

September 2015 Quarterly Activities Report

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

Highlights

- Production re-commenced and ramping up following Q2 suspension to complete key plant upgrades.
- Flotation plant successfully commissioned with initial 28tph target throughput rate sustained.
- Existing ball mill throughput rate currently being run at 28tph in hard fresh ore, and 33tph when blended with oxide ore. Transition to higher throughput of 50tph in “open circuit” configuration will occur in line with optimisation of new flotation plant.
- New crushing plant continuing to perform well after demonstrating up to 200tph capacity in oxide material and +110tph in hard sulphide material.
- Overall plant mechanical availability has increased to approximately double the historic average
- Gold recovery has increased to 70-80%, depending on the ore type. With further increases expected once the optimisation program is completed.
- Work continues on the final key component of the expansion to 100tph, being the renovation and installation of a 1.25MW ball mill (current mill is 474kW).
- Drilling currently underway on initial ore-body extensional holes and first-pass testing of Premier East and the highly prospective Vanuza prospect.

The principal focus of activity for Cleveland Mining Company Ltd (ASX: CDG) during the September 2015 Quarter was to continue the works carried out in the previous quarter and recommence mining and milling operations.

Steady state mill production recommenced on 1st September 2015, with throughput at expected levels. The mill operated at above 80% availability, with the recovery from the circuit averaging 70-80% in the quarter, depending on ore types.

Mill grade was down on expectations, due principally to the re-establishing of mining protocols and an uneven pit floor. Additional high volume waste stripping was undertaken to bring down the high wall to expose significant higher grade ore for the coming quarters.

Gold production for the quarter was 915 ounces

Expansion Project

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

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

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During the Quarter, Cleveland delivered a number of positive recent developments at Premier, with the resumption of gold production following the completion of several key aspects of its expansion and upgrade program.

All key components of the Company's plan to ramp-up the Premier processing plant to 100tph (tonnes per hour) capacity have now been installed and commissioned, except for the newly renovated ball mill. The new flotation circuit has been successfully commissioned and is operating well, with its initial targeted throughput rate of 28tph sustained.

The flotation circuit will require additional tankage to expand its ultimate capacity of 100tph and reach the final targeted recovery when processing sulphide material, although this is a relatively low capital, short lead-time project that will be undertaken in line with the ramp-up of mining to meet the 100tph throughput rate following the successful commissioning of the new ball mill.

Cost-benefit analysis of the expansion of the flotation circuit demonstrates a short payback period, depending on head-grades at the time of installation.

Gold recovery from the combined gravity and flotation circuits has peaked at 84%, and averaged 70-80%, depending on the ore type. This is expected to continue to increase to the targeted level of 85% following a planned optimisation program which will be undertaken in the near term.

The overall mechanical availability of the plant for the period since operations recommenced has increased from a previous low of less than 50% to more than 80%, with most down time being caused by issues caused by the implementation of the new water supply and a design fault in a screen that has now been re-engineered. The Company's production plans are currently based on 83% availability.

Ore feed grades to the mill were below expectations during the initial period immediately following the resumption of processing operations. This was due to some short-term survey and grade control issues in the open pit which have been quickly addressed, and additionally because of the uneven nature of the pit leading to dilution after blasting. Mining is currently underway in areas of the open pit where ore grades are in line with the Company's production plan.

The Company has also transitioned from a construction-focused site manager to an operationally focused manager who is directly overseeing ongoing survey control and grade control activities.

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An RC drilling rig also arrived on site during the Quarter to complement the two existing grade control rigs. This rig is initially assisting in advancing grade control drilling within the Premier open pit in preparation for the progressive ramp-up in the mining rate to 100tph of ore following the commissioning of the new ball mill.

This rig was also utilised in the short term to drill some of the key resource extension holes previously outlined by the Company at Premier East, followed by initial exploration holes over the highly prospective Vanuza prospect to the south of the Premier open pit operations.

Corporate

Royalty Linked Note

During the Quarter the Company received an additional A\$0.5 million under its previously announced Royalty Linked Note.

The additional convertible note proceeds were used to provide working capital to recommence operations

Board Changes

Subsequent to the end of the Quarter, Mr Russell Scrimshaw resigned as Non-executive Chairman and from the Board of Cleveland Mining Company Limited due to other commitments.

Recently, other business interests in the UK have required Mr Scrimshaw to spend considerable time abroad. This commitment is expected to continue for the foreseeable future, leading Russell to conclude that he cannot devote the necessary time and effort required to assist Cleveland in its journey to being a mid-level gold producer in Brazil.

In a sign of his continued support for the company, Russell has indicated that, subject to mutually acceptable terms and to shareholder approval, he would convert some or all of his outstanding convertible note into CDG securities.

Wayne Zekulich has now taken the role as Acting Chairman, effective immediately.

ENDS

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Further Information:

Investors:

David Mendelawitz, Managing Director
Cleveland Mining Company Limited (ASX: CDG)
Tel: +61-8 6389 6000

Media:

Nicholas Read / Paul Armstrong
Read Corporate
Tel: +61-8 9388 1474

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.
- 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 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.

Rule 5.3

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Appendix 5B

Rule 5.3

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 September 2015

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (3 months) \$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	1,057	1,057
1.2	Payments for (a) exploration & evaluation	(38)	(38)
	(b) development	(84)	(84)
	(c) production	(1,301)	(1,301)
	(d) administration	(665)	(665)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	1	1
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
Net Operating Cash Flows		(1030)	(1,030)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(117)	(117)
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other – funds from JV partner	-	-
Net investing cash flows		(117)	(117)
1.13	Total operating and investing cash flows (carried forward)	(1,147)	(1,147)

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1.13	Total operating and investing cash flows (brought forward)	(1,147)	(1,147)
	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	1,322	1,322
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – share issue costs	-	-
	– financing costs	-	-
	Net financing cash flows	1,322	1,322
	Net increase (decrease) in cash held	175	175
1.20	Cash at beginning of quarter/year to date	458	458
1.21	Exchange rate adjustments to item 1.20	(235)	(235)
1.22	Cash at end of quarter	398	398

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	50
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	126
4.2 Development	504
4.3 Production (does not include proceeds from gold sales)	2,661
4.4 Administration	651
Total (excludes revenue during the period)	3,942

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	104	82
5.2 Deposits at call	294	376
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	398	458

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	-	-		
(b) Decreases through returns of capital, buy-backs	-	-	N/A	N/A
7.5 *Convertible debt securities				
Convertible notes	6,849,611	-		
7.6 Changes during quarter				
(a) Increases through issues	625,000	-		
(b) Decreases through repayments	-	-		
7.7 Options			<i>Exercise price</i>	<i>Expiry date</i>
Unlisted options	5,340,000	-	\$0.20	31 Dec 2015
Unlisted options	3,250,000	-	\$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	1,000,000	-	\$0.25	31 Dec 2018
Unlisted options	2,000,000	--	\$0.40	31 Dec 2018
Unlisted Options	7,500,000	-	\$0.14	31 July 2019
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 October 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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