

## Quarterly report – March 2014

- **US\$6.8 million credit facility arranged for the Premier Gold Project**
- **Re-commencement of mining according to AMC mine plan**
- **ILR unit arrives in Brazil**
- **Several new senior appointments for Premier Operations**
- **Strong drilling results for Iron Ore JV with BC Iron**

The securing of the US\$6.8 million credit facility for the Premier Gold JV has enabled Cleveland to re-commence and ramp-up mining operations in accordance with the AMC mine plan, beginning with the stripping of overburden over the Metago pit area. Going forward and in recognition of this developing production profile, the new table below will be a continuing feature of quarterly reports to show operational progress for that quarter against plan and against the previous quarter.

Funds were received on 27 March, so mining activity was limited, and only targeting low grade outcropping material during the actual March quarter whilst the implementation of the AMC mine plan was deferred until the receipt of funds. Since then, operations have geared up and future quarters should show strong production increases.

Activity:	March Qtr (Actual)	March Qtr (Plan)	Previous Qtr – Dec 13
	Tonnes	Tonnes	Tonnes
<b>Waste mined</b>	41,176	N/A	N/A
<b>Ore mined</b>	15,312	N/A	4,750
<b>Ore processed</b>	15,312	N/A	4,519
<b>Ore Stockpiled</b>		N/A	0
	Ounces #2	Ounces	Ounces
<b>Gold production</b>	160 #1	N/A	47 #1
1. Gold processed during the March & Dec quarters was low grade material recovered from the pit floor used for commissioning the new front end circuit. 2. Production is measured as troy ounces of gold dore averaging a pure gold content of around 93%.			

### March Quarter: Premier Gold Project

Due to the lack of working capital mining and processing was limited to 41,176 tonnes of waste and 15,312 tonnes of ore. Gold production was 160 ounces reflecting the fact of low grade material being processed as part of the new front end circuit commissioning program. The ore processed was taken from the pit floor of a previously mined deposit and is not representative of the material that is included in the AMC mine plan resource model.

The major focus over the period was in preparation for the recommencement of mining once the finance package was established. Priority tasks were:

- Ensure the AMC mine plan was implementation ready;
- Recruitment of Perth based Head Geologist to oversee mine planning along with exploration targeting and scheduling (*refer attachment 1 for resume*);
- Recruitment of Brazil based key personnel including an Operations CFO and a Senior Mine Engineer (*refer attachment 1 for resumes*);
- Order mining equipment to match the requirements of the mine plan;
- Optimisation of the recently commissioned front end circuit in preparation for the recommencement of ore processing.

### **Post March Quarter: Premier Gold Project**

As previously mentioned, funding for the recommencement of mining was only established at the end of March. Since that date there has been considerable activity on site worth reporting. In summary the key actions over April have been:

- Progressive delivery to site of excavators and trucks which, by month's end, were moving over 12,000 tonnes of waste per 10 hour day shift;
- Removal of some 150,000 tonnes of overburden during April in accordance with the mine plan implementation;
- Reworking of the resource model as mining exposes additional mineralised areas within the AMC mine plan area. Sampling and JORC estimation work underway to determine the extent of this increase in ore resource;
- Completion of foundations and initial civil works to facilitate the arrival of the ILR to site and subsequent preparation for commissioning over the month of May.



### Near Term Forecasts: Premier Gold Project

Given the AMC mine plan is now in implementation stage, it is appropriate to provide some near term forecasts on planned operations. Cleveland is confident that the near term production program will demonstrate the strong potential of the Premier JV operation.

	June Qtr	Sept Qtr
<b>Forecast Summary #1:</b>	Tonnes	Tonnes
<b>Waste mined</b>	650,000	800,000
<b>Ore mined</b>	34,000	98,000
<b>Ore processed</b>	25,400	73,800
<b>Ore stockpiled</b>	8,600	24,200
	Ounces	Ounces
<b>Gold production</b>	1,411	3,325
<i>#1 the above are forecasts and may vary depending on modifications to the mine plan program or operating conditions</i>		

The phasing of mining works over the 20 month term of the AMC plan was for a concentrated period of overburden removal prior to exposing the ore body within the Metago pit. The estimate of works for this initial stripping campaign was around 6 to 8 weeks. Once this initial works phase was completed, the strip ratio of waste to ore mining has been planned to be reasonably consistent throughout the gold production phase.

