
INDEX TO EXHIBITS

<u>Exhibit Number</u>	<u>Exhibit</u>
99(al)	

28 February 2006

ACN 007 871 892
ABN 22 007 871 892

Level 11
The Quadrant
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Perth 6000
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(102 pages in total)

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

Electronically Lodged

Dear Sir

ANNUAL REPORT 2005

Please find attached Portman Limited's Annual Report for 2005.

Yours faithfully

/s/ L. A. Kipfstuhl

L. Kipfstuhl

COMPANY SECRETARY

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

ANNUAL REPORT – 2005

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CORPORATE DIRECTORY

REGISTERED OFFICE
Level 11 The Quadrant
1 Willia



CHAIRMAN'S REPORT 2005

Dear Shareholder

It gives me great satisfaction to present the Portman 2005 Annual Report, in what has been an eventful and very successful year for your company. Cleveland-Cliffs Inc, an International Mining Company completed the acquisition of over 80% of the outstanding stock of your company and a seamless transition was completed.

Performance

On behalf of the Board, it is pleasing to report that during the current year, your company achieved a record profit of \$84.2 million, against \$32.2 million in the prior year.

The record result was achieved primarily as the result of the unprecedented 71.5% increase in annual benchmark iron ore prices. A solid performance at the Koolyanobbing operation which again saw record tonnes produced and sold during the year. Unfortunately, strong upward pressure on the majority of input costs has been a feature throughout the year and shows no apparent sign of abating.

The Northern Tenements of Windarling and Mt Jackson at Koolyanobbing became major sources of plant feed during the year. Total production from the Koolyanobbing operation during the year was 5.8 million tonnes, a 12% increase on last years production of 5.2 million tonnes. Total sales from the Koolyanobbing operation were 5.8 million tonnes, an 8% increase on last years sales of 5.4 million tonnes.

The Cockatoo Island project increased production and sales compared to the prior year and operated at design operating levels. The Stage 2 of the seawall was completed and the small slip in the seawall that occurred in September 2004 was repaired. Cockatoo averaged two shipments per month for the year, with two months achieving three ships loaded.

Expansion and Growth

Work on the expansion of the Koolyanobbing operation to 8 million tonnes per annum continued during the year, but significant skills shortages have continued to delay completion until first quarter 2006. Coupled with below plan rail movements during the last quarter 2005, production and sales are expected at a 6.0mtpa rate during the first quarter. The expansion expenditures of approximately \$80 million, has increased significantly versus the original estimate of \$55 million. This cost overrun is not unlike those being experienced on major projects by other companies in Australia. The final tie in work and start up

CHAIRMAN'S REPORT 2005

Corporate Governance

Regulatory focus continues to play an evolving part of our business with the "Principles of Good Corporate Governance and Best Practice Recommendations" established by the ASX Corporate Governance Council and published by the ASX in March 2003, being adopted during the 2003 calendar year. As part of our Corporate Governance practices, during the year your Board reviewed and approved revisions to the following policies: Code of Conduct, Shareholder Communications, Market Disclosures and Securities Trading. Copies of the policies are available on the Company website.

In addition, the Board formed a Minority Shareholder Interests Committee composed of the non-executive independent directors to deal with any issues effecting minority shareholders.

Organisation

During the year, Mr George Jones, Mr. Barry Eldridge, Ms. Fiona Harris and Mr. Richard Knight resigned from the Board. I want to thank them for their devoted service to the Company during their time on the Board.

In April 2005, the writer, Mr. David Gunning, Mr. William Calfee and Mr. Donald Gallagher all of Cleveland-Cliffs joined the Board. Mr. Richard Mehan was appointed Managing Director and Chief Executive Officer and Mr. Michael Perrott and Mr. Malcolm Macpherson who will remain on your board as independent non-executive directors.

On behalf of the Board, I would like to acknowledge and thank the management team and employees for their significant contribution during the year which allowed your company to achieve a number of significant milestones.

Shareholders are invited to visit our website (www.portman.com.au) or contact the Managing Director, Richard Mehan or Chief Financial Officer and Company Secretary, Leo Kipfstuhl at any time to obtain further information about Portman.

Yours sincerely

/s/ John S Brinzo

John Brinzo
CHAIRMAN

REVIEW OF OPERATIONS

MARKETING

Benchmark iron ore prices increased by a record 71.5%. This was driven by the strength of ore demand by the Chinese steel industry and a recognition of the high cost brownfields expansions required to meet future demand.

Koolyanobbing sales volumes increased 8% over the same period in 2004 as the first full year of Portman's suite of long term sales arrangements were concluded. Cockatoo Island sales increased 65% from 2004.

