

Significant Financing Package Signed

Funding will be used to re-finance all existing debt, increase Cleveland's ownership of Premier/O Capitação to 100% and increase resource and production base.

Highlights

- **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;**
- **Additional US\$2.0M Bridge Funds committed by a separate investor**
(subject to a site visit planned and sign off from the existing Senior Secured Lender);
- **Funding will allow Cleveland to re-finance all existing debt into a more suitable structure, with gold payment due over 42 months after an initial grace period of 6 months;**
- **Cleveland is commencing a drilling program designed to increase mine life to at least 6 years to underpin repayment of the Facility and allowing for a significant free cash margin;**
- **Funding from the Facility will also be allocated to make the first payment to Cleveland's Joint Venture Partner (Edifica), thus taking Cleveland's equity in Premier and O Capitação (Lavra and Dona Maria) to 100%.**

Cleveland Mining Company Ltd (ASX: CDG) is pleased to announce that it has 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 has obtained Bridge Funding of AU\$2.0M (minus fund raising fees) by way of convertible notes (AU\$1.385m) and equity placement (AU\$615k), providing funds for a major drilling program. The intent is to re-pay the convertible notes from the proceeds of the Facility.

Corporate Information

Total shares: 338.4 million
Options on issue: 22.8 million

ASX Code: CDG

Contact

Investor & Media Enquiries
info@clevelandmining.com.au

Board of Directors

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

Head Office

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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 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 is commencing a drilling program designed to increase mine life to at least 6 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. The technical work program will commence shortly with proceeds from the Bridge Funds, during which time the Fund and Cleveland intend to complete the associated definitive documentation for the Facility.

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

Along with the AU\$2.0M Bridge Funds that have been confirmed, an additional US\$2.0M Bridge Funds has been committed by a separate investor by way of a convertible note on the same terms as that confirmed in the Bridge Fund. Settlement will be subject to a site visit which is planned for early June, and sign off by the existing Senior Secured Lender.

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Cleveland Managing Director Mr David Mendelawitz said “Signing of this MOU is an exciting and historic day for Cleveland. Once we complete the funding process Cleveland will be significantly different Company, with no short-term debt, a significantly expanded resource base, strong production and 100% ownership of the Premier and O Capitão projects. Whilst there is still work to be done, we are confident that we have the assets, the people and the funding to achieve what we need to do in a relatively short time frame.”

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. Of the convertible notes, US\$500,000 of the notes will be deferred until no later than 27 June 2016, whilst all other funds will be settled immediately. Additional US\$2.0M note subject to satisfactory site visit by the lender and sign off from the existing Senior Secured Lender (Platinum) with settlement no later than 30th June 2016. 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 \$AU0.04 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\$615,000 equity placement, AU\$310,000 has been committed by Directors and will be subject to shareholder approval. Should Shareholders not approve the director equity participation, these funds will be contributed in the form of Director Loans and repaid from the Facility.

Tectonic Advisory Partners LLC (acting through Ecoban Securities Corporation) served as North American placement agent and Grange Capital Partners served as corporate advisor to Cleveland.

ENDS

Further Information:

Investors:

David Mendelawitz, Managing Director
Cleveland Mining Company Limited (ASX: CDG)
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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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