

Cleveland Completes Royalty Note Issue and Gold Refining Pre-Payment Agreement to Grow Gold Production and Cash-Flow in Brazil

~\$2.5M raised through a combination of the previously announced royalty-linked note and a pre-payment from a gold refiner, providing funds to complete expansion of Premier Gold Mine to 40,000ozpa production rate

Highlights

- Royalty Linked Note has been closed, with a total of \$A1.87M received.
- Partial underwriting and progressive nature of the fund raising has allowed the Company to continue expansion activities at the Premier operation during the capital raise.
- Additional US\$500,000 (~A\$670,000) raised through pre-payment by a gold refiner through a gold off-take agreement.
- Agreement allows for Cleveland to receive pre-payments of up to US\$500,000 for gold shipments for the next 11 months.
- Platinum loan formally extended for 12 months after completion of royalty documentation.

Cleveland Mining Company Ltd (ASX: CDG) is pleased to announce that it has now received A\$1.87 million under its previously announced Royalty Linked Note, plus an additional US\$500,000 (A\$670,000) under a gold pre-payment off-take agreement, with the combined fund raising of ~A\$2.5 million marking another key step in its strategy to grow production and cash-flow at its flagship **Premier Joint Venture Gold Mine** in central Brazil.

The proceeds have been progressively drawn to complete the expansion of the processing plant at the Premier operation from its current throughput capacity of circa 40 tonnes per hour (tph) to 100tph. The 40tph circuit will be redundant but available to be used in the event of an extended planned shutdown or used to increase overall capacity.

Corporate Information

Total shares: 242.7 million
Listed options: 11.4 million
Unlisted options: 33.2 million

Contact

Investor & Media Enquiries
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Board of Directors

Russell Scrimshaw - Non-Executive Chairman
David Mendelawitz – Managing Director
Rick Stroud – Non-Executive Director
Wayne Zekulich – Non-Executive Director

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The Premier plant is now expected to reach 100tph, including flotation, in Q3 of 2015 – slightly earlier than originally forecast. At this throughput rate, the Premier operation is forecast to deliver an annualised production rate of ~40,000oz per annum.

As outlined in recent announcements (*see ASX Announcement – 24th February 2015*), the expansion of the Premier operation is scheduled to be completed in three stages:

1. Increasing the gravity circuit from 40 to 100tph through the installation of a new jaw crusher, cone crusher and ball mill – with completion of this on track for Q3 2015;
2. Adding a new flotation circuit to directly treat the gravity tailings (separate from the current Contractor Flotation Circuit). This important component was scheduled for installation in Q4, however it is to be installed ahead of the completion of the gravity circuit in Q3, at a lower cost than originally forecast as a result of the Company deciding to progress a low CAPEX, modular flotation cell technology; and
3. Expansion of the Premier gold resource inventory through a substantial drilling program funded by cash-flows. This activity is targeted to begin in late Q3 2015.

Partial underwriting of the note by Cleveland's Managing Director, David Mendelawitz, together with additional funds received early in the capital raise process, has allowed the expansion program to progress prior to the final completion of the raising.

Additionally, Cleveland has now completed all documentation required to formally extend the loan with Platinum Partners LLP from September 2015 to September 2016. The extension was previously announced, and was subject to the grant of a 2% royalty over Premier as a condition of the extension. This royalty can be bought back by the Cleveland Premier Joint Venture for US\$1.5 million.

Mr Mendelawitz said he was very pleased with the level of investor support and participation in the raising given the challenging financing environment for junior resource companies.

"We are very happy to have been able to raise these funds on very good terms for both our existing shareholders – including those who have demonstrated their continued support by participating in this note – and new investors to the Company," he said.

"Additionally, we are delighted to have been able to forge a new relationship as part of this process with a gold refiner who is prepared to help support our growth," he added.

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“Together with the previously announced vendor financing which we have been able to secure, this raise means that the Premier expansion project is funded and on track for completion during the third quarter of this year.