KOOLYANOBGING IRON ORE PROJECT (PORTMAN 100%)

Western Australia

Operations

The Koolyanobbing Iron Ore Project is located 425 kilometres east of Perth and approximately 50 kilometres north-east of the town of Southern Cross. All of the ore mined is transported by rail to the Port of Esperance, 578 kilometres to the south.

2005 saw the first full year of production from the new mining areas at Windarling and Mt. Jackson, located 80 and 100 kilometres north of Koolyanobbing respectively.

Sales in 2005 of 5,793 thousand tonnes represented an increase of 8% over the previous year.

Koolyanobbing Statistics (000's tonnes)

REVIEW OF OPERATIONS

COCKATOO ISLAND IRON ORE PROJECT (PORTMAN 50%)

Western Australia

Operations

Cockatoo Island is located off the Kimberley Coast of Western Australia, approximately 3,000 kilometres to the north of Perth.

Portman gained access to high-grade, low impurity haematite ore at Cockatoo Island under an agreement with its previous operator, BHI t s operaw impr

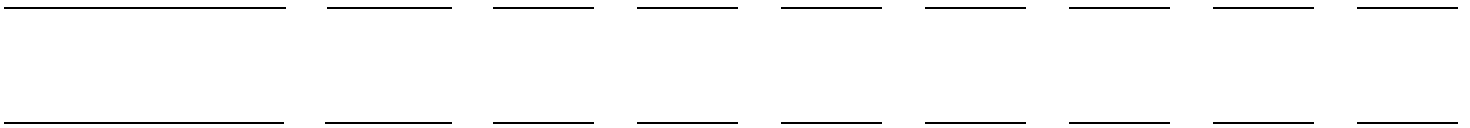
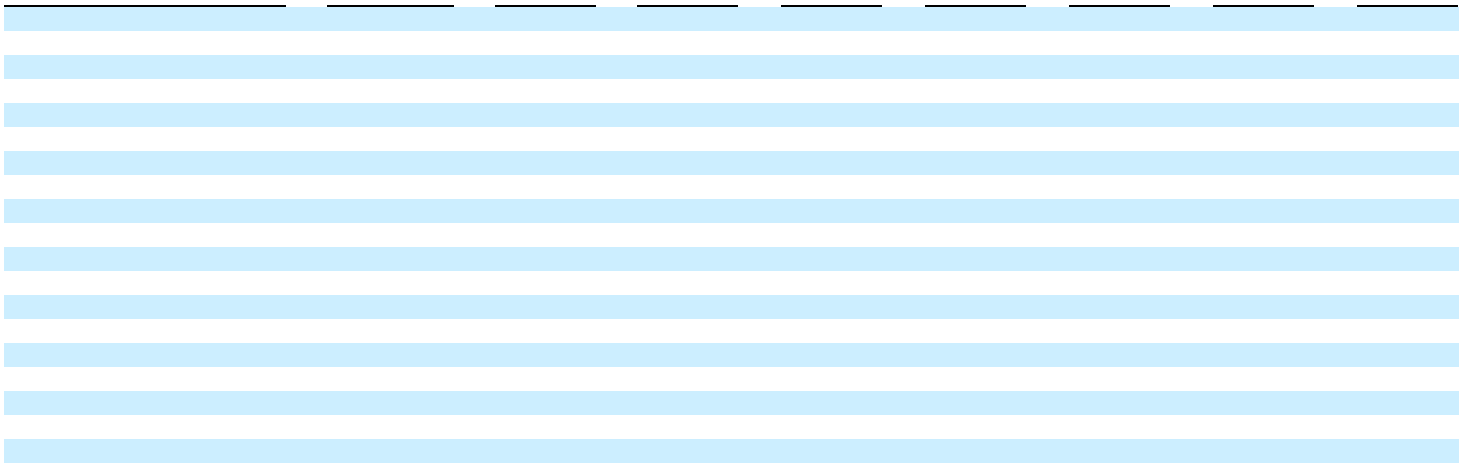
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REVIEW OF OPERATIONS

The balance of reverse circulation drilling undertaken in 2005 has targeted both satellite prospects and extensions to known resources. At Koolyanobbing the F North prospect continued to be drilled at year-end evaluating the continuity and grade of lenses of goethite mineralization. Along the Mt Jackson Range both the J4 prospect, located 20km east of the Mt Jackson mine site and the J5 prospect a further 20km east were evaluated by reverse circulation drilling. The J5 prospect drilling produced a number of encouraging intersections. A follow-up drill program at J5 in 2006 will aim at generating a JORC-compliant mineral resource estimate. At Windarling, step-out drilling targeting extensions to the main mineralisation at both the W1 and W4 deposits was completed. Information from this drilling will be incorporated into updated resource models and estimates for these deposits in 2006.

