

# CLIFFS NATURAL RESOURCES INC.

## FORM 8-K (Current report filing)

Filed 09/01/06 for the Period Ending 08/30/06

Address	200 PUBLIC SQUARE STE. 3300 CLEVELAND, OH 44114-2315
Telephone	216-694-5700
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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):

August 30, 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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[Top of the Form](#)

**Item 7.01 Regulation FD Disclosure.**

On August 30, 2006, Portman Limited ("Portman") filed with the Australian Stock Exchange its Consolidated Financial Report for the Half Year ended June 30, 2006 ("Report"). The 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 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 Limited filed with the Australian Stock Exchange its Consolidated Financial Report for the Half-Year ended 30 June 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.

*September 1, 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 Limited filed with the Australian Stock Exchange its Consolidated Financial Report for the Half-Year ended 30 June 2006

# Portman Limited

ACN 007 871 892  
ABN 22 007 871 892

30 August 2006

Level 11  
The Quadrant  
1 William Street  
Perth 6000  
Western Australia  
GPO Box W2017  
Perth, 6001  
Tel: 61 8 9426 3333  
Fax: 61 8 9426 3344

(21 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**

### **Consolidated Financial Report for Half Year ended 30 June 2006**

Please find attached Portman Limited's Consolidated Financial Report for the Half Year ended 30 June 2006.

Yours faithfully

/s/ L. A. Kipfstuhl

L. Kipfstuhl  
**COMPANY SECRETARY**

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

### **CONSOLIDATED FINANCIAL REPORT FOR THE HALF-YEAR ENDED 30 JUNE 2006**

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**PORTMAN LIMITED**  
**A.B.N. 22 007 871 892**  
**CORPORATE DIRECTORY**

**REGISTERED OFFICE**

Level 11 The Quadrant  
1 William Street  
Perth Western Australia 6000  
Telephone: 61 8 9426 3333  
Facsimile: 61 8 9426 3344  
Internet: www.portman.com.au

**AUDITORS**

Deloitte Touche Tohmatsu  
Woodside Plaza, Level 14  
240 St Georges Terrace  
Perth WA 6000  
Telephone: 61 8 9365 7000

**BANKERS**

Commonwealth Bank of Australia Limited  
150 St Georges Terrace  
Perth WA 6000  
Telephone: 61 8 9482 6325

**SOLICITORS**

Blake Dawson Waldron  
Exchange Plaza, Level 32  
2 The Esplanade  
PERTH WA 6000  
Telephone: 61 8 9366 8000

**SHARE REGISTRY**

Advanced Share Registry Services  
110 Stirling Highway  
NEDLANDS WA 6009  
Telephone: 61 8 9389 8033

**TREASURY ADVISER**

Oakvale Capital Limited  
Level 3, 50 Colin Street  
WEST PERTH WA 6005  
Telephone: 61 8 9460 5300

**BOARD OF DIRECTORS**

**John S. Brinzo**

Chairman

**Richard R. Mehan**

Managing Director and Chief Executive Officer

**William R. Calfee**

Non-Executive Director

**Donald J. Gallagher**

Non-Executive Director

**David H. Gunning**

Non-Executive Director

**Malcom H. Macpherson**

Non-Executive Director

**Michael D. Perrott**

Non-Executive Director

**SENIOR MANAGEMENT**

**Shigeru Fujikawa**

General Manager - Marketing

**Ron G. Graber**

General Manager - Exploration

**Leo A. Kipfstuhl**

General Manager – Finance & Administration and Company Secretary

**Phil S. Nolan**

General Manager - Operations

**Kevin N. Watters**

General Manager – Projects & Engineering

**PORTMAN LIMITED**  
**A.B.N. 22 007 871 892**  
**HIGHLIGHTS FOR THE HALF-YEAR ENDED 30 JUNE 2006**

**Results for announcement to the market**

	<i>Percentage increase / (decrease) from previous corresponding period</i>	<i>\$ '000</i>
<i>Revenue from ordinary activities</i>	<u>30.9 %</u>	<u>208,776</u>
<i>Profit from ordinary activities after tax attributable to members of the parent entity</i>	30.6 %	52,298
<i>Net profit for the period attributable to members of the parent entity</i>	30.6 %	52,298
<i>Amount per security and franked amount per security of final and interim dividends</i>	N/A	N/A
<i>Record date for determining entitlements to the dividends (if any)</i>	<u>N/A</u>	<u>N/A</u>

**Iron Ore Division**

**Koolyanobbing Project –**

- Plant throughput increasing but still below the 8 Mtpa rate.
- All 8 Mtpa infrastructure complete and commissioned.

