

Quarterly Activities Report June 2016

Significant milestones achieved

Highlights

- New ball mill installed at Premier Gold Mine
- Environmental Permit (Installation Licence) approved for the Lavra project at O Capitão
- Drilling program commenced and designed to increase mine life to at least six years
- Premier – Vanusa
 - Diamond drill hole program completed, confirming the presence of the geology, sulphides and alteration associated with the mineralisation at Premier Metago pit and the neighbouring multi-million ounce Anglo Gold Ashanti Serra Grande Gold Mine
 - All holes intersected the target geology within 50m of the surface, precisely where predicted, providing credibility to a model predicting a significantly expanded area of prospectivity for the project.
- O Capitão – Dona Maria Project
 - High grade intersections, including 1m @ 21.56 gram per tonne gold (g/t Au) from 94m*, recorded in initial drilling in the southern extension of Dona Maria.
 - Initial holes from the latest drilling are within the interpreted extension of Dona Maria mineralisation and commence 1,200m from the closest historical hole.
 - Drill holes correlate to trend based on mapping, auger drilling, shaft sampling, geophysics, soil and rock chip samples (including a surface sample grading 64.8 g/t Au*) and extrapolation from the previously defined resource along strike.
- MOU signed with large US based mining focused Fund for US\$25 million Gold Pre-pay Agreement (the Facility);
- AU\$2.0M Bridge Funds obtained to support completion of drilling program designed to expand current resource base and future mine life;

Corporate Information

Total shares: 338.7 million
Options on issue: 22.8 million

ASX Code: CDG

Contact

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Board of Directors

Alex Sundich - Non-Executive Chairman
David Mendelawitz – Managing Director
Rick Stroud – Non-Executive Director
Glenn Simpson – Non-Executive Director

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Cleveland Mining Company Ltd (ASX: CDG) is pleased to provide an update on the Company's activities over the second quarter of 2016. Throughout the quarter, a series of highly significant milestones were achieved, further enhancing the Company's value and long term prospects.

Operations

Process Plant Upgrade

A long awaited milestone of installing an additional ball mill at the Company's Joint Venture Premier Gold mine in Goias State, Brazil, was achieved. The installation represents a significant achievement based on not only the financial and project complexities, but also the material effect on the production capacity that the ball mill will contribute once tied-in and commissioned.



New Ball Mill in place at Premier Gold Mine (note 28-33tph mill in place behind new mill)

The final steps in completing the process plant expansion from its current capacity of 28-33tph to circa 100tph will be completion of the piping and electrical tie-in with the process circuit, installation of new liners within the new mill and then installation of additional cells into the flotation circuit.

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The Company has chosen a two-pronged strategy for achieving its expanded production targets:

1. Commencement of mining at the high grade Lavra project (approximately 10km from the Premier process plant) to increase the gold output without the requirement for additional volume of total ore feed.
2. Utilising free cash generated from Lavra, to increase the level of waste clearing and grade control drilling at Premier to expose sufficient ore to supplement feed to the expanded process plant.

The plan does not rely on the use of the new mill for several months and due to short term budget constraints the commissioning of the mill and installation of the additional flotation cells was deferred until quarter 3, 2016.

O Capitão – Lavra project

During the quarter the Company was granted the Environmental Permit or Installation Licence (Licença de instalação or LI) required to commence mining related activities at the Company's O Capitão, Lavra project.

Lavra will initially be mined as a controlled "trial mine" to gain further understanding of both the mineralisation and the extent of artisanal workings in the area. The planned open pit operations adjoin an historic artisanal open pit excavation which also has a number of underground shafts. Whilst drilling has proved the continuity and high grade nature of the mineralised unit, the Company is unable to quantify the extent to which the unit has been depleted by underground mining activities. The ore that has initially been planned for extraction over the coming months has a modelled average grade of 14.4g/t in situ. Local records indicate that between 6,000-12,000 artisanal miners extracted circa 300,000 Ozs of gold from the site approximately 30 years ago. Mining operations ceased due to disease outbreak within the artisanal mining camp. To date, Lavra has only been drill tested to around 40m depth, though Garimpeiro (artisanal) Miners report to the Company that they have extracted mineralised material from as deep as 120m. Circumstantial evidence indicates that mineralisation continues to occur below 120m.

