

ASX Code: CMY

Issued Shares: 71.79M

Market Capitalisation: \$ 5.02M

Cash Balance: \$0.30M

QUARTERLY ACTIVITIES REPORT DECEMBER 2010



HIGHLIGHTS

CORPORATE

- ❖ *Meeting to Consider China Metallurgical Investments Proposal Called*
- ❖ *Substantial Investment in Capital Mining on Agenda*

COWARRA GOLD PROJECT, NSW

- ❖ *Commissioners Gold Limited Farm-in Announced*
- ❖ *Data Mining Confirms Potential at Ambassador Lode*
- ❖ *Drill program Design in Progress*

CHAKOLA GOLD-BASE METALS PROJECT, NSW

- ❖ *Block Modelling Completed*
- ❖ *Update of Resource Estimate in Progress*

MILPARINKA GOLD-PLATINUM-NICKEL PROJECT, NSW

- ❖ *Drill program approved*
- ❖ *Rig mobilisation awaited*

CRAIGIE GOLD PROJECT, NSW

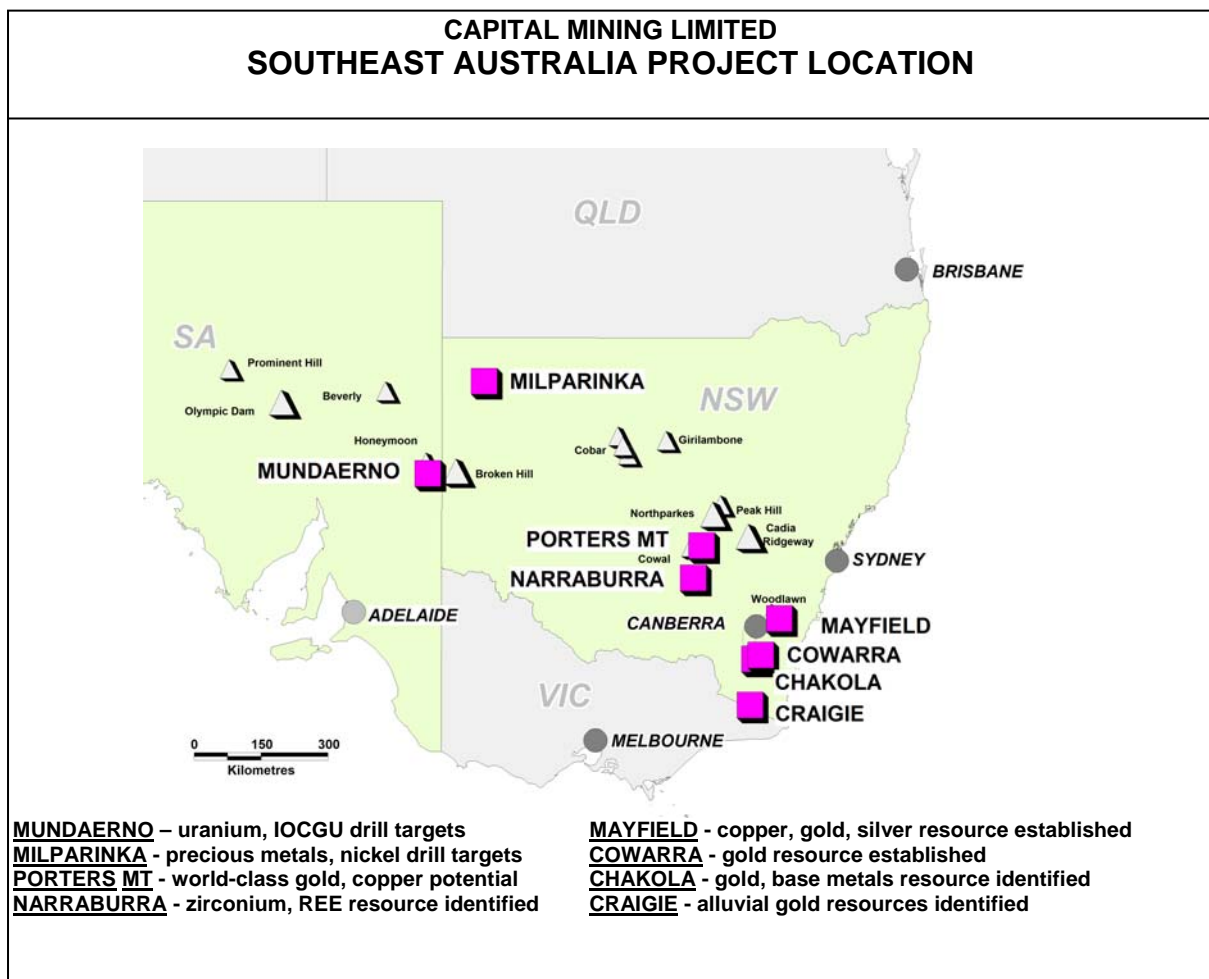
- ❖ *Rehabilitation of Disturbed Areas Successfully Completed*

