, the Accounting Standards Executive Committee ("AcSEC") of the American Institute of Certified Public Accountants issued Statement of Position ("SOP") 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," effective for fiscal years beginning after December 15, 1998. The statement is intended to eliminate the diversity in practice in accounting for internal-use software costs and improve financial reporting. The Company is evaluating the new standard, but does not expect it to have a material impact on the Company's consolidated financial statements.

In April, 1998, the AcSEC issued SOP 98-5, "Reporting on the Costs of Start-up Activities," effective for fiscal years beginning after December 15, 1998, which requires such costs to be expensed as incurred. Management is evaluating the new standard, but does not expect it to have a material impact on the Company's consolidated financial statements.

NOTE C - ENVIRONMENTAL RESERVES

The Company has a formal code of environmental conduct which promotes environmental protection and restoration. The Company's obligations for known environmental problems at active mining operations, idle and closed mining operations and other sites have been recognized based on estimates of 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 generally accepted accounting principles. Estimates may change as additional information becomes available. Actual costs incurred may vary from the estimates due to the inherent uncertainties involved. Any potential insurance recoveries have not been reflected in the determination of the financial reserves.

At June 30, 1998, the Company had an environmental reserve, including its share of the environmental obligations of associated companies, of $22.3 million, of which $1.7 million is a current liability. The reserve includes the Company's obligations related to:

- Federal and State Superfund and Clean Water Act sites where the Company is named as a potentially responsible party, including Cliffs-Dow and Kipling sites in Michigan and the Rio Tinto mine site in Nevada, all of which sites are independent of the Company's iron mining operations. The reserves are based on engineering studies prepared by outside consultants engaged by the potentially responsible parties. The Company continues to evaluate the recommendations of the studies and other means for site clean-up. Significant site clean-up activities have taken place at Rio Tinto and Cliffs-Dow. The City of Marquette, Michigan has purchased the Cliffs-Dow plant site, on January 29, 1998, from the Company and has agreed to assume any future environmental responsibilities with respect to that site.

- Wholly-owned active and idle operations, and other sites, including former operations, for which reserves are based on the Company's estimated cost of investigation and remediation of sites where expenditures may be incurred.

NOTE D - COMPREHENSIVE INCOME

Comprehensive Income includes Net Income and Other Comprehensive Income, net of tax, consisting of unrealized gains (losses) on securities, foreign currency translation adjustments and minimum pension liability. Components of Comprehensive Income include:

	(In Millions)			
	Second Quarter		First-Half	
	1998	1997	1998	1997
Net Income	$16.9	$12.9	$17.4	$15.9
Other Comprehensive Income -				
Unrealized Gain (Loss) on Securities	(1.9)	.5	(.2)	.9
Foreign Currency Translation Adjustment	--	.2	--	.2
Comprehensive Income	$15.0	$13.6	$17.2	$17.0

MANAGEMENT'S DISCUSSION AND ANALYSIS
RESULTS OF OPERATIONS

COMPARISON OF SECOND QUARTER AND FIRST SIX MONTHS - 1998 AND 1997

Earnings for the second quarter of 1998 were $16.9 million, or $1.48 per diluted share (all per share earnings are "diluted earnings per share" unless otherwise stated), and first-half earnings were $17.4 million, or $1.52 per share. Comparable earnings, before special items, in 1997 were $10.1 million, or $.88 per share, in the second quarter, and $13.1 million, or $1.14 per share, in the first-half. Net income for both 1997 periods included an after-tax credit of $2.8 million resulting from the reversal of an excess accrual for closedown obligations of the Savage River Mine in Australia which were recorded prior to 1997.

Following is a summary of results:

	(In Millions, Except Per Share)			
	Second Quarter		First-Half	
	1998	1997	1998	1997
Income Before Special Items:				
Amount	$16.9	$10.1	$17.4	$13.1
Per Share	1.48	.88	1.52	1.14
Special Items:				
Amount	--	2.8	--	2.8
Per Share	--	.25	--	.25
Net Income:				
Amount	16.9	12.9	17.4	15.9
Per Share	1.48	1.13	1.52	1.39

The $6.8 million, or 67 percent, increase in second quarter earnings before special items was mainly due to higher North American sales volume and price realization, lower interest expense, and a lower effective tax rate, partially offset by higher administrative and business development expenses, including ferrous metallics and international development activities, and lower investment income.

The $4.3 million increase in first-half earnings before special items was principally due to higher North American sales volume and price realization, lower interest expense, and a lower effective tax rate, partially offset by the termination of Savage River operations, higher administrative and business development expenses, including ferrous metallics and international development activities, and lower investment income. Savage River, which produced its last iron ore pellets in December, 1996, earned $2.4 million in the first half of 1997 on sales of its remaining inventory.

