

**CAPITAL MINING LIMITED**

ABN 69 104 551 171

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**Financial Report  
2009**

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## Corporate Directory

### Directors

Richard Hine	<i>Chairman</i>
Robert McCauley	<i>Managing Director and CEO</i>
Christopher Ablett	<i>Non-executive Director</i>
John Seeley	<i>Non-executive Director</i>

### Company Secretary

John Keppo

### Principal Office

Unit 7, 23 Colbee Court Phillip, ACT 2606

PO Box 3770, Weston Creek ACT 2611

Telephone: 02 6281 7951

Mobile: 0432 327015

Facsimile: 02 6282 5324

Website: [www.capitalmining.com.au](http://www.capitalmining.com.au)

Email: [admin@capitalmining.com.au](mailto:admin@capitalmining.com.au)

### Registered Office

72 Dundas Court, Phillip, ACT 2606

### Share Registry

Registries Limited

GPO Box 3993, Sydney, NSW 2001

Telephone: 02 9290 9600

### Auditors

Barnes Dowell James

Chartered Accountants

Level 13, 122 Arthur Street

North Sydney NSW 2060

### Stock Exchange Listing

Listed on the Australian Stock Exchange (ASX)

ASX code for fully paid shares: CMY

ASX code for options: CMYO

CMYOA

**ABN: 69 104 551 171**

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# DIRECTORS' REPORT

Your Directors present the financial report of the Company for the period ended 30 June 2009.

The following persons hold office as Directors at the date of this report and throughout the period. Their qualifications and experience are:

**Richard Hine** BSc, PhD, MAusIMM, MGSA, MSEG,

## **Chairman of the Board**

Dr Hine has had over 30 years of broad experience in the minerals industry as a project geologist, researcher, exploration manager and company director. He has a PhD in economic geology and is a graduate of the Australian National University and the James Cook University of North Queensland.

Dr Hine has specialist skills in exploration management, ore deposit and prospect evaluation, terrane analysis, regional target selection, exploration data synthesis, ore petrology, mineralogy and conceptual analysis. He has worked on a wide range of deposit types and mineral commodities that include: porphyry, epithermal and skarn style copper, molybdenum and gold deposits; volcanic-hosted massive sulphide copper, lead and zinc deposits; disseminated, vein and skarn style tin and tungsten deposits; alluvial gold and tin; and intrusion related rare metal and REE deposits.

Over the years, Dr Hine's training has come from the teaching and guidance of many high-profile academics and respected industry colleagues. Since graduation he has worked in Papua New Guinea, the Philippines, Indonesia, Malaysia, Western Europe, New Zealand, the Fiji Islands and Eastern and Central Australia. Most of his career has been spent in exploration of the Tasman Orogenic Zone as a company employee and lately as a consultant. He has specialist knowledge of the mineralisation of the Lachlan Fold Belt of New South Wales and Victoria and is well versed in the many aspects of mineral production through his participation in the development of the Junction Reefs group of gold mines in the nineties.

Dr Hine is a long standing Member of the Australasian Institute of Mining and Metallurgy, the Geological Society of Australia and the Society of Economic Geologists. He is the Managing Director of Heemskirk Resources Pty Limited, which he established in 1999 to pursue exploration opportunities in New South Wales and to provide a consulting and management service to the minerals industry. Dr Hine is a "Competent Person" as defined in the JORC Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves who has had more than five years experience which is relevant to all of the deposit types and styles of mineralisation referred to in this report.

**Robert McCauley** BSc, MRICS, MIS Aust, Cert. Prof.SSI, Chartered Surveyor, Licensed Surveyor

## **Managing Director & Chief Executive Officer**

Mr McCauley was appointed Managing Director of Capital Mining Limited in May 2006. He is also Managing Director of Chakola Gold Pty Ltd and Principal of Robert J McCauley & Associates Consulting Surveyors.

Over the past 27 years prior to his Executive appointment with Capital Mining Limited, Mr McCauley was engaged in a capacity as either Principal/consultant, senior staff or staff positions to numerous companies such as Worsley Alumina Pty Ltd, Sir Alexander Gibb & Partners, BHP Ltd, Layton Seismic Services and Boral Limited on major infrastructure, mining and seismic exploration projects and areas such as the Boddington Gold Mine (WA); Monasavu Hydro Electric Scheme, Fiji; the North West Shelf Liquefied Natural Gas Plant (WA).

Mr McCauley has a broad range of experience and contacts in both the private and public sectors. He has been Manager of Robert J McCauley & Associates (land, mining & engineering surveyors) since 1991 and has held positions such as President of the Institution of Surveyors Australia, Canberra Division including nominee for the Canberra Business Council; Member (ministerial nominee) of the statutory Surveyors' Board of the Australian Capital Territory and Chairman of the Australian Council of Professions, ACT Branch. He is a graduate of W.A.I.T./ Curtin University; a Chartered and Licensed Surveyor; a Member of the Institution of Surveyors, Australia; a Certified Professional of the Spatial Sciences Institute, and a Member of the Royal Institution of Chartered Surveyors.

# DIRECTORS' REPORT

**Christopher Ablett**, Registered Surveyor, Cert. Mining, MAusIMM, MISAust

## **Non Executive Director**

Mr Ablett is a Registered Surveyor who has been associated with the mining and exploration industry since the late 1960's. He has considerable experience in mine site, open pit and underground mine survey and in quantity surveying. Mr Ablett has worked on mining projects in Western Australia, the Northern Territory, the eastern Australian states and

Fiji. He has held a number of senior staff positions with several large gold and base metal mines including Emperor Gold Mines Ltd, Cleveland Tin Ltd and at other mines run by the former Peko-Wallsend Group.

Mr Ablett formed his own private company, Ablex Pty Ltd, in 1984 as a service provider for the mining and surveying industries and to look for exploration opportunities in eastern Australia. During this time Mr Ablett has participated at a grass roots level on several significant exploration projects most recently at the Cowal Gold Project and at the Adelong Gold Project in New South Wales. He has provided contract supervision for surface and underground mining and exploration operations.

Mr Ablett is committed to the Mining Industry and believes Australia provides an excellent environment for exploration and the development of mineral resources. Mr Ablett is a Member of the Australasian Institute of Mining and Metallurgy and the Institute of Surveyors Australia and is the Managing Director of Ablex Pty Ltd.

**John B Seeley** M.Sc(Hons), Grad.Dip.App.Econ, MAusIMM, MSEG, MAIME.

## **Non Executive Director**

Mr Seeley was appointed to the Board on 1 February 2008 as an Independent Non Executive director. Mr Seeley has been a geologist in the minerals industry for over 40 years. He has an M.Sc(Hons) degree from Auckland University and a post graduate diploma in applied economics from the University of Canberra.

Mr Seeley has a broad commodity experience in over twenty five countries in a wide range of geological environments. He has explored for gold in epithermal, mesothermal, porphyry, polymetallic, Carlin type and alluvial environments and for copper in porphyry, volcanic hosted massive sulphide and stratiform environments. He carried out exploration for base metals in stratiform and volcanogenic environments and for nickel and platinum associated in ultramafic rocks as laterite and sulphides and greenstone belts. Exploration for tin, tungsten and potash has been undertaken for lengthy periods in SE Asia.

His experience includes mine and exploration geology and some sixteen years in exploration management for international mining companies and the United Nations. He has also taught geology at tertiary level. For the past eight years he has worked as an independent consulting geologist undertaking project assessment in a number of countries, writing independent expert reports and carrying out short term project management.

## **Company Secretary**

### **John Keppo**

Mr Keppo was appointed Company secretary on 6 July 2007 and has over 40 years experience in the banking and finance industry, with the last seven years in a variety of roles with ASX public listed companies operating in the mining and exploration sector. His work experience covers areas in Australia, China and Papua New Guinea.

## **Directors' Interests in Shares and Options**

Directors' interests in shares and options as at 30 June 2009 are set out in the table below. Between the end of the financial year and the date of this report, Richard Hine has subscribed for Nil shares and Nil Options, Robert McCauley for 2,158,172 shares plus 1,079,086 Options, Christopher Ablett for 50,000 shares plus 25,000 Options and John Seeley for Nil shares and Nil Options.

# DIRECTORS' REPORT

30 June 2009

Director	Shares Directly and Indirectly Held	Options
Richard Hine	9,020,000	3,006,667
Robert McCauley	3,320,000	1,961,168
Christopher Ablett	6,000,000	2,000,000
John Seeley	-	-

## Principal Activities

The continuing principal activity of the Company is the exploration for economic deposits of minerals. For the period of this report, the emphasis has been on gold and base metals, to a lesser extent, zirconium and Rare Earth Elements.

## Results

The net result of operations after applicable income tax expense was a loss of \$267,684.

## Dividends

No dividends were paid or proposed during the period

## Review of Operations

Operations over the past twelve months have been focussed on advancing prospects within the Company's key gold and base metal project areas in southeast New South Wales.

Conceptual mine plans were drawn up, environmental studies were completed and development applications were lodged in respect of the gold-base metals resource at Chakola and the alluvial gold resource at Craigie.

Capital recently received an initial assessment from the Cooma-Monaro Shire Council regarding the Development Application for the gold and base metals open pit mine at Chakola. There were a number of issues identified such as the current embargo on the use of underground water and further details required for the Environmental Impact Statement. To date the Department of Industry and Investment have indicated they have no in principle objections and the Company is working with Council and other NSW State Government departments to bring the Development Application to a successful conclusion

Further exploration work continued at the Narraburra Zirconium-REE Project and positive results were received from gravity separation tests carried out on composite drill samples during the year. Further work and testing is planned. Ongoing work on the Porters Mount Gold-Copper-Molybdenum project, which included high resolution ground magnetic and gravity surveying, analysis of geophysical datasets and other analysis of drill samples, has led to a better understanding of the geology and drill targets have been outlined.