EXPLORATION ACTIVITIES

Exploration activities during the reporting period centred largely on the **Cowarra** and **Mayfield** project areas in a quarter when field activities, especially at **Mundaerno** and **Milparinka**, were hampered by unseasonal, prolonged wet weather and local flooding.

In November, the Company entered into an agreement with **Commissioners Gold Limited** on the **Cowarra** gold project that is intended to allow for a significant injection of funds for exploration going forward. In addition, promising drill targets were identified at Cowarra from an ongoing analysis of the very extensive historical mining database that the Company has acquired. These include blocks of ore-grade material which were outlined before mine closure in 1988.

Analysis of previous exploration results for two key prospects within the **Mayfield** project area also highlighted their significant silver, base metals and gold potential. Both prospects, at **Limekilns** and **Greendale** respectively, are significantly underexplored by today's standards and have been ranked as high priority for follow up.



COWARRA - GOLD

EL 5939 – 28 km² - Bredbo, NSW

(Capital Mining 100%; Commissioners Gold earning 50%)

Exploration within EL 5939 is centred on the numerous old workings at the historic Cowarra mine and is for gold-sulphide deposits in highly deformed metasedimentary rocks. Previous production has been at grades in the range 5 to 13g/t gold in the 1940's and 1980's. The mineralisation is open along strike and at depth at a number of locations. A shallow, potentially open pit mineable resource of **500,000 tonnes at a grade of 2.3 g/t gold and containing 37,000 ounces of gold** in the JORC Inferred category has been estimated from previous drilling results.

During the reporting period, the terms of a Heads of Agreement with Sydney based, Commissioners Gold Limited (ACN 115 845 942) were successfully negotiated and a joint venture was put in place to advance exploration of the tenement. Under the terms of the agreement Commissioners Gold Limited has: the exclusive right to earn a 50% equity interest in EL 5939 for expenditure of \$500,000; and the right to earn an 85% equity interest for expenditure of a further \$350,000 should Capital elect not to contribute at that stage. Capital remains the manager of the project and will provide continuity in the exploration program.

Assessment of the very extensive historic database continued throughout the quarter. Efforts focussed on drill target generation in the **Ambassador** mine area where current drill results and historic plans indicate the presence of significant blocks of mineralisation down dip and plunge from existing stopes. Drilling is being designed to test possible extensions. Planned geological mapping and surface sampling was postponed due to wet weather conditions.

MAYFIELD - GOLD - COPPER - BASE METALS

EL 6358 – 49.4 km² - Mayfield, NSW

(Capital Mining 51% ; Forge Resources 46.5% - contributing)

The principal targets within the Mayfield project area, where exploration is being conducted in joint venture with Forge Resources Limited (ACN 139 886 187), are gold and copper bearing skarn and disseminated and vein style gold deposits in granitic and sedimentary host rocks. Capital is managing the exploration program and Forge is contributing *pro rata*. A JORC Inferred resource of **4.0 million tonnes at 0.4% copper, 0.6 g/t gold and 8.4 g/t silver** containing 16,000 tonnes of copper, 77,000 ounces of gold and 1.2 million ounces of silver has been established at the **Mayfield Prospect** (see CMY - ASX release 28th September 2009) and a number of very promising gold, base metal and iron skarn deposits are under evaluation in the tenement.

During the reporting period digital capture and analysis of historic geochemical and drill data for prospects of high priority for follow up at Limekilns and Greendale was completed. At **Limekilns**, where the target is a 750m long gold, silver and base metals anomaly, a shallow west dipping, mineralised contact skarn has been partially outlined by previous drilling. Values of up to 3m at 47.5 g/t gold from surface have been recorded in the anomalous zone and disseminated arsenopyrite, a gold pathfinder, has been recorded in leucogranite below the skarn. The mineralisation is zinc, lead and silver dominant and historic drill intersections have been recorded of up to:

- 14m at 4.56% Pb plus Zn, 28.6 g/t Ag, 0.17% Cu and 0.3 g/t Au from 53.5m; and
- 19.2m at 2.40% Pb plus Zn and 66.5 g/t Ag from 65.8m.