Initial site works including grade control drilling, clearing and bulk sampling began on site as planned, but the commencement of mining potential shallow ore in the saddle area between the two designed pits was eliminated after scout drilling yielded disappointing results. The Company has since reverted to the original plan of mining the programmed pit shells, albeit at a higher strip ratio.

Premier Mine

Mining at Premier was ongoing throughout the quarter and due to limited capital reflected similar results to previous quarters. The Company's plan is to increase the recovery rate by introduction of higher grade feed from Lavra, though as mentioned above the delivery of ore from Lavra was delayed and is now expected to commence in quarter 3.

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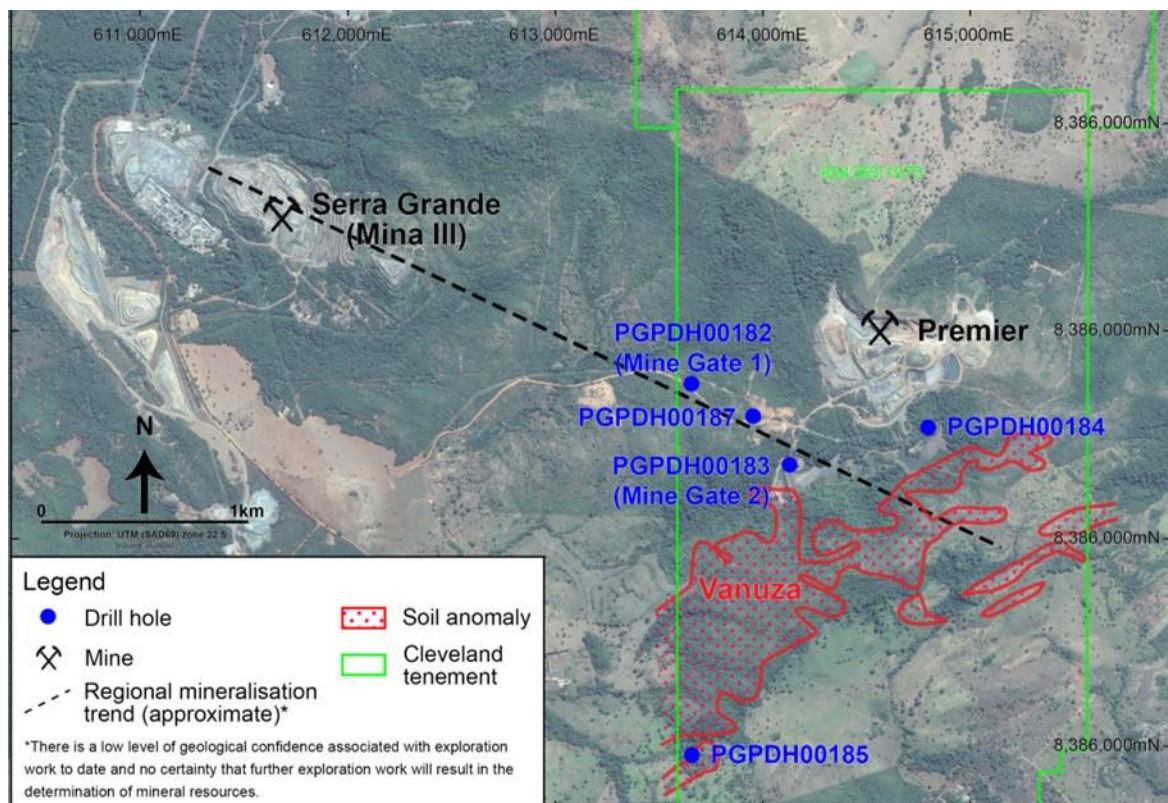
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Resource and Exploration Drilling

Exploration on the Premier mining lease re-commenced with a diamond drill program approximately 1km South of Cleveland's active mining area (Metago pit), in the vicinity of the Mine Gate.

