

# CLIFFS NATURAL RESOURCES INC.

## FORM 8-K (Current report filing)

Filed 10/26/06 for the Period Ending 10/26/06

|             |  |
|-------------|--|
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| 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):

October 26, 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 October 26, 2006, Portman Limited ("Portman") filed with the Australian Stock Exchange its Quarterly Report for the period ended September 30, 2006 captioned "Portman Reports Record Third-Quarter Earnings." The third quarter and first nine months report for 2006 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.**

(d) Exhibits

99(a) Portman published a press release captioned, "Portman Reports Record Third-Quarter Earnings," announcing third quarter and first nine months earnings for the period ended June 30, 2006, filed with the Australian Stock Exchange on October 26, 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.

*October 26, 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)             | Portman published a press release captioned, "Portman Reports Record Third-Quarter Earnings," announcing third quarter and first nine months earnings for the period ended September 30, 2006, filed with the Australian Stock Exchange on October 26, 2006 |

# Portman Limited

ACN 007 871 892  
ABN 22 007 871 892

26 October 2006

Level 11  
The Quadrant  
1 William Street  
Perth 6000  
Western Australia  
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**(11 pages in total)**

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

**Electronically Lodged**

Dear Sir

## **NEWS RELEASE**

### **QUARTERLY REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2006**

Please find attached Portman's Quarterly Report for the period ended 30 September 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 30 SEPTEMBER 2006**

## **HIGHLIGHTS**

### **Earnings**

### **Marketing**

Product demand remains strong, supported by record Chinese September iron ore imports.

## Koolyanobbing Project

Steady improvement in processing plant performance closes in on targeted 8Mtpa production rate.

Increase in mine and port stocks to the volumes necessary to sustain optimum 8Mtpa rail and port stockpile position.

New mining equipment mobilised to assist in ramp up of daily material movement at Windarling and Mt Jackson.

## Cockatoo Island Project (100%)

Planned shipments increased to three per month as Stage 2 waste removal is completed and higher capacity mining equipment introduced.

Stage Three Feasibility Study continues with focus on the volume of ore recoverable from various options.

Drilling program confirms orebody for Stage Three subject to geotechnical drilling program.

# PORTMAN LIMITED P

A.B.N. 22 007 871 892

## 1.0 PORTMAN REPORTS RECORD THIRD-QUARTER EARNINGS

Portman Limited (ASX:PMM) today reported third-quarter 2006 unaudited net profit of \$30.3 million or 17.2 cents per share (all per-share amounts are “diluted”), a record, versus net profit before transaction costs of \$25.7 million or 14.7 cents per share in 2005. Net profit for the nine months ended in 2006 was a record \$82.6 million or 47.0 cents per share, versus net profit before transaction costs of \$71.1 million or 40.5 cents per share.

Following is a summary:

|  | (In Millions Except Per Share) |                |                 |                |
|--|--------------------------------|----------------|-----------------|----------------|
|  | Third Quarter                  |                | 9 Months Ending |                |
|  | 2006                           | 2005           | 2006            | 2005           |
| Sales Tonnes                                   | 1.9                            | 1.7            | 5.2             | 4.7            |
| Sales Revenue                                  | \$129.0                        | \$102.1        | \$337.8         | \$261.7        |
| Net profit before transaction costs:           |                                |                |                 |                |
| Amount   | 30.3                           | 25.7           | 82.6            | 71.1           |
| Cents per share                                | 17.2                           | 14.7           | 47.0            | 40.5           |
| Expenses related to the transaction after tax: |                                |                |                 |                |
| Amount   |                                |                |                 | (5.3)          |
| Cents per share                                |                                |                |                 | (3.0)          |
| Net profit:                                    |                                |                |                 |                |
| Amount   | <u>\$ 30.3</u>                 | <u>\$ 25.7</u> | <u>\$ 82.6</u>  | <u>\$ 65.8</u> |
| Cents per share                                | <u>\$ 17.2</u>                 | <u>\$ 14.7</u> | <u>\$ 47.0</u>  | <u>\$ 37.5</u> |

### Third Quarter

The increase in net profit before transaction costs of \$4.6 million was comprised of a \$6.5 million increase in pre-tax profit, net of \$1.9 million increase in income taxes. The pre-tax earnings increase of \$6.5 million was due primarily to increased sales revenue, \$26.9 million, partially offset by increased cost of goods sold \$18.3 million, and increased shipping & selling costs \$3.1 million. The mark to market adjustment for the hedge book was unfavourable \$0.4 million, reflecting the fair value movement in the time value of option based hedges.