MAYFIELD PROJECT (continued)

Present indications at **Limekilns** are that there is a gold-sulphide target in skarn down dip from the currently known mineralisation and also that there is a disseminated gold-sulphide target in altered leucogranite below the surface geochemical anomaly.

At the **Greendale Prospect**, an 1100m x 400m anomaly has been outlined by previous surface sampling within EL 6358 and an adjacent licence. Rock chips with up to 4200 ppm copper and 6.08 g/t gold have been collected from the anomalous zone which was partially tested by RC drilling. The prospect is underlain by variably silicified and sericitised sediments with disseminated sulphides, carbonate and quartz veins. Previous drill results included some significant base metals and silver intercepts with values in RC percussion holes to:

- 11m @ 2.00% zinc and 11 g/t silver from 49 to 60m; and
- 10m @ 7.23% zinc, 48 g/t silver and 0.4 g/t gold from 27 to 37m.

Analysis of available data suggests that there is considerable scope for follow up and new drill targets are being defined.

The refurbishment and re-location of the historic Mayfield drill cores from current storage at the Woodlawn industrial site to a core store at Mayfield also commenced during the reporting period. The transfer is being made to provide better access to this valuable resource and to facilitate its further study.

An approved drill program has been laid out at the Mayfield prospect and drill targets have been identified at the Limekilns and Greendale prospects. Exploration is continuing.

MUNDAERNO SOUTH - URANIUM

EL 3853 - 52 km² - Olary, SA
(Capital Mining 100% - AMWD Earning 49%)

The Mundaerno South tenement is being explored for calcrete and sandstone hosted uranium deposits in the sedimentary cover sequence and for iron oxide bearing copper-gold-uranium-REE deposits (IOCGU) in underlying crystalline basement rocks. The tenement is located in a uranium producing province within 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 first pass drilling program has been designed to test a series of previously unexplored palaeochannels and geophysical anomalies in the basement across the tenement. Field activities were severely hampered by bad weather during the reporting period and attempts to obtain site clearance for drilling prior to December 25th had to be aborted due to lack of vehicular access.

MILPARINKA - GOLD-PLATINUM-NICKEL

EL 6832 - 149 km² - Milparinka, NSW
(Capital Mining 100%; AMWD Earning 49%)

Exploration at Milparinka is for large platinum-nickel and gold-copper deposits that are predicted to be associated with a deep-seated mafic to ultramafic intrusion which is coincident with magnetic and gravity anomalies of crustal scale. A drilling program designed to locate any indications of intrusion related gold-copper mineralisation and indicative alteration in the column of basement rocks that overlies the inferred intrusive mass to a depth of 800m in the first instance has been approved. During the quarter drilling consumables were purchased and shipped to site. However, field activities were also severely hampered by bad weather in this area.

CHAKOLA - GOLD & BASE METALS

EL 5697 - 66.4 km²; MLA 269 - 332 hectares – Cooma, NSW
(Capital Mining 100%)

Exploration at Chakola is for stratabound, disseminated and stockwork gold, silver and base metal deposits in altered volcanic host rocks. Work is centred on the **Harnett prospect** where a JORC resource currently estimated at **1.2 Mt @ 0.8 g/t gold, 0.5% copper, 8.1 g/t silver and 1.1% lead plus zinc** containing some 30,800 oz gold, 6,000 t copper and 310,000 oz silver has been identified (see Capital Mining Annual Report of 2008 for full details). A proposal to develop a shallow open cut mine on the deposit has been drawn up and a Development Application is under assessment. Block modelling of the Harnett deposit to facilitate an update of the resource estimate is in progress. Ongoing work is planned to include supplementary environmental studies and analysis of drill samples to quantify material characteristics.

NARRABURRA ZIRCONIUM – RARE EARTHS

EL 5629 and EL 6787 - 54 km²
(Capital Mining 100%)

At Narraburra the company is evaluating a bulk disseminated Rare Metals and Rare Earths prospect for which a JORC Inferred resource of **55 million tonnes at a grade of 1000 g/t zirconium oxide, 60 g/t yttrium oxide, 300 g/t rare earth oxides, 80 g/t niobium oxide and 50 g/t thorium oxide** has been estimated. Results to date have shown that there is a good correlation between drill grades and bulk sample grades and that acceptable recoveries for a wide range of rare metal oxide components including zirconium, niobium, lithium and thorium could be achieved by using conventional treatment methods. Drilling to obtain more representative material for a second stage of metallurgical test work is planned. There were no developments to report during the quarter.