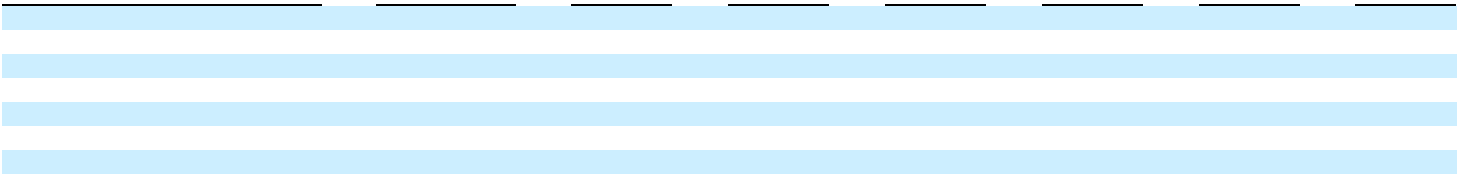
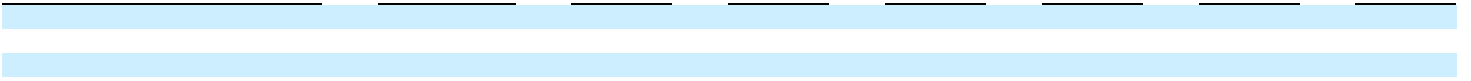
During 2005 regional exploration targets proximal to the Koolyanobbing Project were acquired. In the Perrinvale area 100km northeast of the Windarling mining operations, the area will be re-examined in 2006.



REVIEW OF OPERATIONS

Deposit	Category	Tonnes Mt	Fe %	Phos %	SiO2 %	Al2O3 %	S %	LOI %
W1	Indicated	10.3	62.22	0.183	1.63	1.15	0.013	6.84
	Inferred	2.7	62.57	0.179	1.70	0.98	0.008	6.34
	Total	13.0	62.29	0.182	1.64	1.11	0.012	6.74
W2	Indicated	11.4	65.53	0.084	1.96	1.12	0.034	2.45
	Inferred	3.6	65.13	0.082	2.72	1.03	0.059	2.28
	Total	15.0	65.43	0.084	2.14	1.10	0.040	2.41
W3	Indicated	8.8	64.39	0.129	1.54	1.29	0.014	4.19
	Inferred	3.9	64.86	0.127	1.14	0.97	0.011	4.63
	Total	12.7	64.53	0.128	1.42	1.19	0.013	4.33
W4	Indicated	6.2	60.66	0.225	1.74	1.15	0.015	8.46
	Inferred	0.0	0.00	0.000	0.00	0.00	0.000	0.00
	Total	6.2	60.66	0.225	1.74	1.15	0.015	8.46
W5	Indicated	6.1	63.67	0.115	3.16	2.08	0.024	2.93
	Inferred	1.5	63.34	0.121	3.18	1.61	0.019	3.22
	Total	7.6	63.60	0.116	3.16	1.99	0.023	2.99
Total (Windarling)	Indicated	42.8	63.53	0.142	1.93	1.30	0.021	4.80
	Inferred	11.7	64.21	0.124	2.02	1.07	0.026	4.12
	Total	54.5	63.68	0.138	1.95	1.25	0.022	4.66

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**CORPORATE GOVERNANCE STATEMENT
AT 31 DECEMBER 2005**

The Portman Board continues to be a strong advocate of good corporate governance and is very focused on fulfilling its responsibilities to all of its legitimate stakeholders.

The Board has adopted the "Principles of Good Corporate Governance and Best Practice Recommendations" established by the ASX Corporate Governance Council and published by ASX in March 2003. The Company has created a corporate governance section on its website which sets out in full detail the various charters, policies and codes of conduct that have been adopted by the Board to ensure compliance with the "best practice recommendations" referred to above.

Role and Structure of the Board

The role of the Board is to chart and monitor the direction, strategies and financial objectives of the Company and to monitor compliance with regulatory requirements and ethical standards. The Managing Director is responsible to the Board for the day to day management of the Company.

In accordance with ASX Principle 1 the Board has established a Board Charter (see website) which sets out in detail the responsibilities and functions of the directors as distinct from management.

The composition of the Board recognises the majority ownership position of Cleveland-Cliffs Inc ("Cliffs"). It is considered appropriate that Directors associated with the controlling shareholder constitute a majority of Directors on the Board. Notwithstanding this, the Directors discharge their duties in the interests of all the shareholders.

The Board is comprised of a Chairman, five non-executive directors and one executive director (the Managing Director). Below is a table setting out pertinent details regarding the tenure of each director at the date of this report.

<u>Name of Director</u>	<u>Role of Director</u>	<u>Non-Executive</u>	<u>Independent</u>	<u>Year of Appointment</u>
J S Brinzo	Chairman	Yes	No	2005
R R Mehan	Managing Director	No	No	2005
W R Calfee	Non Executive	Yes	No	2005
M D Perrott	Non Executive	Yes	Yes	1997
D J Gallagher	Non Executive	Yes	No	2005
D H Gunning	Non Executive	Yes	No	2005
M H Macpherson	Non Executive	Yes	Yes	2003

Details of the professional skills and experience of each of the directors are set out in the Directors' Report — see page 19 — 21.