- Demand remains extremely strong, especially for fine ore.

### **Cockatoo Island Project -**

- Production proceeding according to plan with an average 2.5 shipments per month.
- Drilling program at eastern end of main pit completed.
- Resource evaluation will precede a decision of construction of a third stage of the sea wall project.

### **Marketing**

Iron ore prices settled at a 19% increase to the benchmark price for lump and fine ore.

### **Corporate**

No dividend has been declared for the first half of 2006.

### **Outlook**

Richard Mehan, Managing Director stated that the delay in completion of the expansion project will reduce Portman's estimated 2006 total sales volume to 7.5 million tonnes. "Cost pressures remain extremely strong. Salaries, fuel, consumables and construction costs are of particular concern. A lack of skilled contractor personnel and a high level of churn in operators and supervisors is hindering Portman's ability to fully utilise infrastructure".

The directors of Portman Limited ("Portman" or "the Company") submit herewith the financial report of Portman Limited and its subsidiaries ("the Consolidated Entity") for the half-year ended 30 June 2006. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

#### **(a) Directors**

The names of the directors of Portman Limited in office during or since the end of the half-year

are:

John S. Brinzo  
Richard R. Mehan  
William R. Calfee  
Donald J. Gallagher  
David H. Gunning  
Malcolm H. Macpherson  
Michael D. Perrott

All directors held office throughout the period.

#### **(b) Auditor's Independence Declaration**

The auditor's independence declaration is included on page 9.

#### **(c) Review of operations**

### **Iron Ore Division**

#### **Koolyanobbing Project Operations January – June 2006**

Mining performance at Windarling/Mt Jackson remains below budget. Maintaining an appropriate level of supervision and skilled operators is proving difficult.



Haulage is proceeding smoothly with all but two of the BGC new road trains now operational. Widening of the haul road is almost complete.

Plant operations continued to improve on both an hourly throughput and tonnes per month basis but remain below an 8 Mtpa rate. Take away rates on the main conveyors from the old section of the plant may require modification.

Meetings have been held with the new above rail operator (Queensland Rail) and track owners (Babcock and Brown Infrastructure). A contract variation for raiing above 6 Mtpa has been concluded with the operator. Rail performance at around 95% is satisfactory.

Production and shipments for the half-year were as follows:

<u>Processed</u>	<u>6 Months Ended</u>		<u>Year Ended 31 December</u>		
	<u>30 June 2006</u>	<u>30 June 2005</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<u>Ore processed (thousand tonnes)</u>	<u>2,981</u>	<u>2,817</u>	<u>5,797</u>	<u>5,190</u>	<u>4,914</u>
<u>Ore shipments (thousand tonnes)</u>	<u>2,915</u>	<u>2,710</u>	<u>5,793</u>	<u>5,379</u>	<u>4,715</u>

### **Cockatoo Island Joint Venture Operations January – June 2006**

Most of the waste from Stages 1 & 2 of the Seawall Project has been removed. Mining is in steady state and the planned shipping rate of around 115,000 tonnes per month is being achieved.

An exploration drilling program has been undertaken at the far eastern end of the main orebody. If assays and mine schedules confirm adequate tonnage, a third stage of the seawall project is possible. A decision on the extension will be made in the third quarter.

Production and shipments for the half-year were as follows:

	<u>6 Months Ended</u>		<u>Year Ended 31 December</u>		
	<u>30 June 2006</u>	<u>30 June 2005</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<u>Ore processed (thousand tonnes)</u>	<u>609</u>	<u>513</u>	<u>1,142</u>	<u>618</u>	<u>591</u>
<u>Ore shipments (thousand tonnes)</u>	<u>622</u>	<u>528</u>	<u>1,124</u>	<u>680</u>	<u>561</u>

All figures shown above are quoted in 100% terms. Portman has a 50% ownership interest in the Cockatoo Island Joint Venture.

### **Marketing**

Iron ore prices settled at a 19% increase to the benchmark price for lump and fine ore.