Two new promising projects were added to the Company's portfolio during the year. These are the Cowarra Gold Project near Bredbo NSW and the Mayfield Gold-Copper Project, near Braidwood NSW. The Mayfield project is a Capital Mining Limited – Monaro Mining NL Joint Venture. Both projects were acquired to quickly work up gold and base metal resources on the back of very encouraging historic exploration results.

## Corporate Structure

Capital Mining Limited is a limited company that is incorporated and domiciled in Australia.

## Employees

The Company had one employee as at 30 June 2009. The Company uses contract geologists and other consultants as required.

## Significant Changes

The Company has continued with its business during the year as detailed in above in the Review of Operations and other parts of this report. In June 2009, the Company announced the acquisition of the Cowarra Gold Project for the consideration of 3 million ordinary shares. These shares were allotted on 12 June 2009, and escrowed for 6 months. The Directors are not aware of any other significant changes in the state of affairs of the Company occurring during the financial period, other than as disclosed in this report.

# DIRECTORS' REPORT

## Matters Subsequent to the End of the Financial Period

There were at the date of this report no matters or circumstances which have arisen since 30 June 2009 that have significantly affected or may significantly affect:

the operations of the Company,

the results of those operations, or

the state of affairs of the Company,

except as set out below:

- (a) Completion of the Non Renounceable Rights Issue on 21 July 2009. Total of 25,570,321 ordinary shares and 12,785,166 Options were issued raising gross funds of \$1,022,813 before costs.

## Likely Developments and Expected Results

As the Company's areas of interest are at an early stage of exploration, it is not possible to assess the likely developments and any expected results. The Company is looking to identify other precious and base metal exploration and evaluation targets.

## Share Options

Unissued ordinary shares of Capital Mining Limited under option at the date of this report are as follows:

Date options granted	Expiry date	Issue price of shares	Number under option
6 June 2007	22 March 2012	\$0.185	250,000
6 June 2007	22 March 2012	\$0.235	250,000
25 October 2007	18 October 2010	\$0.20	14,302,897
21 July 2009	1 July 2011	\$0.08	12,785,166
<b>Total</b>			<b>27,588,063</b>

The holders of these options do not have any rights under the options to participate in any share issue of the company or of any other entity.

## Remuneration Report - Audited

The remuneration report is set out under the following main headings:

- (a) Policy used to determine the nature and amount of remuneration
- (b) Key management personnel
- (c) Details of remuneration
- (d) Cash bonuses
- (e) Share-based payment bonuses
- (f) Option and rights granted as remuneration
- (g) Equity instruments issued on exercise of remuneration options
- (h) Value of options to key management personnel and executives
- (i) Service contracts

### (a) Policy used to determine the nature and amount of remuneration

The objective of the Company's remuneration framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders. The Board believes that executive remuneration satisfies the following key criteria:

# DIRECTORS' REPORT

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency
- capital management.

These criteria result in a framework which can be used to provide a mix of fixed and variable remuneration, and a blend of short and long-term incentives in line with the Company's limited financial resources.

Key Management Personnel's remuneration is not linked to the Company's performance due to the nature of the Company's activities.

Fees and payments to the non-executive directors and key management personnel reflect the demands which are made on, and the responsibilities of, the directors and the key management personnel. Such fees and payments are reviewed annually by the Board. The executive and non-executive directors, key management personnel and officers are entitled to receive options under the Company's employee share option scheme.

## (b) Key management personnel

The following persons were key management personnel of Capital Mining Limited during the financial year:

Name	Position held
Richard Hine	Executive Chairman
Robert McCauley	Managing Director & CEO
Christopher Ablett	Non Executive Director
John Seeley	Non Executive Director
Senior executives	
Nil	

Other than directors, there are no other officers or personnel who satisfy the definition of "Key Management Personnel" who are or were involved in, concerned with, or who take part in, the management of the affairs of Capital Mining Limited.

## (c) Details of remuneration

Directors are entitled to remuneration out of the funds of the Company but the remuneration of the Non-Executive Directors may not exceed in any year the amount fixed by the Company in general meeting for that purpose. The aggregate remuneration of the Non-Executive Directors has been fixed at a maximum of \$200,000 per annum to be apportioned among the non-executive directors in such a manner as they determine. Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred in consequence of their attendance at Board meetings and otherwise in the execution of their duties as directors.

The Directors have resolved that Non-Executive Directors fees be set at \$35,000 per annum.

Details of the nature and amount of each element of the remuneration of each of the directors of Capital Mining Limited and each of the five Key Management Personnel of the Company who received the highest emoluments during the year ended 30 June 2009 are set out in the following tables.

# DIRECTORS' REPORT

2009	Short-term employee benefits			Post-employment benefits	Long-term benefits		Share based payments			
	Salary, Directors and consulting fees \$	Cash bonus \$	Non monetary benefits \$	Super-annuation \$	Long service leave \$	Termination benefits \$	Options \$	Total \$	Proportion of remuneration that is performance based %	% of Value of remuneration that consists of options %
R Hine	121,800	-	-	-	-	-	-	121,800	-	-
R McCauley	84,328	-	-	-	-	-	-	84,328	-	-
C Ablett	80,385	-	-	-	-	-	-	80,385	-	-
J Seeley*	42,813	-	-	3,853	-	-	-	46,666	-	-
Other key management personnel										
Nil	-	-	-	-	-	-	-	-	-	-
Total key management personnel compensation	329,326	-	-	3,853	-	-	-	333,179	-	-

\*Includes accrued fees from previous financial year

2008	Short-term employee benefits			Post-employment benefits	Long-term benefits		Share based payments			
	Salary, Directors and consulting fees \$	Cash bonus \$	Non monetary benefits \$	Super-annuation \$	Long service leave \$	Termination benefits \$	Options \$	Total \$	Proportion of remuneration that is performance based %	% of Value of remuneration that consists of options %
R Hine	154,510	-	-	-	-	-	-	154,510	-	-
R McCauley	61,979	-	-	5,578	-	-	-	67,557	-	-
C Ablett	107,935	-	-	-	-	-	-	107,935	-	-
J Seeley*	-	-	-	-	-	-	-	-	-	-
Other key management personnel										
Nil	-	-	-	-	-	-	-	-	-	-
Total key management personnel compensation	324,424	-	-	5,578	-	-	-	330,002	-	-

\* Non Executive Directors fees of \$14,583 accrued and payable as at 30 June 2008

Options and shares do not represent cash payments to directors or key management personnel and share options granted may or may not be exercised by the directors or executives.

Any Options granted as a part of director or key management personnel remuneration have been valued using a Black and Scholes option-pricing model, which takes account of factors including the option exercise price, the share price at time of grant, volatility of the underlying share price, the risk-free interest rate and the expected life of the option.

# DIRECTORS' REPORT

## **Fair value of options**

The fair value of each option is estimated on the date of grant using a Black and Scholes option-pricing model with the relative weighted average assumptions used for each grant made.

### **(d) Cash bonuses**

No cash bonuses were paid to directors or key management personnel during the 2008-2009 financial year.

### **(e) Share-based payment bonuses**

No options were issued to directors or key management personnel during the 2008-2009 financial year.

### **(f) Options and rights granted as remuneration**

No options or rights were granted to directors or key management personnel as remuneration during the 2008-2009 financial year.

### **(g) Equity Instruments issued on exercise of remuneration options**

No equity instruments were issued to directors or key management personnel during the 2008-2009 financial year.

### **(h) Value of options to key management personnel and executives**

There were no options granted, exercised or lapsed to key management personnel and executives as part of their remuneration during the 2008-2009 financial year.

### **(i) Service contracts**

Remuneration and other terms of employment for the directors and key management personnel are formalised in Service/Appointment agreements.

All contracts with the key management personnel may be terminated early by either party with the stipulated number of months notice, subject to any termination payments as detailed below.

#### **Dr Richard Hine**

By Letter of Engagement dated 28 August 2006 Capital Mining Limited engages Heemskirk Resources Pty Limited, a company associated with Richard Hine, to provide company management, exploration management and mining project management services at the rate of \$60 per hour (plus GST). This rate is subject to amendment each year in line with a review of work carried out and movements in industry rates charged for services.

One months notice is required from either party to terminate the agreement unless otherwise agreed by the parties. Heemskirk Resources Pty Limited received payments totalling \$121,800.

#### **Robert McCauley**

By Letter of Engagement dated 1 July 2008, Capital Mining engages Robert J McCauley and Associates, an entity associated with Robert McCauley, to provide management services at the rate of \$60 per hour (plus GST). This rate is subject to amendment each year in line with a review of work carried out and the movements in industry rates charged for these services. Capital Mining will reimburse Mr McCauley for any reasonable costs incurred whilst undertaking Capital Mining's work. Such costs may include, but not limited to travel, accommodation and sustenance, courier and postage, telephone, internet and facsimile costs.

One months notice is required from either party to terminate this engagement unless otherwise agreed between the parties. Robert J McCauley and Associates received payments totalling \$84,328.

#### **Christopher Ablett**

By Letter of Engagement dated 31 August 2006, Capital Mining engages Ablex Pty Limited (a company associated with Christopher Ablett), to provide project management, mining and surveying services at the rate of \$60 per hour (plus GST). His rate is subject to amendment each year in line with a review of work carried out and movements in industry rates charged for services.

One months notice is required from either party to terminate the engagement unless otherwise agreed by the parties.

