

Principal Senior Secured Debt Re-structure Agreement Finalised

Re-structure removes the requirement for an immediate debt repayment and provides the necessary time required for the Company to optimise its balance sheet

Highlights

- Cleveland has come to an agreement with the Company's Senior Secured Lender, Platinum Partners LLC, to restructure the outstanding secured debt.
- Re-structure will mean that no cash is required to be paid in September, as previously was the case.
- The improved structure provides the potential to reduce the cash component payable by Cleveland by up to circa US\$11M, from circa US\$14M to circa US\$3M.
- Innovative partial debt for equity conversion structure designed to enable the Company to eliminate the Platinum debt, whilst minimising dilution and keeping a relatively tight capital structure.
- Shares issued to convert Platinum Debt, will be held by Cleveland under escrow, with Cleveland acting as the exclusive agent for the shares, providing the Company with up to 12 months to place the stock into supportive hands in a manner that is best for the Company.
- As part of this deal, Cleveland will assist Platinum to place the 29.3M shares currently held by Platinum to supportive Cleveland shareholders and new strategic investors.
- The re-structure removes both the requirement for any immediate debt repayment and provides the necessary structure and time required to allow the Company to refinance and clean up its balance sheet on the best terms available.

Cleveland Mining Company Ltd (ASX: CDG) is pleased to provide an update on the re-structuring and re-financing of the Company's Principal Secured Debt to Platinum Partners LLC (Platinum Debt).

The Company has agreed with Platinum Partners a new structure that will allow Cleveland to settle the outstanding debt and clean up its balance sheet and project ownership.

The pertinent components of the new structure are:

- Cleveland to pay US\$4M to Platinum Partners (as opposed to +US\$13M).
- Cleveland will assist Platinum to place the 29.3M shares currently held by Platinum to supportive Cleveland shareholders and new strategic investors. Cleveland will then use the proceeds of the sale of these shares as part of the US\$4M payment.
- Cleveland to issue approximately 90 million shares to Platinum Partners in tranches at AU\$0.07 per share (US\$4.75M equivalent), in a process allowing for shareholder approval.
- A trail debt of US\$9.5M will remain, payable as a subordinated debt in 12 months' time.
- Shares issued to Platinum will be held in escrow with Cleveland as the exclusive agent for these shares for up to 12 months, subject to 50% being placed within the initial 6 months.
- Cleveland will place these shares and any proceeds received will be applied to reduce the balance of the trail debt. For example, subject to no negative exchange rate fluctuation, if the shares are all sold at an average of AU\$0.14 per share, then the trail debt will be eliminated without the need for further cash from Cleveland. If the shares are sold at an average of AU\$0.07 per share, the trail debt will be reduced to US\$4.75M.

The structure allows for re-financing to occur in a staged, best for business manner. In comparison to the existing terms of the secured convertible note, which allows for the total debt to be converted at AU\$0.07 per share, the structure leads to:

- significantly less shareholder dilution;
- less concern of a material overhang as the Company places shares in an orderly manner;
- a higher level of certainty for Platinum to receive funds; and
- the ability to subordinate Platinum's position with a lower upfront amount.

The structure also allows the Company to bring in a re-financing package at a lower cost of capital due to the reduced initial hurdles.

In addition to the previously announced US\$25M gold loan that the Company has been working to finalise, the Company has been presented with a number of other financing options that could potentially be available at a significantly lower effective interest rate, and which could be staged to reduce the Company's total debt exposure.

The Company will now work to conclude the re-financing, which will also involve purchasing the current Joint Venture Partners equity in the Premier Gold Mine JV project, and provide for significant funds to be made available to allow the project to operate and develop without financial pressure.

The Company is confident that, with this re-structure agreement in hand, it can now complete all the other re-financing steps very quickly.

Cleveland's Managing Director, Mr David Mendelawitz, said *"We are very confident that the changes made under this agreement will be great for all parties involved. We have managed to survive through one of, if not, the hardest times in mining history, under the pressure of an expensive and restrictive debt and joint venture structure. The recent progress that we have made with licences, drilling and installation of major equipment give us, when combined with what will be a vastly improved balance sheet and Premier Gold Mine project ownership structure, the potential to focus purely on operations and project development and finally give this high potential project the best chance of success."*

"I would like to thank all parties who have been involved in this long and difficult process for their commitment to arriving at this point, which I believe is a win for all stakeholders: Cleveland shareholders, staff and contractors, Platinum and Edifica."

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.