

March 2015 Quarterly Activities Report

Premier Gold Mine expansion project targeting production capacity of ~40,000ozpa by end of 2015 commences, as existing plant availability improved

Highlights

- Repairs to currently installed Ball Mill completed, resulting in immediate improvements to throughput capacity and availability. The mill, which previously struggled to reach 40tph nameplate, ended the quarter demonstrating sustained capacity of 50-60tph with peaks of 70tph.
- Premier Gold Mine expansion project commenced, aimed at lifting process capacity to ~40,000oz-a-year by the end of 2015 with key current work streams including:
 - *100tph jaw crusher successfully installed and commissioned;*
 - *100tph cone crusher ordered and expected to be commissioned in May;*
 - *100tph ball mill currently being renovated and expected to be installed and commissioned in July.*
- Clear funding strategy for expansion project including an innovative royalty-linked debt note and an agreement with its principal financier, Platinum Capital Partners, to extend the maturity date of its existing US\$6.8M debt facility to September 2016.
- Installation of 40tph Contractor Flotation Plant completed with commissioning now underway. This plant will process existing tailings, boosting gold production and providing validation for the installation of the permanent flotation circuit later this year.
- Significant new gold prospect discovered on the Premier Gold Mine Mining Lease, characterised by an extensive 2km long gold-in-soil anomaly.
- Field work commenced in preparation for expansion drilling this year to target an increase in the resource base to underpin 6 years of production at ~40,000oz per annum.
- Cleveland has assumed control over 100% of the option-to-purchase contract over the Bahia and Minas Novas iron ore exploration projects in Brazil, following BC Iron's decision to withdraw from the 50:50 alliance between the companies.
- Highly regarded and experienced corporate finance and banking executive Wayne Zekulich appointed to the Board as a non-executive Director.

Corporate Information

Total shares: 242.7 million
Listed options: 11.4 million
Unlisted options: 29.2 million

ASX Code: CDG

Contact

Investor & Media Enquiries
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Board of Directors

Russell Scrimshaw - Non-Executive Chairman
David Mendelawitz – Managing Director
Rick Stroud – Non-Executive Director
Wayne Zekulich – Non- Executive Director

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Cleveland Mining Company Ltd (ASX: CDG) is pleased to report on an active and successful period for the Company during the March 2015 Quarter, with the expansion of the Company's flagship Premier Gold Mine in central Brazil now underway with the aim of establishing Cleveland as a profitable, low-cost Brazilian gold producer.

Overall gold ounces produced for the Quarter was similar to the December Quarter, primarily due to mechanical issues with the processing plant and subsequent modifications, particularly to the currently installed Ball Mill. By the end of the Quarter these issues had largely been addressed with successful repairs to the Ball Mill addressing a problem which has plagued the Company for the past 12 months.

The Mill, which previously struggled to achieve its 40tph nameplate capacity, demonstrated sustained capacity of 50-60tph at the end of the quarter, with peak throughput of 70tph being achieved for periods.

As a result, overall plant throughput levels have improved markedly at the start of the current Quarter. Together with strong mine head grades of over 2g/t Au currently being achieved, the improved throughput is expected to flow through to improved production levels in the coming months.

A substantial portion of the expansion program commenced at Premier during the Quarter, aimed at increasing the annual production capacity to approximately 40,000 ounces per annum by the end of 2015.

On the exploration front, the March Quarter delivered an exciting new discovery of an extensive zone of primary gold mineralisation less than 1.5km south of Premier. A contour of gold anomalism extends over 2km along strike, making it approximately twice the size of the original anomaly around the Premier Gold Mine.

This new target, which has been named "Vanuza", will be a high-priority exploration target for Cleveland over the coming months.

Premier Production

During the quarter a number of initiatives were undertaken to rectify the issues with the ball mill. Downtime caused by mechanical failures and stoppages to undertake rectification activities resulted in mechanical availability over the quarter of approximately 55%. Additionally, during most of the quarter the targeted throughput of 40tph was not achievable due precautionary de-rating of the ball mill and subsequent excessive pressure put on the secondary hammer mill. The combination of low mechanical availability and throughput meant that production of gold was limited to 30kg.

