

ASX Code: CMY

Issued Shares: 68.2M

Market Capitalisation: \$ 2.7M

Cash Balance: \$0.53M

QUARTERLY ACTIVITIES REPORT JUNE 2010



HIGHLIGHTS

COWARRA GOLD PROJECT

- ❖ Diamond drill assays peak at 42 g/t gold
- ❖ Shallow target of high potential confirmed at Ambassador-Vanderbilt Lode
- ❖ Best intersection 8.1 metres @ 4.5 g/t gold from 30m (Ambassador Lode)
- ❖ Underground resource potential being assessed
- ❖ Conceptual exploration targets over 600m of strike delineated

PORTERS MOUNT GOLD-COPPER PROJECT

- ❖ Shallow oxide gold target zone delineated
- ❖ Prospective sericite and magnetite alteration zones located within intrusive complex
- ❖ Geochemical haloes detected at large step-outs

MAYFIELD GOLD – COPPER PROJECT

- ❖ 51% Earn-In completed to secure majority interest in 4mt Mayfield Copper-Gold resource

CHAKOLA-HARNETT GOLD - BASE METALS PROJECT

- ❖ Potential of Harnett South mineralised segment enhanced by drilling
- ❖ Favourable results from preliminary sterilization drilling

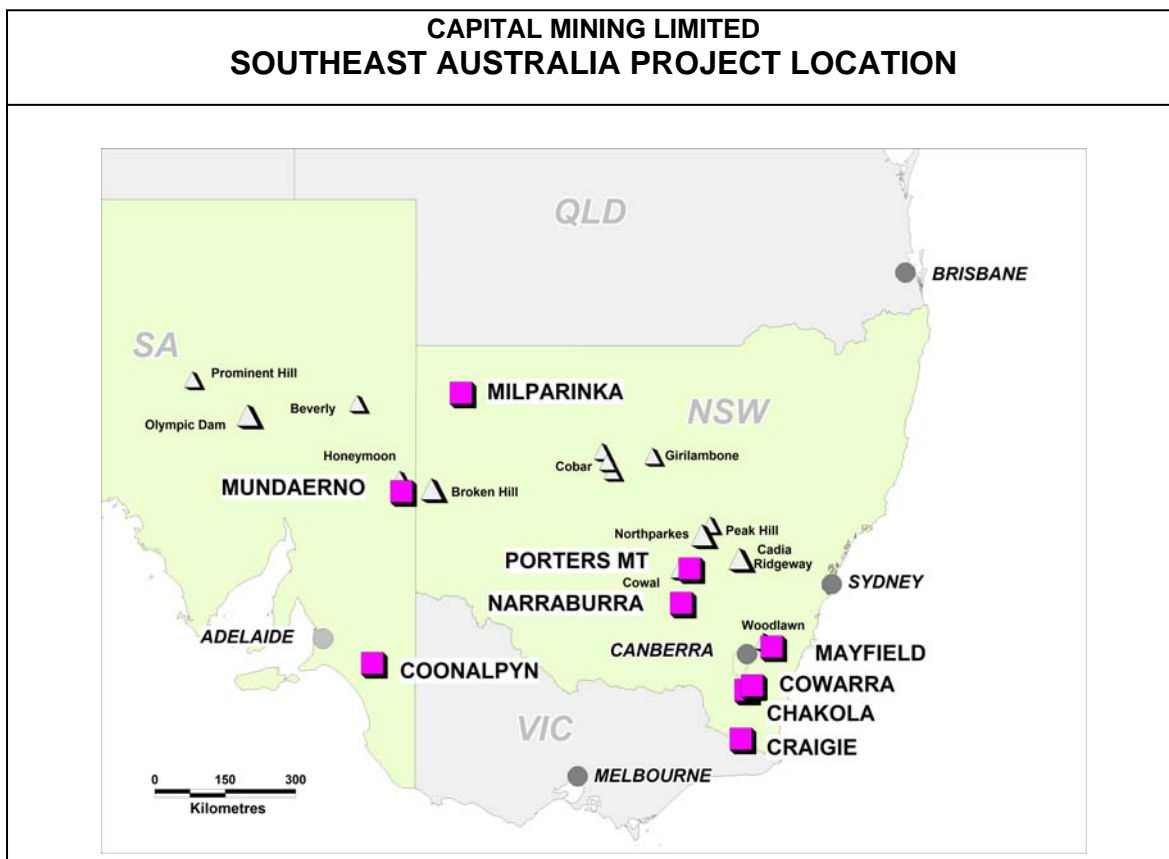
EXPLORATION ACTIVITIES

Assay results from drilling programmes in three project areas were received during the reporting period. At **Cowarra**, very positive results came from the diamond drilling of a number of high grade gold-sulphide targets at the historic gold mine which is the focus of exploration within the project area (see ASX market release of 14 July 2010). Five holes were completed in all for a total of 802m. Results included intercepts of ore grade gold mineralisation over significant widths and the deeper resource potential within the area, which will require more closely targeted drilling in the future, was confirmed.

Oxide gold mineralisation was intersected below thin cover at the **Porters Mount South** prospect and geochemically anomalous bedrocks with indicative alteration and mineralisation were located by scout drilling of other targets across of the project area (see ASX market release of 15 June 2010).

At **Chakola**, three gold-silver-base metal mineralised lenses with sub- to marginal grade gold and silver were intersected in an exploration hole that was drilled to test a soil geochemical anomaly at the Harnett South Prospect. The mineralisation was located at a step out of 400m along strike from the currently defined Harnett gold-base metals resource and has opened up the intervening segment as a priority target. Preliminary sterilization and geotechnical drilling was also completed at the proposed processing plant and tailings storage facility sites.

