

## Quarterly Activities Report March 2016

*Significant progress on all fronts*

### Highlights

- No reportable Safety or Environmental incidents
- Significant milestone reached on project expansion post the end of the quarter with increased capacity, refurbished ball mill installed
- SPP undertaken as second stage to A\$1.6m equity placement completed in December 2015
- Share Purchase Plan (SPP) closed raising A\$500,000
- Alex Sundich accepted role as Chairman of the Board of Cleveland
- Reverse circulation (RC) drilling commencing at Lavra project to define an exploration target of 9 – 33koz between the two “trial pits” as defined by current Resources
- Drilling to date has demonstrated the possibility of stacked lodes at Lavra
- If substantiated, Stacked lodes will significantly increase the potential for further mineralisation at the Lavra project
- Level of depletion by artisanal miners appears to be lower than expected at shallow depths, providing confidence towards minimising depletion at depths
- Significant progress made on re-financing activities, with multiple indicative/ draft offers received to date
- Significant progress made on Permitting of Lavra mine

Cleveland Mining Company Ltd (ASX: CDG) is pleased to provide an update on the Company’s activities for the first calendar quarter of 2016. Throughout the quarter, significant progress was made on all areas of the Company, resulting in a range of tangible benefits now being realised post the end of the quarter.

Whilst financial restrictions experienced through the past 3-4 years have restricted the sectors and our Company’s growth the last quarter has shown the first positive changes with regards to the gold

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Listed options: 11.4 million  
Unlisted options: 16.5 million

ASX Code: CDG

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sector in as many years. These positive changes in both gold price and market sentiment will assist the growth of the Company and shareholder value in calendar quarter 2 and beyond.



*Mining of ore (grey material) in Metago pit*

## Safety and Environment

Throughout the quarter, the Company had no reportable safety or environmental incidents in Brazil or Australia.

## Operations

The quarter started with the project under pressure due to previously announced lack of working capital. The main impediment on the project was the lack of funds available for removing waste, and providing reliable access to ore at both the volumes and grades required to fully utilise the production capabilities of the process plant.

Despite the restrictions, and regardless of the short term difficulties experienced by staff, contractors and suppliers, the Company and all associated stakeholders remained focussed on its strategy of

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preferentially allocating capital to the expansion of the process plant and removing overburden in line with the mine plan.

Operational reliability remained on target and significantly above previous annualised results.

Additionally, process recovery remained at or near target throughout the quarter.

Although the month of January produced very little gold, February and March production remained cash flow neutral and periodically cash flow positive, in spite of the difficulties mentioned above.

Total Dore Produced =	29.421 kg
Total Ore Mined =	34,833 t
Total Waste Moved =	460,313 t
Total Ore Processed =	28,895 t

Strong advances were made in planning and general operational systems and adherence to plan.



*Improved Ore stockpile management on ROM (with process plant in background)*

## Expansion

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

A major milestone was achieved post the end of the quarter, with the installation of the new ball mill completed after over 2 years of preparatory work.

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**Newly installed Ball Mill, with existing 28tph Ball Mill in background**

The remaining steps in the expansion are:

1. *Tie- in and commissioning of the new ball mill.*  
To be completed during Quarter 2.
2. *Increasing the flotation system.*  
Targeted for completion during calendar quarter 2.
3. *Ramping up of mining rate.*

A two stage process is being undertaken:

- 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 progressed well through the quarter. The Company is planning to start mining from Lavra during calendar Quarter 2.

## Exploration

Surface exploration was conducted over Lavra and Premier Projects during the quarter, followed by a small drilling program at Lavra at the end of the quarter.

