

ASX Code: CMY

Issued Shares: 68.2M

Market Capitalisation: \$4.4M

Cash Balance: \$1.5M

## QUARTERLY ACTIVITIES REPORT SEPTEMBER 2009



### HIGHLIGHTS

- **INITIAL GOLD RESOURCE ANNOUNCED FOR COWARRA PROJECT**
- **INITIAL GOLD-COPPER-SILVER-ZINC RESOURCE ANNOUNCED FOR MAYFIELD PROJECT**
- **PREPARATIONS MADE FOR DRILLING IN THREE KEY PROJECT AREAS**

### EXPLORATION ACTIVITIES

Two very significant additions were made to the Company's precious and base metals resource base during the quarter which saw a resurgence in gold and base metal prices and a renewal of interest in the Rare Earth Elements (REE) sector.

Both at **Cowarra** (gold only) and at **Mayfield** (gold-silver-copper-zinc) the initially established resources are forming the focus for ongoing exploration that will in each case include drilling aimed at adding to the resource, upgrading the confidence of the estimates and testing extensions for new mineralisation.

Preparations were also made during the quarter to advance assessment of the REE and rare metals (i.e. zirconium, niobium, thorium, lithium etc.) prospects at Narraburra through a bulk sampling and metallurgical testing programme which is scheduled to commence early in November.

## **COWARRA - GOLD**

***EL 5939 – 28 km<sup>2</sup> - Bredbo, NSW  
(Capital Mining 100%)***

Exploration at Cowarra is for gold in high-grade sulphidic veins and shoots within shear zones in strongly deformed metasedimentary rocks. The licence covers an historic goldfield which was proclaimed in 1891 and from which an estimated 1.48 tonnes or 46,000 ounces of gold was won prior to final mine closure in 1989. In the current quarter, geological modelling and resource estimation studies were completed under contract and an initial resource in the JORC Inferred category of:

- ***500,000 tonnes at a grade of 2.3 g/t gold and containing 37,000 ounces of gold***

was announced to the market on 20<sup>th</sup> August 2009. The resource was estimated at a 1 g/t gold cut-off and included only shallow, potentially open pit mineable material lying above the upper limits of the old underground workings.

Records show that un-mined ore, with grades in the range 5 to 22 g/t gold, remains in some shoots at depth. This material and predicted extensions of the mineralisation at depth and along strike are providing the impetus for further exploration of the system.

Official approval of a plan to re-open and sample the underground workings at the Cowarra mine was received during the reporting period. New survey control has been established at the site and specifications have been drawn up for a 965 metre diamond core drilling programme which will be implemented as soon as practicable.

## **MAYFIELD - GOLD - COPPER - BASE METALS**

***EL 6358 – 49.4 km<sup>2</sup> - Mayfield, NSW  
(Capital earning 51%)***

At Mayfield, Capital is managing exploration for **gold, copper, silver and zinc** in iron-rich skarns under a Heads of Agreement with Monaro Mining NL (A.C.N. 073 155 781). Under the terms of the agreement Capital is earning a 75% interest in the tenement by expenditure of \$200,000 subject to Monaro electing to contribute after Capital has earned 51%.

In the reporting period, an initial resource in the JORC Inferred category of:

- ***4.0 million tonnes at 0.4% copper, 0.6 g/t gold, 8.4 g/t silver and 0.5% zinc; and***
- ***0.75 million tonnes at 2.7% zinc and 4.7 g/t silver***

containing **77,000 ounces of gold, 16,000 tonnes of copper and 1.2 million ounces of silver** was announced to the market (see ASX:CMY release of 28<sup>th</sup> September 2009). The resource was estimated at a 0.3% copper cut-off and includes a very high proportion of oxide material.

Specifications have been drawn up for a reverse circulation (RC) drilling programme of 1070m at the Mayfield prospect which has been designed to increase the drill sample density and to locate additional resources by testing for offsets of the mineralised horizon on faults.

