



CAPITAL MINING LIMITED
ABN 69 104 551 171

**Half-Year
Financial
Report**

31 DECEMBER 2009

CORPORATE DIRECTORY

CAPITAL MINING LIMITED

ABN 69 104 551 171

DIRECTORS

Richard Hine
Robert McCauley
Christopher Ablett
John Seeley

SECRETARY

John Keppo

REGISTERED AND PRINCIPAL OFFICE

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SHARE REGISTRY

Registries Limited
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Sydney, NSW 2000
Telephone: 61 2 9290 9600
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AUDITORS

Barnes Dowell James
Level 13, 122 Arthur Street,
North Sydney NSW 2060

BANKERS

Bendigo Bank

STOCK EXCHANGE LISTING

Listed on Australian Stock Exchange Limited
ASX Code: CMY

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DIRECTORS' REPORT

Your directors submit their report for the half-year ended 31 December 2009.

DIRECTORS

The names of the Company's directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Richard Hine (Executive Chairman)

Robert McCauley (Managing Director & CEO)

Christopher Ablett (Non-Executive Director)

John Seeley (Non-Executive Director)

REVIEW AND RESULTS OF OPERATIONS

The net result of operations after applicable income tax expense for the half-year was a loss of \$215,967 (2008 - \$138,720).

Operational Review

During the period under review, Capital Mining continued exploration on a number of projects as outlined below.

MAYFIELD – Gold, Copper, Base Metals (NSW) – EL 6358 (CMY earning 51%)

Capital is managing exploration for gold, copper, silver and zinc in iron-rich skarns under a Heads of Agreement with Monaro Mining NL. Under the terms of the agreement Capital can earn up to 75% interest in the tenement by expenditure of \$200,000 subject to Monaro electing to contribute after Capital has earned 51%.

An initial JORC inferred resource of 4.0 million tonnes at 0.4% copper, 0.6g/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 28 September 2009.

A reverse circulation drilling programme of 1070m is pending and has been designed to drill the resource at higher density and to locate additional mineralization on the target horizon.

COWARRA – Gold (NSW) – EL 5939 (CMY 100%)

Exploration 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 of gold was won. 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 and announced to the market on 20 August 2009 for the gold-bearing lodes at the Cowarra mine.

There is also underground resource potential and preparations have been made for drill testing deeper targets in the March quarter 2010.

CHAKOLA - Gold and Base Metals Project (NSW) - EL 5697, MLA 269 (CMY 100%)

Exploration within the Chakola project area is for gold, silver, copper, lead and zinc in deposits located along persistent mineralized horizons in metamorphosed volcanic rocks. A significant gold and base metal resource has been outlined at the Harnett prospect within MLA 269 and the search for extensions along strike and at depth is continuing. Positive results were obtained from an extensive soil sampling program which was completed during the reporting period and anomalies have been prioritized for drilling.

An Initial Mine Planning Focus meeting has been held and the company is progressing a development application. Additional environmental studies are being undertaken under the guidance of leading consultants.

PORTERS MOUNT – Gold, Copper, Molybdenum Project (NSW) – EL 6591 (CMY 100%)

Exploration of intrusive related gold-copper mineralization at Porters Mount is progressing and preparations have been made for a drilling programme designed primarily to test anomalies highlighted by specialist re-processing of geophysical survey data.

Recently, 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

Directors' Report (continued)

has been used successfully by the industry elsewhere in the region to detect mineralization under barren transported sedimentary cover. Further sampling is planned to build on these encouraging results.

Drilling is due to commence shortly.

NARRABURRA – Zirconium-Rare Metals Project (NSW) – EL 5629; EL 6787 (CMY 100%)

At Narraburra, exploration is for large disseminated deposits of rare metals (zirconium, hafnium, yttrium, thorium, gallium, Rare Earth Elements) in free digging, weathered, granitic bedrock and for zircon-bearing heavy mineral sands in overlying palaeochannels.

Current investigations are aimed at locating higher grade pockets of material within or below the currently defined shallow resource and at establishing a treatment path to produce a marketable concentrate.

A bulk sample has been excavated near the geographic centre of the deposit and a 10-15 tonne parcel of material recovered for specialist material characterization and metallurgical test work. Preliminary test results are positive showing that flotation proved to upgrade all target minerals. Exploration is continuing.

CRAIGIE – Alluvial Gold Project (NSW) – EL 5654 (CMY 100%)

At Craigie, Capital has identified alluvial gold resources within an historic goldfield and is aiming to establish reserves for a low-cost mining operation. An application to develop a trial mining operation is being assessed by the local authority and an initial Mine Planning Focus meeting has been held.

MILPARINKA – Platinum, Nickel Project (NSW) – EL 6832 (CMY 100%)

At Milparinka, the company is exploring outstanding conceptual targets for platinum, nickel, copper and gold deposits associated with what have been modeled as a series of volumetrically very large ultramafic to mafic intrusions at depth. A detailed analysis of the regional geophysics data has been completed and the sites for an initial campaign of diamond drilling have been selected. The 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 anomalies.