### **Exploration**

The Koolyanobbing, Mt Finnerty, Perrinvale and Cockatoo Island JV project areas have been the focus of exploration activity during the half-year. A summary of drilling activity is as follows:

<u>Project</u>	<u>Drill Type</u>	<u># of Holes</u>	<u>Metres</u>
<u>Koolyanobbing</u>	Reverse Circulation	<u>65</u>	<u>6,148</u>
	Diamond	<u>9</u>	<u>739</u>
<u>Mt Finnerty</u>	Reverse Circulation	<u>28</u>	<u>1,497</u>
<u>Cockatoo Island JV</u>	Reverse Circulation	<u>39</u>	<u>1,608</u>
<b>Totals</b>		<b><u>141</u></b>	<b><u>9,992</u></b>

### **Koolyanobbing Project Area**

Reverse circulation drilling activity consisted of in-fill drill programs at the C and W2 deposits and step-out drill programs at the D and F North deposits. The best intercepts for the reporting period are presented in the following tabulation:

<u>C Deposit</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>
_____	_____	_____	_____	_____	_____

KCRC139	13	metres at	59.63	6.04	0.19	0.034	0.016	from	38	Metres
	<u>21</u>	metres at	<u>62.29</u>	<u>1.72</u>	<u>0.35</u>	<u>0.013</u>	<u>0.054</u>	from	<u>134</u>	Metres
KCRC 146	27	metres at	62.11	1.11	1.14	0.011	0.171	from	12	Metres
	<u>18</u>	metres at	<u>61.35</u>	<u>0.88</u>	<u>0.81</u>	<u>0.009</u>	<u>0.107</u>	from	<u>48</u>	Metres
KCRC 154	49	metres at	62.92	1.62	0.45	0.008	0.038	from	53	Metres
KCRC155	30	metres at	59.16	2.64	0.93	0.059	0.038	from	14	Metres
	<u>21</u>	metres at	<u>60.37</u>	<u>2.54</u>	<u>0.58</u>	<u>0.048</u>	<u>0.013</u>	from	<u>48</u>	Metres
<b>F North</b>	—	-	—	—	—	—	—	from	—	-
KFRC227	38	metres at	61.34	3.70	1.72	0.141	0.036	from	44	Metres
KFRC230	18	metres at	59.74	3.13	1.26	0.050	0.032	from	1	Metres
KFRC231	27	metres at	61.03	4.16	1.03	0.015	0.061	from	58	Metres
KFRC239	17	metres at	60.58	3.31	1.33	0.054	0.049	from	19	Metres
<b>W2 Deposit</b>	—	-	—	—	—	—	—	from	—	-
W2RC123	11	metres at	64.75	2.98	2.26	0.059	0.013	from	126	Metres
	<u>11</u>	metres at	<u>64.51</u>	<u>2.65</u>	<u>1.16</u>	<u>0.106</u>	<u>0.024</u>	from	<u>152</u>	Metres
W2RC124	11	metres at	65.45	2.21	1.59	0.088	0.013	from	86	Metres
	16	metres at	66.03	2.49	0.92	0.091	0.012	from	110	Metres
	<u>15</u>	metres at	<u>66.36</u>	<u>1.62</u>	<u>1.10</u>	<u>0.097</u>	<u>0.012</u>	from	<u>135</u>	Metres

The C deposit drilling consisted of a 26 hole in-fill drill program aimed at conversion of previously reported inferred resources to an indicated JORC classification. An updated resource estimate for the C deposit will be completed in the 3<sup>rd</sup> quarter 2006.

At D deposit, a 16 hole step-out drill program totalling 1,159 metres was completed. The drill target is a lens of outcropping mineralization extending south from the present D deposit mining area. Assay results are not yet available.

At F North step-out drilling consisting of 20 holes during the reporting period completes a 76 hole-5,585 metre program initiated in 2005. The F North mineralization consists of narrow discontinuous lenses of bedded goethite-hematite mineralization. This mineralization is not presently incorporated into Portman's resource estimates. Geologic modelling is underway.

W2 deposit drilling consisted of 3 deep holes for 534 metres to enhance spatial control for proposed mining advance. Information from these holes is being utilized to optimize pit design.

A diamond drilling program consisting of 3 drill holes in each of the C, F and J5 deposits was conducted during the reporting period for a total of 739 metres. The PQ-sized drill core is earmarked for metallurgical testing.

### 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.

A scout reverse circulation drilling program at Mt Finnerty was completed during the reporting period.

