

Cleveland to Expand Production Base and Increase Ownership of Premier Gold Mine

Current production and resource drilling provides confidence in the potential for strong returns over a short development timeline

Highlights

- Successful plant modifications have been completed allowing the Premier Gold Mine to lift production to ~1kg of gold dore per day, whilst sustaining average site costs of ~AU\$21,000 per day.
- In light of this progress, Cleveland has developed a plan to further increase production capacity through the installation of a large, currently-owned ball mill and expansion of the crushing circuit, targeting 40,000oz per annum gold output.
- Based on this potential targeted production rate of 40,000oz per annum, the value of the project improves from an NPV of circa US\$46.6 million based on current gold price and cost metrics to around US\$114 million over an expansion timeline of ~12 months, for an investment of ~AU\$7 million.
- To further support this expanded production profile, the Premier JV will undertake drilling which will target immediate extensions of both the Premier and O Capitão deposits, where the JV has recently established substantial exploration targets.
- Early encouraging discussions are underway with financiers aimed at funding the above proposed expansion by various options including extending the maturity date of Cleveland's current debt facility to free up cash flows for expansion. The Company is not planning to not use equity to finance the expansion.
- Cleveland's Premier Gold Mine Joint Venture Partner, Edifica, has agreed to sell-down its equity position from 50% to 40% to enable Cleveland to finance the JV expansion.

Cleveland Mining Company Ltd (ASX: CDG) is pleased to announce that, following recent progress with the ramp-up of gold production at its flagship **Premier Gold Mine** in central Brazil as a result of successful plant modifications, it has reached agreement with its joint venture partner to undertake a major expansion of the operation.

Corporate Information

Total shares: 241.3 million
Listed options: 11.4 million
Unlisted options: 33.2 million

Contact

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Board of Directors

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

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Under the agreement, Cleveland will increase its stake in the Premier Operation from 50% to 60% in return for funding and managing the expansion and some small staged cash payments.

The expansion proposal has been developed following recent positive progress with the ramp-up of gold production at Premier as a result of the successful installation and commissioning of recently announced modifications to the process plant. The modifications enable the plant to produce circa 1kg of gold dore per day, producing revenue around double the average break-even site operating cost of approximately AU\$21,000 per day.

With the JV operation now able to generate positive cash flows, the higher NPV valuation of an expanded Premier Gold Mine clearly demonstrates the compelling investment case to expand the operation.

To achieve the increased throughput, the Company plans to install larger primary and secondary crushers and a larger ball mill which is currently owned by Cleveland and sitting idle in Brazil. An additional flotation circuit will also be added to complement the Contract Flotation circuit which will be commissioned early in the New year on site. Modifications to the current crushing circuit layout were completed last week to allow for a smooth expansion of the mill, which should allow little to no impact on production to occur whilst construction is undertaken.

To support the increased production profile, the Company has designed an exploration drilling program to target a major expansion of the current resource inventory at Premier.

The expansion will involve drilling approximately 11,000m along strike from existing mineralisation at both the Premier and O Capitão deposits, where the Company has recently established substantial new exploration targets. The Company's overall objective will be to establish a JORC compliant Mineral Resource inventory of approximately 250,000oz to underpin a production profile of 40,000oz per annum for 6 years.

The Company has an overall Exploration Target of ~1.9Moz for the Premier JV ground, which has previously been presented to the market. These planned drilling programs will be undertaken within the out-cropping high priority targets, and are not aimed at testing all of the Exploration Targets, as listed in Appendix 1, at Premier at this stage.

The drilling program and plant expansion is expected to cost approximately AU\$7 million and take approximately 12 months from commencement to completion, including plant infrastructure construction time of approximately four months with the balance taken up by drilling programs.

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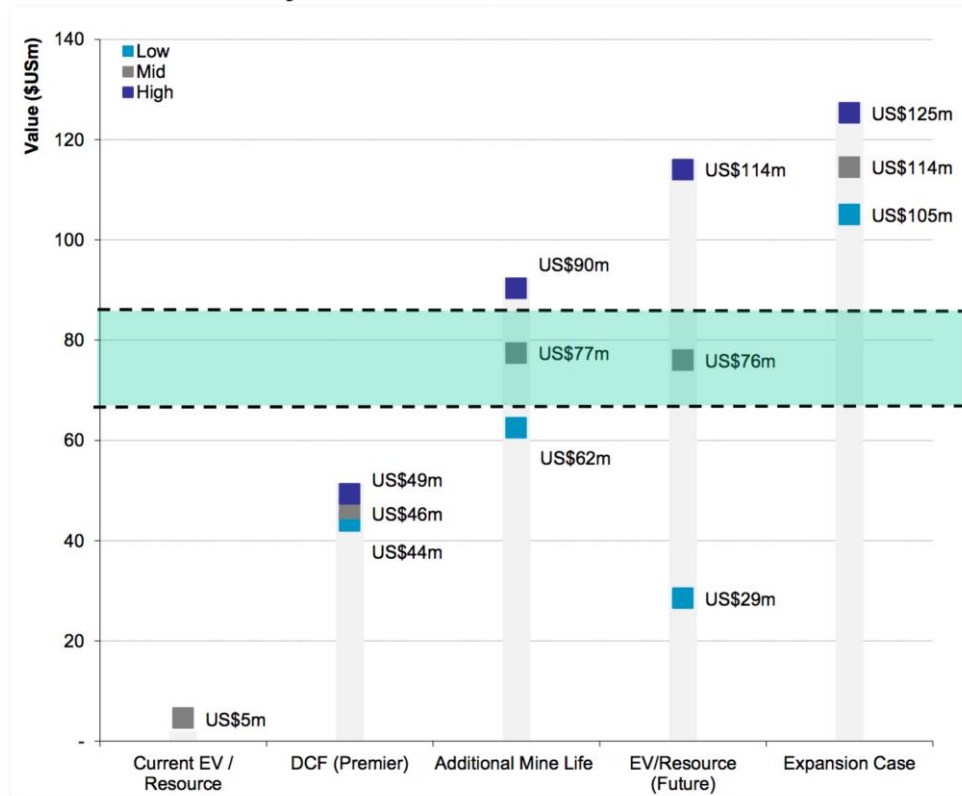
Based on a targeted production rate of 40,000oz per annum, the value of the project increases from an NPV_{10%} of US\$46.6 million currently to US\$114 million over an expansion timeline of approximately 12 months and for an investment of approximately AU\$7 million.