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- Modifications have now been completed to the ball mill, enabling a peak throughput of 70tph to be reached with the aim to sustain 50-60tph.
- The plant bottleneck was thus been moved to the secondary crusher (hammer mill), which is capable of processing up to 40tph.
- By early May, the hammer mill will be replaced by the new 100tph cone crusher, enabling the ball mill to achieve 50-60tph in the current configuration. In the period between now and the installation of the new 100tph ball mill, throughputs will potentially be varied as part of optimisation programs relating to the 100tph target throughput rate.
- The Company is on track to have the ball mill replaced with a 100tph ball mill by July.

Aside from processing capacity, the Company is now preparing to expand mining operations to be able to meet the expanded throughput target. An area of high grade (circa 3.4gpt average) and low strip ratio has been earmarked for initial extraction to allow the required ore tonnes to be delivered whilst the site increases the total mining rate in line with life of mine average strip ratios.



Newly commissioned 100tph Jaw crusher

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100tph cone crusher in workshop – nearing completion

Premier Expansion Project

During the Quarter, the Company commenced the previously announced expansion program at the **Premier Joint Venture Gold Mine**, aimed at increasing production to approximately 40,000oz per annum by the end of 2015. Full details of the expansion project can be found in the Company's ASX Announcement dated 23 December 2014.

Vendor financing has been secured for the new 100 tonne per hour primary and secondary crushing plant(s). The new primary jaw crusher has arrived on site, and has been successfully incorporated into the current circuit. The secondary cone crusher will be installed during May.

While the Joint Venture awaits installation of a new larger 100 tonne per hour (tph) ball mill (the final component of the expanded gravity circuit), the new jaw crusher, will be used to provide extra crushing capacity for the ore to reduce the input feed size to the ball mill and help reduce the recirculating work-load of the existing mill.

This will increase the output and reliability of the existing ball mill until the second, larger mill has been installed.

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Funding is being raised through a royalty-linked debt note (see Corporate Section below) for the renovation, installation and tie-in of the new 100tph ball mill (already owned by the Company and located in Brazil) and to make down-payments on mobile mining equipment.

Sufficient funds have been raised to date to complete the ball mill renovation and installation, although the note remains open and the Company is engaged in discussions with a number of additional potential investors. The program of works is currently underway, with the ball mill program on schedule for completion in July.

The expansion project will provide significantly improved plant reliability, as the 100tph and existing 40tph circuits will remain installed in parallel to each other.

The final step of the plant expansion will be the installation of a new 100tph flotation circuit and associated leaching tanks. The Company is aiming to install these items during the second half of the year. Funding for these items, as well as for the resource expansion drilling program and payments to Cleveland's joint venture partner to increase Cleveland's project equity to 60%, is expected to be sourced through a combination of vendor financing and production cash-flows.

The overall expansion project is targeted for completion by the end of calendar 2015.

Contractor Flotation Plant

Installation of the 40tph Contractor Flotation Plant was completed during the Quarter and commissioning has commenced. Cleveland has granted the Contractor the right to process tailings previously produced by the gravity circuit under a contract for ~10 months. All costs will be borne by the contractor and Cleveland-Premier will be entitled to 30% of the gross revenue produced by the plant.

Along with the additional cash flows generated, the plant will enable full-scale flotation process validation to occur on site prior to the finalisation of the 100tph flotation circuit, which has been targeted for installation by Cleveland in late 2015.

Premier Exploration

Significant New Gold Prospect Discovered on Premier Gold Mine Mining Lease

Exploration work conducted during the Quarter has led to the discovery of an extensive zone of primary gold mineralisation less than 1.5km south of the operating Premier Joint Venture Gold Mine. The discovery was the result of field work within an area of anomalous gold-in-soil samples that was previously referred to by the Company as the "Southern Anomaly".

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Along with the outcropping mineralised rocks, the new prospect (which has been named “Vanuza”) is defined by extensive gold-in-soil anomalism, together with coincident silver, copper, molybdenum, zinc, arsenic and cobalt soil anomalism (amongst other elements), suggesting a primary poly-metallic source.