In another significant development, expenditure on the **Mayfield** Copper-Gold Project reached an important milestone during the quarter when the 51% Earn-In mark was achieved thus securing the company's major interest in the Mayfield tenement which covers the skarn hosted 4 million tonne Mayfield copper-gold-silver-zinc resource (see ASX releases 28 September 2009 and 12 July 2010).



COWARRA - GOLD

EL 5939 – 28 km² - Bredbo, NSW
(Capital Mining 100%)

Very positive results came from the 5 hole diamond drilling programme that was completed at the historic Cowarra mine during the quarter (see ASX release of 14 July 2010 for details). The drilling was targeted on high-grade gold-sulphide veins and shoots in shear zones adjacent to mineralised blocks within the mine.

Best results came from the **Ambassador Lode** where an intercept of **8.1m @ 4.5 g/t gold** from 30.1m including **0.54m @ 42.0 g/t gold** was made at shallow depth beneath the line of surface workings which mark the lode.

Mineralisation of significant grade and width was also intersected in 2 of 4 holes that were drilled to test the **Victoria Lode**, the largest historic gold producer of the Cowarra field. Results included:

- ❖ **10.5m @ 2.57 g/t gold including 2.3m @ 9.71 g/t gold from 157.8m**
- ❖ **4.5m @ 1.17 g/t gold from 112.7m and**
- ❖ **2.1m @ 14.3 g/t gold including 0.4m @ 28.7 g/t gold from 26.0m**

Overall the drilling results highlighted the potential for more mineralisation of similar tenor to be located along the underexplored 600m long strike segment centred on the Ambassador workings.

The case was also strengthened for drilling the 750m long zone of geochemical anomalism at the Firestone Ridge Prospect located in the southern part of the licence. Here, gold mineralisation of a similar style to that at the Cowarra mine has been outlined by mapping, rock chip sampling and historic grid soil sampling.

Analysis of the results is continuing, accurate site surveys have been completed and the new drilling information is being integrated with historic drilling and underground sampling data to identify targets and block out additional resources.