The Company's North American iron ore pellet sales in the second quarter of 1998 were a record 3.9 million tons, a 39 percent increase from the 2.8 million tons sold in the second quarter of 1997. First-half sales of 4.6 million tons were also a record and 48 percent higher than the 3.1 million tons sold in the first half of 1997.

Administrative expenses increased by $1.4 million in the second quarter of 1998 versus 1997 and $2.4 million in the first-half of 1998 versus 1997 principally due to the cost of Performance Share grants, a key component of senior management compensation. Lower investment income in the second quarter and first-half reflects lower average cash balances in 1998, while decreased interest expense in both periods results from increased capitalization of interest on the Company's share of construction costs on the Cliffs and Associates Limited reduced iron project. Other expenses were up in both periods due to increased costs of ferrous metallics and international development activities.

The Company's managed mines produced 10.0 million tons in the second quarter of 1998 compared with 9.6 million tons in 1997. First-half production was 19.4 million tons, up from 19.2 million tons in 1997.

The Empire and Tilden Mines in Michigan have experienced some minor electric power interruptions in the second quarter, and there is a risk of further interruptions and production losses at these mines under interruptible power contracts with Wisconsin Electric Power Company.

LIQUIDITY

At June 30, 1998, the Company had cash and cash equivalents of $71.7 million. Since December 31, 1997, cash and cash equivalents have decreased $44.2 million, primarily due to increased working capital, $42.7 million, and project investments and capital expenditures, $19.9 million (mainly Trinidad project, $10.8 million), dividends, $8.0 million, and repurchases of common shares, $3.2 million, partially offset by cash flow from operations, $28.3 million.

For the year 1998 capital expenditures, principally for mining ventures and including items classified as capital leases, are projected to total $139 million (Company's share - $61 million).

CAPITALIZATION

Long-term debt of the Company consists of $70.0 million of senior unsecured notes payable to an insurance company group. The notes bear a fixed interest rate of 7.0 percent and are scheduled to be repaid with a single principal payment in December, 2005. During the quarter, the Company extended the maturity of the $100 million revolving credit agreement from March 1, 2002 to May 31, 2003. No borrowings are outstanding under this agreement. The Company was in compliance with all financial covenants and restrictions of the agreements.

The fair value of the Company's long-term debt (which had a carrying value of $70.0 million) at June 30, 1998, was estimated at $71.7 million based on a discounted cash flow analysis and estimates of current borrowing rates.

Following is a summary of common shares outstanding:

	1998	1997	1996
March 31	11,344,605	11,377,322	11,832,767
June 30	11,322,047	11,374,448	11,614,517
September 30		11,379,357	11,367,717
December 31		11,308,914	11,369,717

Under the Company's program to repurchase up to 1.5 million of its Common Shares in the open market or in negotiated transactions, the Company has repurchased 953,400 Common Shares through June 30, 1998, at a total cost of $38.4 million, including 60,000 Common Shares repurchased in the first half of 1998, at a total cost of $3.2 million.

FERROUS METALLICS DEVELOPMENTS

While good progress is being made on construction of the Company's hot-briquetted iron venture project in Trinidad and Tobago with LTV Corporation and Lurgi AG, exceptionally rainy weather over the last few months and other construction difficulties have caused delays. Construction of the Cliffs and Associates Limited facilities is now projected to be completed late in 1998, with commissioning and initial production to follow. Operations planning and employee training activities are well advanced in preparation for the plant commissioning. The project will operate on a planned start-up curve and is expected to achieve its design capacity rate of 500,000 metric tons per year in mid-1999. The Company's cumulative investment totals $67.2 million as of June 30, 1998. Market prices for ferrous metallics products are currently depressed as a result of Asian imports. While it is difficult to project how long prices will remain depressed, the project is expected to be profitable even at current price levels. A decision by the owners of Cliffs and Associates Limited to expand could be made by the end of 1999 depending on market factors.

An investment in a plant to produce 700,000 metric tons annually of a premium grade pig iron at the Company's wholly-owned Northshore Mine in Silver Bay, Minnesota is being evaluated. Uncertainties concerning environmental permitting and other matters have delayed a decision on this project.

The Company continues to consider other investment alternatives, both domestically and internationally, in the iron ore and ferrous metallics business.

TILDEN MINE KILN OUTAGE

Welding repairs on one of the mine's two pelletizing kilns were completed earlier than expected, and the kiln was put back in service on April 9. Production at the Tilden Mine for the full year is now expected to be 6.8 million tons. Expected production of 6.8 million tons is .8 million tons, or 13 percent, above 1997 production. The Company's share of the kiln repair costs, $.6 million, was recorded in the first quarter.