- Sales revenue increased by \$26.9 million due to a 19% increase in the 2006 international ore price \$20.9 million, higher sales volume, \$11.9 million, partially offset by exchange rate effects of \$3.7 million and an unfavourable sales

mix of \$2.2 million.

- Cost of goods sold increased \$18.3 million, primarily due to higher waste removal \$6.8 million, unfavourable rise and fall and spending cost \$6.8 million and increased sales volume \$4.7 million.
- Shipping and selling costs increased by \$3.1 million primarily due to increased sales royalties.

### **First 9 Months Ending**

The increase in net profit before transaction costs of \$11.5 million was comprised of a \$16.4 million increase in pre-tax profit, net of \$4.9 million increase in income taxes. The pre-tax earnings increase of \$16.4 million was due primarily to increased sales revenue, \$76.1 million, partially offset by increased cost of goods sold \$54.5 million, and increased shipping & selling costs \$8.3 million. The mark to market adjustment for the hedge book was favourable \$2.6 million.

- Sales revenue increased by \$76.1 million due to a 19% increase in the 2006 international ore price \$60.6 million, higher sales volume, \$27.3 million, partially offset by exchange rate effects of \$11.0 million and an unfavourable sales mix of \$0.8 million.
- Cost of goods sold increased \$54.5 million, primarily due to an unfavourable rise and fall and spending cost \$27.5 million, higher waste removal \$17.9 million and increased sales volumes \$9.1 million.
- Shipping and selling costs increased by \$8.3 million primarily due to increased sales royalties.

### 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 \$38.9 million, which is being funded from current cash flow. Capital expenditures in 2005 totalled \$76.9 million. Minor plant adjustments continue to be made to improve the operation of the expanded plant. Portman expects to be shipping at close to an 8.0 million tonne rate in the fourth quarter.

### Liquidity

At September 30, 2006, Portman had \$99.7 million of cash and cash equivalents and \$5.0 million in held to maturity investments. At December 31, 2005, Portman had \$74.5 million of cash and cash equivalents. The \$30.2 million increase in liquid assets primarily reflects increased sales prices and sales volumes.

### Outlook

Richard Mehan, Managing Director, commented that good system-wide progress toward the stated objective of sustaining an 8Mtpa production rate had occurred during the quarter. We need to continue our focus on improving plant performance while continuing to work on reducing operating costs.

### Accounting Change

Effective 1 January 2006, Portman changed its accounting policy to expense exploration expenditures and deferred waste as incurred. The prior period comparative has been restated as if this policy has applied.

**2.0**

## **PORTMAN IRON ORE**

**2.1 Koolyanobbing Project**

**2.1.1.**

### **Production**

Production and shipments for the quarter were as follows:

**Actual**

**Actual**

**Actual**



|                                       | <u>Sept Qtr 2006</u> | <u>YTD 2006</u>  | <u>Sept Qtr 2005</u> |
|---------------------------------------|----------------------|------------------|----------------------|
| <b>Koolyanobbing Iron Ore Project</b> |                      |                  |                      |
| <b>Waste: (bcm)</b>                   |                      |                  |                      |
| Koolyanobbing                         | 484,113              | 1,470,461        | 412,878              |
| Mt Jackson                            | 344,964              | 933,610          | 366,718              |
| Windarling                            | 2,492,676            | 5,925,719        | 1,500,503            |
| <b>Total Waste</b>                    | <b>3,321,753</b>     | <b>8,329,790</b> | <b>2,280,099</b>     |
| <b>Ore Mined: (wmt)</b>               |                      |                  |                      |
| Koolyanobbing                         | 557,260              | 1,214,702        | 300,374              |
| Mt Jackson                            | 646,880              | 1,939,737        | 697,246              |
| Windarling                            | 657,360              | 2,114,776        | 607,410              |
| <b>Total Ore Mined</b>                | <b>1,861,500</b>     | <b>5,269,215</b> | <b>1,605,030</b>     |
| <b>Ore Processed: (wmt)</b>           |                      |                  |                      |
| Lump                                  | 1,011,664            | 2,586,336        | 785,164              |
| Fines                                 | 881,992              | 2,288,183        | 735,422              |
| <b>Total Ore Processed</b>            | <b>1,893,656</b>     | <b>4,874,519</b> | <b>1,520,586</b>     |
| <b>Ore Railed: (wmt)</b>              |                      |                  |                      |
| Lump                                  | 995,849              | 2,755,635        | 784,748              |
| Fines                                 | 826,795              | 2,156,649        | 740,949              |
| <b>Total Ore Railed</b>               | <b>1,822,644</b>     | <b>4,912,284</b> | <b>1,525,697</b>     |
| <b>Ore Shipped: (wmt)</b>             |                      |                  |                      |
| Lump                                  | 990,519              | 2,533,179        | 819,328              |
| Fines                                 | 744,419              | 2,117,091        | 775,200              |
| <b>Total Ore Shipped</b>              | <b>1,734,938</b>     | <b>4,650,270</b> | <b>1,594,528</b>     |

### 2.1.2. Project Development

- Customers finalised invoices for year to date 2006 shipping, based on the new international benchmark prices.
- Improved plant throughput to 8Mtpa rate by end September on 14 day moving average. As a result mine and port stocks have been lifted to levels required to sustain a 8Mtpa operation.
- Some additional equipment and increased manning being mobilised to lift Windarling / Mt Jackson output to target levels.
- Windarling airstrip operational providing improved fly-in, fly-out capability.
- Increased throughput provides the opportunity to lift fourth quarter sales.
- Port and rail operations were satisfactory during the quarter.

### Cockatoo Island

- All waste from Stages 1 & 2 of the seawall project has been removed. A larger excavator and production drill have commenced operations. Combined with favourable mining conditions, the monthly shipment target has been lifted from 115,000 to 135,000 tonnes per month.
- Feasibility work for a further extension of mining of the main orebody is underway. Evaluation of a Stage 3 mining project east of the existing seawall is underway, together with evaluation of a supplementary sheetpile wall in the Stage 2 pit being able to release additional tonnes for mining.

## 2.2.

### Cockatoo Island Joint Venture (100%)

#### 2.2.1. Production

Production and shipments for the quarter were as follows:

|   | <u>Actual</u><br><u>Sept Qtr 2006</u> | <u>Actual</u><br><u>YTD 2006</u> | <u>Actual</u><br><u>Sept Qtr 2005</u> |
|---|---------------------------------------|----------------------------------|---------------------------------------|
| <u>Cockatoo Island<br/>Iron Ore Project</u> |                                       |                                  |                                       |
| <u>Waste (bcm)</u>                          | <u>45,016</u>                         | <u>184,547</u>                   | <u>135,485</u>                        |
| <u>Ore Mined (wmt)</u>                      | <u>520,974</u>                        | <u>1,098,965</u>                 | <u>292,571</u>                        |
| <u>Ore Produced (wmt)</u>                   | <u>384,091</u>                        | <u>992,752</u>                   | <u>322,187</u>                        |
| <u>Ore Shipped (wmt)</u>                    | <u>408,165</u>                        | <u>1,029,780</u>                 | <u>271,103</u>                        |

#### 2.3 Exploration

##### Summary

The Koolyanobbing, Perrinvale and Cockatoo Island JV project areas have been the focus of exploration and resource estimation activity during the quarter. At the Koolyanobbing project infill and resource definition reverse circulation drilling comprised a total of 49 drill holes for 4,057 metres during the reporting period. Reconnaissance mapping of Portman's Perrinvale exploration tenements progressed during the quarter. At Cockatoo Island a JORC-compliant resource estimate for a proposed Stage 3 development has been completed.