During the quarter, three holes were completed, and an additional two holes were completed subsequent to the end of the quarter. All holes confirmed the presence of the geology that hosts mineralisation at Premier Metago pit and the neighbouring multi-million ounce Anglo Gold Ashanti Serra Grande Gold Mine, in an area not previously considered a target by Cleveland.

The holes intersected the top of target geology within 50m of the surface, precisely where predicted by a conceptual model created by Cleveland. The model was based initially on two holes near outcrop and another two holes over 2km away from the outcrop. The geology and precision of the intersection supports the theory that the holes have all intersected the same unit. This contradicts historic mapping of the project, which now appears to be inaccurate as that interpretation did not account for the local topography. It appears that the up dip, outcrop of the graphitic schist is at the Company's Vanuza prospect where the Company has previously reported the discovery of primary gold mineralisation associated with multi-element and gold in soil geochemical anomalism. At Vanuza the unit outcrops over a strike length of 2.2km.



Premier Diamond Drill Locations

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The drilling supports the theory that the top of the unit is in fact relatively close to the surface and remains so for as much as 2.5km down dip. Correlation with holes previously drilled by the Company indicate that the unit is over 400m thick in the area drilled, as compared to the unit currently being mined which is only up to 30m thick, and which also sits approximately 150m higher in the stratigraphy.

The target rock is composed of intercalated silicified graphitic \pm manganiferous schist and carbonate altered schist. Within the graphitic schist are pervasive laminations of pyrrhotite, between 1 – 4% in abundance, with trace amounts of chalcopyrite, interspersed by carbonate laminations and thin quartz-carbonate veinlets. Overlying the graphitic schist is a biotite-quartz schist. The contact between the graphitic schist and the overlying schist is sheared and gradational.

The intersected unit contains significant alteration and sulphides, similar in appearance to mineralised material mined from Cleveland's Premier Metago pit and from the neighbouring Serra Grande mine. At this time, it is not known if the holes are mineralised, as assays are still pending. The Company believes that the holes are very significant, as they demonstrate both the host rock and alteration assemblage hosting the mineralisation at Serra Grande. This host rock appears to be very thick (depth) and laterally extensive.

O Capitão – Lavra project

A drilling program was undertaken to extend the current Inferred Resource at Lavra by initially testing a low strip ratio zone between the two current pit designs. These two pits have been designed to Whittle shells and have shown to contain a maximum of 44,000 t @ 14.4 g/t gold, for 20,400 Ozs gold (assuming no artisanal depletion). However, there remained 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.

The program designed in the saddle area found that the area was significantly depleted by artisanal miners, and although some significant assays were received, including 2m @ 7.1g/t Au from 0m (ground surface) in hole CGPRC00007 and 6m @ 1.0 g/t Au from 0m depth in hole CGPR00008*, cohesive mineralisation does not remain in the shallow area tested. On the positive side, the results have added to the Company's conceptual interpretation of Lavra's lode geometry. If confirmed, the new interpretation and concepts will have significant, positive economic ramifications for the Lavra project.

