

June 2015 Quarterly Activities Report

Expansion of Premier JV Gold Mine to 40,000ozpa production rate on track with funding secured and future production growth plans advanced

Highlights

- **Key elements of the Premier Gold Mine expansion project advanced during the Quarter, including:**
 - ***Installation of 100tph secondary crushing circuit – completed;***
 - ***Installation of flotation circuit – completed subsequent to end of quarter; and***
 - ***100tph ball mill expansion refurbishment project – 70% completed.***
- **Initial trial mining plans finalised for O Capitão Lavra Project subsequent to Quarter-end. Trial mining will commence on high-grade gold mineralisation from within an initial Inferred Resource of 418kt @ 5g/t Au for 67koz which remains open in all directions.**
- **Lavra Trial Pits containing up to 44kt at an average grade of 14.4g/t gold for ~20,000oz, less depletion by historic artisanal mining.**
- **Cash costs for the Lavra Trial Mine are estimated to range from US\$162-203 per ounce, depending on the extent of artisanal depletion of the mineralisation.**
- **Royalty Linked Note closed raising a total of A\$1.87M.**
- **Additional US\$500,000 (~A\$670,000) being raised through pre-payment by a gold refiner following a landmark gold off-take agreement.**
- **Platinum loan formally extended for 12 months after completion of royalty documentation.**

The principal focus of activity for Cleveland Mining Company Ltd (ASX: CDG) during the June 2015 Quarter was to progress a range of activities associated with the previously announced expansion of the Company's flagship Premier Gold Mine in central Brazil. This expansion project is designed to establish Cleveland as a profitable, low-cost Brazilian gold producer at an initial targeted annual production run rate of 40,000 ounces per annum.

As previously announced, gold production for the June Quarter was limited due to the Company focusing its available capital on completing the process plant expansion rather than undertaking overburden stripping.

Corporate Information

Total shares: 243.1 million
Listed options: 11.4 million
Unlisted options: 29.2 million

Contact

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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 funding injection allowed waste stripping to resume to replenish run-of-mine (ROM) ore stocks by the end of the Quarter with processing due to resume during July.



Ore being fed into the primary crusher at Premier



Mining in Metago Pit at Premier

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Expansion Project

The Company is currently completing a program of works to upgrade the mining and processing capacity of the Premier Gold Mine from 40tph to 100tph and to improve the plant reliability. The program of works included:

- Installation of a new 100tph jaw crusher – complete;
- Installation of new 100tph secondary crushing circuit (including cone crusher) – complete;
- Refurbishment of new 100tph ball mill – 70% complete;
- Installation of new stacked cell flotation circuit – completed subsequent to end of quarter;
- Installation of upgraded water supply system – significantly progressed;
- Ramping up of mining rate – underway.

Due to the prolonged period of time taken to raise the required capital, the installation of the ball mill is running behind the original schedule, as the initial funds raised had to be balanced across working capital and expansion requirements.

Notwithstanding this delay, the Company has been able to modify the original plan to achieve the same 2015H2 gold production ramp-up schedule as originally targeted. These modifications included:

- Bringing forward the installation of the flotation circuit by approximately six months;
- Uncovering ore of higher gold grade than the orebody average; and
- Making adjustments to the existing ball mill.

The Company was originally planning to ramp-up its processing rate from 40tph to 100tph progressively after the installation of the new ball mill feeding 2.0gpt material, while only utilising gravity gold recovery for the remainder of the year – with installation of the flotation circuit planned the final quarter of the year.

The Company will now ramp-up production progressively feeding material with a head grade of 2.5 – 3.4g/t Au.

The process plant will begin feeding this material at ~28tph. Following the optimisation of the flotation circuit over the following weeks, the recirculation load of the ball mill will be reduced, and the Company aims to increase the throughput to 50tph.

The current process plant has demonstrated capacity to run at 50tph if the re-circulating load (re-grinding) is reduced, although gravity gold recovery is reduced due to the decreased

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amount of grinding. This combined with lack of exposed high grade ore at the time forced the Company to stop utilising this circuit configuration.

The installation of the flotation circuit and access to higher grade ore is expected to negate the effect of the reduced grinding, as testwork has demonstrated that the flotation circuit should recover a significant fraction of the gold that is not recovered by the gravity circuit.

Following the installation of the new ball mill, the mining rate will increase to provide 100tph of ore feed.