COAL RETIREES

Through June 30, 1998, payments covering over 300 beneficiaries have been made to the UMWA Combined Benefit Fund as required by the Coal Industry Retiree Health Benefit Act of 1992 ("Act"). Over 20 percent of these beneficiaries are from former coal operations which ceased operations as signatories to the UMWA contract prior to when coal wage agreements contained any provisions that could be construed as promising or implying that health benefits would be provided for life. Based on a recent U.S. Supreme Court decision in EASTERN ENTERPRISES V. APFEL, premium payments on these beneficiaries have been discontinued and a refund requested for previous payments. Although the Act provides for substantial penalties for non-payment of premiums, management believes that the Company's actions, in light of EASTERN ENTERPRISES V. APFEL, would not subject the Company to such penalties.

OUTLOOK

Most steel industry analysts are projecting a continuation of relatively high operating rates for steel producers in the United States and Canada for the second half of 1998 and into 1999 despite increasing concerns about Asian and other steel imports. For the full year 1998, the six mines are expected to produce a record 40.5 million tons, with the Company's share being a record 11.4 million tons. In 1997, the mines produced 39.6 million tons, with the Company's share being 10.9 million tons. The increases in 1998 are mainly due to higher scheduled production at the Tilden Mine. The Company's managed mines are currently expected to operate at capacity levels in 1999, with pellet production nearing 42 million tons. The Company's share of 1999 production at capacity levels would be 11.8 million tons.

Ore sales for the full year 1998 are projected at 12.5 million tons, 2.1 million tons higher than 1997. Sales at the projected 12.5 million ton level are possible by reducing inventories to a minimum level and by purchasing ore for resale.

YEAR 2000 TECHNOLOGY

The Company continues its identification and assessment of various areas of risk and implementation of strategies to resolve the year 2000 technology issue. A substantial portion of year 2000 information technology compliance will be achieved as a result of the Company's Information Technology Plan ("IT Plan"). Implementation of the IT Plan is estimated to cost approximately $25 million for the Company and associated ventures, $17 million of which is projected to be classified as capital expenditures and $8 million charged to operations (Company's share $6.9 million total; $4.6 million capital, $2.3 million operating). Since implementation and through June 30, 1998, $7.6 million (Company's share - $2.1 million) was expended with $3.3 million (Company's share $.9 million) charged to operations as incurred. Project completion is expected in the third quarter of 1999. The Company is charging to operations current state assessment, process re-engineering, and training costs associated with the IT Plan. In addition to the IT Plan, a year 2000 compliance program has been initiated to identify, assess and mitigate the impact of the date change on systems not covered by the IT Plan. The incremental expense of achieving year 2000 compliance on systems not covered by the IT Plan is estimated to be $2 million for the Company and its ventures. Completion of this program is targeted for mid-1999. Year 2000 compliance is not expected to have a material adverse impact on the operations of the Company.

FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements. In addition to historical information, this report contains forward-looking statements that are subject to risks and uncertainties that could cause future results to differ materially from expected results. Such statements are based on management's beliefs and assumptions made on information currently available to it.

The Company's primary business is the production and sale of iron ore pellets, which is subject to the cyclical nature of the integrated steel industry. Factors that could cause the Company's actual results to be materially different from projected results include the following:

- Changes in the financial condition of integrated steel company partners and customers. The potential financial failure and shutdown of one or more significant customers or partners without mitigation could represent a significant adverse development;

- Domestic or international economic and political conditions;

- Unanticipated geological conditions or ore processing changes;

- Substantial changes in imports of steel or iron ore;

- Development of alternative steel-making technologies;

- Displacement of integrated steel production by electric furnace production;

- Displacement of steel by competitive materials;

- Energy costs and availability;

- Shortage of available process water due to drought;

- Difficulties or delays in achieving Year 2000 compliance, including the availability and cost of trained personnel, the ability to locate and correct system codes, and similar uncertainties;

- Major equipment failure, availability, and magnitude and duration of repairs;

- Labor contract negotiations;

- Changes in tax laws directly affecting mineral exploration and development;

- Changes in laws, regulations or enforcement practices governing environmental site remediation requirements and the technology available to complete required remediation. Additionally, the impact of inflation, the identification and financial condition of other responsible parties, as well as the number of sites and quantity and type of material to be removed, may significantly affect estimated environmental remediation liabilities;

- Changes in laws, regulations or enforcement practices governing compliance with environmental and safety standards at operating locations; and,

- Accounting principle or policy changes by the Financial Accounting Standards Board or the Securities and Exchange Commission.

Additionally, the Company's projection of construction cost, start-up date, production rate and profitability for the Trinidad reduced iron project could change due to the following inherent uncertainties:

- Construction delays;

- Changes in product pricing and demand;

- Process difficulties; and

- Cost and availability of key components of production.

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.