Each Director has the right to seek independent professional advice at the Company's expense. However, prior approval of the Chairman is required which is not to be unreasonably withheld.

The Board has implemented a process for the annual reviews of its overall performance, consistent with ASX Principle 8.

**CORPORATE GOVERNANCE STATEMENT
AT 31 DECEMBER 2021**



**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2005**

The directors of Portman Limited submit herewith the annual financial report of the company for the financial year ended 31 December 2005. 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 financial year are:

John S Brinzo	(appointed 12 April 2005)
Richard R Mehan	(appointed 12 April 2005)
William R Calfee	(appointed 12 April 2005)
Donald J Gallagher	(appointed 12 April 2005)
David H Gunning	(appointed 12 April 2005)
Malcolm H Macpherson	
Michael D Perrott	
George F Jones	(resigned 6 April 2005)
Barry J Eldridge	(resigned 12 April 2005)
Fiona E Harris	(resigned 12 April 2005)
Richard Knight	(resigned 12 April 2005)

Directors were in office for this entire period unless otherwise stated.

(b) Information on Directors and Company Secretary

Chairman

John S Brinzo — Age: 64

Mr Brinzo is chairman, chief executive officer and f io

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2005**

Non-Executive Director
William R Calfee – Age: 59

Mr Calfee is executive vice president-commercial of Cleveland-Cliffs Inc, with responsibilities for all Cliffs commercial activities.

Mr. Calfee joined Cleveland-Cliffs in 1972vi

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2005**

(d) Directors' Meetings (continub 0)

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**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2005**

(j) Sub

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2005**

(m) Remuneration report (continued)

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Included in the key management personnel above are the 5 highest remunerated executives of the Consolidated Entity. The Parent Entity

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2005**

(m) Remuneration report (continued)

Remuneration of Directors and Key Management Personnel

Notes

- (1) The Board members from Cleveland-Cliffs Inc receive no fees from Portman and are reimbursed for travel expenses for attending board meetings.
- (2) Other long term employee benefits include a retention bonus accrual of \$106,250 which is based on 100% probability that the retention target will be met and long service leave accrual of \$32,034 (2004: \$29,119). Other short term employee benefits include a car parking benefit of \$3,201 (2004: \$3,049).
- (3) Includes an increase in salary for period when Acting Chairman.
- (4) Mr Fujikawa is remunerated in United States Dollars ("USD"). For the purposes of this disclosure all figures have been converted to Australian dollars ("AUD").
- (5) Mr Graber is remunerated in United States Dollars ("USD"). For the purposes of this disclosure all figures have been converted to Australian dollars ("AUD"). Other long term employee benefits include a retention bonus accrual of \$8,994 which is based on 100% probability that the retention target will be met. Other short term employee benefits include a car parking benefit of \$1,334.
- (6) Mr Kipfstuhl is remunerated in United States Dollars ("USD"). For the purposes of this disclosure all figures have been converted to Australian dollars ("AUD"). Other long term employee benefits include a retention bonus accrual of \$11,340 which is based on 100% probability that the retention target will be met. Other short term employee benefits include a car parking benefit of \$2,001.
- (7) Other short term employee benefits include various remote living allowances of \$65,700 (2004: \$62,700) and a motor vehicle benefit of \$7,378 (2004: \$6,365). Other long term employee benefits include long service of \$3,274 (2004: \$3,066).
- (8) Other short term employee benefits includes a retention bonus of \$100,000 of which \$50,000 was paid during the year ended 31 December 2005 and \$50,000 is based on 100% probability that the retention target will be met and a car parking benefit of \$3,201 (2004: \$3,320). Other long term employee benefits include long service of \$3,807 (2004: \$3,217).
- (9) Termination benefits includes a payout on redundancy of \$728,000 for one year's salary and bonus component and accrued annual leave of \$27,513. Other short term employee benefits include a car parking benefit of \$800 (2004: \$3,320).
- (10) Termination benefits includes a payout on redundancy of \$336,000 for one year's salary and bonus component, accrued annual leave and long service leave of \$38,441. Other short term employee benefits include a car parking benefit of \$1,734 (2004: \$3,320).
- (11) Termination benefits includes a payout on redundancy of \$408,000 for one year's salary and bonus component and accrued annual leave of \$30,882. Other short term employee benefits include a car parking benefit of \$1,067 (2004: \$3,320).
- (12) As part of the acquisition of a controlling interest in Portman Limited by Cleveland-Cliffs Australia Pty Ltd during the year ended 31 December 2005 Portman Limited paid out and cancelled share options, under the existing share option plans. Portman Limited was fully reimbursed for the options paid out by Cleveland-Cliffs Australia Pty Ltd. The 2004 disclosure includes the fair value of the 2004 vesting portion of equity options.
- (13) The short term incentive for 2004 has been adjusted from the amount accrued in 2004 to the actual cash payment.
- (14) Includes an increase in fees relating to the period when performing business development consulting on behalf of the Board of Directors.

