



## Quarterly Activities and Cashflow

Gold Mining Imminent, Excellent Iron Ore Mineralisation Exploration Results

### Crixás Hub, Gold, Central Brazil

During the Quarter, priority was placed on preparation for mining at the Premier Gold Mine JV. Infill drilling and trenching were conducted to refine the mine design. Long-lead plant items were ordered, personnel and management recruitment began, and detailed engineering was conducted.

The Company designed its plant to accommodate additional elements after first production. First production with a gravity circuit will be monitored and a cyanide circuit and in-line leach reactor may be added if appropriate.

The Company remains committed to be ready for mining by the end of the year and to start processing soon after. A Partial Installation Permit has been received for the plant and the Company anticipates that an Operations Licence will be received in Quarter 4, 2011, being a key determinant of the start of mining and production.

Limited exploration work was performed in the Crixás Hub during the Quarter with the exception of a small drilling program near the Dona Maria artisanal mine in the O Capitão tenements. Significant gold-bearing mineralisation was identified in this new area of O Capitão, which is located less than 10km from the Premier Mine.

Systematic re-evaluation of all projects in the Crixás Hub is ongoing.

### Amapá Hub, Iron Ore, Northern Brazil

Highly encouraging exploration results were returned from first-phase exploration of the Porto Grande Iron Project. Rock chip sampling and trenching showed widespread iron ore mineralisation at surface with all the hallmarks of a saleable product similar to producing mines in the district. These results prompted the Company to mobilise significant manpower to the area to increase the rate of exploration during the upcoming months.

### Corporate Information

ASX Code	CDG
Quoted shares	99.2 million
Total shares	145.3million
Unlisted options (20c)	34.4 million
Unlisted options (\$18)	116,661

### Board and Management

Chairman - Donald C. Bailey
Managing Director - David Mendelawitz
Finance Director - Aaron Finlay
Non-Executive Director - Jim Williams
Non-Executive Director – Russell Scrimshaw

### Contact

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More than 200km<sup>2</sup> of ground was added to the Amapá Hub, including the newly-acquired Lebre Project, which borders Eldorado Gold's Vila Nova iron ore mine.



Trench sampling at Porto Grande uncovers widespread hematite and massive magnetite iron mineralisation.



### Central West Hub, Copper/Gold, Chile

In Chile, the Company concluded preliminary investigation at the San Antonio and El Chapo properties and elected not to convert the Letter of Intent for El Chapo into a Joint Venture Agreement. As a clear path forward could not be found for El Chapo within Company budgets and timelines, it was turned over and replaced.

Several other projects were added to the Company's tenement holdings within the Central West Hub during the Quarter (refer to map left).

### Corporate

In July, Mr Russell Scrimshaw joined the Board of Directors as a Non-Executive Director. With his appointment, the Board became majority independent and uniquely capable for a company of Cleveland's size.

In the same month, Cleveland's Brazilian Joint Venture partner for the Crixás projects, Edifica Participações Ltda., exercised an option agreement for the O Capitão Project. Edifica committed to pay Cleveland circa A\$1million consideration and will contribute equally to all costs going forward. Due to their proximity, O Capitão and Premier have the potential to share economies of scale going forward.

In September, the Company announced a \$10.1 million placement to sophisticated, professional and institutional investors. A total of 29.7 million new ordinary shares will be issued at \$0.34 per share, at a small premium to the Company's 10 day Volume Weighted Average Price.

As part of the raise, Chinese businessman, Mr. Wang Zhe, Principal of private Chinese steel mill group, Aosen Steel, will acquire a cornerstone interest in the Company in early November 2011, consisting of 12 million fully-paid ordinary shares at an issue price of \$0.34 per share for \$4.08 million. Aosen Steel is a successful, private, steel group based in the Hebei province in China that is actively seeking rapid expansion.



