Cleveland Secures Debt Restructure and Funding Support to Underpin Premier Gold Mine Expansion

12-month extension on debt maturity frees up project cash-flows to support plans to increase production to 40,000oz-a-year

Highlights

- **Maturity date on loan to Platinum Partners to extend by 12 months.**
- **Extension frees up cash flows for expansion of Premier Gold Mine, enabling Cleveland to internally fund the bulk of the required capital expenditure.**
- **Sufficient funds now committed by investors under the recently announced Royalty Linked Convertible Note issue to complete 100tph ball mill renovation and installation.**
- **Funding also made available as part of the agreement with Platinum to advance Cleveland's potential pig iron development projects in Brazil.**
- **100tph primary jaw crusher now installed and commissioned.**

Cleveland Mining Company Ltd (ASX: CDG) is pleased to announce that it has taken another key step towards substantially increasing gold production from its flagship Premier Joint Venture Gold Mine in central Brazil after securing the support of its key lenders to back recently announced expansion plans.

Cleveland has reached agreement with its principal financier, Platinum Capital Partners, to extend the maturity date of its existing US$6.8 million debt facility by 12 months to September 2016 to assist with funding the Premier expansion plans.

In consideration for the extension of the debt facility maturity date, the Premier Joint Venture has agreed to pay Platinum a 2% Net Smelter royalty which can be repurchased from Platinum any time within two years of commencement of the royalty for $US1.5 million. The agreement is currently in the form of an Executed Binding Heads of Agreement, which will convert to a contract amendment when the documents associated with this royalty are issued by Cleveland. Other terms are in line with the existing terms.

Platinum has also agreed to allow 50% of the debt facility interest payments to be used, on a no interest loan basis, for the Company's iron ore/ potential pig iron project studies in Brazil in return for a further 15% ownership in its iron ore subsidiary. Further details regarding these activities will be presented in a separate market update.

The debt facility extension will free-up cash-flows to underpin the Premier expansion, enabling Cleveland to internally fund the bulk of the required capital expenditure, as well as fund a planned exploration program designed to increase its resource inventory to support a 6-year mine life at the revised production rate.

The planned Premier production, resource and ownership expansion, which involves estimated capital expenditure of A$8.3 million, will see production at Premier more than double to a targeted level of **40,000oz per annum** at an estimated all-in sustaining cost (AISC) in the range of **A$500-600/oz**, and Cleveland's equity in the project increase to 60%

Based on its production and cash-flow projections over the next 12 months, the Company estimates that the expansion will only require approximately A$1 million of additional capital, primarily for the renovation and installation of the new 100tph ball mill, in order to complete the upgrade of the gravity circuit by mid-year and the remainder of the program by year-end.

The Company is currently raising these funds by way of an innovative royalty-linked debt facility (*see ASX Announcement – 24 February 2015*), and is pleased to advise that it has now received commitments for enough funds to allow the program of works required for the renovation and installation of the new ball mill to be completed.

The fund raising remains open and an update on this capital raise will be provided in the near future in a separate announcement.

Additionally, the Company has now commissioned the first component in the expanded circuit, being the 100tph primary jaw crusher, and is also currently wet commissioning the 40tph flotation circuit.

Premier Mine – Expansion and Upgrade

Cleveland announced plans to undertake a substantial expansion and upgrade of the Premier Gold Mine just before Christmas. The expansion will increase plant reliability and includes plans to undertake a significant exploration program to grow the resource inventory and mine life. Key components of the planned expansion include:

- Installation of a new 100 tonne per hour (tph) crushing and grinding circuit in parallel to the existing 40tph circuit to provide both an increase in production and an increase in reliability;
- Installation of a new 100tph flotation circuit to increase recovery;
- Approximately 10,000m of ore-body extensional drilling targeting an increase in the resource base to 250,000oz from the current 114,000oz, which would support a mine life of six years at the expanded production rate; and

- Increasing Cleveland's equity in the Premier Project from 50% to 60%, and procurement of the farm-land over the main Metago ore-body (along with an attached royalty), through cash payments to the Project's Joint Venture partners

Cleveland's externally constructed Discounted Cash Flow models value the expanded production case, assuming production of 40,000oz-a-year, a minimum 6-year mine life and increasing the Company's equity ownership of the project to 60%, at A$99.2 million. This compares with Cleveland's current market capitalisation of approximately A$12 million. The assumptions used in this valuation are included as Appendix 1 to this announcement.

This cash flow model assumes that the expansion will be majority funded by project cash-flows made available by the extension of the debt facility together with vendor financing for key equipment items. Full details of the Company's expansion plans, discounted cash flow model and forward plans are provided in a corporate presentation which has been lodged separately on the ASX Platform on 24 February 2015.

Expansion Timeline

Expansion of the gravity circuit is targeted for mid-2015 with the additional upgraded flotation circuit expected to be completed by the end of calendar 2015. Resource drilling will continue throughout the year, with revised resource estimates also targeted by the end of the year. Completion of the revised equity ownership structure is targeted for Q3 2015. The expanded production rate is planned to be achieved by the end of 2015.

Management Comment

Cleveland Mining's Managing Director, David Mendelawitz, said the Company was pleased to have secured the backing of its key debt financiers to push ahead with its expansion plans.

