

Quarterly Report December 2015

Significant Corporate Milestones Achieved

Highlights

- Cleveland secured an option from the Company's Joint Venture partner Edifica Participações to increase Cleveland's ownership of the Premier and O Capitão gold projects to 100%
- In line with securing the option, Cleveland has been able to negotiate a restructure of the current secured loan with Platinum Partners LP and a forbearance on accrued, though unpaid interest payments
- The combination of restructuring the Platinum note and the granting of the option agreement provides access to 100% of the projects cash flow and enables the Company to seek alternative financing options to develop the project to its fullest potential.
- Mr Alex Sundich and Mr Glenn Simpson, both of whom have significant commercial experience and have been long-term major supporting shareholders in Cleveland Mining, join the Board of Cleveland Mining as Non-executive Directors.
- Subsequent to the completion of the quarter, Alex Sundich took the role of Non-Executive Chairman of Cleveland Mining.
- Two tranche Placement of \$1.6 million to assist in completing the Premier Gold Mine expansion and to strengthen the balance sheet.
- Additional to the Placement, a Share Purchase Plan (SPP) of up to \$500,000 was launched (to provide existing shareholders the opportunity to participate in the capital raise on the same terms of the Placement), of which \$400,000 will be underwritten (subject to shareholder approval).
- The Underwriting of \$400,000 of the SPP together with the Placement to result in a total capital raising of a minimum \$2 million.

Cleveland Mining Company Ltd (ASX: CDG) is pleased to provide an update of milestones achieved by the Company over the last quarter of 2015.

The Quarter was dominated by corporate achievements, which have paved the way for a significant improvement in operational strength in the near term.

Throughout the quarter, the Company has continued to feel the weight of the difficult environment being experienced globally within the resource industry. For Cleveland, this has manifested itself in

Corporate Information

Total shares: 276.3 million
Listed options: 11.4 million
Unlisted options: 13.5.2 million

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Board of Directors

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the form of low working capital availability, which in turn results in performance not in line with the Company's targets.

The Corporate Milestones achieved over the December quarter have significantly increased the likelihood of Cleveland removing these barriers in the short term.

Project Re-structuring

Cleveland has secured an option from the Company's Joint Venture partner Edifica Participações to increase Cleveland's ownership of the Premier and O Capitão gold projects to 100% by way of 3 staged payments of \$US4 million, each 12 months apart, plus a 5% royalty on production. The first payment is targeted for Q2 2015.

The option provides Cleveland with access to 100% ownership, which will in turn be more attractive to both shareholders and potential financiers when compared to the current Joint Venture structure.

Cleveland currently has 50% of the Premier/ O Capitão project. To date, Cleveland has funded 100% of the project, with the agreement that 50% of all funds to date will be repaid to Cleveland out of the Joint Venture partner's share of the profit. This structure has limited appeal to financiers and shareholders, and has held back the ability of Cleveland to expand development of the project.

The project valuation and payment structure has been determined by assessing:

- Cleveland's projected ability to finance payments
- Project near term forecast cash flows
- Current resource status
- Consideration of the debt owed to Cleveland by the joint venture partners.

Finance Re-structuring

In addition Cleveland has negotiated a restructure of the current secured loan with Platinum Partners LP and a forbearance on accrued, though unpaid interest payments.

The restructuring of the note includes a 3 percentage point reduction in the interest on the note from 15% down to 12% per annum. Interest payments both accrued and upcoming have now also been delayed until April 2016. Additionally, two smaller notes from Platinum totalling \$US3m which were due in Q2 2015 have now been consolidated with the main note and extended until September 2016.

Compensation for the restructure and forbearance, Platinum will, subject to shareholder approval, be issued with 29,371,525 shares and 5,000,000 Options in Cleveland.

Additionally, also subject to shareholder approval, the convertibility component of the secured notes will be re-priced closer to the current market price from 14c to 7c to safeguard all parties.

Cleveland's Managing Director, Mr David Mendelawitz said that the combination of restructuring the Platinum notes and the granting of the option agreement provides the Company with the framework

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to develop the project to its fullest potential. “With access to 100% ownership we have a wider range of financing options available to us, greater incentive to focus exploration resources on the project, an improvement in management efficiencies and access to greater cash flows in the medium term.”

“We have settled on a very fair valuation and solution with both Edifica and Platinum and believe that we now have a far better platform to bring long term value to our shareholders and financiers, who have to date provided all of the finance, but until now have only been exposed to half of the upside of the project.”

Board Re-structuring

Mr Alex Sundich and Mr Glenn Simpson joined the Board of Cleveland Mining Company as Non-Executive Directors.

Mr Sundich and Mr Simpson are long-term major shareholders of the Company. Mr Sundich has previously provided corporate advisory and capital raising services to Cleveland through Palladion Partners Corporate Advisors, whilst Mr Simpson has provided commercial consulting through Lawsons Commercial Services.

Subsequent to the end of the Quarter, Alex Sundich took the role of Non-Executive Chairman of Cleveland Mining. Alex replaced Wayne Zekulich, who held the role of Acting Non-Executive Chairman over the last 3 months of the year, whilst a suitable person was sought to hold the position on a permanent basis. Mr Zekulich subsequently stepped down from the Board of Cleveland Mining.

About Mr Alex Sundich

Alex Sundich has over 25 years’ experience in the financial services industry. Alex worked with Goldman Sachs and Credit Suisse First Boston in New York and Australia as an investment banker providing M&A and debt/capital markets advice focusing on the mining industry.