PORTERS MOUNT - GOLD-COPPER-MOLYBDENUM

EL 6591 - 65.7 km² – Grenfell, NSW
(Capital Mining 100%)

*Positive assay results were received from the 13 hole RC percussion and aircore drilling programme that was completed in the previous quarter (see ASX release of 15 June 2010 for details). A variety of exploration targets spread across the licence area were tested at depths of up to 103m. These included concealed magnetic and gravity anomalies, geochemical anomalies and underexplored mineralised structures. **The mineralisation at Porters Mount is associated with a large diatreme breccia and intrusive complex and the project area is located in a porphyry exploration hotspot close to a world-class producing gold mine.***

Six of the holes were drilled to test the primary target in the Porters Mount south area which is a shallow, bulk-mineable, sheeted vein style gold-silver deposit to a vertical depth of around 50-55m. Marginal gold grades over significant widths were encountered in the drilling and results included:

- ❖ **12.0m @ 0.5 g/t gold from 22m including 2m @ 2.5 g/t gold from 22m**
- ❖ **8.0m @ 0.5 g/t gold from 60m including 4m @ 0.8 g/t gold from 62m**
- ❖ **10.0m @ 0.5 g/t gold from 8m including 2m @ 1.5 g/t gold from 12m**
- ❖ **6.0m @ 1.0 g/t gold from 36m including 2m @ 1.5 g/t gold from 38m**

PORTERS MOUNT PROJECT (CONTINUED)

The drilling confirmed the resource potential in this area and the results are considered to be sufficiently encouraging to warrant further testing of the 250m long by 35-40m wide target zone which remains open to the northwest and southeast.

Two shallow aircore holes drilled to test for an extension of the ***epithermal vein breccia*** intersected in core hole PMD001 went through hematitic siltstone with elevated manganese, arsenic, silver, copper and zinc values. The vein breccia was not intersected. ***However, the result confirms that essentially "blind" bodies of semi-massive and disseminated sulphide mineralisation are present in the Porters Mount area and that continued systematic search of the prospect by deep drilling is justified.***

Elevated gold values to 0.25 g/t, together with unusually high manganese (to 3.38% within a 20m intercept at 1.7%) and weakly anomalous copper, zinc, silver, arsenic and cobalt values were recorded in a hole drilled to test a 200m diameter circular magnetic low within the ***Porters Mount Intrusive-Magnetic Complex***. Indicative sericite alteration and mineralisation in the form of a network of very fine limonite and hematite-bearing veinlets was encountered in a mafic intrusion at very shallow depth. ***From the style of alteration and the form of the anomaly, the magnetic low is interpreted to coincide with an ellipsoidal shaped zone of phyllic alteration which could be capping a body of disseminated gold-copper mineralisation at depth.*** The anomaly has an ideal footprint size for the porphyry type mineralisation being sought and results again support further investigation of the feature by deeper drilling.

Further indications of mineralisation were also found in two holes that were drilled to test a prominent magnetic high near the centre of the Porters Mount Magnetic Complex. Both holes intersected strongly magnetic, pervasively altered monzonite or diorite porphyry with quartz-goethite-magnetite veinlets and an alteration assemblage of feldspar, quartz, carbonate, magnetite, biotite, sericite, tourmaline and epidote. ***The discovery of intrusive rocks altered by high temperature, oxidizing solutions with anomalous copper to 284 ppm, gold to 12 ppb and elevated cobalt, mercury, zinc, arsenic and silver in this part of the Porters Mount Complex is considered to be an important development in the exploration of the system and again warrants follow up by systematic deep drilling.***

Drilling of a spot magnetic and gravity high on the periphery of the complex was inconclusive and the source was interpreted to lie beyond the 100m depth range of the drill. Volcanic sediment particles that were hydrothermally altered prior to deposition of the unit were encountered at the base of the deeper of the two holes in which trace levels of zinc, gold, mercury and copper were recorded. Both holes were drilled through 50m of cover into weathered hematite-rich siltstone. ***The sequence is considered to be post-mineral in age and the source of the geophysical anomaly is in older basement rocks at greater depth.*** Deeper drilling of this anomaly and of others along strike, which were not drilled due to flood inundation of the site at the time, is planned.

Third party data reviews are in progress and a joint venture partner is being sought to implement the next phase of the exploration programme which will necessarily involve more drilling to follow up the encouraging results to date.



