

Cleveland Mining Company Limited

ABN 85 122 711 880

Half-Year Report

For the half-year ended

31 December 2014

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Corporate Directory

Directors

Mr David Mendelawitz Managing Director
Mr Russell Scrimshaw Non-Executive Chairman
Mr Rick Stroud Non-Executive Director
Mr Wayne Zekulich Non-Executive Director

Company Secretary

Mr Albert Longo

Registered Office

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254 Rokeby Road
Subiaco WA 6008

Principal Place of Business

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254 Rokeby Road
Subiaco WA 6008

Contact Details

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Solicitors to the Company

Mendelawitz Morton Corporate Lawyers
Gryphon House
39 Richardson Street
West Perth WA 6005

Share Registry

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Auditors

Deloitte Touche Tohmatsu
Level 14
240 St Georges Terrace
Perth WA 6000

Stock Exchange

Australian Securities Exchange
2 The Esplanade
Perth WA 6000

ASX Code: CDG

Directors' Report

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 2014. 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
Mr Rod Campbell (resigned 29 Aug 2014)
Mr Rick Stroud
Mr Wayne Zekulich (appointed 9 Feb 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 2014 was \$3,543,395 (half-year ended 31 December 2013 loss of \$2,562,239).

As at 31 December 2014 the cash position was \$634,988 (30 June 2014 \$1,479,227) and the Company had 242,740,885 shares on issue.

No dividends were declared or paid during the half-year ended 31 December 2014 (2013: Nil).

On 25 July 2014 the Company announced the completion of the initial exploration programme at the Bahia and Minas Novas Iron ore projects in Brazil.

On 28 July 2014 the Company announced that it had signed a mining agreement to increase production and cash flow with Orinoco Gold Limited to undertake mining operations at Orinoco's Cascavel Gold Project.

On 27 August 2014 the Company announced that it had secured a US\$3m funding facility to advance Brazilian iron ore exploration.

On 29 August 2014 the Company announced that Rod Campbell had resigned as Commercial Director.

On 1 September 2014 the Company announced the successful installation and commissioning of the In-Line Leach Reactor at the Premier Gold Mine.

On 5 September 2014 the Company announced that Katrina Grose had resigned as Company Secretary. Albert Longo was appointed as Company Secretary from that date.

On 9 September the Company announced the commencement of Resource Drilling at O Capitão.

On 1 October the Company announced drilling had confirmed significant extensions to the Metago Pit at the Premier Gold Mine.

On 23 October 2014 the Company announced high grade rock chips and drill hole intercepts indicate significant growth potential.

On 12 November 2014 the Company announced that it had terminated the Orinoco toll milling agreement.

On 22 December 2014 the Company announced that it was to expand its production base and increase ownership of the Premier Gold Mine.

Exploration

Crixás Hub

Premier

Grade control drilling at Premier Mine has identified additional structural information allowing for re-interpretation of the mineralized Lower Quartz Zone (LQZ). This has led to a material upgrade of the resource model through the adjustment of the existing wireframes. The Premier Mine Resource has been upgraded from an original 950 kT @ 1.5 g/t Au for 47 kOz to 1270 kT @ 1.8 g/t Au for 74 kOz. This is a 25% increase in tonnes, 17% increase in grade and a 37% increase in ounces. Based on the new model information, consultants Coffey in Brazil have undertaken a new mine plan and schedule to extend the mine life at Premier.

Near mine exploration has identified a new area to the east of Premier that has encouraging high grade mineralization at surface, as well as evidence of historical mining, indicative of a new high grade zone close to Premier. Recent field work has identified a prospective area to the south of Premier, in the southern lease containing elevated gold grades in soil samples, laminated quartz and strike continuity through to the neighbouring Serra Grande ore deposits. Recent drilling has also identified the likely extension of the LQZ underneath the historic government Metago Pit extending across to the ROM pad and to the east, joining with Pit three. If confirmed, there is the potential for an additional 200 to 300 kT of high grade oxide material available close to the existing plant. Extensional drilling of this target is planned to start within the next few months.

