Cleveland Mining Company Limited

ABN 85 122 711 880

Half-Year Report

For the half-year ended

31 December 2015

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Corporate Directory

Directors

Mr David Mendelawitz	Managing Director
Mr Alex Sundich	Non-Executive Chairman
Mr Rick Stroud	Non-Executive Director
Mr Glenn Simpson	Non-Executive Director

Company Secretary

Mr Albert Longo

Registered Office

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41 Walters Drive
Osborne Park WA 6017

Principal Place of Business

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Solicitors to the Company

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39 Richardson Street
West Perth WA 6005

Share Registry

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Auditors

Deloitte Touche Tohmatsu
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123 St Georges Terrace
Perth WA 6000

Stock Exchange

Australian Securities Exchange
2 The Esplanade
Perth WA 6000

ASX Code: CDG

The directors of Cleveland Mining Company Limited ("the Company") submit herewith the financial report of Cleveland Mining Company Limited and its subsidiaries ("the Group") for the half-year ended 31 December 2015. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Directors

The names of the directors of the Company during or since the end of the half-year are:

Mr David Mendelawitz
Mr Russell Scrimshaw (resigned 19 October 2015)
Mr Rick Stroud
Mr Wayne Zekulich (appointed 9 Feb 2015, Resigned 5 January 2016)
Alex Sundich (appointed 23 December 2015)
Glenn Simpson (appointed 23 December 2015)

All directors have been in office for this entire period unless otherwise stated.

Review of results and operations

The Group's net loss attributable to members of the Company for the half year ended 31 December 2015 was $6,331,479 (half-year ended 31 December 2014 loss of $3,543,395).

As at 31 December 2015 the cash position was $704,477 (30 June 2015 $457,565) and the Company had 276,336,115 shares on issue.

No dividends were declared or paid during the half-year ended 31 December 2015 (2014: Nil).

On 13 July 2015 the Company announced that it had signed a Gold prepayment agreement with a refiner subject to 9% interest pro-rated for the period of the prepaid amount. The agreement allows for the Company to receive prepayments of USD500,000 for gold shipments for the next 11 months. The agreement is valid for a 3 year term. A prepayment of USD500,000 (equivalent to 14 kg gold dore) has been received.

On 13 July 2015 the Company announced closure of the Royalty Linked Note. A total of $665,000 was raised in the current period. (see Note 6).

On 13 July 2015 the Company announced an update on the initial JORC resource and mine plans for the high-grade gold mineralisation at the Cleveland Premier Joint Venture's Lavra Project, part of the O Capitão Project, located 9km from the Premier process plant in Goias State, Brazil.

On 10 September 2015 the Company announced that it had mobilized a drill rig to complement the 2 existing grade control rigs for initial advance grade control drilling 100 tph of ore and future drilling extension holes in the highly prospective Vanuza south of the Premier open pit.

On the 19 October 2015, Mr. Russell Scrimshaw announced his intention to step down from the Non-Executive Chairman role and the Board of the Company. Mr Wayne Zekulich accepted the role as Acting Non-Executive Chairman

On 24 October 2015 the Company formalised an option agreement to acquire the remaining 50% interest in the Premier Project from Edifica for 3 staged payments of $US4 million and a 5% gold royalty. The option is valid for 6 months and is at the discretion of the Company. 100% ownership is formalised on the receipt of the first payment. Subsequent payments are each 12 months apart.

On 12 November 2015 the Company announced a Waiver Agreement with Platinum Partners, regarding outstanding interest payments, which was executed on 11 December 2015. The agreement consolidated the $US6.8m note with the $US1m note and $US2m note, providing a consolidated US$10,974,861 note with a maturity date of 19 September 2016. The interest rate on the consolidated note was reduced to 12%, and interest is payable quarterly in arrears, commencing 1 April 2016. In addition, four consecutive monthly repayments of US$250,000 will commence on 1 April 2016. The Company issued Platinum Partners 29,371,525 shares in consideration for the waiver following shareholder approval, 5,000,000 warrants at an exercise price of AU$0.05, and the Company transfered 50% of the fully paid shares in Cleveland Iron Holdings Pty Ltd to Platinum Partners. The redemption amount of the consolidated note at maturity is US$13,169,833. The note holder has, subject to shareholder approval, the option of converting any portion of the note together with any accrued and unpaid interest thereon into shares in the Company at a conversion price of AU$0.07.