MUNDAERNO SOUTH – Uranium Project (SA) – EL 3853 (CMY 100%)

EL 3853 is located close to the new Honeymoon uranium mine in the highly prospective Curnamona geological province of South Australia and covers a series of previously untested palaeochannels and magnetic anomalies in the basement. The area is prospective for roll-front and calcrete-hosted type uranium deposits in cover sediments and for IOCGU (iron oxide copper-gold-uranium) style breccia and diatreme deposits in the basement. A drilling programme designed to test a series of previously unexplored palaeochannels and geophysical anomalies in the basement has been prepared.

COONALPYN – Uranium, Gold and Base Metals Project (SA) – EL 3881 (CMY 100%)

Exploration Licence 3881 covers a large area of underexplored terrain in a region where a number of significant gold and base metal discoveries have recently been made in adjacent provinces with similar geology. Conceptual targets include: 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.

FINANCIAL

The company's cash balance as at 31 December 2009 was \$1,235,574.

Directors' Report (continued)

SUBSEQUENT EVENTS

The directors are not aware of any significant changes in the state of affairs of the Company occurring since the end of the half-year.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is attached to this report.

Signed at Sydney this 3rd day of March 2010 in accordance with a resolution of the directors.



RICHARD HINE
Chairman

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.

BARNES DOWELL JAMES

CHARTERED ACCOUNTANTS

AJD:ZM

15 February, 2010

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 half year ended 31 December, 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.

Kind regards,
BARNES DOWELL JAMES



.....
Anthony Dowell
Partner

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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INCOME STATEMENT

Half-year ended 31 December 2009

	Note	31 Dec 2009	31 Dec 2008
		\$	\$
REVENUE FROM ORDINARY ACTIVITIES	2	24,719	43,905
Administration expenses		(39,367)	(16,850)
Audit services		(10,000)	(2,150)
Consultant expenses		(53,109)	(60,270)
Depreciation expense		(6,464)	(7,767)
Employee benefits expense		(2,251)	(3,705)
Exploration expenditure written-off		(126,580)	(90,411)
Legal fees		-	-
Occupancy expenses		-	-
Travel and accommodation expenses		(2,915)	(1,472)
Other expenses from ordinary activities		-	-
LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		(215,967)	(138,720)
INCOME TAX EXPENSE RELATING TO ORDINARY ACTIVITIES		-	-
LOSS FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE		(215,967)	(138,720)
NET LOSS ATTRIBUTABLE TO MEMBERS OF CAPITAL MINING LIMITED		(215,967)	(138,720)
Basic loss per share (cents per share)		0.003	0.003
Diluted loss per share (cents per share)		0.003	0.003

BALANCE SHEET

at 31 December 2009

	Note	31 Dec 09 \$	30 Jun 09 \$
CURRENT ASSETS			
Cash and cash equivalents		1,235,574	725,013
Receivables	3	36,852	16,023
Prepayments		9,464	4,607
TOTAL CURRENT ASSETS		1,281,890	745,643
NON-CURRENT ASSETS			
Tenement security deposits		115,000	105,000
Plant and equipment		70,653	77,117
Other		-	1,380
Deferred exploration and evaluation expenditure	4	2,568,433	2,372,922
TOTAL NON-CURRENT ASSETS		2,754,086	2,556,419
TOTAL ASSETS		4,035,976	3,302,062
CURRENT LIABILITIES			
Payables		64,911	100,831
TOTAL CURRENT LIABILITIES		64,911	100,831
TOTAL LIABILITIES		64,911	100,831
NET ASSETS		3,971,065	3,201,231
EQUITY			
Issued share capital	5	4,960,394	3,974,593
Issued options capital	5	143,096	143,096
Reserves		86,250	86,250
Accumulated losses		(1,218,675)	(1,002,708)
TOTAL EQUITY		3,971,065	3,201,231

STATEMENT OF CASH FLOWS

Half-year ended 31 December 2009

	31 Dec 2009	31 Dec 2008
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payment to suppliers and employees	(324,371)	(413,635)
Other income	106	1,796
Interest received	6,295	42,109
NET CASH FLOWS (USED IN) OPERATING ACTIVITIES	<u>(317,970)</u>	<u>(369,730)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of plant and equipment	-	-
Expenditure on mining interests (exploration)	(147,270)	(361,643)
Tenement security deposits	(10,000)	-
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES	<u>(157,270)</u>	<u>(361,643)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	1,022,813	-
Equity raising expenses	(37,012)	-
NET CASH FLOWS FROM FINANCING ACTIVITIES	<u>985,801</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH HELD	510,561	(731,373)
Add opening cash brought forward	725,013	1,772,850
CLOSING CASH CARRIED FORWARD	<u>1,235,574</u>	<u>1,041,477</u>