Assuming the NPV calculation assumptions hold, this represents approximately US\$68 million of additional value, from an investment of just AU\$7 million.

In order to fund the expansion, the Company is seeking to extend the maturity dates of the Company's debt facilities by an additional 2+ years in order to free up project cash flows for re-investment into the project.

Valuation – Comparison of Valuation Methodologies (100% basis)

Further details found in Appendix 1 of this release



- **DCF (Premier)** – the base case DCF NPV_{10%} of US\$46 million (“DCF (Premier)”) is based on the current mine plan and resources for the Premier operation (excluding resources from O Capitão).
- **Additional Mine Life** – shows upside DCF valuations for an assumed increase in mineral inventory which leads to a 2, 4 and 6 year increase in additional mine life.
- **EV/Resources (Future)** – shows the valuations derived using an average EV/Resource of US\$40/oz for an assumed increase in mineral inventory which leads to a 2, 4 and 6 year increase in additional mine life.
- **Expansion Case** – shows a DCF NPV_{10%} of US\$115 million which is based on the expanded case (double gold production) and a 6 year increase in mine life (or an assumed total mineral inventory of 248koz gold). The upper and lower values reflect varying discount rates of 12.5% and 7.5%.

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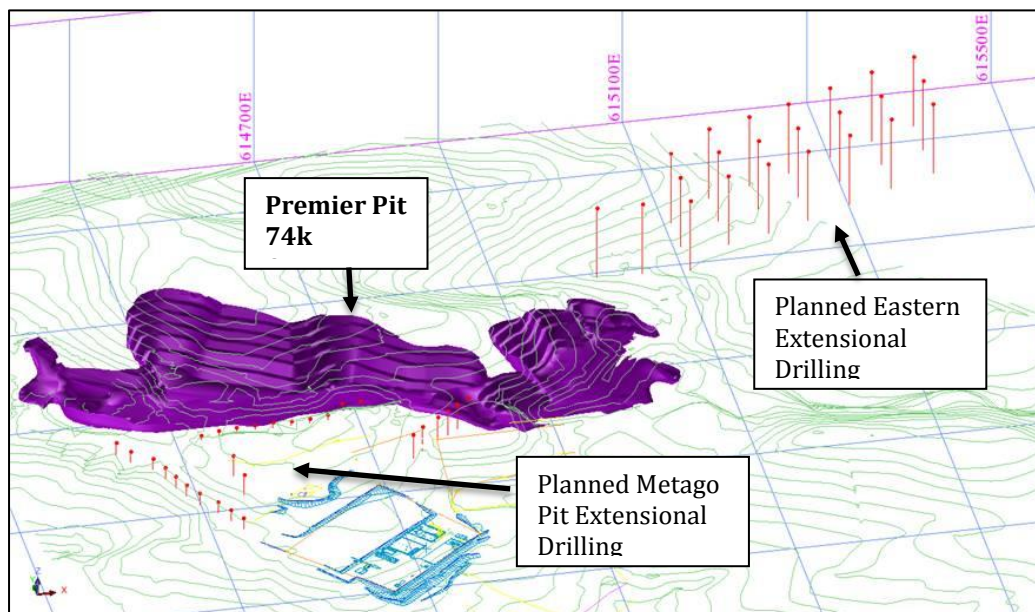
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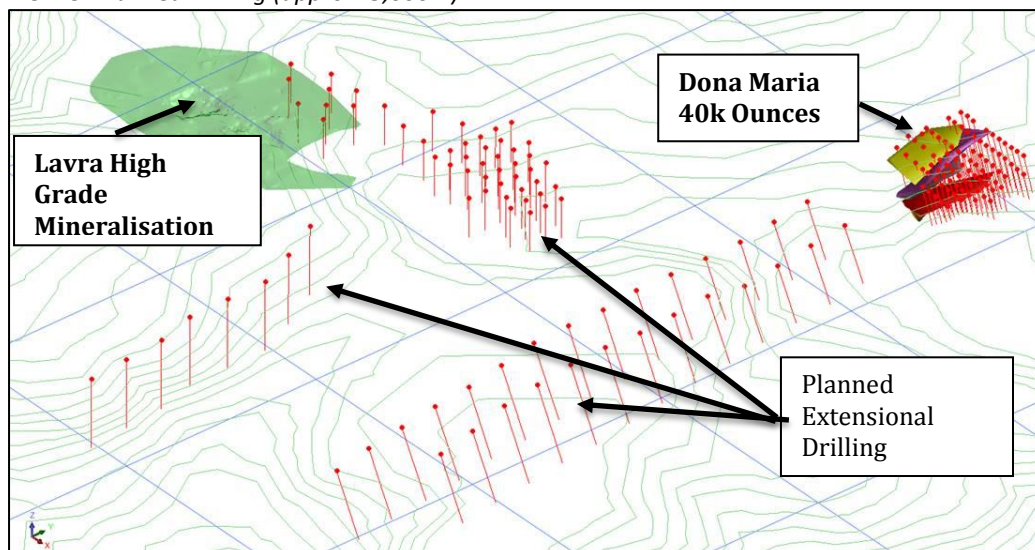
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To allow for a wider range of potential funding solutions, Cleveland's Joint Venture Partner has agreed to sell-down its interest in the project from 50% to 40%, in return for Cleveland funding project-level investments and a small cash consideration. This will give Cleveland 60% of the expanded operation.

The new arrangement will provide Cleveland with greater debt servicing capacity through the increased free cash flows generated, as well as the additional advantages of greater mine life and an enhanced infrastructure base to secure the revised debt terms.



Premier Planned Drilling (approx. 3,000m)



O Capião Planned Drilling (approx. 8,000m)

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Cleveland's Managing Director, David Mendelawitz, said the achievement of sustainable positive operating cash flows at Premier following recent processing breakthroughs had laid the foundations for the joint venture to assess a more comprehensive plan to add substantial value to the Project.

"This is a pivotal growth opportunity for the Premier operation which has been developed on the twin foundations of our recent production outcomes and the breakthroughs we have achieved recently on the exploration front in identifying opportunities to substantially grow our resource inventory," Mr Mendelawitz said.

"For a relatively modest and incremental capital outlay, we now have the opportunity to effectively double our production profile to 40,000oz per annum within 12 months while at the same time potentially growing our resource inventory to support a longer mine life.