The quarterly forecasts shown above reflect this ramp up period as ore processing commences towards the end of the June Quarter in line with the mining program. Once ore mining is established, the September Quarter target shows the targeted gold production rate under a more steady state operation based on the planned model of having the IRL circuit in operation for ore processing.

The original AMC Mine Plan was advised to the ASX on 29 October 2013 with the mining shells designed around the known Inferred and Indicated Resource model at that time of some 46,400 ounces of Resource to produce some 19,111 ounces of gold product.

The plan was formulated on an assumed gold price of US\$1,250 and allowed for a period of “gravity only” gold recovery based on the historical 60% recovery rate before stepping up to a 75% recovery rate once the ILR was commissioned (this higher rate was based on ILR trial results performed by Gekko Systems and released to the ASX on 6 November 2013).

Given the AMC Plan is now in implementation phase, it is appropriate to restate a number of key outcomes given this will be driving Premier’s operational targets over the mining term:

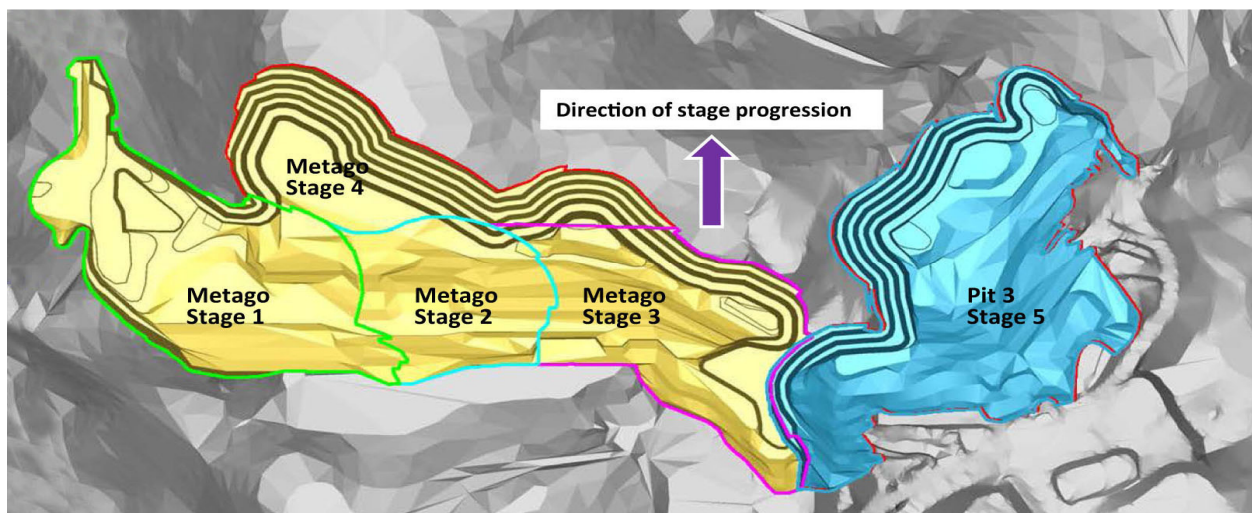
- Initial life of mine of 20 months under an ore processing rate of 30,000 tonnes/month;
- Total Gold production of 19,111 ounces based on an average head grade of 1.97 grams/tonne;
- Mining gross margin of A\$12.6 million;
- Mining cash costs of A\$778 per ounce.



Once the operation moves through ramp up, a number of initiatives should drive improvements in operational performance and mining longevity. These are summarised below:

- A flotation circuit to operate in conjunction with the ILR, designed to lift gold recovery from 75% up to above 90%;
- The development of additional ore sources from within Premier's existing tenement holdings to both extend the mine life and lift the head grade;
- Toll processing opportunities to enhance the investment return on existing processing infrastructure.

The below map represents a schematic of the mining pits within the AMC Mine plan and shows the mining sequence through the various stages.



The photo below was taken during March with the white outline overlaying the above schematic and demonstrating work undertaken particularly over the Stage 1 area of the left side of the photo. The processing facility is on the bottom right of the photo and the tailings dams are on the top right.



### Premier Drilling & Exploration:

An important outcome of establishing the credit facility is the enabling of a renewed focus on exploration drilling. There are two key programs within this activity area being:

- Definition drilling within the Metago resource area, to expand upon the resource base potential both within the existing Inferred and Indicated areas and also along strike in sections outside of the mine plan area that are still open;
- Exploration drilling within satellite deposit areas such as Lavra and Donna Maria within the O Capitaio tenement package.