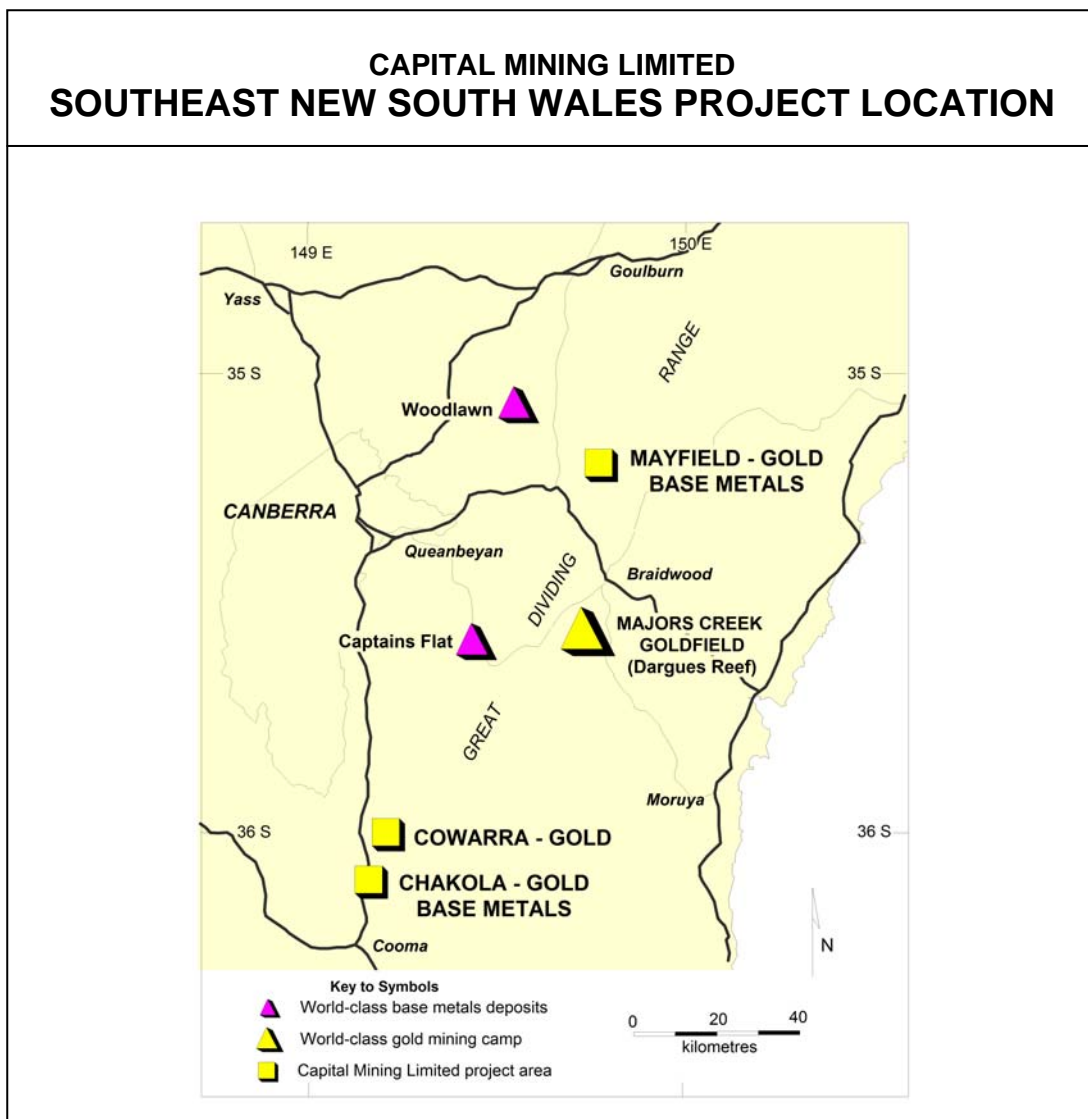
## CHAKOLA - GOLD & BASE METALS

**EL 5697 - 66.4 km<sup>2</sup>; MLA 269 - 332 hectares – Cooma, NSW**  
 (Capital Mining 100%)

Exploration at Chakola is for gold, copper, silver, lead and zinc in deposits located along persistent mineralised horizons in altered volcanic host rocks. A gold and base metals resource has been outlined at the **Harnett prospect** within MLA 269 and this is forming the impetus for the search for similar deposits along strike and at depth.