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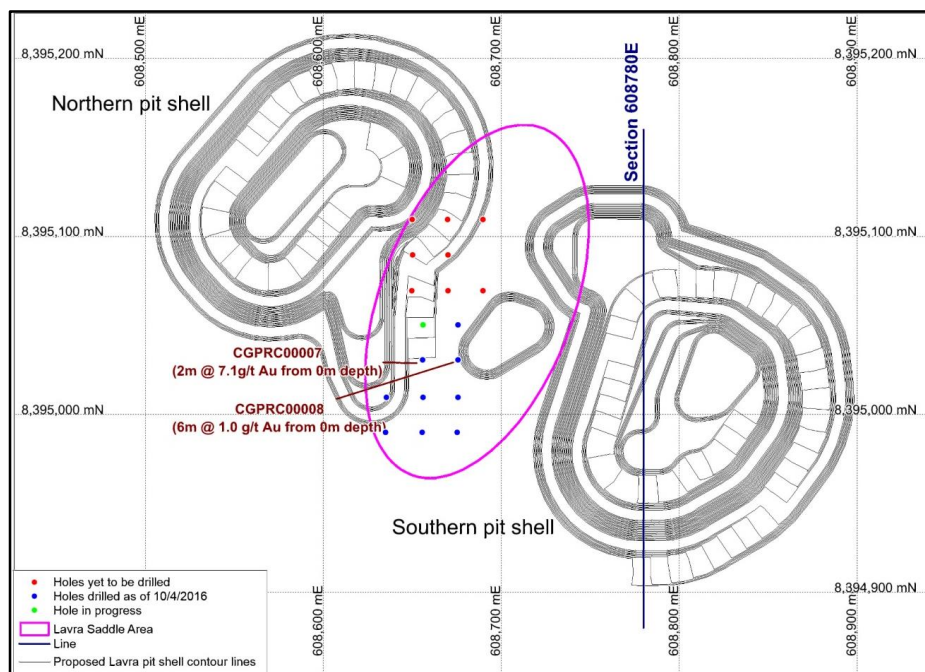
The Lavra project is part of the Cleveland Premier Joint Venture and the target area of the complete drilling program is adjacent to the site of the planned high grade Lavra open pit project, where mining is set to commence upon the granting of the appropriate licence. The licence is expected to be granted in the immediate term.

The target area, though limited in lateral extent, has the potential to add significant revenue to the Lavra Project if it is confirmed to be an extension of the mineralised zone that has been defined in the two adjacent areas.

Drilling has been instigated to extend the current Inferred Resource of 134 kt @ 11.14 g/t Au for 48 kOz. Currently two pits have been planned, containing a maximum of 44,000 t @ 14.4 g/t gold, for 20,400 Ozs gold (assuming no artisanal depletion). However, there remains a zone between the pits known as the Saddle Area that could not be added to the mine plan due to a lack of drilling.

A program of 18 holes has been designed for an initial drilling campaign, of which 9 were completed after the end of the quarter. The program was suspended due to equipment failure and will hopefully be completed as part of a significantly larger program which is planned for the next quarter.

To date of the 9 holes that have been completed we have assay results currently coming through and have been highlighted with 2m @ 7.1g/t Au from 0m (ground surface) in hole CGPRC00007. In addition, the Company's conceptual interpretation of Lavra's lode geometry has advanced as a result of this drilling and the concepts, if proved, will have significant, positive economic ramifications.



**Collar locations and hole status, Saddle Area, pit shells & position of Section 608780E**

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The Saddle Area offers the potential for 47 to 94 kt @ 6 to 11 g/t Au for approximately 9 to 33 kOz, assuming mineral grade and width is consistent with the grade and width of the neighbouring and adjoining resource.

Each hole so far drilled has either intersected mineralisation at two levels, or intersected 'fill' (spoil left after artisanal mining) or voids (artisanal underground workings) where mineralisation would otherwise have been expected. Drilling has tested the area to a maximum depth of 24m and, even at this modest depth, is intersecting consistent mineralisation (or artisanal workings) at two levels; one being near surface (0 – 5m depth) and another located between 15 and 20m depth.

At this stage of drilling, the grade trend appears to be increasing as drilling progressively moves northward, with holes CGPRC00007 and CGPRC00008 returning intersections of 2m @ 7.1g/t Au from 0m depth and 6m @ 1.0 g/t Au from 0m depth, respectively.



**RC Chip Samples from Lavra Drilling (note 0-2m grade 7gpt)**

The Saddle Area was excluded from the Resource estimation and bulk sampling pit optimisation due to a lack of information, but it is here that mapping and modelling indicates mineralisation is closest to ground surface thus offering the most favourable strip ratio. Assuming mineralisation remains intact and not affected by garimpeiros, and that grade and width of mineralisation across the Saddle Area is consistent with the grade and width of the adjoining Resource, then 94 kt @ 11 g/t Au for 33 kOz could be envisaged. In the more likely case that some mineralisation has been depleted by garimpeiros, even to the unlikely extent of half depletion together with grade dilution to 6 g/t Au, then 47 kt @ 6 g/t gold for approximately 9 kOz could remain and would still retain a favourable strip ratio.