"As part of the funding strategy, we have reached agreement with our joint venture partners to boost our ownership of the Premier Gold Mine to 60% in exchange for funding and managing the Expansion project. That will give us majority ownership of a high-quality, low cost gold operation in central Brazil which we believe presents a transformational opportunity for our shareholders.

"We look forward to working both with our project financiers and with our partners to progress and implement this exciting growth plan as quickly as possible," Mr Mendelawitz said.

The Company plans to host a live, open access Question and Answer Webinar for shareholders and investors, to be hosted by Read Corporate on Wednesday 21th of January 2015. A link to participate in the webinar will be posted on the Company's website, on the ASX platform and also be sent out to the Company's email database before the event. A recording of the Webinar will also be uploaded to the Company's website.

Please refer to Appendix 1. For further details on the valuation and planned expansion

ENDS

Further Information:

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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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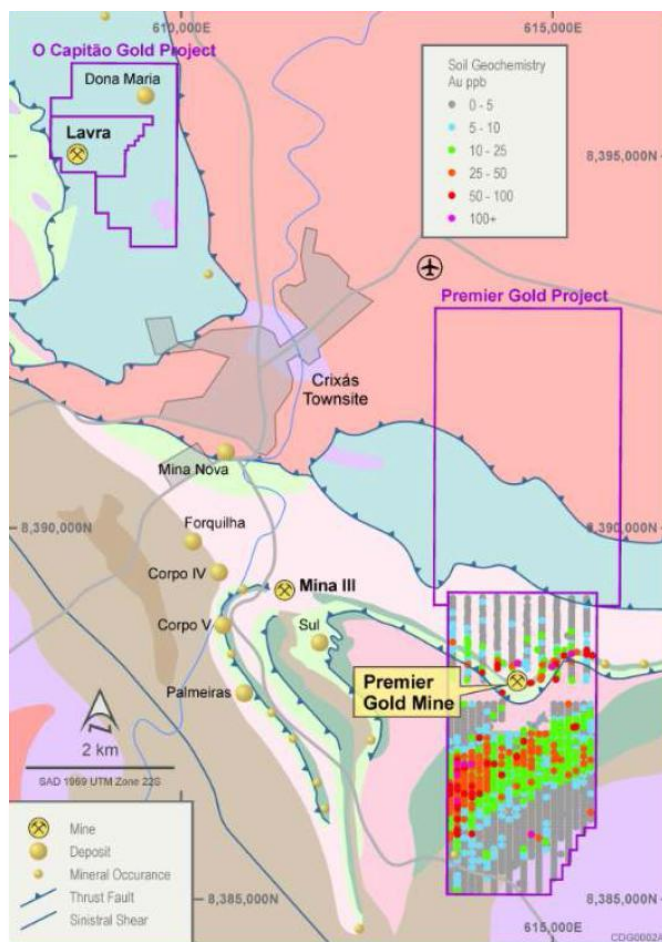
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APPENDIX 1

The Premier Joint Venture Background Information

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



A recent detailed review of regional and near mine geology has confirmed that the Premier operation sits on a similar structural setting and corridor to the Serra Grande geology.

A very large gold-in-soil anomaly has been identified to the south of the Premier Gold Mine. Similarly, co-incidental VTEM geophysical anomaly produced by graphitic schist with pyrrhotite, which is the shared host rock of Premier and Serra Grande. Up to 450m of graphitic schist has been intercepted in initial drilling. In addition, visible gold has been discovered at surface within this area recently.

Serra Grande initially started as an open cut operation and has progressively moved underground during the last 30 years with 3.5 Moz Au extracted over that period.

The Serra Grande operation is located 5km from the city of Crixas, comprising 3 mines:

- Mina III – U/G
- Mina Nova –U/G
- Palmeiras (open pit on the outcrop of the Mina III orebody)

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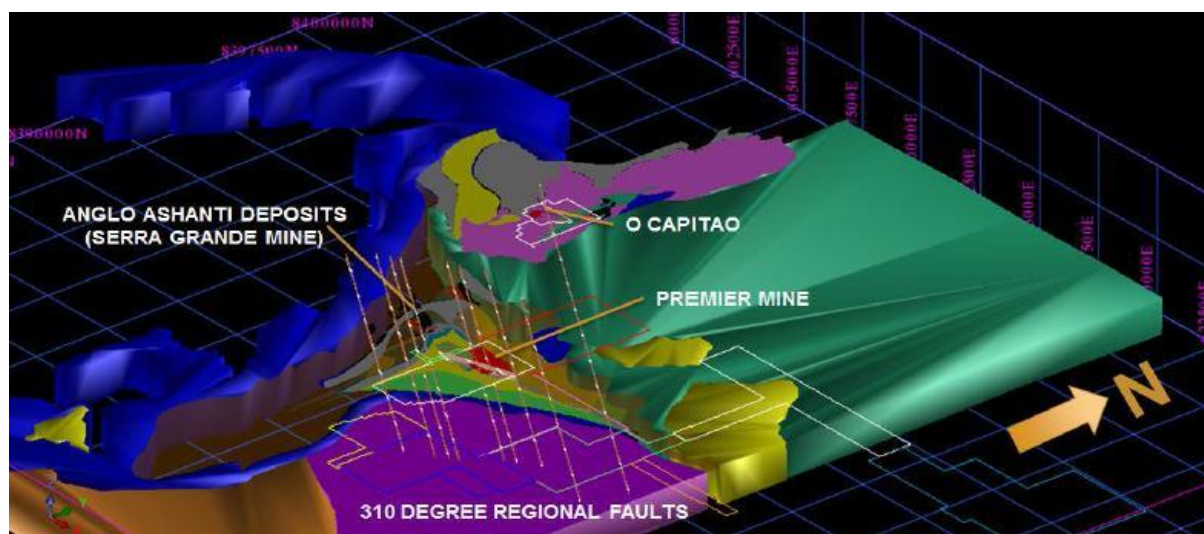
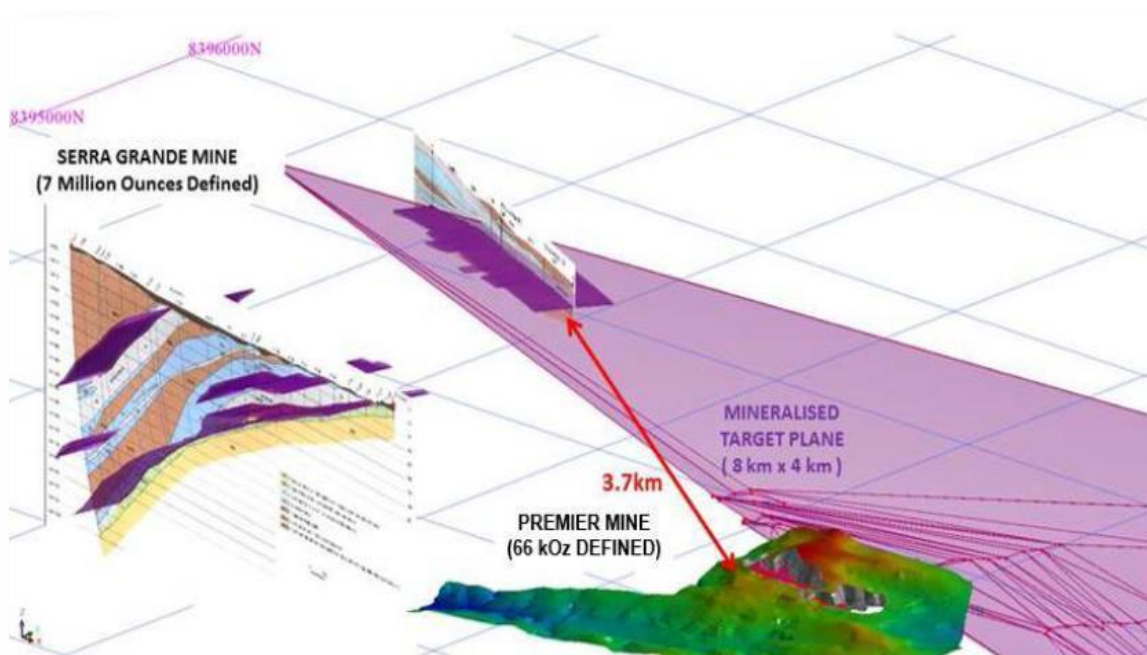
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The Serra Grande operation has one dedicated processing plant that treats all ore, comprising of grinding, leaching, filtration, precipitation and smelting facilities. The operation processed 1.3Mt in FY2013.