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2005**

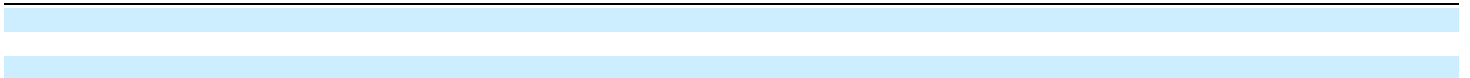
(m) Remuneration report (continued)

Portman Limited Employee Share Option Plan (Unquoted Securities)

The Portman Limited Employee Share Option Plan (ESOP) was adopted by the shareholders of the Company on 8 April 1998. The ESOP contains Company performance hurdles that must be achieved before options become exercisable.

Under the ESOP options to subscribe for fully paid ordinary shares of the Company may be issued to participants. Eligible employees (being employees, directors or consultants to any Portman Group Company), subject to invitation to participate by the Board of Directors of the Company, may participate in the ESOP.

Each ESOP option may convert to one fully paid ordinary share. The total number of shares granted under this ESOP, excluding any exercised, lapsed or cancelled options, must not exceed 5% of the then issued share capital of the Company on a fully diluted basis (notwithstanding that those shares may for



**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2005**

(n) Indemnification of officers and auditors

During the year, the Company has paid premiums of \$195,043 in respect of a contract insuring all the Directors and officers of Portman Limited against a liability incurred in their role as directors and officers of the Company, except where:

- i) the liability arises out of conduct involving a wilful breach of duty; or
- ii) there has been a contravention of Section 182, 183 or 184 of the Corporations Act.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an auditor of the Company or of any related body corporate against a liability incurred as such an auditor.

(o) Auditor's independence declaration

The auditor's independence declaration is included on page 34.

(p) Non-audit services

The auditor (or by another person or firm on the auditor's behalf) did not provide any non-audit services during the year and hence the directors are satisfied that the general standard of independence for auditors imposed by the Corporations Act 2001 has been met.

Details of amounts paid or payable to the auditor for audit services provided during the year are outlined in Note 28 to the financial statements.

(q) Rounding of amounts to nearest thousand dollars

The Company is of the kind specified in Australian Securities and Investments Commission class order 98/0100, dated 10 July 1998. In accordance with that class order, amounts in the Directors' report and financial statements have been rounded to the nearest thousand dollars unless specifically stated to be otherwise.

(r) Corporate Structure

The Company is an Australian listed public company limited by shares. It is domiciled in Australia. The company has prepared a consolidated financial report to include the entities that it controlled during the financial years as shown in Note 12 to the financial statements. The Consolidated Entity had 74 employees at 31 December 2005 (2004: 73).

Signed for and on behalf of the Board in accordance with a resolution of the directors, made pursuant to s298(2) of the Corporations Act 2001.

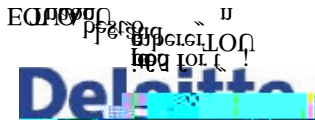
/s/ J S Brinzo

/s/ R R Mehan

J S Brinzo
CHAIRMAN

R R Mehan
MANAGING DIRECTOR

Perth, Western Australia
27 February 2006



Deloitte Touche Tohmatsu
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Portman Limited
The Board of Directors
Level 11, The Quadrant
1 William Street
PERTH WA 6000

27 February 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 audit of the financial statements of Portman Limited for the financial year ended 31 December 2005, 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

/s/ (DELOITTE TOUCH TOHMATSU)

DELOITTE TOUCHE TOHMATSU

/s/ AT Richards

AT Richards
Partner
Chartered Accountant

Member of



Deloitte Touche Tohmatsu
ABN 74 490 121 060

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Independent audit report to the members of Portman Limited

Scope

The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity, a summary of significant accounting policies and other explanatory notes and the directors' declaration for both Portman Limited (the company) and the consolidated entity, for the financial year ended 31 December 2005 as set out on pages 37 to 98. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

The company has disclosed information about the compensation of key management personnel ("compensation disclosures"), as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard AASB 124 ("AASB 124") ("the compensation disclosures") under the heading "remuneration report" in pages 24 to 32 of the directors' report, as permitted by ASIC Class Order 06/50.

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 compensation disclosures in the directors' report, 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. The directors are also responsible for the compensation disclosures contained in the directors' report.