Assessment of the development application setting out the Company's proposals to develop an open cut mine and sulphide flotation operation at the Harnett prospect continued during the reporting period. A mine planning focus meeting, which included a field inspection of the proposed development site, was held in mid October. Additional baseline environment impact data are being gathered and aspects of the proposal requiring more detailed documentation are being addressed.

Drilling to obtain samples for metallurgical testing and engineering studies is planned.



## NARRABURRA - ZIRCONIUM & RARE EARTHS

**EL 5629 and EL 6787 - 96 km<sup>2</sup> – Temora, NSW**

**(Capital Mining 100%)**

The company is exploring for large, near surface granite hosted deposits of valuable rare metals at Narraburra that include **zirconium, niobium, hafnium, yttrium, thorium, gallium, Rare Earth Elements (REE), beryllium and lithium**. An Inferred resource of:

➤ **55 million tonnes at 1000 g/t ZrO<sub>2</sub>, 60 g/t Y<sub>2</sub>O<sub>3</sub>, 300 g/t REO, 80 g/t NbO<sub>2</sub> and 50 g/t ThO<sub>2</sub>**

to a depth of 40 to 50m has been outlined by drilling at the Narraburra prospect in EL 5629 and current investigations are aimed at locating higher grade mineralisation and establishing a treatment pathway to produce a marketable oxide concentrate.

Approval was granted during the reporting period for the excavation of a 10-20 tonne bulk sample from the Narraburra prospect. Material characterisation studies and metallurgical test work are planned and a positive result will clear the way for a programme of infill drilling to increase the confidence level of the resource estimate.

**Prospects have been buoyed by the recent resurgence of interest in the sector and the demand driven rise in zirconium and REE prices.** Joint venture partners are actively being sought to accelerate assessment of the mineralisation and third party reviews of the data package are in progress.

## MUNDAERNO SOUTH - URANIUM

**EL 3853 - 52 km<sup>2</sup> - Olary, SA**

**(Capital Mining 100%)**

The principal targets in the Mundaerno area are calcrete hosted uranium deposits in Quaternary valley-fill sediments and sandstone hosted roll-front type uranium deposits in Tertiary palaeochannels. The tenement is located in a uranium exploration hotspot in the Curnamona Craton and covers a series of untested palaeochannels that are prospective for deposits similar to those at the nearby Honeymoon uranium mine. A project review and target generation studies were completed during the reporting period. **Prospects within the area have been boosted by a new uranium find in the district that has confirmed the validity of the conceptual exploration model and is providing added incentive for ongoing exploration of the tenement.** Mapping, geochemical sampling and drilling are planned.

## COONALPYN - URANIUM

**EL 3881 - 319 km<sup>2</sup> - Coonalpyn, SA**

**(Capital Mining 100%)**

The Coonalpyn tenement covers an underexplored area that includes excellent conceptual targets for **uranium, gold, base metals and zircon-rich mineral sands**. During the reporting period, the licence was reduced in area and renewed for a further term. The most prospective areas have been identified through an evaluation of the available geophysical, geochemical and remote sensing data and follow up by reconnaissance mapping, geochemical sampling and aircore drilling is planned.