AngloGold Ashanti increased its ownership to 100% (from 50%) on 1 July 2012.

Regional Geology – Premier and Serra Grande



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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 (kg 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 (kg 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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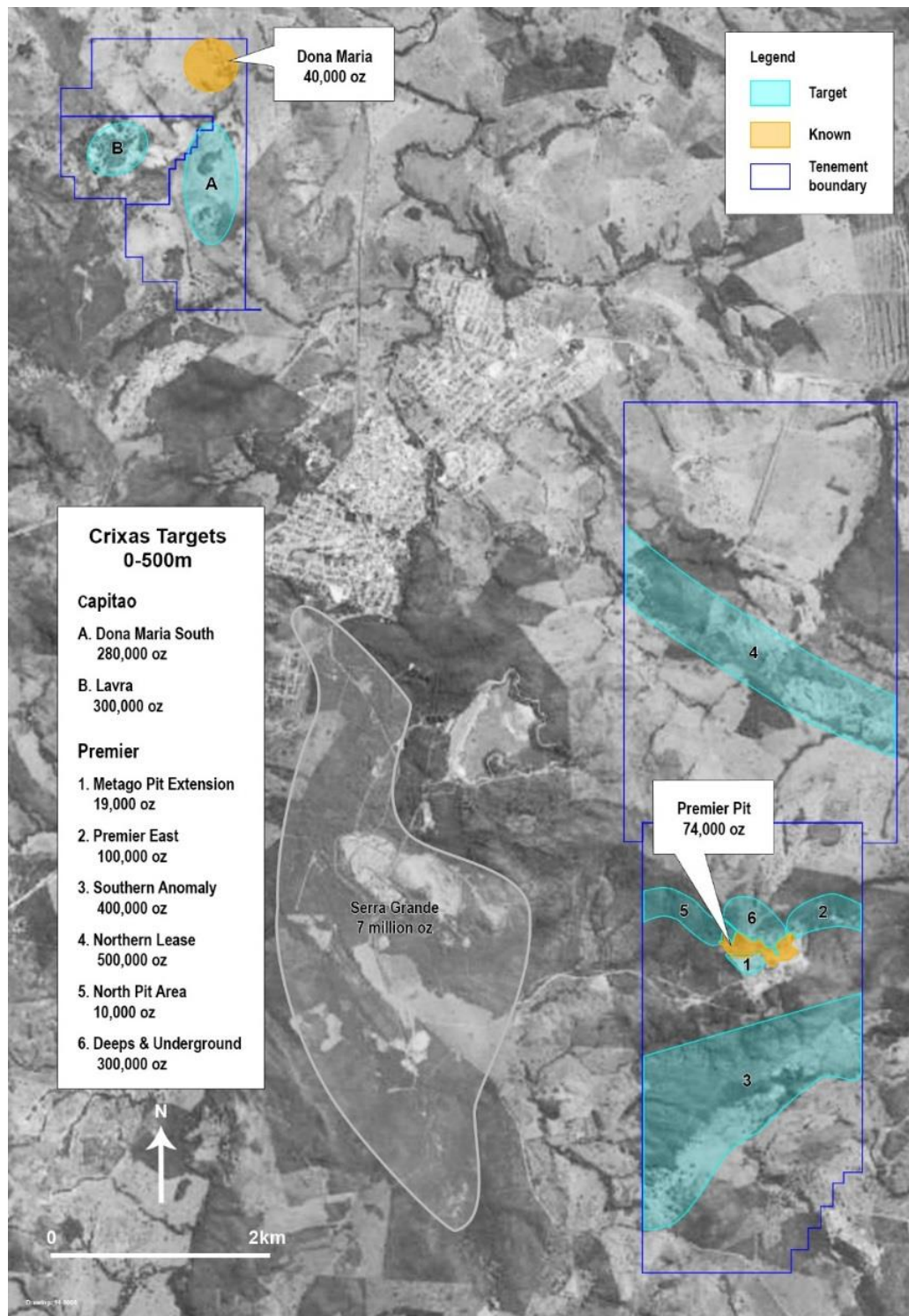
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Exploration Targets