Field work has also been undertaken on the O Capitaio leases in the form of mapping and sampling. High grade gold surface samples have been obtained 1.6km to the south of the Dona Maria Deposit from a structure with similar characteristics. An auger and drilling program is planned to confirm if there is continuous mineralization linking Dona Maria and the southern anomaly. Resource drilling at Dona Maria Deposit on the O Capitaio leases, has identified a JORC compliant resource of 1240 kT @ 1.04 for 41kOz Au. Of this, 970kT are Indicated Resources and 270kT are Inferred Resources. The Dona Maria Deposit is still to be analysed for copper, lead and zinc content with abundant sulphides such as sphalerite, chalcopyrite and galena evident in past and recent drilling campaigns

BC Iron Alliance

BC Iron Limited (ASX: BCI) withdrew from the 50:50 alliance between the companies over the Bahia and Minas Novas iron ore exploration projects in Brazil. As a result of this decision, BC Iron has transferred sufficient funds to Cleveland to ensure that it is free of accrued tenement liabilities and also divested its strategic 3.66 per cent shareholding in Cleveland. The BC Iron holding, comprising approximately 8.7 million shares, has been acquired by existing shareholders in an off market transfer. Cleveland will now assume control over 100% of the option to purchase contract held with the private Brazilian company, BAHMEX, over the Bahia and Minas Novas Projects – both of which have considerable strategic value as potential future iron ore/pig iron development opportunities.

Field mapping augmented by trenching and sampling was completed at Anomaly 2 of the Minas Novas Iron Project while Bahia drilling results collected from the first half of 2014 were reviewed identifying good magnetite economic potential.

The Minas Novas project boasts eight good magnetic anomalies with demonstrated itabirite association having a combined strike extent of over 100km. Anomaly 2 has a strike length of 21km alone.

Work investigated about half the anomalous magnetic strike extent of Anomaly 2 discovering iron mineralisation with the potential of approximately 73Mt @ 26% Fe head grade based on logging and sampling from two trenches spaced 3.6km along strike of each other. Mineralisation is hosted in interbedded itabirite and magnetite schists and quartzite with a strike extent of 5.1km. The schist and

Directors' Report

quartzite rock alone grade as high as 36.6% Fe head grade. The true width of mineralisation is approximately 45 to 50m. The target tonnage potential assumes consistent grade down to 100m below surface.

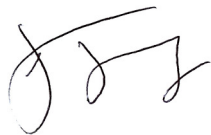
Results from drilling the Bahia project were reviewed with most attention on the Caetite 2 prospect. The review identified that Caetite 2, together with Caetite 3, Riacho Central and Riacho South offer an approximate 105 - 107Mt potential.

Caetite 2 alone has the potential for approximately 36 - 48Mt @ ~22 – 30% iron (head grade). Magnetite recovery tests at Caetite 2 are of the order of ~68 – 71%. There is also the possibility at Caetite 2 of a further magnetite discovery from a second magnetite source located within the northern portion of the prospect.

Auditor's independence declaration

The auditor's independence declaration for the half-year ended 31 December 2014 is included on page 7 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 16th day of March 2015

The Board of Directors
Cleveland Mining Company Limited
Suite 3, Level 1
254 Rokeby Road
Subiaco, WA 6008

16 March 2015

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 2014, 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



David Newman
Partner
Chartered Accountants

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the half-year ended 31 December 2014