On 10 December 2015, the Company announced an equity placement for approximately $1.6 million and a Share Purchase Plan (SPP) of up to $500,000 (with $400,000 underwritten). Of the $1.6 million placement, $1,328,876 was available following the Company's securities recommencing trading on the Australian Securities Exchange, with the balance of $300,000 being subject to shareholder approval, which was received on 5 February 2016. The Company also announced on 10 December 2015 that Mr Alex Sundich and Mr Glenn Simpson are to join the Board of Cleveland as non-executive Directors, following the completion of this capital raising.

On 23 December 2015, the Company made the share placement totalling 33,221,891 shares raising $1,328,876.

On 23 December 2015, Mr Alex Sundich and Mr Glenn Simpson joined the Board of Cleveland as non-executive Directors.

Exploration

Crixás Hub

<u>Premier</u>

Work to the northwest of the Premier Mine indicates the likely extent of mineralisation west of the Metago pit. Rock chip samples collected from the western strike of the mine host lithology returned assays of the order of 1.14 – 15 g/t Au. The most distant sample was collected over 350m west along strike of the Metago pit. The western strike extent of the host lithology has only received sporadic drill coverage. The only hole collared on the host lithology exposure returned a maximum assay of 1.014 g/t Au which in itself might be a modest grade, but does certainly demonstrates grade continuity west of the Premier mine.

The most economically important structure at Premier is called the Lower Quartz Zone (LQZ). The LQZ, and the other Premier auriferous structures, have been modelled demonstrating they are the same structures that host the Serra Grande deposits (Serra Grande: 7 MOzs gold identified; 3 MOzs mined to date). 2.7% of LQZ contained within the Premier mining tenement has been exploited to date. This small percentage of the LQZ produced well over 110 kOzs of gold (not all historic production was reported). Given that >97% of the LQZ remains, there is huge potential for many more Premier-size, or larger deposits such as Serra Grange, to be hosted on the structure. Stacked lodes such as at Serra Grande and Dona Maria indicate that other, parallel, structures besides the LQZ could additionally contribute to the economic potential of the Premier lease.

O'Capitão

O'Capitão is a project area that incorporates the Lavra and Dona Maria prospects both of which boast JORC resources.

A maiden Inferred Resource of 134 kT @ 11.14 g/t Au for 48 kOz has been defined at Lavra and remains open in all directions. The resource has been categorized as Inferred partly due to uncertainty of the extent of historic artisanal mining, so bulk sampling pits have been optimised to more reliably assess the extent of mineralisation and to possibly upgrade the resource both in size and confidence. Assuming no artisanal depletion, bulk sampling is scheduled to take 32 weeks, mine over 44,000 t @ 14.4 g/t gold and recover over 16,300 Ozs. The planned pit exposures will permit geological mapping of artisanal workings and confirm mineral geometry as an aid to step out drilling with the objective of increasing the size of the resource. Bulk samples will be used to optimize the Premier mill for Lavra ore in anticipation of on-going mining. Lavra is located within 10km from the operating Premier gold mill which is accessible from Lavra along well maintained possible haulage roads. The Premier mill will easily accommodate the additional feed Lavra offers particularly after the mill expansion now in progress.

An application for the grant of a mining lease over Lavra and Dona Maria is now in progress though bulk sampling from Lavra can commence immediately.

There is a paucity of exploration across O'Capitão outside of the Lavra and Dona Maria prospects. Approximate 95% of O'Capitão area is largely devoid of drilling or sampling. Interpretation of satellite imagery and geological mapping identifies seven conceptual targets of which all but one target has been drill tested. One of the targets has been incompletely tested by drilling but of the conducted drilling returned intersections including 2.9m @ 14.88 g/t Au and 1m @ 8.50 g/t Au. This target, together with the six other targets are ready for drill testing. As a matter of reference, both Lavra and Dona Maria (1240 kT @ 1.04 for 41kOz Au) are located within similar conceptual targets, as is the Premier mine (1.3 Mt @ 1.82 g/t for 74 kOzs of gold).