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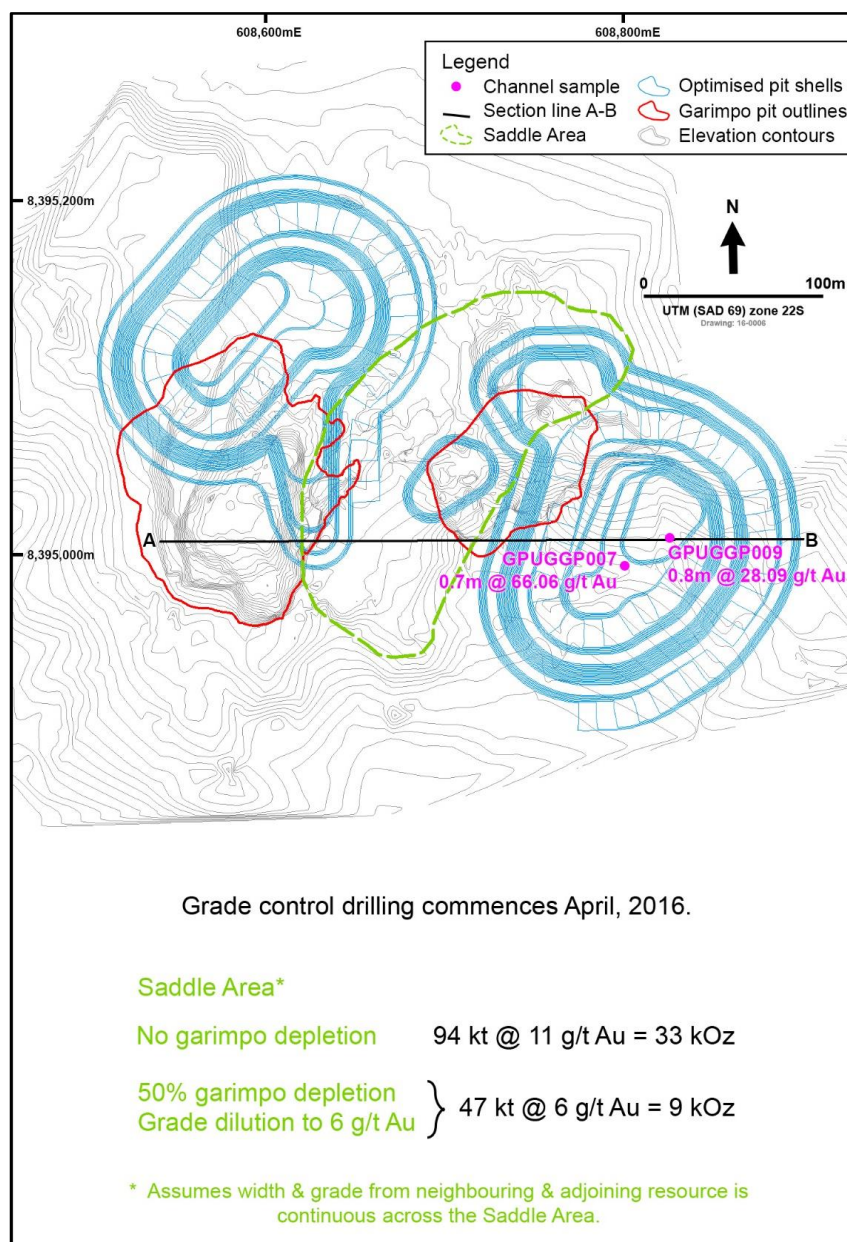
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**Outlines of Lavra bulk sampling pits and the Saddle Area.**

The company anticipates planned drilling, and mapping from the neighbouring bulk sample exposures will provide sufficient information for Resource estimation.

The following section depicts a slice between the optimised pits through where mineralisation is modelled to come within 10m of ground surface, referred to as the Saddle Area.

