

ASX Code: CMY

Issued Shares: 68.2M

Market Capitalisation: \$3.8M

Cash Balance: \$1.2M

QUARTERLY ACTIVITIES REPORT DECEMBER 2009



IN BRIEF

MAYFIELD GOLD - BASE METALS RESOURCE

Resource outline drilling programme laid out – waiting on drill rig

COWARRA GOLD PROJECT

Underground resource potential identified - drill targets defined – waiting on drill rig

Target maps prepared - deep seated controls on mineralisation identified

PORTERS MOUNT PORPHYRY-EPITHERMAL SYSTEM

Copper and gold geochemical anomalies detected in orientation soil survey

Follow up drilling programme laid out – waiting on drill rig

MILPARINKA PLATINUM-NICKEL-GOLD PROJECT

Target maps prepared - drill targets selected – preparatory fieldwork planned

MUNDAERNO SEDIMENTARY URANIUM PROSPECT

Target maps prepared - drill targets identified – preparatory fieldwork planned

NARRABURRA ZIRCONIUM – RARE METALS - RARE EARTHS RESOURCE

15 tonne bulk sample excavated successfully and grades confirm resource potential

Material testing to determine viable treatment path continuing

CHAKOLA-HARNETT GOLD - BASE METALS RESOURCE

Review commenced to determine bulk underground resource potential

Independent review of EIS and DA in progress

CRAIGIE ALLUVIAL GOLD PROJECT

Site survey and bulk testing programme Shiralee Prospect completed

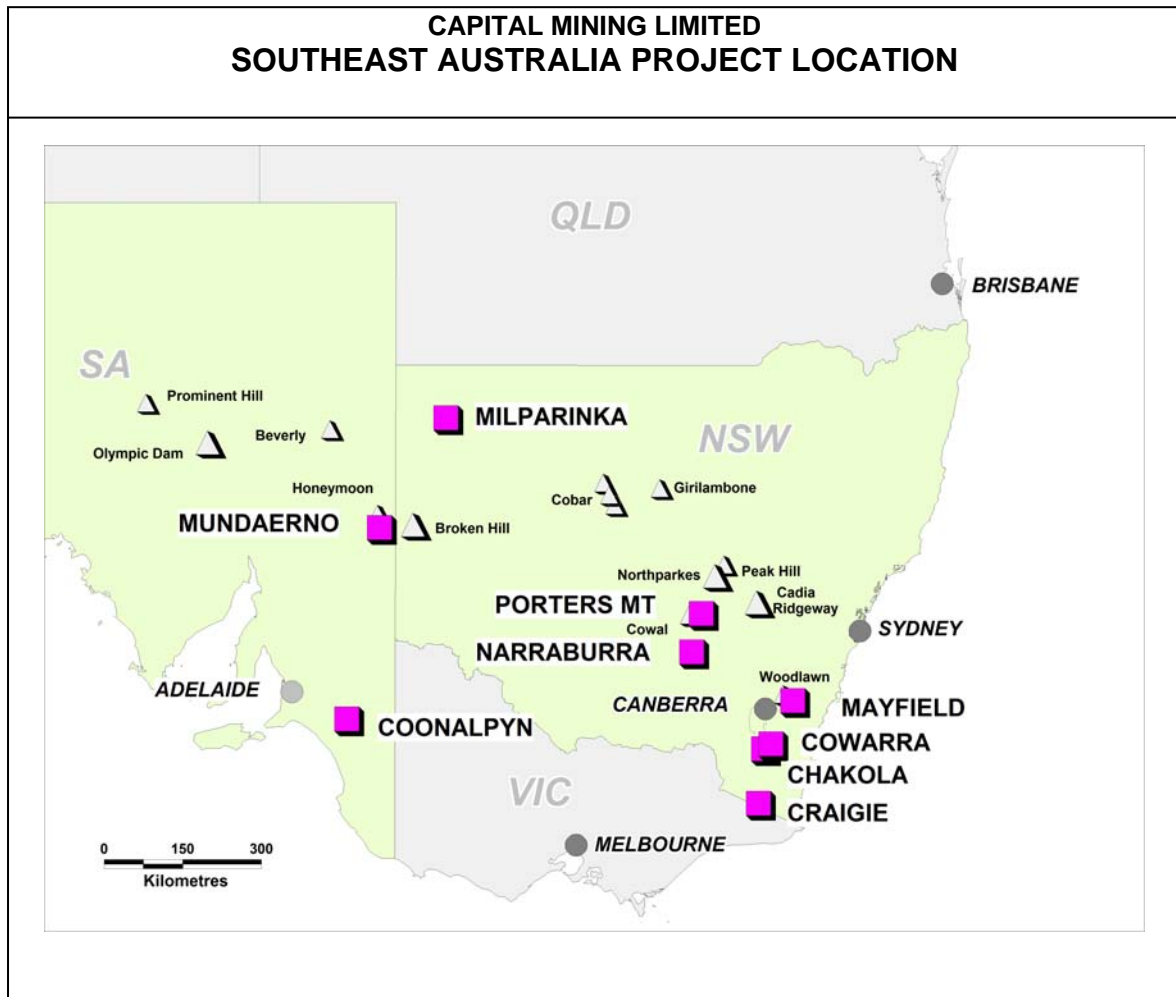
Data review and site cleanup in progress