Auditor's independence declaration

The auditor's independence declaration for the half-year ended 31 December 2015 is included on page 8 of the half-year report.

Signed in accordance with a resolution of the directors made pursuant to s306(3) of the *Corporations Act 2001*.

DAVID MENDELAWITZ
Managing Director
Dated at Perth this 15th day of March 2016

Deloitte.

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The Board of Directors
Cleveland Mining Company Limited
Suite 1, 41 Walters Drive
Osborne Park WA 6017

15 March 2016

Dear Board Members

Auditor's Independence Declaration to Cleveland Mining Company Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Cleveland Mining Company Limited.

As lead audit partner for the review of the financial statements of Cleveland Mining Company Limited for the half-year ended 31 December 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

David Newman
Partner
Chartered Accountants

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the half-year ended 31 December 2015

	Note	Consolidated Half-year ended 31 December 2015 $	31 December 2014 $
Sale of Product		2,465,580	-
Cost of Sales		(3,909,611)	-
Site Administration Expenses		(897,363)	-
Interest Income		1,704	15,038
Other revenue		5,791	92,387
Gain / (loss) sale of non-current assets		-	14,756
Administrative expenses		(43,447)	(52,429)
Compliance and regulatory expenses		(33,376)	(43,056)
Consultancy and legal expenses		(400,184)	(341,886)
Depreciation expense		(327,336)	(21,475)
Director and employee-related expenses		(385,825)	(1,062,646)
Insurance		(27,463)	(29,227)
Motor vehicle expenses		(3,460)	(3,994)
Occupancy expenses		(492,090)	(277,763)
Promotion and communication costs		(28,711)	(62,189)
Travel and accommodation expenses		(118,651)	(79,728)
Finance costs		(1,737,702)	(895,113)
Write down of exploration expenditure		-	(9,589)
Write down of assets held for sale		-	-
Write down in equity investment		-	(18,392)
Loss of control over iron subsidiary	11	(674,373)	-
Other expenses		(2,800,852)	(1,929,103)
Loss before income tax expense		(9,407,444)	(4,704,409)
Income tax expense		-	-
Loss after income tax expense		(9,407,444)	(4,704,409)
Other Comprehensive Income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		(2,201,409)	(1,151,618)
Total comprehensive income / (loss) for the period		(11,608,853)	(5,856,027)
Loss attributable to:			
Owners of the parent		(6,331,479)	(3,543,395)
Non-controlling interests		(3,075,965)	(1,161,014)
		(9,407,444)	(4,704,409)
Total comprehensive income / (loss) attributable to:			
Owners of the parent		(8,912,704)	(4,667,539)
Non-controlling interests		(2,696,149)	(1,188,488)
		(11,608,853)	(5,856,027)
Basic loss per share (cents)		(2.62)	(1.98)
Diluted loss per share (cents)		(2.62)	(1.98)

The accompanying notes form part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Financial Position
as at 31 December 2015

	Note	Consolidated 31 December 2015	30 June 2015
		$	$
Current assets			
Cash and cash equivalents	2	704,477	457,565
Trade and other receivables		473,729	222,518
Inventory		421,877	469,619
Other assets		47,446	25,709
Total current assets		1,647,529	1,175,411
Non-current assets			
Investments in associates		223,695	-
Other Financial Assets	4	5,567,976	6,112,536
Plant and equipment		5,082,200	6,029,223
Exploration and development	5	8,872,852	12,788,261
Total non-current assets		19,746,723	24,930,020
Total assets		21,394,252	26,105,431
Current liabilities			
Trade and other payables		7,991,222	5,440,630
Borrowings	6	22,070,496	18,957,501
Provisions	7	81,202	79,199
Total current liabilities		30,142,920	24,477,330
Non-current liabilities			
Provisions	7	158,674	148,883
Total non-current liabilities		158,674	148,883
Total liabilities		30,301,594	24,626,213
Net assets		(8,907,341)	1,479,218
Equity			
Issued capital	8	45,579,192	44,268,792
Reserves		(7,043,773)	(4,754,258)
Accumulated losses		(46,085,276)	(39,753,797)
Equity attributable to owners of the parent		(7,549,857)	(239,263)
Non-controlling interest		(1,357,484)	1,718,481
Total equity		(8,907,341)	1,479,218