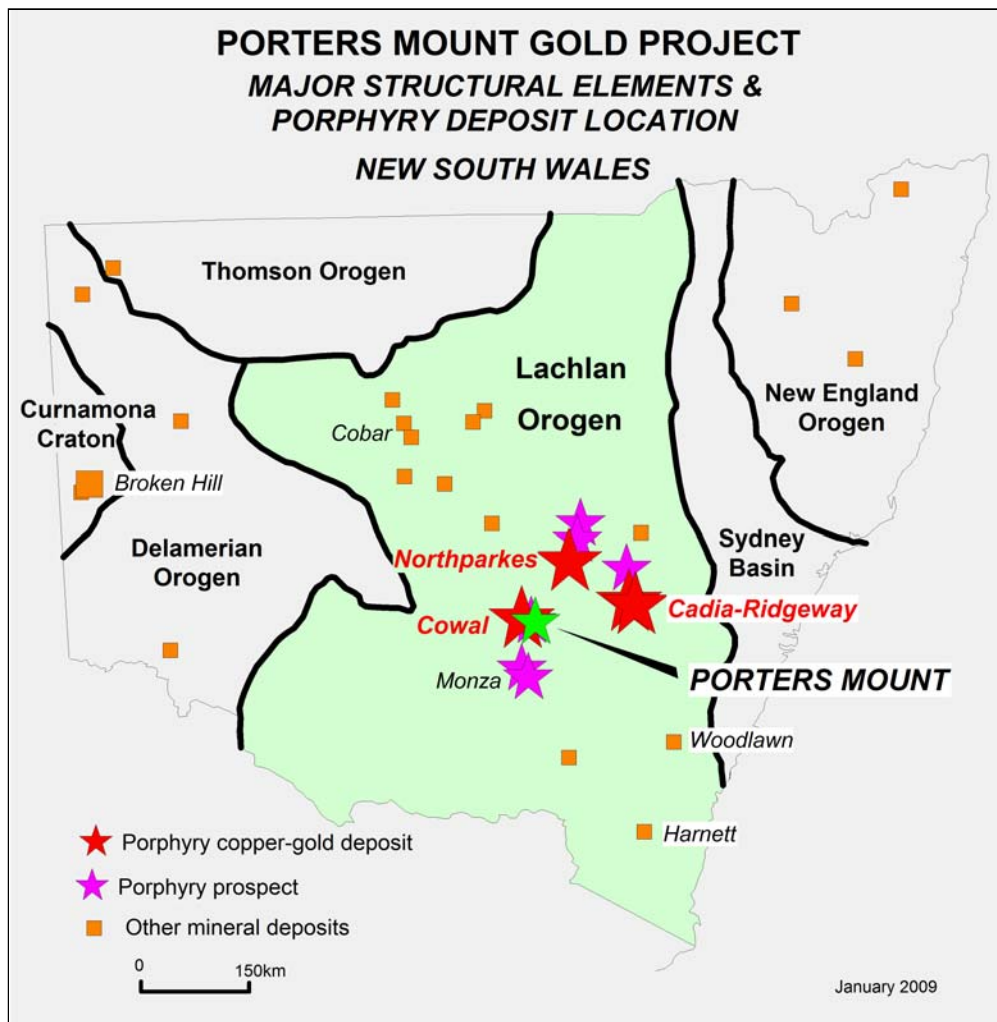
## PORTERS MOUNT - GOLD-COPPER-MOLYBDENUM