PART II - OTHER INFORMATION

Item 4. Submission of Matters to Vote of Security Holders

The Company's Annual Meeting of Shareholders was held on May 12, 1998. 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 public accountants. In the election of Directors, all 12 nominees named in the Company's Proxy Statement, dated March 23, 1998, 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	9,817,222	11,143
Ronald C. Cambre	9,816,472	11,893
Robert S. Colman	9,815,985	12,380
James D. Ireland III	9,815,705	12,660
G. Frank Joklik	9,815,467	12,898
Leslie L. Kanuk	9,815,344	13,021
Francis R. McAllister	9,816,722	11,643
M. Thomas Moore	9,815,999	12,366
John C. Morley	9,816,403	11,962
Stephen B. Oresman	9,815,639	12,726
Alan Schwartz	9,814,885	13,480
Alton W. Whitehouse	9,814,685	13,680

Votes cast in person and by proxy at such meeting for and against the adoption of the proposal to ratify the appointment of the firm of Ernst & Young LLP, independent public accountants, to examine the books of account and other records of the Company and its consolidated subsidiaries for the year 1998 were as follows: 9,809,193 Common Shares were cast for the adoption of the proposal; 6,535 Common Shares were cast against the adoption of the proposal; and 12,637 Common Shares abstained from voting on the proposal.

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

Item 6. Exhibits and Reports on Form 8-K

(a) List of Exhibits - Refer to Exhibit Index on page 16.
(b) There were no reports on Form 8-K filed during the three months ended June 30, 1998.

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 August 12, 1998

By /s/ C. B. Bezik

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

EXHIBIT INDEX

Exhibit Number	Exhibit	
4(a)	Amendment, dated as of June 1, 1998, to the Credit Agreement dated as of March 1, 1995, as amended, among Cleveland-Cliffs Inc, the financial institutions named therein, and The Chase Manhattan Bank, as Agent.	Filed Herewith
27	Consolidated Financial Data Schedule submitted for Securities and Exchange Commission information only:	
27.1	June 30, 1998	--
27.2	June 30, 1997	--
99(a)	Cleveland-Cliffs Inc News Release published on July 22, 1998, with respect to 1998 second quarter earnings and 1998 first-half earnings.	Filed Herewith

Exhibit 4 (a)

EXECUTION COPY

AMENDMENT dated as of June 1, 1998, to the Credit Agreement dated as of March 1, 1995, as previously amended (the "Agreement"), among CLEVELAND-CLIFFS INC, an Ohio corporation (the "Borrower"), the financial institutions party to such Agreement (the "Banks") and THE CHASE MANHATTAN BANK, a New York banking corporation, as agent for the Banks (in such capacity, the "Agent").

The Borrower has requested that the Banks extend the maturity of the credit facility provided for in the Agreement, and the Banks are willing to extend their Commitments under the Agreement as provided herein. Accordingly, in consideration of the mutual agreements herein contained and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties hereto hereby agree as follows:

SECTION 1. DEFINITIONS. Capitalized terms used and not otherwise defined herein shall have the meanings assigned to them in the Agreement (the Agreement, as amended by and together with this Amendment, and as hereafter amended, modified, extended or restated from time to time, being called the "Amended Agreement").

SECTION 2. AMENDMENT. The definition of "Maturity Date" in
Section 1.01 of the Agreement is hereby amended, as of the Effective Date (as defined in Section 4 herein), to read in its entirety as follows:

"MATURITY DATE" shall mean May 31, 2003.

SECTION 3. REPRESENTATIONS AND WARRANTIES. (a) The Borrower hereby represents and warrants to each of the Banks, on and as of the date hereof, and then again represents and warrants to each of the Banks on and as of the Effective Date, that:

(i) This Amendment has been duly authorized, executed and delivered by the Borrower, and each of this Amendment and the Amended Agreement constitutes a legal, valid and binding obligation of the Borrower, enforceable in accordance with its terms.

(ii) The representations and warranties set forth in Article III of the Amended Agreement are true and correct in all material respects with the same effect as if made on and as of the date hereof and on and as of the Effective Date, after giving effect to this Amendment.

(iii) No Event of Default or event which upon notice or lapse of time or both would constitute an Event of Default has occurred and is continuing.

(b) If any representation or warranty made by the Borrower pursuant to the preceding paragraph (a) shall prove to have been incorrect in any material respect when made, then an Event of Default shall be deemed to have occurred under item (a) of Article VII of the Amended Agreement.

SECTION 4. CONDITIONS TO EFFECTIVENESS. This Amendment shall become effective only upon satisfaction in full, on or prior to June 1, 1998, of the following conditions precedent (such date, in the event that each of such conditions has been satisfied, being herein called the "Effective Date"):

(a) The Agent shall have received duly executed counterparts of this Amendment which, when taken together, bear the authorized signatures of the Borrower, each of the Banks and the Agent.