Cleveland's new Head Geologist Mr Jonathan Sharp, has spent considerable time at site over the last few months working with the Premier based exploration team on new data acquired through the earth works program currently underway. This has extensively increased Cleveland's knowledge base on the whole area around Premier and provides for a more targeted and efficient drilling campaign.

Considerable channel sampling and face mapping has been undertaken over the last month as more of the AMC mine area known as the "Metago Pit" has been exposed. Assay results for this work are showing potential for a material increase in contained ounces within the mine plan area. Finalisation of this work is being undertaken and the results thereof will be released when completed.

Drilling at the nearby O Capitaio project area is also being planned and as evident in the photo below, its proximity to the Premier site provides for a good satellite ore supply opportunity. The drill program should be implemented within a few months and Cleveland's geology team will do further resource modelling work with the objective of producing a JORC estimation for this area within the near term.





### Corporate:

As previously mentioned, the US\$6.8m convertible note facility was drawn on 27 March 2014 and details released to the ASX at that time. In summary the key features of that facility were:

- US\$6,800,000 face value with facility term of 18 months;
- Bullet repayment at end of term but capable of prepayment at issuer's option at any time during the term;
- Coupon rate of 14%;
- Conversion price set at A\$0.14 cents per share being a 33% premium to the trading price at the time of drawing;
- No conversion within first 6 months but then convertible at the holder's call up to the facility term of 18 months;
- Repayment or conversion set at 110% of face value.

The net proceeds of the Note were drawn by Cleveland (CDG) and transferred to Brazil for the benefit of the Premier JV. Funds for the servicing and repayment of the Note are provided by the Premier JV in accordance with the cash flow generation of the mining operation. In the event that the Note is converted to shares and the loan is effectively repaid via equity, the funds to service the original debt obligation are still to be delivered by Premier to CDG ensuring that CDG gets reimbursed for its equity contribution.



*Visual identification of mineralised structure assists in grade control at Metago Stage 1.*



### **CDG / BC Iron Ore JV:**

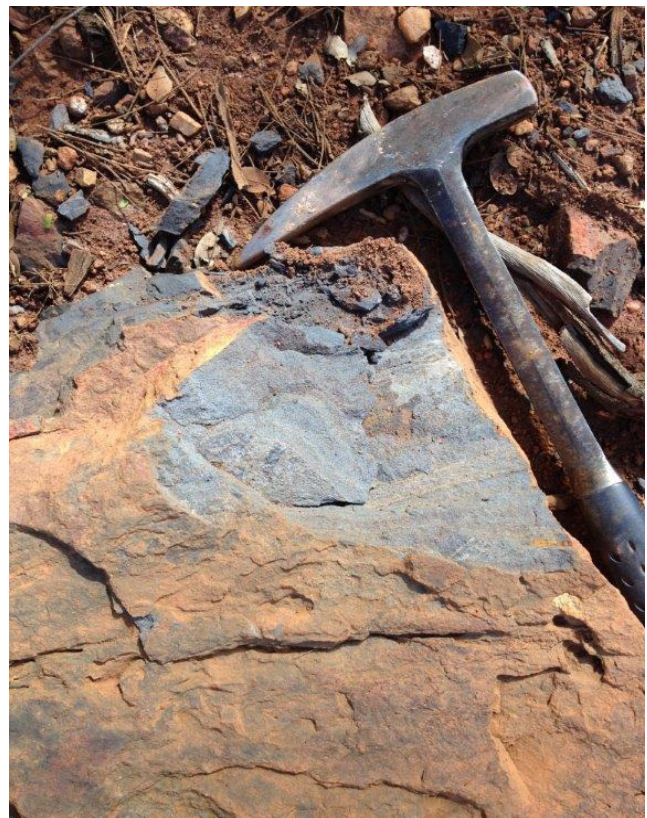
As per the ASX release dated 29 April 2014, the initial results of the “first pass” drilling campaign conducted by the CDG/ BC Iron JV shows encouraging potential. As previously advised, the drilling campaign was designed to provide indications of resource potential from a number of tenement packages held in the Brazilian State of Bahia and contained within an “Earn In” agreement with the Brazilian vendor Bahmex (refer ASX release 19 September 2013).