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Exploration Targets – Drilling Plan

Priority	Map Reference	Target	Number of Meters Diamond Drilling	Number of Meters RC Drilling	Drilling Months #	Comments	Target Au (Ounces) CONCEPTUAL
1	1	Metago Pit Extension		700	1	Close to mill, ore-body extension, low stripping	20,000
2	2	Premier East	1000	1000	3	Close to mill, low risk, ore-body extension, near surface	100,000
3	A	Dona Maria South	2000	5000	5	Low risk, ore-body extension, bulk mining potential, near surface	280,000
4	3	Southern Anomaly	500	500	2	Very large potential	400,000
5	B	Lavra		3000	2	High grade, near surface	300,000
6	4	Northern Lease	3700		7	Large potential	500,000
7	5	North Pit Area	1000	3500	2	Low risk, ore-body extension, near mill	10,000
8	6	Deeps and Underground	2000	10000	5	Low risk, ore-body extension	300,000
Total			10,200	23,700	27		1,910,000

Notes:

- Drilling months presume all programs run one after another. Progress can be sped up if multiple rigs are used
- The potential quantity and grade is of conceptual nature. It is uncertain whether further exploration will result in the estimation further Mineral Resources
- The drill meters expressed above are both subject to variation and will not be sufficient to turn all of the targets into Mineral Resources, but in some case, such as the Southern Anomaly, are only intended to outline boundaries and proof of concept
- Target grade 0 – 4gpt Au. Target ounces range from 0 to Target ounces listed above

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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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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

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Expansion Case

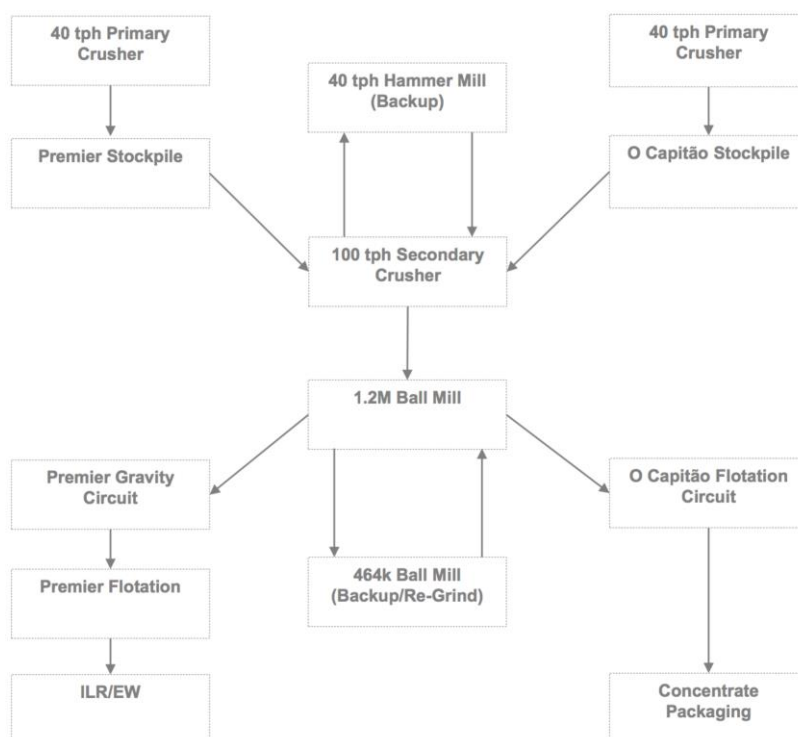
The Expansion Case is based on an extra ball mill, which, along with other adjustments, allows for a doubling of processing capacity at Premier. The operation will essentially be configured to process ore from both Premier and O Capitão.

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



Key project assumptions for the Expansion Case

(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	599	684	684	684	4,446
Gold Grade	g/t	1.63	1.88	2.08	2.08	2.08	2.02
Processing Phase 1 - Crushing, screening & milling							
Volume crushed, screened & milled	kt	196	788	1,258	1,258	1,258	7,903
Concentrate Production							
Concentrate Produced from Gravity	kt	0.31	0.76	1.01	1.01	1.01	6.53
Concentrate Produced from Flotation	kt	0.65	2.37	3.15	3.15	3.15	20.10
Total Concentrate Produced	kt	0.96	3.13	4.16	4.16	4.16	26.63
Processing - Phase 2 & Phase 3 - (ILR + Float)							
Gold Grade - contained Gravity Concentrate	g/t	743	843	911	911	911	895
Gold Grade - contained Float Concentrate	g/t	87	99	106	106	106	105
Gold produced - Gravity (Concentrate)	koz	7.47	20.54	29.52	29.58	29.52	187.99
Gold produced - Float (Concentrate)	koz	1.81	7.51	10.76	10.76	10.76	67.60
Recovery	%	97%	97%	97%	97%	97%	97%
Total Gold produced	koz	9	27	39	39	39	248
Costs							
C1 Cash Costs	US\$/t	36	27	29	27	26	20
C1 Cash Costs	US\$/oz	795	604	513	467	456	473
AISC	US\$/t	36	27	29	27	26	20
AISC	US\$/oz	812	618	519	473	459	479

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Valuation Summary of Premier

Base case DCF valuation (10% discount rate) shows an NPV of US\$46 million (100% basis). This valuation is based on the current resource and life of mine plan at Premier (excluding the recently defined resource at O Capitão).

