

Mining Agreement signed to increase production and cash-flow

Cleveland to split revenue from high grade Cascavel gold mine with owner and fellow ASX-listed company Orinoco through mining and processing agreement

Highlights

- **Cleveland granted exclusive right to undertake mining operations at Orinoco's 70%-owned Cascavel Gold Project, 120km from Cleveland's Premier Gold Mine:**
 - *Extraction of up to 50,000t of ore;*
 - *Target production rate of at least 500oz per month;*
- **Assays of up to 842g/t and visible gold recently reported from shallow channel sampling within the Cascavel exploratory decline by Orinoco.**
- **Ore to be processed and sold by Cleveland with proceeds from gold sales to be divided equally between the parties after recovery of mining, transportation and processing costs.**
- **Cleveland to be granted 11M unlisted options to acquire Orinoco shares, exercisable at 12c each within 9 months of the issue date. The options will vest once Cleveland has spent or committed a minimum of \$1M on developing the Cascavel Project.**
- **Ramp-up of the Premier Gold Mine gathering momentum, with commissioning of a recently installed In-line Leach Reactor (ILR) progressing well and scheduled for completion at the beginning of August: expected to boost gold recoveries to 75%.**
- **Mining Agreement advances Cleveland's strategy of securing quality growth opportunities in central Brazil via acquisition and exploration.**

Cleveland Mining Company Ltd (ASX: **CDG** – "Cleveland" or "the Company") is pleased to advise that it has taken an important step in its regional gold consolidation and growth strategy in central Brazil after signing a Mining Heads of Agreement with fellow Brazilian gold company Orinoco Gold Limited (ASX: **OGX**).

Under the arrangement, Cleveland will assist Orinoco in mining, extracting, processing and selling gold ore from Orinoco's 70%-owned Cascavel Project, with the material to be transported and processed at Cleveland's Premier Gold Mine – providing an incremental high-grade production growth opportunity.

Corporate Information

Total shares: 241.3 million
Listed options: 11.4 million
Unlisted options: 34.7 million

Contact

Investor & Media Enquiries
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Board of Directors

Russell Scrimshaw - Non-Executive Chairman
David Mendelawitz – Managing Director
Rod Campbell – Executive Director - Commercial
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The two projects are located 120km from each other in central Brazil. Cleveland's 50%-owned Premier Mine is currently undergoing a staged ramp-up with the imminent introduction of a cyanide circuit expected to boost gold recoveries and cash-flow.

Full-scale mining re-commenced at the Premier Mine during the June Quarter with a strong focus on completing pre-stripping to expose high-grade ore benches ready for extraction during the current Quarter.

Ore processing re-commenced in the June Quarter and the mine has started to achieve periods of break-even production levels, and is expected to achieve steady-state positive cash-flow with the commissioning of the recently installed In-Line Leach Reactor (ILR): expected to boost recoveries significantly to around 75%. Commissioning of the ILR is progressing well and expected to be completed in the coming weeks. Recoveries are expected to reach +90% after the implementation of a flotation circuit which is currently being planned for the near term. Further details will be provided in the Company's June Quarterly Report, due for release this week.

Orinoco commenced development of an exploration decline at the Cascavel Project earlier this year to evaluate the high-grade ore zones. It recently reported outstanding first assays of up to 842g/t and visible gold from contiguous panel sampling within the decline at shallow depths^{#1}, confirming the presence of significant, structurally controlled, shear zone-hosted gold mineralization.

The proposed near-term mine development will leverage off geological and geotechnical information gained from the recently commenced exploration decline.

The Mining Agreement will enable Cleveland to bring its extensive operational and mining expertise to bear on the near-term development of the Cascavel Gold Project, unlocking significant benefits for both companies from mining and processing this high-grade gold deposit.

This is consistent with Cleveland's strategy of seeking quality growth opportunities in the gold sector in central Brazil by acquiring or joint venturing into other gold resources in the region.

Current production guidance from the Premier Gold Mine for FY 2015 does not include any allowance for gold produced under the new Toll Mining Heads of Agreement with Orinoco.

^{#1}see OGX: ASX Announcement – 'Bonanza Gold Results', 7 July, 2014

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Mining Heads of Agreement – Key Terms

- Cleveland will have the exclusive right to undertake mining operations on the Cascavel Gold Project to the limit of Orinoco’s current Utilisation Guide (GU) of 50,000 tonnes of ore, on the condition that initial operations commence within a 6-month period of the agreement and target a production rate of at least 500oz of gold each month thereafter, other than in the case of Force Majeure;
- Cleveland must use its best efforts, with Orinoco’s assistance where necessary, to seek all approvals and licenses to allow the companies to commence mining activities at Cascavel;
- Cleveland will have the exclusive right to process Cascavel ore and sell all gold extracted with the proceeds to be divided equally between the two companies after Cleveland has first been repaid for all reasonable mining, transportation and processing costs. This figure relates to 100% of the project, including the 30% share not owned by Orinoco; and
- Orinoco has agreed to grant 11 million Fee Options to Cleveland, with a strike price of 12c and an expiry date 9 months after the issue date. These options will vest once Cleveland has expended or made capital commitments of not less than \$1 million on the Cascavel Project.

Cleveland Mining’s Managing Director David Mendelawitz said the mining arrangement with Orinoco represented an attractive, low-cost growth opportunity leveraging off the extensive mining and operational expertise built up by the Company over the past few years at the Premier Gold Mine.

“This is a great example of productive strategic cooperation between two ASX-listed gold companies operating in central Brazil, delivering what we believe to be genuine win-win outcomes for both sets of shareholders,” he said.

“This is consistent with our broader strategic vision for the Premier Gold Mine, which is to build on our growing production and cash flow base to capitalize on quality growth opportunities, whether these are organic, exploration-driven opportunities within our existing portfolio or, as in this case, quality external opportunities.

“Orinoco has clearly demonstrated the potential of their Cascavel Gold Project to be a significant high-grade producer from the results delivered to date from their exploration decline. We look forward to working closely with Orinoco to bring this project into production.”

ENDS

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ASX Code: CDG

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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 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 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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