We have conducted an independent audit of the financial report and compensation disclosures in order to express an opinion on them to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance that the financial report is free of material misstatement and the compensation disclosures comply with AASB 124. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of an audit, the risk of fraud, the risk of collusion, the risk of management override of controls, the risk of misclassification of transactions, the risk of misstatement of the financial report and the members of the company.



Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion:

(1) the financial report of Portman Limited is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2005 and of their performance for the year ended on that date; and
- (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(2) the compensation disclosures that are contained in pages 24 to 32 of the directors' report comply with Accounting Standard AASB 2001.

**DIRECTORS' DECLARATION
FOR THE YEAR ENDED 31 DECEMBER 2005**

The directors of the company confirm that the financial statements for the year ended 31 December 2005, which were approved by the directors on 21 February 2006, are true and fair and that they have been prepared in accordance with the applicable accounting standards and the provisions of the Companies Act 2006.

Director



PORTMAN LIMITED
NOTES TO THE FINANCIAL STATEMENTS

Note 1: Summary of Accounting Policies

Statement of compliance

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Urgent Issues Group Interpretations, and complies with other requirements of the law. Accounting Standards include Australian equivalents to International Financial Reporting Standards ("A-IFRS"). Compliance with the A-IFRS ensures that the consolidated financial statements and notes of the consolidated entity comply with International Financial Reporting Standards ("IFRS"). The parent entity financial statements and notes also comply with IFRS except for the disclosure requirements in IAS 32 "Financial Instruments: Disclosure and Presentation" as the Australian equivalent Accounting Standard, AASB 132 "Financial Instruments: Disclosure and Presentation" does not require such disclosures to be presented by the parent entity where its separate financial statements are presented together with the consolidated financial statements of the consolidated entity.

The financial statements were authorised for issue by the directors on 27 February 2006.

Basis of preparation

The 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.

In the application of A-IFRS management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where that has been the case.



PORTMAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Accounting Policies (continued)

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the Income Statement.

PORTMAN LIMITED
NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Accounts M D

PORTMAN LIMITED
NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Accounting Policies (continued)

(k) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and joint ventures except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. This is a £ n

PORTMAN LIMITED
NOTES TO THE FINANCIAL STATEMENTS

(k) Income tax (continued)

Tax consolidation

The company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Portman Limited is the head entity in the tax-consolidated group.

Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the “stand alone taxpayer” approach.

Current tax liabilities and assets of the tax-consolidated group are recognised by the company (as head entity in the tax-consolidated group).

Due to the tax funding arrangement between entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement. Further information about the tax funding arrangement is detailed in note 3 to the financial statements.

(l) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a weighted average basis.

PORTMAN LIMITED
NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Accounting Policies (continued)

(q) Property, plant and equipment (continued)

Major depreciation periods are as follows:

Asset Class	Basis	2005	2004
Plant and equipment	Straight Line	5 – 13 years	5 – 13 years
Plant and equipment and Mine Assets	Production Output		
Motor vehicles, furniture & equipment	Straight Line	3 - 5 years	3 - 5 years

Exploration and evaluation

Costs incurred during exploration and evaluation related to an area of interest are accurinP

PORTMAN LIMITED
NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Accounting Policies (continued)

(iv) Financial Instruments included in Liabilities

Loans and bills payable are recognised when issued at the amount of the net proceeds received, with any premium or discount on issue amortised over the period to maturity. Interest is recognised as an expense over the period the loans and bills are outstanding.

(v) Financial Instruments included in Assets

Trade debtors are initially recorded at the amount of contracted sales proceeds. Sales to foreign customers are either unsecured or under letter of credit arrangements, depending on the quality of customer credit.

Insurance claims receivable are brought to account when liability for a claim is acknowledged by the under-writer, at which time amounts receivable from the customer are written off.

Provision for doubtful debts is recognised to the extent that recovery of the outstanding receivable balance is considered less than likely. Any provision established is based on a review of all outstanding amounts at balance date. A specific provision is maintained for identified doubtful debts, and a general provision is maintained in respect of receivables which are doubtful of recovery but which have not been specifically identified.

Foreign currency options and forward exchange contracts are entered into as specific hedges of current receivables and future transactions and are recognised as either an asset or liability. The premium or discount and gain or loss is deferred and included in the initial measurement of the anticipated item being hedged. Where it becomes probable that some or all of the hedged transactions will not occur as designated the deferred gains and losses relating to those transactions that are no longer expected to occur as designated are recognised immediately in the Income Statement.

Bank deposits, bills of exchange, promissory notes, loans, marketable securities and marketable equity securities are carried at the lower of cost or recoverable amount. Interest revenue is recognised over the period the financial assets are outstanding.

Dividend revenue is recognised when the dividends are receivable.