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 additional information in support of a Development Application is being gathered.

During the reporting period, one RC percussion hole was drilled at the Harnett South Gold-Base Metals prospect and 5 holes were drilled for sterilization and groundwater investigation purposes at the proposed processing plant and tailings storage facility sites within MLA 269.

The exploration hole at the Harnett South prospect¹ was drilled to test a gold and base metals soil geochemical anomaly which was centred some 400m south of the currently defined Harnett gold-base metals resource on the main mineralised horizon. The hole was drilled to a depth of 78m on the angle and went through a sequence of variably sericite and chlorite altered metavolcanics with gossanous and disseminated pyrite and semi-massive pyrite bands throughout.

Three significant mineralised bands were encountered down the hole with gold values being similar to those recorded in the envelope of marginal material surrounding the Harnett deposit itself. Precious metal assays peaked at 1.02 g/t gold and 14.3 g/t silver respectively and best intercepts at cut offs based on visual logging of gossanous and sulphidic intervals were:

- ❖ 6.0m @ 0.32 g/t gold, 6.2 g/t silver and 0.34% lead from 9m
- ❖ 6.0m @ 0.38 g/t gold, 8.5 g/t silver and 0.51% lead from 18m
- ❖ including 1m @ 0.5 g/t gold, 13.3 g/t silver from 20m
- ❖ 6.0m @ 1.06% zinc, 0.43% lead, 4.3 g/t silver and 0.16 g/t gold from 64m

The result significantly extends the length of the prospective zone at Harnett South and also presents a possible target for higher grade mineralisation at depth. Follow up is planned.

As predicted from the results of mapping and surface sampling, no significant mineralisation was encountered in any of the holes drilled to sterilize the proposed Harnett mine infrastructure sites. And in what is taken as a favourable result, significant amounts of carbonate were recorded in all four holes drilled into the substrate of the proposed tailings storage facility sites. Further analysis of drill samples to quantify material characteristics will be carried out in the coming quarter.

MAYFIELD - GOLD - COPPER - BASE METALS

EL 6358 – 49.4 km² - Mayfield, NSW
(Capital Mining 51%)

Expenditure on the Mayfield Copper-Gold Project reached an important milestone during the quarter when the \$100,000 or 51% Earn-In mark was achieved giving the company the major interest in the Mayfield tenement which includes the skarn hosted 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 (see ASX release 28th September 2009).

Capital has been managing exploration at Mayfield since April 2009 under the terms of a Heads of Agreement with Monaro Mining NL (“Monaro” ACN 073 155 781, now Australian American Mining Corporation NL, “AAMC”). Capital has consented to Monaro assigning its interest in EL 6358 to **Forge Resources Ltd** (“Forge” ACN 139 886 187) under a Deed of Assignment and Assumption.

¹ Hole HRC089: inclination -60°; total depth 78m; azimuth 061° magnetic; collar AMG 694,962mE 6,000,181mN

MAYFIELD PROJECT (CONTINUED)

Forge has indicated that it will contribute its share to the ongoing agreed 2010-2011 exploration programme to maintain its interest.

A number of very promising gold, base metal and iron skarn deposits are under evaluation in the tenement which is strategically located near Braidwood in the Southern Divide Region of NSW. 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.

MUNDAERNO SOUTH - URANIUM

EL 3853 - 52 km² - Olary, SA
(Capital Mining 100%)

There was no change of the status of the Mundaerno project during the reporting period as access negotiations for a drilling programme designed to test a series of previously unexplored palaeochannels and geophysical anomalies in the basement continued. The tenement is located in a uranium exploration hotspot close to a newly operating mine and is being explored principally for uranium in Quaternary valley-fill sediments and roll-front type deposits in Tertiary sandstone.

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. Top soiling and reseeded of the exploration trenches at the Shiralee prospect was completed during the reporting period.

OTHER PROJECTS

There were no developments to report with regard to the *Milparinka (Orogenic gold, magmatic nickel-platinum)*, *Narraburra (Bulk disseminated zirconium, rare metals, rare earths)* and *Coonalpyn (Sedimentary uranium)* projects during the quarter.