"Pushing back the debt maturity date to free-up cash to spend on the expansion of Premier is an excellent outcome for the Company and our shareholders," he said. "Not only does it represent a major vote of confidence in our expansion plan, but it relieves any concerns over our ability to repay debt in the short term and supports our plan to mainly fund this important growth opportunity through internal sources.

"The expansion project has a compelling business case. Not only will it increase the estimated throughput by around 150 per cent and the estimated recovery per tonne by around 33 per cent, but it will also increase the reliability of the plant through the addition of a new crushing and grinding circuit. Currently, when part of the circuit is down for maintenance or a breakdown, the entire plant is forced to stop. By adding two new crushers and a new ball mill, one system can always remain online."

“Additionally, we will begin drilling as soon as possible to increase our resource inventory from the existing 114,000oz base. As previously announced, we will be targeting ~250,000oz to underpin at least six years of production at the expanded production run-rate. As the drilling will be focused on extensions of the current ore-body and into known mineralisation, we believe that we can achieve our objectives relatively quickly.

“We will be targeting the lowest risk areas first in our exploration at Premier and O Capitão, before moving onto the broader opportunities within our regional ground-holding, which is prospective for multi-million ounce discoveries similar to our tenement boundary neighbour, the world-scale Serra Grande mine operated by Anglo Gold Ashanti.”

ENDS

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About Cleveland Mining Company Ltd

Cleveland Mining Company Ltd is an Australian-managed, ASX-listed minerals company squarely focused on developing projects into mines.

The Company's management team has a track-record for building billion-dollar projects from the ground up, providing Cleveland with the expertise to secure and build robust projects.

Cleveland has gold and iron ore assets in Brazil in areas with excellent mining credentials:

- Mining and production are underway at Cleveland's Premier 50/50 Gold Mine JV in Goias State in central Brazil. The Company is working to add throughput from the O Capitão project, which is less than 10km from the Premier Mine.
- Cleveland has signed binding Option Agreements with the Brazilian private company Bahmex covering multiple iron projects. The Company is investigating developing a pig iron processing plant as an alternative to selling iron ore.

Cleveland has a different approach to project selection with project economics driving target selection. Projects are chosen according to their likelihood of generating returns at the bottom of the economic cycle.

Forward-looking Statements

Forward-looking statements can be identified by the use of terminology such as 'intend', 'aim', 'project', 'anticipate', 'estimate', 'plan', 'believe', 'expect', 'may', 'should', 'will', 'continue' or similar words. These statements discuss future expectations concerning the results of operations or financial condition, or provide other forward looking statements. They are not guarantees or predictions of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are beyond our control, and which may cause actual results to differ materially from those expressed in the statements contained in this ASX update. Readers are cautioned not to put undue reliance on forward looking statements

Competent Person's Statement

The information in this report that relates to Exploration Results is based on information reviewed by David Mendelawitz, who is a Fellow of the AusIMM. Mr Mendelawitz 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 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Mendelawitz consents to the inclusion of the matters based on his information in the form and context in which it appears. Mr Mendelawitz is employed by Cleveland Mining Company Ltd.

Appendix 1 – Key Project Assumptions

100% Basis	Units	FY2015	FY2016	FY2017	FY2018	LOM/LT
Gold Price	AUD$/oz	1,555	1,555	1,555	1,555	1,555
Mining						
ROM Ore	kt	161	720	720	720	**4,121**
Gold Grade	g/t	2.17	2.00	2.00	2.00	**2.01**
Gravity Circuit						
Volume	kt	161	720	720	720	**4,121**
Gold Grade	g/t Au	2.17	2.00	2.00	2.00	**2.01**
Recovery	%	65%	65%	65%	65%	**65%**
Gold Production	koz Au	7.3	30.1	30.1	30.1	**172.8**
Flotation Circuit						
Volume	kt	-	720	720	720	**3,960**
Gold Grade	g/t Au	-	2.00	2.00	2.00	**2.01**
Recovery	%	-	18%	20%	20%	**20%**
Gold Production	koz Au	-	8.1	9.3	9.3	**49.8**
Tailings Circuit						
Volume	kt	90	240	240	240	**1,410**
Gold Grade	g/t Au	0.80	0.80	0.80	0.80	**0.80**
Recovery	%	60%	60%	60%	60%	**60%**
Gold Production	koz Au	0.6	1.2	1.2	1.2	**0.3**
Total Premier Production						
Total Gold Produced	koz Au	7.7	39.3	40.5	40.5	**229.1**
C1 Cash Cost	A$/t	31.90	21.67	21.67	21.67	**22.07**
C1 Cash Cost	A$/oz Au	668	398	386	386	**399**
AISC	A$/t	50.19	29.12	21.81	21.94	**24.28**
AISC	A$/oz Au	1,070	544	388	390	**443**
Other Assumptions						
Drilling Capex	A$m	0.7	0.8	-	-	**1.5**
Total Capex	A$m	2.9	5.4	0.1	0.2	**9.1**
Payment to Edifica	A$m	-	-2.0	-	-	**-2.0**
Dividends Paid	A$m	-	-5.0	-	-	**-5.0**