PORTERS MOUNT - GOLD-COPPER-MOLYBDENUM

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

Exploration at Porters Mount is for large intrusion-related porphyry copper-gold and sub-epithermal gold type deposits associated with a diatreme breccia and intrusive complex. The prospect is located within 18 km of a world-class producing gold mine and widespread signs of indicative mineralisation and alteration have been recorded. Field activities were severely hampered by bad weather during the reporting period and drill site rehabilitation works have been postponed until drier conditions prevail. Field inspections and third party data reviews were completed during the quarter. Drill targets have been identified 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. An EIS including a comprehensive flora and fauna study has been prepared and a development application in support of the application for two Mineral Claims covering the Shiralee Terrace 2 deposit is being assessed. During the reporting period, all disturbed areas at the Shiralee bulk sample treatment site were backfilled, re-contoured, top-soiled and re-grassed. Exploration is presently on hold.

TENEMENTS - Changes of Interest for the Quarter

Status	Tenements	Location	Percentage Interest
Acquired	Nil		
Surrendered or cancelled	Nil		

For further information please visit the Company's website or contact the management team.

Dated: 20 January 2011

Dr Rick Hine
Capital Mining Limited
P.O. Box 3770, Weston Creek, ACT, 2611 Australia
Web: www.capitalmining.com.au
Phone: 02 6288 2661

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")

31 December 2010

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter 31 December 2010 \$A'000	Year to date (6 months) 31 December 2010 \$A'000
1.1 Receipts from product sales and related debtors	0	0
1.2 Payments for (a) exploration & evaluation	(141)	(268)
(b) development	0	0
(c) production	0	0
(d) administration	(91)	(160)
1.3 Dividends received	0	0
1.4 Interest and other items of a similar nature received	3	14
1.5 Interest and other costs of finance paid	0	0
1.6 Income taxes paid	0	0
1.7 Other – tenement security deposits	0	9
Net Operating Cash Flows	(229)	(414)
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	62
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	62
1.13 Total operating and investing cash flows (carried forward)	(229)	(352)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(229)	(352)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	126	126
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	0
	Net financing cash flows	126	126
	Net increase (decrease) in cash held	(103)	(226)
1.20	Cash at beginning of quarter/year to date	410	533
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	307	307

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	76
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

--

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

--

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	50
4.2	Development	0
4.3	Production	0
4.4	Administration	50
Total		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 \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	307	410
5.2 Deposits at call	0	0
5.3 Bank overdraft	0	0
5.4 Other (provide details)	0	0
Total: cash at end of quarter (item 1.22)	307	410

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		Interests in mining tenements acquired or increased		

+ 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	71,787,489	71,787,489	Fully Paid	Fully Paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	3,600,000	3,600,000	3.5	3.5
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
	12,785,166	12,785,166	8	1 Jul 2011
	3,000,000	0	4	1 Sep 2014
	2,000,000	0	6	1 Sep 2014
	1,500,000	0	8	1 Sep 2014
7.8 Issued during quarter			<i>Exercise price (cents)</i>	<i>Expiry date</i>
7.9 Exercised during quarter	0			
7.10 Expired during quarter	14,302,897	14,302,897	20	18 Oct 2010
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:

(~~Director~~/Company Secretary)

Date: 20 January.2011

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.

Appendix 5B
Mining exploration entity quarterly report

Schedule of Tenements as at 20 January 2011

Tenement Name	Number	Interest	Comment
New South Wales			
Porters Mount	EL 6591	100%	
Cowarra	EL 5939	100%	Commissioners Gold Limited earning 50%
Narraburra	EL 5629 and EL 6787	100%	
Mayfield	EL 6358	51%	Forge Resources Limited joint venture
Milparinka	EL 6832	100%	AMWD earning 49%
Chakola	EL 5697	100%	
Chakola	MLA 269	100%	Application
Craigie	EL 5654	100%	
South Australia			
Mundaerno South	EL 3853	100%	AMWD earning 49%

EL = exploration licence

ELA = exploration licence application

MLA = mineral lease application

EPM = exploration permit

EPMA = exploration permit application

+ See chapter 19 for defined terms.