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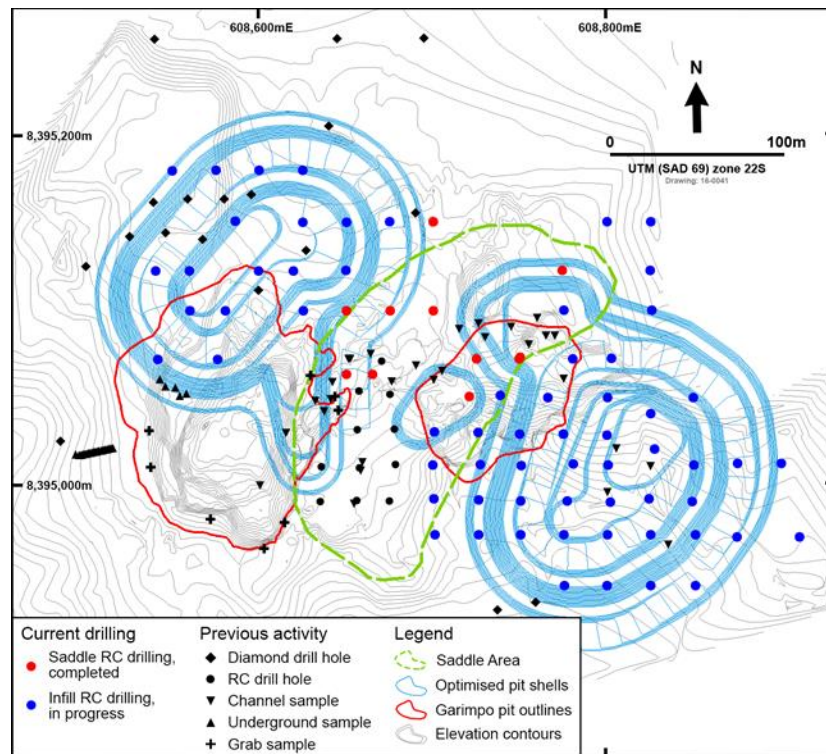
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Current Lavra Drilling Program Over Planned Open Pits

Following the end of the quarter, drilling began on the Dona Maria South prospect. Dona Maria South represents the southern extension of the interpreted mineralisation trend along strike from Cleveland's nearly 40,000 ounce (Oz)[#] Dona Maria project. Initial drilling results provide significant confidence that the interpreted model is most likely accurate, which, if so, provides much enhanced mineral and resource potential.

Reported drilling is focused at the Dona Maria South prospect located within Cleveland's O Capitão project, which is located approximately 10km north of the company's Premier milling facility.

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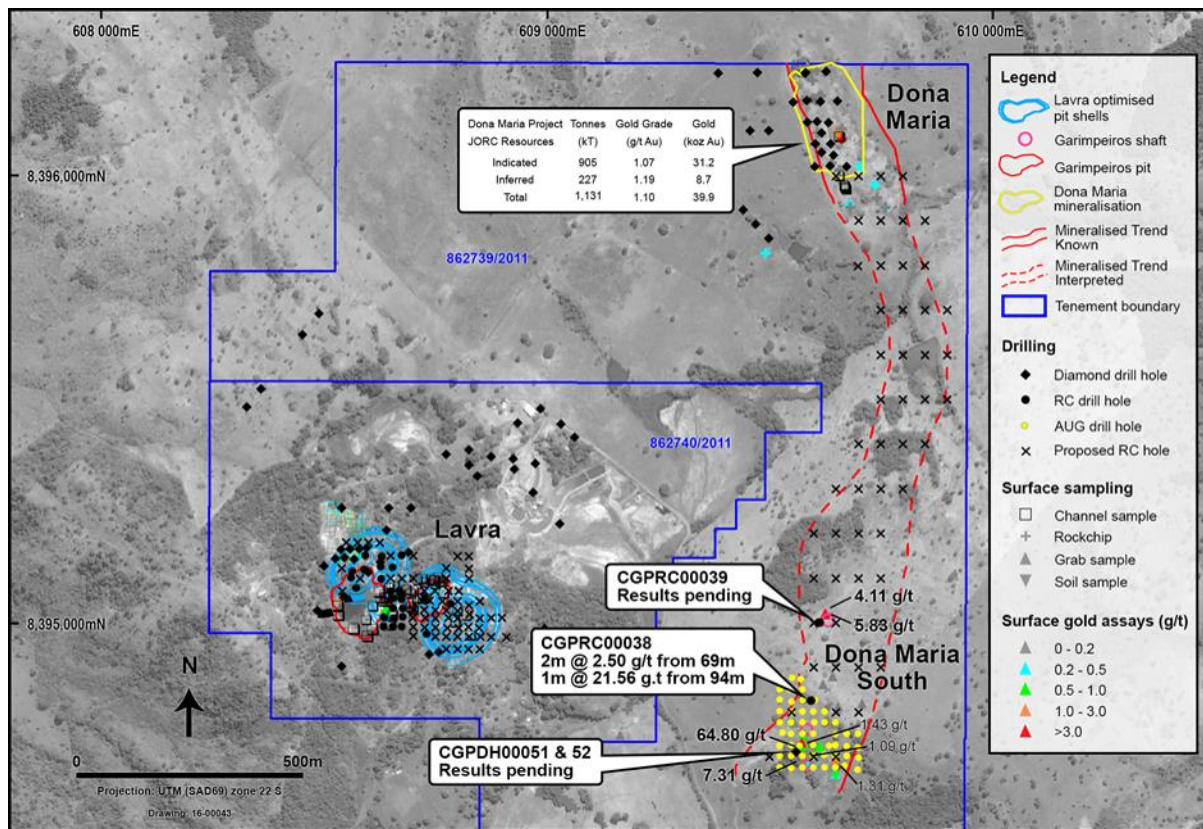
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Map of O Capitão project area showing Dona Maria South in relation to Dona Maria and Lavra. Note black dots represent drilled holes (include CGPRC00039) and black crosses represent planned holes in the event of a systematic drill out. The mineralised trend is interpreted from a range of data including mapping, geophysics, auger drilling, shaft sampling, rock chip and extrapolation of resources defined at Dona Maria. At this stage insufficient drilling has been completed to confirm the existence of cohesive mineralisation within the interpreted trend.