The accompanying notes form part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Cash Flows
for the half-year ended 31 December 2015

	Consolidated Half-year ended 31 December 2015	31 December 2014
	$	$
Cash flows from operating activities		
Receipts from customers	2,465,580	2,097,562
Payments to suppliers and employees	(4,522,344)	(3,769,084)
Interest received	1,386	12,292
Other Income	-	13,491
Interest paid	(10,960)	(341,639)
Net cash (used in) operating activities	(2,066,338)	(1,987,378)
Cash flows from investing activities		
Payments for plant and equipment	(122,291)	(650,577)
Proceeds from sale of plant and equipment	-	28,129
Payments for exploration expenditure	5,747	(508,096)
Payments for development expenditure	(78,180)	(384,841)
Other loan funds	-	-
Net cash (used in) investing activities	(194,723)	(1,515,385)
Cash flows from financing activities		
Proceeds from issue of shares	1,331,723	22,000
Share issue costs	(28,476)	-
Proceeds from borrowings	830,000	2,971,272
Other loan funds	662,946	-
Repayment of borrowings	-	(275,067)
Net cash provided by financing activities	2,796,193	2,718,205
Net (decrease) / increase in cash and cash equivalents held	535,123	(784,558)
Cash and cash equivalents at the beginning of the period	457,565	1,479,227
Effects of exchange rate changes on the balance of cash held in foreign currencies	(288,129)	(59,681)
Cash and cash equivalents at the end of the period	704,477	634,988

The accompanying notes form part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Changes in Equity

for the half-year ended 31 December 2015

	Issued capital	Foreign currency translation reserve	Option & convertible note reserve	Accumulated losses	Non-controlling interest	Consolidated Total
	$	$	$	$	$	$
Balance at 1 Jul 2014	44,166,473	(2,877,829)	1,005,536	(31,751,416)	5,600,177	16,142,941
Loss for the period	-	-	-	(3,543,395)	(1,161,014)	(4,704,409)
Other comprehensive loss for the period	-	(1,151,618)	-	-	-	(1,158,618)
Total comprehensive loss for the period	-	(1,151,618)	-	(3,543,395)	(1,161,014)	(5,856,027)
Shares issued	22,000	-	-	-	-	22,000
Share issue costs	-	-	-	-	-	-
Share-based payments	-	-	138,697	-	-	138,697
Contribution by non-controlling interest	-	-	-	-	31,259	31,259
Balance at 31 Dec 2014	44,188,473	(4,029,447)	1,144,233	(35,294,809)	4,470,421	10,478,870

Condensed Consolidated Statement of Changes in Equity
for the half-year ended 31 December 2015

	Issued capital	Foreign currency translation reserve	Option & convertible note reserve	Accumulated losses	Non-controlling interests	Consolidated Total
	$	$	$	$	$	$
Balance at 1 Jul 2015	44,268,792	(5,659,308)	905,050	(39,753,797)	1,718,481	1,479,218
Loss for the period	-	-	-	(6,331,479)	(3,075,965)	(9,407,444)
Other comprehensive loss for the period	-	(2,201,409)	-	-	-	(2,201,409)
Total comprehensive loss for the period	-	(2,201,409)	-	(6,331,479)	(3,075,965)	(11,608,853)
Shares issued	1,338,876	-	-	-	-	1,338,876
Share issue costs	(28,476)	-	-	-	-	(28,476)
Share-based payments	-	-	(270,756)	-	-	(270,756)
Warrant issue	-	-	182,650	-	-	182,650
Balance at 31 Dec 2015	45,579,192	(7,860,717)	816,944	(46,085,276)	(1,357,484)	(8,907,341)

The accompanying notes form part of these condensed consolidated financial statements.