A contour of gold anomalism measuring +20ppb gold (Au) has been identified over an area extending over 2km along strike up to the western tenement boundary and extending over 600m in width. This makes the Vanuza anomaly approximately twice the size of the original anomaly around the Premier Gold Mine.

The position of Vanuza corresponds with a Versatile Time Domain Electromagnetic (VTEM) trend. VTEM is a geophysical method that maps rock conductivity as a result of conductive minerals such as sulphides and graphite. These minerals are often associated with gold mineralisation, including that at the nearby Premier Gold Mine.

Prospect-scale geological mapping and sampling is currently in progress, with very encouraging results returned to date given the early stage of work.

Wide-spaced channel sampling has so far returned gold assays ranging from 0.1 – 1.3g/t Au. Of the 37 gold assays returned to date, all have returned a result of at least 0.1g/t Au, suggesting extensive and pervasive gold mineralisation.

While these results do not represent economic gold grades, they are significant in the region as the tenor is very similar to that found over the Premier Gold Mine. Multi-element assay results are pending.

Primary mineralisation appears to be associated with laminated and brecciated quartz veining hosted in sheared, silicified graphitic and manganiferous schist, where the stratigraphy is cut by a north-west orientated regional structure.

The extent of mineralisation at Vanuza is extremely encouraging, with all the early-stage indicators suggesting that it could be prospective for the discovery of a significant new deposit.

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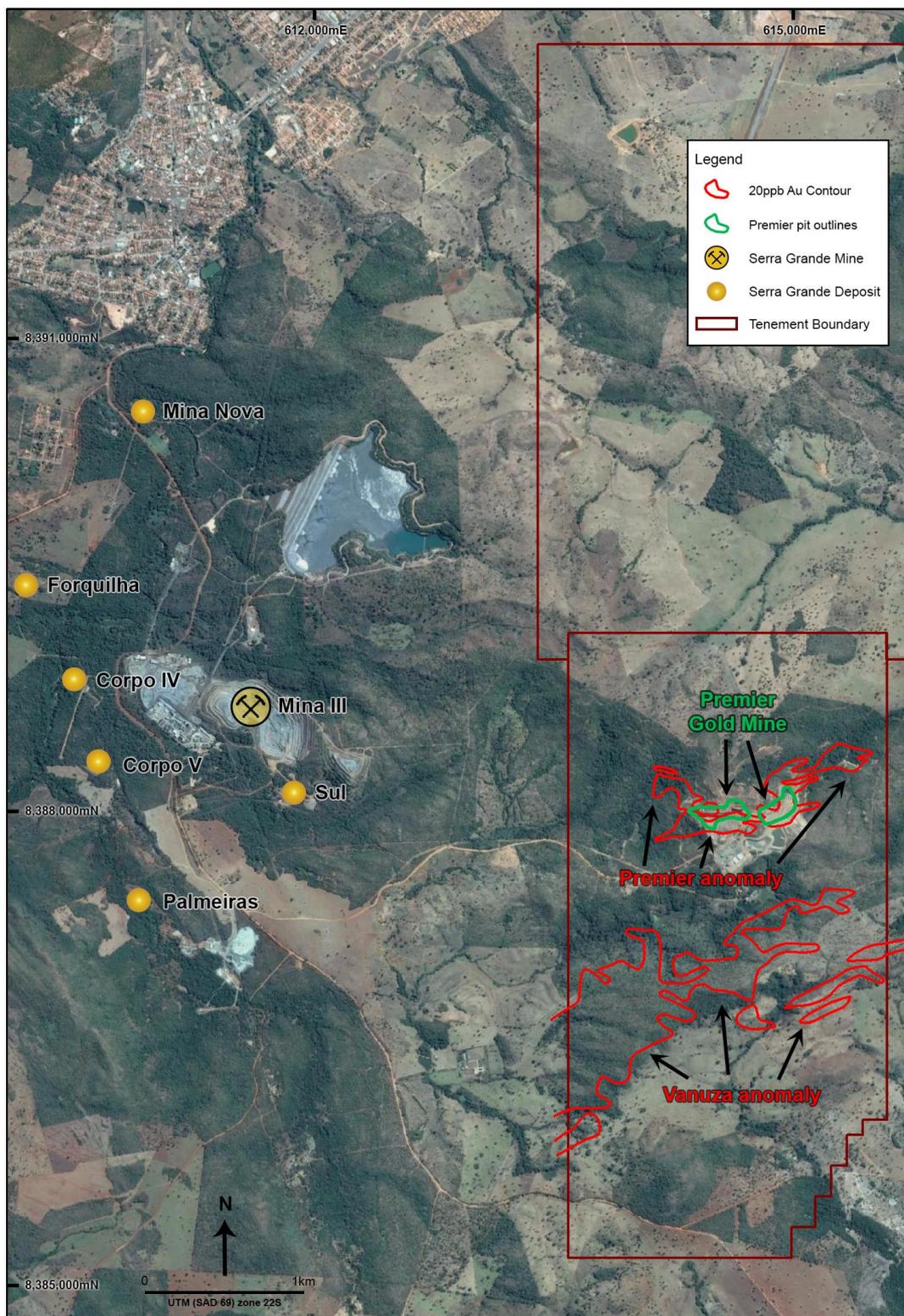
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Vanuza location relative to Premier Mine and other gold mines in the region