During the March quarter the target areas were further refined following results from an extensive mapping program and in March the first holes under the program were drilled. In summary the key results were:

- First pass RC drilling completed on 5 prospects with 24 holes for 1,514 metres;
- Iron Mineralisation of various types and varying thickness intersected on all prospects tested by the Alliance managed drilling;
- Drilling on lead prospect (Caetite 2) intersected 30m thickness and 140m down-dip of iron mineralisation from surface - remaining open down dip;
- 6.5 km strike length of anomalous aero-magnetics at Caetite 2;
- Follow up hole 3 km along strike at Caetite 2 also intersected 33m thickness of mineralisation.

Drilling within the tenements continues and further releases will be made once material information is available. Assay results on the early samples are also being collated and these will be released in due course.

As advised in the April 29 release, the Alliance has commissioned a report to review the opportunities and limitations for the development of a trial mining operation utilising iron ore from one or more of the projects, should the metallurgical test work prove favourable. The intention is to identify optimal project size, product specifications and capital estimates to guide the exploration activities towards defining the identified target tonnage and product range, rather than unnecessarily expending money on excessive exploration drilling or drilling on material types which are unsuitable for small operations before the open access rail and port are finished. While noting that the open access rail line currently under construction is probably 2 years away from completion, there are precedents in the region for small scale plants that sell at the mine gate.



### **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 have 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 Goias State in central Brazil. The Company is working to add throughput from the O Capitaio 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 recently signed binding Option Agreements for three Brazilian 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.



## **Attachment 1: Senior Recent Appointment Profiles**

### **Jonathan Sharp: Perth based Head Geologist**

Over 20 years in the mining industry working in various roles including Resource Evaluation Manager, Senior Resource Geologist and consultant. His diverse background has been beneficial in the design and implementation of both surface and underground drilling programmes leading to the delineation of new exploration targets and identification of new resources. Previous work includes the evaluation of historical mine data in order to enable a new open pit mine and new underground mine to get back up and producing again. Jonathan has strong computer literacy working in the construction/validation of block models, grade estimation, mine optimisation, mine planning and project development in a variety of commodities and mineralization settings.

Previous company positions have been with Norseman Operations, AMC Consultants and Newcrest Mining. He has spent 6 years as an Underground Geologist, 5 years as an Open Pit Geologist and 8 years as a Resource Estimation Geologist (Gold, Lead- Zinc, Gold- Copper, Copper).

Jonathan is experienced in supplying technical input into company decisions as well as the accurate and timely reporting of company resources in the form of quarterly and annual reports to the ASX in conjunction with the external auditor.

### **Sam Clarke: Brazil based Operations CFO**

A financial executive with more than 13 years' experience, who graduated from Curtin University in Western Australia. He commenced his career working as a Chartered Accountant in Australia for some 5 years before heading to the UK, where he worked in various project roles in multinational and smaller companies building on his international experience.

Areas of expertise include: Financial Management & Reporting, Commercial Mining Operations, Planning Forecasting & Analysis, Investor Relations, IFRS & SOX Compliance, Risk Management, Treasury Management, Funding Negotiations, Complex Business & Tax Issues.

Sam has previously worked for Brazil Tungsten Holdings Limited, Arian Silver Corporation, Eni S.p.A., Weatherly International Plc and Ernst & Young. He has held senior executive level roles with extensive hands-on experience in management, business leadership, working with listed company boards of directors, and managing relationships with financiers, lawyers, and auditors.

### **Martin Raml: Brazil based Senior Mining Engineer**

A mining industry career spanning some 14 years thus far. A qualified Mine Engineer, Martin has extensive experience in all technical aspects of mining including technology research and development, implementation, project evaluation, computerized mine design, strategic mine planning and risk analyses. Additional experience includes professional leadership of engineering and technical support staff, mine project management, operational budgeting, labour relations and staff relations.

Importantly for Premier, Martin has solid experience in the mine planning of hard-rock open-pits, and exposure to an ore-blending strategy and cut-off optimization strategies.

Areas of expertise include competency in 3D-mine planning software, such as Vulcan, Datamine and Minesight, as well as of mine scheduling packages such as NPV Scheduler and Whittle. Martin also has strong knowledge of haul profile and fleet optimisation packages such as FPC and Talpac. Reserve reporting using JORC and NI43.101 standard.

Martin has previously worked for Carpathian Gold Inc, Kinross Gold Corp and Vale.