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Stacked celled flotation (tanks and control systems seen in centre left of picture) installed in Premier process plant

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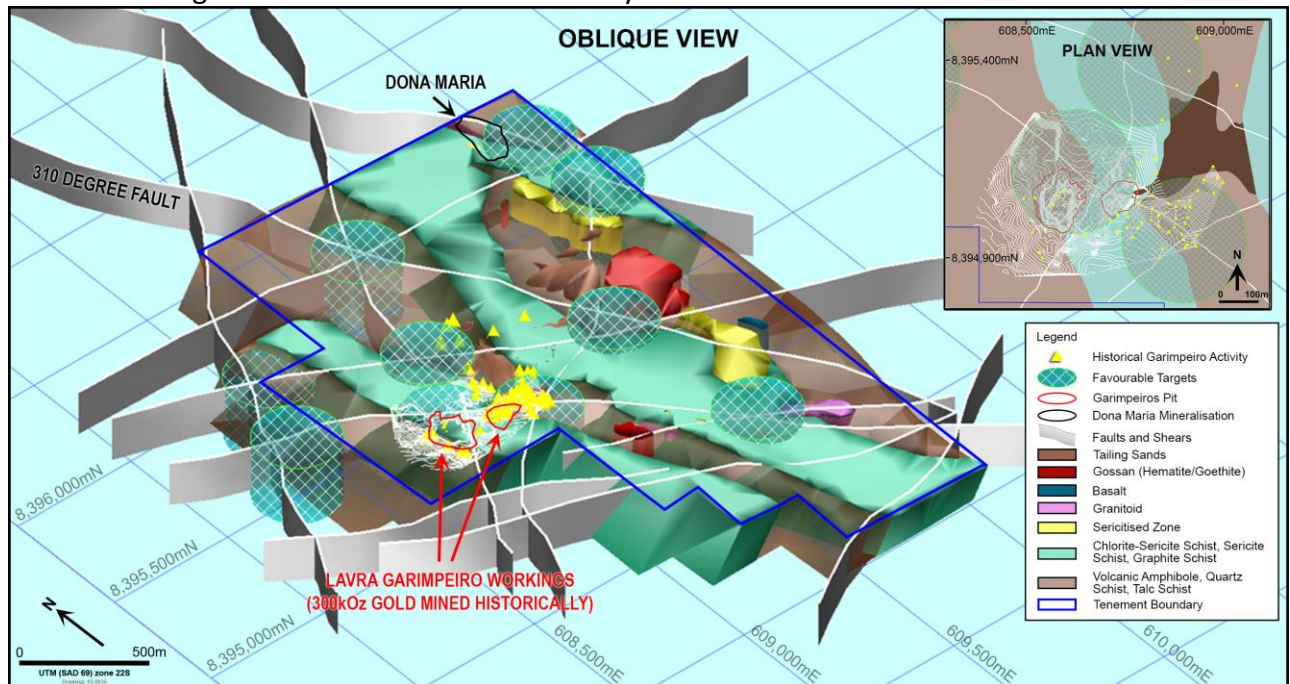
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O Capitaó, Lavra

The Lavra Project contains high-grade mineralisation that has been subject to Garimpeiro (artisanal mining) activity. Local records state that 6,000 -12,000 miners worked the site approximately 30 years ago, extracting at least 10 tonnes of gold until mining was suspended due initially to an outbreak of Yellow Fever, then permanently due to a strengthening of the mining laws in Brazil outlawing artisanal mining.

Most artisanal mining occurred in two small open pits, although a number of garimpeiro shafts were sunk. While the mineralised seam is both consistent and predictable, the extent of depletion as a result of artisanal mining remains uncertain, hence the Inferred Resource classification.

The mineralisation at Lavra, as at the neighbouring Dona Maria prospect, is structurally controlled where favourable 310 degree structures cross-cut oblique structures. The following diagram shows the proximity to Lavra and Dona Maria of cross-cutting structures. The diagram also shows lithology, garimpeiro pits and workings, and the location of other favourable targets based on this structural analysis.



Pits have been scheduled for trial mining starting early next year. The pits cover approximately 25% of the resource area, providing encouragement that ongoing mining after the trial is possible if only on the basis of the remaining mineralisation. An objective of the trial mining, together with further drilling, is to upgrade the current Inferred Resource classification by quantifying the extent of artisanal depletion.