*EL 6591 - 65.7 km<sup>2</sup> – Grenfell, NSW*

*(Capital Mining 100%)*

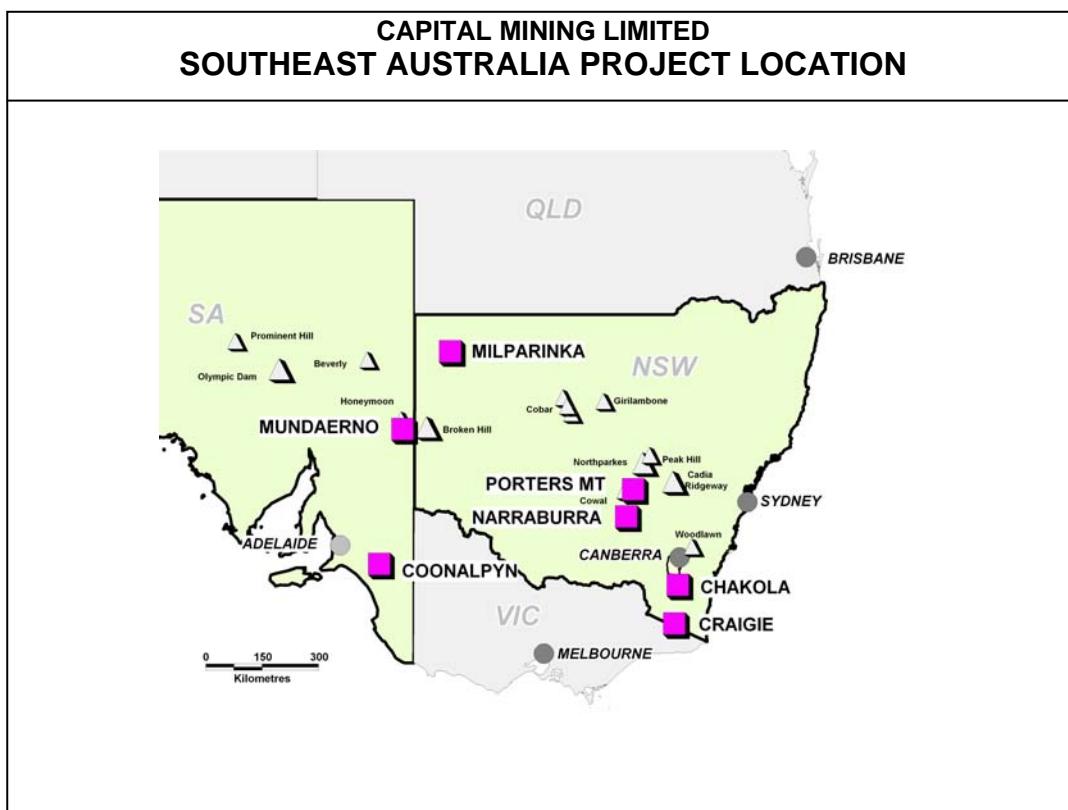
Capital is exploring a large diatreme breccia and intrusive complex at Porters Mount for epithermal gold-silver deposits, gold-copper skarns and porphyry gold-copper-molybdenum deposits. The licence is located in a region that is surrounded by world-class copper-gold mines and significant prospects.

During the quarter, survey control was established for a reverse circulation and diamond core drilling programme that has been designed to test known mineralised structures, prospective geophysical anomalies and conceptual targets. Joint venture partners are actively being sought to accelerate exploration of the tenement and third party reviews of the data package are in progress.



**CRAIGIE - ALLUVIAL GOLD**  
**EL 5654 - 29.5 km<sup>2</sup> - Craigie, NSW**  
**(Capital Mining 100%)**

Capital has identified alluvial gold resources within the historic Craigie Goldfield and is aiming to establish reserves for a low-cost mining operation. Positive results have been obtained from bulk sampling and an application to develop a trial mining operation at the Shiralee Terrace 2 deposit has been lodged. Assessment of the application continued during the reporting period and a mine planning focus meeting is being arranged for the coming quarter. Prospects have been enhanced by the sustained rise in the gold price.



**MILPARINKA - PLATINUM-NICKEL PROJECT**  
**EL 6832 - 149 km<sup>2</sup> – Milparinka, NSW**  
**(Capital Mining 100%)**

EL 6832 near Milparinka covers conceptual targets for world-class platinum-nickel and copper-gold deposits that are interpreted to be associated with a deeply buried mafic to ultramafic intrusive complex of crustal scale. Target maps were used to narrow the search area during the reporting period. EL 6832 was reduced in area and renewed for a further period and EL 7147 was relinquished in full. In the future, it is planned to drill a pilot stratigraphic hole with the aim of intersecting indicative alteration and mineralisation of sufficiently high tenor to validate the conceptual model. Joint venture partners are being sought.