1. Significant accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standard AASB 134 "Interim Financial Reporting". Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting". The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's annual financial report for the financial year ended 30 June 2015, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Going concern

The half-year financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

For the half-year ended 31 December 2015, the Group has incurred a net loss after tax of $9,407,444 (2014: loss of $4,704,409) and experienced net cash outflows from operating activities of $2,066,338 (31 December 2014: outflows of $1,987,378). As at 31 December 2015, the Group has a net current liability position of $28,495,391 (30 June 2015: net current liabilities of $23,301,919) and net liabilities of $8,907,341 (30 June 2015: net assets of $1,479,218).

The net current liability position as at 31 December 2015 is primarily a result of borrowings of $22,070,496 due for repayment within 12 months from the reporting date (30 June 2015: $18,957,501), combined with trade and other payables of $7,991,222 (30 June 2015: $5,440,630).

Cleveland continues to optimise mining and processing of ore at the Company's Premier gold mine. Mill utilisation has improved during the period and Premier continues to pursue the achievement of consistent production levels as ore feed grade and mill availability are optimised. That said, in both Australia and Brazil the Group has a significant number of creditors outside normal payment terms. Consequently, the Group requires the continued support of its creditors as the production ramp-up continues, thereby allowing the Group to generate sufficient cash flows to settle existing liabilities which are currently due and payable.

Management are progressing with the installation of a second ball mill to increase processing capacity and consequently overall gold production at Premier, with foundations in place and equipment currently in transit to site. The availability of funds in the short term is critical to finalising the commissioning of this second mill, which is planned to occur over the coming months.

During the six months to 31 December 2015, management has taken a number of actions to allow the Group to progress capital expenditure programs, pay certain overdue creditors and for general working capital requirements, including:

- consolidating existing debts held with Platinum Partners into a single secured convertible note. This note has a principal value of US$10,974,861 and a redemption value at 120% of its principal value, resulting in a required repayment of US$13,169,833 at its maturity date of 19 September 2016. The new consolidated note accrues interest at 12% per annum, with quarterly interest payments commencing on 1 April 2016. In addition to the quarterly interest payments, the Group is required to make four consecutive monthly payments of US$250,000, commencing 1 April 2016, as partial repayment of principal on the note.

- the completion of an equity placement of $1.6 million and a Share Purchase Plan (SPP) of $500,000.

Since 31 December 2015 and up to the date of signing this report, management continues to seek the additional funding required to manage the Group's ongoing working capital requirements, including its short-term obligations to both creditors and financiers, and consequently allow finalisation of the installation and commissioning of the second ball mill.

The Directors are satisfied that additional funds of approximately A$3.0 million will be available in the near term, and will be sufficient to meet the Group's immediate obligations, and that further fundraisings / refinancing will be achievable, if required, to enable the Group to repay the existing Platinum Partners facility (US$13,169,833) by 19 September 2016.

At the date of signing this report, a number of funding / refinancing proposals and expressions of interest for refinancing have been received by the Group and are currently being considered by the Directors, however no funds have yet been committed.

Management and the Board remain confident in the ability of Premier to achieve planned production levels, earnings and cash flows sufficient to meet budget following a satisfactory ramp-up, and are confident in the ability to raise the additional funds required to meet scheduled repayments to financiers.

Notwithstanding the abovementioned production and fundraising initiatives, the Group remains in a net current liability position and therefore the ability of the Group to continue as a going concern remains principally dependent on the following:

- The Company being able to raise further funds, through the issuance of equity and/or debt instruments, or through gold production above current forecasts:
  - of approximately A$3.0 million during Q2 of calendar year 2016, including A$2 million in April 2016, sufficient to meet the Group's immediate obligations; and
  - of at least US$13,169,833 to enable the Group to repay the existing Platinum Partners facility by 19 September 2016.
- Achieving forecast monthly gold production and gold sales to deliver sufficient operating cash flows to the operations at Premier, to fulfil scheduled principal and interest repayments due throughout Q2 and Q3 of calendar year 2016; and
- Existing creditors in Brazil and Australia continuing to support the Group in not demanding payment of outstanding amounts where it may cause undue hardship to the Group.