EXPLORATION ACTIVITIES

During the December quarter the groundwork was laid for exploration and resource outline drilling programmes in five project areas. The most significant developments were in the Cowarra (gold) and Milparinka (platinum-nickel-copper-gold) project areas.

At Cowarra, evidence pointing to previously unrecognised deep seated controls on the mineralisation was unearthed which indicates that there is significantly more potential in the system as a whole than was previously thought.

At Milparinka, a series of discrete anomalies were identified which present prospective targets for an initial phase of exploratory drilling. The targets are located in a favourable structural setting overlying the interpreted source intrusion which is at the centre of the overall investigation.



MAYFIELD - GOLD - COPPER - BASE METALS

EL 6358 – 49.4 km² - 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 can earn up to a 75% interest in the tenement by expenditure of \$200,000 subject to Monaro electing to contribute after Capital has earned 51%.

Activities are centred on the Mayfield Prospect where an initial JORC Inferred resource 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** was announced to the market on 28th September 2009.

A reverse circulation (RC) drilling programme of 1070m has been designed to drill the resource at higher density and to locate additional mineralisation on the target horizon. During the quarter a Review of Environmental Factors statement was prepared, a drilling contract was put in place and approvals for the programme are awaited.

COWARRA - GOLD

EL 5939 – 28 km² - 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. Activities are focussed on the known gold-bearing lodes at the Cowarra mine where 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** has been identified (as announced to the market on 20th August 2009). Un-mined ore, with grades in the range 5 to 22 g/t gold, remains in shoots at depth.

There is underground resource potential at Cowarra and preparations were made during the quarter for re-entry, inspection and sampling of the underground workings and for diamond drill testing of a number of different lodes down dip. Approvals are in place, sites have been selected and a drill rig is awaited.

In an important development during the reporting period, specialist reprocessing of the data from a 1994 helicopter airborne magnetic and radiometric survey of the area was completed under contract and target maps were drawn up. **The analysis revealed the presence of previously unrecognised structures deep beneath the also newly outlined 7km long by 300m wide stratigraphic unit which hosts the gold-sulphide mineralisation.** Deep conceptual targets are being developed and in the coming quarter effort will be directed towards detailed mapping and sampling of the host horizon in the search for previously unrecorded mineralisation.

PORTERS MOUNT - GOLD-COPPER-MOLYBDENUM

EL 6591 - 65.7 km² – Grenfell, NSW

(Capital Mining 100%)

Capital's exploration at Porters Mount is for gold and copper dominant intrusive-related deposits associated with a large diatreme breccia and intrusive complex. The project area is located in a region that hosts a cluster of world-class copper-gold mines and significant prospects.