The main objective was determining the depth extent of surface-mapped mineralisation at 7 of 9 prospects identified. Only one of the 7 prospects drilled intersected significant mineralization below surface. Best assay results at this prospect are as follows

					<b>A1</b>					
					<b>2 O</b>					
<b>Mt Finnerty</b>			<b>Fe%</b>	<b>SiO<sub>2</sub> %</b>	<b>3%</b>	<b>P %</b>	<b>S%</b>			
MFRC023	12	metres at	60.09	2.94	2.20	0.078	0.295	from	5	Metres

<u>MFRC024</u>	<u>10</u>	metres at	<u>59.88</u>	<u>3.54</u>	<u>1.67</u>	<u>0.096</u>	<u>0.139</u>	from	<u>16</u>	Metres
<u>MFRC025</u>	<u>21</u>	metres at	<u>59.72</u>	<u>2.77</u>	<u>2.74</u>	<u>0.116</u>	<u>0.159</u>	from	<u>13</u>	Metres
<u>MFRC026</u>	<u>22</u>	metres at	<u>58.72</u>	<u>3.59</u>	<u>3.03</u>	<u>0.126</u>	<u>0.140</u>	from	<u>22</u>	Metres

Reconnaissance drilling at the other six Mt Finnerty prospects returned results with only thin bands of iron enrichment approaching ore grade mineralisation. Follow-up work is warranted in the vicinity of the mineralization intersected in drill holes MFRC023-026. This work will include detailed geological mapping and surface sampling to better delineate prospective zones within the BIF units prior to further drilling.

### **Perrinvale Project Area**

The Perrinvale project area comprises two Portman exploration licences (E29/565 and E30/291) located approximately 90km west of Menzies. Reconnaissance mapping has been conducted revealing the presence of a number of predominantly goethitic mineralised outcrops. 68 rock chip samples have been collected within the project area with the following results for samples exceeding 58% Fe:

<u>E_MGA_Z51</u>	<u>N_MGA_Z51</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>	<u>LOI</u>
<u>224271</u>	<u>6734383</u>	<u>66.89</u>	<u>2.06</u>	<u>0.70</u>	<u>0.068</u>	<u>0.017</u>	<u>1.20</u>
<u>225042</u>	<u>6730714</u>	<u>63.64</u>	<u>1.63</u>	<u>1.02</u>	<u>0.063</u>	<u>0.054</u>	<u>5.86</u>
<u>223681</u>	<u>6742106</u>	<u>63.28</u>	<u>4.41</u>	<u>1.18</u>	<u>0.054</u>	<u>0.063</u>	<u>3.37</u>
<u>225088</u>	<u>6730310</u>	<u>63.15</u>	<u>1.83</u>	<u>0.48</u>	<u>0.066</u>	<u>0.140</u>	<u>6.40</u>
<u>222368</u>		<u>62.75</u>	<u>1.65</u>	<u>0.48</u>	<u>0.186</u>	<u>0.029</u>	<u>7.51</u>
<u>222370</u>	<u>6745867</u>	<u>61.57</u>	<u>2.35</u>	<u>0.17</u>	<u>0.167</u>	<u>0.011</u>	<u>8.94</u>
<u>217087</u>	<u>6764202</u>	<u>60.61</u>	<u>7.84</u>	<u>0.59</u>	<u>0.045</u>	<u>0.024</u>	<u>4.32</u>
<u>217157</u>	<u>6763538</u>	<u>60.60</u>	<u>4.81</u>	<u>3.72</u>	<u>0.019</u>	<u>0.040</u>	<u>4.38</u>
<u>224448</u>	<u>6733098</u>	<u>60.09</u>	<u>2.65</u>	<u>0.38</u>	<u>0.023</u>	<u>0.056</u>	<u>10.05</u>
<u>222517</u>	<u>6744074</u>	<u>59.96</u>	<u>5.83</u>	<u>2.75</u>	<u>0.041</u>	<u>0.183</u>	<u>4.63</u>
<u>224496</u>	<u>6732833</u>	<u>59.85</u>	<u>6.44</u>	<u>2.28</u>	<u>0.039</u>	<u>0.116</u>	<u>4.83</u>
<u>222570</u>	<u>6744068</u>	<u>59.45</u>	<u>4.80</u>	<u>2.31</u>	<u>0.098</u>	<u>0.200</u>	<u>6.30</u>
<u>224221</u>		<u>59.25</u>	<u>9.22</u>	<u>0.44</u>	<u>0.047</u>	<u>0.047</u>	<u>5.14</u>
<u>225051</u>	<u>6730657</u>	<u>59.20</u>	<u>6.99</u>	<u>1.89</u>	<u>0.056</u>	<u>0.085</u>	<u>5.82</u>
<u>220301</u>	<u>6736098</u>	<u>58.58</u>	<u>4.74</u>	<u>2.25</u>	<u>0.082</u>	<u>0.259</u>	<u>7.80</u>
<u>225134</u>	<u>6730955</u>	<u>58.12</u>	<u>8.42</u>	<u>0.56</u>	<u>0.066</u>	<u>0.047</u>	<u>6.56</u>