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

Cleveland Mining Company Limited

ABN

85 122 711 880

Quarter ended ("current quarter")

31 March 2014

### Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (9 months) \$A'000
<b>Cash flows related to operating activities</b>			
1.1	Receipts from product sales and related debtors	221	810
1.2	Payments for (a) exploration & evaluation	(383)	(871)
	(b) development	(437)	(1,976)
	(c) production	-	-
	(d) administration	(655)	(2,882)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	-	2
1.5	Interest and other costs of finance paid	(517)	(572)
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>		(1,771)	(5,489)
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(223)	(853)
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
<b>Net investing cash flows</b>		(223)	(853)
1.13	Total operating and investing cash flows (carried forward)	(1,994)	(6,342)

+ See chapter 19 for defined terms.



## Appendix 5B

### Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,994)	(6,342)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.		4,214
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	8,456	9,539
1.17	Repayment of borrowings	-	(1,002)
1.18	Dividends paid	-	-
1.19	Other – share issue costs	-	(213)
	– financing costs	(776)	(776)
	<b>Net financing cash flows</b>	<b>7,680</b>	<b>11,762</b>
	<b>Net increase (decrease) in cash held</b>	<b>5,686</b>	<b>5,420</b>
1.20	Cash at beginning of quarter/year to date	579	873
1.21	Exchange rate adjustments to item 1.20	375	347
1.22	<b>Cash at end of quarter</b>	<b>6,640</b>	<b>6,640</b>

### Note regarding basis of preparation of consolidated statement of cash flows

The directors of the Company have reviewed and assessed the classification of the Group's 50% ownership interest in Cleveland Premier Mineração Ltda in accordance with the requirements of revised accounting standard AASB 10. The directors concluded that the Group's investment in Cleveland Premier Mineração Ltda, which was previously classified as a jointly controlled entity under AASB 131 and accounted for using the proportionate consolidation method, should be consolidated as a subsidiary from its date of incorporation as a result of having control as defined in AASB 10.

The change in accounting of the Group's investment in Cleveland Premier Mineração Ltda has been applied in accordance with the relevant provisions set out in AASB 10. Amounts for the year to date period have been recalculated to reflect the change in accounting for the Group's investment in Cleveland Premier Mineração Ltda. For further information on the effects of this change in accounting, refer to the Company's Half-Year Report for the period ended 31 December 2013.

### Payments to directors of the entity and associates of the directors

#### Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	85
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions	
	Directors' fees, salaries and superannuation.	

+ See chapter 19 for defined terms.

### Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

### Financing facilities available

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	300
4.2 Development	1,000
4.3 Production (does not include proceeds from gold sales)	2,600
4.4 Administration	1,100
<b>Total</b>	<b>5,000</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	6,348	287
5.2 Deposits at call	292	292
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.22)	<b>6,640</b>	<b>579</b>

+ See chapter 19 for defined terms.



**Appendix 5B**  
**Mining exploration entity quarterly report**

**Changes in interests in mining tenements**

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

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3)	Amount paid up per security (see note 3)
7.1 <b>Preference +securities</b>	-	-		
7.2 Changes during quarter	N/A	N/A		
7.3 <b>+Ordinary securities</b>	241,308,401	241,308,401		
7.4 Changes during quarter				
(a) Increases through issues	-	-		
(b) Decreases through returns of capital, buy-backs	-	-	N/A	N/A
7.5 <b>+Convertible debt securities</b>				
Convertible notes	\$500,000	-		
	\$1,080,964	-		
	\$7,350,556	-		
7.6 Changes during quarter				
(a) Increases through issues	\$7,350,556	-		
(b) Decreases through repayments	-	-		
7.7 <b>Options</b>			<i>Exercise price</i>	<i>Expiry date</i>
Unlisted options	3,527,000	-	\$0.20	31 Dec 2014
Unlisted options	17,206,667	-	\$0.20	31 Dec 2015
Unlisted options	3,000,000	-	\$0.36	31 Dec 2015
Unlisted options	500,000	-	\$0.62	31 Dec 2014
Unlisted options	1,000,000	-	\$0.215	30 Jun 2017
Unlisted options	1,000,000	-	\$0.25	16 May 2016
Unlisted options	1,000,000	-	\$0.135	31 Mar 2017
Listed options	11,364,998	11,364,998	\$0.65	4 Jul 2016
7.8 Issued during quarter	-	-		
7.9 Exercised during quarter	-	-		
7.10 Expired during quarter	-	-		
7.11 <b>Debentures</b>	-	-		
7.12 <b>Unsecured notes</b>	-	-		

+ See chapter 19 for defined terms.

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: ..... Date: 30 April 2014  
Company secretary

Print name: Katrina Grose

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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