## TENEMENTS - Changes of Interest for the Quarter

| Status                   | Tenements | Location        | Percentage Interest |
|--------------------------|-----------|-----------------|---------------------|
| Acquired                 | Nil       |                 |                     |
| Surrendered or cancelled | EL 7147   | Milparinka, NSW | 100%                |

Dated: 29 October 2009

**Richard Hine**  
Chairman

For further information please contact:

**Dr Rick Hine**  
*Executive Chairman*

**Mr Rob McCauley**  
*Managing Director*

**Mr Chris Ablett**  
*Executive Director*

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*The information in the report to which this statement is attached that relates to Exploration Results and Mineral Resources is based on information compiled by Richard Hine who is a Member of the Australasian Institute of Mining and Metallurgy. Richard Hine is a Director of the Company and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Richard Hine consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

**CAPITAL MINING LIMITED**

ABN

**69 104 551 171**

Quarter ended ("current quarter")

**30 September 2009**

### Consolidated statement of cash flows

#### Cash flows related to operating activities

|   | Current quarter<br>30 September 2009<br>\$A'000 | Year to date<br>(3 months)<br>30 September 2009<br>\$A'000 |
|---|---|--|
| 1.1 Receipts from product sales and related debtors             | -   | -  |
| 1.2 Payments for (a) exploration and evaluation                 | (179)   | (179)  |
| (b) development   | -   | -  |
| (c) production  | -   | -  |
| (d) administration  | (66)  | (66)   |
| 1.3 Dividends received  | -   | -  |
| 1.4 Interest and other items of a similar nature received       | 5   | 5  |
| 1.5 Interest and other costs of finance paid                    | -   | -  |
| 1.6 Income taxes paid   | -   | -  |
| 1.7 Other (provide details if material)                         | -   | -  |
| <b>Net Operating Cash Flows</b>                                 | <b>(240)</b>                                    | <b>(240)</b>   |
| <b>Cash flows related to investing activities</b>               |   |  |
| 1.8 Payment for purchases of: (a)prospects                      | -   | -  |
| (b)equity investments   | -   | -  |
| (c) other fixed assets  | -   | -  |
| 1.9 Proceeds from sale of: (a)prospects                         | -   | -  |
| (b)equity investments   | -   | -  |
| (c)other fixed assets   | -   | -  |
| 1.10 Loans to other entities                                    | -   | -  |
| 1.11 Loans repaid by other entities                             | -   | -  |
| Security Deposits   | (10)  | (10)   |
| 1.12 Other (provide details if material)                        | -   | -  |
| <b>Net investing cash flows</b>                                 | <b>(10)</b>                                     | <b>(10)</b>  |
| 1.13 Total operating and investing cash flows (carried forward) | <b>(250)</b>                                    | <b>(250)</b>   |

+ See chapter 19 for defined terms.

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

|      |  |              |              |
|------|--|--------------|--------------|
| 1.13 | Total operating and investing cash flows (brought forward) | (250)        | (250)        |
|      | <b>Cash flows related to financing activities</b>          |              |              |
| 1.14 | Proceeds from issues of shares, options, etc.              | 1,023        | 1,023        |
| 1.15 | Proceeds from sale of forfeited shares                     | -            | -            |
| 1.16 | Proceeds from borrowings                                   | -            | -            |
| 1.17 | Repayment of borrowings                                    | -            | -            |
| 1.18 | Dividends paid   | -            | -            |
| 1.19 | Other (Share issue costs)                                  | (40)         | (40)         |
|      | <b>Net financing cash flows</b>                            | <b>983</b>   | <b>983</b>   |
|      | <b>Net increase (decrease) in cash held</b>                | <b>733</b>   | <b>733</b>   |
| 1.20 | Cash at beginning of quarter/year to date                  | 725          | 725          |
| 1.21 | Exchange rate adjustments to item 1.20                     |              |              |
| 1.22 | <b>Cash at end of quarter/year to date</b>                 | <b>1,458</b> | <b>1,458</b> |

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

|      |  | Current quarter<br>\$A'000 |
|------|--|----------------------------|
| 1.23 | Aggregate amount of payments to the parties included in item 1.2 | 120                        |
| 1.24 | Aggregate amount of loans to the parties included in item 1.10   | -                          |

1.25 Explanation necessary for an understanding of the transactions

|  |
|--|
| Consulting fees and reimbursement of expenses paid to entities associated with Directors.<br>120 |
|--|

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

|     |
|-----|
| Nil |
|-----|

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

|     |
|-----|
| Nil |
|-----|

+ See chapter 19 for defined terms.