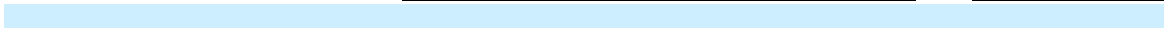
Purchases and sales of investments are recognised on the trade date.

(vi) Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Consolidated Entity.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

Deferred cash settlements are recognised at the present value of the outstanding consideration payable on the acquisition of an aiaia the acquisition of an Intrenre





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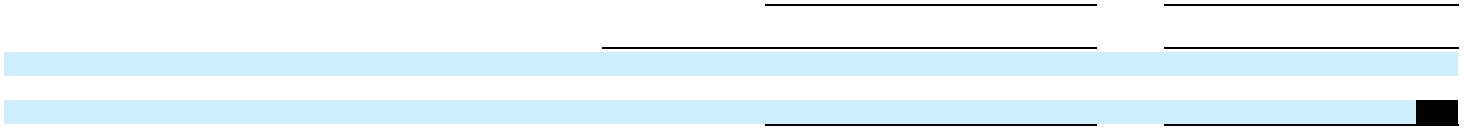
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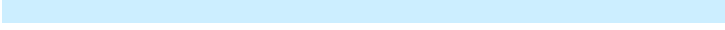
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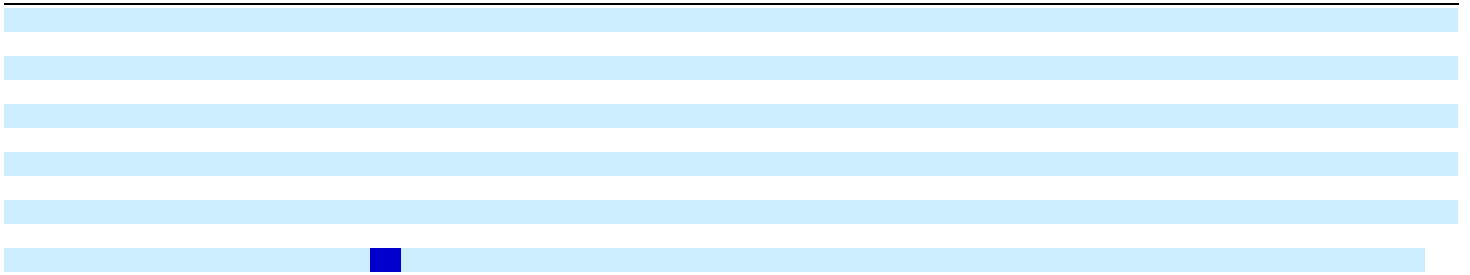
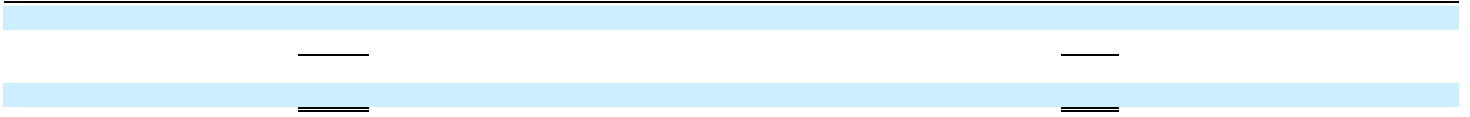
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PORTMAN LIMITED
NOTES TO THE FINANCIAL STATEMENTS

Note 29: Employee entitlements and share options (continued)

(e) Options held as at the end of the reporting date

There were no options held by eligible option holders as at 31 December 2005.

Superannuation Commitments

The employer contributes in accordance with the Government Superannuation Guarantee Legislation.

	Consolidated Entity		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Note 30: Capitalised borrowing costs				
Borrowing costs capitalised during the financial year	380	—	—	—
Weighted average capitalisation rate	5.0%	—	—	—

Note 31: Commitments for expenditure

(a) Capital Commitments

Property, Plant & Equipment

Not longer than 1 year	14,598	40,214	—	—
Longer than 1 year and not longer than 5 years	—	—	—	—
Longer than 5 years	—	—	—	—
	<u>14,598</u>	<u>40,214</u>	<u>—</u>	<u>—</u>

(b) Operating Lease Commitments

Operating lease commitments contracted for at year end but not provided for in the financial statements

Not longer than 1 year	412	412	—	—
Longer than 1 year and not longer than 5 years	2,153	2,027	—	—
Longer than 5 years	907	1,445	—	—
	<u>3,472</u>	<u>3,884</u>	<u>—</u>	<u>—</u>

Non-cancellable operating lease relating to office premises with a remaining lease term of 7 years. Rental payments are generally fixed with inflation escalation clauses on which contingent rentals are determined. Outgoings related to the occupation of premises are included in these commitments.