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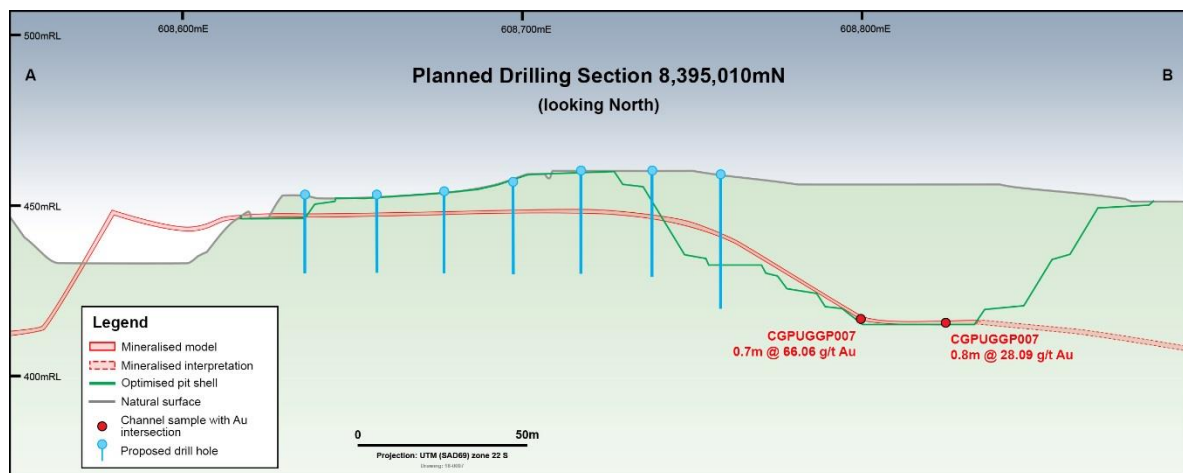
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**Section 8395010 mN, near surface mineralisation between pits.**

At the western edge of the section is a garimpeiro pit, the focus of historic artisanal mining, and on the eastern side, some 200m across section, is the next reliable assay data: CGPUGGP007 that returned **0.7m @ 66.06 g/t Au** and CGPUGGP009, returning **0.8m @ 28.09 g/t Au**.

Also note that systematic, modern exploration covers only about 10% of prospective Lavra geology so there still remains a lot of upside for additional Resource discoveries across much of the project.

## Financing

The Company completed a Share Purchase Plan (SPP) as a second component of the \$1.6million equity raise undertaken in calendar Q4, 2015. The SPP was underwritten up to A\$400,000.

A\$500,000 was reached through A\$371,000 in allotments from shareholders and A\$129,000 in allotments from the Underwriter at A\$0.04 per share for 10,000,000 shares plus 1,333,000 Underwriting fee shares.

The SPP was undertaken to allow existing shareholders to participate in the raise completed in December 2015.

Cleveland Management commenced a process in preparation for refinancing the Companies existing debt and to ensure sufficient funds are available to purchase the remaining equity in the project from the Joint Venture partners and also to expand the resource base of the project. Roadshows and subsequent meetings in Australia, US, Canada and Asia resulted in a very high level of interest and expressions of interest from a number of high quality financiers. The Company has now received 3 indicative / draft offers from different financiers who are working through their due diligence. We are presently reviewing the offers and their terms to determine the most appropriate option for the Company.

In conjunction with the significant re-financing, the Company is working with a range of financiers on financial instruments to ensure that the project is in the best position to both conclude re-financing if

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it is considered necessary, and also to do so in a timely manner at the lowest cost of capital. The primary parameter focused on by financiers is the resource inventory and associated mine life, thus the Company is looking at funding alternatives to support a significant drilling program. At the conclusion of the Quarter, the Company had received a number of expressions of interest.

### **Corporate General**

At the commencement of the quarter newly appointed Non-Executive Director Alex Sundich took the role of Non-Executive Chairman of Cleveland Mining Company Ltd.

Alex brings a wealth of corporate experience with a career to date including over 25 years of finance and corporate advisory work, ranging from large Investment banks including Goldman Sachs and Credit Suisse First Boston, to boutique capital raising and investment advisory. Alex has been heavily involved with the minerals and oil & gas industries.

Alex replaced Wayne Zekulich, who held the role of Acting Non-Executive Chairman during the last quarter of 2015, as we sought a suitable person to hold the position on a permanent basis.

**ENDS**

### **Further Information:**

#### **Investors:**

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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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