### **Cockatoo Island Joint Venture**

A resource definition reverse circulation drill program aimed at establishing a JORC-compliant indicated resource estimate for a Stage 3 eastern extension of the Seawall Hematite orebody was completed during the reporting period. This eastern extension underlies the present fixed plant infrastructure at Cockatoo. No assay results were available during the reporting period. Geologic modelling and resource estimation will be completed during the 3rd quarter 2006.

### **Corporate**

No dividend has been declared for the first half of 2006.

**(d) Rounding of amounts to nearest thousand dollars**

The Consolidated Entity is of the kind specified in Australian Securities and Investments Commission Class Order 98/0100 dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars unless otherwise indicated.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors

/s/ John S. Brinzo

J S Brinzo  
Chairman  
30 August 2006  
Perth, Western Australia

/s/ R. R. Mehan

R R Mehan  
Managing Director

## Deloitte

Deloitte Touche Tohmatsu

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The Board of Directors

Portman Limited

Level 11

1 William Street

PERTH WA 6000

30 August 2006

Dear Board Members

### **AUDITOR'S INDEPENDENCE DECLARATION TO PORTMAN LIMITED**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Portman Limited.

As lead audit partner for the review of the financial statements of Portman Limited for the half year ended 30 June 2006, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) The auditor independence requirements of the Corporations Act 2001 in

relation to the review; and

- (ii) Any applicable code of professional conduct in relation to the review.

Yours sincerely

/s/ Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

/s/ A. T. Richards

A T Richards  
Partner  
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

© Deloitte Touche Tohmatsu Limited, August, 2006

**Deloitte**

Deloitte Touche Tohmatsu  
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Independent review report to the  
Members of Portman Limited

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity, selected explanatory notes and the directors' declaration for the consolidated entity for the half-year ended 30 June 2006 as set out on pages 12 to 20. The consolidated entity comprises both Portman Limited (the company) and the entities it controlled at the end of the half-year or from time to time during the half-year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with Accounting Standards in Australia and the Corporations Act 2001. This includes responsibility for the maintenance of adequate financial records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review Approach

We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the Corporations Act 2001 and Accounting Standard AASB 134 "Interim Financial Reporting", so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations, its changes in equity and its cash flows, and in order for the company to lodge the financial report with the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily

to inquiries of the entity's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Member of  
Deloitte Touche Tohmatsu

Liability limited by a scheme approved under Professional Standards Legislation.

#### Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Portman Limited is not in accordance with the Corporations Act 2001, including:

- (a) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2006 and of its performance for the half-year ended on that date; and
- (b) Complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001.

/s/ Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

/s/ A. T. Richards

A T Richards  
Partner  
Chartered Accountants  
Perth, 30 August 2006

#### PORTMAN LIMITED

#### DIRECTORS' DECLARATION FOR THE HALF-YEAR ENDED 30 JUNE 2006

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors, made pursuant to s 303(5) of the Corporations Act 2001.