Capital Mining will reimburse Ablex for any reasonable direct costs incurred by Ablex in undertaking Capital Mining's work, including travel, accommodation and sustenance, courier and postage costs, telephone and facsimile costs.

Ablex Pty Limited received payments totalling \$80,385.

# DIRECTORS' REPORT

## John B Seeley

By Letter of appointment dated 6 December 2007 Capital Mining will pay Non Executive Directors fees of \$35,000 per annum (inclusive of Superannuation) to John Seeley in his role as a Non Executive Director of the company, from commencement date 1 February 2008. Directors fees of \$46,666 were paid for the year ended 30 June 2009 (this includes some accrued fees from previous financial year).

## Share Options

At 30 June 2009 the company had granted options over 500,000 unissued shares to directors. These are:

Robert McCauley – 250,000 exercise price 18.5 cents\* (granted as 25 cents)

Robert McCauley – 250,000 exercise price 23.5 cents\* (granted as 30 cents)

These were granted on 6 June 2007 and expire 22 March 2012.

\* The exercise price was adjusted following the non renounceable rights issues in October 2007 and July 2009.

## Directors' Interests

The relevant interest of each Director (including their associates) in the share capital of the Company as at 30 June 2009 is set out in note 14 to the financial statements.

Options included in directors' and key management personnel remuneration are treated as follows:

Fair values have been assessed using the Black and Scholes option valuation methodology which takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the options, the current price and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option. No discount has been applied.

## Share Capital and Options

A detailed breakdown of the company's capital, including options (unquoted options and employee options) and convertible instruments is contained in Note 11 to the Financial Statements.

## Meetings of Directors

Director's attendance at Directors meetings are shown in the following table:

Director	Meetings Eligible to Attend	Meetings Attended
Richard Hine	7	7
Robert McCauley	7	7
Christopher Ablett	7	7
John Seeley	7	5

The Company established an Audit Committee in February 2009 which consists of the two Non Executive Directors, Chris Ablett and John Seeley. The Audit Committee reviews the Company's financial systems, accounting policies, half-year and annual financial statements at appropriate times and then makes their recommendation to the Board. There has been no meeting of the Audit Committee during the year to 30 June 2009.

## Directors, Officers, Employees and Consultants Share Option Plan

The Company has established the Capital Mining Limited Employee Share Options Plan ("Plan") to assist in the attraction, retention and motivation of employees of the Company. No options have been granted under the Plan as at the date of this report.

A summary of the rules of the Plan is as follows:

a) All employees (full and part-time) will be eligible to participate in the Plan after a qualifying period of 12 months employment by the company, although the Board may waive this requirement.

# DIRECTORS' REPORT

- b) The allocation of options under the Plan is at the discretion of the Board.
- c) If permitted by the Board, options may be issued to an employee's nominee (for example, to a spouse or family company).
- d) Each option is to subscribe for one fully paid ordinary share in the Company and will expire five years from its date of issue. An Option is exercisable at any time from its date of issue.
- e) Options will be issued free. The exercise price of options will be determined by the Board subject to a minimum price equal to the market value of the Company's shares at the time the Board resolves to issue the options. The total number of shares the subject of options issued under the Plan, when aggregated with other options issued under the Plan during the previous five years must not exceed five percent of the Company's issued share capital.
- f) If, prior to the expiry date of the options, a person ceases to be an employee of the company for any reason other than retirement at age 60 or more (or such earlier age as the Board permits), permanent disability, redundancy or death, the options held by that person (or the person's nominee) must be exercised within one month thereafter otherwise they will automatically lapse. If a person dies, the options held by that person will be exercisable by that person's legal personal representative.
- g) Options cannot be transferred other than to the legal personal representative of a deceased Option holder.
- h) The Company will not apply for official quotation of any options.

The Board may amend the Plan rules at any time subject to the requirements of the ASX Listing Rules.

## Indemnification and Insurance of Officers and Auditors

### Indemnification

The Company has not, during or since the end of the financial period, in respect of any person who is or has been an officer of the Company or a related body corporate indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings.

### Insurance Premiums

During the financial period the Company has paid premiums to insure each of the directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

The premiums paid are not disclosed as such disclosure is prohibited under the terms of the contract.

### Audit and Non-Audit services

During the financial year, the following fees for non-audit services were paid or payable to the auditor, Barnes Dowell James:

	2009	2008
	\$	\$
<b>Audit-related services</b>		
Amounts paid or payable to Barnes Dowell James		
- Audit of regulatory returns	7,350	10,000
<b>Other services</b>		
Amounts paid to Barnes Dowell James		
- Other services	-	1,376
	<b>7,350</b>	<b>11,376</b>

The directors are satisfied that the provision of non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The directors are satisfied that the provision of non-audit services by the auditor, as set out above, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

# DIRECTORS' REPORT

- all non-audit services have been reviewed by the directors to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the non-audit services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

## **Environmental Performance**

Capital Mining Limited holds exploration licences issued by the Mines Departments of two state governments (NSW and SA) which specify guidelines for environmental impacts in relation to exploration activities. The licence conditions provide for the full rehabilitation of the areas of exploration in accordance with the various Mines Departments' guidelines and standards. There have been no significant known breaches of the licence conditions.

## **Auditor's Independence Declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out and located after the Directors' Declaration and forms part of this report.

Signed at Sydney this 29<sup>th</sup> day of September 2009 in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to read 'Richard Hine', with a stylized flourish at the end.

**RICHARD HINE**  
Chairman

# INCOME STATEMENT

YEAR ENDED 30 JUNE 2009

	Note	2009 \$	2008 \$
<b>REVENUE</b>	2	<b>60,106</b>	185,770
Administration expenses		<b>(41,654)</b>	(43,871)
Consultant expenses		<b>(110,104)</b>	(77,416)
Depreciation	8	<b>(14,874)</b>	(13,669)
Exploration expenses		<b>(152,935)</b>	(342,299)
Salaries and employee benefits expense		<b>(5,417)</b>	(8,708)
Share-based compensation		-	-
Travel and accommodation		<b>(2,806)</b>	(5,665)
Other expenses from ordinary activities		-	(2,858)
<b>(LOSS) BEFORE INCOME TAX EXPENSE</b>		<b>(267,684)</b>	(308,716)
<b>INCOME TAX EXPENSE</b>	3	-	-
<b>(LOSS) AFTER INCOME TAX EXPENSE</b>	13	<b>(267,684)</b>	(308,716)
<b>NET (LOSS) ATTRIBUTABLE TO MEMBERS OF ICON RESOURCES LTD</b>		<b>(267,684)</b>	(308,716)
Basic loss per share (cents per share)	13	<b>(0.0067)</b>	(0.0078)
Diluted loss per share (cents per share)	13	<b>(0.0067)</b>	(0.0078)

# BALANCE SHEET

AT 30 JUNE 2009

	Note	2009 \$	2008 \$
<b>CURRENT ASSETS</b>			
Cash assets	5	725,013	1,772,850
Receivables	6	16,023	90,857
Prepayments		4,607	9,823
<b>TOTAL CURRENT ASSETS</b>		<b>745,643</b>	<b>1,873,530</b>
<b>NON-CURRENT ASSETS</b>			
Tenement security deposits	7	105,000	105,000
Other security deposits		1,380	1,380
Plant and equipment	8	77,117	91,990
Deferred exploration and evaluation expenditure	9	2,372,922	1,511,182
<b>TOTAL NON-CURRENT ASSETS</b>		<b>2,556,419</b>	<b>1,709,552</b>
<b>TOTAL ASSETS</b>		<b>3,302,062</b>	<b>3,583,082</b>
<b>CURRENT LIABILITIES</b>			
Payables	10	100,831	347,289
<b>TOTAL CURRENT LIABILITIES</b>		<b>100,831</b>	<b>347,289</b>
<b>TOTAL LIABILITIES</b>		<b>100,831</b>	<b>347,289</b>
<b>NET ASSETS</b>		<b>3,201,231</b>	<b>3,235,793</b>
<b>EQUITY</b>			
Issued capital	11	3,974,593	3,741,470
Accumulated losses	12	(1,002,708)	(735,023)
Reserves	12	229,346	229,346
<b>TOTAL EQUITY</b>		<b>3,201,231</b>	<b>3,235,793</b>

# STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE 2009

Note	2009	2008
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payment to suppliers and employees	(479,326)	(207,795)
Interest received	58,310	156,892
Other income	1,796	52
NET CASH FLOWS (USED IN) OPERATING ACTIVITIES	23 <u>(419,220)</u>	<u>(50,851)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of plant and equipment	-	(66,415)
Expenditure on mining interests (exploration)	(621,740)	(1,367,878)
Other security deposits	-	1,000
Tenement security deposits	-	(35,000)
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES	<u>(621,740)</u>	<u>(1,468,293)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares and options	667	143,763
Equity raising expenses	(7,544)	-
NET CASH FLOWS FROM FINANCING ACTIVITIES	<u>(6,877)</u>	<u>143,763</u>
<b>Net increase in cash held</b>	<b>(1,047,837)</b>	<b>(1,375,381)</b>
Add opening cash brought forward	<u>1,772,850</u>	<u>3,148,231</u>
<b>CLOSING CASH CARRIED FORWARD</b>	23 <u><b>725,013</b></u>	<u>1,772,850</u>

# STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 30 JUNE 2009

	<b>Issued Capital</b>	<b>Accumulated Losses</b>	<b>Reserves</b>	<b>Total Equity</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>AT 1 JULY 2007</b>	3,740,804	(426,308)	86,250	3,400,746
Loss for the period	-	(308,716)	-	(308,716)
Issue of share capital	666	-	-	666
Issue of Options	-	-	143,096	143,096
<b>AT 30 JUNE 2008</b>	<b>3,741,470</b>	<b>(735,024)</b>	<b>229,346</b>	<b>3,235,792</b>
<b>AT 1 JULY 2008</b>	3,741,470	(735,024)	229,346	3,235,792
Loss for the period	-	(267,684)	-	(267,684)
Issue of share capital	233,123	-	-	233,123
Issue of Options	-	-	-	-
<b>AT 30 JUNE 2009</b>	<b>3,974,593</b>	<b>(1,002,708)</b>	<b>229,346</b>	<b>3,201,231</b>

# NOTES TO AND FORMING PART OF THE ACCOUNTS

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards.