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Resource Expansion Program

Field work has commenced in preparation for expansion drilling this year to target an increase in the resource base to underpin 6 years of production at ~40,000oz per annum.

Resource expansion will be targeting direct extensions of the Metago and Dona Maria ore bodies, which remain open in all directions. Particular focus will be on the eastern extension of the “Metago” orebody, along with the up-dip extension targeting mineralisation which remains under the historical Government-operated open pit.

Positive results are being generated from all areas, providing further confidence in the potential to grow the resource inventory.

Iron Ore

Change in Ownership of Brazil Iron Ore Alliance

During the Quarter, BC Iron Limited (ASX: BCI) advised that, in light of market conditions, it would withdraw from the 50:50 alliance between the companies over the Bahia and Minas Novas iron ore exploration projects in Brazil.

As a result of this decision, BC Iron has transferred sufficient funds to Cleveland to ensure that it is free of accrued tenement liabilities and also divested its strategic 3.66 per cent shareholding in Cleveland.

The BC Iron holding, comprising approximately 8.7 million shares, has been acquired by existing shareholders and company employees in an off-market transfer.

Cleveland will now assume control over 100% of the option to purchase contract held with the private Brazilian company, BAHMEX, over the Bahia and Minas Novas Projects – both of which have considerable strategic value as potential future iron ore/pig iron development opportunities.

As previously announced, Cleveland’s main focus is on expanding gold production and resources at its flagship Premier/ O Capitão gold projects in central Brazil. Accordingly, the Company intends to divest its Brazilian iron ore assets into a separately funded entity to ensure that these projects do not require any meaningful expenditure from Cleveland, allowing it to continue to focus its resources on its growing gold business.

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Recent field work on the Minas Novas project and modelling on the Company's pig iron strategy has been very encouraging, and further updates will be provided to the market in the near future.

Corporate

Royalty-Linked Debt Note

The Company has issued an innovative royalty-linked debt note instrument to fund aspects of the Premier Gold Mine expansion project (outlined above), as an alternative to either an equity raise or conventional convertible note.

The note details are:

- 12-month duration
- 9% coupon
- 5% (against \$1.5 million facility) Production Royalty linked to the first 3 months of production following the commissioning and steady state production of the new ball mill
- Only convertible to equity at a discount to the prevailing Volume Weighted Average Price at the maturity date 12 months after issue in the case of default by Cleveland

The benefits to Cleveland shareholders include:

- No equity dilution;
- Low base rate compared to a conventional unsecured convertible note in the current financial climate;
- Disconnected to the current low equity price; and
- Funds raised will assist in the rapid installation of the expanded gravity circuit to underpin a significant increase in free cash-flows in the short term.

Benefits to the investors in the note include:

- A fair interest rate, secured by convertibility at a discount to the prevailing equity price at the time of the note expiry in the case of default;
- The opportunity to participate in the substantial upside that will be generated by the expansion of the gravity circuit; and
- Potential to participate in the upside generated by the installation of the 100tph flotation circuit, should the Company complete installation during the 3-month royalty period.