(b) The Agent shall have received a certificate dated the Effective Date and signed by a Responsible Officer, confirming the representations and warranties set forth in paragraph (a) of Section 2 above.

(c) The Agent shall have received such evidence of the authority of the Borrower to execute, deliver and perform this Amendment as the Agent or its counsel shall reasonably have requested.

SECTION 5. APPLICABLE LAW. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 6. COUNTERPARTS. This Amendment may be executed in any number of counterparts, each of which shall constitute an original but all of which when taken together shall constitute but one agreement. Counterparts of this Amendment may be delivered via telecopy transmission with the same effect as the delivery of a manually executed counterpart.

SECTION 7. EXPENSES. The Borrower shall pay all reasonable out-of-pocket expenses incurred by the Agent in connection with the preparation, execution and delivery of this Amendment, including but not limited to the reasonable fees, charges and disbursements of Cravath, Swaine & Moore, counsel for the Agent.

SECTION 8. AGREEMENT. Except as specifically amended or modified hereby, the Agreement shall continue in full force and effect in accordance with the provisions thereof. As used therein, the terms "Agreement", "herein", "hereunder", "hereinafter", "hereto", "hereof" and words of similar import shall, unless the context otherwise requires, refer to the Amended Agreement. This Amendment shall not be construed to affect interest or fees accrued prior to the Effective Date, and amendments herein affecting interest rates and fees shall apply only to interest and fees accruing on and after the Effective Date.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their duly authorized officers, all as of the date first above written.

CLEVELAND-CLIFFS INC,

by /s/ C. B. Bezik
Name: C. B. Bezik
Title: Senior Vice President - Finance

THE CHASE MANHATTAN BANK,
individually and as agent,

by /s/ James H. Ramage
Name: James H. Ramage
Title: Vice President

HUNTINGTON NATIONAL BANK,

by /s/ Timothy M. Ward
Name: Timothy M. Ward
Title: AVP

NBD BANK,

by /s/ Winifred S. Pinet

Name: Winifred S. Pinet
Title: First Vice President

NATIONAL CITY BANK,

by /s/ Terri L. Cable

Name: Terri L. Cable
Title: Sr. Vice President

PNC BANK, N.A.,

by /s/ Mark W. Rutherford

Name: Mark W. Rutherford
Title: Vice President

KEYBANK NATIONAL ASSOCIATION fka SOCIETY NATIONAL BANK,

by /s/ Thomas A. Crandell

Name: Thomas A. Crandell
Title: Vice President

ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM STATEMENTS OF CONSOLIDATED INCOME, CONSOLIDATED FINANCIAL POSITION AND COMPUTATION OF EARNINGS PER SHARE AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

CIK: 0000764065

NAME: CLEVELAND CLIFFS INC

MULTIPLIER: 1,000,000

PERIOD TYPE	6 MOS
FISCAL YEAR END	DEC 31 1998
PERIOD START	JAN 01 1998
PERIOD END	JUN 30 1998
CASH	72
SECURITIES	0
RECEIVABLES	73
ALLOWANCES	1
INVENTORY	87
CURRENT ASSETS	249
PP&E	193
DEPRECIATION	58
TOTAL ASSETS	691
CURRENT LIABILITIES	78
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	17
OTHER SE	399
TOTAL LIABILITY AND EQUITY	691
SALES	170
TOTAL REVENUES	195
CGS	157
TOTAL COSTS	167
OTHER EXPENSES	5
LOSS PROVISION	0
INTEREST EXPENSE	0
INCOME PRETAX	23
INCOME TAX	6
INCOME CONTINUING	17
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	17
EPS PRIMARY	1.53
EPS DILUTED	1.52

ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE STATEMENTS OF CONSOLIDATED INCOME, CONSOLIDATED FINANCIAL POSITION AND COMPUTATION OF EARNINGS PER SHARE AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

CIK: 0000764065

NAME: CLEVELAND CLIFFS INC

MULTIPLIER: 1,000,000

PERIOD TYPE	6 MOS
FISCAL YEAR END	DEC 31 1997
PERIOD START	JAN 01 1997
PERIOD END	JUN 30 1997
CASH	62
SECURITIES	0
RECEIVABLES	62
ALLOWANCES	1
INVENTORY	107
CURRENT ASSETS	249
PP&E	272
DEPRECIATION	143
TOTAL ASSETS	655
CURRENT LIABILITIES	81
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	17
OTHER SE	362
TOTAL LIABILITY AND EQUITY	655
SALES	123
TOTAL REVENUES	153
CGS	117
TOTAL COSTS	124
OTHER EXPENSES	3
LOSS PROVISION	0
INTEREST EXPENSE	2
INCOME PRETAX	24
INCOME TAX	8
INCOME CONTINUING	16
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	16
EPS PRIMARY	1.40
EPS DILUTED	1.39