	Consolidated Half-year ended	
	31 December 2014	31 December 2013
	\$	\$
Interest income	15,038	1,828
Other revenue	92,387	-
Gain / (loss) sale of non-current assets	14,756	-
Administrative expenses	(52,429)	(57,748)
Compliance and regulatory expenses	(43,056)	(50,416)
Consultancy and legal expenses	(341,886)	(336,497)
Depreciation expense	(21,475)	(24,239)
Director and employee-related expenses	(1,062,646)	(887,401)
Insurance	(29,227)	(26,494)
Motor vehicle expenses	(3,994)	-
Occupancy expenses	(277,763)	(271,439)
Promotion and communication costs	(62,189)	(101,656)
Travel and accommodation expenses	(79,728)	(74,663)
Finance costs	(895,113)	(136,833)
Write down of exploration expenditure	(9,589)	(75,863)
Write down of assets held for sale	-	(474,624)
Write down in equity investment	(18,392)	-
Other expenses	(1,929,103)	(51,435)
Loss before income tax expense	(4,704,409)	(2,567,480)
Income tax expense	-	-
Loss after income tax expense	(4,704,409)	(2,567,480)
<i>Other Comprehensive Income</i>		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translating foreign operations	(1,151,618)	(512,720)
Total comprehensive income / (loss) for the period	(5,856,027)	(3,080,200)
Loss attributable to:		
Owners of the parent	(3,543,395)	(2,562,239)
Non-controlling interests	(1,161,014)	(5,241)
	(4,704,409)	(2,567,480)
Total comprehensive income / (loss) attributable to:		
Owners of the parent	(4,667,539)	(3,074,959)
Non-controlling interests	(1,188,488)	(5,241)
	(5,856,027)	(3,080,200)
Basic loss per share (cents)	(1.98)	(1.11)
Diluted loss per share (cents)	(1.98)	(1.11)

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

Condensed Consolidated Statement of Financial Position

as at 31 December 2014

	Note	Consolidated	
		31 December 2014	30 June 2014
		\$	\$
Current assets			
Cash and cash equivalents	2	634,988	1,479,227
Trade and other receivables		31,890	126,706
Inventory		1,133,755	249,849
Other assets		168,129	261,865
		<u>1,968,762</u>	<u>2,117,647</u>
Assets classified as held for sale		-	288,309
Total current assets		<u>1,968,762</u>	<u>2,405,956</u>
Non-current assets			
Receivables	4	6,358,125	6,398,610
Investments in joint ventures		619,110	459,019
Plant and equipment		6,583,198	6,092,918
Exploration and development	5	11,011,188	11,495,954
Total non-current assets		<u>24,571,621</u>	<u>24,446,501</u>
Total assets		<u>26,540,383</u>	<u>26,852,457</u>
Current liabilities			
Trade and other payables		1,783,365	981,730
Borrowings	6	14,064,182	2,160,608
Provisions	7	72,057	87,802
Total current liabilities		<u>15,919,604</u>	<u>3,230,140</u>
Non-current liabilities			
Borrowings	6	-	7,329,898
Provisions	7	141,909	149,478
Total non-current liabilities		<u>141,909</u>	<u>7,479,376</u>
Total liabilities		<u>16,061,513</u>	<u>10,709,516</u>
Net assets		<u>10,478,870</u>	<u>16,142,941</u>
Equity			
Issued capital	8	44,188,473	44,166,473
Reserves		(2,885,215)	(1,872,293)
Accumulated losses		(35,294,809)	(31,751,416)
Equity attributable to owners of the parent		<u>6,008,449</u>	<u>10,542,764</u>
Non-controlling interest		4,470,421	5,600,177
Total equity		<u>10,478,870</u>	<u>16,142,941</u>