From 2003 to 2008 he held senior management positions within the funds management industry and was a Non-Executive Director of Eastern Star Gas Limited until its acquisition by Santos Ltd for in excess of \$1.2 billion in 2011.

Alex holds a Bachelor of Economics from the University of Sydney and a Master of Commerce from the University of New South Wales. He is a member of the Institute of Chartered Accountants in Australia, the Australian Institute of Company Directors and is a Fellow of the Financial Services Institute of Australia. He is a Non-Executive Director of Petrel Energy Ltd (ASX: PRL), CFO of Burleson Energy and Non-Executive Director of Ellex Medical Lasers Limited (ASX: ELX).

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About Mr Glenn Simpson

Mr Glenn Simpson is a Chartered Accountant with over 30 years' worldwide experience. Commencing his career with Touché Ross & Co Perth, he moved to manage their Bougainville office before returning to Australia to commence public practice in his own right.

Mr Simpson operated his practice in Perth and Kalgoorlie and over that time became very involved in mining and services to mining. He has been involved in corporate advisory, strategic planning and financial management of a wide range of clients Australia wide, over the last 25 years.

From 2001 to 2014 Mr Simpson established and managed national broking and underwriting businesses, culminating in a trade sale of all of the underwriting businesses to a listed entity in 2013. Subsequent to the sale Mr Simpson was retained to manage the financial affairs of the businesses post-sale, until the end of 2014.

Mr Simpson continues to consult to industry as Lawsons Commercial Services, which is now part of the Charter Financial Services group.

Capital Raising

In addition to the new Directorships, Cleveland undertook a \$1.6 million two-tranche Placement at \$0.04 per share to sophisticated investors. In parallel, the Company has secured underwriting for \$400,000 of a Share Purchase Plan to raise up to \$500,000, which is subject to shareholder approval. The Share Purchase Plan will provide existing shareholders the opportunity to participate in the capital raising on the same terms as the Placement, whilst ensuring that targeted minimum \$2 million required to advance the Company's existing projects in Brazil was secured. The Placement will be completed in two tranches, the first tranche utilising the Company's existing 15% placement capacity and the second tranche subject to shareholder approval. The completion of the Placement and SPP was conditional on the suspension of the shares of the Company being lifted and trading of Company shares resuming on the ASX, and the Company issuing a Cleansing Prospectus on the date of completion of the Placement.

Funds raised will be used primarily to complete the expansion of the Premier Gold Mine.

Both Mr Sundich and Mr Simpson participated in the Placement and were subsequently invited to join the Board once the capital raising had been settled.

Cleveland's Managing Director David Mendelawitz said "On behalf of the Board, I would like to welcome both Alex and Glenn to the Board of Cleveland. Both Alex and Glenn have been extremely supportive and meaningful shareholders to the Company over a number of years, and I know that their experience, energy and intellect will be of great benefit to the Company."

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"I am very happy with the results of this capital raising, particularly given the prevailing conditions within the market place. We believe that we have achieved a great balance of outcomes for investors and shareholders by securing funds to help strengthen the balance sheet and advance the Company's projects, whilst providing all shareholders the opportunity to participate via the SPP. Along with the recently announced option to secure 100% ownership of the Project and the re-structuring of the Platinum debt, we are strongly enhancing our ability to unlock the value of our Brazilian projects."

Operations

Mining through the quarter continued to remain below target due to insufficient working capital (in both this quarter and previous quarters) required to following the optimised mining schedule. The main issue was insufficient pre-stripping of waste. As noted in the figures below, focus remained on stripping waste in order to increase the availability of mining faces and a resumption of orebody average strip ratios.

Early in the quarter, plant operations were frequently interrupted due to lack of reliability in the process water supply pumping system, as water was being pumped from dams further from the process plant following an unusually low amount of rainfall in the previous wet seasons (December to March). Rain has now frequently fallen on the site since December, allowing closer dams to be utilised again. Following the current season of rain, the pumping system will be upgraded in case dams further afield need to be used again in the future.

Process plant mechanical availability was significantly higher than previous periods due to modifications made in the previous quarter.

Ore Tonnes Moved	38,323
Waste Tonnes Moved	2,211,289
Tonnes Processed	38,016
Gold Dore Produced (kg)	31.576

Expansion

The expansion project, targeting an increase from 28 tonnes per hour (tph) to 100tph process capacity and circa 40,000 ounce per annum gold production progressed through the quarter.

The remaining steps in the expansion are:

1. *Installation of the new ball mill.*
All hydraulic and mechanical work has been completed. Installation is commencing in January.
2. *Increasing the flotation system.*
A new cell has been identified and is targeted for installation in Q1 2016
3. *Ramping up of mining rate.*
A two stage process is being undertaken:

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- a. Commencement of mining at Lavra to increase the average grade and free-cash based on similar tonnes currently being processed,
- b. Increase in mining rate at Premier following the provision of working capital funds from Larva for stripping and drilling activities at Premier.

Licensing of the Larva project is progressing well. The Company is aiming to start mining from Lavra in Q2 2016

Exploration

Low level exploration was conducted over Lavra and Premier Projects over the quarter. The Company is working to free up funds to be able to commence significant drilling programs at O Capitão and Premier, aimed at extending the current resources. Focus will initially be on extensions of the Metago and Dona Maria resources. Following the commencement of mining at Lavra, attention will then be put into extending the Lavra resource.



Mining at Premier

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Creation of the new “Skyway” at Premier to reduce haulage distance

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.
- 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.

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