#The above map contains an insert showing the breakdown of Inferred and Indicated Resources defined to date at Dona Maria

*Reported grades are peak grades and not representative of the average grade of the sampling program. Grades ranged from 0 to the peak grade. Insufficient data exists to assign an average grade to the geological unit at this stage

Dona Maria's approximate 40,000 Oz total resource has been interpreted to represent less than 3% of the resource potential contained within the Dona Maria prospect area. Whilst further drilling is required to both confirm the extension and delineate resources, the initial results are extremely significant due to:

- correlation with the Dona Maria resource and interpreted mineralised trend,
- the high gold grades intersected from the very start of drilling,
- the fact that the holes are located up to 1,200m away from the known resource,
- Mineralisation remaining open South of the reported drilling.

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The holes were drilled as part of a resource expansion drilling program currently being undertaken across Cleveland's Crixas projects, which include Premier, Lavra and Dona Maria. The Company initially intended to commence resource expansion drilling at Dona Maria by stepping out from the existing defined resource. However due to a delay in access to the farm covering the Dona Maria project, the program was altered to commence with a limited program of holes commencing 1,200m towards the southern extent of the interpreted mineralised trend on an adjacent farm, where access was not delayed. The area drilled is currently referred to as Dona Maria South. Access to the farm over Dona Maria has now been obtained, and drilling is now under way.

Drilling was designed to test the extent, geometry and tenor of gold mineralisation apparent in old gold workings, where historical auger assays were up to 5.7 g/t and rock chip assays of 64.80 g/t, 7.31 g/t, 5.83 g/t and 4.11 g/t.* Company geologists anticipate that Dona Maria South mineralisation is the southern strike extent of the Dona Maria mineralisation. The Company has to date defined Indicated and Inferred Resources of 1.13 Mt @ 1.10 g/t for 39.9 kOzs of gold at Dona Maria, and the resource remains open in all directions. The reported drilling, together with minimal additional drilling, should substantiate mineralisation continuity between the two prospects.

The geology intersected in the first four holes (CGPDH00051, CGPDH00052, CGPRC00038 & CGPRC00039), together with assay results so far received (CGPRC00038, 2m @ 2.5 g/t from 69m, including 1m @ 3.77 from 70m and 1m @ 21.56 g/t from 94m)* help substantiate mineralisation continuity between the two prospects. Further drilling is required to track the gold intersections in CGPRC00038 up dip to surface and south of Dona Maria South where mineralisation remains open.