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

Condensed Consolidated Statement of Cash Flows

for the half-year ended 31 December 2014

	Consolidated Half-year ended	
	31 December 2014	31 December 2013
	\$	\$
Cash flows from operating activities		
Receipts from customers	2,097,562	587,347
Payments to suppliers and employees	(3,769,084)	(2,265,331)
Interest received	12,292	1,828
Other Income	13,491	-
Interest paid	(341,639)	(54,988)
Net cash (used in) operating activities	(1,987,378)	(1,731,144)
Cash flows from investing activities		
Payments for plant and equipment	(650,577)	(710,603)
Proceeds from sale of plant and equipment	28,129	-
Payments for exploration expenditure	(508,096)	(745,741)
Payments for development expenditure	(384,841)	(1,165,573)
Net cash (used in) investing activities	(1,515,385)	(2,621,917)
Cash flows from financing activities		
Proceeds from issue of shares	22,000	4,281,927
Share issue costs	-	(281,417)
Proceeds from borrowings	2,971,272	1,084,598
Borrowing costs	-	-
Repayment of borrowings	(275,067)	(1,002,006)
Proceeds from shares to be issued	-	-
Net cash provided by financing activities	2,718,205	4,083,102
Net (decrease) / increase in cash and cash equivalents held	(784,558)	(269,959)
Cash and cash equivalents at the beginning of the period	1,479,227	873,294
Effects of exchange rate changes on the balance of cash held in foreign currencies	(59,681)	(27,111)
Cash and cash equivalents at the end of the period	634,988	576,224

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 2014

	Issued capital	Foreign currency translation reserve	Option & convertible note reserve	Accumulated losses	Non-controlling interest	Consolidated Total
	\$	\$	\$	\$	\$	\$
Balance at 1 Jul 2013	40,367,781	(2,442,579)	834,699	(20,112,911)	5,886,005	24,532,995
Loss for the period	-	-	-	(2,562,239)	(5,241)	(2,567,480)
Other comprehensive loss for the period	-	(512,720)	-	-	-	(512,720)
Total comprehensive loss for the period	-	(512,720)	-	(2,562,239)	(5,241)	(3,080,200)
Shares issued	4,069,487	-	-	-	-	4,069,487
Share issue costs	(270,795)	-	-	-	-	(270,795)
Share-based payments	-	-	49,435	-	-	49,435
Contribution by non- controlling interest	-	-	-	-	456,392	456,392
Balance at 31 Dec 2013	44,166,473	(2,955,299)	884,134	(22,675,150)	6,337,156	25,757,314

Condensed Consolidated Statement of Changes in Equity

for the half-year ended 31 December 2014

	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)	-	-	-	(1,151,618)
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

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 2014, 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 2014, the Group has incurred a net loss after tax of \$4,704,409 (2013: loss of \$2,567,480) and experienced net cash outflows from operating and investing activities of \$1,987,378 and \$1,515,385 respectively (31 December 2013: outflows of \$1,731,144 and \$2,621,917 respectively). As at 31 December 2014 the Group has a net current liability position of \$13,950,842 (30 June 2014: net current liabilities of \$824,184).

The net current liability position as at 31 December 2014 is primarily a result of borrowings of \$14,064,182 due for repayment within 12 months from the reporting date (30 June 2014: \$2,160,608), combined with trade and other payables of \$1,783,365 (30 June 2014: \$981,730).

During the half-year ended 31 December 2014, the Premier Gold Mine experienced delays in commissioning caused by several unexpected processing plant outages resulting in below-budget gold production. This led to the Company's Brazilian subsidiary incurring additional costs during the period in rectifying these issues, in preparation for the commencement of commercial production.

During the period to 31 December 2014 and for the period to the date of this report, the Directors have taken steps to ensure the Group continues as a going concern whilst the commissioning of the Premier mine is completed. These steps include:

- Obtaining agreement from lenders to defer the repayment of the US\$6.8 million Platinum Partners convertible note, with repayment terms being extended by 12 months to a repayment date of September 2016;

Notes to the Condensed Consolidated Financial Statements

for the half-year ended 31 December 2014

1. Significant accounting policies (continued)

- Directors confirming that they will continue to defer the settlement of short-term loans made by them to the Company, that are currently due and payable, until such time that the Group can settle all liabilities in the ordinary course of business;
- actively engaging with creditors, including negotiating and agreeing payment plans and payment deferrals with a limited number of existing suppliers;
- the Company commenced an offering to raise approximately \$1.5 million during March 2015 by way of royalty-linked convertible notes. These notes will be repayable 12 months from issue date, and attract interest at 9% per annum. The proceeds, which are expected to be received during March 2015, will be used to accelerate the installation of a second ball mill and a second crushing circuit at the Premier Gold Mine and for general working capital requirements; and
- the commencement of discussions with a range of parties for alternate sources of long term financing for the Group.