Further, should the Group elect to exercise its option to acquire the remaining 50% interest in the Premier project from its Joint Venture Partner, the Group will need to raise up to an additional US$4.0 million in the form of debt or equity prior to the option expiry date of 21 April 2016, or seek an extension of this option from its Joint Venture Partner. The Directors have reviewed the Group's overall position and outlook in respect of the matters identified above and are of the opinion that there are reasonable grounds to believe that the operational and financial plans in place are achievable and accordingly that the Group will be able to continue as a going concern and meet its debts as and when they fall due.

Should the Directors not be successful in achieving the matters set out above, there is a material uncertainty whether the Group will be able to continue as a going concern and therefore whether it will be able to realise its assets and extinguish its liabilities in the normal course of business.

The statement of financial position includes the recognition of other financial assets, plant and equipment and exploration and development assets as at 31 December 2015 which are expected to be realised in future years. The ability to recover the carrying values of these other financial assets, plant and equipment and exploration and development assets is dependent on successfully installing and commissioning the second ball mill, achieving forecast production, and the Group continuing as a going concern.

The half year financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

Adoption of new and revised Standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

The adoption of new and revised standards and interpretations has not materially affected the amounts reported for the current or prior corresponding period.

2. Cash and cash equivalents

For the purposes of the half-year statement of cash flows, cash and cash equivalents are comprised of the following:

	Consolidated	
	31 December 2015	**30 June 2015**
	$	**$**
Cash at bank	674,158	181,608
Cash on short term deposit	30,319	275,957
	704,477	457,565

3. Dividends

No dividend has been declared or paid during the half-year or the previous corresponding period.

The Company does not have any franking credits available for current or future years as it is not in a tax paying position.

	Consolidated	
	31 December 2015 $	30 June 2015 $

4. Other financial asset

Receivable from joint venture partner	5,567,976	6,112,536

In accordance with the joint venture agreement with Cleveland Mineração Ltda's joint venture partner, this amount is repayable from the joint venture, and interest is charged on the outstanding balance at the 5 year US bond rate plus 3%.

5. Exploration and development

Exploration properties	1,291,803	2,782,341
Development properties	7,581,049	10,005,920
	8,872,852	12,788,261

Development properties relate to the consolidated entity's Premier project in Brazil. The recoverability of the exploration properties subject to the successful development and exploitation/or sale of the areas of interest.

6. Borrowings

Current		
Related party loans (i)	829,086	574,578
Convertible notes (ii)	18,579,917	11,832,790
Secured notes (iii)	-	4,254,564
Royalty-backed notes (iv)	2,506,493	1,989,550
Other loans	155,000	306,019
	22,070,496	18,957,501

(i) Loans with principal value totaling $700,000 (June 2015: $500,000) are held with parties related to directors of the Company. $500,000 (June 2015: $500,000) of these loans accrue interest at rate of 12.5% per annum, unless the loan is in default, in which case interest on outstanding amounts accrues at 14.5% per annum. The term of the loans was initially 12 months; however have been extended to 30 June 2016. A $200,000 (June 2015: $nil) loan is non-interest bearing with no formal repayment terms.

(ii) A convertible note with a principal value totaling US$10,974,861 was issued by the Company in November 2015 to replace existing convertible and secured notes on issue, refer June 2015 financial statements for further information. This new consolidated note carries a coupon rate of 12%, with a conversion price of 7 cents per share. The maturity date of the note is 19 September 2016.