The note is being offered to sophisticated investors (including current shareholders). To date approximately \$AUS1.1m has been raised through the note, providing sufficient funds to

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complete the installation of the new cone crusher and the renovation and installation of a larger ball mill.

Debt restructure

During the Quarter, Cleveland reached agreement with its principal financier, Platinum Capital Partners, to extend the maturity date of its existing US\$6.8 million debt facility by 12 months to September 2016 to assist with funding the Premier expansion plans.

In consideration for the extension of the debt facility maturity date, the Premier Joint Venture has agreed to pay Platinum a 2% Net Smelter royalty which can be repurchased from Platinum any time within two years of commencement of the royalty for \$US1.5 million. The agreement is currently in the form of an Executed Binding Heads of Agreement, which will convert to a contract amendment when the documents associated with this royalty are issued by Cleveland. Other terms are in line with the existing terms.

Platinum has also agreed to allow 50% of the debt facility interest payments to be used, on a no interest loan basis, for the Company's iron ore/ potential pig iron project studies in Brazil in return for a further 15% ownership in its iron ore subsidiary. Further details regarding these activities will be presented in a separate market update.

The debt facility extension will free-up cash-flows to underpin the Premier expansion, enabling Cleveland to internally fund the bulk of the required capital expenditure, as well as fund a planned exploration program designed to increase its resource inventory to support a 6-year mine life at the revised production rate.

Appointment of Wayne Zekulich as a non-Executive Director

Cleveland has further strengthened its Board with the appointment of highly regarded and experienced corporate finance and banking executive Wayne Zekulich as a non-executive Director.

Mr Zekulich has an extensive depth of experience in the banking and corporate sectors in Australia, including a distinguished career as head of both Deutsche Bank and NM Rothschild & Sons (Australia) in Perth and as an Executive Vice President with Commonwealth Bank in Western Australia, South Australia and the Northern Territory.

During his investment banking career, Mr Zekulich has provided strategic and corporate advice on a wide range of transactions and mergers and acquisitions, played a key role in arranging and underwriting project financings, and was involved in privatisations and capital raisings in both debt and equity capital markets.

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Key roles included advising the WA Government on the privatisation of AlintaGas and the sale of Westrail Freight and advising several major corporates including Wesfarmers, Westralia Airports Corporation, Multiplex, Shell and Leighton Contractors on significant debt, equity and other transactions.

He has also previously held senior corporate roles including Chief Financial Officer and Chief Development Officer with Oakajee Port & Rail and as Chief Financial Officer with Gindalbie Metals.

ENDS

Further Information:

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Shareholders and investors are invited to listen to the recording from 21st April 2015 at:
<http://clevelandmining.com.au/webinar/>

If you have any questions for David that you would like to be addressed in the next Webinar, please email webinar@readcorporate.com.au

