

# CLIFFS NATURAL RESOURCES INC.

## FORM 8-K (Current report filing)

Filed 04/27/06 for the Period Ending 04/27/06

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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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of Earliest Event Reported):

April 27, 2006

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)

(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

Not Applicable

Former name or former address, if changed since last report

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 7.01 Regulation FD Disclosure.**

On April 27, 2006, Portman Limited ("Portman") filed with the Australian Stock Exchange its "Quarterly Report for the Period Ended March 31, 2006." The First Quarter Report is contained in Item 9.01 as exhibit 99(a) on Form 8-K and is incorporated into this Item 7.01 by reference. The information on this Form 8-K shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act") or incorporated by reference in any filing under the Securities Act of 1933, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

**Item 9.01 Financial Statements and Exhibits.**

(c) Exhibits

99(a) First Quarter Report 2006 for Portman for the period ended March 31, 2006 filed with the Australian Stock Exchange on April 27, 2006

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**SIGNATURES**

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.

*April 27, 2006*

Cleveland-Cliffs Inc

By: *George W. Hawk, Jr.*

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*Name: George W. Hawk, Jr.*

*Title: General Counsel and Secretary*

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Exhibit Index

<u>Exhibit No.</u>	<u>Description</u>
99.(a)	First Quarter Report 2006 for Portman for the period ended March 31, 2006 filed with the Australian Stock Exchange on April 27, 2006

**P**

**Portman**

**Limited**

ABN 22-007 871 892

27 April 2006

Level 11  
The Quadrant  
1 William Street  
Perth 6000  
Western Australia  
GPO Box W2017  
Perth, 6001  
Tel: 61 8 9426  
333  
Fax 61 8 9426  
3344

**(9 pages in total)**

The Announcements Officer  
Australian Stock Exchange (Sydney) Limited  
Level 10  
20 Bond Street  
SYDNEY NSW 2001

**Electronically Lodged**

Dear Sir

**QUARTERLY REPORT FOR THE PERIOD ENDED 31 MARCH 2006**

Please find attached Portman's Quarterly Report for the period ended 31 March 2006.

Yours faithfully

/s/ L. A. Kipfstuhl

L. Kipfstuhl  
COMPANY SECRETARY

**PORTMAN LIMITED**

**P**

A.B.N. 22 007 871 892

**QUARTERLY REPORT FOR THE PERIOD ENDED**

**31 MARCH 2006**

## **HIGHLIGHTS**

### **Earnings**

- Net profit \$16.8 million.

### **Marketing**

- Iron ore prices remain under negotiation but continued market tightness for fine ore points to a further increase.

### **Koolyanobbing Project**

- Quarterly shipments totalled 1.311M tonnes.
- All infrastructure associated with the expansion to 8Mtpa is now in place.
- Skills shortages continue to reduce productivity and add to costs.

### **Cockatoo Island Project (100%)**

- Quarterly shipments totalled 305K tonnes.
- Severe weather adversely affected operations during March.

## **PORTMAN LIMITED**

# **P**

**A.B.N. 22 007 871 892**

### **1.0 PORTMAN REPORTS FIRST-QUARTER EARNINGS**

Portman Limited (ASX:PMM) today reported a first-quarter 2006 unaudited net profit of \$16.8 million or 9.6 cents per share (all per-share amounts are “diluted”), versus net profit before transaction costs of \$21.1 million or 12.0 cents per share in 2005. Net profit in 2005 including the transaction costs was \$16.1 million or 9.2 cents per share.

Following is a summary:

	<u>(In Millions Except Per Share)</u>	
	<u>First Quarter</u>	
	<u>2006</u>	<u>2005</u>
Sales Tonnes	1.5	1.4
Sales Revenue	\$84.0	\$71.6
Net profit before transaction costs:		
Amount	\$16.8	\$21.1
Cents per share	9.6	12.0
Expenses related to the transaction after tax:		

Amount		(5.0)
Cents per share		(2.8)
Net profit:		
Amount	<u>\$16.8</u>	<u>\$16.1</u>
Cents per share	<u>9.6</u>	<u>9.2</u>

The decrease in net profit before transaction costs of \$4.3 million was comprised of a \$6.2 million reduction in pre-tax profit, net of \$1.9 million reduction in income taxes. The pre-tax earnings decrease of \$6.2 million was due primarily to increased costs of good sold, \$15.9 million, a mark to market adjustment on hedging of \$3.0 million, exploration expense, \$0.2 million, partially offset by increased revenues of \$12.4 million and reduced corporate overheads \$0.5 million.