On 12 November 2015 the Company announced a Waiver Agreement with Platinum Partners, regarding outstanding interest payments, which was executed on 11 December 2015. The agreement consolidated the $US6.8m note with the $US1m secured note and $US2m secured note (as disclosed in the June 2015 financial statements), providing a consolidated US$10,974,861 note with a maturity date of 19 September 2016. The interest is payable quarterly in arrears, commencing 1 April

2016. In addition, four consecutive monthly repayments of US$250,000 will commence on 1 April 2016. The Company issued Platinum Partners 29,371,525 shares in consideration for the waiver and settlement of outstanding interest, and 5,000,000 warrants at an exercise price of AU$0.05, additionally the Company transferred 50% of the fully paid shares in Cleveland Iron Holdings Pty Ltd to Platinum Partners (refer note 11).

The redemption amount of the consolidated note at maturity is US$13,169,833. The note holder has, subject to shareholder approval, the option of converting any portion of the note together with any accrued and unpaid interest thereon into shares in the Company at a conversion price of AU$0.07.

(iii) The secured notes on issuance as at 30 June 2015 were refinanced during the period and now form part of the convertible note outlined in footnote (ii) above.

(iv) A production royalty linked note was offered in February 2015 for 12 month duration and carrying a coupon rate of 9% plus a production linked royalty on the first 3 months of certified production. Note holders within 6 months of execution are eligible to elect to convert the face value of the note to shares at $0.06 per share and forego the interest and royalty component. In the event the Company defaults on the repayment at maturity, the note is convertible to equity at a 20% discount to the prevailing Volume Weighted Average Price at the maturity date, 12 months after issue. As at 31 December 2015, a total of $2,385,000 of notes are on issue and bear an accrued interest of $121,493.

7. Provisions

	Consolidated	
	31 December 2015 $	**30 June 2015 $**
Current		
Provision for employee entitlements	81,202	79,199
Non-current		
Provision for rehabilitation	158,674	148,883

8. Issued capital

Fully paid ordinary shares	45,579,192	44,268,792

The following movements in issued capital occurred during the half-year:

	Number	**$**
Balance at 1 July 2015	243,114,224	44,268,792
Movements during the period		
Issues of shares		
- Placement	33,221,891	1,338,876
Capital raising expenses	-	(28,476)
Balance at 31 December 2015	276,336,115	45,579,192

9. Segment reporting

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of performance is focused on the geographical region of operations. The Group's reportable segments under AASB 8 are therefore as follows:

- Brazilian operations
- Chilean operations

Information regarding the Group's reportable segments is presented below.

Segment revenues and results

	Segment revenue Half-year ended		**Segment result Half-year ended**	
	31 December 2015 $	**31 December 2014 $**	**31 December 2015 $**	**31 December 2014 $**
Brazil	2,465,580	-	(6,005,945)	(2,449,465)
Chile	-	-	-	(9,588)
	2,465,580	-	(6,005,945)	(2,459,054)
Interest income			1,704	15,038
Other Revenue			-	-
Central administration costs and directors' salaries			(3,403,203)	(2,260,393)
Loss before tax			(9,407,444)	(4,704,409)
Income tax expense			-	-
Loss after tax			(9,407,444)	(4,704,409)

Segment loss represents the loss generated by each segment without allocation of central administration costs and directors' salaries. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

	Consolidated	
	31 December 2015 $	**30 June 2015 $**
Segment assets		
Brazil	20,578,348	25,614,015
Chile	-	-
Total segment assets	20,578,348	25,614,015
Unallocated	815,904	491,415
Consolidated assets	21,394,252	26,105,431
Segment liabilities		
Brazil	17,934,532	15,400,934
Chile	-	-
Total segment liabilities	17,934,532	15,400,934
Unallocated	12,208,388	9,225,279
Consolidated liabilities	30,142,920	24,626,213

10. Financial instruments

The fair values of the Group's financial assets and liabilities are determined on the following basis.

Financial Assets and Financial Liabilities that are measured at fair value on a recurring basis

Subsequent to initial recognition, at fair value financial instruments are grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Levels are defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included with Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 31 December 2015 and 31 December 2014, the Group has no material financial assets and liabilities that are measured on a recurring basis.

At 31 December 2015 and 31 December 2014, the carrying amounts of financial assets and financial liabilities for the Group are considered to approximate their fair values.