##### Koolyanobbing Project Area

A summary of drilling activity for the quarter is as follows:

| <u>Deposit/Prospect</u> | <u>Drill Type</u>   | <u># of Holes</u> | <u>Metres</u>      |
|-------------------------|---------------------|-------------------|--------------------|
| <u>F</u>                | Reverse Circulation | <u>2</u>          | <u>150</u>         |
| <u>J2</u>               | Reverse Circulation | <u>13</u>         | <u>970</u>         |
| <u>J5</u>               | Reverse Circulation | <u>34</u>         | <u>2937</u>        |
|                         | Diamond             | <u>1</u>          | <u>68</u>          |
|                         | <b>Total</b>        | <b><u>50</u></b>  | <b><u>4125</u></b> |

- The final hole from the 2006 diamond drilling program was completed during the reporting period at the J5 prospect. Metallurgical testing of the PQ-sized drill core is underway.
- Drilling at F deposit consisted of follow-up drilling to confirm the extent of laterite mineralization encountered in a drilling program earlier in the year. Results confirmed mineralization continuity.
- The J2 deposit drilling consisted of in-pit drilling to enhance spatial control for proposed mining advance. Information from these holes will improve detailed mine scheduling.
- The J5 prospect reverse circulation drilling is the initial portion of a resource definition program. Results of this drilling will provide sufficient detail for a JORC-compliant indicated-inferred resource estimate in the 4<sup>th</sup> Quarter 2006.
- Updates of the C, F, J2 and W4 deposit geologic models based on combined 2005-2006 drilling results have been completed. The geologic models have been submitted to Golders & Associates for 4<sup>th</sup> Quarter 2006

## JORC-compliant resource estimation updates.

Highlights of analytical results received during the reporting period include the following significant intercepts:

| <b>F Deposit</b>   |           |           | <b>Fe%</b>   | <b>SiO<sub>2</sub> %</b> | <b>Al<sub>2</sub>O<sub>3</sub> %</b> | <b>P %</b>   | <b>S%</b>    |      |           |        |
|--------------------|-----------|-----------|--------------|--------------------------|--------------------------------------|--------------|--------------|------|-----------|--------|
| <u>KFRC246</u>     | <u>54</u> | metres at | <u>63.89</u> | <u>1.60</u>              | <u>0.43</u>                          | <u>0.012</u> | <u>0.033</u> | from | <u>27</u> | Metres |
| <b>J2 Deposit</b>  |           |           |              |                          |                                      |              |              |      |           |        |
| <u>J2RC053</u>     | <u>43</u> | metres at | <u>61.21</u> | <u>3.03</u>              | <u>2.33</u>                          | <u>0.014</u> | <u>0.103</u> | from | <u>21</u> | Metres |
| <u>J2RC054</u>     | <u>38</u> | metres at | <u>60.47</u> | <u>1.85</u>              | <u>1.62</u>                          | <u>0.013</u> | <u>0.049</u> | from | <u>0</u>  | Metres |
| <u>J2RC055</u>     | <u>38</u> | metres at | <u>60.38</u> | <u>3.07</u>              | <u>2.32</u>                          | <u>0.020</u> | <u>0.037</u> | from | <u>0</u>  | Metres |
|                    | <u>40</u> | metres at | <u>61.90</u> | <u>2.62</u>              | <u>1.47</u>                          | <u>0.008</u> | <u>0.099</u> | from | <u>41</u> | Metres |
| <u>J2RC056</u>     | <u>86</u> | metres at | <u>64.52</u> | <u>0.82</u>              | <u>0.45</u>                          | <u>0.007</u> | <u>0.067</u> | from | <u>0</u>  | Metres |
| <u>J2RC057</u>     | <u>74</u> | metres at | <u>61.66</u> | <u>1.92</u>              | <u>1.31</u>                          | <u>0.016</u> | <u>0.100</u> | from | <u>4</u>  | Metres |
| <u>J2RC058</u>     | <u>30</u> | metres at | <u>62.23</u> | <u>1.62</u>              | <u>0.60</u>                          | <u>0.010</u> | <u>0.009</u> | from | <u>0</u>  | Metres |
| <u>J2RC059</u>     | <u>67</u> | metres at | <u>61.81</u> | <u>2.39</u>              | <u>1.27</u>                          | <u>0.012</u> | <u>0.097</u> | from | <u>0</u>  | Metres |
| <u>J2RC060</u>     | <u>40</u> | metres at | <u>60.79</u> | <u>2.91</u>              | <u>1.89</u>                          | <u>0.147</u> | <u>0.050</u> | from | <u>5</u>  | Metres |
| <u>J2RC061</u>     | <u>66</u> | metres at | <u>61.31</u> | <u>2.04</u>              | <u>1.44</u>                          | <u>0.025</u> | <u>0.082</u> | from | <u>0</u>  | Metres |
| <u>J2RC062</u>     | <u>41</u> | metres at | <u>61.20</u> | <u>2.06</u>              | <u>1.27</u>                          | <u>0.203</u> | <u>0.037</u> | from | <u>0</u>  | Metres |
| <u>J2RC063</u>     | <u>32</u> | metres at | <u>63.26</u> | <u>1.23</u>              | <u>0.50</u>                          | <u>0.107</u> | <u>0.043</u> | from | <u>34</u> | Metres |
| <u>J2RC064</u>     | <u>14</u> | metres at | <u>60.36</u> | <u>3.87</u>              | <u>2.36</u>                          | <u>0.065</u> | <u>0.061</u> | from | <u>0</u>  | Metres |
|                    | <u>23</u> | metres at | <u>60.80</u> | <u>5.91</u>              | <u>0.83</u>                          | <u>0.037</u> | <u>0.223</u> | from | <u>49</u> | Metres |
| <u>J2RC065</u>     | <u>32</u> | metres at | <u>63.87</u> | <u>1.72</u>              | <u>0.95</u>                          | <u>0.083</u> | <u>0.241</u> | from | <u>1</u>  | Metres |
| <b>J5 Prospect</b> |           |           |              |                          |                                      |              |              |      |           |        |
| <u>J5RC048</u>     | <u>14</u> | metres at | <u>61.26</u> | <u>1.09</u>              | <u>0.27</u>                          | <u>0.517</u> | <u>0.039</u> | from | <u>71</u> | Metres |
| <u>J5RC049</u>     | <u>17</u> | metres at | <u>60.89</u> | <u>2.28</u>              | <u>0.84</u>                          | <u>0.297</u> | <u>0.059</u> | from | <u>81</u> | Metres |
| <u>J5RC053</u>     | <u>35</u> | metres at | <u>63.30</u> | <u>2.87</u>              | <u>0.28</u>                          | <u>0.250</u> | <u>0.080</u> | from | <u>55</u> | Metres |
| <u>J5RC055</u>     | <u>17</u> | metres at | <u>65.65</u> | <u>2.23</u>              | <u>0.31</u>                          | <u>0.166</u> | <u>0.012</u> | from | <u>18</u> | Metres |
| <u>J5RC058</u>     | <u>38</u> | metres at | <u>61.56</u> | <u>5.57</u>              | <u>0.88</u>                          | <u>0.203</u> | <u>0.023</u> | from | <u>19</u> | Metres |
| <u>J5RC059</u>     | <u>12</u> | metres at | <u>60.79</u> | <u>3.83</u>              | <u>0.98</u>                          | <u>0.272</u> | <u>0.038</u> | from | <u>56</u> | Metres |
|                    | <u>17</u> | metres at | <u>62.07</u> | <u>3.87</u>              | <u>0.63</u>                          | <u>0.206</u> | <u>0.071</u> | from | <u>82</u> | Metres |

## Perrinvale Project Area

The Perrinvale project area comprises two Portman exploration licences (E29/565 and E30/291) located approximately 90km west of Menzies. Prospect mapping continued in the quarter providing improved definition to previously mapped zones of iron mineralisation with several new zones being delineated. During the reporting period 164 rock chips were collected. The sampling included reconnaissance rock chipping, as well as systematic sampling of significant mineralised zones for future drill hole targeting. Assay results for 112 of the Perrinvale samples returned anomalous values exceeding 50% Fe, with 52 samples returning values greater than 58% Fe. The assays confirmed a number of the mapped mineralised zones warrant follow up RC drilling,

## Project Area

The project area comprises one Portman exploration licence (E77/1143) granted earlier this year on the Johnston Range located approximately 30km north of Portman's Windarling operations. Reconnaissance mapping has revealed several zones of strongly goethitic surface enriched iron formation. A total of 25 rock grab samples have been collected of which 17 assayed >58% Fe. The enrichment has been identified in several intensely dislocated and deformed BIF bands close to a major north-south trending fault. A reconnaissance RC drilling program is being planned to test the depth extent of surface enrichment.