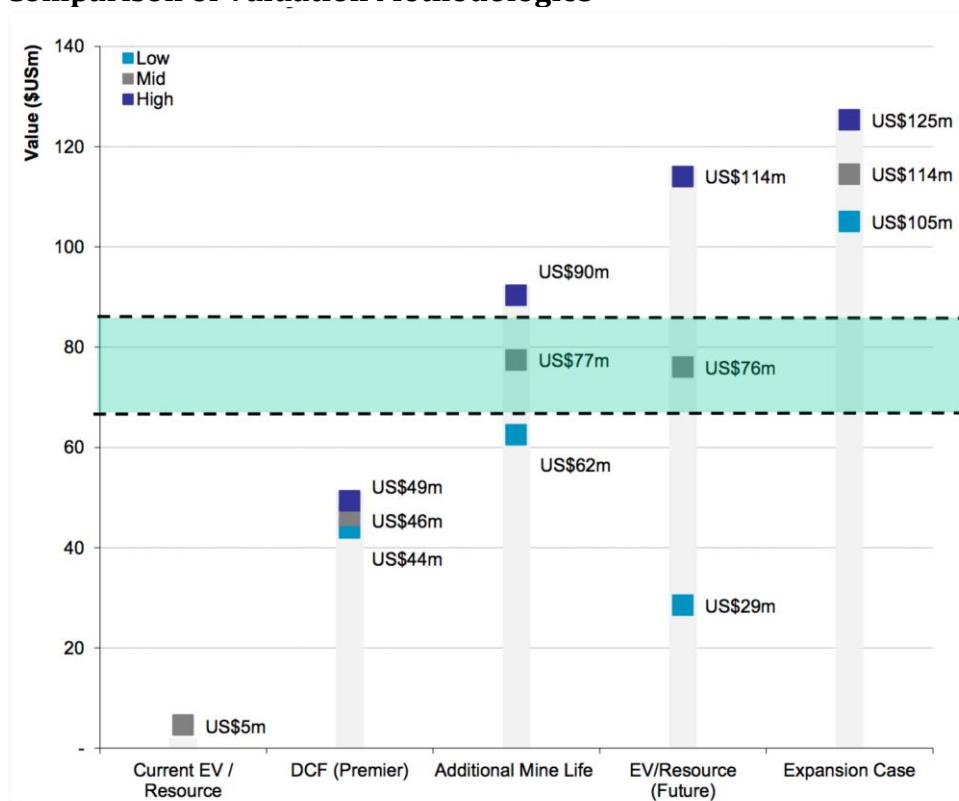
DCF sensitivities show an upside valuations of US\$62 million, US\$77 million and US\$90 million based on an additional 2, 4 and 6 years of mine life.

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



Corporate Information

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ASX Code: CDG

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The following tables are provided to ensure compliance with the JORC code (2012) edition requirements for the reporting of exploration and resource results within and surrounding the Premier mine, Goias state, Brazil.

Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

Criteria	JORC Code explanation	Commentary
Sampling techniques	<i>Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.</i>	<p>Sampling at the Premier mine and surrounding prospects is by diamond core, RC and RAB drilling, trenching and surface soil and rock chip sampling.</p> <p>Diamond core and RC drill holes were drilled by Servitec Foraco (www.servitecsondagem.com.br), the local drilling contractor.</p>
	<i>Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.</i>	<p>The drill hole collars and trenches are picked-up by an independent survey contractor while surface sample locations are located by handheld GPS. Core and RC drill samples were logged for lithology, weathering, wetness and contamination. Sampling was carried out under Cleveland protocols and QAQC procedures as per industry best practice. Surface samples were logged to flag suspected contamination where necessary.</p> <p>Downhole surveying was conducted by the drilling contractors (Servitec Foraco) using a Devitool PeeWee downhole surveying instrument. Downhole surveys were conducted at a nominal downhole spacing of every 30m.</p> <p>Certified standards and blanks were inserted into the sampling sequence at a nominal rate of 1 standard in every 20 samples and 1 duplicate in every 40 samples. Field duplicates were not used for the diamond drill hole program, but were included at a rate of 1 in every 40 for RC drill hole programs. Coarse and pulp rejects were submitted to external laboratories to assess the repeatability of the laboratory and sampling process. Results from the QAQC sampling were considered acceptable.</p>

Criteria	JORC Code explanation	Commentary
	<p><i>Aspects of the determination of mineralisation that are Material to the Public Report.</i></p> <p><i>In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.</i></p>	<p>Diamond core is HQ and NQ2 size, sampled on geological intervals (0.2 m to 1.0 m), cut into half core.</p> <p>RC samples were collected on 1m or 0.5m intervals from the cyclone and then split using a three-tiered riffle splitter producing 2 – 4kg, one eighth split sample for assay analysis. The remaining sample (a seven eighth proportion) was retained as a reference sample, for possible re-analysis, and QAQC activities. The riffle splitter was cleaned with pressurized air and mechanical vibration to eliminate sample contamination. Wet samples were bagged and dried before splitting.</p> <p>RAB samples are collected from the collar discharge into a collection tray.</p> <p>All samples are crushed, dried and pulverised (total prep) to produce a sub sample. Grade control samples are analysed at the Premier mine laboratory by 15gm aqua regia digest with an AAS finish. All other samples are prepared by AcmeLabs in Brazil and analysed by Acme Labs in Vancouver by 30gm fire assay and AAS finish; those samples assaying above 10g/t Au are fire assayed with a gravimetric finish.</p> <p>Surface samples are analysed by multi element ICPMS, analysing for Ag, Al, As, Au, B, Ba, Bi, Ca, Cd, Co, Cr, Cu, Fe, Ga, Hg, K, La, Mg, Mn, Mo, Na, Ni, P, Pb, S, Sb, Sc, Se, Sr, Te, Th, Ti, Tl, U, V, W, Zn.</p>
Drilling techniques	<p><i>Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).</i></p>	<p>HQ and NQ2 Diamond core, RC and RAB drilling methods are used, together with trenching. Grade control sampling is by way of RAB drilling and trenching.</p> <p>Standard tube HQ drilling was conducted from the collar until the transitional/fresh boundary followed by NQ2 standard tube until end-of-hole. Core orientation was conducted using an orientation spear every 12m in fresh material.</p> <p>RC drilling used a 4.5" face-sampling hammer.</p> <p>Diamond core drill holes were surveyed at a nominal spacing of every 30m down-hole by the drilling contractors. No downhole surveying was conducted for the RC drilling.</p>