The financial report has been prepared on a historical cost basis except for land and buildings, which have been measured at fair value.

### (b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ("AIFRS"). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ("IFRS").

This financial report has been prepared based on AIFRS.

### (c) Basis of consolidation

The financial statements comprise the financial statements of Capital Mining Limited as at 30 June each year. There were no subsidiaries held as at 30 June 2009.

### (d) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Land and buildings are measured at fair value less accumulated depreciation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- plant and equipment – 15 years

#### *Impairment*

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

An item of plant and equipment is derecognised upon disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

### (e) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

### (f) Intangible assets

#### *Acquired both separately and from a business combination*

Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. Following recognition, the cost model is applied to the class of intangible assets.

The useful lives of these intangible assets are assessed to be either finite or indefinite.

Where amortisation is charged on assets with finite lives, this expense is taken to the income statement through the "administrative expenses" line item.

Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the period in which the expenditure is incurred.

Intangible assets are tested for impairment where an indicator of impairment exists and in the case of indefinite life intangibles annually, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

### (g) Recoverable amount of assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

## NOTES TO AND FORMING PART OF THE ACCOUNTS *(continued)*

Recoverable amount is the greater of fair value less costs to sell and value in use.

### **(h) Investments**

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in the income statement.

Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification.

Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method.

Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.

For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognised or impaired, as well as through the amortisation process.

For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date.

For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date, being the date that the Company commits to purchase the asset.

### **(i) Exploration, evaluation, development and restoration costs**

#### *Exploration and evaluation*

Exploration and evaluation expenditure incurred by or on behalf of the Company is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure, but does not include general overheads or administrative expenditure not having a specific connection with a particular area of interest.

Exploration and evaluation costs in relation to separate areas of interest for which rights of tenure are current are brought to account in the year in which they are incurred and carried forward provided that:

- such costs are expected to be recouped through successful development and exploitation of the area, or alternatively through its sale; or
- exploration and/or evaluation activities in the area have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

Once a development decision has been taken, all past and future exploration and evaluation expenditure in respect of the area of interest is aggregated within costs of development.

#### *Exploration and evaluation – impairment*

The Directors assess at each reporting date whether there is an indication that an asset has been impaired and for exploration and evaluation cost whether the above carry forward criteria are met.

Accumulated costs in respect of areas of interest are written off or a provision made in the Income Statement when the above criteria do not apply or when the Directors assess that the carrying value may exceed the recoverable amount. The costs of productive areas are amortised over the life of the area of interest to which such costs relate on the production output basis, provisions would be reviewed and if appropriate, written back.

# NOTES TO AND FORMING PART OF THE ACCOUNTS *(continued)*

## *Development*

Development expenditure incurred by or on behalf of the Company is accumulated separately for each area of interest in which economically recoverable reserves have been identified to the satisfaction of the directors. Such expenditure comprises net direct costs and, in the same manner as for exploration and evaluation expenditure, an appropriate portion of related overhead expenditure having a specific connection with the development property.

All expenditure incurred prior to the commencement of commercial levels of production from each development property is carried forward to the extent to which recoupment out of revenue to be derived from the sale of production from the relevant development property, or from the sale of that property, is reasonably assured.

No amortisation is provided in respect of development properties until a decision has been made to commence mining. After this decision, the costs are amortised over the life of the area of interest to which such costs relate on a production output basis.

## *Restoration*

Provisions for restoration costs are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

## *Remaining mine life*

In estimating the remaining life of the mine at each mine property for the purpose of amortisation and depreciation calculations, due regard is given not only to the volume of remaining economically recoverable reserves but also to limitations which could arise from the potential for changes in technology, demand, product substitution and other issues that are inherently difficult to estimate over a lengthy time frame.

### **(j) Mine property held for sale**

Where the carrying amount of mine property and related assets will be recovered principally through a sale transaction rather than through continuing use, the assets are reclassified as Mine Property Held for Sale and carried at the lower of the assets' carrying amount and fair value less costs to sell – where such fair value can be reasonably determined, and otherwise at its carrying amount. Liabilities and provisions related to mine property held for sale are similarly reclassified as Liabilities – Mine Property Held for Sale and, Provisions – Mine Property Held for sale, as applicable, and carried at the value at which the liability or provisions is expected to be settled.

### **(k) Trade and Other Receivables**

Trade receivables, which generally have 5-30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

### **(l) Cash and cash equivalents**

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any outstanding bank overdrafts, if any.

### **(m) Other provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

## NOTES TO AND FORMING PART OF THE ACCOUNTS *(continued)*

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### **(n) Employee Entitlements**

Liabilities for wages and salaries are recognised and are measured as an amount unpaid at the reporting date at current pay rates in respect of employee's services up to that date. Current employee contracts do entitle them to annual leave and long service leave. A liability in respect of superannuation at the current superannuation guarantee rate has been accrued at the reporting date.

### **(o) Share-based payments**

An employee share option scheme has been established where selected employees, consultants, contractors and Directors of the Company are issued with options over ordinary shares in Capital Mining Limited. The options, issued for nil consideration, are issued in accordance with a performance review by the Directors. The options cannot be transferred and will not be quoted on the ASX. Options expire if not exercised 1 month after a participant resigns from the Company. The cost of these equity-settled transactions is determined by reference to the fair value at the date at which they are granted. The fair value of the options is determined by using the Black and Scholes option pricing model.

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (a) the extent to which the vesting period has expired and (b) the number of awards that, in the opinion of the Directors of the Company, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

### **(p) Leases**

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as the lease income.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

### **(q) Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

#### *Sale of goods*

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

#### *Interest*

Revenue is recognised as the interest accrues (using the effective interest method), which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

#### *Dividends*

Revenue is recognised when the shareholders' right to receive the payment is established.

# NOTES TO AND FORMING PART OF THE ACCOUNTS *(continued)*

## **(r) Income tax**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

## **(s) Other taxes**

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

## **(t) Currency**

Both the functional and presentation currency is Australian dollars (A\$).

## **(u) Comparatives**

Where applicable, comparative figures have been adjusted to conform with any changes in presentation for the current financial year.

## NOTES TO AND FORMING PART OF THE ACCOUNTS *(continued)*

### (v) Investment in Controlled Entities

There were no investments in controlled entities as at 30 June 2009.

### (w) New accounting standards and interpretations

The following Australian Accounting Standards have been issued or amended and are applicable but are not yet effective. They have not been adopted in preparation of the financial statements for the annual reporting period ending 30 June 2009:

AASB Amendment	Title	Application date
AASB 2007-3 Amendment to Australian Accounting Standards; & AASB 8	AASB 6, 8, 107, 119, 127, 114	1 January 2009
<b>Effect</b> The disclosure requirements of AASB 114: Segment Reporting have been replaced due to the issuing of AASB 8: Operating Segments in February 2007. These amendments adopt a management reporting approach to segment reporting. Implementation will be adopted from 1 July 2009.		
AASB 2007-Amendments to Australian Accounting Standards; & AASB 123	AASB 101, 107, 111, 116, 138, 123	1 January 2009
<b>Effect</b> The revised AASB 123; Borrowing costs issued in June 2007 has removed the option to expense all borrowing costs. This amendment will require the capitalization of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. Presently the Company has nor material borrowing costs. Implementation will be adopted from 1 July 2009.		
AASB 2007-8 Amendments to Australian Accounting Standards; & AASB 101	AASB 101	1 January 2009
<b>Effect</b> The revised AASB 101: Presentation of Financial Statements issued in September 2007 requires the presentation of a Statement of Comprehensive Income.  Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements. Implementation will be adopted from 1 July 2009.		
AASB 2008-1 Amendments to Australian Accounting Standards – Share-based Payments: Vesting Conditions and Cancellations	AASB 2008 -1	1 January 2009
<b>Effect</b> The amendments clarify the definition of “vesting conditions”, introducing the term “non-vesting conditions” for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively		

## NOTES TO AND FORMING PART OF THE ACCOUNTS *(continued)*

cancelled because a non-vesting condition is not satisfied. Implementation will be adopted from 1 July 2009.		
AASB 3 (revised) Business Combinations, AASB 127 Consolidated and Separate Financial Statements and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127.	AASB 3	1 July 2009
<b>Effect</b> The revised AASB 3 standard introduces more detailed guidance on accounting on acquisitions, adjustments to contingent consideration, assets acquired that the purchaser does not intend to use, reacquired rights and share-based payments as part of the purchase consideration. Also, acquisition costs will now have to be expensed. Implementation will be adopted from 1 July 2009.		