“Those who have followed us for a while will appreciate that this is a huge milestone for the Company, as it will provide us not only with an increased throughput capacity but also with a high level of redundancy – overcoming the mechanical equipment and plant reliability issues which have plagued the Premier operation from the outset.

“The installation of the new, expanded plant will allow the operation to realise its potential and achieve the production targets we have set ourselves,” he said. “With the expansion at Premier now in full swing, we anticipate completing the plant expansion during this quarter, underpinning a strong outlook for Cleveland for the 2016 financial year and beyond.

“I firmly believe this marks a significant turning point in Cleveland’s history, and I would like to take this opportunity to thank those who have supported us in recent months to complete these important milestones, including Jett Capital, Platinum Partners, Glenn Simpson, Read Corporate and Palladion Partners.

“Their assistance and understanding has been very much appreciated through this challenging period and I am grateful to have them as part of our extended team.”



Above: 40 tph
Hammer Mill

Right: 100 tph Cone
Crusher



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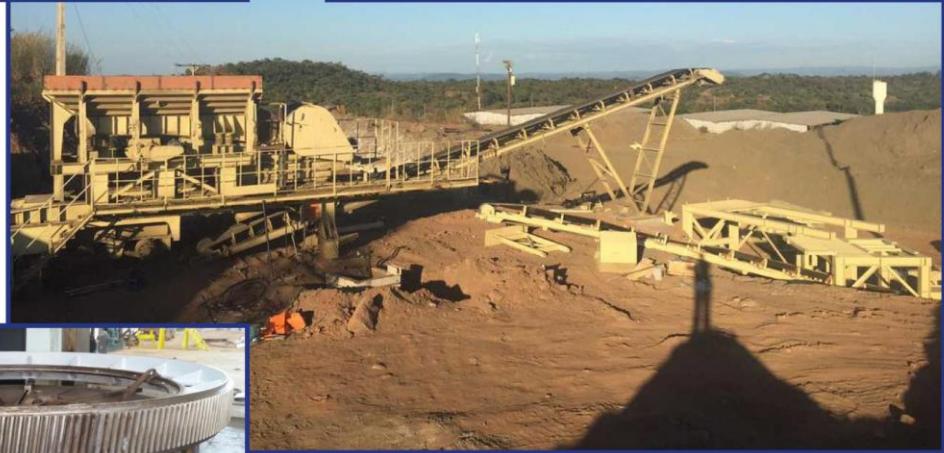
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The Royalty note details are:

- 12-month duration
- 9% coupon
- 6.23% Production Royalty linked to the first 3 months of production following the certified commissioning completion and steady state production of the new ball mill
- The note holders have 6 months from the execution of the note to elect to convert the face value of the note to shares at \$0.06 per share and forego the interest and royalty component
- Convertible to equity at a discount to the prevailing Volume Weighted Average Price at the maturity date 12 months after issue in the case of default by Cleveland

The benefits to Cleveland shareholders include:

- Equity dilution minimised;
- Low base rate compared to a conventional unsecured convertible note in the current financial climate;
- Disconnected to the current low equity price; and

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- Funds raised will assist in the rapid installation of the expanded gravity circuit to underpin a significant increase in free cash-flows in the short term.

Benefits to the investors in the note include:

- A fair interest rate, secured by convertibility at a discount to the prevailing equity price at the time of the note expiry in the case of default;
- The opportunity to participate in the substantial upside that will be generated by the expansion of the gravity circuit; and
- Potential to participate in the upside generated by the installation of the 100tph flotation circuit, after the Company completes installation and during the 3-month royalty period.

The gold off-take loan details are:

- US\$500,000 prepaid for purchase of approximately 14 kg of gold Dore;
- Further pre-payments of up to US\$500,000 available at Cleveland's discretion on settlement of prior prepaid shipments;
- Interest capped at 8% per annum on outstanding prepaid funds; and
- Exclusive off-take of gold dore granted to refiner for 3 years on same terms as gold dore is currently sold by Cleveland.

ENDS

Further Information:

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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 Goiás 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 new iron projects in Brazil. The company has signed binding Option Agreements with the Brazilian private company Bahmex covering multiple iron projects.

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.

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