On behalf of the Directors

/s/ John S. Brinzo

J S Brinzo  
Chairman  
30 August 2006  
Perth, Western Australia

/s/ R. R. Mehan

R R Mehan  
Managing Director

#### PORTMAN LIMITED CONSOLIDATED INCOME STATEMENT FOR THE HALF-YEAR ENDED 30 JUNE 2006

<b>Consolidated</b>	
<b>30 June</b>	<b>30 June</b>

	Notes	2006 \$ '000	2005 \$ '000
Revenue from sale of product	2(a)	208,776	159,538
Cost of sales		<u>(109,331)</u>	<u>(73,120)</u>
<b>Gross profit</b>		99,445	86,418
Other revenues	2(a)	2,053	1,483
Other income	2(a)	(165)	1,052
Shipping and selling expenses		(21,075)	(15,944)
Marketing expenses		(683)	(510)
Administrative expenses		(3,034)	(11,068)
Finance costs	2(b)	(1,701)	(1,410)
Other expenses	2(b)	<u>(549)</u>	<u>(3,050)</u>
<b>Profit before income tax expense</b>		74,291	56,971
Income tax expense		<u>(21,993)</u>	<u>(16,911)</u>
<b>Profit for the period</b>		<u>52,298</u>	<u>40,060</u>
<b>Profit attributable to members of the parent entity</b>		<u>52,298</u>	<u>40,060</u>
<b>Earnings per share:</b>			
Basic (cents per share)		<u>29.77</u>	<u>22.80</u>
Diluted (cents per share)		<u>29.77</u>	<u>22.80</u>

Notes to the financial statements are included on pages 17 to 20.

**PORTMAN LIMITED  
CONSOLIDATED BALANCE SHEET  
AS AT 30 JUNE 2006**

		Consolidated	
	Notes	30 June 2006 \$ '000	31 December 2005 \$ '000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		39,276	74,507
Held to maturity investments		5,000	—
Trade and other receivables		50,452	23,523
Inventories		57,242	47,194
Other financial assets		5,177	4,105
Other assets		410	656
<b>TOTAL CURRENT ASSETS</b>		<u>157,557</u>	<u>149,985</u>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables		1,375	1,770
Inventories		38,558	25,760
Other financial assets		1,194	953
Property, plant and equipment		<u>215,720</u>	<u>193,547</u>
<b>TOTAL NON-CURRENT ASSETS</b>		<u>256,847</u>	<u>222,030</u>
<b>TOTAL ASSETS</b>		<u>414,404</u>	<u>372,015</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		45,997	50,997
Borrowings		3,625	3,729
Current tax payables		20,589	25,066
Provisions		7,120	3,983
Other financial liabilities		<u>741</u>	<u>3,256</u>
<b>TOTAL CURRENT LIABILITIES</b>		<u>78,072</u>	<u>87,031</u>

<b>NON-CURRENT LIABILITIES</b>		
Borrowings	37,861	40,150
Deferred tax liabilities	6,508	6,744
Provisions	8,599	7,712
Other financial liabilities	<u>797</u>	<u>2,673</u>
<b>TOTAL NON-CURRENT LIABILITIES</b>	<u>53,765</u>	<u>57,279</u>
<b>TOTAL LIABILITIES</b>	131,837	144,310
<b>NET ASSETS</b>	<u>282,567</u>	<u>227,705</u>
<b>EQUITY</b>		
Issued capital	105,774	105,774
Reserves	3,407	843
Retained earnings	<u>173,386</u>	<u>121,088</u>
<b>TOTAL EQUITY</b>	<u>282,567</u>	<u>227,705</u>
Net tangible assets per security	\$ 1.61	\$ 1.30

Notes to the financial statements are included on pages 17 to 20.

**PORTMAN LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF-YEAR ENDED 30 JUNE 2006**

	<b>Consolidated</b>	
	<b>30 June 2006</b>	<b>30 June 2005</b>
<b>Notes</b>	<b>\$ '000</b>	<b>\$ '000</b>
<b>Issued Capital</b>		
Balance at beginning of period	105,774	105,681
Proceeds from exercise of share options	<u>-</u>	<u>93</u>
Balance at end of period	<u>105,774</u>	<u>105,774</u>
<b>Reserves</b>		
<b>Hedging Reserve</b>		
Balance at beginning of period	843	—
Opening adjustment to hedge reserve for the fair value of hedges at 1 January 2005:		
Fair value of hedges	—	27,855
Deferred tax on fair value of hedges	—	(8,022)
Cash flow hedges:		
Gain/(loss) taken to equity	4,422	(1,293)
Transferred to profit or loss for the period	(758)	(12,570)
Income tax on items taken directly to or transferred from equity	<u>(1,100)</u>	<u>4,159</u>
Balance at end of period	<u>3,407</u>	<u>10,129</u>
<b>Retained Earnings</b>		
Balance at beginning of period	139,166	55,373
Retained earnings adjustment on transition to AASB139:		
Option premium expense net of tax	—	(449)
Retained earnings adjustment due to change in accounting policies:		
Write back of exploration and evaluation expenditure net of tax	(17,309)	(15,724)
Write back of deferred waste net of tax	<u>(769)</u>	<u>(858)</u>
Adjusted opening retained earnings	121,088	38,342
Adjustment to profit due to change in accounting policies:		
Write back of exploration and evaluation expenditure net of tax	—	(572)
Write back of deferred waste net of tax	<u>—</u>	<u>(448)</u>
	<u>—</u>	<u>(1,020)</u>



Profit for the period	<u>52,298</u>	<u>41,080</u>
Balance at end of period	<u>173,386</u>	<u>78,402</u>

Notes to the financial statements are included on pages 17 to 20.