## Cockatoo Island Joint Venture

A resource definition reverse circulation drill program was conducted at Cockatoo Island during the prior quarter consisting of 39 drill holes for 1,608 metres. The results of this program have established the following JORC-compliant *in-situ* resource estimate for a Stage 3 eastern extension of the Seawall Hematite orebody:

| <u>Classification</u> | <u>RL range</u> | <u>M Tonnes</u> | <u>Fe%</u>  | <u>SiO<sub>2</sub> %</u> | <u>Al<sub>2</sub>O<sub>3</sub> %</u> | <u>P%</u>    | <u>S%</u>    |
|-----------------------|-----------------|-----------------|-------------|--------------------------|--------------------------------------|--------------|--------------|
| Indicated             | +4 to -40m      | 5.30            | 69.0        | 0.62                     | 0.32                                 | 0.005        | 0.003        |
| Inferred              | -40 to -50m     | 1.32            | 69.0        | 0.58                     | 0.34                                 | 0.004        | 0.004        |
| <b>Total</b>          |                 | <b>6.62</b>     | <b>69.0</b> | <b>0.61</b>              | <b>0.32</b>                          | <b>0.005</b> | <b>0.003</b> |

The resource estimate has been generated by Portman and represents the tonnage and grade of a 600 metre in-situ extension of the Seawall Hematite unit east of the present Stage 2 development. A 67% Fe cut-off has been applied in the estimate. This eastern extension underlies the present fixed plant infrastructure at Cockatoo. A definitive feasibility study is underway assessing the technical and economic viability of developing the Stage 3 resource.

## Yampi Joint Venture Farm-out

Portman has agreed to farm-out a set of 5 exploration licence applications to Plouton Resources, a registered private Australian company. The applications are distributed over the Collier Bay and Irvine Island areas of the Kimberley. The area was originally targeted by Portman for Cockatoo Island-style iron mineralization. Plouton has been granted the right to obtain a 50% interest in the tenements by bringing the applications to grant and expending \$500,000 in exploration within the next 5 years.

## Exploration Expenditure

|                                  | <u>(000's)</u>       |                 |                      |
|----------------------------------|----------------------|-----------------|----------------------|
|                                  | <u>Sept Qtr 2006</u> | <u>YTD 2006</u> | <u>Sept Qtr 2005</u> |
| <b>Koolyanobbing</b>             |                      |                 |                      |
| <b>Project \$</b>                | 1,248                | 3,386           | 893                  |
| <b>Cockatoo Island (100%) \$</b> | 99                   | 518             | 17                   |

*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 30 September 2006 was US\$281.5M.

| <u>YEAR</u>                                 | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>TOTAL</u> |
|---|-------------|-------------|-------------|-------------|--------------|
| <b>Face Value US\$M</b>                     | 58.50       | 137.50      | 62.50       | 23.00       | 281.50       |
| <b>Weighted Avg "Worst" Case Hedge Rate</b> | 0.7450      | 0.7592      | 0.7529      | 0.7612      | 0.7550       |

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**

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Joseph Carrabba

Richard Mehan

David Gunning

Donald Gallagher

William Calfee

Michael Perrott

Malcolm Macpherson

Chairman

Managing Director/CEO

Director

Director

Director

Independent Director

Independent Director

**Company Secretary**

Leo Kipfstuhl

**Registered Office**

Level 11, The Quadrant

1 William Street

Perth 6000

WESTERN AUSTRALIA

Telephone: (08) 9426 3333

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At 30 September 2006 there were 175,690,073 Ordinary shares on issue.

### **Substantial Shareholders as at 30 September 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:

December 2006 Quarterly Report  
Annual Report

Late January 2007  
Late February 2007