	2009	2008
	\$	\$
<b>2. REVENUE FROM ORDINARY ACTIVITIES</b>		
Interest received – other persons/corporation	58,310	185,718
Other income	1,796	52
	<u>60,106</u>	<u>185,770</u>
<b>3. INCOME TAX</b>		
<b>(a) Income tax expense</b>		
Current tax	-	-
Deferred tax	-	-
(Over) under provision in prior years	-	-
	<u>-</u>	<u>-</u>
<b>Income tax expense is attributable to:</b>		
Profit from continuing operations	-	-
Aggregate income tax expense	<u>-</u>	<u>-</u>
<b>(b) Numerical reconciliation of income tax expense to prima facie tax payable</b>		
Losses from continuing operations before income tax expense	(267,684)	(308,716)
Tax at the Australian tax rate of 30%	(80,305)	(92,615)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Additional deductions	-	-
(Over) under provision prior year	-	-
Non-allowable deductions	-	-
Other	-	-
Income taxes not brought to account	<u>(80,305)</u>	<u>(92,615)</u>
<b>(c) Current tax liabilities</b>		
Balance at beginning of year	-	-
Income tax paid	-	-

## NOTES TO AND FORMING PART OF THE ACCOUNTS *(continued)*

	2009	2008
	\$	\$
Current year's income tax on profit	-	-
Under (over) provided in prior year	-	-
Balance at end of year	<u>-</u>	<u>-</u>

No provision for income tax is considered necessary in respect of the Company for the period ended 30 June 2009.

No recognition has been given to any future income tax benefit which may arise from operating losses not claimed for tax purposes. The Company has estimated its losses not claimed of \$1,002,708. These amounts have not been brought to account in calculating any future tax benefit.

A benefit of 30% of approximately \$300,812, will only be obtained if:

- the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised,
- the Company continues to comply with the conditions for deductibility imposed by the law, and
- no changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the losses, i.e. current tax legislation permits carried forward tax losses to be carried forward indefinitely.

No franking credits are available for subsequent years.

### Tax consolidation

The Tax Consolidation scheme is not applicable to the Company.

	2009	2008
	\$	\$
<b>4. AUDITORS' REMUNERATION</b>		
Total amounts receivable by the current auditors of the Company for:		
Audit of the Company's accounts	7,350	10,000
Other services	-	1,376
	<u>7,350</u>	<u>11,376</u>

### 5. CASH AND CASH EQUIVALENTS

Cash at Bank	475,013	172,850
Cash on Deposit	250,000	1,600,000
	<u>725,013</u>	<u>1,772,850</u>

### 6. RECEIVABLES – CURRENT

Interest	1,403	28,827
Refund for GST paid	14,620	62,030
Other receivables	<u>16,023</u>	<u>90,857</u>

## NOTES TO AND FORMING PART OF THE ACCOUNTS *(continued)*

	2009	2008
	\$	\$
<b>7. TENEMENT SECURITY DEPOSITS</b>		
Cash with government mines department	<b>105,000</b>	105,000
These deposits are restricted so that they are available for any rehabilitation that may be required on exploration tenements (refer to Note 19)		

	2009	2008
<b>8. PLANT, MOTOR VEHICLE AND EQUIPMENT</b>		
Plant, motor vehicle and equipment – at cost	<b>106,415</b>	106,415
Accumulated depreciation	<b>(29,298)</b>	(14,425)
	<b>77,117</b>	91,990
Reconciliation of the carrying amount of plant, motor vehicle and equipment at the beginning and end of the current and previous financial year		
Carrying amount at beginning	<b>91,990</b>	39,244
Additions	-	66,415
Disposals	-	-
Depreciation expense	<b>(14,873)</b>	(13,669)
	<b>77,117</b>	91,990

	2009	2008
<b>9. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE</b>		
Costs brought forward	<b>1,511,182</b>	143,304
Costs incurred during the period	<b>1,014,675</b>	1,710,177
Costs written off during period	<b>(152,935)</b>	(342,299)
Costs carried forward	<b>2,372,922</b>	1,511,182
Exploration expenditure costs carried forward are made up of:		
Expenditure on joint venture areas	-	-
Expenditure on non joint venture areas	<b>2,372,922</b>	1,511,182
Costs carried forward	<b>2,372,922</b>	1,511,182

The above amounts represent costs of areas of interest carried forward as an asset in accordance with the accounting policy set out in Note 1. The ultimate recoupment of deferred exploration and evaluation expenditure in respect of an area of interest carried forward is dependent upon the discovery of commercially viable reserves and the successful development and exploitation of the respective areas or alternatively sale of the underlying areas of interest for at least their carrying value. Amortisation, in respect of the relevant area of interest, is not charged until a mining operation has commenced.

	2009	2008
	\$	\$
<b>10. CURRENT LIABILITIES – PAYABLES</b>		
Trade creditors	<b>24,144</b>	246,592
Accrued expenses	<b>72,278</b>	93,028
Loan from Heemskirk Resources Pty Ltd	-	1,646
Payroll liabilities	<b>4,274</b>	5,987
Other	<b>135</b>	36
	<b>100,831</b>	347,289

# NOTES TO AND FORMING PART OF THE ACCOUNTS *(continued)*

	2009	2008
	\$	\$
<b>11. CONTRIBUTED EQUITY</b>		
<b>Share capital</b>		
42,617,168 ordinary shares fully paid	<u>3,974,593</u>	<u>3,741,470</u>

(a) Movements in ordinary share capital	Date	Number of shares	Issue price	\$
<b>1 July 2007 to 30 June 2008</b>				
Balance b/fwd	01-07-07	39,610,500		3,740,804
Shares issued from conversion of Options	10-12-07	3,334	\$0.20	666
Balance as at 30 June 2008	30-06-08	<u>39,613,834</u>	\$0.20	<u>3,741,470</u>
<b>1 July 2008 to 30 June 2009</b>				
Balance b/fwd	01-07-08	39,613,834	-	3,741,470
Shares issued	12-06-09	3,000,000	\$0.08	240,000
Shares issued from conversion of Options	29-06-09	3,334	\$0.20	667
Share issue costs (rights Issue – completed July 2009)	30-06-09	-	-	(7,544)
<b>Balance as at 30 June 2009</b>		<u><b>42,617,168</b></u>		<u><b>3,974,593</b></u>

## Terms and conditions of contributed equity

### Ordinary Shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company. Option holders have no voting rights until the options are exercised.

### Options

The following options are outstanding at balance date.

(b) Movements in Options	Date	Number of Options	Exercise price	Maturity	\$
<b>(i) ASX Listed Options (CMYO)</b>					
<b>1 July 2007 to 30 June 2008</b>					
Options issued from Bonus Options Prospectus	25-10-07	14,309,565	\$0.20	18-10-2010	143,096
Options converted to shares	10-12-07	(3,334)	-	-	-
Balance 30 June 2008		<u>14,306,231</u>			<u>143,096</u>
<b>1 July 2008 to 30 June 2009</b>					
Brought forward	01-07-08	14,306,231			143,096
Options converted to shares	29-06-09	(3,334)	\$0.20	-	-
<b>Balance 30 June 2009</b>		<u><b>14,302,897</b></u>			<u><b>143,096</b></u>
<b>(ii) Unlisted Options</b>					
Options issued to Robert McCauley	06-06-07	250,000	\$0.185	22-03-2012	
Options issued to Robert McCauley	06-06-07	250,000	\$0.235	22-03-2012	
<b>Balance as at 30 June 2009</b>		<u><b>500,000</b></u>			

# NOTES TO AND FORMING PART OF THE ACCOUNTS *(continued)*

	2009	2008
	\$	\$
<b>12. RESERVES</b>		
<b>(a) Options expense reserve</b>		
Balance at 1 July 2008	229,346	86,250
Options transferred to reserve	-	143,096
Balance as at 30 June 2009	<u>229,346</u>	<u>229,346</u>
<b>(b) Accumulated losses</b>		
Balance at the beginning of period	(735,024)	(426,307)
Operating profit (loss) after income tax expense	(267,684)	(308,716)
Balance as at 30 June 2009	<u>(1,002,708)</u>	<u>(735,023)</u>

<b>13. LOSS PER SHARE</b>		
Basic loss per share (cents per share)	(0.0067)	(0.0078)
Diluted loss per share (cents per share)	(0.0067)	(0.0078)
Weighted average number of ordinary shares used in the calculation of basic and diluted loss per share	39,761,638	39,612,204
Loss used in calculating basic and diluted loss per share	<u>267,684</u>	<u>308,716</u>

## Conversion, call, subscription or issue after 30 June 2009:

Since the end of the financial period, and before the reporting date of these financial statements, the following conversions to, call of, or subscriptions for ordinary shares or issues of potential ordinary shares has taken place:

Movements in ordinary share capital	Date	Number of shares	Issue price	\$
<b>Balance as at 30 June 2009</b>		<b>42,617,168</b>		<b>3,974,593</b>
Shares issued from Non Renounceable Rights Issue	21-07-09	25,570,321	\$0.04	1,022,812
<b>Balance as at 21 July 2009</b>		<b><u>68,187,489</u></b>		<b><u>4,997,405</u></b>

Movements in ordinary ASX listed Options (CMYOA)	Date	Number of options	exercise price	Maturity
<b>Balance as at 30 June 2009</b>		-		
Options issued from Non Renounceable Rights Issue	21-07-09	12,785,166	\$0.08	01-07-2011
<b>Balance as at 21 July 2009</b>		<b><u>12,785,166</u></b>		

## 14. KEY MANAGEMENT PERSONNEL DISCLOSURES

### (a) Key management personnel compensation

	2009	2008
	\$	\$
Short-term employee benefits	329,326	324,424
Post-employment benefits	3,853	5,578
Other long-term benefits	-	-
Termination benefits	-	-
Share based payments	-	-
Balance at the end of period	<u>333,179</u>	<u>330,002</u>

## NOTES TO AND FORMING PART OF THE ACCOUNTS *(continued)*

Further information regarding the identity of key management personnel and their compensation can be found in the Audited Remuneration Report (contained in the directors' report) located earlier in this annual report.