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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.
- Cleveland has formed a strategic alliance with ASX-listed company BC Iron Ltd (ASX: BCI) to co-acquire and co-develop new iron projects in Brazil as joint venture partners. 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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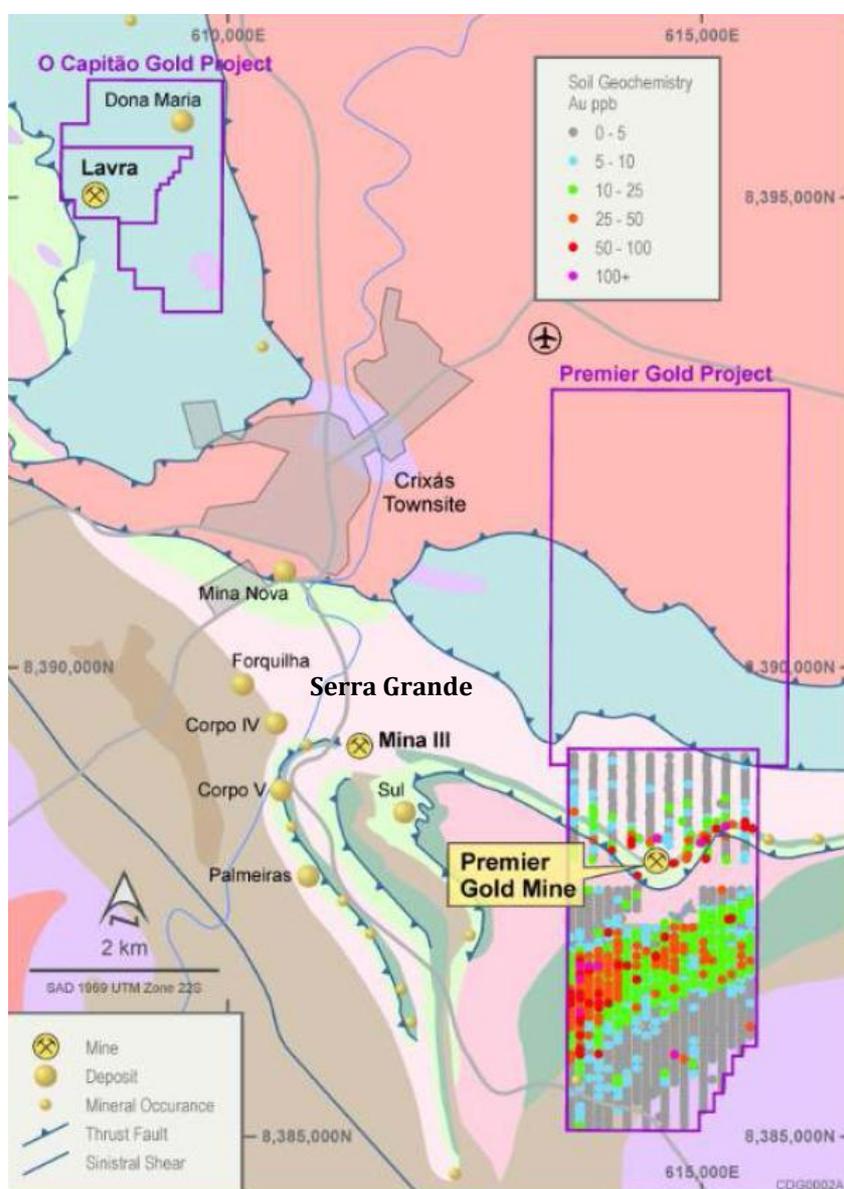
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APPENDIX 1

The Premier Joint Venture Background Information

Location of the Premier JV – adjacent to AngloGold Ashanti’s high grade Serra Grande Gold Mine



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Resources

Premier

	Tonnes (kt)	Gold Grade (g/t Au)	Gold (kg Au)	Gold (koz Au)
Indicated	437	2.18	952	30.6
Inferred	833	1.63	1,354	43.5
Total	1,270	1.82	2,306	74.1

O Capitão

	Tonnes (kt)	Gold Grade (g/t Au)	Gold (g Au)	Gold (koz Au)
Indicated	905	1.07	969	31.2
Inferred	227	1.19	271	8.7
Total	1,131	1.10	1,240	39.9

Combined

	Tonnes (kt)	Gold Grade (g/t Au)	Gold (g Au)	Gold (koz Au)
Indicated	1,342	1.43	1,921	61.8
Inferred	1,060	1.54	1,625	52.2
Total	2,401	1.48	3,546	114.0