- Cost of Goods Sold increased \$15.9 million, primarily due to higher mining costs, \$7.2 million, higher waste removal \$5.2 million and increased rail freight \$2.6 million. Input costs in all areas are being affected by higher fuel costs and labour skills shortage.
- The mark to markets adjustment for the hedge book was unfavourable \$3.0 million, reflecting the March 2006 month end weakness of the Australian dollar.
- Increased exploration expenditures \$0.2 million.
- Sales revenue increased by \$12.4 million, due to the 2005 international ore price increase for the Portman customers with 1 April contract dates, \$16.8 million, higher sales volume in 2006, \$1.3 million, partially offset by exchange rate effects of \$5.7 million.
- Corporate overheads were favourable \$0.5 million, reflecting higher interest income on invested cash and lower staffing.

### Capital Expenditure

The Company's capital expenditure program for 2006 including the completion of the approved expansion to 8 million tonnes per annum and new profit improvement and other sustaining capital items, is estimated to total \$42.8 million, which will be funded from current cash flow. Capital expenditures in 2005 totalled \$76.9 million.

Expenditures on the expansion project are nearing completion and are estimated to be \$19.4 million in 2006 bringing the revised project total to \$87.4 million. Delays caused by shortages of skilled labour, weather and equipment deliveries all contributed to the cost increase of \$8.1 million from the previously reported estimate.

The plant is currently in ramp up mode while punch list items are completed and minor adjustments made. Portman expects to be shipping at the 8.0 million tonne rate in the third quarter.

### Liquidity

At March 31, 2006, Portman had \$57.2 million of cash and cash equivalents. At December 31, 2005, Portman had \$74.5 million of cash and cash equivalents. The \$17.3 million decrease in liquid assets primarily reflected the increased capital expenditures and an increase working capital.

### Outlook

Richard Mehan, Managing Director stated that the delay in completion of the expansion project will reduce Portman's estimated 2006 sales volume to 7.0 million tonnes from the Koolyanobbing Project. "We continue to see the effects of skills shortages and fuel costs on the input costs for our operation. Production costs per tonne are expected to increase approximately 15% from the 2005 cost of sales. The market continues to be strong and we are devoting our efforts towards bringing the new plant into stable operation".



## Accounting Change

In the quarter, Portman changed its accounting policy to expense Exploration Expenditures as incurred. The prior period comparative has been restated as if this policy had applied.

### 2.0 PORTMAN IRON ORE

#### 2.1 Koolyanobbing Project

##### 2.1.1. Production

Production and shipments for the quarter were as follows:

	<u>Actual</u> <u>Mar Qtr 2006</u>	<u>Actual</u> <u>YTD 2006</u>	<u>Actual</u> <u>Mar Qtr 2005</u>
<b>Koolyanobbing Iron Ore Project</b>			
<b>Waste: (bcm)</b>			
Koolyanobbing	474,038	474,038	132,353
Mt Jackson	259,786	259,786	376,264
Windarling	1,582,463	1,582,463	1,111,092
<b>Total Waste</b>	<b>2,316,287</b>	<b>2,316,287</b>	<b>1,619,709</b>
<b>Ore Mined: (wmt)</b>			
Koolyanobbing	283,272	283,272	95,714
Mt Jackson	584,287	584,287	766,028
Windarling	693,441	693,441	620,110
<b>Total Ore Mined</b>	<b>1,561,000</b>	<b>1,561,000</b>	<b>1,481,852</b>
<b>Ore Processed: (wmt)</b>			
Lump	584,974	584,974	722,941
Fines	576,408	576,408	697,361
<b>Total Ore Processed</b>	<b>1,161,382</b>	<b>1,161,382</b>	<b>1,420,302</b>
<b>Ore Railed: (wmt)</b>			
Lump	752,020	752,020	630,116
Fines	572,578	572,578	668,830
<b>Total Ore Railed</b>	<b>1,324,598</b>	<b>1,324,598</b>	<b>1,298,946</b>
<b>Ore Shipped: (wmt)</b>			
Lump	750,480	750,480	654,979
Fines	560,473	560,473	670,331
<b>Total Ore Shipped</b>	<b>1,310,953</b>	<b>1,310,953</b>	<b>1,325,310</b>

##### 2.1.2. Project Development

- Commissioning of the upgraded plant and Koolyanobbing stockpile areas has been completed.
- Production will move to an 8Mtpa rate as quickly as possible.
- Ongoing skills shortages are hampering our ability to maximise production and improve productivity.
- Costs of virtually all inputs to the project continue to rise.