PORTMAN LIMITED
NOTES TO THE FINANCIAL STATEMENTS

Note 32: Contingent liabilities

Contingent liabilities not otherwise provided for in these financial statements are:

1. The parent entity has guaranteed the lease liabilities of a controlled entity under an operating lease for premises to a maximum of \$505 thousand (2004: \$505 thousand).
 2. The parent entity has guaranteed the performance of a controlled entity under a long term contract with the Esperance Port Authority for the provision of port services related to the exporting of iron ore.
 3. The parent entity has contingent liabilities in respect of termination benefits which may arise pursuant to service agreements entered into with certain executives who take part in the management of the Company. The maximum amount of the contingent liability is dependent upon the circumstances in which the employment is terminated.
 4. The parent entity has provided a guarantee for a controlled entity for a maximum of \$500,000 in respect of a long term contract with the Esperance Port Authority for the provision of port services related to the exporting of iron ore.
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PORTMAN LIMITED
NOTES TO THE FINANCIAL STATEMENTS

Note 34: Financial instruments (continued)

(d) Interest Rate

The Consolidated Entity is exposed to interest rate risk arising from the Company's portfolio of assets and liabilities. The Company's interest rate risk is primarily due to the interest rate sensitivity of its investments and borrowings. The Company's interest rate risk is managed through the use of interest rate derivatives.

	2023	2022
Interest rate risk		
Assets		
Liabilities		
Net		
Interest rate risk		
Assets		
Liabilities		
Net		

PORTMAN LIMITED
NOTES TO THE FINANCIAL STATEMENTS

Note 34: Financial instruments (continued)

(f) Liquidity risk management

The Consolidated Entity manages liquidity risk by maintaining banking facilities and borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Portman Limited man Liii t (

PORTMAN LIMITED
NOTES TO THE FINANCIAL STATEMENTS

Note 36: Related party information

(a) Equity interest in related parties

Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 12 to the financial statements.

Equity interests in joint ventures

Details of interests in joint ventures are disclosed in note 27 to the financial statements

(b) Key management personnel compensation

The key management personnel of Portman Limited are

PORTMAN LIMITED
NOTES TO THE FINANCIAL STATEMENTS

Note 36: Related party information (continued)

(d) Transactions with other related parties

The above transactions were made on normal commercial terms and conditions, except that there are no fixed terms for the repayment of loans advanced by Portman Limited.

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PORTMAN LIMITED
NOTES TO THE FINANCIAL STATEMENTS

Note 36: Related party information (continued)

(f) Parent entities

The parent entity in the consolidated entity is Portman Limited.

Portman Limited's parent entity is Cleveland-Cliffs Australia Pty Limited and the ultimate Australian parent entity is Cleveland-Cliffs Australia Holdings Pty Limited.

The ultimate parent entity is Cleveland-Cliffs Inc which is incorporated in the United States of America.

Note 37: Subsequent events

On 31 January 2005 mining contractor Henry Walker Eltin Group Ltd (HWE) went into voluntary administration. Portman utilises the services of HWE for contract mining at its Koolyanobbing and Cockatoo Island Iron Ore projects. The Cockatoo Island Iron Ore project is an unincorporated joint venture between HWE and Portman. As of 1 February 2006, HWE's mining assets were sold to Leighton Contractors, an Australian based mining and construction contractor, and the Koolyanobbing contract has been assumed by them. Leighton also purchased HWE's subsidiary that owned its 50% interest in the Cockatoo Island joint venture, and is continuing to manage the operation.

There has not been any other matter or circumstance that has arisen since the year-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 38: Segment Information

(a) Business Segment

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

(b) Geographic Segment

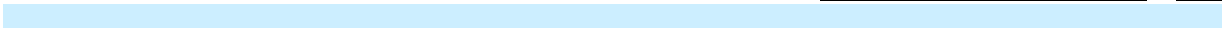
The Consolidated Entity operates in one geographic segment – Australia.

Note 39: Impacts of the adoption of Australian equivalents to International Financial Reporting Standards

The Consolidated Entity changed its accounting policies on 1 January 2005 to comply with Australian equivalents to International Financial Reporting Standards ("A-IFRS"). The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 "First-time Adoption of Australian Equivalents to International Financial reporting Standards", with 1 January 2004 as the date of transition, except for financial instruments, including derivatives, where the date of transition is 1 January 2005 (refer note 1(t)).

An explanation of how the transition from superseded policies to A-IFRS has affected the Company and Consolidated Entity's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.





Shareholder Information
(At 22 February)



**Shareholder Information
(At 22 February 2006)**

Change of name/address

Shareholders who are Issuer Sponsored should advise the Share Registry promptly of any change of name and/or address so that correspondence with them does not go astray. All such changes must be advised in writing and cannot be accepted by telephone.

Shareholders who are in CHESS and Broker Sponsored CHESS and Broker Sponsored where can sponsoring and can account alone Registry promptly change of name