### (b) Equity instruments

#### Options and Rights Holdings

Details of options and rights held directly, indirectly or beneficially by key management personnel and their related parties are as follows:

30 June 2009	Balance at 1 July 2008	Granted as compensation	Options Exercised	Other changes	Balance at 30 June 2009	Total vested at 30 June 2009	Total vested and exercisable at 30 June 2009	Total vested and unexercisable at 30 June 2009
<b>Name</b>								
R Hine	3,006,667	-	-	-	3,006,667	3,006,667	3,006,667	-
R McCauley	1,883,334	-	-	77,834	1,961,168	1,961,168	1,961,168	-
C Ablett	2,000,000	-	-	-	2,000,000	2,000,000	2,000,000	-
J Seeley	-	-	-	-	-	-	-	-
	6,890,001	-	-	77,834	6,967,835	6,967,835	6,967,835	-

30 June 2008	Balance at 1 July 2007	Granted as compensation	Options Exercised	Other changes	Balance at 30 June 2008	Total vested at 30 June 2008	Total vested and exercisable at 30 June 2008	Total vested and unexercisable at 30 June 2008
<b>Name</b>								
R Hine	-	-	-	3,006,667	3,006,667	3,006,667	3,006,667	-
R McCauley	500,000	-	-	1,383,334	1,883,334	1,883,334	1,883,334	-
C Ablett	-	-	-	2,000,000	2,000,000	2,000,000	2,000,000	-
J Seeley	-	-	-	-	-	-	-	-
	500,000	-	-	6,390,001	6,890,001	6,890,001	6,890,001	-

### (c) Shareholdings

Details of equity instruments (other than options and rights) held directly, indirectly or beneficially by key management personnel and their related parties are as follows:

30 June 2009	Balance at 1 July 2008	Granted as compensation	Received on exercise of options or rights	Other changes	Balance at 30 June 2009	Balance held nominally
<b>Name</b>						
R Hine	9,020,000	-	-	-	9,020,000	20,000
R McCauley	4,150,000	-	-	(830,000)	3,320,000	3,320,000
C Ablett	6,000,000	-	-	-	6,000,000	-
J Seeley	-	-	-	-	-	-
	19,170,000	-	-	(830,000)	18,340,000	3,340,000

30 June 2008	Balance at 1 July 2007	Granted as compensation	Received on exercise of options or rights	Other changes	Balance at 30 June 2008	Balance held nominally
<b>Name</b>						
R Hine	9,020,000	-	-	-	9,020,000	20,000
R McCauley	4,150,000	-	-	-	4,150,000	4,150,000
C Ablett	6,000,000	-	-	-	6,000,000	-
	19,170,000	-	-	-	19,170,000	4,170,000

# NOTES TO AND FORMING PART OF THE ACCOUNTS *(continued)*

## (d) Loans to key management personnel

There are no loans made by the company to key management personnel or their related parties.

## (e) Other transactions and balances

### Consulting services

A director, Richard Hine, is a director and shareholder of Heemskirk Resources Pty Limited, a director, Robert McCauley is a principal of Robert McCauley and Associates and a director, Christopher Ablett is a director and shareholder of Ablex Pty Ltd, each of these entities provided specialist consulting services to the company during the financial year. These services were based upon normal commercial terms and conditions.

	2009	2008
	\$	\$
Consulting services provided by director associated entities recognised as an expense during the year		
R Hine (Heemskirk Resources Pty Ltd)	121,800	154,510
R McCauley (Robert J McCauley and Associates)	84,328	-
C Ablett (Ablex Pty Ltd)	80,385	107,935
	<b>286,513</b>	<b>262,445</b>

Aggregate amounts of liabilities at balance date relating to consulting services with directors of the group are as follows:

	2009	2008
	\$	\$
Current liabilities	<b>43,772</b>	<b>47,618</b>

## 15. RELATED PARTY DISCLOSURES

The Directors in office during the period were Christopher Ablett, Richard Hine, Robert McCauley and John Seeley.

Interests and movements in the shares and options of the Company held by Directors and their Director-related entities as at 30 June 2009:

### Fully Paid Ordinary Shares – at 30 June 2009

Key management personnel	Balance 1.7.08	Net changes Number	Balance 30.6.09	Balance held Nominally Number
Richard Hine	9,020,000	-	9,020,000	20,000
Robert McCauley	4,150,000	(830,000)	3,320,000	3,320,000
Christopher Ablett	6,000,000	-	6,000,000	-
John Seeley	-	-	-	-
	<b>19,170,000</b>	<b>(830,000)</b>	<b>18,340,000</b>	<b>3,340,000</b>

### Options – at 30 June 2009

Key management personnel	Balance 1.7.08	Net changes Number	Balance 30.6.09	Balance held Nominally Number
Richard Hine	3,006,667	-	3,006,667	6,667
Robert McCauley	1,883,334	77,834	1,961,168	1,711,168
Christopher Ablett	2,000,000	-	2,000,000	-
John Seeley	-	-	-	-
	<b>6,890,001</b>	<b>77,834</b>	<b>6,967,835</b>	<b>1,717,835</b>

Key management personnel interests in shares and Options includes holdings in their names and in the names of director related entities.

# NOTES TO AND FORMING PART OF THE ACCOUNTS *(continued)*

## Remuneration options: Granted and vested during the year

Key management personnel interests in shares and Options includes holdings in their names and in the names of director related entities.

During the financial year no options were granted as equity compensation benefits to key management personnel and directors.

Richard Hine is a Director of and has a significant financial interest in Heemskirk Resources Pty Limited, a company that provided technical services to the Company during the period. Services provided during the period ended 30 June 2009 amounted to \$121,800. This amount is included in the key management personnel compensation in Note 14 (a) and in the remuneration report included in the Director's Report.

Robert McCauley is the principal of Robert McCauley and Associates, through which he provides management services to the Company. Services provided during the year ended 30 June 2009 amounted to \$84,328. This amount is included in the key management personnel compensation in Note 14 (a) and in the remuneration report included in the Director's Report.

Christopher Ablett is a Director of and has significant financial interest in Ablex Pty Ltd, a company that provides exploration and surveying services to the Company. Services provided during the period ended 30 June 2009 amounted to \$80,385. This amount is included in the key management personnel compensation in Note 14 (a) and in the remuneration report included in the Director's Report.

Services provided by Director-related entities were under normal commercial terms and conditions. No other benefits have been received or are receivable by Directors, other than those already disclosed in the notes to the accounts.

Services provided by Director-related entities were under normal commercial terms and conditions. No other benefits have been received or are receivable by Directors, other than those already disclosed in the notes to the accounts.

## 16. JOINT VENTURES

The Company has a joint venture agreement dated 28 April 2009 with Monaro Minerals NL to earn 51% equity in the Mayfield project (EL 6358) by spending \$100,000 by 23 December 2010 and a possible increase up to 75% by spending a further \$100,000 should Monaro Mining elect not to contribute and thus dilute its interest.

## 17. FINANCIAL REPORT BY SEGMENT

The Company operates predominantly in the one business and in one geographical area, namely Australian mineral exploration and evaluation.

## 18. CONTINGENT LIABILITIES

The Company has provided guarantees totalling \$105,000 in respect of mining tenements. These guarantees in respect of mining tenements are secured against deposits with the relative State Department of Mines. The Company does not expect to incur any material liability in respect of the guarantees.

## 19. EMPLOYEE ENTITLEMENTS

An employee share option plan has been established where selected officers and employees of the Company can be issued with options over ordinary shares in Capital Mining Limited. The options, issued for nil consideration, will be issued in accordance with a performance review by the Directors. The options cannot be transferred and will not be quoted on the ASX. The Company has not yet made an issue under the Plan.

## 20. FINANCIAL INSTRUMENTS

### Interest rate risk exposure

At balance date, the Company was exposed to a floating weighted average interest rate as follows:

	2009	2008
Weighted average rate of cash balances	2.30%	6.2%
Cash balances	\$725,013	\$1,772,850

Bank negotiable certificates of deposit are normally invested for 30-90 days and other cash at bank balances are at call. All other financial assets and liabilities are non-interest bearing.

# NOTES TO AND FORMING PART OF THE ACCOUNTS *(continued)*

## Net fair value of financial assets and liabilities, on balance sheet and credit risk

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the Company approximates their carrying value. Credit risk is minimal at balance date.

## 21. COMMITMENTS

### Exploration licence expenditure requirements

In order to maintain the Company's tenements in good standing with the various mines departments, the Company will be required to incur exploration expenditure under the terms of each licence. These expenditure requirements will diminish as the Company joint ventures projects to third parties. It is the Company's exploration strategy to farm-out where appropriate to larger companies to fund drilling programmes. In addition, the Company has commitments to expend funds towards earning or retaining an interest under joint venture agreements.

	2009	2008
	\$	\$
Payable not later than one year	674,000	674,000
Payable later than one year but not later than two years	674,000	674,000
	<b>1,348,000</b>	<b>1,348,000</b>

It is likely that the granting of new licences and changes in licence areas at renewal or expiry, will change the expenditure commitment to the Company from time to time.

## 22. SUBSEQUENT EVENTS

There have been no material events subsequent to 30 June 2009 apart from:

- (a) Completion of the Non Renounceable Rights Issue on 21 July 2009. Total of 25,570,321 ordinary shares and 12,785,166 Options were issued raising gross funds of \$1,022,813 before costs.