**PORTMAN LIMITED  
CONSOLIDATED CASH FLOW STATEMENT  
FOR THE HALF-YEAR ENDED 30 JUNE 2006**

	<u>Consolidated</u>	
	<b>30 June 2006</b>	<b>30 June 2005</b>
	<b>\$ '000</b>	<b>\$ '000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	184,020	156,393
Payments to suppliers and employees	(161,694)	(110,658)
GST received	15,528	9,686
Interest received	2,003	949
Insurance proceeds received	—	601
Interest and other costs of finance paid	(1,428)	(1,198)
Income tax paid	<u>(27,805)</u>	<u>(5,850)</u>
Net cash flows provided by operating activities	<u>10,624</u>	<u>49,923</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property, plant and equipment	(43,452)	(26,492)
Proceeds from sale of property, plant and equipment	73	130
Payment for foreign exchange option premiums	—	(1,982)
Net cash flows used in investing activities	<u>(43,379)</u>	<u>(28,344)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from exercise of share options	—	93
Repayment of lease liabilities	(1,085)	(1,197)
Proceeds from borrowings	—	9,397
Repayment of borrowings	<u>(1,391)</u>	<u>—</u>
Net cash flows provided by/(used in) financing activities	<u>(2,476)</u>	<u>8,293</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(35,231)</b>	<b>29,872</b>
Cash and cash equivalents at the beginning of the period	<u>74,507</u>	<u>17,753</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b><u>39,276</u></b>	<b><u>47,625</u></b>

Notes to the financial statements are included on pages 17 to 20.

**Note 1. Summary of Accounting Policies**

**Basis of preparation**

The condensed half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report. Except where indicated otherwise, all amounts are presented in Australia dollars.

The half-year financial report has been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets.

**Significant accounting policies**

The Consolidated Entity has changed its accounting policies during the half-year ended 30 June 2006 as follows:

1. Exploration and evaluation expenditure

The previous accounting policy was as follows; “ *Costs incurred during exploration and evaluation related to an area of interest are accumulated. Costs are carried forward provided such costs are expected to be recouped through successful development, or by sale, or where exploration and evaluation activities have not at balance date reached a stage to allow a reasonable assessment regarding the existence of economically recoverable reserves. In these instances the entity must have rights of tenure to the area of interest and must be continuing to undertake exploration operations in the area*”.

The revised policy is to expense exploration costs as incurred. Evaluation costs are expensed as incurred up until all final regulatory approvals have been granted. Evaluation costs incurred subsequent to this date are capitalised and amortised over the life of the area of interest.

The Consolidated Entity changed its accounting policy to more appropriately reflect the nature of exploration and initial evaluation expenditure as the expenditure itself does not necessarily lead to an increase in resources nor necessarily extend the life of the respective projects.

The effect on the previously reported Income Statement and Balance Sheet had the revised accounting policies always been applied was as follows:

<b>Income Statement</b>	<u>30 Jun 05</u> <u>\$ '000</u>	<b>Balance Sheet</b>	<u>31 Dec 05</u> <u>\$ '000</u>
Cost of goods sold	612	<b>Non-current assets</b>	
Other expenses	(1,429)	Exploration and evaluation	(24,728)
Loss before income tax benefit	(817)	<b>Non-current liabilities</b>	
Income tax benefit	245	Deferred tax liability	7,419
Loss for the period	<u>(572)</u>	<b>Net assets</b>	<u>(17,309)</u>
<b>Earnings per share</b>		<b>Equity</b>	
Basic (cents per share)	—	Retained earnings	17,309
Diluted (cents per share)	—	<b>Total equity</b>	<u>17,309</u>

**Note 1. Summary of Accounting Policies (continued)**

2. Deferred waste

The previous accounting policy was as follows: “ *The costs of waste mined from pits in advance of ore are deferred and recognised in the Balance Sheet on a unit of ore production basis using medium term schedule projections of recoverable ore reserves and waste stripping for each pit, and having regard to long term projections*”.