NEWS RELEASE Exhibit 99(a)

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

**CLEVELAND-CLIFFS REPORTS
A 67 PERCENT INCREASE IN
SECOND QUARTER EARNINGS**

CLEVELAND, OH - July 22, 1998 - Cleveland-Cliffs Inc (NYSE:CLF) today reported 1998 second quarter earnings of $16.9 million, or $1.48 per diluted share, and 1998 first-half earnings of $17.4 million, or $1.52 per diluted share. Comparable earnings, before special items, in 1997 were $10.1 million, or $.88 per diluted share, in the second quarter, and $13.1 million, or $1.14 per diluted share, in the first-half. Net income for both 1997 periods included an after-tax credit of $2.8 million resulting from the reversal of an excess accrual for closedown obligations of the Savage River Mine in Australia that were recorded prior to 1997.

Following is a summary of results:

	(In Millions, Except Per Share)			
	Second Quarter		First-Half	
	1998	1997	1998	1997
Income Before Special Items:				
Amount	$16.9	$10.1	$17.4	$13.1
Per Share (Basic)	1.49	.89	1.53	1.15
Per Share (Diluted)	1.48	.88	1.52	1.14
Special Items:				
Amount	--	2.8	--	2.8
Per Share (Basic)	--	.25	--	.25
Per Share (Diluted)	--	.25	--	.25
Net Income:				
Amount	16.9	12.9	17.4	15.9
Per Share (Basic)	1.49	1.14	1.53	1.40
Per Share (Diluted)	1.48	1.13	1.52	1.39

The $6.8 million, or 67 percent, increase in second quarter earnings before special items was mainly due to higher North American sales volume and price realization, lower interest expense, and a lower effective tax rate, partially offset by higher administrative and reduced iron development expenses and lower investment income.

The $4.3 million increase in first-half earnings before special items was principally due to higher North American sales volume and price realization, lower interest expense, and a lower effective tax rate, partially offset by the termination of Savage River operations, higher administrative and reduced iron development expenses and lower investment income. Savage River, which produced its last iron ore pellets in December, 1996, earned $2.4 million in the first half of 1997 on sales of its remaining inventory.

Cliffs' North American iron ore pellet sales in the second quarter of 1998 were a record 3.9 million tons, a 39 percent increase from the 2.8 million tons sold in the second quarter of 1997. First-half sales of 4.6 million tons were also a record and 48 percent higher than the 3.1 million tons sold in the first half of 1997.

John S. Brinzo, Cliffs' president and chief executive officer, said, "While increasing Asian steel imports and the General Motors strike are impacting our customers and partners to varying degrees, we expect steel production in the United States and Canada to remain strong for the remainder of 1998. We expect our iron ore sales volume will approximate 12.5 million tons for 1998, an increase of 500,000 tons from our previous estimate and 1.0 million tons higher than our projection at the beginning of the year. This would establish a new record, 20 percent higher than 1997 and 1.5 million tons greater than the previous record set in 1996. Sales at the 12.5 million ton level are possible by reducing inventories to a minimum level and by purchasing ore for resale."

Administrative expenses increased by $1.4 million in the second quarter of 1998 versus 1997 and $2.4 million in the first-half of 1998 versus 1997 principally due to the cost of Performance Share grants, a key component of senior management compensation. Lower investment income in the second quarter and first-half reflects reduced cash balances in 1998, while lower interest expense in both periods results from increased capitalization of interest on Cliffs' share of construction costs on the Cliffs and Associates Limited reduced iron project. Other expenses were up in both periods due to increased costs of reduced iron and international development activities.

Cliffs-managed mines produced 10.0 million tons in the second quarter of 1998 compared with 9.6 million tons in 1997. First-half production was 19.4 million tons, up from 19.2 million tons in 1997. For the full year 1998, the six mines are expected to produce a record 40.5 million tons, with Cliffs' share being a record 11.4 million tons. In 1997, the mines produced 39.6 million tons, with Cliffs' share being 10.9 million tons. The increases in 1998 are mainly due to higher scheduled production at the Tilden Mine.

The Empire and Tilden Mines in Michigan have experienced some electric power interruptions this summer, and there is a risk of further curtailments and production losses at these mines under interruptible power contracts with Wisconsin Electric Power Company. We are working closely with Wisconsin Electric to minimize disruptions. The power situation at the other mines is also being closely monitored. Cliffs' wholly-owned Northshore Mine and Cliffs-managed LTV Steel Mining Company operate their own power facilities and sell excess power capacity.

