



Wednesday 18th April 2011

Cleveland's Decision to Explore for Iron Ore

Following today's announcement regarding Cleveland's acquisition of the Porto Grande iron ore project, I thought it natural for Shareholders, and others, to have a few questions: specifically, why is Cleveland entering the iron ore industry and how will that decision affect its current focus on gold and copper?

Why iron ore?

Large iron ore projects currently have the ability to generate more profit than any other mines. Whereas very large gold mines produce profit in the hundreds of millions of dollars per annum, very large iron ore mines can produce billions of dollars of profit per annum.

Until now, Cleveland has refrained from entering the iron ore industry, even though its Board of Directors includes two former senior managers from Fortescue Metals Group, the most successful iron ore start-up company in history, because:

1. The barriers to entry and the capital requirements of iron ore projects are vast and the associated early-stage risks of commercialising this product are significant. Cleveland was not established to take such 'make or break' risks.
2. There are a lack of projects with easy-to-sell iron ore (high in iron and low in contaminants such as Alumina or Phosphorous) in areas with stable governments, low costs, and access to infrastructure (or close enough to a potential port site to justify building infrastructure). The Pilbara is overcrowded and expensive, West Africa is too risky and lacks skilled workers and infrastructure and India is subject to excessive bureaucracy.

With the acquisition of Porto Grande, the Company has taken the step into iron ore exploration and can capitalise on its expertise and industry connections. The decision was taken now because:

1. Cleveland has developed a portfolio of projects, including the near-to-production Premier Gold Mine, to be able to provide a solid foundation for the Company and continue to seek to expand the Company's capabilities in gold and copper in South America.

The Company has an excellent reputation based on its work in gold, which inspires confidence in project vendors and financiers. As a result, Cleveland has access to better projects, further quality people, and far more access to finance.

2. The Company has now identified a project in Amapá state, which is considered to have excellent potential as perhaps the best undeveloped address for iron ore. The area has port, rail, road and power infrastructure, has operating iron ore mines producing excellent product, has a very

stable political and commercial environment, and is eagerly trying to attract new mining projects.

Cleveland's Porto Grande project is almost completely unexplored, though outcropping hematite and itabirite have been identified on the Cleveland Project area and adjacent tenements. Although exploration of the Porto Grande project is in its earliest stages, the available infrastructure adds confidence to the project, should we find anything of significance, and the near-by iron ore mines and exploration projects highlight the area's potential for hosting quality iron ore mineralisation.

How will the Company manage the Porto Grande iron ore project without affecting the current projects?

The Company considers that the iron ore venture will have little to no impact on the current focus on gold and copper. The iron ore project will be overseen by Cleveland's current Board of Directors and an entirely new management team will be formed to run the daily requirements of the operations. The project Vendor has significant expertise in the iron industry and a pre-existing team of local professionals from the State of Amapá will form the basis of Cleveland's Iron Ore Division, charged with overseeing the exploration activities. Again, the Company will benefit from the significantly lower employment costs, as distinct from Australia.

No money or staff time of any significance will be diverted from the current focus on the Crixás Hub or Chilean projects towards the iron ore project.

Why are we putting the iron ore project into a subsidiary company in Hong Kong?

Cleveland shareholders have all currently invested based on our focus on gold and copper and it would be inappropriate to divert these funds into another commodity, particularly one with a different and significant risk profile. Notwithstanding, all shareholders will be exposed to the potential profits generated from Cleveland's iron ore projects because the company in which they own shares, Cleveland Mining Company Ltd., controls Cleveland Mining HK Ltd.

By putting the project into a subsidiary based in Hong Kong, we can more easily access the Asian market for funding. As the need for iron ore continues to hold strong in markets such as China, these investors, including the purchasers of the product themselves, are prepared to risk what is considered to be a large amount of money on the Australian market in order to safeguard supply of product for the future.

If the subsidiary eventually needs to be spun out as an IPO, we feel that greater value will be reflected on the Hong Kong market.

In Summary:



- The Board believes that this opportunity is exciting, given the location, the Company's expertise and the potential for profits.
- We were not prepared to expose the Cleveland shareholders to any risk associated with entering into a new commodity that they had not chosen to invest in.
- Our proposed structure will still bring the same potential up-side to Cleveland's shareholders.



A handwritten signature in black ink, consisting of stylized, overlapping loops and lines.

David Mendelawitz
CEO Cleveland Mining Company Ltd.