The revised accounting policy is to expense deferred waste as incurred.

The Consolidated Entity changed its accounting policy to ensure that all waste costs will be accounted for consistently. This results in all waste costs being expensed as incurred in the Income Statement. In addition this policy change results in no management estimates being required as to what portion of waste should be capitalised verses expensed.

The effect on the previously reported Income Statement and Balance Sheet had the revised accounting policies always been applied was as follows:

<b>Income Statement</b>	<u>30 Jun 05</u> <u>\$'000</u>	<b>Balance Sheet</b>	<u>31 Dec 05</u> <u>\$ '000</u>
Cost of goods sold	(639)	<b>Current assets</b>	
Loss before income tax benefit	(639)	Inventories	2,013

Income tax benefit	<u>191</u>	<b>Non-current assets</b>	Other assets	(3,111)
Loss for the period	<u>(448)</u>	<b>Non-current liabilities</b>	Deferred tax liability	<u>329</u>
<b>Earnings per share</b>		<b>Net assets</b>		<u>(769)</u>
Basic (cents per share)	—	<b>Equity</b>	Retained earnings	<u>769</u>
Diluted (cents per share)	—	<b>Total equity</b>		<u>769</u>

## Note 2. Profit from Ordinary Activities

	<u>Consolidated</u>	
	<u>30 June 2006</u>	<u>30 June 2005</u>
	<u>\$ '000</u>	<u>\$ '000</u>
The profit from ordinary activities before income tax is arrived at after:		
(a) Profit from ordinary items is after crediting the following:		
Sales revenue	<u>208,776</u>	<u>159,538</u>
Interest received from other corporations	1,899	1,000
Agency fee	<u>154</u>	<u>483</u>
Other revenues	<u>2,053</u>	<u>1,483</u>
Profit on sale of property, plant and equipment	73	83
Unwinding of discount on long term rail receivable	51	57
Fx gain/(loss)	(289)	311
Insurance recovery	<u>—</u>	<u>601</u>
Other income	<u>(165)</u>	<u>1,052</u>
(b) Profit from ordinary items is after charging the following expenses:		
Finance costs		
Interest paid / payable to other corporations	(465)	(179)
Unwinding of discount on rehabilitation provision and receivable	(274)	(212)
Finance lease charges	<u>(962)</u>	<u>(1,019)</u>
Total finance costs	<u>(1,701)</u>	<u>(1,410)</u>
Other expenses		
Movement in fair value of time value on hedging instruments	2,040	(900)
Exploration and evaluation expenditure	(2,341)	(1,429)
Write down of inventories to net realisable value	—	(853)
Reversal of write down of inventories to net realisable value	—	132
Other	<u>(248)</u>	<u>—</u>
Total other expenses	<u>(549)</u>	<u>(3,050)</u>
(c) Other disclosures		
Amortisation and Depreciation		
Mine Assets	6,332	4,364
Plant and equipment	3,806	1,819
Plant and equipment under finance lease	<u>987</u>	<u>840</u>
Total	<u>11,125</u>	<u>7,023</u>

**Note 3. Dividends**

	<b>30 June 2006 \$'000</b>	<b>30 June 2005 \$'000</b>
Recognised Amounts		
Dividends paid during the half-year		
Fully franked dividends	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>

**Note 4. Contingencies**

Since the last annual reporting date, there has been no material change in any contingent liabilities or contingent assets.

**Note 5. Subsequent Events**

There has not been any matter or circumstance that has arisen since the period end that has affected or may significantly affect the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in subsequent periods.

**Note 6. Segment Information****(a) Business Segment**

The Consolidated Entity operates in one business segment – iron ore mining and exploration.

**(b) Geographic Segment**

The Consolidated Entity operates in one geographic segment – Australia.

**Note 7. Joint Venture**

The Consolidated Entity has a 50% joint venture interest in the Cockatoo Iron Ore Joint Venture. The Consolidated Entity's share of the results of this joint venture has been included in the Income Statement to 30 June 2006.

	<b>Consolidated</b>	
	<b>30 June 2006 \$ '000</b>	<b>30 June 2005 \$ '000</b>
Share of joint venture profit before tax	<u>6,179</u>	<u>3,577</u>