STATEMENT OF CHANGES IN EQUITY

Half-year ended 31 December 2009

	Attributable to the shareholders of Capital Mining Limited				
	Issued Capital \$	Issued Options Capital \$	Accumulated Losses \$	Reserves \$	Total Equity \$
AT 1 JULY 2008	3,741,470	143,096	(735,023)	86,250	3,235,793
Loss for the period	-	-	(138,720)	-	(138,720)
Issue of share capital	-	-	-	-	-
AT 31 DECEMBER 2008	3,741,470	143,096	(873,743)	86,250	3,097,073
AT 1 JANUARY 2009	3,741,470	143,096	(873,743)	86,250	3,097,073
Loss for the period	-	-	(128,965)	-	(128,965)
Issue of share capital, net of transaction costs	233,123	-	-	-	233,123
AT 30 JUNE 2009	3,974,593	143,096	(1,002,708)	86,250	3,201,231
AT 1 JULY 2009	3,974,593	143,096	(1,002,708)	86,250	3,201,231
Loss for the period	-	-	(215,967)	-	(215,967)
Issue of share capital, net of transaction costs	985,801	-	-	-	985,801
AT 31 DECEMBER 2009	4,960,394	143,096	(1,218,675)	86,250	3,971,065

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

31 December 2009

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial report.

The half-year financial report should be read in conjunction with the annual financial report of Capital Mining Limited as at 30 June 2009.

It is also recommended that the half-year financial report be considered together with any public announcements made by Capital Mining Limited during the half-year ended 31 December 2009 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Statement of Compliance

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements.

The half-year financial report has been prepared on a historical cost basis and available-for-sale financial assets that have been measured at fair value.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

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

(b) Significant Accounting Policies

The half-year financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2009.

2. REVENUE FROM ORDINARY ACTIVITIES

	31 Dec 09	31 Dec 08
	\$	\$
Interest received – other persons/corporations	24,613	42,109
Other income	106	1,796
	<u>24,719</u>	<u>43,905</u>

3. RECEIVABLES - CURRENT

	31 Dec 09	30 Jun 09
	\$	\$
Interest receivable	18,317	1,403
Other receivables	18,535	14,620
	<u>36,852</u>	<u>16,023</u>

4. NON-CURRENT ASSETS

Deferred exploration and evaluation expenditure

Costs brought forward	2,372,922	1,511,182
Costs incurred during the half-year	322,091	1,014,675
Expenditure written off during the half-year	(126,580)	(152,935)
Costs carried forward	<u>2,568,433</u>	<u>2,372,922</u>

Notes to the Half-Year Financial Statements (continued)

5. ISSUED CAPITAL

	31 Dec 09 \$	30 Jun 09 \$
(a) SHARE CAPITAL - Ordinary Shares		
1 July 2009	3,974,593	3,974,593
Rights Issue 21 July 2009	985,801	
31 December 2009 - 68,187,489 ordinary shares fully paid (30 June 2009 – 42,617,168)	<u>4,960,394</u>	<u>3,974,593</u>
	<u><u>4,960,394</u></u>	<u><u>3,974,593</u></u>
	31 Dec 09 \$	30 Jun 09 \$
(b) OPTIONS CAPITAL - Listed Options		
1 July 2009	143,096	143,096
Rights Issue of Options	-	
31 December 2009 - 14,306,231 Listed Options with an exercise price of \$0.20 and an expiry date of 18 October 2010 and 12,785,166 Listed Options with an exercise price of \$0.08 and expiry date of 1 July 2011(30 June 2009 – 14,306,231)	<u>143,096</u>	<u>143,096</u>
	<u><u>143,096</u></u>	<u><u>143,096</u></u>

6. CONTINGENT ASSETS AND LIABILITIES

Since the last annual reporting date, there has been no change in any contingent liabilities or contingent assets.

7. SEGMENT INFORMATION

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

8. SUBSEQUENT EVENTS

No event has occurred subsequent to 31 December 2009 requiring disclosure in, or amendment to, these financial statements.

DIRECTORS' DECLARATION

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

In the opinion of the directors:

- a) the financial statements and notes of the Company:
 - i) give a true and fair view of the Company's financial position as at 31 December 2009 and the performance for the half-year ended on that date; and
 - ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting" 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.

On behalf of the Board



RICHARD HINE
Chairman of Directors
Sydney, 3 March 2010

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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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF CAPITAL MINING LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Capital Mining Limited which comprises the balance sheet as at 31 December, 2009, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditors' Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December, 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Capital Mining Limited and Controlled Entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the half year financial report.

BARNES DOWELL JAMES

Incorporating P J Hennessy & Co

CHARTERED ACCOUNTANTS

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Capital Mining Limited on 15 February, 2010, would be in the same terms if provided to the directors as at the date of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Capital Mining Limited is not in accordance with the *Corporations Act 2001* including:

- A. giving a true and fair view of the Company's financial position as at 31 December, 2009 and of its performance for the half-year ended on that date; and
- B. complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

BARNES DOWELL JAMES



.....
Anthony J Dowell
13/122 Arthur Street
NORTH SYDNEY NSW 2060

Dated this FOURTH day of March 2010.



CAPITAL MINING LIMITED

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