Hosted in amphibolite, gold mineralisation is associated with hydrothermal alteration: biotite, carbonate, chlorite, pyrrhotite, arsenopyrite, pyrite, chalcopyrite and quartz veining. Alteration and mineralisation appears to be repetitive down hole and is similar with that of other deposits throughout the district including the neighbouring, Anglo Gold Ashanti Serra Grande deposits (+7 MOz of gold identified, over 3 MOz mined to date).

Additional holes are proposed to demonstrate mineralisation continuity between Dona Maria South and Dona Maria, and if grade is maintained a systematic resource drill-out will commence shortly. In tandem with additional drilling between Dona Maria and Dona Maria South will be drilling South of Dona Maria South in order to trace the southern extent of mineralisation.

*Reported grades are peak grades and not representative of the average grade of the sampling program. Grades ranged from 0 to the peak grade. Insufficient data exists to assign an average grade to the geological unit at this stage

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Finance

The Company signed a Memorandum of Understanding (the “MOU”) with a large US based mining focused fund (the “Fund”) to provide a Gold Pre-pay Agreement of US\$25 million to Cleveland (the “Facility”).

In addition, Cleveland obtained Bridge Funding of AU\$2.0M (minus fund raising fees) by way of Convertible Notes (AU\$1.4m) and equity placement (AU\$600k), providing funds for a major drilling program. The intent is to re-pay the Convertible Notes from the proceeds of the Facility, noting however that US\$500K of the Notes were converted during the quarter at AU\$0.08 cents per share.

The US\$25M Facility will have a term of 42 months, including an initial grace period of 6 months, and the use of the funds will be to:

- re-finance all of the Company’s existing debt,
- make the first payment to Cleveland’s Joint Venture Partner to enable Cleveland to increase ownership of Premier and O Capitão (including Dona Maria and Lavra) to 100%, and
- to provide sufficient funding for a drilling program designed to significantly expand the resource base, some of which will be undertaken prior to the settlement of the Facility utilising proceeds from the Bridge Funding.

After extensive discussions with various funding groups available to the Company, the Fund was selected as the most suitable financier for a number of reasons, including but not limited to:

- The Fund’s strong balance sheet,
- The Fund’s history in solely funding mining operations,
- The ability for Cleveland and the Fund to form a longstanding finance relationship that could facilitate future funding requirements for acquisition opportunities as they are presented to the Company.

Subject to the completion of all conditions required to settle the Facility, including due diligence, a technical program of works and completion of final detailed documentation, the Company will be in a position to disclose final details of the Facility, including any additional charges that will apply. In essence, Cleveland will have 42 months to deliver 32,400 ounces of gold to the Fund, including an initial grace period of 6 months. Shareholder approval will be sought for an options package for the Fund to align the interests of the Facility Providers and the Company’s Shareholders.

Cleveland has commenced a drilling program designed to increase mine life to at least six years to underpin repayment of the Facility, whilst allowing for a significant margin of free cash.

An initial program of technical milestones required for closing of the Facility has been agreed upon with the Fund, including the extension of the existing resource base with over 20,000m planned to be drilled at Premier, Lavra and Dona Maria, and updating of mine plans to cover the life of the facility and a tail period.

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A standstill/forbearance agreement has been arranged with Cleveland's existing lender, Platinum Partners, in order to allow the Company to settle the Facility prior to the due date of the current Platinum loan (late September 2016).

Bridge Fund Details

- Convertible Notes issued with 2-year term, convertible at AU\$0.08. Interest ranges from 12%-15% and the first 12 months' interest is prepaid by way of issue of shares at AU\$0.04 per share. Repayment of the Convertible Notes in cash is at the Company's election. It is a condition subsequent of the Notes that the company seek consent from shareholders at the Company's next AGM, to the Notes being convertible at the lower of AU\$0.04 and a 20% discount to the Company's 20 day VWAP, in the event of default by the Company.
- Equity to be issued at AU\$0.04 per share. Of the AU\$600,000 equity placement, AU\$250,000 has been committed by Directors and will be subject to shareholder approval at the Company's next AGM.