The ability of the Group to continue as a going concern is principally dependent upon;

- successful completion of the royalty-linked convertible note issue with proceeds of \$1.5 million to be received in cash during March 2015;
- the ability of the Group to negotiate favourable deferral terms for existing debt facilities due and payable within 12 months;
- continued support from creditors in allowing delayed settlements and payment plans to be effective during the 2015 calendar year;
- the Premier Gold Mine delivering the forecasted operating cash flows to fulfil the scheduled interest payments due under the borrowings as at 31 December 2014, and also to service trade creditors as required under normal and deferred payment terms. These cash flows assume a significant ramp up of production at the Premier Gold Mine commencing June 2015 which requires further capital expenditure to be incurred; and
- the Company being able to successfully raise additional debt and/or equity to meet the ongoing cash requirements of the Group.

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 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.

Notes to the Condensed Consolidated Financial Statements

for the half-year ended 31 December 2014

1. Significant accounting policies (continued)

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 2014	30 June 2014
	\$	\$
Cash at bank	330,267	223,109
Cash on short term deposit	304,721	1,256,118
	<u>634,988</u>	<u>1,479,227</u>

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.

4. Non-current receivables

Loan to joint venture partner	<u>6,358,125</u>	<u>6,398,610</u>
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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

	Consolidated	
	31 December 2014	30 June 2014
	\$	\$
Exploration properties	1,390,100	1,419,575
Development properties	9,621,087	10,076,379
	<u>11,011,187</u>	<u>11,495,954</u>

Development properties relate to the consolidated entity's Premier project in Brazil.

Notes to the Condensed Consolidated Financial Statements
for the half-year ended 31 December 2014

6. Borrowings

Current

Notes (i)	13,411,750	1,393,916
Other loans (ii)	652,432	766,692
Finance lease	-	-
	<u>14,064,182</u>	<u>2,160,608</u>

Non-Current

Convertible notes	-	7,329,898
	<u>-</u>	<u>7,329,898</u>

(i) Included in current notes is \$3,677,372, relating to new notes issued during the period. These notes with a US\$3,000,000 face value were issued by the Company in August 2014. The notes carry a coupon rate of 15%. The redemption amount of the notes is 110% of the face value, and the term of the convertible notes is 18 months.

(ii) Other loans consist of a loan to a third party of \$106,723 (30 June 2014: \$340,467), and Director-related loans of \$545,709 (30 June 2014: \$426,356). Interest on the third party loan is payable at the bank swap rate plus 3%. This loan expired on 31 October 2014 and has been repaid in full subsequent to the end of the half-year. The Director-related loans are currently repayable on demand. These loans accrue interest at 12.5%p.a.

7. Provisions

Current

Provision for employee entitlements	<u>72,056</u>	<u>87,802</u>
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Non-current

Provision for rehabilitation	<u>141,909</u>	<u>149,478</u>
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8. Issued capital

	Consolidated	
	31 December 2014	30 June 2014
	\$	\$
Fully paid ordinary shares	<u>44,188,473</u>	<u>44,166,473</u>

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

	Number	\$
Balance at 1 July 2014	241,308,401	44,166,473
Movements during the period		
Issues of shares		
- Placement	1,432,484	22,000
Capital raising expenses	-	-
Balance at 31 December 2014	<u>242,740,885</u>	<u>44,188,473</u>

Notes to the Condensed Consolidated Financial Statements
for the half-year ended 31 December 2014

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 2014	31 December 2013	31 December 2014	31 December 2013
	\$	\$	\$	\$
Brazil	-	-	(2,449,465)	(745,962)
Chile	-	-	(9,588)	(3,963)
	-	-	(2,459,054)	(749,925)
Interest income			15,038	1,828
Other Revenue			-	-
Central administration costs and directors' salaries			(2,260,393)	(1,819,383)
Loss before tax			(4,704,409)	(2,567,480)
Income tax expense			-	-
Consolidated loss for the period after tax			(4,704,409)	(2,567,480)