### Financing facilities available

Add notes as necessary for an understanding of the position.

|                                 | Amount available<br>\$A'000 | Amount used<br>\$A'000 |
|---------------------------------|-----------------------------|------------------------|
| 3.1 Loan facilities             | -                           | -                      |
| 3.2 Credit standby arrangements | -                           | -                      |

### Estimated cash outflows for next quarter

|                                | \$A'000 |
|--------------------------------|---------|
| 4.1 Exploration and evaluation | 100     |
| 4.2 Development                | -       |
| <b>Total</b>                   | 100     |

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

|  | Current quarter<br>\$A'000 | Previous quarter<br>\$A'000 |
|--|----------------------------|-----------------------------|
| 5.1 Cash on hand and at bank                     | 327                        | 475                         |
| 5.2 Deposits at call                             | 1,131                      | 250                         |
| 5.3 Bank overdraft                               | -                          | -                           |
| 5.4 Other (provide details)                      | -                          | -                           |
| <b>Total: cash at end of quarter</b> (item 1.22) | 1,458                      | 725                         |

### Changes in interests in mining tenements

|   | Tenement<br>reference | Nature of interest<br>(note (2)) | Interest at<br>beginning<br>of quarter | Interest at<br>end of<br>quarter |
|---|-----------------------|----------------------------------|--|----------------------------------|
| 6.1 Interests in mining tenements relinquished, reduced or lapsed | EL 7147               |                                  | 100%                                   | Nil                              |
| 6.2 Interests in mining tenements acquired or increased           | Nil                   |                                  |  |                                  |

+ See chapter 19 for defined terms.

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

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

|  | Total number                                   | Number quoted                      | Issue price per security (see note 3) (cents)                   | Amount paid up per security (see note 3) (cents)                                       |
|--|--|------------------------------------|---|--|
| 7.1 <b>Preference securities</b><br><i>(description)</i>   |  |                                    |   |  |
| 7.2 Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through returns of capital, buy-backs, redemptions |  |                                    |   |  |
| 7.3 <b>+Ordinary securities</b>  | 68,187,489*                                    | 68,187,489                         |   |  |
| 7.4 Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through returns of capital, buy-backs              | 25,570,321                                     | 25,570,321                         |   |  |
| 7.5 <b>+Convertible debt securities</b><br><i>(description)</i>  |  |                                    |   |  |
| 7.6 Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through securities matured, converted              |  |                                    |   |  |
| 7.7 <b>Options</b><br><i>(description and conversion factor)</i>   | 250,000<br>250,000<br>14,302,897<br>12,785,166 | 0<br>0<br>14,302,897<br>12,785,166 | <i>Exercise price</i><br>\$0.185<br>\$0.235<br>\$0.20<br>\$0.08 | <i>Expiry date</i><br>22 March 2012<br>22 March 2012<br>18 October 2010<br>1 July 2011 |
| 7.8 Issued during quarter  | 12,785,166                                     | 12,785,166                         | \$0.08  | 1 July 2011  |
| 7.9 Exercised during quarter   |  |                                    |   |  |
| 7.10 Expired during quarter  |  |                                    |   |  |
| 7.11 <b>Debentures</b><br><i>(totals only)</i>   |  |                                    |   |  |
| 7.12 <b>Unsecured notes</b><br><i>(totals only)</i>  |  |                                    |   |  |

\* 3,000,000 shares in voluntary escrow until 12 December 2009.

+ See chapter 19 for defined terms.

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: ..... Date: 29 October 2009  
(Company secretary)

Print name: JOHN KEPPO  
.....

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.