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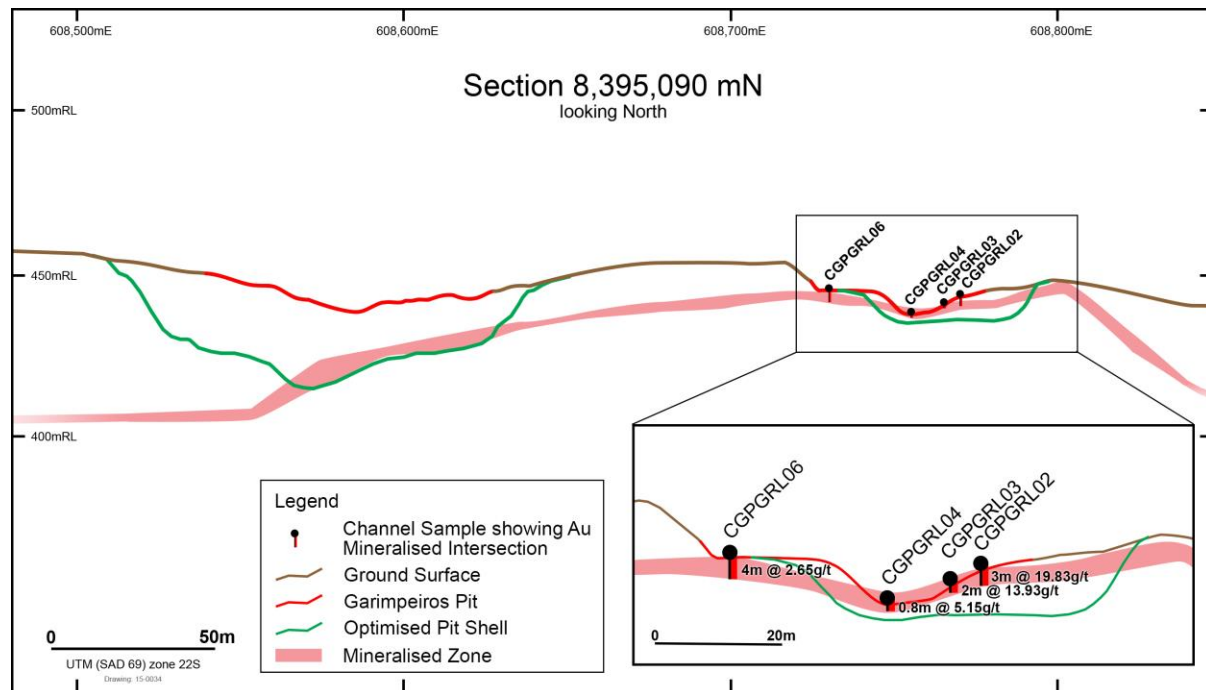
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The following cross-section through the pits provides some depth perspective of the interpreted mineralisation and the potential for on-going mining after the trial pits are completed.

The position of the section is noted on the previous diagram.



The purpose of trial mining is threefold:

1. The lower pit tonnage will hasten commencement of mining by shortening licencing lead time, and reduced tonnage removes the need for additional process capacity;
2. It will enable Cleveland to analyse the extent and orientation of the underground workings, thereby streamlining further drilling and mine expansion; and
3. The expected strong free-cash generated will fund the drilling necessary to expand and upgrade the resource and pay for a mill expansion, both of which are necessary to support a long-term, elevated mining rate.

The trial pits will remove approximately 44,000 tonnes of ore, subject to depletion by artisanal miners, likely leading to steady-state mining. While the strip ratio will be relatively high compared to Premier, the low cost of mining (approximately A\$1 per tonne) combined with the high grade (14.4gpt) will allow for a low cash cost per ounce. The exact cost per ounce cannot be calculated due to the uncertainty of the extent of artisanal depletion, but based on 0% and 50% mineral depletion, the economics are compelling, as demonstrated by the following metrics derived from modelling:

Cost (US\$) per mined gold ounce (0% mine depletion)	81
Cost (US\$) per mined gold ounce (50% mine depletion)	163

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Cost (US\$) per produced gold ounce (80% mill recovery & 0% mine depletion)	162
Cost (US\$) per produced gold ounce (80% mill recovery & 50% mine depletion)	203

All in Sustaining Costs (AISC) will be a function of the total number of ounces which will be amortised to Premier and Cleveland's existing overhead cost, though due to the close proximity of Lavra to the Premier mill and the small scale of mining, there should be minimal further additional costs above the cash costs, having a net effect of reducing Cleveland's average AISC base, which is already predicted to be very low.

Mining is scheduled to occur for 10 hours per day for 5 ½ days per week. Processing of Lavra ore will involve either it being batched separately to Premier ore, or blended with Premier ore at the rate of 10-14 tonnes per hour (tph). The Premier plant will have approximately 130-140tph capacity upon completion of the current upgrades, while throughput of combined Lavra and Premier ore is expected to peak at 100 tph leaving 30-40tph spare capacity.