TENEMENTS - Changes of Interest for the Quarter

Status	Tenements	Location	Percentage Interest
Acquired	EL 6358	Mayfield, NSW	51%
Surrendered or cancelled	Nil		

Dated: 29 July 2010

Richard Hine
Chairman

For further information please contact the management team Rick Hine, Rob McCauley, John Seeley or Chris Ablett.

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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, 01/06/10.

Name of entity

Capital Mining Limited

ABN

69 104 551 171

Quarter ended ("current quarter")

30 June 2010

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter 30 June 2010 \$A'000	Year to date (12 months) 30 June 2010 \$A'000
1.1 Receipts from product sales and related debtors	0	0
1.2 Payments for (a) exploration & evaluation	(478)	(977)
(b) development	0	0
(c) production	0	0
(d) administration	(45)	(199)
1.3 Dividends received	0	0
1.4 Interest and other items of a similar nature received	2	33
1.5 Interest and other costs of finance paid	0	0
1.6 Income taxes paid	0	0
1.7 Other – tenement security deposits	19	9
Net Operating Cash Flows	(502)	(1,134)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	0	0
(b) equity investments	0	0
(c) other fixed assets	0	0
1.9 Proceeds from sale of: (a) prospects	0	0
(b) equity investments	0	0
(c) other fixed assets	0	0
1.10 Loans to other entities	0	0
1.11 Loans repaid by other entities	0	0
1.12 Other (provide details if material)	0	0
Net investing cash flows	0	0
1.13 Total operating and investing cash flows (carried forward)	(502)	(1,134)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(502)	(1,134)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	0	1,023
1.15	Proceeds from sale of forfeited shares	0	0
1.16	Proceeds from borrowings	0	0
1.17	Repayment of borrowings	0	0
1.18	Dividends paid	0	0
1.19	Other – share issue costs	0	(81)
	Net financing cash flows	0	942
	Net increase (decrease) in cash held	(502)	(192)
1.20	Cash at beginning of quarter/year to date	1,035	725
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	533	533

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	88
1.24	Aggregate amount of loans to the parties included in item 1.10	0

1.25 Explanation necessary for an understanding of the transactions

1.23 – Consulting fees and reimbursement of expenses paid to entities associated with Directors

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

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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

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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	0	0
3.2	Credit standby arrangements	0	0

+ See chapter 19 for defined terms.

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	200
4.2	Development	0
4.3	Production	0
4.4	Administration	50
Total		250

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	229	181
5.2 Deposits at call	304	854
5.3 Bank overdraft	0	0
5.4 Other (provide details)	0	0
Total: cash at end of quarter (item 1.22)	533	1,055

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		
6.2	EL 6358	Interests in mining tenements acquired or increased	0%	51%

+ 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	Fully Paid	Fully Paid
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>			<i>Exercise price (cents)</i>	<i>Expiry date</i>
	250,000	0	18.5	22 Mar 2012
	250,000	0	23.5	22 Mar 2012
	14,302,897	0	20	18 Oct 2010
	12,785,166	0	8	1 Jul 2011
7.8 Issued during quarter	0			
7.9 Exercised during quarter	0			
7.10 Expired during quarter	0			
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: 29 July 2010

(~~Director~~/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.

Appendix 5B
Mining exploration entity quarterly report

Schedule of Tenements as at 29 July 2010

Tenement Name	Number	Interest	Comment
New South Wales			
Porters Mount	EL 6591	100%	
Cowarra	EL 5939	100%	
Narraburra	EL 5629 and EL 6787	100%	
Mayfield	EL 6358	51%	
Milparinka	EL 6832	100%	
Chakola	EL 5697	100%	
Chakola	MLA 269	100%	Application
Craigie	EL 5654	100%	
South Australia			
Mundearno South	EL 3853	100%	
Coonalpyn	EL 3881	100%	

EL = exploration licence

ELA = exploration licence application

EPM = exploration permit

EPMA = exploration permit application

+ See chapter 19 for defined terms.