##### 2.1.3. Marketing

The market, particularly for fine ore, remains strong.

Despite controversy over attempts to cap prices in China, another increase is expected.

## 2.2. Cockatoo Island Joint Venture (100%)

### 2.2.1. Production

Production and shipments for the quarter were as follows:

	Actual Mar Qtr 2006	Actual YTD 2006	Actual Mar Qtr 2005
<b>Cockatoo Island Iron Ore Project</b>			
<b>Waste (bcm)</b>	61,296	61,296	139,854
<b>Ore Mined (wmt)</b>	244,156	244,156	244,175
<b>Ore Produced (wmt)</b>	278,566	278,566	247,354
<b>Ore Shipped (wmt)</b>	305,200	305,200	241,527

## 2.3 Exploration

### Summary

The Koolyanobbing, Mt Finnerty and Perrinvale project areas have been the primary focus of exploration activity during the quarter. At the Koolyanobbing project area, infill and step-out reverse circulation drilling comprised a total of 27 drill holes for 2,284 meters during the reporting period. At the Mt Finnerty project area, prospect mapping was completed with initial drilling targets defined. Preliminary reconnaissance mapping of Portman's Perrinvale exploration tenements commenced.

### Koolyanobbing Project Area

Reverse circulation drilling conducted during the 1st quarter, 2006, consisted of the completion of a resource definition program at the F North deposit with 20 holes drilled with the remaining 1<sup>st</sup> quarter drilling at the C deposit where 7 holes were completed.

- The resource definition drilling during the quarter at the F North deposit on the Koolyanobbing Range completes a 76 hole — 5,585 meter program. The F North mineralization consists of narrow discontinuous lenses of bedded goethite-hematite and patches of canga mineralisation. Best assay results for the reporting period consists of 38 meters @ 61.34% Fe, 0.141% P, 0.036% S, 1.72% Al<sub>2</sub>O<sub>3</sub> and 3.70% SiO<sub>2</sub> from 44 meters in drill hole KFRC227, 18 meters @ 59.74% Fe, 0.050% P, 0.032% S, 1.26% Al<sub>2</sub>O<sub>3</sub> and 3.13% SiO<sub>2</sub> from 1 meter depth in drill hole KFRC230, 27 meters @ 61.03% Fe, 0.015% P, 0.061% S, 1.03% Al<sub>2</sub>O<sub>3</sub> and 4.16% SiO<sub>2</sub> from 58 meters in drill hole KFRC231, and 17 meters @ 60.58% Fe, 0.054% P, 0.049% S, 1.33% Al<sub>2</sub>O<sub>3</sub> and 3.31% SiO<sub>2</sub> from 19 meters in drill hole KFRC239. Geologic modelling of the mineralization domains is presently being undertaken with the intent of evaluating F North's potential as a JORC-compliant resource.
- The drilling at the C deposit consists of in-fill drilling to improve the geologic confidence of the inferred portion of the present resource estimate. No assay results from the 1<sup>st</sup> quarter drilling at C were available during the reporting period.
- An update to the W1 geologic model based on 4<sup>th</sup> quarter 2005 drilling of both westerly and easterly extensions to the deposit is near completion. The results of the remodelling will be assessed to determine if an updated

resource estimate is warranted.

### Mt. Finnerty Project Area

The Mt Finnerty project area is located 65 kilometres east of the Koolyanobbing Range and is covered by an iron ore joint venture agreement with Reed Resources executed in the 3<sup>rd</sup> quarter 2005. The geology of the project area consists of the north-westerly trending Watt Hills greenstone belt containing lenses of variably mineralized and lateritised banded iron formation over a 30 kilometre strike length.