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#### **About Cleveland Mining**

Cleveland Mining is an Australian-managed, publicly-listed minerals company squarely focused on developing projects to owner-operate. Cleveland has eight projects, which are located within three distinct geographical hubs:

- 1) The Crixás Hub, Goiás State, central Brazil. Projects: Premier, O Capitão, Baú, Guarinhos, Pantera – Gold-focused
- 2) The Central West Hub, central Chile. Expanding portfolio between La Serena and Santiago – Gold/Copper-focused
- 3) The Amapá Hub, Amapá State, northern Brazil. Projects: Porto Grande and Lebre– Iron ore-focused

The Company's most advanced project is the Premier Gold Project, which is currently being prepared for mining. Cleveland has explored several of its other projects with promising results.

Cleveland has a different approach to project selection, with project economics driving target selection. Geological prospects, local costs and infrastructure are rigorously scrutinised before entering into a project. Projects are chosen according to their potential to generate returns at the bottom of the economic cycle, with Cleveland only operating in areas backed by legislation and government that can provide stable and transparent operating environments.

#### **Investor and Media Contact**

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#### **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. These forward looking statements 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.

# 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")

30 September 2011

### Consolidated statement of cash flows

<b>Cash flows related to operating activities</b>	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration & evaluation	(870)	(870)
(b) development	(225)	(225)
(c) production	-	-
(d) administration	(768)	(768)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	12	12
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	(13)	(13)
1.7 Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>	<b>(1,864)</b>	<b>(1,864)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(205)	(205)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	3	3
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>	<b>(202)</b>	<b>(202)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(2,066)</b>	<b>(2,066)</b>

+ See chapter 19 for defined terms.

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

1.13	Total operating and investing cash flows (brought forward)	(2,066)	(2,066)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	6,028	6,028
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	83	83
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – share issue costs	(211)	(211)
	<b>Net financing cash flows</b>	5,900	5,900
	<b>Net increase (decrease) in cash held</b>	3,834	3,834
1.20	Cash at beginning of quarter/year to date	2,748	2,748
1.21	Exchange rate adjustments to item 1.20	(59)	(59)
1.22	<b>Cash at end of quarter</b>	6,523	6,523

**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	75
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.

**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

+ See chapter 19 for defined terms.

### 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	850
4.2 Development	750
4.3 Production	-
4.4 Administration	750
<b>Total</b>	<b>2,350</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	6,407	2,540
5.2 Deposits at call	116	208
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.22)	<b>6,523</b>	<b>2,748</b>

### 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			
6.2	Interests in mining tenements acquired or increased			

+ See chapter 19 for defined terms.

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

**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) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference +securities</b>	-	-		
7.2 Changes during quarter	N/A	N/A		
7.3 <b>+Ordinary securities</b>	145,323,171	145,373,171		
7.4 Changes during quarter				
(a) Increases through issues	50,000	50,000	\$0.20	\$0.20
(b) Decreases through returns of capital, buy-backs	17,700,000	17,700,000	\$0.34	\$0.34
7.5 <b>+Convertible debt securities</b>	-	-		
7.6 Changes during quarter	N/A	N/A		
7.7 <b>Options</b>			<i>Exercise price</i>	<i>Expiry date</i>
Unlisted options	4,952,000	-	\$0.20	31 Dec 2014
Unlisted options	26,500,000	-	\$0.20	31 Dec 2015
Unlisted options	99,995	-	\$18.00	31 Jan 2012
Unlisted options	16,666	-	\$18.00	3 Sep 2012
Unlisted options	3,000,000	-	\$0.36	31 Dec 2015
7.8 Issued during quarter				
Unlisted options	3,000,000	-	\$0.36	31 Dec 2015
7.9 Exercised during quarter	50,000	-	\$0.20	31 Dec 2014
7.10 Expired during quarter	3,000,000	-	\$0.20	31 Dec 2015
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: 31 October 2011  
Company secretary

Print name: Aaron Finlay

## 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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