Ferrous Metallics Activities

* CLIFFS AND ASSOCIATES LIMITED ("CAL") - While good progress is being made on construction of our hot-briquetted iron venture project in Trinidad and Tobago with LTV Corporation and Lurgi AG, exceptionally rainy weather over the last few months and other construction difficulties have caused delays. We are now projecting that construction of the CAL facilities will be completed late in 1998, with commissioning and initial production to follow. Operations planning and employee training activities are well advanced in preparation for the plant commissioning. CAL will operate on a planned start-up curve and is expected to achieve its design capacity rate of 500,000 metric tons per year in mid-1999. Project costs are tracking the budget, with Cliffs' cumulative investment totaling $67.2 million as of June 30, 1998.

CAL is expected to produce a premium quality briquetted product and have a highly competitive cost position. Market prices for ferrous metallics products are currently depressed as a result of Asian producers marketing pig iron into the U.S. at very low prices. While it is difficult to project how long prices will remain depressed, CAL is expected to be profitable even at current price levels.

The project, which will be the first to use Lurgi's Circored(R) technology to produce briquettes containing nearly 95 percent iron, has significant expansion potential. The first expansion would likely be for an additional 1.0 million tons, increasing total capacity to 1.5 million tons, and would be project financed. A decision to expand could be made by the end of 1999 depending on market factors.

* NORTHSHORE "REDSMELT" PIG IRON PROJECT - We continue to evaluate an investment in a plant to produce 700,000 metric tons annually of a premium grade pig iron at Cliffs' wholly-owned Northshore Mine in Silver Bay, Minnesota. Although we had expected to make a decision on this project early in the third quarter of 1998, uncertainties concerning environmental permitting and other matters have delayed the decision. We expect that we will resolve the remaining issues and make a decision on whether or not to proceed by the end of 1998.

The plant would employ the "Redsmelt" process developed by Mannesmann Demag that combines the technologies of a rotary reduction furnace, using coal as the reductant fuel, and a submerged arc furnace. The Northshore Mine, which is one of the low cost pellet producers in North America, has excess concentrate capacity for feed to the pig iron facility and would enjoy a highly competitive cost position.

Outlook

Commenting on Cliffs' outlook, Mr. Brinzo said, "We are cautiously optimistic about the balance of 1998 and 1999 recognizing that increasing steel imports could adversely impact our steel company partners and customers." Most steel industry analysts are projecting a continuation of relatively high operating rates for steel producers in the United States and Canada into 1999 despite increasing concerns about Asian steel imports. Based on the strength of the steel outlook, Cliffs-managed mines are expected to operate at capacity levels in 1999, with pellet production nearing 42 million tons. Production at this level, which includes expansion of Tilden Mine capacity to 7.8 million tons, would set a new record, surpassing the 40.5 million tons projected for 1998. Cliffs' share of 1999 production at capacity levels would be 11.8 million tons.

Mr. Brinzo further commented, "Although we have some concerns about the business outlook, we believe we are well positioned due to the fundamental strength of our business, our strong financial condition, and the potential for our ferrous metallics and international growth initiatives."

* * *

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 six iron ore mines in North America and hold equity interests in five of the mines. Cliffs has a major iron ore reserve position in the United States, is a substantial iron ore merchant, and is constructing a joint venture plant in Trinidad to produce high-quality iron briquettes.

This news release contains forward-looking statements regarding iron ore production and sales volume which reflect forecasts of activity in the steel and iron ore industries. Actual production and sales volume could differ significantly from current expectations due to inherent risks such as lower steel and iron ore demand, higher steel imports, production losses due to power curtailments, or other factors. This news release also contains a projection of the start-up, production rate, and profitability of the Cliffs and Associates Limited project which could change due to inherent risks such as construction delays, process difficulties, product pricing, or other factors. Although the Company believes that the forward-looking statements are based on reasonable assumptions, such statements are subject to risks and uncertainties which could cause actual results to differ materially.

Contacts: Media: David L. Gardner, (216) 694-5407

Financial Community: Fred B. Rice, (800) 214-0739 or (216) 694-5459

To obtain faxed copies of Cleveland-Cliffs Inc news releases dial 1-800-778-3888. News releases and other information on the Company are available on the Internet at
http://www.businesswire.com/cnn/clf.htm