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Drill sample recovery	<i>Method of recording and assessing core and chip sample recoveries and results assessed.</i>	<p>The diamond drilling contractor logged and recorded the core recoveries onsite and the results, verified by company personnel, were entered into the company database. The average core recovery is 94.3%.</p> <p>RC rock chip recovery was assessed by comparing the returned sample weight with the expected sample weight. The expected sample weight being the drill volume multiplied by the expected specific gravity for that particular rock material.</p> <p>Core and rock chip recoveries within oxide material are lower than the fresh material. Drillers are instructed to reduce the penetration rate in an attempt to increase the drilling recoveries.</p>
	<i>Measures taken to maximise sample recovery and ensure representative nature of the samples.</i>	<p>Diamond core is reconstructed into continuous runs on an angle iron cradle for orientation marking. Depths are checked against the depth given on the core blocks and rod counts are routinely carried out by the drillers.</p> <p>RC samples are collected by bag directly from a rig-mounted cyclone and riffle splitter and laid directly onto the ground in rows of 10, with sufficient space to ensure no sample cross-contamination occurs. RC samples are visually checked for recovery, moisture, contamination and the primary sample weights recorded.</p> <p>RAB samples are bagged from the collection tray located to catch collar discharge from the hole.</p> <p>Drill cyclone and sample buckets are cleaned between rod-changes and after each hole to minimise downhole and/or cross-hole contamination.</p>
	<i>Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.</i>	<p>Cleveland protocols and QAQC procedures are followed to preclude any issue of sample bias due to material loss or gain. No significant bias is expected and any potential bias is not considered material at this stage of resource development.</p>
Logging	<i>Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.</i>	<p>Logging of diamond core and RC samples records lithology, mineralogy, mineralisation, structural (DDH only), weathering, colour and other features of the samples. Rock quality design, core recoveries, bulk density and sampling information are recorded. Core is photographed in both dry and wet form.</p> <p>Logging of RC records –lithology, mineralogy and</p>

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		<p>mineralisation.</p> <p>Geological logging of drill chip samples has been recorded for each drill hole including lithology, grainsize, texture, contamination, oxidation, weathering, and wetness.</p> <p>The logging was recorded graphically and entered into Cleveland database.</p>
	<i>Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.</i>	<p>Logging of core and drill chip samples records lithology, mineralogy, mineralisation, grainsize, texture, weathering, oxidation, colour and other features of the samples. Drill samples for each hole were photographed either within core trays, in the case of core drilling, or within chip trays in the case of RC drilling.</p> <p>Surface samples were logged to flag suspected sample contamination.</p>
	<i>The total length and percentage of the relevant intersections logged.</i>	All drill holes were logged in full to end of hole.
<i>Sub-sampling techniques and sample preparation</i>	<i>If core, whether cut or sawn and whether quarter, half or all core taken.</i>	<p>All diamond core was cut along the core axis and the downhole left hand side was submitted for analysis. Quarter core samples were submitted for metallurgical test work where necessary.</p> <p>Core cutting was performed using a manual circular diamond saw.</p>
	<i>If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.</i>	<p>RC samples are collected using a riffle splitter mounted under the cyclone.</p> <p>RAB samples are collected from the collar discharge into a collection tray.</p> <p>Trench samples were collected by gouging lines of sample material at consistent depths across geological intervals.</p> <p>Soil samples are excavating below the top 10cm of cover and material passing 80 mesh is collected.</p> <p>Rock chip samples were broken off and sampled as is.</p> <p>The degree of moisture was recorded for all samples.</p>
	<i>For all sample types, the nature, quality and appropriateness of the sample</i>	Preparation of exploration samples was performed at AcmeLabs, Goinia, Brazil or at the Premier mine

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	<i>preparation technique.</i>	assay laboratory for grade control samples. Samples were dried, crushed to 80% passing 10 mesh (i.e. 2mm), homogenized, riffle split (primary split) and pulverized to 85% passing of 200 mesh (75 microns).
	<i>Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.</i>	Cleveland Mining quality control procedures included submission into the sampling sequence certified reference material, field duplicates (check sampling of coarse rejects) and check assaying of 1 in every 20 samples, or 1 per batch. Blanks are inserted at a nominal rate of 1 in every 40 or 1 per batch. Laboratory quality control procedures include the submission of blanks, duplicates and standard reference material. Typically, for every 34 to 36 samples, a pulp duplicate, coarse reject duplicate, reagent blank and an aliquot of certified reference material is inserted into the sample stream. All QC results are reported within the final assay report.
	<i>Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.</i>	RC and RAB duplicates were taken at a rate of 1 in every 20 samples and submitted into the sample sequence. Coarse rejects and pulp duplicates for diamond and RC samples were submitted to an umpire laboratory to assess the performance of primary laboratory and the repeatability of the sampling process.
	<i>Whether sample sizes are appropriate to the grain size of the material being sampled.</i>	Sample size is deemed appropriate relative with the grain size based on industry standards of similar mineral styles and sampling methods.
Quality of assay data and laboratory tests	<i>The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.</i>	Drill derived gold assays were determined using fire assay with a 30g or 50g charge and AAS finish. Surface samples are analysed by multi element ICPMS, analysing for Ag, Al, As, Au, B, Ba, Bi, Ca, Cd, Co, Cr, Cu, Fe, Ga, Hg, K, La, Mg, Mn, Mo, Na, Ni, P, Pb, S, Sb, Sc, Se, Sr, Te, Th, Ti, Tl, U, V, W, Zn. These laboratory tests are deemed appropriate being consistent with industry standards.
	<i>For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.</i>	No geophysical tools have been applied,

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	<i>Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.</i>	<p>Field QAQC procedures include the insertion of field duplicates, blanks and commercial standards. External laboratory checks were performed on samples from different rock types. Results are generally satisfactory demonstrating acceptable levels of accuracy and precision for resource development.</p> <p>Laboratory QAQC involves the use of internal laboratory standards using certified reference material, blanks, splits as per laboratory procedures.</p> <p>Sample preparation checks for fineness were carried out by the laboratory as part of their internal procedures to ensure the grind size of 85% passing 75 micron was being attained.</p>
Verification of sampling and assaying	<i>The verification of significant intersections by either independent or alternative company personnel.</i>	Several company staff based within Brazil or off shore review and verify significant intersections from diamond core and RC drilling either physically on site or from photographs of the intersections.
	<i>The use of twinned holes.</i>	Twinned holes have not been drilled.
	<i>Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.</i> <i>Discuss any adjustment to assay data.</i>	<p>RC sample logging is conducted at the drill site while diamond core logging takes place at the Premier mine core farm. Graphical logs are used to record the geological information. Grade control samples are not lithologically logged.</p> <p>Data entry personnel enter the graphic logs into standard Excel templates generated from the company SQL database. The Excel templates contain validation routines to ensure standard codes are enforced.</p> <p>All graphical logs are scanned and email to head office in Perth for digital capture. Perth personnel review and validate the data entry process on a batch-by-batch basis.</p> <p>Data is stored in an SQL server database platform and is managed with a Geological Data Management System; George 7.</p> <p>No adjustments were made to any assay information, except for “lower than detection limit” values that are stored within the database as negative values.</p>