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Valuation – Premier JV

Key project assumptions

(100% basis)	Unit	FY2015	FY2016	FY2017	FY2018	FY2019	LOM/LT
Gold Price	US\$/oz	1,200	1,200	1,200	1,200	1,200	1,200
BRL USD		0.41	0.37	0.34	0.32	0.30	0.23
Mining							
ROM Ore	kt	199	400	342	342	342	1,739
Gold Grade	g/t	1.63	1.68	2.08	2.08	2.08	1.92
Processing Phase 1 - Crushing, screening & milling							
Volume crushed, screened & milled	kt	196	316	315	315	315	1,669
Concentrate Production							
Concentrate Produced from Gravity	kt	0.31	0.51	0.5	0.5	0.5	2.67
Concentrate Produced from Flotation	kt	0.65	1.58	1.58	1.58	1.58	8.01
Total Concentrate Produced	kt	0.96	2.09	2.08	2.08	2.08	10.68
Processing - Phase 2 & Phase 3 - (ILR + Float)							
Gold Grade - contained Gravity Concentrate	g/t	743	743	889	909	911	855
Gold Grade - contained Float Concentrate	g/t	87	85	99	105	106	98
Gold produced - Gravity (Concentrate)	koz	7.47	12.08	14.4	14.73	14.76	73.32
Gold produced - Float (Concentrate)	koz	1.81	4.32	5.01	5.33	5.39	25.17
Recovery	%	97%	97%	97%	97%	97%	97%
Total Gold produced	koz	9	15.9	18.8	19.5	19.5	95.5
Costs							
C1 Cash Costs	US\$/oz	692	612	472	416	389	468
C1 Cash Costs	US\$/t	31	24	26	24	22	25
AISC	US\$/oz	706	621	478	422	395	476
AISC	US\$/t	31	24	26	24	22	25

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Contact

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Board of Directors

Russell Scrimshaw - Non-Executive Chairman
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Valuation – Premier JV

Sum of Parts Valuation

(100% basis)	Ownership (%)	NPV (US\$m)
Premier	100%	37.0
Exploration Gold		10.0
Cash		-0.6
Total Value of Common Equity		46.4

Notes:

- We have assumed a post-tax nominal discount rate of 10%.
- Our base case DCF valuation of Premier is US\$46.4 million.
- At this stage, we have assumed a total of US\$10m value for exploration upside, which equates to approximately 1.25 years of additional mine life at Premier.

Sensitivities

Sensitivity Parameter	Factor	Δ NPV (US\$m)	NPV (US\$m)
Base Case			46.4
Commodity Price		-4.1	42.3
Commodity Price	-5%	4.1	50.5
Recoveries	+5%	-4.1	42.3
Recoveries	-5%	4.1	50.5
Capex	+5%	0.6	47.0
Capex	-25%	-0.6	45.8
Operating Costs	+25%	-5.0	41.4
Operating Costs	+10%	-3.3	43.1
Operating Costs	+5%	-1.7	44.7
Premier JV Ownership	+20%	9.3	55.7
Premier JV Ownership	+10%	4.7	51.1

Discount Rate	7.5%	10.0%	12.5%
NPV US\$m	49.3	46.4	43.8

Corporate Information

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Expansion Case

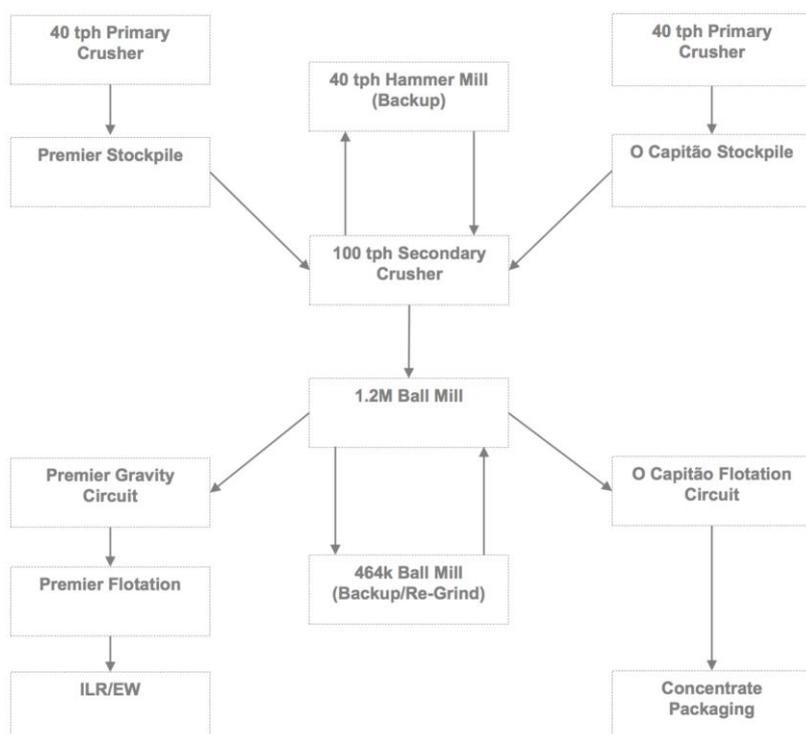
The Expansion Case is based on an extra ball mill, which allows for a doubling of processing capacity at Premier. The operation will essentially be configured to process ore from both Premier and O Capitão.