CLEVELAND-CLIFFS INC

STATEMENT OF CONSOLIDATED INCOME

(In Millions Except Per Share Amounts)	Three Months Ended June 30 1998	Three Months Ended June 30 1997	Six Months Ended June 30 1998	Six Months Ended June 30 1997
REVENUES				
Product sales and services	$ 143.2	$ 102.7	$ 170.4	$ 123.2
Royalties and management fees	12.9	12.4	21.3	20.7
Total Operating Revenues	156.1	115.1	191.7	143.9
Investment income (securities)	.8	1.2	2.2	3.4
Recovery of excess closedown provision	-	4.3	-	4.3
Other income	1.0	1.5	1.8	1.8
TOTAL REVENUES	157.9	122.1	195.7	153.4
COSTS AND EXPENSES				
Cost of goods sold and operating expenses	127.2	96.1	157.3	117.1
Administrative, selling and general expenses	4.9	3.5	9.6	7.2
Interest expense	.1	.8	.3	1.7
Other expenses	2.9	2.2	5.0	3.5
TOTAL COSTS AND EXPENSES	135.1	102.6	172.2	129.5
INCOME BEFORE INCOME TAXES	22.8	19.5	23.5	23.9
INCOME TAXES				
Currently payable	3.4	2.7	3.5	3.3
Deferred	2.5	3.9	2.6	4.7
TOTAL INCOME TAXES	5.9	6.6	6.1	8.0
NET INCOME	$ 16.9	$ 12.9	$ 17.4	$ 15.9
NET INCOME PER COMMON SHARE				
Basic	$ 1.49	$ 1.14	$ 1.53	$ 1.40
Diluted	$ 1.48	$ 1.13	$ 1.52	$ 1.39
AVERAGE NUMBER OF SHARES				
Basic	11.3	11.4	11.3	11.4
Diluted	11.4	11.4	11.4	11.4

CLEVELAND-CLIFFS INC

STATEMENT OF CONSOLIDATED CASH FLOWS

(In Millions, Brackets Indicate Decrease in Cash)	Three Months Ended June 30 1998	Three Months Ended June 30 1997	Six Months Ended June 30 1998	Six Months Ended June 30 1997
OPERATING ACTIVITIES				
Net income	$ 16.9	$ 12.9	$ 17.4	$ 15.9
Depreciation and amortization:				
Consolidated	2.2	1.8	4.3	3.5
Share of associated companies	3.2	3.2	6.3	6.0
Decrease in Savage River closedown reserve	-	(6.8)	-	(16.1)
Provision for deferred income taxes	2.5	4.0	2.6	4.8
Other	1.3	(1.4)	(2.3)	.6
Total Before Changes in Operating Assets and Liabilities	26.1	13.7	28.3	14.7
Changes in operating assets and liabilities	3.7	(36.8)	(42.7)	(75.3)
NET CASH FROM (USED BY) OPERATING ACTIVITIES	29.8	(23.1)	(14.4)	(60.6)
INVESTING ACTIVITIES				
Purchase of property, plant and equipment:				
Consolidated	(3.8)	(1.9)	(6.1)	(5.0)
Share of associated companies	(6.6)	(8.9)	(13.8)	(19.2)
Purchase of Wabush interest	-	(15.0)	-	(15.0)
Other	-	2.5	1.3	4.8
NET CASH (USED BY) INVESTING ACTIVITIES	(10.4)	(23.3)	(18.6)	(34.4)
FINANCING ACTIVITIES				
Dividends	(4.3)	(3.7)	(8.0)	(7.4)
Repurchases of Common Shares	(2.0)	-	(3.2)	(1.7)
NET CASH (USED BY) FINANCING ACTIVITIES	(6.3)	(3.7)	(11.2)	(9.1)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	-	.2	-	.2
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ 13.1	$ (49.9)	$ (44.2)	$ (103.9)

STATEMENT OF CONSOLIDATED FINANCIAL POSITION

	(In Millions)			
ASSETS	June 30 1998	Mar. 31 1998	Dec. 31 1997	June 30 1997
CURRENT ASSETS				
Cash and cash equivalents	$ 71.7	$ 58.6	$ 115.9	$ 61.5
Accounts receivable - net	73.2	45.2	73.4	61.8
Inventories	87.5	118.7	61.4	107.3
Other	16.6	14.4	15.1	18.1
TOTAL CURRENT ASSETS	249.0	236.9	265.8	248.7
PROPERTIES - NET	134.6	132.6	134.0	129.4
INVESTMENTS IN ASSOCIATED COMPANIES	225.9	222.3	218.3	196.4
OTHER ASSETS	81.1	82.8	76.2	80.2
TOTAL ASSETS	$ 690.6	$ 674.6	$ 694.3	$ 654.7
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES	$ 78.0	$ 72.2	$ 91.8	$ 81.2
LONG-TERM OBLIGATIONS	70.0	70.0	70.0	70.0
POSTEMPLOYMENT BENEFIT LIABILITIES	69.8	69.9	70.1	70.5
OTHER LIABILITIES	56.8	56.6	55.0	54.4
SHAREHOLDERS' EQUITY	416.0	405.9	407.4	378.6
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 690.6	$ 674.6	$ 694.3	$ 654.7

Unaudited Financial Statements

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.