In the reporting period, copper, gold and pathfinder element anomalies were detected in soil samples collected for orientation purposes over a group of concealed and previously unexplored geophysical anomalies. The geochemical method employed has been used successfully by the industry elsewhere in the region to detect mineralisation under barren transported sedimentary cover. The result is considered to be very encouraging and more extensive sampling is proposed to put the results in context and to fully define the anomalies.

A drilling programme has been designed to follow up previous results and to test anomalies highlighted by the specialist re-processing of merged magnetic and gravity survey data. Again, approvals are in place, sites have been selected and a drill rig is awaited. In other work, the survey marks established to provide ongoing survey control for the drilling were accurately located by AUSPOS satellite survey during the reporting period. A joint venture partner is being sought and third party data reviews are in progress.

MILPARINKA - PLATINUM-NICKEL-GOLD

EL 6832 - 149 km² – Milparinka, NSW

(Capital Mining 100%)

EL 6832 near Milparinka is located in an unexplored frontier exploration terrain and covers conceptual targets for platinum-nickel and copper-gold deposits that are interpreted to be associated with a deeply buried mafic to ultramafic intrusive complex of crustal scale. Exploration is initially being directed towards the search for metalliferous deposits associated with intrusive pipes or hydrothermal plumes in the column of rock overlying a deep-seated and long-lived heat source.

During the reporting period a detailed analysis of the Target Map™ images of the regional geophysics data was completed and the sites for 4 diamond drill holes were selected. The first pass drilling programme has been designed to investigate a number of discrete anomalies that are interpreted to be in shallow basement rocks on or near prospective magnetic and gravity linears. Logistical issues are being addressed and preliminary fieldwork is planned for the current quarter.

MUNDAERNO SOUTH - URANIUM

EL 3853 - 52 km² - Olary, SA

(Capital Mining 100%)

EL 3853 is being explored principally for uranium in Quaternary valley-fill sediments and roll-front type deposits in Tertiary sandstone. The tenement is located in a uranium exploration hotspot close to a newly operating mine and to the site of a least one recent prospective discovery. A drilling programme designed to test a series of previously unexplored palaeochannels and geophysical anomalies in the basement has been prepared. Preliminary fieldwork is to be undertaken in conjunction with that at Milparinka and again, logistical and compliance issues are being addressed.

NARRABURRA - ZIRCONIUM & RARE EARTHS

EL 5629 and EL 6787 - 96 km² – Temora, NSW

(Capital Mining 100%)

Capital has outlined a bulk-low grade Rare Metals (i.e. zirconium, niobium, yttrium, thorium, beryllium, lithium, gallium...) and Rare Earths resource at Narraburra that is estimated at **55 million tonnes at 1000 g/t ZrO₂, 60 g/t Y₂O₃, 300 g/t REO, 80 g/t NbO₂ and 50 g/t ThO₂** (in the JORC Inferred category as reported in the 2006 IPO Prospectus). Current investigations are aimed at locating higher grade pockets of material within the deposit and at establishing a treatment path to produce a marketable oxide concentrate from the weathered, largely friable granitic material that makes up the resource.

During the reporting period, a sizeable pit was excavated to a depth of 7m near the geographic centre of the resource and a 10-15 tonne parcel of material was recovered for specialist material characterisation and metallurgical test work. Mineralised granite at the base of the pit was relatively soft and free digging as predicted and assays in the range **1170-1410 g/t zirconium, 128-158 g/t niobium, 46-61 g/t yttrium and 58-70 g/t thorium** were consistent with average values for the resource and with those of a nearby drill hole. Results are viewed as being very positive in that the mineralisation was confirmed as being consistent in grade over significant distances and on account of the relative softness of the material, has been confirmed as being amenable to low cost mining methods such as ripping and scraping or continuous mining.

Material characterisation tests on two 60kg and 120kg sub-samples were in progress at the end of the reporting period and the consultant metallurgist's recommendations are awaited ahead of dispatch of the remainder of the bulk sample for larger scale processing.