Given the poly-metallic nature of the ore feed from O Capitão, the flow-sheet has incorporated a flotation circuit with a view to producing a gold concentrate (with other metal credits).

As a result, the material from Premier and O Capitão will need to be batch treated separately given the nature of the mineralisation.

In the event that the delineation of resources or planning at O Capitão was delayed, the expanded plant will be used to treat a higher throughput rate of Premier ore.

Expansion Case – Process Flow Sheet



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Valuation Summary

Base case DCF valuation (10% discount rate) shows an NPV of US\$46 million (100% basis).

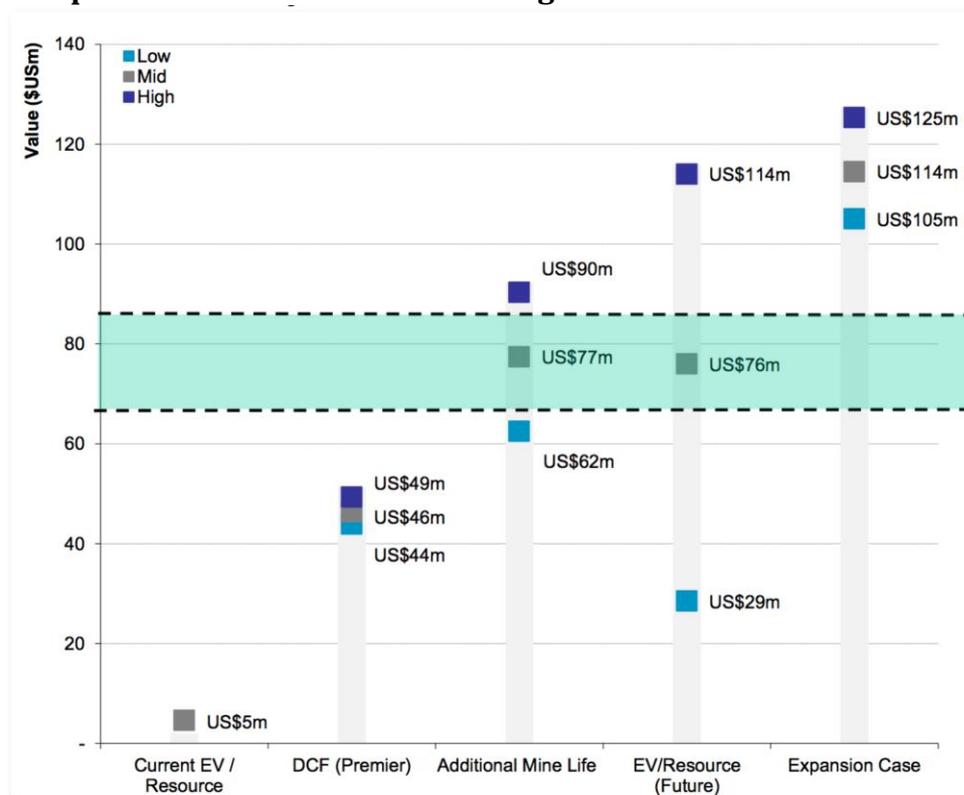
DCF sensitivities show an upside valuation of US\$90 million based on an additional 6 years of mine life.

Our peer analysis (using EV/Resource of US\$40/oz) shows a mid-point of US\$5 million for the current defined JORC Resource.

An EV/Resource based off the exploration target of an additional 1.9 million ounces of contained gold shows a mid-point value of US\$76 million.

A DCF valuation of the expansion case, in which production doubles (over an additional 6 year mine life or an assumed total mineral inventory of 248koz gold) following a US\$5 million plant expansion in Q3-Q4 2015 and US\$5.7 million drilling, increases the NPV to US\$114 million @ 10% p.a. discount rate.

Comparison of Valuation Methodologies



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