New debt facility secures mine operations & expansion

Facility Summary

- ***US$6.8 million convertible debt facility with an 18 month term and 14% coupon rate;***
- ***Funds provided by major New York-based resource-focused fund and arranged by Jett Capital Advisors;***
- ***Conversion fixed at 14 cents per share, a 33% premium to last traded price – the facility has no other equity features;***
- ***Facility repayable at Cleveland's discretion at any time during the term***
- ***Facility convertible into CDG shares at note holder's discretion but only after the first 6 month term***

Operations Summary

- ***New funding to be used for Premier Gold mine optimisation and expansion;***
- ***Mine plan implementation advancing strongly with significant stripping of overburden performed over the last month;***
- ***Primary ore extraction from the Metago pit scheduled for April 2014, with some ore now exposed;***
- ***In-line leach reactor in Brazil awaiting transportation to site;***
- ***Iron ore drilling has commenced in Bahia.***

Cleveland Mining Company Ltd ("Cleveland", ASX: CDG) is pleased to announce it has successfully closed a US$6.8 million (approx. AU$7.5m) convertible note facility arranged by New York based Jett Capital Advisors with funds sourced from the New York-based resource-focused fund.

"This facility will transform Cleveland and enable management to immediately develop the business under the low-cost 'owner / operator' model initiated mid last year," said Cleveland's Managing Director Mr David Mendelawitz.

"Along with boosting our processing capability with the new ILR circuit, we intend to use the funds to further grow our Resource base and mine life."

The funds will be used to consolidate the existing mining operation and expand the production and Resource base at Premier, including:

- Procurement of the final items of owner / operator mining equipment;
- In-fill drilling at the O Capitão deposit;
- Installation of the In-line Leach Reactor (ILR) unit to optimise the current gravity circuit;
- Potential installation of a flotation circuit;
- General working capital for consolidation of existing operations.

"Cleveland believes the general facility terms represent an appropriate risk / reward mix, with the 33% share price premium embedded within the note conversion price setting a clear equity incentive for the note holder to help drive the growth and development of the Company," Mr Mendelawitz added.

"We are very happy to have a strong New York-based fund and Jett Capital Advisors on board both now and as robust financial partners for the long term."

Key Facility Terms

- Fully secured loan with face value of US$6.8 million over an 18 month term with a coupon of 14%;
- Loan note convertible at the set price of 14 cents per share with the conversion window restricted to within the final 12 months of the facility term;
- Loan note repayable at Cleveland's call at any time during the facility term;
- Repayment or conversion of the loan note is subject to a 10% face value premium added to the payout / conversion amount, resulting in a total debt obligation of US$7.48 million;

The debt will be serviced by the Premier Mine Joint Venture, of which Cleveland has a 50% interest. To date, funding for the Premier JV has been provided solely by Cleveland, so a debt facility at the operating level represents an equitable funding arrangement between the JV partners.

"The decision to debt fund rather than straight equity fund this next development stage reflects Cleveland's confidence in the underlying business and cash flow capacity," stated Mr Mendelawitz.

"While we have been happy to equity fund the operation to date and also to support our JV partner through this process, the comparable cost of capital for an equity raise of this quantum, at this time, would have been considered an inferior outcome for shareholders. The introduction of a prudent amount of leverage onto the balance sheet is now considered appropriate. The debt facility is strongly backed by the AMC modelling of the Metago pit at Premier, which has only improved with additional ounces being added to the mine plan, greater than anticipated plant throughput, a rise in the gold price, and a fall in the Australian dollar.

Projects Update

Premier
Since announcing the completion of commissioning of the new owner operated front end of the processing facility, the Company has continued to feed low-grade material through the plant while completing the funding package required to facilitate the completion of the stripping over the Metago pit through the purchase of a new excavator and other mining equipment.

During this time, the process plant has experienced no mechanical issues, such as those that plagued the plant between commencement of mining in late-2012 and the suspension of mining in mid-2013, when the installation of the owner operator front end and modifications to the ball mill began. Since restarting in December, the plant has achieved record short-term peak throughput performances of 79 tph through the crushing circuit and 53 tph through the grinding circuit when processing tailings and a longer term average 46.1 tph achieved on hard rock run-of-mine ore.

The Company targeted an average of 25 tph through the current circuit to reach the 15,000 tpm initial mine plan and was planning on installing a far larger, second ball mill to reach the mid-term aim of 30,000 tpm.

The Company now feels able to reach the 30,000 tpm target with the existing infrastructure and will install a second smaller ball mill for:
- Redundancy;
- Toll treatment of ore from third parties such as Orinoco Gold;
- Expansion of production when O Capitão comes on line.

The in-line leach reactor (ILR) purchased from Gekko Systems in Ballarat has arrived in Brazil and will soon be installed. The Company expects that the inclusion of the ILR into the circuit will increase the gold recovery to +75%.

Optimisation studies have commenced at Premier to determine the best combination of gravity and flotation processing to achieve the targeted +90% gold recoveries.

Iron Ore
The Company is currently undertaking a first pass drilling program into 5 prospects in the Brazilian state of Bahia, held within the Alliance with BC Iron. The Company is currently designing a drilling program for the Alliance's significantly larger Minas Gerais project, where Coffey Mining have identified a close cluster of targets.

Cleveland looks forward to providing updates on the Bahia drilling as the program progresses.

The Company has made significant changes to its website (www.clevelandmining.com.au) in order to provide greater ease of access to technical information and updates on ongoing activities for shareholders and others interested in the Company. Further information will be added in time as and when it is permissible under the governing laws and regulations.

\- Ends -

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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 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 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.