CHAKOLA - GOLD & BASE METALS

EL 5697 - 66.4 km²; 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 potentially economic gold-base metals deposit has been outlined by drilling at the **Harnett Prospect within MLA 269** and a Development Application is being assessed by the Cooma-Monaro Shire Council. The deposit at Harnett is forming the impetus for the search for extensions and other deposits along strike and at depth.

An initial Mine Planning Focus meeting has been held. The proposal has been met with favourably by the NSW Department of Industry and Investment - Minerals Division and the Company is pursuing the application and acquiring the additional environmental data that are needed to satisfy the requirements of the NSW Department of Environment Climate Change and Water. A positive outcome of the Development Application would enable the Company to attract further funds for exploration and bolster its efforts to convert the mineral resources into ore reserves. The recommendations of a review of the Company's EIS and development proposals by a leading industry consultancy are awaited.

In the light of a sustained lift in the gold spot price to levels double those at the time the Company floated, and in the knowledge that the mineralisation at Harnett extends to depths well beyond that of the 70m deep proposed open pit, a review of historical exploration results was commenced during the reporting period. The aim is to outline targets for deep drilling. Results of the review are awaited and exploration is continuing.

CRAIGIE - ALLUVIAL GOLD
EL 5654 - 29.5 km² - 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 at the Shiralee Terrace 2 deposit where optimum operating parameters have been established. An application to develop a trial mining operation is being assessed by the Bombala Shire Council and an initial Mine Planning Focus meeting has been held. The proposal has been met with favourably by the NSW Department of Industry and Investment - Minerals Division.

During the reporting period a site survey was completed, the bulk sampling plant was shipped to Cooma for storage and exploration openings were backfilled and levelled in readiness for top-soiling in the coming quarter.

COONALPYN - URANIUM
EL 3881 - 319 km² - 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**. The most prospective areas have been identified through an evaluation of the available geophysical, geochemical and remote sensing data. There were no significant developments during the reporting period.

TENEMENTS - Changes of Interest for the Quarter

Status	Tenements	Location	Percentage Interest
Acquired	Nil		
Surrendered or cancelled	Nil		

Dated: 28 January 2010

Richard Hine
 Chairman

For further information please contact:

Dr Rick Hine
Executive Chairman

Mr Rob McCauley
Managing Director

Mr Chris Ablett
Executive Director

Telephone 02 6281 7951

Telephone 02 6281 7951
Mobile 0432 327 015

Telephone 02 6281 7951

Capital Mining Limited ACN 104 551 171
PO Box 3770 Weston Creek ACT 2611
Email admin@capitalmining.com.au
Web www.capitalmining.com.au

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")

31 December 2009

Consolidated statement of cash flows

Cash flows related to operating activities

	Current quarter 31 December 2009 \$A'000	Year to date (6 months) 31 December 2009 \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(135)	(314)
(b) development	-	-
(c) production	-	-
(d) administration	(48)	(114)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	2	7
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(181)	(421)
Cash flows related to investing activities		
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)
1.12 Other (provide details if material)	-	-
Net investing cash flows	-	(10)
1.13 Total operating and investing cash flows (carried forward)	(181)	(431)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(181)	(431)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	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)	(41)	(81)
	Net financing cash flows	(41)	942
	Net increase (decrease) in cash held	(222)	511
1.20	Cash at beginning of quarter/year to date	1,458	725
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter/year to date	1,236	1,236

Payments to directors of the entity and associates of the directors

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

	Current quarter \$A'000	
1.23	Aggregate amount of payments to the parties included in item 1.2	98
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.	98

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 \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	200
4.2 Development	-
Total	200

Reconciliation of cash

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

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	105	327
5.2 Deposits at call	1,131	1,131
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,236	1,458

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	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 Preference +securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	68,187,489	68,187,489		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	250,000 250,000 14,302,897 12,785,166	0 0 14,302,897 12,785,166	<i>Exercise price</i> \$0.185 \$0.235 \$0.20 \$0.08	<i>Expiry date</i> 22 March 2012 22 March 2012 18 October 2010 1 July 2011
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ 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: 28 January 2010
(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.

== == == == ==

+ See chapter 19 for defined terms.