

ASX Release
19th September, 2013

Iron Ore MOU Converted into Binding Option Agreements

Highlights

- MOU for iron-ore projects held in Alliance with BC Iron Ltd. converted into Binding Option Agreements
- Earn-in agreements provide option to acquire 80% of three iron-ore projects, with no upfront payments
- Project package combines 81 tenements located near either existing “public access” rail infrastructure or rail under construction. Rail connects to port facilities, both existing (Salvador and Ilheus) and under construction (Sao Mateus)
- Fieldwork to start in the final quarter of 2013

Cleveland Mining Company Ltd. (ASX:CDG) is pleased to announce that the Memoranda of Understanding (“MOU”) held over three iron-ore projects in Brazil have been converted into binding Option Agreements. The Option Agreements allow the newly-formed Alliance (“Alliance”) between Cleveland Mining and BC Iron Ltd. (ASX:BCI) to acquire up to 80% of the projects from private Brazilian company, *Bahmex* (“Vendor”), through earn-in agreements based on staged payments and key project milestones. The transaction does not require upfront payments prior to drilling.

Projects Overview

The Alliance investigated more than 50 South American iron-ore projects, ranging from exploration stage to producing mines, before selecting three projects comprised of 81 tenements that were packaged together by the vendor. These projects were selected for further work based on geology, community attitudes towards mining, and options for port and rail logistics.

The projects are located in the Brazilian states of Salvador da Bahia (the Caetite and Silvestre Projects) and Minas Gerais (the Minas Novas Project), covering 272km² and 1,064km² respectively.

Bahmex and mining consulting firm *Coffey Mining* (“Coffey”) have identified significant exploration potential for the Caetite concessions based on detailed geological mapping, airborne geophysical data interpretation, ground magnetometric surveys, as well as trenching, sampling, chemical analyses and concentration tests.

Corporate Information

ASX Code: CDG
Total shares: 240.5 million
Listed options: 11.4 million
Unlisted options: 30.6 million

Board of Directors

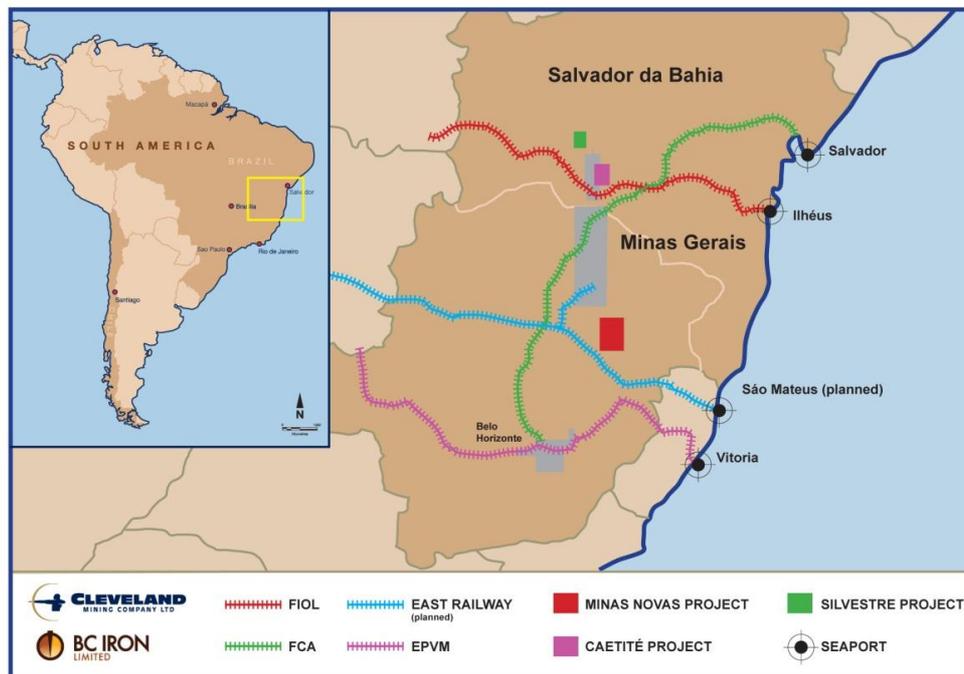
Non-Exec Chairman – Russell Scrimshaw
Non-Exec Director – Jim Williams
Managing Director – David Mendelawitz
Executive Director – Rod Campbell

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Sampling of the Caetite project by Coffey returned grades of 35% - 37% Fe, which is typical of highly sought-after Brazilian iron ore. Strike extents greater than 2km have been identified, though thicknesses and bulk grades are not yet known. Caetite is in the same geological setting as ENRC's BAMIN 19mtpa Iron Ore Project, which was recently acquired for US\$1 billion.

Sample results obtained by Coffey for the Minas Novas and Silvestre projects returned grades of 50% - 66% Fe and 60% respectively, with Direct Ship Ore ("DSO") potential.

The Alliance is targeting itabirite iron mineralisation ranging from 30% to 45% Fe that could be upgraded to a higher grade product. Brazilian iron ore of these grades is typically cheaply and easily processed, unlike Australian magnetite ores, and can be highly sort-after by the international steel industry. Higher grade DSO ores would potentially add further value.



Location and Infrastructure

The Caetite Projects are located in the Brazilian state of Salvador da Bahia near the town of Caetite (pop. 47,000). Caetite has high-quality infrastructure, with an airport, sealed highways passing through the project areas, and a power generation facility offering well-priced electricity.

The economic mainstay of Caetite is mining, with iron-ore, manganese, amethyst and uranium the most mined materials. Accordingly, the town offers a ready supply of workers and service providers that may be required by the Alliance for exploration of the area. New rail infrastructure is being built, which may be utilised by the Alliance in the future.

The Minas Novas project is located in Minas Gerais state, approximately 325km NE of Belo Horizonte, the home of the Brazilian iron ore industry. Local towns, such as Capalinha, which has a population of 33,000 (2007) and is predominantly agriculture-focused, provide infrastructure and access to local personnel.

Work Program

Exploration fieldwork will begin at the Caetite Project. It is estimated that two months of detailed mapping, sampling and logistics preparation will be undertaken prior to drilling. First pass drilling will aim to confirm the depth extend of the highest priority targets, with up to 2000m to be drilled in each state.

The start of fieldwork at the Minas Novas project will be largely determined by timetables for Caetite. Government aeromagnetic data that covers most of the project will be correlated with work already performed by the vendors.



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Further Information

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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 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. 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.

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 2004 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.