11. Deconsolidation of subsidiary

As a result of the debt restructure agreement with Platinum Partners ("Platinum") dated 11 December 2015, 50% ownership in the subsidiary, Cleveland Iron Holdings Pty Ltd, was transferred to Platinum, resulting in a loss of control. The table below details the loss recognised on the deconsolidation of Cleveland Iron Holdings:

	31/12/2015 **$**
Net assets de-recognised on deconsolidation	437,392
Fair value maintained	(223,696)
Impairment of intercompany receivable balances	541,239
FCTR realisation on deconsolidation	(80,562)
Loss on disposal	674,373

Reconciliation of net assets de-recognised on deconsolidation

Current Assets	10,074
Non- Current Assets	1,020,285
Total Assets	**1,030,360**
Current Liabilities	266,250
Non- Current Liabilities	326,718
Total Liabilities	**592,968**
Net Assets	**437,392**

12. Contingencies and commitments

The consolidated entity does not have any material contingent assets or liabilities.

13. Subsequent events

On the 5 January 2016, Wayne Zekulich resigned from the Board. Mr Alex Sundich has been appointed Non-Executive Chairman from that date.

On 3 February 2016, the Share Purchase Plan closed raising $500,000.

No other events or circumstance has occurred subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

Directors' Declaration

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporation Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s303(5) of the *Corporations Act 2001*.

On behalf of the Directors.

DAVID MENDELAWITZ
Managing Director

Dated at Perth this 15th day of March 2016

Deloitte.

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Independent Auditor's Review Report to the members of Cleveland Mining Company Limited

We have been engaged to review the accompanying half-year financial report of Cleveland Mining Company Limited which comprises the condensed statement of financial position as at 31 December 2015, and the condensed statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 9 to 22.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Because of the matters described in the Basis for Disclaimer of Review Conclusion paragraphs below, we have not been able to complete our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity.*

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Cleveland Mining Company Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Basis for Disclaimer of Review Conclusion

We draw attention to Note 1 'Going Concern' in the half-year financial report which indicates that the consolidated entity incurred a net loss of $9,407,444, and experienced net cash outflows from operating activities of $2,066,338 during the half-year ended 31 December 2015, and as of that date, the consolidated entity's current liabilities exceeded its current assets by $28,495,391.

Deloitte.

The Directors have satisfied themselves as to the appropriateness of the going concern assumption on the basis that:

Additional funds will be available to the Company during Q2 of calendar year 2016, including A$2 million in April 2016, that will be sufficient to meet the consolidated entity's immediate obligations;

- forecast production and gold sales from the Premier project are achieved as planned, to amongst other things fulfil scheduled principal and interest repayments due throughout Q2 and Q3 of calendar year 2016;
- further fundraising / refinancing will be achievable, if required, prior to 19 September 2016 to enable the repayment of the Group's borrowings; and
- existing creditors in Brazil and Australia continue to support the Group in not demanding payment of outstanding amounts.

At the date of this report, we have not been able to obtain sufficient appropriate evidence to support the achievement of the matters described above.

Further, the statement of financial position as at 31 December 2015 includes the recognition of other financial assets, plant and equipment and exploration and development assets which are expected to be realised in future years. The ability to recover the carrying values of these other financial assets, plant and equipment and exploration and development assets is dependent on successfully achieving the matters outlined in Note 1 'Going Concern', and the consolidated entity continuing as a going concern.

These conditions, along with other matters as set forth in Note 1 'Going Concern', indicate the existence of material uncertainties which may cast significant doubt about the consolidated entity's ability to continue as a going concern and whether it will realise its assets and discharge its liabilities in the normal course of business.

Given the above circumstances, in our opinion, the uncertainties are so material and pervasive that we are unable to express a conclusion on the financial report taken as a whole.

Disclaimer of Auditor's Conclusion

Due to the existence of the material uncertainties as described in the Basis for Disclaimer of Review Conclusion paragraphs above, based on our review, which is not an audit, we are unable to, and do not, express a conclusion as to whether the half-year financial report of Cleveland Mining Company Limited is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

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David Newman
Partner
Chartered Accountants
Perth, 15 March 2016