2009	2008
\$	\$

## 23. STATEMENT OF CASH FLOWS

Reconciliation of net cash outflow from operating activities to operating loss after income tax

(a) Operating (loss) after income tax	(267,685)	(308,716)
Depreciation	14,874	13,669
Formation expenses	-	329
Share/Option based payments for services	-	-
<b>Change in assets and liabilities:</b>		
(Increase)/decrease in receivables	80,049	(67,437)
(Decrease)/increase in trade and other creditors	(246,458)	311,304
Net cash outflow from operating activities	<b>(419,220)</b>	<b>(50,851)</b>

- (b) For the purpose of the Statement of Cash Flows, cash includes cash on hand, at bank, deposits and bank bills used as part of the cash management function. The Company does not have any unused credit facilities.

	2009	2008
	\$	\$
The balance at 30 June 2009 comprised:		
Cash assets	475,013	172,850
Bank deposits	250,000	1,600,000
Cash on hand	<b>725,013</b>	<b>1,772,850</b>

# NOTES TO AND FORMING PART OF THE ACCOUNTS *(continued)*

## 24. CORPORATE INFORMATION

The financial report of the Company for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the Directors on 29 September 2009.

Capital Mining Limited is a company limited by shares and incorporated in Australia. Its shares are publicly traded on the Australian Stock Exchange under the ticker code "CMY".

## 25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company's principal financial instruments comprise cash and short term deposits.

The main purpose of these financial instruments is to finance the company's operations. The company has various other financial assets and liabilities such as trade receivable and trade payables, which arise directly from its operations. It is, and has been throughout the entire period under review, the company's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the company's financial instruments are cash flow interest rate risk and equity price risk. Other minor risks are either summarised below. The Board reviews and agrees policies for managing each of these risks.

### (a) Cash flow interest rate risk

The company's exposure to the risks of changes in market interest rates relates primarily to the company's short-term deposits with a floating interest rate. These financial assets with variable rates expose the company to cash flow interest rate risk. All other financial assets and liabilities in the form of receivables and payables are non-interest bearing. The company does not engage in any hedging or derivative transactions to manage interest rate risk.

The following tables set out the carrying amount by maturity of the company's exposure to interest rate risk and the effective weighted average interest rate for each class of these financial instruments. Also included is the effect on profit and equity after tax if interest rates at that date had been 10% higher or lower with all other variables held constant as a sensitivity analysis.

The company has not entered into any hedging activities to cover interest rate risk. In regard to its interest rate risk, the consolidated entity continuously analyses its exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative investments and the mix of fixed and variable interest rates.

## NOTES TO AND FORMING PART OF THE ACCOUNTS *(continued)*

	Notes	Floating Interest Rate		Non-Interest Bearing		Total Carrying Amount		Interest Rate Risk Sensitivity 2009			
								-10%		+10%	
		2009	2008	2009	2008	2009	2008	Profit	Equity	Profit	Equity
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Financial Assets:</b>											
Cash at bank	5	475,013	172,850	-	-	475,013	172,850	(1,425)	(1,425)	1,425	1,425
Short-term deposits	5	250,000	1,600,000	-	-	250,000	1,600,000	(750)	(750)	750	750
Trade and other receivables	6	-	-	16,023	100,680	16,023	100,680	-	-	-	-
<b>Total</b>		<b>725,013</b>	<b>1,772,850</b>	<b>16,023</b>	<b>100,680</b>	<b>741,036</b>	<b>1,873,530</b>				
Weighted average Interest rate		2.30%	6.00%								
<b>Financial Liabilities</b>											
Trade and other Payables	10	-	-	100,831	347,289	100,831	347,289	-	-	-	-
<b>Total</b>		<b>-</b>	<b>-</b>	<b>100,831</b>	<b>347,289</b>	<b>100,831</b>	<b>347,289</b>				
Weighted average Interest rate		0.00%	0.00%	-	-	-	-				
<b>Net financial assets (liabilities)</b>		<b>725,013</b>	<b>1,772,850</b>	<b>(84,808)</b>	<b>(246,609)</b>	<b>640,205</b>	<b>1,526,241</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

A sensitivity of 10% has been selected as this is considered reasonable given the current level of both short-term and long-term Australian dollar interest rates. A 10% sensitivity would move short-term interest rates at 30 June 2009 from around 3.00% to 3.30% representing a 30 basis points shift. With the still uncertain financial markets, the current low interest rates are expected to continue, any change would likely to be only a small increase, and this level of sensitivity would seem reasonable.

Based on the sensitivity analysis only interest revenue from variable rate deposits and cash balances is impacted resulting in a decrease or increase in overall income.

### (b) Price Risk

The company is not exposed to equity securities price risk. The company has no investments held and classified on the balance sheet as available-for-sale.

### (c) Liquidity Risk

The company manages liquidity risk by maintaining sufficient cash reserves and marketable securities, and through the continuous monitoring of budgeted and actual cash flows.

## NOTES TO AND FORMING PART OF THE ACCOUNTS *(continued)*

	2009	2008
	\$	\$
Contracted maturities of payables year ended 30 June 2009		
Payable:		
- less than 6 months	100,831	347,289
- 6 to 12 months	-	-
- 1 to 5 year	-	-
- later than 5 year	-	-
<b>Total</b>	<b>100,831</b>	<b>347,289</b>

### (d) Commodity Price Risk

The company is exposed to commodity price risk. This risk arises from its activities directed at exploration and development mineral commodities. If commodity prices fall, the market for companies exploring for these commodities is affected. The company does not hedge its exposures.

### (e) Foreign Exchange Risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The company's foreign transactions are immaterial and it is not exposed to foreign currency risk.

### (f) Net Fair Values

For financial assets and liabilities, the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form, other than listed investments. The company has no financial assets where carrying amount exceeds net fair values at balance date.

The company's receivables at balance date are detailed in Note 5 and comprise primarily GST input tax credits refundable by the ATO. The balance (if any) of receivables comprises prepayments (if any).

The credit risk on financial assets of the company which have been recognised on the Balance Sheet is generally the carrying amount.

# DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Capital Mining Limited, I state that:

(1) In the opinion of the Directors:

(a) financial statements and notes of the Company are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2009 and of its performance for the year ended on that date; and

(ii) complying with Accounting Standards and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(2) This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2009.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'R. McCauley', with a horizontal line underneath the name.

Robert J McCauley

Chief Executive Officer/Director

Sydney, 29 September 2009

# BARNES DOWELL JAMES

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## CHARTERED ACCOUNTANTS

### Partners

C H Barnes FCA  
A J Dowell CA  
M W James CA  
B Kolevski (Affiliate ICAA)  
M Galouzis CA

### Associate

M A Nakkas CA

### North Sydney

Level 13, 122 Arthur St  
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### Manly

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### Correspondence

PO Box 1664  
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### Telephone

(02) 9956 8500

### Facsimile

(02) 9929 7428

### Email:

bdj@bdj.com.au

AJD:KG

21 August, 2009

The Directors  
Capital Mining Limited  
PO Box 3770  
WESTERN CREEK ACT 2611

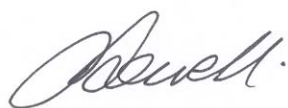
Dear Board of Directors,

## CAPITAL MINING LIMITED

We declare that to the best of our knowledge and belief, during the year ended 30 June, 2009 there have been:

- i. No contraventions of auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit, and
- ii. No contraventions of any applicable code of professional conduct in relation to the audit.

BARNES DOWELL JAMES  
Chartered Accountants



.....  
Anthony J Dowell  
Partner

29 September 2009



# BARNES DOWELL JAMES

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CHARTERED ACCOUNTANTS

**Partners**

C H Barnes FCA  
A J Dowell CA  
M W James CA  
B Kolevski (Affiliate ICAA)  
M Galouzis CA

**Associate**

M A Nakkan CA

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**Email:**

bdj@bdj.com.au

## Independent Auditor's Report to the Members

### Scope

We have audited the accompanying Financial Report of Capital Mining Limited ("the Company"), including the Financial Statements of the Company, comprising the Balance Sheet as at 30 June 2009, and the Income Statement, Statement of Changes in Equity and Cash Flow statement for the period then ended, a Summary of Significant Accounting Policies, other explanatory Notes and the Directors' Declaration.

### Directors' Responsibility for the Financial Report

The Directors of the Company are responsible for the preparation and fair presentation of the Financial Report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), International Financial Reporting Standards, and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the Financial Report that is free of material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express an opinion on the Financial Report to the Members of the Company based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the Financial Report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Financial Report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Financial Report in order to design audit procedures that are appropriate in the



# BARNES DOWELL JAMES

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## CHARTERED ACCOUNTANTS

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the Financial Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm the independence declaration required by the Corporations Act 2001 previously provided to the Directors of the Company would be in the same terms if provided as at the date of this Auditor's report.

### Auditor's Opinion

In our opinion, the Financial Report of the Company is in accordance with the Corporations Act 2001, including;

- a. 1. Giving a true and fair view of the Company's financial position as at 30 June 2009 and of their financial performance for the year then ended; and
2. Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- b. The Financial Report complies with International Financial Reporting Standards as disclosed in Note 1.

### Report on the Remuneration Report

We have audited the Remuneration Report included in the Directors Report for the year. The Directors are responsible for the preparation and presentation of the Remuneration Report in accordance with the Australian Auditing Standards. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards as described above.



# BARNES DOWELL JAMES

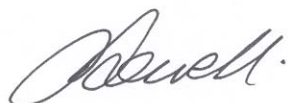
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CHARTERED ACCOUNTANTS

## Auditor's Opinion

In our opinion the Remuneration Report of Capital Mining Limited for the year ended 30 June 2009, complies with S300 A of the Corporations Act 2001.