Along with the AU\$2M Bridge Funds that have been confirmed, an additional US\$2M Bridge Funds was committed by a separate investor by way of a convertible note on the same terms as that confirmed in the Bridge Fund. Settlement was subject to a due diligence program, and sign off by the existing Senior Secured Lender. Unfortunately, the financier was not in a position to execute the funding in the anticipated time frame. As a result, the funding was not available for the Company at the forecast time. The Company is now finalising additional funding, on similar terms, to replace this Note.

ENDS

Further Information:

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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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Appendix 5B

Mining exploration entity and oil and gas 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, 01/05/2013

Name of entity

CLEVELAND MINING COMPANY LIMITED

ABN

85 122 711 880

Quarter ended ("current quarter")

30 June 2016

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (12months) \$A'000
1.1	Receipts from product sales and related debtors	2,126	5,998
1.2	Payments for (a) exploration & evaluation	-	(8)
	(b) development	(345)	(531)
	(c) production	(1,817)	(5,560)
	(d) administration	(1,063)	(3,880)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	-	2
1.5	Interest and other costs of finance paid	(29)	(80)
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
Net Operating Cash Flows		(1,128)	(4,059)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(331)	(585)
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 (provide details if material)	-	-
Net investing cash flows		(331)	(585)
1.13	Total operating and investing cash flows (carried forward)	(1,459)	(4,644)

+ See chapter 19 for defined terms.

Appendix 5B**Mining exploration entity and oil and gas exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(1,459)	(4,644)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	1,136	3,267
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	1,099	2,649
1.17	Repayment of borrowings	-	(235)
1.18	Dividends paid	-	-
1.19	Other (financing and share issue costs)	(437)	(488)
	Net financing cash flows	1,798	5,193
	Net increase (decrease) in cash held	339	549
1.20	Cash at beginning of quarter/year to date	214	458
1.21	Exchange rate adjustments to item 1.20	(105)	(559)
1.22	Cash at end of quarter	448	448

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

	Current quarter \$A'000
1.2 Aggregate amount of payments to the parties included in item 1.2	25
1.2 Aggregate amount of loans to the parties included in item 1.10	-

1.2 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

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	0
4.2 Development	600
4.3 Production	2,384
4.4 Administration	283
Total	3,267

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	396	162
5.2 Deposits at call	52	52
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	448	214

+ See chapter 19 for defined terms.

Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed	No Change		
6.2	Interests in mining tenements and petroleum tenements acquired or increased	No Change		

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) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities (description)	N/A	N/A		
7.2 Changes during quarter				
(a) Increases through issues	-	-		
(b) Decreases through returns of capital, buy-backs, redemptions	-	-		
7.3 *Ordinary securities	355,887,498	355,887,498		
7.4 Changes during quarter				
(a) Increases through issues	17,409,230	17,409,230	Fully Paid	Fully Paid
(b) Decreases through returns of capital, buy-backs				
7.5 *Convertible debt securities (description)	\$17,560,711	Unlisted Secured Convertible Notes		

+ See chapter 19 for defined terms.

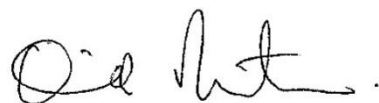
Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-	-		
7.7	Options (description and conversion factor)			Exercise price	Expiry date
	Unlisted Options	1,000,000	-	\$0.135	31 March 2017
	Unlisted Options	1,000,000	-	\$0.215	30 June 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
	Unlisted Options	5,000,000	-	\$0.05	31 July 2019
	Listed Options	11,364,998	11,364,998	\$0.65	4 July 2016
7.8	Issued during quarter	-	-	-	-
7.9	Exercised during quarter	-			
7.10	Expired during quarter	-			
7.11	Debentures (totals only)	-			
7.12	Unsecured notes (totals only)Unlisted	\$1,900,000	Unlisted Unsecured Convertible Notes		

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 /does not* (*delete one*) give a true and fair view of the matters disclosed.



.....
(Company secretary)

Date: 29 July 2016

Print name: David Peterson

+ See chapter 19 for defined terms.

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 and petroleum 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 or petroleum 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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