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 2014	30 June 2014
	\$	\$
<i>Segment assets</i>		
Brazil	25,666,887	26,039,306
Chile	-	-
Total segment assets	25,666,887	26,039,306
Unallocated	873,496	813,151
Consolidated assets	26,540,383	26,852,457
<i>Segment liabilities</i>		
Brazil	1,436,730	8,176,637
Chile	-	-
Total segment liabilities	1,436,730	8,176,637
Unallocated	14,624,783	2,532,880
Consolidated liabilities	16,061,513	10,709,517

Notes to the Condensed Consolidated Financial Statements

for the half-year ended 31 December 2014

10. Key management personnel

Remuneration arrangements of key management personnel are disclosed in the annual financial report.

11. 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 2014 and 31 December 2013, the Group has no material financial assets and liabilities that are measured on a recurring basis.

Financial Assets and Financial Liabilities that are not measured at fair value on a recurring basis (but where fair value disclosures are required)

At 31 December 2014 and 31 December 2013, the carrying amounts of financial assets and financial liabilities for the Group are considered to approximate their fair values.

12. Contingencies and commitments

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

13. Subsequent events

BC Iron Limited (ASX: BCI) withdrew from the 50:50 alliance between the companies over the Bahia and Minas Novas iron ore exploration projects in Brazil. As a result of this decision, BC Iron has transferred sufficient funds to Cleveland to ensure that it is free of accrued tenement liabilities and also divested its strategic 3.66 per cent shareholding in Cleveland. The BC Iron holding, comprising approximately 8.7 million shares, has been acquired by existing shareholders in an off-market transfer. Cleveland will now assume control over 100% of the option to purchase contract held with the private Brazilian company, BAHMEX, over the Bahia and Minas Novas Projects – both of which have considerable strategic value as potential future iron ore/pig iron development opportunities.

The Group also launched a Royalty Linked Note to raise circa \$1.5m to fast track the expansion of the Premier Gold Mine. This innovative note allows note holders to participate in the actual gold production from the expanded production – including any upside. The note has a coupon rate of 9% plus Noteholders get to share 5% of gold revenue from the 3 month period following

Notes to the Condensed Consolidated Financial Statements

for the half-year ended 31 December 2014

commissioning of the expanded gravity circuit. The note is designed to deliver a very healthy return to both the Company and the Note Holders, without equity dilution.

The Group has reached agreement with its principal financier, Platinum Capital Partners, to extend the maturity date of its existing US\$6.8 million debt facility by 12 months to September 2016 to assist with funding the Premier expansion plans.

In consideration for the extension of the debt facility maturity date, the Premier Joint Venture has agreed to pay Platinum a 2% Net Smelter royalty which can be repurchased from Platinum any time within two years of commencement of the royalty for \$US1.5 million. The agreement is currently in the form of an Executed Binding Heads of Agreement, which will convert to a contract amendment when the documents associated with this royalty are issued by Cleveland. Other terms are in line with the existing note terms.

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 16th day of March 2015

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

We have reviewed the accompanying half-year financial report of Cleveland Mining Company Limited, which comprises the condensed statement of financial position as at 31 December 2014, 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 8 to 20.

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

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted 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*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Cleveland Mining Company Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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.

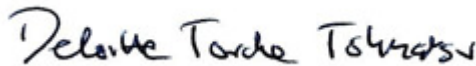
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Cleveland Mining Company Limited is not 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 2014 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*.

Emphasis of matter

Without modifying our 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 \$4,704,409 and experienced net cash outflows from operating and investing activities of \$1,987,378 and \$1,515,385 respectively for the half-year ended 31 December 2014, and as of that date, the consolidated entity's current liabilities exceeded its current assets by \$13,950,842. These conditions, along with other matters set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and extinguish its liabilities in the normal course of business.



DELOITTE TOUCHE TOHMATSU



David Newman
Partner
Chartered Accountants
Perth, 16 March 2015