BARNES DOWELL JAMES  
Chartered Accountants



.....  
Anthony J Dowell  
Partner  
29 September 2009



# CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Capital Mining Limited (CMY) is responsible for corporate governance and strives for high standards in this regard. The Board monitors the business and affairs of CMY on behalf of the shareholders by whom they are elected and to whom they are accountable. The Board draws on relevant best practice principles particularly those issued by the ASX Corporate Governance Council in August 2007. At a number of its meetings the Board examined the CMY corporate governance practices and the progress towards a review of its practice compared to the best practice principles proposed by the ASX Corporate Governance Council. While CMY is attempting to adhere to the principles proposed by ASX, it is mindful that there may be some instances where compliance is not practicable for a company of CMY's size.

The August 2007 Australian Stock Exchange Corporate Governance Council publication "Corporate Governance Principles and Recommendations" second edition, is referred to for guidance purposes, however all listed companies are required to disclose the extent to which they have followed the recommendations; to identify any recommendations that have not been followed; and reasons for not doing so. The Company's Board of Directors has reviewed the recommendations. In many cases the Company was already achieving the standard required. In other cases the Company will have to consider new arrangements to enable compliance. In a limited number of instances, the Company may determine not to meet the standard set out in the recommendations, largely due to the recommendation being considered by the Board to be unduly onerous for a company of this size.

The following paragraphs set out the Company's position relative to each of the eight principles contained in the ASX Corporate Governance Council's report.

## **Principle 1: Lay solid foundations for management and oversight**

The Company has not yet formalised and disclosed the functions reserved to the Board and those delegated to management or formal written processes for evaluating the performance of senior executives. However, the Company has a small Board of four Directors (two Non-Executive Directors, Executive Chairman and Managing Director) and a small team of people, so roles and functions have to be flexible to meet specific requirements.

## **Principle 2: Structure the Board to add value**

The Company complies with most of the recommendations within this area as the Chairman is separate from the Executive Director. The Company does not comply with the recommendation that a majority of Directors are independent, because one is an Executive Director and the Chairman is a substantial shareholder and a third Non-executive Director represents an associated company and a substantial shareholder. The Company does however have a fourth independent Non Executive Director. The Company has a Board nomination committee.

Two of the Company's four Directors are non-executives, and the employer of two of the non-executives has undertaken "material" consultancy work for the Company within the past three years. Each Director of the Company has the right to seek independent professional advice at the expense of the Company. Prior approval of the Chairman is required, but this will not be unreasonably withheld. The company has an audit committee comprising the two non executive directors.

## **Principle 3: Promote ethical and**

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## CORPORATE GOVERNANCE STATEMENT (continued)

The Company has an Audit Committee which consists of the two Non-Executive Directors, Christopher Ablett and John Seeley. These Directors have applicable expertise and skills, and are suitably qualified for this Committee. This structure does not meet the ASX's guidance regarding independence, in that it should have a majority of independent directors. The Audit Committee reports to the Board after each committee meeting. In conjunction with the full Board, the committee meets with and reviews the performance of the external auditors (including scope and quality of the audit).

### **Principle 5: Make timely and balanced disclosure**

The Company, its Directors and consultants are very aware of the ASX's continuous disclosure requirements and operate in an environment where strong emphasis is placed on full and appropriate disclosure to the market. Whilst the Company does not have formal written policies regarding disclosure in place at the time of this report, it uses strong informal systems underpinned by experienced individuals. The Company maintains a register of matters considered for possible market disclosure.

### **Principle 6: Respect the rights of shareholders**

All significant information disclosed to the ASX is posted on the Company's website as soon as it is disclosed to the ASX. When analysts are briefed on aspects of the Company's operations, the material used in the presentation is released to the ASX and posted on the Company's website. Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed, and if so, this information is also immediately released to the market.

Whilst the Company does not have a communications strategy to promote effective communication with shareholders, as it believes this is excessive for small companies, the Company does communicate regularly with shareholders. The Company has requested the external auditor to attend general meetings and this has been supported by the Company's audit partner at Barnes Dowell James.

The Board's primary responsibility is to oversee the Company's business activities and management for the benefit of its shareholders.

### **Principle 7: Recognise and manage risk**

The Company is a small, exploration company and does not believe that at this stage there is significant need for formal policies on risk oversight and management of material business risks, although these issues are actively considered at all times in the Company's activities. Risk management arrangements are the responsibility of the Board of Directors and senior management collectively. Risk Factors is an agenda item for each Board meeting.

### **Principle 8: Remunerate fairly and responsibly**

The Company has a Remuneration Committee of Richard Hine and Christopher Ablett which meets as and when required, to review performance matters and remuneration. There has been no formal performance evaluation of the Board during the past financial period, although its composition will be reviewed at a Board meeting at least annually by the Remuneration and Nomination Committee. The Directors work closely with management and have full access to all the Company's files and records.

Directors believe that the size of the Company makes individual salary and consultant negotiations more appropriate than formal remuneration policies. The Remuneration Committee will seek independent external advice and market comparisons as necessary. In accordance with Corporations Act requirements, the Company discloses the fees or salaries paid to all Directors, plus the five highest paid officers. The Company has an Employee Share Option Plan that was introduced in 2006 but has not made an issue under the Plan at this time.

### **Ethical Standards**

The Board's policy is for the Directors and management to conduct themselves with the highest ethical standards. All Directors and employees will be expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

### **Securities Trading and Trading Windows**

Directors, employees and key consultants must consult with the Chairman of the Board or the Executive Director before dealing in shares of the Company. Purchases or sales in the Company's shares by Directors, employees and key consultants may not be carried out at any time whilst in possession of price sensitive information and for 24 hours after any major announcements, the release of the Company's annual financial results to the ASX and the annual general meeting.

# SHAREHOLDER INFORMATION

Information relating to shareholders at 21 September 2009 (per ASX Listing Rule 4.10)

<b>Substantial Shareholders</b>	<b>Shareholding</b>
Mr Richard Hine	9,000,000
Mr Chris Ablett	6,050,000
Mr Kevin Arthur Thomas & Mrs Barbara Thomas <The KBT Super Fund A/c>	5,000,000
Chakola Gold Pty Ltd	4,320,000

## **Distribution of Shareholders**

<b>Number of ordinary shares held</b>	<b>Number of Holders</b>	<b>Ordinary Shares</b>
1 – 1,000	12	4,404
1,001 – 5,000	46	142,721
5,001 – 10,000	103	964,123
10,001 – 100,000	394	14,225,176
100,001 – and over	107	52,851,065
	<b>662</b>	<b>68,187,489</b>

At the closing price of \$0.05 per share on 21 September 2009 there were 161 shareholders with less than a marketable parcel of 10,000 shares.

## **Top 20 Shareholders of Ordinary Shares as at 21 September 2009**

	<b>Shares</b>	<b>% Shares issued</b>
Mr Richard Hine	9,000,000	13.199
Mr Chris Ablett	6,050,000	8.873
Mr Kevin Arthur Thomas & Mrs Barbara Thomas <The KBT Super Fund A/C>	5,000,000	7.333
Chakola Gold Pty Ltd	4,320,000	6.335
Atlas Resources Pty Ltd	3,000,000	4.400
Chakola Gold Pty Ltd	998,172	1.464
Walpett Engineering Pty Ltd <Super Fund A/c>	984,000	1.443
Peter Crisp Pty Ltd <Crisp Super Fund A/C>	900,000	1.320
Mr Raul Used <The Raul Used Family A/C>	740,000	1.085
Mr Mick McCauley & Mrs Barbara McCauley	720,000	1.056
Mr Ashwin Srinivasan	569,600	0.835
Mrs Annette Mizon <The Bobbin Super Fund A/c>	552,000	0.810
Mr Patrick Martin Taylor	546,900	0.802
Canerise Pty Ltd <Canerise Super Fund A/c>	481,200	0.706
Mr Edward Walter Gibson	478,000	0.701
Capital Ideas Pty Ltd <Moon Trading A/c>	400,800	0.588
Me Robert MacFadyen Pty Ltd <MacFadyen S/F A/C>	400,000	0.587
Mr Francis Rupert Benson & Mrs Scott Donald Oldfield <FRB Superfund A/C>	400,000	0.587
Mr Chetlur Sreenath Chary	391,674	0.574
Mr Ramamoorthy Srinivasan & Mrs Bhanumathi Srinivasan	389,760	0.572
Total of top 20 holdings	36,322,106	53.268
Other holdings	31,865,383	46.732
Total fully paid shares issued	68,187,489	100.00

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# SHAREHOLDER INFORMATION

Top 20 Option holders of listed Options “CMYO” as at 21 September 2009

Options



The following shares and options were restricted by ASX until 22 March 2009 and were then released. The majority, (17,700,000 shares), were then placed into a further voluntary trading lock until 22 September 2009:

Ordinary fully paid shares, restricted for 6 months from date of issue (12 June 2009),  
until 12 December 2009. 3,000,000

#### **Employee Share Option Plan**

At a Directors Meeting held on 12 May 2006, the Board approved the adoption of the Company's Employee Share Option Plan. No options have been issued under the plan.

#### **Voting rights**

There are no restrictions on voting rights. On a show of hands every member present or by proxy shall have one vote and upon a poll each share shall have one vote. Where a member holds shares which are not fully paid, the number of votes to which that member is entitled on a poll in respect of those part paid shares shall be that fraction of one vote which the amount paid up bears to the total issued price thereof. Option holders have no voting rights until the options are exercised.

#### **Audit Committee**

At the date of the Report of the Directors, the Company has a committee of two Non-Executive Directors which meets with the Company's external auditors at least once during each half-year. These meetings will take place prior to the finalisation of the half-year financial statements and Annual Report and prior to the signing of the Audit Report.

#### **Statement under ASX Listing Rule 4.10.19**

From the date of admission of the Company's shares on ASX (22 March 2007) to the date of this Annual Report, the Company has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives. Expenditures have been in line with Prospectus estimates.