During the reporting period prospect definition mapping was conducted resulting in the identification of nine separate outcropping zones of mineralisation that warrant drill testing. A scout drilling program at Mt Finnerty has been formulated consisting of 2 to 3 drill fences per prospect with 2 to 3 holes on each fence, the main objective being determination of the depth extent of the surface-mapped mineralisation. Ground clearance approvals for 8 of the 9 drill prospects have been received with drilling to commence in April.

### Perrinvale Project Area

The Perrinvale project area comprises two Portman exploration licences (E29/565 and E30/291) located approximately 90km west of Menzies. During the period reconnaissance mapping was conducted and 68 outcrop grab samples were collected within the project area. The work focused on north-trending magnetic units highlighted by 200 meter line-spaced aeromagnetic surveys, and areas mapped as BIF in the 1:250,000 government mapping. Most of the work was conducted within E30/291.

Reconnaissance revealed a number of predominantly goethitic mineralised outcrops. The goethite mineralisation noted to date occurs mostly as thin (usually <10m wide) discontinuous lenses up to 400m long. One mineralised lens in the southern portion of E30/291 is approximately 300m long with an average width of about 25 metres.

This initial reconnaissance work is considered encouraging with further reconnaissance planned for the upcoming quarter.

### Exploration Expenditure

	(000's)		
	Mar Qtr 2006	YTD 2006	Mar Qtr 2005
<b>Koolyanobbing Project \$</b>	<u>755</u>	<u>755</u>	<u>649</u>
<b>Cockatoo Island \$</b>	<u>4</u>	<u>4</u>	<u>11</u>

*The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr R G Graber, who is a Member of the American Institute of Professional Geologists (AIPG), a 'Recognised Overseas Professional Organisation' included in a list promulgated by the ASX from time to time. Mr Graber is an employee of Cliffs Reduced Iron Management Company, a subsidiary of Cleveland-Cliffs Inc, and is seconded to the company. Mr Graber has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Graber consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.*

## 3.0 FOREIGN EXCHANGE HEDGING

Total residual foreign exchange cover for the Portman Group at 31 March 2006 was US\$303.5M.

<b>YEAR</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>TOTAL</b>
<b>Face Value US\$M</b>	<u>145.50</u>	<u>105.50</u>	<u>42.50</u>	<u>10.0</u>	<u>303.50</u>
<b>Weighted Avg "Worst" Case Hedge Rate</b>	<u>0.7337</u>	<u>0.7543</u>	<u>0.7429</u>	<u>0.7500</u>	<u>0.7425</u>

Portman Group's current Foreign Exchange Policy, for all hedging, provides for:

- **Up to 12 months maturity:** Uncommitted Hedging: Minimum 50% Maximum 90% of forecast USD sales

Committed Hedging: Maximum 90% of forecast USD sales

- **12 to 24 months maturity:** Uncommitted Hedging: Minimum 25% Maximum 75% of forecast USD sales  
Committed Hedging: Maximum 30% of forecast USD sales
- **24 to 36 months maturity:** Uncommitted Hedging: Minimum 15% Maximum 50% of forecast USD sales  
Committed Hedging: Maximum 15% of forecast USD sales

## **PORTMAN LIMITED**

A.B.N. 22 007 871 892

### **Corporate Information**

#### **Directors**

John Brinzo	Chairman
Richard Mehan	Managing Director/CEO
David Gunning	Director
Donald Gallagher	Director
William Calfee	Director
Michael Perrott	Independent Director
Malcolm Macpherson	Independent Director

#### **Company Secretary**

Leo Kipfstuhl

#### **Registered Office**

Level 11, The Quadrant  
1 William Street  
Perth 6000  
WESTERN AUSTRALIA

Telephone: (08) 9426 3333

Facsimile: (08) 9426 3344

Internet site: [www.portman.com.au](http://www.portman.com.au)

At 31 March 2006 there were 175,690,073 Ordinary shares on issue.

#### **Substantial Shareholders as at 31 March 2006**

Cleveland-Cliffs Australia Pty Ltd

AMP Limited

## **Reporting Calendar**

Anticipated release dates for information in 2006 and other important anticipated dates are as follows:

Annual General Meeting  
June 2006 Quarterly Report  
2006 Half Yearly Report

24 May 2006  
Late July 2006  
Late August 2006