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Location of data points	Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.	<p>Drill hole collar locations are clearly marked in the field. The collar locations are picked-up by a surveying contractor within an accuracy of $\pm 5\text{mm}$.</p> <p>Diamond core holes were down hole surveyed. Down hole surveying was conducted by the drilling contractors (Servitec Foraco) using a Devitool PeeWee down hole surveying instrument. Downhole surveys were conducted at a spacing of every 30m. The PeeWee has a reported azimuth and inclination accuracy of ± 0.5 and ± 0.1 degrees, respectively. Correction for magnetic azimuth (-19.0 degrees) was applied to all azimuth readings.</p> <p>RC and RAB drill holes are not downhole surveyed.</p> <p>Surface samples are located by field personnel by hand held GPS.</p>
	Specification of the grid system used.	The grid system is SAD69, Zone 22 South.
	Quality and adequacy of topographic control.	<p>Originally, JMendonça Engenharia LTDA completed a topographical survey of the Premier Mine area within an acceptable precision. Subsequent topographic survey has been by undertaken by contract surveyors.</p> <p>Cleveland Mining commissioned Geotech Aerolevanto S.A. to conduct a Helicopter Borne Geophysical survey (VTEM). A Digital Terrain Model (DTM) was generated as part of the survey by subtracting the radar altimeter data from the GPS elevation data. The accuracy of the DTM is not reported.</p>
Data spacing and distribution	Data spacing for reporting of Exploration Results.	<p>Resource definition drill holes are generally drilled across an approximate 30 x 30m grid.</p> <p>Grade control drilling is generally on a 10 x 10m grid.</p>
	Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.	<p>Drill derived data spacing and distribution is sufficient to demonstrate spatial and grade continuity of the mineralised horizon to support the definition of Inferred/Indicated Mineral Resources and to identify Measured Ore Reserves.</p> <p>Surface sampling, by its nature, is designed to identify anomalism, not grade distribution, and as such its spacing is deemed satisfactory to identify anomalism as reported.</p>
	Whether sample compositing has been	Five metre RC composite samples were collected together with 1m split samples. Anomalous

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	<i>applied.</i>	composite samples had the respective 1m riffle split samples submitted for analysis.
<i>Orientation of data in relation to geological structure</i>	<i>Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.</i>	The majority of drilling sections are approximately orientated grid north - south. This orientation is generally perpendicular to the strike of the mineralisation. Holes are dominantly drilled at -60 to -90 degrees towards geological units to return intervals with a thickness as true as possible. Diamond core observations confirmed that geological units intersect drilling between 50 – 90 degrees to core axis.
	<i>If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.</i>	Diamond drilling confirmed that drilling orientation did not introduce any bias regarding the orientation of the geological units.
<i>Sample security</i>	<i>The measures taken to ensure sample security.</i>	Chain of custody is managed by the company. Samples are stored and collected from site by company transport or commercial courier and delivered to the assay laboratory. Whilst in storage, samples are kept in a locked yard. Tracking sheets have been set up to track the progress of batches of samples.
<i>Audits or reviews</i>	<i>The results of any audits or reviews of sampling techniques and data.</i>	The last database audit was conducted by Cube Consulting and covered a period of time finishing December 2011. It found that the drill hole database for the Premier and Capitol projects is well structured and contains no obvious material discrepancies in collar, survey or assay data. Cube considers the drill data to be of an appropriate standard to undertake resource estimation and reporting under the CIM NI-43-101 reporting guidelines.

Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
<i>Mineral tenement and land tenure</i>	<i>Type, reference name/number, location and ownership including agreements or material issues with third parties such</i>	The Premier Gold project otherwise known as the Premier Gold Mine is located on tenement 804.365/1975 within the central Brazilian state of

Criteria	JORC Code explanation	Commentary
<i>status</i>	<p><i>as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.</i></p> <p><i>The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.</i></p>	<p>Goais. The tenement was issued by Departamento Nacional de Producao Mineral permitting the mining and processing of gold ore. It is owned in 50:50 joint venture between Cleveland Premier Mineracao Ltda (the project operator) and Edifica Participacoes.</p> <p>Other tenements within the district and covered by this table include 861128/2009, 862739/2011 and 862740/2011; all registered under the name of Cleveland Mineracao Ltda.</p>
<i>Exploration done by other parties</i>	<i>Acknowledgment and appraisal of exploration by other parties.</i>	Previous to the current operation, work was carried out by the Goias State Government Mining and Exploration Company, Metago, during mid to late 1980's. Work included the drilling of RC and diamond core holes.
<i>Geology</i>	<i>Deposit type, geological setting and style of mineralisation.</i>	The Premier Gold Project is hosted within the Crixas Greenstone Belt, within the volcanic and sedimentary rocks of the Rio Vermelho Formation. Mineralisation is hosted in shallow-dipping (10-18 degrees) graphitic, black shale and basal greywacke. The mineralised zone is named the "Lower Quartz Zone".
<i>Drill hole Information</i>	<p><i>A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:</i></p> <p><i>easting and northing of the drill hole collar</i></p> <p><i>elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar</i></p> <p><i>dip and azimuth of the hole</i></p> <p><i>down hole length and interception depth</i></p> <p><i>hole length.</i></p> <p><i>If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly</i></p>	No drilling is reported.

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	<i>explain why this is the case.</i>	
<i>Data aggregation methods</i>	<p><i>In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.</i></p> <p><i>Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.</i></p> <p><i>The assumptions used for any reporting of metal equivalent values should be clearly stated.</i></p>	No aggregation of surface geochemistry results was undertaken. Results are displayed in Appendix 1 as per the original assay report.
<i>Relationship between mineralisation widths and intercept lengths</i>	<p><i>These relationships are particularly important in the reporting of Exploration Results.</i></p> <p><i>If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.</i></p> <p><i>If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known').</i></p>	No drilling is reported.
<i>Diagrams</i>	<i>Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.</i>	A gold in soil geochemical plan is presented in Appendix 1 of the announcement.
<i>Balanced reporting</i>	<i>Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.</i>	Comprehensive reporting of exploration results has been achieved in this announcement.

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<i>Other substantive exploration data</i>	<i>Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.</i>	There is no other meaningful data to report.
<i>Further work</i>	<p><i>The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).</i></p> <p><i>Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.</i></p>	Drilling is planned to identify the extent primary mineralisation as outlined in the announcement.

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