Mining can commence after the granting of an initial Utilisation Guide (Trial Mining Licence), which is targeted for early 2016.

During trial mining, the Company plans to undertake further drilling across the Lavra prospect with a view to continuing and then expanding production. Provided it is justified, the Company is planning further expansion of the process facilities at Premier beyond the current expansion scheduled for completion this year. Internal capital estimates for an additional 100tph processing capacity at Premier are circa A\$7 million, to be funded by Premier/ O Capitão cash flows.

Corporate

During the Quarter the Company 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, to be consummated early in July with the combined fund raising of ~A\$2.5 million.

The convertible note proceeds were progressively drawn throughout the Quarter 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.

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.

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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.

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 A\$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
- 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 doré granted to refiner for 3 years on same terms as gold dore is currently sold by Cleveland.

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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 new iron ore projects in Brazil. The companies have 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

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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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Appendix 5B

Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

Cleveland Mining Company Limited

ABN

85 122 711 880

Quarter ended ("current quarter")

30 June 2015

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (12 months) \$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	672	4,104
1.2	Payments for (a) exploration & evaluation	(33)	(304)
	(b) development	(114)	(1,122)
	(c) production	(774)	(3,939)
	(d) administration	(578)	(3,194)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	6	7
1.5	Interest and other costs of finance paid	-	(341)
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
Net Operating Cash Flows		(821)	(4,789)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(513)	(1,359)
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	28
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other – funds from JV partner	-	40
Net investing cash flows		(513)	(1,291)
1.13	Total operating and investing cash flows (carried forward)	(1,334)	(6,080)

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1.13	Total operating and investing cash flows (brought forward)	(1,334)	(6,080)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.		
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	1,610	6,083
1.17	Repayment of borrowings	-	(528)
1.18	Dividends paid	-	-
1.19	Other – share issue costs	-	-
	– financing costs	(14)	(181)
	Net financing cash flows	1,596	5,374
	Net increase (decrease) in cash held	262	(706)
1.20	Cash at beginning of quarter/year to date	286	1,532
1.21	Exchange rate adjustments to item 1.20	(90)	(368)
1.22	Cash at end of quarter	458	458

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

	Current quarter \$A'000
1.23 Aggregate amount of payments to the parties included in item 1.2	70
1.24 Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Directors' fees, salaries and superannuation.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

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Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	100
4.2 Development	413
4.3 Production (does not include proceeds from gold sales)	3,521
4.4 Administration	763
Total (excludes revenue during the period)	4,798

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	82	46
5.2 Deposits at call	376	240
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	458	286

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed		No changes		

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6.2 Interests in mining tenements acquired or increased

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Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3)	Amount paid up per security (see note 3)
7.1 Preference securities	-	-		
7.2 Changes during quarter	N/A	N/A		
7.3 *Ordinary securities	243,114,224	243,114,224		
7.4 Changes during quarter				
(a) Increases through issues	373,339	373,339		
(b) Decreases through returns of capital, buy-backs	-	-	N/A	N/A
7.5 *Convertible debt securities				
Convertible notes	5,639,007	-		
7.6 Changes during quarter				
(a) Increases through issues	1,555,000	-		
(b) Decreases through repayments	-	-		
7.7 Options			<i>Exercise price</i>	<i>Expiry date</i>
Unlisted options	17,206,667	-	\$0.20	31 Dec 2015
Unlisted options	3,000,000	-	\$0.36	31 Dec 2015
Unlisted options	1,000,000	-	\$0.215	30 Jun 2017
Unlisted options	1,000,000	-	\$0.25	16 May 2016
Unlisted options	1,000,000	-	\$0.135	31 Mar 2017
Unlisted options	3,000,000	-	\$0.25	31 Dec 2018
Unlisted options	3,000,000	--	\$0.40	31 Dec 2018
Listed options	11,364,998	11,364,998	\$0.65	4 Jul 2016
7.8 Issued during quarter				
	-	-		
7.9 Exercised during quarter				
	-	-		
7.10 Expired during quarter				
Unlisted Options				
Unlisted Options				
7.11 Debentures	-	-		
7.12 Unsecured notes	-	-		

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Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).

2 This statement does give a true and fair view of the matters disclosed.

Sign here:



..... Date: 31 July 2015

Company Secretary

Print name: Albert Longo

Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities.** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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Corporate Information

Total shares: 243.1 million
Listed options: 11.4 million
Unlisted options: 29.2 million

Contact

Investor & Media Enquiries
info@clevelandmining.com.au

Board of Directors

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

Head Office

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